**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**



**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**



**Date of Report (Date of earliest event reported): November 5, 2020 (November 5, 2020)**



**VERITIV CORPORATION**

(Exact name of registrant as specified in its charter)



**Delaware**

(State or other jurisdiction of incorporation)

|  |  |
| --- | --- |
| **001-36479** | **46-3234977** |
| (Commission File Number) | (I.R.S. Employer Identification No.) |
| **1000 Abernathy Road NE** |  |
| **Building 400, Suite 1700** |  |
| **Atlanta, Georgia** | **30328** |
| (Address of principal executive offices) | (Zip Code) |

Registrant’s telephone number, including area code: **(770) 391-8200**

**Not Applicable**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

* Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
* Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
* Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
* Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

|  |  |  |
| --- | --- | --- |
| **Title of each class** | **Trading Symbol(s)** | **Name of each exchange on which registered** |
|  |  |  |
| **Common stock, $0.01 par value** | **VRTV** | **New York Stock Exchange** |
|  |  |  |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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



**Item 2.02.** **Results of Operations and Financial Condition.**

On November 5, 2020, Veritiv Corporation (the “Company”) issued a press release containing certain financial results of the Company and its direct and indirect wholly-owned subsidiaries for the three and nine months ended September 30, 2020. A copy of this press release is attached as Exhibit 99.1 to this Current Report on Form 8-K.

**Item 7.01.** **Regulation FD Disclosure.**

The Company is furnishing herewith additional information in conjunction with the November 5, 2020 earnings release. This additional information includes general Company information and highlights of financial results of the Company and its direct and indirect wholly-owned subsidiaries for the three and nine months ended September 30, 2020. The additional information, attached as Exhibit 99.2 to this Current Report on Form 8-K, is being furnished and will not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section.

The information in this Current Report on Form 8-K will not be incorporated by reference into any registration statement or other document filed by the Company under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated by reference.

**Item 9.01.** **Financial Statements and Exhibits.**

1. Exhibits.

The following exhibits are included with this report:

|  |  |  |
| --- | --- | --- |
| Exhibit No. | | Exhibit Description |
| [99.1](#page4) |  | [Press Release of Veritiv Corporation issued November 5, 2020.](#page4) |
| [99.2](#page15) |  | [Additional Information of Veritiv Corporation issued November 5, 2020.](#page15) |
| 104 |  | Cover Page Interactive Data File (embedded within the Inline XBRL document). |
|  |  |  |

**SIGNATURES**

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

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  | **VERITIV CORPORATION** |
| Dated: November 5, 2020 | | | /s/ Mark W. Hianik |
|  |  |  | Mark W. Hianik |
|  |  |  | Senior Vice President, General Counsel & Corporate Secretary |
|  |  |  |  |

**Exhibit 99.1**



**Veritiv Announces Third Quarter 2020**

**Financial Results**

***Reports Third Quarter Net Sales of $1.6 Billion,***

***Net Income of $21.1 Million,***

***Basic and Diluted Earnings per Share of $1.33 and $1.30, respectively, and***

***Adjusted EBITDA of $49.9 Million***

**ATLANTA (November 5, 2020) –** Veritiv Corporation (NYSE: VRTV), a North American leader in business-to-business distribution solutions, todayannounced financial results for the third quarter ended September 30, 2020.

“Continuing execution of our multi-year strategy and broad-based efficiency programs led to record Adjusted EBITDA margins in the third quarter,” said Sal Abbate, Chief Executive Officer. “We are fully operational and meeting the needs of our employees and customers both safely and efficiently. Our significantly improved fundamentals and the flexibility of our business model drove a year-over-year improvement in Adjusted EBITDA despite a challenging and dynamic market environment.”

For the three months ended September 30, 2020, compared to the three months ended September 30, 2019:

* Net sales were $1.6 billion, a decrease of 17.3% from the prior year. The foreign currency effect on net sales was negligible.
* Net income was $21.1 million, compared to net income of $5.1 million in the prior year. Net restructuring charges were $7.9 million in the third quarter of 2020 compared to $7.6 million in the prior year.
* Basic and diluted earnings per share were $1.33 and $1.30, respectively, compared to $0.32 and $0.31, respectively, in the prior year.
* Adjusted EBITDA was $49.9 million, an increase of 10.9% from the prior year.
* Adjusted EBITDA as a percentage of net sales was 3.1%, an increase of 80 basis points from the prior year.

For the nine months ended September 30, 2020, compared to the nine months ended September 30, 2019:

* Net sales were $4.7 billion, a decrease of 19.2% from the prior year. Net sales decreased 19.5% from the prior year, excluding the negative effect of foreign currency.
* Net income was $2.2 million, compared to net loss of $(32.9) million in the prior year. Net restructuring charges were $40.4 million in 2020 compared to $16.9 million in the prior year.
* Basic and diluted earnings (loss) per share were $0.14 compared to $(2.05) in the prior year.
* Adjusted EBITDA was $125.9 million, an increase of 15.8% from the prior year.
* Adjusted EBITDA as a percentage of net sales was 2.7%, an increase of 80 basis points from the prior year.



For the quarter ended September 30, 2020, net cash provided by operating activities was $54.2 million and free cash flow was $49.1 million.

"Our third quarter free cash flow generation was strong due to positive earnings, and lower days sales outstanding and days inventory on hand over sequential quarters, driven by our continuing efforts to improve working capital," said Stephen Smith, Senior Vice President and Chief Financial Officer. "Our liquidity position remains healthy, and at the end of September 2020, our net debt to Adjusted EBITDA leverage ratio was 2.4x, down from 3.6x in the prior year period and improved from the prior sequential quarter.

Due to the uncertainty and ongoing impacts of COVID-19, we withdrew our full-year guidance earlier this year. At this time, we expect the fourth quarter earnings will drive our 2020 full year Adjusted EBITDA above our 2019 full year Adjusted EBITDA.

Veritiv Corporation will host a live conference call and webcast today, November 5, 2020, at 10 a.m. (ET) to discuss its third quarter financial results. To participate, callers within the United States ("U.S.") and Canada can dial (833) 968-2246, and international callers can dial (825) 312-2066, both using conference ID number 6545339. Interested parties can also listen online at ir.veritivcorp.com. A replay of the call and webcast will be available online for a limited period of time at ir.veritivcorp.com shortly after the live webcast is completed.

Important information regarding U.S. generally accepted accounting principles ("U.S. GAAP") and related reconciliations of non-GAAP financial measures to the most comparable U.S. GAAP measures can be found in the schedules to this press release, which should be thoroughly reviewed.

**About Veritiv**

Veritiv Corporation (NYSE: VRTV), headquartered in Atlanta and a Fortune 500® company, is a leading North American business-to-business distributor of packaging, facility solutions, print and publishing products and services. Additionally, Veritiv provides logistics and supply chain management solutions. Serving customers in a wide range of industries, Veritiv has distribution centers throughout the U.S., Canada and Mexico, and team members around the world helping shape the success of its customers. For more information about Veritiv and its business segments visit **www.veritivcorp.com.**

**Safe Harbor Provision**

Certain statements contained in this press release regarding Veritiv Corporation’s (the "Company") future operating results, performance, business plans, including prospects, guidance, the 2020 Restructuring Plan and any other restructuring, statements related to the impact of COVID-19 and any other statements not constituting historical fact are "forward-looking statements" subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. Where possible, the words "believe," "expect," "anticipate," "continue," "intend," "should," "will," "would," "planned," "estimated," "potential," "goal," "outlook," "may," "predicts," "could," or the negative of such terms, or other comparable expressions, as they relate to the Company or its business, have been used to identify such forward-looking statements. All forward-looking statements reflect only the Company’s current beliefs and assumptions with respect to future operating results, performance, business plans, prospects, guidance and other matters, and are based on information currently available to the Company. Accordingly, the statements are subject to significant risks, uncertainties and contingencies, which could cause the Company’s actual operating results, performance, business plans, prospects or guidance to differ materially from those expressed in, or implied by, these statements.



Factors that could cause actual results to differ materially from current expectations include risks and other factors described under "Risk Factors" in our

Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q and elsewhere in the Company’s publicly available reports filed with the

Securities and Exchange Commission ("SEC"), which contain a discussion of various factors that may affect the Company’s business or financial results. Such risks and other factors, which in some instances are beyond the Company’s control, include: the industry-wide decline in demand for paper and related products; adverse impacts of the COVID-19 pandemic; uncertainties as to the structure, timing, benefits and costs of the 2020 Restructuring Plan or any future restructuring plan that the Company may undertake; increased competition from existing and non-traditional sources; adverse developments in general business and economic conditions as well as conditions in the global capital and credit markets impacting our Company and our customers; foreign currency fluctuations; our ability to attract, train and retain highly qualified employees; the effects of work stoppages, union negotiations and labor disputes; the loss of any of our significant customers; changes in business conditions in our international operations; procurement and other risks in obtaining packaging, facility products and paper from our suppliers for resale to our customers; changes in prices for raw materials; increases in the cost of fuel and third-party freight and the availability of third-party freight providers; changes in trade policies and regulations; inclement weather, widespread outbreak of an illness or responses thereto, anti-terrorism measures and other disruptions to our supply chain, distribution system and operations; our dependence on a variety of information technology and telecommunications systems and the Internet; our reliance on third-party vendors for various services; cybersecurity risks; costs to comply with laws, rules and regulations, including environmental, health and safety laws, and to satisfy any liability or obligation imposed under such laws; regulatory changes and judicial rulings impacting our business; adverse results from litigation, governmental investigations or audits, or tax-related proceedings or audits; our ability to adequately protect our material intellectual property and other proprietary rights, or to defend successfully against intellectual property infringement claims by third parties; our pension and health care costs and participation in multi-employer pension, health and welfare plans; increasing interest rates; our ability to generate sufficient cash to service our debt; our ability to comply with the covenants contained in our debt agreements; our ability to refinance or restructure our debt on reasonable terms and conditions as might be necessary from time to time; changes in accounting standards and methodologies; and other events of which we are presently unaware or that we currently deem immaterial that may result in unexpected adverse operating results. The Company is not responsible for updating the information contained in this press release beyond the published date, or for changes made to this document by wire services or Internet service providers. This press release is being furnished to the SEC through a Form 8-K. The Company’s Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2020 to be filed with the SEC may contain updates to the information included in this release.



|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Financial Statements** |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **VERITIV CORPORATION** | | | |  |  |  |  |  |  |  |  |  |
|  | **CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS** | | | | | | |  |  |  |  |  |  |
|  | (in millions, except per share data, unaudited) | | | | |  |  |  |  |  |  |  |  |
|  |  |  | **Three Months Ended** | | | | |  | **Nine Months Ended** | | | | |
|  |  |  | **September 30,** | | |  |  |  | **September 30,** | | |  |  |
|  |  |  | **2020** |  |  | **2019** |  |  | **2020** |  |  | **2019** |  |
| Net sales |  | $ | 1,591.2 |  | $ | 1,924.5 |  | $ | 4,703.3 |  | $ | 5,824.2 |  |
| Cost of products sold (exclusive of depreciation and amortization shown | | |  |  |  |  |  |  |  |  |  |  |  |
| separately below) |  |  | 1,262.4 |  |  | 1,550.8 | |  | 3,728.8 | |  | 4,726.5 | |
| Distribution expenses |  |  | 100.6 |  |  | 124.9 | |  | 323.9 | |  | 387.3 | |
| Selling and administrative expenses |  |  | 177.4 |  |  | 204.3 | |  | 545.4 | |  | 631.6 | |
| Depreciation and amortization |  |  | 15.0 | |  | 13.3 | |  | 43.1 | |  | 39.5 | |
| Integration expenses |  |  | — | |  | 4.5 | |  | — | |  | 13.3 | |
| Restructuring charges, net |  |  | 7.9 |  |  | 7.6 | |  | 40.4 | |  | 16.9 | |
| **Operating income (loss)** |  |  | 27.9 |  |  | 19.1 |  |  | 21.7 |  |  | 9.1 |  |
| Interest expense, net |  |  | 5.5 |  |  | 8.9 | |  | 19.7 | |  | 30.5 | |
| Other (income) expense, net |  |  | 1.4 |  |  | (2.5) | |  | 0.0 | |  | 11.3 | |
| **Income (loss) before income taxes** |  |  | 21.0 |  |  | 12.7 |  |  | 2.0 |  |  | (32.7) |  |
| Income tax expense (benefit) |  |  | (0.1) | |  | 7.6 | |  | (0.2) | |  | 0.2 | |
| **Net income (loss)** |  | $ | 21.1 |  | $ | 5.1 |  | $ | 2.2 |  | $ | (32.9 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Earnings (loss) per share: |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic earnings (loss) per share | $ | | 1.33 | | $ | 0.32 | | $ | 0.14 | | $ | (2.05) | |
| Diluted earnings (loss) per share | $ | | 1.30 | | $ | 0.31 | | $ | 0.14 | | $ | (2.05) | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Weighted-average shares outstanding: |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic |  |  | 15.89 |  |  | 16.10 | |  | 15.99 | |  | 16.04 | |
| Diluted |  |  | 16.21 |  |  | 16.24 | |  | 16.18 | |  | 16.04 | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |

**VERITIV CORPORATION**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

(dollars in millions, except par value, unaudited)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **September 30, 2020** | | | **December 31, 2019** | | | | |
| **Assets** |  |  |  |  |  |  |  |  |
| Current assets: |  |  |  |  |  |  |  |  |
| Cash and cash equivalents | $ | 112.5 | | $ | | 38.0 | |  |
| Accounts receivable, less allowances of $43.7 and $43.8, respectively |  | 840.1 | |  |  | 910.8 | |  |
| Related party receivable |  | 2.4 | |  |  | 2.8 | |  |
| Inventories |  | 484.5 | |  |  | 552.9 | |  |
| Other current assets |  | 116.1 | |  |  | 126.1 | |  |
| **Total current assets** |  | 1,555.6 |  |  |  | 1,630.6 |  |  |
| Property and equipment (net of accumulated depreciation and amortization of $366.9 and $342.6, |  |  |  |  |  |  |  |  |
| respectively) |  | 202.2 | |  |  | 216.9 | |  |
| Goodwill |  | 99.6 | |  |  | 99.6 | |  |
| Other intangibles, net |  | 48.6 | |  |  | 52.2 | |  |
| Deferred income tax assets |  | 57.2 | |  |  | 57.0 | |  |
| Other non-current assets |  | 396.4 | |  |  | 454.8 | |  |
| **Total assets** | $ | 2,359.6 |  |  | $ | 2,511.1 |  |  |
| **Liabilities and shareholders' equity** |  |  |  |  |  |  |  |  |
| Current liabilities: |  |  |  |  |  |  |  |  |
| Accounts payable | $ | 496.9 | | $ | | 476.9 | |  |
| Related party payable |  | 4.0 | |  |  | 4.3 | |  |
| Accrued payroll and benefits |  | 66.2 | |  |  | 53.9 | |  |
| Other accrued liabilities |  | 184.3 | |  |  | 183.8 | |  |
| Current portion of debt |  | 14.9 | |  |  | 12.6 | |  |
| **Total current liabilities** |  | 766.3 |  |  |  | 731.5 |  |  |
| Long-term debt, net of current portion |  | 591.0 | |  |  | 742.4 | |  |
| Defined benefit pension obligations |  | 14.1 | |  |  | 15.7 | |  |
| Other non-current liabilities |  | 445.4 | |  |  | 485.3 | |  |
| **Total liabilities** |  | 1,816.8 |  |  |  | 1,974.9 |  |  |
| Commitments and contingencies |  |  |  |  |  |  |  |  |
| Shareholders' equity: |  |  |  |  |  |  |  |  |
| Preferred stock, $0.01 par value, 10.0 million shares authorized, none issued |  | — | |  |  | — | | |
| Common stock, $0.01 par value, 100.0 million shares authorized; shares issued - 16.6 million and 16.4 |  |  |  |  |  |  |  |  |
| million, respectively; shares outstanding - 15.9 million and 16.1 million, respectively |  | 0.2 | |  |  | 0.2 | |  |
| Additional paid-in capital |  | 632.1 | |  |  | 618.0 | |  |
| Accumulated (deficit) earnings |  | (33.4) | |  |  | (35.3) | | |
| Accumulated other comprehensive loss |  | (39.0) | |  |  | (33.1) | | |
| Treasury stock at cost - 0.7 million shares in 2020 and 0.3 million shares in 2019 |  | (17.1) | |  |  | (13.6) | | |
| **Total shareholders' equity** |  | 542.8 |  |  |  | 536.2 |  |  |
| **Total liabilities and shareholders' equity** | $ | 2,359.6 |  |  | $ | 2,511.1 |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

**VERITIV CORPORATION**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in millions, unaudited)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Nine Months Ended September 30,** | | | | | |
|  |  |  | **2020** |  |  | **2019** |  |
| **Operating activities** |  |  |  |  |  |  |  |
| Net income (loss) | $ | | 2.2 | | $ | (32.9) | |
| Depreciation and amortization |  |  | 43.1 | |  | 39.5 | |
| Amortization and write-off of deferred financing fees |  |  | 1.8 | |  | 1.9 | |
| Net losses (gains) on dispositions of property and equipment |  |  | (8.1) | |  | (0.1) | |
| Provision for expected credit losses and doubtful accounts, respectively |  |  | 11.2 | |  | 13.8 | |
| Deferred income tax provision (benefit) |  |  | (0.6) | |  | (2.9) | |
| Stock-based compensation |  |  | 14.9 | |  | 12.4 | |
| Other non-cash items, net |  |  | 8.4 | |  | 9.9 | |
| Changes in operating assets and liabilities |  |  |  |  |  |  |  |
| Accounts receivable and related party receivable |  |  | 58.1 | |  | 193.1 | |
| Inventories |  |  | 65.3 | |  | 87.8 | |
| Other current assets |  |  | 0.6 | |  | 29.7 | |
| Accounts payable and related party payable |  |  | 52.8 | |  | (84.8) | |
| Accrued payroll and benefits |  |  | 12.6 | |  | (5.9) | |
| Other accrued liabilities |  |  | 1.6 | |  | (0.4) | |
| Other |  |  | 16.8 | |  | 9.4 | |
| Net cash provided by (used for) operating activities |  |  | 280.7 |  |  | 270.5 |  |
| **Investing activities** |  |  |  |  |  |  |  |
| Property and equipment additions |  |  | (19.8) | |  | (22.2) | |
| Proceeds from asset sales |  |  | 12.0 | |  | 0.3 | |
| Net cash provided by (used for) investing activities |  |  | (7.8 | ) |  | (21.9 | ) |
| **Financing activities** |  |  |  |  |  |  |  |
| Change in book overdrafts |  |  | (30.1) | |  | 31.4 | |
| Borrowings of long-term debt |  |  | 4,100.6 | |  | 5,038.3 | |
| Repayments of long-term debt |  |  | (4,252.0) | |  | (5,306.1) | |
| Payments under right-of-use finance leases |  |  | (9.5) | |  | (6.8) | |
| Deferred financing fees |  |  | (3.4) | |  | — | |
| Purchase of treasury stock |  |  | (3.5) | |  | — | |
| Payments under Tax Receivable Agreement |  |  | (0.3) | |  | (7.8) | |
| Other |  |  | (0.3) | |  | (2.4) | |
| Net cash provided by (used for) financing activities |  |  | (198.5 | ) |  | (253.4 | ) |
| Effect of exchange rate changes on cash |  |  | 0.1 |  |  | (0.2 | ) |
| Net change in cash and cash equivalents |  |  | 74.5 |  |  | (5.0) | |
| Cash and cash equivalents at beginning of period |  |  | 38.0 | |  | 64.3 | |
| Cash and cash equivalents at end of period |  | $ | 112.5 |  | $ | 59.3 |  |
| **Supplemental cash flow information** |  |  |  |  |  |  |  |
| Cash paid for income taxes, net of refunds | $ | | 2.8 | | $ | 3.1 | |
| Cash paid for interest |  |  | 17.2 | |  | 28.1 | |
| **Non-cash investing and financing activities** |  |  |  |  |  |  |  |
| Non-cash additions to property and equipment for right-of-use finance leases | $ | | 13.4 | | $ | 9.8 | |
| Non-cash additions to other non-current assets for right-of-use operating leases |  |  | 18.3 | |  | 107.7 | |
|  |  |  |  |  |  |  |  |

**Non-GAAP Measures**

We supplement our financial information prepared in accordance with U.S. GAAP with certain non-GAAP measures including Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, restructuring charges, net, integration and acquisition expenses and other similar charges including any severance costs, costs associated with warehouse and office openings or closings, consolidation, and relocation and other business optimization expenses, stock-based compensation expense, changes in the LIFO reserve, non-restructuring asset impairment charges, non-restructuring severance charges, non-restructuring pension charges, net, fair value adjustments related to contingent liabilities assumed in mergers and acquisitions and certain other adjustments) because we believe investors commonly use Adjusted EBITDA and these other non-GAAP measures as key financial metrics for valuing companies. In addition, the credit agreement governing our Asset-Based Lending Facility (the "ABL Facility") permits us to exclude the foregoing and other charges in calculating "Consolidated EBITDA", as defined in the ABL Facility. We approximate foreign currency effects by applying the foreign currency exchange rate for the prior period to the local currency results for the current period.

Adjusted EBITDA and these other non-GAAP measures are not alternative measures of financial performance under U.S. GAAP. Non-GAAP measures do not have definitions under U.S. GAAP and may be defined differently by, and not be comparable to, similarly titled measures used by other companies. As a result, we consider and evaluate non-GAAP measures in connection with a review of the most directly comparable measure calculated in accordance with U.S. GAAP. We caution investors not to place undue reliance on such non-GAAP measures and to consider them with the most directly comparable U.S. GAAP measures. Adjusted EBITDA and these other non-GAAP measures have limitations as analytical tools and should not be considered in isolation or as a substitute for analyzing our results as reported under U.S. GAAP. Please see the following tables for reconciliations of non-GAAP measures to the most comparable U.S. GAAP measures.



**Table I**

**VERITIV CORPORATION**

**RECONCILIATION OF NON-GAAP MEASURES**

**NET INCOME (LOSS) TO ADJUSTED EBITDA; ADJUSTED EBITDA MARGIN**

(in millions, unaudited)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Three Months Ended** | | | | | |  |  | **Nine Months Ended** | | | | | |
|  |  |  | **September 30,** | | | |  |  |  |  | **September 30,** | | | |  |  |
|  |  |  | **2020** |  |  |  | **2019** |  |  |  | **2020** |  |  |  | **2019** |  |
| Net income (loss) |  | $ | 21.1 |  |  | $ | 5.1 |  |  | $ | 2.2 |  |  | $ | (32.9) | |
| Interest expense, net |  |  | 5.5 |  |  |  | 8.9 | |  |  | 19.7 | |  |  | 30.5 | |
| Income tax expense (benefit) |  |  | (0.1) | |  |  | 7.6 | |  |  | (0.2) | |  |  | 0.2 | |
| Depreciation and amortization |  |  | 15.0 | |  |  | 13.3 | |  |  | 43.1 | |  |  | 39.5 | |
| EBITDA |  |  | 41.5 |  |  |  | 34.9 |  |  |  | 64.8 |  |  |  | 37.3 |  |
| Restructuring charges, net |  |  | 7.9 |  |  |  | 7.6 | |  |  | 40.4 | |  |  | 16.9 | |
| Facility closure charges, including (gain) loss from asset disposition |  |  | (7.4) | |  |  | — | |  |  | (5.4) | |  |  | — | |
| Stock-based compensation |  |  | 4.8 |  |  |  | 3.4 | |  |  | 14.9 | |  |  | 12.4 | |
| LIFO reserve (decrease) increase |  |  | (0.4) | |  |  | (3.9) | |  |  | (4.6) | |  |  | (1.0) | |
| Non-restructuring severance charges |  |  | 0.8 |  |  |  | 1.3 | |  |  | 3.2 | |  |  | 4.0 | |
| Non-restructuring pension charges, net |  |  | — | |  |  | 0.0 | |  |  | 7.2 | |  |  | 6.6 | |
| Integration expenses |  |  | — | |  |  | 4.5 | |  |  | — | |  |  | 13.3 | |
| Fair value adjustment on Tax Receivable Agreement contingent liability |  |  | 2.0 |  |  |  | 0.3 | |  |  | 1.0 | |  |  | 1.8 | |
| Fair value adjustment on contingent consideration liability |  |  | — | |  |  | (2.5) | |  |  | 1.0 | |  |  | 10.6 | |
| Escheat audit contingent liability |  |  | — | |  |  | (1.0) | |  |  | — | |  |  | 6.0 | |
| Other |  |  | 0.7 |  |  |  | 0.4 | |  |  | 3.4 | |  |  | 0.8 | |
| Adjusted EBITDA |  | $ | 49.9 |  |  | $ | 45.0 |  |  | $ | 125.9 |  |  | $ | 108.7 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net sales | $ | | 1,591.2 |  | $ | | 1,924.5 | | $ | | 4,703.3 | | $ | | 5,824.2 | |
| Adjusted EBITDA as a % of net sales |  |  | 3.1% | |  |  | 2.3% | |  |  | 2.7% | |  |  | 1.9% | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

**Table II**

**VERITIV CORPORATION**

**RECONCILIATION OF NON-GAAP MEASURES**

**FREE CASH FLOW**

(in millions, unaudited)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Three Months Ended** | | | |
|  |  | **September 30, 2020** | | |
| Net cash provided by (used for) operating activities |  | $ | 54.2 |  |
| Less: Capital expenditures |  |  | (5.1) | |
| Free cash flow |  | $ | 49.1 |  |
|  |  |  |  |  |
|  |  |  |  |  |

**Table III**

**VERITIV CORPORATION**

**RECONCILIATION OF NON-GAAP MEASURES**

**NET DEBT TO ADJUSTED EBITDA**

(in millions, unaudited)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **September 30, 2020** | | | **September 30, 2019** | | | |
| Amount drawn on ABL Facility | $ | 521.0 |  |  | $ | 665.4 |  |
| Less: Cash and cash equivalents |  | (112.5) | |  |  | (59.3) | |
| Net debt |  | 408.5 |  |  |  | 606.1 |  |
|  |  |  |  |  |  |  |  |
| Last Twelve Months Adjusted EBITDA | $ | 173.1 | | $ | | 166.3 | |
|  |  |  |  |  |  |  |  |
| Net debt to Adjusted EBITDA |  | 2.4x | |  |  | 3.6x | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Last Twelve Months** | | | | **Last Twelve Months** | | | |
|  |  | **September 30, 2020** | | | **September 30, 2019** | | | |
| Net income (loss) |  | $ | 5.6 |  | $ | (23.6) |  | |
| Interest expense, net |  |  | 27.3 | |  | 42.3 | |  |
| Income tax expense (benefit) |  |  | 0.3 |  |  | 6.8 | |  |
| Depreciation and amortization |  |  | 57.1 | |  | 51.5 | |  |
| EBITDA |  |  | 90.3 |  |  | 77.0 |  |  |
| Restructuring charges, net |  |  | 52.3 | |  | 9.5 | |  |
| Facility closure charges, including (gain) loss from asset disposition |  |  | (5.4) | |  | — | | |
| Stock-based compensation |  |  | 17.1 | |  | 15.3 | |  |
| LIFO reserve (decrease) increase |  |  | (7.3) | |  | 0.5 | |  |
| Non-restructuring asset impairment charges |  |  | — | |  | 0.2 | |  |
| Non-restructuring severance charges |  |  | 7.6 |  |  | 6.6 | |  |
| Non-restructuring pension charges, net |  |  | 7.2 |  |  | 18.7 | |  |
| Integration and acquisition expenses |  |  | 4.2 |  |  | 20.5 | |  |
| Fair value adjustment on Tax Receivable Agreement contingent liability |  |  | (0.5) | |  | 0.9 | |  |
| Fair value adjustment on contingent consideration liability |  |  | 3.5 |  |  | 9.3 | |  |
| Escheat audit contingent liability |  |  | (2.3) | |  | 7.7 | |  |
| Other |  |  | 6.4 |  |  | 0.1 | |  |
| Adjusted EBITDA |  | $ | 173.1 |  | $ | 166.3 |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

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