

Kenvue Reports First Quarter 2026 Results

05/07/2026

- *Net Sales Increased 4.5%; Organic Sales¹ Increased 0.7%*
- *Diluted EPS Increased 47% to \$0.25; Adjusted Diluted EPS¹ Increased 33% to \$0.32*

SUMMIT, N.J.--(BUSINESS WIRE)-- Kenvue Inc. (NYSE: KVUE) today announced financial results for the fiscal first quarter ended March 29, 2026.

“Our year is off to an encouraging start, as our continued efforts to strengthen the business and sharpen execution resulted in delivering net and organic sales growth for the second consecutive quarter, along with meaningful year-over-year improvement in gross margin, operating margin, and EPS,” said Kirk Perry, Chief Executive Officer. “We remain confident in our ability to navigate ongoing macro uncertainty, as we accelerate our organization and business transformation through our new strategic plans and work toward completing our value-creating combination with Kimberly-Clark in the second half of this year.”

First Quarter Summary

- Net sales increased 4.5% vs the prior year period, reflecting Organic sales ¹ growth of 0.7% and a foreign currency benefit of 3.8%.
- Gross profit margin was 58.9% vs 58.0% in the prior year period. Adjusted gross profit margin ¹ was 60.8% vs 60.0% in the prior year period.
- Operating income margin was 19.6% vs 14.9% in the prior year period. Adjusted operating income margin ¹ was 24.0% vs 19.8% in the prior year period.
- Diluted earnings per share were \$0.25 vs \$0.17 in the prior year period. Adjusted diluted earnings per share ¹ were \$0.32 vs \$0.24 in the prior year period.
- Due to the pending transaction with Kimberly-Clark, the Company will not be providing forward-looking guidance.

First Quarter 2026 Financial Results

Net Sales and Organic Sales

First quarter 2026 Net sales increased 4.5% vs the prior year period, reflecting Organic sales growth of 0.7% and a foreign currency benefit of 3.8%. Organic sales growth was driven by favorable value realization of 1.0%, partially offset by a 0.3% volume decrease.

Gross Profit Margin and Operating Income Margin

First quarter 2026 Gross profit margin expanded 90 basis points to 58.9% from 58.0% in the prior year period. Adjusted gross profit margin expanded 80 basis points to 60.8% from 60.0% in the prior year period. The year-over-year improvement in both measures largely reflects the savings from productivity gains attributable to our global supply chain optimization initiatives and favorable value realization, which more than offset the impact from inflation, tariffs, and lower volumes.

First quarter 2026 Operating income margin expanded to 19.6% from 14.9% in the prior year period. First quarter 2026 Adjusted operating income margin expanded to 24.0% from 19.8% in the prior year period. The year-over-year improvement in both measures reflects the year-over-year increase in Gross profit margin and Adjusted gross profit margin, as well as benefits from our cost optimization actions, including Our Vue Forward and the 2026 Restructuring Initiative that, in combination with media cost improvements, drove a year-over-year reduction in Selling, general, and administrative expenses.

Interest Expense, Net and Taxes

First quarter 2026 Interest expense, net was \$95 million vs \$94 million in the prior year period.

First quarter Effective tax rate was 29.5% vs 29.7% in the prior year period. The Adjusted effective tax rate¹ was 27.2% vs 27.5% in the prior year period. The year-over-year reduction in both measures largely reflects favorable jurisdictional mix of earnings in the current period and the impact of tax law changes, partially offset by unfavorable return to provision items.

Net Income Per Share ("Earnings Per Share")

First quarter 2026 Diluted earnings per share were \$0.25 vs \$0.17 in the prior year period. First quarter 2026 Adjusted diluted earnings per share were \$0.32 vs \$0.24 in the prior year period.

First Quarter 2026 Business Segment Results

Self Care

First quarter 2026 Net sales increased 1.9% vs the prior year period, reflecting a foreign currency benefit of 4.2%, partially offset by Organic sales decline of 2.3%. Organic sales decline was driven by a volume decrease of 3.9%, which was partially offset by favorable value realization of 1.6%. Weak cold and flu seasons across major markets weighed on the Self Care business and more than offset continued growth in smoking cessation behind strong commercial execution on Nicorette[®], which drove share gains for the brand across major markets in Europe, Middle East and Africa ("EMEA") and Asia Pacific. In the United States, the Company's largest market, consumption trends improved sequentially and we gained market share despite a reduction in seasonal incidences vs the prior year period. Share improvement was driven by innovations and strong brand activations like Zyrtec[®] becoming the first Official Allergy Relief Sponsor of the PGA TOUR, supported by a fully integrated marketing campaign and executional excellence at retail. Market share and consumption

trends for Tylenol[®] strengthened sequentially in the first quarter, with measured brand trust steady at the same levels as in early September. Tylenol[®] remains the #1 HCP recommended brand both for adults and children, as Average Weekly Recommendations increased sequentially for both adults and children.

Skin Health and Beauty

First quarter 2026 Net sales increased 8.4% vs the prior year period, reflecting Organic sales growth of 5.0% and a foreign currency benefit of 3.4%. Organic sales growth was driven by volume growth of 4.2% and favorable value realization of 0.8%, as strong Organic sales growth in EMEA, Latin America and Asia Pacific was accompanied by sequential improvement in North America. Organic sales grew vs the prior year period across major need states. It was fueled by a robust pipeline of innovations and sharp brand activations across regions, the Company's targeted actions to accelerate demand in the eCommerce channel, and a solid sun season in Latin America that was further amplified by strong commercial execution on Neutrogena[®] Sun. Innovations spanned across major brands and included entry by Neutrogena[®] into the Sun Care category in select markets in EMEA, as well as the introduction of OGX[®] Pro Growth in North America and EMEA, which builds on the recent success of OGX[®] Bond Protein Repair line.

Essential Health

First quarter 2026 Net sales increased 4.9% vs the prior year period, reflecting Organic sales growth of 1.5% and a foreign currency benefit of 3.4%. Organic sales growth was driven by volume growth of 1.4% and slightly favorable value realization of 0.1%, with North America and Latin America fueling this performance. In Latin America, we gained share across key brands. Baby Care, Oral Care, and Wound Care contributed to growth in Essential Health in the quarter and offset a decline in Women's Health. Baby Care grew vs the prior year period across major regions, with performance in North America enabled by expanded distribution and acceleration in the eCommerce channel. Results for Oral Care and Wound Care reflect strong contribution from brand activations and innovations, including the global restage of Listerine[®] as we commenced the roll-out of a new range of products across select markets during the first quarter and Listerine[®] On-The-Go Alcohol Free Mouthwash Sachets.

Cash Flow and Balance Sheet

First quarter 2026 Net cash flows from operating activities were \$0.5 billion vs \$0.4 billion in the prior year period, with the improvement driven by an increase in net income. Capital expenditures were \$0.1 billion vs \$0.2 billion in the prior year period, as Free cash flow¹ increased to \$0.4 billion vs \$0.2 billion in the prior year period. Total cash and cash equivalents were \$1.1 billion as of March 29, 2026 and December 28, 2025. Total debt was \$8.7 billion as of March 29, 2026 vs \$8.5 billion as of December 28, 2025.

Pending Transaction with Kimberly-Clark

As previously announced, the Company entered into a definitive merger agreement on November 2, 2025, under which Kimberly-Clark will acquire all of the outstanding shares of Kenvue common stock in a cash and stock transaction. Shareholders of each company voted overwhelmingly to approve all of the proposals necessary for Kimberly-Clark to complete its acquisition of the Company at their respective Special Meetings of Stockholders held on January 29, 2026. Additionally, the waiting period applicable to the transaction under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, expired on

February 4, 2026. The transaction is expected to close in the second half of 2026, subject to receipt of foreign regulatory approvals and satisfaction of other customary closing conditions as described in the merger agreement.

2026 Restructuring Initiative

As previously disclosed, on February 17, 2026, the Company's Board of Directors approved an initiative (the "2026 Restructuring Initiative") that aims to optimize its operating model, transform its supply chain, reduce complexity, and drive operational efficiencies, while strengthening core capabilities. The Initiative is expected to result in pre-tax restructuring expenses and other charges totaling approximately \$250 million in fiscal year 2026.

No Conference Call

Due to the pending transaction with Kimberly-Clark, Kenvue will not be hosting a quarterly conference call. This press release will be posted on the Company's website at investors.kenvue.com.

About Kenvue

Kenvue Inc. is the world's largest pure-play consumer health company by revenue. Built on more than a century of heritage, our iconic brands, including Aveeno[®], BAND-AID[®] Brand, Johnson's[®], Listerine[®], Neutrogena[®], and Tylenol[®], are science-backed and recommended by healthcare professionals around the world. At Kenvue, we realize the extraordinary power of everyday care. Our teams work every day to put that power in consumers' hands and earn a place in their hearts and homes. Learn more at kenvue.com.

¹Non-GAAP Financial Measures

The Company uses certain non-GAAP financial measures to supplement the financial measures prepared in accordance with U.S. GAAP. There are limitations to the use of the non-GAAP financial measures presented herein. These non-GAAP financial measures are not prepared in accordance with U.S. GAAP, nor do they have any standardized meaning under U.S. GAAP. In addition, other companies may use similarly titled non-GAAP financial measures that are calculated differently from the way the Company calculates such measures. Accordingly, the non-GAAP financial measures may not be comparable to such similarly titled non-GAAP financial measures used by other companies. The Company cautions you not to place undue reliance on these non-GAAP financial measures, but instead to consider them with the most directly comparable U.S. GAAP measure. These non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation. These non-GAAP financial measures should be considered supplements to, not substitutes for, or superior to, the corresponding financial measures calculated in accordance with U.S. GAAP.

The Company believes the presentation of these measures is relevant and useful for investors because it allows investors to view performance in a manner similar to the method used by management. The Company believes these measures help improve investors' ability to understand the Company's operating performance and makes it easier to compare the Company's results with other companies. In addition, the Company believes these measures are also among the primary measures used externally by the Company's investors, analysts, and peers in its industry for purposes of valuation and comparing the operating

performance of the Company to other companies in our industry.

Below are definitions and the reconciliation to the most closely related GAAP measures for the non-GAAP measures used in this press release.

Adjusted diluted earnings per share: We define Adjusted diluted earnings per share as Adjusted net income divided by the weighted average number of diluted shares outstanding. Management views this non-GAAP measure as useful to investors as it provides a supplemental measure of the Company's performance over time.

Adjusted EBITDA margin: We define EBITDA as U.S. GAAP Net income adjusted for interest, provision for taxes, and depreciation and amortization. We define Adjusted EBITDA as EBITDA adjusted for restructuring expenses and operating model optimization initiatives, costs incurred in connection with our establishment as a standalone public company ("Separation-related costs"), conversion of stock-based awards, stock-based awards granted to individuals employed by Kenvue as of October 2, 2023 ("Founder Shares"), expenses incurred in connection with the pending transaction with Kimberly-Clark ("Pending Transaction and other related costs"), costs associated with the Skillman sale-leaseback, and the impact of the deferred transfer of certain assets and liabilities from Johnson & Johnson in certain jurisdictions (the "Deferred Markets"). We define Adjusted EBITDA margin as Adjusted EBITDA as a percentage of U.S. GAAP Net sales. Management believes this non-GAAP measure is useful to investors as it provides a supplemental perspective to the Company's operating efficiency over time.

Adjusted effective tax rate: We define Adjusted effective tax rate as U.S. GAAP Effective tax rate adjusted for the tax effects on special item adjustments including amortization of intangible assets, restructuring expenses and operating model optimization initiatives, Separation-related costs, conversion of stock-based awards, Founder Shares, Pending Transaction and other related costs, and costs associated with the Skillman sale-leaseback. We also exclude taxes related to the Deferred Markets. Management believes this non-GAAP measure is useful to investors as it provides a supplemental measure of the Company's performance over time.

Adjusted gross profit margin: We define Adjusted gross profit margin as U.S. GAAP Gross profit margin adjusted for amortization of intangible assets, Separation-related costs, conversion of stock-based awards, Founder Shares, operating model optimization initiatives, and Pending Transaction and other related costs. Management believes this non-GAAP measure is useful to investors as it provides a supplemental perspective to the Company's operating efficiency over time.

Adjusted net income: We define Adjusted net income as U.S. GAAP Net income adjusted for amortization of intangible assets, restructuring expenses and operating model optimization initiatives, Separation-related costs, conversion of stock-based awards, Founder Shares, Pending Transaction and other related costs, costs associated with the Skillman sale-leaseback, the impact of the Deferred Markets, and their related tax impacts (i.e., special items). Adjusted net income excludes the impact of items that may obscure trends in our underlying performance. Management believes this non-GAAP measure is useful to investors as the Company uses Adjusted net income for strategic decision making, forecasting future results, and evaluating current performance.

Adjusted operating income: We define Adjusted operating income as U.S. GAAP Operating income adjusted for amortization of intangible assets, restructuring expenses and operating model optimization initiatives, Separation-related costs, conversion of stock-based awards, Founder Shares, Pending Transaction and

other related costs, costs associated with the Skillman sale-leaseback, and the impact of the Deferred Markets. Management believes this non-GAAP measure is useful to investors as management uses Adjusted operating income to assess the Company's financial performance.

Adjusted operating income margin: We define Adjusted operating income margin as Adjusted operating income as a percentage of U.S. GAAP Net sales. Management believes this non-GAAP measure is useful to investors as it provides a supplemental perspective to the Company's operating efficiency over time.

Free cash flow: We define Free cash flow as U.S. GAAP Net cash flows from operating activities adjusted for purchases of property, plant, and equipment. Management believes this non-GAAP measure is useful to investors as it provides a view of the Company's liquidity after deducting capital expenditures, which are considered a necessary component of our ongoing operations.

Organic sales: We define Organic sales as U.S. GAAP Net sales excluding the impact of changes in foreign currency exchange rates and the impact of acquisitions and divestitures. We report changes in Organic sales on a period-over-period basis. Management believes reporting period-over-period changes in Organic sales provides investors with supplemental information that is useful in assessing the Company's results of operations by excluding the impact of certain items that we believe do not directly reflect our underlying operations.

Market Share Information

The Company uses market share and related metrics, including Average Weekly Recommendations, as indicators to assess business performance and trends. Market share references in this press release are derived from a combination of consumption and market share data provided by third-party vendors and internal estimates. Unless otherwise indicated, such references represent the percentage of the dollar value of sales of our products, relative to all product sales in the category in the countries in which the Company operates and purchases data.

Market share data is subject to inherent limitations, including the availability and timing of underlying information. In particular, market share data is not generally available for certain retail channels. The Company measures market share through the most recent period for which market share data is available, which generally reflects a lag time of one or two months. While the Company believes the third-party vendors it uses to provide data are reliable, it has not independently verified the accuracy or completeness of such data or its underlying assumptions. In addition, the Company's reported market share data may differ from that reported by other companies due to differences in category definitions, geographic scope, internal estimates and other factors.

Cautions Concerning Forward-Looking Statements

This press release contains "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995 regarding, among other things, statements about management's expectations of Kenvue's future operating and financial performance, product development, market position, and business strategy. Such forward-looking statements include statements regarding the pending transaction with Kimberly-Clark. Forward-looking statements may be identified by the use of words such as "plans," "expects," "will," "anticipates," "estimates," and other words of similar meaning. The reader is cautioned not to rely on these forward-looking statements. These statements are based on current expectations of future events. If underlying assumptions prove inaccurate or known or unknown risks or uncertainties materialize, actual results could vary materially from the expectations and projections of Kenvue and its affiliates. Risks

and uncertainties include, but are not limited to: the inability to execute on Kenvue's business development strategy; inflation and other economic factors, such as interest rate and currency exchange rate fluctuations, as well as existing or proposed tariffs and other constraints on trade both in the U.S. and in foreign markets; the ability to successfully manage local, regional, or global economic volatility, including reduced market growth rates, and to generate sufficient income and cash flow to allow Kenvue to effect any dividend payments; Kenvue's ability to maintain satisfactory credit ratings and access capital markets, which could adversely affect its liquidity, capital position, and borrowing costs; competition, including technological advances, new products, and intellectual property attained by competitors; challenges inherent in new product research and development; uncertainty of commercial success for new and existing products and digital capabilities; challenges to intellectual property protections, including counterfeiting; the ability of Kenvue to successfully execute strategic plans, including the 2026 Restructuring Initiative and any other restructuring or cost-saving initiatives; the impact of business combinations and divestitures, including any ongoing or future transactions; manufacturing difficulties or delays, internally or within the supply chain; product efficacy or safety concerns resulting in product recalls or regulatory action; significant adverse litigation or government action, including related to product liability claims; changes to applicable laws and regulations and other stakeholder requirements; changes in behavior and spending patterns of consumers; natural disasters, acts of war, or terrorism, catastrophes, or epidemics, pandemics, or other disease outbreaks; financial instability of international economies and legal systems and sovereign risk; the inability to realize the benefits of the separation from Kenvue's former parent, Johnson & Johnson; the risk of disruption or unanticipated costs in connection with the separation; the Company's inability to consummate the pending transaction with Kimberly-Clark due to, among other things, market, regulatory, and other factors; the potential for disruption to the Company's business resulting from the pending transaction with Kimberly-Clark; and potential adverse effects on the Company's stock price from the announcement, suspension, or consummation of the pending transaction with Kimberly-Clark. A further list and descriptions of these risks, uncertainties, and other factors can be found in Kenvue's filings with the Securities and Exchange Commission, including its most recent Annual Report on Form 10-K and subsequent Quarterly Report on Form 10-Q and other filings, available at investors.kenvue.com or on request from Kenvue. Any forward-looking statement made in this release speaks only as of the date of this release. Kenvue undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events, or developments or otherwise.

Kenvue Inc.
Condensed Consolidated Statements of Operations
(Unaudited; Dollars in Millions, Except Per Share Data; Shares in Millions)

	Fiscal Three Months Ended	
	March 29, 2026	March 30, 2025
Net sales	\$ 3,909	\$ 3,741
Cost of sales	1,607	1,573
Gross profit	2,302	2,168
Selling, general, and administrative expenses	1,453	1,537
Restructuring expenses	71	60
Other operating expense, net	11	13
Operating income	767	558
Other expense, net	—	6
Interest expense, net	95	94

Income before taxes	672	458
Provision for taxes	198	136
Net income	\$ 474	\$ 322
Net income per share		
Basic	\$ 0.25	\$ 0.17
Diluted	\$ 0.25	\$ 0.17
Weighted-average number of shares outstanding		
Basic	1,918	1,914
Diluted	1,922	1,925
Organic Sales Change		

The following tables present a reconciliation of the change in Net sales, as reported, to the change in Organic sales, a non-GAAP measure, for the periods presented:

(Unaudited)	Fiscal Three Months Ended March 29, 2026 vs. March 30, 2025 ⁽¹⁾				
	Reported Net Sales Change	Impact of Foreign Currency	Organic Sales Change		
			Total Organic Sales Change	Price/Mix ⁽²⁾	Volume
Self Care	1.9%	4.2%	(2.3)%	1.6%	(3.9)%
Skin Health and Beauty	8.4	3.4	5.0	0.8	4.2
Essential Health	4.9	3.4	1.5	0.1	1.4
Total	4.5%	3.8%	0.7%	1.0%	(0.3)%

⁽¹⁾ Acquisitions and divestitures did not impact the reported Net sales change.

⁽²⁾ Price/Mix reflects value realization.

Total Segment Net Sales and Adjusted Operating Income

Segment Net sales for the periods presented were as follows:

(Unaudited; Dollars in Millions)	Net Sales	
	Fiscal Three Months Ended	
	March 29, 2026	March 30, 2025
Self Care	\$ 1,699	\$ 1,667

Skin Health and Beauty	1,059	977
Essential Health	1,151	1,097
Total segment net sales	<u>\$ 3,909</u>	<u>\$ 3,741</u>

Segment Adjusted operating income for the periods presented was as follows:

(Unaudited; Dollars in Millions)	Adjusted Operating Income	
	Fiscal Three Months Ended	
	March 29, 2026	March 30, 2025
Self Care Adjusted operating income	\$ 625	\$ 566
Skin Health and Beauty Adjusted operating income	168	92
Essential Health Adjusted operating income	299	239
Total	<u>\$ 1,092</u>	<u>\$ 897</u>
Reconciliation to Adjusted operating income (non-GAAP):		
Depreciation ⁽¹⁾	78	73
General corporate/unallocated expenses	69	79
Other operating expense, net	11	13
Other—impact of Deferred Markets	(6)	(9)
Adjusted operating income (non-GAAP)	<u>\$ 940</u>	<u>\$ 741</u>
Reconciliation to Income before taxes:		
Amortization of intangible assets ⁽²⁾	65	63
Separation-related costs ⁽⁴⁾	3	38
Restructuring expenses and operating model optimization initiatives ⁽³⁾	78	67
Conversion of stock-based awards	1	3
Other—impact of Deferred Markets	6	9
Founder Shares	2	3
Pending Transaction and other related costs ⁽⁵⁾	16	—
Skillman sale-leaseback	2	—
Operating income	<u>\$ 767</u>	<u>\$ 558</u>
Other expense, net	—	6
Interest expense, net	95	94
Income before taxes	<u>\$ 672</u>	<u>\$ 458</u>

Non-GAAP Financial Information

The following tables present reconciliations of GAAP to non-GAAP for the periods presented:

Fiscal Three Months Ended March 29, 2026

(Unaudited; Dollars in Millions)

	As Reported	Adjustments	Reference	As Adjusted
Net sales	\$ 3,909	—		\$ 3,909
Gross profit	\$ 2,302	74 (a)		\$ 2,376
<i>Gross profit margin</i>	58.9%			60.8%
Operating income	\$ 767	173 (a)-(c)		\$ 940
<i>Operating income margin</i>	19.6%			24.0%
Net income	\$ 474	141 (a)-(d)		\$ 615
<i>Net income margin</i>	12.1%			15.7%
Interest expense, net	\$ 95			
Provision for taxes	\$ 198			
Depreciation and amortization	\$ 143			
EBITDA (non-GAAP)	\$ 910	108 (b)-(c), (e)		\$ 1,018
<i>EBITDA margin (non-GAAP)</i>	23.3%			26.0%

Detail of Adjustments

	Cost of Sales	SG&A/ Restructuring Expenses	Other Operating Expense, Net	Provision for Taxes	Total
Amortization of intangible assets ⁽²⁾	\$ 65	\$ —	\$ —	\$ —	\$ 65
Restructuring expenses ⁽³⁾	—	71	—	—	71
Operating model optimization initiatives ⁽³⁾	5	2	—	—	7
Separation-related costs, conversion of stock-based awards, and Founder Shares ⁽⁴⁾	2	4	—	—	6
Pending Transaction and other related costs ⁽⁵⁾	2	14	—	—	16
Skillman sale-leaseback	—	2	—	—	2
Impact of Deferred Markets—minority interest expense	—	—	3	—	3
Impact of Deferred Markets—provision for taxes	—	—	3	(3)	—
Tax impact on special item adjustments	—	—	—	(29)	(29)

Total	\$	74	\$	93	\$	6	\$	(32)	\$	141
		(a)		(b)		(c)		(d)		
Cost of sales less amortization	\$	9								
		(e)								

Fiscal Three Months Ended March 30, 2025

(Unaudited; Dollars in Millions)	As Reported	Adjustments	Reference	As Adjusted
Net sales	\$ 3,741	—		\$ 3,741
Gross profit	\$ 2,168	77	(a)	\$ 2,245
Gross profit margin	58.0%			60.0%
Operating income	\$ 558	183	(a)-(c)	\$ 741
Operating income margin	14.9%			19.8%
Net income	\$ 322	143	(a)-(d)	\$ 465
Net income margin	8.6%			12.4%
Interest expense, net	\$ 94			
Provision for taxes	\$ 136			
Depreciation and amortization	\$ 136			
EBITDA (non-GAAP)	\$ 688	120	(b)-(c), (e)	\$ 808
EBITDA margin (non-GAAP)	18.4%			21.6%

Detail of Adjustments

	Cost of Sales	SG&A/ Restructuring Expenses	Other Operating Expense, Net	Provision for Taxes	Total
Amortization of intangible assets ⁽²⁾	\$ 63	\$ —	\$ —	\$ —	\$ 63
Restructuring expenses ⁽³⁾	—	60	—	—	60
Operating model optimization initiatives ⁽³⁾	6	1	—	—	7
Separation-related costs, conversion of stock-based awards, and Founder Shares ⁽⁴⁾	8	36	—	—	44
Impact of Deferred Markets—minority interest expense	—	—	4	—	4
Impact of Deferred Markets—provision for taxes	—	—	5	(5)	—

Tax impact on special item adjustments	—	—	—	(35)	(35)
Total	<u>\$ 77</u>	<u>\$ 97</u>	<u>\$ 9</u>	<u>\$ (40)</u>	<u>\$ 143</u>
	(a)	(b)	(c)	(d)	
Cost of sales less amortization	\$ 14				
	(e)				

(1) Depreciation consists of depreciation of property, plant, and equipment and amortization of integration and development costs capitalized in connection with cloud computing arrangements.

(2) Relates to the amortization of definite-lived intangible assets (primarily trademarks, trade names, and customer lists) over their estimated useful lives.

(3) Restructuring expenses and operating model optimization initiatives in the fiscal three months ended March 29, 2026 related to the 2026 Restructuring Initiative and in the fiscal three months ended March 30, 2025 related to the 2024 Multi-year Restructuring Initiative and were composed of the following:

(Unaudited; Dollars in Millions)	Fiscal Three Months Ended	
	March 29, 2026	March 30, 2025
Employee-related costs (one-time severance and other termination benefits)	\$ 48	\$ 25
Information technology and project-related costs	30	40
Other implementation costs	—	2
Total restructuring expenses and operating model optimization initiatives	<u>\$ 78</u>	<u>\$ 67</u>

(4) Separation-related costs relate to non-recurring costs incurred in connection with our establishment of Kenvue as a standalone public company. Separation-related costs, the impact of the conversion of stock-based compensation awards, and the incremental stock-based compensation from the issuance of the Founder Shares, were composed of the following:

(Unaudited; Dollars in Millions)	Fiscal Three Months Ended	
	March 29, 2026	March 30, 2025
Information technology and other	\$ —	\$ 33
Legal entity name change	3	5
Total separation-related costs	<u>\$ 3</u>	<u>\$ 38</u>
Conversion of stock-based awards	1	3
Founder Shares	2	3
Total separation-related costs, conversion of stock-based awards, and Founder Shares	<u>\$ 6</u>	<u>\$ 44</u>

(5) Pending Transaction and other related costs consist of expenses incurred in connection with the pending transaction with Kimberly-Clark, including advisory fees, legal costs, professional service costs, and other related costs.

The following table presents reconciliations of the Effective tax rate, as reported, to Adjusted effective tax rate for the periods presented:

	Fiscal Three Months Ended	
	March 29, 2026	March 30, 2025
(Unaudited)		
Effective tax rate	29.5%	29.7%
Adjustments:		
Tax-effect on special item adjustments	(2.4)	(2.4)
Taxes related to Deferred Markets	0.1	0.2
Adjusted Effective tax rate (non-GAAP)	27.2%	27.5%

The following table presents a reconciliation of Diluted earnings per share, as reported, to Adjusted diluted earnings per share for the periods presented:

	Fiscal Three Months Ended	
	March 29, 2026	March 30, 2025
(Unaudited)		
Diluted earnings per share	\$ 0.25	\$ 0.17
Adjustments:		
Separation-related costs	—	0.02
Restructuring expenses and operating model optimization initiatives	0.04	0.03
Amortization of intangible assets	0.03	0.03
Pending Transaction and other related costs	0.01	—
Tax impact on special item adjustments	(0.02)	(0.02)
Other	0.01	0.01
Adjusted diluted earnings per share (non-GAAP)	\$ 0.32	\$ 0.24

The following table presents a reconciliation of Net cash flows from operating activities, as reported, and Purchases of property, plant, and equipment, as reported, to Free cash flow for the periods presented:

	Fiscal Three Months Ended	
	March 29, 2026	March 30, 2025
(Unaudited; Dollars in Billions)		
Net cash flows from operating activities	\$ 0.5	\$ 0.4
Purchases of property, plant, and equipment	(0.1)	(0.2)
Free cash flow (non-GAAP)	\$ 0.4	\$ 0.2
Other Supplemental Financial Information		

The following table presents the Company's Net sales by geographic region for the periods presented:

(Unaudited; Dollars in Millions)	Fiscal Three Months Ended	
	March 29, 2026	March 30, 2025
Net sales by geographic region		
North America	\$ 1,860	\$ 1,857
Europe, Middle East, and Africa	992	884
Asia Pacific	700	694
Latin America	357	306
Total Net sales by geographic region	<u>\$ 3,909</u>	<u>\$ 3,741</u>

The following table presents the Company's Research and development expenses for the periods presented. Research and development expenses are included within Selling, general, and administrative expenses.

(Unaudited; Dollars in Millions)	Fiscal Three Months Ended	
	March 29, 2026	March 30, 2025
Research & Development	\$ 84	\$ 99

The following table presents the Company's Cash and cash equivalents, Total debt, and Net debt balance as of the periods presented:

(Unaudited; Dollars in Billions)	March 29, 2026	December 28, 2025
	Cash and cash equivalents	\$ 1.1
Total debt	(8.7)	(8.5)
Net debt	<u>\$ (7.6)</u>	<u>\$ (7.5)</u>

Note: Numbers may not foot due to rounding.

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