

KAPSTONE PAPER & PACKAGING CORP

Form 10-Q

July 31, 2013

[Table of Contents](#)

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 June 30, 2013

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

Edgar Filing: KAPSTONE PAPER & PACKAGING CORP - Form 10-Q

(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

Edgar Filing: KAPSTONE PAPER & PACKAGING CORP - Form 10-Q

There were 47,672,949 shares of the Registrant's Common Stock, \$0.0001 par value, outstanding at July 24, 2013, excluding 40,000 shares held as treasury shares.

Table of Contents

KAPSTONE PAPER AND PACKAGING CORPORATION

Index to Form 10-Q

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

<u>Item 1. Consolidated Financial Statements (Unaudited) and Notes to Consolidated Financial Statements</u>	1
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	10
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	17
<u>Item 4. Controls and Procedures</u>	17

PART II. OTHER INFORMATION

<u>Item 1. Legal Proceedings</u>	18
<u>Item 1A. Risk Factors</u>	18
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	20
<u>Item 3. Defaults Upon Senior Securities</u>	20
<u>Item 4. Mine Safety Disclosures</u>	20
<u>Item 5. Other Information</u>	20
<u>Item 6. Exhibits</u>	21
<u>SIGNATURE</u>	22

Table of Contents**PART 1. FINANCIAL INFORMATION****ITEM 1. - FINANCIAL STATEMENTS****KAPSTONE PAPER AND PACKAGING CORPORATION****Consolidated Balance Sheets****(In thousands, except share and per share amounts)**

	June 30, 2013 (unaudited)	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,404	\$ 16,488
Trade accounts receivable, less allowance of \$479 in 2013 and \$96 in 2012	139,272	111,592
Other receivables	6,189	10,061
Inventories	114,065	113,511
Prepaid expenses and other current assets	7,361	9,808
Deferred income taxes	5,732	5,864
Total current assets	281,023	267,324
Plant, property and equipment, net	577,718	576,115
Other assets	4,450	4,412
Intangible assets, net	52,741	57,027
Goodwill	226,289	226,289
Total assets	\$ 1,142,221	\$ 1,131,167
Liabilities and Stockholders Equity		
Current liabilities:		
Current portion of long-term debt	\$ 5,313	\$ 63,500
Short-term borrowings	13,700	63,500
Other current borrowings	1,703	
Accounts payable	81,470	89,638
Accrued expenses	31,179	25,032
Accrued compensation costs	20,874	20,421
Accrued income taxes	1,812	
Total current liabilities	156,051	198,591
Other liabilities:		
Long-term debt, net of current portion	290,323	294,310
Pension and post retirement benefits	13,820	13,193
Deferred income taxes	108,068	96,459
Other liabilities	11,134	10,666
Total other liabilities	423,345	414,628
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; 47,667,742 shares issued and outstanding (excluding 40,000 treasury shares) at June 30, 2013 and 47,455,060 shares issued and outstanding (excluding 40,000 treasury shares) at December 31, 2012	5	5
Additional paid-in-capital	241,386	236,034
Retained earnings	324,461	285,011
Accumulated other comprehensive loss	(3,027)	(3,102)

Edgar Filing: KAPSTONE PAPER & PACKAGING CORP - Form 10-Q

Total stockholders' equity		562,825		517,948
Total liabilities and stockholders' equity	\$	1,142,221	\$	1,131,167

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 June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net sales	\$ 326,321	\$ 306,259	\$ 646,134	\$ 606,102
Cost of sales, excluding depreciation and amortization	225,753	213,335	450,699	427,409
Depreciation and amortization	17,253	15,327	34,477	30,503
Freight and distribution expenses	27,849	27,936	55,769	53,679
Selling, general, and administrative expenses	21,072	17,436	40,200	35,008
Other operating income	196	230	398	428
Operating income	34,590			