

Fourth Quarter and Full Year 2017 Earnings Call February 6, 2018

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**Graphic
Packaging**
INTERNATIONAL

Inspired packaging. A world of difference.

Forward Looking Statements

Any statements of the Company's expectations in these slides constitute "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Such statements, including but not limited to, expected increases in Adjusted EBITDA and cash flow, as well as expected capital spending, pension expense, cash taxes, depreciation and amortization, pension amortization, interest expense, effective tax rate, and net leverage, are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from the Company's present expectations. These risks and uncertainties include, but are not limited to, inflation of and volatility in raw material and energy costs, cutbacks in consumer spending that reduce demand for the Company's products, continuing pressure for lower cost products, the Company's ability to implement its business strategies, including productivity initiatives and cost reduction plans, currency movements and other risks of conducting business internationally, and the impact of regulatory and litigation matters, including the continued availability of the Company's net operating loss offset to taxable income, and those that impact the Company's ability to protect and use its intellectual property. Undue reliance should not be placed on such forward-looking statements, as such statements speak only as of the date on which they are made and the Company undertakes no obligation to update such statements except as required by law. Additional information regarding these and other risks is contained in the Company's periodic filings with the SEC.

Q4 and Full Year 2017 Overview

Financial Performance

- Q4 Adjusted EBITDA of \$192 million versus \$175 million in the prior year
- Solid Q4 performance of \$24 million was partially offset by higher commodity input costs
 - Recycled fiber input costs were up modestly in Q4; logistics and chemicals input costs escalated in Q4
- Full Year Adjusted EBITDA of \$712 million versus \$764 million in the prior year, reflecting significant pricing to commodity input cost headwinds, primarily recycled fiber costs
- Solid Full Year cash flow of \$365 million (before incremental \$82 million pension contribution)

Markets & Operations

- Q4 volumes up 1.9% from on going business driven by acquisitions and modestly positive core volume
 - Q4 core volume up 0.7%, the third consecutive quarter of modest volume growth reflecting ongoing success of the new product development pipeline
 - Global beverage volume up modestly in Q4 and 2017
- Closed Santa Clara, California coated recycled board mill as planned on 12/1/2017
 - Efficiently integrated Midwest CRB mills and Georgia and Louisiana CUK mills into West Coast supply chain
- Backlogs strong – 5 plus weeks for CRB, CUK, and SBS

Capital Allocation

- Invested \$260 million in capital expenditures in 2017 to drive performance improvements in 2018 and beyond
 - Numerous capital projects to drive reduced consumption of raw materials, increase productivity, and improve quality
- Completed three acquisitions for total consideration of \$203 million
 - Combined LTM Sales ~\$150 million; post-synergy multiple of ~6.5X EBITDA
 - Broadens end-markets, geographic, and customer exposure; integrates tons
- Returned \$156 million to shareholders in 2017 through dividends and share repurchases

*** A reconciliation of non-GAAP financial measures can be found in the financial information attached to the earnings release for the quarter available on the Company's website under "Investors" at www.graphicpkg.com.

Q4 and Full Year 2017 Volumes and Demand

Q4 Volumes up 1.9% from ongoing business driven by acquisitions and modestly positive core volume

- Q4 core volume up 0.7%, the third consecutive quarter of modest volume growth, reflecting the ongoing success of the new product development pipeline
- 2017 core volume was up 0.5%

U.S. Food and Consumer

- A.C. Nielsen reported U.S. Food and Consumer market volume declined in the low-to-mid single digits for the majority of our categories in Q4 and 2017
- GPK outperformed the end-markets throughout 2017, consistent with prior years

Beverage

- GPK global beverage volume was up modestly in Q4 and in 2017, despite softness in the North America mega beer market

Q4 and Full Year 2017 Operations

Q4 and 2017 performance

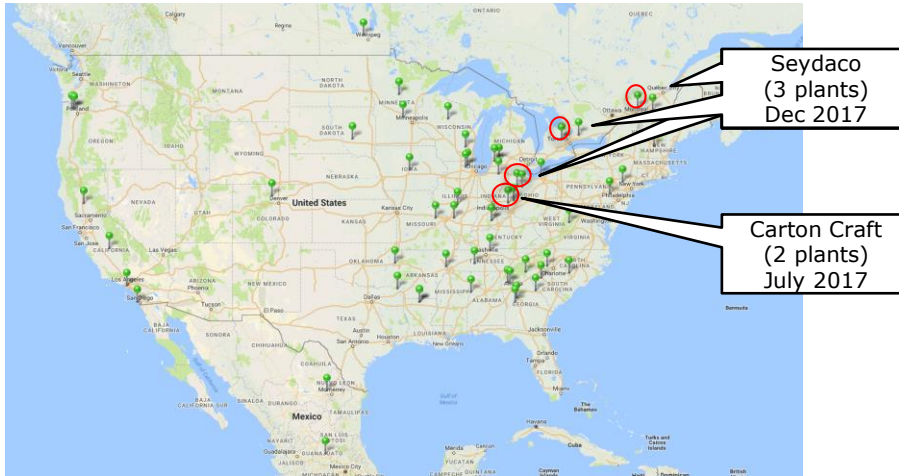
- Drove \$24 million of performance benefits in Q4
- Closed Santa Clara, California coated recycled board mill as planned on 12/1/2017
- Efficiently integrated Midwest CRB mills and Georgia and Louisiana CUK mills into a new West Coast supply chain
- Generated \$57 million of performance benefits in 2017
- 2017 performance was solid, however negatively impacted by significant planned maintenance downtime at West Monroe in Q1, hurricanes in Q3, and closure of Santa Clara mill in Q4
- Backlogs strong – 5 plus weeks for CRB, CUK, and SBS

Invested \$260 million in capital expenditures in 2017 to drive performance improvements in 2018 and beyond

- Installation of two headboxes on West Monroe#6 machine
- Numerous capital projects to drive reduced consumption of raw materials, increase productivity, and improve quality

Completed Three Acquisitions in 2017 for Total Consideration of \$203 million

Graphic Packaging North America Locations



2017 Acquisitions

Combined LTM Sales ~\$150 million

Combined LTM EBITDA ~\$24 million

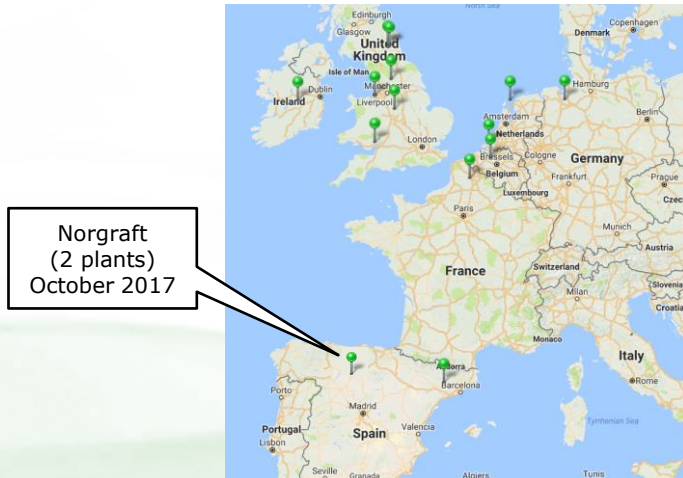
- Post-synergy multiple of ~6.5X EBITDA

Added seven folding carton facilities

- Increased exposure to growing end-markets (air filtration and foodservice)
- Broadened exposure in Europe and Canada
- Integrated additional tons
- Expanded customer base
- Offering new and existing customers a wider range of products

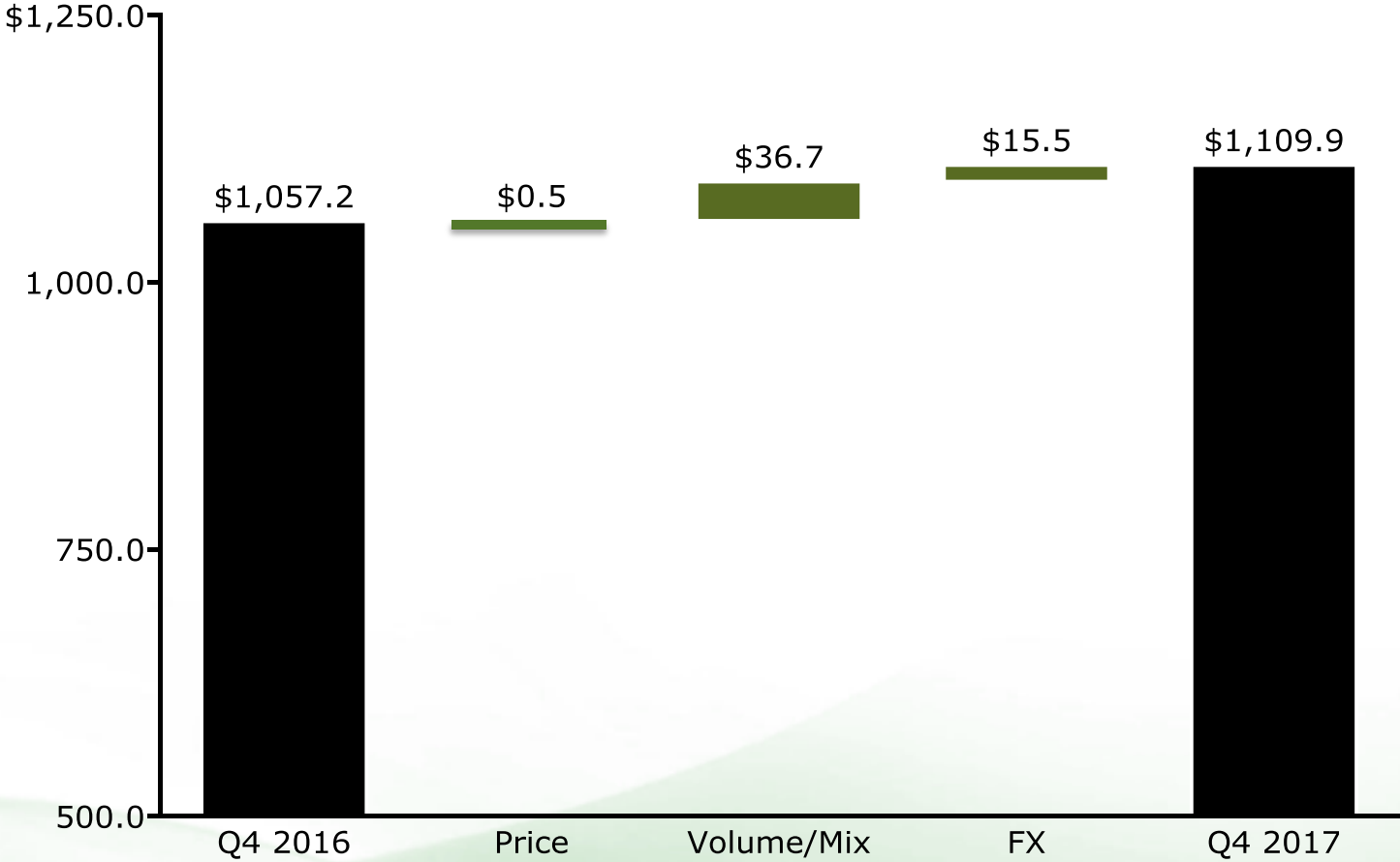
Gained outstanding leadership and talented workforce

Graphic Packaging Europe Locations



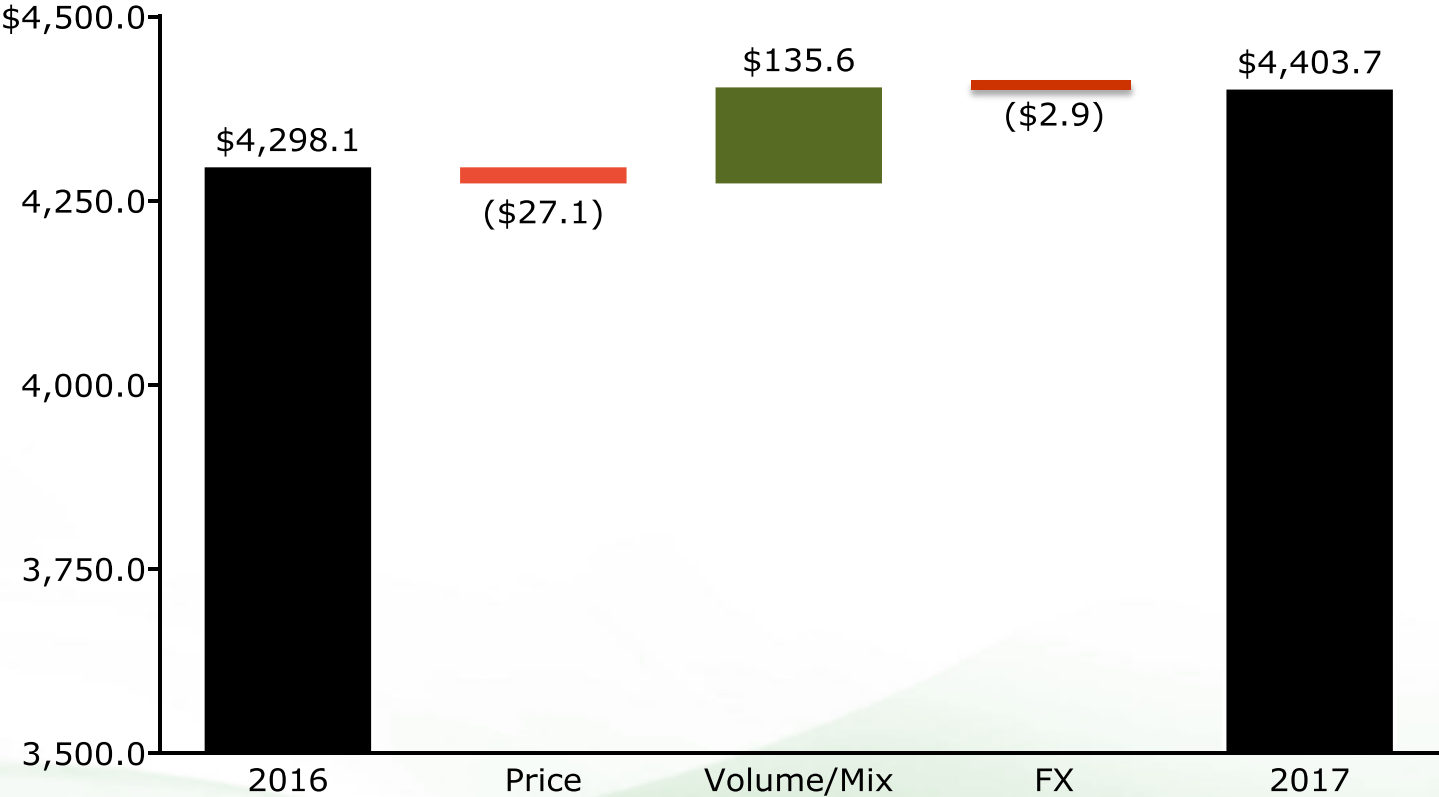
Q4 2017 Net Sales Comparison YoY

In US\$ millions



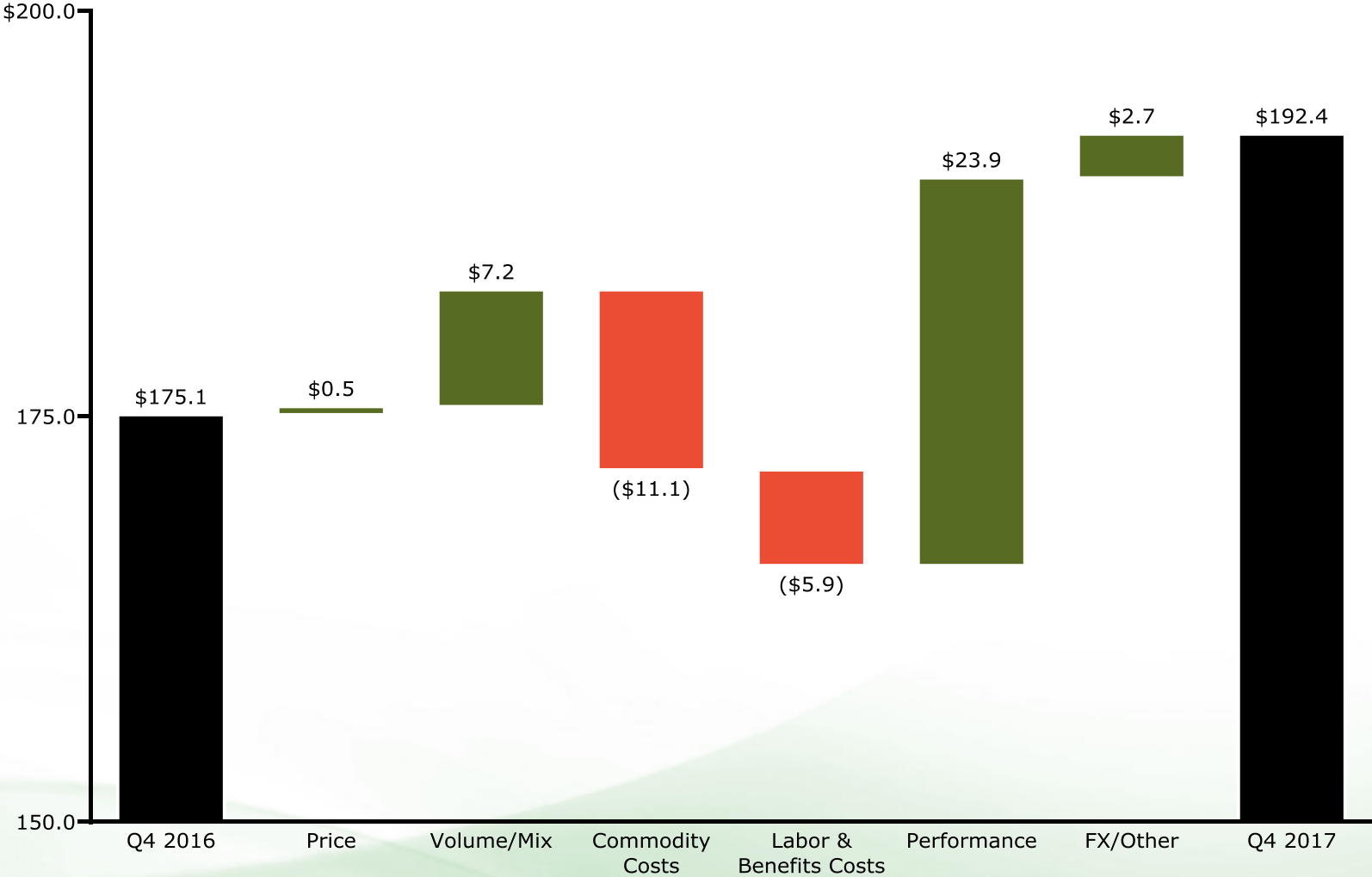
2017 Net Sales Comparison YoY

In US\$ millions



Q4 2017 EBITDA Comparison YoY

In US\$ millions



2017 EBITDA Comparison YoY

In US\$ millions



Q4 and Full Year 2017 Cash Flow, Debt and Liquidity

Net Debt decreased \$51M to \$2.2B in Q4 from Q3

- Generated \$147 million in FCF in Q4
- Contributed an incremental \$82 million to the pension plans in Q4 (\$119 million for the full year versus previous guidance of \$30-\$40 million)
- Quarterly capital expenditures of \$62 million
- Global liquidity > \$1.16B at year-end 2017

Net leverage ratio of 3.12x, up from 2.76x at the year-end 2016

- 2017 cash flow of \$365 million, after adding back additional \$82 million pension contribution in Q4 2017
- 2017 capex of \$260 million, acquisitions of \$203 million, and return of cash to shareholders via dividends and share repurchase of \$156 million

Amend and Extend of \$2.4 billion senior secured credit facility

- In conjunction with the International Paper combination, assumed \$660 million of International Paper debt and concurrently amended and restated senior secured credit agreement to, among other things, extend the term to 2023
- No change to net leverage target range of 2.5-3.0x

A reconciliation of non-GAAP financial measures can be found in the financial information attached to the earnings release for the quarter available on the Company's website under "Investors" at www.graphicpkg.com.

Tax Cuts and Jobs Act of 2017 (Tax Reform Legislation)

- Graphic Packaging is a significant beneficiary of tax reform legislation with ~85% of earnings generated in the U.S.
- Effective tax rate will be reduced to 24%-27% from 35%-37%
- Prior to tax reform, expected NOL's would result in GPK being a minimal U.S. federal cash tax payer through year-end 2019
- We continue to assess the overall impact of tax reform on GPK
- Currently, we expect that GPK will not be a material U.S. federal cash tax payer through 2020
- Expect total cash taxes paid to be in the \$20-\$40 million range per annum from 2018-2020
- The key driver in the extension of the NOL's is the 100% expensing provision for capital expenditures in the legislation, which reduces taxable income and extends utilization of the NOL's

Pension

- Funded status improved significantly in 2017 – Plan Assets at 98% of the Projected Benefit Obligation at year-end 2017
- Reflects strong performance of plan assets and \$119 million in contributions to the plans in 2017
- Contributed an additional \$82 million to the plans in Q4
 - Contribution was made to de-risk the U.S. plans and significantly reduce expected pension contributions on a go forward basis
- After the contributions, further shifted the U.S. plans away from risk seeking assets to continue on a path to de-risk the plan
- Expect go forward pension contributions to decline to \$5-\$10 million per annum from previous seven year range of \$40-\$60 million

EBITDA

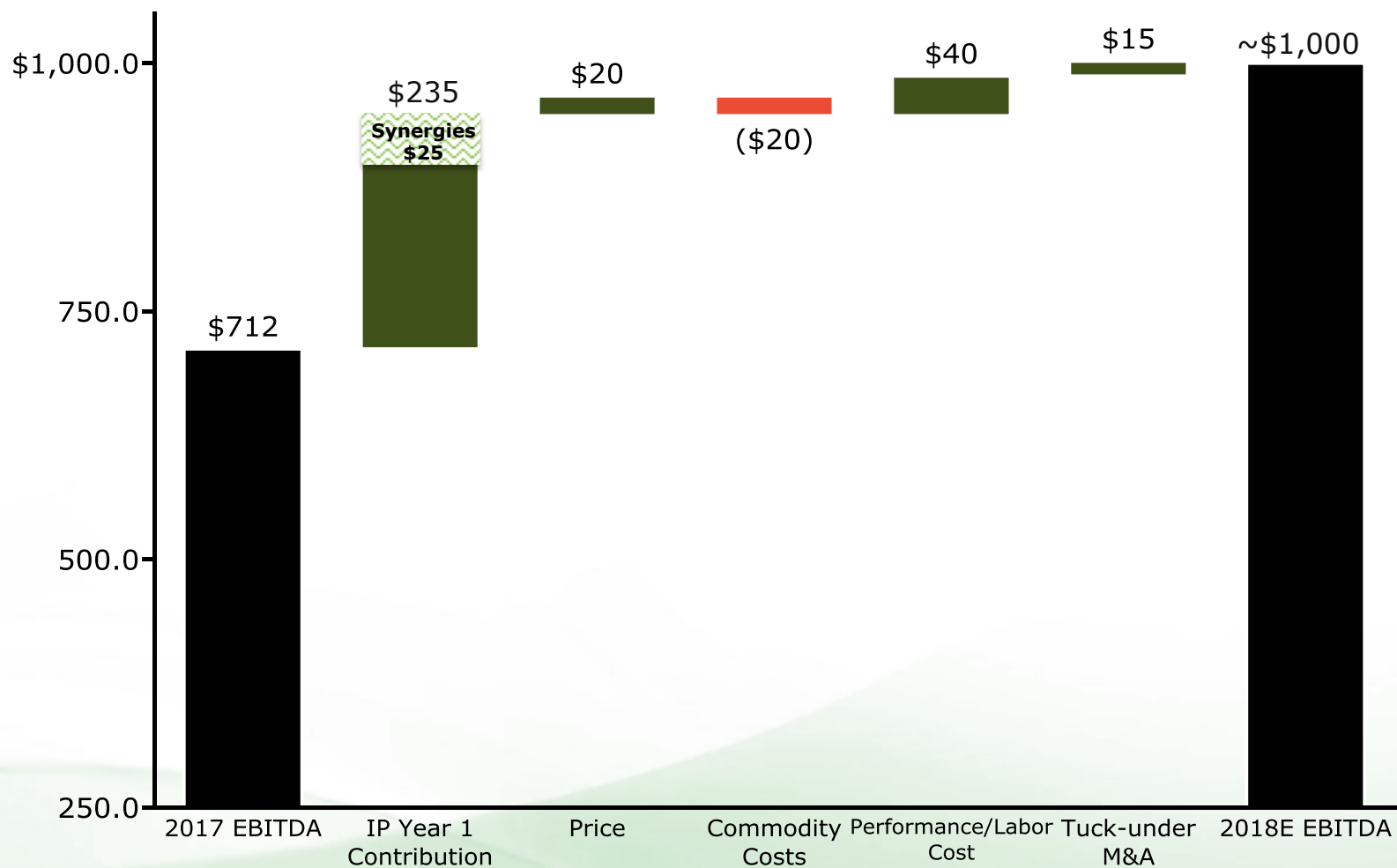
- Expect Adjusted EBITDA will be in the ~\$1 billion range in 2018
- Reflects expectation of \$235 million in EBITDA (including first year of synergies) from the International Paper transaction
- Relatively flat pricing to commodity input cost relationship before impact of recently announced CRB, CUK, and SBS price increases
 - Assumes recycled fiber input prices (OCC) will be modestly lower than average 2017 levels (\$10-\$20 million)
 - Assumes higher logistics, chemicals, and resin input costs (\$30-\$40 million) based on current run rates
- Continued solid productivity gains (\$60-\$80 million) more than offsetting labor and benefits inflation (\$25-\$30 million)

Cash Flow

- Expect cash flow to be in the \$475 million range in 2018

2018E EBITDA Guidance Bridge

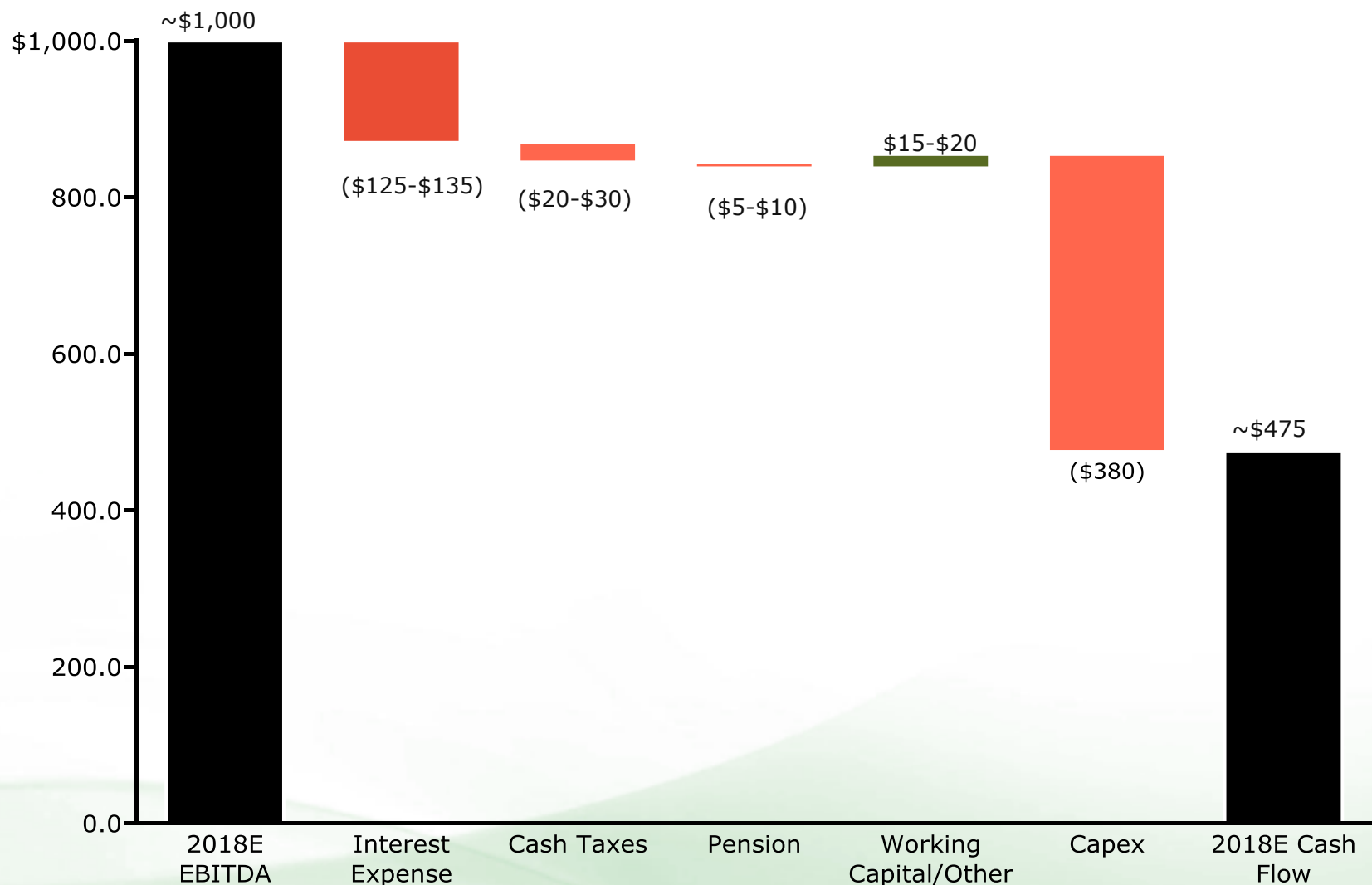
In US\$ millions



Note: Excludes one-time costs associated with the Augusta recovery boiler rebuild

2018E Cash Flow Bridge from EBITDA

In US\$ millions



Note: Do not expect costs associated with business combinations, special charges, the Augusta recovery boiler rebuild and real estate transactions to negatively impact Cash Flow

2018 Guidance

	<u>2017 Actual</u>	<u>2018 Guidance</u>
– Cash Flow available for Net Debt Reduction, Dividends & Share Repurchase (before M&A/Capital Markets activity) ⁽¹⁾	\$365M	~\$475M
– Capital Expenditures	\$260M	\$380M
– Cash Pension Contributions	\$119M	\$5-\$10M
– Pension Expense/(Income) (includes pension amortization)	(\$6M)	\$3M
– Cash Taxes	\$16M	\$20-\$30M
– Depreciation & Amortization (excluding pension amortization) ⁽²⁾	\$314M	\$430-\$450M
– Pension Amortization	\$7M	\$6M
– Interest Expense	\$90M	\$125-\$135M
– Effective Tax Rate (Normalized)	35.8%	24-27%
– Year End Net Leverage Ratio	3.12x	2.5x-3.0x

(1) The 2017 Cash Flow is before the impact of the \$82 million incremental pension contribution

(2) Excludes accelerated depreciation related to the shutdown of the Santa Clara mill