

KAPSTONE PAPER & PACKAGING CORP

Form 10-Q

October 28, 2015

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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 September 30, 2015

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

20-2699372

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(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
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 96,314,983 shares of the Registrant's Common Stock, \$0.0001 par value, outstanding at October 22, 2015.

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| | September 30, 2015 (unaudited) | December 31, 2014 |
|--|---|------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 7,767 | \$ 28,467 |
| Trade accounts receivable (Includes \$379,683 at September 30, 2015, and \$225,577 at December 31, 2014, associated with the securitization facility) | 395,549 | 228,740 |
| Other receivables | 18,694 | 12,833 |
| Inventories | 334,256 | 238,329 |
| Prepaid expenses and other current assets | 18,152 | 7,172 |
| Total current assets | 774,418 | 515,541 |
| Plant, property and equipment, net | 1,406,446 | 1,386,670 |
| Other assets | 13,209 | 10,135 |
| Intangible assets, net | 351,270 | 110,077 |
| Goodwill | 704,592 | 533,851 |
| Total assets | \$ 3,249,935 | \$ 2,556,274 |
| Liabilities and Stockholders Equity | | |
| Current liabilities: | | |
| Short-term borrowings | \$ 2,000 | \$ |
| Other current borrowings | 2,214 | |
| Dividend payable | 9,828 | 9,911 |
| Accounts payable | 191,213 | 149,600 |
| Accrued expenses | 64,432 | 48,340 |
| Accrued compensation costs | 72,181 | 62,491 |
| Accrued income taxes | | 6,477 |
| Deferred income taxes | 1,396 | 1,990 |
| Total current liabilities | 343,264 | 278,809 |
| Other liabilities: | | |
| Long-term debt (Includes \$261,512 at September 30, 2015, and \$167,000 at December 31, 2014, associated with the securitization facility) | 1,589,670 | 1,046,063 |
| Pension and postretirement benefits | 23,444 | 32,800 |
| Deferred income taxes | 420,446 | 412,293 |
| Other liabilities | 20,025 | 8,182 |
| Total other liabilities | 2,053,585 | 1,499,338 |
| 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; 96,314,983 shares issued and outstanding (excluding 40,000 treasury shares) at September 30, 2015 and 96,046,554 shares issued and outstanding (excluding 40,000 treasury shares) at December 31, 2014 | 10 | 10 |
| Additional paid-in-capital | 264,306 | 255,505 |

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| | | |
|--|--------------|--------------|
| Retained earnings | 640,149 | 574,601 |
| Accumulated other comprehensive loss | (51,379) | (51,989) |
| Total stockholders' equity | 853,086 | 778,127 |
| Total liabilities and stockholders' equity | \$ 3,249,935 | \$ 2,556,274 |

See notes to consolidated financial statements.

Table of Contents**KAPSTONE PAPER AND PACKAGING CORPORATION****Consolidated Statements of Comprehensive Income****(In thousands, except share and per share amounts)****(unaudited)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|---|-------------|--|--------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net sales | \$ 807,563 | \$ 598,106 | \$ 2,025,107 | \$ 1,737,507 |
| Cost of sales, excluding depreciation and amortization | 569,267 | 388,641 | 1,421,943 | 1,164,134 |
| Depreciation and amortization | 42,500 | 34,997 | 114,617 | 101,580 |
| Freight and distribution expenses | 70,623 | 46,173 | 167,941 | 131,829 |
| Selling, general, and administrative expenses | 63,577 | 34,133 | 150,252 | 102,371 |
| Operating income | 61,596 | 94,162 | 170,354 | 237,593 |
| Foreign exchange loss | 766 | 960 | 1,704 | 859 |
| Loss on debt extinguishment | 628 | 2,963 | | |