



**G L A T F E L T E R**

## **2023 First Quarter Earnings Conference Call**

Thomas Fahnemann, President & CEO

Ramesh Shettigar, SVP, CFO & Treasurer

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May 4, 2023

NYSE: GLT

# Forward Looking Statements and Use of Non-GAAP Financial Measures

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*Any statements included in this presentation which pertain to future financial and business matters are “forward-looking statements” within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. The Company uses words such as “anticipates”, “believes”, “expects”, “future”, “intends”, “plans”, “targets”, and similar expressions to identify forward-looking statements. Any such statements are based on the Company’s current expectations and are subject to numerous risks, uncertainties and other unpredictable or uncontrollable factors that could cause future results to differ materially from those expressed in the forward-looking statements, which are described in the Company’s filings with the U.S. Securities and Exchange Commission (“SEC”), including those set forth in the Risk Factors section and under the heading “Forward-Looking Statements” in the Company’s most recently filed Annual Report on Form 10-K and Quarterly Report on Form 10-Q, which are available on the SEC’s website at [www.sec.gov](http://www.sec.gov). In light of these risks, uncertainties and other factors, the forward-looking matters discussed in this presentation may not occur and readers are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements speak only as of the date of this presentation and the Company undertakes no obligation, and does not intend, to update these forward-looking statements to reflect events or circumstances occurring after the date of this presentation.*

During the course of this presentation, certain non-U.S. GAAP financial measures will be presented. A reconciliation of these measures to U.S. GAAP financial measures is included in the appendix of this presentation.



# Highlights – Q1 2023

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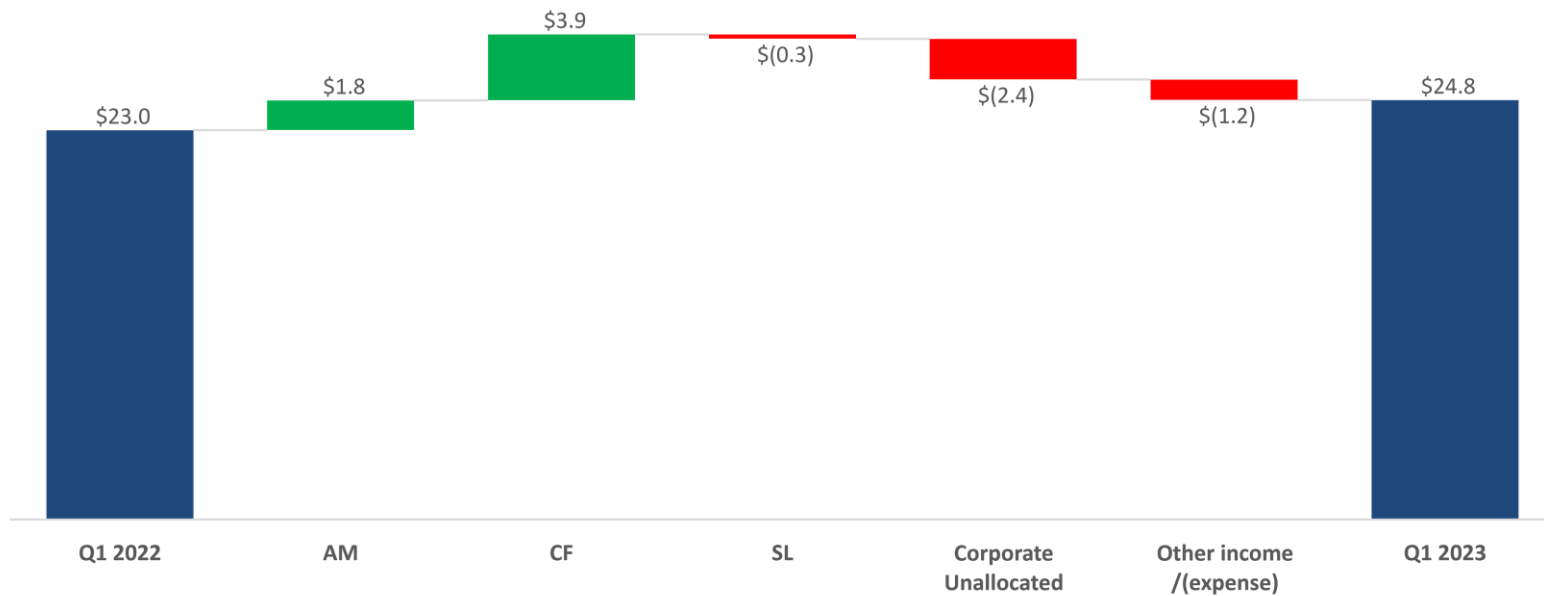
- **Q1 Adjusted EBITDA of \$24.8 million improved \$1.8 million versus Q1 2022 driven by Airlaid Materials and Composite Fibers**
- **Composite Fibers' EBITDA higher \$3.9 million and Airlaid Materials EBITDA higher \$1.8 million compared to Q1 2022, mainly driven by price-cost gap improvements in both segments**
- **Spunlace EBITDA slightly lower versus Q1 2022 driven by lower volumes and lower production to match demand but mostly offset by price-cost gap improvements and headcount actions**
- **Adjusted free cash flow improved by ~\$47 million versus Q1 2022**
- **Completed refinancing transactions to strengthen balance sheet and address debt maturity**
- **Moody's upgraded Glatfelter corporate rating to B3, reflecting successful refinancing and improved liquidity**
- **Leverage, as calculated in accordance with the covenants of our new bank credit agreement, is 3.0x\* at March 31, 2023**
- **Reaffirming annual guidance of \$110 million to \$120 million in Adjusted EBITDA for 2023**



# Financial Summary

On a GAAP basis, net loss from continuing operations for Q1 2023 was \$13.2 million or (\$0.29) per share compared to net loss from continuing operations of \$108.3 million or (\$2.42) per share in Q1 2022

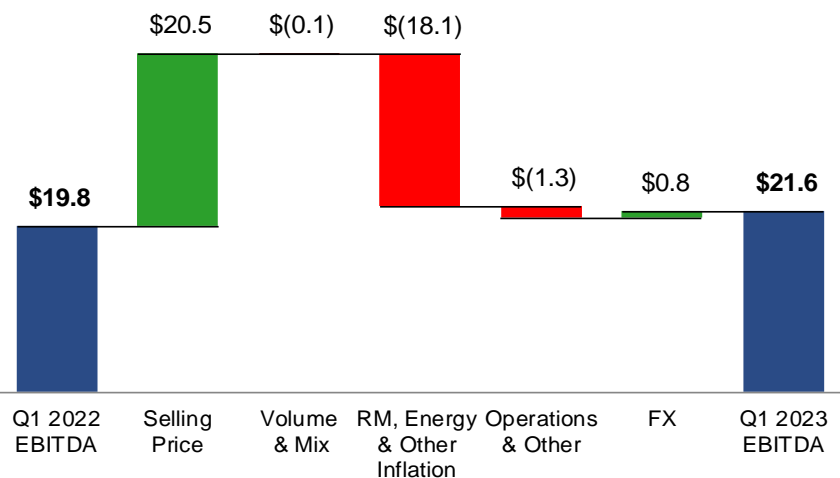
EBITDA Bridge by Segment



# Airlaid Materials Q1 2023 Highlights

USD in Thousands

	Q1 2022	Q4 2022	Q1 2023
<b>Tons Shipped (MT)</b>	43,052	39,186	39,827
<b>Net Sales</b>	149,464	153,991	159,441
<b>Operating Income</b>	12,221	14,091	13,914
<b>EBITDA</b>	19,850	21,648	21,600
<b>EBITDA Margin</b>	13.3%	14.1%	13.5%

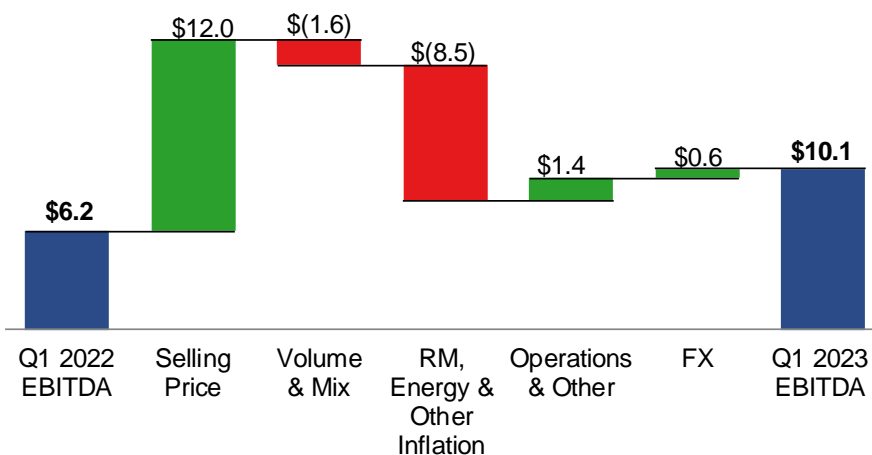


- **Revenue up 9% versus Q1 2022 on constant currency**
  - Volume down 7% vs. Q1 2022 but offset by favorable mix
    - Tabletop down 21%
    - Hygiene down 10%
    - Home Care up 4%
    - Wipes up 6%
- **Selling price benefit of \$20.5 million reflects the pass-through of higher raw material costs and energy surcharges**
- **Raw material, energy & other inflation unfavorable \$18.1 million due to continued significant inflationary pressures in fluff pulp, energy, and other operational areas (excludes labor inflation)**
- **Operations unfavorable by \$1.3 million versus Q1 2022 mainly driven by lower production to match demand**
- **FX net of currency hedging \$0.8 million higher driven by weakening of Canadian dollar**

# Composite Fibers Q1 2023 Highlights

USD in Thousands

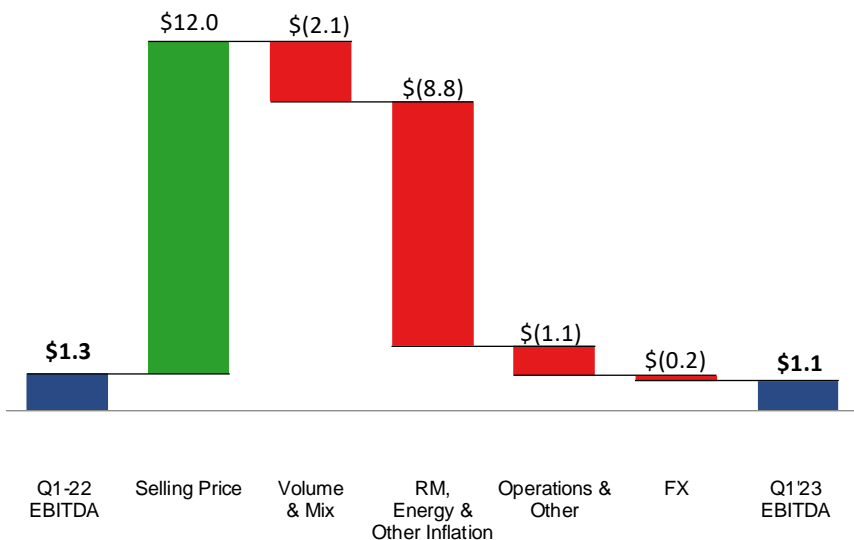
	Q1 2022	Q4 2022	Q1 2023
<b>Tons Shipped (MT)</b>	28,211	25,677	24,818
<b>Net Sales</b>	135,829	136,427	132,594
<b>Operating Income (loss)</b>	(335)	4,843	6,127
<b>EBITDA</b>	6,184	9,214	10,092
<b>EBITDA Margin</b>	4.6%	6.8%	7.6%



- **Revenue up 2% versus Q1 2022 on constant currency**
  - Volume down 12% vs. Q1 2022
    - Metallized products down 40%
    - Composite Laminates down 27%
    - Technical specialties down 14%
    - Food & Beverage down 5%
    - Wallcover down 4% (primarily sanctions driven)
- **Selling prices were \$12 million higher versus Q1 2022 reflecting pricing actions to recover significant inflation across all input cost categories**
- **Raw material, energy, and other inflation unfavorable \$8.5 million due to continued significant inflationary pressures in wood pulp, synthetic fibers, and other operational areas (excludes labor inflation)**
- **Operations favorable \$1.4 million driven by headcount actions related to turnaround strategy, operational efficiencies, and lower energy consumption**
- **FX favorable \$0.6 million mainly driven by weakening of British Pound**

# Spunlace Q1 2023 Highlights

<i>USD in Thousands</i>	Q1 2022	Q4 2022	Q1 2023
<b>Tons Shipped (MT)</b>	20,736	14,957	16,420
<b>Net Sales</b>	96,387	83,485	86,723
<b>Operating loss</b>	(1,572)	(1,238)	(2,023)
<b>EBITDA</b>	1,342	1,802	1,069
<b>EBITDA Margin</b>	1.4%	2.2%	1.2%



- **Revenue down 9% versus Q1 2022 on constant currency**
  - Volume 21% lower vs. Q1 2022
    - Healthcare down 35%
    - Hygiene down 24%
    - Consumer wipes down 21%
    - Critical cleaning down 4%
- **Selling price increases, energy surcharges, and raw material pass-through provisions combined were higher by \$12.0 million**
- **Raw material, energy, and other inflation unfavorable \$8.8 million due to continued significant inflationary pressures in pulp, base paper, other fibers, and other operational areas (excludes labor inflation)**
- **Operations unfavorable \$1.1 million mainly driven by lower production to manage inventory levels but partially offset by headcount actions in 2022 and early 2023 to improve segment profitability**

# Corporate Costs and Other Financial items

## Details of Other and Unallocated

The following sets forth details of 'Other and Unallocated' amounts presented in the Company's Segment Financial Information included in total operating income in the earnings release.

USD in Millions	Q1 2022	Q1 2023
Goodwill and other asset impairment charges	\$ (117.3)	\$-
Cost optimization actions	(0.9)	-
Timberland sales and related costs	3.0	0.6
Russia/Ukraine conflict charges /(recovery)	(3.9)	-
Strategic initiatives	(1.8)	(0.7)
Corporate headquarters relocation	(0.1)	-
Turnaround strategy costs	-	(4.5)
<b>Special items excluded from adjusted earnings</b>	<b>(121.2)</b>	<b>(4.6)</b>
Corporate costs excluding depreciation and amortization*	(3.9)	(6.3)
Depreciation and amortization costs	(1.1)	(1.0)
<b>Total corporate costs</b>	<b>(5.0)</b>	<b>(7.3)</b>
<b>Total corporate costs &amp; other financial items</b>	<b>\$ (126.2)</b>	<b>\$ (11.9)</b>

• **Q1 2023 Corporate expenses increased by \$2.3 million from prior year driven by:**

- Higher incentive accruals
- Higher professional services costs

**Notes:**

(\*) Corporate costs are primarily comprised of employee costs, legal fees, and professional services fees. The sum of individual amounts set forth above may not agree to the column totals due to rounding.





# Cash Flow

- **Q1 2023 Adjusted Free Cash Flow from continuing operations ~ \$47 million higher versus Q1 2022**

- Adjusted EBITDA higher by ~\$2 million
- Lower working capital usage of ~\$35 million mainly driven by hurt in Q1 2022 from higher A/R as selling prices were increased significantly to combat raw material and energy inflation
- Interest paid increased by ~\$3 million related to higher interest rates
- Lower cash taxes of \$6.5 million due to higher Canadian income tax and withholding tax in Q1 2022 and UK income tax refund in Q1 2023
- Lower capital expenditures of ~\$3 million

(in millions)	Q1 2022	Q1 2023
Adjusted EBITDA	\$23.0	\$24.8
Change in working capital (*)	(69.2)	(34.3)
Taxes paid	(8.2)	(1.7)
Interest paid	(1.5)	(5.0)
Other	(10.3)	(14.5)
<b>Cash Flow from continuing Operations</b>	<b>(\$66.2)</b>	<b>(\$30.6)</b>
Less: Capital expenditures	(12.3)	(9.5)
<b>Free Cash Flow</b>	<b>(\$78.6)</b>	<b>(\$40.1)</b>
Less: Adjustments to Free Cash Flow <sup>(1)</sup>	3.2	11.9
<b>Adjusted Free Cash Flow</b>	<b>(\$75.4)</b>	<b>(\$28.2)</b>

(\*) - Working capital is defined as accounts receivable plus inventories less accounts payable

**Notes:**

(1) – Appendix includes the details for the Adjustments to Free Cash Flow in page 23



# Balance Sheet and Liquidity

- Completed transactions to refinance February 2024 debt maturity with a new 6-year term loan
  - Closed 6-year €250 million senior secured term loan facility from Angelo Gordon
  - Repaid €220 million term loan that was maturing in February 2024
  - Amended existing revolving credit facility to provide additional covenant flexibility
- Leverage, as calculated in accordance with the covenants of our new bank credit agreement is 3.0x\* at March 31, 2023
- Liquidity of approximately \$230 million with recent refinancing

(in millions)	31-Dec-21	31-Dec-22	31-Mar-23
<b>Cash</b>	\$138.4	\$110.7	\$88.6
<b>Debt</b>			
Current portion of long term debt	26.4	40.4	4.0
Short term debt	22.8	11.4	8.2
\$500 million 4.75% bond	500.0	500.0	500.0
Term Loans 1.3% - 2.4% due 2022 - 2025	239.5	185.1	-
11.25% Term Loan, due 2029	-	-	266.4
Revolving credit agreement	10.0	118.7	104.4
Unamortized deferred financing costs	(11.4)	(10.5)	(18.7)
<b>Total Debt</b>	<b>\$787.4</b>	<b>\$845.1</b>	<b>\$864.3</b>
<b>Net Debt</b>	<b>\$648.9</b>	<b>\$734.4</b>	<b>\$775.6</b>
<b>Shareholders' Equity</b>	<b>\$542.8</b>	<b>\$318.0</b>	<b>\$312.6</b>
<b>TTM Adj. EBITDA</b>	<b>\$119.6</b>	<b>\$98.9</b>	<b>\$100.6</b>
<b>Available Liquidity</b>	<b>\$258.0</b>	<b>\$87.4</b>	<b>\$229.4</b>

**Notes:**

(\*) - Debt covenant compliance ratio of 3.0x as of Mar 31, 2023 includes additional add backs permitted under credit agreement (max of 4.25x)  
The sum of individual amounts set forth above may not agree to the column totals due to rounding.



# 2023 EBITDA and Cash flow Guidance

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- Expect full year 2023 EBITDA to be between \$110 million and \$120 million
- Cash Interest estimated to be approximately \$60 million, reflecting the latest refinancing completed in Q1 2023
- Capital expenditures to be in the range of \$35 million to \$40 million
- Expect working capital cash usage and turnaround strategy implementation costs to be between \$20 million and \$30 million
- Cash taxes to be between \$20 million and \$25 million



# Appendix

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# Turnaround Initiatives

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- **Portfolio Optimization**
  - Actively reviewing non-core assets
- **Margin improvement**
  - Accelerating customers' pricing actions to address input cost inflation
- **Fixed cost reduction**
  - Reducing headcount to yield full year run-rate savings of approximately \$11 million by 2024
  - Evaluating indirect spend for further cost reduction
- **Cash liberation**
  - Improving working capital, managing capital allocation, and suspended dividend
- **Operational effectiveness**
  - Streamlined leadership to improve operational efficiency and expand product management capabilities
  - Improving waste, uptime efficiency, and asset utilization – targeting ~\$10 million run-rate savings by 2024
- **Return Spunlace to profitability**
  - Applying above actions to improve output and meet customer demand
  - Augmenting internal team with expert external resources



# Financial Overview

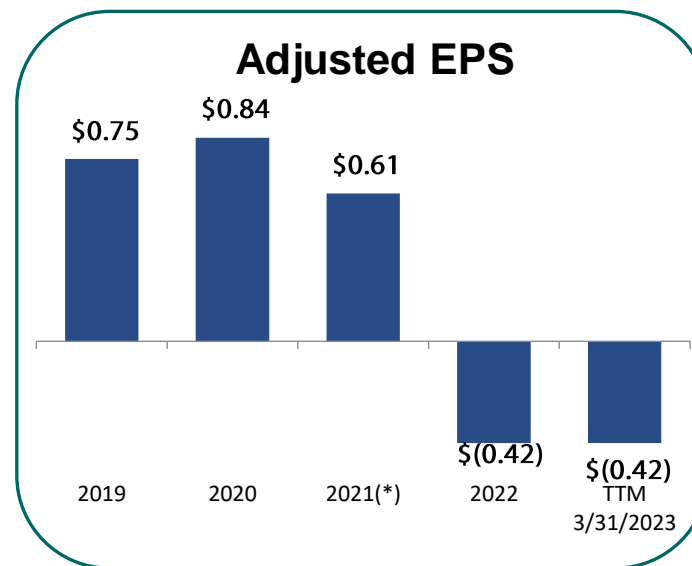
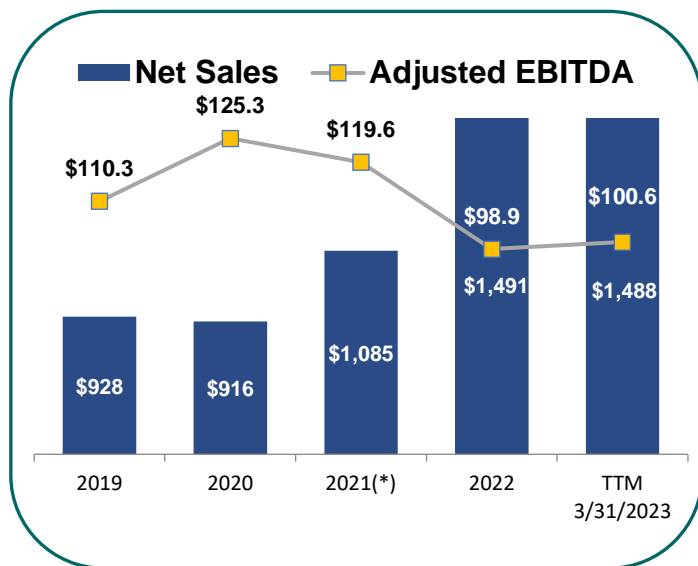
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<i>USD in Millions</i>	<b>Q1 2022</b>	<b>Q1 2023</b>
Net Sales	\$381.7	\$378.2
Adjusted operating income	\$5.3	\$10.7
Adjusted EBITDA	\$23.0	\$24.8
Free Cash Flow	(\$78.6)	(\$40.1)
Adjusted Free Cash Flow	(\$75.4)	(\$28.2)

<i>USD in Millions</i>	<b>Dec 31 2022</b>	<b>Mar 31 2023</b>
Net Debt	\$734.4	\$775.6
Cash	\$110.7	\$88.6



# Earnings Trends



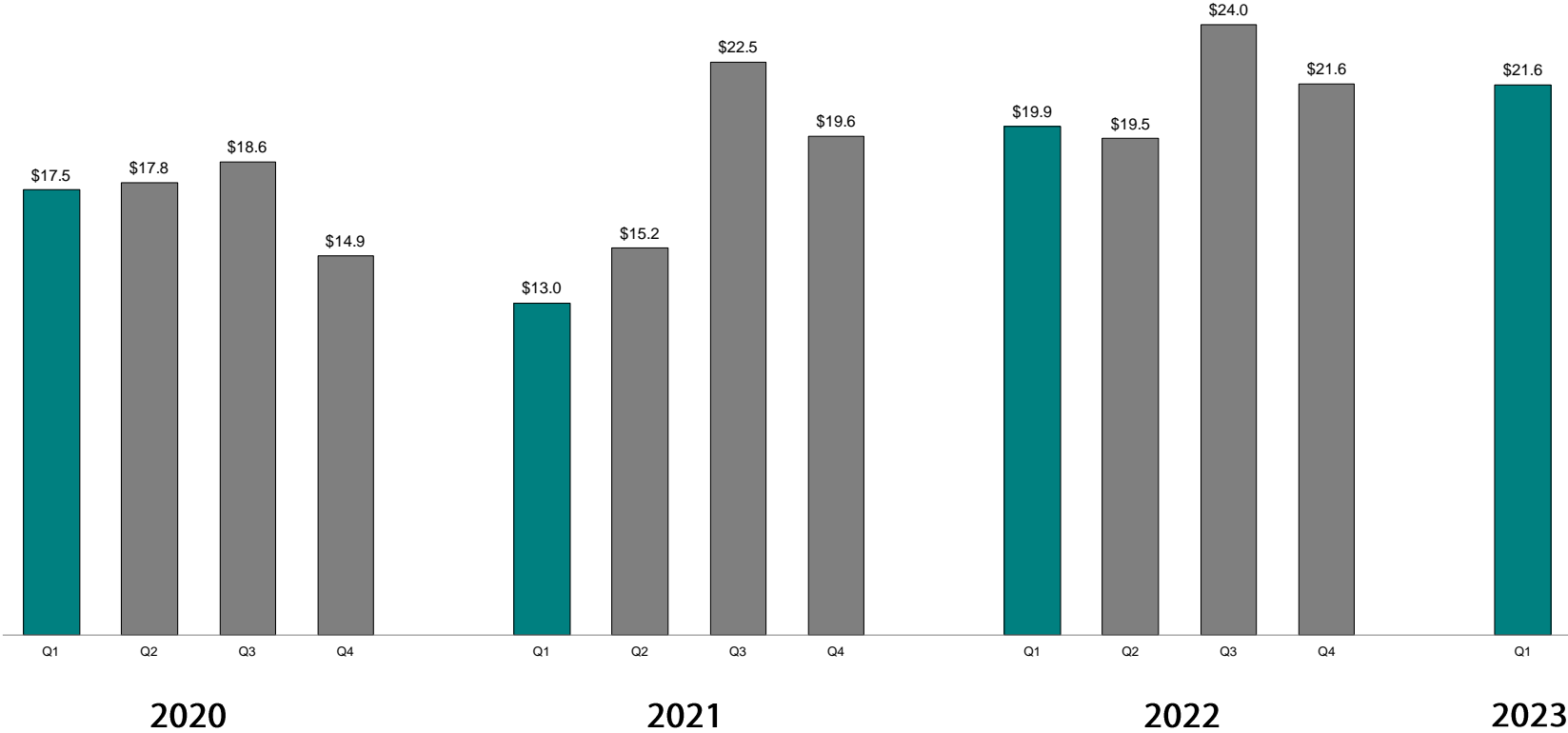
**Notes:**

- (\*) -2021 includes Mount Holly prospectively from May 13, 2021 acquisition date; 2021 includes Spunlace segment from its October 29, 2021 acquisition date.



# Airlaid Materials EBITDA

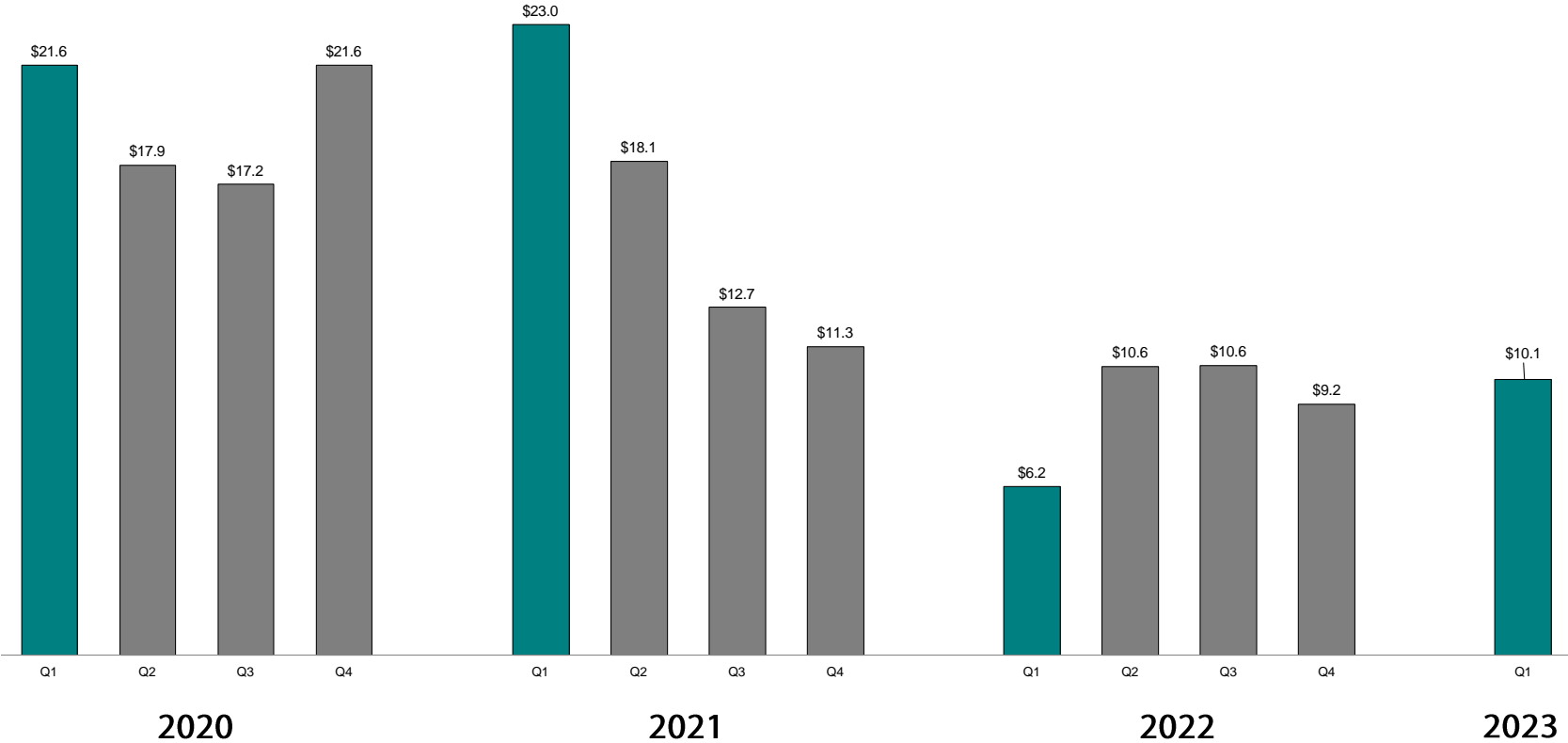
USD in millions





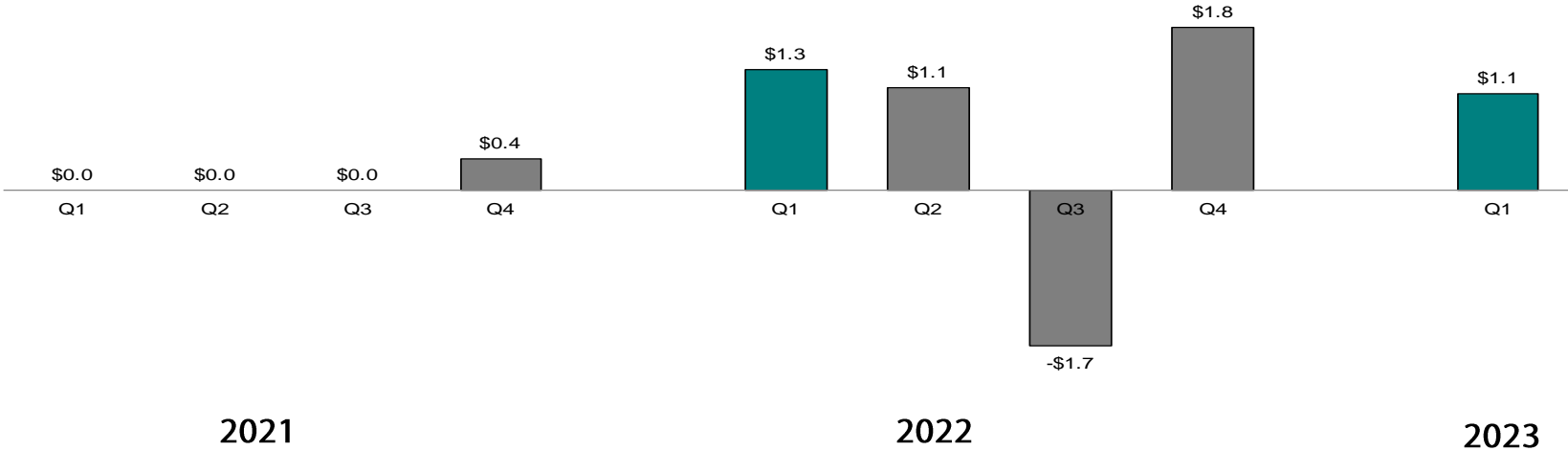
# Composite Fibers EBITDA

USD in millions



# Spunlace EBITDA

USD in millions



# Reconciliation of Non-GAAP measures

## Adjusted EPS from continuing operations

<i>In millions</i>	2019	2020	2021	2022	TTM 3/31/2023
<b>Net Income (loss)</b>	\$ (21.5)	\$ 21.3	\$ 6.9	\$ (194.2)	\$ (99.5)
Adjust: Discontinued ops, net of tax	(3.7)	(0.5)	(0.2)	0.1	0.5
<b>Income (loss) from continuing operations</b>	<b>(25.2)</b>	<b>20.8</b>	<b>6.7</b>	<b>(194.1)</b>	<b>(99.0)</b>
<u>Adjustments / Exclusions:</u>					
Pension settlement expenses, net	75.3	6.2	-	-	-
Gains on Timberland Sales and Transaction Related Costs	(1.6)	(1.4)	(5.2)	(3.0)	(0.6)
Goodwill and other asset impairment charges	-	0.9	-	190.6	73.2
Russia / Ukraine conflict charges / (recovery)	-	-	-	3.2	(0.7)
CEO transition costs	-	-	-	1.7	2.4
COVID-19 incremental costs/(ERC recovery)	-	2.7	-	(7.3)	(7.3)
Debt refinancing fees	1.0	-	-	-	1.9
Turnaround strategy costs	-	-	-	8.0	12.5
Cost optimization actions	8.6	6.0	0.9	0.9	-
Restructuring charge - Metallized operations	-	11.1	-	-	-
Strategic initiatives	1.3	1.6	30.9	5.6	4.5
Fox River environmental matter	(2.5)	-	-	-	-
Corporate headquarters relocation	-	1.1	0.6	0.4	0.3
Income Tax impact and other adjustments	(23.7)	(11.5)	(6.3)	(25.1)	(5.8)
Total adjustments	58.4	16.6	20.9	175.1	80.3
<b>Adjusted income (loss) from continuing operations</b>	<b>33.2</b>	<b>37.4</b>	<b>27.6</b>	<b>(19.0)</b>	<b>(18.7)</b>
<b>Adjusted EPS for continuing operations</b>	<b>\$ 0.75</b>	<b>\$ 0.84</b>	<b>\$ 0.61</b>	<b>\$ (0.42)</b>	<b>\$ (0.42)</b>



# Reconciliation of Non-GAAP measures

## Adjusted EPS from continuing operations

<i>USD In millions</i>	<b>Q1 2022</b>	<b>Q1 2023</b>
<b>Net loss</b>	<b>\$ (108.3)</b>	<b>\$ (13.6)</b>
Adjust: Discontinued ops, net of tax	-	0.4
<b>Net loss from continuing operations</b>	<b>(108.3)</b>	<b>(13.2)</b>
<u>Adjustments / Exclusions:</u>		
Debt Refinancing	-	1.9
Gains on Timberland Sales and Transaction Related Costs	(3.0)	(0.6)
Goodwill and other asset impairment charges	117.3	-
Russia / Ukraine conflict charges	3.9	-
CEO transition costs	-	0.6
Corporate headquarters relocation	0.1	-
Cost optimization actions	0.9	-
Turnaround strategy costs	-	4.5
Strategic initiatives	1.8	0.7
Income Tax impacts and other adjustments	(19.1)	0.2
<b>Total adjustments</b>	<b>102.1</b>	<b>7.3</b>
<b>Adjusted income from continuing operations</b>	<b>\$ (6.2)</b>	<b>\$ (5.9)</b>
<b>Adjusted EPS for continuing operations</b>	<b>\$ (0.14)</b>	<b>\$ (0.13)</b>



# Reconciliation of Non-GAAP measures

## Adjusted EBITDA from continuing operations

<i>In millions</i>	Q1 2022	Q1 2023
Net loss	\$ (108.3)	\$ (13.6)
Adjust: Discontinued ops	-	0.4
Add: Taxes	(16.8)	3.7
Add: Depreciation and Amortization	18.5	15.7
Add: Net Interest Expense	7.8	12.3
EBITDA	(98.7)	18.5
<u>Adjustments / Exclusions:</u>		
Share-based compensation	0.9	0.9
Gains on Timberland Sales and Transaction Related Costs	(3.0)	(0.6)
Debt refinancing costs	-	0.1
Turnaround strategy costs	-	4.5
Cost optimization actions	0.6	-
Goodwill and other asset impairment charges	117.3	-
Russia / Ukraine conflict charges / (recovery)	3.9	-
CEO transition costs	-	0.6
Strategic initiatives	1.8	0.7
Corporate headquarters relocation	0.1	-
<b>Adjusted EBITDA from continuing operations</b>	<b>\$ 23.0</b>	<b>\$ 24.8</b>
Depreciation and Amortization	(18.1)	(15.7)
Other Expense	1.3	2.6
Share-based compensation	(0.9)	(0.9)
<b>Adjusted Operating Income from continuing operations</b>	<b>\$ 5.3</b>	<b>\$ 10.7</b>



# Reconciliation of Non-GAAP measures

## Adjusted EBITDA from continuing operations

<i>In millions</i>	2019	2020	2021	2022	TTM 3/31/2023
<b>Net Income (loss)</b>	<b>\$ (21.5)</b>	<b>\$ 21.3</b>	<b>\$ 6.9</b>	<b>\$ (194.2)</b>	<b>\$ (99.5)</b>
Exclude: Loss (Income) from discontinued operations, net of tax	(3.7)	(0.5)	(0.2)	0.1	0.5
Add: Taxes from continuing operations	(9.2)	11.6	7.0	(10.3)	10.2
Add: Depreciation and Amortization	50.8	56.6	61.4	66.4	64.0
Add: Net Interest Expense	9.3	6.6	12.3	32.8	35.5
<b>EBITDA from continuing operations</b>	<b>\$ 25.7</b>	<b>\$ 95.6</b>	<b>\$ 87.4</b>	<b>\$ (105.2)</b>	<b>\$ 10.6</b>
<u>Adjustments / Exclusions:</u>					
Share-based compensation	3.6	5.7	5.1	0.8	0.9
Pension settlement expenses, net	75.3	6.2	-	-	-
Gains on Timberland Sales and Transaction Related Costs	(1.6)	(1.4)	(5.2)	(3.0)	(0.6)
Goodwill and other asset impairment charges	-	0.9	-	190.6	73.2
Russia / Ukraine conflict charges / (recovery)	-	-	-	3.2	(0.7)
Debt refinancing costs	-	-	-	-	1.9
Restructuring charge - Metallized operations (net of accelerated depreciation)	-	7.2	-	-	-
CEO transition costs	-	-	-	4.8	5.5
Cost optimization actions	8.6	6.0	0.9	0.9	-
COVID-19 incremental costs/(ERC recovery)	-	2.7	-	(7.3)	(7.3)
Corporate headquarters relocation (net of asset write off)	-	0.9	0.6	0.4	0.3
Strategic initiatives	1.3	1.6	30.9	5.6	4.5
Turnaround strategy costs	-	-	-	8.0	12.5
Fox River environmental matter	(2.5)	-	-	-	-
<b>Adjusted EBITDA from continuing operations</b>	<b>\$ 110.3</b>	<b>\$ 125.3</b>	<b>\$ 119.6</b>	<b>\$ 98.9</b>	<b>\$ 100.6</b>

# Reconciliation of Non-GAAP measures

## Adjusted Free Cash Flow from Continuing Operations

In millions	Q1 2022	Q1 2023
Adjusted EBITDA	\$23.0	\$24.8
Accounts receivable	(\$53.3)	(\$2.3)
Inventories	(\$17.7)	(\$8.8)
Accounts payable	\$1.8	(\$23.1)
Change in working capital	(69.2)	(34.3)
Taxes paid	(8.2)	(1.7)
Interest paid	(1.5)	(5.0)
Other	(10.3)	(14.5)
<b>Cash Flow from continuing Operations</b>	<b>(\$66.2)</b>	<b>(\$30.6)</b>
Less: Capital expenditures	(12.3)	(9.5)
<b>Free Cash Flow</b>	<b>(\$78.6)</b>	<b>(\$40.1)</b>
Fox River Payments	1.3	0.2
Turnround strategy costs	-	5.3
Strategic Initiatives	1.4	0.2
CEO transition costs	-	7.1
Cost Optimization	0.6	-
HQ Relocation	(0.6)	-
Tax payments (refunds) on adjusting items	0.6	(0.8)
Less: Adjustments to Free Cash Flow	3.2	11.9
<b>Adjusted Free Cash Flow</b>	<b>(\$75.4)</b>	<b>(\$28.2)</b>



# Reconciliation of Non-GAAP measures

## Adjusted EBITDA from continuing operations

<i>USD in Thousands</i>	<b>Q1 2022</b>	<b>Q4 2022</b>	<b>Q1 2023</b>
Airlaid Materials Operating Profit	\$12,221	\$14,091	\$13,914
Addback: Depreciation & Amortization	7,629	7,543	7,686
<b>Airlaid Materials EBITDA</b>	<b>\$19,850</b>	<b>\$21,634</b>	<b>\$21,600</b>
Composite Fibers Operating Profit (loss)	(\$335)	\$4,843	\$6,127
Addback: Depreciation & Amortization	6,519	4,356	3,965
<b>Composite Fibers EBITDA</b>	<b>\$6,184</b>	<b>\$9,214</b>	<b>\$10,092</b>
Spunlace Operating Loss	(\$1,572)	(\$1,238)	(\$2,023)
Addback: Depreciation & Amortization	2,914	3,036	3,092
<b>Spunlace EBITDA</b>	<b>\$1,342</b>	<b>\$1,802</b>	<b>\$1,069</b>

