
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 OR 15(d)
of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): April 24, 2019



(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

1-15399
(Commission
File Number)

36-4277050
(IRS Employer
Identification No.)

1 North Field Court, Lake Forest, Illinois 60045
(Address of Principal Executive Offices, including Zip Code)

(847) 482-3000
(Registrants' Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrants under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2 (b) under the Exchange Act (17 CFR 240.14d-2 (b))
- Pre-commencement communications pursuant to Rule 13e-4 (c) under the Exchange Act (17 CFR 240.13e-4 (c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

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.

Item 2.02. Results of Operations and Financial Condition.

The information furnished in this Item 2.02, including the exhibit described below, shall not be deemed “filed” hereunder for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Exchange Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

On April 24, 2019, Packaging Corporation of America issued a press release announcing first quarter financial results. The press release is furnished as Exhibit 99.1 and is incorporated into this Item 2.02 by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 First Quarter 2019 Earnings Press Release dated April 24, 2019

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned hereunto duly authorized.

PACKAGING CORPORATION OF AMERICA
(Registrant)

By: /s/ MARK W. KOWLZAN
Chairman and Chief Executive Officer

By: /s/ ROBERT P. MUNDY
Senior Vice President and Chief Financial Officer

Date: April 24, 2019

PACKAGING CORPORATION OF AMERICA REPORTS FIRST QUARTER 2019 RESULTS

Lake Forest, IL, April 24, 2019 – Packaging Corporation of America (NYSE: PKG) today reported first quarter 2019 net income of \$187 million, or \$1.97 per share and \$1.98 per share excluding special items. First quarter net sales were \$1.73 billion in 2019 and \$1.69 billion in 2018.

Diluted earnings per share attributable to Packaging Corporation of America shareholders

	Three Months Ended		
	March 31,		
	2019	2018	Change
Reported Diluted EPS	\$ 1.97	\$ 1.48	\$ 0.49
Special Items Expense (1)	0.01	0.07	(0.06)
Diluted EPS excluding Special items	<u>\$ 1.98</u>	<u>\$ 1.55</u>	<u>\$ 0.43</u>

(1) For descriptions and amounts of our special items, see the schedules with this release.

Reported earnings in the first quarter of 2019 and 2018 include special items primarily for certain costs related to discontinuing paper operations associated with the previously announced conversion of the No. 3 paper machine at our Wallula, Washington mill to linerboard.

Excluding special items, the \$.43 per share increase in first quarter 2019 earnings compared to first quarter 2018 was driven primarily by higher prices and mix \$.37 and volumes \$.27 in our Packaging segment, higher prices and mix in our Paper segment \$.21, lower annual outage expenses \$.02, and lower depreciation expense \$.02. These items were partially offset by lower volumes in our Paper segment (\$.13), higher indirect and converting costs (\$.17), higher direct material costs (\$.11), and higher fixed expenses (\$.05).

Results were \$.01 above first quarter guidance of \$1.97 per share primarily due to higher prices and mix in both our Packaging and Paper segments.

Financial information by segment is summarized below and in the schedules with this release.

	(dollars in millions)	
	Three Months Ended	
	March 31,	
	2019	2018
Segment income (loss)		
Packaging	\$ 249.6	\$ 224.7
Paper	45.6	7.2
Corporate and Other	(19.8)	(19.0)
	<u>\$ 275.4</u>	<u>\$ 212.9</u>
Segment income (loss) excluding special items		
Packaging	\$ 250.0	\$ 224.8
Paper	45.8	16.0
Corporate and Other	(19.8)	(18.8)
	<u>\$ 276.0</u>	<u>\$ 222.0</u>
EBITDA excluding special items		
Packaging	\$ 333.8	\$ 307.9
Paper	54.9	31.3
Corporate and Other	(18.1)	(17.4)
	<u>\$ 370.6</u>	<u>\$ 321.8</u>

In the Packaging segment, total corrugated products shipments and shipments per day were up 0.7% over last year's first quarter. Containerboard production was 1,037,000 tons, and containerboard inventory was up 9,000 tons from the fourth quarter of 2018 and up 42,000 tons compared to the first quarter of 2018. In the Paper segment, compared to the first quarter of 2018, sales volume was 21% lower and production volume was 14% lower, primarily due to discontinuing the paper business at the Wallula Mill.

Commenting on reported results, Mark W. Kowlzan, Chairman and CEO, said, “In our Packaging segment, we had record first quarter volumes in both our containerboard mills and corrugated products plants as well as higher prices and mix, compared to the first and fourth quarters of 2018. We ran our containerboard system to demand, and our production allowed us to supply the necessary containerboard to achieve a first quarter record for box shipments per day. In our Paper segment, prices and mix continued to move higher due to the successful execution of our announced price increases, and sales volume improved as we moved out of the seasonally slower fourth quarter. Overall, we were able to exceed our expected results even though we had to overcome significant weather-related challenges across the Company that negatively impacted us during the quarter.”

“Looking ahead to the second quarter,” Mr. Kowlzan added, “in our Packaging segment we expect seasonally higher containerboard and corrugated products shipments, with lower prices as a result of the published domestic containerboard price decreases and lower export prices. In our Paper segment, volume should be similar to the first quarter and we will continue implementing the previously announced paper price increases, but scheduled outage costs will be higher due to the annual shutdown at our International Falls mill. Across both segments we anticipate slightly higher freight, repairs, and certain fixed costs as well as higher share-based compensation costs due to the accounting treatment of restricted stock. Energy costs should improve as we move into seasonally milder weather, recycled fiber prices should be slightly lower, and our effective tax rate should be lower. Considering these items, we expect second quarter earnings of \$2.05 per share.”

We present various non-GAAP financial measures in this press release, including diluted EPS excluding special items, segment income excluding special items and EBITDA excluding special items. We provide information regarding our use of non-GAAP financial measures and reconciliations of historical non-GAAP financial measures presented in this press release to the most comparable measure reported in accordance with GAAP in the schedules to this press release. We present our earnings expectation for the upcoming quarter excluding special items as special items are difficult to predict and quantify and may reflect the effect of future events. We do not currently expect special items to have a significant effect on second quarter earnings. However, additional special items may arise due to second quarter events.

PCA is the third largest producer of containerboard products and the third largest producer of uncoated freesheet paper in the North America. PCA operates eight mills and 95 corrugated products plants and related facilities.

Some of the statements in this press release are forward-looking statements. Forward-looking statements include statements about our future earnings and financial condition, expected benefits from acquisitions and restructuring activities, our industry and our business strategy. Statements that contain words such as “will”, “should”, “anticipate”, “believe”, “expect”, “intend”, “estimate”, “hope” or similar expressions, are forward-looking statements. These forward-looking statements are based on the current expectations of PCA. Because forward-looking statements involve inherent risks and uncertainties, the plans, actions and actual results of PCA could differ materially. Among the factors that could cause plans, actions and results to differ materially from PCA’s current expectations include the following: the impact of general economic conditions; conditions in the paper and packaging industries, including competition, product demand and product pricing; fluctuations in wood fiber and recycled fiber costs; fluctuations in purchased energy costs; the possibility of unplanned outages or interruptions at our principal facilities; and legislative or regulatory requirements, particularly concerning environmental matters, as well as those identified under Item 1A. Risk Factors in PCA’s Annual Report on Form 10-K for the year ended December 31, 2018 filed with the Securities and Exchange Commission and available at the SEC’s website at “www.sec.gov”.

CONTACT:

Barbara Sessions
Packaging Corporation of America
INVESTOR RELATIONS: (877) 454-2509
PCA's Website: www.packagingcorp.com

Conference Call Information:

WHAT: Packaging Corporation of America's 1st Quarter 2019 Earnings Conference Call
Conference ID: 4393636

WHEN: Thursday, April 25, 2019 at 9:00 a.m. Eastern Time

CALL-IN NUMBER: (855) 730-0288 (U.S. and Canada) or (832) 412-2295 (International)
Dial in by 8:45 a.m. Eastern Time
Conference Call Leader: Mr. Mark Kowlzan

WEBCAST INFO: <http://www.packagingcorp.com>; Investor Relations

REBROADCAST DATES: April 25, 2019 1:00 p.m. Eastern Time through May 9, 2019 11:59 p.m. Eastern Time

REBROADCAST NUMBERS: (855) 859-2056 (U.S. and Canada) or (404) 537-3406 (International)
Passcode: 4393636

Packaging Corporation of America
Consolidated Earnings Results
Unaudited

(dollars in millions, except per-share data)

	Three Months Ended				
	March 31,				
	2019		2018		
Net sales	\$	1,733.7		\$	1,690.6
Cost of sales		(1,312.3)	(1)		(1,334.5) (2)
Gross profit		421.4			356.1
Selling, general, and administrative expenses		(140.0)			(134.9)
Other expense, net		(6.0)	(1)		(8.3) (2)
Income from operations		275.4			212.9
Non-operating pension expense		(2.0)			(0.5)
Interest expense, net		(24.1)			(25.8)
Income before taxes		249.3			186.6
Provision for income taxes		(62.5)			(46.5)
Net income	\$	<u>186.8</u>		\$	<u>140.1</u>
Earnings per share:					
Basic	\$	<u>1.98</u>		\$	<u>1.48</u>
Diluted	\$	<u>1.97</u>		\$	<u>1.48</u>
Computation of diluted earnings per share under the two class method:					
Net income	\$	186.8		\$	140.1
Less: Distributed and undistributed income available to participating securities		(1.4)			(1.1)
Net income attributable to PCA shareholders	\$	<u>185.4</u>		\$	<u>139.0</u>
Diluted weighted average shares outstanding		<u>94.0</u>			<u>93.8</u>
Diluted earnings per share	\$	<u>1.97</u>		\$	<u>1.48</u>
Supplemental financial information:					
Capital spending	\$	78.8		\$	108.0
Cash balance	\$	442.4		\$	102.4

(1) The three months ended March 31, 2019 include \$0.6 million of charges related to the announced second quarter 2018 discontinuation of uncoated free sheet and coated one-side grades at the Wallula, Washington mill associated with the conversion of the No. 3 paper machine to a high-performance 100% virgin kraft linerboard machine. The costs were recorded within "Other expense, net" and "Cost of sales", as appropriate.

(2) The three months ended March 31, 2018 include the following:

- a. \$8.8 million of charges related to the announced second quarter 2018 discontinuation of uncoated free sheet and coated one-side grades at the Wallula, Washington mill associated with the conversion of the No. 3 paper machine to a high-performance 100% virgin kraft linerboard machine. The costs were recorded within "Other expense, net" and "Cost of sales", as appropriate.
- b. \$0.3 million of charges consisting of closure costs related to corrugated products facilities and a corporate administration facility, which were recorded in "Other expense, net" and "Cost of sales", as appropriate.

Packaging Corporation of America
Segment Information
Unaudited
(dollars in millions)

	Three Months Ended	
	March 31,	
	2019	2018
Segment sales		
Packaging	\$ 1,477.6	\$ 1,402.9
Paper	239.7	269.4
Corporate and Other	16.4	18.3
	<u>\$ 1,733.7</u>	<u>\$ 1,690.6</u>
Segment income (loss)		
Packaging	\$ 249.6	\$ 224.7
Paper	45.6	7.2
Corporate and Other	(19.8)	(19.0)
Income from operations	<u>275.4</u>	<u>212.9</u>
Non-operating pension expense	(2.0)	(0.5)
Interest expense, net	(24.1)	(25.8)
Income before taxes	<u>\$ 249.3</u>	<u>\$ 186.6</u>
Segment income (loss) excluding special items (1)		
Packaging	\$ 250.0	\$ 224.8
Paper	45.8	16.0
Corporate and Other	(19.8)	(18.8)
	<u>\$ 276.0</u>	<u>\$ 222.0</u>
EBITDA excluding special items (1)		
Packaging	\$ 333.8	\$ 307.9
Paper	54.9	31.3
Corporate and Other	(18.1)	(17.4)
	<u>\$ 370.6</u>	<u>\$ 321.8</u>

(1) Segment income (loss) excluding special items, earnings before non-operating pension expense, interest, income taxes, and depreciation, amortization, and depletion (EBITDA), and EBITDA excluding special items are non-GAAP financial measures. Management excludes special items as it believes these items are not necessarily reflective of the ongoing results of operations of our business. We present these measures because they provide a means to evaluate the performance of our segments and our company on an ongoing basis using the same measures that are used by our management, because these measures assist in providing a meaningful comparison between periods presented and because these measures are frequently used by investors and other interested parties in the evaluation of companies and the performance of their segments. The tables included in "Reconciliation of Non-GAAP Financial Measures" on the following pages reconcile the non-GAAP measures with the most directly comparable GAAP measures. Any analysis of non-GAAP financial measures should be done only in conjunction with results presented in accordance with GAAP. The non-GAAP measures are not intended to be substitutes for GAAP financial measures and should not be used as such.

Packaging Corporation of America
Reconciliation of Non-GAAP Financial Measures
Unaudited
(dollars in millions)

	Three Months Ended	
	March 31,	
	2019	2018
Packaging		
Segment income	\$ 249.6	\$ 224.7
Wallula mill restructuring	0.4	—
Facilities closure and other costs	—	0.1
Segment income excluding special items ⁽¹⁾	<u>\$ 250.0</u>	<u>\$ 224.8</u>
Paper		
Segment income	\$ 45.6	\$ 7.2
Wallula mill restructuring	0.2	8.8
Segment income excluding special items ⁽¹⁾	<u>\$ 45.8</u>	<u>\$ 16.0</u>
Corporate and Other		
Segment loss	\$ (19.8)	\$ (19.0)
Facilities closure and other costs	—	0.2
Segment loss excluding special items ⁽¹⁾	<u>\$ (19.8)</u>	<u>\$ (18.8)</u>
Income from operations	<u>\$ 275.4</u>	<u>\$ 212.9</u>
Income from operations, excluding special items ⁽¹⁾	<u>\$ 276.0</u>	<u>\$ 222.0</u>

(1) See footnote (1) on page 3, for a discussion of non-GAAP financial measures.

Packaging Corporation of America
Reconciliation of Non-GAAP Financial Measures

Unaudited
(dollars in millions)

Net Income and EPS Excluding Special Items ⁽¹⁾

	Three Months Ended March 31,							
	2019				2018			
	Income before Taxes	Income Taxes	Net Income	Diluted EPS	Income before Taxes	Income Taxes	Net Income	Diluted EPS
As reported	\$ 249.3	\$ (62.5)	\$ 186.8	\$ 1.97	\$ 186.6	\$ (46.5)	\$ 140.1	\$ 1.48
Special items (2):								
Wallula mill restructuring	0.6	(0.1)	0.5	0.01	8.8	(2.2)	6.6	0.07
Facilities closure and other costs	—	—	—	—	0.3	(0.1)	0.2	—
Total special items	0.6	(0.1)	0.5	0.01	9.1	(2.3)	6.8	0.07
Excluding special items	<u>\$ 249.9</u>	<u>\$ (62.6)</u>	<u>\$ 187.3</u>	<u>\$ 1.98</u>	<u>\$ 195.7</u>	<u>\$ (48.8)</u>	<u>\$ 146.9</u>	<u>\$ 1.55</u>

- (1) Net income and earnings per share excluding special items are non-GAAP financial measures. Management excludes special items as it believes these items are not necessarily reflective of the ongoing results of operations of our business. We present these measures because they provide a means to evaluate the performance of our company on an ongoing basis using the same measures that are used by our management, because these measures assist in providing a meaningful comparison between periods presented and because these measures are frequently used by investors and other interested parties in the evaluation of companies and their performance. Any analysis of non-GAAP financial measures should be done only in conjunction with results presented in accordance with GAAP. The non-GAAP measures are not intended to be substitutes for GAAP financial measures and should not be used as such.
- (2) Pre-tax special items are tax-effected at a combined federal and state income tax rate in effect for the period the special items were recorded and this rate is adjusted for each subsequent quarter to be consistent with the estimated annual effective tax rate, in accordance with ASC 270, *Interim Reporting*, and ASC 740-270, *Income Taxes – Intra Period Tax Allocation*. For all periods presented, income taxes on pre-tax special items represent the current amount of tax. For more information related to these items, see the footnotes to the Consolidated Earnings Results on page 1.

Packaging Corporation of America
Reconciliation of Non-GAAP Financial Measures
Unaudited
(dollars in millions)

EBITDA and EBITDA Excluding Special Items ⁽¹⁾

EBITDA represents income before non-operating pension expense, interest, income taxes, and depreciation, amortization, and depletion. The following table reconciles net income to EBITDA and EBITDA excluding special items:

	Three Months Ended	
	March 31,	
	2019	2018
Net income	\$ 186.8	\$ 140.1
Non-operating pension expense	2.0	0.5
Interest expense, net	24.1	25.8
Provision for income taxes	62.5	46.5
Depreciation, amortization, and depletion	94.8	108.1
EBITDA (1)	\$ 370.2	\$ 321.0
Special items:		
Wallula mill restructuring	0.4	0.7
Facilities closure and other costs	—	0.1
EBITDA excluding special items (1)	\$ 370.6	\$ 321.8

(1) See footnote (1) on page 3, for a discussion of non-GAAP financial measures.

Packaging Corporation of America
Reconciliation of Non-GAAP Financial Measures
Unaudited
(dollars in millions)

The following table reconciles segment income (loss) to EBITDA excluding special items:

	Three Months Ended	
	March 31,	
	2019	2018
Packaging		
Segment income	\$ 249.6	\$ 224.7
Depreciation, amortization, and depletion	84.0	83.1
EBITDA (1)	333.6	307.8
Wallula mill restructuring	0.2	—
Facilities closure and other costs	—	0.1
EBITDA excluding special items (1)	<u>\$ 333.8</u>	<u>\$ 307.9</u>
Paper		
Segment income	\$ 45.6	\$ 7.2
Depreciation, amortization, and depletion	9.1	23.4
EBITDA (1)	54.7	30.6
Wallula mill restructuring	0.2	0.7
EBITDA excluding special items (1)	<u>\$ 54.9</u>	<u>\$ 31.3</u>
Corporate and Other		
Segment loss	\$ (19.8)	\$ (19.0)
Depreciation, amortization, and depletion	1.7	1.6
EBITDA (1)	(18.1)	(17.4)
EBITDA excluding special items (1)	<u>\$ (18.1)</u>	<u>\$ (17.4)</u>
EBITDA excluding special items (1)	<u>\$ 370.6</u>	<u>\$ 321.8</u>

(1) See footnote (1) on page 3, for a discussion of non-GAAP financial measures.