

KAPSTONE PAPER & PACKAGING CORP

Form 10-Q

April 30, 2014

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2014**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the transition period from                      to**

**Commission File Number: 001-33494**

**KapStone Paper and Packaging Corporation**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**  
(State or Other Jurisdiction of

**20-2699372**  
(I.R.S. Employer

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Incorporation or Organization)

Identification No.)

**KapStone Paper and Packaging Corporation**

**1101 Skokie Blvd., Suite 300**

**Northbrook, IL 60062**

(Address of Principal Executive Offices including zip code)

Registrant's Telephone Number, including area code **(847) 239-8800**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

There were 95,878,370 shares of the Registrant's Common Stock, \$0.0001 par value, outstanding at April 23, 2014.

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	<b>March 31, 2014 (unaudited)</b>	<b>December 31, 2013</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 23,949	\$ 12,967
Trade accounts receivable, less allowance of \$775 in 2014 and \$682 in 2013	237,727	232,347
Other receivables	11,763	11,399
Inventories	230,840	217,382
Prepaid expenses and other current assets	13,670	6,405
Total current assets	517,949	480,500
Plant, property and equipment, net	1,395,426	1,389,609
Other assets	132,421	129,493
Intangible assets, net	120,328	123,745
Goodwill	527,896	528,515
Total assets	\$ 2,694,020	\$ 2,651,862
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 15,013	\$ 4,950
Other current borrowings	4,627	
Accounts payable	171,203	159,127
Accrued expenses	47,612	45,885
Accrued compensation costs	37,276	54,871
Accrued income taxes	5,009	
Deferred income taxes	5,445	5,445
Total current liabilities	286,185	270,278
Other liabilities:		
Long-term debt, net of current portion	1,182,579	1,192,413
Pension and postretirement benefits	67,225	69,611
Deferred income taxes	447,401	444,672
Other liabilities	8,504	8,808
Total other liabilities	1,705,709	1,715,504
Commitments and contingencies		
Stockholders equity:		
Preferred stock \$0.0001 par value; 1,000,000 shares authorized; no shares issued and outstanding		
Common stock \$0.0001 par value; 175,000,000 shares authorized; 95,872,775 shares issued and outstanding (excluding 40,000 treasury shares) at March 31, 2014 and 95,706,212 shares issued and outstanding (excluding 40,000 treasury shares) at December 31, 2013	10	10
Additional paid-in-capital	250,103	246,186
Retained earnings	444,448	412,349
Accumulated other comprehensive income	7,565	7,535
Total stockholders equity	702,126	666,080

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Total liabilities and stockholders' equity	\$	2,694,020	\$	2,651,862
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See notes to consolidated financial statements.

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	<b>Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
Net sales	\$ 548,952	\$ 319,813
Cost of sales, excluding depreciation and amortization	383,248	224,946
Depreciation and amortization	32,709	17,224
Freight and distribution expenses	40,732	27,920
Selling, general, and administrative expenses	34,145	19,128
Other operating income		202
Operating income	58,118	30,797
Foreign exchange loss	24	311
Interest expense, net	9,229	2,601
Income before provision for income taxes	48,865	27,885
Provision for income taxes	16,766	9,426
Net income	\$ 32,099	\$ 18,459
Other comprehensive income, net of tax Pension and postretirement plan reclassification adjustments:		