

RAYONIER ADVANCED MATERIALS INC.

Form 10-Q

May 03, 2017

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 25, 2017

OR

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

For the transition period from _____ to _____

Commission File Number 001-36285

Incorporated in the State of Delaware

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

1301 RIVERPLACE BOULEVARD, SUITE 2300

JACKSONVILLE, FL 32207

(Principal Executive Office)

Telephone Number: (904) 357-4600

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

YES NO

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

YES NO

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

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

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

YES NO

The registrant had 43,221,247 shares of common stock, \$.01 par value per share, outstanding as of April 25, 2017.

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Part I. Financial Information

Item 1. Financial Statements

Rayonier Advanced Materials Inc.

Condensed Consolidated Statements of Income and Comprehensive Income

(Unaudited)

(Dollars in thousands, except per share amounts)

	Three Months Ended	
	March 25, 2017	March 26, 2016
Net Sales	\$201,415	\$217,729
Cost of Sales	(164,998)	(177,491)
Gross Margin	36,417	40,238
Selling, general and administrative expenses	(9,527)	(7,378)
Other operating expense, net (Note 8)	(925)	(940)
Operating Income	25,965	31,920
Interest expense	(8,828)	(8,671)
Interest income and miscellaneous expense, net	481	1
Gain on debt extinguishment	—	8,844
Income Before Income Taxes	17,618	32,094
Income tax expense (Note 9)	(7,976)	(11,201)
Net Income Attributable to Rayonier Advanced Materials Inc.	9,642	20,893
Mandatory convertible stock dividends	(3,176)	—
Net Income Available to Rayonier Advanced Materials Inc. Common Stockholders	\$6,466	\$20,893
Earnings Per Share of Common Stock (Note 7)		
Basic earnings per share	\$0.15	\$0.50
Diluted earnings per share	\$0.15	\$0.49
Dividends Declared Per Common Share	\$0.07	\$0.07
Comprehensive Income:		
Net Income		\$9,642 \$20,893
Other Comprehensive Income (Note 6)		
Amortization of pension and postretirement plans, net of income tax expense of \$1,118 and \$1,102	2,030	1,917
Total other comprehensive income	2,030	1,917
Comprehensive Income		\$11,672 \$22,810

See Notes to Condensed Consolidated Financial Statements.

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

	March 25, 2017	December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	\$345,108	\$ 326,655
Accounts receivable, less allowance for doubtful accounts of \$151 and \$151	50,582	37,626
Inventory (Note 2)	121,595	118,368
Prepaid and other current assets	29,775	36,859
Total current assets	547,060	519,508
Property, Plant and Equipment, Gross	2,063,314	2,056,372
Less — Accumulated Depreciation	(1,275,947)	(1,255,333)
Property, Plant and Equipment, Net	787,367	801,039
Deferred Tax Assets	45,001	51,246
Other Assets	49,445	50,146
Total Assets	\$1,428,873	\$ 1,421,939
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$43,738	\$ 36,379
Accrued customer incentives and prepayments	27,409	34,541
Accrued payroll and benefits	14,764	21,902
Current maturities of long-term debt (Note 3)	10,296	9,593
Accrued income and other taxes	1,988	22
Accrued interest	9,470	2,499
Dividends payable	6,416	—
Other current liabilities	5,320	8,262
Current liabilities for disposed operations (Note 5)	15,305	13,781
Total current liabilities	134,706	126,979
Long-Term Debt (Note 3)	771,169	773,689
Non-Current Liabilities for Disposed Operations (Note 5)	137,518	139,129
Pension and Other Postretirement Benefits	160,563	161,729
Other Non-Current Liabilities	9,410	8,664
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, 10,000,000 shares authorized at \$0.01 par value, 1,725,000 issued and outstanding as of March 25, 2017 and December 31, 2016, aggregate liquidation preference \$172,500	17	17
Common stock, 140,000,000 shares authorized at \$0.01 par value, 43,222,555 and 43,261,905 issued and outstanding, as of March 25, 2017 and December 31, 2016, respectively	432	433
Additional paid-in capital	244,535	242,402
Retained earnings	78,573	78,977
Accumulated other comprehensive loss	(108,050)	(110,080)
Total Stockholders' Equity	215,507	211,749
Total Liabilities and Stockholders' Equity	\$1,428,873	\$ 1,421,939

See Notes to Condensed Consolidated Financial Statements.

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Rayonier Advanced Materials Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(Dollars in thousands)

	Three Months Ended	
	March 25, 2017	March 26, 2016
Operating Activities		
Net income	\$9,642	\$20,893
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	21,533	22,077
Stock-based incentive compensation expense	2,274	644
Amortization of capitalized debt costs and debt discount	469	441
Deferred income tax	5,127	10,104
Increase in liabilities for disposed operations	475	1,746
Gain on debt extinguishment	—	(8,844)
Amortization of losses and prior service costs from pension and postretirement plans	3,149	3,019
Loss from sale/disposal of property, plant and equipment	304	236
Other	—	(1,243)
Changes in operating assets and liabilities:		
Receivables	(12,956)	10,895
Inventories	(3,227)	12,102
Accounts payable	12,734	3,579
Accrued liabilities	(8,293)	(8,065)
Contributions to pension and other postretirement benefit plans	(553)	(458)
All other operating activities	7,630	9,823
Expenditures for disposed operations	(562)	(2,979)
Cash Provided by Operating Activities	37,746	73,970
Investing Activities		
Capital expenditures	(13,537)	(20,390)
Cash Used for Investing Activities	(13,537)	(20,390)
Financing Activities		
Repayment of debt	(2,165)	(44,732)
Dividends paid on preferred stock	(3,450)	—
Common stock repurchased	(141)	(81)
Cash Used for Financing Activities	(5,756)	(44,813)
Cash and Cash Equivalents		
Change in cash and cash equivalents	18,453	8,767
Balance, beginning of year	326,655	101,303
Balance, end of period	\$345,108	\$110,070
Supplemental Disclosures of Cash Flows Information		
Cash paid (received) during the period:		
Interest	\$1,775	\$2,278
Income taxes	\$11	\$(736)
Non-cash investing and financing activities:		
Capital assets purchased on account	\$4,780	\$8,238

See Notes to Condensed Consolidated Financial Statements.

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

1. Basis of Presentation and New Accounting Pronouncements

Basis of Presentation

The unaudited condensed consolidated financial statements and notes thereto of Rayonier Advanced Materials Inc. (the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). In the opinion of management, these financial statements and notes reflect all adjustments (all of which are normal recurring adjustments) necessary for a fair presentation of the results of operations, financial position and cash flows for the periods presented. These statements and notes should be read in conjunction with the financial statements and supplementary data included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the SEC.

New or Recently Adopted Accounting Pronouncements

In March 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2017-07, Compensation - Retirement Benefits. The update improves the presentation of net periodic pension cost and net periodic postretirement benefit cost. It is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The Company is evaluating the impact of this standard on its consolidated financial statements.

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

In March 2016, FASB issued ASU No. 2016-09, Compensation - Stock Compensation. The update simplifies several areas of accounting for share based payments. The guidance also includes the acceptable or required transition methods for each of the various amendments included in the new standard. It became effective for fiscal years beginning after December 15, 2016. The Company adopted as of January 1, 2017 and prospectively applied the guidance. The Company recorded \$2.3 million in tax expense during the first quarter of 2017 as a result of the adoption of ASU 2016-09.

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

In July 2015, the FASB issued ASU No. 2015-11, Simplifying the Measurement of Inventory. The update requires inventory to be measured at the lower of cost and net realizable value. It became effective for fiscal years beginning after December 15, 2016. The Company adopted as of January 1, 2017 and retrospectively applied the guidance. There was not a material impact on the Company’s financial statements as the inventory valuation practices already approximated the lower of cost or net realizable value.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, as amended and/or clarified by ASU Nos. 2016-08, 2016-10, 2016-12, and 2016-20, a comprehensive new revenue recognition standard. This standard will supersede virtually all current revenue recognition guidance. The core principle is that a company will recognize revenue when it transfers goods or services to customers for an amount that reflects the consideration to which the company expects to be entitled to in exchange for those goods or services. The new revenue standard (and subsequent amendments) will be effective for the Company’s first quarter 2018 Form 10-Q filing.

In preparation for the 2018 adoption date, management is in the process of evaluating the standard's overall impact on the Company's revenue recognition process and the resulting adoption impact. Under ASC 606, revenue is recognized as control is transferred to the customer either at a point in time or over time. The assessment of whether control transfers over time or at a point in time is critical to determining when to recognize revenue.

Management is evaluating whether its contracts satisfy the criteria for revenue recognition over time for customized goods. If the Company determines the over time criteria is satisfied, revenue recognition will be accelerated for cellulose specialties and

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Rayonier Advanced Materials Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

commodity products contracts. If management determines the over time criteria for revenue recognition is not met, the Company will recognize revenue at a point in time. If a point in time revenue recognition determination is made, the Company expects revenue recognition to remain substantially consistent with current practice.

The Company expects to adopt the standard on a modified retrospective basis and is currently in the process of assessing changes required to its business processes, systems and controls to support revenue recognition and related financial statement disclosures under the new standard.

Subsequent Events

Events and transactions subsequent to the balance sheet date have been evaluated for potential recognition and disclosure through May 3, 2017, the date these financial statements were available to be issued. One subsequent event warranting disclosure was identified. On March 24, 2017, our board of directors declared a cash dividend of \$2.00 per share of our mandatory convertible preferred stock, which will be paid on May 15, 2017 to mandatory convertible preferred stockholders of record as of May 1, 2017.

2. Inventory

As of March 25, 2017 and December 31, 2016, the Company's inventory included the following:

	March 25, December 31,	
	2017	2016
Finished goods	\$99,151	\$ 94,858
Work-in-progress	4,112	3,422
Raw materials	15,225	17,183
Manufacturing and maintenance supplies	3,107	2,905
Total inventory	\$ 121,595	\$ 118,368

3. Debt

As of March 25, 2017 and December 31, 2016, the Company's debt consisted of the following:

	March 25, 2017	December 31, 2016
Revolving Credit Facility of \$250 million, \$229 million available after taking into account outstanding letters of credit, bearing interest at LIBOR plus 1.50% at March 25, 2017	\$—	\$ —
Term A-1 Loan Facility borrowings maturing through June 2019 bearing interest at LIBOR plus 1.5%, interest rate of 2.48% at March 25, 2017	29,075	30,450
Term A-2 Loan Facility borrowings maturing through June 2021 bearing interest at LIBOR plus 1.08% (after consideration of 0.67% patronage benefit), interest rate of 2.06% at March 25, 2017	250,575	251,300
Senior Notes due 2024 at a fixed interest rate of 5.50%	506,412	506,412
Capital Lease obligation	3,611	3,676
Total principal payments due	789,673	791,838
Less: original issue discount and debt issuance costs	(8,208)	(8,556)
Total debt	781,465	783,282
Less: Current maturities of long-term debt	(10,296)	(9,593)
Long-term debt	\$ 771,169	\$ 773,689

During the first three months of 2017, the Company made \$2.1 million in principal repayments on the term loan facilities.

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Rayonier Advanced Materials Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

Principal payments due during the next five years and thereafter are as follows:

	Capital Lease		Net	Debt
	Minimum	Less:	Present	Principal
	Lease	Interest	Value	Payments
	Payments			
Remaining 2017	\$386	\$ 185	\$ 201	\$ 7,675
2018	515	230	285	11,150
2019	515	209	306	18,225
2020	515	187	328	2,900
2021	515	163	352	239,700
Thereafter	2,533	394	2,139	506,412
Total principal payments	\$4,979	\$ 1,368	\$ 3,611	\$ 786,062

4. Fair Value Measurements

The following table presents the carrying amount, estimated fair values and categorization under the fair value hierarchy for financial instruments held by the Company at March 25, 2017 and December 31, 2016, using market information and what management believes to be appropriate valuation methodologies:

	March 25, 2017			December 31, 2016		
	Carrying Amount	Fair Value		Carrying Amount	Fair Value	
Asset (liability) (a)		Level 1	Level 2		Level 1	Level 2
Cash and cash equivalents	\$345,108	\$345,108	\$ —	\$326,455	\$326,455	\$ —
Current maturities of long-term debt	(10,025)	—	(10,463)	(9,327)	—	(9,775)
Fixed-rate long-term debt	(499,676)	—	(463,367)	(499,444)	—	(474,761)
Variable-rate long-term debt	(268,153)	—	(269,188)	(270,836)	—	(271,975)

(a) Table excludes the Company's capital lease obligation.

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

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

Debt — The fair value of fixed-rate debt is based upon quoted market prices for debt with similar terms and maturities.

The variable-rate debt adjusts with changes in the market rate, therefore the carrying value approximates fair value.

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Rayonier Advanced Materials Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

5. Liabilities for Disposed Operations

An analysis of the liabilities for disposed operations for the three months ended March 25, 2017 is as follows:

Balance, December 31, 2016	\$ 152,910
Expenditures charged to liabilities (562)	
Increase to liabilities	475
Balance, March 25, 2017	152,823
Less: Current portion (15,305)	
Non-current portion	\$ 137,518

In addition to the estimated liabilities, the Company is subject to the risk of reasonably possible additional liabilities in excess of the established reserves due to potential changes in circumstances and future events, including, without limitation, changes to current laws and regulations; changes in governmental agency personnel, direction, philosophy and/or enforcement policies; developments in remediation technologies; increases in the cost of remediation, operation, maintenance and monitoring of its disposed operations sites; changes in the volume, nature or extent of contamination to be remediated or monitoring to be undertaken; the outcome of negotiations with governmental agencies and non-governmental parties; and changes in accounting rules or interpretations. Based on information available as of March 25, 2017, the Company estimates this exposure could range up to approximately \$64 million, although no assurances can be given that this amount will not be exceeded given the factors described above. These potential additional costs are attributable to several sites and other applicable liabilities. Further, this estimate excludes reasonably possible liabilities which are not currently estimable primarily due to the factors discussed above. Subject to the previous paragraph, the Company believes established liabilities are sufficient for probable costs expected to be incurred over the next 20 years with respect to its disposed operations. However, no assurances are given they will be sufficient for the reasons described above, and additional liabilities could have a material adverse effect on the Company's financial position, results of operations and cash flows.

6. Accumulated Other Comprehensive Loss

Accumulated Other Comprehensive Loss was comprised of the following:

	Three Months Ended	
	March 25, 2017	March 26, 2016
Unrecognized components of employee benefit plans, net of tax		
Balance, beginning of period	\$(110,080)	\$(109,620)
Defined benefit pension and post-retirement plans (a)		
Amortization of losses	2,996	2,864
Amortization of prior service costs	190	193
Amortization of negative plan amendment	(38)	(38)
Tax benefit	(1,118)	(1,102)
Total reclassifications for the period, net of tax	2,030	1,917
Balance, end of period	\$(108,050)	\$(107,703)

(a) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 11 — Employee Benefit Plans for additional information.

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Rayonier Advanced Materials Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

7. Earnings Per Share of Common Stock

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

	Three Months Ended	
	March 25, 2017	March 26, 2016
Net income	\$9,642	\$ 20,893
Preferred Stock dividends	(3,176)	—
Net income available for common stockholders	\$6,466	\$ 20,893
Shares used for determining basic earnings per share of common stock	42,348,148	42,205,767
Dilutive effect of:		
Stock options	—	—
Performance and restricted shares	748,212	66,769
Preferred Stock	—	—
Shares used for determining diluted earnings per share of common stock	43,096,360	42,272,536
Basic earnings per share (not in thousands)	\$0.15	\$ 0.50
Diluted earnings per share (not in thousands)	\$0.15	\$ 0.49

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

	Three Months Ended	
	March 25, 2017	March 26, 2016
Stock options	386,164	417,198
Restricted stock	5,875	212,677
Performance shares	239,661	82,295
Preferred Stock	13,198,148	—
Total	13,829,848	712,170

8. Other Operating Expense, Net

Other operating expense, net was comprised of the following:

	Three Months Ended	
	March 25, 2017	March 26, 2016
Loss on sale or disposal of property, plant and equipment	(304)	(236)
Environmental reserve adjustment	(475)	(1,746)
Miscellaneous (expense) income	(146)	1,042
Total	\$(925)	\$(940)

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Rayonier Advanced Materials Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

9. Income Taxes

The Company's effective tax rate for the first quarter 2017 was 45.3 percent compared to 34.9 percent for the first quarter 2016. The effective tax rate differs from the federal statutory rate of 35 percent primarily due to the recognition of a \$2.3 million tax expense related to an excess tax deficit on vested awards which increased the effective tax rate by 13.1 percent. See Note 1 - Basis of Presentation and New Accounting Pronouncements for additional information. Other items impacting the effective tax rate included a return to accrual adjustment from amending the 2015 federal income tax return, the domestic manufacturing deduction, state taxes, and nondeductible expenses.

10. Incentive Stock Plans

The Company's total stock based compensation cost, for the three months ended March 25, 2017 and March 26, 2016 was \$2.3 million and \$0.6 million, respectively.

The Company also made new grants of restricted and performance shares to certain employees during the first quarter of 2017. The 2017 restricted share awards vest over three years. The 2017 performance share awards are measured against an internal return on invested capital target and, depending on performance against the target, the awards will pay out between 0 and 200 percent of target. The total number of performance shares earned will be adjusted up or down 25 percent, for certain participants, based on stock price performance relative to a peer group over the term of the plan, which would result in a final payout range of 0 to 250 percent of target.

The following table summarizes the activity on the Company's incentive stock awards for the three months ended March 25, 2017:

	Stock Options		Restricted Stock		Performance-Based Stock Units		Performance-Based Restricted Stock	
	Options	Weighted Average Exercise Price	Awards	Weighted Average Grant Date Fair Value	Awards	Weighted Average Grant Date Fair Value	Awards	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2016	399,012	\$ 31.85	667,899	\$ 11.97	718,891	\$ 10.05	128,038	\$ 41.05
Granted	—	—	227,154	13.39	362,679	14.60	—	—
Forfeited	—	—	—	—	—	—	—	—
Exercised or settled	—	—	(39,493)	9.10	—	—	—	—
Expired or cancelled	(12,848)	23.59	—	—	—	—	(128,038)	41.05
Outstanding at March 25, 2017	386,164	\$ 32.12	855,560	\$ 12.48	1,081,570	\$ 11.39	—	\$ —

11. Employee Benefit Plans

The Company has a qualified non-contributory defined benefit pension plan covering a significant majority of its employees and an unfunded plan that provides benefits in excess of amounts allowable in the qualified plans under current tax law. Both the qualified plan and the unfunded excess plan are closed to new participants. Employee benefit plan liabilities are calculated using actuarial estimates and management assumptions. These estimates are based on historical information, along with certain assumptions about future events. Beginning in 2017, the Company changed the method used to determine the service and interest cost components of net periodic benefit cost. Previously, the cost was determined using a single weighted-average discount rate derived from the yield curve. Under the new method, known as the spot rate approach, individual spot rates along the yield curve that correspond with the timing of each benefit payment was used. The Company believes this change provides a more precise measurement of service

and interest costs by improving the correlation between projected cash outflows and corresponding spot rates on the yield curve. The Company estimates the adoption of the spot rate approach will decrease pension and postretirement cost by approximately \$3.0 million as compared to using the single weighted-average discount rate derived from the yield curve for the full year 2017. Changes in assumptions, as well as changes in actual experience, could cause the estimates to change.

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Rayonier Advanced Materials Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

The net pension and postretirement benefit costs that have been recorded are shown in the following tables:

Components of Net Periodic Benefit Cost	Pension		Postretirement	
	Three Months		Three Months	
	Ended		Ended	
	March 25,	March 26,	March 25,	March 26,
	2017	2016	2017	2016
Service cost	\$1,184	\$ 1,306	\$236	\$ 202
Interest cost	3,318	3,979	198	218
Expected return on plan assets	(5,548)	(5,830)	—	—
Amortization of prior service cost	190	190	—	3
Amortization of losses	2,913	2,836	83	28
Amortization of negative plan amendment	—	—	(38)	(38)
Total net periodic benefit cost	\$2,057	\$ 2,481	\$479	\$ 413

The Company does not have any mandatory pension contribution requirements in 2017.

12 Contingencies

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

13. Guarantees

The Company provides financial guarantees as required by creditors, insurance programs and various governmental agencies. As of March 25, 2017, the following financial guarantees were outstanding:

Financial Commitments	Maximum Potential Payment	Carrying Amount of Liability
Standby letters of credit (a)	\$20,505	\$56,435
Surety bonds (b)	56,201	55,357
LTF project (c)	67,587	—
Total financial commitments	\$144,293	\$111,792

The letters of credit primarily provide credit support for surety bonds issued to comply with financial assurance (a) requirements relating to environmental remediation of disposed sites and for credit support of natural gas purchases. The letters of credit will expire during 2017 and will be renewed as required.

(b) Rayonier Advanced Materials purchases surety bonds primarily to comply with financial assurance requirements relating to environmental remediation and post closure care and to provide collateral for the Company's workers' compensation program. These surety bonds expire at various dates during 2017 and 2019. They are expected to be renewed annually as required.

(c) LignoTech Florida entered into a construction contract to build its lignin manufacturing facility. The Company is a guarantor under the contract and is jointly and severally liable for payment of costs incurred to construct the facility. In the event of default, the Company expects it would only be liable for its proportional share as a result of

an agreement with its venture partner.

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

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

The Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to provide a reader of our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity and certain other factors which may affect future results. Our MD&A should be read in conjunction with our 2016 Annual Report on Form 10-K and information contained in our subsequent Forms 10-Q, 8-K and other reports to the U.S. Securities and Exchange Commission (the “SEC”).

Note About Forward-Looking Statements

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

Such risks and uncertainties include, but are not limited to: competitive pressures in the markets in which we operate, especially with respect to increases in supply and pressures on demand for our products, which impact pricing; our ability to complete our announced cost and debt reduction initiatives and objectives within the planned parameters and achieve the anticipated benefits; our customer concentration, especially with our three largest customers; changes in global economic conditions, including currency; the Chinese dumping duties currently in effect for commodity viscose pulps; potential legal, regulatory and similar challenges relating to our permitted air emissions and waste water discharges from our facilities by non-governmental groups and individuals; the effect of current and future environmental laws and regulations as well as changes in circumstances on the cost and estimated future cost of required environmental expenditures; the potential impact of future tobacco-related restrictions; potential for additional pension contributions; labor relations with the unions representing our hourly employees; the effect of weather and other natural conditions; changes in transportation-related costs and availability; the failure to attract and retain key personnel; the failure to innovate to maintain our competitiveness, grow our business and protect our intellectual property; uncertainties related to the availability of additional financing to us in the future and the terms of such financing; our inability to make or effectively integrate future acquisitions and engage in certain other corporate transactions; any failure to realize expected benefits from our separation from Rayonier Inc.; financial and other obligations under agreements relating to our debt; and uncertainties relating to general economic, political, and regulatory conditions.

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.

Note About Non-GAAP Financial Measures

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

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

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

Business

Rayonier Advanced Materials is a leading manufacturer of high-value cellulose products with production facilities in Jesup, Georgia and Fernandina Beach, Florida. These products are sold throughout the world for use in various industrial applications and to produce a wide variety of products, including cigarette filters, foods, pharmaceuticals, textiles and electronics.

Our primary products consist of the following:

Cellulose specialties products are primarily used in dissolving chemical applications that require a highly purified form of cellulose. We concentrate on producing the purest, most technologically-demanding forms of cellulose specialties products, such as cellulose acetate and high-purity cellulose ethers, and are a leading supplier of these products. Typically, though not exclusively, product pricing is set annually in the fourth quarter for the following year based on discussions with customers and the terms of contractual arrangements. The manufacture and sale of cellulose specialties products are the primary driver of the Company’s profitability.

Commodity products are used 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. Pricing for commodity products is typically referenced to published indices or based on publicly available spot market prices.

Industry Update and Outlook

Cellulose specialties end-use markets remain mixed. Demand growth for cigarette filter tow, the largest end-use of our acetate products, is anticipated to be flat while other acetate end-uses offer new potential opportunities. Ethers, tire cord and filtration end-use markets continue to improve, providing opportunities for greater volume growth. Foreign competitors continue to benefit from weak global currencies relative to the U. S. dollar, which have more recently stabilized. Given these market conditions, we continue to focus on our strategic objectives to reduce cost, improve competitiveness and diversify product offerings.

As previously announced, we expect 2017 cellulose specialties prices to decline 3 to 4 percent reflecting a shift in our cellulose specialties mix as well as lower acetate prices. Cellulose specialties sales volumes are expected to be relatively flat compared to 2016. In addition we now anticipate to achieve the full \$30 million of cost improvements. As a result, we expect net income and EBITDA at high end of our initial guidance of \$41 to \$48 million and \$190 to \$200 million, respectively. We are increasing our guidance for cash flows by \$10 million. Cash flow from operations and adjusted free cash flows are anticipated to be \$150 to \$160 million and \$90 to \$100 million, respectively. Capital expenditures are expected to be approximately \$60 million, including our investment in the LignoTech Florida project.

The strong results delivered in the first quarter along with the continued progression of our Cost Transformation growth initiative gives us confidence that we will deliver full year results at the high-end of our guidance. We also continue to make positive and meaningful progress on our other three growth initiatives: Market Optimization, New Products and Acquisitions. Combined, the four growth pillars will drive the business forward and deliver shareholder value.

Reconciliation of Guided Non-GAAP measures

Pro forma EBITDA guidance for 2017 of \$190 to \$200 million represents expected 2017 net income of \$41 to \$48 million excluding estimated income tax expense, interest expense, net, and depreciation and amortization of \$23 to \$26 million, \$37 million, and \$89 million, respectively.

Adjusted Free Cash Flows Guidance for 2017 of \$90 to \$100 million represents expected 2017 operating cash flows of \$150 to \$160 million excluding capital expenditures of \$60 million.

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Critical Accounting Policies and Use of Estimates

The preparation of financial statements requires us to make estimates, assumptions and judgments that affect our assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. We base these estimates and assumptions on historical data and trends, current fact patterns, expectations and other sources of information we believe are reasonable. Actual results may differ from these estimates. For a full description of our critical accounting policies, see Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations in our 2016 Annual Report on Form 10-K.

Results of Operations

Financial Information (in millions)	Three Months Ended		
	March 25, 2017	March 26, 2016	
Net Sales			
Cellulose specialties	\$157	\$165	
Commodity products and other	44	53	
Total Net Sales	201	218	
Cost of Sales	(165)	(178)	
Gross Margin	36	40	
Selling, general and administrative expenses	(9)	(7)	
Other operating expense, net	(1)	(1)	
Operating Income	26	32	
Interest expense and other, net	(8)	(9)	
Gain on debt extinguishment	—	9	
Income Before Income Taxes	18	32	
Income tax expense	(8)	(11)	
Net Income Attributable to Rayonier Advanced Materials Inc.	10	21	
Mandatory convertible stock dividends	(3)	—	
Net Income Available to Rayonier Advanced Materials Inc. Common Stockholders	\$7	\$21	
Other Data			
Sales Prices (\$ per metric ton)			
Cellulose specialties	\$1,473	\$1,555	
Commodity products	\$718	\$680	
Sales Volumes (thousands of metric tons)			
Cellulose specialties	107	106	
Commodity products	59	75	
Gross Margin %	17.9	% 18.3	%
Operating Margin %	12.9	% 14.7	%
Effective Tax Rate %	45.3	% 34.9	%

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Sales (in millions) Three Months Ended	March 26, 2016	Changes Attributable to:		March 25, 2017
		Price	Volume/Mix	
Cellulose specialties	\$ 165	\$(9)	\$ 1	\$ 157
Commodity products and other	53	2	(11)	44
Total Sales	\$ 218	\$(7)	\$ (10)	\$ 201

For the three months ended March 25, 2017, total sales decreased \$17 million, or approximately 8 percent, driven by 5 percent declines in cellulose specialties sales prices and lower commodity product volumes. Lower cellulose specialties sales prices reflect a higher mix of lower priced cellulose specialties volumes. However, we continue to anticipate a 3 percent to 4 percent cellulose specialties decline over the full year. Commodity sales volumes were lower as a result of the timing of customer orders. We expect commodity volumes to end the year higher than 2016.

Operating Income (in millions) Three Months Ended	March 26, 2016	Gross Margin Changes Attributable to (a):					March 25, 2017
		Price	Volume/Sales Mix	Cost	SG&A and other	Operating Margin %	
Operating Income	\$ 32	\$(7)	\$ (3)	\$6	\$(2)	\$ 26	
Operating Margin %	14.7 %	(2.8)%	(1.0) %	3.0%	(1.0)%	12.9 %	

(a) Computed based on contribution margin.

For the three month period ending March 25, 2017, operating income and margin percentage decreased \$6 million, or 1.8 percentage points, versus the prior year comparable period. First quarter 2017 results reflect lower cellulose specialties prices and commodity product sales volume, partially offset by lower production costs driven primarily by the Company's performance against its Cost Transformation goal. Selling, General and Administrative costs increased primarily due to higher stock compensation expense.

Interest Expense, net

Interest expense, net of interest income and other expense, was \$8 million for the quarter 2017 period, comparable to the prior year as a result of lower outstanding debt offset by higher LIBOR interest rates on floating rate debt. See Note 3 — Debt.

Income Tax Expense

Our effective tax rate for the first quarter 2017 was 45.3 percent compared to 34.9 percent for the first quarter 2016. Our current period effective tax rate reflects the accounting impact of its 2014 employee incentive stock program, which did not pay out as a result of not meeting the required performance criteria. See Note 9 — Income Taxes.

Liquidity and Capital Resources

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

On March 24, 2017, our board of directors declared a cash dividend of \$2.00 per share of Preferred Stock for the period from and including February 15, 2017 through May 14, 2017, which is payable on May 15, 2017 to Preferred Stock holders of record as of May 1, 2017. The board of directors also declared a first quarter 2017 cash dividend of \$0.07 per share of common stock. The common stock dividend was paid on March 31, 2017 to common stockholders of record on March 17, 2017.

The declaration and payment of future preferred and common stock dividends will be at the discretion of the Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements and other factors the Board of Directors deems relevant. In addition, certain of our debt facilities may restrict the declaration and payment of dividends, depending upon our then current compliance with certain covenants.

Our debt agreements contain various customary covenants. At March 25, 2017, we were in compliance with all covenants. Entities which are non-guarantors under our debt agreements had no assets, revenues, covenant EBITDA

or liabilities.

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

	March 25, December 31,	
	2017	2016
Cash and cash equivalents (a)	\$ 345	\$ 326
Availability under the Revolving Credit Facility (b)	229	229
Total debt (c)	781	783
Stockholders' equity	216	212
Total capitalization (total debt plus equity)	997	995
Debt to capital ratio	78 %	79 %

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

(b) Availability under the revolving credit facility is reduced by standby letters of credit of approximately \$21 million at March 25, 2017 and December 31, 2016.

(c) See Note 3 — Debt for additional information.

Cash Flows (in millions of dollars)

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

Cash Provided by (Used for):	March 25, 2017	March 26, 2016
Operating activities	\$ 38	\$ 74
Investing activities	(14)	(20)
Financing activities	(5)	(45)

Cash provided by operating activities decreased \$36 million primarily due to decreased earnings and the decline in working capital requirements which occurred in the first quarter of 2016.

Cash used for investing activities decreased \$6 million due primarily to reduced regulatory capital spending in 2017.

Cash used for financing activities decreased \$40 million primarily due to lower debt repayments, partially offset by 2017 dividends on preferred stock. See Note 3 — Debt for additional information.

Performance and Liquidity Indicators

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

EBITDA is defined by SEC rule as earnings before interest, taxes, depreciation and amortization. We define pro forma EBITDA as EBITDA before gain on debt extinguishment. EBITDA and pro forma EBITDA are not necessarily indicative of results that may be generated in future periods.

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Below is a reconciliation of Net Income to EBITDA for the respective periods (in millions of dollars):

	Three Months Ended	
Net Income to EBITDA Reconciliation	March 2017	March 26, 2016
Net Income	\$10	\$ 21
Depreciation and amortization	22	22
Interest, net	8	9
Income tax expense	8	11
EBITDA	48	63
Gain on debt extinguishment	—	(9)
Pro Forma EBITDA	\$48	\$ 54

EBITDA and pro forma EBITDA for the three months ended March 25, 2017 decreased from the prior year period primarily due to lower net income driven by lower prices for our cellulose specialties and lower commodity products volumes. Lower prices and volumes were partially offset by lower production and selling, general and administrative (“SG&A”) costs resulting from the Transformation Initiative.

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

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

	Three Months Ended	
Cash Flows from Operations to Adjusted Free Cash Flows Reconciliation	March 2017	March 26, 2016
Cash provided by operating activities	\$38	\$ 74
Capital expenditures (a)	(14)	(20)
Adjusted Free Cash Flows	\$24	\$ 54
Cash used for investing activities	\$(14)	\$(20)
Cash used for financing activities	\$(5)	\$(45)

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

(a) Strategic expenditures for the first quarter 2017 were less than a million. There were not any strategic capital expenditures in 2016.

Adjusted free cash flows decreased over the prior year due to lower earnings and the decline in working capital requirements which occurred in the first quarter of 2016, partially offset by reduced regulatory capital spending in 2017.

Contractual Financial Obligations and Off-Balance Sheet Arrangements

We have no material changes to the Contractual Financial Obligations table as presented in Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations of our 2016 Annual Report on Form 10-K. See Note 13 — Guarantees for details on our letters of credit and surety bonds as of March 25, 2017.

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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 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 Audit Committee of our Board of Directors. Any such derivatives would be managed by a senior executive committee whose responsibilities include initiating, managing and monitoring resulting exposures. We do not enter into financial instruments for trading or speculative purposes. At March 25, 2017, we had no derivatives outstanding.

Cyclical pricing of commodity market paper pulp is one of the factors which influences prices in the absorbent materials and commodity viscose product lines. Our cellulose specialties product prices are impacted by market supply and demand, raw material and processing costs, changes in global currencies and other factors. They are not directly correlated to commodity paper pulp prices. In addition, a majority of our cellulose specialties products are under long-term volume contracts that extend through 2017 to 2019. The pricing provisions of these contracts are typically set in the fourth quarter in the year prior to the shipment.

As of March 25, 2017 we had \$280 million principal amount variable rate debt, which is subject to interest rate risk. At this borrowing level, a hypothetical one-percentage point increase/decrease in interest rates would result in a corresponding increase/decrease of approximately \$3 million in interest payments and expense over a 12 month period. Our primary interest rate exposure on variable rate debt results from changes in LIBOR.

The fair market value of our long-term fixed interest rate debt is also subject to interest rate risk. However, we intend to hold most of our debt until maturity. The estimated fair value of our fixed-rate debt at March 25, 2017 was \$463 million compared to the \$506 million principal amount. We use quoted market prices to estimate the fair value of our fixed-rate debt. Generally, the fair market value of fixed-rate debt will increase as interest rates fall and decrease as interest rates rise. A hypothetical one-percentage point increase/decrease in prevailing interest rates at March 25, 2017 would result in a corresponding decrease/increase in the fair value of our fixed-rate debt of approximately \$27 million. We may periodically enter into commodity forward contracts to fix some of our fuel oil and natural gas costs. Such forward contracts partially mitigate the risk of a change in margins resulting from an increase or decrease in these energy costs. At March 25, 2017, we had no fuel oil or natural gas forward contracts outstanding.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

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

Based on an evaluation of our disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q, our management, including the Chief Executive Officer and Chief Financial Officer, concluded the design and operation of the disclosure controls and procedures were effective as of March 25, 2017.

During the quarter ended March 25, 2017, based upon the evaluation required by paragraph (d) of SEC Rule 13a-15, there were no changes in our internal control over financial reporting that would materially affect or are reasonably likely to materially affect our internal control over financial reporting.

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Part II. Other Information

Item 1. Legal Proceedings

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

Jesup Plant Permit

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

The Company strongly disagreed with the decision and appealed it, as did EPD. This appeal was heard in the Superior Court of Wayne County, Georgia and on March 17, 2017 the Superior Court Judge issued an order reversing the ALJ's decision and ordering the permit affirmed as issued by EPD. As such, the Jesup plant is currently operating under the new permit. On April 13, 2017, ARK filed an application with the Georgia Court of Appeals in which it requested that the Court hear its appeal of the Superior Court decision, as the decision to hear such an appeal is discretionary on the part of the Court. The Company and EPD have filed papers in opposition to this application. As of the filing of this Form 10-Q, the Court has not ruled on the application.

SEC Inquiry

On June 21, 2016, the Company received a letter from the staff of the U.S. Securities and Exchange Commission ("SEC") in which it requested the Company voluntarily provide to it documents and correspondence with environmental regulators concerning certain former operations of the Company. These documents were requested following the Company's response to comments from SEC staff regarding certain environmental reserves taken by the Company in the fourth quarter of 2014 and the disclosures made by the Company in connection therewith. The Company is cooperating with the SEC in its request. No enforcement action has been brought by the SEC to date and it is unknown whether any such action will be brought in the future. The Company believes its reserves and disclosures were appropriate and in compliance with applicable accounting rules and law.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K. Please refer to Item 1A — Risk Factors in our Form 10-K for a discussion of the risks which could adversely affect our business, financial condition, results of operations and cash flows.

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

Issuer Purchases of Equity Securities

The following table provides information regarding our purchases of Rayonier Advanced Materials common stock during the quarter ended March 25, 2017:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 to January 28	1,853	\$ 15.46	—	—
January 29 to February 25	—	—	—	—
February 26 to March 25	8,579	13.39	—	—
Total	10,432	—	—	—

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

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Item 6. Exhibits

31.1	Chief Executive Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Chief Financial Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32	Certification of Periodic Financial Reports Under Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101	The following financial information from our Quarterly Report on Form 10-Q for the fiscal quarter ended March 25, 2017, formatted in Extensible Business Reporting Language ("XBRL"), includes: (i) the Condensed Consolidated Statements of Income and Comprehensive Income for the Three Months Ended March 25, 2017 and March 26, 2016; (ii) the Condensed Consolidated Balance Sheets as of March 25, 2017 and December 31, 2016; (iii) the Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 25, 2017 and March 26, 2016; and (iv) the Notes to Condensed Consolidated Financial Statements	Filed herewith

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Signature

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

Rayonier Advanced Materials Inc.
(Registrant)

By: /s/ FRANK A. RUPERTO

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

Date: May 3, 2017