Third Quarter 2022
Prepared Remarks

October 25, 2022

Company Participants

Mike Hsu, Chairman and CEO

Nelson Urdaneta, CFO

Brian Ezzell, VP Finance and Interim Head of Investor Relations

Please view these remarks in conjunction with our Q3 2022 earnings release, including the GAAP/non-GAAP reconciliations, that can be found on our website at www.kimberly-clark.com under the Investors section, or via the following link: www.kimberly-clark.com/investors

Brian Ezzell

Hello and thank you for your interest in Kimberly-Clark. Included below are prepared remarks from Mike Hsu, our Chairman and Chief Executive Officer, and Nelson Urdaneta, our Chief Financial Officer.

As a reminder, these remarks include forward-looking statements. Please see the Risk Factors section of our latest Annual Report on Form 10-K and our third quarter 10-Q for further discussion of forward-looking statements. The remarks refer to adjusted results which exclude certain items described in our Q3 2022 earnings news release. The release has more information about these adjustments and reconciliations to comparable GAAP financial measures.

In addition to these remarks, we will host a live Q&A webcast today at 9:00 a.m. Central Time. To join the webcast or listen to a replay, please visit www.kimberly-clark.com/investors.

Nelson Urdaneta

My remarks focus on our third quarter 2022 financial results and the full year outlook.

Q3 2022 RESULTS - OVERVIEW

We delivered solid results in the third quarter, a reflection of our great brands and strong execution by our teams in an environment that remains challenging and dynamic. We continued to deliver on our organic sales growth momentum as we realized broad-based price increases taken in the past year to offset persistent, significant inflation. While margins and profit remain under pressure, we delivered sequential margin expansion, generated strong cost savings, and returned cash to shareholders in the quarter.

Q3 RESULTS – DETAILS

Third quarter net sales were $5.1 billion, up 1 percent. Organic sales increased 5 percent compared to a 4 percent increase in the year ago period.

Net sales growth reflected a 9 percent increase from pricing and a 1 point benefit from favorable product mix, offset by a 5 percent volume decline. Net sales also reflected a 4 percent decrease from changes in foreign currency exchange rates.

Gross margin was 30.5 percent, roughly flat to adjusted gross margin in the year ago period. Gross margin was negatively impacted by significant input cost inflation, offset by organic sales growth and cost savings. In the quarter, our pricing benefits exceeded the negative impact of commodities and currency on a dollar basis and contributed to 30 basis points of sequential gross margin improvement from the second quarter.

Input costs were unfavorable $360 million year-over-year, representing a drag of more than 700 basis points on gross margin. Headwinds continued to be broad-based including pulp and other raw materials, energy rates as well as distribution costs and were most acute in international markets.

We generated $80 million of cost savings from our FORCE program in the quarter, bringing year-to-date program savings to $175 million. As expected, supply chain headwinds have continued to impact our net savings delivery this year.

Between-the-lines spending was 17.3 percent of net sales, 170 basis points higher than adjusted between-the-lines spending in the base period. Higher spending was in line with our average quarterly spend for the first half of the year, reflecting investments in our people, our brands and our capabilities, and lapping an incentive compensation adjustment in the prior year.

Foreign currencies were a high-single digit headwind on operating profit in the quarter.

Operating margin was 13.0 percent, down 190 basis points versus year-ago and up 70 basis points sequentially. Operating profit was down 12 percent. All comparisons to prior year are versus adjusted results.

The adjusted effective tax rate was 22.3 percent compared to 20.9 percent in the year-ago period.

Adjusted earnings per share were $1.40 compared to $1.62 in 2021.

Third quarter cash provided by operations was $798 million, an increase of $16 million versus year-ago.

We continue to allocate capital in disciplined, shareholder-friendly ways. Capital spending in the third quarter was $209 million in 2022 compared to $235 million in 2021. Third quarter dividends and share purchases totaled approximately $415 million and we continue to expect the full year amount will be more than $1.5 billion.

2022 OUTLOOK

First, I'll provide perspective on our results year-to-date. We are encouraged by our continued top-line momentum and all the actions our teams are executing to navigate challenging macro conditions. This year, we have realized significant benefits from pricing actions to offset input cost headwinds and improve our margins while also delivering solid cost savings. As expected, our pricing actions have negatively impacted volumes across our segments. While we also saw some retailer inventory reductions in the third quarter, performance was broadly in-line with our expectations. Our market shares have generally held up well.

With this context, we are maintaining our organic sales growth outlook of 5 to 7 percent while also maintaining our net sales growth outlook at 2 to 4 percent. Our net sales outlook now assumes 3 to 4 points of negative currency impact compared to our previous expectation of 3 points. Our acquisition of controlling interest in Thinx also provides a slight benefit to net sales.

We continue to plan for input cost inflation of $1.4 to $1.6 billion, consistent with our previous outlook. The translation and transaction impacts related to unfavorable foreign currency exchange rates are now expected to reduce operating profit a mid to high-single digit percent compared to our previous mid-single digit percent assumption. We are maintaining our FORCE cost savings range of $300 million to $350 million. Based on the inflationary supply chain environment, we currently anticipate being at the lower end of the FORCE range.

We're maintaining our adjusted earnings per share outlook at the lower end of the $5.60 to $6.00 range.

That concludes my comments on our third quarter results and 2022 outlook.

Mike Hsu

My remarks focus on third quarter 2022 organic sales, market conditions and our market shares, as well as my perspective on 2022 outlook.

Q3 2022

Third quarter organic sales increased 5 percent. We delivered organic sales growth across all segments with excellent in-market execution of pricing actions, which led to sequential expansion of both gross margin and operating margin in the quarter. Volumes across most of our geographies were in-line with our expectations given the pricing actions in place to offset commodity headwinds. Overall, our sales results reflect our enhanced commercial capability: strong innovation, excellent online and offline brand engagement and superior retail execution.

Personal Care organic sales were up 2 percent in the quarter with strong growth in D&E and developed markets, while North America Personal Care declined for the quarter. Organic sales growth averaged 6 percent over the last three years. Market share performance remained solid as we grew or maintained share in over 50 percent of our Personal Care cohorts.

Our Personal Care business in North America declined 6 percent organically as modest gains in feminine care were offset with declines in baby and child care, and adult care. Consumption remains stable. Declines were largely due to the cycling of elevated shipments in the year-ago period, primarily related to replenishing retail inventories following supply disruptions in early 2021, as well as the planned exit of a private label contract. In addition, there were some reductions in retailer inventory levels late in the quarter.

Personal Care organic sales in D&E markets grew 11 percent in the quarter. Pricing actions drove double-digit gains in the quarter, which were offset somewhat by volume declines. Volume declines were concentrated in Eastern Europe. Organic sales growth was broad-based across markets and categories in both Latin America and Asia Pacific. Our performance in China remained strong, with high-single digit growth and sustained market share gains driven by excellent innovation and continued premiumization.

Personal Care organic sales in developed markets were up 8 percent, driven by positive gains in both price and volume. Growth was robust across all markets. Volume gains were primarily in adult care and feminine care. Huggies market share momentum remains strong in South Korea and Australia.

Consumer Tissue organic sales grew 7 percent in the quarter compared to a 6 percent decline in the base period. Growth was delivered across geographies, reflecting strong pricing actions, partially offset by modest volume declines. Looking at the three-year average, organic sales grew more than 3 percent in the quarter, broadly in line with our expectations.

Our global K-C Professional business grew 9 percent organically in the quarter as we continue to see recovery from pandemic driven lows. On a three-year average basis, organic sales were up 1 percent. This quarter sales grew in all regions driven by strong gains in price and product mix. Washroom demand continues to recover with double-digit organic sales growth again this quarter.

BRAZIL TISSUE BUSINESS

We have entered into an agreement to sell our Neve tissue brand in Brazil, along with related consumer and KCP tissue assets in the country, to Suzano, one of the world's largest pulp and paper companies based in Brazil. The transaction also includes a licensing agreement with Suzano to manufacture and market the Kleenex, Scott and WypAll brands to consumers as well as away from home customers in Brazil. We expect the deal to close in the first half of 2023, pending customary conditions and regulatory approval.

This strategic decision will enable us to focus efforts on expanding our higher growth Personal Care business in Brazil, while creating a better future for the Consumer Tissue business in the country. Suzano's local market expertise, combined with the strong equity of Neve, will enable the brand to adapt to the unique category dynamics of the Brazilian tissue market.

2022 PERSPECTIVE

While the environment remains challenging, our teams continue to deliver strong execution. We've moved fast to address unprecedented inflation and have continued to support our brands with excellent innovation and strong brand support through our enhanced commercial capability. We remain committed to delivering balanced and sustainable growth and will do so while navigating what we expect will remain a volatile operating environment.

We're pleased with our strong organic sales growth momentum. This reflects strong execution of significant pricing actions as we continue to expect to recover margins over time. As anticipated, volumes have been negatively impacted by pricing increases, though roughly in-line with our expectations.

As we continue to monitor consumer response to inflationary pressures in the U.S. and across the globe, our focus remains on delivering value through our innovation and commercial programs. We will continue to move with agility to meet our consumers where they need us.

We remain confident in the potential of our categories and in our ability to deliver balanced and sustainable growth. That is how we will fulfill our purpose of providing Better Care for a Better World.

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This concludes our prepared remarks for today. Thank you for your interest in Kimberly-Clark.