

# First Quarter 2021 Earnings Call



April 27, 2021

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**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 intent to acquire Americraft Carton, Inc. and expected synergies from such acquisition, projected organic sales and EBITDA growth, 2021 Adjusted EBITDA and Adjusted cash flow (and certain components thereof), capital expenditures, depreciation and amortization, pension expense and amortization, effective tax rate and year-end 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 demand for its products, inflation of and volatility in raw material and energy costs, 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 the Company's debt level, 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 U.S. federal income tax attributes to offset U.S. federal income taxes and the timing related to the Company's future U.S. federal income tax payments. 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).

# Q1 2021 HIGHLIGHTS



- Sustained Net Organic Sales Growth, up 2% y/y in Q1 21; 3% Growth over LTM Driven by Conversions to Fiber-Based Packaging Solutions and Increased At-Home Consumption
- Providing Industry Leading Customer Service, Meeting Strong Fiber-Based Packaging Demand and Introducing New Innovative Solutions; Maintained Continuity for Customers through Winter Storm Uri Downtime
- Adjusted EBITDA \$240M, Negatively Impacted by \$29M of Winter Storm Uri Related Costs and \$34M of Commodity Input Cost Inflation
- Executing Price Actions to Offset Commodity Input Cost Inflation
- Increased Paperboard Integration Rate to 71% in Q1, up 200 basis points y/y
- Strengthened Balance Sheet and Interest Rate Profile by Issuing \$800 Million of 0.8% and 1.5% Senior Secured Notes and Through Retirement of \$425 Million Higher Interest Rate Debt with Farm Credit System Loan
- Acquired \$400 Million of Partnership Interest from International Paper; Wind Down of Successful Partnership Continues with Current Minority Ownership Interest of ~7%, Down from Initial ~21%
- Continuing Balanced Approach to Capital Allocation; Strategic M&A to Complement Organic Growth and Return Enhancing Investments in Support of Vision 2025
  - Announcing Intent to Acquire Americraft Carton, Inc.
  - Kalamazoo, Michigan and Texarkana, Texas Projects Remain On Track and On Budget

# AMERICRAFT CARTON, INC.



- Leading privately owned folding carton producer in North America
- Low-cost and high-quality business with seven well-capitalized converting facilities; 100+ year operating history; graphic and structural design capabilities
- ~\$200 million in Sales, ~\$30 million in Adjusted EBITDA; new and existing customers and end markets
- 300 basis point paperboard integration opportunity across all three substrates over 24 months
- Expect \$10 million in synergies over 24 months

# INCREASED DEMAND FOR SUSTAINABLE PACKAGING IN OUR GROWTH MARKETS DRIVES 100-200BPS OF ORGANIC SALES GROWTH PER YEAR

\$7.5 BILLION ADDRESSABLE MARKET

## PLASTIC SUBSTITUTION

Foodservice Cups and Cartons



Beverage Multi-packs



Food Trays (non cooking)



## COOKING SOLUTIONS

Microwave Technologies



Paperboard Bowls and Trays



## STRENGTH PACKAGING

Club Stores and Mass Retailers



E-commerce (SIOC)



## PLATFORM ENABLERS

### PACKAGING DESIGN AND PREMIUMIZATION





## EXPANDING MARKETS FOR FIBER-BASED PACKAGING

### EXTENDING PAPERSEAL® INNOVATION TO NEW APPLICATIONS

- PaperSeal currently commercial in Europe and Australia with major retailers including ASDA, Aldi, ICA, Lidl, Marks & Spencer and Woolworths
- Building on momentum, launched PaperSeal Slice® and PaperSeal Wedge applications in March
- Recyclable barrier-lined paper packaging for sliced meats and cheeses
- Reduces plastic by 75% to 80% compared to existing solutions
- Design allows for enhanced branding opportunities and meets requirements of high-speed food manufacturing lines
- Excellent seal integrity to ensure safe and hygienic packaging and provides equivalent shelf life to existing solutions





## EXPANDING MARKETS FOR FIBER-BASED PACKAGING

### INTRODUCING NEW PRODUCEPACK™ PUNNET TRAY LINE

- ProducePack™ range of solutions for fresh produce including apples, mandarins, kiwis and tomatoes
- Launch of ProducePack Punnet expands offering into a wider variety of fresh produce including berries and snacking-sized vegetables
- Sustainable, 100% recyclable, preserves fresh produce from field to store
- Range of solutions can be hand or machine packed for small scale or mass production
- Sealed at speeds equivalent to existing solutions, works with existing machinery, enables branding and in-store differentiation
- Available in Europe and the United States



# REDEFINING INDUSTRY LEADERSHIP

# VISION 2025



- Capturing strong global demand for fiber-based packaging driven by innovation and packaging solutions that scale; driving **sustained net organic sales growth**
- Differentiated by investments in infrastructure, well-capitalized mills and converting facilities are **competitively advantaged with lowest cost, highest quality fiber-based packaging solutions**
- **Significant cash flow generation and strong balance sheet** provide capital to continue to invest in the business and execute strategic M&A; supporting growth and return goals
- Commitment to **price offsetting commodity input cost inflation**, relentless focus on limiting dislocation when inflationary pressures exist
- **Vertically integrated model drives operating efficiencies and optimization**, incorporates sustainability mindset into all steps of the manufacturing process; development of unique solutions that consider overall impact on the environment



# FIRST QUARTER 2021 FINANCIAL RESULTS

(US\$ M)	Q1 2021	Q1 2020	% Chg
Net Sales	\$1,649	\$1,599	+3%
Adj. EBITDA	\$240	\$295	-19%
Adj. EBITDA Margin	14.6%	18.4%	-380bps
Adj. EPS	\$0.23	\$0.31	-26%
Global Liquidity	\$1,444	\$1,474	
Integration Rate <sup>(1)</sup>	71%	69%	+200bps

## Q1: STRONG DEMAND ENVIRONMENT, WINTER STORM URI IMPACT

- Net Sales up 3% y/y
  - Net Organic Sales<sup>(2)</sup> up 2% y/y
- Adj. EBITDA \$240M
  - Margin negatively impacted by \$29M of Winter Storm Uri costs and \$34M of commodity input cost inflation
- Adj. EPS \$0.23
- \$1.44B in Global Liquidity

(1) Integration rate is defined as paperboard we produce which is converted in manufacturing facilities we operate.

(2) Net organic sales = Net sales – open market sales – sales from acquisitions closed within the last 12 months - pricing – FX impact.

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

# Q1 2021 SUMMARY

## FINANCIAL PERFORMANCE

- Q1 net sales \$1.65B, up 3% y/y
  - Food, Beverage & Consumer sales up 8% y/y (up 5% before acquisitions)
  - Foodservice sales down 10% y/y; month of March flat, inflecting positive in Q2
- Q1 pricing unfavorable \$3M and commodity input cost inflation of \$34M
- Q1 net productivity of \$21M driven by cost efficiencies, benefits from capital projects and synergy capture
- Incurred \$29M in Winter Storm Uri related costs
- Q1 Adj. EBITDA \$240M
- Q1 Adj. EPS \$0.23

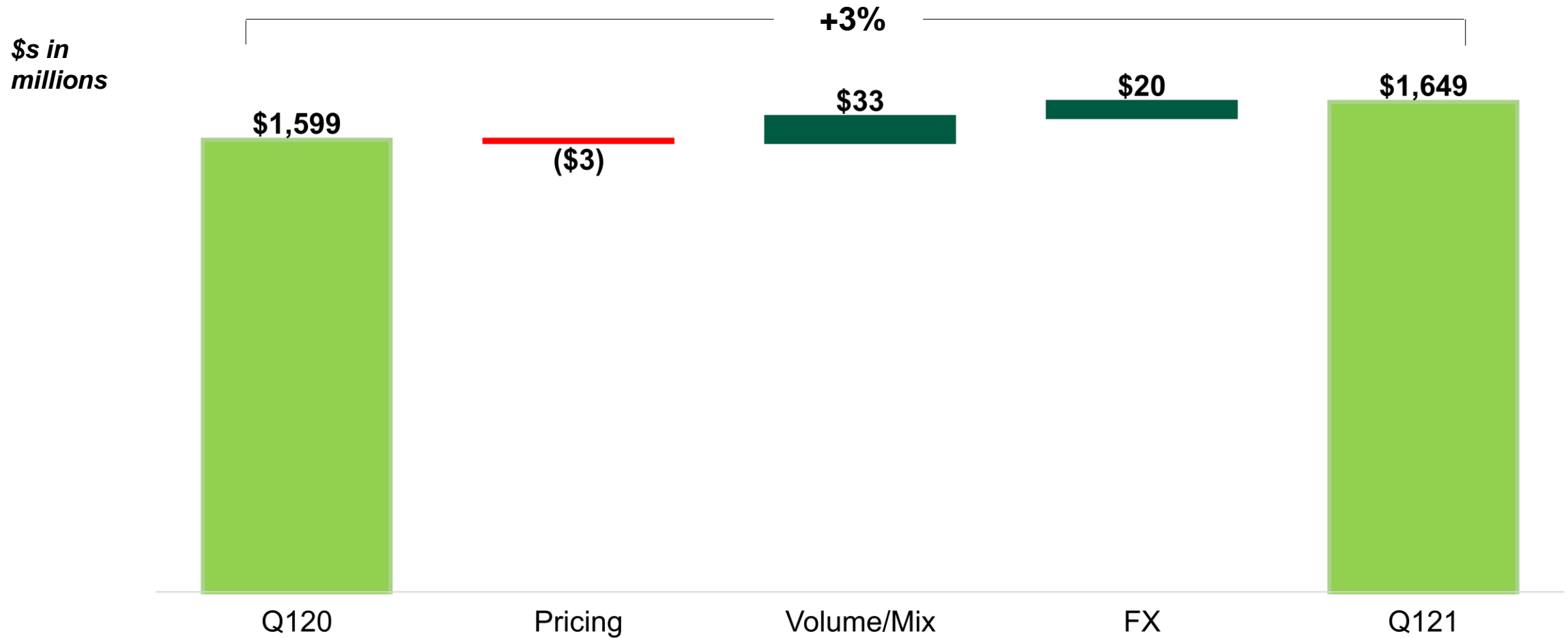
## MARKETS & OPERATIONS

- Q1 net organic sales up 2% y/y
  - Q1 net organic sales growth driven by continued conversions to fiber-based packaging and increased at-home consumption
- AF&PA Q1 industry operating rate for SBS was 92%, CRB was 94%; GPK Q1 CUK operating rate 95%+
- AF&PA Q1 industry inventories declined in all paperboard substrates compared to historical averages (2015-2019): SBS and CRB down 16% and 25%, respectively, GPK CUK down 6%
- Backlogs increased across all substrates from 5+ weeks last quarter, SBS and CRB increased to 6+ weeks, CUK increased to 8+ weeks

## CAPITAL ALLOCATION

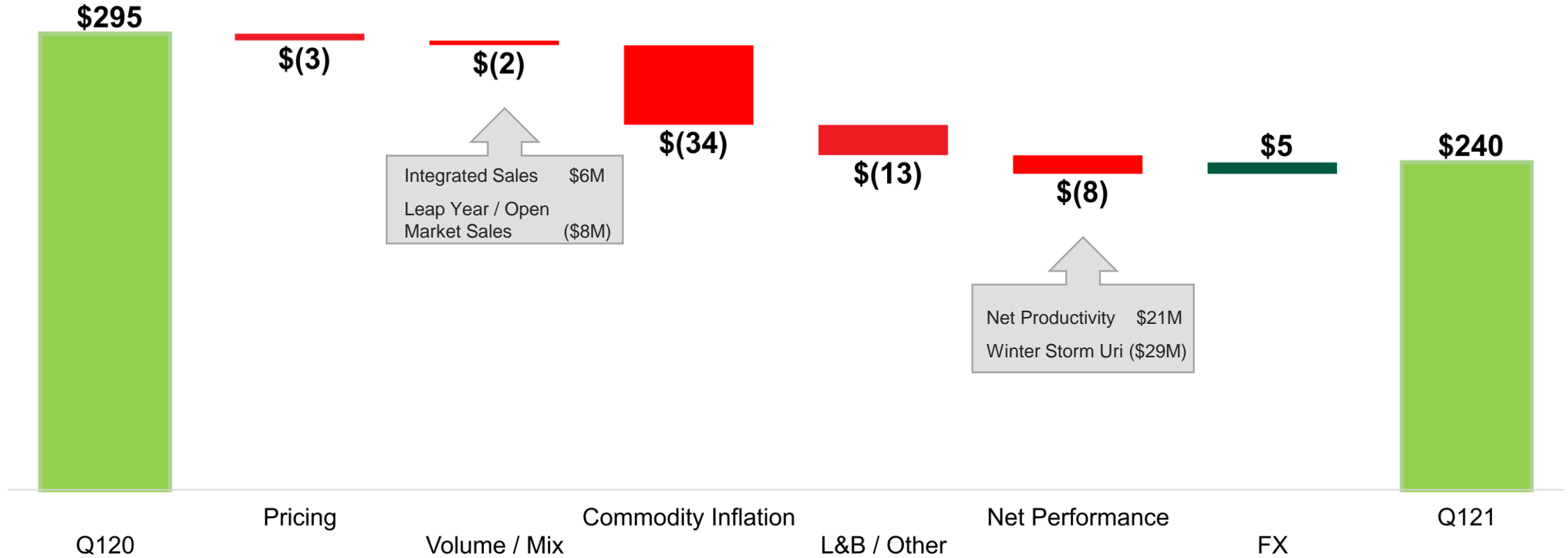
- Returned \$174M to stakeholders
  - \$24M in dividends and distributions
  - \$150M (of \$400M in total minority ownership interest acquired) in cash partnership redemptions
- Invested \$146M in capital expenditures to support strategic investments
- Significant liquidity of \$1.4B; borrowing effectively and maintaining ample balance sheet flexibility
- Q1 net leverage ratio of 3.69x

# FIRST QUARTER 2021 NET SALES PERFORMANCE



# FIRST QUARTER 2021 ADJUSTED EBITDA PERFORMANCE

\$s in millions



# 2021 ADJUSTED EBITDA AND CASH FLOW GUIDANCE REITERATED

FULL-YEAR EBITDA GUIDANCE REITERATED DRIVEN BY EXPECTED 2H RESULTS; MULTIPLE PRICE INITIATIVES, STRONG ORGANIC SALES GROWTH, PRODUCTIVITY IMPROVEMENTS & FAVORABLE FX OFFSETTING COMMODITY INPUT COST INFLATION & URI STORM COSTS

**Adjusted EBITDA \$1,090M - \$1,150M<sup>(1)</sup>**

## EBITDA Components

Volume/Mix	\$20M - \$40M
Net Performance	\$70M - \$90M
L&B / Other <sup>(2)</sup>	(\$60M - \$50M)
FX <sup>(3)</sup>	\$5M - \$15M
Price to Commodity Input Cost Spread	(\$30M - \$10M)

**Cash Flow \$175M - \$250M**

## Cash Flow Components

Cap Ex	(\$710M - \$690M)
Interest	(\$130M - \$120M)
Tax	(\$45M - \$35M)
Working Capital	(\$30M - \$10M)
Pension <sup>(4)</sup>	(\$20M - \$10M)

**Capital Investments (\$M) – step down after 2020-2021**  
Return to Substantial Cash Flow in 2022

<b>\$ 353</b>	<b>\$ 646</b>	<b>\$ ~700</b>	<b>\$ ~400</b>
2019	2020	2021	2022

**Consistent with Vision 2025, normalized capex target (% of sales) of ~5%**

(1) Excludes announced acquisition of Americraft Carton, Inc.

(2) Other inflation is primarily related to property insurance

(3) FX range at current rates

(4) Excludes \$13.8M amount reflected as a contribution which effectively transferred a portion of the excess balance in the terminated US DB Plan.

# 2021 YEAR OVER YEAR IMPACT SCHEDULE AND OTHER GUIDANCE

## NET PRICE / COMMODITY INPUT COST SPREAD & NET OUTAGE COST IMPACT

Change Y/Y (\$M)

	Q1	Q2	Q3	Q4
Net Price/Cost Spread Impact	↓	↓	↑	↑
Net Outage Cost Impact <sup>(1)</sup>	(\$10M)	\$0M	\$15M	\$15M
Incremental Uri Storm Impact <sup>(1)</sup>	(\$29M)			

	2019 Actual	2020 Actual	2021 Guidance
Pension Expense/(Income) <sup>(2)</sup> (includes pension amortization)	\$16M	\$14M	\$13M
Depreciation & Amortization <sup>(3)</sup> (excluding pension amortization)	\$447M	\$450M	\$460M
Pension Amortization	\$10M	\$6M	\$5M
Effective Tax Rate <sup>(4)</sup> (Normalized)	26%	19%	24-26%
Year End Net Leverage Ratio	2.6x	3.3x	3.0-3.5x

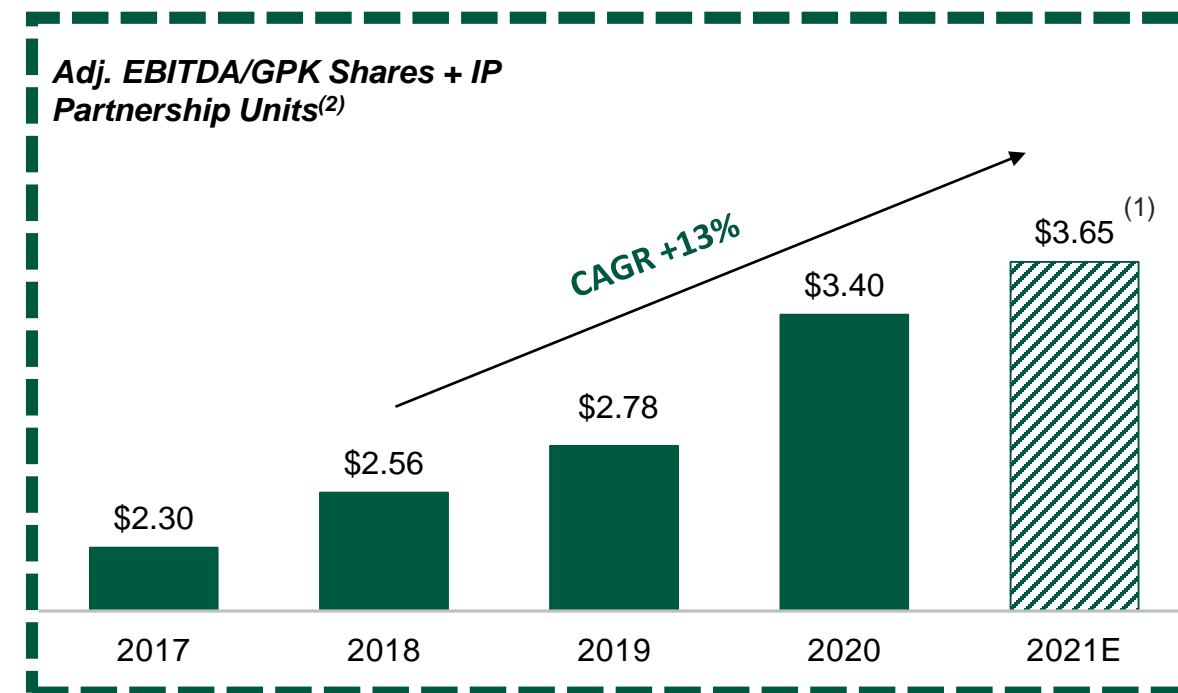
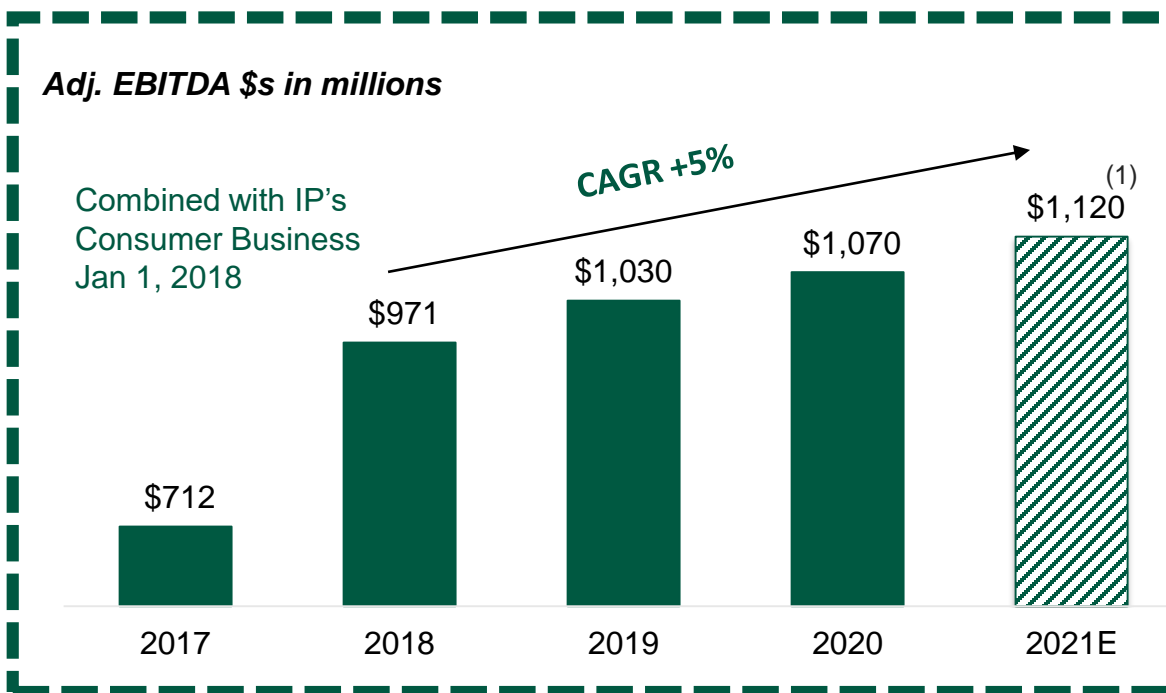
(1) Net outage impact and Winter Storm Uri impact reflected in net performance component of ADJ EBITDA

(2) 2019 and 2020 pension expense exclude \$39 million and \$154 million of non-cash pension plan settlement charges, respectively.

(3) 2019 D&A includes \$5 million of accelerated depreciation. 2020 D&A actual and 2021 D&A guidance excludes \$26 million and \$24 million of accelerated depreciation related to exit activities, respectively.

(4) Tax rate applied to GPHC's share of the partnership earnings.

# CONSISTENT EBITDA GROWTH AND SIGNIFICANT RETURNS TO STAKEHOLDERS DRIVE VALUE CREATION PER GPK SHARE/IP UNIT



## MAJOR DRIVERS

- Net organic sales growth, strategic acquisitions
- Neutral price-cost relationship over time
- Productivity greater than labor/benefits inflation
- Acquisition of partnership interest & share repurchases

(in millions)	GPK Shares <sup>(2)</sup>	IP Units <sup>(2)</sup>	Total Shares/Units <sup>(2)</sup>
2017	310	-	310
2018	300	80	380
2019	290	80	370
2020	268	47	315
1Q 2021	284	23	307

(1) Assumes mid-point of 2021 Adj EBITDA guidance range \$1,090M - \$1,150M

(2) GPK shares outstanding / IP partnership units as of year end and quarter end March 2021

# APPENDIX



Graphic  
Packaging

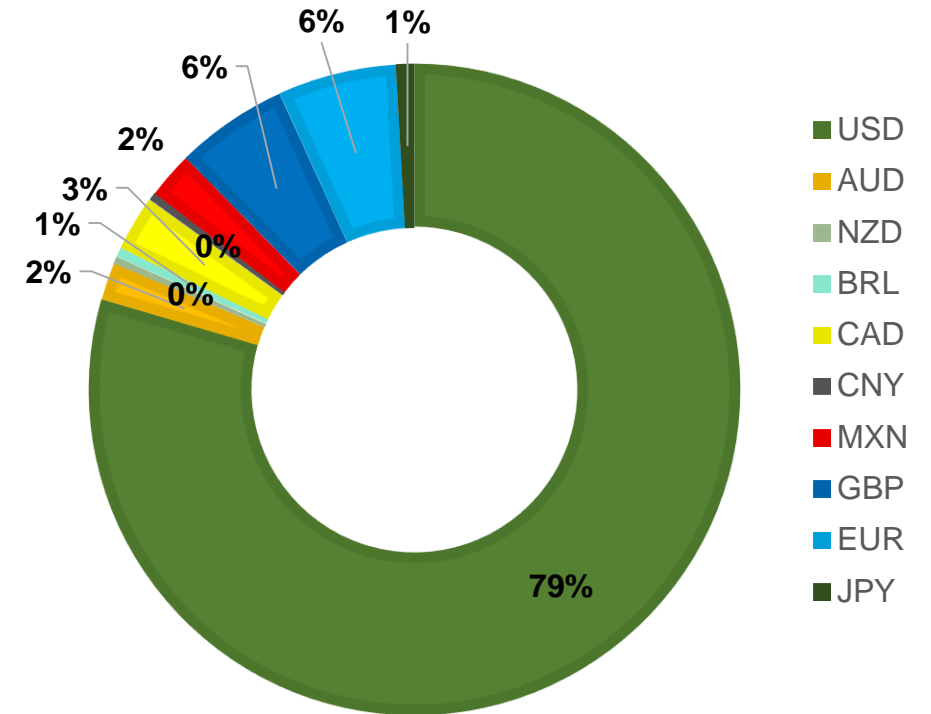


# SUPPLEMENTAL INFORMATION

## 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

## 2020 REVENUE BY CURRENCY





Graphic  
Packaging