Second Quarter 2022
Prepared Remarks

July 26, 2022

Company Participants

Mike Hsu, Chairman and CEO

Nelson Urdaneta, CFO

Taryn Miller, VP Finance and Interim Head of Investor Relations

Please view these remarks in conjunction with our Q2 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 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 second quarter 10-Q for further discussion of forward-looking statements. The remarks refer to adjusted results which exclude certain items described in our Q2 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 second quarter 2022 financial results and the full year outlook.

Q2 2022 RESULTS - OVERVIEW

Our second quarter results reflect strong execution by our teams in a challenging and dynamic environment.

Kimberly-Clark delivered strong organic sales growth as we continue to realize gains from the price increases we've taken across the portfolio in the past year to mitigate persistent, broad-based inflation. Commodity prices continued to increase in the quarter above our expectations.

As we manage through this volatility, we continue to invest in our people and our brands, generate cost savings and return cash to shareholders.

Q2 RESULTS – DETAILS

Second quarter net sales were $5.1 billion, up 7 percent. Organic sales increased 9 percent compared to a 3 percent decline in the year ago period when results were impacted by consumer and retailer destocking in Consumer Tissue in North America.

Net sales growth reflected a 9 percent increase from pricing and a 1 point benefit from favorable product mix, offset by a 1 percent volume decline. Net sales also reflected a 2 percent decrease from changes in foreign currency exchange rates.

Gross margin was 30.2 percent, down 170 basis points versus adjusted gross margin in the year ago period. Gross margin was negatively impacted by significant input cost inflation, partially offset by organic sales growth and cost savings.

Input costs were unfavorable $405 million year-over-year, representing a drag of more than 800 basis points on gross margin.

We generated $45 million of cost savings from our FORCE program in the quarter. As expected, supply chain headwinds impacted our net savings delivery in the quarter.

Between-the-lines spending was 17.9 percent of net sales, 40 basis points higher than adjusted between-the-lines spending in the base period. Higher spending reflects investments in our people, our brands and our capabilities.

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

Operating margin was 12.3 percent, down 200 basis points versus year-ago and flat sequentially. Operating profit was down 8 percent. All comparisons are versus adjusted results in comparison period.

The adjusted effective tax rate was 22.0 percent compared to 22.5 percent in the year-ago period.

Adjusted earnings per share were $1.34 compared to $1.47 in 2021.

Second quarter cash provided by operations came in at $740 million, an increase of $175 million versus year-ago.

We continue to allocate capital in disciplined, shareholder-friendly ways. Capital spending in the second quarter was $217 million in 2022 compared to $201 million in 2021. Second quarter dividends and share purchases totaled approximately $415 million and we continue to expect the full year amount will be at least $1.5 billion.

2022 OUTLOOK

We continue to take actions to offset macro headwinds while balancing growth, market share and working to improve our margins over time.

We are now targeting organic sales growth of 5 to 7 percent, up from our previous range of 4 to 6 percent. We are holding our net sales growth outlook at 2 to 4 percent, which now includes our assumption of 3 points of negative currency impact compared to our previous expectation of 2 points of negative impact.

We are maintaining our FORCE cost savings outlook of $300 to $350 million as we continue to focus on increasing operational efficiency and expect savings to accelerate over the balance of the year.

We are planning for input cost inflation of $1.4 to $1.6 billion compared to our previous estimate of $1.1 to $1.3 billion from three months ago. Inflation continues to be broad-based, with significant price increases on pulp, energy and distribution, as well as most secondary material inputs. Polymer-based materials, a headwind for the full year, is the only primary cost bucket that has moderated compared to our April assumptions.

We expect adjusted operating profit to decline mid-single digits. Our adjusted earnings per share outlook remains $5.60 to $6.00. Given the cost challenges we're facing, we now expect to be at the lower end of the range.

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

Mike Hsu

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

Q2 2022

Second quarter organic sales were up 9 percent. 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. Given the breadth of our pricing actions, we saw some volume softness though somewhat better than our expectations.

Our topline performance reflects the work we've done to enhance our commercial capabilities. Our focus has been on identifying consumer growth spaces and investing in demand-building programs, including innovation, advertising and digital engagement to deliver more personalized brand experiences to our consumers.

Personal Care organic sales were up 9 percent in the quarter with strong growth across North America, D&E and developed markets. We grew or maintained market share in over 50 percent of our Personal Care cohorts as we continue to leverage and scale our enhanced commercial capabilities and focus on the long-term success of our brands.

Our Personal Care business in North America was up 9 percent with gains in baby and child care, adult care and feminine care. Market share performance was strong both sequentially and relative to prior year across Personal Care.

D&E Personal Care organic sales were up 9 percent in the quarter, on top of 8 percent growth in the previous year. Strong pricing across all regions drove our D&E growth this quarter, offset somewhat by volume declines. Economic and category dynamics drove some volume and market share softness across D&E. The majority of our volume decline in D&E was in Eastern Europe. China performance was excellent, with continued market share gains and double-digit organic sales growth in both diapers and feminine care.

Organic sales for our Personal Care business in developed markets were up 10 percent. Huggies market shares performance continues to be robust in our key markets of South Korea and Australia.

Organic sales in Consumer Tissue grew 11 percent in the quarter compared to a 17 percent decline in 2021. As noted earlier, this growth compares to lower sales last year, which were driven by consumer pantry and retailer de-stocking. Looking at the three-year average, organic sales grew 2 percent in the quarter, broadly in line with our expectations.

Our global K-C Professional business continues to build momentum and recover from pandemic lows. Organic sales grew 7 percent year-over-year, with growth in all regions. Growth was slightly ahead of our expectations with strong price and mix benefits. Demand for our washroom products continued to improve, with double-digit organic sales growth in the quarter from a healthy combination of volume and price.

2022 PERSPECTIVE

Our teams continue to execute our strategy with excellence. 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.

We have updated our outlook for 2022 to reflect our second quarter performance and our current assumptions for the remainder of the year. We raised our organic sales growth expectations, reflecting our 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.

As discussed earlier, adjusted earnings per share is expected to come in at the lower end of our range based on significantly higher input costs for the full year. Margin improvement remains a priority, and we’ll continue to take a thoughtful approach to mitigating inflationary pressures by leveraging pricing and cost savings while providing value to our consumers.

We will remain disciplined with our spending. We 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.

###

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