







CLEARWATER PAPER®

CLEARWATER PAPER CORPORATION

FOURTH QUARTER EARNINGS RELEASE MATERIALS FEBRUARY 14, 2023

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 order patterns; product demand and industry trends; production targets; impact of announced price increases, including expectations of implementation; impact of inflation of raw material, energy and freight costs; assumptions for Q1 2023 and full year 2023, including maintenance outage impacts, operational factors, interest, capital, inflation, depreciation and amortization and income tax; our capital allocation objectives; our strategy, including achieving target level ratio, maintaining liquidity, and prioritizing free cash flow; expectations regarding the paperboard markets and tissue markets; and repurchases under existing share buyback authorization. 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: 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; consolidation and vertical integration of converting operations in the paperboard industry; 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 equipment malfunctions and damage to our manufacturing facilities; cyber-security risks; labor disruptions; cyclical industry conditions; changes in expenses, required contributions and potential withdrawal costs associated with our pension plans; environmental liabilities or expenditures and climate change; reliance on a limited number of third-party suppliers for raw materials; our ability to attract, motivate, train and retain qualified and key personnel; ability to service our debt obligations; restrictions on our business from debt covenants and terms; changes in our banking relations; 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 or to retract future revisions of management's views based on events or circumstances occurring after the date of this presentation.

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This presentation include certain financial measures that are not calculated in accordance with GAAP, including Adjusted EBITDA, Adjusted Income, Adjusted income per diluted share, free cash flow and net debt. 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, Adjusted income per share, free cash flow and net debt) to the most relevant GAAP measure is available in the appendix of this presentation.

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Q4 2022 AND FULL YEAR 2022 BUSINESS HIGHLIGHTS

Overall

- Net sales $527 million for Q4, $2.1 billion for 2022
- Net loss $6 million for Q4, net income $46 million for 2022
- Adjusted net loss $5 million for Q4, adjusted net income $63 million for 2022
- Adjusted EBITDA $28 million for Q4, $227 million for 2022
- Inflation pressures across both businesses

Pulp and Paperboard

- SBS prices increased, partly offset by inflation
- Completion of Lewiston major maintenance ($28 million Adjusted EBITDA impact)

Consumer Products

- Tissue prices increased, offset by inflation
- Demand for private branded products increasing

Capital Structure

- Reduced net debt by $108 million for 2022
- Continued to maintain strong financial flexibility



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BUSINESS UPDATE – PULP AND PAPERBOARD

PRICING OFFSETTING INFLATION, DRIVING STRONG RESULTS

Industry

- Demand and order backlogs moderated later in the year
- While inflation and economic uncertainty exist, end markets tend to be economically resilient
- RISI reported market price increases
  - $250/ton in 2021, $100/ton in Q1 2022, $100/ton in Q2 2022 and $30/ton in Q4 2022

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- Demand and order backlogs moderated
- Continued benefits from previously announced price increases
- Inflation across raw materials and energy
- Lewiston outage was $5 million above estimates, operational and weather related issues impacted mills
- Next Lewiston major maintenance outage anticipated in early 2024

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BUSINESS UPDATE – CONSUMER PRODUCTS

SHIPMENTS STRENGTHEN

Industry

- Consumers shifting to private brands with economic uncertainty and inflation
- Private brand market share rising to 35.5%[1]

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- Strong demand with Q4 2022 shipments of 13.0 million cases compared to 12.4 million in Q4 2021
- Solid operational performance
- Inflation across raw materials and energy
- Implementing previously announced price increases

1 IRI panel data for dollar share as of January 2023

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FINANCIAL PERFORMANCE

($ IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Quarter Ended Dec. 31,		Year Ended Dec. 31,	
	2022	2021	2022	2021
Net sales	$ 526.7	$ 489.8	$ 2,080.1	$ 1,772.6
Cost of sales	491.4	429.1	1,823.4	1,590.0
Selling, general and adminstrative	33.5	30.5	133.0	112.9
Other operating charges, net	1.2	2.6	9.7	57.7
Income from operations	0.6	27.6	113.9	12.0
Non-operating expense	(8.8)	(12.0)	(40.9)	(47.7)
Income tax provision (benefit)	(2.3)	6.1	27.0	(7.7)
Net income (loss)	$ (5.9)	$ 9.6	$ 46.0	$ (28.1)
Diluted income (loss) per share	$ (0.34)	$ 0.56	$ 2.68	$ (1.67)
Adjusted income (loss) per share	$ (0.30)	$ 0.82	$ 3.63	$ 1.03
Adjusted EBITDA	$ 27.8	$ 55.6	$ 226.9	$ 174.6

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SEGMENT PROFIT AND LOSS AND ADJUSTED EBITDA

($ IN MILLIONS)

	Quarter Ended Dec. 31,		Year Ended Dec. 31,	
	2022	**2021**	**2022**	**2021**
Net Sales				
Pulp and Paperboard	$ 273.5	$ 261.3	$ 1,136.3	$ 946.0
Consumer Products	254.1	231.8	950.2	835.0
Eliminations	(0.9)	(3.3)	(6.4)	(8.4)
	$ 526.7	**$ 489.8**	**$ 2,080.1**	**$ 1,772.6**
Operating Income				
Pulp and Paperboard	$ 17.5	$ 53.1	$ 183.5	$ 125.7
Consumer Products	1.6	(7.5)	11.3	4.0
Corporate and other	(17.3)	(15.3)	(71.1)	(60.1)
Other operating charges, net	(1.2)	(2.6)	(9.7)	(57.7)
	$ 0.6	**$ 27.6**	**$ 113.9**	**$ 12.0**
Adjusted EBITDA				
Pulp and Paperboard	$ 26.7	$ 61.9	$ 220.4	$ 161.4
Consumer Products	17.6	8.0	74.2	69.0
Corporate and other	(16.6)	(14.3)	(67.7)	(55.7)
	$ 27.8	**$ 55.6**	**$ 226.9**	**$ 174.6**

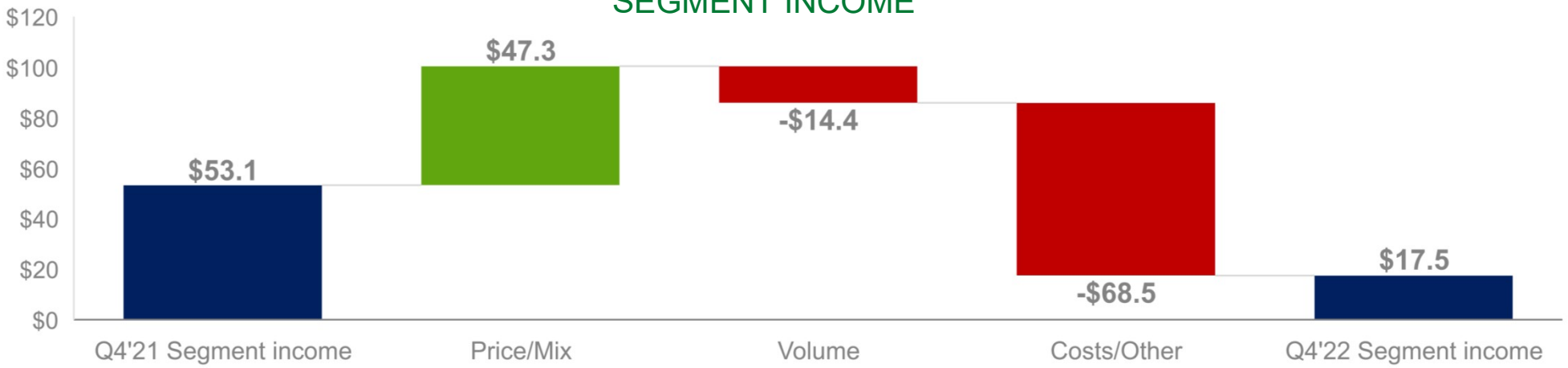
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PULP AND PAPERBOARD Q4 2022 RESULTS

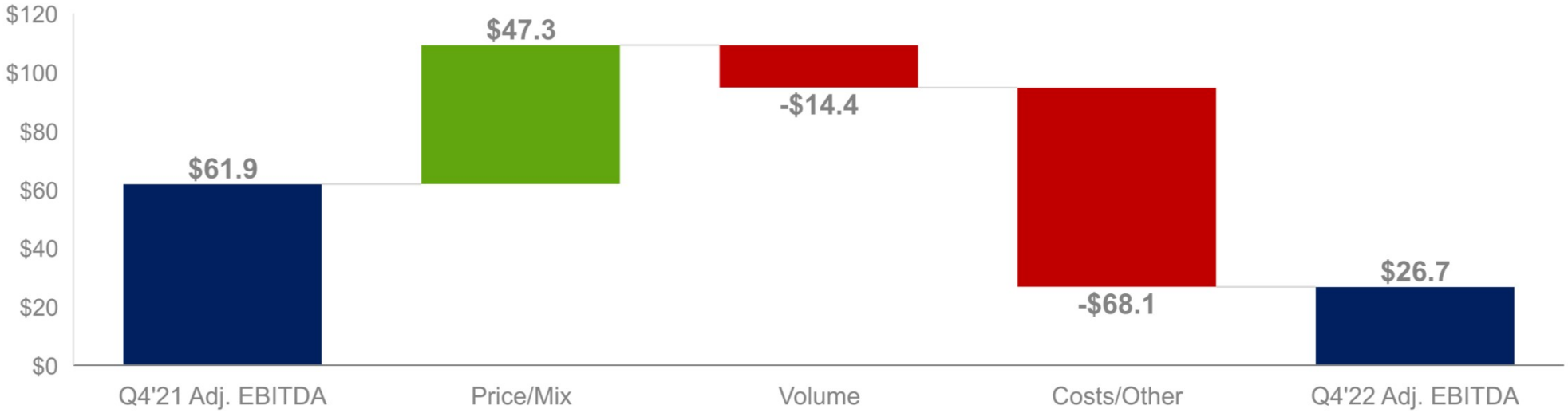
Q4 2022 VS. Q4 2021 SEGMENT RESULTS

($ IN MILLIONS)

SEGMENT INCOME



SEGMENT ADJUSTED EBITDA



Note: Q4’22 had a major maintenance outage which impacted Adjusted EBITDA by $28 million and we had no major maintenance outages in prior period.

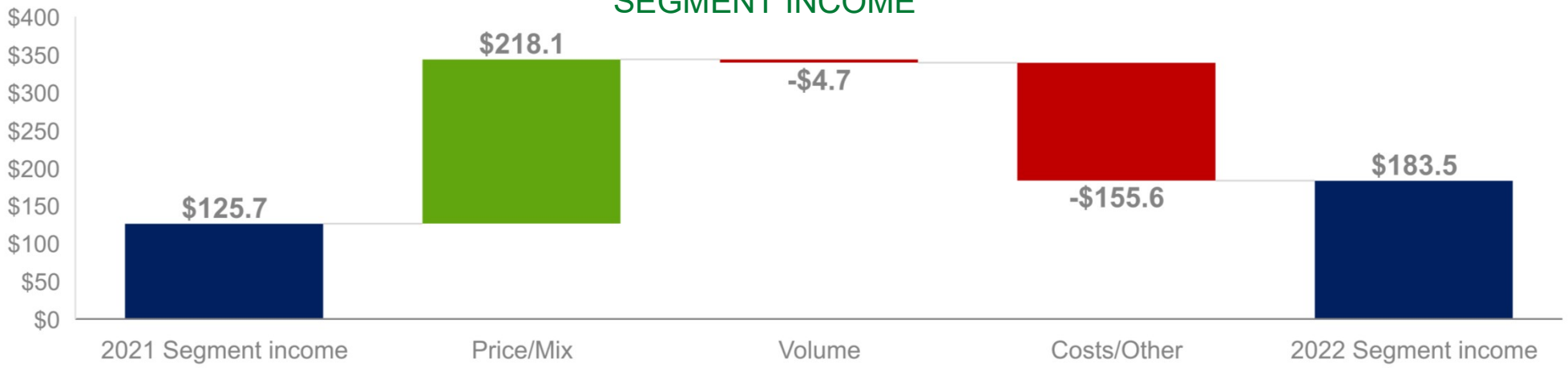
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PULP AND PAPERBOARD FULL YEAR 2022 RESULTS

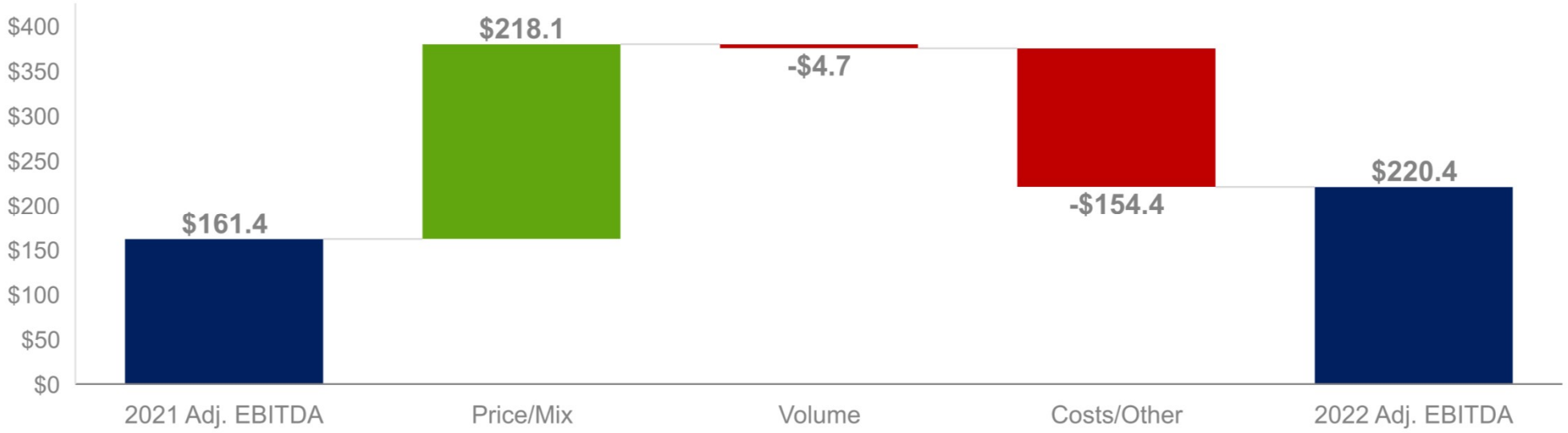
2022 VS. 2021 SEGMENT RESULTS

($ IN MILLIONS)

SEGMENT INCOME



SEGMENT ADJUSTED EBITDA



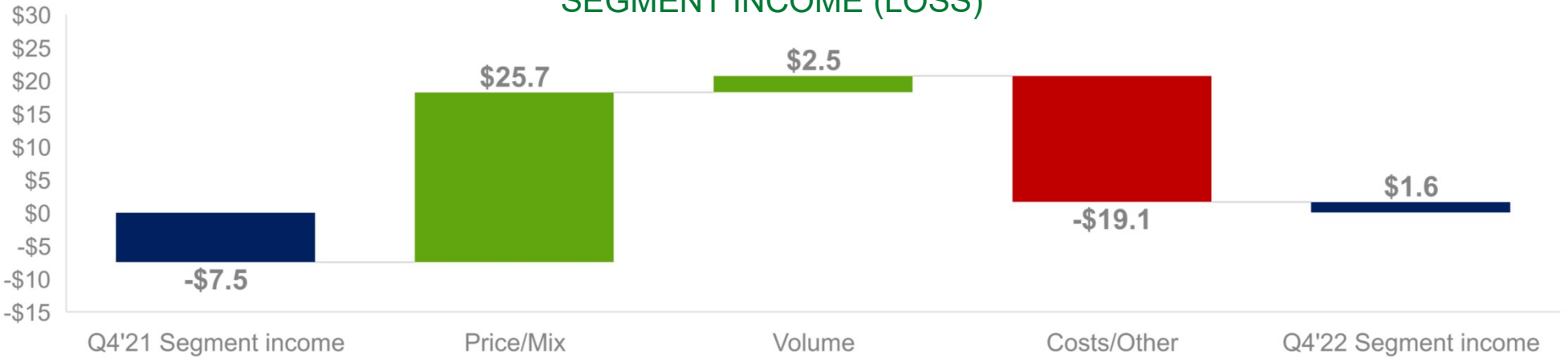
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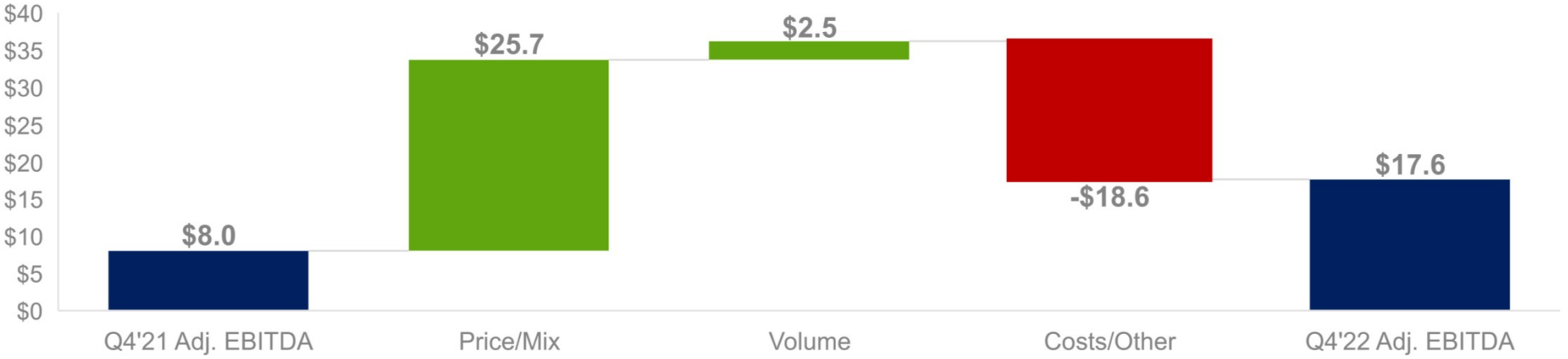
CONSUMER PRODUCTS Q4 2022 RESULTS

Q4 2022 VS. Q4 2021 SEGMENT RESULTS
($ IN MILLIONS)

SEGMENT INCOME (LOSS)



SEGMENT ADJUSTED EBITDA

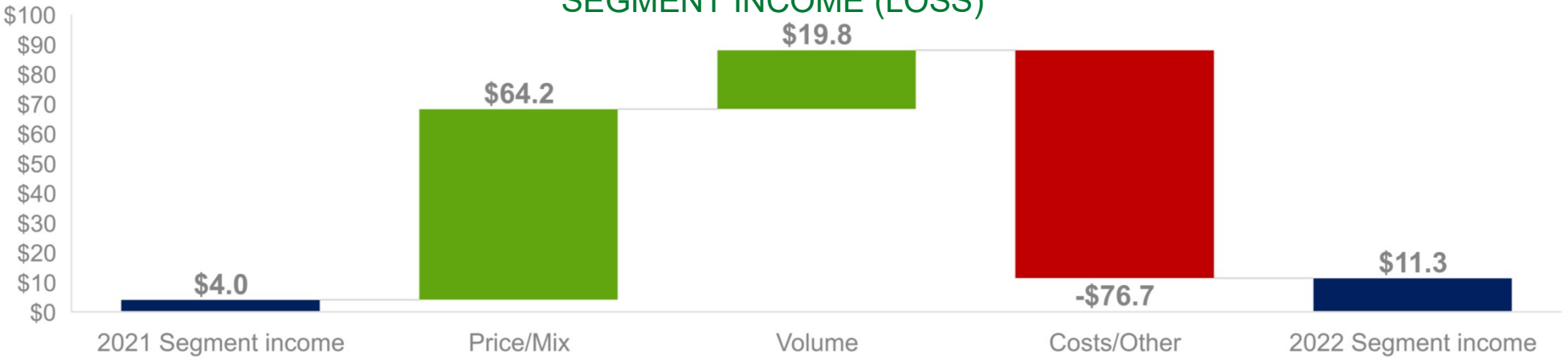


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CONSUMER PRODUCTS FULL YEAR 2022 RESULTS

2022 VS. 2021 SEGMENT RESULTS[1]
($ IN MILLIONS)

SEGMENT INCOME (LOSS)



SEGMENT ADJUSTED EBITDA



(1) Previously reported quarterly bridges may not agree to full year due to changes in calculations during the period.

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CAPITAL STRUCTURE AND ALLOCATION

Capital structure summary:

- Ample liquidity
- No material near-term debt maturities
- Corporate/Issuer ratings: Ba2/BB-
- Net debt to Adjusted EBITDA ratio of 2.27x at year end 2022

Liquidity Profile ($ in millions)[1]	
ABL Availability	$267.9
Less Utilization	(3.5)
Plus Unrestricted Cash	53.7
Liquidity	**$318.1**

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



1. ABL availability based on borrowing base calculations and consolidated balance sheet as of December 31, 2022, and utilization includes ABL borrowing of $0 million and outstanding letters of credit of $3.5 million.
2. This chart excludes finance leases as of December 31, 2022. Current debt maturities include $270 million of 5.375% notes due 2025 and $275 million of 4.75% notes due 2028.

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OUTLOOK FOR Q1 AND 2023 OVERALL ASSUMPTIONS

Q1 2023: $65 to $75 million of Adjusted EBITDA

- $42 million benefit due to no major maintenance outages and lower impact from operational issues
- Previously announced price increases and mix largely offsetting cost inflation
- Paperboard volumes higher, tissue volumes flat

2023 Operational Assumptions vs. 2022

- $42 million benefit due to fewer major maintenance outages and better operating performance
- Previously announced price increases and mix largely offsetting cost inflation

2023 Other

- Interest expense: $27 to $29 million
- Depreciation and amortization expense: $98 to $101 million
- CAPEX: $70 to $80 million
- Taxes: effective rate ~ 25 - 26%

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CAPITAL ALLOCATION PRIORITIES

DISCIPLINED APPROACH TO CAPITAL ALLOCATION

1	**Sustain the business**	• **Invest capital to sustain current asset base** • **$60 to $70 million per year outside of major projects**
2	**Preserve financial flexibility**	• **Reduce leverage to increase flexibility** • **Target net leverage ratio around 2.5x through a cycle** • **Support financing of future value creating options**
3	**Enhance value**	• **Invest capital to improve asset base** • **Opportunistic acquisitions** • **Share buybacks to offset dilution and opportunistically add value**

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APPENDIX

PULP AND PAPERBOARD SEQUENTIAL QUARTER RESULTS

Q4 2022 VS. Q3 2022 SEGMENT RESULTS
($ IN MILLIONS)

SEGMENT INCOME



SEGMENT ADJUSTED EBITDA



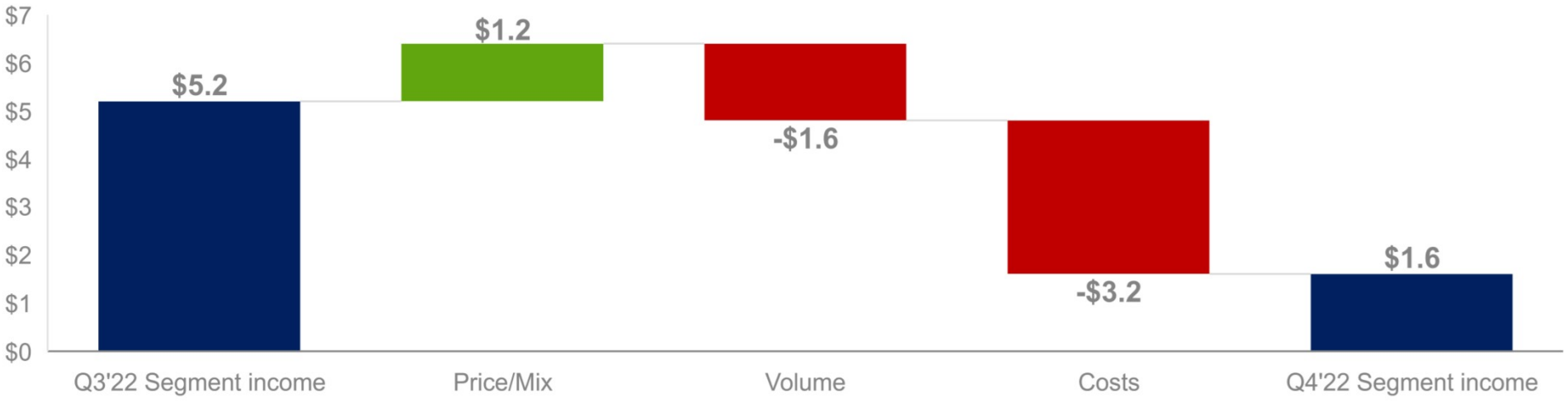
Note: Q4'22 had a major maintenance outage which impacted Adjusted EBITDA by $28 million and we had no major maintenance outages in prior period.

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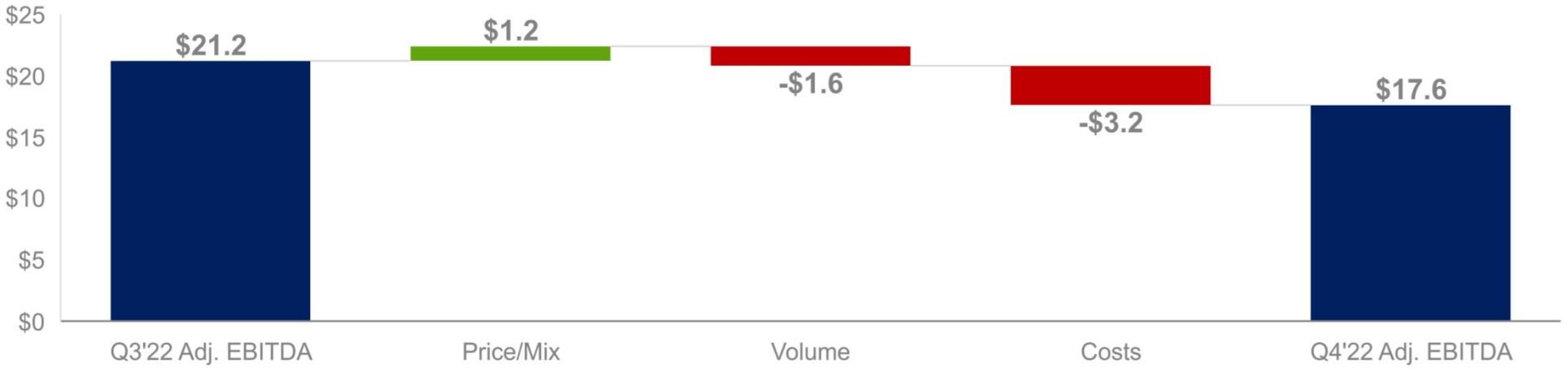
CONSUMER PRODUCTS SEQUENTIAL QUARTER RESULTS

Q4 2022 VS. Q3 2022 SEGMENT RESULTS
($ IN MILLIONS)

SEGMENT INCOME



SEGMENT ADJUSTED EBITDA



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KEY SEGMENT INFORMATION

	Q4'2020	Q1'2021	Q2'2021	Q3'2021	Q4'2021	Q1'2022	Q2'2022	Q3'2022	Q4'2022
Pulp and Paperboard									
Sales ($ millions)	$220.4	$219.7	$227.4	$237.5	$261.3	$266.2	$295.8	$300.8	$273.5
Adjusted EBITDA ($ millions)	$42.8	$34.0	$22.0	$43.5	$61.9	$59.5	$61.2	$73.0	$26.7
Paperboard shipments (short tons)	206.2	206.7	200.6	203.4	211.5	201.4	215.9	208.3	189.0
Paperboard sales price ($/short ton)	$ 1,002	$1,028	$1,058	$1,102	$1,164	$1,263	$1,332	$1,405	$1,429
Consumer Products									
Sales ($ millions)	$238.9	$208.4	$180.7	$214.2	$231.8	$223.0	$232.1	$240.9	$254.1
Adjusted EBITDA ($ millions)	$44.7	$34.7	$6.7	$19.6	$8.0	$16.2	$19.1	$21.2	$17.6
Shipments									
Retail (short tons in thousands)	83.3	70.8	61.5	76.2	79.4	75.4	76.6	76.9	80.8
Non-Retail (short tons in thousands)	6.5	9.4	7.4	5.7	6.2	5.1	2.6	2.3	2.2
Converted Products (cases in millions)[1]	13.9	11.7	10.2	12.3	12.4	12.0	12.6	12.6	13.0
Sales Price ($ per short ton)									
Retail	$ 2,745	$ 2,758	$2,755	$2,732	$2,831	$2,872	$2,984	$3,082	$3,095
Non-Retail[2]	$ 1,552	$ 1,404	$1,508	$988	$1,054	$1,143	$1,365	$1,333	$1,394
Production									
Converted Products (cases in millions)	13.9	13.5	9.6	11.4	11.9	12.2	12.1	12.9	12.3

1. Includes both retail and away-from-home (AFH) cases. AFH was exited in Q3, 2021. 1.5 million in 2020 and 0.8 million in 2021.
2. Non-retail includes away-from-home and parent rolls.

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RECONCILIATION OF ADJUSTED EBITDA

($ IN MILLIONS)

	Quarter Ended			Year Ended	
	December 31,		September 30,	December 31,	
	2022	2021	2022	2022	2021
Net income	$ (5.9)	$ 9.6	$ 20.6	$ 46.0	$ (28.1)
Income tax provision (benefit)	(2.3)	6.1	18.9	27.0	(7.7)
Interest expense, net	7.3	8.9	8.0	34.6	36.4
Depreciation and amortization expense	25.9	25.4	26.2	103.3	105.0
Other operating charges, net	1.2	2.6	2.2	9.7	57.7
Other non-operating expense	1.4	2.6	1.4	5.7	10.4
Debt retirement costs	-	0.5	-	0.5	1.0
Adjusted EBITDA	$ 27.8	$ 55.6	$ 77.3	$ 226.9	$ 174.6
Pulp and Paperboard segment income	$ 17.5	$ 53.1	$ 63.7	$ 183.5	$ 125.7
Depreciation and amortization	9.2	8.8	9.3	37.0	35.7
Adjusted EBITDA Paperboard segment	$ 26.7	$ 61.9	$ 73.0	$ 220.4	$ 161.4
Consumer Products segment income	$ 1.6	$ (7.5)	$ 5.2	$ 11.3	$ 4.0
Depreciation and amortization	16.0	15.5	16.0	62.9	64.9
Adjusted EBITDA Consumer Products segment	$ 17.6	$ 8.0	$ 21.2	$ 74.2	$ 69.0
Corporate and other expense	$ (17.3)	$ (15.3)	$ (17.8)	$ (71.1)	$ (60.1)
Depreciation and amortization	0.8	1.1	0.9	3.4	4.4
Adjusted EBITDA Corporate and other	$ (16.6)	$ (14.3)	$ (16.9)	$ (67.7)	$ (55.7)
Pulp and Paperboard segment	$ 26.7	$ 61.9	$ 73.0	$ 220.4	$ 161.4
Consumer Products segment	17.6	8.0	21.2	74.2	69.0
Corporate and other	(16.6)	(14.3)	(16.9)	(67.7)	(55.7)
Adjusted EBITDA	$ 27.8	$ 55.6	$ 77.3	$ 226.9	$ 174.6

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RECONCILIATION OF ADJUSTED INCOME

($ IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Quarter Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Net income (loss)	$ (5.9)	$ 9.6	$ 46.0	$ (28.1)
Add back:				
Income tax provision (benefit)	(2.3)	6.1	27.0	(7.7)
Income (loss) before income taxes	(8.2)	15.6	73.1	(35.7)
Add back:				
Debt retirement costs	-	0.5	0.5	1.0
Other operating charges, net	1.2	2.6	9.7	57.7
Adjusted income before tax	(6.9)	18.7	83.3	22.9
Normalized income tax provision (benefit)	(1.7)	4.7	20.8	5.7
Adjusted income	$ (5.2)	$ 14.1	$ 62.5	$ 17.2
Weighted average diluted shares (thousands)	17,204	17,149	17,181	16,767
Adjusted income per diluted share	$ (0.30)	$ 0.82	$ 3.63	$ 1.03

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ADDITIONAL RECONCILIATIONS

($ IN MILLIONS)

Net Debt

	Mar 31, 2021	June 30, 2021	Sept 30, 2021	Dec 31, 2021	Mar 31, 2022	June 30, 2022	Sept 30, 2022	Dec 31, 2022
Cash	$ 57.1	$ 60.9	$ 27.8	$ 25.2	$ 36.4	$69.5	$50.8	$53.7
Current debt	1.7	1.7	1.6	1.6	1.6	1.0	1.0	0.9
Long term debt	716.3	716.2	676.5	637.6	617.7	589.9	564.9	564.9
add:								
Deferred debt costs	6.6	6.4	5.6	4.8	4.4	3.8	3.6	3.4
less:								
Financing leases	(20.4)	(20.0)	(19.5)	(19.1)	(18.7)	(24.7)	(24.4)	(24.2)
Subtotal	704.2	704.3	664.2	624.9	605.0	570.0	545.1	545.0
Net debt	**$ 647.1**	**$ 643.3**	**$ 636.4**	**$ 599.8**	**$568.6**	**$500.5**	**$494.2**	**$491.3**

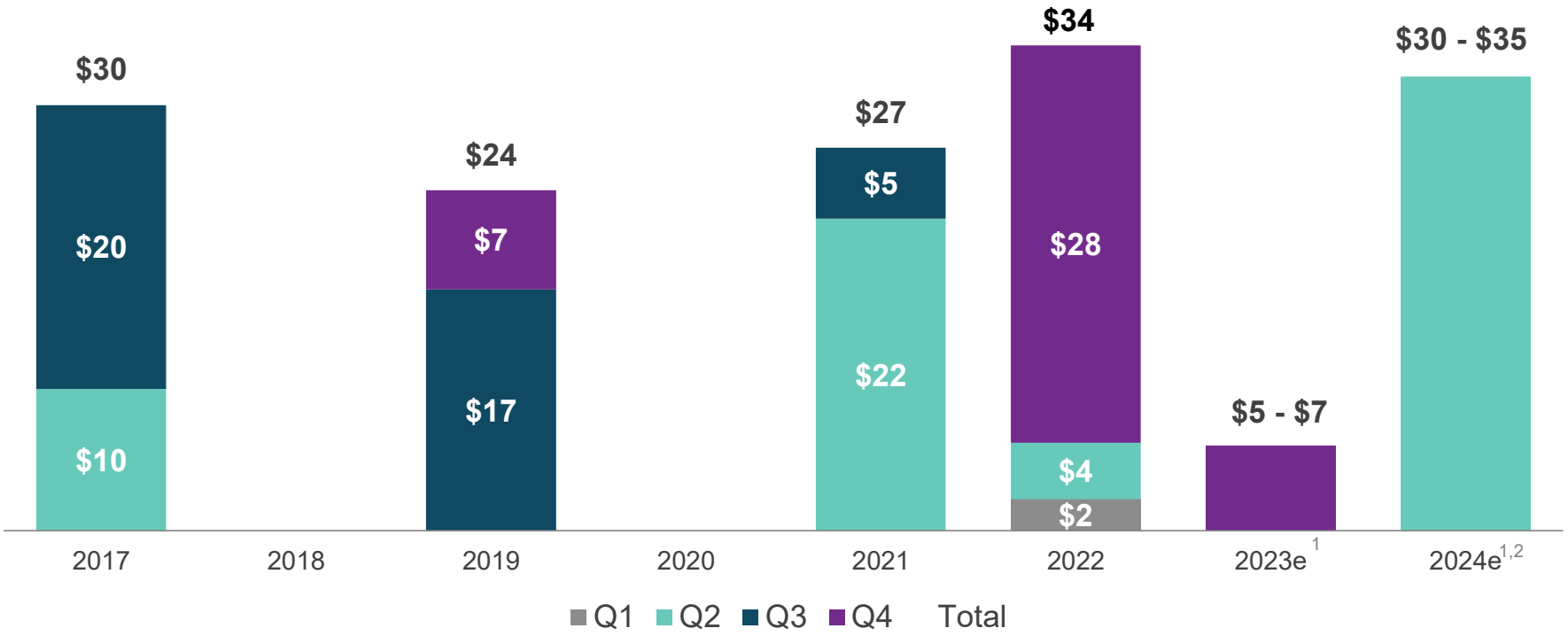
Free Cash Flow

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Cash from operations	$ 33.8	$ 14.8	$ 16.3	$ 32.1	$41.1	$78.5	$13.3	$17.4
Additions to property, plant and equipment, net of proceeds from sales	(11.1)	(10.5)	(8.9)	4.8	(7.9)	(5.4)	(6.7)	(13.5)
Free cash flow	**$ 22.7**	**$ 4.3**	**$ 7.4**	**$ 36.9**	**$33.2**	**$73.1**	**$6.6**	**$3.9**

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MAJOR MAINTENANCE SCHEDULE

ADJUSTED EBITDA IMPACT ($ IN MILLIONS)



1. This information is based upon management's current assumptions and estimates.
2. See "Forward-Looking Statements" on page 2.

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