

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 28, 2024

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

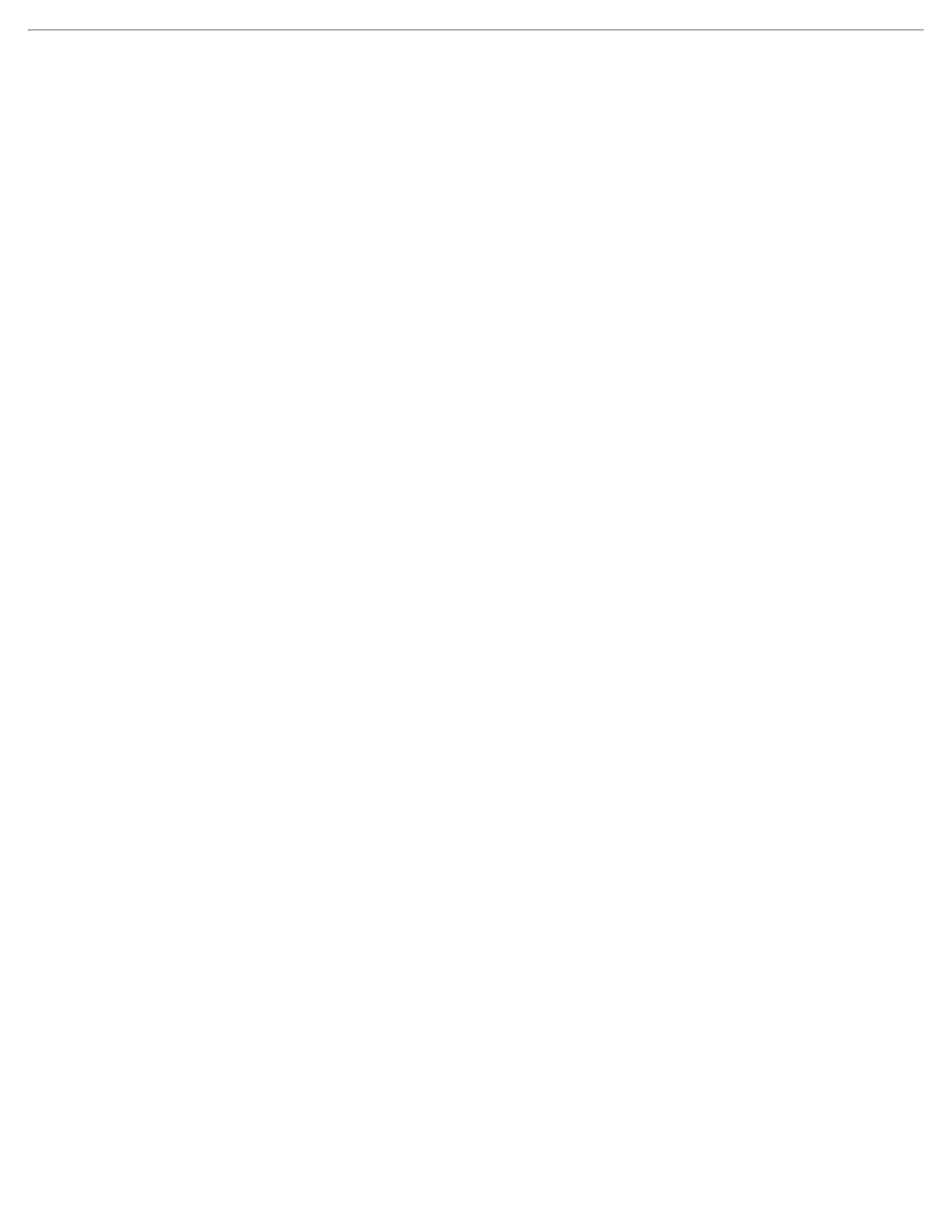
Smaller reporting company

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 65,915,838 shares of common stock outstanding as of November 4, 2024.



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## Glossary

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

2023 Form 10-K	RYAM Annual Report on Form 10-K for the year ended December 31, 2023
2024 Notes	\$550 million original aggregate principal amount of 5.50 percent senior unsecured notes issued May 2014, due June 2024 and fully redeemed in August 2023
2026 Notes	\$500 million original aggregate principal amount of 7.625 percent senior secured notes issued December 2020, due January 2026
2027 Term Loan	\$250 million original aggregate principal amount of variable rate term loan entered into July 2023, maturing July 2027
2029 Term Loan	\$700 million original aggregate principal amount of variable rate term loan entered into October 2024, maturing October 2029
ABL Credit Facility	5-year senior secured asset-based revolving credit facility due December 2025
AGE	Altamaha Green Energy LLC
ASU	Accounting Standards Update
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
ERP	Enterprise Resource Planning
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
GRAS	Generally Recognized As Safe
GreenFirst	GreenFirst Forest Products, Inc.
LTF	LignoTech Florida LLC
MT	Metric ton
OPEB	Other post-employment benefits
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

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**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 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Net sales	\$ 401,103	\$ 368,670	\$ 1,207,804	\$ 1,220,844
Cost of sales	(357,534)	(359,938)	(1,079,165)	(1,160,044)
Gross margin	43,569	8,732	128,639	60,800
Selling, general and administrative expense	(22,685)	(21,162)	(65,569)	(58,653)
Foreign exchange gain (loss)	(1,828)	624	1,641	(1,510)
Asset impairment (Note 2)	(25,169)	—	(25,169)	—
Indefinite suspension charges (Note 2)	(7,825)	—	(14,451)	—
Other operating income (expense), net	(2,862)	(2,634)	3,381	(4,939)
Operating income (loss)	(16,800)	(14,440)	28,472	(4,302)
Interest expense	(20,479)	(21,015)	(62,604)	(51,949)
Components of pension and OPEB, excluding service costs (Note 14)	783	501	1,900	(834)
Other income (expense), net	(173)	3,281	1,748	6,894
Loss from continuing operations before income tax	(36,669)	(31,673)	(30,484)	(50,191)
Income tax benefit (Note 15)	4,595	5,392	5,916	11,227
Equity in loss of equity method investment	(524)	(259)	(1,427)	(1,591)
Loss from continuing operations	(32,598)	(26,540)	(25,995)	(40,555)
Income from discontinued operations, net of tax (Note 3)	—	1,440	3,217	312
Net loss	\$ (32,598)	\$ (25,100)	\$ (22,778)	\$ (40,243)
Basic and Diluted earnings per common share (Note 12)				
Loss from continuing operations	\$ (0.49)	\$ (0.41)	\$ (0.40)	\$ (0.62)
Income from discontinued operations	—	0.02	0.05	—
Net loss	\$ (0.49)	\$ (0.39)	\$ (0.35)	\$ (0.62)

See Notes to Consolidated Financial Statements.

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 28, 2024</b>	<b>September 30, 2023</b>	<b>September 28, 2024</b>	<b>September 30, 2023</b>
Net loss	\$ (32,598)	\$ (25,100)	\$ (22,778)	\$ (40,243)
Other comprehensive income (loss), net of tax (Note 11):				
Foreign currency translation adjustment	8,552	(5,212)	2,064	(1,109)
Unrealized gain on derivative instruments	37	47	117	150
Net gain (loss) on employee benefit plans	(14)	(65)	2,434	(2,432)
Total other comprehensive income (loss)	8,575	(5,230)	4,615	(3,391)
Comprehensive loss	<u>\$ (24,023)</u>	<u>\$ (30,330)</u>	<u>\$ (18,163)</u>	<u>\$ (43,634)</u>

See Notes to Consolidated Financial Statements.

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

	<b>September 28, 2024</b>	<b>December 31, 2023</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 136,091	\$ 75,768
Accounts receivable, net (Note 4)	193,321	197,457
Inventory (Note 5)	234,034	207,474
Income tax receivable	2,773	19,455
Prepaid and other current assets	62,790	74,904
Total current assets	<u>629,009</u>	<u>575,058</u>
Property, plant and equipment (net of accumulated depreciation of \$1,880,747 and \$1,797,529, respectively)	1,021,648	1,075,105
Deferred tax assets	348,419	345,181
Intangible assets, net	12,157	17,414
Other assets	148,127	169,942
Total assets	<u>\$ 2,159,360</u>	<u>\$ 2,182,700</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable	\$ 166,934	\$ 186,226
Accrued and other current liabilities (Note 7)	161,511	154,488
Debt due within one year (Note 8)	25,578	25,283
Current environmental liabilities (Note 9)	9,832	9,833
Total current liabilities	<u>363,855</u>	<u>375,830</u>
Long-term debt (Note 8)	747,675	752,174
Non-current environmental liabilities (Note 9)	160,488	160,458
Pension and other postretirement benefits (Note 14)	93,775	101,493
Deferred tax liabilities	14,821	15,190
Other liabilities	46,034	31,108
Commitments and contingencies (Note 17)		
Stockholders' Equity		
Common stock: 140,000,000 shares authorized at \$0.01 par value, 65,896,001 and 65,393,014 issued and outstanding, respectively	659	654
Additional paid-in capital	423,545	419,122
Retained earnings	349,810	372,588
Accumulated other comprehensive loss (Note 11)	(41,302)	(45,917)
Total stockholders' equity	<u>732,712</u>	<u>746,447</u>
Total liabilities and stockholders' equity	<u>\$ 2,159,360</u>	<u>\$ 2,182,700</u>

See Notes to Consolidated Financial Statements.

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

	Common Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Par Value				
<b>Three months ended September 28, 2024</b>						
Balance at June 29, 2024	65,890,093	\$ 659	\$ 421,944	\$ 382,408	\$ (49,877)	\$ 755,134
Net loss	—	—	—	(32,598)	—	(32,598)
Other comprehensive income, net of tax	—	—	—	—	8,575	8,575
Issuance of common stock under incentive stock plans	8,619	—	—	—	—	—
Stock-based compensation	—	—	1,619	—	—	1,619
Repurchase of common stock <sup>(a)</sup>	(2,711)	—	(18)	—	—	(18)
Balance at September 28, 2024	<u>65,896,001</u>	<u>\$ 659</u>	<u>\$ 423,545</u>	<u>\$ 349,810</u>	<u>\$ (41,302)</u>	<u>\$ 732,712</u>
<b>Three months ended September 30, 2023</b>						
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	<u>65,343,418</u>	<u>\$ 654</u>	<u>\$ 418,032</u>	<u>\$ 434,180</u>	<u>\$ (67,189)</u>	<u>\$ 785,677</u>
<b>Nine months ended September 28, 2024</b>						
Balance at December 31, 2023	65,393,014	\$ 654	\$ 419,122	\$ 372,588	\$ (45,917)	\$ 746,447
Net loss	—	—	—	(22,778)	—	(22,778)
Other comprehensive income, net of tax	—	—	—	—	4,615	4,615
Issuance of common stock under incentive stock plans	630,453	6	(6)	—	—	—
Stock-based compensation	—	—	5,089	—	—	5,089
Repurchase of common stock <sup>(a)</sup>	(127,466)	(1)	(660)	—	—	(661)
Balance at September 28, 2024	<u>65,896,001</u>	<u>\$ 659</u>	<u>\$ 423,545</u>	<u>\$ 349,810</u>	<u>\$ (41,302)</u>	<u>\$ 732,712</u>
<b>Nine months ended September 30, 2023</b>						
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 <sup>(a)</sup>	(644,158)	(6)	(5,357)	—	—	(5,363)
Balance at September 30, 2023	<u>65,343,418</u>	<u>\$ 654</u>	<u>\$ 418,032</u>	<u>\$ 434,180</u>	<u>\$ (67,189)</u>	<u>\$ 785,677</u>

<sup>(a)</sup> 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 28, 2024	September 30, 2023
<b>Operating activities</b>		
Net loss	\$ (22,778)	\$ (40,243)
Adjustments to reconcile net loss to cash provided by operating activities:		
Income from discontinued operations	(3,217)	(312)
Depreciation and amortization	101,988	104,073
Asset impairment	25,169	—
Stock-based compensation expense	5,089	5,361
Deferred income tax benefit	(5,793)	(8,130)
Net periodic benefit cost of pension and other postretirement plans	3,018	3,060
Unrealized (gain) loss on foreign currency	(1,124)	564
(Gain) loss on disposal of property, plant and equipment	1,701	(1,085)
Other	10,012	6,133
Changes in operating assets and liabilities:		
Accounts receivable	617	42,865
Income tax receivable	19,723	(3,742)
Inventories	(26,485)	22,301
Accounts payable	(9,309)	5,545
Accrued and other current liabilities	8,391	(31,732)
Duty refund rights	40,111	(1,946)
Other	8,314	(11,805)
Contributions to pension and other postretirement plans	(6,737)	(8,768)
Cash provided by operating activities	148,690	82,139
<b>Investing activities</b>		
Capital expenditures, net of proceeds	(79,665)	(95,203)
Investment in equity method investment	—	(415)
Cash used in investing activities	(79,665)	(95,618)
<b>Financing activities</b>		
Borrowings of long-term debt	232,200	303,217
Repayments of long-term debt	(238,394)	(397,087)
Short-term financing, net	(1,248)	(2,457)
Debt issuance costs	(1,875)	(10,082)
Repurchase of common stock	(661)	(5,363)
Cash used in financing activities	(9,978)	(111,772)
Net increase (decrease) in cash and cash equivalents	59,047	(125,251)
Net effect of foreign exchange on cash and cash equivalents	1,276	575
Balance, beginning of period	75,768	151,803
Balance, end of period	\$ 136,091	\$ 27,127
Supplemental cash flow information:		
Interest paid	\$ (71,243)	\$ (50,306)
Income taxes refunded (paid), net	19,608	(7,215)
Capital assets purchased on account	25,575	31,706

See Notes to Consolidated Financial Statements.

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

## **1. Basis of Presentation**

RYAM is 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. The Company's specialized assets are also used to produce biofuels, bioelectricity and other biomaterials such as bioethanol and tall oils. The Company also produces a unique, lightweight multi-ply paperboard product, which is used for production in the commercial printing, lottery ticket and high-end packaging sectors, and a bulky, high-yield pulp product that is used by paperboard producers, as well as in traditional printing, writing and specialty paper manufacturing.

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 2023 Form 10-K.

As a result of the sale of its lumber and newsprint assets in August 2021, the Company presents the historical results for those operations, and any subsequent directly associated impacts, as discontinued operations. Unless otherwise stated, information in these notes to consolidated financial statements relates to continuing operations. See Note 3—Discontinued Operations for further information on the sale.

### **Recent Accounting Developments**

#### ***Change in Accounting Policy***

On January 1, 2024, the Company changed the method of valuation of its finished goods, work-in-process and raw materials inventories from first-in first-out to average cost. The Company believes the average cost method is preferable because it provides better matching of revenue and expense trends and is a better reflection of periodic income from operations. This change was not retrospectively applied to prior periods presented, as the overall effect of the change is not deemed material to the Company's consolidated financial statements.

#### ***Altamaha Green Energy Joint Venture***

The Company is involved with AGE, under a preliminary joint venture agreement with Beasley Green Power, LLC. AGE aims to construct a biomass boiler and turbine to produce and sell green electricity to Georgia Power Company. AGE is not engaged in any other operating activities and since formation it has only been focused on developing feasibility studies for this project and handling related administrative matters. AGE expenses to date have been shared evenly by RYAM and Beasley and have not been material for the Company for any of the periods presented. The amounts expensed by the Company have been recorded as general and administrative expenses. Once the project evolves from the development stage and the current joint venture agreement between the Company and Beasley is amended to reflect the appropriate terms, the Company will evaluate the accounting and disclosure implications.

#### ***Accounting Pronouncements***

There have been no new or recently adopted accounting pronouncements impacting the Company's consolidated interim financial statements. The Company continues to evaluate the impacts of ASU 2023-05 "Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement," ASU 2023-07 "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" and ASU 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" as previously disclosed in its 2023 Form 10-K.

### **Subsequent Events**

#### ***Debt Issuance and Redemption***

In October 2024, the Company raised \$700 million in aggregate principal amount of secured term loan financing and received net proceeds of \$683 million after original issue discount, which will be used in the fourth quarter, together with cash on hand, to redeem the respective \$453 million and \$246 million outstanding principal balances of the 2026 Notes and 2027 Term Loan and pay estimated fees and expenses related to the transaction of approximately \$30 million.

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

The 2029 Term Loan matures in October 2029, bears interest at an annual rate equal to three-month Term SOFR plus an initial spread of 7 percent and requires quarterly principal payments of \$1.75 million. The initial spread may fluctuate by one half percent based on the Company's net secured leverage ratio. If net secured leverage is below 2.5 times covenant EBITDA, the spread decreases to 6.5 percent. If net secured leverage exceeds 3.5 times covenant EBITDA, the spread increases to 7.5 percent.

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 premium. For the first 18 months, prepayment of the loan is subject to a make-whole premium. For the following six months, prepayment is subject to a 2 percent premium. In the third year, prepayment is subject to a 1 percent premium. After 3 years, the loan is prepayable at par. The Company will also have the ability to make prepayment using the proceeds from the sale of its Paperboard and High-Yield Pulp businesses at a 2 percent premium during the first year, a 1 percent premium in year two, and par in year three.

The Company will be required to maintain a consolidated net secured leverage ratio, based on covenant EBITDA, as follows:

- 5.00 to 1.00 for the fourth quarter of 2024 through fiscal year 2025;
- 4.75 to 1.00 for fiscal year 2026; and
- 4.50 to 1.00 for each fiscal year thereafter.

The agreement governing the 2029 Term Loan contains various other customary covenants that limit the ability of the Company and its restricted subsidiaries, as defined by the term loan agreement, to take certain specified actions, subject to certain exceptions, including: incurring debt or liens, making investments, entering into mergers, consolidations, and acquisitions, paying dividends and making other restricted payments. Additionally, the 2029 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.

In conjunction with the above refinancing, the Company secured commitments for a five-year \$175 million ABL credit facility. The facility is initially priced at Term SOFR plus a spread of 2 percent.

The Company expects to record a net loss on debt extinguishment in the fourth quarter of approximately \$19 million related to these transactions, driven by the write off of deferred financing costs of the 2026 Notes, 2027 Term Loan and ABL Credit Facility.

### ***Jesup Plant Fire***

In October 2024, an isolated fire occurred at the Company's Jesup plant during planned maintenance activity. There were no injuries to employees or contractors and no risk to the surrounding community. The plant's C line operations resumed within two days and the A and B lines' operations resumed within a two-week period. While the Company continues to assess the financial impact of the incident, the unfavorable impact to EBITDA in 2024 is expected to approximate \$10 million, with an additional required \$3 million of maintenance capital. Additional capital expenditures will be required over the next couple of years to complete repairs. The Company carries insurance for property and business interruption loss with a \$15 million combined deductible.

## **2. Indefinite Suspension of Operations**

As previously announced, the Company began its indefinite suspension of operations at its Temiscaming High Purity Cellulose plant in July 2024. The suspension does not affect the Temiscaming paperboard and high-yield pulp plants that support the Company's High-Yield Pulp and Paperboard operating segments, which will continue to operate at full capacity while remaining part of an ongoing sales process. The suspension of operations timeline allows enough lead time for the Company to properly execute the shutdown prior to the arrival of winter in the region. The High Purity Cellulose plant will be idled in a safe and environmentally sound manner. The Company will assess on an annual basis the possibility of restarting the Temiscaming High Purity Cellulose plant.

The suspension of operations began on July 16, 2024 and is expected to conclude in the fourth quarter. In connection with the suspension of operations, the Company has incurred total one-time operating charges of \$14 million. Potential remaining one-time charges to be incurred in the fourth quarter are estimated at \$2 million to \$3 million. While most cash costs associated with the suspension of operations will be paid in the third and fourth quarters, severance and other suspension costs are expected to be paid over a period of time.

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

In the third quarter of 2024, in conjunction with the indefinite suspension of operations, the Company recognized a non-cash asset impairment of \$25 million, as it was determined that the Temiscaming High Purity Cellulose plant's net carrying value exceeded its estimated fair value. Determining the fair value of an asset group is judgmental in nature and involves the use of significant estimates and assumptions. The Company determined the fair value of the Temiscaming High Purity Cellulose plant asset group using discounted cash flows under the income approach, which required the use of key assumptions and significant estimates. See Note 10—Fair Value Measurements for further information on the fair value measurement of the Temiscaming plant asset group.

The following table presents the accrued liability balance activity related to the suspension during the nine months ended September 28, 2024:

	<b>Mothballing Costs</b>	<b>Severance and Other Employee Costs</b>	<b>Total</b>
Balance at December 31, 2023	\$ —	\$ —	\$ —
Charges incurred <sup>(a)</sup>	3,456	5,476	8,932
Payments	(2,968)	(160)	(3,128)
Balance at September 28, 2024	<u>\$ 488</u>	<u>\$ 5,316</u>	<u>\$ 5,804</u>

<sup>(a)</sup> Excludes non-cash items. See below.

The following table presents total suspension charges incurred by cost type:

	<b>Three Months Ended September 28, 2024</b>	<b>Nine Months Ended September 28, 2024</b>
Mothballing costs	\$ 3,036	\$ 3,456
Severance and other employee costs	—	6,206
Loss on asset disposal	995	995
Other suspension costs	3,794	3,794
Indefinite suspension charges <sup>(a)</sup>	<u>\$ 7,825</u>	<u>\$ 14,451</u>

<sup>(a)</sup> Includes non-cash charges of (i) a \$2 million write-off of deferred shutdown costs, (ii) \$2 million for potential contract penalties, (iii) a loss on asset disposal of \$1 million and (iv) a \$1 million loss on pension curtailment charges associated with early retirements driven by the suspension of operations. See Note 14—Employee Benefit Plans for further information regarding the loss on pension curtailment charges.

The above costs incurred were charged to the High Purity Cellulose segment in “indefinite suspension charges” in the consolidated statements of operations.

### 3. Discontinued Operations

In August 2021, the Company completed the sale of its lumber and newsprint facilities and certain related assets located in Canada. As part of the sale of the lumber assets, the Company retained all refund rights and obligations, including interest, 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 2021, and as of December 31, 2023, the Company had a \$40 million long-term receivable related to USDOC administrative reviews completed to date. In June 2024, the Company executed on the sale of these refund rights (inclusive of the receivable), including all accrued interest, for \$39 million, with the opportunity for additional sale proceeds in the future contingent upon the timing and terms of the ultimate outcome of the trade dispute between the USDOC and Canada. The Company recorded a \$1 million loss on the sale, included in pre-tax income from discontinued operations.

Also during the nine months ended September 28, 2024, the Company recognized \$5 million in pre-tax income from discontinued operations related to CEWS benefit claims deferred since 2021. See Note 7—Accrued and Other Current Liabilities for further information.

During the quarter and nine months ended September 30, 2023, the USDOC completed its administrative review of duties applied to Canada softwood lumber exports to the U.S. during 2021 and reduced rates applicable to the Company, for which the Company recorded a pre-tax gain of \$2 million. Also 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.

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Income from discontinued operations was comprised of the following:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 28, 2024</b>	<b>September 30, 2023</b>	<b>September 28, 2024</b>	<b>September 30, 2023</b>
Loss on sale of duty refund rights	\$ —	\$ —	\$ (890)	\$ —
Selling, general and administrative and other operating income, net	—	1,957	5,267	424
Operating income	—	1,957	4,377	424
Income from discontinued operations before income tax	—	1,957	4,377	424
Income tax expense	—	(517)	(1,160)	(112)
Income from discontinued operations, net of tax	\$ —	\$ 1,440	\$ 3,217	\$ 312

**4. Accounts Receivable, Net**

Accounts receivable, net included the following:

	<b>September 28, 2024</b>	<b>December 31, 2023</b>
Accounts receivable, trade	\$ 173,462	\$ 166,137
Accounts receivable, other <sup>(a)</sup>	20,602	31,973
Allowance for credit loss	(743)	(653)
Accounts receivable, net	\$ 193,321	\$ 197,457

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

**5. Inventory**

Inventory included the following:

	<b>September 28, 2024</b>	<b>December 31, 2023</b>
Finished goods	\$ 184,340	\$ 147,930
Work-in-progress	4,866	6,987
Raw materials	39,514	46,120
Manufacturing and maintenance supplies	5,314	6,437
Inventory	\$ 234,034	\$ 207,474

**6. Leases**

The Company's operating and finance leases are primarily for corporate offices, warehouse space, rail cars and equipment. As of September 28, 2024, the Company's leases have remaining lease terms of less than one year to 12.1 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.

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 28, 2024</b>	<b>September 30, 2023</b>	<b>September 28, 2024</b>	<b>September 30, 2023</b>
Operating lease cost	\$ 2,412	\$ 1,858	\$ 6,050	\$ 5,464
Finance lease cost				
Amortization of ROU assets	109	102	322	301
Interest	19	26	64	85
Total lease cost	<u>\$ 2,540</u>	<u>\$ 1,986</u>	<u>\$ 6,436</u>	<u>\$ 5,850</u>

	<b>Balance Sheet Location</b>	<b>September 28, 2024</b>	<b>December 31, 2023</b>
<b>Operating leases<sup>(a)</sup></b>			
ROU assets	Other assets	\$ 32,281	\$ 17,475
Lease liabilities, current	Accrued and other current liabilities	7,546	4,499
Lease liabilities, non-current	Other liabilities	26,472	14,666
<b>Finance leases</b>			
ROU assets	Property, plant and equipment, net	801	1,078
Lease liabilities	Long-term debt	1,033	1,355

<sup>(a)</sup> During the second quarter of 2024, the Company recorded an ROU asset and corresponding lease liability of \$14 million related to a new warehouse lease agreement in Canada.

	<b>Nine Months Ended</b>	
	<b>September 28, 2024</b>	<b>September 30, 2023</b>
Operating cash flows - cash paid for amounts included in the measurement of operating lease liabilities	\$ 6,071	\$ 5,182
Operating lease ROU assets obtained in exchange for lease liabilities	18,163	5,650

Finance lease cash flows were immaterial during each of the nine months ended September 28, 2024 and September 30, 2023.

	<b>September 28, 2024</b>	<b>December 31, 2023</b>
<b>Operating leases</b>		
Weighted average remaining lease term (in years)	4.9	5.5
Weighted average discount rate	8.3 %	8.3 %
<b>Finance leases</b>		
Weighted average remaining lease term (in years)	2.2	2.8
Weighted average discount rate	7.0 %	7.0 %

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Operating lease maturities as of September 28, 2024 were as follows:

Remainder of 2024	\$	2,536
2025		9,931
2026		9,147
2027		7,903
2028		6,431
Thereafter		5,857
Total minimum lease payments		41,805
Less: imputed interest		(7,787)
Present value of future minimum lease payments	\$	<u>34,018</u>

## 7. Accrued and Other Current Liabilities

Accrued and other current liabilities included the following:

	<b>September 28, 2024</b>	<b>December 31, 2023</b>
Accrued customer incentives	\$ 43,258	\$ 30,036
Accrued payroll and benefits	24,582	13,552
Accrued interest	15,881	32,256
Accrued income taxes	4,446	4,605
Accrued property and other taxes	7,105	2,547
Deferred revenue <sup>(a)</sup>	8,727	24,061
Other current liabilities <sup>(b)</sup>	57,512	47,431
Accrued and other current liabilities	<u>\$ 161,511</u>	<u>\$ 154,488</u>

<sup>(a)</sup> Included at September 28, 2024 and December 31, 2023 was \$4 million and \$19 million (CAD \$5 million and \$25 million), respectively, associated with funds received in 2021 for CEWS. In the second quarter of 2024, the Company recognized in income \$15 million of the \$19 million accrued at December 31, 2023, including \$10 million in "other operating income (expense), net" and \$5 million in "income from discontinued operations, net of tax." The remaining amount will be recognized at the earlier of the conclusion of the final outstanding audit and the expiration of the statute of limitations in July 2025.

<sup>(b)</sup> Included at September 28, 2024 and December 31, 2023 were \$18 million and \$13 million, respectively, of energy-related payables associated with Tartas facility operations.

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**8. Debt and Finance Leases**

Debt and finance leases included the following:

	September 28, 2024	December 31, 2023
ABL Credit Facility due December 2025: \$135 million net availability, bearing interest of 6.94% (4.94% adjusted SOFR plus 2.00% margin) at September 28, 2024	\$ —	\$ —
Term Loan due July 2027: bearing interest of 12.59% (4.59% three-month Term SOFR plus 8.00% margin) at September 28, 2024	246,250	250,000
7.625% Senior Secured Notes due January 2026	452,640	464,640
5.50% CAD-based term loan due April 2028	24,881	30,479
Other loans <sup>(a)</sup>	60,212	44,754
Short-term factoring facility	4,090	5,292
Finance lease obligations	1,033	1,355
Total principal payments due	789,106	796,520
Less: unamortized premium, discount and issuance costs	(15,853)	(19,063)
Total debt	773,253	777,457
Less: debt due within one year	(25,578)	(25,283)
Long-term debt	\$ 747,675	\$ 752,174

<sup>(a)</sup> Consist of low-interest green loans for energy projects and other loans intended for use in biomaterials projects in France.

**Term Loan**

In January 2024, the Company amended the 2027 Term Loan to increase the maximum consolidated net secured leverage ratio that it must maintain in the fourth quarter of 2023 and through its 2024 fiscal year (see below). In addition, should the Company exceed the 4.50 to 1.00 maximum ratio established by the original agreement in any of these quarters, it will incur a fee of 0.25% of the principal balance outstanding at the end of the applicable quarter. The Company incurred total fees of \$3 million related to this amendment, including \$1 million in legal and advisory fees recorded to “selling, general and administrative expense” in the consolidated statements of operations in the fourth quarter of 2023, and \$2 million in lender fees recorded as deferred financing costs in the first quarter of 2024 that will be amortized to “interest expense” over the remaining term of the loan.

The Company is required to maintain various financial covenants, including a consolidated net secured leverage ratio, based on covenant EBITDA, as follows:

- 5.25 to 1.00 for the fourth quarter of 2023 through the second quarter of 2024;
- 5.00 to 1.00 for the third fiscal quarter of 2024;
- 4.75 to 1.00 for the fourth fiscal quarter of 2024; and
- 4.50 to 1.00 for each fiscal quarter thereafter.

**Senior Notes****2026 Notes**

In September 2024, the Company repurchased \$12 million principal of its 2026 Notes through open-market transactions for \$12 million cash and recorded an immaterial gain on extinguishment to “other income (expense), net” in the consolidated statements of operations.

In April 2023, the Company repurchased \$10 million principal of its 2026 Notes through open-market transactions and recorded a gain on extinguishment of \$1 million to “other income (expense), net” in the consolidated statements of operations.

**2024 Notes**

In August 2023, the Company fully redeemed its 2024 Notes through open-market transactions and recorded a loss on extinguishment of \$1 million to “other income (expense), net” in the consolidated statements of operations.



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**Covenants and Debt Maturity**

As of September 28, 2024, the Company was in compliance with all covenants under its debt agreements.

As of September 28, 2024, the Company's debt principal payments, excluding finance lease obligations, were due as follows:

Remainder of 2024 <sup>(a)</sup>	\$	11,577
2025 <sup>(b)</sup>		19,437
2026 <sup>(c)</sup>		472,391
2027 <sup>(d)</sup>		247,048
2028		11,422
Thereafter		26,198
<b>Total debt principal payments</b>	<b>\$</b>	<b>788,073</b>

<sup>(a)</sup> Includes \$3 million of the \$246 million outstanding principal balance of the 2027 Term Loan. The 2027 Term Loan and 2026 Notes will be fully redeemed with the proceeds of the 2029 Term Loan in the fourth quarter of 2024. The 2029 Term Loan will mature in October 2029. See Note 1—Basis of Presentation for further information regarding the 2029 Term Loan issuance and the refinancing of the 2026 Notes and 2027 Term Loan.

<sup>(b)</sup> Includes \$5 million principal of the 2027 Term Loan.

<sup>(c)</sup> Includes the \$453 million outstanding principal balance of the 2026 Notes and \$5 million principal of the 2027 Term Loan.

<sup>(d)</sup> Includes the remaining \$234 million principal balance of the 2027 Term Loan.

**9. Environmental Liabilities**

The Company's environmental liabilities balance changed as follows during the nine months ended September 28, 2024:

Balance at December 31, 2023	\$	170,291
Increase in liabilities		3,670
Payments		(3,606)
Foreign currency adjustments		(35)
Balance at September 28, 2024		170,320
Less: current portion		(9,832)
<b>Non-current environmental liabilities</b>	<b>\$</b>	<b>160,488</b>

In addition to these estimated liabilities, the Company is subject to the risk of reasonably possible additional liabilities in excess of the established liabilities 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 28, 2024, the Company estimates this exposure could range up to approximately \$87 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 assurance is 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.

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## 10. Fair Value Measurements

### Assets Measured at Fair Value on a Nonrecurring Basis

#### *Asset Impairment*

In the third quarter of 2024, the Company recorded a \$25 million non-cash impairment related to the Temiscaming High Purity Cellulose plant asset group. The fair value of the Temiscaming High Purity Cellulose plant assets was determined using discounted cash flows under the income approach from the perspective of a market participant assuming the highest and best use of the asset group. Discounted cash flows were estimated using key assumptions regarding production levels, price levels, profit margins, capital expenditures and discount rate, which are Level 3 measurements. See Note 2—Indefinite Suspension of Operations for further information on this impairment.

#### **Financial Instruments**

The carrying amounts of the Company's cash, receivables and payables approximate fair value due to the short-term nature of those instruments. The carrying amount of borrowings outstanding under the ABL Credit Facility, 2027 Term Loan and short-term factoring facility approximate fair value due to their variable interest rates.

The fair value of the Company's fixed rate debt is estimated using quoted market prices for debt with similar terms and maturities, which are Level 2 inputs, and was as follows:

	<b>September 28, 2024</b>	<b>December 31, 2023</b>
Carrying amount of fixed rate debt <sup>(a)</sup>	\$ 535,664	\$ 536,393
Fair value of fixed rate debt	531,853	497,563

<sup>(a)</sup> Excludes finance lease obligations.

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**11. Accumulated Other Comprehensive Loss**

	<b>Nine Months Ended</b>	
	<b>September 28, 2024</b>	<b>September 30, 2023</b>
<b>Unrecognized components of employee benefit plans, net of tax</b>		
Balance, beginning of period	\$ (33,537)	\$ (43,694)
Other comprehensive income (loss) before reclassifications	3,371	(3,034)
Income tax on other comprehensive gain (loss)	(901)	804
Reclassifications to earnings <sup>(a)</sup>		
Amortization of gain	(587)	(531)
Amortization of prior service cost	540	259
Income tax on reclassifications	11	70
Net comprehensive income (loss) on employee benefit plans, net of tax	<u>2,434</u>	<u>(2,432)</u>
Balance, end of period	(31,103)	(46,126)
<b>Unrealized loss on derivative instruments, net of tax</b>		
Balance, beginning of period	(373)	(567)
Reclassifications to earnings - foreign currency exchange contracts <sup>(b)</sup>	135	173
Income tax on reclassifications	(18)	(23)
Net comprehensive gain on derivative instruments, net of tax	<u>117</u>	<u>150</u>
Balance, end of period	(256)	(417)
<b>Foreign currency translation</b>		
Balance, beginning of period	(12,007)	(19,537)
Foreign currency translation adjustment, net of tax <sup>(c)</sup>	<u>2,064</u>	<u>(1,109)</u>
Balance, end of period	(9,943)	(20,646)
Accumulated other comprehensive loss, end of period	<u>\$ (41,302)</u>	<u>\$ (67,189)</u>

<sup>(a)</sup> 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.

<sup>(b)</sup> Reclassifications of foreign currency exchange contracts are recorded in “cost of sales,” “other operating income (expense), net” or “other income (expense), net,” as appropriate.

<sup>(c)</sup> 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.

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## 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):

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 28, 2024</b>	<b>September 30, 2023</b>	<b>September 28, 2024</b>	<b>September 30, 2023</b>
Loss from continuing operations	\$ (32,598)	\$ (26,540)	\$ (25,995)	\$ (40,555)
Income from discontinued operations	—	1,440	3,217	312
Net loss available for common stockholders	<u>\$ (32,598)</u>	<u>\$ (25,100)</u>	<u>\$ (22,778)</u>	<u>\$ (40,243)</u>
Weighted average shares used for determining basic earnings per share of common stock	65,892,750	65,343,418	65,686,397	65,024,654
Dilutive effect of:				
Stock options	—	—	—	—
Performance and restricted stock	—	—	—	—
Weighted average shares used for determining diluted earnings per share of common stock	<u>65,892,750</u>	<u>65,343,418</u>	<u>65,686,397</u>	<u>65,024,654</u>

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 28, 2024</b>	<b>September 30, 2023</b>	<b>September 28, 2024</b>	<b>September 30, 2023</b>
Stock options	—	46,798	—	46,798
Performance and restricted stock	3,419,691	3,302,332	3,419,691	3,302,332
Total anti-dilutive instruments	<u>3,419,691</u>	<u>3,349,130</u>	<u>3,419,691</u>	<u>3,349,130</u>

## 13. Incentive Stock Plans

Stock-based compensation expense was as follows:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 28, 2024</b>	<b>September 30, 2023</b>	<b>September 28, 2024</b>	<b>September 30, 2023</b>
Stock-based compensation expense	\$ 3,090	\$ 2,116	\$ 7,500	\$ 5,286

<sup>(a)</sup> Included equity award expense of \$2 million during each of the quarters ended September 28, 2024 and September 30, 2023, and \$5 million during each of the nine months ended September 28, 2024 and September 30, 2023.

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 2024. The 2024 restricted stock unit awards cliff vest after three years, except for director awards, which vest after one year. The 2024 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 percent and 200 percent of the target award for each of the TSR and adjusted EBITDA metrics. Performance below threshold for either metric would result in zero payout for that metric. The performance-based cash award is paid in cash and is classified as a liability and remeasured to fair value at the end of each reporting period until settlement.

In March 2024, the performance-based awards granted in 2021 vested without meeting the performance thresholds, resulting in no stock units or cash being awarded.

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The following table summarizes the 2024 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, 2023	46,798	\$ 37.77	1,886,694	\$ 6.01	1,370,601	\$ 7.83
Granted	—	—	633,603	4.11	582,442	4.52
Forfeited	—	—	(94,134)	4.97	(329,411)	10.87
Exercised or settled	—	—	(625,104)	6.81	(5,000)	2.41
Expired or cancelled	(46,798)	29.52	—	—	—	—
Outstanding at September 28, 2024	—	\$ —	1,801,059	\$ 5.12	1,618,632	\$ 6.06

#### 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 28, 2024, the Company recorded a \$1 million loss on pension curtailment charges associated with early retirements driven by the indefinite suspension of operations at the Temiscaming High Purity Cellulose plant. The loss on curtailment was recognized in “indefinite suspension charges” in the Company's consolidated statements of operations. Additionally, the Company decreased its pension liability by \$3 million. See Note 2—Indefinite Suspension of Operations for further information.

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 wound-up Canadian pension plans. The settlement was recognized in “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 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Service cost	\$ 1,440	\$ 1,223	\$ 138	\$ 293
Interest cost	6,972	7,204	247	352
Expected return on plan assets	(7,987)	(7,967)	—	—
Amortization of prior service cost (credit)	205	111	(24)	(24)
Amortization of gain	(11)	(123)	(185)	(54)
Net periodic benefit cost	\$ 619	\$ 448	\$ 176	\$ 567

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	<b>Pension</b>		<b>Postretirement</b>	
	<b>Nine Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 28, 2024</b>	<b>September 30, 2023</b>	<b>September 28, 2024</b>	<b>September 30, 2023</b>
Service cost	\$ 4,504	\$ 3,664	\$ 414	\$ 879
Interest cost	20,784	21,586	742	1,057
Expected return on plan assets	(24,115)	(23,854)	—	—
Amortization of prior service cost (credit)	613	332	(73)	(73)
Amortization of gain	(33)	(369)	(554)	(162)
Pension settlement loss	—	2,317	—	—
Curtailement	736	—	—	—
Net periodic benefit cost	<u>\$ 2,489</u>	<u>\$ 3,676</u>	<u>\$ 529</u>	<u>\$ 1,701</u>

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 “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:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 28, 2024</b>	<b>September 30, 2023</b>	<b>September 28, 2024</b>	<b>September 30, 2023</b>
Loss from continuing operations before income tax	\$ (36,669)	\$ (31,673)	\$ (30,484)	\$ (50,191)
Effective tax rate	12.5 %	17.0 %	19.4 %	22.4 %

The effective tax rates for the quarter and nine months ended September 28, 2024 differed from the federal statutory rate of 21 percent primarily due to changes in the valuation allowance on disallowed interest deductions, the release of certain tax reserves, different statutory tax rates in foreign jurisdictions, U.S. tax credits, excess deficit on vested stock compensation and return-to-accrual adjustments.

The effective tax rates for the quarter and nine months ended September 30, 2023 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.

### Deferred Taxes

As of September 28, 2024 and December 31, 2023, the Company’s net DTA included \$14 million and \$15 million, respectively, of disallowed U.S. interest deductions that the Company does not believe will be realized. The asset decreased \$1 million as a result of a tax expense recognized in the current year. 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.

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## 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.

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

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
High Purity Cellulose				
Cellulose Specialties	\$ 220,820	\$ 164,654	\$ 638,382	\$ 570,584
Commodity Products	78,129	98,834	253,683	321,548
Other sales <sup>(a)</sup>	25,865	28,528	72,109	73,447
<b>Total High Purity Cellulose</b>	<b>324,814</b>	<b>292,016</b>	<b>964,174</b>	<b>965,579</b>
Paperboard	54,809	57,212	168,068	164,300
High-Yield Pulp	27,822	25,393	94,981	111,397
Eliminations	(6,342)	(5,951)	(19,419)	(20,432)
<b>Net sales</b>	<b>\$ 401,103</b>	<b>\$ 368,670</b>	<b>\$ 1,207,804</b>	<b>\$ 1,220,844</b>

<sup>(a)</sup> Includes 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 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
High Purity Cellulose	\$ (5,688)	\$ (5,547)	\$ 45,215	\$ 6,965
Paperboard	6,890	13,088	26,999	28,680
High-Yield Pulp	294	(6,062)	436	2,030
Corporate	(18,296)	(15,919)	(44,178)	(41,977)
<b>Operating income (loss)</b>	<b>\$ (16,800)</b>	<b>\$ (14,440)</b>	<b>\$ 28,472</b>	<b>\$ (4,302)</b>

Identifiable assets by segment were as follows:

	September 28, 2024	December 31, 2023
High Purity Cellulose	\$ 1,501,493	\$ 1,510,076
Paperboard	101,549	105,804
High-Yield Pulp	48,295	43,811
Corporate <sup>(a)</sup>	508,023	523,009
<b>Total assets</b>	<b>\$ 2,159,360</b>	<b>\$ 2,182,700</b>

<sup>(a)</sup> Includes ERP and certain lease assets shared across segments.

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

## **17. Commitments and Contingencies**

### **Commitments**

The Company had no material changes to the purchase obligations presented in its 2023 Form 10-K during the nine months ended September 28, 2024. The Company's purchase obligations primarily consist of commitments for the purchase of natural gas, electricity and wood chips.

The Company remains subject to purchase obligations under the 20-year wood chip and residual fiber supply agreement with GreenFirst, under which total required purchase volumes of wood chips and residual fiber are dependent on sawmill production. In connection with the indefinite suspension of operations at the Temiscaming High Purity Cellulose plant, GreenFirst and the Company have agreed that the Company will purchase the required volumes at market value and sell them to third parties at the same amount for an expected neutral impact.

The Company leases certain buildings, machinery and equipment under various operating and finance leases. See Note 6—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 of softwood lumber duties between 2017 and August 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 in 2021, the Company retained all refund rights and obligations to softwood duties generated or incurred through the closing date of the sale. As of December 31, 2023, the Company had a \$40 million long-term receivable associated with USDOC determinations of the revised duty rates for 2017 through 2021. In June 2024, the Company executed on the sale of these refund rights (inclusive of the receivable), including all accrued interest, for \$39 million, with the opportunity for additional sale proceeds in the future contingent upon the timing and terms of the ultimate outcome of the trade dispute between the USDOC and Canada.

#### ***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 business, 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 28, 2024, the Company had net exposure of \$37 million from various standby letters of credit, primarily for financial assurance relating to environmental remediation, credit support for natural gas and electricity purchases and guarantees related to foreign retirement plan obligations. These standby letters of credit represent a contingent liability; the Company would only be liable upon its default on the related payment obligations. The standby letters of credit have various expiration dates and are expected to be renewed as required.

The Company had surety bonds of \$89 million as of September 28, 2024, 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 \$28 million at September 28, 2024.



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

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

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

In April 2024, collective bargaining agreements covering approximately 225 unionized employees at the Fernandina plant expired. The employees continued to work under the terms of the expired contracts until negotiations concluded in the third quarter of 2024 and final agreements with the union were reached. As of September 28, 2024, 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 2023 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,” “target,” “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 2023 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 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. Our specialized assets are also used to produce biofuels, bioelectricity and other biomaterials such as bioethanol and tall oils. 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 three business segments: High Purity Cellulose, Paperboard and High-Yield Pulp.

### Recent Business Developments

- In October 2024, we secured term loan financing of \$700 million in aggregate principal amount and received net proceeds of \$683 million after original issue discount, which will be used in the fourth quarter, together with cash on hand, to redeem the outstanding principal balances of the 2026 Notes and the 2027 Term Loan and pay fees and expenses related to the transaction. In conjunction with this refinancing, we secured commitments for a five-year \$175 million ABL credit facility. See Note 1—Basis of Presentation to our Financial Statements.
- In October 2024, an isolated fire occurred at our Jesup plant during planned maintenance activity. We estimate an unfavorable impact to EBITDA in 2024 from the incident of approximately \$10 million and additional required maintenance capital of \$3 million. See Note 1—Basis of Presentation to our Financial Statements.
- In September 2024, we announced price increases for our cellulose specialties products of up to 10 percent, depending on product grade, as contracts allow. This increase was driven by market dynamics, cost inflation and other economic drivers.
- In September 2024, we repurchased \$12 million principal of our 2026 Notes through open-market transactions for \$12 million cash. See Note 8—Debt and Finance Leases to our Financial Statements.

- In July 2024, we indefinitely suspended operations at our Temiscaming High Purity Cellulose plant and in September 2024, we recorded a \$25 million non-cash asset impairment, among other charges, related to the suspension. See Note 2—Indefinite Suspension of Operations to our Financial Statements.
- In June 2024, we recognized \$15 million in pre-tax income related to CEWS benefit claims deferred since 2021. See Note 3—Discontinued Operations and Note 7—Accrued and Other Current Liabilities to our Financial Statements.
- In June 2024, we sold our refund rights, including interest, related to softwood lumber duties paid from 2017 through 2021 for \$39 million. See Note 3—Discontinued Operations to our Financial Statements.
- In January 2024, we amended our 2027 Term Loan agreement to increase the maximum consolidated net secured leverage ratio that we must maintain in the fourth quarter of 2023 and through fiscal year 2024. In addition, should we exceed the maximum ratio established by the original agreement during this period, we will incur a fee of 0.25% of the principal balance outstanding at the end of the applicable quarter. See Note 8—Debt and Finance Leases to our Financial Statements.

## **Business Outlook**

In October 2023, we announced that we are exploring the potential sale of our Paperboard and High-Yield Pulp assets located at our Temiscaming site. We remain committed to pursuing a sale of these assets at a fair price.

In July 2024, we indefinitely suspended operations at our Temiscaming High Purity Cellulose plant. This plan is expected to mitigate high capital needs and operating losses related to exposure to commodity viscose products and improve our consolidated free cash flow; however, future operational loss reductions will be partially offset by continuing custodial site expenses. In connection with the suspension of operations, we have incurred one-time operating charges, including mothballing and severance and other employee costs, of \$14 million and a \$25 million non-cash asset impairment. Potential remaining one-time charges to be incurred in the fourth quarter are estimated at \$2 million to \$3 million. For 2024, the suspension of the Temiscaming High Purity Cellulose plant is expected to be positive to Adjusted EBITDA. Free cash flow is expected to increase by \$30 million to \$35 million in 2024 as lower capital expenditures and benefits from the monetization of working capital are expected to more than offset the one-time and other cash costs associated with the suspension of operations.

In October 2024, an isolated fire occurred at our Jesup plant during planned maintenance activity. There were no injuries to employees or contractors and no risk to the surrounding community. The plant's C line operations resumed within two days and the A and B lines' operations resumed within a two-week period. While we continue to assess the financial impact of the incident, the unfavorable impact to EBITDA in 2024 is expected to approximate \$10 million, with an additional required \$3 million of maintenance capital. Additional capital expenditures will be required over the next couple of years to complete repairs. We carry insurance for property and business interruption loss with a \$15 million combined deductible.

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

### ***High Purity Cellulose***

Average sales prices for cellulose specialties in 2024 are expected to increase by a low single-digit percentage as compared to average sales prices in 2023 as we continue to prioritize value over volume. Sales volumes for cellulose specialties are expected to increase compared to 2023 driven by increased volumes from the closure of a competitor's plant, a modest increase in ethers demand and additional volume sold to customers affected by the indefinite suspension of Temiscaming High Purity Cellulose operations, partially offset by a one-time favorable impact from a change in customer contract terms in the prior year first quarter, customer destocking in the acetate markets and reduced sales related to the fire in Jesup. Demand for RYAM's commodity products remains steady. Sales prices for fluff products are expected to decline by a high single-digit percentage compared to 2023, while sales volumes are projected to increase by nearly 30 percent year over year. For non-fluff commodities, average sales prices are expected to rise by a mid-single-digit percentage over 2023 levels, though sales volumes are expected to decrease nearly 50 percent compared to 2023 levels, aligned with strategic initiatives to reduce exposure to non-fluff commodities. Pricing for all commodity High Purity Cellulose products is forecasted to soften slightly in Q4, with volumes seeing a modest increase sequentially. Costs are expected to be lower in 2024 driven by lower key input and logistics costs, improved productivity and the suspension of operations at the Temiscaming High Purity Cellulose plant, partially offset by increased costs due to the timing of maintenance projects, net custodial site expenses related to the suspension and recovery costs related to the Jesup fire. Our bioethanol facility in Tartas, France became operational in the first quarter of 2024 and is expected to deliver approximately \$3 million to \$4 million of EBITDA in 2024, growing to \$8 million to \$10 million beginning in 2025. EBITDA in the fourth quarter of 2024 is expected to be lower than the third quarter of 2024 due to the anticipated net custodial site expenses at the Temiscaming site, Jesup fire repair costs and the impact of the fire on sales and costs.

Looking forward to 2025, we announced price increases of up to 10 percent for our cellulose specialties products, as contracts allow, and expect higher margins for cellulose specialties in the coming year. We expect to continue reducing our exposure to non-fluff commodities in 2025.

### ***Paperboard***

Paperboard prices are expected to decrease in the fourth quarter while sales volumes are expected to increase. Raw material prices are expected to increase compared to the third quarter. Overall, we expect a decline in EBITDA from this segment in the coming quarters as market pressure continues with new competitive supply coming online in 2025.

### ***High-Yield Pulp***

High-Yield Pulp prices are expected to decline in the fourth quarter, while sales volumes are expected to increase significantly due to timing of shipments. Overall, we expect to incur a loss in EBITDA from this segment in the coming quarter due to the decline in sales prices. Current pricing is expected to remain low in the coming quarters.

### ***Corporate***

Corporate costs are expected to decrease in the fourth quarter subject to fluctuations in foreign exchange rates.

### **Biomaterials Strategy**

We continue to invest in new products to provide both increased end market diversity and incremental profitability. These new products will target the growing green energy and renewable product markets. Current projects include:

- Our bioethanol facility in Tartas, France is operating to available feedstock and represents a significant milestone towards our goal of generating \$42 million of annual EBITDA from all of RYAM's future biomaterial products in 2027.
- We have submitted notice of our GRAS self-certification for a prebiotics product to the U.S. Food and Drug Administration and continue to move forward with plans for a bioethanol facility in Fernandina.
- Our involvement in AGE, a company that aims to utilize renewable forestry waste and other biomass generally discarded as waste to generate sustainable electricity for the state of Georgia. While still in the development phase, the project achieved a significant milestone when AGE was recently awarded a Purchase Power Agreement to sell electricity to Georgia Power Company. Additional information regarding the progress of this project will be shared in 2025.

We are also advancing various other projects and expect to secure financing for many of these projects in the coming quarter.

## Results of Operations

(in millions, except percentages)	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Net sales	\$ 401	\$ 369	\$ 1,208	\$ 1,221
Cost of sales	(357)	(360)	(1,079)	(1,160)
Gross margin	44	9	129	61
Selling, general and administrative expense	(24)	(22)	(66)	(59)
Foreign exchange gain (loss)	(2)	1	1	(1)
Asset impairment	(25)	—	(25)	—
Indefinite suspension charges	(7)	—	(14)	—
Other operating income (expense), net	(3)	(2)	3	(5)
Operating income (loss)	(17)	(14)	28	(4)
Interest expense	(20)	(21)	(62)	(52)
Components of pension and OPEB, excluding service costs	1	—	2	(1)
Other income (expense), net	—	4	2	7
Loss from continuing operations before income tax	(36)	(31)	(30)	(50)
Income tax benefit	4	5	6	11
Equity in loss of equity method investment	(1)	(1)	(2)	(2)
Loss from continuing operations	(33)	(27)	(26)	(41)
Income from discontinued operations, net of tax	—	2	3	1
Net loss	\$ (33)	\$ (25)	\$ (23)	\$ (40)
Gross margin %	11.0 %	2.4 %	10.7 %	5.0 %
Operating margin %	(4.2)%	(3.8)%	2.3 %	(0.3)%
Effective tax rate	12.5 %	17.0 %	19.4 %	22.4 %

## Net Sales

(in millions)	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
High Purity Cellulose	\$ 325	\$ 292	\$ 964	\$ 966
Paperboard	55	57	168	164
High-Yield Pulp	28	25	95	111
Eliminations	(7)	(5)	(19)	(20)
Net sales	\$ 401	\$ 369	\$ 1,208	\$ 1,221

Net sales for the quarter ended September 28, 2024 increased \$32 million, or 9 percent, compared to the same prior year quarter driven by higher sales prices in High Purity Cellulose and High-Yield Pulp and higher sales volumes in cellulose specialties, partially offset by lower sales prices in Paperboard and lower sales volumes in commodity products and High-Yield Pulp.

Net sales for the nine months ended September 28, 2024 decreased \$13 million, or 1 percent, compared to the same prior year period driven by lower sales prices in commodity products, Paperboard and High-Yield Pulp and lower sales volumes in commodity products and High-Yield Pulp, partially offset by higher sales prices in cellulose specialties and higher sales volumes in cellulose specialties and Paperboard.

See *Operating Results by Segment* below for further discussion.

### Operating Income (Loss)

(in millions)	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
High Purity Cellulose	\$ (6)	\$ (6)	\$ 45	\$ 7
Paperboard	7	13	27	29
High-Yield Pulp	—	(6)	—	2
Corporate	(18)	(15)	(44)	(42)
Operating income (loss)	\$ (17)	\$ (14)	\$ 28	\$ (4)

Operating loss for the quarter ended September 28, 2024 increased \$3 million, or 21 percent, compared to the same prior year quarter primarily driven by \$7 million in one-time costs incurred related to the indefinite suspension of Temiscaming High Purity Cellulose operations and an associated \$25 million non-cash asset impairment. The loss also included \$4 million of Temiscaming High Purity Cellulose continuing custodial site costs. The increase in the quarter's operating loss was further driven by lower Paperboard net sales and higher purchased pulp costs. Partially offsetting these increases to the loss were the higher net sales in High Purity Cellulose and High-Yield Pulp, lower key input and labor costs in High Purity Cellulose and higher productivity in High-Yield Pulp.

Operating results for the nine months ended September 28, 2024 improved \$32 million, or 800 percent, compared to the same prior year period despite one-time charges of \$14 million related to the indefinite suspension of Temiscaming High Purity Cellulose operations and an associated \$25 million non-cash asset impairment. Results also included \$4 million of Temiscaming High Purity Cellulose continuing custodial site costs. The improvement in operating results was driven by higher Paperboard net sales, lower key input, logistics and labor costs in High Purity Cellulose, lower purchased pulp costs in Paperboard, lower logistics, chemicals and wood costs and higher productivity in High-Yield Pulp and the recognition of \$10 million in CEWS benefit claims deferred since 2021. Partially offsetting these improvements, in addition to the indefinite suspension charges, asset impairment and custodial site costs, were lower High Purity Cellulose and High-Yield Pulp net sales, the impact of the timing of planned maintenance outages compared to the prior year, the prior year recognition of a \$3 million benefit from payroll tax credit carryforwards that we do not expect to repeat and \$11 million of energy cost benefits from sales of excess emission allowances recognized in the prior year, the current year sales of which are expected in the fourth quarter.

See *Operating Results by Segment* below for further discussion.

### Non-Operating Income & Expense

Interest expense for the quarter and nine months ended September 28, 2024 was nearly flat and increased \$10 million, respectively, compared to the same prior year periods. The increase in the nine-month period was driven by an increase in the average effective interest rate on debt, partially offset by a decrease in the average outstanding principal balance. Total debt increased \$24 million from September 30, 2023 to September 28, 2024, as we secured \$26 million of green capital to further our biomaterials strategy.

Interest income for the quarter and nine months ended September 28, 2024 decreased \$2 million and \$3 million, respectively, compared to the same prior year periods driven by the prior year timing of the receipt of the 2027 Term Loan proceeds and their subsequent use in the repayment of senior notes.

Unfavorable foreign exchange rates during the quarter ended September 28, 2024 compared to favorable rates in the same prior year quarter resulted in a net unfavorable impact of \$1 million. The net impact when comparing the current and prior year nine-month periods was favorable but immaterial.

Also included in "other income (expense), net" in the quarter and nine months ended September 30, 2023 was a \$1 million net loss on debt extinguishment. Additionally, we recorded a \$2 million gain on a passive land sale and a \$2 million pension settlement loss in the prior year nine-month period.

### Income Taxes

The effective tax rate on the loss from continuing operations for the quarter and nine months ended September 28, 2024 was a benefit of 13 percent and 19 percent, respectively. The 2024 effective tax rate differed from the federal statutory rate of 21 percent primarily due to changes in the valuation allowance on disallowed interest deductions, the release of certain tax reserves, different statutory tax rates in foreign jurisdictions, U.S. tax credits, excess deficit on vested stock compensation and return-to-accrual adjustments.

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.

### Discontinued Operations

During the nine months ended September 28, 2024, we recorded pre-tax income from discontinued operations of \$5 million related to CEWS benefit claims deferred since 2021 and a pre-tax loss of \$1 million on the sale of our softwood lumber duty refund rights.

During the quarter and nine months ended September 30, 2023, the USDOC completed its administrative review of duties applied to Canada softwood lumber exports to the U.S. during 2021 and reduced rates applicable to us, for which we recorded a pre-tax gain of \$2 million. Also during the nine months ended September 30, 2023, we incurred a \$2 million pre-tax loss related to the settlement of a claim pursuant to the representations and warranties in the asset purchase agreement.

### Operating Results by Segment

#### High Purity Cellulose

(in millions, unless otherwise stated)	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Net sales	\$ 325	\$ 292	\$ 964	\$ 966
Operating income (loss)	\$ (6)	\$ (6)	\$ 45	\$ 7
Average sales prices (\$ per MT)	\$ 1,369	\$ 1,215	\$ 1,346	\$ 1,282
Sales volumes (thousands of MTs)	218	217	663	696

#### Net Sales - Three Months Ended

(in millions)	Three Months Ended September 30, 2023	Changes Attributable to:		Three Months Ended September 28, 2024
		Price	Volume/Mix/Other	
Cellulose specialties	\$ 165	\$ 3	\$ 52	\$ 220
Commodity products	99	—	(20)	79
Other sales <sup>(a)</sup>	28	—	(2)	26
Net sales	\$ 292	\$ 3	\$ 30	\$ 325

<sup>(a)</sup> 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 28, 2024 increased \$33 million compared to the same prior year quarter. Included in the current and prior year quarters were \$26 million and \$28 million, respectively, of other sales primarily from bio-based energy and lignosulfonates. Total sales prices increased 13 percent due to a higher mix of cellulose specialties and included 2 percent and 5 percent increases in cellulose specialties and commodity prices, respectively. Total sales volumes were nearly flat as a 32 percent increase in cellulose specialties volumes was offset by a 24 percent decrease in commodity volumes. The cellulose specialties sales volumes increase includes additional volumes sold to customers affected by the indefinite suspension of Temiscaming High Purity Cellulose operations that began in the third quarter, the closure of a competitor's plant in late 2023, the easing of prior year customer destocking and a continued uptick in ethers sales volumes. The decrease in commodity sales volumes was primarily driven by a higher mix of cellulose specialties production and the indefinite suspension of Temiscaming High Purity Cellulose operations.

#### Net Sales - Nine Months Ended

(in millions)	Nine Months Ended September 30, 2023	Changes Attributable to:		Nine Months Ended September 28, 2024
		Price	Volume/Mix/Other	
Cellulose specialties	\$ 571	\$ 8	\$ 59	\$ 638
Commodity products	322	(22)	(46)	254
Other sales <sup>(a)</sup>	73	—	(1)	72
Net sales	\$ 966	\$ (14)	\$ 12	\$ 964

<sup>(a)</sup> 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 28, 2024 was nearly flat compared to the same prior year period. Included in the current and prior year nine-month periods were \$72 million and \$73 million, respectively, of other sales primarily from bio-based energy and lignosulfonates. Total sales prices increased 5 percent due to a 1 percent increase in cellulose specialties prices that was partially offset by a 3 percent decrease in commodity prices. Despite a cellulose specialties sales volumes increase of 10 percent, total sales volumes decreased 5 percent driven by a 19 percent decrease in commodity volumes. Increased cellulose specialties sales volumes resulting from the additional volumes sold ahead of the suspension of Temiscaming High Purity Cellulose operations, the closure of a competitor's plant in late 2023, the easing of prior year customer destocking and an uptick in ethers sales volumes were partially offset by the one-time favorable impact from a change in customer contract terms in the prior year first quarter. The decrease in commodity sales volumes was primarily driven by a higher mix of cellulose specialties production and the indefinite suspension of Temiscaming High Purity Cellulose operations.

#### Operating Loss - Three Months Ended

(in millions, except percentages)	Three Months Ended September 30, 2023	Gross Margin Changes Attributable to:				SG&A and other	Three Months Ended September 28, 2024
		Sales Price	Sales Volume/Mix/Other <sup>(a)</sup>	Cost			
Operating loss	\$ (6)	\$ 3	\$ 6	\$ 25	\$ (34)	\$ (6)	
Operating margin %	(2.1)%	1.0 %	1.9 %	7.7 %	(10.3)%	(1.8)%	

<sup>(a)</sup> Computed based on contribution margin.

Operating loss of our High Purity Cellulose segment for the quarter ended September 28, 2024 was nearly flat compared to the same prior year quarter despite one-time charges of \$7 million related to the indefinite suspension of Temiscaming High Purity Cellulose operations and an associated \$25 million non-cash asset impairment. Results also included \$4 million of Temiscaming High Purity Cellulose continuing custodial site costs. The quarter results were driven by the higher cellulose specialties sales prices and volumes, lower key input costs and lower labor costs reflective of the suspended operations, offset by the indefinite suspension charges, asset impairment, custodial site costs and lower commodity sales volumes.



### Operating Income - Nine Months Ended

(in millions, except percentages)	Nine Months Ended September 30, 2023	Gross Margin Changes Attributable to:				SG&A and other	Nine Months Ended September 28, 2024
		Sales Price	Sales Volume/Mix/Other <sup>(a)</sup>	Cost			
Operating income	\$ 7	\$ (14)	\$ (13)	\$ 102	\$ (37)	\$ 45	
Operating margin %	0.7 %	(1.5)%	(1.3)%	10.6 %	(3.8)%	4.7 %	

<sup>(a)</sup> Computed based on contribution margin.

Operating income of our High Purity Cellulose segment for the nine months ended September 28, 2024 increased \$38 million compared to the same prior year period despite one-time charges of \$14 million related to the indefinite suspension of Temiscaming High Purity Cellulose operations and an associated \$25 million non-cash asset impairment. Results also included \$4 million of Temiscaming High Purity Cellulose continuing custodial site costs. The increase in operating income in the nine-month period was driven by the higher cellulose specialties sales prices and volumes, lower key input and logistics costs, lower labor costs reflective of the suspended operations and the recognition of \$5 million in CEWS benefit claims deferred since 2021. Partially offsetting these increases were the indefinite suspension charges, asset impairment, custodial site costs, the lower commodity sales prices and volumes, the impact of the timing of planned maintenance outages compared to the prior year, the prior year recognition of a \$3 million benefit from payroll tax credit carryforwards that we do not expect to repeat and \$11 million of energy cost benefits from sales of excess emission allowances recognized in the prior year, the current year sales of which are expected in the fourth quarter.

### Paperboard

(in millions, unless otherwise stated)	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Net sales	\$ 55	\$ 57	\$ 168	\$ 164
Operating income	\$ 7	\$ 13	\$ 27	\$ 29
Average sales prices (\$ per MT)	\$ 1,400	\$ 1,459	\$ 1,388	\$ 1,508
Sales volumes (thousands of MTs)	39	39	121	109

### Net Sales - Three Months Ended

(in millions)	Three Months Ended September 30, 2023	Changes Attributable to:		Three Months Ended September 28, 2024
		Price	Volume/Mix	
Net sales	\$ 57	\$ (2)	\$ —	\$ 55

Net sales of our Paperboard segment for the quarter ended September 28, 2024 decreased \$2 million compared to the same prior year quarter driven by a 4 percent decrease in sales prices due to mix and increased competitive activity from European imports. Sales volumes were nearly flat.

### Net Sales - Nine Months Ended

(in millions)	Nine Months Ended September 30, 2023	Changes Attributable to:		Nine Months Ended September 28, 2024
		Price	Volume/Mix	
Net sales	\$ 164	\$ (14)	\$ 18	\$ 168

Net sales of our Paperboard segment for the nine months ended September 28, 2024 increased \$4 million compared to the same prior year period. Sales volumes increased 11 percent driven by the easing of prior year customer destocking in the current year, partially offset by an 8 percent decrease in sales prices driven by mix and increased competitive activity from European imports.

### Operating Income - Three Months Ended

(in millions, except percentages)	Three Months Ended September 30, 2023	Gross Margin Changes Attributable to:			SG&A and other	Three Months Ended September 28, 2024
		Sales Price	Sales Volume/Mix <sup>(a)</sup>	Cost		
Operating income	\$ 13	\$ (2)	\$ —	\$ (4)	\$ —	\$ 7
Operating margin %	22.8 %	(2.8)%	— %	(7.3)%	— %	12.7 %

<sup>(a)</sup> Computed based on contribution margin.

Operating income of our Paperboard segment for the quarter ended September 28, 2024 decreased \$6 million compared to the same prior year quarter driven by the lower sales prices and higher purchased pulp costs.

### Operating Income - Nine Months Ended

(in millions, except percentages)	Nine Months Ended September 30, 2023	Gross Margin Changes Attributable to:			SG&A and other	Nine Months Ended September 28, 2024
		Sales Price	Sales Volume/Mix <sup>(a)</sup>	Cost		
Operating income	\$ 29	\$ (14)	\$ 8	\$ 3	\$ 1	\$ 27
Operating margin %	17.7 %	(7.7)%	3.7 %	1.8 %	0.6 %	16.1 %

<sup>(a)</sup> Computed based on contribution margin.

Operating income of our Paperboard segment for the nine months ended September 28, 2024 decreased \$2 million compared to the same prior year period driven by the lower sales prices and the impact of the planned maintenance outage in the prior year, partially offset by the higher sales volumes, lower purchased pulp costs and the recognition of \$2 million in CEWS benefit claims deferred since 2021.

### High-Yield Pulp

(in millions, unless otherwise stated)	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Net sales	\$ 28	\$ 25	\$ 95	\$ 111
Operating income (loss)	\$ —	\$ (6)	\$ —	\$ 2
Average sales prices (\$ per MT) <sup>(a)</sup>	\$ 559	\$ 489	\$ 564	\$ 635
Sales volumes (thousands of MTs) <sup>(a)</sup>	38	39	133	142

<sup>(a)</sup> External sales only. During the quarters ended September 28, 2024 and September 30, 2023, the High-Yield Pulp segment sold 15,000 MTs and 17,000 MTs of high-yield pulp to the Paperboard segment for \$7 million and \$6 million, respectively. During the nine months ended September 28, 2024 and September 30, 2023, the High-Yield Pulp segment sold 47,000 MTs and 49,000 MTs of high-yield pulp to the Paperboard segment for \$20 million and \$21 million, respectively.

### Net Sales - Three Months Ended

(in millions)	Three Months Ended September 30, 2023	Changes Attributable to:		Three Months Ended September 28, 2024
		Price	Volume/Mix	
Net sales	\$ 25	\$ 4	\$ (1)	\$ 28

Net sales of our High-Yield Pulp segment for the quarter ended September 28, 2024 increased \$3 million compared to the same prior year quarter driven by a 14 percent increase in sales prices, partially offset by a 3 percent decrease in sales volumes driven by timing of shipments.

### Net Sales - Nine Months Ended

(in millions)	Nine Months Ended September 30, 2023	Changes Attributable to:		Nine Months Ended September 28, 2024
		Price	Volume/Mix	
Net sales	\$ 111	\$ (10)	\$ (6)	\$ 95

Net sales of our High-Yield Pulp segment for the nine months ended September 28, 2024 decreased \$16 million compared to the same prior year period driven by 11 percent and 6 percent decreases in sales prices and volumes, respectively, due to market supply dynamics in China, lower demand and timing of shipments.

### Operating Income (Loss) - Three Months Ended

(in millions, except percentages)	Three Months Ended September 30, 2023	Gross Margin Changes Attributable to:				SG&A and other	Three Months Ended September 28, 2024
		Sales Price	Sales Volume/Mix <sup>(a)</sup>	Cost			
Operating income (loss)	\$ (6)	\$ 4	\$ (1)	\$ 3	\$ —	\$ —	
Operating margin %	(24.0)%	17.1 %	(3.8)%	10.7 %	— %	— %	

<sup>(a)</sup> Computed based on contribution margin.

Operating results of our High-Yield Pulp segment for the quarter ended September 28, 2024 improved \$6 million compared to the same prior year quarter driven by the higher sales prices and higher productivity, partially offset by the lower sales volumes.

### Operating Income - Nine Months Ended

(in millions, except percentages)	Nine Months Ended September 30, 2023	Gross Margin Changes Attributable to:				SG&A and other	Nine Months Ended September 28, 2024
		Sales Price	Sales Volume/Mix <sup>(a)</sup>	Cost			
Operating income	\$ 2	\$ (10)	\$ (3)	\$ 9	\$ 2	\$ —	
Operating margin %	1.8 %	(9.7)%	(3.7)%	9.5 %	2.1 %	— %	

<sup>(a)</sup> Computed based on contribution margin.

Operating income of our High-Yield Pulp segment for the nine months ended September 28, 2024 decreased \$2 million compared to the same prior year period driven by the lower sales prices and volumes, partially offset by lower logistics, chemicals and wood costs, higher productivity and the recognition of \$2 million in CEWS benefit claims deferred since 2021.

### Corporate

(in millions)	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Operating loss	\$ (18)	\$ (15)	\$ (44)	\$ (42)

The Corporate operating loss for the quarter and nine months ended September 28, 2024 increased \$3 million and \$2 million, respectively, compared to the same prior year periods. The increase in the quarter loss was driven by unfavorable foreign exchange rates in the current period compared to favorable rates in the prior period and higher environmental and variable compensation expense. The increase in the nine-month period loss was driven by higher costs related to our ERP transformation project, variable and other compensation and discounting and financing fees, partially offset by favorable foreign exchange rates in the current period compared to unfavorable rates in the prior period.

## 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. 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 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 have not repurchased shares under this program since 2018 and do not expect to utilize any of the remaining \$60 million in unused authorization in the future.

Our non-guarantor subsidiaries had assets of \$468 million, liabilities of \$416 million, year-to-date revenue of \$173 million and a trailing twelve month ABL Credit Facility and Term Loan covenant EBITDA for continuing operations of \$15 million as of September 28, 2024.

Our liquidity and capital resources are summarized below:

(in millions, except ratios)	<b>September 28, 2024</b>	<b>December 31, 2023</b>
Cash and cash equivalents	\$ 136	\$ 76
Availability under the ABL Credit Facility <sup>(a)(b)</sup>	\$ 135	\$ 118
Total debt <sup>(b)</sup>	\$ 773	\$ 777
Stockholders' equity	\$ 733	\$ 747
Total capitalization (total debt plus stockholders' equity)	\$ 1,506	\$ 1,524
Debt to capital ratio	51 %	51 %

<sup>(a)</sup> Amounts available under the ABL Credit Facility fluctuate based on eligible accounts receivable and inventory levels. At September 28, 2024, we had \$170 million of gross availability and net available borrowings of \$135 million after taking into account outstanding letters of credit of \$35 million. In addition to the availability under the ABL Credit Facility, we have \$10 million available under our accounts receivable factoring line of credit in France.

<sup>(b)</sup> See Note 8—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 during the nine months ended September 28, 2024.

We remain subject to purchase obligations under the 20-year wood chip and residual fiber supply agreement with GreenFirst, under which total required purchase volumes of wood chips and residual fiber are dependent on sawmill production. In connection with the indefinite suspension of operations at the Temiscaming High Purity Cellulose plant, we and GreenFirst have agreed that we will purchase the required volumes at market value and sell them to third parties at the same amount for an expected neutral impact.

See Note 17—Commitments and Contingencies to our Financial Statements for further information.

## Debt

As of September 28, 2024 we were in compliance with all financial and other covenants under our debt agreements.

See Note 1—Basis of Presentation and Note 8—Debt and Finance Leases to our Financial Statements for further information of the following transactions.

**2026 Notes.** In September 2024, we repurchased \$12 million principal of our 2026 Notes through open-market transactions for \$12 million cash. See Note 8—Debt and Finance Leases to our Financial Statements for further information.

**2027 Term Loan.** In January 2024, we amended the 2027 Term Loan to increase the maximum consolidated net secured leverage ratio that we must maintain beginning in the fourth quarter of 2023 and through our 2024 fiscal year. The amendment provides us with the operational flexibility to execute our strategic initiatives in 2024. Should we exceed the maximum ratio established by the original agreement in any of these quarters, we will incur a fee of 0.25% of the principal balance outstanding at the end of the applicable quarter.

**Debt issuance and redemption.** In October 2024, we raised \$700 million in aggregate principal amount of secured term loan financing and received net proceeds of \$683 million after original issue discount, which will be used in the fourth quarter, together with cash on hand, to redeem the respective \$453 million and \$246 million outstanding principal balances of the 2026 Notes and 2027 Term Loan and pay fees and expenses related to the transaction. The 2029 Term Loan matures in October 2029, bears interest at an annual rate equal to three-month Term SOFR plus an initial spread of 7 percent and requires quarterly principal payments of \$1.75 million. The initial spread may fluctuate by one half percent based on our net secured leverage ratio. We may voluntarily make prepayments at any time, subject to customary breakage costs and, if within the first three anniversaries of closing, an additional premium. The agreement governing the 2029 Term Loan contains various customary covenants, including the requirement to maintain a specified consolidated net secured leverage ratio, based on covenant EBITDA.

In conjunction with the above refinancing, we secured commitments for a five-year \$175 million ABL credit facility. The facility is initially priced at Term SOFR plus a spread of 2 percent.

## Cash Flows

(in millions)	Nine Months Ended	
	September 28, 2024	September 30, 2023
Cash flows provided by (used in):		
Operating activities	\$ 149	\$ 82
Investing activities	(80)	(95)
Financing activities	(10)	(112)

Cash provided by operating activities increased \$67 million primarily due to proceeds of \$39 million for the sale of our softwood lumber duty refund rights, net tax refunds of \$20 million in the current year compared to net tax payments in the prior year and higher payments in the prior year on deferred energy liabilities associated with our Tartas facility operations. These cash inflows were partially offset by cash outflows from working capital in the current year compared to inflows in the prior year and higher payments of interest on long-term debt.

Cash used in investing activities decreased \$15 million primarily due to the timing of payments of capital expenditures, lower strategic capital spend and lower custodial capital spend due to the indefinite suspension of operations.

Cash used in financing activities decreased \$102 million primarily due to lower net repayment of long-term debt, a decrease in debt issuance costs and a decrease in repurchases of common stock to satisfy tax withholding requirements related to the issuance of stock under our incentive stock plans.

## 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. 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 items that management believes are not representative of our core operations.

Income (loss) from continuing operations is reconciled to EBITDA and Adjusted EBITDA from continuing operations, by segment, as follows:

(in millions)	<b>High Purity Cellulose</b>	<b>Paperboard</b>	<b>High-Yield Pulp</b>	<b>Corporate</b>	<b>Total</b>
<b>Three Months Ended September 28, 2024</b>					
Income (loss) from continuing operations	\$ (5)	\$ 7	\$ 1	\$ (36)	\$ (33)
Depreciation and amortization	32	4	—	—	36
Interest expense, net	—	—	—	20	20
Income tax benefit	—	—	—	(4)	(4)
EBITDA-continuing operations	<u>27</u>	<u>11</u>	<u>1</u>	<u>(20)</u>	<u>19</u>
Asset impairment	25	—	—	—	25
Indefinite suspension charges	7	—	—	—	7
Adjusted EBITDA-continuing operations	<u>\$ 59</u>	<u>\$ 11</u>	<u>\$ 1</u>	<u>\$ (20)</u>	<u>\$ 51</u>
<b>Three Months Ended September 30, 2023</b>					
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	<u>27</u>	<u>17</u>	<u>(5)</u>	<u>(16)</u>	<u>23</u>
Loss on debt extinguishment	—	—	—	1	1
Adjusted EBITDA-continuing operations	<u>\$ 27</u>	<u>\$ 17</u>	<u>\$ (5)</u>	<u>\$ (15)</u>	<u>\$ 24</u>

**Nine Months Ended September 28, 2024**

Income (loss) from continuing operations	\$ 46	\$ 28	\$ 1	\$ (101)	\$ (26)
Depreciation and amortization	90	10	2	1	103
Interest expense, net	—	—	—	61	61
Income tax benefit	—	—	—	(6)	(6)
EBITDA-continuing operations	136	38	3	(45)	132
Asset impairment	25	—	—	—	25
Indefinite suspension charges	14	—	—	—	14
Adjusted EBITDA-continuing operations	<u>\$ 175</u>	<u>\$ 38</u>	<u>\$ 3</u>	<u>\$ (45)</u>	<u>\$ 171</u>

**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	<u>\$ 99</u>	<u>\$ 40</u>	<u>\$ 4</u>	<u>\$ (41)</u>	<u>\$ 102</u>

EBITDA from continuing operations for the quarter ended September 28, 2024 decreased \$4 million compared to the same prior year quarter driven by the costs incurred related to the indefinite suspension of Temiscaming High Purity Cellulose operations, non-cash asset impairment and Temiscaming High Purity Cellulose continuing custodial site costs. The decrease was further driven by lower Paperboard net sales and higher purchased pulp costs. Partially offsetting these decreases were higher net sales in High Purity Cellulose and High-Yield Pulp, lower key input and labor costs in High Purity Cellulose and higher productivity in High-Yield Pulp.

EBITDA from continuing operations for the nine months ended September 28, 2024 increased \$32 million compared to the same prior year period driven by higher Paperboard net sales, lower key input, logistics and labor costs in High Purity Cellulose, lower purchased pulp costs in Paperboard, lower logistics, chemicals and wood costs and higher productivity in High-Yield Pulp and the CEWS benefit. Partially offsetting these increases were the costs incurred related to the indefinite suspension of operations, non-cash asset impairment, continuing custodial site costs, lower High Purity Cellulose and High-Yield Pulp net sales, the impact of the timing of planned maintenance outages compared to the prior year and the prior year recognition of benefits from payroll tax credit carryforwards and sales of excess emission allowances that did not repeat in the current year.

See *Results of Operations* above for additional discussion of the changes in our operating results.

**Adjusted Free Cash Flow**

Adjusted free cash flow is defined as cash provided by operating activities adjusted for capital expenditures, net of proceeds from the sale of assets and excluding strategic capital expenditures deemed discretionary by management. Adjusted free cash flow is a non-GAAP financial measure of cash generated during a period that is available for debt reduction, strategic capital expenditures, acquisitions and repurchases of our common stock. Adjusted free cash flow is not necessarily indicative of the adjusted free cash flow that may be generated in future periods.

Cash provided by operating activities is reconciled to adjusted free cash flow as follows:

(in millions)	Nine Months Ended	
	September 28, 2024	September 30, 2023
Cash provided by operating activities	\$ 149	\$ 82
Capital expenditures, net <sup>(a)</sup>	(50)	(55)
Adjusted free cash flow	\$ 99	\$ 27

<sup>(a)</sup> Net of proceeds from the sale of assets and excluding strategic capital expenditures. Strategic capital expenditures for the nine months ended September 28, 2024 and September 30, 2023 were \$30 million and \$40 million, respectively.

Adjusted free cash flow increased primarily due to proceeds from the sale of our softwood lumber duty refund rights, net tax refunds and lower capital expenditures, partially offset by changes in working capital and higher interest payments. See *Liquidity and Capital Resources—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 28, 2024 and December 31, 2023, we had \$250 million and \$255 million, respectively, of variable rate debt subject to interest rate risk. At these borrowing levels, a hypothetical one percent change in interest rates would have resulted in a \$2 million annual change in interest expense for each of these periods.

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 28, 2024 and December 31, 2023 was \$532 million and \$498 million, respectively, compared to its respective \$538 million and \$540 million carrying values. 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.



In October 2024, we secured variable-rate term loan financing of \$700 million, which will be used in the fourth quarter, together with cash on hand, to redeem the respective \$453 million and \$246 million outstanding principal balances of the 2026 Notes and 2027 Term Loan. The 2029 Term Loan bears interest at an annual rate equal to three-month Term SOFR plus 7 percent. For this new debt, a hypothetical one percent change in interest rates would result in a \$7 million annual change in interest expense.

#### **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 28, 2024.

##### **Internal Control over Financial Reporting**

For the quarter ended September 28, 2024, 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 business, 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 2023 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 28, 2024:

	Total Number of Shares Purchased <sup>(a)</sup>	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 Plans or Programs <sup>(b)</sup>
June 30 to August 3	1,099	\$ 5.26	—	\$ 60,294,000
August 4 to August 31	—	\$ —	—	\$ 60,294,000
September 1 to September 28	1,612	\$ 7.47	—	\$ 60,294,000
<b>Total</b>	<b>2,711</b>		<b>—</b>	

<sup>(a)</sup> Represents shares repurchased to satisfy tax withholding requirements related to the issuance of stock under our stock incentive plans.

<sup>(b)</sup> As of September 28, 2024, the remaining unused authorization under our share buyback program was \$60 million.

**Item 5. Other Information**

(c) On August 20, 2024, James L. Posze, Jr., Chief Administrative Officer and Senior Vice President, Human Resources of the Company, adopted a trading arrangement for the sale of securities of the Company's common stock (a "Rule 10b5-1 Trading Plan") that is intended to satisfy the affirmative defense conditions of Securities Exchange Act Rule 10b5-1(c). Mr. Posze's Rule 10b5-1 Trading Plan provides for the sale of up to 30,000 shares of common stock pursuant to the terms of the plan. The Rule 10b5-1 Trading Plan will expire on November 20, 2025, or on any earlier date on which all of the shares have been sold.

Except as provided above, during the quarter ended September 28, 2024, no other director or officer of the Company adopted, modified or terminated a Rule 10b5-1 or non-Rule 10b5-1 trading arrangement.

**Item 6. Exhibits**

<b>Exhibit No.</b>	<b>Description</b>	<b>Location</b>
<a href="#">3.1</a>	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
<a href="#">3.2</a>	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of Rayonier Advanced Materials Inc.	Incorporated herein by reference to Exhibit 3.2 to the Registrant's Form 10-Q filed on August 7, 2024
<a href="#">3.3</a>	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
<a href="#">3.4</a>	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
<a href="#">3.5</a>	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
<a href="#">10.1</a>	Term Loan Credit Agreement, dated as of October 28, 2024, by and among Rayonier A.M. Products Inc., Rayonier Advanced Materials Inc., the other subsidiaries of Rayonier Advanced Materials Inc. party thereto, the lenders party thereto, and Alter Domus (US) LLC, as administrative agent and collateral agent.	Incorporated herein by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on October 29, 2024
<a href="#">31.1</a>	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
<a href="#">31.2</a>	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
<a href="#">32</a>	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 6, 2024

**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 6, 2024

/s/ DE LYLE W. BLOOMQUIST

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

**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 6, 2024

/s/ MARCUS J. MOELTNER

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

**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 28, 2024 (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 6, 2024

/s/ DE LYLE W. BLOOMQUIST

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

/s/ MARCUS J. MOELTNER

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