



DELIVERING ON OUR STRATEGIC PLAN

Q3 2020 FINANCIAL RESULTS

November 5, 2020



Forward-Looking and Cautionary Statements

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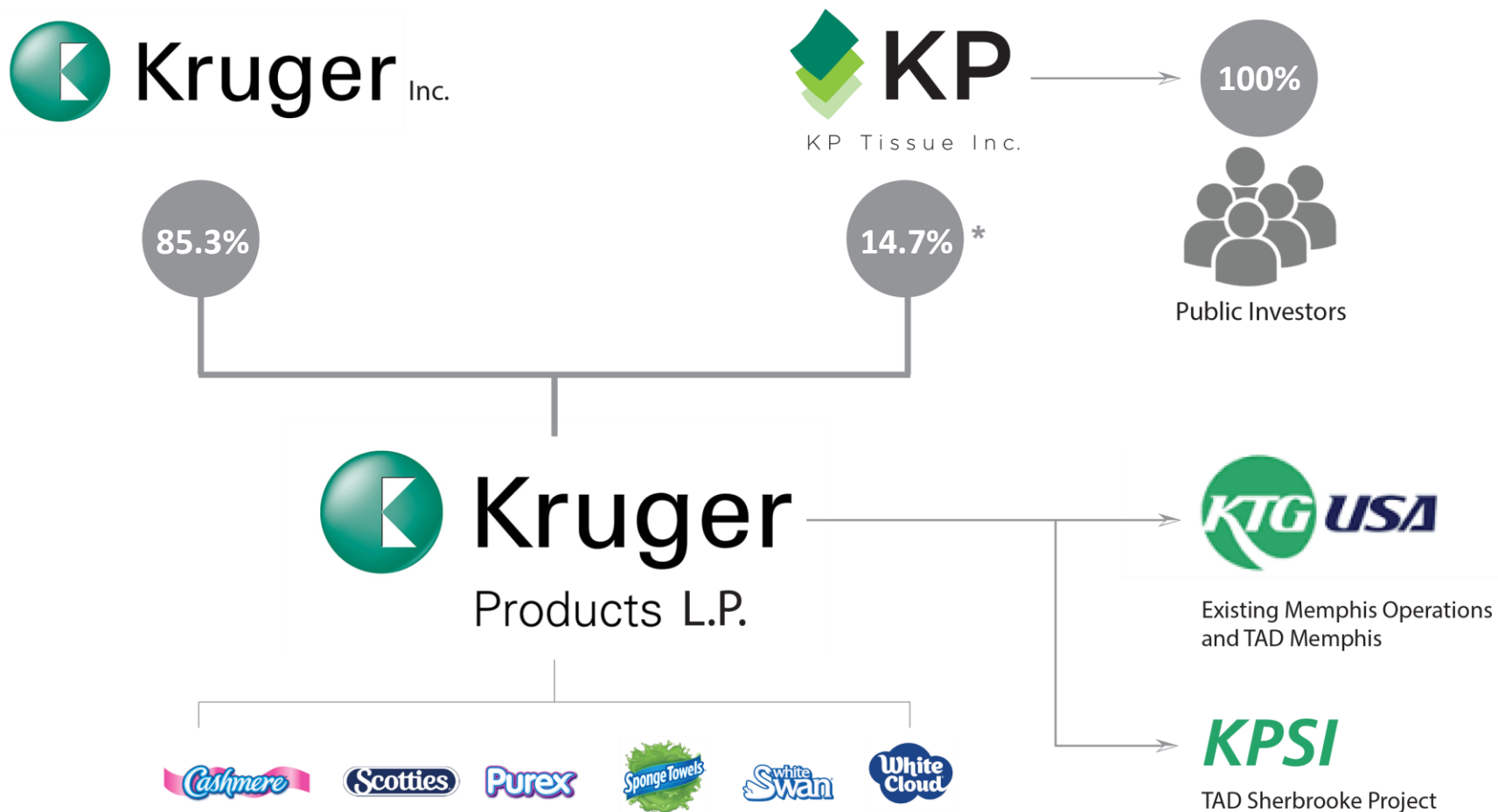
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Unless otherwise stated, references in this presentation to market shares or KPT's market leadership are based on Nielsen dollar market share data and management estimates. Please refer to the Company's MD&A for the complete Forward-looking and cautionary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

**The following presentation is to review Kruger Products L.P.
Q3 2020 financial results**

Corporate Structure



*As of November 5, 2020 (14.8% as of September 30, 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**

Q3 2020 Highlights

\$369.1 M

Revenue

(0.1)%*

Over Q3 2019



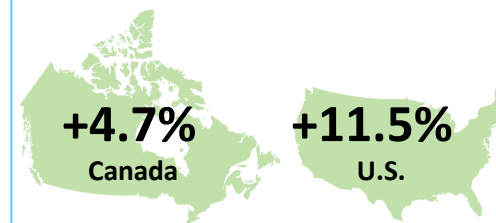
Excluding Mexico

7.3%*

over Q3 2019



Volume increases in Consumer, partially offset by AFH



\$46.2 M

Adjusted EBITDA¹

5.1%

over Q3 2019



The increase was primarily due favourable sales impact and product mix, and slightly lower cost of sales, partially offset by higher SG&A costs

\$18.5 M

Net Income

\$8.0 M

over Q3 2019



The increase was primarily due to higher Adjusted EBITDA and lower other expense, interest expense and income taxes

* The Mexico business was divested in September 2019. In Q3 2019, Mexico represented revenue of \$25.4 million

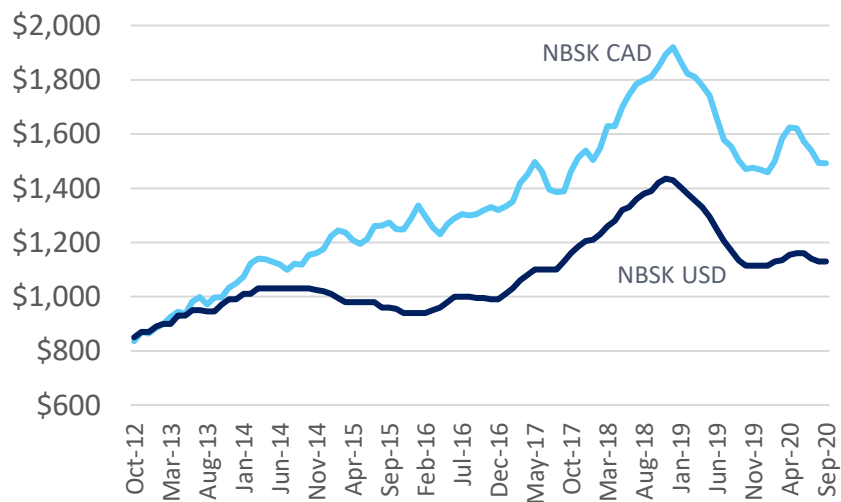
¹ Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure.

Pulp Input Prices

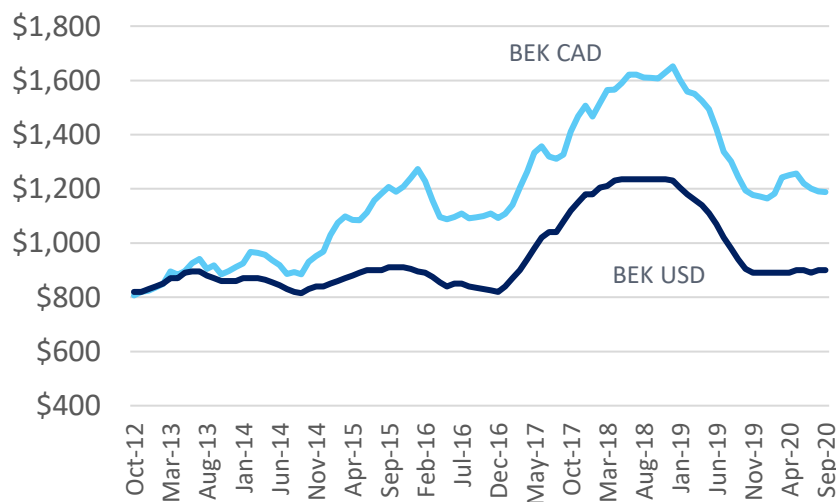
Q3 2020 NBSK prices in CAD decreased 6.1% and BEK prices decreased 4.0% compared to Q2 2020.

NBSK prices in USD have slightly decreased while BEK prices remained the same during Q3 2020. For the remainder of 2020 and based on industry forecasts, NBSK and BEK prices in USD are expected to increase slightly.

**NBSK North American List Prices per MT
(Q3 2020 -2% YOY in CAD)**



**BEK List Prices per MT
(Q3 2020 -8% YOY in CAD)**



(USD average 1.33 in Q3 2020 compared to 1.32 in Q2 2020)

COVID-19 Impact



- Enhanced our safety protocols in wake of wave 2
- Strong performance of assets with no major disruptions
- Running fewer SKUs with priority on top selling products leading to improved productivity
- Extended our raw material purchases to secure business continuity
- Consumer trust in our brand is a key differentiator in period of uncertainty leading to further market share gain

TAD SHERBROOKE

Site construction near completion

- On time and on budget
 - All converting lines are operational and performing well
 - Trying to exceed planned production to meet increased demand
 - \$2.1 million in start-up costs incurred in Q3
 - Paper machine remains on track for Q1 2021 start-up
 - Strong demand is anticipated for this output across North American customers
-





Driving more capacity, asset reliability, cost savings and cultural shift

- OpEx program tracking to overall plan and rolled out to all sites
 - High level of employee engagement and culture shift in motion
 - Plants operating very well in Q3
 - SKU consolidation helped run more efficiently and increased output and productivity
 - Lower manufacturing costs YoY
 - Investing more in enhanced maintenance to drive stronger asset performance
 - By the end of 2020, expect to reach the top-end of \$15-20 million target in cost savings on a run rate basis.
-



TRADEMARK

Continued focus on investing and building our brands

- Share gains continued in Q3 supported by strong shipments
- Planned higher advertising and promotion spend in 2H of 2020
- Focus on connecting with consumers with purpose-driven messaging through new media campaign
- Cashmere Collection in support of Canadian Cancer Society via virtual fashion show was resounding success
- Full distribution of quality improved Cashmere
- Strong growth momentum of White Cloud in the U.S. sustained with increased distribution



Canada's Leading Tissue Company



Bathroom Tissue

#1
36.4%

18.9%

10.1%

1.3%



Facial Tissue

#1
31.7%

19.2%

0.6%

18.0%



Paper Towel

#2
22.0%

12.5%

34.2%

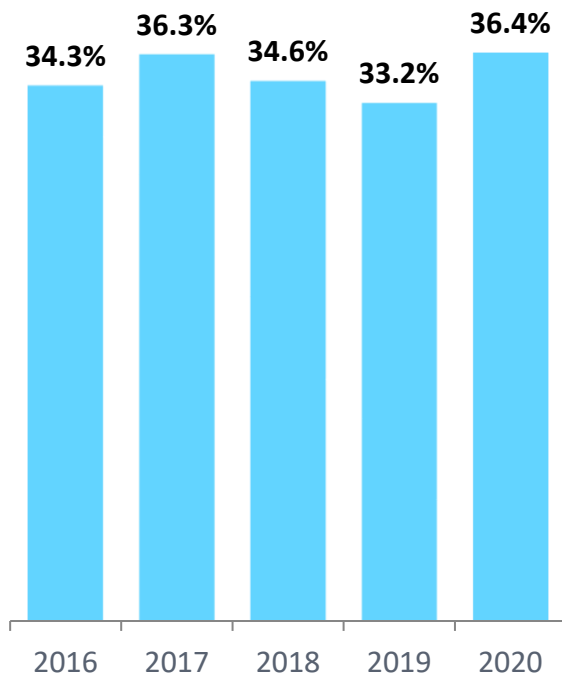
0.8%

Source: Nielsen; dollar market share for the 52-week period ended October 3, 2020.

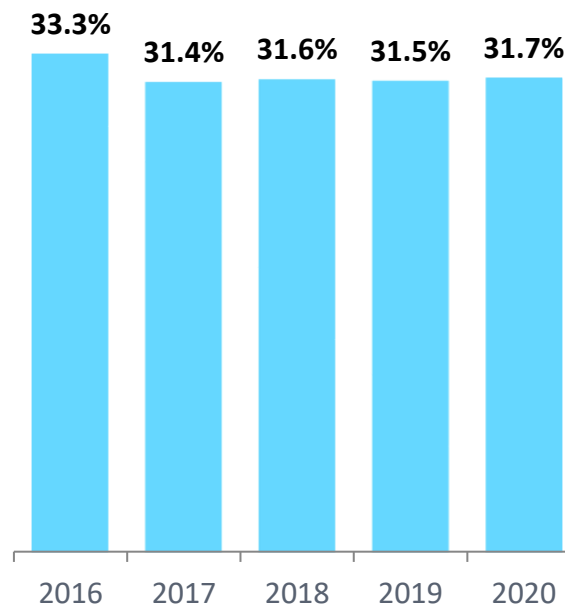
Brand Leadership Position



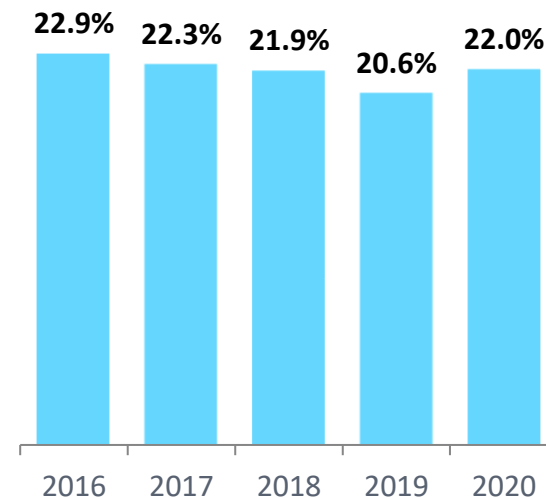
#1 Bathroom Tissue



#1 Facial Tissue



#2 Paper Towel



Source: Nielsen Canadian dollar market share for 52-week period data. 2020 represents the latest 12 months ending October 3, 2020.

AFH SEGMENT

Doing the right things to rebuild the business

- Market conditions remain challenging for Foodservice, Lodging and Property Management
 - End-user consumption has improved from Q2 but stabilized at 15% to 20% below prior year volume
 - Heightened focus on hand hygiene has kept towel volume strong despite market conditions
 - Migration shift to selling consumer-like products in retail outlets
 - OpEx continues to drive improved productivity but has created headroom with soft demand
 - Strong consumer demand requiring more outsourcing at AFH
-



Quarterly Financial Summary

				% Change	
(Million CAD\$, unless otherwise noted)	Q3 2020	Q2 2020	Q3 2019	Y/Y	Q/Q
Revenue	369.1	386.8	369.4	(0.1%)	(4.6%)
Revenue, excluding Mexico ¹	369.1	386.8	344.0	7.3%	(4.6%)
Cost of Sales	307.7	310.0	317.0	(2.9%)	(0.7%)
Gross Profit	61.4	76.8	52.4	17.2%	(20.0%)
Gross Margin	16.6%	19.8%	14.2%		
Adjusted EBITDA ²	46.2	64.4	44.0	5.1%	(28.2%)
Adjusted EBITDA Margin ²	12.5%	16.7%	11.9%		
Net Income	18.5	28.9	10.5		
Net Income Margin	5.0%	7.5%	2.8%		

¹ The Mexico business was divested in September 2019. In Q3 2019, Mexico represented revenue of \$25.4 million

² Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure.

Quarterly Segmented Results

	% Change				
(Million CAD\$, unless otherwise noted)	Q3 2020	Q2 2020	Q3 2019	Y/Y	Q/Q
Segmented Revenue¹					
Consumer	319.9	338.2	305.1	4.9%	(5.4%)
Consumer, excluding Mexico ²	319.9	338.2	279.7	14.4%	(5.4%)
AFH	49.2	48.5	64.3	(23.5%)	1.5%
Total Segment Revenue	369.1	386.8	369.4	(0.1%)	(4.6%)
Total Segment Revenue, excluding Mexico	369.1	386.8	344.0	7.3%	(4.6%)
Segment Adjusted EBITDA³					
Consumer	55.3	69.6	46.0	20.2%	(20.6%)
AFH	(3.5)	(2.1)	(1.9)	(80.6%)	(66.7%)
Corporate and other costs ⁽¹⁾	(5.6)	(3.0)	(0.1)		
Total Segment Adjusted EBITDA³	46.2	64.4	44.0	5.1%	(28.2%)
Segment Adjusted EBITDA Margin³					
Consumer	17.3%	20.6%	15.1%		
AFH	(7.0%)	(4.4%)	(3.0%)		
Total Segment Adjusted EBITDA Margin³	12.5%	16.7%	11.9%		

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 The Mexico business was divested in September 2019. In Q3 2019, Mexico represented revenue of \$25.4 million

³ Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure.

Q3 2020 Revenue Compared to Q3 2019

\$0.3 M

Q3 Revenue decrease

0.1%

over Q3 2019

Excluding Mexico

\$25.1 M

Q3 Revenue increase

7.3%*

over Q3 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



Geographic revenue segmentation

\$10.1 M

+4.7%

Canada

\$15.1 M

+11.5%

U.S.

* The Mexico business was divested in September 2019. In Q3 2019, Mexico represented revenue of \$25.4 million

Q3 2020 Adjusted EBITDA¹ Compared to Q3 2019

\$2.2 M

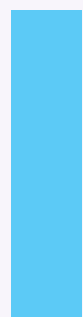
Q3 Adjusted EBITDA¹ increase



5.1%
over Q3 2019

Gross Margin

16.6%



Q3 2020

14.2%



Q3 2019

Primarily due to the following factors:

- Favourable sales impact and mix
- Lower pulp costs
- Benefits of the OpEx program
- Reduced number of SKUs

Partially offset by:

- Increased SG&A costs
- Higher manufacturing costs related to COVID-19
- Higher freight and warehousing costs
- Increased outsourcing costs

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

Q3 2020 Revenue Compared to Q2 2020

\$17.7 M

Q3 Revenue decrease

4.6%

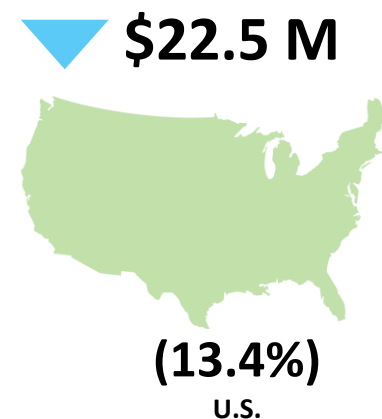
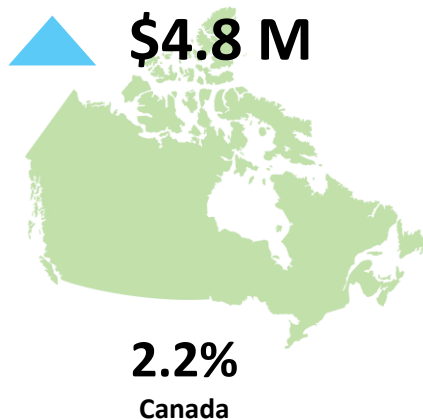
over Q2 2020

Decrease due to a combination of:

- Lower volume in U.S. Consumer segment following significant Q2 demand spike
- U.S. Consumer segment contractual selling prices tied to pulp moderating lower
- Unfavourable F/X rate on U.S. sales
- Partially offset by slightly higher sales in Canadian Consumer segment



Geographic revenue segmentation



Q3 2020 Adjusted EBITDA¹ Compared to Q2 2020

\$18.2 M

Q3 Adjusted EBITDA¹ decrease



28.2%
over Q2 2020

Gross Margin

16.6%



Q3 2020

19.8%



Q2 2020

Due to the following factors:

- Lower sales in U.S. Consumer segment following significant Q2 demand spike
- Higher SG&A expenses related to increased advertising spend
- Higher negative Adjusted EBITDA from AFH
- TAD Sherbrooke start-up costs

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

Balance Sheet

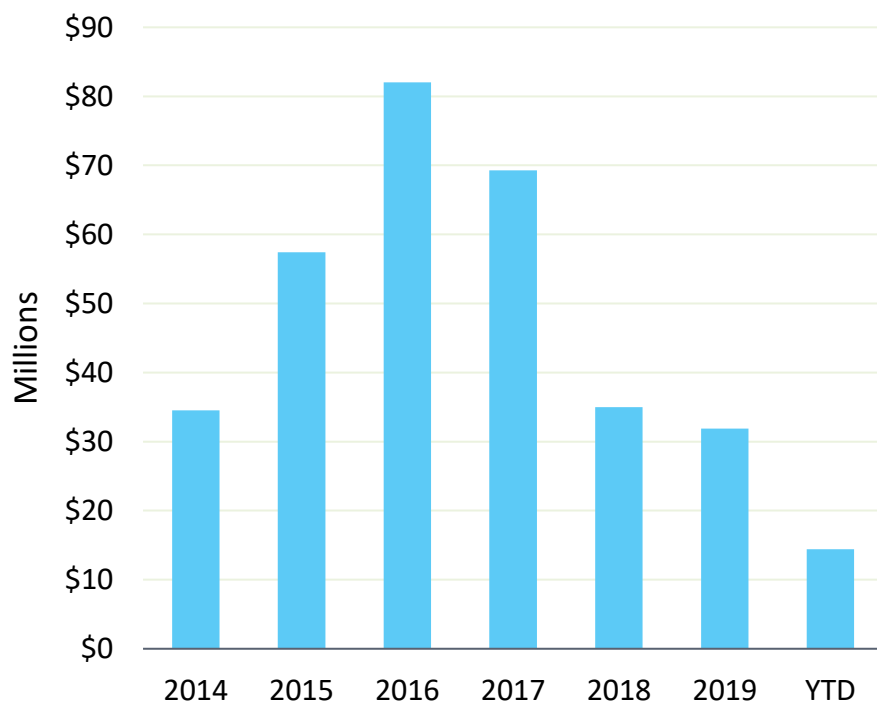
(Million CAD\$, unless otherwise noted)	Q3 2020	Q2 2020
Cash	117.5	144.2
Current Portion of Long-term Debt	4.9	4.9
Long-term Debt	705.0	700.4
Net Debt	592.5	561.1
LTM Adjusted EBITDA ¹	207.6	205.4
Net Debt/LTM Adjusted EBITDA¹	2.9	2.7

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

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

CAPEX

CAPEX, excluding TAD Sherbrooke Facility



- Q3 and YTD 2020 TAD Sherbrooke CAPEX was \$65.1 million and \$201.3 million.
- \$43.3 million of accrued and unpaid capital spending at quarter-end
- 2020 TAD Sherbrooke CAPEX estimated at between \$300 and \$320 million
- Q3 2020 CAPEX excluding TAD Sherbrooke was \$5.3 million
- 2020 regular CAPEX estimated at \$30-\$40 million range
- Total 2020 CAPEX of \$330-\$360 million

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 to build market share leadership in Canada while expanding White Cloud in the U.S.
- Completing the TAD Sherbrooke facility, successful start-up and aggressive sales plan
- Creating a more efficient and capable supply chain network with benefits and progress of OpEx program
- Doing the right things to improve AFH performance considering slow recovery in end-user markets
- Developing our organizational capability to drive growth for the future



KP Tissue Inc.

THANK YOU

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