

# Packaging Corporation of America

## Wells Fargo Securities Industrials Conference

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Chairman & CEO

**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)”.**

**Non-GAAP financial measures are reconciled to the most comparable GAAP measure in the Appendix.**

# PCA Operations



## Containerboard Mills

- 6 manufacturing facilities
- 4.1 MM tons of capacity
- 4<sup>th</sup> largest producer in North America
- Low-cost virgin fiber production
- Highest vertical integration level in the industry (95%)

## Corrugated Products Plants

- 94 plants in 30 states
- 55.7 BSF shipped in 2017
- Value and margin driven

## White Paper Mills

- 2 manufacturing facilities
- 1 MM tons of capacity
- 3<sup>rd</sup> largest producer of uncoated freesheet in North America



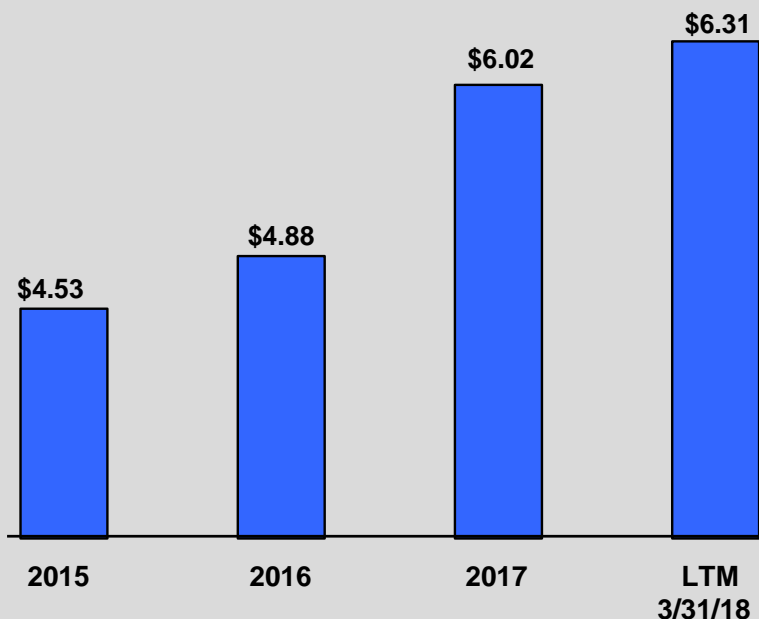
- **Best Performing Company Over an Extended Period of Time**
  - **Best volume growth, margins and ROIC in the industry**
  - **Strong customer base, 2/3 local accounts**
  - **Low-cost virgin mills**
  - **Lowest OCC usage in the industry**
  - **Highest vertical integration in the industry**
  - **Limited currency risk**
  - **Lowest leverage among industry peers**
  - **Strong management / track record**

- **Focus and History of Returning Value to Shareholders Through Balanced Allocation Strategy**
  - **Capital spending discipline**
  - **Strong, sustainable approach to dividends**
  - **Opportunistic share repurchases**
  - **Value-creating acquisitions**
  - **Maintain strong balance sheet through prudent debt paydown**

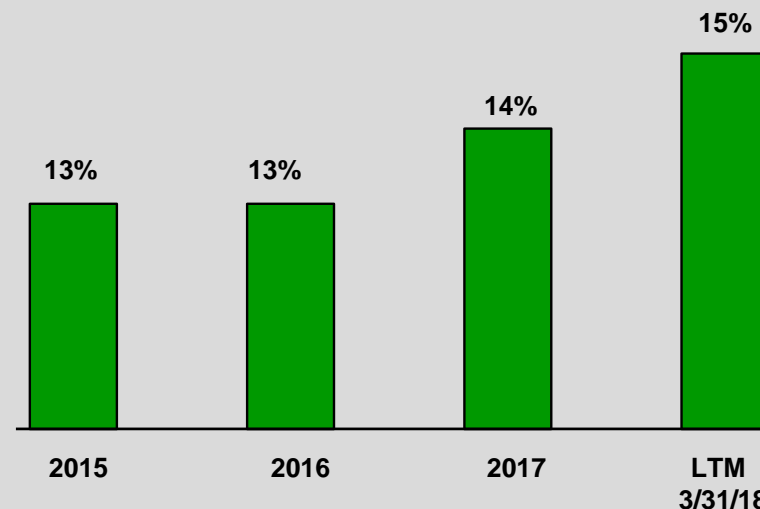
# Solid and Consistent Financial Results

**Earnings Per Share CAGR of 25% Over Last Six Years**

## Earnings Per Share

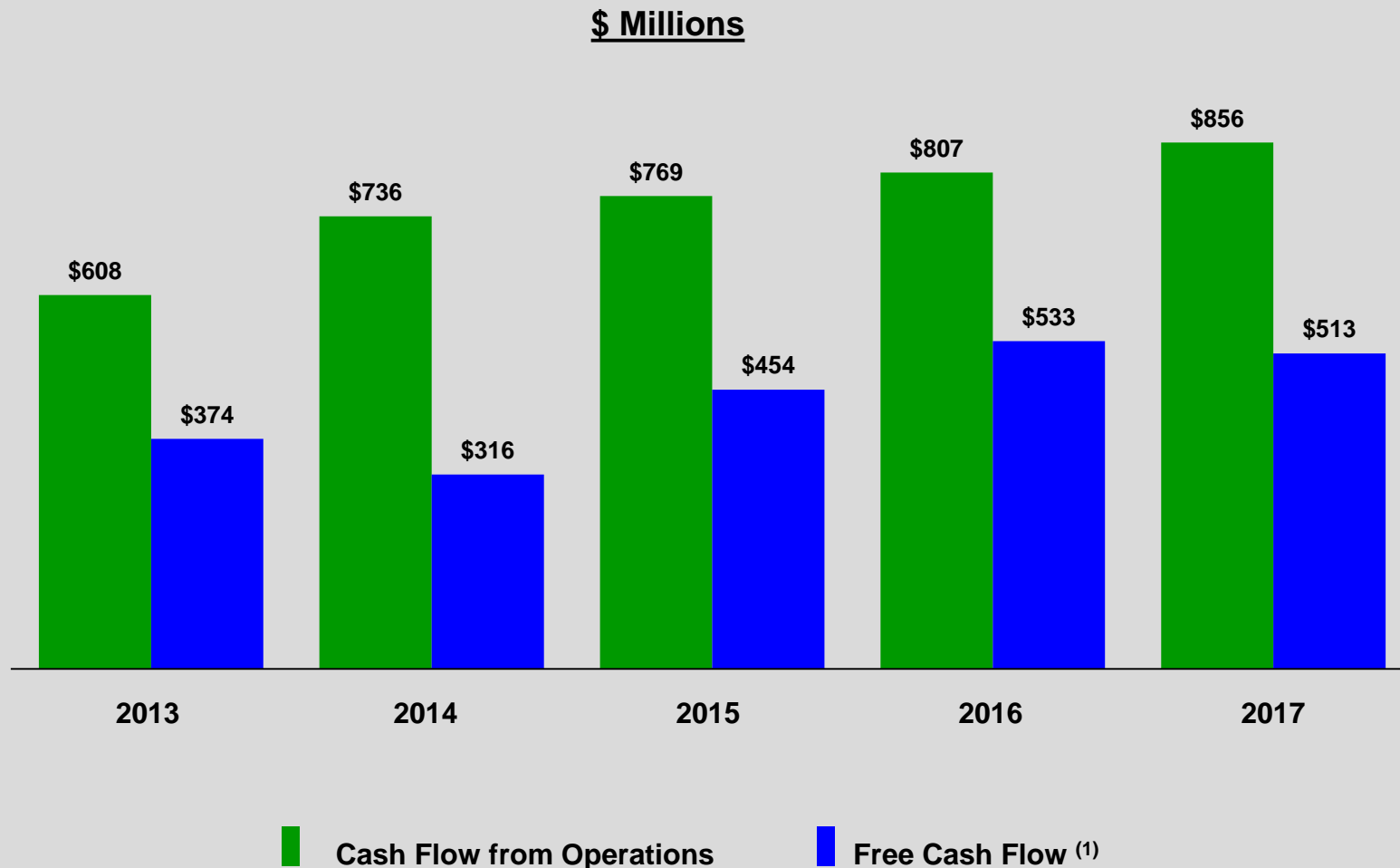


## ROIC



**Packaging Segment EBITDA Margins > 22% Each of Last Three Years**

# Steadily Growing Cash Flow Allows Continuous Value-Creating Opportunities



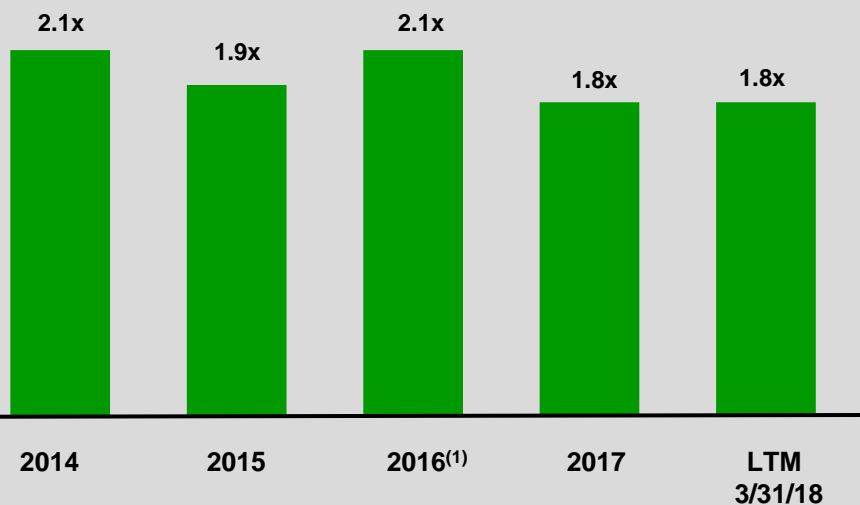
(1) See Appendix for calculation of free cash flow.

# Strong Balance Sheet Provides for Financial Flexibility

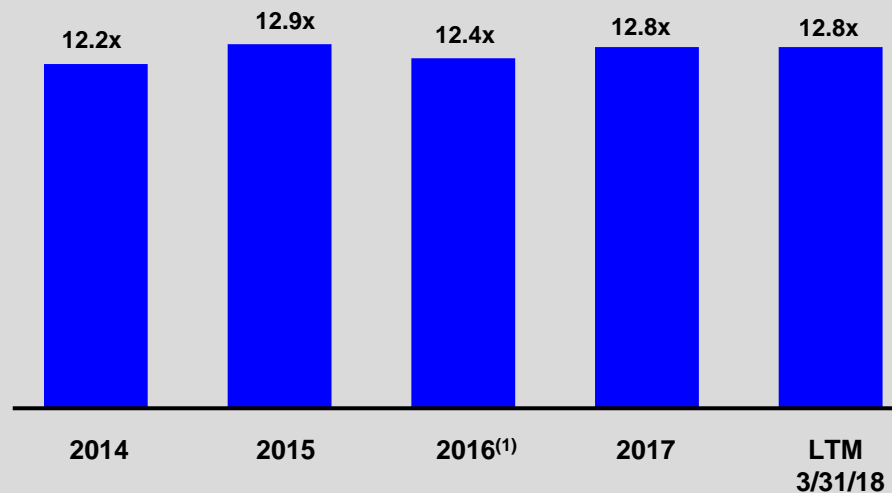


LOWEST LEVERAGE AMONG INDUSTRY PEERS

Leverage Ratio



Interest Coverage



(1) Includes new \$385 term loan for TimBar acquisition.



# Strategic Focus Areas

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- **Continued Operational Excellence in Manufacturing and Sales**
- **Continue Containerboard / Corrugated System Optimization with TimBar, Columbus and Sacramento Container Acquisitions and Wallula Linerboard Conversion**
- **Enhance Revenue thru Profitable Organic Box Volume Growth and Strategic Box Plant Acquisitions**
- **Balanced and Disciplined Capital Allocation**
- **Maintain Financial Flexibility with Strong Balance Sheet**

**PCA**

# Appendix



|   | <u>2015</u>    | <u>2016</u>    | <u>2017</u>   | <u>LTM 3/31/18</u> |
|---|----------------|----------------|---------------|--------------------|
| Earnings per share, as reported                           | \$ 4.47        | \$ 4.75        | \$ 7.07       | \$ 7.31            |
| Wallula mill restructuring <sup>(1)</sup>                 | -              | 0.02           | 0.21          | 0.28               |
| Internal legal entity consolidation <sup>(2)</sup>        | -              | -              | 0.04          | 0.04               |
| Facilities closure and other costs <sup>(3)</sup>         | -              | 0.08           | (0.04)        | (0.04)             |
| DeRidder mill incident <sup>(4)</sup>                     | -              | -              | 0.03          | -                  |
| Acquisition and integration related costs <sup>(5)</sup>  | 0.10           | 0.03           | 0.01          | 0.01               |
| Hexacomb working capital adjustment <sup>(6)</sup>        | -              | -              | (0.01)        | -                  |
| Expiration of timberland repurchase option <sup>(7)</sup> | -              | -              | (0.01)        | (0.01)             |
| Deferred debt issuance costs <sup>(8)</sup>               | -              | -              | 0.01          | 0.01               |
| Tax reform <sup>(9)</sup>                                 | -              | -              | (1.29)        | (1.29)             |
| Sale of St. Helens paper mill site <sup>(10)</sup>        | (0.05)         | -              | -             | -                  |
| DeRidder restructuring <sup>(11)</sup>                    | 0.01           | -              | -             | -                  |
| <b>Adjusted earnings per share</b>                        | <b>\$ 4.53</b> | <b>\$ 4.88</b> | <b>\$6.02</b> | <b>\$6.31</b>      |

|                                    | <u>2013</u>   | <u>2014</u>   | <u>2015</u>   | <u>2016</u>   | <u>2017</u>   |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Cash flow from operations</b>   | <b>\$ 608</b> | <b>\$ 736</b> | <b>\$ 769</b> | <b>\$ 807</b> | <b>\$ 856</b> |
| <b>Less: additions to PP&amp;E</b> | <b>(234)</b>  | <b>(420)</b>  | <b>(315)</b>  | <b>(274)</b>  | <b>(343)</b>  |
| <b>Free cash flow</b>              | <b>\$ 374</b> | <b>\$ 316</b> | <b>\$ 454</b> | <b>\$ 533</b> | <b>\$ 513</b> |

(1) Represents costs related to ceased production of softwood market pulp and the permanent shutdown of the No. 1 machine in Q4 2016, and the announced Q2 2018 discontinuation of UFS and coated one-side grades associated with the machine conversion at our Wallula, WA mill.

(2) Represents tax expense related to an internal legal entity consolidation.

(3) Represents facility closure costs and costs related to withdrawals from multi-employer pension plans.

(4) Represents costs related to the property damage and business interruption insurance deductible corresponding to the February 2017 explosion at our DeRidder, LA mill.

(5) Represents costs related to the acquisition of TimBar, Columbus Container, Inc. and Sacramento Container.

(6) Represents income related to a working capital adjustment from the April 2015 sale of our Hexacomb operations in Europe and Mexico.

(7) Represents gain related to the expiration of a repurchase option corresponding to timberland previously sold.

(8) Represents write-off of deferred debt issuance costs in connection with the December 2017 debt refinancing.

(9) Represents the estimated tax benefit related to the enactment in December 2017 of the Tax Cuts and Jobs Act (H.R.1).

(10) Represents the gain on the sale of the St. Helens paper mill site.

(11) Represents charges related to the restructuring of our DeRidder, LA mill.

# Appendix



|  | 2015            |               |                |                 | 2016            |               |                |                 | 2017            |               |                |                 |
|--|-----------------|---------------|----------------|-----------------|-----------------|---------------|----------------|-----------------|-----------------|---------------|----------------|-----------------|
|  | Packaging       | Paper         | Corporate      | Total           | Packaging       | Paper         | Corporate      | Total           | Packaging       | Paper         | Corporate      | Total           |
| Net income, as reported                        |                 |               |                | \$ 437          |                 |               |                | \$ 450          |                 |               |                | \$ 669          |
| Interest expense, net and other                |                 |               |                | 86              |                 |               |                | 92              |                 |               |                | 103             |
| Provision for income taxes                     |                 |               |                | 228             |                 |               |                | 239             |                 |               |                | 160             |
| Income from operations                         | \$ 715          | \$ 113        | \$ (77)        | \$ 751          | \$ 711          | \$ 138        | \$ (68)        | \$ 781          | \$ 944          | \$ 62         | \$ (74)        | \$ 932          |
| DD&A   | 297             | 55            | 4              | 356             | 293             | 60            | 5              | 358             | 317             | 68            | 6              | 391             |
| EBITDA   | \$ 1,012        | \$ 168        | \$ (73)        | \$ 1,107        | \$ 1,004        | \$ 198        | \$ (63)        | \$ 1,139        | \$ 1,261        | \$ 130        | \$ (68)        | \$ 1,323        |
| Special items:                                 |                 |               |                |                 |                 |               |                |                 |                 |               |                |                 |
| Wallula mill restructuring (1)                 | -               | -             | -              | -               | -               | 1             | -              | 1               | -               | 23            | -              | 23              |
| Facilities closure and other costs (2)         | -               | -             | -              | -               | 10              | 1             | -              | 11              | (7)             | -             | 1              | (6)             |
| DeRidder mill incident (3)                     | -               | -             | -              | -               | -               | -             | -              | -               | 5               | -             | -              | 5               |
| Acquisition and integration related costs (4)  | 4               | -             | 9              | 13              | 4               | -             | -              | 4               | 2               | -             | -              | 2               |
| Hexacomb working capital adjustment (5)        | -               | -             | -              | -               | -               | -             | -              | -               | (2)             | -             | (1)            | (3)             |
| Expiration of timberland repurchase option (6) | -               | -             | -              | -               | -               | -             | -              | -               | (2)             | -             | -              | (2)             |
| Sale of St. Helens paper mill site (7)         | -               | (7)           | -              | (7)             | -               | -             | -              | -               | -               | -             | -              | -               |
| DeRidder restructuring (8)                     | (7)             | -             | -              | (7)             | -               | -             | -              | -               | -               | -             | -              | -               |
| Adjusted EBITDA                                | <u>\$ 1,009</u> | <u>\$ 161</u> | <u>\$ (64)</u> | <u>\$ 1,106</u> | <u>\$ 1,018</u> | <u>\$ 200</u> | <u>\$ (63)</u> | <u>\$ 1,155</u> | <u>\$ 1,257</u> | <u>\$ 153</u> | <u>\$ (68)</u> | <u>\$ 1,342</u> |
| Net sales, as reported                         | \$ 4,477        | \$ 1,143      | \$ 122         | \$ 5,742        | \$ 4,585        | \$ 1,094      | \$ 100         | \$ 5,779        | \$ 5,312        | \$ 1,052      | \$ 81          | \$ 6,445        |
| Adjusted EBITDA margin                         | 22.5%           | 14.1%         | N/A            | 19.3%           | 22.2%           | 18.3%         | N/A            | 20.0%           | 23.7%           | 14.5%         | N/A            | 20.8%           |

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(2) Represents facility closure costs and costs related to withdrawals from multiemployer pension plans

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(7) Represents the gain on the sale of the St. Helens paper mill site

(8) Represents charges related to the restructuring of the DeRidder mill