

WEYERHAEUSER CO
Form 10-K
February 15, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

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 1-4825

WEYERHAEUSER COMPANY
A WASHINGTON CORPORATION
91-0470860

(IRS EMPLOYER IDENTIFICATION NO.)

220 OCCIDENTAL AVENUE SOUTH, SEATTLE, WASHINGTON 98104-7800 TELEPHONE (206) 539-3000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS NAME OF EACH EXCHANGE ON WHICH REGISTERED:

Common Shares (\$1.25 par value) New York Stock Exchange

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

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 Act). Yes No

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As of June 30, 2018, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$28.0 billion based on the closing sale price as reported on the New York Stock Exchange Composite Price Transactions.

As of February 4, 2019, 746,524 thousand shares of the registrant's common stock (\$1.25 par value) were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Notice of 2019 Annual Meeting of Shareholders and Proxy Statement for the company's Annual Meeting of Shareholders to be held May 17, 2019, are incorporated by reference into Part II and III.

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OUR BUSINESS

We are one of the world's largest private owners of timberlands. We own or control 12.2 million acres of timberlands in the U.S. and manage an additional 14.0 million acres of timberlands under long-term licenses in Canada. We manage these timberlands on a sustainable basis in compliance with internationally recognized forestry standards. Our objective is to maximize the long-term value of timberlands we own. We analyze each timberland acre comprehensively to understand its highest-value use. We realize this value in many ways, particularly through growing and harvesting the trees, but also by selling properties when we can create incremental value. In addition, we focus on opportunities to realize value for oil and natural gas production, construction aggregates and mineral extraction, wind and solar power, communication tower leases and transportation rights of way that exist in our ownership.

We are also one of the largest manufacturers of wood products in North America. We manufacture and distribute high-quality wood products, including structural lumber, oriented strand board (OSB), engineered wood products and other specialty products. These products are primarily supplied to the residential, multi-family, industrial, light commercial and repair and remodel markets. We operate 35 manufacturing facilities in the United States and Canada. Our company is a real estate investment trust (REIT).

Sustainability and citizenship are part of our core values. In addition to practicing sustainable forestry, we focus on increasing energy and resource efficiency, reducing greenhouse gas emissions, reducing water consumption, conserving natural resources and offering sustainable products that meet our customers' needs. We operate with world class safety results, actively support the communities in which we operate and strive to communicate transparently with our investors and other stakeholders. We are the only North American forest products company included on the Dow Jones Sustainability North America Index, and we also are recognized for our leading performance in the areas of ethics, citizenship and gender equality.

In 2018, we generated \$7.5 billion in net sales and employed approximately 9,300 people who serve customers worldwide.

This portion of our Annual Report on Form 10-K provides detailed information about who we are, what we do and where we are headed. Unless otherwise specified, current information reported in this Form 10-K is as of or for the fiscal year ended December 31, 2018.

We break out financial information such as revenues, earnings and assets by the business segments that form our company. We also discuss the development of our company and the geographic areas where we do business.

Throughout this Form 10-K, unless specified otherwise, references to “we,” “our,” “us” and “the company” refer to the consolidated company.

WE CAN TELL YOU MORE AVAILABLE INFORMATION

We meet the information-reporting requirements of the Securities Exchange Act of 1934 by filing periodic reports (annual reports on Form 10-K, quarterly reports on Form 10-Q), current reports on Form 8-K, proxy statements and other information with the Securities and Exchange Commission (SEC). These reports and statements — information about our company’s business, financial results and other matters — and amendments to these reports and statements are available at:

the SEC website — www.sec.gov;

the SEC’s Public Conference Room, 100 F St. N.E., Washington, D.C., 20549, (800) SEC-0330; and

our website (free of charge) — www.weyerhaeuser.com.

When we file the information electronically with the SEC, it also is posted to our website.

WHO WE ARE

We were incorporated as Weyerhaeuser Timber Company in the state of Washington in January 1900, when Frederick Weyerhaeuser and 15 partners bought 900,000 acres of timberland. Today, we are working to be the world's premier timber, land, and forest products company for our shareholders, customers and employees.

REAL ESTATE INVESTMENT TRUST (REIT) ELECTION

Starting with our 2010 fiscal year, we elected to be taxed as a REIT. REIT income can be distributed to shareholders without first paying corporate level tax, substantially eliminating the double taxation on income. We expect to derive most of our REIT income from our timberlands, including gains from the sales of our standing timber and rent from recreational leases. We continue to be required to pay federal corporate income taxes on earnings of our Taxable REIT Subsidiary (TRS), which includes our Wood Products segment and a portion of our Timberlands and Real Estate, Energy and Natural Resources segments.

OUR BUSINESS SEGMENTS

In the Consolidated Results section of Management's Discussion and Analysis of Financial Condition and Results of Operations, you will find our overall performance results for our business segments, which are as follows:

- Timberlands;
- Real Estate, Energy and Natural Resources (Real Estate & ENR); and
- Wood Products.

Detailed financial information about our business segments and our geographic locations is provided in Note 2: Business Segments and Note 22: Geographic Areas in the Notes to Consolidated Financial Statements.

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EFFECT OF MARKET CONDITIONS

The health of the U.S. housing market strongly affects the performance of all our business segments. Wood Products primarily sells into the new residential building and repair and remodel markets. Demand for logs from our Timberlands segment is affected by the production of wood-based building products as well as export demand. Real Estate is affected by local real estate market conditions, such as the level of supply or demand for properties sharing the same or similar characteristics as our timberlands. Energy and Natural Resources is affected by underlying demand for commodities, including oil and gas.

COMPETITION IN OUR MARKETS

We operate in highly competitive domestic and foreign markets, with numerous companies selling similar products. Many of our products also face competition from substitutes for wood products. We compete in our markets primarily through product quality, service levels and price. We are relentlessly focused on operational excellence, producing quality products customers want and are willing to pay for, at the lowest possible cost.

Our business segments' competitive strategies are as follows:

• Timberlands — Deliver maximum timber value from every acre we own or manage.

• Real Estate & ENR — Deliver premiums to timberland value by identifying and monetizing higher and better use lands and capturing the full value of surface and subsurface assets.

• Wood Products — Manufacture high-quality lumber, structural panels, and engineered wood products, as well as deliver complementary building products for residential, multi-family, industrial and light commercial applications at competitive costs.

OUR EMPLOYEES

We have approximately 9,300 employees. Of these employees, approximately 2,500 are members of unions covered by multi-year collective-bargaining agreements. More information about these agreements is provided in [Note 10: Pension and Other Postretirement Benefit Plans](#) in the [Notes to Consolidated Financial Statements](#).

WHAT WE DO

This section provides information about how we:

- grow and harvest trees,
- maximize the value of every acre we own and
- manufacture and sell wood products.

For each of our business segments, we provide details about what we do, where we do it, how much we sell and where we are headed.

TIMBERLANDS

Our Timberlands segment manages 12.2 million acres of private commercial timberlands in the U.S. We own 11.4 million of those acres and control the remaining acres through long-term contracts. In addition, we have renewable, long-term licenses on 14.0 million acres of Canadian timberlands. The tables presented in this section include data from this segment's business units as of the end of 2018.

WHAT WE DO

Forestry Management

Our Timberlands segment:

- plants seedlings to reforest harvested areas using the most effective regeneration method for the site and species (natural regeneration is employed and managed in parts of Canada and the northern U.S.);
- manages our timberlands as the trees grow to maturity;
- harvests trees to be converted into lumber, wood products, pellets, pulp and paper;
- manages the health of our forests to sustainably maximize harvest volumes, minimize risks, and protect unique environmental, cultural, historical and recreational value; and

• offers recreational access.

We seek to maximize the returns from our timberlands by selling delivered logs and through stumpage sales to both internal and external customers. We leverage our expertise in forestry and use intensive silviculture to improve forest productivity and returns while managing our forests on a sustainable basis. We use our scale, infrastructure and supply chain expertise to deliver reliable and consistent supply to our customers.

Competitive factors within each of our market areas generally include price, species, grade, quality, proximity to wood consuming facilities and the ability to consistently meet customer requirements. We compete in the marketplace through our ability to provide customers with a consistent and reliable supply of high-quality logs at scale volumes and competitive prices. Our customers also value our status as a Sustainable Forestry Initiative® (SFI) certified supplier.

Sustainable Forestry Practices

We manage our forests intensively to maximize the value of every acre and produce a sustainable supply of wood fiber for our customers. At the same time, we are careful to protect biological diversity, water quality and other ecosystem values. Our working forests also provide unique environmental, cultural, historical and recreational value. We work hard to protect these and other qualities, while still managing our forests to produce financially mature timber. We follow regulatory requirements, voluntary standards and certify 100 percent of our North American timberlands under the SFI Forest Management Standard.

Canadian Forestry Operations

In Canada, we manage timberlands under long-term licenses that provide the primary source of the raw material for our manufacturing facilities in various provinces. When we harvest trees, we pay the provinces at stumpage rates set by the government. We transfer logs to our

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manufacturing facilities at cost and do not generate any significant profit in the Timberlands segment from the harvest of timber from the licensed acres in Canada.

Timberlands Products

PRODUCTS HOW THEY'RE USED

Delivered logs: Grade logs are made into lumber, plywood, veneer and other products used in residential homes, commercial structures, furniture, industrial and decorative applications. Fiber logs are sold to pulp, paper, and oriented strand board mills to make products used for printing, writing, packaging, homebuilding and consumer products, as well as into renewable energy and pellets.

- Grade logs
- Fiber logs

Timber Standing timber is sold to third parties through stumpage sales.

Recreational leases Timberlands are leased or permitted for recreational purposes.

Other products Seed and seedlings grown in the U.S and chips. We previously produced plywood at our mill in Uruguay ⁽¹⁾.

(1) Our Uruguayan operations were divested on September 1, 2017. Refer to Note 4: Discontinued Operations and Other Divestitures in the Notes to Consolidated Financial Statements for further information on this divestiture.

HOW WE MEASURE OUR PRODUCT

We use multiple units of measure when transacting business including:

- Thousand board feet (MBF) — used in the West to measure the expected lumber recovery from a tree or log; and
- Green tons (GT) — used in the South to measure weight; factors used for conversion to product volume can vary by species, size, location and season.

We report Timberlands volumes in ton equivalents.

WHERE WE DO IT

We sustainably manage timberlands in twenty states. This includes owned or contracted acres in the following locations:

- 2.9 million acres in the western U.S. (Oregon and Washington);

- 6.9 million acres in the southern U.S. (Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Texas and Virginia); and

- 2.4 million acres in the northern U.S. (Maine, Michigan, Montana, New Hampshire, Vermont, West Virginia and Wisconsin).

In Canada, we manage timberlands under long-term licenses that provide raw material for our manufacturing facilities. These licenses are in Alberta, British Columbia, Ontario (license is managed by partnership) and Saskatchewan (license is managed by partnership).

Our total timber inventory — including timber on owned and contracted land— is approximately 626 million tons. The amount of timber inventory does not translate into an amount of lumber or panel products because the quantity of end products varies according to the species, size and quality of the timber; and will change through time as these variables adjust.

We maintain our timber inventory in an integrated resource inventory system and geographic information system (“GIS”). The resource inventory component of the system is proprietary and is largely based on internally developed methods, including growth and yield models developed by our research and development organization. The GIS component is based on GIS software that is viewed as the standard in our industry.

Timber inventory data collection and verification techniques include the use of industry standard field sampling procedures as well as proprietary remote sensing technologies in some geographies. The data is collected and maintained at the timber stand level.

We also own and operate nurseries and seed orchards in Alabama, Arkansas, Georgia, Louisiana, Mississippi, Oregon, South Carolina, and Washington.

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Summary of 2018 Standing Timber Inventory

GEOGRAPHIC AREA MILLIONS OF TONS AT
DECEMBER 31, 2018

TOTAL INVENTORY⁽¹⁾

U.S.:

West

Douglas fir/Cedar 160

Whitewood 33

Hardwood 14

Total West 207

South

Southern yellow pine 263

Hardwood 84

Total South 347

North

Conifer 32

Hardwood 40

Total North 72

Total Company 626

(1) Inventory includes all conservation and non-harvestable areas.

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