



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

October 25, 2017



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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Income (GAAP) to EBITDA (Non-GAAP) to Adjusted EBITDA (Non-GAAP):				
Net income (GAAP)	\$ 30,026	\$ 31,018	\$ 55,794	\$ 67,914
Interest expense, net	15,164	10,148	38,205	29,965
Provision for income taxes	15,010	12,620	29,312	33,045
Depreciation and amortization	47,462	44,954	138,864	135,528
EBITDA (Non-GAAP)	\$ 107,662	\$ 98,740	\$ 262,175	\$ 266,452
Stock-based compensation expense	2,650	1,826	12,676	7,188
Acquisition, integration, start-up and other expenses	1,815	1,674	7,197	4,215
Longview piping inspection settlement	-	-	2,034	-
Union contract ratification cost	946	-	5,925	-
Plant closure costs	8,967	-	8,967	-
Loss on asset disposals	1,960	2,270	1,960	2,270
Change in fair value of contingent consideration liability	(3,910)	1,527	(340)	4,579
Severance expenses	-	863	-	7,027
Loss on debt extinguishment	631	679	631	679
Accumulated EBITDA adjustments	13,059	8,839	39,050	25,958
Adjusted EBITDA (Non-GAAP)	\$ 120,721	\$ 107,579	\$ 301,225	\$ 292,410
Net Income (GAAP) to Adjusted Net Income (Non-GAAP):				
Net income (GAAP)	\$ 30,026	\$ 31,018	\$ 55,794	\$ 67,914
Accumulated EBITDA adjustments	13,059	8,839	39,050	25,958
Accumulated tax adjustments	(4,897)	(3,315)	(14,644)	(9,734)
Adjusted Net Income (Non-GAAP)	\$ 38,188	\$ 36,542	\$ 80,200	\$ 84,138
Diluted EPS (GAAP) to Adjusted Diluted EPS (Non-GAAP):				
Diluted earnings per share (GAAP)	\$ 0.30	\$ 0.32	\$ 0.57	\$ 0.70
Accumulated EBITDA adjustments	0.14	0.09	0.39	0.27
Accumulated tax adjustments	(0.05)	(0.04)	(0.15)	(0.11)
Adjusted Diluted EPS (Non-GAAP)	\$ 0.39	\$ 0.37	\$ 0.81	\$ 0.86

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

	Net Sales			Segment Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures	Total Assets at Sept. 30, 2017
	Trade	Inter- segment	Total				
Three Months Ended September 30, 2017							
Paper and Packaging	\$ 617,255	\$ 21,234	\$ 638,489	\$ 63,434	\$ 39,727	\$ 32,154	\$ 2,647,034
Distribution	251,163	-	251,163	5,776	5,864	118	684,740
Corporate	-	-	-	(9,465)	1,871	1,962	35,503
Intersegment eliminations	-	(21,234)	(21,234)	-	-	-	-
	<u>\$ 868,418</u>	<u>\$ -</u>	<u>\$ 868,418</u>	<u>\$ 59,745</u>	<u>\$ 47,462</u>	<u>\$ 34,234</u>	<u>\$ 3,367,277</u>

	Net Sales			Segment Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures	Total Assets at Sept. 30, 2016
	Trade	Inter- segment	Total				
Three Months Ended September 30, 2016							
Paper and Packaging	\$ 533,562	\$ 18,674	\$ 552,236	\$ 57,731	\$ 37,491	\$ 24,900	\$ 2,526,342
Distribution	243,074	-	243,074	8,230	5,795	936	676,350
Corporate	-	-	-	(10,953)	1,668	1,037	41,376
Intersegment eliminations	-	(18,674)	(18,674)	-	-	-	-
	<u>\$ 776,636</u>	<u>\$ -</u>	<u>\$ 776,636</u>	<u>\$ 55,008</u>	<u>\$ 44,954</u>	<u>\$ 26,873</u>	<u>\$ 3,244,068</u>

	Net Sales			Segment Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures
	Trade	Inter- segment	Total			
Nine Months Ended September 30, 2017						
Paper and Packaging	\$ 1,726,816	\$ 68,112	\$ 1,794,928	\$ 142,009	\$ 115,325	\$ 101,695
Distribution	730,162	-	730,162	19,158	17,814	1,861
Corporate	-	-	-	(40,103)	5,725	4,456
Intersegment eliminations	-	(68,112)	(68,112)	-	-	-
	<u>\$ 2,456,978</u>	<u>\$ -</u>	<u>\$ 2,456,978</u>	<u>\$ 121,064</u>	<u>\$ 138,864</u>	<u>\$ 108,012</u>

	Net Sales			Segment Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures
	Trade	Inter- segment	Total			
Nine Months Ended September 30, 2016						
Paper and Packaging	\$ 1,586,173	\$ 55,667	\$ 1,641,840	\$ 145,054	\$ 112,790	\$ 91,520
Distribution	713,589	-	713,589	21,947	17,158	3,934
Corporate	-	-	-	(33,880)	5,580	3,792
Intersegment eliminations	-	(55,667)	(55,667)	-	-	-
	<u>\$ 2,299,762</u>	<u>\$ -</u>	<u>\$ 2,299,762</u>	<u>\$ 133,121</u>	<u>\$ 135,528</u>	<u>\$ 99,246</u>

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Paper and Packaging				
Segment operating income	\$ 63,434	\$ 57,731	\$ 142,009	\$ 145,054
Equity method investments income	(671)	-	(1,377)	-
Foreign exchange (gain) / loss	(173)	18	(809)	(18)
Depreciation and amortization	39,727	37,491	115,325	112,790
EBITDA	104,005	95,240	259,520	257,862
Severance expenses	-	701	-	5,998
Acquisition, integration, start-up and other expenses	988	-	3,306	1,819
Longview piping inspection settlement	-	-	2,034	-
Plant closure costs	8,967	-	8,967	-
Loss on asset disposals	645	1,710	645	1,710
Union contract ratification costs	946	-	5,925	-
Adjusted EBITDA	\$ 115,551	\$ 97,651	\$ 280,397	\$ 267,389
Adjusted EBITDA margin	18.1%	17.7%	15.6%	16.3%

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Distribution				
Segment operating income	\$ 5,776	\$ 8,230	\$ 19,158	\$ 21,947
Foreign exchange (gain) / loss	(242)	(561)	(692)	1,536
Depreciation and amortization	5,864	5,795	17,814	17,158
EBITDA	11,882	13,464	37,664	37,569
Acquisition, integration, start-up and other expenses	51	1,129	1,714	1,654
Loss on asset disposals	1,315	-	1,315	-
Severance expenses	-	153	-	633
Adjusted EBITDA	\$ 13,248	\$ 14,746	\$ 40,693	\$ 39,856
Adjusted EBITDA margin	5.3%	6.1%	5.6%	5.6%

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Corporate				
Segment operating (loss)	\$ (9,465)	\$ (10,953)	\$ (40,103)	\$ (33,880)
Loss on debt extinguishment	631	679	631	679
Depreciation and amortization	1,871	1,668	5,725	5,580
EBITDA	(8,225)	(9,964)	(35,009)	(28,979)
Stock-based compensation expense	2,650	1,826	12,676	7,188
Acquisition, integration, start-up and other expenses	776	545	2,177	742
Loss on asset disposals	-	560	-	560
Change in fair value of contingent consideration liability	(3,910)	1,527	(340)	4,579
Loss on debt extinguishment	631	679	631	679
Severance expenses	-	9	-	396
Adjusted EBITDA	\$ (8,078)	\$ (4,818)	\$ (19,865)	\$ (14,835)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Consolidated				
Segment operating income	\$ 59,745	\$ 55,008	\$ 121,064	\$ 133,121
Equity method investments income	(671)	-	(1,377)	-
Foreign exchange (gain) / loss	(415)	(543)	(1,501)	1,518
Loss on debt extinguishment	631	679	631	679
Depreciation and amortization	47,462	44,954	138,864	135,528
EBITDA	107,662	98,740	262,175	266,452
Stock-based compensation expense	2,650	1,826	12,676	7,188
Acquisition, integration, start-up and other expenses	1,815	1,674	7,197	4,215
Longview piping inspection settlement	-	-	2,034	-
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Change in fair value of contingent consideration liability	(3,910)	1,527	(340)	4,579
Loss on debt extinguishment	631	679	631	679
Severance expenses	-	863	-	7,027
Adjusted EBITDA	\$ 120,721	\$ 107,579	\$ 301,225	\$ 292,410

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

Calculation of Net Debt

	Quarter Ended				
	<u>9/30/2017</u>	<u>6/30/2017</u>	<u>3/31/2017</u>	<u>12/31/2016</u>	<u>9/30/2016</u>
Current portion of LT debt	\$ -	\$ -	\$ -	\$ -	\$ -
Short-term borrowings	2,500	22,000	25,988	-	11,500
Other borrowings	2,084	4,117	6,214	-	-
Capital lease obligation	4,632	4,639	-	-	-
Long term debt, net	1,461,595	1,516,266	1,481,912	1,485,323	1,484,373
Unamortized debt issuance costs	<u>15,126</u>	<u>15,655</u>	<u>16,647</u>	<u>17,826</u>	<u>19,005</u>
	1,485,937	1,562,677	1,530,761	1,503,149	1,514,878
Less cash and cash equivalents	<u>(11,294)</u>	<u>(7,456)</u>	<u>(7,915)</u>	<u>(29,385)</u>	<u>(9,449)</u>
Total Net Debt (non GAAP)	<u>\$ 1,474,643</u>	<u>\$ 1,555,221</u>	<u>\$ 1,522,846</u>	<u>\$ 1,473,764</u>	<u>\$ 1,505,429</u>

Decrease (increase) during the quarter	<u>\$ 80,578</u>	<u>\$ (32,375)</u>	<u>\$ (49,082)</u>	<u>\$ 31,665</u>	<u>\$ 60,781</u>
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Net Debt to Capital ratio calculation

Net debt	\$ 1,474,643	\$ 1,555,221	\$ 1,522,846	\$ 1,473,764	\$ 1,505,429
Capital (Equity plus Long term debt, net)	\$ 2,407,600	\$ 2,439,254	\$ 2,429,624	\$ 2,389,653	\$ 2,377,913
Ratio	<u>61.2%</u>	<u>63.8%</u>	<u>62.7%</u>	<u>61.7%</u>	<u>63.3%</u>

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

	Quarter Ended				
	<u>9/30/2017</u>	<u>6/30/2017</u>	<u>3/31/2017</u>	<u>12/31/2016</u>	<u>9/30/2016</u>
Cash flow from operations (GAAP)	\$ 126,422	\$ 16,828	\$ 32,669	\$ 69,533	\$ 122,762
Less capital expenditures	(34,234)	(35,109)	(38,669)	(27,619)	(26,873)
Free cash flow (Non-GAAP)	<u>\$ 92,188</u>	<u>\$ (18,281)</u>	<u>\$ (6,000)</u>	<u>\$ 41,914</u>	<u>\$ 95,889</u>



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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest on term loans and revolver	\$ 10,722	\$ 8,128	\$ 29,147	\$ 24,103
Interest on receivables securitization facility	1,601	877	3,937	2,440
Sub-total	12,323	9,005	33,084	26,543
Amortization of debt issuance costs	1,199	1,250	3,557	3,625
Implicit interest on long-term financing obligations	1,523	-	1,776	-
Interest on capital lease obligation	133	-	356	-
Other interest	63	-	63	(9)
Capitalized interest	(28)	(80)	(490)	(151)
Interest income	(49)	(27)	(141)	(43)
Total interest expense, net	\$ 15,164	\$ 10,148	\$ 38,205	\$ 29,965