



# **BUILDING LONG-TERM VALUE**

▼  
**Q4 2019  
FINANCIAL RESULTS**

March 12, 2020



# Forward-looking and cautionary statements

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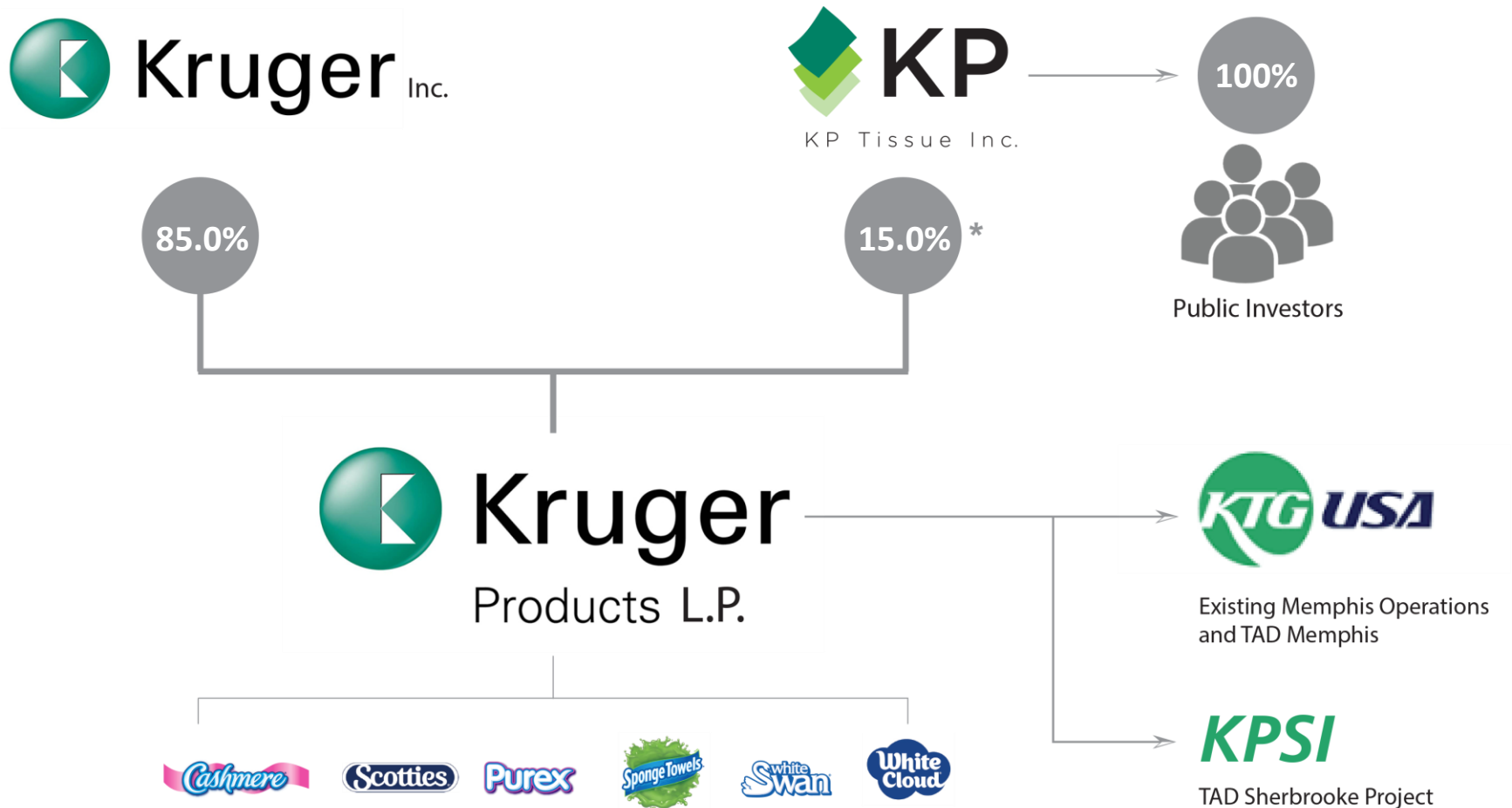
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Unless otherwise stated, references in this presentation to market shares or KPT's market leadership are based on Nielsen dollar market share data and management estimates.

**The following presentation is to review Kruger Products L.P.  
Q4 2019 financial results**

# Corporate Structure



\*As of March 11, 2020 (15.2% as of December 31, 2019).

# Kruger Products Overview

1

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**Canada's Leading  
Tissue Company**

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**Strong Portfolio of Brands**

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3

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**Strong Customer  
Relationships**

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**Broad Manufacturing  
Infrastructure**

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**Growth Focused**

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**Experienced  
Management Team**

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# Fiscal 2019 Highlights

**\$1,434.1 M**

Revenue

**4.6%\***

over 2018



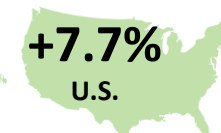
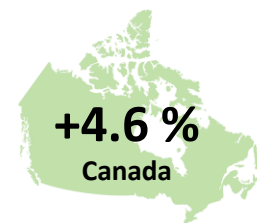
Excluding Mexico

**5.8%\***

over 2018



Excluding Mexico\*,  
price and volume  
increases,  
favourable F/X on  
US sales



**\$145.0 M**

Adjusted EBITDA<sup>1</sup>

**22.6%**

over 2018



- Positive impact of price and volume increases in Canada and the US, favourable sales mix, lower pulp prices in the second half, and the benefit from operational transformation initiatives
- Partially offset by the cost of outsourced manufacturing and higher maintenance and SG&A costs, and unfavourable net F/X

**\$2.1 M**

Net Income

**\$43.3 M**

over 2018



- Net income of \$2.1 million compared to \$45.4 million a year ago, a decrease of \$43.3 million, due to a \$68.8 million swing in the change in amortized cost of the partnership units liability.

\* The Mexico business was divested in September 2019. Mexico revenue was \$76.9 million in 2019, a decrease of \$10.6 million over Fiscal 2018.

<sup>1</sup> Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure. Q3 of Fiscal 2018 has been restated to reflect IFRS 16 Lease accounting. Refer to the Appendix and MD&A for more information.

# Q4 2019 Highlights

**\$348.1 M**

Revenue

**3.1%\***

Over Q4 2018



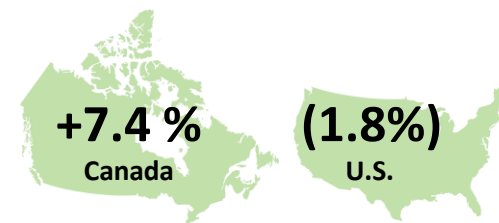
Excluding Mexico

**3.9%\***

over Q4 2018



Revenue lower due to divestiture of Mexico\*, otherwise higher due to price increases & sales volume in Canada



**\$46.0 M**

Adjusted EBITDA<sup>1</sup>

**87.5%**

over Q4 2018



Positive impact of lower pulp costs, price increases, favourable sales mix and benefit from operational transformation initiatives, partially offset by the cost of outsourced manufacturing and maintenance costs, and higher SG&A costs

**\$(6.1) M**

Net Loss

**\$44.1 M**

over 2018



Net loss of \$6.1 million compared to Net Income of \$38.0 million a year ago, a decrease of \$44.1 million, due to a \$64.9 million swing in the change in amortized cost of the partnership units liability.

\* In Q4 2019, the impact of the divestiture of Mexico represented a decrease in revenue of \$24.3 million over the same quarter last year.

<sup>1</sup> Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure. Q3 of Fiscal 2018 has been restated to reflect IFRS 16 Lease accounting. Refer to the Appendix and MD&A for more information.

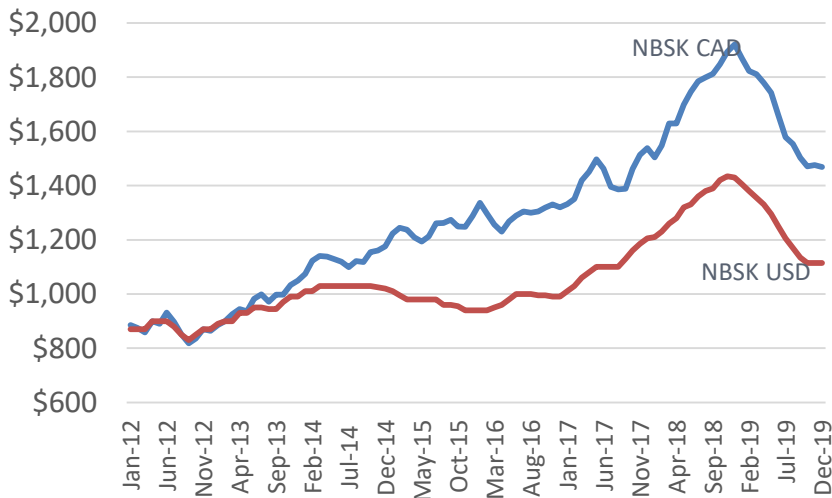


# Pulp Input Prices

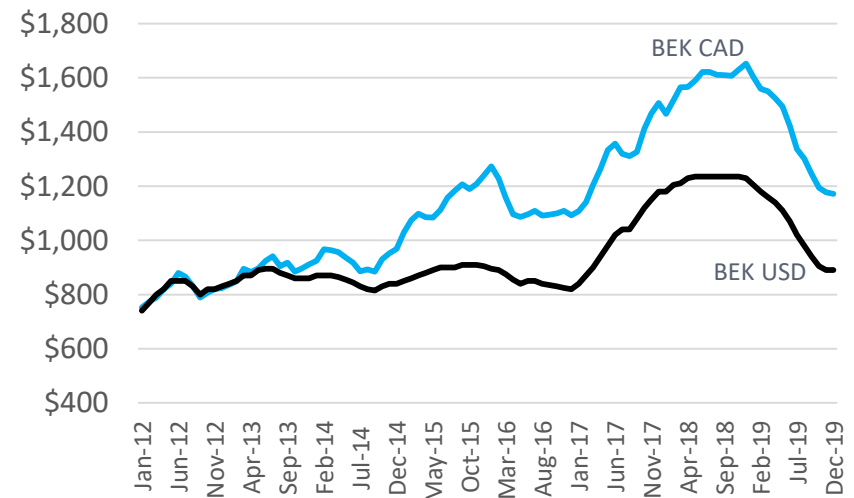
Q4 2019 NBSK prices fell 4.7% and BEK prices fell 8.7% compared to Q3 2019.

Pulp prices in USD have remained fairly stable during Q4 2019. Based on industry forecasts, for 2020, NBSK prices are expected to remain at similar level than recorded at the end of 2019, while BEK prices are anticipated to have a moderate upward trend.

**NBSK North American List Prices per MT  
(Q4 2019 -22% YOY in CAD)**



**BEK List Prices per MT  
(Q4 2019 -28% YOY in CAD)**



(USD average 1.32 in Q4 2019 compared to 1.32 in Q4 2018)

# TAD SHERBROOKE

**Facility progressing on time  
and on budget**

- 
- Buildings were closed at the end of 2019
  - Received paper machine and part of converting equipment in recent weeks
  - Commissioning start-up of first converting line expected this summer
  - Start-up of paper machine anticipated in early 2021, as planned
  - Sales and Trademark plan progressing well
- 







## Good early progress leading to sustainable benefits

- OpEx project rolled out to 17 lines across 5 sites in 2019
- More than 300 employees were "OpEx trained"
- 5 Pillars of OpEx:
  1. Environment, Health, and Safety
  2. Asset Care
  3. Progressive Maintenance
  4. End-to-end Quality
  5. Strategy Deployment & Initiative Management
- 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



# AFH SEGMENT

## Turnaround continues

- EBITDA continued sequential improvement of \$0.8 million over Q3 2019
- OpEx rolled out across AFH assets. The benefits of the program helped improve our costs and customer service
- Pricing increases having positive impact on Adjusted EBITDA
- Expect continued operational improvements but paper availability will remain an on-going issue until TAD Sherbrooke comes on stream

# TRADEMARK

## Long-term process to reinforce leadership position

- Successful CMO transition to Susan Irving
- Share performance improved in Q4 2019
- Focused marketing investments in key programs aligned with our partnerships with NHL/Toronto Maple Leafs and Made in Canada focus to drive our brands
- First class execution with retailers and in-store support to drive sales
- Continued emphasis on larger rolls and larger packs to meet consumer demand
- Sponsorship & CSR consumer engagement to drive loyalty
- Anticipating marketing investment step up for 2020



**ALL-STAR LINE UP**

Image showing Cashmere Select, Sponge Towels Ultra, and Scotties tissues.

You could **WIN** 1 of 3 Trips to the 2020 NHL® All-Star Weekend

Go to [scorehockeytickets.ca](https://scorehockeytickets.ca) to enter

**OVER 100 NHLShop.ca GIFT CARDS** available\* to be instantly won!

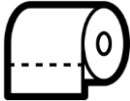


\*Prizes are awarded on a random basis. Open to legal residents of Canada. Sweepstakes ends 11:59 PM EST on March 15, 2020. Odds of winning are approximately 1 in 100,000. Prizes are awarded on a random basis. Open to legal residents of Canada. Sweepstakes ends 11:59 PM EST on March 15, 2020. Odds of winning are approximately 1 in 100,000. Prizes are awarded on a random basis. Open to legal residents of Canada. Sweepstakes ends 11:59 PM EST on March 15, 2020. Odds of winning are approximately 1 in 100,000.

**Trusted Quality,  
Affordable Price.**



# Canada's Leading Tissue Company

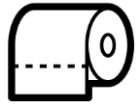


			
	Bathroom Tissue	Facial Tissue	Paper Towel
	#1 33.2%	#1 31.5%	#2 20.6%
IRVING	19.0%	19.2%	12.4%
P&G	10.4%	0.8%	33.3%
Kimberly-Clark	1.4%	17.9%	0.6%

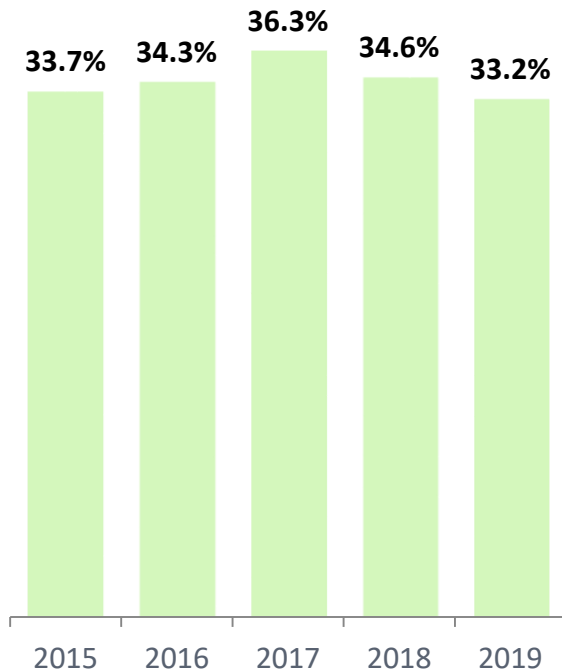
Source: Nielsen; dollar market share for the 52-week period ended December 28, 2019.



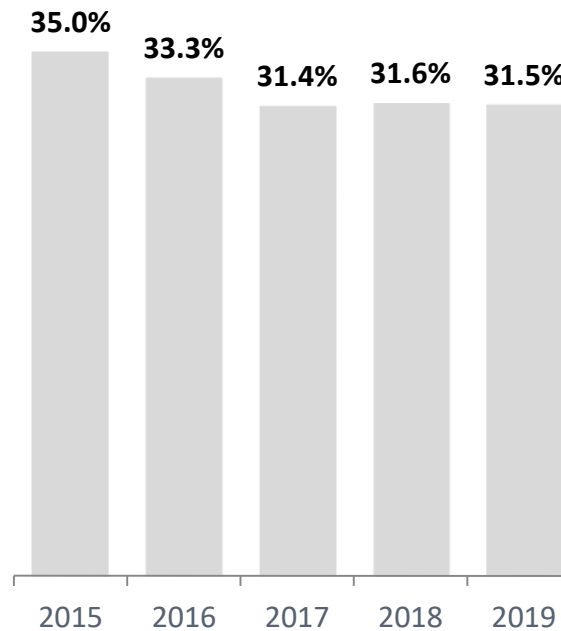
# Brand Leadership Position



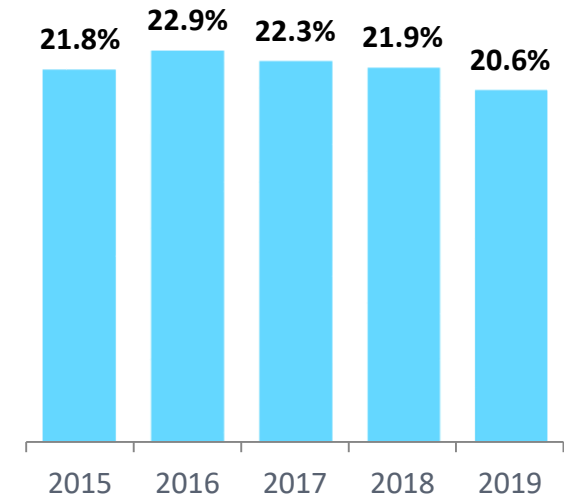
## #1 Bathroom Tissue



## #1 Facial Tissue



## #2 Paper Towel



Source: Nielsen Canadian dollar market share for 52-week period data. 2019 represents the latest 12 months ending December 28, 2019.



# Quarterly Financial Summary

				% Change	
(Million CAD\$, unless otherwise noted)	Q4 2019	Q3 2019	Q4 2018 Restated	Y/Y	Q/Q
Revenue	348.1	369.4	359.3	(3.1%)	(5.8%)
Revenue, excluding Mexico	348.1	343.9	335.1	3.9%	1.2%
Cost of Sales	294.1	317.0	327.1	(10.1%)	(7.2%)
Gross Profit	54.0	52.3	32.2	67.5%	3.3%
Gross Margin	15.5%	14.2%	9.0%		
Adjusted EBITDA <sup>1</sup>	46.0	44.0	24.5	87.5%	4.5%
Adjusted EBITDA Margin <sup>1</sup>	13.2%	11.9%	6.8%		
Net Income	(6.1)	10.5	38.0		
Net Income Margin	(1.8%)	2.8%	10.6%		

<sup>1</sup> Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure. Q4 of Fiscal 2018 have been restated to reflect IFRS 16 Lease accounting.

# Quarterly Segmented Results

				% Change	
(Million CAD\$, unless otherwise noted)	Q4 2019	Q3 2019	Q4 2018 Restated	Y/Y	Q/Q
<b>Segmented Revenue<sup>(1)</sup></b>					
Consumer	285.6	305.0	300.8	(5.1%)	(6.4%)
Consumer, excluding Mexico	285.6	279.6	276.5	3.3%	2.1%
AFH	62.5	64.3	58.6	6.8%	(2.8%)
<b>Total Segment Revenue</b>	<b>348.1</b>	<b>369.4</b>	<b>359.3</b>	<b>(3.1%)</b>	<b>(5.8%)</b>
<b>Total Segment Revenue, excluding Mexico</b>	<b>348.1</b>	<b>343.9</b>	<b>335.1</b>	<b>3.9%</b>	<b>1.2%</b>
<b>Segment Adjusted EBITDA<sup>2</sup></b>					
Consumer	47.4	46.0	29.6		
AFH	(1.1)	(1.9)	(3.8)		
Other <sup>(1)</sup>	(0.3)	(0.1)	(1.3)		
<b>Total Segment Adjusted EBITDA<sup>2</sup></b>	<b>46.0</b>	<b>44.0</b>	<b>24.5</b>	<b>87.5%</b>	<b>4.5%</b>
<b>Segment Adjusted EBITDA Margin<sup>2</sup></b>					
Consumer	16.6%	15.1%	9.8%		
AFH	(1.8%)	(3.0%)	(6.5%)		
<b>Total Segment Adjusted EBITDA Margin<sup>2</sup></b>	<b>13.2%</b>	<b>11.9%</b>	<b>6.8%</b>		

<sup>1</sup> 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.

<sup>2</sup> Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure. Q4 of Fiscal 2018 have been restated to reflect IFRS 16 Lease accounting.

## Q4 2019 Revenue Compared to Q4 2018

**(\$11.2) M**

Q4 Revenue decrease

**(3.1%)**

over Q4 2018

Excluding Mexico

**\$13 M**

Revenue

**3.9%\***

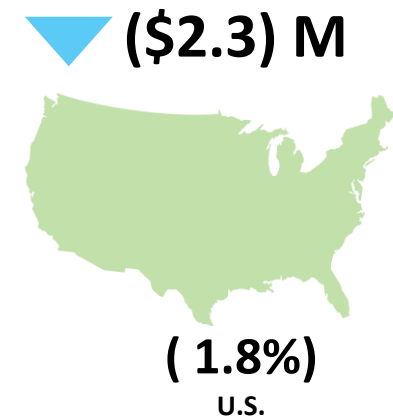
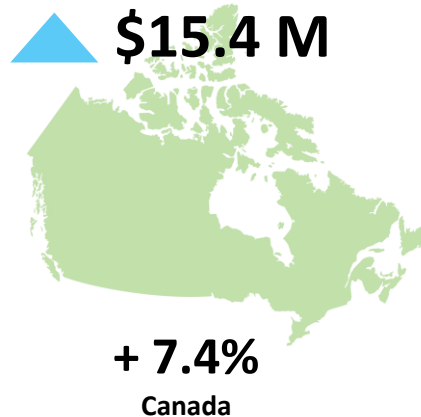
over Q4 2018

**Impacted due to a combination of:**

- Divestiture of Mexico
- **Partially offset:** Price increases across all business segments and higher sales volumes in Canada



### Geographic revenue segmentation



\* The Mexico business was divested in September 2019.

## Q4 2019 Adjusted EBITDA<sup>1</sup> Compared to Q4 2018

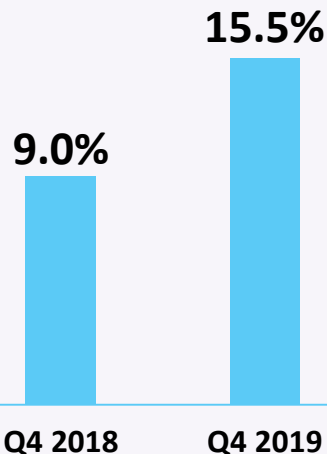
**\$21.5 M**

Q4 Adjusted EBITDA<sup>1</sup> increase



**87.5%**  
over Q4 2018

### Gross Margin



### Primarily due to the following factors:

- Price increases across all business segments
- Lower pulp costs
- Favourable sales mix
- Benefits of operational transformation initiatives including OpEx program

### Partially offset by:

- Cost of outsourced manufacturing
- Higher maintenance spending
- Increased SG&A costs

<sup>1</sup> Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure. Q4 of Fiscal 2018 has been restated to reflect IFRS 16 Lease accounting.

# Q4 2019 Revenue Compared to Q3 2019

Excluding Mexico

**(\$21.3) M**

Q4 Revenue decrease



**(5.8%)**

over Q3 2019

**\$4.2 M**

Revenue



**1.2%\***

over 2018

**Impacted due to a combination of:**

- Divestiture of Mexico with negative impact of \$25.4 million
- Excluding Mexico, Consumer was up 2.1% and AFH decreased by 2.8%



**Geographic revenue segmentation**



**\$9.0 M**

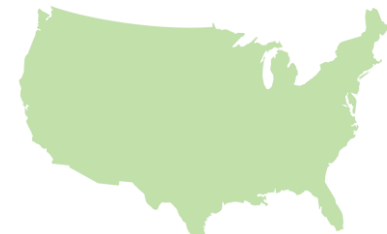


**+ 4.2%**

Canada



**(\$4.8) M**



**(3.7%)**

U.S.

\* The Mexico business was divested in September 2019.



## Q4 2019 Adjusted EBITDA<sup>1</sup> Compared to Q3 2019

**\$2.0 M**

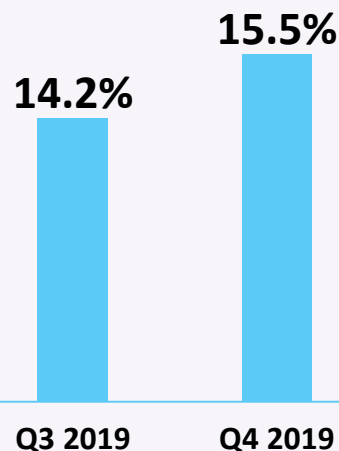
Q4 Adjusted EBITDA<sup>1</sup> increase



**4.5%**

over Q3 2019

### Gross Margin



### Due to the following factors:

- Increased sales volume in Canada Consumer
- Favourable pulp costs
- AFH improved results

### Partially offset by:

- Increased warehousing costs
- Higher SG&A expenses

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

# Balance Sheet

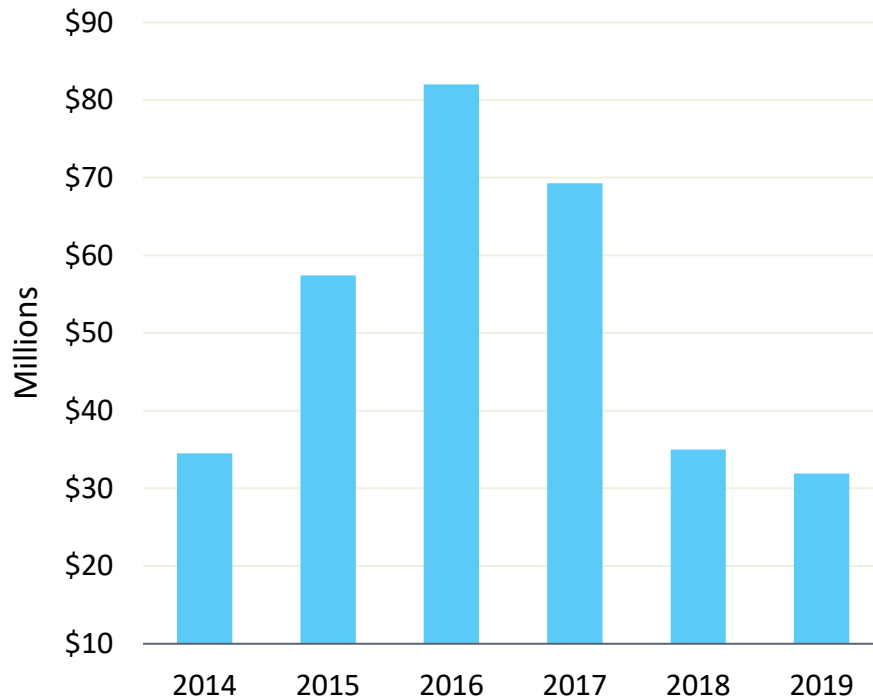
(Million CAD\$, unless otherwise noted)	Q4 2019	Q3 2019
Cash	93.1	82.4
Current Portion of Long-term Debt	11.9	9.3
Long-term Debt	579.1	587.1
<b>Net Debt</b>	<b>497.9</b>	<b>514.0</b>
LTM Adjusted EBITDA <sup>1</sup>	145.0	123.6
<b>Net Debt/LTM Adjusted EBITDA<sup>1</sup></b>	<b>3.4</b>	<b>4.2</b>

Leverage reduced due to higher adjusted EBITDA and modest debt requirements for TAD Sherbrooke in Q4. ■

<sup>1</sup> Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure. Q4 of Fiscal 2018 has been restated to reflect IFRS 16 Lease accounting.

# CAPEX

## CAPEX, excluding TAD Sherbrooke Facility



- 2019 CAPEX totalled \$175.0 million
- TAD Sherbrooke CAPEX was \$143.1 million. In addition, at year-end accrued liabilities related to the project were \$43.1 million
- CAPEX excluding TAD Sherbrooke was \$31.9 million
- 2020 TAD Sherbrooke CAPEX estimated at between \$340 and \$360 million
- 2020 regular CAPEX estimated in \$25-\$40 million range
- Total 2020 CAPEX of \$365-\$400 million

# Strong quarter driven by focusing on business fundamentals and a more favourable cost environment



## Our focus going forward will be on:

- Continuing to drive top line growth in all segments

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- Building our leadership position in Canada by increasing brand investment

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- Managing our pricing in relation to fibre price changes

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- Creating a more efficient and capable supply chain network.

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- Taking sustainable actions to improve AFH performance

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- Building ultra-premium capacity with our TAD Sherbrooke facility

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

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