



First Quarter 2024 Earnings Pre-Recorded Management Discussion
April 23, 2024

Please view these remarks in conjunction with our Q1 2024 earnings release, which is filed on Form 8-K, and additional information regarding our non-GAAP financial measures, including GAAP to non-GAAP reconciliations, available on our website investor.kimberly-clark.com under SEC Filings, or via the following link: investor.kimberly-clark.com/financial/sec-filings

We also invite you to listen to our live question-and-answer webcast with Kimberly-Clark management which will begin today at 8:30 a.m. Eastern Daylight Time and will also be available on investor.kimberly-clark.com under Events & Presentations.

Q1 2024 Earnings Pre-Recorded Management Discussion
Slide 1 | Cover Page

CHRIS JAKUBIK, HEAD OF INVESTOR RELATIONS, KIMBERLY-CLARK CORPORATION

Hello. This is Chris Jakubik, Head of Investor Relations at Kimberly-Clark, and welcome to our first-quarter 2024 business update.

Today, our Chairman and CEO, Mike Hsu, will provide an update on our overall business performance. And Nelson Urdaneta, our Chief Financial Officer, will provide an overall financial review and our outlook for the balance of the year.

We have also scheduled a separate live question-and-answer session with analysts.

You can access our earnings release, supplemental materials, and audio of our Q&A session at investor.kimberly-clark.com. A replay of the Q&A session will be available following the event through the same website.

Slide 2 | Safe Harbor

During our review, we will make some forward-looking statements that are based on how we see things today.

Actual results may differ due to risks and uncertainties, and these are discussed in our earnings release and our filings with the SEC.

We will discuss some non-GAAP financial measures during these remarks.

These non-GAAP financial measures should not be considered a replacement for, and should be read together with GAAP results.

And you can find the GAAP to non-GAAP reconciliations within our earnings release and the supplemental materials posted at investor.kimberly-clark.com.

With that, I will turn it over to Mike.

Slide 3 | Solid Start to Next Chapter of Growth

MIKE HSU, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, KIMBERLY-CLARK CORPORATION

Thanks Chris, and thank you to everyone for joining us today, and to everyone who participated in our recent Investor Day, where we detailed our vision for the next chapter of growth for Kimberly-Clark.

Our solid Q1 results are an encouraging beginning, to this next chapter of the Kimberly-Clark story.

We delivered **sequentially stronger gains, from volume-plus-mix**, driven by pioneering innovation, with volume turning positive **for the first time in two years**.

We are driving **continued productivity momentum**, by optimizing our margin structure. In the first quarter, we had a strong start, with efficiencies generated throughout the value stream, including manufacturing, distribution, and product design.

We are taking further steps to **focus our enterprise**, as we move from the planning to the implementation phase, of wiring our organization for growth, which I'll discuss in a moment.

While we're still navigating a challenging and complex external environment, we remain optimistic about our business prospects, and confident in our ability to successfully implement our transformation.

Slide 4 | Healthier Balance of Growth Continues to Emerge

Overall, we delivered a healthier balance of Growth. Underlying growth from volume plus mix improved sequentially. That's encouraging given that retail inventory reductions in North America we underscored on our previous call, did in fact materialize.

Pricing was a greater than expected contributor to organic growth in the quarter, as our pricing actions in hyperinflationary markets, as well as related currency translation headwinds to reported growth, came through sooner and stronger than anticipated. These headwinds accelerated, as the quarter progressed.

In the quarter, pricing in Argentina contributed approximately 450 basis points to total company Organic Net Sales growth and accounted for most of the price-related gains in both Personal Care and Professional results.

Beyond that, mix remained an important contributor to growth, as we continue to elevate our categories and markets.

We are encouraged by our Personal Care volume and market share performance in the U.S., China and Brazil, as well as in our UK Tissue business.

In the U.S., market shares were up or even in 6 of 8 categories, and even overall on a weighted basis, versus year ago. We expect our share performance to improve further as the year progresses. In China, volumes were up strongly as we continued to expand Huggies diaper share while Kotex continued to perform well.

Slide 5 | Powering Care

Last month, we outlined our multi-year plan to create durable growth, by harnessing our strengths and sharpening our strategic focus, We will do this by,

Accelerating Pioneering Innovation, to capture the significant growth available in our categories, by solving big, unmet consumer needs with category-shaping technologies.

Optimizing Our Margin Structure, to deliver superior consumer propositions, at every rung of the Good-Better-Best ladder.

And **Wiring Our Organization for Growth**, to make our enterprise stronger and faster.

Today, I'll provide some additional context for where we stand in these areas, and what you can expect of us in the coming months.

Slide 6 | Accretive Innovation Driving Top Line Momentum

Science is our competitive advantage, and it fuels our pipeline of pioneering innovation. We invest systematically in Material Invention, Product Engineering, and Manufacturing Process Development. We develop and engineer proprietary manufacturing assets in both our personal care and tissue operations. And, we have a diverse, global R&D team, that is continuously seeking better solutions to unmet consumer needs.

We have a strong, proprietary, science-based innovation pipeline, aimed at serving four valuable consumer need-states, Skin Health & Wellness, Garment-Like Comfort, Leak-Free Confidence, and Sustainability.

We have created solid momentum on innovation.

Our new product launches over the past 3 years, represented more than 50% of net sales in our Consumer businesses, and contributed approximately 60% of our incremental Consumer organic growth in the first quarter of this year. We are doing this in a way that drives improved mix at the top line, and margin accretion at the bottom line.

There remains a huge opportunity to elevate and expand our categories and markets, and we are well positioned to capture the opportunity.

We are leveraging our global scale to pull the best ideas from around the world, and deploying proprietary technology, to drive them to market faster than competition. As a result, we expect to exceed our target to have more than 75% of our top 25 projects scaled globally.

Here are a few examples of how pioneering innovation, superior marketing, and genius execution, drove strong gains for us in the first quarter.

Slide 7 | Delighting Consumers Across the Value Spectrum in China

In China, we're focused on delighting consumers across the value spectrum, and our elevation strategy is driving growth in a tough environment. This quarter we saw a strong, double-digit increase in net sales, and a 200-basis point share increase, driven by gains in both the premium and mainstream diaper segments.

Our premium-range products, Huggies PP Mask and Huggies Little Penguin, further advanced the premiumization ladder, by introducing a new level of innovative, super-premium offerings, while redefining the consumer experience with top-tier quality, addressing the ever-escalating needs and wants of a new generation of moms.

Our mainstream products, Huggies Cloud Touch and Huggies Little Peach, are converting share from local brands, by delivering superior quality at a strong value.

Slide 8 | Accelerating Andrex in the UK

Pioneering innovation, and bold commercial work, fueled double digit volume and value organic growth this quarter for Andrex.

Andrex has been the #1 brand in the UK for decades, and our R&D teams are constantly seeking new ways to serve consumers better. Supreme Quilts is an excellent example of how the brand is evolving, to meet the needs of today's consumers. Supreme Quilts features adaptive sheets, with condensed Air Pocket texture. This technology absorbs pressure for extreme comfort, and results in a softer, more comfortable tissue, with no compromise on strength.

The team is also deploying advanced revenue management analytics. Which resulted in the launch of our new Mega Roll portfolio. This has helped Andrex accelerate volume growth, at strategically important price points, across the good-better-best ladder.

Slide 9 | Consumer Centric Marketing Driving Share in US Kleenex

Kleenex, one of our most iconic brands, is a great example of pioneering innovation, that has stood the test of time. The brand's enduring value proposition is based on science-backed product superiority, and performance-based differentiation.

Having remedied supply chain constraints from the past year, we've launched new social media campaigns for cold, flu and allergy season, and have resumed in-store merchandising. Consumers have responded strongly. Kleenex delivered 6 percent volume growth and with share up almost 400 basis points to 48% this quarter. We expect this momentum to continue in the coming months.

We're off to a good start. We are seeing good momentum, and we remain excited about our strong pipeline of category-bending innovations we will introduce globally this year.

Slide 10 | Optimize Our Margin Structure

For the last few quarters, we've highlighted our strong ongoing stream of cost savings, that has enabled rapid recovery of gross margins, and is fueling our innovation and capability investments for the future.

This quarter, we built on that momentum with Gross Productivity gains coming in stronger and earlier than anticipated.

We generated roughly \$120 million in Gross Productivity in this first quarter of our new plan, from our integrated, end-to-end approach to margin management, that we outlined last month.

We also generated incremental savings from enhanced procurement capabilities, while strengthening relationships with strategic suppliers, that will enable us to more effectively manage our cost basket moving forward.

While input costs remain at elevated levels, and supply chain volatility is still a watch out, our start on productivity, strengthens our confidence in our plans for the full year.

Slide 11 | Wire Our Organization for Growth

Our third driver is Wiring our Organization for Growth. We have launched phase one of our organizational transformation, with a fully dedicated team focused on moving the organization, from planning to implementation.

We're making good progress, and will go live with our three, focused Business Segment structure on October 1.

We're cascading new role-and-responsibility organizational designs across the enterprise. And activating new ways of working, to enable a high-performing, networked team.

As we continue to progress on our transformation, we're working hard to ensure the organization's focus, on executing with excellence, to deliver our 2024 plans and priorities.

We're also taking steps to sharpen our portfolio focus. We will focus on businesses that strengthen our market positions, and where we have proprietary science-based innovation, and a right to win over the long term.

Two weeks ago, we reached an agreement to divest our Personal Protective Equipment business. This decision was made to streamline the focus of the Kimberly-Clark Professional portfolio, ensuring that resources and investments are allocated to key competitive areas and core categories. The transaction is pending customary conditions and regulatory approval and is expected to close early in the third quarter of 2024.

We're also working through a decision to exit some private label business that will take place in 2025. This will likely result in a reduction in global net sales of approximately 2 percent next year, and we'll share more in the second half of this year, as our plans come to fruition.

We're well positioned to accelerate our pioneering innovation across our portfolio, in the coming months and years, and will focus our proprietary know-how to strengthen the differentiation of our brands.

Overall, we're off to a good start, and we'll continue working hard, to make K-C stronger, faster, and better positioned, to drive durable, profitable growth going forward.

Which is a good place to hand off to Nelson, to cover our financial results and update our outlook for 2024.

Slide 12 | Financial Results & 2024 Outlook

NELSON URDANETA, CHIEF FINANCIAL OFFICER, KIMBERLY-CLARK CORPORATION

Thank you, Mike.

We are tremendously proud of the faster, stronger start to the year that our team has delivered; especially as we head into the implementation phase of our transformation.

First quarter volume growth came in stronger than anticipated, revenue realization in hyperinflationary markets was faster than we planned, and we delivered strong cost benefits through our gross productivity initiatives and procurement-related savings.

At the same time, while we are increasing our outlook for the year, we continue to navigate macroeconomic uncertainties, our investment spending will ramp up behind our innovation pipeline, and the full implementation of our new organizational structure is still ahead of us.

Slide 13 | Q1 Results, Strong Start to the Year

First quarter organic growth was 6 percent reflecting further progress towards a healthier balance across price, mix, and volume.

Pricing was up 4 percent with the contribution from pricing in hyperinflationary markets partially offset by lapping temporary, energy surcharge-related pricing in Western Europe last year. Volume growth turned positive, and came in better than expected, continuing the sequential improvement that began several quarters ago.

Gross margin increased 390 basis points to 37.1 percent. This reflects a combination of organic growth and productivity gains that more than offset cost headwinds largely driven by currency and local inflation in developing and hyperinflationary markets.

Looking forward, our cost basket for the year is likely to remain somewhat inflationary considering the recent uptick in energy costs as well as currency headwinds impacting local costs in developing markets.

Below Gross Profit, Adjusted Operating Profit margin was up 230 basis points as we continue to invest in our brands and capabilities, with advertising as a percent of net sales increasing 50 basis points versus the year ago period.

Adjusted Earnings per Share was up 20 percent versus prior year, reflecting the strong profit gains as well as some benefit from lower net interest expense, lower adjusted tax rate, as well as higher income from non-controlling equity interests.

As to the impact of Hyperinflationary Markets performance in the quarter, I would make two notes regarding our first quarter results. First, while price-led gains added approximately 10 percentage points to Adjusted Operating Profit and EPS growth **on a constant currency basis**, they were a slight **headwind** on a **reported** basis given the strong, negative impact from currency translation.

Second, the contribution from Hyperinflationary markets in the quarter had no material impact on either Adjusted Gross Margin or Adjusted Operating Profit margin performance versus the prior year.

Slide 14 | Personal Care

Looking at our results by segment, in Personal Care, we built further on our momentum from the second half of 2023.

Pricing actions in hyperinflationary economies drove the 7 points of pricing in the quarter. Putting that aside, we were encouraged by the continued underlying progress towards volume and mix-led growth from the portfolio.

North America Personal Care grew 2 percent in Q1 driven entirely by volume and mix. Outside of North America, China grew volumes double digits driven by strong Chinese New Year execution and continued innovation-driven share gains.

Gains in North America and China were partially offset by softer category volume trends in developed markets.

It's worth noting that all categories within Personal Care grew high single digits to low double digits in the quarter.

Volume/Mix gains, gross productivity initiatives, and procurement-related savings drove strong Personal Care gross margin expansion, enabling investments in key geographies such as North America and China, and resulting in Operating Margin expansion of 210 basis points versus the prior year to approximately 20%.

Slide 15 | Consumer Tissue

In Consumer Tissue, organic sales were in line with the previous year when we grew 7 percent, resulting in a 2-year CAGR of approximately 4 percent.

In North America, organic growth was 6 percent with volume and mix driving 3 percentage points of the gain, with strong gains in our Kleenex franchise.

Our UK business drove a 3 percent volume gain in our developed markets, even though organic sales declined roughly 2 percent as we lapped temporary energy-surcharge-related pricing in the prior year period.

As Mike highlighted, our UK Andrex brand delivered both sequential and year-over-year share gains for the second consecutive quarter as well as double-digit organic growth. This was accompanied by strong volume-led share growth in our Kleenex portfolio as we restored supply.

At Operating Profit, margins expanded reflecting the strong performance in key markets like North America and the UK, ongoing productivity initiatives, and procurement-related savings.

Slide 16 | K-C Professional

Finally, our K-C Professional business results continued to reflect the success of our sharpened strategic focus on country:category segments that we see as more resilient and responsive to investments in innovation that create value and sustainable solutions for our customers.

Pricing and mix have been solid contributors for the past several quarters, reflecting the choices we've made to emphasize certain segments over others. In the first quarter, pricing was driven by hyperinflationary markets.

And, consistent with what we said in January, our Q1 volumes reflected the ongoing rightsizing of the business towards profitable volume as well as the rightsizing of

wholesale inventory levels, especially in North America. That said, we expect volume trends to improve further, and turn positive, as the year progresses.

This combination of improved top-line trends, as well as ongoing productivity gains and procurement-related savings drove a 400 basis point improvement in Operating Margin for Professional in Q1 versus the prior year period.

Slide 17 | On Track to Deliver \$2B+ Free Cash Flow in 2024

Finally, in terms of Free Cash Flow, we delivered \$244 million in Q1. While our first quarter is a seasonal low for free cash flow generation, we were also lower than the prior year, this mainly reflected timing differences versus the prior year that increased our quarter-end accounts receivable levels. In the end, we remain on track with our plan and confident in our ability to deliver at least \$2 billion of free cash flow in 2024.

A key factor bolstering our confidence is that our cash conversion cycle in the first quarter was negative 4.2 days ... or approximately 6 days better than the first quarter of 2023 ... driven by further optimization of our inventory levels.

This reflects further progress in modernizing our supply chain and capturing the \$500 million of incremental working capital savings in the next few years that we highlighted at our investor day last month.

Which brings me to our outlook for 2024.

Slide 18 | 2024 Outlook

As Mike said earlier, we remain cautiously optimistic. We're cautious on the macroeconomic front due to ongoing turbulence and potential headwinds like currency and input costs, as well as the on-going geopolitical challenges we are navigating through. At the same time, we are optimistic given the strength of our operating momentum and plans to drive durable, profitable growth.

On the top line, we now expect Mid-Single-Digit Organic Net Sales growth, up from low-to-mid single digits previously. This reflects our solid volume and mix performance in the first quarter. It also reflects our expectation that pricing in hyperinflationary economies will contribute approximately 300 basis points of organic growth for the year versus our previous expectation of 200 basis points.

Related to that, Reported Net Sales growth is likely to be negatively impacted by roughly 400 basis points from currency translation, versus the 300 basis point headwind we previously expected. We also expect that the impact on Reported Net Sales from divestitures will be approximately 120 basis points, versus 60 basis points previously, considering our recently announced divestiture of the Personal Protective Equipment business.

At Adjusted Operating Profit, we now expect Low-Teens growth on a Constant Currency basis. That's up from our previous outlook for High Single-Digit to Low Double-Digit growth for the year. This reflects the faster, stronger start we've had this year on the top line and the gross productivity and procurement-related savings fronts, partly offset by a negative impact from divestitures of approximately 100 basis points for the year.

It also includes our continued expectation that costs from monetary losses in hyperinflationary economies, captured within the Other Income and Expenses line, will be roughly half the rate we experienced in 2023.

Reported Operating Profit growth is now likely to see a 700 basis point negative impact from currency translation versus the 400 basis points we expected previously.

And at Adjusted Earnings per Share, we now expect Low Teens growth on a Constant Currency basis, up from our prior expectation for high single-digit growth. This now includes an approximate 100 basis point headwind from divestitures, as well as net interest expenses and an effective tax rate slightly higher than the prior year.

Here again, we expect reported earnings per share growth to be negatively impacted by approximately 700 basis points from currency translation.

Finally, regarding pacing during the year, we continue to expect reported net sales to be relatively balanced between the first half and second half of the year. However, we now expect adjusted operating profit and earnings to be split roughly 52 percent in the first half of the year versus 48 percent in the second half, reflecting both our results to date as well as the recently announced divestiture.

I would like to thank our teams across the world for such an encouraging start to the year ... and for effectively managing all the headwinds they are navigating through as we wire our organization for growth.

With that, I will turn it back to Mike for some closing thoughts.

Slide 19 | Summary

MIKE HSU, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, KIMBERLY-CLARK CORPORATION

Thanks, Nelson.

As I said at the outset ... we are super encouraged by our start to the year.

Our pioneering innovation is driving more balanced, and more volume, mix-driven, top line growth.

We continue to capture the productivity gains we've identified on our journey to optimizing our margin structure.

And we continue to take important steps in wiring our organization for growth ... with tremendous opportunities still ahead.

My leadership team and our more than 40,000 employees around the world thank you for your time and interest in Kimberly-Clark as we launch our next chapter of growth by **Powering Care.**

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