WestRock Co
Form 10-Q
February 09, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549
Form 10-Q

x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended December 31, 2015

or

o Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to

Commission File Number 001-37484

WestRock Company
(Exact Name of Registrant as Specified in Its Charter)

Delaware	47-3335141
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
501 South 5th Street, Richmond, Virginia	23219-0501
(Address of Principal Executive Offices)	(Zip Code)

Registrant’s Telephone Number, Including Area Code: (804) 444-1000

N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report.)

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

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

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if smaller reporting company)	Smaller reporting company o

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date:

Class	Outstanding as of January 31, 2016
Common Stock, $0.01 par value	253,849,343

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Glossary of Terms

The following terms or acronyms used in this Form 10-Q are defined below:

Term or Acronym	Definition
Adjusted Earnings per Diluted Share	As defined on p. 42
Adjusted Net Income	As defined on p. 42
A/R Sales Agreement	As defined on p. 23
Antitrust Litigation	As defined on p. 27
ASC	FASB's Accounting Standards Codification
ASU	Accounting Standards Update
BSF	Billion square feet
Boiler MACT	As defined on p. 25
Business Combination Agreement	The Second Amended and Restated Business Combination Agreement, dated as of April 17, 2015 and amended as of May 5, 2015 by and among WestRock, RockTenn, MWV, RockTenn Merger Sub, and MWV Merger Sub
CERCLA	The Comprehensive Environmental Response, Compensation, and Liability Act of 1980
Code	The Internal Revenue Code of 1986, as amended
Combination	Pursuant to the Business Combination Agreement, (i) RockTenn Merger Sub was merged with and into RockTenn, with RockTenn surviving the merger as a wholly owned subsidiary of WestRock, and (ii) MWV Merger Sub was merged with and into MWV, with MWV surviving the merger as a wholly owned subsidiary of WestRock, which occurred on July 1, 2015
Common Stock	WestRock common stock, par value $0.01 per share
containerboard	Linerboard and corrugating medium
CO2e	Carbon dioxide equivalent
Credit Agreement	As defined on p. 22
Credit Facility	As defined on p. 22
EPA	U.S. Environmental Protection Agency
FASB	Financial Accounting Standards Board
Farm Loan Credit Agreement	As defined on p. 22
FIFO	First-in first-out inventory valuation method
Fiscal 2015 Form 10-K	WestRock's Annual Report on Form 10-K for the fiscal year ended September 30, 2015
GAAP	Generally accepted accounting principles in the U.S.
GHG	Greenhouse gases
GPS	Green Power Solutions of Georgia, LLC
IDBs	Industrial Development Bonds
LIFO	Last-in first-out inventory valuation method
MWV	WestRock MWV, LLC, formerly known as MeadWestvaco Corporation
MWV Merger Sub	Milan Merger Sub, LLC
MMSF	Millions of square feet
NOV	Notice of Violation
Packaging Acquisition	The January 19, 2016 acquisition of certain legal entities formerly owned by Cenveo Inc., in a stock purchase

Pension Act	Pension Protection Act of 2006
PRPs or PRP	Potentially responsible parties

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Term or Acronym	Definition
PSD	Prevention of Significant Deterioration
Receivables Facility	Our $700.0 million receivables-backed financing facility that expires on October 24, 2017
RockTenn	WestRock RKT Company, formerly known as Rock-Tenn Company
RockTenn Merger Sub	Rome Merger Sub, Inc.
SEC	Securities and Exchange Commission
SG&A	Selling, general and administrative expenses
Smurfit-Stone	Smurfit-Stone Container Corporation
Smurfit-Stone Acquisition	The May 27, 2011 acquisition of Smurfit-Stone by Rock-Tenn Company
SP Fiber	SP Fiber Holdings, Inc.
SP Fiber Acquisition	The October 1, 2015 acquisition of SP Fiber
Title V permit	Operating permits issued under Title V of the Clean Air Act
U.S.	United States
WestRock	WestRock Company

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PART I: FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

WESTROCK COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In Millions, Except Per Share Data)

	Three Months Ended December 31,	
	2015	2014
Net sales	$3,680.7	$2,514.2
Cost of goods sold	2,979.5	2,044.7
Gross profit	701.2	469.5
Selling, general and administrative, excluding intangible amortization	363.7	221.3
Selling, general and administrative intangible amortization	64.2	22.4
Pension lump sum settlement and retiree medical curtailment, net	—	11.9
Restructuring and other costs, net	171.1	5.4
Impairment of Specialty Chemicals goodwill	478.3	—
Operating (loss) profit	(376.1)	208.5
Interest expense	(65.2)	(23.3)
Interest income and other income (expense), net	14.5	0.2
Equity in income of unconsolidated entities	1.3	2.2
(Loss) income before income taxes	(425.5)	187.6
Income tax expense	(26.2)	(62.0)
Consolidated net (loss) income	(451.7)	125.6
Less: Net income attributable to noncontrolling interests	(1.8)	(0.5)
Net (loss) income attributable to common stockholders	$(453.5)	$125.1
Basic (loss) earnings per share attributable to common stockholders	$(1.76)	$0.89
Diluted (loss) earnings per share attributable to common stockholders	$(1.76)	$0.88
Cash dividends paid per share	$0.375	$0.1875

See Accompanying Notes to Condensed Consolidated Financial Statements

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WESTROCK COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited)
(In Millions)

	Three Months Ended December 31,	
	2015	2014
Consolidated net (loss) income	$(451.7)	$125.6
Other comprehensive loss, net of tax:		
Foreign currency translation loss	(49.7)	(17.7)
Derivatives:		
Reclassification adjustment of net loss on cash flow hedges included in earnings	0.3	—
Defined benefit pension plans:		
Net actuarial loss arising during the period	—	(2.8)
Amortization and settlement recognition of net actuarial loss, included in pension cost	1.7	17.7
Prior service cost arising during the period	—	(13.9)
Amortization and curtailment recognition of prior service cost (credit), included in pension cost	0.3	(5.2)
Other comprehensive loss	(47.4)	(21.9)
Comprehensive (loss) income	(499.1)	103.7
Less: Comprehensive income attributable to noncontrolling interests	(1.7)	(0.4)
Comprehensive (loss) income attributable to common stockholders	$(500.8)	$103.3

See Accompanying Notes to Condensed Consolidated Financial Statements

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WESTROCK COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In Millions, Except Share Data)

	December 31, 2015	September 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$236.9	$228.3
Restricted cash	7.3	7.3
Accounts receivable (net of allowances of $31.3 and $29.6)	1,491.0	1,690.0
Inventories	2,027.4	1,963.4
Other current assets	245.7	271.4
Total current assets	4,008.3	4,160.4
Property, plant and equipment, net	9,762.7	9,596.7
Goodwill	5,229.1	5,694.5
Intangibles, net	3,494.2	3,552.2
Restricted assets held by special purpose entities	1,298.7	1,302.1
Prepaid pension asset	530.4	532.9
Other assets	507.8	518.0
	$24,831.2	$25,356.8
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of debt	$184.8	$74.1
Accounts payable	1,313.7	1,303.8
Accrued compensation and benefits	275.6	358.0
Other current liabilities	475.0	427.3
Total current liabilities	2,249.1	2,163.2
Long-term debt due after one year	5,631.7	5,558.3
Pension liabilities, net of current portion	301.6	316.0
Postretirement benefit liabilities, net of current portion	141.0	143.0
Non-recourse liabilities held by special purpose entities	1,176.7	1,179.6
Deferred income taxes	3,533.0	3,540.6
Other long-term liabilities	661.6	658.0
Commitments and contingencies (Note 13)		
Redeemable noncontrolling interests	14.1	14.2
Equity:		
Preferred stock, $0.01 par value; 30.0 million shares authorized; no shares outstanding	—	—
Common Stock, $0.01 par value; 600.0 million shares authorized; 255.0 million and 257.0 million shares outstanding at December 31, 2015 and September 30, 2015, respectively	2.6	2.6
Capital in excess of par value	10,696.5	10,767.8
Retained earnings	1,104.1	1,661.6
Accumulated other comprehensive loss	(827.5)	(780.2)
Total stockholders' equity	10,975.7	11,651.8
Noncontrolling interests	146.7	132.1
Total equity	11,122.4	11,783.9
	$24,831.2	$25,356.8

See Accompanying Notes to Condensed Consolidated Financial Statements

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WESTROCK COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In Millions)

	Three Months Ended December 31,	
	2015	2014
Operating activities:		
Consolidated net (loss) income	$(451.7)	$125.6
Adjustments to reconcile consolidated net (loss) income to net cash provided by operating activities:		
Depreciation, depletion and amortization	294.3	151.8
Cost of real estate sold	9.3	—
Deferred income tax (benefit) expense	(20.5)	58.9
Share-based compensation expense	11.8	10.7
(Gain) loss on disposal of plant, equipment and other, net	(0.5)	0.6
Equity in income of unconsolidated entities	(1.3)	(2.2)
Pension and other postretirement funding (more) than expense (income)	(12.2)	4.6
Cash surrender value increase in excess of premiums paid	(10.0)	—
Impairment adjustments and other non-cash items	108.5	(2.9)
Impairment of Specialty Chemicals goodwill	478.3	—
Change in operating assets and liabilities, net of acquisitions:		
Accounts receivable	228.6	94.8
Inventories	(59.5)	(19.1)
Other assets	16.0	(5.4)
Accounts payable	(49.0)	(51.5)
Income taxes	30.5	(5.7)
Accrued liabilities and other	(49.6)	(27.8)
Net cash provided by operating activities	523.0	332.4
Investing activities:		
Capital expenditures	(203.8)	(126.9)
Cash paid for the purchase of business, net of cash acquired	(281.7)	—
Debt purchased in connection with an acquisition	(36.5)	—
Investment in unconsolidated entities	(0.1)	—
Return of capital from unconsolidated entities	0.1	0.2
Proceeds from sale of subsidiary and affiliates	10.2	—
Proceeds from sale of property, plant and equipment	8.4	3.5
Net cash used for investing activities	(503.4)	(123.2)
Financing activities:		
Additions to revolving credit facilities	121.9	39.4
Repayments of revolving credit facilities	(75.5)	(58.7)
Additions to debt	277.2	10.9
Repayments of debt	(143.8)	(165.6)
Commercial card program	(0.4)	(0.4)
Debt issuance costs	—	(0.1)
Issuances of common stock, net of related minimum tax withholdings	5.4	1.8
Purchases of common stock	(94.3)	(8.7)
(Repayments to) advances from unconsolidated entity	(1.1)	0.5
Cash dividends paid to shareholders	(96.4)	(26.3)

Cash distributions paid to noncontrolling interests	(2.8)	(1.2)
Net cash used for financing activities	(9.8)	(208.4)
Effect of exchange rate changes on cash and cash equivalents	(1.2)	(0.6)
Increase in cash and cash equivalents	8.6	0.2
Cash and cash equivalents at beginning of period	228.3	32.6
Cash and cash equivalents at end of period	$236.9	$32.8
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes, net of refunds	$23.4	$8.8
Interest, net of amounts capitalized	19.2	5.6

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Supplemental schedule of non-cash investing and financing activities:

Liabilities assumed in the three months ended December 31, 2015, relate to the acquisition of SP Fiber, a producer of lightweight recycled containerboard, kraft and bag paper and newsprint. For additional information regarding these acquisitions see "Note 5. Acquisitions".

	Three Months Ended December 31, 2015 (In millions)
Fair value of assets acquired, including goodwill	$475.2
Cash consideration for the purchase of business, net of cash acquired [1]	278.5
Debt purchased in connection with an acquisition	36.5
Liabilities assumed	$160.2
Included in liabilities assumed is the following item:	
Debt assumed in acquisition	$13.7

[1] Cash consideration for the purchase of business, net of cash acquired reflects the cash flow line item cash paid for the purchase of business, net of cash acquired less the unreceived estimated working capital settlement of $3.2 million.

See Accompanying Notes to Condensed Consolidated Financial Statements

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WESTROCK COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Month Period Ended December 31, 2015
(Unaudited)

Unless the context otherwise requires, “we”, “us”, “our”, “WestRock” and “the Company” refer to the business of WestRock Company, its wholly-owned subsidiaries and its partially-owned consolidated subsidiaries.

We are one of North America’s leading providers of packaging solutions and manufacturers of containerboard and paperboard. We operate locations in North America, South America, Europe and Asia. We also operate a specialty chemicals business and we develop real estate in Charleston, SC.

Note 1. Interim Financial Statements

Our independent registered public accounting firm has not audited our accompanying interim financial statements. We derived the Condensed Consolidated Balance Sheet at September 30, 2015 from the audited Consolidated Financial Statements included in our Fiscal 2015 Form 10-K. In the opinion of our management, the Condensed Consolidated Financial Statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of our statements of operations for the three months ended December 31, 2015 and December 31, 2014, our comprehensive (loss) income for the three months ended December 31, 2015 and December 31, 2014, our financial position at December 31, 2015 and September 30, 2015, and our cash flows for the three months ended December 31, 2015 and December 31, 2014.

We have condensed or omitted certain notes and other information from the interim financial statements presented in this Quarterly Report on Form 10-Q. Therefore, these interim statements should be read in conjunction with our Fiscal 2015 Form 10-K. The results for the three months ended December 31, 2015 are not necessarily indicative of results that may be expected for the full year.

Note 2. New Accounting Standards

Recently Adopted Standards

In November 2015, the FASB issued ASU 2015-17 “ Balance Sheet Classification of Deferred Taxes”, which amends certain provisions of ASC 740 “Income Taxes”. This ASU requires that all deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. In addition, companies will no longer allocate valuation allowances between current and noncurrent deferred tax assets because those allowances also will be classified as noncurrent. The ASU is effective for annual periods, and for interim periods within those annual periods, beginning after December 15, 2016. Early adoption was permitted for all companies in any interim or annual period. The guidance may be adopted on either a prospective or retrospective basis. We adopted these provisions prospectively on December 31, 2015, and prior periods were not retrospectively adjusted. The adoption did not have a material effect on our consolidated financial statements.

Recently Issued Standards

In September 2015, the FASB issued ASU 2015-16 “Simplifying the Accounting for Measurement-Period Adjustments”, which amends certain provisions of ASC 805 “Business Combinations”. This ASU mandates that measurement-period adjustments be recorded by the acquirer in the period these amounts are determined, and eliminates the requirement to record them retrospectively. These provisions are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years, applied prospectively to open measurement periods. We currently are evaluating the impact of these provisions.

In May 2015, the FASB issued ASU 2015-07 “Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share”. This ASU amends ASC 820 “Fair Value Measurement” and eliminates the requirement to categorize within the fair value hierarchy investments for which fair value is measured using the net asset value (or its equivalent) practical expedient. Investments for which fair value is measured at net asset value per share using the practical expedient should not be categorized in the fair value hierarchy. However, disclosures on investments for which fair value is measured at net asset value as a practical expedient should continue to be disclosed to help users understand the nature and risks of the investments and whether the investments, if sold, are probable of being sold at amounts different from net asset value. The ASU is effective for annual periods, and for interim periods within those annual periods, beginning after December 15, 2015. We currently expect to adopt these provisions on October 1, 2016, including interim periods subsequent to the date of adoption, applied retrospectively to all periods presented. We do not expect that the adoption of these provisions will have a material effect on our consolidated financial statements.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

In April 2015, the FASB issued ASU 2015-05 “Customers Accounting for Fees Paid in a Cloud Computing Arrangement”, which amends ASC 350 “Intangibles--Goodwill and Other Internal-Use Software”. The ASU requires entities to record a software license intangible asset if a hosting arrangement for internal-use software allows the entity to take possession of the software, and it is feasible that the entity can run the software on its own hardware, or contract a vendor to host the software. These provisions are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. We currently expect to adopt these provisions on October 1, 2016, including interim periods subsequent to the date of adoption. We are currently evaluating the impact of these provisions.

In April 2015, the FASB issued ASU 2015-04 “Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets”. This ASU amends ASC 715 “Retirement Plans” and allows entities to use a practical expedient to measure defined benefit plan assets and obligations using a month-end that is closest to the entity’s fiscal year end, as well as the option to use the closest date to a significant event when plan assets and obligations are remeasured. The ASU is effective for annual periods, and for interim periods within those annual periods, beginning after December 15, 2015. Early application is permitted. We currently expect to adopt these provisions on October 1, 2016, including interim periods subsequent to the date of adoption. We do not expect that the adoption of these provisions will have a material effect on our consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02 “Consolidation-Amendments to the Consolidation Analysis”, which amends certain provisions of ASC 810 “Consolidation”. The amendment requires the consideration of additional criteria in (i) the analysis and determination of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities and (ii) primary beneficiary determinations. The ASU also eliminates certain fees from the consolidation analysis of reporting entities that are involved with variable interest entities. The ASU is effective for annual periods, and for interim periods within those annual periods, beginning after December 15, 2015. We expect to adopt these provisions on October 1, 2016, including interim periods subsequent to the date of adoption. We do not expect that the adoption of these provisions will have a material effect on our consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12 “Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period”. This ASU amends ASC 718 “Compensation - Stock Compensation” and clarifies that a performance target in a share-based payment that affects vesting and that could be achieved after the requisite service period should be accounted for as a performance condition and impact compensation cost when it is probable the performance target will be achieved. These provisions are effective for annual periods beginning after December 15, 2015. We expect to adopt these provisions on October 1, 2016, and based on our current stock compensation awards, the adoption is not expected to have a material effect on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09 which is codified in ASC 606 “Revenue from Contracts with Customers” and supersedes both the revenue recognition requirement to ASC 605 “Revenue Recognition” and most industry-specific guidance. The core principle of ASC 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the five steps set forth in ASC 606. An entity must also disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative information about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. These provisions are effective for annual reporting periods beginning after December 15, 2016 (October 1, 2017 for us), including interim periods within that annual period, and can be applied using a full retrospective or modified retrospective approach. We are currently evaluating the impact of these provisions.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note 3. Equity and Other Comprehensive (Loss) Income

Equity

The following is a summary of the changes in total equity for the three months ended December 31, 2015 (in millions):

	WestRock Company Stockholders' Equity	Noncontrolling [1] Interests	Total Equity
Balance at September 30, 2015	$11,651.8	$132.1	$11,783.9
Net (loss) income	(453.5)	1.7	(451.8)
Other comprehensive loss, net of tax	(47.3)	—	(47.3)
Noncontrolling interests assumed in acquisition	—	10.9	10.9
Income tax expense from share-based plans	(0.3)	—	(0.3)
Compensation expense under share-based plans	12.2	—	12.2
Cash dividends declared (per share - $0.375)[2]	(97.1)	—	(97.1)
Distributions and adjustments to noncontrolling interests	—	2.2	2.2
Sale of subsidiary shares from noncontrolling interest	—	(0.2)	(0.2)
Issuance of common stock, net of stock received for minimum tax withholdings	4.2	—	4.2
Purchases of common stock	(94.3)	—	(94.3)
Balance at December 31, 2015	$10,975.7	$146.7	$11,122.4

(1) Excludes amounts related to contingently redeemable noncontrolling interests which are separately classified outside of permanent equity in the mezzanine section of the Condensed Consolidated Balance Sheets.

(2) Includes cash dividends paid, and dividends declared but unpaid, related to the shares reserved but unissued to satisfy Smurfit-Stone bankruptcy claims.

Stock Repurchase Plan

In July 2015, our board of directors authorized a repurchase program of up to 40.0 million shares of our Common Stock, representing approximately 15 percent of our outstanding Common Stock as of July 1, 2015. The shares of our Common Stock may be repurchased over an indefinite period of time at the discretion of management. As of September 30, 2015, the remaining authorization under our repurchase program was approximately 34.6 million shares. Pursuant to that repurchase plan, in the three months ended December 31, 2015, we repurchased approximately 2.1 million shares of our Common Stock for an aggregate cost of $94.3 million. As of December 31, 2015, we had approximately 32.5 million shares of our Common Stock available for repurchase under the plan.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Accumulated Other Comprehensive Loss

The tables below summarize the changes in accumulated other comprehensive loss, net of tax, by component for the three months ended December 31, 2015 and December 31, 2014 (in millions):

	Deferred Loss on Cash Flow Hedges	Defined Benefit Pension and Postretirement Plans	Foreign Currency Items	Total [(1)]
Balance at September 30, 2015	$(1.4)	$(540.7)	$(238.1)	$(780.2)
Other comprehensive loss before reclassifications	—	—	(49.5)	(49.5)
Amounts reclassified from accumulated other comprehensive loss	0.3	1.9	—	2.2
Net current period other comprehensive income (loss)	0.3	1.9	(49.5)	(47.3)
Balance at December 31, 2015	$(1.1)	$(538.8)	$(287.6)	$(827.5)

(1) All amounts are net of tax and noncontrolling interest.

	Deferred Loss on Cash Flow Hedges	Defined Benefit Pension and Postretirement Plans	Foreign Currency Items	Total [(1)]
Balance at September 30, 2014	$(0.2)	$(498.2)	$3.1	$(495.3)
Other comprehensive loss before reclassifications	—	(16.7)	(17.5)	(34.2)
Amounts reclassified from accumulated other comprehensive loss	—	12.4	—	12.4
Net current period other comprehensive loss	—	(4.3)	(17.5)	(21.8)
Balance at December 31, 2014	$(0.2)	$(502.5)	$(14.4)	$(517.1)

(1) All amounts are net of tax and noncontrolling interest.

The net of tax components were determined using effective tax rates averaging approximately 33% to 34% for the three months ended December 31, 2015, and 38% to 39% for the three months ended December 31, 2014. Foreign currency translation gains and losses recorded in accumulated other comprehensive loss for the three months ended December 31, 2015 and December 31, 2014 were primarily due to the change in the Canadian/U.S. dollar and European Euro/U.S. dollar exchange rates. For the three months ended December 31, 2014, we recorded defined benefit net actuarial losses and prior service costs, net of tax, in other comprehensive (loss) income of $2.8 million and $13.9 million, respectively, primarily due to the partial settlement, plan amendments and curtailment of certain defined benefit plans. The deferred income tax expense associated with the net actuarial losses and prior service costs was $1.7 million and $8.8 million, respectively. The amounts reclassified out of accumulated other comprehensive loss into earnings for these events are summarized in the reclassifications tables below.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

The following table summarizes the reclassifications out of accumulated other comprehensive loss by component (in millions):

	Three Months Ended December 31, 2015			Three Months Ended December 31, 2014		
	Pretax	Tax	Net of Tax	Pretax	Tax	Net of Tax
Amortization of defined benefit pension and postretirement items [1]						
Actuarial losses [2]	$(2.3)	$0.7	$(1.6)	$(28.3)	$10.7	$(17.6)
Prior service (cost) credits [2]	(0.4)	0.1	(0.3)	8.4	(3.2)	5.2
Subtotal defined benefit plans	(2.7)	0.8	(1.9)	(19.9)	7.5	(12.4)
Derivative Instruments [1]						
Commodity cash flow hedges [3]	(0.7)	0.3	(0.4)	—	—	—
Foreign currency cash flow hedges [4]	0.2	(0.1)	0.1	—	—	—
Subtotal derivative instruments	(0.5)	0.2	(0.3)	—	—	—
Total reclassifications for the period	$(3.2)	$1.0	$(2.2)	$(19.9)	$7.5	$(12.4)

(1) Amounts in parentheses indicate charges to earnings. Amounts pertaining to noncontrolling interests are excluded.
(2) These accumulated other comprehensive income components are included in the computation of net periodic pension cost (see “Note 12. Retirement Plans” for additional details).
(3) These accumulated other comprehensive income components are included in cost of goods sold.
(4) These accumulated other comprehensive income components are included in net sales.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note 4. Earnings per Share

Our restricted stock awards granted to non-employee directors are considered participating securities as they receive non-forfeitable rights to dividends at the same rate as Common Stock. As participating securities, we include these instruments in the earnings allocation in computing earnings per share under the two-class method described in ASC 260 “Earnings per Share”. The following table sets forth the computation of basic and diluted earnings per share under the two-class method (in millions, except per share data):

	Three Months Ended December 31,	
	2015	2014
Basic (loss) earnings per share:		
Numerator:		
Net (loss) income attributable to common stockholders	$(453.5)	$125.1
Less: Distributed and undistributed income available to participating securities	—	(0.1)
Distributed and undistributed (loss) income attributable to common stockholders	$(453.5)	$125.0
Denominator:		
Basic weighted average shares outstanding	257.6	140.3
Basic (loss) earnings per share attributable to common stockholders	$(1.76)	$0.89
Diluted (loss) earnings per share:		
Numerator:		
Net (loss) income attributable to common stockholders	$(453.5)	$125.1
Less: Distributed and undistributed income available to participating securities	—	(0.1)
Distributed and undistributed (loss) income attributable to common stockholders	$(453.5)	$125.0
Denominator:		
Basic weighted average shares outstanding	257.6	140.3
Effect of dilutive stock options and non-participating securities	—	2.5
Diluted weighted average shares outstanding	257.6	142.8
Diluted (loss) earnings per share attributable to common stockholders	$(1.76)	$0.88

Weighted average shares includes approximately 0.3 million of reserved, but unissued shares at each of December 31, 2015 and December 31, 2014. These reserved shares will be distributed as claims are liquidated or resolved in accordance with the Smurfit-Stone Plan of Reorganization and Confirmation Order.

Due to the net loss in the three months ended December 31, 2015, options and restricted stock in the amount of 5.4 million common shares were not included in computing diluted earnings per share because the effect would have been antidilutive. Options and restricted stock in the amount of 0.8 million common shares in the three months ended December 31, 2014 were not included in computing diluted earnings per share because the effect would have been antidilutive.

Note 5. Merger and Acquisition

SP Fiber

On October 1, 2015, we acquired SP Fiber in a stock purchase. The transaction included the acquisition of mills located in Dublin, GA, and Newberg, OR, which produce lightweight recycled containerboard and kraft and bag paper. The Newberg mill also produced newsprint. As part of the transaction we also acquired SP Fiber's 48 percent interest in GPS. GPS is a renewable energy joint venture providing steam to the Dublin mill and energy to Georgia Power. The purchase price was $281.7 million, net of cash received of $9.5 million. The transaction is subject to an unreceived estimated working capital settlement of $3.2 million. In addition, we paid $36.5 million for debt owed by GPS and thereby own the majority of the debt issued by GPS.

We believe the Dublin mill will help balance the fiber mix of our mill system and that the addition of kraft and bag paper will diversify our product offering including our ability to serve the increasing demand for lighter weight containerboard. Subsequent to the transaction, we initially announced the indefinite and then the permanent closure of the Newberg mill due to the decline in market conditions of the newsprint business and our need to balance supply and demand in our containerboard system. We determined GPS should be consolidated as a variable interest entity under ASC 810 “Consolidation”. Our evaluation concluded that WestRock is the primary beneficiary of GPS as WestRock has both the power and benefits as defined by ASC 810. We have included the results of SP Fiber and GPS since the date of the acquisition in our Corrugated Packaging segment.

The preliminary purchase price allocation for the acquisition included $13.5 million of customer relationship intangible assets, $66.0 million of goodwill and $160.2 million of liabilities, including $13.7 million of debt primarily by GPS to third parties. We are amortizing the customer relationship intangibles over 20 years based on a straight-line basis because the amortization pattern was not reliably determinable. The fair value assigned to goodwill is primarily attributable to buyer-specific synergies expected to arise after the acquisition (e.g., enhanced reach of the combined organization and synergies), the assembled work force of SP Fiber as well as due to establishing deferred tax liabilities for the assets and liabilities acquired. The goodwill and intangibles will not be amortizable for income tax purposes. We are in the process of analyzing the estimated values of all assets acquired and liabilities assumed including, among other things, obtaining third-party valuations of certain tangible and intangible assets as well as the fair value of certain contracts and the determination of certain tax balances, thus, the allocation of the purchase price is preliminary and subject to revision.

The Combination

On July 1, 2015, pursuant to the Business Combination Agreement, RockTenn and MWV completed a strategic combination of their respective businesses. Pursuant to the Business Combination Agreement, RockTenn and MWV became wholly owned subsidiaries of WestRock. RockTenn is the accounting acquirer.

The consideration for the Combination was $8,286.7 million. In connection with the Combination, RockTenn shareholders received in the aggregate approximately 130.4 million shares of our Common Stock and approximately $667.8 million in cash. At the effective time of the Combination, each share of common stock, par value $0.01 per share, of MWV issued and outstanding immediately prior to the effective time of the Combination was converted into the right to receive 0.78 shares of our Common Stock. In the aggregate, MWV stockholders received approximately 131.2 million shares of our Common Stock (which includes shares issued under certain MWV equity awards that vested as a result of the Combination). Included in the consideration was approximately $210.9 million related to outstanding MWV equity awards that were replaced with WestRock equity awards with identical terms for pre-combination service. The amount related to post-combination service will be expensed over the remaining service period of the awards.

We are in the process of analyzing the estimated values of all assets acquired and liabilities assumed including, among other things, obtaining third-party valuations of certain tangible and intangible assets as well as the fair value of certain contracts and the determination of certain tax balances, including decisions around which foreign subsidiaries earnings will be considered permanently reinvested, thus, the allocation of the purchase price is preliminary and subject to material revision.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed by major class of asset and liabilities as of the acquisition date, as well as adjustments made during fiscal 2016 (referred to as "measurement period adjustments") (in millions):

	Amounts Recognized as of the Acquisition Date (1)	Measurement Period Adjustments (2)	Amounts Recognized as of Acquisition Date (as Adjusted) (3)
Cash and cash equivalents	$265.7	$—	$265.7
Current assets, excluding cash and cash equivalents	1,858.8	—	1,858.8
Property, plant and equipment	3,991.5	5.4	3,996.9
Prepaid pension asset	1,407.8	—	1,407.8
Goodwill	3,817.3	(37.6)	3,779.7
Intangible assets	2,994.2	—	2,994.2
Restricted assets held by special purpose entities	1,302.0	—	1,302.0
Other long-term assets	363.8	2.1	365.9
Total assets acquired	16,001.1	(30.1)	15,971.0
Current portion of debt	62.3	—	62.3
Current liabilities	1,099.4	13.4	1,112.8
Long-term debt due after one year	2,090.6	—	2,090.6
Non-recourse liabilities held by special purpose entities	1,181.0	—	1,181.0
Accrued pension and other long-term benefits	235.1	—	235.1
Deferred income tax liabilities	2,366.7	(43.5)	2,323.2
Other long-term liabilities	520.0	—	520.0
Noncontrolling interest	159.3	—	159.3
Total liabilities and noncontrolling interest assumed	7,714.4	(30.1)	7,684.3
Net assets acquired	$8,286.7	$—	$8,286.7

(1) As previously reported in "Note 6. Merger and Acquisitions" of the Notes to Consolidated Financial Statements section of the Fiscal 2015 Form 10-K.

(2) The measurement period adjustments recorded in fiscal 2016 did not have a significant impact on our condensed consolidated statements of operations for the three months ended September 30, 2015 or December 30, 2015. In addition, these adjustments did not have a significant impact on our consolidated balance sheet as of September 30, 2015. Therefore, we have recorded the cumulative impact in fiscal 2016 and have not retrospectively adjusted the comparative 2015 financial information presented herein.

(3) The measurement period adjustments were due primarily to refinements to third party appraisals and carrying amounts of certain assets and liabilities as well as adjustments to certain tax accounts based on among other things, adjustments to deferred tax liabilities including any appraisal adjustments, analysis of the tax basis of acquired assets and liabilities and other tax adjustments. The net impact of the measurement period adjustments resulted in a net decrease to goodwill.

The preliminary estimated fair value assigned to goodwill is primarily attributable to buyer-specific synergies expected to arise after the acquisition (e.g., enhanced geographic reach of the combined organization and increased vertical integration and synergistic opportunities), the assembled work force of MWV as well as due to establishing deferred tax liabilities for the assets and liabilities acquired. The goodwill and intangibles resulting from the acquisition will not be amortizable for tax purposes.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

The following table summarizes the weighted average life and gross carrying amount relating to intangible assets recognized in the Combination, excluding goodwill (in millions):

	Weighted Avg. Life	Gross Carrying Amount
Customer relationships	19.2	$2,881.7
Patents	9.8	57.2
Trademarks	4.5	52.9
Favorable contracts	8.2	2.4
Total	18.8	$2,994.2

None of the intangibles has significant residual value. The intangibles are expected to be amortized over estimated useful lives ranging from 1 to 20 years based on the approximate pattern in which the economic benefits are consumed or straight-line if the pattern was not reliably determinable.

The preliminary allocation of the consideration for the Combination also includes, among other things, $38.5 million of unfavorable contracts which will be amortized over 1 to 9 years and a $346.2 million adjustment to increase the carrying value of the debt assumed to fair value, the adjustment will be amortized over 1 to 32 years.

The following unaudited pro forma information reflects our condensed consolidated results of operations as if the Combination had taken place on October 1, 2013. The unaudited pro forma information is not necessarily indicative of the results of operations that we would have reported had the transaction actually occurred at the beginning of these periods nor is it necessarily indicative of future results. The unaudited pro forma financial information does not reflect the impact of future events that may occur after the Combination, including, but not limited to, anticipated costs savings from synergies or other operational improvements (in millions).

	Three Months Ended December 31, 2014 (Unaudited)
Net sales	$3,855.9
Net income attributable to common stockholders	$156.3

The unaudited pro forma financial information presented in the table above has been adjusted to give effect to adjustments that are (1) directly related to the business combination; (2) factually supportable; and (3) expect to have a continuing impact. These adjustments include, but are not limited to, the application of our accounting policies; elimination of related party transactions; depreciation and amortization related to fair value adjustments to property, plant and equipment and intangible assets including contracts assumed; and interest expense on acquisition related debt.

Note 6. Restructuring and Other Costs, Net

Summary of Restructuring and Other Initiatives

We recorded pre-tax restructuring and other costs, net, of $171.1 million and $5.4 million for the three months ended December 31, 2015 and December 31, 2014, respectively. These amounts are not comparable since the timing and scope of the individual actions associated with a restructuring, an acquisition or integration can vary. We discuss these charges in more detail below.

When we close a facility, if necessary, we recognize an impairment charge primarily to reduce the carrying value of equipment or other property to their estimated fair value less cost to sell, and record charges for severance and other employee related costs. Any subsequent change in fair value less cost to sell prior to disposition is recognized as identified; however, no gain is recognized in excess of the cumulative loss previously recorded. At the time of each announced closure, we generally expect to record future charges for equipment relocation, facility carrying costs, costs to terminate a lease or contract before the end of its term and other employee related costs. Although specific circumstances vary, our strategy has generally been to consolidate our sales and operations into large well-equipped plants that operate at high utilization rates and take advantage of available capacity created by operational excellence initiatives. Therefore, we transfer a substantial portion of each plant's assets and production to our other plants. We believe these actions have allowed us to more effectively manage our business.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

While restructuring costs are not charged to our segments and, therefore, do not reduce segment income, we highlight the segment to which the charges relate. The following table presents a summary of restructuring and other charges, net, related to active restructuring and other initiatives that we incurred during the three months ended December 31, 2015 and December 31, 2014, the cumulative recorded amount since we started the initiative, and our estimate of the total we expect to incur (in millions):

Summary of Restructuring and Other Costs, Net

Segment	Period	Net Property, Plant and Equipment (1)	Severance and Other Employee Related Costs	Equipment and Inventory Relocation Costs	Facility Carrying Costs	Other Costs	Total
Corrugated Packaging(2)	Current Qtr.	$121.2	$9.1	$0.2	$5.2	$3.3	$139.0
	Prior Year Qtr.	0.3	—	0.1	0.9	0.9	2.2
	Cumulative	163.1	38.5	7.9	20.2	16.9	246.6
	Expected Total	163.1	38.5	9.1	26.6	21.2	258.5
Consumer Packaging(3)	Current Qtr.	(2.1)	0.6	0.2	0.1	—	(1.2)
	Prior Year Qtr.	0.1	0.4	—	—	—	0.5
	Cumulative	3.3	4.0	1.2	1.4	0.5	10.4
	Expected Total	3.3	4.0	1.2	1.4	0.5	10.4
Other(4)	Current Qtr.	1.2	—	—	—	32.1	33.3
	Prior Year Qtr.	—	—	—	—	2.7	2.7
	Cumulative	1.2	—	—	—	312.9	314.1
	Expected Total	1.2	—	—	—	312.9	314.1
Total	Current Qtr.	$120.3	$9.7	$0.4	$5.3	$35.4	$171.1
	Prior Year Qtr.	$0.4	$0.4	$0.1	$0.9	$3.6	$5.4
	Cumulative	$167.6	$42.5	$9.1	$21.6	$330.3	$571.1
	Expected Total	$167.6	$42.5	$10.3	$28.0	$334.6	$583.0

(1) We have defined “Net Property, Plant and Equipment” as used in this Note 6 to represent property, plant and equipment impairment losses, subsequent adjustments to fair value for assets classified as held for sale, subsequent (gains) or losses on sales of property, plant and equipment and related parts and supplies, and accelerated depreciation on such assets, if any.

(2) The Corrugated Packaging segment current quarter charges primarily reflect the charges associated with the permanent closure of the Coshocton, OH medium mill and the Newberg, OR containerboard and newsprint mill and on-going closure costs at previously closed facilities. The prior year quarter charges primarily reflect on-going closure costs at previously closed facilities net of asset sales. The cumulative charges are primarily associated with the closure of the Coshocton, Newberg and Matane, Quebec mills and the cumulative closure of certain corrugated container plants and recycled collection facilities acquired in the Smurfit-Stone Acquisition, and gains and losses associated with the sale of closed facilities. We have transferred a substantial portion of each closed facility's production to our other facilities.

(3) The Consumer Packaging segment current quarter income is primarily associated with the gain on sale of the Cincinnati, OH specialty recycled paperboard mill, partially offset by severance costs relating to exiting a product offering at one of our facilities and on-going closure activity at previously closed facilities. The prior year quarter

charges primarily reflect the closure of a small converting facility and on-going closure activity at previously closed facilities. The cumulative charges primarily reflect our Cincinnati, OH mill and the consolidation of converting and merchandising displays facilities. We have transferred a substantial portion of each closed facility's production to our other facilities.

(4) The expenses in the "Other" segment primarily reflect costs that we consider as related to Corporate that primarily consist of costs incurred as a result of the Combination, the Smurfit-Stone Acquisition, and other acquisition and divestiture expenses. The charges in the Net Property, Plant and Equipment column are for the write-off of leasehold improvements associated with the integration of the Combination. The pre-tax charges in the "Other" segment are summarized below (in millions):

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Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

	Acquisition Expenses	Integration Expenses	Divestiture Expenses	Total
Current Qtr.	$3.5	$21.5	$8.3	$33.3
Prior Year Qtr.	$0.5	$2.2	$—	$2.7

Acquisition expenses include expenses associated with mergers, acquisitions and other business combinations, whether consummated or not, as well as litigation expenses associated with mergers, acquisitions and business combinations, net of recoveries. Acquisition expenses primarily consist of advisory, legal, accounting, valuation and other professional or consulting fees. Integration expenses reflect primarily severance and other employee costs, professional services including work being performed to facilitate merger and acquisition integration, such as information systems integration costs, lease expense and other costs. Divestiture expenses are primarily associated with costs incurred to support the planned Specialty Chemicals segment separation and consist primarily of advisory, legal, accounting and other professional fees. Due to the complexity and duration of the integration activities associated with the Combination, the precise amount expected to be incurred has not been quantified in the “Expected Total” in the Summary of Restructuring and Other Costs, Net table above. We expect integration activities to continue during fiscal 2016 and 2017.

The following table represents a summary of and the changes in the restructuring accrual, which is primarily composed of lease commitments, accrued severance and other employee costs, and a reconciliation of the restructuring accrual charges to the line item “Restructuring and other costs, net” on our Condensed Consolidated Statements of Operations (in millions):

	Three Months Ended December 31,	
	2015	2014
Accrual at beginning of fiscal year	$21.4	$10.9
Additional accruals	20.2	0.2
Payments	(12.2)	(2.7)
Adjustment to accruals	0.6	0.9
Accrual at December 31	$30.0	$9.3

Reconciliation of accruals and charges to restructuring and other costs, net:

	Three Months Ended December 31,	
	2015	2014
Additional accruals and adjustments to accruals (see table above)	$20.8	$1.1
Acquisition expenses	3.5	0.5
Integration expenses	12.3	2.1
Divestiture expenses	8.3	—
Net property, plant and equipment	120.3	0.4
Severance and other employee expense	0.1	0.4
Equipment and inventory relocation costs	0.4	0.1
Facility carrying costs	5.3	0.9
Other expense (income)	0.1	(0.1)
Total restructuring and other costs, net	$171.1	$5.4

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note 7. Income Taxes

The effective tax rates for the three months ended December 31, 2015 and December 31, 2014 were (6.2)% and 33.0% respectively. The effective tax rates for the three months ended December 31, 2015 were different than the statutory rate primarily due to no tax benefit being recorded for the goodwill impairment with respect to our Specialty Chemicals reporting unit (see Note 14. “Segment Information” for additional details), the impact of state taxes, the domestic manufacturer’s deduction, the exclusion of tax benefits related to certain foreign losses, and a tax rate differential with respect to foreign earnings. The effective tax rates for the three months ended December 31, 2014 were different than the statutory rate primarily due to the impact of state taxes, the ability to claim the domestic manufacturer’s deduction against U.S. taxable earnings and a lower tax rate with respect to foreign earnings.

Note 8. Inventories

We value substantially all of our U.S. inventories at the lower of cost or market, with cost determined on the LIFO inventory valuation method, which we believe generally results in a better matching of current costs and revenues than under the FIFO inventory valuation method. In periods of increasing costs, the LIFO method generally results in higher cost of goods sold than under the FIFO method. In periods of decreasing costs, the results are generally the opposite. Since LIFO is designed for annual determinations, it is possible to make an actual valuation of inventory under the LIFO method only at the end of each fiscal year based on the inventory levels and costs at that time. Accordingly, we base interim LIFO estimates on management’s projection of expected year-end inventory levels and costs. We value all other inventories at the lower of cost or market, with cost determined using methods which approximate cost computed on a FIFO basis. These other inventories represent primarily foreign inventories and certain inventoried spare parts and supplies inventories. Inventories were as follows (in millions):

	December 31, 2015	September 30, 2015
Finished goods and work in process	$1,023.4	$983.3
Raw materials	691.7	697.4
Spare parts and supplies	344.3	333.3
Inventories at FIFO cost	2,059.4	2,014.0
LIFO reserve	(32.0)	(50.6)
Net inventories	$2,027.4	$1,963.4

Note 9. Property, Plant and Equipment

Property, plant and equipment, net consists of the following (in millions):

	December 31, 2015	September 30, 2015
Property, plant and equipment at cost:		
Land and buildings	$2,392.9	$2,336.8
Machinery and equipment	10,491.2	10,066.6
Forestlands and mineral rights	148.6	161.3
Transportation equipment	20.2	20.3
Leasehold improvements	65.7	60.7
	13,118.6	12,645.7
Less accumulated depreciation and amortization	(3,355.9)	(3,049.0)
Property, plant and equipment, net	$9,762.7	$9,596.7

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Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Note 10. Debt

In connection with the Combination, the public bonds issued by RockTenn and MWV are guaranteed by WestRock and have cross-guarantees by its wholly-owned subsidiaries RockTenn and MWV. The IDBs associated with the capital lease obligations of MWV are guaranteed by WestRock. The public bonds are unsecured unsubordinated obligations that rank equally in right of payment with all of our existing and future unsecured unsubordinated obligations. At December 31, 2015, our Credit Facility and public bonds were unsecured. For more information regarding certain of our debt characteristics, see “Note 9. Debt” of the Notes to Consolidated Financial Statements section of the Fiscal 2015 Form 10-K.

The following were individual components of debt (in millions):

	December 31, 2015			September 30, 2015		
	Carrying Value	Weighted Avg. Interest Rate		Carrying Value	Weighted Avg. Interest Rate	
U.S. Dollar Denominated Fixed Rate Debt:						
Notes due fiscal 2017 to 2022	$1,666.9	3.8	%	$1,672.2	3.8	%
Notes due fiscal 2023 to 2027	437.2	4.4	%	436.8	4.4	%
Notes due fiscal 2030 to 2033	999.0	4.7	%	1,002.8	4.6	%
Notes due fiscal 2037 to 2047	179.9	5.9	%	180.1	5.9	%
U.S. Dollar Denominated Floating Rate Debt:						
Term loan facilities	1,794.9	1.5	%	1,794.7	1.4	%
Revolving credit and swing facilities	110.4	1.2	%	64.1	2.6	%
Receivables-backed financing facility	365.0	1.0	%	198.0	0.9	%
Capital lease obligations	159.2	5.6	%	165.9	5.7	%
International and other debt	104.0	7.3	%	117.8	6.9	%
Total debt	5,816.5	3.2	%	5,632.4	3.3	%
Less current portion of debt	184.8			74.1		
Long-term debt due after one year	$5,631.7			$5,558.3		

In connection with purchase accounting, we increased the value of debt assumed to reflect the debt at fair value. Total debt at December 31, 2015 and September 30, 2015 includes $333.5 million and $340.9 million of unamortized fair market value step-up. A portion of the debt classified as long-term, principally our Credit Facility and Receivables Facility, may be paid down earlier than scheduled at our discretion without penalty. Certain restrictive covenants govern our maximum availability under our credit facilities. We test and report our compliance with these covenants as required and are in compliance with all of our covenants at December 31, 2015. At December 31, 2015, we had $47.1 million of outstanding letters of credit not drawn upon. At December 31, 2015, we had approximately $3.3 billion of availability under our credit facilities, which may be used to provide for ongoing working capital needs and for other general corporate purposes including acquisitions, dividends and stock repurchases. Included in this availability is a $1.1 billion unfunded, delayed draw, term loan facility. The estimated fair value of our debt was approximately $5.9 billion and $5.7 billion as of December 31, 2015 and September 30, 2015, respectively. The fair value of our long-term debt is primarily either based on quoted prices for those or similar instruments, or approximate the carrying amount as the variable interest rates reprice frequently at observable current market rates, and are categorized as level 2 within the fair value hierarchy.

Term Loans and Revolving Credit Facilities

In connection with the Combination, on July 1, 2015, WestRock entered into a credit agreement (the “Credit Agreement”) that provides for a 5-year senior unsecured term loan in an aggregate principal amount of $2.3 billion ($1.1 billion of which can be drawn on a delayed draw basis not later than April 1, 2016 in up to two separate draws) and a 5-year senior unsecured revolving credit facility in an aggregate committed principal amount of $2.0 billion (together the “Credit Facility”). Also, on July 1, 2015, we entered into a credit agreement (the “Farm Loan Credit Agreement”) with CoBank ACB. The Farm Loan Credit Agreement provides for a 7-year senior unsecured term loan in an aggregate principal amount of $600.0 million. On December 1, 2015, we entered into a $200.0 million uncommitted and revolving line of credit with Sumitomo Mitsui Banking Corporation. The maturity of the facility is December 1, 2016. At December 31, 2015 we had $96.0 million outstanding under this facility.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Receivables-Backed Financing Facility

Our $700.0 million receivables-backed financing facility is scheduled to expire on October 24, 2017. At December 31, 2015 and September 30, 2015, maximum available borrowings, excluding amounts outs