

KP Tissue Inc.

# **BUILDING LONG-TERM VALUE**



CIBC Conference

Fall 2019



# Forward-looking and cautionary statements

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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.



## Our Vision



OUR VISION IS TO BE THE MOST  
TRUSTED AND BEST LOVED TISSUE  
COMPANY IN NORTH AMERICA.

Making everyday life more comfortable.



# Investment Highlights

1

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**Canada's Leading  
Tissue Company**

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2

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**Strong Customer  
Relationships**

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3

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**Broad Manufacturing  
Infrastructure**

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4

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**Solid Cash Flow  
Generation**

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5

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**Prudent Growth  
Strategy**

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6

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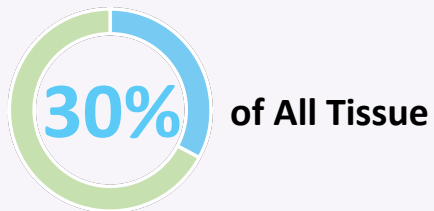
**Experienced  
Management Team**

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# Kruger Products Overview

## Canada's Leading Tissue Company

**#1** Branded Tissue  
Company in Canada



**7<sup>th</sup>** Largest in  
North America

2018 Sales

**\$1.4 B**

Employees

**~2,500**

## Large North American Manufacturing Footprint

**7**  
Plants

**13**  
Paper Machines

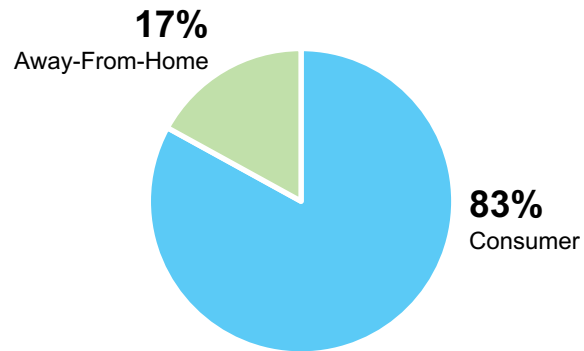
**79**  
Converting Lines

**CAPABILITIES**  
in Structured,  
Conventional and  
Recycled Paper

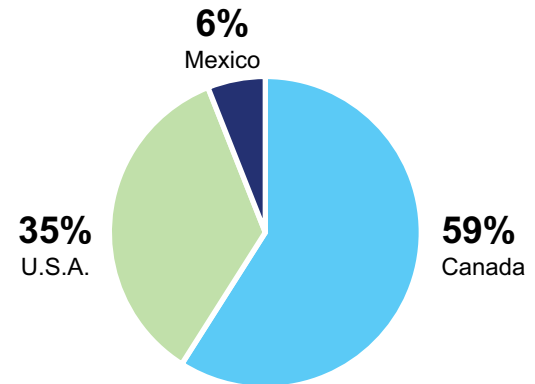


# Diversified Portfolio Across Canada & U.S.

## Segment Split



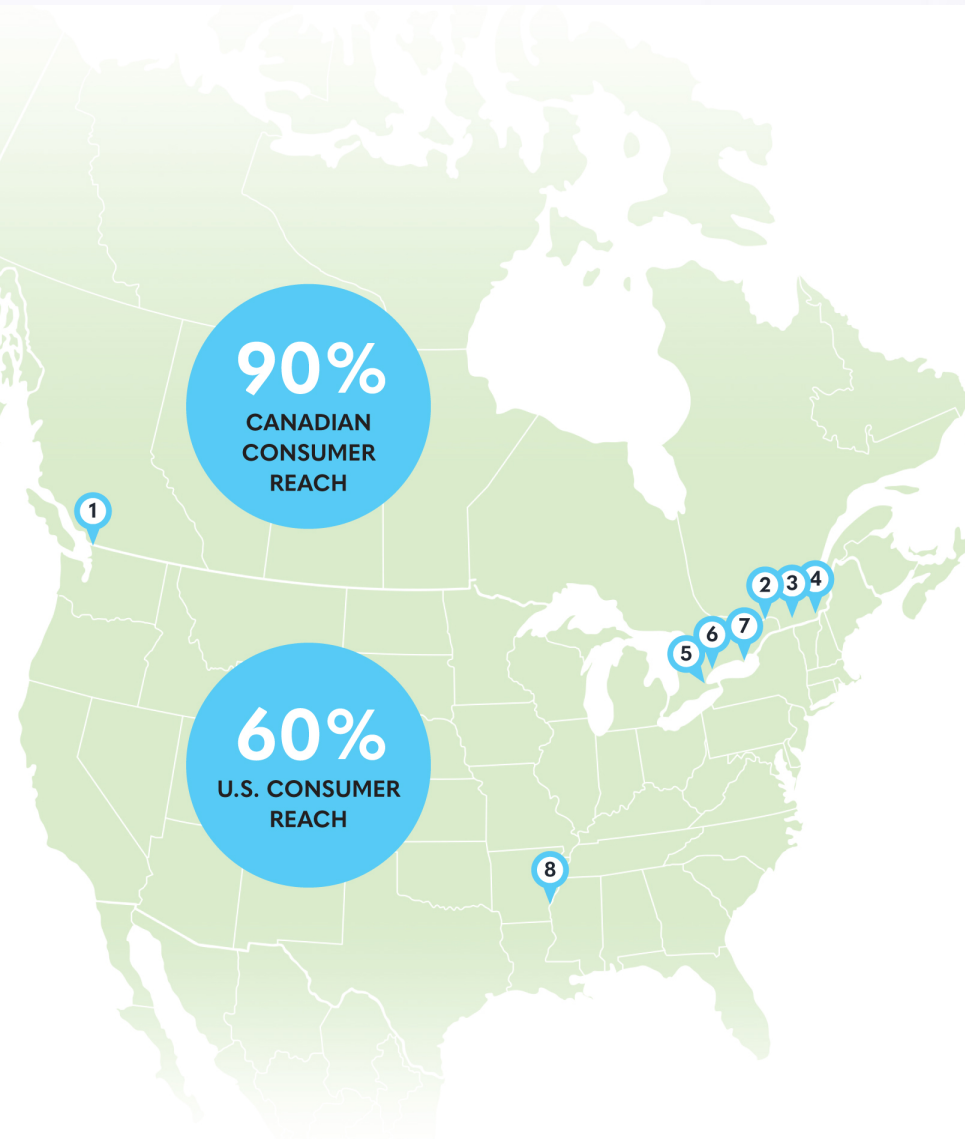
## Geographic Split



	Bathroom Tissue	Facial Tissue	Paper Towel	Napkin
Branded	✓	✓	✓	✓
Away-From-Home	✓	✓	✓	✓
Private Label	✓	✓	✓	✓



# Our Network Across North America



**1 PAPERMAKING & CONVERTING  
NEW WESTMINSTER, BC**

Produce more than  
**58,000 MT**  
of tissue products every year

**2 PAPERMAKING & CONVERTING  
GATINEAU, QC**

Produce more than  
**92,500 MT**  
of tissue products every year

**3 PAPERMAKING & CONVERTING  
CRABTREE, QC**

Produce more than  
**72,000 MT**  
of tissue products every year

**4 PAPERMAKING  
SHERBROOKE, QC**

Produce more than  
**24,000 MT**  
of tissue products every year

**5 CORPORATE HEADQUARTER  
MISSISSAUGA, ON**

**6 CONVERTING  
SCARBOROUGH, ON**

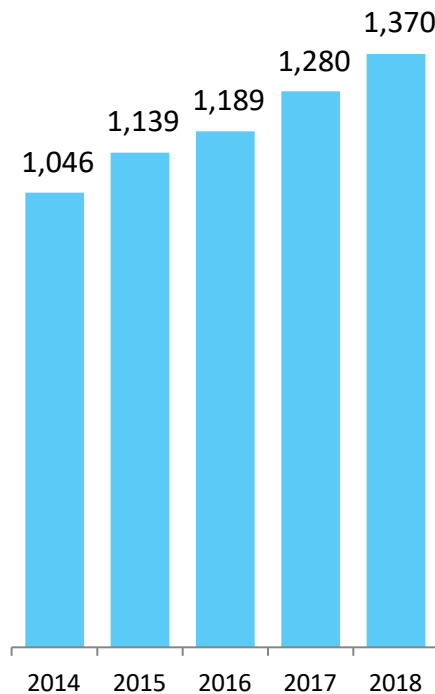
**7 CONVERTING  
TRENTON, ON**

**8 PAPERMAKING & CONVERTING  
MEMPHIS, TENNESSEE**

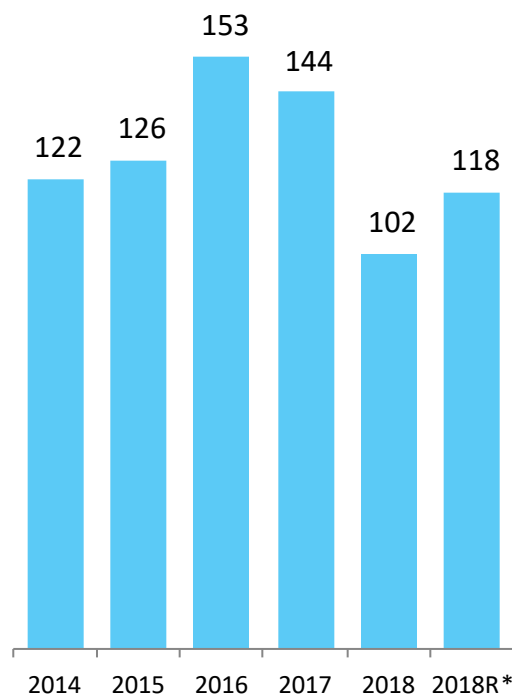
Produce more than  
**110,000 MT**  
of tissue products every year

# Financial Performance Trend

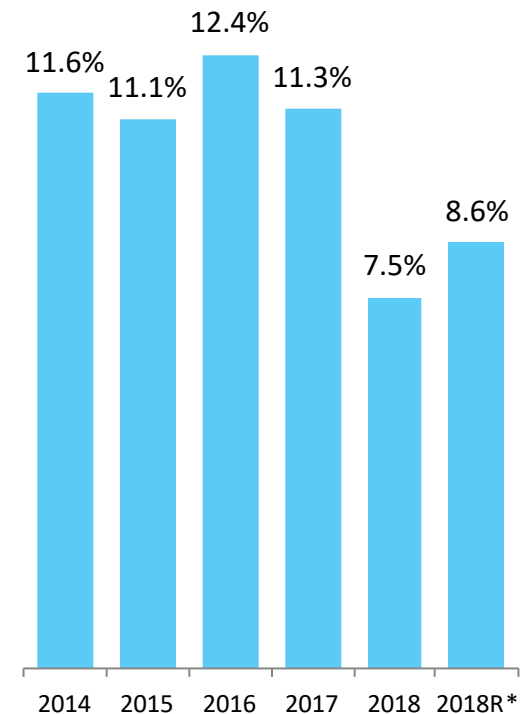
Revenue



Adjusted EBITDA <sup>(1)</sup>



Adjusted EBITDA Margin

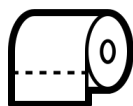


(1) Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure

\* Fiscal 2018 results were restated to reflect the IFRS 16 Lease Impact



# Canada's Leading Tissue Company



Bathroom Tissue	Facial Tissue	Paper Towel
<b>#1</b> <b>33.7%</b>	<b>#1</b> <b>31.6%</b>	<b>#2</b> <b>22.0%</b>
19.3%	19.0%	12.0%
10.5%	0.8%	32.9%
1.6%	17.9%	0.8%

Source: Nielsen; dollar market share for the 52-week period ended June 15, 2019.

# TAD SHERBROOKE

**Project progressing on time  
and on budget**

- 
- All construction permits are secured
  - The foundations of the warehouse-converting and paper machine buildings are progressing as per schedule
  - New mill leadership team in place
  - Purchased or contracted most of the assets required for the Project
  - Strong interest from existing and new North American customers
- 



# OpEx

## Good early progress leading to sustainable benefits

- Now entering 6<sup>th</sup> month of Operational Excellence (“OpEx”) project. The program is progressing very well relative to the timeline and goals
- Initial focus across three sites with critical paper machines and converting lines targeted
- Project focused on line efficiencies including capacity, productivity and waste reduction
- Key to support OpEx by building organizational capability and culture to drive program evolution and sustainability
- Also implementing a logistics project with another partner to drive down freight and warehousing costs
- Combined savings target of \$15 to \$20 million on a run-rate basis, by the end of 2020





# AFH SEGMENT

## Turnaround starting to take hold

- After a weak Q1, Q2 Adjusted EBITDA improvement of \$3.6 million over Q1
- OpEx program started to benefit AFH facilities and better customer pricing
- New price increase in Canada and the U.S. effective May 1<sup>st</sup>, 2019. However, market remains very price competitive
- Improvements are expected in second half of 2019 considering customer pricing, growing traction of OpEx initiatives and more stable input costs



# TRADEMARK

Long-term process to build leadership position

- Enhance our quality
- Increase our brand investment
- Launch consumer relevant innovations
- Large multi-scale consumer promotions
- Broaden and strengthen customer support
- Strengthen emotive CSR connections



## AN ALL-STAR LINEUP

Our exceptional team of premium Canadian-made products is now an official partner of the NHL®



## NEW PACKAGE SIZES



# SUSTAINABILITY

## Core to our values



	2020 TARGET	2018 RESULTS
Employee Safety <sup>(1)</sup>	<b>50%</b> improvement from 2015	<b>48%</b> improvement from 2015
Energy Consumption <sup>(2)</sup>	<b>15%</b> reduction from 2009	<b>10%</b> reduction from 2009
Greenhouse Gas Emissions <sup>(2)</sup>	<b>27%</b> reduction from 2009	<b>22%</b> reduction from 2009
Water Consumption <sup>(2)</sup>	<b>35%</b> reduction from 2009	<b>28%</b> reduction from 2009

<sup>(1)</sup> OSHA Total Incidence Rate  
<sup>(2)</sup> Intensity-based





# Conclusion

## **More favourable factors in 2H of 2019 considering decreasing pressure from input costs, benefits of OpEx and improved market pricing**

- Continue to drive top line growth in all segments

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- Committed to build our leadership position in Canada by investing to further strengthen our brands

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- Pricing all of our businesses to offset input costs and restore profitability

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- Creating a more efficient and capable supply chain network

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- Taking focused short- and medium-term actions to improve AFH performance

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- Building ultra-premium capacity with our TAD Sherbrooke plant

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- Focus on sustainability

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- Building our organizational capability and culture to drive growth for the future