



**First Quarter 2018
GAAP to Non-GAAP
Reconciliations**

April 18, 2018



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

	Quarter Ended March 31,	
	2018	2017
Net Income (GAAP) to EBITDA (Non-GAAP) to Adjusted EBITDA (Non-GAAP):		
Net income (GAAP)	\$ 32,741	\$ 5,992
Interest expense, net	14,345	10,730
Provision for income taxes	8,296	4,161
Depreciation and amortization	46,365	45,348
EBITDA (Non-GAAP)	\$ 101,747	\$ 66,231
Acquisition, integration, start-up and other expenses	1,956	1,805
Union contract ratification cost	–	4,979
Merger expenses	13,532	–
Plant closure costs	1,752	–
Change in fair value of contingent consideration liability	–	2,516
Gain on sale of property	(7,453)	–
Stock-based compensation expense	3,007	5,265
Accumulated EBITDA adjustments	12,794	14,565
Adjusted EBITDA (Non-GAAP)	\$ 114,541	\$ 80,796
Net Income (GAAP) to Adjusted Net Income (Non-GAAP):		
Net income (GAAP)	\$ 32,741	\$ 5,992
Accumulated EBITDA adjustments	12,794	14,565
Accumulated tax adjustments	(3,071)	(5,462)
Adjusted Net Income (Non-GAAP)	\$ 42,464	\$ 15,095
Diluted EPS (GAAP) to Adjusted Diluted EPS (Non-GAAP):		
Diluted earnings per share (GAAP)	\$ 0.33	\$ 0.06
Accumulated EBITDA adjustments	0.13	0.15
Accumulated tax adjustments	(0.03)	(0.06)
Adjusted Diluted EPS (Non-GAAP)	\$ 0.43	\$ 0.15

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

Three Months Ended March 31, 2018	Net Sales			Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures	Total Assets at March 31, 2018
	Trade	Inter- segment	Total				
Paper and Packaging	\$ 567,985	\$ 17,114	\$ 585,099	\$ 74,711	\$ 38,676	\$ 35,148	\$ 2,642,878
Distribution	231,210	-	231,210	2,491	5,907	287	640,945
Corporate	-	-	-	(25,469)	1,782	1,590	51,766
Intersegment eliminations	-	(17,114)	(17,114)	-	-	-	-
	<u>\$ 799,195</u>	<u>\$ -</u>	<u>\$ 799,195</u>	<u>\$ 51,733</u>	<u>\$ 46,365</u>	<u>\$ 37,025</u>	<u>\$ 3,335,589</u>

Three Months Ended March 31, 2017	Net Sales			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	\$ 32,752	\$ 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>\$ 18,561</u>	<u>\$ 45,348</u>	<u>\$ 38,669</u>	<u>\$ 3,322,819</u>

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

	Quarter Ended March 31,		Q4
	2018	2017	2017
Paper and Packaging			
Segment operating income	\$ 74,711	\$ 32,752	\$ 85,379
Equity method investments income	(520)	(677)	(375)
Foreign exchange (gain)	(139)	(45)	(110)
Pension income	(3,092)	(1,563)	-
Loss on debt extinguishment	-	-	674
Depreciation and amortization	38,676	37,406	40,280
EBITDA	117,138	72,443	125,470
Loss on debt extinguishment	-	-	674
Acquisition, integration, start-up and other expenses	1,226	1,366	1,075
Gain on sale of property	(7,453)	-	-
Plant closure costs	1,752	-	1,241
Union contract ratification costs	-	4,979	-
Loss on asset disposal	-	-	213
Adjusted EBITDA	\$ 112,663	\$ 78,788	\$ 128,673
Adjusted EBITDA margin	19.3%	13.9%	20.5%

	Quarter Ended March 31,		Q4
	2018	2017	2017
Distribution			
Segment operating income	\$ 2,491	\$ 2,597	\$ 11,046
Foreign exchange (gain) / loss	102	(37)	618
Depreciation and amortization	5,907	5,978	5,853
EBITDA	8,296	8,612	16,281
Acquisition, integration, start-up and other expenses	551	163	(1,343)
Adjusted EBITDA	\$ 8,847	\$ 8,775	\$ 14,938
Adjusted EBITDA margin	3.8%	4.0%	6.0%

	Quarter Ended March 31,		Q4
	2018	2017	2017
Corporate			
Segment operating (loss)	\$ (25,469)	\$ (16,788)	\$ (18,364)
Depreciation and amortization	1,782	1,964	1,804
EBITDA	(23,687)	(14,824)	(16,560)
Stock-based compensation expense	3,007	5,265	2,234
Acquisition, integration, start-up and other expenses	179	276	511
Change in fair value of contingent consideration liability	-	2,516	6,134
Merger expenses	13,532	-	-
Adjusted EBITDA	\$ (6,969)	\$ (6,767)	\$ (7,681)

	Quarter Ended March 31,		Q4
	2018	2017	2017
Consolidated			
Segment operating income	\$ 51,733	\$ 18,561	\$ 78,061
Equity method investments income	(520)	(677)	(375)
Foreign exchange (gain) / loss	(37)	(82)	508
Pension income	(3,092)	(1,563)	-
Loss on debt extinguishment	-	-	674
Depreciation and amortization	46,365	45,348	47,937
EBITDA	101,747	66,231	125,191
Stock-based compensation expense	3,007	5,265	2,234
Acquisition, integration, start-up and other expenses	1,956	1,805	243
Union contract ratification costs	-	4,979	-
Plant closure costs	1,752	-	1,241
Loss on asset disposal	-	-	213
Change in fair value of contingent consideration liability	-	2,516	6,134
Gain on sale of property	(7,453)	-	-
Loss on debt extinguishment	-	-	674
Merger expenses	13,532	-	-
Adjusted EBITDA	\$ 114,541	\$ 80,796	\$ 135,930

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>3/31/2018</u>	<u>12/31/2017</u>	<u>9/30/2017</u>	<u>6/30/2017</u>	<u>3/31/2017</u>
Current portion of LT debt	\$ -	\$ -	\$ -	\$ -	\$ -
Short-term borrowings	20,000	-	2,500	22,000	25,988
Other borrowings	6,767	-	2,084	4,117	6,214
Capital lease obligation	4,618	4,625	4,632	4,639	-
Long term debt, net	1,371,238	1,374,502	1,461,595	1,516,266	1,481,912
Unamortized debt issuance costs	12,046	13,222	15,126	15,655	16,647
	1,414,669	1,392,349	1,485,937	1,562,677	1,530,761
Less cash and cash equivalents	(18,684)	(28,065)	(11,294)	(7,456)	(7,915)
Total Net Debt (non GAAP)	<u>\$ 1,395,985</u>	<u>\$ 1,364,284</u>	<u>\$ 1,474,643</u>	<u>\$ 1,555,221</u>	<u>\$1,522,846</u>
Decrease (increase) during the quarter	<u>\$ (31,701)</u>	<u>\$ 110,359</u>	<u>\$ 80,578</u>	<u>\$ (32,375)</u>	<u>\$ (49,082)</u>
<u>Net Debt to Capital ratio calculation</u>					
Net debt	\$ 1,395,985	\$ 1,364,284	\$ 1,474,643	\$ 1,555,221	\$1,522,846
Capital (Equity plus Long term debt, net)	\$ 1,168,835	\$ 2,278,832	\$ 2,407,600	\$ 2,439,254	\$2,429,624
Ratio	<u>119.4%</u>	<u>59.9%</u>	<u>61.2%</u>	<u>63.8%</u>	<u>62.7%</u>

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

	Quarter Ended				
	<u>3/31/2018</u>	<u>12/31/2017</u>	<u>9/30/2017</u>	<u>6/30/2017</u>	<u>3/31/2017</u>
Cash flow from operations (GAAP)	\$ 5,123	\$ 149,549	\$ 126,422	\$ 16,828	\$ 32,669
Less capital expenditures	(37,025)	(30,346)	(34,234)	(35,109)	(38,669)
Free cash flow (Non-GAAP)	<u>\$ (31,902)</u>	<u>\$ 119,203</u>	<u>\$ 92,188</u>	<u>\$ (18,281)</u>	<u>\$ (6,000)</u>

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

	Quarter Ended March 31,	
	2018	2017
Interest on term loans and revolver	\$ 9,896	\$ 8,614
Interest on receivables securitization facility	1,847	1,054
Sub-total	11,743	9,668
Amortization of debt issuance costs	1,176	1,179
Implicit interest on long-term financing obligations	1,683	-
Interest on capital lease obligation	133	-
Capitalized interest	(347)	(71)
Interest income	(43)	(46)
Total interest expense, net	\$ 14,345	\$ 10,730