

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 cliché 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.