



KAPSTONE

PAPER AND PACKAGING CORPORATION

2013 Third Quarter Financial Review



Roger W. Stone, Chairman and Chief Executive Officer
Andrea K. Tarbox, Vice President and Chief Financial Officer

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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 certain 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.

KapStone Sets Record for Setting Records!

Q3 2013 Results* Shatter Previous All-Time Records

Net Sales	\$ 539	Mill Production Tons	634
EBITDA	\$ 110	Sales Tons – All products	662
Adj. EBITDA**	\$ 117	Avg. Mill Selling Price/Ton	\$ 682
Adj. Net Income**	\$ 51	Free Cash Flow	\$ 75
Adj. Diluted EPS**	\$ 1.05	Free Cash Flow/Share	\$ 1.54

* Includes 75 days of results from Longview acquisition due to acquisition on July 18, 2013

**Adjusted to exclude non-cash stock compensation, acquisition / start up expenses and discrete tax adjustments

Longview Acquisition Update

Purchase completed July 18, 2013

**Highly Accretive in
1st Partial Quarter**

**July 18 through September 30
Results (75 Days)**

Net Sales	\$ 198
Adj. EBITDA*	\$ 54
Adj. Diluted EPS**	\$ 0.47

*Adjusted to exclude acquisition and one-time costs

**Adjusted for additional interest and related financing fees in addition to items above

- Synergies with annual run rate of \$6 million have been transacted on thus far
 - Consist primarily of staff redundancies and fees
 - Q4 2013 should begin to benefit from these actions
- Synergy target has been raised to \$18 million in annual benefits and is expected to be realized by late 2015
 - Consists primarily of various operating functions including purchasing, fiber, and freight
- Substantial benefits from operating efficiencies and capital programs in progress will be more significant than the synergies identified

Third Quarter Financial Results

(\$ in Millions, except per share data)

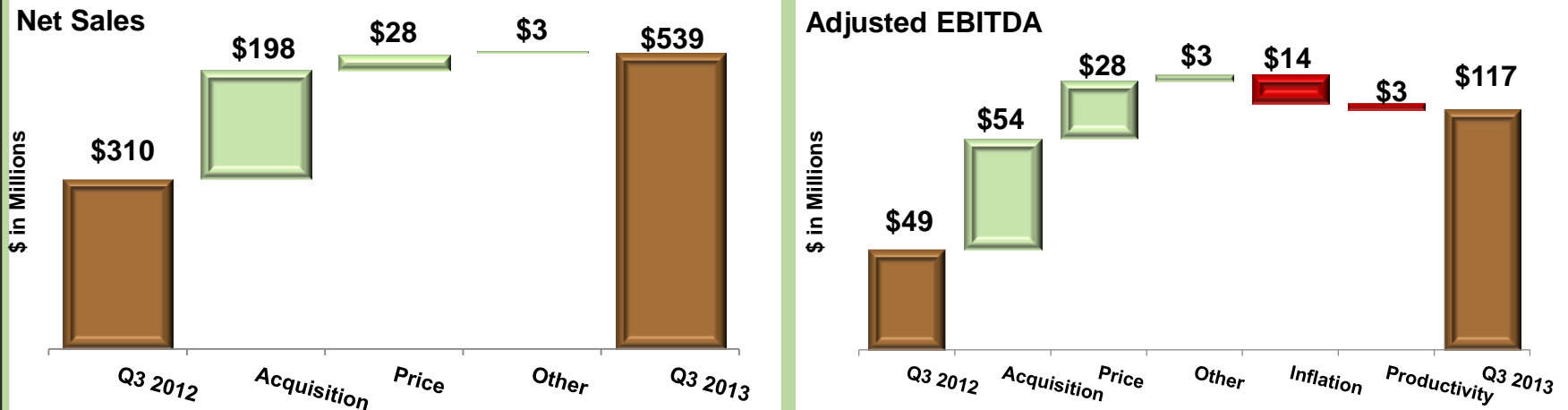
	<u>Q3 2013</u>	<u>Q3 2012</u>	<u>Inc/(Dec)</u>	<u>Q2 2013</u>	<u>Inc/(Dec)</u>
Net Sales	\$ 539	\$ 310	74%	\$ 326	65%
EBITDA	\$ 110	\$ 47	134%	\$ 52	112%
Adj. EBITDA*	\$ 117	\$ 49	139%	\$ 56	109%
Net Income	\$ 44	\$ 18	144%	\$ 21	110%
Adj. Net Income**	\$ 51	\$ 20	155%	\$ 23	122%
Diluted EPS	\$ 0.92	\$ 0.38	142%	\$ 0.44	109%
Adj. Diluted EPS**	\$ 1.05	\$ 0.41	156%	\$ 0.48	119%

*Adjusted to exclude non-cash stock compensation, acquisition, and start up expenses

**Adjusted to exclude items above net of tax and discrete tax adjustments

Q3 2013 Compared to Q3 2012

Acquisition and higher prices result in record Adjusted EBITDA

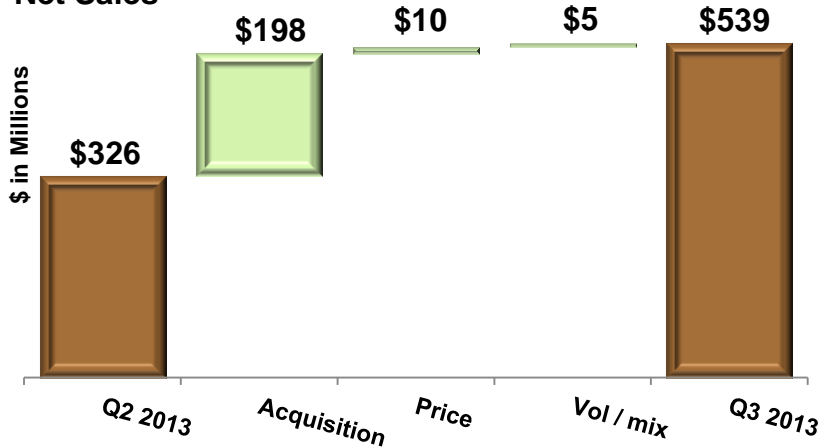


- Longview acquisition contributed \$198 million of net sales and \$54 million of adjusted EBITDA for the 75 days since the transaction closed
- Price reflects full realization of domestic containerboard and corrugated price increases announced in October 2012 and April 2013, full realization of the March 2013 KraftPak price increase, and higher export containerboard prices
- Inflation reflects higher fiber and purchased rollstock costs and compensation and benefit increases

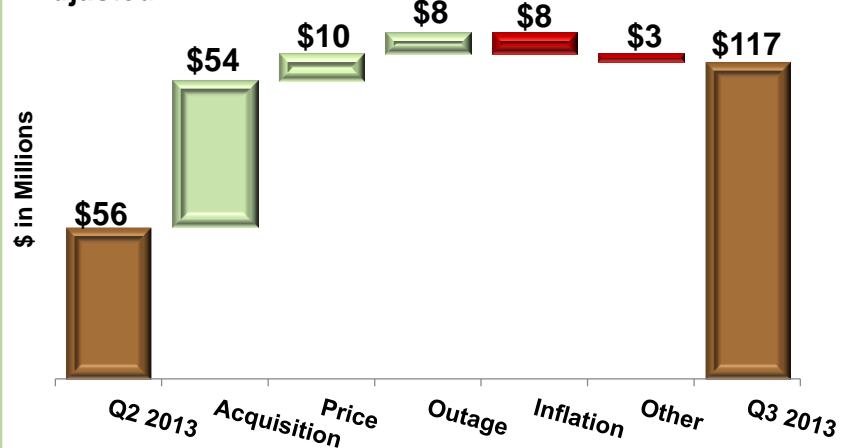
Q3 2013 Compared to Q2 2013

Acquisition drives improvement in Adjusted EBITDA

Net Sales



Adjusted EBITDA



- Price reflects the reflects full realization of domestic containerboard and corrugated price increases announced April 2013 and full realization of the March KraftPak price increase
- Lower outage costs reflects impact of Charleston tri-annual outage in Q2 including a loss of 9,400 tons
- Inflation reflects higher fiber and purchased rollstock costs

Powerful Cash Flow Generator

Rapidly De-Levering Debt

Q3 2013

**\$ 75
million
free cash flow**

**Free cash flow
up \$48 million,
or 182%,
over PY**

**FCF per share
of \$1.54**

Reduces debt rapidly

**Debt to
EBITDA
leverage ratio***

**3.8 X on July 18
3.2 X at Sept. 30**

- Net debt at September 30, 2013 was \$1.301 billion consisting of:
 - \$ 805 million of 5 year term loan A1
 - \$ 470 million of 7 year term loan A2
 - \$ 36 million of revolver borrowings
- Blended cash interest rate was 2.6 percent at September 30, 2013
- Available revolver balance is \$359 million and \$300 million accordion

*Calculated per bank agreement

Summary of Key Assumptions for Q4 2013

- Q4 will include a full quarter, or 92 days, of Longview results; Q3 included 75 days based on July 18th acquisition date
- Two less shipping days for box plants, seasonally lower volumes
- Maintenance outages expense in Q4 of \$16 million, including \$4 million for Longview, with expected loss of 12,500 production tons
- Relatively stable wood fiber costs from Q3 2013
- CAPEX for Q4 expected to be approximately \$37 million; \$93 million for the year
- Effective income tax rate of 35.5 percent excluding discrete adjustments
- Cash taxes for Q4 estimated at approximately \$14 million, or an 11 percent rate for the 2013 year

Appendix

Components of Quarterly Net Sales

