



Q4 2016 FINANCIAL RESULTS

March 9, 2017

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.

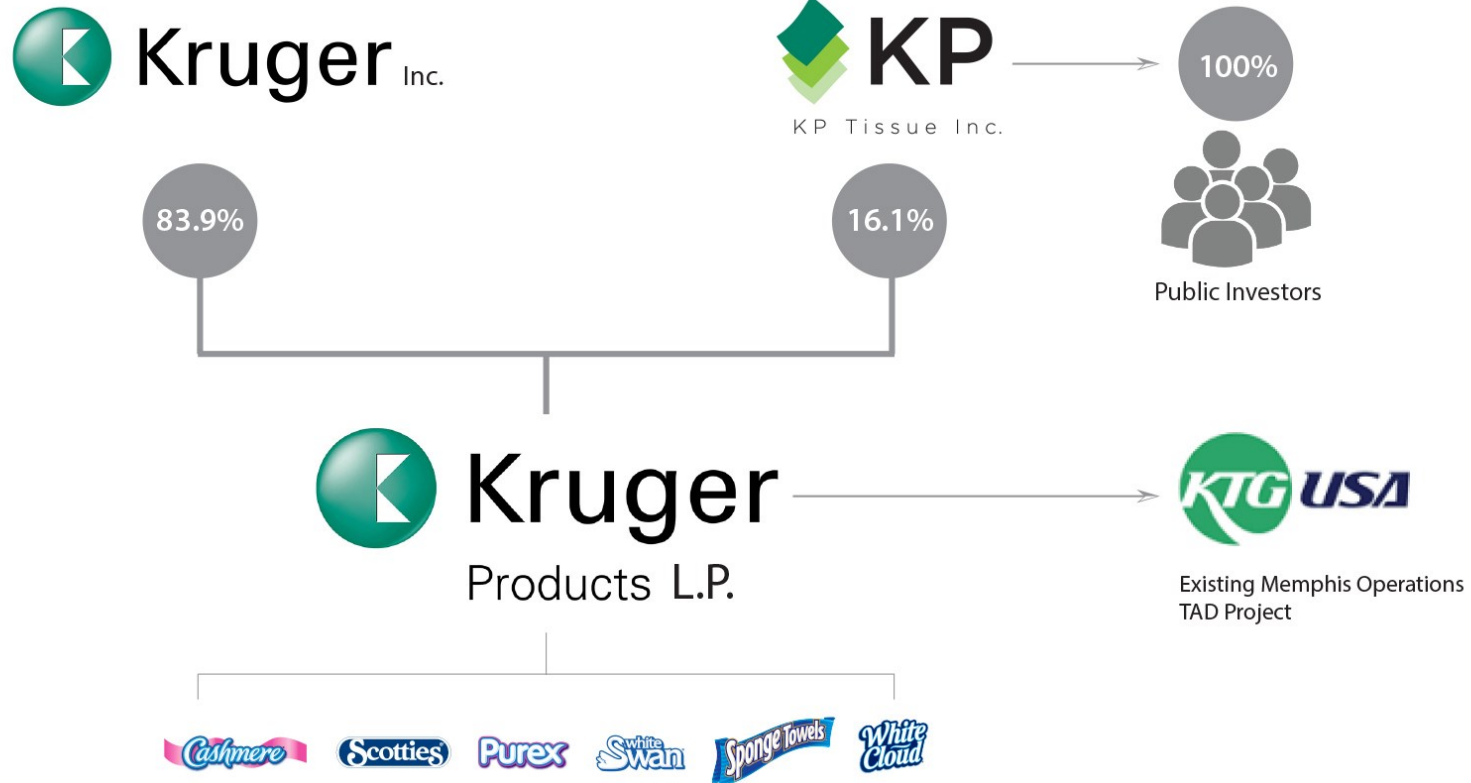
No representation or warranty, express or implied, is made or given by or on behalf of the Company or any of the directors, officers or employees of any such entities as to the accuracy, completeness or fairness of the information or opinions contained in this Presentation and no responsibility or liability 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 the Corporation and Kruger Products L.P. (“KPLP”) as it relates to their 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. 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 information is based on certain key expectations and assumptions made by the Corporation or KPLP, including the continued growth of the U.S. private label market and the continued growth in sales of TAD products in the U.S., orders for the TAD machine’s products, the amount and timing of distributions made by KPLP, and Kruger Inc.’s (“Kruger”) cash requirements. The financial outlook that KPLP Management provides concerning the potential incremental Adjusted EBITDA generated by TAD products may be considered forward-looking information and is based on additional key expectations and assumptions, including but not limited to (i) limited incremental overhead relating to the operation of the TAD machine and distribution and sale of products, (ii) the TAD machine operating at near full capacity and products being sold at prices consistent with current market prices, adjusted for inflation, (iii) a cost of pulp and energy and a selling price of finished products based on recent prices, adjusted for inflation and (iv) a foreign exchange rate between the Canadian and U.S. dollars approximating current levels. The financial outlook provided in respect of Adjusted EBITDA for Q1 2017 may be considered forward-looking information and is based on additional key expectations and assumptions, including but not limited to (i) sales volumes consistent with management’s expectations, (ii) a cost of pulp and energy based on recent prices, and (iii) a foreign exchange rate between the Canadian and U.S. dollars approximating current levels. The purpose of the outlook is to provide the reader with an indication of management’s expectations, at the date of this conference call, regarding KPLP’s future financial performance. Readers are cautioned that this information may not be appropriate for other purposes. Although the Corporation 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 information 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.

**The following presentation is to review Kruger Products L.P.
Fiscal 2016 and Q4 2016 financial results**

CORPORATE STRUCTURE



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

2016 HIGHLIGHTS



- Revenue of \$1.2 billion, up 7.8% over 2015, driven primarily by higher sales volume, favourable selling prices in Canada and positive F/X impact
- Revenues increased in all geographic regions: Canada (+4.9%), U.S. (+10.4%) and Mexico (+36.9%)
- Adjusted EBITDA¹ of \$152.5 million, up 20.6% over 2015 primarily due to higher sales volume, improved pricing and mix of products sold, and the impact of cost reduction initiatives and capital projects
- Adjusted EBITDA from TAD products of \$49.0 million, up from \$45.3 million in 2015
- Net Income of \$35.5 million for 2016 compared to \$1.5 million last year

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

Q4 2016 HIGHLIGHTS



- Q4 2016 revenue of \$339.6 million, up 13.0% over 2015, driven primarily by higher sales volume and favourable selling prices in Canada. Revenues were up in all geographic regions
- Q4 2016 Adjusted EBITDA¹ of \$42.9 million compared to \$30.3 million last year primarily due to higher sales volume, improved pricing and mix of products sold, and the impact of cost reduction initiatives and capital projects, partially offset by higher SG&A costs
- Adjusted EBITDA from TAD products of \$13.8 million, up from \$13.2 million in Q4 2015
- Net loss of \$4.5 million in the quarter compared to a loss of \$0.5 million in Q4 2015

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
37.1%

#1
31.4%

#2
24.1%



21.2%

20.7%

10.4%

P&G

10.1%

0.9%

32.3%



Kimberly-Clark

3.8%

18.1%

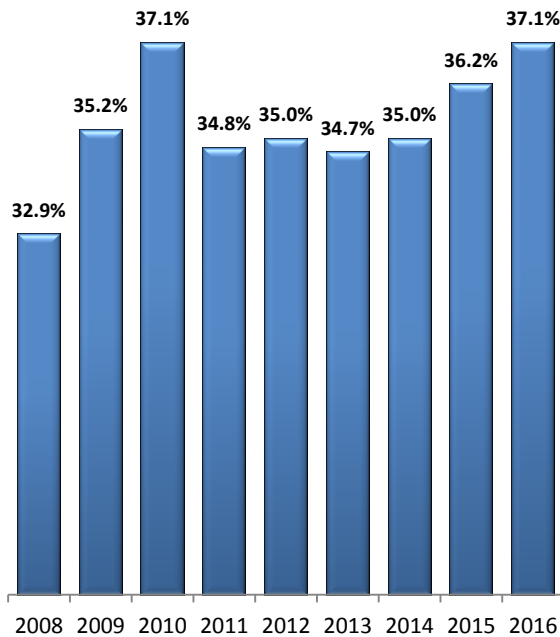
2.4%

Source: Nielsen; dollar market share for the 52-week period ended January 7, 2017.

BRAND LEADERSHIP POSITION



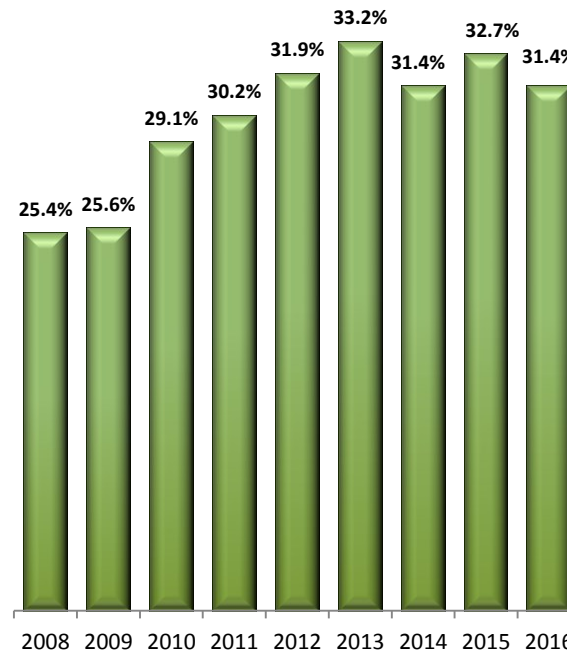
#1 Bathroom Tissue



2016 period ended January 7, 2017



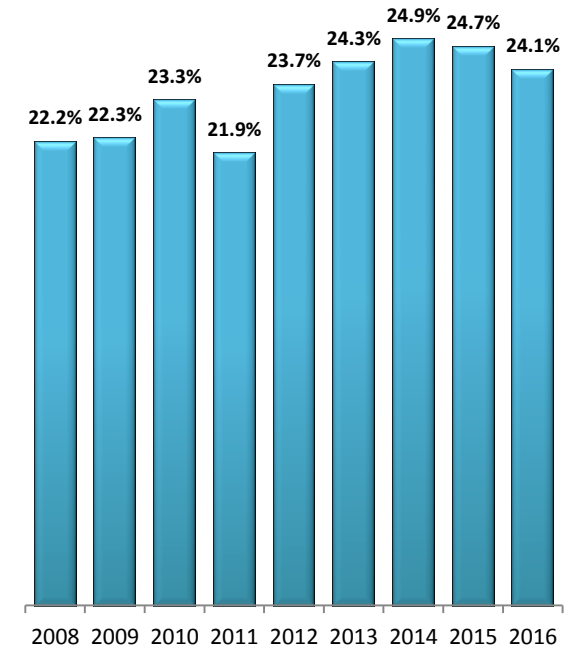
#1 Facial Tissue



2016 period ended January 7, 2017



#2 Paper Towel



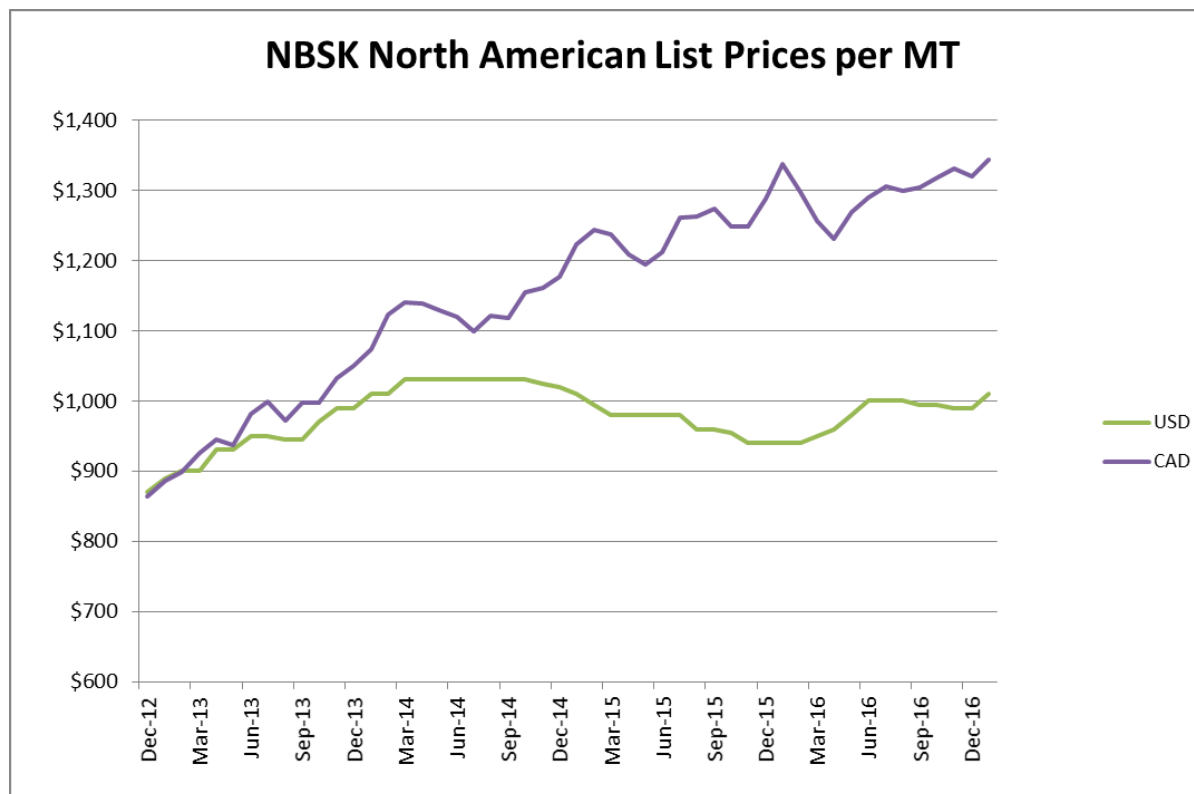
2016 period ended January 7, 2017

Source: Nielsen Canadian dollar market share for 52-week period data.

PULP INPUT PRICES

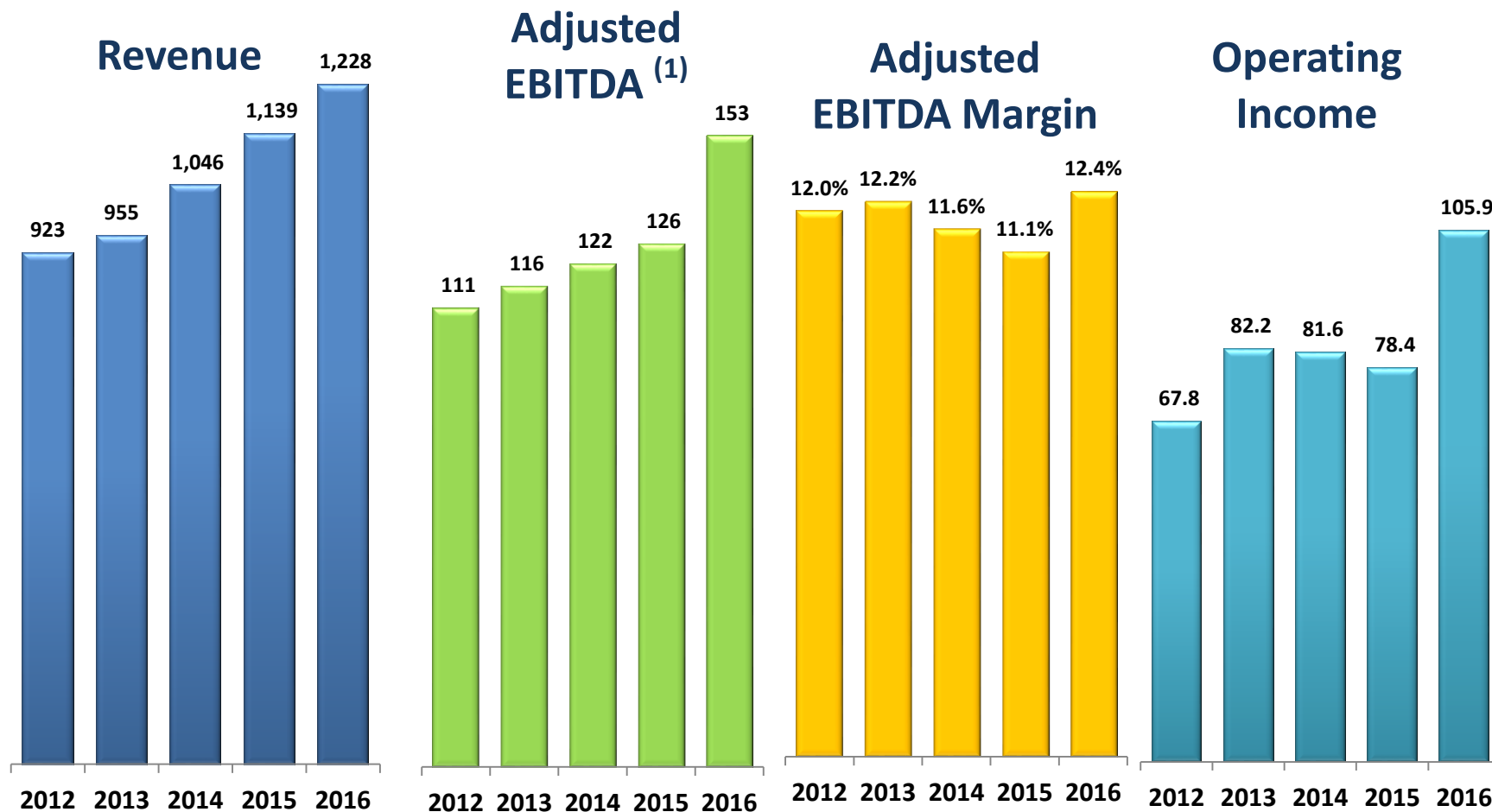


- Q4 pulp prices (NBSK) rose sequentially compared to Q3 2016 in both USD and CAD and also year-over-year in CAD. Eucalyptus prices (BEK) were lower however.
- Based on industry information, management expects pulp prices in USD to remain relatively stable in the near term. The continuing weak and volatile CAD will further create fluctuations in pulp input costs during 2017.



(USD average 1.33 in Q4 2016 compared to 1.33 in Q4 2015)

FINANCIAL PERFORMANCE TREND



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

QUARTERLY FINANCIAL SUMMARY



<i>(C\$ millions, unless otherwise noted)</i>	Q4 2016	Q3 2016	Q4 2015	% Change	
				Y/Y	Q/Q
Revenue	339.6	312.8	300.6	13.0%	8.6%
Cost of Sales	284.2	256.8	259.9		
Gross Profit	55.4	56.0	40.7	36.1%	(1.1)%
Gross Margin	16.3%	17.9%	13.5%		
Adjusted EBITDA	42.9	45.7	30.3	41.6%	(6.1)%
Adjusted EBITDA Margin	12.6%	14.6%	10.1%		
Operating Income (EBIT)	31.3	33.7	16.3		
EBIT Margin	9.2%	10.8%	5.4%		
Net Income (Loss)	(4.5)	21.6	(0.5)		
Net Income Margin	-1.3%	6.9%	-0.2%		

QUARTERLY SEGMENTED RESULTS



				% Change	
(C\$ millions, unless otherwise noted)	Q4 2016	Q3 2016	Q4 2015	Y/Y	Q/Q
Segmented Revenue					
Consumer	278.0	248.8	240.6	15.6%	11.7%
AFH	59.5	59.4	54.8	8.6%	0.2%
Other	2.1	4.6	5.2		
Total segment revenue	339.6	312.8	300.6	13.0%	8.6%
Segment Adjusted EBITDA					
Consumer	41.9	43.9	30.8	36.0%	(4.6)%
AFH	1.0	1.5	0.6	66.7%	(33.3)%
Other	-	0.3	(1.1)		
Total segment Adjusted EBITDA	42.9	45.7	30.3	41.6%	(6.1)%
Segment Adjusted EBITDA Margin					
Consumer	15.1%	17.6%	12.8%		
AFH	1.7%	2.5%	1.1%		
Other					
Total segment Adjusted EBITDA Margin	12.6%	14.6%	10.1%		

Q4 2016 REVENUE COMPARED TO Q4 2015



- Q4 2016 revenue increased by \$39.0 million or 13.0% over Q4 2015 primarily due to the following factors:
 - Consumer segment revenue increased \$37.4 million or 15.6% driven by sales volume growth in all geographic regions including favourable selling prices in Canada
 - AFH segment revenue increased \$4.7 million or 8.6% primarily due to higher sales volumes

From a geographic perspective:

- Revenue increased in Canada by \$22.8 million, or 12.3%, primarily due to consumer sales volume, favourable selling prices and AFH
- Revenue in the U.S. increased by \$14.7 million or 14.2%, primarily due to higher sales volume in both segments
- Revenue increased in Mexico by \$1.5 million or 12.4%

Q4 2016 ADJUSTED EBITDA COMPARED TO Q4 2015



- Q4 2016 Adjusted EBITDA increased by \$12.6 million or 41.6% compared to Q4 2015 due to the following factors:
 - Higher sales volume primarily related to market share gain in bathroom tissue
 - Favourable pricing in Canadian Consumer
 - Favourable product mix
 - Cost reduction initiatives
 - Progressive benefits of capital projects
- Gross margin increased (16.3% in Q4 2016 versus 13.5% in Q4 2015) primarily due to the above mentioned factors

Q4 2016 REVENUE COMPARED TO Q3 2016



- Q4 2016 revenue increased by \$26.8 million or 8.6% over Q3 2016, primarily due to 6 more sales days and:
 - Consumer segment revenue increased by \$29.2 million or 11.7% due to higher sales volume
 - AFH segment revenue was flat reflecting seasonal lower sales volume in Q4 2016

From a geographic perspective

- Revenue increased in:
 - Canada by \$18.6 million or 9.7%
 - U.S. by \$6.5 million or 5.9%
 - Mexico by \$1.7 million or 13.8%

Q4 2016 ADJUSTED EBITDA COMPARED TO Q3 2016



- Q4 2016 Adjusted EBITDA decreased by \$2.8 million over Q3 2016 due to the combination of the following factors:
 - Higher SG&A including seasonally higher advertising spending
 - Higher warehousing costs
 - Timing of plant overhead spending, particularly maintenance
- Gross margin decreased (16.3% in Q4 2016 versus 17.9% in Q3 2016) primarily due to the above mentioned factors

BALANCE SHEET



(C\$ millions, unless otherwise noted)

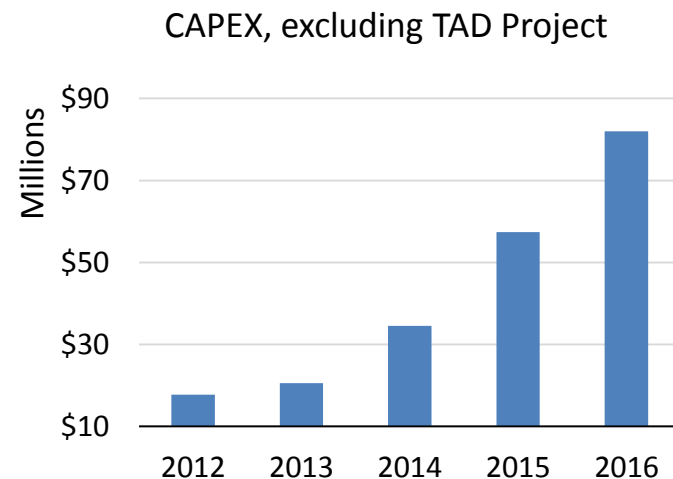
	Q4 2016	Q4 2015
Cash & bank indebtedness	27.5	25.5
Current portion of long-term debt	8.9	10.2
Long-term debt	415.4	425.9
Net Debt	396.8	410.6
LTM Adjusted EBITDA	152.5	126.4
Net Debt/LTM Adjusted EBITDA	2.6	3.2

CAPEX



- Q4 2016 CAPEX of \$23.3 million, up from \$22.3 million in Q4 2015
- Fiscal 2016 CAPEX of \$82.0 million, up from \$57.4 million last year
- 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%



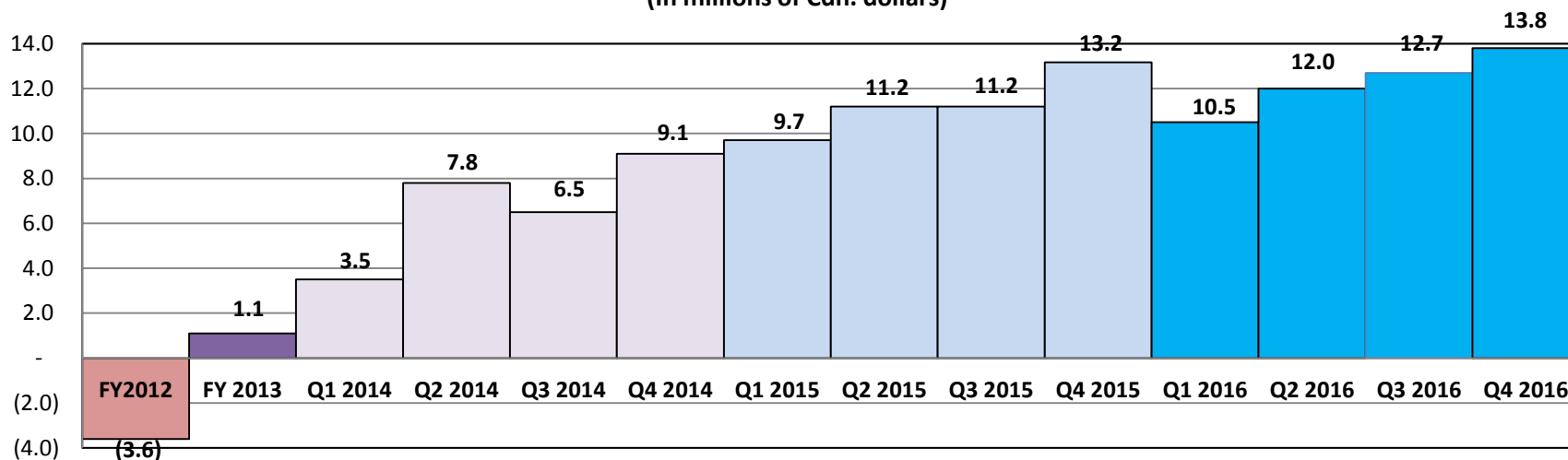
- Cost reduction and Capacity/Growth projects generally have 3 to 4 year paybacks

TAD PRODUCTS



ADJUSTED EBITDA from TAD products

(In millions of Cdn. dollars)



- Q4 2016 Adjusted EBITDA from TAD products of \$13.8 million, up from \$13.2 million in Q4 2015
- Fiscal 2016 Adjusted EBITDA from TAD products of \$49.0 million, up from \$45.3 million in Fiscal 2015
- Adjusted EBITDA from TAD products for Q1 2017 expected to be lower than Q4 2016, due primarily to 12 less sales days during the current quarter
- Our outlook for Fiscal 2017 Adjusted EBITDA to reach \$60 million for TAD products

CONCLUSION



- Very solid year for the Canadian Consumer business (price/volume/overall market share)
- Maintain market share leadership in Canadian consumer segment in the context of a competitive and price sensitive environment
- Cost reduction program and previously initiated capital projects are delivering according to plan
- Leverage TAD product manufacturing capacity to take advantage of growth opportunities in the U.S. premium private label market
- AFH segment – complete new production line projects to improve manufacturing costs with anticipated benefits starting in Fiscal 2017

CONCLUSION



- Paper machine in Crabtree primarily dedicated to AFH with CAPEX of \$55 million. Expected to be operational starting in Q4 2017
- 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. Benefits on Adjusted EBITDA will start primarily in 2018
- Adjusted EBITDA for Q1 2017 is expected to decrease over Q4 2016 primarily due to 12 less sales days and the effect of seasonal advertising expenses during the current quarter. However we do expect an increase in Adjusted EBITDA over Q1 2016



APPENDIX

ANNUAL FINANCIAL SUMMARY



<i>(C\$ millions, unless otherwise noted)</i>	2016	2015	% Change
Revenue	1,227.9	1,138.9	7.8%
Cost of Sales	1,031.6	970.8	6.3%
Gross Profit	196.3	168.1	16.8%
Gross Margin	16.0%	14.8%	
Adjusted EBITDA	152.5	126.4	20.6%
Adjusted EBITDA Margin	12.4%	11.1%	
Operating Income (EBIT)	105.9	78.4	
EBIT Margin	8.6%	6.9%	
Net Income	35.5	1.5	
Net Income Margin	2.9%	0.1%	

ANNUAL SEGMENTED RESULTS



(C\$ millions, unless otherwise noted)

	2016	2015	% Change
Segmented Revenue			
Consumer	986.8	898.0	9.9%
AFH	227.1	220.3	3.1%
Other	14.0	20.6	
Total segment revenue	1,227.9	1,138.9	7.8%
Segment Adjusted EBITDA			
Consumer	146.4	122.5	19.5%
AFH	5.2	5.4	(3.8)%
Other	0.9	(1.5)	
Total segment Adjusted EBITDA	152.5	126.4	20.7%
Segment Adjusted EBITDA Margin			
Consumer	14.8%	13.6%	
AFH	2.3%	2.5%	
Other			
Total segment Adjusted EBITDA Margin	12.4%	11.1%	



FOR MORE INFORMATION:

WWW.KPTISSUEINC.COM

WWW.KRUGERPRODUCTS.CA