



# **BUILDING LONG-TERM VALUE**

2019 ANNUAL MEETING OF  
SHAREHOLDERS

May 8, 2019





# 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 2018 Financial Statements and Auditors' Report
- Election of Directors
- Re-appointment of Auditors
- Termination of Formal Business
- Concluding Remarks
- Management Presentation
- Question Period



# DINO BIANCO

Chief Executive Officer



## Our Vision and Mission



OUR VISION IS TO BE THE MOST  
TRUSTED AND BEST LOVED TISSUE  
COMPANY IN NORTH AMERICA.

Making everyday life more comfortable.

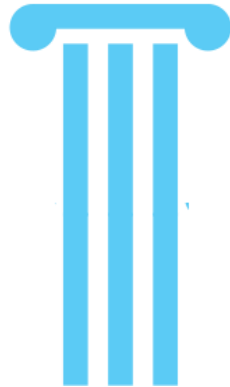


# Drive Strong Revenue, Profit and Shareholder Value

**Build Our  
Consumer Muscle**



**Expand in  
US/AFH**



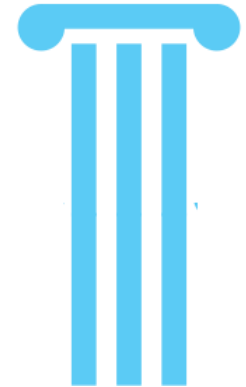
**Build Efficient  
Supply Chain**



**Evolve Customer  
Strategy**



**Winning Team  
& Culture**



**FIVE UNDERLYING STRATEGIES**

# Corporate Highlights



**Revenues increased to a record \$1.37 billion, up 7.1% from 2017**



**High pulp prices and freight costs, and capacity constraints continued to impact our margins in Fiscal 2018**



**Increased prices in our Consumer and AFH businesses to offset higher pulp prices and freight costs**



**Engaged a 3rd party consultant to drive operational efficiency and reduce waste**



**Closed strategic \$575 million financing to start our new TAD Sherbrooke, QC project**



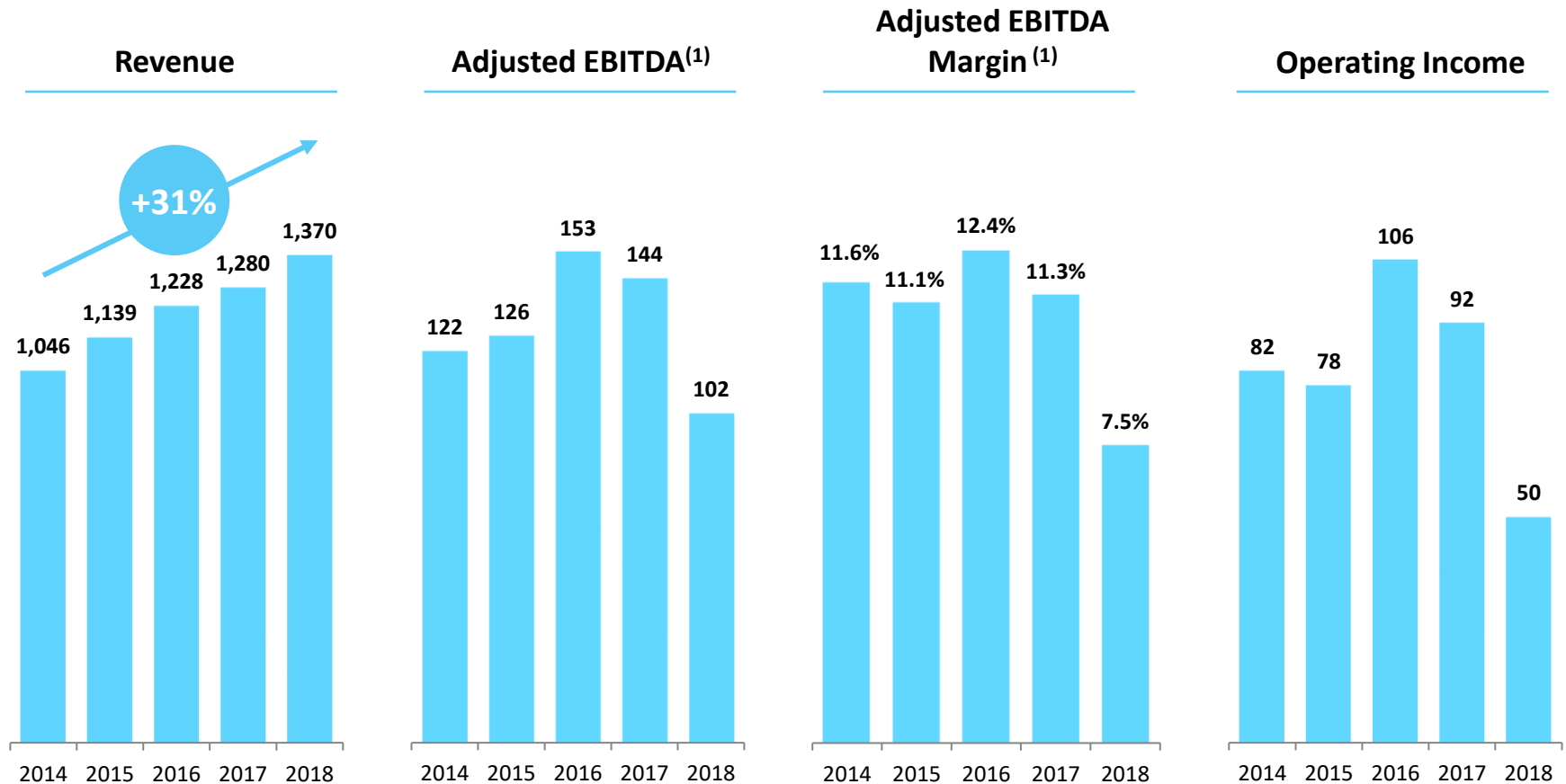
**Continued to build brand leadership with the signing of a multi-year partnership with the NHL**



**Best employer and marketing awards**

# Financial Performance Trend

(in C\$ millions)



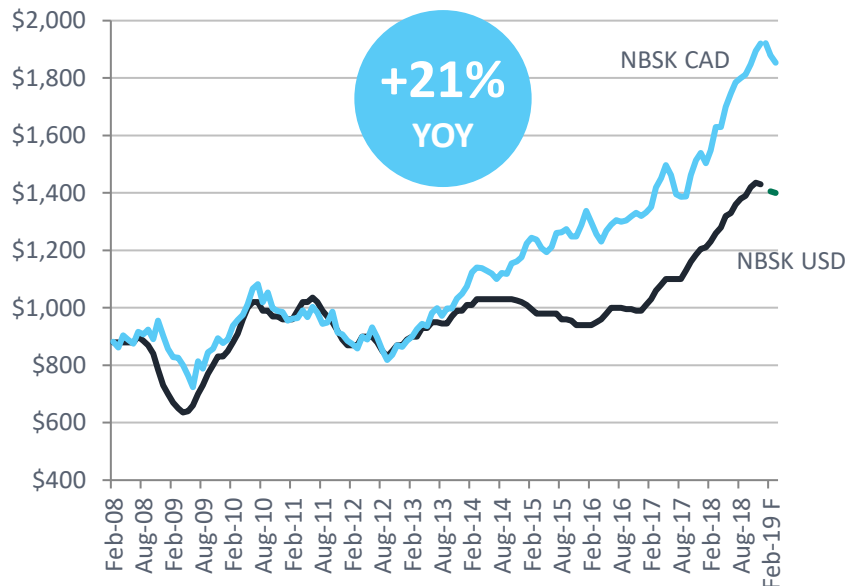
(1) Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure



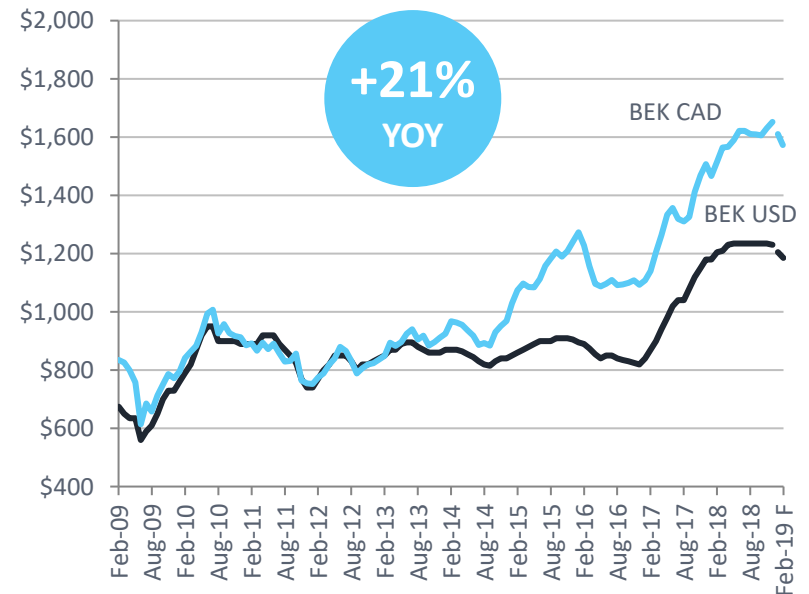
# Pulp Input Prices

Pulp prices in USD have moderated in Q1 2019 and based on industry forecasts, are expected to remain in a similar range in 2019. The volatile CAD will create further fluctuations in pulp input costs.

## NBSK North American List Prices per MT



## BEK List Prices per MT

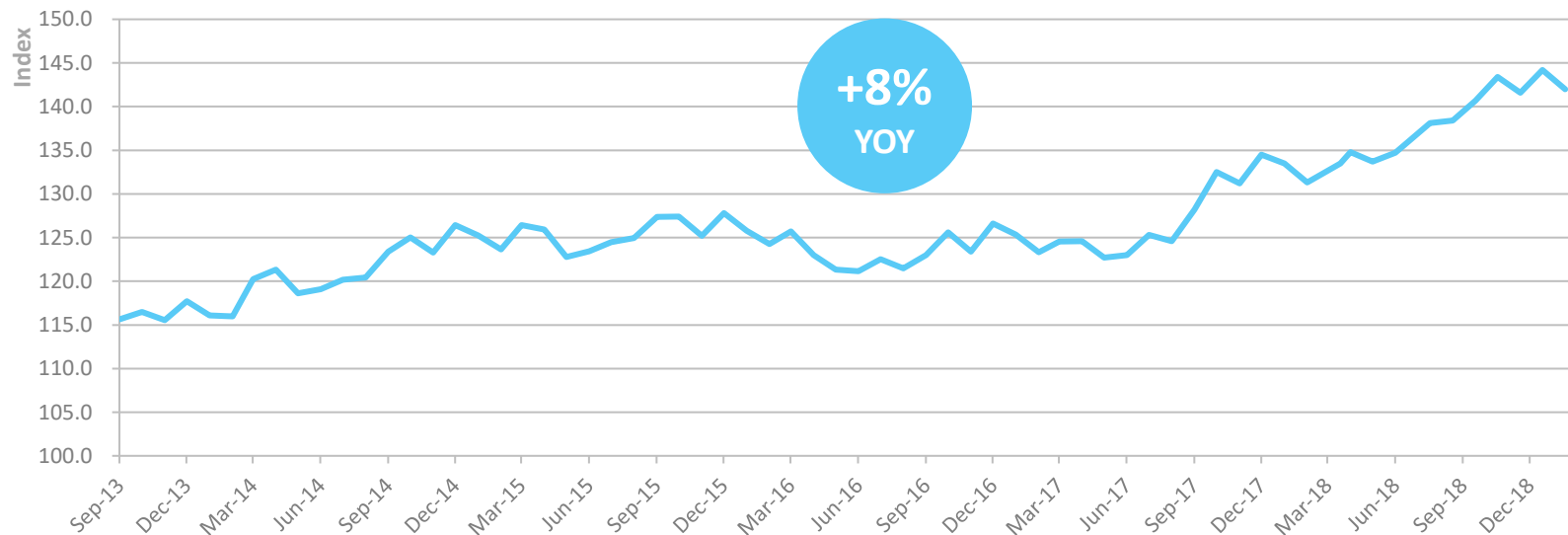


(USD average 1.30 CAD in 2018 and 2017)

# Freight Cost Index

Freight costs have risen significantly since the beginning of 2017 and reached an all-time high in Q4 2018. Management expects these costs to remain high in 2019.

## Cass Truckload Linehaul Index™



Source: Cass Information Systems, Inc.

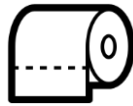
Data within this unique index is derived from actual freight invoices paid on behalf of Cass' clients. The index uses January 2005 as its base month.

# Consumer Segment

- Consumer segment revenue increased by 8.1% to \$1.12 billion in 2018
- Continue to be the leader in overall tissue market share in Canada
- Our first TAD machine in Memphis has allowed us to expand our presence in the private label business in North America
- Leading brands:
  - Scotties, Cashmere, Purex and SpongeTowels in Canada
  - White Cloud in the U.S.



# Canada's Leading Tissue Brand

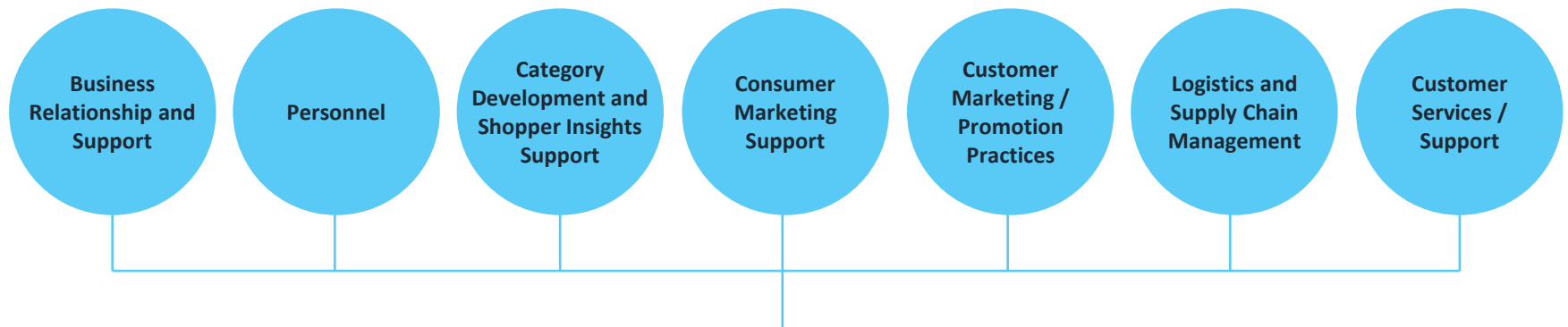


Bathroom Tissue	Facial Tissue	Paper Towel
<b>#1</b> <b>34.7%</b>	<b>#1</b> <b>31.7%</b>	<b>#2</b> <b>22.2%</b>
18.7%	19.3%	11.3%
10.8%	0.8%	34.0%
2.5%	17.9%	1.1%

Source: Nielsen; dollar market share for the 52-week period ended January 5, 2019.

# Strong Customer/Retailer Relationships

## Core Competitive Set (Grocery/Mass/Club/Drug Channels)



Survey Categories

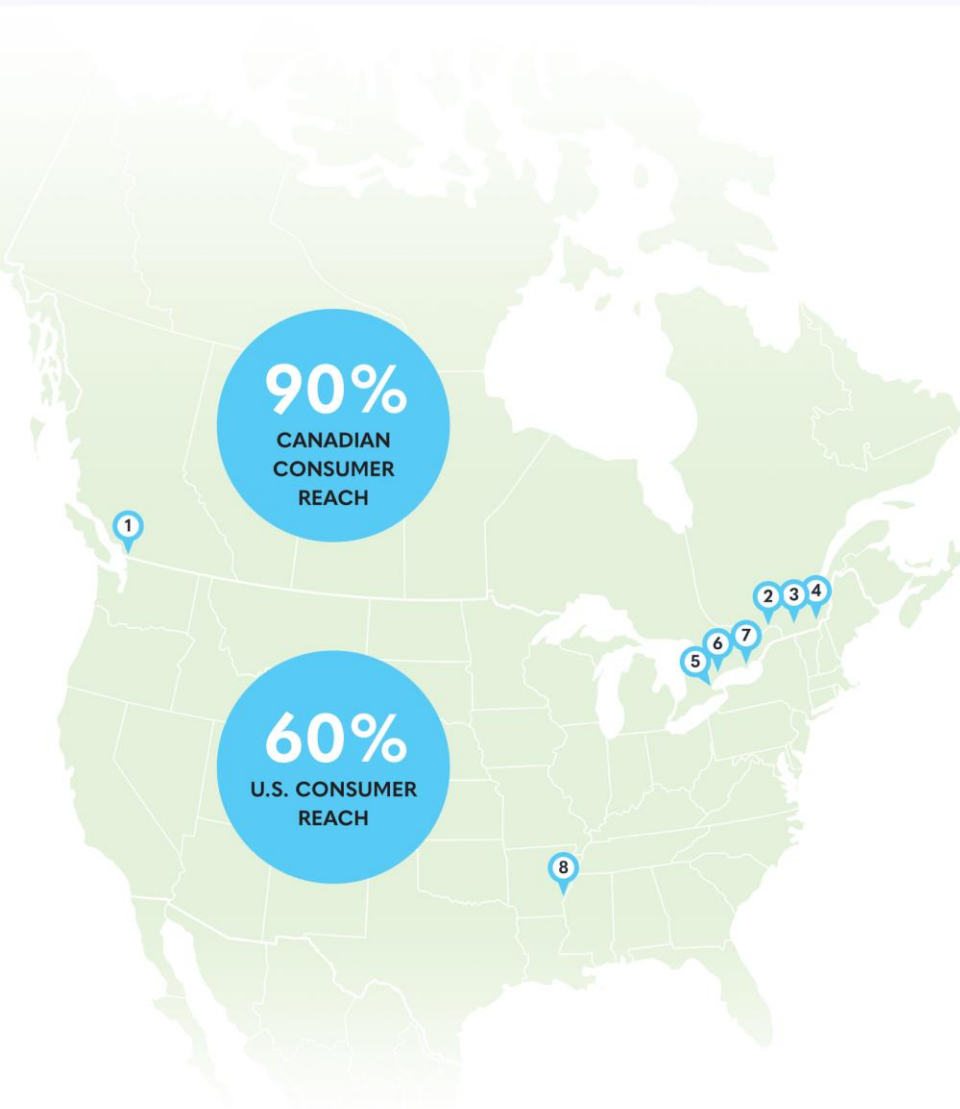
# Away-From-Home (AFH) Segment

- AFH sells commercial tissue products primarily through distributors to businesses involved in property management, health care, food service, manufacturing and lodging, and to other public facilities
- Market leader in Canada with a market share of approximately 30% and expanding our presence in the U.S. across multiple segments
- AFH revenue was \$231.1 million in Fiscal 2018, a decrease of 0.9%
- Adjusted EBITDA was negative \$12.8 million, due to higher pulp and freight costs, a competitive environment and outsourcing costs
- AFH absorbs high portion of KPLP fixed costs





# Our Network Across North America



## 1 PAPERMAKING & CONVERTING NEW WESTMINSTER, BC

Produce more than  
**58,000 MT**  
of tissue products every year

## 2 PAPERMAKING & CONVERTING GATINEAU, QC

Produce more than  
**92,500 MT**  
of tissue products every year

## 3 PAPERMAKING & CONVERTING CRABTREE, QC

Produce more than  
**72,000 MT**  
of tissue products every year

## 4 PAPERMAKING SHERBROOKE, QC

Produce more than  
**24,000 MT**  
of tissue products every year

## 5 CORPORATE HEADQUARTER MISSISSAUGA, ON

## 6 CONVERTING SCARBOROUGH, ON

## 7 CONVERTING TRENTON, ON

## 8 PAPERMAKING & CONVERTING MEMPHIS, TENNESSEE

Produce more than  
**110,000 MT**  
of tissue products every year

# TAD Sherbrooke Project



- Site location in Sherbrooke, Quebec in the Brompton area
- Total cost of C\$575 million
- Anticipate output of approximately 70,000 metric tonnes per year
- Designed to allow paper towels to be manufactured at very high speeds
- Project is central to our long-term North American growth strategy in the ultra-premium tissue segment
- Financial return of project driven by:
  - new volume
  - capitalizing on the expanded towel manufacturing capability
  - creating manufacturing efficiencies with TAD1 machine for the U.S. market
- Construction of facility started in April 2019
- Start-up expected in early 2021

# Multi-Year Partnership with the NHL

## AN ALL-STAR LINEUP

Our exceptional team of premium Canadian-made products is now an official partner of the NHL®



OFFICIAL PARTNER

- Signed a multi-year partnership with the National Hockey League
- Deal that will help promote our brand leadership in Canada and in the Away-From-Home market
- Demonstrates our commitment to build our tissue brands and create news in the marketplace
- Initial marketing programs were introduced during this year's playoffs with more extensive campaigns to follow next season
- Honored to be part of such an entrenched and universally-recognized brand as the NHL
- Strengthens our Canadian roots with connection to hockey



## Recognition Highlights



Canada's Best Managed Companies  
**2<sup>nd</sup> Consecutive Year**



Greater Toronto's Top Employers  
**6<sup>th</sup> Consecutive Year**



Canadian Retailers #1 CPG Supplier  
**6<sup>th</sup> Consecutive Year**



Corporate Knights  
Best 50 Corporate Citizens

# Sustainability Efforts Deliver Impact



	2020 TARGET	2018 RESULTS
Employee Safety <sup>(1)</sup>	<b>50%</b> improvement from 2015	<b>48%</b> improvement from 2015
Energy Consumption <sup>(2)</sup>	<b>15%</b> reduction from 2009	<b>10%</b> reduction from 2009
Greenhouse Gas Emissions <sup>(2)</sup>	<b>27%</b> reduction from 2009	<b>22%</b> reduction from 2009
Water Consumption <sup>(2)</sup>	<b>35%</b> reduction from 2009	<b>28%</b> reduction from 2009

<sup>(1)</sup> OSHA Total Incidence Rate

<sup>(2)</sup> Intensity-based



# 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
- Earth Day Canada
- Scotties Tournament of Hearts





# Building Long-Term Value

## **Despite current headwinds, we are setting up our business for sustainable long term growth**

- Continue to drive top line growth across all key geographies and segments
- Pricing all of our businesses to offset high fibre costs and restore margins
- Creating a more efficient and capable supply chain network
- Building ultra-premium capacity with our TAD Sherbrooke project
- Investing to further strengthen our brands
- Building our organizational capability and instilling the required culture to ensure we drive growth for the future





Q&A



THANK YOU

