



Q1 2016 FINANCIAL RESULTS

May 5, 2016

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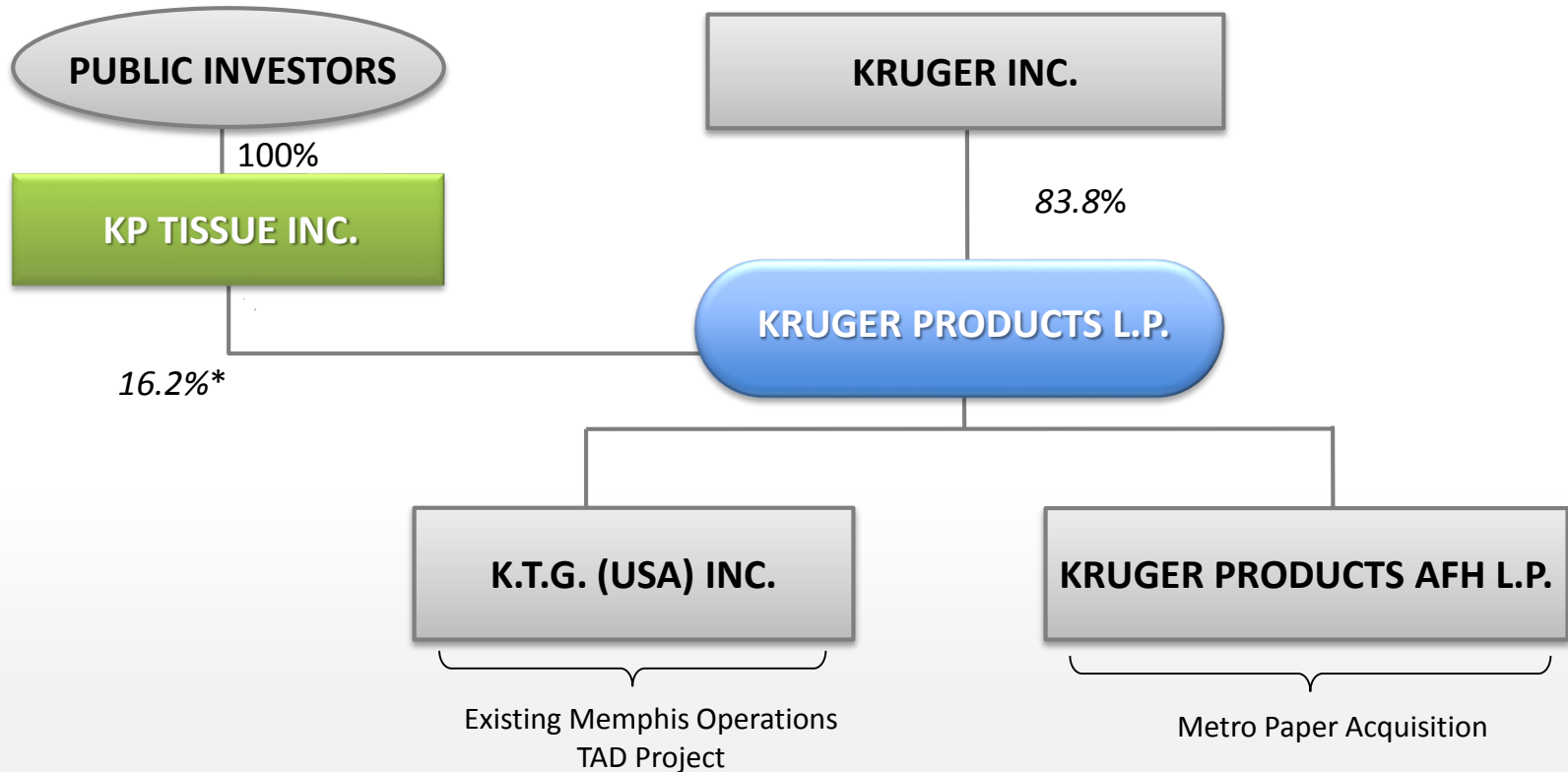
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Unless otherwise stated, references in this presentation to market shares or KPT’s market leadership are based on Nielsen dollar market share data and management estimates.

**The following presentation is to review Kruger Products L.P.
Q1 2016 financial results**

CORPORATE STRUCTURE



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

** As of May 5, 2016 (16.3% as of March 27, 2016)*

PRESENTERS



MARIO GOSSELIN

Chief Executive Officer
KP Tissue Inc. & Kruger
Products L.P.

MARK HOLBROOK

Chief Financial Officer
KP Tissue Inc. & Kruger
Products L.P.



Q1 2016 HIGHLIGHTS

- Q1 2016 revenue of \$279.7 million, up 5.4% over Q1 2015. Consumer sales increased in all geographic regions
- Adjusted EBITDA¹ of \$28.1 million compared to \$31.1 million last year primarily due to the negative impact of F/X, along with higher warehousing costs and an increase in AFH operating expenses
- Weaker Canadian dollar translated into approximately \$2 million of net negative impact on Adjusted EBITDA in Q1 (USD average 1.377 in Q1 2016 compared to 1.235 in Q1 2015)
- TAD Product Adjusted EBITDA contribution of \$10.5 million, up from \$9.7 million in Q1 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 Towels

 **Kruger**
Products

#1
36.4%

#1
33.4%

#2
24.3%

 **IRVING**

#2
21.3%

#2
18.5%

#3
8.8%

P&G

#3
10.3%

#4
1.3%

#1
31.8%

 **Kimberly-Clark**

#4
5.0%

#3
18.2%

#4
3.2%

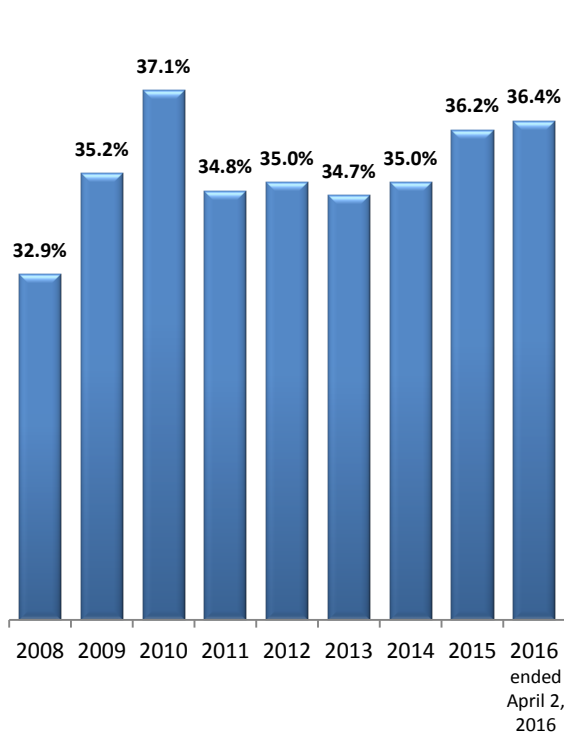
Source: Nielsen; dollar market share for the 52-week period ended April 2, 2016.



BRAND LEADERSHIP POSITION

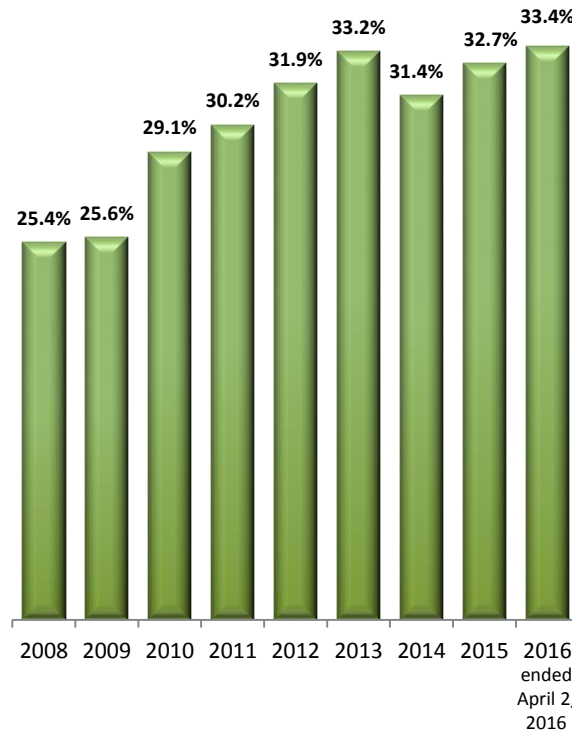
1st BATHROOM TISSUE

Increased market share



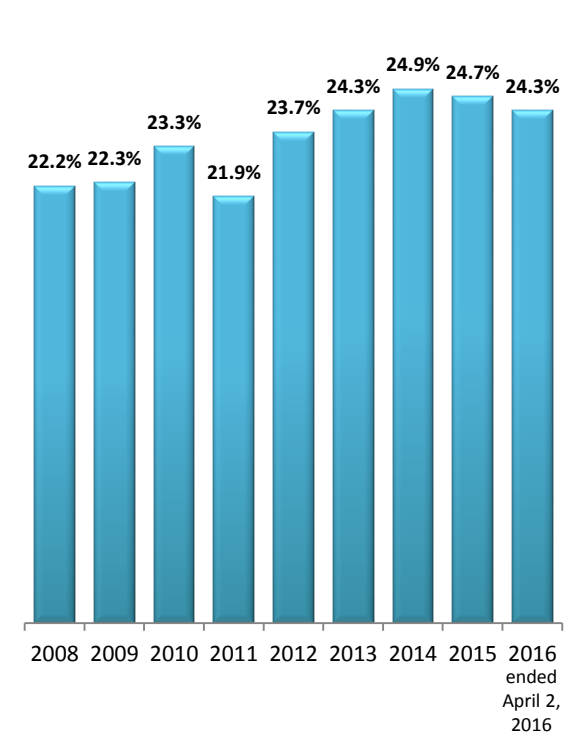
1st FACIAL TISSUE

Record market share in 2016



2nd PAPER TOWEL

Stable market share

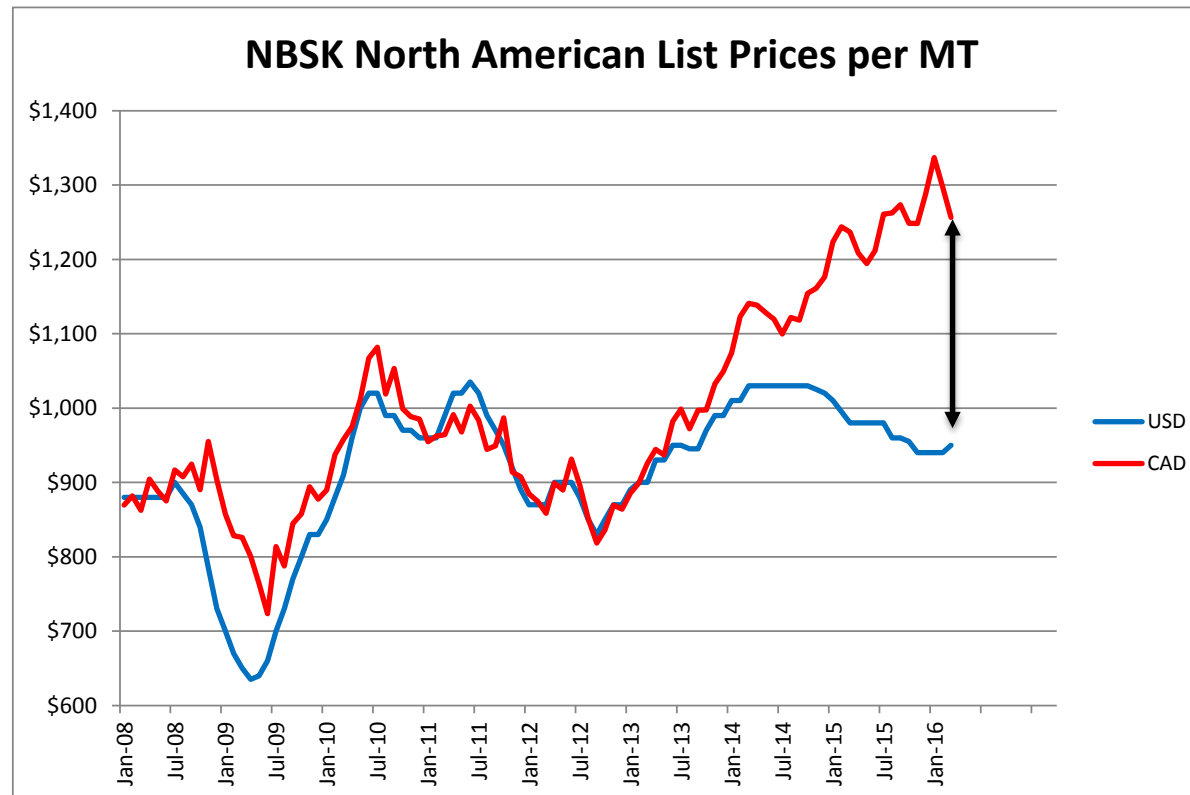


Source: Nielsen Canadian dollar market share for 52-week period data.



PULP INPUT PRICES

- NBSK USD market price declined to US\$943/metric tonne in Q1 2016 compared to an average of US\$995/metric tonne in Q1 2015. Pulp input costs in CAD declined in Q1 from peak reached in December 2015, due to lower F/X.
- Based on industry information, management expects pulp prices to slightly trend upward in USD in the near term. The continuing weak and volatile CAD will further create fluctuations in pulp input costs during 2016.



(USD average 1.377 in Q1 2016 compared to 1.235 in Q1 2015)

QUARTERLY FINANCIAL SUMMARY



<i>(C\$ millions, unless otherwise noted)</i>	Q1 2016	Q4 2015	Q1 2015	% Change	
				Y/Y	Q/Q
Revenue	279.7	300.6	265.4	5.4%	(7.0)%
Gross Profit	39.0	40.7	42.8	(8.9)%	(4.2)%
<i>Gross Margin</i>	14.0%	13.6%	16.1%		
Adjusted EBITDA	28.1	30.3	31.1	(9.7)%	(7.2)%
<i>Adjusted EBITDA Margin</i>	10.0%	10.1%	11.7%		
Operating Income (EBIT)	17.4	16.3	20.2		
<i>EBIT Margin</i>	6.2%	5.4%	7.6%		
Net Income (Loss)	6.4	(0.5)	4.7		
<i>Net Income Margin</i>	2.3%	-0.2%	1.8%		

QUARTERLY SEGMENTED RESULTS



				% Change	
(C\$ millions, unless otherwise noted)	Q1 2016	Q4 2015	Q1 2015	Y/Y	Q/Q
Segmented Revenue					
Consumer	228.2	240.6	210.2	8.6%	(5.2)%
AFH	49.1	54.8	48.6	1.0%	(10.5)%
Other	2.5	5.2	6.7		
Total segment revenue	279.7	300.6	265.4	5.4%	(7.0)%
Segment Adjusted EBITDA					
Consumer	28.0	30.7	30.3	(7.6)%	(8.9)%
AFH	(0.2)	0.6	1.0	(117.1)%	(126.7)%
Other	0.3	(1.1)	(0.1)		
Total segment Adjusted EBITDA	28.1	30.3	31.1	(9.7)%	(7.2)%
Segment Adjusted EBITDA Margin					
Consumer	12.3%	12.8%	14.4%		
AFH	(0.3)%	1.1%	2.0%		
Other					
Total segment Adjusted EBITDA Margin	10.0%	10.1%	11.7%		

Q1 2016 REVENUE COMPARED TO Q1 2015



- Q1 2016 revenue increased by \$14.3 million or 5.4% over Q1 2015 primarily due to the following factors:
 - Consumer segment revenue increased \$18.0 million or 8.6% driven by sales growth across all regions, as well as the favourable impact of F/X
 - AFH segment revenue increased by \$0.5 million or 1.0%, due primarily to the benefits of F/X

From a geographic perspective:

- Revenue in the U.S. increased by \$8.3 million or 8.9%, due to higher sales volume in the Consumer segment, combined with benefits of F/X
- Revenue increased in Canada by \$2.5 million or 1.5%, primarily due to the Consumer segment

Q1 2016 ADJUSTED EBITDA COMPARED TO Q1 2015



- Q1 2016 Adjusted EBITDA decreased by \$3.0 million compared to Q1 2015 due to the following factors:
 - Net negative F/X impact of approximately \$2 million
 - Higher warehousing costs
 - Temporary increase in AFH operating costs
 - The net impact of sales and other costs was relatively neutral
- Gross margin decreased (14.0% in Q1 2016 versus 16.1% in Q1 2015) due primarily to the net negative impact of F/X, higher warehousing costs and an increase in depreciation

Q1 2016 REVENUE COMPARED TO Q4 2015



- Q1 2016 revenue decreased by \$20.9 million or 7.0% over Q4 2015, primarily due to 8 fewer sales days in Q1 2016 (impact of 8.4%).
 - Consumer segment revenue decreased by \$12.4 million or 5.2% due to lower sales volumes primarily in Canada , somewhat offset by the favourable impact of F/X
 - AFH segment revenue decreased by \$5.7 million or 10.5%, reflecting seasonally lower sales volumes in Q1 2016, somewhat offset by the favourable impact of F/X

From a geographic perspective:

- Revenue in the U.S. decreased by \$1.7 million or 1.7% primarily in the Consumer Segment
- Revenue decreased in Canada by \$18.6 million or 10.1% across both segments

Q1 2016 ADJUSTED EBITDA COMPARED TO Q4 2015



- Q1 2016 Adjusted EBITDA decreased by \$2.2 million over Q4 2015 due to the combination of the following factors:
 - Lower sales volumes, due primarily to 8 fewer sales days in Q1 2016
 - Unfavourable net F/X change of approximately \$0.6 million
 - Partially offset by lower advertising and promotion
- Gross margin increased slightly (14.0% in Q1 2016 versus 13.6% in Q4 2015) primarily due to lower depreciation



BALANCE SHEET/CAPEX

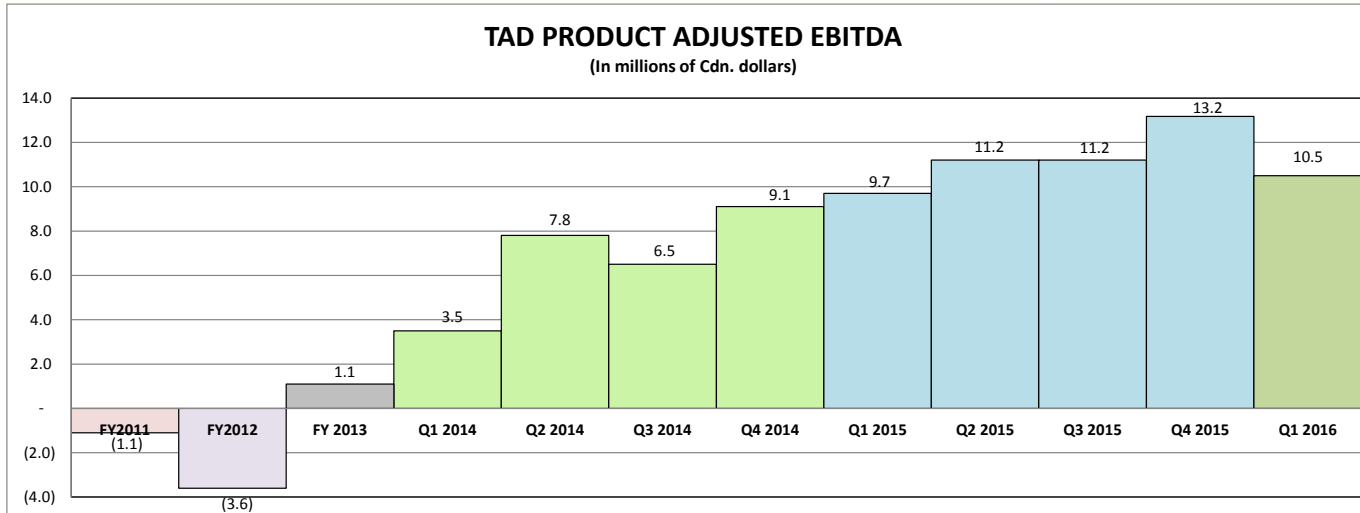
(C\$ millions, unless otherwise noted)

	<u>Q1 2016</u>
Cash & cash equivalents	4.0
Current portion of long-term debt	9.6
Long-term debt	411.8
Net Debt	417.5
Net Debt/LTM EBITDA	3.4

- Q1 2016 CAPEX of \$15.0 million, up from \$9.6 million in Q1 2015
- 2016 focus on high return CAPEX projects – total estimated at approximately \$65-\$85 million



TAD PRODUCT UPDATE



- Trend in TAD Product Adjusted EBITDA was \$26.9 million in 2014 and \$45.3 million in 2015
- Q1 2016 TAD Product Adjusted EBITDA of \$10.5 million, up from \$9.7 million in Q1 2015
- TAD Product Adjusted EBITDA in Q1 2016 reflects decreased revenue vs. Q4 2015, primarily due to 8 less sales days in Q1 and also sales mix
- Q2 2016 TAD Product Adjusted EBITDA expected to be higher than Q1 2016 primarily due to higher promotional activities in the US market
- Our outlook for Fiscal 2017 contribution remains at \$60 million TAD Product Adjusted EBITDA



CONCLUSION

- Maintain market share leadership in Canadian consumer segment in the context of a competitive and price sensitive environment
- Price increases to Canadian retailers will take effect later in the second quarter. The price increases will partially offset the rise of raw material prices in Canadian dollars over the past few years
- 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 the second half of 2016



CONCLUSION

- CAPEX in Fiscal 2016 dedicated to improve profitability and manufacturing efficiencies, both in the Consumer and AFH segments – estimated at \$65-\$85 million. Benefits on Adjusted EBITDA will start in Fiscal 2017
- Adjusted EBITDA for Q2 2016 expected to increase slightly over Q2 last year, primarily related to promotional activities in the U.S. market and the partial impact of price increases to our Canadian retailers, offset somewhat by the negative impact of F/X



FOR MORE INFORMATION:

WWW.KPTISSUEINC.COM

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