



Q2 2018 FINANCIAL RESULTS

August 9, 2018



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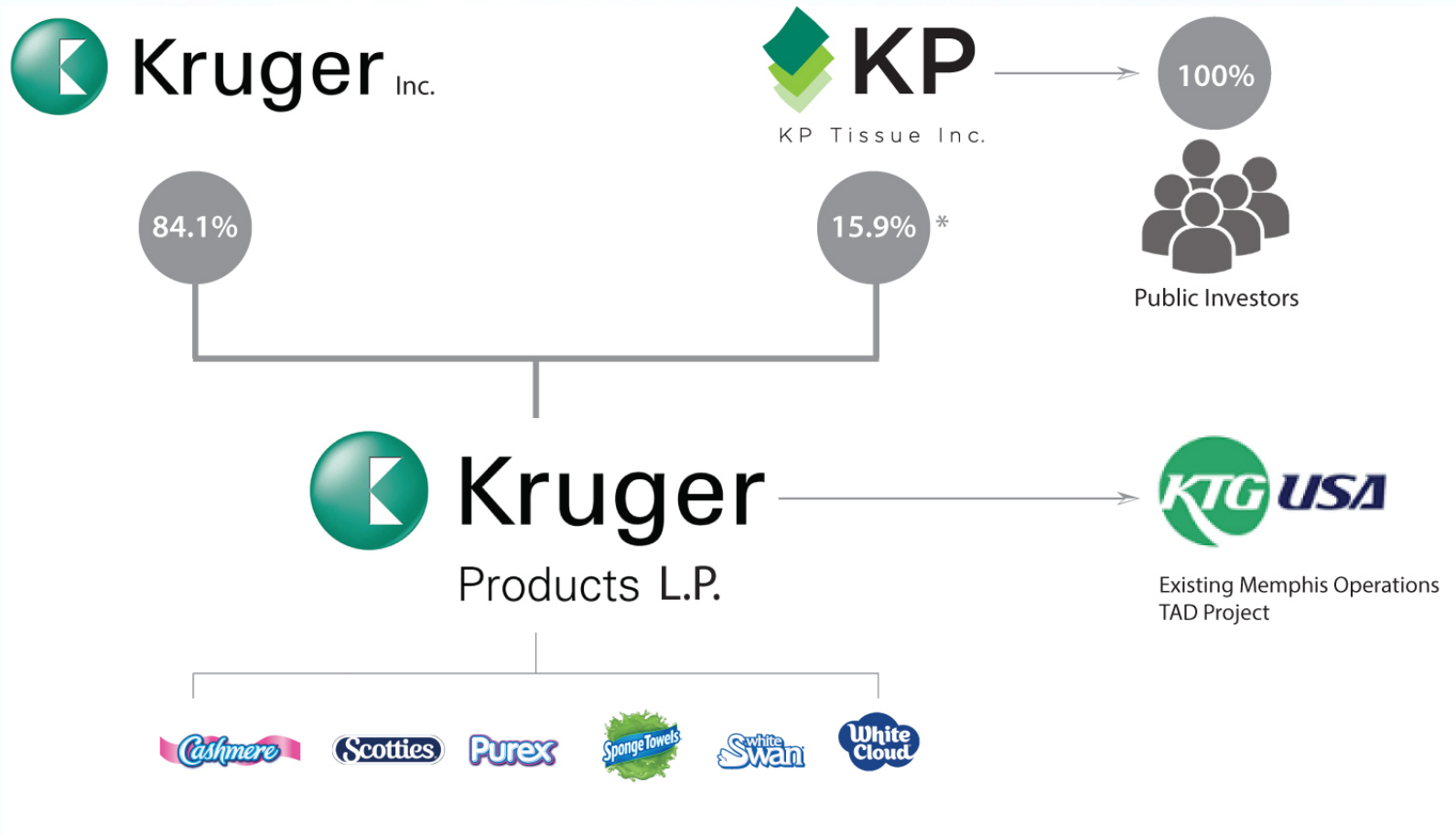
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Unless otherwise stated, references in this presentation to market shares or KPT’s market leadership are based on Nielsen dollar market share data and management estimates.

**The following presentation is to review Kruger Products L.P.
Q2 2018 financial results**

Corporate Structure



*As of July 1, 2018 (15.9% as of August 8, 2018)

Kruger Products Overview

1

Canada's Leading
Tissue Company

2

Strong Customer Relationships
Reinforced by Compelling
Retail Proposition

3

Efficient Manufacturing
Infrastructure

4

Strong Balance Sheet
Supported by Free Cash
Flow Generation

5

Prudent Growth
Strategy

6

Experienced Management
Team with Demonstrated
Track Record

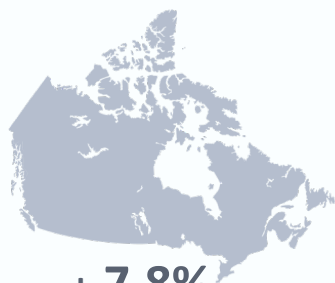
Q2 2018 Highlights

\$338.8 M

Revenue

 **7.8%***
over 2017

Revenues increased in all geographic regions in the Consumer segment



+ 7.8%
Canada



+ 1.3%
U.S.

\$26.7 M

Adjusted EBITDA¹

 **28.4%**
over 2017

- Primarily due to the continuous run-up in pulp prices and increase in freight costs

\$1.6 M

Net Income

 **over 2017**

Net income of \$1.6 million compared to \$9.9 million last year.

* Includes 71.6% increase in revenues for Mexico to \$20.1 million.

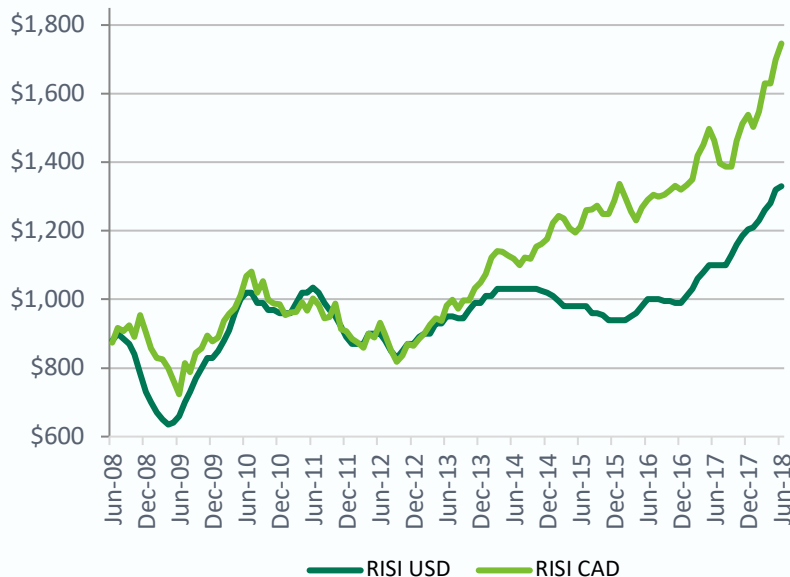
¹ Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure.

Pulp Input Prices

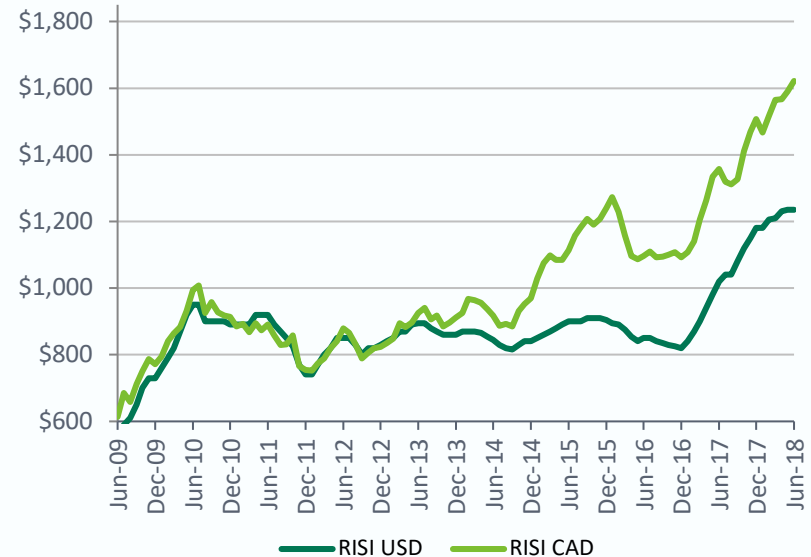
Q2 2018 market pulp prices rose sequentially compared to Q1 2018, and also year-over-year, in both USD and CAD.

Based on industry forecasts, pulp prices in USD are expected to remain high for the balance of 2018. The volatile CAD will create further fluctuations in pulp input costs.

**NBSK North American List Prices per MT
(Q2 2018 +20% YOY in USD)**



**BEK List Prices per MT
(Q2 2018 +26% YOY in USD)**

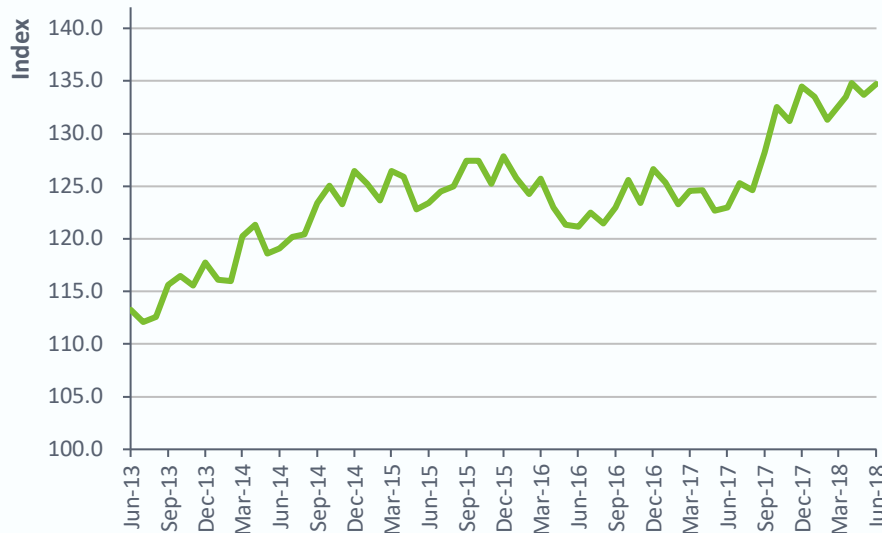


(USD average 1.29 in Q2 2018 compared to 1.35 in Q2 2017)

Freight Cost Index

Freight costs have risen significantly since the beginning of 2017 and reached an all-time high in Q2 2018. Management expects these costs to remain high for the balance of 2018.

Cass Truckload Linehaul Index™
(Q2 2018 +9% YOY)



The Cass Truckload Linehaul Index™ is an accurate, timely indicator of market fluctuations in per-mile truckload pricing. The index isolates the linehaul component of full truckload costs from other components (e.g. fuel and accessorials), providing an accurate reflection of trends in baseline truckload prices.

Data within this unique index is derived from actual freight invoices paid on behalf of Cass' clients. The index uses January 2005 as its base month.

Source: Cass Information Systems, Inc.

Price Increase and Cost Reductions

Price increase in Canada consumer

New price increase announced in Canada consumer business in July 2018

Will take effect on October 14 and start to positively impact Q4. Full impact expected in Q1-2019

Input prices rose 23% since the July 2017 selling price increase announcement

Value creation program

Value added program to be much larger in scope and size compared to the past

Smart cost reduction program with no impact on quality aimed at:

- Warehousing cost reduction
- Portfolio mix improvement
- Operating efficiency improvement in the mills
- Optimizing the production network
- SG&A cost reduction

At this time, we are at approximately 80% annualized run-rate of total cost savings expected from this program. We expect to reach 100% by the end of the year.

Quarterly Financial Summary

				% Change	
(Million CAD\$, unless otherwise noted)	Q2 2018	Q1 2018	Q2 2017	Y/Y	Q/Q
<i>Number of days in quarter</i>	91	91	91	0.0%	0.0%
Revenue	338.8	323.7	314.4	7.8%	4.7%
Cost of Sales	304.9	287.4	267.1	14.2%	6.1%
Gross Profit	33.9	36.3	47.3	(28.3)%	(6.6)%
Gross Margin	10.0%	11.2%	15.0%		
Adjusted EBITDA	26.7	27.0	37.3	(28.4)%	(1.1)%
Adjusted EBITDA Margin	7.9%	8.3%	11.9%		
Net Income	1.6	1.6	9.9		
Net Income Margin	0.5%	0.5%	3.1%		

Quarterly Segmented Results

				% Change	
(Million CAD\$, unless otherwise noted)	Q2 2018	Q1 2018	Q1 2017	Y/Y	Q/Q
<i>Number of days in quarter</i>	91	91	91	0.0%	0.0%
Segmented Revenue					
Consumer	277.5	267.7	252.2	10.0%	3.7%
AFH	59.6	53.5	59.9	(0.5)%	11.4%
Other	1.7	2.5	2.3		
Total Segment Revenue	338.8	323.7	314.4	7.8%	4.7%
Segment Adjusted EBITDA					
Consumer	32.2	29.9	34.9	(7.8)%	7.7%
AFH	(3.1)	(0.3)	2.3	-	-
Other	(2.4)	(2.6)	0.1		
Total Segment Adjusted EBITDA	26.7	27.0	37.3	(28.4)%	(1.1)%
Segment Adjusted EBITDA Margin					
Consumer	11.6%	11.2%	13.8%		
AFH	(5.2)%	(0.6)%	3.8%		
Total Segment Adjusted EBITDA Margin	7.9%	8.3%	11.9%		

Q2 2018 Revenue Compared to Q2 2017

\$24.4 M

Q2 revenue increase



7.8%*

over Q2 2017

Impacted by a combination of:

- Favourable impact of increased sales volume
- Consumer selling price increase implemented in Canada in Q4 2017
- Partially offset by unfavourable impact of F/X fluctuations on U.S. sales (USD average 1.29 in Q2 2018 compared to 1.35 in Q2 2017)

Geographic revenue segmentation



\$14.6 M



\$1.4 M



+ 7.8%

Canada



+ 1.3%

U.S.

- Includes \$8.4 M or 71.6% increase in revenues for Mexico.

Q2 2018 Adjusted EBITDA Compared to Q2 2017

\$10.6 M

Q2 Adjusted EBITDA decrease

 **28.4%**

over Q2 2017

Primarily due to the following factors:

- Significantly higher pulp costs
- Increased freight costs
- Partially offset by increased sales volume, the Q4 2017 Canadian selling price increase, net favourable impact of F/X fluctuations, and the benefits from cost reduction initiatives and capital projects

Gross Margin

10.0%

Q2 2018

15.0%

Q2 2017

Gross margin decreased primarily due to the above mentioned factors

Q2 2018 Revenue Compared to Q1 2018

\$15.1 M

Q2 revenue increase



4.7%*

over Q1 2018

Primarily due to the following factors:

- Consumer segment revenue increased by \$9.8 million or 3.7%
- AFH segment revenue increased by \$6.1 million or 11.4%
- Q2 higher than Q1 due to normal seasonality

Geographic revenue segmentation



\$13.7 M



\$0.8 M



+ 7.3%

Canada



+ 0.7%

U.S.

- Includes \$0.6 M or 0.3% increase in revenues for Mexico.

Q2 2018 Adjusted EBITDA Compared to Q1 2018

\$0.3 M

Q2 Adjusted EBITDA decrease

 **1.1%**

over Q1 2018

Due to the combination of the following factors:

- Higher pulp costs
 - Increased freight costs
 - Partially offset by higher revenue
-

Gross Margin

10.0%

Q2 2018

11.2%

Q1 2018

Gross margin decreased primarily due to the above mentioned factors

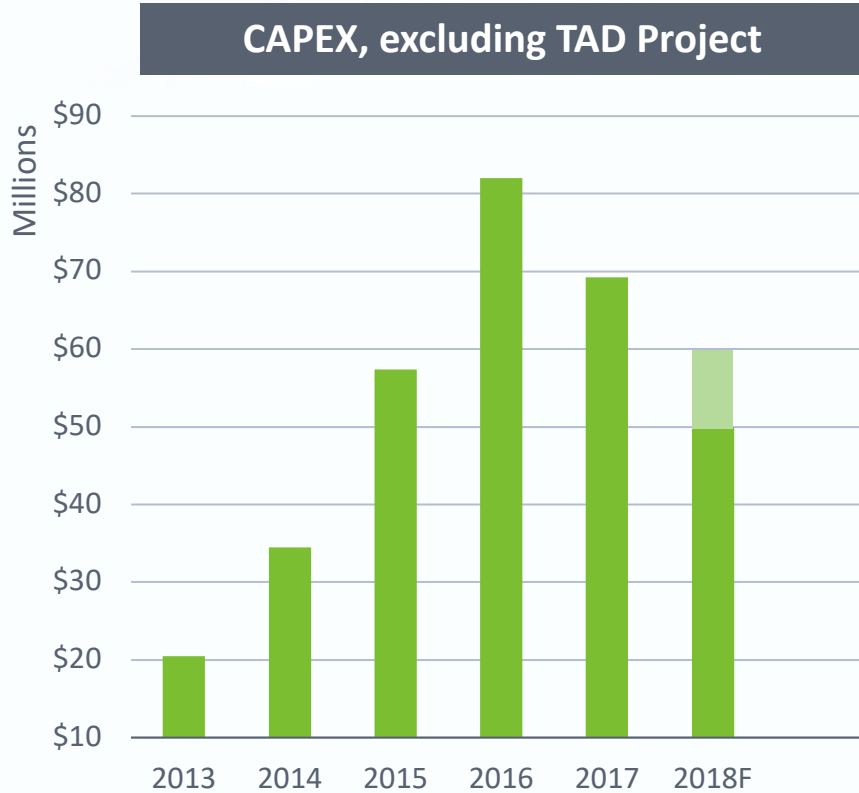
Balance Sheet

(Million CAD\$, unless otherwise noted)	Q2 2018	Q1 2018
Cash and Bank Indebtedness	15.8	1.3
Current Portion of Long-term Debt*	204.5	198.2
Long-term Debt**	288.3	262.3
Net Debt	477.0	459.2
LTM Adjusted EBITDA	126.8	137.4
Net Debt/LTM Adjusted EBITDA	3.8	3.3

* As of July 1, 2018, the Caisse Facility, which matures on August 16, 2018, has been classified as short-term debt, resulting in a working capital deficit. Subsequent to July 1, 2018, the Partnership has received an extension to September 17, 2018 to repay the Caisse Facility under the same terms and conditions. Management fully expects to refinance the indebtedness prior to the maturity date, unless further extended with approval of the lender. The Partnership is in the final stages of obtaining refinancing of the Caisse Facility with a new lender. Subject to refinancing being obtained, the Partnership believes its cash flows generated from operations combined with its available cash and credit facilities provide sufficient funding to meet its obligations. There can be no assurance that refinancing can be obtained.

** On April 24, 2018, Kruger Products issued CDN \$125 million principal amount of 6.00% Senior Unsecured Notes due April 24, 2025 by way of private placement. Interest on the Notes is payable semi-annually in arrears on April 24th and October 24th of each year, commencing on October 24, 2018. Kruger Products used the net proceeds of the financing to reduce the outstanding balance under its syndicated bank credit facility and to pay transaction costs associated with the Offering.

CAPEX



Q2 2018 CAPEX of \$13.6 million, down from \$25.5 million in Q2 2017 due to the Crabtree project in 2017

2018 focus on high return CAPEX projects – total estimated at \$50 to \$60 million

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

TAD2 Project

Part of KPLP's long-term strategy is to increase premium paper capacity.

In the final stages for a second TAD paper machine with state-of-the-art converting capability ("TAD2")

The project would require approximately two years for construction and installation following board approval, followed by a ramp-up period for production and sales. Final decision expected in 2018.

A decision to proceed with the project is subject to a number of factors, including identification of an acceptable site and availability of financing on satisfactory terms

AFH Segment

Resetting the AFH business to create a more efficient manufacturing and logistics footprint:

- Weak results were impacted by pulp prices and freight costs, and also competitive environment

- Select customer price increases with contract renewals

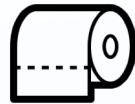
- Absorbs an important amount of fixed costs

- In progress with a multi-year CAPEX program to improve manufacturing and logistics costs

- Crabtree PM8 paper machine is now being partially used for the Consumer segment instead of AFH, reducing the beneficial impacts for AFH

- Reset will allow AFH business to become more competitive

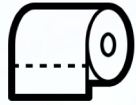
Canada's Leading Tissue Company



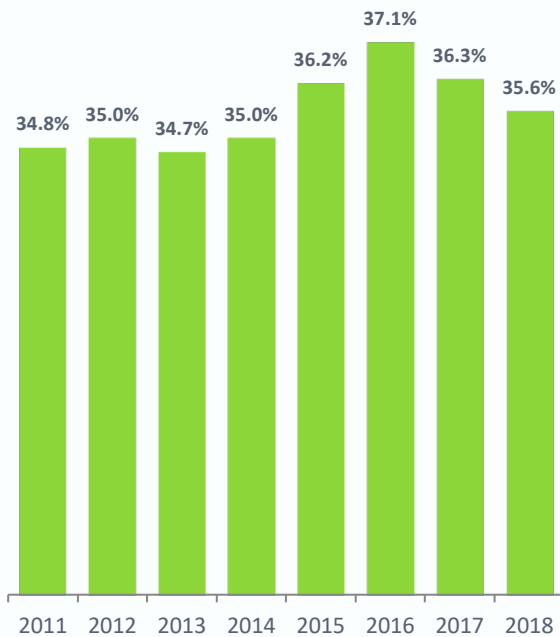
	Bathroom Tissue	Facial Tissue	Paper Towel
Kruger	#1 35.6%	#1 31.1%	#2 21.8%
IRVING	18.2%	18.5%	11.3%
P&G	11.5%	0.7%	34.0%
Kimberly-Clark	3.0%	18.5%	1.6%

Source: Nielsen; dollar market share for the 52-week period ended June 23, 2018.

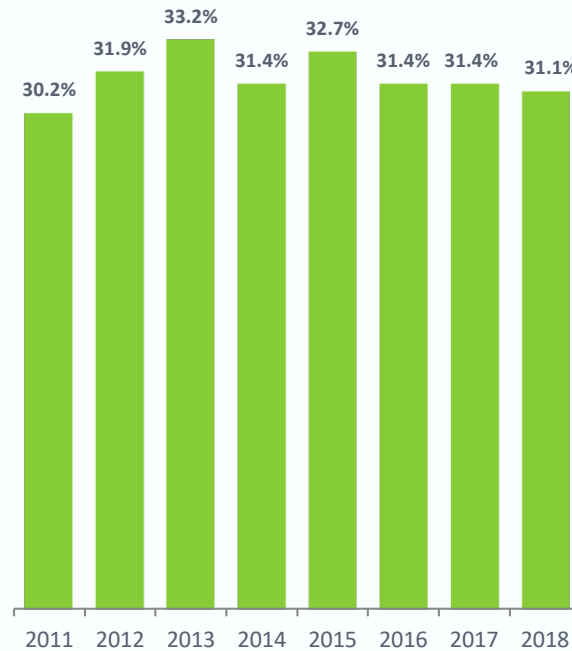
Brand Leadership Position



#1 Bathroom Tissue



#1 Facial Tissue



#2 Paper Towel



Source: Nielsen Canadian dollar market share for 52-week period data. 2018 represents the latest 12 months ending June 23, 2018

Business Strategy Focused on Building Great Brands and Products

Build Consumer and Brand Leadership in Canada

- Drive marketing and sales excellence
- Strengthen our brands
- Increase innovation

Drive Growth in U.S.

- Leverage TAD capabilities and focus on the high-end private label business
- Invest in technology to support “national brand equivalent”
- Strengthen position with current customers, penetrate select new strategic customers
- Build White Cloud brand

Create a North American Efficient Supply Chain

- Leverage manufacturing technology to drive product superiority and cost savings
- Growth capital projects drive performance improvement with strong paybacks
- Utilize full supply chain footprint to drive efficiency

Drive Sustainability (Sustainability 2020 Project)

- Reduce energy consumption by 15% from 2009 levels
- Reduce water consumption by 35% from 2009 levels
- Reduce greenhouse gas emissions by 27% from 2009 levels
- Improve employee safety by 50% from 2015 levels

Conclusion

- Continue to build revenue, maintain market share leadership, secure our private label activities, and focus on opportunistic growth for AFH

- New price increase in Canada consumer business to take effect starting in Q4-2018

- Initiated an escalated value creation program to partially offset extraordinary short-term market conditions related to pulp and freight costs

- CAPEX in Fiscal 2018 will return to more normal levels after two years of increased investments

- Continue to leverage TAD products market potential and in the final stages for a second TAD machine

- Resetting the AFH business with multi-year program to create a more efficient manufacturing footprint

- In the U.S., continue to build the premium private label business and pursue White Cloud® customer diversification strategy

- KPLP continues to have strong long-term business fundamentals. However, Q3 2018 Adjusted EBITDA is expected to be lower than last year and also reflect normal seasonality



Thank You