RAYONIER ADVANCED MATERIALS INC.
Form 10-Q
August 09, 2018
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2018
OR
o 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 x NO o

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 x NO o
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 x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o
	Emerging growth company o

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. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES o NO x

The registrant had 51,213,181 shares of common stock, $.01 par value per share, outstanding as of August 1, 2018.

Table of Contents

Item		Page
	Part I — Financial Information	
1.	Financial Statements (unaudited)	
	Condensed Consolidated Statements of Income and Comprehensive Income for the Three and Six Months Ended June 30, 2018 and June 24, 2017	1
	Condensed Consolidated Balance Sheets as of June 30, 2018 and December 31, 2017	2
	Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2018 and June 24, 2017	3
	Notes to Condensed Consolidated Financial Statements	4
2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	20
3.	Quantitative and Qualitative Disclosures about Market Risk	34
4.	Controls and Procedures	35
	Part II — Other Information	
1.	Legal Proceedings	36
1A.	Risk Factors	37
2.	Unregistered Sales of Equity Securities and Use of Proceeds	37
6.	Exhibits	38
	Signature	39

Table of Contents

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		Six Months Ended	
	June 30, 2018	June 24, 2017	June 30, 2018	June 24, 2017
Net Sales	$541,720	$201,226	$1,063,711	$402,641
Cost of Sales	(440,242)	(166,929)	(881,880)	(330,976)
Gross Margin	101,478	34,297	181,831	71,665
Selling, general and administrative expenses	(24,734)	(18,301)	(47,926)	(27,663)
Duties	(11,536)	—	(19,864)	—
Other operating income (expense), net	1,014	(1,526)	(1,561)	(2,451)
Operating Income	66,222	14,470	112,480	41,551
Interest expense	(15,169)	(9,209)	(30,163)	(18,037)
Interest income and other, net	4,565	654	5,406	1,135
Other components of net periodic benefit costs	2,199	(1,116)	4,393	(2,232)
Adjustment to gain on bargain purchase	14,661	—	14,661	—
Gain on derivative instrument	—	2,062	—	2,062
Income Before Income Taxes	72,478	6,861	106,777	24,479
Income tax expense (Note 13)	(19,089)	(2,288)	(28,933)	(10,264)
Net Income Attributable to Rayonier Advanced Materials Inc.	53,389	4,573	77,844	14,215
Mandatory convertible stock dividends	(3,440)	(3,441)	(6,843)	(6,616)
Net Income Available to Rayonier Advanced Materials Inc. Common Stockholders	$49,949	$1,132	$71,001	$7,599
Earnings Per Share of Common Stock (Note 10)				
Basic earnings per share	$0.97	$0.03	$1.38	$0.18
Diluted earnings per share	$0.83	$0.03	$1.22	$0.18
Dividends Declared Per Common Share	$0.07	$0.07	$0.14	$0.14

Comprehensive Income:				
Net Income	$53,389	$4,573	$77,844	$14,215
Other Comprehensive Income, net of tax (Note 9)				
Foreign currency translation adjustments	(16,000)	—	(8,251)	—
Unrealized gain on derivative instruments	(8,334)	—	(7,062)	—
Net gain from pension and postretirement plans	2,398	2,031	4,795	4,061
Total other comprehensive income	(21,936)	2,031	(10,518)	4,061
Comprehensive Income	$31,453	$6,604	$67,326	$18,276

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

	June 30, 2018	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	$79,809	$96,235
Accounts receivable, net (Note 2)	189,362	181,298
Inventory (Note 3)	327,339	302,086
Prepaid and other current assets	99,802	66,918
Total current assets	696,312	646,537
Property, Plant and Equipment (net of accumulated depreciation of $1,370,681 for 2018 and $1,309,192 for 2017)	1,398,236	1,407,762
Deferred Tax Assets	388,956	402,846
Intangible Assets, net	55,965	59,869
Other Assets	130,980	125,597
Total Assets	$2,670,449	$2,642,611
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$183,614	$157,925
Accrued and other current liabilities (Note 4)	115,485	127,040
Current maturities of long-term debt (Note 5)	9,553	9,425
Current liabilities for disposed operations (Note 6)	12,817	13,181
Total current liabilities	321,469	307,571
Long-Term Debt (Note 5)	1,214,560	1,232,179
Non-Current Liabilities for Disposed Operations (Note 6)	147,581	150,905
Pension and Other Postretirement Benefits	203,292	212,810
Deferred Tax Liabilities	30,975	32,607
Other Non-Current Liabilities	13,633	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 June 30, 2018 and December 31, 2017, aggregate liquidation preference $172,500	17	17
Common stock, 140,000,000 shares authorized at $0.01 par value, 51,222,572 and 51,717,142 issued and outstanding, as of June 30, 2018 and December 31, 2017, respectively	512	517
Additional paid-in capital	395,326	392,353
Retained earnings	429,753	377,020
Accumulated other comprehensive income (loss) (Note 9)	(86,669)	(76,151)
Total Stockholders' Equity	738,939	693,756
Total Liabilities and Stockholders' Equity	$2,670,449	$2,642,611

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

	Six Months Ended	
	June 30, 2018	June 24, 2017
Operating Activities		
Net income	$77,844	$14,215
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	70,533	42,498
Stock-based incentive compensation expense	6,500	5,012
Amortization of capitalized debt costs, discount and premium	512	936
Deferred income tax	25,916	6,355
Gain on bargain purchase	(13,306)	—
Net periodic benefit cost of pension and postretirement plans	2,867	5,073
Gain on foreign currency exchange	(7,525)	—
Other	2,559	(10)
Changes in operating assets and liabilities:		
Receivables	(5,712)	(1,597)
Inventories	(26,164)	4,743
Accounts payable	22,459	25,683
Accrued liabilities	(22,321)	(5,089)
All other operating activities	(34,929)	(8,122)
Contributions to pension and other postretirement benefit plans	(5,586)	(1,241)
Expenditures for disposed operations	(4,422)	(1,800)
Cash Provided by Operating Activities	89,225	86,656
Investing Activities		
Capital expenditures	(63,621)	(32,369)
Cash Used for Investing Activities	(63,621)	(32,369)
Financing Activities		
Repayment of debt	(12,368)	(2,231)
Dividends paid on common stock	(7,499)	(2,966)
Dividends paid on preferred stock	(6,900)	(6,900)
Proceeds from the issuance of common stock	342	—
Common stock repurchased	(14,529)	(147)
Cash Used for Financing Activities	(40,954)	(12,244)
Cash and Cash Equivalents		
Change in cash and cash equivalents	(15,350)	42,043
Net effect of foreign exchange on cash and cash equivalents	(1,076)	—
Balance, beginning of year	96,235	326,655
Balance, end of period	$79,809	$368,698

See Notes to Condensed Consolidated Financial Statements.

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 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.

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 June 30, 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 second quarter and $2 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 $2 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 earnings or 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.

(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. During the second quarter of 2018, the Company determined that provisional amounts included in the preliminary valuation required adjustments to reflect new information obtained. As a result, 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 positive settlement of a contingent liability. This non-operating gain was included in gain on bargain purchase on the condensed consolidated statement of income.

According to ASC 805, 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. The Company expects to finalize the Tembec valuation and complete the purchase consideration allocation no later than one year from the acquisition date.

Subsequent Events

Events and transactions subsequent to the balance sheet date have been evaluated for potential recognition and disclosure through August 9, 2018, the date these financial statements were available to be issued. The following subsequent events warranting disclosure were identified.

On July 19, 2018, the Company's board of directors declared a third 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 August 15, 2018 to mandatory convertible preferred stockholders of record as of August 1, 2018. The common stock dividend is payable on September 28, 2018 to common stockholders of record on September 14, 2018.

2. Accounts Receivable, Net

As of June 30, 2018 and December 31, 2017, the Company's accounts receivable included the following:

	June 30, 2018	December 31, 2017
Accounts receivable, trade	$154,403	$ 134,523
Accounts receivable, other (a)	35,753	47,368
Allowance for doubtful accounts	(794)	(593)
Total accounts receivable, net	$189,362	$ 181,298

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

Table of Contents

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

3. Inventory

As of June 30, 2018 and December 31, 2017, the Company's inventory included the following:

	June 30, 2018	December 31, 2017
Finished goods	$208,493	$ 190,140
Work-in-progress	21,374	18,889
Raw materials	86,216	82,940
Manufacturing and maintenance supplies	11,256	10,117
Total inventory	$327,339	$ 302,086

4. Accrued and Other Current Liabilities

As of June 30, 2018 and December 31, 2017, the Company's accrued and other current liabilities included the following:

	June 30, 2018	December 31, 2017
Accrued customer incentives and prepayments	$33,466	$ 53,522
Accrued payroll and benefits	33,131	48,431
Accrued interest	3,240	3,188
Other current liabilities	45,648	21,899
Total accrued and other current liabilities	$115,485	$ 127,040

5. Debt and Capital Leases

As of June 30, 2018 and December 31, 2017, the Company's debt and capital leases include the following:

	June 30, 2018	December 31, 2017
U.S. Revolver of $100 million maturing in November 2022, $92 million available after taking into account outstanding letters of credit, bearing interest at LIBOR plus 2.00% at June 30, 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 June 30, 2018	—	—
Term A-1 Loan Facility borrowings maturing through November 2022 bearing interest at LIBOR plus 2.00%, interest rate of 4.10% at June 30, 2018	180,000	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 4.35% at June 30, 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	95,109	100,881
Other loans	5,459	5,946
Capital lease obligation	3,269	3,409
Total debt principal payments due	1,229,124	1,246,648
Less: Debt premium, original issue discount and issuance costs	(5,011)	(5,044)
Total debt	1,224,113	1,241,604
Less: Current maturities of long-term debt	(9,553)	(9,425)
Total long-term debt	$1,214,560	$1,232,179

7

Table of Contents

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

During the six months ended June 30, 2018, the Company made $11 million in principal repayments on the Term A-2 Loan Facility.

As of June 30, 2018, debt and capital lease payments due during the next five years and thereafter are as follows:

	Capital Lease Minimum Lease Payments	Less: Interest	Net Present Value	Debt Principal Payments
Remaining 2018	$258	$112	$146	$2,779
2019	515	209	306	13,231
2020	515	187	328	20,565
2021	515	163	352	14,333
2022	515	138	377	208,055
Thereafter	2,017	257	1,760	966,892
Total principal payments	$4,335	$1,066	$3,269	$1,225,855

6. Liabilities for Disposed Operations

An analysis of the liabilities for disposed operations for the six months ended June 30, 2018 is as follows:

Balance, December 31, 2017	$164,086
Expenditures charged to liabilities	(4,422)
Increase to liabilities	734
Balance, June 30, 2018	160,398
Less: Current portion	(12,817)
Non-current portion	$147,581

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 June 30, 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 other comprehensive income until earnings are affected by the hedged transaction, and are then reported in current earnings.

(Dollar amounts in thousands unless otherwise stated)

Table of Contents

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 June 30, 2018 and December 31, 2017 are presented below.

	June 30, 2018	December 31, 2017
Interest rate swaps (a)	$200,000	$ 200,000
Foreign exchange forward contracts (b)	$430,162	$ 240,591
Foreign exchange forward contracts (c)	$95,107	$ —

(a) Maturity date of December 2020
(b) Monthly maturity dates through June 2019
(c) Various maturity dates in 2020, 2022 and 2028

Table of Contents
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 June 30, 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	June 30, 2018	December 31, 2017
Assets:			
Derivatives designated as hedging instruments:			
Interest rate swaps	Other current assets	$897	$ —
Interest rate swaps	Other assets	2,603	749
Foreign exchange forward contracts	Other current assets	101	—
Derivatives not designated as hedging instruments:			
Foreign exchange forward contracts	Other current assets	—	427
Liabilities:			
Derivatives designated as hedging instruments:			
Foreign exchange forward contracts	Other current liabilities	(11,972)	—
Foreign exchange forward contracts	Other non-current liabilities	(731)	—
Derivatives not designated as hedging instruments:			
Foreign exchange forward contracts	Other current liabilities	(265)	—
Total derivatives		$(9,367)	$ 1,176

Table of Contents

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

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 six months ended June 30, 2018 are presented below. The Company did not have any derivatives designated as hedges during the six months ended June 24, 2017.

	Three Months Ended June 30, 2018		
Derivatives in Cash Flow Hedging Relationships	Gain (Loss) Recognized in OCI on Derivative	Gain (Loss) Reclassified from AOCI into Income	Location on Statement of Income
Interest rate swaps	$853	$ (11)	Interest Expense
Foreign exchange forward contracts	(10,183)	1,128	Other operating income (expense), net
Foreign exchange forward contracts	66	(66)	Cost of sales
Foreign exchange forward contracts	(1,389)	(556)	Interest income and other, net

	Six Months Ended June 30, 2018		
Derivatives in Cash Flow Hedging Relationships	Gain (Loss) Recognized in OCI on Derivative	Gain (Loss) Reclassified from AOCI into Income	Location on Statement of Income
Interest rate swaps	$2,565	$ (187)	Interest Expense
Foreign exchange forward contracts	(10,407)	1,128	Other operating income (expense), net
Foreign exchange forward contracts	66	(66)	Cost of sales
Foreign exchange forward contracts	(1,389)	(556)	Interest income and other, net

The effects of derivative instruments not designated as hedging instruments on the statement of income for the three and six months ended June 30, 2018 and June 24, 2017 were as follows:

		Gains (Losses)			
		Three Months Ended		Six Months Ended	
Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	June 30, 2018	June 24, 2017	June 30, 2018	June 24, 2017
Foreign exchange contracts	Other operating income (expense), net	$(412)	$ —	$(3,541)	$ —
Foreign currency collar	Other non-operating income	—	2,062	—	2,062

The after-tax amounts of unrealized gains (losses) in AOCI related to hedge derivatives at June 30, 2018 and December 31, 2017 are presented below:

	June 30, 2018	December 31, 2017
Interest rate cash flow hedges	$2,730	$ 619
Foreign exchange cash flow hedges	(9,173)	—

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

(Dollar amounts in thousands unless otherwise stated)

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 June 30, 2018 and December 31, 2017, using market information and what management believes to be appropriate valuation methodologies:

	June 30, 2018			December 31, 2017		
	Carrying	Fair Value		Carrying	Fair Value	
Assets:	Amount	Level 1	Level 2	Amount	Level 1	Level 2
Cash and cash equivalents	$79,809	$79,809	$ —	$96,235	$96,235	$ —
Interest rate swaps (a)	3,500	—	3,500	749	—	749
Foreign currency forward contracts (a)	101	—	101	427	—	427
Liabilities (b):						
Foreign currency forward contracts (a)	12,968	—	12,968	—	—	—
Fixed-rate long-term debt	600,447	—	581,838	606,529	—	611,308
Variable-rate long-term debt	620,398	—	624,334	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.

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.

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

9. Accumulated Other Comprehensive Income (Loss)

The components of AOCI are as follows:

	Six Months Ended	
	June 30, 2018	June 24, 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	5,938	5,992
Amortization of prior service costs	286	382
Amortization of negative plan amendment	(77)	(77)
Income tax on reclassifications	(1,352)	(2,236)
Net comprehensive gain (loss) on employee benefit plans, net of tax	4,795	4,061
Balance, end of quarter	(76,843)	(106,019)
Unrealized gain (loss) on derivative instruments, net of tax:		
Balance, beginning of year	619	—
Other comprehensive income before reclassifications	(9,165)	—
Income tax on other comprehensive income	2,260	—
Reclassifications to earnings: (b)		
Interest rate contracts	187	—
Foreign exchange contracts	(506)	—
Income tax on reclassifications	162	—
Net comprehensive gain on derivative instruments, net of tax	(7,062)	—
Balance, end of quarter	(6,443)	—
Foreign currency translation adjustments:		
Balance, beginning of year	4,868	—
Foreign currency translation adjustment	(8,251)	—
Balance, end of quarter	(3,383)	—
Accumulated other comprehensive income (loss), end of quarter	$(86,669)	$(106,019)

(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.

Table of Contents
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		Six Months Ended	
	June 30, 2018	June 24, 2017	June 30, 2018	June 24, 2017
Net income	$53,389	$ 4,573	$77,844	$ 14,215
Preferred Stock dividends	(3,440)	(3,441)	(6,843)	(6,616)
Net income available for common stockholders	$49,949	$ 1,132	$71,001	$ 7,599
Shares used for determining basic earnings per share of common stock	51,448,438	42,387,578	51,288,982	42,368,652
Dilutive effect of:				
Stock options	3,609	—	4,556	—
Performance and restricted stock	1,201,691	836,021	1,300,148	786,631
Preferred stock	11,371,718	—	11,371,718	—
Shares used for determining diluted earnings per share of common stock	64,025,456	43,223,599	63,965,404	43,155,283
Basic earnings per share (not in thousands)	$0.97	$ 0.03	$1.38	$ 0.18
Diluted earnings per share (not in thousands)	$0.83	$ 0.03	$1.22	$ 0.18

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

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 24, 2017	June 30, 2018	June 24, 2017
Stock options	263,672	378,658	263,672	378,658
Performance and restricted stock	454,563	170,898	410,329	173,095
Preferred stock	—	11,371,718	—	11,371,718
Total anti-dilutive instruments	718,235	11,921,274	674,001	11,923,471

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 second quarter of 2018, the Company repurchased and retired 646,248 shares of common stock under this buyback program at an average price of $17.80 per share, excluding commissions, for an aggregate purchase price of approximately $11 million. The repurchase and retirement of these shares was included in the calculation of weighted-average shares outstanding at June 30, 2018.

11. Incentive Stock Plans

The Company's total stock based compensation cost for the six months ended June 30, 2018 and June 24, 2017 was $6 million and $5 million, respectively.

The Company made new grants of restricted stock units and performance-based stock units to certain employees during the first six 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.

Table of Contents
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 six months ended June 30, 2018:

	Stock Options		Restricted Stock and Stock Units		Performance-Based Stock Units	
	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	—	—	298,931	19.78	447,385	22.76
Forfeited	—	—	(6,409)	11.99	(4,869)	11.39
Exercised or settled	(19,753)	17.34	(153,919)	17.61	(190,320)	17.50
Expired or cancelled	(51,800)	29.91	—	—	—	—
Outstanding at June 30, 2018	301,505	$ 33.81	986,974	$ 13.63	1,332,263	$ 14.66

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:

	Pension Three Months Ended		Postretirement Three Months Ended	
Components of Net Periodic Benefit Cost	June 30, 2018	June 24, 2017	June 30, 2018	June 24, 2017
Service cost	$3,084	$1,184	$331	$ 236
Interest cost	8,211	3,318	311	198
Expected return on plan assets	(13,795)	(5,548)	—	—
Amortization of prior service cost	143	190	—	—
Amortization of losses	2,912	2,913	57	83
Amortization of negative plan amendment	—	—	(38)	(38)
Total net periodic benefit cost	$555	$2,057	$661	$ 479

	Pension Six Months Ended		Postretirement Six Months Ended	
Components of Net Periodic Benefit Cost	June 30, 2018	June 24, 2017	June 30, 2018	June 24, 2017
Service cost	$6,186	$2,368	$1,074	$ 471
Interest cost	16,462	6,636	650	396

Expected return on plan assets	(27,652)	(11,096)	—	—
Amortization of prior service cost	286	381	—	1
Amortization of losses	5,824	5,826	114	167
Amortization of negative plan amendment	—	—	(77)	(77)
Total net periodic benefit cost	$1,106	$4,115	$1,761	$ 958

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 rate for the three months ended June 30, 2018 and June 24, 2017 was 26.3 percent and 33.3 percent, respectively. The Company's effective tax rate for the six months ended June 30, 2018 and June 24, 2017 was 27.1 percent and 41.9 percent, respectively. The statutory rate in 2018 is 21 percent compared to 35 percent in 2017 due to the U.S. passing of the Tax Cuts and Jobs Act in December 2017.

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.

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"). As of the quarter ended June 30, 2018, the Company has not made a policy decision regarding how to record taxes on GILTI.

Due to significant complexity of the Tax Cuts and Jobs Act, the Company has not completed all accounting for the income tax effects of certain elements of this act. Where possible, the Company made reasonable estimates of certain effects and therefore recorded provisional adjustments to the income tax expense on December 31, 2017. Implementation guidance from the Internal Revenue Service, clarifications of state tax law, and completion of the Company's 2017 tax return filings could all impact these estimates.

In the quarter ended June 30, 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.

Table of Contents
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 six months ended:

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 24, 2017	June 30, 2018	June 24, 2017
High Purity Cellulose				
Cellulose Specialties	$199,199	$157,884	$408,326	$314,783
Commodity Products	54,025	41,273	96,772	83,359
Other sales (a)	32,026	2,069	62,534	4,499
Total High Purity Cellulose	285,250	201,226	567,632	402,641
Forest Products				
Lumber	81,593	—	159,973	—
Other sales (b)	15,502	—	36,309	—
Total Forest Products	97,095	—	196,282	—
Pulp				
High-yield pulp	90,901	—	176,055	—
Paper				
Paperboard	50,634	—	98,425	—
Newsprint	33,744	—	61,260	—
Total Paper	84,378	—	159,685	—
Eliminations	(15,904)	—	(35,943)	—
Total net sales	$541,720	$201,226	$1,063,711	$402,641

(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 six months ended:

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 24, 2017	June 30, 2018	June 24, 2017
High Purity Cellulose	$28,055	$31,260	$49,366	$65,756
Forest Products	16,535	—	27,172	—
Pulp	26,224	—	48,935	—
Paper	6,891	—	9,817	—
Corporate	(11,483)	(16,790)	(22,810)	(24,205)
Total operating income	$66,222	$14,470	$112,480	$41,551

Identifiable assets by segment were as follows:

	June 30, 2018	December 31, 2017
High Purity Cellulose	$1,679,970	$ 1,671,107
Forest Products	173,816	154,258
Pulp	89,513	83,081
Paper	252,176	245,746
Corporate	474,974	488,419
Total identifiable assets	$2,670,449	$ 2,642,611

Table of Contents
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 additions of energy purchase contracts 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 energy purchase obligations are presented as of June 30, 2018. The payment amounts are estimates and may vary based on changes in actual price and volumes terms.

	Purchase Obligations
2018	$ 7,736
2019	10,866
2020	1,954
2021	1,530
2022	258
Thereafter	—
Total	$ 22,344

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 June 30, 2018, collective bargaining agreements covering approximately 820 unionized employees had expired. 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 June 30, 2018, the Company had net exposure of $37 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 $86 million as of June 30, 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 June 30, 2018 was $33 million.

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.

(Dollar amounts in thousands unless otherwise stated)

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 six months ended:

	June 30, 2018	June 24, 2017
Cash paid (received) during the period:		
Interest	$29,629	$16,986
Income taxes	9,780	5,191
Non-cash investing and financing activities:		
Capital assets purchased on account	$15,941	$5,977
Capital lease obligation	3,269	3,545

Table of Contents

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.

20

Table of Contents

- 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”) 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.

Table of Contents

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 30 percent, 18 percent and 8 percent, respectively, of the per metric ton cost of sales for the first half of 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 48 percent and 6 percent, respectively, of the per million board feet cost of sales for the first half of 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 first half of 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

22

metric ton cost of sales for the first half of 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 prices are anticipated to decline approximately 4 percent in 2018, reflecting an improved mix, and sales volumes are expected to decline approximately 2 percent, depending on revenue recognition timing. Commodity volumes are expected to be comparable to the prior year. Profitability is expected to improve in the second half of 2018 as the annual maintenance outages have been completed at all four facilities and synergy benefits continue to favorably impact results. Results in the second half of the year are expected to represent approximately 55 percent of the annual EBITDA.

Forest Products

Lumber prices are expected to decline from the recent historical high prices, but profitability is anticipated to remain favorable as solid demand from the U.S. housing market is expected to continue. Duties on lumber sales into the U.S. are anticipated to affect approximately 50 percent of our sales in this segment and reduce EBITDA by approximately $30 million during 2018.

Pulp

High-yield pulp prices are expected to remain near historically high levels in the near-term and moderate by year end. Strong demand for pulp, reduced recycled fiber imports to China, and supply side issues in the global pulp industry continue to support pulp prices. With no significant new capacity expected in the pulp markets in the near future, supply-demand dynamics indicate continued strong market conditions.

Paper

Paperboard markets are expected to remain stable, though peak pulp prices, which benefit our Pulp segment, will negatively impact margins. In newsprint, reduced industry production capacity and duties have led to higher prices which have effectively offset the impact of the duties. Profitability is expected to remain stable in the near-term. Additional supply or a more rapid decline in demand due to the duties could negatively impact newsprint results.

Capital Allocation and Investment

We expect to spend approximately $100 to $110 million in maintenance capital expenditures across the businesses in 2018. In addition, we anticipate spending approximately $45 million on high-return strategic projects in 2018. 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.

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.
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

Table of Contents

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	Three Months Ended		%	Six Months Ended		%
(in millions, except percentages)	June 30, 2018	June 24, 2017	Change	June 30, 2018	June 24, 2017	Change
Net Sales	$542	$201	170%	1,064	403	164%
Cost of Sales	(440)	(167)		(882)	(331)	
Gross Margin	102	34	200%	182	72	153%
Selling, general and administrative expenses	(25)	(18)		(48)	(28)	
Duties	(12)	—		(20)	—	
Other operating expense, net	1	(2)		(2)	(3)	
Operating Income	66	14	371%	112	41	173%
Interest expense	(15)	(9)		(30)	(18)	
Interest income and other income (expense), net	7	—		10	(1)	
Adjustment to gain on bargain purchase	15	—		15	—	
Gain on derivative instrument	—	2		—	2	
Income Before Income Taxes	73	7	943%	107	24	346%
Income Tax Expense	(19)	(2)		(29)	(10)	
Net Income	$54	$5	980%	$78	$ 14	457%
Gross Margin %	19 %	17 %		17 %	18 %	
Operating Margin %	12 %	7 %		11 %	10 %	
Effective Tax Rate %	26 %	33 %		27 %	42 %	

Net sales by segment were as follows:

	Three Months Ended		Six Months Ended	
Net sales (in millions)	June 30, 2018	June 24, 2017	June 30, 2018	June 24, 2017
High Purity Cellulose	$285	$ 201	$568	$ 403
Forest Products	97	—	196	—
Pulp	91	—	176	—
Paper	84	—	160	—
Eliminations	(15)	—	(36)	—
Total net sales	$542	$ 201	$1,064	$ 403

Net sales increased $341 million, or approximately 170 percent, in the second quarter of 2018 compared to the second quarter of 2017. On a year to date basis, net sales were up $661 million, or 164 percent, over the prior year. The increases were primarily due to the Acquisition. For further discussion of changes in net sales, see the discussion of operating results by segment.

Table of Contents

Operating income (loss) by segment was as follows:

Operating income (loss) (in millions)	Three Months Ended		Six Months Ended	
	June 30, 2018	June 24, 2017	June 30, 2018	June 24, 2017
High Purity Cellulose	$28	$31	$49	$66
Forest Products	17	—	27	—
Pulp	26	—	49	—
Paper	7	—	10	—
Corporate	(12)	(17)	(23)	(25)
Total operating income	$66	$14	$112	$41

Operating income for the second quarter of 2018 increased $52 million, or approximately 371 percent, over the prior year second quarter. Operating income for the first six months of 2018 increased $71 million, or 173 percent, compared to the same period last year. The increases were primarily due to the Acquisition. For further discussion of changes of operating income, see the discussion of operating results by segment.

Non-operating Expenses

Interest expense for the second quarter and first six months of 2018 increased $6 million and $12 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 expense, 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 quarter of 2018, provisional amounts included in the preliminary valuation of the Acquisition required adjustments to reflect new information obtained. As a result, we recognized an adjustment to the gain on bargain purchase of approximately $15 million. See Note 1 — Basis of Presentation and New Accounting Pronouncements.

Income Tax Expense

Our effective tax rate for the six months ended June 30, 2018 and June 24, 2017 was 27 percent and 42 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		Six Months Ended	
	June 30, 2018	June 24, 2017	June 30, 2018	June 24, 2017
Net Sales	$285	$201	$568	$403
Operating income	28	31	49	66
Average Sales Prices ($ per metric ton):				
Cellulose Specialties	$1,324	$1,434	$1,350	$1,453
Commodity Products	828	764	816	740
Sales Volumes (thousands of metric tons):				
Cellulose Specialties	150	110	303	217
Commodity Products	65	54	119	113

Table of Contents

Changes in High Purity Cellulose net sales are as follows:

Three Months Ended		Changes Attributable to:			
Net Sales (in millions)	June 24, 2017	Price	Volume/Mix	Acquisition	June 30, 2018
Cellulose Specialties	$ 158	$(11)	$ (8)	$ 60	$ 199
Commodity Products	41	2	(2)	13	54
Other sales (a)	2	—	1	29	32
Total Net Sales	$ 201	$(9)	$ (9)	$ 102	$ 285

(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 second quarter of 2018 approximately 7 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.

Six Months Ended		Changes Attributable to:			
Net Sales (in millions)	June 24, 2017	Price	Volume/Mix	Acquisition	June 30, 2018
Cellulose Specialties	$ 315	$(18)	$ (13)	$ 124	$ 408
Commodity Products	83	4	(12)	22	97
Other sales (a)	5	—	1	57	63
Total Net Sales	$ 403	$(14)	$ (24)	$ 203	$ 568

(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 six months approximately 6 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		Gross Margin Changes Attributable to (a):					
Operating Income (in millions)	June 24, 2017	Price	Volume/ Sales Mix	Cost	Acquisition	SG&A and other	June 30, 2018
Operating Income	$ 31	$(9)	$ (6)	$2	$ 13	$(3)	$ 28
Operating Margin %	15.4 %	(4.0)%	(2.7)%	1.1%	1.0 %	(1.1)%	9.7 %

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

Operating income decreased $3 million or 10 percent in the second quarter of 2018 due to lower sales prices and volume, as previously discussed, which were partially offset by the Acquisition. SG&A and other costs increased due to the Acquisition.

Six Months Ended		Gross Margin Changes Attributable to (a):					
Operating Income (in millions)	June 24, 2017	Price	Volume/ Sales Mix	Cost	Acquisition	SG&A and other	June 30, 2018
Operating Income	$ 66	$(14)	$(14)	$(8)	$ 28	$(9)	$ 49
Operating Margin %	16.4 %	(3.0)%	(3.0)%	(2.2)%	2.0 %	(1.6)%	8.6 %

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

Table of Contents

Operating income decreased $17 million or 26 percent in the first six months of 2018 due to lower sales prices and volume, as previously discussed, and higher one-time energy costs caused by the unusually cold weather in the southeastern U.S. in January, which were partially offset by the Acquisition. SG&A and other costs increased due to the Acquisition.

Forest Products

(in millions)	Three Months Ended June 30, 2018	Three Months Ended June 24, 2017	Six Months Ended June 30, 2018	Six Months Ended June 24, 2017
Net Sales	$97	$ —	$196	$ —
Operating income	17	—	27	—
Average Sales Prices ($ per thousand board feet):				
Lumber	$534	$ —	$506	$ —
Sales Volumes (millions of board feet):				
Lumber	153	—	316	—

Changes in Forest Products net sales are as follows:

Three Months Ended Net Sales (in millions)	June 24, 2017	Changes Attributable to: Price	Volume/Mix	Acquisition	June 30, 2018
Lumber	$ —	$ —	$ —	$ 82	$ 82
Other sales (a)	—	—	—	15	15
Total Net Sales	$ —	$ —	$ —	$ 97	$ 97

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

Six Months Ended Net Sales (in millions)	June 24, 2017	Changes Attributable to: Price	Volume/Mix	Acquisition	June 30, 2018
Lumber	$ —	$ —	$ —	$ 160	$ 160
Other sales (a)	—	—	—	36	36
Total Net Sales	$ —	$ —	$ —	$ 196	$ 196

(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 six month periods due to the Acquisition.

Changes in Forest Products operating income are as follows:

Three Months Ended Operating Income (in millions)	June 24, 2017	Gross Margin Changes Attributable to (a): Price	Volume/ Sales Mix	Cost	Acquisition	SG&A and other	June 30, 2018
Operating Income	$ —	$—	$ —	$—	$ 26	$(9)	$ 17
Operating Margin %	— %	—%	— %	—%	26.8 %	(9.3)%	17.5 %

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

27

Table of Contents

Six Months Ended		Gross Margin Changes Attributable to (a):					
Operating Income (in millions)	June 24, 2017	Price	Volume/ Sales Mix	Cost	Acquisition	SG&A and other	June 30, 2018
Operating Income	$ —	$ —	$ —	$ —	$ 44	$ (17)	$ 27
Operating Margin %	— %	— %	— %	— %	22.4 %	(8.7)%	13.7 %

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

Operating income for Forest Products increased during the three and six month periods due to the Acquisition. Operating expenses includes duties paid for lumber sold into the United States of approximately $8 million in the second quarter of 2018 and $15 million in the first six months of 2018.

Pulp

(in millions)	Three Months Ended June 30, 2018	Three Months Ended June 24, 2017	Six Months Ended June 30, 2018	Six Months Ended June 24, 2017
Net Sales	$ 91	$ —	$ 176	$ —
Operating income	26	—	49	—
Average Sales Prices ($ per metric tons) (a):				
High-yield pulp	$ 674	$ —	$ 664	$ —
Sales Volumes (in thousands of metric tons) (a):				
High-yield pulp	125	—	245	—

(a) Average sales prices and volumes for external sales only. For the three and six months ended June 30, 2018, the Pulp segment sold approximately 18,000 MT and 34,000 MT of high-yield pulp for $7 million and $14 million, respectively, to the Paper segment for the production of paperboard.

Changes in Pulp net sales are as follows:

Three Months Ended Net Sales (in millions)	June 24, 2017	Changes Attributable to: Price	Volume/Mix	Acquisition	June 30, 2018
High-yield pulp	$ —	$ —	$ —	$ 91	$ 91

Six Months Ended Net Sales (in millions)	June 24, 2017	Changes Attributable to: Price	Volume/Mix	Acquisition	June 30, 2018
High-yield pulp	$ —	$ —	$ —	$ 176	$ 176

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

Changes in Pulp operating income are as follows:

Three Months Ended		Gross Margin Changes Attributable to (a):					
Operating Income (in millions)	June 24, 2017	Price	Volume/ Sales Mix	Cost	Acquisition	SG&A and other	June 30, 2018
Operating Income	$ —	$ —	$ —	$ —	$ 27	$ (1)	$ 26
Operating Margin %	— %	— %	— %	— %	29.7 %	(1.1)%	28.6 %

(a) Computed based on contribution margin.

Table of Contents

Six Months Ended		Gross Margin Changes Attributable to (a):					
Operating Income (in millions)	June 24, 2017	Price	Volume/ Sales Mix	Cost	Acquisition	SG&A and other	June 30, 2018
Operating Income	$ —	$ —	$ —	$ —	$ 52	$ (3)	$ 49
Operating Margin %	— %	— %	— %	— %	29.5 %	(1.7)%	27.8 %

(a) Computed based on contribution margin.

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

Paper

(in millions)	Three Months Ended June 30, 2018	Three Months Ended June 24, 2017	Six Months Ended June 30, 2018	Six Months Ended June 24, 2017
Net Sales	$ 84	$ —	$ 160	$ —
Operating income	7	—	10	—
Average Sales Prices ($ per metric ton):				
Paperboard	$ 1,136	$ —	$ 1,145	$ —
Newsprint	611	—	572	—
Sales Volumes (in metric tons):				
Paperboard	45	—	86	—
Newsprint	55	—	107	—

Changes in Paper net sales are as follows:

Three Months Ended Net Sales (in millions)	June 24, 2017	Changes Attributable to: Price	Volume/Mix	Acquisition	June 30, 2018
Paperboard	$ —	$ —	$ —	$ 50	$ 50
Newsprint	—	—	—	34	34
Total Net Sales	$ —	$ —	$ —	$ 84	$ 84

Six Months Ended Net Sales (in millions)	June 24, 2017	Changes Attributable to: Price	Volume/Mix	Acquisition	June 30, 2018
Paperboard	$ —	$ —	$ —	$ 99	$ 99
Newsprint	—	—	—	61	61
Total Net Sales	$ —	$ —	$ —	$ 160	$ 160

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

Changes in Paper operating income are as follows:

Three Months Ended		Gross Margin Changes Attributable to (a):					
Operating Income (in millions)	June 24, 2017	Price	Volume/ Sales Mix	Cost	Acquisition	SG&A and other	June 30, 2018
Operating Income	$ —	$ —	$ —	$ —	$ 14	$ (7)	$ 7
Operating Margin %	— %	— %	— %	— %	16.7 %	(8.3)%	8.4 %

(a) Computed based on contribution margin.

Table of Contents

Six Months Ended		Gross Margin Changes Attributable to (a):					
Operating Income (in millions)	June 24, 2017	Price	Volume/ Sales Mix	Cost	Acquisition	SG&A and other	June 30, 2018
Operating Income	$ —	$ —	$ —	$ —	$ 21	$ (11)	$ 10
Operating Margin %	— %	— %	— %	— %	13.1 %	(6.9)%	6.2 %

(a) Computed based on contribution margin.

Operating income for Paper increased in the three and six month periods due to the Acquisition. Included in SG&A and other for the second quarter of 2018 is approximately $3 million in duties paid for newspaper sold into the United States and approximately $2 million of intangibles amortization expense. Operating expenses during the first six months of 2018 included duties paid of $5 million and intangibles amortization of $4 million.

Corporate

	Three Months Ended		Six Months Ended	
(in millions)	June 30, 2018	June 24, 2017	June 30, 2018	June 24, 2017
Operating loss	$ (12)	$ (17)	$ (23)	$ (25)

Excluding transaction costs associated with the Acquisition of $8 million in the three and six month periods ended June 24, 2017, Corporate operating expenses increased during the three and six month periods as a result 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 $7 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 and second quarters for a total of approximately $7 million.

The declaration and payment of future 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 second quarter of 2018, we repurchased and retired 646,248 shares of common stock under this buyback program at an average price of $17.80 per share, excluding commissions, for an aggregate purchase price of approximately $11 million.

Our debt agreements contain various customary covenants. At June 30, 2018, we were in compliance with all covenants. Our financial statements include assets of $1,435 million, revenue of $694 million, covenant EBITDA of $282 million and liabilities of $1,014 million for non-guarantors of our debt as of June 30, 2018.

Table of Contents

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

	June 30, 2018	December 31, 2017
Cash and cash equivalents (a)	$ 80	$ 96
Availability under the Revolving Credit Facility (b)	217	216
Total debt (c)	1,224	1,241
Stockholders' equity	739	694
Total capitalization (total debt plus equity)	1,963	1,935
Debt to capital ratio	62 %	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 $33 million at June 30, 2018 and $34 million at December 31, 2017.

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

During the six months ended June 30, 2018, we made $11 million in principal repayments on the Term A-2 Loan Facility.

Cash Flows (in millions of dollars)

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

Cash Provided by (Used for):	June 30, 2018	June 24, 2017
Operating activities	$ 89	$ 87
Investing activities	(64)	(32)
Financing activities	(41)	(12)

Cash provided by operating activities during the first half of 2018 increased $2 million compared to the prior year period as increased net income and non-cash adjustments due to the Acquisition were offset by an increase in working capital from higher inventories as production volumes exceeded sales volumes, 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 half 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.

Cash used for financing activities during the first half of 2018 increased $29 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. Adjusted EBITDA is defined by the Company as EBITDA before gain on bargain purchase, acquisition related costs and gain on derivative instrument. EBITDA and adjusted EBITDA are not necessarily indicative of results that may be generated in future periods.

Table of Contents

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
June 30, 2018						
Net Income	$ 16	$ 26	$ 9	$ 33	$ (30)	$ 54
Depreciation and amortization	2	1	4	26	—	33
Interest expense, net	—	—	—	—	15	15
Income tax expense	—	—	—	—	19	19
EBITDA	18	27	13	59	4	121
Gain on bargain purchase	—	—	—	(3)	(12)	(15)
Adjusted EBITDA	$ 18	$ 27	$ 13	$ 56	$ (8)	$ 106
June 24, 2017						
Net Income	$ —	$ —	$ —	$ 31	$ (26)	$ 5
Depreciation and amortization	—	—	—	20	—	20
Interest expense, net	—	—	—	—	9	9
Income tax expense	—	—	—	—	2	2
EBITDA	—	—	—	51	(15)	36
Acquisition related costs	—	—	—	—	8	8
Gain on derivative instrument	—	—	—	—	(2)	(2)
Adjusted EBITDA	$ —	$ —	$ —	$ 51	$ (9)	$ 42

EBITDA for the three months ended June 30, 2018 increased from the prior year period primarily due to increased earnings as a result of the Acquisition.

Adjusted EBITDA for the three months ended June 30, 2018 increased from the prior year period primarily due to increased earnings as a result of the Acquisition.

Table of Contents

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

Six Months Ended:	Forest Products	Pulp	Paper	High Purity Cellulose	Corporate & Other	Total
June 30, 2018						
Net Income	$ 27	$ 49	$ 14	$ 57	$ (69)	$ 78
Depreciation and amortization	3	2	9	56	—	70
Interest expense, net	—	—	—	—	30	30
Income tax expense	—	—	—	—	29	29
EBITDA	30	51	23	113	(10)	207
Gain on bargain purchase	—	—	—	(3)	(12)	(15)
Adjusted EBITDA	$ 30	$ 51	$ 23	$ 110	$ (22)	$ 192
June 24, 2017						
Net Income	$ —	$ —	$ —	$ 64	$ (50)	$ 14
Depreciation and amortization	—	—	—	43	—	43
Interest expense, net	—	—	—	—	17	17
Income tax expense	—	—	—	—	10	10
EBITDA	—	—	—	107	(23)	84
Acquisition related costs	—	—	—	—	8	8
Gain on derivative instrument	—	—	—	—	(2)	(2)
Adjusted EBITDA	$ —	$ —	$ —	$ 107	$ (17)	$ 90

EBITDA for the six months ended June 30, 2018 increased from the prior year period primarily due to increased earnings as a result of the Acquisition.

Adjusted EBITDA for the six months ended June 30, 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):

Cash Flows from Operations to Adjusted Free Cash Flows Reconciliation	Six Months Ended June 30, 2018	June 24, 2017
Cash provided by operating activities	$ 89	$ 87
Capital expenditures (a)	(41)	(31)
Adjusted Free Cash Flows	$ 48	$ 56

(a) Capital expenditures exclude strategic capital expenditures which are deemed discretionary by management. Strategic expenditures for the first six months of 2018 were approximately $23 million. Strategic capital expenditures for the same period of 2017 were approximately $1 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.

Table of Contents

Contractual Financial Obligations and Off-Balance Sheet Arrangements

The following table includes the material additions of energy purchase contracts 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. These purchase obligations consists of payments expected to be made for energy.

	Purchase Obligations
2018	$ 8
2019	11
2020	2
2021	1
2022	—
Thereafter	—
Total	$ 22

See Note 15 — Commitments and Contingencies for details on our letters of credit and surety bonds as of June 30, 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 June 30, 2018, we had $624 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 June 30, 2018 was $582 million compared to the $600 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 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 June 30, 2018.

During the quarter ended June 30, 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.

Table of Contents

Part II. Other Information

Item 1. Legal Proceedings

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.

Jesup Plant Permit

On January 27, 2016, the Altamaha Riverkeeper ("ARK") filed a Petition for Hearing in the Office of Administrative Hearings for the State of Georgia, captioned Altamaha Riverkeeper, Inc. v. Environmental Protection Division ("EPD"), Georgia Department of Natural Resources, in which ARK appealed the issuance by EPD to the Company of a new permit for the treatment and discharge of waste water from the Jesup mill, which was to go into effect March 1, 2016. In the petition, ARK claims, among other things, that the issuance of the permit by EPD would violate Georgia's narrative water quality standard, a rule promulgated by the Georgia Natural Resources Board pursuant to certain provisions of the Clean Water Act and the Georgia Water Quality Control Act. The petition seeks to have the permit invalidated and modified as demanded by ARK. On February 16, 2016, the Company moved to legally intervene, as a party-in-interest, in this matter (because EPD, as the permit issuer, is the named defendant) and its petition was granted by the administrative law judge ("ALJ"). The trial was held in June of 2016, and on September 30, 2016 the ALJ issued her decision. While the ALJ rejected many of ARK's claims, she held there existed a reasonable potential for the Company's treated effluent discharged to the Altamaha River to cause a violation of Georgia's narrative water quality standard, but only under low (rather than "normal") river flow conditions. As such, the ALJ reversed the issuance of the new permit by EPD and remanded the matter back to EPD for consideration and issuance of a permit that comports with this ruling.

The Company strongly disagreed with the decision and appealed it, as did EPD. The appeal was heard in the Superior Court of Wayne County, Georgia and on March 17, 2017 the Superior Court Judge issued an order reversing ALJ's decision and ordering the permit affirmed as issued by EPD. ARK appealed this decision to the Georgia Court of Appeals. Before the Court of Appeals ruled, on March 27, 2018 the Georgia Department of Natural Resources Board (the "Board") voted to clarify the language of the narrative water quality standard at issue in this litigation. The language clarification adopted by the Board confirmed and essentially ratified the Superior Court's decision. On June 13, 2018, the Court of Appeals issued its opinion affirming the Superior Court's decision, and remanded the case to the ALJ to apply the standard advocated by the Company and articulated by the Superior Court, as affirmed by the Court of Appeals, to the issuance of the Permit. To provide certainty to the Company while this matter is on remand to the ALJ, the Company and EPD have entered into a consent order requiring the Company to continue to operate under the conditions of the Permit.

ARK has filed a petition asking the Georgia Supreme Court to hear its appeal of the Court of Appeals decision, and the Company and EPD have filed papers opposing the petition. Granting of certiorari in this case is discretionary on the part of the Georgia Supreme Court, and a decision in this regard may take several months. The Company believes the decisions of both the Superior Court and Court of Appeals are legally sound, and we await the decision of the Georgia Supreme Court on ARK's certiorari petition.

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, 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.

Table of Contents

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.

Item 1A. Risk Factors

Table of Contents

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 in respect of the risk factor titled "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." One matter discussed in this risk factor is the dumping investigation into the import of uncoated groundwood paper (including newsprint, which is produced by the Company) into the U.S. from Canada by the U.S. Department of Commerce ("DOC"). Since filing of the Company's 2017 Form 10-K, in addition to a preliminary countervailing duty of 6.53%, the DOC has imposed a preliminary anti-dumping duty of 22.16%, for a total duty of 28.69%, to be imposed on certain Canadian producers, including the Company. These duties are being vigorously challenged through various political and legal processes, including the DOC and the International Trade Commission and, if those are unsuccessful, they will be likely challenged through the World Trade Association and NAFTA legal processes.

In addition, we noted in this risk factor the current Chinese tariffs on imports of lower purity commodity viscose pulp from the U.S. and Canada. Recent trade-related events, including imposition in June of 2018 by the U.S. of tariffs on approximately $34 billion of Chinese imports and the July 2018 threat by the U.S. government to impose tariffs on an additional $200 billion of Chinese imports, could result in retaliation by the Chinese government. Such retaliation could take the form of investigation and/or imposition of tariffs on additional products sold by the Company into China. Any such tariffs could have a material impact on our business, financial conditions 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 June 30, 2018:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of 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
April 1 to May 5 (a)	89	$ 21.47	—	$ 100,000,000
May 6 to June 2 (b)	171,342	17.92	171,342	96,927,000
June 3 to June 30 (b)	474,906	17.72	474,906	88,523,000
Total	646,337		646,248	

(a) Repurchased to satisfy the tax withholding requirements related to the issuance of stock under the Rayonier Advanced Materials Incentive Stock Plan.

(b) 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 of June 30, 2018, there was approximately $89 million remaining under the program. Refer to Note 10 — Earnings Per Share of Common Stock for additional information.

Table of Contents

Item 6. Exhibits

10.1	Rayonier Advanced Materials Inc. 2017 Incentive Stock Plan, including the French Sub-Plan effective May 21, 2018	Incorporated herein by reference to Appendix A to the Registrant’s Proxy Statement filed on April 6, 2018
31.1	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
31.2	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
32	Certification of Periodic Financial Reports Under Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101	The following financial information from our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2018 formatted in Extensible Business Reporting Language (“XBRL”), includes: (i) the Condensed Consolidated Statements of Income and Comprehensive Income for the Three and Six Months Ended June 30, 2018 and June 24, 2017; (ii) the Condensed Consolidated Balance Sheets as of June 30, 2018 and December 31, 2017; (iii) the Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2018 and June 24, 2017; and (iv) the Notes to Condensed Consolidated Financial Statements	Filed herewith

Table of Contents

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: August 9, 2018