



**Third Quarter 2015
GAAP to Non-GAAP
Reconciliations**

October 28, 2015



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

| | Quarter Ended September 30, | | Nine Months Ended September 30, | |
|--|-----------------------------|-------------------|---------------------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net Income (GAAP) to EBITDA (Non-GAAP) to Adjusted EBITDA (Non-GAAP): | | | | |
| Net income (GAAP) | \$ 34,206 | \$ 54,254 | \$ 94,562 | \$ 137,812 |
| Interest expense, net | 9,528 | 8,099 | 24,456 | 25,299 |
| Provision for income taxes | 16,468 | 27,886 | 49,004 | 70,660 |
| Depreciation and amortization | 42,500 | 34,997 | 114,617 | 101,580 |
| EBITDA (Non-GAAP) | \$ 102,702 | \$ 125,236 | \$ 282,639 | \$ 335,351 |
| Stock-based compensation expense | 1,585 | 1,401 | 8,122 | 5,630 |
| Longview integration expenses | 365 | 603 | 1,574 | 3,350 |
| Victory Packaging acquisition expenses | 3,817 | — | 10,372 | — |
| Voluntary separation plan and severance | 2,310 | 1,465 | 4,974 | 6,283 |
| Longview work stoppage | 14,464 | — | 14,464 | — |
| Loss on debt extinguishment | 628 | 2,963 | 628 | 2,963 |
| Adjusted EBITDA (Non-GAAP) | \$ 125,871 | \$ 131,668 | \$ 322,773 | \$ 353,577 |
| Net Income (GAAP) to Adjusted Net Income (Non-GAAP): | | | | |
| Net income (GAAP) | \$ 34,206 | \$ 54,254 | \$ 94,562 | \$ 137,812 |
| Stock-based compensation expense | 1,037 | 918 | 5,312 | 3,688 |
| Longview integration and other expenses | 239 | 395 | 1,029 | 2,194 |
| Victory Packaging acquisition expenses | 2,496 | — | 6,783 | — |
| Voluntary separation plan and severance | 1,511 | 960 | 3,253 | 4,115 |
| Longview work stoppage | 9,459 | — | 9,459 | — |
| Acquisition tax adjustments | — | (279) | 398 | (279) |
| Loss on debt extinguishment | 411 | 1,941 | 411 | 1,941 |
| Adjusted Net Income (Non-GAAP) | \$ 49,359 | \$ 58,189 | \$ 121,207 | \$ 149,471 |
| Basic EPS (GAAP) to Adjusted Basic EPS (Non-GAAP): | | | | |
| Basic EPS (GAAP) | \$ 0.36 | \$ 0.57 | \$ 0.98 | \$ 1.44 |
| Stock-based compensation expense | 0.01 | 0.01 | 0.07 | 0.04 |
| Longview integration and other expenses | — | — | 0.01 | 0.02 |
| Victory Packaging acquisition expenses | 0.03 | — | 0.08 | — |
| Voluntary separation plan and severance | 0.02 | 0.01 | 0.03 | 0.04 |
| Longview work stoppage | 0.09 | — | 0.09 | — |
| Acquisition tax adjustments | — | — | — | — |
| Loss on debt extinguishment | — | 0.02 | — | 0.02 |
| Adjusted Basic EPS (Non-GAAP) | \$ 0.51 | \$ 0.61 | \$ 1.26 | \$ 1.56 |
| Diluted EPS (GAAP) to Adjusted Diluted EPS (Non-GAAP): | | | | |
| Diluted earnings per share (GAAP) | \$ 0.35 | \$ 0.56 | \$ 0.97 | \$ 1.41 |
| Stock-based compensation expense | 0.01 | 0.01 | 0.05 | 0.04 |
| Longview integration and other expenses | — | — | 0.01 | 0.02 |
| Victory Packaging acquisition expenses | 0.03 | — | 0.07 | — |
| Voluntary separation plan and severance | 0.02 | 0.01 | 0.03 | 0.04 |
| Longview work stoppage | 0.10 | — | 0.10 | — |
| Acquisition tax adjustments | — | — | 0.01 | — |
| Loss on debt extinguishment | — | 0.02 | — | 0.02 |
| Adjusted Diluted EPS (Non-GAAP) | \$ 0.51 | \$ 0.60 | \$ 1.24 | \$ 1.53 |

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

Calculation of Net Debt

| | Quarter Ended | | | | |
|----------------------------------|----------------------------|----------------------------|---------------------------|----------------------------|----------------------------|
| | <u>9/30/2015</u> | <u>6/30/2015</u> | <u>3/31/2015</u> | <u>12/31/2014</u> | <u>9/30/2014</u> |
| Current portion of LT debt | \$ - | \$ 51,750 | \$ - | \$ - | \$ - |
| Short-term borrowings | 2,000 | 15,000 | 10,000 | - | - |
| Other borrowings | 2,214 | 4,420 | 6,615 | - | 1,162 |
| Long term debt, net | 1,589,670 | 1,604,967 | 1,055,014 | 1,046,063 | 1,200,278 |
| Unamortized debt issuance costs | 22,155 | 24,057 | 15,223 | 16,175 | 19,959 |
| | 1,616,039 | 1,700,194 | 1,086,852 | 1,062,238 | 1,221,399 |
| Less cash and cash equivalents | (7,767) | (28,737) | (10,545) | (28,467) | (105,649) |
| Total Net Debt (non GAAP) | <u>\$ 1,608,272</u> | <u>\$ 1,671,457</u> | <u>\$1,076,307</u> | <u>\$ 1,033,771</u> | <u>\$ 1,115,750</u> |

| | | | | | |
|---|-------------------------|----------------------------|---------------------------|-------------------------|-------------------------|
| Decrease (increase) during the quarter | <u>\$ 63,185</u> | <u>\$ (595,150)</u> | <u>\$ (42,536)</u> | <u>\$ 81,979</u> | <u>\$ 59,209</u> |
|---|-------------------------|----------------------------|---------------------------|-------------------------|-------------------------|

Net Debt to Capital ratio calculation

| | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Net debt | \$ 1,608,272 | \$ 1,671,457 | \$1,076,307 | \$ 1,033,771 | \$ 1,115,750 |
| Capital (Equity plus Long term debt, net) | \$ 2,442,756 | \$ 2,431,319 | \$1,853,551 | \$ 1,824,190 | \$ 2,012,331 |
| Ratio | <u>65.8%</u> | <u>68.7%</u> | <u>58.1%</u> | <u>56.7%</u> | <u>55.4%</u> |

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

| | Quarter Ended | | | | |
|---|-------------------------|-------------------------|---------------------------|-------------------------|-------------------------|
| | <u>9/30/2015</u> | <u>6/30/2015</u> | <u>3/31/2015</u> | <u>12/31/2014</u> | <u>9/30/2014</u> |
| Cash flow from operations (GAAP) | \$ 104,061 | \$ 76,499 | \$ (3,912) | \$ 107,149 | \$ 97,395 |
| Less capital expenditures | <u>(31,184)</u> | <u>(34,949)</u> | <u>(28,762)</u> | <u>(24,865)</u> | <u>(38,691)</u> |
| Free cash flow (Non-GAAP) | <u>\$ 72,877</u> | <u>\$ 41,550</u> | <u>\$ (32,674)</u> | <u>\$ 82,284</u> | <u>\$ 58,704</u> |
| Average diluted shares outstanding | 97,629,641 | 97,664,781 | 97,662,608 | 97,562,816 | 97,515,901 |
| Free cash flow per share | <u>\$ 0.75</u> | <u>\$ 0.43</u> | <u>\$ (0.33)</u> | <u>\$ 0.84</u> | <u>\$ 0.60</u> |

