



# **Fourth Quarter and Full Year 2015**

## **GAAP to Non-GAAP Reconciliations**

**February 9, 2016**



**KapStone Paper and Packaging Corporation**  
**Consolidated Statements of Income**  
(In thousands, except share and per share amounts)  
(Preliminary and unaudited)

	Quarter Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
<b>Net Income (GAAP) to EBITDA (Non-GAAP) to Adjusted EBITDA (Non-GAAP):</b>				
Net income (GAAP)	\$ 11,824	\$ 34,103	\$ 106,386	\$ 171,915
Interest expense, net	9,303	7,192	33,759	32,491
Provision for income taxes	6,244	18,026	55,248	88,686
Depreciation and amortization	47,562	34,968	162,179	136,548
<b>EBITDA (Non-GAAP)</b>	<b>\$ 74,933</b>	<b>\$ 94,289</b>	<b>\$ 357,572</b>	<b>\$ 429,640</b>
Stock-based compensation expense	1,713	1,326	9,835	6,956
Longview integration expenses	946	3,174	2,520	6,524
Victory Packaging acquisition expenses	2,690	-	13,062	-
Voluntary separation plan and severance	102	563	5,076	6,846
Longview work stoppage	673	-	15,137	-
Loss on debt extinguishment	590	2,654	1,218	5,617
<b>Adjusted EBITDA (Non-GAAP)</b>	<b>\$ 81,647</b>	<b>\$ 102,006</b>	<b>\$ 404,420</b>	<b>\$ 455,583</b>

<b>Net Income (GAAP) to Adjusted Net Income (Non-GAAP):</b>				
Net income (GAAP)	\$ 11,824	\$ 34,103	\$ 106,386	\$ 171,915
Stock-based compensation expense	1,120	869	6,432	4,556
Longview integration and other expenses	619	2,079	1,648	4,273
Victory Packaging acquisition expenses	1,759	-	8,543	-
Voluntary separation plan and severance	67	369	3,320	4,484
Longview work stoppage	440	-	9,900	-
Acquisition tax adjustments	-	830	398	551
Loss on debt extinguishment	386	1,738	797	3,679
<b>Adjusted Net Income (Non-GAAP)</b>	<b>\$ 16,215</b>	<b>\$ 39,988</b>	<b>\$ 137,424</b>	<b>\$ 189,458</b>

<b>Basic EPS (GAAP) to Adjusted Basic EPS (Non-GAAP):</b>				
Basic EPS (GAAP)	\$ 0.12	\$ 0.36	\$ 1.11	\$ 1.79
Stock-based compensation expense	0.01	0.01	0.07	0.05
Longview integration and other expenses	0.01	0.02	0.02	0.04
Victory Packaging acquisition expenses	0.02	-	0.09	-
Voluntary separation plan and severance	-	-	0.03	0.05
Longview work stoppage	0.01	-	0.11	-
Acquisition tax adjustments	-	0.01	-	0.01
Loss on debt extinguishment	-	0.02	-	0.04
<b>Adjusted Basic EPS (Non-GAAP)</b>	<b>\$ 0.17</b>	<b>\$ 0.42</b>	<b>\$ 1.43</b>	<b>\$ 1.98</b>

<b>Diluted EPS (GAAP) to Adjusted Diluted EPS (Non-GAAP):</b>				
Diluted earnings per share (GAAP)	\$ 0.12	\$ 0.35	\$ 1.09	\$ 1.76
Stock-based compensation expense	0.01	0.01	0.07	0.05
Longview integration and other expenses	0.01	0.02	0.02	0.04
Victory Packaging acquisition expenses	0.02	-	0.09	-
Voluntary separation plan and severance	-	-	0.03	0.05
Longview work stoppage	0.01	-	0.11	-
Acquisition tax adjustments	-	0.01	-	-
Loss on debt extinguishment	-	0.02	-	0.04
<b>Adjusted Diluted EPS (Non-GAAP)</b>	<b>\$ 0.17</b>	<b>\$ 0.41</b>	<b>\$ 1.41</b>	<b>\$ 1.94</b>

**KapStone Paper and Packaging Corporation**  
**Operating Segment Information**  
(In thousands)  
(Preliminary and unaudited)

Three Months Ended December 31, 2015	Net Sales			Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures	Total Assets at Dec. 31, 2015
	Trade	Inter- segment	Total				
Paper and Packaging	\$ 522,815	\$ 13,864	\$ 536,679	\$ 33,691	\$ 40,640	\$ 26,627	\$ 2,489,683
Distribution (a)	241,423	-	241,423	7,860	5,641	1,664	675,204
Corporate	-	-	-	(12,738)	1,281	3,570	57,223
Intersegment eliminations	-	(13,864)	(13,864)	-	-	-	-
	<u>\$ 764,238</u>	<u>\$ -</u>	<u>\$ 764,238</u>	<u>\$ 28,813</u>	<u>\$ 47,562</u>	<u>\$ 31,861</u>	<u>\$ 3,222,110</u>

Three Months Ended December 31, 2014	Net Sales			Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures	Total Assets at Dec. 31, 2014
	Trade	Inter- segment	Total				
Paper and Packaging	\$ 563,413	\$ -	\$ 563,413	\$ 70,620	\$ 34,199	\$ 21,534	\$ 2,505,896
Distribution (a)	-	-	-	-	-	-	-
Corporate	-	-	-	(8,282)	769	3,331	50,378
Intersegment eliminations	-	-	-	-	-	-	-
	<u>\$ 563,413</u>	<u>\$ -</u>	<u>\$ 563,413</u>	<u>\$ 62,338</u>	<u>\$ 34,968</u>	<u>\$ 24,865</u>	<u>\$ 2,556,274</u>

Year Ended December 31, 2015	Net Sales			Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures
	Trade	Inter- segment	Total			
Paper and Packaging	\$ 2,206,396	\$ 22,280	\$ 2,228,676	\$ 224,012	\$ 145,363	\$ 108,599
Distribution (a)	582,949	-	582,949	20,719	13,108	3,190
Corporate	-	-	-	(45,564)	3,708	14,967
Intersegment eliminations	-	(22,280)	(22,280)	-	-	-
	<u>\$ 2,789,345</u>	<u>\$ -</u>	<u>\$ 2,789,345</u>	<u>\$ 199,167</u>	<u>\$ 162,179</u>	<u>\$ 126,756</u>

Year Ended December 31, 2014	Net Sales			Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures
	Trade	Inter- segment	Total			
Paper and Packaging	\$ 2,300,920	\$ -	\$ 2,300,920	\$ 334,753	\$ 133,302	\$ 128,593
Distribution (a)	-	-	-	-	-	-
Corporate	-	-	-	(34,822)	3,246	8,639
Intersegment eliminations	-	-	-	-	-	-
	<u>\$ 2,300,920</u>	<u>\$ -</u>	<u>\$ 2,300,920</u>	<u>\$ 299,931</u>	<u>\$ 136,548</u>	<u>\$ 137,232</u>

(a) Reflects Victory Packaging acquisition as of June 1, 2015

**KapStone Paper and Packaging Corporation**  
**Operating Segment EBITDA and Adjusted EBITDA**  
(In thousands)  
(Preliminary and unaudited)

<b>Paper and Packaging</b>	<b>Quarter Ended December 31,</b>		<b>Year Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Segment income*	\$ 33,225	\$ 70,257	\$ 222,844	\$ 333,531
Depreciation and amortization	40,640	34,199	145,363	133,302
EBITDA	73,865	104,456	368,207	466,833
Longview work stoppage	673	-	15,137	-
Voluntary separation and severance	102	563	5,076	6,846
Longview integration expenses	946	3,174	2,520	6,524
Adjusted EBITDA	<u>\$ 75,586</u>	<u>\$ 108,193</u>	<u>\$ 390,940</u>	<u>\$ 480,203</u>
Adjusted EBITDA margin	14.1%	19.2%	17.5%	20.9%

  

<b>Distribution</b>	<b>Quarter Ended December 31,</b>		<b>Year Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Segment income*	\$ 7,474	\$ -	\$ 19,331	\$ -
Depreciation and amortization	5,641	-	13,108	-
EBITDA	13,115	-	32,439	-
Inventory step-up expense	440	-	5,800	-
Acquisition expenses	620	-	620	-
Severance	65	-	168	-
Adjusted EBITDA	<u>\$ 14,240</u>	<u>\$ -</u>	<u>\$ 39,027</u>	<u>\$ -</u>
Adjusted EBITDA margin	5.9%	-	6.7%	-

  

<b>Corporate</b>	<b>Quarter Ended December 31,</b>		<b>Year Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Segment income / (loss) **	\$ (13,328)	\$ (10,936)	\$ (46,782)	\$ (40,439)
Depreciation and amortization	1,281	769	3,708	3,246
EBITDA	(12,047)	(10,167)	(43,074)	(37,193)
Stock-based compensation expense	1,713	1,326	9,835	6,956
Victory Packaging acquisition expenses	2,070	-	6,642	-
Loss on debt extinguishment	590	2,654	1,218	5,617
Adjusted EBITDA	<u>\$ (7,674)</u>	<u>\$ (6,187)</u>	<u>\$ (25,379)</u>	<u>\$ (24,620)</u>

\* Includes foreign exchange losses

\*\* Includes loss on debt extinguishment

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

**Calculation of Net Debt**

	<b>Quarter Ended</b>				
	<b><u>12/31/2015</u></b>	<b><u>9/30/2015</u></b>	<b><u>6/30/2015</u></b>	<b><u>3/31/2015</u></b>	<b><u>12/31/2014</u></b>
Current portion of LT debt	\$ -	\$ -	\$ 51,750	\$ -	\$ -
Short-term borrowings	6,400	2,000	15,000	10,000	-
Other borrowings	-	2,214	4,420	6,615	-
Long term debt, net	1,543,748	1,589,670	1,604,967	1,055,014	1,046,063
Unamortized debt issuance costs	20,429	22,155	24,057	15,223	16,175
	<u>1,570,577</u>	<u>1,616,039</u>	<u>1,700,194</u>	<u>1,086,852</u>	<u>1,062,238</u>
Less cash and cash equivalents	<u>(6,821)</u>	<u>(7,767)</u>	<u>(28,737)</u>	<u>(10,545)</u>	<u>(28,467)</u>
<b>Total Net Debt (non GAAP)</b>	<b><u>\$ 1,563,756</u></b>	<b><u>\$ 1,608,272</u></b>	<b><u>\$ 1,671,457</u></b>	<b><u>\$1,076,307</u></b>	<b><u>\$ 1,033,771</u></b>
<b>Decrease (increase) during the quarter</b>	<b><u>\$ 44,516</u></b>	<b><u>\$ 63,185</u></b>	<b><u>\$ (595,150)</u></b>	<b><u>\$ (42,536)</u></b>	<b><u>\$ 81,979</u></b>
<b><u>Net Debt to Capital ratio calculation</u></b>					
Net debt	\$ 1,563,756	\$ 1,608,272	\$ 1,671,457	\$1,076,307	\$ 1,033,771
Capital (Equity plus Long term debt, net)	\$ 2,389,028	\$ 2,442,756	\$ 2,431,319	\$1,853,551	\$ 1,824,190
<b>Ratio</b>	<b><u>65.5%</u></b>	<b><u>65.8%</u></b>	<b><u>68.7%</u></b>	<b><u>58.1%</u></b>	<b><u>56.7%</u></b>



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

	<b>Quarter Ended</b>				
	<u>12/31/2015</u>	<u>9/30/2015</u>	<u>6/30/2015</u>	<u>3/31/2015</u>	<u>12/31/2014</u>
<b>Cash flow from operations (GAAP)</b>	<b>\$ 85,809</b>	<b>\$ 104,061</b>	<b>\$ 76,499</b>	<b>\$ (3,912)</b>	<b>\$ 107,149</b>
Less capital expenditures	<u>(31,861)</u>	<u>(31,184)</u>	<u>(34,949)</u>	<u>(28,762)</u>	<u>(24,865)</u>
<b>Free cash flow (Non-GAAP)</b>	<b><u>\$ 53,948</u></b>	<b><u>\$ 72,877</u></b>	<b><u>\$ 41,550</u></b>	<b><u>\$ (32,674)</u></b>	<b><u>\$ 82,284</u></b>
Average diluted shares outstanding	97,663,564	97,663,564	97,664,781	97,662,608	97,562,816
<b>Free cash flow per share</b>	<b><u>\$ 0.55</u></b>	<b><u>\$ 0.75</u></b>	<b><u>\$ 0.43</u></b>	<b><u>\$ (0.33)</u></b>	<b><u>\$ 0.84</u></b>

