



GROWING BUSINESS

IN A CHALLENGING ENVIRONMENT

Q3 2022 FINANCIAL RESULTS

November 9, 2022



FORWARD-LOOKING AND CAUTIONARY STATEMENTS

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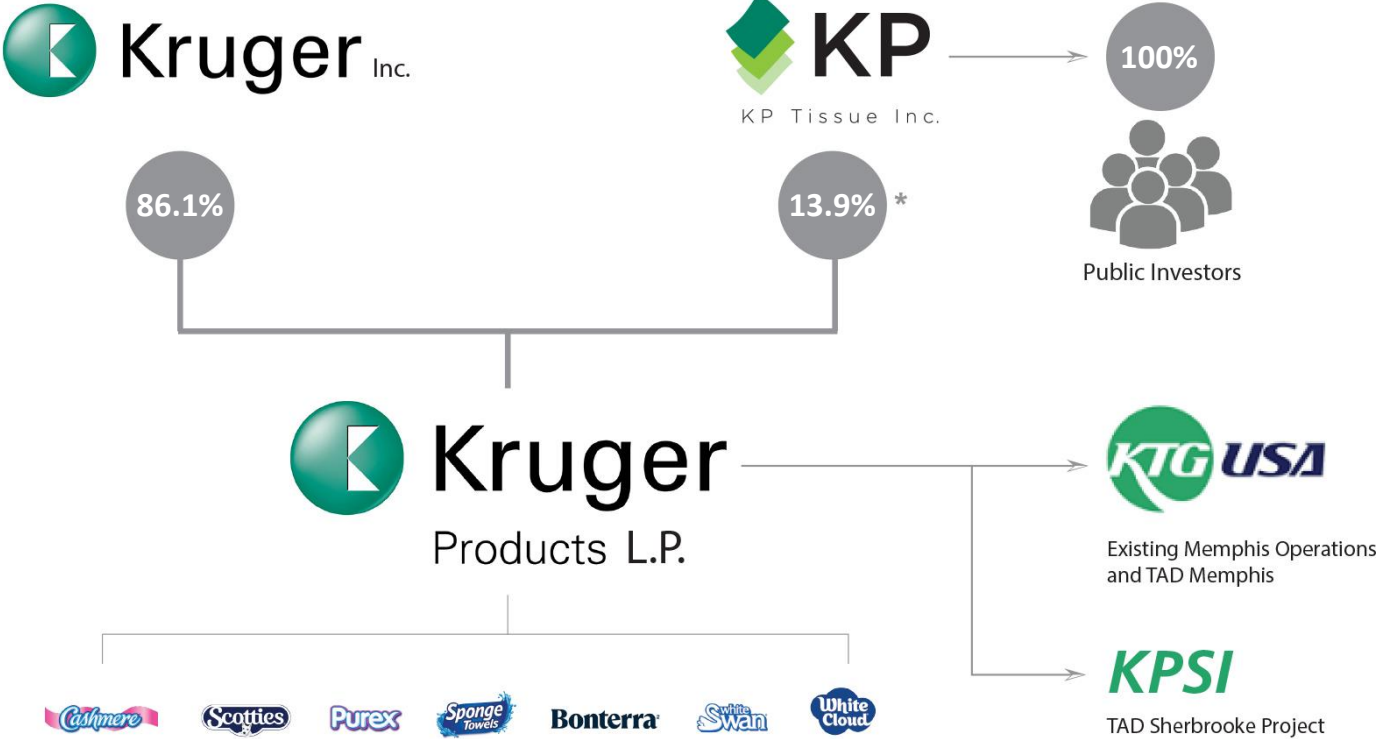
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**The following presentation is to review Kruger Products L.P.
Q3 2022 financial results**

CORPORATE STRUCTURE



*As of November 8, 2022 (14.1% as of September 30, 2022).

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



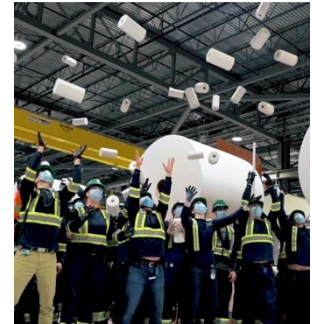
**End-to-End Supply
Chain Excellence**

4






**Deliver
Sustainability**

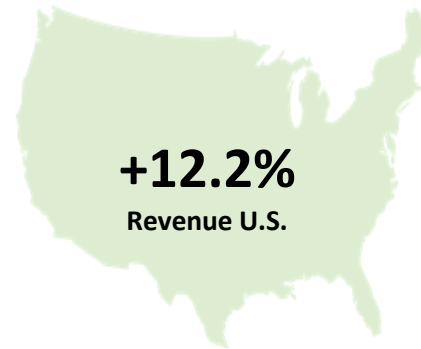
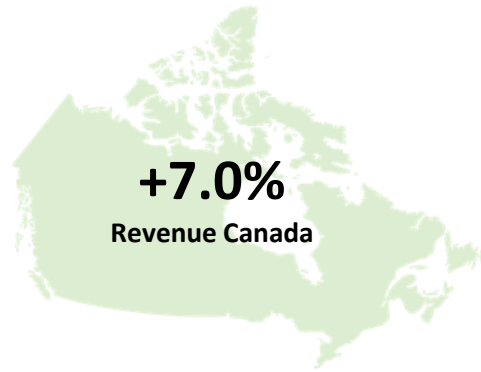
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**Winning Team
and Culture**

Q3 2022 HIGHLIGHTS

Revenue	Adjusted EBITDA ¹	Net Loss
\$427.0 M  9.1% over Q3 2021	\$30.7 M  (23.8%) over Q3 2021	(\$38.8 M)  (\$29.5 M) over Q3 2021



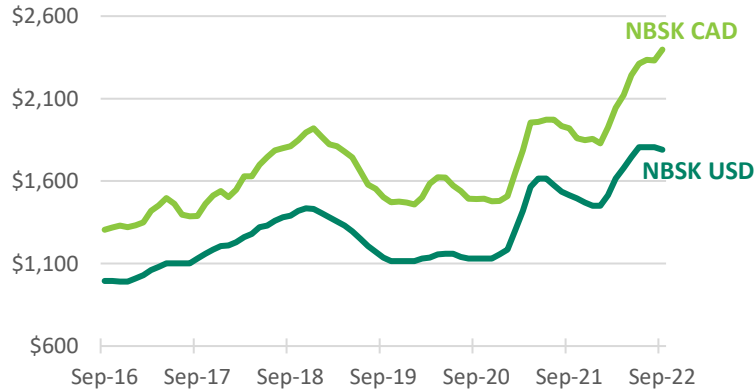
¹ Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure.

PULP INPUT PRICES

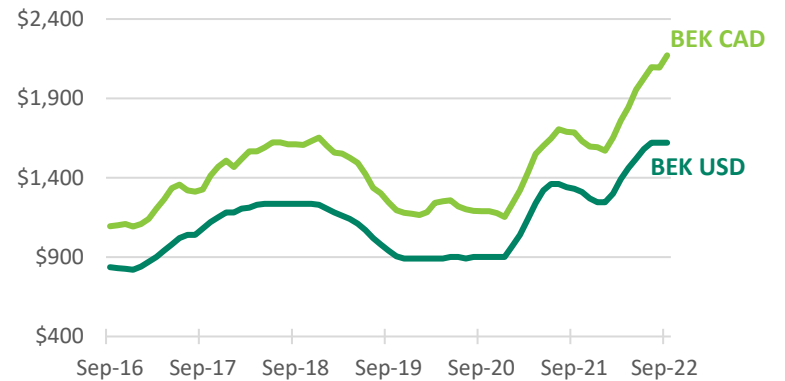
Q3 2022 NBSK average prices¹ in CAD increased 5.8%, while BEK average prices¹ increased 9.3% from Q2 2022.

Q3 2022 NBSK average prices¹ in CAD increased 21.3% and BEK average prices¹ increased 25.3% 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
(Q3 2022: 21.3% YOY in CAD)**



**BEK List Prices per MT
(Q3 2022: 25.3% YOY in CAD)**



(CAD/USD averaged 1.31 in Q3 2022, up 4% from Q3 2021)

¹ Both NBSK price and BEK price were calculated using RISI

HIGH INFLATIONARY PRESSURE

Q3 2022 vs. Q3 2021



**+\$45 Million
Impact**



21-25%
FIBRE



25-30%
FREIGHT



4-6%
LABOUR



10-12%
PACKAGING



50-55%
NATURAL GAS



15%
OTHER

ALL PRICING ACTIONS IMPLEMENTED FOR 2022

Pricing Actions in 2022

Consumer Canada

- Price increases in July and October

Consumer U.S.

- Price increases in Jan/Feb., July and October

AFH

- Price increases in January, May and August

10-12%

**Average Price Increase
in Q3 2022 (YoY)**

Cost Management Plans in 2022

- Reduced capital spending
- Lower working capital
- Increased productivity
- Cut discretionary SG&A spending



NETWORK MODERNIZATION

TAD Sherbrooke

- Continuing to exceed ramp-up plans
- Phase 2 of AI implementation progressing according to plan

Sherbrooke Expansion

- Increased total investment to ~\$350 million
- Start-up for bathroom tissue line expected in Q1 2023 with hiring and training phase on track
- Start-up for facial line (Q3 2023) and paper machine line (end of 2024)
- Tracking to plan but closely watching supply chain and inflation





MEMPHIS OPERATIONS

Memphis Performance

- Made improvements to TAD operations (less output variability)
- Re-ignition of efforts on OpEx underway using third-party partner
- Optimizing staff numbers and continuing to train at all levels
- Operational recovery benefit expected in early 2023
- Currently evaluating performance potential of each asset

New Facial Tissue Line in Memphis

- Rolled out in July and continues to exceed start-up curve
- Adding new product configurations to expand portfolio
- Provides opportunity for future growth in the U.S.



FOCUSED BRAND SUPPORT

- Q3 and Q4 marketing spend dedicated to in-store and shopper marketing initiatives to drive sales and mitigate price increase impact
- Focusing on managing price gaps following price increases
- Continued awareness and trial-building activities behind Cashmere and Purex UltraLuxe, Sponge Towels UltraPRO, Bonterra and White Cloud launches
- Strong share gains for Sponge Towels UltraPRO and Cashmere/Purex UltraLuxe
- 19th Annual Cashmere Collection in market and Q4 launch of 3rd annual Kruger Big Assist with new Shopping Assist incentive to drive sales



BRAND LEADERSHIP POSITION



Bathroom Tissue



Facial Tissue



Paper Towel

 **Kruger**
Products



 **Kimberly-Clark**

#1
33.7%

15.6%

11.2%

1.3%

#1
36.6%

17.5%

0.7%

16.2%

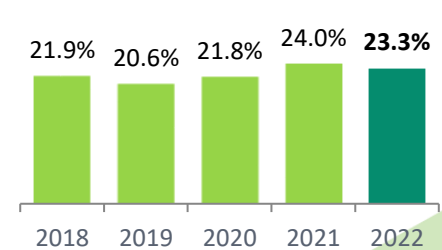
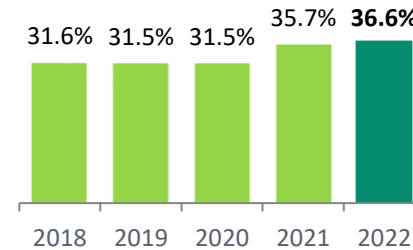
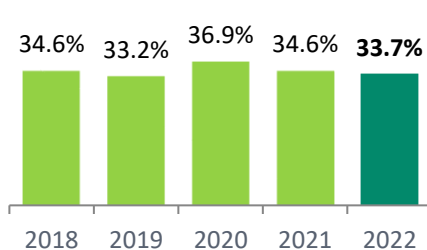
#2
23.3%

11.1%

34.3%

0.2%

 **Kruger**
Products



Source: Nielsen Canadian dollar market share for 52-week period data. 2022 represents the latest 12 months ending September 10, 2022



AFH SEGMENT

RECOVERY ONGOING IN COMMERCIAL SECTOR

- Volume remains strong, 12% higher than Q3 2021
- Growth in U.S. exceeding market
- EBITDA margin is now positive
- Pricing activity undertaken in 2022 is offsetting inflation
- Commercial tissue capacity remains highly utilized in North America



QUARTERLY FINANCIAL SUMMARY

(Million CAD\$, unless otherwise noted)	Q3 2022	Q2 2022	Q3 2021	% Change	
				Y/Y	Q/Q
Revenue	427.0	397.5	391.4	9.1%	7.4%
Cost of Sales	394.6	372.5	345.6	14.2%	5.9%
Gross Profit	32.4	25.0	45.8	(29.2%)	29.7%
Gross Margin	7.6%	6.3%	11.7%		
Adjusted EBITDA¹	30.7	11.8	40.3	(23.8%)	159.8%
Adjusted EBITDA Margin ¹	7.2%	3.0%	10.3%		
Net Income (loss)	(38.8)	(35.5)	(9.3)		
Net Income Margin	(9.1%)	(8.9%)	(2.4%)		

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)	Q3 2022	Q2 2022	Q3 2021	% Change	
				Y/Y	Q/Q
Segmented Revenue					
Consumer	346.0	326.3	332.4	4.1%	6.0%
AFH	81.0	71.2	59.0	37.3%	13.8%
Total Segment Revenue	427.0	397.5	391.4	9.1%	7.4%
Segment Adjusted EBITDA¹					
Consumer	25.0	14.3	39.1	(36.0%)	75.1%
AFH	5.4	(0.5)	2.2	145.5%	NA
Corporate and other costs	0.3	(2.0)	(0.9)	NA	NA
Total Segment Adjusted EBITDA¹	30.7	11.8	40.3	(23.8%)	159.8%
Segment Adjusted EBITDA Margin²					
Consumer	7.2%	4.4%	11.8%		
AFH	6.6%	(0.6%)	3.7%		
Total Segment Adjusted EBITDA Margin¹	7.2%	3.0%	10.3%		

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

Q3 2022 REVENUE COMPARED TO Q3 2021

\$35.6 M

Q3 Revenue increase

 **9.1%**
over Q3 2021

Increase due to the following factors:


- Selling price increases across all segments and regions
- Higher sales volume in AFH segment
- Positive FX impact on U.S. dollar sales
- Partially offset by lower sales volume in Consumer segment and unfavourable mix

Geographic revenue segmentation



 **\$16.3 M**

+7.0%
Canada

 **\$19.3 M**

+12.2%
U.S.

Q3 2022 ADJUSTED EBITDA¹ COMPARED TO Q3 2021

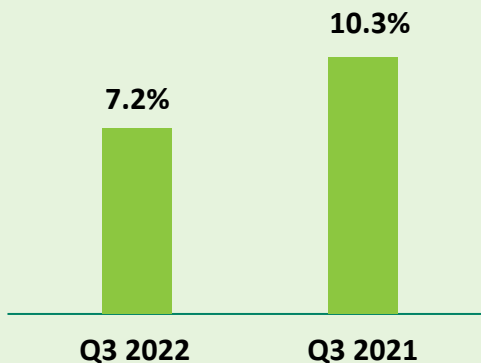
(\$9.6 M)

Q3 Adjusted EBITDA¹ decrease



23.8%
over Q3 2021

Adjusted EBITDA Margin¹



Decrease primarily due to the following factors:

- Significant inflation on pulp, manufacturing costs and freight
- Labour shortages and productivity issues in Memphis
- Lower Consumer sales volume

Partially offset by:

- Selling price increases
- AFH volume recovery

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

Q3 2022 REVENUE COMPARED TO Q2 2022

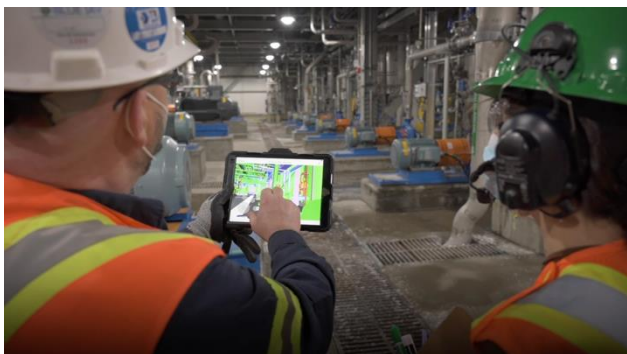
\$29.5 M

Q3 Revenue increase

7.4%
over Q2 2022

Sequential increase in revenue due to:

- Price increases in all segments and regions
- Volume up slightly in Consumer and AFH segments
- Positive FX impact on U.S. dollar sales



\$10.5 M

+4.4%
Canada

\$19.0 M

+12.0%
U.S.

Q3 2022 ADJUSTED EBITDA¹ COMPARED TO Q2 2022

\$18.9 M

Q3 Adjusted EBITDA¹ increase



159.8%
over Q2 2022

Adjusted EBITDA Margin¹

7.2%



Q3 2022

3.0%



Q2 2022

Variance due to:

- Price increases in all segments and regions
- Slight increase in volume
- Lower freight and warehousing costs
- Increased productivity
- Significantly reduced SG&A spend

Partially offset by:

- Higher pulp and SOP costs

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

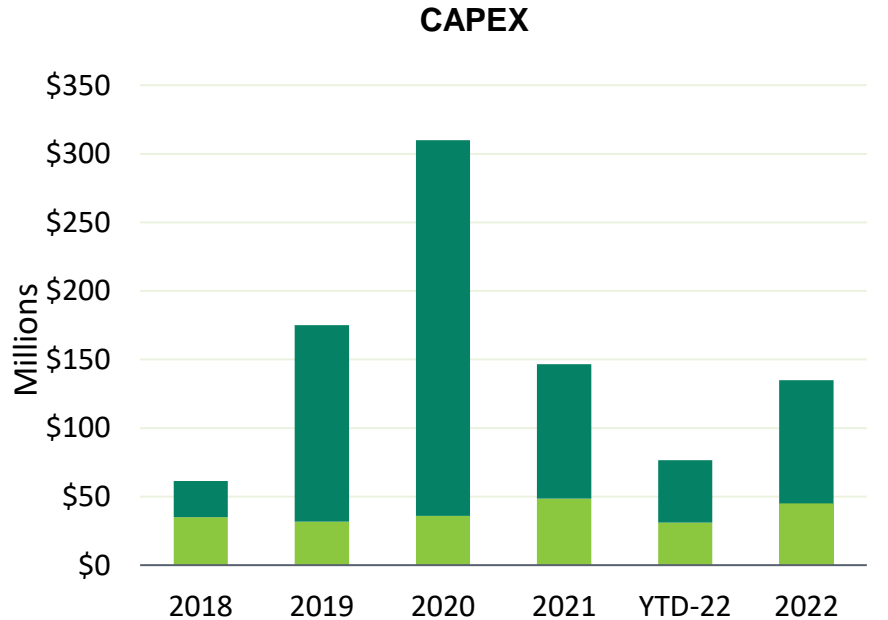
BALANCE SHEET

(Million CAD\$, unless otherwise noted)	Q3 2022	Q2 2022
Cash	82.1	100.3
Current Portion of Long-term Debt	34.6	33.8
Long-term Debt	1,095.0	1,039.5
Net Debt	1,047.7	973.0
LTM Adjusted EBITDA ¹	109.9	119.5
Net Debt/LTM Adjusted EBITDA¹	9.5x	8.1x

- Net debt increased by \$74.7 million from Q2 2022 primarily due to a significant FX increase on USD debt, use of financed cash and debt for Sherbrooke Expansion Project and TAD Expansion Project, and for other capital spending and working capital
- Leverage increased due to higher level of net debt and lower LTM Adjusted EBITDA

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

LOWERED CAPEX



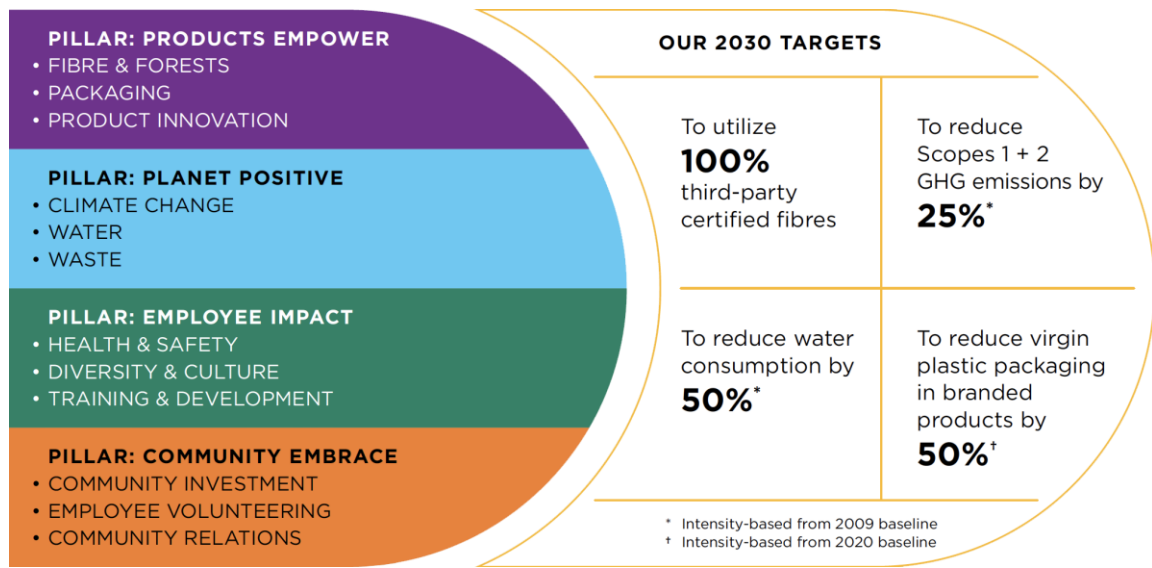
■ TAD Sherbrooke and Sherbrooke Expansion started in 2021

- YTD 2022 CAPEX reached \$76.6 million, including \$15.2 million related to TAD Sherbrooke Project and \$30.2 million related to Sherbrooke Expansion Project
- Projected 2022 CAPEX of \$130-\$140 million, including Sherbrooke Expansion Project
- CAPEX reduced from Q2 2022 forecast by \$30-\$40 million due to reductions in discretionary projects and delays due to supply chain issues on strategic projects



The Next 10 Years

REIMAGINE
2030
 TRANSFORMATIVE GROWTH
 SUSTAINABLE INNOVATION





GROWING BUSINESS LONG-TERM WHILE MANAGING INFLATIONARY PRESSURE

- Continuing to deliver strong top-line growth
- Price increases and cost efficiencies mitigated inflationary pressure in third quarter with further improvement in profitability expected in fourth quarter
- Prudently investing in our brands to support price increases and managing price gaps
- Focus on awareness and trial-building activities behind Cashmere and Purex UltraLuxe, Sponge Towels UltraPRO, Bonterra and White Cloud launches
- TAD Sherbrooke facility continuing to exceed ramp-up curve, while Memphis operational recovery benefit expected in early 2023
- Robust Away-from-Home recovery across North America
- Progressively strengthening liquidity and improving leverage ratio
- Developing organizational capability and culture to drive future growth



THANK
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