

Conference Call
Full-Year Results 2023
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Speech

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- Please check against delivery -

[Vincent Warnery]

Thank you, Jens, and good morning from our Beiersdorf Campus in Hamburg! Welcome to our 2023 full-year results conference call. Astrid and I now have the pleasure to not only guide you through our financial figures but also to share an update on our strategic plans for 2024 and beyond.

Before we look into the future, let's talk about our results in the fiscal year 2023. In short: They were outstanding. Yes, 2023 was challenging, it was intense and macroeconomic volatility remained high throughout the year. But 2023 was also exciting; we were proactive, and ultimately successful from start to finish. It was a proud year for our company, and we achieved a truly remarkable performance in 2023.

We were the fastest-growing beauty company worldwide; we achieved a record-high in sales for the Group, and especially our iconic NIVEA brand as well as our Derma business performed at an unprecedented level. We delivered on our promises and drove profitability. We reached a new all-time high with our share price. Our teams showed exceptional unity in light of the tough market conditions and together pushed our brands to new heights, thereby highlighting our robust and crisis-resistant business model. Fueled by this success, we at the same time invested significantly in the future viability of our company. All in all, 2023 was the best year in Beiersdorf's history.

I want to sincerely thank our teams for their passionate and remarkable commitment to Beiersdorf. The displayed level of adaptability, creativity, and dedication was truly outstanding in the past year and was the foundation for these fantastic results.

Now, in more detail, the financial figures for 2023.

For the second full year in a row, we achieved powerful double-digit growth at Group level with an organic sales increase of 10.8% in 2023, leading to record sales of €9.5 billion in nominal terms. Moreover, we

kept our promise of profitable growth and increased our EBIT margin for the Group.

The key driver for this growth was the Consumer Business Segment with a formidable organic increase of 12.5%. We achieved a strong expansion of our EBIT margin by 60 basis points year on year, which surpassed the expectations we had set at the beginning of 2023.

The tesa Business Segment grew slightly – despite a demanding market environment – by 3.2% in organic terms.

All in all, a year of growth.

Now to a more in-depth analysis of our performance at brand level and the reasons why we outperformed the market and were the fastest growing beauty company in 2023.

NIVEA and our Derma business with Eucerin and Aquaphor are leading the way with outstanding results: NIVEA grew organically by 16.2% – a level of growth which our icon had not yet achieved this century.

The Derma business continued its remarkable success story with organic sales growth of 24.0%, thereby marking the third year in a row with growth of 20% or more.

This best-in-class performance was driven by both strong pricing and volume growth. Another important contributor to this positive development was the continued success of the e-commerce business, which outperformed the market for the third consecutive year in 2023 and grew by 19%.

The Healthcare business reported continuous growth of 4.2%, while our luxury business with La Prairie – as previously mentioned – faced difficult market circumstances in the travel retail business and in mainland China, which caused a decline in sales for the brand by 15.4%.

Now, to a few more details on the success of NIVEA.

The success of our icon and our overall positive development as a company are intertwined of course, but 2023 was not just a “good year” for NIVEA, it was the brand’s best this century.

Double-digit growth in every region and every category, a well-balanced mix in price and volume, and outperformance of the competition led to outstanding organic growth of 16.2%. This means NIVEA, including Labello, surpassed the €5 billion threshold for the first time in history.

This broad-based success was fueled by fewer, but better and bigger innovations and the successful shift to a more globalized approach in NIVEA's operating model. The e-commerce business also contributed to this stellar performance driving market share gains and the highest growth rate in the industry in 2023.

I can underline with confidence that the sky is the limit for our iconic NIVEA brand, and I will share later on how we intend to continue this growth.

But first, let's take a closer look at one of the reasons for these great results in 2023: Our performance in the Face Care category.

The Face Care category was a significant growth driver for NIVEA in all regions around the globe. In the second half of the year, it was our strongest category overall for NIVEA. For the full year, we achieved organic growth of 18%.

This great performance is the result of tremendous growth in our core product ranges and our innovation series such as the Q10 Anti-Wrinkle filler. These popular innovations enabled a strong mix of pricing and volume within the Face category.

Our patented ingredient Luminous630 is the powerful engine behind the success in the Face Care Category - all under the new and competitive claim: "The most effective Anti-Spot ingredient in the world". With our Luminous product range, we achieved stellar organic growth across all regions in 2023. For example: By +60% in Emerging Markets and by +32% in our already established market in Europe. In China, our sales more than doubled, which is particularly impressive as we are currently only selling via cross-border e-commerce activities.

On a global level, this translates to an organic increase of 51%. This is all fueled by an extremely successful expansion into new categories with

the Luminous ingredient in the past year and high-performing launches, such as the Luminous Anti-Age Serum.

Now - leaving the world of NIVEA -, let's talk about Derma.

Our Derma business really is a blueprint for profitable growth. Our brands Eucerin and Aquaphor continued their remarkable success story with fantastic organic sales growth of 24.0%, thereby continuing the years of strong double-digit growth for our dermatological brands.

Similarly to NIVEA, we are growing in all regions and all categories. In addition to continued growth of our online business by 28%, innovation has also been a key driver of this success globally, which is underlined by the popularity of our products containing our breakthrough ingredient Thiamidol. We grew again in this segment by 49% year on year, and we are still expanding our product ranges and categories.

Another reason for the Derma success is the Sun category. Our innovations like "Oil Control" under Eucerin Sun led to organic growth of 58%. This showcases our commitment to staying ahead in the market and meeting diverse consumer needs. The overall demand for our products remains high in regions such as Latin America, the Middle East, and Africa, where market share and net sales have seen significant acceleration in 2023.

With our dermatological brand Aquaphor, we achieved the best year to date in the brand's history in the United States. In terms of organic sales, Aquaphor reported outstanding growth of 36% in fiscal year 2023.

This level of growth also means Aquaphor was the fastest growing brand in the body market. A crucial success factor for this growth was an effective social commerce strategy with a focus on leveraging TikTok, which also enables us to significantly drive the success of our Aquaphor Lip range in the highly important Gen Z target group.

Further proof of our strong Derma business and its versatility is our performance in Korea.

In the Korean Market, we are not yet allowed to use our patented ingredient Thiamidol due to Korean formula regulations. However, with the right set-up, with country-specific expertise, local innovations, and

the valued “made in Germany” connotation, we achieved an outstanding result of 40% organic growth in the full year 2023.

For our luxury and selective brands La Prairie and Chantecaille, we look back on 2023 as a challenging year with a decline in organic sales for both brands, respectively down 15.4% for La Prairie and 18.4% for Chantecaille. As previously stated, we faced difficult market circumstances in the travel retail business and in mainland China, which is why we made the decision to utilize 2023 as a transition year to clean up stocks and normalize inventory levels. We are now looking positively at 2024 with mostly healthy stock levels for both brands and travel retail stocks in Hainan will also be healthy at the end of Q1.

In the case of La Prairie, Q4 sell-out returned to double digit growth, allowing us to look more optimistically at the future. Throughout 2023 we prepared a stronger strategic e-commerce set-up for the luxury brand, with a special focus on the utilization of TikTok, while also investing in future innovations. As for Chantecaille, we also enhanced our social commerce set-up for the brand in 2023 and moreover expect improved performance due to the expansion of the travel retail business. The first numbers for Q1 2024 for Chantecaille already look promising.

We expect a return to growth for both brands in 2024.

2023 was also a year marked by substantial investments aimed at ensuring the long-term success of our company. Let me highlight four impactful topics from 2023:

Beiersdorf invested heavily in its global supply chain and digital infrastructure in the past year. The new site in Leipzig (Germany) is, at almost €300 million, the largest investment Beiersdorf has ever made in a production site and – with a capacity of up to 450 million products per year – started producing in September 2023. The expanded and modernized plants in Poznan (Poland) and Silao (Mexico) are going live in 2024 and are also adhering to the highest environmental and technological standards. An important milestone in our global digital infrastructure was the seamless switch to the latest SAP technology S/4HANA for all global affiliates at the end of the year, thereby

enhancing the efficient digital transformation and further automation of Beiersdorf's global business processes.

Following an investment of €250 million, Beiersdorf opened its new global headquarters in 2023 – the Beiersdorf Campus – on an area of 51,000 square meters in its founding city of Hamburg (Germany). The employees significantly shaped this new global heart of the organization and influenced the creation of a modern and sustainable work environment, which embraces the future of work, the well-being of the employees, and the exchange of ideas.

In line with creating the right physical surroundings for its employees, Beiersdorf also continuously improved the cultural working environment in 2023. In 2021, the company committed to achieving a 50:50 gender-balanced leadership across all management levels worldwide by 2025. By September 2023, the representation of women in management positions had already increased to 50.3% – achieving the gender-parity ambition 18 months ahead of schedule.

Now to a topic which we have been talking about and working on tirelessly in the background in the last few years: our dividend increase.

Following the exceptional business performance of Beiersdorf in recent years, the Executive and Supervisory Boards have decided to propose an increase of the dividend for fiscal year 2023 – for the first time since 2007!

With a significant increase of 43%, a dividend of €1.00 per dividend-bearing share will be proposed to the Annual General Meeting on April 18, 2024, and thus enable our shareholders to participate in Beiersdorf's profitable growth. At the same time, Beiersdorf will also start a share buy-back program equivalent to up to €500 million. And with that, I will now hand over to our CFO Astrid Hermann, to take you through our detailed full-year financials, also including the performance of tesa.

[Astrid Hermann]

Thank you, Vincent, and good morning from me as well. I am happy to guide you through our full year 2023 results in more detail.

Let's start with the figures at Group level. We can report double-digit organic sales growth of +10.8%, which represents sales growth of +7.4% in nominal terms mainly due to unfavorable exchange rate effects.

At the same time, we increased our EBIT excluding special factors significantly, improving our EBIT margin as well as our earnings per share. The EBIT margin increased by 20 basis points to 13.4% and our earnings per share increased from €3.56 to €3.80. Our profit after tax margin slightly decreased due to a higher tax rate driven by one-time taxes charged for prior years and one-time adjustments related to the new, more centralized operating model, which will benefit our tax rate mid-term.

Let's continue with our development at segment levels:

In the full year 2023, Beiersdorf's Consumer business grew organically by +12.5%. Adverse foreign-exchange effects led to a nominal growth of +9.1%. We also increased our profitability with an EBIT margin increase of 60 basis points driven by strong topline as well gross margin growth and strict cost control, while further increasing our marketing budget.

Our tesa business finished the same period with organic growth of +3.2%. Structural and foreign exchange effects led to a nominal flat development (0.0%). Our EBIT margin decreased by 70 basis points due to continued strategic investments in innovation, sustainability, digitalization, as well as increased R&D investments.

On top of the great performance of the previous year with +10.5% organic sales growth, our Consumer business division delivered high growth in all four quarters, leading to double-digit growth again in the full year. This growth was well balanced in terms of volume and pricing and especially impressive in Q4, where our growth was predominantly driven by strong volume growth with pricing moderating from the previous high levels.

Let's take a look at the performance of our brands in the Consumer Business Segment. Vincent has already shared details about the performance in the full year, so I will just briefly comment on the performance by brand for the fourth quarter.

NIVEA continued to outperform the market with broad-based growth of +12.1%: All main regions grew significantly, as did both Personal and Skin Care and almost all categories. The split between pricing and volume is getting closer to a balanced ratio - quarter after quarter - with a higher contribution of volume compared to price in Q4 for the first time in 2023.

The success story of Derma continued in Q4 with +21.2% sales growth. Eucerin and Aquaphor remain amongst the market leaders both in net sales as well as market shares terms. The performance in the fourth quarter was driven by both Europe and Americas growing above +20%. As mentioned previously, our innovation power, led by our hero ingredient Thiamidol, is a key success for the business, as is our strong e-commerce performance.

Based on a successful previous year with double-digit growth and significant market share gains, Healthcare grew by +3.7% in the fourth quarter and further expanded its leading market position. Main drivers of the success were Australia with significant double-digit growth and good performances in our key markets in the UK and India.

Coming to La Prairie: As expected, the quarter was negatively impacted once again by the challenges in travel retail and our decision to clean our stocks for a fresh start into 2024. Despite these challenging factors around the Chinese ecosystem, we saw encouraging Q4 results in the rest of Travel Retail and in local markets, particularly in APAC with Japan growing +41% and Hong Kong +30%. In addition, we see encouraging sales growth acceleration in the US in the course of 2023.

Looking at sales growth at the regional level, you can clearly see the well-balanced geographical growth within the Consumer business. Apart from Western Europe, which was negatively affected by the disruptions in the travel retail business, all regions grew double digit in 2023.

In Western Europe, sales were driven by healthy growth in Spain, Italy, UK, and France and the great performance of the NIVEA and Derma businesses. In Eastern Europe, the excellent +22% sales growth was mainly driven by Poland, and Romania. From a category perspective – both for Western and Eastern Europe – the excellent performance of NIVEA Deo, Lip & Sun as well as our Eucerin Face, Sun, and Body businesses are standing out.

Americas finished the year with +19.1% sales growth. Key drivers of our double-digit growth in North America were our brands NIVEA, Aquaphor, and Eucerin. Strong growth in Brazil, Mexico, and Colombia, especially with NIVEA and Eucerin, made Latin America our top region in terms of relative growth.

The Africa/Asia/Australia region reports +11.1% sales growth with very positive trends especially in Australia, Nigeria, Thailand, and South Africa, driven by both NIVEA and Derma. The strong performance of both brands could compensate for the difficulties in the luxury market segment.

Let's now have a look at our Consumer gross margin development. With our consistent global pricing policy, we were able to offset most of the cost increases. A positive mix contribution driven by the strong performance of NIVEA Skin Care and Derma led to a gross margin improvement of +40 basis points despite the well-known challenges in the Luxury segment. If we exclude the Luxury segment our mix impact would have been up triple digit basis points.

As expected, our working capital increased slightly to 5.8% of Consumer sales. This was mainly driven by an increase of inventories to ensure service level throughout the S/4HANA transition. Higher trade receivables driven by the successful year of our Sun business were another reason for the increased working capital, as we have longer payment terms in the Sun category. Further optimizations in trade payables partly compensated for this.

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

Driven by a strong last quarter tesa grew by +3.2% in the full year 2023. Both segments, the Consumer segment as well as the industry segment, are growing and contributing positively to the overall performance.

Particularly worth mentioning are the Automotive and the Electronics divisions. Strong innovations in the e-mobility sector led to double-digit growth in Automotive for all regions in an environment marked by positive market development. For the Electronics division, we can report a positive trend with strong double-digit growth in Q4, driven by new projects and innovations as well as a slightly recovering Chinese market in the second half of the year.

The tesa EBIT decreased from 16.7% in the previous year to 16.0%, in line with our ambitions to invest in our main strategic pillars. These investments will help us to continue to seize business opportunities, for example in the electric vehicle business. Additionally, 2023 was a year of capacity expansions for tesa. With the opening of the new production site in Haiphong in Vietnam and the expanded site in Sparta in the United States, we are following our strategy of expanding our regional capacity in growing markets and, at the same time, are optimizing our supply chain.

That's it for the year 2023 and now I will handover to Vincent, who will focus on the upcoming year and the future.

[Vincent Warnery]

Thank you, Astrid!

So, we are on the right path and our strategic choices are yielding the intended financial results. This success instills great confidence in our vision to become the best skin care company in the world, a goal that requires continuous effort and an unwillingness to rest on the laurels of our past success.

I said at the beginning of this call that we will also share an update on how we plan to enhance and extend this current level of growth moving forward. In order to do exactly that, we will focus on these six "growth drivers." I will now take you through each of them.

Starting with the first growth driver: global white space opportunities. Let's break this down with regard to our leading brands.

Despite the record figures NIVEA is already achieving, we are not yet present with NIVEA in 60% of the global face care market and are also still absent from 50% of the sun market. I said earlier that the sky's the limit for our icon NIVEA and with the enhanced infrastructure and supply-chain capabilities, we will continue to exploit this potential, meet the growing demand, and focus on growth in these white spaces. This translates to concrete ambitions in specific countries, for example driving premiumization of our products in China and expanding our success in India to the face care category in 2025. Moreover, NIVEA has not been very active in conquering new categories in our established markets, and we are now also aiming to change that.

Moving to our Derma business: With Eucerin, we are not yet present in half of the global derma market and are absent with our products from two-thirds of the worldwide face care market. We have already made great progress with several successful market entries for Eucerin since 2017, in Brazil, China, Poland, Egypt, Kenya, Nigeria, and Tunisia. There is still tremendous potential to not only further grow in these countries but also to enter additional strategic markets: For example, the Face Care market in the United States, one of the largest market segments in skin care globally. We are also planning to introduce Eucerin to new countries such as Japan and India.

Now, moving to China. We have been active in China with our brands for several years now and the huge potential of the Chinese market is also no secret, which is why we continuously enhance our efforts there - but we are not trying to grow at all costs in China. In the coming years, we aim to create more impact there with our whole portfolio, by utilizing our in-depth knowledge of the market and our existing infrastructure in the country.

With our luxury brand La Prairie, we admittedly went through a challenging time in the last few years with difficult market circumstances in travel retail around the Daigou business and the impact of COVID-19 in China. We feel confident with our optimized set-up for the brand. The

great balance of brick-and-mortar touchpoints, e-commerce and the travel retail business will enable us to accelerate La Prairie in China in the future, while not relying on promotions. Talking about travel retail, even though the Daigou business was a relevant part of our business, we are happy to see that unauthorized distribution contributing to price erosions is now regulated. We are also working on the launch of Chantecaille in this vibrant market and on the extension and registration process of our hero ingredient W630 to allow us the market entry in mainland China with several product ranges across our whole brand portfolio.

Our next growth driver is already creating a significant impact on our financial result today: our e-commerce business. And we will enhance the success of our online business for all our brands even further based on a proven global infrastructure. Let me share three building blocks for this:

Firstly, we will fully leverage and further upskill the talents and the expertise we have developed and acquired to advance from “already very good” to “best in class” in digital commerce. At the same time, we will further enhance our strong presence with key e-retailers across the world.

Secondly, we will continue to enhance our e-commerce operating model and resourcing for future growth. Here, we will especially focus on full-funnel media, data, and insights as well as on a strong omnichannel strategy.

Lastly, we accelerate the expansion of our global e-commerce footprint for our luxury brands La Prairie and Chantecaille. Online access and the accompanying smart data analysis allows very precise targeting of future and current consumers. At the same time, we can also virtually create an exceptional shopping ambience that respects the individual equities of our brands. We have already demonstrated this capability for La Prairie in China.

Now to the next growth driver, which is part of our company's DNA: our pioneering spirit and curious mindset – paired with the goal of making people feel good in their skin. To develop and cascade impactful innovations is therefore naturally one of our key growth drivers for the future – and always will be. Looking ahead to the coming years, you could say the following regarding our hero ingredient: “W630 is our new W630.” This means that we still have huge opportunities to leverage its impact across all of our brands, categories, and geographies.

Moreover, our innovation pipeline is stacked with promising projects. To further accelerate these breakthrough innovations – those that make a significant difference in the life of the consumers – and cascade them across our portfolio, we also created an Early Innovation team a few years back. That team played a crucial role in one of our most exciting innovations. We will be turning back the skin's “age clock” with a product launch in 2024 in the field of skin rejuvenation and epigenetics. Stay tuned for more info throughout the year.

Success in R&D relies on data knowledge – data which we gather and analyze via our unrivaled SKINLY study that is one of the world's largest consumer skin care studies. To date, we have collected over 870 million data points from more than 18,000 participants, enriching our AI systems with a wealth of information. This not only provides insights into the effectiveness of consumers' skin care routines but also subsequently leads to the product innovations of tomorrow.

Another focus field for our R&D is skin microbiome science, ultimately leading to skin care products for the increasingly relevant field of acne treatment. For that purpose, we acquired S-Biomedic in 2022 as one of the leading start-ups in this area, which is now fully integrated into our global R&D infrastructure and at the same time contributes a valuable start-up mentality and entrepreneurship to our company. More to come here as well!

We aim to further accelerate our growth with intensified activities in the area of M&A, while also pushing ahead with our acquired brands such as Coppertone and Chantecaille. The set-up for both these brands and the full integration into our Beiersdorf organization is now complete and we look positively forward to 2024 and beyond.

We analyze the market for potential additions to further strengthen our portfolio, especially in the field of premium skin care and with a focus on North America. Due to our stellar performance of recent years, we have the financial power and backing of our Supervisory Board to follow this strategic path.

I am happy to share that yesterday we signed an agreement to acquire the real estate assets of Clinique La Prairie, the prestigious medical and health clinic in Montreux, Switzerland. Through this acquisition, we will strengthen La Prairie by reuniting it with its historic birthplace and intensifying the collaboration with Clinique La Prairie. The transaction is subject to the customary closing conditions and is expected to be completed later this year.

Becoming ready for the future and ready for growth also means putting tremendous effort into the realization of our CARE BEYOND SKIN sustainability agenda. We are “walking the talk” as we have made and continue to make great progress in transforming our products. We successfully relaunched the formula of one of our best-sellers, NIVEA Soft. NIVEA SUN bottles, caps, and trigger pumps are now made of recycled plastic. We launched an innovative Refill Jar for our Hyaluron Filler range of Eucerin, reducing the plastic material used by 90%. We already achieved 100% microplastics-free cosmetics products for NIVEA in 2021, and now also for Eucerin. Our revised formulas have a lower environmental footprint, as well as our new packaging solutions: Our iconic NIVEA Creme will be relaunched in a more sustainable packaging in 2024. We are also modernizing our global supply chain to the highest environmental standards.

A testament to the impact of our actions is that for the second year in a row, Beiersdorf received the Triple-A rating from the renowned non-profit organization CDP and was recognized with this best-in-class score for its efforts in target setting, performance, and transparency in the three dimensions of climate change, forests, and water security. This ranks Beiersdorf as one of only 10 companies worldwide leading the sustainability transformation – out of over 21,000 companies scored. And progressing with impactful actions and as a sustainability leader into the future, we are now thrilled to share our ambitious net-zero target,

that has recently been validated by the Science-Based Targets initiative (SBTi) to be in line with the 1.5-degree pathway. Beiersdorf aims to reach net zero and reduce its emissions along the entire value chain by 90% by 2045.

We are proud that our actions are already making an impact, although we are still just at the beginning of this crucial journey.

Now summarizing these six growth drivers, what is the objective behind them, what is the overall goal? The goal is to win, and to win with care.

By conquering white space opportunities across the globe and developing breakthrough innovations. By meeting our consumers where they are and proposing new beauty aspirations to them. By driving sustained financial value and making a positive social and sustainable impact. By leveraging the power of digitalization.

We will provide even more details on the overall strategic direction and these growth drivers during the upcoming Capital Markets Day, which is scheduled for 18th of June 2024.

I am convinced that we have everything in place for continued success in the years to come, and I am personally very excited about the journey ahead of us!

We are indeed ready for the future.

And lastly, let's now turn to our guidance for 2024.

While the volatility in the markets remains high due to a variety of macroeconomic and geopolitical reasons, we mentioned earlier that our business model has proven to be very dependable, successful, and crisis-resistant in recent years. We are strong across various brands, categories, and regions.

Hence, we look ahead with confidence and expect continued profitable growth above market and a further step in margin expansion in 2024.

The Consumer Business Segment is expected to generate mid-single-digit organic sales growth in an environment of normalized pricing levels. The EBIT margin (excluding special factors) is expected to be 50 basis points higher than the previous year's level, which is in line with the mid-term goal for profitable growth in the Consumer Business Segment.

For the tesa Business Segment, Beiersdorf expects organic sales growth to be in the low-to-mid-single-digit range in 2024, subject to an uncertain market development. The EBIT margin (excluding special factors) is expected to remain at the previous year's level.

Based on these forecasts for the two business segments, organic Group sales growth is expected to be in the mid-single-digit range and the consolidated EBIT margin (excluding special factors) will be slightly above the previous year's level.

At this point, I would like to remind you that our Consumer business did have a good start to the year, and that we are optimistic about 2024. For this reason, I tend to assume that our Consumer topline might even grow at least mid-single digits in the full year. This of course builds on the recovery of our Luxury business as planned, and also on the absence of major macro-economic events which would render any guidance useless.

Following this journey through our 2023 financial results and dedicated growth drivers for the coming years, I am now looking forward to your questions. Therefore, I will hand back over to Jens, who will start the Q&A session.