



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

July 26, 2017



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

	Quarter Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net Income (GAAP) to EBITDA (Non-GAAP) to Adjusted EBITDA (Non-GAAP):				
Net income (GAAP)	\$ 19,776	\$ 20,722	\$ 25,768	\$ 36,896
Interest expense, net	12,311	10,006	23,041	19,817
Provision for income taxes	10,141	11,913	14,302	20,425
Depreciation and amortization	46,054	46,035	91,402	90,574
EBITDA (Non-GAAP)	\$ 88,282	\$ 88,676	\$ 154,513	\$ 167,712
Acquisition, integration, start-up and other expenses	3,577	1,312	5,382	2,541
Longview piping inspection settlement	2,034	–	2,034	–
Union contract ratification cost	–	–	4,979	–
Change in fair value of contingent consideration liability	1,054	1,526	3,570	3,052
Severance expenses	–	3,116	–	6,164
Stock-based compensation expense	4,761	1,941	10,026	5,362
Accumulated EBITDA adjustments	11,426	7,895	25,991	17,119
Adjusted EBITDA (Non-GAAP)	\$ 99,708	\$ 96,571	\$ 180,504	\$ 184,831
Net Income (GAAP) to Adjusted Net Income (Non-GAAP):				
Net income (GAAP)	\$ 19,776	\$ 20,722	\$ 25,768	\$ 36,896
Accumulated EBITDA adjustments	11,426	7,895	25,991	17,119
Accumulated tax adjustments	(4,285)	(2,597)	(9,747)	(5,760)
Adjusted Net Income (Non-GAAP)	\$ 26,917	\$ 26,020	\$ 42,012	\$ 48,255
Diluted EPS (GAAP) to Adjusted Diluted EPS (Non-GAAP):				
Diluted earnings per share (GAAP)	\$ 0.20	\$ 0.21	\$ 0.26	\$ 0.38
Accumulated EBITDA adjustments	0.11	0.08	0.27	0.17
Accumulated tax adjustments	(0.04)	(0.02)	(0.10)	(0.06)
Adjusted Diluted EPS (Non-GAAP)	\$ 0.27	\$ 0.27	\$ 0.43	\$ 0.49

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

Net Sales							
Three Months Ended June 30, 2017	Trade	Inter-segment	Total	Segment Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures	Total Assets at June 30, 2017
Paper and Packaging	\$ 561,917	\$ 25,681	\$ 587,598	\$ 44,260	\$ 38,192	\$ 33,703	\$ 2,642,143
Distribution	260,800	-	260,800	10,785	5,972	1,064	694,099
Corporate	-	-	-	(13,850)	1,890	342	36,330
Intersegment eliminations	-	(25,681)	(25,681)	-	-	-	-
	<u>\$ 822,717</u>	<u>\$ -</u>	<u>\$ 822,717</u>	<u>\$ 41,195</u>	<u>\$ 46,054</u>	<u>\$ 35,109</u>	<u>\$ 3,372,572</u>

Net Sales							
Three Months Ended June 30, 2016	Trade	Inter-segment	Total	Segment Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures	Total Assets at June 30, 2016
Paper and Packaging	\$ 532,571	\$ 20,524	\$ 553,095	\$ 41,082	\$ 38,163	\$ 34,265	\$ 2,507,161
Distribution	252,340	-	252,340	12,336	5,702	932	686,997
Corporate	-	-	-	(9,905)	2,170	1,013	42,292
Intersegment eliminations	-	(20,524)	(20,524)	-	-	-	-
	<u>\$ 784,911</u>	<u>\$ -</u>	<u>\$ 784,911</u>	<u>\$ 43,513</u>	<u>\$ 46,035</u>	<u>\$ 36,210</u>	<u>\$ 3,236,450</u>

Net Sales						
Six Months Ended June 30, 2017	Trade	Inter-segment	Total	Segment Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures
Paper and Packaging	\$ 1,109,561	\$ 46,878	\$ 1,156,439	\$ 78,575	\$ 75,598	\$ 71,408
Distribution	478,999	-	478,999	13,382	11,950	1,743
Corporate	-	-	-	(30,638)	3,854	627
Intersegment eliminations	-	(46,878)	(46,878)	-	-	-
	<u>\$ 1,588,560</u>	<u>\$ -</u>	<u>\$ 1,588,560</u>	<u>\$ 61,319</u>	<u>\$ 91,402</u>	<u>\$ 73,778</u>

Net Sales						
Six Months Ended June 30, 2016	Trade	Inter-segment	Total	Segment Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures
Paper and Packaging	\$ 1,052,611	\$ 36,993	\$ 1,089,604	\$ 87,323	\$ 75,299	\$ 66,620
Distribution	470,515	-	470,515	13,717	11,363	2,998
Corporate	-	-	-	(22,927)	3,912	2,755
Intersegment eliminations	-	(36,993)	(36,993)	-	-	-
	<u>\$ 1,523,126</u>	<u>\$ -</u>	<u>\$ 1,523,126</u>	<u>\$ 78,113</u>	<u>\$ 90,574</u>	<u>\$ 72,373</u>

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

	Quarter Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Paper and Packaging				
Segment operating income	\$ 44,260	\$ 41,082	\$ 78,575	\$ 87,323
Equity method investments income	(29)	-	(706)	-
Foreign exchange (gain) / loss	(591)	288	(636)	-
Depreciation and amortization	38,192	38,163	75,598	75,299
EBITDA	83,072	78,957	155,515	162,622
Severance expenses	-	3,035	-	5,297
Acquisition, integration, start-up and other expenses	952	935	2,318	1,819
Longview piping inspection settlement	2,034	-	2,034	-
Union contract ratification costs	-	-	4,979	-
Adjusted EBITDA	\$ 86,058	\$ 82,927	\$ 164,846	\$ 169,738
Adjusted EBITDA margin	14.6%	15.0%	14.3%	15.6%

	Quarter Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Distribution				
Segment operating income	\$ 10,785	\$ 12,336	\$ 13,382	\$ 13,717
Foreign exchange (gain) / loss	(413)	584	(450)	975
Depreciation and amortization	5,972	5,702	11,950	11,363
EBITDA	17,170	17,454	25,782	24,105
Acquisition, integration, start-up and other expenses	1,500	262	1,663	525
Severance expenses	-	89	-	480
Adjusted EBITDA	\$ 18,670	\$ 17,805	\$ 27,445	\$ 25,110
Adjusted EBITDA margin	7.2%	7.1%	5.7%	5.3%

	Quarter Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Corporate				
Segment operating (loss)	\$ (13,850)	\$ (9,905)	\$ (30,638)	\$ (22,927)
Depreciation and amortization	1,890	2,170	3,854	3,912
EBITDA	(11,960)	(7,735)	(26,784)	(19,015)
Stock-based compensation expense	4,761	1,941	10,026	5,362
Acquisition, integration, start-up and other expenses	1,125	115	1,401	197
Change in fair value of contingent consideration liability	1,054	1,526	3,570	3,052
Severance expenses	-	(8)	-	387
Adjusted EBITDA	\$ (5,020)	\$ (4,161)	\$ (11,787)	\$ (10,017)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Consolidated				
Segment operating income	\$ 41,195	\$ 43,513	\$ 61,319	\$ 78,113
Equity method investments income	(29)	-	(706)	-
Foreign exchange (gain) / loss	(1,004)	872	(1,086)	975
Depreciation and amortization	46,054	46,035	91,402	90,574
EBITDA	88,282	88,676	154,513	167,712
Stock-based compensation expense	4,761	1,941	10,026	5,362
Acquisition, integration, start-up and other expenses	3,577	1,312	5,382	2,541
Longview piping inspection settlement	2,034	-	2,034	-
Union contract ratification costs	-	-	4,979	-
Change in fair value of contingent consideration liability	1,054	1,526	3,570	3,052
Severance expenses	-	3,116	-	6,164
Adjusted EBITDA	\$ 99,708	\$ 96,571	\$ 180,504	\$ 184,831

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

<u>Calculation of Net Debt</u>	<u>Quarter Ended</u>				
	<u>6/30/2017</u>	<u>3/31/2017</u>	<u>12/31/2016</u>	<u>9/30/2016</u>	<u>6/30/2016</u>
Current portion of LT debt	\$ -	\$ -	\$ -	\$ -	\$ -
Short-term borrowings	22,000	25,988	-	11,500	16,000
Other borrowings	4,117	6,214	-	-	-
Capital lease obligation	4,639	-	-	-	-
Long term debt, net	1,516,266	1,481,912	1,485,323	1,484,373	1,537,028
Unamortized debt issuance costs	<u>15,655</u>	<u>16,647</u>	<u>17,826</u>	<u>19,005</u>	<u>21,072</u>
	1,562,677	1,530,761	1,503,149	1,514,878	1,574,100
Less cash and cash equivalents	<u>(7,456)</u>	<u>(7,915)</u>	<u>(29,385)</u>	<u>(9,449)</u>	<u>(7,890)</u>
Total Net Debt (non GAAP)	<u>\$ 1,555,221</u>	<u>\$ 1,522,846</u>	<u>\$ 1,473,764</u>	<u>\$ 1,505,429</u>	<u>\$ 1,566,210</u>
Decrease (increase) during the quarter	<u>\$ (32,375)</u>	<u>\$ (49,082)</u>	<u>\$ 31,665</u>	<u>\$ 60,781</u>	<u>\$ (17,148)</u>

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

	Quarter Ended				
	<u>6/30/2017</u>	<u>3/31/2017</u>	<u>12/31/2016</u>	<u>9/30/2016</u>	<u>6/30/2016</u>
Cash flow from operations (GAAP)	\$ 16,828	\$ 32,669	\$ 69,533	\$ 122,762	\$ 31,020
Less capital expenditures	(35,109)	(38,669)	(27,619)	(26,873)	(36,210)
Free cash flow (Non-GAAP)	<u>\$ (18,281)</u>	<u>\$ (6,000)</u>	<u>\$ 41,914</u>	<u>\$ 95,889</u>	<u>\$ (5,190)</u>
Average diluted shares outstanding	98,520,218	98,463,667	98,257,232	97,888,469	97,629,786
Free cash flow per share	<u>\$ (0.19)</u>	<u>\$ (0.06)</u>	<u>\$ 0.43</u>	<u>\$ 0.98</u>	<u>\$ (0.05)</u>