Full Year 2022 Results and 2023 Outlook

Prepared Remarks

January 25, 2023

Please view these remarks in conjunction with our Q4 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.
Please find our management commentary for Q4 2022 and full year 2022 results as well as our 2023 outlook.

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 Q4 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 have published supplemental material which can be found in the investor section of our website. Please join our live webcast today at 9:00 a.m. Central Time to hear from our Chairman and CEO Michael Hsu and CFO Nelson Urdaneta. To join the webcast or listen to a replay, please visit www.kimberly-clark.com/investors.

2022 RESULTS - OVERVIEW

We delivered strong topline growth in 2022, with net sales up 4 percent to $20.2 billion, and organic growth of 7 percent. Category elasticities remain healthy as the combined benefit of price and mix drove a 10 percent sales increase while volume was down 3 percent. Looking back over the last three years organic sales growth averaged 4 percent.

We delivered full year adjusted EPS within our original guidance range, navigating through a substantial increase in input cost and currency headwinds during the year. Strong revenue growth management and continued cost discipline were able to offset the headwinds and led to sequential operating margin expansion in the back half of the year.

Our Personal Care business, representing approximately half of the company's revenue, continued its strong performance, with organic sales up 7 percent for the year. Over the last 3 years, Personal Care organic sales averaged a 6 percent increase with healthy contribution from price, volume, and product mix. For the year, market shares grew or held in approximately half of our key markets. Personal Care operating profit declined 4 percent in 2022. The decline reflects input cost and currency headwinds and investments in the business, offset by pricing actions.

Sales in our Consumer Tissue business increased 7 percent on an organic basis in 2022, following high volatility in demand in the prior two years. On a 3-year average, organic
growth was up approximately 3 percent largely driven by pricing. While operating profit was
down 9 percent for the full year, operating profit grew in the back half of the year as pricing
actions accelerated globally.

Finally, our K-C Professional business recovered substantially this year driven by the
continued post-COVID reopening and robust pricing resulting in 9 percent organic growth for
the year. On a 3-year average, organic sales were up 1 percent reflecting broader category
conditions. Operating profit grew 13 percent this year, as acceleration of pricing gains more
than offset input cost headwinds.

**2022 RESULTS - DETAIL**

Overall, our sales results reflect our advanced commercial capability: strong innovation,
excellent online and offline brand engagement, and enhanced revenue growth management.
Organic growth was positive across all major segments and broad based regionally, with
mid-to-high single digit increases in North America, developed and D&E markets. We
implemented broad pricing actions to offset input cost headwinds and volumes across most
of our geographies were in-line with our expectations.

Let's unpack our category performance with a few key highlights.

First, **Personal Care** organic sales were up 7 percent for the year, with strong growth across
D&E and developed markets as well as North America.

North America Personal Care organic sales grew 4 percent driven by double-digit gains in
both adult and feminine care this year, with gains in both price and volume. Baby and child
care growth was modest, impacted by the mid-year exit of a private label contract as well as
changes in retailer inventory levels. Overall, our branded Personal Care consumption rose
high-single digits for the full-year. For the year, we delivered solid market share gains in adult
care driven by continued innovation and category leadership. Baby and child care shares
were softer given strong pricing actions in the year.

Personal Care organic sales in D&E markets grew 8 percent for the full year, building on 8
percent organic growth in 2021. Pricing actions drove a double-digit increase, partially offset
by volume declines, approximately half of which were concentrated in Eastern Europe.
China, markets across Latin America as well as the Middle East & Africa drove organic
growth. Sales in China remained strong, up 10 percent organically, with excellent innovation
and premiumization in both diapers and feminine care delivering market share gains.
Southeast Asia sales were below year ago levels.

Personal Care organic sales in developed markets outside of North America were up 10 percent, driven by positive gains in both volume and price. Growth was robust across markets and categories including diapers, baby wipes, adult care and feminine care. Huggies market share performance remains strong in South Korea and Australia.

Second, **Consumer Tissue** organic sales grew 7 percent for the full year, driven by higher net selling prices. Growth was delivered across geographies, reflecting strong pricing actions, partially offset by modest volume declines in international markets.

North American Consumer Tissue organic sales grew 7 percent, with favorable pricing and higher volume for the full year. On a 3-year average, organic sales increased 2 percent. Our overall market share in this business was even with year-ago as gains in paper towels were offset by decline in facial tissue.

Third, **K-C Professional** grew 9 percent organically with strong acceleration in the fourth quarter, as we continue to see recovery from pandemic driven lows. Over the last three years, organic sales grew an average of 1 percent. All regions saw meaningful gains, driven by price and product mix for the full year. We continue to hold our strong share position in North America.

Washroom demand continues to recover globally with nearly 20 percent organic sales growth for the full year, including in the fourth quarter. Specific to our North American washroom business, full-year sales returned to 98 percent of pre-pandemic levels, driven by pricing. Overall category volume remains down, as hybrid work has become more mainstream and demand in the office channel remains soft.

Moving beyond topline performance, full year gross margin was 30.8 percent, down 80 basis points versus adjusted gross margin in the year ago period. Gross margin was negatively impacted by significant input cost inflation partly offset by higher net selling prices and cost savings.
For the full year, benefits from pricing realization and revenue growth management fully offset the negative impact of commodities and currency on a dollar basis.

Input costs were unfavorable $1.5 billion year-over-year, representing a drag of 750 basis points on gross margin, on top of a similar headwind in 2021, totaling $3 billion over two years. Inflation 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 $290 million of cost savings from our FORCE program, ramping operational efficiency as the year progressed, including $115 million in the fourth quarter as supply chain headwinds eased somewhat. In the last three years, we have generated $1.2 billion of cost savings from our FORCE program, on top of the $260 million of benefits from our restructuring program.

On an adjusted basis, between-the-lines spending was 17.6 percent of net sales, 70 basis points higher than 2021. The higher spending was in line with our expectations, reflecting investments in our people, brands and capabilities and lapping lower incentive compensation in the prior year. Advertising was 4.5 percent of net sales. On a dollar basis, spending increased slightly year-on-year, with higher investment in key markets.

Foreign currencies were a high-single digit year-over-year headwind on operating profit in 2022 or $215 million.

Adjusted operating margin was 13.0 percent, down 160 basis points versus year-ago, with adjusted operating profit down 8 percent. Operating margin built sequentially through the back half of the year, with fourth quarter operating margin of 14.3 percent, up 190 basis points over fourth quarter 2021 and up 130 basis points sequentially from the third quarter.

Net interest expense increased 7 percent for the full year due to rising interest rates on the portion of our debt that is floating rate.

The adjusted effective tax rate was 22.0 percent compared to 21.5 percent in the year-ago period.

Adjusted earnings per share were $5.63 compared to $6.18 in 2021, down 9 percent and in line with our expectations.

Cash provided by operations was $2.7 billion, even with year-ago.
We continue to allocate capital in disciplined, shareholder-friendly ways. Capital spending was $0.9 billion in 2022, down $0.1 billion from 2021. We continued our strong track record of returning cash to shareholders. Dividend and share purchases totaled approximately $1.7 billion and we announced a 1.7% increase in our dividend for 2023, our 51st consecutive annual increase.

2023 OUTLOOK

Looking ahead, we expect organic growth of 2 to 4 percent in 2023. We also expect a headwind of approximately 200 basis points from foreign exchange rates, and therefore expect net sales to increase 0 to 2 percent. Our guidance does not include the impact of the divestiture of our Brazilian tissue business, which pending customary conditions and regulatory approval, is expected to close in the middle of 2023. The Brazil tissue business represents approximately 1 percent of annual sales and does not have a material impact on earnings.

While commodity markets remain volatile and generally elevated, we are encouraged by the stabilization in certain markets and commodities in our basket. We anticipate inflation to continue to have an impact as certain commodity prices remain near peak levels and certain contracts reset. The overall input cost headwind is projected to be in the range of $200 to $300 million for the full year, with most of the inflation impacting international markets and in the first half of the year. We also anticipate cost of sales to be negatively impacted by roughly $200 million from higher wages and other manufacturing related costs.

Nevertheless, we project continued year-over-year gross margin recovery based on our expectations that ongoing revenue growth management actions, disciplined cost management initiatives, and margin accretive innovation will more than offset cost headwinds.

We anticipate sustained gross margin recovery that will fuel our investments in growth and our people by approximately 100 basis points of net sales. We will remain disciplined as we fund these investments to ensure healthy overall returns.

We expect full year operating profit to increase in the mid-to-high single digit range, driving an improvement in operating margin in 2023. The midpoint of this range implies approximately an 80-basis point expansion in operating margin. This includes foreign
currency headwinds of approximately $300 to $400 million or a double-digit impact to operating profit in 2023.

Below the line, the rising interest rate environment is expected to increase our net interest expense by high-single digits on a year-over-year basis. Higher employee postretirement benefits expense, classified as non-operating expense, is expected to increase by approximately $40 million year over year. The effective tax rate is expected to return to a more structural rate of 23 to 25 percent.

As a result of the incremental headwind from items after operating profit, adjusted earnings per share is expected to increase in the range of 2 to 6 percent.

Let us give you some color on our phasing assumptions.

- We will be lapping tougher topline comparisons in the first half of the year, which will then ease somewhat in the second half.
- We also expect the larger headwinds from foreign currencies in the latter half of 2022 to continue in the first half of 2023 and then to moderate later in the year.
- Turning to the pace of profits, on a year-over-year basis, commodity and other cost of sales headwinds are expected to be more pronounced in the first half of the year.
- All in, we expect these factors to result in more subdued top line and earnings performance in the first half of 2023 with an acceleration as we move through the year.

In conclusion, we’ve navigated the macro challenges in the current environment, delivered healthy top line performance, and improved profitability in the back half of 2022. We will continue to support our brands as we scale innovation, and our enhanced commercial capabilities will provide better revenue realization as we navigate the continued inflationary environment. We remain committed to delivering balanced and sustainable growth and expect to continue recovering our margins in 2023.

###