



Q3 2020 Results and 2020 Outlook

October 22, 2020

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



Conference Call Reminders

Forward-Looking Information

Certain matters contained in this presentation 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, failure to realize the expected benefits or synergies from the Softex Indonesia acquisition, 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 as well as Softex Indonesia acquisition-related costs in 2020.

Q3 2020 Results and 2020 Outlook

Q3 2020 Headlines

- Organic sales increased 3 percent – good underlying momentum and net benefits from increased COVID-19 related demand
- Significantly increased growth investments and improved market positions
- Strong quarter achieving cost savings and returning cash to shareholders
- Earnings down as expected, increasing full-year outlook

Consolidated Net Sales

Net Sales	Q3 2020
Total Change ^(a)	1%
Volume	2%
Net Price	1%
Mix/Other	1%
Currency	(2%)
Organic ^(b)	3%



- Organic sales by segment: Consumer tissue +10%, Personal care +5%, K-C Professional -15%

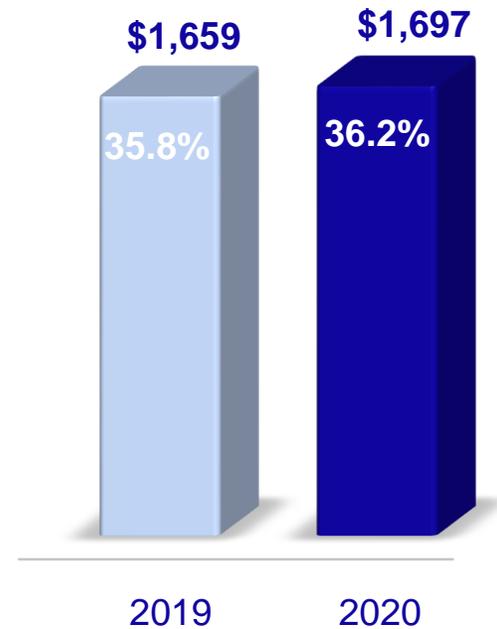
(a) Total may not equal the sum of volume, net price, mix/other, exited businesses and currency due to rounding

(b) Growth before currency and exited businesses impacts

Adjusted Gross Profit / Margin

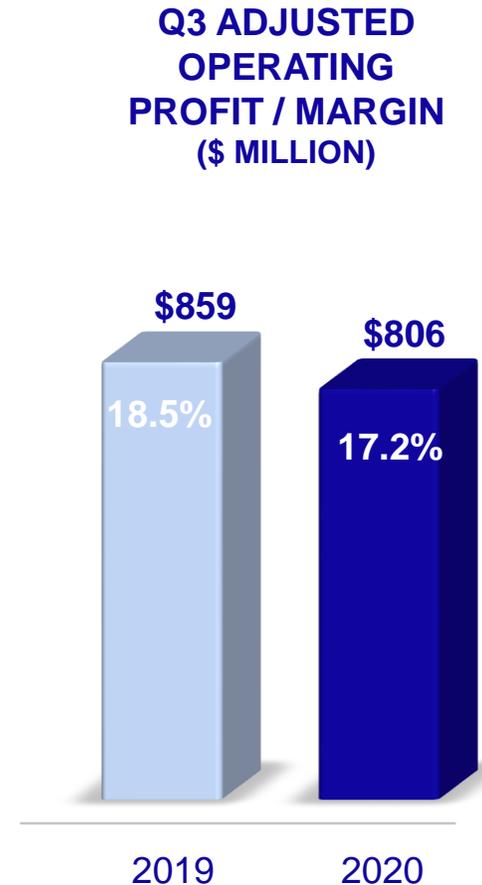
- Gross margin up 40 basis points, gross profit up 2 percent
- Cost savings \$140 million
 - Continued strong productivity improvements
- Commodity benefit \$25 million
 - Driven by pulp and other raw materials
- Other manufacturing costs higher year-on-year
 - Including incremental COVID-19 related costs
- Currencies reduced profit high-single digits

Q3 ADJUSTED
GROSS
PROFIT / MARGIN
(\$ MILLION)



Adjusted Operating Profit / Margin

- Between-the-lines spending 18.9 percent of net sales, +180 basis points
 - Driven by increased digital advertising
 - G&A also increased: capability-building investments, higher incentive compensation expense
 - Expect spending to rise further sequentially in Q4
- Operating profit down 6 percent
- Operating margin -130 basis points, by segment:
 - Consumer tissue: 19.6 percent, +180 bps
 - Personal care: 20.8 percent, -50 bps
 - K-C Professional: 12.3 percent, -870 bps



Adjusted Earnings Per Share

- Adjusted EPS \$1.72, down 7 percent year-on-year
 - Tax rate 22.4 percent vs. 21.5 percent last year
 - Equity income flat year-over-year
 - Lower share count

Q3 ADJUSTED
EARNINGS PER
SHARE



Cash Flow and Capital Allocation

- Cash provided by operations \$559 million
 - Compared to \$886 million in year-ago quarter
 - Down as expected, driven by timing of tax payments, higher working capital
- Continue to allocate capital in shareholder-friendly ways
 - Dividends and share repurchases totaled approximately \$560 million
 - Expect full-year total of \$2.15 billion

2020 Full-Year Outlook

- Top-line

- Organic sales growth 5 percent, prior target 4 to 5 percent
 - Year-to-date growth nearly 6 percent; expect solid fourth quarter
- Currency headwinds slightly less than previously estimated
- Begin consolidation of Softex Indonesia business November 1st (1-month lag)
- Total net sales growth 2 to 3 percent, 1-point better than prior estimate

- Bottom-line

- Adjusted earnings per share \$7.50 to \$7.65, growth of 9 to 11 percent
 - Prior outlook: \$7.40 to \$7.60
 - Versus prior outlook: improved top-line, partially offset by higher incentive compensation expense and other manufacturing costs

Current Environment and Recap of Q3 Results

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

Global Supply Chain

- Operations remained online with strong productivity gains, fewer COVID-related disruptions
- Environment dynamic, closely monitoring virus hot spots
- Supply chain resilient so far and teams doing great job overcoming daily challenges

Q3 Market Highlights: North America

- Consumer products organic sales +8 percent
 - Personal care +6 percent, broad-based volume growth in baby/child care
 - Improved market shares: Huggies diapers, Huggies wipes, child care
 - Launched Pull-Ups New Leaf training pants in late-July
 - Features super-soft natural materials, most premium training pant
 - Consumer tissue +11 percent, demand related to COVID-19 and work from home environment, good momentum on Kleenex facial tissue
 - Bathroom tissue shipments benefited from efforts to restore customer inventory; expect more benefit in Q4 and from people spending more time at home
- Market shares up or even year-on-year in 6 of 8 categories

Q3 Market Highlights: North America

- K-C Professional organic sales -15 percent
 - Washroom product sales down ~35 percent; category impacted by fewer people in offices and lower business activity
 - Sales a little better in September; planning for only modest near-term improvement in environment
 - Sales up double-digits in wipers, safety and other products
 - Expansion of face mask business, leveraging superior non-wovens, is off to good start
 - Expanding wipers line-up with Scott-24 Hour, which delivers long-lasting surface protection from bacteria

Q3 Market Highlights: D&E and Developed Markets

- D&E organic sales +2 percent, driven by personal care +7 percent
 - Key personal care markets organic sales: China up mid-teens, Latin America and Eastern Europe up mid-single digits, India up double-digits, ASEAN down mid-single digits
 - Market shares improved: Brazil, China, Eastern Europe, India, Peru
 - Category conditions remain difficult, government restrictions on social mobility and store operations have eased somewhat
- Developed markets organic sales +3 percent, driven by consumer tissue
 - Launching Kleenex Proactive Care in U.K. and other EMEA markets; includes hand towels, anti-bacterial hand and face wipes, sanitizing gel, face masks

Market Shares

- Good progress year-to-date
 - Tracking to grow or maintain market share in ~60 percent of 80 category/country combinations we measure
 - Reflects higher investment levels, innovations, strong in-market execution
 - Capabilities are improving, investments are working

Softex Indonesia Acquisition

- Perfect strategic fit with our focus on accelerating growth in personal care in D&E markets
- Significantly expands presence in high-growth market
- Indonesia diaper market 6th largest in the world, projected to nearly triple over the next decade
- Strong business – deep local market knowledge, excellent brands and market positions, solid profitability
- Improves underlying growth prospects; will leverage combined strengths in innovation, marketing, go-to-market

Summary

- Optimistic about opportunities to generate long-term growth and create shareholder value
- Managing through crisis safely and effectively
- Investing in our brands, improving market positions
- Raising full-year outlook and on track to achieve excellent financial results
- Operating business with a balanced and sustainable approach

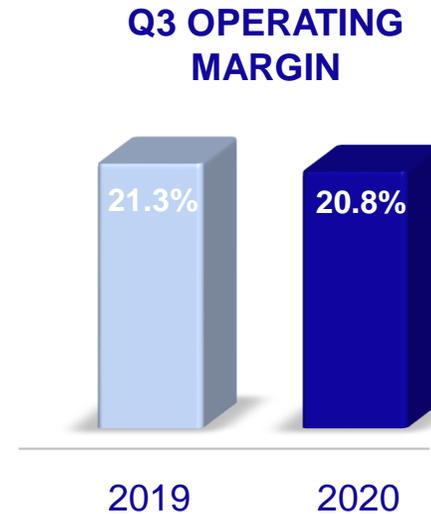
Q&A Session



Appendix

Personal Care

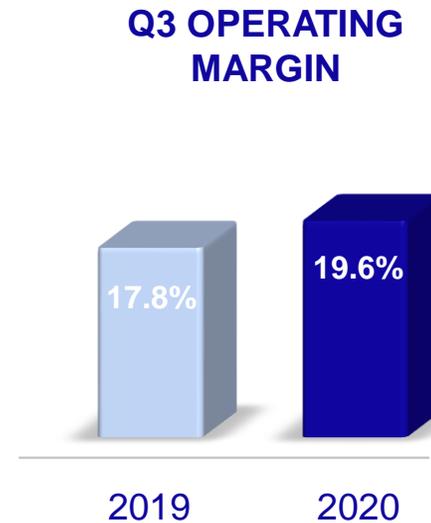
Net Sales	Q3 2020
Total Change	1%
Volume	4%
Net Price	0%
Mix/Other	1%
Currency	(4%)
Organic	5%



- Organic sales +5 percent
 - Growth in North America and D&E markets
- Operating margin -50 basis points
 - Organic sales growth, cost savings, lower input costs; offset by currency, higher advertising, other manufacturing costs, G&A increases

Consumer Tissue

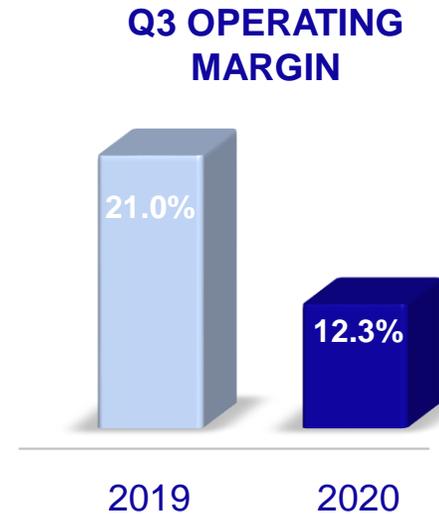
Net Sales	Q3 2020
Total Change	9%
Volume	10%
Net Price	0%
Mix/Other	(1%)
Currency	0%
Organic	10%



- Organic sales +10 percent
 - Strong demand particularly in North America and developed markets
- Operating margin +180 basis points
 - Organic sales growth, cost savings, lower input costs

K-C Professional

Net Sales	Q3 2020
Total Change	(16%)
Volume	(21%)
Net Price	3%
Mix/Other	3%
Currency	0%
Organic	(15%)



- Organic sales -15 percent
 - Challenging economic and business conditions globally
- Operating margin -870 basis points
 - Lower volumes, increased other manufacturing costs (fixed cost under absorption ~600 basis point drag)