

Russia-Ukraine Crisis Could Knock Over \$100 Million Off Schwarzkopf Owner's Earnings

By [The Moscow Times](#)

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German consumer goods group Henkel warned on Wednesday of a bigger-than-expected hit to its operating profit from the crisis in Russia and Ukraine this year, sending its shares as much as 5 percent lower.

The maker of Persil washing powder and Schwarzkopf haircare products said it expected adverse exchange rate moves, largely related to Russia and Ukraine, to knock 100 million euros (\$111 million) off earnings before interest and tax (EBIT) this year.

Organic sales growth, which excludes acquisitions, was likely to be 3-5 percent, it said, compared with the 6.1 percent sales forecast by analysts in a poll.

Russia is Henkel's fourth-largest market with annual sales of about 1.1 billion euros. It also runs several factories in Ukraine.

The two countries' currencies accounted for one third of the negative exchange rate impact on 2014 sales, which were flat at 16.43 billion euros, finance chief Carsten Knobel said on a conference call. Adjusted for currency effects, 2014 sales increased 4.4 percent.

Still, Henkel has no plans to pull out of Russia, saying its business there was performing strongly.

"By sticking in Russia and staying on course we will in the long term strengthen our business," Chief Executive Kasper Rorsted said.

Henkel said it expected its adjusted operating profit margin to tick up to around 16 percent from 15.8 percent in 2014.

"The initial EBIT (operating profit) margin outlook for 2015 is disappointing from our point of view," DZ Bank analyst Herberst Sturm said in a note to clients.

At 1315 GMT, Henkel shares were down 2.8 percent at 103.3 euros, lagging a 0.2 percent rise in Germany's blue-chip DAX index.

To reach its 2016 sales goal of 20 billion euros, Henkel aims to grow further in emerging markets, especially in China, and to gain market share in the United States.

It also sees room for acquisitions after spending 1.8 billion euros on takeovers in 2014 to stay competitive in a consolidating consumer goods market. Analysts estimate Henkel could spend more than 9 billion euros.

Media reported in November that U.S. rival Procter & Gamble Co was exploring the sale of its Wella hair care business that could be worth around \$7 billion.

Rorsted declined to comment on whether Henkel was interested in that business.

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