

# Q1 2019 Results and 2019 Outlook

April 22, 2019

[Kimberly-Clark.com](http://Kimberly-Clark.com)

**HUGGIES****Kleenex****Cottonelle**

# Conference Call Reminders

## Forward-Looking Information

Certain matters in this presentation, including our 2019 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, including in Argentina, cost savings and reductions, raw material, energy, and other input costs, competition, customer relationships, market demand and economic and political conditions, effective tax rate, the anticipated cost savings from the company's FORCE program, charges and savings from the 2018 Global Restructuring 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. Forward-looking statements and guidance speak only as of the date they were made, and we undertake no obligation to publicly update them. For a more complete listing and description of other 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, 2018 entitled "Risk Factors."

## 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 2018 and 2019 as well as U.S. tax reform related matters in 2018.



# Q1 2019 Results

# Q1 2019 Headlines

- Organic sales increased 3 percent, driven by higher net selling prices
- Adjusted operating profit and earnings per share down low-single digits; made solid progress on margins compared to full-year 2018
- On track with overall capital plan and continue to return cash to shareholders

# Consolidated Net Sales

Net Sales	Q1 2019
<b>Total Change<sup>(a)</sup></b>	<b>(2%)</b>
Volume	(2%)
Net Price	4%
Mix/Other	1%
Currency	(5%)
Organic <sup>(b)</sup>	3%

- Organic sales up 3 percent
  - Good start relative to full-year growth target of 2 percent



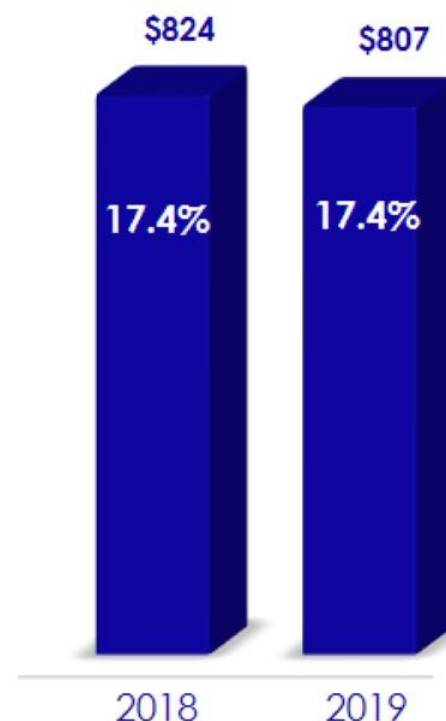
(a) Total may not equal the sum of volume, net price, mix/other, exited businesses and currency due to rounding

(b) Growth before currency and exited businesses impacts

# Adjusted Gross and Operating Profit

- Gross margin 33.5 percent, down 30 basis points;  
Operating margin 17.4 percent, even with year-ago
  - Gross and operating margins up 30 and 40 basis points, respectively, compared to full-year 2018
- Commodities \$135 million year-on-year drag
  - North American market prices for pulp, recycled fiber and polymer fell sequentially
- Currencies reduced profit by low-double digit rate
- Higher selling prices offset much of the commodity/currency headwinds
- Solid cost savings \$115 million
  - FORCE savings \$55 million, consistent with plan
  - Restructuring savings \$60 million
- Between-the-lines spending down 50 basis points, to 16.0 percent of net sales
  - Restructuring savings
  - Advertising spending up
- Operating profit down 2 percent

Q1 ADJUSTED  
OPERATING  
PROFIT / MARGIN  
(\$ MILLION)





# Adjusted Earnings Per Share

- Adjusted EPS \$1.66, down 3 percent year-on-year
- Adjusted effective tax rate 2 percent drag on earnings
  - 23.7 percent vs. 22.0 percent last year
  - Rate in 2018 benefited from resolution of certain tax matters
- Lower share count

Q1 ADJUSTED  
EARNINGS  
PER SHARE



# Cash Flow and Capital Allocation

- Cash provided by operations \$317 million
  - Down compared to \$542 million in year-ago quarter, generally in-line with expectations
  - Driven by higher working capital and restructuring payments
- Capital spending \$316 million
  - As expected, up from \$189 million in year-ago period driven by supply-chain restructuring projects
- Continue to allocate capital in shareholder-friendly ways
  - Dividends and share repurchases totaled \$510 million; continue to expect full-year will be between \$2.0 and \$2.3 billion



# Personal Care

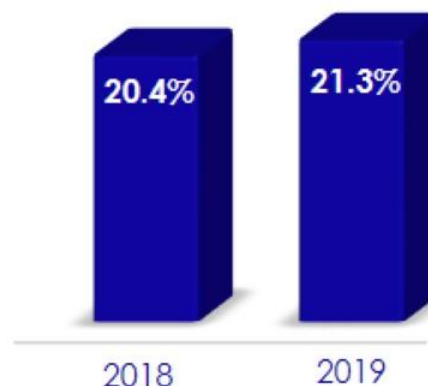
## Net Sales

Q1 2019

<b>Total Change</b>	<b>(1%)</b>
Volume	1%
Net Price	2%
Mix/Other	1%
Currency	(6%)
Organic	5%



## OPERATING MARGIN



- Organic sales up 5 percent
  - Net selling prices increased 2 percent, volumes and product mix each up more than 1 percent
- Operating margin up 90 basis points
  - Improvement driven by organic sales growth and cost savings

# Consumer Tissue

## Net Sales 2019

<b>Total Change</b>	<b>(3%)</b>
Volume	(6%)
Net Price	6%
Mix/Other	0%
Currency	(3%)
Organic	0%

## OPERATING MARGIN



- Organic sales even with year-ago
  - Net selling prices increased 6 percent, offset by lower volumes
- Operating margin even with year-ago

# K-C Professional



## Net Sales

2019

<b>Total Change</b>	<b>(2%)</b>
Volume	(1%)
Net Price	3%
Mix/Other	1%
Exited Businesses	(1%)
Currency	(4%)
Organic	3%

## OPERATING MARGIN



- Organic sales up 3 percent
  - Selling prices rose 3 percent, 1 percent mix improvement offset by lower volumes
- Operating margin down 60 basis points
  - Impacted by commodity inflation and currency headwinds, partially offset by higher prices and cost savings



# Recap of Q1 Results and 2019 Outlook

# Q1 2019 Recap

- Encouraged with Q1 results
- Strong progress realizing higher selling prices
- Launching innovations, investing in our brands and pursuing growth priorities
- Leveraging strong financial discipline
- Organic sales growth of 3 percent is good start to year
  - Pricing initiatives are on track and impact on volumes has been reasonable

# Top-line Highlights: Core Businesses

- Organic sales increased 1 percent in North American consumer products
  - North American personal care organic sales grew 3 percent
    - Adult care volumes up high-single digits - innovations, increased brand investment, category growth
    - Baby and child care volumes up low-single digits
    - Increased selling prices on Pull-Ups training pants and premium Huggies diapers
    - Upcoming innovations on Poise pads and premium Huggies diapers



# Top-line Highlights: Core Businesses

- North American consumer tissue organic sales down 2 percent
  - Compared to 5 percent increase in year-ago period driven by strong promotion activity
  - Net selling prices rose 7 percent; pricing plans on track
  - Will continue to monitor volumes and competitive activity, focused on realizing benefits of price increases

# Top-line Highlights: Core Businesses

- North American K-C Professional organic sales increased 1 percent
  - Solid price realization
- Developed markets (outside of North America) organic sales up 1 percent
  - Diaper business in South Korea impacted by lower birth rate, other businesses growing
  - Solid K-C Professional performance in Western/Central Europe

# Top-line Highlights: D&E Markets

- Organic sales rose 7 percent
  - Included nearly 3 points from Argentina, consistent with 2019 plan
- Key personal care businesses:
  - Brazil organic sales rose ~15 percent compared to mid-single digit increase in base period
    - Higher selling prices; category volume remains sluggish
  - China organic sales down high-single digits
    - Huggies diapers impacted by competitive pricing; volumes on premium-tier Huggies up – product innovation
    - Feminine care continues to grow at double-digit rate; driven by innovation, trade-up strategies, strong digital marketing



# Top-line Highlights: D&E Markets

- ASEAN organic sales rose ~10 percent, with strength on Huggies diapers in Vietnam
  - Rolling out improved Huggies in most markets this year
- Eastern Europe organic sales increased ~20 percent, volumes and selling prices up nicely
  - Momentum reflects excellent sales execution, winning product innovation, great marketing
  - Launching further innovations on Huggies and Kotex this year
- First quarter organic sales grew double-digits in feminine care, adult care and baby wipes in D&E
  - Strong growth opportunities, making progress

# Digital Marketing

- Using digital marketing on many brands to help build one-to-one consumer relationships
- Improving marketing ROI
- Helping us grow, including in:
  - Feminine care in China and South Korea
  - Diapers in Vietnam
  - Adult care in North America

# Results Summary

- Optimistic with start to year on top-line
  - More work to do, continue to operate in competitive environment
- While we need to make more progress, encouraged that first quarter margins were above full-year 2018 levels



# 2019 Outlook

- Confirming previous outlook
  - Organic sales growth 2 percent
  - Adjusted earnings per share \$6.50 to \$6.70
- Maintaining key planning assumptions from January
- Q1 results improved earnings profile somewhat; still believe more likely earnings will be somewhat higher in second half of year compared to first half
- Teams focused on execution, continue to watch overall environment
- Continue to pursue longer-term balanced and sustainable growth opportunities that are part of K-C Strategy 2022

# Summary

- Off to solid start to the year
- Confirming full-year outlook
- Confident in ability to create shareholder value



# Q&A Session





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