



BUILDING LONG-TERM VALUE

Q2 2019
FINANCIAL RESULTS

August 8, 2019



Forward-looking and cautionary statements

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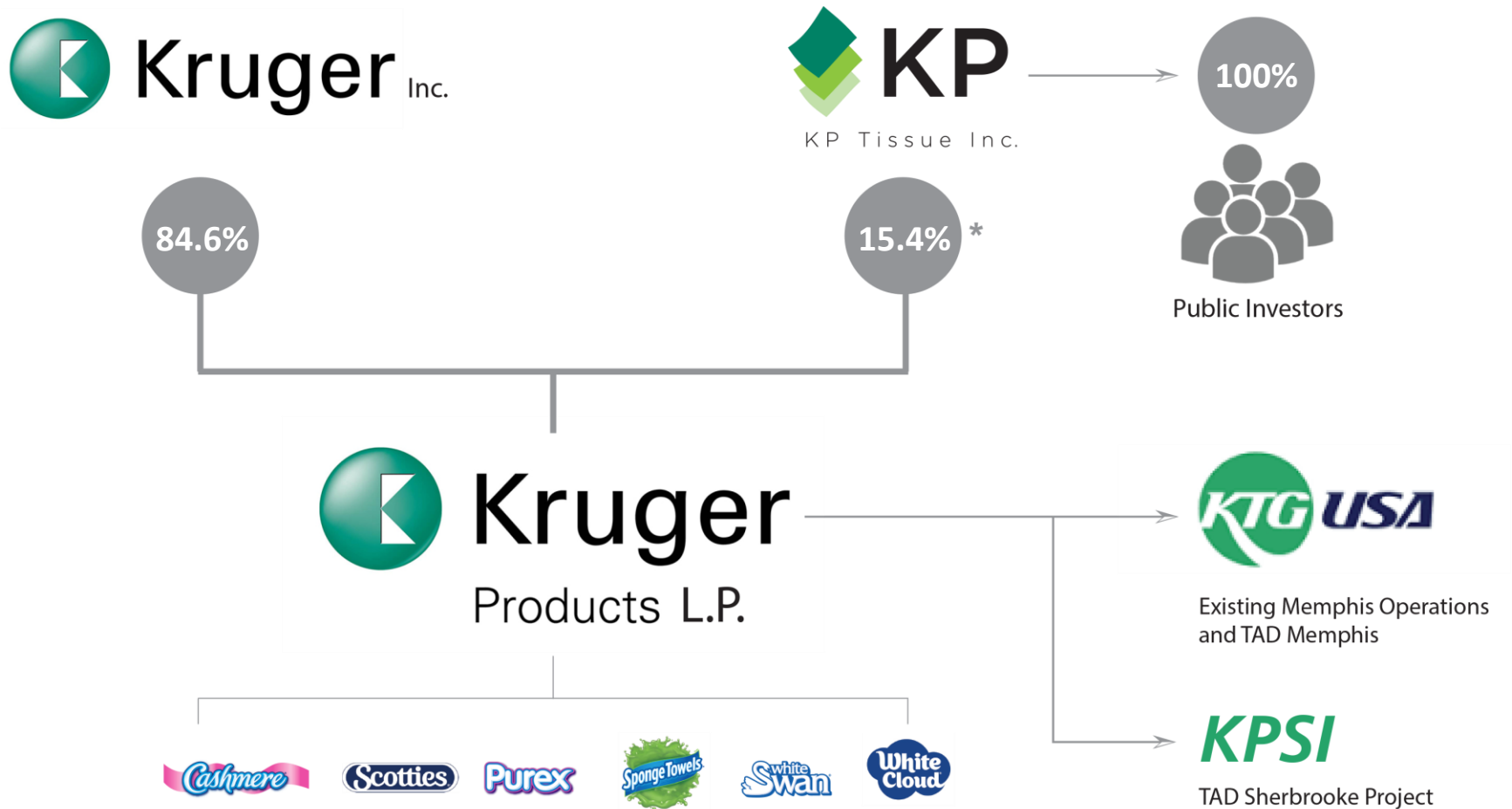
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Unless otherwise stated, references in this presentation to market shares or KPT's market leadership are based on Nielsen dollar market share data and management estimates.

**The following presentation is to review Kruger Products L.P.
Q2 2019 financial results**

Corporate Structure



*As of August 7, 2019 (15.5% as of June 30, 2019).

Kruger Products Overview

1

**Canada's Leading
Tissue Company**

2

**Strong Customer
Relationships**

3

**Broad Manufacturing
Infrastructure**

4

**Solid Cash Flow
Generation**

5

**Prudent Growth
Strategy**

6

**Experienced
Management Team**

Q2 2019 Highlights

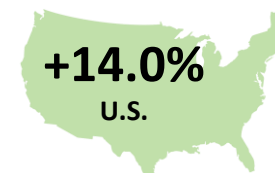
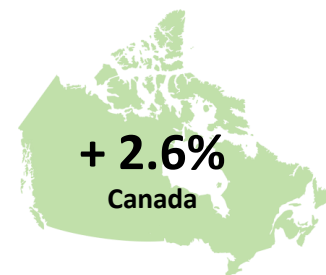
\$365.7 M

Revenue



7.9%*
over 2018

Primarily due to the favourable impact of the Consumer Canada price increase implemented in Q4 2018, price increases in the AFH segment and the benefit of F/X



\$31.5 M

Adjusted EBITDA¹



2.9%
over 2018

- Positive impact of the Consumer Canada and AFH price increases
- Partially offset by unfavourable sales mix and higher cost of sales and SG&A costs
- Pulp costs were neutral YoY

\$0.9 M

Net Income



\$0.7 M
over 2018

- Net income of \$0.9 million compared to \$1.6 million a year ago, a decrease of \$0.7 million.

* Includes 26.7% increase in revenues for Mexico to \$25.4 million, which is a low contribution business.

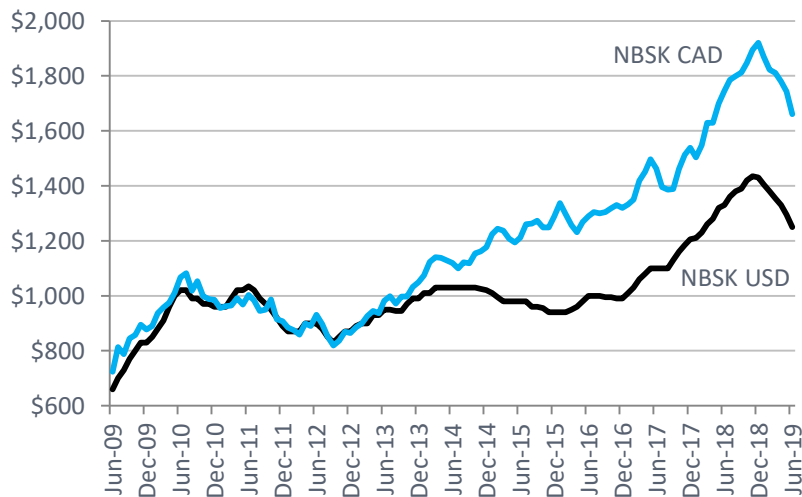
¹ Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure. Q2 of Fiscal 2018 has been restated to reflect IFRS 16 Lease accounting. Refer to the Appendix and MD&A for more information.

Pulp Input Prices

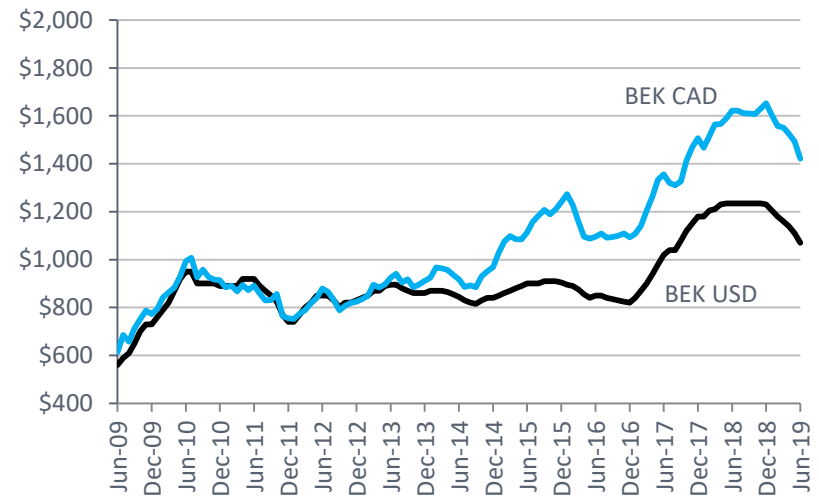
Q2 2019 NBSK prices rose while BEK prices decreased year-over-year in CAD, and both market pulp prices decreased sequentially (NBSK -5.8% and BEK -5.8% in CAD) compared to Q1 2019.

Pulp prices in USD have moderated in Q2 2019 and based on industry forecasts, are expected to remain in a similar range in 2019. The volatile CAD will create further fluctuations in pulp input costs.

**NBSK North American List Prices per MT
(Q2 2019 +2% YOY in CAD)**



**BEK List Prices per MT
(Q2 2019 -7% YOY in CAD)**

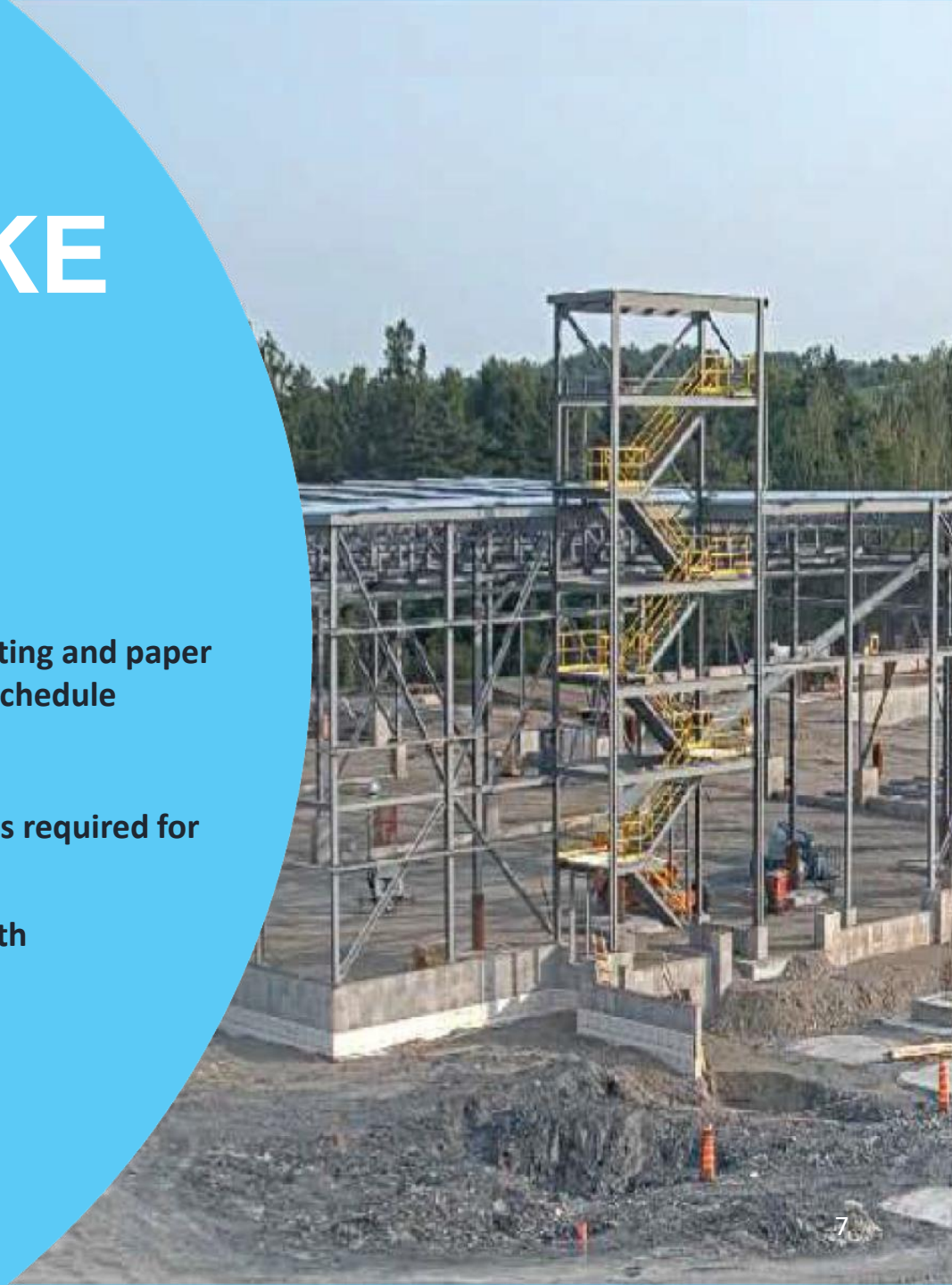


(USD average 1.34 in Q2 2019 compared to 1.33 in Q1 2019)

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 6th month of Operational Excellence (“OpEx”) project. The program is progressing very well relative to the timeline and goals
- Initial focus was on two core facilities as well as AFH facilities considering results in prior quarters
- 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 1st, 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 reinforce leadership position

- Committed to enhancing leadership position in Canada
- Private label continues to make gains in bathroom tissue category in particular
- More investment in marketing programs and initiatives such as multi-year partnership with NHL, Made in Canada and Tear Open to Win!
- Innovation to be launched in back half of the year
- Strengthening customer support
- Maintain significant lead in bathroom and facial tissue categories, solid second position in paper towel



AN ALL-STAR LINEUP

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



PLAY IN-STORE

OR

PLAY ONLINE NOW

Purchase specially marked products and look inside for a

\$50,000
winning ticket



Play now for a share of

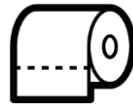
\$1,000,000
in additional prizes

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*No purchase necessary. Starts May 9/19 (12:00:00 a.m. ET), ends Oct 31/19 (11:59:59 p.m. ET). Open to age of majority residents of Canada. Enter online and find rules (including no purchase entry details) at www.tearopenwin.com. 3 Grand Prizes (\$50,000 each; odds 2 in 8,305,000), 412 Secondary Prizes (2 x \$10,000, 90 x \$1,000, 360 x \$50; odds depend on number/drawing of entries), 18,025 additional Secondary Prizes (25 x \$1000 (odds 1 in 10, 1500 x \$100 (odds 1 in 21,346), 18000 x \$50 (odds 1 in 940)). Skill-testing question required. ©Registered trademarks of Kruger Products L.P. ® Used under license.

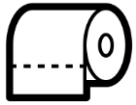
Canada's Leading Tissue Company



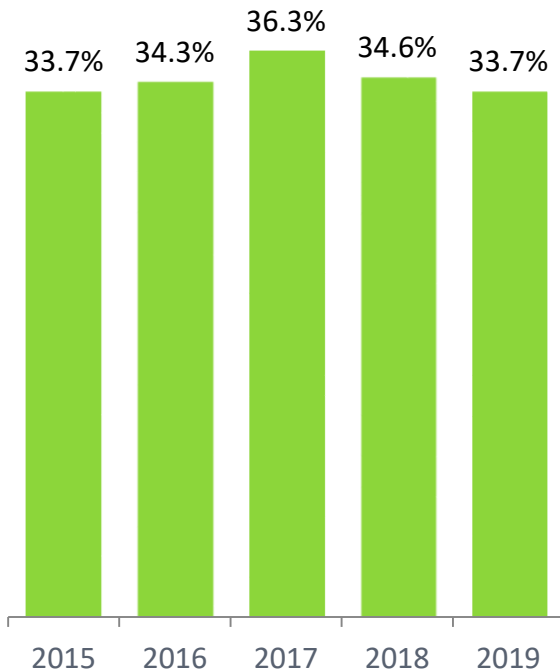
Bathroom Tissue	Facial Tissue	Paper Towel
#1 33.7%	#1 31.6%	#2 22.0%
19.3%	19.0%	12.0%
10.5%	0.8%	32.9%
1.6%	17.9%	0.8%

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

Brand Leadership Position



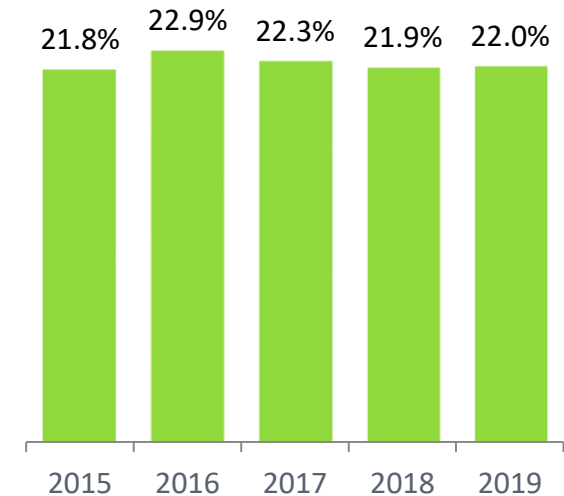
#1 Bathroom Tissue



#1 Facial Tissue



#2 Paper Towel



Source: Nielsen Canadian dollar market share for 52-week period data. 2019 represents the latest 12 months ending June 15, 2019.

Quarterly Financial Summary

				% Change	
(Million CAD\$, unless otherwise noted)	Q2 2019	Q1 2019	Q2 2018 Restated	Y/Y	Q/Q
Revenue	365.7	351.0	338.8	7.9%	4.2%
Cost of Sales	325.8	320.1	303.6		
Gross Profit	39.9	30.9	35.2	13.6%	29.4%
Gross Margin	10.9%	8.8%	10.4%		
Adjusted EBITDA¹	31.5	23.6	30.6	2.9%	33.4%
Adjusted EBITDA Margin ¹	8.6%	6.7%	9.0%		
Net Income (Loss)	0.9	(3.2)	1.6		
Net Income (Loss) Margin	0.3%	(0.9)%	0.5%		

¹ Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure. Q2 of Fiscal 2018 have been restated to reflect IFRS 16 Lease accounting.

Quarterly Segmented Results

(Million CAD\$, unless otherwise noted)	Q2 2019	Q1 2019	Q2 2018 Restated	% Change	
				Y/Y	Q/Q
Segmented Revenue¹					
Consumer	299.7	296.2	279.2	7.3%	1.2%
AFH	66.0	54.8	59.6	10.8%	20.5%
Total Segment Revenue	365.7	351.0	338.8	7.9%	4.2%
Segment Adjusted EBITDA²					
Consumer	35.4	30.1	34.3		
AFH	(3.0)	(6.6)	(2.4)		
Other	(0.9)	0.1	(1.3)		
Total Segment Adjusted EBITDA²	31.5	23.6	30.6	2.9%	33.4%
Segment Adjusted EBITDA Margin²					
Consumer	11.8%	10.2%	12.3%		
AFH	(4.6)%	(12.0)%	(4.0)%		
Total Segment Adjusted EBITDA Margin²	8.6%	6.7%	9.0%		

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 Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure. Q1 and Q4 of Fiscal 2018 have been restated to reflect IFRS 16 Lease accounting.

Q2 2019 Revenue Compared to Q2 2018

\$26.9 M

Q2 Revenue increase



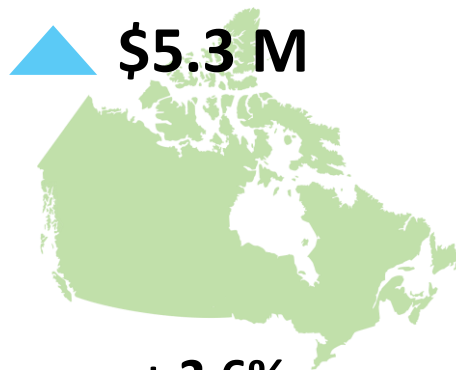
7.9%*
over Q2 2018

Impacted due to a combination of:

- Consumer selling price increase implemented in Canada in Q4 2018
- Price increases in the AFH segment
- Favourable impact of F/X fluctuation on U.S. sales (USD average 1.34 in Q2 2019 compared to 1.29 in Q2 2018)

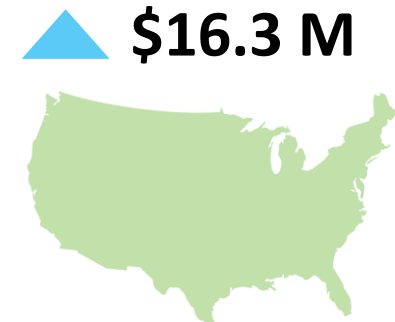


Geographic revenue segmentation



\$5.3 M

+ 2.6%
Canada



\$16.3 M

+ 14.0%
U.S.

* Includes \$5.4 M or 26.7% increase in revenues for Mexico, which is a low contribution business.

Q2 2019 Adjusted EBITDA¹ Compared to Q2 2018

\$0.9 M

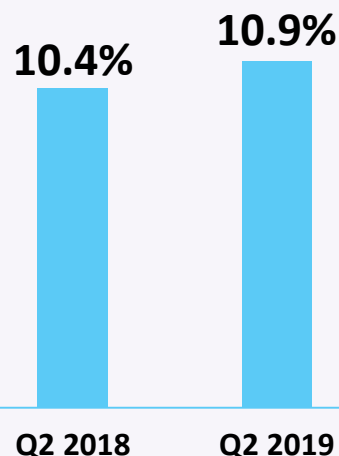
Q2 Adjusted EBITDA¹ increase



2.9%

over Q2 2018

Gross Margin



Primarily due to the following factors:

- Positive impact of the Consumer Canada and AFH price increases
- Operational transformation initiatives
- Partially offset by:
 - Unfavourable FX
 - Unfavourable sales mix
 - Outsourced manufacturing costs
 - AFH production inefficiencies
 - Increased SG&A costs
- Pulp costs were neutral

¹ Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure. Q2 of Fiscal 2018 has been restated to reflect IFRS 16 Lease accounting.

Q2 2019 Revenue Compared to Q1 2019

\$14.7 M

Q2 Revenue increase



4.2%*

over Q1 2019

Primarily due to the following factors:

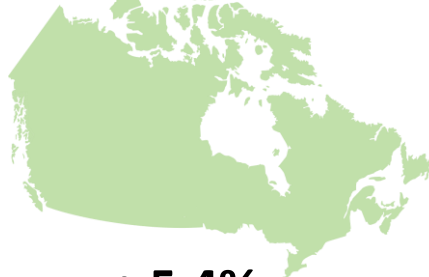
- Consumer segment was up \$3.5 million or 1.2%
- AFH segment revenue increased by \$11.2 million or 20.5%
- Q2 typically has seasonally higher sales volume than Q1



Geographic revenue segmentation



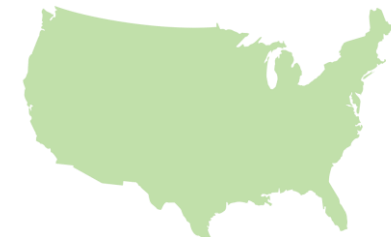
\$10.7 M



+ 5.4%
Canada



\$4.6 M



+ 3.6%
U.S.

* Includes \$0.6 M or 2.3% decrease in revenues for Mexico, which is a low contribution business.

Q2 2019 Adjusted EBITDA¹ Compared to Q1 2019

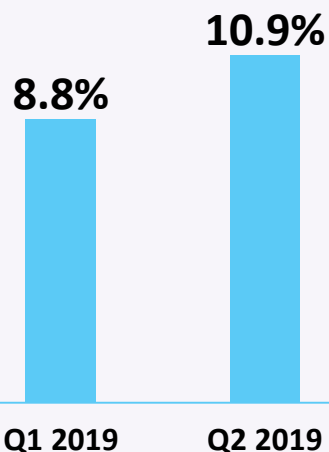
\$7.9 M

Q2 Adjusted EBITDA¹ increase



33.5%
over Q1 2019

Gross Margin



Due to the following factors:

- Higher sales volume typical of Q2 due to normal seasonality
- AFH price increases
- Pulp costs moderated in Q2 versus Q1
- OpEx program cost improvements

¹ Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure. Q2 and Q1 of Fiscal 2018 have been restated to reflect IFRS 16 Lease accounting.

Balance Sheet

(Million CAD\$, unless otherwise noted)	Q2 2019	Q1 2019
Cash	115.4	135.0
Current Portion of Long-term Debt	9.3	13.8
Long-term Debt*	596.7	590.8
Net Debt	490.5	469.6
LTM Adjusted EBITDA ¹	112.2	111.2
Net Debt/LTM Adjusted EBITDA¹	4.4	4.2

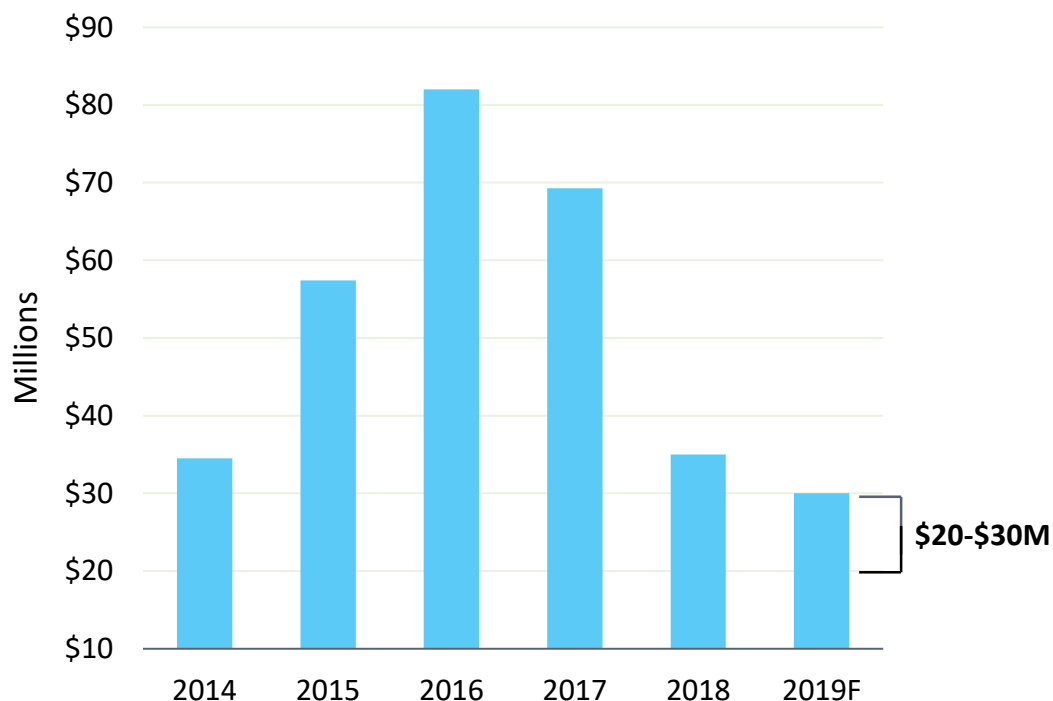
* Long-term debt includes the TAD Sherbrooke Project financing related to the IQ debenture and Nordea 2 loan. Cash includes the proceeds from this financing net of spending to the end of Q1 on the TAD Sherbrooke Project, a cash balance of \$119.5 million.

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

CAPEX



CAPEX, excluding TAD Sherbrooke Project



- YTD 2019 CAPEX totalled \$57.3 million, including \$43.7 million related to the TAD Sherbrooke Project
- 2019 CAPEX, excluding TAD Sherbrooke, estimated at between \$20 and \$30 million
- 2019 TAD Sherbrooke CAPEX estimated at between \$220 and \$230 million

Conclusion

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

- Continue to drive top line growth in all segments

- Committed to defend our leadership position in Canada

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

- Creating a more efficient and capable supply chain network. In the process of optimizing paper sourcing across the network

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

- Building ultra-premium capacity with our TAD Sherbrooke project

- Investing to further strengthen our brands

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