Verso First Quarter 2019 Results

Earnings Conference Call and Webcast – May 8, 2019

VERSO®
Turn to us.™

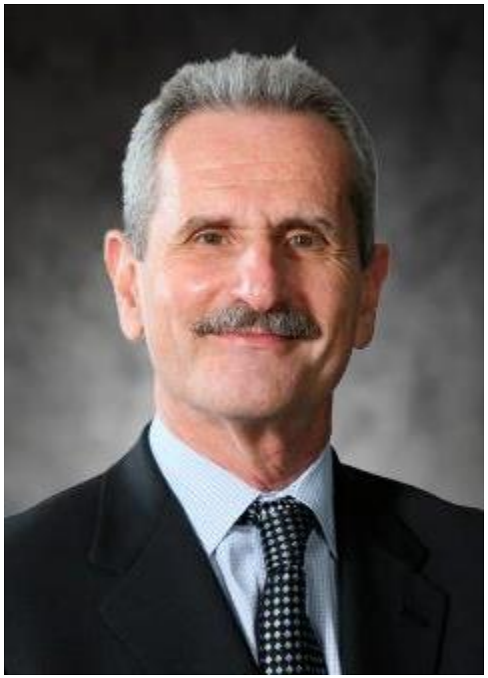
Forward Looking Statements & Non-GAAP Financial Information

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 2019 and our expectations for 2019. 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, 2018 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 and Adjusted EBITDA. 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, which are determined in accordance with GAAP. See the Appendix in this presentation for additional information on EBITDA and Adjusted EBITDA.

VERSO



BUSINESS UPDATE

Les Lederer | Interim CEO

Q1 2019 Highlights

Dollars in Millions	Q1-19
Sales	$639
Net Income	$ 36
Adj. EBITDA[1]	$ 69
Adj. EBITDA[1] Margin	10.8%

- Q1 2019 Adjusted EBITDA[1] up $28M vs. Q1 2018
  - Net Sales flat with higher prices and favorable mix offsetting lower volume
  - LTM EBITDA of $324M
- Demand pressures across all categories resulted in an inventory build
- Announced on April 30, 2019 the permanent closure of the Luke Mill to balance the capacity overhang; this represents 450,000 tons of coated freesheet annual production capacity reduction
- Conversion of the No. 3 paper machine in Q3 2018 at the Androscoggin Mill; machine's ability to swing between grades provides the company with greater flexibility in product offering
- USW and select trades ratified a modern master agreement across represented mills that supports the long term interests of our company and employees. We incurred $6M of ratification expense in the quarter for signing bonuses and settlement of various work arrangement issues

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

Luke Mill

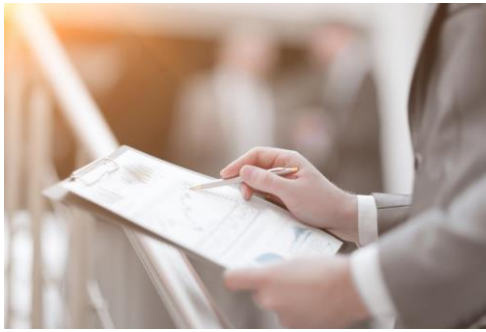
The decision to close the Luke Mill was driven by:

- Reduced demand together with rising imports of coated freesheet
- Losses due to high operating costs and reliability events
- Future capital requirements

Impacts of the closure:

- Minimal disruption to target markets as majority of coated freesheet and C1S specialty products can be made across the remaining mills
- Coated freesheet annual production capacity reduction of 450,000 tons; mill produced 110,000 tons in Q1 2019
- Major maintenance spend to be reduced $6M to $7M in second half of 2019 as reflected in Major Maintenance slide
- Capital expenditure avoidance of $4M allocated for remainder of 2019
- Cash shutdown costs of $25M to $35M, with severance and benefits costs of approximately $15M to $20M expected to be recorded in Q2 2019 and other shutdown costs of approximately $10M to $15M to be recorded in 2019
- Non-cash charges of $95M to $115M in accelerated depreciation/impairment for property, plant and equipment and related replacement parts and other supplies
- Ongoing costs to maintain the facility are projected to be $4M to $5M per year until disposition

VERSO



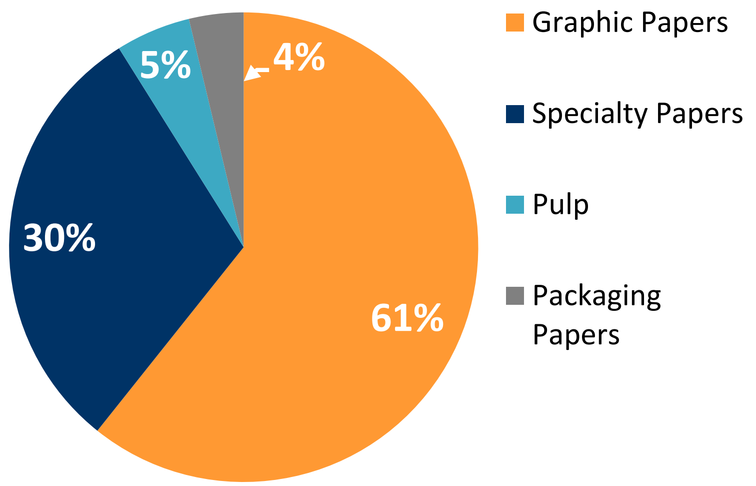
FINANCIAL UPDATE

ALLEN CAMPBELL | CFO

Key Metrics

	Q1 18	Q1 19	Δ	Δ %
Shipments (000 tons)				
- Paper	674	615	(59)	-9%
- Pulp	48	50	2	4%
Total	722	665	(57)	-8%
NSP ($/ton)				
- Paper	$ 905	$ 984	$ 79	9%
- Pulp	$ 597	$ 664	$ 67	11%
Inventory ($M)	$ 398	$ 473	$ 75	19%

Q1 2019 Revenue



Specialty, Pulp and Packaging has grown from 29% in Q1 2018 to 39% in Q1 2019!

- Paper prices continued to be strong, up $16/ton in Q1 2019 vs. Q4 2018
- Pulp prices up $37/ton in Q1 2019 vs. Q4 2018 due to mix
- Seasonal inventory build of raw materials, primarily wood, of $22M in Q1 2019 vs. Q4 2018; remainder of inventory increase is due substantially to a $52M build of finished goods inventory in Q1 2019 vs. Q4 2018

VERSO

Q1 2018 and Q1 2019 Income Statement Highlights

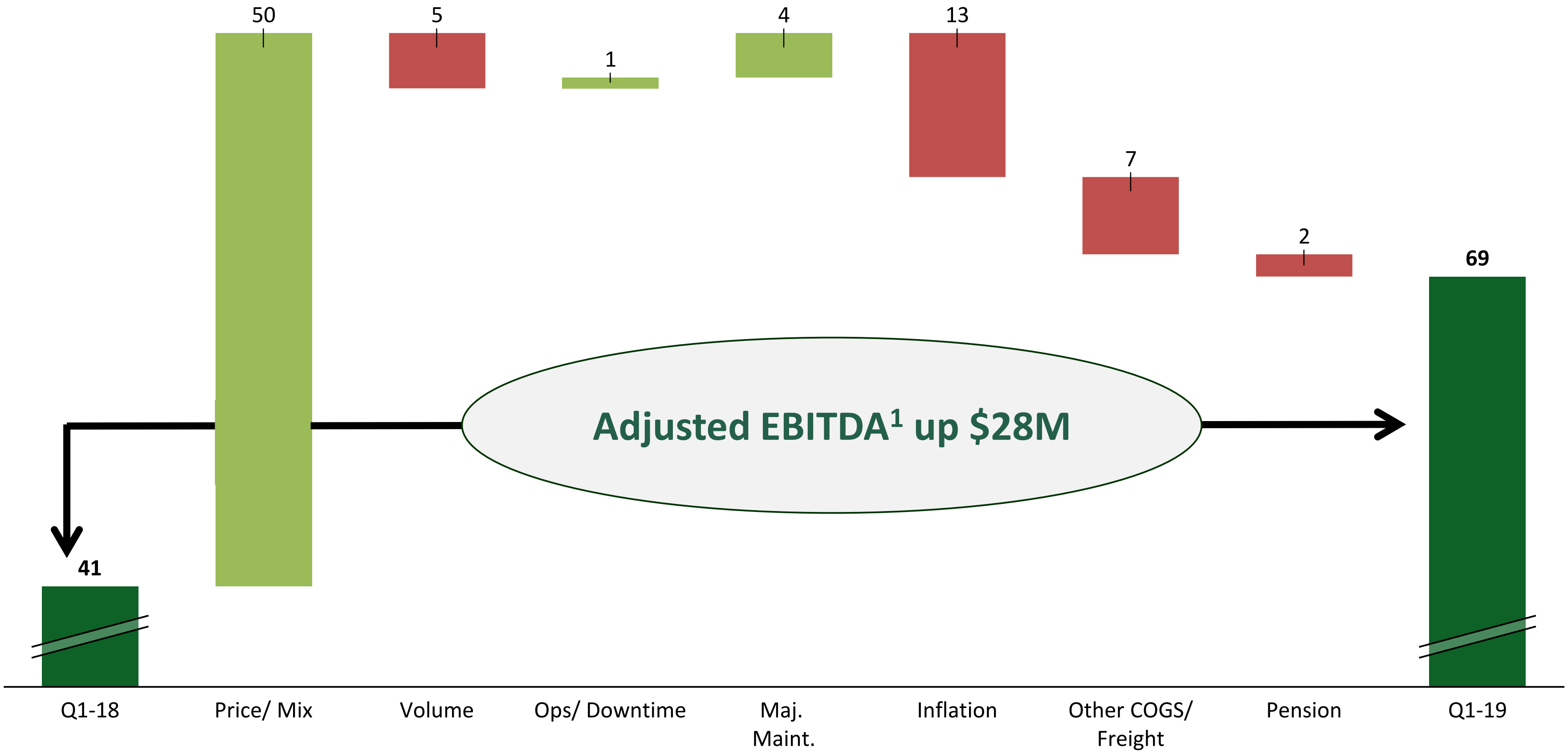
	1Q 2018	1Q 2019
Net Sales $M	639	639
Operating Income $M	5	37
Net Income (loss) $M	(2)	36
Adjusted EBITDA[1] $M	41	69
Adj. EBITDA[1] Margin %	6.4%	10.8%
EPS - Diluted $/share	(0.06)	1.03

Strong EBITDA[1] margin % for Q1

- Sales within guidance of $625M to $640M
- Price/mix $50M favorable
- Volume down 8% as customers managed through high inventory levels, imports increased and demand declined
- Book Interest expense reduced by $10M[2] as a result of the elimination of the term loan and a lower revolver balance
- EBITDA margin improved 440 bps

[1] See Appendix for definitions and reconciliation of EBITDA and Adjusted EBITDA
[2] Includes $5M in cash and $5M non-cash related to the normal amortization of debt issuance cost and discount as well as the accelerated amortization of these costs associated with the voluntary and excess cash flow principal payments on the prior term loan facility

Q1 2018 to Q1 2019 Adjusted EBITDA[1] Bridge ($M)



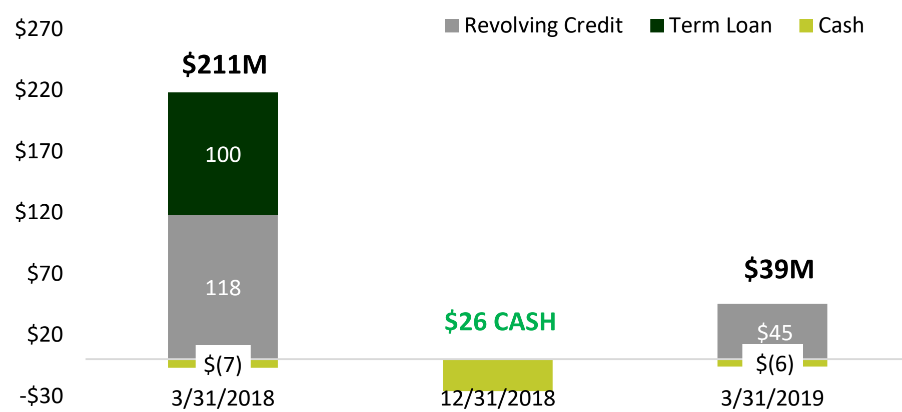
- Price up and mix favorable across product lines
- Major maintenance expense favorable due to outage timing for the quarter
- Input costs unfavorable due to higher chemical and fiber prices
- Recognized $6M of expense during the quarter related to union ratification

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

Liquidity, Net Debt and Cash Flow

Well capitalized with strong liquidity!

$ in Millions - Net Debt[1]



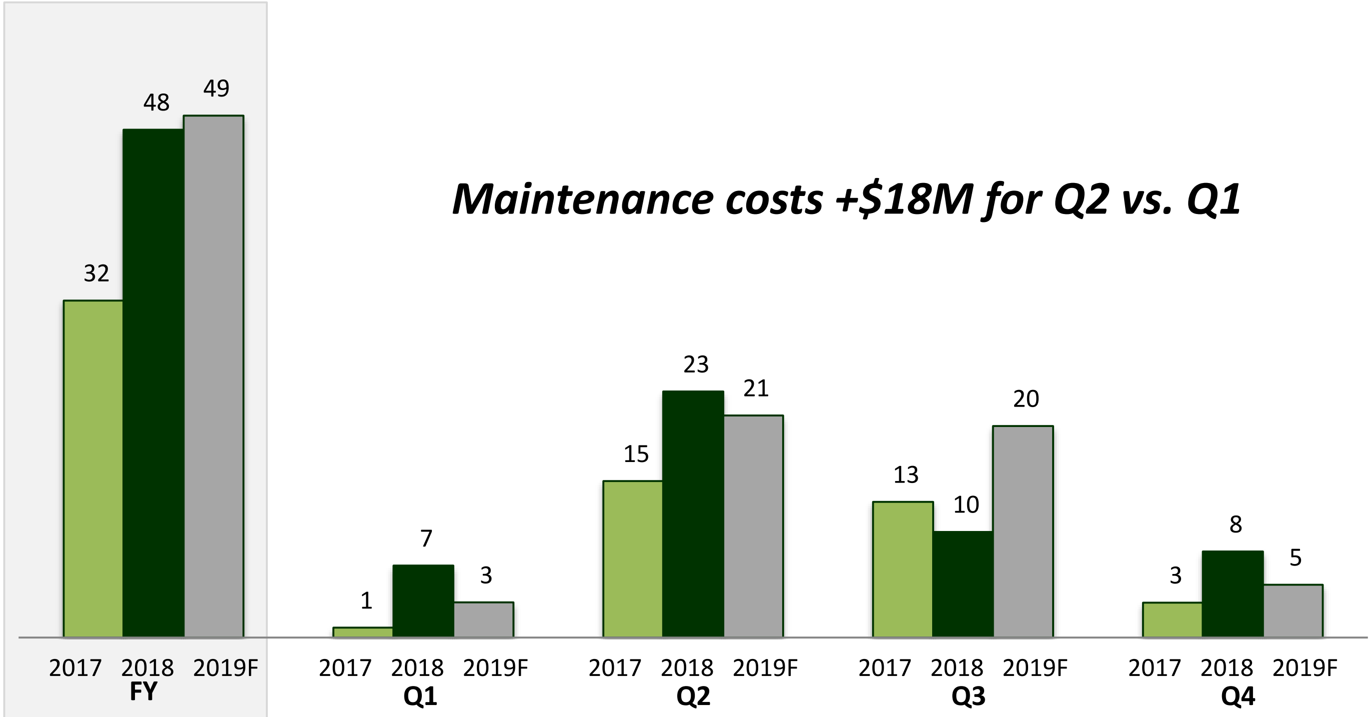
Liquidity[2]	$193	$309	$270

Cash Flow	Q1 2018	Q1 2019
Cash Generation		
Cash From / (Used in) Operations	$ 18	$ (38)
Cash Uses		
Pension Funding	$ (6)	$ (8)
Capital Expenditures	(14)	(18)
Interest Payments	(5)	(1)
Cash Uses Total	$ (25)	$ (27)
Net Cash Generated / (Used)	$ (7)	$ (65)
Inc /(Dec) in Debt Balance	$ 7	$ 45
Inc /(Dec) in Cash Balance	$ -	$ (20)

- **Ended the quarter with Net Debt of $39M and continued strong liquidity of $270M**
- Q1 2019 cash use of $65M driven by seasonal working capital needs and inventory build
- Cash use for pension and capital expenditures in line with prior year, while cash interest is down on lower debt
- Letters of credit balance at the end of Q1 2019 was $35M, down $5M from Q1 2018

[1] Net debt = face value of term plus ABL borrowings less cash | [2] $350M ABL facility limited by borrowing base.

Major Maintenance ($M)



Major Outage Timing

<table>
<tr><th></th><th>Q1</th><th>Q2</th><th>Q3</th><th>Q4</th></tr>
<tr><td>2017</td><td>No Major Outage</td><td>Wisconsin Rapids</td><td>Androscoggin
Escanaba</td><td>Luke (partial)</td></tr>
<tr><td>2018</td><td>Luke</td><td>Quinnesec
Wisconsin Rapids</td><td>Androscoggin</td><td>Escanaba</td></tr>
<tr><td rowspan="2">2019</td><td>No Major Outage</td><td colspan="2">Androscoggin</td><td></td></tr>
<tr><td></td><td>Wisconsin Rapids</td><td colspan="2">Escanaba</td></tr>
</table>

Guidance

	Q2 2019
Net Sales	$620M - $640M
Capital Expenditures	$32M - $35M
Major Maintenance	$21M
Cash Pension Funding	$7M - $9M

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 EBITDA and Adjusted EBITDA are non-GAAP operating performance measures commonly used in our industry that provide investors and analysts with measures 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.

LTM Q1 2019

(Dollars in millions)		12 Months Ended December 31, 2018		Three Months Ended March 31, 2018		Three Months Ended March 31, 2019		12 Months Ended March 31, 2019
Net income (loss)	$	171	$	(2)	$	36	$	209
Income tax expense		-		-		1		1
Interest expense		33		11		1		23
Depreciation and amortization		111		27		28		112
EBITDA	$	315	$	36	$	66	$	345
Adjustments to EBITDA:								
Restructuring charges (1)		1		1		-		-
Non-cash equity award compensation (2)		8		1		2		9
(Gain) loss on sale or disposal of assets (3)		(8)		-		1		(7)
Post-reorganization costs (4)		4		-		-		4
Strategic initiatives costs (5)		5		2		-		3
Androscoggin PM No. 3 startup costs (6)		10		-		-		10
Countervailing duty settlement (7)		(42)		-		-		(42)
Other items, net (8)		3		1		-		2
Adjusted EBITDA	$	296	$	41	$	69	$	324

(1) Charges are primarily associated with the announced closure and relocation of the Memphis office headquarters and closure of the Wickliffe Mill
(2) Amortization of non-cash incentive compensation
(3) Realized (gain) loss on the sale or disposal of assets, including a $9 million gain on the sale of the Wickliffe Mill in September 2018
(4) Fees associated with our prior Chapter 11 cases
(5) Professional fees and other charges associated with the prior strategic alternatives initiative
(6) Costs incurred in connection with the upgrade of previously shuttered No. 3 paper machine and pulp line at the Androscoggin Mill
(7) Countervailing duty settlement gains pursuant to the Settlement Agreement
(8) Legal settlement gain associated with prior closed mill and other miscellaneous adjustments

VERSO

Q1 2018 and Q1 2019 Adjusted EBITDA

(Dollars in millions)	Q1-18	Q1-19	QoQ Δ
Net income (loss)	**$ (2)**	**$ 36**	**$ 38**
Income tax expense	-	1	1
Interest expense	11	1	(10)
Depreciation and amortization	27	28	1
EBITDA	**$ 36**	**$ 66**	**$ 30**
Restructuring charges	1	-	(1)
Non-cash equity award compensation	1	2	1
(Gain) loss on sale or disposal of assets	-	1	1
Strategic initiatives costs	2	-	(2)
Other items, net	1	-	(1)
Adjusted EBITDA	**$ 41**	**$ 69**	**$ 28**
Adjusted EBITDA Margin %	**6.4%**	**10.8%**	**4.4%**

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, except per share amounts)	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)	-
Other operating (income) expense	-	-	-
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**
Weighted average common shares outstanding (in thousands):			
Basic	34,465		34,465
Diluted	34,465		34,465
Income (loss) per share:			
Basic	$ (0.06)		$ 0.09
Diluted	$ (0.06)		$ 0.09

(1) Costs associated with strategic alternatives initiative, severance and related benefit costs not associated with restructuring activities and 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, amortization of non-cash incentive compensation and other miscellaneous adjustments

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

VERSO

Q1 2019 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, except per share amounts)	Reported Q1-19	Adjustments to EBITDA	After Adjustments to EBITDA
Net sales	$ 639	$ -	$ 639
Costs and expenses:			
Cost of products sold (exclusive of depreciation and amortization)	549	-	549
Depreciation and amortization	28	-	28
Selling, general and administrative expenses	24	3 (1)	21
Other operating (income) expense	1	-	1
Operating income (loss)	**37**	**(3)**	**40**
Interest expense	1	-	1
Other (income) expense	(1)	-	(1)
Income (loss) before income taxes	**37**	**(3)**	**40**
Income tax benefit	1	-	1
Net income (loss)	**$ 36**	**$ (3)**	**$ 39**
Weighted average common shares outstanding (in thousands):			
Basic	34,484		34,484
Diluted	35,225		35,225
Income (loss) per share:			
Basic	$ 1.05		$ 1.14
Diluted	$ 1.03		$ 1.11

(1) Amortization of non-cash incentive compensation and other miscellaneous adjustments

VERSO