

First Quarter 2017 Earnings Call April 25, 2017

Michael P. Doss
President and Chief Executive
Officer

Stephen R. Scherger
Senior Vice President and Chief
Financial Officer



**Graphic
Packaging**
INTERNATIONAL, INC.

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 contributions and 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.

Q1 2017 Financial Overview

	<u>Q1 2017</u>	<u>Q1 2016</u>
Net Sales (millions)	\$1,061.5	\$1,034.0
Earnings per Diluted Share	\$0.12	\$0.18
Adjusted Earnings per Diluted Share	\$0.14	\$0.20
Net Income (millions)	\$37.0	\$57.5
Adjusted EBITDA (millions)	\$160.9	\$193.4

- Returned \$64 million to shareholders through dividends (\$24 million) and share repurchases (\$40 million) in Q1

2017 Outlook

EBITDA

- Expect Adjusted EBITDA will be in the \$725-\$745 million range in 2017 vs. the previous outlook of very modest improvement to the \$764 million in 2016
- Reduction driven by the sharp increase in Q1 recycled fiber costs
- Focused on implementing price increases to offset the sharp input cost inflation
- Expect margins to improve in the 2H2017 and in 2018
- Expect the 2018 price to commodity cost relationship will be at least a \$40 million positive

Cash Flow

- Maintain \$380-\$400 million range, up from \$358 million in 2016
- Expect the reduced Adjusted EBITDA outlook will be offset by improved working capital performance

Q1 2017 Volume and Demand

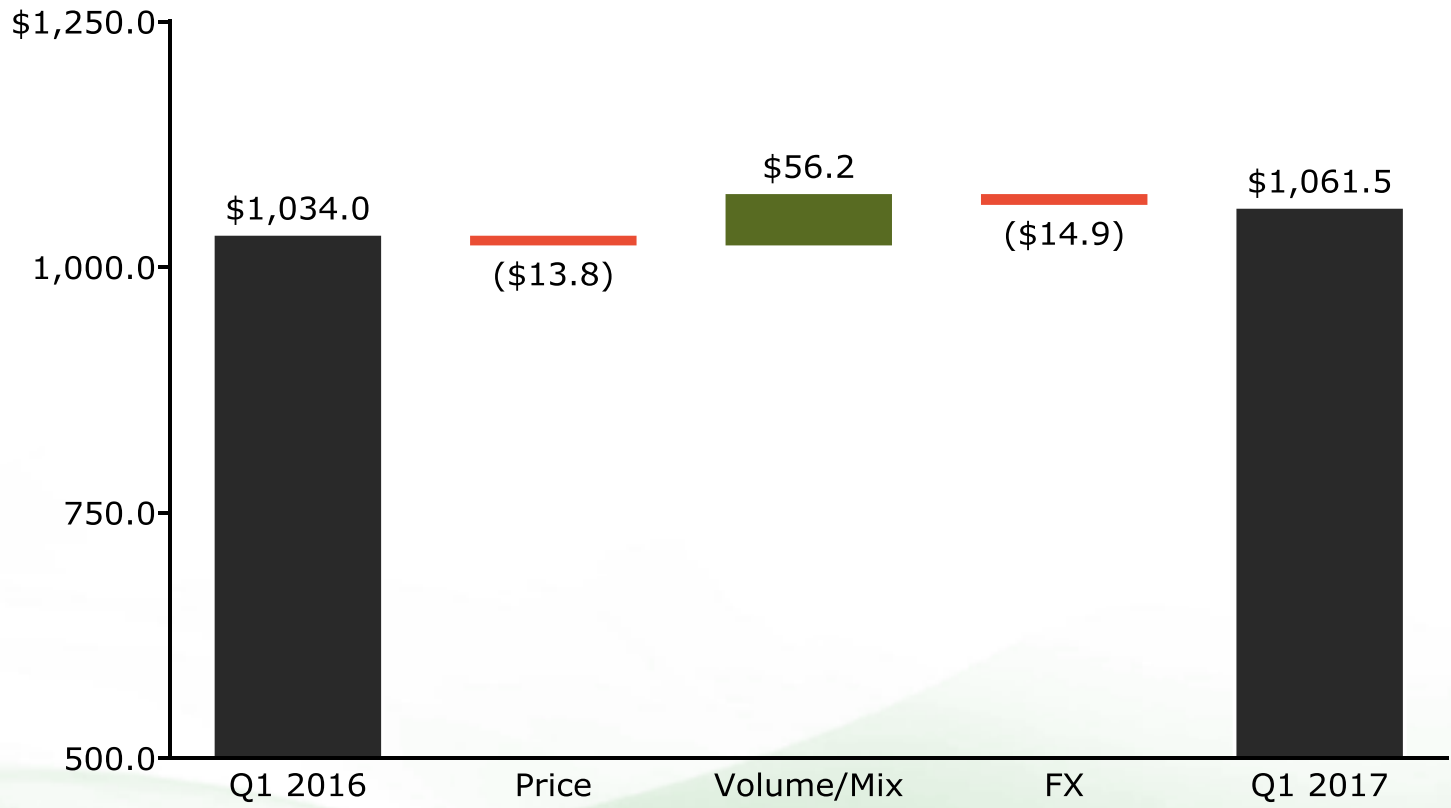
- Volume in Q1 up 2.7% from ongoing business, driven by acquisitions
 - Core volume flat in Q1, consistent with the trend in 2016 and the long-term business model
- U.S. Food and Consumer
 - GPK outperformed the end-markets in Q1, consistent with previous years, driven by the ongoing success of the new product development pipeline
- Global Beverage
 - A.C. Nielsen reported continued growth in U.S. Beverage
 - GPK global beverage volume was up low single digits in the quarter

Q1 2017 Operations

- Performance in Q1
 - Drove \$7.4 million of performance benefits in Q1
 - Achieved \$7.4 million improvement despite \$18 million of planned downtime costs associated with the installation of two headboxes on the number six paper machine at West Monroe, LA
- Invested \$76 million in capital expenditures in Q1; capital spending will be approximately \$250 million in 2017
 - Invested \$35 million to upgrade two headboxes on the WM#6 paper machine
 - Expect capital investments to help deliver productivity benefits at the mid-to-high end of our targeted \$60-\$80 million productivity range annually
- Backlogs remain stable
 - CUK at 5 weeks
 - CRB at 4 plus weeks

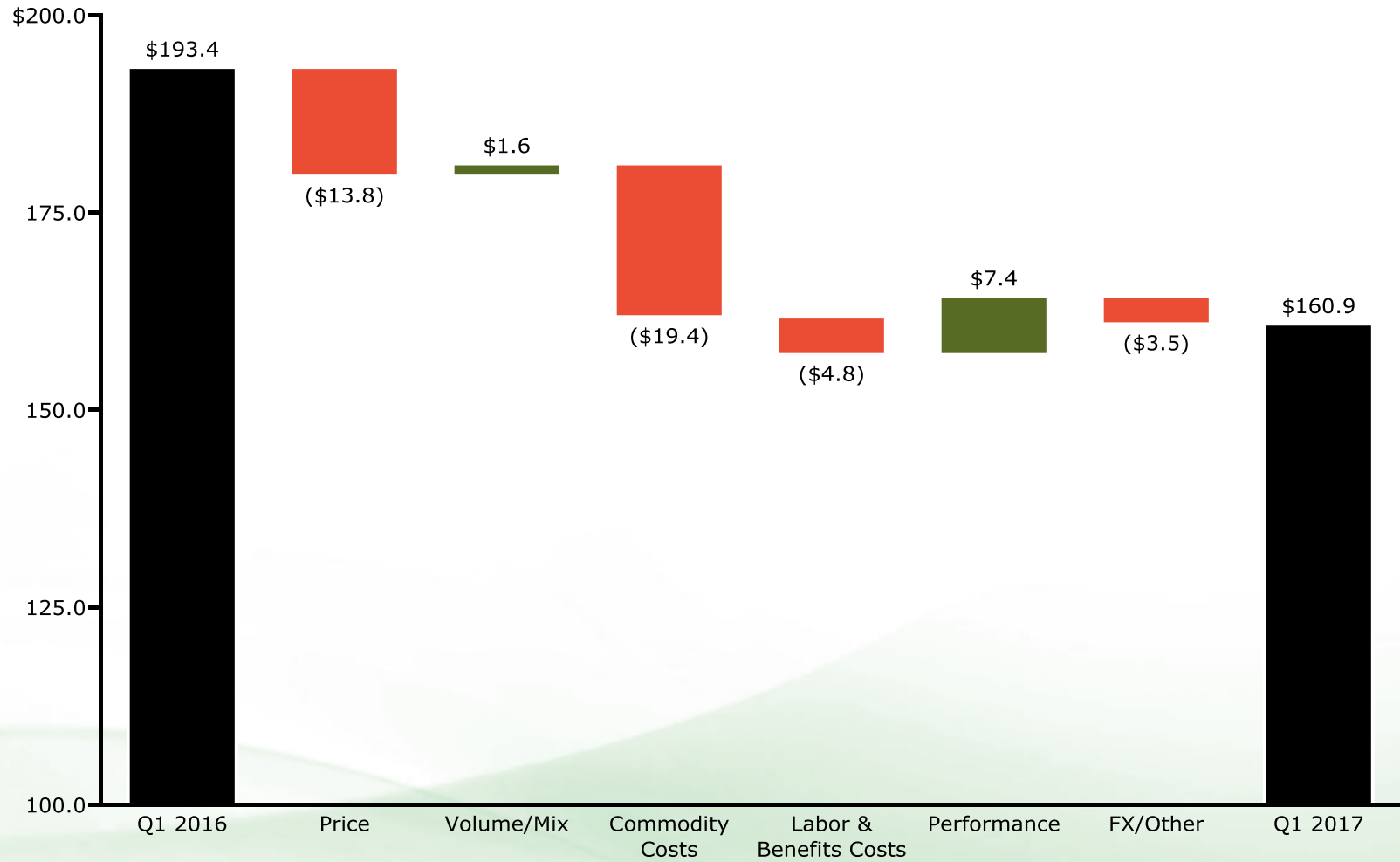
Q1 2017 Net Sales Comparison YoY

In US\$ millions



Q1 2017 Adjusted EBITDA Comparison YoY

In US\$ millions



Q1 2017 Cash Flow, Debt and Liquidity

- Net Debt increased \$122 million to \$2.2 billion in Q1 from Q4 2016
 - Quarterly capital expenditures of \$76 million
 - Share repurchase and dividend activity of \$64 million
- Net leverage ratio of 3.1x, up from 2.8x at the end of Q4 2016
- Global liquidity > \$1.1B at end Q1

2017 Guidance

	<u>4Q 2016 Guidance</u>	<u>1Q 2017 Guidance</u>
– Cash Flow available for Net Debt Reduction, Dividends & Share Repurchase (before M&A/Capital Markets activity)	\$380M-\$400M	\$380-\$400M
– Capital Expenditures	\$250M	\$250M
– Cash Pension Contributions	\$30M-\$50M	\$30-\$40M
– Pension Expense/(Income) (includes pension amortization)	(\$4M)	(\$4M)
– Cash Taxes	\$15M-\$25M	\$15-\$25M
– Depreciation & Amortization (excluding pension amortization)	\$300-\$320M	\$300-\$320M
– Pension Amortization	\$7M	\$7M
– Interest Expense	\$75M-\$85M	\$80-\$90M
– Effective Tax Rate (Normalized)	35-37%	35-37%
– Year End Net Leverage Ratio	2.5x-3.0x	2.5x-3.0x