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# Barclays Global Consumer Staples Conference

September 6, 2017

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# Agenda

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- Global Business Plan Overview & Financial Strategies

Maria Henry

- Business Unit Strategies

Mike Hsu

- Q&A



# Reminders

## Forward-Looking Information

Certain matters in this presentation, including our 2017 outlook, expectations and planning assumptions, and any estimates, projections, and statements relating to our business plans or objectives, constitute forward-looking statements and are based upon management's expectations and beliefs concerning future events impacting the company. These statements are subject to risks and uncertainties, including currency rates and exchange risks, cost savings and reductions, raw material, energy, and other input costs, competition, market demand and economic and political conditions, the anticipated cost savings from the company's FORCE program and contingencies. There can be no assurance that these future events will occur as anticipated or that the company's results will be as estimated. Furthermore, unless otherwise specifically indicated, forward-looking statements contained in this presentation are based on our second quarter 2017 earnings communication which occurred on July 25, 2017. Forward-looking statements and guidance speak only as of the date they were made, and we undertake no obligation to publicly update them and nothing in this presentation should be considered as confirming or disaffirming guidance. For a description of certain factors that could cause the company's future results to differ materially from those expressed in any such forward-looking statements, see Item 1A of the company's Annual Report on Form 10-K for the year ended December 31, 2016 entitled "Risk Factors."

## Non-GAAP Financial Measures

This presentation contains some financial measures that have been adjusted to exclude certain items and differ from reported results using Generally Accepted Accounting Principles (GAAP). Management believes that reporting in this manner enhances investors' understanding and analysis of the company's performance. For additional information on why we make these adjustments and reconciliations to comparable measures under GAAP, see the supplemental information for this presentation posted to the Investors section of our website ([www.kimberly-clark.com/investors](http://www.kimberly-clark.com/investors)). This presentation also includes information on organic net sales, which describes the impact of changes in volume, net selling prices and product mix on net sales. Changes in foreign currency exchange rates also impact the year-over-year change in net sales.

# Headlines

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- Executing Global Business Plan for long-term success in a challenging near-term environment
- Leveraging strong financial and cost discipline
- Optimistic about opportunities to create shareholder value



# GBP Strategies

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# GBP Objectives and Results

	Annual Improvement Objective	2004 – 2016 CAGR
<b>Sales</b>	3 to 5 percent	3 percent
<b>Organic Sales</b>	3 to 5 percent	4 percent
<b>EPS*</b>	Mid- to high-single digits	6 percent
<b>ROIC*</b>	20 to 40 basis points	80 basis points
<b>Dividend</b>	In line with EPS	8 percent

\* EPS and ROIC are adjusted.

# 2017 Results & July Outlook

	First Half 2017 (versus year-ago)	Full-Year 2017 (July Outlook**)
Sales	Even	Similar, or up slightly
Organic Sales	(1) Percent	Similar, or up slightly
EPS*	Even	Low end of +3 to 5 percent range

## 1H 2017 HIGHLIGHTS

- Sales – category softness, competitive activity, tough comparisons
- Commodity inflation picking up some
- Excellent cost savings
- \$1.3 billion in dividends / share repurchases

\* Adjusted.

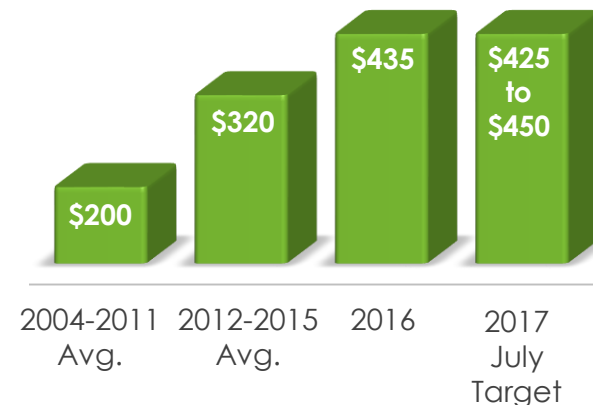
\*\* Guidance as of July 25, 2017 earnings call.



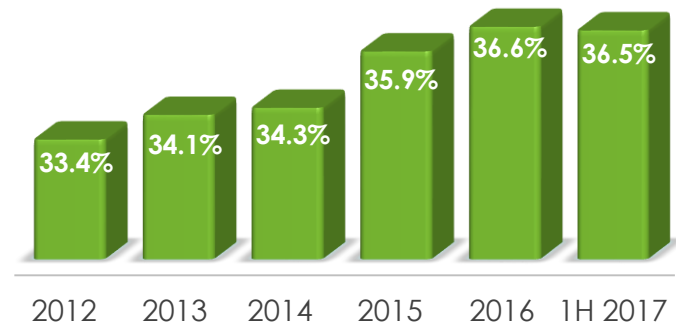
# Sustainable Cost Reduction – FORCE

- Ongoing program
  - Delivered \$3.3 billion over past 13 years
  - Performance has accelerated, including record savings in 2016
- End-to-end supply chain focus
  - Procurement, lean manufacturing practices, product design, distribution
  - Global supply chain organization created in 2015 continuing to build capability
- Important component of gross margin improvement

**ANNUAL SAVINGS**  
(\$ Millions)



**GROSS MARGIN\***

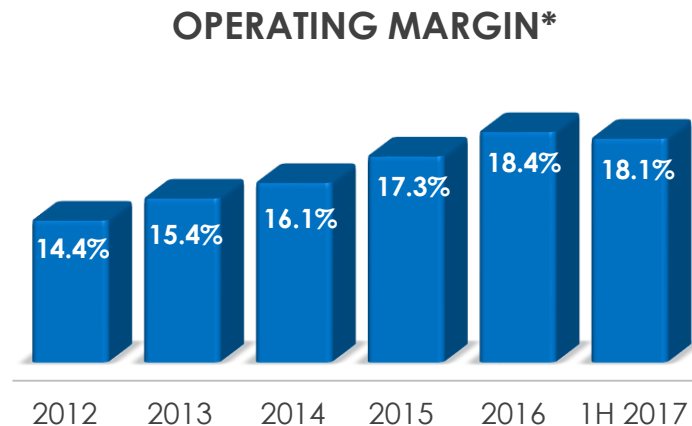
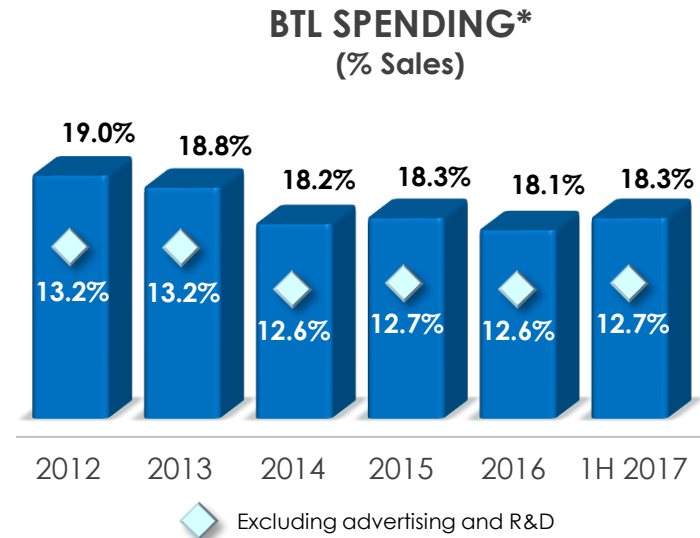


\* Adjusted.



# Disciplined Between-the-Lines Spending

- Long track record of efficient SG&A spending
  - Tightly managing overhead spending in current environment
- Continuing to invest in advertising and R&D
- Strong operating margin

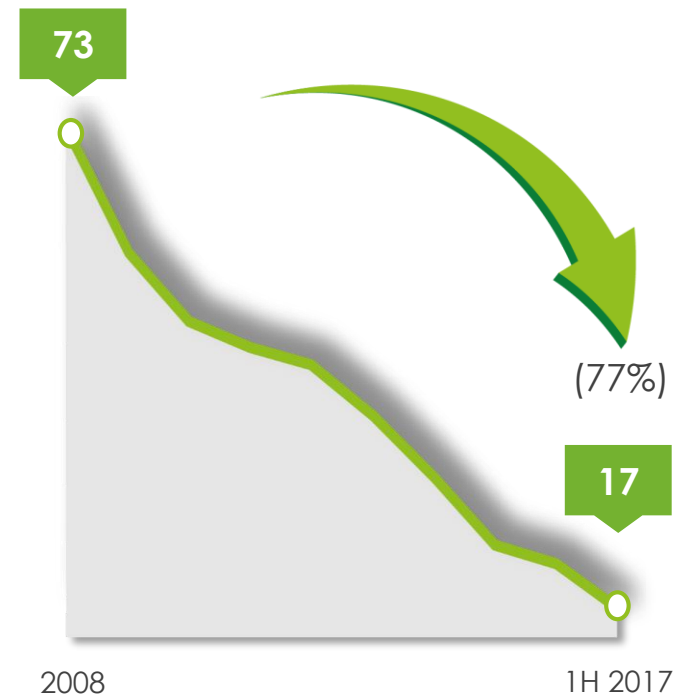


\* Adjusted.

# Working Capital

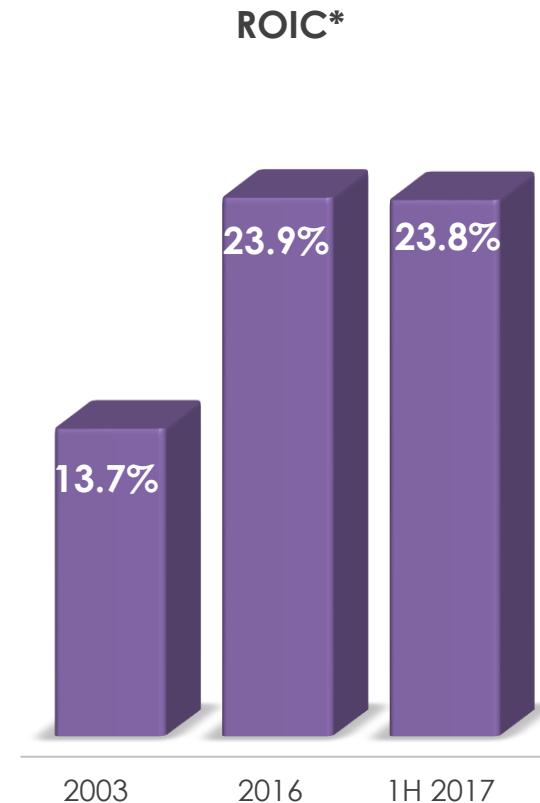
- Strong improvement over time
  - Extending payables terms
  - Inventory management
- Expect continued progress going forward
  - Building further capabilities
  - Global supply chain organization focus
- 1H 2017: 5 days better than 2016 average
  - Full-year 2017 should nicely exceed 1-day improvement target

**PRIMARY WORKING CAPITAL  
CASH CONVERSION CYCLE**  
(Days)



# Return on Invested Capital

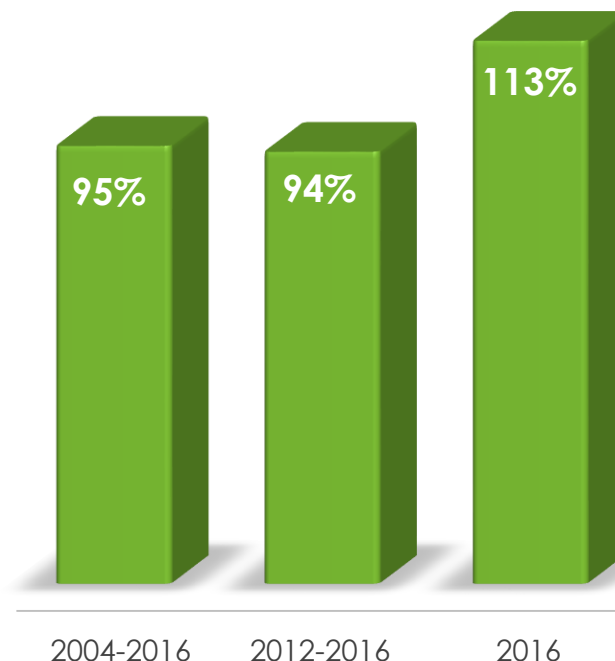
- Key component of long-term incentive compensation program
- Excellent results since GBP introduction
- Expect additional progress in 2017
  - 20 to 40 basis point improvement target



# Free Cash Flow Productivity

- Strong cash generation funds business needs
  - Capital spending 4.5 to 5.5 percent of net sales
  - Growth, innovation, cost savings
- Enables shareholder-friendly capital allocation

## FREE CASH FLOW PRODUCTIVITY\*

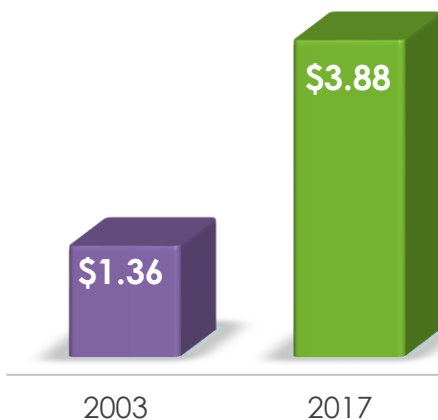


\* Free cash flow productivity defined as free cash flow (cash provided by operations less capital spending) divided by adjusted earnings. Excludes \$410 million pension contribution in conjunction with 2015 U.S. pension plan annuity transactions.

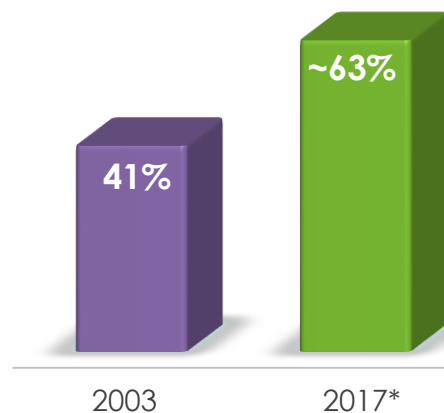
# Dividends

- Increased dividend 45 consecutive years
- \$13.5+ billion in cash dividends over past 13 years
- Current yield 3.2 percent
- Top-tier dividend in CPG industry

**PER SHARE DIVIDEND**  
(Declared)



**DIVIDEND PAYOUT**  
(Based on adjusted EPS)

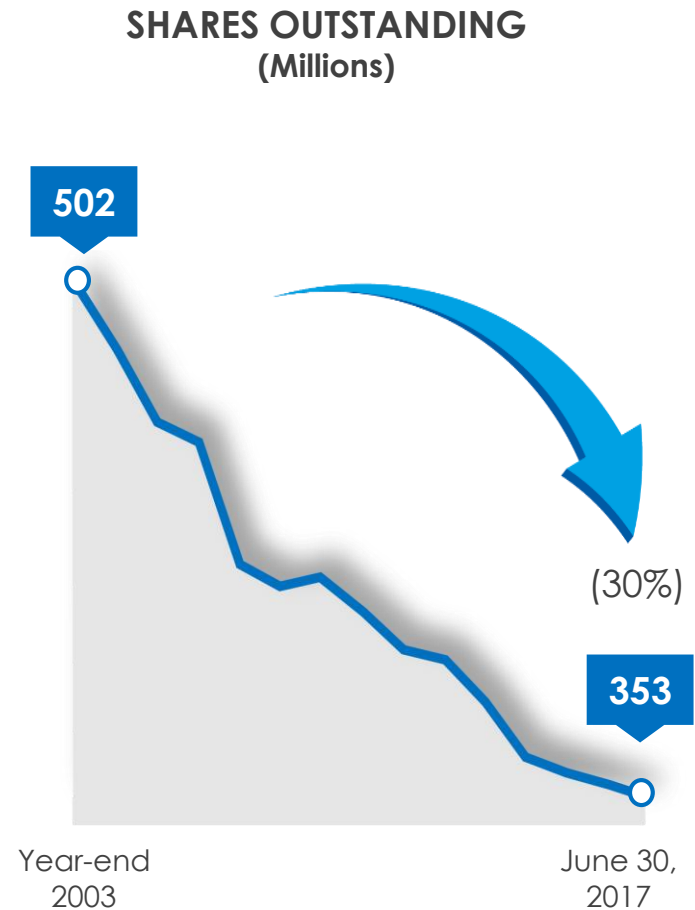


Note: Yield based on stock price as of August 30, 2017.

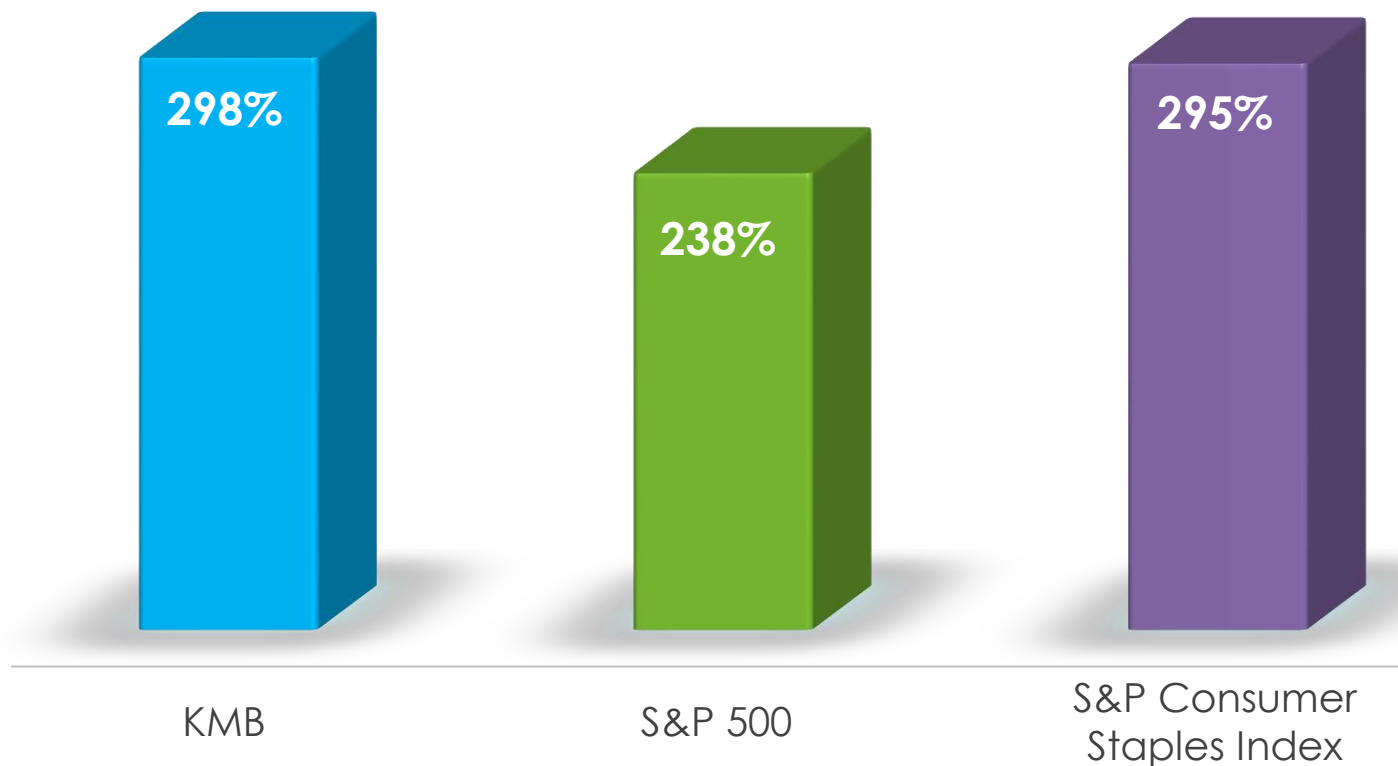
\* 2017 based on July guidance for earnings per share.

# Share Repurchases

- Excess cash flow for share repurchases
- Cumulative share repurchases of \$15.4 billion 2004-2016
- Strong track record of reducing share count
- Targeting \$800 million to \$1 billion in 2017



# Total Shareholder Returns Since Launch of GBP (July 2003)



Total shareholder returns as of August 30, 2017.



# Business Unit Strategies



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# Headlines

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- Focused on execution of brand fundamentals and competing effectively
- Pursuing targeted growth initiatives, launching innovations and building capabilities
- Continue to be optimistic about long-term growth prospects



# Business Unit Strategies

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## *PERSONAL CARE*

Win globally in Personal Care

## *CONSUMER TISSUE*

Deliver targeted growth and improve margins in Consumer Tissue

## *K-C PROFESSIONAL*

Grow in higher margin segments in KCP

## *D&E MARKETS*

Drive rapid growth in Developing & Emerging Markets (D&E)  
– Focus on China, Eastern Europe and Latin America

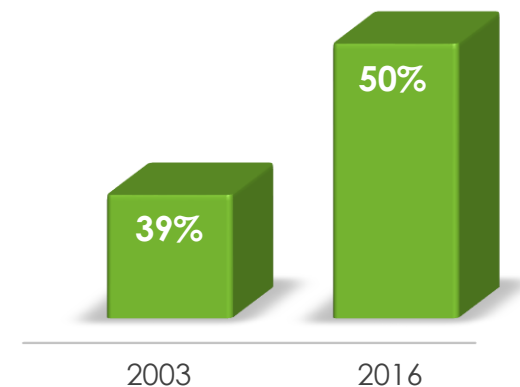
D&E = K-C's business in Latin America, Eastern Europe, the Middle East and Africa, and Asia-Pacific, excluding Australia and South Korea.

# Win Globally in Personal Care

- Fast-growing categories
- Strong market positions
- Powerful brands
- Winning products
- Long-track record of success
  - Organic sales CAGR +5 percent since launch of GBP
- Near-term
  - Category softness
  - Competitive activity
  - 1H 2017 organic sales even year-on-year



**PERSONAL CARE SALES  
% OF TOTAL COMPANY**



# Win Globally in Personal Care

## Baby / Child Care

- Penetration in D&E markets
- Point of market entry (diapers)
- Diaper-pants
- Training pants category development



## Feminine Care

- Premium solutions
- Point of brand adoption



## Adult Care

- Penetration globally
- Marketing to drive awareness
- Innovation



# Deliver Targeted Growth and Improve Margins in Consumer Tissue

- Strong share positions in focused markets
- Iconic brands
- Advantaged technologies
- Value-added innovation
- Trade-up strategies in D&E markets
- Cost reduction globally

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Scott  
Products

Kleenex

AndreX

Neve



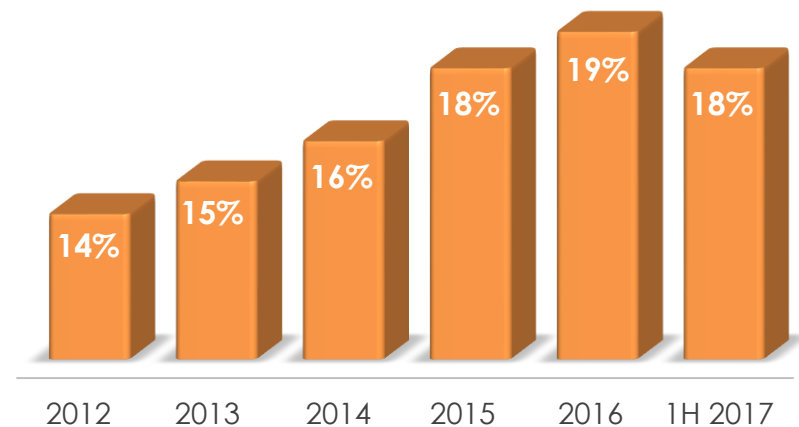


# Deliver Targeted Growth and Improve Margins in Consumer Tissue

- Operating profit up 25 percent over last four years
- Excellent progress with margin improvement
- Near-term environment
  - Elevated competitive activity
  - Pulp costs picking up in 2017



**OPERATING MARGIN**





# Personal Care & Consumer Tissue – North America

- Strong market positions
- Healthy profit margins
- Current environment
  - Category softness, particularly in infant / child care
  - Competitive activity elevated last 12 months
- Expect better performance in second half of 2017
  - Fine-tuned some promotion strategies
  - Leverage innovations
  - Easier comparisons



## ORGANIC SALES

FY 2016	+1%
<hr/>	
1H 2017	(3%)

# Grow in Higher Margin Segments in KCP

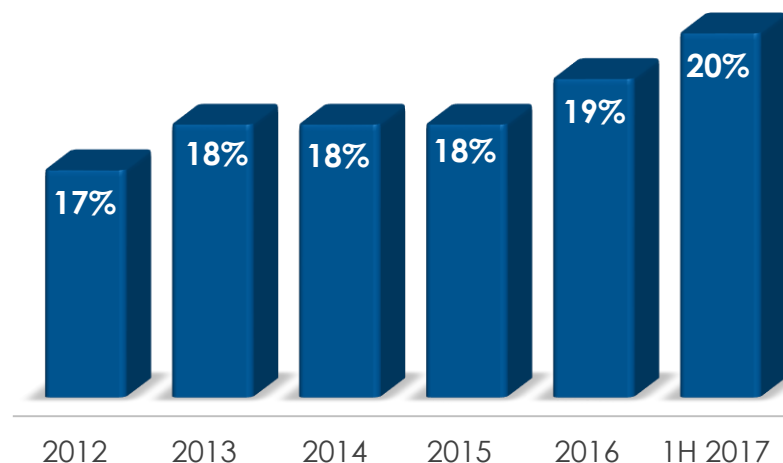
- Premium brands
- Good market positions
- Invest in Safety and Wiper businesses, differentiated tissue offerings
- Develop categories in D&E markets
- Innovation
- Improve mix and margin to fund growth

## ORGANIC SALES

2012 – 2016 CAGR	+3%
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1H 2017	+1%
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## OPERATING MARGIN



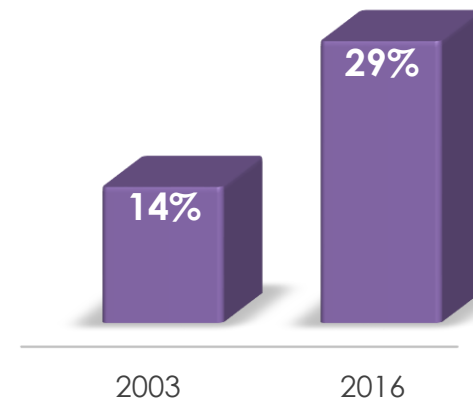
# Drive Rapid Growth in D&E Markets

- Excellent performance over last several years
- Near-term growth has moderated -- macro factors
- 1H 2017 volumes +5 percent and on track with plan
- Optimistic about long-term potential
  - Attractive market dynamics
  - Increase penetration and frequency of usage
  - Targeted geographic expansion and growth plans

## ORGANIC SALES

2011 – 2015 CAGR	+11%
2016	+4%
1H 2017	+3%

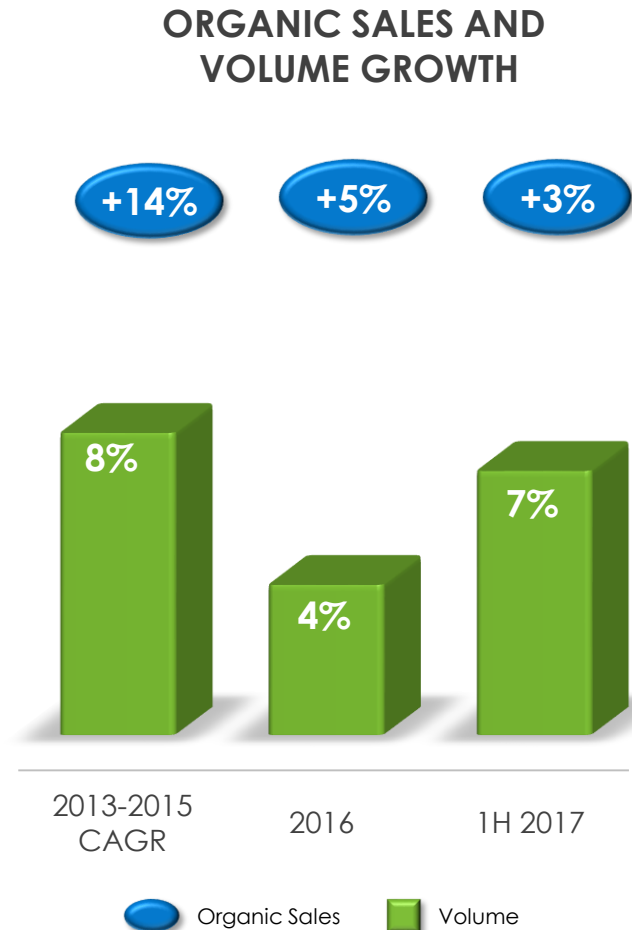
## D&E SALES % OF TOTAL COMPANY



## D&E Focus Area:

### China, Eastern Europe, Latin America – Personal Care

- Approximately 50 percent of D&E business
- Current environment
  - Some category slowdown in Latin America
  - Pricing down somewhat -- improving currencies, competition
- Encouraged by volume performance in 2017
- Continue to execute long-term growth plans
  - Innovation
  - Selling and marketing investments
  - Focused distribution expansion



# Illustrating the Diaper Opportunity in D&E Markets

- Significant growth opportunity
  - Number of babies
  - Middle class expansion
  - Frequency of usage increases
- Innovation and brand strength critical to winning

	ANNUAL BIRTHS (mm)	CURRENT CATEGORY SIZE (B)	POTENTIAL CATEGORY SIZE (B)
U.S.	4	\$6	
China	18	\$7	➔ \$27
Eastern Europe	4	\$3	➔ \$6
Brazil	3	\$2	➔ \$5
India	25	\$0.5	➔ \$38

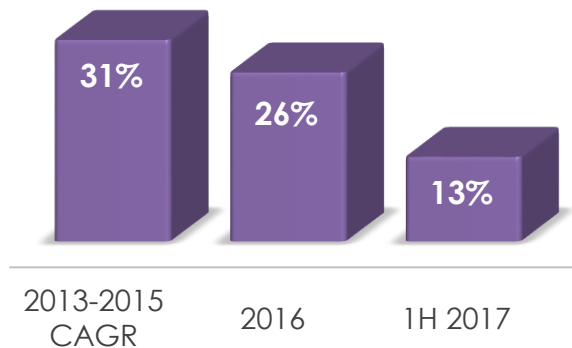
Births and current category size per Euromonitor.  
Potential category size assuming U.S. penetration rate.  
Category size includes diapers and pants.

# D&E Focus Area: China – Diapers

- Significant category tailwinds
- Premium / trade-up market
- Winning innovations
  - Five improvements / launches in first half of 2017
- Targeted geographic expansion
- Strong presence and capabilities in e-commerce



## VOLUME GROWTH

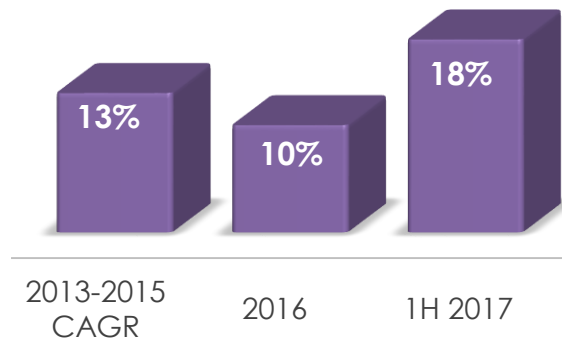


# D&E Focus Area: Eastern Europe – Diapers

- Solid category demand
- Innovations driving growth
  - Launched several upgrades in 2016 and first half of 2017
- Geographic expansion opportunities
  - Russia, Ukraine, CIS



## VOLUME GROWTH



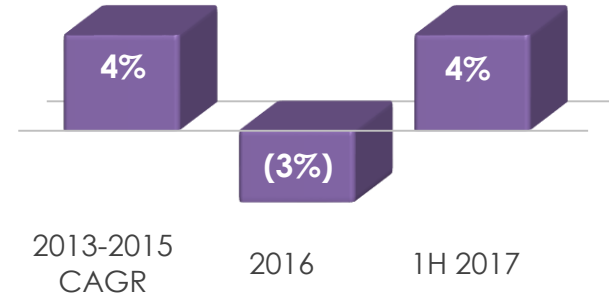


# D&E Focus Area: Latin America – Personal Care

- Near-term category volatility, somewhat more stable recently
- Launching several innovations in 2017
  - Diapers, feminine care, adult care
- Improving execution / value proposition
- Distribution expansion opportunities



## VOLUME GROWTH



# Summary

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- Challenging near-term environment
- Driving growth initiatives, cost savings, ROIC improvement
- Allocating capital in shareholder-friendly ways
- Confident GBP will deliver long-term shareholder value



Poise

U  
by kotex

Depend

Andrex

WYPALL  
BRAND

intimus

HUGGIES  
Pull-Ups  
TRAINING PANTS

Cottonelle

HUGGIES

Neve

Scott  
products

Kleenex  
BRAND  
TISSUE

Viva



## Q&A Session





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