



Q1 2017 FINANCIAL RESULTS

May 4, 2017

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Unless otherwise stated, references in this presentation to market shares or KPT’s market leadership are based on Nielsen dollar market share data and management estimates.

**The following presentation is to review Kruger Products L.P.
Q1 2017 financial results**

CORPORATE STRUCTURE



83.9%

16.1% *



Existing Memphis Operations
TAD Project



Kruger Products L.P. is the operating company.
KP Tissue Inc. is the publicly traded entity.

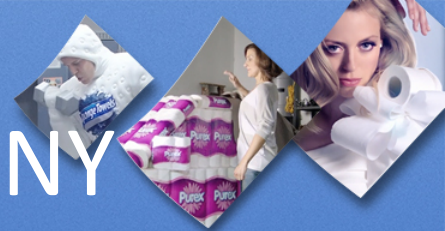
*As of March 26, 2017 (16.1% as of May 3, 2017)

Q1 2017 HIGHLIGHTS

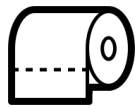


- Q1 2017 revenue of \$289.3 million, up 3.4% over Q1 2016, driven primarily by higher sales volume, and favourable selling prices in Canada, partially offset by unfavourable F/X on U.S. sales
- Revenues increased in both Canada and the U.S.
- Adjusted EBITDA¹ of \$33.8 million, up 20.3% over Q1 2016 primarily due to higher sales volume, improved pricing, net positive F/X impact, cost reduction initiatives and benefits of capital projects
- Adjusted EBITDA from TAD products of \$15.7 million, up from \$10.5 million in Q1 2016
- Net Income of \$6.9 million compared to \$6.4 million in Q1 2016

¹ Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure



CANADA'S LEADING TISSUE COMPANY



Bathroom Tissue

Facial Tissue

Paper Towel



Kruger
Products

#1
37.5%

#1
30.9%

#2
23.6%



20.1%

21.1%

10.7%

P&G

10.4%

0.8%

31.9%



Kimberly-Clark

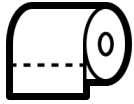
3.9%

17.9%

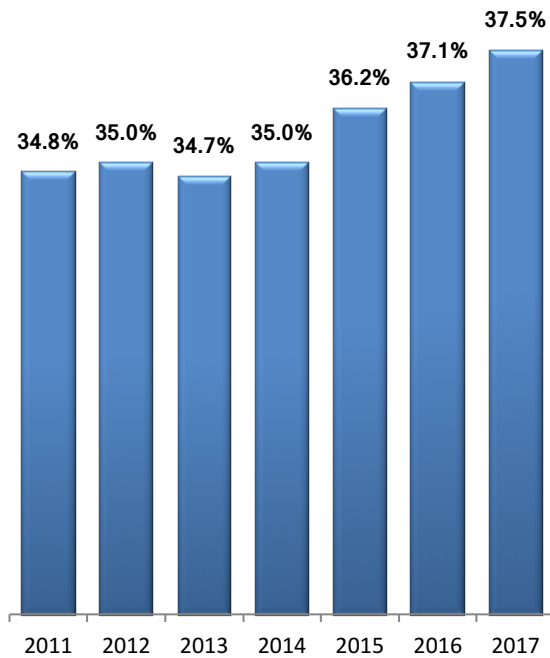
2.7%

Source: Nielsen; dollar market share for the 52-week period ended April 1, 2017.

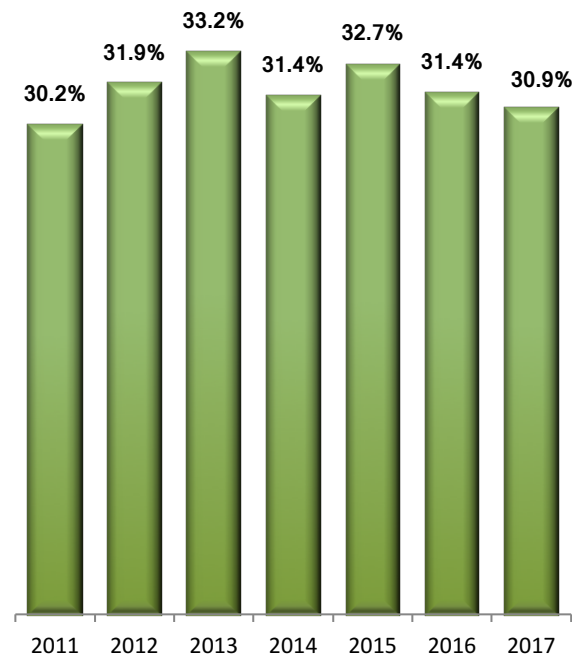
BRAND LEADERSHIP POSITION



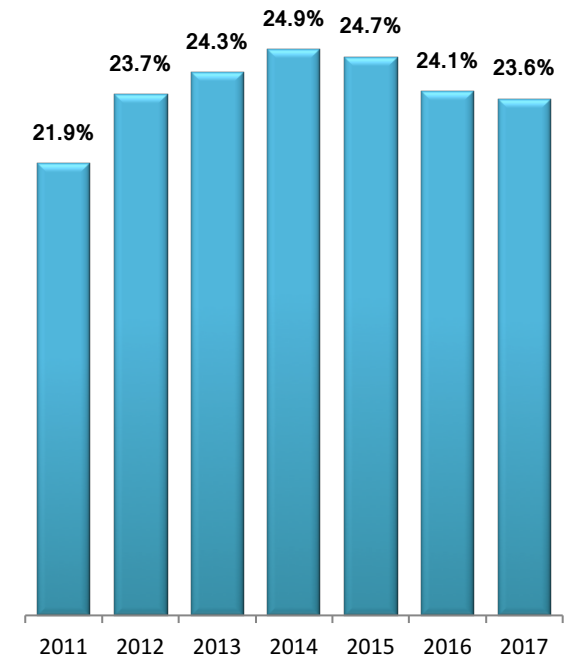
#1 Bathroom Tissue



#1 Facial Tissue



#2 Paper Towel



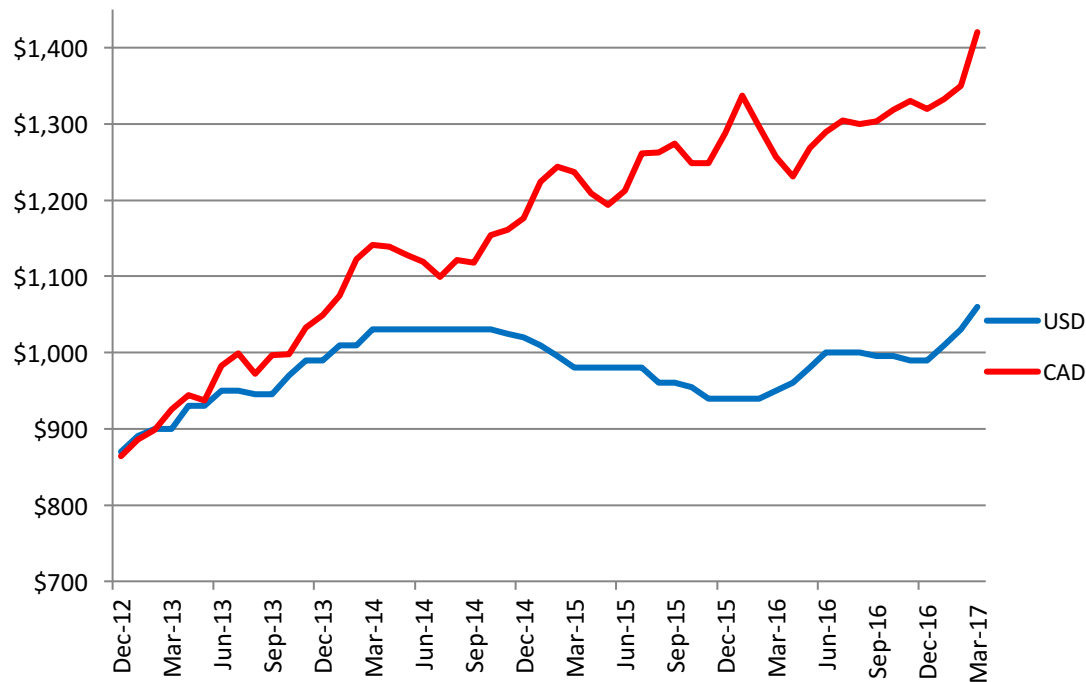
Source: Nielsen Canadian dollar market share for 52-week period data. 2017 represents the latest 12 months ending April 1, 2017

PULP INPUT PRICES



- Q1 pulp prices (NBSK) rose sequentially compared to Q4 2016, and also year-over-year, in both USD and CAD, while Eucalyptus prices (BEK) were sequentially higher but slightly lower than Q1 last year. Overall higher pulp prices will have further impact starting in Q2 2017.
- Based on industry information, management expects pulp prices in USD to escalate in the near term. The continuing weak and volatile CAD will further create fluctuations in pulp input costs during 2017.

NBSK North American List Prices per MT



(USD average 1.32 in Q1 2017 compared to 1.38 in Q1 2016)

QUARTERLY FINANCIAL SUMMARY



<i>(C\$ millions, unless otherwise noted)</i>	Q1 2017	Q4 2016	Q1 2016	% Change	
				Y/Y	Q/Q
# of days in Qtr	85	97	87	(2.3)%	(12.4)%
Revenue	289.3	339.6	279.7	3.4%	(14.8)%
Cost of Sales	244.3	284.2	240.7		
Gross Profit	45.0	55.4	39.0	15.4%	(18.8)%
<i>Gross Margin</i>	15.6%	16.3%	14.0%		
Adjusted EBITDA	33.8	42.9	28.1	20.3%	(21.2)%
<i>Adjusted EBITDA Margin</i>	11.7%	12.6%	10.0%		
Net Income (Loss)	6.9	(4.5)	6.4		
<i>Net Income Margin</i>	2.4%	(1.3)%	2.3%		

QUARTERLY SEGMENTED RESULTS



<i>(C\$ millions, unless otherwise noted)</i>	Q1 2017	Q4 2016	Q1 2016	% Change	
				Y/Y	Q/Q
# of days in Qtr	85	97	87	(2.3)%	(12.4)%
Segmented Revenue					
Consumer	238.9	278.0	228.1	4.7%	(14.1)%
AFH	48.7	59.5	49.1	(0.8)%	(18.2)%
Other	1.7	2.1	2.5		
Total segment revenue	289.3	339.6	279.7	3.4%	(14.8)%
Segment Adjusted EBITDA					
Consumer	33.0	41.9	27.8	18.7%	(21.2)%
AFH	0.7	1.0	-	-	(30.0)%
Other	0.1	-	0.3		
Total segment Adjusted EBITDA	33.8	42.9	28.1	20.3%	(21.2)%
Segment Adjusted EBITDA Margin					
Consumer	13.8%	15.1%	12.2%		
AFH	1.4%	1.7%	0.0%		
Total segment Adjusted EBITDA Margin	11.7%	12.6%	10.0%		

Q1 2017 REVENUE COMPARED TO Q1 2016



- Q1 2017 revenue increased by \$9.6 million or 3.4% over Q1 2016 primarily due to the following factors:
 - Consumer segment revenue increased \$10.8 million or 4.7% driven by sales volume growth in Canada and the U.S., and favourable selling prices in Canada
 - AFH revenue was essentially flat

From a geographic perspective:

- Revenue increased in Canada by \$10.1 million or 6.2%, primarily due to higher sales volume in the Consumer segment, and favourable selling prices
- Revenue in the U.S. increased by \$0.9 million or 0.8%, primarily due to higher sales volume in the Consumer segment, offset somewhat by lower F/X on U.S. sales and lower AFH U.S. sales

Q1 2017 ADJUSTED EBITDA COMPARED TO Q1 2016



- Q1 2017 Adjusted EBITDA increased by \$5.7 million or 20.3% to \$33.8 million primarily due to the following factors:
 - Higher sales volume in the Consumer segment
 - Favourable impact of the prior year's selling price increase in the Canadian Consumer business
 - Net positive F/X impact
 - Cost reduction initiatives
 - Benefit of capital projects
- Gross margin increased (15.6% in Q1 2017 versus 14.0% in Q1 2016) primarily due to the above mentioned factors

Q1 2017 REVENUE COMPARED TO Q4 2016



- Q1 2017 revenue decreased by \$50.3 million or 14.8% over Q4 2016, primarily due to 12 fewer sales days in Q1 2017 (impact of 12.4%):
 - Consumer segment revenue decreased by \$39.1 million or 14.1%
 - AFH segment revenue decreased by \$10.8 million or 18.2%, reflecting seasonally lower sales volumes in Q1 2017

From a geographic perspective

- Revenue decreased in:
 - Canada by \$33.4 million or 16.1%
 - U.S. by \$13.5 million or 11.4%
 - Mexico by \$3.4 million or 24.6%

Q1 2017 ADJUSTED EBITDA COMPARED TO Q4 2016



- Q1 2017 Adjusted EBITDA decreased by \$9.1 million over Q4 2016 due to the combination of the following factors:
 - Lower sales volumes, due primarily to 12 fewer sales days in Q1 2017
 - Higher pulp prices
 - Partially offset by lower SG&A costs
- Gross margin decreased (15.6% in Q1 2017 versus 16.3% in Q4 2016) primarily due to the above mentioned factors

BALANCE SHEET



(C\$ millions, unless otherwise noted)

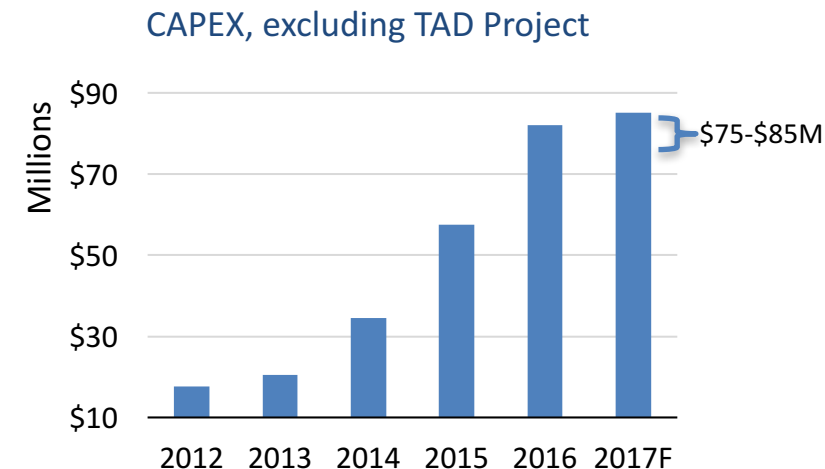
	<u>Q1 2017</u>	<u>Q4 2016</u>
Cash & bank indebtedness	34.8	27.5
Current portion of long-term debt	8.8	8.9
Long-term debt	443.5	415.4
Net Debt	417.5	396.8
LTM Adjusted EBITDA	158.2	152.5
Net Debt/LTM Adjusted EBITDA	2.6	2.6

CAPEX



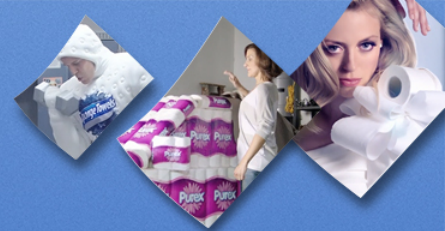
- Q1 2017 CAPEX of \$12.7 million, down from \$16.3 million in Q1 2016 due to project timing
- 2017 focus on high return CAPEX projects – total estimated at approximately \$75-\$85 million

CAPEX COMPONENTS	Target
Capacity/Growth	50%
Cost reductions	25%
Maintenance	25%
Total	100%



- Cost reduction and Capacity/Growth projects generally have 3 to 4 year paybacks

PM8 - CRABTREE



- Paper machine in Crabtree primarily dedicated to AFH
- Total project CAPEX of \$55 million with approximately \$25 million of CAPEX remaining as of March 31, 2017. Project on time and on budget.
- PM8 to be operational starting in Q4 2017 and positive contribution expected in Q1 2018

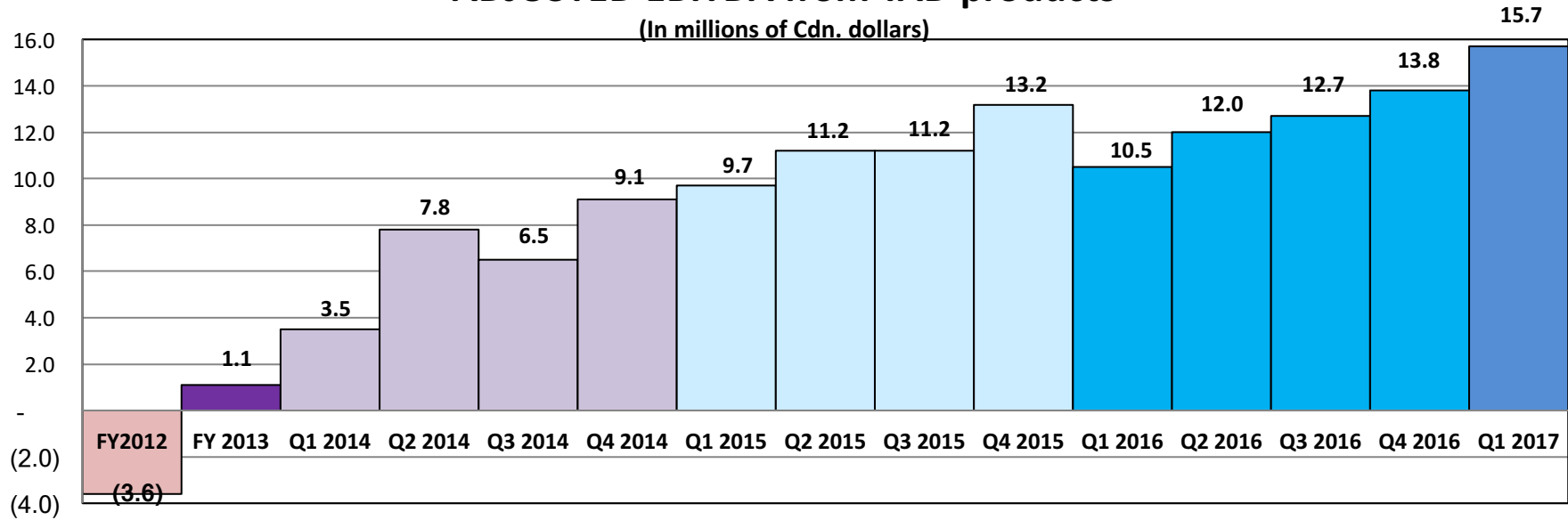


TAD PRODUCT



ADJUSTED EBITDA from TAD products

(In millions of Cdn. dollars)



- Q1 2017 Adjusted EBITDA from TAD products of \$15.7 million, up from \$10.5 million in Q1 2016 and from \$13.8 million in Q4 2016
- With TAD products generating \$15.7 million in Adjusted EBITDA in Q1 2017 representing an annualized run rate in excess of \$60 million, we consider that we have met our stated target for the TAD Project

WHITE CLOUD



- White Cloud® was exclusive to Walmart in the U.S. until recently
- White Cloud® benefits from a strong brand name recognition in the U.S. and continues to be recognized by a high-profile U.S. consumer magazine as the #1^(*) bathroom tissue
- The White Cloud® products expanded distribution to select U.S. retailers



* Based on a ranking of toilet paper products in the U.S. by a leading Consumer publication

CONCLUSION



- Maintain market share leadership in Canadian consumer segment in the context of a competitive and price sensitive environment
- Continued benefits of cost reduction program and capital projects
- Pursue White Cloud® customer diversification strategy in the U.S.
- Continue to leverage TAD product market potential
- AFH segment – new production line projects to improve manufacturing costs with anticipated benefits occurring in fiscal 2017

CONCLUSION



- Paper machine in Crabtree primarily dedicated to AFH with CAPEX of \$55 million to be operational starting in Q4 2017 and positive contribution expected in Q1 2018
- Above normal CAPEX in fiscal 2017 dedicated to improve profitability and manufacturing efficiencies, both in the Consumer and AFH segments – estimated at \$75-\$85 million. Positive impact on Adjusted EBITDA will start primarily in fiscal 2018
- Adjusted EBITDA for Q2 2017 is expected to increase slightly over Q2 2016, despite that we anticipate higher pulp prices to negatively impact results in the near-term



FOR MORE INFORMATION:

WWW.KPTISSUEINC.COM

WWW.KRUGERPRODUCTS.CA