**Safe Harbor:** Kimberly-Clark would like you to note that during today's presentation, it will make some forward-looking statements that are based on how they see things today. Actual results may differ due to risks and uncertainties. And these are discussed in its earnings releases and filings with the SEC.

They plan to 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 their earnings releases and the supplemental materials posted at investor.kimberly-clark.com.

Please welcome to the stage, Chris Jakubik, Head of Investor Relations.

**Christopher M. Jakubik**: Good morning, everyone. It's my pleasure and an honor to be here representing one of the most venerable icons in the consumer staples industry. Kimberly-Clark has thrived by inventing and reinventing its future time and time again.

We have a very exciting program planned for you today. Seven of our most senior leaders are going to share our journey and long-term vision through a series of presentations that outline who we are, how we will lead, where we will grow and what to expect from us in terms of shareholder returns.

Following the presentation and Q&A session, we will provide some light refreshments where you will have the opportunity to spend time with our leaders who are here today. I think you'll come away with an appreciation that while Kimberly-Clark has a strong and successful history, what is ahead of us is much greater than what is behind us.

With that, let me invite up to the stage Mike Hsu, our Chairman and Chief Executive Officer.

**Michael D. Hsu**: Well, good morning, everyone. It's great to be here. Thank you all for joining us. It's like old home week in some respects. So, you know you've been around an industry a long time when you've known people for approaching 30 years now. So, thank you all for joining us.

For more than 150 years, Kimberly-Clark has been powered by care. And this is best embodied by our company's founding principles. We make the best product. We take care of our customers. We take care of our people. And of course, we take care of our shareholders. Kimberly-Clark has played a pivotal role commercializing revolutionary discoveries in the cutting-edge products that have had a profound impact in making lives better. The original Kimberly-Clark paper mill turned rags into printed books and papers. We were the leaders in Bible paper and newsprint before the light bulb, the car or the telephone were ever invented.

So, this commitment to care and innovation continued with the introduction of Kotex and Kleenex during the Great Depression and continued with pioneering innovations, including roll bath tissue, disposable training pants and the adult incontinence category. Now throughout every chapter of this great American-founded company's story, people-centric innovation has fueled us to provide better care for a better world.

I'm tremendously proud and honored to have served as this company's CEO for the past 5 years by elevating our categories, expanding our markets, and building a more consumer-centric culture. Now it's time for us to usher in the next chapter of the Kimberly-Clark story, one that is stronger and faster. We will build upon Kimberly-Clark's remarkable legacy. We're going to turbocharge our commercial, cost, and organizational capability. We are powering care. To do this, we will harness our inherent strengths, powerhouse brands and categories, science as our competitive advantage and scalable capabilities led by top talent.

We will drive a higher level of performance by accelerating pioneering innovation. We've increased our focus and our investment in category shaping technologies and believe this will enable us to further elevate and expand our categories. By optimizing our margin structure, we see significant opportunity to reduce costs by better leveraging an evolving external supply ecosystem and accelerating the deployment of best practices across our enterprise.

And finally, wiring our organization for growth. We're focusing our operating structure and wiring greater connectivity to fast track the best of Kimberly-Clark into our markets. As we execute this plan, we're confident our earnings growth combined with our strong dividend yield will enable us to deliver consistent double-digit total returns for our shareholders.

Now let me unpack each of these elements. What you'll hear today is how this foundation, together with our new operating model, will drive durable long-term growth. I'll start with the foundational building blocks and then review the key elements of our new operating model, which the team will bring to life over the course of our presentations this morning.

Let's start with our powerhouse categories and our brands. We are a $20 billion global enterprise serving more than 175 countries in 5 huge daily space areas: baby and child care, feminine care, adult care, family care and professional. We have an addressable market of approximately $240 billion across these 5 categories.

Now within these categories, we have 12 powerhouse brands that have #1 or strong #2 positions that drive more than 80% of our net sales. Six of these brands generate $1 billion or more in annual retail sales. And that includes Huggies, Kleenex, Scott, Kotex, Cottonelle and Depend.

Our opportunity to elevate and accelerate our categories further resides in the leadership positions we've established in key markets all around the world. Strong affinity for our brands across key markets means that we can quickly scale our global innovations on a global basis and generate higher returns on our investments. This is really a critical advantage. We compete in powerhouse categories with powerhouse brands. Why do we love our categories? Our categories provide significant untapped opportunity for building differentiated consumer preference and durable brand equity.

First, our consumer base is made of highly targetable users. We -- yes, we're in daily use categories, but our consumers have very well-defined entry points. When you need us, we will know. And this enables very targeted marketing, requiring less need for mass media and makes our consumer relationships really native to first-party connections in social media.

Second, our brands drive enormous lifetime value. High frequency and high retention make our brands long-lasting annuities. Many of our products are used multiple times per day over many days, months and even years. There is little category substitution, so we're not competing for share of stomach like sweet or salty snacks. Therefore, our investment in recruitment is very efficient compared with the always on recruitment required in some of the other CPG categories in which I've worked.

Third, our products provide invaluable solutions to our consumers. From greater absorbency to more comfort to better skin health, our science-based innovation solves big problems for our consumers. Our solutions make daily lives better. And our pathway to elevating these huge categories and continuously redefining good, better, best is limited only by our imagination and engineering know-how. Our ability to drive brand loyalty and enhance our value propositions across our good, better, best years goes beyond conventional flavor or scent-based line extensions. We drive meaningful, innovative features and benefits that drive performance-based differentiation.

Okay. Science is a huge focus and a big competitive advantage for Kimberly-Clark, and we're really proud of our strong legacy of innovation. I'm going to pause here for a brief video showcasing our legacy and who we are, a company that has pioneered innovation and taking care of our consumers for over 150 years.

**Video**

Okay. As you saw in the video, our brilliant scientists refuse to accept the trade-offs that consumers are often forced to make in the categories of today. Their problem-solving zeal drives them to explore. You've heard me talk about our magical dual zone pee and poo liner, which you'll see later today, that was conceived by a developer who is ruminating on the problem while he happened upon some barnacles he saw, while out fishing. Continuous innovation ensures our products not only meet the needs of consumers, but that we exceed their expectations with indispensable product solutions.

Our focus on breakthrough science fuels 4 consumer benefit platforms that we leverage across our brand portfolio: skin health and wellness, garment-like comfort, leak-free confidence, and sustainability.

We have a diverse global R&D team that is continuously seeking better solutions to unmet consumer needs.

We leverage our global scale to pull the best ideas from around the world and drive them to market faster than our competitors using proprietary technologies. 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.

Our science is, in fact, powered by care. Our scientists are mothers and fathers, and sons and daughters. They are people, and they care about the challenges that people in our categories endured. We've established our skin health and wellness platform last year. Every single one of our products are used in direct contact with our consumers' skin. So rashes and red marks are simply not acceptable to our team.

Kimberly-Clark was the first company to publish scientific research showing the link between breathability and skin health. And since establishing this connection, we have continuously innovated materials that improve breathability. And this includes textured liners like clean shield and apertured film. In addition, we've been a pioneer in studying and characterizing skin in each stage of life from premature infant to senior and everyone in between, leveraging these insights to drive meaningful innovation for our consumers.

Now leak-free confidence is a fundamental benefit that our products must provide. We continue to invent ways to apply new absorbent technologies to our products often in ways the industry thought impossible. We've engineered structures that enable us to leverage unique properties of a new class of super absorbents. And this promises to make our next generation absorbent cores more efficient, more effective, and more sustainable.

Today, much of the industry produces what we would characterize as Gen 2 cores. Our Gen 3 absorbent core was launched back in 2018, and that's been the key to our advancement to market leadership in China, the world's largest hypermarket. That same technology has contributed to multi-point share gains in our largest Asian markets, with our shares in South Korea and Australia approaching 60%.

While we're still rolling out Gen 3 globally, we are not stopping there. We're already gearing up our next-gen core. We've developed another new-to-the-world process that enables us to make a wide range of absorbent systems from bulky to super thin, leveraging a variety of materials to dial in performance that's going to be tailored to the consumers' need. This step change in flexibility opens the door to a multiyear and potentially multi-decade pipeline of innovation that spans categories and will transform the consumer experience at all stages of life.

Garment-like comfort is one of the most important benefit spaces that we are advancing. Our products provide superior protection, but we also care that consumers feel comfortable enough in our products to confidently take on the challenges of daily life. Most adults experiencing heavy incontinence will likely use our products 24/7 for the rest of their lives. So, we're very proud to shoulder the responsibility to help our consumers look better. We're determined to give them their normal life back with supreme comfort.

After years of being tethered to his home, my own father-in-law joined the category this year. And so, over the past month, he's been back to the gym and back to being out and about every day with a lot of confidence.

Our advanced technology delivers thin, flexible comfort and unsurpassed leak protection. So, consumers don't have to make that trade-off of performance and comfort. By designing and developing thinner, more absorbent cores and combining that with new age materials and chassis designs, we can deliver a barely-there garment-like experience that's flexible, breathable, confidently dry while reducing the materials needed in the product and the packaging.

Okay. Sustainability is a pillar of our innovation pipeline. For Kimberly-Clark, it's not an afterthought or a nice to do. It's an essential to our purpose of better care for a better world. We continually apply science to improve the health of our business and support the sustainability of the world's natural resources. We've done this with a focus on responsible sourcing, supply chain efficiency and product materials innovation that reduces our plastic and forest footprints, our water consumption and our climate-related emissions. We've made significant progress on all fronts and are excited to achieve some of our goals ahead of plan.

I'm extremely proud that Kimberly-Clark was an early adopter of Forest Stewardship Council Certification and one of the first to drive FSC certification across a global portfolio of tissue products. As the gold standard in sustainable forestry, FSC has a progressive and science-based approach to setting rigorous performance standards with a common goal to protect forest and people and the communities that depend on them.

We achieved our goal of 90% FSC in recycled content in our tissue products 2 years ahead of plan. And today, that FSC label proudly appears on many of our tissue products sold all around the world. So today, we're ready to take that next big leap forward. We're setting a new ambition to be natural forest-free across our product portfolio. Doing so will greatly reduce our nature footprint because forest play a critical role in protecting biodiversity and mitigating climate change.

By 2030, we will be more than halfway to this goal. And we will continue to work to responsibly accelerate our progress towards a 100% natural forest-free supply chain. Over the years, we have developed an exhaustive array of natural forest fiber alternatives ranging from algae all the way to wheat straw. We believe we have the science and the engineering know-how to deliver a step change in the sustainability of our offering while creating an exceptional product experience at a price that our consumers can afford.

Now to generate greater growth and returns on our innovation, we've also built a suite of scalable commercial capabilities and created very strong momentum. In the past 5 years, we have enhanced and scaled our innovation and product technologies, shifted toward a digital-first brand paradigm; focused on building lifetime relationships with our consumers; we've established superior in-market execution by deploying world-class people, process and tools; we've installed a disciplined analytical approach to revenue growth management, enabling us to optimize trade decisions in real time to improve net revenue realization; and we continue to strengthen our financial position across our cost structure, our cash flow and our balance sheet. This includes instituting better risk management principles that are helping us to manage input cost volatility more effectively.

Now none of this would be possible without the incredible people of Kimberly-Clark. We've developed and recruited a passionate group of world-class talent throughout the organization with diverse experience and an entrepreneurial mindset. Several members of our leadership team are with me today, and it's my pleasure to introduce them to you. 2/3 of this team are new to the company or new to their roles in the past 3 years. This team brings deep expertise and diverse experience across categories, markets, and cultures. Their talent and broad perspective make them uniquely poised to lead us into this next chapter of Kimberly-Clark.

So now I'd like to share with you how we see the next chapter of Kimberly-Clark unfold, how we're going to leverage our scale to launch us into this next chapter by powering care. To harness our strengths, we will sharpen our focus strategically to accelerate pioneering innovation to capture the significant growth available in our categories by solving big unmet consumer needs; optimize our margin structure to deliver superior consumer propositions at every rung of the good, better, best ladder; and wire our organization for growth to make our enterprise stronger and faster.

Wiring our organization for growth is the key to unlocking our full potential and realizing the step change in growth and returns we know we're capable of delivering. Our historically decentralized structure enabled the build-out of a global footprint with a heritage of very strong local execution. However, at the same time, this approach lacks sufficient connectivity to enable us to fully leverage our global scale and deploy our innovation and initiatives at maximum speed. So our next chapter will be written by our high-performing network organization that strikes the right balance of local agility while leveraging the benefits of global scale.

In the coming months, we will reorganize into 3 focused business segments led by 3 distinguished business leaders, Russ, Katy and Ehab, who you will hear from shortly. North America is an $11 billion segment with a healthy operating margin. We will accelerate innovation into fast-moving consumer need spaces through 12 power brands across consumer and professional, while leveraging scale to amplify value creation and drive end-to-end cost transformation.

International personal care is a segment with approximately $6 billion in sales focused in 3 core categories: baby and child care, feminine care and adult care. We'll drive growth and improve profitability by scaling a proven growth model. We'll focus investment in 5 core markets that make up approximately 60% of the business. In the 50 enterprise markets that make up the balance of the business, we will improve our growth trajectory and our profitability by optimizing route to market while harmonizing and simplifying product portfolios.

International, family care and professional is a $3.5 billion segment with operating margins currently at about 10%. Here, we'll improve our business mix and profitability by focusing on growing 6 iconic brands in 5 large markets. We'll improve margins by leveraging technology platforms, optimizing our network and efficiently deploying and scaling the best of our business. We will be choiceful about where we invest and what we prioritize across our enterprise. And we will continually seek to provide greater focus on the higher-margin, higher-growth parts of our business.

Our business segments will be supported by efficient world-class enabling functions, which include R&D, marketing, finance, HR and legal to support local initiatives with better global capability. We will bring global might to the local fight. Through wire for growth, we'll also streamline hierarchies and reporting structures and improve process to enhance connectivity to foster our dynamic culture of success.

Now as we do this, we expect to enhance our competitive advantage and drive greater returns on investment by improving speed to market on a global basis for future product and commercial initiatives; reducing product costs while delivering superiority by leveraging our global technical capability; enhancing the strategic nature of our customer relationships around the world that will increase our ability to realize our brand's full potential; and generating approximately $200 million in SG&A savings in the next few years to invest back in the business, and support meaningful margin leverage as we drive volume and mix-led organic sales growth.

The second area of strategic focus is to optimize our margin structure by modernizing our supply chain. We have a long track record of delivering strong cost savings reliably year after year. However, we can do more. The basis of our opportunity resides in our historically decentralized approach. We have more complexity than a company of our size and scale should. And at the same time, supply ecosystems in our categories continue to evolve, and we believe we can enhance our performance by tapping into these opportunities more aggressively.

Tamera, with a very seasoned external perspective, has helped us see this. And we'll dive deeper into this specific here during her presentation. We see the opportunity to generate more than $3 billion in gross productivity savings in the next several years and generate approximately $500 million in working capital savings through value stream simplification, network optimization and digital automation. Okay. Our third growth engine is ‘accelerate pioneering innovation’ with an onslaught of category shaping new products that deliver against big consumer needs that have yet to be addressed. We see plenty of growth left in our categories. There remains a huge opportunity to elevate and expand our markets and our categories.

We're going to capture this growth by accelerating our pipeline of pioneering innovation, elevating and personalizing our storytelling and design, driving genius execution by backing local agility with world-class tools. In just a few minutes, Alison will take you through the exciting work that will ensure that we capture these opportunities.

So as we hit our stride, our strategy and our operating model will enable us to drive a durable long-term growth algorithm comprised of organic net sales that leads market growth in the countries and categories in which we compete, mid- to high single-digit operating profit growth on a constant currency basis and mid- to high single-digit EPS growth on a constant currency basis, with cash flow of $2 billion or more per year.

As we ramp up our transformation, we expect to be at the high end of this range for operating profit and EPS growth in the next several years even as we maintain strong reinvestment to support the business. So as a result, we're confident in our ability to continue growing our dividend and repurchase shares. So in combination with strong organic and earnings growth, we aspire to deliver consistent double-digit total returns to shareholders in the coming years.

Thank you. And now I will turn it over to our Chief Growth Officer, Alison Lewis.

**Alison Lewis**: Thank you, Mike, and hello, everyone. I'm Alison Lewis, Chief Growth Officer at Kimberly-Clark. During my career, I've been fortunate to develop and lead iconic brands and growth strategies for the likes of Kraft, Coca-Cola and Johnson & Johnson.

In my fifth year at Kimberly-Clark, I've developed a deep understanding of the great brands and the great people of this company. And the purposeful brands, science-backed innovation and the execution muscle is the best I have seen. I'm excited and confident about the team's ability to capture the tremendous growth opportunities that lie ahead of us.

I'll start with an overview on the scalable growth-centric capabilities we spent the last 5 years building: elevated creative storytelling and design, personalized digital marketing, consumer-inspired innovation, disciplined revenue growth management and sales execution fundamentals. All these capabilities have a strong correlation to growth, and we've seen the impact with some of the highest scoring creative in our history, a 50% increase in the value of our personal care innovation pipeline plus positive price/mix delivery annually.

Now that this capability foundation is built, we can fully unleash it against what I see as Kimberly-Clark's unique advantages. And Mike spoke to these. We have powerhouse categories and brands. We have pioneering products and innovation, and we create genius in the local market with strong local agility and execution. Our markets take these capability foundations that we've built and make them better.

Let's start by discussing our large global category and brand advantage. So our categories have many tailwinds. First, the world's population will expand by 1 billion people by 2030, and we have renewable recruitment targets with very discrete entry points. There are 130 million births annually, where we address the need for diapering. There are 65 million young women entering puberty requiring period care. 45 million women are entering menopause when those pee leaks first begin. And there's 57 million new home purchases, which are a critical adoption moment for our family care products. And we see this translate into solid growth for our categories with very relative strength across each of our categories.

So next, I'll discuss our unique distinct recruitment and retention moments and how they generate lifetime value. So unlocking growth against point of market entry or adoption starts with understanding that consumer's journey and the most critical on-ramp moments. We worked really hard to bring a new mom into our portfolio and recruit her in these critical moments. We connect with her when she's thinking about planning and shopping before that baby arrives to ensure that Huggies is in her nursery or when the baby might have a sleep challenge and needs a more absorbent overnight solution.

Winning these recruitment moments is crucial as we manage against that diapering journey. This is very unique in consumer packaged goods. For example, we catch a mom at newborn with little snugglers. Then when the baby starts to become more active, we have little movers. With sleeping challenges, we have overnights and then potty training, they move to pull-ups. Managing against this journey leads to an 87% increase in lifetime value per baby household. The chart explains this. The average diaper household is worth $308. But when we actively recruit and actively retain, it jumps to $576.

This applies to other categories as well. If you think of first period to child birth to menopause, there are changing needs throughout this journey and through that lifetime. With those different needs and evolving challenges, we're able to deliver unique benefits every step of the way. In short, we're able to partner for life. Our brand building is what surprises and delights and inspires continuous purchase and usage. We are a purpose-led company, as you heard from Mike. So it's not surprising that we have purposeful brands. You can see some of those purposes of our brands on the slides. These purposes guide our brand work, driving to brands that are preferred and chosen more often by consumers.

Across our key markets, Huggies, Kotex and Kleenex are #1 or #2 in more than 80% of the time. So let's have a look at some of our storytelling and design work. Kotex is an amazing example of leaning into its purpose every single day. It is truly the little engine that could with incredible results around the world that come from being a purposeful brand.

I'll now share some videos that speak to our momentum and success around the world and share our latest brand content work celebrating International Women's Day this past March 8.

**Video**

Now let's look at Huggies, another truly iconic brand with a very fresh and relevant approach to understanding the ups and the downs of parent and babyhood. A true challenger brand in the market, starting with being the first brand to offer a shaped diaper.

**Video**

So now let's talk about digital and how we connect this great content of these great brands to consumers primarily through digital with over 80% of our media in digital, which is 3x the dollar spend versus 2018, along with doubling the overall media investment during the same time frame.

As I mentioned, we have these distinct recruitment and retention moments, which enable us to find consumers and really target with precision. We build audiences to find the best channels to connect. That could be social, search, e-commerce, print, video. And we marry that content that drives the purchase conversion and then foster a community to deliver repurchase and that lifetime value.

Again, what I think is very unique about our business are the consumer signals that we can leverage to find and create audiences. We have over 100 million zero- and first-party data consumers in our database. Annually, there are 3 billion searches on pregnancy. Yes, that's billion with a B. And there are 4 million searches on best baby diaper. In 2023, excluding China, there were over 6 million ratings and reviews. So we can mine data like this for enriched personalized targeting and retargeting from the very top of the funnel with leadership ROI.

And that brings us to our second advantage, our pioneering products and innovation. I'll now discuss how our product and innovation structure is benefit-based. So for our categories, the benefit ladder at the simplest level moves from absorbency and clean through to comfort, to the ultimate of skin health with scientifically proven benefits. Our product and innovation work focuses on continuously providing more value for consumers, value that consumers are willing to trade up for.

We can improve absorbency with enhanced absorbent cores. We can add comfort benefits with softer waist bands and outer covers. We can deliver improved skin health with liners that better whisk away messes or additives like zinc for better skin protection. This is how our product enhancements and innovations move consumers up within a benefit area or up within a pricing ladder.

With this construct, we build deep innovation pipelines and platforms by intimately understanding consumer needs, which are constantly evolving. For example, skin health is a growing need across all of our categories. That's fueled by the evolution in skin care and the beauty industry where taking care of skin has never been more important. As you can see here in this chart, for baby and child care, there are need states with relatively low category satisfaction. Low satisfaction is always an opportunity for innovation. Through our understanding of all the jobs to be done within each need space, we target our innovation work.

Next up is skin science. Our pioneering skin science provides the innovation breakthroughs that deliver preferred cares across our categories. While I won't share our future technology, you can get an idea of the areas of focus from absorbent core technology to softer materials to more sustainable solutions to superior skin protection. Let's have a look at what makes our skin science so special.

**Video**

Innovation is a big part of what differentiates Kimberly-Clark and we see it clearly in our results. Our innovation pipeline value has grown by 50% and contribution to personal care growth has doubled since 2019. As we trade up consumers with elevated benefits, we see margin accretion. And finally, we are scaling more innovations globally with over 70% scaled around the world. We expect continued momentum in our innovation agenda.

And our third and perhaps most important advantage is the genius in the market with strong local agility and execution. Across our portfolio, we are in a strong position with growth in #1 or #2 positions in 85% of key markets with our #1 position in 55% of key markets. And we've seen our #1 or #2 share position increase by 5 points over the past 5 years.

So to summarize. I spoke about 2 areas today. Great storytelling and design, along with personalized digital marketing, all to strengthen that powerhouse brand advantage. And then pioneering innovation with breakthrough science meeting those unmet consumer needs and enabling that trade up. Strong brand and innovation provides fuel for growth, but the picture is not complete without revenue growth management, where we build disciplined plans with multiyear pipelines to maximize price pack architecture, mix and trade promotion opportunities. And then sales execution, focusing on critical execution metrics, joint customer business planning and then getting that right picture of success in bricks or clicks.

Together, these growth-centric capability foundations unleash our advantages with the most important of all, that genius of the local market. My colleagues in international personal care, international family care and North America, Katy, Ehab and Russ, take these foundations and make them better with their brilliant local agility and execution.

I'll now turn it over to Tamera, who will explain how we are optimizing our margin structure to fuel all these growth initiatives. Thank you.

**Tamera Fenske:** Good morning. My name is Tamera Fenske, and I'm Chief Supply Chain Officer for Kimberly-Clark. I joined Kimberly-Clark after 22 years at 3M. I've worked in a variety of manufacturing and supply chain leadership roles across a wide variety of technologies, innovations and go-to-market models.

Since joining, I have been impressed with the great people, capabilities and foundation that has shaped Kimberly-Clark over the last 150-plus years. As Mike outlined earlier, our heritage resides in world-class manufacturing technology capabilities across materials development, product design and manufacturing process innovation. This enables us to deliver the highest quality, best value consumers can find in the marketplace. We have a strong foundation, but we know we can do even better. Our opportunity in our future reside in modernizing our supply chain, understanding opportunities presented by a rapidly evolving external supply ecosystem and how we manage it on an end-to-end basis.

Through new tools and ways of working, we will better leverage our global scale, pull the best ideas from around the world and drive them to market faster than our competition. We are building a supply chain that is agile, differentiated, sustainable and will power our growth at Kimberly-Clark. We work as one team to meet the needs of our consumers worldwide with our high-quality essential products. We are 24,000 team members strong, and our team is the key to our success.

Our supply chain has a wide reach and a significant impact. We care for the world with every product we produce in every location we operate. We take better care for a better world at [heart] across our 82 manufacturing locations, which represents 33 different manufacturing countries. I would like to share a few examples to bring this to life. Our European consumer business produces enough Kleenex boxes annually to match the population of the United States. Our Beach Island, South Carolina facility produces enough diapers in a year to circle the Earth 3.5x.

Not only do we make great products but we take sustainability and our responsibility to our environment footprint very seriously. At the end of 2023, electricity consumed at our Kimberly-Clark global sites was offset by renewable wind and solar sources to substitute 1/3 of the total electricity purchased from the grid. This is equivalent to the carbon tax and emissions coming from the electricity consumption of 175,000 homes for 1 year. Santa Cruz, one of our Latin America tissue facilities, has reduced the equivalent of 85 Olympic-sized swimming pools and water consumption since their 2015 base year.

Next, I'm going to discuss our simple and effective strategy to power growth through a transformed supply chain. Our focus is clear, and we know what we need to do to deliver best-in-class service for our consumers while driving more than $3 billion of anticipated gross productivity savings, and another $500 million in anticipated working capital reductions for Kimberly-Clark. We expect to achieve these results through 3 broad strategies. First, we are laser-focused on how we can drive simplification through our global value stream organization. We will leverage the best of our local capabilities to help drive best-in-class performance at each step of the value chain at scale.

Our new connected approach connects us globally and help us adopt, share and speed up best practices and improvements. Our value stream is prepared to look at all levers of the value chain: plan, source, make, deliver, win at shelf and sustainability. This will be consumer-led value creation in tight partnership with our strong innovation and business partners.

Second is optimizing our networking costs, leveraging our capital and scale, and strengthening our relationships with our strategic suppliers and strategic retailers. And finally, the foundation of this will be our digital supply chain capabilities that predict and execute at the speed and needs of the consumers. This combines both the automation advancement of our manufacturing and distribution operations with the advanced digital tools and skills to execute our strategies.

Now let's unpack our strategy starting with value stream. This new way of working is critically important and delivers over half of the gross productivity savings. We start by keeping consumer value creation at the center of what we do while we leverage our enterprise scale. We are prepared to move fast. As I have traveled around the world to our manufacturing and distribution operations, I have witnessed firsthand the impressive results of our team. We have pockets of excellence in all corners of the world. You will hear more from Ehab later on this as he shares the great work the international family care and professional segment is doing in this area.

One example of this type of work involves our technical operations team digging in and understanding the capabilities of other teams across the globe, including a go, see and learn approach. If one location is excelling at any of the operational metrics, then we need to work as a collective team to identify the why and translate that to all operations in the network. And one example, we had a team that was completing change over 75% faster than a similar team in a different region. With the continuous improvement mindset, strong problem-solving and waste elimination, we will work to elevate the entire asset base across the world to those levels.

Another lever is to drive simplification and harmonization. As we advance our product offerings to meet consumer needs, our manufacturing technology and process advancements needs to anticipate and support our innovation pipelines. We are identifying where complexity exists but doesn't necessarily drive consumer value like having 500 different versions of a Kleenex carton. We are also enhancing our competitive advantages through better design that creates value. This promotes intentional holistic design across the entire value chain. We will design to source, design to manufacture, design to ship, design to win on shelf and design for sustainability across each of our categories and winning brands.

You can see the example where our teams were able to design a product with 50% less packaging and still meet the consumer needs. You can see across all 3 areas that we are globally collaborating to create visibility and accelerate learning of the great work already underway across pockets of our supply chain. To expand that approach a bit further, you can see from these charts the total delivery cost of some of our products indexed to our best performance. You can see the variation, which points to the opportunity across different assets and in different geographies. Our approach is simple, proven and effective.

We'll take diapers as an example. We take a detailed lens to all drivers that make up total delivery cost of a diaper. We start with the product design and a deeper understanding of every component that makes up the diaper. This includes suppliers, specifications and performance. We analyze the manufacturing asset performance metrics, determine who is performing best, how they achieve the results and how we can apply the learning more broadly to accelerate our performance across the entire diaper asset base. This highlights opportunity across all of the value chain levers from procurement to manufacturing, and even how we flow the products in the most efficient and effective ways for our consumers. It's just one example, and we are taking the same coordinated approach across all our value streams with inputs from every node across our supply chain everywhere.

Next up is network optimization. The second strategy is to seamlessly integrate our physical footprint, our flows and our strategic partnerships to drive efficiency. As we simplify and optimize across and within our value streams, we need to bring product to market in the most effective way. We aim to build a more efficient and resilient network with an improved working capital and reduce environmental footprint through a variety of levers. First, we plan to rightsize the overall network footprint from supplier to customer across our manufacturing and distribution operations. Through this, we also expect to optimize material usage and retune our operations.

We expect to improve costs within our 4 walls through advancements and changeovers, material handling, unplanned downtime and overall labor efficiency. We are also working to strengthen our transportation management system functionality and capability to unlock additional savings. Through leveraging and strengthening connections with our strategic partnerships, we will unlock a one supply chain. This is similar for how we're learning across our value streams. We're walking the flow of our products from manufacturing through to shelf with our partners to find efficiencies and advancements. We have joint business plans to drive shared value creation captured through speed, cost and sustainability.

Finally, we are elevating ownership and accountability of capital with the right make, buy, ally strategy to drive the lowest cost, highest efficiency and best performance to serve our consumers. And finally, scalable automation. We want to continually advance our capabilities across our supply chain while ensuring a high return on investments. In the center, you see our digital core. Kimberly-Clark has embarked on an upgrade to our foundational software across the globe, enabling new reporting and moving us towards factories of the future.

The upgrade of foundational systems will homogenize digital tools, unlock operational insights and enable critical functionality. Starting at the top, and as I mentioned previously, the strategy comes to life through our people. And it is critical that they are digitally enabled and connected. As we invest and advance our supply chain capabilities, we will continue to upscale our teams, which leads us to innovative efficient solutions to drive value.

The asset of the future will leverage automation, material movement, machine control and advanced testing. Advanced process control actively controls set points every minute to reduce variability and to achieve an objective. And in one of our mills, we have significantly reduced our variability. Operators also experienced less planned downtime and improved quality metrics. Integrated energy analytics was launched to save operating expenses, address aging utilities infrastructure and lower carbon dioxide emissions.

Next, I'll discuss the solutions we are creating for our future workforce. Our team has a solid foundation of safety as a core value and continuous improvement as a fundamental mindset. We are building from that, our future workforce needs and bringing new solutions to unleash innovative ideas and equip our talent with the skills they need to adapt to a changing environment. We are deploying connected worker technologies like digital work instruction and forum management. We have virtual reality to accelerate training and aid in real-time problem solving. And this reinforces best practice sharing and has reduced our overtime spend on training.

Through our application-specific training, we can build a skilled workforce that can learn from virtual and augmented reality applications. Our data upskilling program will help workers stay up to date in a data-driven environment. We have plans in place to upskill over 5,000 of our colleagues in digital tools through our digital academy. This has already delivered noticeable labor efficiency through the advanced capabilities.

We have invested in the capability called a digital twin that allows us to see our full supply chain performance and material flow, which is a first-of-a-kind view for Kimberly-Clark. We can virtually model in real time over 60 manufacturing locations across 700-plus lines with over 400,000 shipment lanes and 200 storage locations, before we make any physical changes. This ability to test before changing gives us speed of decision-making and with full confidence we will improve our performance. Finally, our digital manufacturing capability learning is bringing innovative solutions to the fingertips of our global workforce. We have an artificial intelligence agent that is trained in our best practices to enable immediate answers for operators and engineers.

Simply put, it's an internal search engine that returns technical and scientific data from years of learning across our brilliant workforce. This knowledge management and frictionless access helps accelerate and integrate our continuous improvement revitalization everywhere without delay. These strategies and capabilities will help drive the results I showed you at the beginning.

Starting with best-in-class service. I want to start by thanking our supply chain members across the globe for their continued and relentless commitment to serving our consumers. The last 3 years have been like nothing we have seen in the history of the company and certainly not in any of our careers. However, our teams have stepped up and done what it takes to continuously improve by ensuring we are available where our consumers need us. You can see the improvements since the COVID period, and our aspiration is to keep pushing that performance. As part of our digital supply chain, we have invested in advanced integrated planning capabilities to improve our demand forecasting, which allows us to lower working capital while increasing service levels.

We are pushing for a best-in-class performance of our on-time and full rates with top quartile performance and forecast accuracy. All of this is achieved through tight commercial collaborations with our key strategic retail partners, which I'll talk a bit more in a bit and will also come to life as a key driver for our new North America segment.

Next, I'll discuss how we plan to reduce our gross costs by more than $3 billion by the end of the decade. Our goal is to fuel growth and margin expansion through accelerated, scaled supply chain improvements. More than half of this is expected to come from our value stream strategy, 1/3 from optimizing our network and the rest from automation in our digital supply chain. I am confident in our ability to achieve this level of gross productivity based on a strong 2023 delivery and the strategic business plan and commitments already underway. There are particularly important enablers to this strategy and new ways of working that have already accelerated our productivity identification and actions.

We have strong consumer intimacy and understand their needs. Pair that with strong category bending innovations and an agile and connected supply chain, we have a winning equation. We will empower the teams to translate that intimacy and connectivity to value. We are doing this through integrated margin management, a change in approach that Nelson will expand upon later.

Our teams are prepared to bring data to all business challenges and opportunities to drive the best outcomes. This will help our teams work more smoothly on margin improvement initiatives and increase the net impact of our gross productivity programs. This integrated approach is so much more powerful than the traditional silo-ed sum of the parts.

In addition to translating our productivity programs in the bottom line results, we are also focused on managing headwinds and reducing volatility across our cost base. These ways of working and our productivity programs across our key strategies are essential to deliver our goal of $3 billion in gross productivity savings, which will help fund critical investments to support the company's growth initiatives as well as our margin expansion plans.

As a result, we would be disappointed if our gross margins weren't at least 40% by the end of the decade. And finally, also targeting to improve our cash generation by improving working capital. In the last 5 years, we have cut our cash conversion cycle by 13 days and reduced our working capital on the balance sheet by over $400 million since 2018. We intend to continue this progress by focusing on our inventories and payables.

Planning transformation is key to unlocking our full potential. It involves a holistic and business-led approach. We are shifting from sequential, disconnected and a one-size-fits-all model to an integrated, real-time data-led and segmented modeling approach. This will enable us to manage our inventory better and have the right product in the right place for our consumers.

We also work closely with our customers to anticipate their needs and create synergies across our supply chains. And in procurement, we are not just looking at cost reduction and business continuity, but also using our brands' equity, sourcing scale and strategic partnerships to drive innovation and value creation. All of this will help us continue our progress and reduce our working capital by another $500 million in the coming years.

I'll wrap up my comments with sustainability and focus because there is no better world without a healthy planet and strong communities. We know that delivering great products that make lives better requires a full court press on sustainability. That's why growing for good is nonnegotiable at Kimberly-Clark.

I'm incredibly proud of what we've accomplished so far and have the reason to believe that has emerged with our long track record of achieving what we set out to do. We've deployed hundreds of renewable energy and energy efficiency projects, reducing our greenhouse gas emissions, in line with our science-based targets initiative aligned goals while at the same time, taking on the big challenges associated with Scope 3 emissions.

We have explored an extensive array of alternative fibers, investing more than $40 million to find more sustainable materials for our tissue products, while at the same time, progressing sustainable forest management in our existing supply chain. We've activated hundreds of initiatives designed to care for people in vulnerable and underserved communities through our philanthropic investments, our brand programming and our supply chain responsibility work.

But we are not resting on our achievements. The world's sustainability challenges are more urgent than ever, and we are far from done. With the balanced capabilities and reach of our powerhouse supply chain and purpose-driven brands, we are incredibly excited about what we can accomplish, fully knowing that achieving these ambitious sustainability goals will help us do our part to create a better world and further strengthen our business for the future.

In closing. Thank you again for allowing me the opportunity to share the great work, ambitions and focus of the supply chain team to deliver a step-change improvement across the value chain. I am very proud to be leading such a capable, caring and performance-driven team. We are excited for the future and to continue to build and deliver better care for a better world.

Please welcome back to the stage, Mike Hsu.

**Michael D. Hsu**: Okay. Thank you. Welcome back. I told you earlier we're undertaking some pretty significant structural shifts within our organization. And it's resulting in the creation of 3 highly focused business segments and a refined go-to-market model will ensure our organization is wired for growth. This operating framework not only unleashes our global scale but implements a matrix model that streamlines operations, minimizes redundancy and ensures widespread adoption of best practice and models across our enterprise.

Now at the heart of these transformative changes lies our greatest asset, our Kimberly-Clark teams all around the world. Their unwavering commitment and tireless dedication will serve as the driving force behind our ability to unlock our full potential and achieve outstanding results. Together, we are poised to embark on an extraordinary journey of growth through innovation, fueled by the collective expertise and resolute focus of our exceptional people.

So now it's my pleasure to introduce you to the leaders of our newly announced business segments. They will detail their distinct mandates, focused priorities for investment and importantly, show you how they will leverage our collective learnings and capabilities to drive profitable growth in the years to come.

**Katy Chen:** I'm Katy, the President of the new International Personal Care business unit. I've been with Kimberly-Clark for 14 years, including the last 3 years as Managing Director of KC China. And prior to that, a decade leading marketing and R&D in China, driving femcare and baby care growth.

I am very excited to introduce you to IPC and highlight the significant opportunity ahead to deliver strong growth and expand our margin through a proven model. IPC generates $6 billion in annual sales and operate across 3 core categories: baby care -- baby and child care, femcare and adult care.

Our powerhouse brands across these categories are loved and preferred by consumers. And we are positioned to build our current low to mid-teens margin profile. We will do this by leveraging the new KC operating model that Mike and Alison touched on. We will have in-house resources and agility focused on our top 5 markets. These markets account for approximately 60% of segment sales. They are Greater China, South Korea, Brazil, Australia and New Zealand and Indonesia.

This will be complemented by efforts to optimize our enterprise markets to ensure profitable growth and ensure we can capture the attractive long-term growth opportunity that exists. We are starting from a position of strength. We have leading share position across focus markets and categories. For example, in baby and child care, we have share leadership across South Korea, Australia and China with strong #2 position in our other focus markets. The theme is true in femcare and adult care, where we have leading positions across our core markets. These markets and the way our products and strategies are resonating with consumer will serve as the foundation for our value creation opportunity.

And there remains significant runway across each category for us to continue to grow share. We play in large and growing categories that offer clear opportunities for growth in the years to come. Across the international personal care market, we have more than 120 million new births every year. In these markets, more than 60 million girls are entering puberty. This is a significant growth opportunity for our care products, and over 700 million in our segment are aged over 65, creating a growing need for our adult care products. And this number is only expected to grow by 2030. And these tailwinds across our categories provide a significant runway for growth.

I will now touch briefly on our focus markets in IPC, starting with China. China is the world's second largest economy and grow over 5% in 2023. And consumers are increasingly become more affluent. And as a result, spending more and developing a discerning eye for their brand choices. Over my 14 years in KC China, I have seen and helped the company successfully navigated these changes. I'm also excited to see China lead the digital disruption across social media, video content consumption, shopping and live streaming channels.

The vertically integrated closed-loop ecosystem that platforms like (inaudible) and Tencent have created are unique and offer new ways to connect with consumers. We are building new advantage capabilities to ride down this disruption. For example, in baby and child care, we have the #1 position on (inaudible). In femcare, we have twice the share in e-commerce than we do in brick-and-mortar. The digital capabilities that we built in China will help us accelerate growth in China and will also serve as a lighthouse for the entire IPC enterprise.

In South Korea, we are market leaders across all categories that we play in. In Australia and New Zealand, we are market leaders in baby care and adult care and a strong #2 in femcare. Our brands are widely preferred in both these countries. Both markets are developed -- advanced economies with high GDP per capita, developed categories and sophisticated consumer needs and preferences. This offers us benefit-based trade-up opportunities. through innovative products with benefits that deliver performance-based differentiation and a greater brand advantage.

Turning to Brazil and Indonesia, which are fast-growing economies offering opportunities to ignite profitable growth in the coming years. 1/4 of households are upper middle-class families earning USD 35,000 to USD 70,000 per capita. And this will only grow as the economy grows. So if we look at the baby and child care category, as an example, the average diaper consumption in Indonesia is 1.5 pieces per day. In Brazil, this number is 4.8 pieces per day. And in developed countries like Korea, it is significantly higher at 7.2 pieces per day. This demonstrates the opportunity to grow category penetration and consumption with the growth of these markets.

It is clear that IPC can be a major growth engine for KC as we continue to advance our position in these 5 markets. Our aspiration is to grow faster than the market, which we expect to grow at low single digits. While these markets offer an attractive opportunity, they are also some of the most difficult to operate in. Consumers are demanding and digital savvy, expecting immediate engagement with brands. Intense competition with local and global players also presents a challenge with their quick pace of innovation, agile business models and insurgent brands. But we have a proven model to win, a track record of delivering consistent growth and strategy that sets us apart.

Of our markets, China has the toughest operating environment. Despite this, China is an outstanding example of the unique KC advantage Alison talked about. Over the last 10 years, KC China has doubled revenue, tripled gross profit and delivered share growth year-on-year. Two examples of this are Huggies and Kotex brands. Our e-commerce share is also 2x higher than our brick-and-mortar presence. This is a testament to the growth of our digital presence as well as winning new digital channel and with our consumers.

Huggies China is a great case study for how we've executed this playbook. In 2021, we gained share leadership and for the first time, became the most preferred diaper brand in China consumer. We did this through 4 distinct strategies that enhance our market share.

We offer a unique and appealing consumer promise that makes us the preferred brand for consumer. We design superior innovation and aim to deliver it faster and cheaper than the rest of the market. And we leverage our advantaged digital capabilities to engage our consumer better, all of this driving to continuously trade up our consumers.

Let me share the story of how we did this. First, by developing unique and appealing consumer promise to enable trade up. Here is an example of Huggies Melting Soft, which is a product in our best tier.

**Video**

Instead of communicating a softness in a cliche way, we want our moms to intuitively feel it by using a metaphor of a penguin, hugging their little ones with their softest part of their body, their [feather]. We brought this to life in product and packaging but also across all consumer touch points, making Huggies Melting Soft a desirable product to moms for their babies.

We launched our baby's first black card activation campaign targeted towards mom and newborns. We created a personalized gift box, tailor-made VIP benefits and a black card for the baby that could be used for purchase of new Huggies Melting Soft. Mom love the super-premium image and exclusive luxurious experience, creating an aspirational image and sales growth for Huggies Melting Soft. All our products represent our continuous focus on understanding moms' needs and give the best for her baby.

In a competitive market, product innovation and science is a big advantage. And in China, we are a pioneer. We focus on being faster to market at a lower cost than the rest of the categories.

Here, you can see a diaper with 2 zoned liners for pee and poo zones. This innovation is an example of us being first to market.

**Video**

In recent years, consumers' media behavior has changed, and we've seen that firsthand in China. Today, one consumer views 300 pieces of content every day on TikTok. We are not competing with other brands for attention. But with all the contents our consumers are exposed to, so high-quality, engaging content is the #1 priority to drive traffic.

Since show videos are the norms in digital media, we need to make sure our product content catches their attention in second -- in the first second. So this is so important that we design an innovation of a diaper with a puppy tail to generate high engaging content on social media.

And we consistently generate high-quality content by leveraging the creativity and the power of our influencers. This is one example of our co-creating content created with KOLs.

**Video**

So once we have great content, we precisely target and deploy our content, leveraging data intelligence, which is key to improve efficiency. In summary, high-quality content and data intelligence improved the efficiency and effectiveness of our digital engagement plans, as you can see from the numbers here for the video I just played.

The result of these initiatives is Huggies China is winning through trade up to maximize our value advantage. As of 2023, 42% of our business is in the best tier, up from only 6% in 2019, a remarkable improvement.

Also note that the price index for our entry-level good offers is 80 versus 350 for our top end Melting Soft premium diaper. So this is a significant spread that we have been able to capture by relentlessly trading up.

Our unique consumer promise and superior innovation are driving consumers through higher-quality premium products. This is what success looks like in China. And we are confident we can accomplish similar wins in our other markets, too.

Through our success in China, we've developed a proven winning model with each of these areas I just discussed. Along with excellent execution specific to each local market, we are positioned to win share through trade up. This will help us to enhance value and improve portfolio mix with pricing at the right value and the continuous focus on further reducing cost.

IPC has a diverse range of markets. The proven business model is relevant and successful in all of these markets and their unique context. An example of purposeful and insightful consumer marketing to innovate our brands is Brazil fem care first female football referee video. The video shines a light on the stigma women still face today and our brand's role in champion women's progress. This campaign won a Cannes gold.

**Video**

In Korea, we launched a premium diaper, which provides noticeably superior breathability, which is especially relevant in summer months, a great example of pioneering innovation. In Indonesia, we have an efficient supply chain producing lowest-cost products at agility.

Our team in Australia developed excellent in-market execution in partnership with Woolworth's customer and an NGO partner with an aim to reduce poverty by donating free products for every sales. We also have a tremendous opportunity to ignite profitable growth in our enterprise markets.

Our presence and opportunities are immense. 50 markets spanning 5 continents and about 3.5 billion consumer. We are assembling a separate internal team to oversee these markets, a team that has deep and diverse experience in markets that are at early stage of development. Their mandate is to develop a focus on key markets, which to investing to sustain or to turn around.

We will leverage the best of Kimberly-Clark on a global base from our winning innovation to marketing excellence and revenue growth management capabilities. We will transform our value chain across markets by optimizing our footprint, sourcing, product portfolio and our routes to market. And we will speed up our local commercial execution by adopting leaner end market execution models and reducing management and go-to-market layers.

In the end, we aim to build our enterprise markets into sustaining platforms for long-term profitable growth by being choiceful about where we invest and what we prioritize. To wrap things up, our IPC segment is poised to continue delivering strong growth and improving margins through our proven country-based strategies. We are focused on several initiatives to accelerate growth, extend our leadership and ignite profitable growth across our 5 focus countries and 50 enterprise market.

Thank you all today for your time. We hope you share in our excitement for the future of K-C's growth opportunity in Greater China and our other international markets.

**Ehab Abou-Oaf:** Hi. I'm Ehab Abou-Oaf, the President of the New International Family Care and Professional business unit. I've been with Kimberly-Clark for 4 years, including the last 2 as President of K-C Professional. I have the privilege of more than 30 years of experience within CPG, leading businesses across Asia Pacific, North America, Europe, Middle East and Africa in great companies like P&G, Mars and now Kimberly-Clark. I'm excited by the opportunity ahead of us to elevate and accelerate our newly formed international family care and professional segment.

I'd like to introduce you today to IFP, which is well positioned to drive significant growth and margin expansion. IFP combines 2 businesses with significant global scale: family care, which amounts to roughly 3/4 of IFP's $3.5 billion in net sales and is present in close to 50 markets globally; and our professional business, which is margin accretive to the mix and offers a strong and profitable platform for growth.

Combined, our $3.5 billion in net sales delivers approximately 10% operating profit margin with room to grow. We can significantly improve the growth and profitability of the IFP business by being choiceful about where we invest.

In family care, IFP will focus on markets where we have a solid foundation for profitable growth. Our 5 main focus markets, the U.K., Australia, Thailand, Taiwan and the cluster of Central America and the Caribbean markets, make up roughly 40% of IFP net sales and more than 50% of IFP operating profit.

We also have a growing professional business, highlighted by key markets such as Germany, the U.K., Australia, Thailand and the Central America and the Caribbean cluster. We have iconic brands in categories which we have invented as a company. These are highlighted by our billion-dollar brands, Kleenex and Scott plus a number of regional powerhouse brands in both B2C and B2B.

In family care, we have leading or strong competitive positions in each of our focus markets. For example, we're clear market leaders in our largest market, the U.K., and command approximately 60% share position in both bath and facial tissue in Thailand.

Beyond our focus markets, we also have strong shares in several fast follower markets such as Peru, the Netherlands and South Africa, to name a few. The breadth and scale of our global market position is a compelling advantage.

Our professional business also offers a strong platform for growth in select markets such as Germany as well as the other family care focused markets. We play in sizable growing markets totaling $87 billion in value.

Within family care, the international markets are large, totaling over $70 billion. We will, however, focus our efforts in the markets where we currently are active. These markets amount to over $30 billion and are growing low single digits.

In professional, there is tremendous untapped potential for IFP, targeting a business of $15 billion category value in our core categories of dry wipers and washroom solutions. We have a plan to transform our business. We aim to amplify the synergies of our businesses, leveraging our shared networks. We aim to win in family care prioritizing our focus markets.

In professional, our goal is to accelerate growth in washroom solutions and win in wipers. We intend to maximize the value of our supply chain and, therefore, improve our margins and increase agility and customer service in market.

We will set up an organizational structure that ensures that plans are developed efficiently and can travel. And we will be choiceful about where we invest and position our portfolio to win where it matters. These plans will consistently grow our business faster than the category while delivering a step change in operating margins.

Let me now step through each pillar in more detail. Our shared global footprint offers a unique opportunity to deliver winning products at the right cost at the right time. We benefit from industry-leading expertise in tissue manufacturing and R&D across all more than 20 sites. Customer responsiveness through our shared network offers a strong platform for great partnerships with our customers.

Since we began as a business over 150 years ago, Kimberly-Clark has been an innovator in family care and professional. And our technical capabilities remain at the cutting edge of the market. Our Quilts business in Europe is a highly lucrative must-win segment for Kimberly-Clark. Our R&D teams constantly seek new ways to disrupt the premium market and our Supreme Quilts product is an excellent example.

**Video**

The product features adaptive sheets with condensed air pocket texture. This technology absorbs pressure for extreme comfort and results in a softer, more quilted and more comfortable tissue with no compromise on strength. The end market results have been impressive: high single-digit increases in consumer loyalty, double-digit increases in base rate of sale in the U.K. and critical distribution gains in scale markets such as Spain and the Benelux.

When combined with winning commercial capabilities, this has translated into an organic growth of 22% in our Quilts business across Europe in 2023. And we are now scaling this winning innovation to markets in Asia Pacific. We will leverage the combined strength of our shared technology platforms in order to amplify our brands and innovation plans.

In the example of skin health through these platforms, we execute tailored solutions that meet the needs of both our retail consumer and our B2B channel. This maximizes the ROI in our development work and accelerates speed to market.

The investments that we're making in our commercial capabilities help maximize the return on our brand and innovation plans. By building strong partnership with our customers, we can most effectively execute strategic plans that deliver triple wins. Our advanced analytics in must-win capabilities such as revenue growth management and in-market execution gives us a true competitive advantage. One example of this is our Formula 1 tool, which, based on predictive analytics, optimizes sales routines.

The tools has helped our Latin America team deliver distribution growth, improve on-shelf availability, price compliance and a better ROI on their sales activities. And we are rolling this tool across the world. We also fully embed winning in-market execution capabilities into our commercial strategies to drive our shoppers and customers to the right Kimberly-Clark portfolio for the right moment, the right channel and the right price. And we are developing new and exciting owned digital ecosystems, which connect with our consumers in a highly personal way.

Let's double-click into our family care business to demonstrate how we will win in practice. Starting with the key consumer insight, which in this example is the desire to have healthy skin. We co-design an innovation strategy with our lead markets, and then we deploy internationally. Our plans prioritize the needs of our must-win markets and also efficiently travel across the remainder of the portfolio.

Within IFP, we have many examples of how we elevate and differentiate our brands through disruptive content. One example is the BeU campaign for Kleenex in Thailand.

**Video**

The clip reinforces Kleenex's brand positioning of finding strength in moment of vulnerability and encouraging our consumers to be their authentic self. It also vitally targets new usage occasions outside of cold and flu, which is a significant growth priority for us globally. In the U.K., we are disrupting the toilet tissue category by further migrating away from the traditional functional benefits of soft, strong and long.

**Video**

The Clean is a Feeling campaign is another step towards the get comfortable territory the Andrex brand is moving into, which will elevate the brand into new conversations with consumers on issues such as intimate health and wellness. It also had some of the highest ROI seen within Kimberly-Clark.

The performance in our family care business in the U.K. is proof that when we combine all these elements together, we can deliver consistent profitable growth. Our Andrex business in the U.K. is iconic at over 80 years old and #1 since 1961. It has a standout position in the market.

Operating in a highly competitive market, the Andrex team needs to work harder to earn our customers' and our consumers' trust and their wallets. Our Andrex portfolio is well positioned to win in premium, where the brand has the strongest right to win and loyalty is the highest. And the team cashes out our brand strategies using advanced commercial capabilities.

As an example, the newly launched mega roll portfolio has helped Andrex deliver positive price/mix at strategically important price points. The performance in Andrex last year was compelling. The business consistently grew share at higher price points than in years with share momentum continuing into this year. And in a period of commodities deflation, the business delivered double-digit organic growth balanced across both price/mix and volume and delivered further gross margin accretion. I am incredibly proud of the Andrex team's performance, which is proof that we can consistently and profitably win in family care with the right playbook.

Moving to Professional. In B2B, we are going to accelerate our growth through 3 pillars. We plan to elevate the washroom through scaling proprietary and differentiated innovation like ICON. We expect to continue to win in wipers by leveraging a consistent portfolio combined with the right go-to-market. And we plan to differentiate ourselves in sustainability by commercializing partnerships that help customers meet their zero waste goals.

The new ICON dispensers' advanced captive technology delivers superior functionality with premium customizable features. The award-winning ICON collection is the culmination of years of research, design and development.

**Video**

We're also building a competitive muscle in how we commercialize our wipers products.

**Video**

Our wipers business is highly accretive, and programs such as these support an ambitious growth agenda. I'll now showcase the study showing how our B2B playbook comes to life.

We have unlocked significant growth in Latin America wipers through 3 pillars: first, a brand relaunch supporting a strong value proposition communicated in a compelling way; second, an innovation that differentiates based on the reality of our developing markets; and third, an effective marketing campaign highlighting real-life examples. This formula delivered an organic growth of 13% at a 24% operating margin in Latin America wipers in 2023, offering us a highly profitable playbook to scale globally.

Moving to segment organization, we see distinct value in optimizing our supply chain. By adopting a one-tissue approach to our sourcing network, we aim to improve both our cost and agility in our mills and warehouses. By continuing to invest in advanced digital capabilities in our mills, we expect to deliver a modern and cost-efficient operation. And we plan to up our game and how we plan the business to improve both customer service and working capital.

Finally, we plan to optimize to reflect where we choose to play in order to drive both cost and complexity out of the system. As an example of how this comes to life, our teams recently reduced the SKU count in one of our facial mills by over 40% by harmonizing product portfolios, exiting low-margin private label contracts and optimizing sourcing hubs. As an outcome, this year, we will grow not only the production output on that business but also our sales volumes as well.

As one IFP supply chain, we are identifying similar opportunities to drive more value of our asset base. Reflecting our highly competitive operating environment, we have designed an organization structure that is wired to win in our markets.

Coming together as IFP offers our business the opportunity to increase our focus on winning in tissue. Through elevating and consolidating key capabilities in our segment organization, we plan to leverage the power of our industry-leading talent, giving our lean teams in market the tools to win with confidence and being choiceful of where and how we deploy our resources. We aim to deliver a more efficient and effective organization that is best placed to win.

In summary, we will amplify and accelerate our plans in market by leveraging the combined strength of our technology platform and commercial capabilities. We have a playbook to win in both family care and professional and expect to efficiently scale the best of IFP. We will work to maximize the value of our supply chain and organization with a one IFP mindset. And we will be choiceful about where and how we reinvest to prioritize growth where we have a strong right to win. In doing so, IFP is poised to deliver sustainable organic growth ahead of category while transforming our margins.

**Russell C. Torres**: Hello. Good morning. I'm Russ Torres, and I lead our North American business. And I am really thrilled to be here and be part of the K-C team. I worked in over 20 categories across multiple consumer products companies. And our North America business and people is, without doubt, the best group I've ever had the privilege to lead. And I believe we have tremendous untapped potential, and I'm really excited to share more about why, our progress and what lies ahead.

The North America business is a powerhouse: $11 billion in scale with healthy margins and robust growth opportunities. We have 6 global billion-dollar brands. More than 85% of our revenues come from market-leading positions, and we're poised for growth acceleration. And as you can see, we also have operating profit margins in the low 20s. We earn that margin structure through competitive differentiation and cost efficiency.

Let me unpack our portfolio in a little bit more depth, and I'll start with our personal care business. In diapers, we are the #2 brand. We have over 40% share in premium diapers, and we have the #1 brand equity in the category. And our products are differentiated. For example, we're the only shaped diaper in the category.

In our child care business, we have about a 60% market share and differentiated products. We're the only brand with patented easy open sides. And in adult care, we created the category. We have a 50% share in the United States. And our brands have the highest loyalty and repeat rates in the category.

Really importantly, over 70% of our personal care sales come from outside Huggies diapers. And that gives us exposure to structural tailwinds in other age cohorts, which I'll talk a little bit more about later.

Our family care portfolio in North America has a balanced group of brands across quality tiers and offers healthy margins. And again, we earn those margins through differentiated performance. Let me give 2 examples. Cottonelle, the #2 brand in premium dry bath. We have the second highest brand equity in the entire dry bath category. And our proprietary patented technology enables textures that deliver a better clean. And not only that, but the technology delivers meaningful operational efficiencies as well.

And as another example you see here on the page, Scott has about a 25% share of the entire category by volume. It is a tremendous value. Scott is 50% less expensive per sheet than the leading mainstream brand. But Scott also offers a compelling benefit. Scott's engineered to be highly dispersible to help avoid clogged pipes. And as a result, Scott has the #1 dollar market share in New York, Philadelphia and other markets where there are lots of older homes and septic systems.

Turning to our Professional business. Unlike some other B2B businesses in CPG, our professional business, Ehab talked a little bit about this, has attractive margins and a very strong competitive position. We're #2 in away-from-home washrooms, and we have the best dispensing technology called ICON. And we have the #1 share position in the $1 billion industrial wiping market.

The majority of our revenue is driven by an installed base of dispensing systems that are under contract. Service and support is critical to those customers, and they want to partner with the best.

We play in large categories. Our addressable category footprint is about $50 billion. The pre-COVID growth rate for our categories has been in the 2% to 3% range. And we expect it to be in that range again going forward. But we believe we can accelerate growth beyond our historical category growth rate in North America, and I'm going to talk more about that as the presentation moves on.

We are making progress in accelerating our growth. Our North America business had not historically been a growth engine for the company. But Mike's strategy and our team's work is really changing that. As he and Alison described, we've been building our capabilities globally and in North America to drive sustained growth. And our North America sequential growth rate is accelerating. Our underlying growth rate is clearly strengthening, especially in our consumer businesses.

And while there's still some noise from quarter-to-quarter, this chart shows volume, we are seeing volume growth in the consumer business starting to normalize. And we expect to return to a normal level of volume growth from here.

Our growth algorithm is to outgrow our categories, which, as you've seen, has been in the 2% to 3% range. And we intend to do this by driving 3 specific areas: first, fully capitalizing on growth tailwinds within our categories; second, unleashing our recently transformed commercial engine execution; and third, driving above category growth with pioneering innovation. And we think the best is still ahead, and I think you'll see why.

Turning to the first point. We're positioned to benefit from structural growth tailwinds in many segments of our categories. These 5 examples here on the page represent about $10 billion in market size. And as you can see, they're growing at a healthy clip, including volumes.

Really importantly, we're #1 in every one of these segments. These segments make up more than 1/3 of our sales in North America. So we have almost twice as much exposure to these segments compared to the overall category.

Adult care is a great example to click on. As Alison noted in her presentation, it's a growth category driven by demographics. In the U.S., the population of people 65 and older will go from 56 million in 2020 to over 70 million by 2030. Not only that, but adult care products are also significantly underpenetrated. In fact, only about half of all women who experience leaks use a product today. Many just suffer in silence. So there's tremendous room for growth ahead. And we project adult care will be larger than fem care in the next 5 years.

As consumers and retailers shift online, we're well positioned to benefit from this tailwind as well. Today, e-commerce purchases are growing twice as fast as the rest of the market. And our e-commerce is more than 25% of our business. And this includes all digitally enabled sales like ship to home and in-store pickup.

And we're over-indexed from a share point of view. Our e-commerce market share, as you see on the page here, is higher than our overall U.S. national share currently indexed at a 126. So we're well positioned to capitalize on this trend as well.

Turning to the second point. We have spent the last several years strengthening and transforming our commercial execution engine in North America. Really importantly, our commercial capabilities are very different than they were just 2 short years ago.

Why? In Q4 2022, we moved our commercial headquarters from Neenah, Wisconsin to Chicago, opening the Chicago commercial center. And it's been a very successful move for us. It's allowed us to augment our teams and tap into the talent pool in Chicago. And we've been able to attract over 150 talented new employees with proven experience in critical areas like marketing, digital, innovation, sales.

In fact, about 50% of our North America commercial employees are new to K-C in the last 2 years. We have a very strong employee proposition. Last year, we had an acceptance rate of over 96% in our commercial roles, and that's because of our strong company, mission-driven culture and values.

We've been hard at work as well, elevating our go-to-market capabilities. And one way we measure that is with the Advantage Survey. And if you don't know, the Advantage Survey is a survey of major retailers in North America. They rank all 80 CPG's firms based on their capabilities and assess who they think is the best of the best.

A few years ago, as this chart shows, we were in the second quartile. And while that's not bad, I'm really proud to say that we've improved to #1 overall in CPG across all 80 companies for each of the last 2 years.

We won #1 overall in vision, which is reflective of our market-driven focus on the future. We were voted #2 overall in partnership. And we won #4 in the Advantage Digital Survey, and that's a great proof point on the capabilities we've been building.

So what does this mean? It's a very powerful asset for us commercially. Our capabilities have resulted in improving market performance. Since 2021, for example, we've increased total points of distribution by 4%.

And we've been working to elevate our marketing capabilities in North America as well. We're driving towards best-in-class marketing that drives brand equity and an emotional connection through world-class creative and storytelling.

Let me share 2 quick examples. On the left-hand side of the page here, you see our Huggies [Baby Bath] ad, which builds on our compelling We Got You Baby brand idea to make emotional connections while underscoring the differentiation of the brand.

**Video**

As a dad, I relate to the baby bouncing on dad's head part. But [Baby Bath] was named one of the 40 best ads in 2023 by Ad Age. And on the right-hand side, our Depend Say Yes campaign underscores the deeply emotional key benefits of our products, enabling people to live their lives fully.

**Video**

And the better the creative, the higher the ROIs. The Say Yes campaign delivered twice the ROI as our previous campaign because it resonated with the core consumer insight, live a better life.

We've also been driving to improve our competitive differentiation through compelling benefit claims. For example, take GoodNites. We recently completed a major product improvement that enables us to hold 3 water bottles overnight. This brings huge peace of mind. And that claim is unique to us, and it's driving share growth with GoodNites up a full point of share in the last 26 weeks.

And we've increased investments in digital capabilities over the last few years. And we're beginning to see benefits of that as well. In 2024, we expect our data activated media will exceed 75%, and that's up meaningfully. And we're elevating our content to make our brands even more culturally relevant.

A recent example of this is a movie called The Clogging. If you haven't heard about that, it's a mini-spoof horror movie we released around Halloween about a woman who clogs the toilet at her in laws. And that moment of horror resonated with people. So take a look.

**Video**

The Clogging had over 150 million views and significant social media engagement of consumers who related to that moment. We're also digitizing our professional business. Millennials are now in key decision-maker roles as our key customers. And they want buying options and convenience to complement their distributor-broker models.

So we've been building a digital capability to provide easy access to content and deliver self-service concierge services. And all of these things together really enable us to get the marketing flywheel going.

Our ROIs have more -- have almost doubled since 2016 and are still rising. And when we say ROI, it's important to note that we measure incremental profitability and share, not other measures like ROAS that can be highly unreliable. And these higher ROIs have allowed us to increase investments confidently and meaningfully behind our brands. And we think there's still more room to grow.

And third, we've been really strengthening our innovation ecosystem. In fact, we more than doubled total sales from products with innovation over the last 3 years.

A key point to understand here is this page, and this is really important. People still have unmet needs in our categories. They're willing to trade up to superior propositions. Our products only cost pennies per use, but they play a very important role in daily life. And we've already demonstrated that we can drive growth with this model.

Since 2018, diapers, adult care, facial tissue have all meaningfully shifted more premium at the expense of the more value-oriented tiers. Premium diapers growth, for example, has been 9% in dollars and 4% in volume since 2018. Premium facial tissues growth has been 11% in dollars and 7% in volume since 2018.

So let me bring this really to life by clicking down one more level with the example of the overnight occasion. Regardless of the category, people want to sleep comfortably through the night without having to worry about leaks, messiness or changeovers. We've been building a strong overnight portfolio against this benefit across all personal care. And we've grown this portfolio at a 10% CAGR over the last 5 years. It's highly incremental to us and to the category.

It drives positive mix because consumers are willing to pay more for the improved protection and fit. And we're the #1 share leader in 5 of the 6 segments in which we compete.

Mike and Alison also talked about using science to solve unmet needs and create category bending solutions. And I'm really, really excited about this in North America. We have over 900 inventors in North America, and I believe they're the best in the industry with deep experience in science, research and technical competencies.

We've got incredible research facilities and many thousands of patents. And we're applying all those capabilities to unsolved consumer problems, and I believe there's tremendous room to run.

So let me also bring this one to life in a category like diapers. Diaper category, it's been around a long time, but there still are a surprising number of unsold problems to tackle. Starting in the lower left, of course, is the core category benefit, why people buy diapers, leak protection. But the average urine leak in the category is about 5% to 6%, meaning roughly 1 in 20 diapers have some type of leak still today. That's not very good. But solving these issues at low cost and high scale is a bit harder than it sounds.

For example, you might not know this, but newborn stomachs can expand 50% in size after feeding. And that creates stresses on the diaper material, red marks on baby skin and creates leaks. We've designed compelling solutions to these problems, but we will have more coming in the near future.

And the basic protection challenges continue as babies age and start crawling and walking. They wiggle around a lot, and that creates a torture test that results in leaks. We've done a great job of solving these to date with our little movers franchise. We invented shape diapers, flexible tabs, superior leg elastics, but there's still even more room to run on that.

And beyond protection, moving into a new zone, we're advancing further into 3 big unmet need areas. I already talked a little bit about sleep, where we pioneered overnight diapers, but another is comfort. Alison talked about this. We have a very soft gentle diaper called special delivery in North America, but there is much more to do here in areas like fit and breathability. And we see room to run and have promising technology and ideas in this space.

And then there's skin health. And if you're a parent, you know, that when your baby's sensitive skin is suffering from irritation or rashes, it is gut-wrenching. And as a parent, I would have paid quite a bit to avoid that.

Science is especially critical here. As we noted earlier, one key cause of skin damage is prolonged contact with mess. And unfortunately, in North America, the average baby sits in mess for 40 minutes before a change. K-C's pioneered patented technology that protects the baby skin 5x more effectively than current products. Look for more on that in North America late this year.

And imagine how it could bend the category if we could virtually eliminate skin irritation and diaper rash. And these benefit ladders, like the one you're looking at, these exist in all of our categories. And this really is the formula to drive sustained growth, meeting those unmet needs.

So to sum up, we have a differentiated business. We play in strong categories. We're undergoing meaningful transformation that's powering results. And we're confident that over time, we can drive category-leading growth.

**Nelson Urdaneta:** Hello, everyone. I hope you can see how much the company has transformed over the last 5 years and then you appreciate why we are so excited about this next chapter, this next chapter of growth and top-tier shareholder returns. And we are already beginning to see this in our recent business results.

To start, we are in a much stronger financial position to undertake the step change in the business we've described today. We are well positioned to accelerate top line growth with pioneering innovation. We can further enhance profitability with value chain and productivity advantages. And from our cost structure to our cash flow, to our balance sheet, we have a stronger base than ever to improve our business performance and financial returns going forward.

I've worked in the consumer products industry for the majority of my career with assignments on businesses across the world, including 17 years at Mondelez. I joined Kimberly-Clark 2 years ago, and I couldn't be prouder of our team or more excited about our future.

We've been playing to win and driving profitable growth. Our team has delivered at an extraordinary level in the past few years through exceptional execution, discipline and portfolio optimization. Our strategy to elevate our categories and expand our markets is working.

We've made strong gains in our largest markets led by great innovation and in the phase of unprecedented inflation. We've rapidly recovered margins and earnings by being nimble and taking decisive actions on the cost and revenue realization side. And we've been choiceful about where we invest and what we prioritize.

Our strong execution has built the financial foundation to accelerate our transformation in our next chapter. And I think it's instructive to detail our progress and the critical pieces of this foundation.

The quality of our top line momentum has continued to improve with a healthier balance across price, volume and mix. This slide provides a detailed breakdown of organic growth trends across the business.

To highlight a few key areas, first, in 2023, we built further on the sales gains achieved in the 2020-2022 pandemic period. Second, we've been driving consistent positive mix the past 4 years, reflecting our strategy to elevate our categories. Third, volume plus mix is now turning positive. Volume trends improved to flat in the fourth quarter of last year. And this has shown most prominently in our personal care business, where we have and will strategically focus the majority of our organic investments.

As the contribution from pricing to help offset unprecedented inflation recedes, our brands remain healthy and well positioned to grow. We are seeing similar progress in gross margin expansion with our return to pre-pandemic levels in the second half of last year. Margin accretive innovation, improved commercial execution and a strong ongoing stream of savings enabled a rapid recovery in gross margins as strong and as fast as any of our Consumer Staples peers.

This is critical because our gross margins and more specifically, our gross profit dollars, serve as the fuel for growth and investments in the future. This has been enabled by building greater visibility and connectivity on an end-to-end basis across our value chain to better control costs on the front end of our value chain and procurement.

We're successfully employing a combination of better contract structures with suppliers to guardrail cost volatility, developing alternative vendors to improve both costs and efficiency across the enterprise and expanding hedging overlays where possible, including those that are energy-related.

We also decided to exit certain markets where volatility was more pronounced and profitability is disadvantaged. For instance, in the past 2 years, we've exited a private label pants business in the U.S. and the tissue market in Brazil.

We also continue to rightsize our professional business, including exiting multiple unfavorable contracts. Collectively, these portfolio-shaping actions have put us in a better position for stronger, more predictable performance moving forward.

Another area that attracts particular attention is our pulp and fiber costs. What you can see on the slide is that our experience during the most recent inflationary cycle was both less volatile and less inflationary relative to both the spot market and the previous pulp cycle.

While fiber costs represent only about 12% to 15% of our total cost of goods, this has been one contributing factor in helping us recover our gross margins and should also help us better manage input costs in the future. We are building upon a strong track record of productivity and cost savings, and we are taking a more proactive stance to unlock further opportunities, as Tamera highlighted in her presentation.

We have significantly enhanced our revenue management capabilities in the past few years. As a result, we've been much more effective in utilizing mix management, price pack architecture and promotional efficiency to optimize revenue realization.

The agility we've exhibited on this front in the past 2 years, combined with enhanced procurement capabilities and sustained productivity delivery, has enabled us to more effectively manage the significant cost inflation we faced.

Dropping down further in the P&L, while not yet back to 2019 levels, our adjusted operating margin is in a much healthier place with good progress in 2023. And this is largely because we continue to invest in our brands, our people and our capabilities.

Versus 2019, our 2023 marketing, research and general expense levels reflected a 100 basis point increase in advertising spend, which is more than 5% of net sales. In fact, we are continuing to increase our advertising and marketing investments in 2024, as we see further opportunities to make incremental brand investments with strong anticipated returns. We also successfully invested to deploy new revenue growth management capabilities and upgraded commercial talent. We have made technology investments that include a new system to increase procurement efficiency across the enterprise.

And finally, we have better aligned incentives for our teams through our balanced and sustainable growth objectives. Key to it all is that our spending levels will continue to be dictated by our growth opportunities and return discipline.

Turning next to look at our free cash flow generation. The recovery in our baseline earnings power and better working capital discipline that we're beginning to drive across the organization should allow us to deliver healthy levels of free cash flow going forward. 2023 was an extraordinary free cash flow year, driven by exceptional progress in working capital as conditions in our supply chain normalized following the significant disruptions faced during the pandemic as well as some discrete benefits unlikely to repeat.

Normalizing for these 2 factors would put us in the $2 billion range for free cash flow. This has enabled us to strengthen our balance sheet considerably. As you can see here, we have swiftly reduced our net leverage ratio to levels consistent with our long-term A credit rating target. In fact, our confidence in our path forward was reflected in the dividend increase we announced in January, marking the 52nd year of consecutive dividend increases for the company.

This brings me to our long-term outlook. Our durable long-term growth and return algorithm will target leading market growth, growing at or above the categories in the countries we compete in for consistent volume and mix-driven organic net sales growth, mid- to high single-digit operating profit growth on a constant currency basis. mid- to high single-digit adjusted EPS growth on a constant currency basis, free cash flow of $2 billion plus per year, excluding cash restructuring costs. And we anticipate significant cash returns to shareholders with a growing dividend and continued share repurchases.

Let me unpack the drivers of our top and bottom line growth. On the top line, we are targeting faster organic net sales growth relative to the categories and geographies where we compete. In the current environment, this would amount to about 3% plus. For context, prior to 2020, on average, category growth in the markets where we compete was between 2% and 3%. Between 2020 and 2023, this increased to mid-single digits or approximately 6% due to significant inflation-induced pricing.

In the near term, we expect category growth to revert to a more historical 2% to 3% and volume and mix-driven growth rate. As you've heard today from our team, we believe we have the right combination of powerhouse brands, visibility to a robust innovation pipeline to drive trade up and the go-to-market proficiency to expand our categories and lead market growth. In short, we are intent on growing or holding market share across our categories and markets on a consistent basis going forward.

For reference, in 2023, we lost roughly 0.5 percentage point of share on a weighted global basis. But we delivered solid improvement in Q4 of last year. And based on everything we've shown today, we are confident market share performance will continue to improve in the coming years, including this year.

Our operating profit, as I said, we're targeting mid- to high single-digit constant currency growth that will be driven by 3 factors: First, is the more than $3 billion of gross supply chain savings outlined today that we expect to deliver in the next 5 years; second, this will be complemented by approximately $200 million of anticipated SG&A savings in the next few years as we look to hold overhead costs flat; and third, we expect these savings will help fund critical investments to support our growth initiatives, including additional advertising and marketing dollars behind our brands and new product initiatives on a global basis.

In sum, we'll be well positioned to drive greater volume and mix-led organic sales growth as well as meaningful margin leverage. As a result, we would be disappointed if our gross margin wasn't at least 40% before the end of the decade and operating profit margin isn't at least in the 18% to 20% range. To generate these savings, we currently expect to incur approximately $1.5 billion in costs over the next 3 years, split approximately 50-50 cash versus noncash. And we see the level and timing of implementation costs to be quite manageable in the context of both our free cash flow generation and capital allocation priorities.

For instance, in terms of our CapEx spend, we have been in the 4% to 5% range in the past 3 years. And even considering the capital spending we are planning relative to our growth and transformation plans, we expect to remain largely within our long-term target range between 4% and 5% of net sales. What gives us confidence in delivering these results is how we are approaching the opportunity. We are migrating to an end-to-end margin management approach that will create a step change in both our rate of profit growth and margin levels.

Our approach is now more proactive than reactive and a different approach than the FORCE initiative that the company has been historically known for. We've built a multiyear gross productivity pipeline to fund growth investments and flow savings to the bottom line. For the past year, we've been implementing integrated margin management to create enterprise-wide visibility, discipline and accountability. This will enable us to drive productivity and enhance returns for consistent durable margin expansion across the value chain.

We are touching and connecting every part of our value stream. In our portfolio, we are improving mix to increase exposure in higher margin segments and product offerings. With respect to go-to-market initiatives, we are optimizing price tiers, product mix, trade investments and price pack architecture. We have a strong pipeline of margin-accretive innovation that enhances value for consumers and our customers. Our design-to-value approach is intended to improve returns by eliminating nonvalue-added costs. And our productivity initiatives are focused on optimizing SKU efficiency, effectiveness and assortment. Longer term, this end-to-end approach to margin management, which includes a strong focus on the productivity pipeline should enable us to deliver consistent savings in an ongoing basis.

Finally, I'll touch on our capital allocation priorities and the return of cash to shareholders as a key component of our long-term return algorithm. Our priorities remain: First, investing in our business with a focus on driving strong ROIs; Second, growing our dividend while maintaining our A credit rating; third, evaluating smart acquisitions that can deliver incremental growth and return opportunities; and finally, allocating residual capital to share buybacks, minimally to offset any dilution from incentive compensation.

Regarding our dividend, we continue to strive for a competitive dividend and the increase we announced in January will help keep us at the top end of peers in terms of payout. We are fully committed to delivering strong cash returns to our shareholders. And as greater earnings growth comes, we will consider faster growth in our dividends. The plans we've shared today give us visibility to build on our momentum and deliver strong, consistent growth and returns going forward.

2024 is the first year of our new chapter. And we believe it will be a strong on algorithm start as we get our broader transformational initiatives underway. As Mike mentioned, we expect our new organizational design to be in place by the fourth quarter of this year, and we anticipate beginning to report our results based on our new business segment structure by the end of the year.

In closing, in the past 5 years, we've advanced the company's strategic foundation, consumer centricity and financial position. Moving forward, as we undertake a significant step change for our business. We'll continue to drive toward our earnings power, generate significant free cash flow, further strengthen our balance sheet and deliver strong returns for our shareholders. Thank you.

**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.

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 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 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.

**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 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 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?

**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 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.

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.