RAYONIER ADVANCED MATERIALS INC.
Form 10-K
February 27, 2015
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)

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

For the fiscal year ended December 31, 2014

or

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

For the transition period from to

Commission File Number 001-36285
RAYONIER ADVANCED MATERIALS INC.
Incorporated in the State of Delaware
I.R.S. Employer Identification No. 46-4559529
1301 RIVERPLACE BOULEVARD, SUITE 2300
JACKSONVILLE, FL 32207
(Principal Executive Office)
Telephone Number: (904) 357-4600
Securities registered pursuant to Section 12(b) of the Act:

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
YES x NO o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
YES o NO x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
YES x NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

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

The aggregate market value of the Common Stock of the registrant held by non-affiliates at the close of business on June 27, 2014 was $1,549,437,776 based on the closing sale price as reported on the New York Stock Exchange.

The registrant had 42,833,741 shares of Common Stock, $.01 par value per share, outstanding as of February 20, 2015,

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission in connection with the 2015 annual meeting of the stockholders of the registrant scheduled to be held May 15, 2015, are incorporated by reference in Part III hereof.

Table of Contents

TABLE OF CONTENTS

Table of Contents

INDEX TO FINANCIAL STATEMENTS

INDEX TO FINANCIAL STATTEMENT SCHEDULES

All other financial statement schedules have been omitted because they are not applicable, the required matter is not present, or the required information has been otherwise supplied in the financial statements or the notes thereto.

Table of Contents

PART I

When we refer to “we,” “us,” “our,”“the Company,” or “Rayonier Advanced Materials” we mean Rayonier Advanced Materials Inc. and its consolidated subsidiaries. References herein to “Notes to Financial Statements” refer to the Notes to the Consolidated Financial Statements of Rayonier Advanced Materials Inc. included in Item 8 of this Report.

Note About Forward-Looking Statements

Certain statements in this document regarding anticipated financial, business, legal or other outcomes including business and market conditions, outlook and other similar statements relating to Rayonier Advanced Materials’ future events, developments, or financial or operational performance or results, are “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. These forward-looking statements are identified by the use of words such as “may,” “will,” “should,” “expect,” “estimate,” “believe,” “intend,” “anticipate” and other similar language. However, the absence of these or similar words or expressions does not mean a statement is not forward-looking. While we believe these forward-looking statements are reasonable when made, forward-looking statements are not guarantees of future performance or events and undue reliance should not be placed on these statements. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance these expectations will be attained and it is possible actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties. The risk factors contained in Item 1A — Risk Factors, among others, could cause actual results or events to differ materially from the Company’s historical experience and those expressed in forward-looking statements made in this document.

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

Item 1. BUSINESS

General

Rayonier Advanced Materials Inc., with approximately 675,000 metric tons of cellulose specialties capacity and nearly double the sales of the next largest competitor, is the global leader in the production of cellulose specialties. Cellulose specialties are natural polymers, used as raw materials to manufacture a broad range of consumer-oriented products such as cigarette filters, liquid crystal displays, impact-resistant plastics, thickeners for food products, pharmaceuticals, cosmetics, high-tenacity rayon yarn for tires and industrial hoses, food casings, paints and lacquers. We manufacture products tailored to the precise and demanding chemical and physical specifications required by our customers, achieving industry leading purity and product functionality. Our ability to consistently manufacture technically superior products is the result of our proprietary production processes, intellectual property, technical expertise and knowledge of cellulosic chemistry.

Additionally, we produce commodity products for viscose and absorbent materials applications. Commodity viscose is a raw material required for the manufacture of viscose staple fibers which are used in woven applications such as textiles for clothing and other fabrics, and in non-woven applications such as baby wipes, cosmetic and personal wipes, industrial wipes and mattress ticking. Absorbent materials, typically referred to as fluff fibers, are used as an absorbent medium in products such as disposable baby diapers, feminine hygiene products, incontinence pads, convalescent bed pads, industrial towels and wipes and non-woven fabrics. Cellulose specialties typically contain over 95 percent cellulose, while commodity products typically contain less than 95 percent cellulose.

Prior to June 27, 2014, the Company consisted of Rayonier Inc.’s (“Rayonier”) wholly-owned performance fibers segment and an allocable portion of Rayonier’s corporate costs (together, “Rayonier’s performance fibers business” or the “performance fibers business”). On that date, holders of Rayonier common shares received one share of the Company’s common stock for every three Rayonier common shares held on the record date. This resulted in the separation of the Company from Rayonier (the “Separation”). The Separation was structured to be tax free to Rayonier shareholders for U.S. federal income tax purposes and the Company operates as an independent, publicly traded company.

Segments

The Company operates as a single segment business with two major product lines: cellulose specialties and commodity products. See Note 3 — Segment and Geographical Information for more information.

1

Table of Contents

Industry

Cellulose Specialties

Cellulose specialties are an organic material primarily derived from either wood or cotton and are used as a raw material to manufacture a broad range of products. Cellulose specialties generally command a price premium, earn higher margins and benefit from greater demand stability through the economic cycle relative to commodity products. Our cellulose specialties, derived from wood, require high levels of purity, consistency and process knowledge. Our products play a significant role in our customers' (primarily specialty chemical companies) manufacturing processes, which require cellulose specialties of high purity and uniformity for efficient production. Therefore, our customers demand we consistently deliver products of the highest quality. As a result, our products are custom engineered and manufactured to customers' exacting specifications and require a stringent qualification process as any inconsistencies in purity and/or uniformity can result in negative and costly consequences to our customers.

Our key competitive advantage is our unique ability to utilize our manufacturing facilities to engineer cellulose specialties fibers to customers' exacting specifications. We are the only cellulose specialties producer with manufacturing facilities that provide flexibility to use both hardwood and softwood, kraft and sulfite cooking processes, as well as a variety of proprietary chemical treatments to provide customized product functionality. Additionally, we have a significant amount of process knowledge: the understanding of wood fiber properties and their modification under a sequence of chemical processes, accumulated and developed over 85 years of practical application to achieve unique properties for a variety of customer needs. Combining this process knowledge with our manufacturing flexibility and knowledge of customers' applications and specifications, allows us to have the most extensive capability set to modify cellulose fibers in the industry.

Currently, we are using approximately 70 percent of our capacity for cellulose specialties production.

Commodity Products

Approximately 30 percent of our production capacity is used to produce commodity products, primarily commodity viscose and absorbent materials. We have the ability to shift our production between commodity viscose and absorbent materials, on an opportunistic basis, to take advantage of market conditions and generate the most attractive margins.

Commodity viscose is primarily sold to producers of viscose staple fibers. Shifts in fashion styles and textile fiber blending have increased demand for viscose staple fibers. Additionally, variability in cotton linter supply, competing uses of cotton seeds in agriculture and increasing environmental concerns about cotton production have resulted in viscose staple producers shifting volume to commodity viscose derived from wood.

Absorbent materials, or fluff fibers, are typically used in consumer products. These fibers provide a medium for fluid acquisition, distribution and retention in the products in which they are incorporated.

Competition

Cellulose Specialties

Potential entrants to the cellulose specialties business face considerable challenges. Significant intellectual property, capital investment, technical expertise and experience are needed to design and manufacture customized cellulose specialties fibers to exacting customer specifications. Extensive research and development capabilities are required to formulate the product to achieve the desired characteristics including parameters for purity, viscosity, brightness, reactivity and other physical properties. Product qualification time is often lengthy, extending six to twelve months. Resulting customer relationships are typically long-term, based on a deep understanding of our customers' production processes and technical expertise which we utilize to solve customers' production issues and support new product development. Further, establishing a production line and obtaining the necessary production technologies requires a substantial initial investment and significant annual capital and ongoing maintenance expenditures.

Product performance, technical service and price are principal methods of competition in cellulose specialties. Product performance is primarily determined by the purity and uniformity of the cellulose specialties. Our intellectual property, technical expertise and experience provide the basis by which we are able to uniformly produce high-value cellulose specialties. Additionally, we are able to produce the greatest breadth of high-value, uniform cellulose specialties through our diverse proprietary manufacturing processes.

We compete with both domestic and foreign producers in cellulose specialties. Principal competitors include Georgia Pacific's Buckeye Technologies, Borregaard, Bracell and Tembec. We also compete against Neucel Specialty Cellulose, Sappi, Cosmo Specialty Fibers and Aditya Birla Group in limited applications. Some competitors use both wood, and to a smaller extent cotton linter fibers, as a source for cellulose fibers. Although cotton linter fibers can be a higher purity source of cellulose, the variability of their fiber structure and fluctuation in availability can negatively impact their ability to be a reliable substitute product.

Table of Contents

Commodity Products

The principal method of competition in commodity products is price, as purity and uniformity are less critical differentiators. We compete with both domestic and foreign producers of commodity products.

For commodity viscose, there are many competitors that derive their commodity viscose from either wood or cotton. Although cellulose specialties can generally be sold to meet commodity viscose demand, the reverse is not typically true.

For absorbent materials, major competitors include Weyerhaeuser, GP Cellulose, Domtar and International Paper.

Raw Materials and Energy

Our manufacturing processes require significant amounts of wood to produce purified cellulose. We purchase approximately 1.6 million short green tons of hardwood and 2.5 million short green tons of softwood per year.

Our manufacturing processes also require significant amounts of chemicals, including caustic soda (sodium hydroxide), sulfuric acid, sodium chlorate and various specialty chemicals. These chemicals are purchased under negotiated supply agreements with third parties.

The majority of our energy is produced through the burning of lignin and other residual biomass in recovery and power boilers located at our plants. The plants still require fuel oil, natural gas and purchased electricity to supplement their energy requirements.

Raw materials and energy are subject to significant changes in prices and availability. Weather conditions and demand in the wood products and pulp and paper markets can affect the cost of wood. We continually pursue reductions in usage and costs of key raw materials, supplies and services and do not foresee any material constraints in the near term from pricing or availability.

Manufacturing Processes

Our production facilities, located in Jesup, Georgia, and Fernandina Beach, Florida, have a combined annual production capacity of approximately 675,000 metric tons of cellulose specialties.

The Jesup plant can produce approximately 520,000 metric tons of cellulose specialties using both hardwood and softwood in a pre-hydrolyzed kraft, or high pH, cooking process. The Fernandina Beach plant can produce approximately 155,000 metric tons of cellulose specialties using softwood in a sulfite, or low pH, cooking process. These different cooking processes are used with various types of wood cellulose and combined with proprietary bleaching sequences and a cold caustic extraction process to manufacture more than 25 different grades of cellulose specialties.

The general process of extracting and purifying cellulose from wood at our Jesup and Fernandina plants is as follows:

Wood Chips Logs are purchased, debarked and chipped into uniform dimensions to improve the chips' reaction to chemicals during the cooking process. Various hardwood and softwood species, as well as different areas of the log, are used to produce the many grades of purified cellulose specialties. To manufacture approximately one metric ton of purified cellulose, we use approximately six short green tons of wood.

Cooking and Washing The chips are loaded into pressure vessels with various chemicals and heated to separate lignin, the natural component that binds the cellulose fibers together, and other impurities from the cellulose. After the cooking process is complete, the lignin and chemicals are separated from the cellulose in a washing process. The lignin is generally recovered and burned for energy, and the chemicals are recovered and reused in the production process.

Bleaching The cellulose separated in the washing process is bleached with various chemicals to impart the required brightness and increase the purity and uniformity of the cellulose. Some cellulose specialties require a processing through a cold caustic extraction, or CCE stage, in order to increase the purity and uniformity of the cellulose to our customer specifications. Our CCE process, which is a key element of our intellectual property, generates cellulose specialties purity levels in excess of 98 percent.

Machining, Drying and Packaging Following the bleaching stage, the purified cellulose is dried per customer specifications into large rolls. These large rolls are cut, according to customer requirements, into sheets or smaller rolls then packaged and shipped.

Intellectual Property

We own numerous patents, trademarks and trade secrets, and have developed significant know-how, relating to the production of purified cellulose, which we deem important to our operations. We intend to protect our intellectual property, including, when appropriate, filing patent applications for inventions that are deemed important to our operations. Our U.S. patents generally have a duration of 20 years from the date of filing. We also require key employees to enter into non-compete agreements as appropriate.

Seasonality

Our results are normally not affected by seasonal changes.

Table of Contents

Customers

See Note 3 — Segment and Geographical Information for information on our major customers.

Research and Development

The quality and consistency of our cellulose specialties and research and development capabilities create a significant competitive advantage, resulting in a premium price for our products. Our research and development efforts are primarily directed at further developing existing core products and technologies, improving the quality of cellulose fiber grades, improving manufacturing efficiency and environmental controls and reducing fossil fuel consumption. We spent $3 million on research and development for each of the years ended December 31, 2014, 2013 and 2012.

Environmental Matters

Our manufacturing operations are subject to significant federal, state and local environmental regulations. For a more detailed discussion, see Item 1A — Risk Factors, Item 3 — Legal Proceedings, Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Environmental Regulation, Note 13 — Liabilities for Disposed Operations and Note 16 — Contingencies.

Employee Relations

We currently employ approximately 1,300 people, nearly all of whom are in the United States. Approximately 800 of our hourly employees are covered by collective bargaining agreements. The majority of our hourly employees are represented by labor unions. We believe relations with our employees are satisfactory.

On April 30, 2014 collective bargaining agreements covering approximately 225 hourly employees at our Fernandina plant expired. In January of 2015, a new five-year contract, retroactively dated to the original expiration date, was voted on and approved by the unions.

Availability of Reports and Other Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments to those reports filed or furnished pursuant to Sections 13(a) or 14 of the Securities Exchange Act of 1934 are made available to the public free of charge in the Investor Relations section of our website www.rayonieram.com, shortly after we electronically file such material with, or furnish them to, the SEC. Our corporate governance guidelines and charters of all committees of our board of directors are also available on our website.

Item 1A. RISK FACTORS

Our operations are subject to a number of risks, including those listed below. When considering an investment in our securities, you should carefully read and consider these risks, together with all other information in this Report and our other filings and submissions to the SEC. If any of the events described in the following risk factors actually occur, our business, financial condition or operating results, as well as the market price of our securities, could be materially adversely affected.

Business and Operating Risks

The industry in which we operate is highly competitive.

We face competition from domestic and foreign producers of cellulose specialties and producers of products that can substitute for them in certain applications, such as cotton linters. We also compete with foreign and domestic producers of commodity viscose and absorbent materials, which we also manufacture. Cyclical pricing of commodity market paper pulp is one of the factors which influences prices in the absorbent materials and commodity viscose product lines. Further, the entry of new competitors and the expansion of existing competitors could create excess capacity, which might cause us to lose sales or result in price reductions. For example, over the past 24 months some manufacturers of commodity viscose have publicly announced plans to convert facilities to manufacture, or have claimed to already commenced production of, high-purity cellulose specialties that may compete with our products. In addition to our recently completed cellulose specialties expansion project, which added approximately 190,000 metric tons of cellulose specialties capacity, a few competitors have either announced or completed expansions of their capacity. For example, Buckeye Technologies, which is owned by Georgia Pacific, recently completed a project to increase its cellulose specialties capacity by 40,000 metric tons at its Perry, Florida operation.

As a result of the increased cellulose specialties capacity described above and reduced global demand, we expect 2015 cellulose specialties prices to decrease about 7 to 8 percent from 2014. Additional increases in cellulose specialties capacity and weakness in global demand, as well as macroeconomic factors, could continue to adversely affect product pricing, which could result in a potential decline in our revenues and margins, thereby adversely affecting our financial condition and results of operations.

Currency fluctuations can also negatively impact competitiveness. A weakening of foreign currencies against the U.S. dollar creates an advantage for our competitors with non-U.S. manufacturing facilities. Favorable exchange rates could enable such competitors to convert sales denominated in the U.S. dollar to local currencies and procure locally produced raw materials at lower costs.

We are dependent on a relatively few large cellulose specialties customers for a majority of our sales. The loss of all or a substantial portion of our sales to any of these large customers could have a material adverse effect on us.

We are subject to risks related to customer concentration because of the relative importance of our largest cellulose specialties customers, many of whom we have been doing business with for decades, and the ability of those customers to influence pricing and other contract terms. We depend on major acetate tow manufacturers for a substantial portion of our sales. Our ten largest customers, which accounted for approximately 75 percent of sales in 2014, are all either well known, global diversified specialty chemical companies or state-owned enterprises. Although we strive to broaden and diversify our customer base, a significant portion of our revenue is derived from a relatively small number of large-volume customers, and the loss of all or a substantial portion of sales to any of these customers, or significant, unfavorable changes to pricing or terms contained in contracts with them, could adversely affect our business, financial condition or results of operations. We are also subject to credit risk associated with this customer concentration. If one or more of our largest cellulose specialties customers were to become bankrupt, insolvent or otherwise were unable to pay for its products, we may incur significant write-offs of accounts that may have a material adverse effect on our business, financial condition and results of operations. See Note 3 — Segment and Geographical Information for information on our major customers.

Our business is exposed to risks associated with the cyclicality of the business of certain of our customers, which may adversely affect our business and results of operations.

Some of the industries in which our end-use customers participate, such as the construction, automotive and textile industries, are cyclical in nature, thus posing a risk to us which is beyond our control. The industries in which these customers participate are highly competitive, to a large extent driven by end-use applications, and may experience overcapacity or reductions in demand, all of which may affect demand for and pricing of our products. The consequences of this could include the reduction, delay or cancellation of customer orders, and bankruptcy of customers, suppliers or other creditors. Although the occurrence of these events has not had a material impact on our historical financial condition, the occurrence of these events may adversely affect our business, financial condition and results of operation in the future.

Future tobacco legislation, campaigns to discourage smoking, increases in tobacco taxes, increased costs of tobacco products and increased use of non-filtered substitutes could adversely affect our business, financial condition and results of operations.

The majority of our cellulose specialty fibers are used to manufacture acetate tow, which is used to make the filter component of a cigarette. Our sales for this end-use have historically accounted for an important portion of our total sales revenue. Significant increases in cigarette costs and potential actions taken by the United States and other countries to discourage smoking, such as tax increases on tobacco products and, future legislation, may have a material adverse effect on the demand for tobacco products. Additionally, increased use of e-cigarettes or smokeless tobacco products may affect demand for cigarettes. Reduced sales of tobacco products that use acetate-based filters could adversely affect our business, financial condition and results of operations. We estimate that over the past three years approximately 60 percent of our sales volumes were related to the production of acetate tow subsequently used to produce cigarette filters.

Changes in global economic conditions, market trends and world events could negatively affect customer demand.

The global reach of our business subjects us to unexpected, uncontrollable and rapidly changing events and circumstances, such as those that may result from the volatile state of the global economic and financial markets, in addition to those experienced in the United States. Countervailing duty and anti-dumping tariffs, or similar types of tariffs, may be imposed on us, which could result in reduced revenues and margins on some of our businesses. For example, after a lengthy investigation, in April of 2014, China's Ministry of Commerce ("MOFCOM") issued a final determination assessing a 17.2 percent duty on imports into China of our lower purity commodity viscose, which is primarily utilized to produce viscose staple fiber for use in the manufacture of fabrics. We expect MOFCOM's final determination to remain in place for five years. Although we do not expect MOFCOM's duty to materially affect our business results, it could have an adverse effect on our sales of commodity viscose into China. During the year ended December 31, 2014, we had $22 million of commodity viscose sales into China, versus $29 million in 2013.

We are subject to risks associated with doing business outside of the United States.

Although our production facilities are located in the United States, a significant portion of our sales are to customer locations outside of the United States, including China, Japan, the European Union and other international markets. The export of our products into international markets results in risks that are inherent in conducting business under international laws, regulations and customs. Sales to customers outside of the United States made up approximately 56 percent of our revenue in 2014. We

Table of Contents

expect international sales will continue to contribute to future growth. The risks associated with our business outside the United States include:

- changes in and reinterpretations of the laws, regulations and enforcement priorities of the countries in which we sell our products;
- responsibility to comply with anti-bribery laws such as the U.S. Foreign Corrupt Practices Act and similar anti-bribery laws in other jurisdictions;
- trade protection laws, policies and measures and other regulatory requirements affecting trade and investment, including loss or modification of exemptions for taxes and tariffs, imposition of new tariffs and duties and import and export licensing requirements;
- product damage or losses incurred during shipping;
- potentially negative consequences from changes in or interpretations of tax laws;
- political instability and actual or anticipated military or political conflicts;
- economic instability, inflation, recessions and interest rate and currency exchange rate fluctuations;
- uncertainties regarding non-U.S. judicial systems, rules and procedures; and
- minimal or limited protection of intellectual property in some countries.

These risks could adversely affect our business, financial condition and results of operations.

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

Environmental laws and regulations are constantly changing and are generally becoming more restrictive. Laws, regulations and related judicial decisions and administrative interpretations affecting our business are subject to change, and new laws and regulations are frequently enacted. These changes may adversely affect our ability to operate our manufacturing facilities. These laws and regulations may relate to, among other things, air emissions, wastewater discharges, receiving water quality, and remedial standards for contaminated property and groundwater. Over time, the complexity and stringency of these laws and regulations have increased and the enforcement of these laws and regulations has intensified. Over the past few years, the U.S. Environmental Protection Agency ("EPA") has pursued a number of initiatives that, if implemented, could impose additional operational and pollution control obligations on industrial facilities like ours, especially in the area of air emissions and wastewater and storm water control. For example, in 2013, the EPA issued final regulations that significantly tighten emissions limits of certain air pollutants from industrial boilers, which will result in our expenditure of significant capital for compliance. See Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Environmental Regulation for further information. Environmental laws and regulations will likely continue to become more restrictive and over time could adversely affect our business, financial condition and results of operations.

Our plants are subject to stringent environmental laws, regulations and permits that may limit operations and production. Many of our operations are subject to stringent environmental laws, regulations and permits that contain conditions governing how we operate our facilities including how much and, in some cases, what types of products we can produce. These laws, regulations and permits, now and in the future, may restrict our current production and limit our ability to increase production, and impose significant costs on our operations with respect to environmental compliance. It is expected that, overall, costs will likely increase over time as environmental laws, regulations and permit conditions become more stringent, and as the expectations of the communities in which we operate become more demanding.

Environmental groups and interested individuals may seek to delay or prevent a variety of operations. We expect environmental groups and interested individuals will intervene with increasing frequency in the regulatory processes in the states where we operate plants. Delays or restrictions due to the intervention of environmental groups or interested individuals could adversely affect our operating results. In addition to intervention in regulatory proceedings, interested groups and individuals may file or threaten to file lawsuits that seek to prevent us from obtaining permits, implementing capital improvements or pursuing operating plans. For example, in March 2014, litigation was commenced in federal court by the Altamaha Riverkeeper alleging violations of federal and state environmental laws relating to permitted wastewater discharges from the Jesup plant. See Item 3 — Legal Proceedings for a description of the pending legal proceedings with the Altamaha Riverkeeper.

We currently own or may acquire properties that may require environmental remediation or otherwise be subject to environmental and other liabilities. We currently own or formerly operated manufacturing facilities that we do not currently own, and may acquire additional facilities in the future, which are subject to environmental liabilities, such as remediation of soil, sediment and groundwater contamination and other liabilities. The cost of investigation and remediation of contaminated properties could increase operating costs and adversely affect financial results. Although we believe we currently have adequate reserves

Table of Contents

for the investigation and remediation of our liabilities, legal requirements relating to assessment and remediation of contaminated properties continue to become more stringent and there can be no assurance actual expenditures will not exceed current reserves and forecasts, or that other presently unknown liabilities will not be discovered in the future. See Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Environmental Regulation and Note 13 — Liabilities for Disposed Operations. We have incurred and expect to continue to incur significant capital, operating and other expenditures to comply with applicable environmental laws and regulations relating to our obligation to assess and remediate contaminated properties. We could also incur substantial costs, such as civil or criminal fines, sanctions and enforcement actions (including orders limiting our operations or requiring corrective measures, installation of pollution control equipment or other remedial actions), remediation and closure costs, and third-party claims for property damage and personal injury as a result of violations of, or liabilities arising out of, environmental laws and regulations.

The impacts of climate-related initiatives, at the international, federal and state levels, remain uncertain at this time. There continue to be numerous international, federal and state-level initiatives and proposals to address domestic and global climate issues. Within the United States, most of these proposals would regulate and/or tax, in one fashion or another, the production of carbon dioxide and other "greenhouse gases" to facilitate the reduction of carbon compound emissions to the atmosphere, and provide tax and other incentives to produce and use more "clean energy."

In late 2009, the EPA issued an "endangerment finding" under the Clean Air Act with respect to certain greenhouse gases, and this finding could lead to the regulation of carbon dioxide as a criteria pollutant under the Clean Air Act and have significant ramifications for us and the industry in general. In this regard, the EPA has published proposed regulations, which are currently subject to numerous legal challenges, affecting the operation of existing and new industrial facilities that emit carbon dioxide. In addition, as a result of the EPA's decision to regulate greenhouse gases under the Clean Air Act, the states will now have to consider them in permitting new or modified facilities, although a 2014 decision of the U.S. Supreme Court, Utility Air Regulatory Group v. U.S. Environmental Protection Agency, limited the ability of the government to regulate greenhouse gases in certain circumstances relating to Clean Air Act permitting.

Overall, it is reasonably likely that legislative and regulatory activity in this area will in some way affect us, but it is unclear at this time when this may occur, and whether such impact will be, in the aggregate, positive, negative, neutral or material. For example, while our plants produce greenhouse gases and utilize fossil fuels, they also generate a substantial amount of their energy from wood fiber (often referred to as "biomass"), which may be viewed more favorably than fossil fuels in future legislative and regulatory proposals, but that is uncertain at this time. However, to date, many environmental groups have generally opposed the use of biomass for energy production due to their concerns about deforestation. We continue to monitor political and regulatory developments in this area, but their overall impact on us, from a cost, benefit and financial performance standpoint, remains uncertain at this time.

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

Our ability to issue debt or enter into other financing arrangements on acceptable terms could be materially adversely affected if there is a material decline in the demand for our products or in the solvency of our major customers or suppliers or if other significantly unfavorable changes in economic conditions occur. Volatility in the world financial markets could increase borrowing costs or affect our ability to gain access to the capital markets, which could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

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

We sponsor defined benefit pension plans, which cover many of our salaried and hourly employees. The Federal Pension Protection Act of 2006 requires certain capitalization levels be maintained in each of these benefit plans. Because it is unknown what the investment return on pension assets will be in future years or what interest rates may be at any point in time, no assurances can be given that applicable law