







CLEARWATER PAPER®

CLEARWATER PAPER CORPORATION

SECOND QUARTER EARNINGS RELEASE MATERIALS
AUGUST 1, 2023

ARSEN S. KITCH
President, Chief Executive Officer
And Director

BECKY BARCKLEY
Corporate Controller and Interim
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 inflation of raw material and energy; assumptions for Q3 2023 and full year 2023, including maintenance outage impacts, operational factors, interest, capital, lower input costs, depreciation and amortization and income tax; our capital allocation priorities; our strategy, including achieving target leverage ratio and maintaining liquidity; 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 capacity additions, demand reduction 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 energy, chemicals, packaging and freight costs and disruptions in transportation services impacting our ability to receive inputs or ship products to customers; changes in customer product preferences and competitors' product offerings; larger competitors having operational, financial 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; our ability to successfully execute capital projects and other activities to operate our assets, including effective maintenance, implement our operational efficiencies and realize higher throughput or lower costs; IT system disruptions and IT system implementation failures; 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, vendors and service providers required for the production of our products and our operations; our ability to attract, motivate, train and retain qualified and key personnel; ability to service our debt obligations and restrictions on our business from debt covenants and terms; changes in our banking relations, or in our customer supply chain financing; 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.

Non-GAAP Financial Measures

This presentation includes 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 diluted 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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Q2 2023 BUSINESS HIGHLIGHTS

Overall

- Net sales $525 million, down slightly versus Q2 2022
- Net income $30 million
- Adjusted net income $30 million, up $11 million versus Q2 2022
- Adjusted EBITDA $71 million, up $8 million versus Q2 2022

Pulp and Paperboard

- SBS prices increased from Q2 2022
- Soft demand as consumer spending slowed

Consumer Products

- Tissue prices increased from Q2 2022
- Strong operational performance
- Demand for private branded products increased

Capital Structure

- Continued to maintain strong financial flexibility
- Repurchased $8 million of stock, with $15 million remaining authorized under our stock repurchase program
- Reduced net debt $25 million from Q1 2023



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BUSINESS UPDATE – PULP AND PAPERBOARD

PRICING OFFSETTING INFLATION, DRIVING STRONG RESULTS

Industry (SBS)

- Shipments, production, and operating rates decreased YTD Q2 2023 versus YTD Q2 2022 based on AF&PA data
  - Shipments (in tons) decreased 12.6%
  - Production decreased 9.1%
  - Operating rates decreased 7.1% to 83.8%
- RISI reported no market price changes in Q1 and Q2 of 2023
  - $20 per ton decrease in folding carton reported in July of 2023

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- Demand and order backlogs continued to be soft during Q2
- Approximately 10% of planned capacity downtime in the quarter to manage inventories
- Continued to benefit from previously announced price increases versus 2022

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BUSINESS UPDATE – CONSUMER PRODUCTS

SHIPMENTS STRENGTHENED; PRICES INCREASED

Industry

- Consumers shifting to private brands with economic uncertainty and inflation
- Private brand market share hit a high of 36.3%[1]
- 94.2% capacity utilization during the quarter based on RISI data

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- Strong demand with Q2 2023 shipments of 12.8 million cases compared to 12.6 million in Q2 2022 and 12.7 million in Q1 2023
- Outstanding operational performance
- Strong service levels with on-time performance greater than 95%, fill rates greater than 99%
- Lower input costs in pulp, energy and transportation as compared to Q1 2023
- Continued to benefit from previously announced price increases

1 Circana panel data for dollar share as of June 2023

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FINANCIAL PERFORMANCE

($ IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net sales	$ 524.6	$ 526.4	$ 1,050.0	$ 1,014.6
Cost of sales	438.7	455.2	887.2	877.2
Selling, general and adminstrative	39.1	33.9	75.1	66.7
Other operating charges, net	(0.4)	5.7	0.6	6.3
Income from operations	47.3	31.5	87.1	64.4
Non-operating expense	(7.4)	(12.4)	(14.9)	(22.7)
Income tax provision	10.2	4.4	18.6	10.4
Net income	$ 29.7	$ 14.7	$ 53.5	$ 31.3
Diluted income per share	$ 1.75	$ 0.86	$ 3.15	$ 1.83
Adjusted income per share	$ 1.74	$ 1.11	$ 3.21	$ 2.13
Adjusted EBITDA	$ 71.5	$ 63.0	$ 137.2	$ 121.9

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SEGMENT PROFIT AND LOSS AND ADJUSTED EBITDA

($ IN MILLIONS)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Net Sales				
Pulp and Paperboard	$ 272.3	$ 295.8	$ 551.0	$ 562.0
Consumer Products	253.6	232.1	502.0	455.2
Eliminations	(1.3)	(1.5)	(3.0)	(2.6)
	$ 524.6	**$ 526.4**	**$ 1,050.0**	**$ 1,014.6**
Operating Income				
Pulp and Paperboard	$ 42.0	$ 52.0	$ 99.1	$ 102.3
Consumer Products	25.0	3.5	29.2	4.4
Corporate and other	(20.1)	(18.2)	(40.6)	(36.0)
Other operating charges, net	0.4	(5.7)	(0.6)	(6.3)
	$ 47.3	**$ 31.5**	**$ 87.1**	**$ 64.4**
Adjusted EBITDA				
Pulp and Paperboard	$ 51.3	$ 61.2	$ 117.6	$ 120.8
Consumer Products	39.7	19.1	58.9	35.3
Corporate and other	(19.5)	(17.3)	(39.3)	(34.2)
	$ 71.5	**$ 63.0**	**$ 137.2**	**$ 121.9**

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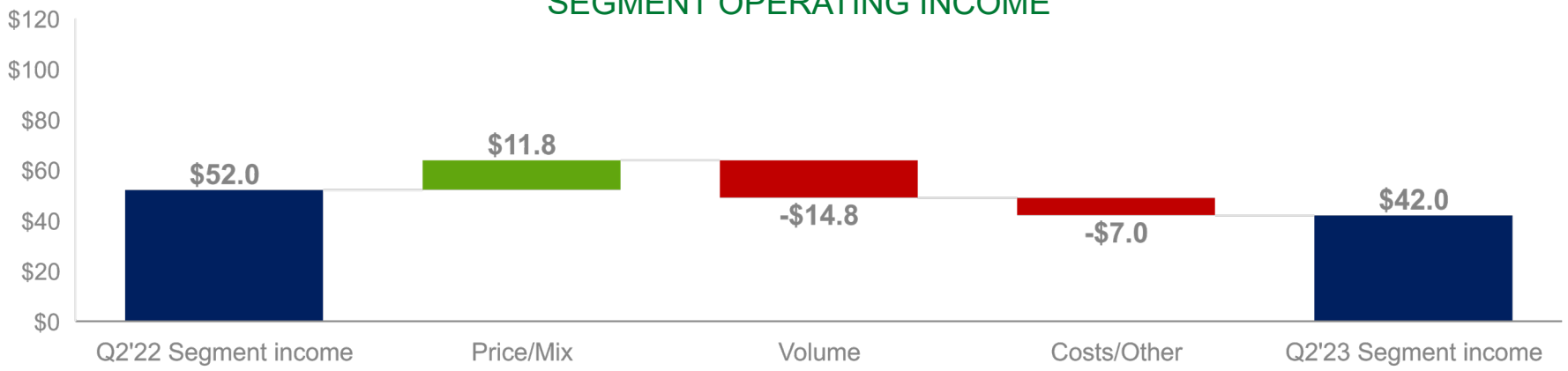
PULP AND PAPERBOARD Q2 2023 RESULTS

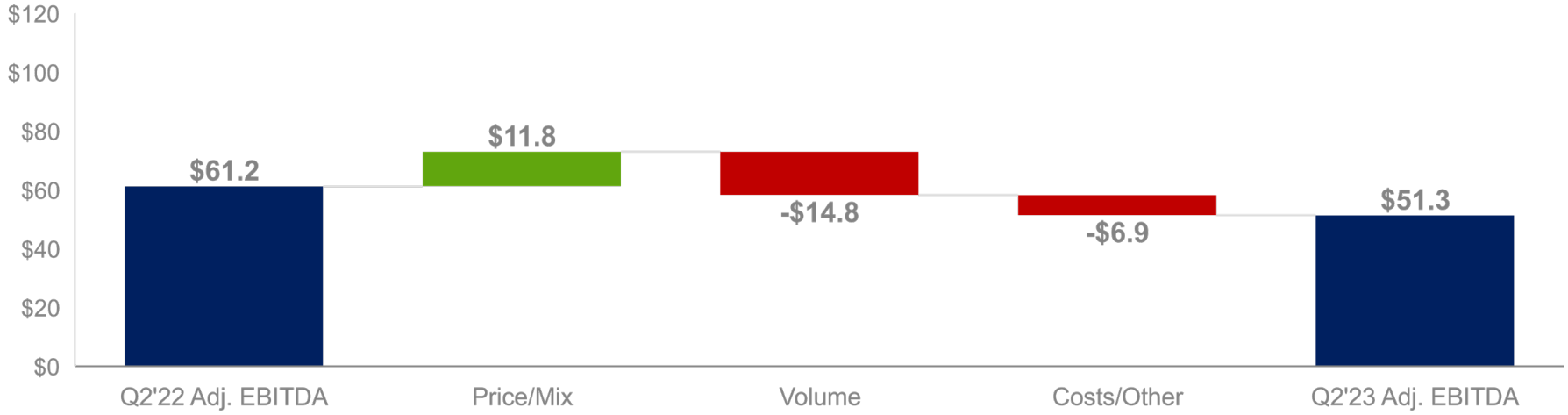
Q2 2023 VS. Q2 2022 SEGMENT RESULTS

($ IN MILLIONS)

SEGMENT OPERATING INCOME



SEGMENT ADJUSTED EBITDA



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CONSUMER PRODUCTS Q2 2023 RESULTS

Q2 2023 VS. Q2 2022 SEGMENT RESULTS
($ IN MILLIONS)

SEGMENT OPERATING INCOME



SEGMENT ADJUSTED EBITDA



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CAPITAL STRUCTURE AND ALLOCATION

Capital structure summary

- Ample liquidity
- No material near-term debt maturities
- Corporate/Issuer ratings: Ba2/BB-

Capital allocation

- Repurchased 263,381 shares at an average price of $31.70 per share in Q2 2023
- Reduced net debt by $25 million from Q1 2023

Liquidity Profile ($ in millions)[1]	
ABL Availability	$275.0
Less Utilization	(3.5)
Plus Unrestricted Cash	41.7
Liquidity	**$313.2**

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



1. ABL availability based on borrowing base calculations and consolidated balance sheet as of June 30, 2023, and utilization includes ABL borrowing of $275 million and outstanding letters of credit of $3.5 million.
2. This chart excludes finance leases as of June 30, 2023. 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 Q3 AND 2023 OVERALL ASSUMPTIONS

Q3 2023: $73 to $83 million of Adjusted EBITDA

- Lower input costs, specifically in pulp and transportation

2023 assumptions vs. 2022

- $42 million benefit due to fewer major maintenance outages and better operating performance
- $15 to $25 million benefit due to previously announced price increases and lower input costs
- Tissue margin recovery

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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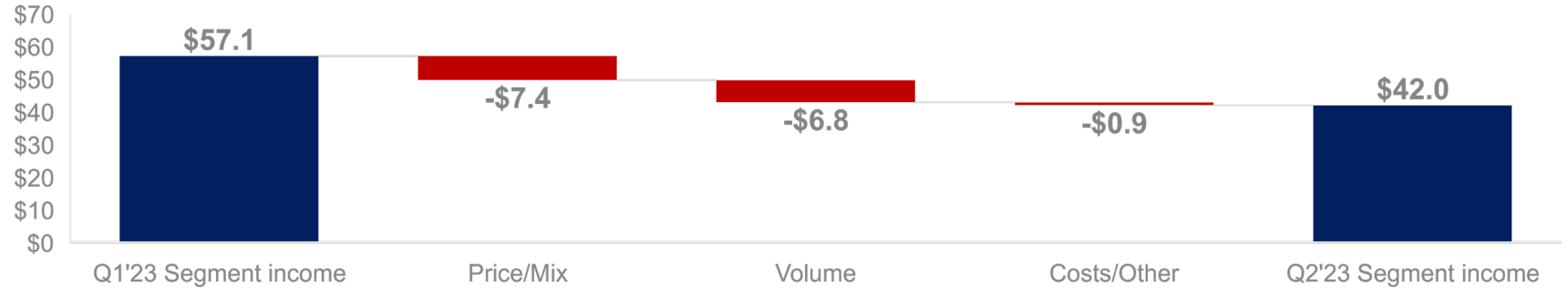
APPENDIX



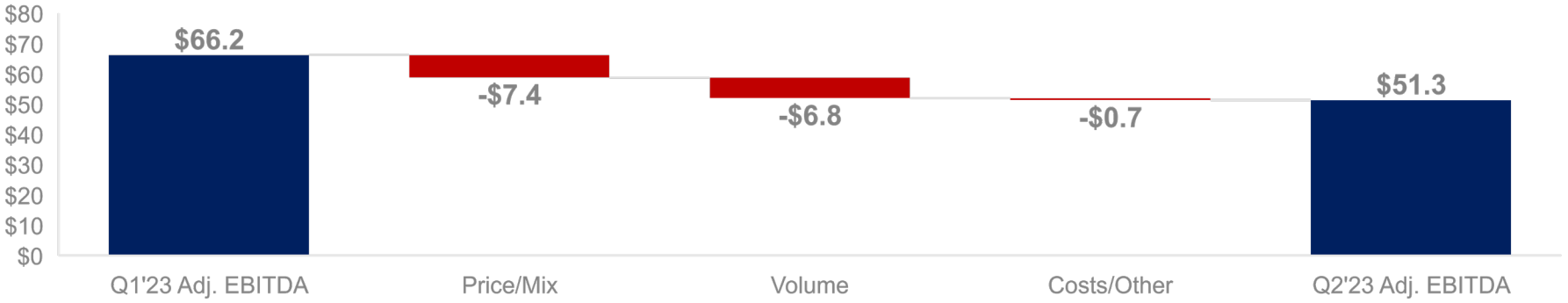
PULP AND PAPERBOARD SEQUENTIAL QUARTER RESULTS

Q2 2023 VS. Q1 2023 SEGMENT RESULTS
($ IN MILLIONS)

SEGMENT OPERATING INCOME



SEGMENT ADJUSTED EBITDA



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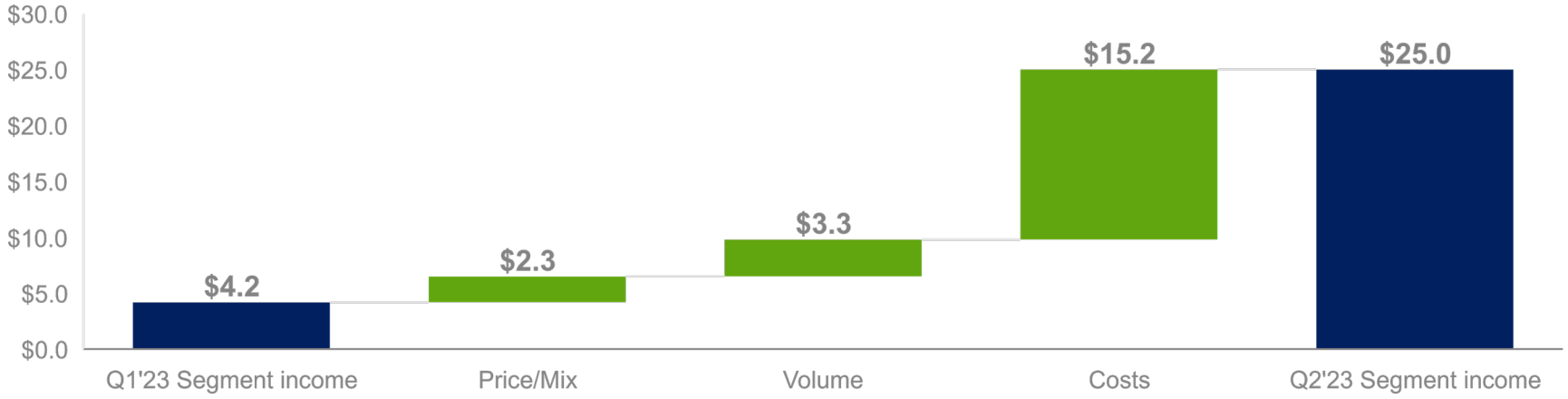
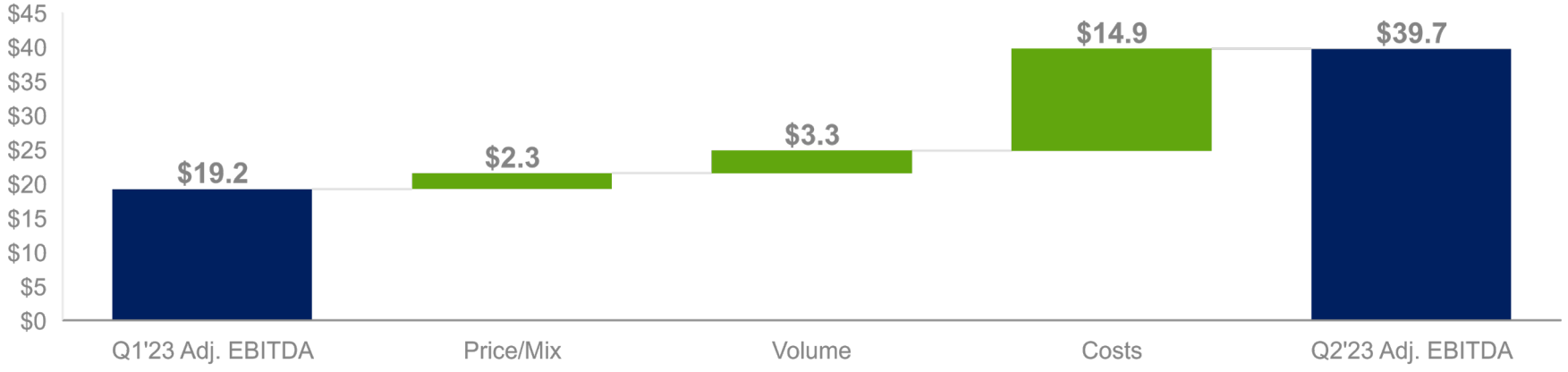
CONSUMER PRODUCTS SEQUENTIAL QUARTER RESULTS

Q2 2023 VS. Q1 2023 SEGMENT RESULTS
($ IN MILLIONS)

SEGMENT OPERATING INCOME



SEGMENT ADJUSTED EBITDA



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KEY SEGMENT INFORMATION

	Q2'2021	Q3'2021	Q4'2021	Q1'2022	Q2'2022	Q3'2022	Q4'2022	Q1'2023	Q2'2023
Pulp and Paperboard									
Sales ($ millions)	$227.4	$237.5	$261.3	$266.2	$295.8	$300.8	$273.5	$278.8	$272.3
Adjusted EBITDA ($ millions)	$22.0	$43.5	$61.9	$59.5	$61.2	$73.0	$26.7	$66.2	$51.3
Paperboard shipments (short tons)	200.6	203.4	211.5	201.4	215.9	208.3	189.0	189.4	186.2
Paperboard sales price ($/short ton)	$1,058	$1,102	$1,164	$1,263	$1,332	$1,405	$1,429	$1,441	$1,413
Consumer Products									
Sales ($ millions)	$180.7	$214.2	$231.8	$223.0	$232.1	$240.9	$254.1	$248.3	$253.6
Adjusted EBITDA ($ millions)	$6.7	$19.6	$8.0	$16.2	$19.1	$21.2	$17.6	$19.2	$39.7
Shipments									
Retail (short tons in thousands)	61.5	76.2	79.4	75.4	76.6	76.9	80.8	76.8	78.7
Non-Retail (short tons in thousands)	7.4	5.7	6.2	5.1	2.6	2.3	2.2	1.0	0.1
Converted Products (cases in millions)[1]	10.2	12.3	12.4	12.0	12.6	12.6	13.0	12.7	12.8
Sales Price ($ per short ton)									
Retail	$2,755	$2,732	$2,831	$2,872	$2,984	$3,082	$3,095	$3,201	$3,214
Production									
Converted Products (cases in millions)	9.6	11.4	11.9	12.2	12.1	12.9	12.3	12.7	12.6

1. Includes both retail and away-from-home (AFH) cases. AFH was exited in Q3, 2021

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RECONCILIATION OF ADJUSTED EBITDA

($ IN MILLIONS)

	Quarter Ended			Six Months Ended	
	June 30,		March 31,	June 30,	
	2023	2022	2023	2023	2022
Net income	$ 29.7	$ 14.7	$ 23.8	$ 53.5	$ 31.3
Income tax provision	10.2	4.4	8.4	18.6	10.4
Interest expense, net	7.5	10.7	7.6	15.1	19.3
Depreciation and amortization expense	24.6	25.7	24.8	49.4	51.2
Other operating charges, net	(0.4)	5.7	1.1	0.6	6.3
Other non-operating expense	(0.1)	1.7	(0.1)	(0.2)	3.3
Adjusted EBITDA	$ 71.5	$ 63.0	$ 65.7	$ 137.2	$ 121.9
Pulp and Paperboard segment income	$ 42.0	$ 52.0	$ 57.1	$ 99.1	$ 102.3
Depreciation and amortization	9.3	9.2	9.1	18.5	18.5
Adjusted EBITDA Paperboard segment	$ 51.3	$ 61.2	$ 66.2	$ 117.6	$ 120.8
Consumer Products segment income	$ 25.0	$ 3.5	$ 4.2	$ 29.2	$ 4.4
Depreciation and amortization	14.7	15.6	15.0	29.7	30.9
Adjusted EBITDA Consumer Products segment	$ 39.7	$ 19.1	$ 19.2	$ 58.9	$ 35.3
Corporate and other expense	$ (20.1)	$ (18.2)	$ (20.4)	$ (40.6)	$ (36.0)
Depreciation and amortization	0.6	0.9	0.6	1.2	1.8
Adjusted EBITDA Corporate and other	$ (19.5)	$ (17.3)	$ (19.8)	$ (39.3)	$ (34.2)
Pulp and Paperboard segment	$ 51.3	$ 61.2	$ 66.2	$ 117.6	$ 120.8
Consumer Products segment	39.7	19.1	19.2	58.9	35.3
Corporate and other	(19.5)	(17.3)	(19.8)	(39.3)	(34.2)
Adjusted EBITDA	$ 71.5	$ 63.0	$ 65.7	$ 137.2	$ 121.9

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RECONCILIATION OF ADJUSTED INCOME

($ IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income	$ 29.7	$ 14.7	$ 53.5	$ 31.3
Add back:				
Income tax provision	10.2	4.4	18.6	10.4
Income before income taxes	39.9	19.1	72.1	41.7
Add back:				
Debt retirement costs	-	0.3	-	0.5
Other operating charges, net	(0.4)	5.7	0.6	6.3
Adjusted income before tax	39.4	25.2	72.8	48.5
Normalized income tax provision	9.9	6.3	18.2	12.1
Adjusted income	$ 29.6	$ 18.9	$ 54.6	$ 36.4
Weighted average diluted shares (thousands)	16,958	17,078	17,003	17,080
Adjusted income per diluted share	$ 1.74	$ 1.11	$ 3.21	$ 2.13

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ADDITIONAL RECONCILIATIONS

($ IN MILLIONS)

Net Debt

	Sept 30, 2021	Dec 31, 2021	Mar 31, 2022	June 30, 2022	Sept 30, 2022	Dec 31, 2022	Mar 31, 2023	June 30, 2023
Cash	$ 27.8	$ 25.2	$ 36.4	$69.5	$50.8	$53.7	$16.7	$41.7
Current debt	1.6	1.6	1.6	1.0	1.0	0.9	0.9	0.9
Long term debt	676.5	637.6	617.7	589.9	564.9	564.9	564.9	564.8
add:								
Deferred debt costs	5.6	4.8	4.4	3.8	3.6	3.4	3.2	3.0
less:								
Financing leases	(19.5)	(19.1)	(18.7)	(24.7)	(24.4)	(24.2)	(24.0)	(23.7)
Subtotal	664.2	624.9	605.0	570.0	545.1	545.0	545.0	545.0
Net debt	**$ 636.4**	**$ 599.8**	**$568.6**	**$500.5**	**$494.2**	**$491.3**	**$528.3**	**503.3**

Free Cash Flow

	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Cash from operations	$ 16.3	$ 32.1	$41.1	$78.5	$13.3	$17.4	$(9.1)	$46.0
Additions to property, plant and equipment, net of proceeds from sales	(8.9)	4.8	(7.9)	(5.4)	(6.7)	(13.5)	(21.5)	(12.8)
Free cash flow	**$ 7.4**	**$ 36.9**	**$33.2**	**$73.1**	**$6.6**	**$3.9**	**$(30.6)**	**$33.2**

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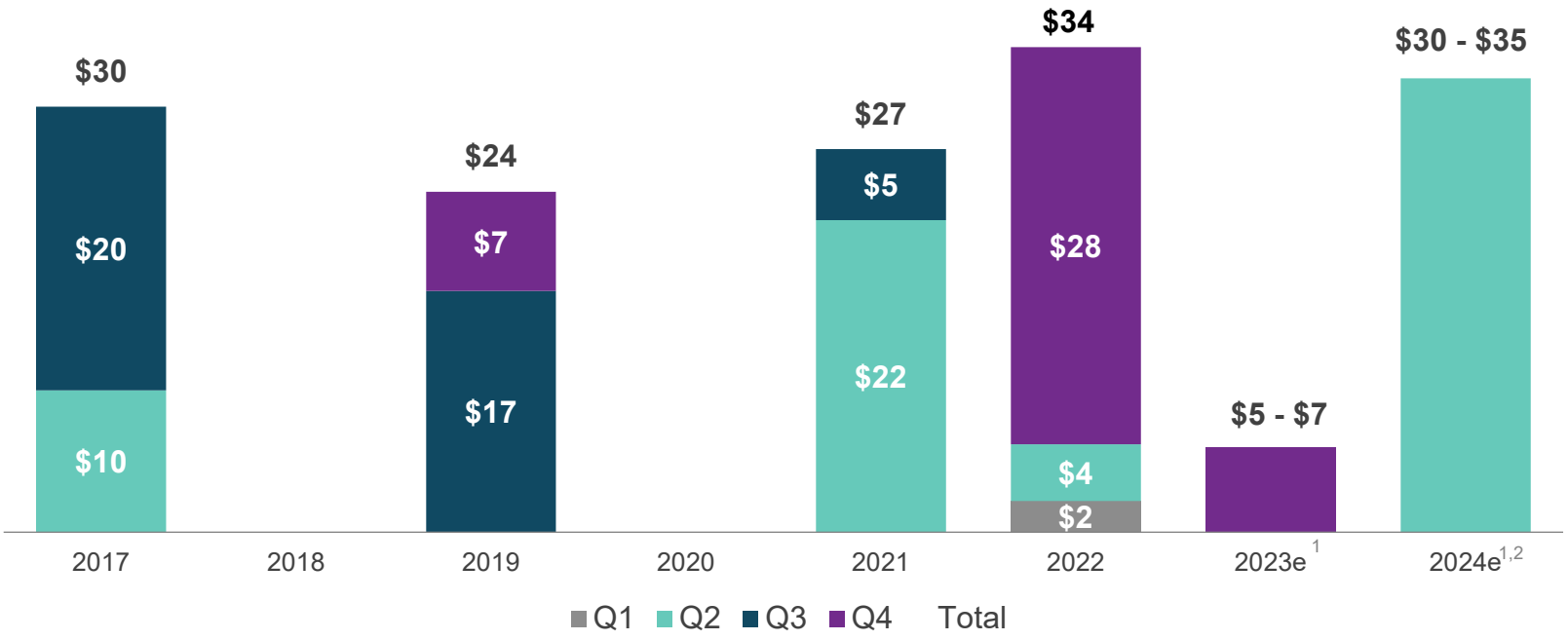
MAJOR MAINTENANCE SCHEDULE

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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