

KAPSTONE PAPER & PACKAGING CORP
Form 10-Q
July 30, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2009

- o 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
(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)

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 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 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 28,370,348 shares of the Registrant's Common Stock, \$0.0001 par value, outstanding as of July 24, 2009, excluding 40,000 shares held as treasury shares.

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Table of Contents**Part 1. Financial Information****Item 1. Financial Statements****KapStone Paper and Packaging Corporation****Consolidated Balance Sheets****(In thousands, except share and per share amounts)**

	June 30, 2009 (unaudited)	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 22,147	\$ 4,165
Trade accounts receivable, less allowances of \$2,771 in 2009 and \$2,421 in 2008	59,069	71,489
Other receivables	13,958	6,207
Inventories	66,048	89,692
Refundable and prepaid income taxes		14,145
Prepaid expenses and other current assets	2,929	1,748
Deferred income taxes	5,469	3,363
Total current assets	169,620	190,809
Plant, property and equipment, net	475,758	483,780
Restricted cash	2,500	
Other assets	685	882
Intangible assets, net	32,836	45,195
Goodwill	5,449	6,524
Total assets	\$ 686,848	\$ 727,190
Liabilities and Stockholders Equity		
Current liabilities:		
Current portion of long-term debt and notes	39,913	40,556
Accounts payable	35,654	42,214
Accrued expenses	16,086	30,462
Accrued compensation costs	9,184	13,646
Accrued income taxes	2,130	
Total current liabilities	102,967	126,878
Other liabilities:		
Long-term debt and notes, net	329,078	389,374
Pension and post-retirement benefits	9,678	8,355
Deferred income taxes	28,280	15,951
Other liabilities	5,841	5,865
Total other liabilities	372,877	419,545
Commitments and contingencies		
Stockholders equity:		

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Preferred stock \$.0001 par value; 1,000,000 shares authorized; no shares issued and outstanding				
Common stock \$.0001 par value, 175,000,000 shares authorized; 28,370,348 shares outstanding (40,000 treasury shares outstanding) at June 30, 2009 and 28,370,248 outstanding at December 31, 2008 (40,000 treasury shares outstanding)		3		3
Additional paid-in capital		133,241		132,206
Retained earnings		77,990		48,766
Accumulated other comprehensive loss		(230)		(208)
Total stockholders' equity		211,004		180,767
Total liabilities and stockholders' equity	\$	686,848	\$	727,190

See notes to consolidated financial statements

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KapStone Paper and Packaging Corporation

Consolidated Statements of Income

(In thousands, except share and per share amounts)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net sales	\$ 156,493	\$ 68,162	\$ 297,077	\$ 135,291
Cost of sales, excluding depreciation and amortization	88,354	40,800	184,838	82,358
Freight and distribution expenses				