

Q1 2020 Results

April 22, 2020

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



Conference Call Reminders

Forward-Looking Information

Certain matters contained in this news release 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.

Managing in Current Environment

Company Response to COVID-19

- Company Vision: Provide the world with essentials for a better life
 - Consumers counting on us now more than ever
 - Working tirelessly to get our products to consumers
- K-C Foundation and multiple brand programs to support COVID-19 relief efforts
 - Donations in excess of \$8 million to-date
 - Millions of product donations

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

Priority #1 – Health and Safety

- Protect health and safety of employees and consumers
- Precautionary measures to protect employees around the world
 - Sanitization, quarantine, social distancing protocols
 - Work from home policies
 - Travel restrictions
- Bonuses for manufacturing employees to recognize and thank them for their efforts

Priority #2 – Global Supply Chain

- Proactively manage global supply chain to ensure product supply to consumers
- Supply chain largely operational, dynamic environment, record output in many cases
- Running many assets at maximum capacity, simplifying assortment to improve product availability
- Working with suppliers and distribution partners – continuity, maximize deliveries
- Incurring additional costs
- Have experienced some disruption – including temporary manufacturing slowdowns and shutdowns – none material to-date
- Dynamic environment, expect more challenges in near-term, encouraged with management of supply chain so far

Priority #3 – Prudently Manage the Business

- Prudently manage business through near-term volatility, continue to strengthen long-term health of company
- Continue to operate with balanced perspective on top-and bottom-line
- Continue to invest in products, brands, commercial capabilities to maintain near-term health of business and for longer-term success
 - Some investments and brand support, including promotion activity, will be pushed back temporarily given current environment
- Tightly manage discretionary overhead spending
- Actions to further strengthen balance sheet and enhance financial flexibility

Managing in Current Environment

- Environment continues to evolve rapidly
- Teams managing priorities and business extremely well
- Business performing well

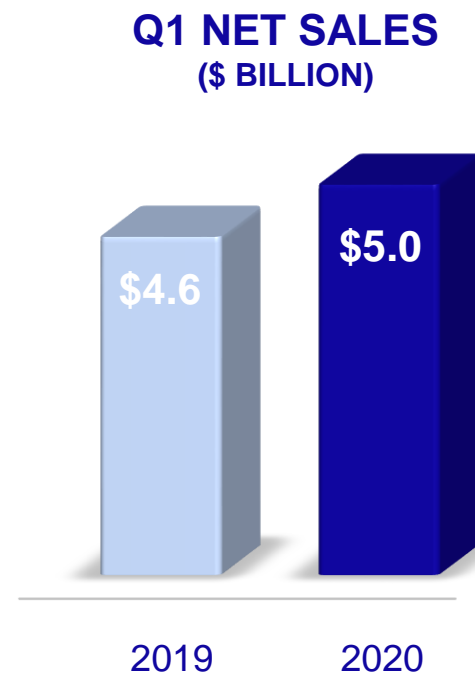
Q1 2020 Results

Q1 2020 Headlines

- Significant volume increases from consumer stock-up
- Excellent execution by our teams
- Strong cash flow, further strengthened balance sheet
- Continue to invest more in business and market share positions in good shape

Consolidated Net Sales

Net Sales	Q1 2020
Total Change ^(a)	8%
Volume	8%
Net Price	1%
Mix/Other	1%
Currency	(2%)
Organic ^(b)	11%



(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

Net Sales

- Volumes up 8 percent – significant shipments to support consumer stock-up related to COVID-19 outbreak
 - Stock-up in all major geographies, benefited all 3 segments particularly consumer tissue
 - Excellent start to year prior to outbreak including:
 - Premium-tier Huggies diapers and adult care in North America
 - Personal care in Asia including China, Eastern Europe
- Net selling prices up 1 percent, driven by increases taken last year
 - Pricing and promotion environment remain broadly constructive
- Product mix improved 1 percent
 - Strategies to elevate categories and drive trade-up

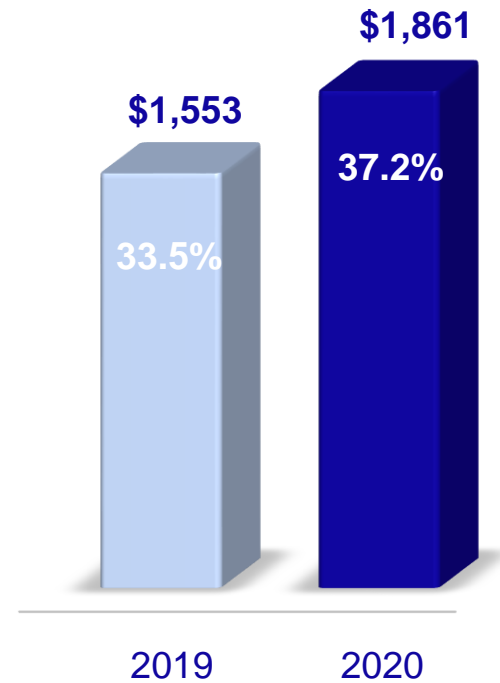
Market Shares

- North American consumer products
 - Up or even in 5 of 8 categories year-on-year
 - Up or even in 6 of 8 categories sequentially
- Key D&E personal care markets
 - Up or even year-on-year in Eastern Europe, China and most categories in Brazil
 - Down in some other countries in Latin America year-on-year, including Peru; stable sequentially
- Broadly healthy overall

Adjusted Gross Profit / Margin

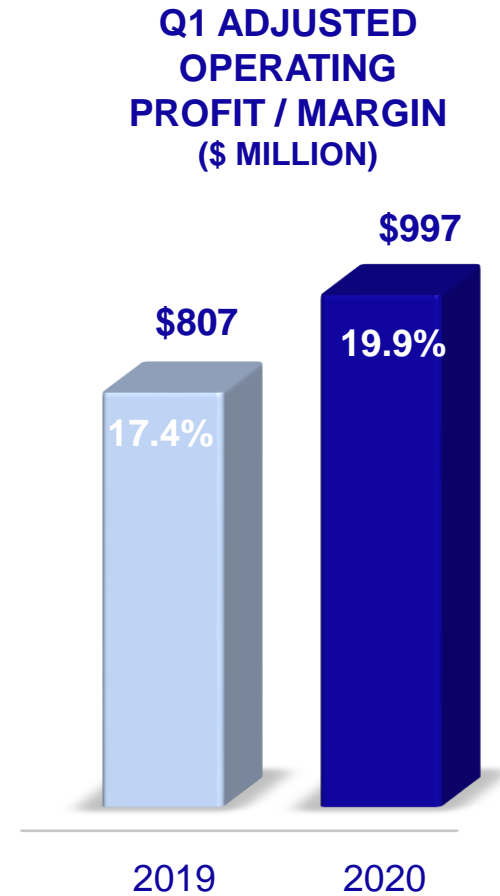
- Gross margin up 370 basis points and gross profit up 20 percent
- Total cost savings \$125 million
 - FORCE \$100 million, Restructuring \$25 million
- Commodity benefit \$115 million
 - Somewhat better than expected
- Other manufacturing costs increased
- Currencies reduced profit high-single digits
 - Somewhat worse than expected

Q1 ADJUSTED
GROSS
PROFIT / MARGIN
(\$ MILLION)



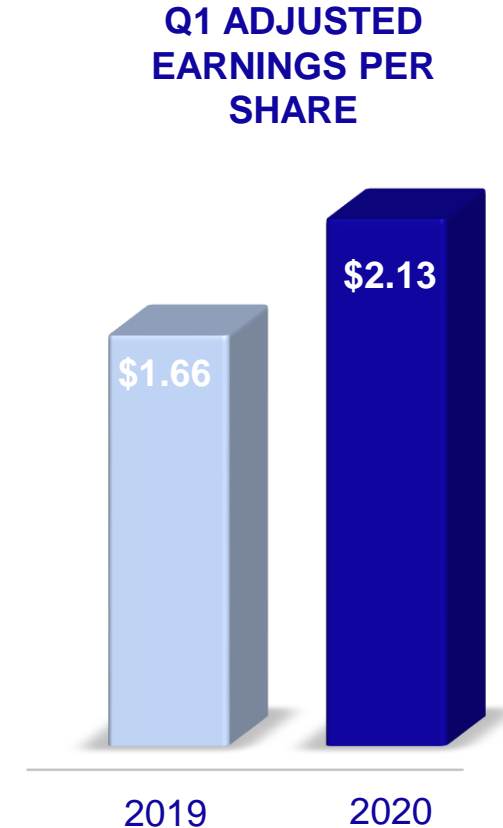
Adjusted Operating Profit / Margin

- Between-the-lines spending up 100 basis points as a percent of net sales
 - Increased advertising
- Operating margin up 250 basis points
- Operating profit up 24 percent



Adjusted Earnings Per Share

- Adjusted EPS \$2.13, up 28 percent year-on-year
- Slightly lower tax rate
 - 23.2 percent vs. 23.7 percent last year
- Higher equity income
- Lower share count



Cash Flow and Capital Allocation

- Cash provided by operations \$704 million
 - Up compared to \$317 million in year-ago quarter
 - Higher earnings, improved working capital
- Capital spending \$352 million including significant Restructuring activity
- Some near-term capital projects and Restructuring activities will be temporarily delayed/reprioritized due to complexities of current environment
 - Restructuring charges will continue into 2021 and total program charges will be toward high end of previous estimate
 - Expect total Restructuring savings consistent with previous estimate, possible won't hit full target until sometime in 2022
- Dividends and share repurchases totaled approximately \$575 million in Q1

Balance Sheet and Liquidity

- Prudently managing and further strengthening our strong balance sheet and liquidity position; overall liquidity remains robust; intend to maintain A credit rating
 - Executed two long-term debt transactions in quarter
 - \$500 million 30-year bond; pre-funding notes due in August
 - \$750 million 10-year bond in late March; enhanced liquidity/flexibility and reduced near-term need for commercial paper
 - Maintain two revolving credit facilities totaling \$2.75 billion; never drawn upon
 - Temporarily suspending share repurchase program for at least remainder of Q2 to provide additional flexibility; effective April 24
 - Will continue to monitor environment and provide update in July
 - No long-term change in capital allocation strategies

Foreign Currencies – Update

- Originally expected currencies would reduce net sales 1 percent in 2020
- Implied headwind now approximately 4 percent
 - Based on Q1 actuals and forward rates at end of March
 - Daily volatility continues
- Historically, currency impact on operating profit 2 to 3X the net sales impact
 - Includes translation and transaction effects
- Equity company K-C de Mexico facing many of same uncertainties, including much weaker Mexican peso
- Improving net realized revenue remains one strategy to offset currency headwinds; how much price realization will occur in near-term more uncertain than normal given environment

Commodities – Update

- Forward-looking trends look favorable, markets remain volatile
 - Cost changes could impact promotion environment
- Raw materials influenced by oil, including resin, started to move down recently
 - Much less of a decline than oil
 - Oil prices going forward are unclear
- Recent industry forecasts for North American eucalyptus market prices are in lower half of range used to set full-year plan in January
 - Original range \$900 to \$975 per metric ton

Summary

- Encouraged by execution in first quarter
- Balance sheet, business fundamentals and financial health are all strong

2020 Outlook

Outlook

- Placing extra focus on business continuity, contingency and scenario planning; ongoing process, actively managing in dynamic environment
- Temporarily suspending forward-looking guidance due to lack of visibility and uncertainty around pandemic, including potential effects on global economy, markets, supply chain
 - As situation progresses and as we get more visibility into the impact of the pandemic, we will resume guidance
 - Excellent job so far navigating volatility, pandemic creates uncertainty with difficulty assessing impacts
- Volatility with currencies, commodities, supply chain, demand

Demand – Consumer Products

- Categories historically perform well in times of economic turbulence
- Solid underlying momentum, making progress with growth initiatives
 - Continue to support brands with innovation, marketing
 - Near-term innovations: Huggies in China, North America, Brazil; Kotex in Eastern Europe; Poise/Depend in North America
- Consumption in Q1 ahead of shipments; expect retailers will rebuild inventories which will provide additional volume in Q2; already occurring in April
- Expect most, but not all, demand increase from stock-up will reverse out later in year
 - Consumer tissue consumption likely higher during shelter-in-place periods (more people at home, more attention to personal hygiene)
- Monitoring economic conditions in D&E markets, including Latin America
 - Potential impact on economic health of consumers and our categories

Demand – K-C Professional

- Solid in Q1, boosted by stock-up activity in March
- Likely to face volume declines starting in Q2 until economic conditions return to more normal levels
 - Driven by economic shock, much of population staying home
 - End markets likely most impacted: office buildings, travel/lodging, high traffic areas including retail, manufacturing
 - Seeing early signs of softness in April

Summary

- Very confident in strength, resiliency and overall health of our company
- Navigating near-term uncertainty well, appreciate commitment of entire organization
- Managing our business prudently in near-term
- Strongly believe in our ability to create long-term shareholder value

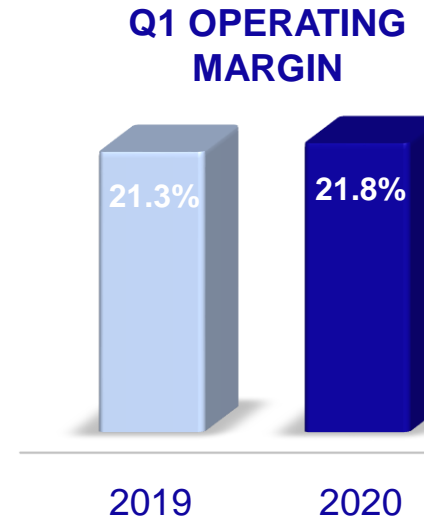
Q&A Session



Appendix

Personal Care

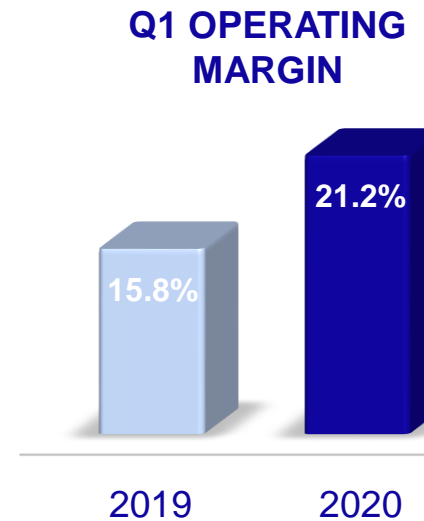
Net Sales	Q1 2020
Total Change	6%
Volume	7%
Net Price	1%
Mix/Other	2%
Currency	(3%)
Organic	9%



- Organic sales up 9 percent
 - Volumes increased 7 percent, product mix up 2 percent and net selling prices increased 1 percent
- Operating margin up 50 basis points
 - Improvement driven by organic sales growth, cost savings and lower input costs

Consumer Tissue

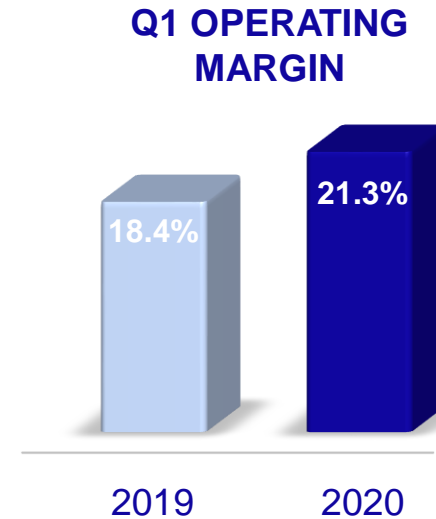
Net Sales	Q1 2020
Total Change	13%
Volume	14%
Net Price	1%
Mix/Other	0%
Currency	(2%)
Organic	14%



- Organic sales up 14 percent
 - Volumes increased 14 percent and net selling prices up 1 percent
- Operating margin up 540 basis points
 - Improvement driven by organic sales growth, lower input costs and cost savings

K-C Professional

Net Sales	Q1 2020
Total Change	4%
Volume	4%
Net Price	2%
Mix/Other	1%
Exited Business	(1%)
Currency	(2%)
Organic	7%



- Organic sales up 7 percent
 - Volumes increased 4 percent, net selling price increased 2 percent and product mix up 1 percent
- Operating margin up 290 basis points
 - Improvement driven by organic sales growth, cost savings and lower input costs