



KAPSTONE

PAPER AND PACKAGING CORPORATION

Fourth Quarter 2013 and Annual GAAP to Non GAAP Reconciliations

February 10, 2014

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

	Quarter Ended December 31,		Fav / (Unfav)	Year Ended December 31,		Fav / (Unfav)
	2013	2012	Variance %	2013	2012	Variance %
Net Income (GAAP) to EBITDA (Non-GAAP) to Adjusted EBITDA (Non-GAAP):						
Net income (GAAP)	\$ 43,474	\$ 10,193	326.5%	\$ 127,338	\$ 62,505	103.7%
Interest expense, net	8,823	1,769	-398.8%	20,641	8,295	-148.8%
Amortization of debt issuance costs	1,485	740	-100.7%	4,489	3,479	-29.0%
Provision for income taxes	20,119	5,959	-237.6%	67,652	34,978	-93.4%
Depreciation and amortization	32,436	17,016	-90.6%	95,435	63,124	-51.2%
EBITDA (Non-GAAP)	\$ 106,337	\$ 35,677	198.1%	\$ 315,555	\$ 172,381	83.1%
Acquisition, start up and other expenses	2,698	1,091	-147.3%	12,238	5,049	-142.4%
Stock-based compensation expense	932	920	-1.3%	5,203	5,242	0.7%
Adjusted EBITDA (Non-GAAP)	\$ 109,967	\$ 37,688	191.8%	\$ 332,996	\$ 182,672	82.3%
Net Income (GAAP) to Adjusted Net Income (Non-GAAP):						
Net income (GAAP)	\$ 43,474	\$ 10,193		\$ 127,338	\$ 62,505	
Acquisition, start up and other expenses	1,740	685		7,894	3,171	
Stock-based compensation expense	601	578		3,356	3,292	
Resolution of uncertain tax position	(5,001)	-		(5,001)	-	
Deferred tax adjustment due to tax rate change	2,296	-		2,296	-	
Discrete tax adjustments	475	1,657		1,881	1,657	
Adjusted Net Income (Non-GAAP)	\$ 43,585	\$ 13,113		\$ 137,764	\$ 70,625	
Basic EPS (GAAP) to Adjusted Basic EPS (Non-GAAP):						
Basic EPS (GAAP)	\$ 0.45	\$ 0.11		\$ 1.34	\$ 0.67	
Acquisition, start up and other expenses	0.02	0.01		0.08	0.03	
Stock-based compensation expense	0.02	-		0.04	0.04	
Resolution of uncertain tax position	(0.05)	-		(0.05)	-	
Deferred tax adjustment due to tax rate change	0.02	-		0.02	-	
Discrete tax adjustments	-	0.02		0.02	0.02	
Adjusted Basic EPS (Non-GAAP)	\$ 0.46	\$ 0.14		\$ 1.45	\$ 0.76	
Diluted EPS (GAAP) to Adjusted Diluted EPS (Non-GAAP):						
Diluted earnings per share (GAAP)	\$ 0.45	\$ 0.11		\$ 1.32	\$ 0.65	
Acquisition, start up and other expenses	0.02	0.01		0.08	0.03	
Stock-based compensation expense	0.01	-		0.03	0.04	
Resolution of uncertain tax position	(0.05)	-		(0.05)	-	
Deferred tax adjustment due to tax rate change	0.02	-		0.02	-	
Discrete tax adjustments	-	0.02		0.02	0.02	
Adjusted Diluted EPS (Non-GAAP)	\$ 0.45	\$ 0.14		\$ 1.42	\$ 0.74	

2007-2013 Annual GAAP to non-GAAP Reconciliations

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

	Year Ended December 31,						
	2007	2008	2009	2010	2011	2012	2013
Net Income (GAAP) to EBITDA (Non-GAAP) to Adjusted EBITDA (Non-GAAP):							
Net income (GAAP)	\$ 26,963	\$ 19,665	\$ 80,280	\$ 65,041	\$ 123,981	\$ 62,505	\$ 127,338
Interest expense, net	1,945	15,515	13,184	3,166	3,599	8,295	20,641
Amortization of debt issuance costs	254	2,007	5,980	2,237	2,482	3,479	4,489
Provision (benefit) for income taxes	15,138	12,482	52,137	(2,407)	(23,640)	34,978	67,652
Depreciation and amortization	11,327	31,683	54,667	45,245	51,036	63,124	95,435
EBITDA (Non-GAAP)	\$ 55,627	\$ 81,352	\$ 206,248	\$ 113,282	\$ 157,458	\$ 172,381	\$ 315,555
Alternative fuel mixture tax credits	-	-	(163,998)	(22,195)	-	-	-
Dunnage bag business	(6,699)	(5,248)	(17,165)	-	-	-	-
Acquisition, start up and other expenses	-	-	-	-	3,540	5,049	12,238
Stock based compensation expense	697	1,754	2,377	3,592	3,985	5,242	5,203
Adjusted EBITDA (Non-GAAP)	\$ 49,625	\$ 77,858	\$ 27,462	\$ 94,679	\$ 164,983	\$ 182,672	\$ 332,996
Net Income (GAAP) to Adjusted Net Income (Non-GAAP):							
Net income (GAAP)	\$ 26,963	\$ 19,665	\$ 80,280	\$ 65,041	\$ 123,981	\$ 62,505	\$ 127,338
Realization of unrecognized tax benefit	-	-	-	-	(63,026)	-	(5,001)
Income tax adjustments	-	-	-	(2,510)	1,228	1,657	1,881
Deferred tax adjustment due to tax rate change	-	-	-	-	-	-	2,296
Alternative fuel mixture tax credits	-	-	(99,427)	(14,737)	-	-	-
Cellulosic Biofuel tax credit	-	-	-	(21,048)	-	-	-
Dunnage bag business	(4,287)	(3,210)	(10,407)	-	-	-	-
Acquisition, start up and other expenses	-	-	-	-	2,483	3,171	7,894
Stock-based compensation expense	446	1,073	1,441	2,385	2,471	3,292	3,356
Adjusted Net Income (Non-GAAP)	\$ 23,122	\$ 17,528	\$ (28,113)	\$ 29,131	\$ 67,137	\$ 70,625	\$ 137,764
Diluted EPS (GAAP) to Adjusted Diluted EPS (Non-GAAP):							
Diluted earnings per share (GAAP)	\$ 0.75	\$ 0.29	\$ 1.15	\$ 0.69	\$ 1.31	\$ 0.66	\$ 1.32
Realization of unrecognized tax benefit	-	-	-	-	(0.67)	-	(0.05)
Income tax adjustments	-	-	-	(0.03)	0.02	0.02	0.02
Deferred tax adjustment due to tax rate change	-	-	-	-	-	-	0.02
Alternative fuel mixture tax credits	-	-	(1.42)	(0.23)	-	-	-
Cellulosic Biofuel tax credit	-	-	-	(0.16)	-	-	-
Dunnage bag business	(0.12)	(0.05)	(0.15)	-	-	-	-
Acquisition, start up and other expenses	-	-	-	-	0.03	0.04	0.08
Stock-based compensation expense	0.01	0.02	0.02	0.03	0.03	0.04	0.03
Adjusted Diluted EPS (Non-GAAP)	\$ 0.64	\$ 0.26	\$ (0.41)	\$ 0.31	\$ 0.71	\$ 0.74	\$ 1.42

KapStone Paper and Packaging Corporation
Supplemental Information
Cash Flow and Adjusted Free Cash Flow
(preliminary and unaudited)

\$ 000's	Year Ended December 31,						
	2007	2008	2009	2010	2011	2012	2013
Cash Flow from Operating Activities (GAAP)	\$ 52,235	\$ 47,352	\$ 201,235	\$ 136,076	\$ 136,376	\$ 157,829	\$ 298,694
Less consolidated capital expenditures	(11,861)	(23,170)	(29,165)	(38,318)	(42,531)	(67,237)	(96,706)
Free cash flow	40,374	24,182	172,070	97,758	93,845	90,592	201,988
Adjustments:							
Dunnage bag business		(3,328)	(10,732)	-	-	-	-
Alternative fuel mixture tax credit		-	(88,577)	(29,878)	-	-	-
Adjusted free cash flow (non GAAP)	\$ 36,447	\$ 20,854	\$ 72,761	\$ 67,880	\$ 93,845	\$ 90,592	\$ 201,988
Annual shares outstanding	36,064,206	68,911,632	70,135,846	93,958,120	94,975,246	95,452,878	96,739,482
Adjusted free cash flow (non GAAP) per share	\$ 1.01	\$ 0.30	\$ 1.04	\$ 0.72	\$ 0.99	\$ 0.95	\$ 2.09



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

Calculation of Net Debt

	Year Ended December 31,						
	2007	2008	2009	2010	2011	2012	2013
Current portion of LT debt	\$ 19,578	\$ 40,556	\$ 18,630	\$ 18,835	\$ 6,094	\$ -	\$ 4,950
Short-term borrowings	-	-	-	-	-	63,500	-
Other borrowings	-	-	-	-	-	-	-
Long term debt, net	32,922	389,374	121,031	92,857	335,635	294,310	1,192,413
Unamortized debt issuance costs	-	10,460	5,236	3,203	13,584	11,003	26,400
	52,500	440,390	144,897	114,895	355,313	368,813	1,223,763
Less cash and cash equivalents	(56,635)	(4,165)	(2,440)	(67,358)	(8,062)	(16,488)	(12,967)
Total Net Debt (non GAAP)	\$ (4,135)	\$ 436,225	\$ 142,457	\$ 47,537	\$ 347,251	\$ 352,325	\$ 1,210,796
Decrease (increase) during the year	\$ (4,135)	\$ (440,360)	\$ 293,768	\$ 94,920	\$ (299,714)	\$ (5,074)	\$ (858,471)
<u>Net Debt to Capital ratio calculation</u>							
Net debt	\$ (4,135)	\$ 436,225	\$ 142,457	\$ 47,537	\$ 347,251	\$ 352,325	\$ 1,210,796
Capital (Equity plus Long term debt, net)	\$ 177,107	\$ 570,141	\$ 469,821	\$ 511,491	\$ 881,913	\$ 812,258	\$ 1,858,493
Ratio	<u>-2.3%</u>	<u>76.5%</u>	<u>30.3%</u>	<u>9.3%</u>	<u>39.4%</u>	<u>43.4%</u>	<u>65.1%</u>

