



Second Quarter 2014 GAAP to Non-GAAP Reconciliations

July 30, 2014



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

Net Income (GAAP) to EBITDA (Non-GAAP) to Adjusted EBITDA (Non-GAAP):

Net income (GAAP)	\$ 51,459	\$ 20,991	145.1%	\$ 83,558	\$ 39,450	111.8%
Interest expense, net	6,488	1,909	-239.9%	14,267	3,784	-277.0%
Amortization of debt issuance costs	1,483	727	-104.0%	2,933	1,453	-101.9%
Provision for income taxes	26,008	11,052	-135.3%	42,774	20,478	-108.9%
Depreciation and amortization	33,874	17,253	-96.3%	66,583	34,477	-93.1%
EBITDA (Non-GAAP)	\$ 119,312	\$ 51,932	129.7%	\$ 210,115	\$ 99,642	110.9%
Acquisition, start up and other expenses	933	2,673	65.1%	2,747	3,284	16.4%
Voluntary separation plan	4,818	—	—	4,818	—	—
Stock-based compensation expense	1,311	954	-37.4%	4,229	3,299	-28.2%
Adjusted EBITDA (Non-GAAP)	\$ 126,374	\$ 55,559	127.5%	\$ 221,909	\$ 106,225	108.9%

Net Income (GAAP) to Adjusted Net Income (Non-GAAP):

Net income (GAAP)	\$ 51,459	\$ 20,991	\$ 83,558	\$ 39,450
Acquisition, start up and other expenses	611	1,751	1,799	2,151
Voluntary separation plan	3,156	—	3,156	—
Stock-based compensation expense	859	625	2,770	2,161
Adjusted Net Income (Non-GAAP)	\$ 56,085	\$ 23,367	\$ 91,283	\$ 43,762

Basic EPS (GAAP) to Adjusted Basic EPS (Non-GAAP):

Basic EPS (GAAP)	\$ 0.54	\$ 0.22	\$ 0.87	\$ 0.41
Acquisition, start up and other expenses	-	0.02	0.02	0.02
Voluntary separation plan	0.03	—	0.03	—
Stock-based compensation expense	0.01	0.01	0.03	0.03
Adjusted Basic EPS (Non-GAAP)	\$ 0.58	\$ 0.25	\$ 0.95	\$ 0.46

Diluted EPS (GAAP) to Adjusted Diluted EPS (Non-GAAP):

Diluted earnings per share (GAAP)	\$ 0.53	\$ 0.22	\$ 0.86	\$ 0.41
Acquisition, start up and other expenses	0.01	0.02	0.02	0.02
Voluntary separation plan	0.03	—	0.03	—
Stock-based compensation expense	0.01	—	0.03	0.02
Adjusted Diluted EPS (Non-GAAP)	\$ 0.58	\$ 0.24	\$ 0.94	\$ 0.45

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

Calculation of Net Debt

	Quarter Ended				
	<u>6/30/2014</u>	<u>3/31/2014</u>	<u>12/31/2013</u>	<u>9/30/2013</u>	<u>6/30/2013</u>
Current portion of LT debt	\$ 25,075	\$ 15,013	\$ 4,950	\$ 44,950	\$ 5,313
Short-term borrowings	-	-	-	36,500	13,700
Other borrowings	2,898	4,627	-	1,376	1,703
Long term debt, net	1,172,073	1,182,579	1,192,413	1,202,213	290,323
Unamortized debt issuance costs	24,265	24,996	26,400	27,837	9,677
	<u>1,224,311</u>	<u>1,227,215</u>	<u>1,223,763</u>	<u>1,312,876</u>	<u>320,716</u>
Less cash and cash equivalents	<u>(49,352)</u>	<u>(23,949)</u>	<u>(12,967)</u>	<u>(12,187)</u>	<u>(8,404)</u>
Total Net Debt (non GAAP)	<u>\$ 1,174,959</u>	<u>\$ 1,203,266</u>	<u>\$ 1,210,796</u>	<u>\$ 1,300,689</u>	<u>\$ 312,312</u>
Decrease (increase) during the quarter	<u>\$ 28,307</u>	<u>\$ 7,530</u>	<u>\$ 89,893</u>	<u>\$ (988,377)</u>	<u>\$ 40,302</u>
<u>Net Debt to Capital ratio calculation</u>					
Net debt	\$ 1,174,959	\$ 1,203,266	\$ 1,210,796	\$ 1,300,689	\$ 312,312
Capital (Equity plus Long term debt, net)	\$ 1,927,564	\$ 1,884,705	\$ 1,858,493	\$ 1,812,072	\$ 856,148
Ratio	<u>61.0%</u>	<u>63.8%</u>	<u>65.1%</u>	<u>71.8%</u>	<u>36.5%</u>

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

	Quarter Ended				
	<u>6/30/2014</u>	<u>3/31/2014</u>	<u>12/30/2013</u>	<u>9/30/2013</u>	<u>6/30/2013</u>
Cash flow from operations (GAAP)	\$ 69,703	\$ 38,951	\$ 129,811	\$ 98,211	\$ 55,035
Less capital expenditures	<u>(41,256)</u>	<u>(32,420)</u>	<u>(40,435)</u>	<u>(23,558)</u>	<u>(15,881)</u>
Adjusted free cash flow (Non-GAAP)	<u>\$ 28,447</u>	<u>\$ 6,531</u>	<u>\$ 89,376</u>	<u>\$ 74,653</u>	<u>\$ 39,154</u>
Average diluted shares outstanding	97,418,941	97,315,766	97,112,699	96,957,140	96,435,670
Adjusted free cash flow per share	<u>\$ 0.29</u>	<u>\$ 0.07</u>	<u>\$ 0.92</u>	<u>\$ 0.77</u>	<u>\$ 0.41</u>

