

Third Quarter 2019 Earnings Call



October 22, 2019

Michael P. Doss
President and Chief Executive Officer

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Executive Vice President and Chief Financial Officer



Inspired Packaging. A World of Difference.

FORWARD LOOKING STATEMENTS

Any statements of the Company's expectations in these slides, including but not limited to expected increases in sales due to pricing and volume performance improvements, 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, constitute "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Such statements 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, cost reduction plans, and integration activities, as well as 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.

Q3 2019 HIGHLIGHTS

- **Solid Financial & Operating Performance**
- **Organic Volume Growth**
- **Continued Positive Pricing to Commodity Input Costs**
- **Completed Previously Announced and Planned Extensive Mill Maintenance at Texarkana**
- **Significant Stakeholder Return in the Quarter**



INTEGRATED PACKAGING COMPANY DELIVERING PROFITABLE GROWTH IN ALL THREE PAPERBOARD SUBSTRATES

FINANCIAL PERFORMANCE

- Q3 Net Sales of \$1.58B, up 3.3% y/y
- Q3 Adjusted EBITDA of \$244M at the high-end of our expectations, reflecting solid execution
- Q3 benefited from pricing of \$34M, partially offset by commodity inflation of \$8M driven by higher wood costs
- Pricing to commodity input cost relationship was a positive \$26M in Q3, and a positive \$67M year-to-date
- Previously announced and planned extensive maintenance outage at the Texarkana SBS mill impacted performance
- Maintain 2019 Adjusted EBITDA and cash flow guidance of \$1.03B at midpoint (up 6% y/y) and ~\$525M, respectively

MARKETS & OPERATIONS

- Q3 volume up 2.6% driven by acquisitions and net organic volume growth
 - 100 basis points of net organic volume growth
 - Capturing benefits from consumer-driven shift into our innovative paperboard solutions
 - New product wins position business for 100-200 basis points of net organic volume growth in 2020
- Continue to expect 2019 pricing of ~\$120M
- Successfully completed the previously announced and planned extensive maintenance outage at the Texarkana SBS mill on time and on budget
- AF&PA reported Q3 operating rates for CRB and SBS of 98% and 93%, respectively; GPK CUK operating rate was 95%+ in Q3
- Backlogs remain at 5+ weeks for CUK; ~4 weeks for CRB; ~3 weeks for SBS

CAPITAL ALLOCATION

- Executing on Vision 2025 strategic initiatives
 - Driving organic growth opportunities from shift into innovative paperboard solutions; KeelClip™ machine orders & cup conversions
 - Artistic Carton acquisition provides compelling synergies, board integration, and market growth opportunities
 - Investing \$600M over next 2 years into CRB platform to drive structural cost reduction, improve product quality, and reduce environmental footprint
- Invested \$72M in capital expenditures in Q3
 - Projects to reduce raw material consumption, increase productivity, and improve quality
- Returned \$79M to stakeholders in Q3
 - \$50M in share repurchases
 - \$23M in dividends
 - \$6M in distributions to GPIIP Partner

Q3 2019 VOLUME AND PRICING

Q3 VOLUME UP 2.6% DRIVEN BY ACQUISITIONS AND NET ORGANIC VOLUME GROWTH

- 100 basis points of net organic volume growth
- Capturing benefits from consumer-driven shift into our innovative paperboard solutions
- New product wins position business for net organic volume growth of 100 basis points in 2H 2019 and 100-200 basis points in 2020
- Continued growth in plastic and foam replacement trend in foodservice markets

Q3 PRICING A POSITIVE \$34 MILLION

- Pricing to commodity input cost relationship \$26 million positive in Q3
- Pricing to commodity input cost relationship \$67 million positive in first nine months of 2019
- Continue to expect 2019 pricing of ~\$120 million

Q3 2019 OPERATIONS

PERFORMANCE

- Successfully completed the previously announced and planned extensive maintenance outage at the Texarkana SBS mill on time and on budget
- AF&PA reported Q3 operating rates for CRB and SBS of 98% and 93%, respectively; GPK CUK 95%+
- Backlogs remain at 5+ weeks for CUK; ~4 weeks for CRB; ~3 weeks for SBS

INVESTED \$72 MILLION IN CAPITAL EXPENDITURES IN Q3

- Capital projects focused on reducing raw material consumption, increasing productivity and improving quality
- New Monroe folding carton facility approaching full run-rate

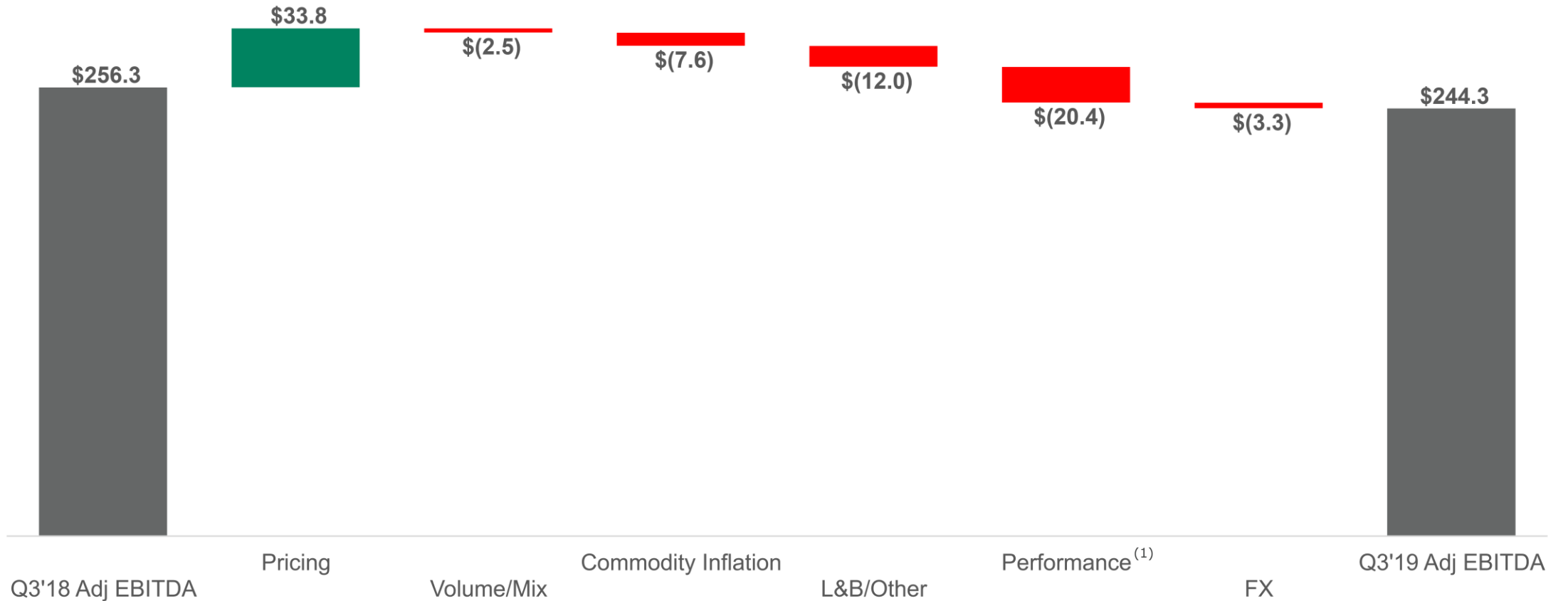
NET SALES PERFORMANCE

\$(M)



ADJUSTED EBITDA PERFORMANCE

\$(M)



(1) Performance includes impact of previously announced extensive maintenance outage at the Texarkana SBS paperboard mill

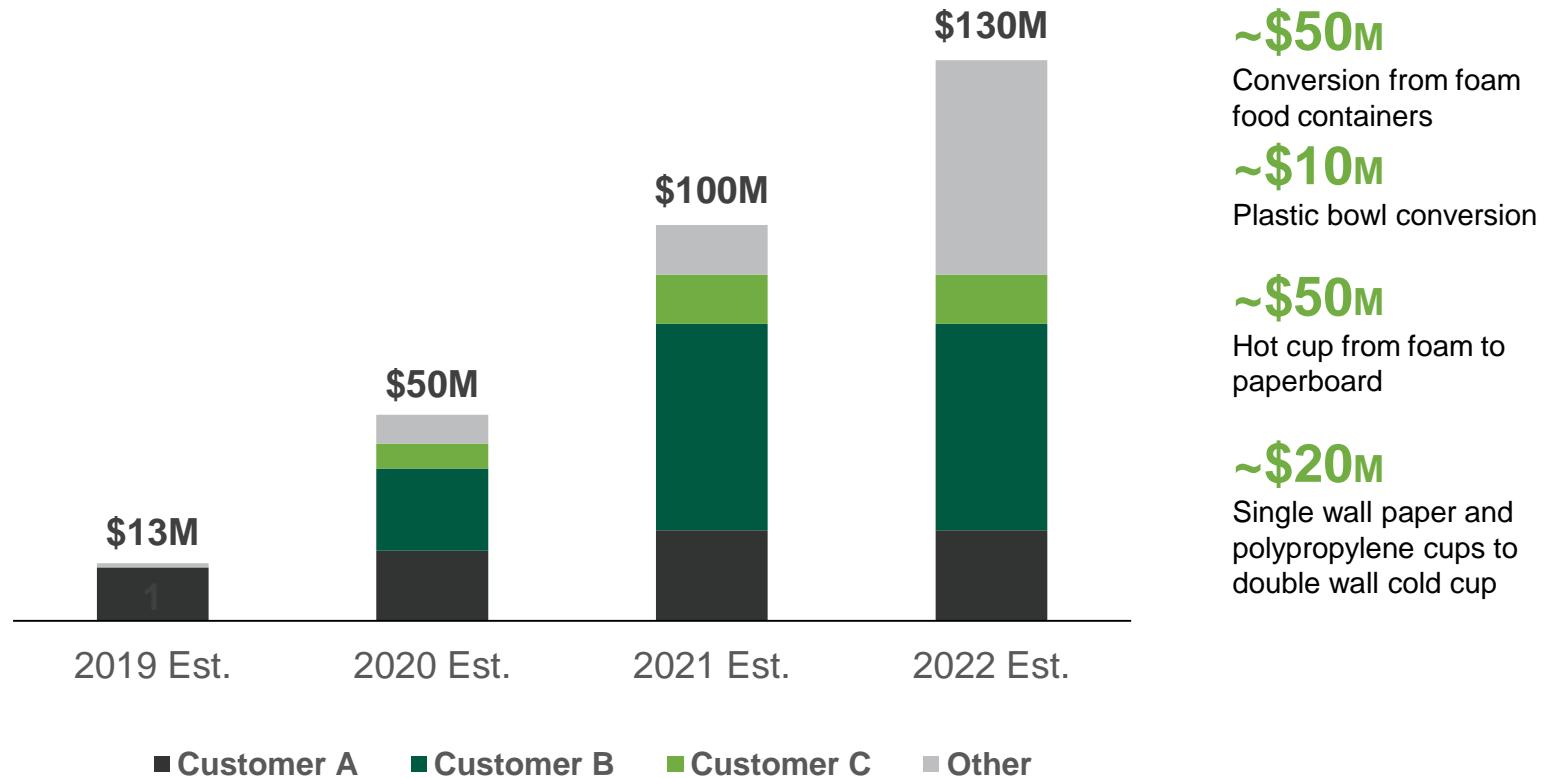
INSULATED PAPERBOARD CUP AND BOWL GROWTH IS ACCELERATING

VALUE DRIVERS

- Consumers' negative perception of foam and plastic are driving replacement actions
- Lowest cost option with similar functional characteristics



GROWTH PLAN (CUSTOMER COMMITTED)



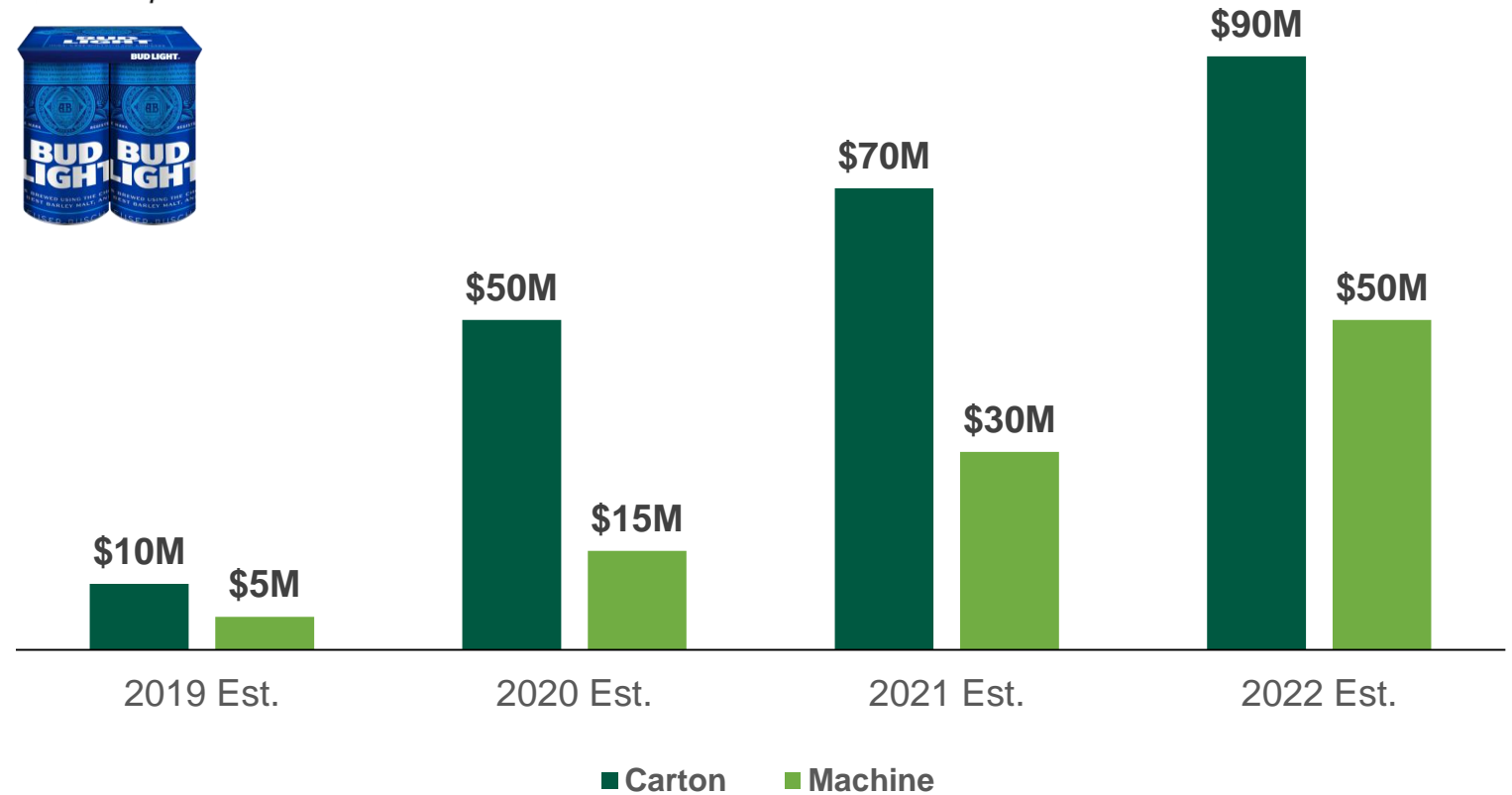
BEVERAGE PACKAGING GROWTH IN EUROPE IS ACCELERATING

VALUE DRIVERS

- Beverage brands focused on eliminating plastic & waste
- Improved sustainability profile
- Enhanced premium impact / brand messaging
- Efficient high-speed machinery solutions



GROWTH PLAN (CUSTOMER COMMITTED)



Q3 2019 CASH FLOW, DEBT AND LIQUIDITY

NET DEBT DECREASED \$51.8 MILLION FROM Q2 2019 to \$2.95 BILLION

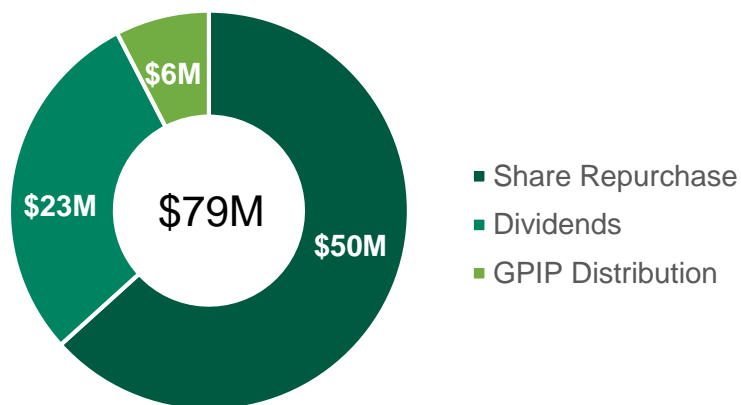
- Q3 capital expenditures of \$72 million
- Returned \$79 million to stakeholders
- Global liquidity ~\$1.5 billion including undrawn revolving credit facilities

PRO FORMA NET LEVERAGE RATIO OF 2.90x, DOWN SLIGHTLY FROM 2.91X AT END OF Q2 2019

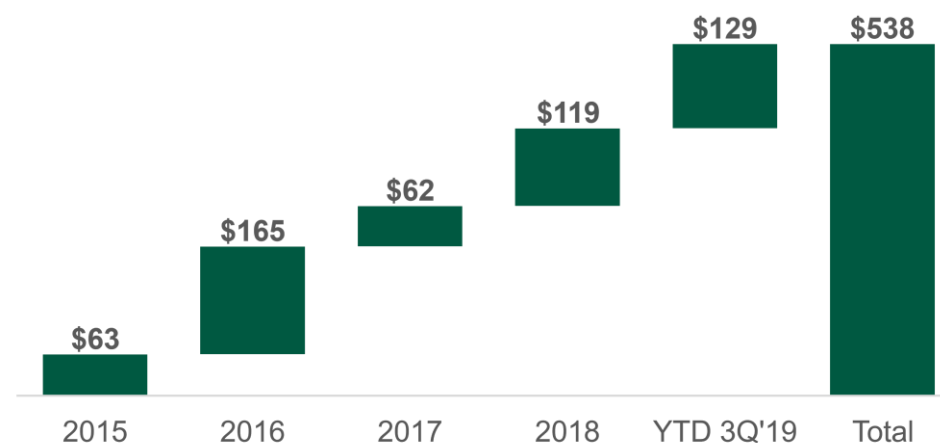
- Targeted leverage at 2019 year-end is ~2.6x

SIGNIFICANT RETURN TO STAKEHOLDERS

Q3 2019 RETURN



SHARE REPURCHASE HISTORY \$(M)



ROBUST SHARE REPURCHASE PROGRAM

- Year-to-date 2019 repurchased \$129 million of shares, a reduction of 3% from shares outstanding at program inception
- Since February 2015 repurchased \$538 million of shares, representing an 11% net reduction from shares outstanding at program inception
- Opportunistic repurchases will continue at prices below our estimate of intrinsic value

	US \$(M)	\$ Per Share	Number of Shares (M)	% of GPK Shares At Inception
YTD 3Q'19	\$129	\$12.54	10	3%
LTM 3Q'19	\$248	\$11.94	21	6%
Since Inception (1Q'15 – 3Q'19)	\$538	\$12.49	43	13% ⁽¹⁾

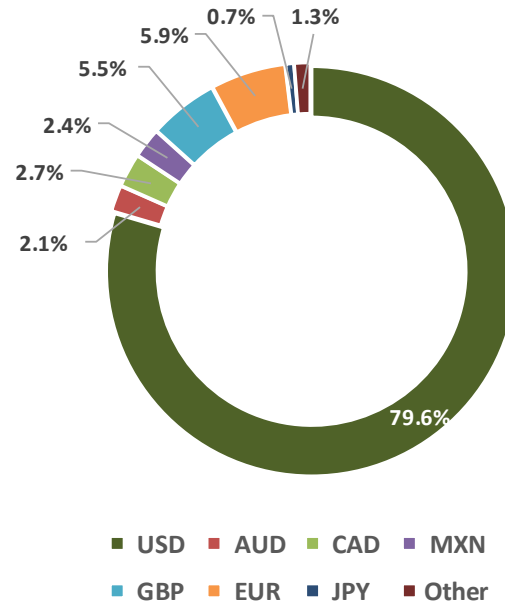
(1) Represents gross shares repurchased since inception

KEY COMMODITY ANNUAL CONSUMPTION FIGURES, REVENUE BY CURRENCY AND MILL MAINTENANCE SCHEDULE

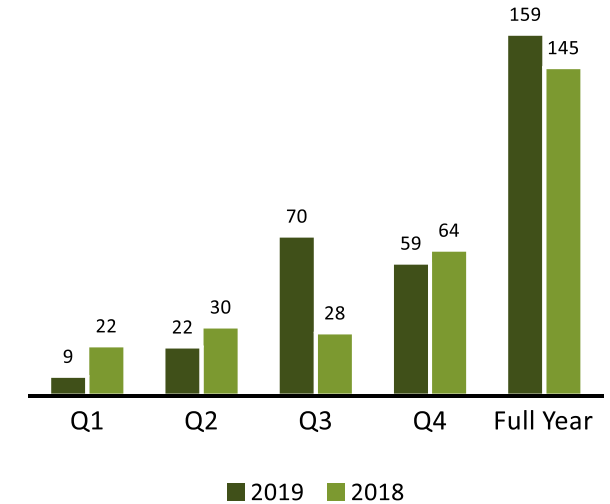
ANNUAL COMMODITY CONSUMPTION

Key Categories	Units
Wood (Million tons)	10
Recycled Fiber (Million tons)	1
Natural Gas (MMBTU)	22
Caustic Soda (000, tons)	40
Starch (Million lbs.)	150
TiO2 (Million lbs.)	25
Polyethylene (Million lbs.)	105

REVENUE BY CURRENCY



MILL MAINTENANCE SCHEDULE (DAYS)



(1) Q4 2019 figure is a forecast and includes the White Pigeon CRB mill
 (2) Excludes days related to maintenance outage for boiler rebuild in Augusta, GA SBS mill in Q4 2018

2019 GUIDANCE

	July 2019 Guidance	Oct 2019 Guidance
Cash Flow available for Net Debt Reduction, Dividends & Share Repurchase (before M&A/Capital Markets activity) ⁽¹⁾	~\$525M	~\$525M
Capital Expenditures	\$325M	\$350M ⁽²⁾
Cash Pension Contributions	\$10M	\$10M
Pension Expense/(Income) <i>(includes pension amortization)</i>	\$15M	\$15M
Cash Taxes	\$35M	\$35M
Depreciation & Amortization <i>(excluding pension amortization)</i>	\$450M	\$455M
Pension Amortization	\$10M	\$10M
Interest Expense	\$140M	\$140M
Effective Tax Rate (Normalized)	25%	25%
Year End Net Leverage Ratio	2.5x-3.0x	~2.6x

NOTE: Guidance assumes no additional acquisitions or share repurchases

(1) Cash Flow = ADJ EBITDA - Cash Interest - Cash Taxes - Pension Contributions - Cap Ex +/- Working Cap

(2) Includes \$25M for CRB mill consolidation

INITIAL 2020 GUIDANCE

2019 ADJ EBITDA Guidance	\$ 1,020 – 1,040M
Positive Volume, Price, Commodity Cost	\$ 10 – 30M
Positive Performance, Synergies, Labor Cost, Other	\$ 10 – 30M
2020 Initial ADJ EBITDA Guidance	\$ 1,040 – 1,100M
Cash Flow⁽¹⁾	\$ 200 – 275M

Maintain significant financial flexibility:



- Share repurchases
- Targeted acquisitions
- IP redemption
- Debt reduction

CAPEX (\$M)



(1) Cash Flow = ADJ EBITDA – Cash Interest - Cash Taxes - Pension Contributions - Cap Ex +/- Working Cap

(2) Includes \$25M for CRB mill consolidation

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
<i>In millions, except per share amounts</i>				
Net Income Attributable to Graphic Packaging Holding Company	\$ 52.1	\$ 94.3	\$ 173.8	\$ 173.6
Add (Subtract):				
Net Income Attributable to Noncontrolling Interest	17.9	27.7	60.4	57.1
Income Tax Expense	16.9	17.8	60.9	41.4
Equity Income of Unconsolidated Entity	(0.1)	(0.3)	(0.5)	(1.0)
Interest Expense, Net	35.9	31.0	106.4	90.1
Depreciation and Amortization	113.0	112.2	345.4	336.3
EBITDA	235.7	282.7	746.4	697.5
Gain on Sale of Assets	—	(37.1)	—	(38.6)
Charges Associated with Business Combinations and Shutdown and Other Special Charges ^(a)	8.6	10.7	24.7	62.1
Loss on Modification or Extinguishment of Debt	—	—	—	1.9
Adjusted EBITDA	\$ 244.3	\$ 256.3	\$ 771.1	\$ 722.9
Adjusted EBITDA Margin (Adjusted EBITDA/Net Sales)	15.4 %	16.7 %	16.6 %	16.0 %
Net Income Attributable to Graphic Packaging Holding Company	\$ 52.1	\$ 94.3	\$ 173.8	\$ 173.6
Gain on Sale of Assets	—	(37.1)	—	(38.6)
Charges Associated with Business Combinations and Shutdown and Other Special Charges ^(a)	8.6	10.7	24.7	62.1
Loss on Modification or Extinguishment of Debt	—	—	—	1.9
Tax Impact of, Business Combinations, Shutdown and Other Special Charges, Gain on Sale of Assets, and Loss on Modification or Extinguishment of Debt	(1.5)	5.6	(4.8)	(5.6)
Tax Reform	—	(10.9)	—	(10.9)
Noncontrolling Interest, Net of Tax	(1.8)	6.5	(5.0)	(0.6)
Adjusted Net Income Attributable to Graphic Packaging Holding Company	\$ 57.4	\$ 69.1	\$ 188.7	\$ 181.9
Adjusted Earnings Per Share - Basic	\$ 0.20	\$ 0.22	\$ 0.64	\$ 0.59
Adjusted Earnings Per Share - Diluted	\$ 0.20	\$ 0.22	\$ 0.64	\$ 0.58

^(a) For the three months ended September 30, 2019 and September 30, 2018, \$0.4 million and \$1.0 million, respectively, is recorded in costs of sales for inventory valuation adjustments related to business combinations. For the nine months ended September 30, 2019 and September 30, 2018, \$0.4 million and \$16.0 million, respectively, is recorded in costs of sales for inventory valuation adjustments related to business combinations.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

<i>In millions</i>	Twelve Months Ended		
	September 30,	September 30,	December 31,
	2019	2018	2018
Net Income	\$ 221.3	\$ 347.5	\$ 221.1
Add (Subtract):			
Net Income Attributable to Noncontrolling Interest	76.2	57.1	72.9
Income Tax (Benefit) Expense	74.2	(71.2)	54.7
Equity Income of Unconsolidated Entities	(0.7)	(1.4)	(1.2)
Interest Expense, Net	140.0	113.4	123.7
Depreciation and Amortization	446.0	431.2	436.9
EBITDA	957.0	876.6	908.1
Charges Associated with Business Combinations and Shutdown and Other Special Charges	32.6	79.1	70.0
Extended Augusta Mill Outage (fourth quarter of 2018)	29.6	—	29.6
Gain on Sale of Assets, Net	—	(42.3)	(38.6)
Loss on Modification or Extinguishment of Debt	—	1.9	1.9
Adjusted EBITDA	1,019.2	915.3	971.0
EBITDA Attributable to NACP from October 1, 2017 to December 31, 2017	—	62.0	—
Adjusted EBITDA for Purposes of Calculating Net Leverage Ratio	\$ 1,019.2	\$ 977.3	\$ 971.0
	September 30,	September 30,	December 31,
	2019	2018	2018
Calculation of Net Debt:			
Short-Term Debt and Current Portion of Long-Term Debt	\$ 54.4	\$ 51.9	\$ 52.0
Long-Term Debt ^(a)	2,948.4	2,892.0	2,915.7
Less:			
Cash and Cash Equivalents	(48.7)	(39.7)	(70.5)
Total Net Debt	\$ 2,954.1	\$ 2,904.2	\$ 2,897.2
Net Leverage Ratio (Total Net Debt/Adjusted EBITDA)	2.90	2.97	2.98

^(a) Excludes unamortized deferred debt issue costs



Graphic
Packaging