

# Packaging Corporation of America

## Jefferies 2014 Global Industrials Conference

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August 14, 2014

**Certain statements in this presentation are forward-looking statements. Forward-looking statements include statements about our future financial condition, our industry and our business strategy. Statements that contain words such as “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 are those identified under the caption “Risk Factors” in PCA’s Form 10K filed with the Securities and Exchange Commission and available at the SEC’s website at “[www.sec.gov](http://www.sec.gov)”.**

# **In the Right Product – Corrugated Containers (85% of EBITDA)**



- **Corrugated has established its place in society – no substitutes**
- **Good industry dynamics – supply / demand balance, industry consolidation, no import threat**
- **Prospect of better industry demand – onshoring**

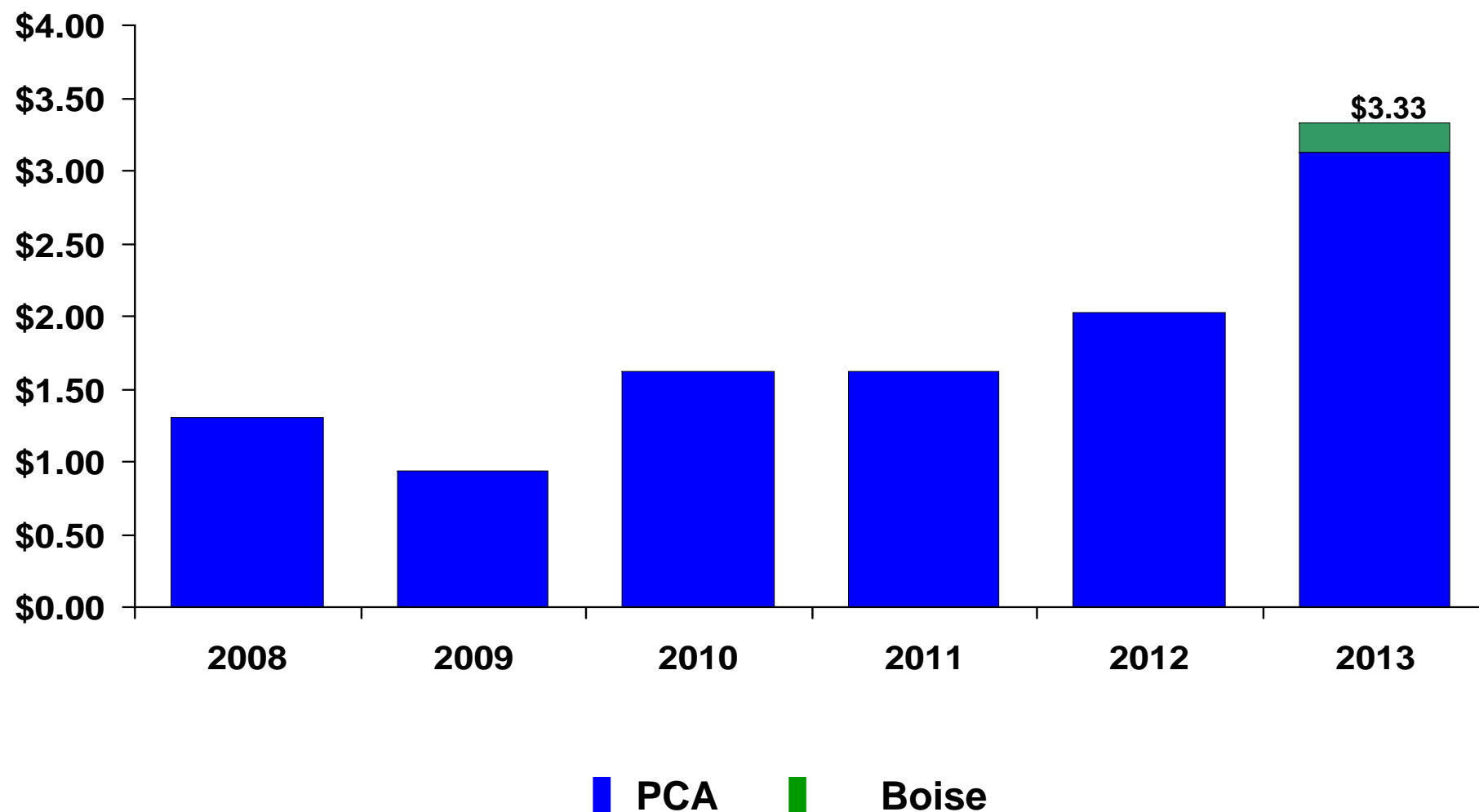
# **PCA is Best Performing Company Over an Extended Period of Time**

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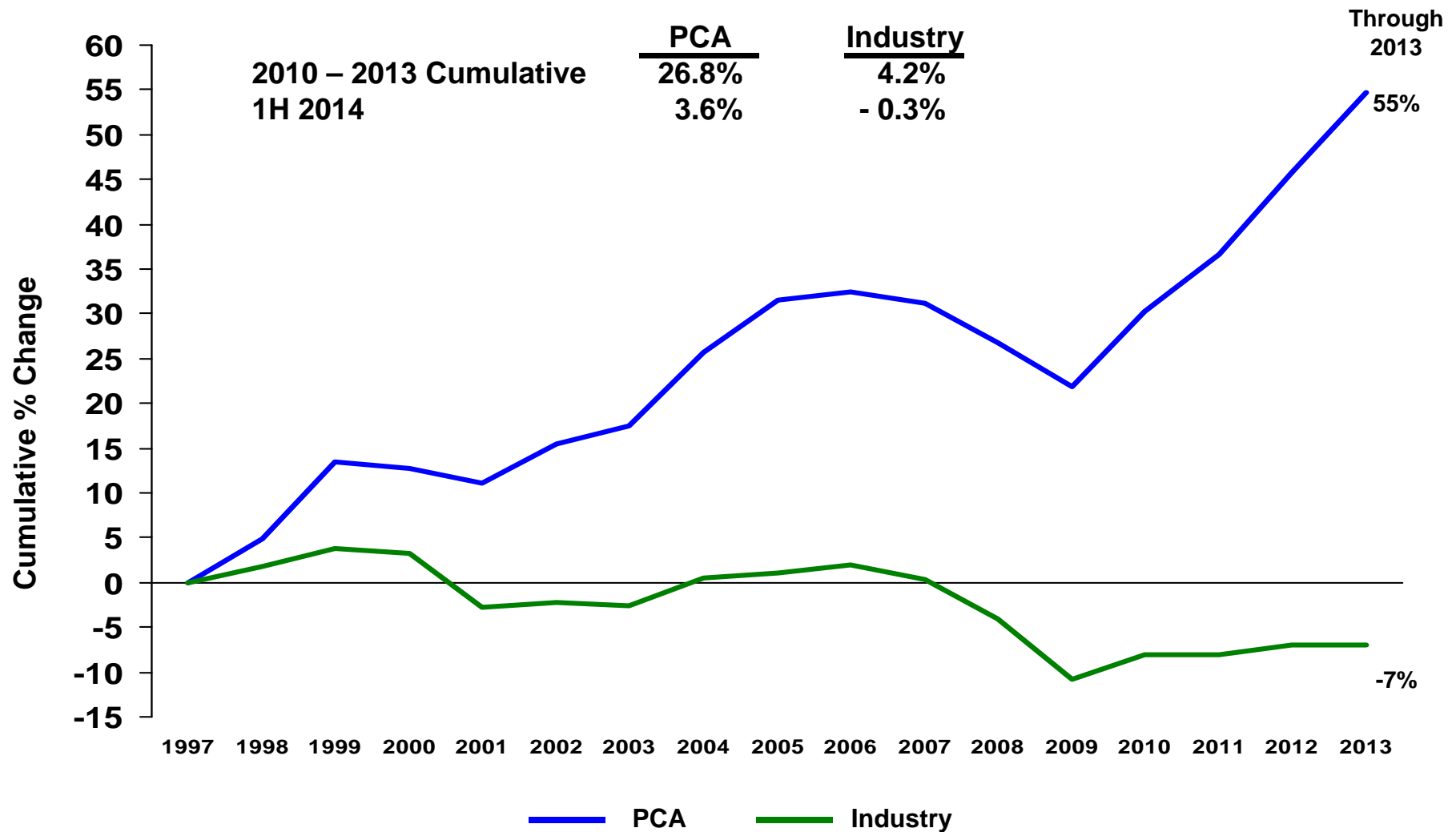
- **Best Margins in Industry**
- **Industry leading corrugated products volume growth**
- **Low cost paper mills**
- **Lowest OCC usage in the industry**
- **High vertical integration**
- **Strong experienced management / outstanding track record**

# Earnings Per Share (Excluding Special Items) <sup>(1)</sup>



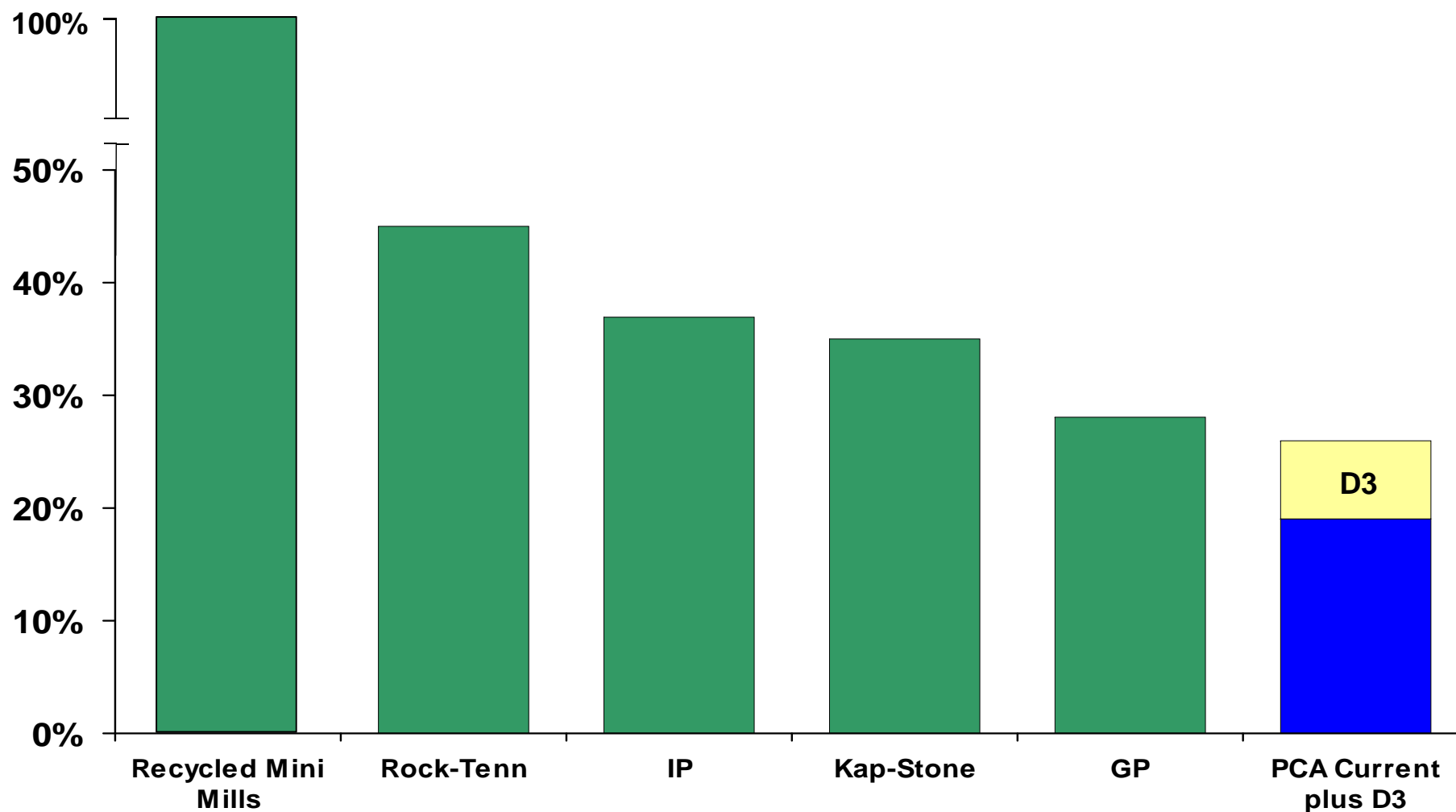
1) See Appendix for reconciliation of reported earnings per share to earnings per share shown above.

# PCA Corrugated Products Growth<sup>(1)</sup>



(1) Excludes volume from Boise acquisition.

# Recycled Fiber Use % - Containerboard Mills



Source: RISI, except PCA data source is internal

# **Proven and Unique Corrugated Products Business Strategy**

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- **Revenue growth from volume and mix is our primary driver of profitability.**
- **Focus on providing the best value and being easy to do business with.**
- **Considerable capabilities and expertise in doing the hard-to-do things that provides customers the best value.**
- **PCA strategy is difficult to replicate because of the know how and resources required.**



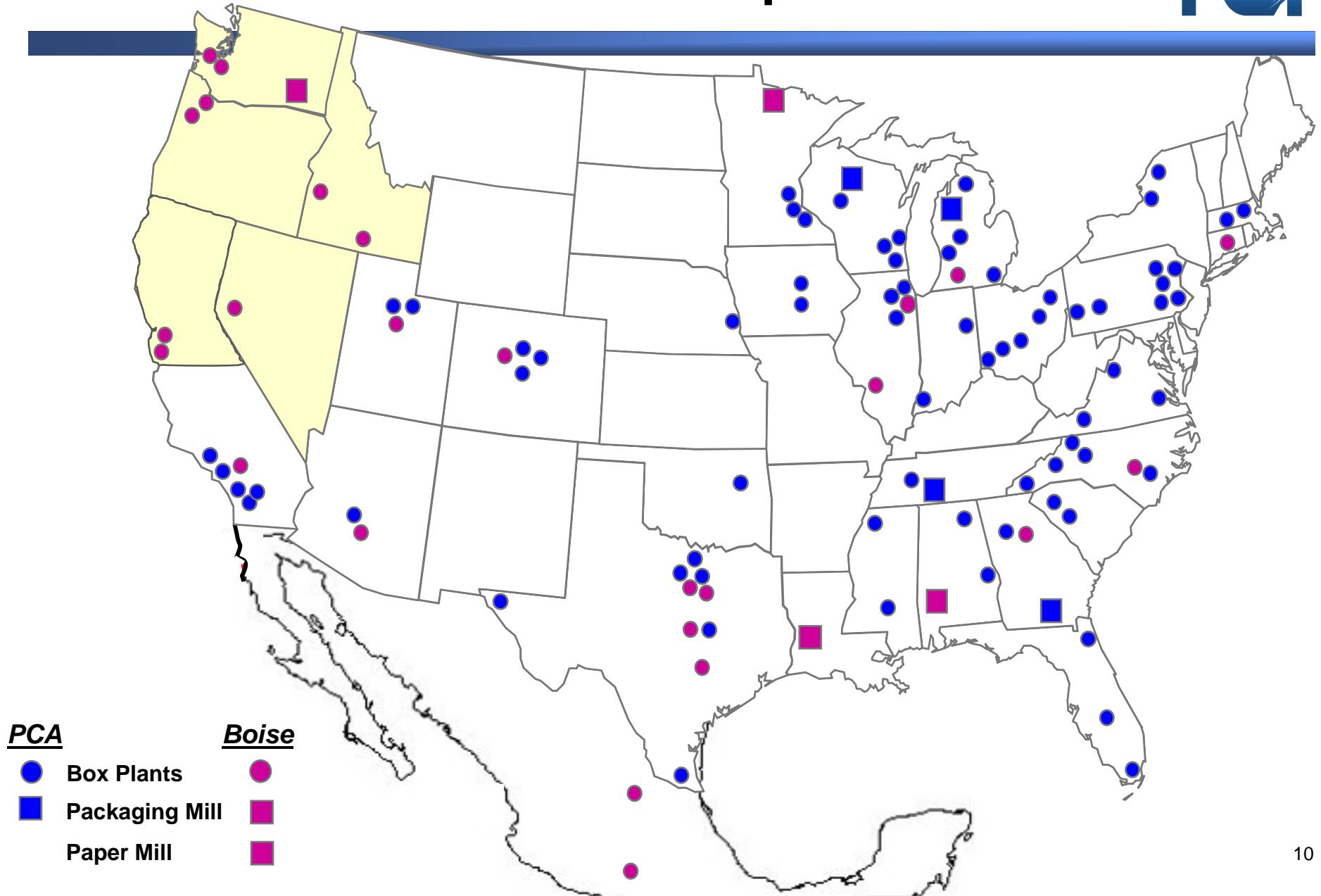
# Special Opportunity – Boise Acquisition

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- **Highly accretive to earnings immediately**
- **Quality containerboard and box plant assets that provide a platform for continued growth**
- **Expands PCA's corrugated products offerings**
- **Substantial synergies of at least \$175MM**
- **Excellent geographic fit**
- **DeRidder conversion project (35% after-tax return)**
- **Meaningful opportunities in the paper business**
- **Combined company generates strong cash flow for debt paydown**

# PCA & Boise Combined Footprint



# Areas Generating \$175MM in Synergies

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- **Grade Optimization**
- **Sales Mix**
- **Lower Mill Production Costs**
- **Lower Transportation Costs**
- **Converting Optimization**
- **Overhead Reductions**
- **Paper Business Improvements**

# DeRidder Conversion Project

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- **Convert DeRidder, D3 newsprint machine to produce lightweight linerboard and corrugating medium with annual capacity of 355,000 tons**
- **Capital costs of \$115 million with an after-tax, discounted cash flow return of 30% to 35%**
- **Start-up on containerboard by November 1, 2014.**
- **System-wide containerboard capacity of 3,750,000 tons**

# Financial Position at June 30, 2014



## Debt & Liquidity

(\$ Millions)	Amount
Initial Post-Acquisition Debt	\$ 2,659
Debt Paydown to Date	(\$ 225)
Total Debt <sup>(1)</sup>	\$ 2,434
Cash at 6/30/14	(162)
Net Debt	\$ 2,272

## Debt Covenants

Interest Coverage Ratio (min. 3.75x)	12.1x
Leverage Ratio (max. 3.75x)	2.2x

### Current 2014 Estimates

Average Cash Interest Rate	3.14%
Annual Interest Expense	\$ 86
Annual Cash Interest	\$ 79

(1) Excludes capitalized leases of \$24MM and unamortized debt discount of \$2MM.

# Shareholder Value Creation (2014 – 2016)

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## **Growth**

- Organic – Industry Leader
- Box Plant Acquisitions
- DeRidder #3 – 355,000 Tons

## **Synergies**

- \$175 Million Identified to Date

## **Deleveraging**

- \$1.0 Billion in Debt Paydown
- Reduced Interest Expense

PCA

# Appendix



	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Earnings per Share</b>						
Earnings per share, as reported <sup>(1)</sup>	\$ 1.31	\$ 2.60	\$ 2.00	\$ 1.58	\$ 1.64	\$ 4.52
Special Items:						
Alternative energy tax credits <sup>(2)</sup>	-	(1.67)	(0.46)	-	0.24	(1.70)
Acquisition-related costs <sup>(3)</sup>	-	-	-	-	-	0.11
Acquisition-related financing costs <sup>(4)</sup>	-	-	-	-	-	0.08
Acquisition inventory step-up <sup>(5)</sup>	-	-	-	-	-	0.14
Integration-related and other costs <sup>(6)</sup>	-	-	-	-	-	0.11
Pension curtailment charges <sup>(7)</sup>	-	-	-	-	-	0.07
Asset disposal and plant closure charges <sup>(8)</sup>	-	0.01	0.08	0.05	0.01	-
Medical benefits reserve adjustment <sup>(9)</sup>	-	-	-	(0.01)	-	-
Debt refinancing charges <sup>(10)</sup>	-	-	-	-	0.16	-
State income tax adjustments <sup>(11)</sup>	-	-	-	-	(0.03)	-
Adjusted earnings per share	<u>\$ 1.31</u>	<u>\$ 0.94</u>	<u>\$ 1.62</u>	<u>\$ 1.62</u>	<u>\$ 2.02</u>	<u>\$ 3.33</u>

(1) Reported earnings per share for 2011 – 2013 have been adjusted to reflect the change in method of accounting for inventories that the Company elected on January 1, 2014. See the Company's current report on Form 8-K that was filed on May 9, 2014.

(2) Represents earnings impact from the alternative fuel mixture and cellulosic biofuel tax credits.

(3) Represents costs related to the acquisition of Boise in 2013.

(4) Represents expenses related to the financing of the acquisition of Boise.

(5) Represents expenses related to the step-up of Boise inventory that was charged as the inventory was sold.

(6) Represents costs related primarily to the integration of Boise.

(7) Represents non-cash pension curtailment charges related to changes in the Company's hourly defined benefit pension plan.

(8) Represents charges from asset disposals related to mill energy projects, assets no longer in service and plant closures.

(9) Represents income from an adjustment to reserves related to medical benefits.

(10) Represents charges from the Company's debt refinancing completed in 2012.

(11) Represents income from state income tax adjustments.