

KAPSTONE PAPER & PACKAGING CORP

Form 10-Q

July 30, 2014

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2014

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-33494

**KapStone Paper and Packaging Corporation**

(Exact Name of Registrant as Specified in its Charter)

Delaware

20-2699372

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(State or Other Jurisdiction of  
Incorporation or Organization)

(I.R.S. Employer  
Identification No.)

**KapStone Paper and Packaging Corporation**

**1101 Skokie Blvd., Suite 300**

**Northbrook, IL 60062**

(Address of Principal Executive Offices including zip code)

Registrant's Telephone Number, including area code **(847) 239-8800**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

There were 95,924,136 shares of the Registrant's Common Stock, \$0.0001 par value, outstanding at July 25, 2014.

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	<b>June 30, 2014 (unaudited)</b>	<b>December 31, 2013</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 49,352	\$ 12,967
Trade accounts receivable, less allowance of \$285 in 2014 and \$682 in 2013	263,240	232,347
Other receivables	8,829	11,399
Inventories	225,020	217,382
Prepaid expenses and other current assets	9,404	6,405
Total current assets	555,845	480,500
Plant, property and equipment, net	1,395,987	1,389,609
Other assets	132,904	129,493
Intangible assets, net	116,911	123,745
Goodwill	533,851	528,515
Total assets	\$ 2,735,498	\$ 2,651,862
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 25,075	\$ 4,950
Other current borrowings	2,898	
Accounts payable	161,173	159,127
Accrued expenses	49,436	45,885
Accrued compensation costs	46,896	54,871
Accrued income taxes	3,103	
Deferred income taxes	1,096	5,445
Total current liabilities	289,677	270,278
Long-term debt, net of current portion	1,172,073	1,192,413
Pension and postretirement benefits	66,168	69,611
Deferred income taxes	443,576	444,672
Other liabilities	8,513	8,808
Total other liabilities	1,690,330	1,715,504
Commitments and contingencies		
Stockholders equity:		
Preferred stock \$0.0001 par value; 1,000,000 shares authorized; no shares issued and outstanding		
Common stock \$0.0001 par value; 175,000,000 shares authorized; 95,924,136 shares issued and outstanding (excluding 40,000 treasury shares) at June 30, 2014 and 95,706,212 shares issued and outstanding (excluding 40,000 treasury shares) at December 31, 2013	10	10
Additional paid-in-capital	251,980	246,186
Retained earnings	495,907	412,349
Accumulated other comprehensive income	7,594	7,535
Total stockholders equity	755,491	666,080

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Total liabilities and stockholders' equity	\$	2,735,498	\$	2,651,862
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See notes to consolidated financial statements.

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	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net sales	\$ 590,449	\$ 326,321	\$ 1,139,401	\$ 646,134
Cost of sales, excluding depreciation and amortization	392,245	225,753	775,493	450,699
Depreciation and amortization	33,874	17,253	66,583	34,477
Freight and distribution expenses	44,924	27,849	85,656	55,769
Selling, general, and administrative expenses	34,093	21,072	68,238	40,200
Other operating income		196		398
Operating income	85,313	34,590	143,431	65,387
Foreign exchange gain / (loss)	125	89	101	