

KAPSTONE PAPER & PACKAGING CORP

Form 10-Q

November 10, 2008

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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 September 30, 2008

Commission File Number: 001-33494

## KapStone Paper and Packaging Corporation

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**20-2699372**  
(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)

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(847) 239-8800

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 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 28,370,248 shares of the Registrant's Common Stock, \$0.0001 par value, outstanding at October 31, 2008, excluding 40,000 shares held as treasury shares.

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	September 30, 2008 (Unaudited)	December 31, 2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 41,874	\$ 56,635
Trade accounts receivable, net	83,955	30,208
Inventories	74,203	19,846
Refundable and prepaid income taxes	11,416	
Deferred income taxes	2,599	1,263
Prepaid expenses and other current assets	12,650	735
Total current assets	226,697	108,687
Plant, property and equipment, net	481,987	104,858
Other assets	2,160	3,735
Intangible assets, net	48,972	5,875
Goodwill	8,902	2,295
Total assets	\$ 768,718	\$ 225,450
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Current portion of long-term debt and notes	\$ 35,752	\$ 19,578
Accounts payable	37,128	11,050
Accrued expenses	32,963	4,867
Accrued compensation costs	12,839	6,625
Accrued income taxes		1,477
Total current liabilities	118,682	43,597
Other liabilities:		
Long-term debt and notes	443,357	32,922
Pension and post-retirement benefits	7,315	3,420
Deferred income taxes	14,222	1,047
Other liabilities	6,853	279
Total other liabilities	471,747	37,668
Commitments and contingencies		
Stockholders' equity:		
Preferred stock \$.0001 par value; 1,000,000 shares authorized; no shares issued and outstanding	3	3

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Common stock \$.0001 par value, 175,000,000 shares authorized; 28,309,377 shares issued and outstanding (40,000 treasury shares outstanding) at September 30, 2008 and 25,280,197 issued and outstanding (40,000 treasury shares outstanding) at December 31, 2007			
Additional paid-in capital		131,336	115,002
Retained earnings		46,887	29,101
Accumulated other comprehensive income		63	79
Total stockholders' equity		178,289	144,185
Total liabilities and stockholders' equity	\$	768,718	\$ 225,450

See notes to condensed consolidated financial statements

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**KapStone Paper and Packaging Corporation**  
**Condensed Consolidated Statements of Income**  
(In thousands, except share and per share amounts)

(unaudited)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2008		2007		2008		2007	
Net sales	\$	207,671	\$	66,188	\$	342,962	\$	191,857
Cost of sales, excluding depreciation and amortization		151,064		39,910		233,422		123,704
Freight and distribution		19,969		6,116		33,480		17,476
Selling, general and administrative expenses		9,757		4,529		19,251		12,552
Depreciation and amortization		12,953		3,178		18,381		8,272
Other operating income		218		399		589		987
Operating income								