



February 4, 2015

Clearwater Paper Reports Fourth Quarter and Full Year 2014 Results

SPOKANE, Wash.--(BUSINESS WIRE)-- **Clearwater Paper Corporation (NYSE:CLW)** today reported financial results for the fourth quarter and full year of 2014.

The company reported net sales of \$472.3 million for the fourth quarter of 2014, compared to net sales of \$470.2 million for the fourth quarter of 2013. The net loss determined in accordance with generally accepted accounting principles, or GAAP, for the fourth quarter of 2014 was \$27.2 million, or (\$1.39) per diluted share, compared to net earnings of \$82.9 million, or \$3.87 per diluted share, for the fourth quarter of 2013. The 2014 fourth quarter GAAP net loss included an after-tax loss of \$36.3 million associated with the divestiture of the company's Consumer Products' specialty mills, \$2.0 million of after-tax intangible asset impairment, \$1.3 million of after-tax expense associated with the mark-to-market impact of directors' equity-based compensation and \$2.5 million of after-tax expense associated with the closing of the company's Thomaston, Georgia, and Long Island, New York, converting and distribution facilities. Excluding those items, fourth quarter 2014 adjusted net earnings were \$15.0 million, or \$0.77 per diluted share, compared to fourth quarter 2013 adjusted net earnings of \$23.1 million, or \$1.09 per diluted share.

Earnings before interest, taxes, depreciation and amortization, or EBITDA, was \$5.8 million for the fourth quarter of 2014. Adjusted EBITDA of \$54.5 million was down 16.7% compared to fourth quarter 2013 Adjusted EBITDA of \$65.4 million. The decrease in EBITDA and Adjusted EBITDA was due primarily to higher operating costs associated with fiber, transportation, energy and maintenance, more than offsetting increased average prices and volumes.

"Although we had our challenges, 2014 was a great year for Clearwater Paper and we achieved record revenues of \$2 billion and generated a record level of Adjusted EBITDA totaling \$239 million," said Linda K. Massman, president and chief executive officer. "Our pulp and paperboard division set new records both operationally and financially, and with our Shelby facility fully operational, we shipped a record volume of TAD products."

"We also took difficult but important steps to improve efficiency in our core consumer products business by divesting our specialty mills and closing our Long Island converting and distribution facility earlier in the year," said Massman. "For 2015, our team remains focused on implementing efficiencies in every part of our business to improve EBITDA margin and exceed the requirements of our customers."

On December 15, 2014, the company announced that the Board of Directors had approved a new stock repurchase program authorizing the repurchase of up to \$100.0 million of the company's common stock.

FOURTH QUARTER 2014 SEGMENT PERFORMANCE

Consumer Products

Net sales in the Consumer Products segment were \$291.6 million for the fourth quarter of 2014, slightly higher than fourth quarter 2013 segment net sales of \$282.1 million. This increase was primarily driven by increased TAD sales. Operating income for the quarter decreased to a loss of \$30.7 million from operating income of \$14.4 million in the prior year period, driven by a pre-tax loss of \$40.2 million on the sale of the specialty mills and higher energy, packaging and transportation costs, which more than offset increased shipments. Adjusted EBITDA of \$28.8 million for the fourth quarter of 2014, after adjusting the operating loss for the pre-tax loss of \$40.2 million on the sale of the specialty mills, \$3.9 million of costs related to the Thomaston and Long Island facility closures and depreciation and amortization expense of \$15.5 million, was down \$4.8 million from the same period in 2013.

- Total tissue sales volumes of 130,185 tons in the fourth quarter of 2014 were up 1.3% compared to the fourth quarter of 2013. Converted product cases shipped were 13.603 million, up 2.0% compared to the fourth quarter of 2013.
- Average net selling prices increased 1.9% to \$2,237 per ton in the fourth quarter of 2014, compared to the fourth quarter of 2013, due to improved mix from increased TAD sales.

Pulp and Paperboard

Net sales in the Pulp and Paperboard segment were \$180.7 million for the fourth quarter of 2014, down 3.9% compared to

fourth quarter 2013 net sales of \$188.0 million. The decrease was primarily due to a larger seasonal decline year over year. Operating income for the quarter decreased \$9.0 million to \$28.2 million, compared to \$37.2 million for the fourth quarter of 2013, primarily due to lower shipments, higher chemical and fiber costs, and higher planned maintenance. Adjusted EBITDA of \$38.5 million for the fourth quarter of 2014, after adjusting operating income for the \$3.1 million intangible asset impairment and depreciation and amortization expense of \$7.2 million, was down \$4.8 million from the same period in 2013.

- Paperboard sales volumes decreased 6.5% to 176,467 tons in the fourth quarter of 2014, compared to 188,776 tons in the fourth quarter of 2013.
- Paperboard net selling prices increased 4.0% to \$1,017 per ton compared to the fourth quarter of 2013 as a result of price increases implemented during 2014.

Taxes

The company's GAAP tax rate for the fourth quarter of 2014 was an expense of 5.1% compared to a benefit of 206.5% in the fourth quarter of 2013. The benefit in 2013 was predominantly a result of the release of uncertain tax position reserves related to alternative fuel mixture tax credits. On an adjusted basis, the fourth quarter 2014 tax rate was approximately 34.2% compared to 26.6% for the fourth quarter of 2013 due primarily to additional credits recognized during the 2013 period. The company expects its annual GAAP and adjusted tax rates to be approximately 37% for 2015.

Note Regarding Use of Non-GAAP Financial Measures

In this press release, the company presents certain non-GAAP financial information for the 2014 and 2013, including adjusted net earnings, adjusted net earnings per diluted share, EBITDA, Adjusted EBITDA and adjusted operating income. Because these amounts are not in accordance with GAAP, reconciliations to operating income, net (loss) earnings and net (loss) earnings per diluted share as determined in accordance with GAAP are included at the end of this press release. The company presents these non-GAAP amounts because management believes they assist investors and analysts in comparing the company's performance across reporting periods on a consistent basis by excluding items that the company believes are not indicative of its core operating performance.

WEBCAST INFORMATION

Clearwater Paper Corporation will discuss these results during an earnings conference call that begins at 2:00 p.m. Pacific Time today. A live webcast and accompanying supplemental information, which provide certain outlook information, will be available on the company's website at <http://ir.clearwaterpaper.com>. A replay of today's conference call will be available on the website at <http://ir.clearwaterpaper.com/results.cfm> beginning at 5:00 p.m. Pacific Time today.

ABOUT CLEARWATER PAPER

Clearwater Paper manufactures quality consumer tissue, away-from-home tissue, parent roll tissue, bleached paperboard and pulp at manufacturing facilities across the nation. The company is a premier supplier of private label tissue to major retailers and wholesale distributors, including grocery, drug, mass merchants and discount stores. In addition, the company produces bleached paperboard used by quality-conscious printers and packaging converters. Clearwater Paper's employees build shareholder value by developing strong customer partnerships through quality and service.

FORWARD-LOOKING STATEMENTS

This press release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 as amended, as to operational efficiencies, improving EBITDA margin, customer commitments, return of capital and the company's expected tax rate for 2015. These forward-looking statements are based on current expectations, estimates, assumptions and projections that are subject to change, and actual results may differ materially from the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, competitive pricing pressures for our products, including as a result of increased capacity as additional manufacturing facilities are operated by our competitors; the loss of or changes in prices in regards to a significant customer; changes in transportation costs and disruptions in transportation services; manufacturing or operating disruptions, including IT system failures, equipment malfunction and damage to the company's manufacturing facilities; changes in the U.S. and international economies and in general economic conditions in the regions and industries in which the company operates; changes in the cost and availability of wood fiber and wood pulp; labor disruptions; changes in costs for and availability of packaging supplies, chemicals, energy and maintenance and repairs; changes in customer product preferences and competitors' product offerings; increased supply and pricing pressures resulting from increasing Asian paper production capabilities; cyclical industry conditions; changes in expenses and required contributions associated with our pension plans; reliance on a limited number of third-party suppliers for raw materials; cyclical industry conditions; inability to successfully implement our operational efficiencies and expansion strategies; and other risks and uncertainties described from time to time in the company's public filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2013. The forward-looking

statements are made as of the date of this press release and the company does not undertake to update any forward-looking statements based on new developments or changes in the company's expectations.

For additional information on Clearwater Paper, please visit the company's website at www.clearwaterpaper.com.

Clearwater Paper Corporation
Consolidated Statements of Operations
Unaudited (Dollars in thousands - except per-share amounts)

| | Three Months Ended December 31, | | | | For the Years Ended December 31, | | | |
|--|------------------------------------|------|------------|------|-------------------------------------|------|--------------|------|
| | 2014 | | 2013 | | 2014 | | 2013 | |
| Net sales | \$ 472,318 | 100% | \$ 470,159 | 100% | \$ 1,967,139 | 100% | \$ 1,889,830 | 100% |
| Costs and expenses: | | | | | | | | |
| Cost of sales | (413,643) | 88% | (401,404) | 85% | (1,708,840) | 87% | (1,671,371) | 88% |
| Selling, general and administrative expenses | (33,206) | 7% | (30,466) | 6% | (130,102) | 7% | (119,131) | 6% |
| Loss on divested assets | (40,159) | 9% | - | - | (40,159) | 2% | - | - |
| Impairment of assets | (3,078) | 1% | - | - | (8,227) | - | - | - |
| Total operating costs and expenses | (490,086) | 104% | (431,870) | 92% | (1,887,328) | 96% | (1,790,502) | 95% |
| (Loss) income from operations | (17,768) | 4% | 38,289 | 8% | 79,811 | 4% | 99,328 | 5% |
| Interest expense, net | (8,158) | 2% | (11,252) | 2% | (39,150) | 2% | (44,036) | 2% |
| Debt retirement costs | - | - | - | - | (24,420) | 1% | (17,058) | 1% |
| (Loss) earnings before income taxes | (25,926) | 5% | 27,037 | 6% | 16,241 | 1% | 38,234 | 2% |
| Income tax (provision) benefit | (1,321) | - | 55,825 | 12% | (18,556) | 1% | 68,721 | 4% |
| Net (loss) earnings | \$ (27,247) | 6% | \$ 82,862 | 18% | \$ (2,315) | - | \$ 106,955 | 6% |
| Net (loss) earnings per common share: | | | | | | | | |
| Basic | \$ (1.39) | | \$ 3.91 | | \$ (0.11) | | \$ 4.84 | |
| Diluted | (1.39) | | 3.87 | | (0.11) | | 4.80 | |
| Average shares outstanding (in thousands): | | | | | | | | |
| Basic | 19,565 | | 21,188 | | 20,130 | | 22,081 | |
| Diluted | 19,565 | | 21,401 | | 20,130 | | 22,264 | |

Clearwater Paper Corporation
Condensed Consolidated Balance Sheets
Unaudited (Dollars in thousands)

| | December 31, 2014 | December 31, 2013 |
|------------------------------------|----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 27,331 | \$ 23,675 |
| Restricted cash | 1,500 | 1,500 |
| Short-term investments | 50,000 | 70,000 |
| Receivables, net | 133,914 | 158,874 |
| Taxes receivable | 1,255 | 10,503 |
| Inventories | 286,626 | 267,788 |
| Deferred tax assets | 21,760 | 37,538 |
| Prepaid expenses | 4,191 | 5,523 |
| Total current assets | 526,577 | 575,401 |
| Property, plant and equipment, net | 810,987 | 884,698 |
| Goodwill | 209,087 | 229,533 |
| Intangible assets, net | 24,956 | 40,778 |
| Pension assets | 4,738 | 4,488 |
| Other assets, net | 9,583 | 9,927 |

| | | |
|--------------|--------------|--------------|
| TOTAL ASSETS | \$ 1,585,928 | \$ 1,744,825 |
|--------------|--------------|--------------|

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

| | | |
|---|----------------|----------------|
| Accounts payable and accrued liabilities | \$ 215,826 | \$ 190,648 |
| Current liability for pensions and other postretirement employee benefits | 7,915 | 8,778 |
| Total current liabilities | 223,741 | 199,426 |

| | | |
|--|---------------------|---------------------|
| Long-term debt | 575,000 | 650,000 |
| Liability for pensions and other postretirement employee benefits | 118,464 | 109,807 |
| Other long-term obligations | 56,856 | 52,942 |
| Accrued taxes | 2,696 | 2,658 |
| Deferred tax liabilities | 111,634 | 124,898 |
| Stockholders' equity, excluding accumulated other comprehensive loss, net of tax | 568,400 | 663,187 |
| Accumulated other comprehensive loss, net of tax | (70,863) | (58,093) |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 1,585,928 | \$ 1,744,825 |

Clearwater Paper Corporation
Consolidated Statements of Cash Flows
Unaudited (Dollars in thousands)

For the Years Ended
December 31,
2014 2013

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|---|----------------|----------------|
| Net (loss) earnings | \$ (2,315) | \$ 106,955 |
| Adjustments to reconcile net (loss) earnings to net cash flows from operating activities: | | |
| Depreciation and amortization | 90,145 | 90,272 |
| Equity-based compensation expense | 12,790 | 10,960 |
| Impairment of assets | 8,227 | - |
| Deferred tax provision | 13,813 | 5,629 |
| Employee benefit plans | 2,115 | 10,131 |
| Deferred issuance costs and discounts on long-term debt | 6,141 | 4,964 |
| Loss on divested assets | 29,059 | - |
| Disposal of plant and equipment, net | 959 | 1,493 |
| Non-cash adjustments to unrecognized taxes | 38 | (75,308) |
| Changes in working capital, net | (12,248) | (15,022) |
| Changes in taxes receivable, net | 9,248 | 10,325 |
| Excess tax benefits from equity-based payment arrangements | (864) | - |
| Changes in non-current accrued taxes, net | 290 | 569 |
| Funding of qualified pension plans | (16,955) | (15,050) |
| Other, net | (1,343) | 439 |
| Net cash flows from operating activities | 139,100 | 136,357 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|---|---------------|------------------|
| Changes in short-term investments, net | 20,000 | (50,000) |
| Additions to plant and equipment | (93,028) | (90,593) |
| Proceeds from divested assets | 107,740 | - |
| Proceeds from sale of assets | 975 | - |
| Net cash flows from investing activities | 35,687 | (140,593) |

CASH FLOWS FROM FINANCING ACTIVITIES

| | | |
|--|-----------|-----------|
| Proceeds from long-term debt | 300,000 | 275,000 |
| Repayment of long-term debt | (375,000) | (150,000) |
| Purchase of treasury stock | (100,000) | (100,000) |
| Payments for long-term debt issuance costs | (3,002) | (4,837) |

| | | |
|--|-----------|-----------|
| Payment of tax withholdings on equity-based payment arrangements | (1,523) | (4,831) |
| Excess tax benefits from equity-based payment arrangements | 864 | - |
| Other, net | 7,530 | - |
| Net cash flows from financing activities | (171,131) | 15,332 |
| Increase in cash | 3,656 | 11,096 |
| Cash at beginning of period | 23,675 | 12,579 |
| Cash at end of period | \$ 27,331 | \$ 23,675 |

Clearwater Paper Corporation
Segment Information
Unaudited (Dollars in thousands)

| | Three Months Ended | | | | For the Years Ended | | | |
|----------------------------------|--------------------|------|--------------|------|---------------------|------|--------------|------|
| | December 31, | | December 31, | | December 31, | | December 31, | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Segment net sales ¹ : | | | | | | | | |
| Consumer Products | \$291,643 | 62% | \$282,147 | 60% | \$1,183,385 | 60% | \$1,149,692 | 61% |
| Pulp and Paperboard | 180,675 | 38% | 188,012 | 40% | 783,754 | 40% | 740,138 | 39% |
| Total segment net sales | \$472,318 | 100% | \$470,159 | 100% | \$1,967,139 | 100% | \$1,889,830 | 100% |
| Operating income (loss): | | | | | | | | |
| Consumer Products | \$ 9,414 | 53% | \$ 14,415 | 38% | \$ 34,131 | 43% | \$ 52,799 | 53% |
| Loss on divested assets | (40,159) | 226% | - | - | (40,159) | 50% | - | - |
| Pulp and Paperboard | 28,158 | 158% | 37,167 | 97% | 144,171 | 181% | 95,781 | 96% |
| Corporate | (2,587) | | 51,582 | | 138,143 | | 148,580 | |
| (Loss) income from operations | \$(15,181) | 85% | \$(13,293) | 35% | \$(58,332) | 73% | \$(49,252) | 50% |
| (Loss) income from operations | \$(17,768) | 100% | \$ 38,289 | 100% | \$ 79,811 | 100% | \$ 99,328 | 100% |

1 In 2013, pulp not utilized internally was sold by the Pulp and Paperboard segment to external customers resulting in net sales of \$3.3 million and \$5.8 million, respectively, during the three and twelve months ended December 31, 2013. Commencing in 2014, the majority of excess pulp is sold by the Consumer Products segment and totaled \$2.1 million, of which \$0.5 million was sold during the fourth quarter.

Clearwater Paper Corporation
Reconciliation of Consolidated Net (loss) Earnings to EBITDA and Adjusted EBITDA
Unaudited (Dollars in thousands)

| | Three Months Ended | | For the Years Ended | |
|---|--------------------|-----------|---------------------|------------|
| | December 31, | | December 31, | |
| | 2014 | 2013 | 2014 | 2013 |
| Net (loss) earnings | \$ (27,247) | \$ 82,862 | \$ (2,315) | \$ 106,955 |
| Add back: | | | | |
| Interest expense, net ¹ | 8,158 | 11,252 | 63,570 | 61,094 |
| Income tax provision (benefit) | 1,321 | (55,825) | 18,556 | (68,721) |
| Depreciation and amortization expense | 23,606 | 22,688 | 90,145 | 90,272 |
| EBITDA ² | \$ 5,838 | \$ 60,977 | \$ 169,956 | \$ 189,600 |
| Directors' equity-based compensation expense | \$ 2,010 | \$ 1,392 | \$ 4,606 | \$ 4,084 |
| Costs associated with Thomaston facility closure | 91 | 3,064 | 1,257 | 5,977 |
| Costs associated with Long Island facility closure | 3,771 | - | 18,813 | - |
| Costs/loss associated with optimization and sale of the specialty mills | 39,735 | - | 40,801 | - |
| Loss on impairment of Clearwater Fiber intangible asset | 3,078 | - | 3,078 | - |
| Adjusted EBITDA ³ | \$ 54,523 | \$ 65,433 | \$ 238,511 | \$ 199,661 |

- 1 Interest expense, net for the years ended December 31, 2014 and 2013 includes debt retirement costs of \$24.4 million and \$17.1 million, respectively.
- 2 **EBITDA** is a non-GAAP measure that management uses to evaluate the cash generating capacity of the company. The most directly comparable GAAP measure is net earnings. EBITDA is net earnings adjusted for net interest expense (including debt retirement costs), income taxes, and depreciation and amortization. It should not be considered as an alternative to net earnings computed under GAAP.
- 3 **Adjusted EBITDA** excludes the impact of the items listed that we do not believe are indicative of our core operating performance.

Clearwater Paper Corporation
Reconciliation of Non-GAAP Financial Measures
Unaudited (Dollars in thousands, except per-share amounts)

| | Three Months Ended | | For the Years Ended | |
|---|--------------------|------------------|---------------------|------------------|
| | December 31, | | December 31, | |
| | 2014 | 2013 | 2014 | 2013 |
| GAAP net (loss) earnings | \$(27,247) | \$ 82,862 | \$ (2,315) | \$ 106,955 |
| Special items, after-tax ¹ : | | | | |
| Debt retirement costs | - | - | 15,777 | 10,781 |
| Directors' equity-based compensation expense | 1,322 | 976 | 2,981 | 2,685 |
| Costs associated with Thomaston facility closure | 60 | 2,149 | 809 | 3,944 |
| Costs associated with Long Island facility closure | 2,480 | - | 12,136 | - |
| Costs/loss associated with optimization and sale of the specialty mills | 36,338 | - | 37,027 | - |
| Discrete tax items related to state tax rate changes | - | - | 1,388 | - |
| Discrete tax items related to release of uncertain tax positions | - | (62,798) | - | (67,457) |
| Discrete tax items related to AFMTC/CBPC credit conversions | - | (66) | - | (9,832) |
| Discrete tax items related to additional CBPC | - | - | - | (3,495) |
| Loss on impairment of Clearwater Fiber intangible asset | 2,024 | - | 2,024 | - |
| Adjusted net earnings² | \$ 14,977 | \$ 23,123 | \$ 69,827 | \$ 43,581 |
| GAAP net (loss) earnings per diluted share | \$ (1.39) | \$ 3.87 | \$ (0.11) | \$ 4.80 |
| Special items, after-tax ¹ : | | | | |
| Debt retirement costs | - | - | 0.78 | 0.48 |
| Directors' equity-based compensation expense | 0.07 | 0.05 | 0.15 | 0.12 |
| Costs associated with Thomaston facility closure | - | 0.10 | 0.04 | 0.18 |
| Costs associated with Long Island facility closure | 0.13 | - | 0.60 | - |
| Costs/loss associated with optimization and sale of the specialty mills | 1.86 | - | 1.84 | - |
| Discrete tax items related to state tax rate changes | - | - | 0.07 | - |
| Discrete tax items related to release of uncertain tax positions | - | (2.93) | - | (3.03) |
| Discrete tax items related to AFMTC/CBPC credit conversions | - | - | - | (0.44) |
| Discrete tax items related to additional CBPC | - | - | - | (0.16) |
| Loss on impairment of Clearwater Fiber intangible asset | 0.10 | - | 0.10 | - |
| Adjusted net earnings per diluted share² | \$ 0.77 | \$ 1.09 | \$ 3.47 | \$ 1.96 |

1 Tax effect was calculated using the estimated annual effective tax rate for the period presented.

2 **Adjusted net earnings** and **Adjusted net earnings per diluted share** exclude the impact of the items listed that we do not believe are indicative of our core operating performance.

Clearwater Paper Corporation

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