

RAYONIER ADVANCED MATERIALS INC.

Form 10-Q

November 08, 2018

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 29, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-36285

Incorporated in the State of Delaware

I.R.S. Employer Identification No. 46-4559529

1301 RIVERPLACE BOULEVARD, SUITE 2300

JACKSONVILLE, FL 32207

(Principal Executive Office)

Telephone Number: (904) 357-4600

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

The registrant had 51,060,954 shares of common stock, \$.01 par value per share, outstanding as of November 1, 2018.

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Part I. Financial Information

Item 1. Financial Statements

Rayonier Advanced Materials Inc.

Condensed Consolidated Statements of Income and Comprehensive Income

(Unaudited)

(Dollars in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 23, 2017	September 29, 2018	September 23, 2017
Net Sales	\$544,339	\$ 209,717	\$1,608,051	\$ 612,358
Cost of Sales	(448,426)	(177,597)	(1,330,307)	(508,573)
Gross Margin	95,913	32,120	277,744	103,785
Selling, general and administrative expenses	(31,002)	(12,475)	(78,927)	(40,138)
Duties	(816)	—	(20,680)	—
Other operating income (expense), net	(7,945)	(871)	(9,507)	(3,322)
Operating Income	56,150	18,774	168,630	60,325
Interest expense	(14,973)	(9,337)	(45,137)	(27,374)
Interest income and other, net	(394)	987	5,013	2,122
Other components of net periodic benefit costs	2,159	(1,117)	6,553	(3,349)
Adjustment to gain on bargain purchase	6,175	—	20,836	—
Gain on derivative instrument	—	14,087	—	16,149
Income Before Income Taxes	49,117	23,394	155,895	47,873
Income tax expense (Note 13)	(11,181)	(7,722)	(40,114)	(17,986)
Net Income Attributable to Rayonier Advanced Materials Inc.	37,936	15,672	115,781	29,887
Mandatory convertible stock dividends	(3,441)	(3,441)	(10,284)	(10,057)
Net Income Available to Rayonier Advanced Materials Inc. Common Stockholders	\$34,495	\$ 12,231	\$105,497	\$ 19,830
Earnings Per Share of Common Stock (Note 10)				
Basic earnings per share	\$0.68	\$ 0.29	\$2.07	\$ 0.47
Diluted earnings per share	\$0.60	\$ 0.28	\$1.82	\$ 0.46
Dividends Declared Per Common Share	\$0.07	\$ 0.07	\$0.21	\$ 0.21
Comprehensive Income:				
Net Income	\$37,936	\$15,672	\$115,781	\$29,887
Other Comprehensive Income, net of tax (Note 9)				
Foreign currency translation adjustments	(2,014)	—	(10,265)	—
Unrealized gain on derivative instruments	6,126	—	(936)	—
Net gain from pension and postretirement plans	2,398	2,032	7,193	6,093
Total other comprehensive income	6,510	2,032	(4,008)	6,093
Comprehensive Income	\$44,446	\$17,704	\$111,773	\$35,980

See Notes to Condensed Consolidated Financial Statements.

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Rayonier Advanced Materials Inc.
Condensed Consolidated Balance Sheets
(Unaudited)
(Dollars in thousands)

	September 29, 2018	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 105,976	\$ 96,235
Accounts receivable, net (Note 2)	197,931	181,298
Inventory (Note 3)	332,058	302,086
Prepaid and other current assets	87,074	66,918
Total current assets	723,039	646,537
Property, Plant and Equipment (net of accumulated depreciation of \$1,392,487 for 2018 and \$1,309,192 for 2017)	1,378,379	1,407,762
Deferred Tax Assets	377,047	402,846
Intangible Assets, net	54,212	59,869
Other Assets	135,093	125,597
Total Assets	\$ 2,667,770	\$ 2,642,611
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 147,992	\$ 157,925
Accrued and other current liabilities (Note 4)	136,266	127,040
Current maturities of long-term debt (Note 5)	12,425	9,425
Current liabilities for disposed operations (Note 6)	14,534	13,181
Total current liabilities	311,217	307,571
Long-Term Debt (Note 5)	1,191,979	1,232,179
Long-Term Liabilities for Disposed Operations (Note 6)	148,287	150,905
Pension and Other Postretirement Benefits	201,460	212,810
Deferred Tax Liabilities	28,722	32,607
Other Non-Current Liabilities	9,249	12,783
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, 10,000,000 shares authorized at \$0.01 par value, 1,725,000 issued and outstanding as of September 29, 2018 and December 31, 2017, aggregate liquidation preference \$172,500	17	17
Common stock, 140,000,000 shares authorized at \$0.01 par value, 51,062,175 and 51,717,142 issued and outstanding, as of September 29, 2018 and December 31, 2017, respectively	511	517
Additional paid-in capital	398,859	392,353
Retained earnings	457,628	377,020
Accumulated other comprehensive income (loss) (Note 9)	(80,159) (76,151)
Total Stockholders' Equity	776,856	693,756
Total Liabilities and Stockholders' Equity	\$ 2,667,770	\$ 2,642,611

See Notes to Condensed Consolidated Financial Statements.

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Rayonier Advanced Materials Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Dollars in thousands)

	Nine Months Ended	
	September 30, 2018	September 23, 2017
Operating Activities		
Net income	\$ 115,781	\$ 29,887
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	107,521	63,884
Stock-based incentive compensation expense	10,146	6,489
Amortization of capitalized debt costs, discount and premium	942	1,401
Deferred income tax	30,748	18,499
Gain on bargain purchase	(19,458)	—
Unrealized gain on derivative instrument	—	(16,149)
Net periodic benefit cost of pension and postretirement plans	4,097	7,608
Gain on foreign currency exchange	(6,525)	—
Other	5,317	2,841
Changes in operating assets and liabilities:		
Receivables	(17,861)	(5,244)
Inventories	(33,306)	11,797
Accounts payable	(1,873)	15,255
Accrued liabilities	4,562	6,004
All other operating activities	(25,854)	(9,211)
Contributions to pension and other postretirement benefit plans	(8,326)	(12,019)
Expenditures for disposed operations	(5,549)	(3,418)
Cash Provided by Operating Activities	160,362	117,624
Investing Activities		
Capital expenditures	(92,591)	(44,075)
Proceeds from sale of resin operations	16,143	—
Other	5	—
Cash Used for Investing Activities	(76,443)	(44,075)
Financing Activities		
Repayment of debt	(34,141)	(4,398)
Dividends paid on common stock	(11,030)	(6,124)
Dividends paid on preferred stock	(10,350)	(10,350)
Proceeds from the issuance of common stock	452	—
Common stock repurchased	(17,784)	(153)
Cash Used for Financing Activities	(72,853)	(21,025)
Cash and Cash Equivalents		
Change in cash and cash equivalents	11,066	52,524
Net effect of foreign exchange on cash and cash equivalents	(1,325)	—
Balance, beginning of year	96,235	326,655
Balance, end of period	\$ 105,976	\$ 379,179

See Notes to Condensed Consolidated Financial Statements.

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Rayonier Advanced Materials Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(Dollar amounts in thousands unless otherwise stated)

1. Basis of Presentation and New Accounting Pronouncements

Basis of Presentation

The unaudited condensed consolidated financial statements and notes thereto of Rayonier Advanced Materials Inc. (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of management, these financial statements and notes reflect all adjustments (all of which are normal recurring adjustments) necessary for a fair presentation of the results of operations, financial position and cash flows for the periods presented. These statements and notes should be read in conjunction with the financial statements and supplementary data included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, Leases. The update requires entities to recognize assets and liabilities arising from finance and operating leases and to classify those finance and operating lease payments in the financing or operating sections, respectively, of the statement of cash flows. It is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company is evaluating the impact of this standard on its consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, Reclassification of Tax Effects from AOCI. This guidance permits the reclassification of certain pension or other post employment benefit dangling debits and credits ("dangles") from Accumulated Other Comprehensive Income (Loss) ("AOCI") to retained earnings. The applicable dangles are those recorded as a result of H.R.1, passed on December 22, 2017 (the "Tax Cuts and Jobs Act"), which reduced the U.S. federal tax rate applicable to the Company. The ASU is effective for fiscal years beginning after December 15, 2018 with early adoption permitted. The Company has approximately \$22 million in applicable dangling debits recorded in AOCI and has not yet determined whether or not it will reclassify this amount.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, as amended and/or clarified by ASU Nos. 2016-08, 2016-10, 2016-12, and 2016-20, a comprehensive new revenue recognition standard. The core principle is that a company should recognize revenue when it transfers control of goods or services to customers for an amount that reflects the consideration to which the company expects to be entitled to in exchange for those goods or services. The Company adopted the standard on a modified retrospective basis in the first quarter of 2018, generally recognizing revenue when it transfers control at a point in time. The adoption did not have a material impact to the individual financial statement line items on the Company's consolidated financial statements because the new standard is not materially different than its previous revenue recognition practices. The following is a discussion of our revenue recognition policy effective January 1, 2018.

Accounting Policy

Revenue is recognized when performance obligations under the terms of a contract with a customer are satisfied. The majority of the Company's contracts have a single performance obligation to transfer products. Accordingly, the Company recognizes revenue when title and risk of loss have been transferred to the customer. Generally, title passes upon delivery to the customer at the agreed upon location. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products and is generally based upon contractual arrangements with customers or published indices. The Company sells its products both directly to customers and through distributors and agents typically under agreements with payment terms less than 90 days.

The Company has elected to account for shipping and handling as activities to fulfill the promise to transfer the goods. As such, shipping and handling costs incurred are recorded in cost of sales. The Company has elected to exclude from

net sales any value add, sales and other taxes which it collects concurrent with revenue-producing activities. These accounting policy elections are consistent with the manner in which the Company historically recorded shipping and handling fees and taxes.

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Rayonier Advanced Materials Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

Contract Estimates

The nature of certain of the Company's contracts gives rise to variable consideration, which may be constrained, including volume-based rebates to certain customers. The Company issues rebates to customers when they purchase a certain volume level, primarily retrospective volume-based rebates, which are applied retroactively to prior purchases. The Company estimates the level of volumes based on anticipated purchases at the beginning of the period and records a rebate accrual for each purchase toward the requisite rebate volume. These estimated rebates are included in the transaction price of the Company's contracts with customers as a reduction to net sales and are included in accrued customer incentives and prepayments in the consolidated balance sheets (see Note 4 - Accrued and Other Current Liabilities). This methodology is consistent with the manner in which the Company historically estimated and recorded volume-based rebates.

The majority of the Company's revenue is derived from contracts (i) with an original expected length of one year or less and (ii) for which it recognizes revenue at the amount in which it has the right to invoice as product is delivered. The Company has elected the practical expedient not to disclose the value of remaining performance obligations associated with these types of contracts.

The Company has certain contracts which contain performance obligations which are not significant in the context of the contract with the customer. The Company has elected the practical expedient not to assess whether these promised goods or services are performance obligations.

Contract Balances

Contract liabilities primarily relate to prepayments received from the Company's customers before revenue is recognized and volume rebates payable to customers. These amounts are included in accrued customer incentives and prepayments in the consolidated balance sheets (see Note 4 - Accrued and Other Current Liabilities). The Company does not have any material contract assets as of September 29, 2018.

Disaggregated Revenue

In general, the Company's product-lines within its segments are aligned according to the nature and economic characteristics of its products and customer relationships and provide meaningful disaggregation of each business segment's results of operations. Disaggregation of net sales by business segment and product-line are included in Note 14 - Segment Information.

Recently Adopted Accounting Pronouncements

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments. The update was issued to reduce diversity in practice regarding the presentation of eight specific types of cash receipts and cash payments in the statement of cash flows. The update is effective for fiscal years beginning after December 15, 2017. The Company adopted the update as of January 1, 2018. The adoption did not have a material impact on the Company's consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, Compensation - Retirement Benefits. The update was issued to improve the presentation of net periodic pension and post retirement benefit cost. The Company adopted the provisions of this guidance in the first quarter of 2018 using the retrospective method. As a result of this update, the Company presented the components of periodic pension and post retirement costs, other than service costs, separately outside of operating income in "Other components of net periodic benefit costs" on the condensed consolidated statement of income. The Company presented the service costs component of net periodic benefit cost in cost of sales and selling, general and administrative expense, which correlates with the related employee compensation costs arising from services rendered during the period. Also in accordance with the new guidance, only the service cost component of the net periodic benefit cost are eligible for capitalization in assets. The update resulted in a change to previously reported amounts, with an increase in 2017 operating income of \$1 million for the third quarter and \$3 million year-to-date, which was offset by a corresponding increase in other components of net periodic benefits costs of \$1 million for the quarter and \$3 million year-to-date, reflecting the impact of presenting interest cost, expected

return on plan assets, amortization of prior service costs and actuarial gains and losses components in non-operating income. The adoption of this guidance had no impact on previously reported net income.

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation. The update provides guidance on how to account for changes to the terms or conditions of stock compensation awards. It is effective for fiscal years beginning after December 15, 2017. The Company adopted the update as of January 1, 2018. The adoption did not have a material impact on the Company's consolidated financial statements.

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Rayonier Advanced Materials Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The update provides guidance to better align the financial reporting for hedging activities with the economic objectives of those activities. For public business entities, it is effective for fiscal years beginning after December 15, 2018, with early adoption, including adoption in an interim period, permitted. The update requires a modified retrospective transition method which will result in the recognition of a cumulative effect of the change on the opening balance of each affected component of equity in the statement of financial position as of the date of adoption. The Company elected to early adopt the new guidance as of January 1, 2018. The adoption did not have a material impact on the Company's consolidated financial statements.

Adjustment to Gain on Bargain Purchase

In connection with the acquisition of Tembec Inc. ("Tembec") on November 17, 2017 (the "Acquisition"), the Company recognized a \$317 million preliminary gain on bargain purchase, which represented the excess of the estimated fair value of the net assets acquired and liabilities assumed over the total purchase consideration. The final bargain purchase gain is subject to adjustment during the measurement period of the transaction, pending finalization of the valuations of acquired assets and liabilities no later than one year from the purchase date.

During the first nine months of 2018, the Company determined that provisional amounts included in the preliminary valuation required adjustments to reflect new information obtained. As a result, in the second quarter of 2018, the Company recorded an increase in the bargain purchase gain of \$15 million, including the removal of a \$13 million tax reserve related to a previously disposed location and \$2 million for the favorable settlement of a contingent liability. In the third quarter of 2018, the Company sold its resins operations, which was included in its High Purity Cellulose segment, to a third party for approximately \$18 million resulting in a gain of approximately \$7 million. The sale of the resins operations is subject to working capital adjustments which could impact the recognized gain. These non-operating gains were included in the adjustment to gain on bargain purchase on the condensed consolidated statements of income.

Subsequent Events

Events and transactions subsequent to the balance sheet date have been evaluated for potential recognition and disclosure through November 8, 2018, the date these financial statements were available to be issued. The following subsequent events warranting disclosure were identified.

On October 4, 2018, the Company's board of directors declared a fourth quarter cash dividend of \$2.00 per share of mandatory convertible preferred stock and \$0.07 per share of common stock. The preferred stock dividend will be paid on November 15, 2018 to mandatory convertible preferred stockholders of record as of November 1, 2018. The common stock dividend is payable on December 31, 2018 to common stockholders of record on December 17, 2018.

2. Accounts Receivable, Net

As of September 29, 2018 and December 31, 2017, the Company's accounts receivable included the following:

	September 29, December 31,	
	2018	2017
Accounts receivable, trade	\$ 145,343	\$ 134,523
Accounts receivable, other (a)	53,393	47,368
Allowance for doubtful accounts (805) (593)		
Total accounts receivable, net	\$ 197,931	\$ 181,298

(a) Accounts receivable, other consists primarily of value added/consumption taxes, grants receivable and accrued billings due from government agencies.

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Rayonier Advanced Materials Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

3. Inventory

As of September 29, 2018 and December 31, 2017, the Company's inventory included the following:

	September 29, December 31,	
	2018	2017
Finished goods	\$ 223,149	\$ 190,140
Work-in-progress	20,468	18,889
Raw materials	77,875	82,940
Manufacturing and maintenance supplies	10,566	10,117
Total inventory	\$ 332,058	\$ 302,086

4. Accrued and Other Current Liabilities

As of September 29, 2018 and December 31, 2017, the Company's accrued and other current liabilities included the following:

	September 29, December 31,	
	2018	2017
Accrued customer incentives and prepayments	\$ 41,528	\$ 53,522
Accrued payroll and benefits	31,730	33,133
Accrued interest	10,196	3,188
Other current liabilities	52,812	37,197
Total accrued and other current liabilities	\$ 136,266	\$ 127,040

5. Debt and Capital Leases

As of September 29, 2018 and December 31, 2017, the Company's debt and capital leases include the following:

	September 29, December 31,	
	2018	2017
U.S. Revolver of \$100 million maturing in November 2022, \$91 million available after taking into account outstanding letters of credit, bearing interest at LIBOR plus 2.00% at \$— September 29, 2018	\$—	\$—
Multi-currency Revolver of \$150 million maturing in November 2022, \$125 million available after taking into account outstanding letters of credit, bearing interest at LIBOR— plus 2.00% at September 29, 2018	—	—
Term A-1 Loan Facility borrowings maturing through November 2022 bearing interest at LIBOR plus 2.00%, interest rate of 4.22% at September 29, 2018	160,000	180,000
Term A-2 Loan Facility borrowings maturing through November 2024 bearing interest at LIBOR plus 1.65 (after consideration of 0.60% patronage benefit), interest rate of 4.47% at September 29, 2018	438,875	450,000
Senior Notes due 2024 at a fixed interest rate of 5.50%	506,412	506,412
Canadian dollar, fixed interest rate term loans with rates ranging from 5.50% to 6.86% and maturity dates ranging from March 2020 through April 2028, secured by certain assets of the Temiscaming plant	96,420	100,881
Other loans	4,118	5,946
Capital lease obligation	3,197	3,409
Total debt principal payments due	1,209,022	1,246,648
Less: Debt premium, original issue discount and issuance costs	(4,618)	(5,044)
Total debt	1,204,404	1,241,604
Less: Current maturities of long-term debt	(12,425)	(9,425)
Long-term debt	\$ 1,191,979	\$ 1,232,179

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Rayonier Advanced Materials Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

During the nine months ended September 29, 2018, the Company made \$20 million and \$11 million in principal repayments on the Term A-1 Loan Facility and Term A-2 Loan Facility, respectively.

As of September 29, 2018, debt and capital lease payments due during the next five years and thereafter are as follows:

	Capital Lease		Net	Debt
	Minimum	Less:	Present	Principal
	Lease	Interest	Value	Payments
	Payments			
Remaining 2018	\$ 129	\$ 56	\$ 73	\$ 1,095
2019	515	209	306	13,425
2020	515	187	328	20,849
2021	515	163	352	12,724
2022	515	138	377	190,253
Thereafter	2,018	257	1,761	967,479
Total principal payments	\$4,207	\$ 1,010	\$ 3,197	\$ 1,205,825

6. Liabilities for Disposed Operations

An analysis of the liabilities for disposed operations for the nine months ended September 29, 2018 is as follows:

Balance, December 31, 2017	\$ 164,086
Expenditures charged to liabilities	(5,549)
Increase to liabilities	4,837
Change in currency rate	(553)
Balance, September 29, 2018	162,821
Less: Current portion	(14,534)
Long-term liabilities for disposed operations	\$ 148,287

In addition to the estimated liabilities, the Company is subject to the risk of reasonably possible additional liabilities in excess of the established reserves due to potential changes in circumstances and future events, including, without limitation, changes to current laws and regulations; changes in governmental agency personnel, direction, philosophy and/or enforcement policies; developments in remediation technologies; increases in the cost of remediation, operation, maintenance and monitoring of its disposed operations sites; changes in the volume, nature or extent of contamination to be remediated or monitoring to be undertaken; the outcome of negotiations with governmental agencies and non-governmental parties; and changes in accounting rules or interpretations. Based on information available as of September 29, 2018, the Company estimates this exposure could range up to approximately \$67 million, although no assurances can be given that this amount will not be exceeded given the factors described above. These potential additional costs are attributable to several sites and other applicable liabilities. Further, this estimate excludes reasonably possible liabilities which are not currently estimable primarily due to the factors discussed above. Subject to the previous paragraph, the Company believes established liabilities are sufficient for probable costs expected to be incurred over the next 20 years with respect to its disposed operations. However, no assurances are given they will be sufficient for the reasons described above, and additional liabilities could have a material adverse effect on the Company's financial position, results of operations and cash flows.

7. Derivative Instruments

The Company's earnings and cash flows are subject to fluctuations due to changes in interest rates and foreign currency exchange rates. The Company allows for the use of derivative financial instruments to manage interest rate and foreign currency exchange rate exposure, but does not allow derivatives to be used for speculative purposes.

All derivative instruments are recognized on the consolidated balance sheets at their fair value and are either designated as a hedge of a forecasted transaction or undesignated. Changes in the fair value of a derivative designated as a hedge are recorded in

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Rayonier Advanced Materials Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

other comprehensive income until earnings are affected by the hedged transaction, and are then reported in current earnings. Changes in the fair value of undesignated derivative instruments and the ineffective portion of designated derivative instruments are reported in current earnings.

Interest Rate Risk

The Company's primary debt obligations utilize variable-rate LIBOR, exposing the Company to variability in interest payments due to changes in interest rates. The Company entered into interest rate swap agreements to reduce the volatility of financing costs, achieve a desired proportion of fixed-rate versus floating-rate debt and to hedge the variability in cash flows attributable to interest rate risks caused by changes in the LIBOR benchmark.

The Company designated the swaps as cash flow hedges and is assessing their effectiveness using the hypothetical derivative method in conjunction with regression. Effective gains and losses, deferred to AOCI, are reclassified into earnings over the life of the associated hedge.

Foreign Currency Exchange Rate Risk

Foreign currency fluctuations affect investments in foreign subsidiaries and foreign currency cash flows related to third party purchases, product shipments, and foreign-denominated debt. The Company is also exposed to the translation of foreign currency earnings to the U.S. dollar. Management uses foreign currency forward contracts to selectively hedge its foreign currency cash flow exposure and manage risk associated with changes in currency exchange rates. The Company's principal foreign currency exposure is to the Canadian dollar, and to a lesser extent, the euro.

The notional amounts of outstanding derivative instruments as of September 29, 2018 and December 31, 2017 are presented below.

	September 29, December 31,	
	2018	2017
Interest rate swaps (a)	\$ 200,000	\$ 200,000
Foreign exchange forward contracts (b)	\$ 398,248	\$ 240,591
Foreign exchange forward contracts (c)	\$ 96,810	\$ —
(a) Maturity date of December 2020		
(b) Monthly maturity dates through September 2019		
(c) Various maturity dates in 2020, 2022 and 2028		

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Rayonier Advanced Materials Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

The fair values of derivative instruments included in the consolidated balance sheet as of September 29, 2018 and December 31, 2017 are provided in the below table. See Note 8 — Fair Value Measurements for additional information related to the Company's derivatives.

	Balance Sheet Location	September 29, 2018	December 31, 2017
Assets:			
Derivatives designated as hedging instruments:			
Interest rate swaps	Other current assets	\$ 1,332	\$ —
Interest rate swaps	Other assets	2,624	749
Foreign exchange forward contracts	Other current assets	1,293	—
Foreign exchange forward contracts	Other assets	756	—
Derivatives not designated as hedging instruments:			
Foreign exchange forward contracts	Other current assets	68	427

Liabilities:

Derivatives designated as hedging instruments:

Foreign exchange forward contracts	Other current liabilities	(4,662)	—
Total derivatives		\$ 1,411	\$ 1,176

The effects of derivative instruments designated as cash flow hedges, the related changes in AOCI and the gains and losses in income for the three and nine months ended September 29, 2018 are presented below. The Company did not have any derivatives designated as hedges during the three and nine months ended September 23, 2017.

Derivatives in Cash Flow Hedging Relationships	Three Months Ended September 29, 2018		Location on Statement of Income
	Gain (Loss)	Gain (Loss) Recognized in OCI on Derivative	
Interest rate swaps	\$ 530	\$ 74	Interest Expense
Foreign exchange forward contracts	5,002	60	Other operating income (expense), net
Foreign exchange forward contracts	1,399	(1,399)	Cost of sales
Foreign exchange forward contracts	1,570	1,529	Interest income and other, net

Derivatives in Cash Flow Hedging Relationships	Nine Months Ended September 29, 2018		Location on Statement of Income
	Gain (Loss)	Gain (Loss) Recognized in OCI on Derivative	
Interest rate swaps	\$3,095	\$ (112)	Interest Expense
Foreign exchange forward contracts	(5,406)	1,188	Other operating income (expense), net
Foreign exchange forward contracts	1,466	(1,466)	Cost of sales

Foreign exchange forward contracts	181	973	Interest income and other, net
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Rayonier Advanced Materials Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

The effects of derivative instruments not designated as hedging instruments on the statement of income for the three and nine months ended September 29, 2018 and September 23, 2017 were as follows:

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months Ended		Nine Months Ended	
		September 29, 2018	September 23, 2017	September 29, 2018	September 23, 2017
Foreign exchange contracts	Other operating income (expense), net	\$ (250)	\$ —	—	—
Foreign currency collar	Other non-operating income	—	14,087	—	16,149

The after-tax amounts of unrealized gains (losses) in AOCI related to hedge derivatives at September 29, 2018 and December 31, 2017 are presented below:

	September 29, 2018	December 31, 2017
Interest rate cash flow hedges	\$ 3,086	\$ 619
Foreign exchange cash flow hedges	(3,403)	—

The amount of future reclassifications from AOCI will fluctuate with movements in the underlying markets.

8. Fair Value Measurements

The following table presents the carrying amount, estimated fair values and categorization under the fair value hierarchy for financial instruments held by the Company at September 29, 2018 and December 31, 2017, using market information and what management believes to be appropriate valuation methodologies:

	September 29, 2018			December 31, 2017		
	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Carrying Amount	Fair Value Level 1	Fair Value Level 2
Assets:						
Cash and cash equivalents	\$ 105,976	\$ 105,976	\$ —	\$ 96,235	\$ 96,235	\$ —
Interest rate swaps (a)	3,956	—	3,956	749	—	749
Foreign currency forward contracts (a)	2,117	—	2,117	427	—	427
Liabilities (b):						
Foreign currency forward contracts (a)	4,662	—	4,662	—	—	—
Fixed-rate long-term debt	601,806	—	589,486	606,529	—	611,308
Variable-rate long-term debt	599,400	—	602,993	631,666	—	635,946

(a) These items represent derivative instruments.

(b) Liabilities exclude capital lease obligation.

The Company uses the following methods and assumptions in estimating the fair value of its financial instruments:

Cash and cash equivalents — The carrying amount is equal to fair market value.

Derivative instruments — The fair value is calculated based on standard valuation models using quoted prices and market observable data of similar instruments. The interest rate derivatives are based on the LIBOR swap rate, which is observable at commonly quoted intervals for the full term of the swap and therefore is considered Level 2. The foreign currency derivatives are contracts to buy foreign currency at a fixed rate on a specified future date. The foreign exchange rate is observable for the full term of the swap and is therefore considered Level 2. See Note 7 — Derivative Instruments for additional information related to the derivative instruments.

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Rayonier Advanced Materials Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

Debt — The fair value of fixed rate debt is based upon quoted market prices for debt with similar terms and maturities. The variable rate debt adjusts with changes in the market rate, therefore the carrying value approximates fair value.

9. Accumulated Other Comprehensive Income (Loss)

The components of AOCI are as follows:

	Nine Months Ended	
	September	September
	29, 2018	23, 2017
Unrecognized components of employee benefit plans, net of tax:		
Balance, beginning of year	\$(81,638)	\$(110,080)
Other comprehensive gain (loss) before reclassifications	—	—
Income tax on other comprehensive loss	—	—
Reclassifications to earnings: (a)		
Amortization of losses	8,907	8,989
Amortization of prior service costs	429	572
Amortization of negative plan amendment	(115)	(115)
Income tax on reclassifications	(2,028)	(3,353)
Net comprehensive gain (loss) on employee benefit plans, net of tax	7,193	6,093
Balance, end of quarter	(74,445)	(103,987)
Unrealized gain (loss) on derivative instruments, net of tax:		
Balance, beginning of year	619	—
Other comprehensive income before reclassifications	(664)	—
Income tax on other comprehensive income	281	—
Reclassifications to earnings: (b)		
Interest rate contracts	112	—
Foreign exchange contracts	(695)	—
Income tax on reclassifications	30	—
Net comprehensive gain (loss) on derivative instruments, net of tax	(936)	—
Balance, end of quarter	(317)	—
Foreign currency translation adjustments:		
Balance, beginning of year	4,868	—
Foreign currency translation adjustment	(10,265)	—
Balance, end of quarter	(5,397)	—
Accumulated other comprehensive income (loss), end of quarter	\$(80,159)	\$(103,987)

(a) The AOCI components for defined benefit pension and post-retirement plans are included in the computation of net periodic benefit cost. See Note 12 — Employee Benefit Plans for additional information.

(b) Reclassifications of interest rate contracts are recorded in interest expense. Reclassifications of foreign currency exchange contracts are recorded in cost of sales, other operating income or non-operating income as appropriate.

See Note 7 — Derivative Instruments for additional information.

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Rayonier Advanced Materials Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

10. Earnings Per Share of Common Stock

The following table provides details of the calculations of basic and diluted earnings per share:

	Three Months Ended		Nine Months Ended	
	September 29, 2018	September 23, 2017	September 29, 2018	September 23, 2017
Net income	\$37,936	\$ 15,672	\$115,781	\$ 29,887
Preferred Stock dividends	(3,441)	(3,441)	(10,284)	(10,057)
Net income available for common stockholders	\$34,495	\$ 12,231	\$105,497	\$ 19,830
Shares used for determining basic earnings per share of common stock	50,603,498	42,427,437	51,005,206	42,388,762
Dilutive effect of:				
Stock options	3,620	—	4,127	—
Performance and restricted stock	1,266,588	1,025,228	1,297,024	896,066
Preferred stock	11,371,718	12,582,057	11,371,718	—
Shares used for determining diluted earnings per share of common stock	63,245,424	56,034,722	63,678,075	43,284,828
Basic earnings per share (not in thousands)	\$0.68	\$ 0.29	\$2.07	\$ 0.47
Diluted earnings per share (not in thousands)	\$0.60	\$ 0.28	\$1.82	\$ 0.46

Anti-dilutive instruments excluded from the computation of diluted earnings per share:

	Three Months Ended		Nine Months Ended	
	September 29, 2018	September 23, 2017	September 29, 2018	September 23, 2017
Stock options	263,184	376,434	263,184	376,434
Performance and restricted stock	11,687	7,612	398,576	13,025
Preferred stock	—	—	—	12,582,057
Total anti-dilutive instruments	274,871	384,046	661,760	12,971,516

On January 29, 2018, the Board of Directors authorized a share buyback program pursuant to which the Company may, from time to time, purchase shares of its common stock with an aggregate purchase price of up to \$100 million. During the nine months ended September 29, 2018, the Company repurchased and retired 802,040 shares of common stock under this buyback program at an average price of \$18.32 per share, excluding commissions, for an aggregate purchase price of approximately \$15 million. The repurchase and retirement of these shares was included in the calculation of weighted-average shares outstanding at September 29, 2018.

11. Incentive Stock Plans

The Company's total stock based compensation cost for the nine months ended September 29, 2018 and September 23, 2017 was \$10 million and \$6 million, respectively.

The Company made new grants of restricted stock units and performance-based stock units to certain employees during the first nine months of 2018. The 2018 restricted stock unit awards vest over three years. The 2018 performance-based stock unit awards are measured against an internal return on invested capital target and a synergy target set in connection with the 2017 acquisition of Tembec, Inc. Depending on performance against the targets, the awards will pay out in common stock amounts between 0 and 200 percent of the performance-based stock units awarded. The total number of common stock awards granted will be adjusted up or down 25 percent, for certain participants, based on stock price performance relative to a peer group over the term of the plan, which could result in a final common stock issuance of 0 to 250 percent of the performance-based stock units awarded.

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Rayonier Advanced Materials Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

In March 2018, the performance-based share units granted in 2015 were settled at an average of 152 percent of the performance-based stock units awarded, resulting in the issuance of approximately 288,703 shares of common stock. The following table summarizes the activity on the Company's incentive stock awards for the nine months ended September 29, 2018:

	Stock Options		Restricted Stock and		Performance-Based	
	Options	Weighted Average Exercise Price	Awards	Weighted Average Grant Date Fair Value	Awards	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2018	373,058	\$ 32.25	848,371	\$ 12.47	1,080,067	\$ 11.58
Granted	—	—	301,384	19.78	449,838	22.75
Forfeited	—	—	(14,004)	11.64	(12,247)	11.42
Exercised or settled	(26,045)	17.34	(216,378)	17.34	(190,320)	17.50
Expired or cancelled	(55,864)	30.40	—	—	—	—
Outstanding at September 29, 2018	291,149	\$ 34.10	919,373	\$ 13.71	1,327,338	\$ 14.69

12. Employee Benefit Plans

The Company has defined benefit pension and other postretirement plans covering certain union and non-union employees, primarily in the U.S., Canada and France. The defined benefit pension plans are closed to new participants. Employee defined benefit plan liabilities are calculated using actuarial estimates and management assumptions. These estimates are based on historical information, along with certain assumptions about future events. The components of net periodic benefit costs from defined benefit plans that have been recorded are shown in the following table:

Components of Net Periodic Benefit Cost	Pension		Postretirement	
	Three Months Ended September 29, 2018	Three Months Ended September 23, 2017	Three Months Ended September 29, 2018	Three Months Ended September 23, 2017
Service cost	\$3,059	\$ 1,184	\$330	\$ 236
Interest cost	8,149	3,318	312	198
Expected return on plan assets	(13,695)	(5,548)	—	—
Amortization of prior service cost	143	190	—	—
Amortization of losses	2,913	2,913	57	83
Amortization of negative plan amendment	—	—	(38)	(38)
Total net periodic benefit cost	\$569	\$ 2,057	\$661	\$ 479

Components of Net Periodic Benefit Cost	Pension		Postretirement	
	Nine Months Ended September 29, 2018	Nine Months Ended September 23, 2017	Nine Months Ended September 29, 2018	Nine Months Ended September 23, 2017
Service cost	\$9,246	\$ 3,552	\$1,404	\$ 707
Interest cost	24,612	9,954	961	594
Expected return on plan assets	(41,347)	(16,645)	—	—
Amortization of prior service cost	429	571	—	1

Amortization of losses	8,735	8,739	172	250
Amortization of negative plan amendment	—	—	(115)	(115)
Total net periodic benefit cost	\$1,675	\$ 6,171	\$2,422	\$ 1,437

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Rayonier Advanced Materials Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

Service cost is included in cost of sales and selling, general and administrative expenses in the statements of income, as appropriate. Interest cost, expected return on plan assets, amortization of prior service cost, amortization of losses and amortization of negative plan amendment are included in other components of net periodic benefit costs on the condensed consolidated statement of income.

13. Income Taxes

The Company's effective tax rates for the three months ended September 29, 2018 and September 23, 2017 were 22.8 percent and 33.0 percent, respectively. The Company's effective tax rates for the nine months ended September 29, 2018 and September 23, 2017 were 25.7 percent and 37.6 percent, respectively. The statutory rate in 2018 is 21 percent compared to 35 percent in 2017 due to the passage of the Tax Cuts and Jobs Act in December 2017 in the United States.

The current quarter and year-to-date effective rates differ from the federal statutory rate of 21 percent primarily due to different statutory tax rates of foreign operations and the U.S. taxes associated from the inclusion of certain foreign income described as Global Intangible Low-Taxed Income ("GILTI"), partially offset by a nontaxable bargain purchase adjustment included in pretax income and a return to accrual adjustment related to previously filed tax returns.

The Company has the option to either treat taxes due on future GILTI income as a current period expense when incurred (the "period cost method") or factor in such amounts in the Company's measurement of its deferred taxes (the "deferred method"). The Company has determined it will record GILTI income as a current period expense when incurred.

In the second quarter of 2018, a previously unrecognized tax benefit of \$13 million was recognized as an adjustment to bargain purchase (see Note 1 - Basis of Presentation and New Accounting Pronouncements). There have been no other material changes to the balance of unrecognized tax benefits reported at December 31, 2017.

14. Segment Information

The Company has currently divided its operations into five reportable segments: High Purity Cellulose, Forest Products, Pulp, Paper and Corporate. The Corporate operations consist primarily of senior management, accounting, information systems, human resources, treasury, tax and legal administrative functions that provide support services to the operating business units. The Company does not currently allocate the cost of maintaining these support functions to its operating units.

The Company evaluates the performance of its segments based on operating income. Intersegment sales consist primarily of wood chips sales from Forest Products to High Purity Cellulose, Pulp and Paper segments and high-yield pulp sales from Pulp to Paper. Intersegment sales prices are at rates that approximate market.

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Rayonier Advanced Materials Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

Net sales, disaggregated by product-line, was comprised of the following for the three and nine months ended:

	Three Months Ended		Nine Months Ended	
	September 29, 2018	September 23, 2017	September 29, 2018	September 23, 2017
High Purity Cellulose				
Cellulose Specialties	\$217,538	\$ 167,341	\$625,864	\$ 482,124
Commodity Products	56,448	40,229	153,220	123,588
Other sales (a)	34,001	2,147	96,535	6,646
Total High Purity Cellulose	307,987	209,717	875,619	612,358
Forest Products				
Lumber	68,713	—	228,686	—
Other sales (b)	17,242	—	53,551	—
Total Forest Products	85,955	—	282,237	—
Pulp				
High-yield pulp	89,440	—	265,495	—
Paper				
Paperboard	50,675	—	149,100	—
Newsprint	27,698	—	88,958	—
Total Paper	78,373	—	238,058	—
Eliminations	(17,416)	—	(53,358)	—
Total net sales	\$544,339	\$ 209,717	\$1,608,051	\$ 612,358

(a) Other sales include sales of electricity, resins, lignin and other by-products to third-parties

(b) Other sales include sales of logs, wood chips and other by-products to other segments and third-parties

Operating income by segment was comprised of the following for the three and nine months ended:

	Three Months Ended		Nine Months Ended	
	September 29, 2018	September 23, 2017	September 29, 2018	September 23, 2017
High Purity Cellulose	\$33,922	\$ 30,188	\$83,288	\$ 95,944
Forest Products	7,986	—	35,159	—
Pulp	26,035	—	74,970	—
Paper	13,648	—	23,465	—
Corporate	(25,441)	(11,414)	(48,252)	(35,619)
Total operating income	\$56,150	\$ 18,774	\$168,630	\$ 60,325

Identifiable assets by segment were as follows:

	September 29, December 31,	
	2018	2017
High Purity Cellulose	\$ 1,648,355	\$ 1,671,107
Forest Products	173,906	154,258
Pulp	92,469	83,081
Paper	256,624	245,746
Corporate	496,416	488,419
Total identifiable assets	\$ 2,667,770	\$ 2,642,611

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Rayonier Advanced Materials Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

15. Commitments and Contingencies

Commitments

The following table includes the material changes to the contractual financial obligations presented in Note 20 - Commitments and Contingencies in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC. The future minimum payments under these purchase obligations are presented as of September 29, 2018. The payment amounts are estimates and may vary based on changes in actual price and volumes terms.

	Purchase Obligations
2018	\$ 2,594
2019	19,301
2020	6,147
2021	(85)
2022	239
Thereafter	(878)
Total	\$ 27,318

Contingencies

The Company is engaged in various legal and regulatory actions and proceedings, and has been named as a defendant in various lawsuits and claims arising in the ordinary course of its business. While the Company has procured reasonable and customary insurance covering risks normally occurring in connection with its businesses, the Company has in certain cases retained some risk through the operation of self-insurance, primarily in the areas of workers' compensation, property insurance and general liability. These other lawsuits and claims, either individually or in aggregate, are not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

As of September 29, 2018, collective bargaining agreements covering approximately 200 unionized employees had expired. On September 30, 2018, the collective bargaining agreement for the Company's Temiscaming, Quebec location expired, covering approximately 600 unionized employees. In all cases, the parties have continued to work under the terms of the expired contracts while negotiations continue. While there can be no assurances, the Company expects to reach agreements with its unions. However, a work stoppage could have a material adverse effect on its business, results of operations and financial condition.

Guarantees and Other

The Company provides financial guarantees as required by creditors, insurance programs and various governmental agencies. As of September 29, 2018, the Company had net exposure of \$38 million from various standby letters of credit, primarily for financial assurance relating to environmental remediation, credit support for natural gas and electricity purchases, and guarantees related to foreign retirement plan obligations. These standby letters of credit represent a contingent liability. The Company would only be liable upon its default on the related payment obligations. The letters of credit have various expiration dates and will be renewed as required.

The Company had surety bonds of \$85 million as of September 29, 2018, primarily to comply with financial assurance requirements relating to environmental remediation and post closure care, to provide collateral for the Company's workers' compensation program, and to guarantee taxes and duties for products shipped internationally. These surety bonds expire at various dates and are expected to be renewed annually as required.

LignoTech Florida, a venture in which the Company owns 45 percent and its venture partner Borregaard ASA owns 55 percent, entered into a construction contract to build its lignin manufacturing facility and financing agreements to fund the construction of the facility, which was completed in the second quarter of 2018. The Company is a guarantor under both the construction and financing agreements. In the event of default, the Company expects it would only be

liable for its proportional share as a result of an agreement with its venture partner. The remaining guarantee related to LignoTech Florida at September 29, 2018 was \$33 million.

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Rayonier Advanced Materials Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

The Company has not recorded any liabilities for these financial guarantees in its consolidated balance sheets, either because the Company has recorded the underlying liability associated with the guarantee or the guarantee is dependent on the Company's own performance and, therefore, is not subject to the measurement requirements or because the Company has calculated the estimated fair value of the guarantee and determined it to be immaterial based upon the current facts and circumstances that would trigger a payment obligation.

It is not possible to determine the maximum potential amount of the liability under these potential obligations due to the unique set of facts and circumstances likely to be involved with each provision.

16. Supplemental Disclosures of Cash Flows Information

Supplemental disclosures of cash flows information was comprised of the following for the nine months ended:

	September 29, 2018	September 23, 2017
Cash paid (received) during the period:		
Interest	\$ 37,759	\$ 19,056
Income taxes	12,834	5,989
Non-cash investing and financing activities:		
Capital assets purchased on account	\$ 8,221	\$ 3,750
Capital lease obligation	3,197	3,478

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

When we refer to "we," "us," "our" or "the Company," we mean Rayonier Advanced Materials Inc. and its consolidated subsidiaries. References herein to "Notes to Financial Statements" refer to the Notes to the Condensed Consolidated Financial Statements of Rayonier Advanced Materials Inc. included in Item 1 of this Report.

The Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide a reader of our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity and certain other factors which may affect future results. Our MD&A should be read in conjunction with our 2017 Annual Report on Form 10-K and information contained in our subsequent Forms 10-Q, 8-K and other reports to the U.S. Securities and Exchange Commission (the "SEC").

Note About Forward-Looking Statements

Certain statements in this document regarding anticipated financial, business, legal or other outcomes including business and market conditions, outlook and other similar statements relating to Rayonier Advanced Materials' future events, developments, or financial or operational performance or results, are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. These forward-looking statements are identified by the use of words such as "may," "will," "should," "expect," "estimate," "believe," "intend," "forecast," "anticipate," "guidance," and other similar language. However, the absence of these similar words or expressions does not mean a statement is not forward-looking. While we believe these forward-looking statements are reasonable when made, forward-looking statements are not guarantees of future performance or events and undue reliance should not be placed on these statements. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance these expectations will be attained and it is possible actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties.

Our operations are subject to a number of risks and uncertainties including, but not limited to, those listed below. When considering an investment in our securities, you should carefully read and consider these risks, together with all other information in our Annual Report on Form 10-K and our other filings and submissions to the SEC, which provide much more information and detail on the risks described below. If any of the events described in the following risk factors actually occur, our business, financial condition or operating results, as well as the market price of our securities, could be materially adversely affected. These risks and events include, without limitation:

Our businesses we operate are highly competitive and many of them are cyclical, especially in commodity markets, which may result in fluctuations in pricing and volume that can adversely impact our business, financial condition and results of operations.

Our ten largest customers represent approximately 38 percent of our pro forma 2017 revenue, and the loss of all or a substantial portion of our revenue from these large customers could have a material adverse effect on our business.

A material disruption at one of our major manufacturing facilities could prevent us from meeting customer demand, reduce our sales and profitability, increase our cost of production and capital needs, or otherwise adversely affect our business, financial condition and results of operation.

Changes in raw material and energy availability and prices could affect our results of operations and financial condition.

The availability of, and prices for, wood fiber may significantly impact our business, results of operations and financial condition.

We are subject to risks associated with manufacturing and selling products and otherwise doing business outside of the United States.

Our operations require substantial capital for ongoing maintenance, repair and replacement of existing facilities and equipment.

Currency fluctuations may have a negative impact on our business, financial condition and results of operations.

Restrictions on trade through tariffs, countervailing and anti-dumping duties, quotas and other trade barriers, in the United States and internationally, could adversely affect our ability to access certain markets.

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• We depend on third parties for transportation services and increases in costs and the availability of transportation could adversely affect our business.

• Our business is subject to extensive environmental laws, regulations and permits that may restrict or adversely affect our ability to conduct our business.

• The impacts of climate-related initiatives remain uncertain at this time.

• Our failure to maintain satisfactory labor relations could have a material adverse effect on our business.

• We are dependent upon attracting and retaining key personnel, the loss of whom could adversely affect our business.

• Failure to develop new products or discover new applications for our existing products, or our inability to protect the intellectual property underlying such new products or applications, could have a negative impact on our business.

• Risk of loss of the Company's intellectual property and sensitive business information, or disruption of its manufacturing operations, in each case due to cyberattacks or cyber security breaches, could adversely impact the Company.

• We may need to make significant additional cash contributions to our retirement benefit plans if investment returns on pension assets are lower than expected or interest rates decline, and/or due to changes to regulatory, accounting and actuarial requirements.

• We have significant debt obligations that could adversely affect our business and our ability to meet our obligations.

• Challenges in the commercial and credit environments may materially adversely affect our future access to capital.

• We may need additional financing in the future to meet our capital needs or to make acquisitions, and such financing may not be available on favorable terms, if at all, and may be dilutive to existing stockholders.

• The inability to effectively integrate the Tembec acquisition, and any future acquisitions we may make, may affect our results.

• We may not achieve the benefits anticipated from our previously-announced transformation plan.

Forward-looking statements are only as of the date they are made, and the Company undertakes no duty to update its forward-looking statements except as required by law. You are advised, however, to review any further disclosures we have made or may make in our filings and other submissions to the SEC, including those on Forms 10-Q, 10-K, 8-K and other reports.

Note About Non-GAAP Financial Measures

This document contains certain non-GAAP financial measures, including Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), adjusted EBITDA, and adjusted free cash flows. These non-GAAP measures are reconciled to each of their respective most directly comparable GAAP financial measures in Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations.

We believe these non-GAAP measures provide useful information to our board of directors, management and investors regarding certain trends relating to our financial condition and results of operations. Our management uses these non-GAAP measures to compare our performance to that of prior periods for trend analyses, purposes of determining management incentive compensation and budgeting, forecasting and planning purposes.

We do not consider these non-GAAP measures an alternative to financial measures determined in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). The principal limitations of these non-GAAP financial measures are that they may exclude significant expenses and income items that are required by GAAP to be recognized in our consolidated financial statements. In addition, they reflect the exercise of management's judgment about which expenses and income items are excluded or included in determining these non-GAAP financial measures. In order to compensate for these limitations, management provides reconciliations of the non-GAAP financial measures we use to their most directly comparable GAAP measures. Non-GAAP financial measures should not be relied upon, in whole or part, in evaluating the financial condition, results of operations or future prospects of the Company.

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Business

In November 2017, we acquired Tembec Inc. (“Tembec”) which was engaged in the manufacture of cellulose specialties, commodity products, forest products and pulp & paper (the “Acquisition”). The Acquisition created a combined company with leading positions in acetate and ethers high purity cellulose end-use markets, as well as, a more diversified earnings stream given the addition of the forest products, pulp and paper businesses. Consequently, we now operate in the following business segments:

High Purity Cellulose

We manufacture and market high purity cellulose, which is sold as either cellulose specialties or commodity products. We are the leading global producer of cellulose specialties, which are primarily used in dissolving chemical applications that require a highly purified form of cellulose. Pricing for our cellulose specialties products is typically set annually in the fourth quarter for the following year based on discussions with customers and the terms of contractual arrangements. Our commodity products, primarily consist of commodity viscose and absorbent materials. Commodity viscose is a raw material required for the manufacture of viscose staple fibers which are used in woven and non-woven applications. Absorbent materials, typically referred to as fluff fibers, are used as an absorbent medium in consumer products. Pricing for commodity products is typically referenced to published indexes or based on publicly available spot market prices. Sales of resins, chemicals, and energy, a majority of which are by-products, are included in the high purity cellulose segment.

Our four production facilities, located in the U.S., Canada and France, have a combined annual production capacity of approximately 775,000 metric tons of cellulose specialties or commodity products. Additionally, we have dedicated approximately 245,000 metric tons of production to commodity products.

Wood fiber, chemicals, and energy represent approximately 31 percent, 19 percent and 8 percent, respectively, of the per metric ton cost of sales for the nine month period ended September 29, 2018. Labor, manufacturing and maintenance supplies, depreciation, manufacturing overhead and transportation costs represent the remaining cost of sales.

Forest Products

We manufacture and market high-quality construction-grade lumber in North America. The lumber, primarily spruce, pine, or fir, is used in the construction of residential and multi-family homes, light industrial and commercial facilities, and the home repair and remodel markets. The chips, manufactured as a by-product of the lumber manufacturing process, are used in our Canadian High Purity Cellulose and Pulp & Paper plants. Pricing for lumber is typically referenced to published indexes marketed through our internal sales team. Our seven production facilities located in Canada have a targeted capacity of approximately 770 million board feet of lumber.

Wood and energy represents approximately 47 percent and 5 percent, respectively, of the per million board feet cost of sales for the nine month period ended September 29, 2018. Labor, manufacturing and maintenance supplies, depreciation, manufacturing overhead and transportation costs represent the remaining cost of sales.

Pulp

We manufacture and market high-yield pulp which is used by paper manufacturers to produce paperboard, packaging, printing and writing papers and a variety of other paper products. Pricing for high-yield is typically referenced to published indices marketed through our internal sales team. Our two production facilities located in Canada have the capacity to produce 570,000 metric tons of high-yield pulp.

Wood fiber, chemicals, and energy represent approximately 26 percent, 16 percent and 15 percent, respectively, of the per metric ton cost of sales for the nine month period ended September 29, 2018. Labor, manufacturing and maintenance supplies, depreciation, manufacturing overhead and transportation costs represent the remaining cost of sales.

Paper

We manufacture and market paperboard and newsprint. Paperboard is used for printing documents, brochures, promotional materials, paperback book or catalog covers, file folders, tags, and tickets. Newsprint is a paper grade used to print newspapers, advertising materials and other publications.

Pricing for paperboard and newsprint is typically referenced to published indices and marketed through our internal sales team. Our two production facilities located in Canada have the capacity to produce 180,000 metric tons of

paperboard and 205,000 metric tons of newsprint.

Wood fiber, chemicals, and energy represent approximately 40 percent, 11 percent and 6 percent, respectively, of the per

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metric ton cost of sales for the nine month period ended September 29, 2018. Labor, manufacturing and maintenance supplies, depreciation, manufacturing overhead and transportation costs represent the remaining cost of sales.

Outlook

High Purity Cellulose

On a combined basis, cellulose specialties sales prices and volumes are anticipated to decline approximately 3 to 4 percent in 2018 from 2017 driven primarily by lower demand for acetate products. Commodity sales volumes are expected to decline 2 percent. Despite higher wood costs caused by wet weather, the sale of our resins business and an estimated \$2 million fourth quarter impact of the 5 percent tariff on approximately \$160 million of annual sales of cellulose specialties into China from the U.S., we expect fourth quarter adjusted EBITDA to be modestly below third quarter.

Forest Products

Lumber prices have declined significantly from the recent peak. However, we believe the market has over-corrected and expect lumber prices to rebound given the relative level of the U.S. housing starts and strong GDP growth. Industry participants have begun to take downtime which will reduce capacity and may improve market conditions. Profitability is anticipated to be break-even or at worst a modest loss in the fourth quarter. Capital investments and cost reductions are expected to provide incremental profitability in 2019. Duties on lumber sales into the U.S. are anticipated to affect approximately 50 percent of the Company's sales in this segment and reduce EBITDA by approximately \$25 million during 2018.

Pulp

High-yield pulp prices are expected to remain near historically high levels in the fourth quarter. Strong demand for pulp, reduced recycled fiber imports to China, and global industry production at or near capacity continue to support pulp prices. With no significant new capacity expected in the pulp markets in the near-future, supply-demand dynamics should yield positive market conditions into 2019.

Paper

Paperboard markets are expected to remain stable while newsprint sales prices are expected to adjust downward with the reversal of the duties on U.S. shipments. In the fourth quarter, segment profitability is expected to be in-line with prior quarters, when taking into account the reversal of duties.

Capital Allocation and Investment

We anticipate that we will spend approximately \$100 to \$110 million in maintenance capital expenditures across all segments in 2018. In addition, we anticipate spending approximately \$45 million on high-return strategic projects in 2018. Overall spending may be modestly below these amounts depending on timing at year-end. These strategic opportunities are predominantly focused in the High Purity Cellulose and Forest Products segments with an average pay-back of less than 2 years.

We expect to continue our dividend and share repurchases.

Critical Accounting Policies and Use of Estimates

The preparation of financial statements requires us to make estimates, assumptions and judgments that affect our assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. We base these estimates and assumptions on historical data and trends, current fact patterns, expectations and other sources of information we believe are reasonable. Actual results may differ from these estimates.

Realizability of both recorded and unrecorded tax assets and tax liabilities

We have recorded certain deferred tax assets we believe are more likely than not to be realized in future periods. The recognition of these tax assets is based on our analysis of both positive and negative evidence about the future realization of the tax benefit of each existing deductible temporary difference or carryforward. Future realization is based on the existence of sufficient taxable income of the appropriate character, within the appropriate taxing jurisdiction (for example country, state or province), and within the carryback and carryforward periods available under the applicable tax laws. Tax assets are reviewed periodically for realizability. This review requires management to make assumptions and estimates about future profitability affecting the realization of these tax assets. If the review indicates the realizability may be less than likely, a valuation allowance is recorded.

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Our income tax returns are subject to examination by U.S. federal and state taxing authorities as well as foreign jurisdictions, including Canada and France. In evaluating the tax benefits associated with various tax filing positions, we record a tax benefit for an uncertain tax position if it is more-likely-than-not to be realized upon ultimate settlement of the issue. We record a liability for an uncertain tax position that does not meet this criterion. The liabilities for unrecognized tax benefits are adjusted in the period in which it is determined the issue is settled with the taxing authorities, the statute of limitations expires for the relevant taxing authority to examine the tax position or when new facts or information become available. See Note 13 — Income Taxes of our consolidated financial statements for more information.

For a full description of our critical accounting policies, see Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations in our 2017 Annual Report on Form 10-K.

Results of Operations

Financial Information (in millions, except percentages)	Three Months Ended			Nine Months Ended		
	September 2018	September 2017	% Change	September 2018	September 2017	% Change
Net Sales	\$544	\$ 210	159%	1,608	612	163%
Cost of Sales	(448)	(178)		(1,330)	(509)	
Gross Margin	96	32	200%	278	103	170%
Selling, general and administrative expenses	(31)	(12)		(79)	(40)	
Duties	(1)	—		(21)	—	
Other operating expense, net	(8)	(1)		(10)	(3)	
Operating Income	56	19	195%	168	60	180%
Interest expense	(15)	(9)		(45)	(27)	
Interest income and other, net	2	(1)		12	(1)	
Adjustment to gain on bargain purchase	6	—		21	—	
Gain on derivative instrument	—	14		—	16	
Income Before Income Taxes	49	23	113%	156	48	225%
Income Tax Expense	(11)	(7)		(40)	(18)	
Net Income	\$38	\$ 16	138%	\$116	\$ 30	287%
Gross Margin %	18 %	15 %		17 %	17 %	
Operating Margin %	10 %	9 %		10 %	10 %	
Effective Tax Rate %	23 %	33 %		26 %	38 %	

Net sales by segment were as follows:

Net sales (in millions)	Three Months Ended		Nine Months Ended	
	September 2018	September 2017	September 2018	September 2017
High Purity Cellulose	\$308	\$ 210	\$876	\$ 612
Forest Products	86	—	282	—
Pulp	89	—	265	—
Paper	78	—	238	—
Eliminations	(17)	—	(53)	—
Total net sales	\$544	\$ 210	\$1,608	\$ 612

Net sales increased \$334 million, or approximately 159 percent, in the third quarter of 2018 compared to the third quarter of 2017. On a year-to-date basis, net sales were up \$996 million, or 163 percent, over the prior year. The increases were primarily due to the Acquisition. For further assessment of changes in net sales, see the discussion of operating results by segment.

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Operating income (loss) by segment was as follows:

Operating income (loss) (in millions)	Three Months Ended		Nine Months Ended	
	September 29, 2018	September 23, 2017	September 29, 2018	September 23, 2017
High Purity Cellulose	\$34	\$ 30	\$ 83	\$ 96
Forest Products	8	—	35	—
Pulp	26	—	75	—
Paper	14	—	23	—
Corporate	(26)	(11)	(48)	(36)
Total operating income	\$56	\$ 19	\$ 168	\$ 60

Operating income for the third quarter of 2018 increased \$37 million, or approximately 195% percent, over the prior year third quarter. Operating income for the first nine months of 2018 increased \$108 million, or 180% percent, compared to the same period last year. The increases were primarily due to the Acquisition. For further assessment of changes of operating income, see the discussion of operating results by segment.

Non-operating Expenses

Interest expense for the third quarter and first nine months of 2018 increased \$6 million and \$18 million, respectively, over the same prior year periods. The increases in 2018 were due to higher debt balances and interest rates associated with the debt used to finance the Acquisition. See Note 5 — Debt and Capital Leases.

Interest income and other, net increased primarily due to the favorable impact of Tembec's pension plans on other components of net periodic pension costs. See Note 12 — Employee Benefit Plans.

During the second and third quarters of 2018, provisional amounts included in the preliminary valuation of the Acquisition required adjustments to reflect new information obtained. As a result, we recognized adjustments to the gain on bargain purchase totaling approximately \$21 million year-to-date. See Note 1 — Basis of Presentation and New Accounting Pronouncements.

Income Tax Expense

Our effective tax rate for the nine months ended September 29, 2018 and September 23, 2017 was 26 percent and 38 percent, respectively. The decrease is primarily due to lower tax rates in the United States as a result of the Tax Cuts and Jobs Act enacted in December of 2017. Additionally, the first quarter of 2017 effective tax rate was unfavorably impacted by the accounting for the 2014 employee incentive stock program, which did not pay out as a result of not meeting the required performance criteria. See Note 13 — Income Taxes for additional information.

Operating Results by Segment**High Purity Cellulose**

(in millions)	Three Months Ended		Nine Months Ended	
	September 29, 2018	September 23, 2017	September 29, 2018	September 23, 2017
Net Sales	\$308	\$ 210	\$876	\$ 612
Operating income	34	30	83	96
Average Sales Prices (\$ per metric ton):				
Cellulose Specialties	\$1,333	\$ 1,460	\$1,344	\$ 1,456
Commodity Products	807	737	813	739
Sales Volumes (thousands of metric tons):				
Cellulose Specialties	163	114	466	331
Commodity Products	70	54	188	167

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Changes in High Purity Cellulose net sales are as follows:

Three Months Ended Net Sales (in millions)	September 23, 2017	Changes Attributable to:			September 29, 2018
		Price	Volume/Mix	Acquisition	
Cellulose Specialties	\$ 168	\$(14)	\$ 5	\$ 59	\$ 218
Commodity Products	40	3	3	10	56
Other sales (a)	2	—	2	30	34
Total Net Sales	\$ 210	\$(11)	\$ 10	\$ 99	\$ 308

(a) Other sales include sales of electricity, resins, lignin and other by-products to third-parties

Excluding the Acquisition, cellulose specialties sales prices declined in the third quarter of 2018 approximately 9 percent due to lower contracted pricing, as expected. Cellulose specialties and commodity product sales volumes, excluding the impact of the Acquisition, increased primarily due to the timing of revenue recognition.

Nine Months Ended Net Sales (in millions)	September 23, 2017	Changes Attributable to:			September 29, 2018
		Price	Volume/Mix	Acquisition	
Cellulose Specialties	\$ 482	\$(31)	\$ (8)	\$ 183	\$ 626
Commodity Products	123	7	(9)	32	153
Other sales (a)	7	—	3	87	97
Total Net Sales	\$ 612	\$(24)	\$ (14)	\$ 302	\$ 876

(a) Other sales include sales of electricity, resins, lignin and other by-products to third-parties

Excluding the Acquisition, cellulose specialties sales prices declined in the nine months approximately 8 percent due to lower contracted pricing, as expected. Cellulose specialties and commodity product sales volumes, excluding the impact of the Acquisition, decreased primarily due to the timing of maintenance outages and production issues at the Jesup plant which were resolved in the first quarter.

Changes in High Purity Cellulose operating income are as follows:

Three Months Ended Operating Income (in millions)	September 23, 2017	Gross Margin Changes Attributable to (a):					September 29, 2018
		Price	Volume/ Sales Mix	Cost	Acquisition	SG&A and other	
Operating Income	\$ 30	\$(11)	\$ 7	\$4	\$ 10	\$(6)	\$ 34
Operating Margin %	14.3 %	(4.7)%	2.9 %	1.9%	(1.4)%	(1.9)%	11.1 %

(a) Volume/Sales Mix computed based on contribution margin.

Operating income increased \$4 million or 13 percent in the third quarter of 2018 as the impact of the Acquisition and higher sales volumes were partially offset by lower sales prices. Cost decreased \$4 million in 2018 as the 2017 period was negatively impacted by \$5 million of higher costs for the idling of our production facilities in the southeast United States ("U.S.") from Hurricane Irma. Additionally, lower freight cost was more than offset by higher wood and chemical costs in 2018. SG&A and other costs increased due to the Acquisition and our share of the loss related to the start-up of the lignin joint-venture of \$2 million.

Nine Months Ended Operating Income (in millions)	September 23, 2017	Gross Margin Changes Attributable to (a):					September 29, 2018
		Price	Volume/ Sales Mix	Cost	Acquisition	SG&A and other	
Operating Income	\$ 96	\$(24)	\$ (7)	\$(4)	\$ 37	\$(15)	\$ 83
Operating Margin %	15.7 %	(3.4)%	(0.9)%	(0.7)%	0.6 %	(1.7)%	9.6 %

(a) Volume/Sales Mix computed based on contribution margin.

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Operating income decreased \$13 million or 13 percent in the first nine months of 2018 as the Acquisition more than offset lower sales prices and volume, as previously discussed. Cost increased \$4 million in 2018 due to higher one-time energy costs caused by the unusually cold weather in the southeastern U.S. in January and higher chemical costs but were partially offset by lower depreciation and lower costs to achieve Cost Transformation savings.

Additionally, the 2017 period was negatively impacted by \$5 million of higher costs for the idling of our production facilities in the southeast U.S. from Hurricane Irma. Costs increased SG&A and other costs increased due to the Acquisition and our share of the loss related to the start-up the lignin joint-venture of \$3 million.

Forest Products

(in millions)	Three Months Ended		Nine Months Ended	
	September 2018	September 2017	September 2018	September 2017
Net Sales	\$ 86	\$ —	\$ 282	\$ —
Operating income	8	—	35	—
Average Sales Prices (\$ per thousand board feet):				
Lumber	\$ 487	\$ —	\$ 500	\$ —
Sales Volumes (millions of board feet):				
Lumber	141	—	457	—

Changes in Forest Products net sales are as follows:

Three Months Ended Net Sales (in millions)	September 23, 2017	Changes Attributable to:			September 29, 2018
		Price	Volume/Mix	Acquisition	
Lumber	\$ —	—\$ —	—\$ 69	\$ 69	
Other sales (a)	—	— —	17	17	
Total Net Sales	\$ —	—\$ —	—\$ 86	\$ 86	

(a) Other sales include sales of logs, wood chips, and other by-products to other segments and third-parties

Nine Months Ended Net Sales (in millions)	September 23, 2017	Changes Attributable to:			September 29, 2018
		Price	Volume/Mix	Acquisition	
Lumber	\$ —	—\$ —	—\$ 229	\$ 229	
Other sales (a)	—	— —	53	53	
Total Net Sales	\$ —	—\$ —	—\$ 282	\$ 282	

(a) Other sales include sales of logs, wood chips, and other by-products to other segments and third-parties

Net sales increased during the three and nine month periods due to the Acquisition.

Changes in Forest Products operating income are as follows:

Three Months Ended Operating Income (in millions)	September 23, 2017	Gross Margin Changes Attributable to (a):					September 29, 2018
		Volume/ Price	Sales Mix	Cost	Acquisition	SG&A and other	
Operating Income	\$ —	\$ —	\$ —	\$ 15	\$(7)	\$ 8	
Operating Margin %	— %	— %	— %	17.4 %	(8.1)%	9.3 %	

(a) Volume/Sales Mix computed based on contribution margin.

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Nine Months Ended	September 23, 2017	Gross Margin Changes Attributable to (a):				September 29, 2018
		Volume/ PriceSales Mix	Cost	Acquisition	SG&A and other	
Operating Income (in millions)	\$ —	\$— \$ —	\$—	\$ 59	\$(24)	\$ 35
Operating Margin %	— %	—% — %	—%	20.9 %	(8.5)%	12.4 %

(a) Volume/Sales Mix computed based on contribution margin.

Operating income for Forest Products increased during the three and nine month periods due to the Acquisition.

Operating expenses includes duties paid for lumber sold into the United States of approximately \$6 million in the third quarter of 2018 and \$21 million in the first nine months of 2018.

Pulp

(in millions)	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 23, 2017	September 30, 2018	September 23, 2017
Net Sales	\$ 89	\$ —	\$ 265	\$ —
Operating income	26	—	75	—
Average Sales Prices (\$ per metric tons) (a):				
High-yield pulp	\$ 670	\$ —	\$ 666	\$ —
Sales Volumes (in thousands of metric tons) (a):				
High-yield pulp	124	—	368	—

(a) Average sales prices and volumes for external sales only. For the three and nine months ended September 29, 2018, the Pulp segment sold approximately 16,000 MT and 50,000 MT of high-yield pulp for \$6 million and \$20 million, respectively, to the Paper segment for the production of paperboard.

Changes in Pulp net sales are as follows:

Three Months Ended	September 23, 2017	Changes Attributable to:			September 29, 2018
		Price	Volume/Mix	Acquisition	
Net Sales (in millions)					
High-yield pulp	\$ —	\$ —	\$ 89	\$ 89	
Nine Months Ended					
Net Sales (in millions)					
High-yield pulp	\$ —	\$ —	\$ 265	\$ 265	

Net sales for Pulp increased for the three and nine month periods due to the Acquisition.

Changes in Pulp operating income are as follows:

Three Months Ended	September 23, 2017	Gross Margin Changes Attributable to (a):				September 29, 2018
		Volume/ PriceSales Mix	Cost	Acquisition	SG&A and other	
Operating Income (in millions)	\$ —	\$— \$ —	\$—	\$ 27	\$(1)	\$ 26
Operating Margin %	— %	—% — %	—%	30.3 %	(1.1)%	29.2 %

(a) Computed based on contribution margin.

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Nine Months Ended	September 23, 2017	Gross Margin Changes Attributable to (a):				September 29, 2018
		Price	Volume/ Sales Mix	Cost	Acquisition and SG&A other	
Operating Income (in millions)	\$ —	\$ —	\$ —	\$ —	\$ 79	\$ 75
Operating Margin %	— %	— %	— %	— %	29.8 %	28.3 %

(a) Computed based on contribution margin.

Operating income for Pulp increased for the three and nine month periods due to the Acquisition.
Paper

(in millions)	Three Months Ended		Nine Months Ended	
	September 23, 2018	September 23, 2017	September 23, 2018	September 23, 2017
Net Sales	\$ 78	\$ —	\$ 238	\$ —
Operating income	14	—	23	—
Average Sales Prices (\$ per metric ton):				
Paperboard	\$ 1,120	\$ —	\$ 1,136	\$ —
Newsprint	633	—	590	—
Sales Volumes (in metric tons):				
Paperboard	45	—	131	—
Newsprint	44	—	151	—

Changes in Paper net sales are as follows:

Three Months Ended	September 23, 2017	Changes Attributable to:			September 29, 2018
		Price	Volume/ Mix	Acquisition	
Net Sales (in millions)					
Paperboard	\$ —	\$ —	\$ 51	\$ 51	
Newsprint	—	—	27	27	
Total Net Sales	\$ —	\$ —	\$ 78	\$ 78	
Nine Months Ended	September 23, 2017	Changes Attributable to:			September 29, 2018
		Price	Volume/ Mix	Acquisition	
Net Sales (in millions)					
Paperboard	\$ —	\$ —	\$ 149	\$ 149	
Newsprint	—	—	89	89	
Total Net Sales	\$ —	\$ —	\$ 238	\$ 238	

Net sales for Paper increased for the three and nine month periods due to the Acquisition.

Changes in Paper operating income are as follows:

Three Months Ended	September 23, 2017	Gross Margin Changes Attributable to (a):				September 29, 2018
		Price	Volume/ Sales Mix	Cost	Acquisition and SG&A other	
Operating Income (in millions)	\$ —	\$ —	\$ —	\$ —	\$ 12	\$ 14
Operating Margin %	— %	— %	— %	— %	15.4 %	18.0 %

(a) Computed based on contribution margin.

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Nine Months Ended	September 23, 2017	Gross Margin Changes Attributable to (a):					September 29, 2018
		Price/Sales Mix	Volume/ Cost	Acquisition	SG&A and other		
Operating Income (in millions)	\$ —	\$— \$ —	\$— \$ 32		\$ (9)	\$ 23	
Operating Margin %	— %	—% — %	—% 13.4 %		(3.8)%	9.6 %	

(a) Computed based on contribution margin.

Operating income for Paper increased in the three and nine month periods due to the Acquisition. Included in SG&A and other for the third quarter of 2018 is the reversal of approximately \$5 million in duties as a result of the U.S. International Trade Commission's overturning of duties on newspaper imported into the U.S. Additionally, SG&A and other includes approximately \$2 million of intangibles amortization expense. SG&A and other for the first nine months of 2018 includes intangibles amortization of \$5 million.

Corporate

(in millions)	Three Months Ended		Nine Months Ended	
	September 23, 2018	September 23, 2017	September 23, 2018	September 23, 2017
Operating loss	\$ (26)	\$ (11)	\$ (48)	\$ (36)

Excluding transaction costs associated with the Acquisition of \$5 million and \$13 million in the three and nine month periods ended September 23, 2017, respectively, corporate operating expenses increased during the three and nine month periods as a result of the Acquisition, higher disposed operations costs and incentive compensation costs. Included in the three and nine month periods ended September 29, 2018, is approximately \$4 million in severance costs related to the integration of the Acquisition.

Liquidity and Capital Resources

Cash flows from operations have historically been our primary source of liquidity and capital resources. We believe our cash flows and availability under our revolving credit facility, as well as our ability to access the capital markets, if necessary or desirable, will be adequate to fund our operations and anticipated long-term funding requirements, including capital expenditures, dividend payments, defined benefit plan contributions, repayment of debt maturities and authorized share repurchases.

Year-to-date, our Board of Directors has declared, and we have paid, cash dividends on our preferred stock of approximately \$10 million. Additionally, our Board of Directors has declared, and we have paid, cash dividends of \$0.07 per share on our common stock for the first, second and third quarters for a total of approximately \$11 million. The declaration and payment of preferred and common stock dividends will be at the discretion of the Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements and other factors the Board of Directors deems relevant. In addition, certain of our debt facilities may restrict the declaration and payment of dividends, depending upon our then current compliance with certain covenants.

On January 29, 2018, the Board of Directors authorized a \$100 million common stock share buyback, which we believe provides another option to maximize long-term shareholder value as we execute on a disciplined and balanced capital allocation strategy. During the first nine months of 2018, we repurchased and retired 802,040 shares of common stock under this buyback program at an average price of \$18.32 per share, excluding commissions, for an aggregate purchase price of approximately \$15 million.

Our debt agreements contain various customary covenants. At September 29, 2018, we were in compliance with all covenants. Our financial statements include assets of \$1,273 million, revenue of \$1,026 million, covenant EBITDA of \$291 million and liabilities of \$834 million for non-guarantors of our debt as of September 29, 2018.

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A summary of liquidity and capital resources is shown below (in millions of dollars):

	September 29, December 31,	
	2018	2017
Cash and cash equivalents (a)	\$ 106	\$ 96
Availability under the Revolving Credit Facility (b)	216	216
Total debt (c)	1,204	1,241
Stockholders' equity	777	694
Total capitalization (total debt plus equity)	1,981	1,935
Debt to capital ratio	61	% 64 %

(a) Cash and cash equivalents consisted of cash, money market deposits and time deposits with original maturities of 90 days or less.

(b) Availability under the revolving credit facility is reduced by standby letters of credit of approximately \$34 million at September 29, 2018 and \$34 million at December 31, 2017.

(c) See Note 5 — Debt and Capital Leases for additional information.

During the nine months ended September 29, 2018, we made \$20 million and \$11 million in principal repayments on the Term A-1 Loan Facility and Term A-2 Loan Facility, respectively.

Cash Flows (in millions of dollars)

The following table summarizes our cash flows from operating, investing and financing activities for the nine months ended:

Cash Provided by (Used for):	September 29, 2018	September 23, 2017
Operating activities	\$ 160	\$ 118
Investing activities	(76)	(44)
Financing activities	(73)	(21)

Cash provided by operating activities during the first nine months of 2018 increased \$43 million compared to the prior year period, as increased net income and non-cash adjustments due to the Acquisition were partially offset by an increase in working capital from higher inventories, increases in deferred costs related to the annual maintenance outages at our plants, and the timing of customer incentive and prepayments.

Cash used for investing activities during the first nine months of 2018 increased \$32 million compared to the prior year period due to higher capital spending requirements as a result of the Acquisition and increased strategic capital spending partially offset by the cash received from the sale of our resin operations.

Cash used for financing activities during the nine months of 2018 increased \$52 million compared to the prior year period due to higher debt repayments, the timing of our common stock dividend payment and common stock repurchases. See Note 5 — Debt and Capital Leases and Note 10 — Earnings Per Share of Common Stock for additional information.

Performance and Liquidity Indicators

The discussion below is presented to enhance the reader's understanding of our operating performance, liquidity, ability to generate cash and satisfy rating agency and creditor requirements. This information includes the following measures of financial results: EBITDA, adjusted EBITDA and adjusted free cash flows. These measures are not defined by GAAP and the discussion of EBITDA, adjusted EBITDA and adjusted free cash flows is not intended to conflict with or change any of the GAAP disclosures described above. Management considers these measures, in addition to operating income, to be important to estimate the enterprise and stockholder values of the Company, and for making strategic and operating decisions. In addition, analysts, investors and creditors use these measures when analyzing our operating performance, financial condition and cash generating ability. Management uses EBITDA and adjusted EBITDA as a performance measure and adjusted free cash flows as a liquidity measure.

EBITDA is defined by SEC rule as earnings before interest, taxes, depreciation and amortization. We define Adjusted EBITDA as EBITDA adjusted for items management believes do not represent core operations. EBITDA and adjusted EBITDA are not necessarily indicative of results that may be generated in future periods.

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Below is a reconciliation of Net Income to EBITDA and adjusted EBITDA by segment for the respective three month periods (in millions of dollars):

Three Months Ended:	Forest Products	Pulp	Paper	High Purity Cellulose	Corporate & Other	Total
September 29, 2018						
Net Income	\$ 8	\$ 26	\$ 16	\$ 40	\$ (52)	\$ 38
Depreciation and amortization	2	1	4	30	—	37
Interest expense, net	—	—	—	—	15	15
Income tax expense	—	—	—	—	11	11
EBITDA	10	27	20	70	(26)	101
Gain on bargain purchase	—	—	—	(7)	1	(6)
Severance	—	—	—	—	4	4
Adjusted EBITDA	\$ 10	\$ 27	\$ 20	\$ 63	\$ (21)	\$ 99

September 23, 2017

Net Income	\$ —	\$ —	\$ —	\$ 29	\$ (13)	\$ 16
Depreciation and amortization	—	—	—	21	—	21
Interest expense, net	—	—	—	—	9	9
Income tax expense	—	—	—	—	7	7
EBITDA	—	—	—	50	3	53
Acquisition related costs	—	—	—	—	5	5
Gain on derivative instrument	—	—	—	—	(14)	(14)
Adjusted EBITDA	\$ —	\$ —	\$ —	\$ 50	\$ (6)	\$ 44

EBITDA and adjusted EBITDA for the three months ended September 29, 2018 increased from the prior year period primarily due to increased earnings as a result of the Acquisition.

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Below is a reconciliation of Net Income to EBITDA and adjusted EBITDA by segment for the respective nine month periods (in millions of dollars):

Nine Months Ended:	Forest Products	Pulp Paper	High Purity Cellulose	Corporate & Other	Total
September 29, 2018					
Net Income	\$ 35	\$ 76	\$ 30	\$ 97	\$ (122) \$ 116
Depreciation and amortization	5	3	13	86	1 108
Interest expense, net	—	—	—	—	44 44
Income tax expense	—	—	—	—	40 40
EBITDA	40	79	43	183	(37) 308
Gain on bargain purchase	—	—	—	(10)	(11) (21)
Severance	—	—	—	—	4 4
Adjusted EBITDA	\$ 40	\$ 79	\$ 43	\$ 173	\$ (44) \$ 291
September 23, 2017					
Net Income	\$ —	\$ —	\$ —	\$ 93	\$ (63) \$ 30
Depreciation and amortization	—	—	—	64	— 64
Interest expense, net	—	—	—	—	25 25
Income tax expense	—	—	—	—	18 18
EBITDA	—	—	—	157	(20) 137
Acquisition related costs	—	—	—	—	13 13
Gain on derivative instrument	—	—	—	—	(16) (16)
Adjusted EBITDA	\$ —	\$ —	\$ —	\$ 157	\$ (23) \$ 134

EBITDA and Adjusted EBITDA for the nine months ended September 29, 2018 increased from the prior year period primarily due to increased earnings as a result of the Acquisition.

We define adjusted free cash flows as cash provided by operating activities adjusted for capital expenditures excluding strategic capital. Adjusted free cash flows is a non-GAAP measure of cash generated during a period which is available for dividend distribution, debt reduction, strategic acquisitions and repurchase of our common stock. Adjusted free cash flows is not necessarily indicative of the adjusted free cash flows that may be generated in future periods.

Below is a reconciliation of cash flows from operations to adjusted free cash flows for the respective periods (in millions of dollars):

	Nine Months Ended	
	September 29, 2018	September 23, 2017
Cash Flows from Operations to Adjusted Free Cash Flows Reconciliation		
Cash provided by operating activities	\$ 160	\$ 118
Capital expenditures (a)	(63)	(41)
Adjusted Free Cash Flows	\$ 97	\$ 77

Capital expenditures exclude strategic capital expenditures which are deemed discretionary by management.

(a) Strategic expenditures for the first nine months of 2018 were approximately \$30 million. Strategic capital expenditures for the same period of 2017 were approximately \$3 million.

Adjusted free cash flows decreased primarily due to increased capital expenditure requirements from the Acquisition which were not offset by increased cash flows from operating activities.

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Contractual Financial Obligations and Off-Balance Sheet Arrangements

The following table includes the material changes to the contractual financial obligations as presented in Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations in our 2017 Annual Report on Form 10-K.

	Purchase Obligations
2018	\$ 3
2019	19
2020	6
2021	—
2022	—
Thereafter(1)
Total	\$ 27

See Note 15 — Commitments and Contingencies for details on our letters of credit and surety bonds as of September 29, 2018.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market and Other Economic Risks

We are exposed to various market risks, primarily changes in interest rates, currency and commodity prices. Our objective is to minimize the economic impact of these market risks. We use derivatives in accordance with policies and procedures approved by the Audit Committee of our Board of Directors. Derivatives are managed by a senior executive committee whose responsibilities include initiating, managing and monitoring resulting exposures. See Note 7 — Derivative Instruments for additional information.

We manage our foreign currency exposures by balancing certain assets and liabilities denominated in foreign currencies and through the use of foreign currency forward contracts. The principal objective of such contracts is to minimize the potential volatility and financial impact of changes in foreign currency exchange rates. The counterparties to these contractual agreements are major financial institutions with which we generally have other financial relationships. We are exposed to credit loss in the event of nonperformance by these counterparties. However, given their size and financial strength, we do not anticipate nonperformance by the counterparties. We do not utilize financial instruments for trading or other speculative purposes.

The prices, sales volumes and margins of the commodity products of our High Purity Cellulose segment and all the products of the Forest Product, Pulp and Paper segments have historically been cyclically affected by economic and market shifts, fluctuations in capacity, and changes in foreign currency exchange rates. In general, these products are commodities that are widely available from other producers; because these products have few distinguishing qualities from producer to producer, competition is based primarily on price, which is determined by supply relative to demand. The overall levels of demand for the products we manufacture, and consequently our sales and profitability, reflect fluctuations in end user demand. Our cellulose specialties product prices are impacted by market supply and demand, raw material and processing costs, changes in global currencies and other factors. They are not directly correlated to commodity paper pulp prices. In addition, a majority of our cellulose specialties products are under long-term volume contracts that expire between 2018 and 2020.

As of September 29, 2018, we had \$603 million principal amount variable rate debt, which is subject to interest rate risk. At this borrowing level, a hypothetical one-percentage point increase/decrease in interest rates would result in a corresponding increase/decrease of approximately \$6 million in interest payments and expense over a 12 month period. Our primary interest rate exposure on variable rate debt results from changes in LIBOR.

The fair market value of our long-term fixed interest rate debt is also subject to interest rate risk. However, we intend to hold most of our debt until maturity. The estimated fair value of our fixed-rate debt at September 29, 2018 was \$589 million compared to the \$602 million principal amount. We use quoted market prices to estimate the fair value of our fixed-rate debt. Generally, the fair market value of fixed-rate debt will increase as interest rates fall and

decrease as interest rates rise.

We may periodically enter into commodity forward contracts to fix some of our energy costs that are subject to price volatility caused by weather, supply conditions, political and economic variables and other unpredictable factors. Such forward contracts partially mitigate the risk of changes to our gross margins resulting from an increase or decrease in these costs. Forward contracts which are derivative instruments are reported in the consolidated balance sheets at their fair values, unless they qualify for the

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normal purchase normal sale ("NPNS") exception and such exception has been elected. If the NPNS exception is elected, the fair values of such contracts are not recognized on the balance sheet.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining adequate disclosure controls and procedures. Disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")), are designed with the objective of ensuring that information required to be disclosed in reports filed under the Exchange Act, such as this quarterly report on Form 10-Q, is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Because of the inherent limitations in all control systems, no control evaluation can provide absolute assurance all control exceptions and instances of fraud have been prevented or detected on a timely basis. Even systems determined to be effective can provide only reasonable assurance their objectives are achieved.

Based on an evaluation of our disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q, our management, including the Chief Executive Officer and Chief Financial Officer, concluded the design and operation of the disclosure controls and procedures were effective as of September 29, 2018.

During the quarter ended September 29, 2018, based upon the evaluation required by paragraph (d) of SEC Rule 13a-15, there were no changes in our internal control over financial reporting that would materially affect or are reasonably likely to materially affect our internal control over financial reporting.

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Part II. Other Information

Item 1. Legal Proceedings

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The Company is engaged in various legal and regulatory actions and proceedings, and has been named as a defendant in various lawsuits and claims arising in the ordinary course of its business. While the Company has procured reasonable and customary insurance covering risks normally occurring in connection with its businesses, the Company has in certain cases retained some risk through the operation of self-insurance, primarily in the areas of workers' compensation, property insurance, business interruption and general liability. While there can be no assurance, the ultimate outcome of these actions, either individually or in the aggregate, is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows, except as may be noted below.

There have been no material changes to the legal proceedings previously disclosed in Part I, Item 1, of our 2017 Annual Report on Form 10-K during the period covered by this report, except as set forth below.

Stockholder Lawsuit

On August 17, 2017, the City of Warren General Employees' Retirement System filed a putative class action complaint against the Company, Paul Boynton, and Frank Ruperto in the United States District Court, Middle District of Tennessee, Nashville Division. The plaintiffs allege the Company made false statements in filings with the U.S. Securities and Exchange Commission ("SEC") and other public statements related to certain litigation with Eastman Chemical, a customer of the Company, and related disclosures in connection with the condition of the Company's business, in third quarter and fourth quarter 2015, in violation of §§10(b) and 20(a) of the Exchange Act, causing unspecified damages to stockholders of the Company who purchased stock in the Company between October 29, 2014 and August 19, 2015. The applicable Eastman litigation was resolved via settlement in 2015. The Company was served with the complaint on August 28, 2017. On November 13, 2017, the Court appointed the Michigan Carpenters' Pension Fund and Local 295 IBT Employer Group Pension Trust Fund as lead plaintiff, and a law firm to act as lead counsel. On January 10, 2018, the Company and the individual defendants filed a motion to dismiss the case for improper venue or, in the alternative, asked the court to transfer it to the U. S. District Court for the Middle District of Florida. Per the court scheduling order, the lead plaintiff filed a consolidated amended complaint (the "CAC") on January 12, 2018. The CAC added Benson Woo, former CFO of the Company, as an additional defendant.

On June 15, 2018, the U.S. District Court for the Middle District of Tennessee granted the Company's motion to transfer the case to the Middle District of Florida, and on July 16, 2018 the Company filed a motion to dismiss the case. After all papers have been filed and a hearing on the motion held in the U.S. District Court, we expect a ruling on our motion in the first half of 2019. The Company strongly disagrees with the allegations set forth in the complaint, believes the lawsuit is without merit and will continue to vigorously defend itself in this matter.

In a related matter, on August 16, 2018, the Company received a derivative demand letter on behalf of Russell K. Carlisle, a purported stockholder, demanding that the Company's Board of Directors investigate and take action on behalf of the Company against the individual defendants named in the City of Warren lawsuit and certain current and former members of the Board of Directors of the Company. The demand alleges substantially similar claims as those set forth in the City of Warren action, and claims them to be breaches of fiduciary duties owed to the Company by the individual defendants in City of Warren and members of the Company's Board of Directors during the alleged class period described in City of Warren. The Company and its counsel are in discussions with counsel for Mr. Carlisle as to potential next steps.

Item 1A. Risk Factors

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There have been no material changes to the risk factors previously disclosed in Part I, Item 1A, of our 2017 Annual Report on Form 10-K during the period covered by this report, except as set forth below.

Restrictions on trade through tariffs, countervailing and anti-dumping duties, quotas and other trade barriers, in the United States and internationally, could adversely affect our ability to access certain markets.

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In the above risk factor the Company discussed the dumping investigation into the import of uncoated groundwood paper (“UCG,” including newsprint, which is produced by the Company) into the U.S. from Canada by the U.S. Department of Commerce (“DOC”). On September 27, 2018, the US International Trade Commission (“ITC”) published its final determination of no injury or threat of injury from UCG from Canada, thereby eliminating all duties. The petitioner, NORPAC, has appealed this determination. Because the ITC made a negative determination, no antidumping or countervailing duties are collected during the pendency of any appeal.

With respect to tariffs related to Chinese products imported to the U.S., on September 17, 2018, the U.S. Trade Representative (“USTR”) announced that an additional 10 percent tariff would be imposed on more than 5,700 tariff lines, effective September 24, 2018. Absent an agreement between the U.S. and China or action by the USTR, tariffs on these lines will increase to 25 percent on January 1, 2019. On September 24, 2018, in retaliation for the U.S. tariffs, China announced a five percent tariff on approximately \$60 billion in U.S. products exported to China, which includes all wood pulp sold by the Company from the U.S. into China. The Chinese government has also indicated the potential for additional retaliation in response to the U.S. tariffs, which could take the form of additional tariffs on U.S. products exported by the Company into China, or other actions such as quotas or other limitations on Chinese purchases from U.S.-based companies, including the Company. In 2017, the Company had sales of products manufactured in the U.S. to customers in China of \$233 million. Any such additional trade-related actions by the Chinese government could have a material impact on our business, financial conditions and results of operations.

Our failure to maintain satisfactory labor relations could have a material adverse effect on our business.

In the above risk factor, the Company discussed the large number of unionized employees we employ and the need to continually negotiate collective bargaining agreements with the unions that represent them. The collective bargaining agreement for our Temiscaming, Quebec location covers between 550-600 unionized employees. This agreement expired on September 30, 2018 and negotiations for a new agreement are ongoing with union representatives. While we do not expect a labor interruption at Temiscaming, a strike or work stoppage that disrupts our operations could materially affect our business, financial condition and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The following table provides information regarding our purchases of Rayonier Advanced Materials common stock during the quarter ended September 29, 2018:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1 to August 4	—	\$	—	\$88,523,000
August 5 to September 1 (a)	61,912	20.86	61,912	87,232,000
September 2 to September 29 (a)	95,142	20.65	93,880	85,294,000
Total	157,054		155,792	

Primarily repurchased under the \$100 million share buyback program declared by the Board of Directors on January 29, 2018, whereby the Company may, from time to time, purchase shares of its common stock. As (a) of September 29, 2018, there was approximately \$85 million remaining under the program. Refer to Note 10 — Earnings Per Share of Common Stock for additional information.

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Item 6. Exhibits

<u>31.1</u>	Chief Executive Officer’s Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
<u>31.2</u>	Chief Financial Officer’s Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
<u>32</u>	Certification of Periodic Financial Reports Under Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101	<p>The following financial information from our Quarterly Report on Form 10-Q for the fiscal quarter ended September 29, 2018 formatted in Extensible Business Reporting Language (“XBRL”), includes:</p> <p>(i) the Condensed Consolidated Statements of Income and Comprehensive Income for the Three and Nine Months Ended September 29, 2018 and September 23, 2017; (ii) the Condensed Consolidated Balance Sheets as of September 29, 2018 and December 31, 2017; (iii) the Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 29, 2018 and September 23, 2017; and (iv) the Notes to Condensed Consolidated Financial Statements</p>	Filed herewith

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Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Rayonier Advanced Materials Inc.
(Registrant)

By: /s/ FRANK A. RUPERTO

Frank A. Ruperto
Chief Financial Officer and
Senior Vice President, Finance and Strategy
(Duly Authorized Officer and Principal Financial Officer)

Date: November 8, 2018