



**KP**

KP Tissue Inc.

# INVESTING FOR THE LONG TERM

**Q1 2022  
FINANCIAL RESULTS**

May 12, 2022



# Forward-Looking and Cautionary Statements

This Presentation on behalf of KP Tissue Inc. (the “Corporation” or “KPT”) does not constitute or form part of any offer for sale or solicitation of any offer to buy or subscribe for any securities nor shall it or any part of it form the basis of or be relied on in connection with, or act as any inducement to enter into, any contract or commitment whatsoever.

The information contained in this Presentation does not purport to be all-inclusive. This Presentation is being supplied to you solely for your information and may not be reproduced, further distributed or published in whole or in part by any other person. Neither this Presentation nor any copy of it may be taken or transmitted into or distributed any other jurisdiction which prohibits the same except in compliance with applicable securities laws. Any failure to comply with this restriction may constitute a violation of securities law.

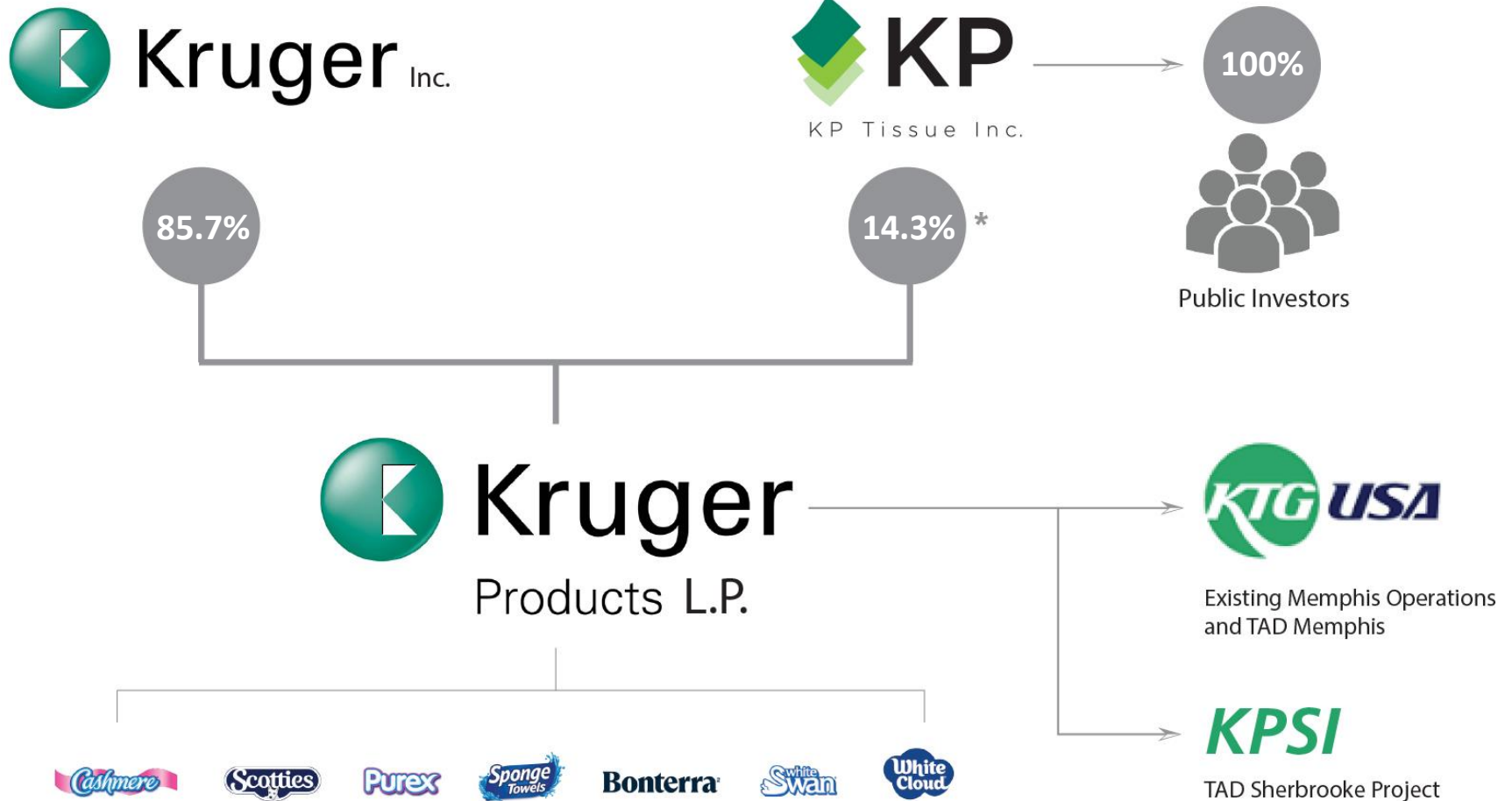
No representation or warranty, express or implied, is made or given by or on behalf of the Company or any of the directors, officers or employees of any such entities as to the accuracy, completeness or fairness of the information or opinions contained in this Presentation and no responsibility or liability is accepted by any person for such information or opinions. In furnishing this Presentation, the Company does not undertake or agree to any obligation to provide the attendees with access to any additional information or to update this Presentation or to correct any inaccuracies in, or omissions from, this Presentation that may become apparent. The information and opinions contained in this Presentation are provided as at the date of this Presentation. The contents of this Presentation are not to be construed as legal, financial or tax advice. Each person receiving this Presentation should contact his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice.

Certain statements in this presentation about KPT’s and KPLP’s current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. Forward-looking statements in this presentation include, but are not limited to, statements regarding the projected capacity of the TAD Sherbrooke Project and the Sherbrooke Expansion Project, the anticipated benefits of the TAD Sherbrooke Project and the Sherbrooke Expansion Project and the expected dates for commencement of construction and production of the Sherbrooke Expansion Project; KPLP’s expansion efforts in U.S. premium private label; and KPLP’s future business strategy. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements. The forward-looking statements are based on certain key expectations and assumptions made by KPT or KPLP. Although KPT and KPLP believe that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking statements since no assurance can be given that such expectations and assumptions will prove to be correct..

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.  
Q1 2022 financial results**

# Corporate Structure



\*As of May 11, 2022 (14.4% as of March 9, 2022).

# 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

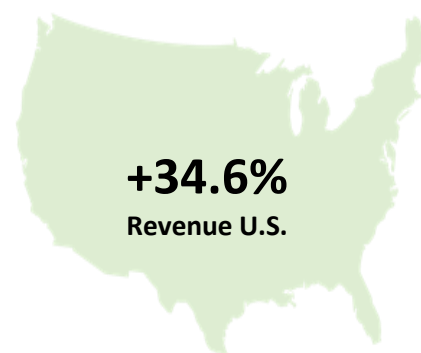
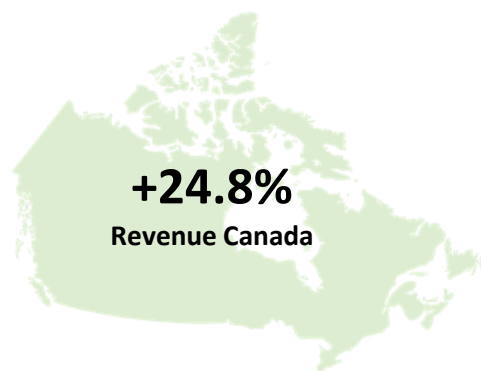
---

**Experienced  
Management Team**

---

# Q1 2022 Highlights

Revenue	Adjusted EBITDA <sup>1</sup>	Net Income
<b>\$398.7 M</b>  <b>28.5%</b> over Q1 2021	<b>\$29.1 M</b>  <b>22.4%</b> over Q1 2021	<b>\$1.4 M</b>  <b>\$5.4 M</b> over Q1 2021



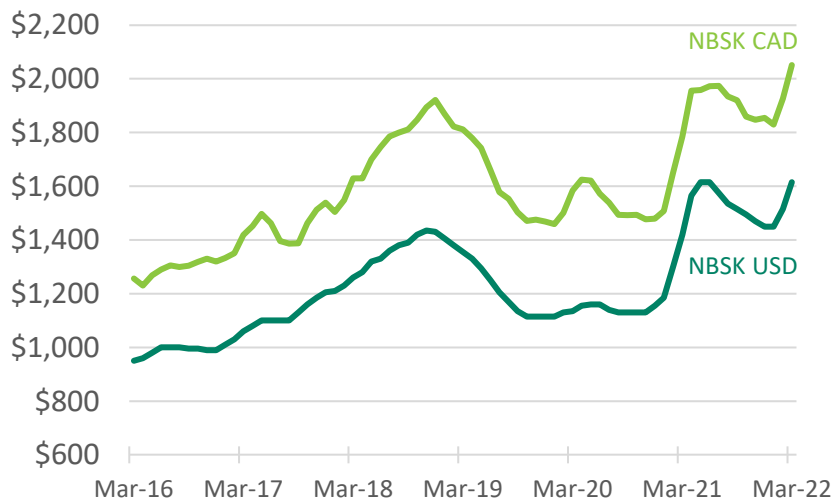
<sup>1</sup> Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure.

# Pulp Input Prices

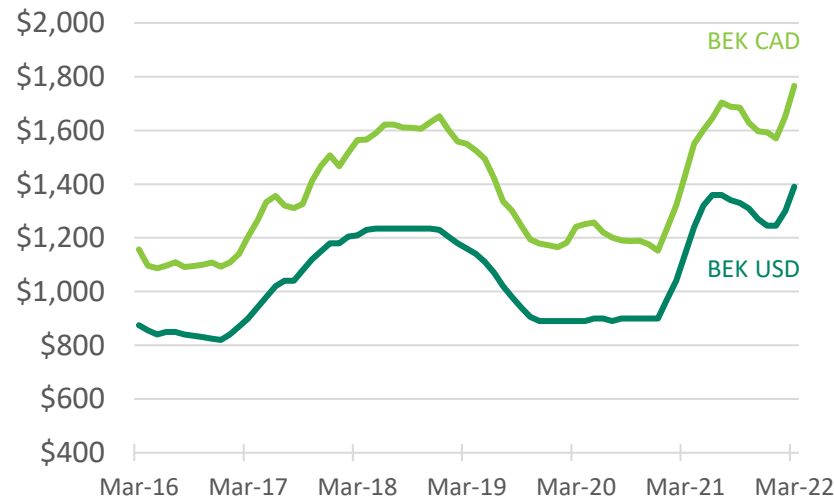
Q1 2022 NBSK average prices<sup>1</sup> in CAD increased 4.4%, while BEK average prices<sup>1</sup> increased 3.5% compared to Q4 2021.

Q1 2022 NBSK average prices<sup>1</sup> in CAD increased 17.4% and BEK average prices<sup>1</sup> increased 25.1% 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  
(Q1 2022 17.4% YOY in CAD)**



**BEK List Prices per MT  
(Q1 2022 25.1% YOY in CAD)**



**(CAD/USD averaged 1.27 in Q1 2022, unchanged from Q1 2021)**

<sup>1</sup> Both NBSK price and BEK price were calculated using RISI

# High Inflationary Pressure

Q1 2022 vs. Q1 2021



**17-25%**  
FIBRE



**35-40%**  
FREIGHT



**4-6%**  
LABOUR



**15-25%**  
PACKAGING



**50-55%**  
NATURAL GAS



**5-15%**  
OTHER

Source: Industry and internal estimates.

# NETWORK MODERNIZATION

## Creating Flexible Tissue Hub in Canada

### TAD Sherbrooke

- Continues to exceed ramp-up plans
- Phase 1 of AI implementation successful. Phase 2 in progress with new use cases to be delivered

### Sherbrooke Expansion (Doubling capacity)

- ~\$110 million for double-wide paper machine with 60,000 MT capacity
- Increased total investment to ~\$350 million
- Financing secured
- Bathroom tissue line expected in Q1 2023
- Start-up dates for other product lines in 2023-24
- Customer sell-in underway





# NETWORK MODERNIZATION

## New Facial Tissue Line in Memphis

- Start-up pushed to Q3 2022 (global supply-chain issues)
- Capable of producing both TAD and LDC products
- Provides opportunity for future growth in the U.S.

## Memphis Operations

- Labour challenges continuing to affect productivity in first half of year
- Staff availability improving, but many new employees undergoing training
- Accelerating maintenance investments on assets
- Improvements expected in Q3 2022
- Leveraging other plants to offset production shortfall



# Investing in Innovation and Marketing to Support Brands

- Strong distribution across customer base for newly launched, sustainable Bonterra
- Cashmere and Purex UltraLuxe TAD upgrade tracking well against expectations
- SpongeTowels UltraPro continues to drive share with consumers
- Expanding distribution of relaunched White Cloud in the United States
- KPLP up more than 2.0 share points in key eCommerce accounts



# Brand Leadership Position



## Bathroom Tissue



## Facial Tissue



## Paper Towel

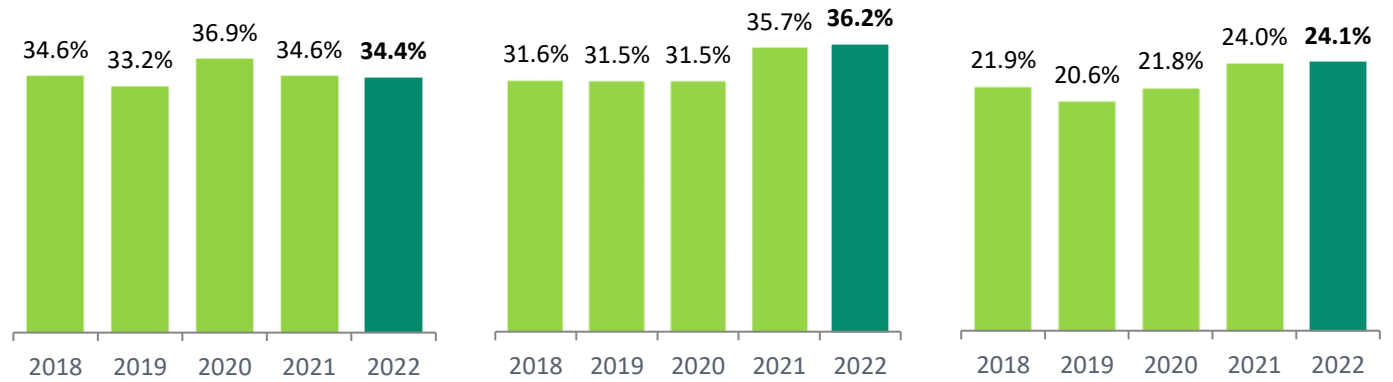
 **Kruger**  
Products



 **Kimberly-Clark**

	Bathroom Tissue	Facial Tissue	Paper Towel
<b>#1</b>	<b>34.4%</b>	<b>36.2%</b>	<b>#2</b>
	15.7%	17.6%	11.7%
	11.7%	0.6%	34.9%
	1.4%	17.0%	0.8%

 **Kruger**  
Products



# AFH SEGMENT

## Recovery ongoing in commercial sector

- Volume approximately 30% better than Q1-2021
- Market recovery continues in Canada, while US volume has fully recovered
- Inflation in raw materials, transportation and labour negatively affected Q1-2022 results
- Price increases impacting financials beginning in May
- Industry capacity for AFH tissue continues to be constrained



# Quarterly Financial Summary

(Million CAD\$, unless otherwise noted)	Q1 2022	Q4 2021	Q1 2021	% Change	
				Y/Y	Q/Q
<b>Revenue</b>	<b>398.7</b>	<b>424.1</b>	<b>310.4</b>	<b>28.5%</b>	<b>(6.0%)</b>
Cost of Sales	363.8	376.0	263.3	38.2%	(3.2%)
Gross Profit	34.9	48.1	47.0	(25.8%)	(27.4%)
Gross Margin	8.8%	11.3%	15.2%		
<b>Adjusted EBITDA<sup>1</sup></b>	<b>29.1</b>	<b>38.3</b>	<b>37.5</b>	<b>(22.4%)</b>	<b>(24.2%)</b>
Adjusted EBITDA Margin <sup>1</sup>	7.3%	9.0%	12.1%		
Net Income	1.4	42.3	6.8		
Net Income Margin	0.4%	10.0%	2.2%		

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

# Quarterly Segmented Results

(Million CAD\$, unless otherwise noted)	Q1 2022	Q4 2021	Q1 2021	% Change	
				Y/Y	Q/Q
<b>Segmented Revenue</b>					
Consumer	342.8	364.0	271.4	26.3%	(5.8%)
AFH	55.9	60.1	39.0	43.3%	(7.0%)
<b>Total Segment Revenue</b>	<b>398.7</b>	<b>424.1</b>	<b>310.4</b>	<b>28.5%</b>	<b>(6.0%)</b>
<b>Segment Adjusted EBITDA<sup>1</sup></b>					
Consumer	35.4	43.7	44.1	(19.7%)	(19.1%)
AFH	(3.2)	(1.7)	(4.8)	NA	NA
Corporate and other costs	(3.1)	(3.7)	(1.8)	NA	NA
<b>Total Segment Adjusted EBITDA<sup>1</sup></b>	<b>29.1</b>	<b>38.3</b>	<b>37.5</b>	<b>(22.4%)</b>	<b>(24.2%)</b>
<b>Segment Adjusted EBITDA Margin<sup>2</sup></b>					
Consumer	10.3%	12.0%	16.2%		
AFH	(5.8%)	(2.8%)	(12.3%)		
<b>Total Segment Adjusted EBITDA Margin<sup>1</sup></b>	<b>7.3%</b>	<b>9.0%</b>	<b>12.1%</b>		

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

# Q1 2022 Revenue Compared to Q1 2021

**\$88.3 M**

Q1 Revenue increase

**28.5%**  
over Q1 2021

## Increase due to the following factors:

- Selling price increase in all segments and regions
- Higher Consumer sales volume
- Increase in AFH sales volume

## Geographic revenue segmentation



**\$48.3 M**  
**+24.8%**  
Canada

**\$40.0 M**  
**+34.6%**  
U.S.

# Q1 2022 Adjusted EBITDA<sup>1</sup> Compared to Q1 2021

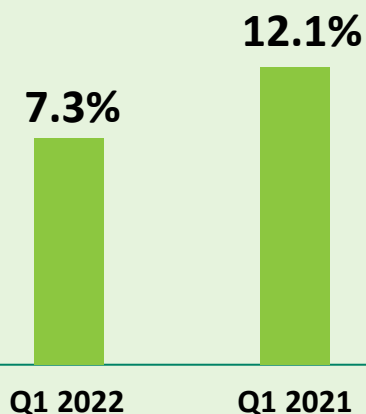
**(\$8.4 M)**

Q1 Adjusted EBITDA<sup>1</sup> decrease



**22.4%**  
over Q1 2021

## Adjusted EBITDA Margin<sup>1</sup>



### Decrease primarily due to the following factors:

- Higher pulp prices and other inflation
- Unfavourable impacts of overhead absorption
- Labour shortages in Memphis manufacturing
- Higher freight rates

### Partially offset by:

- Higher sales volume
- Selling price increases

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



# Q1 2022 Revenue Compared to Q4 2021

**(\$25.4 M)**

Q4 Revenue decrease



**6.0%**

over Q4 2021

Decrease due to:

- Lower seasonal Q1 volume in both segments



## Geographic revenue segmentation



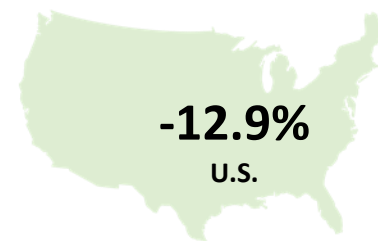
**\$2.3 M**



**-0.9%**  
Canada



**\$23.1 M**



**-12.9%**  
U.S.

# Q1 2022 Adjusted EBITDA<sup>1</sup> Compared to Q4 2021

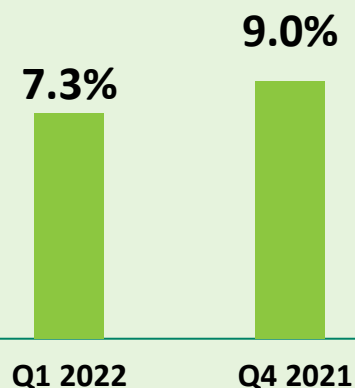
**(\$9.2 M)**

Q1 Adjusted EBITDA<sup>1</sup> decrease



**24.2%**  
over Q4 2021

## Adjusted EBITDA Margin<sup>1</sup>



### Variance due to:

- Lower sales volume
- Higher pulp costs and inflation
- Increased freight costs
- Labour challenges in Memphis
- Increased overhead absorption
- Loss on foreign exchange

### Partially offset by:

- Lower advertising
- Selling price increases in Consumer US and AFH

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

# Balance Sheet

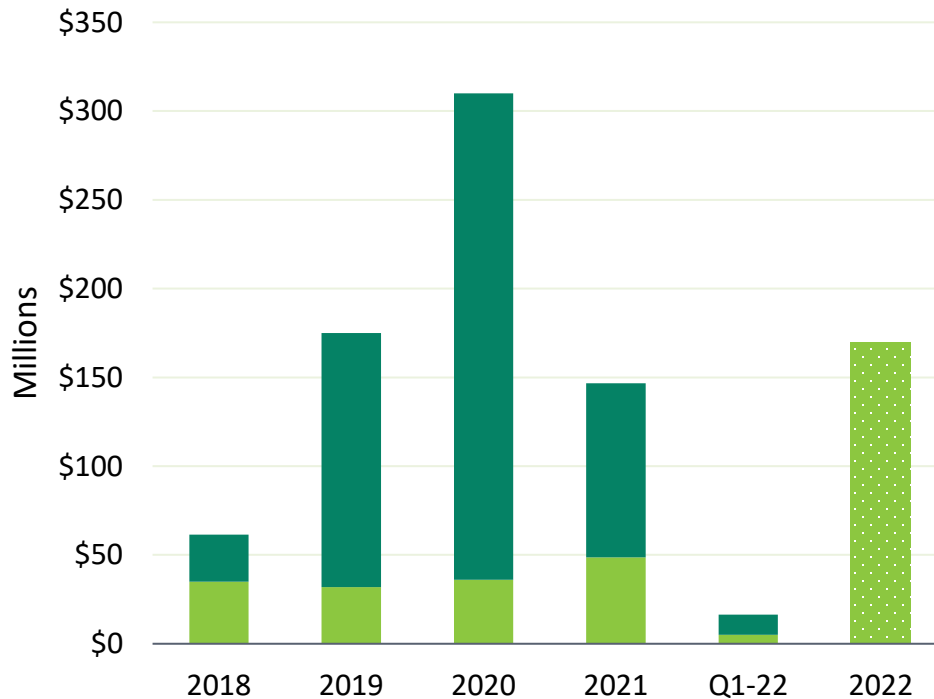
(Million CAD\$, unless otherwise noted)	Q1 2022	Q4 2021
Cash	113.7	151.0
Current Portion of Long-term Debt	33.5	48.6
Long-term Debt	952.0	920.3
<b>Net Debt</b>	<b>871.8</b>	<b>817.9</b>
LTM Adjusted EBITDA <sup>1</sup>	145.0	153.4
<b>Net Debt/LTM Adjusted EBITDA<sup>1</sup></b>	<b>6.0x</b>	<b>5.3x</b>

- Total debt increased \$16.6 million compared to Q4 2021 primarily due to working capital increases.
- Leverage increased due to the higher level of net debt from a lower cash position and lower LTM Adjusted EBITDA.

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

# CAPEX

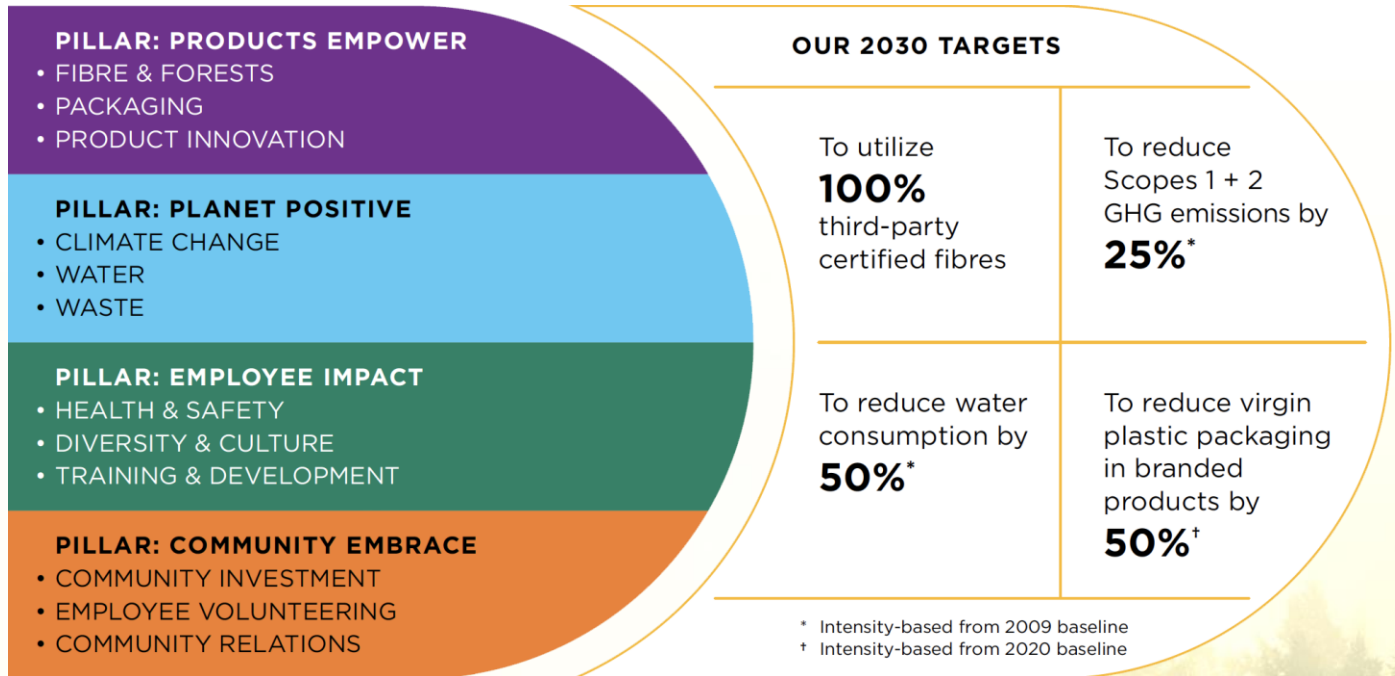
## CAPEX



 TAD Sherbrooke and Sherbrooke Expansion started in 2021

- Q1 2022 CAPEX reached \$16.3 million, including \$5.3 million related to TAD Sherbrooke Project and \$6.0 million related to Sherbrooke Expansion Project
- Total 2022 CAPEX forecast reduced to \$160-\$180 million, including Sherbrooke Expansion Project

# Reimagine 2030 – A Critical Part of Our ESG Commitment



# 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 second half of 2022
- Newly launched Bonterra and UltraLux upgrade tracking against expectations
- Continuing to invest in our brands and innovation to drive future growth
- Expanding distribution of relaunched White Cloud in U.S.
- 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 in progress
- Developing our organizational capability and culture to drive growth for the future



UNLEASH THE **Scotties**



KP Tissue Inc.

THANK  
YOU

[WWW.KPTISSUEINC.COM](http://WWW.KPTISSUEINC.COM)