



Second Quarter 2015 GAAP to Non-GAAP Reconciliations

July 29, 2015



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):

	Fav / (Unfav)			Fav / (Unfav)		
	Quarter Ended June 30,		Variance	Six Months Ended June 30,		Variance
	2015	2014	%	2015	2014	%
Net income (GAAP)	\$ 34,256	\$ 51,459	-33.4%	\$ 60,356	\$ 83,558	-27.8%
Interest expense, net	8,515	7,971	-6.8%	14,928	17,200	13.2%
Provision for income taxes	18,585	26,008	28.5%	32,536	42,774	23.9%
Depreciation and amortization	36,996	33,874	-9.2%	72,117	66,583	-8.3%
EBITDA (Non-GAAP)	\$ 98,352	\$ 119,312	-17.6%	\$ 179,937	\$ 210,115	-14.4%
Stock-based compensation expense	2,757	1,311	-110.3%	6,537	4,229	-54.6%
Longview integration expenses	724	933	22.4%	1,209	2,747	56.0%
Victory Packaging acquisition expenses	6,472	-	N/A	6,555	-	N/A
Voluntary separation plan and severance	2,025	4,818	58.0%	2,664	4,818	44.7%
Adjusted EBITDA (Non-GAAP)	\$ 110,330	\$ 126,374	-12.7%	\$ 196,902	\$ 221,909	-11.3%

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

Net income (GAAP)	\$ 34,256	\$ 51,459	\$ 60,356	\$ 83,558
Stock-based compensation expense	1,803	859	4,275	2,770
Longview integration and other expenses	473	611	791	1,799
Victory Packaging acquisition expenses	4,233	-	4,287	-
Voluntary separation plan and severance	1,324	3,156	1,742	3,156
Victory Packaging tax adjustments	398	-	398	-
Adjusted Net Income (Non-GAAP)	\$ 42,487	\$ 56,085	\$ 71,849	\$ 91,283

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

Basic EPS (GAAP)	\$ 0.36	\$ 0.54	\$ 0.63	\$ 0.87
Stock-based compensation expense	0.02	0.01	0.04	0.03
Longview integration and other expenses	-	-	0.01	0.02
Victory Packaging acquisition expenses	0.04	-	0.04	-
Voluntary separation plan and severance	0.01	0.03	0.02	0.03
Victory Packaging tax adjustments	0.01	-	0.01	-
Adjusted Basic EPS (Non-GAAP)	\$ 0.44	\$ 0.58	\$ 0.75	\$ 0.95

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

Diluted earnings per share (GAAP)	\$ 0.35	\$ 0.53	\$ 0.62	\$ 0.86
Stock-based compensation expense	0.02	0.01	0.04	0.03
Longview integration and other expenses	0.01	0.01	0.01	0.02
Victory Packaging acquisition expenses	0.04	-	0.04	-
Voluntary separation plan and severance	0.01	0.03	0.02	0.03
Victory Packaging tax adjustments	0.01	-	0.01	-
Adjusted Diluted EPS (Non-GAAP)	\$ 0.44	\$ 0.58	\$ 0.74	\$ 0.94

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

Calculation of Net Debt

	Quarter Ended				
	<u>6/30/2015</u>	<u>3/31/2015</u>	<u>12/31/2014</u>	<u>9/30/2014</u>	<u>6/30/2014</u>
Current portion of LT debt	\$ 51,750	\$ -	\$ -	\$ -	\$ 25,075
Short-term borrowings	15,000	10,000	-	-	-
Other borrowings	4,420	6,615	-	1,162	2,898
Long term debt, net	1,604,967	1,055,014	1,046,063	1,200,278	1,172,073
Unamortized debt issuance costs	24,057	15,223	16,175	19,959	24,265
	1,700,194	1,086,852	1,062,238	1,221,399	1,224,311
Less cash and cash equivalents	(28,737)	(10,545)	(28,467)	(105,649)	(49,352)
Total Net Debt (non GAAP)	<u>\$ 1,671,457</u>	<u>\$1,076,307</u>	<u>\$ 1,033,771</u>	<u>\$ 1,115,750</u>	<u>\$ 1,174,959</u>
Decrease (increase) during the quarter	<u>\$ (595,150)</u>	<u>\$ (42,536)</u>	<u>\$ 81,979</u>	<u>\$ 59,209</u>	<u>\$ 28,307</u>
<u>Net Debt to Capital ratio calculation</u>					
Net debt	\$ 1,671,457	\$1,076,307	\$ 1,033,771	\$ 1,115,750	\$ 1,174,959
Capital (Equity plus Long term debt, net)	\$ 2,431,319	\$1,853,551	\$ 1,824,190	\$ 2,012,331	\$ 1,927,564
Ratio	<u>68.7%</u>	<u>58.1%</u>	<u>56.7%</u>	<u>55.4%</u>	<u>61.0%</u>

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

	Quarter Ended				
	<u>6/30/2015</u>	<u>3/31/2015</u>	<u>12/31/2014</u>	<u>9/30/2014</u>	<u>6/30/2014</u>
Cash flow from operations (GAAP)	\$ 76,499	\$ (3,912)	\$ 107,149	\$ 97,395	\$ 69,703
Less capital expenditures	<u>(34,949)</u>	<u>(28,762)</u>	<u>(24,865)</u>	<u>(38,691)</u>	<u>(41,256)</u>
Adjusted free cash flow (Non-GAAP)	<u>\$ 41,550</u>	<u>\$ (32,674)</u>	<u>\$ 82,284</u>	<u>\$ 58,704</u>	<u>\$ 28,447</u>
Average diluted shares outstanding	97,664,781	97,662,608	97,562,816	97,515,901	97,418,941
Adjusted free cash flow per share	<u>\$ 0.43</u>	<u>\$ (0.33)</u>	<u>\$ 0.84</u>	<u>\$ 0.60</u>	<u>\$ 0.29</u>

