UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

OR

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

For the transition period from to

Commission File Number 001-36285

RAYONIER ADVANCED MATERIALS INC.

Incorporated in the State of **Delaware**

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

Principal Executive Office:

1301 RIVERPLACE BOULEVARD, SUITE 2300
JACKSONVILLE, FL 32207

Telephone Number: **(904) 357-4600**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of exchange on which registered
Common stock, par value $0.01 per share	RYAM	New York Stock Exchange

Securities to be registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The registrant had 65,343,418 shares of common stock outstanding as of November 6, 2023.

Table of Contents

	Page
Part I. Financial Information	
Item 1. Financial Statements (Unaudited)	
Consolidated Statements of Operations	1
Consolidated Statements of Comprehensive Income (Loss)	2
Consolidated Balance Sheets	3
Consolidated Statements of Stockholders’ Equity	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Item 3. Quantitative and Qualitative Disclosures about Market Risk	30
Item 4. Controls and Procedures	31
Part II. Other Information	
Item 1. Legal Proceedings	32
Item 1A. Risk Factors	32
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	32
Item 6. Exhibits	33
Signature	34

Glossary

The following terms and abbreviations appearing in the text of this report have the meanings indicated below.

2022 Form 10-K	RYAM Annual Report on Form 10-K for the year ended December 31, 2022
2024 Notes	$550 million original aggregate principal amount of 5.50 percent senior unsecured notes due 2024, issued May 2014
2026 Notes	$500 million original aggregate principal amount of 7.625 percent senior secured notes due 2026, issued December 2020
2027 Term Loan	$250 million original aggregate principal amount of variable rate term loan maturing July 2027, entered into July 2023
2G	Second generation
ABL Credit Facility	5-year senior secured asset-based revolving credit facility due December 2025
AOCI	Accumulated other comprehensive income (loss)
CAD	Canadian dollar
CEWS	Canada Emergency Wage Subsidy
DTA	Deferred tax asset
EBITDA	Earnings before interest, taxes, depreciation and amortization
Exchange Act	Securities Exchange Act of 1934, as amended
Financial Statements	Consolidated financial statements included in Part I Item 1 of this Quarterly Report on Form 10-Q
GAAP	United States generally accepted accounting principles
GreenFirst	GreenFirst Forest Products, Inc.
LTF	LignoTech Florida LLC
MT	Metric ton
OPEB	Other post-employment benefits
Purchase Right	Board-declared dividend of one preferred share purchase right for each outstanding share of RYAM common stock
ROU	Right-of-use
RYAM, the Company, our, we, us	Rayonier Advanced Materials Inc. and its consolidated subsidiaries
SEC	United States Securities and Exchange Commission
SG&A	Selling, general and administrative expense
SOFR	Secured Overnight Financing Rate
TSR	Total shareholder return
U.S.	United States of America
USD	United States of America dollar
USDOC	United States Department of Commerce

Part I. Financial Information
Item 1. Financial Statements

Rayonier Advanced Materials Inc.
Consolidated Statements of Operations
(Unaudited)
(in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Net sales	$ 368,670	$ 466,346	$ 1,220,844	$ 1,217,282
Cost of sales	(359,938)	(419,804)	(1,160,044)	(1,138,118)
Gross margin	8,732	46,542	60,800	79,164
Selling, general and administrative expense	(21,162)	(19,905)	(58,653)	(68,041)
Foreign exchange gain (loss)	624	3,025	(1,510)	4,480
Other operating expense, net	(2,634)	(1,133)	(4,939)	(5,764)
Operating income (loss)	(14,440)	28,529	(4,302)	9,839
Interest expense	(21,015)	(16,433)	(51,949)	(49,318)
Other components of pension and OPEB, excluding service costs (Note 14)	501	1,009	(834)	1,910
Gain on GreenFirst equity securities (Note 2)	—	—	—	5,197
Other income, net	3,281	4,117	6,894	6,760
Income (loss) from continuing operations before income taxes	(31,673)	17,222	(50,191)	(25,612)
Income tax (expense) benefit (Note 15)	5,392	1,824	11,227	(3,230)
Equity in loss of equity method investment	(259)	(691)	(1,591)	(2,127)
Income (loss) from continuing operations	(26,540)	18,355	(40,555)	(30,969)
Income from discontinued operations, net of taxes (Note 2)	1,440	11,252	312	12,458
Net income (loss)	$ (25,100)	$ 29,607	$ (40,243)	$ (18,511)
Basic earnings per common share (Note 12)				
Income (loss) from continuing operations	$ (0.41)	$ 0.29	$ (0.62)	$ (0.48)
Income from discontinued operations	0.02	0.18	—	0.20
Net income (loss) per common share-basic	$ (0.39)	$ 0.47	$ (0.62)	$ (0.28)
Diluted earnings per common share (Note 12)				
Income (loss) from continuing operations	$ (0.41)	$ 0.28	$ (0.62)	$ (0.48)
Income from discontinued operations	0.02	0.17	—	0.20
Net income (loss) per common share-diluted	$ (0.39)	$ 0.45	$ (0.62)	$ (0.28)

See Notes to Consolidated Financial Statements.

Rayonier Advanced Materials Inc.
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)
(in thousands)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	**September 24, 2022**	**September 30, 2023**	**September 24, 2022**
Net income (loss)	$ (25,100)	$ 29,607	$ (40,243)	$ (18,511)
Other comprehensive loss, net of tax (Note 10)				
Foreign currency translation adjustment	(5,212)	(14,697)	(1,109)	(30,561)
Unrealized gain on derivative instruments	47	67	150	224
Net gain (loss) on employee benefit plans	(65)	1,948	(2,432)	5,844
Total other comprehensive loss	(5,230)	(12,682)	(3,391)	(24,493)
Comprehensive income (loss)	$ (30,330)	$ 16,925	$ (43,634)	$ (43,004)

See Notes to Consolidated Financial Statements.

Rayonier Advanced Materials Inc.
Consolidated Balance Sheets
(Unaudited)
(in thousands, except share and par value amounts)

	September 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	$ 27,127	$ 151,803
Accounts receivable, net (Note 3)	175,814	211,526
Inventory (Note 4)	242,691	265,334
Prepaid and other current assets	72,696	60,867
Total current assets	518,328	689,530
Property, plant and equipment (net of accumulated depreciation of $1,792,607 and $1,721,898, respectively)	1,132,469	1,151,268
Deferred tax assets	329,084	322,164
Intangible assets, net	19,166	24,423
Other assets	176,619	160,143
Total assets	$ 2,175,666	$ 2,347,528
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 171,333	$ 163,962
Accrued and other current liabilities (Note 6)	133,716	164,369
Debt due within one year (Note 7)	18,621	14,617
Current environmental liabilities (Note 8)	10,740	10,732
Total current liabilities	334,410	353,680
Long-term debt (Note 7)	730,453	838,508
Non-current environmental liabilities (Note 8)	158,854	159,949
Pension and other postretirement benefits (Note 14)	119,737	119,571
Deferred tax liabilities	14,972	17,021
Other liabilities	31,563	29,486
Commitments and contingencies (Note 17)		
Stockholders' Equity		
Common stock: 140,000,000 shares authorized at $0.01 par value, 65,343,418 and 64,020,761 issued and outstanding, respectively	654	640
Additional paid-in capital	418,032	418,048
Retained earnings	434,180	474,423
Accumulated other comprehensive loss (Note 10)	(67,189)	(63,798)
Total stockholders' equity	785,677	829,313
Total liabilities and stockholders' equity	$ 2,175,666	$ 2,347,528

See Notes to Consolidated Financial Statements.

Rayonier Advanced Materials Inc.
Consolidated Statements of Stockholders' Equity
(Unaudited)
(in thousands, except share data)

	Common Stock Shares	Common Stock Par Value	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Three months ended September 30, 2023						
Balance at July 1, 2023	65,343,418	$ 654	$ 416,042	$ 459,280	$ (61,959)	$ 814,017
Net loss	—	—	—	(25,100)	—	(25,100)
Other comprehensive loss, net of tax	—	—	—	—	(5,230)	(5,230)
Stock-based compensation	—	—	1,990	—	—	1,990
Balance at September 30, 2023	65,343,418	$ 654	$ 418,032	$ 434,180	$ (67,189)	$ 785,677
Three months ended September 24, 2022						
Balance at June 25, 2022	63,971,166	$ 639	$ 415,257	$ 441,224	$ (96,281)	$ 760,839
Net income	—	—	—	29,607	—	29,607
Other comprehensive loss, net of tax	—	—	—	—	(12,682)	(12,682)
Stock-based compensation	—	—	1,959	—	—	1,959
Balance at September 24, 2022	63,971,166	$ 639	$ 417,216	$ 470,831	$ (108,963)	$ 779,723
Nine months ended September 30, 2023						
Balance at December 31, 2022	64,020,761	$ 640	$ 418,048	$ 474,423	$ (63,798)	$ 829,313
Net loss		—	—	(40,243)	—	(40,243)
Other comprehensive loss, net of tax		—	—	—	(3,391)	(3,391)
Issuance of common stock under incentive stock plans	1,966,815	20	(20)	—	—	—
Stock-based compensation	—	—	5,361	—	—	5,361
Repurchase of common stock[(a)]	(644,158)	(6)	(5,357)	—	—	(5,363)
Balance at September 30, 2023	65,343,418	$ 654	$ 418,032	$ 434,180	$ (67,189)	$ 785,677
Nine months ended September 24, 2022						
Balance at December 31, 2021	63,738,409	$ 637	$ 408,834	$ 489,342	$ (84,470)	$ 814,343
Net loss	—	—	—	(18,511)	—	(18,511)
Other comprehensive loss, net of tax	—	—	—	—	(24,493)	(24,493)
Issuance of common stock under incentive stock plans	294,936	3	(3)	—	—	—
Stock-based compensation	—	—	8,687	—	—	8,687
Repurchase of common stock[(a)]	(62,179)	(1)	(302)	—	—	(303)
Balance at September 24, 2022	63,971,166	$ 639	$ 417,216	$ 470,831	$ (108,963)	$ 779,723

(a) Repurchased to satisfy tax withholding requirements related to the issuance of stock under the Company's incentive stock plans.

See Notes to Consolidated Financial Statements.

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

	Nine Months Ended	
	September 30, 2023	**September 24, 2022**
Operating activities		
Net loss	$ (40,243)	$ (18,511)
Adjustments to reconcile net loss to cash provided by operating activities:		
Income from discontinued operations	(312)	(12,458)
Depreciation and amortization	104,073	96,294
Stock-based compensation expense	5,361	8,687
Deferred income tax expense (benefit)	(8,130)	372
Gain on GreenFirst equity securities	—	(5,197)
Net periodic benefit cost of pension and other postretirement plans	3,060	4,489
Unrealized (gain) loss on foreign currency	564	(6,853)
(Gain) loss on disposal of property, plant and equipment	(1,085)	2,917
Other	6,133	5,389
Changes in operating assets and liabilities:		
Accounts receivable	42,865	(41,599)
Inventories	22,301	(41,504)
Accounts payable	5,545	(2,393)
Accrued liabilities	(31,732)	23,620
Other	(17,493)	(338)
Contributions to pension and other postretirement plans	(8,768)	(5,467)
Cash provided by operating activities	82,139	7,448
Investing activities		
Capital expenditures, net	(95,203)	(114,159)
Investment in equity method investment	(415)	—
Cash used in investing activities-continuing operations	(95,618)	(114,159)
Cash provided by investing activities-discontinued operations	—	44,428
Cash used in investing activities	(95,618)	(69,731)
Financing activities		
Borrowings of long-term debt	303,217	5,721
Repayments of long-term debt	(397,087)	(51,410)
Short-term financing, net	(2,457)	(4,990)
Debt issuance costs	(10,082)	—
Repurchase of common stock	(5,363)	(303)
Cash used in financing activities	(111,772)	(50,982)
Net decrease in cash and cash equivalents	(125,251)	(113,265)
Net effect of foreign exchange on cash and cash equivalents	575	(8,369)
Balance, beginning of period	151,803	253,307
Balance, end of period	$ 27,127	$ 131,673
Supplemental cash flow information:		
Interest paid	$ (50,306)	$ (48,384)
Income taxes refunded (paid), net	(7,215)	16,484
Capital assets purchased on account	31,706	16,316

See Notes to Consolidated Financial Statements.

1. Basis of Presentation

The unaudited consolidated financial statements and notes thereto of the Company have been prepared in accordance with GAAP for interim financial information and in accordance with the rules and regulations of the SEC. In the opinion of management, these consolidated financial statements and notes reflect all adjustments, including all 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 consolidated financial statements and supplementary data included in the Company's 2022 Form 10-K.

As a result of the sale of its lumber and newsprint assets in August 2021, the Company presents the results for those operations and any associated impacts as discontinued operations. Unless otherwise stated, information in these notes to consolidated financial statements relates to continuing operations. See Note 2—Discontinued Operations for further information on the sale.

Recent Accounting Developments

There have been no new or recently adopted accounting pronouncements impacting the Company's consolidated interim financial statements.

Subsequent Events

The Company recently began plans towards a realignment of its High Purity Cellulose assets to optimize production mix, including a consolidation of its commodity products production into the Temiscaming plant. The Company is currently evaluating the potential impact of this realignment on its consolidated financial statements and disclosures.

2. Discontinued Operations

In August 2021, the Company completed the sale of its lumber and newsprint facilities and certain related assets located in Canada to GreenFirst for $232 million, which included 28.7 million shares of GreenFirst common stock with a deemed fair value of $42 million. In the second quarter of 2022, the Company sold the GreenFirst common shares for $43 million. Prior to the sale of shares, the GreenFirst common shares were accounted for at fair value, with changes in fair value recorded in the consolidated statements of operations. The shares sale agreement contains a purchase price protection clause whereby the Company is entitled to participate in further share price appreciation under certain circumstances until December 2023.

As part of the sale of the lumber assets, the Company retained all rights and obligations to softwood duties generated or incurred through the closing date of the sale. In total, the Company paid $112 million in softwood lumber duties from 2017 through August 2021, and expects to receive all or the vast majority of these duties upon final resolution of the dispute between the USDOC and Canada. During the third quarter of 2023, the USDOC completed its fourth administrative review of duties applied to Canada softwood lumber exports to the U.S. during 2021 and reduced rates applicable to the Company to a combined 8.05 percent. In connection with this development, the Company recorded a pre-tax gain of $2 million in "income from discontinued operations, net of taxes" and increased the long-term receivable related to USDOC administrative reviews to $40 million. During the third quarter of 2022, the USDOC completed its third administrative review of duties applied to Canada softwood lumber exports during 2020 and reduced applicable rates to a combined 8.6 percent, for which the Company recorded a pre-tax gain of $16 million.

During the nine months ended September 30, 2023, the Company incurred a $2 million loss related to the settlement of a claim pursuant to the representations and warranties in the asset purchase agreement.

(in thousands unless otherwise stated)

Income from discontinued operations was comprised of the following:

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Cost of sales	$ —	$ —	$ —	$ 155
Gross margin	—	—	—	155
Selling, general and administrative expense and other operating income, net	1,957	15,313	424	16,808
Operating income	1,957	15,313	424	16,963
Non-operating expense	—	(4)	—	(13)
Income from discontinued operations before income taxes	1,957	15,309	424	16,950
Income tax expense	(517)	(4,057)	(112)	(4,492)
Income from discontinued operations, net of taxes	$ 1,440	$ 11,252	$ 312	$ 12,458

3. Accounts Receivable, Net

Accounts receivable, net included the following:

	September 30, 2023	December 31, 2022
Accounts receivable, trade	$ 141,998	$ 171,144
Accounts receivable, other[(a)]	34,501	41,446
Allowance for credit loss	(685)	(1,064)
Accounts receivable, net	$ 175,814	$ 211,526

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

4. Inventory

Inventory included the following:

	September 30, 2023	December 31, 2022
Finished goods	$ 182,209	$ 198,931
Work-in-progress	5,816	5,230
Raw materials	47,421	52,967
Manufacturing and maintenance supplies	7,245	8,206
Inventory	$ 242,691	$ 265,334

5. Leases

The Company’s operating and finance leases are primarily for corporate offices, warehouse space, rail cars and equipment. As of September 30, 2023, the Company’s leases have remaining lease terms of less than one year to 13.1 years with standard renewal and termination options available at the Company’s discretion. Certain equipment leases have purchase options at the end of the term of the lease, which are not included in the ROU assets, as it is not reasonably certain that the Company will exercise such options. The Company’s lease agreements do not contain any material residual value guarantees or restrictive covenants. The Company uses its incremental borrowing rate in determining the present value of lease payments unless the lease provides an implicit or explicit interest rate.

(in thousands unless otherwise stated)

Financial and other information related to the Company’s operating and finance leases follow:

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Operating lease cost	$ 1,858	$ 1,973	$ 5,464	$ 5,821
Finance lease cost				
Amortization of ROU assets	102	95	301	281
Interest	26	34	85	106
Total lease cost	$ 1,986	$ 2,102	$ 5,850	$ 6,208

	Balance Sheet Classification	September 30, 2023	December 31, 2022
Operating leases			
ROU assets	Other assets	$ 17,600	$ 15,623
Lease liabilities, current	Accrued and other current liabilities	4,235	4,741
Lease liabilities, non-current	Other liabilities	14,220	11,399
Finance leases			
ROU assets	Property, plant and equipment, net	1,171	1,448
Lease liabilities	Long-term debt	1,459	1,760

	Nine Months Ended	
	September 30, 2023	September 24, 2022
Operating cash flows - cash paid for amounts included in the measurement of operating lease liabilities	$ 5,182	$ 1,770
Operating lease ROU assets obtained in exchange for lease liabilities	5,650	2,975

Finance lease cash flows were immaterial during each of the three and nine months ended September 30, 2023 and September 24, 2022.

	September 30, 2023	December 31, 2022
Operating leases		
Weighted average remaining lease term (in years)	5.7	5.8
Weighted average discount rate	8.4 %	8.9 %
Finance leases		
Weighted average remaining lease term (in years)	3.1	3.8
Weighted average discount rate	7.0 %	7.0 %

(in thousands unless otherwise stated)

6. Accrued and Other Current Liabilities

Accrued and other current liabilities included the following:

	September 30, 2023	December 31, 2022
Accrued customer incentives	$ 22,815	$ 28,702
Accrued payroll and benefits	14,974	13,763
Accrued interest	14,012	18,877
Accrued income taxes	2,854	9,321
Accrued property and other taxes	8,111	3,065
Deferred revenue[a]	20,459	21,645
Other current liabilities[b]	50,491	68,996
Accrued and other current liabilities	$ 133,716	$ 164,369

(a) Included at both September 30, 2023 and December 31, 2022 was CAD $25 million (USD $19 million) associated with funds received in 2021 for CEWS. All CEWS claims are subject to mandatory audit. The Company will recognize amounts from these claims in income at the time there is sufficient evidence that it will not be required to repay such amounts.

(b) Included at September 30, 2023 and December 31, 2022 was $17 million and $30 million, respectively, of energy-related payables associated with Tartas facility operations.

7. Debt and Finance Leases

Debt and finance leases included the following:

	September 30, 2023	December 31, 2022
ABL Credit Facility due 2025: $112 million available, bearing interest of 7.42% (5.42% adjusted SOFR plus 2.00% margin) at September 30, 2023	$ —	$ —
Term Loan due 2027: bearing interest of 13.33% (5.33% three-month Term SOFR plus 8.00% margin) at September 30, 2023	250,000	—
7.625% Senior Secured Notes due 2026	464,640	475,000
5.50% Senior Unsecured Notes due 2024	—	322,675
5.50% CAD-based term loan due 2028	31,776	36,585
Other loans[a]	20,507	19,598
Short-term factoring facility-France	1,292	3,773
Finance lease obligations	1,459	1,760
Total principal payments due	769,674	859,391
Less: unamortized debt premium, discount and issuance costs	(20,600)	(6,266)
Total debt	749,074	853,125
Less: debt due within one year	(18,621)	(14,617)
Long-term debt	$ 730,453	$ 838,508

(a) Consist of loans for energy and bioethanol projects in France.

Term Loan

In July 2023, the Company secured term loan financing of $250 million in aggregate principal amount and received net proceeds of $243 million after original issue discount. In addition, the Company incurred issuance costs of $10 million, which, together with the original issue discount, were recorded in "long-term debt" in the consolidated balance sheets and will be amortized to "interest expense" in the consolidated statements of operations over the term of the loan. The net proceeds, together with cash on hand, were used to redeem the 2024 Notes and pay transaction costs.

The 2027 Term Loan matures in July 2027, bears interest at an annual rate equal to three-month Term SOFR (or, if greater, 3.00 percent) plus 8.00 percent and requires quarterly principal payments of $1.25 million. The Company may voluntarily make prepayments at any time, subject to customary breakage costs and, if within the first three anniversaries of closing, an additional make-whole premium.

(in thousands unless otherwise stated)

The agreement governing the 2027 Term Loan contains various customary covenants that limit the ability of the Company and its restricted subsidiaries, as defined by the term loan agreement and in particular the Company's French subsidiaries, to take certain specified actions, subject to stated exceptions, including: incurring debt or liens, making investments, entering into mergers, consolidations, and acquisitions, paying dividends and making other restricted payments. The Company will be required to maintain a consolidated secured net leverage ratio, based on covenant EBITDA, of no greater than 4.50 to 1.00. Additionally, the 2027 Term Loan contains customary affirmative covenants and customary events of default (subject, in certain cases, to customary grace or cure periods), including, without limitation, late payment, breach of covenant, bankruptcy, judgment and defaults under certain other indebtedness and changes in control.

Senior Notes

2026 Notes

In April 2023, the Company repurchased $10 million of its 2026 Notes through open-market transactions and retired the notes for cash of $9 million. A gain on extinguishment of $1 million for the repurchase was recorded to "other income, net" in the consolidated statements of operations.

2024 Notes

In August 2023, the Company redeemed the $318 million principal balance and accrued interest of $4 million of the 2024 Notes. A loss on extinguishment of $1 million related to the redemption was recorded to "other income, net" in the consolidated statements of operations.

Prior to the full redemption of its 2024 Notes, in March 2023, the Company repurchased $5 million of the 2024 Notes through open-market transactions and retired the notes for cash of $5 million. An immaterial gain on extinguishment for the repurchase was recorded to "other income, net" in the consolidated statements of operations.

As of September 30, 2023, the Company's debt principal payments, excluding finance lease obligations, were due as follows:

Remainder of 2023	$	5,597
2024		16,345
2025		16,392
2026		480,320
2027		243,071
Thereafter		6,490
Total debt principal payments	$	768,215

8. Environmental Liabilities

The Company's environmental liabilities balance changed as follows during the nine months ended September 30, 2023:

Balance at December 31, 2022	$	170,681
Increase in liabilities		2,462
Payments		(3,634)
Foreign currency adjustments		85
Balance at September 30, 2023		169,594
Less: current portion		(10,740)
Non-current environmental liabilities	$	158,854

(in thousands unless otherwise stated)

In addition to these 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 or enforcement policies; developments in remediation technologies; increases in the cost of remediation, operation, maintenance and monitoring of its environmental liability 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 or non-governmental parties; and changes in accounting rules or interpretations. Based on information available as of September 30, 2023, the Company estimates this exposure could range up to approximately $85 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. This estimate excludes liabilities that would otherwise be considered reasonably possible but for the fact that they are not currently estimable, primarily due to the factors discussed above.

Subject to the previous paragraph, the Company believes its estimates of liabilities are sufficient for probable costs expected to be incurred over the next 20 years with respect to its environmental liabilities. However, no assurances are given that these estimates 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.

9. 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, using market information and what management believes to be appropriate valuation methodologies:

	September 30, 2023			December 31, 2022		
	Carrying Amount	Fair Value		Carrying Amount	Fair Value	
		Level 1	Level 2		Level 1	Level 2
Assets						
Cash and cash equivalents						
Cash	$ 17,484	$ 17,484	$ —	$ 127,288	$ 127,288	$ —
Money market and similar funds	9,643	9,643	—	24,515	24,515	—
Liabilities						
Fixed-rate long-term debt[a]	$ 513,004	$ —	$ 439,787	$ 847,591	$ —	$ 838,502

(a) Excludes finance lease obligations.

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

Cash and cash equivalents — Cash and cash equivalents are highly liquid investments purchased with an original or remaining maturity of three months or less at the date of purchase and the carrying amount is equal to fair market value. The Company measures its investments in money market and similar funds using level 1 inputs.

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

(in thousands unless otherwise stated)

10. Accumulated Other Comprehensive Loss

	Nine Months Ended	
	September 30, 2023	September 24, 2022
Unrecognized components of employee benefit plans, net of tax		
Balance, beginning of period	$ (43,694)	$ (76,849)
Other comprehensive loss before reclassifications	(3,034)	—
Income tax on other comprehensive loss	804	—
Reclassifications to earnings[a]		
Amortization of (gain) loss	(531)	7,466
Amortization of prior service cost	259	24
Income tax on reclassifications	70	(1,646)
Net comprehensive gain (loss) on employee benefit plans, net of tax	(2,432)	5,844
Balance, end of period	(46,126)	(71,005)
Unrealized gain (loss) on derivative instruments, net of tax		
Balance, beginning of period	(567)	(847)
Reclassifications to earnings - foreign currency exchange contracts[b]	173	258
Income tax on reclassifications	(23)	(34)
Net comprehensive gain on derivative instruments, net of tax	150	224
Balance, end of period	(417)	(623)
Foreign currency translation		
Balance, beginning of period	(19,537)	(6,774)
Foreign currency translation adjustment, net of tax[c]	(1,109)	(30,561)
Balance, end of period	(20,646)	(37,335)
Accumulated other comprehensive loss, end of period	$ (67,189)	$ (108,963)

(a) The AOCI components for defined benefit pension and post-retirement plans are included in the computation of net periodic benefit cost. See Note 14—Employee Benefit Plans for further information.
(b) Reclassifications of foreign currency exchange contracts are recorded in “cost of sales,” “other operating expense, net” or “other income, net,” as appropriate.
(c) Foreign currency translation is net of tax effects of $0 for all periods presented, as the French operations are taxed on the foreign functional currency, not the translated reporting currency.

11. Stockholders’ Equity

Stockholder Rights Plan

In March 2022, the Company adopted a stockholder rights plan whereby a significant penalty is imposed upon any person or group which acquires beneficial ownership of 10% or more of the Company’s common stock without the approval of the Board of Directors. On the same date, the Board of Directors declared a dividend of one preferred share Purchase Right for each outstanding share of common stock of the Company, par value $0.01 per share, which was paid to Company stockholders of record as of March 31, 2022. On March 20, 2023, the Purchase Rights expired.

12. Earnings Per Common Share

The following table provides the inputs to the calculations of basic and diluted earnings per common share (share amounts not in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Income (loss) from continuing operations	$ (26,540)	$ 18,355	$ (40,555)	$ (30,969)
Income from discontinued operations	1,440	11,252	312	12,458
Net income (loss) available for common stockholders	$ (25,100)	$ 29,607	$ (40,243)	$ (18,511)
Shares used for determining basic earnings per share of common stock	65,343,418	63,971,166	65,024,654	63,882,920
Dilutive effect of:				
Performance and restricted stock	—	1,548,941	—	—
Shares used for determining diluted earnings per share of common stock	65,343,418	65,520,107	65,024,654	63,882,920

Anti-dilutive instruments excluded from the computation of diluted earnings per share included (not in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Stock options	46,798	78,660	46,798	78,660
Performance and restricted stock	3,302,332	1,517,135	3,302,332	3,726,090
Total anti-dilutive instruments	3,349,130	1,595,795	3,349,130	3,804,750

13. Incentive Stock Plans

Stock-based compensation expense was as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Stock-based compensation expense	$ 1,990	$ 1,959	$ 5,361	$ 8,687

The Company made new grants of restricted stock units, performance-based stock units and performance-based cash awards during the first and second quarters of 2023. The 2023 restricted stock unit awards cliff vest after three years. The 2023 performance-based awards cliff vest after three years and are based equally on TSR relative to peers and three-year cumulative adjusted EBITDA. Participants can earn between 0 and 200 percent of the target award. Performance below the threshold for the TSR would result in zero payout for the TSR metric. The performance-based cash award is measured using the same objectives as the performance-based stock unit award but is paid and accounted for separately. Performance-based cash awards are classified as a liability and remeasured to fair value at the end of each reporting period until settlement.

In March 2023, the performance-based stock units granted in 2020 were settled with the issuance of 1,257,015 shares of common stock, including incremental shares of 370,366, based on performance results.

(in thousands unless otherwise stated)

The following table summarizes the 2023 activity of the Company's incentive stock awards:

	Stock Options		Restricted 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 December 31, 2022	77,767	$ 39.98	1,697,587	$ 6.21	1,956,919	$ 6.79
Granted	—	—	972,307	5.32	305,764	9.09
Forfeited	—	—	(28,363)	5.95	(5,433)	4.73
Exercised or settled	—	—	(709,800)	5.49	(886,649)	5.95
Expired or cancelled	(30,969)	43.32	—	—	—	—
Outstanding at September 30, 2023	46,798	$ 37.77	1,931,731	$ 6.03	1,370,601	$ 7.83

14. Employee Benefit Plans

Defined Benefit Plans

The Company has defined benefit pension and other long-term and postretirement benefit plans covering certain union and non-union employees, primarily in the U.S. and Canada. The defined benefit pension plans are closed to new participants. The liabilities for these plans are calculated using actuarial estimates and management assumptions. These estimates are based on historical information and certain assumptions about future events.

During the nine months ended September 24, 2022, the Company recorded a $1 million loss related to the final asset surplus distribution to the plan participants of certain wound-up Canadian pension plans. During the nine months ended September 30, 2023, the Company recorded a $2 million loss related to the final asset surplus distribution to the plan participants of certain other wound-up Canadian pension plans. The settlements were recognized in "other components of pension and OPEB, excluding service costs" in the Company's consolidated statements of operations.

The following tables present the components of net periodic benefit costs of these plans:

	Pension		Postretirement	
	Three Months Ended		Three Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Service cost	$ 1,223	$ 2,150	$ 293	$ 352
Interest cost	7,204	4,561	352	215
Expected return on plan assets	(7,967)	(8,258)	—	—
Amortization of prior service cost (credit)	111	38	(24)	(31)
Amortization of (gain) loss	(123)	2,473	(54)	17
Pension settlement loss	—	(25)	—	—
Net periodic benefit cost	$ 448	$ 939	$ 567	$ 553

	Pension		Postretirement	
	Nine Months Ended		Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Service cost	$ 3,664	$ 6,497	$ 879	$ 1,057
Interest cost	21,586	13,764	1,057	646
Expected return on plan assets	(23,854)	(24,965)	—	—
Amortization of prior service cost (credit)	332	116	(73)	(92)
Amortization of (gain) loss	(369)	7,419	(162)	47
Pension settlement loss	2,317	1,154	—	—
Net periodic benefit cost	$ 3,676	$ 3,985	$ 1,701	$ 1,658

(in thousands unless otherwise stated)

Service cost is included in “cost of sales” or “selling, general and administrative expense” in the consolidated statements of operations, as appropriate. Interest cost, expected return on plan assets, amortization of prior service cost (credit) and amortization of (gain) loss are included in “other components of pension and OPEB, excluding service costs” in the consolidated statements of operations.

15. Income Taxes

Effective Tax Rate

The Company’s effective tax rates were as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2023	**September 24, 2022**	**September 30, 2023**	**September 24, 2022**
Income (loss) from continuing operations	$ (26,540)	$ 18,355	$ (40,555)	$ (30,969)
Effective tax rate	17.0 %	(10.6)%	22.4 %	(12.6)%

The 2023 effective tax rates differed from the federal statutory rate of 21 percent primarily due to disallowed interest deductions in the U.S. and nondeductible executive compensation, offset by U.S. tax credits, return-to-accrual adjustments related to previously filed tax returns, changes in the valuation allowance on disallowed interest deductions and interest received on overpayments of tax from prior years. The effective tax rate for the nine-month period was also impacted by an excess tax benefit on vested stock compensation.

The effective tax rate for the three months ended September 24, 2022 differed from the federal statutory rate of 21 percent primarily due to changes in the valuation allowance on disallowed interest deductions in the U.S. and interest received on overpayments of tax from prior years, partially offset by unfavorable tax return-to-accrual adjustments. The effective tax rate for the nine months ended September 24, 2022 differed from the federal statutory rate primarily due to changes in the valuation allowance on disallowed interest deductions in the U.S. and nondeductible executive compensation, partially offset by interest received on overpayments of tax from prior years, U.S. tax credits and favorable tax return-to-accrual adjustments.

Deferred Taxes

As of both September 30, 2023 and December 31, 2022, the Company’s net DTA included $17 million of disallowed U.S. interest deductions that the Company does not believe will be realized. In strict compliance with the American Institute of Certified Public Accountants’ Technical Questions and Answers 3300.01-02, which asserts that certain material evidence regarding the realizability of disallowed U.S. interest deductions should be ignored when assessing the need for a valuation allowance, the Company has not recognized a valuation allowance on this portion of the net DTA generated from disallowed interest.

16. Segments

The Company operates in the following business segments: High Purity Cellulose, Paperboard and High-Yield Pulp. Corporate consists 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 allocates a portion of the cost of maintaining these support functions to its operating units.

The Company evaluates the performance of its segments based on operating income (loss). Intersegment sales consist primarily of High-Yield Pulp sales to Paperboard. Intersegment sales prices are at rates that approximate market for the respective operating area.

(in thousands unless otherwise stated)

Net sales, disaggregated by product line, was comprised of the following:

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
High Purity Cellulose				
Cellulose Specialties	$ 164,654	$ 243,175	$ 570,584	$ 645,169
Commodity Products	98,834	92,638	321,548	223,151
Other sales[a]	28,528	33,080	73,447	84,059
Total High Purity Cellulose	292,016	368,893	965,579	952,379
Paperboard	57,212	65,039	164,300	182,512
High-Yield Pulp	25,393	39,564	111,397	101,992
Eliminations	(5,951)	(7,150)	(20,432)	(19,601)
Net sales	$ 368,670	$ 466,346	$ 1,220,844	$ 1,217,282

[a] Include sales of bioelectricity, lignosulfonates and other by-products to third parties.

Operating income (loss) by segment was comprised of the following:

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
High Purity Cellulose	$ (5,547)	$ 22,536	$ 6,965	$ 21,221
Paperboard	13,088	11,293	28,680	27,579
High-Yield Pulp	(6,062)	5,646	2,030	3,910
Corporate	(15,919)	(10,946)	(41,977)	(42,871)
Operating income (loss)	$ (14,440)	$ 28,529	$ (4,302)	$ 9,839

Identifiable assets by segment were as follows:

	September 30, 2023	December 31, 2022
High Purity Cellulose	$ 1,544,041	$ 1,654,214
Paperboard	115,851	112,757
High-Yield Pulp	36,276	50,947
Corporate	479,498	529,610
Total assets	$ 2,175,666	$ 2,347,528

17. Commitments and Contingencies

Commitments

The Company had no material changes to the purchase obligations presented in its 2022 Form 10-K that were outside the normal course of business during the nine months ended September 30, 2023. The Company's purchase obligations continue to primarily consist of commitments for the purchase of natural gas, steam energy and wood chips.

The Company leases certain buildings, machinery and equipment under various operating and finance leases. See Note 5—Leases for further information.

Litigation and Contingencies

Duties on Canadian Softwood Lumber Sold to the U.S.

The Company previously operated six softwood lumber mills in Ontario and Quebec, Canada, and exported softwood lumber into the U.S. from Canada. In connection with these exports, the Company paid approximately $112 million for softwood lumber duties between 2017 and August 28, 2021, including $1 million of ancillary fees, which were recorded as expense in the periods incurred. As part of the sale of its lumber assets, the Company retained all rights and obligations to softwood duties generated or incurred through the closing date of the sale. As of September 30, 2023, the Company had a $40 million long-term receivable associated with the USDOC's determinations of the revised rates for the 2017, 2018, 2019, 2020 and 2021 periods. This amount does not include interest, which will be due on any amounts refunded. The Company estimates interest earned on the total amount of softwood lumber duties paid to be approximately $6 million.

Cash is not expected to return to the Company until final resolution of the softwood lumber dispute, which remains subject to legal challenges.

Other

In addition to the above, 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 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. These other lawsuits and claims, either individually or in the aggregate, are not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Guarantees and Other

The Company provides financial guarantees as required by creditors, insurance programs and various governmental agencies. As of September 30, 2023, the Company had net exposure of $34 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 standby letters of credit have various expiration dates and are expected to be renewed as required.

The Company had surety bonds of $90 million as of September 30, 2023, 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.

LTF is a venture in which the Company owns 45 percent and its partner, Borregaard ASA, owns 55 percent. The Company is a guarantor of LTF's financing agreements and, in the event of default, expects it would only be liable for its proportional share of any repayment under the agreements. The Company's proportion of the LTF financing agreement guarantee was $29 million at September 30, 2023.

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

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

As of December 31, 2022, a collective bargaining agreement covering approximately 575 unionized employees was expired. The employees continued to work under the terms of the expired contract until negotiations concluded in the second quarter of 2023 and final agreement with the union was reached. As of September 30, 2023, all of the Company's collective bargaining agreements covering its unionized employees were current.

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

The following analysis of our financial condition and results of operations should be read in conjunction with our Financial Statements and the notes thereto included in this Quarterly Report on Form 10-Q and with our 2022 Form 10-K and information contained in subsequent Forms 8-K and other reports filed with the SEC.

Forward-Looking Statements

Certain statements in this Quarterly Report on Form 10-Q regarding anticipated financial, business, legal or other outcomes, including business and market conditions, outlook and other similar statements relating to 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," "could," "expect," "estimate," "believe," "intend," "plan," "forecast," "anticipate," "project," "guidance" and other similar language. However, the absence of these or similar words or expressions does not mean that a statement is not forward-looking.

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 that these expectations will be attained, and it is possible that actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties. The risk factors contained in Item 1A—Risk Factors of our 2022 Form 10-K, among others, could cause actual results or events to differ materially from our historical experience and those expressed in forward-looking statements made in this report.

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

Business Overview

We are a global leader of specialty cellulose materials with a broad offering of high purity cellulose specialties, a natural polymer used in the production of a variety of specialty chemical products, including liquid crystal displays, filters, textiles and performance additives for pharmaceutical, food and other industrial applications. Building upon more than 95 years of experience in cellulose chemistry, we provide some of the highest quality high-purity cellulose pulp products that make up the essential building blocks for our customers' products while providing exceptional service and value. We also produce a unique, lightweight multi-ply paperboard product and a bulky, high-yield pulp product. Our paperboard is used for production in the commercial printing, lottery ticket and high-end packaging sectors. Our high-yield pulp is used by paperboard producers, as well as in traditional printing, writing and specialty paper manufacturing.

We operate in the following business segments: High Purity Cellulose, Paperboard and High-Yield Pulp.

Recent Business Developments

- In July 2023, we secured term loan financing of $250 million in aggregate principal amount, the proceeds of which were used, together with cash on hand, to redeem the $318 million principal balance of the 2024 Notes in August 2023.
- In April 2023, we repurchased $10 million of our 2026 Notes through open-market transactions and retired the notes for cash of $9 million.
- In March 2023, we repurchased $5 million of our 2024 Notes through open-market transactions and retired the notes for cash of $5 million.

Market Assessment

In October 2023, we announced that we engaged a financial advisor to explore the potential sale of our Paperboard and High-Yield Pulp assets located at our Temiscaming site. This strategic move is aligned with our commitment to enhancing our operational and financial performance, optimizing our portfolio to align with our long-term growth strategy and providing flexibility to pay down debt and reduce leverage.

The following market assessment represents our best current estimate of our business segments' future performance.

High Purity Cellulose

Average sales prices for cellulose specialties in 2023 are expected to be in the high single-digit percent higher than average 2022 sales prices, while sales volumes are expected to decrease from prior year due to softness in sales orders driven principally by significant customer destocking and market-driven demand declines. Market demand for commodity products remains resilient with fluff and viscose prices bottoming in the third quarter and a slight uptick expected in the fourth quarter. Commodity sales volumes are expected to continue to increase through the end of 2023. The prices for certain inputs have come off the 2022 highs but are expected to remain significantly elevated versus pre-COVID pandemic levels. We expect to take downtime at our Tartas facility at the end of 2023 due to market conditions and to improve working capital.

We recently began plans towards a realignment of our High Purity Cellulose assets to optimize production mix, including a consolidation of our commodity products production into the Temiscaming plant. We are currently evaluating the potential impact of this realignment on our consolidated financial statements and disclosures.

Paperboard

Paperboard prices are expected to rebound slightly in the fourth quarter, remaining elevated from 2022 levels, while sales volumes are expected to improve in the second half of the year as customer inventories return to more normal levels. Raw material prices are expected to increase slightly as purchased pulp prices are forecast to increase in the fourth quarter. We expect to take downtime in the coming quarter due to market conditions and to improve working capital.

High-Yield Pulp

High-yield pulp prices have declined due to soft demand and new paper pulp capacity ramping up. Prices are expected to decline overall in 2023 despite an expected uptick in the fourth quarter, in line with industry forecasts for the global paper pulp market. We expect to take downtime in the coming quarter due to market conditions and to improve working capital.

A Sustainable Future

Our portfolio is aligned with sustainability drivers in the European Green Deal for the Renewable Energy Directive II and the 2G bio-fuel that is noncompetitive to human food supply. The 2G bioethanol facility at our Tartas, France plant is near completion and is anticipated to be operational in the first quarter of 2024. The total estimated cost of the project is approximately $40 million, with $22 million to be spent in 2023. We plan to utilize $28 million of low-cost green loans to help fund the project, including $10 million already borrowed, and $4 million in grants. The project is expected to provide $8 million to $10 million of annual incremental EBITDA, depending on current exchange rates, beginning in 2025.

Results of Operations

(in millions, except percentages)	Three Months Ended September 30, 2023	Three Months Ended September 24, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 24, 2022
Net sales	$ 369	$ 466	$ 1,221	$ 1,217
Cost of sales	(360)	(419)	(1,160)	(1,138)
Gross margin	9	47	61	79
Selling, general and administrative expense	(22)	(20)	(59)	(68)
Foreign exchange gain (loss)	1	3	(1)	4
Other operating expense, net	(2)	(1)	(5)	(5)
Operating income (loss)	(14)	29	(4)	10
Interest expense	(21)	(16)	(52)	(49)
Other components of pension and OPEB, excluding service costs	—	1	(1)	2
Gain on GreenFirst equity securities	—	—	—	5
Other income, net	4	3	7	6
Income (loss) from continuing operations before income taxes	(31)	17	(50)	(26)
Income tax (expense) benefit	5	2	11	(3)
Equity in loss of equity method investment	(1)	(1)	(2)	(2)
Income (loss) from continuing operations	(27)	18	(41)	(31)
Income from discontinued operations, net of taxes	2	12	1	12
Net income (loss)	$ (25)	$ 30	$ (40)	$ (19)
Gross margin %	2.4 %	10.1 %	5.0 %	6.5 %
Operating margin %	(3.8)%	6.2 %	(0.3)%	0.8 %
Effective tax rate	17.0 %	(10.6)%	22.4 %	(12.6)%

Net Sales

(in millions)	Three Months Ended September 30, 2023	Three Months Ended September 24, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 24, 2022
High Purity Cellulose	$ 292	$ 369	$ 966	$ 952
Paperboard	57	66	164	183
High-Yield Pulp	25	40	111	102
Eliminations	(5)	(9)	(20)	(20)
Net sales	$ 369	$ 466	$ 1,221	$ 1,217

Net sales for the quarter ended September 30, 2023 decreased $97 million, or 21 percent, compared to the same prior year quarter, driven by lower sales prices in commodity products, lower sales volumes in cellulose specialties and lower sales prices and sales volumes across our Paperboard and High-Yield Pulp segments, partially offset by higher sales prices in cellulose specialties and higher sales volumes in commodity products.

Net sales for the nine months ended September 30, 2023 increased $4 million, less than 1 percent, compared to the same prior year period, driven by higher sales prices in cellulose specialties and our Paperboard and High-Yield Pulp segments and higher sales volumes in commodity products and our High-Yield Pulp segment, offset by lower sales prices in commodity products and lower sales volumes in cellulose specialties and our Paperboard segment. See *Operating Results by Segment* below for further discussion.

Operating Income (Loss)

(in millions)	Three Months Ended September 30, 2023	Three Months Ended September 24, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 24, 2022
High Purity Cellulose	$ (6)	$ 22	$ 7	$ 21
Paperboard	13	12	29	28
High-Yield Pulp	(6)	6	2	4
Corporate	(15)	(11)	(42)	(43)
Operating income (loss)	$ (14)	$ 29	$ (4)	$ 10

Operating results for the quarter ended September 30, 2023 declined $43 million, or 148 percent, compared to the same prior year quarter, driven by the decrease in net sales across all segments and an increase in Corporate expense items, partially offset by lower input, logistics and maintenance costs. Operating results for the nine months ended September 30, 2023 declined $14 million, or 140 percent, compared to the same prior year period, driven by lower net sales in our Paperboard segment, higher labor costs and the impact of an extended maintenance outage in the prior year, partially offset by the increase in net sales in our High Purity Cellulose and High-Yield Pulp segments, lower input and logistics costs and the recognition of a $3 million benefit from payroll tax credit carryforwards in the current period. See *Operating Results by Segment* below for further discussion.

Non-Operating Income & Expense

Interest expense increased $5 million and $3 million during the quarter and nine months ended September 30, 2023, respectively, compared to the same prior year periods, primarily due to an increase in the average interest rate on debt, partially offset by a decrease in the average outstanding balance of debt. Debt principal outstanding decreased $109 million from September 24, 2022 to September 30, 2023.

Interest income increased $2 million and $3 million during the quarter and nine months ended September 30, 2023, respectively, compared to the same prior year periods, primarily due to the timing of the receipt of the 2027 Term Loan proceeds and their subsequent use in the repayment of the 2024 Notes.

Also included in non-operating other income in the quarter ended September 30, 2023 was a $1 million net loss on debt extinguishment. Included in the current nine-month period was a $2 million gain on a passive land sale and a pension settlement loss of $2 million.

Included in non-operating other income in the nine months ended September 24, 2022 was a $5 million net gain associated with the GreenFirst common shares received in connection with the sale of our lumber and newsprint assets.

Income Taxes

The effective tax rate on the loss from continuing operations for the quarter and nine months ended September 30, 2023 was a benefit of 17 percent and 22 percent, respectively. The 2023 effective tax rates differed from the federal statutory rate of 21 percent primarily due to disallowed interest deductions in the U.S. and nondeductible executive compensation, offset by U.S. tax credits, return-to-accrual adjustments related to previously filed tax returns, changes in the valuation allowance on disallowed interest deductions and interest received on overpayments of tax from prior years. The effective tax rate for the nine-month period was also impacted by an excess tax benefit on vested stock compensation.

The effective tax rate on the income from continuing operations for the quarter ended September 24, 2022 was a benefit of 11 percent. The effective tax rate on the loss from continuing operations for the nine months ended September 24, 2022 was an expense of 13 percent. The 2022 effective tax rates differed from the statutory rate of 21 percent primarily due to changes in the valuation allowance on disallowed interest deductions in the U.S., nondeductible executive compensation, interest received on overpayments of tax from prior years, U.S. tax credits and tax return-to-accrual adjustments.

Discontinued Operations

During the third quarter of 2023, the USDOC completed its fourth administrative review of duties applied to Canada softwood lumber exports to the U.S. during 2021 and reduced applicable rates to a combined 8.05 percent. In connection with this development, we recorded a pre-tax gain of $2 million. During the nine months ended September 30, 2023, we also incurred a $2 million loss related to the settlement of a claim pursuant to the representations and warranties in the asset purchase agreement.

During the third quarter of 2022, the USDOC completed its third administrative review of duties applied during 2020 and reduced applicable rates to a combined 8.6 percent, for which we recorded a pre-tax gain of $16 million. Cumulative through September 30, 2023, we have recorded total gains of $40 million related to the USDOC administrative reviews, which are included as a long-term receivable within "other assets" in our consolidated balance sheets.

Operating Results by Segment

High Purity Cellulose

	Three Months Ended		Nine Months Ended	
(in millions, except where otherwise stated)	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Net sales	$ 292	$ 369	$ 966	$ 952
Operating income (loss)	$ (6)	$ 22	$ 7	$ 21
Average sales prices ($ per MT)	$ 1,215	$ 1,402	$ 1,282	$ 1,329
Sales volumes (thousands of MTs)	217	240	696	653

Net Sales - Three Months Ended

(in millions)	Three Months Ended September 24, 2022	Changes Attributable to: Price	Changes Attributable to: Volume/Mix/Other	Three Months Ended September 30, 2023
Cellulose specialties	$ 243	$ 9	$ (87)	$ 165
Commodity products	93	(23)	29	99
Other sales[(a)]	33	—	(5)	28
Net sales	$ 369	$ (14)	$ (63)	$ 292

[(a)] Includes sales of bioelectricity, lignosulfonates and other by-products to third parties.

Net sales of our High Purity Cellulose segment for the quarter ended September 30, 2023 decreased $77 million compared to the same prior year quarter. Included in the current and prior year quarters were $28 million and $33 million, respectively, of other sales primarily from bio-based energy and lignosulfonates. Sales prices decreased 13 percent during the current quarter, driven by a 22 percent decrease in commodity products prices, partially offset by a 6 percent increase in cellulose specialties prices. Total sales volumes decreased 10 percent during the current quarter, driven by a 36 percent decrease in cellulose specialties volumes, partially offset by a 37 percent increase in commodity products volumes. Sales volumes for cellulose specialties were negatively impacted by significant customer destocking and market-driven demand declines, particularly in construction markets.

Net Sales - Nine Months Ended

(in millions)	Nine Months Ended September 24, 2022	Changes Attributable to: Price	Changes Attributable to: Volume/Mix/Other	Nine Months Ended September 30, 2023
Cellulose specialties	$ 645	$ 59	$ (133)	$ 571
Commodity products	223	(21)	120	322
Other sales[(a)]	84	—	(11)	73
Net sales	$ 952	$ 38	$ (24)	$ 966

[(a)] Includes sales of bioelectricity, lignosulfonates and other by-products to third parties.

Net sales of our High Purity Cellulose segment for the nine months ended September 30, 2023 increased $14 million compared to the same prior year period. Included in the current and prior year periods were $73 million and $84 million, respectively, of other sales primarily from bio-based energy and lignosulfonates. Sales prices decreased 4 percent during the current period, driven by an 8 percent decrease in commodity products prices, partially offset by a 12 percent increase in cellulose specialties prices. Total sales volumes increased 7 percent during the current period, driven by a 57 percent increase in commodity products volumes, partially offset by a 21 percent decrease in cellulose specialties volumes. Sales volumes for cellulose specialties were negatively impacted by significant customer destocking and market-driven demand declines, particularly in construction markets.

Operating Income (Loss) - Three Months Ended

(in millions, except percentages)	Three Months Ended September 24, 2022	Gross Margin Changes Attributable to: Sales Price	Sales Volume/Mix/Other[(a)]	Cost	SG&A and other	Three Months Ended September 30, 2023
Operating income (loss)	$ 22	$ (14)	$ (32)	$ 19	$ (1)	$ (6)
Operating margin %	6.0 %	(3.7)%	(10.5)%	6.5 %	(0.4)%	(2.1)%

(a) Computed based on contribution margin.

Operating results of our High Purity Cellulose segment for the quarter ended September 30, 2023 declined $28 million compared to the same prior year quarter, driven by the lower cellulose specialties sales volumes and commodity products sales prices, partially offset by the higher cellulose specialties sales prices and commodity products sales volumes and decreased input, logistics and maintenance costs.

Operating Income - Nine Months Ended

(in millions, except percentages)	Nine Months Ended September 24, 2022	Gross Margin Changes Attributable to: Sales Price	Sales Volume/Mix/Other[(a)]	Cost	SG&A and other	Nine Months Ended September 30, 2023
Operating income	$ 21	$ 38	$ (16)	$ (39)	$ 3	$ 7
Operating margin %	2.2 %	3.7 %	(1.5)%	(4.0)%	0.3 %	0.7 %

(a) Computed based on contribution margin.

Operating income of our High Purity Cellulose segment for the nine months ended September 30, 2023 decreased $14 million compared to the same prior year period, driven by the lower cellulose specialties sales volumes and commodity products sales prices, higher labor costs due to inflation and the impact of the extended maintenance outage in the prior year, partially offset by the higher cellulose specialties sales prices and commodity products sales volumes, decreased input and logistics costs and the recognition of a $3 million benefit from payroll tax credit carryforwards.

Paperboard

(in millions, except where otherwise stated)	Three Months Ended September 30, 2023	Three Months Ended September 24, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 24, 2022
Net sales	$ 57	$ 66	$ 164	$ 183
Operating income	$ 13	$ 12	$ 29	$ 28
Average sales prices ($ per MT)	$ 1,459	$ 1,587	$ 1,508	$ 1,450
Sales volumes (thousands of MTs)	39	41	109	126

Net Sales - Three Months Ended

(in millions)	Three Months Ended September 24, 2022	Changes Attributable to: Price	Volume/Mix	Three Months Ended September 30, 2023
Net sales	$ 66	$ (6)	$ (3)	$ 57

Net sales of our Paperboard segment for the quarter ended September 30, 2023 decreased $9 million compared to the same prior year quarter driven by 8 percent and 5 percent decreases in sales prices, due to product mix, and sales volumes, due to market-driven demand declines, respectively.

Net Sales - Nine Months Ended

(in millions)	Nine Months Ended September 24, 2022	Changes Attributable to: Price	Changes Attributable to: Volume/Mix	Nine Months Ended September 30, 2023
Net sales	$ 183	$ 6	$ (25)	$ 164

Net sales of our Paperboard segment for the nine months ended September 30, 2023 decreased $19 million compared to the same prior year period driven by a 13 percent decrease in sales volumes due to customer destocking in the first half of 2023, partially offset by a 4 percent increase in sales prices, driven by continued demand for sustainable packaging.

Operating Income - Three Months Ended

(in millions, except percentages)	Three Months Ended September 24, 2022	Gross Margin Changes Attributable to: Sales Price	Gross Margin Changes Attributable to: Sales Volume/Mix[a]	Gross Margin Changes Attributable to: Cost	SG&A and other	Three Months Ended September 30, 2023
Operating income	$ 12	$ (6)	$ (1)	$ 8	$ —	$ 13
Operating margin %	18.2 %	(8.2)%	(1.2)%	14.0 %	— %	22.8 %

[a] Computed based on contribution margin.

Operating income of our Paperboard segment for the quarter ended September 30, 2023 increased $1 million compared to the same prior year quarter, driven by lower purchased pulp costs that were largely offset by the lower sales prices and sales volumes.

Operating Income - Nine Months Ended

(in millions, except percentages)	Nine Months Ended September 24, 2022	Gross Margin Changes Attributable to: Sales Price	Gross Margin Changes Attributable to: Sales Volume/Mix[a]	Gross Margin Changes Attributable to: Cost	SG&A and other	Nine Months Ended September 30, 2023
Operating income	$ 28	$ 6	$ (10)	$ 5	$ —	$ 29
Operating margin %	15.3 %	2.7 %	(3.3)%	3.0 %	— %	17.7 %

[a] Computed based on contribution margin.

Operating income of our Paperboard segment for the nine months ended September 30, 2023 increased $1 million compared to the same prior year period, driven by the higher sales prices and lower purchased pulp and maintenance costs that were largely offset by the lower sales volumes.

High-Yield Pulp

(in millions, except where otherwise stated)	Three Months Ended September 30, 2023	Three Months Ended September 24, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 24, 2022
Net sales	$ 25	$ 40	$ 111	$ 102
Operating income (loss)	$ (6)	$ 6	$ 2	$ 4
Average sales prices ($ per MT)[a]	$ 489	$ 712	$ 635	$ 630
Sales volumes (thousands of MTs)[a]	39	45	142	130

[a] External sales only. During the three months ended September 30, 2023 and September 24, 2022, the High-Yield Pulp segment sold 17,000 MTs and 16,000 MTs of high-yield pulp to the Paperboard segment for $6 million and $7 million, respectively. During the nine months ended September 30, 2023 and September 24, 2022, the High-Yield Pulp segment sold 49,000 MTs and 47,000 MTs of high-yield pulp to the Paperboard segment for $21 million and $20 million, respectively.

Net Sales - Three Months Ended

(in millions)	Three Months Ended September 24, 2022	Changes Attributable to: Price	Changes Attributable to: Volume/Mix	Three Months Ended September 30, 2023
Net sales	$ 40	$ (11)	$ (4)	$ 25

Net sales of our High-Yield Pulp segment for the quarter ended September 30, 2023 decreased $15 million compared to the same prior year quarter, driven by 31 percent and 13 percent decreases in sales prices and sales volumes, respectively, due to lower demand and opportunistic downtime taken in response to market conditions.

Net Sales - Nine Months Ended

(in millions)	Nine Months Ended September 24, 2022	Changes Attributable to: Price	Changes Attributable to: Volume/Mix	Nine Months Ended September 30, 2023
Net sales	$ 102	$ 1	$ 8	$ 111

Net sales of our High-Yield Pulp segment for the nine months ended September 30, 2023 increased $9 million compared to the same prior year period, driven by 1 percent and 9 percent increases in sales prices and sales volumes, respectively, due to stronger demand and easing logistics constraints.

Operating Income (Loss) - Three Months Ended

(in millions, except percentages)	Three Months Ended September 24, 2022	Gross Margin Changes Attributable to: Sales Price	Gross Margin Changes Attributable to: Sales Volume/Mix[a]	Gross Margin Changes Attributable to: Cost	SG&A and other	Three Months Ended September 30, 2023
Operating income (loss)	$ 6	$ (11)	$ (2)	$ 1	$ —	$ (6)
Operating margin %	15.0 %	(32.2)%	(10.8)%	4.0 %	— %	(24.0)%

[a] Computed based on contribution margin.

Operating results of our High-Yield Pulp segment for the quarter ended September 30, 2023 declined $12 million compared to the same prior year quarter, driven by the lower sales prices and sales volumes.

Operating Income - Nine Months Ended

(in millions, except percentages)	Nine Months Ended September 24, 2022	Gross Margin Changes Attributable to: Sales Price	Gross Margin Changes Attributable to: Sales Volume/Mix[a]	Gross Margin Changes Attributable to: Cost	SG&A and other	Nine Months Ended September 30, 2023
Operating income	$ 4	$ 1	$ 3	$ (6)	$ —	$ 2
Operating margin %	3.9 %	0.9 %	2.4 %	(5.4)%	— %	1.8 %

[a] Computed based on contribution margin.

Operating income of our High-Yield Pulp segment for the nine months ended September 30, 2023 decreased $2 million compared to the same prior year period, as the higher sales prices and sales volumes were more than offset by increased wood costs and higher labor costs due to inflation.

Corporate

	Three Months Ended		Nine Months Ended	
(in millions)	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Operating loss	$ (15)	$ (11)	$ (42)	$ (43)

The Corporate operating loss for the quarter ended September 30, 2023 increased $4 million compared to the same prior year quarter, driven by less favorable foreign exchange rates in the current quarter compared to the prior year quarter. The Corporate operating loss for the nine months ended September 30, 2023 decreased $1 million compared to the same prior year period, driven by lower stock compensation and severance costs that were largely offset by unfavorable foreign exchange rates in the current year as compared to favorable rates in the prior year.

Liquidity and Capital Resources

Overview

Cash flows from operations, primarily driven by operating results, have historically been our primary source of liquidity and capital resources. As operating cash flows can be negatively impacted by fluctuations in market prices for our commodity products and changes in demand for our products, we maintain a key focus on cash, managing working capital closely and optimizing the timing and level of our capital expenditures.

Our Board of Directors suspended our quarterly common stock dividend in September 2019. No dividends have been declared since. The declaration and payment of future common stock dividends, if any, will be at the discretion of our Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements and other factors that the Board of Directors deems relevant. In addition, our debt facilities place limitations on the declaration and payment of future dividends.

In January 2018, our Board of Directors authorized a $100 million common stock share buyback program. We did not repurchase any shares under this program during the nine months ended September 30, 2023 and September 24, 2022, and do not expect to utilize any authorization in the future.

As of September 30, 2023, we were in compliance with all financial and other customary covenants under our credit arrangements. We believe our future cash flows from operations, availability under our ABL Credit Facility and 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, defined benefit plan contributions and repayment of debt maturities.

Our non-guarantor subsidiaries had assets of $444 million, liabilities of $373 million, year-to-date revenue of $119 million and a trailing twelve month ABL Credit Facility and Term Loan covenant EBITDA for continuing operations of $29 million as of September 30, 2023.

Our liquidity and capital resources are summarized below:

(in millions, except ratios)	September 30, 2023	December 31, 2022
Cash and cash equivalents[a]	$ 27	$ 152
Availability under the ABL Credit Facility[b]	112	130
Total debt[c]	749	853
Stockholders' equity	786	829
Total capitalization (total debt plus stockholders' equity)	1,535	1,682
Debt to capital ratio	49 %	51 %

(a) Consist of cash, money market deposits and time deposits with original maturities of 90 days or less.
(b) Amounts available under the ABL Credit Facility fluctuate based on eligible accounts receivable and inventory levels. At September 30, 2023, we had $146 million of gross availability and net available borrowings of $112 million after taking into account standby letters of credit of $34 million. In addition to the availability under the ABL Credit Facility, we have $8 million available under our accounts receivable factoring line of credit in France.
(c) See Note 7—Debt and Finance Leases to our Financial Statements for further information.

Cash Requirements

Contractual Commitments

Our principal contractual commitments include standby letters of credit, surety bonds, guarantees, purchase obligations and leases. We utilize arrangements such as standby letters of credit and surety bonds to provide credit support for certain suppliers and vendors in case of their default on critical obligations, collateral for certain of our self-insurance programs and guarantees for the completion of our remediation of environmental liabilities. As part of our ongoing operations, we also periodically issue guarantees to third parties. Our primary purchase obligation payments relate to natural gas, steam energy and wood chips purchase contracts. There have been no material changes to our contractual commitments outside the ordinary course of business during the nine months ended September 30, 2023. See Note 17—Commitments and Contingencies to our Financial Statements for further information.

Debt

In March 2023, we repurchased $5 million of our 2024 Notes through open-market transactions and retired the notes for cash of $5 million.

In April 2023, we repurchased $10 million of our 2026 Notes through open-market transactions and retired the notes for cash of $9 million.

In July 2023, we secured term loan financing of $250 million in aggregate principal amount and received net proceeds of $243 million after original issue discount, which was used, together with cash on hand of $89 million, to redeem the remaining $318 million in aggregate principal balance and accrued interest of $4 million of the 2024 Notes and pay fees and expenses related to the transaction. The 2027 Term Loan matures in July 2027, bears interest at an annual rate equal to three-month Term SOFR (or, if greater, 3.00 percent) plus 8.00 percent and requires quarterly principal payments of $1.25 million.

Cash Flows

	Nine Months Ended	
(in millions)	September 30, 2023	September 24, 2022
Cash flows provided by (used in):		
Operating activities	$ 82	$ 7
Investing activities-continuing operations	(95)	(114)
Investing activities-discontinued operations	—	44
Financing activities	(112)	(51)

Cash provided by operating activities increased $75 million primarily due to increased cash inflows from working capital, partially offset by payments on deferred energy liabilities associated with our Tartas facility operations and the receipt in 2022 of a $23 million U.S. federal tax refund.

Cash used in investing activities of continuing operations decreased $19 million due to lower capital spending.

Cash provided by investing activities of discontinued operations of $44 million in 2022 related to the proceeds from the sale of GreenFirst equity securities.

Cash used in financing activities increased $61 million primarily due to the redemption of the 2024 Notes and repayment of borrowings under the ABL Credit Facility and other long-term debt, the payment of issuance costs related to our 2027 Term Loan and higher repurchases of common stock to satisfy tax withholding requirements related to the issuance of stock under our incentive stock plans. These outflows were partially offset by the net proceeds received from the 2027 Term Loan issuance and borrowings under the ABL Credit Facility.

Performance and Liquidity Indicators

The discussion below is presented to enhance the reader's understanding of our operating performance, liquidity and ability to generate cash and satisfy rating agency and creditor requirements. This information includes the non-GAAP financial measures of EBITDA, adjusted EBITDA and adjusted free cash flows. These measures are not defined by GAAP and our discussion of them is not intended to conflict with or change any of our GAAP disclosures provided in this report.

We believe these non-GAAP financial measures provide useful information to our Board of Directors, management and investors regarding our financial condition and results of operations. Our management uses these non-GAAP financial measures to compare our performance to that of prior periods for trend analyses, to determine management incentive compensation and for budgeting, forecasting and planning purposes. Our management considers these non-GAAP financial measures, in addition to operating income, to be important in estimating our enterprise and stockholder values and for making strategic and operating decisions. In addition, analysts, investors and creditors use these non-GAAP financial measures when analyzing our operating performance, financial condition and cash-generating ability. We use EBITDA and adjusted EBITDA as performance measures and adjusted free cash flows as a liquidity measure.

We do not consider non-GAAP financial measures an alternative to financial measures determined in accordance with GAAP. The principal limitation of these non-GAAP financial measures is that they may exclude significant expense and income items that are required by GAAP to be recognized in our Financial Statements. In addition, they reflect the exercise of management's judgment about which expense and income items are excluded or included in determining these non-GAAP financial measures. In order to compensate for these limitations, reconciliations of our non-GAAP financial measures to their most directly comparable GAAP financial measures are provided below. Non-GAAP financial measures are not necessarily indicative of results that may be generated in future periods and should not be relied upon, in whole or part, in evaluating our financial condition, results of operations or future prospects.

EBITDA and Adjusted EBITDA

EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA adjusted for the settlement of certain pension plans and other items.

Reconciliations of income (loss) from continuing operations to EBITDA and Adjusted EBITDA from continuing operations, by segment, follow:

(in millions)	High Purity Cellulose	Paperboard	High-Yield Pulp	Corporate	Total
Three Months Ended September 30, 2023					
Income (loss) from continuing operations	$ (5)	$ 14	$ (6)	$ (30)	$ (27)
Depreciation and amortization	32	3	1	—	36
Interest expense, net	—	—	—	19	19
Income tax benefit	—	—	—	(5)	(5)
EBITDA-continuing operations	27	17	(5)	(16)	23
Loss on debt extinguishment	—	—	—	1	1
Adjusted EBITDA-continuing operations	$ 27	$ 17	$ (5)	$ (15)	$ 24
Three Months Ended September 24, 2022					
Income (loss) from continuing operations	$ 23	$ 12	$ 6	$ (23)	$ 18
Depreciation and amortization	30	3	—	2	35
Interest expense, net	—	—	—	17	17
Income tax benefit	—	—	—	(2)	(2)
EBITDA and Adjusted EBITDA-continuing operations	$ 53	$ 15	$ 6	$ (6)	$ 68
Nine Months Ended September 30, 2023					
Income (loss) from continuing operations	$ 8	$ 30	$ 2	$ (81)	$ (41)
Depreciation and amortization	91	10	2	1	104
Interest expense, net	—	—	—	48	48
Income tax benefit	—	—	—	(11)	(11)
EBITDA-continuing operations	99	40	4	(43)	100
Pension settlement loss	—	—	—	2	2
Adjusted EBITDA-continuing operations	$ 99	$ 40	$ 4	$ (41)	$ 102
Nine Months Ended September 24, 2022					
Income (loss) from continuing operations	$ 22	$ 29	$ 5	$ (87)	$ (31)
Depreciation and amortization	83	10	1	2	96
Interest expense, net	—	—	—	49	49
Income tax expense	—	—	—	3	3
EBITDA-continuing operations	105	39	6	(33)	117
Pension settlement loss	—	—	—	1	1
Severance	—	—	—	4	4
Adjusted EBITDA-continuing operations	$ 105	$ 39	$ 6	$ (28)	$ 122

EBITDA from continuing operations for the quarter ended September 30, 2023 decreased $45 million compared to the same prior year quarter, driven by the decrease in net sales across all segments, partially offset by lower input, logistics and maintenance costs. EBITDA from continuing operations for the nine months ended September 30, 2023 decreased $17 million compared to the same prior year period, driven by lower net sales in our Paperboard segment, higher labor costs and the impact of an extended maintenance outage in the prior year, partially offset by the increase in net sales in our High Purity Cellulose and High-Yield Pulp segments and lower input and logistics costs. See *Results of Operations* above for additional discussion of the changes in our operating results.

Adjusted Free Cash Flows

Adjusted free cash flows is defined as cash provided by operating activities of continuing operations adjusted for capital expenditures, net of proceeds from the sale of assets and excluding strategic capital expenditures deemed discretionary by management. Adjusted free cash flows is a non-GAAP financial measure of cash generated during a period, which is available for debt reduction, strategic capital expenditures, acquisitions and repurchases 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.

Cash flows of operating activities of continuing operations is reconciled to adjusted free cash flows as follows:

	Nine Months Ended	
(in millions)	September 30, 2023	September 24, 2022
Cash provided by operating activities-continuing operations	$ 82	$ 7
Capital expenditures, net[a]	(55)	(92)
Adjusted free cash flows-continuing operations	$ 27	$ (85)

[a] Net of proceeds from the sale of assets and excluding strategic capital expenditures. Strategic capital expenditures for the nine months ended September 30, 2023 and September 24, 2022 were $40 million and $22 million, respectively.

Adjusted free cash flows of continuing operations increased primarily due to changes in working capital and lower capital expenditures. See *Cash Flows* above for additional discussion of our operating cash flows.

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 may use derivatives in accordance with policies and procedures approved by the Finance & Strategic Planning Committee of our Board of Directors.

Foreign Currency

We manage our foreign currency exposures by balancing certain assets and liabilities denominated in foreign currencies. We may also use foreign currency forward contracts to manage these exposures. The principal objective of such contracts is to minimize the potential volatility and financial impact of changes in foreign currency exchange rates. We do not utilize financial instruments for trading or other speculative purposes.

Prices

The prices, sales volumes and margins of the commodity products of our High Purity Cellulose segment and all the products of the High-Yield Pulp segment have historically been cyclically affected by economic and market shifts, fluctuations in capacity and changes in foreign currency exchange rates. These products have less distinguishing qualities from producer to producer and competition is based primarily on price, which is determined by market 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.

Certain key input costs, such as wood fiber, chemicals and energy, may experience significant price fluctuations, also impacted by market shifts, fluctuations in capacity and other demand and supply dynamics. 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 that are derivative instruments are reported in our consolidated balance sheets at their fair values, unless they qualify for the normal purchase normal sale exception and such exception has been elected, in which case, the fair values of such contracts are not recognized in the balance sheet.

Variable Interest Rates

As of September 30, 2023, we had $251 million of variable rate debt subject to interest rate risk. In the third quarter of 2023 we issued variable rate term loan financing of $250 million, which was used with cash on hand to redeem the $318 million outstanding principal balance of our fixed rate 2024 Notes. At this borrowing level, a hypothetical one percent change in interest rates would have resulted in a $2 million annual change in interest expense. At December 31, 2022, we had $4 million of variable rate debt subject to interest rate risk, for which a hypothetical one percent change in rates would have resulted in an immaterial change in interest expense for the period.

The fair market value of our long-term fixed interest rate debt is also subject to interest rate risk when the debt becomes due or if we do not hold the debt until maturity. The estimated fair value of our fixed-rate debt at September 30, 2023 and December 31, 2022 was $440 million and $839 million, respectively, compared to its respective $517 million and $854 million principal amounts. 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.

Item 4. Controls and Procedures

Management’s Evaluation of 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 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 that all control exceptions and instances of fraud have been prevented or detected on a timely basis. Even systems determined to be effective can provide only reasonable assurance their objectives are achieved.

Based on an evaluation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q, our management, including the Chief Executive Officer and Chief Financial Officer, concluded the design and operation of the disclosure controls and procedures were effective as of September 30, 2023.

Internal Control over Financial Reporting

For the quarter ended September 30, 2023, based upon the evaluation required by SEC Rule 13a-15(d), 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.

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 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 outcomes of these actions, either individually or in the aggregate, are not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Item 1A. Risk Factors

There have been no material changes or updates to the risk factors previously disclosed in our 2022 Form 10-K.

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

Issuer Purchases of Equity Securities

The following table summarizes our purchases of RYAM common stock during the quarter ended September 30, 2023:

	Total Number of Shares Purchased[(a)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares That May Yet be Purchased Under the Publicly Announced Plans or Programs[(b)]
July 2 to August 5	—	$ —	—	$ 60,294,000
August 6 to September 2	—	$ —	—	$ 60,294,000
September 3 to September 30	—	$ —	—	$ 60,294,000
Total	—		—	

(a) Represents shares repurchased to satisfy tax withholding requirements related to the issuance of stock under our stock incentive plans.
(b) As of September 30, 2023, $60 million of share repurchase authorization remains under the authorization declared by our Board of Directors.

Item 6. Exhibits

Exhibit No.	Description	Location
3.1	Amended and Restated Certificate of Incorporation of Rayonier Advanced Materials Inc.	Incorporated herein by reference to Exhibit 3.1 to the Registrant’s Form 8-K filed on June 30, 2014
3.2	Certificate of Designations of 8.00% Series A Mandatory Convertible Preferred Stock of Rayonier Advanced Materials Inc., filed with the Secretary of State of the State of Delaware and effective August 10, 2016	Incorporated herein by reference to Exhibit 3.1 to the Registrant’s Form 8-K filed on August 10, 2016
3.3	Certificate of Designations of Series A Junior Participating Preferred Stock	Incorporated herein by reference to Exhibit 3.1 to the Registrant’s Form 8-K filed on March 21, 2022
3.4	Amended and Restated Bylaws of Rayonier Advanced Materials Inc., effective October 19, 2022	Incorporated herein by reference to Exhibit 3.1 to the Registrant’s Form 8-K filed on October 19, 2022
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	Interactive data files (formatted in Inline XBRL) pursuant to Rule 405 of Regulation S-T	Filed herewith
104	Cover page interactive data file (formatted in Inline XBRL and contained in Exhibit 101) pursuant to Rule 406 of Regulation S-T	Filed herewith

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.

By: /s/ MARCUS J. MOELTNER

Marcus J. Moeltner
Chief Financial Officer and Senior Vice President, Finance
(Principal Financial Officer)

Date: November 8, 2023

Exhibit 31.1

Certification

I, De Lyle W. Bloomquist, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rayonier Advanced Materials Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2023

/s/ DE LYLE W. BLOOMQUIST

De Lyle W. Bloomquist
President and Chief Executive Officer
Rayonier Advanced Materials Inc.

Exhibit 31.2

Certification

I, Marcus J. Moeltner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rayonier Advanced Materials Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2023

/s/ MARCUS J. MOELTNER

Marcus J. Moeltner
Chief Financial Officer and Senior Vice President, Finance
Rayonier Advanced Materials Inc.

Exhibit 32

Certification

The undersigned hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to our knowledge:

1. The quarterly report on Form 10-Q of Rayonier Advanced Materials Inc. (the "Company") for the period ended September 30, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2023

/s/ DE LYLE W. BLOOMQUIST	/s/ MARCUS J. MOELTNER
De Lyle W. Bloomquist	Marcus J. Moeltner
President and Chief Executive Officer	Chief Financial Officer and Senior Vice President, Finance
Rayonier Advanced Materials Inc.	Rayonier Advanced Materials Inc.