

Conference Call 9M Results 2023  
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Speech

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- Please check against delivery -

[Vincent Warnery]

Good morning, it is my pleasure to welcome you to today's conference call regarding our business performance for the first nine months of 2023. This is the first time I'm talking to you from the Beiersdorf Campus, our beautiful new global Headquarters that we officially opened in September and where we have now united over 3000 employees at one site in the heart of Hamburg. We accompanied this move and milestone moment for us with a dedicated corporate advertising campaign all over the city and in parts of Germany, with the campaign's centerpiece at the Port of Hamburg. This is what you see on today's cover.

Astrid and I will now take you through our financial figures, and further strategic key developments for Beiersdorf.

Let's start with our exceptional sales performance. Thanks to a continued strong performance in the third quarter and impressive dedication of our teams, we were able to deliver outstanding double-digit sales growth of +11.2% at the Group level in the first nine months.

The main driver of this remarkable result was the powerful momentum in our Consumer segment. With 13.6% organic sales growth in the period from January to September, we are confident that we will outperform our previous full-year guidance and have therefore raised our guidance today.

While the tesa business faced another quarter with difficult market environments, especially in the Electronics business, this was more than offset by the very strong performance in the Automotive and Consumer business, leading to organic sales growth of +1.3% in the first three quarters.

Now to a more detailed look at the results in the third quarter. At Group level, we maintained the growth momentum and achieved dynamic sales growth of +9%. The tesa segment contributed here with a slight growth of +1.5%. Similar to the results for the first nine months of 2023, the main driving force behind the overall strong Group results remains our Consumer business. Even though the situation for La Prairie and the luxury market continued to be difficult, the outperformance of the other

brands helped sustain double-digit sales growth of 10.9% in this segment. Particularly impressive were again the extraordinary performances of NIVEA and the Derma business with 15.8% and 22.2% organic sales growth in the quarter.

In summary, this specific performance in Q3 is the perfect showcase for the success of our balanced and previously explained four-wheel-drive dynamic. Beiersdorf successfully and steadily moves forward, even if one wheel temporarily loses traction.

Our Derma brands continued to drive the strongest net sales growth in the Consumer business. The established recipe for success with e-commerce, dermatological innovations, white spots and digitalization continued to pay off in Q3. We achieved growth of +28% in the online business. This was fueled, for example, by focusing our digital efforts for Aquaphor on TikTok advertising, leading to strong top-line growth and increased market share. Eucerin Sun is performing extremely well and is winning significant market shares for the fourth consecutive year on a global scale with strong new innovations as well as the existing core range. At the same time, we managed a very successful relaunch in the Anti-Age category by extending our Thiamidol range. We are now the fastest-growing Anti-Age franchise globally, driving our market share growth and strengthening our leadership position in this area. Following the significant success in Face, we will now also launch our very first Thiamidol Body product range.

While all regions have been contributing to the strong Derma performance, the tremendous results in LATAM with a +43% sales increase are particularly noteworthy. This underlines that our continued focus on White Spots proves to be highly successful; for example, we achieved outstanding results of +61% sales growth in the dynamic Brazilian market in the third quarter.

Let's move to the La Prairie business. As already expected during our last presentation, we faced another difficult quarter with strong headwinds from various directions.

First and most impactful was again the effect coming from the reduction of the daigou business. As discussed last time, we think this is the right

change in the long term and will help our brand equity, but in the short term it is hurting our sales. Additionally, we are still facing a negative market in domestic China and see substantial destocking in Hainan, but at the same time also record sell-out growth there of more than 30%. Despite these challenging factors around the Chinese ecosystem, we see highly encouraging Q3 results in the rest of Travel Retail, which grew by +50%, primarily driven by Hong Kong, Macao, Japan, and Europe. Additionally, local markets in the rest of Asia accelerated further in Q3 and grew strongly. Hong Kong grew by 40% and Japan by 50%. We are also happy to see the U.S. back to growth figures. Although these results are not enough to cover the missing sales from China, they are clearly showcasing the strong equity of the brand and the continuously strong consumer appetite for La Prairie.

I would like to note that our net sales performance is also impacted by the decision to clean up and strongly reduce inventory at our retailers, particularly in Travel Retail. If we look at sell-out, we see a turnaround in Q3 which is up mid-single digit versus the prior year and shows an encouraging trend. This cleanup will allow us to start 2024 from a healthy base and accelerate particularly in the 2nd half. On top of that, we will be able to drive the business forward through a much stronger innovation pipeline, the opening of TikTok, continuous expansion of new physical stores in China and our global flagship store strategy.

Now turning to one of our strongest growth drivers in the last quarter and the last years: our Emerging Markets region. Emerging Markets with Eucerin and NIVEA continuous to perform exceptionally, leading to an 18.3% increase in sales in Q3. Since 2019, NIVEA has been the strongest-growing brand in EM, and since 2021 we have been the clear No.1 skin care brand in the region. Furthermore, we are now also the No. 1 brand in Face in Brazil and Mexico, with the latter leading the way with an impressive 48% overall sales growth in the third quarter. LATAM in general is our fastest growing region worldwide. Let me highlight the key success drivers of the last years on the example of Mexico.

Firstly, we upgraded our manufacturing infrastructure in the region, leading to an impactful 60% capacity increase of our Mexican production site.

Secondly, we focused on driving Face Care with a holistic combination of distinctive innovations, higher investments - especially into digital -, and effective and strong execution. Year-to-date we achieved an outstanding Face Care Market Share growth of +400 bps.

Thirdly, our increased digital capabilities, particularly in precision marketing with a full funnel focus, helped us to almost double our online sales in Mexico in 2023.

We are taking full advantage of the fast-developing e-commerce and digital environment in this important region, and we will continue to invest in the Emerging Markets.

Moving to our European business, I am particularly proud to report the best sales growth quarter for NIVEA in our history. This translates to double-digit sales growth year to date and an impressive 16.8% in the single third quarter. Top market positions, strong brand equity, and successful innovations are the main growth drivers behind this amazing result. We are proud to share more details now on the impressive performance of France and Germany in the third quarter, which both grew by 24%.

The 24% sales growth for NIVEA was the strongest quarterly growth ever in France as well. We are happy to see that our strategic investments are paying off with outstanding sales results. Powered by strong digital campaigns, our e-commerce business, especially with big pure players, is booming, and we achieved +72% online sales growth in the third quarter. Another focus in France is Skin Care and especially Face Care. With 60% sales growth for our LUMINOUS series, our innovations around the hero ingredient W630 continue to outperform the market.

Moreover, our core portfolio builds a strong foundation in the country and remains the main driver of total growth. We are happy to report broad-based success as all key categories are fueling this growth. The face category around the Q10 and Cellular franchises are performing very well. The Body and Deodorant categories are also growing on the back of improved instore presence and media activities.

Coming to our next positive story, our home market in Germany. I am very happy to report that we have also seen the strongest sales growth

quarter for NIVEA in Germany in recent history. 2023 marks a tremendously successful year with stunning third quarter growth of 24% for NIVEA. We achieved broad-based momentum in Germany by activating our innovations with greatness and growing our core portfolio of established products.

On the innovation front, our most prominent example is the Anti-Spot treatment range LUMINOUS

W630 which outperformed behind the activation of our new line extensions and grew by 68%. This year, we also relaunched our Repair&Care line with new and improved formulas, packaging, and communication. The consumer response to our relaunch is outstanding and we have increased sales tenfold versus our former Repair&Care line.

At the same time, we have strengthened our bestsellers. Some outstanding examples are our Soft franchise - I will come back to this success story in a second - and our Q10 series which achieved sales growth of +42% with its core products, complemented by the new wrinkle filler innovation.

In general, NIVEA has incredibly strong brand credentials in Germany. We have more than 50 million consumers purchasing our products every year. They love NIVEA and have voted us the most trusted brand for the 23rd consecutive year. We enjoy number 1 positions in 7 out of our 8 top categories.

The German market is also our home market, the place where Beiersdorf was founded over 140 years ago. We have strengthened this commitment and the importance of Germany in our global infrastructure with a significant investment of over €500 million: On the one hand, into our new global headquarters, the Beiersdorf Campus, in Hamburg. And on the other hand, into our new state-of-the-art production site in Leipzig. Both sites were officially opened in the third quarter of 2023.

Why did we invest in our new Campus? Because only from exchange and inspiration, innovation and growth emerge. This is precisely what has made us and our brands such as NIVEA, Eucerin or Aquaphor so strong and unique for decades. Therefore, it was our goal to create an

environment with the new Campus that even better supports and fuels this exchange. At the same time, this new headquarters and the expansion of our research center on an area of 51,000 sqm in Hamburg also position Beiersdorf as one of the most attractive employers in the global skin care industry. The Beiersdorf Campus is the new global heart of our organization, connected to all affiliates worldwide.

Our new production center in Leipzig, which I also briefly touched upon in our half-year presentation in August, was officially opened in September. At almost €300 million, it is the largest investment Beiersdorf has ever made in a production site. With a capacity of up to 450 million products per year, the site in Leipzig is already one of the largest Beiersdorf plants, fulfills the highest environmental and technological standards, and creates the capacity for long-term, sustainable growth of our brands in Europe.

In short: We believe in Germany! Both these investments reflect the significance of Germany in our global plans.

In the section on the German business, I touched on one of our global icons - NIVEA Soft, which has gone through a significant transformation to enhance its sustainability profile. Before we relaunched NIVEA Soft in 2022, the objective was to keep the performance and the sensorial profile, while reducing the footprint and increasing renewability and biodegradability. And we achieved exactly that after four years of extensive development, 2000 prototypes, tests with 10,000 consumers, and 100 sensory panels. The result: We managed to reduce the CO<sub>2</sub>e impact of the formula by 40%, increase the moisturizing effect from 24 to 48 hours, utilize 95% naturally derived ingredients, and create a 98% biodegradable product, ultimately resulting in a more sustainable and vegan formula.

The result on the financial side was similarly impressive: We began to relaunch this iconic product in Summer 2022 in nine countries, which resulted in very strong organic sales increases. As an example, NIVEA Soft grew in Germany by 51% in the third quarter of 2023. The full global roll-out in all markets will follow throughout 2024.

Moreover, the general sustainability aspect along with our new sustainable packaging was an integral part of our communication strategy, which has been leveraged via a digital-first approach to also attract Gen Z to NIVEA Soft. The outstanding numbers, for example on channels such as TikTok with 126,000 new followers and over 16 million views, highlight the success of this strategy.

Right next to our ambition and commitment in terms of sustainability, we also aim high on topics focusing on diversity, equity, and inclusion. Alongside international and cultural diversity, equal career opportunities for all genders are a particular focus area for us. To create an inclusive workplace and promote the target of gender parity, we offer a wide range of flexible working arrangements.

On International Women's Day in 2021, we announced our Beiersdorf Gender Parity Ambition: We committed to achieving a 50:50 gender-balanced leadership across all management levels worldwide by 2025. With this target in mind, I am particularly thrilled to share today that - following the already achieved 50:50 balance within my Executive Committee team - as of September 1, 2023, the representation of women in management positions worldwide increased to 50.3%. We achieved our Gender Parity Ambition 18 months early - a great success and an important step. However, we are not done yet. We must maintain our commitment, continue our efforts, and ensure that achieving 50:50 gender balance remains not just a milestone but a lasting legacy. An important contributor to this significant achievement is also the Beiersdorf initiative "Female Leadership in Finance" of my colleague and our CFO Astrid Hermann, who will now take you through our detailed financials of the first nine months.



[Astrid Hermann]

Good morning also from my side. I'm happy to guide you through our nine months 2023 results in more detail.

Let's start with the view on the sales development at group and segment levels:

In the first three quarters, Beiersdorf's Consumer business grew organically by +13.6%. Adverse foreign exchange effects led to a nominal growth of +10.2%.

Our tesa business finished the same period with organic growth of +1.3%. Structural and foreign exchange effects led to a nominal decrease of -2.2%.

All in all, the group reports double-digit growth with +11.2% in organic terms and +7.8% nominal.

Following two very strong quarters, our Consumer business is delivering another quarter of double-digit growth on top of strong growth in the prior year quarter and despite the challenging situation in the luxury markets. In the third quarter, we saw balanced growth in terms of volume and pricing mix.

Let's take a look at the performance of our brands in the Consumer segment. Vincent has already shared the details about the performance in the third quarter, so I will just briefly comment on the brand performance for the first nine months of the year.

NIVEA continued to outperform the market with broad-based growth of 17.5%: All regions grew double-digit, as did both Personal and Skin Care and almost all sub-categories. The split between pricing and volume is getting closer to a balanced ratio - quarter after quarter.

The success story of Derma continued in Q3, leading to growth of 24.8% in the first nine months of the year. From the topline but also from the market share perspective, our Eucerin and Aquaphor brands have beaten the market. We can report excellent performance with double-

digit growth in all regions, where the Emerging Markets, particularly with Latin America and the Middle East, are especially noteworthy with outstanding developments. Our innovation power, led by our hero Thiamidol, is driving the business, as is our strong e-commerce performance.

On the basis of strong double-digit growth in last year's nine months, our Healthcare business could grow by +4.3%, maintaining its leading market share position. Our top markets in Germany, Australia, Indonesia, UK, India, and Mexico were key growth drivers.

We already discussed the La Prairie performance in more detail, so I will directly move to the Consumer sales performance by region.

On the regional level you can see all regions and almost all subregions growing double-digit in the first nine months.

The strong development of +11.1% in Europe is supported by both Western and Eastern Europe.

Western Europe's sales are mainly driven by NIVEA's outstanding performance and the extraordinary Derma business, and as Vincent has already pointed out, of France and Germany. Please remember that these numbers include the currently slower global travel retail business which is recorded in Western Europe.

In Eastern Europe, we see both NIVEA and Derma performing very well across the entire region and can report particularly strong results on a country level in Poland.

The Americas region continues to outperform in the third quarter. In North America, our topline is supported by a fantastic Derma business and very strong NIVEA performance. Latin America, as already showcased in our Mexico example, is benefitting from our well-established ecosystem in the region. NIVEA, Derma and Healthcare continue to gain market share, as they accelerate their toplines.

The Africa/Asia/Australia region managed to grow again in the third quarter despite the still difficult market environment for luxury brands.

From a nine-months perspective, both Derma and NIVEA could achieve double-digit growth rates. Japan, India, and Thailand are countries to mention here.

Let's now move to the tesa business in more detail:

Overall, tesa grew by +1.3% in the first nine months of the year.

By business segment, the tesa Consumer business is growing while the market is declining. Topline drivers include new products and customer projects, for example the new tesafilm® Eco & Crystal, now with 90 percent recycled PET backing and a water-based acrylic adhesive. The focus on more sustainable products is a very important part of tesa's strategy: By 2030, the share of recycled and bio-based materials in all products is to increase to 70 percent.

Secondly, in the course of this year, tesa's Industry business recorded a strong double-digit development in the Automotive and Electrical Systems Business Unit. This growth is supported by our strong product pipeline and positive market development. We have seen substantial growth in applications such as hole covering, security labelling and masking. Additionally, we can report a cautious acceleration of the electronics business in recent months.

Additionally, tesa recently opened a new manufacturing site in Haiphong, Vietnam, as part of its strategy to regionalize production, expand capacity, and optimize supply chains. The Haiphong site has a production capacity of 40 million square meters of adhesive tape per year, serving the fast-growing Asian market, particularly in the automotive and electronics industries.

Before we finish our presentation, let's revisit our full-year guidance.

We are pleased to see the outstanding performance of our business year-to date and are therefore raising our Consumer guidance for the full year: We now expect low-double-digit organic sales growth and confirm the EBIT margin to be +50bps above previous year.

At tesa, due to the ongoing uncertainty about the shape of the pick-up in the electronics business, we now expect low- to mid-single digit organic sales growth for the full year. At the same time, we confirm that tesa's EBIT margin is expected to be slightly below the previous year's level.

For the group, we are therefore upgrading our sales guidance and expect low-double-digit organic sales growth. We confirm the EBIT margin to be slightly above previous year's level.