

# Packaging Corporation of America

## Bank of America Global Agriculture & Materials Conference

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March 3, 2022



**Mark W. Kowlzan**  
Chairman & CEO

**Robert P. Mundy**  
Executive V. P. & CFO



# Packaging Corporation of America

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**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 Annual Report on Form 10-K for the year ended December 31, 2021, and in subsequent quarterly reports on Form 10-Q, 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.**

# Operational Excellence and Strong Execution vs Significant Obstacles = Record Year



## Packaging Segment

- Record box shipments exceeded industry every month of 2021 and finished ~ 2X industry for the year
- Jackson and Wallula mills drove record containerboard production while maintaining industry leading integration rate
  - J3 paper machine generated over \$100MM of EBITDA in 2021 with minimal capital spending
- Containerboard inventories ended year at historically low weeks-of-supply level
- Completed acquisition of Advance Packaging
- All-time records for revenue, EBITDA, operating profit, and margins

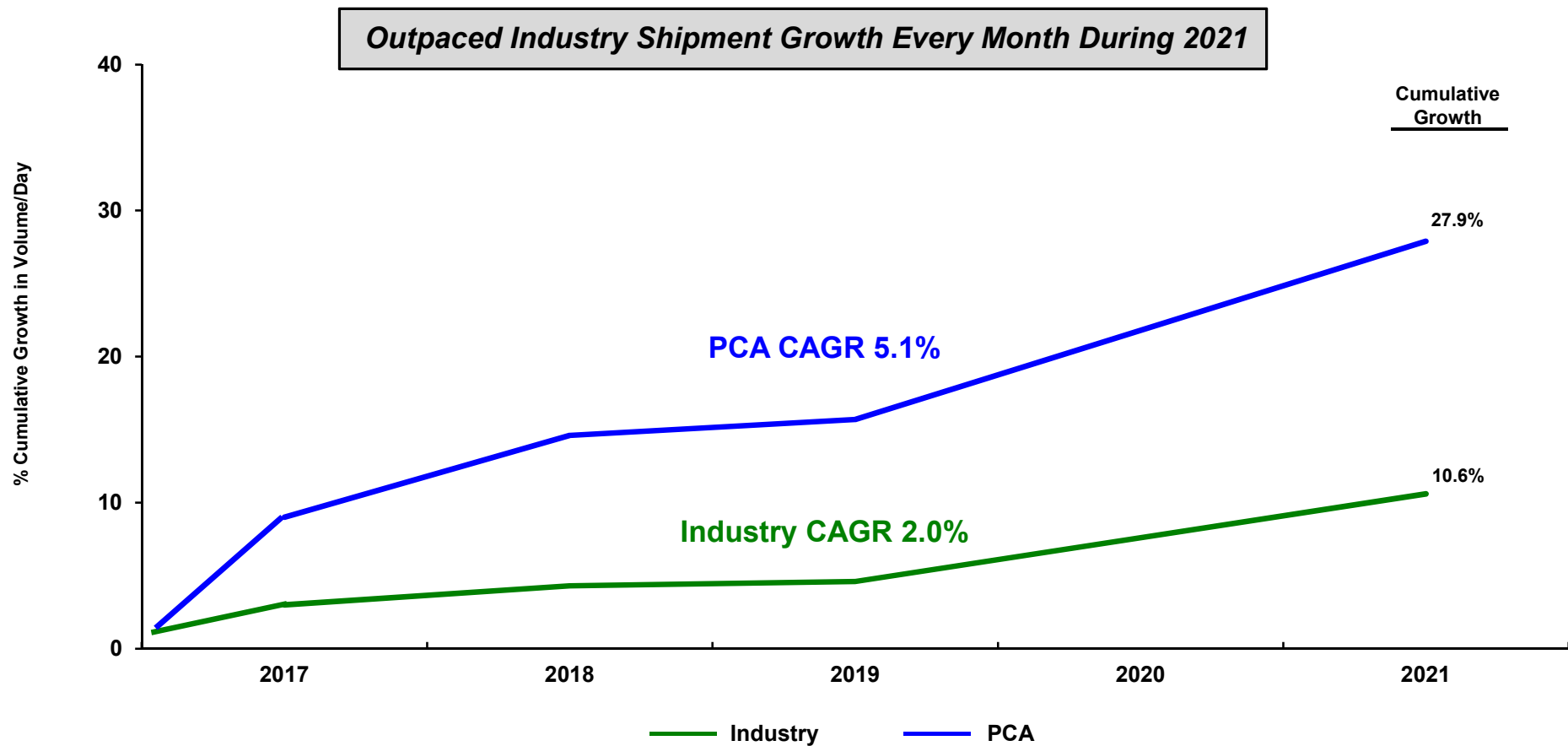
## Paper Segment

- Sales volume down (13%) due to shift of Jackson volume to containerboard; announced three price increases totaling \$220/ton
- EBITDA margin improved to 12% from 2020's significant pandemic-related demand issues
- Completed key segment optimization efforts around volume, mix, inventory and overhead structure
- Expect optimized Paper segment to deliver 400 – 600 bps improvement in 2022

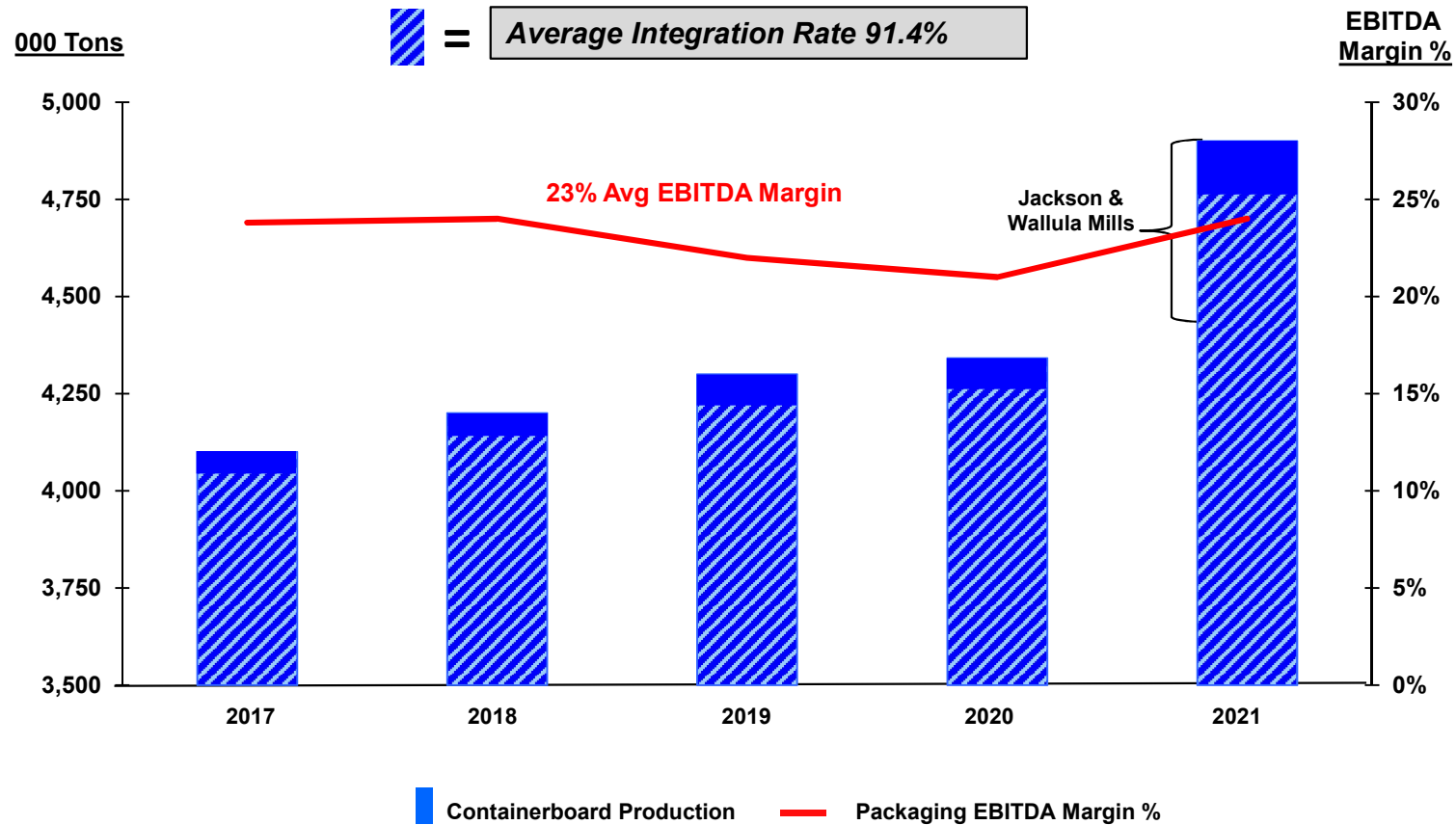
## Total Company

- Outstanding effort across all locations to overcome numerous pandemic-related obstacles and record inflation
- All-time record revenue, EBITDA, operating profit, margins, net income and EPS
- Over 64% of net income (\$573MM) returned to shareholders through dividends and stock repurchases
- Record ROIC of 19.1% and Economic Value Added (EVA) of over \$575MM
- Debt refinancing lowered overall interest rate to 3.5% and interest expense by \$11MM; average maturity from 8.5 to 16.3 years
- Liquidity of \$1.1 billion

# Corrugated Products Volume Growth - Outperformance vs. the Industry . . . .

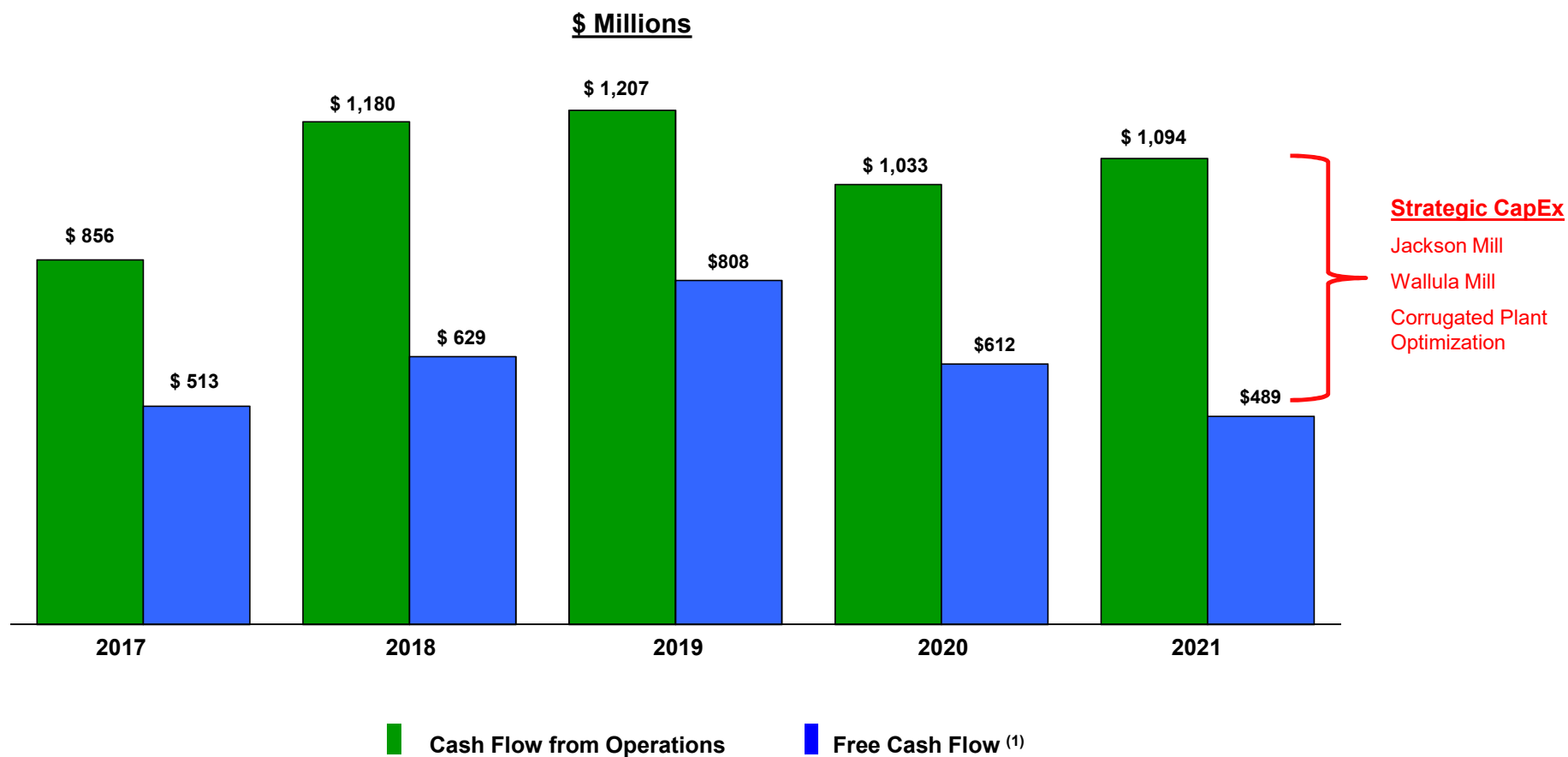


# .... and Growing Internal Containerboard Supply Supports Industry-Leading Margins



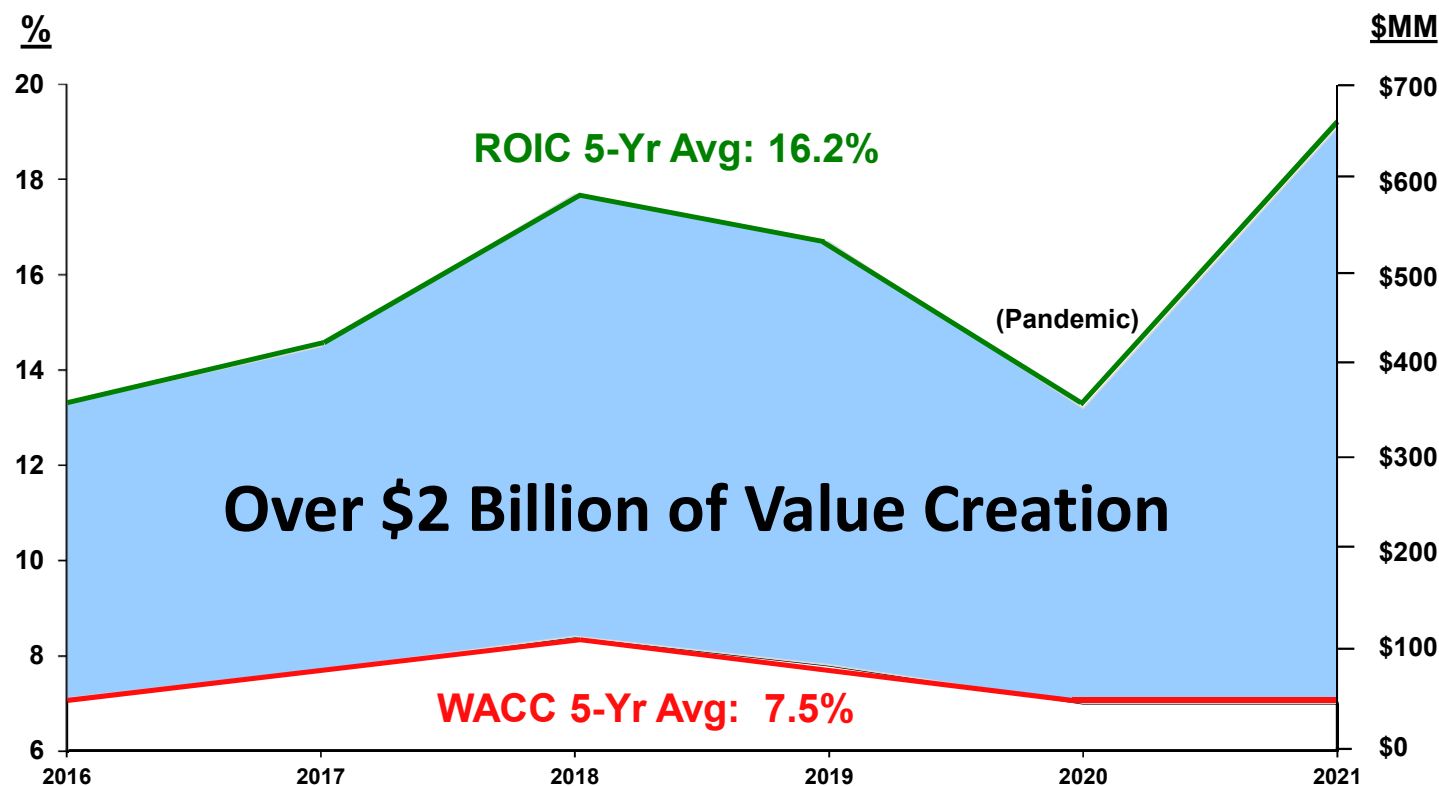
(1) See Appendix A for calculation of EBITDA and EBITDA margins

# Solid Cash Flow Generation Allows Continuous Value-Creating Opportunities



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

# Consistently Strong ROIC > WACC Creates Significant Value



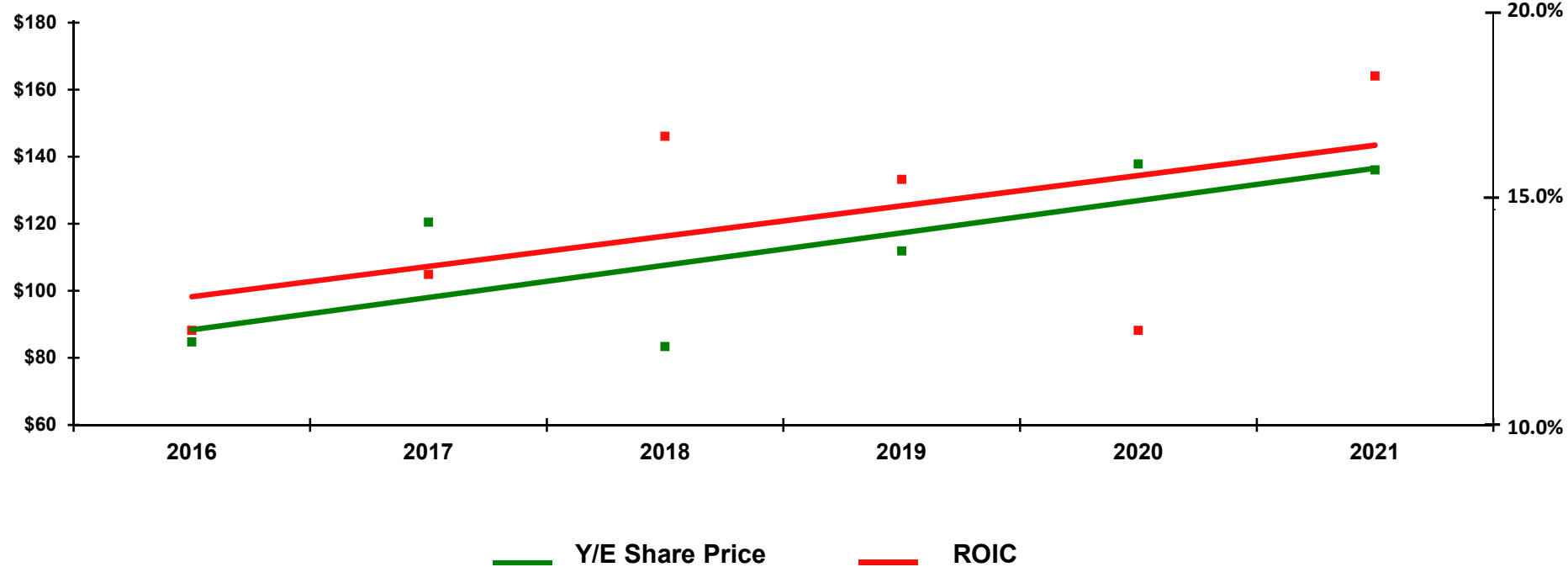
(1) See Appendix B for ROIC calculations.

# High Correlation Between ROIC and Share Price



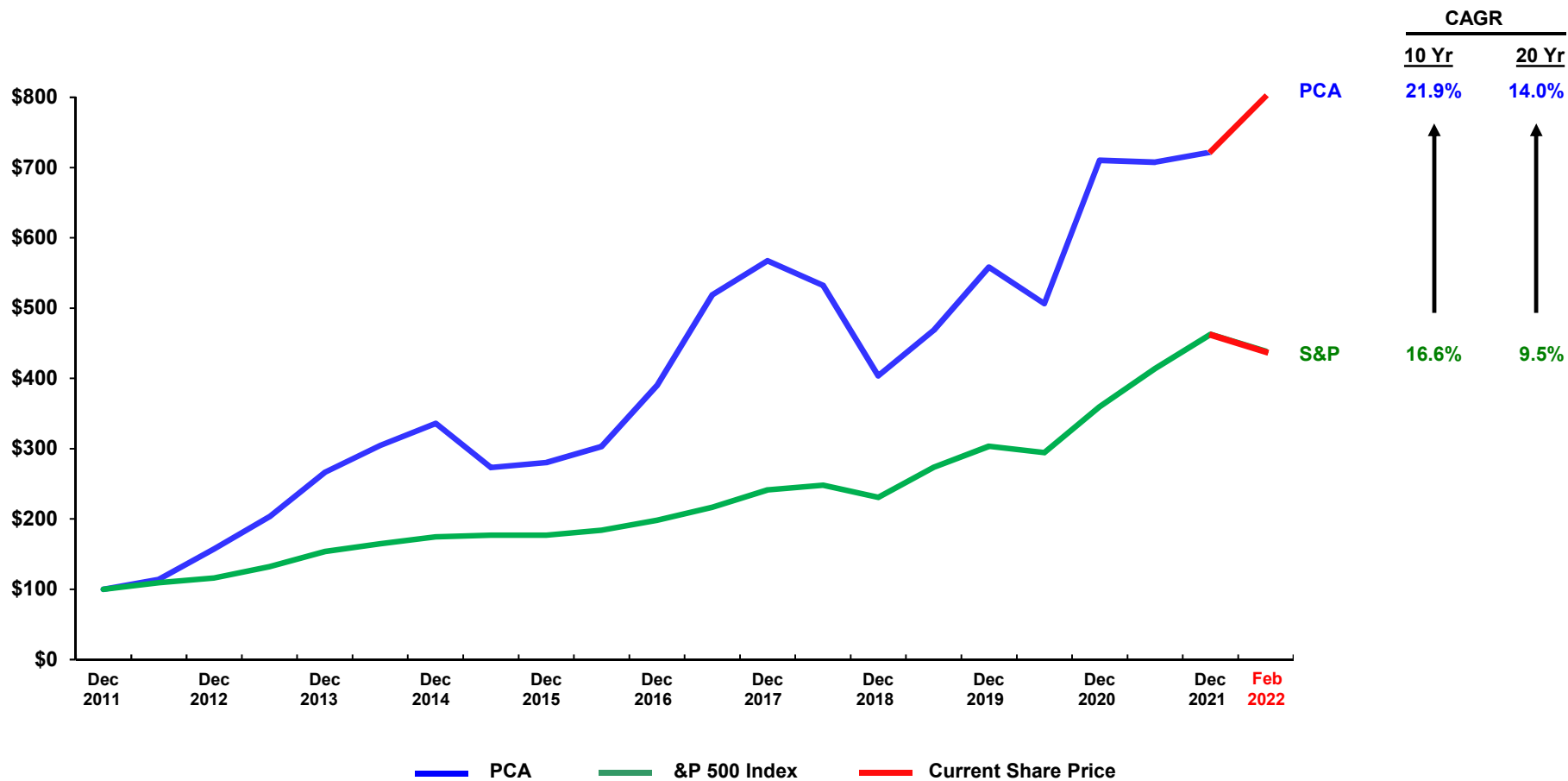
Share Price

ROIC



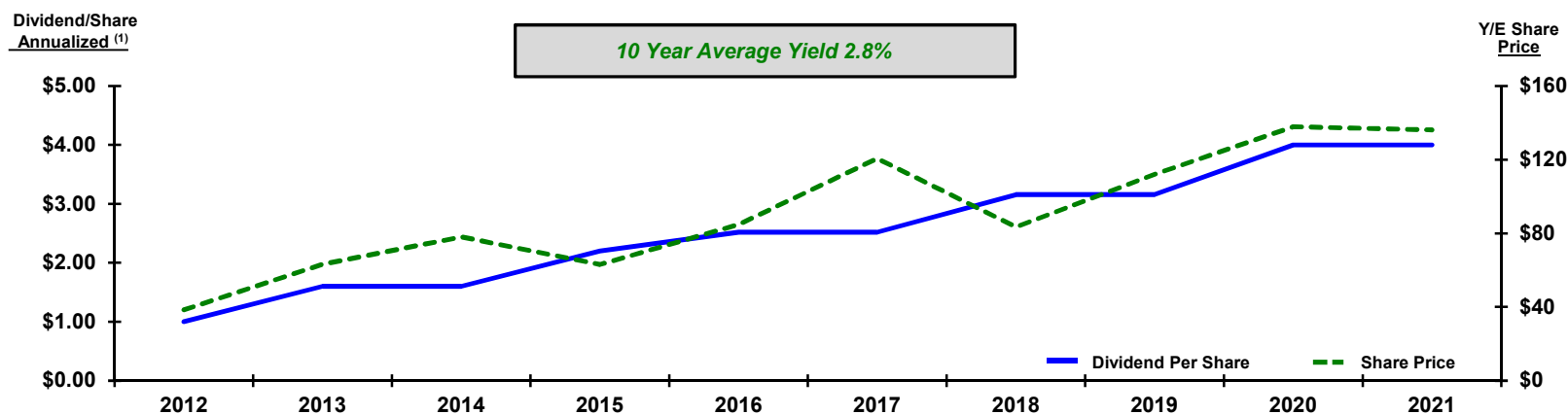
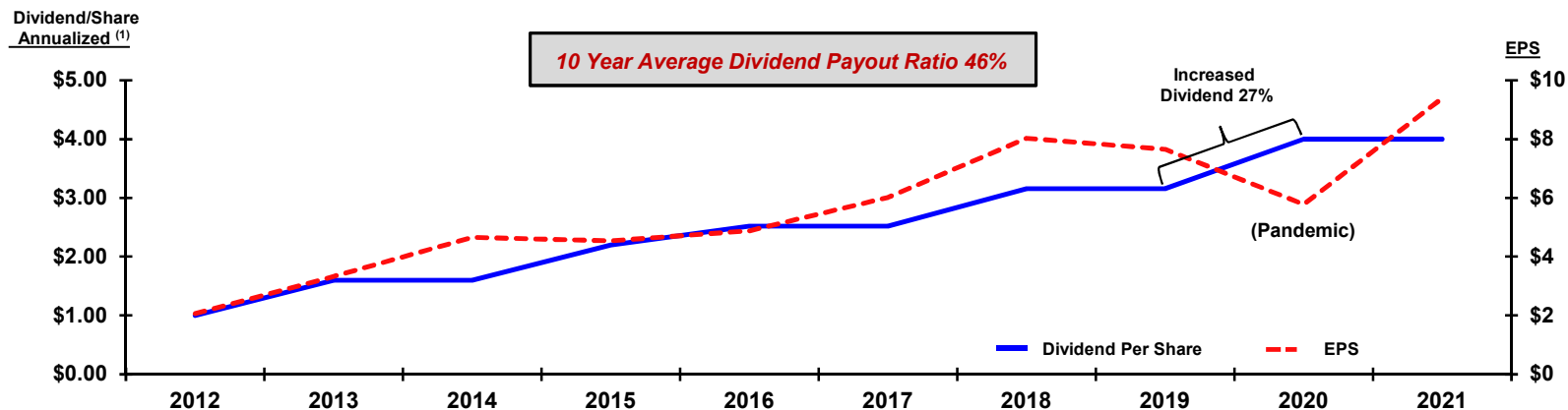
(1) See Appendix B for ROIC calculations.

# PCA vs S&P 500 Cumulative 10-Year Total Return<sup>(1)</sup>



(1) \$100 invested on 12/31/11 in stock or index, including reinvestment of dividends.  
 Note: Copyright 2021 Standard & Poor's, a division of S&P Global. All rights reserved.

# Meaningful and Sustainable Approach to Dividends



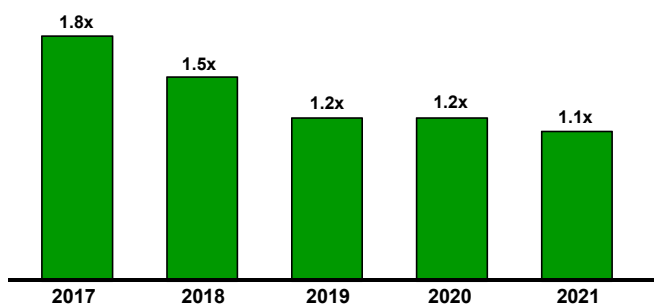
(1) See Appendix C for reconciliation of reported EPS to recurring EPS.

# Strong Balance Sheet Provides for Continued Financial Flexibility

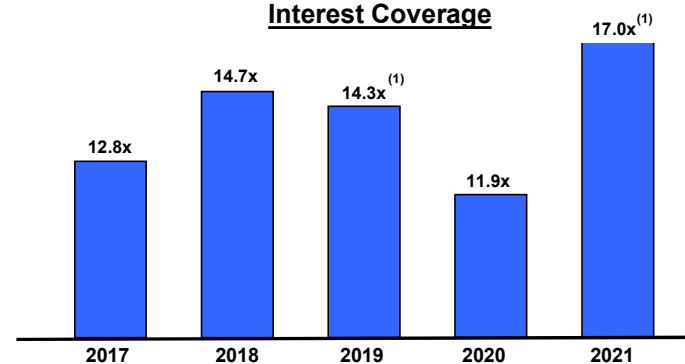


*Lowest Leverage Among Industry Peers*

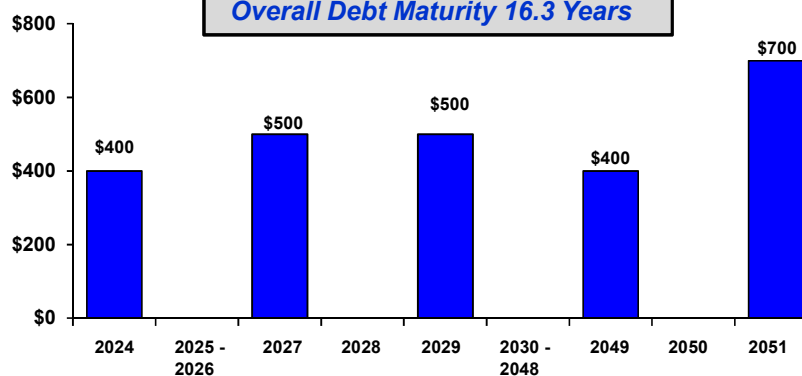
**Leverage Ratio**



**Interest Coverage**



**\$MM**



*Overall Debt Maturity 16.3 Years*

<sup>(1)</sup> Excludes one-time debt refinancing charges. Including these charges, the ratio would have been 10.3x and 10.7x for 2019 and 2021, respectively.

# Positioned to Improve Industry-Leading Performance in 2022 and Beyond



- **Packaging segment demand expected to remain very strong; 1Q22 total corrugated products shipments and shipments per day above last year's very strong levels**
- **Higher average prices in Packaging and Paper segments from increases implemented in 2021; price increases in both segments announced in 1Q22**
- **Profitable growth and mix enhancements within the Packaging segment continue to deliver significant value for customers and shareholders; Advance Packaging already fully-integrated**
- **Flexible production capability of the Jackson Mill will continue to provide immediate value-creating solution to demand situations in both Packaging and Paper segments, and much needed strategic runway for high-value integrated box business, generating long-term value creation**
- **Continued value creation from robust strategic, cost reduction, and process improvement capital spending programs in mills and corrugated plants**
- **Unprecedented inflationary increases and supply chain challenges will persist for foreseeable future**
- **Strong balance sheet continues to provide financial flexibility for opportunistic capital allocation and enhancing shareholder returns**



# Appendix A



	2017	2018	2019	2020	2021
Packaging segment income	\$ 950.3	\$ 1,045.4	\$ 963.4	\$ 829.5	\$ 1,306.0
Depreciation, amortization and depletion	317.5	342.0	342.8	365.2	381.0
<b>EBITDA</b>	<b>1,267.8</b>	<b>1,387.4</b>	<b>1,306.2</b>	<b>1,194.7</b>	<b>1,687.0</b>
Special items <sup>(1)</sup> :					
- Jackson mill conversion-related activities	-	-	-	-	4.3
- Facilities closure and other costs (income)	(7.2)	1.6	0.3	18.2	(3.5)
- Hurricane Laura impact	-	-	-	10.0	-
- Incremental costs for Covid-19	-	-	-	6.3	-
- DeRidder mill fixed asset disposals	-	-	3.0	-	-
- Wallula mill restructuring	-	11.3	0.5	-	-
- Acquisition and integration related costs	1.7	0.2	-	-	0.4
- Insurance deductible for property damage	-	0.5	-	-	-
- Expiration of timberland repurchase option	(2.0)	-	-	-	-
- DeRidder mill incident	5.0	-	-	-	-
- Hexacomb working capital adjustment	(1.6)	-	-	-	-
<b>EBITDA excluding special items</b>	<b>\$ 1,263.7</b>	<b>\$ 1,401.0</b>	<b>\$ 1,310.0</b>	<b>\$ 1,229.2</b>	<b>\$ 1,688.2</b>
<b>Packaging net sales</b>	<b>\$ 5,312.3</b>	<b>\$ 5,938.5</b>	<b>\$ 5,932.2</b>	<b>\$ 5,919.5</b>	<b>\$ 7,052.6</b>
<b>EBITDA margin</b>	<b>23.8%</b>	<b>23.6%</b>	<b>22.1%</b>	<b>20.8%</b>	<b>23.9%</b>
	2017	2018	2019	2020	2021
Cash flow from operations	\$ 856	\$ 1,180	\$ 1,207	\$ 1,033	\$ 1,094
Less: additions to PP&E	(343)	(551)	(399)	(421)	(605)
<b>Free cash flow</b>	<b>\$ 513</b>	<b>\$ 629</b>	<b>\$ 808</b>	<b>\$ 612</b>	<b>\$ 489</b>

(1) For descriptions of special items, see "Management's Discussion and Analysis of Financial Conditions and Results of Operations" in Part II, Item 7 of our 2017 - 2021 Annual Reports on Form 10-K

# Appendix B



Return on invested capital (ROIC) is calculated as follows:

	2016	2017	2018	2019	2020	2021
Reported income from operations	\$ 784	\$ 932	\$ 1,068	\$ 1,054	\$ 724	\$ 1,241
Special items and adjustments:						
- Jackson mill conversion	-	-	-	-	-	14
- Hurricane Laura impact	-	-	-	-	10	-
- Goodwill impairment	-	-	-	-	55	-
- Incremental costs for Covid-19	-	-	-	-	7	-
- DeRidder mill fixed asset disposals	-	-	-	3	-	-
- Wallula mill restructuring	-	33	30	1	-	-
- Facilities closure and other costs (income)	12	(6)	3	-	28	(4)
- DeRidder mill incident	-	5	-	-	-	-
- Acquisition and integration related costs	4	2	-	-	-	1
- Hexacomb working capital adjustment	-	(2)	-	-	-	-
- Expiration of timberland repurchase option	-	(2)	-	-	-	-
- Ceased production of market pulp at Wallula	3	-	-	-	-	-
<b>Adjusted income from operations</b>	<b>\$ 803</b>	<b>\$962</b>	<b>\$ 1,101</b>	<b>\$ 1,058</b>	<b>\$ 824</b>	<b>\$ 1,252</b>
<b>Provision for income taxes</b>	<b>(279)</b>	<b>(326)</b>	<b>(266)</b>	<b>(258)</b>	<b>(206)</b>	<b>(303)</b>
<b>NOPAT</b>	<b>\$ 524</b>	<b>\$ 636</b>	<b>\$ 835</b>	<b>\$ 800</b>	<b>\$ 618</b>	<b>\$ 949</b>

	2015	2016	2017	2018	2019	2020	2021
Stockholders' Equity	\$ 1,633	\$ 1,760	\$ 2,182	\$ 2,672	\$ 3,071	\$ 3,246	\$ 3,607
Current maturities of long term debt and finance lease obligations	8	27	151	1	2	2	2
Long-term debt	2,290	2,620	2,480	2,484	2,477	2,479	2,472
Finance lease obligations	22	20	19	18	16	14	13
Cash and cash equivalents	(184)	(239)	(217)	(362)	(679)	(975)	(619)
Marketable debt securities	-	-	-	-	(148)	(148)	(146)
<b>Invested capital</b>	<b>\$ 3,769</b>	<b>\$ 4,188</b>	<b>\$ 4,615</b>	<b>\$ 4,813</b>	<b>\$ 4,738</b>	<b>\$ 4,618</b>	<b>\$ 5,329</b>
<b>Average invested capital</b>	<b>\$ 3,979</b>	<b>\$ 4,402</b>	<b>\$ 4,714</b>	<b>\$ 4,777</b>	<b>\$ 4,680</b>	<b>\$ 4,974</b>	<b>\$ 4,974</b>
<b>ROIC (NOPAT/average invested capital)</b>	<b>13%</b>	<b>14%</b>	<b>18%</b>	<b>17%</b>	<b>13%</b>	<b>19%</b>	<b>19%</b>

# Appendix C



	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Reported earnings per diluted share	\$1.64	\$ 4.52	\$ 3.99	\$ 4.47	\$ 4.75	\$ 7.07	\$ 7.80	\$ 7.34	\$ 4.84	\$ 8.83
Special items <sup>(1)</sup> :										
- Jackson mill conversion-related activities	-	-	-	-	-	-	-	-	-	0.11
- Facilities closure and other costs	0.01	-	-	-	0.08	(0.04)	0.01	-	0.23	(0.03)
- Acquisition and integration related costs	-	0.44	0.13	0.10	0.03	0.01	-	-	-	0.01
- Debt refinancing	0.16	-	-	-	-	0.01	-	0.28	-	0.47
- Goodwill impairment	-	-	-	-	-	-	-	-	0.58	-
- Hurricane Laura impact	-	-	-	-	-	-	-	-	0.08	-
- Incremental costs for Covid-19	-	-	-	-	-	-	-	-	0.05	-
- Tax reform	-	-	-	-	-	(1.29)	(0.02)	-	-	-
- Wallula mill restructuring	-	-	-	-	-	0.21	0.24	0.01	-	-
- DeRidder mill fixed asset disposals	-	-	-	-	-	-	-	0.02	-	-
- Internal legal entity consolidation	-	-	-	-	-	0.04	-	-	-	-
- DeRidder mill incident	-	-	-	-	-	0.03	-	-	-	-
- Expiration of timberland repurchase option	-	-	-	-	-	(0.01)	-	-	-	-
- Hexacomb working capital adjustment	-	-	-	-	-	(0.01)	-	-	-	-
- Ceased production of market pulp at Wallula	-	-	-	-	0.02	-	-	-	-	-
- DeRidder mill incident	-	-	0.43	0.01	-	-	-	-	-	-
- Sale of St. Helens paper mill site	-	-	-	(0.05)	-	-	-	-	-	-
- Class action lawsuit settlement	-	-	0.11	-	-	-	-	-	-	-
- Alternative energy tax credits	0.24	(1.70)	-	-	-	-	-	-	-	-
- Pension curtailment charges	-	0.07	-	-	-	-	-	-	-	-
- State income tax adjustments	(0.03)	-	-	-	-	-	-	-	-	-
<b>Total special items (income) expense</b>	<b>0.38</b>	<b>(1.19)</b>	<b>0.67</b>	<b>0.06</b>	<b>0.13</b>	<b>(1.05)</b>	<b>0.23</b>	<b>0.31</b>	<b>0.94</b>	<b>0.56</b>
<b>Earnings per diluted share, excluding special items</b>	<b>\$ 2.02</b>	<b>\$ 3.33</b>	<b>\$ 4.66</b>	<b>\$ 4.53</b>	<b>\$ 4.88</b>	<b>\$ 6.02</b>	<b>\$ 8.03</b>	<b>\$ 7.65</b>	<b>\$ 5.78</b>	<b>\$ 9.39</b>

(1) For descriptions of special items, see "Management's Discussion and Analysis of Financial Conditions and Results of Operations" in Part II, Item 7 of our 2012-2021, Annual Reports on Form 10-K.