



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

April 26, 2017



Supplemental Information
GAAP to Non-GAAP Reconciliations
(\$ in thousands, except share and per share amounts)
(unaudited)

	Quarter Ended March 31,	
	2017	2016
Net Income (GAAP) to EBITDA (Non-GAAP) to Adjusted EBITDA (Non-GAAP):		
Net income (GAAP)	\$ 5,992	\$ 16,174
Interest expense, net	10,730	9,811
Provision for income taxes	4,161	8,512
Depreciation and amortization	45,348	44,539
EBITDA (Non-GAAP)	\$ 66,231	\$ 79,036
Acquisition, integration, start-up and other expenses	1,805	1,229
Union contract ratification cost	4,979	–
Change in fair value of contingent consideration liability	2,516	1,526
Severance expenses	–	3,048
Stock-based compensation expense	5,265	3,421
Accumulated EBITDA adjustments	14,565	9,224
Adjusted EBITDA (Non-GAAP)	\$ 80,796	\$ 88,260
Net Income (GAAP) to Adjusted Net Income (Non-GAAP):		
Net income (GAAP)	\$ 5,992	\$ 16,174
Accumulated EBITDA adjustments	14,565	9,224
Accumulated tax adjustments	(5,462)	(3,163)
Adjusted Net Income (Non-GAAP)	\$ 15,095	\$ 22,235
Diluted EPS (GAAP) to Adjusted Diluted EPS (Non-GAAP):		
Diluted earnings per share (GAAP)	\$ 0.06	\$ 0.17
Accumulated EBITDA adjustments	0.15	0.09
Accumulated tax adjustments	(0.06)	(0.03)
Adjusted Diluted EPS (Non-GAAP)	\$ 0.15	\$ 0.23

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

Three Months Ended March 31, 2017	<u>Net Sales</u>			Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures	Total Assets at March 31, 2017
	Trade	Inter- segment	Total				
Paper and Packaging	\$ 547,644	\$ 21,197	\$ 568,841	\$ 34,315	\$ 37,406	\$ 36,490	\$ 2,591,747
Distribution	218,199	-	218,199	2,597	5,978	679	687,854
Corporate	-	-	-	(16,788)	1,964	1,500	43,218
Intersegment eliminations	-	(21,197)	(21,197)	-	-	-	-
	<u>\$ 765,843</u>	<u>\$ -</u>	<u>\$ 765,843</u>	<u>\$ 20,124</u>	<u>\$ 45,348</u>	<u>\$ 38,669</u>	<u>\$ 3,322,819</u>

Three Months Ended March 31, 2016	<u>Net Sales</u>			Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures	Total Assets at March 31, 2016
	Trade	Inter- segment	Total				
Paper and Packaging	\$ 520,040	\$ 16,469	\$ 536,509	\$ 46,241	\$ 37,136	\$ 32,355	\$ 2,501,605
Distribution	218,175	-	218,175	1,381	5,661	2,066	665,458
Corporate	-	-	-	(13,022)	1,742	1,742	45,603
Intersegment eliminations	-	(16,469)	(16,469)	-	-	-	-
	<u>\$ 738,215</u>	<u>\$ -</u>	<u>\$ 738,215</u>	<u>\$ 34,600</u>	<u>\$ 44,539</u>	<u>\$ 36,163</u>	<u>\$ 3,212,666</u>

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

	Quarter Ended March 31,		Q4
	2017	2016	2016
Paper and Packaging			
Segment operating income	\$ 34,315	\$ 46,241	\$ 36,103
Equity method investments income	(677)	-	(548)
Foreign exchange (gain) / loss	(45)	(287)	479
Depreciation and amortization	37,406	37,136	38,716
EBITDA	72,443	83,664	74,888
Severance expenses	-	2,262	(448)
Acquisition, integration, start-up and other expenses	1,366	884	(550)
Union contract ratification costs	4,979	-	-
Adjusted EBITDA	\$ 78,788	\$ 86,810	\$ 80,266
Adjusted EBITDA margin	14.4%	16.7%	14.8%

	Quarter Ended March 31,		Q4
	2017	2016	2016
Distribution			
Segment operating income	\$ 2,597	\$ 1,381	\$ 7,349
Foreign exchange (gain) / loss	(37)	390	258
Depreciation and amortization	5,978	5,661	5,869
EBITDA	8,612	6,652	12,960
Acquisition, integration, start-up and other expenses	163	263	2,126
Severance expenses	-	391	981
Adjusted EBITDA	\$ 8,775	\$ 7,306	\$ 16,067
Adjusted EBITDA margin	4.0%	3.3%	6.8%

	Quarter Ended March 31,		Q4
	2017	2016	2016
Corporate			
Segment operating (loss)	\$ (16,788)	\$ (13,022)	\$ (5,927)
Depreciation and amortization	1,964	1,742	2,100
EBITDA	(14,824)	(11,280)	(3,827)
Stock-based compensation expense	5,265	3,421	1,750
Acquisition, integration, start-up and other expenses	276	82	547
Change in fair value of contingent consideration liability	2,516	1,526	(2,979)
Severance expenses	-	395	-
Adjusted EBITDA	\$ (6,767)	\$ (5,856)	\$ (4,509)

	Quarter Ended March 31,		Q4
	2017	2016	2016
Consolidated			
Segment operating income	\$ 20,124	\$ 34,600	\$ 37,525
Equity method investments income	(677)	-	(548)
Foreign exchange (gain) / loss	(82)	103	737
Depreciation and amortization	45,348	44,539	46,685
EBITDA	66,231	79,036	84,021
Stock-based compensation expense	5,265	3,421	1,750
Acquisition, integration, start-up and other expenses	1,805	1,229	2,123
Union contract ratification costs	4,979	-	-
Change in fair value of contingent consideration liability	2,516	1,526	(2,979)
Severance expenses	-	3,048	533
Adjusted EBITDA	\$ 80,796	\$ 88,260	\$ 91,824

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

<u>Calculation of Net Debt</u>	Quarter Ended				
	<u>3/31/2017</u>	<u>12/31/2016</u>	<u>9/30/2016</u>	<u>6/30/2016</u>	<u>3/31/2016</u>
Current portion of LT debt	\$ -	\$ -	\$ -	\$ -	\$ -
Short-term borrowings	25,988	-	11,500	16,000	10,000
Other borrowings	6,214	-	-	-	-
Capital lease obligation					
Long term debt, net	1,481,912	1,485,323	1,484,373	1,537,028	1,523,961
Unamortized debt issuance costs	16,647	17,826	19,005	21,072	22,185
	1,530,761	1,503,149	1,514,878	1,574,100	1,556,146
Less cash and cash equivalents	(7,915)	(29,385)	(9,449)	(7,890)	(7,084)
Total Net Debt (non GAAP)	\$ 1,522,846	\$ 1,473,764	\$ 1,505,429	\$ 1,566,210	\$ 1,549,062
Decrease (increase) during the quarter	\$ (49,082)	\$ 31,665	\$ 60,781	\$ (17,148)	\$ 14,694
<u>Net Debt to Capital ratio calculation</u>					
Net debt	\$ 1,522,846	\$ 1,473,764	\$ 1,505,429	\$ 1,566,210	\$ 1,549,062
Capital (Equity plus Long term debt, net)	\$ 2,429,624	\$ 2,389,653	\$ 2,377,913	\$ 2,406,134	\$ 2,379,482
Ratio	62.7%	61.7%	63.3%	65.1%	65.1%

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

	Quarter Ended				
	<u>3/31/2017</u>	<u>12/31/2016</u>	<u>9/30/2016</u>	<u>6/30/2016</u>	<u>3/31/2016</u>
Cash flow from operations (GAAP)	\$ 32,669	\$ 69,533	\$ 122,762	\$ 31,020	\$ 58,605
Less capital expenditures	(38,669)	(27,619)	(26,873)	(36,210)	(36,163)
Free cash flow (Non-GAAP)	<u>\$ (6,000)</u>	<u>\$ 41,914</u>	<u>\$ 95,889</u>	<u>\$ (5,190)</u>	<u>\$ 22,442</u>
Average diluted shares outstanding	98,463,667	98,257,232	97,888,469	97,629,786	97,509,528
Free cash flow per share	<u>\$ (0.06)</u>	<u>\$ 0.43</u>	<u>\$ 0.98</u>	<u>\$ (0.05)</u>	<u>\$ 0.23</u>

