



DELIVERING ON OUR STRATEGIC PLAN

Q2 2020 FINANCIAL RESULTS

August 6, 2020



Forward-Looking and Cautionary Statements

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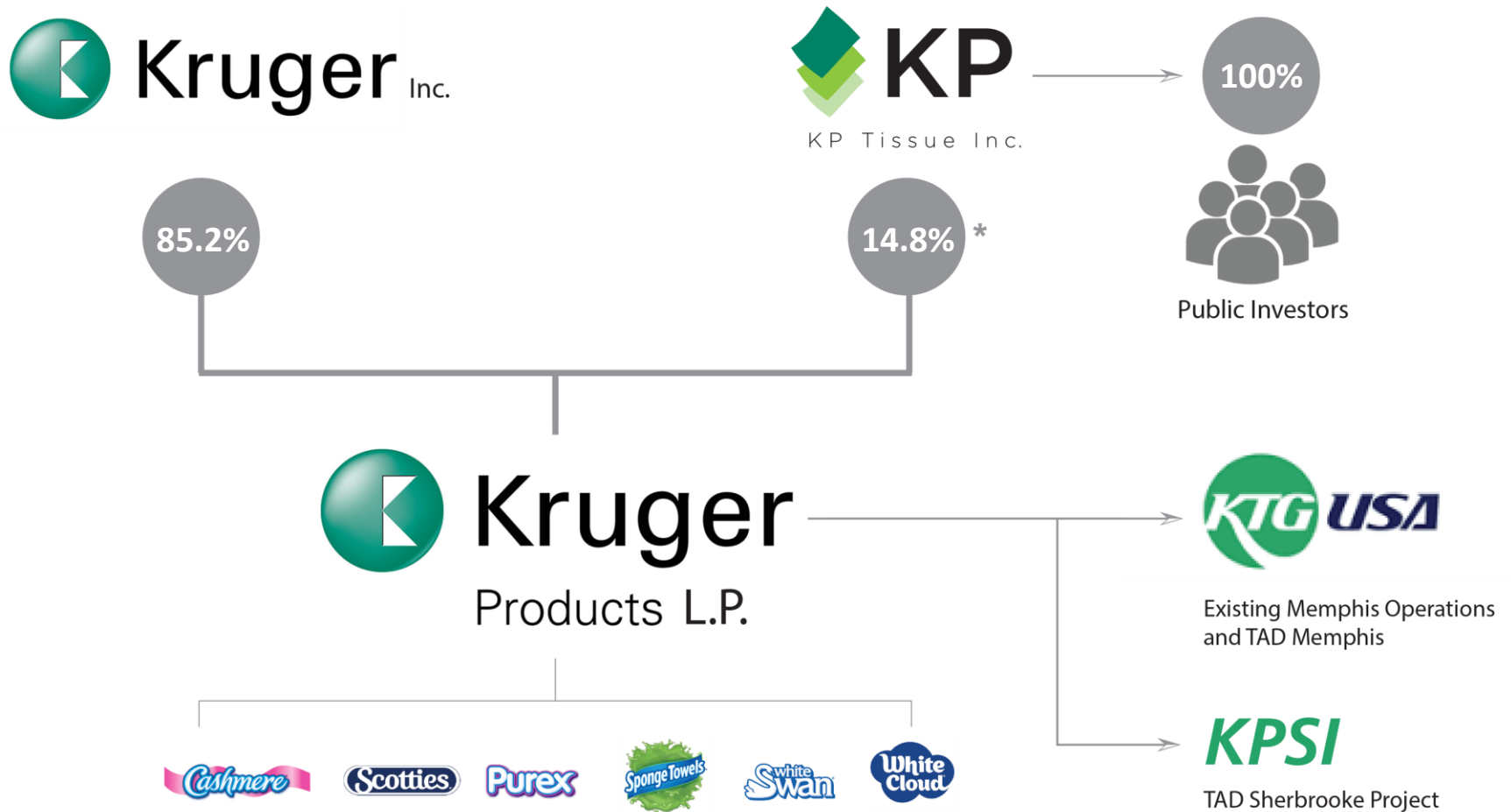
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Unless otherwise stated, references in this presentation to market shares or KPT's market leadership are based on Nielsen dollar market share data and management estimates. Please refer to the Company's MD&A for the complete Forward-looking and cautionary statements.

**The following presentation is to review Kruger Products L.P.
Q2 2020 financial results**

Corporate Structure



*As of August 6, 2020 (14.8% as of June 30, 2020).

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**

Q2 2020 Highlights

\$386.8 M

Revenue

5.8%*

Over Q2 2019



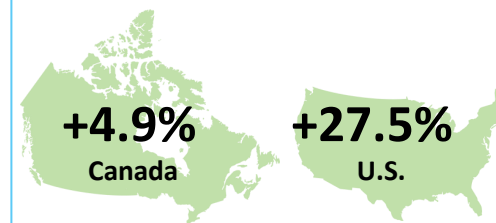
Excluding Mexico

13.7%*

over Q2 2019



Higher revenue due to significant volume increases in the Consumer business and favourable F/X impact



\$64.4 M

Adjusted EBITDA¹

104.6%

over Q2 2019



The increase was primarily due to higher sales volume, the favourable impact of lower input costs and lower manufacturing costs, partially offset by higher maintenance, warehousing and SG&A costs

\$28.9 M

Net Income

\$28.0 M

over Q2 2019



The increase was primarily due to higher Adjusted EBITDA, partially offset by higher income tax expense and depreciation expense.

* The Mexico business was divested in September 2019. In Q2 2019, Mexico represented revenue of \$25.4 million

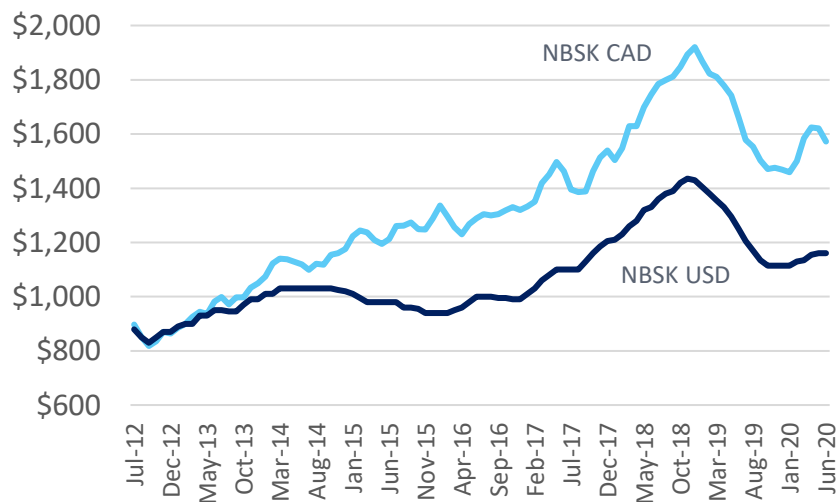
¹ Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure.

Pulp Input Prices

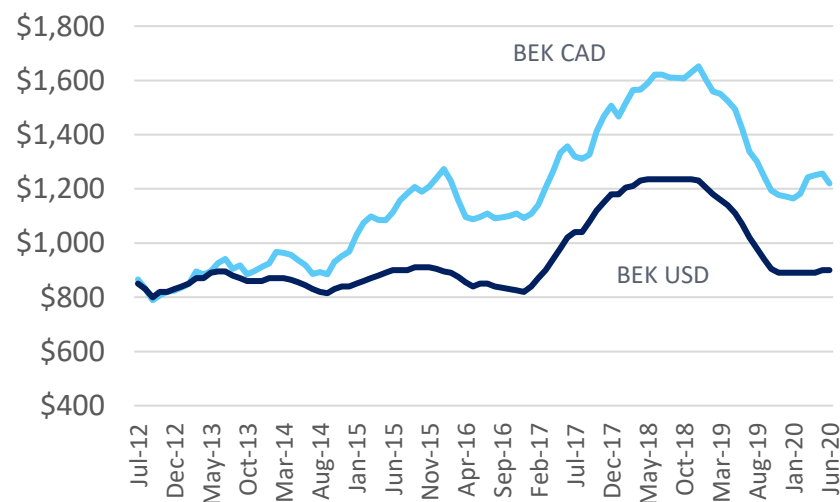
Q2 2020 NBSK prices in CAD increased 6.0% and BEK prices increased 3.9% compared to Q1 2020.

NBSK and BEK prices in USD have slightly increased during Q2 2020. For the remainder of 2020 and based on industry forecasts, NBSK and BEK prices in USD are expected to stay relatively flat to slightly up.

**NBSK North American List Prices per MT
(Q2 2020 -7% YOY in CAD)**



**BEK List Prices per MT
(Q2 2020 -16% YOY in CAD)**



(USD average 1.39 in Q2 2020 compared to 1.34 in Q2 2019)

COVID-19 – Business Continuity



BUSINESS CONTINUITY

- Continued focus on keeping our employees safe with enhanced procedures
- Strong performance of assets with no major disruptions
- Running fewer SKUs with priority on top selling products allowing for improved productivity
- Focused on rebuilding inventory after significant depletion
- Consumer trust in our brand is a key differentiator in period of uncertainty leading to further market share gain

TAD SHERBROOKE

On time and on budget

- Despite temporary halt to construction driven by implementation of COVID-19 procedures, project on time and on budget
- Received all major equipment with no disruption
- As planned, the first converting-line started in July 2020 and the ramping-up is progressing well
- Full plant start-up expected to begin in early 2021 with anticipated ramp-up supported by very good traction with new and existing customers across North America





Driving more capacity, asset reliability, cost savings and cultural shift

- OpEx program tracking effectively in all sites
- Plants operating very well in Q2 and achieving improved performances month-after-month
- SKU consolidation helped run more efficiently and increased output and productivity
- Lower manufacturing costs YoY
- Logistics excellence program also yielding strong savings
- Combined savings on target to deliver \$15 to \$20 million on a run-rate basis, by the end of 2020



TRADEMARK

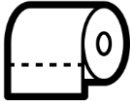


Continued focus on investing and building our brands

- Share performance momentum accelerated with COVID-19
- Strong growth of White Cloud in the U.S. with increased distribution
- Short term marketing focus on connecting with consumers and those in need during COVID-19
- Adapting marketing plan with significant changes to our promotion properties, remain fully committed to investing in brands
- Key innovations and quality improvements essentially on track



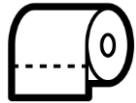
Canada's Leading Tissue Company



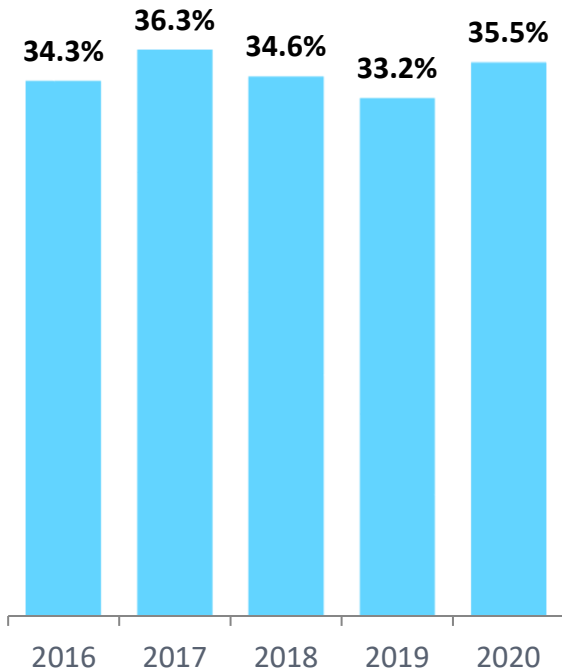
	 Bathroom Tissue	 Facial Tissue	 Paper Towel
Kruger	#1 35.5%	#1 30.9%	#2 21.5%
IRVING	18.6%	19.7%	12.0%
P&G	10.3%	0.7%	33.6%
Kimberly-Clark	1.4%	18.3%	0.7%

Source: Nielsen; dollar market share for the 52-week period ended June 13, 2020.

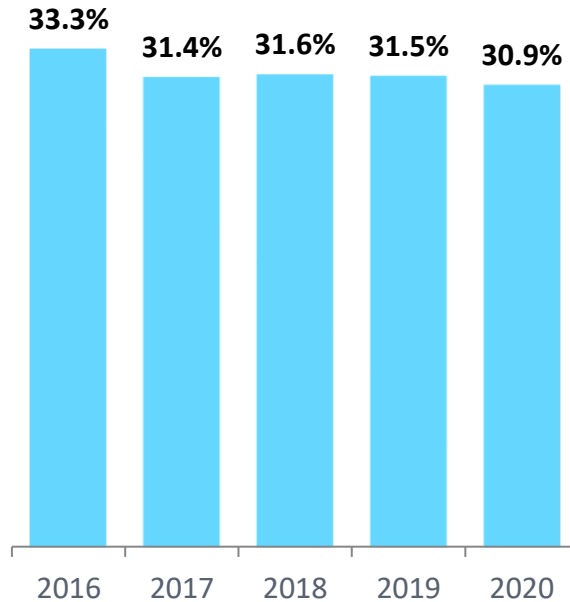
Brand Leadership Position



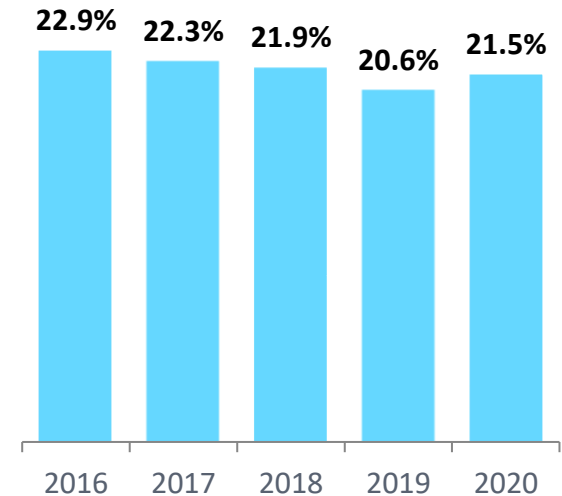
#1 Bathroom Tissue



#1 Facial Tissue



#2 Paper Towel



Source: Nielsen Canadian dollar market share for 52-week period data. 2020 represents the latest 12 months ending June 13, 2020.

AFH SEGMENT

Doing the right things to rebuild the business

- As expected, more challenging market conditions starting in Q2 due to severe impact of COVID-19 on end user markets
- Overall market indicators suggest industry decline of 40% to 50%
- Increased awareness on hand hygiene has driven end user transition to towels vs hand dryers
- Increased costs of sorted office wastepaper due to scarcity
- New price increase in Canada and the U.S. effective September 1st, 2020. However, market remains very price competitive
- With benefits of OpEx program largely realized, future performance mainly driven by market demand



Quarterly Financial Summary

(Million CAD\$, unless otherwise noted)	Q2 2020	Q1 2020	Q2 2019	% Change	
				Y/Y	Q/Q
Revenue	386.8	375.1	365.7	5.8%	3.1%
Revenue, excluding Mexico¹	386.8	375.1	340.2	13.7%	3.1%
Cost of Sales	310.0	314.5	300.2	3.3%	(1.4%)
Gross Profit	76.8	60.6	40.0	92.1%	26.6%
Gross Margin	19.8%	16.2%	10.9%		
Adjusted EBITDA²	64.4	51.0	31.5	104.6%	26.4%
Adjusted EBITDA Margin ²	16.7%	13.6%	8.6%		
Net Income	28.9	8.4	0.9		
Net Income Margin	7.5%	2.2%	0.3%		

¹ The Mexico business was divested in September 2019. In Q2 2019, Mexico represented revenue of \$25.4 million

² 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)	Q2 2020	Q1 2020	Q2 2019	% Change	
				Y/Y	Q/Q
Segmented Revenue¹					
Consumer	338.2	313.3	299.7	12.9%	8.0%
Consumer, excluding Mexico ²	338.2	313.3	274.2	23.3%	8.0%
AFH	48.5	61.9	66.0	(26.5%)	(21.6%)
Total Segment Revenue	386.8	375.1	365.7	5.8%	3.1%
Total Segment Revenue, excluding Mexico	386.8	375.1	340.2	13.7%	3.1%
Segment Adjusted EBITDA³					
Consumer	69.6	54.3	35.4	96.8%	28.0%
AFH	(2.1)	(1.0)	(3.0)	29.5%	(110.1%)
Other ⁽¹⁾	(3.0)	(2.4)	0.8		
Total Segment Adjusted EBITDA³	64.4	51.0	31.5	104.6%	26.4%
Segment Adjusted EBITDA Margin³					
Consumer	20.6%	17.3%	11.8%		
AFH	(4.4%)	(1.7%)	(4.6%)		
Total Segment Adjusted EBITDA Margin³	16.7%	13.6%	8.6%		

¹ The Other segment previously included revenue and profit (loss) associated with the sales of parent rolls and recycled fibre. Any profit (loss) is now included in Consumer or AFH segments as appropriate. The Other segment currently includes certain corporate costs and timing adjustments for certain manufacturing costs included in inventory.

² The Mexico business was divested in September 2019. In Q2 2019, Mexico represented revenue of \$25.4 million

³ Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure.

Q2 2020 Revenue Compared to Q2 2019

\$21.1 M

Q2 Revenue increase

5.8%

over Q2 2019

Excluding Mexico

\$46.6 M

Q2 Revenue increase

13.7%*

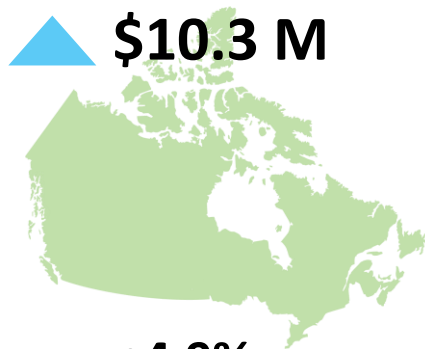
over Q2 2019

Impacted due to a combination of:

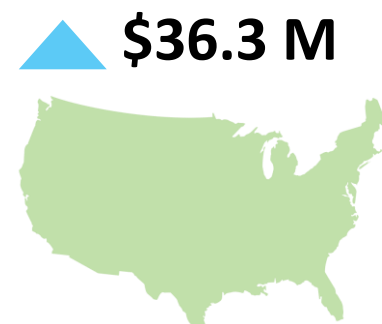
- Significant volume increases in Canada and the U.S. primarily related to COVID-19 demand
- Favourable F/X impact
- **Partially offset by:** Lower AFH revenue and Consumer selling prices moderating in response to lower input costs



Geographic revenue segmentation



\$10.3 M
+4.9%
Canada



\$36.3 M
+27.5%
U.S.

* The Mexico business was divested in September 2019. In Q2 2019, Mexico represented revenue of \$25.4 million

Q2 2020 Adjusted EBITDA¹ Compared to Q2 2019

\$32.9 M

Q2 Adjusted EBITDA¹ increase



104.6%
over Q2 2019

Gross Margin

18.0%



Q2 2020

9.9%



Q2 2019

Primarily due to the following factors:

- Significantly higher sales volume
- Lower input costs
- Lower freight costs
- Benefits of the OpEx program resulting in less outsourcing and lower manufacturing costs

Partially offset by:

- Higher costs related to COVID-19
- Higher warehousing costs
- Increased SG&A costs

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

Q2 2020 Revenue Compared to Q1 2020

\$11.7 M

Q2 Revenue increase



3.1%

over Q1 2020

Increase due to a combination of:

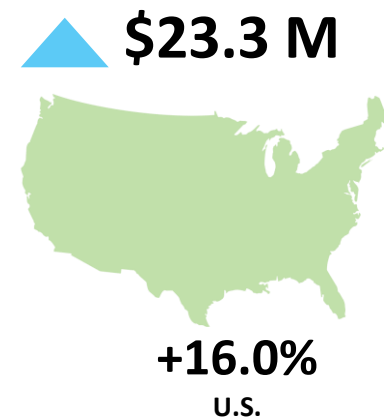
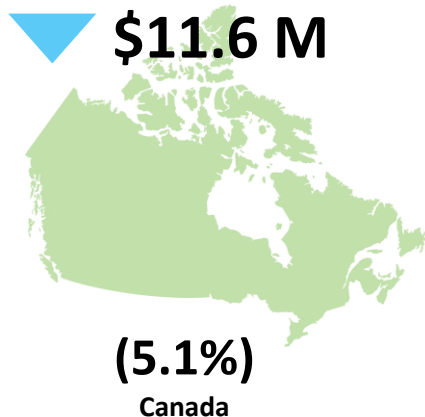
- Higher volume in Consumer segment primarily related to COVID-19 demand
- More favourable sales mix
- Slightly favourable F/X rate on U.S. sales

Partially offset by:

- Lower AFH volume



Geographic revenue segmentation



Q2 2020 Adjusted EBITDA¹ Compared to Q1 2020

\$13.4 M

Q2 Adjusted EBITDA¹ increase



26.4%
over Q1 2020

Gross Margin

19.8%



Q2 2020

16.2%



Q1 2020

Due to the following factors:

- Increased sales volume in Consumer segment
- Favourable sales mix
- More efficient manufacturing
- Slight decrease in freight and warehousing costs
- Improved leverage of fixed costs

Partially offset by:

- Lower AFH volume
- Higher SG&A expenses

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

Balance Sheet

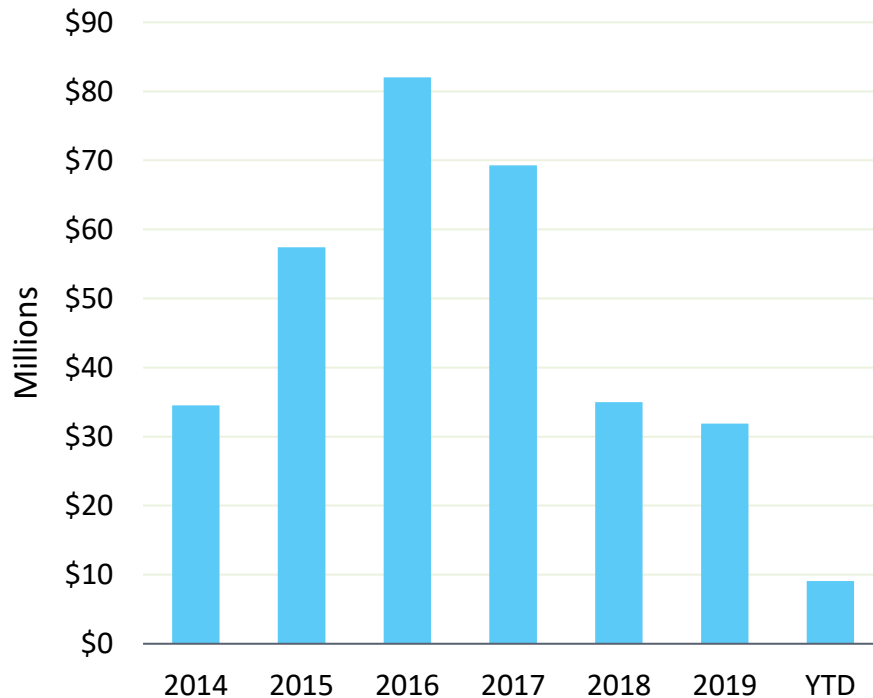
(Million CAD\$, unless otherwise noted)	Q2 2020	Q1 2020
Cash	144.2	144.6
Current Portion of Long-term Debt	4.9	4.9
Long-term Debt	700.4	718.5
Net Debt	561.1	578.8
LTM Adjusted EBITDA ¹	205.4	172.5
Net Debt/LTM Adjusted EBITDA¹	2.7	3.4

- Leverage continued to decrease due to significantly higher LTM adjusted EBITDA and lower working capital

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

CAPEX

CAPEX, excluding TAD Sherbrooke Facility



- Q2 2020 TAD Sherbrooke CAPEX was \$69.4 million
- Q2 2020 CAPEX excluding TAD Sherbrooke was \$4.0 million
- 2020 TAD Sherbrooke CAPEX estimated at between \$330 and \$350 million
- 2020 regular CAPEX estimated in \$25-\$35 million range with back half focus
- Total 2020 CAPEX of \$355-\$385 million

Reinvesting in the business to build a strong future

Our focus going forward will be on:

- Continuing to drive top line growth

- Investing in our brands to build our market share leadership position in Canada while expanding White Cloud in the U.S.

- Completing the TAD Sherbrooke facility with its elevated strategic importance considering the new capacity it provides and having a fully committed sales pipeline

- Creating a more efficient and capable supply chain network with benefits and progress of OpEx program

- Doing the right things to improve AFH performance considering strong headwinds in end-user markets

- Developing our organizational capability to drive growth for the future



KP Tissue Inc.

THANK
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