



DELIVERING

ON OUR STRATEGIC PLAN

Q4 2020 FINANCIAL RESULTS

March 11, 2021



Forward-Looking and Cautionary Statements

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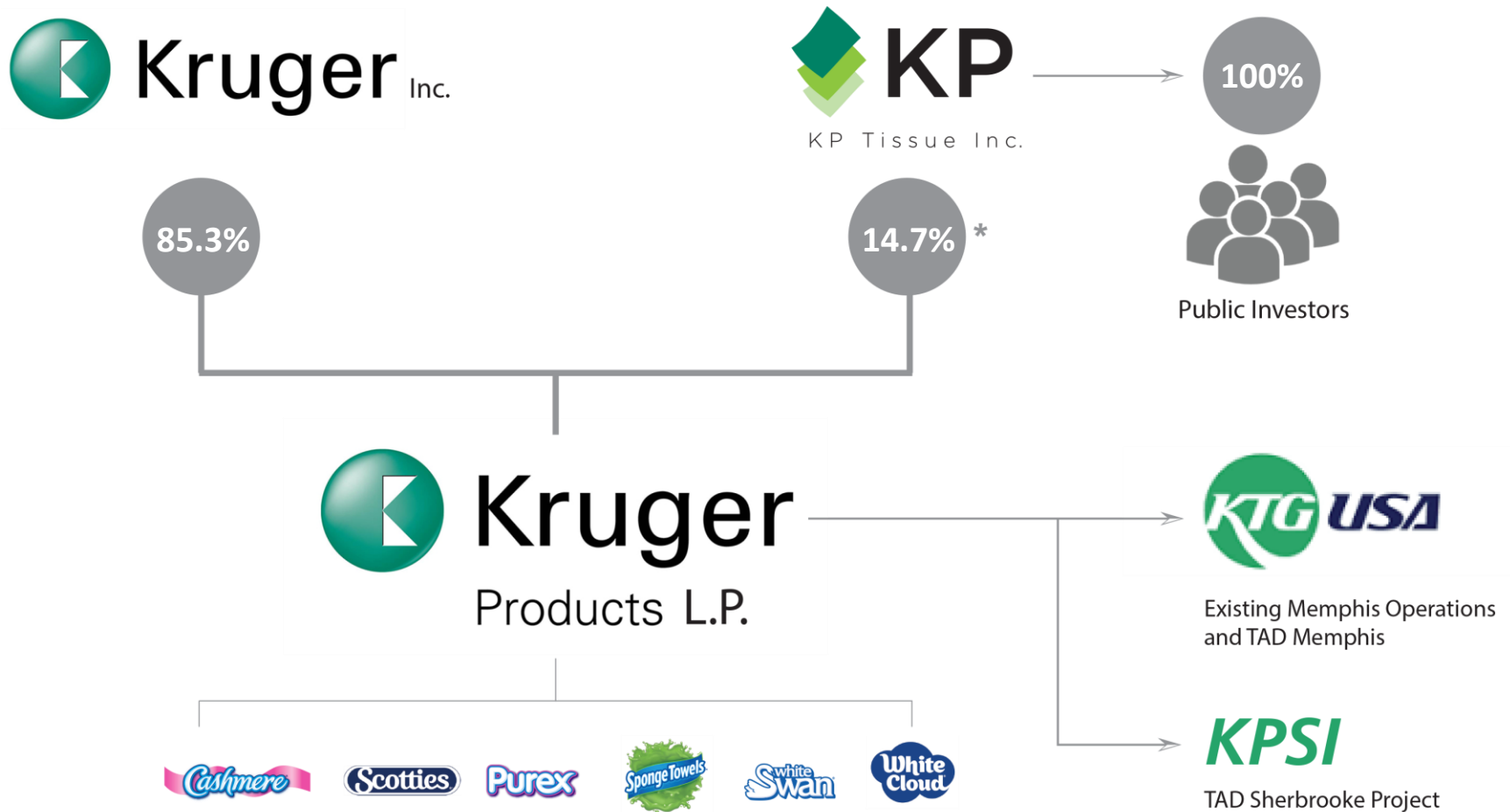
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Unless otherwise stated, references in this presentation to market shares or KPT’s market leadership are based on Nielsen dollar market share data and management estimates. Please refer to the Company’s MD&A for the complete Forward-looking and cautionary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

**The following presentation is to review Kruger Products L.P.
Q4 2020 financial results**

Corporate Structure



*As of March 10, 2021 (14.7% as of December 31, 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**

Fiscal 2020 Highlights

\$1,516.0 M

Revenue

5.7%*

over 2019



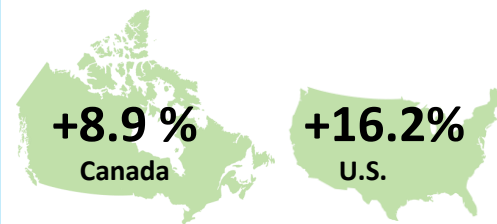
Excluding Mexico

11.7%*

over 2019



Higher sales volume in Canada and U.S. and favourable F/X, partially offset by AFH



\$197.8 M

Adjusted EBITDA¹

36.4%

over 2019



The increase was primarily due to the favourable sales volume and mix impact and lower pulp prices, partially offset by higher costs primarily related to COVID-19, TAD Sherbrooke start-up and SG&A

\$27.3 M

Net Income

\$25.2 M

over 2019



The increase was primarily due to higher Adjusted EBITDA and lower interest expense, partially offset by higher other expense and an AFH impairment charge, higher depreciation and amortization and higher income tax expense

* The Mexico business was divested in September 2019. Mexico revenue was \$76.9 million in 2019.

¹ 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 2020 Highlights

\$385.0 M

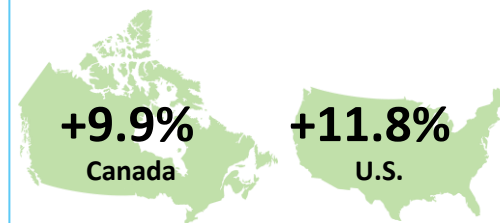
Revenue

10.6%

Over Q4 2019



Volume increases in Canadian and U.S. Consumer, partially offset by AFH and unfavourable F/X



\$36.2 M

Adjusted EBITDA¹

21.3%

over Q4 2019



The decrease was primarily due to higher manufacturing costs related to COVID-19, TAD Sherbrooke start-up costs, Marketing and SG&A expenses and outsourcing, partially offset by the favourable sales impact

\$28.5 M

Net Loss

\$22.4 M

over Q4 2019



The decrease was primarily due to lower EBITDA, higher other expense, an AFH impairment charge and higher depreciation, partially offset by lower consulting costs related to operational transformation initiatives and lower interest expense

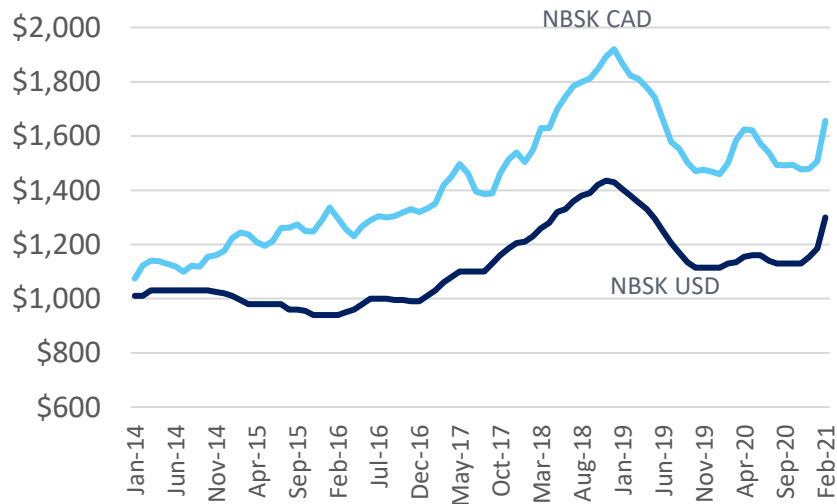
¹ Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure.

Pulp Input Prices

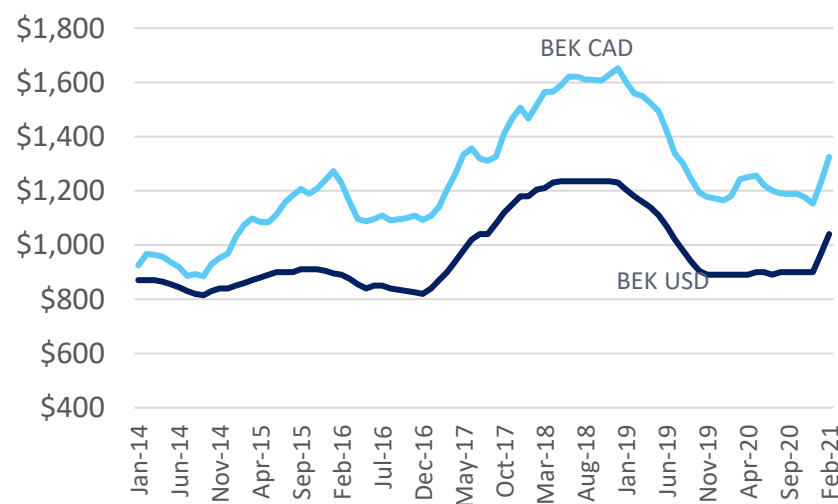
Q4 2020 NBSK prices in CAD decreased 1.7% and BEK prices decreased 1.8% compared to Q3 2020.

NBSK prices in USD have slightly increased while BEK prices remained the same during Q4 2020. Based on industry forecasts, for 2021, both NBSK and BEK prices are expected to significantly increase, on average, when compared to level recorded at the end of 2020. Recent prices spiked higher and faster than expected.

**NBSK North American List Prices per MT
(Q4 2020 0.8% YOY in CAD)**



**BEK List Prices per MT
(Q4 2020 -0.7% YOY in CAD)**



(USD average 1.30 in Q4 2020 compared to 1.33 in Q3 2020)

COVID-19 Impact



- Continued to invest in safety protocols
- Strong asset performance with no major disruptions
- Post COVID-19, recovery plan prepared
- Carry forward benefits derived from COVID-19 including SKU reduction and new listings
- Consumer trust in our brand is a key differentiator in period of uncertainty leading to further market share gain
- One-time bonus to North American hourly workforce

TAD SHERBROOKE

Start-up Progressing Ahead of Ramp-up Curve

- Start-up of paper machine on time and on budget despite COVID-19 protocols and challenges
- \$4.5 million in start-up costs incurred in Q4 and more expected in Q1-2021
- Converting-lines and the paper machine are tracking ahead of ramp-up curves
- State-of-the-art automation being commissioned
- Leverage new premium paper tissue capacity with North American customers



SHERBROOKE EXPANSION PROJECT

Investment to Support Long-Term Growth

- \$240 million investment to add BT converting line to existing Sherbrooke facility and build a new facility with LDC tissue machine and FT converting line
 - Construction to start in summer of 2022. BT Line and FT Line will be commissioned in 2022 and 2023. LDC Machine expected start-up in 2024
 - At maturity, annual output of +30,000 MT
 - Sherbrooke to become major production hub combined with existing facilities to reach North American markets
 - Project is non-dilutive and debt financed
-





Sustainable Culture Shift

- Delivered above target cost savings on an annual run rate basis
- OpEx has matured with measurable progress at all sites
- SKU consolidation helped run more efficiently and increased output and productivity
- Investing more in enhanced maintenance to drive stronger asset performance
- 2021 focus expanded to new assets and waste reduction
- Sustainable benefits from higher level of employee engagement and culture shift



TRADEMARK

Continued focus on investing and building our brands

- Share gain momentum supported by strong shipments
- As planned, higher advertising and promotion spend in 2H of 2020
- “Unapologetically Human” purpose-driven advertising campaign a huge success with consumers including South Asian and Chinese adaptations
- Strong connection with new Kruger Big Assist Minor Hockey Program providing financial assistance to families in need
- Full distribution of quality improved Cashmere
- Continued growth momentum of White Cloud in the U.S. with increased distribution including first time TV support with “Unapologetically Human”

UNAPOLOGETICALLY HUMAN



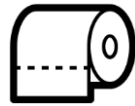
EVERY ASSIST COUNTS™

WE'RE DONATING OVER **\$100,000***
IN FINANCIAL ASSISTANCE TO
HELP HOCKEY FAMILIES IN NEED.

BIGASSIST.CA



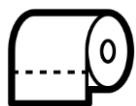
Canada's Leading Tissue Company



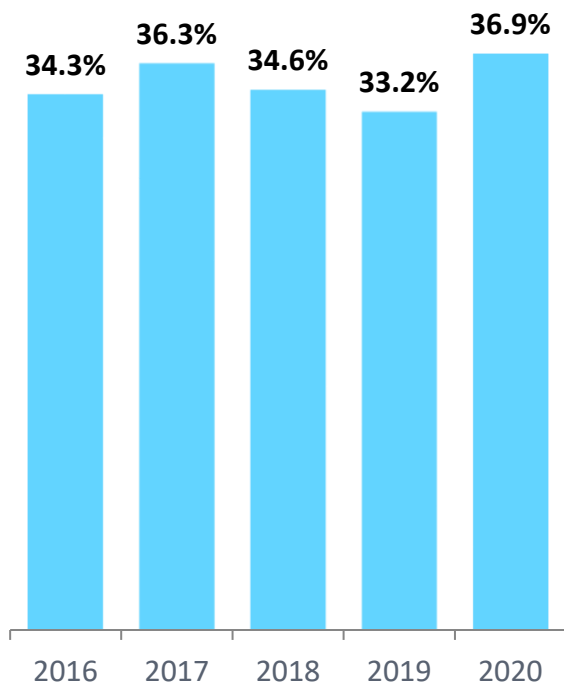
	Bathroom Tissue	Facial Tissue	Paper Towel
Kruger	#1 36.9%	#1 31.5%	#2 21.8%
IRVING	18.9%	19.8%	13.0%
P&G	10.4%	0.5%	34.0%
Kimberly-Clark	1.2%	17.7%	0.9%

Source: Nielsen; dollar market share for the 52-week period ended December 26, 2020.

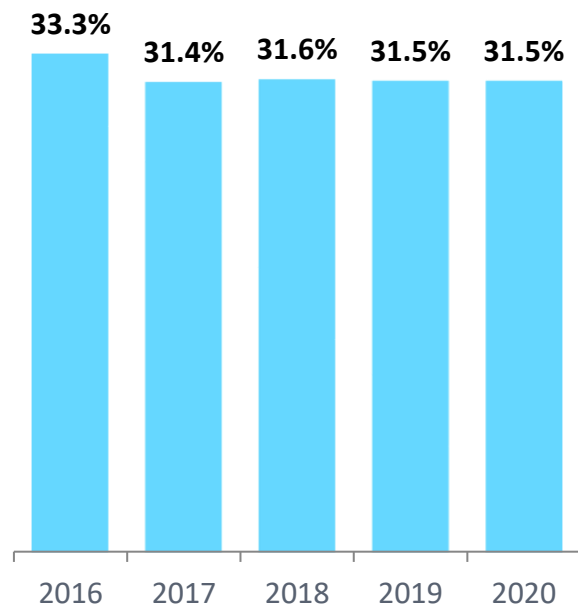
Brand Leadership Position



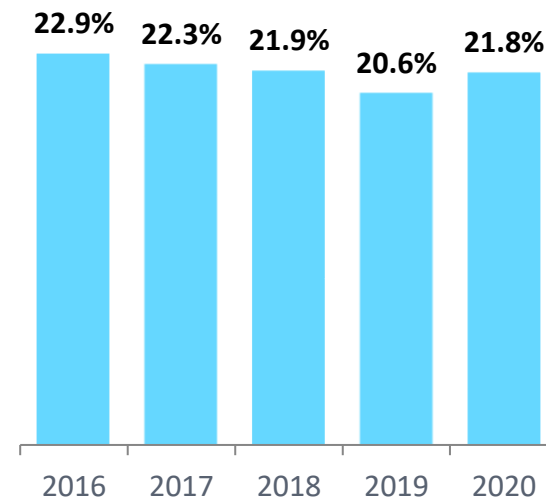
#1 Bathroom Tissue



#1 Facial Tissue



#2 Paper Towel

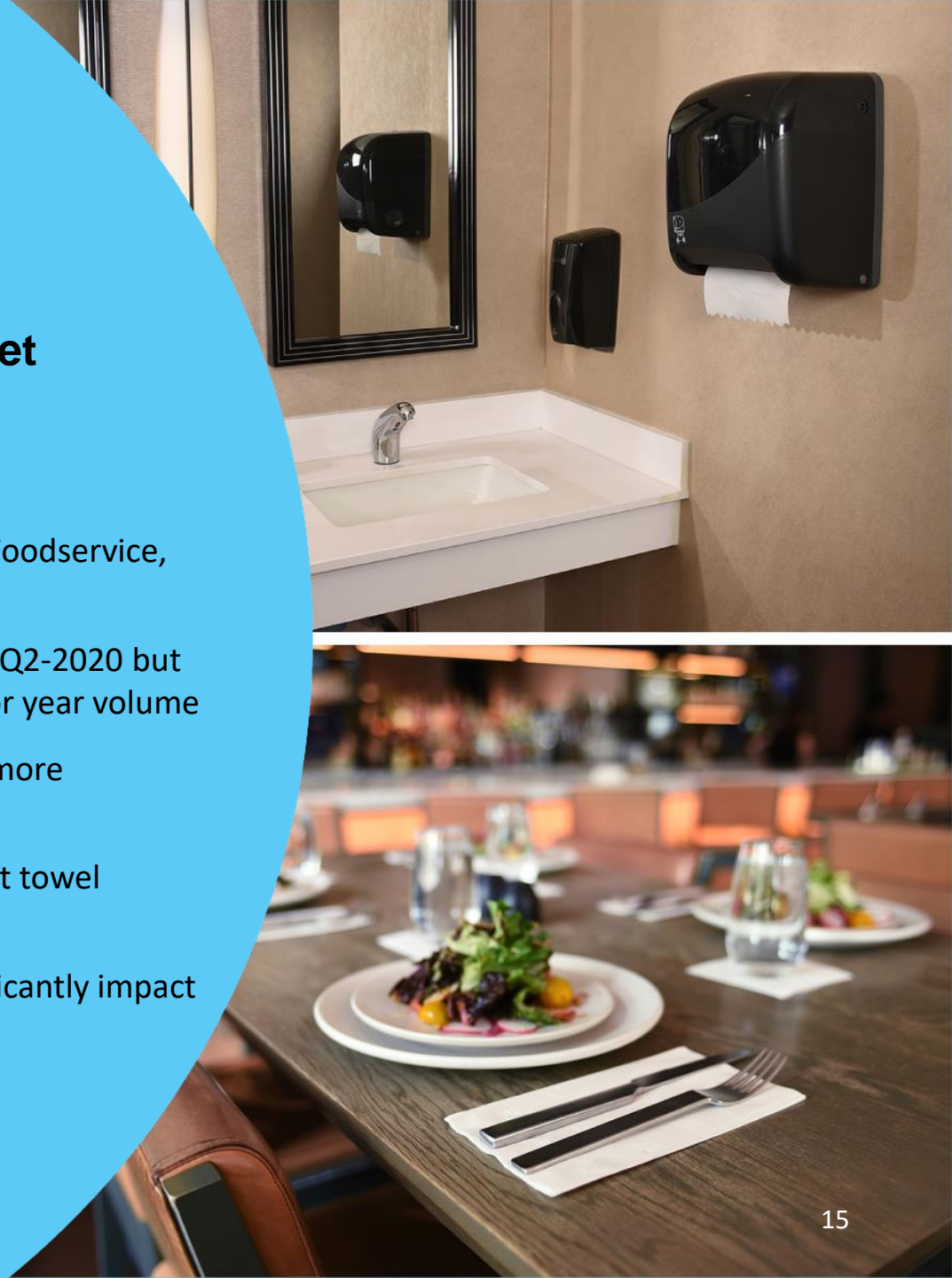


Source: Nielsen Canadian dollar market share for 52-week period data. 2020 represents the latest 12 months ending December 26, 2020.

AFH SEGMENT

Success Depend on End-Market Recovery

- Market conditions remain challenging for Foodservice, Lodging and Property Management
- End-user consumption has improved from Q2-2020 but stabilized at approximately 15% below prior year volume
- Strong consumer business sales requiring more outsourcing at AFH
- Heightened focus on hand hygiene has kept towel volume strong
- Continued COVID-19 restrictions will significantly impact near-term sales volumes



Quarterly Financial Summary



(Million CAD\$, unless otherwise noted)	Q4 2020	Q3 2020	Q4 2019	% Change	
				Y/Y	Q/Q
Revenue	385.0	369.1	348.1	10.6%	4.3%
Cost of Sales	332.2	307.7	294.1	13.0%	8.0%
Gross Profit	52.8	61.4	54.0	(2.3%)	(14.0%)
Gross Margin	13.7%	16.6%	15.5%		
Adjusted EBITDA¹	36.2	46.2	46.0	(21.3)%	(21.7%)
Adjusted EBITDA Margin ¹	9.4%	12.5%	13.2%		
Net Income	(28.5)	18.5	(6.1)		
Net Income Margin	(7.4%)	5.0%	(1.8%)		

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

Quarterly Segmented Results

(Million CAD\$, unless otherwise noted)	Q4 2020	Q3 2020	Q4 2019	% Change	
				Y/Y	Q/Q
Segmented Revenue¹					
Consumer	333.2	319.9	285.6	16.7%	4.2%
AFH	51.8	49.2	62.5	(17.2%)	5.2%
Total Segment Revenue	385.0	369.1	348.1	10.6%	4.3%
Segment Adjusted EBITDA²					
Consumer	44.2	55.3	47.4	(6.8%)	(20.0%)
AFH	(2.4)	(3.5)	(1.1)	(106.7%)	31.9%
Corporate and other costs ¹	(5.6)	(5.5)	(0.3)		
Total Segment Adjusted EBITDA²	36.2	46.2	46.0	(21.3%)	(21.7%)
Segment Adjusted EBITDA Margin²					
Consumer	13.3%	17.3%	16.6%		
AFH	(4.6%)	(7.0%)	(1.8%)		
Total Segment Adjusted EBITDA Margin²	9.4%	12.5%	13.2%		

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.

Q4 2020 Revenue Compared to Q4 2019

\$36.9 M

Q4 Revenue Increase



10.6%

over Q4 2019

Impacted due to a combination of:

- Strong volume increases in Canada and the U.S. primarily related to COVID-19 demand
- Partially offset by lower AFH revenue impacted by COVID-19, Consumer U.S. selling prices contractually tied to U.S pulp prices moderating lower and the unfavourable impact of F/X



Geographic revenue segmentation



\$22.0 M



+9.9%

Canada



\$14.9 M



+11.8%

U.S.

Q4 2020 Adjusted EBITDA¹ Compared to Q4 2019

\$9.8 M

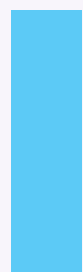
Q4 Adjusted EBITDA¹ decrease



21.3%
over Q4 2019

Gross Margin

13.7%



Q4 2020

15.5%



Q4 2019

Primarily due to the following factors:

- Additional manufacturing overhead costs related to COVID-19 including a one-time hourly workforce bonus
- Start-up costs related to TAD Sherbrooke
- Lower AFH sales
- Higher freight costs
- Higher outsourcing costs
- Increased investment in marketing to support the brands
- Increased SG&A costs

Partially offset by:

- Higher Consumer sales volume
- Slightly lower pulp costs
- Benefits of OpEx program

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

Q4 2020 Revenue Compared to Q3 2020

\$15.9 M
Q4 Revenue increase

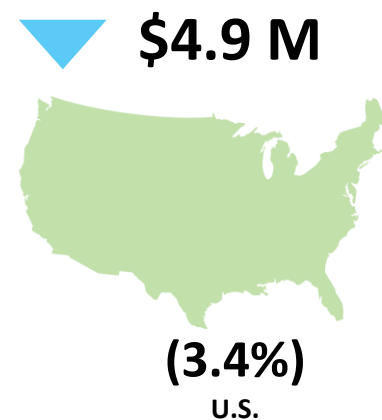
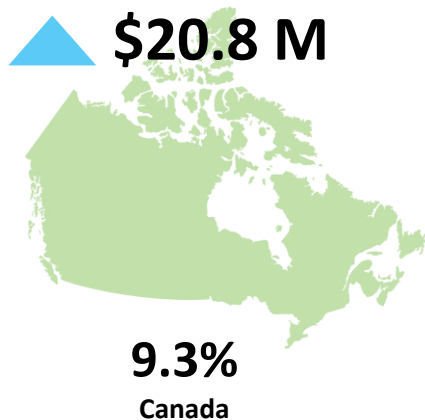
4.3%
over Q3 2020

Increase due to a combination of:

- Higher Consumer and AFH sales
- Partially offset by U.S. Consumer segment contractual selling prices tied to pulp moderating lower
- Lower F/X on USD sales



Geographic revenue segmentation



Q4 2020 Adjusted EBITDA¹ Compared to Q3 2020

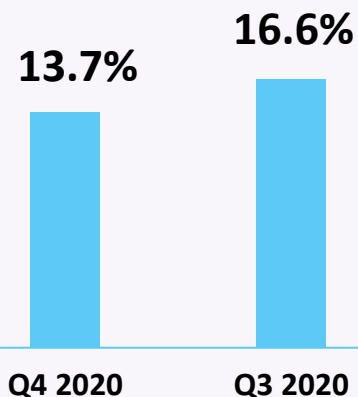
\$10.0 M

Q4 Adjusted EBITDA¹ decrease



21.7%
over Q3 2020

Gross Margin



Due to the following factors:

- Increased investment in marketing
- Higher freight and warehousing costs
- One-time hourly workforce bonus
- TAD Sherbrooke start-up costs

Partially offset by:

- Higher sales volume

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

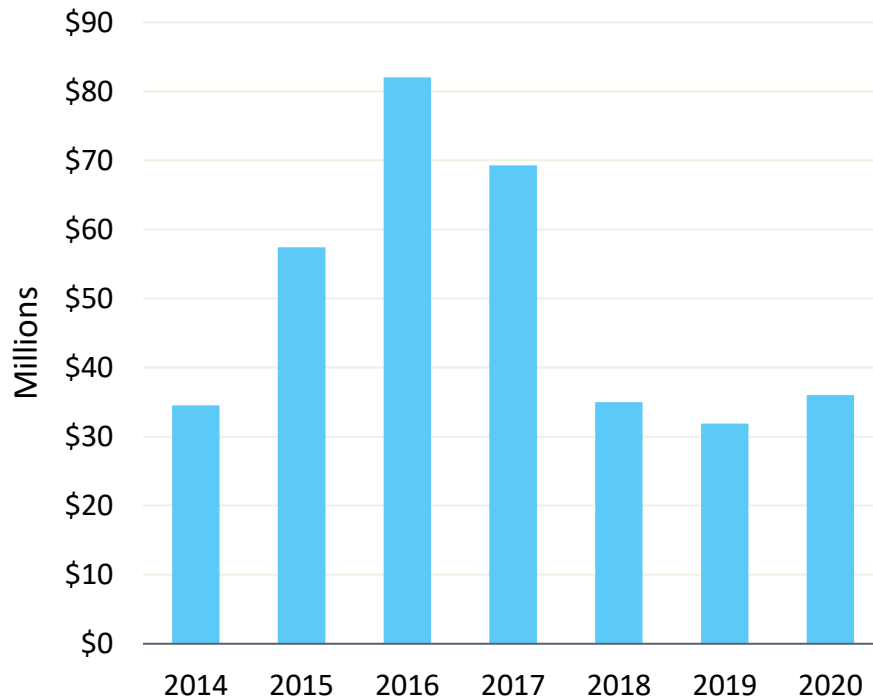
Balance Sheet

(Million CAD\$, unless otherwise noted)	Q4 2020	Q3 2020
Cash	128.7	117.5
Current Portion of Long-term Debt	4.9	4.9
Long-term Debt	748.5	705.0
Net Debt	624.7	592.5
LTM Adjusted EBITDA ¹	197.8	207.6
Net Debt/LTM Adjusted EBITDA¹	3.2	2.9

- Leverage increased slightly due to the higher level of net debt but remained relatively low considering the modest decline in LTM adjusted EBITDA

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

CAPEX, excluding TAD Sherbrooke



- 2020 TAD Sherbrooke CAPEX was \$274.0 million.
- \$47.0 million of accrued and unpaid capital spending at year-end
- 2020 CAPEX excluding TAD Sherbrooke was \$36.6 million
- 2021 TAD Sherbrooke CAPEX estimated at approximately \$115 million
- 2021 CAPEX including Sherbrooke Expansion Project estimated at \$45-\$65 million range
- Total 2021 CAPEX of \$160-\$180 million

Sustainability Efforts Deliver Impact



	2020 TARGET	2020 RESULTS
Employee Safety ⁽¹⁾	50% improvement from 2015	58% improvement from 2015
Energy Consumption ⁽²⁾	15% reduction from 2009	15% reduction from 2015
Greenhouse Gas Emissions ⁽²⁾	27% reduction from 2009	26% reduction from 2015
Water Consumption ⁽²⁾	35% reduction from 2009	37% reduction from 2015

⁽¹⁾ OSHA Total Incidence Rate
⁽²⁾ Intensity-based



Reinvesting in the business to build a strong future

Our focus going forward will be on:

- Continuing to drive consumer revenue growth

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

- Ramp-up TAD Sherbrooke facility and deliver on our sales plan

- OpEx program enters new phase with sustainable benefits of culture shift

- Doing the right things to prepare AFH for recovery in end-user markets

- Long-term momentum and North American growth to be supported by additional capacity with \$240 million Sherbrooke Expansion Project

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



KP

KP Tissue Inc.

THANK
YOU

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