

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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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)**

	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		