

KAPSTONE PAPER & PACKAGING CORP
Form 10-Q
October 23, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2018

o 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 every Interactive Data File required to be submitted 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 such files).

Yes ☒ No ☐

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company filer ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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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 97,950,763 shares of the Registrant's Common Stock, \$0.0001 par value, outstanding at October 17, 2018.

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KAPSTONE PAPER AND PACKAGING CORPORATION

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	September 30, 2018 (unaudited)	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 22,431	\$ 28,065
Trade accounts receivable (Includes \$464,310 at September 30, 2018, and \$425,216 at December 31, 2017, associated with the receivables credit facility)	488,007	443,462
Other receivables	17,218	23,289
Inventories	348,432	315,575
Prepaid expenses and other current assets	18,177	17,470
Total current assets	894,265	827,861
Plant, property and equipment, net	1,456,648	1,453,607
Other assets	27,760	24,431
Intangible assets, net	274,243	297,475
Goodwill	720,611	720,611
Total assets	\$ 3,373,527	\$ 3,323,985
Liabilities and Stockholders' Equity		
Current liabilities:		
Other current borrowings	2,272	
Short-term financing obligations	1,090	
Capital lease obligation	33	30
Dividend payable	10,392	10,302
Accounts payable	210,098	199,574
Accrued expenses	85,948	105,951
Accrued compensation costs	82,457	75,215
Accrued income taxes	528	31,458
Total current liabilities	392,818	422,530
Other liabilities:		
Long-term debt (Includes \$314,986 at September 30, 2018, and \$308,849 at December 31, 2017, associated with the receivables credit facility)	1,309,486	1,374,502
Long-term financing obligations	91,794	82,199
Capital lease obligation	4,570	4,595
Pension and postretirement benefits	5,574	14,196
Deferred income taxes	254,968	252,101
Other liabilities	32,471	36,848
Total other liabilities	1,698,863	1,764,441
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; 97,929,278 shares issued and outstanding (excluding 40,000 treasury shares) at September 30, 2018 and 97,043,750 shares	10	10

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issued and outstanding (excluding 40,000 treasury shares) at December 31, 2017			
Additional paid-in-capital	306,711		291,629
Retained earnings	1,022,942		894,061
Accumulated other comprehensive loss	(47,817)		(48,686)
Total stockholders' equity	1,281,846		1,137,014
Total liabilities and stockholders' equity	\$ 3,373,527	\$	3,323,985

See notes to consolidated financial statements.

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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,	
	2018	2017	2018	2017
Net sales	\$ 893,595	\$ 868,418	\$ 2,605,526	\$ 2,456,978
Cost of sales, excluding depreciation and amortization	593,231	622,964	1,783,493	1,779,503
Depreciation and amortization	45,129	47,462	138,823	138,864
Freight and distribution expenses	82,158	77,043	236,997	