



KP Tissue Inc.

2015

ANNUAL MEETING OF  
SHAREHOLDERS

# FORWARD-LOOKING AND CAUTIONARY STATEMENTS

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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.

# AGENDA

- Opening Remarks
- Call Meeting to Order and Appoint Secretary and Scrutineers
- Notice of Meeting and Quorum
- Voting and Procedural Matters
- Presentation of 2015 Financial Statements and Auditors' Report
- Election of Directors
- Re-appointment of Auditors
- Termination of Formal Business
- Concluding Remarks
- Management Presentation
- Question Period



# MARIO GOSSELIN

CHIEF EXECUTIVE OFFICER



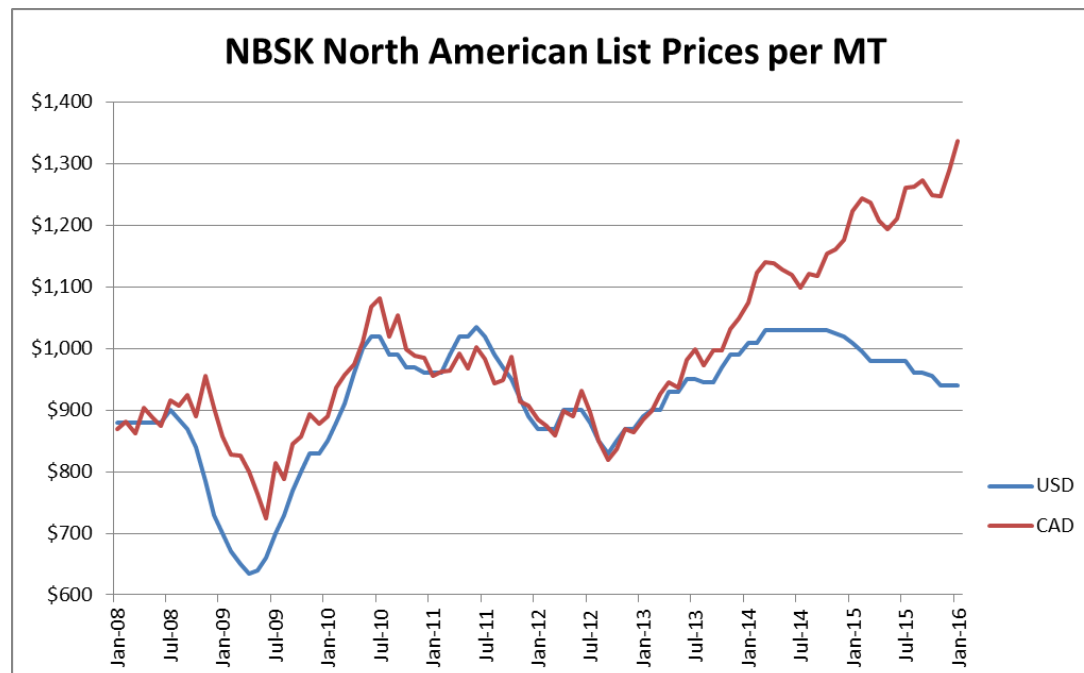
# 2015 HIGHLIGHTS



- Despite challenging year, achieved record revenue and increased Adjusted EBITDA
- Industry leader in the Canadian consumer tissue market
- TAD was a major contributor to results
- In the AFH segment, continued focus on optimizing operational synergies resulting from the Metro Paper acquisition
- Significantly increased CAPEX in projects that will improve profitability and manufacturing efficiencies

# 2015 HIGHLIGHTS

- Record revenue of \$1.14 billion
- Adjusted EBITDA increased by 3.9% to reach \$126.4 million
- Weaker Canadian dollar translated into approximately \$11 million of negative impact on Adjusted EBITDA in 2015



# TAD PROJECT



- TAD Product Adjusted EBITDA contribution increased to \$45.3 million from \$26.9 million in 2014
- Results exceeded expectations due to increased sales volume, favourable foreign exchange and continued ramp-up in manufacturing efficiencies
- TAD Product outlook for Fiscal 2017 - \$60 million Adjusted EBITDA contribution

# CANADA'S LEADING TISSUE COMPANY

- Canadian leader in Consumer and Away-from-Home segments
- Leading brands: Scotties, Cashmere, White Swan, Purex, SpongeTowels
- In 2015, once again, Cashmere was the best-selling bathroom tissue brand in Canada. In Western Canada, Purex was again the top brand





# CANADA'S LEADING TISSUE COMPANY

Bathroom Tissue

Facial Tissue

Paper Towels

 **Kruger**  
Products

**#1**  
**36.2%**

**#1**  
**32.7%**

**#2**  
**24.7%**

 **IRVING**

**#2**  
21.7%

**#2**  
18.8%

**#3**  
8.1%

**P&G**

**#3**  
10.8%

**#4**  
2.0%

**#1**  
32.1%

 **Kimberly-Clark**

**#4**  
5.0%

**#3**  
17.9%

**#4**  
3.3%

Source: Nielsen; dollar market share for the 52-week period ended January 9, 2016.

# CANADA'S LEADING TISSUE COMPANY

- Over the last two years, launched two branded TAD products:  
Cashmere UltraLuxe Bathroom Tissue and SpongeTowels UltraStrong
- Both products have been tremendously welcomed by retailers and consumers



# AWARDS



- Best CPG supplier by Canadian retailer customers in an annual survey
- Walmart Canada National Brand Vendor Partner of the Year
- Metro Vendor of the Year
- Pratt Industries Environmental Impact Award

# AWARDS



- 2015 GTA Top Employer Award
- White Cloud Ultra Soft 'n Thick  
Best All-Around Bathroom Tissue in U.S.  
by a leading consumer magazine
- SpongeTowels Ultra Strong  
Consumer Acceptance Award  
Retail Council of Canada
- SpongeTowels Ultra Strong  
Best New Product Award  
Retail Council of Canada





# CANADIAN ACTIVITIES

- Major part of our revenues derived from sales in Canada
- Revenue increased by 1.7% to reach \$711.9 million
- Improvement largely due to the contribution of the Metro Paper acquisition completed in June 2014
- All costs in Canadian dollars have really affected our overall profitability



# U.S. ACTIVITIES

- Revenue increased by 22.9%, reaching a total of \$389.2 million
- Sharp improvement mainly due to AFH and Consumer segments, combined with the benefits of foreign exchange
- Private label premium product market continues to offer solid growth potential
- White Cloud ranked #1 US Bathroom Tissue by leading consumer magazine





# MARK HOLBROOK

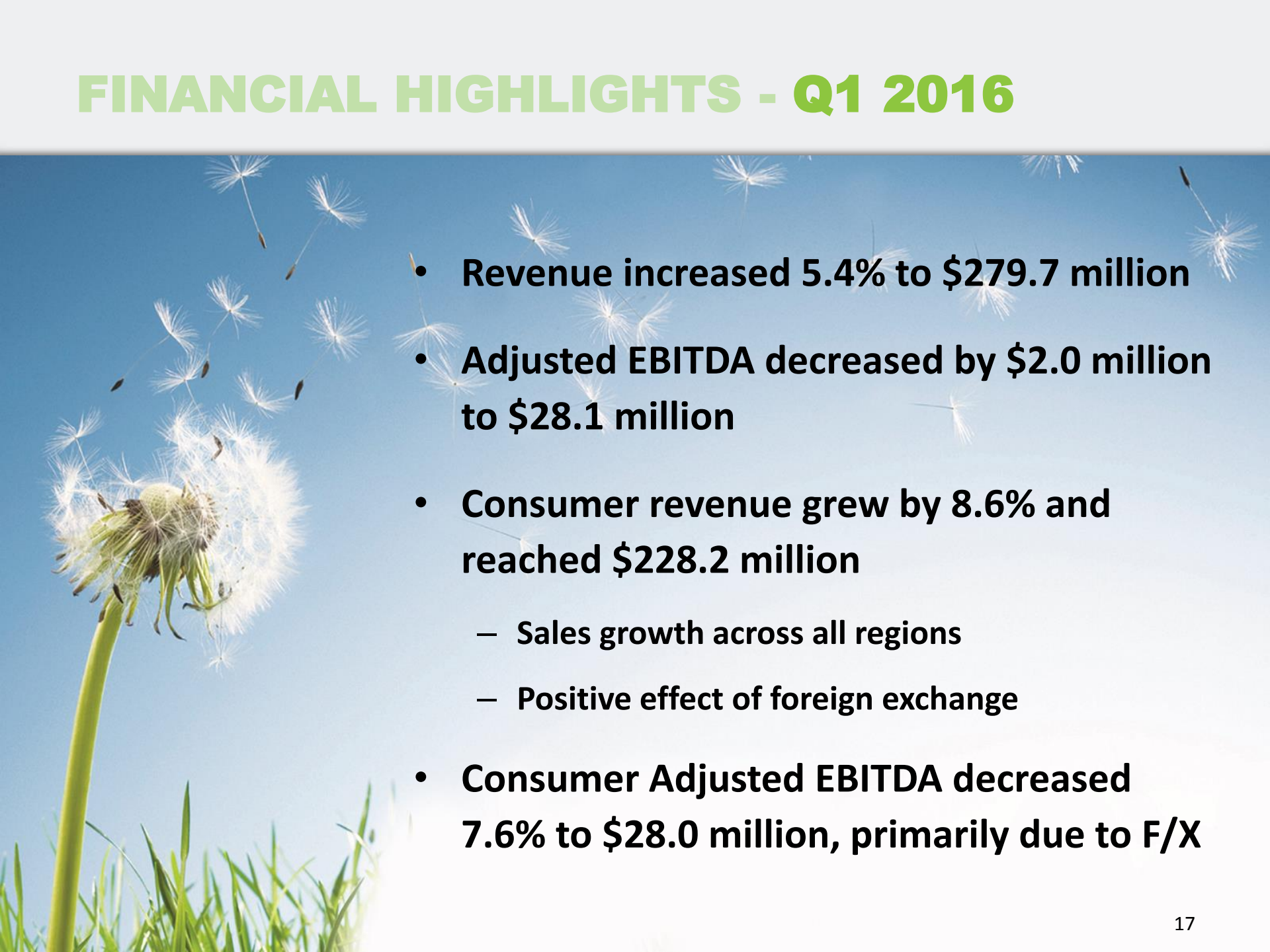
CHIEF FINANCIAL OFFICER

# FINANCIAL HIGHLIGHTS - FISCAL 2015

- Record revenue of \$1.14 billion
- Adjusted EBITDA grew to \$126.4 million
- Cash balance of \$25.5 million
- Net debt to EBITDA ratio of 3.2 times



# FINANCIAL HIGHLIGHTS - Q1 2016

- 
- Revenue increased 5.4% to \$279.7 million
  - Adjusted EBITDA decreased by \$2.0 million to \$28.1 million
  - Consumer revenue grew by 8.6% and reached \$228.2 million
    - Sales growth across all regions
    - Positive effect of foreign exchange
  - Consumer Adjusted EBITDA decreased 7.6% to \$28.0 million, primarily due to F/X

# FINANCIAL HIGHLIGHTS - Q1 2016

- Away-from-Home (AFH) segment revenue increased by 1% to \$49.1 million
  - Positive effect of foreign exchange on U.S. sales
- AFH Adjusted EBITDA for the quarter was \$(0.2) million compared to \$1 million in Q1 2015
- Total Company Adjusted EBITDA margin of 10.0%, down from 11.7% in Q1 2015



# FINANCIAL HIGHLIGHTS - Q1 2016

- Q1 cash decreased to \$4 million, mainly due to debt reduction, seasonally higher working capital and increase in capital spending
- Net debt at the end of Q1 stood at \$417.5 million, up from \$410.6 million at the end of Q4 2015
- Net debt to latest 12-month EBITDA ratio at 3.4 times





# MARIO GOSSELIN

CHIEF EXECUTIVE OFFICER



# Program Results vs. Objectives



<http://www.sustainability2015.ca/>

<u>Component</u>	<u>Objective</u>	<u>Actual</u>	
Energy	-15%	- 5%	
Emissions	-15%	-16%	
Water	-15%	-18%	
Packaging	- 5%	-13%	
Logistics	+15%	+10%	
Certified Fibre	100%	100%	
FSC® Chain of Custody	Yes	Yes	
Certified Products	100+	144	



# CORPORATE SOCIAL RESPONSIBILITY

Contribution to a number of social causes and philanthropic activities:

- Canadian Breast Cancer Foundation
- Ronald MacDonald House Charities
- Friends of We Care
- Children's Miracle Network
- Scotties Tournament of Hearts



Helping shape a future  
without breast cancer.  
10 years of proud support.



Proud Supporter of  
Canadian  
Breast Cancer  
Foundation



# LOOKING AHEAD



- Maintain market share leadership in Canadian consumer segment
- Commodity prices expected to remain high and Canadian dollar to remain weak
- Price increases to Canadian retailers will take effect later in Q2 2016 and should contribute fully to Q3 results
- Continue to leverage our TAD product manufacturing capacity to take advantage of growth opportunities in the U.S. premium private label market

# LOOKING AHEAD



- Benefits from new production line projects in AFH segment to start in second half of 2016
- Focus on high-return CAPEX projects aimed at improving profitability and manufacturing efficiencies
- Expect 2016 CAPEX to be in the range of \$65 million to \$85 million. Benefits to start in Fiscal 2017





**Q&A**  
**PERIOD**



**THANK  
YOU**