



2015 First Quarter Review



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Forward Looking Statements

Forward-Looking Statements

The information in this presentation and statements made during this presentation may contain certain forward-looking statements within the meaning of federal securities laws. These statements reflect management's expectations regarding future events and operating performance.

Risk Factors

These forward-looking statements involve a number of risks and uncertainties. A list of the factors that could cause actual results to differ materially from those expressed in, or underlying, any forward-looking statements can be found in the Company's filings with the Securities and Exchange Commission, such as its annual and quarterly reports. The Company disclaims any obligation to revise or update such statements to reflect the occurrence of events after the date of this presentation.

Non-GAAP Financial Measures

This presentation refers to non-U.S. GAAP financial information. A reconciliation of non-U.S. GAAP to U.S. GAAP financial measures is available on the company's website at KapStonepaper.com under Investors.

First Quarter Financial Results

(\$ in Millions, except per share)	<u>Q1 2015</u>	<u>Q1 2014</u>	<u>Inc/(Dec)</u> ⁽¹⁾	<u>Inc/(Dec)</u> ⁽¹⁾
Net Sales	\$ 546	\$ 549	(\$3)	(1%)
EBITDA	\$ 82	\$ 91	(\$9)	(10%)
Adj. EBITDA ⁽²⁾	\$ 87	\$ 96	(\$9)	(9%)
Net Income	\$ 26	\$ 32	(\$6)	(19%)
Adj. Net Income ⁽³⁾	\$ 29	\$ 35	(\$6)	(17%)
Diluted EPS	\$ 0.27	\$ 0.33	(\$0.06)	(18%)
Adj. Diluted EPS ⁽³⁾	\$ 0.30	\$ 0.36	(\$0.06)	(17%)

(1) Percentage change calculations made using unrounded source financials

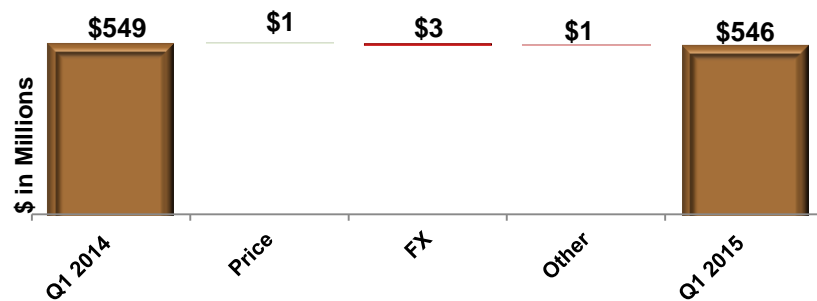
(2) Adjusted to exclude non-cash stock compensation and acquisition, start up and other costs

(3) Adjusted to exclude items above net of tax

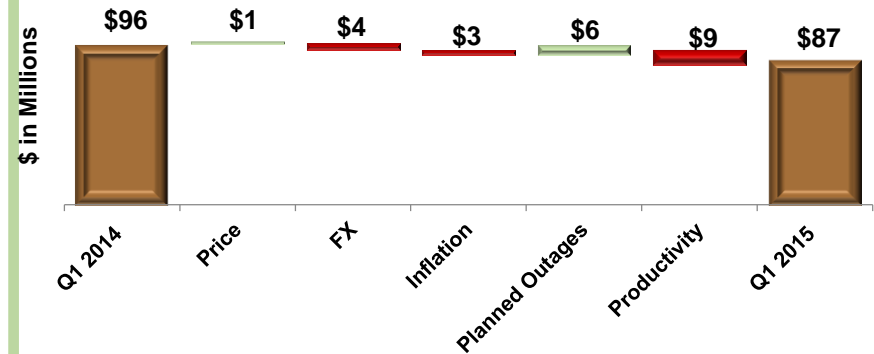
Q1 2015 Compared to Q1 2014

Lower Productivity and FX Drive Down Results Compared to 2014

Net Sales



Adjusted EBITDA



- Price changes include:
 - Higher kraft paper prices (2014 \$50 per ton increase went into effect in late Q2 2014) offset by lower export and medium prices
- FX reflects weaker Euro impact on specialty product (Durasorb) and export containerboard sales (1.37x in 2014 compared to 1.12x in 2015)
- Sales volume/mix flat reflecting lower specialty paper volume offset by higher corrugated products, up 6.5%
- Inflation unfavorable by \$3 million due to \$8 million increase in virgin fiber and \$5 million for compensation and benefit costs, offset by \$6 million of lower OCC costs
- Planned outages lower in 2015 compared to 2014's outage expenses related to CHS PM #3
- Productivity includes lower mill production (13,000 tons) and \$3 million of higher freight costs due to port issues and mix changes

Cash Flows, Debt and Liquidity

De-Levering Debt and Reducing Interest Rate

- Debt to EBITDA leverage ratio ⁽¹⁾
 - 3.80 times - July 18, 2013 ⁽²⁾
 - 2.38 times - December 31, 2014
 - 2.53 times - March 31, 2015
- Net debt at March 31, 2015 - \$1,076 million
 - \$11 million in cash
 - \$664 million term loan A-1 at 1.92%
 - \$231 million term loan A-2 at 2.17%
 - \$175 million receivables securitization facility at 0.92%
 - \$17 million of short-term borrowings at 1.90%
- Available revolver balance is \$386 million in addition to \$300 million accordion
- Cash flow from operations down \$4 million from year end 2014 (higher receivables and inventories, payment of 2014 incentives)
- Adjusted free cash flow was (\$33 million) for Q1 2015, down \$39 million compared to Q1 2014. (\$0.33) per diluted share
- Capex for Q1 2015 was \$29 million. Full year estimate is \$135 million

(1) Calculated per bank agreement

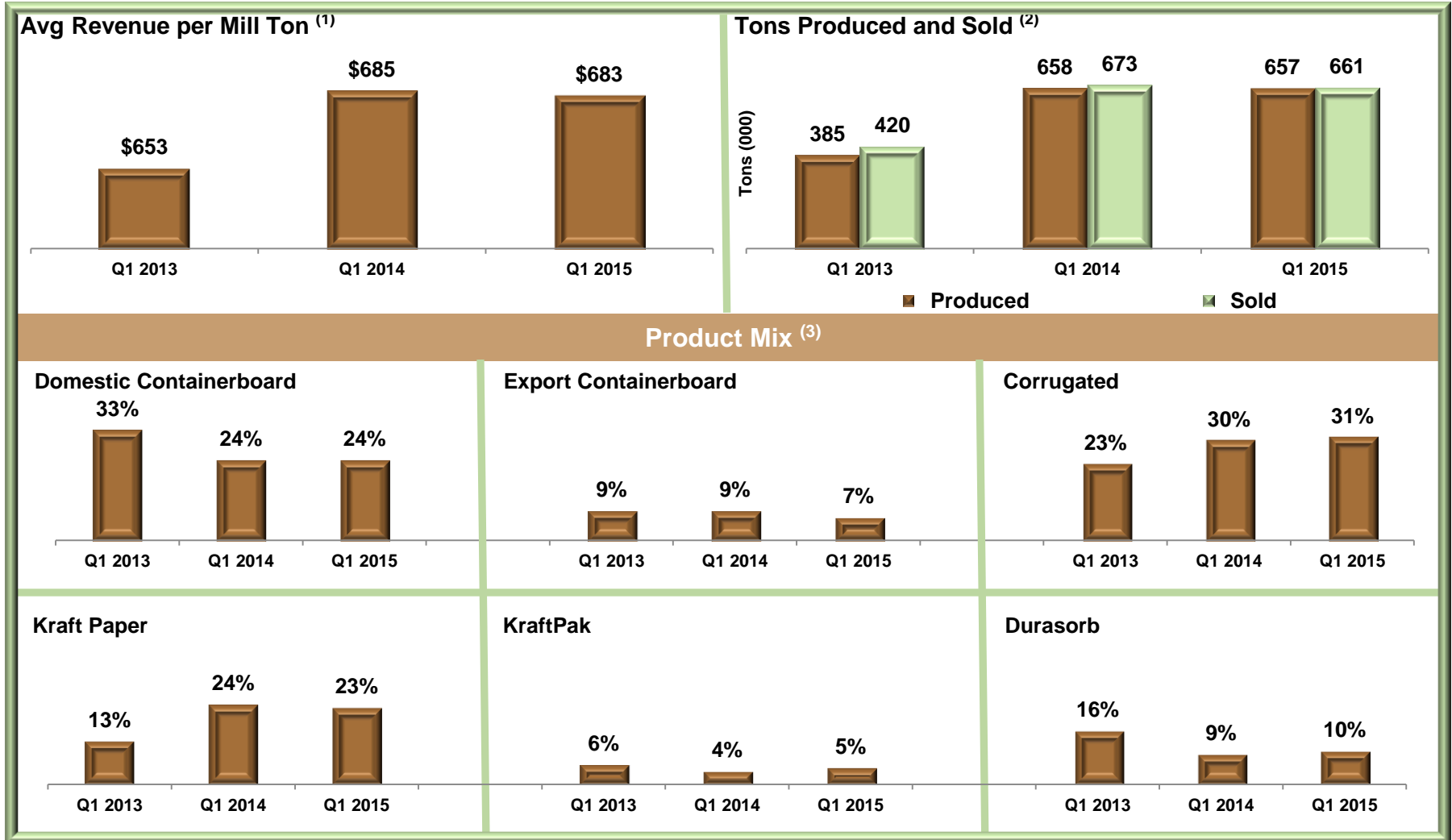
(2) Closing date of Longview acquisition

Summary of Key Assumptions for Q2 2015

- FX trending to negatively impact results by \$4 million compared to Q2 2014
- Kraft paper price increase of \$50 per ton
 - Full benefit expected in Q2 2015 compared to partial benefit in Q2 2014
- Continued seasonal improvement of product mix from Q1 2015
- Production and shipping
 - Resolution of west coast port slowdown
 - One more mill production calendar day
 - Production in Q2 2015 should benefit from improved mill operations
 - Reduction of Longview's Q1 2015 seasonal inventory build
- Planned outage maintenance expense approximately \$2 million higher than Q1 2015 due to timing change of Roanoke Rapids mill annual outage (moved from October). Loss of 10,400 production tons
- Continued higher fiber costs as seen in Q1 2015. OCC costs expected to increase after hitting recent lows in Q1 2015
- CAPEX is expected to be \$ 35 million for Q2 2015, and \$135 million for the full year

Appendix

Components of Quarterly Net Sales



(1) Average price per external ton sold from mills – excludes corrugated sales

(2) Tons Produced represents saleable tons produced from four paper mills; Tons Sold is external sales from paper mills and corrugated container plants

(3) Mix is based on a percentage of total external tons sold from paper mills and corrugated container plants

Maintenance Outage Expense & Production Impact

Financial Impact (\$ in Millions)	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Year</u>
2014 Actual	\$ 14.8	\$ 5.2	\$ 5.2	\$ 10.9	\$36.1
2015 Expected	\$ 8.6	\$ 10.6	\$ 6.9	\$ 5.4	\$31.5

Production Impact (Tons)	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Year</u>
2014 Actual	14,300*	5,400	-	14,500	34,200
2015 Expected	1,700	10,400**	2,500	1,700	16,300

* The 14,300 ton impact is due to the paper machine #3 upgrade in Charleston

** The 10,400 ton impact is due to the Roanoke Rapids mill annual outage. In 2014 this outage occurred in Q4