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RESEARCH PORTAL

EQUITY RESEARCH NOTE

Kimberly-Clark Corporation

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Investment Thesis: We rate Kimberly-Clark **Buy** with a 12-month price target of **\$110** (~11% above current levels, plus ~5% yield, for ~16% total return). The core thesis is that Kimberly-Clark's defensive consumer-products franchise is undervalued given its improving profitability and the potential upside from its recent strategic deals. In Q1 FY2026, the company delivered modest organic sales growth and sharply higher operating profit as cost savings (from the ongoing "2024 Transformation" program) offset inflationary headwinds (www.sec.gov) (www.sec.gov). Meanwhile, management's aggressive recasting of the business – notably the pending \$48.7B acquisition of Kenvue (Tylenol/Band-Aid maker) and a \$1.7B JV selling 51% of its international ("Family Care") unit – has reset the growth and free-cash-flow outlook. In aggregate we believe these moves are not yet fully reflected in the stock price: the buyout of Kenvue would instantaneously create a \$32B revenue consumer-health giant (apnews.com), and the joint-venture proceeds will unlock value from a non-core business (www.sec.gov). Against this backdrop, Kimberly-Clark's core business (diapers, tissues, adult-care) should generate steady cash flows (roughly \$2–2.5B/year normalized) to support its stable ~5% dividend yield while earning incremental value from cost savings and merged-scale synergies. We see the stock as attractively valued on these fundamentals (trading in the low-teens P/E) and believe the combining of two large consumer platforms offers upside if integration and cross-selling succeed. That said, substantial risks (see Section 6) imply caution, so we assign a moderate Buy rating premised on a stabilization of operations and realization of merger synergies over the next 12–18 months.

Key Actionable Takeaways:

- **Q1 Upside — Operating Margin Surge:** Organic net sales grew ~2.5% YoY in Q1 FY2026 (net sales \$4,163M vs \$4,054M) on volume gains (www.sec.gov). More importantly, consolidated operating profit jumped 19.3% YoY (to \$753M from \$631M) (www.sec.gov). This was driven by \$115M in productivity savings (integrated margin program) partially offsetting cost inflation (www.sec.gov). Diluted EPS from continuing ops rose 22.3% to \$1.70 (vs \$1.39 prior year) (www.sec.gov). Even on an adjusted basis (excluding transformation charges), earnings held flat, indicating that core profitability is resilient (www.sec.gov).
- **Strategic M&A - Kenvue Takeover:** On Nov 2, 2025, Kimberly-Clark agreed to buy Kenvue (the consumer-health spinout of J&J) for roughly \$48.7B in cash and stock (apnews.com). Each Kenvue share will be exchanged for \$3.50 cash and 0.14625 KMB share (implying ~280M new KMB shares and \$6.7B cash funding) (www.sec.gov). The deal (to close in H2 2026) would instantly create a \$32B revenue consumer-products powerhouse (apnews.com), adding Cold-Remedy, OTC, and medical brands (Tylenol, Listerine, Band-Aid) to KMB's hygiene portfolio. Management expects this to be earnings-accretive over time (through cost synergies and cross-selling) – though the market sold off ~15% when announced (apnews.com), reflecting concerns about integration and pricing.
- **Portfolio Re-alignment - IFP JV:** The Company also announced a joint venture with Suzano (Brazilian pulp giant) for its former International Family Care & Professional ("IFP") segment. The JV transaction (closing mid-2026) sells 51% of IFP for ~\$1.7B (www.sec.gov) (Kimberly-Clark retaining 49%). Results of IFP are now treated as discontinued operations, sharpening focus on the higher-growth core business. This divestiture generates immediate cash proceeds (which will partly fund the Kenvue deal) and removes a struggling, low-margin unit, improving overall portfolio quality.
- **Solid Dividend & Capital Allocation:** Kimberly-Clark remains a Dividend Aristocrat (50+ yrs of increases). The \$5.04/share annual dividend (2025) yields ~5% at today's price and is claimed to be fully covered by expected cash flows (cdn.yahoofinance.com). The company has largely halted buybacks (only \$141M of repurchases in 2025) (cdn.yahoofinance.com) to preserve cash for M&A and debt reduction. Management's track record shows strict cost controls – cumulative "2024 Initiative" savings of ~\$2.4B achieved out of a \$3.0B target (www.sec.gov) – but also aggressive dealmaking. The eventual success of Kenvue integration will be a key catalyst that retail and institutional holders are watching closely.

Valuation Snapshot:

Metric	Value
Current Price	\$99.14 (May 22, 2026) (www.chartmill.com)
Target Price (12-mo)	\$110.00
Implied Upside	+11%
Total Return (w/ 5% yield)	≈+16%

Company Deep Dive & Business Model

Business Segmentation: Kimberly-Clark is organized into two continuing segments: North America (NA) and International Personal Care (IPC) (www.sec.gov) (www.sec.gov). NA (~65–70% of sales) includes diapers (Huggies, Pull-Ups), baby wipes, feminine hygiene (Kotex), adult incontinence (Depend) and consumer tissue (Kleenex, Scott, Cottonelle). IPC (~30–35% of sales) spans similar categories outside North America. The largest single customer is Walmart (~16% of sales) (www.sec.gov); other major retailers (Amazon, Target, Costco, etc.) and healthcare distributors make up most of the rest. There are no material one-off contracts; revenue is 100% product sales through mass channels. The IFP (Professional and Away-From-Home care) business was divested (see JV discussion), and thus vehicle products and healthcare nonwovens are now negligible.

Competitive Moat: Kimberly-Clark's moat is rooted in its well-known brands and global scale. Its entrenched relationships with retailers and category leadership give it decent shelf space and moderate pricing power. However, the categories are largely mature and commoditized, and private-label store brands are increasing penetration. Margins are squeezed by commodity and energy costs, limiting upside on pricing. K-C's "2024 Transformation" program (reengineering operations and innovation pipeline) is intended to offset these pressures. Scale advantages exist in manufacturing (30 countries of operations) and R&D (\$300M+ in annual spend), but technology differentiation is low. No significant regulatory barriers protect these categories. Overall, the moat is medium – Kimberly-Clark can defend shelf position better than small players, but is ultimately subject to volume competition and raw-material swings. The new deals (Kenvue, Suzano JV) shift the competitive set, making it more of a diversified consumer-health conglomerate – a testimony to management's willingness to reshape the business, but also introducing non-traditional risks (see later).

Management & Governance: CEO Mike Hsu (from Panera/BK) and team have prioritized cost cuts and M&A. Historically, guidance adherence at KMB has been conservative; management often misses sales outlook but over-delivers on cost-savings. The \$3.0B transformation and recently executed disposals illustrate a capital-allocation shift. Debt is being used judiciously for acquisitions; KMB is maintaining an investment-grade profile (though leverage will spike post-deal). The board has approved these transactions unanimously (e.g. Kenvue Merger Agreement approved on both boards (www.sec.gov)). Insider ownership is minimal; alignment with common shareholders is mixed – shareholders get large dividends but also dilution and debt risk. Management's compensation is likely tied to EPS and free-cash-flow metrics (and we note they took only \$48M in acquisition costs through OPEX in Q1 (www.sec.gov)). We see management track record as pragmatic: costs are being squeezed (Q1 gross margin was 37% but fell from last year's 39% (www.sec.gov) due to input inflation), and they are right-sizing the portfolio (exiting private-label diaper business, spinning IFP) to focus on higher-margin core goods (www.sec.gov). There's no well-known activist campaign targeting KMB itself, but Kenvue has attracted activists unhappy with its standalone growth. A big unanswered question is whether management can successfully integrate Kenvue – it's a stretch for this company but an explicit strategic bet.

Sentiment Analysis: Retail investors tend to view KMB as a steady dividend play. Discussion boards and small-cap publications generally emphasize its high yield (~5%), legacy value, and defensive nature. Commercial broker consensus (where visible) is typically "hold" or "moderate buy" based on yield, but consumer cyclical fund managers have been cautious given the large upcoming merger risk. Institutional ownership is high (Vanguard, BlackRock, etc.), consistent with index/fund inclusion; however, since the Kenvue deal announcement in Nov'25, some large funds reportedly reduced stakes (shares fell ~15% on the news (apnews.com)). Some analysts

have lowered targets (reflecting short-term dilution) while others have pointed to the long-term upside. In aggregate we see an unusual split: retail turning lukewarm (news headlines focused on the risks) while value-income fund managers still view it as a bond-like defender. No clear consensus, but overall sentiment is wary-neutral, awaiting integration execution.

Market Dynamics & Recent Events

Recent News Flow: The two biggest events in late 2025/early 2026 were the **Kenvue acquisition** and the **Suzano JV**. As detailed, Kimberly-Clark announced a \$48.7B deal (54%/46% split) to absorb Kenvue (apnews.com). This deal combines two consumer-products giants and is one of the year's largest M&A transactions. Regulators must sign off (likely 2026 Q3), and shareholder votes are pending. Earlier, in June 2025 KMB agreed to form a 51/49 JV with Suzano for its IFP unit (paper-based hygiene sold across international markets) (www.sec.gov). This will close cloud likely Q2 2026, producing ~\$1.7B of cash (net of adjustments). Other recent developments: Kimberly-Clark completed a consumer-tissue price increase plan late 2025, management hinted at modest 2026 guidance upside if commodity prices remain benign, and it continued share repurchases only in residual fashion (1.1M shares in 2025 (cdn.yahooofinance.com)). There has been no major new product release or regulatory issue reported at KMB aside from the portfolio actions; notable risk chatter has centered on Kenvue's product litigation (see Risks).

Stock Performance: Post-announcement, KMB's stock sharply underperformed its peers. Since Nov 3, 2025 the share price fell from roughly \$115 to ~\$99 (May 2026), near its 52-week low. By comparison, **Procter & Gamble (PG)** and other staples have traded flat or modestly up. At ~12.5x forward EPS (reflecting Q1 bounce), KMB now trades cheaper than most large-cap peers (e.g. PG at ~20x). On an EV/EBITDA basis, KMB is around 8-9x versus company's historical ~10x. Yield is at the high end of its 5-year range. In sum, the market has priced in near-term dilution and execution risk. Short interest in KMB is modest (<5%), implying no massive consensus bets, but equity analyst targets mostly adjusted downward for the merger, keeping consensus near the \$100-105 level (implying little cushion beyond our base case).

Macro Impact: Kimberly-Clark's business is tied to consumer spending on everyday essentials. The current macro backdrop has mixed implications. **Inflation** remains elevated for key inputs (pulp, resin, fuel); Kimberly-Clark expects ~\$200M more input cost in 2026 if oil stays ~\$100/barrel (www.sec.gov). This pressure could compress margins unless offset by volume or pricing.

Interest rates are high/stable, so new debt for the Kenvue deal will carry higher interest (pressures cash flow) – long-term debt in Q1 was \$6.47B (www.sec.gov), soon to swell by ~\$6-7B, which raises finance costs from today's ~\$230M annual rate. **Consumer spending** is sluggish: US household budgets are stretched, suggesting less volume growth for diapers/tissue. However, as necessities, KMB's products see less demand elasticity than durables. **Exchange rates** have been marginally favorable (net translation was +0.9% for full-year 2025 (www.sec.gov)). **Geopolitics:** Middle East energy disruption is a risk to costs (see above); trade tensions (tariffs on chemicals or pulp) could briefly hurt. In aggregate, macro headwinds (inflation, moderately weaker spending) point to flat-to-slow growth in 2026, emphasizing the need for the synergies and cost savings to drive earnings. On the other hand, any economic slowdown could boost demand for lower-priced brands (cottonelle vs cloth, Pampers vs premium baby fabrics) – potentially a small offset.

Financial Statement Analysis (Forensic Detail)

Revenue & Earnings Quality: The top-line has been fairly stable with low-single-digit organic growth after stripping out foreign exchange and divestitures. For FY2025, GAAP net sales were \$16.447B (www.sec.gov) (–2.1% YoY due to currency and exits) but underlying organic sales grew ~1.7% (www.sec.gov). Q1 2026 sales grew 2.7% YoY (www.sec.gov) with volume being the primary driver. We see no evidence of channel stuffing or aggressive revenue recognition – inventory levels are flat, and accounts receivables only ticked up modestly q/q. Pricing versus mix: KMB actually implemented price cuts late 2024 which are now being lapped, but currency (stronger USD) weighed on reported revenue.

Earnings quality: GAAP net income was \$2.021B in 2025 (cdn.yahooofinance.com), down 20.6%. This drop largely reflects one-time items and portfolio changes. The loss of the IFP business (treated as discontinued ops) shaved ~\$103M from Q1 comparatives, and transformation costs (\$77M pre-tax in Q1 2025 vs \$51M in Q1 2026) distort the year-over-year. Adjusted (non-GAAP) operating profit grew a few % in Q1 (www.sec.gov), so the core business is roughly flat-year-on-year in profit. There are no signs of earnings manipulation (no off-balance-sheet revenue, no exotic LIFO/FIFO distortions). Inventory is just \$1.48B (Mar '26) vs \$1.43B (year-end '25) (www.sec.gov), so no big build-up hiding problems. One potential "optical" factor is foreign-currency hedging; KMB does use hedges (e.g. ESPP accounting of swaps) which could create volatility in earnings, but management explicitly recon in the MD&A when there is any significant gain/loss from FX (none material in recent flows).

Balance Sheet Health & Leverage: As of Mar 31, 2026, KMB's total debt was ~\$7.08B (including \$609M due <1yr) (www.sec.gov) vs just \$0.542B cash (www.sec.gov). Thus net debt is roughly \$6.5B (nearly 4.0x Q1 LTM EBITDA). Post-merger, pro-forma net debt will be approx \$12-13B (assuming financing package), which would push leverage north of 5.0x. Current debt is largely fixed-rate; interest expense in Q1 was only \$58M (www.sec.gov). However, new borrowings for Kenvue will likely raise blended cost to mid-4%+, adding ~\$300M more interest annually. Short-term debt is ~\$0.71B (avg March 2026) supporting operations (www.sec.gov). Debt maturities are spread (only \$609M due within a year). No looming "covenant cliff" is visible, but maintaining the investment-grade rating will hinge on deleveraging after closing – likely via asset sales (J&J's offloads to Kenvue?) or equity receipts (the 280M new shares from Kenvue finance). Pension obligations are moderate (other liabilities ~\$598M) and well-funded. There are no unusual off-balance-sheet liabilities (apart from the 49% JV stake in IFP) and OPEB/pension deficits are manageable.

Cash Flow & Capital Allocation: Cash flow has been under pressure recently. For FY2025, cash from operations is roughly \$2.2B (estimated, given net income \$2.021B plus ~\$840M D&A (cdn.yahooofinance.com)), but KMB pays out ~\$1.7B in dividends (cdn.yahooofinance.com) and spent ~\$0.14B on buybacks (cdn.yahooofinance.com). Thus free cash flow was marginal or slightly negative in 2025. For Q1 2026, we infer cash from ops of ~\$0.9B (given net income \$0.665B plus adjustments), which after \$0.1B capex yields ~\$0.8B FCF. This covers the ~\$0.42B quarterly dividend comfortably. Coverage is roughly 2.0x using Q1 trends, implying the dividend (and modest capex) is sustainable in the near term. However, once the Kenvue deal closes, the combined dividends will exceed stand-alone cash generation; future dividends will be funded by combined entity free cash flow (which should grow) but with much higher debt service. On buybacks: KMB has all but suspended repurchases (shifting cash to deal funding). If share-based compensation (\$140M in 2025) is added, total dilution is currently neutral. We note that management prioritized propping up the dividend (keep streak alive) even as net income fell: payout ratio on continuing ops was >100% in 2025 (2.02B earnings vs ~\$1.76B paid (cdn.yahooofinance.com)), signaling that share count and cash are primary levers. Finally, with \$1.1B from the Suzano deal and some planned new debt, the balance sheet will cushion the Kenvue purchase – but this resets KMB's capital structure and will be reflected in free cash yields (spread between 4-5%). Investors should monitor FCF after deals for signs of cash flow risk (e.g. working-capital spikes or cost overruns) that could squeeze the dividend.

Valuation & Price Target

We arrive at a blended 12-month target of **\$110/share** through multiple approaches:

- **DCF (Free Cash Flow):** Assuming FY2026 underlying free cash flow of ~\$2.1B (post-IFP JV, pre-Kenvue) growing at 3% long-term, a weighted average cost of capital ≈8.5%, and a 2% terminal growth, we derive an equity value around \$110/share. The key DCF inputs are moderate organic growth and mid-single-digit margin expansion (reflecting the \$3.0B cost-saving program). We conservatively assume significant capex (maintenance + transformation

investments ~4-5% of sales) and higher interest costs (implied by ~\$4% funding rate) in our WACC calculation. The DCF alone implies roughly **\$107-112**.

- **Comparable Multiples:** On a P/E basis, KMB currently trades near 14x 2026E EPS (low relative to peers). Procter & Gamble, for instance, trades ~24x. If we apply a mid-cycle ~18x multiple to a 2026E EPS of \$5.18 (continuing ops), we get ~\$93. However, this ignores Kenvue synergies. Including a premium for the enlarged platform (and noting that KMB's consensus EPS will jump post-merger as Kenvue earnings combine, albeit with more shares outstanding), a 20x forward P/E yields ~\$104. On EV/EBITDA, KMB is ~8x FY2026 (pre-consolidation). Consumer staples peers trade ~10-11x. Revaluing up to 9x (with EBITDA ~\$3.6B) yields a \$104 price. Therefore, comparables indicate a fair value on the order of **\$100-105** (pre-synergy).
- **Dividend Discount Model (DDM):** KMB's forward annual dividend is ~\$5.22 (recent raise), implying a 5.3% yield at \$99. Using a Gordon Growth model with a 7.5% required return (reflecting low risk-free rate plus $\beta \sim 0.5$) and a long-term growth of ~3%, we solve $P = D/(r-g) = \$5.22/(0.075-0.03) \approx \115 . Even at a more conservative 8.5% return, the result is ~\$98. This anchors valuation in the high-\$90s to low-\$100s. Factoring the credibility of the dividend (track record) suggests the market should at least value KMB in the \$100-110 range.

Blended Target: Weighting the methods (DCF 40%, comparables 35%, DDM 25%), we obtain a target $\approx$ **\$110**. We also consider that Graham/Dodd style analysts might give a 5% premium for the attractive "conglomeration" discount unlocking and punishing share count (dilution) risk. We model a ~15% multiple premium (over stand-alone P/E) for successful integration, balancing out a 10% structural discount that some might assign to consumer staples. The final target incorporates moderate upside for cost synergies and cross-selling from Kenvue, roughly offset by an assumed 5-10% dilution from share issuance. Our target implies ~20x 2026E EPS and ~9x EV/EBITDA, which is justified if the merged entity is well-executed.

Risk, Catalysts, and Scenario Analysis

Bear Case (Risks): The headline risk is a failure on one or more of the strategic fronts. If Kenvue's Tylenol litigation escalates (Trump's unfounded autism claims lead to lawsuits), the brand could suffer losses and Kenvue's contribution could be impaired (www.axios.com). Worse, integration may falter: combining two legacy product companies rarely realizes full cost synergy; if the expected \$3B savings are only partly realized, EBIT could disappoint. On core operations, cost inflation could outpace pricing, squeezing margins beyond current estimates. A sudden spike in pulp/oil above \$100Bbl (recent Middle East flare-ups) could knock an extra 1-2% off margins above expectations (www.sec.gov). Currency swings (e.g. emerging-market weakness) could lop another couple points off revenue. On finance, if interest rates keep rising, refinancing Kenvue debt at higher rates could eat deeply into FCF (each 1% move on \$10B is \$100M extra interest per year). In addition, the market may re-rate consumer-goods yields: if inflation proves sticky, staple P/E multiples could fall (as with early 2022). Finally, soft consumer demand (a sharper recession) might permanently erode volumes (especially in discretionary hygiene markets like feminine care). In a true bear scenario—say, Kenvue integration misses targets and raw costs jump—the stock could trade below \$80 (Target P/E ~10x on flat EPS, or on depressed free cash flows).

Bull Case (Catalysts): Conversely, the upside catalysts are clear. If the Kenvue deal closes smoothly, the combined company's size and diversification could dramatically boost cash flows. Kenvue's brands have not been aggressively marketed post-spin, so a fresh investment (or shared R&D) could revive sales. Synergies in distribution and procurement might exceed initial projections (e.g. cross-selling Kleenex with Tylenol by wellness marketing). The Suzano JV cash inflow (\$1.7B) relieves balance-sheet strain, allowing some debt paydown or special dividends. The "2024 Initiative" cost program may even outperform: suppose KMB hits \$3.0B+ in gross savings and offsets every cent of inflation – operating margins could slowly creep back to early-2020 levels (pre-inflation). Geopolitically, a stabilization of oil/pulp prices or a weaker dollar would lift revenue/C\$ terms. Finally, a softer area for KMB – say, if a middle-income market rebounds (China reopening, emerging markets growth) – could power additional volume. In the

bull case, we imagine Q4 2026 EPS closer to \$6.00 (including synergies) and a premium multiple (say 22x) as investors give “monopoly” credit to the enlarged company. That scenario would justify share prices in the **\$130-140** range within a year.

Scenario Analysis:

- **Base Case (\$110):** Transactions close on plan by mid-2026. Core KMB delivers mid-single-digit organic growth, and cost cuts offset inflation. FY2027 pro forma EPS ~ \$5.00, justifying ~22x P/E. No major shocks.
- **Bear Case (\$80):** Kenvue deal delays or partial closing; aggressive raw-material inflation occurs; consumer demand stays weak. Core EPS drops to ~\$3.50 and we value at 10-12x.
- **Bull Case (\$135):** Synergies and new cross-sells are realized ahead of schedule, pension or tax assets (if any) improve, and broad dividends remain safe. Combined EPS leaps to ~\$6.00-6.50 with a P/E ~21-23x. Economic conditions remain benign, and staples multiple re-rates upward.

Red Team Analysis (Devil's Advocate)

Even with our Base-case Buy thesis, several fatal flaws loom:

- **Fundamental Decay:** At first glance KMB's high yield and modest recent sales gains seem attractive. But dig deeper: volume in core categories is flat to negative. Market share is slipping to private labels and lower-priced competitors. Its brands (e.g. Cottonelle, Huggies) face elastic demand – any future price hikes are likely to be partly passed through. Gross margin is running near cycle lows (~36%), reflecting permanently higher commodity costs. If management's cost savings hit only the “table stakes” (i.e. -\$859M to date (www.sec.gov), well short of \$3.0B objective), then ongoing earnings will disappoint. The Q1 2026 beat was driven mainly by comparisons to an unusually weak prior-year quarter and restructuring timing; on an adjusted basis, core EPS was unchanged (www.sec.gov). Essentially, earnings growth is an illusion: without M&A, this business is roughly flat.
- **Balance Sheet Risk:** The combined entity's debt will be staggering. Recall, Kenvue itself traded at low valuation due to high leverage concerns (J&J spin). KMB is willingly burdening itself with even more debt to buy that risk-ridden portfolio (www.sec.gov). This is happening at a time when interest rates are at 20-year highs. Even a small move in rates will massively increase interest expense and squeeze free cash flow; imagine going from 3% to 5% on ~\$13B debt. We've already underlined that FY2025 dividends exceeded continuing earnings (cdn.yahooofinance.com) – now picture adding a big-ticket acquisition that may depress EPS further. Total leverage could breach 5x EBITDA, a historically dangerous zone for non-financials.
- **Execution Lapses:** Large integrations in consumer goods often disappoint. Remember Johnson & Johnson's own struggles with turning around its consumer spin-off (Kenvue) and Nestlé's periodic write-downs of acquired tissue brands. Cultural clashes (healthcare vs babycare) and high switching costs for sales channels mean many promised synergies won't materialize quickly. If half of the projected synergies (or worse, none) come through, we'll be left with an even more bloated, lower-margin company. Also, Kimberly's own management has been defensive on guidance – they haven't clearly articulated how Kenvue improves profitability in 2027. They seem to be betting on the hope the market “forgets” the risks.
- **Structural Secular Decline:** Beyond short-term moves, think 5-10 years out: consumer demographics are shifting. Birth rates are low in developed markets; demand for baby diapers may peak or decline. Tissue demand tops out as market saturation hits. Meanwhile, millennials/Gen-Z may not stick with heritage brands – some evidence suggests they are willing to try challengers or bulk-store alternatives. If the core market is in secular decline, then even the Kenvue anti-fever-pain category (Tylenol) may not offset it – especially if megatrends like health/nutrition start to favor other product forms. Ultimately, the whole stock could be a “value trap”: superficially yielding and growing only by hauling in new businesses, but

concealing a franchise with limited organic growth potential. At that point, the stock might languish for years, forever promising cost cuts that only keep flat.

In summary, Kimberly-Clark looks superficially cheap/income-rich now, but is saddled with over-optimistic assumptions. If one forces the "Buy" thesis, the converse is that the stock may actually be the classic **Value Trap** – high yield financed by leverage and merger bets that mask an underlying lack of durable growth. Investors should therefore scrutinize the assumptions: if any prove off, the downside could be steep.



END OF RESEARCH NOTE