

# Packaging Corporation of America

## Jefferies 2016 Industrials Conference



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Chairman & CEO

**Certain statements in this presentation are forward-looking statements. Forward-looking statements include statements about our future financial condition, our industry and our business strategy. Statements that contain words such as “anticipate”, “believe”, “expect”, “intend”, “estimate”, “hope” or similar expressions, are forward-looking statements. These forward-looking statements are based on the current expectations of PCA.**

**Because forward-looking statements involve inherent risks and uncertainties, the plans, actions and actual results of PCA could differ materially. Among the factors that could cause plans, actions and results to differ materially from PCA’s current expectations are those identified under the caption “Risk Factors” in PCA’s Form 10K filed with the Securities and Exchange Commission and available at the SEC’s website at “[www.sec.gov](http://www.sec.gov)”.**

**Non-GAAP financial measures are reconciled to the most comparable GAAP measure in the Appendix.**

# PCA Operations



## Containerboard Mills

- 6 manufacturing facilities
- 3.9MM tons of capacity
- 4<sup>th</sup> largest producer in North America
- Low cost virgin fiber production
- Highest vertical integration level in the industry (87%)

## Corrugated Products Plants

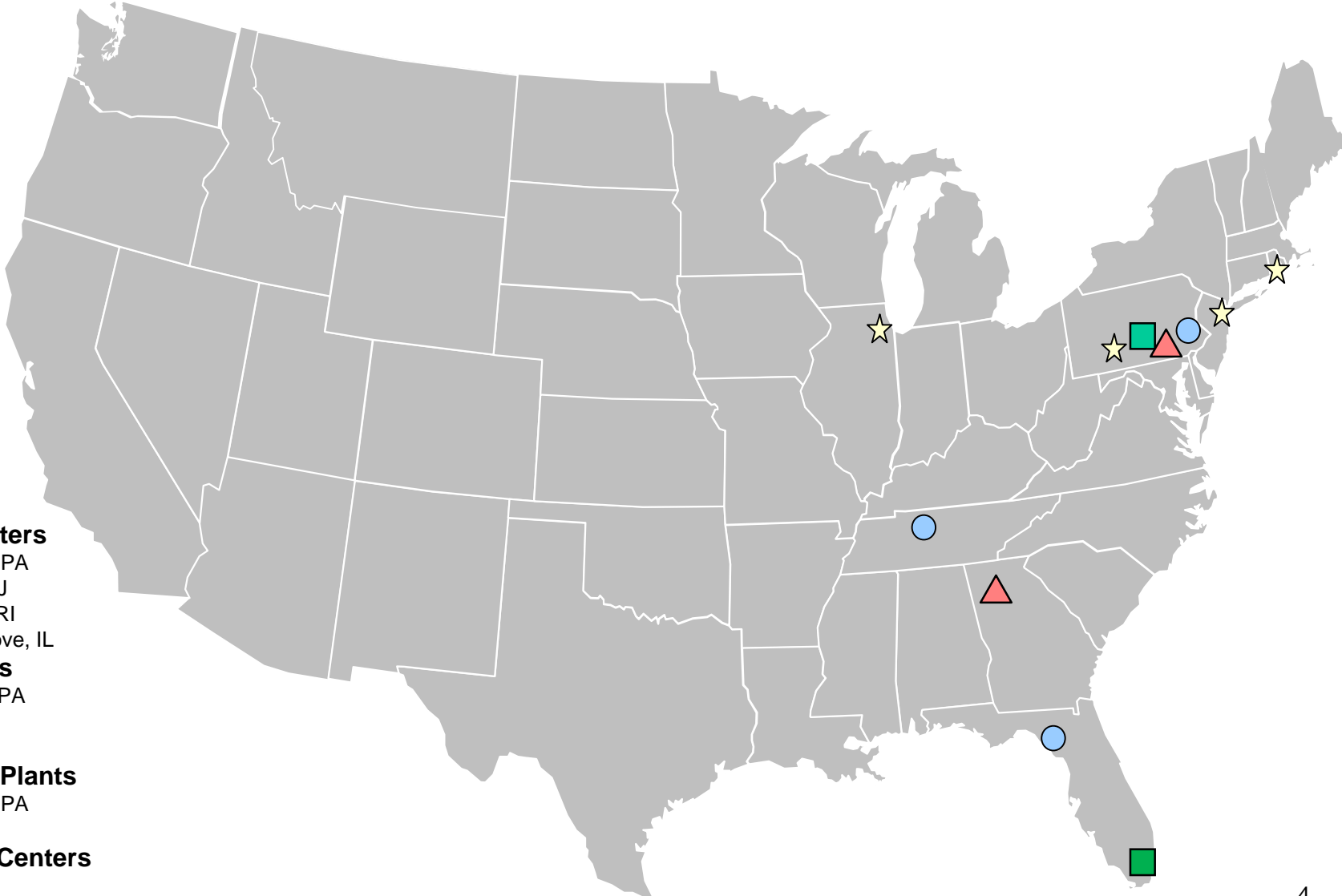
- 90 plants in 30 states
- 49 billion sq.ft. shipped in 2015
- Value and margin driven

## White Paper Mills

- 3 manufacturing facilities
- 1.1MM UFS tons produced in 2015
- 3<sup>rd</sup> largest producer of UFS in North America



# TimBar Operations



- ★ **Design Centers**
  - New Oxford, PA
  - Fair Lawn, NJ
  - Providence, RI
  - Downers Grove, IL

- **Sheet Plants**
  - Collegetown, PA
  - Tampa, FL
  - Gallatin, TN

- **Corrugator Plants**
  - New Oxford, PA
  - Miami, FL

- ▲ **Fulfillment Centers**
  - Hanover, PA
  - Atlanta, GA

- **Right Product – Corrugated Containers (85% of EBITDA)**
  - Corrugated has established its place in society
  - Good industry dynamics, supply / demand balance, consolidation
  - PCA is positioned for growth, limited export exposure
  - Operational and fiber flexibility
  
- **White Papers (15% of EBITDA)**
  - Good assets
  - Low cap-ex, good cash flow
  - Favorable ruling on recent trade case

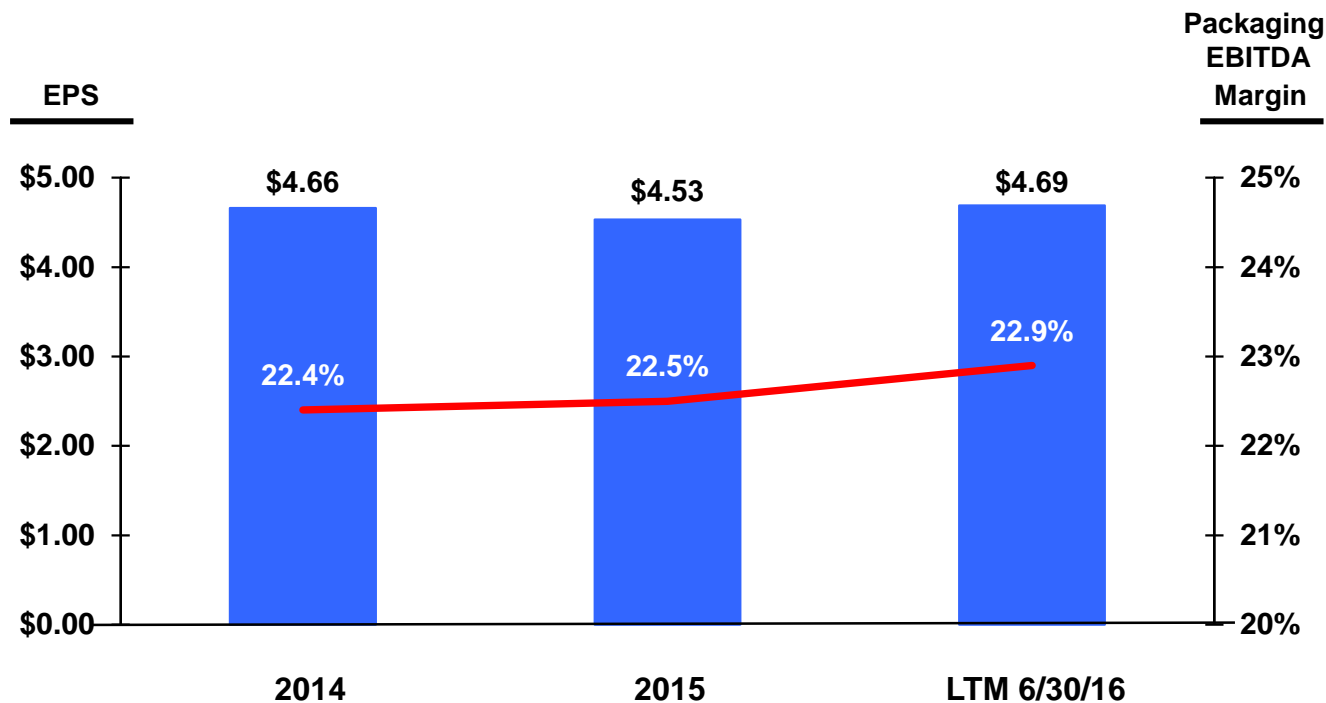
- **Proven and Unique Corrugated Products Strategy**
  - **We have developed considerable capabilities and expertise in doing the hard-to-do things that provide our customers the best value**
  - **Boxes are not a commodity; PCA's focus is on revenue growth in our box plants to drive profitability**
  - **Focus on providing the best value and be easy to do business with**
  - **Our strategy is very difficult to replicate because of the know-how and resources required**

- **Best Performing Company Over an Extended Period of Time**
  - **Best volume growth, margins and ROIC in the industry**
  - **Strong customer base – 2/3 local accounts**
  - **Low cost virgin mills**
  - **Lowest OCC usage in the industry**
  - **High vertical integration**
  - **Limited currency risk**
  - **Lowest leverage among industry peers**
  - **Strong management / track record**

- **Focus and History of Returning Value to Shareholders Through Balanced Allocation Strategy**
  - Value-creating acquisitions
  - Capital spending discipline
  - Opportunistic share repurchases
  - Strong, sustainable approach to dividends
  - Maintain strong balance sheet through prudent debt paydown

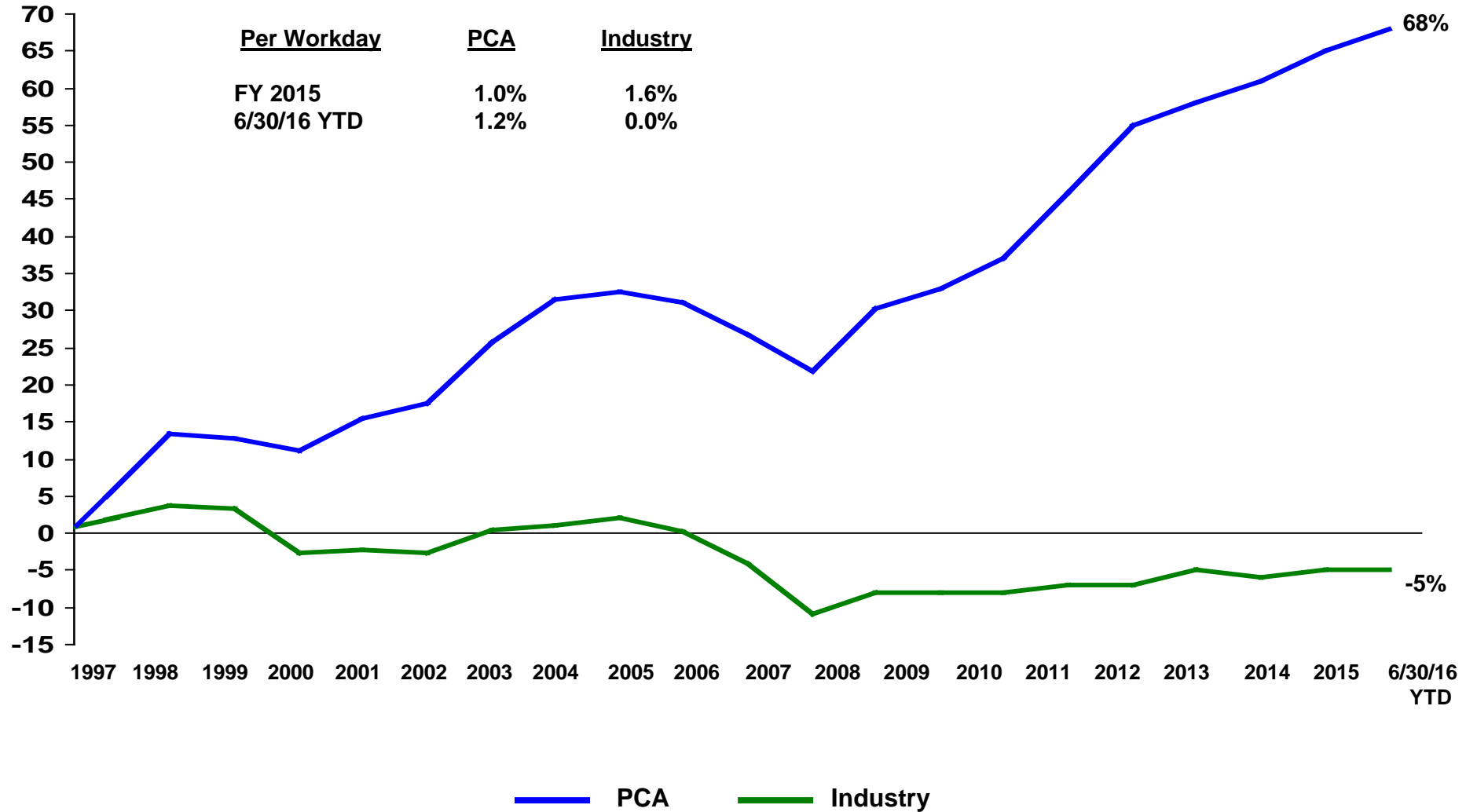


# Solid and Consistent Financial Results



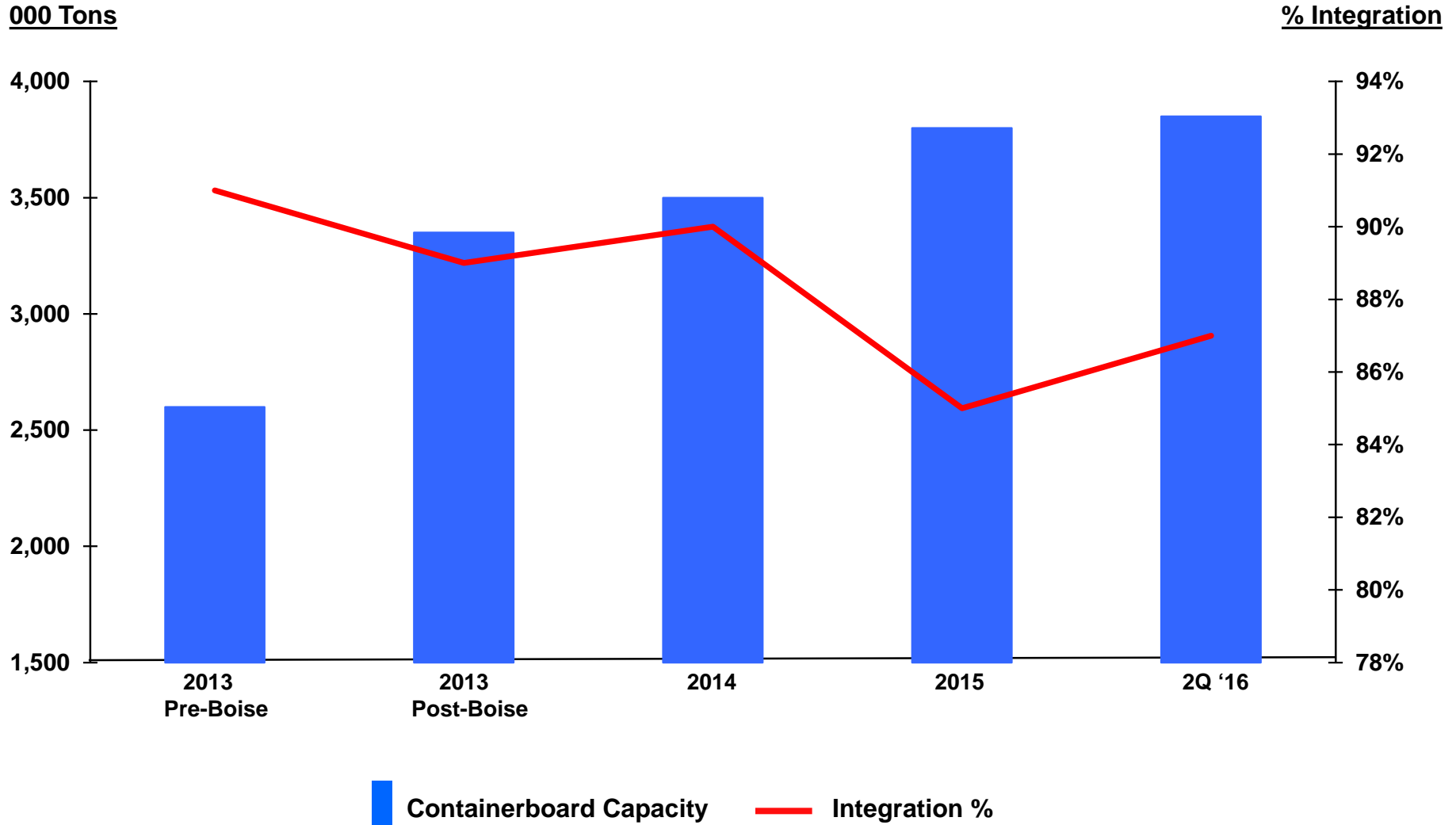
- Very strong 2015 results despite negative white paper price impact of \$ (.38)/share
- Successful completion of Boise integration
- Industry leading packaging EBITDA margin
- Record results in Q1 and Q2 '16
- TimBar acquisition closing in Q3 '16 will be immediately accretive to earnings

# Corrugated Products Growth<sup>(1)</sup>

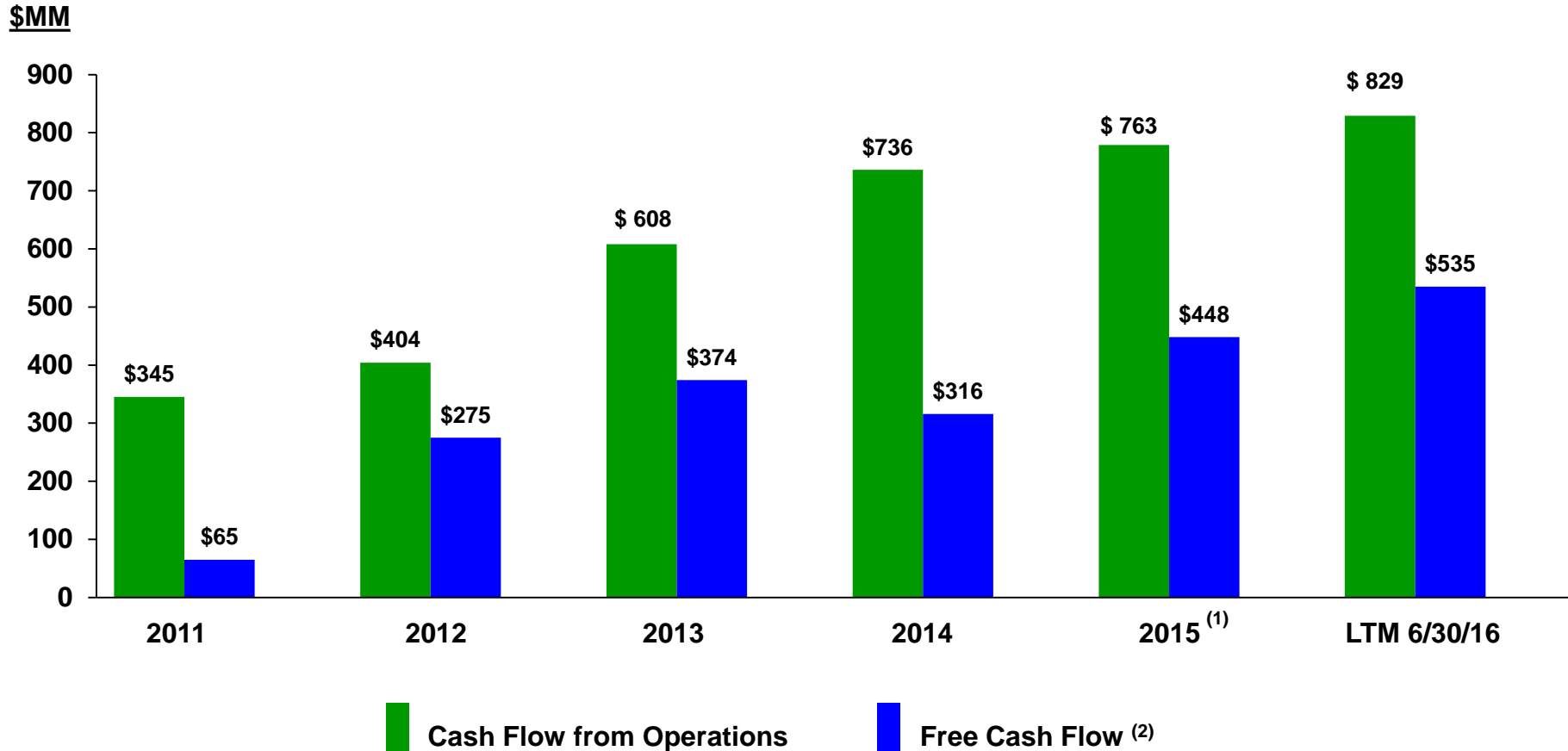


(1) Graph excludes volume from Boise acquisition. With volume from Boise, the increase from 1997 is 107%.

# Low Cost Containerboard Capacity Positions PCA for Growth & Increased Integration



# Record Cash Flow Generation Allows Value-Creating Opportunities



(1) Includes major capital projects of D3 conversion, D1 improvements, and Boiler MACT.

(2) See Appendix for calculation of free cash flow.

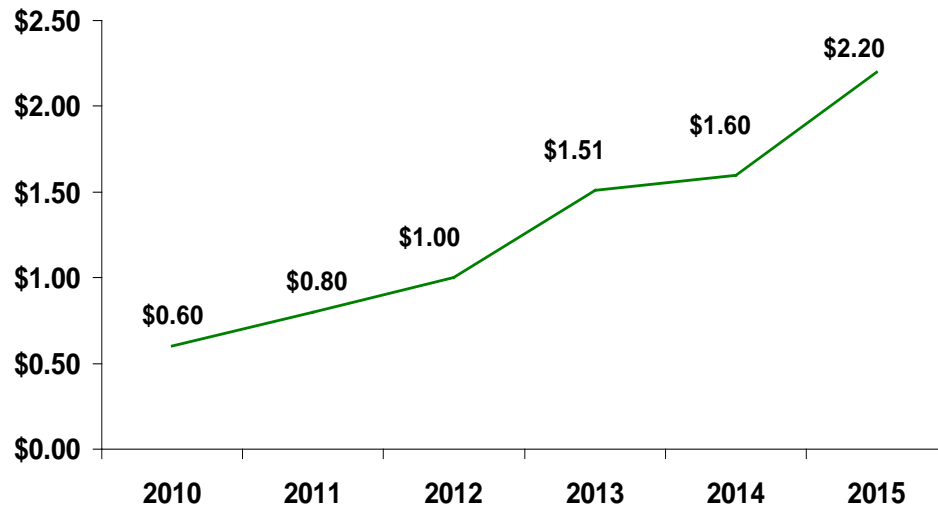
# Strong Commitment of Returning Cash to Shareholders



*Record \$356 million returned to shareholders via dividends and share repurchases in 2015; \$424 million returned during LTM 6/30/16.*

## DIVIDENDS

Per Share Annualized



## SHARE REPURCHASES

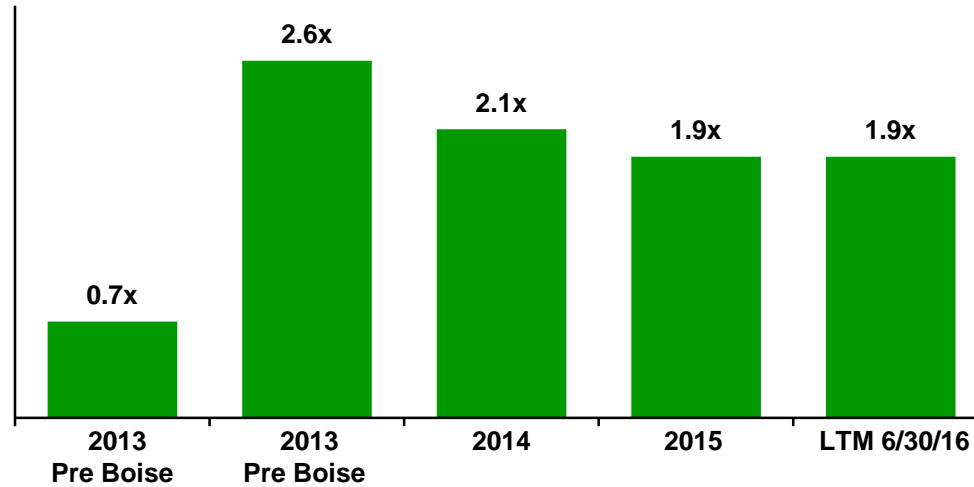
- Repurchased 2.3 million shares in 2015
- Repurchased 2.0 million shares YTD 2016 at average price of \$50.49/share
- \$200 million share buy-back authorization approved on February 25, 2016

# Strong Balance Sheet Provides for Financial Flexibility

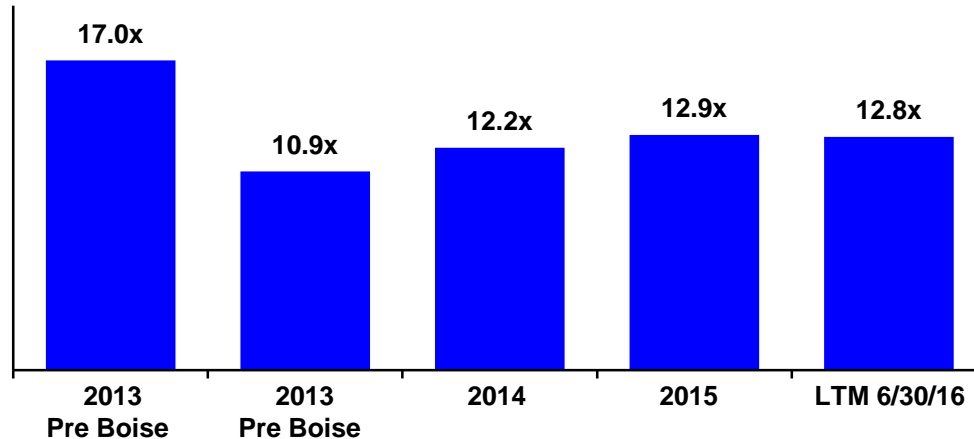


## Lowest Leverage Among Industry Peers

Leverage Ratio:



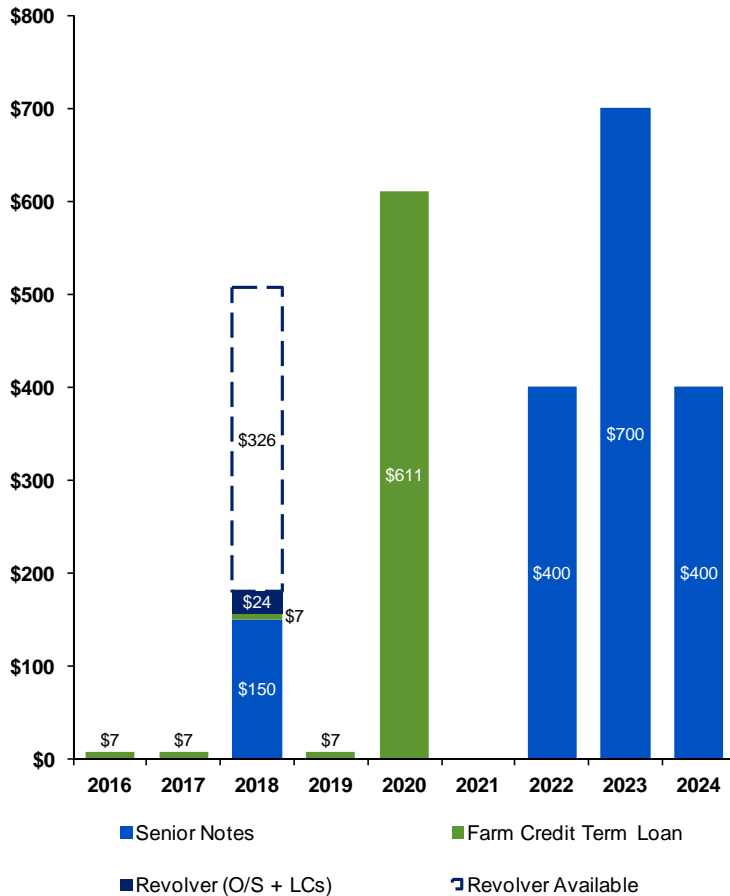
Interest Coverage:



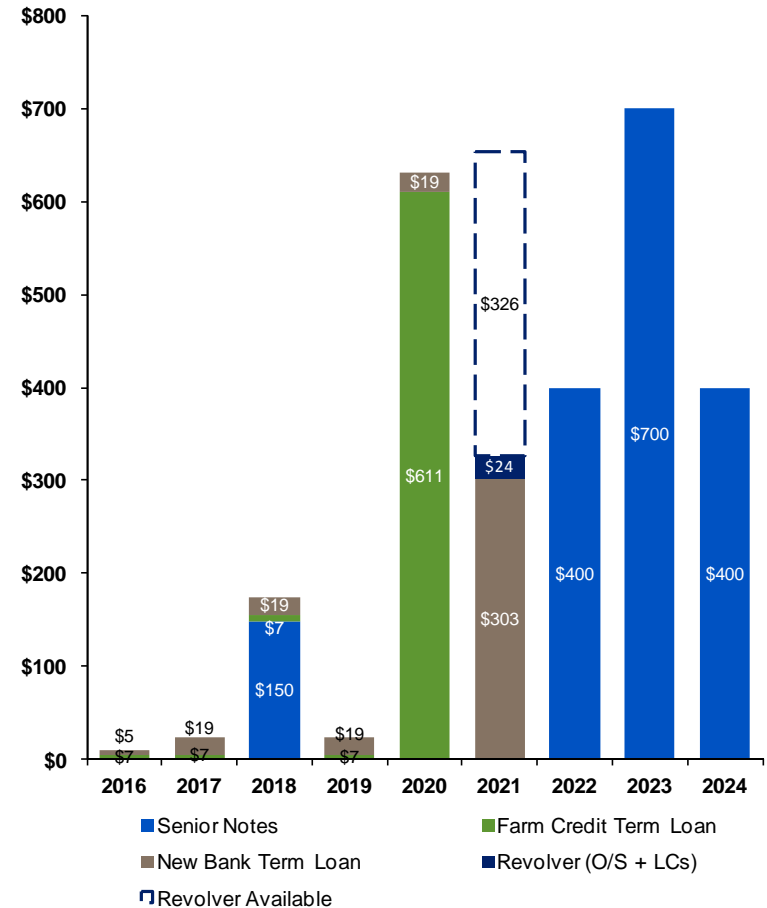
# Debt Maturity Schedule



## Existing



## Pro Forma



Note: Revolver maturity reflects \$24MM Letters of Credit as of 6/30/16

# Strategic Focus Areas

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- **Continued Operational Excellence in Manufacturing and Sales**
- **Positioned for Revenue Growth with Available Mill Capacity**
- **Increase Vertical Integration to above 90% thru Organic Box Volume Growth and Strategic Box Plant Acquisitions**
- **Continue Containerboard / Corrugated System Optimization**
- **Balanced Capital Allocation**
- **Maintain Financial Flexibility with Strong Balance Sheet**



**PCA**

The logo consists of the letters 'PCA' in a bold, dark blue, sans-serif font. The letter 'A' is stylized with several parallel white diagonal lines extending from its top-right corner, suggesting speed or motion. The entire logo is centered horizontally on a white background.

# Appendix 1



	LTM		
	2014	2015	6/30/16
Earnings per share, as reported	\$ 3.99	\$ 4.47	\$ 4.70
Multiemployer pension withdrawal (1)			0.01
Facilities closure costs (2)	-	-	0.03
DeRidder restructuring (3)	0.43	0.01	(0.05)
Integration-related costs (4)	0.13	0.10	0.05
Sale of St. Helens paper mill site (5)	-	(0.05)	(0.05)
Class action lawsuit settlement (6)	0.11	-	-
<b>Adjusted earnings per share</b>	<b><u>\$ 4.66</u></b>	<b><u>\$ 4.53</u></b>	<b><u>\$ 4.69</u></b>

	2014			
	Packaging	Paper	Corporate	Total
Net income, as reported				\$ 393
Interest expense, net				88
Provision for income taxes				222
<b>Income from operations</b>	<b>\$ 663</b>	<b>\$ 135</b>	<b>\$ (95)</b>	<b>703</b>
<b>DD&amp;A</b>	<b><u>323</u></b>	<b><u>51</u></b>	<b><u>7</u></b>	<b><u>381</u></b>
<b>EBITDA</b>	<b>986</b>	<b>186</b>	<b>(88)</b>	<b>1,084</b>
Special items:				
Multiemployer pension withdrawal (1)	-	-	-	-
Facilities closure costs (2)	-	-	-	-
DeRidder restructuring (3)	24	-	-	24
Integration-related costs (4)	5	-	13	18
Sale of St. Helens paper mill site (5)	-	-	-	-
Class action lawsuit settlement (6)	-	-	18	18
<b>Adjusted EBITDA</b>	<b><u>\$ 1,015</u></b>	<b><u>\$ 186</u></b>	<b><u>\$ (57)</u></b>	<b><u>\$ 1,144</u></b>
<b>Net sales, as reported</b>	<b>\$ 4,540</b>	<b>\$ 1,202</b>	<b>\$ 111</b>	<b>\$ 5,853</b>
<b>Adjusted EBITDA margin</b>	<b>22.4%</b>	<b>15.5%</b>	<b>N/A</b>	<b>19.5%</b>

	LTM			LTM				
	2011	2012	2013	2014	2015	6/30/16		
<b>Cash flow from operations</b>	<b>\$ 345</b>	<b>\$ 404</b>	<b>\$ 608</b>	<b>\$ 736</b>	<b>\$ 763</b>	<b>\$ 829</b>		
<b>Less: additions to PP&amp;E</b>	<b>(280)</b>	<b>(129)</b>	<b>(234)</b>	<b>(420)</b>	<b>(315)</b>	<b>(294)</b>		
<b>Free cash flow</b>	<b><u>\$ 65</u></b>	<b><u>\$ 275</u></b>	<b><u>\$ 374</u></b>	<b><u>\$ 316</u></b>	<b><u>\$ 448</u></b>	<b><u>\$ 535</u></b>		
	2015				LTM 6/30/16			
	Packaging	Paper	Corporate	Total	Packaging	Paper	Corporate	Total
				\$ 437				\$ 450
				86				88
				228				237
<b>Income from operations</b>	<b>\$ 715</b>	<b>\$ 113</b>	<b>\$ (77)</b>	<b>751</b>	<b>\$ 733</b>	<b>\$ 114</b>	<b>\$ (71)</b>	<b>\$ 776</b>
<b>DD&amp;A</b>	<b><u>297</u></b>	<b><u>55</u></b>	<b><u>4</u></b>	<b><u>356</u></b>	<b><u>291</u></b>	<b><u>57</u></b>	<b><u>5</u></b>	<b><u>353</u></b>
<b>EBITDA</b>	<b>1,012</b>	<b>168</b>	<b>(73)</b>	<b>1,107</b>	<b>1,024</b>	<b>171</b>	<b>(66)</b>	<b>1,129</b>
Special items:								
Multiemployer pension withdrawal (1)	-	-	-	-	1	-	-	1
Facilities closure costs (2)	-	-	-	-	3	1	-	4
DeRidder restructuring (3)	(7)	-	-	(7)	(7)	-	-	(7)
Integration-related costs (4)	4	-	9	13	1	-	5	6
Sale of St. Helens paper mill site (5)	-	(7)	-	(7)	-	(7)	-	(7)
Class action lawsuit settlement (6)	-	-	-	-	-	-	-	-
<b>Adjusted EBITDA</b>	<b><u>\$ 1,009</u></b>	<b><u>\$ 161</u></b>	<b><u>\$ (64)</u></b>	<b><u>\$ 1,106</u></b>	<b><u>\$ 1,022</u></b>	<b><u>\$ 165</u></b>	<b><u>\$ (61)</u></b>	<b><u>\$ 1,126</u></b>
<b>Net sales, as reported</b>	<b>\$ 4,477</b>	<b>\$ 1,143</b>	<b>\$ 122</b>	<b>\$ 5,742</b>	<b>\$ 4,456</b>	<b>\$ 1,112</b>	<b>\$ 112</b>	<b>\$ 5,680</b>
<b>Adjusted EBITDA margin</b>	<b>22.5%</b>	<b>14.1%</b>	<b>N/A</b>	<b>19.3%</b>	<b>22.9%</b>	<b>14.7%</b>	<b>N/A</b>	<b>19.8%</b>

(1) Represents costs related to a withdrawal from a multiemployer pension plan.

(2) Represents closure costs related to corrugated products facilities and a paper products facility.

(3) Represents charges related to the restructuring of the DeRidder mill.

(4) Represents costs related primarily to the integration of Boise.

(5) Represents the gain on the sale of the St. Helens paper mill site.

(6) Represents costs related to the settlement of the Kleen Products LLC v Packaging Corp of America et al lawsuit.