



GROWING BUSINESS

IN A CHALLENGING ENVIRONMENT

Q2 2022 FINANCIAL RESULTS

August 11, 2022



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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.
Q2 2022 financial results**

CORPORATE STRUCTURE



85.8%

14.1% *



Existing Memphis Operations and TAD Memphis



TAD Sherbrooke Project

*As of Aug. 10, 2022 (14.3% as of May 11, 2022).

5 UNDERLYING STRATEGIES

Drive Strong Revenue, Profit and Shareholder Value in a Sustainable Manner

1



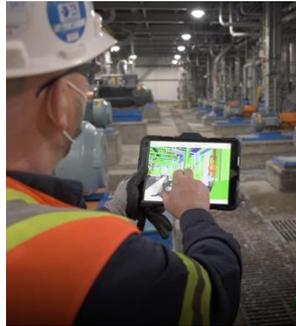
**Consumer As Our
Compass**

2



**Expand Our
Business Footprint**

3



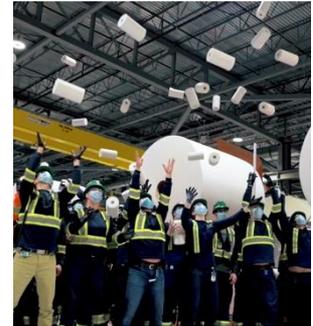
**End-to-End Supply
Chain Excellence**

4



**Deliver
Sustainability**

5



**Winning Team
and Culture**

Q2 2022 HIGHLIGHTS

| Revenue | Adjusted EBITDA ¹ | Net Income |
|--|---|--|
| \$397.5 M  17.1% over Q2 2021 | \$11.8 M  (68.3%) over Q2 2021 | (\$35.5 M)  (\$37.7 M) over Q2 2021 |



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

PULP INPUT PRICES

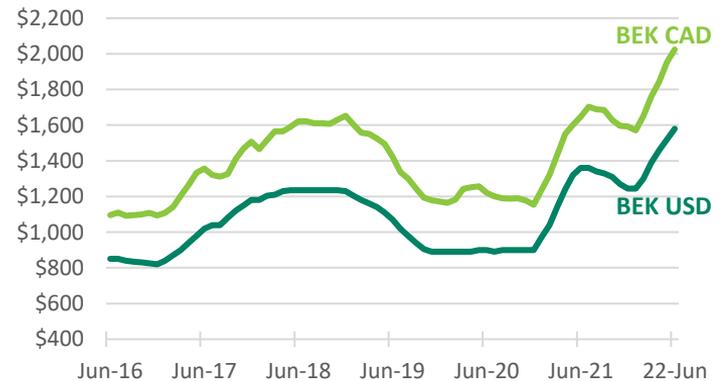
Q2 2022 NBSK average prices¹ in CAD increased 15.1%, while BEK average prices¹ increased 16.8% compared to Q1 2022.

Q2 2022 NBSK average prices¹ in CAD increased 13.4% and BEK average prices¹ increased 21.0% year-over-year. Based on industry forecasts for 2022, NBSK and BEK prices are expected to remain at elevated levels but continue to be volatile.

**NBSK North American List Prices per MT
(Q2 2022 13.4% YOY in CAD)**



**BEK List Prices per MT
(Q2 2022 21.0% YOY in CAD)**



(CAD/USD averaged 1.28 in Q2 2022, up 4% from Q2 2021)

¹ Both NBSK price and BEK price were calculated using RISI

HIGH INFLATIONARY PRESSURE

Q2 2022 vs. Q2 2021



**+\$45 Million
Impact**



13-21%
FIBRE



35-40%
FREIGHT



4-6%
LABOUR



15-25%
PACKAGING



150-170%
NATURAL GAS



5-15%
OTHER

PRICING AND COST MANAGEMENT ADJUSTMENTS

Pricing Actions in 2022

Consumer Canada

- Price increase in July
- Further price hike in October

Consumer U.S.

- Price increases in Jan/Feb and July

AFH

- Price increases in January and May
- Further price hike in August

6-8%

**Average Price Increase
in Q2 2022 (YoY)**

Cost Management Plans in 2022

- Reduced capital spending
- Lower working capital
- Increased productivity
- Cut discretionary SG&A spending



NETWORK MODERNIZATION

TAD Sherbrooke

- Continuing to exceed ramp-up plans
- Phase 2 of AI implementation progressing according to plan

Sherbrooke Expansion

- Increased total investment to ~\$350 million
- Start-up for bathroom tissue line expected in Q1 2023 with hiring and training phase on track
- Start-up dates for facial line and paper machine in 2023-24
- Tracking to plan but closely watching supply chain and inflation





Turnaround progressing into second half

MEMPHIS PERFORMANCE

Memphis Operations

- Still a drag on overall business but recovering
- Output improvement of 12% sequentially
- Fully staffed and trained in Q2 2022
- Reigniting OPEX program with third-party partners to improve efficiency
- Significant investments in maintenance and waste improvement program
- Negative impact on profit peaked in Q2 2022 with improvements in Q3 2022

New Facial Tissue Line in Memphis

- Rolled out in July and exceeding start-up curve
- Capable of producing both TAD and LDC products
- Provides opportunity for future growth in the U.S.



CONTINUING TO INVEST IN BRAND SUPPORT

- Cutting discretionary marketing spending for full year
- Remaining investments focused on in-store, purchase-driving activities to mitigate pricing increase impact
- Strong awareness and trial-driving activities in place for Bonterra, UltraLux and White Cloud launches
- SpongeTowels UltraPro continues to gain share
- KPLP eCommerce sales up 20% year-over-year, well ahead of the total category (+0.6 share points)



BRAND LEADERSHIP POSITION



Bathroom Tissue

Facial Tissue

Paper Towel

 **Kruger**
Products

IRVING

P&G

 **Kimberly-Clark**

#1
34.0%

#1
36.7%

#2
23.8%

15.6%

17.6%

11.2%

11.7%

0.7%

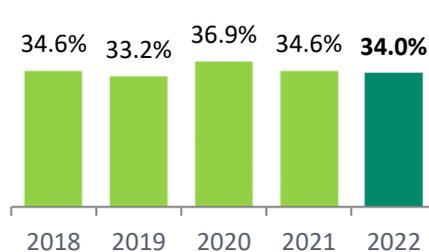
34.5%

1.3%

16.3%

0.2%

 **Kruger**
Products



Source: Nielsen Canadian dollar market share for 52-week period data. 2022 represents the latest 12 months ending June 18, 2022



RECOVERY ONGOING IN COMMERCIAL SECTOR

AFH SEGMENT

- Volume approximately 30% better than Q2 2021
- Market recovery continued in North America
- Property management end-user segment still significantly below pre-pandemic levels
- Inflation in transportation, fibre and energy persistent in Q2 2022
- Multiple price increases offsetting inflationary pressure
- Commercial tissue capacity remains highly utilized in North America



QUARTERLY FINANCIAL SUMMARY

| (Million CAD\$, unless otherwise noted) | Q2 2022 | Q1 2022 | Q2 2021 | % Change | |
|---|--------------|--------------|--------------|----------------|----------------|
| | | | | Y/Y | Q/Q |
| Revenue | 397.5 | 398.7 | 339.3 | 17.1% | (0.3%) |
| Cost of Sales | 372.5 | 363.9 | 295.0 | 26.3% | 2.4% |
| Gross Profit | 25.0 | 34.9 | 44.4 | (43.7%) | (28.3%) |
| Gross Margin | 6.3% | 8.8% | 13.1% | | |
| Adjusted EBITDA¹ | 11.8 | 29.1 | 37.3 | (68.3%) | (59.5%) |
| Adjusted EBITDA Margin ¹ | 3.0% | 7.3% | 11.0% | | |
| Net Income (loss) | (35.5) | 1.4 | 2.2 | | |
| Net Income Margin | (8.9%) | 0.4% | 0.7% | | |

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) | Q2 2022 | Q1 2022 | Q2 2021 | % Change | |
|---|--------------|--------------|--------------|----------------|----------------|
| | | | | Y/Y | Q/Q |
| Segmented Revenue | | | | | |
| Consumer | 326.3 | 342.8 | 292.3 | 11.6% | (4.8%) |
| AFH | 71.2 | 55.9 | 47.0 | 51.4% | 27.3% |
| Total Segment Revenue | 397.5 | 398.7 | 339.3 | 17.1% | (0.3%) |
| Segment Adjusted EBITDA¹ | | | | | |
| Consumer | 14.3 | 35.4 | 40.3 | (64.5%) | (59.6%) |
| AFH | (0.5) | (3.2) | (0.4) | NA | NA |
| Corporate and other costs | (2.0) | (3.1) | (2.6) | NA | NA |
| Total Segment Adjusted EBITDA¹ | 11.8 | 29.1 | 37.3 | (68.3%) | (59.5%) |
| Segment Adjusted EBITDA Margin² | | | | | |
| Consumer | 4.4% | 10.3% | 13.8% | | |
| AFH | (0.6%) | (5.8%) | (0.9%) | | |
| Total Segment Adjusted EBITDA Margin¹ | 3.0% | 7.3% | 11.0% | | |

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

Q2 2022 REVENUE COMPARED TO Q2 2021

\$58.2 M

Q2 Revenue increase



17.1%

over Q2 2021

Increase due to the following factors:

- Selling price increases in last 12 months
- Slightly higher Consumer sales volume
- Significantly increased AFH sales volume
- FX impact on U.S. dollar sales

Geographic revenue segmentation



\$19.9 M

+9.1%
Canada



\$38.2 M

+31.9%
U.S.

Q2 2022 ADJUSTED EBITDA¹ COMPARED TO Q2 2021

(\$25.5 M)

Q2 Adjusted EBITDA¹ decrease



68.3%
over Q2 2021

Adjusted EBITDA Margin¹



Decrease primarily due to the following factors:

- Significant inflation on pulp, manufacturing costs and freight
- Labour and productivity issues in Memphis
- Higher SG&A expenses

Partially offset by:

- Higher sales volume
- Selling price increases

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

Q2 2022 REVENUE COMPARED TO Q1 2022

(\$1.2 M)

Q2 Revenue decrease

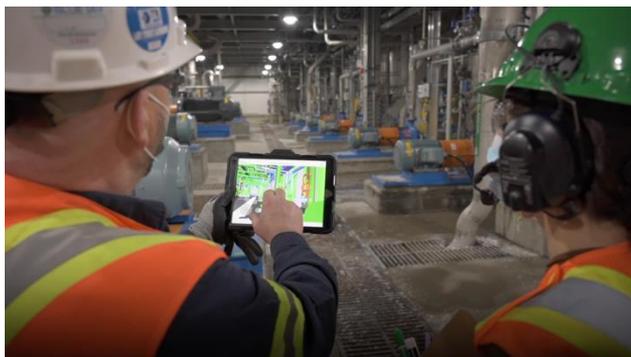


0.3%

over Q1 2022

Sequential decrease in revenue due to:

- Lower Consumer volume in both Canada and US
- Mostly offset by strong AFH volume and price increase in both regions



\$3.6 M

-1.5%

Canada



\$2.4 M

+1.5%

U.S.

Q2 2022 ADJUSTED EBITDA¹ COMPARED TO Q1 2022

(\$17.3 M)

Q2 Adjusted EBITDA¹ decrease



59.5%
over Q1 2022

Adjusted EBITDA Margin¹



Variance due to:

- Lower overall sales volume/mix
- Higher pulp and SOP costs
- Inflation on other input costs
- Labour challenges in Memphis and higher maintenance costs
- New product advertising and promotion
- Increased freight and warehousing costs

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

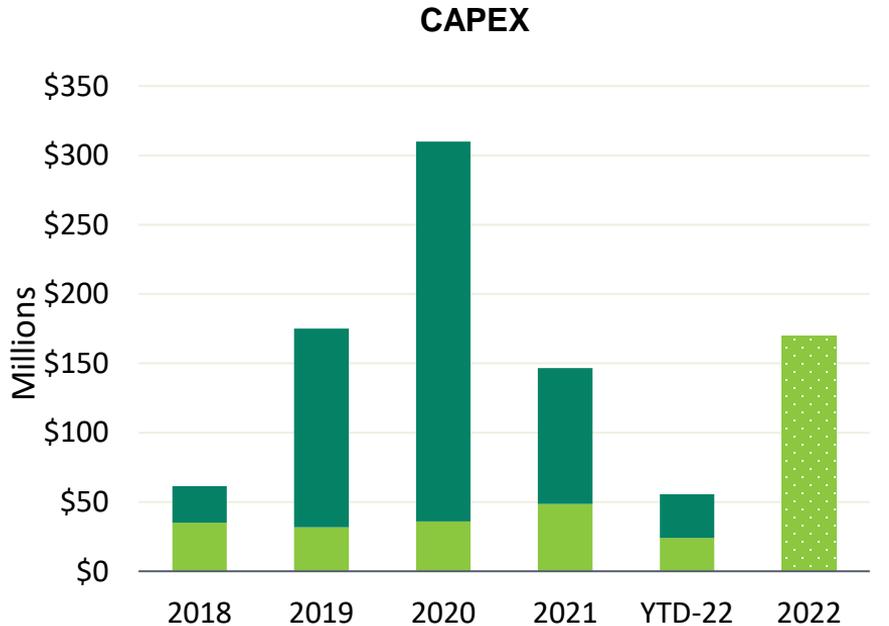
BALANCE SHEET

| (Million CAD\$, unless otherwise noted) | Q2 2022 | Q1 2022 |
|---|--------------|--------------|
| Cash | 100.3 | 113.7 |
| Current Portion of Long-term Debt | 33.8 | 33.5 |
| Long-term Debt | 1,039.5 | 952.0 |
| Net Debt | 973.0 | 871.8 |
| LTM Adjusted EBITDA ¹ | 119.5 | 145.0 |
| Net Debt/LTM Adjusted EBITDA¹ | 8.1x | 6.0x |

- Total debt increased \$87.8 million from Q1 2022 primarily due the Sherbrooke Expansion Project and other capital spending and an increase in working capital
- Leverage increased due to higher level of net debt, including a lower cash position and lower LTM Adjusted EBITDA

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

LOWERED CAPEX



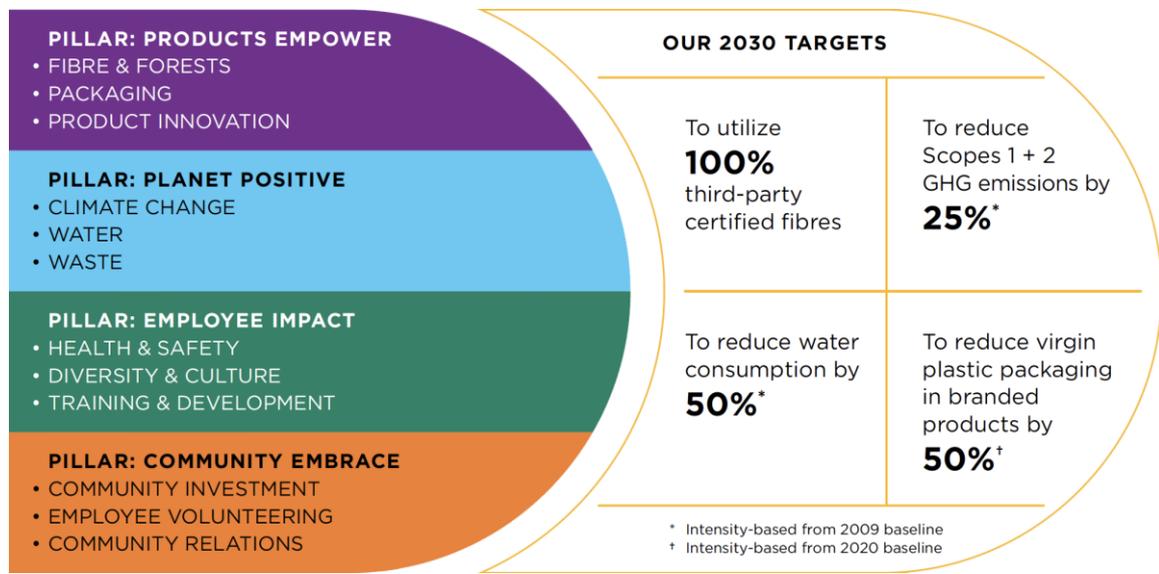
■ TAD Sherbrooke and Sherbrooke Expansion started in 2021

- YTD 2022 CAPEX reached \$55.7 million, including \$10.9 million related to TAD Sherbrooke Project and \$20.7 million related to Sherbrooke Expansion Project
- Total 2022 CAPEX of \$160-\$180 million, including Sherbrooke Expansion Project
- CAPEX reductions of \$25 million on existing network announced last quarter



The Next 10 Years

REIMAGINE
2030
 TRANSFORMATIVE GROWTH
 SUSTAINABLE INNOVATION





GROWING BUSINESS LONG-TERM WHILE MANAGING INFLATIONARY PRESSURE

- Continuing to deliver strong top-line growth
- Price increases and cost efficiencies to begin mitigating inflationary pressure in the third quarter with full recovery expected at end of fourth quarter
- Prudently investing in our brands to support price increases
- Strong awareness and trial-driving activities in place for Bonterra, UltraLux and White Cloud launches
- TAD Sherbrooke facility continuing to exceed ramp-up curve, while Memphis turnaround plan to yield benefits in the second half of year
- Away-from-Home recovery ongoing across North America
- Developing organizational capability and culture to drive future growth



THANK
YOU

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