



# 2020 Results and 2021 Outlook

January 25, 2021

[Kimberly-Clark.com](https://www.kimberly-clark.com)



# Conference Call Reminders

## Forward-Looking Information

Certain matters contained in this presentation concerning the outlook, anticipated financial and operating results, raw material, energy and other input costs, anticipated currency rates and exchange risks, including in Argentina, net income from equity companies, sources and uses of cash, the effective tax rate, the anticipated cost savings from the company's FORCE program, charges and savings from the 2018 Global Restructuring Program, growth initiatives, product innovations, contingencies and anticipated transactions of the company constitute forward-looking statements and are based upon management's expectations and beliefs concerning future events impacting the company. In addition, many factors outside our control, including pandemics (including the ongoing COVID-19 outbreak), epidemics, failure to realize the expected benefits or synergies from the Softex Indonesia acquisition, fluctuations in foreign currency exchange rates, the prices and availability of our raw materials, potential competitive pressures on selling prices for our products, energy costs, our ability to maintain key customer relationships, as well as general economic and political conditions globally and in the markets in which we do business, could affect the realization of these estimates. There can be no assurance that these future events will occur as anticipated or that the company's results will be as estimated. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to publicly update them. For a description of certain factors that could cause the company's future results to differ from those expressed in any such forward-looking statements, see Item 1A entitled "Risk Factors" in each of the company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 and the company's Annual Report on Form 10-K for the year ended December 31, 2019.

## Non-GAAP Financial Measures

Management believes that non-GAAP financial measures enhance investors' understanding and analysis of the company's performance. As such, results and outlook have been adjusted to exclude certain items as indicated in the non-GAAP reconciliations to the comparable GAAP financial measures included in today's earnings release and described in additional information posted on our Web site ([www.kimberly-clark.com/investors](http://www.kimberly-clark.com/investors)). The non-GAAP financial measures exclude charges related to the 2018 Global Restructuring Program in 2019 and 2020, Softex Indonesia acquisition-related costs and Brazil business tax credits in 2020 as well as net gain related to the sale of a property associated with a past restructuring in 2019.

# Full Year 2020 Results

# 2020 Headlines

- Strong top-and-bottom line growth, exceeded previous outlook
- Significantly increased brand and capability investments, improved market shares
- Generated excellent cost savings and cash flow
- Returned significant cash to shareholders

# Consolidated Net Sales

Net Sales	2020
<b>Total Change<sup>(a)</sup></b>	<b>4%</b>
Volume	4%
Net Price	1%
Mix/Other	1%
Currency	(2%)
Organic <sup>(b)</sup>	6%



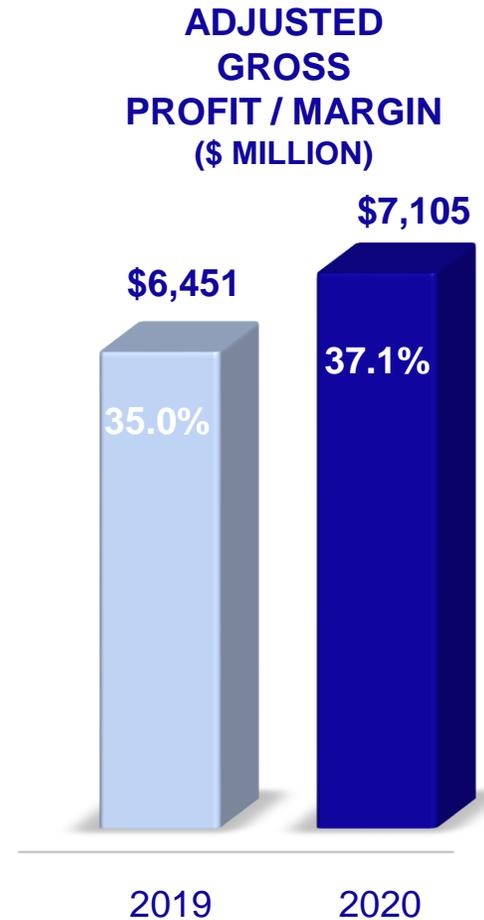
- Healthy underlying performance and increased demand related to COVID-19

(a) Total may not equal the sum of volume, net price, mix/other, acquisition and currency due to rounding

(b) Growth before currency and acquisition

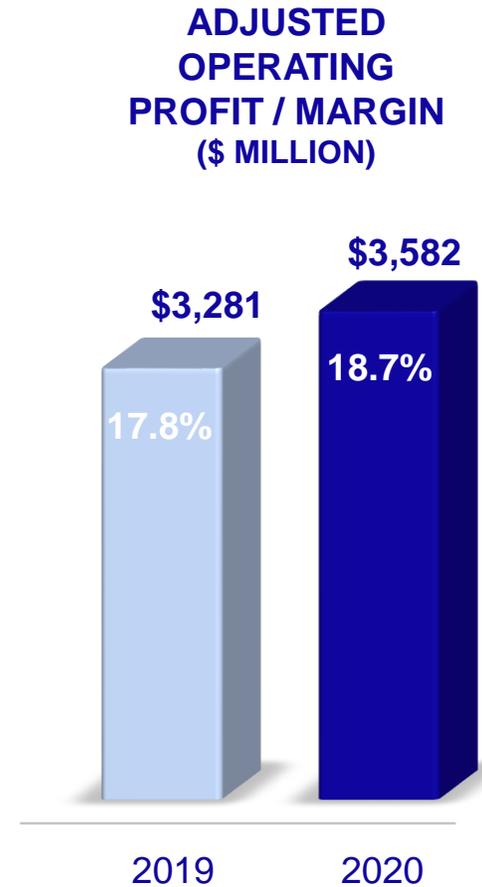
# Adjusted Gross Profit / Margin

- Gross margin +210 basis points, gross profit +10 percent
- Cost savings \$575 million
  - Above initial target and slightly better than October estimate
  - 2021 target: \$400 to \$460 million
- Commodity benefit \$175 million
  - Inflationary in Q4
  - 2021: expect \$450 to \$600 million inflation; costs projected to increase in most areas
- Other manufacturing costs higher year-on-year
  - Including COVID-19 related costs
- Currencies reduced profit high-single digits



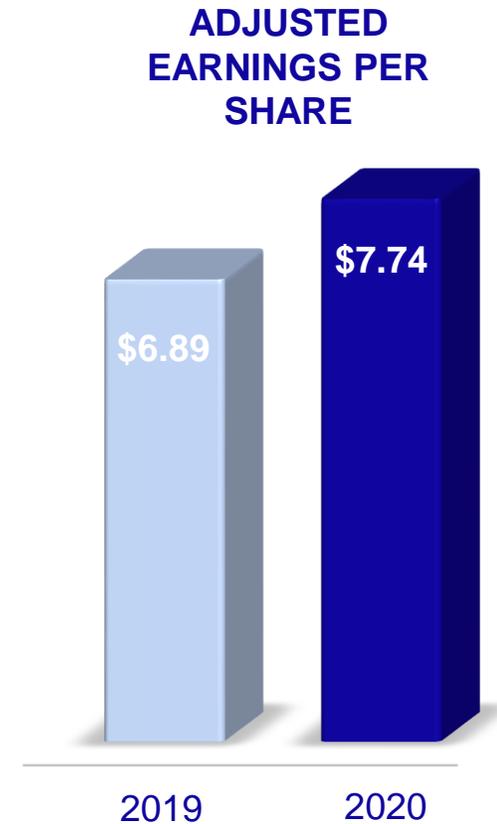
# Adjusted Operating Profit / Margin

- Between-the-lines spending +110 basis points (% of net sales)
  - Advertising +90 basis points
  - S,G&A also increased: higher incentive compensation expense, capability-building investments
- Operating profit +9 percent
- Operating margin +90 basis points
- 2021 margins:
  - Mid-point of assumptions implies 70 basis point decline in operating margin; gross margin likely down somewhat more than that



# Adjusted Earnings Per Share

- Adjusted EPS \$7.74, +12 percent year-on-year
  - October guidance: \$7.50 to \$7.65
- Higher equity income
- Lower share count
- Lower adjusted effective tax rate
  - 22.7 percent vs. 23.0 percent last year



# Cash Flow and Capital Allocation

- Cash provided by operations \$3.7 billion
  - Up \$1 billion versus 2019 - outstanding working capital, strong earnings
  - 2021 expected to be down year-on-year: higher cash taxes, working capital
    - Should remain strong and well above 2019's level
- Capital spending \$1.2 billion
  - In line with plan and prior year
  - 2021: \$1.2 to \$1.3 billion including Restructuring and growth projects
  - 2022: believe will remain elevated
- Dividends and share repurchases totaled \$2.15 billion
  - 10<sup>th</sup> consecutive year of at least \$2 billion, expect similar level in 2021
- Board has approved 6.5 percent dividend increase for 2021 - 49<sup>th</sup> consecutive annual increase - and authorized new \$5 billion share repurchase program

# 2018 Global Restructuring Program Update

- Significant progress as we enter last year of program
- Pre-tax charges 85 to 90 percent complete
  - Total program charges expected to be \$2.0 to \$2.1 billion; previous estimate toward high end of \$1.7 to \$1.9 billion range
  - Increased to reflect COVID delays and costs for additional savings opportunities
- Cost savings of \$420 million achieved
  - Expect \$540 to \$560 million by end of 2021
  - Original estimate \$500 to \$550 million
- Cash payments 75 to 80 percent complete

# 2020 Recap and 2021 Outlook

# 2020 Highlights

- Focused on protecting health and safety of each other
- Proactively managed global supply chain to meet needs of consumers and customers
- Healthy top-line growth, gained market share, invested to strengthen our brands long-term, delivered strong financial results

# Personal Care

- Organic sales +5 percent, strong share performance
  - North America organic sales +6 percent
    - Broad-based growth in baby and child care
    - Market shares up: Huggies diapers, GoodNites youth pants
  - D&E markets organic sales +6 percent
    - Up double-digits: China, India, South Africa
    - Up high-single digits: Eastern Europe
    - Up low-single digits: Latin America
    - Improved share positions in many markets

# Consumer Tissue / K-C Professional

- Businesses impacted by COVID, work-from-home environment
  - Consumer tissue organic sales +13 percent
    - To meet elevated demand: significant SKU reductions, leveraged global supply network
    - Focused on brand building, in-market execution → Kleenex share gains in North America and Europe
  - K-C Professional organic sales -7 percent
    - Washroom category weighed down by environment
    - Pivoted to growth opportunities; wipers and safety up double-digits in North America

# Market Shares

- Grew or maintained share in ~60 percent of our key 80 category/country combinations
  - Commercial capabilities
  - Innovation
  - Increased investments

# 2021 Outlook

- Expect more challenging environment compared to 2020
  - Reversal of some net COVID benefit
  - Rising commodity costs
  - Watching economic conditions and birth rate trends
- Confident in ability to deliver top-line growth, expect to strengthen market positions and improve company for long-term value creation

# 2021 Outlook

- Total net sales growth 4 to 6 percent
  - Softex acquisition +2 points
  - Currencies +1 to 2 points
  - Organic sales growth 1 to 2 percent
    - Leverage and scale brand-building capabilities and investments
    - Near-term innovation pipeline: Huggies in North America, China, Eastern Europe, Latin America; Kotex in several markets
    - Benefit from selective pricing actions and revenue management initiatives, not currently planning for broad-based list price increases

# 2021 Outlook

- Investments for long-term success
  - Continue capability and technology investments
  - Advertising spending similar on dollar basis to 2020
    - Significant increases in 2019 and 2020, strong digital ROI; sufficient for growth plans
- Adjusted earnings per share \$7.75 to \$8.00, +0 to 3 percent vs. 2020
  - Focused on annual plan, quarterly volatility could be higher than normal
- Two-year average performance: 2020 + mid-point 2021 outlook
  - Organic sales ~+4 percent
  - Adjusted EPS +7 percent
  - Growth rates slightly above medium-term objectives

# Summary

- On track with K-C Strategy 2022
- Managing through challenging environment effectively
- Improving top-line; strengthening our brands, market positions and our company for long-term
- Optimistic about opportunities to deliver balanced and sustainable growth over time and create shareholder value

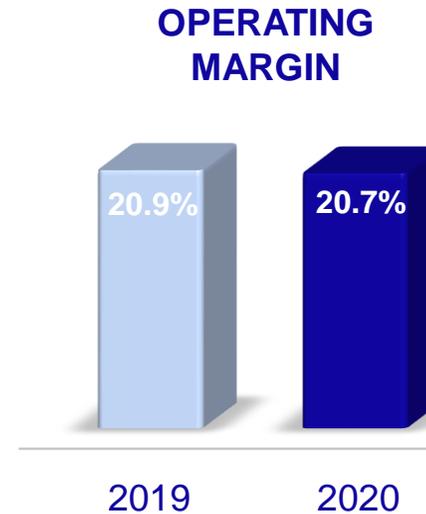
# Q&A Session



# Appendix: 2020 Business Segment Results

# Personal Care

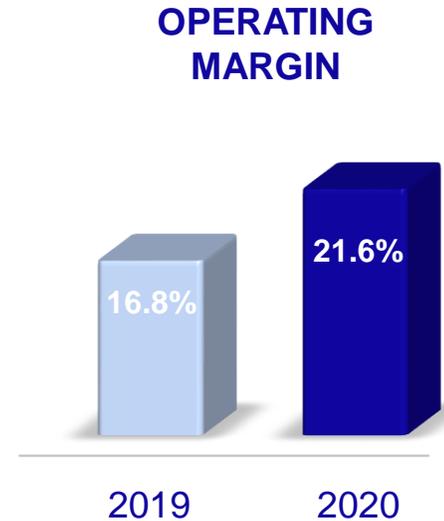
Net Sales	2020
Total Change	3%
Volume	4%
Net Price	0%
Mix/Other	1%
Acquisition*	1%
Currency	(4%)
Organic	5%



- Organic sales +5 percent
  - North America and D&E markets growth
- Operating margin -20 basis points
  - Currency headwinds, increased other manufacturing costs, higher advertising, G&A increases; offset by organic sales growth, cost savings, lower input costs

# Consumer Tissue

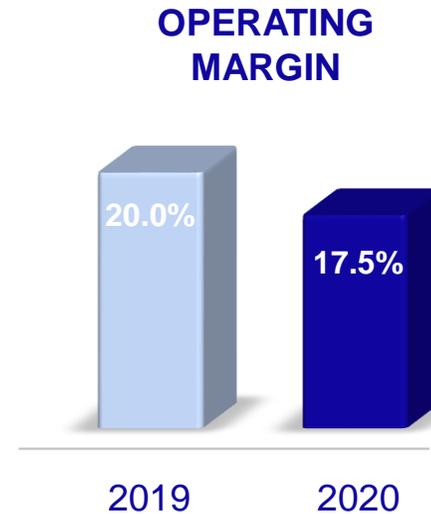
Net Sales	2020
Total Change	12%
Volume	12%
Net Price	2%
Mix/Other	(1%)
Currency	(1%)
Organic	13%



- Organic sales +13 percent
  - Strong demand particularly in North America and developed markets
- Operating margin +480 basis points
  - Organic sales growth, cost savings, lower input costs

# K-C Professional

Net Sales	2020
Total Change	(8%)
Volume	(11%)
Net Price	3%
Mix/Other	2%
Currency	(1%)
Organic	(7%)



- Organic sales -7 percent
  - Challenging economic and business conditions globally
- Operating margin -250 basis points
  - Lower volumes, increased other manufacturing costs including fixed cost under absorption