

Appvion, Inc.

Earnings Review

Fourth Quarter and Full Year 2016

March 14, 2017



APPVION

Forward-Looking Statements

This presentation contains forward-looking statements. The words “will,” “may,” “should,” “believes,” “anticipates,” “intends,” “estimates,” “expects,” “projects,” “plans,” “seek” or similar expressions are intended to identify forward-looking statements. All statements in this news release, other than statements of historical fact, including statements which address Appvion’s strategy, future operations, future financial position, estimated revenues, projected costs, prospects, plans and objectives of management and events or developments that Appvion expects or anticipates will occur, are forward-looking statements. All forward-looking statements speak only as of the date on which they are made. They rely on a number of assumptions concerning future events and are subject to a number of risks and uncertainties, many of which are outside the Company’s control that could cause actual results to differ materially from such statements. These risks and uncertainties include, but are not limited to, the factors listed under “Item 1A - Risk Factors” in the Annual Report on Form 10-K for the year ended December 31, 2016. Many of these factors are beyond Appvion’s ability to control or predict. Given these uncertainties, you should not place undue reliance on the forward-looking statements. Appvion disclaims any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures

This presentation refers to certain non-U.S. GAAP financial measures. A reconciliation of the non-U.S. GAAP financial measures is attached in the appendix of this presentation.

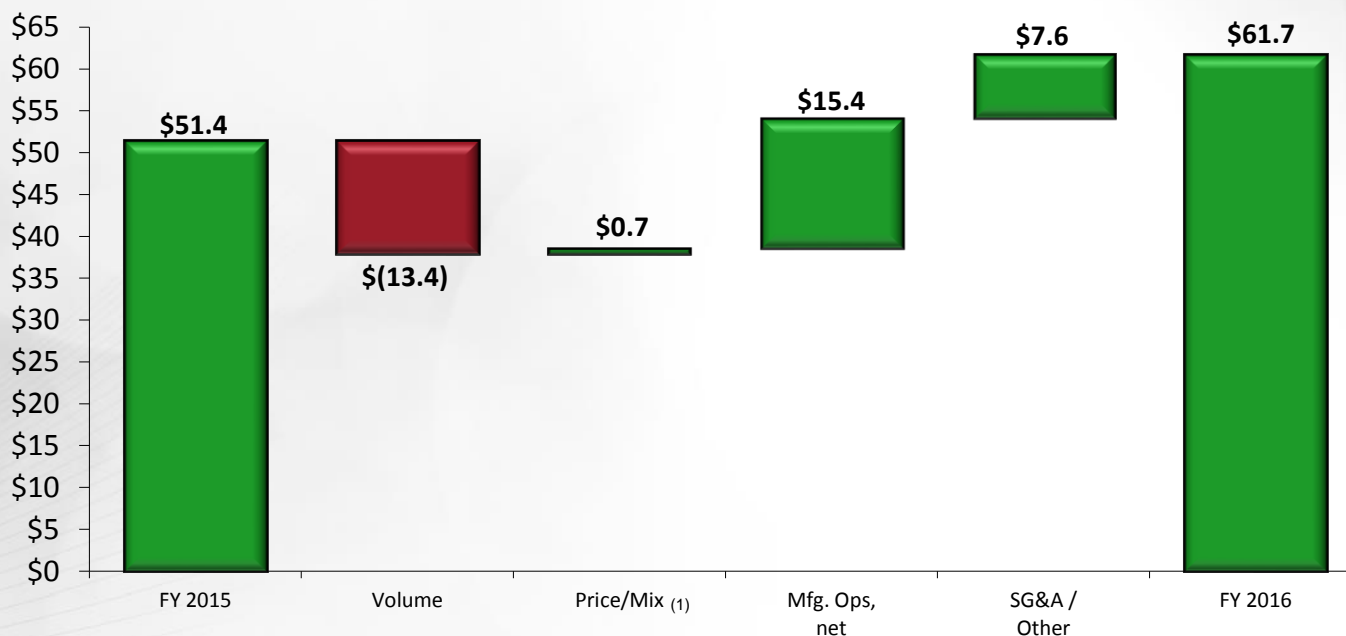
Full Year and Q4 2016 Overview

- Appvion's 2016 operating income improved to \$23.5 million from \$10.5 million in 2015 as aggressive cost reductions combined with sales and volume growth and improved prices for its thermal products more than offset lower prices and shipment volume for its carbonless papers
- Total Company adjusted EBIT and adjusted EBITDA for 2016 increased 52.0% and 19.9%, respectively, compared to full year 2015; adjusted EBITDA improved \$10.3 million year over year to \$61.7 million
- Full year 2016 total company sales decreased 1.4% compared to full year 2015; Q4 2016 total company sales decreased 1.4% when compared to Q4 2015
- Thermal sales up 8.7% in full year 2016 and up 5.5% in Q4 compared to prior year period; volume up 5.7% in full year 2016 and up 4.2% compared to Q4 2015; tag, label and entertainment (TLE) shipment volume continues to be strong, up 10.6% compared to full year 2015
- Carbonless sales down 12.9% in full year 2016 and down 10.3% in Q4 compared to prior year period; volume down 10.4% in full year 2016 and down 5.2% in Q4 2015
- Cost reduction and continuous improvement programs totaled \$23.0 million; comprised of \$15.4 million of manufacturing improvements and \$7.6 million in lower SG&A
- Final Fox River payment of \$7.5 million made and all obligations fulfilled

Total Company – Full Year 2016 Overview

- Adjusted EBITDA up almost 20% compared to full year 2015 due to strong manufacturing improvement, SG&A spend and thermal volume and price/mix
- Favorable thermal volume and price/mix, offset by carbonless volume and price/mix decline
- Favorable manufacturing performance from cost savings initiatives and mill spend
- SG&A trend continues to be favorable

| (\$ in millions) | FY 2016 | FY 2015 | Change |
|----------------------|----------|----------|---------|
| Net Sales | \$ 690.4 | \$ 700.0 | (1.4%) |
| Adj. EBIT | \$ 31.6 | \$ 20.8 | 52.0% |
| Adj. EBITDA | \$ 61.7 | \$ 51.4 | 19.9% |
| Adj. EBITDA Margin % | 8.9% | 7.3% | 160 bps |

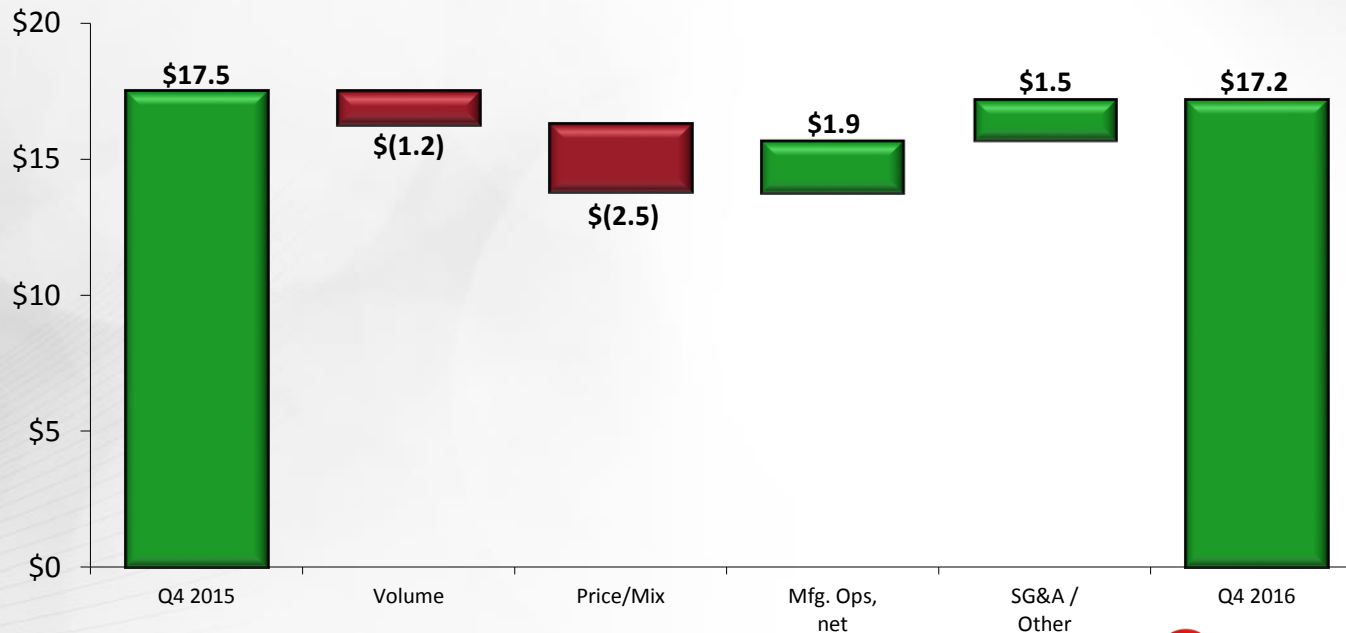


(1) FX impact on FY 2016 was \$(2.5)M

Total Company – Q4 2016 Overview

- Adjusted EBITDA was relatively flat compared to Q4 2015 largely due to price and mix, and was partially offset by cost savings initiatives and improved mill spend
- Unfavorable carbonless sales and price/mix quarter over quarter were somewhat offset by improved thermal sales and price/mix
- Continued improvement in manufacturing performance from cost savings initiatives and mill spend

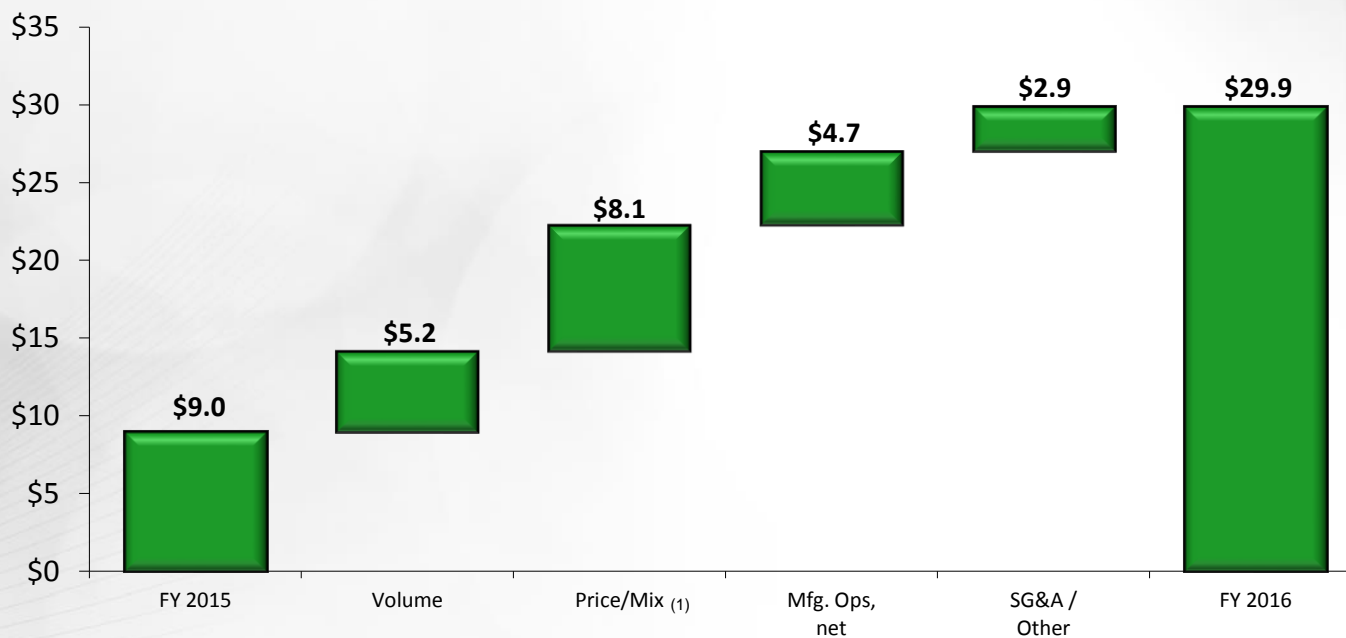
| (\$ in millions) | Q4 2016 | Q3 2016 | Q4 2015 |
|----------------------|----------|----------|----------|
| Net Sales | \$ 167.1 | \$ 169.2 | \$ 169.4 |
| Adj. EBIT | \$ 9.3 | \$ 7.3 | \$ 10.0 |
| Adj. EBITDA | \$ 17.2 | \$ 14.4 | \$ 17.5 |
| Adj. EBITDA Margin % | 10.3% | 8.5% | 10.4% |



Thermal Business Segment – Full Year 2016 Overview

- Adjusted EBITDA up nearly \$21 million compared to full year 2015
- Favorable thermal volume and price/mix
- Favorable manufacturing performance from cost savings initiatives and mill spend
- SG&A trend continues to be favorable
- Overall, thermal shipment volume increased 5.7% compared to full year 2015, due to higher TLE volume up 10.6%

| (\$ in millions) | FY 2016 | FY 2015 | Change |
|--------------------------------|----------|----------|---------|
| Volume Change (as compared to) | - | - | 5.7% |
| Net Sales | \$ 405.5 | \$ 372.8 | 8.7% |
| Adj. EBIT | \$ 17.2 | \$ (3.6) | 481.6% |
| Adj. EBITDA | \$ 29.9 | \$ 9.0 | 234.5% |
| Adj. EBITDA Margin % | 7.4% | 2.4% | 500 bps |



⁽¹⁾ FX impact on FY 2016 was \$(1.9)M

Thermal Business Segment – Q4 2016 Overview

- Adjusted EBITDA is up \$2.2 million vs. Q4 2015
- Q4 2016 thermal TLE shipment volume was up nearly 8% compared to the same period in 2015
- Overall, thermal shipment volume increased 4.2% compared to Q4 2015 and flat compared to Q3 2016

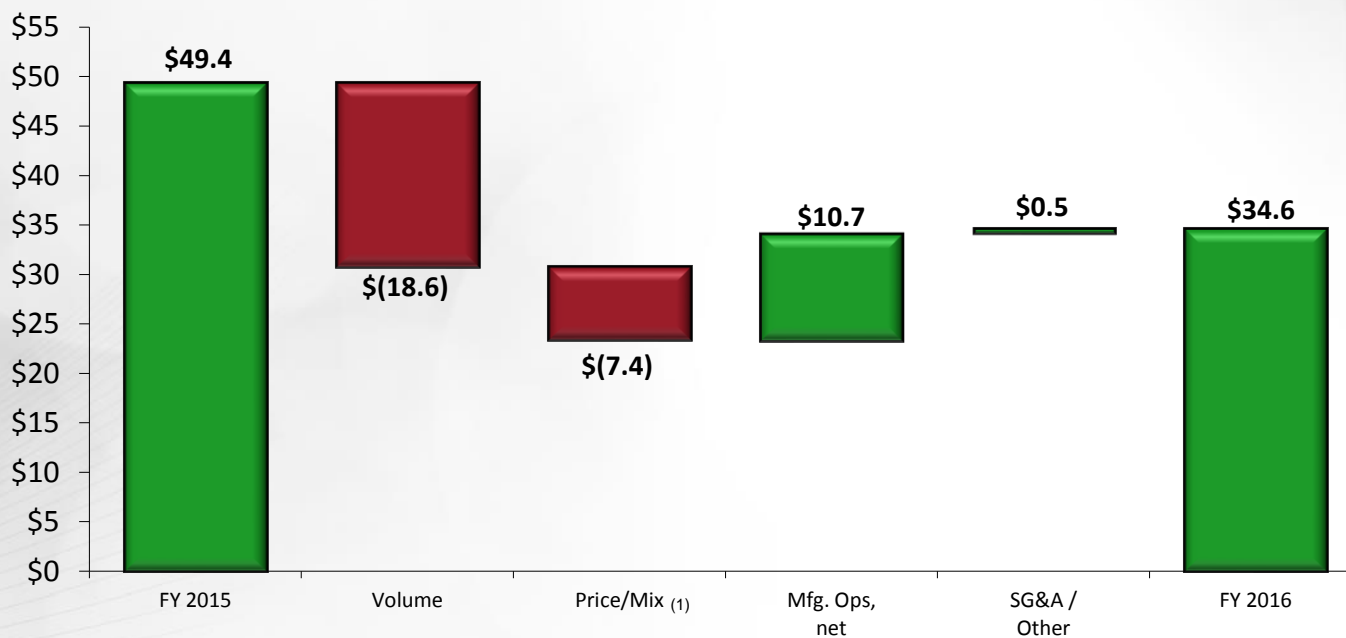
| (\$ in millions) | Q4 2016 | Q3 2016 | Q4 2015 |
|--------------------------------|----------|----------|---------|
| Volume Change (as compared to) | - | 0.0% | 4.2% |
| Net Sales | \$ 101.1 | \$ 101.6 | \$ 95.8 |
| Adj. EBIT | \$ 4.3 | \$ 3.3 | \$ 2.2 |
| Adj. EBITDA | \$ 7.4 | \$ 6.6 | \$ 5.2 |
| Adj. EBITDA Margin % | 7.4% | 6.5% | 5.4% |



Carbonless Business Segment – Full Year 2016 Overview

- EBITDA down 29.9% compared to full year 2015 due to unfavorable volume and price/mix
- Favorable manufacturing performance from cost savings initiatives and mill spend
- SG&A trend continues to be favorable
- Specialty paper volume is up 13.4% from full year 2015

| (\$ in millions) | FY 2016 | FY 2015 | Change |
|--------------------------------|----------|----------|-----------|
| Volume Change (as compared to) | - | - | (10.4%) |
| Net Sales | \$ 284.9 | \$ 327.2 | (12.9%) |
| Adj. EBIT | \$ 20.8 | \$ 35.2 | (41.0%) |
| Adj. EBITDA | \$ 34.6 | \$ 49.4 | (29.9%) |
| Adj. EBITDA Margin % | 12.1% | 15.1% | (300) bps |

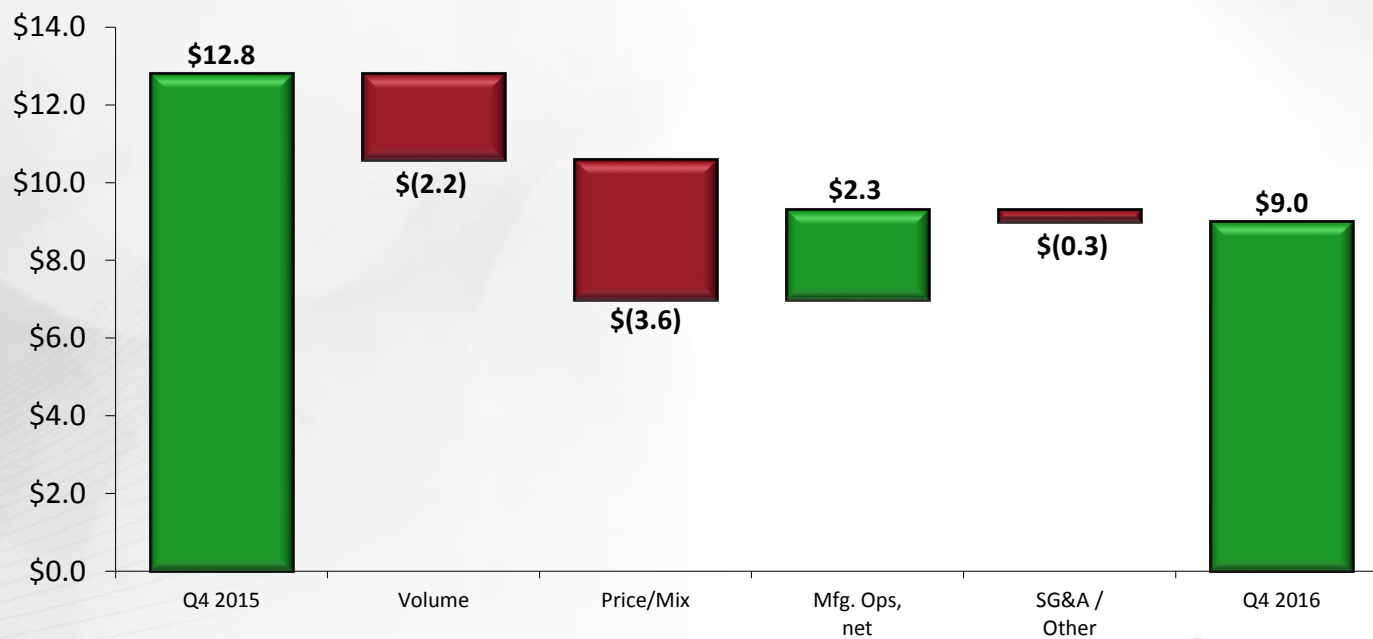


(1) FX impact on FY 2016 was \$(0.6)M

Carbonless Business Segment – Q4 2016 Overview

- Unfavorable carbonless volume and price/mix were partially offset by favorable manufacturing operations
- Q1 – Q3 average volume decline of 11.9% versus Q4 volume decline of 5.2%; on a sequential quarter basis volume is flat
- Customer consolidations negatively impacted shipment volumes year over year
- Compared to Q4 2015, specialty paper volume is up 9.6%; up 13.4% from full year 2015

| (\$ in millions) | Q4 2016 | Q3 2016 | Q4 2015 |
|--------------------------------|---------|---------|---------|
| Volume Change (as compared to) | - | 0.0% | (5.2%) |
| Net Sales | \$ 66.0 | \$ 67.6 | \$ 73.6 |
| Adj. EBIT | \$ 5.3 | \$ 5.4 | \$ 9.6 |
| Adj. EBITDA | \$ 9.0 | \$ 8.8 | \$ 12.8 |
| Adj. EBITDA Margin % | 13.7% | 13.0% | 17.5% |



Balance Sheet

- Operating working capital increased \$0.5 million from 2015 year end, improved accounts receivables of \$0.3 million and lower inventory of \$0.8 million was offset by a reduction in accounts payable of \$1.6 million

| (\$ in millions) | YE 2016 | YE 2015 |
|--|----------|----------|
| Net Debt | \$ 432.1 | \$ 413.5 |
| Unused revolver plus cash | \$ 22.7 | \$ 21.3 |
| Capital Expenditures | \$ 14.8 | \$ 16.7 |
| Operating Working Capital ⁽¹⁾ | \$ 78.2 | \$ 77.7 |

⁽¹⁾ Operating working capital defined as receivables plus inventory less payables

Outlook for Q1 2017 and Full Year

Q1 2017:

- POS receipt prices are expected to be lower and very competitive compared to Q1 2016 due to the strong dollar and intensified foreign competition
- POS volume should be somewhat lower compared to last year
- Market demand that drove strong growth of thermal TLE products through 2016 may be slightly lower in Q1 2017 due to strong order volume at the end of 2016
- Total carbonless volume is expected to be down versus last year Q1, but the rate of decline is expected to be significantly lower than 2016

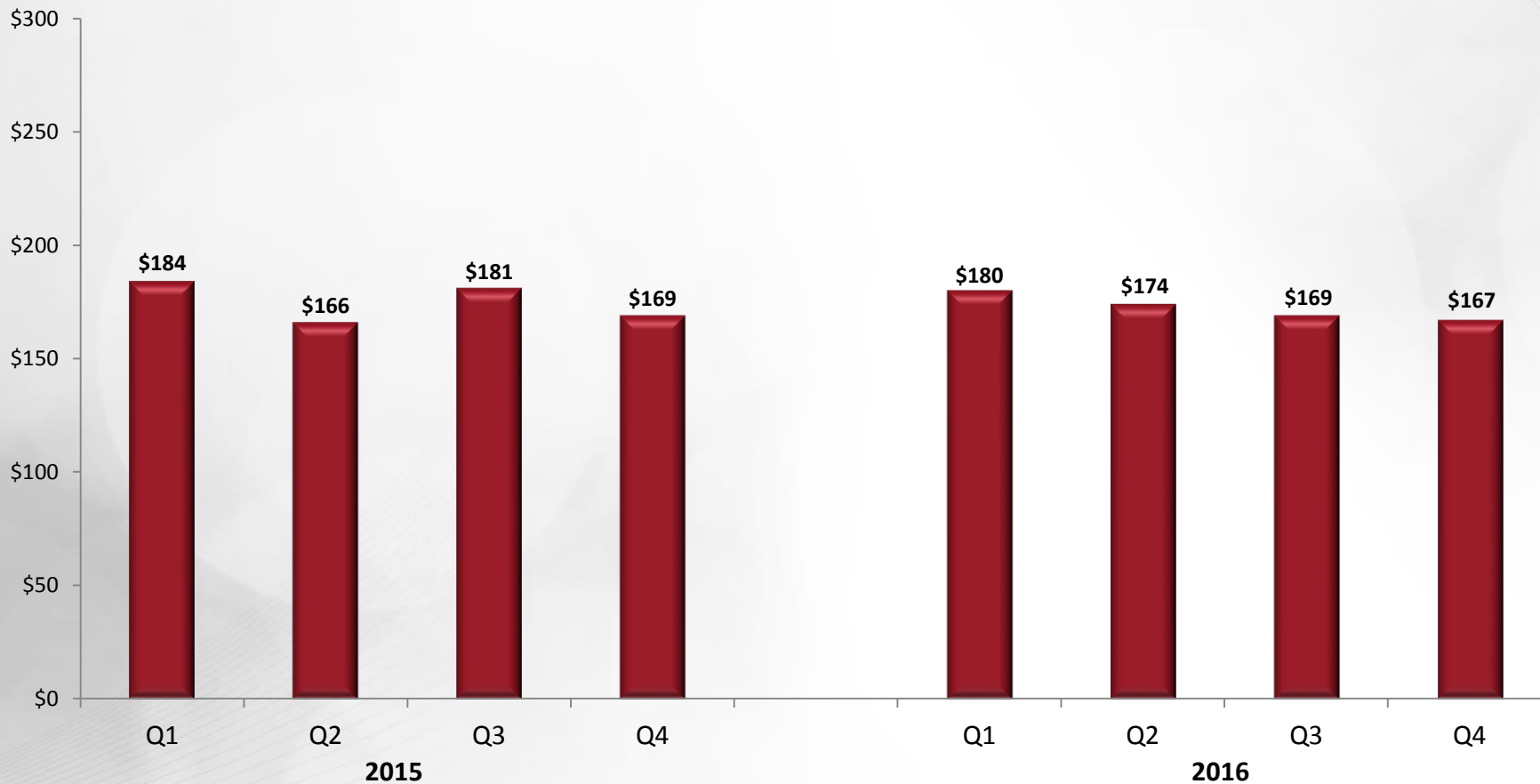
Full Year 2017:

- Carbonless and thermal receipt paper announced price increases benefit Q2 and after
- Continuous improvement program goal is to deliver approximately \$25 million of realized savings in 2017 and year-end run rate of \$45 million
- Capital investment in 2017 will be \$10 - \$12 million
- Net ESOP repurchase estimate of \$6 - \$8 million
- Pension contribution in 2017 will be \$4 million

Appendix

Total Company Net Sales⁽¹⁾

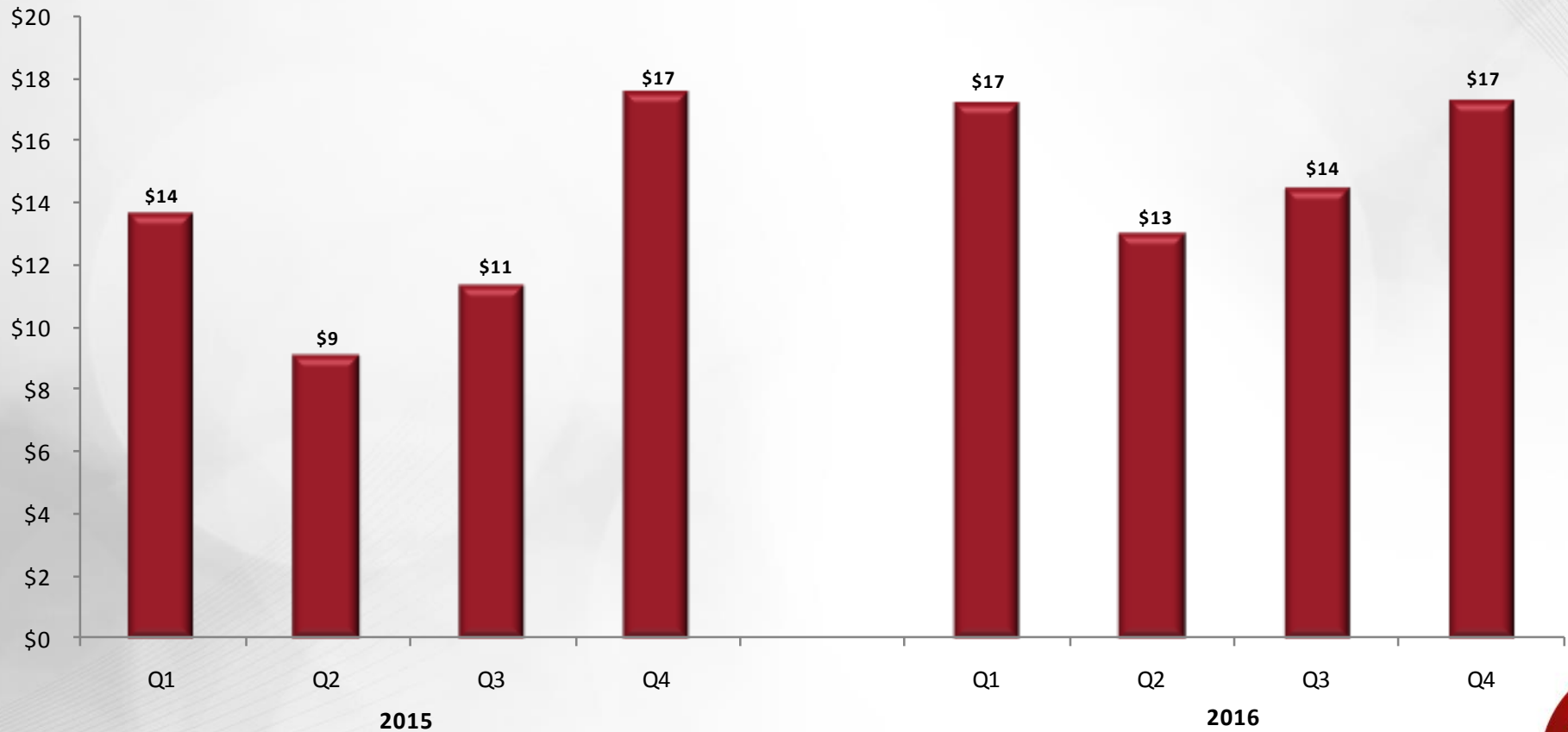
\$ millions



⁽¹⁾ Total company results exclude Encapsys

Total Company Adjusted EBITDA^(1&2)

\$ millions

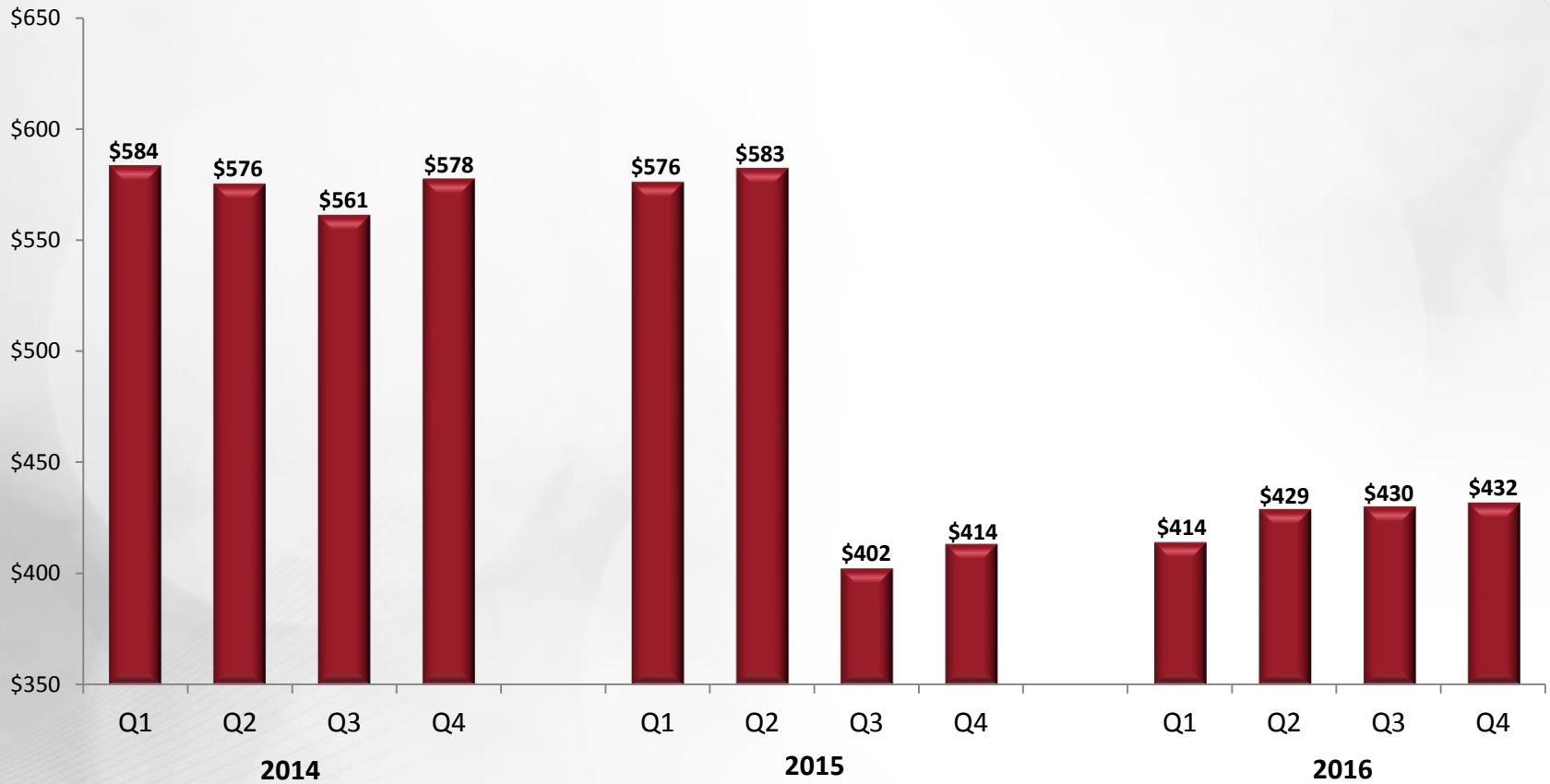


⁽¹⁾ A reconciliation of non-GAAP financial measures is in the attached appendix. Numbers presented have been adjusted for rounding.

⁽²⁾ Total company results exclude Encapsys

Net Debt

\$ millions



2016 & 2015 Earnings Summary

| (\$ in millions) | For the Three Months Ended | | | For the Twelve Months Ended | | |
|---|-------------------------------|-----------------|-------------|--------------------------------|-----------------|-------------|
| | December 31, 2016 | January 2, 2016 | % Change | December 31, 2016 | January 2, 2016 | % Change |
| Net sales | \$ 167.1 | \$ 169.4 | -1.4% | \$ 690.4 | \$ 700.0 | -1.4% |
| Gross profit | 28.3 | 31.1 | -9.0% | 124.1 | 123.6 | 0.4% |
| Operating income | 6.7 | 3.5 | 91.4% | 23.5 | 10.5 | 123.8% |
| Loss from continuing operations | (4.5) | (6.5) | 30.8% | (19.0) | (41.9) | 54.7% |
| Other financial data⁽¹⁾ | | | | | | |
| Normal depreciation and amortization | 6.9 | 6.2 | 11.3% | 26.8 | 26.8 | 0.0% |
| EBITDA | 13.5 | 9.7 | 39.2% | 50.4 | 37.3 | 35.1% |
| Adjusted EBITDA | 17.2 | 17.5 | -1.7% | 61.7 | 51.4 | 20.0% |
| Comparison as a % of net sales: | | | | | | |
| Gross margin | 16.9% | 18.4% | (150) bps | 18.0% | 17.7% | 30 bps |
| Operating income | 4.0% | 2.1% | 190 bps | 3.4% | 1.5% | 190 bps |
| Loss from continuing operations | -2.7% | -3.8% | 110 bps | -2.8% | -6.0% | 320 bps |
| EBITDA | 8.1% | 5.7% | 240 bps | 7.3% | 5.3% | 200 bps |
| Adjusted EBITDA | 10.3% | 10.4% | (10) bps | 8.9% | 7.3% | 160 bps |

⁽¹⁾ A reconciliation of non-GAAP financial measures is in the attached appendix.

Reconciliation of Adjusted Operating Income

| (\$ in millions) | For the Three Months Ended | | For the Twelve Months Ended | |
|---|-------------------------------|-----------------|--------------------------------|-----------------|
| | December 31, 2016 | January 2, 2016 | December 31, 2016 | January 2, 2016 |
| Operating income | \$ 6.7 | \$ 3.5 | \$ 23.5 | \$ 10.5 |
| Repair recovery boiler at Spring Mill | \$ - | \$ 1.6 | \$ - | \$ 3.7 |
| Mark-to-Market for employee benefit plans | \$ 0.1 | \$ 4.6 | \$ 2.0 | \$ 3.5 |
| Severance | \$ 0.1 | \$ 0.3 | \$ 0.3 | \$ 3.1 |
| Consulting & other legal fees | \$ 2.4 | \$ - | \$ 5.8 | \$ - |
| Adjusted operating income | \$ 9.3 | \$ 10.0 | \$ 31.6 | \$ 20.8 |

Reconciliation of Non-GAAP EBITDA & Adjusted EBITDA⁽¹⁾

| (\$ in millions) | For the Three Months Ended | | For the Twelve Months Ended | |
|--|-------------------------------|-----------------|--------------------------------|-----------------|
| | December 31, 2016 | January 2, 2016 | December 31, 2016 | January 2, 2016 |
| Net (loss) income | \$ (4.5) | \$ (6.7) | \$ (19.0) | \$ 158.6 |
| Loss (income) from discontinued operations | \$ - | \$ 0.2 | \$ - | \$ (200.5) |
| Loss from continuing operations | \$ (4.5) | \$ (6.5) | \$ (19.0) | \$ (41.9) |
| Interest expense, net | \$ 10.0 | \$ 9.6 | \$ 40.6 | \$ 46.0 |
| Provision for income taxes | \$ 0.2 | \$ 0.0 | \$ 0.4 | \$ 0.2 |
| Depreciation | \$ 6.3 | \$ 5.6 | \$ 24.2 | \$ 24.5 |
| Amortization | \$ 0.6 | \$ 0.6 | \$ 2.6 | \$ 2.3 |
| Debt extinguishment expenses | \$ - | \$ - | \$ - | \$ 3.6 |
| Foreign exchange loss (gain) | \$ 0.7 | \$ 0.2 | \$ 0.5 | \$ 1.6 |
| Other expense | \$ 0.2 | \$ 0.2 | \$ 1.1 | \$ 1.0 |
| EBITDA | \$ 13.5 | \$ 9.7 | \$ 50.4 | \$ 37.3 |
| Repair recovery boiler at Spring Mill | \$ - | \$ 1.6 | \$ - | \$ 3.7 |
| Mark-to-Market for retiree benefit plans | \$ 0.1 | \$ 4.6 | \$ 2.0 | \$ 3.5 |
| Severance | \$ 0.1 | \$ 0.3 | \$ 0.3 | \$ 3.1 |
| Consulting & other legal fees | \$ 2.4 | \$ - | \$ 5.8 | \$ - |
| ESOP contributions and issuances | \$ 1.1 | \$ 1.3 | \$ 3.2 | \$ 3.8 |
| Adjusted EBITDA | \$ 17.2 | \$ 17.5 | \$ 61.7 | \$ 51.4 |

⁽¹⁾ Pro Forma Non-GAAP EBITDA & Adj. EBITDA excludes Encapsys

Segment EBITDA

| (\$ in millions) | 2015 ⁽¹⁾ | | | | | 2016 ⁽¹⁾ | | | | |
|--------------------------------------|---------------------|----------|----------|----------|---------------|---------------------|----------|----------|----------|---------------|
| | QTR 1 | QTR 2 | QTR 3 | QTR 4 | Year Ended FY | QTR 1 | QTR 2 | QTR 3 | QTR 4 | Year Ended FY |
| Thermal papers | | | | | | | | | | |
| Adjusted operating income | \$ (1.0) | \$ (4.3) | \$ (0.5) | \$ 2.2 | \$ (3.6) | \$ 4.0 | \$ 5.6 | \$ 3.4 | \$ 4.3 | \$ 17.2 |
| Depreciation, amortization & other | \$ 3.2 | \$ 3.2 | \$ 3.3 | \$ 3.0 | \$ 12.7 | \$ 3.2 | \$ 3.1 | \$ 3.2 | \$ 3.2 | \$ 12.7 |
| Adjusted EBITDA | \$ 2.2 | \$ (1.2) | \$ 2.8 | \$ 5.2 | \$ 9.0 | \$ 7.1 | \$ 8.7 | \$ 6.6 | \$ 7.4 | \$ 29.9 |
| Carbonless papers | | | | | | | | | | |
| Adjusted operating income | \$ 10.1 | \$ 8.9 | \$ 6.6 | \$ 9.6 | \$ 35.2 | \$ 7.7 | \$ 2.3 | \$ 5.4 | \$ 5.3 | \$ 20.7 |
| Depreciation, amortization & other | \$ 3.5 | \$ 3.5 | \$ 3.9 | \$ 3.2 | \$ 14.1 | \$ 3.4 | \$ 3.3 | \$ 3.4 | \$ 3.7 | \$ 13.9 |
| Adjusted EBITDA | \$ 13.6 | \$ 12.4 | \$ 10.5 | \$ 12.8 | \$ 49.4 | \$ 11.1 | \$ 5.7 | \$ 8.8 | \$ 9.0 | \$ 34.6 |
| Unallocated corporate charges | | | | | | | | | | |
| Adjusted operating income | \$ (2.9) | \$ (3.8) | \$ (2.5) | \$ (1.9) | \$ (11.1) | \$ (1.7) | \$ (2.7) | \$ (1.4) | \$ (0.4) | \$ (6.2) |
| Depreciation, amortization & other | \$ 0.7 | \$ 1.5 | \$ 0.5 | \$ 1.4 | \$ 4.1 | \$ 0.5 | \$ 1.2 | \$ 0.4 | \$ 1.2 | \$ 3.4 |
| EBITDA | \$ (2.2) | \$ (2.3) | \$ (2.0) | \$ (0.5) | \$ (7.0) | \$ (1.2) | \$ (1.4) | \$ (1.0) | \$ 0.8 | \$ (2.8) |
| Adjusted EBITDA | \$ 13.6 | \$ 9.0 | \$ 11.3 | \$ 17.5 | \$ 51.4 | \$ 17.1 | \$ 12.9 | \$ 14.4 | \$ 17.2 | \$ 61.7 |

⁽¹⁾ Unaudited quarterly financial data. Numbers presented have been adjusted for rounding.

Condensed Balance Sheets

| (\$ in millions) | <u>December 31, 2016</u> | <u>January 2, 2016</u> |
|------------------------------------|--------------------------|------------------------|
| Cash and cash equivalents | \$ 6.4 | \$ 1.8 |
| Accounts receivable | 41.3 | 41.6 |
| Inventories | 86.4 | 87.2 |
| Other current assets | 4.5 | 4.7 |
| Total current assets | <u>138.6</u> | <u>135.3</u> |
| Property, plant and equipment, net | 206.4 | 214.9 |
| Other long-term assets | <u>42.2</u> | <u>48.2</u> |
| Total assets | <u>\$ 387.2</u> | <u>\$ 398.4</u> |
| Accounts payable | 49.4 | 51.1 |
| Other current liabilities | <u>49.2</u> | <u>53.4</u> |
| Total current liabilities | 98.6 | 104.5 |
| Long-term debt | 437.5 | 413.8 |
| Other long-term liabilities | 163.4 | 163.6 |
| Total equity | <u>(312.3)</u> | <u>(283.5)</u> |
| Total liabilities & equity | <u>\$ 387.2</u> | <u>\$ 398.4</u> |