



DRIVING
GROWTH AND MARGINS



KP Tissue Inc.

Q2 2024 FINANCIAL RESULTS

August 13, 2024



FORWARD-LOOKING STATEMENTS

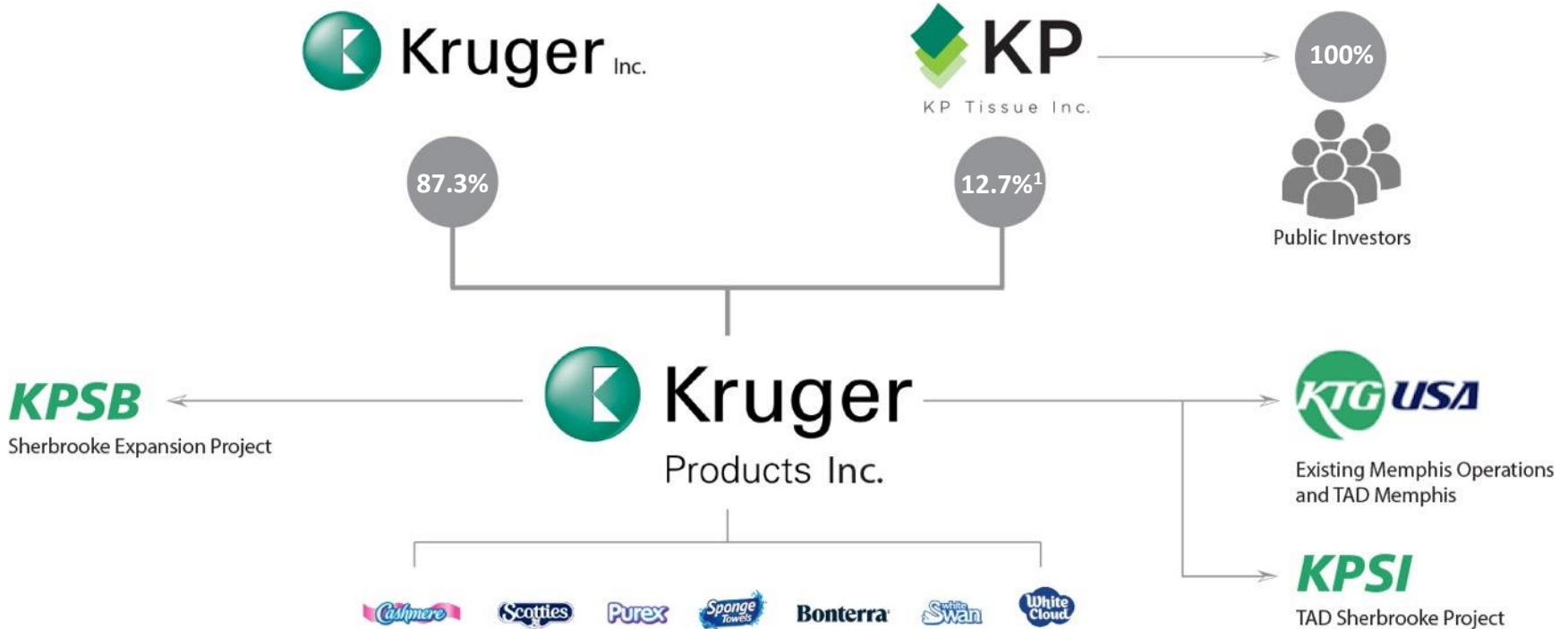
Certain statements in this presentation about KPT's and Kruger Products' current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. Forward-looking statements in this presentation include, but are not limited to, statements regarding the projected capacity of the Sherbrooke Expansion Project, the anticipated benefits of the Sherbrooke Expansion Project and the expected cost and dates for commencement of production of the Sherbrooke Expansion Project; Kruger Products' expansion efforts in U.S. premium private label; and Kruger Products' future business strategy and the anticipated benefits of its 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 Kruger Products. Although KPT and Kruger Products 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.

Many factors could cause Kruger Products' actual results, level of activity, performance or achievements or future events or developments (which could in turn affect the economic benefits derived from KPT's economic interest in Kruger Products), to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, which are discussed in greater detail in the "Risk Factors – Risks Related to Kruger Products Business" section of the KPT Annual Information Form dated March 7, 2024 available on SEDAR+ at www.sedarplus.ca: Kruger Inc.'s influence over Kruger Products; Kruger Products' reliance on Kruger Inc.; consequences of an event of insolvency relating to Kruger Inc.; risks associated with the ownership of the TAD Sherbrooke Project; risk associated with the operations of the TAD Sherbrooke Project; risks associated with the Sherbrooke Expansion Project; operational risks; significant increases in input costs; reduction in supply of fibre; increased pricing pressure and intense competition; Kruger Products' inability to innovate effectively; adverse economic conditions; dependence on key retail trade customers; damage to the reputation of Kruger Products or Kruger Products' brands; Kruger Products' sales being less than anticipated; Kruger Products' failure to implement its business and operating strategies; Kruger Products' obligation to make regular capital expenditures; Kruger Products entering into unsuccessful acquisitions; Kruger Products' dependence on key personnel; Kruger Products' inability to retain its existing customers or obtain new customers; Kruger Products' loss of key suppliers; Kruger Products' failure to adequately protect its intellectual property rights; Kruger Products' reliance on third party intellectual property licenses; adverse litigation and other claims affecting Kruger Products; material expenditures due to comprehensive environmental regulation affecting Kruger Products' cash flow; Kruger Products' pension obligations are significant and can be materially higher than predicted if Kruger Products management's underlying assumptions are incorrect; labour disputes adversely affecting Kruger Products' cost structure and Kruger Products' ability to run its plants; exchange rate and U.S. competitors; Kruger Products' inability to service all of its indebtedness; exposure to potential consumer product liability; covenant compliance; interest rate and refinancing risk; and risks relating to information technology; cyber-security; insurance; internal controls; and trade-related.

Readers should not place undue reliance on forward-looking statements made herein. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information contained herein is made as of the date of this presentation and KPT and Kruger Products undertake no obligation to publicly update such forward-looking information to reflect new information, subsequent or otherwise, unless required by applicable securities laws.

**The following presentation is to review Kruger Products'
Q2 2024 financial results**

CORPORATE STRUCTURE



¹As of August 13, 2024 (12.8% as of May 14, 2024).

OUR VISION

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



MAKING EVERYDAY LIFE MORE COMFORTABLE.

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

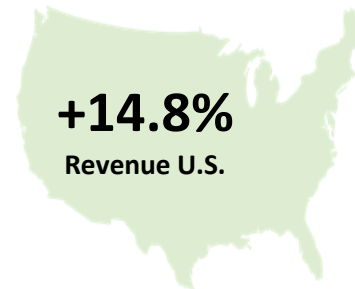
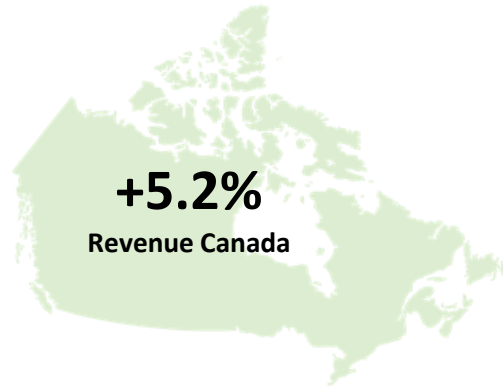
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Winning Team &
Culture

Q2 2024 HIGHLIGHTS

Revenue	Adjusted EBITDA ¹	Net Income
\$509.8 M  9.3% over Q2 2023	\$65.3 M  18.6% over Q2 2023	\$10.6 M  (26.9)% over Q2 2023



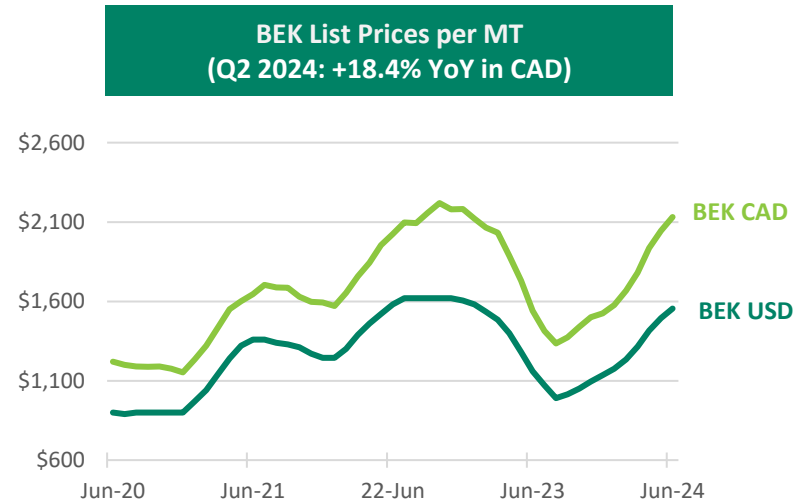
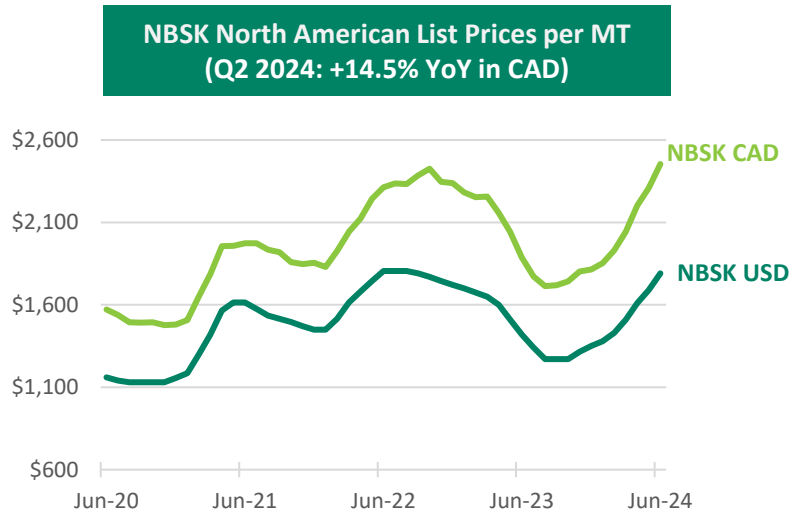
¹ Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure.

PULP INPUT PRICES

Q2 2024 NBSK average prices¹ in CAD increased 19.5% and BEK average prices¹ climbed 21.6% from Q1 2024.

Q2 2024 NBSK average prices¹ in CAD grew 14.5% and BEK average prices¹ rose 18.4% year-over-year.

Based on industry forecasts for 2024, pulp prices are expected to remain elevated over the course of the year.



(CAD/USD exchange rate averaged 1.37 in Q2 2024 compared to 1.34 in Q2 2023)

¹ Both NBSK and BEK prices were calculated using RISI.



OPERATIONS

- Production rates at plan, while North American market remains highly utilized
- Upcoming paper machine start-up on track for Q4 2024
- New facial tissue assets in Gatineau and Sherbrooke exceeding expectations and producing high-quality products
- Network TAD paper and converting output ahead of last year
- Ratified new five-year collective agreement at Crabtree facility





FACIAL MARKET UPDATE

- Grocery facial category has been reset following Kleenex exit
- Gaining fair share of the market with industry leader Scotties recently achieving 42.8% of total facial tissue sales in Canada
- Both legacy and new facial lines operating above plan
- Launched Scotties' pocket packs and new Ultra Soft and Ultra Soft with Lotion SKUs to help drive share gains
- Strong marketing support with House and Home Design series and Scotties' sponsorship of Canada's Got Talent television show
- Continued increased investments in the Scotties brand





Sponge Towels Scotties Purex Cashmere Bonterra

FIND THE CUP TO WIN

YOU COULD **WIN 1 OF 3 \$10,000**

STANLEY CUP® FINAL VIP EXPERIENCES

PLUS DAILY PRIZES OF GIFT CARDS & MORE!

The graphic features a red maple leaf logo with the text 'FIND THE CUP TO WIN'. Below it, a roll of white toilet paper and a pack of 'Sponge Towels ULTRA PRO' are shown. A small card with 'STANLEY CUP FINAL' is also visible.



Cashmere **ULTRALUXE 2024**

The graphic shows a dark blue sign with the text 'Cashmere ULTRALUXE 2024' and three small floral icons. Below the sign, two rolls of white toilet paper are mounted on gold-colored holders against a light blue, textured background.

FOCUSED BRAND SUPPORT

- Ongoing brand support to drive awareness and share in Q2
- Introduced multi-brand shopper marketing programs with the NHL's "Find the Cup to Win" and "Only in Canada" promotions
- Continued targeted media behind Bonterra to drive awareness and trials with sustainable consumers
- Released unique Cashmere Ultraluxe Bathroom Guide to set the standard for restaurant bathroom excellence

BRAND LEADERSHIP POSITION



Bathroom Tissue



Facial Tissue



Paper Towel

 **Kruger**
Products



#1
32.8%

14.2%

11.3%

#1
42.8%

19.0%

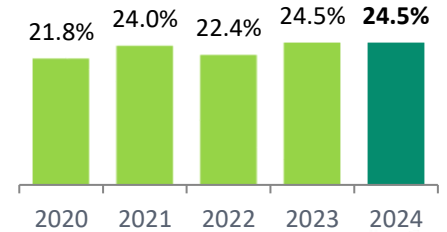
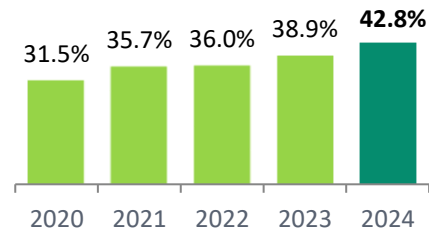
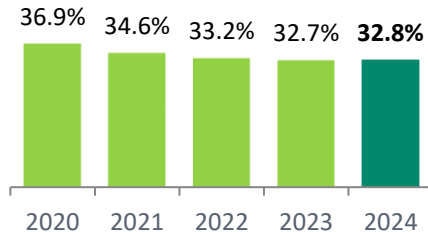
0.9%

#2
24.5%

9.4%

33.1%

 **Kruger**
Products





AFH SEGMENT

- Robust EBITDA results in Q2 2024 improved over Q2 2023 and Q1 2024
- Sales volume increased in Q2 2024 from same period in 2023 and rose sequentially due to seasonality
- AFH converting asset performance supporting growth in volume
- Sherbrooke start-up will provide internal paper to reduce external requirements
- Sales volume tracking well despite uncertain economic environment



QUARTERLY FINANCIAL SUMMARY

(Million CAD\$, unless otherwise noted)	Q2 2024	Q1 2024	Q2 2023	% Change	
				Y/Y	Q/Q
Revenue	509.8	479.4	466.3	9.3%	6.3%
Cost of Sales	431.2	394.0	395.7	9.0%	9.4%
Gross Profit	78.6	85.4	70.6	11.3%	(8.0%)
Gross Margin	15.4%	17.8%	15.1%		
Adjusted EBITDA¹	65.3	67.1	55.0	18.7%	(2.7)%
Adjusted EBITDA Margin ¹	12.8%	14.0%	11.8%		
Net Income	10.6	9.0	14.5		
Net Income Margin	2.1%	1.9%	3.1%		

¹ 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)	Q2 2024	Q1 2024	Q2 2023	% Change	
				Y/Y	Q/Q
Segmented Revenue					
Consumer	421.9	404.3	383.5	10.0%	4.4%
AFH	87.9	75.1	82.8	6.1%	17.0%
Total Segment Revenue	509.8	479.4	466.3	9.3%	6.3%
Segment Adjusted EBITDA¹					
Consumer	60.3	62.6	53.3	13.3%	(3.7)%
AFH	9.6	7.8	5.8	64.6%	23.1%
Corporate and other costs	(4.6)	(3.3)	(4.1)		
Total Segment Adjusted EBITDA¹	65.3	67.1	55.0	18.6%	(2.7)%
Segment Adjusted EBITDA Margin¹					
Consumer	14.3%	15.5%	13.9%		
AFH	10.9%	10.3%	7.0%		
Total Segment Adjusted EBITDA Margin¹	12.8%	14.0%	11.8%		

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

Q2 2024 REVENUE COMPARED TO Q2 2023

\$43.5 M

Q2 Revenue increase



9.3%

over Q2 2023

Increase due to the following factors:

- Higher sales volume
- Favourable sales mix in Consumer segment
- Higher selling prices across both Consumer and AFH businesses
- Positive FX impact

Geographic revenue segmentation



\$13.8 M

+5.2%
Canada

\$29.7 M

+14.8%
U.S.

Q2 2024 ADJUSTED EBITDA¹ COMPARED TO Q2 2023

\$10.3 M

Q2 Adjusted EBITDA¹ increase



18.6%
over Q2 2023

Adjusted EBITDA Margin¹

12.8%



Q2 2024

11.8%



Q2 2023

\$65.3M in Q2 2024 compared to \$55.0M in Q2 2023

Increase primarily due to the following factors:

- Higher sales volume
- Favourable sales mix
- Higher selling prices
- Lower pulp prices

Partially offset by:

- Higher manufacturing overhead
- Increased warehousing expenses
- Higher SG&A costs

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

Q2 2024 REVENUE COMPARED TO Q1 2024

\$30.4 M

Q2 Revenue increase



6.3%

over Q1 2024

Sequential increase in revenue due to:

- Higher selling prices
- Increased sales volume
- Positive FX impact



\$12.8 M

4.8%
Canada

\$17.6 M

+8.2%
U.S.

Q2 2024 ADJUSTED EBITDA¹ COMPARED TO Q1 2024

(\$1.8) M

Q2 Adjusted EBITDA¹ decrease

(2.7)%
over Q1 2024

\$65.3M in Q2 2024 compared to \$67.1M in Q1 2024

Decrease primarily due to:

- Increased manufacturing overhead
- Higher pulp prices

Adjusted EBITDA Margin¹

12.8%



Q2 2024

14.0%



Q1 2024

Partially offset by:

- Higher selling prices
- Increased sales volume
- Reduced freight, warehousing, SG&A and marketing expenses

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

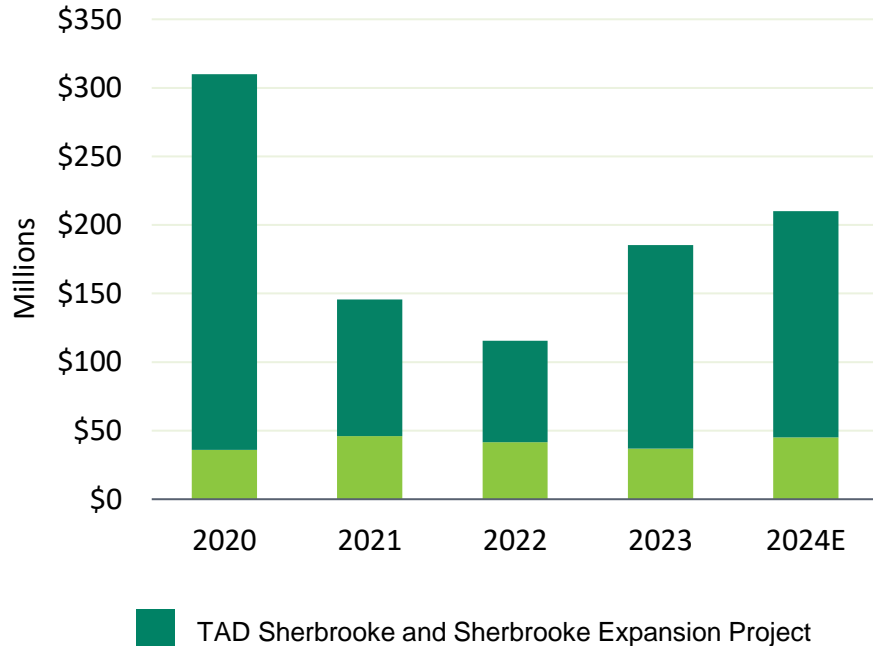
BALANCE SHEET

(Million CAD\$, unless otherwise noted)	Q2 2024	Q1 2024	Q2 2023
Cash	127.2	117.1	88.2
Current Portion of Long-term Debt	171.6	41.1	34.1
Long-term Debt	1,007.3	1,105.0	1,077.7
Net Debt	1,051.7	1,029.0	1,023.6
LTM Adjusted EBITDA ¹	266.0	255.7	180.1
Net Debt/LTM Adjusted EBITDA¹	4.0x	4.0x	5.7x

- Net debt increased \$22.7 million on a sequential basis mainly due to the Sherbrooke Expansion Project
- Leverage remained stable sequentially at 4.0x as higher net debt was offset by greater LTM Adjusted EBITDA

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

CAPITAL EXPENDITURES



- Q2 2024 CAPEX totaled \$50.4 million, including \$46.2 million related to Sherbrooke Expansion Project
- Year-to-date CAPEX stood at \$100.4 million
- Anticipating \$200-\$220 million in total CAPEX for 2024

SUSTAINABILITY FOCUS



PILLAR: PRODUCTS EMPOWER

- FIBRE & FORESTS
- PACKAGING
- PRODUCT INNOVATION

PILLAR: PLANET CONSCIOUS

- CLIMATE CHANGE
- WATER
- WASTE

PILLAR: EMPLOYEE IMPACT

- HEALTH & SAFETY
- DIVERSITY & CULTURE
- TRAINING & DEVELOPMENT

PILLAR: COMMUNITY EMBRACE

- COMMUNITY INVESTMENT
- EMPLOYEE VOLUNTEERING
- COMMUNITY RELATIONS

OUR 2030 TARGETS

To utilize
100%
third-party
certified fibres

To reduce
GHG emissions by
35%*

To reduce water
consumption by
35%*

To reduce virgin
plastic packaging
in branded
products by
50%†

* Intensity-based from 2015 baseline

† Intensity-based from 2020 baseline





DRIVING GROWTH AND MARGINS

- Top-line growth across all business units
- Pricing announced to mitigate significantly escalating pulp prices
- Investing in brands to drive long-term share
- Increasing capacity through Sherbrooke paper machine and new facial lines
- AFH delivering against a sustainable profit model
- Maintaining leverage ratio within current range
- Developing organizational capability and culture to drive future growth



KP Tissue Inc.

THANK YOU

WWW.KPTISSUEINC.COM