



NEWS RELEASE
For immediate release

KP Tissue Releases First Quarter 2024 Financial Results

Strong performance while positioning for anticipated headwinds

Mississauga (ON), May 14, 2024 - KP Tissue Inc. (KPT) (TSX: KPT) reports the Q1 2024 financial and operational results of KPT and Kruger Products Inc. (Kruger Products). Kruger Products is Canada's leading manufacturer of quality tissue products for the Consumer market (Cashmere®, Purex®, SpongeTowels®, Scotties®, White Swan® and Bonterra™) and the Away-From-Home (AFH) market and continues to grow in the U.S. Consumer tissue business with the White Cloud® brand and premium private label products. KPT currently holds a 12.8% interest in Kruger Products.

Kruger Products Q1 2024 Business and Financial Highlights

- Revenue was \$479.4 million in Q1 2024 compared to \$451.0 million in Q1 2023, an increase of \$28.4 million or 6.3%.
- Adjusted EBITDA¹ was \$67.1 million in Q1 2024, compared to \$50.0 million in Q1 2023, an increase of 34.3%.
- Net income was \$9.0 million in Q1 2024 compared to a loss of \$49.3 million in Q1 2023, an improvement of \$58.3 million.
- Declared a quarterly dividend of \$0.18 per share to be paid on July 15, 2024.
- Facial tissue line in the Sherbrooke Expansion Project started up successfully in February 2024.
- Announced a 25% increase in facial production at the Gatineau plant on March 5, 2024 with a \$14.5 million investment.

"We delivered strong financial results in the first quarter of 2024, highlighted by increased sales volume and Adjusted EBITDA of \$67.1 million," stated KP Tissue's Chief Executive Officer, Dino Bianco. "In our Consumer segment, we continued to build on our leadership position in facial tissue following the grocery exit of Kleenex in Canada through incremental marketing, added manufacturing capacity and product innovation. We also invested in brand support to drive awareness and share gains in our bathroom tissue and paper towel categories. Our Away-From-Home business maintained its recovery curve in the first quarter with robust growth in profitability, both year-over-year and sequentially, combined with solid sales growth."

"Looking ahead to the remainder of 2024, we will continue to take a multi-faceted approach to drive profitable growth. Given anticipated headwinds in commodity markets, we are preparing an action plan to mitigate escalating pulp prices," Mr. Bianco concluded.

Outlook for Q2 2024

For the second quarter of 2024, we expect Adjusted EBITDA¹ to be in the range of Q1 2024.

Kruger Products Q1 2024 Financial Results

Revenue was \$479.4 million in Q1 2024 compared to \$451.0 million in Q1 2023, an increase of \$28.4 million or 6.3%. The increase in revenue was primarily due to higher sales volume and favourable sales mix in the Consumer segment, partially offset by lower selling prices in the Consumer segment.

Cost of sales was \$394.0 million in Q1 2024 compared to \$389.0 million in Q1 2023, an increase of \$5.0 million or 1.3%. The increase in cost of sales was primarily due to higher sales volume and higher manufacturing overhead costs resulting primarily from start-up costs related to the Sherbrooke Expansion Project and additional spending on maintenance in the quarter, partially offset by lower pulp prices and realized benefits related to the shutdown of certain LDC assets in our Memphis operations. Freight costs were lower compared to Q1 2023 as inflation moderated throughout 2023, while warehousing costs increased as a result

¹ Adjusted EBITDA is a non-GAAP financial measure. Refer to the *Non-GAAP Financial Measures* section of this news release for more information on these measures

of handling costs related to higher sales volume and additional logistics network costs due to contract renewals. As a percentage of revenue, cost of sales was 82.2% in Q1 2024 compared to 86.3% in Q1 2023.

Selling, general and administrative (SG&A) expenses were \$44.1 million in Q1 2024 compared to \$36.3 million in Q1 2023, an increase of \$7.8 million or 21.7%. The increase was primarily due to additional investment in advertising and promotion, higher selling expense to support additional sales volume, higher IT spend and consulting costs to support operational initiatives and higher management fees, partially offset by lower personnel costs and foreign exchange gains in Q1 2024 compared to losses in the year ago quarter. As a percentage of revenue, SG&A expenses were 9.2% in Q1 2024 compared to 8.0% in Q1 2023.

Adjusted EBITDA¹ was \$67.1 million in Q1 2024 compared to \$50.0 million in Q1 2023, an increase of \$17.1 million or 34.3%. The significant increase was primarily due to higher sales volumes, favourable sales mix and lower pulp prices, partially offset by lower selling prices, higher manufacturing overhead spending and higher warehousing and SG&A expenses.

Net income was \$9.0 million in Q1 2024 compared to a loss of \$49.3 million in Q1 2023, an improvement of \$58.3 million. The improvement was primarily due to lower income tax expense due to a deferred tax expense in Q1 2023 resulting from the Reorganization on January 1, 2023, higher Adjusted EBITDA¹ and lower restructuring costs, partially offset by a foreign exchange loss and a loss from non-controlling interest.

Kruger Products Q1 2024 Financing Activity and Liquidity

On March 22, 2024, Kruger Products entered into the 9th Amended and Restated Credit Agreement to increase the facility from \$200 million to \$325 million.

Total liquidity, representing cash and availability under the revolving credit agreements, was \$409.0 million as of March 31, 2024. In addition, \$20.7 million of cash was held for the Sherbrooke Expansion Project.

Kruger Inc. reduced its participation in the dividend reinvestment plan (DRIP) from 100% to 50% effective April 15, 2024.

KPT Q1 2024 Financial Results

KPT had net income of \$1.1 million in Q1 2024. Included in net income was \$1.1 million representing KPT's share of Kruger Products' net income, a dilution gain of \$0.3 million and depreciation expense of \$0.3 million related to adjustments to carrying amounts on acquisition.

Dividends on Common Shares

The Board of Directors of KPT declared a quarterly dividend of \$0.18 per share to be paid on July 15, 2024 to shareholders of record at the close of business on June 28, 2024.

Additional Information

For additional information please refer to Management's Discussion and Analysis (MD&A) of KPT and Kruger Products for the first quarter ended March 31, 2024 available on SEDAR+ at www.sedarplus.ca or our website at www.kptissueinc.com.

First Quarter Results Conference Call Information

KPT will hold its first quarter conference call on Tuesday, May 14, 2024 at 8:30 a.m. Eastern Time.

Via telephone: 1-888-664-6383 or 416-764-8650

Via the internet at: www.kptissueinc.com

Presentation material referenced during the conference call will be available at www.kptissueinc.com.

A rebroadcast of the conference call will be available until midnight, May 21, 2024 by dialing 1-888-390-0541 or 416-764-8677 and entering passcode 804164.

¹ Adjusted EBITDA is a non-GAAP financial measure. Refer to the *Non-GAAP Financial Measures* section of this news release for more information on these measures

The replay of the webcast will remain available on the website until midnight, May 21, 2024.

About KP Tissue Inc. (KPT)

KPT was created to acquire, and its business is limited to holding, a limited equity interest in Kruger Products, which is accounted for as an investment on the equity basis. KPT currently holds a 12.8% interest in Kruger Products. For more information visit www.kptissueinc.com.

About Kruger Products

Kruger Products is Canada's leading manufacturer of quality tissue products for household, industrial and commercial use. Kruger Products serves the Canadian consumer market with such well-known brands as Cashmere®, Purex®, SpongeTowels®, Scotties®, White Swan® and Bonterra™. In the U.S., Kruger Products manufactures the White Cloud® brand, as well as many private label products. The Away-From-Home division manufactures and distributes high-quality, cost-effective product solutions to a wide range of commercial and public entities. Kruger Products has approximately 2,800 employees and operates nine FSC® COC-certified (FSC® C-104904) production facilities in North America. For more information visit www.krugerproducts.ca.

Non-GAAP Financial Measures

This press release uses certain non-GAAP financial measures which Kruger Products believes provide useful information to management of Kruger Products and the readers of the financial information in measuring the financial performance and financial condition of Kruger Products. These measures do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similarly titled measures presented by other companies. An example of such a measure is Adjusted EBITDA. Adjusted EBITDA is not a measurement of operating performance computed in accordance with GAAP and should not be considered as a substitute for operating income, net income or cash flows from operating activities computed in accordance with GAAP. "Adjusted EBITDA" is calculated by Kruger Products as net income (loss) before (i) interest expense and other finance costs, (ii) income taxes, (iii) depreciation, (iv) amortization, (v) loss on sale of non-financial assets, (vi) loss (gain) on disposal of property, plant and equipment, (vii) foreign exchange loss (gain), (viii) costs related to restructuring activities and (ix) changes in amortized cost of Partnership units liability. A reconciliation of Adjusted EBITDA to the relevant reported results can be found in the Segment and Geographic Results table of this news release.

Forward-Looking Statements

Certain statements in this press release 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. 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, including the moderation of inflationary pressure on input costs and continued inflationary pressure on SG&A as labour, marketing and IT costs continue to rise. 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.

The outlook provided in respect of Adjusted EBITDA¹ for Q2 2024 is forward-looking information and is based on the assumptions and subject to the risk and uncertainties referred to below. The purpose of the outlook is to provide the reader with an indication of management's expectations, at the date of this press release, regarding Kruger Products' future financial performance. Readers are cautioned that this information may not be appropriate for other purposes.

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

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associated with the ownership of the TAD Sherbrooke Project; risks associated with the operation 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.

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 press release and KPT undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent or otherwise, unless required by applicable securities laws.

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Kruger Products Inc.
Unaudited Condensed Consolidated Statements of Financial Position
(thousands of Canadian dollars)

	March 31, 2024	December 31, 2023
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	117,120	135,728
Restricted cash	13,863	12,451
Trade and other receivables	156,356	130,157
Receivables from related parties	596	842
Inventories	271,830	254,372
Income tax recoverable	4,102	4,578
Prepaid expenses	22,289	4,726
	<u>586,156</u>	<u>542,854</u>
Non-current assets		
Property, plant and equipment	1,454,590	1,421,650
Right-of-use assets	98,354	84,866
Other long-term assets	423	3,808
Pensions	89,617	69,839
Goodwill	152,021	152,021
Intangible assets	25,834	26,852
Deferred income taxes	13,250	23,740
Total assets	<u>2,420,245</u>	<u>2,325,630</u>
Liabilities		
Current liabilities		
Trade and other payables	367,405	400,385
Payables to related parties	12,142	10,973
Income tax payable	181	-
Dividends payable	13,914	13,675
Current portion of long-term debt	41,109	35,229
Current portion of lease liabilities	30,956	27,154
Current portion of long-term payable to related party	5,800	5,800
Current portion of provisions	3,619	3,952
	<u>475,126</u>	<u>497,168</u>
Non-current liabilities		
Long-term debt	1,104,962	1,034,016
Long-term lease liabilities	82,498	71,865
Long-term payable to related party	36,151	35,580
Long-term provisions	6,786	5,740
Pensions	18,394	18,935
Post-retirement benefits	47,117	48,699
Total liabilities	<u>1,771,034</u>	<u>1,712,003</u>
Equity		
Share capital	290,187	278,252
Contributed surplus	395,382	395,382
Deficit	(151,748)	(164,029)
Accumulated other comprehensive income	86,483	81,011
Equity attributable to Kruger Products	<u>620,304</u>	<u>590,616</u>
Non-controlling interest	<u>28,907</u>	<u>23,011</u>
Total equity	<u>649,211</u>	<u>613,627</u>
Total equity and liabilities	<u><u>2,420,245</u></u>	<u><u>2,325,630</u></u>

Kruger Products Inc.
Unaudited Condensed Consolidated Statements of Income (Loss)
(thousands of Canadian dollars)

	3-month period ended March 31, 2024	3-month period ended March 31, 2023
	\$	\$
Revenue	479,432	450,992
Expenses		
Cost of sales	394,003	389,024
Selling, general and administrative expenses	44,142	36,264
Restructuring costs, net	216	1,139
Operating income	41,071	24,565
Interest expense and other finance costs	16,280	16,524
Other expense (income)	8,473	(416)
Income before income taxes	16,318	8,457
Current tax expense	769	209
Deferred tax expense	5,471	58,364
Income tax expense	6,240	58,573
Net income (loss) including non-controlling interest	10,078	(50,116)
Net income (loss) attributable to non-controlling interest	1,122	(855)
Net income (loss) attributable to Kruger Products	8,956	(49,261)

Kruger Products Inc.
Unaudited Condensed Consolidated Statements of Cash Flows
(thousands of Canadian dollars)

	3-month period ended March 31, 2024	3-month period ended March 31, 2023
	\$	\$
Cash flows from (used in) operating activities		
Net income (loss) including non-controlling interest	10,078	(50,116)
Items not affecting cash		
Depreciation	24,451	23,189
Amortization	1,065	1,065
Loss (gain) on sale of property, plant and equipment	271	(5)
Loss (gain) on disposal of leased assets	632	(488)
Foreign exchange loss (gain)	9,355	(416)
Interest expense and other finance costs	16,280	16,524
Pension and post-retirement benefits	2,576	1,888
Provisions	1,073	1,431
Income tax expense	6,240	58,573
Loss on sale of non-financial assets	12	3
Total items not affecting cash	61,955	101,764
Net change in non-cash working capital	(86,070)	(51,449)
Contributions to pension and post-retirement benefit plans	(1,153)	(2,518)
Provisions paid	(470)	(689)
Income tax payments, net	(340)	163
Net cash used in operating activities	(16,000)	(2,845)
Cash flows from (used in) investing activities		
Purchases of property, plant and equipment	(4,041)	(4,011)
Purchases of property, plant and equipment related to the Sherbrooke Expansion Project	(45,873)	(31,662)
Interest paid on credit facilities related to the Sherbrooke Expansion Project	(116)	(97)
Government assistance received	-	1,250
Purchases of software	(47)	(71)
Proceeds on sale of property, plant and equipment	(4)	5
Net cash used in investing activities	(50,081)	(34,586)
Cash flows from (used in) financing activities		
Proceeds from long-term debt	74,864	35,501
Repayment of long-term debt	(7,147)	(8,695)
Payment of deferred financing fees	(864)	(246)
Payment of lease liabilities	(8,650)	(6,750)
Change in Restricted cash	(1,412)	(1,225)
Interest paid on long-term debt	(8,863)	(13,719)
Dividends paid, net	(1,753)	(1,743)
Net cash from financing activities	46,175	3,123
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	1,298	(37)
Decrease in cash and cash equivalents during the period	(18,608)	(34,345)
Cash and cash equivalents - Beginning of period	135,728	71,261
Cash and cash equivalents - End of period	117,120	36,916

Kruger Products Inc.
Unaudited Segment and Geographic Results
(thousands of Canadian dollars)

	3-month period ended March 31, 2024	3-month period ended March 31, 2023
	\$	\$
<i>Segment Information</i>		
Segment Revenue		
Consumer	404,289	376,520
AFH	75,143	74,472
Revenue from external customers	<u>479,432</u>	<u>450,992</u>
Adjusted EBITDA		
Consumer	62,662	51,334
AFH	7,770	884
Corporate and other costs	(3,345)	(2,262)
Total Adjusted EBITDA	<u>67,087</u>	<u>49,956</u>
Reconciliation to net income (loss):		
Depreciation and amortization	25,516	24,254
Interest expense and other finance costs	16,280	16,524
Loss (gain) on sale of property, plant and equipment	271	(5)
Loss on sale of non-financial assets	12	3
Change in amortized cost of Partnership unit liability	(881)	-
Restructuring costs, net	216	1,139
Foreign exchange loss (gain)	9,355	(416)
Income before income taxes	<u>16,318</u>	<u>8,457</u>
Income tax expense	6,240	58,573
Net income (loss) including non-controlling interest	<u>10,078</u>	<u>(50,116)</u>
<i>Geographic Revenue</i>		
Canada	266,172	260,780
US	213,260	190,212
Total revenue	<u>479,432</u>	<u>450,992</u>

KP Tissue Inc.
Unaudited Condensed Statements of Financial Position
(thousands of Canadian dollars)

	March 31, 2024	December 31, 2023
	<u>\$</u>	<u>\$</u>
Assets		
Current assets		
Dividends receivable	1,794	1,793
Income taxes recoverable	567	652
	<u>2,361</u>	<u>2,445</u>
Non-current assets		
Investment in associate	70,659	68,162
Total assets	<u>73,020</u>	<u>70,607</u>
Liabilities		
Current liabilities		
Dividend payable	1,794	1,793
Payable to investee	511	457
Total liabilities	<u>2,305</u>	<u>2,250</u>
Equity		
Common shares	22,601	22,560
Contributed surplus	144,819	144,819
Deficit	(113,464)	(115,027)
Accumulated other comprehensive income	16,759	16,005
Total equity	<u>70,715</u>	<u>68,357</u>
Total liabilities and equity	<u>73,020</u>	<u>70,607</u>

KP Tissue Inc.
Unaudited Condensed Statements of Income (Loss)
(thousands of Canadian dollars, except share and per share amounts)

	3-month period ended March 31, 2024	3-month period ended March 31, 2023
	\$	\$
Share of income (loss)	1,155	(6,755)
Depreciation of fair value increments	<u>(286)</u>	<u>(304)</u>
Equity income (loss)	869	(7,059)
Dilution gain	<u>262</u>	<u>273</u>
Income (loss) before income taxes	1,131	(6,786)
Deferred tax expense	<u>-</u>	<u>3,892</u>
Net income (loss)	<u>1,131</u>	<u>(10,678)</u>
Basic earnings (loss) per share	<u>0.11</u>	<u>(1.07)</u>
Weighted average number of shares outstanding	<u>9,967,576</u>	<u>9,949,878</u>

KP Tissue Inc.
Unaudited Condensed Statements of Cash Flows
(thousands of Canadian dollars)

	3-month period ended March 31, 2024	3-month period ended March 31, 2023
	\$	\$
Cash flows from (used in) operating activities		
Net income (loss)	1,131	(10,678)
Items not affecting cash		
Equity loss (income)	(869)	7,059
Dilution gain	(262)	(273)
Deferred tax expense	-	3,892
Total items not affecting cash	(1,131)	10,678
Decrease in payable to investee	(84)	-
Tax refunds , net	84	-
Net cash from (used in) operating activities	-	-
Cash flows from investing activities		
Dividends received, net	1,752	1,742
Net cash from investing activities	1,752	1,742
Cash flows used in financing activities		
Dividends paid, net	(1,752)	(1,742)
Net cash used in financing activities	(1,752)	(1,742)
Increase (decrease) in cash and cash equivalents during the period	-	-
Cash and cash equivalents - Beginning of period	-	-
Cash and cash equivalents - End of period	-	-