



**Second Quarter 2018
GAAP to Non-GAAP
Reconciliations**

July 25, 2018



KapStone Paper and Packaging Corporation
Supplemental Information
GAAP to Non-GAAP Reconciliations
(\$ in thousands, except share and per share amounts)
(unaudited)

	<u>Quarter Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net Income (GAAP) to EBITDA (Non-GAAP) to Adjusted EBITDA (Non-GAAP):				
Net income (GAAP)	\$ 53,183	\$ 19,776	\$ 85,924	\$ 25,768
Interest expense, net	15,711	12,311	30,056	23,041
Provision for income taxes	15,784	10,141	24,080	14,302
Depreciation and amortization	47,329	46,054	93,694	91,402
EBITDA (Non-GAAP)	<u>\$ 132,007</u>	<u>\$ 88,282</u>	<u>\$ 233,754</u>	<u>\$ 154,513</u>
Acquisition, integration, start-up and other expenses	1,397	5,611	3,353	7,416
Union contract ratification cost	–	–	–	4,979
Merger expenses	2,368	–	15,900	–
Plant closure costs	–	–	1,752	–
Change in fair value of contingent consideration liability	–	1,054	–	3,570
Gain on sale of property	–	–	(7,453)	–
Stock-based compensation expense	2,158	4,761	5,165	10,026
Accumulated EBITDA adjustments	5,923	11,426	18,717	25,991
Adjusted EBITDA (Non-GAAP)	<u>\$ 137,930</u>	<u>\$ 99,708</u>	<u>\$ 252,471</u>	<u>\$ 180,504</u>
Net Income (GAAP) to Adjusted Net Income (Non-GAAP):				
Net income (GAAP)	\$ 53,183	\$ 19,776	\$ 85,924	\$ 25,768
Accumulated EBITDA adjustments	5,923	11,426	18,717	25,991
Accumulated tax adjustments	(1,422)	(4,285)	(4,492)	(9,747)
Adjusted Net Income (Non-GAAP)	<u>\$ 57,684</u>	<u>\$ 26,917</u>	<u>\$ 100,149</u>	<u>\$ 42,012</u>
Diluted EPS (GAAP) to Adjusted Diluted EPS (Non-GAAP):				
Diluted earnings per share (GAAP)	\$ 0.53	\$ 0.20	\$ 0.86	\$ 0.26
Accumulated EBITDA adjustments	0.06	0.11	0.18	0.27
Accumulated tax adjustments	(0.01)	(0.04)	(0.04)	(0.10)
Adjusted Diluted EPS (Non-GAAP)	<u>\$ 0.58</u>	<u>\$ 0.27</u>	<u>\$ 1.00</u>	<u>\$ 0.43</u>

KapStone Paper and Packaging Corporation
Operating Segment Information
(In thousands)
(Unaudited)

	Net Sales			Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures	Total Assets at June 30, 2018
	Trade	Inter- segment	Total				
Three Months Ended June 30, 2018							
Paper and Packaging	\$ 647,635	\$ 22,504	\$ 670,139	\$ 84,139	\$ 39,800	\$ 39,642	\$ 2,674,612
Distribution	265,101	-	265,101	12,798	5,911	619	674,735
Corporate	-	-	-	(15,086)	1,618	1,119	38,796
Intersegment eliminations	-	(22,504)	(22,504)	-	-	-	-
	\$ 912,736	\$ -	\$ 912,736	\$ 81,851	\$ 47,329	\$ 41,380	\$ 3,388,143

	Net Sales			Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures	Total Assets at June 30, 2017
	Trade	Inter- segment	Total				
Three Months Ended June 30, 2017							
Paper and Packaging	\$ 561,917	\$ 25,681	\$ 587,598	\$ 42,697	\$ 38,192	\$ 33,703	\$ 2,642,143
Distribution	260,800	-	260,800	10,785	5,972	1,064	694,099
Corporate	-	-	-	(13,850)	1,890	342	36,330
Intersegment eliminations	-	(25,681)	(25,681)	-	-	-	-
	\$ 822,717	\$ -	\$ 822,717	\$ 39,632	\$ 46,054	\$ 35,109	\$ 3,372,572

	Net Sales			Segment Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures
	Trade	Inter- segment	Total			
Six Months Ended June 30, 2018						
Paper and Packaging	\$ 1,215,620	\$ 39,618	\$ 1,255,238	\$ 158,850	\$ 78,476	\$ 74,790
Distribution	496,311	-	496,311	15,289	11,818	906
Corporate	-	-	-	(40,555)	3,400	2,709
Intersegment eliminations	-	(39,618)	(39,618)	-	-	-
	\$ 1,711,931	\$ -	\$ 1,711,931	\$ 133,584	\$ 93,694	\$ 78,405

	Net Sales			Segment Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures
	Trade	Inter- segment	Total			
Six Months Ended June 30, 2017						
Paper and Packaging	\$ 1,109,561	\$ 46,878	\$ 1,156,439	\$ 75,449	\$ 75,598	\$ 71,408
Distribution	478,999	-	478,999	13,382	11,950	1,743
Corporate	-	-	-	(30,638)	3,854	627
Intersegment eliminations	-	(46,878)	(46,878)	-	-	-
	\$ 1,588,560	\$ -	\$ 1,588,560	\$ 58,193	\$ 91,402	\$ 73,778

KapStone Paper and Packaging Corporation
Operating Segment EBITDA and Adjusted EBITDA
(In thousands)
(Unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Paper and Packaging				
Segment operating income	\$ 84,139	\$ 42,697	\$ 158,850	\$ 75,449
Equity method investments income	(720)	(29)	(1,240)	(706)
Foreign exchange loss / (gain)	620	(591)	481	(636)
Non operating pension and postretirement income	(3,091)	(1,563)	(6,183)	(3,126)
Depreciation and amortization	39,800	38,192	78,476	75,598
EBITDA	127,130	83,072	244,268	155,515
Acquisition, integration, start-up and other expenses	1,255	2,986	2,481	4,352
Gain on sale of property	-	-	(7,453)	-
Plant closure costs	-	-	1,752	-
Union contract ratification costs	-	-	-	4,979
Multiemployer pension plan withdrawal expense	226	-	226	-
Adjusted EBITDA	\$ 128,611	\$ 86,058	\$ 241,274	\$ 164,846
Adjusted EBITDA margin	19.2%	14.6%	19.2%	14.3%

	Quarter Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Distribution				
Segment operating income	\$ 12,798	\$ 10,785	\$ 15,289	\$ 13,382
Foreign exchange loss / (gain)	364	(413)	466	(450)
Depreciation and amortization	5,911	5,972	11,818	11,950
EBITDA	18,345	17,170	26,641	25,782
Acquisition, integration, start-up and other expenses	(425)	1,500	126	1,663
Adjusted EBITDA	\$ 17,920	\$ 18,670	\$ 26,767	\$ 27,445
Adjusted EBITDA margin	6.8%	7.2%	5.4%	5.7%

	Quarter Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Corporate				
Segment operating (loss)	\$ (15,086)	\$ (13,850)	\$ (40,555)	\$ (30,638)
Depreciation and amortization	1,618	1,890	3,400	3,854
EBITDA	(13,468)	(11,960)	(37,155)	(26,784)
Stock-based compensation expense	2,158	4,761	5,165	10,026
Acquisition, integration, start-up and other expenses	341	1,125	520	1,401
Change in fair value of contingent consideration liability	-	1,054	-	3,570
Merger expenses	2,368	-	15,900	-
Adjusted EBITDA	\$ (8,601)	\$ (5,020)	\$ (15,570)	\$ (11,787)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Consolidated				
Segment operating income	\$ 81,851	\$ 39,632	\$ 133,584	\$ 58,193
Equity method investments income	(720)	(29)	(1,240)	(706)
Foreign exchange loss / (gain)	984	(1,004)	947	(1,086)
Non operating pension and postretirement income	(3,091)	(1,563)	(6,183)	(3,126)
Depreciation and amortization	47,329	46,054	93,694	91,402
EBITDA	132,007	88,282	233,754	154,513
Stock-based compensation expense	2,158	4,761	5,165	10,026
Acquisition, integration, start-up and other expenses	1,171	5,611	3,127	7,416
Union contract ratification costs	-	-	-	4,979
Plant closure costs	-	-	1,752	-
Change in fair value of contingent consideration liability	-	1,054	-	3,570
Gain on sale of property	-	-	(7,453)	-
Multiemployer pension plan withdrawal expense	226	-	226	-
Merger expenses	2,368	-	15,900	-
Adjusted EBITDA	\$ 137,930	\$ 99,708	\$ 252,471	\$ 180,504

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

Calculation of Net Debt

	Quarter Ended				
	<u>6/30/2018</u>	<u>3/31/2018</u>	<u>12/31/2017</u>	<u>9/30/2017</u>	<u>6/30/2017</u>
Current portion of LT debt	\$ -	\$ -	\$ -	\$ -	\$ -
Short-term borrowings	25,000	20,000	-	2,500	22,000
Other borrowings	4,528	6,767	-	2,084	4,117
Capital lease obligation	4,611	4,618	4,625	4,632	4,639
Long term debt, net	1,382,968	1,371,238	1,374,502	1,461,595	1,516,266
Unamortized debt issuance costs	11,034	12,046	13,222	15,126	15,655
	1,428,141	1,414,669	1,392,349	1,485,937	1,562,677
Less cash and cash equivalents	(9,149)	(18,684)	(28,065)	(11,294)	(7,456)
Total Net Debt (non GAAP)	<u>\$ 1,418,992</u>	<u>\$ 1,395,985</u>	<u>\$ 1,364,284</u>	<u>\$ 1,474,643</u>	<u>\$ 1,555,221</u>

Decrease (increase) during the quarter	<u>\$ (23,007)</u>	<u>\$ (31,701)</u>	<u>\$ 110,359</u>	<u>\$ 80,578</u>	<u>\$ (32,375)</u>
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Net Debt to Capital ratio calculation

Net debt	\$ 1,418,992	\$ 1,395,985	\$ 1,364,284	\$ 1,474,643	\$ 1,555,221
Capital (Equity plus Long term debt, net)	\$ 2,597,467	\$ 2,540,073	\$ 2,278,832	\$ 2,407,600	\$ 2,439,254
Ratio	<u>54.6%</u>	<u>55.0%</u>	<u>59.9%</u>	<u>61.2%</u>	<u>63.8%</u>

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

	Quarter Ended				
	<u>6/30/2018</u>	<u>3/31/2018</u>	<u>12/31/2017</u>	<u>9/30/2017</u>	<u>6/30/2017</u>
Cash flow from operations (GAAP)	\$ 27,892	\$ 5,123	\$ 149,549	\$ 126,422	\$ 16,828
Less capital expenditures	<u>(41,380)</u>	<u>(37,025)</u>	<u>(30,346)</u>	<u>(34,234)</u>	<u>(35,109)</u>
Free cash flow (Non-GAAP)	<u>\$ (13,488)</u>	<u>\$ (31,902)</u>	<u>\$ 119,203</u>	<u>\$ 92,188</u>	<u>\$ (18,281)</u>

KapStone Paper and Packaging Corporation
Summary of Interest Expense, net
(In thousands)
(Unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest on term loans and revolver	\$ 10,513	\$ 9,811	\$ 20,409	\$ 18,425
Interest on receivables securitization facility	2,118	1,281	3,965	2,336
Sub-total	12,631	11,092	24,374	20,761
Amortization of debt issuance costs	1,174	1,179	2,350	2,358
Implicit interest on long-term financing obligations	2,206	253	3,889	253
Interest on capital lease obligation	133	223	266	223
Interest on insurance financing	49	-	49	-
Capitalized interest	(438)	(390)	(785)	(462)
Interest income	(44)	(46)	(87)	(92)
Total interest expense, net	\$ 15,711	\$ 12,311	\$ 30,056	\$ 23,041