



**Fourth Quarter 2017  
GAAP to Non-GAAP  
Reconciliations**

**February 7, 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 December 31,</u>		<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Net Income (GAAP) to EBITDA (Non-GAAP) to Adjusted EBITDA (Non-GAAP):</b>				
Net income (GAAP)	\$ 187,709	\$ 18,338	\$ 243,503	\$ 86,252
Interest expense, net	14,077	10,113	52,282	40,078
Provision (benefit) for income taxes	(124,532)	8,885	(95,220)	41,930
Depreciation and amortization	47,937	46,685	186,801	182,213
<b>EBITDA (Non-GAAP)</b>	<b><u>\$ 125,191</u></b>	<b><u>\$ 84,021</u></b>	<b><u>\$ 387,366</u></b>	<b><u>\$ 350,473</u></b>
Stock-based compensation expense	2,234	1,750	14,910	8,938
Acquisition, integration, start-up and other expenses	243	2,123	7,440	6,338
Longview piping inspection settlement	-	-	2,034	-
Union contract ratification cost	-	-	5,925	-
Plant closure costs	1,241	-	10,208	-
Loss on asset disposals	213	-	2,173	2,270
Change in fair value of contingent consideration liability	6,134	(2,979)	5,794	1,600
Severance expenses	-	533	-	7,560
Multiemployer pension plan withdrawal expense	-	6,376	-	6,376
Loss on debt extinguishment	674	-	1,305	679
Accumulated EBITDA adjustments	10,739	7,803	49,789	33,761
<b>Adjusted EBITDA (Non-GAAP)</b>	<b><u>\$ 135,930</u></b>	<b><u>\$ 91,824</u></b>	<b><u>\$ 437,155</u></b>	<b><u>\$ 384,234</u></b>
<b>Net Income (GAAP) to Adjusted Net Income (Non-GAAP):</b>				
Net income (GAAP)	\$ 187,709	\$ 18,338	\$ 243,503	\$ 86,252
Accumulated EBITDA adjustments	10,739	7,803	49,789	33,761
Accumulated tax adjustments	(4,027)	(2,926)	(18,671)	(12,660)
Tax impact of Tax Cuts and Jobs Act	(144,387)	-	(144,387)	-
<b>Adjusted Net Income (Non-GAAP)</b>	<b><u>\$ 50,034</u></b>	<b><u>\$ 23,215</u></b>	<b><u>\$ 130,234</u></b>	<b><u>\$ 107,353</u></b>
<b>Diluted EPS (GAAP) to Adjusted Diluted EPS (Non-GAAP):</b>				
Diluted earnings per share (GAAP)	\$ 1.90	\$ 0.19	\$ 2.47	\$ 0.88
Accumulated EBITDA adjustments	0.11	0.08	0.50	0.35
Accumulated tax adjustments	( 0.04)	( 0.03)	( 0.19)	( 0.13)
Tax impact of Tax Cuts and Jobs Act	( 1.46)	-	( 1.46)	-
<b>Adjusted Diluted EPS (Non-GAAP)</b>	<b><u>\$ 0.51</u></b>	<b><u>\$ 0.24</u></b>	<b><u>\$ 1.32</u></b>	<b><u>\$ 1.10</u></b>

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

Net Sales							
Three Months Ended December 31, 2017	Trade	Inter-segment	Total	Segment Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures	Total Assets at Dec. 31, 2017
Paper and Packaging	\$ 608,298	\$ 18,397	\$ 626,695	\$ 85,379	\$ 40,280	\$ 27,665	\$ 2,620,391
Distribution	250,384	-	250,384	11,046	5,853	397	652,544
Corporate	-	-	-	(18,364)	1,804	2,284	51,050
Intersegment eliminations	-	(18,397)	(18,397)	-	-	-	-
	<u>\$ 858,682</u>	<u>\$ -</u>	<u>\$ 858,682</u>	<u>\$ 78,061</u>	<u>\$ 47,937</u>	<u>\$ 30,346</u>	<u>\$ 3,323,985</u>

Net Sales							
Three Months Ended December 31, 2016	Trade	Inter-segment	Total	Segment Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures	Total Assets at Dec. 31, 2016
Paper and Packaging	\$ 541,047	\$ 16,422	\$ 557,469	\$ 36,103	\$ 38,716	\$ 24,502	\$ 2,541,634
Distribution	236,448	-	236,448	7,349	5,869	415	658,208
Corporate	-	-	-	(5,927)	2,100	2,702	56,033
Intersegment eliminations	-	(16,422)	(16,422)	-	-	-	-
	<u>\$ 777,495</u>	<u>\$ -</u>	<u>\$ 777,495</u>	<u>\$ 37,525</u>	<u>\$ 46,685</u>	<u>\$ 27,619</u>	<u>\$ 3,255,875</u>

Net Sales						
Year Ended December 31, 2017	Trade	Inter-segment	Total	Segment Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures
Paper and Packaging	\$ 2,335,114	\$ 86,509	\$ 2,421,623	\$ 227,388	\$ 155,605	\$ 129,360
Distribution	980,546	-	980,546	30,204	23,667	2,258
Corporate	-	-	-	(58,467)	7,529	6,740
Intersegment eliminations	-	(86,509)	(86,509)	-	-	-
	<u>\$ 3,315,660</u>	<u>\$ -</u>	<u>\$ 3,315,660</u>	<u>\$ 199,125</u>	<u>\$ 186,801</u>	<u>\$ 138,358</u>

Net Sales						
Year Ended December 31, 2016	Trade	Inter-segment	Total	Segment Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures
Paper and Packaging	\$ 2,127,220	\$ 72,089	\$ 2,199,309	\$ 181,157	\$ 151,506	\$ 116,022
Distribution	950,037	-	950,037	29,296	23,027	4,349
Corporate	-	-	-	(39,807)	7,680	6,494
Intersegment eliminations	-	(72,089)	(72,089)	-	-	-
	<u>\$ 3,077,257</u>	<u>\$ -</u>	<u>\$ 3,077,257</u>	<u>\$ 170,646</u>	<u>\$ 182,213</u>	<u>\$ 126,865</u>

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

	Quarter Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
<b>Paper and Packaging</b>				
<b>Segment operating income</b>	\$ 85,379	\$ 36,103	\$ 227,388	\$ 181,157
Equity method investments income	(375)	(548)	(1,752)	(548)
Foreign exchange (gain) / loss	(110)	479	(919)	461
Loss on debt extinguishment	674	-	1,305	-
Depreciation and amortization	40,280	38,716	155,605	151,506
EBITDA	125,470	74,888	384,359	332,750
Severance expenses	-	(448)	-	5,550
Acquisition, integration, start-up and other expenses	1,075	(550)	4,381	1,269
Longview piping inspection settlement	-	-	2,034	-
Plant closure costs	1,241	-	10,208	-
Loss on asset disposals	213	-	858	1,710
Union contract ratification costs	-	-	5,925	-
Loss on debt extinguishment	674	-	1,305	-
Multiemployer pension plan withdrawal expense	-	6,376	-	6,376
<b>Adjusted EBITDA</b>	<b>\$ 128,673</b>	<b>\$ 80,266</b>	<b>\$ 409,070</b>	<b>\$ 347,655</b>
Adjusted EBITDA margin	20.5%	14.4%	16.9%	15.8%

	Quarter Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
<b>Distribution</b>				
<b>Segment operating income</b>	\$ 11,046	\$ 7,349	\$ 30,204	\$ 29,296
Foreign exchange (gain) / loss	618	258	(74)	1,794
Depreciation and amortization	5,853	5,869	23,667	23,027
EBITDA	16,281	12,960	53,945	50,529
Acquisition, integration, start-up and other expenses	(1,343)	2,126	371	3,780
Loss on asset disposals	-	-	1,315	-
Severance expenses	-	981	-	1,614
<b>Adjusted EBITDA</b>	<b>\$ 14,938</b>	<b>\$ 16,067</b>	<b>\$ 55,631</b>	<b>\$ 55,923</b>
Adjusted EBITDA margin	6.0%	6.8%	5.7%	5.9%

	Quarter Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
<b>Corporate</b>				
<b>Segment operating (loss)</b>	\$ (18,364)	\$ (5,927)	\$ (58,467)	\$ (39,807)
Loss on debt extinguishment	-	-	-	679
Depreciation and amortization	1,804	2,100	7,529	7,680
EBITDA	(16,560)	(3,827)	(50,938)	(32,806)
Stock-based compensation expense	2,234	1,750	14,910	8,938
Acquisition, integration, start-up and other expenses	511	547	2,688	1,289
Loss on asset disposals	-	-	-	560
Change in fair value of contingent consideration liability	6,134	(2,979)	5,794	1,600
Loss on debt extinguishment	-	-	-	679
Severance expenses	-	-	-	396
<b>Adjusted EBITDA</b>	<b>\$ (7,681)</b>	<b>\$ (4,509)</b>	<b>\$ (27,546)</b>	<b>\$ (19,344)</b>

	Quarter Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
<b>Consolidated</b>				
<b>Segment operating income</b>	\$ 78,061	\$ 37,525	\$ 199,125	\$ 170,646
Equity method investments income	(375)	(548)	(1,752)	(548)
Foreign exchange (gain) / loss	508	737	(993)	2,255
Loss on debt extinguishments	674	-	1,305	679
Depreciation and amortization	47,937	46,685	186,801	182,213
EBITDA	125,191	84,021	387,366	350,473
Stock-based compensation expense	2,234	1,750	14,910	8,938
Acquisition, integration, start-up and other expenses	243	2,123	7,440	6,338
Longview piping inspection settlement	-	-	2,034	-
Union contract ratification costs	-	-	5,925	-
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Severance expenses	-	533	-	7,560
Multiemployer pension plan withdrawal expense	-	6,376	-	6,376
<b>Adjusted EBITDA</b>	<b>\$ 135,930</b>	<b>\$ 91,824</b>	<b>\$ 437,155</b>	<b>\$ 384,234</b>

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

<b>Calculation of Net Debt</b>	<b>Quarter Ended</b>				
	<b>12/31/2017</b>	<b>9/30/2017</b>	<b>6/30/2017</b>	<b>3/31/2017</b>	<b>12/31/2016</b>
Current portion of LT debt	\$ -	\$ -	\$ -	\$ -	\$ -
Short-term borrowings	-	2,500	22,000	25,988	-
Other borrowings	-	2,084	4,117	6,214	-
Capital lease obligation	4,625	4,632	4,639	-	-
Long term debt, net	1,374,502	1,461,595	1,516,266	1,481,912	1,485,323
Unamortized debt issuance costs	13,222	15,126	15,655	16,647	17,826
	1,392,349	1,485,937	1,562,677	1,530,761	1,503,149
Less cash and cash equivalents	(28,065)	(11,294)	(7,456)	(7,915)	(29,385)
<b>Total Net Debt (non GAAP)</b>	<b>\$ 1,364,284</b>	<b>\$ 1,474,643</b>	<b>\$ 1,555,221</b>	<b>\$ 1,522,846</b>	<b>\$ 1,473,764</b>
<b>Decrease (increase) during the quarter</b>	<b>\$ 110,359</b>	<b>\$ 80,578</b>	<b>\$ (32,375)</b>	<b>\$ (49,082)</b>	<b>\$ 31,665</b>
<b>Net Debt to Capital ratio calculation</b>					
Net debt	\$ 1,364,284	\$ 1,474,643	\$ 1,555,221	\$ 1,522,846	\$ 1,473,764
Capital (Equity plus Long term debt, net)	\$ 2,511,516	\$ 2,407,600	\$ 2,439,254	\$ 2,429,624	\$ 2,389,653
<b>Ratio</b>	<b>54.3%</b>	<b>61.2%</b>	<b>63.8%</b>	<b>62.7%</b>	<b>61.7%</b>

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

	Quarter Ended				
	<u>12/31/2017</u>	<u>9/30/2017</u>	<u>6/30/2017</u>	<u>3/31/2017</u>	<u>12/31/2016</u>
<b>Cash flow from operations (GAAP)</b>	<b>\$ 149,549</b>	<b>\$ 126,422</b>	<b>\$ 16,828</b>	<b>\$ 32,669</b>	<b>\$ 69,533</b>
Less capital expenditures	<u>(30,346)</u>	<u>(34,234)</u>	<u>(35,109)</u>	<u>(38,669)</u>	<u>(27,619)</u>
<b>Free cash flow (Non-GAAP)</b>	<b><u>\$ 119,203</u></b>	<b><u>\$ 92,188</u></b>	<b><u>\$ (18,281)</u></b>	<b><u>\$ (6,000)</u></b>	<b><u>\$ 41,914</u></b>

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

	Quarter Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
Interest on term loans and revolver	\$ 9,862	\$ 7,496	\$ 39,009	\$ 31,599
Interest on receivables securitization facility	1,681	1,500	5,618	3,940
Sub-total	11,543	8,996	44,627	35,539
Amortization of debt issuance costs	1,230	1,179	4,787	4,804
Implicit interest on long-term financing obligations	1,529	-	3,305	-
Interest on capital lease obligation	133	-	489	-
Other interest	13	16	76	7
Capitalized interest	(326)	(36)	(816)	(187)
Interest income	(45)	(42)	(186)	(85)
<b>Total interest expense, net</b>	<b>\$ 14,077</b>	<b>\$ 10,113</b>	<b>\$ 52,282</b>	<b>\$ 40,078</b>