



VERSO CORPORATION

Second Quarter 2016 Conference Call - August 16, 2016

Forward Looking Statements and Certain Financial Information

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 and Section 21E of the Securities Exchange Act of 1934 including our expectations for sales in the third quarter of this year and capital expenditures for the remainder of the year. Forward-looking statements may be identified by the words "believe," "expect," "anticipate," "project," "plan," "estimate," "intend," "potential" 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.

Verso's actual actions and results may differ materially from what is expressed or implied by these statements due to a variety of factors, including those risks and uncertainties listed from time to time in Verso's filings with the Securities and Exchange Commission. Verso assumes no obligation to update any forward-looking statement made in this press release to reflect subsequent events or circumstances or actual outcomes.

Business Overview: Industry and Verso

DAVID J. PATERSON

Chairman, President and Chief Executive Officer

Industry Highlights

General

- GDP increased at an annual rate of 1.2% in Q2 '16 (vs +0.8% in Q1 '16)
- Non-farm payroll increased by 287,000 in June 2016; the unemployment rate increased by 0.2% to 4.9%
- Consumer Confidence Index is at 97.3 as of June 2016

Paper

- Challenging market in second quarter
 - Magazine ad pages down 7.0% in Q2 '16 vs Q2 '15
 - Catalog mailings down 2.9% in Q2 '16 vs Q2 '15
 - Total coated paper apparent consumption down 7.2%
- Seasonal demand to pick up in third quarter, but below prior year

Industry Highlights – cont.

Coated Freesheet (CFS)

- Apparent consumption down 4.2% in Q2'16 vs Q2'15
- Industry operating rates weakened in Q2 vs Q1, 87% and 91% respectively.
- Imports down 2.4% in Q2'16 vs Q2'15
- Key competitor announced sheetfed price decrease

Coated Groundwood (CGW)

- Operating rates at 89%, flat YOY despite A2 shutdown
- Apparent consumption down 11.2% in Q2'16 vs Q2'15, driven by reduced magazine ad pages
- Imports up 6.1% in Q2'16 vs Q2'15

Supercalendered (SC)

- Tariffs in place for Canadian products, however the strong USD is neutralizing impact
- Canadian SC producers seeking alternative products due to weak demand & tariffs
- With Madison Paper production ceasing on 5/16/16, our Duluth mill is the last remaining SC mill in the US

Verso Highlights

- Strong safety culture reflected in improved performance measures
 - TIR (Total Incident Rate) for Verso was less than 1.0 for the first six months
- Challenging market (volume/price) – but better mix from our strategic moves
- Emergence from bankruptcy on July 15 – stronger balance to better address the market
 - ABL at market terms
 - TL with challenging terms
- Most mills operating especially well with a couple of mills lagging
- CEO retirement – Turning over to a strong team in the interim
 - Office of the Chief Executive has been established, consisting of four executive officers:

Allen J . Campbell, SVP and Chief Financial Officer

Michael A. Weinhold, SVP of Sales, Marketing and Product Development

Peter H. Kesser, SVP, General Counsel and Secretary

Adam St. John, SVP of Manufacturing

Financial Overview

ALLEN J. CAMPBELL

Senior Vice President and Chief Financial Officer

Q2 2016 Income Statement vs Prior Year

(Dollars in millions)	Q2-15	Q2-16	Δ
Net sales	\$778	\$630	\$(148)
Costs and expenses:			
Cost of products sold	657	548	(109)
Depreciation, amortization, and depletion	64	45	(19)
Selling, general, and administrative expenses	46	40	(6)
Restructuring charges	6	7	1
Operating loss	5	(10)	(15)
Interest expense	67	11	(56)
Reorganization items, net	-	12	12
Loss before income taxes	(62)	(33)	29
Income tax (benefit) expense	(2)	-	2
Net loss	\$ (60)	\$ (33)	27
EBITDA	\$ 69	\$ 23	(46)
Restructuring charges	6	7	1
NewPage acquisition/integration	2	-	(2)
Reorganization items, net	-	12	12
Other items, net	3	4	1
Adjusted EBITDA	\$ 80	\$ 46	(34)
Adjusted EBITDA Margin %	10.3%	7.3%	-3.0%

PTS

INCOME STATEMENT

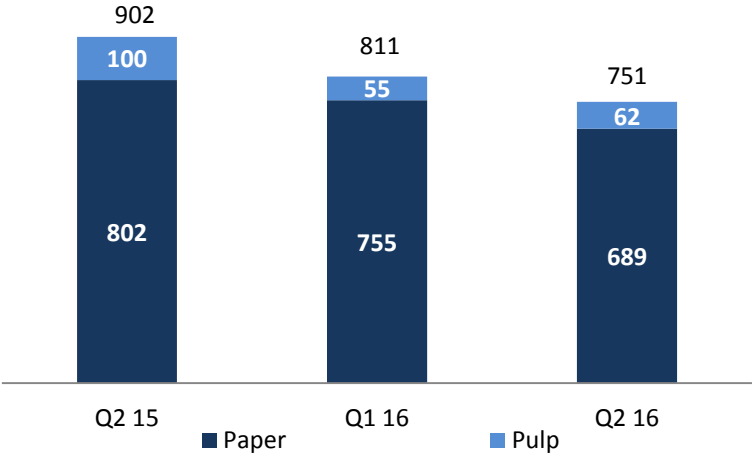
- Sales decreased 19% or \$148M from Q2 2015
 - Market and internal actions
 - Capacity actions at Androscoggin and Wickliffe resulted in a reduction of ~110K tons
- Input costs continue to be lower; primarily driven by energy and wood
- SG&A decreased 13%, driven by synergy-driven lower headcount

ADJUSTMENTS

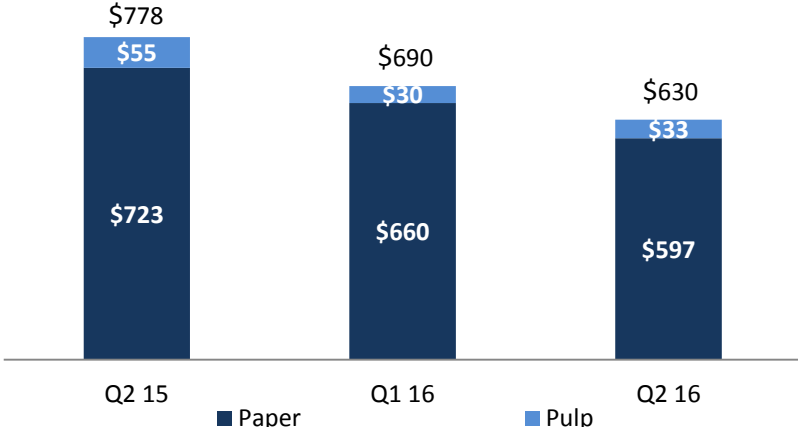
- Restructuring charges relate primarily to the Wickliffe closure
- Reorganization items of \$12M include \$17M of cash costs and (\$5M) of non-cash gains
- Other items include primarily costs related to the system integration

Volume & Price Trends

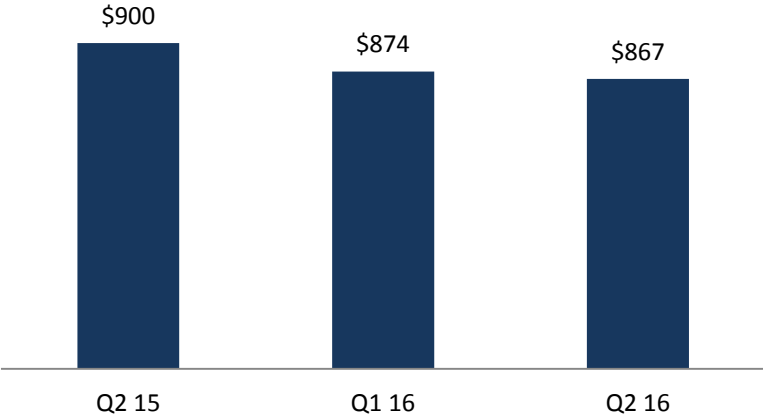
Volume (K tons)



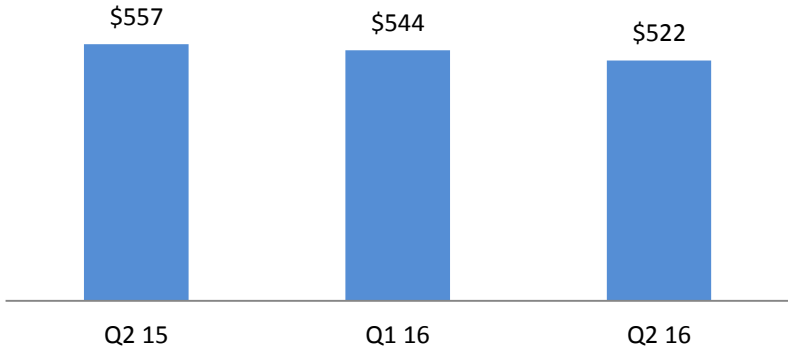
Revenue (dollars in millions)






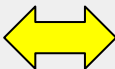


Paper Price (per ton)



Pulp Price (per ton)

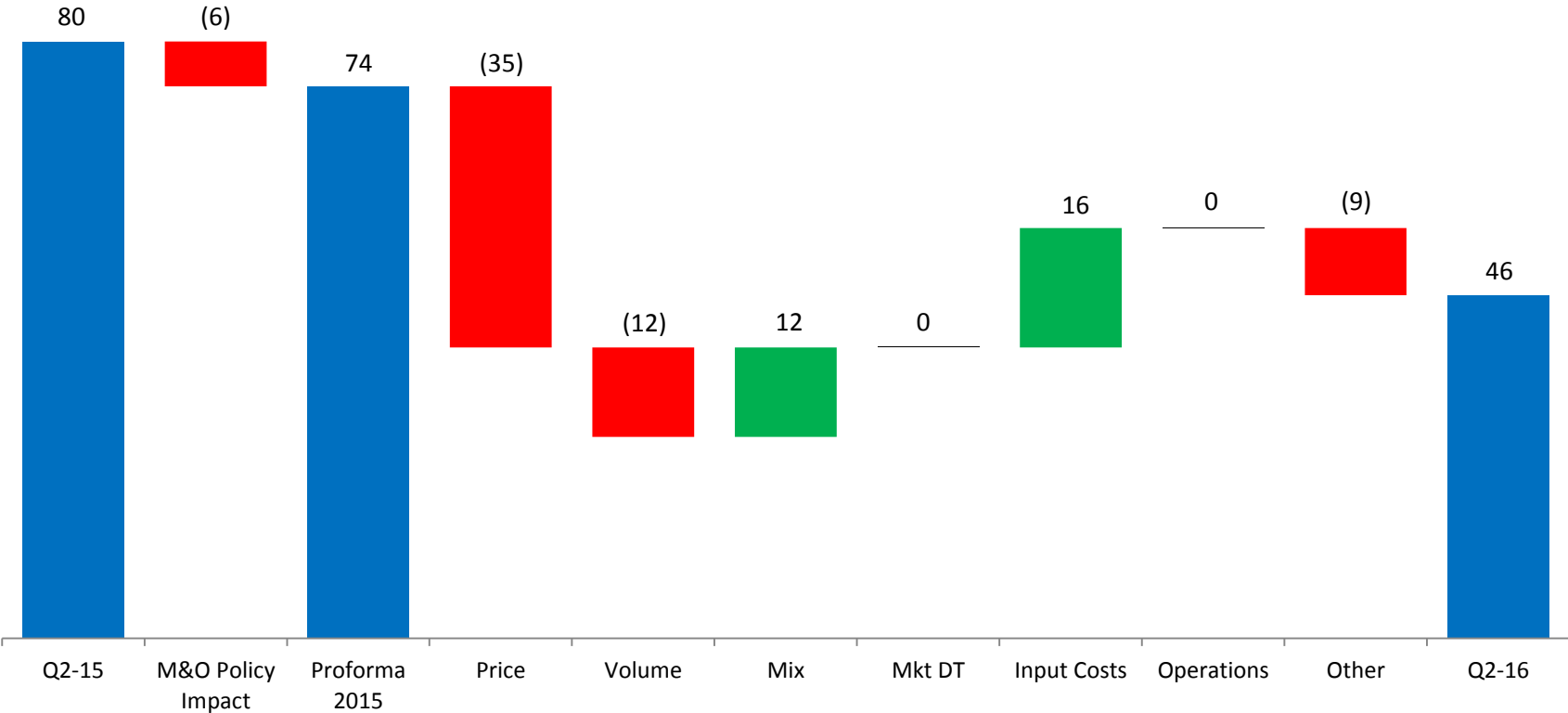


Input Prices

Raw Materials	Vs Q2 15	Vs Q1 16	Comments
Chemicals			Latex prices increased slightly over prior year and prior quarter.
Wood / Fiber			Prices are lower, but higher logistics costs to transport on-hand wood inventory kept costs relatively flat during Q2.
Energy			Year-over-year lower natural gas and electricity costs driven by milder weather.

Q2 15 to Q2 16 Adjusted EBITDA Bridge

(Dollars in millions)



M&O represents costs of maintenance and outages

Q2 2016 Income Statement – Year to Date vs Prior Year

(Dollars in millions)	Q2-15 YTD	Q2-16 YTD	Δ
Net sales	\$ 1,584	\$ 1,320	\$(264)
Costs and expenses:			
Cost of products sold	1,385	1,166	(219)
Depreciation, amortization, and depletion	121	93	(28)
Selling, general, and administrative expenses	101	87	(14)
Restructuring charges	28	151	123
Other operating income	-	(57)	(57)
Operating loss	(51)	(120)	(69)
Interest expense	133	37	(96)
Reorganization items, net	-	(36)	(36)
Loss before income taxes	(184)	(121)	63
Income tax (benefit) expense	(2)	-	2
Net loss	\$ (182)	\$ (121)	61
EBITDA	\$ 70	\$ 9	(61)
Restructuring charges	28	151	123
NewPage acquisition/integration	26	-	(26)
Debt related reorganization charges	-	(81)	(81)
Other reorganization items, net	-	45	45
Pre-bankruptcy related charges	-	6	6
Gain on sale of assets	-	(57)	(57)
Other items, net	-	13	13
Adjusted EBITDA	\$ 124	\$ 86	(38)
Adjusted EBITDA Margin %	7.8%	6.5%	-1.3%

INCOME STATEMENT

- Revenue decreased 17% year-over-year driven by lower volumes and pricing
- Capacity actions at Androscoggin and Wickliffe have resulted in a year-over-year reduction of ~220K tons of paper
- Input costs continue to be lower; primarily driven by energy and wood
- SG&A costs decreased 14%, driven by lower headcount

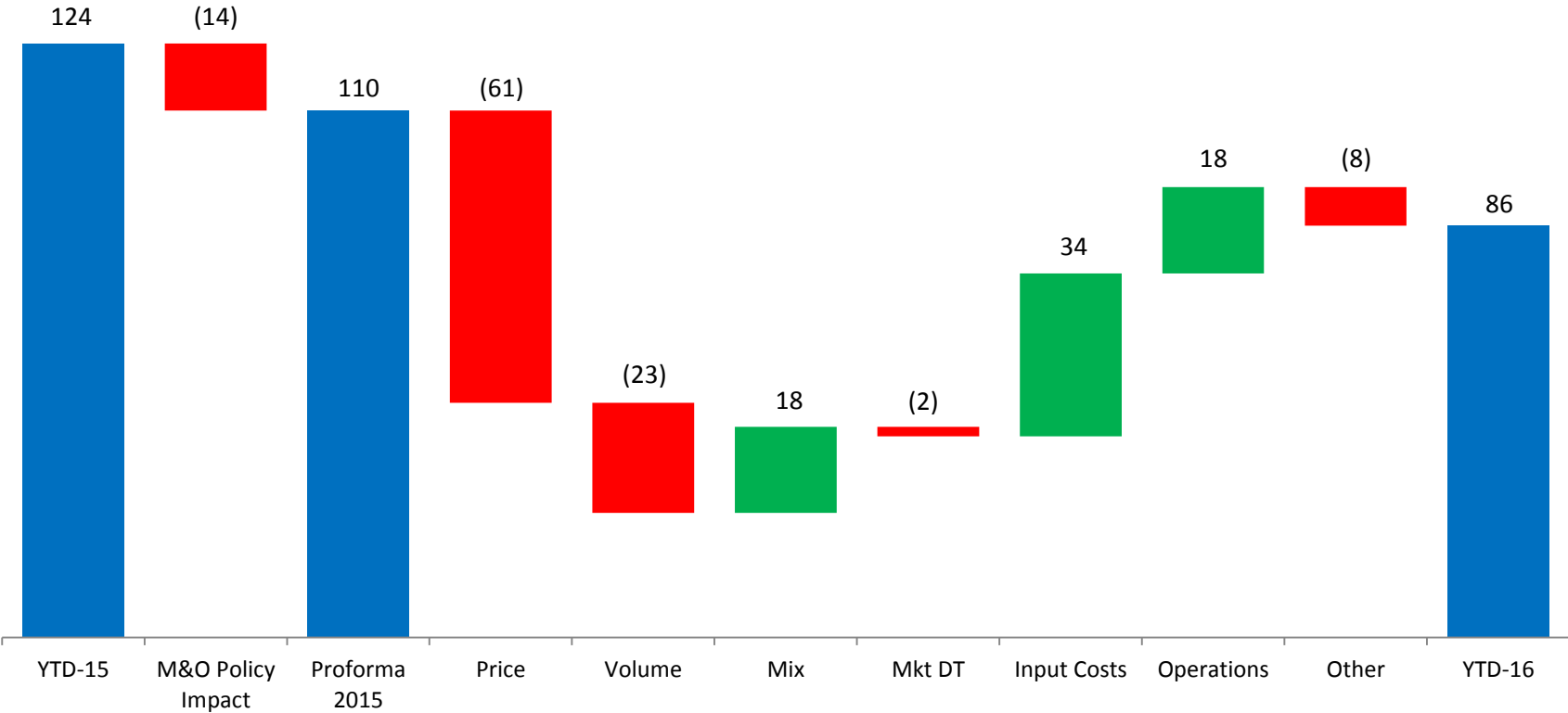
ADJUSTMENTS

- Restructuring includes \$135M of non-cash write-down
- Other operating income driven by gain on sale of hydroelectric facilities in January
- Reorganization items include (\$81M) of debt-related gain, \$40M cash cost and \$5M other non-cash charges
- Other items include primarily integration costs and Wickliffe idling costs during Q1

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YTD 15 to 16 Adjusted EBITDA Bridge

(Dollars in millions)



M&O represents costs of maintenance and outages

Strong Pro Forma Free Cash Flow for First Half of 2016

(Dollars in millions)	YTD June 2015	YTD June 2016
Net loss	\$(182)	\$(121)
Income tax benefit	(2)	-
Depreciation & amortization	121	93
Non-cash charges reorg and restructuring ⁽¹⁾	-	61
Other operating cash flow changes	(122)	6
Net cash provided by (used in) operating activities	\$(185)	\$39
Plus: One-time operating cash costs ⁽²⁾	54	42
Plus: Cash interest paid	105	8
Pro Forma Cash Flows provided by Operations⁽³⁾	(26)	89
Less: Capital Expenditures	(25)	(29)
Net Pro Forma Free Cash Flow	\$(51)	\$60

(1) Primarily relates to non-cash debt related reorganization gain of \$81 million and non-cash restructuring charge of \$137 million related to the Wickliffe closure.

(2) In 2016, one-time operating cash costs include \$17 million of cash Reorganization expenses (professional fees), \$14 million of cash Restructuring (Wickliffe severance), \$6 million of cash Pre-Reorganization expenses (professional fees), \$5 million of other non-recurring cash expenses. In 2015, one-time operating costs include \$28 million of cash Restructuring (Bucksport and NewPage Acquisition) and \$26 million of NewPage Acquisition costs including professional fees and integration costs.

Capital Spending – Expected Reduction from Plan

2016 Plan	\$100M	2016 Forecast	\$75M
Base Spending	\$58M	Base Spending	\$49M
Maintenance			
Regulatory			
Cost Savings			
Key Strategic and Other	\$42M	Key Strategic and Other	\$26M
Andro RB2 Expansion	12		
WR Recovery Boiler / Furnace	11		
SAP / Order Mgmt / Inventory	10		
Evaluation of Alternative Projects	5		
Luke – Boiler MACT	4		
		Revisions and Timing	
		Primarily Timing	

Outlook for 2H 2016

- Sales to increase in seasonally strong third quarter but below prior year
- Strong dollar still driving increased imports and pricing pressure, but pricing is not expected to be materially different than second quarter
- Major maintenance outages in third quarter at Wisconsin Rapids and Luke
 - Costs to impact P&L (given fresh start accounting election) \$10-\$12M unfavorable for remainder of year
- Input prices trending less favorable than first half of the year
- CapEx higher in last half because of planned outages, but about \$25M less than plan
- Continuing forward with consolidation of order management system expected to begin implementation in fourth quarter
 - First phase of investment in systems to consolidate and better manage the company and related SG&A costs
- Fresh Start accounting will create anomalies in our GAAP financial results

Verso – Value Proposition/Key Initiatives

Value Proposition

- Market leader in coated paper
- Leading position in specialty papers
- Strong cash flow
- Significantly improved balance sheet
- Great mill cost position

Key Initiatives

- Continuing focus on R-GAP process and integration of business process and systems
- Targeted commercial efforts to improve mix and product offering and expansion of specialty business
- Focusing on “Fresh Start” to energize the Company and take advantage of opportunities
- Investing in key projects to improve reliability, performance and safety

Financial Appendix

Consolidated Net Loss to Adj. EBITDA Reconciliation

	Six Months Ended June 30, 2015	Year Ended December 31, 2015	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016	Twelve Months Ended June 30, 2016
(Dollars in millions)					
Net loss	\$ (182)	\$ (422)	\$ (33)	\$ (121)	\$ (361)
Income tax benefit	(2)	(3)	-	-	(1)
Interest expense, net	133	270	11	37	174
Depreciation, amortization, and depletion	121	308	45	93	280
EBITDA	70	153	23	9	92
Adjustments to EBITDA:					
Restructuring charges ⁽¹⁾	28	59	7	151	182
NewPage acquisition and integration- related costs/charges ⁽²⁾	26	36	-	-	10
Reorganization items, net ⁽³⁾	-	-	12	(36)	(36)
Pre-reorganization charges ⁽⁴⁾	-	10	-	6	16
(Gain)loss on disposal of assets ⁽⁵⁾	-	6	-	(57)	(51)
Other items, net ⁽⁶⁾	-	5	4	13	18
Adjusted EBITDA	\$ 124	\$ 269	\$ 46	\$ 86	\$ 231

(1) For 2016, charges are primarily associated with the closure of the Wickliffe mill, of which approximately \$137 million is non-cash. For 2015, charges represent severance and employee related costs and other restructuring charges associated with the NewPage acquisition, the shutdown of a pulp dryer and paper machine at the Androscoggin mill, the indefinite idling of the Wickliffe mill, and the closure of the Bucksport mill.

(2) Professional fees and other charges and integration costs incurred in connection with the NewPage acquisition, including one-time impacts of purchase accounting.

(3) Expenses and income directly associated with the Chapter 11 Cases, including \$116 million of non-cash reorganization gain recognized in the first quarter of 2016 for the difference between the petition date carrying value of certain Verso notes previously recorded as a troubled debt restructuring and their par value (estimated allowed claim) for such debt.

(4) Costs incurred in connection with advisory and legal services related to planning for the Chapter 11 Cases.

(5) Realized losses (gains) on the sale of fixed assets, which are primarily attributable to the sale of hydroelectric facilities in January

(6) Amortization of non-cash incentive compensation, unrealized losses (gains) on energy-related derivative contracts, Wickliffe operating costs while idled and miscellaneous and other non-recurring adjustments.