

# First Quarter 2020 Earnings Call



April 21, 2020

**Michael P. Doss**  
President and Chief Executive Officer

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



**Inspired Packaging. A World of Difference.**

# FORWARD LOOKING STATEMENTS

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Any statements of the Company's expectations in these slides, including but not limited to the planned continuation of the Company's dividend and share repurchase practices, the timing of the closure of the White Pigeon, MI mill and the shutdown of the P1 containerboard machine in West Monroe, LA, expectations regarding some components of Adjusted EBITDA and cash flow for 2020, and the financial impact of the delay of the West Monroe, LA mill maintenance outage, as well as expected capital spending, pension expense and settlement charges, timing for payment of U.S. federal 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, the effects of the COVID-19 pandemic on the Company's operations and business, 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.

## NON-GAAP FINANCIAL MEASURES

This presentation includes certain financial measures that exclude or adjust for charges or income associated with business combinations, facility shutdowns, extended mill outages, sales of assets and other special charges or income. The Company's management believes that the presentation of these financial measures provides useful information to investors because these measures are regularly used by management in assessing the Company's performance. These financial measures are not calculated in accordance with generally accepted accounting principles in the United States ("GAAP") and should be considered in addition to results prepared in accordance with GAAP, but should not be considered substitutes for or superior to GAAP results. In addition, these non-GAAP financial measures may not be comparable to similarly-titled measures utilized by other companies, since such other companies may not calculate such measure in the same manner as we do. A reconciliation of these measures to the most relevant GAAP measure is available in our latest earnings press release which can be found in the Investors section on the Graphic Packaging website at [www.graphicpkg.com](http://www.graphicpkg.com).

# COVID-19 CRISIS RESPONSE

## EMPLOYEES

- Ensuring safety and health of essential front-line production employees globally
- Global pandemic committee established to develop and implement safety protocols to fully support employees
- Providing \$5M in payments to front-line production employees to acknowledge key contributions
- Established work from home protocols for all non-production employees

## CUSTOMERS

- Deemed essential critical infrastructure by the U.S. Department of Homeland Security; received similar designations in all of the global regions in which we operate
- Maintaining 98% plus supply chain continuity across critical Food, Beverage, Foodservice & Consumer markets
- Meeting increased volume needs, specifically focused on stocking store shelves and medical supplies globally

## COMMUNITIES

- Adhering to local, state and regional government guidelines
- Providing \$5,000 contributions to local food banks in every community with GPK manufacturing operations
- Organizing volunteer opportunities with local and national philanthropies to support communities with GPK manufacturing operations

# Q1 2020 HIGHLIGHTS



- Solid Financial Performance, Margin Expansion and Net Organic Volume Growth
- Actively Keeping Employees Safe and Serving Global Customers
- Integrating Recent Tuck-Under Folding Carton Acquisitions
- Accelerating Strategic Actions, White Pigeon CRB Mill & Containerboard Machine Closures
- \$1.5 Billion in Global Liquidity, Significant Balance Sheet Strength
- Continued Robust Capital Return to Stakeholders in the Quarter
- Committed to Ongoing Capital Return through Continued Dividend and Partner Distributions

# Q1 2020 SUMMARY

## FINANCIAL PERFORMANCE

- Q1 Net Sales \$1.6B, up 6% y/y
- Q1 pricing of \$14M and net commodity input cost deflation of \$17M; \$31M positive price/cost relationship
- Q1 performance of \$19 million driven by cost efficiencies, benefits from capital projects and synergies
- Q1 Adj. EBITDA \$295M, up 14% y/y
- Q1 Adj. EPS \$0.31, up 48% y/y
- Q1 Integration Rate 69%
- Q1 Net leverage ratio of 3.2x

## MARKETS & OPERATIONS

- Q1 net organic volume growth of 500 basis points excluding the positive impact of leap year
  - Q1 net organic volume growth of 400 basis points excluding leap year and net volume from the COVID-19 crisis
  - Q1 net organic volume growth driven by new product development initiatives and conversions to paperboard solutions
- AF&PA reported Q1 operating rates for CRB and SBS of 98% and 95%, respectively; GPK CUK operating rate remained 95%+ in Q1, global CUK volume up 5% y/y in 1Q20
- Backlogs at 5+ weeks for CUK, 4 weeks for CRB and 3-4 weeks for SBS

## CAPITAL ALLOCATION

- Successfully closed acquisitions and began integration of eight converting facilities in the U.S.
- Returned \$396M to stakeholders through dividends, share repurchases, distributions and partnership redemptions
  - \$250M in partnership redemptions
  - \$119M in share repurchases
  - \$22M in dividends
  - \$5M in distributions
- Board of Directors remains committed to continued stakeholder return via dividends and distributions

# DIVERSIFIED MARKET PARTICIPATION

## FOOD



- ❖ Primarily Grocery Stores
  - Frozen Foods
  - Boxed Foods including Pasta, Cereal & Crackers

## BEVERAGE



- ❖ Primarily Grocery, Convenience, & Liquor Stores
  - Soft Drinks, Beer, Seltzers & Energy Drinks

## FOODSERVICE



- ❖ Primarily Quick Service Restaurants, Convenience Stores, & Entertainment Venues
  - Hot & Cold Cups

## CONSUMER



- ❖ Primarily Grocery Stores
  - Household Products
  - Personal/Health Care
  - Pet Care, Tissue



# CONTINUED EXECUTION OF STRATEGIC TUCK-UNDER ACQUISITIONS; DRIVING CUSTOMER EXPANSION AND INCREASED INTEGRATION RATES

## CONSUMER PACKAGING GROUP (Greif, Inc.)

- \$85M purchase price; estimated \$20M of annualized EBITDA w/ synergies over 24 months
- 7 converting facilities; ~125K tons of paperboard consumed annually, predominately CRB
- ~300 basis point increase in paperboard integration rate over time; 100 basis points expected in first year
- Enhancing service capabilities to small-to-medium sized customers; opportunity for structural fixed cost reduction in converting plant footprint over time
- Transaction provided 90k+ ton CRB supply agreement

## CONVERTING FACILITY in OMAHA, NEBRASKA

- \$40M purchase price; estimated \$7M of annualized EBITDA w/ synergies over 24 months
- 1 converting facility; ~40K tons of paperboard consumed annually, predominately CRB
- >100 basis point increase in paperboard integration rate upon execution
- Strengthening food, beverage and industrial market participation

**Compelling post-synergy multiples and above cost of capital returns**

# Q1 2020 FINANCIAL RESULTS

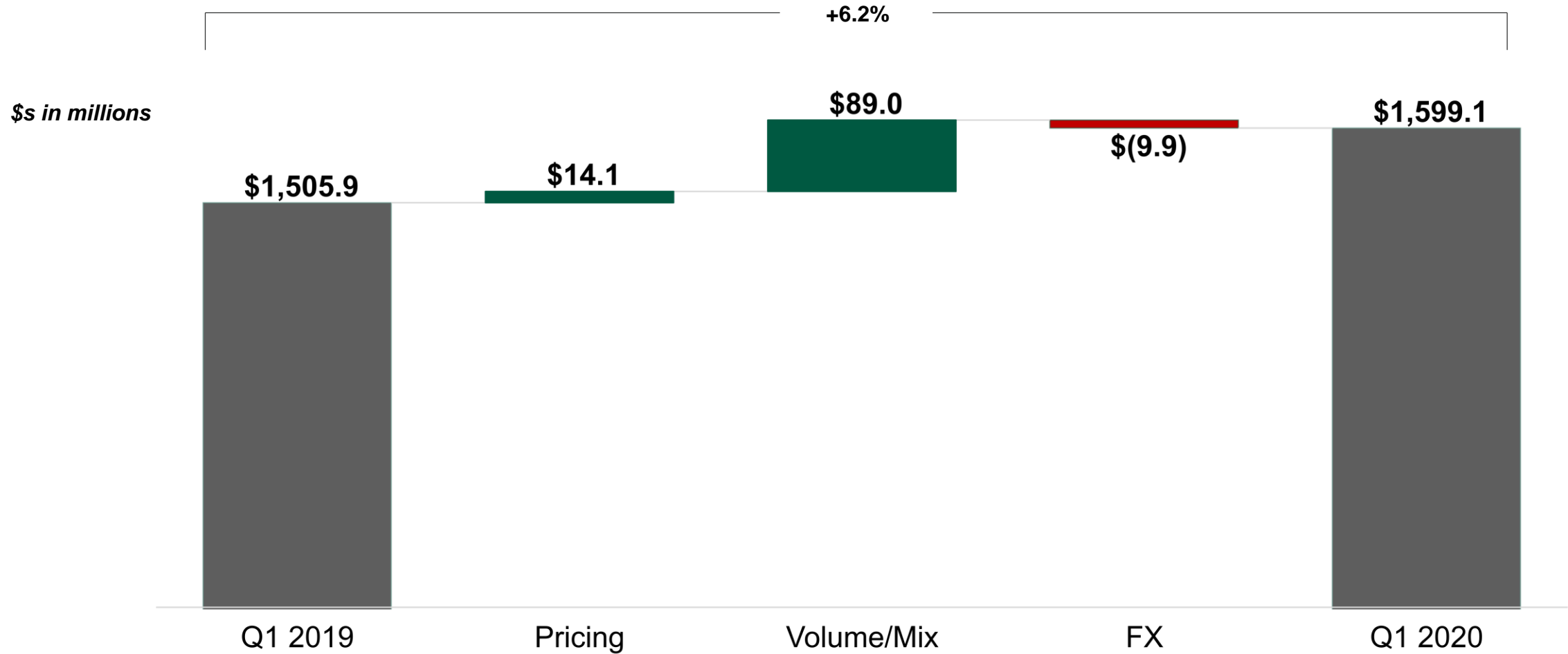
(US\$ M)	Q1 2020	Q1 2019	% Chg
Net Sales	\$1,599	\$1,506	+6%
Adj. EBITDA	\$295	\$260	+14%
Adj. EBITDA Margin	18.4%	17.3%	+110bps
Adj. EPS	\$0.31	\$0.21	+48%
Global Liquidity	\$1,474	\$1,044	+41%

- Net Sales +6% y/y
  - Net organic volume growth 5% y/y (excl. impact of leap year)
  - Net organic volume growth 4% y/y (excl. impact of COVID-19 & leap year)
- Adj. EBITDA +14% y/y
- Adj. EBITDA Margin +110 basis points
- Adj. EPS +48% y/y
- \$1.5B in Global Liquidity

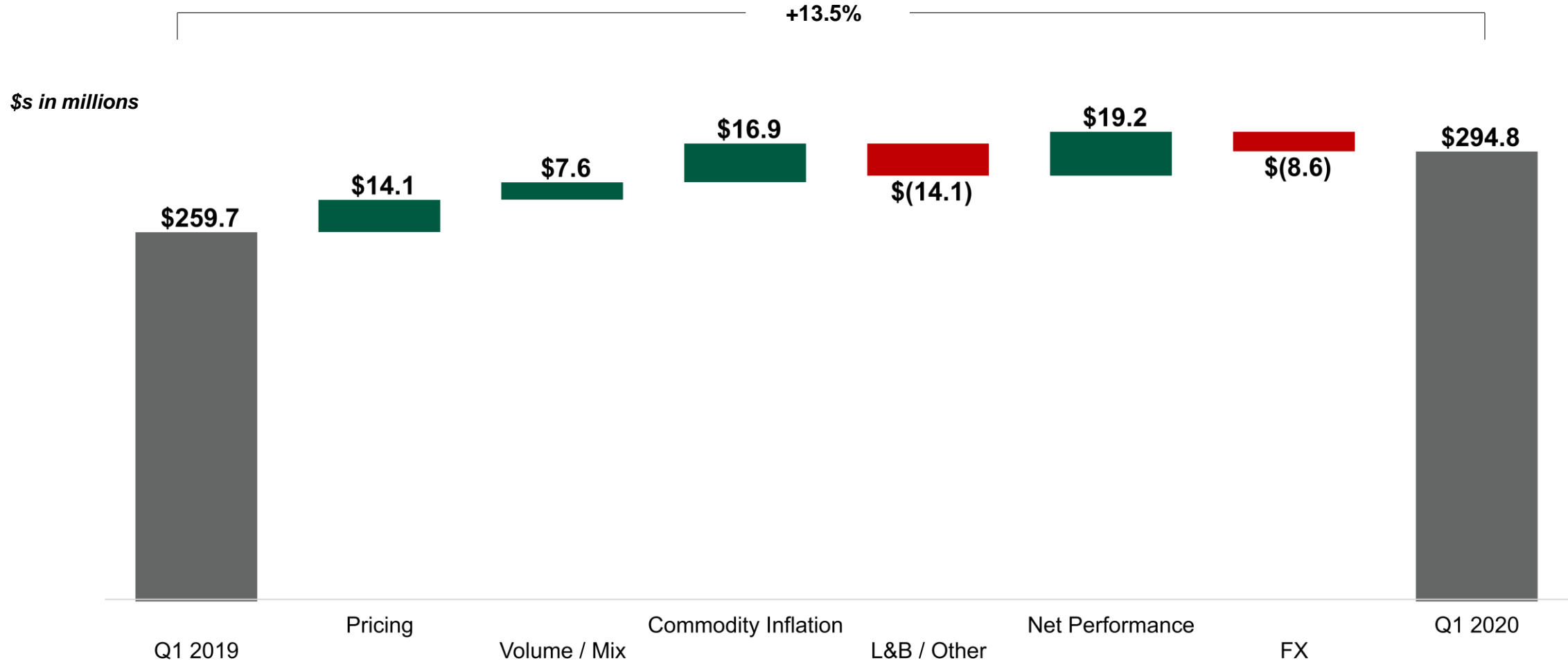
Adjusted figures represent non-GAAP measures. Please refer to earnings press release for reconciliations to equivalent GAAP measures.



# Q1 2020 NET SALES PERFORMANCE

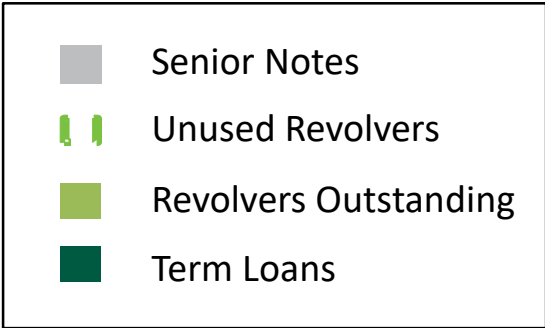
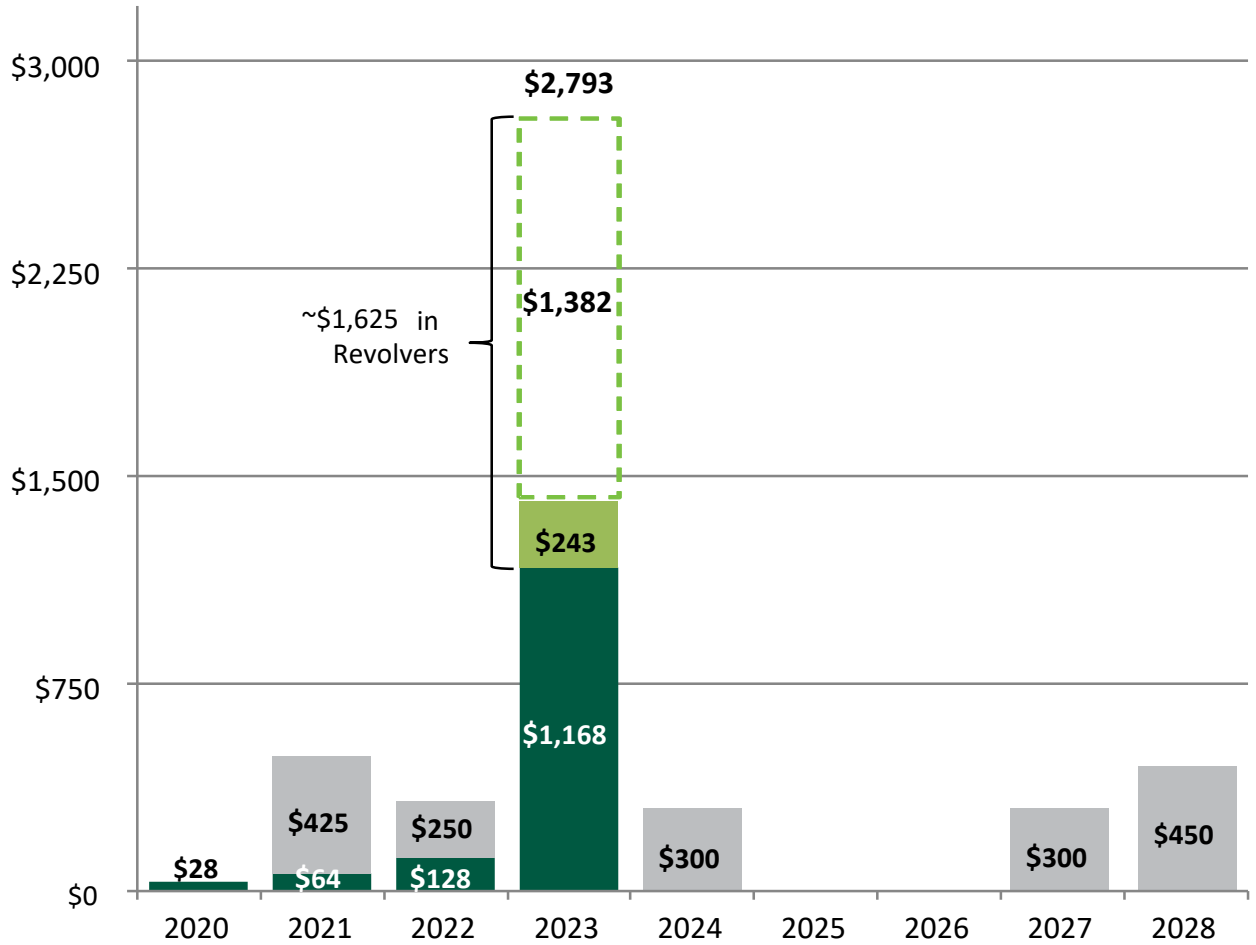


# Q1 2020 ADJUSTED EBITDA PERFORMANCE



# GRAPHIC PACKAGING DEBT MATURITY AND LIQUIDITY PROFILE AT Q1 2020

\$s in millions

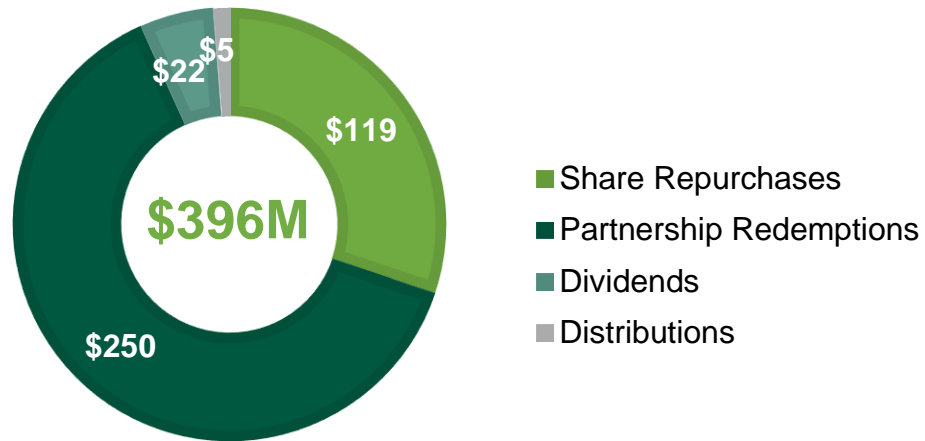


Revolvers	\$1,625
Borrowings / LCs <sup>(1)</sup>	(261)
Cash & Equivalents	<u>110</u>
<b>Total Liquidity</b>	<b>\$1,474</b>

(1) Includes \$18M in letters of credit

# TRACK RECORD OF STAKEHOLDER RETURN

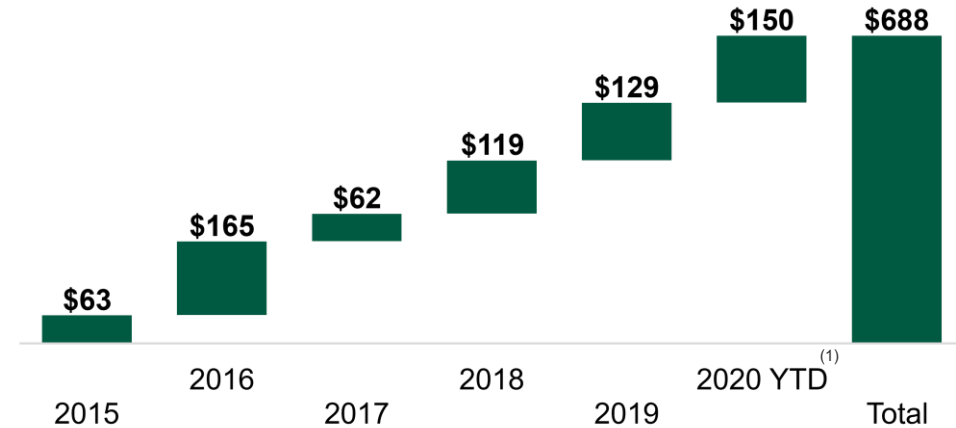
## Q1 2020 STAKEHOLDER RETURN



## ROBUST STAKEHOLDER RETURN COMMITMENT

- \$250M Partnership Redemption in Q1 2020
- \$150M Share Repurchases April 2020 YTD<sup>(1)</sup> at \$12.80/share
- Commitment to current dividend and distribution policy
- Since February 2015 repurchased \$688 million of shares, representing a 17% gross reduction from shares outstanding at program inception

## SHARE REPURCHASE HISTORY \$(M)



	US \$(M)	\$ Per Share	Number of Shares (M)	% of GPK Shares At Inception <sup>(2)</sup>
April 2020 YTD <sup>(1)</sup>	\$150	\$12.80	12	4%
Since Jan 2018 (1Q'18 – 2Q'20 <sup>(1)</sup> )	\$398	\$12.25	32	10%
Since Inception (1Q'15 – 2Q'20 <sup>(1)</sup> )	\$688	\$12.56	55	17%

(1) Thru 4-16-20

(2) Represents gross shares repurchased since inception

# GPK/IP PARTNERSHIP

## INITIAL \$250M PARTNERSHIP REDEMPTION COMPLETED

GPK/IP Partnership Units	As of 12/31/19	% of Ownership Interest	As of 04/20/20	% of Ownership Interest
GPK Units	290.2	78.4%	279.3	81.2%
IP Units	79.9	21.6%	64.8	18.8%
Total	370.1	100.0%	344.1	100.0%



**7% YTD reduction**

## TIMING AND LIQUIDITY

- Acquired initial \$250M of partnership ownership interest per the agreement in January
- 15.1M partnership units at a price of \$16.50
- Next potential \$250M redemption is July 2020 per the agreement
- Assuming IP continues to reduce the ownership interest per the agreement, GPK does not expect to be a material U.S. Federal cash taxpayer until 2024

# SUSPENDING ADJUSTED EBITDA AND CASH FLOW GUIDANCE ALLOWING TIME TO ASSESS POTENTIAL SHIFTS IN CONSUMER BEHAVIOR AND SPENDING PATTERNS

## EBITDA Components

Price	\$10M – \$20M
Volume	Suspending
Commodity Input Costs	\$10M – (\$10M)
Net Performance	Suspending
L&B / Other <sup>(1)</sup>	(\$50M – \$60M)
FX <sup>(2)</sup>	(\$10M – \$15M)

## Cash Flow Components

Cap Ex	~(\$600M)
Interest	(\$125M – \$135M)
Tax	(\$30M – \$40M)
Working Capital	\$0 – \$40M
Pension	(\$10M – \$20M)

(1) Other primarily includes inflation associated with insurance and property taxes

(2) FX range at current rates

# 2020 MAINTENANCE OUTAGE COST IMPACT AND SUPPLEMENTAL INFORMATION

## Net Maintenance Outage Cost Impact Y/Y with Monroe Maintenance Outage Moved to Q3 (\$M)

	Q1	Q2	Q3	Q4
Original Schedule	\$0	(\$55)	+\$30	+\$25
Current Schedule	\$0	(\$28)	\$0	+\$25

	2019 Actual	2020 Guidance
Pension Expense/(Income) <sup>(1)</sup> (includes pension amortization)	\$16M	~\$14M
Depreciation & Amortization <sup>(2)</sup> (excluding pension amortization)	\$447M	~\$460M
Pension Amortization	\$10M	~\$5M

(1) Pension expense for 2019 excludes \$39.2 million non-cash pension plan settlement charge. Pension expense guidance for 2020 excludes \$152.5M non-cash pension plan settlement charge.

(2) D&A 2019 actual includes \$4.7M of accelerated depreciation related to exit activities. D&A 2020 guidance range excludes approximately \$20M of accelerated depreciation related to exit activities.



# APPENDIX



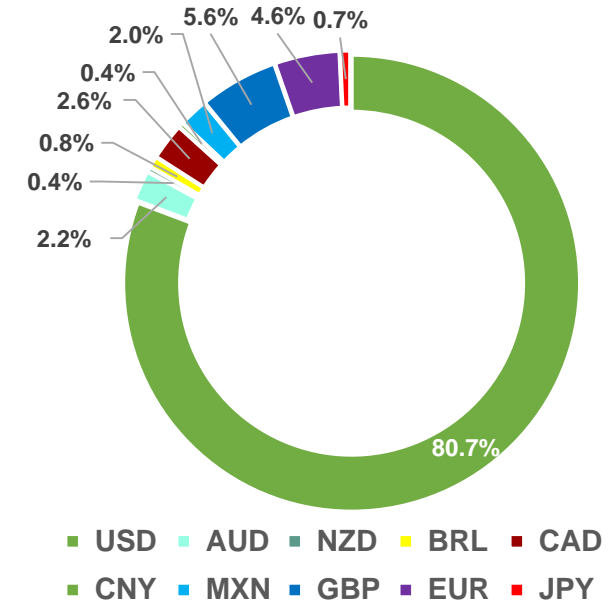
Graphic  
Packaging

# SUPPLEMENTAL INFORMATION

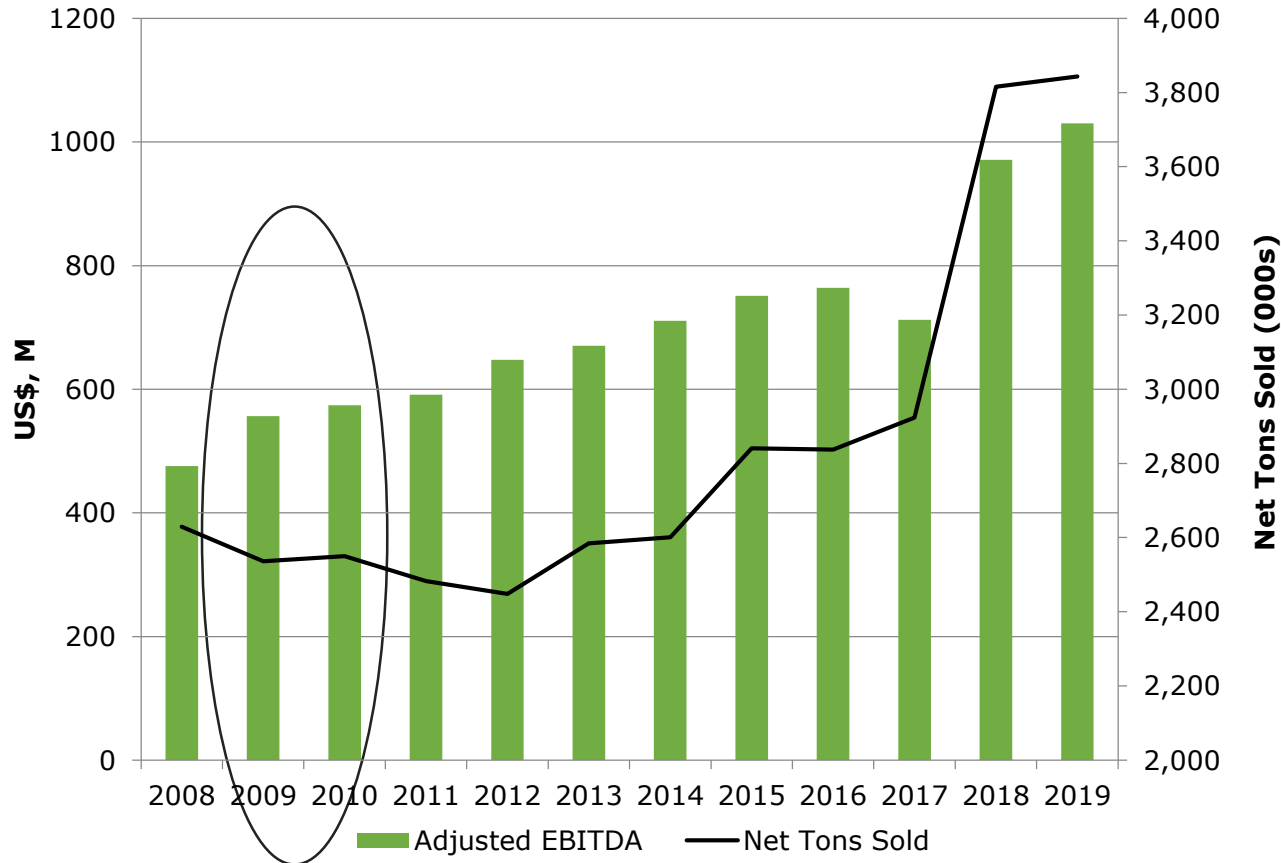
## COMMODITY ANNUAL CONSUMPTION

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

## 2019 REVENUE BY CURRENCY



# RECESSION RESISTANT MODEL HISTORICALLY



## Last Recession - What happened in 2009?

Core folding carton volume declined 3.6%

Adj. EBITDA improved \$81M y/y to \$556 million or 14%

- \$54M increase in Adj. EBITDA y/y driven by positive price/cost relationship, productivity, synergy realization
- \$27M increase in acquired Adj. EBITDA

SBS industry demand down mid-to-high single digits in 2009, largely recovered in 2010<sup>(1)</sup>

(1) As reported by AF&PA; GPK did not own SBS assets until January 2018



Graphic  
Packaging