Q&A

Christopher M. Jakubik: Okay. Great. So I'm going to ask everybody in the room to wait for the mic to come, to ask a question, and we also have some questions coming in from the webcast. But let's start with Nick.

Nik Modi: Age before beauty, I guess. So a couple of questions. Mike, just in terms of the new organizational structure, can you just help us understand the decision-making matrix, like, who reports to who, just so we can understand how it's going to be different from maybe the prior structure? And then just, Nelson, maybe for you just in terms of the productivity and the cost saves. How is this different than the FORCE program? If you could just kind of help us understand the change there?

Michael D. Hsu: Great to see you. Thank you for joining us today. Yes, in terms of the decision-making, you may want to follow up with me. They all report to me, and so is that clear? But no, I mean, well, I think what we're trying to do, and it's a little shift because we had 5 business units before, right? So this takes us to 3 segments that are really separated, Personal Care and Family Care and Professional.

We want the lineup, Family Care and Professional, because they really share common asset technologies; Personal Care in terms of the marketing and the product innovation tends to be aligned. And so I think that was part of the intent, but I think with the 3-segment structure, again, we're still going to run the business through the markets.

Our hallmark of KC is we are very locally agile. But we have 3 great leaders, a simplified structure to partner more effectively with the global functions, of which you see 2 critical ones here with Tamera and Alison that will drive kind of the better work into the markets faster. I don't know if that answers, Nick.

Nelson Urdaneta: Then I can jump in to explain a little bit the difference between FORCE and integrated margin management and maybe Tamera, you can also chime in on the changes we're implementing in the global supply chain. So a few things, Nick. I mean, we've had FORCE in place for the last 20 years, as you know.

And FORCE has delivered around $6 billion of cumulative savings over that time period. FORCE served its purpose. One, it allowed us to become a fairly cost-conscious culture, driving productivity and programs. But Forest was also very siloed in the approach. It was largely 1-liner on each vertical as opposed to looking at margins in a holistic manner. And what happened over the last 4 years is that we began investing behind capabilities that have an inordinate amount of impact on margins. That includes revenue growth management capabilities that we didn't have before. That includes procurement capabilities that we didn't have before.

On top of that, it's also digital. We've been investing in digital tools. And what integrated margin management does, it's an end-to-end approach that brings about all of those silos into one. And the timing is right, because as we're migrating to this new operating model, and on top of that, we're going to transform our supply chain, and we talked about it today, there are 3 strategies within the transformation.

That will enable significant step-up in savings, especially in the first 5 years of the program that we're laying out today, and hence, why we're so confident on delivering the $3 billion of productivity in the next 5 years. But I think it would be a little bit -- also, Tamera, if you could add a little bit of flavor on the supply chain changes we're going to do, which are pivotal in this journey we're undertaking.

Tamera Fenske: Yes. I think Nelson explained it very well, but I have tremendous confidence in the team's ability to really elevate and push the savings. So coming off a very strong 2023 delivery, as Nelson mentioned, I think this new way of working is really a holistic end to end. So I talked about we're breaking down all of the functional silos that may have existed in the past, the geographical silos that may have existed in the past.

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And by just connecting the teams and really understanding where those nuggets of excellence really exist across the globe is super powerful. And I would say we have really proven use cases where it's coming to life across all 3 strategies. So within our value stream, as we mentioned, it's global. It's connected. It's across every lever of the value chain, and we're really driving as much value creation as we can get in a very tight partnership with our business partners and our innovation partners.

And then as we do the same thing across our network, how do we make sure we have the right efficiency and effectiveness, both in physical footprint, digital footprint, which moves into our digital capabilities and automation. So I would say we have a very capable team, a very hungry team and a lot of proof points that give us confidence in our ability to really accelerate our savings and bring this new way of working in this integrated margin management to life.

Peter K. Grom: Peter Grom from UBS. So I just wanted to get some thoughts on the phasing of the productivity you outlined. So you've outlined the $3 billion in savings. You outlined at least 40% gross margin. I think it was 18% to 20% operating margin by the end of the decade.

But Mike, you also mentioned that you would expect to be at the higher end of your long-term algorithm over the next several years, so is it fair to interpret that more of these savings are kind of front-end loaded versus kind of evenly phased? Or am I not thinking about that correctly?

Michael D. Hsu: Thanks for the question, Peter. Great to see you in person. Hey, a couple of things. First of all, what's really changed? Why am I more excited about the next 5 years than the last 5 years? One is, as you saw in the presentations, like the opportunity to elevate our categories is out there. Like, if you build it, they will come.

And hopefully, you saw that in [Katy's] presentation, Ehab's and clearly, Russ'. And so I think over the last 5 years, we've been kind of building that muscle to say, "Hey, how do we invest in our products and our marketing and get consumers to want to trade up and create more value for them with better products." So that's part 1.

And then the other big thing that's changed, I think, is with Tamera coming in, I'd say, hey, we can definitely find a better -- a lower -- a higher gear on cost savings. And I think we -- one of the hallmarks at KC is we are locally agile. We don't always take best practice to heart, right? And as Tamera showed in her presentation you may want to comment on, we still have a lot of opportunities.

And Russ has got a few big projects where he's taking some of the things that Katy has done and applying them to North America. And you guys may want to comment without sharing secrets, but comment on that. So I think we've got a big opportunity. I think it's going to take us a while to ramp up. okay? So I wouldn't say, hey, it will start next quarter out of the gate. But I also say higher end of the range because we went into the -- off our -- I don't know what to call it. Our medium-term targets was around mid-single digit. If you believe you have the extra cost to take out, then we should move into the higher end.

Nelson Urdaneta: And perhaps just to build on that. I mean, we've outlined today a couple of sources of savings, Peter, that are worth mentioning. One is we expect to deliver around $200 million of savings in SG&A. That we -- as we stand up the new organization, as we said, it will be in place by the end of the year, we would expect that to materialize over the next 2, 3 years or so, that component.

And then as Mike said, we're going to ramp up into the $3 billion but don't expect it to be back loaded at the end of the 5 years. I mean, we're already building the pipeline, and we've been working on this as we worked on our plans for 2024. So we will be growing into it as we go through the year and next year, but it will materialize over the next 5 years.

Javier Escalante Manzo: I want to double-click on Nick's questions, and hopefully, it's a different angle. When it comes to the savings, right, and your conviction that they are going to be accretive I had in my

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head that in order for things to be accretive, you need to have fewer trucks, fewer plants, fewer staff to do the same thing. And we haven't heard any of that, so if you could elaborate on that on the cost side.

And then, when it comes to the organization, the enterprise market, who has the P&L responsibility? if you can ballpark the operating margin of these enterprise markets? And what is the role? Have you considered exits some of them where you don't have critical mass and financially are not viable?

Michael D. Hsu: Let me start with the enterprise markets, and maybe Nelson and Tamera, you may want to comment on the restructuring. The -- first of all, the enterprise market, so it reports up to one leader, and we picked our most seasoned developing market builder, and somebody with a long track record, building our business over a long period of time in Eastern Europe. And now he's been in Southeast Asia for the past year, 1.5 years and really has a great skill set from taking, for us, kind of virgin territory, building it up over time into a profitable business over time.

And so for us, the reason why we separated that out, there's a lot of markets in there. I would say at this point, the bulk of those markets are not highly profitable yet, okay? And so what we want to do is simplify and make the business stronger and improve the profitability. But we also want to make sure we're seeding the important big growth markets of the future. As I mentioned, India is in this portfolio. Someday, I really believe India is going to be the largest type of market in the world. There's 26 million births a year, right, compared to, Katy, 9%, 8% this year in China, 9%?

Katy Chen: Yes.

Michael D. Hsu: So someday, logic prevails, that economy develops, it's going to be the largest type of market. And so we're going to continue to invest and seeding the development of those markets. And so we really have a couple of different things. We're trying to streamline the operations, because sometimes we're a little more complex than we want to be across all these 50 markets, but also, we want to focus and invest and build out these markets over time. The P&L owners are going to continue to be in the markets. So -- then there was a second part to your question. Nelson, do you want to talk about the…

Nelson Urdaneta: Yes. So let me just unpack that and Tamera will jump in. But in terms of the $3 billion and the sources, Javier, the way to think about it is there are 3 pillars to the new strategy and supply chain. One is simplifying how we operate the value chain. And you saw examples of what that means, which is we have different cost structures, different ways of doing things across the globe. We're going to drive as much as we can to have the best way forward in every market based on the best-in-class that we have internally.

The second one is about optimizing our network. And in optimizing our network, we're going to revisit our 4 walls. So we're going to look at the factories we have in place today, our distribution footprint today, our partners out there. Remember, we also have external manufacturers in place, and we're going to reshuffle that. We're going to drive optimization in that entire network as well.

And then the last bid we'll have to do with -- we're going to be moving forward to integrate the entire supply chain in a way to drive best-in-class automation across the globe. So we've been driving automation. You saw some of the automation in the slides we showed, but that's going to be, intrinsically, what drives that $3 billion. And yes, there's going to be changes in elements of the footprint that you see. But Tamera, if you want to just build.

Tamera Fenske: Well, I think you said it well. And as I mentioned, we have about 1/3 of our savings we are looking at network, but that's broader than just physical footprint changes. As Nelson mentioned, we want to modernize what's happening within the 4 walls of our manufacturing and distribution. But I fundamentally just like to break down silos and I'm very excited about strategic partnerships.

So if you think about our digital twin that I talked about, which really has the digital capability to see our full supply chain and the full end to end to do modeling, we can actually overlay on top of our supply chain. Some of our key suppliers are strategic retailers and say, if you actually looked at Kimberly-Clark

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supply chain plus X, so add another supply chain to that, you really can break down the silos that have existed in just running your own and you can think what's possible.

So we're really pressing the art of the possible with some of these big partners to say, how does that fundamentally change how we -- where we manufacture, what we manufacture and how we flow our goods. And so there's a lot that goes into how we're thinking about this, how we're advancing it. And so I'd say more to come. As we continue to develop these plans, we'll certainly share it with you. But that's kind of the breakdown of how we're looking at the network today.

Michael D. Hsu: And then Javier, just to be crystal clear, I'd say, hey, we have a pretty good estimate of what the cost, the restructuring charge is going to require for us, and we feel very comfortable with that. We're not ready to share the plans on, specifically, what we're going to do operationally other than I would say the question is, hey, when we go to this new business segment model, right, there is an organization change, and there will be positions eliminated that change. And that's one of the parts of the job that we don't like to do as leaders of KC, because we know great employees will be affected and impacted and some of those roles will be gone. And so we're expecting that to be about 4% to 5% of our total force.

Christopher M. Jakubik: We'll go to Anna.

Michael D. Hsu: How are you guys liking these little laptop holders…

Anna Jeanne Lizzul: They're so great. I feel like I'm watching a movie. Anna Lizzul from Bank of America. I wanted to follow up on the prior question, I guess, in terms of the new segment structure. You now have international family care and professional added in the same segment. During the presentation, you talked about Professional being margin accretive on that side. I wasn't sure if that was referring to the entire segment, if you can clarify on that. But then assuming that International Family Care is lower margin, is that a good business for you to stay in the long term? It does seem like most of the growth is concentrated in the other segments.

Ehab Abou-Oaf: Yes. So first of all, we believe IFP is poised to grow margin as well as volume going forward. And addressing the professional piece first. Over the last couple of years, we were able to recover our margin in the professional segment and in fact, expand beyond pre-pandemic levels. So we expect that to continue, and we have a business model within professional that is quite profitable.

And we will drive that further through the innovation that we've referenced the ICON dispensers, which captures captive sales for our professional business and growing faster in categories like wipers, which will -- is even more profitable as part of the mix. So professional will continue to drive profitability.

On the Family Care side, we've got some great businesses that we've touched on in the U.K., in Thailand and Taiwan and a number of others, which we plan to grow even faster and further, and these are profitable markets. And the balance of the markets, the fast follower will benefit from the new structure that we're putting in place, so streamlining the operations, the benefits from some of the supply chain benefits that Tamera has referenced.

And these, together, will also enhance the profitability of our Family Care business globally. So between professional going stronger and expanding and accelerating our business on the family care side, we believe this is great business to stay in and get to a profitable position for the enterprise.

Christopher M. Jakubik: Great. Let's come to the other side, to maybe Bonnie.

Bonnie Lee Herzog: Bonnie Herzog, Goldman Sachs. I guess I was hoping for a little bit more color on your pricing ladders, in your top categories. Do you believe you have the right levels and gaps? And in the context of this, how concerned are you with the potential for private label to strengthen in the competitive environment to step up? I guess I'm ultimately trying to understand how you're going to minimize down trading risk with potential market share losses versus maybe the need for stepping up promotional spend.

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Alison Lewis: So I'll start, and then I'll ask any of my colleagues to jump in. But I think what you heard from us today is we're very diligent about thinking about that "good, better, best" and looking at how we ensure that we have the totality of the portfolio living within those price tiers. And I talked to you about the different benefit areas within those price tiers.

Generally, at the bottom of the price tier, you need just basic absorbency and cleaning. As you move up, you go to more comfort. As you move up from there, you go to skin health. In terms of what the right amount is that's really dictated by the market itself. So that's what these guys work on. And that's what these guys figure out through very disciplined price pack architecture work that takes the deep analytics, where the category is, where the category is going and ensure that they have the right portfolio to win in the marketplace.

As it relates to private label, I think what's important there is the fact that we do play against all -- in all those spaces. So we're able to flex as we need to flex. So yes, we are constantly looking to trade up, because that's the right thing to do for consumers, because consumers always want better. But we do recognize when economic times are tougher, we might need to shift our promotional calendar from best down to good, and we have the ability to do that because we have breadth across our portfolio.

So I think there's no one answer. It's very local. Pricing is inherently local, and these guys are the ones that build those price pack architectures and build the ladder in terms of the "good, better, best" based on the consumer needs.

Russell C. Torres: Yes, Bonnie. Also take a -- in North America, I can talk a little bit more about the dynamics there. You asked the question about price ladders. We do look at that analytically regularly. And we feel pretty good about where we stand overall currently. There are a couple of hot spots that we're looking at, but, more broadly, on private label, you really have to take Personal Care and family care distinctly. So the Personal Care business, our private label penetration is relatively low overall.

There are a few areas, subcategories that have slightly higher penetration, but those are really 2 brand categories. And we've been focusing on innovation and marketing over time, and it's been effective, by just what you saw today in our presentations in terms of driving additional benefits that consumers value and they're interested in paying more. And so our private label penetration in Personal Care, over the last 5 years, has actually declined by 200 basis points from a share point of view. So Personal Care, we feel very good that we have the right playbook and are focused on the right things and feel good. Family Care, on the tissue side is, there's been more prevalence in private label, especially in certain zones.

So our strategy there, and I think you were hinting at this, is to focus on the profitable segments within Family Care and then have a balanced ladder of participation in "good, better, best." And an example of that would be in bath tissue, where we have Scott, which is a value-oriented brand I mentioned in the presentation, we have a 50% price discount to the mainstream tier, not even the premium tier per sheet. It's an amazing value and we go out and market, lasts longer, dissolves faster, and that's been very effective in holding volumes, and it's a great brand and a great business.

So we're really strategically focused on picking our spots and managing our participation at the different stages and tiers in the category based on what we think is most attractive. So hopefully, that helps.

Michael D. Hsu: And maybe, Bonnie, I'll just add. By the way, thank you for initiating coverage on us. And so I was glad to have you looking over us. The -- I think -- and maybe since you may not have heard or some of the prior commentary that we've made in other meetings, one of the big things is we are fundamental brand builders. Like, we are not interested in trading share, renting share on promotion.

And so it's kind of why we lead off on, hey, what's the -- accelerate pioneering innovation. The only way that we're going to continue to have relevant brands is if we offer features and benefits that consumers value and love. And so -- and our approach is, hey, we're going to do that, and we're going to keep innovating at the top end and cascade features and benefits through. It's -- Katy didn't say it explicitly in

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her China example, but that's what they've done in China. Great innovation at top and it comes all the way through. And so that's what we're about.

Some people will ask, well, what else has changed? Well, in the past 5 years, well, the other thing that's changed for us is we've been investing in big bet technologies that I kind of hinted about, right? I talked about these Gen 2, Gen 3, next gen, Gen 4 core. We've got a Gen 5 core in development. That's new. We didn't have that 5 years ago. I would say we had unbelievably brilliant R&D people, scientists inventing stuff.

And some of this stuff, we knocked off the mothballs, took it out of storage. Technical ideas that hadn't been developed for commercialization. But that's kind of what we've been investing in, because I fundamentally believe, like, the only way a brand exists and can be a good brand is if you're solving consumers' problems that they really care about.

Christopher M. Jakubik: Yes, Filippo.

Filippo Falorni: Filippo Falorni at Citi. A question on the Personal Care side, particularly on the baby diaper core category. Clearly, you've worked through declining birth rates for a couple of years in several parts of the world, in China and the U.S. So maybe you can talk about how you can work and try to, like, accelerate category growth and market share in this environment? And particularly on the premium side, China, you showed the example of premiumization. In the U.S., I think you're statistical 68%. It's already premium. So how much room more you have to grow the premium side?

Alison Lewis: I'll take it first and just talk a little bit about what drives growth in the Baby Care category, because I think it's important to understand. So yes, there's a thing called birth rates, and it's a math exercise, a numerator and a denominator. But I honestly don't believe it's the most relevant thing for driving growth in our Baby Care category. The most relevant thing is getting those 130 million new parents and getting them into our franchise. There's 130 new million new babies every year. We've got to win those babies. That's the first thing.

The second thing is you heard from both Katy and from Russ, that there are opportunities for continued penetration growth. There are opportunities for continued piece growth, so the frequency aspect. And then the final thing is that trade up. And those are really the 4 components that drive growth. Yes, if there are no babies born, we have a problem, but there are 130 million. And so we really -- and we don't control that piece by the way.

We really focus on that penetration, that frequency and that trade up, and that's really the way we've driven growth. I often say that Katy is a phenomenal example in her time in China on defining gravity, because she's been able to grow in a market at a phenomenal rate, gain market share, gain margin when birth rates are going like this. So Katy, maybe you can talk a little bit about that.

Katy Chen: So sitting in China, in the past 6 years, we've been tackling double-digit newborn number down every year, till the latest year, I think the annual birth rate in China is around 9 million, where 6 years ago, it's 18 million, so it's a cut-to-half situation.

But if you do it right, actually, we grow. Huggies, in the past 6 years, we have always been sustaining at double-digit growth, in both bottom line and top line. So really, we find that the valuable business model in this one is, first of all, you drive -- you make sure that we relentlessly try to make the product differentiation and create this value in creative trade-up offering to our consumers through the innovation.

And at the same time, deliver with the lowest cost in the market. Therefore, we find, even with this year, very, very intensified promotion in China market. We will be able to double down, not only in the mainstream market, mainstream price tier, because of our efficiency, the cost advantage that we get.

And also, at the higher end, we differentiate us from those massive ECM capacity, overcapacity in China so that we win overall top line and also drive continuously. I think a couple of hundreds of, like, bps of

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margin improvement. So this has been working as a flying wheel, and we see the value to take this model to more markets in the future.

Michael D. Hsu: That's why these guys are in this job because I'm a simple guy, right? It's like, hey, and I don't mean this literally, right? But I would say, hey, one of the best products that we have anywhere in the system, and we think the best product in China, so that's one reason why they're winning. Part 2, we also think we're among the lowest cost producers in China. Best product, lowest cost. That seems like that should win, right?

And so that's kind of what's behind. And I'm not saying we're going to get the lowest cost everywhere, but we're definitely going to get to lower cost everywhere. And -- but if we do that right, then again, defy gravity or not, I want to have the opportunity to shape the categories better.

Christopher M. Jakubik: Go ahead and come up to Carey, there. Go ahead.

Christopher Michael Carey: Chris Carey, Wells Fargo. So just on the 40% gross margin, clearly, it's going to be a big focus coming out of today. That outlook, are you embedding any assumption for commodities over that time frame, changes to your commodity exposure, improvements in your ability to smooth over different commodity cycles?

Obviously, that's been a key headwind for the company over the past 4 or 5 years. What if we go into another cycle? So anyways, expectations that you're embedding changes to your mix of commodities and your ability to offset it?

Nelson Urdaneta: Sure. Chris, I mean, 2 things. I can't speculate on what the commodity cycles are going to be. And again, we could look at what's happening today and 30 days ago, some of the commodity movements, no one in this room could have expected. Having said that, the commodity environment, at least in our basket, is relatively stable. I'm not saying it's deflationary, but it's no different than what I've -- what we chatted back in January.

And we are planning based on what we know today, based on where we're at today. But I think it is important to also highlight as I -- as we chatted in our presentations and Mike opened up at the beginning, we've built some muscle in the last 4 years that we didn't have before around how to deal with commodities, how to deal with costs, how to quickly identify changes in the whole supply chain that, frankly, we were not set to do when the pandemic hit.

And we have grown in ways that put us in a position to be able to manage more effectively through those cycles. That includes how are we contracting for some of these commodities today is different than how we were contracting 5 years ago. Hedging, how are we layering hedges, both on currency for transactional FX or for energy and some resins and other elements that allow us to see what's going to happen in a better way.

So we have some visibility as to the actions we need to take. And then you build on top of that the fact that now we have muscle around revenue growth management, and that includes how to handle price pack architecture much better, elements on promotion. Things that, frankly, are building up over the last 2, 3 years, 4 years that we didn't have.

And when you put all that together, it allows you to say, okay, yes, we will be facing all kinds of changes across the macro environment. But the way we handle them, it's in a much better position today.

Christopher Michael Carey: Okay. And this is a quick follow-up. But just on incentive structure. One of your slides did mention retooling incentives, some good plans around growing above category today, improving profitability and profit growth or you have a margin target. Have you built in incentives at the -- more of a local level to drive forward some of these initiatives? Or are you more formalizing them, so everybody knows what they're fighting for, but not necessarily retool the incentive structure?

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Michael D. Hsu: Well, Chris, we've always believed incentives are a key driver of employee and management behavior. And so -- and I'd say -- and so we've always been driving them to the local level. I think the change for us is we've simplified the system to focus more on business results. And so in the past, we did have some things that were involved that related more to activity. And so our view is, hey, the activities come with the job. But the performance and the business results is going to be more closely tied to compensation. Hopefully, that's something our investors align with.

Christopher M. Jakubik: Yes, Dara.

Dara Warren Mohsenian: Dara Mohsenian, Morgan Stanley. So Mike, you talked about your aspiration to outgrow the categories going forward and gain market share. That's a bit better than the performance we've seen in recent history. Can you talk about what's the big unlock from your perspective in getting there? Is it more innovation contribution?

Is the investment buying the business? Or more the way you're restructuring the organization? And also maybe on innovation, can you drill down on that? There's obviously some palpable excitement today around innovation. Is that changes you've already made over the last few years and a continuation? Or is it more a step change from here in terms of resources, investment ideas, whatever it may be?

Michael D. Hsu: Yes. Great question, Dara. Thanks for that. I would say, hey, change is underway. I would hope to see acceleration. And I think that's kind of my attitude toward -- first of all, yes, and I recognize and someone would say, hey, but the results of the last 5 years had not been a rocket ship, right? I understand that.

But the thing that I'm really proud of this organization over the last 5 years that it's accomplished is, one, proved out the thesis for Elevate. And hopefully, when you saw that in the slides. And if you build it, they will come. At the same time, I think I just mentioned earlier, we've been really focused in -- with Alison's leadership, pipeline development of innovation. And with Robert Long, and Robert has gotten us focused on what he calls big technological bets, and that's kind of how we got to these Gen 2, Gen 3, Gen 4 cores, right?

So that's -- I'd say, we feel much better about that. Part of what we're trying to do in this reorganization is speed that, right? And maybe I'll give you this analogy. It's not exactly perfect, but I would say what the company has historically done is a global, we built this great buffet. It's the best spread you've ever seen.

Now markets, you guys go pick from it, go win your market, right? I have a little different paradigm, which is like, no, you guys were all athletes. One of you is a left tackle. You're a basketball player, you're a figure skater, okay? You're not just going to go to the buffet. We're going to hire you the best nutritionist. We're going to hire you the best personal trainer and we're going to hire you the best therapist. And together, we're going to agree on what the plan is. You're going to win the race you want to run, but you're going to go in there and do a heck of a job. So that's kind of the philosophy. I don't know if you guys agree with that.

Alison Lewis: I'll just build. I mean, I talked about sort of the 5 capability areas that we've been focused against. Those are all absolutely correlated to growth, okay? We have done a lot of work on those over the last 4 years, but there's so much more we can do. And you mentioned innovation and I think that's a great example. I mean, what we're building in this new operating model is a completely connected innovation system. We're putting in new routines and rhythms that are going to change in terms of our ability to take these big innovations, scale them even faster. So I think you will see continued more growth coming from innovation.

Brand building. That's another one. We're building a lot of more -- we're putting more investment and more talent against creative storytelling and design. How do we continue to elevate that, because Russ, you said it in your presentation, you talked about great creative actually gives more to ROI than another $1 spent in media, so we're putting money against that. So a lot of those are the design elements that we're not obviously sharing here, but those are the things that we're building, and we're going to hold very

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high bars and expectations on those things that drive growth that we're going to accelerate those even more. And so I think that is going to be a big difference maker.

And then networking the organization. So the way that I work with all these guys is going to evolve and going to shift versus how we might be working today. And I think that's going to be a big unlock as well, a more networked organization, so.

Katy Chen: Yes. And also another perspective is the way we set up IPC. We now have -- it's all about acceleration, focused plan for the top 5 biggest bets in IPC. And so that we don't push out generic playbooks. We beam more focused plan to remove, confront the issues in each big markets and remove the roadblocks and see what we can take from those learnings and know-hows from the other successful markets and elevate and see whether we can onslaught that market with more innovation, consumer-led solutions.

Russell C. Torres: Yes. I would just -- one more comment on this, because I think it's important for everyone to understand is the way we've organized -- I think you can understand it, but what's beneath this is going to be much tighter wiring and Mike talked about the nutritionist prescription for each category and geography and really providing better visibility and less friction to take the things that are working from around the world and apply them in the right exact zones.

And the other thing I would say, too, is we're excited about the future because, as I mentioned in my presentation, half of our people in the commercial side of the organization are new within the last 2 years, and that takes a little while to get everything kind of rolling, but we really feel that momentum coming.

Michael D. Hsu: The funny thing is, actually, we've already been doing this networked approach, right? And so the interesting thing that actually our employees don't even really know, I think Russ didn't know this was that Katy's winning diaper in China, the core, the absorbent core was developed by the North Americans, by Russ' team. And -- but the North Americans didn't take it because there were some technical issues with the performance that had to be solved. And who helped them solve it? I think they went to Shanghai to go solve that. So we're already moving in that direction. It's underway.

Christopher M. Jakubik: Maybe one more question.

Korinne N. Wolfmeyer: Korinne Wolfmeyer from Piper Sandler. I would like to touch a little bit on your commentary on expanding further into some other markets. You mentioned India and some other really growing opportunities. How do you view the presence of M&A or the role of M&A in that expansion? Is that something that you're going to look towards? Or is it something that you're looking to grow more organically?

And then also, as we think about the margin expansion of the different categories, can you talk to the phasing of that expansion for each? Are any categories expected to see a quicker ramp than others in terms of that expansion?

Michael D. Hsu: Okay. I'll start with the M&A, and then Nelson will correct me. But I would say part 1, hey, we're very excited about growing our portfolio. As you heard from the presentation, we believe we have powerhouse categories with powerhouse brands and have a lot of ideas on how to expand, elevate and expand these categories, so that's part 1.

Part 2 is, though, hey, we're also looking continuously to improve the overall portfolio. And that means increasing our mix to higher growth, more accretive categories, right, or markets, right? And that's why we made the Softex acquisition in Indonesia. Because Indonesia, we've had some operating challenges since we've brought that in. But notwithstanding, Indonesia is a huge market. Today, it's the #5 largest diaper market in the world. It's going to be, in probably 10 years, the third largest. Incomes are hitting that magical zone where category penetration really, really accelerates. And so we're going to continue to look for those kind of opportunities.

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I'd say -- are we interested in -- do we think we could add value to different categories? If you look at the skills that we're talking about, trying to do -- apply to our categories, we think some of these skills can apply to other categories and that we could add value to that. I've been instructed to say we are looking at everything but will say nothing until we have something to say. Is that correct, Chris?

Christopher M. Jakubik: Excellent.

Michael D. Hsu: Okay. I just want to say thank you all for joining us today in here in the room and also on the webcast. We really appreciate your interest and investment in time in Kimberly-Clark.

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