First Quarter 2022
Prepared Remarks

April 22, 2022

Company Participants

Mike Hsu, Chairman and CEO

Maria Henry, CFO

Taryn Miller, VP Finance and Interim Head of Investor Relations

Please view these remarks in conjunction with our Q1 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

Taryn Miller

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 Maria Henry – 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 first quarter 10-Q for further discussion of forward-looking statements. The remarks refer to adjusted results which exclude certain items described in our Q1 2022 earnings news release. The release has further 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.

Maria Henry

My remarks focus on our first quarter 2022 financial results.

Q1 2022 RESULTS - OVERVIEW

First quarter results exceeded our expectations for organic sales and earnings. This reflects strong execution by our teams in a challenging and dynamic environment.

Our market share positions remain healthy overall, and we continue to deliver cost savings and return cash to shareholders.

I'll start with a review of our segment performance before going through the financial details.

Our Personal Care business continued its strong performance. Organic sales increased 13 percent in the quarter. This compares to a 2 percent decline in the year ago period which reflected the impact of the winter storm in the southern part of the U.S. On a three-year average basis organic sales grew 7 percent in the quarter. Operating margin was down 210 basis points largely as a result of significant input cost inflation. Margins improved sequentially by 130 basis points from the fourth quarter as pricing actions continue to be realized in the market.

Consumer Tissue organic sales increased 7 percent in the quarter compared to 14 percent decline in 2021. Our Consumer Tissue business has seen significant demand volatility in recent years with the COVID-related stock-up in 2020 and the subsequent de-stock in 2021. On a three-year average basis, organic sales grew 2 percent in the quarter. Operating margin declined 690 basis points versus year ago and 200 basis points sequentially. Margin has been negatively impacted by higher raw material and energy costs.

Finally, K-C Professional grew organic sales 6 percent in the quarter compared to 13 percent decline in 2021. The business continues to recover from COVID-related dynamics as washroom demand improves. Overall K-C Professional sales were at 95 percent of first quarter 2019. Operating margin declined 530 basis points versus year ago and improved 200 basis points sequentially.

<u>Q1 RESULTS – DETAILS</u>

First quarter net sales were $5.1 billion, up 7 percent. Organic sales increased 10 percent compared to an 8 percent decline in the year ago period. The comparison period included consumer tissue destocking related to increased buying during the initial COVID wave in 2020, as well as the impact of the winter storm in the southern United States.

Net sales growth reflected a 6 percent increase from pricing, volume growth of 2 percent and a 2-point benefit from favorable product mix. Net sales also reflected a 2 percent decrease from changes in foreign currency exchange rates as well as a slight impact from exited businesses in conjunction with the 2018 Global Restructuring Program.

Gross margin was 29.8 percent, down 420 basis points versus adjusted gross margin in the year ago period.

Gross margin was negatively impacted by significant and higher than expected input cost inflation, partially offset by organic sales growth, lower other manufacturing costs and cost savings.

Input costs were unfavorable $470 million year-over-year, representing a drag of more than 900 basis points on gross margin. Inflation continues to be broad-based including the cost of pulp and polymer-based materials as well as distribution and energy costs.

We continue to focus on increasing operational efficiency and we generated $50 million of cost savings from our FORCE program in the quarter. As expected, cost savings were lower this quarter as supply chain headwinds, particularly in distribution, impacted our net savings delivery.

Between-the-lines spending on an adjusted basis was 17.0 percent of net sales, even with year-ago.

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

Adjusted operating margin was 12.3 percent, down 470 basis points year-over-year and flat sequentially. Adjusted operating profit was down 22 percent.

The adjusted effective tax rate was 21.0 percent compared to 20.9 percent in the year-ago period.

Adjusted earnings per share were $1.35, down 25 percent and somewhat ahead of our expectations.

Cash provided by operations of $204 million was in-line with our expectations and down compared to $321 million in 2021.

We continue to allocate capital in disciplined, shareholder-friendly ways. Capital spending was $253 million in 2022, down from $298 million in 2021. First quarter dividends and share purchases totaled $411 million and we continue to expect the full-year amount will be at least $1.5 billion.

2022 OUTLOOK

Our teams continue to execute well in an increasingly volatile environment. We are, and plan to continue to, take actions to offset macro headwinds while balancing growth, market share and working to improve our margins over time.

We have updated our outlook for 2022 to reflect our first quarter performance and our current assumptions for the remainder of the year. Specifically, we are increasing our outlook for sales growth and maintaining our EPS guidance range.

We increased our net sales growth outlook to 2 to 4 percent, compared to our initial range of 1 to 2 percent. That includes an expected 2-point headwind from currencies, unchanged from our estimate at the start of the year.

We are now targeting organic sales growth of 4 to 6 percent, up from our previous range of 3 to 4 percent. Organic growth is benefiting from the broad-based pricing actions as we continue to mitigate the impact of input cost inflation. Given the overall level of pricing we expect to achieve, we anticipate some negative volume impacts in the balance of the year but are pleased with our performance thus far.

Despite our increased topline growth, the increased commodity costs will offset that benefit in the near-term.

We expect adjusted operating profit to decline low to mid-single digits. Our adjusted earnings per share outlook remains $5.60 to $6.00.

Looking at input cost inflation, our outlook is for it to be a headwind of $1.1 to $1.3 billion, up from our initial expectation of $750 to $900 million. At the mid-point, this is an increase of $375 million. Input cost inflation is now approximately a 40 percent negative impact to operating profit growth for the year.

As the actions we have taken to offset headwinds materialize in the P&L and inflation moderates somewhat as the year progresses, we continue to expect financial delivery will improve with stronger performance in the second half of the year.

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

Mike Hsu

My remarks focus on first quarter 2022 organic sales, market conditions and our market shares, as well as our full-year 2022 outlook.

Q1 2022

First quarter organic sales were up 10 percent in a volatile environment. Our market share positions remain healthy as we leverage and scale our enhanced commercial capabilities and continue to focus on the long-term success of our brands.

Organic sales growth was strong around the globe in all segments with excellent in-market execution of pricing actions as we work to offset input cost inflation, and also solid volume performance.

North America Consumer organic sales grew 13 percent with strong growth in Personal Care and Consumer Tissue. As Maria noted, this growth does reflect the lower sales last year that were impacted by the winter storm in the southern part of the U.S. However, looking at the first quarter over the last three years to normalize the impact from COVID and the weather event, we have grown organic sales 4 percent on average in this business. Market shares were up or even in half of our categories versus year ago. We are monitoring the impact of pricing actions and supply chain disruptions in the market. We are committed to sustainable growth and will continue to thoughtfully balance price, margin recovery, and market share.

We also performed strongly in Developing and Emerging markets, with 10 percent organic sales growth. Personal Care organic sales increased 11 percent with solid growth in all regions, led by Latin America. China grew sales high-single digits with strong growth in diapers and feminine care. Economic and category conditions continued to pressure growth in some ASEAN markets where organic sales declined. Our market shares remain healthy overall with gains in key markets, including China. However, shares have softened somewhat in recent months as pricing actions have been implemented, including in Latin America and ASEAN.

In developed markets outside of North America, organic sales were up 8 percent with strong growth in Personal Care and Consumer Tissue. Huggies market shares performance continues to be robust in our key markets of South Korea and Australia.

Our global K-C Professional business continues to recover from pandemic lows. Organic sales grew 6 percent year-over-year, with growth in all regions. Growth was driven by pricing as volumes were even with year-ago. Demand for our washroom products continued to improve, with double-digit organic sales growth in the quarter. Organic sales for wipers were even with year-ago while safety products declined double-digits from elevated pandemic related demand. Looking at a three-year average, total K-C Professional organic sales were down slightly in the first quarter.

Overall, we are pleased with the strong organic sales in the first quarter with gains across all our segments.

2022 PERSPECTIVE

This year marks K-C's 150th anniversary. We were founded on the core principles of quality, service and fair dealing, and these attributes still reflect who we are and what we stand for today. We're led by a purpose to provide Better Care for a Better World. We're driven by performance so we can continue to make a difference in people's lives with the categories we create, the products we make and the consumers we serve.

Our purpose led, and performance driven culture has never been more important. Our teams continue to execute our strategy with excellence in a volatile environment. We are committed to delivering balanced and sustainable growth and will do so while navigating what we expect will remain a very challenging operating environment in 2022.

We're pleased with our strong organic sales growth momentum. We're accelerating topline growth by leveraging our full range of enhanced commercial capabilities, including revenue growth management. At the mid-point of our updated guidance, input costs will be up approximately $2.7 billion over a two-year period. We have taken prudent and decisive actions, including increasing net selling prices and delivering solid cost savings.

We're being thoughtful with our response to inflation. While we have thus far leveraged pricing as our primary means to mitigate higher costs, we will remain nimble. We will closely monitor consumer reaction and our market shares and adjust tactics as appropriate.

We will remain disciplined with our spending. We will continue to invest to support our people and our brands, delivering meaningful innovation and further strengthening our commercial and digital capabilities around the world. With the foundation of strong in-market execution, these investments will drive our growth plans and position us well for the long-term.

We remain confident in the potential of our categories and in our ability to develop innovative products that will further enhance our portfolio and deliver value to our consumers. 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.