

Q2 2020 Results and 2020 Outlook

July 23, 2020

[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, 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). The non-GAAP financial measures exclude charges related to the 2018 Global Restructuring Program in 2019 and 2020.

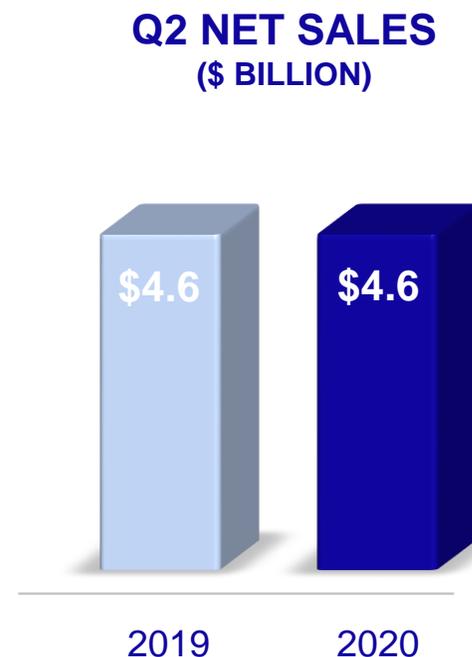
Q2 2020 Results

Q2 2020 Headlines

- Organic sales increased 4 percent – good underlying momentum and net benefits from increased COVID-19 related demand
- Significant cost savings, margin improvements and record adjusted earnings
- All-time record operating cash flow

Consolidated Net Sales

Net Sales	Q2 2020
Total Change^(a)	0%
Volume	2%
Net Price	1%
Mix/Other	1%
Currency	(4%)
Organic ^(b)	4%



- Organic sales by segment: Consumer tissue +14%, Personal care +2%, K-C Professional -10%

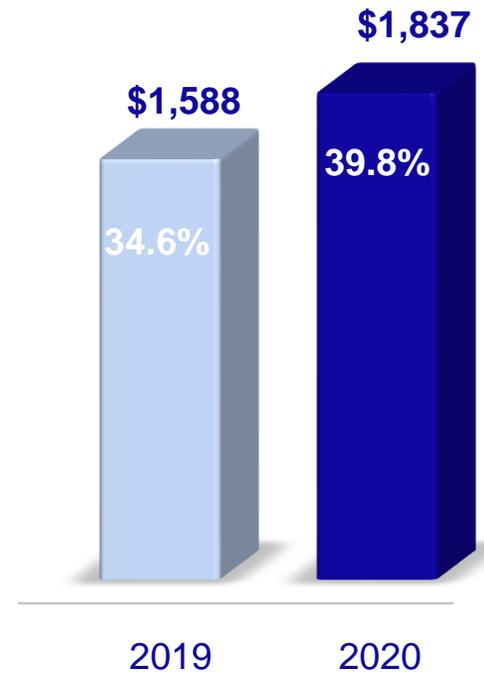
(a) Total may not equal the sum of volume, net price, mix/other, exited businesses and currency due to rounding

(b) Growth before currency and exited businesses impacts

Adjusted Gross Profit / Margin

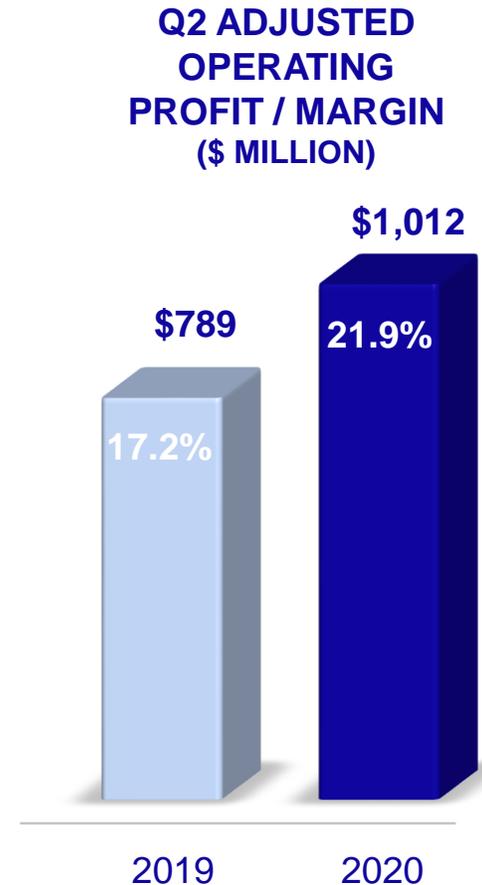
- Gross margin up 520 basis points, gross profit up 16 percent
- Cost savings \$175 million
 - Increasing full-year target to \$510 to \$560 million (original range \$425 to \$500 million)
- Commodity benefit \$80 million, driven by pulp
 - Full year deflation estimate \$150 to \$250 million, on average \$75 million better than original outlook
- Currencies reduced profit high-single digits
 - Expect high-single digit drag for full-year – incremental headwind versus original plan is about 2X the benefit of improved commodity outlook
- Other manufacturing costs higher year-on-year
 - Expect full-year to increase more than plan due to incremental COVID-19 expenses, partially offset by improved fixed cost absorption

Q2 ADJUSTED
GROSS
PROFIT / MARGIN
(\$ MILLION)



Adjusted Operating Profit / Margin

- Between-the-lines spending up 40 basis points as a percent of net sales
 - Increased digital advertising
- Operating profit up 28 percent
- Operating margin up 470 basis points, by segment:
 - Personal care: 23.3 percent, +210 bps
 - Consumer tissue: 26.0 percent, +1,100 bps
 - K-C Professional: 21.4 percent, +170 bps



Adjusted Earnings Per Share

- Adjusted EPS \$2.20, up 32 percent year-on-year
 - Tax rate 22.7 percent vs. 22.3 percent last year
 - Higher equity income
 - Lower share count

Q2 ADJUSTED
EARNINGS PER
SHARE



Cash Flow and Capital Allocation

- Cash provided by operations \$1,579 million, all-time record
 - Compared to \$609 million in year-ago quarter
 - Unusually strong working capital benefits, higher earnings, timing of tax payments
 - Cash flow expected to decline in the second half; expect full-year to be up nicely year-on-year
- Dividends and share repurchases totaled ~\$400 million in Q2
 - Lower than normal due to temporary suspension of repurchases for most of quarter
 - Restarting share repurchases effective July 24, 2020

Current Environment and Recap of Q2 Results

Three Priorities in Current Environment

1. Protect health and safety of employees and consumers
2. Proactively manage global supply chain to ensure product supply
3. Prudently manage business; continue to strengthen long-term health of company

Global Supply Chain

- Organization doing outstanding job keeping supply chain operational
- No material impacts despite disruptions in markets with elevated COVID-19 infection rates
- Teams delivering strong cost savings and productivity improvements

Strategy Execution

- Continuing to execute our longer-term strategies
- Pursuing new growth opportunities
 - Better meet consumer and end-user needs around health, wellness and protection
 - Accelerate e-commerce and digital

Q2 Market Highlights: North America

- Consumer products organic sales +12 percent
 - Personal care +5 percent, driven by ongoing momentum on premium-tier Huggies diapers, child care, baby wipes
 - Consumer tissue +22 percent
 - Strong category demand: increased at-home consumption, additional consumer stock-up in bathroom tissue
 - Category growth moderated in latter part of quarter
 - Shipments outpaced category demand, especially in bathroom tissue, as we work to restore customer inventory levels

Q2 Market Highlights: North America

- K-C Professional organic sales -3 percent
 - Volumes -9 percent: challenging economic and business environment
 - Strong shipments early in quarter including benefit of higher-than-normal customer orders in late March that we fulfilled in April
 - Q2 volumes by product category
 - Washroom: down ~20 percent
 - Safety: down double-digits
 - Wipers and other: up double-digits

Q2 Market Highlights: D&E and Developed Markets

- D&E organic sales -3 percent, driven by K-C Professional
 - Personal care +2 percent
 - China up mid-teens, India up double-digits
 - Eastern Europe up slightly, included negative impacts from destocking and economic lockdowns
 - Latin America down low-single digits, despite favorable pricing in Argentina
 - Category demand in many countries impacted by drop in consumer purchasing power, government restrictions on social mobility and store operations
- Developed markets organic sales +3 percent
 - Strong growth in consumer tissue

Market Shares

- Good progress half way through year
 - Tracking to grow or maintain market share in ~60 percent of 80 category/country combinations we measure
 - North American consumer products: up or even in 5 of 8 categories
 - Key D&E markets:
 - Eastern Europe shares up
 - China shares up or even in key categories
 - Latin America shares mixed
 - Developed Markets: positive share trends in South Korea and the U.K.

2020 Outlook

Outlook

- Duration and full impacts of COVID-19 still unclear, uncertainties remain in the environment
- Visibility has improved from April – restoring forward-looking guidance for 2020
- Raising outlook for organic sales and earnings compared to original plan
 - Also increasing growth investments, primarily in digital advertising

Outlook

- Targeting 4 to 5 percent organic sales growth
 - Original plan was 2 percent growth
 - Improved underlying performance, increased demand as a result of COVID-19
- Second half of year
 - Good underlying momentum, will support brands with strong advertising, more innovations including: Pull-Ups training pants in North America, feminine care in Eastern Europe, Brazil, ASEAN
 - Expect bathroom tissue sales in North America to benefit from more people at home and from our actions to improve customer inventory levels
 - Challenging conditions in KCP globally and consumer categories in some D&E markets; expect additional consumer destocking

Outlook

- Adjusted earnings per share \$7.40 to \$7.60, up 7 to 10 percent year-over-year
 - Original plan: \$7.10 to \$7.35
- Investing more in our brands and capabilities
 - Temporarily paused some investment in Q2; planning to restore and further increase investment this year compared to our original plan to keep market share momentum going and better position us for long-term success

Summary

- Optimistic about opportunities to generate long-term growth and create shareholder value
- Prioritizing health and safety of employees and consumers
- Executing strategies well
- Operating business with a balanced and sustainable approach

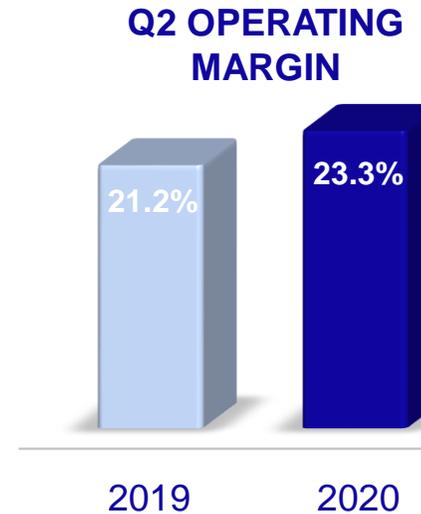
Q&A Session



Appendix

Personal Care

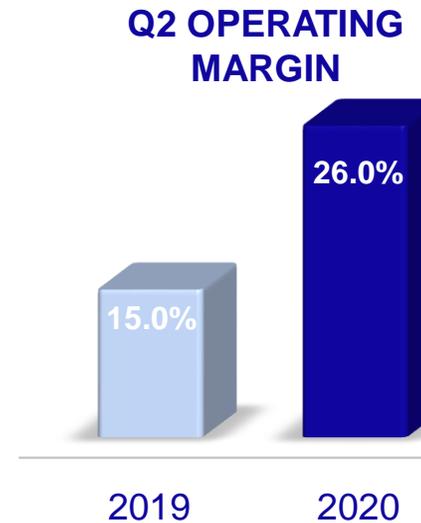
Net Sales	Q2 2020
Total Change	(2%)
Volume	0%
Net Price	0%
Mix/Other	2%
Currency	(5%)
Organic	2%



- Organic sales +2 percent
 - Growth in North America and D&E markets
- Operating margin +210 basis points
 - Organic sales growth, cost savings, lower input costs

Consumer Tissue

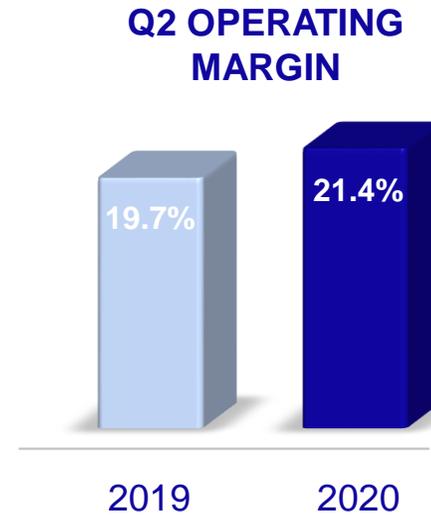
Net Sales	Q2 2020
Total Change	12%
Volume	14%
Net Price	1%
Mix/Other	(1%)
Currency	(3%)
Organic	14%



- Organic sales +14 percent
 - Strong demand in North America and developed markets
- Operating margin +1,100 basis points
 - Organic sales growth, cost savings, lower input costs; ~175 bps benefit from improved fixed cost absorption

K-C Professional

Net Sales	Q2 2020
Total Change	(12%)
Volume	(16%)
Net Price	4%
Mix/Other	3%
Currency	(2%)
Organic	(10%)



- Organic sales -10 percent
 - Challenging economic and business conditions globally
- Operating margin +170 basis points
 - Increased net selling prices, favorable product mix, cost savings