

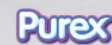
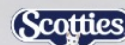


KP Tissue Inc.

# INVESTING FOR THE LONG TERM

**Q3 2021  
FINANCIAL RESULTS**

November 12, 2021



# Forward-Looking and Cautionary Statements

This Presentation on behalf of KP Tissue Inc. (the “Corporation” or “KPT”) does not constitute or form part of any offer for sale or solicitation of any offer to buy or subscribe for any securities nor shall it or any part of it form the basis of or be relied on in connection with, or act as any inducement to enter into, any contract or commitment whatsoever.

The information contained in this Presentation does not purport to be all-inclusive. This Presentation is being supplied to you solely for your information and may not be reproduced, further distributed or published in whole or in part by any other person. Neither this Presentation nor any copy of it may be taken or transmitted into or distributed any other jurisdiction which prohibits the same except in compliance with applicable securities laws. Any failure to comply with this restriction may constitute a violation of securities law.

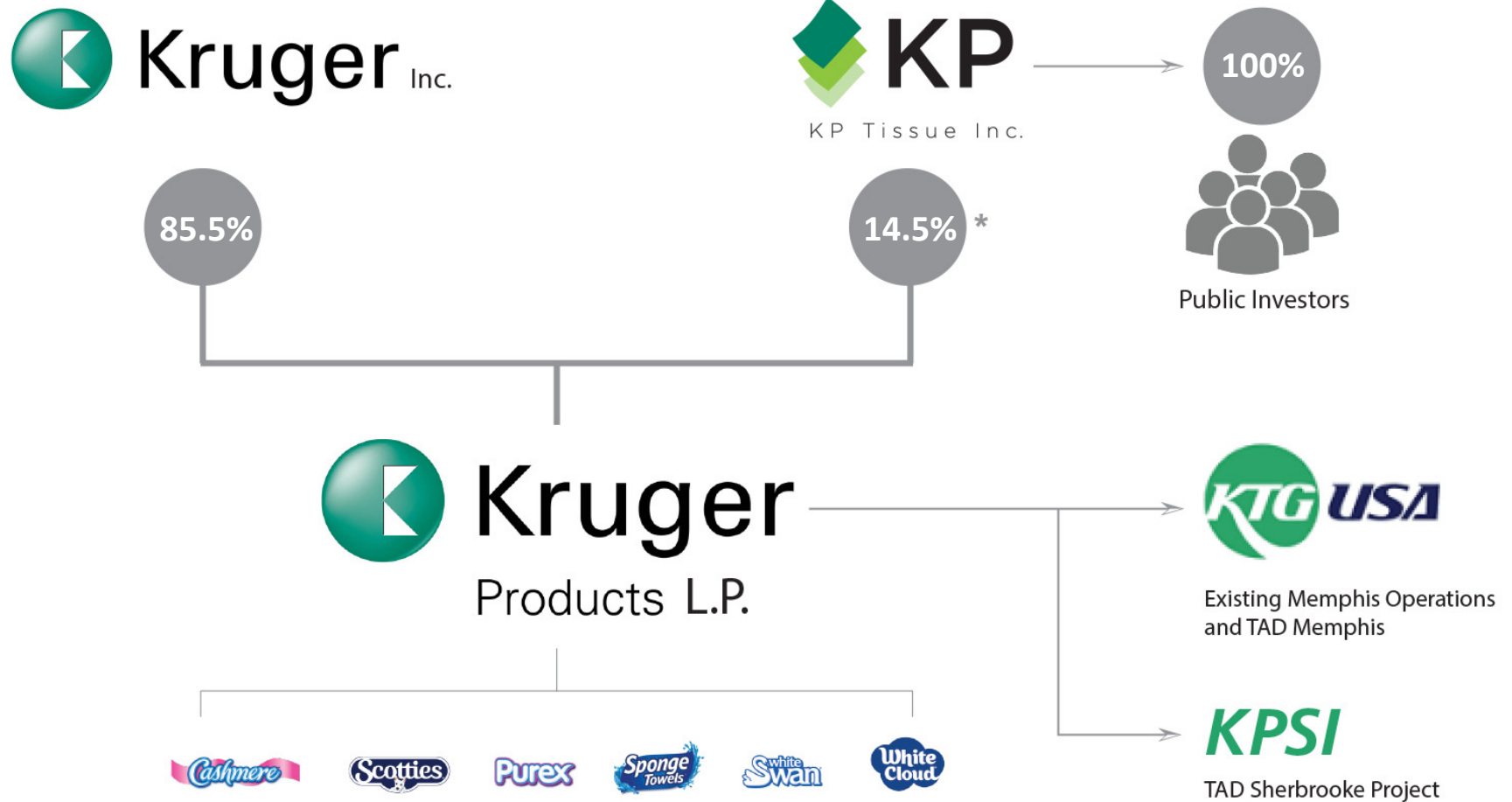
No representation or warranty, express or implied, is made or given by or on behalf of the Company or any of the directors, officers or employees of any such entities as to the accuracy, completeness or fairness of the information or opinions contained in this Presentation and no responsibility or liability is accepted by any person for such information or opinions. In furnishing this Presentation, the Company does not undertake or agree to any obligation to provide the attendees with access to any additional information or to update this Presentation or to correct any inaccuracies in, or omissions from, this Presentation that may become apparent. The information and opinions contained in this Presentation are provided as at the date of this Presentation. The contents of this Presentation are not to be construed as legal, financial or tax advice. Each person receiving this Presentation should contact his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice.

Certain statements in this presentation about KPT’s and KPLP’s current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. Forward-looking statements in this presentation include, but are not limited to, statements regarding the projected capacity of the TAD Sherbrooke Project and the Sherbrooke Expansion Project, the anticipated benefits of the TAD Sherbrooke Project and the Sherbrooke Expansion Project and the expected dates for commencement of construction and production of the Sherbrooke Expansion Project; KPLP’s expansion efforts in U.S. premium private label; and KPLP’s future business strategy. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements. The forward-looking statements are based on certain key expectations and assumptions made by KPT or KPLP. Although KPT and KPLP believe that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking statements since no assurance can be given that such expectations and assumptions will prove to be correct..

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. Please refer to the Company’s MD&A for the complete Forward-looking and cautionary statements.

**The following presentation is to review Kruger Products L.P.  
Q3 2021 financial results**

# Corporate Structure



\*As of November 11, 2021 (14.5% as of September 30, 2021).

# Kruger Products Overview

1

---

**Canada's Leading  
Tissue Company**

---

2

---

**Strong Portfolio of Brands**

---

3

---

**Strong Customer  
Relationships**

---

4

---

**Broad Manufacturing  
Infrastructure**

---

5

---

**Growth Focused**

---




6

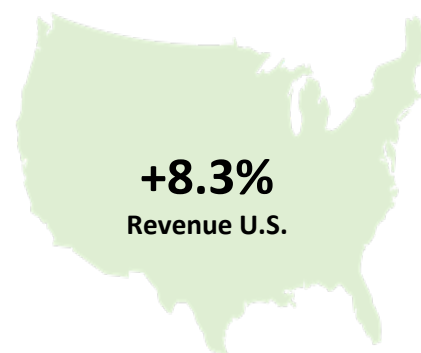
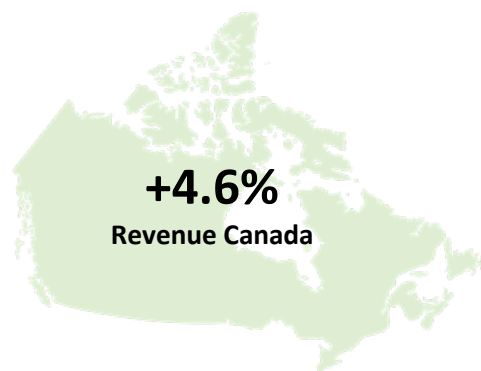
---

**Experienced  
Management Team**

---

# Q3 2021 Highlights

Revenue	Adjusted EBITDA <sup>1</sup>	Net Income
<b>\$391.4 M</b>  <b>6.0%</b> Over Q3 2020	<b>\$40.3 M</b>  <b>12.8%</b> over Q3 2020	<b>\$(9.3) M</b>  <b>\$27.8M</b> over Q3 2020



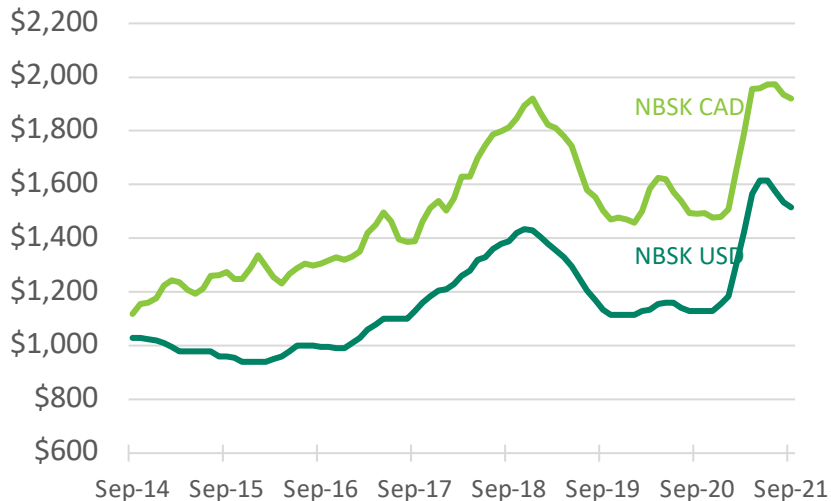
<sup>1</sup> Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure.

# Pulp Input Prices

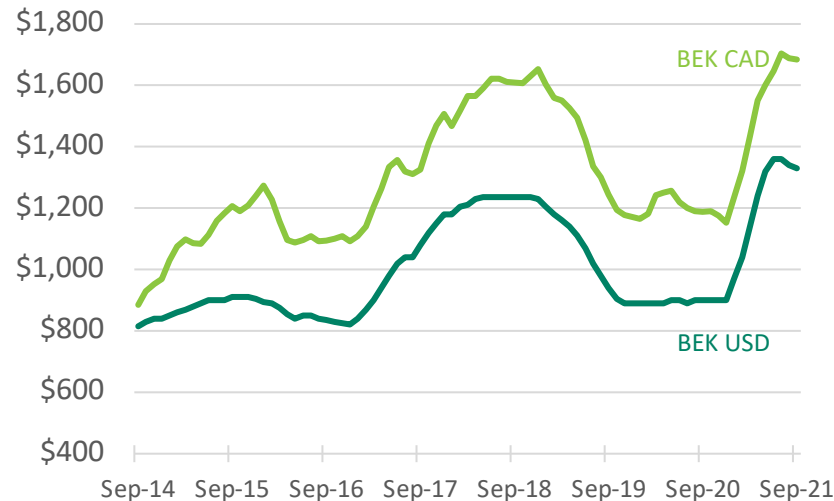
Q3 2021 NBSK average prices<sup>1</sup> in CAD decreased 1.0% while BEK average prices<sup>1</sup> increased 5.5% compared to Q2 2021.

NBSK average prices in USD have decreased 3.5% while BEK average prices increased 2.8% quarter-over-quarter in Q3 2021. Based on industry forecasts, both NBSK and BEK prices are expected to moderate but remain at historically high levels for the remainder of the year.

**NBSK North American List Prices per MT  
(Q3 2021 28.7% YOY in CAD)**



**BEK List Prices per MT  
(Q3 2021 41.8% YOY in CAD)**



**(CAD/USD averaged 1.26 in Q3 2021 compared to 1.33 in Q3 2020)**

<sup>1</sup> Both NBSK price and BEK price were calculated using RISI

# NETWORK MODERNIZATION

---

## TAD Sherbrooke

- Continues to stay ahead of start-up plans
- Phase 1 of AI implementation successful. Progressing to Phase 2 with additional use cases to be implemented through next year
- AI and OPEX program providing additional capabilities to the site

## Sherbrooke Expansion (\$240 million investment)

- Financing secured
  - Project scope being finalized
  - Engineering, environmental and geotechnical studies progressing
  - Customer sell-in underway
- 



# NETWORK MODERNIZATION

---

## New facial tissue line in Memphis

- Current assets at capacity
- Capable of producing both TAD and LDC products
- Made in USA products
- Provides opportunity for future growth in the U.S.

## OpEx

- Waste reduction initiatives showing positive results in most sites
  - Overall equipment efficiency showing upward trend
  - Labour shortage in Memphis affecting productivity
- 





# TRADEMARK

## Continued focus on investing in our brands

- Continued strong overall tissue market share growth
- Incremental marketing investment for full year focused on driving share growth and brand equity
- “Unapologetically Human” campaign continues to gain recognition with now 17 awards in total
- Sponge Towels UltraPro continues to drive share growth with very strong 6-month trial and adding new category users
- 18<sup>th</sup> Annual Cashmere Collection fashion show was a big success with in person audience and first-ever 30 minute special aired primetime on the CTV network
- YTD e-commerce sales up >80% year-over-year
- New innovations ready for launch in 2022



**OUR STRONGEST,  
MOST ABSORBENT  
Paper Towel.\***



**Strong  
and Durable**



**Clean  
Finish**



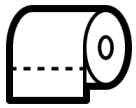


**Sponge-Like  
Absorbency**



**NEW**

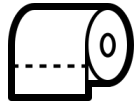
# Canada's Leading Tissue Company



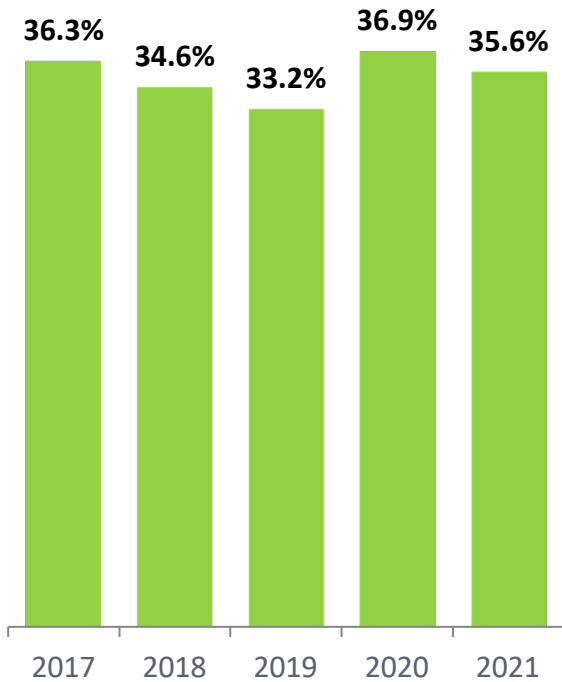
	 Bathroom Tissue	 Facial Tissue	 Paper Towel
<b>Kruger</b>	<b>#1</b> <b>35.6%</b>	<b>#1</b> <b>35.5%</b>	<b>#2</b> <b>23.2%</b>
<b>IRVING</b>	17.2%	18.3%	12.3%
<b>P&amp;G</b>	10.9%	0.6%	34.9%
<b>Kimberly-Clark</b>	1.4%	17.0%	0.9%

Source: Nielsen; dollar market share for the 52-week period ended October 09, 2021

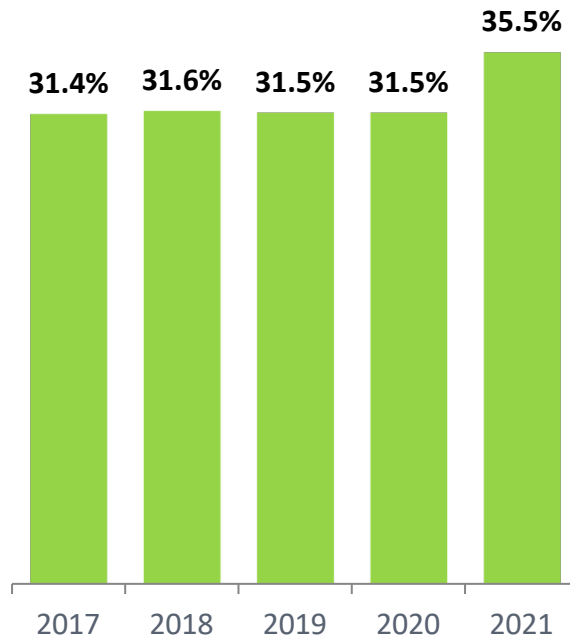
# Brand Leadership Position



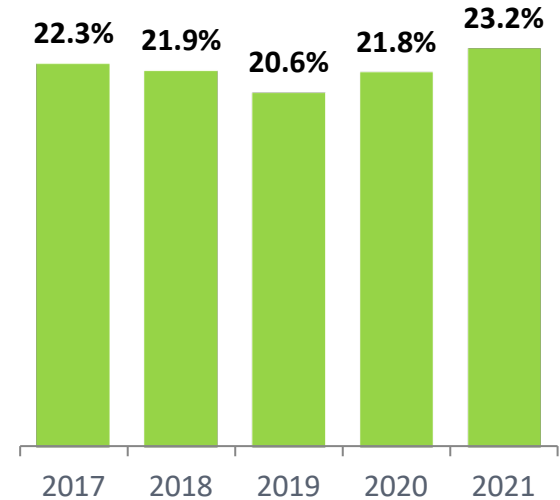
## #1 Bathroom Tissue



## #1 Facial Tissue



## #2 Paper Towel



Source: Nielsen Canadian dollar market share for 52-week period data. 2021 represents the latest 12 months ending October 09, 2021

# AFH SEGMENT

## Recovery progressing across various end-markets

- Market recovery continues with continued growth in Q3 2021. Volume was approximately 20% better than Q3 2020 and was approximately 10% below pre-covid Q3 volumes. Recovery in US continues to outpace Canada.
- Benefitting from in-sourced paper quality and costs
- Additional price increases announced for Q1 2022 to offset inflation
- Asset utilization increased in Q3 with volume growth



# Quarterly Financial Summary

(Million CAD\$, unless otherwise noted)	Q3 2021	Q2 2021	Q3 2020	% Change	
				Y/Y	Q/Q
<b>Revenue</b>	<b>391.4</b>	<b>339.3</b>	<b>369.1</b>	<b>6.0%</b>	<b>15.3%</b>
Cost of Sales	345.6	295.0	307.7	12.3%	17.2%
Gross Profit	45.7	44.4	61.4	(25.5%)	3.0%
Gross Margin	11.7%	13.1%	16.6%		
<b>Adjusted EBITDA<sup>1</sup></b>	<b>40.3</b>	<b>37.3</b>	<b>46.2</b>	<b>(12.8%)</b>	<b>8.0%</b>
Adjusted EBITDA Margin <sup>1</sup>	10.3%	11.0%	12.5%		
Net Income	(9.3)	2.2	18.5		
Net Income Margin	(2.4%)	0.7%	5.0%		

<sup>1</sup>Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure.

# Quarterly Segmented Results

(Million CAD\$, unless otherwise noted)	Q3 2021	Q2 2021	Q3 2020	% Change	
				Y/Y	Q/Q
<b>Segmented Revenue</b>					
Consumer	332.4	292.3	319.9	3.9%	13.7%
AFH	59.0	47.0	49.2	19.9%	25.5%
<b>Total Segment Revenue</b>	<b>391.4</b>	<b>339.3</b>	<b>369.1</b>	<b>6.0%</b>	<b>15.3%</b>
<b>Segment Adjusted EBITDA<sup>1</sup></b>					
Consumer	39.1	40.3	55.3	(29.3%)	(3.0%)
AFH	2.2	(0.4)	(3.5)	NA	NA
Corporate and other costs	(1.0)	(2.6)	(5.6)		
<b>Total Segment Adjusted EBITDA<sup>1</sup></b>	<b>40.3</b>	<b>37.3</b>	<b>46.2</b>	<b>(12.8%)</b>	<b>8.0%</b>
<b>Segment Adjusted EBITDA Margin<sup>2</sup></b>					
Consumer	11.8%	13.8%	17.3%		
AFH	3.7%	(0.9%)	(7.0%)		
<b>Total Segment Adjusted EBITDA Margin<sup>1</sup></b>	<b>10.3%</b>	<b>11.0%</b>	<b>12.5%</b>		

<sup>1</sup> Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure.

# Q3 2021 Revenue Compared to Q3 2020

**\$22.3 M**

Q3 Revenue Increase

**6.0%**  
over Q3 2020

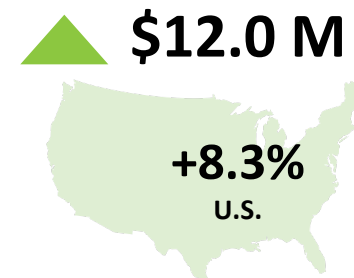
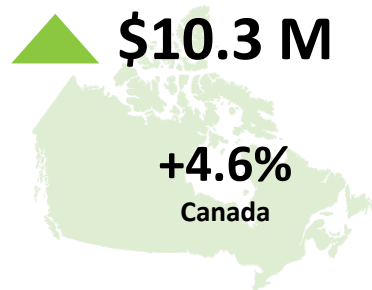
## Increase due to several factors:

- A selling price increase in Consumer Canada
- Slightly higher sales volume in the Consumer segment
- An increase in sales volume in the AFH segment resulting from the beginning of Covid-19 related demand recovery

## Partially offset by

- Unfavourable FX impact on U.S. sales (with constant currency U.S. sales +14.4%)

## Geographic revenue segmentation



# Q3 2021 Adjusted EBITDA<sup>1</sup> Compared to Q3 2020

**\$5.9 M**

Q3 Adjusted EBITDA<sup>1</sup> decrease



**12.8%**  
over Q3 2020

## Adjusted EBITDA Margin<sup>1</sup>

**10.3%**



Q3 2021

**12.5%**



Q3 2020

### Primarily due to the following factors:

- Unfavourable impact of sales mix
- Higher pulp prices
- Labour shortage in Memphis manufacturing
- Inflation
- Higher freight rates and warehousing costs

### Partially offset by:

- Higher in-sourcing activity for AFH segment
- Net favourable impact of foreign exchange fluctuations
- Lower SG&A expenses

<sup>1</sup> Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure.



# Q3 2021 Revenue Compared to Q2 2021

**\$52.1 M**

Q3 Revenue increase



**15.3%**

over Q2 2021

## Increase due to a combination of:

- Higher Consumer and AFH sales volume in both US and Canada
- Benefits of Consumer Canada pricing actions
- Positive FX impact on U.S. sales (with constant currency U.S. sales +28.2%)

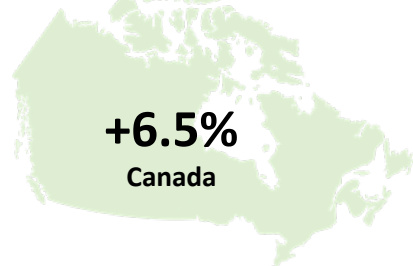


## Geographic revenue segmentation



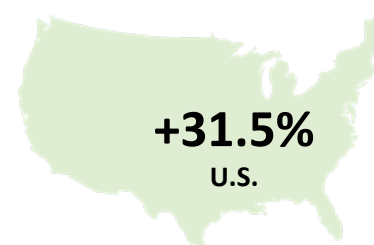
**\$14.3 M**

**+6.5%**  
Canada



**\$37.8 M**

**+31.5%**  
U.S.



# Q3 2021 Adjusted EBITDA<sup>1</sup> Compared to Q2 2021

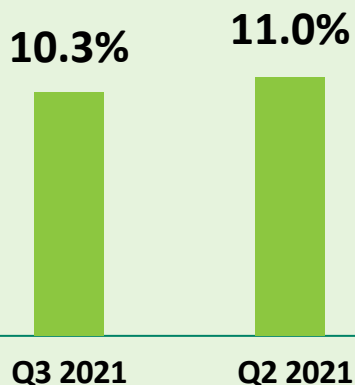
**\$3.0 M**

Q2 Adjusted EBITDA<sup>1</sup> Increase



**8.0%**  
over Q2 2021

## Adjusted EBITDA Margin<sup>1</sup>



### Variance due to:

- Higher Consumer and AFH sales volume
- Selling price increase in Consumer Canada

### Partially offset by:

- Higher pulp costs and inflation
- Fixed cost absorption from inventory
- Unfavourable net F/X impact
- Increased freight costs
- Higher SG&A expenses

<sup>1</sup> Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure.

# Balance Sheet

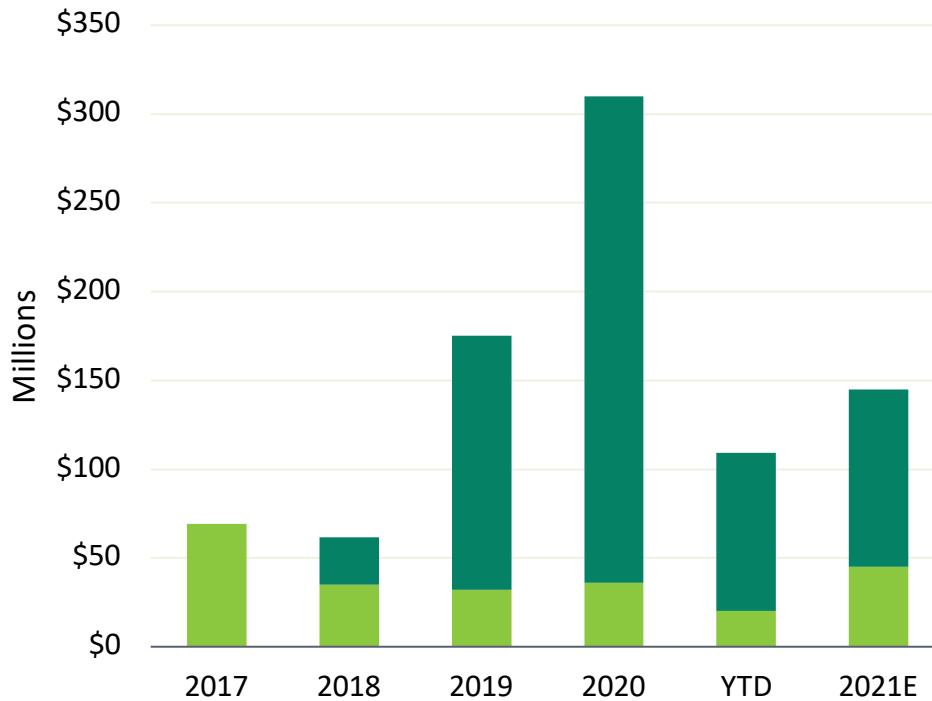
(Million CAD\$, unless otherwise noted)	Q3 2021	Q2 2021
Cash	118.6	129.7
Current Portion of Long-term Debt	26.4	22.1
Long-term Debt	927.9	935.2
<b>Net Debt</b>	<b>835.7</b>	<b>827.6</b>
LTM Adjusted EBITDA <sup>1</sup>	151.3	157.2
<b>Net Debt/LTM Adjusted EBITDA<sup>1</sup></b>	<b>5.5x</b>	<b>5.3x</b>

- Total debt decreased by \$3.0 million due to repayments on the Senior Credit Facility offset somewhat by higher F/X on USD debt.
- Leverage increased due to the slightly higher level of net debt and lower LTM Adjusted EBITDA


<sup>1</sup> Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure.

# CAPEX

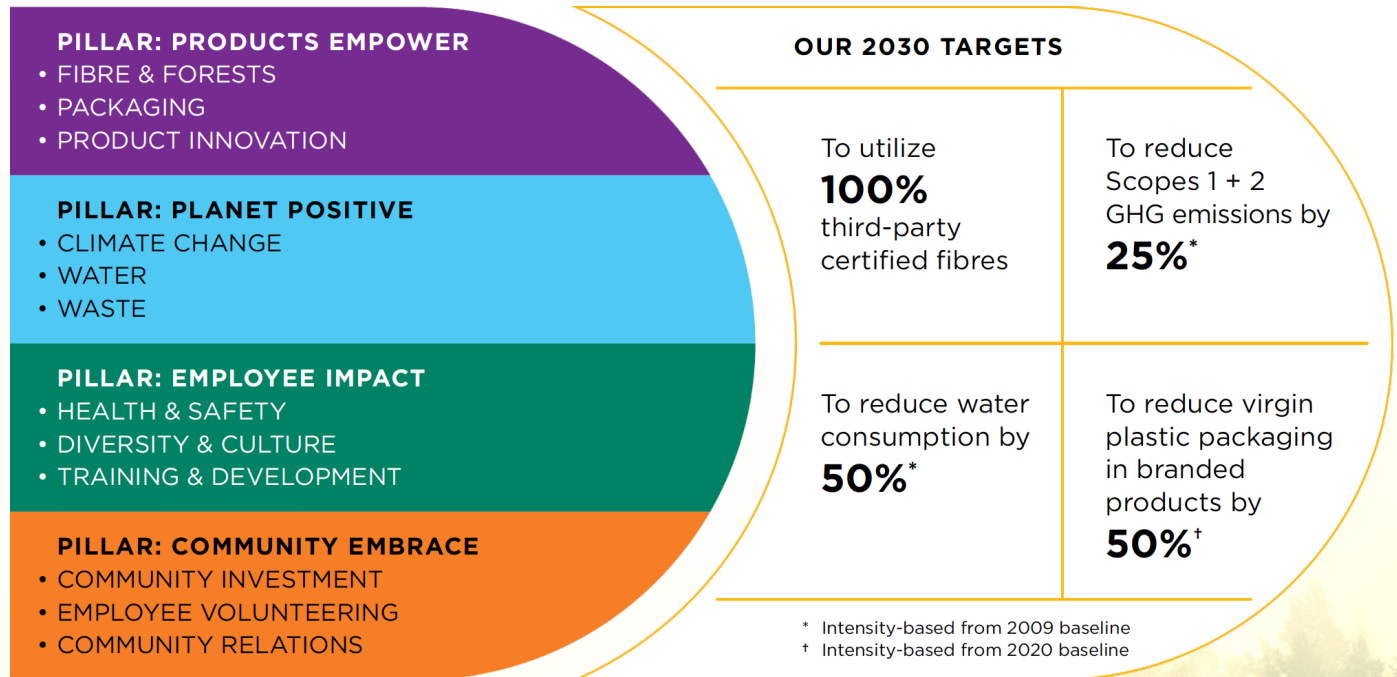
## CAPEX



- YTD 2021 TAD Sherbrooke CAPEX was \$88.9 million
- YTD 2021 CAPEX excluding TAD Sherbrooke was \$20.2 million
- 2021 TAD Sherbrooke CAPEX estimated at approximately \$100 million
- Total 2021 CAPEX of \$140-\$150 million

 TAD Sherbrooke and Sherbrooke Expansion starting in 2021

# Reimagine 2030 – The Next 10 Years of Sustainable Development



# Reinvesting in the business to build a strong future



## Our focus going forward will be on:

- Additional price actions against widespread inflation
- Investing in our brands and innovation to build market share leadership in Canada, while expanding White Cloud brand in the U.S.
- TAD Sherbrooke facility exceeding ramp-up curve and manufacturing new SpongeTowels Ultra Pro™
- OpEx program, Memphis FT expansion and Sherbrooke Expansion Project will increase capacity and optimize cost structure for the future
- Away-from-Home well positioned for a recovery in end-user markets
- New long-term sustainability plan will spearhead transformative growth and sustainable innovation
- Developing our organizational capability and culture to drive growth for the future



UNLEASH THE **Scotties**



THANK  
YOU

[WWW.KPTISSUEINC.COM](http://WWW.KPTISSUEINC.COM)