

**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 June 30, 2022

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: 001-34146



CLEARWATER PAPER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-3594554
(I.R.S. Employer
Identification No.)

601 West Riverside, Suite 1100

Spokane, WA
(Address of principal executive offices)

99201
(Zip Code)

(509) 344-5900

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	CLW	New York Stock Exchange

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

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

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

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

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

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

The number of shares of common stock of the registrant outstanding as of July 31, 2022 was 16,741,489.

FORWARD-LOOKING STATEMENTS

Our disclosure and analysis in this report contains, in addition to historical information, certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding; inventory levels; accounting standards; borrowings and credit facilities; our operations and expectations; cash flows; capital expenditures; disclosure controls; compliance with our loan and financing agreements; tax rates; operating costs; selling, general and administrative expenses; liquidity; debt repayment; stockholder equity; interest rate risk; expected inflation costs for 2022; interest expenses; and legal proceedings. Words such as “anticipate,” “expect,” “intend,” “plan,” “target,” “project,” “believe,” “schedule,” “estimate,” “may,” and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are based on management’s current expectations, estimates, assumptions and projections that are subject to change. Our actual results of operations may differ materially from those expressed or implied by the forward-looking statements contained in this report. Important factors that could cause or contribute to such differences in operating results include those risks discussed in Item 1A “Risk Factors” in our 2021 Form 10-K, as well as the following:

- impact of the COVID-19 pandemic on our operations, our suppliers' operations and our customer demand;
- competitive pricing pressures for our products, including as a result of increased capacity as additional manufacturing facilities are operated by our competitors and the impact of foreign currency fluctuations on the pricing of products globally;
- customer acceptance and timing and quantity of purchases of our tissue products, including the existence of sufficient demand for and the quality of tissue produced by our expanded Shelby, North Carolina operations;
- the loss of, changes in prices in regard to, or reduction in, orders from a significant customer;
- changes in the cost and availability of wood fiber and wood pulp;
- changes in transportation costs and disruptions in transportation services;
- changes in customer product preferences and competitors' product offerings;
- cyber-security risks;
- larger competitors having operational, financial and other advantages;
- consolidation and vertical integration of converting operations in the paperboard industry;
- our ability to successfully implement our operational efficiencies and cost savings strategies, along with related capital projects;
- changes in the U.S. and international economies and in general economic conditions in the regions and industries in which we operate;
- manufacturing or operating disruptions, including IT system and IT system implementation failures, equipment malfunctions and damage to our manufacturing facilities;
- changes in costs for and availability of packaging supplies, chemicals, energy and maintenance and repairs;
- labor disruptions;
- cyclical industry conditions;
- changes in expenses, required contributions and potential withdrawal costs associated with our pension plans;
- environmental liabilities or expenditures and climate change;
- reliance on a limited number of third-party suppliers for raw materials;
- our ability to attract, motivate, train and retain qualified and key personnel;
- our substantial indebtedness and ability to service our debt obligations and restrictions on our business from debt covenants and terms;
- changes in our banking relations and our customer supply chain financing;
- negative changes in our credit agency ratings; and
- changes in laws, regulations or industry standards affecting our business.

Forward-looking statements contained in this report present management’s views only as of the date of this report. Except as required under applicable law, we do not intend to issue updates concerning any future revisions of management’s views to reflect events or circumstances occurring after the date of this report. You are advised, however, to consult any further disclosures we make on related subjects in our quarterly reports on Form 10-Q and current reports on Form 8-K filed with the Securities and Exchange Commission, or SEC.

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Part I: Financial Information**ITEM 1.** Consolidated Financial Statements

CLEARWATER PAPER CORPORATION
Consolidated Balance Sheets
(Unaudited)

(In millions, except share data)	June 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 69.5	\$ 25.2
Receivables, net of allowance for current expected credit losses	187.3	167.4
Inventories	287.7	277.7
Other current assets	12.8	16.9
Total current assets	557.2	487.2
Property, plant and equipment	2,961.8	2,961.5
Accumulated depreciation	(1,921.0)	(1,879.7)
Property, plant and equipment, net	1,040.7	1,081.8
Other assets, net	114.8	121.1
Total assets	\$ 1,712.7	\$ 1,690.1
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 1.0	\$ 1.6
Accounts payable and accrued liabilities	299.3	252.5
Total current liabilities	300.3	254.1
Long-term debt	589.9	637.6
Liability for pension and other postretirement employee benefits	72.1	73.6
Deferred tax liabilities and other long-term obligations	205.7	213.1
Total liabilities	1,168.0	1,178.3
Stockholders' equity:		
Preferred stock, par value \$0.0001 per share, 5,000,000 authorized shares, no shares issued	—	—
Common stock, par value \$0.0001 per share, 100,000,000 authorized shares, 16,769,688 and 16,692,102 shares issued	—	—
Additional paid-in capital	23.0	23.6
Retained earnings	562.0	530.7
Accumulated other comprehensive loss, net of tax	(40.3)	(42.6)
Total stockholders' equity	544.7	511.7
Total liabilities and stockholders' equity	\$ 1,712.7	\$ 1,690.1

The accompanying notes are an integral part of these consolidated financial statements.

CLEARWATER PAPER CORPORATION
Consolidated Statements of Operations
(Unaudited)

(In millions, except per-share data)	Quarter Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net sales	\$ 526.4	\$ 406.4	\$ 1,014.6	\$ 832.3
Costs and expenses:				
Cost of sales	455.2	392.2	877.2	762.8
Selling, general and administrative expenses	33.9	26.3	66.7	54.1
Other operating charges, net	5.7	44.5	6.3	44.9
Total operating costs and expenses	494.9	463.0	950.2	861.8
Income (loss) from operations	31.5	(56.6)	64.4	(29.5)
Interest expense, net	(10.7)	(9.3)	(19.3)	(18.6)
Debt retirement costs	(0.3)	—	(0.5)	—
Other non-operating expense	(1.4)	(2.5)	(2.8)	(5.0)
Total non-operating expense	(12.4)	(11.8)	(22.7)	(23.6)
Income (loss) before income taxes	19.1	(68.4)	41.7	(53.1)
Income tax provision (benefit)	4.4	(16.7)	10.4	(13.5)
Net income (loss)	\$ 14.7	\$ (51.6)	\$ 31.3	\$ (39.6)
Net income (loss) per common share:				
Basic	\$ 0.87	\$ (3.10)	\$ 1.86	\$ (2.37)
Diluted	0.86	(3.10)	1.83	(2.37)
Average shares of common stock used to compute net income (loss) per share: (in thousands)				
Basic	16,849	16,685	16,788	16,678
Diluted	17,078	16,685	17,080	16,678

The accompanying notes are an integral part of these consolidated financial statements.

CLEARWATER PAPER CORPORATION
Consolidated Statements of Comprehensive Income (loss)
(Unaudited)

(In millions)	Quarter Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 14.7	\$ (51.6)	\$ 31.3	\$ (39.6)
Other comprehensive income:				
Defined benefit pension and other postretirement employee benefits:				
Amortization of actuarial loss included in net periodic cost, net of tax of \$0.4, \$0.7, \$0.8, and \$1.3	1.1	1.9	2.3	3.8
Other comprehensive income, net of tax	1.1	1.9	2.3	3.8
Comprehensive income (loss)	\$ 15.8	\$ (49.7)	\$ 33.6	\$ (35.8)

The accompanying notes are an integral part of these consolidated financial statements.

CLEARWATER PAPER CORPORATION
Consolidated Statements of Cash Flows
(Unaudited)

(In millions)	Quarter Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Operating activities				
Net income (loss)	\$ 14.7	\$ (51.6)	\$ 31.3	\$ (39.6)
Adjustments to reconcile net income (loss) to net cash flows provided by operating activities:				
Depreciation and amortization	25.7	26.8	51.2	53.7
Equity-based compensation expense	4.9	0.7	5.5	3.1
Deferred taxes	(1.9)	(21.4)	(4.1)	(21.8)
Defined benefit pension and other postretirement employee benefits	0.8	1.5	1.5	3.2
Amortization of deferred debt costs and debt retirement	0.7	0.5	1.3	0.9
Loss on sale or impairment associated with assets	4.6	37.1	4.6	37.1
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(11.3)	(12.9)	(21.8)	12.8
(Increase) decrease in inventory	(5.8)	4.9	(10.0)	(24.8)
Decrease in other current assets	4.2	4.5	4.2	4.4
Increase in accounts payable and accrued liabilities	40.6	24.8	54.5	18.6
Other, net	1.3	(0.6)	1.4	0.5
Net cash flows provided by operating activities	78.5	14.3	119.5	48.1
Investing activities				
Additions to property, plant and equipment, net	(5.4)	(9.9)	(13.2)	(21.1)
Net cash flows used in investing activities	(5.4)	(9.9)	(13.2)	(21.1)
Financing activities				
Repayments of long-term debt	(35.1)	(0.4)	(55.5)	(0.8)
Taxes paid related to net share settlement of equity awards	(1.0)	(0.1)	(2.5)	(1.7)
Repurchases of common stock	(3.9)	—	(3.9)	—
Other	—	—	—	0.5
Net cash flows used in financing activities	(40.0)	(0.5)	(61.9)	(2.0)
Increase in cash, cash equivalents and restricted cash	33.1	3.8	44.4	25.0
Cash, cash equivalents and restricted cash at beginning of period	37.5	58.2	26.2	36.9
Cash, cash equivalents and restricted cash at end of period	\$ 70.6	\$ 62.0	\$ 70.6	\$ 62.0
Supplemental disclosures of cash flow information				
Cash paid for interest, net of amounts capitalized	\$ 1.2	\$ 2.6	\$ 16.9	\$ 18.7
Cash paid (received) for income taxes	\$ 12.5	\$ (1.0)	\$ 12.5	\$ (9.3)
Cash, cash equivalents, and restricted cash				
Cash and cash equivalents	\$ 69.5	\$ 60.9	\$ 69.5	\$ 60.9
Restricted cash included in other assets, net	1.1	1.1	1.1	1.1
Total cash, cash equivalents and restricted cash	\$ 70.6	\$ 62.0	\$ 70.6	\$ 62.0

The accompanying notes are an integral part of these consolidated financial statements.

CLEARWATER PAPER CORPORATION
Consolidated Statements of Stockholders' Equity
(Unaudited)

(In millions, except share amounts which are in thousands)	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2020	16,572	\$ —	\$ 16.6	\$ 558.8	\$ (54.3)	\$ 521.1
Net income	—	—	—	12.1	—	12.1
Stock-based compensation expense	—	—	2.0	—	—	2.0
Issuance of shares under stock plans, net	105	—	(1.1)	—	—	(1.1)
Pension and other postretirement employee benefits, net of tax of \$0.7	—	—	—	—	1.9	1.9
Balance at March 31, 2021	16,678	\$ —	\$ 17.6	\$ 570.9	\$ (52.4)	\$ 536.1
Net loss	—	—	—	(51.6)	—	(51.6)
Stock-based compensation expense	—	—	1.9	—	—	1.9
Issuance of shares under stock plans, net	7	—	(0.1)	—	—	(0.1)
Pension and other postretirement employee benefits, net of tax of \$0.7	—	—	—	—	1.9	1.9
Balance at June 30, 2021	16,685	\$ —	\$ 19.3	\$ 519.2	\$ (50.5)	\$ 488.1

(In millions, except share amounts which are in thousands)	Common Stock			Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Additional Paid-In Capital			
Balance at December 31, 2021	16,692	\$ —	\$ 23.6	\$ 530.7	\$ (42.6)	511.7
Net income	—	—	—	16.6	—	16.6
Stock-based compensation expense	—	—	2.0	—	—	2.0
Issuance of shares under stock plans, net	119	—	(1.5)	—	—	(1.5)
Pension and other postretirement employee benefits, net of tax of \$0.4	—	—	—	—	1.1	1.1
Balance at March 31, 2022	16,811	\$ —	\$ 24.1	\$ 547.3	\$ (41.4)	530.0
Net income	—	—	—	14.7	—	14.7
Stock-based compensation expense	—	—	3.8	—	—	3.8
Issuance of shares under stock plans, net	78	—	(1.0)	—	—	(1.0)
Pension and other postretirement employee benefits, net of tax of \$0.4	—	—	—	—	1.1	1.1
Repurchases of common stock	(119)	—	(3.9)	—	—	(3.9)
Balance at June 30, 2022	16,770	\$ —	\$ 23.0	\$ 562.0	\$ (40.3)	544.7

The accompanying notes are an integral part of these consolidated financial statements.

Clearwater Paper Corporation
Notes to Consolidated Financial Statements
(Unaudited)

Note 1 Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments) necessary to present fairly, in all material respects, the consolidated financial position, results of operations, stockholders' equity and cash flows for us and our subsidiaries for the interim periods presented. Results of operations for interim periods are not necessarily indicative of results to be expected for an entire year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2021. All dollar amounts are shown in millions, except per share.

Note 2 Recently Adopted and New Accounting Standards

In November 2021, the FASB issued ASU 2021-10, *Disclosures by Business Entities About Government Assistance (Topic 832)*, which requires disclosures about certain types of government assistance including the nature of the assistance, related accounting policies, and the effect on an entity's financial statements. The new standard is effective for annual periods beginning after December 15, 2021 with prospective or retrospective adoption permitted. This ASU was adopted prospectively as of January 1, 2022 and did not have a material impact on our consolidated financial statements.

Note 3 Fair Value Measurements

Carrying amounts reported on the balance sheet for cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate fair value due to the short-term maturity of these instruments. During the six months ended June 30, 2022, we repurchased \$5.0 million of our 2014 Notes at slightly below par resulting in an immaterial gain within our debt retirement costs.

The fair value of our debt is included in the following table:

	June 30, 2022	December 31, 2021
Term loan maturing 2026, variable interest rate	\$ —	\$ 49.8
2014 Notes, maturing 2025, fixed interest rate	284.7	324.6
2020 Notes, maturing 2028, fixed interest rate	235.1	278.9
	<u>\$ 519.8</u>	<u>\$ 653.3</u>

Note 4 Receivables

Receivables consist of:

	June 30, 2022	December 31, 2021
Trade accounts receivable	\$ 178.0	\$ 154.1
Allowance for current expected credit losses	(1.2)	(1.4)
Unbilled receivables	5.3	7.2
Taxes receivable	4.0	6.1
Other	1.1	1.4
	<u>\$ 187.3</u>	<u>\$ 167.4</u>

Note 5 Inventories

Our inventories are stated at the lower of net realizable value or current cost using the average cost method and consist of:

	June 30, 2022	December 31, 2021
Logs, chips and sawdust	\$ 13.0	\$ 13.7
Pulp	14.2	15.9
Paperboard and tissue products	154.9	148.0
Materials and supplies	105.6	100.1
	<u>\$ 287.7</u>	<u>\$ 277.7</u>

Note 6 Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of:

	June 30, 2022	December 31, 2021
Trade payables	\$ 207.2	\$ 168.3
Accrued compensation	38.3	29.3
Operating lease liabilities	15.0	16.1
Accrued interest	11.8	12.0
Accrued taxes other than income	14.1	10.9
Other accrued liabilities	12.9	15.8
	<u>\$ 299.3</u>	<u>\$ 252.5</u>

Included in accounts payable and accrued liabilities are \$5.1 million and \$11.0 million related to capital expenditures that had not yet been paid as of June 30, 2022 and December 31, 2021.

Note 7 Income Taxes

For interim periods, accounting standards require that income tax expense be determined by applying the estimated annual effective income tax rate to year-to-date results, unless this method does not result in a reliable estimate of year-to-date income tax expense. Each period, the income tax accrual is adjusted to the latest estimate and the difference from the previously accrued year-to-date balance is adjusted to the current quarter.

For the six months ended June 30, 2022, our income tax provision was \$10.4 million as compared to a benefit of \$13.5 million in the same period in 2021. Our effective tax rate for the six months ended June 30, 2022 and 2021 was 25.0% and 25.4%, which varied from the U.S. federal statutory tax rate of 21.0% primarily due to the effects of state taxes and nondeductible compensation.

Note 8 Other Operating Charges

The major components of “Other operating charges, net” in the Consolidated Statements of Operations for the quarter and six months ended June 30, 2022 and 2021 are reflected in the table below and described in the paragraphs following the table. These items are considered outside of our core operations.

	Quarter Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Reorganization and other expenses	\$ 0.1	\$ 4.0	\$ 1.6	\$ 4.0
Costs associated with mill closure	—	41.7	0.4	41.7
Impairment of equipment	4.6	—	4.6	—
Directors' equity-based compensation expense	1.1	(1.1)	(0.3)	(0.8)
	<u>\$ 5.7</u>	<u>\$ 44.5</u>	<u>\$ 6.3</u>	<u>\$ 44.9</u>

2022

During the second quarter of 2022, we recorded \$5.7 million of expenses in "Other operating charges, net." The components of the expense include:

- loss of \$4.6 million associated with the impairment of equipment previously located at a closed facility which will not be re-installed; and
- expense of \$1.1 million relating to directors' equity based compensation which is remeasured each period based upon changes in our stock price.

During the first quarter of 2022, we recorded \$0.5 million of expenses in "Other operating charges, net." The components of the expense include:

- expense of \$1.5 million related to reorganization and other expenses including consulting fees associated with our efforts to achieve long-term performance improvements;
- expense of \$0.4 million associated with mill closure costs; and
- reversal of expense of \$1.4 million relating to directors' equity based compensation which is remeasured each period based upon changes in our stock price.

2021

During the second quarter of 2021, we recorded \$44.5 million of expenses in "Other operating charges, net." The components of the expense include:

- expense of \$41.7 million associated with mill closure including \$36.9 million associated with the impairment of property, plant and equipment and certain inventory and an expense of \$4.9 million associated with severance and other related closure costs;
- expense of \$4.0 million related to reorganization and other expenses including severance and consulting fees associated with our efforts to achieve long-term performance improvements; and
- reversal of expense of \$1.1 million relating to directors' equity based compensation which is remeasured each period based upon changes in our stock price.

During the first quarter of 2021, we recorded \$0.4 million of expenses in "Other operating charges, net." The components of the expense include:

- expense of \$0.4 million relating to directors' equity based compensation which is remeasured each period based upon changes in our stock price.

Note 9 Non-Operating Expense

The components of "Non-operating expense" in the Consolidated Statements of Operations for the quarter and six months ended June 30, 2022 and 2021 are reflected in the table below:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Interest expense	\$ (10.4)	\$ (9.1)	\$ (18.6)	\$ (18.2)
Amortization of debt issuance costs	(0.4)	(0.5)	(0.8)	(0.9)
Interest income	0.1	0.2	0.1	0.6
Interest expense, net	(10.7)	(9.3)	(19.3)	(18.6)
Debt retirement costs	(0.3)	—	(0.5)	—
Non-operating pension and other postretirement employee benefits expense	(1.4)	(2.5)	(2.8)	(5.0)
Total non-operating expense	<u>\$ (12.4)</u>	<u>\$ (11.8)</u>	<u>\$ (22.7)</u>	<u>\$ (23.6)</u>

Note 10 Retirement Plans and Postretirement Benefits

The following table details the components of net periodic cost of our company-sponsored pension and other postretirement employee benefit plans for the periods presented:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Pension Benefit Plans				
Service cost	\$ 0.5	\$ 0.5	\$ 1.1	\$ 0.9
Interest cost	2.2	2.1	4.4	4.2
Expected return on plan assets	(2.8)	(2.6)	(5.7)	(5.3)
Amortization of actuarial loss	1.5	2.6	3.1	5.1
Net periodic cost	\$ 1.5	\$ 2.5	\$ 2.9	\$ 5.0
	Quarter Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Other Postretirement Employee Benefit Plans				
Service cost	\$ 0.1	\$ —	\$ 0.2	\$ 0.1
Interest cost	0.5	0.5	1.0	0.9
Net periodic cost	\$ 0.6	\$ 0.5	\$ 1.2	\$ 1.0

We record the service component of net periodic cost as part of "Cost of sales" and "Selling, general, and administrative expenses", while the non-service components of net periodic cost are recorded to "Other non-operating expense" on our Consolidated Statements of Operations. For the quarter and six months ended June 30, 2022, we recorded \$0.5 million and \$1.1 million to "Cost of sales" and \$0.1 million and \$0.2 million to "Selling, general, and administrative expenses". For the quarter and six months ended June 30, 2021, we recorded \$0.4 million and \$0.9 million to "Cost of sales" and less than \$0.1 million and \$0.1 million to "Selling, general, and administrative expenses".

Note 11 Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss, net of tax, is comprised of the following:

	Pension Plan Adjustments	Other Post Retirement Employee Benefit Plan Adjustments	Total
Balance at December 31, 2020	\$ (54.5)	\$ 0.2	\$ (54.3)
Amounts reclassified from accumulated other comprehensive loss	3.8	—	3.8
Balance at June 30, 2021	\$ (50.8)	\$ 0.2	\$ (50.5)
Balance at December 31, 2021	\$ (42.8)	\$ 0.3	\$ (42.6)
Amounts reclassified from accumulated other comprehensive loss	2.3	—	2.3
Balance at June 30, 2022	\$ (40.5)	\$ 0.3	\$ (40.3)

Note 12 Stockholders' Equity

Common Stock Plans

We have stock-based compensation plans under which restricted stock awards and stock options are outstanding or granted subject to time or performance vesting requirements. At June 30, 2022, approximately 0.9 million shares were available for future issuance under our current plan.

	Quarter Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Total stock-based compensation expense (selling, general and administrative and other operating charges, net)	\$ 4.9	\$ 0.7	\$ 5.5	\$ 3.1
Income tax benefit related to stock-based compensation	\$ 1.2	\$ 0.2	\$ 1.4	\$ 0.8
Impact on cash flow due to taxes paid related to net share settlement of equity awards	\$ 1.0	\$ 0.1	\$ 2.5	\$ 1.7

At June 30, 2022, there was \$18.7 million of total unrecognized compensation cost related to outstanding restricted stock unit awards.

During the six months ended June 30, 2022, we granted 210,844 restricted stock units (time vesting) at an average grant date fair value of \$29.24 per share and 103,067 restricted stock units (performance vesting) at an average grant date fair value of \$30.55 per share.

Note 13 Earnings per Share

Basic income per share is based on the weighted-average number of shares of common stock outstanding. Diluted income per share is based upon the weighted-average number of shares of common stock outstanding plus all potentially dilutive securities that were assumed to be converted into common shares at the beginning of the period under the treasury stock method. This method requires the effect of potentially dilutive common stock equivalents be excluded from the calculation of diluted earnings per share for the periods in which net losses are reported because the effect is anti-dilutive.

(In thousands)	Quarter Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Basic weighted-average common shares outstanding	16,849	16,685	16,788	16,678
Incremental shares due to:				
Stock-based awards	105	—	171	—
Performance shares	125	—	120	—
Diluted weighted-average common shares outstanding	17,078	16,685	17,080	16,678

Shares excluded from the computation of diluted earnings per share were 0.4 million and 0.4 million for the quarter and six months ended June 30, 2022 as they were either antidilutive (not in-the-money) or the required performance conditions were not met. Shares excluded from the computation of diluted earnings per share were 0.7 million and 0.6 million for the quarter and six months ended June 30, 2021 due to our reporting a net loss for those periods.

Note 14 Segment Information

We operate in two segments: Pulp and Paperboard and Consumer Products. Our business units have been aggregated into these two segments based upon the similarity of economic characteristics, customers and distribution methods. Our results of operations are summarized below for each of these segments separately. Segment information was prepared in accordance with the same accounting principles as those described in Note 1 of the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2021.

	Quarter Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Segment net sales:				
Pulp and Paperboard	\$ 295.8	\$ 227.4	\$ 562.0	\$ 447.2
Consumer Products	232.1	180.7	455.2	389.0
Eliminations	(1.5)	(1.7)	(2.6)	(3.9)
Net sales	<u>\$ 526.4</u>	<u>\$ 406.4</u>	<u>\$ 1,014.6</u>	<u>\$ 832.3</u>
Operating income (loss):				
Pulp and Paperboard	\$ 52.0	\$ 13.0	\$ 102.3	\$ 38.0
Consumer Products	3.5	(10.0)	4.4	7.9
Corporate and eliminations	(18.2)	(15.0)	(36.0)	(30.5)
Other operating charges, net	(5.7)	(44.5)	(6.3)	(44.9)
Income (loss) from operations	<u>\$ 31.5</u>	<u>\$ (56.6)</u>	<u>\$ 64.4</u>	<u>\$ (29.5)</u>

Net sales, classified by major products were as follows:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Major products:				
Paperboard	\$ 287.6	\$ 212.2	\$ 541.9	\$ 424.6
Retail tissue	228.6	169.4	445.2	364.6
Away-from-home tissue ¹	—	7.8	—	14.4
Pulp	5.6	12.0	14.0	15.4
Other	6.1	6.6	16.2	17.2
Eliminations	(1.5)	(1.7)	(2.6)	(3.9)
Total net sales	<u>\$ 526.4</u>	<u>\$ 406.4</u>	<u>\$ 1,014.6</u>	<u>\$ 832.3</u>

¹ In the third quarter of 2021, we exited our away-from-home business with the shutdown of our Neenah, Wisconsin site.

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

The following discussion should be read in conjunction with the Consolidated Financial Statements and Notes thereto included herein and our audited Consolidated Financial Statements and Notes thereto for the year ended December 31, 2021, as well as the information under the heading "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" that are part of our Annual Report on Form 10-K for the year ended December 31, 2021.

OVERVIEW

Executive Summary

We recorded an increase of 30% in net sales to \$526.4 million for the quarter ended June 30, 2022 compared to \$406.4 million for the quarter ended June 30, 2021. We recorded net income for the quarter ended June 30, 2022 of \$14.7 million, or \$0.86 per diluted share, compared to a net loss of \$51.6 million or \$3.10 per diluted share in the quarter ended June 30, 2021. During the second quarter of 2021, we incurred impairment and other closure costs associated with the closure of our Neenah, Wisconsin facility of \$41.7 million. We recorded Adjusted EBITDA for the quarter ended June 30, 2022 of \$63.0 million compared to \$14.8 million in the quarter ended June 30, 2021.

We recorded an increase of 22% in net sales to \$1.0 billion for the six months ended June 30, 2022 compared to \$832.3 million for the six months ended June 30, 2021. We recorded net income for the six months ended June 30, 2022 of \$31.3 million, or \$1.83 per diluted share, compared to a net loss of \$39.6 million or \$2.37 per diluted share in the six months ended June 30, 2021. We recorded Adjusted EBITDA for the six months ended June 30, 2022 of \$121.9 million compared to \$69.1 million in the six months ended June 30, 2021.

Included in net loss for the second quarter and six months ended June 30, 2021, is a loss related to the closure of our Neenah, Wisconsin facility of \$41.7 million. The primary components of the \$41.7 million charge included an impairment to property plant and equipment of \$31.6 million, a write-down to inventory of \$5.3 million and \$4.9 million of cash expenses for our employees including severance and other related closure costs.

See discussion on segment level results regarding net sales, operating results and Adjusted EBITDA in "Our Operating Results" below.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires our management to select and apply accounting policies that best provide the framework to report our results of operations and financial position. The selection and application of those policies requires management to make difficult, subjective and complex judgments concerning reported amounts of revenue and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. As a result, it is possible that materially different amounts would be reported under different conditions or using different assumptions.

As of June 30, 2022 there have been no significant changes with regard to the critical accounting policies and estimates disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

NON-GAAP MEASURES

In evaluating our business, we utilize several non-GAAP financial measures. A non-GAAP financial measure is generally defined by the SEC as one that purports to measure historical or future financial performance, financial position or cash flows, but excludes or includes amounts that would not be so excluded or included under applicable GAAP guidance. In this report on Form 10-Q, we disclose overall and segment income (loss) from operations before interest expense, net, other non-operating costs, taxes, depreciation and amortization, debt retirement costs, other operating charges, net, and Adjusted EBITDA which is a non-GAAP financial measure. Adjusted EBITDA is not a substitute for the GAAP measure of net income (loss) or for any other GAAP measures of operating performance.

We have included Adjusted EBITDA on a consolidated and segment basis in this report because we use them as important supplemental measures of our performance and believe that they are frequently used by securities analysts, investors and other interested persons in the evaluation of companies in our industry, some of which present Adjusted EBITDA when reporting their results. We also use Adjusted EBITDA to evaluate our performance as compared to other companies in our industry that have different financing and capital structures and/or tax rates. It should be noted that companies calculate Adjusted EBITDA differently and, therefore, our Adjusted EBITDA measures may not be comparable to Adjusted EBITDA reported by other companies. Our Adjusted EBITDA measures have material limitations as performance measures because they exclude interest expense, income tax provision and depreciation and amortization which are

necessary to operate our business or which we otherwise incur or experience in connection with the operation of our business. In addition, we exclude other income and expense items which are outside of our core operations.

The following table provides our Adjusted EBITDA for the periods presented, as well as a reconciliation to net income (loss) and segment operating income (loss).

(In millions)	Quarter Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 14.7	\$ (51.6)	\$ 31.3	\$ (39.6)
Income tax provision (benefit)	4.4	(16.7)	10.4	(13.5)
Interest expense, net	10.7	9.3	19.3	18.6
Depreciation and amortization	25.7	26.8	51.2	53.7
Other operating charges, net	5.7	44.5	6.3	44.9
Debt retirement costs	0.3	—	0.5	—
Other non-operating expense	1.4	2.5	2.8	5.0
Adjusted EBITDA	<u>\$ 63.0</u>	<u>\$ 14.8</u>	<u>\$ 121.9</u>	<u>\$ 69.1</u>
Pulp and Paperboard segment income	\$ 52.0	\$ 13.0	\$ 102.3	\$ 38.0
Depreciation and amortization	9.2	9.0	18.5	18.0
Adjusted EBITDA Pulp and Paperboard segment	<u>\$ 61.2</u>	<u>\$ 22.0</u>	<u>\$ 120.8</u>	<u>\$ 56.0</u>
Consumer Products segment income (loss)	\$ 3.5	\$ (10.0)	\$ 4.4	\$ 7.9
Depreciation and amortization	15.6	16.8	30.9	33.5
Adjusted EBITDA Consumer Products segment	<u>\$ 19.1</u>	<u>\$ 6.7</u>	<u>\$ 35.3</u>	<u>\$ 41.4</u>
Corporate and other expense	\$ (18.2)	\$ (15.0)	\$ (36.0)	\$ (30.5)
Depreciation and amortization	0.9	1.0	1.8	2.2
Adjusted EBITDA Corporate and other	<u>\$ (17.3)</u>	<u>\$ (14.0)</u>	<u>\$ (34.2)</u>	<u>\$ (28.3)</u>
Pulp and Paperboard segment	\$ 61.2	\$ 22.0	\$ 120.8	\$ 56.0
Consumer Products segment	19.1	6.7	35.3	41.4
Corporate and other	(17.3)	(14.0)	(34.2)	(28.3)
Adjusted EBITDA	<u>\$ 63.0</u>	<u>\$ 14.8</u>	<u>\$ 121.9</u>	<u>\$ 69.1</u>

OUR OPERATING RESULTS

Our results of operations for each of our segments are discussed below. See Note 14 "Segment Information" of the Notes to the Consolidated Financial Statements included in Item 1 of this report for further information regarding our segments.

Pulp and Paperboard

(Dollars in millions, except per ton amounts)	Quarter Ended June 30,			Six Months Ended June 30,		
	2022	2021	Increase (decrease)	2022	2021	Increase (decrease)
Sales:						
Paperboard	\$ 287.6	\$ 212.2	35.5 %	\$ 541.9	\$ 424.6	27.6 %
Pulp	5.6	12.0	(52.9)%	14.0	15.4	(9.6)%
Other	2.6	3.2	(20.9)%	6.2	7.1	(12.9)%
	<u>\$ 295.8</u>	<u>\$ 227.4</u>	<u>30.0 %</u>	<u>\$ 562.0</u>	<u>\$ 447.2</u>	<u>25.7 %</u>
Operating income	\$ 52.0	\$ 13.0	300.5 %	\$ 102.3	\$ 38.0	169.0 %
Operating margin	17.6 %	5.7 %		18.2 %	8.5 %	
Adjusted EBITDA	\$ 61.2	\$ 22.0	178.3 %	\$ 120.8	\$ 56.0	115.6 %
Adjusted EBITDA margin	20.7 %	9.7 %		21.5 %	12.5 %	
Paperboard shipments (short tons)	215,903	200,551	7.7 %	417,259	407,263	2.5 %
Paperboard sales price (per short ton)	\$ 1,332	\$ 1,058	25.9 %	\$ 1,299	\$ 1,043	24.5 %

Sales volumes increased in our Pulp and Paperboard segment for the quarter and six month periods ended June 30, 2022 compared to the same periods due to increased demand. Additionally, product availability was limited during the first six months of 2021, due to a planned maintenance shutdown at our Lewiston, Idaho facility in the second quarter of 2021 and severe weather events during the first quarter of 2021. Sales prices increased in our Pulp and Paperboard segment for the quarter and six month periods ended June 30, 2022 compared to the same periods in the prior year due to the impacts of our previously announced price increases.

Overall, the increase in operating income and Adjusted EBITDA for the quarter and six month periods ended June 30, 2022 as compared to the same periods in the prior year was driven by higher sales prices and the absence of a planned maintenance shutdown, partially offset by inflation.

Consumer Products

(Dollars in millions, except per unit)	Quarter Ended June 30,			Six Months Ended June 30,		
	2022	2021	Increase (decrease)	2022	2021	Increase (decrease)
Sales:						
Retail tissue	\$ 228.6	\$ 169.4	34.9 %	\$ 445.2	\$ 364.6	22.1 %
Away-from-home ¹	—	7.8	(100.0)%	—	14.4	(100.0)%
Other	3.6	3.4	5.3 %	10.0	10.1	(0.9)%
	<u>\$ 232.1</u>	<u>\$ 180.7</u>	<u>28.5 %</u>	<u>\$ 455.2</u>	<u>\$ 389.0</u>	<u>17.0 %</u>
Operating income (loss)	\$ 3.5	\$ (10.0)	134.6 %	\$ 4.4	\$ 7.9	(44.1)%
Operating margin	1.5 %	(5.6)%		1.0 %	2.0 %	
Adjusted EBITDA	\$ 19.1	\$ 6.7	184.1 %	\$ 35.3	\$ 41.4	(14.6)%
Adjusted EBITDA margin	8.2 %	3.7 %		7.8 %	10.6 %	
Shipments (short tons)						
Retail	76,604	61,497	24.6 %	152,030	132,259	14.9 %
Away-from-home ¹	—	4,217	(100.0)%	—	7,671	(100.0)%
Other	2,614	3,227	(19.0)%	7,687	9,196	(16.4)%
	<u>79,218</u>	<u>68,941</u>	<u>14.9 %</u>	<u>159,717</u>	<u>149,126</u>	<u>7.1 %</u>
Sales price (per short ton)						
Retail	\$ 2,984	\$ 2,755	8.3 %	\$ 2,928	\$ 2,757	6.2 %

¹ In the third quarter of 2021, we exited our away-from-home business with the shutdown of our Neenah, Wisconsin site.

Sales volumes increased in our Consumer Products segment for the quarter and six month periods ended June 30, 2022 compared to the same periods in the prior year as consumer demand stabilized due to consumer buying patterns returning to pre-COVID levels and several new customer programs. Sales prices increased in our Consumer Products segment for the quarter and six month period ended June 30, 2022 compared to the same periods in the prior year due primarily to price increases implemented to offset inflation, primarily pulp and transportation costs.

Overall, the increase in operating income and Adjusted EBITDA for the quarter and six month periods ended June 30, 2022 compared to the same periods in the prior year was driven by higher sales prices, increased volume offset by higher input costs, primarily in pulp and transportation costs.

Corporate expenses

Corporate expenses for the quarter and six months ended June 30, 2022 were \$18.2 million and \$36.0 million compared to \$15.0 million and \$30.5 million in the same periods in the prior year. The increase between periods is primarily related to the higher incentive compensation based upon higher than expected operating results. Corporate expenses primarily consist of corporate overhead such as wages and benefits, professional fees, insurance and other expenses for corporate functions including certain executive officers, public company costs, information technology, financial services, environmental and safety, legal, supply management, human resources and other corporate functions not directly associated with the business operations.

Other operating charges

See Note 8 "Other operating charges" of the Notes to the Consolidated Financial Statements included in Item 1 of this report for additional information.

Interest expense

Interest expense for the quarter and six month period ended June 30, 2022 was \$1.4 million and \$0.7 million higher as compared to the same periods in the prior year. This increase was due to a one-time increase of \$2.2 million associated with our capital leases. Excluding this adjustment, our interest expense would be lower due to lower debt outstanding. See Note 9 "Non-operating income (expense)" of the Notes to the Consolidated Financial Statements included in Item 1 of this report for additional information

Potential impairments

We review from time to time possible dispositions or reorganization of various assets in light of current and anticipated economic and industry conditions, our strategic plan and other relevant factors. Because a determination to dispose or reorganize particular assets may require management to make assumptions regarding the transaction structure of the disposition or reorganization and to estimate the net sales proceeds, which may be less than previous estimates of undiscounted future net cash flows, we may be required to record impairment charges in connection with decisions to dispose of assets.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity are existing cash balances, cash generated by our operations and our ability to borrow under such credit facilities as we may have in effect from time to time. Our principal uses of liquidity are paying the costs and expenses associated with our operations, servicing outstanding indebtedness and making capital expenditures. We may also from time to time prepay or repurchase outstanding indebtedness (including by issuing new indebtedness subject to market conditions to refinance such outstanding indebtedness) or repurchase shares of our common stock or acquire assets or businesses that are complementary to our operations.

Operating Activities

Net cash flows provided by operating activities for the six months ended June 30, 2022 were \$119.5 million compared to \$48.1 million for the six months ended June 30, 2021. This increase was driven by increased net income and changes in working capital. Accounts receivable and accounts payable agings have remained relatively consistent with balances as of December 31, 2021.

Investing Activities

During the six months ended June 30, 2022, net cash flows used in investing activities were \$13.2 million compared to \$21.1 million in the prior year period. Included in the six months ended June 30, 2022 is a \$2.4 million refund associated with a capital project placed in service in prior years. Included in "Accounts payable and accrued liabilities" on our Consolidated Balance Sheets was \$5.1 million and \$7.5 million related to capital expenditures that had not yet been paid at June 30, 2022 and 2021.

Throughout 2022, we expect cash paid for capital expenditures to be approximately \$45 million to \$55 million.

Financing Activities

Net cash flows used by financing activities were \$61.9 million for the six months ended June 30, 2022 compared to \$2.0 million for the same period of 2021. The increase was due to \$3.9 million used for common stock repurchases under our stock repurchase program, the \$30 million payoff of our Term Loan Credit Agreement and \$5 million in open market purchases of our 2014 Notes during the six months ended June 30, 2022. During the six months ended June 30, 2021, no significant debt repayments outside of scheduled payments occurred.

ABL Credit Agreement

The ABL Credit Agreement matures on July 26, 2024 and includes a \$250 million revolving loan commitment, subject to borrowing base limitations based on a percentage of applicable eligible receivables and eligible inventory. Based upon our Consolidated Balance Sheet as of June 30, 2022, our borrowing base supported up to \$250 million of availability under the line, of which no borrowings were outstanding and \$3.7 million was utilized to issue letters of credit. We may, at our option, prepay any borrowings under the ABL Credit Agreement, in whole or in part, at any time and from time to time without premium or penalty (except in certain circumstances).

The ABL Credit Agreement also contains a financial covenant, which requires us to maintain a consolidated fixed charge coverage ratio of not less than 1.10 to 1.00, provided that the financial covenant under the ABL Credit Agreement is only applicable when unused availability falls below \$25 million. As of June 30, 2022, our fixed charge coverage ratio was approximately 4.20x.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our exposure to market risks on financial instruments includes interest rate risk on our credit agreements. As of June 30, 2022, our Term Loan Credit Agreement was repaid in full and there were no borrowings outstanding under our ABL Credit Agreement.

ITEM 4. Controls and Procedures

As of June 30, 2022, our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have carried out, with the participation of our Disclosure Committee and management, an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the Act). Based upon this evaluation, the CEO and CFO have concluded that our disclosure controls and procedures are effective to provide reasonable assurance that material information required to be disclosed by us in reports we file under the Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and that information required to be disclosed by us in the reports we file or submit under the Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the quarter ended June 30, 2022 that has materially affected, or is likely to materially affect, our internal control over financial reporting.

Part II

ITEM 1. Legal Proceedings

We may from time to time be involved in claims, proceedings and litigation arising from our business and property ownership. We believe, based on currently available information, that the results of such proceedings, in the aggregate, will not have a material adverse effect on our financial condition.

ITEM 1A. Risk Factors

There are no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021. See Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021, entitled “Risk Factors.”

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

On December 15, 2015, we announced that our Board of Directors had approved a stock repurchase program authorizing the repurchase of up to \$100 million of our common stock. As of June 30, 2022, we had \$25.9 million of authorization remaining. The repurchase program authorizes purchases of our common stock from time to time through open market purchases, negotiated transactions or other means, including accelerated stock repurchases and 10b5-1 trading plans in accordance with applicable securities laws and other restrictions. We have no obligation to repurchase stock under this program and may suspend or terminate the program at any time.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
April 1, 2022 to April 30, 2022	—	\$ —	—	\$ 29.8
May 1, 2022 to May 31, 2022	59,902	\$ 32.61	59,902	\$ 27.8
June 1, 2022 to June 30, 2022	59,426	\$ 33.32	59,426	\$ 25.9
Total	119,328	\$ 32.96	119,328	

Shares of common stock withheld as payment of withholding taxes and exercise prices in connection with the vesting or exercise of equity awards are not required to be disclosed under Item 703 of Regulation S-K and accordingly are excluded from the amounts in the table above.

ITEM 6. Exhibits

EXHIBIT NUMBER	DESCRIPTION
31**	<u>Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32**	<u>Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C Section 1350.</u>
10.1	<u>Amendment to the Clearwater Paper Corporation 2017 Stock Incentive Plan, effective as of May 16, 2022</u>
10.2	<u>Clearwater Paper Corporation Amended and Restated Annual Incentive Plan, effective as of January 1, 2022. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the commission on May 18, 2022).</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

** In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 34-47986, the certifications furnished in Exhibit 32 hereto are deemed to accompany this Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act.

SIGNATURES

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.

CLEARWATER PAPER CORPORATION
(Registrant)

August 2, 2022

By: /s/ ARSEN S. KITCH

Arsen S. Kitch

President, Chief Executive Officer and Director (Principal
Executive Officer)

August 2, 2022

By: /s/ MICHAEL J. MURPHY

Michael J. Murphy

Senior Vice President, Finance and Chief Financial Officer
(Principal Financial Officer)

**AMENDMENT TO THE
CLEARWATER PAPER CORPORATON
2017 STOCK INCENTIVE PLAN**

The Clearwater Paper Corporation 2017 Stock Incentive Plan (the “Plan”), as adopted by the Board of Directors of Clearwater Paper Corporation (the “Corporation”) on February 28, 2017 and as subsequently amended, is hereby further amended as follows effective as of May 16, 2022:

Section 17(c) of the Plan is amended to read as follows:

(c) *Clawback.* Notwithstanding anything in this Plan to the contrary, the Corporation reserves the right to cancel or adjust the amount of any Award if the financial statements of the Corporation on which the calculation or determination of the Award was based are subsequently restated due to error or misconduct and, in the judgment of the Committee, the financial statements as so restated would have resulted in a smaller or no Award if such information had been known at the time the Award had originally been calculated or determined. In addition, in the event of such a restatement, the Corporation reserves the right to require a Participant to repay to the Corporation the amount by which the Award as originally calculated or determined exceeds the Award as adjusted pursuant to the preceding sentence. Without limiting the foregoing provisions of this Section 17(c), and notwithstanding any other provision of this Plan, each Award granted under this Plan, and the Shares or other compensation paid or payable pursuant thereto, shall be subject to such deductions and clawback as may be required to be made pursuant to federal or state law, government regulation or stock exchange listing requirement (or any policy adopted by the Corporation pursuant to any such law, government regulation or stock exchange listing requirement).

In addition, in the event the Committee reasonably determines that a Participant engaged in conduct that resulted in reputational harm to the Corporation, such Participant’s unpaid Awards shall be subject to termination by the Committee in its sole discretion and without consideration, and such Participant shall also pay back to the Corporation all or a portion of any Award that has been paid, in each case subject to this Section 17(c), without consideration and as determined by Committee in its sole discretion.

To record adoption of this Amendment by the Board of Directors, Clearwater Paper Corporation has caused its authorized officer to execute the same.

Date: May 16, 2022 CLEARWATER PAPER CORPORATION

By: /s/ Kari Moyes
Name: Kari G. Moyes
Title: Senior Vice President, Human Resources

CERTIFICATION

I, Arsen S. Kitch, certify that:

1. I have reviewed this report on Form 10-Q of Clearwater Paper Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date : August 2, 2022

/s/ ARSEN S. KITCH

Arsen S. Kitch

President and Chief Executive Officer

CERTIFICATION

I, Michael J. Murphy, certify that:

1. I have reviewed this report on Form 10-Q of Clearwater Paper Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date : August 2, 2022

/s/ MICHAEL J. MURPHY

Michael J. Murphy

Senior Vice President, Finance and Chief Financial Officer

***CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002***

I, Arsen S. Kitch, President and Chief Executive Officer of Clearwater Paper Corporation (the “Company”), certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Quarterly Report of the Company on Form 10-Q for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ARSEN S. KITCH

Arsen S. Kitch

President and Chief Executive Officer

August 2, 2022

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

***CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002***

I, Michael J. Murphy, Senior Vice President, Finance and Chief Financial Officer of Clearwater Paper Corporation (the “Company”), certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Quarterly Report of the Company on Form 10-Q for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL J. MURPHY

Michael J. Murphy

Senior Vice President, Finance and Chief Financial Officer

August 2, 2022

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.