

**Verso Corporation**

**Second Quarter 2015  
Earnings Conference Call**

**August 11, 2015**



# Forward-Looking Statements

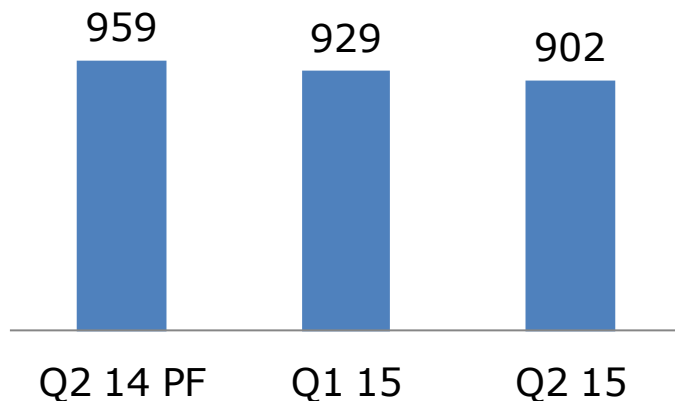
In this presentation, all statements that are not purely historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements may be identified by the words “believe,” “expect,” “anticipate,” “project,” “plan,” “estimate,” “intend” and other similar expressions. Forward-looking statements are based on currently available business, economic, financial and other information and reflect management’s current beliefs, expectations and views with respect to future developments and their potential effects on Verso. Actual results could vary materially depending on risks and uncertainties that may affect Verso and its business. For a discussion of such risks and uncertainties, please refer to Verso’s filings with the Securities and Exchange Commission. Verso assumes no obligation to update any forward-looking statement made in this presentation to reflect subsequent events or circumstances or actual outcomes.

# Q2 2015 Overview – Adj. EBITDA \$80MM up 23% vs. prior year and 81% vs. Q1 15

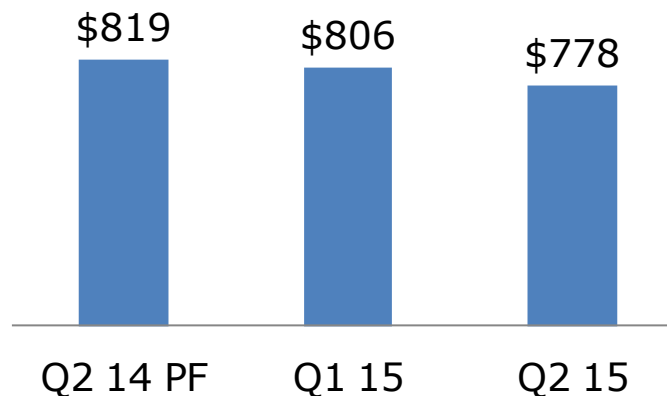
- Q2 15 Adjusted EBITDA of \$80MM; a 23% increase versus Q2 14 Adjusted EBITDA of \$65MM on a Pro Forma (“PF”) basis
- Total volume down 5.9% and Coated volume down 3.8% from Q2 14 (PF)
- Total Paper Segment price up 1.5% vs. Q2 14 (PF) and down 0.4% vs. Q1 15
  - CFS Web prices up 5.3% and 1.0% respectively
  - CGW Web prices down (0.6)% and up 0.8% respectively
- Synergy achievement and organizational/headcount ahead of expectations
  - Synergy savings to date \$41MM
  - Current synergy run rate 61%
- Paper inventory levels increased 12% from prior year and up 14% from Q1 - in line with industry reported increases\*
- 11K tons of market-related downtime was taken in Q2 (EBITDA impact \$3MM)

# Q2 15 Actual vs. Q2 14 Pro Forma & Q1 15\*

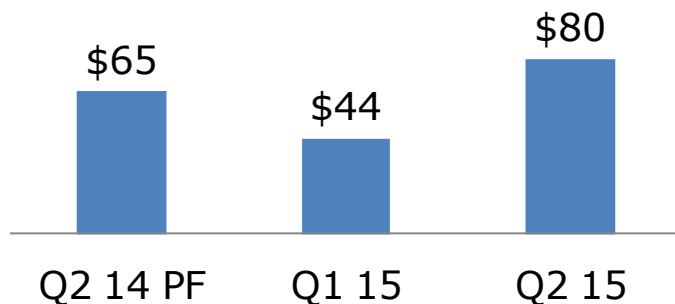
Volume (K Tons)



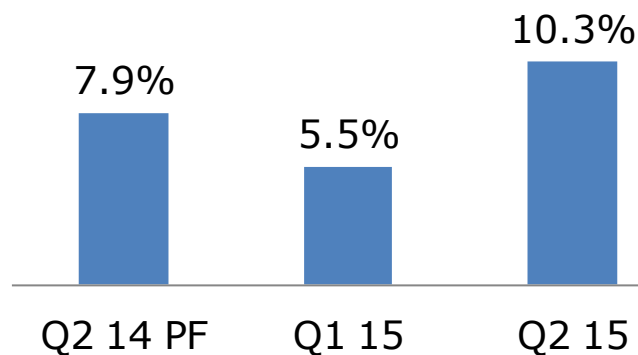
Revenue (\$'MM)



Adjusted EBITDA (\$'MM)



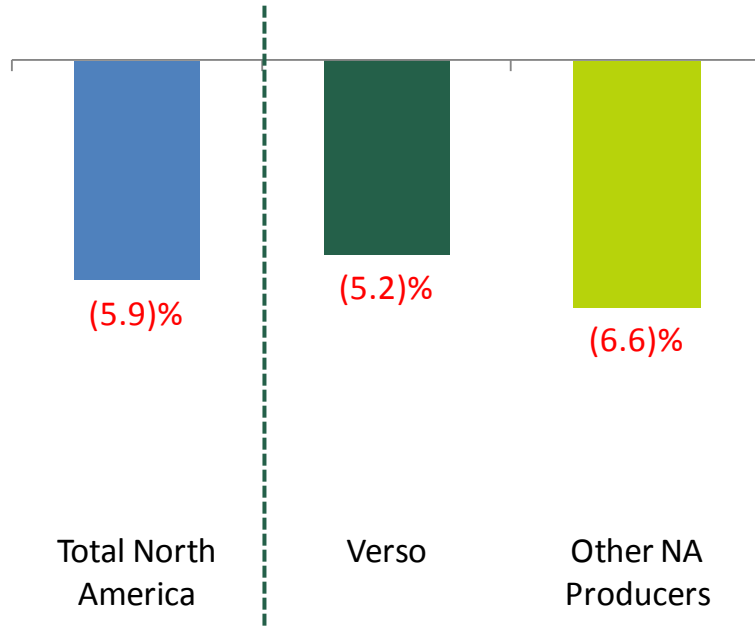
Adjusted EBITDA Margin %



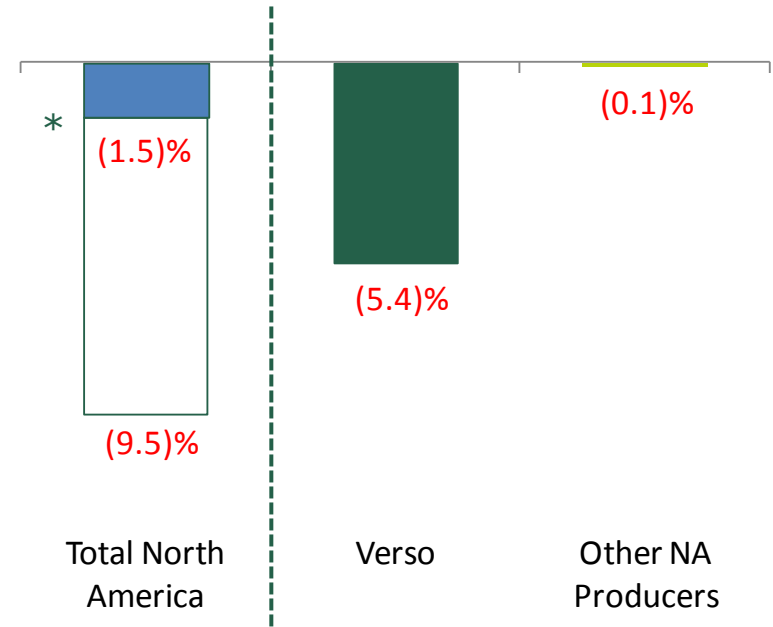
\* Pro Forma 2014 excludes Biron, Bucksport & Rumford, Q1 2015 Actual does not include the first 6 days of January activity for NewPage

# June YTD shipments vs. other NA producers<sup>(1)</sup>

## CFS



## CGW



\* CGW, Total North America solid bar excludes Bucksport

## ... CFS shipments down 6% YTD

1) PPPC Printing and Writing June 2015  
Verso data excludes Biron and Rumford and Bucksport

# Imports/FX ...

- NET Imports have grown in both CFS and CGW as Export tonnage has substantially reduced and imports have grown significantly

Currency	7/30/14	7/30/15
Euro	1.34	1.10
Canadian Dollar	0.92	.77
Korean Won	.00097	.00086

1H	Y/Y Exports	Y/Y Imports
CFS	(38)%	+3.5%
CGW	(0.5)%	+21.4%

**... Strong Dollar leading to increased imports**

# Financial Performance ...

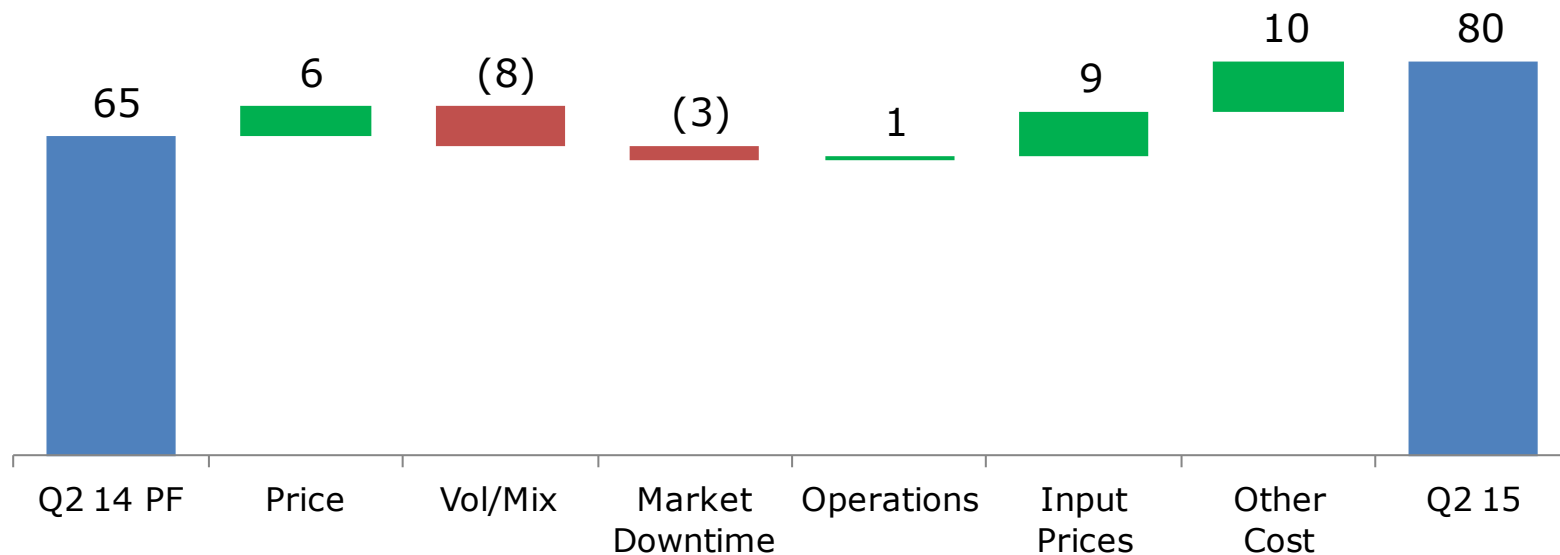
\$'MM	Q2 14 PF	Q1 15*	Q2 15
Sales	\$819	\$806	\$778
Operating (Loss) Income	(11)	(56)	5
Net (Loss) Income	(67)	(122)	(60)
EBITDA	50	1	69
Adjustments	15	43	11
<b>Adjusted EBITDA</b>	<b>\$65</b>	<b>\$44</b>	<b>\$80</b>
<b>Adj EBITDA Margin %</b>	<b>7.9%</b>	<b>5.5%</b>	<b>10.3%</b>

**... double digit Adj. EBITDA margin for quarter**

\* 2015 Actual does not include the first 6 days of January activity for NewPage

# Adj. EBITDA Q2 14 Pro Forma vs. Q2 15 ...

\$'MM



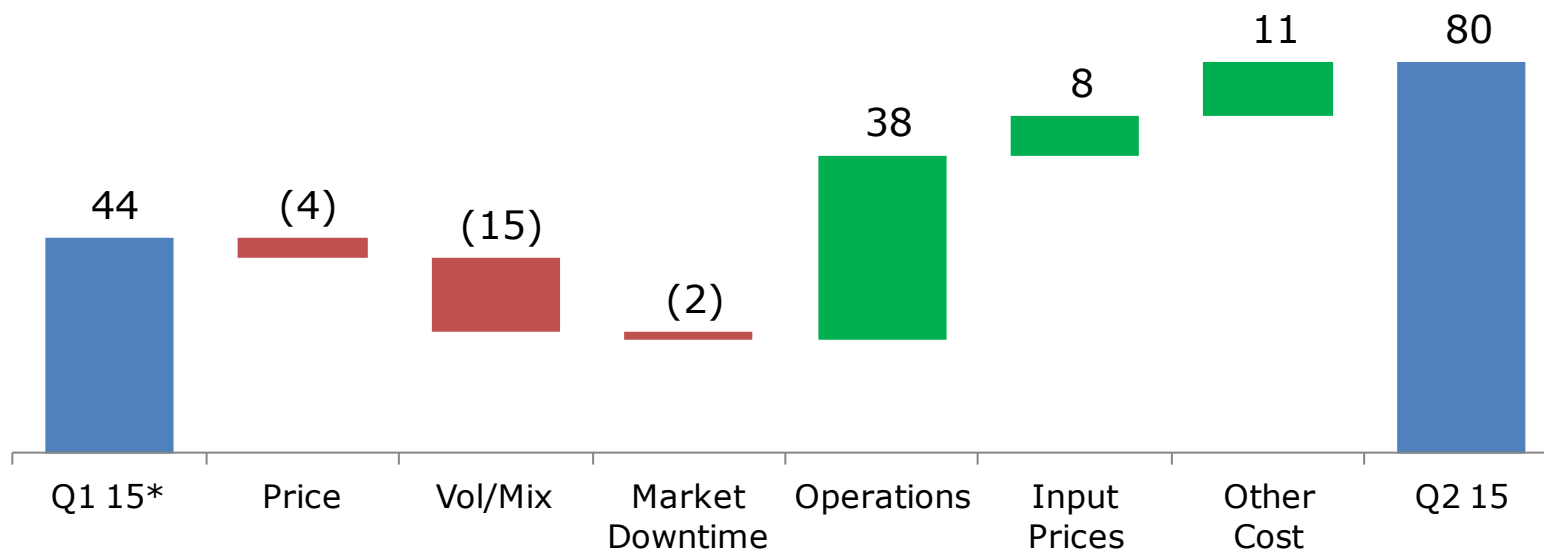
**... volume pressure offset by lower input costs and cost savings**

Pro Forma 2014 excludes Biron, Rumford and Bucksport



# Adj. EBITDA Q1 15 vs. Q2 15 ...

\$'MM



**... weaker Q2 market conditions more than offset by operations and cost improvement**

\* 2015 Actual does not include the first 6 days of January activity for NewPage

# Favorable Chemical & Energy Pricing

Segment	Vs. Q2 14	Vs. Q1 15	Comments
<b>Chemicals</b>	✓✓✓✓✓	✓✓	Primary driver is Latex - lower crude oil prices impacting the styrene and butadiene indexes
<b>Wood/Fiber</b>	✗✗✗✗✗	✗	Primarily driven by the Lake States mills – logging capacity and system inventories have eroded but are now recovering
<b>Energy</b>	✓✓✓	✓✓	Y-o-Y lower Natural Gas prices driven by growth in production

**... but pressure on Wood prices continues**

# Liquidity & Net Debt

Liquidity \$'MM	3/31/15	6/30/15
Revolving Credit Facilities *	506	496
- Balance Drawn	239	236
- Letters of Credit	77	87
Remaining Capacity	190	173
Cash	14	14
<b>Total Liquidity</b>	<b>204</b>	<b>187</b>

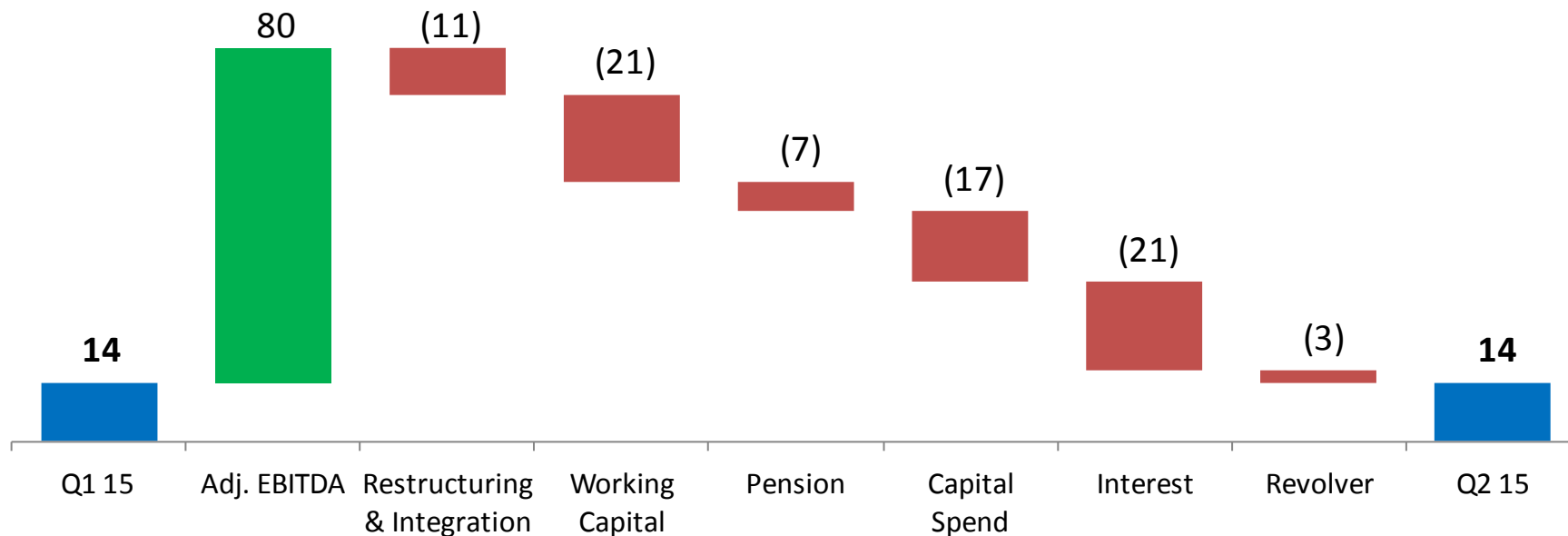
Change in Liquidity \$'MM	
March 31, 2015	204
Reduction in Balance Drawn	3
Reduction in Availability	(10)
Increase in LOC	(10)
<b>June 30, 2015</b>	<b>187</b>

\*ABL availability limited

Net Debt \$'MM	3/31/15	6/30/15
Revolving Credit Facilities	239	236
Senior Secured Term Loan	734	734
First Lien Notes (at par)	1,063	1,063
Less Cash	(14)	(14)
<b>Net First Lien Debt</b>	<b>2,022</b>	<b>2,019</b>
1.5 Lien Notes	272	272
Sec Priority Sr. Notes (at par)	275	275
Senior Sub notes	104	104
<b>Net Holdco Debt</b>	<b>2,673</b>	<b>2,670</b>

# Ending Cash Q1 15 vs. Q2 15

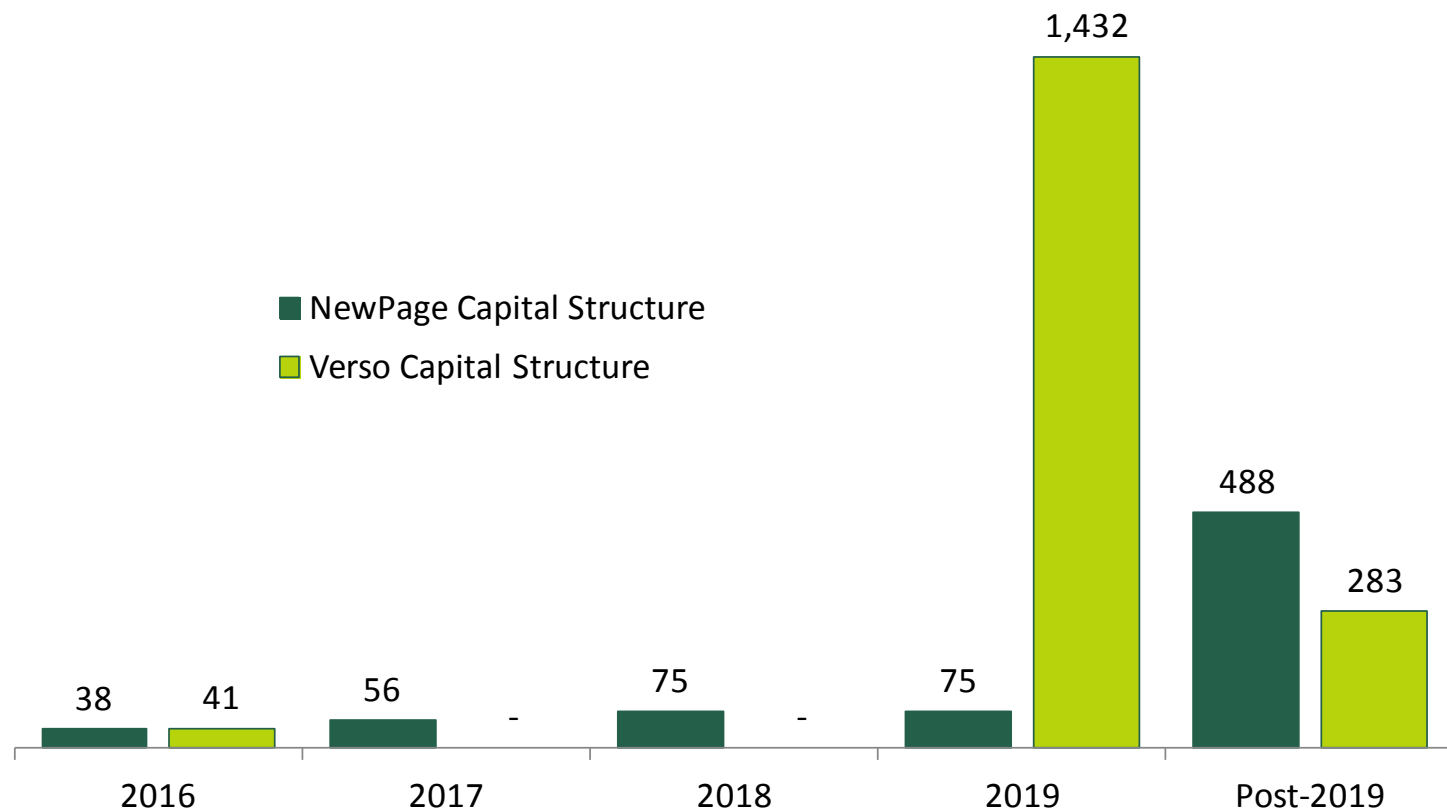
\$'MM



**... Unchanged**

# Long-term Debt Maturity Schedule

\$'MM



**... Verso has limited maturities until 2019**

Excludes ABL and Cash Flow Facility

# Synergy Realization Ahead of Schedule

Synergies \$'MM	Projection as of January 2014	Projection Through 2 Quarters	Actual Through June 2015	Annualized Q2 2015 Actual Run Rate
Distribution Expense	\$9	\$ -	\$1	\$2
Direct Costs	68	4	6	21
Indirect Costs	5	1	1	3
R-GAP	30	-	11	30
<b>Cost of Sales</b>	<b>\$112</b>	<b>\$5</b>	<b>\$19</b>	<b>\$56</b>
SG&A	63	15	22	51
<b>Total</b>	<b>\$175</b>	<b>\$20</b>	<b>\$41</b>	<b>\$107</b>
<b>Cost to Achieve</b>	<b>\$80</b>	<b>\$53</b>	<b>\$12</b>	

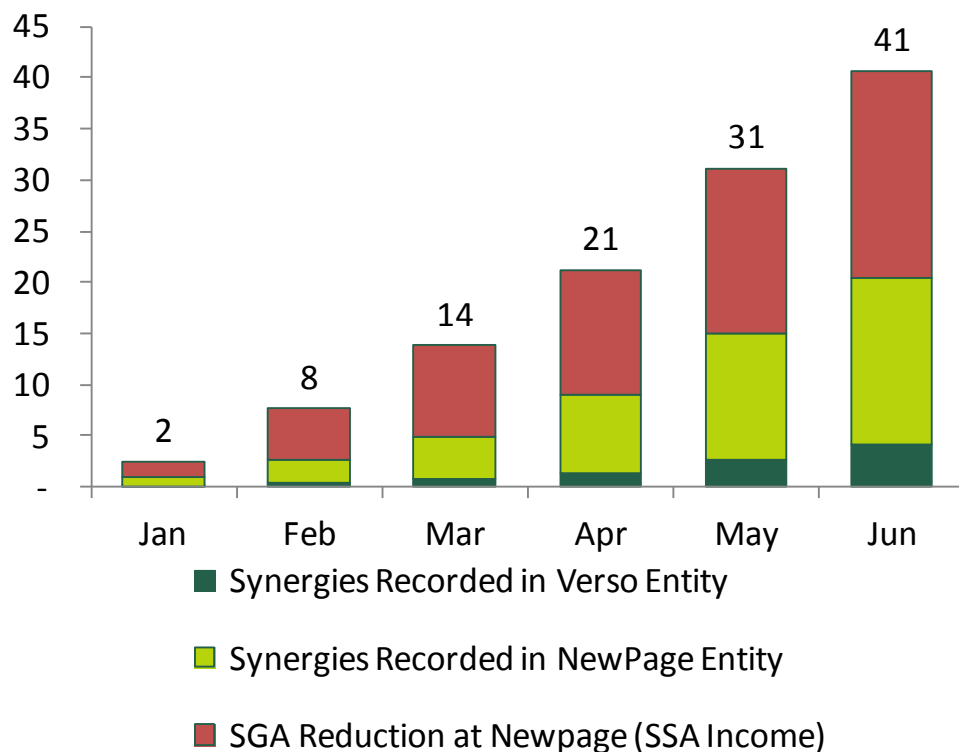
**Q2 synergy run rate of 61%**

**Estimated Cost to Achieve synergies reduced to \$60MM**

**... continue to anticipate \$175MM synergies by Q3 2016**

# Synergies Realized to date \$41MM

Cumulative Synergies Realized \$'MM



**All savings  
accrue to Verso**

**... On track to achieve \$175MM of synergies**

# R-Gap Example

## Wisconsin Rapids Paper Machine #14 Reduction in Scrap & Waste

### Action taken

- Benchmarked and mapped every key process to eliminate scrap & waste. Verso uses a Kaizen structured process which is a common Lean Six Sigma tool.
- Kaizen commonly involves:
  - Gathers operators, managers, and owners of a process in one place
  - Maps the existing process
  - Improves on the existing process basics and benchmarking
  - Solicits buy-in from all parties related to the process
  - Does not require capital expense
- The true intent of a Kaizen Event is to bring together the individuals that can change or improve a process and take ownership of the results.

### Opportunity Identified during Kaizen Event:

- 3.5% reduction in scrap and waste or ~\$6MM in annualized savings

### Tracking Results Year-to-Date:

- 2014 - First Quality = 81.1%
- Q2 2015 - Average First Quality = 82.6%
- June 2015 - First Quality = 83.4% (this improvement equates to \$4MM in annualized savings)



## Outlook for Q3 2015

- Remain ahead of schedule on synergy achievement, projected run rate of ~75% by quarter end
- Volumes increasing seasonally but below prior year pro forma levels
- With the strong dollar, increasing imports and market decline we expect to take ~75K tons of downtime during the quarter
- Major maintenance outages during the quarter at Wisconsin Rapids and Luke
- Overall price flat with Q2
- Overall input prices relatively flat vs. Q2 15
- SC ruling in place – evaluating its impact

# Appendix



# **Additional Verso Corp Consolidated Financial Data**

# Consolidated Net Loss to Adj. EBITDA Reconciliation



	As Adjusted Six Months Ended June 30, 2014	As Adjusted Year Ended December 31, 2014	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015	As Adjusted Twelve Months Ended June 30, 2015
(Dollars in millions)					
Net loss	(208)	(459)	(60)	(182)	(433)
Income tax benefit	-	(4)	(2)	(2)	(6)
Interest expense, net	140	253	67	133	246
Depreciation, amortization, and depletion	129	248	64	121	240
<b>EBITDA</b>	<b>61</b>	<b>38</b>	<b>69</b>	<b>70</b>	<b>47</b>
Adjustments to EBITDA:					
Restructuring charges <sup>(1)</sup>	-	141	6	28	169
Integration <sup>(2)</sup>	-	-	4	9	9
NewPage acquisition-related costs <sup>(3)</sup>	25	60	(2)	17	52
Hedge (gains) losses <sup>(4)</sup>	11	17	(0)	(5)	1
Trademark impairment <sup>(5)</sup>	-	6	-	-	6
Equity award expense <sup>(6)</sup>	(1)	13	0	1	15
Other items, net <sup>(7)</sup>	4	14	3	4	14
Adjusted EBITDA before pro forma effects of profitability program	100	289	80	124	313
Pro forma effects of profitability program <sup>(8)</sup>					25
<b>Adjusted EBITDA</b>					<b>338</b>

- This table reconciles net (loss) income to EBITDA and Adjusted EBITDA for the periods presented as adjusted to include historical operations of NewPage, excluding the Biron and Rumford mills, and excluding Bucksport.

- (1) Represents costs primarily associated with the closure of the Bucksport mill and the costs associated with reorganizing the business after the NewPage acquisition.
- (2) Represents costs associated with efforts to integrate the legacy Verso and NewPage operations, generate cost savings and capture synergies across the combined company.
- (3) Represents costs incurred in connection with the NewPage acquisition, including one-time impacts of purchase accounting.
- (4) Represents unrealized losses (gains) on energy-related derivative contracts.
- (5) Represents non-cash impairment charge on trademarks.
- (6) Represents amortization of non-cash incentive compensation.
- (7) Represents miscellaneous non-cash and other earnings adjustments, including the gains on sales of the former Sartell mill and the assets of Verso Fiber Farm LLC in 2013.
- (8) Represents cost savings expected to be realized as part of our cost savings program.

# Adjusted EBITDA Definition

Adjusted EBITDA is EBITDA further adjusted to eliminate the impact of certain items that we do not consider to be indicative of the performance of our ongoing operations and other pro forma adjustments permitted in calculating covenant compliance in the indentures governing our debt securities.

Prior periods have been adjusted to include historical operations of NewPage, excluding the Biron and Rumford mills, and excluding Bucksport. Adjusted EBITDA is modified to reflect the amount of net cost savings projected to be realized as a result of specified activities taken during the preceding 12-month period.

You are encouraged to evaluate each adjustment and to consider whether the adjustment is appropriate. In addition, in evaluating Adjusted EBITDA, you should be aware that in the future, we may incur expenses similar to the adjustments included in the presentation of Adjusted EBITDA.

We believe that the supplemental adjustments applied in calculating Adjusted EBITDA are reasonable and appropriate to provide additional information to investors.

We also believe that Adjusted EBITDA is a useful liquidity measurement tool for assessing our ability to meet our future debt service, capital expenditures, and working capital requirements.







# Working Capital & Cash Flow

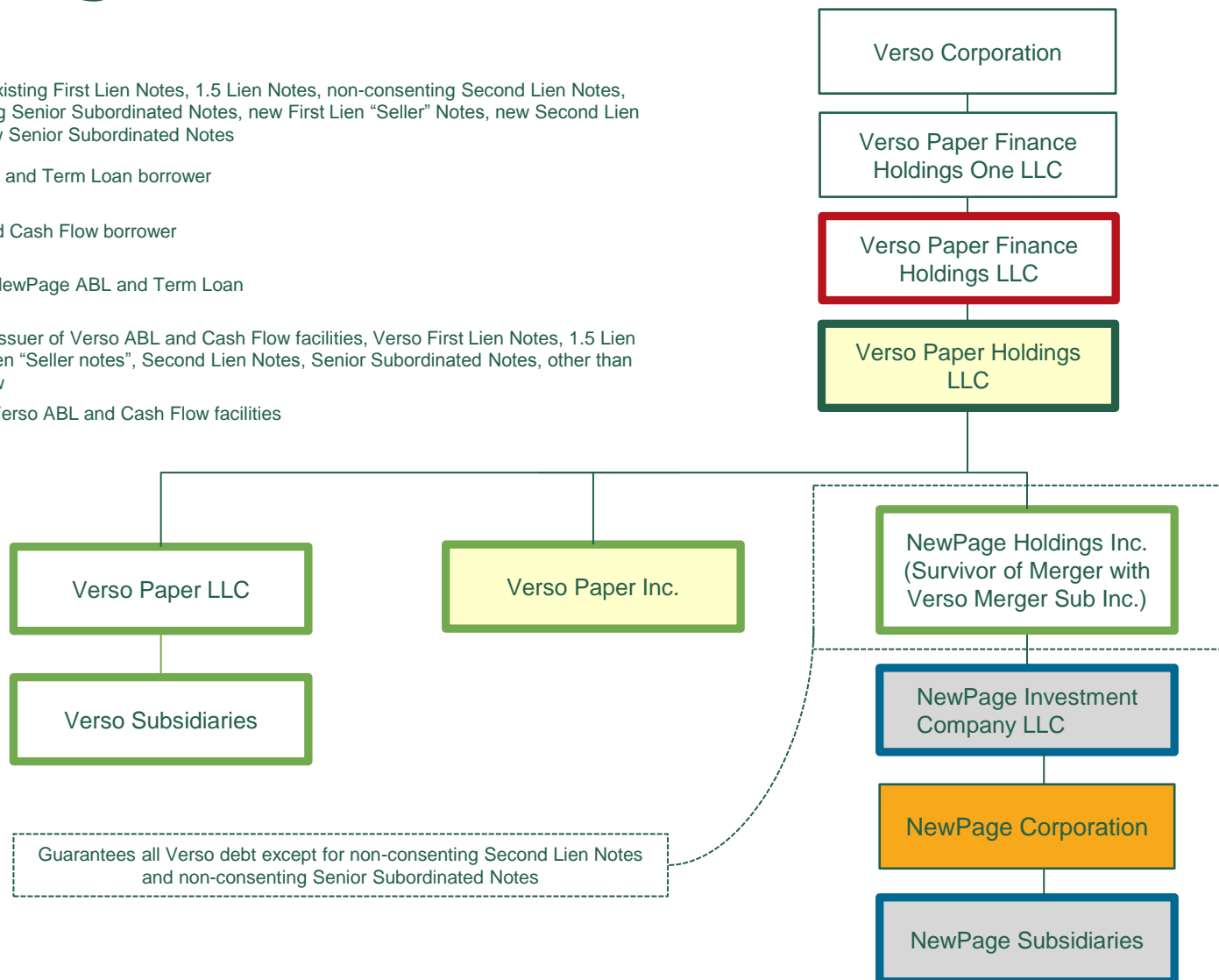
Working Capital \$'MM	Q1 15	Q2 15
Accounts Receivable	280	247
Inventory	536	559
Other Current Assets	30	18
Accounts Payable	(206)	(195)
Accrued Liabilities	(243)	(290)
<b>Total Working Capital</b>	<b>397</b>	<b>339</b>

Cash Flow \$'MM	Q1 15	Q2 15
Cash Provided by (Used in) Continuing Operations	(204)	19
Investing Cash Flow	167	(17)
Financing Cash Flow	45	(2)
<b>Change in Cash</b>	<b>8</b>	<b>-</b>

# Verso Legal Structure (select entities only)

## Legend

-  Co-issuer of existing First Lien Notes, 1.5 Lien Notes, non-consenting Second Lien Notes, non-consenting Senior Subordinated Notes, new First Lien "Seller" Notes, new Second Lien Notes and new Senior Subordinated Notes
-  NewPage ABL and Term Loan borrower
-  Verso ABL and Cash Flow borrower
-  Guarantor of NewPage ABL and Term Loan
-  Guarantor/co-issuer of Verso ABL and Cash Flow facilities, Verso First Lien Notes, 1.5 Lien Notes, First Lien "Seller notes", Second Lien Notes, Senior Subordinated Notes, other than as noted below
-  Guarantor of Verso ABL and Cash Flow facilities



# **Additional NewPage Financial Data**



# Financial Performance - Breakdown

(\$Millions)	Revenue		Adj. EBITDA (see also GAAP to EBITDA reconciliation)	
	NewPage Corp	Verso Consol	NewPage Corp	Verso Consol
3-months ended June 30, 2015	550	778	37	80
3-months ended June 30, 2014 (PF)	578	820	38	65
6-months ended June 30, 2015 **	1,103	1,584	74	124
6-months ended June 30, 2014 (PF)	1,161	1,642	63	100
As Adjusted Year ended Dec 31, 2014 (PF)	2,351	3,367	187	289
Twelve months ended June 30, 2015 (PF) **	2,293	3,309	198	313
Incl Pro Forma Profitability Program			210	338

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\* 2014 is presented as Pro Forma (PF) excluding Rumford, Biron and Bucksport

\*\* Excludes \$3 MM of EBITDA from pre-merger Jan 2015 (6 days)

# Liquidity and Net Debt – June 30, 2015

Liquidity \$'MM	NewPage	Consolidated Verso
Revolving Credit Facilities *	339	496
- Balance Drawn	166	236
- Letters of Credit	56	87
Remaining Capacity	117	173
Cash	8	14
<b>Total Liquidity</b>	<b>125</b>	<b>187</b>

Net Debt \$'MM	NewPage	Consolidated Verso
Revolving Credit Facilities	166	236
Senior Secured Term Loan	734	734
First Lien Notes	--	1,063
Less Cash	(8)	(14)
<b>Net First Lien Debt</b>	<b>892</b>	<b>2,019</b>
1.5 Lien Notes	--	272
Sec Priority Sr. Notes	--	275
Senior Sub notes	--	104
<b>Net Holdco Debt</b>	<b>892</b>	<b>2,670</b>

\*ABL availability limited

# Cash Flow from Operating Activities

\$'MM	Q2 2015		YTD June 2015	
	NewPage	Consolidated Verso	NewPage	Consolidated Verso
Net loss	(34)	(60)	(81)	(182)
Income tax benefit	(2)	(2)	(2)	(2)
Depreciation & amortization	47	64	87	121
Other operating cash flow changes	(23)	17	(96)	(122)
<b>Net cash provided by (used in) operating activities</b>	<b>(12)</b>	<b>19</b>	<b>(92)</b>	<b>(185)</b>

# Cost-Saving Initiatives

# Synergy Background

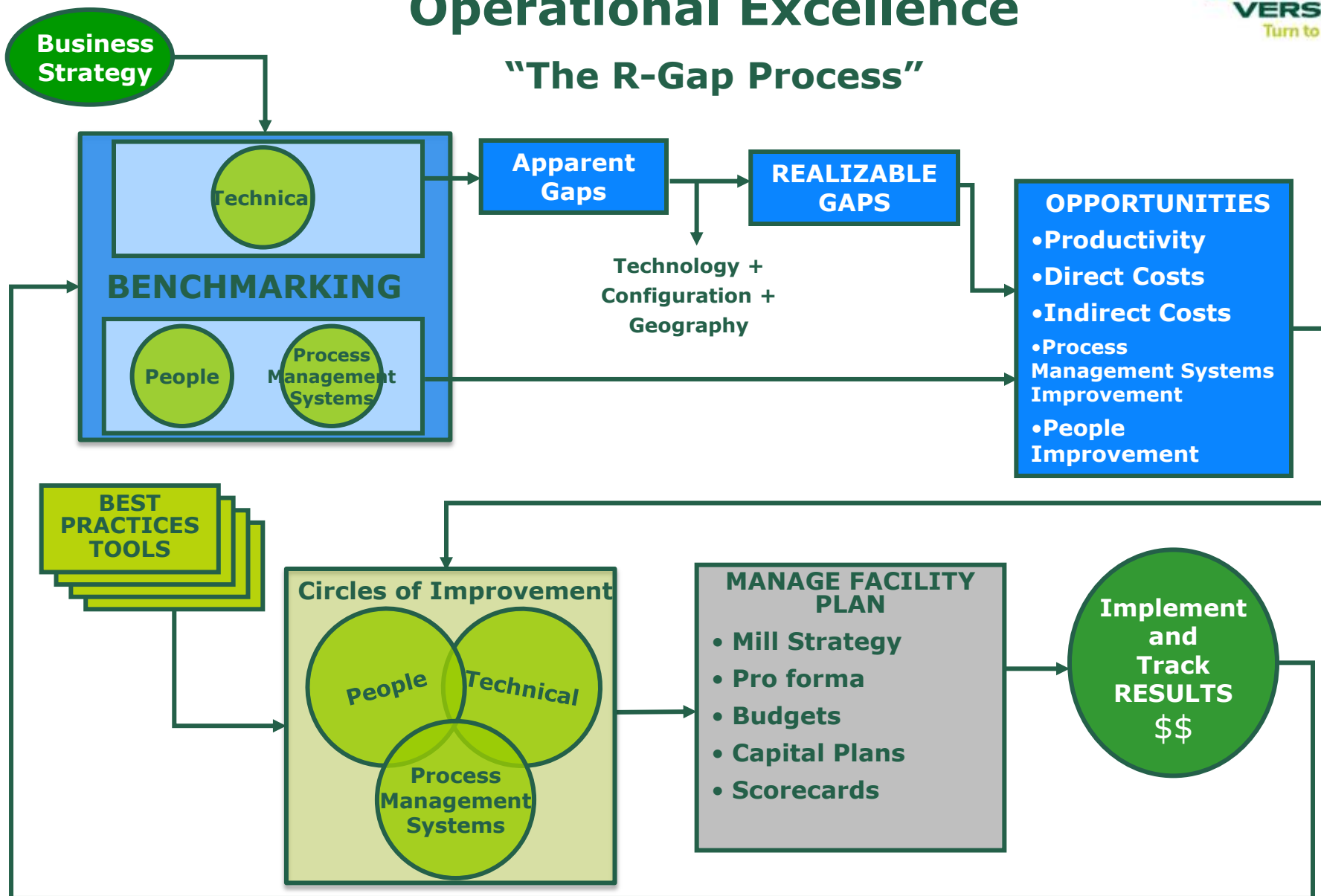
- Synergies are EBITDA improvements directly attributable to the merger of Verso and NewPage.
- All synergies are for the benefit of Verso. Synergies realized by NewPage are to be paid to Verso.
- Costs incurred through the implementation of the Synergies resulting from the transaction, including but not limited to severance payments, shall be allocated so that one-third (1/3) of such implementation cost shall be borne by Verso and two-thirds (2/3) of such implementation cost shall be borne by NewPage.
- Shared Services are management services provided by Verso to NewPage Corporation with the value set based on NewPage's pre-acquisition cost of these services. The delta between the pre-acquisition NP SG&A cost level and the ongoing actual cost level is synergies to Verso.
- A Shared Services Committee governs these processes and ensures that the stated benefits qualify for inclusion as a synergy.
- Approved synergies, shared services fees and the proration of cost to achieve synergies are paid on a monthly basis.
- Well ahead of schedule, reaffirm the \$175MM target.

# The R-Gap Process (Realizable Gap)

- Verso pursues continuous year-over-year improvement using a process called R-Gap. This is a manufacturing due-diligence process centered around operational excellence.
- R-Gap analysis determines a mill's potential based on a hypothetical mill system that utilizes key parameters and processes established by the best performers both inside and outside the industry. All areas of operations are included in the analysis.
- Through benchmarking, "realizable gaps" (savings opportunities) can be assessed and assigned to their respective areas. The methodology also identifies whether the savings opportunities require simple behavioral changes, reliability improvements, technical capital high costs, technical capital low costs, or unknown.
- 80% of R-Gap closure opportunities are typically known, and Verso focuses mainly on change in behaviors, technical capital low costs, and reliability improvements to close the gaps.
- Detailed initiative lists are generated to identify the R-Gap savings that will be closed annually (who, what, when, where, and how).
- R-Gap savings are reflected in standard costs annually, therefore any deviation from standard costs creates an operations variance (this is how actual results are measured).
- On average, Verso has achieved \$45MM annual improvement over the past 9 years. By comparison, NewPage achieved \$65MM annual improvement over the a 5 year period (8 mills).

# Operational Excellence

## "The R-Gap Process"

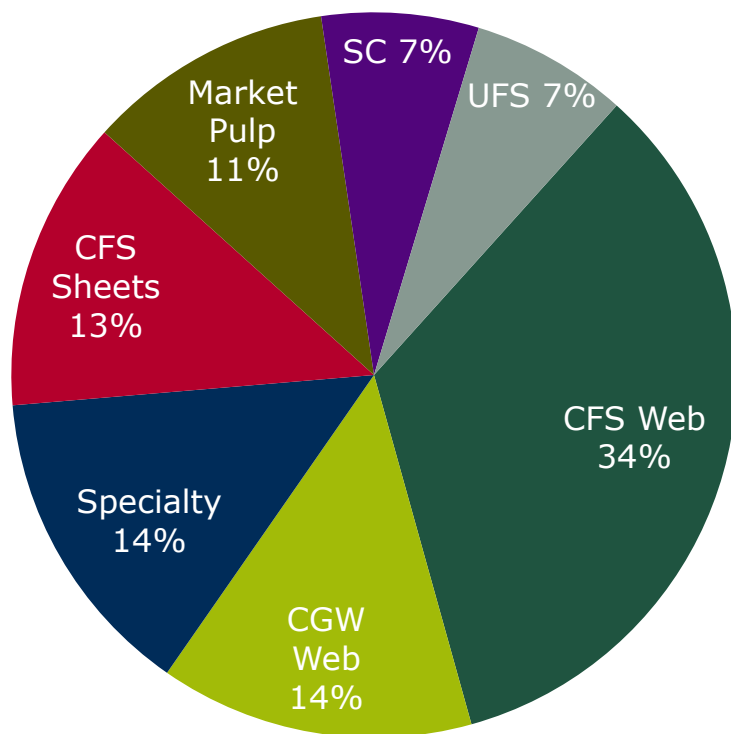


# Our Business



# Verso Product Portfolio

## 2014 Pro Forma\* Sales by Grade %

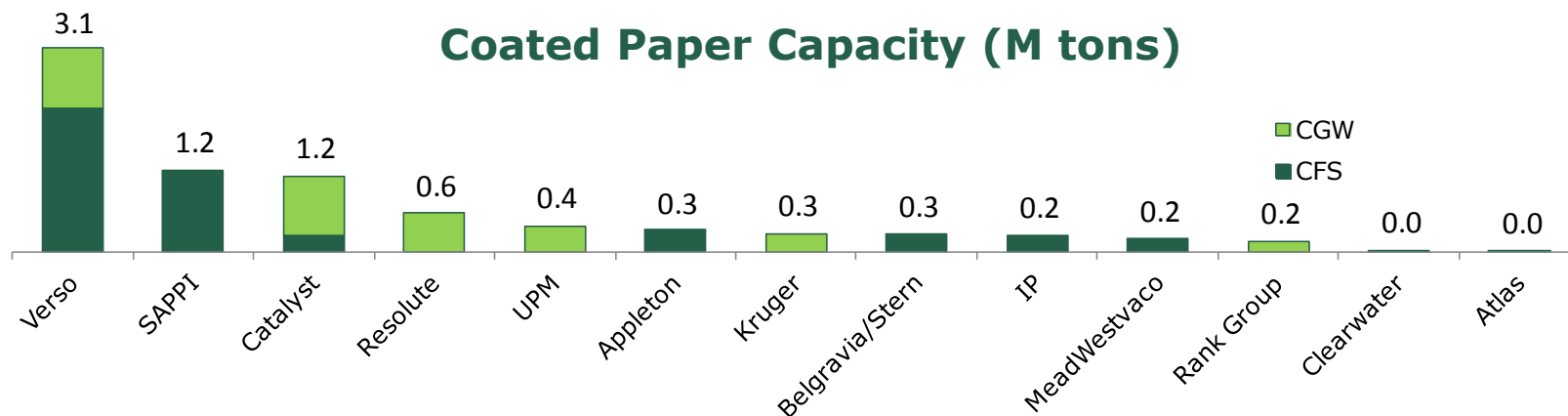


- Coated freesheet (“CFS”)sheet and web papers for corporate collateral and commercial printing, including digital
- Coated groundwood (“CGW”) web paper, including lightweight coated, for magazines, catalogs, books and inserts
- Specialty papers for lightweight food and medical packaging, beverage bottle labels, wrappers, thermal printed papers, pressure-sensitive labels and release liners
- Supercalendered papers for magazines, catalogs, advertisements, retail and free-standing inserts, flyers and directories
- High quality NBHK and NBSK pulp for use in the production of coated papers, specialty papers, tissue etc.

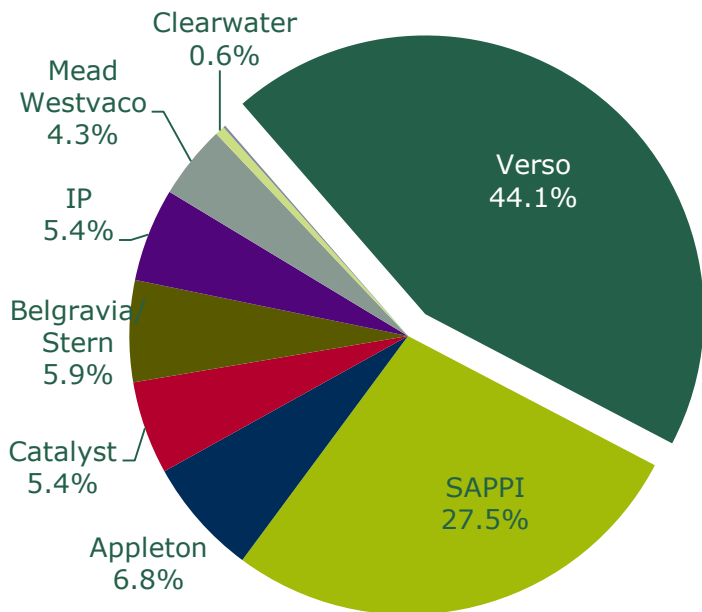
\* 2014 Pro Forma consolidated companies excluding, Biron, Bucksport and Rumford

# Leading Producer of Coated Paper in NA

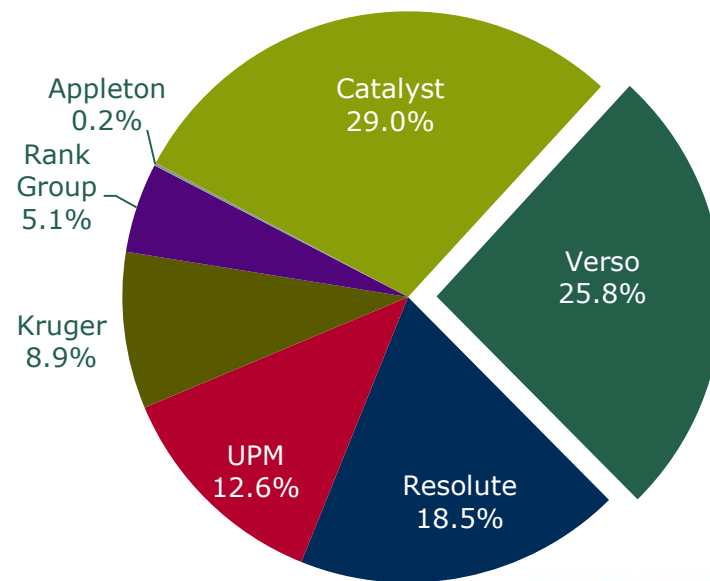
## Coated Paper Capacity (M tons)



## Coated Friesheet Capacity

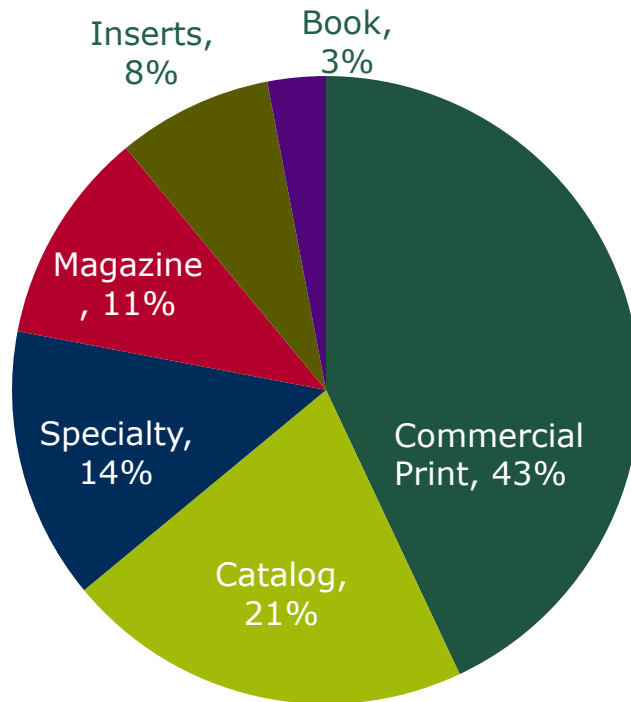


## Coated Groundwood Capacity

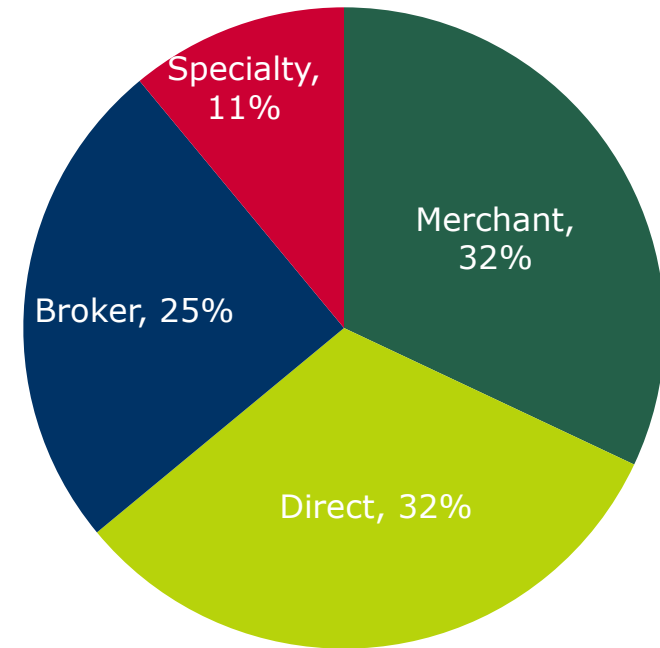


# End-Users and Channels

2014 Pro Forma\* Paper Sales by End User %



2014 Pro Forma\* Paper Sales by Channel %



## Industry 5 Year forecast (RISI)

- Magazine share of total market consumption declining from 19% to 16%
- Commercial print share is increasing from 55% to 58%.

\* 2014 Pro Forma consolidated companies excluding, Biron, Bucksport and Rumford excludes pulp

# Mill Footprint

**Duluth, MN**

Capacity: 270k tons  
Products: SC

**Quinnesec, MI**

Capacity: 425k tons\*  
Products: CFS, Pulp

**Escanaba, MI**

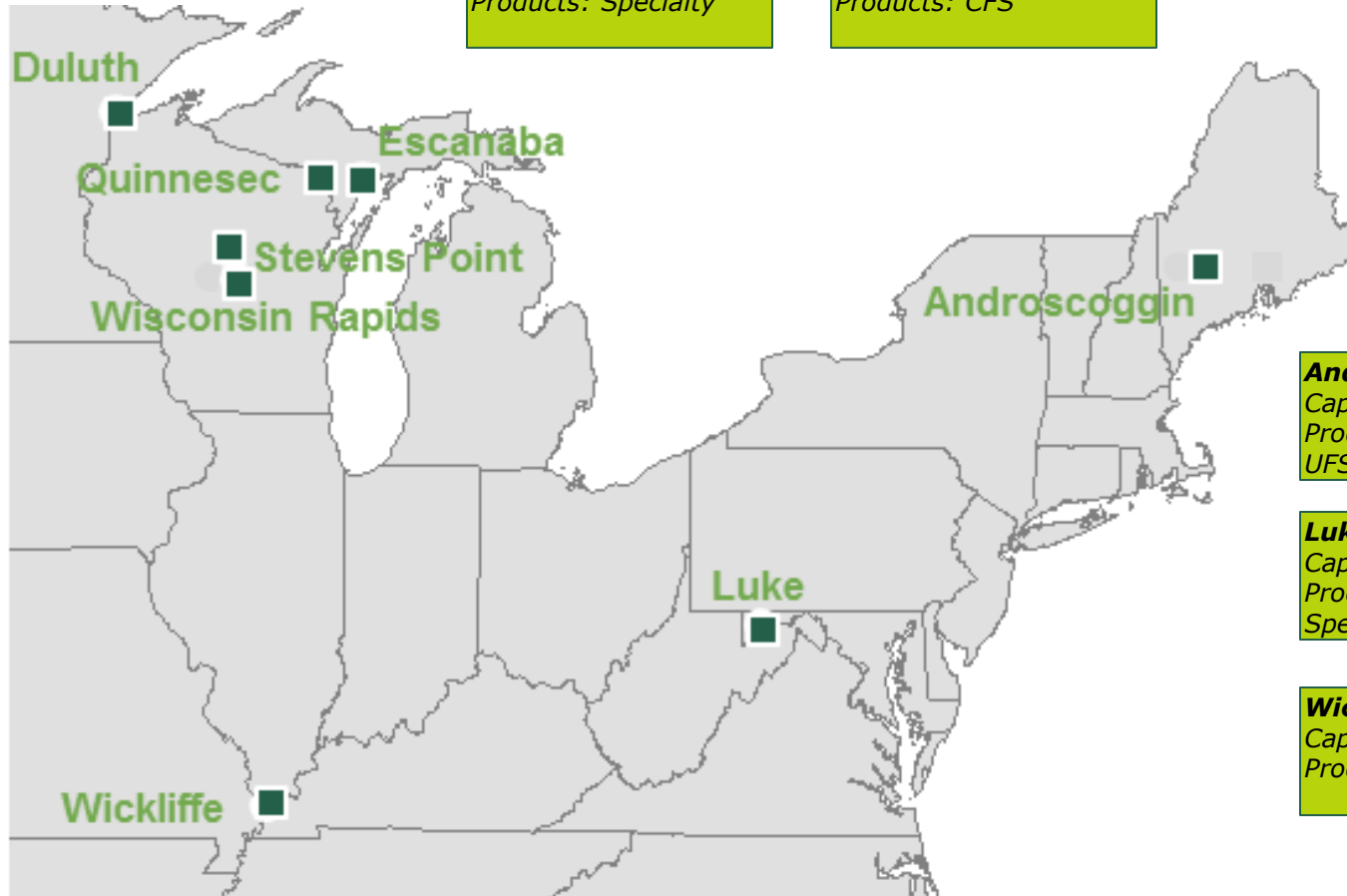
Capacity: 785k tons  
Products: CFS, CGW, Specialty

**Stevens Point, WI**

Capacity: 185k tons  
Products: Specialty

**Wisconsin Rapids, WI**

Capacity: 560k tons  
Products: CFS



**Androscoggin, ME**

Capacity: 635k tons\*  
Products: CGW, CFS, UFS, Specialty, Pulp

**Luke, MD**

Capacity: 480k tons  
Products: CFS, Specialty

**Wickliffe, KY**

Capacity: 285k tons  
Products: CFS, UFS

\* Paper capacity