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.