

Quarterly Statement January - March 2023
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Speech

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- Please check against delivery -

[Vincent Warnery]

Good morning,

I would also like to welcome you to today's conference call and thank you for taking the time to join us. Over the next few minutes, Astrid and I have the pleasure of taking you through our performance in the first quarter.

As you will probably already be aware from our pre-release at the beginning of April, we had an excellent start to the year and have continued along our successful path.

In the past, our performance in the Consumer Business Segment depended heavily on NIVEA's business in Germany and on the success of the La Prairie brand. Yet, alongside NIVEA in Europe and La Prairie, our main drivers now also include NIVEA's business in Emerging Markets and our successful Derma business. Our two-wheel drive has become a four-wheel drive. If one wheel loses some of its grip, the others keep the vehicle moving.

Our remarkable Q1 results demonstrate this four-wheel drive is working: Our Consumer Business Segment outperformed the market with broad-based and balanced growth of 14.8%, driven by a strong 18% increase in our NIVEA business, 26.9% in our Derma business, and 7.6% in our Healthcare business. Our NIVEA business in Europe and in Emerging Markets, as well as our Derma brands are showing extremely strong and stable growth - strong enough to compensate for the challenging quarter we had with La Prairie. And that's not all: the volume and pricing part of our sales growth was positive throughout the entire Consumer business portfolio, and despite the difficulties in La Prairie business.

These well-balanced pillars and businesses give us greater stability and security in a time of volatility and crisis.

Our tesa Business Segment managed to increase its sales in Q1 2023 by a moderate +0.9%. Although the Electronics business in China had a slow start, the rest of the portfolio, including Automotive, showed good growth rates throughout the quarter.

All these achievements culminated in double-digit growth of +12.2% for the Group in the first quarter.

The hard work we have put into transforming NIVEA is beginning to show results: March was actually the best month in the history of our iconic brand.

The brand's broad-based growth in all categories is particularly noteworthy. Growth was led by Sun, Lip, and Deo with double-digit growth also reported in Body and Face. Although we can attribute this growth primarily to pricing, we can also report a positive volume contribution for the entire NIVEA portfolio. We are seeing upward trends across all regions, with North America leading the way in the Body business, Emerging Markets continuing to outperform - especially in Latin America - Northeast Asia and Europe having double-digit growth and experiencing a strong acceleration in Q1. This European growth is what I would now like to look at in greater detail.

We are excited to report a strong acceleration of NIVEA in Europe, with the 14.6% growth driven by a balanced volume and price-mix performance. A double-digit jump in such a highly competitive European market is quite extraordinary. Pricing initiatives have yielded positive results, and we have also seen a positive volume contribution in Europe. Moreover, we are happy to share that our most recent price negotiations went well. We have already agreed new prices with the vast majority of retailers.

Our base assortment has performed well, thanks to the good start to the sun season and an ongoing success story in our Body category. We are constantly gaining market share in this category and are seeing strong retail sales, with the Body category up more than 20% in the first quarter. Another growth driver is our innovations: With NIVEA Derma Skin Clear we have not only entered a new segment in the Face cleansing category but also reached younger consumers, making of this launch one of our best ever launches in the skin care market for younger consumers.

Now, I would like to turn our attention to NIVEA's business in China. During the first quarter, we managed to grow our business despite the challenging market conditions caused by the sudden ending of Corona lockdowns. One reason is the premiumization strategy, which is also gaining momentum, both on- and offline. We are concentrating our resources on driving premium and high-margin products.

Online, we are placing a strong emphasis on Face Care, and we have experienced great success with NIVEA LUMINOUS630®, which we handle via Cross-Border E-Commerce. As a result of our efforts, our Face Care market share reached a historic high. Over the past year, we have increased the average selling price in the Face Care category to 22.8 EUR, compared to only 4.5 EUR in 2020.

At the same time, we are continuing to premiumize our core portfolio in our current categories: Men, Face Cleansing, and Body - both on - and offline. Although we have an established business in China, we have had to optimize our portfolio and focus on more premium products. Our NIVEA Dual Serum is a prime example of this approach, leading the Body Category and helping to increase the average selling price by approximately 24% from 2020 to 2022.

In summary, we are delighted with the progress we have made in NIVEA's business in China. Our premiumization strategy is yielding positive results, both on- and offline.

The momentum in our Derma business with the Eucerin and Aquaphor brands, has maintained, and we continue to generate high growth rates. In fact, we once again outperformed the market globally, recording double-digit positive volume growth of close to 27%.

Our success in the Derma business can be attributed to many factors. Firstly, we are continuing to experience high demand in the United States for our Eucerin and Aquaphor products. Additionally, our Derma business have developed strongly in Emerging Markets such as Latin America, where we see already a fantastic sun season. Furthermore, we also have a good start to the sun season in Europe. We were able to act quickly and have increased our market share and our sales in this region.

One of our most successful innovations continues to be Eucerin Thiamidol. Products containing our patented ingredient Thiamidol have achieved a remarkable 50% growth in Q1, being thereby one of the main drivers of the total growth. Most recently, we have relaunched and enriched our Eucerin Hyaluron-Filler + Elasticity range with Thiamidol; this has enabled us to capitalize on the increasing market trend towards anti-aging products.

With +29%, the online growth was yet again one of the drivers of our overall growth. This underscores the importance of our digital strategy and our success in engaging with our consumers in the online space.

With our La Prairie business, we faced a challenging start to the year due to the low traffic in China after the change in Covid policies at the end of 2022. However, with the lifting of the zero-Covid policy and travel restrictions, we saw a significant acceleration in retail sales in Hong Kong that started already in January. Shortly after, in February, the Brick & Mortar retail sales in China Mainland began to benefit from increased mobility. And finally, the traffic around Hainan picked up sequentially: in March we already saw a rapid increase in demand.

All these good news makes us confident about the further development of international travel retail and the remainder of the year. Supported by strong innovations such as Skin Caviar Harmony L'Extrait, La Prairie will benefit from the normalization of traffic in and out of China. We will continue to consistently execute our luxury strategy of focusing on strong innovations, refusing to engage in dilutive promotional activities, accelerating our successful online business and offering our consumers the highest possible level of service - in China and around the world.

As I said before: With our well-balanced four wheels - the NIVEA business in Europe, the NIVEA business in Emerging Markets, our Derma brands and La Prairie - we are looking ahead with greater stability.

With that, I will hand it over to Astrid to go through the financial performance of our Consumer and tesa businesses in more detail.

[Astrid Hermann]

Good morning also from my side. I am happy to take you through our first quarter results.

Let's start with a quick look at the sales figures of the group and by segment level.

As pre-announced, the Consumer business grew organically by +14.8%. At +14.9%, nominal growth is almost on the same level.

The tesa business grew organically by +0.9%. Nominal sales were slightly below the previous year's level due to structural effects.

In total, the group generated approximately €2.5 billion in the first quarter and achieved organic sales growth of +12.2%.

Turning to our regional sales split of the Consumer business. Our three main regions - Europe, Americas, and A/A/A - all grew double-digit in the first three months of the year.

Europe saw like-for-like growth of +10.8%. Western Europe grew +8.4%, and Eastern Europe was even stronger at +20.2% growth compared to the previous year. In both subregions, we saw a strong positive impact from last year's pricing initiatives. The successful start to the sun season was another driver for our NIVEA and Derma businesses.

The Americas again were the strongest region in Q1 with organic sales growth of +23.7%.

North America's performance continues to be driven by ongoing high demand for our Derma brands Eucerin and Aquaphor. In addition, NIVEA recorded double-digit growth in the first quarter, led by the very good development of the Body category.

At +32% organic sales growth, Latin America continues its successful journey in 2023. The strong performance in the Sun and Face Care categories - in NIVEA and in Derma - fueled the growth this quarter.

Moreover, both businesses continue to gain significant market shares in Latin America.

The A/A/A region grew by +13.3%. Vincent already mentioned the difficult conditions around China at the beginning of the year. Strong sales for NIVEA and Derma offset the weaker La Prairie performance in this region. Japan, Hong Kong, Korea and Thailand reported very strong sales in the first quarter.

As we have already informed you earlier, tesa's electronics business in China got off to a weak start at the beginning of the year due to lower demand for smartphones and tablets. Looking ahead, however, we are optimistic that the market will pick up again significantly with the next generation of devices.

Except for China Electronics, all tesa business areas performed well in the first quarter. The Automotive business showed a particularly strong performance in all regions driving double digit growth in the quarter. We were able to win new projects based on innovations and thus further expand our business, especially with adhesive solutions for e-mobility.

To finish the presentation, let's look at our full year guidance. Due to the strong start of the Consumer business, we already increased our sales guidance when we pre-released our Q1 sales on April 5th. Recent trading makes us very confident to reach mid-to-high single digit organic sales growth for the full year while increasing our EBIT margin by 50bps in the Consumer Segment.

At tesa, we have kept our full-year sales guidance at mid-single digit organic sales growth despite a slower first quarter. We continue to expect the EBIT margin to be slightly below the previous year's level.

For the group this means mid-to-high single digit organic sales growth in the full year 2023 while increasing our EBIT margin slightly.