Clearwater Paper Corporation

SECOND QUARTER 2020
EARNINGS RELEASE MATERIALS
AUGUST 4, 2020

ARSEN S. KITCH
PRESIDENT, CHIEF EXECUTIVE OFFICER AND DIRECTOR

MICHAEL J. MURPHY
SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Forward-Looking Statements

Cautionary Statement Regarding Forward Looking Statements

This presentation of supplemental information contains, in addition to historical information, certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our response to COVID-19 and the impact of COVID-19 on consumer behavior, our business and operations; industry trends in response to COVID-19; improvements to our cost structure; Q3 2020 outlook for Adjusted EBITDA; our assumptions for full year 2020 expenses including interest, capital, depreciation and amortization and income tax; the operational and financial benefits from the Shelby expansion; our capital structure and liquidity; our near-term capital allocation objectives; our scheduled debt maturity; and near-term strategic positioning and market assessment. These forward-looking statements are based on management's current expectations, estimates, assumptions and projections that are subject to change. Our actual results of operations may differ materially from those expressed or implied by the forward-looking statements contained in this presentation. Important factors that could cause or contribute to such differences include the risks and uncertainties described from time to time in the company's public filings with the Securities and Exchange Commission, including but not limited to the following: impact of COVID-19 on our operations and our supplier's operations and on customer demand; competitive pricing pressures for our products, including as a result of increased capacity as additional manufacturing facilities are operated by our competitors and the impact of foreign currency fluctuations on the pricing of products globally; the loss of, changes in prices in regard to, or reduction in, orders from a significant customer; changes in the cost and availability of wood fiber and wood pulp; changes in transportation costs and disruptions in transportation services; changes in customer product preferences and competitors' product offerings; larger competitors having operational and other advantages; customer acceptance and timing and quantity of purchases of our tissue products, including the existence of sufficient demand for and the quality of tissue produced by our expanded Shelby, North Carolina operations; consolidation and vertical integration of converting operations in the paperboard industry; our ability to successfully implement our operational efficiencies and cost savings strategies, along with related capital projects, and achieve the expected operational or financial results of those projects, including from the continuous digester at our Lewiston, Idaho facility; changes in the U.S. and international economies and in general economic conditions in the regions and industries in which we operate; manufacturing or operating disruptions, including IT system and IT system implementation failures, equipment malfunctions and damage to our manufacturing facilities; cyber-security risks; changes in costs for and availability of packaging supplies, chemicals, energy and maintenance and repairs; labor disruptions; cyclical industry conditions; changes in expenses, required contributions and potential withdrawal costs associated with our pension plans; environmental liabilities or expenditures; reliance on a limited number of third-party suppliers for raw materials; our ability to attract, motivate, train and retain qualified and key personnel; our substantial indebtedness and ability to service our debt obligations; restrictions on our business from debt covenants and terms; negative changes in our credit agency ratings; and changes in laws, regulations or industry standards affecting our business.

Forward-looking statements contained in this presentation present management's views only as of the date of this presentation. We undertake no obligation to publicly update forward-looking statements, to retract future revisions of management's views based on events or circumstances occurring after the date of this presentation.

Non-GAAP Financial Measures

This presentation include certain financial measures that are not calculated in accordance with GAAP, including Adjusted EBITDA, Adjusted Income, Net debt and Free Cash Flow. The Company's management believes that the presentation of these financial measures provides useful information to investors because these measures are regularly used by management in assessing the Company's performance. These financial measures should be considered in addition to results prepared in accordance with GAAP but should not be considered substitutes for or superior to GAAP results. In addition, these non-GAAP financial measures may not be comparable to similarly-titled measures utilized by other companies, since such other companies may not calculate such measure in the same manner as we do. A reconciliation of these measures (Adjusted EBITDA, Adjusted Income, Net debt and Free Cash flow) to the most relevant GAAP measure is available in the appendix of this presentation with the exception of forward looking non-GAAP measures contained in our Outlook, which the company cannot reconcile to forward-looking GAAP results without unreasonable effort.

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Q2 2020 Business Highlights

Overall

- Record Net Income of $23 million and record Adjusted EBITDA of $79 million
- Generated $100 million in free cash flow

Consumer Products

- Increased production to meet elevated demand in Q2 with significant cost leverage
- Supply chain was resilient with elevated sales and limited inventories
- Shelby II paper machine full run rate achieved

Paperboard

- Stable quarter
- Managed uneven end market segments

Capital Structure

- Reduced net debt over $100 million and increased liquidity to $264 million









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Q2 2020 Operational Update

Committed to protecting our two most important assets: our employees and our customer relationships

Taking care of our employees:

- Temperature checks and sanitation practices
- Social distancing and face covering requirements
- Remote work access and travel restrictions
- Enhanced benefits

Focusing on business continuity and customer service:

- Avoided material disruption in Q2 2020 production and supply chain
- Creative solutions to optimize shipments were highly successful
- Clearwater Paper's reputation for reliability grew in Q2 2020

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Business Update – Consumer Products

Elevated demand for tissue continued into Q2 2020 but at more sustainable pace in June and July

Industry

- Pre-COVID: ~10 million ton North America demand with ~2/3 at home and ~1/3 away from home
- COVID pandemic is leading to shift to at-home demand
- Rationalized products to increase throughput to meet elevated demand

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- Q2 20 shipments were 16.0 million cases compared to 12.5 million in Q2 19 and 15.2 million in Q1 20, driven by COVID related demand and new customer programs
- Increased production levels led to higher fixed cost absorption
- Shelby II paper machine reached run rate
- Joanne Shufelt promoted to SVP and general manager of tissue business

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Business Update - Paperboard

Diversified range of end-market products and flexibility in our supply chain provided overall stable financial results

Industry

- We estimate ~2/3 of industry demand is driven by recession resilient end-market segments, such as food packaging and other consumer goods
- ~1/3 of demand is exposed to discretionary end-market segments, including food service, commercial print, luxury packaging etc.

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- Sales volumes were 2% lower volumes vs. Q1 20 and 8% lower than Q2 19
- Sales volume declined Q2 20 vs. Q2 19 driven by one-time items in Q2 19 and utility outages affecting production at Cypress Bend facility in Q2 20
- Order backlogs, which were above our seasonal averages at the beginning of the quarter, are now in line with previous years
- Launched ReMagine™ brand for SBS folding carton paperboard with up to 30% recycled content

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Financial Performance

($ in millions, except per share amounts)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net Sales	$ 480.5	$ 452.0	$ 958.4	$ 880.8
Cost of Sales	396.7	409.8	819.7	794.1
Selling, general and adminstrative	32.6	26.5	60.1	56.9
Other operating charges, net	3.0	0.4	11.5	0.1
Income from operations	48.1	15.3	67.0	29.7
Non-operating expense	(14.9)	(12.4)	(29.6)	(22.2)
Income tax provision	10.4	3.3	4.2	4.0
Net income (loss)	$ 22.8	$ (0.4)	$ 33.1	$ 3.4
Diluted income per share	$ 1.36	$ (0.03)	$ 1.99	$ 0.21
Non-GAAP earnings per share	$ 1.67	$ 0.15	$ 2.24	$ 0.34

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Revenue, Income and Adjusted EBITDA by Segment

$ in millions

	Quarter Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net Sales				
Consumer Products	$ 275.1	$ 224.3	$ 540.8	$ 447.7
Paperboard	205.4	227.7	417.6	433.1
	$ 480.5	$ 452.0	$ 958.4	$ 880.8
Operating Income				
Consumer Products	$ 36.6	$ (5.1)	$ 50.9	$ (3.9)
Paperboard	32.2	33.6	58.7	63.0
Corporate and other	(17.6)	(12.7)	(31.1)	(29.3)
Other operating charges, net	(3.0)	(0.4)	(11.5)	(0.1)
	$ 48.1	$ 15.3	$ 67.0	$ 29.7
Adjusted EBITDA				
Consumer Products	$ 53.7	$ 12.3	$ 85.3	$ 28.2
Paperboard	41.4	43.1	77.2	82.0
Corporate and other	(16.2)	(11.1)	(28.1)	(26.1)
	$ 79.0	$ 44.3	$ 134.3	$ 84.1

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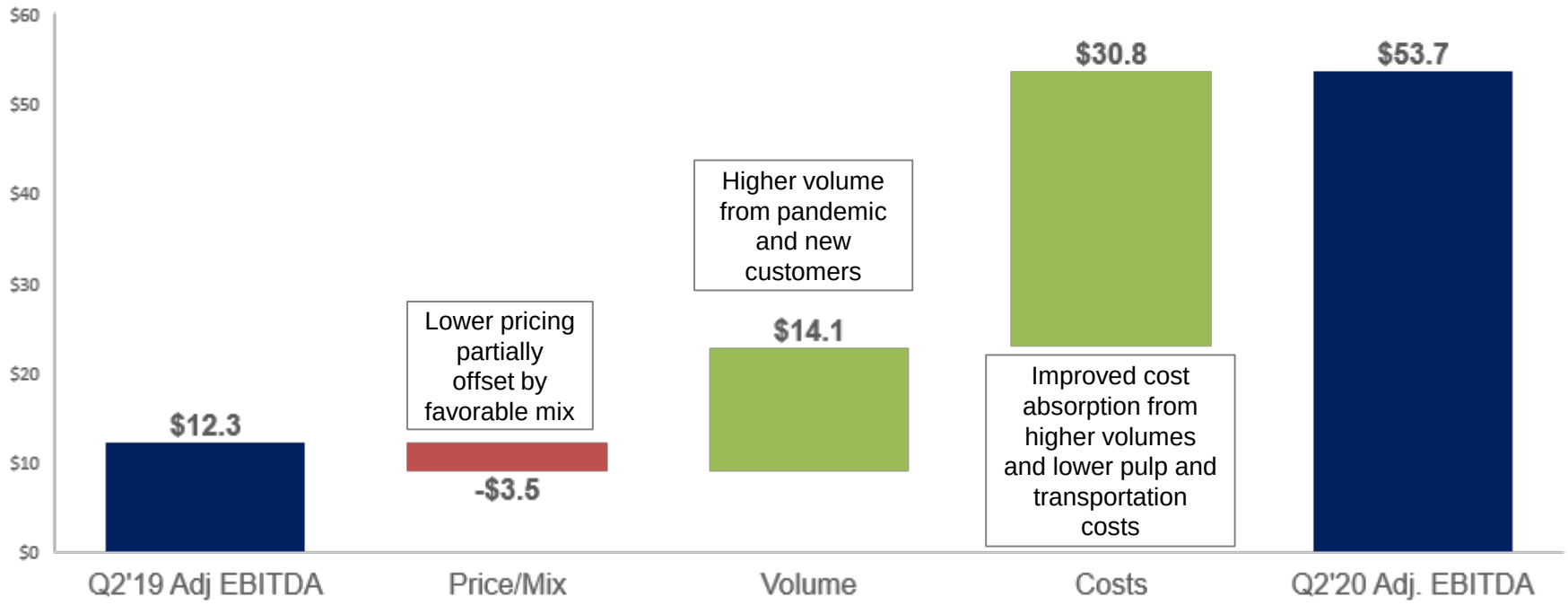
Consumer Products Results

Q2 2020 vs. Q2 2019 Segment Adjusted EBITDA

($ in millions)



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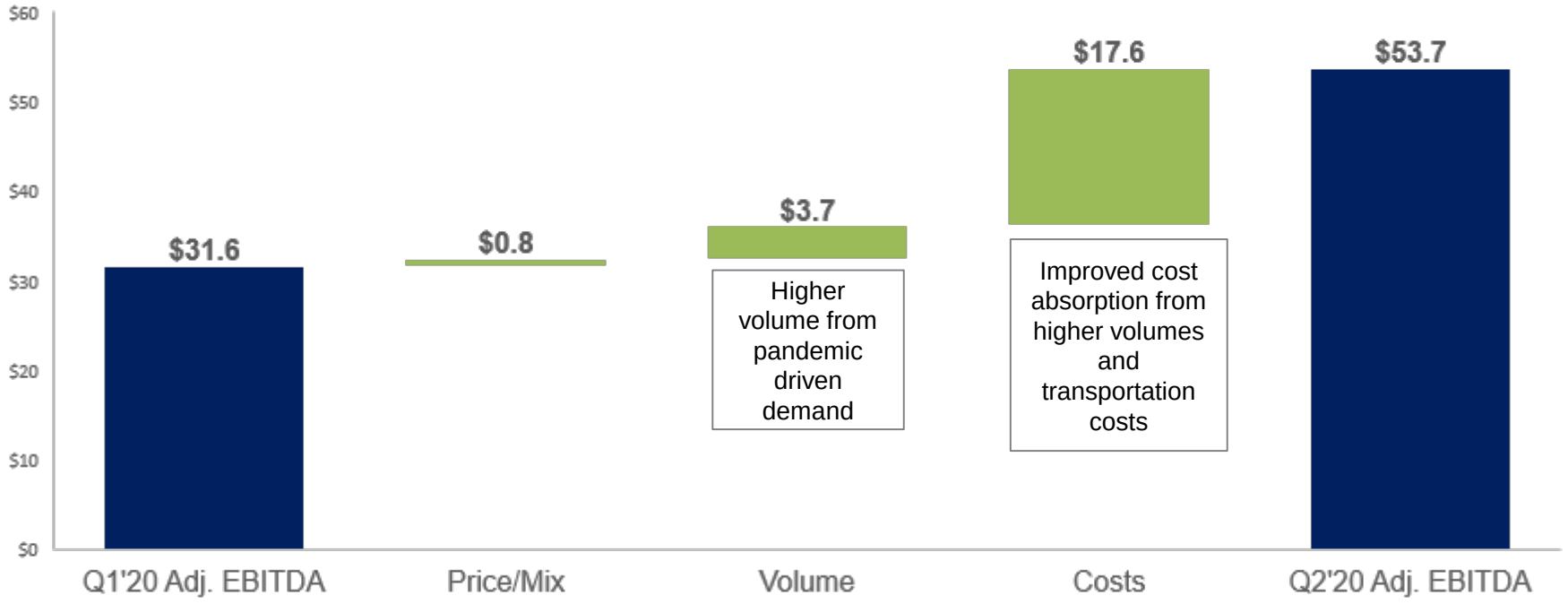
Consumer Products Sequential Quarter Results

Q2 2020 vs. Q1 2020 Segment Adjusted EBITDA

($ in millions)



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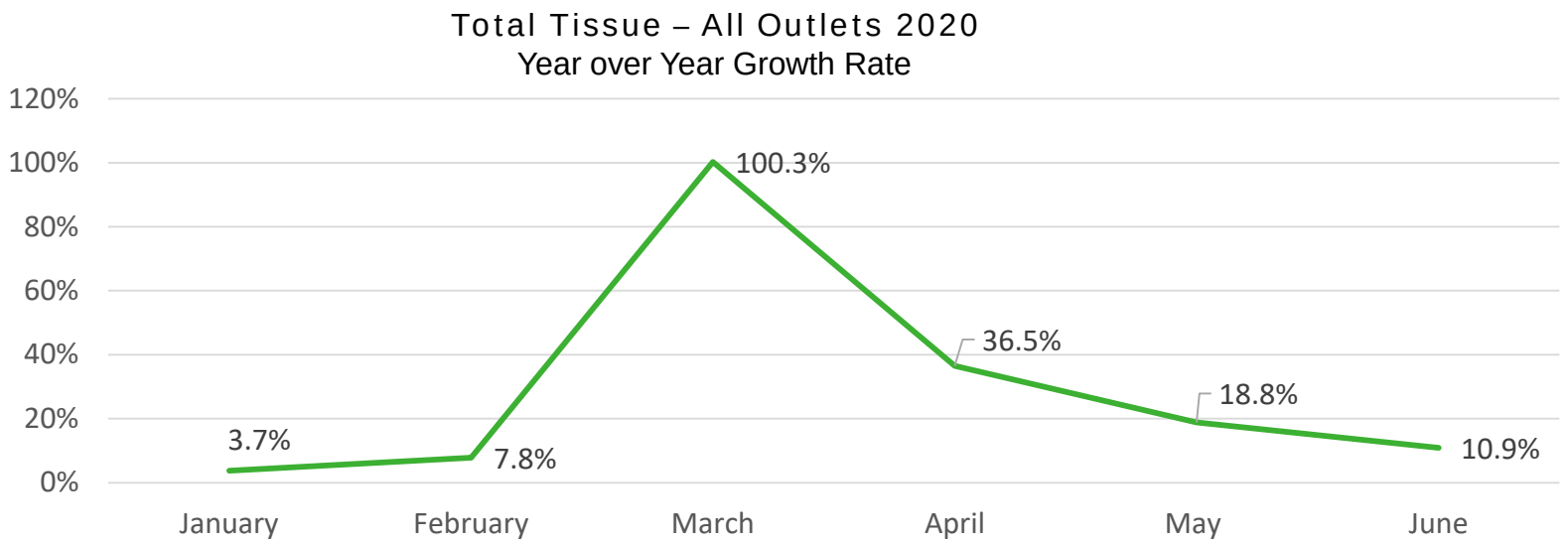
Consumer Products Sales and Production

In millions	Q2 2019	Q1 2020	Q2 2020	% changes Q2 2020 vs Q2 2019	% changes Q2 2020 vs Q1 2020
Sales, Cases	12.5	15.2	16.0	28.2%	5.3%
Production, Cases	12.8	13.9	15.9	24.4%	14.0%
Adjusted EBITDA	$ 12.3	$ 31.6	$ 53.7	337.8%	70.1%



Data Source: IRI Consumer Panel Data; Total US – All Outlets; 2020 YTD Week Ending June 28th

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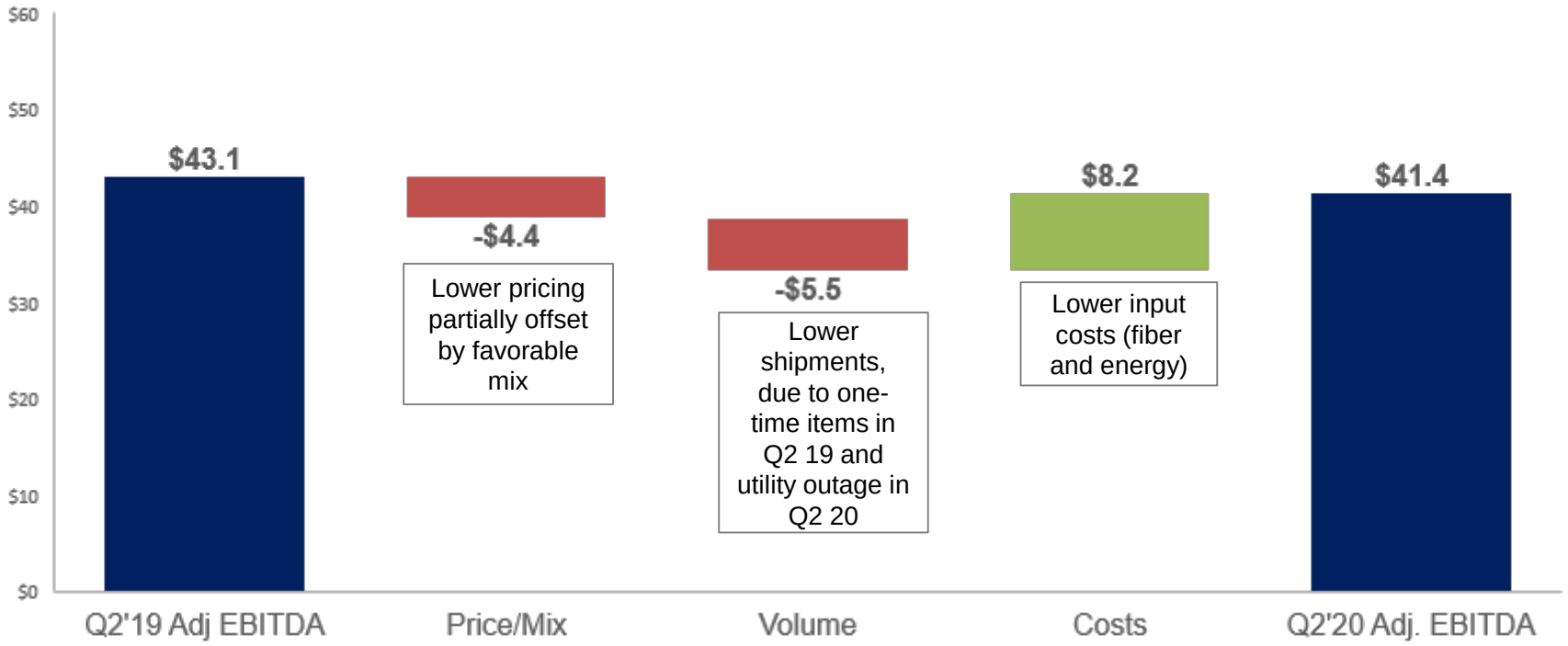
Paperboard Results

Q2 2020 vs. Q2 2019 Segment Adjusted EBITDA

($ in millions)



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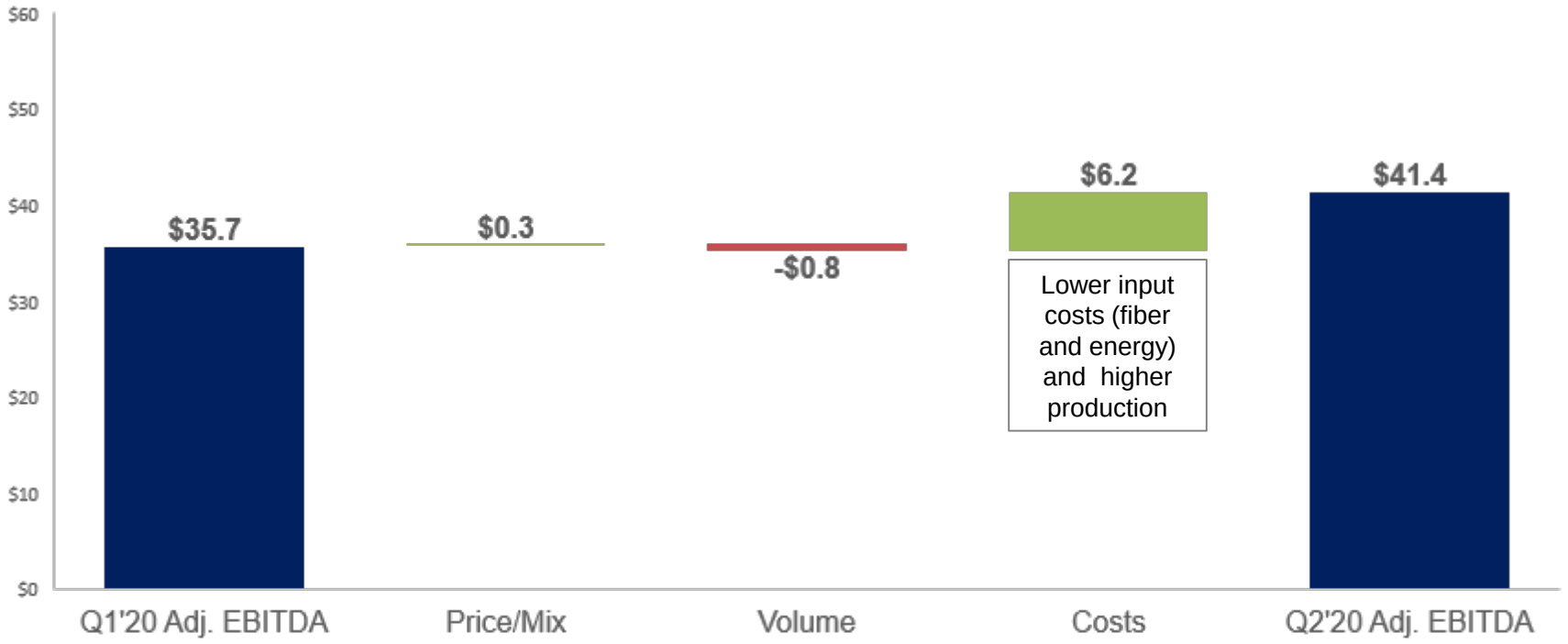
Paperboard Sequential Quarter Results

Q2 2020 vs. Q1 2020 Segment Adjusted EBITDA

($ in millions)



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Outlook

Q3 20: $64 to $74 million of Adjusted EBITDA

- Tissue sales volume expected to be up year over year but at a lower growth rate than the second quarter of 2020

Other FY 20 assumptions

- $48 - $50M interest expense
- $45 - $50M capital expense
- $109 - $112M depreciation and amortization expense
- We expect our recorded tax refunds will fully offset any cash taxes owed for 2020
- On track to achieve operational and financial benefits from Shelby expansion

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Capital Structure and Allocation

Capital structure: supportive and stable

- Capital structure provides ample liquidity
- No material near-term debt maturities
- Corporate/Issuer ratings: Ba2/BB-

Liquidity Profile ($ in millions)[1]	
ABL Availability	$220.6
Less Utilization	(4.4)
Plus Unrestricted Cash	48.2
Liquidity	**$264.4**

Capital allocation objectives

- Free cash flow to opportunistically reduce debt
  - Second quarter used $100 million to reduce net debt
- Target net debt to adjusted EBITDA ratio of 2.5x
- Large capital spend complete
  - Normalized $60 million / year
  - 2020 is $45-50 million

Scheduled Debt Maturity Profile ($ in millions)[2]



[1] Note: ABL availability based on borrowing base calculations and consolidated balance sheet as of June 30, 2020, and utilization includes ABL borrowing of $0 million and outstanding letters of credit of $4.4 million.
[2] Note: This chart excludes finance leases as of June 30, 2020 and assumes that the notes due in 2023 and 2025 are repaid or refinanced at least 91 days prior to their respective maturities. Current maturities and related interest rates are as follows: 2013 Notes, 4.5% due 2023; $275M; 2014 Notes, 5.4% due 2025, $300M; Term Loan, 4.3% due 2026

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Clearwater Paper Value Proposition

Well positioned across two attractive businesses

Consumer Products:

- Leading private brand provider with national scale & superior supply chain performance
- Shift to private-branded over branded product continues with long runway
- Tissue is need-based and economically resilient

Paperboard:

- Diversified range of end-market, well-invested national footprint
- Focused on non-integrated customers with strong service and quality commitment
- Well positioned for trends towards sustainable packaging and food service products

Near-term strategy is to prioritize free cash flow, reduce debt

- Deliver benefits from Shelby expansion including incremental production, sales and supply chain
- Operational improvements
- Aggressively manage working capital
- Prudent capital allocation

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Appendix

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Key Segment Sales Information

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Consumer Products						
Shipments in short tons						
Retail	73,356	76,175	79,526	79,748	90,791	95,432
Non-Retail (away from home and parent rolls)	10,266	6,623	6,882	8,393	9,002	5,812
Sales Price per short ton						
Retail	$ 2,789	$ 2,764	$ 2,707	$ 2,698	$ 2,732	$ 2,729
Non-Retail (away from home and parent rolls)	$ 1,799	$ 1,851	$ 1,805	$ 1,590	$ 1,548	$ 1,746
Converted Products (cases in thousands)	12,320	12,488	13,162	13,290	15,204	16,016
Pulp and Paperboard						
Shipments (short tons)	202,834	225,188	214,537	202,102	211,296	207,420
Sales price ($/short ton)	$ 1,001	$ 1,004	$ 1,004	$ 1,009	$ 999	$ 984

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Reconciliation of Adjusted EBITDA

($ in millions)

	Three Months Ended June 30,		March 31,	Six Months Ended June 30,	
	2020	2019	2020	2020	2019
Net income (loss)	$ 22.8	$ (0.4)	$ 10.3	$ 34.5	$ 3.4
Income tax provision	10.4	3.3	(6.2)	4.7	4.0
Interest expense, net	12.0	10.9	12.8	24.9	19.4
Depreciation and amortization expense	27.8	28.5	28.0	55.8	54.3
Other operating charges, net	3.0	0.4	8.6	11.5	0.1
Other non-operating expense	2.0	1.5	1.9	3.8	2.8
Debt retirement costs	1.0	-	-	1.0	-
Adjusted EBITDA	$ 79.0	$ 44.3	$ 55.4	$ 136.2	$ 84.1
Consumer Products segment income	$ 36.6	$ (5.1)	$ 14.3	$ 52.1	$ (3.9)
Depreciation and amortization	17.1	17.4	17.3	34.4	32.1
Adjusted EBITDA Consumer Products segment	$ 53.7	$ 12.3	$ 31.6	$ 86.5	$ 28.2
Paperboard segment income	$ 32.2	$ 33.6	$ 26.5	$ 59.4	$ 63.0
Depreciation and amortization	9.2	9.5	9.3	18.5	19.0
Adjusted EBITDA Paperboard segment	$ 41.4	$ 43.1	$ 35.8	$ 77.8	$ 82.0
Corporate and other expense	$ (17.6)	$ (12.7)	$ (13.4)	$ (31.1)	$ (29.3)
Depreciation and amortization	1.5	1.6	1.4	3.0	3.2
Adjusted EBITDA Corporate and other	$ (16.2)	$ (11.1)	$ (12.0)	$ (28.1)	$ (26.1)
Consumer Products segment	$ 53.7	$ 12.3	$ 31.6	$ 86.5	$ 28.2
Paperboard segment	41.4	43.1	35.8	77.8	82.0
Corporate and other	(16.2)	(11.1)	(12.0)	(28.1)	(26.1)
Adjusted EBITDA	$ 79.0	$ 44.3	$ 55.4	$ 136.2	$ 84.1

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Reconciliation of Adjusted Income

($ in millions, except per share amounts)

	Three Months ended June		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income	$ 22.8	$ (0.4)	$ 33.1	$ 3.4
Add back:				
Income tax provision	10.4	3.3	4.2	4.0
Income before income taxes	33.2	2.9	37.3	7.4
Add back:				
Debt retirement costs	1.0	-	1.0	-
Other operating charges, net	3.0	0.4	11.5	0.1
Adjusted net income before tax	37.2	3.3	49.8	7.5
Normalized income tax provision	9.3	0.8	12.5	1.9
Adjusted net income	$ 27.9	$ 2.5	$ 37.4	$ 5.6
Weighted average diluted shares	16,686	16,539	16,644	16,552
Adjusted net income per diluted share	$ 1.67	$ 0.15	$ 2.24	$ 0.34

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Additional Reconciliations

($ in millions)

Reconciliation of Net Debt

	December 31, 2019	March 30, 2020	June 30, 2020
Cash	$ 20.0	$ 60.8	$ 48.2
Current debt	17.9	58.1	1.6
Long-term debt	884.5	883.9	827.9
add:			
Deferred debt costs	8.1	7.7	6.4
less:			
Financing leases	(22.0)	(22.0)	(21.6)
	888.5	927.7	814.3
Net debt	**$ 868.5**	**$ 866.9**	**$ 766.1**

Reconciliation of Free Cash Flow

	Q2 2019	Q1 2020	Q2 2020
Cash from operations	$ 44.1	$ 12.1	$ 109.0
Additions to property, plant and equipment	(36.8)	(10.5)	(7.3)
Free cash flow	**$ 7.3**	**$ 1.6**	**$ 101.7**

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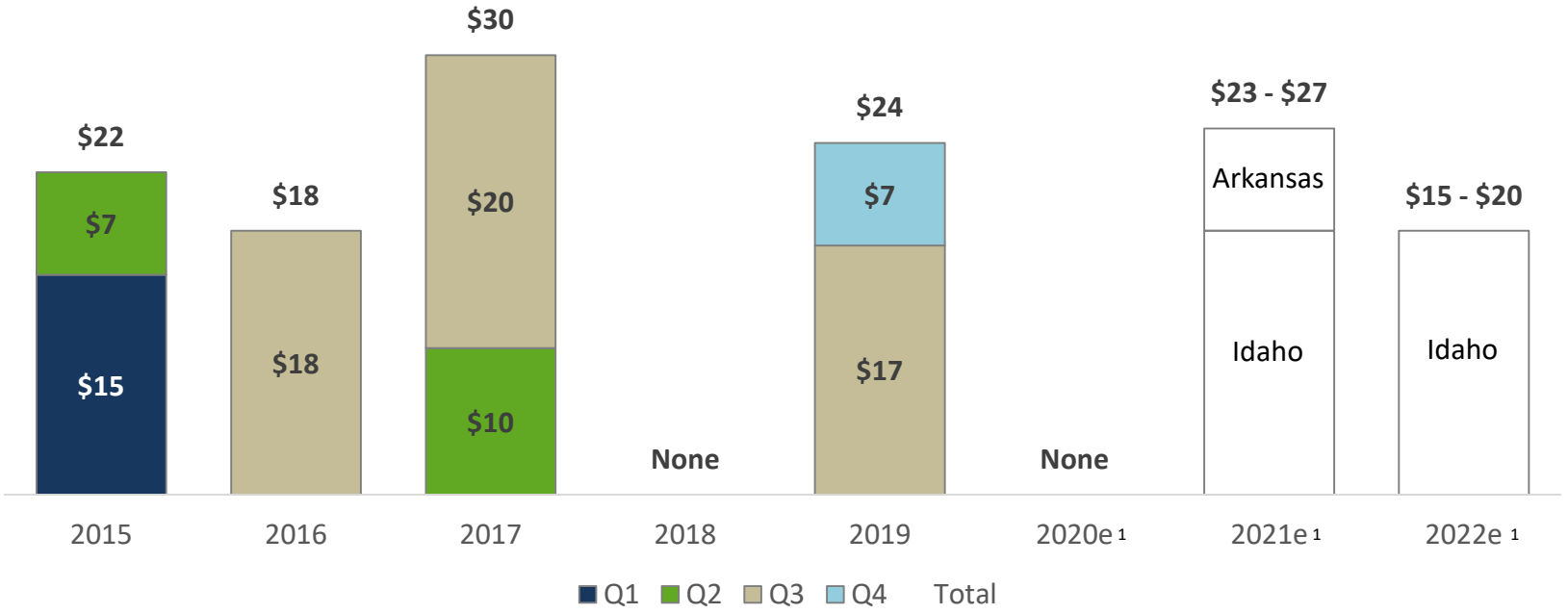
Major Maintenance Schedule

($ in millions)



[1] This information is based upon management's current expectations and estimates, as well as historical averages. Many factors are outside the control of management, and actual results may differ materially from the information set forth above. See "Forward-Looking Statements" on page 2.

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