



PRESS RELEASE

Clearwater Paper Reports Third Quarter 2022 Results

10/31/2022

SPOKANE, Wash.--(BUSINESS WIRE)-- Clearwater Paper Corporation (NYSE:CLW), a premier supplier of quality tissue and bleached paperboard products, today reported financial results for the third quarter and nine months ended September 30, 2022.

THIRD QUARTER HIGHLIGHTS

- Delivered strong performance in the quarter, with price realization helping offset inflation
- Net sales of \$539 million, up 20% compared to the third quarter of last year
- Net income of \$21 million, or \$1.21 per diluted share
- Adjusted EBITDA of \$77 million
- Continued to reduce net debt, with nearly \$106 million reduced year to date

"We had an excellent third quarter, which exceeded our expectations with strong volumes, pricing and operational performance," said Arsen Kitch, president and chief executive officer. "While paperboard demand and pricing remained strong, our tissue performance continued to improve with higher pricing helping to offset the impact of inflation."

OVERALL RESULTS

For the third quarter of 2022, Clearwater Paper reported net sales of \$539 million, a 20% increase compared to net sales of \$450 million for the third quarter of 2021. Net income for the third quarter of 2022 was \$21 million, or \$1.21 per diluted share, compared to net income for the third quarter of 2021 of \$2 million, or \$0.11 per diluted share. On a non-GAAP basis, Clearwater Paper reported adjusted net income in the third quarter of 2022 of \$31 million, or \$1.83 per diluted share, compared to third quarter 2021 adjusted net income of \$9 million, or \$0.55 per diluted share. Adjusted EBITDA for the quarter was \$77 million, compared to the third quarter of 2021 Adjusted EBITDA of \$50 million.

For the first nine months of 2022, Clearwater Paper reported net sales of \$1.6 billion, a 21% increase compared to net sales of \$1.3 billion for the first nine months of 2021. Net income for the first nine months of 2022 was \$52 million, or \$3.04 per diluted share, compared to net loss for the first nine months of 2021 of \$38 million, or \$2.25 per diluted share. On a non-GAAP basis, Clearwater Paper reported adjusted net income in the first nine months of 2022 of \$68 million, or \$3.96 per diluted share, compared to first nine months of 2021 adjusted net income of \$3 million, or \$0.19 per diluted share. Adjusted EBITDA for the first nine months was \$199 million, compared to the first nine months of 2021 Adjusted EBITDA of \$119 million.

Impacting the first nine months of 2021, Clearwater Paper incurred impairment and other closure costs associated with the closure of the company's Neenah, Wisconsin facility of \$47.1 million and as well as planned major maintenance at its paperboard facilities.

Pulp and Paperboard Products Segment

Net sales in the Pulp and Paperboard Products segment were \$301 million for the third quarter of 2022, up 27% compared to third quarter 2021 net sales of \$237 million. Segment operating income for the third quarter of 2022 was \$64 million, compared to \$35 million for the third quarter of 2021. Adjusted EBITDA for the segment was \$73 million in the third quarter of 2022, compared to \$43 million in the third quarter of 2021.

Net sales in the Pulp and Paperboard Products segment were \$863 million for the first nine months of 2022, up 26% compared to net sales of \$685 million in the first nine months of 2021. Segment operating income for the first nine months of 2022 was \$166 million, compared to \$73 million for the first nine months of 2021. Adjusted EBITDA for the segment was \$194 million in the first nine months of 2022, compared to \$99 million in the first nine months of 2021.

For both periods in 2022, the increase in operating income and Adjusted EBITDA was driven by higher sales prices and the absence of planned major maintenance, partly offset by higher input costs specifically related to chemicals, freight and energy.

Paperboard Sales Volumes and Prices:

- Paperboard sales volumes were 208,298 tons in the third quarter of 2022 compared to 203,439 tons in the third quarter of 2021. Paperboard sales volumes were 625,557 tons in the first nine months of 2022 compared to 610,702 tons in the first nine months of 2021.
- Paperboard average net selling price increased 28% to \$1,405 per ton for the third quarter of 2022, compared to \$1,102 per ton in the third quarter of 2021. Paperboard average net selling price increased 26% to \$1,334

per ton for the first nine months of 2022, compared to \$1,062 per ton in the first nine months of 2021.

Consumer Products Segment

Net sales in the Consumer Products segment were \$241 million for the third quarter of 2022, up 13% compared to the third quarter 2021 net sales of \$214 million. Segment operating income for the third quarter of 2022 was \$5 million compared to operating income of \$4 million in the third quarter of 2021. Adjusted EBITDA for the segment was \$21 million in the third quarter of 2022, compared to \$20 million in the third quarter of 2021. The increase in operating income and Adjusted EBITDA was driven by higher sales prices partly offset by higher input costs, specifically related to pulp, freight and energy.

Net sales in the Consumer Products segment were \$696 million for the first nine months of 2022, up 15% compared to net sales of \$603 million in the first nine months of 2021. Segment operating income for the first nine months of 2022 was \$10 million compared to operating income of \$12 million in the first nine months of 2021. Adjusted EBITDA for the segment was \$57 million in the first nine months of 2022, compared to \$61 million in the first nine months of 2021. The decrease in operating income and Adjusted EBITDA was driven by higher input costs, specifically related to pulp, energy and freight partly offset by higher sales prices.

Retail Tissue Sales Volumes and Prices:

- Retail tissue volumes sold were 76,938 tons in the third quarter of 2022 compared to 76,237 tons in the third quarter of 2021. Retail tissue volumes sold were 228,968 tons in the first nine months of 2022, an increase of 10% compared to 208,496 tons in the first nine months of 2021.
- Retail tissue selling prices increased 13% to \$3,082 per ton in the third quarter of 2022, compared to \$2,732 per ton in the third quarter of 2021. Retail tissue selling prices increased 8% to 2,980 per ton in the first nine months of 2022, compared to \$2,748 per ton in the first nine months of 2021.

COMPANY OUTLOOK

"During previous periods of economic uncertainty demand for our products was relatively resilient. In today's economic environment, our continued focus is on operational performance while offsetting the impact of inflation. We are continuing to improve our financial flexibility to take advantage of opportunities to create shareholder value," concluded Kitch.

WEBCAST INFORMATION

Clearwater Paper Corporation will discuss these results during an earnings conference call that begins at 2:00 p.m. Pacific Time today. A live webcast and accompanying supplemental information will be available on the company's

website at <http://ir.clearwaterpaper.com>. A replay of today's conference call will be available on the website at <https://ir.clearwaterpaper.com/investors/events-and-presentations> beginning at 5:00 p.m. Pacific Time today.

ABOUT CLEARWATER PAPER

Clearwater Paper is a premier supplier of private brand tissue to major retailers, including grocery, club, mass merchants, and discount stores. In addition, the company produces bleached paperboard used by quality-conscious printers and packaging converters, and offers services that include custom sheeting, slitting, and cutting. Clearwater Paper's employees build shareholder value by developing strong relationships through quality and service.

USE OF NON-GAAP MEASURES

In this press release, the company presents certain non-GAAP financial information for the third quarter and first nine months of 2022 and 2021, including adjusted income (loss) and Adjusted EBITDA. Because these amounts are not in accordance with GAAP, reconciliations to net income as determined in accordance with GAAP are included in the tables at the end of this press release. The company presents these non-GAAP amounts because management believes they assist investors and analysts in comparing the company's performance across reporting periods on a consistent basis by excluding items that the company does not believe are indicative of its core operating performance. In addition, the company uses Adjusted EBITDA: (i) as a factor in evaluating management's performance when determining incentive compensation, (ii) to evaluate the effectiveness of the company's business strategies, and (iii) because the company's credit agreement and the indentures governing the company's outstanding notes use metrics similar to Adjusted EBITDA to measure the company's compliance with certain covenants.

FORWARD-LOOKING STATEMENTS

This press release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 as amended, including statements regarding product demand, operational performance, market conditions, mitigation of inflationary pressures, share repurchases, capital allocation and shareholder value creation. These forward-looking statements are based on current expectations, estimates, assumptions, and projections that are subject to change, and actual results may differ materially from the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to: impact of the COVID-19 pandemic on our operations, our suppliers' operations and our 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; 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; 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 freight costs and disruptions in transportation services; changes in customer product preferences and competitors' product offerings; cyber-security risks; larger competitors having operational, financial and other advantages; 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; 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; 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 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; changes in our banking relations and our customer supply chain financing; negative changes in our credit agency ratings; and changes in laws, regulations or industry standards affecting our business and other risks and uncertainties described from time to time in the company's public filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2021. The forward-looking statements are made as of the date of this press release and the company does not undertake to update any forward-looking statements based on new developments or changes in the company's expectations after the date of this press release.

Clearwater Paper Corporation
Consolidated Statements of Operations
(Unaudited)

(In millions, except per-share data)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net sales	\$ 538.8	\$ 450.5	\$ 1,553.3	\$ 1,282.8
Costs and expenses:				
Cost of sales	454.8	398.2	1,332.0	1,160.9
Selling, general and administrative expenses	32.9	28.3	99.6	82.5
Other operating charges, net	2.2	10.2	8.5	55.1
Total operating costs and expenses	489.9	436.7	1,440.0	1,298.5
Income (loss) from operations	48.9	13.8	113.3	(15.6)
Interest expense, net	(8.0)	(8.9)	(27.3)	(27.5)
Debt retirement costs	—	(0.5)	(0.5)	(0.5)
Other non-operating expense	(1.4)	(2.8)	(4.3)	(7.8)
Total non-operating expense	(9.4)	(12.2)	(32.1)	(35.7)
Income (loss) before income taxes	39.5	1.7	81.2	(51.4)
Income tax provision (benefit)	18.9	(0.3)	29.3	(13.8)
Net income (loss)	\$ 20.6	\$ 1.9	\$ 51.9	\$ (37.6)
Net income (loss) per common share:				
Basic	\$ 1.23	\$ 0.12	\$ 3.09	\$ (2.25)
Diluted	1.21	0.11	3.04	(2.25)
Average shares of common stock used to compute net income (loss) per share: (in thousands)				

Basic	16,754	16,687	16,777	16,689
Diluted	17,093	16,971	17,085	16,689

Clearwater Paper Corporation
Condensed Consolidated Balance Sheets
(Unaudited)

(In millions)	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 50.8	\$ 25.2
Receivables, net	180.4	167.4
Inventories	326.8	277.7
Other current assets	12.1	16.9
Total current assets	570.2	487.2
Property, plant and equipment	2,968.6	2,961.5
Accumulated depreciation	(1,945.4)	(1,879.7)
Property, plant and equipment, net	1,023.1	1,081.8
Other assets, net	110.3	121.1
Total Assets	\$ 1,703.6	\$ 1,690.1
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 1.0	\$ 1.6
Accounts payable and accrued liabilities	294.1	252.5
Total current liabilities	295.1	254.1
Long-term debt	564.9	637.6
Liability for pension and other postretirement employee benefits	71.3	73.6
Deferred tax liabilities and other long-term obligations	203.1	213.1
Total liabilities	1,134.4	1,178.3
Stockholders' equity:		
Common stock	—	—
Additional paid-in capital	25.7	23.6
Retained earnings	582.7	530.7
Accumulated other comprehensive loss, net of tax	(39.1)	(42.6)
Total stockholders' equity	569.2	511.7
Total liabilities and stockholders' equity	\$ 1,703.6	\$ 1,690.1

Clearwater Paper Corporation
Consolidated Statements of Cash Flows
(Unaudited)

(In millions)	Quarter Ended September 30, 2022	2021	Quarter Ended September 30, 2022	2021
Operating activities				
Net income (loss)	\$ 20.6	\$ 1.9	\$ 51.9	\$ (37.6)
Adjustments to reconcile net income (loss) to net cash flows provided by operating activities:				
Depreciation and amortization	26.2	25.9	77.4	79.6
Equity-based compensation expense	4.0	3.8	9.6	6.9
Deferred taxes	(1.6)	2.4	(5.8)	(19.4)
Defined benefit pension and other postretirement employee benefits	0.7	2.1	2.2	5.3
Amortization of deferred debt costs and debt retirement	0.5	1.0	1.8	1.9
Loss on sale or impairment associated with assets	1.2	—	5.8	37.1
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	4.2	(12.9)	(17.6)	(0.1)
Increase in inventory	(39.2)	(3.5)	(49.1)	(28.3)
Decrease in other current assets	1.4	0.9	5.6	5.3
Increase (decrease) in accounts payable and accrued liabilities	(4.4)	(4.8)	50.0	13.8
Other, net	(0.3)	(0.5)	1.1	—
Net cash flows provided by operating activities	13.3	16.3	132.8	64.4
Investing activities				
Additions to property, plant and equipment, net	(6.7)	(8.9)	(19.9)	(29.9)
Net cash flows used in investing activities	(6.7)	(8.9)	(19.9)	(29.9)

Financing activities

Repayments of long-term debt	(25.3)	(40.5)	(80.8)	(41.3)
Taxes paid related to net share settlement of equity awards	—	—	(2.5)	(1.7)
Repurchases of common stock	(1.0)	—	(4.9)	—
Other	0.7	—	0.7	0.5
Net cash flows used in financing activities	(25.7)	(40.5)	(87.6)	(42.5)
Increase (decrease) in cash, cash equivalents and restricted cash	(19.1)	(33.1)	25.3	(8.1)
Cash, cash equivalents and restricted cash at beginning of period	70.6	62.0	26.2	36.9
Cash, cash equivalents and restricted cash at end of period	\$ 51.5	\$ 28.9	\$ 51.5	\$ 28.9

Clearwater Paper Corporation Segment Information (Unaudited)

(In millions)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Segment net sales:				
Pulp and Paperboard	\$ 300.8	\$ 237.5	\$ 862.8	\$ 684.6
Consumer Products	241.0	214.2	696.1	603.2
Eliminations	(3.0)	(1.2)	(5.6)	(5.0)
Net sales	\$ 538.8	\$ 450.5	\$ 1,553.3	\$ 1,282.8
Operating income (loss):				
Pulp and Paperboard	\$ 63.7	\$ 34.6	\$ 165.9	\$ 72.6
Consumer Products	5.2	3.7	9.6	11.5
Corporate and eliminations	(17.8)	(14.3)	(53.8)	(44.8)
Other operating charges, net 1	(2.2)	(10.2)	(8.5)	(55.1)
Income (loss) from operations	\$ 48.9	\$ 13.8	\$ 113.3	\$ (15.6)

1 Other operating charges, net consist of amounts unrelated to ongoing core operating activities. Please refer to Note 8 within Clearwater Paper's Form 10-Q filed with the SEC for the period end September 30, 2022 for the detailed breakout of this amount.

Clearwater Paper Corporation Reconciliation of Non-GAAP Financial Measures Adjusted EBITDA (Unaudited)

(In millions)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 20.6	\$ 1.9	\$ 51.9	\$ (37.6)
Add back:				
Income tax provision (benefit)	18.9	(0.3)	29.3	(13.8)
Interest expense, net	8.0	8.9	27.3	27.5
Depreciation and amortization	26.2	25.9	77.4	79.6
Other operating charges, net 1	2.2	10.2	8.5	55.1
Debt retirement costs	—	0.5	0.5	0.5
Other non-operating expense	1.4	2.8	4.3	7.8
Adjusted EBITDA	\$ 77.3	\$ 49.9	\$ 199.2	\$ 119.0
Pulp and Paperboard segment income	\$ 63.7	\$ 34.6	\$ 165.9	\$ 72.6
Depreciation and amortization	9.3	8.9	27.8	26.9
Adjusted EBITDA Pulp and Paperboard	\$ 73.0	\$ 43.5	\$ 193.7	\$ 99.5
Consumer Products segment income	\$ 5.2	\$ 3.7	\$ 9.6	\$ 11.5
Depreciation and amortization	16.0	15.9	46.9	49.4
Adjusted EBITDA Consumer Products	\$ 21.2	\$ 19.6	\$ 56.6	\$ 60.9

Corporate and other expenses	\$	(17.8)	\$	(14.3)	\$	(53.8)	\$	(44.8)
Depreciation and amortization		0.9		1.1		2.6		3.3
Adjusted EBITDA Corporate	\$	(16.9)	\$	(13.1)	\$	(51.1)	\$	(41.4)
Pulp and Paperboard segment	\$	73.0	\$	43.5	\$	193.7	\$	99.5
Consumer Products segment		21.2		19.6		56.6		60.9
Corporate and other		(16.9)		(13.1)		(51.1)		(41.4)
Adjusted EBITDA	\$	77.3	\$	49.9	\$	199.2	\$	119.0

1 Other operating charges, net consist of amounts unrelated to ongoing core operating activities. Please refer to Note 8 within Clearwater Paper's Form 10-Q filed with the SEC for the period end September 30, 2022 for the detailed breakout of this amount.

Clearwater Paper Corporation Reconciliation of Non-GAAP Financial Measures (Unaudited)

(In millions, except per-share data)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Adjusted net income (loss):				
Net income (loss)	\$	20.6	\$	1.9
Add back:				
Income tax provision (benefit)		18.9		(0.3)
Income (loss) before income taxes		39.5		1.7
Add back:				
Debt retirement costs		—		0.5
Other operating charges, net		2.2		10.2
Adjusted income before tax	\$	41.6	\$	12.4
Normalized income tax provision		10.4		3.1
Adjusted net income	\$	31.2	\$	9.3
Weighted average diluted shares (thousands)		17,093		16,971
Adjusted income per diluted share	\$	1.83	\$	0.55
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Calculation of net debt:				
Current portion long-term debt	\$	1.0	\$	1.0
Long-term debt		564.9		589.9
Add back:				
Unamortized deferred debt costs		3.6		3.8
Less:				
Financing leases		24.4		24.7
Cash and cash equivalents		50.8		69.5
Net debt	\$	494.2	\$	500.5

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