



Q3 2018 FINANCIAL RESULTS

November 8, 2018



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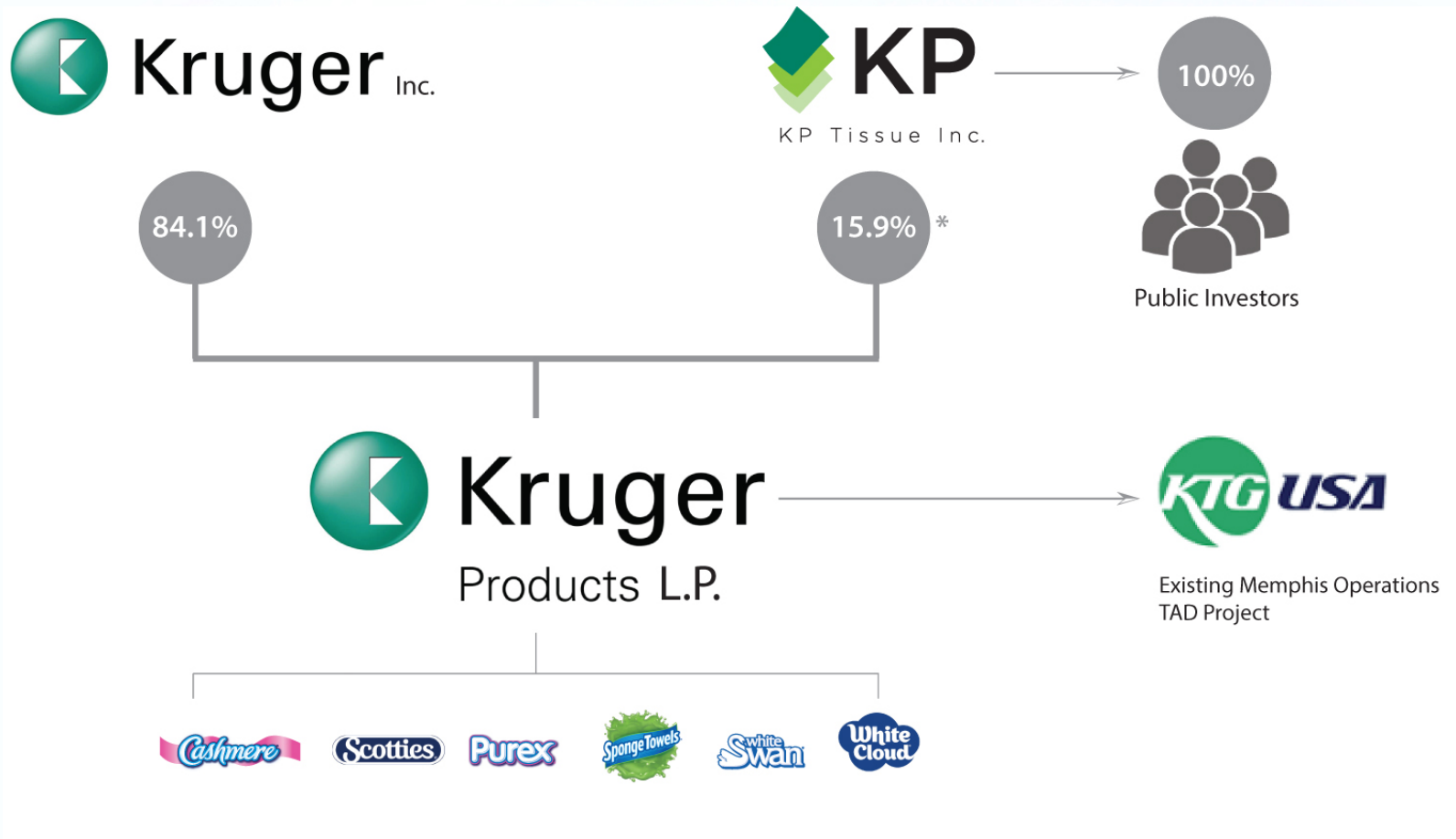
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Unless otherwise stated, references in this presentation to market shares or KPT's market leadership are based on Nielsen dollar market share data and management estimates.

**The following presentation is to review Kruger Products L.P.
Q3 2018 financial results**

Corporate Structure



*As of September 30, 2018 (15.8% as of November 7, 2018)

Kruger Products Overview

1

Canada's Leading
Tissue Company

2

Strong Customer Relationships
Reinforced by Compelling
Retail Proposition

3

Broad Manufacturing
Infrastructure

4

Solid Cash Flow
Generation

5

Prudent Growth
Strategy

6

Experienced Management
Team with Demonstrated
Track Record

Q3 2018 Highlights

\$348.4 M

Revenue



3.6%*

over 2017

Revenues increased in the U.S. and Mexico, but slightly decreased in Canada.



- 2.0%

Canada



+ 5.8%

U.S.

\$28.3 M

Adjusted EBITDA¹



28.2%

over 2017

- Primarily due to significantly higher pulp and freight costs.
- Up 6% from \$26.7 million in Q2 2018

\$4.2 M

Net Income



over 2017

Net income of \$4.2 million compared to \$16.5 million last year, and \$1.6 million in Q2 2018.

* Includes 70.6% increase in revenues for Mexico to \$23.6 million, which is a low contribution business.

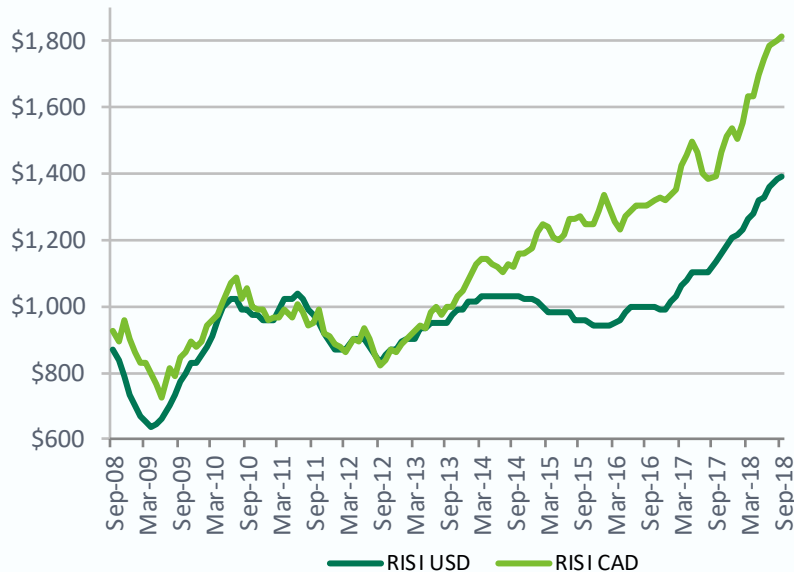
¹ Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure.

Pulp Input Prices

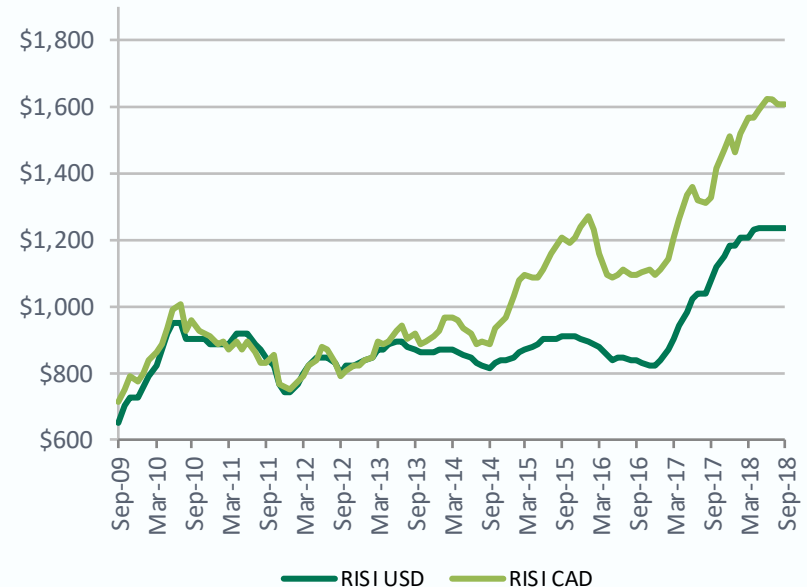
Q3 2018 market pulp prices rose sequentially (NBSK +6.4% and BEK +1.4% in CAD) compared to Q2 2018, and also year-over-year, in both USD and CAD.

Based on industry forecasts, pulp prices in USD are expected to remain high for the balance of 2018 and into 2019. The volatile CAD will create further fluctuations in pulp input costs.

**NBSK North American List Prices per MT
(Q3 2018 +29% YOY in CAD)**



**BEK List Prices per MT
(Q3 2018 +22% YOY in CAD)**

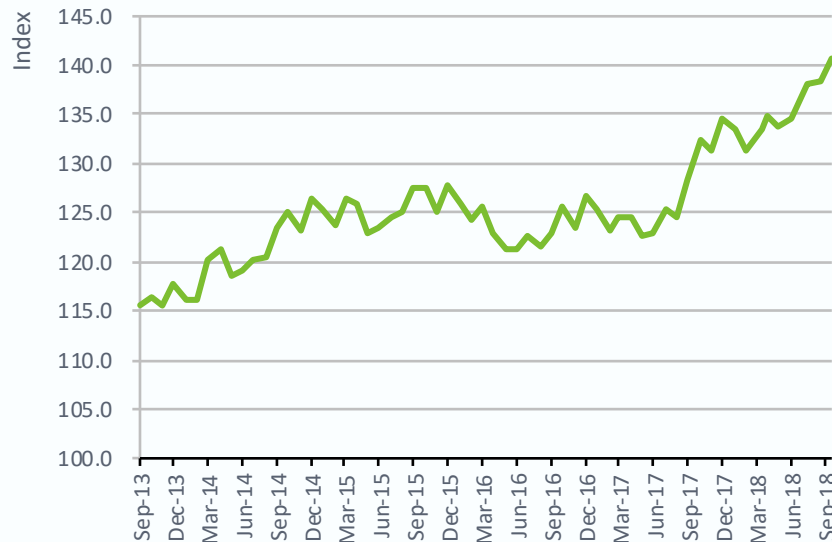


(USD average 1.31 in Q3 2018 compared to 1.26 in Q3 2017)

Freight Cost Index

Freight costs have risen significantly since the beginning of 2017 and reached an all-time high in Q3 2018. Management expects these costs to remain high for the balance of 2018.

Cass Truckload Linehaul Index™
(Q3 2018 +10% YOY)



Source: Cass Information Systems, Inc.

The Cass Truckload Linehaul Index™ is an accurate, timely indicator of market fluctuations in per-mile truckload pricing. The index isolates the linehaul component of full truckload costs from other components (e.g. fuel and accessorials), providing an accurate reflection of trends in baseline truckload prices.

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.

Price Increase and Cost Reductions

Price increase in Canada consumer

New price increase announced in Canada consumer business in July 2018 to take effect in Q4

Sell-in complete with full market impact expected in Q1 2019

NBSK pulp prices rose 30% since the previous July 2017 selling price increase announcement.

Cost structure

Undertaking a total network optimization plan. 2019 benefits to be confirmed in Q4.

Value creation program

Value added program to be much larger in scope and size compared to the past

Smart cost reduction program with no impact on quality aimed at:

- Warehousing cost reduction
- Portfolio mix improvement
- Operating efficiency improvement in the mills
- Optimizing the production network
- SG&A cost reduction

We are continuing to make significant progress in this program.

TAD2 Project Overview¹

- Site location in Sherbrooke, Quebec in the Brompton area
- Total cost of C\$575 million
- Anticipate output of approximately 70,000 metric tonnes per annum
- Designed to allow paper towels to be manufactured at very high speeds
- Financial return of project driven by:
 - new volume
 - capitalizing on the expanded towel manufacturing capability
 - creating manufacturing efficiencies with TAD1 machine for the US market
- Ability to leverage the advantages created from the TAD1 project in Memphis
- Project will take 27 months from permitting through construction to start-up, which is expected in early 2021



**A Canadian flagship for innovation,
clean manufacturing technology
and sustainable products**

¹ Please refer to MD&A for more information on TAD2 Project in the Business Highlights section.

Quarterly Financial Summary

				% Change	
(Million CAD\$, unless otherwise noted)	Q3 2018	Q2 2018	Q3 2017	Y/Y	Q/Q
<i>Number of days in quarter</i>	91	91	91	0.0%	0.0%
Revenue	348.4	338.8	336.3	3.6%	2.8%
Cost of Sales	312.6	304.9	290.8		
Gross Profit	35.8	33.9	45.5	(21.3)%	5.6%
Gross Margin	10.3%	10.0%	13.5%		
Adjusted EBITDA¹	28.3	26.7	39.4	(28.2)%	6.0%
Adjusted EBITDA Margin ¹	8.1%	7.9%	11.7%		
Net Income	4.2	1.6	16.5		
Net Income Margin	1.2%	0.5%	4.9%		

¹ 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 2018	Q2 2018	Q3 2017	Y/Y	Q/Q
<i>Number of days in quarter</i>	91	91	91	0.0%	0.0%
Segmented Revenue					
Consumer	287.1	277.5	272.9	5.2%	3.5%
AFH	59.4	59.6	62.5	(5.0)%	(0.3)%
Other	1.9	1.7	0.9		
Total Segment Revenue	348.4	338.8	336.3	3.6%	2.8%
Segment Adjusted EBITDA¹					
Consumer	35.3	32.2	38.1		
AFH	(4.8)	(3.1)	1.8		
Other	(2.2)	(2.4)	(0.5)		
Total Segment Adjusted EBITDA¹	28.3	26.7	39.4	(28.2)%	6.0%
Segment Adjusted EBITDA Margin¹					
Consumer	12.3%	11.6%	14.0%		
AFH	(8.1)%	(5.2)%	2.9%		
Total Segment Adjusted EBITDA Margin¹	8.1%	7.9%	11.7%		

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

Q3 2018 Revenue Compared to Q3 2017

\$12.1 M

Q3 revenue increase



3.6%*

over Q3 2017

Impacted by a combination of:

- Consumer selling price increase implemented in Canada in Q4 2017
- Favourable impact of increased sales volume in the U.S. and Mexico, partially offset by a decrease in Canada
- Favourable impact of F/X fluctuations on U.S. sales (USD average 1.31 in Q3 2018 compared to 1.26 in Q3 2017)

Geographic revenue segmentation



\$4.2 M



- 2.0%
Canada



\$6.6 M



+ 5.8%
U.S.

- Includes \$9.8 M or 70.6% increase in revenues for Mexico, which is a low contribution business.

Q3 2018 Adjusted EBITDA¹ Compared to Q3 2017

Adjusted EBITDA¹

\$11.1 M

Q3 Adjusted EBITDA¹ decrease

 **28.2%**

over Q3 2017

Gross Margin

10.3%

Q3 2018

13.5%

Q3 2017

Primarily due to the following factors:

- Significantly higher pulp and freight costs
- Unfavourable sales mix
- Net unfavourable impact of foreign exchange fluctuations
- Partially offset by the Q4 2017 Canadian Consumer selling price increase, and the benefits from cost reduction initiatives and capital projects

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

Q3 2018 Revenue Compared to Q2 2018

\$9.6 M

Q3 revenue increase



2.8%*

over Q2 2018

Primarily due to the following factors:

- Consumer segment revenue increased by \$9.6 million or 3.5%
- AFH segment revenue decreased by \$0.2 million or 0.3%
- Q3 higher than Q2 due to normal seasonality

Geographic revenue segmentation



\$2.7 M



+ 1.4%
Canada



\$3.4 M



+ 2.9%
U.S.

- Includes \$3.5 M or 17.6% increase in revenues for Mexico, which is a low contribution business.

Q3 2018 Adjusted EBITDA¹ Compared to Q2 2018

Adjusted EBITDA¹

\$1.6 M

Q3 Adjusted EBITDA¹ increase

 **6.0%**

over Q2 2018

Gross Margin

10.3%
Q3 2018

10.0%
Q2 2018

Due to the combination of the following factors:

- Higher revenues due to normal seasonality
- Back-end pacing of value creation program
- Partially offset by higher fibre and freight 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 2018	Q2 2018
Cash and Bank Indebtedness	26.9	15.8
Current Portion of Long-term Debt*	202.6	204.5
Long-term Debt**	286.7	288.3
Net Debt	462.4	477.0
LTM Adjusted EBITDA ¹	115.7	126.8
Net Debt/LTM Adjusted EBITDA¹	4.0	3.8

* As of July 1, 2018, the Caisse Facility has been classified as short-term debt, resulting in a working capital deficit. The Partnership has received an extension to December 31, 2018 to repay the Caisse Facility, under the same terms and conditions. Management expects to refinance the indebtedness prior to the maturity date. The Partnership is in the final stages of obtaining refinancing of the Caisse Facility with a new lender. Subject to refinancing being obtained, the Partnership believes its cash flows generated from operations combined with its available cash and credit facilities provide sufficient funding to meet its obligations. There can be no assurance that refinancing can be obtained.

** On April 24, 2018, Kruger Products issued CDN \$125 million principal amount of 6.00% Senior Unsecured Notes due April 24, 2025 by way of private placement. Interest on the Notes is payable semi-annually in arrears on April 24th and October 24th of each year, commencing on October 24, 2018. Kruger Products used the net proceeds of the financing to reduce the outstanding balance under its syndicated bank credit facility and to pay transaction costs associated with the Offering.

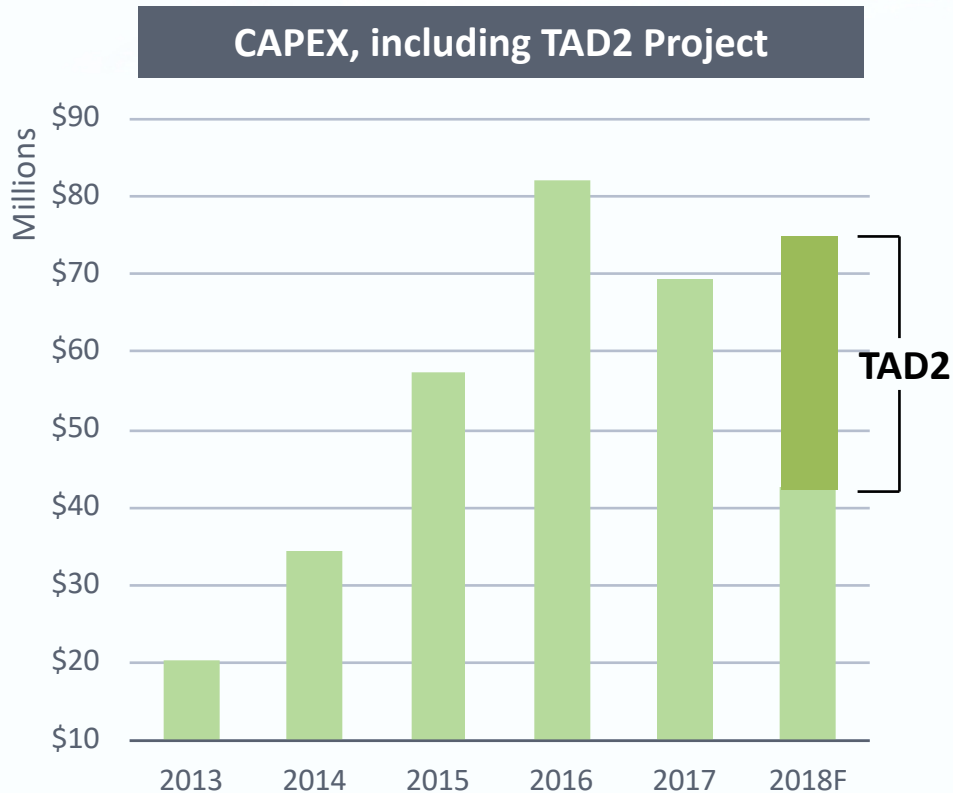
¹ Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure.

TAD2 Project Financing Overview¹

- Financing structure expected to be non-dilutive to KPT shareholders
- Newly-created, wholly-owned subsidiary of KPLP, Kruger Products Sherbrooke Inc. (KPSI)
- Financed by 60% debt (\$345 million) and 40% equity (\$230 million)
- 40% equity component is comprised of:
 - **\$125 million** from KPLP
 - ~\$63 million of long-term senior secured fixed debt
 - ~\$62 million from accounts receivable factoring and cash
 - **\$105 million** from convertible debenture with Investissement Québec with a capitalized fixed interest rate of 3% on a 10-year term
- Weighted average cost of capital for TAD2 financing is expected to be in the 5-7% range
- Existing KTG debt is expected to be refinanced with an 18 year term loan concurrently with the TAD2 financing, with anticipated fixed interest cost in the 6-8% range compared to 14-15% under the current KTG debt related to TAD1 Project
- Various debt financings at KPLP and KPSI are expected to close prior to year-end 2018

¹ Please refer to MD&A for more information on TAD2 Project in the Business Highlights section.

CAPEX



- 2018 CAPEX total estimated at \$70 to \$80 million, including \$30 to \$35 million related to TAD2
- Q3 2018 CAPEX of \$7.5 million, down from \$12.5 million in Q3 2017 due to PM8
- YTD CAPEX of approximately \$15 million related to TAD2 Project

AFH Segment

Resetting the AFH business to create a more efficient manufacturing and logistics footprint:

- Weak results were impacted by high pulp and freight costs, and also competitive environment

- Select price increases with contract renewals, however market remains very price competitive

- Absorbs an important amount of fixed costs

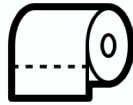
- In progress with a multi-year CAPEX program to improve manufacturing and logistics costs. Reset will allow AFH business to become more competitive

- Capacity utilization decisions benefitting Consumer business had a negative impact on AFH

- Undertaking a company-wide business optimization initiative, expected to yield benefits in 2019

- Continued pressures will impact AFH business for the remainder of 2018 and 2019

Canada's Leading Tissue Company



Bathroom Tissue

#1
34.8%

18.7%

11.3%

2.7%



Facial Tissue

#1
31.5%

19.0%

0.7%

18.3%



Paper Towel

#2
21.8%

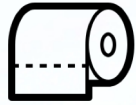
11.5%

34.7%

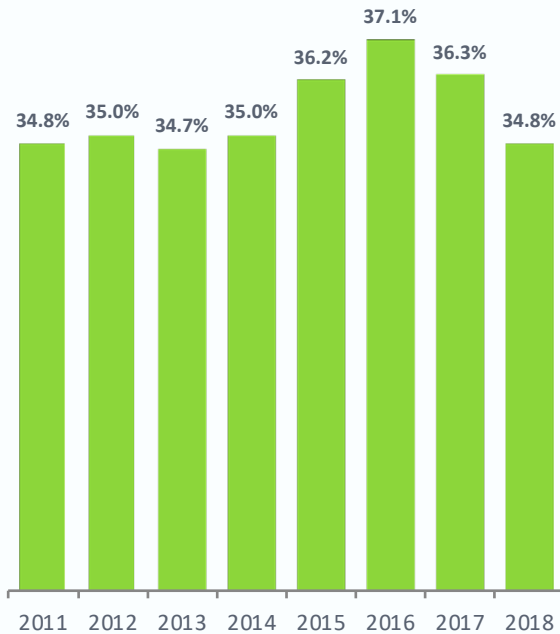
1.4%

Source: Nielsen; dollar market share for the 52-week period ended September 15, 2018.

Brand Leadership Position



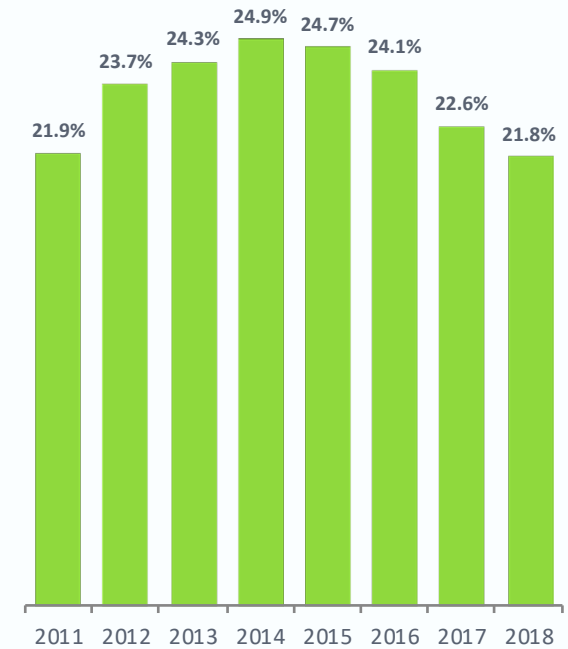
#1 Bathroom Tissue



#1 Facial Tissue



#2 Paper Towel



Source: Nielsen Canadian dollar market share for 52-week period data. 2018 represents the latest 12 months ending September 15, 2018

Strategic Plan

VISION

To be the most trusted, best loved tissue company in North America

MISSION

Making everyday life more comfortable

Drive Strong Revenue, Profit and Shareholder Value

Build our Consumer Muscle

- Build Brand & Share
- Ramp up innovation
- Increase consumer insights
- Increase brand investment
- Evolve digital/ethnic connections
- Improve product quality

Expand in US/Mexico

- Build PL customer partnerships
- Create new Mexico operating model
- Increase consumer & shopper insights
- Increase capacity and capabilities
- Build branded presence

Build Efficient Supply Chain

- Total safety culture
- Reduce total delivered cost
- Invest in premium capacity (TAD)
- Simplify sku portfolio
- Enhance S&OP process
- Deliver Sustainability 2020

Evolve Customer Strategy

- Revise pricing strategy to build baseline sales
- Drive more efficient go to market strategy
- Create strategic pricing model
- Win in Ecommerce
- Leverage strategic PL supply to build category

Winning Team & Culture

- Develop a Consumer centric tissue culture
- Robust succession performance & development strategy
- Strengthen diversity & inclusion
- Close key skill gaps

Conclusion

Despite this difficult cost environment in 2018, we are undertaking several key initiatives that will strengthen our business over the longer term, and reinforce our leadership position in the market:

- Continue to build revenue, grow market share, secure our private label activities
- New price increase in Canada consumer business started to take effect in Q4 2018
- Initiated an escalated value creation program in 2018 to partially offset extraordinary short-term market conditions related to pulp and freight costs
- Undertaking a network optimizing program to benefit 2019 and beyond
- Continue to leverage TAD products market potential with successful startup of TAD2
- Resetting the AFH business with multi-year program to create a more efficient manufacturing footprint
- In the U.S., continue to build the premium private label business and pursue White Cloud® brand repositioning
- KPLP continues to have strong long-term business fundamentals. However, due to continued pressure from high input costs Q4 2018 Adjusted EBITDA¹ is expected to be significantly lower than Q4 2017

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



Thank You