



Fourth Quarter 2014 GAAP to Non-GAAP Reconciliations

February 9, 2015

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

	Fav / (Unfav)			Fav / (Unfav)		
	Quarter Ended December 31,		Variance	Year Ended December 31,		Variance
	2014	2013	%	2014	2013	%
Net Income (GAAP) to EBITDA (Non-GAAP) to Adjusted EBITDA (Non-GAAP):						
Net income (GAAP)	\$ 34,103	\$ 43,474	-21.6%	\$ 171,915	\$ 127,338	35.0%
Interest expense, net	5,911	8,823	33.0%	26,795	20,641	-29.8%
Amortization of debt issuance costs	1,281	1,485	13.7%	5,696	4,489	-26.9%
Provision for income taxes	18,026	20,119	10.4%	88,686	67,652	-31.1%
Depreciation and amortization	34,968	32,436	-7.8%	136,548	95,435	-43.1%
EBITDA (Non-GAAP)	\$ 94,289	\$ 106,337	-11.3%	\$ 429,640	\$ 315,555	36.2%
Acquisition, start up and other expenses	3,174	2,698	-17.6%	6,524	12,238	46.7%
Voluntary separation plan	563	-	-	6,846	-	-
Stock-based compensation expense	1,326	932	-42.3%	6,956	5,203	-33.7%
Loss on debt extinguishment	2,654	-	-	5,617	-	-
Adjusted EBITDA (Non-GAAP)	\$ 102,006	\$ 109,967	-7.2%	\$ 455,583	\$ 332,996	36.8%
Net Income (GAAP) to Adjusted Net Income (Non-GAAP):						
Net income (GAAP)	\$ 34,103	\$ 43,474		\$ 171,915	\$ 127,338	
Acquisition, start up and other expenses	2,079	1,740		4,273	7,894	
Voluntary separation plan	369	-		4,484	-	
Stock-based compensation expense	869	601		4,556	3,356	
Loss on debt extinguishment	1,738	-		3,679	-	
Reversal of uncertain tax position	-	(5,001)		-	(5,001)	
Deferred tax adjustment due to rate change	1,235	2,296		1,235	2,296	
Tax adjustment - Longview acquisition	(405)	475		(684)	1,881	
Adjusted Net Income (Non-GAAP)	\$ 39,988	\$ 43,585		\$ 189,458	\$ 137,764	
Basic EPS (GAAP) to Adjusted Basic EPS (Non-GAAP):						
Basic EPS (GAAP)	\$ 0.36	\$ 0.45		\$ 1.79	\$ 1.34	
Acquisition, start up and other expenses	0.02	0.02		0.04	0.08	
Voluntary separation plan	-	-		0.05	-	
Stock-based compensation expense	0.01	0.02		0.05	0.04	
Loss on debt extinguishment	0.02	-		0.04	-	
Reversal of uncertain tax position	-	(0.05)		-	(0.05)	
Deferred tax adjustment due to rate change	0.01	0.02		0.01	0.02	
Tax adjustment - Longview acquisition	-	-		-	0.02	
Adjusted Basic EPS (Non-GAAP)	\$ 0.42	\$ 0.46		\$ 1.98	\$ 1.45	
Diluted EPS (GAAP) to Adjusted Diluted EPS (Non-GAAP):						
Diluted earnings per share (GAAP)	\$ 0.35	\$ 0.45		\$ 1.76	\$ 1.32	
Acquisition, start up and other expenses	0.02	0.02		0.04	0.08	
Voluntary separation plan	-	-		0.05	-	
Stock-based compensation expense	0.01	0.01		0.05	0.03	
Loss on debt extinguishment	0.02	-		0.04	-	
Reversal of uncertain tax position	-	(0.05)		-	(0.05)	
Deferred tax adjustment due to rate change	0.01	0.02		0.01	0.02	
Tax adjustment - Longview acquisition	-	-		(0.01)	0.02	
Adjusted Diluted EPS (Non-GAAP)	\$ 0.41	\$ 0.45		\$ 1.94	\$ 1.42	

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

Calculation of Net Debt

	Quarter Ended				
	<u>12/31/2014</u>	<u>9/30/2014</u>	<u>6/30/2014</u>	<u>3/31/2014</u>	<u>12/31/2013</u>
Current portion of LT debt	\$ -	\$ -	\$ 25,075	\$ 15,013	\$ 4,950
Short-term borrowings	-	-	-	-	-
Other borrowings	-	1,162	2,898	4,627	-
Long term debt, net	1,046,063	1,200,278	1,172,073	1,182,579	1,192,413
Unamortized debt issuance costs	16,175	19,959	24,265	24,996	26,400
	<u>1,062,238</u>	<u>1,221,399</u>	<u>1,224,311</u>	<u>1,227,215</u>	<u>1,223,763</u>
Less cash and cash equivalents	<u>(28,467)</u>	<u>(105,649)</u>	<u>(49,352)</u>	<u>(23,949)</u>	<u>(12,967)</u>
Total Net Debt (non GAAP)	<u>\$ 1,033,771</u>	<u>\$ 1,115,750</u>	<u>\$ 1,174,959</u>	<u>\$ 1,203,266</u>	<u>\$ 1,210,796</u>
Decrease (increase) during the quarter	<u>\$ 81,979</u>	<u>\$ 59,209</u>	<u>\$ 28,307</u>	<u>\$ 7,530</u>	<u>\$ 89,893</u>
<u>Net Debt to Capital ratio calculation</u>					
Net debt	\$ 1,033,771	\$ 1,115,750	\$ 1,174,959	\$ 1,203,266	\$ 1,210,796
Capital (Equity plus Long term debt, net)	\$ 1,824,190	\$ 2,012,331	\$ 1,927,564	\$ 1,884,705	\$ 1,858,493
Ratio	<u>56.7%</u>	<u>55.4%</u>	<u>61.0%</u>	<u>63.8%</u>	<u>65.1%</u>

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

	Quarter Ended				
	<u>12/31/2014</u>	<u>9/30/2014</u>	<u>6/30/2014</u>	<u>3/31/2014</u>	<u>12/30/2013</u>
Cash flow from operations (GAAP)	\$ 107,149	\$ 97,395	\$ 69,703	\$ 38,951	\$ 129,811
Less capital expenditures	<u>(24,865)</u>	<u>(38,691)</u>	<u>(41,256)</u>	<u>(32,420)</u>	<u>(40,435)</u>
Adjusted free cash flow (Non-GAAP)	<u>\$ 82,284</u>	<u>\$ 58,704</u>	<u>\$ 28,447</u>	<u>\$ 6,531</u>	<u>\$ 89,376</u>
Average diluted shares outstanding	97,562,816	97,515,901	97,418,941	97,315,766	97,112,699
Adjusted free cash flow per share	<u>\$ 0.84</u>	<u>\$ 0.60</u>	<u>\$ 0.29</u>	<u>\$ 0.07</u>	<u>\$ 0.92</u>

