

Fourth Quarter and Full Year 2016 Earnings Call February 7, 2017

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**Graphic
Packaging**
INTERNATIONAL, INC.

Inspired packaging. A world of difference.

Forward Looking Statements

Any 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, expected increases in Adjusted EBITDA and cash flow, as well as expected capital spending, pension expense, cash taxes, depreciation and amortization, pension amortization, interest expense, effective tax rate, and net leverage, 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 and uncertainties include, but are not limited to, inflation of and 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, currency movements and other risks of conducting business internationally, and the impact of regulatory and litigation matters, including the continued availability of the Company's net operating loss offset to taxable income, and those that impact the Company's ability to protect and use its intellectual property. 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 except as required by law. Additional information regarding these and other risks is contained in the Company's periodic filings with the SEC.

Q4 and Full Year 2016 Financial Overview

	2016	2015	Q4 2016	Q4 2015
Net Sales (millions)	\$4,298.1	\$4,160.2	\$1,057.2	\$1,024.9
Earnings per Diluted Share	\$0.71	\$0.70	\$0.11	\$0.17
Adjusted Earnings per Diluted Share	\$0.73	\$0.75	\$0.14	\$0.19
Net Income (millions)	\$228.0	\$230.1	\$34.9	\$57.2
Adjusted EBITDA (millions)	\$763.8	\$751.2	\$175.1	\$180.7

- 2016 cash flow of \$358 million, up \$13 million versus the prior year
- Returned \$229 million to shareholders through dividends (\$64 million) and share repurchases (\$165 million) in 2016
- Returned \$74 million to shareholders through dividends (\$16 million) and share repurchases (\$59 million) in Q4
- Recently increased dividend paid in January 2017 by 50%, new \$250M share repurchase authorization

2017 Outlook

EBITDA

- Expect EBITDA will grow very modestly in 2017, excluding potential benefits from the recently announced CRB price increase
- Commodity input cost inflation accelerating, specifically recycled fiber
- Price will be a headwind, particularly in the 1H2017, reflecting the negative impact from the RISI CRB price index reductions in 2016, and cost model deflation
- Cost model contracts will positively impact price in the 2H2017
- Strong productivity expected to offset input cost and labor/benefits inflation

Cash Flow

- Expect cash flow to increase to the \$380-\$400 million range, from \$358 in 2016
- Increase driven by very modest EBITDA growth, lower capital expenditures, and continued strong working capital performance

Q4 and Full Year 2016 Volumes and Demand

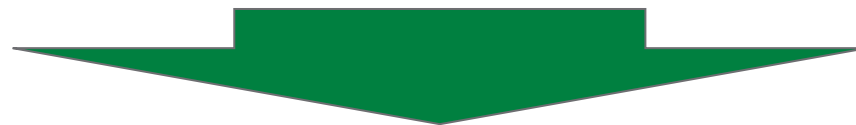
- Volumes in Q4 up 3.5% from ongoing business driven by acquisitions
 - Core volume flat in Q4, an improvement compared to the 1.4% YoY decline in Q3, reflecting new business wins, and more consistent purchasing patterns by our larger customers
 - Core volume was flat in 2016, consistent with our long-term business model
- U.S. Food and Consumer
 - A.C. Nielsen reported that U.S. Food and Consumer market volume declined in the low to mid single digits for the majority of our categories in Q4 and 2016
 - GPK outperformed the end-markets in 2016, consistent with previous years
- Global Beverage
 - A.C. Nielsen reported continued growth in U.S. Beverage
 - GPK beverage volume was up low single digits in the quarter and full-year

Q4 and Full Year 2016 Operations

- Performance in Q4 and 2016
 - Drove \$20.8 million of performance benefits in Q4
 - Executed on taking ~10k tons of production downtime in CRB in Q4
 - Generated \$73 million of performance benefits in 2016
- Invested \$295 million in capital expenditures in 2016, which will be a significant driver of performance in 2017
 - Executed on three key strategic capital investment projects that drove capital expenditures above the baseline level in 2016
 - WM#7 headbox and press section upgrade
 - Macon#1 curtain coater
 - Investments related to increasing capacity at low cost converting facilities in order to move volume from the now closed Piscataway, NJ, and Menasha, WI converting plants, which were legacy higher cost facilities
 - \$85 million invested, which we expect will generate over \$30 million of annual EBITDA by year-end 2017

Q4 and Full Year 2016 Financials

\$millions (except EPS)	Q4 2016	Q4 2015	Variance	FY 2016	FY 2015	Variance
Net Sales	\$1,057.2	\$1,024.9	\$32.3	\$4,298.1	\$4,160.2	\$137.9
Adjusted EBITDA	\$175.1	\$180.7	(\$5.6)	\$763.8	\$751.2	\$12.6
Adj. Net Income	\$44.7	\$63.0	(\$18.3)	\$233.4	\$247.0	(\$13.6)
Adj. EPS	\$0.14	\$0.19	(\$0.05)	\$0.73	\$0.75	(\$0.02)

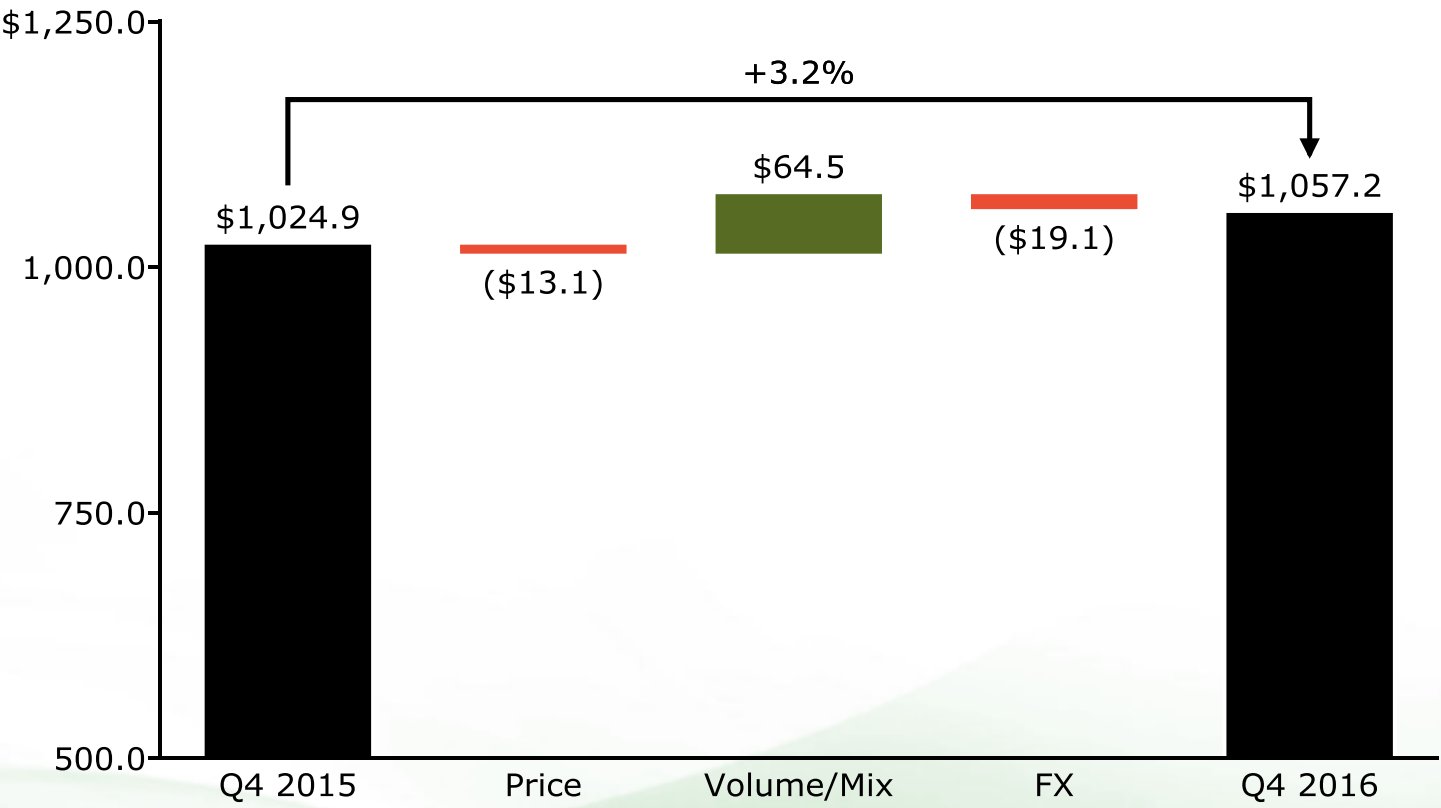


- Q4 Net Sales grew 3.2%
- Q4 Adj. EBITDA declined 3.1% to \$175.1 million
- Q4 Adj. EPS of \$0.14, down versus prior year of \$0.19
- Full-Year Net Sales grew 3.3%
- Full-Year Adj. EBITDA increased 1.7% to \$763.8 million
- Full-Year Adj. EPS of \$0.73, down slightly versus prior year of \$0.75

1 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.

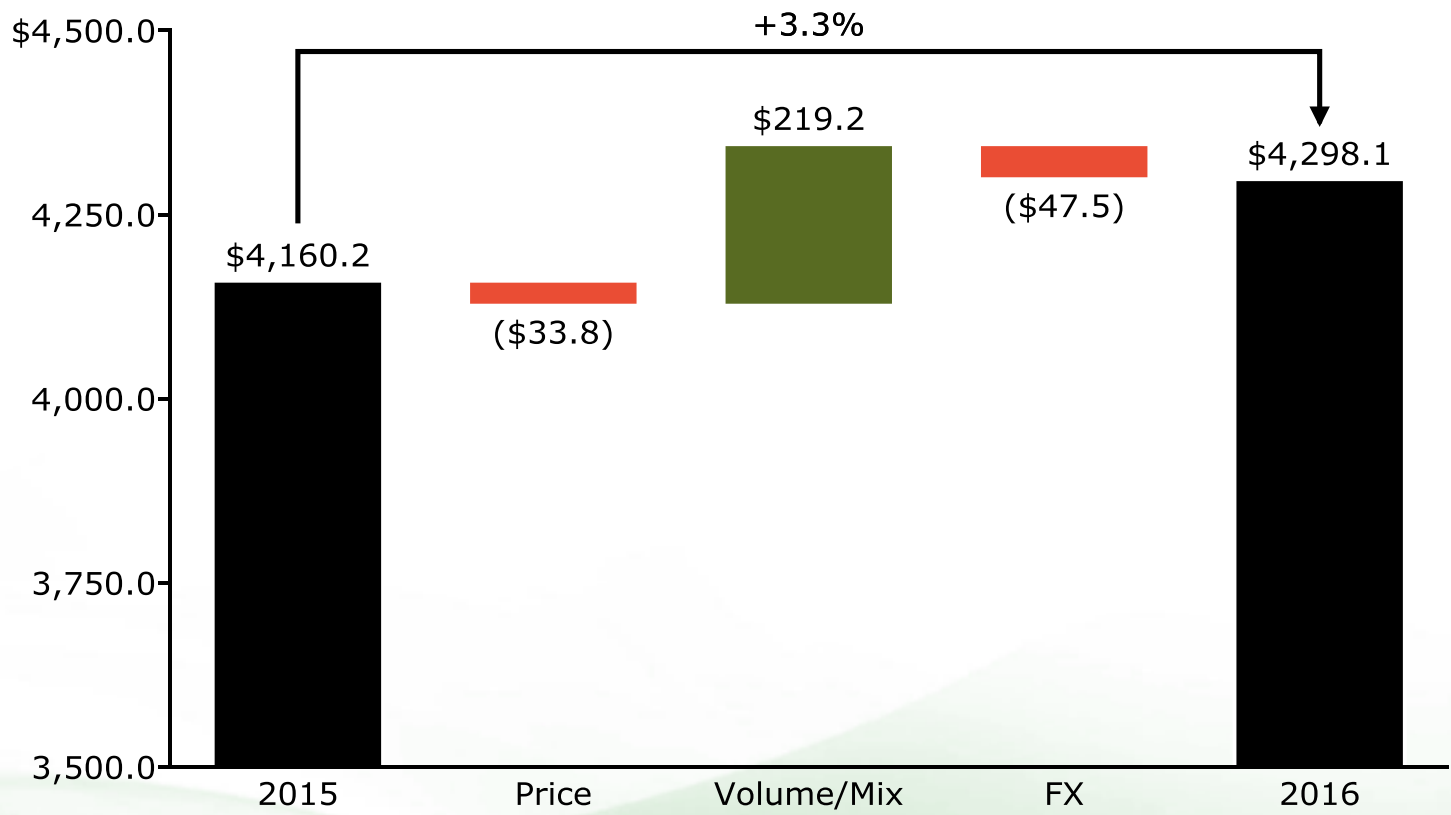
Q4'16 Net Sales Comparison YoY

In US\$ millions



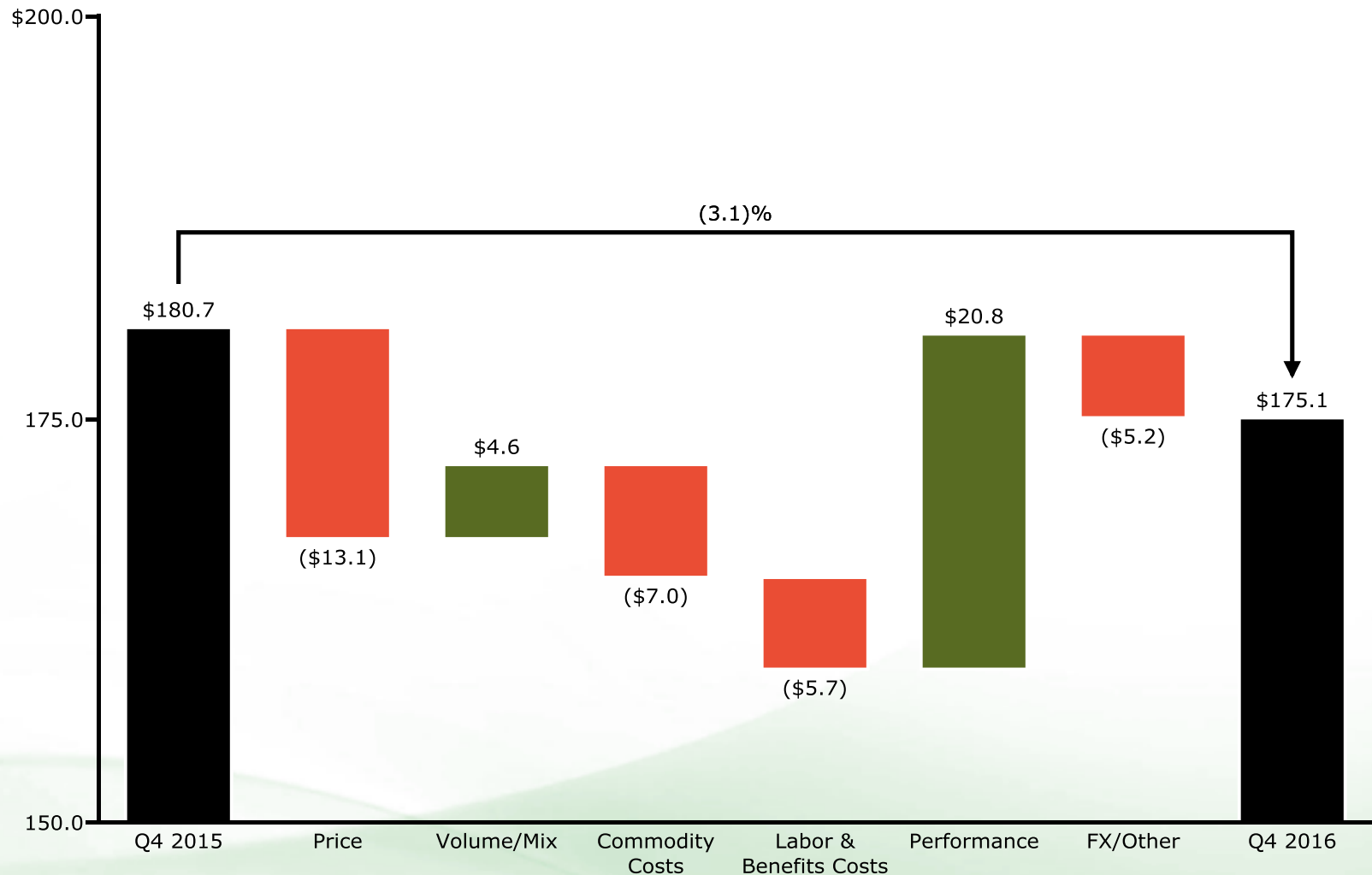
2016 Net Sales Comparison YoY

In US\$ millions



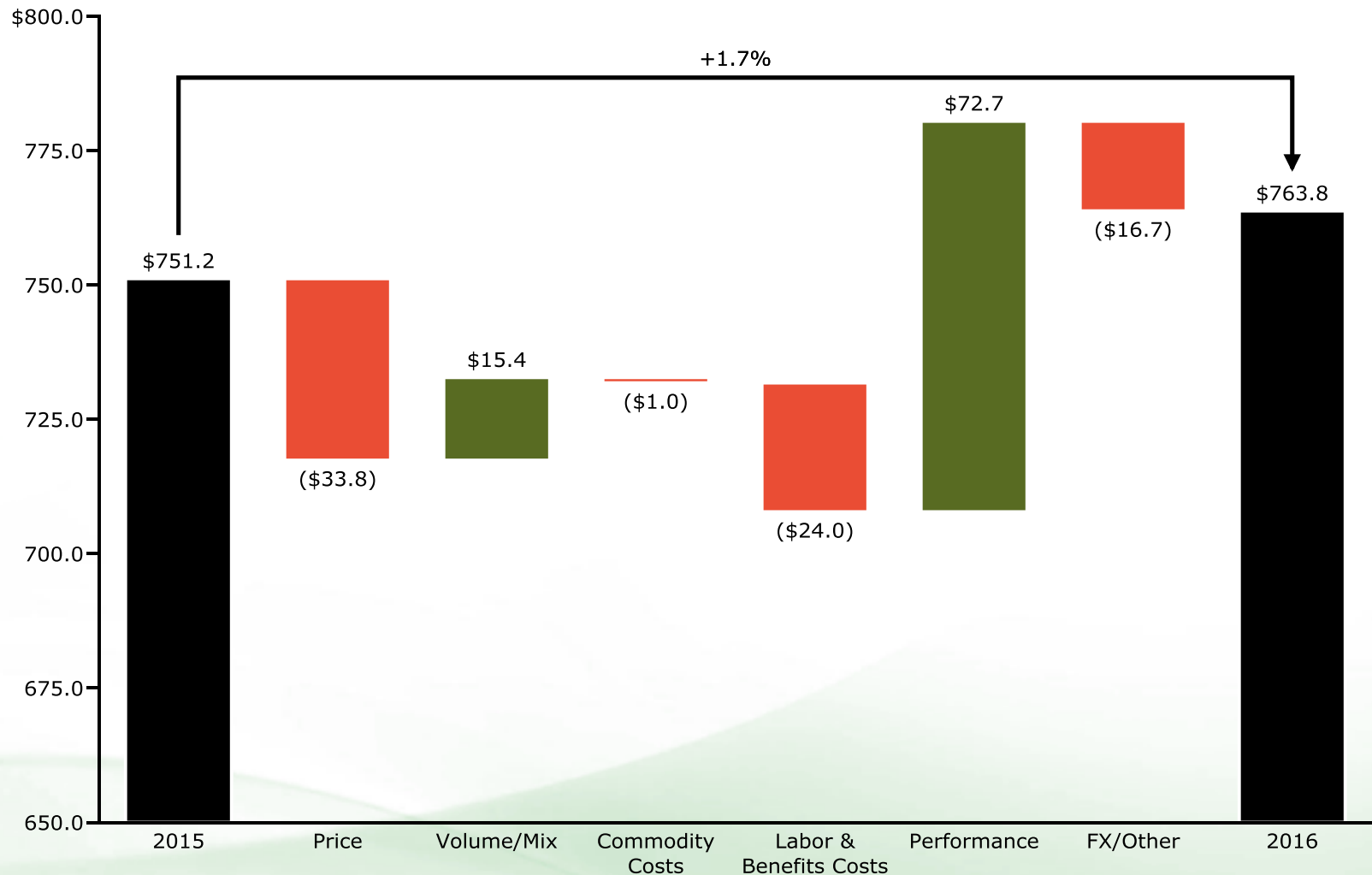
Q4'16 EBITDA Comparison YoY

In US\$ millions



2016 EBITDA Comparison YoY

In US\$ millions



Q4 and Full Year 2016 Cash Flow, Debt and Liquidity

- Net Debt decreased \$117M to \$2.1B in Q4 from Q3
 - Generated \$211 million in FCF in Q4
 - Quarterly capital expenditures of \$36 million
 - Share repurchase and dividend activity of \$74 million
- Net leverage ratio of 2.76x, up from 2.44x at the end of Q4'15
 - Net leverage in the targeted 2.5-3.0x range
 - 2016 cash flow of \$358 million
 - 2016 capex of \$295 million, acquisitions of \$364 million, and return of cash to shareholders via dividends and share repurchases of \$229 million
- Global liquidity > \$1.2B at year-end 2016

2017 Guidance

	<u>2016 Actual</u>	<u>2017 Guidance</u>
– Cash Flow available for Net Debt Reduction, Dividends & Share Repurchase (before M&A/Capital Markets activity)	\$358M	\$380-\$400M
– Capital Expenditures	\$295M	\$250M
– Cash Pension Contributions	\$51M	\$30-\$50M
– Pension Expense/(Income) (includes pension amortization)	\$22M	(\$4M)
– Cash Taxes	\$15M	\$15-\$25M
– Depreciation & Amortization (excluding pension amortization)	\$299M	\$300-\$320M
– Pension Amortization	\$28M	\$7M
– Interest Expense	\$77M	\$75-\$85M
– Effective Tax Rate (Normalized)	35.6%	35-37%
– Year End Net Leverage Ratio	2.76x	2.5x-3.0x