UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2020

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number 001-36479

VERITIV CORPORATION

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**46-3234977** **(I.R.S. Employer Identification Number)**
1000 Abernathy Road NE **Building 400, Suite 1700** **Atlanta, Georgia** **(Address of principal executive offices)**	**30328** **(Zip Code)**

(770) 391-8200
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

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

The number of shares outstanding of the registrant's common stock as of October 30, 2020 was 15,893,575.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

VERITIV CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data, unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net sales (including sales to related party of $4.8, $5.7, $16.5 and $17.3, respectively)	$ 1,591.2	$ 1,924.5	$ 4,703.3	$ 5,824.2
Cost of products sold (including purchases from related party of $15.0, $20.0, $47.0 and $66.2, respectively) (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

See accompanying Notes to Condensed Consolidated Financial Statements.

VERITIV CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions, unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income (loss)	$ 21.1	$ 5.1	$ 2.2	$ (32.9)
Other comprehensive income (loss):				
Foreign currency translation adjustments	3.8	(2.2)	(6.0)	1.5
Change in fair value of cash flow hedge, net of tax [1]	0.0	(0.3)	0.0	0.0
Pension liability adjustments, net of tax [1]	0.1	0.0	0.1	0.1
Other comprehensive income (loss)	3.9	(2.5)	(5.9)	1.6
Total comprehensive income (loss)	$ 25.0	$ 2.6	$ (3.7)	$ (31.3)

[1] Amounts shown are net of tax impacts, which were not significant for the periods presented.

See accompanying Notes to Condensed Consolidated Financial Statements.

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 (Note 12)		
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

See accompanying Notes to Condensed Consolidated Financial Statements.

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

See accompanying Notes to Condensed Consolidated Financial Statements.

VERITIV CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions, unaudited)

	2020							
	Common Stock Issued		Additional Paid-in Capital	Accumulated (Deficit) Earnings	AOCL [1]	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance at December 31, 2019	16.4	$ 0.2	$ 618.0	$ (35.3)	$ (33.1)	(0.3)	$ (13.6)	$ 536.2
Net income (loss)				(0.4)				(0.4)
Other comprehensive income (loss)					(14.0)			(14.0)
Stock-based compensation			9.4					9.4
Issuance of common stock, net of stock received for minimum tax withholdings	0.1	0.0	(0.6)					(0.6)
Adoption impact - Accounting Standards Update 2016-13				(0.3)				(0.3)
Treasury stock						(0.4)	(3.5)	(3.5)
Balance at March 31, 2020	16.5	$ 0.2	$ 626.8	$ (36.0)	$ (47.1)	(0.7)	$ (17.1)	$ 526.8
Net income (loss)				(18.5)				(18.5)
Other comprehensive income (loss)					4.2			4.2
Stock-based compensation			0.7					0.7
Issuance of common stock, net of stock received for minimum tax withholdings	0.1	0.0	(0.2)					(0.2)
Balance at June 30, 2020	16.6	$ 0.2	$ 627.3	$ (54.5)	$ (42.9)	(0.7)	$ (17.1)	$ 513.0
Net income (loss)				21.1				21.1
Other comprehensive income (loss)					3.9			3.9
Stock-based compensation			4.8					4.8
Issuance of common stock, net of stock received for minimum tax withholdings	0.0	0.0	0.0					0.0
Balance at September 30, 2020	16.6	$ 0.2	$ 632.1	$ (33.4)	$ (39.0)	(0.7)	$ (17.1)	$ 542.8

[1] Accumulated other comprehensive loss.

	2019							
	Common Stock Issued		Additional Paid-in Capital	Accumulated (Deficit) Earnings	AOCL [1]	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance at December 31, 2018	16.2	$ 0.2	$ 605.7	$ (8.5)	$ (40.7)	(0.3)	$ (13.6)	$ 543.1
Net income (loss)				(26.7)				(26.7)
Other comprehensive income (loss)					2.5			2.5
Stock-based compensation			4.7					4.7
Issuance of common stock, net of stock received for minimum tax withholdings	0.2	0.0	(2.7)					(2.7)
Adoption impact - Accounting Standards Update 2016-02				2.7				2.7
Balance at March 31, 2019	16.4	$ 0.2	$ 607.7	$ (32.5)	$ (38.2)	(0.3)	$ (13.6)	$ 523.6
Net income (loss)				(11.3)				(11.3)
Other comprehensive income (loss)					1.6			1.6
Stock-based compensation			4.3					4.3
Issuance of common stock, net of stock received for minimum tax withholdings	0.0	0.0	0.5					0.5
Balance at June 30, 2019	16.4	$ 0.2	$ 612.5	$ (43.8)	$ (36.6)	(0.3)	$ (13.6)	$ 518.7
Net income (loss)				5.1				5.1
Other comprehensive income (loss)					(2.5)			(2.5)
Stock-based compensation			3.4					3.4
Issuance of common stock, net of stock received for minimum tax withholdings	0.0	0.0	(0.1)					(0.1)
Balance at September 30, 2019	16.4	$ 0.2	$ 615.8	$ (38.7)	$ (39.1)	(0.3)	$ (13.6)	$ 524.6

[1] Accumulated other comprehensive loss.

See accompanying Notes to Condensed Consolidated Financial Statements.

VERITIV CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Veritiv Corporation ("Veritiv" or the "Company") is a 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 to its customers. Veritiv was established in 2014, following the merger (the "Merger") of International Paper Company's xpedx distribution solutions business ("xpedx") and UWW Holdings, Inc. ("UWWH"), the parent company of Unisource Worldwide, Inc. ("Unisource"). Veritiv operates from approximately 140 distribution centers primarily throughout the United States ("U.S."), Canada and Mexico.

Basis of Presentation and Principles of Consolidation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for a complete set of annual audited financial statements. The accompanying unaudited financial information should be read in conjunction with the Consolidated Financial Statements and Notes contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") for the year ended December 31, 2019. In the opinion of management, all adjustments, including normal recurring accruals and other adjustments, considered necessary for a fair presentation of the interim financial information have been included. The operating results for the interim periods are not necessarily indicative of results for the full year, particularly in light of the novel coronavirus ("COVID-19") pandemic and its effects on the domestic and global economies. These financial statements include all of the Company's subsidiaries. All significant intercompany transactions between Veritiv's businesses have been eliminated.

Cash and Cash Equivalents

The Company considers all highly liquid, unrestricted investments with original maturities to the Company of three months or less to be cash equivalents, including investments in money market funds with no restrictions on withdrawals. As of September 30, 2020, the Company's cash and cash equivalents included a $75.0 million investment in a money market fund that is highly liquid and qualifies as a cash equivalent.

Use of Estimates

The preparation of unaudited financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses and certain financial statement disclosures. Estimates and assumptions are used for, but not limited to, revenue recognition, right-of-use ("ROU") asset and liability valuations, accounts and notes receivable valuations, inventory valuation, employee benefit plans, income tax contingency accruals and valuation allowances, multi-employer pension plan withdrawal liabilities, contingency accruals and goodwill and other intangible asset valuations. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, actual results may ultimately differ from these estimates and assumptions.

Primarily beginning in April 2020, unfavorable impacts from the COVID-19 pandemic have had a negative impact on the Company's financial results, including decreased net sales across all segments. As a result of the COVID-19 pandemic, the Company could experience impacts including, but not limited to, charges from potential adjustments of the carrying amount of accounts and notes receivables and inventory, asset impairment charges, including goodwill, and deferred tax valuation allowances. The extent to which the COVID-19 pandemic impacts the Company's business, results of operations, access to sources of liquidity and financial condition will depend on future developments. These developments, which are highly uncertain and cannot be predicted, include, but are not limited to, the duration, spread and severity of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company's employees, customers, suppliers and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume and be sustained. Even after the COVID-19 pandemic has subsided, the Company may experience an impact to its business as a result of any economic recession, downturn or volatility that has occurred or may occur in the future. Estimates are revised as additional information becomes available.

Accounting Pronouncements

Recently Adopted Accounting Standards

Effective January 1, 2020, the Company adopted Accounting Standards Update ("ASU") 2016-13, *Financial Instruments-Credit Losses (Topic 326)*. The standard replaces the previously required incurred loss impairment methodology with guidance that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to be considered in making credit loss estimates. The standard requires application on a modified retrospective basis; accordingly, prior periods have not been adjusted to conform to the new guidance. Upon adoption, the Company recorded a $0.3 million decrease to retained earnings as the cumulative effect adjustment from applying the standard.

The Company performs an assessment of its financial assets which consist primarily of accounts receivable and identifies pools (i.e., groups of similar assets within the accounts receivable portfolio) based on the Company's internal risk ratings, geographical locations and historical loss information. The Company's pools are classified by reportable segment, risk level and the geographical location of the Company's customers. The risk characteristics of each segment are determined by the impact of economic and structural fluctuations that are specific to the industries served by the Company, competition from other suppliers, and the nature of the products and services provided to the Company's customers. The Print and Publishing segments are faced with industry-wide decreases in demand for products and services due to the increasing use of e-commerce and other on-line product substitutions. The Facility Solutions segment could experience revenue declines and increases in delinquency rates attributable to changes in the travel industry and back-to-school activities. The Packaging segment's performance could be negatively impacted by changes in customer buying habits and product preferences. The Company considered the Packaging and Facility Solutions segments to be a single pool as they share similar risk characteristics.

The Company's allowance for credit losses reflects the best estimate of expected losses to the Company's accounts receivable portfolio determined on the basis of historical experience, current conditions, reasonable and supportable forecasts and specific allowances for known troubled accounts. In developing the allowance for credit losses, the Company utilizes internal risk ratings that are determined based on a number of factors including a periodic evaluation of each customer's financial condition where possible. In addition to leveraging the internally developed risk ratings and historical experience, the expected credit loss estimates are developed using quantitative analyses, where meaningful, and qualitative analyses to forecast the impact that external factors and economic indicators may have on the amount that the Company expects to collect.

The components of the accounts receivable allowances were as follows:

(in millions)	September 30, 2020	December 31, 2019
Allowance for credit losses and doubtful accounts, respectively	$ 33.0	$ 30.4
Other allowances[1]	10.7	13.4
Total accounts receivable allowances	$ 43.7	$ 43.8

[1] Includes amounts reserved for credit memos, customer discounts, customer short pays and other miscellaneous items.

Below is a rollforward of the Company's allowance for credit losses for the nine months ended September 30, 2020:

	Packaging and Facility Solutions		Print - High Risk		Print - Medium/Low Risk					
(in millions)	U.S.	Canada	U.S.	Canada	U.S.	Canada	Publishing[1]	Rest of world	Corporate & Other[1]	Total
Balance at December 31, 2019	$ 13.3	$ 1.0	$ 11.9	$ 0.4	$ 0.9	$ 0.1	$ 1.3	$ 0.6	$ 0.9	$ 30.4
Add / (Deduct):										
Adoption impact - ASU 2016-13	1.0	(0.3)	(0.2)	0.0	0.1	(0.1)	(0.1)	—	0.0	0.4
Provision for expected credit losses	2.1	0.0	2.6	0.3	0.3	0.0	1.3	0.2	0.1	6.9
Write-offs charged against the allowance	(1.8)	0.0	(2.2)	0.0	(0.1)	—	—	—	(0.1)	(4.2)
Recoveries of amounts previously written off	0.2	—	0.0	0.0	0.0	—	0.0	—	0.0	0.2
Other adjustments[2]	—	0.0	(1.4)	0.0	0.8	0.0	—	(0.1)	—	(0.7)
Balance at September 30, 2020	$ 14.8	$ 0.7	$ 10.7	$ 0.7	$ 2.0	$ 0.0	$ 2.5	$ 0.7	$ 0.9	$ 33.0

[1] Publishing and Corporate & Other have only U.S. Operations.

[2] Other adjustments represent amounts reserved for foreign currency translation adjustments and reserves for certain customer accounts where revenue is not recognized because collectability is not probable, and may include accounts receivable allowances recorded in connection with acquisitions.

ASU 2018-13, *Fair Value Measurement (Topic 820)* - The standard modifies the disclosure requirements on fair value measurements by removing certain disclosure requirements related to the fair value hierarchy, modifying existing disclosure requirements related to measurement uncertainty and adding new disclosure requirements. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted-average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The Company adopted this ASU on January 1, 2020. The adoption did not materially impact its financial statement disclosures.

ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40)* - The standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The amendments in this update also require companies to expense capitalized implementation costs over the term of the hosting arrangement, including periods covered by renewal options that are reasonably certain to be exercised. The amendments also stipulate presentation requirements for the Statement of Operations, Balance Sheet and Statement of Cash Flows. The amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The amendments in this update should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company adopted this ASU on January 1, 2020 on a prospective basis. Capitalized amounts are reported on the Condensed Consolidated Balance Sheet as other non-current assets. The related periodic expense is reported as part of operating expenses on the Condensed Consolidated Statement of Operations and the corresponding cash flow impact is reported as part of operating activities on the Condensed Consolidated Statement of Cash Flows. The Company does not expect the adoption of this standard to have a material impact on its future consolidated financial statements and related disclosures.

Recently Issued Accounting Standards Not Yet Adopted

ASU 2019-12, *Income Taxes (Topic 740)* - The standard removes certain exceptions for recognizing deferred taxes for investments, performing intraperiod allocation and calculating income taxes in interim periods. The update also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for goodwill and allocating taxes to members of a consolidated group. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The amendments in this update related to separate financial statements of legal entities that are not subject to tax should be applied on a retrospective basis for all periods presented. The amendments related to changes in ownership of foreign equity method investments or foreign subsidiaries should be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The amendments related to franchise taxes that are partially based on income should be applied on either a retrospective basis for all periods presented or a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. All other amendments should be applied on a prospective basis. The ASU is effective January 1, 2021; early adoption is permitted. The Company anticipates adopting this standard effective January 1, 2021, with no material impact to its overall financial statements.

2. REVENUE RECOGNITION

Revenue Recognition

Veritiv applies the five-step model to assess its contracts with customers. The Company's revenue is reported as net sales and is measured as the determinable transaction price, net of any variable consideration (e.g., sales incentives and rights to return product) and any taxes collected from customers and remitted to governmental authorities. When the Company enters into a sales arrangement with a customer, it believes it is probable that it will collect substantially all of the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. When management cannot conclude collectability is probable for shipments to a particular customer, revenue associated with that customer is not recognized until cash is collected or management is otherwise able to establish that collectability is probable. The Company has established credit and collection processes whereby collection assessments are performed and expected credit losses are recognized. As a normal business practice, Veritiv does not enter into contracts that require more than one year to complete or that contain significant financing components.

Additionally, Veritiv enters into incentive programs with certain of its customers, which are generally based on sales to those same customers. Veritiv follows the expected value method when estimating its retrospective incentives and records the estimated amount as a reduction to gross sales when revenue is recognized. Estimates of the variable consideration are based primarily on contract terms, current customer forecasts as well as historical experience.

Customer product returns are estimated based on historical experience and the identification of specific events necessitating an adjustment. The estimated return value is recognized as a reduction of gross sales and related cost of products sold. The estimated inventory returns value is recognized as part of inventories, while the estimated customer refund liability is recognized as part of other accrued liabilities on the Condensed Consolidated Balance Sheets.

A customer contract liability will arise when Veritiv has received payment for goods and services, but has not yet transferred the items to a customer and satisfied its performance obligations. Veritiv records a customer contract liability for performance obligations outstanding related to payments received in advance for customer deposits on equipment sales and its bill-and-hold arrangements. Veritiv expects to satisfy these remaining performance obligations and recognize the related revenues upon delivery of the goods and services to the customer's designated location within 12 months following receipt of the payment. Most equipment sales deposits are held for approximately 90 days and bill-and-hold arrangements initially cover a 60 - 90 day period, but can be renewed by the customer.

As of September 30, 2020 and December 31, 2019, the Company recognized estimated inventory returns of approximately $1.5 million and $2.0 million, respectively, which are included in inventories on the Condensed Consolidated Balance Sheets. Additionally, the Company recognized customer contract liabilities related to its customer deposits for equipment sales and payments received for bill-and-hold arrangements, which are included in accounts payable on the Condensed Consolidated Balance Sheets.

See the table below for a summary of the changes to the customer contract liabilities for the nine months ended September 30, 2020 and 2019:

	Customer Contract Liabilities	
(in millions)	**2020**	**2019**
Balance at January 1,	$ 11.7	$ 17.7
Payments received	36.5	35.2
Revenue recognized from beginning balance	(11.4)	(17.7)
Revenue recognized from current year receipts	(22.7)	(22.4)
Balance at September 30,	$ 14.1	$ 12.8

Revenue Composition

Veritiv's revenues are primarily derived from purchase orders and rate agreements associated with (i) the delivery of standard listed products with observable standalone sale prices or (ii) transportation and warehousing services. Revenue generally consists of a single performance obligation to transfer a promised good or service and is short-term in nature. Revenues are recognized when control of the promised goods or services is transferred to Veritiv's customers and in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods and services. Sales transactions with customers are designated free on board destination and revenue is recorded at the point in time when the product is delivered to the customer's designated location or when the customer has otherwise obtained the benefit of the goods, when title and risk of loss are transferred. Revenues from Veritiv's transportation services are recognized upon completion of the related delivery services and revenues from warehousing services are recognized over time as the storage services are provided. The Company considers handling and delivery as activities to fulfill its performance obligations. Billings for third-party freight are accounted for as net sales and handling and delivery costs are accounted for as distribution expenses.

Certain revenues are derived from shipments which are made directly from a manufacturer to a Veritiv customer. The Company is considered to be a principal to these transactions because, among other factors, it maintains control of the goods after they leave the supplier and before they are received at the customer's location, in most cases it selects the supplier and sets the price to the customer, and it bears the risk of the customer defaulting on payment or rejecting the goods. Revenues from these sales are reported on a gross basis on the Condensed Consolidated Statements of Operations and have historically represented approximately 35% of Veritiv's total net sales.

Veritiv evaluated the nature of the products and services provided to its customers as well as the nature of the customer and the geographical distribution of its customer base and determined that the best representative level of disaggregated revenue is the product category basis. The Company is able to serve a wide variety of customers, from large national companies to small local customers, through its distribution network. Historically, the Company's ten largest customers have generated approximately 10% of its consolidated annual net sales. Veritiv's principal markets are concentrated primarily across North America with net sales in the U.S., Canada and Mexico of approximately 87%, 10% and 2%, respectively.

The following is a brief description of the Company's four reportable segments, organized by major product category:

- ***Packaging*** – The Packaging segment provides standard as well as custom and comprehensive packaging solutions for customers based in North America and in key global markets. The business is strategically focused on higher growth industries including light industrial/general manufacturing, food processing, fulfillment and internet retail, as well as niche verticals based on geographical and functional expertise. This segment also provides supply chain solutions, structural and graphic packaging design and engineering, automation, workflow and equipment services and kitting and fulfillment.

- ***Facility Solutions*** – The Facility Solutions segment sources and sells cleaning, break-room and other supplies such as towels, tissues, wipers and dispensers, can liners, commercial cleaning chemicals, soaps and sanitizers, sanitary maintenance supplies and equipment, safety and hazard supplies, and shampoos and amenities primarily in North America. Additionally, the Company offers total cost of ownership solutions with re-merchandising, budgeting and compliance reporting, and inventory management.

- ***Print*** – The Print segment sells and distributes commercial printing, writing, copying, digital, specialty products, graphics consumables and graphics equipment primarily in North America. This segment also includes customized paper conversion services of commercial printing paper for distribution to document centers and form printers. Veritiv's broad geographic platform of operations coupled with the breadth of paper and graphics products, including exclusive private brand offerings, provides a foundation to service national, regional and local customers across North America.

- ***Publishing*** – The Publishing segment sells and distributes coated and uncoated commercial printing papers to publishers, retailers, converters, printers and specialty businesses for use in magazines, catalogs, books, directories, gaming, couponing, retail inserts and direct mail primarily in the U.S. This segment also provides print management, procurement and supply chain management solutions to simplify paper and print procurement processes for its customers.

The Company's consolidated financial results also include a "Corporate & Other" category which includes certain assets and costs not primarily attributable to any of the reportable segments. Corporate & Other also includes the Veritiv logistics solutions business which provides transportation and warehousing solutions.

See Note 13, Segment Information, for the disaggregation of revenue and other information related to the Company's reportable segments and Corporate & Other.

3. LEASES

The Company leases certain property and equipment used for operations to limit its exposure to risks related to ownership. The major leased asset categories include: real estate, delivery equipment, material handling equipment and computer and office equipment. As of September 30, 2020, the Company operated from approximately 140 distribution centers of which approximately 130 were leased. These facilities are strategically located throughout the U.S., Canada and Mexico in order to efficiently serve the customer base in the surrounding areas while also facilitating expedited delivery services for special orders. The Company also leases various office spaces for corporate and sales functions. Real estate leases generally carry lease terms of three years to ten years. Delivery equipment leases generally carry lease terms of three years to eight years and other non-real estate leases generally carry lease terms of three years to five years.

The Company determines if an arrangement is a lease at lease inception and reviews lease arrangements for finance or operating lease classification at their commencement date. The Company does not include short-term leases on the balance sheets and does not separate lease and non-lease components for its delivery equipment leases. In order to value the ROU assets and related liabilities, the Company makes certain estimates and assumptions related to establishing the lease term, discount rates and variable lease payments (e.g., rent escalations tied to changes in the Consumer Price Index). The exercise of any lease renewal or asset purchase option is at the Company's sole discretion. The lease term for all of the Company's leases includes the noncancelable period of the lease and any periods covered by renewal options that the Company is reasonably certain to exercise. Certain leases include rent escalations pre-set in the agreements, which are factored into the lease payment stream. Similar to a variable lease payment, certain delivery equipment leases include a provision for an amount the Company may be required to pay at the end of the lease for any residual value deficiency incurred by the lessor upon resale of the underlying asset. The Company uses the implicit rate of interest when it is available; however, as most of the Company's leases do not provide an implicit rate of interest, the Company uses its incremental borrowing rate based on information available at the lease commencement date in determining the discounted value of the lease payments. Lease expense and depreciation expense are recognized on a straight-line basis over the lease term, or for a finance lease, over the shorter of the life of the underlying asset or the lease term.

The components of lease expense were as follows:

(in millions)		Three Months Ended September 30,		Nine Months Ended September 30,	
Lease Classification	**Financial Statement Classification**	**2020**	**2019**	**2020**	**2019**
Short-term lease expense[1]	Operating expenses	$ 0.6	$ 1.7	$ 1.8	$ 5.8
Operating lease expense[2]	Operating expenses	$ 30.6	$ 29.6	$ 85.3	$ 84.3
Finance lease expense:					
Amortization of right-of-use assets	Depreciation and amortization	$ 3.7	$ 2.7	$ 10.9	$ 7.6
Interest expense	Interest expense, net	0.7	0.6	2.2	1.6
Total finance lease expense		$ 4.4	$ 3.3	$ 13.1	$ 9.2
Total Lease Cost		$ 35.6	$ 34.6	$ 100.2	$ 99.3

[1] Short-term lease expense is comprised of expenses related to leases with a term of twelve months or less, which includes expenses related to month-to-month leases.
[2] Sublease income and variable lease expense are not included in the above table as the amounts were not significant for the periods presented.

Supplemental balance sheets and other information were as follows:

(in millions, except weighted-average data)

Lease Classification	**Financial Statement Classification**	**September 30, 2020**	**December 31, 2019**
Operating Leases:			
Operating lease right-of-use assets	Other non-current assets	$ 371.2	$ 429.2
Operating lease obligations - current	Other accrued liabilities	$ 84.3	$ 90.5
Operating lease obligations - non-current	Other non-current liabilities	324.8	376.6
Total operating lease obligations		$ 409.1	$ 467.1
Weighted-average remaining lease term in years		6.2	6.6
Weighted-average discount rate		4.7 %	4.6 %
Finance Leases:			
Finance lease right-of-use assets	Property and equipment	$ 77.8	$ 76.6
Finance lease obligations - current	Current portion of debt	$ 13.3	$ 11.5
Finance lease obligations - non-current	Long-term debt, net of current portion	70.0	69.2
Total finance lease obligations		$ 83.3	$ 80.7
Weighted-average remaining lease term in years		7.2	7.8
Weighted-average discount rate		3.6 %	3.4 %

Cash paid for amounts included in the measurement of lease liabilities was as follows:

(in millions)		Nine Months Ended September 30,	
Lease Classification	**Financial Statement Classification**	**2020**	**2019**
Operating Leases:			
Operating cash flows from operating leases	Operating activities	$ 83.7	$ 81.3
Finance Leases:			
Operating cash flows from finance leases	Operating activities	$ 2.2	$ 1.6
Financing cash flows from finance leases	Financing activities	9.5	6.8

Lease Commitments

Future minimum lease payments at September 30, 2020 were as follows:

(in millions)	Finance Leases	Operating Leases [1]
2020 (excluding the nine months ended September 30, 2020)	$ 4.1	$ 26.7
2021	15.7	98.2
2022	15.2	83.0
2023	12.9	62.1
2024	11.0	52.7
2025	10.3	42.2
Thereafter	26.4	110.6
Total future minimum lease payments	95.6	475.5
Amount representing interest	(12.3)	(66.4)
Total future minimum lease payments, net of interest	$ 83.3	$ 409.1

[1] Future sublease income is not included in the above table as the amount is not significant.

Total future minimum lease payments at September 30, 2020 for finance and operating leases, including the amount representing interest, are comprised of $487.5 million for real estate leases and $83.6 million for non-real estate leases.

At September 30, 2020, the Company had committed to additional future obligations of approximately $10.2 million for a real estate operating lease that has not yet commenced and therefore is not included in the table above. This lease will commence within the next six months with a lease term of three years.

4. RESTRUCTURING AND INTEGRATION CHARGES

2020 Restructuring Plan

The Company initiated a restructuring plan (the "2020 Restructuring Plan") in response to the impact of the COVID-19 pandemic on its business operations and the ongoing secular changes in its Print and Publishing segments. The 2020 Restructuring Plan will result in (i) the reduction of the Company's U.S. salaried workforce by approximately 15% across all business segments and corporate functions, (ii) the closure of certain warehouse facilities and retail stores, (iii) adjustments to various compensation plans and (iv) other actions.

The Company previously announced that it estimates it will incur total charges of between $75 million and $90 million in connection with the 2020 Restructuring Plan. These costs will consist of approximately (i) $43 million to $47 million in employee termination and other one-time compensation costs, (ii) $9 million to $11 million in real estate exit costs, (iii) $8 million to $14 million in inventory related costs and (iv) $15 million to $18 million in other exit costs. Based on the underlying nature of each item, these charges may be reported as restructuring charges, net, cost of products sold, distribution expenses or selling and administrative expenses on the Condensed Consolidated Statements of Operations. Company management is currently evaluating the need to expand both the scale and duration of the 2020 Restructuring Plan in response to current trends and anticipated future unfavorable impacts of the COVID-19 pandemic on its business operations. The timing and pace of

economic recovery remain highly uncertain including the long-term impacts on demand to our Print and Publishing segments. The Company expects to substantially complete the 2020 Restructuring Plan by the end of 2020, unless the plan is expanded. Initial charges were incurred and recorded in June 2020.

Other direct costs reported in the table below include facility closing costs and other incidental costs associated with the development, communication, administration and implementation of these initiatives.

The following is a summary of the Company's 2020 Restructuring Plan liability activity for the three and nine months ended September 30, 2020 (costs incurred exclude any non-cash portion of restructuring gains or losses on asset disposals):

(in millions)	Severance and Related Costs	Other Direct Costs	Total
Balance at March 31, 2020	$ —	$ —	$ —
Costs incurred	31.6	0.9	32.5
Payments	—	—	—
Balance at June 30, 2020	31.6	0.9	32.5
Costs incurred	1.6	6.3	7.9
Payments	(14.7)	(1.0)	(15.7)
Balance at September 30, 2020	$ 18.5	$ 6.2	$ 24.7

Veritiv Restructuring Plan: Merger Related

As part of the Merger, the Company executed a multi-year restructuring program of its North American operations intended to integrate the legacy xpedx and Unisource operations, generate cost savings and capture synergies across the combined company. The restructuring plan included initiatives to: (i) consolidate warehouse facilities in overlapping markets, (ii) improve efficiency of the delivery network, (iii) consolidate customer service centers, (iv) reorganize the field sales and operations functions and (v) restructure the corporate general and administrative functions. As part of its restructuring efforts, the Company evaluated its operations outside of North America to identify additional cost saving opportunities. As of December 31, 2019, the restructuring plan related to the Merger was complete.

Other direct costs reported in the tables below include facility closing costs, actual and estimated multi-employer pension plan ("MEPP") withdrawal charges and other incidental costs associated with the development, communication, administration and implementation of these initiatives. Costs related to exiting a branded re-distribution business were included in restructuring charges, net, on the Condensed Consolidated Statements of Operations, and totaled $5.4 million for the three and nine months ended September 30, 2019.

The following is a summary of the Company's Merger related restructuring liability activity for the three and nine months ended September 30, 2020. The majority of the remaining liability balance is related to MEPP withdrawal liabilities with payments expected to be made over an approximate 20-year period.

(in millions)	Severance and Related Costs	Other Direct Costs	Total
Balance at December 31, 2019	$ 6.2	$ 30.6	$ 36.8
Payments	(2.7)	(3.8)	(6.5)
Balance at March 31, 2020	3.5	26.8	30.3
Payments	(1.6)	(1.1)	(2.7)
Balance at June 30, 2020	1.9	25.7	27.6
Payments	(1.0)	(1.0)	(2.0)
Other non-cash items	—	(0.1)	(0.1)
Balance at September 30, 2020	$ 0.9	$ 24.6	$ 25.5

The following is a summary of the Company's Merger related restructuring liability activity for the three and nine months ended September 30, 2019 (costs incurred exclude any non-cash portion of restructuring gains or losses on asset disposals):

(in millions)	Severance and Related Costs	Other Direct Costs	Total
Balance at December 31, 2018	$ 4.7	$ 25.1	$ 29.8
Costs incurred	1.3	1.3	2.6
Payments	(1.0)	(3.1)	(4.1)
Balance at March 31, 2019	5.0	23.3	28.3
Costs incurred	3.2	3.7	6.9
Payments	(1.3)	(2.2)	(3.5)
Balance at June 30, 2019	6.9	24.8	31.7
Costs incurred	2.3	5.2	7.5
Payments	(1.5)	(3.5)	(5.0)
Balance at September 30, 2019	$ 7.7	$ 26.5	$ 34.2

See Note 13, Segment Information, for the impact that charges from these restructuring plans had on the Company's reportable segments.

Integration Expenses - Merger Related

As of December 31, 2019, the integration plan related to the Merger was complete. During the three and nine months ended September 30, 2019, Veritiv incurred costs and charges for the integration of the xpedx and Unisource businesses, which primarily related to: internally dedicated integration management resources, retention compensation, information technology conversion costs and other costs to integrate its businesses.

The following table summarizes the components of these integration expenses:

(in millions)	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Integration management	$ 2.7	$ 8.1
Retention compensation	0.1	0.0
Information technology conversion costs	1.1	2.9
Other	0.4	1.6
All American Containers ("AAC") integration	0.2	0.7
Total integration expenses	$ 4.5	$ 13.3

5. DEBT

The Company's debt obligations were as follows:

(in millions)	September 30, 2020	December 31, 2019
Asset-Based Lending Facility (the "ABL Facility")	$ 521.0	$ 673.2
Commercial card program	1.6	1.1
Finance leases	83.3	80.7
Total debt	605.9	755.0
Less: current portion of debt	(14.9)	(12.6)
Long-term debt, net of current portion	$ 591.0	$ 742.4

ABL Facility

On April 9, 2020, the Company amended its ABL Facility to extend the maturity date to April 9, 2025, reduced the aggregate commitments from $1.4 billion to $1.1 billion and adjusted the pricing grid for applicable interest rates. All other significant terms remained consistent. The Company recognized a one-time charge of $0.6 million to interest expense, net, on the Condensed Consolidated Statement of Operations, for the write-off of a portion of the previously deferred financing costs associated with lenders in the ABL Facility that exited the amended ABL Facility. In addition, the Company incurred and deferred $3.4 million of new financing costs associated with this transaction, reflected in other non-current assets on the Condensed Consolidated Balance Sheet, which will be amortized to interest expense on a straight-line basis over the amended term of the ABL Facility.

Availability under the ABL Facility is determined based upon a monthly borrowing base calculation which includes eligible customer receivables and inventory, less outstanding borrowings, letters of credit and certain designated reserves. As of September 30, 2020, the available additional borrowing capacity under the ABL Facility was approximately $358.9 million. As of September 30, 2020, the Company held $12.1 million in outstanding letters of credit.

The ABL Facility has a springing minimum fixed charge coverage ratio of at least 1.00 to 1.00 on a trailing four-quarter basis, which will be tested only when specified availability is less than the limits outlined under the ABL Facility. At September 30, 2020, the above test was not applicable and based on information available as of the date of this report it is not expected to be applicable in the next 12 months.

Interest Rate Caps

The Company’s indebtedness under the ABL Facility creates interest rate risk. The Company actively monitors this risk with the objective to reduce, where it is deemed appropriate to do so, fluctuations in earnings and cash flows associated with changes in the interest rate. In July 2015, the Company entered into an interest rate cap agreement which expired on July 1, 2019; all related impacts to the Company's consolidated financial statements for the three and nine months ended September 30, 2019 were not significant.

Effective September 13, 2019, the Company entered into a new interest rate cap agreement with an expiration date of September 13, 2022. The interest rate cap effectively limits the floating LIBOR-based portion of the interest rate. The interest rate cap covers $350.0 million of the Company’s floating-rate debt at 2.75% plus the applicable credit spread. The Company paid $0.6 million for the interest rate cap. For the three and nine months ended September 30, 2020, the amount reclassified from AOCL into earnings was not significant. As of September 30, 2020 and December 31, 2019, the interest rate cap had a fair value that was not significant. The interest rate cap is classified within other non-current assets on the Condensed Consolidated Balance Sheets as of September 30, 2020 and December 31, 2019. The amount expected to be reclassified from AOCL into earnings within the following 12 months is not significant. The fair value was estimated using observable market-based inputs including interest rate curves and implied volatilities (Level 2). The Company designated the new interest rate cap as a cash flow hedge of exposure to changes in cash flows due to changes in the LIBOR-based portion of the interest rate above 2.75%. The Company has determined that the interest rate cap hedging relationship is effective.

The Company is exposed to counterparty credit risk for nonperformance and, in the event of nonperformance, to market risk for changes in the interest rate. The Company attempts to manage exposure to counterparty credit risk primarily by selecting only those counterparties that meet certain credit and other financial standards. The Company believes there has been no material change in the creditworthiness of its counterparty and believes the risk of nonperformance by such party is minimal.

Commercial Card Program

In May 2019, the Company entered into a commercial purchasing card agreement with a financial institution. The commercial card is used for business purpose purchasing and must be paid in-full monthly. The card currently carries a maximum credit limit of $37.5 million. At September 30, 2020 and December 31, 2019, $1.6 million and $1.1 million, respectively, was outstanding on the commercial card. The net change in the outstanding balance is classified as a financing activity on the Condensed Consolidated Statements of Cash Flows.

6. INCOME TAXES

The Company calculated the expense (benefit) for income taxes during the three and nine months ended September 30, 2020, by applying an estimate of the annual effective tax rate ("AETR") for the full fiscal year to "ordinary" income or loss (pre-tax income or loss excluding unusual or infrequently occurring discrete items) for the reporting periods.

The following table presents the expense (benefit) for income taxes and the effective tax rates for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2020**	**2019**	**2020**	**2019**
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
Effective tax rate	(0.5)%	59.8 %	(10.0)%	(0.6)%

The difference between the Company's effective tax rates for the three and nine months ended September 30, 2020 and 2019, and the U.S. statutory tax rate of 21.0% primarily relates to state income taxes (net of federal income tax benefit), tax expense for stock compensation vesting, Global Intangible Low-Taxed Income ("GILTI"), non-deductible expenses and the Company's pre-tax book income (loss) by jurisdiction. Veritiv recognized the tax effect of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") through the six months ended June 30, 2020, and recorded an estimated $0.9 million benefit, primarily related to the carryback of net operating loss ("NOL" or "NOLs") generated in 2019 to prior years in which the U.S. statutory tax rate was 35%. During the three months ended September 30, 2020, Veritiv refined the estimated carryback and recorded an estimated $1.5 million benefit, for a year-to-date net benefit related to the CARES Act of $2.4 million. In addition, Veritiv recognized the tax effect of legislation passed during the three months ended September 30, 2020, including, but not limited to, elections available under GILTI and interest expense disallowance, recording an estimated $2.2 million benefit.

The CARES Act was signed into law on March 27, 2020 and makes significant economic stimulus changes and additional changes to the U.S. tax code, including, but not limited to, allowing the carryback of NOLs occurring in 2018, 2019, and 2020 to the prior five years and eliminating the taxable income limitation, changes interest expense limitation, includes a technical correction for qualified improvement property depreciation and provides additional employee retention credits.

7. RELATED PARTY TRANSACTIONS

Agreements with the UWWH Stockholder

In January 2020 and 2019, in connection with the Tax Receivable Agreement ("TRA") executed at the time of the Merger, Veritiv paid $0.3 million and $8.1 million, respectively, in principal and interest to UWW Holdings, LLC (the "UWWH Stockholder"), one of Veritiv's existing stockholders and the former sole stockholder of UWWH, for the utilization of pre-merger NOLs in its 2018 and 2017 federal and state tax returns, respectively. See Note 9, Fair Value Measurements, for additional information regarding the TRA.

Transactions with Georgia-Pacific

Veritiv purchases certain inventory items from, and sells certain inventory items to, Georgia-Pacific in the normal course of business. As a result of the Merger and related private placement, Georgia-Pacific, as joint owner of the UWWH Stockholder, is a related party.

The following tables summarize the financial impact of these related party transactions with Georgia-Pacific:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2020	2019	2020	2019
Sales to Georgia-Pacific, reflected in net sales	$ 4.8	$ 5.7	$ 16.5	$ 17.3
Purchases of inventory from Georgia-Pacific, recognized in cost of products sold	15.0	20.0	47.0	66.2

(in millions)	September 30, 2020	December 31, 2019
Inventories purchased from Georgia-Pacific that remained on Veritiv's balance sheets	$ 9.5	$ 11.4
Related party payable to Georgia-Pacific	4.0	4.3
Related party receivable from Georgia-Pacific	2.4	2.8

8. DEFINED BENEFIT PLANS

Veritiv does not maintain any active defined benefit plans for its non-union employees. Veritiv maintains a defined benefit pension plan in the U.S. for employees covered by certain collectively bargained agreements. Veritiv also assumed responsibility for Unisource's defined benefit plans, which include frozen cash balance accounts for certain former Unisource employees. The components of net periodic benefit cost (credit) other than the service cost component are included in other (income) expense, net on the Condensed Consolidated Statements of Operations. Amounts are generally amortized from AOCL over the expected future working lifetime of active plan participants.

Total net periodic benefit cost (credit) associated with these plans is summarized below:

	Three Months Ended September 30, 2020		Three Months Ended September 30, 2019	
(in millions)	U.S.	Canada	U.S.	Canada
Components of net periodic benefit cost (credit):				
Service cost	$ 0.5	$ 0.1	$ 0.5	$ 0.0
Interest cost	$ 0.4	$ 0.6	$ 0.5	$ 0.7
Expected return on plan assets	(1.0)	(1.0)	(0.9)	(0.8)
Amortization of net loss	0.0	0.0	(0.1)	0.1
Total other components	$ (0.6)	$ (0.4)	$ (0.5)	$ 0.0
Net periodic benefit cost (credit)	$ (0.1)	$ (0.3)	$ 0.0	$ 0.0

(in millions)	Nine Months Ended September 30, 2020		Nine Months Ended September 30, 2019	
	U.S.	Canada	U.S.	Canada
Components of net periodic benefit cost (credit):				
Service cost	$ 1.6	$ 0.3	$ 1.4	$ 0.2
Interest cost	$ 1.2	$ 1.8	$ 1.6	$ 2.2
Expected return on plan assets	(3.0)	(2.9)	(2.6)	(2.7)
Amortization of net loss	0.0	0.1	0.0	0.1
Total other components	$ (1.8)	$ (1.0)	$ (1.0)	$ (0.4)
Net periodic benefit cost (credit)	$ (0.2)	$ (0.7)	$ 0.4	$ (0.2)

9. FAIR VALUE MEASUREMENTS

At September 30, 2020 and December 31, 2019, the carrying amounts of cash and cash equivalents, receivables, payables, other components of other current assets and other accrued liabilities, and the short-term debt associated with the commercial card program approximate their fair values due to the short maturity of these items. Cash and cash equivalents include highly-liquid investments with original maturities to the Company of three months or less that are readily convertible into known amounts of cash.

At September 30, 2020 and December 31, 2019, the Company held for sale $6.5 million and $10.1 million, respectively, in assets related to its restructuring plans. These assets are included in other current assets on the Condensed Consolidated Balance Sheets at the lower of their carrying value or fair value at September 30, 2020 and December 31, 2019, respectively. During the third quarter of 2020, the Company sold one property and recognized a gain of approximately $8.5 million related to the exit and sale of this facility. The gain included approximately $1.1 million related to exiting the land lease associated with the facility, which was not included in the above noted assets-held-for-sale amount. The gain on the disposition of this property is included in selling and administrative expenses on the Condensed Consolidated Statements of Operations.

At September 30, 2020 and December 31, 2019, the Company's Packaging reportable segment held a goodwill balance of $99.6 million. Goodwill is reviewed for impairment on a reporting unit basis annually as of October 1 or more frequently when indicators are present or changes in circumstances suggest that the carrying amount of the asset may not be recoverable. The Company considered the unfavorable economic impacts of the COVID-19 pandemic on its expected future operating cash flows as of June 30, 2020 and concluded that a triggering event had occurred. As a result, the Company performed a quantitative goodwill impairment test during the second quarter of 2020 and concluded that goodwill was not impaired. A quantitative goodwill impairment test requires a determination of whether the fair value of a reporting unit is less than its carrying value. The determination of the Packaging reporting unit's fair value was based on an income approach that utilized discounted cash flows and required management to make significant assumptions and estimates related to the forecasts of future revenues, profit margins and discount rates. The principal assumptions utilized, all of which are considered Level 3 inputs under the fair value hierarchy, are subject to various risks and uncertainties. The continuing impact of the COVID-19 pandemic on estimated future cash flows is uncertain and will largely depend on the outcome of future events. The Company performed a qualitative analysis as of September 30, 2020 and concluded that there was no triggering event during the third quarter of 2020.

Borrowings under the ABL Facility are at variable market interest rates, and accordingly, the carrying amount approximates fair value. The fair value of the debt-related interest rate cap was derived from a discounted cash flow analysis based on the terms of the agreement and Level 2 data for the forward interest rate curve adjusted for the Company's credit risk. See Note 5, Debt, for additional information regarding the Company's ABL Facility and other obligations.

The Company's liabilities disclosed at fair value at September 30, 2020 were as follows:

(in millions)	Total	Level 1	Level 2	Level 3
ABL Facility	$ 521.0		$ 521.0	
TRA contingent liability	32.1			32.1

The Company's liabilities disclosed at fair value at December 31, 2019 were as follows:

(in millions)	Total	Level 1	Level 2	Level 3
ABL Facility	$ 673.2		$ 673.2	
TRA contingent liability	31.4			31.4
AAC contingent consideration	2.5			2.5

At the time of the Merger, the Company recorded a $59.4 million contingent liability associated with the TRA at fair value using a discounted cash flow model that reflected management's expectations about probability of payment. The fair value of the TRA is a Level 3 measurement which relied upon both Level 2 data (publicly observable data such as market interest rates and historical foreign exchange rates) and Level 3 data (internal data such as the Company's projected income (loss) before income taxes, taxable income and assumptions about the utilization of Unisource's NOLs, attributable to taxable periods prior to the Merger, by the Company). The inputs to the fair value measurement of the contingent liability are reassessed on a quarterly basis. The amount payable under the TRA is contingent on the Company generating a certain level of taxable income prior to the expiration of the NOL carryforwards. Moreover, future trading of Company stock may result in additional ownership changes as defined under Section 382 of the Internal Revenue Code, further limiting the use of Unisource's NOLs and the amount ultimately payable under the TRA. The contingent liability is remeasured at fair value at each reporting period-end with the change in fair value recognized in other (income) expense, net on the Condensed Consolidated Statements of Operations. At September 30, 2020, the Company remeasured the contingent liability using a discount rate of 3.4% (Moody's daily long-term corporate BAA bond yield). There have been no transfers between the fair value measurement levels for the three and nine months ended September 30, 2020. The Company recognizes transfers between the fair value measurement levels at the end of the reporting period. See Note 7, Related Party Transactions, for additional information regarding the TRA.

The following table provides a reconciliation of the beginning and ending balance of the TRA contingent liability for the three and nine months ended September 30, 2020:

(in millions)	TRA Contingent Liability
Balance at December 31, 2019	$ 31.4
Change in fair value adjustment recorded in other (income) expense, net	(0.7)
Principal payment	(0.3)
Balance at March 31, 2020	30.4
Change in fair value adjustment recorded in other (income) expense, net	(0.3)
Balance at June 30, 2020	30.1
Change in fair value adjustment recorded in other (income) expense, net	2.0
Balance at September 30, 2020	$ 32.1

The following table provides a reconciliation of the beginning and ending balance of the TRA contingent liability for the three and nine months ended September 30, 2019:

(in millions)	TRA Contingent Liability
Balance at December 31, 2018	$ 38.9
Change in fair value adjustment recorded in other (income) expense, net	0.9
Principal payment	(7.8)
Balance at March 31, 2019	32.0
Change in fair value adjustment recorded in other (income) expense, net	0.6
Balance at June 30, 2019	32.6
Change in fair value adjustment recorded in other (income) expense, net	0.3
Balance at September 30, 2019	$ 32.9

On August 31, 2017 (the "Acquisition Date"), Veritiv completed its acquisition of 100% of the equity interests in various AAC entities. The purchase price allocation for the acquisition of AAC included $22.2 million for the estimated fair value of contingent consideration. The maximum amount payable for the contingent consideration was $50.0 million, with up to $25.0 million payable at each of the first and second anniversaries of the Acquisition Date. The Company paid $2.5 million on December 26, 2018 and $20.0 million on December 11, 2019 for contingent consideration earned as of the first and second anniversaries of the Acquisition Date, respectively. During the first quarter of 2020, the Company recognized an additional charge of $1.0 million and on March 19, 2020, the Company paid $3.5 million to the sellers of AAC in full satisfaction of the contingent liability. This matter is now resolved and there will be no future adjustments to the AAC contingent liability.

The following table provides a reconciliation of the beginning and ending balance of the AAC contingent liability for the year ended December 31, 2019:

(in millions)	AAC Contingent Liability
Balance at December 31, 2018	$ 9.4
Change in fair value adjustment recorded in other (income) expense, net	5.4
Balance at March 31, 2019	14.8
Change in fair value adjustment recorded in other (income) expense, net	7.7
Balance at June 30, 2019	22.5
Change in fair value adjustment recorded in other (income) expense, net	(2.5)
Balance at September 30, 2019	20.0
Change in fair value adjustment recorded in other (income) expense, net	2.5
Contingent liability payment	(20.0)
Balance at December 31, 2019	$ 2.5

10. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share for Veritiv common stock is calculated by dividing net income (loss) by the weighted-average number of shares of common stock outstanding during the respective periods. Diluted earnings per share is similarly calculated, except that the denominator is increased to include the number of additional common shares that would have been outstanding during those periods if the dilutive potential common shares had been issued, using the treasury stock method, except where the inclusion of such common shares would have an antidilutive impact.

A summary of the numerators and denominators used in the basic and diluted earnings (loss) per share calculations is as follows:

(in millions, except per share data)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Numerator:				
Net income (loss)	$ 21.1	$ 5.1	$ 2.2	$ (32.9)
Denominator:				
Weighted-average shares outstanding – basic	15.89	16.10	15.99	16.04
Dilutive effect of stock-based awards	0.32	0.14	0.19	—
Weighted-average shares outstanding – diluted	16.21	16.24	16.18	16.04
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)
Antidilutive stock-based awards excluded from computation of diluted earnings per share ("EPS")	0.46	0.64	0.80	1.05
Performance stock-based awards excluded from computation of diluted EPS because performance conditions had not been met	0.21	0.61	0.21	0.61

In accordance with the Company's 2014 Omnibus Incentive Plan, as amended and restated as of March 8, 2017, shares of the Company's common stock were issued to plan participants whose Restricted Stock Units and/or Performance Condition Share Units vested during those periods. The net share issuance is included on the Condensed Consolidated Statements of Shareholders' Equity for the three and nine months ended September 30, 2020 and 2019. For additional information related to these plans refer to the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2019.

See the table below for information related to these transactions. Shares issued and recovered during the third quarter of 2020 and 2019 were not significant.

(in millions)	2020	2019
Three months ended March 31,		
Shares issued	0.2	0.3
Shares recovered for minimum tax withholding	(0.1)	(0.1)
Net shares issued	0.1	0.2
Three months ended June 30,		
Shares issued	0.1	0.0
Shares recovered for minimum tax withholding	0.0	0.0
Net shares issued	0.1	0.0

11. ACCUMULATED OTHER COMPREHENSIVE LOSS ("AOCL")

Comprehensive income (loss) is reported on the Condensed Consolidated Statements of Comprehensive Income (Loss) and consists of net income (loss) and other gains and losses affecting shareholders' equity that, under U.S. GAAP, are excluded from net income (loss).

The following table provides the components of AOCL at September 30, 2020 (amounts are shown net of their related income tax effect, if any):

(in millions)	Foreign currency translation adjustments	Retirement liabilities	Interest rate cap	AOCL
Balance at December 31, 2019	$ (26.6)	$ (6.2)	$ (0.3)	$ (33.1)
Unrealized net gains (losses) arising during the period	(14.0)	0.0	0.0	(14.0)
Net current period other comprehensive income (loss)	(14.0)	0.0	0.0	(14.0)
Balance at March 31, 2020	(40.6)	(6.2)	(0.3)	(47.1)
Unrealized net gains (losses) arising during the period	4.2	0.0	(0.1)	4.1
Amounts reclassified from AOCL	—	0.0	0.1	0.1
Net current period other comprehensive income (loss)	4.2	0.0	0.0	4.2
Balance at June 30, 2020	(36.4)	(6.2)	(0.3)	(42.9)
Unrealized net gains (losses) arising during the period	3.8	0.1	0.0	3.9
Amounts reclassified from AOCL	—	—	0.0	0.0
Net current period other comprehensive income (loss)	3.8	0.1	0.0	3.9
Balance at September 30, 2020	$ (32.6)	$ (6.1)	$ (0.3)	$ (39.0)

The following table provides the components of AOCL at September 30, 2019 (amounts are shown net of their related income tax effect, if any):

(in millions)	Foreign currency translation adjustments	Retirement liabilities	Interest rate cap	AOCL
Balance at December 31, 2018	$ (30.3)	$ (10.1)	$ (0.3)	$ (40.7)
Unrealized net gains (losses) arising during the period	2.4	0.0	0.0	2.4
Amounts reclassified from AOCL	—	—	0.1	0.1
Net current period other comprehensive income (loss)	2.4	0.0	0.1	2.5
Balance at March 31, 2019	(27.9)	(10.1)	(0.2)	(38.2)
Unrealized net gains (losses) arising during the period	1.3	0.1	0.0	1.4
Amounts reclassified from AOCL	—	—	0.2	0.2
Net current period other comprehensive income (loss)	1.3	0.1	0.2	1.6
Balance at June 30, 2019	(26.6)	(10.0)	—	(36.6)
Unrealized net gains (losses) arising during the period	(2.2)	—	(0.3)	(2.5)
Net current period other comprehensive income (loss)	(2.2)	—	(0.3)	(2.5)
Balance at September 30, 2019	$ (28.8)	$ (10.0)	$ (0.3)	$ (39.1)

12. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time, the Company is involved in various lawsuits, claims and regulatory and administrative proceedings arising out of its business relating to general commercial and contractual matters, governmental regulations, intellectual property rights, labor and employment matters, tax and other actions.

Although the ultimate outcome of any legal proceeding or investigation cannot be predicted with certainty, based on present information, including the Company's assessment of the merits of the particular claim, the Company does not expect that any asserted or unasserted legal claims or proceedings, individually or in the aggregate, will have a material adverse effect on its results of operations, financial condition or cash flows.

Western Pennsylvania Teamsters and Employers Pension Fund

During the second quarter of 2019, in the course of negotiations for a collective bargaining agreement, Veritiv negotiated a partial withdrawal from the Western Pennsylvania Teamsters and Employers Pension Fund (the "Western Pennsylvania Fund"), a MEPP related to its Warrendale, Pennsylvania location, and recognized an estimated partial withdrawal liability of $6.5 million, which was unchanged as of September 30, 2020. The withdrawal charge was recorded in distribution expenses as it was not related to a restructuring activity.

During the first quarter of 2020, Veritiv negotiated the complete withdrawal from the Western Pennsylvania Fund related to the second bargaining unit at its Warrendale, Pennsylvania location and recognized an estimated complete withdrawal liability of $7.1 million in distribution expenses, which was unchanged as of September 30, 2020.

The Company records an estimated undiscounted charge when it becomes probable that it has incurred a withdrawal liability. Final charges for MEPP withdrawals are not known until the plans issue their respective determinations. As a result, these estimates may increase or decrease depending upon the final determinations. The Company has not yet received determination letters from the Western Pennsylvania Fund for either the partial or complete withdrawal. The Company expects that payments will occur over an approximate 20-year period, which could run consecutively.

13. SEGMENT INFORMATION

Veritiv's business is organized under four reportable segments: Packaging, Facility Solutions, Print, and Publishing and Print Management ("Publishing"). This segment structure is consistent with the way the Chief Operating Decision Maker, who is Veritiv's Chief Executive Officer, makes operating decisions and manages the growth and profitability of the Company's business. The Company also has a Corporate & Other category, which includes certain assets and costs not primarily attributable to any of the reportable segments, as well as the Veritiv logistics solutions business which provides transportation and warehousing solutions.

The following tables present net sales, 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), which is the metric management uses to assess operating performance of the segments, and certain other measures for each of the reportable segments and Corporate & Other for the periods presented:

(in millions)	Packaging	Facility Solutions	Print	Publishing	Total Reportable Segments	Corporate & Other	Total
Three Months Ended September 30, 2020							
Net sales	$ 847.9	$ 231.4	$ 364.8	$ 119.4	$ 1,563.5	$ 27.7	$ 1,591.2
Adjusted EBITDA	85.9	13.1	8.8	3.5	111.3	(61.4)	
Depreciation and amortization	5.8	2.1	2.0	0.0	9.9	5.1	15.0
Restructuring charges, net	2.5	0.6	4.2	0.0	7.3	0.6	7.9
Three Months Ended September 30, 2019							
Net sales	$ 871.4	$ 307.9	$ 523.0	$ 190.1	$ 1,892.4	$ 32.1	$ 1,924.5
Adjusted EBITDA	67.4	11.0	10.6	4.6	93.6	(48.6)	
Depreciation and amortization	4.6	1.8	2.1	0.0	8.5	4.8	13.3
Restructuring charges, net	5.8	6.1	4.3	(8.5)	7.7	(0.1)	7.6
Nine Months Ended September 30, 2020							
Net sales	$ 2,432.0	$ 693.6	$ 1,099.2	$ 401.3	$ 4,626.1	$ 77.2	$ 4,703.3
Adjusted EBITDA	215.4	33.5	21.3	6.9	277.1	(151.2)	
Depreciation and amortization	16.7	5.9	6.0	0.1	28.7	14.4	43.1
Restructuring charges, net	10.7	3.8	20.2	0.0	34.7	5.7	40.4
Nine Months Ended September 30, 2019							
Net sales	$ 2,598.3	$ 918.1	$ 1,605.5	$ 603.7	$ 5,725.6	$ 98.6	$ 5,824.2
Adjusted EBITDA	181.1	23.5	30.1	15.0	249.7	(141.0)	
Depreciation and amortization	13.8	5.3	6.3	0.4	25.8	13.7	39.5
Restructuring charges, net	8.5	7.3	6.2	(8.2)	13.8	3.1	16.9

The table below presents a reconciliation of net income (loss) as reflected on the Condensed Consolidated Statements of Operations to Adjusted EBITDA for the reportable segments:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**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
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 TRA 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
Adjustment for Corporate & Other	61.4	48.6	151.2	141.0
Adjusted EBITDA for reportable segments	$ 111.3	$ 93.6	$ 277.1	$ 249.7

14. SUBSEQUENT EVENT

Property Sale

During October 2020, the Company sold one of its assets-held-for-sale properties for which it received approximately $6.2 million in net cash proceeds and recognized a loss on the sale of the asset of approximately $0.2 million. The cash proceeds were immediately used to pay-down a portion of the ABL Facility.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements contained in this report regarding the Company's 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.

For a more detailed discussion of these factors, see the information under the heading "Risk Factors" in our Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q and in our other filings we make with the SEC. Forward-looking statements are made only as of the date hereof, and the Company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, historical information should not be considered as an indicator of future performance.

The following discussion of the Company's financial condition and results of operations for the three and nine months ended September 30, 2020 should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto, included elsewhere in this report.

Executive Overview

The COVID-19 Pandemic

The global outbreak of the novel coronavirus ("COVID-19"), which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the United States ("U.S.") and global economies and created significant uncertainty regarding potential impacts to Veritiv Corporation's ("Veritiv" or the "Company") operations, supply chain and customer demand. Veritiv's logistics and distribution operations fall within guidance provided by various government authorities on essential businesses, services and workplaces and therefore the Company has not experienced any closures of distribution centers. Primarily beginning in April 2020, unfavorable impacts from the COVID-19 pandemic have had a negative impact on the Company's financial results, including decreased net sales across all segments. During the third quarter of 2020, the Company experienced improvements in net sales in each of its segments as compared to the second quarter of 2020, with the Packaging segment nearing pre-COVID-19 levels. Economic and health conditions in the U.S. and across most of the world continue to change rapidly. The timing and pace of economic recovery are uncertain, and as certain markets have reopened, some have since experienced a resurgence of COVID-19 cases.

Veritiv's first priority remains the health and safety of its employees, customers and their families. The Company has taken steps to limit exposure and enhance the safety of its facilities for employees working to continue to supply vital products to its customers. In response to the pandemic, Veritiv established a central global response team and initiated enhanced health and safety measures across its facilities. The Company has modified practices at its distribution centers and offices to adhere to guidance from the U.S. Centers for Disease Control and Prevention and local health and governmental authorities with respect to social distancing, enhanced cleaning protocols and usage of personal protective equipment, where appropriate. In addition, the Company implemented global travel restrictions and work-from-home policies for employees who have the ability to work remotely.

The continued spread of COVID-19 is having a significant negative impact on many of Veritiv's customers and their operations. Veritiv serves customers across a broad range of industries and geographies, with varying impacts. Some customers have been forced to close temporarily and in some cases even those that are still considered essential have seen their business activity substantially reduced. Towards the end of the first quarter of 2020, the Company began to experience decreased net sales in each of its segments as compared to the corresponding prior year period, which continued through the third quarter of 2020. As a result, in April 2020, Veritiv took several actions to help mitigate the effects of the revenue decline and improve liquidity. These actions included (i) temporarily reducing salaries for senior leaders ranging from 10% to 50% through June 2020, (ii) temporarily reducing annual cash retainers for independent directors by 50% through June 2020, (iii) placing approximately 15% of its salaried workforce on temporary furloughs through mid-July 2020, (iv) adjusting its supply chain operations staff depending on volume at specific locations, (v) suspending its share repurchase program and (vi) reducing discretionary spending including planned capital expenditures. As described below, in July 2020 Veritiv took additional actions in response to the ongoing impacts of the COVID-19 pandemic to enhance liquidity, including implementing cost-savings and cash preservation initiatives. These actions included the permanent reduction of the Company's U.S. salaried workforce by approximately 15% across all business segments and corporate functions. In addition, during the second and third quarters of 2020 the Company invested $75.0 million of its cash in highly-liquid investments instead of paying down its long-term debt.

Veritiv's management expects that cash provided by operating activities and available capacity under the Asset-Based Lending Facility (the "ABL Facility") will provide sufficient funds to operate the business and meet other liquidity needs. As of September 30, 2020, Veritiv had cash and cash equivalents of $112.5 million and also had $358.9 million in available additional borrowing capacity under the ABL Facility. In April 2020 Veritiv refinanced and extended the ABL Facility to April 2025 under substantially the same terms.

Veritiv expects that its full-year 2020 results will be unfavorably impacted by the COVID-19 pandemic. The current circumstances are dynamic and the impacts of the COVID-19 pandemic on the Company's business operations, including the duration and impact on overall customer demand, cannot be reasonably estimated at this time. The extent to which the COVID-19 pandemic impacts the Company's business, results of operations, access to sources of liquidity and financial condition will depend on future developments. These developments, which are highly uncertain and cannot be predicted, include, but are not limited to, the duration, spread and severity of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company's employees, customers, suppliers and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume and be sustained. Even after the

COVID-19 pandemic has subsided, the Company may experience an impact to its business as a result of any economic recession, downturn or volatility that has occurred or may occur in the future.

See Part II, Item 1A, Risk Factors, for additional information on risks related to the COVID-19 pandemic.

Other Recent Events

2020 Restructuring Plan -

The Company initiated a restructuring plan (the "2020 Restructuring Plan") in response to the impact of the COVID-19 pandemic on its business operations and the ongoing secular changes in its Print and Publishing segments. The 2020 Restructuring Plan will result in (i) the reduction of the Company's U.S. salaried workforce by approximately 15% across all business segments and corporate functions, (ii) the closure of certain warehouse facilities and retail stores, (iii) adjustments to various compensation plans and (iv) other actions.

The Company previously announced that it estimates it will incur total charges of between $75 million and $90 million in connection with the 2020 Restructuring Plan. These costs will consist of approximately (i) $43 million to $47 million in employee termination and other one-time compensation costs, (ii) $9 million to $11 million in real estate exit costs, (iii) $8 million to $14 million in inventory related costs and (iv) $15 million to $18 million in other exit costs. Based on the underlying nature of each item, these charges may be reported as restructuring charges, net, cost of products sold, distribution expenses or selling and administrative expenses on the Condensed Consolidated Statements of Operations.

Company management is currently evaluating the need to expand both the scale and duration of the 2020 Restructuring Plan in response to current trends and anticipated future unfavorable impacts of the COVID-19 pandemic on its business operations. As described above, the timing and pace of economic recovery remain highly uncertain including the long-term impacts on demand to our Print and Publishing segments. The Company expects to substantially complete the 2020 Restructuring Plan by the end of 2020, unless the plan is expanded. See Note 4 of the Notes to Condensed Consolidated Financial Statements for information related to the Company's restructuring efforts.

Supply Chain Restructuring -

On March 13, 2020, Veritiv announced that its Board of Directors authorized Company management to evaluate alternatives to restructure the Company’s integrated supply chain in an effort to facilitate better alignment with the supply chain needs of the Company’s customers by segment, with a view towards reducing complexity and lowering overall supply chain costs. Each of the Company’s reportable segments has different market dynamics and business and service needs. As a result, the Company is investigating whether an alternative supply chain structure would be more economically or operationally desirable. Moreover, to address the ongoing and rapid secular decline of the paper industry, management continues to explore opportunities to adapt the cost structure necessary to support the Print segment. In an effort to ensure all aspects of the Company can operate most effectively, the Company intends to review and evaluate restructuring options and what the optimal path forward will be. The Company plans to proceed with this review in a timely manner, but no decision has been made to pursue any specific course of action, and there can be no assurance as to what form the restructuring may take or whether this evaluation will result in any restructuring. Additionally, any restructuring may result in a significant charge to earnings in any given financial reporting period or periods.

Business Overview

Veritiv 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 to its customers. Veritiv was established in 2014, following the merger (the "Merger") of International Paper Company's xpedx distribution solutions business and UWW Holdings, Inc., the parent company of Unisource Worldwide, Inc. On August 31, 2017, Veritiv completed its acquisition of 100% of the equity interest in various All American Containers entities (collectively, "AAC"). AAC was a family owned and operated distributor of rigid packaging products, including plastic, glass and metal containers, caps, closures and plastic pouches. Veritiv operates from approximately 140 distribution centers primarily throughout the U.S., Canada and Mexico.

Veritiv's business is organized under four reportable segments: Packaging, Facility Solutions, Print, and Publishing and Print Management ("Publishing"). This segment structure is consistent with the way the Chief Operating Decision Maker, who is Veritiv's Chief Executive Officer, makes operating decisions and manages the growth and profitability of the Company's business.

The Company also has a Corporate & Other category, which includes certain assets and costs not primarily attributable to any of the reportable segments as well as the Veritiv logistics solutions business, which provides transportation and warehousing solutions. The following summary describes the products and services offered in each of the reportable segments:

- ***Packaging*** – The Packaging segment provides standard as well as custom and comprehensive packaging solutions for customers based in North America and in key global markets. The business is strategically focused on higher growth industries including light industrial/general manufacturing, food processing, fulfillment and internet retail, as well as niche verticals based on geographical and functional expertise. Veritiv's packaging professionals create customer value through supply chain solutions, structural and graphic packaging design and engineering, automation, workflow and equipment services and kitting and fulfillment.

- ***Facility Solutions*** – The Facility Solutions segment sources and sells cleaning, break-room and other supplies such as towels, tissues, wipers and dispensers, can liners, commercial cleaning chemicals, soaps and sanitizers, sanitary maintenance supplies and equipment, safety and hazard supplies, and shampoos and amenities primarily in North America. Veritiv is a leading distributor in the Facility Solutions segment. Through this segment, Veritiv manages a world class network of leading suppliers in most facilities solutions categories. Additionally, the Company offers total cost of ownership solutions with re-merchandising, budgeting and compliance reporting, inventory management and a sales-force trained to bring leading vertical expertise to the major North American geographies.

- ***Print*** – The Print segment sells and distributes commercial printing, writing, copying, digital, specialty products, graphics consumables and graphics equipment primarily in North America. This segment also includes customized paper conversion services of commercial printing paper for distribution to document centers and form printers. Veritiv's broad geographic platform of operations coupled with the breadth of paper and graphics products, including exclusive private brand offerings, provides a foundation to service national, regional and local customers across North America.

- ***Publishing*** – The Publishing segment sells and distributes coated and uncoated commercial printing papers to publishers, retailers, converters, printers and specialty businesses for use in magazines, catalogs, books, directories, gaming, couponing, retail inserts and direct mail primarily in the U.S. This segment also provides print management, procurement and supply chain management solutions to simplify paper and print procurement processes for Veritiv's customers.

Seasonality

The Company's operating results are subject to seasonal influences. Historically, its higher consolidated net sales have occurred during the third and fourth quarters while its lowest consolidated net sales have occurred during the first quarter. The Packaging segment net sales have traditionally increased each quarter throughout the year and net sales for the first quarter have typically been less than net sales for the fourth quarter of the preceding year. Production schedules for non-durable goods that build up to the holidays and peak in the fourth quarter drive this seasonal net sales pattern. Net sales for the Facility Solutions segment have traditionally peaked in the third quarter due to increased summer demand in the away-from-home resort, cruise and hospitality markets and from back-to-school activities. Within the Print and Publishing segments, seasonality is driven by increased magazine advertising page counts, retail inserts, catalogs and direct mail primarily due to back-to-school, political election and holiday-related advertising and promotions in the second half of the year. We anticipate that the COVID-19 pandemic will disrupt the Company's seasonal patterns in net sales across all segments and on a consolidated basis in 2020 due to the significant impacts of the pandemic on many of Veritiv's customers.

Results of Operations, Including Business Segments

The following discussion compares the consolidated operating results of Veritiv for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30,		Increase (Decrease)		Nine Months Ended September 30,		Increase (Decrease)	
(in millions)	2020	2019	$	%	2020	2019	$	%
Net sales	$ 1,591.2	$ 1,924.5	$ (333.3)	(17.3)%	$ 4,703.3	$ 5,824.2	$ (1,120.9)	(19.2)%
Cost of products sold (exclusive of depreciation and amortization shown separately below)	1,262.4	1,550.8	(288.4)	(18.6)%	3,728.8	4,726.5	(997.7)	(21.1)%
Distribution expenses	100.6	124.9	(24.3)	(19.5)%	323.9	387.3	(63.4)	(16.4)%
Selling and administrative expenses	177.4	204.3	(26.9)	(13.2)%	545.4	631.6	(86.2)	(13.6)%
Depreciation and amortization	15.0	13.3	1.7	12.8 %	43.1	39.5	3.6	9.1 %
Integration expenses	—	4.5	(4.5)	(100.0)%	—	13.3	(13.3)	(100.0)%
Restructuring charges, net	7.9	7.6	0.3	3.9 %	40.4	16.9	23.5	139.1 %
Operating income (loss)	27.9	19.1	8.8	46.1 %	21.7	9.1	12.6	138.5 %
Interest expense, net	5.5	8.9	(3.4)	(38.2)%	19.7	30.5	(10.8)	(35.4)%
Other (income) expense, net	1.4	(2.5)	3.9	156.0 %	0.0	11.3	(11.3)	(100.0)%
Income (loss) before income taxes	21.0	12.7	8.3	65.4 %	2.0	(32.7)	34.7	106.1 %
Income tax expense (benefit)	(0.1)	7.6	(7.7)	(101.3)%	(0.2)	0.2	(0.4)	(200.0)%
Net income (loss)	$ 21.1	$ 5.1	$ 16.0	313.7 %	$ 2.2	$ (32.9)	$ 35.1	106.7 %

Net Sales

For the three and nine months ended September 30, 2020, net sales decreased in all reportable segments. Primarily beginning in April 2020, the Company experienced decreased net sales in each of its segments due to the negative impacts from the COVID-19 pandemic. Declines in the Print and Publishing segments' net sales were responsible for over 60% of the total decline in each of the three and nine month periods. However, the net sales decline of 17.3% in the third quarter of 2020 was an improvement as compared to the decline of 28.3% in the second quarter of 2020. See the "Segment Results" section for additional discussion. Management expects net sales during the fourth quarter of 2020 to be unfavorably impacted in each of the Company's reportable segments due to the continuing negative effects of the COVID-19 pandemic, with Packaging experiencing less decline than Facility Solutions, Print and Publishing. The duration and extent of the COVID-19 pandemic is highly uncertain and the magnitude of net sales declines is difficult to predict.

Cost of Products Sold (exclusive of depreciation and amortization shown separately below)

For the three and nine months ended September 30, 2020, cost of products sold decreased primarily due to lower net sales. Cost of products sold decreased at a faster rate than net sales due to improvements in pricing, as well as changes in both segment and customer mix.

Distribution Expenses

For the three months ended September 30, 2020, distribution expenses decreased by $24.3 million, or 19.5%. The decrease was primarily due to (i) an $11.6 million decrease in wages and temporary employee expenses, (ii) a $6.4 million decrease in freight and logistics expense and (iii) a $3.4 million decrease in equipment and facility rent expense. The decrease in wages and temporary employee expenses was primarily driven by actions taken by the Company in response to the COVID-19 pandemic, including lowering headcount across the Company's distribution network. The decrease in freight and logistics

expense was primarily driven by a decrease in third-party freight and fuel expenses mostly related to lower net sales volumes. The decrease in equipment and facility rent expense was primarily driven by consolidation of the Company's facilities. The Company expects wages and related costs to decline in future periods versus the comparable prior year periods as a result of the reduction in the Company's U.S. salaried workforce.

For the nine months ended September 30, 2020, distribution expenses decreased by $63.4 million, or 16.4%. The decrease was primarily due to (i) a $30.8 million decrease in wages and temporary employee expenses, (ii) a $21.3 million decrease in freight and logistics expense, (iii) a $6.7 million decrease in equipment and facility rent expense and (iv) a $2.8 million decrease in maintenance costs. The decrease in wages and temporary employee expenses was primarily driven by actions taken by the Company in response to the COVID-19 pandemic, including lowering headcount across the Company's distribution network. The decrease in freight and logistics expense was primarily driven by a decrease in third-party freight and fuel expenses mostly related to lower net sales volumes. The decrease in equipment and facility rent expense was primarily driven by consolidation of the Company's facilities.

Selling and Administrative Expenses

For the three months ended September 30, 2020, selling and administrative expenses decreased by $26.9 million, or 13.2%. The decrease was primarily due to (i) a $12.8 million decrease in personnel expenses, (ii) an $8.5 million gain on the sale of a property, (iii) a $2.3 million decrease in bad debt expense and (iv) a $2.2 million decrease in professional fees expense. The decrease in personnel expenses was primarily driven by (i) lower wages primarily as a result of actions taken by the Company in response to the COVID-19 pandemic, (ii) a decrease in travel and entertainment expenses in response to the COVID-19 pandemic and (iii) a decrease in commission expenses driven by lower net sales, partially offset by higher incentive compensation expenses. The Company expects wages and related costs to decline in future periods versus the comparable prior year periods as a result of the reduction in the Company's U.S. salaried workforce.

For the nine months ended September 30, 2020, selling and administrative expenses decreased by $86.2 million, or 13.6%. The decrease was primarily due to (i) a $58.0 million decrease in personnel expenses, (ii) an $8.5 million gain on the sale of a property, (iii) a $6.3 million decrease in professional fees expense, (iv) a $6.0 million decrease related to the escheat audit expense in 2019 that did not repeat in 2020 and (v) a $2.6 million decrease in bad debt expense. The decrease in personnel expenses was primarily driven by (i) lower wages primarily as a result of actions taken by the Company in response to the COVID-19 pandemic, (ii) a decrease in commission expenses driven by lower net sales and (iii) a decrease in travel and entertainment expenses, partially offset by higher incentive compensation expenses.

Depreciation and Amortization

For the three and nine months ended September 30, 2020, depreciation and amortization increased by $1.7 million, or 12.8%, and $3.6 million, or 9.1%, respectively. The increases were primarily due to increases in depreciation related to capitalized delivery equipment.

Integration Expenses

As of December 31, 2019, the integration plan related to the Merger was complete and no further costs or charges are expected. See Note 4 of the Notes to Condensed Consolidated Financial Statements for information related to the Company's past integration efforts.

Restructuring Charges, Net

The Company initiated the 2020 Restructuring Plan in response to the impact of the COVID-19 pandemic on its business operations and the ongoing secular changes in its Print and Publishing segments. During the three and nine months ended September 30, 2020, restructuring charges, net, increased by $0.3 million, or 3.9%, and $23.5 million, or 139.1%, respectively. The increase for the nine months ended September 30, 2020 was primarily due to an increase in severance charges related to the Company's reduction of the U.S. salaried workforce as part of its 2020 Restructuring Plan. See Note 4 of the Notes to Condensed Consolidated Financial Statements for additional information related to the Company's restructuring efforts.

Interest Expense, Net

For the three months ended September 30, 2020, interest expense, net, decreased by $3.4 million, or 38.2%. The decrease was primarily due to (i) lower average interest rates and (ii) a lower average balance on the Company's ABL Facility.

For the nine months ended September 30, 2020, interest expense, net, decreased by $10.8 million, or 35.4%. The decrease was primarily due to (i) lower average interest rates and (ii) a lower average balance on the Company's ABL Facility, partially offset by a $0.6 million write-off of deferred financing fees related to the amendment of the ABL Facility completed in the second quarter of 2020. See Note 5 of the Notes to Condensed Consolidated Financial Statements for information related to the Company's ABL Facility.

Other (Income) Expense, Net

For the three months ended September 30, 2020, other (income) expense, net, was expense of $1.4 million. This was a net expense increase of $3.9 million, or 156.0%, as compared to the same period in 2019. The net expense increase was primarily due to the AAC contingent consideration expense reduction of $2.5 million in the third quarter of 2019 that did not repeat in 2020, as the contingent consideration liability was settled in March 2020. The remaining impact was primarily driven by changes associated with the Tax Receivable Agreement ("TRA") entered into at the time of the Merger.

For the nine months ended September 30, 2020, other (income) expense, net, was a net improvement of $11.3 million as compared to the same period in 2019. The improvement was primarily due to the 2020 AAC contingent consideration expense being $9.6 million lower than the 2019 expense. The remaining impact was primarily driven by pension benefit cost reductions and changes associated with the TRA.

See Note 9 of the Notes to Condensed Consolidated Financial Statements for information related to the AAC contingent consideration and the TRA contingent consideration.

Effective Tax Rate

Veritiv's effective tax rates were (0.5)% and 59.8% for the three months ended September 30, 2020 and 2019, respectively. Veritiv's effective tax rates were (10.0)% and (0.6)% for the nine months ended September 30, 2020 and 2019, respectively. The difference between the Company's effective tax rates and the U.S. statutory tax rate of 21.0% primarily relates to state income taxes (net of federal income tax benefit), tax expense for stock compensation vesting, Global Intangible Low-Taxed Income ("GILTI"), non-deductible expenses and the Company's pre-tax book income (loss) by jurisdiction. For the six months ended June 30, 2020, Veritiv recorded an estimated $0.9 million tax rate benefit and for the three months ended September 30, 2020 an estimated $1.5 million benefit, for a net estimated $2.4 million tax rate benefit related to the carryback of net operating losses which are now available due to the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). In addition, for the three months ended September 30, 2020, Veritiv recorded an estimated $2.2 million tax rate benefit related to tax legislative changes including, but not limited to, elections available under GILTI and interest expense disallowance.

The volatility of the Company's effective tax rate has been primarily due to both the level of pre-tax book income (loss) as well as variations in the Company's income (loss) by jurisdiction. The Company expects continued volatility of the effective tax rate for the foreseeable future due to potential fluctuations in the amount and source, including both foreign and domestic, of pre-tax book income (loss) by jurisdiction, potential deferred tax valuation allowance increases in jurisdictions, including the U.S., changes in amounts of non-deductible expenses, and other items that could impact the effective tax rate.

Segment Results

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) is the primary financial performance measure Veritiv uses to manage its businesses, to monitor its results of operations, to measure its performance against the ABL Facility and to incentivize its management.

Veritiv believes investors commonly use Adjusted EBITDA as a key financial metric for valuing companies. In addition, the credit agreement governing the ABL Facility permits the Company to exclude these and other charges in calculating Consolidated EBITDA, as defined in the ABL Facility. This common metric is intended to align shareholders, debt holders and management. Adjusted EBITDA is a non-GAAP financial measure and is not an alternative to net income, operating income or any other measure prescribed by U.S. generally accepted accounting principles ("U.S. GAAP").

Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of Veritiv's results as reported under U.S. GAAP. For example, Adjusted EBITDA:

- Does not reflect the Company's income tax expenses or the cash requirements to pay its taxes; and
- Although depreciation and amortization charges are non-cash charges, it does not reflect that the assets being depreciated and amortized will often have to be replaced in the future and the foregoing metric does not reflect any cash requirements for such replacements.

Other companies in the industry may calculate Adjusted EBITDA differently than Veritiv does, limiting its usefulness as a comparative measure. Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to Veritiv to invest in the growth of its business. Veritiv compensates for these limitations by relying on the Company's U.S. GAAP results and by using Adjusted EBITDA for supplemental purposes. Additionally, Adjusted EBITDA is not an alternative measure of financial performance under U.S. GAAP and therefore should be considered in conjunction with net income and other performance measures such as operating income or net cash provided by operating activities and not as an alternative to such U.S. GAAP measures.

Due to the shared nature of the distribution network to support the Packaging, Facility Solutions and Print segments, distribution expenses are not a specific charge to each segment, but are instead allocated to each segment based primarily on operational metrics that correlate with changes in volume. Accordingly, distribution expenses allocated to each segment are highly interdependent on the results of other segments. Lower volume in any segment that is not offset by a reduction in distribution expenses can result in the other segments absorbing a larger share of distribution expenses. Conversely, higher volume in any segment can result in the other segments absorbing a smaller share of distribution expenses. The impact of this at the segment level is that the changes in distribution expense trends may not correspond with volume trends within a particular segment.

The Company sells thousands of products. In the Packaging and Facility Solutions segments, Veritiv is unable to compute the impact of changes in sales volume based on changes in sales of each individual product. Rather, the Company assumes that the margin stays constant and estimates the volume impact based on changes in cost of products sold as a proxy for the change in sales volume. After any other significant sales variances are identified, the remaining sales variance is attributed to price/mix.

The Company approximates foreign currency effects by applying the foreign currency exchange rate for the prior period to the local currency results for the current period. The Company believes the elimination of the foreign currency translation impact provides better year-to-year comparability without the distortion of foreign currency fluctuations.

The Company believes that the decline in demand for paper and related products is due to the widespread use of electronic media and permanent product substitution, more e-commerce, less print advertising, fewer catalogs and a reduced volume of direct mail, among other factors. This trend, which may be accelerated by the COVID-19 pandemic, is expected to continue and will place continued pressure on the Company’s revenues and profit margins and make it more difficult to maintain or grow Adjusted EBITDA within the Print and Publishing segments.

Included in the following table are net sales and Adjusted EBITDA for each of the reportable segments and Corporate & Other:

(in millions)	Packaging	Facility Solutions	Print	Publishing	Corporate & Other
Three Months Ended September 30, 2020					
Net sales	$ 847.9	$ 231.4	$ 364.8	$ 119.4	$ 27.7
Adjusted EBITDA	85.9	13.1	8.8	3.5	(61.4)
Adjusted EBITDA as a % of net sales	10.1 %	5.7 %	2.4 %	2.9 %	*
Three Months Ended September 30, 2019					
Net sales	$ 871.4	$ 307.9	$ 523.0	$ 190.1	$ 32.1
Adjusted EBITDA	67.4	11.0	10.6	4.6	(48.6)
Adjusted EBITDA as a % of net sales	7.7 %	3.6 %	2.0 %	2.4 %	*
Nine Months Ended September 30, 2020					
Net sales	$ 2,432.0	$ 693.6	$ 1,099.2	$ 401.3	$ 77.2
Adjusted EBITDA	215.4	33.5	21.3	6.9	(151.2)
Adjusted EBITDA as a % of net sales	8.9 %	4.8 %	1.9 %	1.7 %	*
Nine Months Ended September 30, 2019					
Net sales	$ 2,598.3	$ 918.1	$ 1,605.5	$ 603.7	$ 98.6
Adjusted EBITDA	181.1	23.5	30.1	15.0	(141.0)
Adjusted EBITDA as a % of net sales	7.0 %	2.6 %	1.9 %	2.5 %	*

* - *not meaningful*

See Note 13 of the Notes to Condensed Consolidated Financial Statements for additional information related to Adjusted EBITDA, including a reconciliation of net income (loss) as reflected on the Condensed Consolidated Statements of Operations to Adjusted EBITDA for reportable segments.

Packaging

The table below presents selected data for the Packaging segment:

	Three Months Ended September 30,		Increase (Decrease)		Nine Months Ended September 30,		Increase (Decrease)	
(in millions)	2020	2019	$	%	2020	2019	$	%
Net sales	$ 847.9	$ 871.4	$ (23.5)	(2.7)%	$ 2,432.0	$ 2,598.3	$ (166.3)	(6.4)%
Adjusted EBITDA	85.9	67.4	18.5	27.4 %	215.4	181.1	34.3	18.9 %
Adjusted EBITDA as a % of net sales	10.1 %	7.7 %		240 BPS	8.9 %	7.0 %		190 BPS

The table below presents the components of the net sales change compared to the prior year:

	Increase (Decrease)	
	Three Months Ended September 30,	Nine Months Ended September 30,
(in millions)	2020 vs. 2019	2020 vs. 2019
Volume	$ (35.0)	$ (209.0)
Foreign currency	(0.2)	(3.9)
Price/Mix	11.7	46.6
Total change	$ (23.5)	$ (166.3)

Comparison of the Three Months Ended September 30, 2020 and September 30, 2019

Net sales decreased $23.5 million, or 2.7%, as compared to the same period in 2019. The net sales decrease was primarily attributable to decreased sales of films, tapes and kitting services that was in part driven by the negative impacts of the COVID-19 pandemic, partially offset by favorable price/mix. The decline in net sales in the third quarter of 2020 was an improvement as compared to the 11.3% decline in the second quarter of 2020, in part as a result of improvements in sales to industrial manufacturing customers that had been previously impacted by partial or complete shutdowns due to the COVID-19 pandemic.

Adjusted EBITDA increased $18.5 million, or 27.4%, as compared to the same period in 2019. The increase in Adjusted EBITDA was primarily attributable to (i) an $11.7 million decrease in selling and administrative expenses, (ii) cost of products sold decreasing at a faster rate than net sales and (iii) a $5.1 million decrease in distribution expenses, partially offset by a decline in net sales. The decrease in selling and administrative expenses was primarily driven by (i) an $8.5 million decrease in personnel expenses and (ii) a $2.2 million decrease in bad debt expense. The decrease in distribution expenses was primarily driven by (i) a $2.4 million decrease in freight and logistics expense, mostly related to third-party freight and fuel expenses and (ii) a $1.9 million decrease in personnel expenses.

Comparison of the Nine Months Ended September 30, 2020 and September 30, 2019

Net sales decreased $166.3 million, or 6.4%, as compared to the same period in 2019. The net sales decrease was primarily attributable to decreased sales of films, corrugated products, tapes and bags that was in part attributable to the negative effects of the COVID-19 pandemic beginning in April 2020, partially offset by favorable price/mix.

Adjusted EBITDA increased $34.3 million, or 18.9%, as compared to the same period in 2019. The increase in Adjusted EBITDA was primarily attributable to (i) cost of products sold decreasing at a faster rate than net sales, (ii) a $29.5 million decrease in selling and administrative expenses and (iii) a $9.6 million decrease in distribution expenses, partially offset by a decline in net sales. The decrease in selling and administrative expenses was primarily driven by (i) a $22.1 million decrease in personnel expenses and (ii) a $4.6 million decrease in bad debt expense. The decrease in distribution expenses was primarily driven by (i) a $6.2 million decrease in freight and logistics expense, primarily driven by third-party freight and fuel expenses and (ii) a $3.9 million decrease in personnel expenses.

Facility Solutions

The table below presents selected data for the Facility Solutions segment:

	Three Months Ended September 30,		Increase (Decrease)		Nine Months Ended September 30,		Increase (Decrease)	
(in millions)	2020	2019	$	%	2020	2019	$	%
Net sales	$ 231.4	$ 307.9	$ (76.5)	(24.8)%	$ 693.6	$ 918.1	$ (224.5)	(24.5)%
Adjusted EBITDA	13.1	11.0	2.1	19.1 %	33.5	23.5	10.0	42.6 %
Adjusted EBITDA as a % of net sales	5.7 %	3.6 %		210 BPS	4.8 %	2.6 %		220 BPS

The table below presents the components of the net sales change compared to the prior year:

	Increase (Decrease)	
	Three Months Ended September 30,	Nine Months Ended September 30,
(in millions)	2020 vs. 2019	2020 vs. 2019
Volume	$ (78.9)	$ (234.8)
Foreign currency	(0.6)	(3.5)
Price/Mix	3.0	13.8
Total change	$ (76.5)	$ (224.5)

Comparison of the Three Months Ended September 30, 2020 and September 30, 2019

Net sales decreased $76.5 million, or 24.8%, as compared to the same period in 2019. The net sales decrease was primarily attributable to decreased sales of towels and tissues, food service products and can liners primarily driven by the Company exiting a branded re-distribution business and the negative impact on demand from the COVID-19 pandemic. The Company began exiting a branded re-distribution business in the third quarter of 2019 and substantially completed the exit by December 31, 2019. During the third quarter of 2020, net sales associated with this business decreased $28.6 million as compared to the same period in 2019 and have historically been approximately 12% of the Facility Solutions segment's net sales. The Company continued to have reduced customer demand during the third quarter of 2020 resulting from the COVID-19 pandemic despite strong demand in the product categories of personal protective equipment and hygiene-related products. Negative impacts to customer demand have included business and school temporary closures, travel restrictions, constraints on large venues hosting sporting, conventions and entertainment events as well as extended work-from-home measures. In addition, net sales were lower due to strategic decisions to exit certain customer relationships that were not aligned with the Company's product and service capabilities.

Adjusted EBITDA increased $2.1 million, or 19.1%, as compared to the same period in 2019. The increase in Adjusted EBITDA was primarily attributable to (i) an $8.7 million decrease in distribution expenses, (ii) an $8.1 million decrease in selling and administrative expenses and (iii) cost of products sold decreasing at a faster rate than net sales, primarily offset by a decline in net sales. The decrease in distribution expenses was primarily driven by (i) a $5.5 million decrease in personnel expenses and (ii) a $2.2 million decrease in freight and logistics expense, primarily driven by third-party freight and fuel expenses. The decrease in selling and administrative expenses was primarily driven by a $7.9 million decrease in personnel expenses.

Comparison of the Nine Months Ended September 30, 2020 and September 30, 2019

Net sales decreased $224.5 million, or 24.5%, as compared to the same period in 2019. The net sales decrease was primarily attributable to (i) the Company exiting a branded re-distribution business and (ii) decreased sales of towels and tissues, food service products and can liners primarily driven by the impact on demand from the COVID-19 pandemic. The Company began exiting a branded re-distribution business in the third quarter of 2019 and substantially completed the exit by December 31, 2019. During the first three quarters of 2020, net sales associated with this business decreased $92.5 million as compared to the same period in 2019. In addition to exiting the branded re-distribution business, net sales were lower due to strategic decisions to exit certain customer relationships that were not aligned with the Company's product and service capabilities.

Beginning in March 2020, the Facility Solutions segment experienced significant sales growth driven by increased demand for sanitizers and soap products, gloves and other personal protection products, and cleaning supplies due to the COVID-19 pandemic. Demand for these personal protective equipment and hygiene-related products remained strong through the third quarter of 2020. While there were shortages of high-demand products from key suppliers in the second quarter of 2020, during the third quarter suppliers were better able to meet demand. However, as noted above, net sales for other Facility Solutions products were negatively impacted beginning in April 2020 due to overall reduced customer demand.

Adjusted EBITDA increased $10.0 million, or 42.6%, as compared to the same period in 2019. The increase in Adjusted EBITDA was primarily attributable to (i) a $25.1 million decrease in distribution expenses, (ii) a $23.5 million decrease in selling and administrative expenses and (iii) cost of products sold decreasing at a faster rate than net sales, partially offset by a decline in net sales. The decrease in distribution expenses was primarily driven by (i) a $14.0 million decrease in personnel expenses, (ii) a $7.6 million decrease in freight and logistics expense, primarily driven by third-party freight and fuel expenses and (iii) a $2.4 million decrease in equipment and facility rent expense, primarily driven by consolidation of the Company's facilities. The decrease in selling and administrative expense was primarily driven by a $22.1 million decrease in personnel expenses.

Print

The table below presents selected data for the Print segment:

	Three Months Ended September 30,		Increase (Decrease)		Nine Months Ended September 30,		Increase (Decrease)	
(in millions)	2020	2019	$	%	2020	2019	$	%
Net sales	$ 364.8	$ 523.0	$ (158.2)	(30.2)%	$ 1,099.2	$ 1,605.5	$ (506.3)	(31.5)%
Adjusted EBITDA	8.8	10.6	(1.8)	(17.0)%	21.3	30.1	(8.8)	(29.2)%
Adjusted EBITDA as a % of net sales	2.4 %	2.0 %		40 BPS	1.9 %	1.9 %		0 BPS

The table below presents the components of the net sales change compared to the prior year:

	Increase (Decrease)	
	Three Months Ended September 30,	Nine Months Ended September 30,
(in millions)	2020 vs. 2019	2020 vs. 2019
Volume	$ (136.3)	$ (453.2)
Foreign currency	(0.2)	(1.6)
Price/Mix	(21.7)	(51.5)
Total change	$ (158.2)	$ (506.3)

Comparison of the Three Months Ended September 30, 2020 and September 30, 2019

Net sales decreased $158.2 million, or 30.2%, as compared to the same period in 2019. The net sales decrease was primarily attributable to (i) the continued secular decline in the paper industry in addition to managing risk in the segment through strategic adjustments to the Company's customer base and (ii) the negative impact on demand from the COVID-19 pandemic.

Adjusted EBITDA decreased $1.8 million, or 17.0%, as compared to the same period in 2019. The Adjusted EBITDA decrease was primarily attributable to a decline in net sales, partially offset by (i) an $11.0 million decrease in distribution expenses and (ii) a $10.4 million decrease in selling and administrative expenses. The decrease in distribution expenses was primarily driven by (i) a $5.0 million decrease in personnel expenses, (ii) a $3.1 million decrease in equipment and facility rent expense, primarily driven by consolidation of the Company's facilities and (iii) a $1.9 million decrease in freight and logistics expense, primarily driven by a decrease in third-party freight and fuel expenses. The decrease in selling and administration expenses was primarily driven by a $9.1 million decrease in personnel expenses.

Comparison of the Nine Months Ended September 30, 2020 and September 30, 2019

Net sales decreased $506.3 million, or 31.5%, as compared to the same period in 2019. The net sales decrease was primarily attributable to (i) the continued secular decline in the paper industry in addition to managing risk in the segment through strategic adjustments to the Company's customer base and (ii) the negative impact on demand from the COVID-19 pandemic beginning in April 2020.

Adjusted EBITDA decreased $8.8 million, or 29.2%, as compared to the same period in 2019. The Adjusted EBITDA decrease was primarily attributable to a decline in net sales, partially offset by (i) a $30.8 million decrease in distribution expenses, (ii) a $26.8 million decrease in selling and administrative expenses and (iii) cost of products sold decreasing at a faster

rate than net sales. The decrease in distribution expenses was primarily driven by (i) a $14.3 million decrease in personnel expenses, (ii) a $7.3 million decrease in freight and logistics expense, primarily driven by a decrease in third-party freight and fuel expenses, (iii) a $6.9 million decrease in equipment and facility rent expense, primarily driven by consolidation of the Company's facilities and (iv) a $1.8 million decrease in maintenance expenses. The decrease in selling and administrative expenses was primarily driven by (i) a $23.1 million decrease in personnel expenses, (ii) a $1.1 million decrease in professional fees expense and (iii) a $1.0 million decrease in bad debt expense.

Publishing

The table below presents selected data for the Publishing segment:

	Three Months Ended September 30,		Increase (Decrease)		Nine Months Ended September 30,		Increase (Decrease)	
(in millions)	2020	2019	$	%	2020	2019	$	%
Net sales	$ 119.4	$ 190.1	$ (70.7)	(37.2)%	$ 401.3	$ 603.7	$ (202.4)	(33.5)%
Adjusted EBITDA	3.5	4.6	(1.1)	(23.9)%	6.9	15.0	(8.1)	(54.0)%
Adjusted EBITDA as a % of net sales	2.9 %	2.4 %		50 BPS	1.7 %	2.5 %		(80) BPS

The table below presents the components of the net sales change compared to the prior year:

	Increase (Decrease)	
	Three Months Ended September 30,	Nine Months Ended September 30,
(in millions)	2020 vs. 2019	2020 vs. 2019
Volume	$ (61.0)	$ (175.2)
Foreign currency	—	—
Price/Mix	(9.7)	(27.2)
Total change	$ (70.7)	$ (202.4)

Comparison of the Three Months Ended September 30, 2020 and September 30, 2019

Net sales decreased $70.7 million, or 37.2%, as compared to the same period in 2019. The net sales decrease was primarily attributable to (i) the continued secular decline in the paper industry, managing risks in the segment through strategic adjustments to the Company's customer base, and changes in order patterns due to customer consolidation, digital advertising and other factors and (ii) the negative impact on demand from the COVID-19 pandemic.

Adjusted EBITDA decreased $1.1 million, or 23.9%, as compared to the same period in 2019. The Adjusted EBITDA decrease was primarily attributable to the decline in net sales, partially offset by (i) a $2.2 million decrease in selling and administrative expenses and (ii) cost of products sold decreasing at a faster rate than net sales. The decrease in selling and administrative expenses was primarily driven by a $1.7 million decrease in personnel expenses.

Comparison of the Nine Months Ended September 30, 2020 and September 30, 2019

Net sales decreased $202.4 million, or 33.5%, as compared to the same period in 2019. The net sales decrease was primarily attributable to (i) the continued secular decline in the paper industry, managing risks in the segment through strategic adjustments to the Company's customer base, and changes in order patterns due to customer consolidation, digital advertising and other factors as well as (ii) the negative impact on demand from the COVID-19 pandemic beginning in April 2020.

Adjusted EBITDA decreased $8.1 million, or 54.0%, as compared to the same period in 2019. The Adjusted EBITDA decrease was primarily attributable to a decline in net sales, partially offset by (i) cost of products sold decreasing at a faster rate than net sales and (ii) a $1.0 million decrease in selling and administrative expenses. The decrease in selling and administrative expenses was primarily driven by a $4.0 million decrease in personnel expenses, partially offset by a $3.3 million increase in bad debt expense.

Corporate & Other

The table below presents selected data for Corporate & Other:

	Three Months Ended September 30,		Increase (Decrease)		Nine Months Ended September 30,		Increase (Decrease)	
(in millions)	2020	2019	$	%	2020	2019	$	%
Net sales	$ 27.7	$ 32.1	$ (4.4)	(13.7)%	$ 77.2	$ 98.6	$ (21.4)	(21.7)%
Adjusted EBITDA	(61.4)	(48.6)	(12.8)	(26.3)%	(151.2)	(141.0)	(10.2)	(7.2)%

Comparison of the Three Months Ended September 30, 2020 and September 30, 2019

Net sales decreased $4.4 million, or 13.7%, as compared to the same period in 2019. The net sales decrease was primarily attributable to a decrease in volume of freight brokerage services including the negative impact on demand from COVID-19.

Adjusted EBITDA decreased $12.8 million, or 26.3%, as compared to the same period in 2019. The Adjusted EBITDA decrease was primarily driven by (i) an $11.9 million increase in selling and administrative expenses and (ii) cost of products sold decreasing at a slower rate than net sales. The increase in selling and administrative expenses was primarily driven by a $16.9 million increase in incentive compensation expense driven by the Company outperforming incentive targets, partially offset by (i) a $2.3 million decrease in wages and temporary employee expenses and (ii) a $1.7 million decrease in professional fees expense.

Comparison of the Nine Months Ended September 30, 2020 and September 30, 2019

Net sales decreased $21.4 million, or 21.7%, as compared to the same period in 2019. The net sales decrease was primarily attributable to a decrease in volume of freight brokerage services including the negative impact on demand from the COVID-19 pandemic beginning in April 2020.

Adjusted EBITDA decreased $10.2 million, or 7.2%, as compared to the same period in 2019. The Adjusted EBITDA decrease was primarily driven by (i) a $5.4 million increase in selling and administrative expenses, (ii) cost of products sold decreasing at a slower rate than net sales and (iii) a decline in net sales, partially offset by a $1.3 million decrease in distribution expenses. The increase in selling and administrative expenses was primarily driven by a $24.1 million increase in incentive compensation expenses driven by the Company outperforming incentive targets, partially offset by (i) a $9.4 million decrease in wages and temporary employee expenses, (ii) a $5.9 million decrease in professional fees expense and (iii) a $1.9 million decrease in travel and entertainment expenses. The decrease in distribution expenses was primarily driven by a $0.7 million decrease in personnel expenses.

Liquidity and Capital Resources

The cash requirements of the Company are provided by cash flows from operations and borrowings under the ABL Facility. See Note 5 of the Notes to Condensed Consolidated Financial Statements for additional information regarding the Company's debt position.

The following table sets forth a summary of cash flows:

	Nine Months Ended September 30,	
(in millions)	2020	2019
Net cash provided by (used for):		
Operating activities	$ 280.7	$ 270.5
Investing activities	(7.8)	(21.9)
Financing activities	(198.5)	(253.4)

Analysis of Cash Flows

Operating Activities

Net cash provided by operating activities increased by $10.2 million as compared to the prior year, primarily as a result of improvements in operating results. Cash flows from operating assets and liabilities declined as compared to the prior year as increases in accounts payable, restructuring accruals and deferred payroll taxes were offset by decreases in accounts receivable, inventory and supplier purchase incentives. The decrease in working capital was driven by the decline in net sales primarily due to the COVID-19 pandemic.

Investing Activities

Net cash used for investing activities decreased by $14.1 million as compared to the prior year, primarily due to cash proceeds received from the sale of a property in the third quarter of 2020.

Financing Activities

Net cash used for financing activities was a lower use of cash by $54.9 million as compared to the prior year, primarily due to lower net repayments under the Company's ABL Facility offset by an unfavorable change in book overdrafts, due to the timing of payments. During the first quarter of 2020, the Company repurchased 383,972 shares of its common stock at a cost of $3.5 million under its share repurchase program, which has been suspended since March 27, 2020. See Part II, Item 2 of this report for additional information on the Company's share repurchase program. The Company expects to finance any future repurchases from a combination of cash on hand and cash provided by operating activities. In conjunction with the amendment of the ABL Facility described below, the Company incurred and paid $3.4 million in new financing fees.

Funding and Liquidity Strategy

On April 9, 2020, the Company amended its ABL Facility to extend the maturity date to April 9, 2025, reduced the aggregate commitments from $1.4 billion to $1.1 billion and adjusted the pricing grid for applicable interest rates. All other significant terms remained consistent.

Availability under the ABL Facility is determined based upon a monthly borrowing base calculation which includes eligible customer receivables and inventory, less outstanding borrowings, letters of credit and certain designated reserves. As of September 30, 2020, the available additional borrowing capacity under the ABL Facility was approximately $358.9 million. As of September 30, 2020, the Company held $12.1 million in outstanding letters of credit.

The ABL Facility has a springing minimum fixed charge coverage ratio of at least 1.00 to 1.00 on a trailing four-quarter basis, which will be tested only when specified availability is less than the limits outlined under the ABL Facility. At September 30, 2020, the above test was not applicable and based on information available as of the date of this report it is not expected to be applicable in the next 12 months.

Veritiv's ability to fund its capital needs will depend on its ongoing ability to generate cash from operations, borrowings under the ABL Facility and funds received from capital market offerings. If Veritiv's cash flows from operating activities are lower than expected, the Company will need to borrow under the ABL Facility and may need to incur additional debt or issue additional equity. Although management believes that the arrangements currently in place will permit Veritiv to finance its operations on acceptable terms and conditions, the Company's access to, and the availability of, financing on acceptable terms and conditions in the future will be impacted by many factors, including the liquidity of the overall capital markets and the current state of the economy. To preserve liquidity, particularly during the COVID-19 pandemic, the Company may invest a portion of its cash in highly-liquid investments with original maturities to the Company of three months or less that are readily convertible into known amounts of cash. As of September 30, 2020, the Company held $75.0 million in these cash equivalents. The Company also elected to defer the payment of $13.5 million in payroll taxes incurred through September 30, 2020, as provided by the CARES Act, until 2021 and 2022.

Veritiv's management expects that the Company's primary future cash needs will be for working capital, capital expenditures, contractual commitments and strategic investments. The Company estimates it will incur total charges of between $75 million and $90 million in connection with the 2020 Restructuring Plan. Additionally, management expects that cash on

hand, cash provided by operating activities and the available capacity under the ABL Facility will provide sufficient funds to operate the business and meet other liquidity needs.

Off-Balance Sheet Arrangements

Veritiv does not have any off-balance sheet arrangements as of September 30, 2020, other than leases that have not yet commenced and the letters of credit under the ABL Facility (see Note 3 and Note 5 of the Notes to Condensed Consolidated Financial Statements, respectively, for additional information on these items). The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations

During the second quarter of 2019, in the course of negotiations for a collective bargaining agreement, Veritiv negotiated a partial withdrawal from the Western Pennsylvania Teamsters and Employers Pension Fund (the "Western Pennsylvania Fund"), a MEPP related to its Warrendale, Pennsylvania location, and recognized an estimated partial withdrawal liability of $6.5 million, which was unchanged as of September 30, 2020. The withdrawal charge was recorded in distribution expenses as it was not related to a restructuring activity.

During the first quarter of 2020, Veritiv negotiated the complete withdrawal from the Western Pennsylvania Fund related to the second bargaining unit at its Warrendale, Pennsylvania location and recognized an estimated complete withdrawal liability of $7.1 million in distribution expenses, which was unchanged as of September 30, 2020.

The Company records an estimated undiscounted charge when it becomes probable that it has incurred a withdrawal liability. Final charges for MEPP withdrawals are not known until the plans issue their respective determinations. As a result, these estimates may increase or decrease depending upon the final determinations. The Company has not yet received determination letters from the Western Pennsylvania Fund for either the partial or complete withdrawal. The Company expects that payments will occur over an approximate 20-year period, which could run consecutively.

Except for the incremental MEPP charges noted above and extending the ABL Facility's maturity date, there have been no other material changes to the Company's contractual obligations from those disclosed in Veritiv's Annual Report on Form 10-K for the year ended December 31, 2019.

Critical Accounting Policies and Estimates

See Note 1 of the Notes to Condensed Consolidated Financial Statements for a description of the impact that adoption of Accounting Standards Update 2016-13*, Financial Instruments-Credit Losses (Topic 326)* had on the Company's financial results and related disclosures. There have been no material changes to the Company's critical accounting policies and estimate methodologies from those disclosed in Veritiv's Annual Report on Form 10-K for the year ended December 31, 2019. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, actual results may ultimately differ from these estimates and assumptions, particularly in light of the COVID-19 pandemic and its effects on the domestic and global economies. Estimates are revised as additional information becomes available. See the "Use of Estimates" section of Note 1 of the Notes to Condensed Consolidated Financial Statements for additional information regarding the Company's estimates.

Recently Issued Accounting Standards

See Note 1 of the Notes to Condensed Consolidated Financial Statements for information regarding recently issued accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk from the information provided in Item 7A "Quantitative and Qualitative Disclosures about Market Risk" of the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management has carried out an evaluation, with the participation of its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended. Based upon such evaluation, management has concluded that the Company's disclosure controls and procedures were effective as of September 30, 2020.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the quarter ended September 30, 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Refer to Note 12 of the Notes to Condensed Consolidated Financial Statements.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, except as set forth below:

The outbreak of the COVID-19 pandemic has adversely affected, and in the future may materially and adversely affect, our business, financial condition, results of operations, liquidity and cash flows.

The rapid spread of COVID-19, and the measures taken to slow its spread, have adversely affected our business and financial results and will likely continue to do so for an uncertain period of time in the future. The COVID-19 pandemic has had and may continue to have negative impacts on our business, including volatility in demand for our products; delays or inability to source products; disruptions in supply chain and transportation; and volatility in the global capital and credit markets, which impacts interest rates and currency exchange rates. The pandemic could also cause a material reduction in the values of our assets including, but not limited to, deferred tax assets, goodwill and intangibles. Our customers, suppliers and vendors may suffer disruptions in their business due to the COVID-19 pandemic causing them financial distress which could include delaying payments to us, filing for bankruptcy protection or going out of business. In addition, there are currently a large number of our employees working remotely with only operationally critical employees working at our facilities for business continuity purposes as lawfully permitted. Extended periods of remote work arrangements could strain our business continuity plans and introduce further operational risk, such as additional cybersecurity risks. Despite our efforts to manage these impacts, due to the rapidly evolving situation with COVID-19, the effect on our operational and financial performance will depend on future developments, all of which are uncertain and difficult to predict and in the future may have material adverse effects on our business, financial condition, results of operations, liquidity and cash flows. Such developments may include, but are not limited to, the spread and future resurgences of the virus, the severity and duration of the outbreak and the severity and duration of the resulting impact on the economy. Even after the COVID-19 pandemic has subsided, we may experience impacts on our business as a result of any economic recession, downturn or volatility that has occurred or may occur in the future. The COVID-19 pandemic may also have the effect of heightening many of the other risks described in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2019, including those related to dependence on information technology and telecommunications systems, cybersecurity risks, compliance with financial covenants, ability to service indebtedness and stock price fluctuation.

We may not fully realize the expected benefits of our current and future restructuring plans or other operating or cost-saving initiatives, which may adversely affect our business.

We have initiated a restructuring plan in response to the impact of the COVID-19 pandemic on our business operations and the ongoing secular changes in our Print and Publishing segments (the "2020 Restructuring Plan"). The 2020 Restructuring Plan is designed to better align our cost structure with ongoing business needs as we execute on our stated corporate strategy. We may undertake additional restructuring plans in the future, including in connection with our ongoing evaluation of alternatives to restructure our integrated supply chain. Implementation of the 2020 Restructuring Plan or any subsequent restructuring plan may be disruptive to our business or more costly than anticipated, and we may not be able to obtain the estimated cost savings and other benefits that were initially anticipated in a timely manner, or at all. Additionally, as a result of any restructuring plan, we may experience a loss of continuity, loss of accumulated knowledge and/or inefficiency during transitional periods. Reorganization and restructuring can require a significant amount of management and other employees' time and focus, which may divert attention from operating and growing our business. In addition, any restructuring plan may have other consequences, such as attrition beyond our planned reduction in workforce, a negative effect on employee morale and productivity or our ability to attract highly skilled employees. Moreover, our competitors may also use our restructuring plans to seek to gain a competitive advantage over us. Failure to achieve some or all of the expected benefits of our restructuring plans, could have a material adverse effect on our business, competitive position, financial condition, results of operations and cash flows. Furthermore, as the impact of the COVID-19 pandemic on our business continues to evolve, we may need to adjust or expand our restructuring plans, which could increase the risks described above.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On March 16, 2020, Veritiv announced that its Board of Directors authorized a $25 million share repurchase program (the "2020 Share Repurchase Program"). Under this program the Company may purchase shares of its common stock through open market transactions, privately negotiated transactions, forward, derivative, or accelerated repurchase transactions, tender offers or otherwise, in accordance with all applicable securities laws and regulations. Repurchases under the 2020 Share Repurchase Program have been suspended as of March 27, 2020.

The following table presents information with respect to purchases made by the Company of its common stock during the three months ended September 30, 2020 (shares are in whole units):

Period	Total Number of Shares Purchased [1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of the Publicly Announced Program [2]	Approximate Dollar Value of Shares that May Yet be Purchased Under the Publicly Announced Program
July 1-31	2,911	$16.42	0	$ 21,478,003
August 1-31	0	$0.00	0	$ 21,478,003
September 1-30	0	$0.00	0	$ 21,478,003

[1] The total number of shares purchased includes: (i) shares purchased pursuant to the 2020 Share Repurchase Program (if any) and (ii) shares surrendered to the Company to satisfy tax withholding obligations in connection with the vesting of stock units issued as part of the Company's equity-based incentive plans.
[2] This column discloses the number of shares purchased pursuant to the 2020 Share Repurchase Program during the indicated periods.

ITEM 6. EXHIBITS

Exhibit No.	Description
10.1	Separation Agreement, dated as of September 18, 2020 by and between Veritiv Corporation and Mary A. Laschinger, incorporated by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on September 21, 2020.
10.2	Veritiv Corporation Executive Severance Plan, as amended and restated, effective September 30, 2020, incorporated by reference from Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on September 21, 2020.
31.1*	Rule 13a-14(a) Certification of the Chief Executive Officer.
31.2*	Rule 13a-14(a) Certification of the Chief Financial Officer.
32.1*	Section 1350 Certification of the Chief Executive Officer.
32.2*	Section 1350 Certification of the Chief Financial Officer.
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith

SIGNATURES

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

VERITIV CORPORATION
(Registrant)

Date: November 5, 2020

By: /s/ Stephen J. Smith
Name: Stephen J. Smith
Title: Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: November 5, 2020

By: /s/ Andrew E. Magley
Name: Andrew E. Magley
Title: Chief Accounting Officer
(Principal Accounting Officer)

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Salvatore A. Abbate, certify that:

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

Date: November 5, 2020

/s/ Salvatore A. Abbate
Salvatore A. Abbate
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stephen J. Smith, certify that:

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

Date: November 5, 2020

/s/ Stephen J. Smith
Stephen J. Smith
Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

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

In connection with the Quarterly Report on Form 10-Q of Veritiv Corporation (the "Company") for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Salvatore A. Abbate, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Salvatore A. Abbate
Salvatore A. Abbate
Chief Executive Officer
November 5, 2020

EXHIBIT 32.2

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

In connection with the Quarterly Report on Form 10-Q of Veritiv Corporation (the "Company") for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen J. Smith, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stephen J. Smith
Stephen J. Smith
Senior Vice President and Chief Financial Officer
November 5, 2020