Henkel AG & Co. KGaA
Germany, Specialty Chemicals and Consumer Products

A STABLE

Key metrics

			Scope estimates	
Scope credit ratios	**2022**	**2023**	**2024E**	**2025E**
Scope-adjusted EBITDA/interest cover	42x	57x	41x	44x
Scope-adjusted debt/EBITDA	1.0x	0.3x	0.7x	0.6x
Scope-adjusted funds from operations/debt	76%	299%	114%	127%
Scope-adjusted free operating cash flow/debt	24%	246%	70%	74%

Rating rationale

The rating affirmation reflects a very strong financial risk profile (assessed AA-), with leverage of below 0.5x as of December 2023, and a strong business risk profile (assessed A-), benefitting from Henkel's leading market position, particularly in adhesive technologies, some strong global brands (Persil, Schwarzkopf, Loctite, Technomelt) and business diversification. The business risk profile is constrained by the geographical concentration of operating profits (EBIT) in Europe and by moderate profitability compared to peers, which has deteriorated in recent years but is now on a recovering path.

Outlook and rating-change drivers

The Outlook is Stable and reflects the expectation that Henkel will keep leverage, measured by Scope-adjusted debt/EBITDA, at around or below 1.0x over time, while gradually recovering profitability on the back of slowly improving market conditions and cost saving initiatives. The Outlook does not include any large multi-billion-euro acquisitions in the medium term, but rather bolt-on deals.

A positive rating action could be warranted if Henkel's financial policy becomes more creditor-friendly, for example by setting a low leverage target and/or a positively revised rating commitment.

A negative rating action could occur if Scope-adjusted debt/EBITDA were to rise close to or above 2.0x, e.g. due to an increase in shareholder remuneration, a major acquisition, or a sustained deterioration in profitability.

Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
28 May 2024	Affirmation	A/Stable
30 May 2023	Affirmation	A/Stable
25 May 2022	New	A/Stable

Ratings & Outlook

Issuer	A/Stable
Short-term debt	S-1
Senior unsecured debt	A

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Related Methodologies

General Corporate Rating Methodology; October 2023

Consumer Products Rating Methodology; November 2023

Chemicals Rating Methodology; April 2024

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Rating and rating-change drivers

Positive rating drivers	Negative rating drivers
• Leadership in global adhesive industry helped by strong innovative power (ESG factor) and top global positions in selected consumer product categories (laundry, home and hair care) • Very strong financial risk profile (assessed at AA-) amid low leverage. • Conglomerate structure, with an equal balance between specialty chemicals and consumer products, resulting in a relatively low volatility of earnings. • Broad product (and brand) portfolio addressing different end-markets and demand drivers; proportionate mix between B2B and B2C • Strong free operating cash flow generation and liquidity • Strong profitability of Adhesive Technologies division, with EBITDA margin generally close to 20% • History of prudent dividend policy and sound credit metrics	• Group profitability pressured in recent years from significant increases in raw materials, logistics and energy costs, as well as soft volumes. • Weaker position of Consumer Brands division compared to key global peers, especially in North America, despite being strong in Europe. • Some geographical concentration on Europe (about 40% of sales and 60% of EBIT), estimated to be higher for consumer products. • Moderate profitability of Consumer Brands division, with divisional EBITDA margin currently well below 15%, amid ongoing divisional restructuring started in 2022. • Opportunistic approach on acquisitions, leading to moderate risk of sizeable deals which partly caps the assessment of the financial risk profile.

Positive rating-change drivers	Negative rating-change drivers
• Financial policy more creditor-friendly	• Scope-adjusted debt/EBITDA sustained at above or close to 2.0x

Corporate profile

Henkel AG & Co. KGaA, founded in 1876 and based in Düsseldorf (Germany), manufactures adhesives and non-discretionary consumer products. Its business segments are Adhesive Technologies and Consumer Brands, with the latter created in 2023 from the merger of the two previously independent divisions, Beauty Care and Laundry & Home Care. The Adhesive Technologies portfolio includes top brands Loctite, Technomelt and Bonderite and its products are used across numerous industries, including automotive, metals, packaging and consumer goods. Consumer Brands products include hair products for consumer and professional use (hair care, coloring and styling), soaps, shower gels, laundry detergents and dishwashing products. The portfolio has numerous brands, the key ones being Persil (laundry), All (laundry), Bref (home care), Schwarzkopf (hair care), Syoss (hair care), and Dial (soaps).

Henkel has 161 production sites in 55 countries, with the largest in Bowling Green, the USA, and Düsseldorf, Germany. The company employs around 48,000 people.

Financial overview

				Scope estimates		
Scope credit ratios	**2021**	**2022**	**2023**	**2024E**	**2025E**	**2026E**
Scope-adjusted EBITDA/interest cover	82x	42x	57x	41x	44x	47x
Scope-adjusted debt/EBITDA	0.4x	1.0x	0.3x	0.7x	0.6x	0.5x
Scope-adjusted funds from operations/debt	186%	76%	299%	114%	127%	151%
Scope-adjusted free operating cash flow/debt	102%	24%	246%	70%	74%	91%
Scope-adjusted EBITDA in EUR m						
EBITDA	3,191	2,684	2,929	3,170	3,366	3,570
Losses (gains) from fixed assets disposal	-46	-46	205	0	0	0
Scope-adjusted EBITDA	**3,145**	**2,638**	**3,134**	**3,170**	**3,366**	**3,570**
Funds from operations in EUR m						
Scope-adjusted EBITDA	3,145	2,638	3,134	3,170	3,366	3,570
less: (net) cash interest paid	-39	-64	-55	-77	-76	-76
less: cash tax paid per cash flow statement	-651	-711	-505	-670	-722	-776
add: dividends from associates	0	0	0	0	0	0
Other items (change in provisions)	160	61	524	0	0	0
Funds from operations (FFO)	**2,615**	**1,924**	**3,098**	**2,423**	**2,568**	**2,719**
Free operating cash flow in EUR m						
Funds from operations	2,615	1,924	3,098	2,423	2,568	2,719
Change in working capital	-414	-601	184	-47	-128	-133
Non-operating cash flow	0	0	0	0	0	0
less: capital expenditure (net)	-624	-566	-591	-750	-800	-800
less: lease payments	-138	-149	-146	-149	-149	-149
Free operating cash flow (FOCF)	**1,439**	**608**	**2,545**	**1,477**	**1,492**	**1,636**
Net cash interest paid in EUR m						
Net cash interest per cash flow statement	31	56	44	66	66	65
Interests on pension liabilities	7	7	10	10	10	10
Other interests (contingencies)	1	1	1	1	1	1
Net cash interest paid	**39**	**64**	**55**	**77**	**76**	**76**
Scope-adjusted debt in EUR m						
Gross financial debt	3,441	3,586	2,892	3,185	3,098	3,182
less: cash and cash equivalents	-2,379	-1,292	-2,155	-1,359	-1,373	-1,685
add: non-accessible cash	200	200	200	200	200	200
add: pension adjustment	0	0	10	10	10	10
Other (contingencies, other financial liabilities)	145	41	88	88	88	88
Scope-adjusted debt (SaD)	**1,407**	**2,535**	**1,035**	**2,124**	**2,022**	**1,795**

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Environmental, social and governance (ESG) profile[1]

Environment		Social		Governance	
Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency)	Grey leaf	Labour management		Management and supervision (supervisory boards and key person risk)	Grey leaf
Efficiencies (e.g. in production)		Health and safety (e.g. staff and customers)	Grey leaf	Clarity and transparency (clarity, quality and timeliness of financial disclosures, ability to communicate)	Grey leaf
Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables)	Green leaf	Clients and supply chain (geographical/product diversification)		Corporate structure (complexity)	Grey leaf
Physical risks (e.g. business/asset vulnerability, diversification)		Regulatory and reputational risks		Stakeholder management (shareholder payouts and respect for creditor interests)	Grey leaf

Legend
Green leaf (ESG factor: credit positive)
Red leaf (ESG factor: credit negative)
Grey leaf (ESG factor: credit neutral)

Material ESG factors within chemicals and consumer products

The key material ESG factors affecting both chemical and consumer product companies relate to environmental risks, mainly for resource management (both industries are energy and water-intensive), the circular economy and pollutant emissions. Product safety (implying control over the raw materials used) is also a risk common to both industries, while safety in production plants is a more pronounced risk for chemical companies.

Key environmental targets

Henkel's ESG strategy addresses the relevant environmental risks. Targets include a reduction of carbon emissions from production by 65% until 2025 (base year 2010, 61% achieved by 2023) and the ambition to be climate positive by 2030; 100% use of renewable electricity by 2030 (89% achieved); a reduction of water consumption by 35% by 2025 (24% achieved); and circular water use at key manufacturing sites by 2030. In terms of waste, key targets include a 50% reduction in production waste by 2025 (38% achieved); and 100% of packaging designed for recycling or reusability by 2025 (87% achieved). All bonds issued since 2020 are ESG-related.

Product innovation is a positive ESG factor

We consider product innovation to be a positive ESG factor for Henkel, as the company is at the forefront of sustainable product applications, especially within adhesive technologies. This should ensure a sustained competitive position and future revenue streams, as Henkel's portfolio of applications benefits from several megatrends, such as sustainability (in particular circularity and recyclability), mobility, connectivity, digitalisation and urbanisation. As an example, within Mobility more than double of products from Adhesive Technologies are used in electric vehicles than those with internal combustion engines. Henkel's launch of its own battery engineering centre in 2023 in Düsseldorf – the first amongst peers – solidifies its role as a premier design and innovation partner for automotive OEMs and battery manufacturers globally.

[1] These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity's cash flow and, by extension, its credit quality.

Business risk profile: A-

Henkel's business risk profile benefits from its leading market position, particularly in adhesive technologies, some strong global brands (Persil, Schwarzkopf, Loctite, and Technomelt) and business diversification. Nevertheless, it is constrained by the moderate geographical concentration of operating profits (EBIT) in Europe and by moderate profitability compared to peers, which deteriorated in recent years but is now on a recovering path.

Blended industry risk profile: A

The blended industry risk profile rating of A is based on Henkel's two divisions operating in specialty chemicals (Adhesive Technologies) and non-discretionary consumer products (Consumer Brands), both of which have an industry rating of A. The split between the two industries in terms of both revenues and EBITDA has been fairly well balanced over the past few years. We have therefore used both our specialty chemicals and consumer product rating methodologies for our analysis.

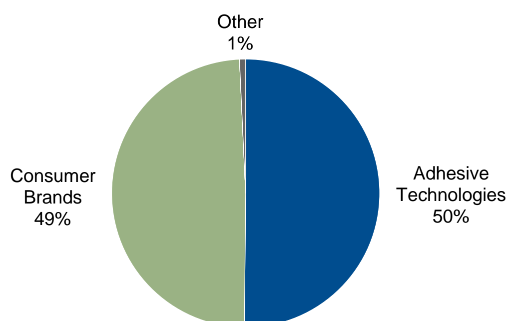
Specialty chemicals

The specialty chemicals industry encompasses a wide range of different-sized companies and is characterised by factors such as production expertise and relationships with customers in aftermarkets. All these elements serve as high de-facto entry barriers. Substitution risk is low, based on high technical production requirements and a lack of alternative production methods. We believe specialty chemicals companies generally have medium sensitivity to changes in GDP because aftermarkets require lower quantities of specialty chemicals in their product processes and prices tend to be negotiated individually.

Consumer products

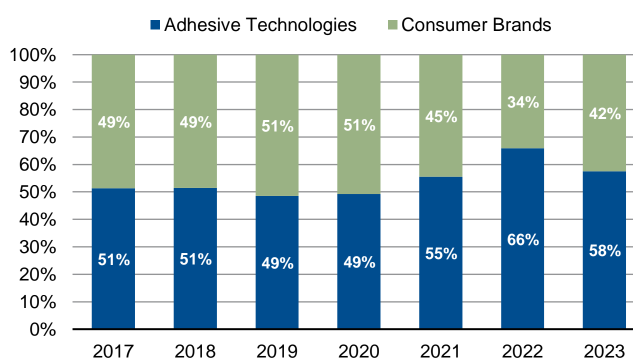
The non-discretionary consumer products industry has low cyclicality. Despite the generally moderate capital investment needed, barriers to entry are medium in view of the efforts needed to attain the required economies of scale and establish customer bases. At the same time, substitution risk is low, reflecting the generally non-discretionary nature of these products.

Figure 1: Revenues split by segment (2023)



Sources: Henkel, Scope

Figure 2: EBITDA split by segment



Sources: Henkel, Scope

Global number one in adhesives

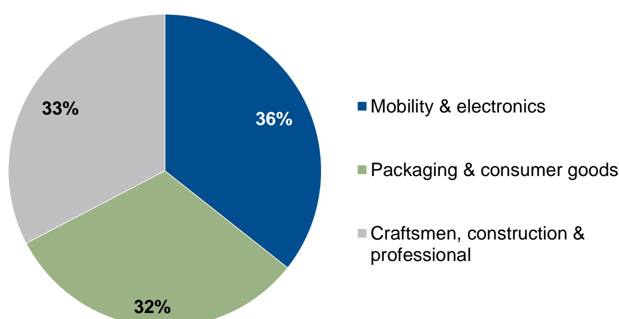
Henkel's market position is supported by its top position in the global adhesives industry, benefiting from its strong focus on innovation and product sustainability. Adhesive Technologies invests around 3% of sales in R&D, a higher rate than adhesive peers, and has an innovation rate of 25% over the past five years. Henkel is estimated to hold roughly 15% of the global adhesives market for bonding, sealing and functional coating, with the main competitors including H.B. Fuller, 3M, Sika, Arkema (Bostik) and Dow. Henkel has a global footprint, offers a broad range of adhesives and serves various industries. Adhesive Technologies sells multiple globally well-known brands such as Loctite, Technomelt, Bonderite, Pritt and Pattex. On the negative side, Henkel's position in sealants and adhesives used in construction is weaker. In terms of the global market

shares of Henkel's business areas within Adhesive Technologies, the company ranks number one in the Mobility & Electronics and Packaging & Consumer Goods end-use markets, and in number two in the Craftsmen, Construction & Professional end-markets. The recent acquisitions in the US of Critica Infrastructure in 2023 (sales of about EUR 100m in 2023) and Seal for Life Industries LLC in Q1 2024 (sales of about EUR 250m in 2023) strengthen Henkel's existing platform in MRO (maintenance, repair, overhaul) solutions and expand the adhesive portfolio to the attractive adjacent business of solutions for infrastructure, including, for example, repair and reinforcement applications for oil & gas piping or water supply systems.

Focus on sustainable product innovation

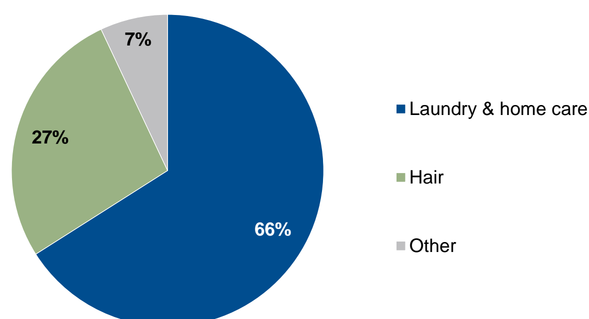
We view positively Henkel's positioning in innovative products, especially for its adhesive portfolio, as this benefits from the participation in main megatrends, including mobility, connectivity and the circular economy. Henkel will expand its network of innovation centres in Adhesive Technologies by opening one in Shanghai in 2024 and one in Brazil (planned for 2025), in addition to those already existing in Germany, India and the USA. These centres will further expand Henkel's global footprint and strengthen its role as a 'co-innovator' together with customers and industrial partners worldwide.

Figure 3: Sales split, Adhesive Technologies (FY 2023)



Sources: Henkel, Scope

Figure 4: Sales split, Consumer Brands (FY 2023)



Sources: Henkel, Scope

Consumer Brands: strong in Europe but weaker globally

The Consumer Brands division is strong in Europe thanks to Henkel's German roots and the popularity of its brands, some of which are deeply embedded in the local culture. However, despite a sufficient ability to set prices, Henkel's position in other geographies is slightly less strong than that of some peers, especially in North America where competitors include Procter & Gamble, Unilever and L'Oreal. Within its two core global categories, Henkel ranks number two in Laundry & Home Care (number one in Europe), and number two in the Professional & Consumer Hair business (hair care, colouring, and styling) within its active geographical markets. In Europe and North America, Henkel is only present in selected but attractive body care markets, namely Bath & Shower, Deodorants and Soaps with the brands Fa and Dial (the number two soap brand in the USA).

Beauty Care and Laundry & Home Care merged into 'Consumer Brands' in 2023

In 2023, the Beauty Care and Laundry & Home Care businesses merged into one Consumer Brands division, as part of the restructuring initiated in 2022. One of the targeted synergies was to enhance advertising efficiency, focusing resources on the stronger brands, while at the same time divesting weaker businesses within Beauty Care (skin, oral, and selected body care businesses were exited) and Laundry & Home Care, primarily focusing on North America. By December 2023, Henkel had realised EUR 650m from its plan to discontinue or divest brands and categories with sales totalling around EUR 1.0bn. Furthermore, in April 2023, the company completed the sale of its Russian operations for a cash consideration of around EUR 600m, concluding its withdrawal from the country. On the acquisition front, Henkel further strengthened its Asian geographical

footprint within Hair in Q1 2024 by acquiring the trademarks for the Vidal Sassoon brands in China and some other regions (around EUR 200m in incremental yearly sales) following the acquisition of the Shiseido Hair salon business in 2022.

Overall, the negative impact of M&A on revenues will be compensated for by expected low-to-mid single-digit organic growth, leading to broadly flat group sales in 2024 at around EUR 21.5bn (2023: EUR 22.4bn).

High brand awareness and loyalty, especially in Europe

Henkel owns a portfolio of numerous brands, which are generally internationally well-known and positioned in the mid to upper price level. Of these, the top ones are Persil (EUR 1.4bn in sales in 2023) and Schwarzkopf (EUR 1.3bn in sales) in Consumer Brands; and Loctite (EUR 3.4bn in sales) and Technomelt (EUR 1.7bn in sales) in Adhesive Technologies. These flagship brands are globally recognised and tend to be positioned in the premium segment, given their focus on innovation. Although Henkel does not disclose its advertising spending, we infer a trend of increasing investments in marketing based on the development of 'marketing, selling and distribution expenses'. These amounted to 27% of sales in 2023, up from 23%-24% in the pre-Covid years. Given its focus on innovative products, Henkel generally spends around 2.0%-2.5% of sales on R&D in the Consumer Brands division, which we consider to be above industry average. Henkel operates 15 innovation centres for consumer products worldwide.

Conglomerate structure enhances diversification

Diversification continues to support the rating. It is positively impacted by Henkel's conglomerate structure with an equal balance between specialty chemicals and non-discretionary consumer products as well as a proportionate mix between B2B and B2C.

Adhesives: widely diversified applications despite portion of cyclical end-use markets

Diversification in Adhesive Technologies benefits from a wide product portfolio and a varied end-market mix. It is, however, weakened by the estimated 35% of the portfolio that derives from cyclical industries, including automotive and construction. That said, this negative rating factor is mitigated by the exposure to several end-markets with different degrees of correlation between each other, limiting the variability of results.

Consumer Brands: broad product portfolio but focus on few categories and key brands

Henkel's non-discretionary consumer products portfolio is diversified but more focussed on a few consumer goods categories than the portfolios of large peers (oral care and skin care were exited last year). There is also a moderate concentration on key brands. In 2023, the top 10 brands in Consumer Brands had a sales share of around 50%; and the top five brand in Adhesive Technologies had a sales share of over 75%.

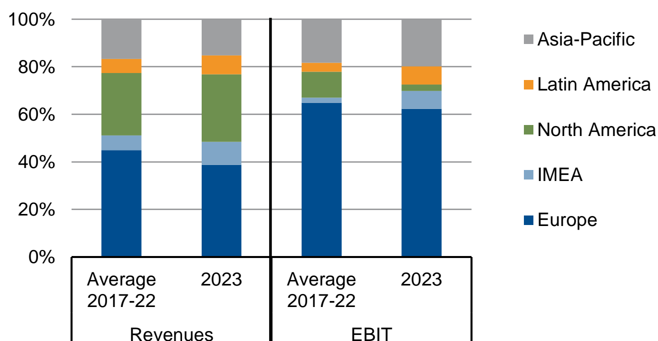
No material dependency on clients or suppliers

Supplier and customers are broadly diversified, and Henkel has a well-established distribution network. The five largest suppliers represent 14% of purchasing volume in direct materials as of 2023. Henkel's consumer products are sold by various sales channels, including numerous retailers, online shops and drug stores. In 2022, private consumers accounted for 67% of Beauty Care sales and professional providers such as hairdressers and stylists accounted for 33%. Digital sales are gradually increasing and reached 20% of sales in 2023.

Operating profits fairly concentrated in Europe

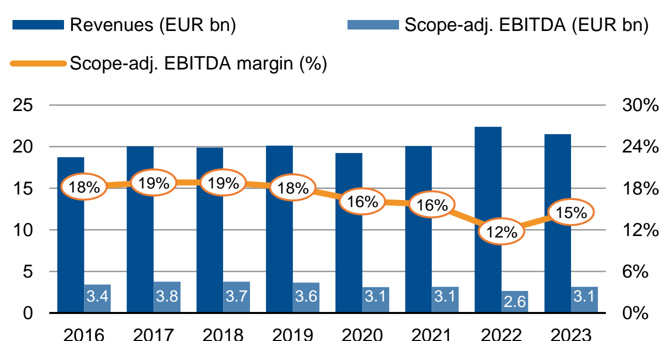
Henkel's diversification is constrained by geographical concentration. Despite a global reach, around 40% of sales and an even higher share of reported operating profits (EBIT) of around 60% are from Europe. The geographical distribution of sales has been fairly stable over time, while operating profits have been more volatile, but the share from North American profits has fallen markedly since 2020. Exposure to Europe is even more pronounced in Consumer Brands.

Figure 5: Geographical split of revenues, operating profits



Sources: Henkel, Scope

Figure 6: Revenues, Scope-adjusted EBITDA



Sources: Henkel, Scope estimates

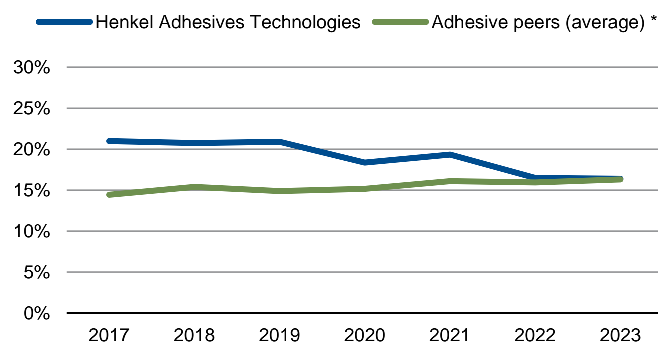
Profitability pressured by inflation and restructuring over the past two years…

Profitability is currently a constraining factor for the rating. In the past, EBITDA margins were strong at 18%-19%. However, from 2020, the negative impact of the Covid-19 crisis on industrial demand and the inflationary pressures that followed led to a progressive deterioration in profitability. Scope-adjusted EBITDA rebounded to EUR 3.1bn in 2023 from a low of EUR 2.6bn in 2022, with the EBITDA margin recovering to 14.6% (compared to 11.8% in 2022), though still trailing pre-Covid levels of approximately 18%. Despite lower volumes, increasing advertising spending and the exit from the lucrative Russian business, profitability improved in 2023 driven by pricing actions amid normalising but still elevated input costs.

…but on a recovering path

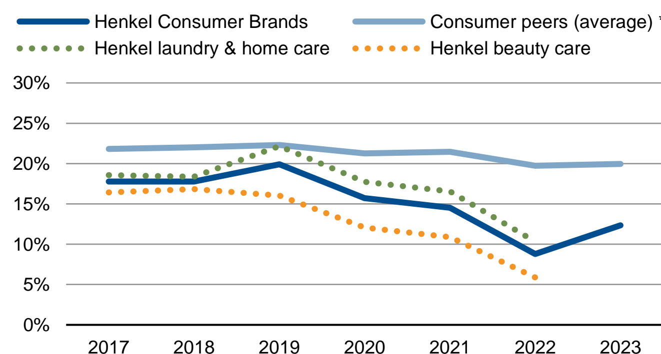
We anticipate EBITDA ranging between EUR 3.2bn and EUR 3.6bn over the medium term, with the EBITDA margin gradually growing towards 15%-16%. This improvement will be driven by a gradual volume recovery in both divisions, and an enhanced product mix driven by innovations, portfolio optimisation, and the resurgence of the higher-margin Electronics end-market within adhesives. Additionally, cost savings resulting from the Consumer Brands merger have been revised upwards. They are now forecasted to reach EUR 275m annually by the conclusion of the first phase in 2024, primarily focused on organizational setup and portfolio refinement; and EUR 250m by the conclusion of the second phase in 2026, centred on supply optimization. While the short-term impact of raw material price movements is expected to remain flat, constraints to a swift profitability recovery include a still challenging market environment, high levels of marketing and R&D investments, wage inflation and restructuring expenses, with the latter anticipated to be around EUR 250-300m in 2024.

Figure 7: EBITDA margin (%) peer comparison – Adhesive Technologies



* Peers: H.B. Fuller, Arkema, Sika
Sources: Henkel, S&P IQ, Scope

Figure 8: EBITDA margin (%) peer comparison – Consumer Brands



*Peers: Unilever, Procter & Gamble, Colgate Palmolive, L'Oreal, Shiseido
Sources: Henkel, S&P IQ, Scope

Adhesive Technologies supports group profitability…

Adhesive Technologies contributes around 60% of group profitability, with margins markedly higher than in Consumer Brands, especially over the past few years. Adhesive Technologies had an EBITDA margin of slightly above 20% before the Covid crisis, falling to around 16% in 2022 and 2023. A comparison with some key peers – despite business mix differences – shows generally higher margins for Henkel, which partly reflects its stronger market position. We consider the relative underperformance in more recent years to be temporary, partly explained by Henkel's higher input costs compared to peers, particularly in Europe (high energy content in purchased products from suppliers).

...while the margin profile for Consumer Brands is weaker

The Scope-adjusted EBITDA margin of Consumer Brands declined from around 18%-20% in the few years before Covid to below 10% in 2022, partly recovering to 12% over the last year. Henkel's profitability is somewhat lower than its larger peers, due in part to differences in scale and product mix but also weaker pricing power in some geographies. The clear underperformance in recent years is, in our view, the consequence of the divisional restructuring as well as higher input costs compared to peers producing more outside of Europe. Increased marketing expenses have also partially played a role. We expect the current restructuring to positively impact profitability in the medium term.

Financial risk profile: AA-

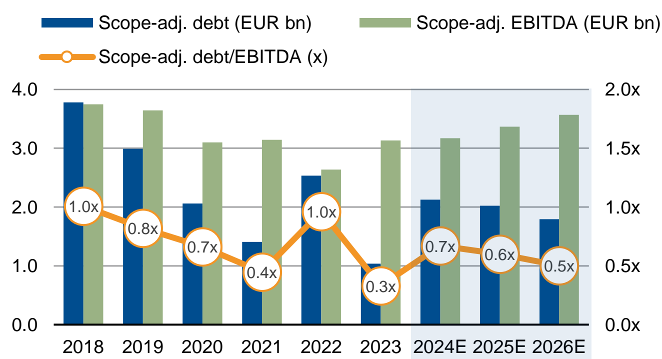
We assess Henkel's financial risk profile at AA-, supported by very strong credit ratios and sufficient free operating cash flow generation in the context of robust internal and external liquidity coverage.

Key adjustments

Our key rating case adjustments include:

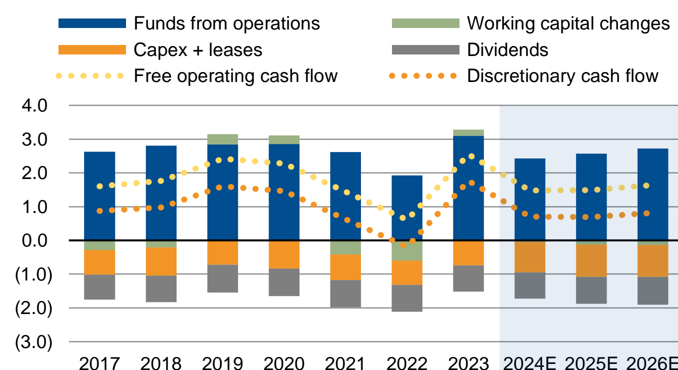
- Debt: 80% of provisions for asset retirement obligations (contingent liabilities) included in Scope-adjusted debt and 5% of contingent liabilities included in Scope-adjusted interest expense to reflect the interest proportion of these liabilities
- Debt: consideration of the 50% of unfunded pension provisions
- FOCF: adjusted for lease payments
- Interest: adjusted for the estimated interest component of pension provisions
- Netting of cash on the balance sheet, except for restricted cash which we estimate at EUR 200m

Figure 9: Scope adjusted debt/EBITDA



Sources: Henkel, Scope estimates

Figure 10: Cash flow sources and uses (EUR bn)



Sources: Henkel, Scope estimates

Leverage to remain below 1.0x on a sustained basis

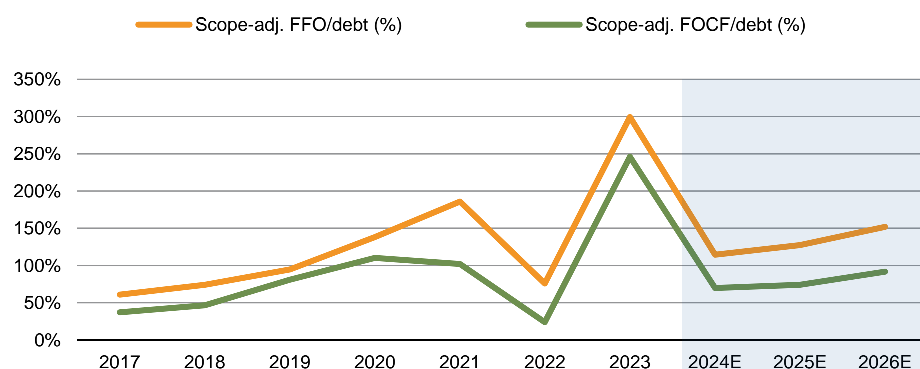
Leverage measured as Scope-adjusted debt/EBITDA improved to 0.3x in 2023 compared to 1.0x a year earlier due to higher profitability and significant releases from working capital and other provisions. We expect this leverage metric to remain below 1.0x over time, with recovering profitability partially offsetting the potential risks of negative working

capital swings and sizeable acquisitions. Our base scenario conservatively includes EUR 1.8bn of acquisitions in 2024 and up to EUR 600m in bolt-on acquisition thereafter.

Very strong cash flow cover to remain above 35%

Scope-adjusted free operating cash flow/debt recovered quickly to well above 35% in 2023 after the large net working capital needs in 2022 despite slightly higher capex of EUR 605m (2.7% of sales) in 2023. We see cash flow cover remaining sound going forward despite our conservative forecast that net capex will increase to around EUR 750m in 2024 and up to 800m per year afterwards (around 3.5% of sales), amid company guidance for capex in 2024 of EUR 650-750m. Henkel launched its first share-buyback programme in 2022, acquiring around EUR 1.0bn of treasury shares in the period to Q1 2023. We consider this an exception and therefore do not assume further buybacks, while dividends are anticipated at between EUR 780m and EUR 820m over the medium term.

Figure 11: Funds from operations/debt, FOCF/debt



Sources: Henkel, Scope estimates

Interest cover over 40x

We anticipate that EBITDA interest cover will remain above 40x over time despite net cash interest paid expected to rise of around EUR 65m per year (2022: EUR 55m). We foresee the increase in net cash interest paid because of higher debt and the greater use of commercial paper over the year, while average rates are assumed to remain broadly unchanged. Interest cover has a lower weighting than other credit metrics in our financial risk profile assessment of high investment-grade-rated issuers like Henkel.

Adequate liquidity

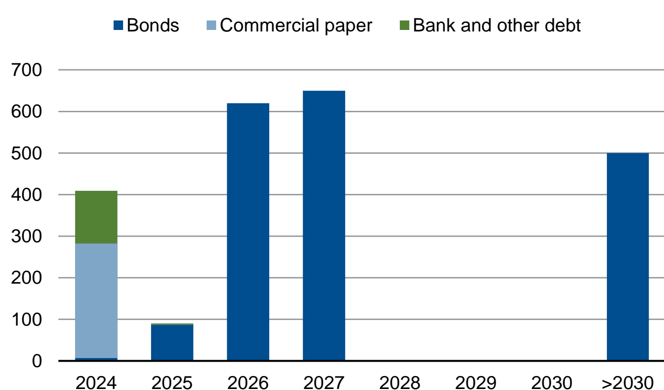
Henkel has consistently strong ratios above 200% for internal and external liquidity coverage. Besides ample recurring free operating cash flow, liquidity is supported by EUR 2.2bn of cash and equivalents as of December 2023, an undrawn long-term revolving credit facility of EUR 1.5bn (maturing in 2025), which we expect to be renewed ahead of its expiry, and bilateral loans of EUR 0.1bn with a revolving term of up to one year. Liquidity sources are well above short-term maturities, which mainly comprise commercial papers. There are limited bond maturities over the next two years (EUR 0.1bn maturing in 2025), with larger maturities only starting in 2026.

Balance in EUR m	2024E	2025E	2026E
Unrestricted cash (t-1)	1,955	1,159	1,173
Open committed credit lines (t-1)	1,600	1,600	1,600
FOCF	1,477	1,492	1,636
Short-term debt (t-1)	409	489	1,018
Coverage	**>200%**	**>200%**	**>200%**

Comfortable debt maturity profile

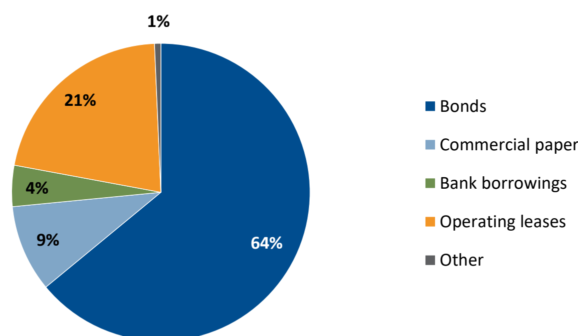
Senior unsecured bonds make up the largest share of Henkel's debt, with an increasing portion of ESG-related bonds, now covering over 80% of the outstanding bond volume. Following the 2020 issuance of a green bond earmarked for reducing plastic waste, Henkel issued two sustainability-linked bonds in 2021 (USD 250m maturing in 2026 and EUR 500m maturing in 2032) and one in 2022 (EUR 650m maturing in 2027).

Figure 12: Maturity profile (excluding leases) as of December 2023 (EUR m)



Sources: Henkel, Scope

Figure 13: Debt split as of December 2023



Sources: Henkel, Scope

Supplementary rating drivers: +/- 0 notches

Conservative financial policy and family ownership with long-term ambitions

The most relevant supplementary rating drivers for Henkel remain financial policy and ownership structure. The Henkel family is the main shareholder, holding roughly 62% of ordinary shares. Henkel's financial policy is conservative, based on consistently sound credit metrics in past years, the commitment to a single A rating category and a prudent dividend policy with pay-outs targeted at 30%-40% of adjusted net income after minority interests. While we understand that Henkel may initiate large acquisitions opportunistically, the above-mentioned factors mitigate such risk, coupled with the company's ability to deleverage through sound discretionary cash flow generation.

Long-term and short-term debt ratings

Senior unsecured debt rating: A

Senior unsecured debt is rated at A, the same level as the issuer rating. All outstanding bonds are issued by Henkel AG & Co. KGaA.

Short-term debt rating: S-1

The S-1 short-term debt rating is based on Henkel's issuer rating of A/Stable and better-than-adequate internally and externally provided liquidity cover, banking relationships and standing in capital markets.

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