

October 25, 2016



Graphic Packaging Holding Company Reports Third Quarter 2016 Results and Declares Dividend Increase

ATLANTA, Oct. 25, 2016 /PRNewswire/ --

Highlights

- Q3 Earnings per Diluted Share were \$0.18, unchanged versus the prior year period.
- Q3 Adjusted Earnings per Diluted Share were \$0.20, unchanged versus the prior year period.
- Q3 Net Income decreased to \$57.8 million versus \$60.2 million in the prior year period.
- Q3 Adjusted EBITDA increased to \$200.1 million versus \$197.1 million in the prior year period.
- Share repurchases were \$25.6 million in Q3 and \$107.6 million year-to-date through September 30th.
- The Company's Board of Directors has declared a 50% quarterly dividend increase to \$0.075 per share from \$0.05 per share.

Graphic Packaging Holding Company (NYSE: GPK), (the "Company"), a leading provider of packaging solutions to food, beverage and consumer product companies, today reported Net Income for third quarter 2016 of \$57.8 million, or \$0.18 per share, based upon 320.4 million weighted average diluted shares. This compares to third quarter 2015 Net Income of \$60.2 million, or \$0.18 per share, based on 330.4 million weighted average diluted shares.

Third quarter 2016 Net Income was negatively impacted by \$6.2 million (net of a \$2.7 million tax benefit) of business combinations and other special charges. When adjusting for these charges, Adjusted Net Income for the third quarter of 2016 was \$64.0 million, or \$0.20 per diluted share. This compares to third quarter 2015 Adjusted Net Income of \$66.0 million or \$0.20 per diluted share.

"Our third quarter Adjusted EBITDA was only modestly above the prior year period as packaged food volume softened during the quarter and we incurred operating costs associated with transferring volume to lower cost converting facilities and on-boarding new business," said President and CEO Michael Doss. "Net sales were up 3.1% driven by acquisitions, while volume in our core business was down 1.4% driven by packaged food softness. Adjusted EBITDA was \$200.1 million, up 1.5% compared to the prior year period of \$197.1 million."

"Free cash flow generation in the business remains strong. Our focus on growing free cash flow and returning more of it to shareholders over time has not changed. We are pleased to announce that our Board of Directors has declared a 50% increase in our quarterly dividend to \$0.075 per share. This material increase in the quarterly dividend demonstrates the confidence we have in our free cash flow profile. We remain committed to a balanced capital

allocation strategy, which includes reinvesting in our business to drive strong cash returns on cash invested, strategic acquisitions at compelling post-synergy multiples, and returning cash to shareholders through dividends and share repurchases."

The first increased cash dividend of \$0.075 per share is payable January 5, 2017 to stockholders of record on December 15, 2016.

Operating Results

Net Sales

Net Sales increased 3.1% to \$1,103.7 million in the third quarter of 2016, compared to \$1,070.0 million in the prior year period. The \$33.7 million increase was driven by \$51.3 million of improved volume/mix related to acquisitions. The net sales increase was partially offset by \$11.5 million of unfavorable foreign exchange rates and \$6.1 million of lower pricing.

Attached is supplemental data showing Net Tons Sold for the first, second and third quarters of 2016 and each quarter of 2015.

EBITDA

EBITDA for third quarter of 2016 was \$191.2 million, or \$2.1 million higher than the third quarter of 2015. After adjusting both periods for business combinations and other special charges, Adjusted EBITDA increased 1.5% to \$200.1 million in the third quarter of 2016 from \$197.1 million in the third quarter of 2015. When comparing against the prior year quarter, Adjusted EBITDA in the third quarter of 2016 was positively impacted by \$14.4 million of improved net operating performance and \$2.7 million of favorable volume/mix. These benefits were partially offset by \$6.1 million of lower pricing, \$5.1 million of other inflation (primarily labor and benefits), \$2.0 million of commodity inflation, and \$0.9 million of unfavorable foreign exchange rates.

Other Results

Total Debt (Long-Term, Short-Term and Current Portion) decreased \$15.2 million during the third quarter of 2016 to \$2,271.8 million. Total Net Debt decreased \$22.2 million during the third quarter of 2016 to \$2,226.1 million. At quarter end, the Company's Net Leverage Ratio was 2.89 times Adjusted EBITDA compared to 2.93 times at the end of the second quarter of 2016.

At September 30, 2016, the Company had available global liquidity of \$1,155.7 million, including the undrawn availability under its global revolving credit facilities.

Net Interest Expense was \$20.0 million in the third quarter of 2016, up when compared to the \$16.5 million reported in the third quarter of 2015, largely reflecting higher debt balances.

Capital expenditures for the third quarter of 2016 were \$72.4 million compared to \$54.7 million in the third quarter of 2015. The increase is primarily the result of investments made in the Company's paperboard mills, including the successful installation of a new curtain coater on the number one paper machine in Macon, GA.

Third quarter 2016 Income Tax Expense was \$28.0 million compared to \$33.6 million in the third quarter of 2015.

Please note that a tabular reconciliation of EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income, Total Net Debt and Net Leverage Ratio is attached to this release.

Earnings Call

The Company will host a conference call at 10:00 am eastern time today (October 25, 2016) to discuss the results of third quarter 2016. To access the conference call, please go to the Investor Relations section of the Graphic Packaging website:

<http://www.graphicpkg.com> and click the audio webcast link. For those calling from within North America, dial 800-392-9489 at least 10 minutes prior to the start of the conference call (Conference ID # 61299822). Replays of the call will be available for one week following the completion of the call and can be accessed by dialing 855-859-2056.

Forward Looking Statements

Any statements of the Company's expectations in this press release 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, continuing pressure for lower cost products, the Company's ability to implement its business strategies, including productivity initiatives and cost reduction plans, the Company's debt level, currency movements and other risks of conducting business internationally, the impact of regulatory and litigation matters, including the continued availability of the Company's net operating loss offset to taxable income. 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.

About Graphic Packaging Holding Company

Graphic Packaging Holding Company (NYSE: GPK), headquartered in Atlanta, Georgia, is committed to providing consumer packaging that makes a world of difference. The Company is a leading provider of paper-based packaging solutions for a wide variety of products to food, beverage and other consumer product companies. The Company operates on a global basis, is one of the largest producers of folding cartons in the United States, and holds leading market positions in coated unbleached kraft paperboard and coated-recycled paperboard. The Company's customers include many of the world's most widely recognized companies and brands. Additional information about Graphic Packaging, its business and its products is available on the Company's web site at www.graphicpkg.com.

GRAPHIC PACKAGING HOLDING COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

<i>In millions, except per share amounts</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net Sales	\$ 1,103.7	\$ 1,070.0	\$ 3,240.9	\$ 3,135.3
Cost of Sales	912.4	868.1	2,637.1	2,545.8
Selling, General and Administrative	78.9	83.7	260.7	257.8
Other (Income) Expense, Net	(0.1)	0.2	2.0	(7.9)
Business Combinations and Other Special Charges	7.4	8.0	23.2	14.1
Income from Operations	105.1	110.0	317.9	325.5
Interest Expense, Net	(20.0)	(16.5)	(55.1)	(51.2)
Income before Income Taxes and Equity Income of Unconsolidated Entity	85.1	93.5	262.8	274.3
Income Tax Expense	(28.0)	(33.6)	(71.3)	(102.3)
Income before Equity Income of Unconsolidated Entity	57.1	59.9	191.5	172.0
Equity Income of Unconsolidated Entity	0.7	0.3	1.6	0.9
Net Income	\$ 57.8	\$ 60.2	\$ 193.1	\$ 172.9
Net Income Per Share — Basic and Diluted	\$ 0.18	\$ 0.18	\$ 0.60	\$ 0.52
Weighted Average Number of Shares Outstanding - Basic	319.7	329.7	322.1	329.9
Weighted Average Number of Shares Outstanding - Diluted	320.4	330.4	322.9	330.7

GRAPHIC PACKAGING HOLDING COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>In millions, except share and per share amounts</i>	September 30, 2016	December 31, 2015
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 45.7	\$ 54.9
Receivables, Net	500.9	423.9
Inventories, Net	591.9	557.1
Other Current Assets	40.0	30.9
Total Current Assets	1,178.5	1,066.8
Property, Plant and Equipment, Net	1,767.5	1,586.4
Goodwill	1,265.0	1,167.8
Intangible Assets, Net	462.4	386.7
Other Assets	48.7	48.4
Total Assets	\$ 4,722.1	\$ 4,256.1
LIABILITIES		
Current Liabilities:		
Short-Term Debt and Current Portion of Long-Term Debt	\$ 64.1	\$ 36.6
Accounts Payable	426.8	457.9
Other Accrued Liabilities	241.1	237.7
Total Current Liabilities	732.0	732.2
Long-Term Debt	2,190.9	1,838.9
Deferred Income Tax Liabilities	370.5	266.7
Other Noncurrent Liabilities	320.7	316.6

SHAREHOLDERS' EQUITY

Preferred Stock, par value \$.01 per share; 100,000,000 shares authorized; no shares issued or outstanding	—	—
Common Stock, par value \$.01 per share; 1,000,000,000 shares authorized; 318,037,318 and 324,688,717 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	3.2	3.2
Capital in Excess of Par Value	1,731.0	1,771.0
Accumulated Deficit	(243.8)	(326.8)
Accumulated Other Comprehensive Loss	(382.4)	(345.7)
Total Shareholders' Equity	1,108.0	1,101.7
Total Liabilities and Shareholders' Equity	\$ 4,722.1	\$ 4,256.1

GRAPHIC PACKAGING HOLDING COMPANY CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

<i>In millions</i>	Nine Months Ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 193.1	\$ 172.9
Non-cash Items Included in Net Income:		
Depreciation and Amortization	224.1	212.8
Deferred Income Taxes	55.1	90.1
Amount of Postretirement Expense Less Than Funding	(24.3)	(28.8)
Other, Net	32.6	21.1
Changes in Operating Assets and Liabilities	(86.3)	(117.1)
Net Cash Provided by Operating Activities	394.3	351.0
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital Spending	(248.7)	(173.0)
Packaging Machinery Spending	(9.7)	(8.7)
Acquisition of Businesses, Net of Cash Acquired	(331.9)	(113.6)
Other, Net	(4.1)	1.2
Net Cash Used in Investing Activities	(594.4)	(294.1)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase of Common Stock	(106.4)	(23.0)
Payments on Debt	(18.8)	(18.7)
Proceeds from Issuance of Debt	300.0	—
Borrowings under Revolving Credit Facilities	1,013.3	748.9
Payments on Revolving Credit Facilities	(933.3)	(704.5)
Repurchase of Common Stock related to Share-Based Payments	(10.6)	(21.3)
Debt Issuance Costs	(5.1)	—
Dividends Paid	(48.5)	(32.9)
Other, Net	(0.5)	(1.1)
Net Cash Provided by (Used In) Financing Activities	190.1	(52.6)
Effect of Exchange Rate Changes on Cash	0.8	(4.4)
Net Decrease in Cash and Cash Equivalents	(9.2)	(0.1)
Cash and Cash Equivalents at Beginning of Period	54.9	81.6
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 45.7	\$ 81.5

Reconciliation of Non-GAAP Financial Measures

The tables below set forth the calculation of the Company's earnings before interest expense, income tax expense, equity income of unconsolidated entities, depreciation and amortization, including pension amortization ("EBITDA"), Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, Net Leverage Ratio and Total Net Debt. Adjusted EBITDA and Adjusted Net Income exclude charges associated with: the Company's business combinations, other special charges and the modification or extinguishment of debt. The Company's management believes that the presentation of EBITDA, Adjusted EBITDA, Adjusted Net Income and Net Leverage Ratio provides useful information to investors because these measures are regularly used by management in assessing the Company's performance. EBITDA, Adjusted EBITDA, Adjusted Net Income and Net Leverage Ratio are financial measures not calculated in accordance with generally accepted accounting principles in the United States ("GAAP"), and are not measures of net income, operating income, operating performance or liquidity presented in accordance with GAAP.

EBITDA, Adjusted EBITDA, Adjusted Net Income and Net Leverage Ratio 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, our EBITDA, Adjusted EBITDA, Adjusted Net Income and Net Leverage Ratio may not be comparable to Adjusted EBITDA or similarly titled measures utilized by other companies since such other companies may not calculate such measures in the same manner as we do.

<i>In millions, except per share amounts</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net Income	\$ 57.8	\$ 60.2	\$ 193.1	\$ 172.9
Add (Subtract):				
Income Tax Expense	28.0	33.6	71.3	102.3
Equity Income of Unconsolidated Entity	(0.7)	(0.3)	(1.6)	(0.9)
Interest Expense, Net	20.0	16.5	55.1	51.2
Depreciation and Amortization	86.1	79.1	244.3	229.8
EBITDA	191.2	189.1	562.2	555.3
Business Combinations and Other Special Charges ^(a)	8.9	6.3	26.5	13.5
Loss on Sale of Assets	—	1.7	—	1.7
Adjusted EBITDA	\$ 200.1	\$ 197.1	\$ 588.7	\$ 570.5
Adjusted EBITDA Margin (Adjusted EBITDA/Net Sales)	18.1 %	18.4 %	18.2 %	18.2 %
Net Income	\$ 57.8	\$ 60.2	\$ 193.1	\$ 172.9
Business Combinations and Other Special Charges ^(a)	8.9	6.3	26.5	13.5
Loss on Sale of Assets	—	1.7	—	1.7
Tax Impact of Business Combinations and Other Special Charges	(2.7)	(2.2)	(8.5)	(4.1)
One-time Discrete Tax Item	—	—	(22.4)	—
Adjusted Net Income	\$ 64.0	\$ 66.0	\$ 188.7	\$ 184.0
Adjusted Earnings Per Share - Basic	\$ 0.20	\$ 0.20	\$ 0.59	\$ 0.56
Adjusted Earnings Per Share - Diluted	\$ 0.20	\$ 0.20	\$ 0.58	\$ 0.56

- (a) For the Three Months Ended September 30, 2016 and 2015, \$1.5 million and \$0.0 million, respectively, is recorded in costs of sales, for inventory valuation adjustments related to business combinations. For the Nine Months Ended September 30, 2016 and 2015, \$3.3 million and \$1.1 million, respectively, is recorded in costs of sales, for inventory valuation adjustments related to business combinations.

GRAPHIC PACKAGING HOLDING COMPANY
Reconciliation of Non-GAAP Financial Measures
(Continued)

<i>In millions</i>	Twelve Months Ended		
	September 30, 2016	September 30, 2015	December 31, 2015
Net Income	\$ 250.3	\$ 214.4	\$ 230.1
(Subtract) Add:			
Income Tax Expense	99.4	116.8	130.4
Equity Income of Unconsolidated Entities	(1.9)	(1.3)	(1.2)

Interest Expense, Net	71.7	69.9	67.8
Depreciation and Amortization	315.4	301.0	300.9
EBITDA	734.9	700.8	728.0
Business Combinations and Other Special Charges	34.3	16.0	21.3
Loss on Sale of Assets, Net	0.2	11.1	1.9
Loss on Modification or Extinguishment of Debt	—	14.4	—
Adjusted EBITDA	\$ 769.4	\$ 742.3	\$ 751.2

	September 30,	September 30,	December 31,
	2016	2015	2015
Calculation of Net Debt:			
Short-Term Debt and Current Portion of Long-Term Debt	\$ 64.1	\$ 33.8	\$ 36.6
Long-Term Debt ^(a)	2,207.7	1,960.4	1,852.6
Less:			
Cash and Cash Equivalents	(45.7)	(81.5)	(54.9)
Total Net Debt	\$ 2,226.1	\$ 1,912.7	\$ 1,834.3

Net Leverage Ratio (Total Net Debt/Adjusted EBITDA) 2.89 2.58 2.44

(a) Excludes unamortized deferred debt issue costs.

GRAPHIC PACKAGING HOLDING COMPANY
Unaudited Supplemental Data

		Three Months Ended			
		March 31,	June 30,	September 30,	December 31,
	2016				
<i>Net Tons Sold (000's)</i>		687.0	721.9	721.6	
	2015				
<i>Net Tons Sold (000's)^(a)</i>		654.4	697.3	704.1	682.9

(a) 2015 Net Tons Sold adjusted for the shut down of Jonquière, Québec mill and the kraft paper machine in West Monroe, LA.

To view the original version on PR Newswire, visit <http://www.prnewswire.com/news-releases/graphic-packaging-holding-company-reports-third-quarter-2016-results-and-declares-dividend-increase-300350192.html>

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