

BOISE CASCADE Co  
Form 10-K  
February 26, 2019  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 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

☐ 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: 001-35805

Boise Cascade Company  
(Exact name of registrant as specified in its charter)

Delaware 20-1496201  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1111 West Jefferson Street  
Suite 300  
Boise, Idaho 83702-5389  
(Address of principal executive offices) (Zip Code)

(208) 384-6161  
(Registrant's telephone number, including area code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.01 par value per share	New York Stock Exchange

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

Indicate by check mark if 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 ☐

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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 and post such files). Yes ☒ No ☐

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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 the 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. ☒ x

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 ☒ x

Accelerated filer ☐ o

Non-accelerated filer ☐ o

Smaller reporting company ☐ o

Emerging growth company ☐ o

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. ☐ o

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on June 29, 2018, the last business day of the registrant's most recently completed second fiscal quarter, based on the last reported trading price of the registrant's common stock on the New York Stock Exchange was approximately \$1,724 million.

There were 38,708,767 shares of the registrant's common stock, \$0.01 par value per share, outstanding on February 15, 2019.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for its 2019 annual meeting of stockholders are incorporated by reference into Part III of this Form 10-K.

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### Cautionary Statement Concerning Forward-Looking Statements

Certain statements made in this Form 10-K contain forward-looking statements. Forward-looking statements are subject to risks and uncertainties that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by these forward-looking statements. Forward-looking statements include information concerning our future financial performance, business strategy, plans, goals, and objectives.

Statements preceded or followed by, or that otherwise include, the words "believes," "expects," "anticipates," "intends," "project," "estimates," "plans," "forecast," "is likely to," and similar expressions or future or conditional verbs such as "will," "may," "would," "should," and "could" are generally forward-looking in nature and not historical facts. Such statements are based upon the current beliefs and expectations of our management and are subject to significant risks and uncertainties. Actual results may differ materially from those set forth in the forward-looking statements.

The following factors, among others, could cause our actual results, performance, or achievements to differ from those set forth in the forward-looking statements:

• The commodity nature of our products and their price movements, which are driven largely by industry capacity and operating rates, industry cycles that affect supply and demand, and net import and export activity;

• General economic conditions, including but not limited to housing starts, repair-and-remodeling activity, light commercial construction, inventory levels of new and existing homes for sale, foreclosure rates, interest rates, unemployment rates, household formation rates, prospective home buyers' access to and cost of financing, and housing affordability, that ultimately affect demand for our products;

• The highly competitive nature of our industry;

• Material disruptions and/or major equipment failure at our manufacturing facilities;

• Labor disruptions, shortages of skilled and technical labor, or increased labor costs;

• The need to successfully formulate and implement succession plans for key members of our management team;

• Disruptions to information systems used to process and store customer, employee, and vendor information, as well as the technology that manages our operations and other business processes;

• Our ability to successfully and efficiently complete and integrate acquisitions;

• Cost and availability of raw materials, including wood fiber and glues and resins;

• Concentration of our sales among a relatively small group of customers, as well as the financial condition and creditworthiness of our customers;

• Product shortages, loss of key suppliers, and our dependence on third-party suppliers and manufacturers;

• Impairment of our long-lived assets, goodwill, and/or intangible assets;

•

Substantial ongoing capital investment costs, including those associated with recent acquisitions, and the difficulty in offsetting fixed costs related to those investments;

• The cost and availability of third-party transportation services used to deliver the goods we manufacture and distribute, as well as our raw materials;

• Cost of compliance with government regulations, in particular environmental regulations;

• Exposure to product liability, product warranty, casualty, construction defect, and other claims;

• Declines in demand for our products due to competing technologies or materials, as well as changes in building code provisions;



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• The impact of actuarial assumptions, investment return on pension assets, and regulatory activity on pension costs and pension funding requirements;

Our indebtedness, including the possibility that we may not generate sufficient cash flows from operations or that future borrowings may not be available in amounts sufficient to fulfill our debt obligations and fund other liquidity needs;

• Changes in interest rates of our debt;

• Restrictive covenants contained in our debt agreements; and

• Fluctuations in the market for our equity.

Certain of these and other factors are discussed in more detail in "Item 1A. Risk Factors" of this Form 10-K. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this Form 10-K. While we believe that our forecasts and assumptions are reasonable, we caution that actual results may differ materially. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Consequently, actual events and results may vary significantly from those included in or contemplated or implied by our forward-looking statements.

## PART I

### ITEM 1. BUSINESS

Boise Cascade is a large, vertically-integrated wood products manufacturer and building materials distributor with widespread operations throughout the United States (U.S.) and one manufacturing facility in Canada. As used in this Form 10-K, the terms "Boise Cascade," "we," and "our" refer to Boise Cascade Company and its consolidated subsidiaries. We are one of the largest producers of engineered wood products (EWP) and plywood in North America and a leading U.S. wholesale distributor of building products. Our broad line of products is used primarily in new residential construction, residential repair-and-remodeling projects, light commercial construction, and industrial applications. We have a broad base of more than 4,500 customers, which includes a diverse mix of retail lumberyards, home improvement centers, leading wholesalers, specialty distributors, and industrial converters. We believe our large, vertically-integrated operations provide us with significant advantages over less integrated competitors and position us to optimally serve our customers. Our operations began on October 29, 2004, when we acquired the forest products assets of OfficeMax, Incorporated. We completed an initial public offering of our common stock on February 11, 2013.

#### Our Industry

The building products manufacturing and distribution industry in North America is highly competitive, with a number of producers manufacturing and selling a broad range of products. Demand for our products is principally influenced by new residential construction, residential repair-and-remodeling activity, and light commercial construction in the U.S. Drivers of new residential construction, residential repair-and-remodeling activity, and light commercial construction include new household formation, the age of the housing stock, availability of credit and other macroeconomic factors, such as GDP growth, population growth and migration, interest rates, employment, and consumer sentiment. Purchasing decisions made by the customers who buy our products are generally based on price, quality, availability, and customer service.

## Segments

We operate our business using two reportable segments: Wood Products and Building Materials Distribution. We present information pertaining to our segments, including product sales, customer concentration, and the geographic areas in which we operate, in Note 17, Segment Information, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

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## Wood Products

## Products

We manufacture laminated veneer lumber (LVL), I-joists, and laminated beams, which are collectively referred to as EWP. LVL and laminated beams are structural products used in applications where extra strength and consistent quality are required, such as headers and beams. LVL is also used in the manufacture of I-joists, which are assembled by combining a vertical web of oriented strand board (OSB) with top and bottom LVL or solid wood flanges. I-joists, which are used primarily in residential and commercial flooring and roofing systems and other structural applications, are stronger, lighter, and straighter than conventional lumber joists. In addition, we manufacture structural, appearance, and industrial plywood panels.

In November 2018, we sold two lumber mills and a particleboard plant located in Northeast Oregon, consistent with our strategy to focus on veneer-based manufacturing. As a result, we no longer produce particleboard and have limited lumber production. In December 2018, we committed to sell a hardwood plywood facility located in Moncure, North Carolina (the Moncure Sale), and subsequently entered into a definitive sale agreement in January 2019. The Moncure Sale is expected to close in first quarter 2019. For additional information, see Note 7, Sale of Manufacturing Facilities, of the Notes to the Consolidated Financial Statements in "Item 8, Financial Statements and Supplementary Data" of this Form 10-K.

The following table sets forth the annual capacity and production of our principal products for the periods indicated:

	Year Ended December 31				
	2018	2017	2016	2015	2014
	(millions)				
Capacity (a)					
LVL (cubic feet) (b)(c)	33.5	35.5	34.5	28.5	27.5
Plywood and Parallel Laminated Veneer (PLV) (sq. ft.) (3/8" basis) (d)(e)	2,440	2,440	2,400	2,385	2,380
Production					
LVL (cubic feet) (b)	27.6	26.2	23.9	20.1	20.1
I joists (equivalent lineal feet) (b)	253	228	225	198	201
Plywood and PLV (sq. ft.) (3/8" basis) (d)	1,822	1,828	1,852	1,951	1,973

(a) Estimated annual capacity at the end of each year.

(b) During each of the years presented above, approximately one-third of the LVL we produced was utilized internally to produce I-joists. Capacity is based on LVL production only.

In March 2016, we purchased two EWP facilities, one in Thorsby, Alabama, and one in Roxboro, North Carolina. Thorsby LVL capacity is estimated at 4.0 million cubic feet. We ceased LVL production at Roxboro in November (c) 2018, prior to which its estimated annual capacity was 2.0 million cubic feet. For additional information regarding the Roxboro LVL curtailment, see Note 6, Curtailment of Manufacturing Facility, of the Notes to the Consolidated Financial Statements in "Item 8, Financial Statements and Supplementary Data" of this Form 10-K.

(d) Approximately 24%, 22%, 21%, 18%, and 19%, respectively, of production in 2018, 2017, 2016, 2015, and 2014 was for PLV panels that are utilized internally to produce LVL.

(e) Each of the years presented includes 135 million square feet of plywood capacity related to our Moncure facility. The sale of this facility is expected to close in first quarter 2019.



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The following table sets forth segment sales, segment income (loss), depreciation and amortization, and EBITDA for the periods indicated:

	Year Ended December 31				
	2018	2017	2016	2015	2014
	(millions)				
Segment sales (a)	\$1,533.3	\$1,373.8	\$1,280.4	\$1,282.1	\$1,317.0
Segment income (loss) (b) (c)	\$(10.0 )	\$53.6	\$25.9	\$64.2	\$108.4
Segment depreciation and amortization (c)	127.0	63.1	57.5	43.3	41.5
Segment EBITDA (b) (d)	\$117.0	\$116.7	\$83.5	\$107.5	\$149.8

(a) Segment sales are calculated before elimination of sales to our Building Materials Distribution segment.

During the year ended December 31, 2018, we recorded a pre-tax loss of \$11.5 million related to the sale of two lumber mills and a particleboard plant in Northeast Oregon, as well as a pre-tax impairment loss of \$24.0 million (b) on the Moncure plywood facility upon being classified as held for sale. For additional information, see Note 7, Sale of Manufacturing Facilities, of the Notes to the Consolidated Financial Statements in "Item 8, Financial Statements and Supplementary Data" of this Form 10-K.

The year ended December 31, 2018 includes \$55.0 million of accelerated depreciation, \$2.6 million of construction in progress and spare parts write-offs, and \$0.2 million of severance expenses related to the Roxboro LVL (c) curtailment in November 2018. For additional information regarding the Roxboro LVL curtailment, see Note 6, Curtailment of Manufacturing Facility, of the Notes to the Consolidated Financial Statements in "Item 8, Financial Statements and Supplementary Data" of this Form 10-K.

Segment EBITDA is calculated as segment income (loss) before depreciation and amortization. See "Item 6. (d) Selected Financial Data" of this Form 10-K for a description of our reasons for using EBITDA and for a discussion of the limitations of such a measure.

## Facilities

Our Wood Products segment operates six EWP facilities. Our two most significant EWP facilities are located in Louisiana and Oregon and have a high degree of raw material and manufacturing integration with our neighboring plywood and veneer facilities. We also operate nine plywood and veneer plants, as well as two sawmills. The sale of the Moncure plywood facility is expected to close in first quarter 2019.

## Raw Materials and Input Costs

Wood fiber. Wood fiber is the primary raw material used in our Wood Products operations, and our primary source of wood fiber is logs. For the year ended December 31, 2018, wood fiber accounted for approximately 44% of materials, labor, and other operating expenses (excluding depreciation) in our Wood Products segment. Our EWP facilities use parallel-laminated veneer panels and veneer sheets produced by our facilities, as well as lumber, OSB, and veneer sheets purchased from third parties, to manufacture LVL, I-joists, and laminated beams. Our EWP, plywood, and veneer facilities use Douglas fir, white woods, and pine logs as raw materials. Our manufacturing facilities are located in close proximity to active wood fiber markets.

Logs comprised approximately 74% of our wood fiber costs during 2018, and we satisfy our log requirements through a combination of purchases under supply agreements, open-market purchases, and purchases pursuant to contracts

awarded under public auctions.

Approximately 74% of our log supply in 2018 was supplied through purchases from private land owners or through dealers. We also bid in auctions conducted by federal, state, and local authorities for the purchase of logs, generally at fixed prices, under contracts with terms of generally one to three years.

Our log requirements and our access to supply, as well as the cost of obtaining logs, are subject to change based on, among other things, the availability of logs in each of our operating areas, our operating schedules, competition from other manufacturers, the effect of governmental laws and regulations, impacts of weather or fire on log availability, and the status of environmental appeals. For a discussion of contractual commitments relating to log supply agreements, see "Contractual

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Obligations" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K.

The cost of logs is correlated with prevailing product prices for building materials and manufacturers' expectations for future product prices, with the increase in product prices driving increases in log costs. Generally, increases in the cost of logs lag product price increases, as improved manufacturer profitability often leads to increased demand for logs. Prices for logs have been historically cyclical in response to changes in domestic and foreign demand and supply. Our aggregate cost of obtaining logs is also affected by fuel costs and the distance of the log source from our facilities, as we are often required to transport the logs we purchase from the source to our facilities.

Demand for dimension lumber has a strong influence on log pricing, as the dimension lumber industry is the largest consumer of logs. Historically, the level of foreign demand for log exports from the western U.S. has fluctuated based on economic activity in China and other Pacific Rim countries, currency exchange rates, and the availability of log supplies from other countries such as Canada, Russia, and New Zealand. Sustained periods of high log costs may impair the cost competitiveness of our manufacturing facilities. Log costs in the western U.S. have historically been more volatile due to foreign demand for log exports. In addition, per-unit log costs in the western U.S. are higher than per-unit log costs in the southern U.S. due to higher harvest and delivery costs, as well as various supply-side constraints, including seasonal weather-related restrictions, slower growth cycles, and a higher proportion of federal and state timberland ownership.

We also purchase OSB, which is used as the vertical web to assemble I-joists, from a supplier with multiple locations throughout North America. OSB accounted for approximately 7% of the aggregate amount of materials, labor, and other operating expenses (excluding depreciation) for our Wood Products segment in 2018. OSB is a commodity, and prices have been historically volatile in response to industry capacity and operating rates, inventory levels in various distribution channels, and seasonal demand patterns. Sustained periods of high OSB costs lead to higher costs of our I-joist production.

Wood fiber also includes, to a lesser extent than OSB, lumber purchased from third parties for I-joist production at our Canadian EWP facility and for production at our laminated beam plant in Idaho. Lumber input costs are subject to similar commodity-based volatility characteristics noted above for OSB.

Other raw materials and energy costs. We use a significant quantity of various resins and glues in our manufacturing processes. Resin and glue product costs are influenced by changes in the prices of raw material input costs, primarily fossil fuel products. We purchase resins and glues, other raw materials, and energy used to manufacture our products in both the open market and through supply contracts. The contracts are generally with regional suppliers who agree to supply all of our needs for a certain raw material or energy within the applicable region. These contracts have terms of various lengths and typically contain price adjustment mechanisms that take into account changes in market prices. Therefore, although our long-term contracts provide us with supplies of raw materials and energy that are more stable than open-market purchases, in many cases, they may not alleviate fluctuations in market prices.

## Sales, Marketing, and Distribution

Our EWP sales force is managed centrally through a main office that oversees regional sales teams. Our sales force spends a significant amount of time working with end customers who purchase our EWP. Our sales force provides a variety of technical support services, including integrated design, engineering, product specification software, distributor inventory management software, and job-pack preparation systems. Sales of plywood are also managed centrally.

In 2018, EWP and plywood, accounted for 47% and 34%, respectively, of our Wood Products sales. The majority of our wood products are sold to leading wholesalers (including our Building Materials Distribution segment), home improvement centers, retail lumberyards, and industrial converters in North America. Our Building Materials Distribution segment is our Wood Products segment's largest customer, representing approximately 54% of our Wood Products segment's overall sales in 2018. In 2018, 74% and 36%, of our Wood Products segment's EWP and plywood

sales volumes, respectively, were to our Building Materials Distribution segment.

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The following table lists sales volumes for our principal wood products for the periods indicated:

	Year Ended December 31				
	2018	2017	2016	2015	2014
	(millions)				
Laminated veneer lumber (LVL) (cubic feet) (a)	17.7	17.3	16.3	13.1	12.4
I-joists (equivalent lineal feet)	237	235	226	201	193
Plywood (sq. ft.) (3/8" basis) (b)	1,423	1,458	1,507	1,635	1,651

(a) Excludes LVL produced and used as flange stock in the manufacture of I-joists.

(b) Excludes PLV produced and used in the manufacture of LVL.

### Segment Strategy

#### Grow Our Operations With a Continued Focus on Expanding Our Market Position in EWP

We have expanded our market position in EWP through acquisitions and targeted capital spending for internal veneer production. We have also expanded our market position in EWP by utilizing our large-scale manufacturing position, comprehensive customer service offering, design support capabilities, and efficient distribution network. We expect to see further increases in EWP demand as a result of the ongoing recovery in housing construction and intend to optimize our existing asset base to take advantage of these increases and continue to grow our market position in EWP. We are also pursuing sales opportunities into low-rise commercial construction.

#### Continue to Improve Our Competitiveness Through Operational Excellence

We use a disciplined cost management approach to maximize our competitiveness without sacrificing our ability to react to future growth opportunities. Additionally, we have made capital investments and process improvements in certain facilities. These capital investments and process improvements have improved our veneer self-sufficiency and allowed us to produce lower-cost, higher-quality veneers. We use a data-driven process improvement program to further strengthen our manufacturing operations. We believe there are opportunities to further apply this process improvement program in our manufacturing operations and apply similar techniques and methods to different functional areas to realize efficiencies in those areas.

### Building Materials Distribution

#### Products

We sell a broad line of building materials; including OSB, plywood, and lumber (collectively commodities), general line items such as siding, composite decking, metal products, insulation, and roofing, and EWP. Except for EWP, we purchase most of these building materials from a vendor base of approximately 1,000 third-party suppliers ranging from large manufacturers, such as James Hardie Building Products, Trex Company, Huber Engineered Woods, and Louisiana-Pacific Corporation, to small regional producers. Substantially all of our EWP is sourced from our Wood Products segment. Our products are used in the construction of new residential housing, including single-family, multi-family, and manufactured homes, the repair-and-remodeling of existing housing, the construction of light industrial and commercial buildings, and other industrial applications.

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The following table lists our product line sales mix for the periods indicated:

	Year Ended December 31				
	2018	2017	2016	2015	2014
	(percentage of Building Materials Distribution sales)				
Commodity	48.3%	47.9%	46.6%	46.5%	49.4%
General line	33.1%	33.6%	35.4%	35.9%	33.6%
Engineered wood products	18.6%	18.5%	18.0%	17.6%	17.0%

The following table sets forth segment sales, income, depreciation and amortization, and EBITDA for the periods indicated:

	Year Ended December 31				
	2018	2017	2016	2015	2014
	(millions)				
Segment sales	\$4,287.7	\$3,773.8	\$3,227.2	\$2,891.3	\$2,786.7
Segment income	\$112.5	\$116.8	\$84.4	\$60.8	\$56.7
Segment depreciation and amortization	18.3	15.5	13.8	11.9	9.8
Segment EBITDA (a)	\$130.8	\$132.3	\$98.1	\$72.7	\$66.5

Segment EBITDA is calculated as segment income before depreciation and amortization. See "Item 6. Selected (a) Financial Data" of this Form 10-K for a description of our reasons for using EBITDA and for a discussion of the limitations of such a measure.

## Facilities

Our Building Materials Distribution segment operates a nationwide network of 37 building materials distribution facilities throughout the U.S. and also operates a single truss manufacturing plant. Our broad geographic presence reduces our exposure to market factors in any single region. During 2018, we acquired wholesale building material distribution locations in Nashville, Tennessee, Medford, Oregon, and Cincinnati, Ohio. These locations complement our existing distribution business and strengthen our nationwide presence. In addition, we believe we will be able to broaden our product and service offerings within those markets. For further discussion on acquisitions, see Note 8, Acquisitions, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10 K.

## Sales, Marketing, and Distribution

We market our building materials primarily to retail lumberyards, home improvement centers, and specialty distributors that then sell the products to end customers, who are typically professional builders, independent contractors, and homeowners engaged in residential construction and repair-and-remodeling projects. We also market our products to a wide variety of industrial accounts, which use our products to assemble cabinets, doors, agricultural bins, crating, and other products used in industrial and construction applications. We believe that our national presence and long-standing relationships with many of our key suppliers allow us to obtain favorable price and term arrangements and offer excellent customer service on leading brands in the building materials industry. We also believe our broad product line provides our customers with an efficient, one-stop resource for their building materials needs. We also have expertise in special-order sourcing and merchandising support, which is a key service for our home improvement center customers that choose not to stock certain items in inventory.

We sell products through two primary distribution channels: warehouse sales and direct sales. Warehouse sales are delivered from our distribution centers to our customers and direct sales are shipped from the manufacturer to the customer without our taking physical inventory possession. Each of our distribution centers implements its own distribution and logistics model using centralized information systems. We use internal and external trucking resources to deliver materials on a regularly scheduled basis. Our highly efficient logistics system allows us to deliver superior customer service and assist our customers in optimizing their working capital.

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We have a large, decentralized sales force to support our suppliers and customers. Our sales force and product managers have local product knowledge and decision-making authority, which we believe enables them to optimize stocking, pricing, and product assortment decisions. Our sales force has access to centralized information technology systems, an extensive vendor base, and corporate-level working capital support, which we believe complements our localized sales model. Our sales force is compensated, in part, based on branch-level performance.

We regularly evaluate opportunities to introduce new products. Broadening our product offering helps us serve as a one-stop resource for building materials, which we believe improves our customers' purchasing and operating efficiencies. The introduction of new products is primarily driven by customer demand or product extensions originating from our vendors. We believe our long-standing customer relationships allow us to respond to customer feedback and introduce new products more rapidly. Broadening our product offering also helps us drive additional products through our distribution system, thereby increasing our scale and efficiency.

### Segment Strategy

#### Grow Market Share

We intend to grow our Building Materials Distribution business in existing markets by adding products and services to better serve our customers. We also plan to opportunistically expand our Building Materials Distribution business by acquiring facilities, opening new locations, relocating and expanding capacity at existing facilities, and capturing local market share through our supply chain capabilities and customer service.

#### Further Differentiate Our Products and Services

We seek to continue to differentiate ourselves from our competitors by providing a broad line of high-quality products and superior customer service. Our highly efficient logistics system allows us to deliver superior customer service and assist our customers in optimizing their working capital. Our national distribution platform, coupled with the manufacturing capabilities of our Wood Products segment, differentiates us from most of our competitors and is critical to servicing retail lumberyards, home improvement centers, and industrial accounts locally, regionally, and nationally. Additionally, we believe that our nationwide system allows us to procure product more efficiently and to develop and maintain stronger relationships with our vendors. Because of these relationships and our national presence, we believe many of our vendors have offered us favorable pricing and provide us with enhanced product introductions and ongoing marketing support.

#### Customers

We maintain relationships with a broad customer base across multiple market segments and various end markets. For the year ended December 31, 2018, our top ten customers represented approximately 37% of our sales, with no customer accounting for 10% or more of total sales. At December 31, 2018, receivables from Home Depot and Builders FirstSource accounted for approximately 11% and 13%, respectively, of total receivables. Sales to Home Depot were recorded in our Building Materials Distribution and Wood Products segments and substantially all sales to Builders FirstSource were recorded in our Building Material Distribution segment. For additional information related to customers of our Wood Products and Building Materials Distribution segments, see the "Sales, Marketing, and Distribution" sections above.

#### Competition

**Wood Products.** The wood products manufacturing markets in which we operate are large and highly competitive. We compete against several major North American EWP producers, such as Weyerhaeuser Company and Louisiana-Pacific Corporation, as well as several other smaller firms. Our EWP products also face competition from numerous dimension lumber producers, because EWP may be substituted by dimension lumber in many building

applications. In plywood, we compete with Georgia-Pacific, the largest manufacturer in North America, other large producers such as Roseburg Forest Products, foreign imports produced principally in South America, and several smaller domestic producers. Our plywood products also face competition from OSB producers, because OSB can be substituted for plywood in many building and industrial applications. We have leading market positions in the manufacture of EWP and plywood. In the wood products manufacturing markets, we compete primarily on the basis of price, quality, availability, and particularly with respect to EWP, customer service, product support, and performance features offered. Most of our competitors are located in the U.S. and Canada, although we also compete with manufacturers in other countries, particularly when the U.S. dollar and economy are stronger relative to other countries, encouraging foreign producers to sell more of their plywood into the U.S. Our competition includes not only manufacturers and distributors of similar building products but also manufacturers and distributors of products made from alternative materials, such as steel and plastic. Some of our competitors enjoy strong reputations for product quality and

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customer service, and these competitors may have strong relationships with certain distributors, making it more difficult for our products to gain additional market share. Some of our competitors in this segment are also vertically integrated and/or have access to internal sources of wood fiber, which may allow them to subsidize their base manufacturing business in periods of rising fiber prices.

**Building Materials Distribution.** The building materials distribution markets in which we operate are highly fragmented and we compete in each of our geographic and product markets with national, regional, and local distributors. Our wholesale distribution competitors include BlueLinx Holdings Inc., Weyerhaeuser Company, Dixie Plywood and Lumber, OrePac, U.S. Lumber Group, and Capital Lumber, among others. We also compete with wholesale brokers, specialty distributors, and certain buying cooperatives. We compete on the basis of pricing and availability of product, service and delivery capabilities, ability to assist customers with problem solving, extension of credit terms, customer relationships, geographic coverage, and breadth of product offerings. We distribute products for some manufacturers that also engage in direct sales to our distribution customers. In recent years, there has been consolidation among retail lumberyards. As the customer base consolidates, this dynamic could affect our ability to maintain margins. Proximity to customers is an important factor in minimizing shipping costs and facilitating quick order turnaround and on-time delivery. We believe our ability to obtain quality materials, from both internal and external sources, the scale and efficiency of our national footprint, and our focus on customer service are our primary competitive advantages in this segment. Also, financial stability is important to suppliers and customers in choosing distributors and allows for more favorable terms on which we are able to obtain our products from our suppliers and sell our products to our customers.

### Environmental

A discussion of general and industry-specific environmental laws and regulations is presented under the caption "Environmental" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 3. Legal Proceedings" of this Form 10-K.

### Capital Investment

Information concerning our capital expenditures is presented in "Investment Activities" under "Liquidity and Capital Resources" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K.

### Seasonal Influences

We are exposed to fluctuations in quarterly sales volumes and expenses due to seasonal factors. These seasonal factors are common in the building products industry. For further information, see "Seasonal Influences" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K.

### Employees

As of February 10, 2019, we had approximately 6,210 employees. Approximately 22% of these employees work pursuant to collective bargaining agreements. As of February 10, 2019, we had nine collective bargaining agreements. For discussion of risks related to labor disruptions and increased labor costs, refer to "Item 1A. Risk Factors" of this Form 10-K.

### Trademarks

We maintain many trademarks for our manufactured wood products, particularly EWP. Our key registered trademarks include BOISE CASCADE® and the TREE-IN-A-CIRCLE® logo, which are perpetual in duration as long as we continue to timely file all post registration maintenance documents related thereto. We believe these key trademarks to

be of significant importance to our business.

#### Available Information

Our filings under the Exchange Act, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and all amendments to these filings, are also available free of charge on the investor relations portion of our website at [www.bc.com](http://www.bc.com). These reports are available as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The reference to our website address does not constitute

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incorporation by reference of the information contained on the website, and the information contained on the website is not part of this document.

### Executive Officers and Key Employees

Below is a list of names, ages, and a brief description of the business experience of our executive officers and key members of management, each as of February 15, 2019.

Name	Age	Position
Executive Officers:		
Tom Corrick	63	Chief Executive Officer
Nate Jorgensen	54	Chief Operating Officer
Wayne Rancourt	56	Executive Vice President, Chief Financial Officer, and Treasurer
Dan Hutchinson	67	Executive Vice President, Wood Products Manufacturing (retiring April 1, 2019)
Mike Brown	57	Executive Vice President, Wood Products Manufacturing
Nick Stokes	61	Executive Vice President, Building Materials Distribution
John Sahlberg	65	Senior Vice President, Human Resources and General Counsel (retiring March 1, 2019)
Jill Twedt	39	Vice President, General Counsel and Corporate Secretary
Kelly Hibbs	52	Vice President and Controller
Key Management:		
Erin Nuxoll	59	Senior Vice President, Human Resources
Rich Viola	61	Senior Vice President of Sales and Marketing, Building Materials Distribution
Frank Elfering	52	Vice President of Purchasing, Building Materials Distribution
Tom Hoffmann	60	Vice President of Operations, Building Materials Distribution

Tom Corrick, Chief Executive Officer

Mr. Corrick became our chief executive officer on March 6, 2015. Prior to his election as CEO, Mr. Corrick's previous positions with the company include:

Chief Operating Officer, November 2014 - March 2015

Executive Vice President, Wood Products, June 2014 - November 2014

Sr. Vice President, Wood Products, August 2012 - June 2014

Sr. Vice President, Engineered Wood Products, February 2011 - August 2012

Mr. Corrick received his bachelor's and master's degrees in Business Administration from Texas Christian University, Fort Worth, TX.

Nate Jorgensen, Chief Operating Officer

Mr. Jorgensen was elected chief operating officer in January 2019. His previous positions include:

Senior Vice President of Engineered Wood Products, Wood Products Manufacturing, November 2017 - January 2019

Vice President of Engineered Wood Products, Wood Products Manufacturing, February 2016 - November 2017

Engineered Wood Products Marketing Manager, Wood Products Manufacturing, Boise Cascade Company, June 2015 - February 2016

Prior employment with Weyerhaeuser Company, a New York Stock Exchange-listed timberlands and wood products company, as Vice President of Weyerhaeuser Distribution, February 2011 - June 2015



Mr. Jorgensen received a bachelor's degree in Civil and Environmental Engineering from the University of Wisconsin and also attended the Tuck School of Business Executive Education Program, Dartmouth University, Hanover, NH.

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Wayne Rancourt, Executive Vice President, Chief Financial Officer, and Treasurer

Mr. Rancourt became our executive vice president, chief financial officer, and treasurer in November 2014. His previous positions with the company include:

Senior Vice President, Chief Financial Officer, and Treasurer, August 2009 - November 2014

Vice President, Treasurer and Investor Relations, February 2008 - August 2009

Mr. Rancourt received a bachelor's degree in Accounting from Central Washington University, Ellensburg, WA. He is a member of the board of directors of Commercial Vehicle Group, Inc., which is traded publicly on NASDAQ.

Dan Hutchinson, Executive Vice President, Wood Products Manufacturing

Mr. Hutchinson became our executive vice president, Wood Products Manufacturing, in November 2014. His previous positions with the company include:

Vice President of Operations, Wood Products Manufacturing, August 2012 - November 2014

General Manager of Operations, Engineered Wood Products, December 2008 - August 2012

Mr. Hutchinson received a bachelor's degree in Accounting and Finance from the University of Idaho, Moscow, ID, and a master's degree in Business Administration from Washington State University, Pullman, WA. Mr. Hutchinson will retire from the company, effective April 1, 2019, with nearly 39 years of service.

Mike Brown, Executive Vice President, Wood Products Manufacturing

Mr. Brown was elected executive vice president, Wood Products Manufacturing, in January 2019. His previous positions with the company include:

Senior Vice President of Operations, Wood Products Manufacturing, November 2017 - January 2019

Vice President of Operations, Wood Products Manufacturing, February 2016 - November 2017

Manufacturing Operations Manager, Wood Products Manufacturing, November 2014 - February 2016

Southeast Area Manager, Wood Products Manufacturing, September 2013 - November 2014

Southern Region Manager, Wood Products Manufacturing, January 2009 - September 2013

Mr. Brown received a bachelor's degree of science in Forestry from Australian National University in Canberra and a master's degree in Business Administration from Cranfield University, England.

Nick Stokes, Executive Vice President, Building Materials Distribution

Mr. Stokes became our executive vice president, Building Materials Distribution, in March 2014. His previous positions with the company include:

Senior Vice President, Building Materials Distribution, February 2011 - March 2014

Vice President, Building Materials Distribution, October 2004 - February 2011

Mr. Stokes received a bachelor's degree in Management and a bachelor's degree in Marketing from the University of Utah, Salt Lake City, UT.

John Sahlberg, Senior Vice President, Human Resources and General Counsel

Mr. Sahlberg became our senior vice president, Human Resources and General Counsel, effective August 2012. His previous positions with the company include:

• Vice President, Human Resources and General Counsel, January 2011 - August 2012

• Vice President, Human Resources, February 2008 - January 2011

Mr. Sahlberg received a bachelor's degree in Economics from Harvard College, Cambridge, MA, and a law degree from Georgetown University, Washington, DC. He is a member of the Idaho State Bar. He is a member of the board of directors of

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US Ecology, Inc., which is a publicly traded company on NASDAQ. Mr. Sahlberg will retire from the company, effective March 1, 2019, with 37 years of service.

Jill Twedt, Vice President, General Counsel and Corporate Secretary

Ms. Twedt was elected vice president, general counsel, and corporate secretary in January 2019. Her previous positions include:

• Vice President, Legal and Corporate Secretary, August 2017 - January 2019

• Associate General Counsel, July 2007 - August 2017

• Associate Attorney, Boise law firm practicing employment law litigation, August 2003 - July 2007

Ms. Twedt received a bachelor's degree in Political Science from the College of Idaho, Caldwell, ID and a law degree from the University of Idaho, Moscow, ID.

Kelly Hibbs, Vice President and Controller

Mr. Hibbs became our vice president and controller in February 2011. His previous positions with the company include:

• Director of Strategic Planning and Internal Audit, February 2008 - February 2011

Mr. Hibbs received a bachelor's degree in Accounting from Boise State University, Boise, ID. He is a certified public accountant.

Erin Nuxoll, Senior Vice President, Human Resources

Ms. Nuxoll was elected senior vice president, human resources in January 2019. Her previous positions include:

• Vice President, Human Resources, Boise Cascade Company, August 2016 - January 2019

• Senior Vice President, Human Resources, J.R. Simplot Company, a privately held food and agribusiness company, February 2010 - March 2016

• Vice President, Human Resources, J.R. Simplot Company, March 2006 - February 2010

• Vice President, Human Resources, Boise Cascade, L.L.C., November 2004 - November 2005

Ms. Nuxoll received a bachelor's degree in Forest Management from Washington State University, Pullman, WA and a master's degree in Organizational Leadership from Gonzaga University, Spokane, WA.

Rich Viola, Senior Vice President of Sales and Marketing, Building Materials Distribution

Mr. Viola became our senior vice president of sales and marketing, Building Materials Distribution, in February 2016. His previous positions with the company include:

• Vice President, Sales and Marketing, Building Materials Distribution, October 2013 - February 2016

• Division Sales and Marketing Manager, Building Materials Distribution, August 2013 - October 2013

• National Accounts Sales Manager & East Region Sales Manager, Building Materials Distribution, September 1999 - August 2013

Mr. Viola received a bachelor's degree in Marketing from Northeastern University, Boston, MA.

Frank Elfering, Vice President of Purchasing, Building Materials Distribution

Mr. Elfering became our vice president of purchasing, Building Materials Distribution, in October 2013. His previous positions with the company include:

Purchasing Manager, Building Materials Distribution, July 2013 - October 2013

Division Marketing Manager & West Region Sales Manager, Building Materials Distribution, 2008 - 2013

Mr. Elfering received a bachelor's degree in Marketing from Oregon State University, Corvallis, OR.

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Tom Hoffmann, Vice President of Operations, Buildings Materials Distribution

Mr. Hoffmann became our vice president of operations, Building Materials Distribution, in October 2016. His previous positions with the company include:

Division Operations Manager, Building Materials Distribution, September 2015 - October 2016

Pacific Region Manager, Building Materials Distribution, November 2006 - September 2015

Mr. Hoffmann received a bachelor's degree in Business from the University of Idaho, Moscow, ID, with an emphasis in marketing and management.

## ITEM 1A. RISK FACTORS

### Risks Relating to Our Business

Many of the products we manufacture or purchase and resell are commodities whose price is determined by the market's supply and demand for such products, and the markets in which we operate are cyclical and competitive. Many of the building products we produce or distribute, including OSB, plywood, and lumber, are commodities that are widely available from other manufacturers or distributors with prices and volumes determined frequently in an auction market based on participants' perceptions of short-term supply and demand factors. At times, the price for any one or more of the products we produce or distribute may fall below our cash production or purchase costs, requiring us to either incur short-term losses on product sales or cease production at one or more of our manufacturing facilities. Therefore, our profitability with respect to these commodity products depends, in significant part, on effective facilities maintenance programs, and on managing our cost structure, particularly raw materials and labor, which represent the largest components of our operating costs. Commodity wood product prices have historically been volatile in response to industry operating rates, net import and export activity, inventory levels in various distribution channels, and seasonal demand patterns. Commodity price volatility also affects our distribution business, with falling price environments generally causing reduced revenues and margins, resulting in declines in profitability.

Demand for the products we manufacture, as well as the products we purchase and distribute, is closely correlated with new residential construction in the U.S. and, to a lesser extent, residential repair-and-remodeling activity and light commercial construction. New residential construction activity has historically been volatile with demand for new residential construction influenced by seasonal weather factors, mortgage availability and rates, unemployment levels, household formation rates, domestic population growth, immigration rates, residential vacancy and foreclosure rates, demand for second homes, existing home prices, consumer confidence, and other general economic factors. Industry supply for the products we produce and distribute is influenced primarily by price-induced changes in the operating rates of existing facilities but is also influenced over time by the introduction of new product technologies, capacity additions and closures, restart of idled capacity, and log availability. The balance of supply and demand in the U.S. is also heavily influenced by imported products, principally from Canada and South America.

In addition, we sell wood chips that are a byproduct of processing logs at our manufacturing operations, or created through the chipping of small diameter logs that we are unable to process at our manufacturing operations. Our wood chips are primarily sold to paper mills in close proximity to our operations who convert the chips into wood pulp. Periods of high output from wood based operations, closure of paper mills in the regions that we operate, or declines in demand for paper grades that utilize our chips, can negatively affect the balance of supply and demand for chips. An oversupply of chips has a negative impact on our chip price realizations and profitability.

We have very limited control of the foregoing, and as a result, our profitability and cash flow may fluctuate materially in response to changes in the supply and demand balance for our primary products.

Our industry is highly competitive. If we are unable to compete effectively, our sales, operating results, and growth strategies could be negatively affected.

The markets for the products we manufacture in our Wood Products segment are highly competitive. Our competitors range from very large, fully integrated forest and building products firms to smaller firms that may manufacture only one or a few types of products. We also compete less directly with firms that manufacture substitutes for wood building products. Certain mills operated by our competitors may be lower-cost manufacturers than the mills operated by us.

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The building products distribution industry that our Building Materials Distribution segment competes in is highly fragmented and competitive, and the barriers to entry for local competitors are relatively low. Competitive factors in our industry include pricing and availability of product, service and delivery capabilities, ability to assist customers with problem solving, extension of credit terms, customer relationships, geographic coverage, and breadth of product offerings. Also, financial stability is important to suppliers and customers in choosing distributors and allows for more favorable terms on which to obtain products from suppliers and sell products to customers. If our financial condition deteriorates in the future, our relationships with suppliers and customers may be negatively affected.

Some of the businesses with which we compete are part of larger companies and therefore have access to greater financial and other resources than we do. These resources may afford those competitors greater purchasing power, increased financial flexibility, and more capital resources for expansion and improvement, which may enable those competitors to compete more effectively than we can. In addition, certain suppliers to our distribution business also sell and distribute their products directly to our customers. Additional manufacturers of products distributed by us may elect to sell and distribute directly to our retail customers in the future or enter into exclusive supply arrangements with other distributors. Finally, we may not be able to maintain our costs at a level sufficiently low for us to compete effectively. If we are unable to compete effectively, our net sales and net income will be reduced.

A material disruption at one of our manufacturing facilities could prevent us from meeting customer demand, including the demand from our Building Materials Distribution business, reduce our sales, and/or negatively affect our financial results.

Any of our manufacturing facilities, or any of our machines within an otherwise operational facility, could cease operations unexpectedly due to a number of events, including but not limited to:

- equipment failure, particularly a press at one of our major EWP production facilities;
- fires, floods, earthquakes, hurricanes, or other catastrophes;
- unscheduled maintenance outages;
- utility, information technology, telephonic, and transportation infrastructure disruptions;
- labor difficulties;
- other operational problems; or
- ecoterrorism or threats of ecoterrorism.

Any downtime or facility damage could prevent us from meeting customer demand for our products and/or require us to make unplanned capital expenditures. If our machines or facilities were to incur significant downtime, our ability to satisfy customer requirements would be impaired, resulting in lower sales and net income.

Because approximately 54% of our Wood Products sales in 2018 were to our Building Materials Distribution business, a material disruption at our Wood Products facilities would also negatively affect our Building Materials Distribution business. We are therefore exposed to a larger extent to the risk of disruption to our Wood Products manufacturing facilities due to our vertical integration and the resulting impact on our Building Materials Distribution business.

In addition, a number of our suppliers are subject to the manufacturing facility disruption risks noted above. Our suppliers' inability to produce the necessary raw materials for our manufacturing processes or supply the finished goods that we distribute through our Building Materials Distribution segment may adversely affect our results of operations, cash flows, and financial position.

Labor disruptions, shortages of skilled and technical labor, or increased labor costs could adversely affect our business.

As of February 10, 2019, we had approximately 6,210 employees. Approximately 22% of these employees work pursuant to collective bargaining agreements. As of February 10, 2019, we had nine collective bargaining agreements. The agreement covering approximately 100 employees at our Canadian EWP facility expired on December 31, 2017, but has been extended indefinitely pending negotiations. We may not be able to renew this agreement or may renew it on terms that are less favorable to us than the current agreement. We could also experience a material labor disruption, strike, or significantly increased labor costs at one or more of our facilities, either in the course of negotiations of a labor agreement or otherwise. In addition, the ongoing recovery in the U.S. economy and our industry, when coupled with low unemployment rates, has made it





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difficult to acquire and retain the skilled labor necessary to successfully operate our facilities. Labor disruptions or shortages could prevent us from meeting customer demands or result in increased costs, thereby reducing our sales and profitability.

We may be unable to attract and retain key management and other key employees.

Our key managers are important to our success and may be difficult to replace because they have a significant amount of experience in wood products manufacturing and building materials distribution. While our senior management team has considerable experience, certain members of our management team are nearing or have reached retirement age. In addition, certain of our employees have assumed key roles in recent years and may not have the experience of retiring key managers. The failure to successfully formulate and implement succession plans for retiring employees, and training plans for new key managers, could result in inadequate depth of institutional knowledge or inadequate skill sets, which could adversely affect our business.

Cyber security risks related to the technology used in our operations and other business processes, as well as security breaches of company, customer, employee, and vendor information, could adversely affect our business.

We rely on various information technology systems to capture, process, store, and report data and interact with customers, vendors, and employees. We also rely on information technology systems that automate aspects of our manufacturing processes. The Company works to install new, and upgrade its existing, information technology systems and provide employee awareness training around phishing, malware, and other cyber risks to ensure that the Company is protected, to the greatest extent possible, against cyber risks and security breaches. Despite careful security and controls design, including independent third-party assessments, our information technology systems, and those of our third-party providers, have been subject to security breaches and cyber-attacks. To date, none of the known security breaches or cyber-attacks have had material adverse effects on our operations. However, in the future, network, system, and data breaches could result in misappropriation of sensitive data or operational disruptions, including interruption to systems availability and denial of access to and misuse of applications required by our customers to conduct business with us. In addition, sophisticated hardware and operating system software and applications that we procure from third parties may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with the operation of the systems. Misuse of internal applications; theft of intellectual property, trade secrets, or other corporate assets; and unauthorized disclosure of confidential information could stem from such incidents. Delayed sales, slowed production, or other repercussions resulting from these disruptions could result in lost sales, business delays, and negative publicity and could have a material adverse effect on our operations, financial condition, or cash flows.

Our strategy includes pursuing acquisitions. We may be unable to efficiently integrate acquired operations or realize expected benefits from such acquisitions.

We may not be able to integrate the operations of acquired businesses in an efficient and cost-effective manner or without disruption to our existing operations or may not be able to realize expected benefits. Acquisitions involve significant risks and uncertainties, including some that may not be identifiable or resolvable in due diligence.

Subsequent to making the investment, performance of the acquired assets is subject to economic uncertainties, as described in our other risk factors, as well as difficulties integrating acquired personnel into our business, the potential loss of key employees, customers, or suppliers, difficulties in integrating different computer and accounting systems, exposure to unknown or unforeseen liabilities of acquired companies, and the diversion of management attention and resources from existing operations.

We evaluate potential acquisitions from time to time and have in the past grown through acquisitions. In the future, we may be unable to successfully identify attractive potential acquisitions or effectively integrate potential acquisitions due to multiple factors, including those noted above, and potential issues related to regulatory review of the proposed transactions. We may also be required to incur additional debt in order to consummate acquisitions, which debt may be substantial and may limit our flexibility in using our cash flow from operations.

Our failure to integrate future acquired businesses effectively, realize expected benefits, or to manage other consequences of our acquisitions could adversely affect our financial condition, operating results, and cash flows.

Our manufacturing operations may have difficulty obtaining wood fiber at favorable prices or at all.

Wood fiber is our principal raw material, which accounted for approximately 44% of the aggregate amount of materials, labor, and other operating expenses (excluding depreciation) for our Wood Products segment in 2018. Our primary source of wood fiber is logs. Log prices have been cyclical historically in response to changes in domestic and foreign demand and supply. In the future, we expect the level of foreign demand for log exports from the western U.S. to fluctuate based on the

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economic activity in China and other Pacific Rim countries, currency exchange rates, trade policies, and the availability of log supplies from other countries such as Canada, Russia, and New Zealand. Sustained periods of high log costs may impair the cost competitiveness of our manufacturing facilities.

In our Pacific Northwest operations, a substantial portion of our logs are purchased from governmental authorities, including federal, state, and local governments. As a result, existing and future governmental regulation can affect our access to, and the cost of, such timber. Future domestic or foreign legislation and litigation concerning the use of timberlands, timber harvest methodologies, forest road construction and maintenance, the protection of endangered species, forest-based carbon sequestration, the promotion of forest health, and the response to and prevention of catastrophic wildfires can affect log and fiber supply from both government and private lands. Availability of harvested logs and fiber may be further limited by fire, insect infestation, disease, ice storms, windstorms, hurricanes, flooding, and other natural and man-made causes, thereby reducing supply and increasing prices. If we are unable to negotiate purchases for our log requirements in a particular region to satisfy our log needs at satisfactory prices or at all, which could include private purchases, open-market purchases, and purchases from governmental sources, it could have an adverse effect on our results of operations.

We also purchase OSB, which is used as the vertical web to assemble I-joists, from a supplier with multiple locations throughout North America. OSB accounted for approximately 7% of the aggregate amount of materials, labor, and other operating expenses (excluding depreciation) for our Wood Products segment in 2018. OSB is a commodity, and prices have been historically volatile in response to industry capacity restarts and operating rates, inventory levels in various distribution channels, and seasonal demand patterns. Sustained periods of high OSB costs lead to higher costs of our I-joist production.

Wood fiber also includes, to a lesser extent than OSB, lumber purchased from third parties for I-joist production at our Canadian EWP facility and for production at our laminated beam plant in Idaho. Lumber input costs are subject to similar commodity-based volatility characteristics noted above for OSB.

A significant portion of our sales are concentrated with a small number of customers.

For the year ended December 31, 2018, our top ten customers represented approximately 37% of our sales. At December 31, 2018, receivables from two customers accounted for approximately 11% and 13% of total receivables. Although we believe that our relationships with our customers are strong, the loss of one or more of these customers could have a material adverse effect on our operating results, cash flow, and liquidity.

Adverse housing market conditions may increase the credit risk from our customers.

Our Building Materials Distribution and Wood Products segments extend credit to numerous customers who are generally susceptible to the same economic business risks as we are. Unfavorable housing market conditions could result in financial failures of one or more of our significant customers. Furthermore, we may not necessarily be aware of any deterioration in our customers' financial position. In addition, as customers merge and consolidate, credit risk may become concentrated among fewer customers. If our customers' financial positions become impaired, our ability to fully collect receivables from such customers could be impaired and negatively affect our operating results, cash flow, and liquidity.

Product shortages, loss of key suppliers, and our dependence on third-party suppliers and manufacturers could affect our financial health.

Our ability to offer a wide variety of products to our customers is dependent upon our ability to obtain adequate product supply from manufacturers and other suppliers. Generally, our products are obtainable from various sources and in sufficient quantities. In addition, in many instances we have agreements with our suppliers, but these agreements are generally terminable by either party on limited notice. The loss of, or a substantial decrease in the availability of, products from our suppliers or the loss of key supplier arrangements could adversely impact our financial condition, operating results, and cash flows.

If our long-lived assets, goodwill, and/or intangible assets become impaired, we may be required to record noncash impairment charges that could have a material impact on our results of operations.

We review the carrying value of long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. We also test goodwill in each of our reporting units and

intangible assets with indefinite lives for impairment annually in the fourth quarter or sooner if events or changes in circumstances indicate that the carrying value of the asset may exceed fair value.

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Factors such as lower than anticipated growth in single-family housing starts, loss of key customers, capacity additions by competitors, or changes in raw material or manufacturing costs that lead us to believe the long-lived asset will no longer provide a sufficient return on investment, could prompt decisions to invest capital differently than expected, sell facilities, or to curtail operations. Any of these factors, among others, could result in noncash impairment or accelerated depreciation charges in the future with respect to investments we have completed or expect to complete.

On an ongoing basis, we evaluate the operating performance, cost effectiveness, and strategic fit of our long-lived assets, including our Wood Products manufacturing facilities and Building Materials Distribution facilities.

Long-lived assets, goodwill, and/or intangible assets may not provide the future economic benefit we expect and may become impaired, which could result in additional noncash impairment or accelerated depreciation charges. These noncash impairments or accelerated depreciation charges could have a material impact on our results of operations in the period in which these charges are recognized. For additional information and a discussion regarding the impact of impairment of long-lived assets and accelerated depreciation charges on our results of operations and financial condition, see Note 6, Curtailment of Manufacturing Facility, and Note 7, Sale of Manufacturing Facilities, of the Notes to the Consolidated Financial Statements in "Item 8, Financial Statements and Supplementary Data" and "Long-Lived Asset Impairment" included in "Critical Accounting Estimates" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K.

Our operations require substantial capital, and recent significant capital investments and acquisitions have increased fixed costs, which could negatively affect our profitability.

In recent years, we have completed a number of capital investments; including the replacement or rebuild of veneer dryers and log utilization centers (or improvements to other manufacturing equipment), increasing our outdoor storage acreage, and leasing additional warehouse space. These capital investments, along with acquisitions, have resulted in increased fixed costs, which could negatively affect our profitability if the housing market does not continue to recover and revenues do not improve to offset our incremental fixed costs. Capital expenditures for expansion or replacement of existing facilities or equipment or to comply with future changes in environmental laws and regulations may be substantial. Although we maintain our production equipment with regular periodic and scheduled maintenance, we cannot guarantee that key pieces of equipment in our various manufacturing facilities will not need to be repaired or replaced or that we will not incur significant additional costs associated with environmental compliance. The costs of repairing or replacing such equipment and the associated downtime of the affected production line could have a material adverse effect on our financial condition, results of operations and cash flow. If for any reason we are unable to provide for our operating needs, capital expenditures, and other cash requirements on economic terms, we could experience a material adverse effect on our business, financial condition, results of operations, and cash flows.

We depend on third parties for transportation services and limited availability or increases in costs of transportation could adversely affect our business and operations.

Our business depends on the transportation of a large number of products, via railroad or truck. We rely primarily on third parties for transportation of the products we manufacture or distribute and for the delivery of our raw materials. In addition, we are subject to seasonal capacity constraints and weather-related delays for both rail and truck transportation.

If any of our third-party transportation providers were to fail to deliver the goods we manufacture or distribute in a timely manner, we may be unable to sell those products at full value. Similarly, if any of these providers were to fail to deliver raw materials to us in a timely manner, we may be unable to manufacture our products in response to customer demand. In addition, if any of these third parties were to cease operations or cease doing business with us, we may be unable to replace them at reasonable cost.

Any failure of a third-party transportation provider to deliver raw materials or finished products in a timely manner could harm our reputation, negatively affect our customer relationships, and have a material adverse effect on our operating results, cash flows, and financial condition.

In addition, an increase in transportation rates or fuel surcharges could adversely affect our sales, profitability, and cash flows.



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We are subject to environmental regulation and environmental compliance expenditures, as well as other potential environmental liabilities.

Our businesses are subject to a wide range of general and industry-specific environmental laws and regulations, particularly with respect to air emissions, wastewater discharges, solid and hazardous waste management, and site remediation. Compliance with these laws and regulations is a significant factor in the operation of our businesses. Enactment of new environmental laws or regulations, including those aimed at addressing greenhouse gas emissions, or changes in existing laws or regulations might require us to make significant expenditures or restrict operations. As an owner and operator of real estate, we may be liable under environmental laws for the cleanup of past and present spills and releases of hazardous or toxic substances on or from our properties and operations. We may also be contractually obligated to indemnify third parties under environmental laws for the cleanup of past spills and releases of hazardous or toxic substances for properties which we no longer own and operate. We could be found liable under these laws whether or not we knew of, or were responsible for, the presence of such substances. In some cases, this liability may exceed the value of the property itself.

We may be unable to generate funds or other sources of liquidity and capital to fund unforeseen environmental liabilities or expenditures to the extent we are not indemnified by third parties. For example, in connection with prior transactions, certain third parties are generally obligated to indemnify us for hazardous substance releases and other environmental violations that occurred prior to such transactions. However, these third parties may not have sufficient funds to fully satisfy their indemnification obligations when required, and in some cases, we may not be contractually entitled to indemnification by them. For additional information on how environmental regulation and compliance affects our business, see "Environmental" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K.

The nature of our business exposes us to product liability, product warranty, casualty, manufacturing and construction defects, and other claims.

We may be involved in product liability, product warranty, casualty, manufacturing and construction defects, and other claims relating to the products we manufacture and distribute, and services we provide. We also rely on manufacturers and other suppliers to provide us with many of the products we sell and distribute. Because we do not have direct control over the quality of such products manufactured or supplied by such third-party suppliers, we are exposed to risks relating to the quality of such products. In addition, we are exposed to potential claims arising from the conduct of our employees, and homebuilders and their subcontractors, for which we may be contractually liable. Although we currently maintain what we believe to be suitable and adequate insurance in excess of our self-insured amounts, there can be no assurance that we will be able to maintain such insurance on acceptable terms or that such insurance will provide adequate protection against potential liabilities. Product liability, product warranty, casualty, construction defect, and other claims can be expensive to defend and can divert the attention of management and other personnel for significant periods, regardless of the ultimate outcome. Claims of this nature could also have a negative impact on customer confidence in our products and our company. We cannot assure that any current or future claims will not adversely affect our financial condition, operating results, and cash flows.

Some of our products are vulnerable to declines in demand due to competing technologies or materials, as well as changes in building code provisions.

Our products may compete with alternative products in certain market segments. For example, plastic, concrete, steel, wood/plastic or composite materials may be used by builders as alternatives to the products produced by our Wood Products segment such as EWP and plywood. Changes in prices for oil, chemicals, and wood-based fiber can change the competitive position of our products relative to available alternatives and could increase substitution of those products for our products. As the use of these alternatives grows, demand for our products may decline.

Our principal manufactured products are also subject to substitution from other wood-based products, such as EWP facing competition from numerous dimension lumber producers and other strand based EWP that we don't produce or plywood losing further market share to OSB in residential and non-residential applications.

In addition, building code provisions have been implemented in certain jurisdictions to address concerns for fire fighter safety related to the collapse of floors during residential fires. The I-joists that we manufacture are subject to



this code change. As local jurisdictions adopt the new code, conventional I-joists will be competitively disadvantaged in houses that are built with ground floors over unfinished basements and could be subject to substitution by dimension lumber or other products.

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Significant changes in discount rates, actual investment return on pension assets, and other factors could affect our earnings, equity, and pension contributions in future periods.

Our earnings may be negatively affected by the amount of expense we record for our pension plans. Generally accepted accounting principles (GAAP) require that we calculate expense for the plans using actuarial valuations. These valuations reflect assumptions relating to financial market and other economic conditions. Changes in key economic indicators can change the assumptions. The most significant assumptions used to estimate pension expense are the discount rate and the expected long-term rate of return on plan assets. In addition, we are required to make an annual measurement of plan assets and liabilities, which may result in a significant change to equity through a reduction or increase to "Accumulated other comprehensive loss." Our pension plan liabilities are sensitive to changes in interest rates. As interest rates decrease, the present value of our liabilities increases, potentially increasing pension expense and funding requirements. A decline in the market value of the pension assets could also increase our pension expense and funding requirements. Changes in demographics, including increased numbers of retirements or changes in life expectancy assumptions may also increase the funding requirements of the obligations related to the pension plans. Our defined benefit pension plans are underfunded. We anticipate future funding payments as the status of our defined benefit plans continues to be underfunded, reducing the cash available for our business.

Our ability to service our indebtedness or to fund our other liquidity needs is subject to various risks.

Our ability to make scheduled payments on our indebtedness and fund other liquidity needs depends on and is subject to our financial and operating performance, which in turn is affected by general and regional economic, financial, competitive, business, and other factors, including the availability of financing in the banking and capital markets as well as the other risks described herein. In particular, demand for our products correlates to a significant degree to the level of residential construction activity in North America, which historically has been characterized by significant cyclicity.

We cannot guarantee that our business will generate sufficient cash flows from operations or that future borrowings will be available to us at a cost or in an amount sufficient to enable us to service our debt or to fund our other liquidity needs. If we are unable to service our debt obligations or to fund our other liquidity needs, we could be forced to curtail our operations, reorganize our capital structure, or liquidate some or all of our assets.

Changes in the method for determining LIBOR and the potential replacement of LIBOR may affect interest rates on our credit facilities and interest rate swaps.

LIBOR, the London interbank offered rate, is the basic rate of interest used in lending between banks on the London interbank market and is widely used as a reference for setting the interest rate on loans globally. Interest rates under our Revolving Credit Facility and certain of our term loans are based, at our election, on either LIBOR or a base rate, plus a spread over the index elected. Under the interest rate swaps, we also receive LIBOR-based variable interest rate payments and make fixed interest rate payments. On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear if at that time LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. If the method for calculation of LIBOR changes, if LIBOR is no longer available or if lenders have increased costs due to changes in LIBOR, Boise Cascade may suffer from potential increases in interest rates on any borrowings. Further, Boise Cascade may need to renegotiate its credit facilities, term loans, and interest rate swaps that utilize LIBOR as a factor in determining the interest rate to replace LIBOR with the new standard that is established.

The terms of our debt agreements restrict, and covenants contained in agreements governing indebtedness in the future may impose, significant operating and financial restrictions on our company and our subsidiaries, which may prevent us from capitalizing on business opportunities.

Our debt agreements contain, and any future indebtedness of ours may contain, a number of restrictive covenants that impose operating and financial restrictions on us. Our debt agreements limit our ability and the ability of our restricted subsidiaries, among other things, to:

• incur additional debt;

- declare or pay dividends, redeem stock, or make other distributions to stockholders;
- make investments;
- create liens or use assets in security in other transactions;

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merge or consolidate, or sell, transfer, lease, or dispose of substantially all of our assets;  
 enter into transactions with affiliates;  
 sell or transfer certain assets; and  
 in the case of our revolving credit facility, make prepayments on our senior notes and subordinated indebtedness.  
 In addition, our revolving credit facility provides that if an event of default occurs or excess availability under our revolving credit facility drops below a threshold amount equal to the greater of 10% of the aggregate commitments under our revolving credit facility or \$37 million (and until such time as excess availability for two consecutive fiscal months exceeds that threshold amount and no event of default has occurred and is continuing), we will be required to maintain a monthly minimum fixed charge coverage ratio of 1.0:1.0, determined on a trailing twelve-month basis. Our failure to comply with any of these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our indebtedness.

### Risks Relating to Ownership of Our Common Stock

The price of our common stock may fluctuate significantly.

Volatility in the market price of our common stock may prevent a stockholder from being able to sell shares at or above the price paid for them. The market price for our common stock could fluctuate significantly for various reasons, including:

- our operating and financial performance and prospects;
- our quarterly or annual earnings or those of other companies in our industry;
- the public's reaction to our press releases, our other public announcements, and our filings with the Securities and Exchange Commission (SEC);
- changes in key personnel;
- strategic actions by us, our customers, or our competitors, such as acquisitions or restructurings;
- changes in, or failure to meet, earnings estimates or recommendations by research analysts who track our common stock or the stock of other companies in our industry;
- the failure of research analysts to cover our common stock;
- general economic, industry, and market conditions;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- material litigation or government investigations;
- changes in general conditions in the U.S. and global economies or financial markets, including those resulting from war, incidents of terrorism, or responses to such events;
- sales of common stock by us or members of our management team;
- the granting of equity or equity-based incentives;
- volume of trading in our common stock (which may be impacted by future sales or repurchases of our common stock);
- changes in accounting standards, policies, guidance, interpretations, or principles; and
- the impact of the facts described elsewhere in "Item 1A. Risk Factors" of this Form 10-K.

In addition, the stock market has regularly experienced significant price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in our industry. The

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changes frequently appear to occur without regard to the operating performance of the affected companies. Hence, the price of our common stock could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce our share price.

We may not pay cash dividends in the future.

In November 2017, our board of directors approved a dividend policy pursuant to which we have paid quarterly cash dividends to holders of our common stock. However, the future declaration and payment of dividends will continue to be at the discretion of our board of directors and the dividend policy may be suspended or canceled at its discretion at any time. Declaration of future dividends will depend upon legal capital requirements and surplus, our future operations and earnings, general financial condition, contractual obligations, restrictions imposed by our asset-based credit facility, term loan, and the indenture governing our senior notes, applicable laws, and other factors that our board of directors may deem relevant. Unless we continue to pay cash dividends on our common stock in the future, the success of an investment in our common stock will depend entirely upon its appreciation. Our common stock may not appreciate in value or even maintain the price at which it was purchased.

Certain provisions of our organizational documents and other contractual provisions may make it difficult for stockholders to change the composition of our board of directors and may discourage hostile takeover attempts that some of our stockholders may consider to be beneficial.

Certain provisions of our certificate of incorporation and bylaws may have the effect of delaying or preventing changes in control if our board of directors in exercising its duty of care determines that such changes in control are not in the best interests of the company and our stockholders. The provisions in our certificate of incorporation and bylaws include, among other things, the following:

- a classified board of directors with three-year staggered terms;
- the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms, including preferences and voting rights, of those shares without stockholder approval;
- stockholder action can only be taken at a special or regular meeting and not by written consent;
- advance notice procedures for nominating candidates to our board of directors or presenting matters at stockholder meetings;
- removal of directors only for cause;
- allowing only our board of directors the ability to create additional director seats and fill vacancies on our board of directors; and
- super-majority voting requirements to amend our bylaws and certain provisions of our certificate of incorporation.

We have elected in our certificate of incorporation not to be subject to Section 203 of the General Corporation Law of the State of Delaware (DGCL), an antitakeover law. However, our certificate of incorporation contains provisions that have the same effect as Section 203. The provisions in our certificate of incorporation prohibit us from engaging in a business combination, such as a merger, with a person or group owning 15% or more of the corporation's voting stock for a period of three years following the date the person became an interested stockholder, unless (with certain exceptions) the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner.

While these provisions have the effect of encouraging persons seeking to acquire control of our company to negotiate with our board of directors, they could enable the board of directors to hinder or frustrate a transaction that some, or a majority, of the stockholders might believe to be in their best interests and, in that case, may prevent or discourage attempts to remove and replace incumbent directors.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management.

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Failure to establish and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

We are subject to the SEC's rules implementing Section 302 and 404 of the Sarbanes-Oxley Act, which require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of internal control over financial reporting. In addition, we are required to disclose changes made in our internal control over financial reporting on a quarterly basis, as well as perform an assessment of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. Testing and maintaining internal controls could divert our management's attention from other matters that are important to the operation of our business.

Our independent registered public accounting firm is also required to attest to the effectiveness of our internal control over financial reporting and may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed, or operating.

If we are unable to conclude that we have effective internal control over financial reporting, our independent registered public accounting firm is unable to provide us with an unqualified report as to the effectiveness of our internal controls required by Section 404 of the Sarbanes-Oxley Act, or we are required to restate our financial statements, we may fail to meet our public reporting obligations and investors could lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

We have no unresolved comments from the SEC staff.

## ITEM 2. PROPERTIES

Our properties are well-maintained and are suitable for the operations for which they are used. Information concerning production capacity and the utilization of our manufacturing facilities is presented in "Item 1. Business" of this Form 10-K.

The following is a list of our facilities by segment as of February 15, 2019. We lease office space for our corporate headquarters in Boise, Idaho.

### Wood Products

We own all of our Wood Products manufacturing facilities. The following table summarizes our Wood Products facilities as of February 15, 2019:

Facility Type	Number of Facilities	Locations
Plywood and veneer plants (a)	9	Louisiana (2), North Carolina, Oregon (4), South Carolina, and Washington
LVL/I-joist/laminated beam plants	6	Alabama, Louisiana, North Carolina, Oregon, Idaho, and Canada
Sawmills	2	Washington (2)

(a) The sale of the Moncure plywood facility in North Carolina is expected to close in first quarter 2019.

## Building Materials Distribution

Our Building Materials Distribution business operates a nationwide network of 37 owned and leased warehouse facilities across the U.S. The total square footage of our warehouse space is 4.5 million, of which 1.8 million square feet is owned. Substantially all of our leases are noncancelable and the majority are accounted for as operating leases. These leases are not subject to early termination except for standard nonperformance clauses. In addition, BMD owns and operates a single truss manufacturing plant.



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ITEM 3. LEGAL PROCEEDINGS

We are a party to legal proceedings that arise in the ordinary course of our business, including commercial liability claims, premises claims, environmental claims, and employment-related claims, among others. As of the date of this filing, we believe it is not reasonably possible that any of the legal actions against us will, individually or in the aggregate, have a material adverse effect on our financial position, results of operations, or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Price of Our Common Stock

Our common stock is traded on the New York Stock Exchange (NYSE) under the trading symbol BCC. On February 15, 2019, there were 38,708,767 shares of our common stock outstanding, held by 13 stockholders of record, one of which was Cede & Co., which is the nominee of The Depository Trust Company.

Performance Graph

The following graph compares the return on a \$100 investment in our common stock on December 31, 2013, with a \$100 investment also made on December 31, 2013, in the S&P SmallCap 600 Index and in our peer group. The companies included in our peer group are Louisiana-Pacific Corporation, BlueLinx Holdings Inc., Universal Forest Products, Inc., Builders FirstSource, Inc., and Norbord Inc. The information in the graph below is not "soliciting material," is not deemed "filed" with the SEC, and is not to be incorporated by reference in any of our filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K, except to the extent that we specifically incorporate such information by reference. The stock performance shown below is not necessarily indicative of future performance.

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(a) \$100 invested in stock or index on December 31, 2013, including reinvestment of dividends in additional shares of the same class of equity securities.

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## Unregistered Sales of Equity Securities

We did not sell any unregistered securities from January 1, 2018, through December 31, 2018.

## Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On February 25, 2015, our Board of Directors authorized a common stock repurchase program (Program), which allows us to purchase up to two million shares of our common stock, on an opportunistic basis, through open market transactions, privately negotiated transactions, or accelerated share repurchase transactions. As of December 31, 2018, there were 496,989 shares of common stock that may yet be purchased under the Program. During fourth quarter 2018, we repurchased 200,000 shares under the Program at a cost of approximately \$4.9 million, or an average of \$24.65 per share. Set forth below is information regarding the Company's share repurchases under the Program during the fourth quarter ended December 31, 2018.

	Total Number of Shares Purchased	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
October 1, 2018 - October 31, 2018	—	\$ —	—	696,989
November 1, 2018 - November 30, 2018	—	—	—	696,989
December 1, 2018 - December 31, 2018	200,000	24.65	200,000	496,989
Total	200,000	\$ 24.65	200,000	496,989

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## ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected financial data for the periods indicated and should be read in conjunction with the disclosures in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

	Year Ended December 31				
	2018 (a)(b)	2017 (b)	2016 (c)	2015	2014
	(millions, except per-share data)				
Consolidated statement of operations data					
Sales	\$4,995	\$4,432	\$3,911	\$3,633	\$3,574
Net income	\$20	\$83	\$38	\$52	\$80
Net income per common share – diluted	\$0.52	\$2.12	\$0.98	\$1.33	\$2.03
Earnings before interest, taxes, depreciation, and amortization (EBITDA) (d)	\$193	\$223	\$142	\$158	\$197
Adjusted EBITDA (d)	\$193	\$222	\$153	\$158	\$197
Cash dividends declared per common share (e)	\$1.30	\$0.07	\$—	\$—	\$—
Balance sheet data (at end of year)					
Cash and cash equivalents	\$192	\$177	\$104	\$184	\$164
Working capital, excluding cash and cash equivalents (f)	\$424	\$374	\$344	\$342	\$335
Total assets (g)	\$1,581	\$1,607	\$1,439	\$1,249	\$1,213
Total long-term debt (g)	\$439	\$438	\$438	\$345	\$294

(a) The following items negatively impacted 2018 net income:

\$23.3 million pre-tax loss from non-cash pension settlement charges. For more information, see Note 12, Retirement and Benefit Plans, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

\$11.5 million pre-tax loss from the sale of two lumber mills and a particleboard plant located in Northeast Oregon, as well as \$24.0 million of pre-tax impairment and sale related losses on the Moncure plywood facility upon being classified as held for sale. For additional information, see Note 7, Sale of Manufacturing Facilities, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

\$55.0 million of accelerated depreciation, \$2.6 million of construction in progress and spare parts write-offs, and \$0.2 million of severance expenses related to the permanent curtailment of LVL production at our Roxboro, North Carolina facility. For additional information, see Note 6, Curtailment of Manufacturing Facility, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

In 2018 and 2017, net income included \$3.8 million and \$8.1 million, respectively, of income tax benefits associated with the remeasurement of our deferred tax assets and liabilities at the new federal corporate income tax (b) rate of 21% as of December 22, 2017 (date of enactment of the Tax Cuts and Jobs Act). For more information, see Note 4, Income Taxes, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

(c) The following items impacted 2016 net income:

\$8.5 million of income tax benefit primarily associated with the reversal of a valuation allowance on foreign deferred tax assets, net of other tax adjustments. For more information, see Note 4, Income Taxes, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

\$14.3 million pre-tax loss on extinguishment of debt. For more information, see Note 10, Debt, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

\$3.9 million pre-tax settlement expense associated with voluntary lump-sum payments to pension plan participants. For more information, see Note 12, Retirement and Benefit Plans, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

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At December 31, 2016, total assets include the EWP facilities located in Thorsby, Alabama, and Roxboro, North Carolina, we acquired in March 2016, for an aggregate purchase price of \$215.9 million.

(d) The following table reconciles net income to EBITDA and Adjusted EBITDA for the periods indicated:

	Year Ended December 31				
	2018	2017	2016	2015	2014
	(millions)				
Net income	\$20	\$83	\$38	\$52	\$80
Interest expense	26	25	27	23	22
Interest income	(2)	(1)	—	—	—
Income tax provision	2	35	5	29	43
Depreciation and amortization	147	80	73	56	51
EBITDA	193	223	142	158	197
Change in fair value of interest rate swaps	(1)	(1)	(4)	—	—
Loss on extinguishment of debt	—	—	14	—	—
Adjusted EBITDA	\$193	\$222	\$153	\$158	\$197

We define EBITDA as income before interest (interest expense and interest income), income taxes, and depreciation and amortization. Additionally, we disclose Adjusted EBITDA, which further adjusts EBITDA to exclude the change in fair value of interest rate swaps and loss on extinguishment of debt.

We believe EBITDA and Adjusted EBITDA are meaningful measures because they present a transparent view of our recurring operating performance and allow management to readily view operating trends, perform analytical comparisons, and identify strategies to improve operating performance. We also believe EBITDA and Adjusted EBITDA are useful to investors because they provide a means to evaluate the operating performance of our segments and our Company on an ongoing basis using criteria that are used by our management and because they are frequently used by investors and other interested parties when comparing companies in our industry that have different financing and capital structures and/or tax rates. EBITDA and Adjusted EBITDA, however, are not measures of our liquidity or financial performance under generally accepted accounting principles (GAAP) and should not be considered as alternatives to net income, income from operations, or any other performance measure derived in accordance with GAAP or as alternatives to cash flow from operating activities as a measure of our liquidity. The use of EBITDA and Adjusted EBITDA instead of net income or segment income (loss) have limitations as analytical tools, including the inability to determine profitability; the exclusion of interest expense, interest income, and associated significant cash requirements; and the exclusion of depreciation and amortization, which represent unavoidable operating costs. Management compensates for these limitations by relying on our GAAP results. Our measures of EBITDA and Adjusted EBITDA are not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the methods of calculation.

For more information regarding our dividends declared, including an additional dividend of \$1.00 per share of our (e)common stock during third quarter 2018, see Note 14, Stockholders' Equity, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

As of December 31, 2015, we retrospectively adopted Accounting Standards Update (ASU) 2015-17, Balance Sheet Classification of Deferred Taxes, by reclassifying previously reported current deferred tax assets as (f) noncurrent on the balance sheet. This reclassification resulted in a reduction of working capital, as previously reported, of \$20 million as of December 31, 2014.

(g)

As of December 31, 2015, we retrospectively adopted ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, by reclassifying previously reported deferred financing costs as a direct deduction from the related debt liability rather than as an asset. This reclassification resulted in a reduction of total assets and total long-term debt, as previously reported, of \$7 million as of December 31, 2014.

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ITEM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF  
7. OPERATIONS

Understanding Our Financial Information

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing elsewhere in this Form 10-K. The following discussion includes statements that are forward-looking statements and are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those discussed in or implied by forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in the section entitled "Cautionary Statement Concerning Forward-Looking Statements" and in Item 1A. "Risk Factors." References to "fiscal year" or "fiscal" refer to our fiscal year ending on December 31 in each calendar year.

Overview

Company Background

Boise Cascade is a large, vertically-integrated wood products manufacturer and building materials distributor with widespread operations throughout the United States (U.S.) and one manufacturing facility in Canada. We completed an initial public offering of our common stock on February 11, 2013. We have two reportable segments: (i) Wood Products, which primarily manufactures engineered wood products (EWP) and plywood; and (ii) Building Materials Distribution (BMD), which is a wholesale distributor of building materials. For more information, see Note 3, Revenues, and Note 17, Segment Information, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" and "Item 1. Business" of this Form 10-K. Our broad line of products is used primarily in new residential construction, residential repair-and-remodeling projects, light commercial construction, and industrial applications. We have a broad base of more than 4,500 customers, which includes a diverse mix of retail lumberyards, home improvement centers, leading wholesalers, specialty distributors, and industrial converters. Our Wood Products and BMD segments are vertically-integrated from wood procurement through distribution. During 2018, approximately 54% of our Wood Products segment sales were to our BMD segment. In 2018, approximately 74% and 36% of our Wood Product segment's EWP and plywood sales volumes, respectively, were to our BMD segment.

Executive Summary

We recorded income from operations of \$72.0 million during the year ended December 31, 2018, compared with \$141.4 million during the same period in the prior year. In our Wood Products segment, we recorded a segment loss of \$10.0 million for the year ended December 31, 2018, compared to segment income of \$53.6 million in 2017. The decrease in segment income was due primarily to accelerating depreciation on assets at a permanently curtailed facility and recording impairment losses on assets related to the sale of facilities, as discussed below, as well as higher log and oriented strand board (OSB) costs. These decreases were offset partially by higher sales prices of plywood and EWP. In our BMD segment, income declined \$4.3 million to \$112.5 million for the year ended December 31, 2018, from \$116.8 million for the year ended December 31, 2017, driven primarily by increased selling and distribution expenses and depreciation and amortization of \$34.1 million and \$2.8 million, respectively. The decreases were offset partially by a gross margin increase of \$33.0 million generated from a sales increase of 14%. These changes are discussed further in "Our Operating Results" below.



On November 2, 2018, we decided to permanently curtail LVL production at our Roxboro, North Carolina facility by December 31, 2018. After extended efforts to improve the throughput and cost position of LVL production at Roxboro, we concluded that we would be unable to reduce manufacturing costs to an acceptable level. Roxboro will continue to produce I-joists. As a result of the curtailment, we recorded \$55.0 million of accelerated depreciation to fully depreciate the curtailed LVL production assets and \$2.8 million of other curtailment related costs during fourth quarter 2018. For additional information, see Note 6, Curtailment of Manufacturing Facility, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

In November 2018, Wood Products completed the sale of two lumber mills and a particleboard plant located in Northeast Oregon. As a result, we recorded a loss on the sale of \$11.5 million, most of which was recorded in third quarter 2018 upon entering into the agreement to sell the facilities. In December 2018, Wood Products committed to sell a hardwood plywood facility located in Moncure, North Carolina, and subsequently entered into a definitive sale agreement in January

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2019. As a result, we recorded impairment and sale related losses of \$24.0 million in fourth quarter 2018. For additional information, related to the sale of our manufacturing facilities, see Note 7, Sale of Manufacturing Facilities, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

We ended 2018 with \$191.7 million of cash and cash equivalents and \$439.4 million of debt. At December 31, 2018, we had \$364.6 million of unused committed bank line availability. We generated \$14.5 million of cash during the year ended December 31, 2018, as cash provided by operations (net of \$26.1 million in pension contributions) was offset partially by capital spending, funding of acquisitions, dividends paid on common stock, tax withholding payments on stock-based awards, and treasury stock purchases. A further description of our cash sources and uses for the comparative periods are discussed in "Liquidity and Capital Resources" below.

Although we believe U.S. demographics are supportive of further recovery in housing starts, we expect near-term residential construction growth to be flat or only modestly improving due to constraints faced by builders, such as availability of labor and building lots, as well as affordability constraints faced by prospective buyers. The pace of household formation rates and residential repair-and-remodeling activity will be affected by continued employment growth, wage growth, prospective home buyers' access to and cost of financing, housing affordability, improved consumer confidence, as well as other factors. Improved household formation rates in turn will help stimulate new construction. In addition, the size of new single-family residences as well as the mix of single and multi-family starts will influence product consumption.

Commodity products pricing was very volatile during 2018, with rapidly rising prices in the first six months of the year followed by sharp price declines during the second half of the year. As a plywood manufacturer and a wholesale distributor of a broad mix of commodity products, periods of increasing commodity prices provide us the opportunity for higher sales and increased margins, while declining price environments expose us to declines in sales and profitability like we experienced in the second half of 2018. Although we expect slower demand growth and additional industry capacity to limit the magnitude of price increases during 2019, future commodity product pricing and commodity input costs will likely remain volatile in response to industry operating rates, net import and export activity, transportation constraints or disruptions, inventory levels in various distribution channels, and seasonal demand patterns. As we begin 2019, composite panel and lumber pricing indices are approximately 25% below average levels experienced in the first quarter of 2018, and absent meaningful price increases from current levels, we expect our year-over-year financial comparisons to be negative in the first half of 2019.

## Factors That Affect Our Operating Results and Trends

Our results of operations and financial performance are influenced by a variety of factors, including: (i) the commodity nature of the products we manufacture and distribute; (ii) general economic and industry conditions affecting demand; and (iii) cost and availability of raw materials, including wood fiber and glues and resins. These factors have historically produced cyclicalities in our results of operations, and we expect this cyclicalities to continue in future periods.

## Commodity Nature of Our Products

Many of the building products we manufacture or distribute, including OSB, plywood, and lumber, are commodities that are widely available from other manufacturers or distributors with prices and volumes determined frequently in an auction market based on participants' perceptions of short-term supply and demand factors. At times, the price for any one or more of the products we produce or distribute may fall below our cash production or purchase costs, requiring us to either incur short-term losses on product sales or cease production at one or more of our manufacturing facilities. Therefore, our profitability with respect to these commodity products depends, in significant part, on effective

facilities maintenance programs, and on managing our cost structure, particularly raw materials and labor, which represent the largest components of our operating costs. Composite structural panel and lumber prices have been historically volatile.

The following table provides changes in the average composite panel, including certain panel subcategories, and average composite lumber prices as reflected by Random Lengths, an industry publication, for the periods noted below. In addition to the year-over-year average price changes, 2018 was a year of exceptional price volatility when compared to historical results over the last seven years as both composite panel and composite lumber prices experienced the largest

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difference between high and low price levels within a calendar year.

	Year Ended December 31		
	2018 versus 2017	2017 versus 2016	2016 versus 2015
Increase (decrease) in composite panel prices	10%	18%	1%
Increase (decrease) in Western Fir plywood prices	19%	12%	(6)%
Increase (decrease) in Southern Pine plywood prices	14%	10%	(11)%
Increase (decrease) in OSB prices	—%	32%	29%
Increase (decrease) in composite lumber prices	12%	19%	4%

In our Wood Products segment, we manufacture plywood, but not OSB, and therefore our reported prices may not trend with the overall composite panel price index. Our BMD segment purchases and resells a broad mix of commodity products with periods of increasing prices providing the opportunity for higher sales and increased margins, while declining price environments may result in declines in sales and profitability. For further discussion of the impact of commodity prices on historical periods, see "Our Operating Results" in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

#### General Economic and Industry Conditions Affecting Demand

The level of housing starts is especially important to our results of operations. As of February 2019, the Blue Chip Economic Indicators consensus forecast for 2019 single- and multi-family housing starts in the U.S. was approximately 1.27 million units, compared with estimated housing starts of 1.25 million in 2018 and actual housing starts of 1.20 million in 2017. New residential construction activity has historically been volatile with demand influenced by several economic conditions, including domestic population growth, immigration rates, residential vacancy and foreclosure rates, demand for second homes, and existing home prices. The pace of household formation rates and residential repair-and-remodeling activity will also be affected by continued employment growth, wage growth, prospective home buyers' access to financing, improved consumer confidence, as well as other factors. Improved household formation rates in turn will help stimulate new construction. In addition, the size of new single-family residences as well as the mix of single and multi-family starts will influence product consumption. We have expanded our market position in EWP in recent years and further increases in EWP demand will be highly influenced by further recovery in single-family housing starts.

Industry supply for the products we produce and distribute is influenced primarily by price-induced changes in the operating rates of existing facilities, but is also influenced over time by the introduction of new product technologies, capacity additions and closures, restart of idled capacity, and log availability. For example, new EWP capacity expected to come on-line late in 2019 may negatively impact our EWP price realizations and limit our ability to capture further market share growth.

The balance of supply and demand in the U.S. is also heavily influenced by imported products, principally from Canada and South America, particularly when the U.S. dollar and economy are stronger relative to other countries, encouraging foreign producers to sell more of their plywood and lumber products into the U.S.

We believe that our product line diversification provides us some protection from declines in new residential construction. Our products are used not only in new residential construction, but also in residential repair-and-remodeling projects. We believe the overall age of the U.S. housing stock, resales of existing homes, increased focus on making homes more energy efficient, rising home prices, and availability of consumer loans at low interest rates will continue to support long-term growth in repair-and-remodeling expenditures and increased demand through home improvement centers and our other customers that service professional contractors.

#### Cost and Availability of Raw Materials

Our principal raw material is wood fiber, which accounted for approximately 44% of the aggregate amount of materials, labor, and other operating expenses (excluding depreciation), for our Wood Products segment in 2018. Logs comprised approximately 74% of our wood fiber costs during 2018, and we satisfy our log requirements through a combination of purchases under supply agreements, open-market purchases, and purchases pursuant to contracts awarded under public auctions conducted by federal, state, and local authorities.

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The following table provides changes in our average per-unit log costs for the periods noted below:

	Year Ended December 31		
	2018 versus 2017	2017 versus 2016	2016 versus 2015
Increase (decrease) in per-unit log costs	13%	3%	(2)%

The cost of logs is correlated with prevailing product prices for building materials and manufacturers' expectations for future product prices, with an increase in product prices driving increases in log costs. Generally, increases in the cost of logs lag product price increases, as improved manufacturer profitability often leads to increased demand for logs. Prices for logs have been historically cyclical in response to changes in domestic and foreign demand and supply. Our aggregate cost of obtaining logs is also affected by fuel costs and the distance of the log source from our facilities, as we are often required to transport the logs we purchase from the source to our facilities.

Demand for dimension lumber has a strong influence on log pricing, as the dimension lumber industry is the largest consumer of logs. In the future, we also expect the level of foreign demand for log exports from the western U.S. to fluctuate based on economic activity in China and other Pacific Rim countries, currency exchange rates, and the availability of log supplies from other countries such as Canada, Russia, and New Zealand. Log costs in the western U.S. have historically been more volatile due to foreign demand for log exports. In addition, per-unit log costs in the western U.S. are higher than per-unit log costs in the southern U.S. due to higher harvest and delivery costs, as well as various supply-side constraints, including seasonal weather-related restrictions, slower growth cycles, and a higher proportion of federal and state timberland ownership.

Sustained periods of high log costs may impair the cost competitiveness of our manufacturing facilities. Our log requirements and our access to supply, as well as the cost of obtaining logs, are subject to change based on, among other things, the effect of governmental laws and regulations, our manufacturing operations not operating in the normal course of business, impacts of weather or fire on log availability, and the status of environmental appeals.

We also purchase OSB, which is used as the vertical web to assemble I-joists, from a supplier with multiple locations throughout North America. OSB accounted for approximately 7% of the aggregate amount of materials, labor, and other operating expenses (excluding depreciation) for our Wood Products segment in 2018. OSB is a commodity, and prices have been historically volatile in response to industry capacity restarts and operating rates, inventory levels in various distribution channels, and seasonal demand patterns. Sustained periods of high OSB costs lead to significantly higher costs of our I-joist production.

Wood fiber also includes, to a lesser extent than OSB, lumber purchased from third parties for I-joist production at our Canadian EWP facility and for production at our laminated beam plant in Idaho. Lumber input costs are subject to similar commodity-based volatility characteristics noted above for OSB.

We also use various resins and glues in our manufacturing processes, which accounted for approximately 5% of the aggregate amount of materials, labor, and other operating expenses (excluding depreciation) for our Wood Products segment in 2018. The costs of resins and glues are influenced by changes in the prices of raw material input costs, primarily fossil fuel products.

We purchase many of our raw materials through long-term contracts that contain price adjustment mechanisms that take into account changes in market prices. Therefore, although our long-term contracts provide us with supplies of raw materials and energy that are more stable than open-market purchases, in many cases, they may not alleviate fluctuations in market prices.



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## Our Operating Results

The following tables set forth our operating results in dollars and as a percentage of sales for the years ended December 31, 2018, 2017, and 2016:

	Year Ended December 31		
	2018	2017	2016
	(millions)		
Sales	\$4,995.3	\$4,432.0	\$3,911.2
Costs and expenses			
Materials, labor, and other operating expenses (excluding depreciation)	4,307.6	3,819.6	3,396.1
Depreciation and amortization	146.8	80.4	72.8
Selling and distribution expenses	363.1	327.2	298.8
General and administrative expenses	68.8	63.0	59.8
Loss on sale and curtailment of facilities	38.3	—	—
Other (income) expense, net	(1.4 )	0.4	(1.0 )
	4,923.3	4,290.6	3,826.5
Income from operations	\$72.0	\$141.4	\$84.7
	(percentage of sales)		
Sales	100.0	% 100.0	% 100.0
Costs and expenses			
Materials, labor, and other operating expenses (excluding depreciation)	86.2	% 86.2	% 86.8
Depreciation and amortization	2.9	1.8	1.9
Selling and distribution expenses	7.3	7.4	7.6
General and administrative expenses	1.4	1.4	1.5
Loss on sale and curtailment of facilities	0.8	—	—
Other (income) expense, net	—	—	—
	98.6	% 96.8	% 97.8
Income from operations	1.4	% 3.2	% 2.2



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## Sales Volumes and Prices

Set forth below are historical U.S. housing starts data, segment sales volumes and average net selling prices for the principal products sold by our Wood Products segment, and sales mix and gross margin information for our Building Materials Distribution segment for the years ended December 31, 2018, 2017, and 2016.

	Year Ended December 31		
	2018	2017	2016
	(thousands)		
U.S. Housing Starts (a)			
Single-family	875.0	848.9	781.5
Multi-family	375.0	354.1	392.3
	1,250.0	1,203.0	1,173.8
	(millions)		
Segment Sales			
Wood Products	\$1,533.3	\$1,373.8	\$1,280.4
Building Materials Distribution	4,287.7	3,773.8	3,227.2
Intersegment eliminations and other	(825.7 )	(715.6 )	(596.4 )
	\$4,995.3	\$4,432.0	\$3,911.2
	(millions)		
Wood Products			
Sales Volumes			
Laminated veneer lumber (LVL) (cubic feet)	17.7	17.3	16.3
I-joists (equivalent lineal feet)	237	235	226
Plywood (sq. ft.) (3/8" basis)	1,423	1,458	1,507
Lumber (board feet)	153	171	187
	(dollars per unit)		
Wood Products			
Average Net Selling Prices			
Laminated veneer lumber (LVL) (cubic foot)	\$18.11	\$16.79	\$16.59
I-joists (1,000 equivalent lineal feet)	1,218	1,121	1,114
Plywood (1,000 sq. ft.) (3/8" basis)	351	312	272
Lumber (1,000 board feet)	588	540	472
	(percentage of Building Materials Distribution sales)		
Building Materials Distribution			
Product Line Sales			
Commodity	48.3	% 47.9	% 46.6
General line	33.1	% 33.6	% 35.4
Engineered wood products	18.6	% 18.5	% 18.0
Gross margin percentage (b)	11.3	% 11.9	% 11.9

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(a)

U.S. housing starts for the year ended December 31, 2018 have yet to be published and are estimated based on housing starts as reported by the U.S. Census Bureau as of November 2018. The years ended December 31, 2017 and 2016, represent actual U.S. housing starts as reported by the U.S. Census Bureau.

We define gross margin as "Sales" less "Materials, labor, and other operating expenses (excluding depreciation)."

- (b) Substantially all costs included in "Materials, labor, and other operating expenses (excluding depreciation)" for our Building Materials Distribution segment are for inventory purchased for resale. Gross margin percentage is gross margin as a percentage of segment sales.

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## 2018 Compared With 2017

## Sales

For the year ended December 31, 2018, total sales increased \$563.3 million, or 13%, to \$4,995.3 million from \$4,432.0 million during the year ended December 31, 2017. As described below, the improvement in sales was driven by the changes in sales volumes and prices for the products we manufacture and distribute with single-family residential construction activity being the key demand driver of our sales. During 2018, U.S. housing starts increased 4%, with single-family starts up 3%, compared with 2017. Single-family housing starts are the primary driver of our sales and typically result in higher building product utilization per start than multi-family units. For the year ended December 31, 2018, average composite lumber and average composite panel prices were up 12% and 10%, respectively, compared with the same period in the prior year, as reflected by Random Lengths composite lumber and panel pricing. These improvements in composite commodity pricing resulted in improved sales in both of our segments, as noted below.

**Wood Products.** During the year ended December 31, 2018, sales, including sales to our BMD segment, increased \$159.5 million, or 12%, to \$1,533.3 million from \$1,373.8 million in 2017. The increase in sales was driven primarily by higher sales prices for plywood of 13%, resulting in increased sales of \$55.6 million. In addition, sales prices for I-joists and LVL increased 9% and 8%, respectively, resulting in increased sales of \$23.1 million and \$23.3 million, respectively. Sales volumes for LVL and I-joists increased 2% and 1%, respectively, resulting in increased sales of \$6.0 million and \$1.7 million, respectively. The increase in sales also includes the impact of adoption of the new revenue standard which resulted in increased "Sales" and "Materials, labor, and other operating expense (excluding depreciation)" of \$24.5 million related to certain byproduct sales previously netted against costs. These increases were offset partially by a decrease in plywood sales volumes of 2%, or \$10.8 million. In addition, with the sale of our particleboard facility and the sale or closure of three of our five sawmills during 2018, our combined particleboard and lumber sales decreased by approximately \$11.0 million.

**Building Materials Distribution.** During the year ended December 31, 2018, sales increased \$513.9 million, or 14%, to \$4,287.7 million from \$3,773.8 million in 2017. Compared with the prior year, the overall increase in sales was driven by sales price and sales volume increases of 8% and 6%, respectively. By product line, commodity sales increased 14%, or \$261.9 million, general line product sales increased 12%, or \$152.0 million, and sales of EWP (substantially all of which is sourced through our Wood Products segment) increased 14%, or \$100.0 million.

## Costs and Expenses

Materials, labor, and other operating expenses (excluding depreciation) increased \$488.0 million, or 13%, to \$4,307.6 million for the year ended December 31, 2018, compared with \$3,819.6 million during the prior year. In our Wood Products segment, the increase in materials, labor, and other operating expenses was primarily driven by higher per-unit costs of logs and OSB (used in the manufacture of I-joists) of 13% and 2%, respectively, compared with the prior year. The increase in per-unit log costs was primarily due to an increase in the price of logs in the western U.S. However, materials, labor, and other operating expenses as a percentage of sales (MLO rate) in our Wood Products segment decreased by 160 basis points, which was primarily due to higher sales prices, resulting in improved leveraging of labor and wood fiber costs. In BMD, the increase in materials, labor, and other operating expenses was driven by higher purchased materials costs as a result of higher sales volumes, as well as a 70 basis point increase in the MLO rate, compared with the prior year. Our BMD MLO rate for the year ended December 31, 2018 was negatively impacted by the sharp decline in commodity prices during the second half of 2018.

Depreciation and amortization expenses increased \$66.5 million, or 83%, to \$146.8 million for the year ended December 31, 2018, compared with \$80.4 million during the prior year. The increase was due primarily to recording

accelerated depreciation of \$55.0 million in fourth quarter 2018 to fully depreciate the curtailed LVL production assets at our Roxboro, North Carolina facility. The increase is also due to initiating depreciation on approximately \$45 million of veneer and LVL-related assets at our Roxboro, North Carolina EWP facility in fourth quarter 2017, as well as other capital expenditures. For more information on the curtailed assets, see Note 6, Curtailment of Manufacturing Facility.

Selling and distribution expenses increased \$35.9 million, or 11%, to \$363.1 million for the year ended December 31, 2018, compared with \$327.2 million for the prior year. The increase was due mostly to higher employee-related expenses and shipping and handling costs of \$16.7 million and \$12.3 million, respectively, primarily as a result of higher delivery and base compensation costs associated with increased sales volumes in our BMD segment.

General and administrative expenses increased \$5.8 million, or 9%, to \$68.8 million for the year ended December 31, 2018, compared with \$63.0 million for the prior year. The increase was due primarily to higher base compensation expenses

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and professional service related expenses of \$3.8 million and \$3.2 million, respectively, offset partially by lower incentive compensation expenses of \$1.5 million related to operating performance.

Loss on sale and curtailment of facilities of \$38.3 million for the year ended December 31, 2018, relates to the following:

Impairment and sale related losses of \$24.0 million upon classifying the Wood Products facility in Moncure, North Carolina, as held for sale (Moncure Impairment Loss) and a loss of \$11.5 million related to the sale of Wood Products facilities in Northeast Oregon (NEO Impairment Loss). For additional information, related to the sale of our manufacturing facilities, see Note 7, Sale of Manufacturing Facilities, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

Construction in progress and spare parts write-offs of \$2.6 million, as well as \$0.2 million of severance-related expenses, due to the permanent curtailment of LVL production at our Roxboro, North Carolina, facility. For additional information, see Note 6, Curtailment of Manufacturing Facility, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

For the year ended December 31, 2018, other (income) expense, net, was \$1.4 million of income, which primarily included a gain on the sale of property in our Wood Products segment. For the year ended December 31, 2017, other (income) expense, net, was \$0.4 million of expense, which included a \$1.0 million noncash asset write-down, offset by a \$1.2 million gain from the sale of machinery and equipment, in our Wood Products segment.

## Income From Operations

Income from operations decreased \$69.4 million to \$72.0 million for the year ended December 31, 2018, compared with \$141.4 million of income for the year ended December 31, 2017.

Wood Products. For the year ended December 31, 2018, segment loss was \$10.0 million compared to segment income of \$53.6 million for the year ended December 31, 2017. The \$63.7 million decrease in segment income was due primarily to accelerated depreciation of \$55.0 million to fully depreciate the curtailed LVL production assets at our Roxboro, North Carolina facility, the Moncure Impairment Loss, and the NEO Impairment Loss, as well as higher log and OSB costs. In addition, general and administrative expenses and selling and distribution expenses increased \$4.6 million and \$1.9 million respectively. The asset charges and higher expenses were offset partially by higher sales prices of plywood and EWP.

Building Materials Distribution. For the year ended December 31, 2018, segment income decreased \$4.3 million to \$112.5 million from \$116.8 million for the year ended December 31, 2017. The decline in segment income was driven primarily by increased selling and distribution expenses and depreciation and amortization of \$34.1 million and \$2.8 million, respectively. The higher expenses were offset partially by a gross margin increase of \$33.0 million generated from a sales increase of 14%.

Corporate. Unallocated corporate expenses increased \$1.5 million to \$30.5 million for the year ended December 31, 2018, from \$29.0 million for the year ended December 31, 2017. The increase was primarily due to an increase in base compensation expenses and other general administrative expenses, offset partially by lower incentive compensation.

## Other

Pension expense (excluding service costs). On April 25, 2018, and August 10, 2018, we transferred \$151.8 million and \$124.8 million, respectively, of our pension plan assets to The Prudential Insurance Company of America

(Prudential) for the purchase of group annuity contracts. Under the arrangements, Prudential assumed ongoing responsibility for administration and benefit payments for all plan participants in payout status as of July 1, 2018, which comprised over 60% of our U.S. qualified pension plan projected benefit obligations. As a result of the transactions, we recognized non-cash pension settlement charges of \$12.0 million and \$11.3 million, respectively, in second and third quarters 2018. For additional information related to the transfer of pension plan assets, see Note 12, Retirement and Benefit Plans, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

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**Interest Expense.** Interest expense increased \$0.8 million, or 3%, to \$26.2 million for the year ended December 31, 2018, compared with \$25.4 million for the prior year. The increase was due primarily to additional interest expense related to an increase in capital lease assets. For more information related to our indebtedness, see Note 10, Debt, and Note 11, Leases, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

**Change in fair value of interest rate swaps.** For information related to our interest rate swaps, see the discussion under "Disclosures of Financial Market Risks" and "Financial Instruments" included in this "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K.

## 2017 Compared With 2016

### Sales

For the year ended December 31, 2017, total sales increased \$520.8 million, or 13%, to \$4,432.0 million from \$3,911.2 million during the year ended December 31, 2016. As described below, both of our segments had increased sales, with single-family residential construction activity being the key demand driver of our sales. During 2017, U.S. housing starts increased 2%, with single-family starts up 9%, compared with 2016. Single-family housing starts are the primary driver of our sales and typically result in higher building product utilization per start than multi-family units. For the year ended December 31, 2017, average composite lumber and average composite panel prices were up 19% and 18%, respectively, compared with the same period in the prior year, as reflected by Random Lengths composite lumber and panel pricing. These improvements in composite commodity pricing resulted in improved sales in both of our segments, as noted below.

**Wood Products.** During the year ended December 31, 2017, sales, including sales to our BMD segment, increased \$93.3 million, or 7%, to \$1,373.8 million from \$1,280.4 million in 2016. The increase in sales was driven primarily by higher sales prices for plywood and lumber of 15% and 14%, respectively, resulting in increased sales of \$58.1 million and \$11.6 million, respectively. In addition, sales volumes of LVL and I-joists increased 6% and 4%, respectively, resulting in increased sales of \$16.5 million and \$10.5 million, respectively. An increase in sales prices of 1% for both LVL and I-joists also contributed \$3.5 million and \$1.5 million, respectively, to the improved sales. These increases were offset by decreases in plywood and lumber sales volumes of 3% and 8%, or \$13.5 million and \$7.3 million in sales, respectively. We shifted a higher proportion of our internally produced veneer into EWP, resulting in the decline in plywood production and sales volumes.

**Building Materials Distribution.** During the year ended December 31, 2017, sales increased \$546.6 million, or 17%, to \$3,773.8 million from \$3,227.2 million in 2016. Compared with the prior year, the overall increase in sales was driven by sales price and sales volume increases of 9% and 8%, respectively. By product line, commodity sales increased 20%, or \$305.2 million, general line product sales increased 11%, or \$127.6 million, and sales of EWP (substantially all of which is sourced through our Wood Products segment) increased 20%, or \$113.8 million.

### Costs and Expenses

Materials, labor, and other operating expenses (excluding depreciation) increased \$423.5 million, or 12%, to \$3,819.6 million for the year ended December 31, 2017, compared with \$3,396.1 million during the prior year. In our Wood Products segment, the increase in materials, labor, and other operating expenses was primarily driven by higher per-unit costs of OSB and logs of 25% and 3%, respectively, compared with the prior year. However, the MLO rate in our Wood Products segment decreased by 170 basis points. The decrease in the MLO rate was primarily due to higher sales prices, resulting in improved leveraging of wood fiber, labor, and other manufacturing costs. In our BMD segment, the increase in materials, labor, and other operating expenses was driven by higher purchased materials costs

as a result of higher sales volumes, compared with the prior year. However, the BMD MLO rate was flat compared with that in 2016. Improved margins on commodity products were offset by lower margins on general line products. EWP margins improved slightly.

Depreciation and amortization expenses increased \$7.5 million, or 10%, to \$80.4 million for the year ended December 31, 2017, compared with \$72.8 million during the prior year. The increase was due primarily to the acquisition of two EWP facilities located in Thorsby, Alabama, and Roxboro, North Carolina, on March 31, 2016 (Acquisition), and other capital expenditures.

Selling and distribution expenses increased \$28.4 million, or 10%, to \$327.2 million for the year ended December 31, 2017, compared with \$298.8 million for the prior year. The increase was due mostly to higher employee-related expenses and shipping and handling costs of \$13.7 million and \$9.6 million, respectively, primarily as a result of higher delivery and base compensation costs associated with increased sales volumes and higher incentive compensation costs from improved operating



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results in our BMD segment.

General and administrative expenses increased \$3.2 million, or 5%, to \$63.0 million for the year ended December 31, 2017, compared with \$59.8 million for the prior year. The increase was due primarily to increased base and incentive compensation expenses of \$6.2 million, offset partially by acquisition-related expenses of \$3.6 million in our Wood Products segment in 2016.

For the year ended December 31, 2017, other (income) expense, net, was \$0.4 million of expense, which included a \$1.0 million noncash asset write-down, offset by a \$1.2 million gain from the sale of machinery and equipment, in our Wood Products segment. For the year ended December 31, 2016, other (income) expense, net, was \$1.0 million of income, which included a \$1.5 million gain from the sale of a timber deed in our Wood Products segment.

## Income From Operations

Income from operations increased \$56.7 million to \$141.4 million for the year ended December 31, 2017, compared with \$84.7 million of income for the year ended December 31, 2016.

Wood Products. For the year ended December 31, 2017, segment income increased \$27.7 million to \$53.6 million from \$25.9 million for the year ended December 31, 2016. The increase in segment income was due primarily to higher plywood, lumber, and EWP sales prices. In addition, the year ended December 31, 2016, included \$3.6 million of acquisition-related expenses. These improvements were offset partially by higher OSB costs used in the manufacture of I-joists, as well as higher per-unit conversion costs. In addition, depreciation and amortization expense increased \$5.6 million due primarily to the Acquisition on March 31, 2016, and other capital expenditures.

Building Materials Distribution. For the year ended December 31, 2017, segment income increased \$32.4 million to \$116.8 million from \$84.4 million for the year ended December 31, 2016. The improvement in segment income was driven primarily by a gross margin increase of \$65.1 million generated from a sales increase of 17%. This improvement was offset partially by increased selling and distribution expenses and general and administrative expense of \$28.2 million and \$2.5 million, respectively, as well as higher depreciation and amortization of \$1.7 million.

Corporate. Unallocated corporate expenses increased \$3.4 million to \$29.0 million for the year ended December 31, 2017, from \$25.6 million for the year ended December 31, 2016. The increase was primarily due to higher employee-related expenses of \$3.1 million.

## Other

Pension expense (excluding service costs). Pension expense decreased \$4.9 million primarily due to a \$3.9 million settlement charge resulting from lump-sum benefit payments in the fourth quarter of 2016. For more information related to our pension plan, see Note 12, Retirement and Benefit Plans, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

Interest Expense. Interest expense decreased \$1.3 million, or 5%, to \$25.4 million for the year ended December 31, 2017, compared with \$26.7 million for the prior year. The higher interest expense during the prior year was primarily due to timing related to the senior notes refinancing in which we issued new senior notes on August 29, 2016, but did not redeem \$115.5 million of the replaced senior notes until November 1, 2016. As such, interest expense in the year ended December 31, 2016, included interest on both notes for a portion of the year.

Change in fair value of interest rate swaps. For information related to our interest rate swaps, see the discussion under "Disclosures of Financial Market Risks" and "Financial Instruments" included in this "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K.

Loss on extinguishment of debt. In connection with the issuance of the \$350 million of 5.625% senior notes due September 1, 2024 (2024 Notes), we commenced a tender offer to purchase any and all of our \$300.0 million aggregate principal amount of 6.375% senior notes (2020 Notes) then outstanding. On August 29, 2016, we accepted for purchase an aggregate principal amount of \$184.5 million of the 2020 Notes that were tendered. On November 1, 2016, we redeemed the remaining \$115.5 million in aggregate principal amount of the 2020 Notes outstanding. In connection with these transactions, we recognized a pre-tax loss on the extinguishment of debt of \$14.3 million during 2016. The loss included \$11.3 million in debt extinguishment premiums and \$3.0 million for the net write-off of the unamortized deferred financing costs and unamortized premium related to the 2020 Notes.

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For more information related to our indebtedness, see Note 10, Debt, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

### Income Tax Provision

For the years ended December 31, 2018, 2017, and 2016, we recorded \$1.6 million, \$34.6 million, and \$5.0 million, respectively, of income tax expense and had an effective rate of 7.4%, 29.5%, and 11.7%, respectively. Our rate is affected by recurring items, such as state income taxes, and discrete items that may occur in any given year but are not consistent from year to year.

During the year ended December 31, 2018, the primary reasons for the difference between the federal statutory income tax rate of 21% and the effective tax rate were the effect of the following:

A \$3.8 million reduction in income tax expense, or an effect of 17.2%, resulting from the remeasurement of deferred income taxes to the new federal statutory rate of 21%, which mostly relates to a \$20.0 million discretionary pension contribution made during 2018, for which we received a tax deduction at the 2017 federal income tax rate.

• A \$1.7 million reduction in income tax expense, or an effect of 7.8%, from excess tax benefits of share-based payment awards.

▲ A \$0.7 million increase in income tax expense, or an effect of 3.4%, from state income taxes.

• A \$1.5 million increase in income tax expense, or an effect of 6.9%, from permanent differences, including meals and entertainment and nondeductible executive compensation.

During the year ended December 31, 2017, the primary reasons for the difference between the federal statutory income tax rate of 35% and the effective tax rate were the effect of the following:

• An \$8.1 million reduction in income tax expense, or an effect of 6.9%, resulting from the remeasurement of deferred income taxes to the new federal statutory rate of 21%.

▲ A \$3.7 million increase in income tax expense, or an effect of 3.2%, from state income taxes.

During the year ended December 31, 2016, the primary reasons for the difference between the federal statutory income tax rate of 35% and the effective tax rate were the effect of the following:

• A \$9.9 million reduction in income tax expense, or an effect of 22.8%, resulting from the valuation allowance reversal in our Canadian tax jurisdiction.

▲ A \$2.9 million reduction in income tax expense, or an effect of 6.7%, resulting from other tax credits.

▲ A \$1.7 million increase in income tax expense, or an effect of 4.0%, resulting from unrecognized tax benefits.

▲ A \$1.4 million increase in income tax expense, or an effect of 3.2%, from state income taxes.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act"), was enacted by the U.S. government. The legislation makes broad and complex changes to the U.S. tax code affecting the taxation of businesses in all industries. The most significant impact to our financial statements is the reduction of the corporate federal income tax

rate from 35% to 21%. For more information related to the Tax Act, see Note 4, Income Taxes, of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

#### Liquidity and Capital Resources

We ended 2018 with \$191.7 million of cash and cash equivalents and \$439.4 million of long-term debt. At December 31, 2018, we had \$556.3 million of available liquidity (cash and cash equivalents and undrawn committed bank line availability). Our cash and cash equivalents increased by \$14.5 million during the year ended December 31, 2018, as cash provided by operations (net of \$26.1 million in pension contributions) was offset partially by capital spending, funding of

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acquisitions, dividends paid on common stock, tax withholding payments on stock-based awards, and treasury stock purchases, as further discussed below.

At December 31, 2018, our cash was invested in high-quality, short-term investments, which we record in "Cash and cash equivalents." The majority of our cash and cash equivalents is invested in money market funds that are broadly diversified and invested in high-quality, short-duration securities, including commercial paper, certificates of deposit, U.S. government agency securities, and similar instruments. We have significant amounts of cash and cash equivalents that are in excess of federally insured limits. Though we have not experienced any losses on our cash and cash equivalents to date and we do not anticipate incurring any losses, we cannot be assured that we will not experience losses on our short-term investments.

We believe that our cash flows from operations, combined with our current cash levels and available borrowing capacity, will be adequate to fund debt service requirements and provide cash, as required, to support our ongoing operations, capital expenditures, funding of acquisitions, lease obligations, working capital, pension contributions, and to pay cash dividends to holders of our common stock over the next twelve months. We expect to fund our seasonal and intra-month working capital requirements in 2019 from cash on hand and, if necessary, borrowings under our revolving credit facility. Consistent with our historical patterns, we expect working capital increases to use cash in the first quarter of 2019.

#### Sources and Uses of Cash

We generate cash primarily from sales of our products, as well as short-term and long-term borrowings. Our primary uses of cash are for expenses related to the manufacture and distribution of building products, including inventory purchased for resale, wood fiber, labor, energy, and glues and resins. In addition to paying for ongoing operating costs, we use cash to invest in our business, service our debt and pension obligations, pay dividends, repurchase our common stock, and meet our contractual obligations and commercial commitments. Below is a discussion of our sources and uses of cash for operating activities, investing activities, and financing activities.

	Year Ended December 31		
	2018	2017	2016
	(thousands)		
Net cash provided by operations	\$163,611	\$151,567	\$151,907
Net cash used for investment	(89,257 )	(73,212 )	(298,839 )
Net cash provided by (used for) financing	(59,823 )	(5,193 )	66,414

#### Operating Activities

#### 2018 Compared With 2017