



KP

KP Tissue Inc.

INVESTING

FOR THE LONG TERM

**Q4 2021
FINANCIAL RESULTS**

March 10, 2022



Forward-Looking and Cautionary Statements

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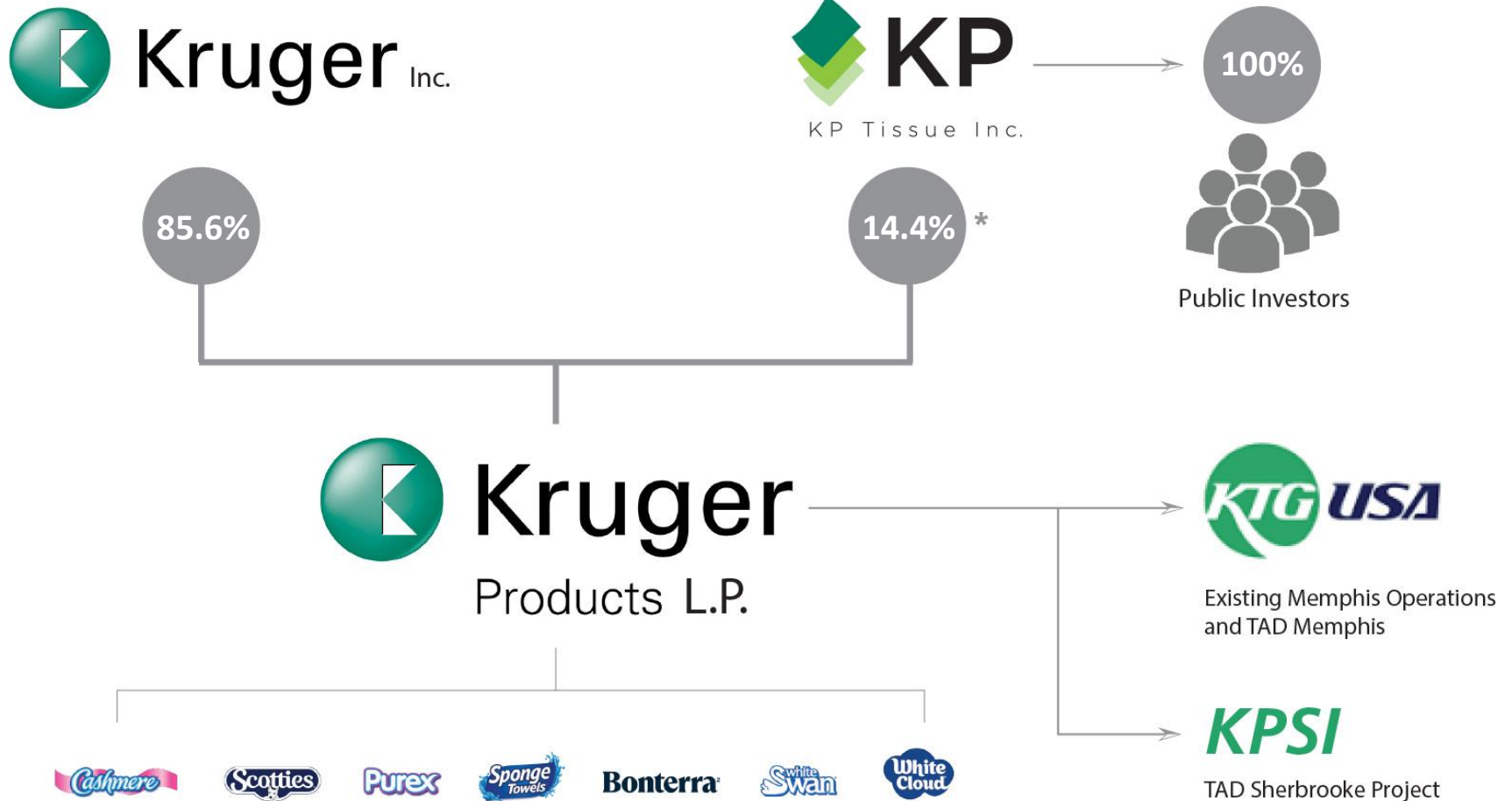
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**The following presentation is to review Kruger Products L.P.
Q4 2021 financial results**

Corporate Structure



*As of March 9, 2022 (14.5% as of December 31, 2021).

Kruger Products Overview

1

**Canada's Leading
Tissue Company**

2

Strong Portfolio of Brands

3

**Strong Customer
Relationships**

4

**Broad Manufacturing
Infrastructure**




5

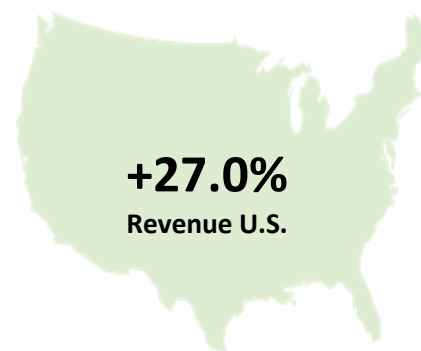
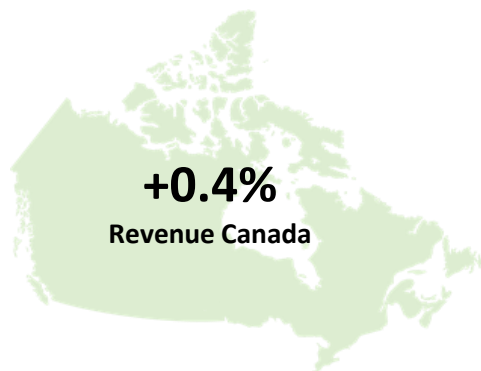
Growth Focused

6

**Experienced
Management Team**




Q4 2021 Highlights

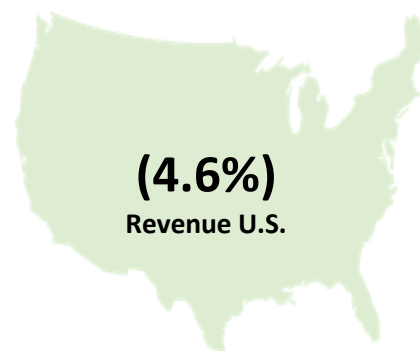
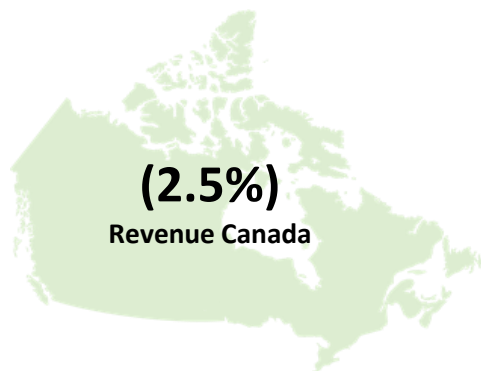
| Revenue | Adjusted EBITDA ¹ | Net Income |
|--|--|--|
| \$424.1 M  10.2% over Q4 2020 | \$38.3 M  5.8% over Q4 2020 | \$42.3 M  \$70.8 M over Q4 2020 |



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

Fiscal 2021 Highlights

| Revenue | Adjusted EBITDA ¹ | Net Income |
|---|--|--|
| \$1,465.2 M  3.4% over 2020 | \$153.4 M  22.4% over 2020 | \$42.0 M  \$14.7 M over 2020 |



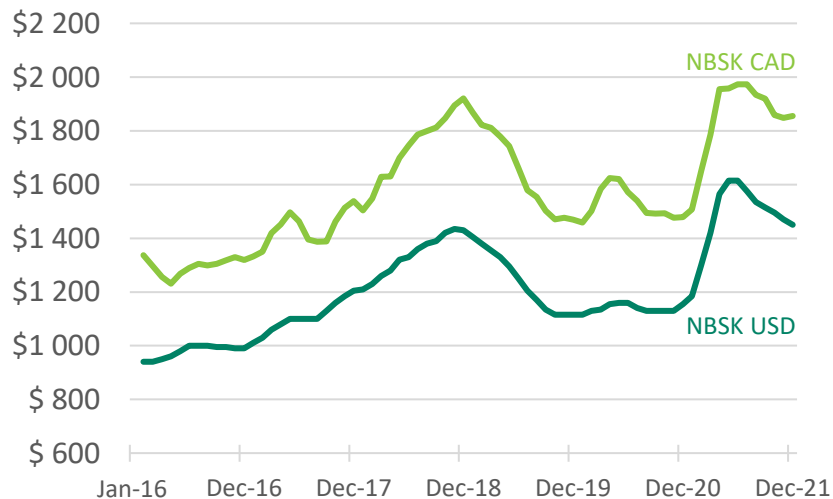
¹ Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure.

Pulp Input Prices

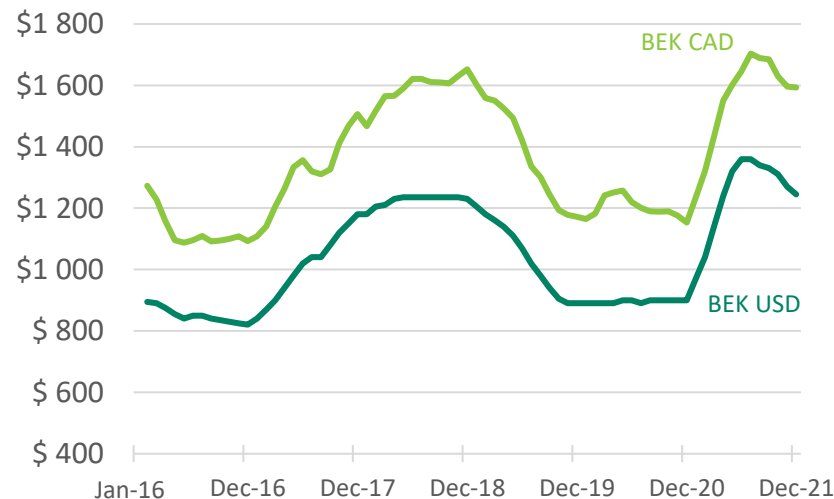
Q4 2021 NBSK average prices¹ in CAD decreased 4.6%, while BEK average prices¹ decreased 5.1% compared to Q3 2021.

Q4 2021 NBSK average prices¹ in CAD increased 25.0% and BEK average prices¹ increased 37.0% 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
(Q4 2021 25.0% YOY in CAD)**



**BEK List Prices per MT
(Q4 2021 37.0% YOY in CAD)**



(CAD/USD averaged 1.26 in Q4 2021 compared to 1.30 in Q4 2020)

¹ Both NBSK price and BEK price were calculated using RISI

High Inflationary Pressure

Estimated impact on cost items versus prior year



40-45%
FREIGHT



3-5%
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 stay ahead of ramp-up plans
- Phase 1 of AI implementation successful. Phase 2 in progress with new use cases to be delivered

Sherbrooke Expansion (Doubling capacity)

- Additional investment of ~\$110 million for double-wide, LDC machine with 60,000 MT capacity
- Increased total investment to ~\$350 million
- Financing secured
- Start-up dates from 2022-2024 for product lines
- Customer sell-in underway



NETWORK MODERNIZATION

New Facial Tissue Line in Memphis

- Start-up in late Q2 2022
- Capable of producing both TAD and LDC products
- Provides opportunity for future growth in the U.S.

Memphis Operations

- Labour challenges continued affecting productivity in Q4 2021
- Implementing turnaround with improvements expected to start in Q2 2022
- Key focus on turnaround of critical assets and SKUs
- Leveraged other plants to offset production shortfall



OPERATIONAL EXCELLENCE

OpEx

- All sites and most assets operating under OpEX
- Increasing depth of OpEX knowledge: leveraging best practices
- Focus on asset reliability and waste reduction in 2022

AI Implementation

- AI targeting total supply chain
- Developing plan to expand AI across network
- AI and automation potential benefits
 - OEE lift
 - Cost reduction
 - Maintenance reduction



TRADEMARK

Continued focus on investing in our brands

- Another year of incremental investment to drive equity of current brands and innovations
- *SpongeTowels Ultra Pro* continues to outperform objectives and received three Best New Innovation Awards by consumers
- New sustainable brand launch with *Bonterra* and *UltraLuxe* upgrade on *Purex* and *Cashmere*
- Strong activation and consumer response with Scotties Tournament of Hearts and Year 2 of the *Kruger Big Assist* with local hockey associations
- KPLP outpaces eCommerce channel by growing 82% in 2021



**OUR STRONGEST,
MOST ABSORBENT
Paper Towel.***

NEW



**Strong
and Durable**



**Clean
Finish**



**Sponge-Like
Absorbency**



INNOVATION

Bonterra

- Offers consumers a sustainable solution with bundle of unique features:
 - Plastic-free paper packaging
 - High quality FSC® certified recycled fiber
 - Carbon neutral production
 - Partnerships with 4Ocean and One Tree Planted
 - Made in Canada
- Bathroom tissue, facial tissue and paper towel products
- Availability beginning in March 2022



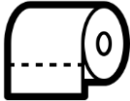


Cashmere and Purex UltraLuxe

- Significant upgrade using new TAD soft technology to grow ultra-premium segment
- Consumer research confirms it's our softest and most luxurious bathroom tissue ever
- Availability beginning in mid-February 2022



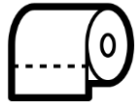
Canada's Leading Tissue Company



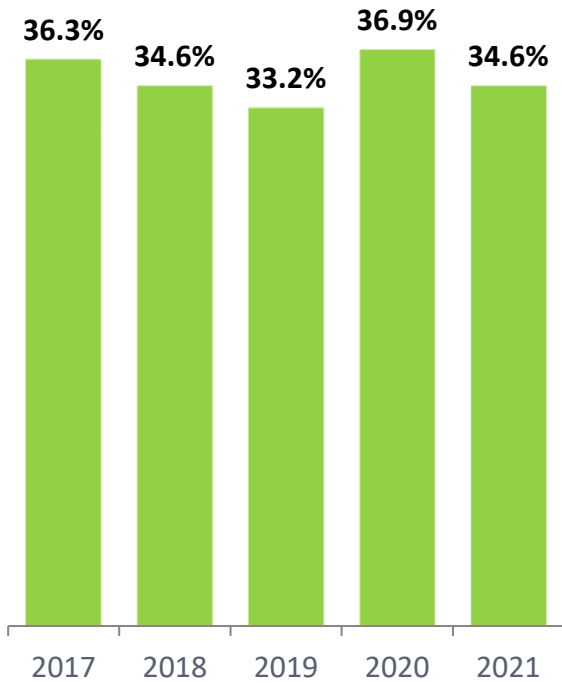
| |  Bathroom Tissue |  Facial Tissue |  Paper Towel |
|-----------------------|--|--|--|
| Kruger | #1 34.6% | #1 35.7% | #2 24.0% |
| IRVING | 16.3% | 17.7% | 12.0% |
| P&G | 11.5% | 0.6% | 35.2% |
| Kimberly-Clark | 1.4% | 17.4% | 0.9% |

Source: Nielsen; dollar market share for the 52-week period ended January 1, 2022

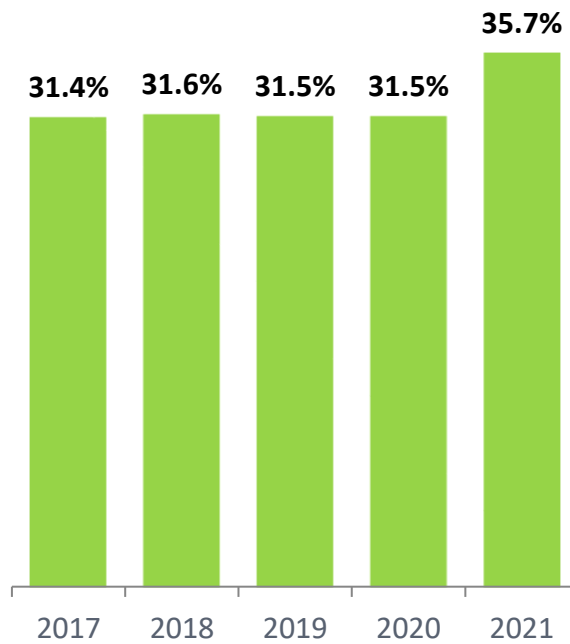
Brand Leadership Position



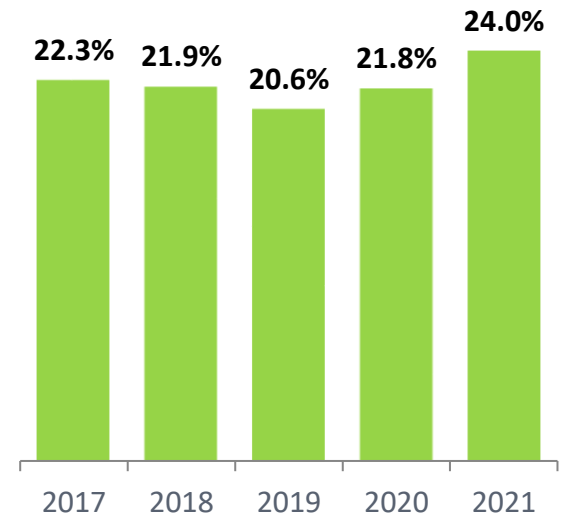
#1 Bathroom Tissue



#1 Facial Tissue



#2 Paper Towel



Source: Nielsen Canadian dollar market share for 52-week period data. 2021 represents the latest 12 months ending January 1, 2022

AFH SEGMENT

Recovery ongoing in commercial sector

- Market recovery continued in Q4 2021 with volume approximately 15% better than Q4 2020 and 5% below pre-COVID volume levels (Q4 2019)
 - Recovery in the U.S. still outpacing Canada
 - Price increases announced in Q4 2021 effective on Jan. 1st
 - Inflation on raw materials and transportation costs escalated in Q4 2021; further incremental price increases to offset inflation being implemented
-



Quarterly Financial Summary

| (Million CAD\$, unless otherwise noted) | Q4 2021 | Q3 2021 | Q4 2020 | % Change | |
|---|--------------|--------------|--------------|--------------|---------------|
| | | | | Y/Y | Q/Q |
| Revenue | 424.1 | 391.4 | 385.0 | 10.2% | 8.4% |
| Cost of Sales | 376.0 | 345.6 | 332.2 | 13.2% | 8.8% |
| Gross Profit | 48.1 | 45.8 | 52.8 | (8.9%) | 5.0% |
| Gross Margin | 11.3% | 11.7% | 13.7% | | |
| Adjusted EBITDA¹ | 38.3 | 40.3 | 36.2 | 5.8% | (5.0%) |
| Adjusted EBITDA Margin ¹ | 9.0% | 10.3% | 9.4% | | |
| Net Income | 42.3 | (9.3) | (28.5) | | |
| Net Income Margin | 10.0% | (2.4%) | (7.4%) | | |

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

Quarterly Segmented Results

| (Million CAD\$, unless otherwise noted) | Q4 2021 | Q3 2021 | Q4 2020 | % Change | |
|---|--------------|--------------|--------------|--------------|---------------|
| | | | | Y/Y | Q/Q |
| Segmented Revenue | | | | | |
| Consumer | 364.0 | 332.4 | 333.2 | 9.2% | 9.5% |
| AFH | 60.1 | 59.0 | 51.8 | 16.0% | 1.9% |
| Total Segment Revenue | 424.1 | 391.4 | 385.0 | 10.2% | 8.4% |
| Segment Adjusted EBITDA¹ | | | | | |
| Consumer | 43.7 | 39.1 | 44.2 | (1.1%) | 11.8% |
| AFH | (1.7) | 2.2 | (2.4) | NA | NA |
| Corporate and other costs | (3.7) | (1.0) | (5.6) | NA | NA |
| Total Segment Adjusted EBITDA¹ | 38.3 | 40.3 | 36.2 | 5.8% | (5.0%) |
| Segment Adjusted EBITDA Margin² | | | | | |
| Consumer | 12.0% | 11.8% | 13.3% | | |
| AFH | (2.8%) | 3.7% | (4.6%) | | |
| Total Segment Adjusted EBITDA Margin¹ | 9.0% | 10.3% | 9.4% | | |

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

Q4 2021 Revenue Compared to Q4 2020

\$39.1 M

Q4 Revenue increase

10.2%
over Q4 2020

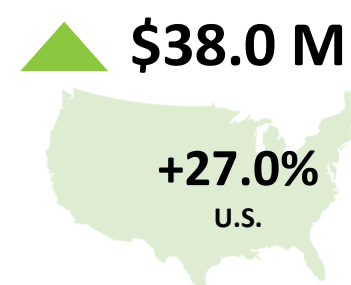
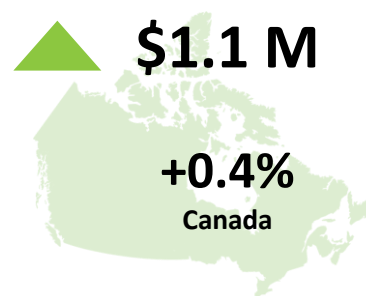
Increase due to the following factors:

- Higher Consumer sales volume in US
- Selling price increase in Consumer Canada
- Increase in AFH sales volume

Partially offset by:

- Unfavourable FX impact on U.S. sales

Geographic revenue segmentation



Q4 2021 Adjusted EBITDA¹ Compared to Q4 2020

\$2.1 M

Q4 Adjusted EBITDA¹ increase



5.8%

over Q4 2020

Adjusted EBITDA Margin¹

9.0%



Q4 2021

9.4%



Q4 2020

Increase primarily due to the following factors:

- Higher sales volume
- Selling price increase in Consumer Canada
- Lower SG&A expenses
- Net favourable impact of FX fluctuations

Partially offset by:

- Unfavourable impact of sales mix
- Higher pulp prices and other inflation
- Labour challenges in Memphis manufacturing
- Higher freight rates and warehousing costs

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

Q4 2021 Revenue Compared to Q3 2021

\$32.7 M

Q4 Revenue increase



8.4%

over Q3 2021

Increase due to:

- Higher Consumer sales volume in US and Canada



Geographic revenue segmentation



\$11.7 M

+5.0%

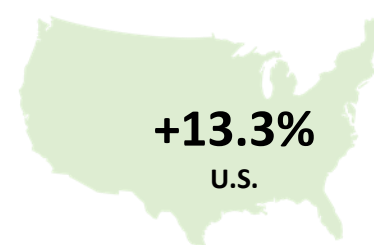
Canada



\$21.0 M

+13.3%

U.S.



Q4 2021 Adjusted EBITDA¹ Compared to Q3 2021

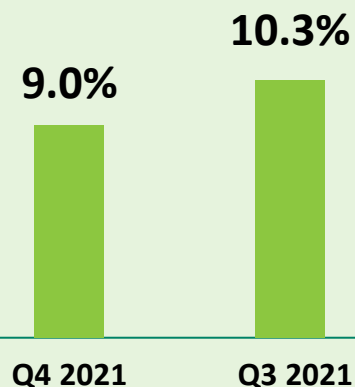
(\$2.0 M)

Q4 Adjusted EBITDA¹ decrease



5.0%
over Q3 2021

**Adjusted EBITDA
Margin¹**



Variance due to:

- Higher pulp costs and inflation
- Increased freight costs
- Labour challenges in Memphis
- Increased overhead absorption
- Higher advertising expenses
- Loss on foreign exchange

Partially offset by:

- Higher sales volume
- Full benefit of Consumer Canada selling price increase

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

Balance Sheet

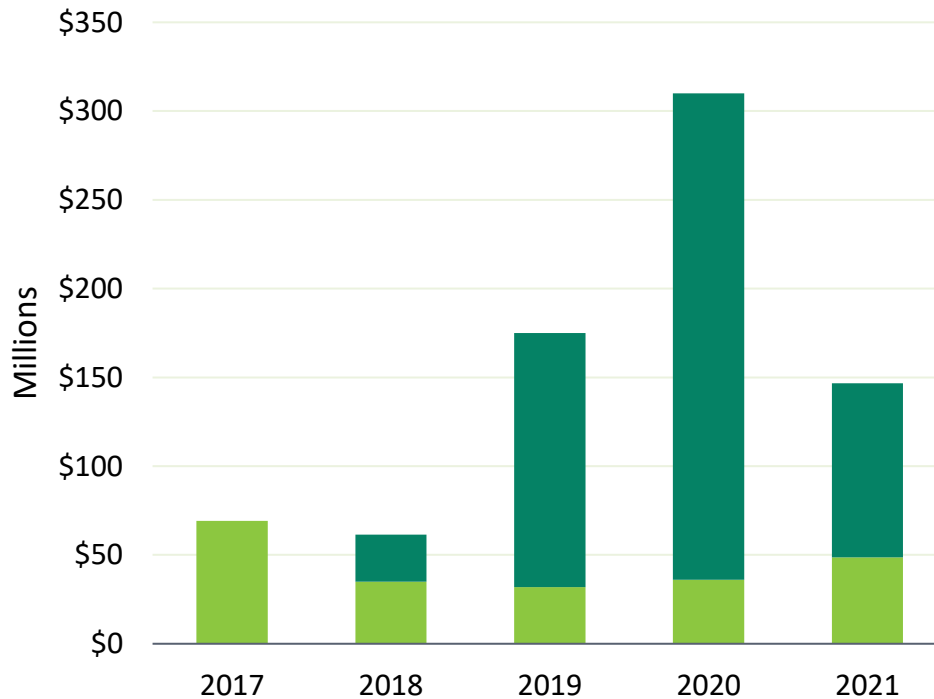
| (Million CAD\$, unless otherwise noted) | Q4 2021 | Q3 2021 |
|---|--------------|--------------|
| Cash | 151.0 | 118.6 |
| Current Portion of Long-term Debt | 48.6 | 39.2 |
| Long-term Debt | 920.3 | 915.1 |
| Net Debt | 817.9 | 835.7 |
| LTM Adjusted EBITDA ¹ | 153.4 | 151.3 |
| Net Debt/LTM Adjusted EBITDA¹ | 5.3x | 5.5x |


- Total debt increased \$14.6 million compared to Q3 2021 primarily due to funding for the TAD Sherbrooke Project.
- Leverage decreased due to the lower level of net debt from a higher cash position and slightly higher LTM Adjusted EBITDA.

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

CAPEX

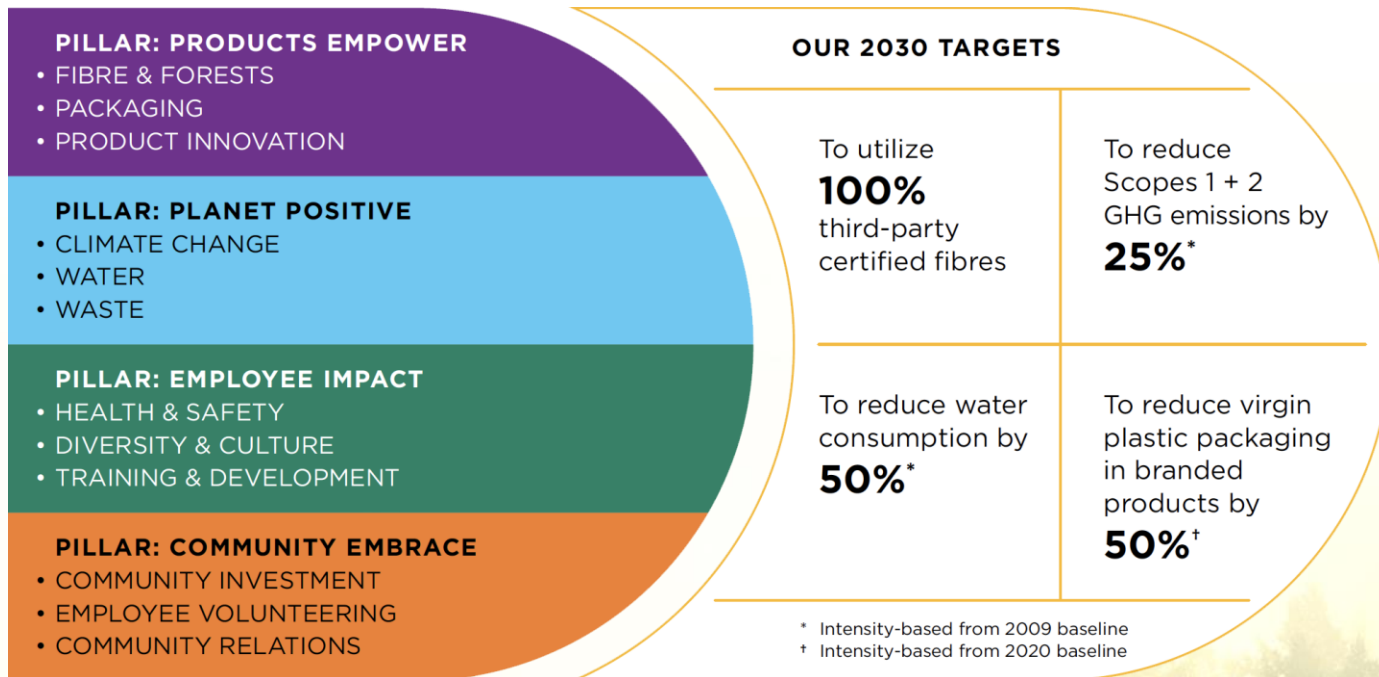
CAPEX



 TAD Sherbrooke and Sherbrooke Expansion starting in 2021

- 2021 TAD Sherbrooke CAPEX was \$98.0 million
- \$6.9 million of accrued and unpaid capital spending at year-end
- 2021 CAPEX was \$48.6 million, excluding TAD Sherbrooke
- Total 2022 CAPEX between \$190-\$210 million, including Sherbrooke Expansion project

Reimagine 2030 – The Next 10 Years of Sustainable Development



Reinvesting in the Business to Pursue Growth



- Continuing to deliver strong top-line-driven growth
- Pursuing additional options to offset costs with pricing and productivity
- Launching Bonterra and UltraLuxe upgrade
- Investing in our brands and innovation to build market share leadership in Canada, while expanding White Cloud brand in the U.S.
- TAD Sherbrooke facility exceeding ramp-up curve and incremental investments to Sherbrooke Expansion Project creating flexible tissue hub
- Operational excellence and AI will improve total supply-chain performance
- Away-from-Home well positioned for a recovery in end-user markets
- Developing our organizational capability and culture to drive growth for the future



UNLEASH THE **Scotties**



KP Tissue Inc.

THANK
YOU

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