



**Graphic  
Packaging**

## **Third Quarter 2015 Earnings Call October 22, 2015**

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

**Michael P. Doss  
President and 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 third quarter 2015 mill down time, raw material inflation costs, pricing trends, synergies and board integration 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.

# Q3 Financial Highlights

- Q3 Adj. EPS of \$0.20 increased \$0.03
- Q3 Adj. EBITDA of \$197.1 million vs. \$190.6 million in Q3'14
- Q3 Adj. EBITDA Margin increased 20 bps to 18.4% vs. Q3'14
- Repurchased \$15 million of shares
- \$0.05 per share dividend approved, paid in October

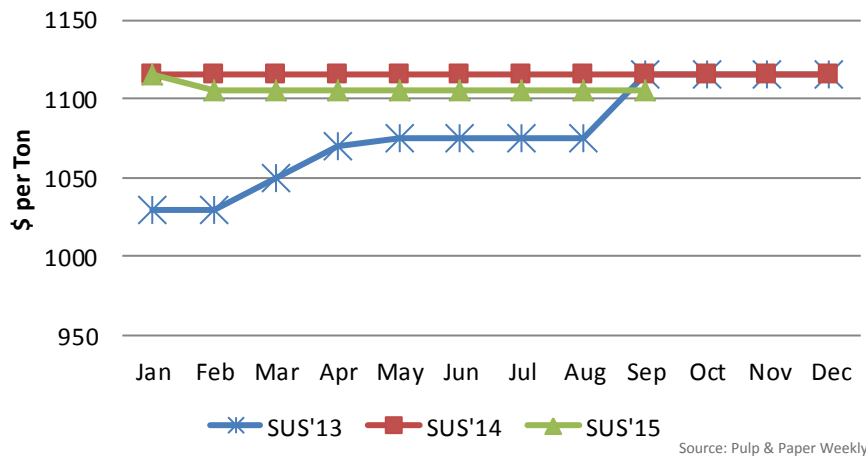
# Q3 Performance Highlights

- Global paperboard packaging volumes increased 8% driven by European expansion and acquisitions
- Europe integration on track
  - Will ship nearly 150k tons to Europe in 2015; ultimate target 200k tons
- Rose City and Cascades' Norampac integrations on track
  - Will integrate 20k-25k tons of paperboard over two years
- Strong operating performance across paperboard mills and converting
  - Produced nearly 10k more tons Q3 YoY
  - 4 to 5 week backlogs for CRB and CUK
  - W. Monroe Cogen project on track for Q1'16 startup

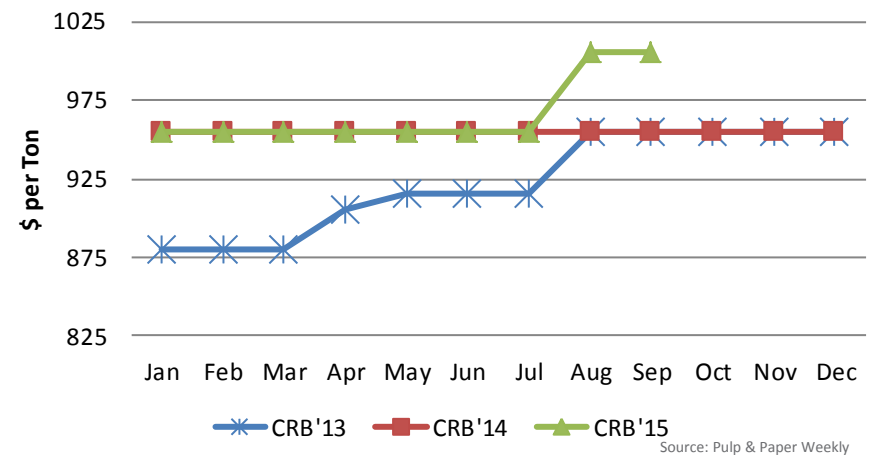
# Pricing & Commodity Inflation

- Implemented \$50/ton price increase for CRB grades
  - 2015 benefits modest as 80+% CRB production internally consumed
- Board price increases not typically margin enhancing long-term
  - Mechanism to recover commodity input inflation and;
  - Carton contract renewal settlements

### SUS Pricing Trend



### CRB Pricing Trend



# Investing in Incremental Paperboard Capacity

- European growth and 4 acquisitions this year provide demand for additional SUS board
- Will untap excess pulp capacity in W. Monroe by adding new press section and headbox during Q2'16 annual maintenance outage
- Investment will add ~30k tons of incremental SUS capacity
- Requires incremental downtime
  - 25 days vs. 10 for normal outage
- Requires inventory build in Q4'15
  - Add 20k tons to meet customer demand during downtime
  - Modest impact to Q4'15 EBITDA and Cash flow

# Continuation of Our Strategy to Grow Folding Carton Volume and Increase Board Integration in Key Geographies

● G-Box Facilities

● Carded Graphics Facility



## CARDED GRAPHICS AND G-BOX ACQUISITIONS

- Combined purchase price of ~\$125M
- Combined Sales of ~\$80M
- Expected to contribute EBITDA of \$15M in 2016 and \$20-\$25M in 2017
- **Carded Graphics provides a state-of-the-art converting facility**
  - Increases East Coast presence
  - Better serves new and existing customers
  - Capitalizes on the growing craft beer market
- **G-Box creates a growing position in Mexico complementing existing capabilities**
  - Two converting facilities in Tijuana and Monterey
  - Broadens customer base
  - Offers current customers wider product range

# Q3 Financials<sup>1</sup>

<b>\$millions (except EPS)</b>	<b><u>Q3 2015</u></b>	<b><u>Q3 2014</u></b>	<b><u>Variance</u></b>
<b>Net Sales</b>	\$1,070.0	\$1,050.0	\$20.0
<b>Adjusted EBITDA</b>	\$197.1	\$190.6	\$6.5
<b>Adj. Net Income</b>	\$66.0	\$57.5	\$8.5
<b>Adj. EPS</b>	\$0.20	\$0.17	\$0.03



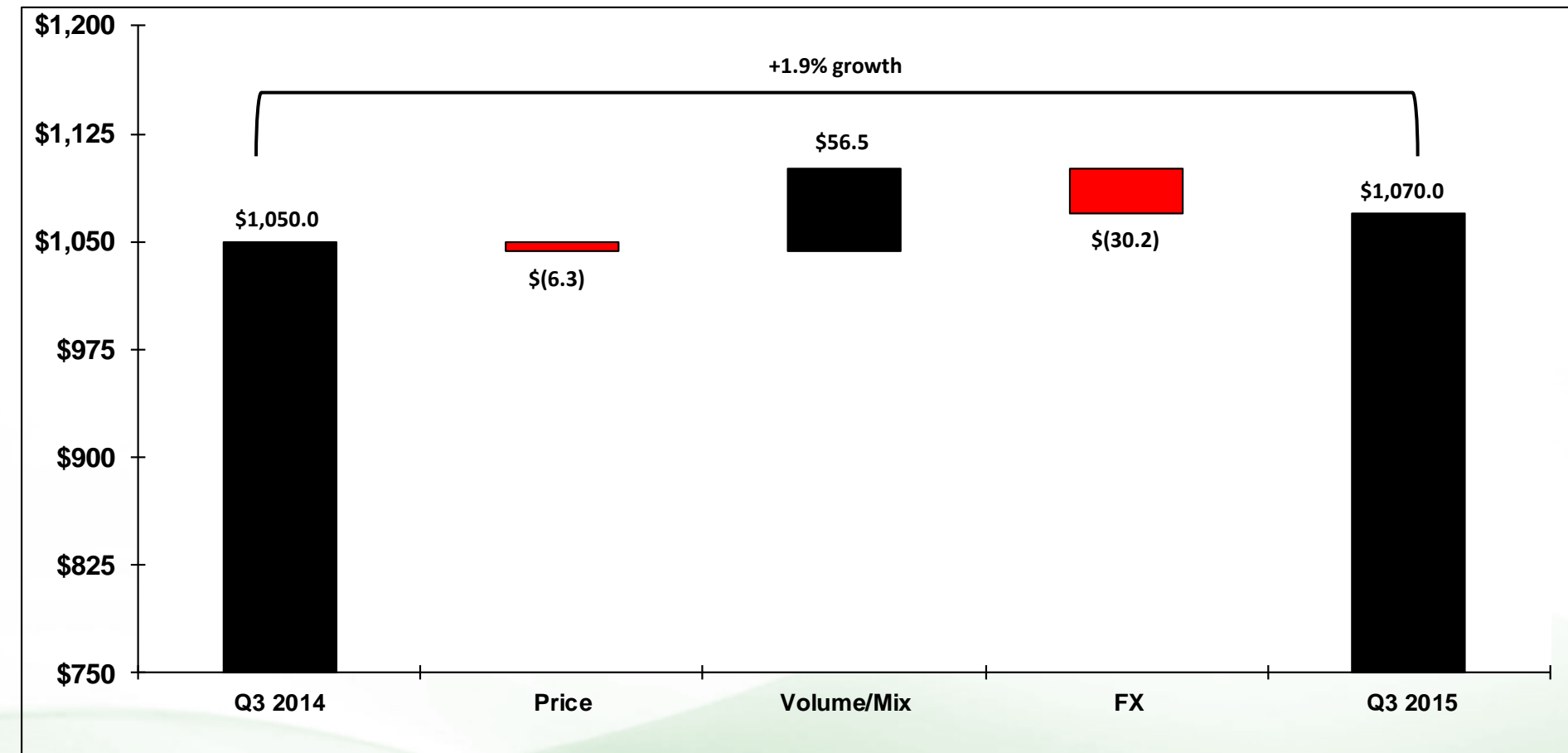
- Q3 Net Sales grew \$20.0 million or 1.9%
- Adj. EBITDA grew \$6.5 million or 3.4%
- Adj. EBITDA margin increased 20 bps to 18.4%
- Adj. EPS up 3 cents – driven by favorable interest expense and tax rate



# Y-o-Y Net Sales Comparison

\$ millions

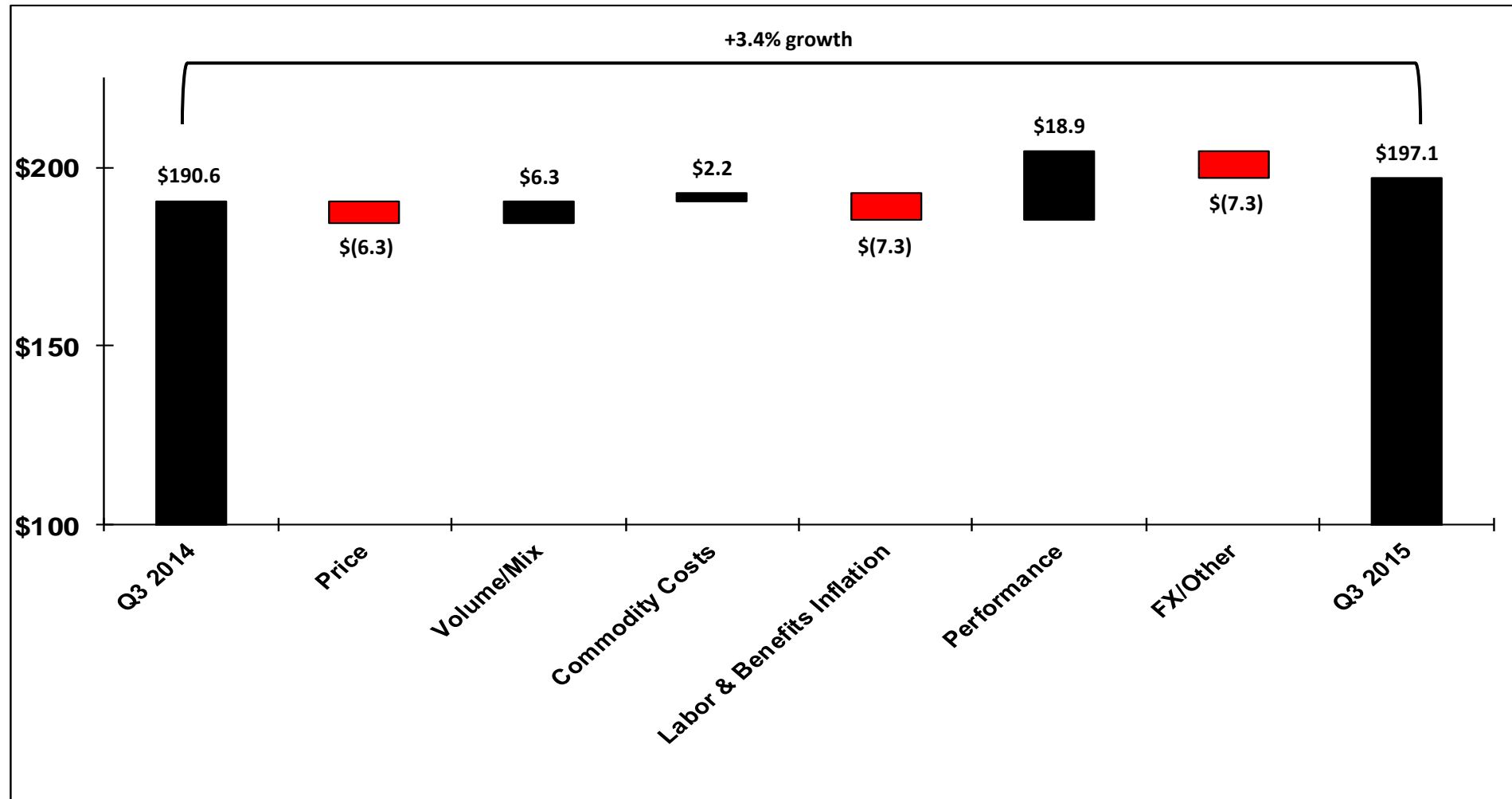
## Q3'15 over Q3'14



# Y-o-Y Adjusted EBITDA Comparison

\$ millions

Q3'15 over Q3'14



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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# Q3'15 Cash Flow, Debt and Liquidity

- Net Debt decreased \$85M to \$1.9B
  - Quarterly cash from operations was \$174 million
  - Pension contribution of \$20 million
  - Dividend payment of \$16 million
  - Share repurchases of \$15 million
- Net leverage ratio of 2.58x -- down from 2.90x at end of Q3'14
- Domestic liquidity > \$1.0B

# 2015 Guidance

	<u>2015</u>
– Cash available for Net Debt Reduction, Dividends & Share Repurchase (ex M&A/Capital Markets activity)	\$340-\$350M
– Capital Expenditures	\$230-\$240M
– Cash Pension Contributions	\$45-\$60M
– Pension Expense	\$20M
– Depreciation & Amortization (ex pension amortization)	\$275-\$285M
– Pension Amortization	\$23M
– Interest Expense	\$67-\$73M
– Effective Tax Rate	36-38%
– Year End Net Leverage Ratio	2.50x-3.00x