



**Graphic  
Packaging**

## **Fourth Quarter and Full Year 2014 Earnings Call February 5, 2015**

**David W. Scheible**  
**Chairman, President and Chief Executive Officer**

**Michael P. Doss**  
**Chief Operating Officer**

**Stephen R. Scherger**  
**Senior Vice President and Chief Financial Officer**

# Forward Looking Statements

Statements of the Company's expectations in these slides constitute "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Such statements, including but not limited to, statements relating to future dividend payments and share repurchases, raw material inflation costs, pricing trends, synergies from acquisitions, cash available for net debt reduction, dividends and share repurchases, capital expenditures, cash pension contributions and pension expense, depreciation and amortization, interest expense, income tax rates, debt and leverage reduction, performance improvements and cost reduction initiatives, are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from the Company's present expectations. These risks include, but are not limited to, volatility in raw material and energy costs, cutbacks in consumer spending that reduce demand for the Company's products, continuing pressure for lower cost products, the Company's ability to implement its business strategies, including productivity initiatives and cost reduction plans, and the Company's debt. Undue reliance should not be placed on such forward-looking statements, as such statements speak only as of the date on which they are made and the Company undertakes no obligation to update such statements. Additional information regarding these and other risks is contained in the Company's periodic filings with the SEC.

# Q4 Financial Highlights

- Q4 Adj. Earnings per Share increased to \$0.21 vs. \$0.17 YoY
- Q4 Adj. EBITDA was \$171.8 million versus \$158.3 million YoY
- Company announces \$0.05 per share quarterly dividend
- Company announces \$250 million share repurchase program
- Company acquires folding carton converting and paperboard mill assets of Cascades' Norampac Division
- Company acquires Rose City Printing and Packaging, Inc.

# 2014 Overview

- Generated over \$350 million of free cash flow
- Ended year with net debt leverage ratio of 2.66x
- Balance Sheet and financial flexibility never stronger
  - Initiate \$0.05 per share quarterly dividend
  - Initiate \$250 million share repurchase program
- Continuation of pure-play global transformation
  - Divested Labels and Multi-Wall Bag businesses
  - Acquired The Benson Group
  - Early January '15 acquired Rose City Printing and Packaging
  - Early February '15 acquired Cascades' Norampac paperboard assets
- Completed last two of eight secondary stock offerings
  - Allowed long-time private holders to exit
  - Increased public float to nearly 100%
  - Improved stock liquidity and broadened ownership base

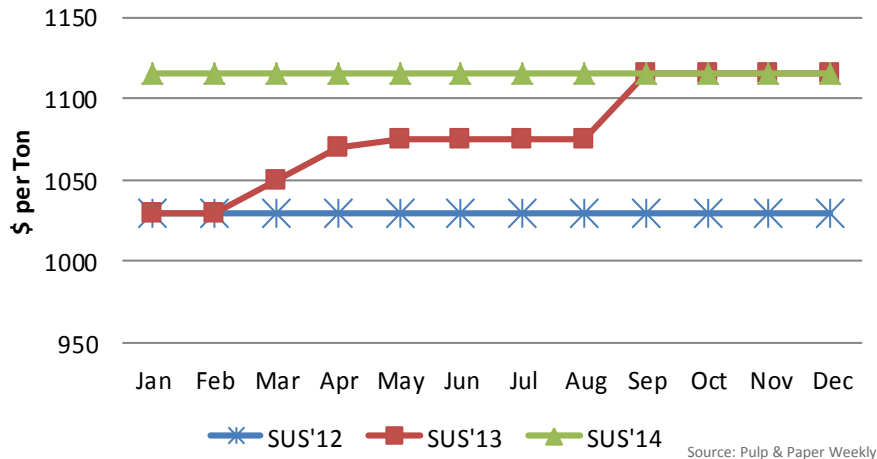
# Q4 Performance and Market Update

- Graphic's global paperboard packaging volumes up slightly in Q4
- Europe integration progressing well
- U.S. Food and Beverage markets mixed according to AC Nielsen
  - Beer up 2.2% in Q4
  - CSD down 2.1% in Q4
  - Cereal, Dry Foods and Frozen Pizza down 1-3% in Q4
- Paperboard and Converting operations strong in Q4
  - \$12 million in performance based improvements
  - Daily production records at Kalamazoo, Macon and Battle Creek Mills
  - Improved overall yield 1% despite biennial cold outage in West Monroe
  - Biomass boiler reduced energy costs in Macon by 19%

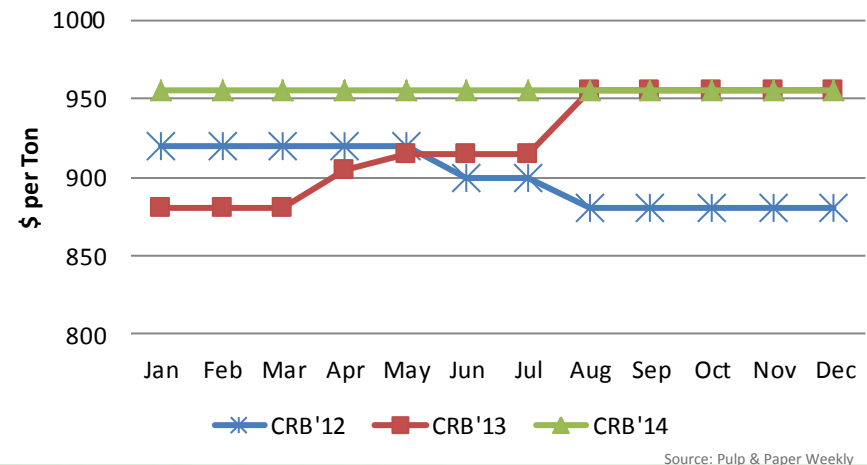
# Pricing & Inflation

- Pricing improved \$16 million in Q4 and \$78 million full year
- Commodity input costs increased \$0.6 million in Q4 and \$40 million full year
  - Driven by increases in external board, energy, inks and coatings
  - Offset by decreases in secondary fiber and chemicals

### SUS Pricing Trend

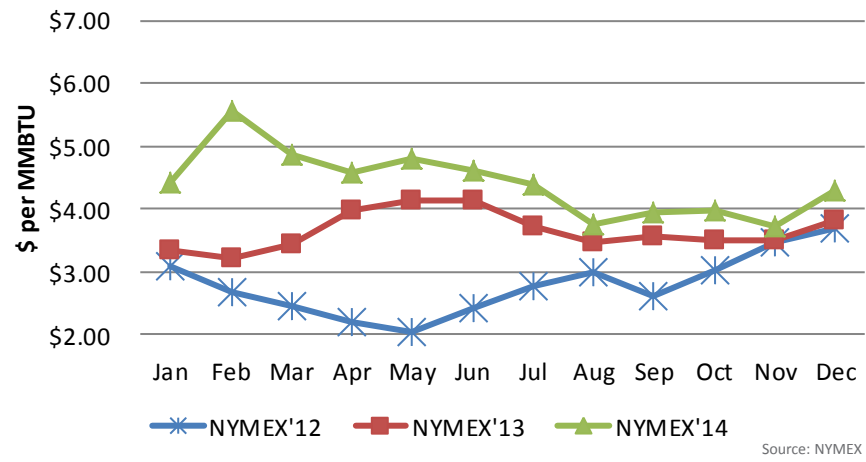


### CRB Pricing Trend

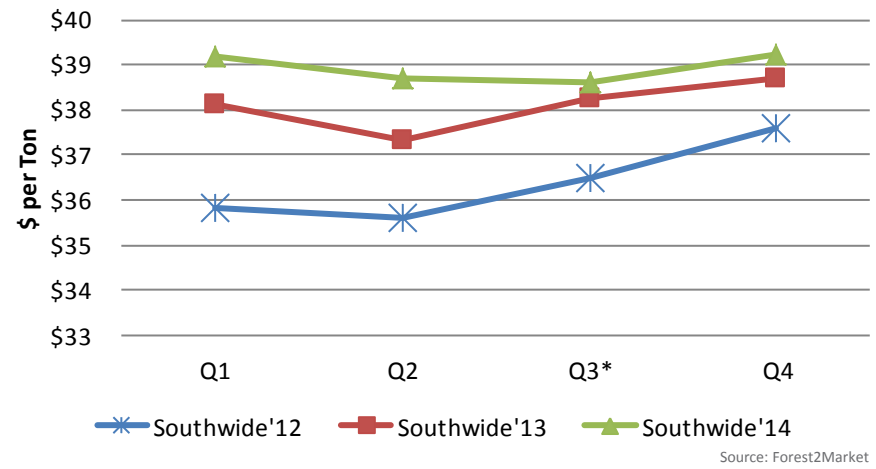


# Key Input Cost Trends: Market Prices

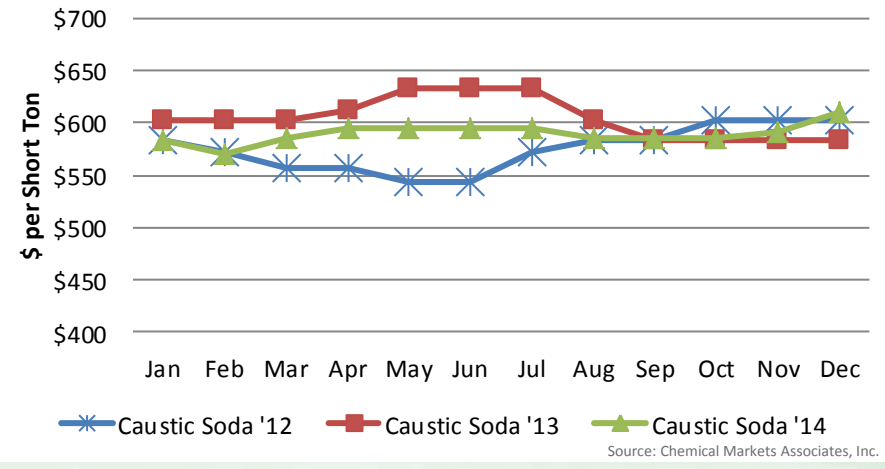
## Natural Gas



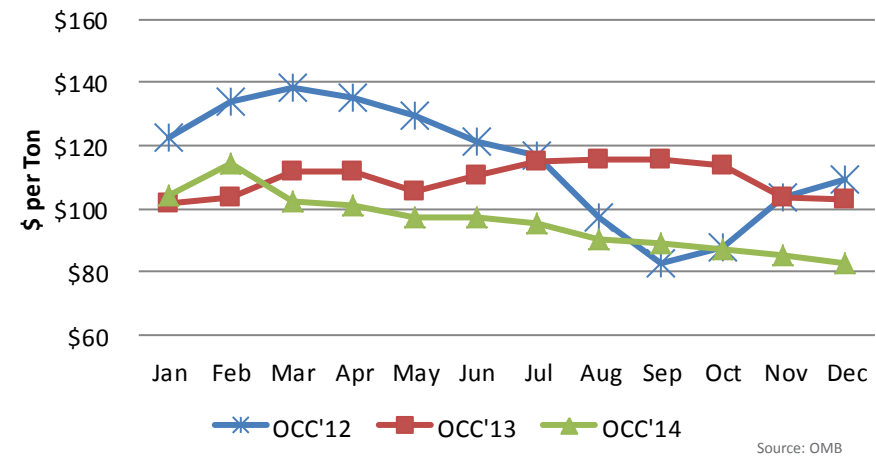
## Wood



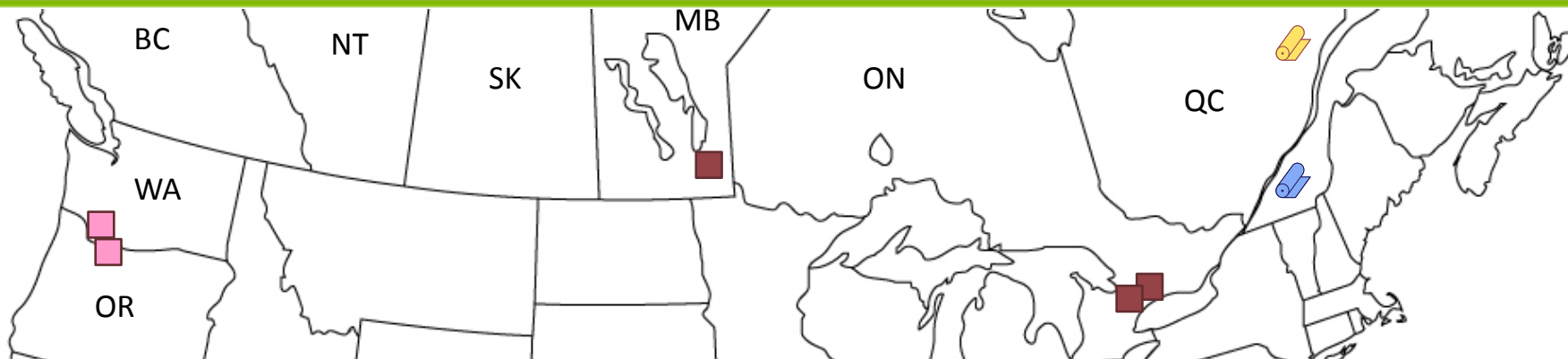
## Caustic Soda



## OCC



# Continuation of Strategy to Grow Integrated Folding Carton Converting Volumes



 Rose City Folding Carton Facility     Cascades' Norampac Folding Carton Facility     Cascades' Norampac SBS Substitute Mill     Cascades' Norampac CRB Mill

## Acquired Rose City and Cascades' Norampac paperboard assets

- Combined purchase price of ~\$116M
- Combined Sales ~\$225M & Adj. LTM EBITDA of ~\$15M
- Expect synergies of \$10-15M over next 24 months
- Expect to integrate additional 20-25k tons
- Expect net incremental EBITDA to GPI of \$10M in 2015, \$20-25M in 2016 and \$25-30M in 2017

- Acquisitions combined add 5 folding carton converting facilities, a CRB mill and an SBS substitute mill

**Extends Reach in Western US & Canada and Expands Range of Products & Services**



# Q4 and Full Year 2014 Financial Highlights<sup>1</sup>

<b>\$millions (except EPS)</b>	<b><u>Q4 2014</u></b>	<b><u>Q4 2013</u></b>	<b><u>Variance</u></b>	<b><u>YTD 2014</u></b>	<b><u>YTD 2013</u></b>	<b><u>Variance</u></b>
<b>Net Sales</b>	\$1,001.1	\$1,074.9	(\$73.8)	\$4,240.5	\$4,478.1	(\$237.6)
<b>Adjusted EBITDA</b>	\$171.8	\$158.3	\$13.5	\$710.8	\$670.2	\$40.6
<b>Adj. Net Income</b>	\$70.1	\$58.6	\$11.5	\$238.1	\$181.4	\$56.7
<b>Adj. EPS</b>	\$0.21	\$0.17	\$0.04	\$0.72	\$0.52	\$0.20



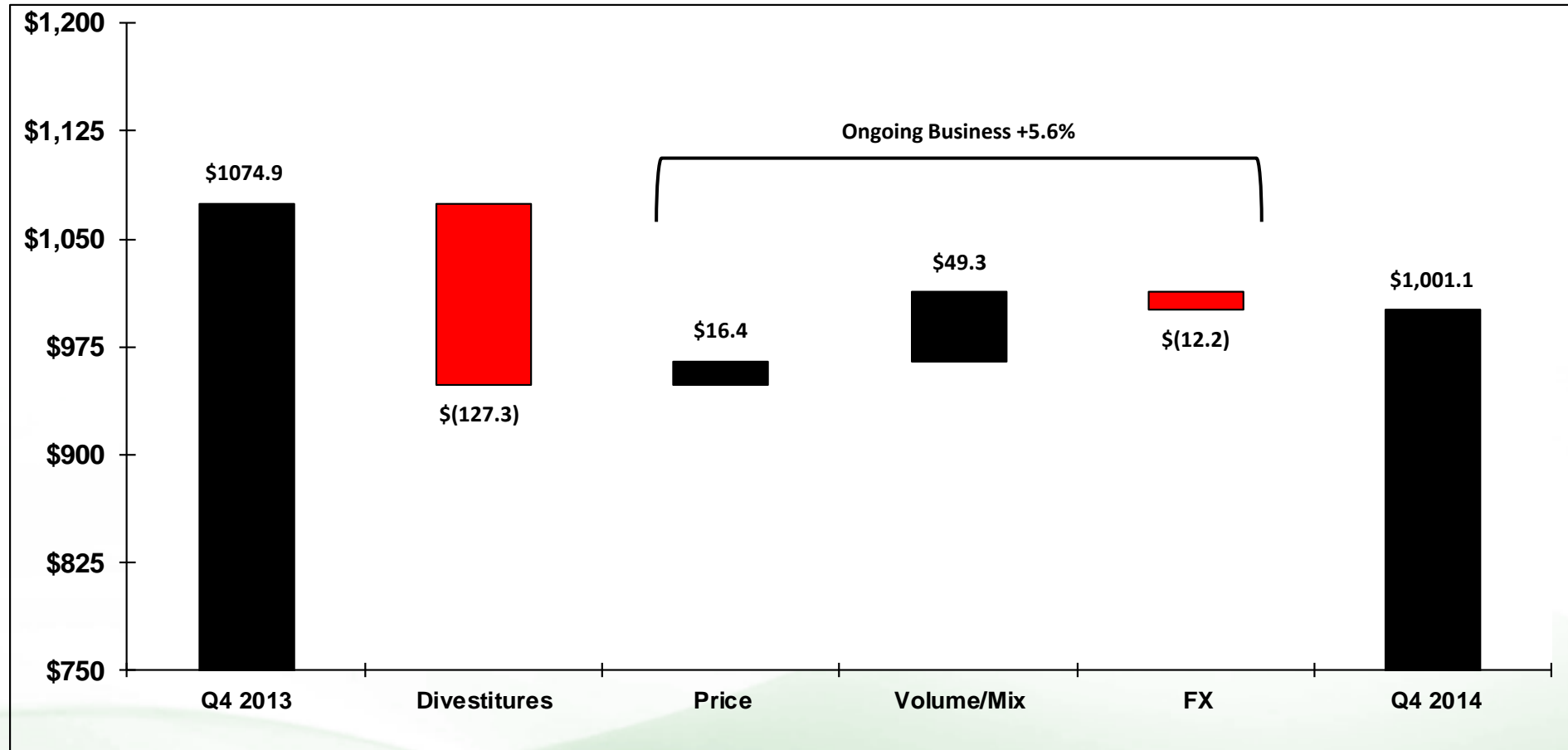
- Q4 Net Sales grew \$53.5 million or 5.6% when excluding divested businesses
- Adj. EBITDA grew \$19.8 million or 13.0% when excluding divested businesses
- Adj. EBITDA margin increased 250 bps to 17.2%
- Adj. Net Income up ~20%
- Adj. EPS up 4 cents

<sup>1</sup> A reconciliation of non-GAAP financial measures can be found in the financial information attached to the earnings release for the quarter available on the Company's website under "Investors" at [www.graphicpkg.com](http://www.graphicpkg.com).

# Y-o-Y Net Sales Comparison

\$ millions

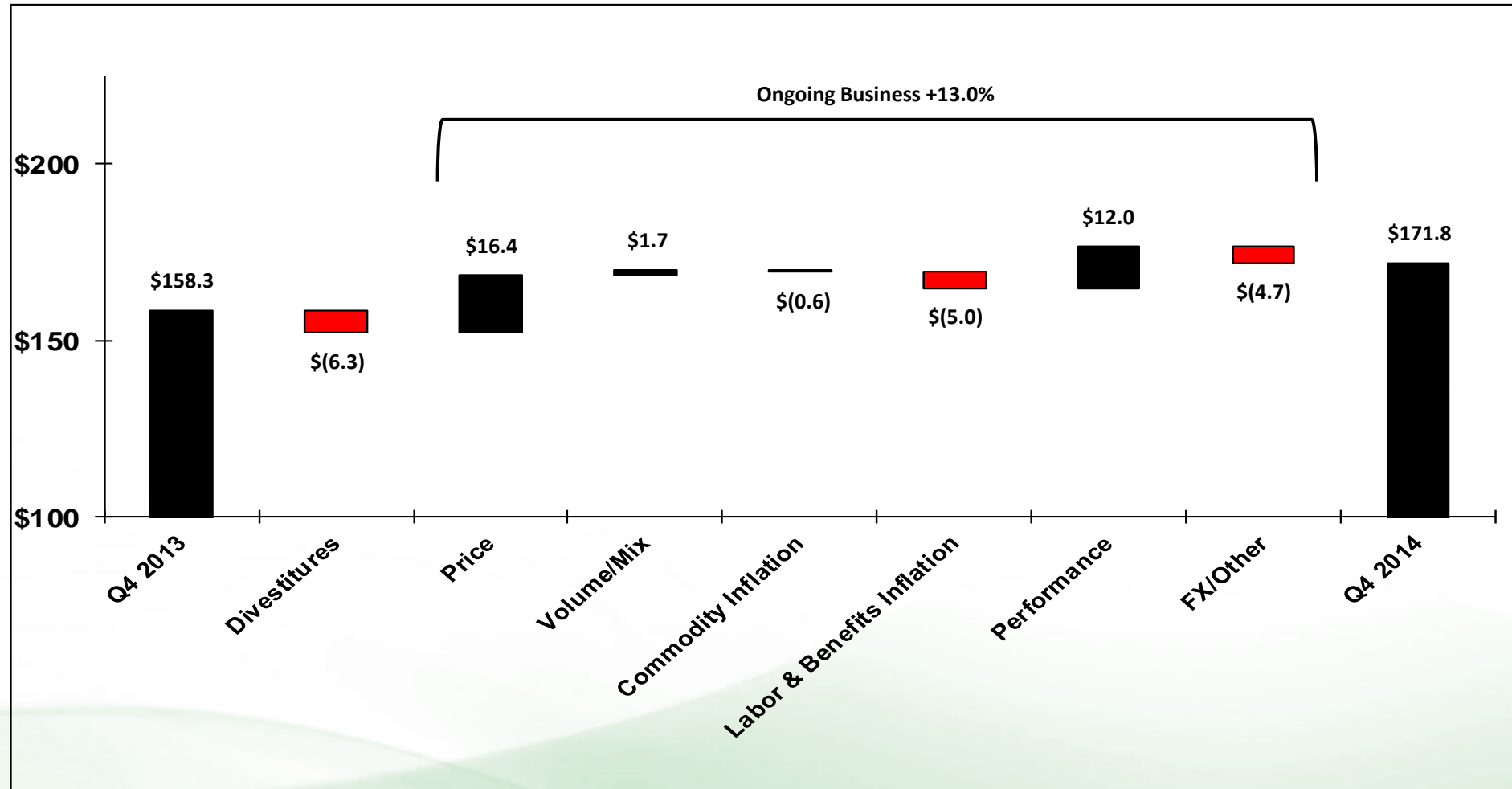
Q4'14 over Q4'13



# Y-o-Y Adjusted EBITDA Comparison

\$ millions

Q4'14 over Q4'13



A reconciliation of non-GAAP financial measures can be found in the financial information attached to the earnings release for the quarter available on the Company's website under "Investors" at [www.graphicpkg.com](http://www.graphicpkg.com).  
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# Cash Flow, Debt, Liquidity and Taxes

- Net Debt reduction (excluding M&A and capital market activities) of ~\$130+ million in Q4 and ~\$350+ million full year
- Net leverage ratio of 2.66x -- down from 3.28x at prior year-end
- Amended & Extended Sr. Secured Credit Facility
  - Added 12 months to term
  - Reduced pricing grid by 25 bps – \$3 million reduction in annual interest
  - Increased revolver to \$1.25B and reduced term loan amortization
- Refinanced 7 7/8 % notes with 4 7/8% notes – \$7 million annual interest
- NOL now at \$712 million
- 26% effective tax rate in Q4 driven by R&D credits, 34% full year
- Domestic liquidity > \$1B

# 2015 Guidance

	<u>2014</u>	<u>2015</u>
– Cash available for Net Debt Reduction, Dividends & Share Repurchase (ex M&A/Capital Markets activity)	\$350M+ <sup>1</sup>	\$350-\$375M
– Capital Expenditures	\$201M	\$220-\$230M
– Cash Pension Contributions	\$52M	\$40-\$60M
– Pension Expense	\$6M	\$19M
– Depreciation & Amortization (ex pension amortization)	\$270M	\$275-\$285M
– Pension Amortization	\$14M	\$23M
– Interest Expense	\$80M	\$70-\$80M
– Effective Tax Rate	34%	36-38%
– Year End Net Leverage Ratio	2.66x	2.50x-3.00x

<sup>1</sup> Includes ~\$27M from Government Grant for 2013 Biomass project.