

# Q2 2019 Results and 2019 Outlook

July 23, 2019

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



# 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.

# Q2 2019 Results



# Q2 2019 Headlines

- Organic sales increased 5 percent, driven by higher net selling prices
- Achieved strong cost savings, margin improvements and growth in adjusted earnings per share
- Broadly on track with overall capital plan and continue to return cash to shareholders

# Consolidated Net Sales

## Net Sales Q2 2019

<b>Total Change<sup>(a)</sup></b>	<b>0%</b>
Volume	0%
Net Price	5%
Mix/Other	1%
Currency	(5%)
Organic <sup>(b)</sup>	5%

- Organic sales up 5 percent
  - Compared to flat performance in base period

Q2 NET SALES  
(\$ BILLION)



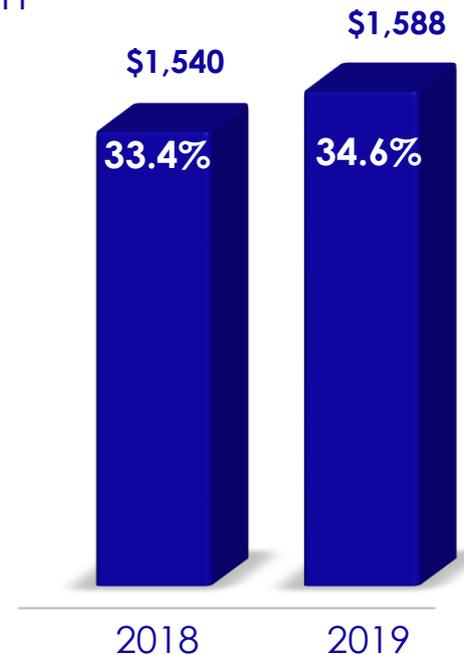
(a) Total may not equal the sum of volume, net price, mix/other, exited businesses and currency due to rounding

(b) Growth before currency and exited businesses impacts

# Adjusted Gross Profit / Margin

- Gross margin up 120 basis points and gross profit up 3 percent
  - Selling prices ahead of commodity/currency headwinds
- Cost savings \$90 million
  - FORCE savings \$70 million, Restructuring savings \$20 million
- Commodities \$80 million year-on-year drag
  - Full year commodity outlook has improved - inflation range now \$150 to \$250 million, on average \$150 million lower than previous estimate
    - Reduction driven primarily by pulp and secondarily other raw materials
- Other manufacturing costs increased compared to relatively modest level last year
  - Expected to be a bit higher than planned for full-year

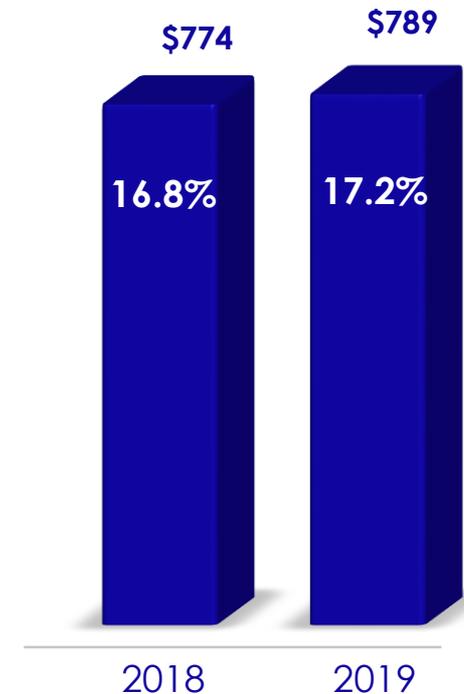
Q2 ADJUSTED GROSS PROFIT / MARGIN (\$ MILLION)



# Adjusted Operating Profit / Margin

- Between-the-lines spending up 90 basis points
  - Higher advertising, investing more in digital
  - G&A expense increased, driven by higher incentive compensation
  - For full year, higher sales and earning outlook results in increased incentive compensation estimate
    - Increase versus original plan equal to more than 1 percent of total operating profit - about half reflected in second quarter results
- Currencies reduced profit by high-single digit rate
- Operating profit up 2 percent
- Operating margin up 40 basis points
  - Broad-based improvements in all three business segments

## Q2 ADJUSTED OPERATING PROFIT / MARGIN (\$ MILLION)



# Adjusted Earnings Per Share

- Adjusted EPS \$1.67, up 5 percent year-on-year
- Adjusted effective tax rate slightly lower
  - 22.3 percent vs. 23.0 percent last year
- Higher equity income
- Lower share count

Q2 ADJUSTED  
EARNINGS  
PER SHARE



# Cash Flow and Capital Allocation

- Cash provided by operations \$609 million
  - Down compared to \$787 million in year-ago quarter, generally in-line with expectations
  - Higher tax payments and increased working capital
- Capital spending \$253 million
  - As expected, up from \$158 million in year-ago period driven by supply-chain restructuring projects
- Continue to allocate capital in shareholder-friendly ways
  - Dividends and share repurchases totaled \$520 million; continue to expect full-year will be between \$2.0 and \$2.3 billion

# Personal Care

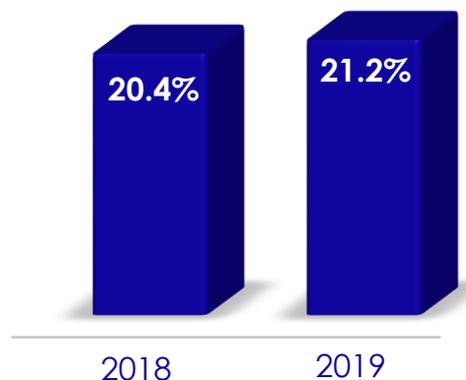


## Net Sales

Q2 2019

<b>Total Change</b>	<b>1%</b>
Volume	1%
Net Price	5%
Mix/Other	1%
Currency	(6%)
Organic	8%

## OPERATING MARGIN



- Organic sales up 8 percent
- Operating margin up 80 basis points
  - Organic sales growth and cost savings

# Consumer Tissue

**Net Sales**

**Q2 2019**

**Total Change** 0%

Volume (2%)

Net Price 5%

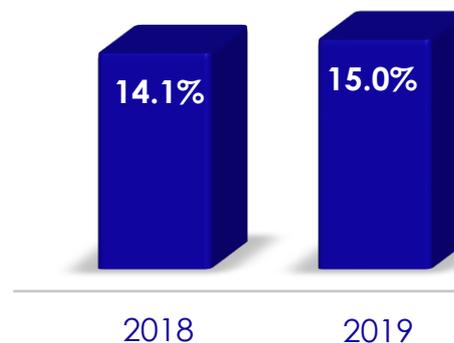
Mix/Other 0%

Currency (4%)

Organic 4%



## OPERATING MARGIN



- Organic sales up 4 percent
- Operating margin up 90 basis points
  - Significant benefits from higher pricing

# K-C Professional

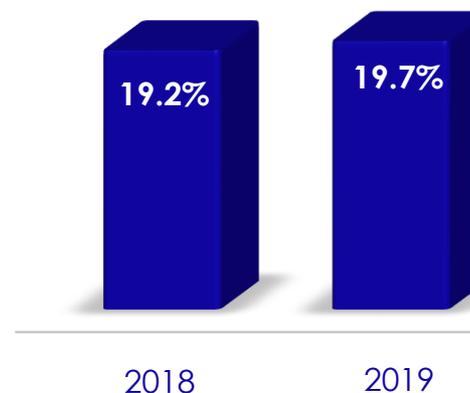


## Net Sales

Q2 2019

<b>Total Change</b>	<b>(5%)</b>
Volume	(3%)
Net Price	3%
Mix/Other	1%
Exited Businesses	(2%)
Currency	(4%)
Organic	1%

## OPERATING MARGIN



- Organic sales up 1 percent
- Operating margin up 50 basis points

# Recap of Q2 Results and 2019 Outlook



# Q2 2019 Recap

- Excellent progress in second quarter
- Executing 2019 plan well, with strong focus on price realization to improve margins
- Launching innovations, investing more in our brands, pursuing growth priorities
- Continuing to return significant cash to shareholders
- Organic sales growth 5 percent, best performance in 3 ½ years
  - Pricing initiatives on track
  - Volumes ahead of expectations
  - Continuing to improve mix

# Top-line Highlights: North America

- Consumer products organic sales increased 5 percent
  - Compared to 2 point decline last year; year-to-date up 3 percent
  - Selling prices up 4 percent
  - Volumes up slightly overall
    - Adult care volumes up high-single digits; recently launched innovation on both Poise and Depend
  - Launching Huggies Special Delivery, our new super-premium diaper
    - Uses technology from around the world
    - Our softest diaper, made with plant-based materials, provides ultimate skin comfort
    - Premium priced diaper
    - Example of Elevate the Core growth strategy
- K-C Professional organic sales increased 2 percent, driven by pricing initiatives

# Top-line Highlights: D&E Markets

- Organic sales rose 9 percent
  - Includes 3½ points from Argentina, consistent with plan
- Key personal care businesses:
  - Brazil organic sales up double-digits
    - Higher selling prices; category volumes remain sluggish
    - Driving growth through disciplined market execution and focused expansion efforts in baby wipes and adult care
  - China organic sales up double-digits compared to soft performance last year
    - Net pricing in diapers helped by reduced and more targeted promotion spending
    - Total diaper volume down, product innovations delivering growth on premium-end and improving mix
    - Another strong quarter in feminine care, on-track to achieve 20+ percent growth for third consecutive year

# Top-line Highlights: D&E / Developed Markets

- ASEAN organic sales rose ~10 percent
  - Continued volume strength on Huggies diapers in Vietnam
- Eastern Europe organic sales increased ~20 percent
  - Double-digit volume growth, positive pricing
  - Momentum on both Huggies and Kotex - excellent sales execution, winning product innovation, great marketing
- Developed markets outside North America organic sales up 1 percent
  - Solid performance in South Korea and Australia

# 2019 Outlook

- Raising outlook on both the top- and bottom-line
- Organic sales growth 3 percent
  - 1 point higher than original plan – stronger volumes
- Adjusted earnings per share \$6.65 to \$6.80
  - Prior outlook \$6.50 to \$6.70
- Updated outlook reflects strong execution, improving commodity environment and higher reinvestment levels

# 2019 Outlook

- Encouraged that commodity outlook has gotten better
  - Inflation outlook: \$150 to \$250 million, on average down \$150 million from previous estimate
  - Pulp has retreated from all-time high levels, although remains elevated on longer-term perspective
  - Not expecting significant increase in promotion activity, will continue to closely monitor competitive activity

# 2019 Outlook

- Increasing growth investments behind our brands and commercial capabilities
  - Brand investments include more digital advertising; digital continues to improve marketing ROI and help us grow in many parts of our business
  - Invest more to improve commercial capabilities that are a focus of K-C Strategy 2022
- Overall, expect to bring some of commodity benefit to the bottom-line and reinvest for top-line growth
  - Consistent with balanced value-creation model in K-C Strategy 2022

# Summary

- Excellent progress in first half of year
- Raising outlook and investing more for the long-term
- Confident in our ability to create shareholder value



# Q&A Session



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