



2014 Third Quarter Review



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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

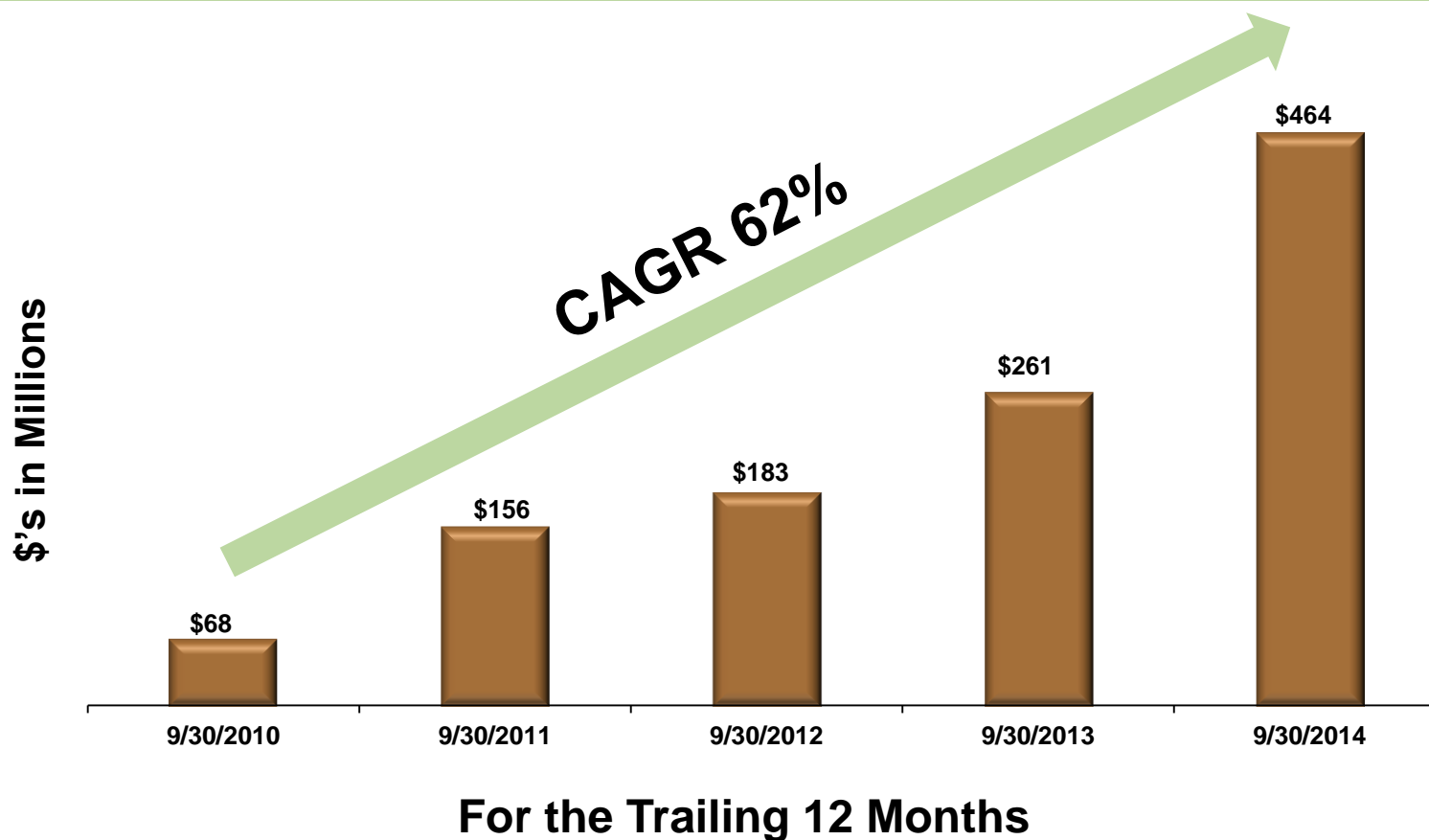
These forward-looking statements involve a number of risks and uncertainties. A list of the factors that could cause actual results to differ materially from those expressed in, or underlying, any forward-looking statements can be found in the Company's filings with the Securities and Exchange Commission, 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 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.

Five Amazing Years

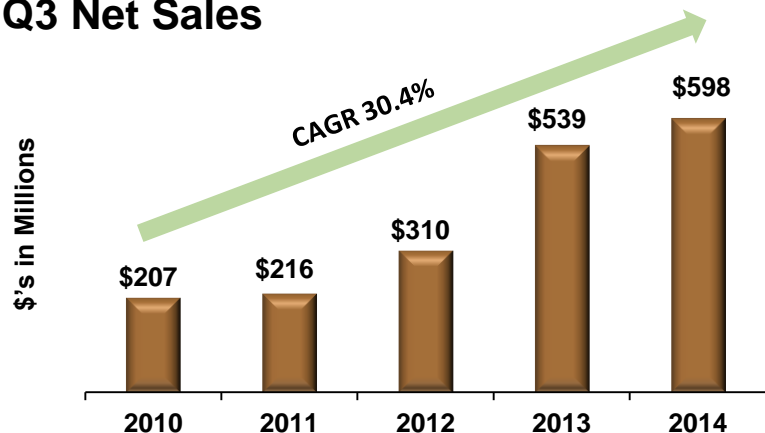
Adjusted EBITDA*



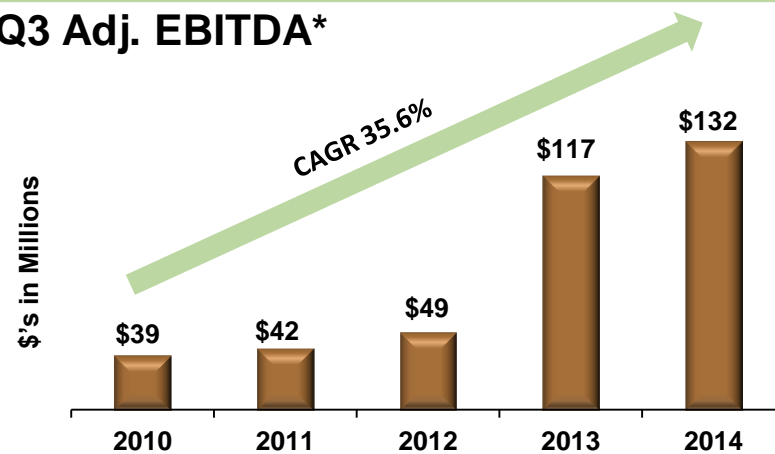
*Adjusted to exclude non-cash stock compensation, voluntary separation plan and acquisition, start up and other expenses

More GROWTH!

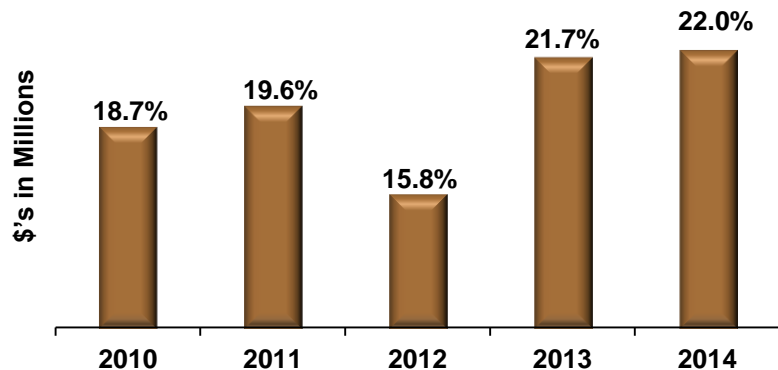
Q3 Net Sales



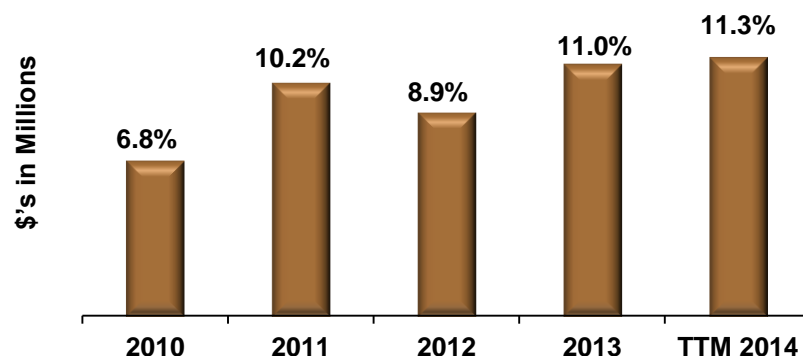
Q3 Adj. EBITDA*



Q3 Adj. EBITDA Margin*



Return on Invested Capital For the Years



*Adjusted to exclude non-cash stock compensation, voluntary separation plan and acquisition, start up and other expenses

Third Quarter Financial Results

(\$ in Millions, except per share)	<u>Q3 2014</u>	<u>Q3 2013</u>	<u>Inc/(Dec)</u> ⁽¹⁾	<u>Q2 2014</u>	<u>Inc/(Dec)</u> ⁽¹⁾
Net Sales	\$ 598	\$ 539	11%	\$ 590	1%
EBITDA	\$ 125	\$ 110	14%	\$ 119	5%
Adj. EBITDA ⁽²⁾	\$ 132	\$ 117	13%	\$ 126	4%
Adj. EBITDA Margin	22.0%	21.7%	1%	21.4%	3%
Net Income	\$ 54	\$ 44	22%	\$ 51	5%
Adj. Net Income ⁽³⁾	\$ 58	\$ 51	15%	\$ 56	4%
Diluted EPS	\$ 0.56	\$ 0.46	22%	\$ 0.53	6%
Adj. Diluted EPS ⁽³⁾	\$ 0.60	\$ 0.52	15%	\$ 0.58	3%

(1) Percentage change calculations made using unrounded source financials

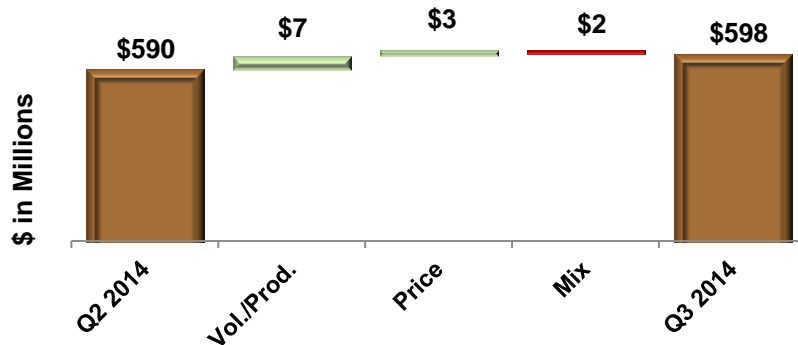
(2) Adjusted to exclude non-cash stock compensation and acquisition, start up and other costs

(3) Adjusted to exclude items above net of related income taxes

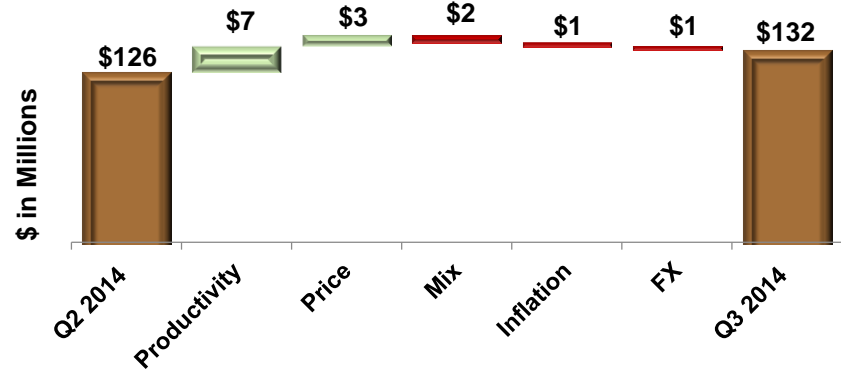
Q3 2014 Compared to Q2 2014 Actual

Mill Productivity Drives Improvement

Net Sales



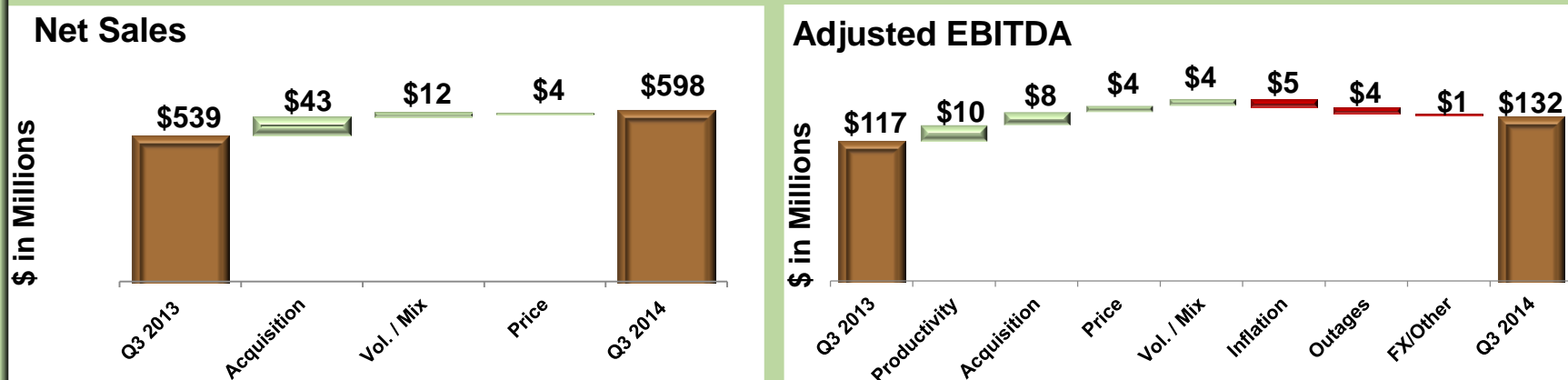
Adjusted EBITDA



- Net sales benefited from improved operations that produced 28,000 additional mill tons, one additional mill production day in Q3, and higher corrugated volumes
 - Partially offsetting were 25,000 tons of increased internal mill sales
- Favorable price reflects partial realization of the 2014 kraft paper price increase not fully realized until September
- Unfavorable mix due to lower kraft paper volume as customers purchased more in Q2 ahead of price increase and increased export containerboard sales
- Productivity reflects favorable mill performance resulting from capital improvements projects and cost reduction measures implemented

Q3 2014 Compared to Q3 2013 Actual

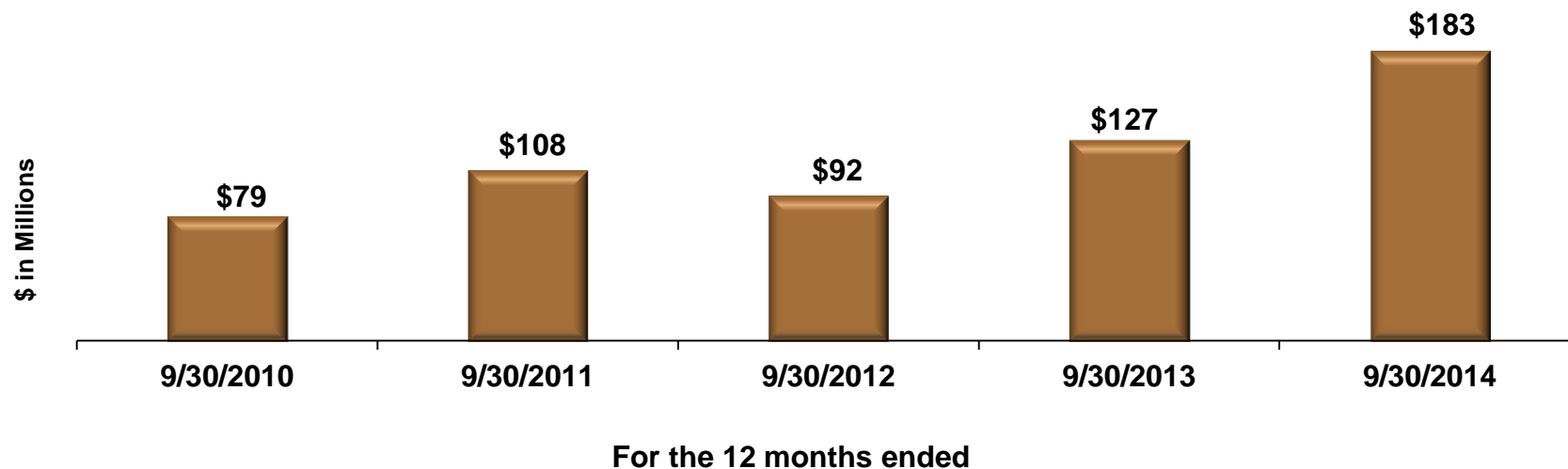
Productivity Gains and Longview Propel Adjusted EBITDA



- Compared to Q3 2013, the Longview acquisition added \$43 million in sales and \$8 million of adjusted EBITDA as Q3 2014 included 17 days of additional activity
- Productivity includes 29,000 additional mill tons, acquisition synergies and cost savings
 - Synergies from the Longview acquisition are now expected to reach \$23 million by late 2015
 - Annualized synergies realized to date total \$19 million
- Sales volume/mix reflects higher corrugated products shipments offset by lower external domestic containerboard volume as tons were used for internal consumption
- Price improvement reflects realization of the 2014 kraft paper price increase partially offset lower export containerboard prices
- Inflation reduced adjusted EBITDA by \$5 million due to fiber, freight and compensation increases
- Outage costs increased \$4 million in 2014 for legacy KapStone due to timing of Charleston outage

Powerful Free Cash Flow Generator

TTM Free Cash Flows



- Adjusted free cash flow was \$59 million for Q3 2014, down \$16 million over Q3 2013
 - Due to \$31 million federal tax payment
 - \$0.60 per diluted share
- Capex for Q3 2014 was \$39 million with an additional \$13 to \$18 million expected for Q4

Debt and Liquidity

De-Levering Debt and Reducing Interest Rate

- Debt to EBITDA leverage ratio ⁽¹⁾
 - 3.80 times - July 18, 2013 ⁽²⁾
 - 2.65 times - September 30, 2014

- Net debt at September 30, 2014 - \$1.12 billion
 - Net debt to EBITDA leverage ratio at September 30, 2014 was 2.4 times
 - \$106 million in cash
 - \$705 million term loan A at 1.90%
 - \$340 million term loan A1 at 2.15%
 - \$175 million receivables credit facility at 0.91%
 - Weighted average annual interest rate at Sept. 30, 2014 was 1.83%

- Available revolver balance is \$395 million in addition to \$300 million accordion

(1) Calculated per bank agreement

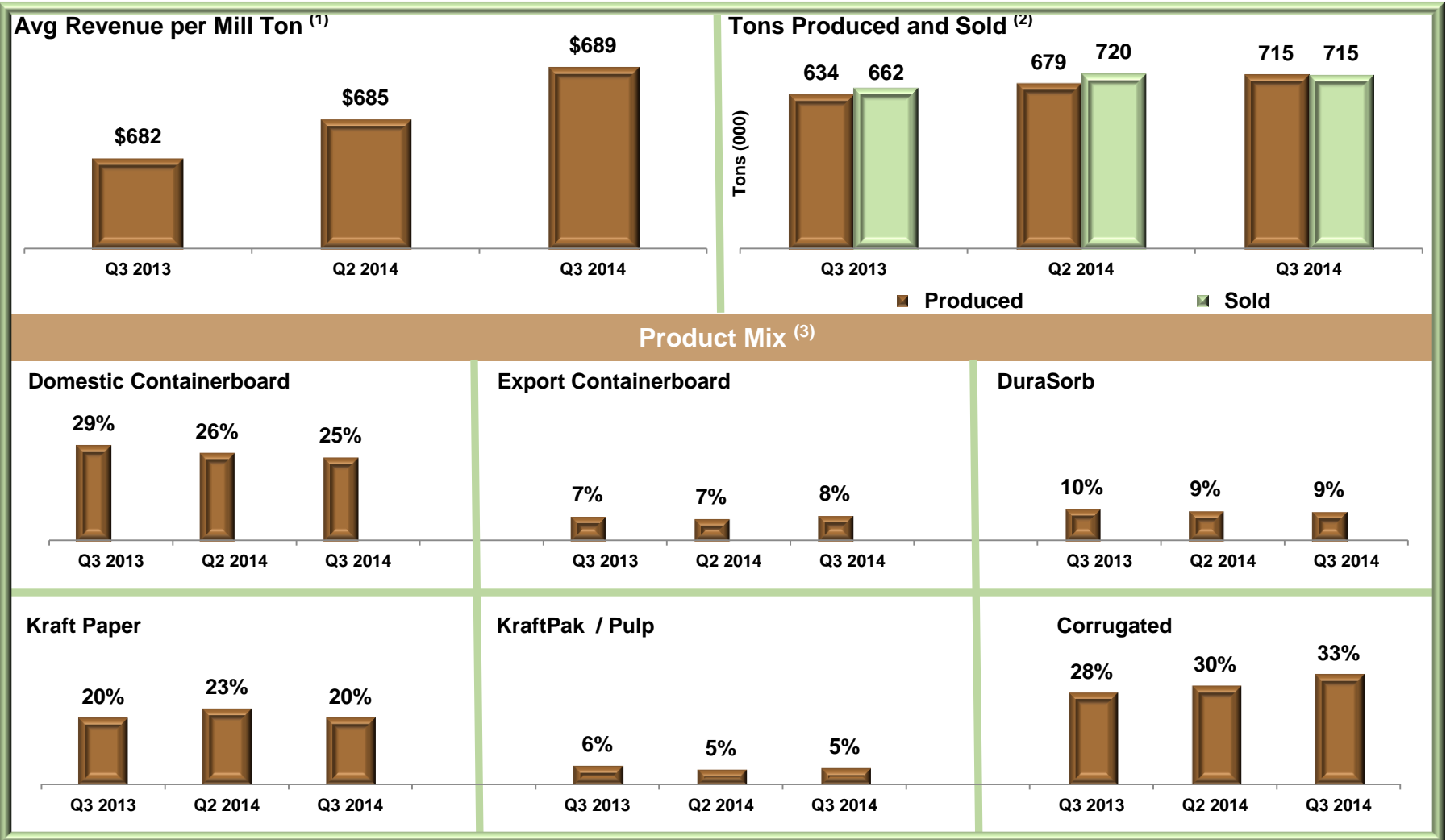
(2) Closing date of Longview acquisition

Summary of Key Assumptions for Q4 2014

- Pricing – no major actions
 - However, incremental Q4 2014 benefit of \$50 per ton kraft paper price increase (\$1 million over Q3 2014)
- Mix - higher export containerboard and lower corrugated products results in a less favorable product mix
- Sales volume
 - Lower due to tons lost from planned outages
 - Lower saturating kraft sales due to weak European economy resulting in approximately one week of market downtime for CHS machine #2 in late November and reduced production tons (approximately 5,000 tons)
- Outages - costs from planned maintenance increase to \$11 million (\$6 million higher than Q3 2014) with 12,300 loss in tons produced
- Inflation - seasonally higher fiber and energy costs (\$4 million) from Q3 2014 and voluntary separation expenses up to \$1 million in Q4
- Full quarter of interest savings from receivables securitization

Appendix

Components of Quarterly Net Sales



(1) Average price per external ton sold from mills – excludes corrugated sales

(2) Tons Produced represents saleable tons produced from four paper mills; Tons Sold is external sales from paper mills and corrugated container plants

(3) Mix is based on a percentage of total external tons sold from paper mills and corrugated container plants

Maintenance Outage Expense & Production

2013 Actual	Q1	Q2	Q3	Q4
Financial Impact	\$ 4.7	\$ 8.5	\$ 1.1	\$ 10.5
Production Impact	-	9,432	-	12,500

2014 Actual/Expected	Q1A	Q2A	Q3A	Q4E
Financial Impact	\$ 14.8	\$ 5.2	\$ 5.2	\$ 11.2
Production Impact	14,300	5,400	-	12,300