



**First Quarter 2016
GAAP to Non-GAAP
Reconciliations**

April 27, 2016

KapStone Paper and Packaging Corporation
Supplemental Information
GAAP to Non-GAAP Reconciliations
(\$ in thousands, except share and per share amounts)
(unaudited)

	Quarter Ended March 31,	
	2016	2015
Net Income (GAAP) to EBITDA (Non-GAAP) to Adjusted EBITDA (Non-GAAP):		
Net income (GAAP)	\$ 16,174	\$ 26,100
Interest expense, net	9,811	6,413
Provision for income taxes	8,512	13,951
Depreciation and amortization	44,539	35,121
EBITDA (Non-GAAP)	\$ 79,036	\$ 81,585
Integration, casualty and other expenses	1,229	568
Change in fair value of contingent consideration liability	1,526	-
Severance expenses	3,048	639
Stock-based compensation expense	3,421	3,780
Adjusted EBITDA (Non-GAAP)	\$ 88,260	\$ 86,572
Net Income (GAAP) to Adjusted Net Income (Non-GAAP):		
Net income (GAAP)	\$ 16,174	\$ 26,100
Integration, casualty and other expenses	807	373
Change in fair value of contingent consideration liability	1,003	-
Severance expenses	2,003	421
Stock-based compensation expense	2,248	2,485
Adjusted Net Income (Non-GAAP)	\$ 22,235	\$ 29,379
Basic EPS (GAAP) to Adjusted Basic EPS (Non-GAAP):		
Basic EPS (GAAP)	\$ 0.17	\$ 0.27
Integration, casualty and other expenses	0.01	-
Change in fair value of contingent consideration liability	0.01	-
Severance expenses	0.02	0.01
Stock-based compensation expense	0.02	0.03
Adjusted Basic EPS (Non-GAAP)	\$ 0.23	\$ 0.31
Diluted EPS (GAAP) to Adjusted Diluted EPS (Non-GAAP):		
Diluted earnings per share (GAAP)	\$ 0.17	\$ 0.27
Integration, casualty and other expenses	0.01	-
Victory Packaging acquisition expenses	0.01	-
Severance expenses	0.02	-
Stock-based compensation expense	0.02	0.03
Adjusted Diluted EPS (Non-GAAP)	\$ 0.23	\$ 0.30

KapStone Paper and Packaging Corporation
Operating Segment Information
(In thousands)
(Unaudited)

Three Months Ended March 31, 2016	Net Sales			Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures	Total Assets at March 31, 2016
	Trade	Inter- segment	Total				
Paper and Packaging	\$ 520,040	\$ 16,469	\$ 536,509	\$ 46,241	\$ 37,136	\$ 32,355	\$ 2,501,605
Distribution (a)	218,175	-	218,175	1,381	5,661	2,066	665,458
Corporate	-	-	-	(13,022)	1,742	1,742	45,603
Intersegment eliminations	-	(16,469)	(16,469)	-	-	-	-
	<u>\$ 738,215</u>	<u>\$ -</u>	<u>\$ 738,215</u>	<u>\$ 34,600</u>	<u>\$ 44,539</u>	<u>\$ 36,163</u>	<u>\$ 3,212,666</u>

Three Months Ended March 31, 2015	Net Sales			Income (Loss)	and	Expenditures	at March 31,
	Trade	segment	Total				
Paper and Packaging	\$ 546,289	\$ -	\$ 546,289	\$ 58,399	\$ 34,477	\$ 26,250	\$ 2,544,235
Distribution (a)	-	-	-	-	-	-	-
Corporate	-	-	-	(11,050)	644	2,512	43,440
Intersegment eliminations	-	-	-	-	-	-	-
	<u>\$ 546,289</u>	<u>\$ -</u>	<u>\$ 546,289</u>	<u>\$ 47,349</u>	<u>\$ 35,121</u>	<u>\$ 28,762</u>	<u>\$ 2,587,675</u>

(a) Reflects results of Victory Packaging which KapStone acquired on June 1, 2015

KapStone Paper and Packaging Corporation
Operating Segment EBITDA and Adjusted EBITDA
(In thousands)
(Unaudited)

	<u>Quarter Ended March 31,</u>	
	<u>2016</u>	<u>2015</u>
<u>Paper and Packaging</u>		
Segment income*	\$ 46,528	\$ 57,514
Depreciation and amortization	37,136	34,477
EBITDA	83,664	91,991
Severance expenses	2,262	639
Integration, casualty and other expenses	884	131
Adjusted EBITDA	<u>\$ 86,810</u>	<u>\$ 92,761</u>
Adjusted EBITDA margin	16.7%	17.0%

	<u>Quarter Ended March 31,</u>	
	<u>2016</u>	<u>2015</u>
<u>Distribution</u>		
Segment income*	\$ 991	\$ -
Depreciation and amortization	5,661	-
EBITDA	6,652	-
Integration, casualty and other expenses	263	-
Severance expenses	391	-
Adjusted EBITDA	<u>\$ 7,306</u>	<u>\$ -</u>
Adjusted EBITDA margin	3.3%	-

	<u>Quarter Ended March 31,</u>	
	<u>2016</u>	<u>2015</u>
<u>Corporate</u>		
Segment (loss)	\$ (13,022)	\$ (11,050)
Depreciation and amortization	1,742	644
EBITDA	(11,280)	(10,406)
Stock-based compensation expense	3,421	3,780
Integration, casualty and other expenses	82	437
Change in fair value of contingent consideration liability	1,526	-
Severance expenses	395	-
Adjusted EBITDA	<u>\$ (5,856)</u>	<u>\$ (6,189)</u>

	<u>Quarter Ended March 31,</u>	
	<u>2016</u>	<u>2015</u>
<u>Consolidated</u>		
Segment income*	\$ 34,497	\$ 46,464
Depreciation and amortization	44,539	35,121
EBITDA	79,036	81,585
Stock-based compensation expense	3,421	3,780
Integration, casualty and other expenses	1,229	568
Change in fair value of contingent consideration liability	1,526	-
Severance expenses	3,048	639
Adjusted EBITDA	<u>\$ 88,260</u>	<u>\$ 86,572</u>

* Includes foreign exchange losses

KapStone Paper and Packaging Corporation
Supplemental Information
Net Debt and Debt to Equity Ratio
(In thousands)
(Unaudited)

Calculation of Net Debt

	Quarter Ended				
	<u>3/31/2016</u>	<u>12/31/2015</u>	<u>9/30/2015</u>	<u>6/30/2015</u>	<u>3/31/2015</u>
Current portion of LT debt	\$ -	\$ -	\$ -	\$ 51,750	\$ -
Short-term borrowings	10,000	6,400	2,000	15,000	10,000
Other borrowings	-	-	2,214	4,420	6,615
Long term debt, net	1,523,961	1,543,748	1,589,670	1,604,967	1,055,014
Unamortized debt issuance costs	22,185	20,429	22,155	24,057	15,223
	<u>1,556,146</u>	<u>1,570,577</u>	<u>1,616,039</u>	<u>1,700,194</u>	<u>1,086,852</u>
Less cash and cash equivalents	<u>(7,084)</u>	<u>(6,821)</u>	<u>(7,767)</u>	<u>(28,737)</u>	<u>(10,545)</u>
Total Net Debt (non GAAP)	<u>\$ 1,549,062</u>	<u>\$ 1,563,756</u>	<u>\$ 1,608,272</u>	<u>\$ 1,671,457</u>	<u>\$1,076,307</u>
Decrease (increase) during the quarter	<u>\$ 14,694</u>	<u>\$ 44,516</u>	<u>\$ 63,185</u>	<u>\$ (595,150)</u>	<u>\$ (42,536)</u>
<u>Net Debt to Capital ratio calculation</u>					
Net debt	\$ 1,549,062	\$ 1,563,756	\$ 1,608,272	\$ 1,671,457	\$1,076,307
Capital (Equity plus Long term debt, net)	\$ 2,379,482	\$ 2,389,028	\$ 2,442,756	\$ 2,431,319	\$1,853,551
Ratio	<u>65.1%</u>	<u>65.5%</u>	<u>65.8%</u>	<u>68.7%</u>	<u>58.1%</u>

KapStone Paper and Packaging Corporation
Supplemental Information
Cash Flow From Operations and Free Cash Flow
(In thousands)
(Unaudited)

	Quarter Ended				
	<u>3/31/2016</u>	<u>12/31/2015</u>	<u>9/30/2015</u>	<u>6/30/2015</u>	<u>3/31/2015</u>
Cash flow from operations (GAAP)	\$ 58,605	\$ 85,809	\$ 104,061	\$ 76,499	\$ (3,912)
Less capital expenditures	<u>(36,163)</u>	<u>(31,861)</u>	<u>(31,184)</u>	<u>(34,949)</u>	<u>(28,762)</u>
Free cash flow (Non-GAAP)	<u>\$ 22,442</u>	<u>\$ 53,948</u>	<u>\$ 72,877</u>	<u>\$ 41,550</u>	<u>\$ (32,674)</u>
Average diluted shares outstanding	97,509,528	97,663,654	97,629,641	97,664,781	97,662,608
Free cash flow per share	<u>\$ 0.23</u>	<u>\$ 0.55</u>	<u>\$ 0.75</u>	<u>\$ 0.43</u>	<u>\$ (0.33)</u>