

COMPANY PROFILE

Kimberly-Clark Corporation

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COMPANY OVERVIEW

Kimberly-Clark Corporation (Kimberly-Clark) is a global hygiene company, involved in manufacturing and marketing of personal care and house hold products. The company's products portfolio includes disposable diapers; baby wipes; paper towels; facial and bathroom tissues; napkins; training and youth pants; and swim pants. It also provides apparel, soaps, sanitizers, and feminine and incontinence care products. Kimberly-Clark markets these products under various brands such as Kleenex, Scott, Huggies, Little Swimmers, U by Kotex, Pull-Ups, Kotex, Depend, and others. The company operates in North America, Europe, Middle East and Africa, Asia, and Latin America. Kimberly-Clark is headquartered in Irving, Texas, the US.

The company reported revenues of (US Dollars) US\$18,259 million for the fiscal year ended December 2017 (FY2017), an increase of 0.3% over FY2016. In FY2017, the company's operating margin was 18.1%, compared to an operating margin of 18.2% in FY2016. In FY2017, the company recorded a net margin of 12.5%, compared to a net margin of 11.9% in FY2016.

The company reported revenues of US\$4,731 million for the first quarter ended March 2018, an increase of 3.3% over the previous quarter.

KEY FACTS

Head Office	Kimberly-Clark Corporation 351 Phelps Drive Irving Texas Irving Texas USA
Phone	1 972 2811200
Fax	
Web Address	www.kimberly-clark.com
Revenue / turnover (USD Mn)	18,259.0
Financial Year End	December
Employees	42,000
New York Stock Exchange Ticker	KMB

SWOT ANALYSIS

Kimberly-Clark Corporation (Kimberly-Clark) is a global hygiene company, offering personal care and consumer tissue products. The company's strong portfolio of daily-use brands sold across more than 175 countries, wider geographical presence and strong focus on R&D are the major strengths of the company. Whereas unfunded employee pension benefits obligation and liquidity positions as an area of concern. In the Future, intense competition, foreign risk and counterfeit products could pose challenges to the company. However, strategy growth initiatives, cost-saving initiative and positive outlook for global Personal hygiene market products provide growth opportunities to the company.

<p>Strength</p> <p>Focus on R&D Geographic Presence Strong Brand Equity</p>	<p>Weakness</p> <p>Unfunded Employee Pension Benefits Declined Liquidity Position</p>
<p>Opportunity</p> <p>Cost Saving Initiatives Growth Initiatives Global Personal Hygiene Market</p>	<p>Threat</p> <p>Foreign Exchange Risk Intense Competition Counterfeit Goods</p>

Strength

Focus on R&D

Kimberly-Clark puts strong focus on research and development (R&D). The company's R&D initiatives are focused at new product development and improvement of existing products. Kimberly-Clark's R&D arm expenditures are directed towards new or improved personal care, tissue, wiping, safety, and non-woven materials. In FY2017, the company invested US\$368 million on its R&D activities. Focus on R&D enables the company to stay abreast of the changes in the industry and provides it with 'first mover' advantage by launching products ahead of competition.

Geographic Presence

Diversified geographic presence provides the company a cover from various business risks arising due to down turn in economical and socio-political conditions. The company has 93 manufacturing facilities located in 38 countries that comprises of 32 facilities in 16 states of the US and 61 facilities in Outside North America. Kimberly-Clark markets its products in more than 175 countries and geographically it classifies operations in two reportable segments that include North America and Outside North America, which accounted for 50.5% and 49.5%, respectively, of company's total revenue in FY2017.

Strong Brand Equity

Kimberly-Clark has a portfolio of market-leading, essential offerings (such as diapers, feminine care, and tissues) that cover a range of price points. The company operates in more than 175 countries. With brands such as Kleenex, Scott, Huggies, Pull-Ups, Kotex, Poise and Depend, Kimberly-Clark holds number one or number two share positions in 80 countries. The company's five billion-dollar brands include Kleenex, Scott, Huggies, Cottonelle and Kotex. Kimberly-Clark's strong market position is a result of a wide range of product offerings and a broad portfolio of well-known brands. The company's other well-known brands include Viva, GoodNites, DryNites, Little Swimmers and Snugglers, among others. Kimberly-Clark's strong portfolio and brand recognition has helped it to achieve consumer loyalty over time ensuring a high market share. Strong brand recognition also drives down the supplier power as well as competition from the new entrants.

Weakness

Unfunded Employee Pension Benefits

The company has significant unfunded pension benefit obligations. Kimberly-Clark provides retirement benefits for most of its employees by contributing to defined benefit pension plans and defined contribution retirement plans. During FY2017, the company's pension benefit obligation stood at US\$4,296 million, as compared to the planned assets of US\$3,894 million, resulting into an unfunded status of US\$399 million. Unfunded pension benefit obligation may force the company to make additional cash contributions toward bridging the gap between pension obligations, which, in turn, may reduce cash flow available for growth initiatives.

Declined Liquidity Position

The company's liquidity declined in FY2017. Low liquidity is an indication of the decreasing ease in funding the company's day to day operations, which also limits its ability to capture growth opportunities in the market. The company's current ratio was 0.9 at the end of FY2017. Its cash and equivalent declined by 33.3% in FY2017 from previous fiscal. The company's current ratio was lower than that of its major competitors, Johnson & Johnson and Colgate-Palmolive Company, which reported a current ratio of 1.4 and 1.4 during the same period.

Opportunity

Cost Saving Initiatives

Kimberly-Clark has undertaken various cost savings measurements in recent time. These initiatives could provide the company an advantage in coming future. In January 2018, the company announced a new global restructuring program, which is expected to be completed by the end of 2020. The company is expected to spent US\$1.7 billion to US\$1.9 billion pre-tax or US\$1.35 billion to US\$1.5 billion after tax on this project. The restructuring plan is likely to reduce the structural cost base of the company by streamlining and simplifying its manufacturing as well as overall supply chain management. The process is projected to help the company in pre-tax cost savings of US\$500 million to US\$550 million by the end

of 2021. Earlier, in FY2017, the company also launched another cost savings initiative, FORCE (focused on reducing costs everywhere) program, which is expected to facilitate efficient cost control and provide sustainable growth. In FY2017, through this program, the company could manage cost saving of US\$450 million compared to US\$435 million in FY2015. Kimberly-Clark expects to contribute nearly US\$400 million cost savings from the FORCE program in FY2018.

Growth Initiatives

In March 2018, the company entered into a partnership with Deltares to launch WaterLoupe, a web based tool for monitoring local freshwater supplies, analysing consumption trends and provide actionable insights to reduce local water risks. In line with this, the company is tracking the data on economic, social and climate factors that affecting the local river basins and displays the information on a high visual, user friendly dashboard. By the year 2022, the company wants to implement this tool in the high-risk river basins where it operates manufacturing facilities.

In April 2018, the company announced plan to expand its Alabama manufacturing facility, which will be completing by the end of 2020, with an investment of more than US\$100 million. This project will improve the manufacturing efficiency, increases delivery capacity and enhances product quality of bath tissue category in North America.

Global Personal Hygiene Market

Kimberly-Clark could benefit from growing personal hygiene market. According to industry reports, the personal hygiene market was valued at US\$44,520.2 million in 2016 and is projected to grow at a CAGR of 3.7% during 2016-21 to reach a value of US\$53,387.9 million by the end of 2021. In terms of volume, the market grew by 3.9% in 2016 to reach 19,751.8 million units and is further projected to grow at a CAGR of 3.1% during 2016-21 to reach 23,021 million units by 2021. The market underwent a paradigm shift in the recent past, inclining more towards increased product differentiation and serving a diverse, more conscious and demanding customer base. Changing dynamics in fashion trends and increased brand consciousness among youth and adults, growing urban population and increasing disposable income, concerns about beauty and increased use of herbal shampoos are resulting in market growth. Increasing awareness about beauty among younger teens and adult women is also leading to market growth.

Threat

Foreign Exchange Risk

The company operates in various countries and is exposed to fluctuations in foreign exchange rates against its reporting currency. It reports financials in US\$ for accounting purposes and as such its revenue is exposed to the volatility of the reporting currency against other functional currencies such as the Japanese Yen, British pound, Indonesian rupiah, and Russian ruble. To minimize risks from currency fluctuations, the company involves in foreign exchange hedging by entering into foreign exchange forward contracts. However, there would be no assurance that such hedging or other measures may limit the impact of movements in exchange rates on the company's results of operations.

Intense Competition

Kimberly-Clark competes in highly competitive markets against well-known, branded products and low-cost or private label products both domestically and internationally. Key competitive factors include brand recognition and loyalty, product innovation, quality and performance, price, and marketing and distribution capabilities. The company has several major competitors in most of its markets, some of which are larger and more diversified than Kimberly-Clark. Its key competitors include Johnson & Johnson, Procter & Gamble, Unilever, Colgate-Palmolive, and Sofidel SpA. Some of these competitors may have better access to financial resources and greater market penetration, which enable them to offer a wider variety of products and services at more competitive prices. Moreover, some of these competitors may have significantly lower product development and manufacturing costs, allowing them to offer products at lower prices. The actions of these competitors could affect Kimberly-Clark's financial results. It may be necessary for the company to lower prices on its products and increase spending on advertising and promotions, each of which could strain its margins. Therefore, working in such a competitive environment exerts continued pressure on its results of operations and financial condition.

Counterfeit Goods

Trade of counterfeits and pass-offs products is affecting the growth of companies like Kimberly-Clark. The spread of counterfeit goods has become global and the range of goods subject to infringement has increased significantly. Some of the major factors that led to an increased trade in counterfeit products include growing internet usage, extension of international supply chains and more recently, the global economic downturn that led customers to look for low cost alternatives. According to the Intellectual Property Rights (IPR) Seizure Statistics by Customs and Border Protection (CBP) Office of International Trade, the number of IPR seizures in the US reached 34,143 in 2017, an increase of 8% compared to 2016. China remained the primary source country for counterfeit goods, accounting for 46% of all IPR seizures by the manufacturer's suggested retail price. Similarly, in Europe, the market for counterfeit products is increasing significantly. Besides revenue losses, counterfeits and pass-offs also affect the company's brand as they are unsafe. Low quality counterfeits reduce consumer confidence in branded products. Counterfeits not only deprive revenues for Kimberly-Clark but also dilute its brand image.

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