


Verso First Quarter 2018 Results

Earnings Conference Call and Webcast – May 9, 2018

Forward Looking Statements & Non-GAAP 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. Forward-looking statements in this presentation include, but are not limited to, our guidance for the second quarter of 2018 and the full year of 2018 and our expectations for pricing and input costs. 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 under the caption “Risk Factors” in Verso’s Form 10-K for the fiscal year ended December 31, 2017 and from time to time in Verso’s other 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.

Non-GAAP Financial Information

This presentation contains certain non-GAAP financial information relating to Verso, including EBITDA, Adjusted EBITDA and related margins. Definitions and reconciliations of these non-GAAP measures are included in this presentation. Because EBITDA and Adjusted EBITDA are not measurements determined in accordance with GAAP and are susceptible to varying calculations, EBITDA and Adjusted EBITDA, as presented, may not be comparable to similarly titled measures of other companies. You should consider our EBITDA and Adjusted EBITDA in addition to, and not as a substitute for, or superior to, our operating or net income or cash flows from operating activities, which are determined in accordance with GAAP.

Business Overview

B. Christopher DiSantis

Chief Executive Officer

Overview

- Despite the long-term demand erosion trend for Graphic papers that will require continued capacity management, positive supply-side structural changes have occurred.
- Current U.S. Graphic industry Operating Rate (OR)[1] up vs. same quarter in 2017.
  - **+5%** for CFS (March at 97% OR).
  - **+1%** for CGW (March at 100% OR).
- Euro at $1.23[2] is an import deterrent benefiting Verso. However, with NA capacity closures and conversions, imports gained domestic share in coated papers, primarily in CGW. Note: this is a product line of declining economic impact for Verso.
- Sustained price realization is helping enhance margins and consistently outpace cost inflation. Incremental Q1 price increases announced across several grade lines.
- Specialty markets are performing well, benefiting from continued growth in U.S. manufacturing and consumer spending. Dramatic e-commerce trends driving gains in flexible packaging and label papers.
- Pulp markets are strong due to maintenance outages and China's restrictions on waste paper imports. Expect a more balanced market in the second half of 2018.
- Containerboard market remains robust with demand for additional kraft liner volumes growing globally, impacting pricing, availability and backlogs.

Q1-18 Graphic Paper Key Market Indicators (US)	vs. Prior Year
CFS Apparent Consumption[1]	-5.0%
CFS Imports (% of demand)	-3.0%
Commercial Printing	-2.0%
CGW Apparent Consumption[1]	-4.9%
CGW Imports (% of demand)	+15.5%
Magazine Ad Pages	-19.9%
Catalog Mailings[2]	-6.7%

Source: RISI

[1] Seasonally adjusted. | [2] 2017.

[1] Source: RISI. | [2] Rate is as of 4/2/2018.

Fiscal 2018 Q1 Highlights

(Dollars in millions)	Q1-17	Q1-18
Sales	616	639
Adjusted EBITDA[1]	26	41
Adj. EBITDA Margin %	4.2%	6.4%

- Fast start to 2018 vs. Q1 2017 with 58% earnings improvement.
  - Sales up 4% driven by higher prices and mix; Adjusted EBITDA up $15M, despite unusual operating challenges.
- Benefits of 2017 SG&A cost initiatives and austerity measures showing a $9M adjusted gain vs. Q1 2017.
- Specialty business increased to <u>24%</u> of revenue and continues to run full with good backlogs achieving <u>10%</u> growth vs. Q1 2017. Improving mix and driving productivity to service increased demand.
- Operations unfavorable by $10M, primarily due to unique issues at the Luke and Escanaba mills.
- Planned Luke mill outage completed on-time and on budget, added $6M of increased expense to Q1 2018.
- Surging freight costs continue to impact results, up $11M vs. Q1 2017.
- Net debt up modestly since FYE, but reduced term loan by a sizeable $46M through excess cash flow and voluntary payments, improving interest expense outlook going forward.
- Agreement reached with Canadian supercalendered producers on trade case – pending DOC ruling.
- Commenced Androscoggin Mill's No. 3 paper machine conversion to kraft linerboard. Project is on track to start up in Q3 2018 now with better market conditions.

Well positioned to capitalize on industry dynamics in all three end markets – Specialty, Packaging & Graphic.

[1] See Appendix for definitions of EBITDA and Adjusted EBITDA.

Strategy

- Committed to remain the preferred North American supplier in the Graphic space, but we will adapt to more Specialty and Packaging to offset anticipated erosion in end market applications.
  - Sustained investment, mix and capacity management will be required.
- Specialty business will continue to expand as a percentage of revenue, gaining share through the development of new innovative products for packaging and label applications.
- Start-up of No. 3 paper machine on track for Q3 2018 for 200K tons of lighter basis weight (16 lb. – 35 lb.) linerboard.
  - Excellent customer interest in this diversification initiative; still anticipate being run-rate profitable in Q4.
  - Evaluating other mills for investment in transformative projects – success of No. 3 machine is a critical input relating to the pace of our overall transition / conversion plans.
- Headwinds in 2018 partially offsetting price traction.
  - Raw materials and input costs rising.
  - Freight logistics a nagging problem in availability, delivery and cost hitting record amounts per ton.
  - Maintenance costs higher and outages longer than anticipated this year.
- (i) Cost management, (ii) Rapid debt reduction, and (iii) Cash flow enhancement will remain at the top of our agenda. Currently running at an industry-leading sub 4% SG&A expense to sales ratio and ambitiously attacking inflationary categories.
- No updates regarding our publicly announced review of strategic alternatives.

Financial Overview

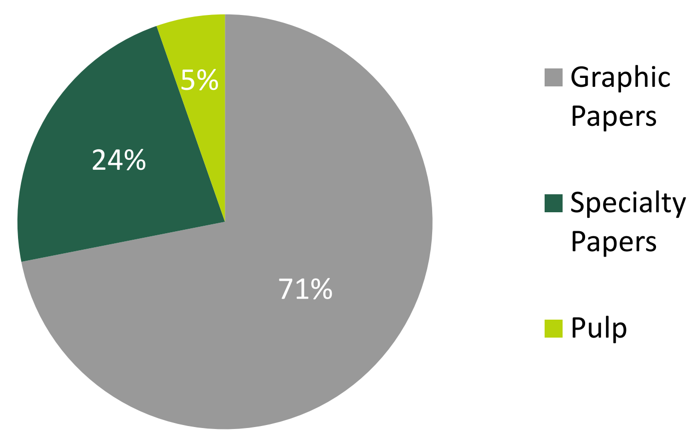
Allen Campbell

SVP and Chief Financial Officer

Key Metrics

	Q1-17	Q1-18	Δ	Δ %
Shipments (000 tons)				
- Paper	680	674	(6)	-1%
- Pulp	63	48	(15)	-24%
Total	743	722	(21)	-3%
NSP ($/ton)				
- Paper	$ 860	$ 905	$ 45	5%
- Pulp	$ 481	$ 597	$ 116	24%
Inventory ($M)	$ 462	$ 398	$ (64)	-14%

Q1 2018 Revenue



- Paper shipments relatively flat, we have seen increases in CFS web, Digital and SC offset by a decrease in sheets, uncoated, tablet and support business.
- Pulp shipments down 24% vs. prior year as we built inventory to use internally for Q2 maintenance outages.
- Paper price has experienced a strong recovery from a low in Q2 2017 and is up across all product groups. Price is up $29/ton from Q4 2017.
- Pulp price up 24% vs. prior year and up $30/ton versus last quarter.
- Inventory up $13M vs. year-end as a result of seasonal purchases of wood, but significantly below last year as a result of our internal supply chain synchronization initiatives.

Q1 2017 to Q1 2018 Profit and Loss

(Dollars in millions)	Q1-17	Q1-18	QoQ Δ
Net sales	$ 616	$ 639	$ 23
Costs and expenses:			
Cost of products sold	562	581	19
Depreciation and amortization (D&A)	33	27	(6)
Selling, general, and administrative expenses	33	25	(8)
Restructuring charges	2	1	(1)
Operating income (loss)	**(14)**	**5**	**19**
Interest expense	9	11	2
Other (income) expense	(2)	(4)	(2)
Income (loss) before income taxes	**(21)**	**(2)**	**19**
Income tax expense (benefit)	-	-	-
Net income (loss)	**$ (21)**	**$ (2)**	**$ 19**
Income (loss) per share (basic and diluted):	**$ (0.61)**	**$ (0.06)**	**$ 0.55**
Gross margin (excl. D&A)	$ 54	$ 58	$ 4
Gross margin %	8.8%	9.1%	0.3%

Impact to EBITDA

Fiber	Y
Chemicals	R
Energy	Y
Major Maint.	R
Freight	R
Ops.	R

- Depreciation and amortization expenses were lower as a result of $6M in accelerated depreciation in Q1 2017 relating to the capacity reduction at our Androscoggin Mill.
- SG&A expense down, driven by cost reduction initiatives implemented across the Company.
- Interest expense in Q1 2018 includes an additional $4M of amortization of debt issuance cost and discount as a result of additional pay down on term loan in the quarter.

Q1 2017 to Q1 2018 Adjusted EBITDA[1]

(Dollars in millions)	Q1-17	Q1-18	QoQ Δ
Net income (loss)	**$ (21)**	**$ (2)**	**$ 19**
Income tax expense	-	-	-
Interest expense	9	11	2
Depreciation and amortization	33	27	(6)
EBITDA	**$ 21**	**$ 36**	**$ 15**
Restructuring charges	2	1	(1)
Strategic initiatives costs	-	2	2
Other items, net	3	2	(1)
Adjusted EBITDA	**$ 26**	**$ 41**	**$ 15**
Adjusted EBITDA Margin %	4.2%	6.4%	2.2%

- Improvement in Adjusted EBITDA margin by 2.2% points from Q1 2017.
- Restructuring charges associated with the Wickliffe Mill closure and former Memphis HQ consolidation.
- Q1 2018 includes $2M in professional fees and other charges associated with strategic alternatives initiative.
- Other items, net in 2017 include costs for re-engineering of information systems, non-cash equity award compensation, costs associated with the temporary idling and subsequent shutdown of the No. 3 paper machine at the Androscoggin Mill and miscellaneous other non-recurring adjustments. For 2018, non-cash equity award compensation, legal settlement gain associated with prior closed mill and miscellaneous other non-recurring adjustments.

[1] See Appendix for definitions of EBITDA and Adjusted EBITDA.

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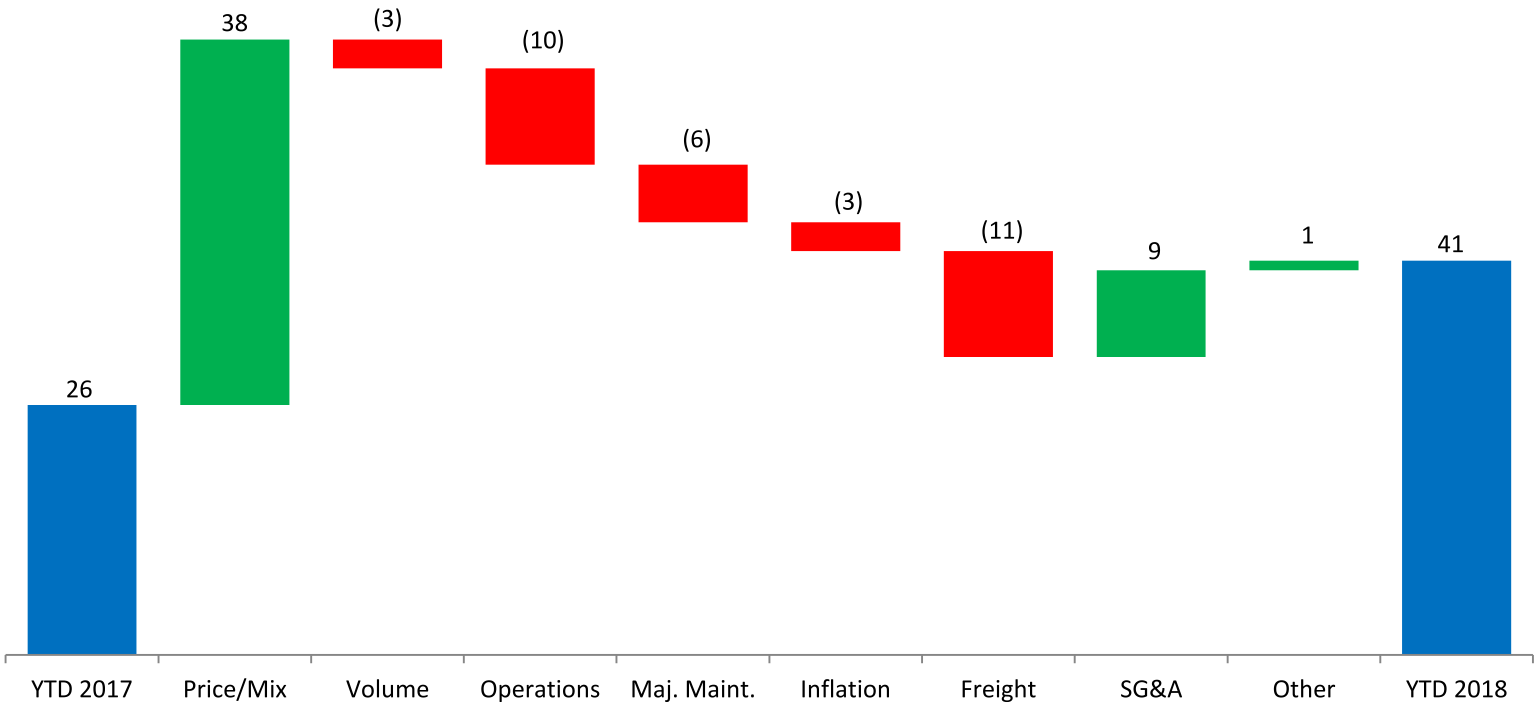
Q1 2017 to Q1 2018 Adjusted EBITDA[1] Bridge ($M)



- Price up across the product lines with favorable mix.
- Q1 2018 volume down 21K tons vs. Q1 2017, driven primarily by less sheet and pulp sales as we built pulp for the Quinnesec Mill's outage in Q2 2018 and due to the Androscoggin Mill's No. 3 machine idling in Q1 2017 and subsequent shutdown.
- Operational costs were unfavorable in Q1 2018, driven primarily by production issues and the Luke Mill's outage.
- Logistics costs were unfavorable in Q1 2018 due to continued increases in rates and surcharges for trucking and freight while other input costs were unfavorable primarily due to higher chemical prices.
- SG&A was favorable due to realization of cost savings initiatives.

[1] See Appendix for definitions of EBITDA and Adjusted EBITDA.

Liquidity and Net Debt

$ in Millions

Liquidity	3/31/17	12/31/17	3/31/18
Revolving credit facilities[1]	$369	$314	$344
Less: Balance drawn	158	65	118
Less: Letters of credit	78	40	40
Remaining ABL availability	133	209	186
Cash	7	7	7
Total liquidity	**$140**	**$216**	**$193**

Changes in Liquidity	2017 FY	Q1-18
Beginning Liquidity	$163	$216
Change in balance drawn	47	(53)
Change in borrowing base	(33)	30
Change in cash balance	1	-
Reduction in LOCs	38	-
Ending Balance	**$216**	**$193**

Net Debt	3/31/17	12/31/17	3/31/18
Revolving credit facilities	$158	$65	$118
Other debt (Term Loan)	200	146	100
Less: Cash	(7)	(7)	(7)
Net Verso Corporation debt	**$351**	**$204**	**$211**

Liquidity increased $53M and Net Debt reduced $140M vs. March 2017

- Liquidity declined by $23M in Q1 2018 primarily related to the $53M increase in ABL usage offset by a $30M improvement in the company's borrowing base.
- Net debt increased $7M in Q1 2018 with payments to the term loan totaling $46M offset by an increase in the ABL usage of $53M.
- Total leverage ratio of 1.44x.
- Fixed charge coverage ratio[2] of 1.36x.

[1] $375M ABL facility limited by borrowing base.

[2] Only applicable when ABL availability is below $30M. At 03/31/18 Verso had $163M of excess availability above this trigger.

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Guidance

- **Q2 2018.**
  - Net sales of $625M - $640M.
  - Capital expenditures are expected to be approximately $30M - $35M, including initial investment for the No. 3 machine startup project at our Androscoggin Mill.
  - Cash pension funding of $7M - $8M.
  - Major maintenance to increase by $13M vs. Q1.

- **Expectations for full year 2018.**
  - Revenue and pricing favorable to prior year.
  - Continued headwinds in logistics / freight and other input costs.
  - Capital expenditures in the range of $60M - $70M.
  - Cash taxes of $0 - $5M, primarily state income and franchise taxes.
  - Major maintenance costs up $14M - $16M.
  - Cash pension funding of approximately $45M.
  - SG&A less than 4% of net sales.

Finance Appendix

EBITDA and Adjusted EBITDA Definitions

EBITDA consists of earnings before interest, taxes, depreciation, and amortization. Adjusted EBITDA reflects adjustments to EBITDA to eliminate the impact of certain items that we do not consider to be indicative of our ongoing performance. We use EBITDA and Adjusted EBITDA as a way of evaluating our performance relative to that of our peers and to assess compliance with our credit facilities. We believe that Adjusted EBITDA is an operating performance measure commonly used in our industry that provides investors and analysts with a measure of ongoing operating results unaffected by differences in capital structures, capital investment cycles, and ages of related assets among otherwise comparable companies.

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

Reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA

(Dollars in millions)	12 Months Ended December 31, 2017	Three Months Ended March 31, 2017	Three Months Ended March 31, 2018	12 Months Ended March 31, 2018
Net income (loss)	$ (30)	$ (21)	$ (2)	$ (11)
Income tax expense (benefit)	(8)	-	-	(8)
Interest expense, net	38	9	11	40
Depreciation, amortization and depletion	115	33	27	109
EBITDA	$ 115	$ 21	$ 36	$ 130
Adjustments to EBITDA:				
Restructuring charges (1)	9	2	1	8
(Gain) loss on disposal of assets (2)	3	-	-	3
Post-reorganization costs (3)	1	-	-	1
Other severance costs (4)	6	-	-	6
Strategic initiatives costs (5)	3	-	2	5
Extinguishment of NMTC obligation (6)	(7)	-	-	(7)
Other items, net (7)	4	3	2	3
Adjusted EBITDA	$ 134	$ 26	$ 41	$ 149

(1) Charges are primarily associated with the announced closure and relocation of the Memphis office headquarters and closure of the Wickliffe Mill.
(2) Realized (gains) and losses on the disposal of assets.
(3) Costs incurred in connection with advisory and legal services related to emerging from the Chapter 11 Cases.
(4) Severance and related benefit costs not associated with restructuring activities.
(5) Professional fees and other charges associated with strategic alternatives initiative.
(6) Extinguishment of obligation in December 2017 in connection with the unwind of a New Market Tax Credit (NMTC) transaction entered in 2010.
(7) For 2017, costs incurred in connection with the re-engineering of information systems, non-cash equity award expense, costs associated with the temporary idling of the No. 3 paper machine at the Androscoggin Mill, and miscellaneous other non-recurring adjustments. For 2018, amortization of non-cash incentive compensation, legal settlement gain associated with prior closed mill and miscellaneous other non-recurring adjustments.

Q1 2018 P&L Adjusted EBITDA add back items

The table below shows the Company's consolidated income statement as presented under U.S. GAAP in the first column, then adjusted to reflect the adjustments the Company uses to get from EBITDA to Adjusted EBITDA.

(Dollars in millions)	Reported Q1-18	Adjustments to EBITDA	After Adjustments to EBITDA
Net sales	$ 639	$ -	$ 639
Costs and expenses:			
Cost of products sold (exclusive of depreciation and amortization)	581	1 [(1)]	580
Depreciation and amortization	27	-	27
Selling, general, and administrative expenses	25	3 [(2)]	22
Restructuring charges	1	1 [(3)]	-
Operating income (loss)	**5**	**(5)**	**10**
Interest expense	11	-	11
Other (income) expense	(4)	-	(4)
Income (loss) before income taxes	**(2)**	**(5)**	**3**
Income tax benefit	-	-	-
Net income (loss)	**$ (2)**	**$ (5)**	**$ 3**

(1) Costs associated with strategic alternatives initiative, severance and related benefit costs not associated with restructuring activities and (gain) loss on disposal of assets.

(2) Professional fees and other charges associated with strategic alternatives initiative, severance and related benefit costs not associated with restructuring activities, non-cash equity award expense and miscellaneous other non-recurring adjustments.

(3) Charges are primarily associated with the closure of the Wickliffe Mill.

Q1 2017 P&L Adjusted EBITDA add back items

The table below shows the Company's consolidated income statement as presented under U.S. GAAP in the first column, then adjusted to reflect the adjustments the Company uses to get from EBITDA to Adjusted EBITDA.

(Dollars in millions)	Reported Q1-17	Adjustments to EBITDA	After Adjustments to EBITDA
Net sales	$ 616	$ -	$ 616
Costs and expenses:			
Cost of products sold (exclusive of depreciation and amortization)	562	1 (1)	561
Depreciation and amortization	33	-	33
Selling, general, and administrative expenses	33	2 (2)	31
Restructuring charges	2	2 (3)	-
Operating income (loss)	**(14)**	**(5)**	**(9)**
Interest expense	9	-	9
Other (income) expense	(2)	-	(2)
Income (loss) before income taxes	**(21)**	**(5)**	**(16)**
Income tax benefit	-	-	-
Net income (loss)	**$ (21)**	**$ (5)**	**$ (16)**

(1) Severance and related benefit costs not associated with restructuring activities, costs associated with the temporary idling of the No. 3 paper machine at the Androscoggin Mill and (gain) loss on disposal of assets.
(2) Severance and related benefit costs not associated with restructuring activities, non-cash equity award expense, costs incurred in connection with the re-engineering of information systems and miscellaneous other non-recurring adjustments.
(3) Charges primarily associated with the closure and relocation of the Memphis office headquarters and closure of the Wickliffe Mill.

Q1 2018 Total Leverage and Fixed Charge Coverage Ratios

The table below shows the Company's computation of the Total Net Leverage Ratio and Fixed Charge Coverage Ratio as required in the Term Loan and ABL Revolving Credit Agreements dated July 15, 2016.

Total Net Leverage Ratio ($ millions)		31-Mar-18
Net Debt		
ABL	$	118
Term loan		100
Total debt		218
Less cash		(7)
Net debt	$	211
EBITDA - TTM		
Adjusted EBITDA	$	149
Less amount attributable to unrestricted subs [1]		(3)
Adjusted EBITDA - Leverage Computation	$	146
Net Leverage Ratio		1.44

Fixed Charge Coverage Ratio ($ millions)		31-Mar-18
Adjusted EBITDA	$	149
Less amount attributable to unrestricted subs [2]		(4)
Adjusted EBITDA - FCCR computation		145
Less non-financed capital expenditures		(43)
Less cash income taxes		-
Numerator	$	102
Scheduled principal payments	$	18
Plus cash interest paid		27
Plus restricted payments [3]		-
Plus net required pension contributions [4]		30
Denominator	$	75
Fixed Charge Coverage Ratio		1.36

1) Unrestricted Subsidiary is Consolidated Water and Power Company.
2) Unrestricted Subsidiaries are Consolidated Water and Power Company and Verso Quinnesec REP LLC.
3) As defined in the Revolving credit agreement per Sections 6.06(c), (f) and (g).
4) Required contributions net of pension expense reflected in Adjusted EBITDA.

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