

# ONE VERITIV TEAM:

Driving Solutions that Deliver and Delight



2020 ANNUAL REPORT



Veritiv Corporation (NYSE: VRTV), headquartered in Atlanta and a Fortune 500® company, is a full-service provider of packaging, JanSan and hygiene products, services and solutions. Additionally, Veritiv provides print and publishing products, and logistics and supply chain management solutions. Serving customers in a wide range of industries both in North America and globally, Veritiv has distribution centers throughout the U.S., Canada and Mexico, and team members around the world helping shape the success of its customers. With approximately 6,400 employees, we are driven by our Values: *Integrity, One Team, People Commitment, Customer Focus, Operational Excellence, and Passion for Results.*

We put decades of industry knowledge, expertise, and proven supply chain ingenuity to work for our customers in a wide range of industries and a variety of businesses – including more than half of Fortune 500® companies. Our focus is on the success of our customers' businesses and their brands. Driven by our innovative people, our values, and providing exceptional service, helping to shape our customers' business success is at the heart of everything we do.

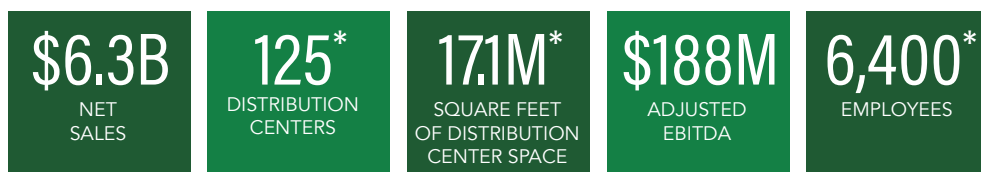
## FINANCIAL HIGHLIGHTS

*In millions, except per share*

amounts, at December 31	2020	2019
Net Sales	<b>\$6,345.6</b>	\$7,659.4
Cost of Products Sold	<b>\$5,040.2</b>	\$6,206.2
Net Sales Less Cost of Products Sold	<b>\$1,305.4</b>	\$1,453.2
Net Income (Loss)	<b>\$34.2</b>	\$(29.5)
Basic Earnings (Loss) Per Share	<b>\$2.14</b>	\$(1.84)
Diluted Earnings (Loss) Per Share	<b>\$2.08</b>	\$(1.84)
Weighted Average Shares Outstanding:		
Basic	<b>15.96</b>	16.06
Diluted	<b>16.48</b>	16.06
Adjusted EBITDA <sup>1</sup>	<b>\$187.6</b>	\$155.9

<sup>1</sup> See Note 16 of the Notes to Consolidated Financial Statements for information regarding our Non-GAAP measurement.

## VERITIV BY THE NUMBERS IN 2020



**1.24 BILLION**  
gloves distributed to customers and their essential operations



**900,000**  
gallons of sanitizer and

**780,000**

gallons of soap delivered to protect our customers' workers



Our Veritiv team, including our warehouse workers and drivers, delivered goods to more than

**9,000**

customers' essential operations

More than  
**30 MILLION**  
masks distributed in 2020



More than

**181,000**

orders delivered to

**4,500**

healthcare facilities

\*As of December 31, 2020

# TO OUR SHAREHOLDERS

## **One Veritiv Team: Driving Solutions That Deliver and Delight**

This year presented unique and unprecedented challenges to businesses across the globe as a result of the COVID-19 pandemic. At Veritiv we remained focused on ensuring the safety of our employees while continuing to meet the needs of our customers.

Our resilient, determined team of employees efficiently and effectively maintained full operations throughout the year. Our warehouse and transportation teams took the necessary safety precautions to deliver products and services essential to the health and safety of our communities, including hospitals, healthcare facilities, schools, and emergency response organizations. Our office teams quickly pivoted and demonstrated their flexibility to successfully support our operations from their homes.

Despite a turbulent year, we took significant steps toward our vision of being a leading provider of packaging goods and services. The operational changes we made this year produced a step-wise improvement in our 2020 financial results and established a strong foundation for the future.

Collectively, these efforts drove year-over-year improvement in Adjusted EBITDA of 20% compared to 2019 to \$188 million. Our proactive measures to improve the quality of our customer portfolio resulted in margin improvements, operating efficiencies, and a reduction in our bad debt expense over previous years. Multi-year efforts to improve



working capital have had a positive impact on cash flow, which is reflected in our 2020 free cash flow of \$266 million and a combined free cash flow of \$513 million over the last two years.

In 2021, we will remain focused on our strategy to invest in higher-growth, higher-margin businesses and continue work to transform our company into a leading provider of value-added packaging goods and services, from concept to delivery. The structural changes and strategic choices we've made over the last two years have moved us even closer toward this vision. Our significantly improved business fundamentals and the flexibility of our business model are helping us successfully weather current challenging market dynamics and should serve us well as we make the right choices for the long-term sustainability and success of the company.

No one could have ever predicted the business environment that 2020 would bring. We remain immensely

proud of our dedicated and hardworking Veritiv team. They have navigated this very unusual year and have demonstrated our ability to be nimble and responsive in these uncertain times. Our Veritiv values will continue to guide our efforts as we drive solutions that make a more meaningful impact on our customers, our suppliers, and our communities.

I am incredibly honored and humbled by the trust the board of directors and the broader organization have placed in me in my new role as CEO. I joined Veritiv because I believe strongly in the vision and future of the company, and I am excited to lead our talented team of employees as we embark on the next phase of our journey.

Thank you for your continued support of Veritiv.

A handwritten signature in black ink, reading "Sal A. Abbate".

Salvatore A. Abbate  
Chief Executive Officer

# OUR VISION

One team shaping success through exceptional service, innovative people, and consistent values.

# OUR VALUES

## ONE TEAM

We collaborate as one team based on what is best for Veritiv as a whole, and treat each other with mutual respect.

## INTEGRITY

We do the right things, act with honesty and consistency, and truthfully represent our capabilities.

## PEOPLE COMMITMENT

We engage our employees in the organization's success and are committed to performance management and talent development.

## CUSTOMER FOCUS

We are committed to understanding our customers' needs and providing solutions that add value.

## OPERATIONAL EXCELLENCE

We consistently execute, measure, and improve the safety, efficiency, and quality of the work we do every single day.


## PASSION FOR RESULTS

We are passionate about winning and our desire to meet financial, operational, and people commitments in the right way.



**Alexis Yodi**  
Driver  
Charlotte, North Carolina





# ONE DETERMINED TEAM

Veritiv is a major part of **Alexis Yodi's** American dream. He left the Democratic Republic of the Congo in Africa and came to the U.S. speaking very little English. Through sheer hard work and determination, Alexis started at Veritiv in kitting in a temporary role, but from the very start the Charlotte team realized he had something special. Alexis was hired full-time as a warehouse employee and received training on operating a forklift. Three years later, he learned of the Veritiv driver training program, signed up for the course, and is now one of our Charlotte facility's best drivers. He regularly receives compliments from customers for his willingness to go above and beyond to make their jobs easier. He said, **"I owe everything to Veritiv. The team in Charlotte showed me how to get my job done and was patient with me. They gave me this great new life."** Alexis just closed on his first home, and he's looking forward to a long future with Veritiv.



# ONE CREATIVE TEAM

When Chamberlain Group, a global leader in garage door openers and smart access solutions, developed ambitious sustainability goals for their product packaging, they called Veritiv. **Matt Barnes**, senior industrial designer, and the Veritiv team set out to marry Chamberlain's eco-friendly product packaging objectives with protecting the product during shipping and delivery.

Our team designed and created molded pulp trays that optimize materials, packaging size, assembly labor, and manufacturing time.

**"Through prototyping and package testing in our labs, we validated a successful transition to new packaging materials and exceeded Chamberlain's goals,"** said Matt. **"In fact, Chamberlain's CEO even commented that our design organized the components in a way that makes their product easier to install, which their customers love."**

Veritiv's Design team assesses each customer's packaging goals and provides expertise and insights that guide the design process to deliver on and exceed their expectations. Our designers look for opportunities to help bridge gaps between manufacturing and brand development, an approach that has enabled our team to cement lasting relationships with customers and deliver packaging solutions that delight.



**Matt Barnes**  
Senior Industrial Designer  
Atlanta, Georgia



# PACKAGING

Veritiv works directly with customers to identify and implement packaging solutions that deliver in both form and function. Our packaging specialists are experts at discovering untapped efficiencies in designing, sourcing, and delivering standard and custom packaging for customers across a range of industries – including consumer packaged goods, fulfillment, food processing, retail, and manufacturing.

Veritiv's packaging solutions are not restricted to one particular substrate – we evaluate every project with a material-neutral approach. We have longstanding relationships with box plants, sheet plants, and other international material sources, providing us with access to a wide range of material inputs.

Our packaging solutions span food-grade packaging, industrial packaging, point-of-sale displays, and shipping supplies. Our exclusive TUFFflex® line of packaging

essentials delivers enduring performance, maximum efficiency, and unmatched value. We also sell and distribute single-function and fully automated packaging equipment. In addition, we offer assembly and fulfillment services, such as kitting – which help customers manage seasonal spikes, new market testing, and promotions.

Our packaging business connects form and function for our customers through our experienced team of designers, engineers, and marketers providing expertise for custom improvements in cost and waste reduction, logistics, structural and graphical integrity, and testing processes.


53%

\$3.3B • 53%  
**REVENUE<sup>1</sup>**

77%

\$300M • 77%  
**ADJ. EBITDA<sup>1</sup>**

<sup>1</sup> Other revenue is excluded from the calculation of Revenue by Segment. Corporate and Other expenses are excluded from the calculation for percentage of Adjusted EBITDA by Segment.



**Nick O'Brien**  
Product Manager  
Atlanta, Georgia

# ONE TALENTED TEAM

Veritiv joined efforts with a Midwest state government to source, procure, and distribute various types of personal protective equipment (PPE). These products were required for the state to administer statewide COVID-19 vaccinations, keep the State Emergency Management Agency open to provide critical care, and protect employees in the Department of Health and the Department of Public Safety.

**Travis Turner**, Midwest Region sales manager, and **Nick O'Brien**, product manager, teamed up to create a solution. With Travis's and Nick's insights on current market conditions, nuances of the constantly changing global supply chain for PPE, and open dialogue with suppliers and the state, they identified ways to help keep critical functions operational.

**"The value that our Veritiv team provides is a consultative, hands-on approach where we analyze and improve complex processes – changing the way businesses perform by making them more efficient,"** said Nick.

This duo also developed solutions to keep essential businesses such as hospitals and food processors operational throughout the pandemic. While conducting audits, Veritiv's Certified Continuous Improvement Advisors often uncover customers using too much product or the wrong product while performing daily tasks. By reviewing products and processes, our team provides expert counsel that often leads to greater productivity, less waste, fewer injuries in the workplace, and happier employees.



# FACILITY SOLUTIONS

A clean facility cannot be underestimated for the health of employees, customers, and guests. Veritiv's continuous improvement methodology helps countless customers learn how to properly clean their facilities to reduce illness, increase productivity and break the chain of cross infection utilizing our cleaning and food service products, management programs, and analysis tools to maintain high levels of facility excellence.

Veritiv manages an expansive supply chain, partnering with world-class manufacturers in health and hygiene products. Our experts can help customers in these vital areas: surface cleaning chemicals, personal protective equipment (PPE), cleaning tools and equipment, and hand hygiene.

We have the hands-on expertise and sourcing capabilities to serve customers across a wide range of industries, including office buildings, manufacturing, higher education, healthcare, government, and other high-traffic venues.

Our private brands include Reliable Brand® commercial cleaning solutions, Spring Grove® food service disposable products, and our basic line of janitorial supplies, PUR VALUE™. Together, this portfolio of products offers a simplified approach to help customers reduce waste, increase value, and redirect surplus dollars.

FORDIS®, our Canadian redistribution business, provides solutions to distributors in local markets.

15%

\$0.9B • 15%  
**REVENUE<sup>1</sup>**

11%

\$41.6M • 11%  
**ADJ. EBITDA<sup>1</sup>**

## Travis Turner

Midwest Region Sales Manager  
Fenton, Missouri

<sup>1</sup> Other revenue is excluded from the calculation of Revenue by Segment. Corporate and Other expenses are excluded from the calculation for percentage of Adjusted EBITDA by Segment.

# PRINT

Veritiv is the North American leader in print and paper solutions. In this quickly changing market we leverage a global network of world-class suppliers and deliver locally to customers in the commercial print, digital, and graphic communications industries. Our national footprint of distribution centers is stocked with a comprehensive offering of print products. The combination of our best-in-class private brand portfolio and leading domestic and international mill brands offer customers the dependability and versatility they require.

## Veritiv's paper and print private brands include:

- Endurance®
- Starbrite®
- Opaque Select
- Comet® Multipurpose
- Econosource®
- Seville®
- Showcase™
- Galaxy®
- ViV®
- PoliPrint™

Our experience and unique offerings in logistics and supply chain efficiency, new revenue generation, service excellence, chain of custody and sustainable sourcing, and customized reporting are all aimed to help our customers reach their goals.

Together with our dedicated team members and our deep understanding of the commercial printer landscape, we can most effectively service our customers across a multitude of platforms.

23%

\$1.5B • 23%  
**REVENUE<sup>1</sup>**

9%

\$33.7M • 9%  
**ADJ. EBITDA<sup>1</sup>**

**Vivian Weiser**

Director, Customer Experience  
Downey, California

<sup>1</sup> Other revenue is excluded from the calculation of Revenue by Segment. Corporate and Other expenses are excluded from the calculation for percentage of Adjusted EBITDA by Segment.





# ONE DEDICATED TEAM

The Veritiv Customer Experience team is constantly looking at ways to strengthen and improve service to our customers and deliver on our Customer Focus commitment. **Vivian Weiser**, director of customer experience for Veritiv's Print business, leads teams across the country focusing on improving performance and creating greater efficiencies to directly benefit our commercial printing customers. The team recently implemented a proactive, daily communication to assist customers with their job planning, which further reinforces the trust Veritiv shares with our customers. **"My team is dedicated and passionate about the service and support we provide to our customers. We have a skilled team with the ability to engage customers and solve problems quickly to create a positive experience,"** said Vivian.

Our Customer Experience team across all segments in Print, Packaging, and Facility Solutions processed nearly 18 million items with 99 percent accuracy in 2020. Our 557-member team fielded 728,725 phone calls.

# PUBLISHING AND PRINT MANAGEMENT

Through Veritiv's two complementary publishing and print management businesses, Bulkley Dunton and Graphic Communications, our specialists provide customized solutions that offer retailers, publishers, catalogers, direct mail companies, grocers, corporate enterprise businesses, and printers the greatest return on their media and print programs.

By differentiating paper purchasing from printing, Veritiv Publishing & Print Management, Inc. (VPPM) is able to leverage our sophisticated and expansive supply chain to ensure consistent and predictable costs, quality, and paper availability for customers of all sizes. VPPM is able to analyze our clients' complete media requirements to complement their print and paper programs. With a client base ranging from Fortune 500® companies to small local businesses, our industry consultants are

experts at scaling solutions to shield clients from market volatility while maintaining their brand requirements and appropriate certifications.

Our paper and print consultants match customers' unique needs with cutting-edge marketing solutions, leading paper mills, and printers that best meet their standards for price, paper quality, production, and environmental sustainability, including Chain of Custody certification and recycled papers.

9%

\$0.5B • 9%  
**REVENUE<sup>1</sup>**

3%

\$12.8M • 3%  
**ADJ. EBITDA<sup>1</sup>**

**Scott Bond**

Publishing Sales Executive  
New York, New York

<sup>1</sup> Other revenue is excluded from the calculation of Revenue by Segment. Corporate and Other expenses are excluded from the calculation for percentage of Adjusted EBITDA by Segment.



A man with short grey hair and glasses, wearing a dark blue suit jacket over a light blue striped shirt, stands in a factory setting. He is smiling and has his hands clasped in front of him. The background shows industrial machinery and metal structures.

# ONE EXPERIENCED TEAM

Adjusting to the digital age in publishing is an ever-changing challenge and requires a dedicated, diligent team of professionals. One of the largest accounts at Veritiv's paper brokerage business, Bulkley Dunton, challenged **Scott Bond**, Publishing sales executive, to set up a national network of inventories to significantly reduce lead times required in the new business environment. The team successfully delivered! According to Scott, who has been with Veritiv's publishing business for 30 years, **"Along with colleagues Cate Papageorge and Jean O'Malley, the entire Bulkley Dunton team takes an intensely personal interest in our clients and we do all that is necessary to maintain their business year after year."** And Bulkley Dunton has been succeeding for a very long time. The business, which includes a portfolio of clients in the magazine, catalog, direct mail, and freestanding insert business, was originally founded in 1833 in New York and is one of the five oldest continuously operating companies in the city.



# ONE CARING TEAM

While maintaining a high-level of customer service as a national pricing coordinator in Veritiv's Exton, PA, office, what **Ramona Moreland** did while working from home to give back to the community is remarkable. Shortly after Veritiv asked all office employees to work remotely due to the pandemic, Moreland no longer had an hour commute each day and found herself with some additional time on her hands. Ramona saw a need and used her extra time to begin making masks utilizing her sewing skills and supplies she had from her Chester County Quilting Etsy shop. In total, Ramona has created more than 1,000 masks and has donated them to co-workers, friends, nursing homes, children's groups, homeless shelters, and more. She has mailed her homemade masks to organizations across the country and to Europe, all at her own expense. **"I'll never know if any of my masks kept anyone from getting sick, but I'll always know that I did what I could to help,"** said Ramona.

Ramona is just one of the many Veritiv employees who regularly give their time and talents to support local community organizations where we live and work.



**Ramona Moreland**  
National Pricing Coordinator  
Exton, Pennsylvania



# CORPORATE RESPONSIBILITY

At Veritiv, giving back to our community is not simply a value-add, it is a core responsibility – one that contributes to the survival and well-being of our business, our people, and our planet.

Driven by our core values and Veritiv Connects, our community engagement and philanthropy program, we focus our efforts on corporate giving and employee volunteer efforts to help shape the success of the hundreds of communities where we live and work.

We created our Corporate Social Responsibility Report with additional information for each of the following initiatives. More information can be found at [www.veritivcorp.com/sustainability](http://www.veritivcorp.com/sustainability).

## PRIMARY FOCUS AREAS

**Learning:** We value workforce readiness and programs that support talent development and prepare individuals for careers in distribution solutions and beyond. An educated and skilled workforce is essential for our success.

**Healthy Living:** Prosperous, healthy, and sustainable communities are important to Veritiv, to our customers, and to society. We deliver support where we can make the biggest difference.

In support of these primary focus areas, Veritiv is proud to continue our partnerships with Junior Achievement and the American Red Cross, providing in-kind donations, monetary support, and Veritiv volunteer teams.

**American Red Cross** – Veritiv and our employees made monetary contributions to support “Sound the Alarm” campaign, a home fire safety initiative, where the American Red Cross installs free smoke alarms and helps families create escape plans in at-risk communities. In addition, Veritiv offices participated in American Red Cross blood drives.

**Junior Achievement** – Veritiv partners with Junior Achievement in support of our Learning focus area to provide middle and high school students with the knowledge and skills they need to plan for their futures. In 2020, we unveiled a Veritiv storefront in an Atlanta-area Junior Achievement Discovery Center. The JA Discovery Centers allow students to immerse themselves in real-world business and experience work beyond the classroom. Our storefront, designed by the Veritiv Design Team, showcases how packaging design and distribution works.

## SUPPORTING LOCAL COMMUNITIES

**Volunteering:** Our people are our difference. Together we work on company-wide initiatives and ones that are closer to our local communities. Across the U.S., Canada and Mexico, our teams make a difference with food bank donations, community clean-up projects, and building houses for those in need.

## EMPLOYEES HELPING EMPLOYEES

**One Veritiv Fund:** Funded by employee contributions, the One Veritiv Fund provides short-term financial relief to eligible Veritiv employees who have suffered significant hardship as a result of unforeseen events such as natural disaster, medical emergency, a pandemic, or military deployment.

# SAFETY AND ENVIRONMENT

## SAFETY

At Veritiv, we are committed to providing all team members with a safe and healthy workplace and continuing to refine our culture of proactive safety. Our Target Zero approach symbolizes our goal of zero unrecognized and unresolved hazards that can lead to injuries. We strive to achieve that goal every day. Through Target Zero, we empower and engage all Veritiv employees in proactive identification of workplace hazards and the development of practical solutions integrated with business operations. In 2020, our Total Injury Rate (TIR)<sup>1</sup> for our operations in the U.S., Canada, and Mexico was 0.86.

Our SCORE (Stop, Consider, Observe, React, and Execute) safety initiative continued to improve safety results in 2020, helping to reduce injuries. The program facilitates simple communication to workers about how to approach daily tasks safely, regardless of how routine the task may be.

In addition, our material handling equipment (MHE) initiative, MHE SAFE (Share, Address, Facilitate, Engage), continues to keep employees focused on safety fundamentals while operating MHE.

## ENVIRONMENT

Veritiv established a Sustainability Working Group in 2020 to more effectively coordinate the company's efforts regarding sustainability. This group is working with internal and external stakeholders and our senior management team to further develop our sustainability goals. As a leading North American packaging solutions company, we recognize that our businesses have an impact on the environment. We believe innovation can improve business, society, and the environment. We focus our environmental sustainability efforts in these areas: products, services, and efficiencies.

**Products** – Veritiv is committed to sourcing environmentally sustainable products, in both our private brands and supplier brand product lines. We offer a range of products that meet widely acknowledged environmental standards and certifications. We offer solutions for every stage of a product's life. For the beginning of life, Veritiv can responsibly source established and emerging materials that are renewable or contain recycled content. In the middle of life, Veritiv teams

can discover new ways to reduce waste and minimize use of materials that can be or already are made of recycled content. At the end of life, Veritiv can partner to explore materials that can be returned, recycled, and reused in creative ways, and measure impact.

**Services** – Veritiv's packaging designers and continuous improvement methodology can enhance packaging and manufacturing processes to be more sustainable. By analyzing materials and design, then testing and rethinking packaging, our customers are able to reduce costs on shipping, enter new markets, and strengthen e-commerce sales. With facilities, our continuous improvement approach is more than continuous improvement - it is a philosophy that eliminates waste and allows more effective management of operations.

**Efficiency** – In addition to helping our customers apply continuous improvement principles, we do the same for our own facilities and supply chain to eliminate waste and reduce energy consumption. Veritiv strives to deliver improvements in fuel efficiency through route optimization, equipment upgrades, and maintaining a modern fleet of trucks. In 2020, Veritiv is proud to have reduced total fuel consumption by 21 percent from the previous year, which totals almost 900,000 gallons of fuel conservation. Veritiv also partners with ENGIE Impact to assess and optimize our energy and water usage in all North American facilities.

**Mark Lyle**  
Driver  
Salem, Virginia

<sup>1</sup> TIR is calculated using the OSHA criteria for recordability and OSHA calculation methodologies. TIR – Total Recordable Injuries X 200,000/Total Hours Worked. The 200,000 hours in the formula represent the equivalent of 100 employees working 40 hours per week, 50 weeks per year and provides the standard basis for the injury rate.





# ONE RESILIENT TEAM

Veritiv is committed to safety in all of our operations. Each year, the Transportation team honors top drivers across the company who have exemplary safety records, and **Mark Lyle** from Salem, VA, has been recognized as Veritiv's safest driver two years in a row. In his 20 years at Veritiv, Mark has many memories and countless stories of working with kind and wonderful customers and co-workers.

**"One of the greatest parts of this job is that I have a different view every day,"** said Mark.

Mark and our resilient team of drivers in the U.S., Canada, and Mexico, have seamlessly maintained operations throughout the pandemic, delivering goods essential to our communities and delivering on our Customer Focus commitment. Veritiv drivers safely navigated more than 32 million miles in 2020 and delivered to nearly 60,000 customers.

# MANAGEMENT TEAM



**BACK:** **TRACY L. PEARSON** Senior Vice President, Supply Chain Operations, **MARK W. HIANIK** Senior Vice President, General Counsel and Corporate Secretary, **STEPHANIE E. MAYERLE** Senior Vice President, Sales, **DANIEL J. WATKOSKE** Senior Vice President, Print and Publishing, **PETER C. TROUP** Vice President, Corporate Development, **STEPHEN J. SMITH** Senior Vice President and Chief Financial Officer

**FRONT:** **MICHAEL D. WALKENHORST** Senior Vice President, Developing Businesses, **DEAN A. ADELMAN** Senior Vice President and Chief Human Resources Officer, **KAREN K. RENNER** Senior Vice President and Chief Information Officer, **SALVATORE A. ABBATE** Chief Executive Officer, **DANIEL B. CALDERWOOD** Senior Vice President, Marketing and Business Management

# BOARD OF DIRECTORS



**SALVATORE ABBATE**  
Chief Executive Officer



**SHANTELLA E. COOPER** <sup>2, 3</sup>  
Executive Director - Atlanta Committee for Progress



**DAVID E. FLITMAN** <sup>1, 2</sup>  
President - Builders FirstSource, Inc.



**DANIEL T. HENRY** <sup>1, 2</sup>  
Retired Chief Financial Officer and Executive Vice President of American Express Company



**TRACY A. LEINBACH** <sup>2\*, 3</sup>  
Retired Executive Vice President and Chief Financial Officer of Ryder System, Inc.



**STEPHEN E. MACADAM**  
Chairman of the Board of Veritiv Corporation



**MICHAEL P. MULDOWNEY** <sup>1\*, 3</sup>  
Chief Executive Officer of Foxford Capital, LLC



**CHARLES G. WARD, III** <sup>1, 3\*</sup>  
Retired Partner of Perella Weinberg Partners

**Board Committees:** <sup>1</sup>– Audit and Finance <sup>2</sup>– Compensation and Leadership Development <sup>3</sup>– Nominating and Governance \*– Denotes Committee Chair



**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

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

**For the fiscal year ended December 31, 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)

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

**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

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

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

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

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

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

Indicate by check mark 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 ☐

Non-accelerated filer ☐

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

As of June 30, 2020, the aggregate market value of the voting common stock of the registrant held by non-affiliates of the registrant, based on the closing sale price of those shares on the New York Stock Exchange reported on June 30, 2020, was \$216,502,354. For the purposes of this disclosure only, the registrant has assumed that its directors and executive officers (as defined in Rule 3b-7 under the Exchange Act) and UWW Holdings, LLC are the affiliates of the registrant.

The number of shares outstanding of the registrant's common stock as of February 26, 2021 was 15,973,884.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

**Portions of the Company's Proxy Statement for the 2021 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.**

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## CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

*Certain statements contained in this report regarding the Company's future operating results, performance, business plans, 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 this report 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: adverse impacts of the COVID-19 pandemic; the industry-wide decline in demand for paper and related products; increased competition from existing and non-traditional sources; 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; changes in trade policies and regulations; increases in the cost of fuel and third-party freight and the availability of third-party freight providers; the loss of any of our significant customers; uncertainties as to the structure, timing, benefits and costs of the 2020 Restructuring Plan or any future restructuring plan that the Company may undertake; adverse developments in general business and economic conditions that could impair our ability to use net operating loss carryforwards and other deferred tax assets; 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 ability to attract, train and retain highly qualified employees; our pension and health care costs and participation in multi-employer pension, health and welfare plans; the effects of work stoppages, union negotiations and labor disputes; our ability to generate sufficient cash to service our debt; increasing interest rates; our ability to refinance or restructure our debt on reasonable terms and conditions as might be necessary from time to time; our ability to comply with the covenants contained in our debt agreements; 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; changes in tax laws; adverse results from litigation, governmental investigations or audits, or tax-related proceedings or audits; regulatory changes and judicial rulings impacting our business; the impact of adverse developments in general business and economic conditions as well as conditions in the global capital and credit markets on demand for our products and services, our business including our international operations, and our customers; foreign currency fluctuations; inclement weather, widespread outbreak of an illness, 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; 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 this report and in 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.*

## PART I

### ITEM 1. BUSINESS

#### Our Company

Veritiv Corporation ("Veritiv" or the "Company" and sometimes referred to in this Annual Report on Form 10-K as "we", "our" or "us") is a leading North American business-to-business full-service provider of value-added packaging products and services, as well as facility solutions, print and publishing products and services. Additionally, Veritiv provides logistics and supply chain management solutions to its customers. Veritiv's focus on segment-tailored market leadership in distribution and a commitment to operational excellence allows it to partner with world class suppliers, add value through multiple capabilities and deliver solutions to a wide range of customer segments.

We operate from 125 distribution centers primarily throughout the United States ("U.S."), Canada and Mexico, serving customers across a broad range of industry sectors. These sectors include manufacturing, food processing and service, fulfillment and internet retail, property management, higher education, healthcare, entertainment and hospitality, commercial printing and publishing.

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 our 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** – Veritiv is a global provider of packaging products, services and solutions. The Packaging segment provides custom and standard packaging solutions for customers based in North America and in key global markets. We service our customers with a full spectrum of packaging product materials within the fiber-based, flexible and rigid categories. The business is strategically focused on higher growth industry sectors including manufacturing, food processing and service, fulfillment and internet retail, as well as niche sectors based on industry and product 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.
- **Facility Solutions** – Veritiv is a global provider of hygiene and facility solutions products and services. The Facility Solutions segment sources and sells cleaning, break-room and other supplies such as towels, tissues, commercial cleaning chemicals, personal protective equipment and safety supplies, wipers, can liners, soaps and sanitizers, dispensers, sanitary maintenance supplies and equipment, hazard supplies, and shampoos and amenities primarily in North America. Through this segment we manage a world class network of leading suppliers in most facilities solutions categories. Additionally, we offer 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. Our broad geographic platform of operations coupled with the breadth of paper and graphics products, including our 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 our customers.



The table below summarizes net sales for each of the above reportable segments, as well as the Corporate & Other category, as a percentage of consolidated net sales:

	Year Ended December 31,		
	2020	2019	2018
Packaging	52%	45%	41%
Facility Solutions	15%	15%	15%
Print	23%	28%	31%
Publishing	9%	10%	12%
Corporate & Other	1%	2%	1%
Total	100%	100%	100%

Additional financial information regarding our reportable business segments and certain geographic information is included in Item 7 of this report and in Note 16 of the Notes to Consolidated Financial Statements in Item 8 of this report.

## Our History

Veritiv was established in 2014, following the spin-off of International Paper Company's ("International Paper") xpedx distribution solutions business ("xpedx") and the merger (the "Merger") of xpedx with UWW Holdings, Inc. ("UWWH"), the parent company of Unisource Worldwide, Inc. ("Unisource"). Following the Merger, Veritiv's common stock began regular-way trading on the New York Stock Exchange on July 2, 2014 under the ticker symbol "VRTV".

On August 31, 2017, Veritiv completed its acquisition of 100% of the equity interests in various All American Containers entities (collectively, "AAC"), a family owned and operated distributor of rigid packaging products, including plastic, glass and metal containers, caps, closures and plastic pouches. The acquisition of AAC aligns with the Company's strategy of investing in higher growth and higher margin segments of the business. Through the acquisition, Veritiv gained expertise in rigid plastic, glass and metal packaging that complements its portfolio of packaging products and services. This acquisition also provided Veritiv with additional marketing, selling and distribution channels into the growing U.S. rigid packaging market.

## Products and Services

Veritiv distributes well-known national and regional brand products as well as products marketed under its own private label brands. Products under the Company's private label brands are manufactured by third-party suppliers in accordance with specifications established by the Company. Our portfolio of private label products includes:

- Packaging products under the TUFFlex brand, which include stretch film, mailers, shrink film, carton sealing tape and other specialty tapes;
- Foodservice disposable products, cleaning chemicals, towels and tissues, can liners, sanitary maintenance supplies and a wide range of facility supplies products under the Reliable, Spring Grove and PUR Value brands; and
- Coated and uncoated papers, coated board and cut size under the Endurance, nordic+, Comet, Starbrite Opaque Select and other brands.

The table below summarizes sales of products sold under private label brands as a percentage of the respective reportable segment's or total Company's net sales for the periods shown:

	Year Ended December 31,		
	2020	2019	2018
Packaging	6%	6%	6%
Facility Solutions	8%	9%	9%
Print	20%	19%	19%
Total Company	9%	9%	10%

## Customers

We serve customers across a broad range of industry sectors, through a variety of means ranging from multi-year sales agreements to transactional sales. For many of its largest customers, the Company enters into multi-year contracts that set forth the terms and conditions of sale including product pricing and incentive agreements, which are generally based on sales volume targets. The Company's customers are generally not required to purchase any minimum amount of products under these agreements and can place orders on an individual purchase order basis. For the years ended December 31, 2020, 2019 and 2018, no single customer accounted for more than 5% of the Company's consolidated net sales.

## Suppliers

We purchase our products from thousands of suppliers, both domestic and international, across different business segments. Although varying by segment, the Company's suppliers consist generally of large corporations selling brand name and private label products and, to a more limited extent, independent regional and private label suppliers. Suppliers are selected based on customer demand for the product and a supplier's total service, cost and product quality offering.

Our sourcing organization supports the purchasing of well-known national and regional brand products as well as products marketed under our own private label brands from key national suppliers in the packaging, facility solutions and print industries. The Publishing segment primarily operates as a direct ship business aligned with the Company's core supplier strategy. In addition, under the guidance and oversight of the sourcing team, our merchandising personnel, located within individual distribution centers, source products not available within our core offering in order to meet specialized customer needs.

The product sourcing program is designed to ensure that the Company is able to offer consistent product selections and market competitive pricing across the enterprise while maintaining the ability to service localized market requirements. Our procurement program is also focused on replenishment which includes purchase order placement and controlling the total cost of inventory by proactively managing the number of days inventory on hand, negotiating favorable payment terms and maintaining vendor-owned and vendor-managed programs. As one of the largest purchasers of packaging, facility supplies, and paper and graphics products, we can qualify for volume allowances with some suppliers and can realize significant economies of scale. During the year ended December 31, 2020, approximately 30% of our purchases were made from ten suppliers.

## Competition

The packaging, facility solutions, paper and publishing distribution industry is highly competitive, with numerous regional and local competitors, and is a mature industry characterized by slowing growth or, in the case of paper, declining demand. The Company's principal competitors include national, regional and local distributors, national and regional manufacturers, independent brokers and both catalog-based and online business-to-business suppliers. Most of these competitors generally offer a wide range of products at prices comparable to those Veritiv offers, though at varying service levels. Additionally, new competition could arise from non-traditional sources, group purchasing organizations, e-commerce, discount wholesalers or consolidation among competitors. Veritiv believes it offers the full range of services required to effectively compete, but if new competitive sources appear, it may result in margin erosion or make it more difficult to attract and retain customers.

The following summary briefly describes the key competitive landscape for each of Veritiv's reportable segments:

- **Packaging** – The packaging market is fragmented and consists of competition from national and regional packaging distributors, national and regional manufacturers of packaging materials, independent brokers and both catalog-based and online business-to-business suppliers. Veritiv believes there are few national packaging distributors with substrate neutral design capabilities similar to the Company's capabilities.
- **Facility Solutions** – There are few national, but numerous regional and local distributors of facility supply solutions. Several groups of distributors have created strategic alliances among multiple distributors to provide broader geographic coverage for larger customers. Other key competitors include the business-to-business divisions of big box stores, purchasing group affiliates and both catalog-based and online business-to-business suppliers.



- **Print** – Industry sources estimate that there are hundreds of regional and local companies engaged in the marketing and distribution of paper and graphics products. While the Company believes there are few national distributors of paper and graphics products similar to Veritiv, several regional and local distributors have cooperated together to serve customers nationally. The Company's customers also have the opportunity to purchase products directly from paper and graphics manufacturers. In addition, competitors include regional and local specialty distributors, office supply and big box stores, online business-to-business suppliers, independent brokers and large commercial printers that broker the sale of paper in connection with the sale of their printing services.
- **Publishing** – The publishing market is serviced by printers, paper brokers and distributors. The Company's customers also have the opportunity to purchase paper directly from paper manufacturers. The market consists primarily of magazine and book publishers, cataloguers, direct mailers and retail customers using catalog, insert and direct mail as a method of advertising.

We believe that our competitive advantages include approximately 1,200 sales and marketing professionals and the breadth of our selection of quality products, including high-quality private brands. The breadth of products distributed and services offered, the diversity of the types of customers served, and our broad geographic footprint in the U.S., Canada and Mexico buffer the impact of regional economic declines while also providing a network to readily serve national accounts.

### **Distribution and Logistics**

Timely and accurate delivery of a customer's order, on a consistent basis, are important criteria in a customer's decision to purchase products and services from Veritiv. Delivery of products is provided through two primary channels, either from the Company's distribution centers or directly from the manufacturer. Our distribution centers offer a range of delivery options depending on the customer's needs and preferences, and the strategic placement of the distribution centers also allows for delivery of special or "rush" orders to many customers.

### **Working Capital**

Veritiv's working capital needs generally reflect the need to carry significant amounts of inventory in our distribution centers to meet delivery requirements of our customers, as well as significant accounts receivable balances. As is typical in our industry, our customers often do not pay upon receipt, but are offered terms which are dependent on the specific circumstances of the sale.

### **Human Capital**

Veritiv's key human capital management objectives include attracting, developing, engaging and retaining skilled and diverse talent to drive the success of our business and to meet and exceed the expectations of our customers. These objectives are aligned with our Veritiv Values: Integrity, One Team, People Commitment, Customer Focus, Operational Excellence and Passion for Results.

Our workforce includes employees in sales, customer service, and warehouse operations in addition to corporate functions. By geography, approximately 76% and 14% of our workforce is located in the U.S. and Canada, respectively, with a presence in almost every state in the U.S. and most provinces in Canada. We also have employees located in Mexico (8%) and other countries (2%). Approximately half of our workforce is male and the other half is female.

As of December 31, 2020, Veritiv had approximately 6,400 employees worldwide, of which approximately 9% were in collective bargaining units. Approximately 63% of those employees are covered by a collective bargaining agreement that will expire in 2021. Labor contract negotiations are handled on an individual basis by a cross-functional team including Human Resources and Operations, with legal support. We currently expect that we will be able to renegotiate these agreements on satisfactory terms. We consider labor relations to be good.

Our human resources programs are designed to promote employee safety and to attract, develop, engage and retain talent. We have a robust talent review and succession planning process and our goal is to have at least one "ready now" candidate and one "ready in 1 – 3 years" candidate for each critical position to prepare candidates for critical roles. We reward and support employees through competitive pay and benefit programs; enhance the Company's culture through our values and other engagement efforts; develop talent internally through job rotations and learning programs to create a high-performing, diverse workforce; and strive to make safety a key focus across the organization.

Some examples of programs and initiatives designed to attract, develop, engage and retain our workforce include:

- Diversity, Equity and Inclusion:
  - Our Diversity, Equity and Inclusion ("DEI") Working Group developed and oversees our DEI strategy and objectives that include micro-learning modules focused on our talent acquisition teams, our managers, our leaders and our broader workforce. The key elements of our strategy are to engage with employees by creating experiences that celebrate diverse people and perspectives, equip our organization by creating a culture that encourages constant and relevant learning and empowers employees by cultivating confidence through a "One Veritiv" perspective that grows diverse and innovative leaders.
- Employee Engagement:
  - In the fourth quarter of 2020, we hosted listening sessions to engage our employees in small group dialogue with Senior Lead Team members to encourage information sharing and drive engagement. We have developed in-depth action plans to address issues and feedback raised in the listening sessions.
- Employee Well-Being and Safety:
  - We provide comprehensive healthcare benefits to virtually all our employees in the U.S. and Canada that are designed to meet the varied and evolving needs of our diverse workforce. In addition, we provide free mental and behavioral health resources, including on-demand access to the Employee Assistance Program for employees and their dependents.
  - We are committed to providing all team members with a safe and healthy workplace and continuing to refine our culture of proactive safety. Managing and reducing risks at our facilities remains a focus, and injury rates have continued to be low.
- Talent Development and Learning:
  - We support the long-term career aspirations of our employees through education and personal development. We pay a portion of tuition costs for employees in the U.S., Canada and Mexico.
  - A unique Company-paid program supports hourly warehouse workers to become certified, licensed truck drivers and provides opportunities to get licensed and gain required driver hours on work time.
  - We prioritize and invest in creating opportunities to help employees gain skills and develop in their careers through a multitude of training and development programs. These include online, instructor-led and on-the-job learning formats as well as executive assessment, coaching, talent and succession planning.
  - A paid internship program provides job experience to high school and college students in a variety of job functions and is a source for future full-time talent.

Throughout the pandemic caused by the coronavirus ("COVID-19"), we have focused on protecting the health and safety of our employees in our distribution centers and our offices while meeting the needs of our customers and mitigating any interruptions to our business. Early in March 2020, we initiated our Corporate Incident Response Team and we adopted safety measures and practices across our facilities to limit exposure to the virus and to enhance employee safety. We modified practices at our distribution centers and offices based on guidance from the U.S. Centers for Disease Control and Prevention and local health and governmental authorities. These practices include social distancing, enhanced cleaning protocols, usage of personal protective equipment, as well as restricting all non-essential travel and promoting remote work wherever feasible. Our employees have adapted to the changes in work environment and have managed our business successfully during this challenging time. To thank our employees for their contributions to the Company's success in managing through the COVID-19 pandemic by continuing to serve customers and meet business needs, we provided a cash bonus to employees who are not eligible for other bonus or commission programs.

## **Government Relations**

Our transportation operations are subject to the U.S. Department of Transportation Federal Motor Carrier Safety Regulations. We are also subject to federal, state and local regulations regarding licensing and inspection of facilities, including compliance with the U.S. Occupational Safety and Health Act. These regulations require us to comply with health and safety standards to protect our employees from accidents and establish communication programs to transmit information on the hazards of certain chemicals present in specific products that we distribute.

We are also subject to regulation by numerous U.S., Canadian and Mexican federal, state and local regulatory agencies, including, but not limited to, the U.S. Department of Labor, which sets employment practice standards for workers. Although we are subject to other U.S., Canadian and Mexican federal, state and local provisions relating to the protection of the environment and the discharge or destruction of materials, these provisions do not materially impact the use or operation



of the Company's facilities. Compliance with these laws has not had, and is not anticipated to have, a material effect on Veritiv's capital expenditures, earnings or competitive position.

## Intellectual Property

We have numerous well-recognized trademarks, represented primarily by our private label brands. See the Products and Services section of this Item 1 Business for additional information regarding our private label brand sales. Most of our trademark registrations are effective for an initial period of ten years, and we generally renew our trademark registrations before their expiration dates for trademarks that are in use or have reasonable potential for future use. Although our Packaging, Facility Solutions and Print segments rely on a number of trademarks that, in the aggregate, provide important protections to the Company, no single trademark is material to any one of these segments. Additionally, Veritiv does not have any material patents or licenses.

## Seasonality

The Company's operating results are subject to seasonal influences. Historically, our higher consolidated net sales have occurred during the third and fourth quarters while our 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. The COVID-19 pandemic disrupted 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.

## Information About Our Executive Officers

The following table sets forth certain information concerning the individuals who serve as executive officers of the Company as of March 1, 2021.

Name	Age	Position
Salvatore A. Abbate	52	Chief Executive Officer
Stephen J. Smith	57	Senior Vice President and Chief Financial Officer
Dean A. Adelman	55	Senior Vice President and Chief Human Resources Officer
Daniel B. Calderwood	40	Senior Vice President, Marketing and Business Management
Mark W. Hianik	60	Senior Vice President, General Counsel and Corporate Secretary
Stephanie E. Mayerle	43	Senior Vice President, Sales
Tracy L. Pearson	50	Senior Vice President, Supply Chain Operations
Karen K. Renner	59	Senior Vice President and Chief Information Officer
Michael D. Walkenhorst	42	Senior Vice President, Developing Businesses
Daniel J. Watkoske	52	Senior Vice President, Print and Publishing

The following descriptions of the business experience of our executive officers include the principal positions held by them since February 2016.

**Salvatore A. Abbate** has served as Chief Executive Officer and a member of the Board of Directors of the Company since September 2020. Previously, Mr. Abbate served as Chief Operating Officer of the Company from January 2020 to September 2020 and as Senior Vice President and Chief Commercial Officer of the Company from April 2018 to December 2019. Prior to that, Mr. Abbate served as Senior Vice President, Chief Sales & Marketing Officer for Andersen Windows & Doors, Inc., a leading North American window and door manufacturer, from July 2013 to March 2018. From September 2011 to June 2013, Mr. Abbate served as Senior Vice President, Sales and Marketing for Andersen. Prior to that, Mr. Abbate served as Vice President, Global Sales and Marketing for the performance films division of Solutia, Inc., a

performance materials and specialty chemical provider now part of the Eastman Chemical Company. Mr. Abbate began his career at Armstrong World Industries, where he spent 15 years in various roles across all three of Armstrong's business units, including sales, marketing, manufacturing and process improvement. Mr. Abbate has significant leadership and operations experience in strategy, marketing, sales, distribution, customer service, logistics, manufacturing and process improvement.

**Stephen J. Smith** has served as Senior Vice President and Chief Financial Officer of the Company since March 2014. Previously, Mr. Smith served as Senior Vice President and Chief Financial Officer of American Greetings Corporation, a global greeting card company, from November 2006 to March 2014. Previously, Mr. Smith served as Vice President of Investor Relations and Treasurer of American Greetings from April 2003 to November 2006. Prior to American Greetings, Mr. Smith served as Vice President and Treasurer of General Cable Corporation, a global wire and cable manufacturer and distributor, and Vice President, Treasurer and Assistant Secretary of Insilco Holding Company, a telecommunications and electrical component products manufacturer. During Mr. Smith's tenure as a public company chief financial officer, he helped lead several strategic acquisitions and was responsible for the design and execution of the capital structure for a management buyout.

**Dean A. Adelman** has served as Senior Vice President and Chief Human Resources Officer of the Company since March 2019. Previously, Mr. Adelman served as Chief Human Resources Officer for Caraustar Industries, Inc., a manufacturer of recycled materials, from August 2017 to March 2019. From February 2013 to August 2016, Mr. Adelman served as Chief Human Resources Officer and Senior Vice President – Human Resources for Axiall Corporation, a chemical and building products manufacturer. Mr. Adelman also held Human Resources leadership positions at BlueLinx Corporation, a North American building products distributor, Corrections Corporation of America and Arby's Restaurant Group. Mr. Adelman began his career as an employment lawyer for Georgia-Pacific Corporation. Mr. Adelman has significant human resources management and leadership experience in both publicly traded and private equity backed manufacturing and distribution businesses.

**Daniel B. Calderwood** has served as Senior Vice President, Marketing and Business Management of the Company since October 2020. Previously, Mr. Calderwood served as Vice President, Marketing and Business Management of the Company from January 2020 to October 2020 and as Vice President, Packaging of the Company from May 2019 to January 2020. Prior to that, Mr. Calderwood served as Vice President, Marketing for the Sealy, Stearns & Foster and Cocoon brands of Tempur Sealy International, Inc., a global mattress and bedding manufacturer, from January 2015 to April 2019. Mr. Calderwood started his career with Kohler Co., a global leader in kitchen and bath products, where he served in product management, national accounts and sales roles in both the retail and commercial markets. Mr. Calderwood has significant experience in product and customer marketing, category management, sourcing and sales.

**Mark W. Hianik** has served as Senior Vice President, General Counsel and Corporate Secretary of the Company since January 2014. Previously, Mr. Hianik served as Senior Vice President, General Counsel and Chief Administrative Officer for Dex One Corporation, an advertising and marketing services company, from March 2012 to May 2013. Prior to that Mr. Hianik served as Senior Vice President, General Counsel and Corporate Secretary for Dex One (and its predecessor, R.H. Donnelley Corporation) from April 2008 to March 2012. Dex One filed a pre-packaged bankruptcy petition under Chapter 11 in March 2013 to effect a merger consummated in April 2013. Mr. Hianik previously served as Vice President and Assistant General Counsel for Tribune Company, a diversified media company, and as a corporate and securities partner in private practice. Mr. Hianik has significant experience as a public company general counsel and leader of other corporate functions as well as significant mergers and acquisitions, securities, capital markets and corporate governance experience.

**Stephanie E. Mayerle** has served as Senior Vice President, Sales of the Company since October 2020. From June 2020 to October 2020, Ms. Mayerle served as Vice President, Sales of the Company. Prior to joining the Company, Ms. Mayerle served in various roles for Andersen Windows & Doors, Inc., a leading North American window and door manufacturer, including Senior Director – Strategic Accounts and Inside Sales from April 2019 to June 2020, Senior Director – Business Management from January 2018 to April 2019, Senior Director – Customer and Sales Operations from December 2016 to January 2018 and Director - Customer Experience from June 2014 to December 2016. Ms. Mayerle started her career with Andersen as an engineer responsible for product quality and design. Ms. Mayerle has significant experience in sales, marketing, project management, customer service, supply chain and manufacturing quality.

**Tracy L. Pearson** has served as Senior Vice President, Supply Chain Operations of the Company since January 2019. Previously, Ms. Pearson served as Senior Vice President, Packaging of the Company from October 2016 to January 2019. Prior to that, Ms. Pearson served as Vice President and General Manager, South Area, for the Container the Americas business of International Paper Company, a global packaging and paper manufacturing company, from May 2016 to October



2016. Prior to that, Ms. Pearson served as Vice President and General Manager for the Foodservice packaging business of International Paper from August 2011 to May 2016. Ms. Pearson joined International Paper in 1994 and served in a variety of sales, supply chain, marketing, process engineering, product development, and sales and general management roles within International Paper's packaging and print businesses. Ms. Pearson has significant experience in general management, sales and sales management, and supply chain in the packaging and paper manufacturing and distribution industries.

**Karen K. Renner** has served as Senior Vice President and Chief Information Officer of the Company since November 2020. Previously, Ms. Renner served as Senior Vice President and Chief Information Officer of CommScope, Inc., a global network infrastructure provider, from August 2018 to November 2020. From March 2017 to August 2018, Ms. Renner served as Chief Information Officer for the North American region of Thales Group, a global aerospace defense supplier. From October 2010 to February 2016, Ms. Renner served as Vice President and Chief Information Officer of Novelis, Inc., a global aluminum and recycling company. From 1992 to 2010, Ms. Renner held Chief Information Officer roles for various business segments of the General Electric Company. Ms. Renner has significant information technology, information security and technology infrastructure experience.

**Michael D. Walkenhorst** has served as Senior Vice President, Developing Businesses of the Company since October 2020. Previously, Mr. Walkenhorst served as Vice President, Developing Businesses of the Company from February 2019 to October 2020. Prior to that, Mr. Walkenhorst served as Managing Director of All American Containers, a Veritiv business, from September 2017 to February 2019. Previously, Mr. Walkenhorst served as General Manager for the Company's West Central Territory from July 2014 to August 2017. Mr. Walkenhorst began his career with xpedx, a legacy Veritiv company, in 2003 where he held various positions in sales and sales management. Mr. Walkenhorst has significant experience in sales, supply chain, and sales and operations management.

**Daniel J. Watkoske** has served as Senior Vice President, Print and Publishing of the Company since October 2020. Previously, Mr. Watkoske served as Senior Vice President, Print of the Company from July 2014 to October 2020 and, from October 2016 to January 2019, also served as Senior Vice President of Veritiv Services. Prior to that, Mr. Watkoske served as Executive Vice President, Sales for xpedx from January 2011 to July 2014 and was a member of the xpedx Senior Lead Team. Prior to that, Mr. Watkoske served as Group Vice President for the xpedx Metro New York Group from January 2008 to January 2011. Previously, Mr. Watkoske served as Vice President National Accounts for xpedx. Mr. Watkoske joined International Paper in 1989 as a sales trainee for Nationwide Papers, which later became part of xpedx. Mr. Watkoske has significant sales, sales management and operations experience in the paper and packaging distribution industries.

We have been advised that there are no family relationships among any of our executive officers or directors and that there is no arrangement or understanding between any of our executive officers and any other persons pursuant to which they were appointed, respectively, as an executive officer.

## **Company Information**

Our principal executive offices are located at 1000 Abernathy Road NE, Building 400, Suite 1700, Atlanta, Georgia 30328. Our corporate website is <https://www.veritivcorp.com>. Information contained on our website is not part of this Annual Report on Form 10-K. Through the "Investor Relations" portion of this website, we make available, free of charge, our proxy statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other relevant filings with the SEC and any amendments to those reports as soon as reasonably practicable after such material has been filed with, or furnished to, the SEC. These filings are also accessible on the SEC's website at <https://www.sec.gov>.

## **ITEM 1A. RISK FACTORS**

*The following is a discussion of certain important factors, some of which are beyond our control, that may cause our business, financial condition, results of operations or cash flows in future periods to differ materially from those currently expected or desired. Factors not currently known to Veritiv or that we currently deem to be immaterial may also materially and adversely affect our business, financial condition, results of operations or cash flows. You should carefully consider the following discussion, together with the other information contained in this report, in evaluating us and an investment in our common stock.*

## **Risks Relating to the COVID-19 Pandemic**

***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 as well as operationally critical employees working at our facilities for business continuity purposes as lawfully permitted. Extended periods of remote work arrangements could 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 below, 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.

## **Risks Relating to Our Industry and Business**

***The industry-wide decline in demand for paper and related products could have a material adverse effect on our financial condition and results of operations.***

Our Print and Publishing businesses rely heavily on the sale of paper and related products. The industry-wide decrease in demand for paper and related products in key markets we serve places continued pressure on our revenues and profit margins and makes it more difficult to maintain or grow earnings. This trend is expected to continue. The failure to effectively differentiate us from our competitors in the face of increased use of email, increased and permanent product substitution, including less print advertising, more electronic billing, more e-commerce, fewer catalogs and a reduced volume or slowdown of mail, could have a material adverse effect on market share, sales and profitability through increased expenditures or decreased prices. Our failure to grow the Packaging and Facility Solutions businesses at rates adequate to offset the expected decline in Print and Publishing could also have a material adverse effect on our financial results.

***Competition in our industry may adversely impact our margins and our ability to retain customers and make it difficult to maintain our market share and profitability.***

The business-to-business distribution industry is highly competitive, with numerous regional and local competitors, and is a mature industry characterized by slowing revenue growth. Our principal competitors include national distributors, national and regional manufacturers and independent brokers in the Packaging segment; national, regional and local distributors in the Facility Solutions segment; regional and local distributors in the Print segment; and regional, national and international paper manufacturers and other merchants and brokers in the Publishing segment. Most of these competitors generally offer a wide range of products at prices comparable to those we offer. Additionally, new competition could arise from non-traditional sources, group purchasing organizations, e-commerce, discount wholesalers or consolidation among competitors. New competitive sources may result in increased focus on pricing and on limiting price increases, or may require increased discounting. Such competition may result in margin erosion or make it difficult to attract and retain customers.

Increased competition within the industry, reduced demand for paper, increased and permanent product substitution through less print advertising, more electronic billing, more e-commerce, fewer catalogs, a reduced volume or slowdown of

mail and general economic conditions has served to further increase pressure on the industry's profit margins, and continued margin pressure within the industry may have a material adverse impact on our operating results and profitability.

***We purchase all of the products we sell to our customers from other parties, and conditions beyond our control can interrupt our supplies and increase our product costs.***

We obtain our packaging, facility products and paper from third-party suppliers. Our business and financial results are dependent on our ability to purchase products from suppliers not controlled by us that we, in turn, sell to our customers. We may not be able to obtain the products we need on open credit, with market or other favorable terms, or at all. During the year ended December 31, 2020, approximately 30% of our purchases were made from ten suppliers. A sustained disruption in our ability to source products from one or more of the largest of these vendors might have a material impact on our ability to fulfill customer orders resulting in lost sales and, in rare cases, damages for late or non-delivery.

For the most part, we do not have a significant number of long-term contracts with our suppliers committing them to provide products to us. Suppliers may not provide the products and supplies needed in the quantities and at the prices and times requested. We are also subject to delays caused by interruption in production and increases in product costs based on conditions outside of our control. These conditions include raw material shortages, environmental restrictions on operations, work slowdowns, work interruptions, strikes or other job actions by employees of suppliers, product recalls, transportation interruptions, unavailability of fuel or increases in fuel costs, competitive demands and natural disasters or other catastrophic events. Our inability to obtain adequate supplies of packaging, facility products and paper as a result of any of the foregoing factors or otherwise could mean that we could not fulfill our obligations to customers, and customers may turn to other distributors.

In addition, increases in product costs may reduce our margins if we are unable to pass all or a portion of these costs along to our customers, which we have historically had difficulty doing. Any such inability may have a negative impact on our business and our profitability.

***Changes in prices for raw materials, including pulp, paper and resin, could negatively impact our results of operations and cash flows.***

Changes in prices for raw materials, such as pulp, paper and resin, could significantly impact our results of operations in the print market. Although we do not produce paper products and are not directly exposed to risk associated with production, declines in pulp and paper prices, driven by falling secular demand, periods of industry overcapacity and overproduction by paper suppliers, may adversely affect our revenues and net income to the extent such factors produce lower paper prices. Declining pulp and paper prices generally produce lower revenues and profits, even when volume and trading margin percentages remain constant. During periods of declining pulp and paper prices, customers may alter purchasing patterns and defer paper purchases or deplete inventory levels until long-term price stability occurs. Alternatively, if prices for raw materials rise and we are unable to pass these increases on to our customers, our results of operations and profits may also be negatively impacted.

***Changes in U.S. and international trade policies and regulations could adversely affect our business and operating results.***

Although we primarily serve markets in the U.S., Canada and Mexico, we purchase our products from a wide variety of domestic and international suppliers. Changes to U.S. trade policies, including the adoption or expansion of trade restrictions, sanctions and other related governmental actions or policies, can disrupt geographic and industry demand trends and prompt other countries to change their own trade policies, including through the adoption of retaliatory tariffs or expansion of other trade restrictions. These changes may cause us to make changes in our supply chain strategies or adversely impact our own costs. Increasing the costs of our products as a result of tariffs or other adverse trade restrictions, or minimizing the number of our products subject to tariffs or other adverse trade restrictions, could cause customers to turn to other distributors and we may be unable to locate alternative suppliers at acceptable costs. Such actions may result in margin erosion or make it difficult to attract and retain customers.

***Increases in the cost of fuel and third-party freight as well as the availability of third-party freight providers could have an adverse effect on our business and results of operations.***

Volatile fuel prices have a direct impact on our business. We also depend upon third-party freight providers in order



to conduct our business. The cost of fuel and third-party freight affects the price paid by us for products as well as the expense incurred to deliver products to our customers. Increased fuel costs, increased government regulation and limitations on driver availability impacting the freight transportation industry may adversely impact the cost and availability of third-party freight services. Although we have been able to pass along a portion of increased fuel and third-party freight costs to our customers in the past, there is no guarantee that we can continue to do so. Increases in fuel and third-party freight costs or the unavailability of third-party freight providers may adversely affect our business and results of operations.

***The loss of any of our significant customers could adversely affect our financial condition, operating results and cash flows.***

Our ten largest customers generated approximately 10% of our consolidated net sales for the year ended December 31, 2020, and our largest customer accounted for approximately 4% of our consolidated net sales in that same period. We cannot guarantee that we will maintain or improve our relationships with these customers or that we will continue to supply these customers at historic levels.

Generally, our customers are not contractually required to purchase any minimum amount of products. In addition, consolidation among customers could also result in changes to their purchasing habits and volumes. The loss of one or more of these significant customers, a significant customer's decision to purchase our products in substantially lower quantities than they have in the past, or a deterioration in the relationship with any significant customers could adversely affect our financial condition, operating results and cash flows.

***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, competitive position, financial condition, results of operations and cash flows.***

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 further adjust or expand our 2020 Restructuring Plan, which could increase the risks described above.

***Adverse developments in general business and economic conditions, including the industry-wide decline in demand for paper and related products, could have a material adverse effect on our financial condition and results of operations impairing our ability to use Net Operating Loss ("NOL") carryforwards and other deferred tax assets.***

The realization of our NOLs and other deferred tax assets depends on the timing and amount of taxable income earned by our Company in the future and a lack of future taxable income would adversely affect our ability to realize these tax assets. Tax attributes are generally subject to expiration at various times in the future to the extent that they have not previously been applied to offset the taxable income of our Company, and there is a risk that our existing NOL carryforwards could expire unused and be unavailable to offset future income tax liabilities.

The Merger resulted in an ownership change for Unisource under Section 382 of the Internal Revenue Code (the "Code"), limiting the use of Unisource's NOLs to offset future taxable income for both U.S. federal and state income tax purposes. Moreover, future trading of our stock may result in additional ownership changes as defined under Section 382 of the Code, further limiting the use of Unisource's NOLs. These limitations may affect the availability and the timing of when

these NOLs may be used which could impair our deferred tax assets which, in turn, may adversely impact the timing and amount of cash taxes payable by our Company.

Significant judgment is required in evaluating the need for and magnitude of appropriate valuation allowances against deferred tax assets. The realization of these assets is dependent on generating future taxable income, as well as successful implementation of various tax planning strategies. Although we believe that the judgments and estimates with respect to the valuation allowances are appropriate and reasonable under the circumstances, actual results could differ from projected results, which could give rise to additions to valuation allowances or reductions in valuation allowances. It is possible that such changes could have a material adverse effect on the amount of income tax expense (benefit) recorded in our Consolidated Statements of Operations.

***We may not be able to adequately protect our material intellectual property and other proprietary rights, or to defend successfully against intellectual property infringement claims by third parties.***

Our ability to compete effectively depends in part upon our intellectual property rights, including but not limited to trademarks, copyrights and proprietary technology. The use of contractual provisions, confidentiality procedures and agreements, and trademark, copyright, unfair competition, trade secret and other laws to protect intellectual property rights and proprietary technology may not be adequate. Litigation may be necessary to enforce our intellectual property rights and protect proprietary technology, or to defend against claims by third parties that our conduct or our use of intellectual property infringes upon such third party's intellectual property rights. Any intellectual property litigation or claims brought against us, whether or not meritorious, could result in substantial costs and diversion of our resources, and there can be no assurances that favorable final outcomes will be obtained. The terms of any settlement or judgment may require us to pay substantial amounts to the other party or cease exercising our rights in such intellectual property, including ceasing the use of certain trademarks used by us to distinguish our services from those of others or ceasing the exercise of our rights in copyrightable works. In addition, we may be required to seek a license to continue practices found to be in violation of a third party's rights, which may not be available on reasonable terms, or at all. Our business, financial condition or results of operations could be adversely affected as a result.

#### **Risks Relating to Human Capital**

***In order to compete, we must attract, train and retain highly qualified employees, and the failure to do so could have a material adverse effect on our results of operations.***

To successfully compete, we must attract, train and retain a large number of highly qualified employees while controlling related labor costs. Specifically, we must recruit and retain qualified sales professionals. If we were to lose a significant amount of our sales professionals, we could lose a material amount of sales, which would have a material adverse effect on our financial condition and results of operations. Many of our sales professionals are subject to confidentiality and non-competition agreements. If our sales professionals were to violate these agreements, we could seek to legally enforce these agreements, but we may incur substantial costs in connection with such enforcement and may not be successful in such enforcement. We compete with other businesses for employees and invest significant resources in training and motivating them. There is no assurance that we will be able to attract or retain highly qualified employees. The inability to retain or hire qualified personnel at economically reasonable compensation levels would restrict our ability to improve our business and result in lower operating results and profitability.

***Our pension and health care costs are subject to numerous factors which could cause these costs to change.***

Our pension and health care costs are dependent upon numerous factors resulting from actual plan experience and assumptions of future experience, including, for pension costs, actuarial assumptions regarding life expectancies. Pension plan assets are primarily made up of equity and fixed income investments. Fluctuations in actual equity market returns, changes in general interest rates and changes in the number of retirees may result in increased pension costs in future periods. Significant changes in any of these factors may adversely impact our cash flows, financial condition and results of operations.

***We participate in multi-employer pension plans and multi-employer health and welfare plans, which could create additional obligations and payment liabilities.***

We contribute to multi-employer defined benefit pension plans as well as multi-employer health and welfare plans under the terms of collective bargaining agreements that cover certain unionized employee groups in the U.S. The risks of

participating in multi-employer pension plans differ from single employer-sponsored plans and such plans are subject to regulation under the Pension Protection Act (the "PPA"). Additionally, changes in regulations covering these plans could increase our costs and/or potential withdrawal liability.

Multi-employer pension plans are cost-sharing plans subject to collective-bargaining agreements. Contributions to a multi-employer plan by one employer are not specifically earmarked for its employees and may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan are borne by the remaining participating employers. In addition, if a multi-employer plan is determined to be underfunded based on the criteria established by the PPA, the plan may be required to implement a financial improvement plan or rehabilitation plan that may require additional contributions or surcharges by participating employers.

In addition to the contributions discussed above, we could be obligated to pay additional amounts, known as withdrawal liabilities, upon decrease or cessation of participation in a multi-employer pension plan. Although an employer may obtain an estimate of such liability, the final calculation of the withdrawal liability may not be able to be determined for an extended period of time. Generally, the cash obligation of such withdrawal liability is payable over a 20-year period.

***Our business may be adversely affected by work stoppages, union negotiations and labor disputes.***

Approximately 9% of our employees were in collective bargaining units as of December 31, 2020. Historically, the effects of collective bargaining and other similar labor agreements have not been significant. However, if a larger number of our employees were to unionize, including in the wake of any future legislation or administrative regulation that makes it easier for employees to unionize, the effect may be negative.

Approximately 63% of the Company's unionized employees have collective bargaining agreements that expire during 2021. Any inability to negotiate acceptable new contracts under these collective bargaining arrangements could cause strikes or other work stoppages, and new contracts could result in increased operating costs. If any such strikes or other work stoppages occur, or if additional employees become represented by a union, a disruption of our operations and higher labor costs could result. Labor relations matters affecting our suppliers of products and services could also adversely affect our business from time to time.

## **Risks Relating to Our Capital Structure**

***Our significant indebtedness could adversely affect our financial condition and impair our ability to operate our business.***

As of December 31, 2020, we had approximately \$603.8 million in total indebtedness, reflecting borrowings of \$520.2 million under the Asset-Based Lending Facility (the "ABL Facility"), \$1.3 million under short-term debt and \$82.3 million of finance leases. This level of indebtedness could have important consequences to our financial condition, operating results and business, including the following:

- limiting our ability to obtain additional debt or equity financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- increasing our cost of borrowing;
- requiring that a significant portion of our cash flows from operations be dedicated to payments on our indebtedness instead of other purposes, including operations, capital expenditures and future business opportunities;
- making it more difficult for us to make payments on our indebtedness or satisfy other obligations;
- exposing us to risk of increased interest rates on our borrowings due to the variable rate exposure associated with the ABL Facility, which can be worsened by (i) increased interest rates up to the level covered by our interest rate cap and (ii) increased interest rates on borrowings in excess of the notional amount of our interest rate cap;
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors that have less debt; and
- increasing our vulnerability to a downturn in general economic conditions or in our business, and making us unable to carry out capital spending that is important to our growth.



***Despite our significant indebtedness, we may still be able to incur substantially more indebtedness in the future. This could further exacerbate the risks to our financial condition described above.***

We may be able to incur significant additional indebtedness in the future, including secured indebtedness. Although the agreements governing the ABL Facility contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. If new indebtedness is added to our current indebtedness levels, the related risks we will face could intensify.

***The agreements governing our indebtedness contain restrictive covenants, which could restrict our operational flexibility, and a failure to comply with those covenants could have serious consequences.***

The agreements governing the ABL Facility contain restrictions and limitations on our ability to engage in activities that may be in our long-term best interests, including financial and other restrictive covenants that could limit our ability to:

- incur additional indebtedness or guaranties, or issue certain preferred shares;
- pay dividends, redeem stock or make other distributions;
- repurchase, prepay or redeem subordinated indebtedness;
- make investments or acquisitions;
- create liens;
- make negative pledges;
- consolidate or merge with another company;
- sell or otherwise dispose of all or substantially all of our assets;
- enter into certain transactions with affiliates; and
- change the nature of our business.

The agreements governing the ABL Facility also contain other restrictions customary for asset-based facilities of this nature. Our ability to borrow additional amounts under the ABL Facility will depend upon satisfaction of these covenants. Events beyond our control could affect our ability to meet these covenants. Our failure to comply with obligations under the agreements governing the ABL Facility may result in an event of default under those agreements. A default, if not cured or waived, may permit acceleration of our indebtedness. If our indebtedness is accelerated, we cannot be certain that we will have sufficient funds available to pay the accelerated indebtedness or that we will have the ability to refinance the accelerated indebtedness on terms favorable to us or at all. This could have serious consequences to our business, financial condition and operating results and could cause us to become bankrupt or insolvent.

***Our stock price may fluctuate significantly.***

The market price of our common stock may continue to fluctuate widely, depending on many factors, some of which may be beyond our control, including:

- actual or anticipated fluctuations in the operating results of our Company due to factors related to our business;
- success or failure of the strategy of our Company;
- the quarterly or annual earnings of our Company, or those of other companies in our industry;
- continued industry-wide decrease in demand for paper and related products;
- our ability to obtain third-party financing as needed;
- announcements by us or our competitors of significant acquisitions or dispositions;
- restrictions on our ability to pay dividends under our ABL Facility;
- changes in accounting standards, policies, guidance, interpretations or principles;
- the operating and stock price performance of other comparable companies;
- investor perception of our Company;
- natural or environmental disasters that investors believe may affect our Company;
- overall market fluctuations;
- a large sale of our stock by a significant shareholder;
- results from any material litigation or government investigation;
- changes in laws and regulations affecting our Company or any of the principal products sold by our Company; and
- general economic and political conditions and other external factors.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations could adversely affect the trading price of our common stock.

***If securities or industry analysts do not continue to publish research, or publish unfavorable research, about our Company, our stock price and trading volume could decline.***

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us and our business. As of December 31, 2020, we had very limited research coverage by analysts. If the current coverage of our Company by securities or industry analysts ceases, the trading price for our stock would be negatively impacted. In addition, if one or more of these analysts downgrades our stock or publishes misleading or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of our Company or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price or trading volume to decline.

***A significant percentage of our outstanding common stock is held by our three largest shareholders, and certain of those shareholders exercise significant influence over matters requiring shareholder approval. So long as a significant percentage of our common stock continues to be held by a small number of shareholders, the liquidity of our common stock may be impacted, and future sales by those shareholders may result in a reduction in the market price of our common stock.***

Our three largest shareholders collectively owned approximately 43% of our outstanding common stock as of December 31, 2020. As a result, certain of these shareholders may exercise significant influence over all matters requiring shareholder approval, including approval of significant corporate transactions, which may reduce the market price of our common stock. Additionally, the interests of these shareholders may conflict with the interests of our other shareholders.

This concentrated ownership could also result in a limited amount of shares being available to be traded in the market, resulting in reduced liquidity. Further, all of the shares of our common stock owned by UWW Holdings, LLC (the "UWWH Stockholder") are registered for resale under the Securities Act of 1933 and, subject to certain limitations, all or a portion of such shares may be offered and sold to the public in the future. When some or all of the shares held by the UWWH Stockholder are sold, or if it is perceived that they will be sold, the market price of our common stock could decline.

***Anti-takeover provisions in our charter and amended and restated by-laws (our "by-laws") could discourage, delay or prevent a change of control of our Company and may affect the trading price of our common stock.***

Our charter and by-laws include a number of provisions that may discourage, delay or prevent a change in our management or control over us that shareholders may consider favorable. For example, our charter and by-laws collectively:

- authorize the issuance of "blank check" preferred stock that could be issued by our board of directors to thwart a takeover attempt;
- limit the ability of shareholders to remove directors;
- provide that vacancies on our board of directors, including vacancies resulting from an enlargement of our board of directors, may be filled only by a majority vote of directors then in office;
- prohibit shareholders from calling special meetings of shareholders unless called by the holders of not less than 20% of our outstanding shares of common stock;
- prohibit shareholder action by written consent, unless initiated by the holders of not less than 20% of the outstanding shares of common stock;
- establish advance notice requirements for nominations of candidates for election as directors or to bring other business before an annual meeting of our shareholders; and
- require the approval of holders of at least a majority of the outstanding shares of our common stock to amend our by-laws and certain provisions of our charter.

These provisions may prevent our shareholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if the provisions are viewed as discouraging takeover attempts in the future.

Our charter and by-laws may also make it difficult for shareholders to replace or remove our management. These provisions may facilitate management entrenchment that may delay, deter, render more difficult or prevent a change in our control, which may not be in the best interests of our shareholders.

***Our charter designates the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation that may be initiated by our shareholders, which could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us.***

Our charter provides that the Court of Chancery of the State of Delaware is the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed to us or our shareholders by any of our directors, officers or employees, (iii) any action asserting a claim against us or any director, officer, employee or agent arising under the Delaware General Corporation Law, our charter or by-laws or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine. The choice of forum provision in our charter may limit our shareholders' ability to obtain a favorable judicial forum for disputes with us.

***We have not historically declared or paid dividends on our common stock and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.***

We have not historically declared or paid dividends on our common stock. We currently intend to invest our future earnings, if any, to fund our growth, to develop our business, for working capital needs, to reduce debt and for general corporate purposes. Therefore, the success of an investment in shares of our common stock will depend upon any future appreciation in their value. There is no guarantee that shares of our common stock will appreciate in value or even maintain their current value.

Any decision to pay dividends in the future will be at the discretion of Veritiv's Board of Directors and will depend upon various factors then existing, including earnings, financial condition, results of operations, capital requirements, level of indebtedness, restrictions imposed by applicable law, general business conditions and other factors that Veritiv's Board of Directors may deem relevant. In addition, our operations are conducted almost entirely through our subsidiaries. As such, to the extent that we determine in the future to pay dividends on our common stock, none of our subsidiaries will be obligated to make funds available to us for the payment of dividends. Further, the agreements governing our ABL Facility can, and agreements governing future indebtedness may, in certain circumstances, restrict the ability of our subsidiaries to pay dividends or otherwise transfer assets to us.

## **Risks Relating to Regulatory Compliance and Legal Matters**

***Costs to comply with environmental, health and safety laws, and to satisfy any liability or obligation imposed under such laws, could negatively impact our business, financial condition and results of operations.***

Our operations are subject to U.S. and international environmental, health and safety laws, including laws regulating the emission or discharge of materials into the environment, the use, storage, treatment, disposal and management of hazardous substances and waste, the investigation and remediation of contamination and the health and safety of our employees and the public. We could incur substantial fines or sanctions, enforcement actions (including orders limiting our operations or requiring corrective measures), investigation, remediation and closure costs and third-party claims for property damage and personal injury as a result of violations of, or liabilities or obligations under, environmental, health and safety laws. We could be held liable for the costs to address contamination at any real property we have ever owned, operated or used as a disposal site.

In addition, changes in, or new interpretations of, existing laws, the discovery of previously unknown contamination, or the imposition of other environmental liabilities or obligations in the future, may lead to additional compliance or other costs that could impact our business and results of operations. Moreover, as environmental issues, such as climate change, have become more prevalent, U.S. and foreign governments have responded, and may continue to respond, with increased legislation and regulation, which could negatively impact our business, financial condition and results of operations.



***Expenditures related to the cost of compliance with laws, rules and regulations could adversely impact our business and results of operations.***

Our operations are subject to U.S. and international laws and regulations, including regulations of the U.S. Department of Transportation Federal Motor Carrier Safety Administration, the import and export of goods, customs regulations, Office of Foreign Asset Control and the Foreign Corrupt Practices Act of 1977. Expenditures related to the cost of compliance with laws, rules and regulations, tariffs and duties could adversely impact our business and results of operations. In addition, we could incur substantial fines or sanctions, enforcement actions (including orders limiting our operations or requiring corrective measures) and third-party claims for property damage and personal injury as a result of violations of, or liabilities under, laws, regulations, codes and common law.

***Changes in U.S. federal and state or foreign tax law, tax assessments and unclaimed property audits by governmental authorities could adversely impact our operating results.***

We remit a variety of taxes and fees to various U.S. federal and state and foreign governmental authorities, including income taxes, excise taxes, property taxes, sales and use taxes and payroll taxes. From time to time, governments make substantive changes to tax rules and their application, which could result in materially higher corporate taxes than would be incurred under existing tax law. In addition, tax laws and regulations are extremely complex and subject to varying interpretations. The taxes and fees remitted by us are subject to review and audit by the applicable governmental authorities which could result in liability for additional assessments. Furthermore, we are subject to U.S. state unclaimed property (escheat) laws and audits which require us to turn over to certain government authorities the property of others held by us that has been unclaimed for a specified period of time. Although management believes that the positions we have taken are reasonable, various taxing authorities may challenge certain of the positions we have taken, which may also potentially result in additional liabilities for taxes, unclaimed property, interest and penalties in excess of accrued liabilities. Changes in tax laws or an unfavorable resolution of assessments by a governmental authority could have a material adverse effect on our operating results in future periods.

***Results of legal proceedings relating to the products and distribution thereof, and regulatory inquiries or investigations by government authorities, could have a material adverse effect on our business, reputation, financial condition, results of operations and cash flows.***

We rely on manufacturers and other suppliers to provide us with the products and equipment we sell, distribute and service. As we do not have direct control over the quality of the products manufactured or supplied by such third-party suppliers, we are exposed to risks relating to the quality of the products and equipment we sell, distribute and service. It is possible that inventory from a manufacturer or supplier could be sold to our customers and later be alleged to have quality problems or to have caused personal injury, subjecting us to potential claims from customers or third parties. Our ability to hold such manufacturer or supplier liable will depend on a variety of factors, including its financial viability. Moreover, increasing the number of private label products that we distribute could increase our exposure to potential liability for product liability claims. Finally, even if we are successful in defending any claim relating to the products or equipment we distribute, claims of this nature could negatively impact our reputation and customer confidence in our products, equipment and company. We have been subject to such claims in the past, which have been resolved without material financial impact. We also operate a significant number of facilities and a large fleet of trucks and other vehicles and therefore face the risk of premises-related liabilities and vehicle-related liabilities including traffic accidents.

From time to time, we may also be involved in government inquiries and investigations, as well as class action, employment and other litigation. We cannot predict with certainty the outcomes of these legal proceedings and other contingencies, including environmental remediation and other proceedings commenced by government authorities. The costs and other effects of pending litigation against us cannot be determined with certainty. There can be no assurance that the outcome of any lawsuit or claim or its effect on our business or financial condition will be as expected. The defense of these lawsuits and claims may divert our management's attention, and significant expenses may be incurred as a result. In addition, we may be required to pay damage awards or settlements, or become subject to injunctions or other equitable remedies, that could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Although we currently maintain insurance coverage to address some of these types of liabilities, we cannot make assurances that we will be able to obtain such insurance on acceptable terms in the future, if at all, or that any such insurance will provide adequate coverage against potential claims. In addition, we may choose not to seek to obtain such insurance in the future. Moreover, indemnification rights that we have may be insufficient or unavailable to protect us against potential

loss exposures.

## **General Risk Factors**

***Adverse developments in general business and economic conditions as well as conditions in the global capital and credit markets could have a material adverse effect on the demand for our products, the business, and the financial condition and results of operations of our Company and our customers.***

The persistently slow rate of increase in the U.S. gross domestic product ("GDP") in recent years has adversely affected our results of operations. If GDP continues to increase at a slow rate or if economic growth declines, demand for the products we sell will be adversely affected. In addition, volatility in the global capital and credit markets, which impacts interest rates, currency exchange rates and the availability of credit, could have a material adverse effect on the business, financial condition and results of operations of our Company and our customers. Financial difficulties of customers, whether as a result of a downturn in general economic or industry conditions or otherwise, may result in failures of customers to timely pay amounts due or adversely affect the collectability of our accounts receivable, which could have a material adverse effect on our business, financial condition and results of operations. We also have exposure to counterparties with which we routinely execute transactions. A bankruptcy or liquidity event by one or more of our customers or counterparties, such as financial institutions, could have a material adverse effect on our business, financial condition and results of operations.

***Changes in business conditions in our international operations could adversely affect our business and results of operations.***

Our operating results and business prospects could be substantially affected by risks related to Canada, Mexico and other non-U.S. countries where we sell and distribute or purchase our products. Some of our operations are in or near locations that have suffered from political, social and economic issues; civil unrest; and a high level of criminal activity. In those locations where we have employees or operations, we may incur substantial costs to maintain the safety of our personnel and the security of our operations. Downturns in economic activity, adverse tax consequences or any change in social, political or labor conditions in any of the countries in which we operate could negatively affect our financial results. In addition, our international operations are subject to regulation under U.S. law (including, among others, the Foreign Corrupt Practices Act of 1977) and other laws related to operations in foreign jurisdictions. Failure to comply with domestic or foreign laws could result in various adverse consequences, including the imposition of civil or criminal sanctions and the prosecution of executives.

***Inclement weather, widespread outbreak of an illness, anti-terrorism measures and other disruptions could negatively affect various aspects of our business including our supply chain, distribution system and operations, and could result in reduced demand from our customers.***

Our ability to provide efficient distribution of products to our customers is an integral component of our overall business strategy. Disruptions at distribution centers or shipping ports or the closure of roads or imposition of other driving bans due to natural events such as flooding, tornadoes and blizzards may affect our ability to both maintain key products in inventory and deliver products to our customers on a timely basis, which may in turn adversely affect our results of operations.

Additionally, widespread outbreaks of an illness such as a pandemic and actions taken to contain or prevent further spread of such diseases could substantially interfere with general commercial activity related to our supply chain and customer base, which could have an adverse effect on our business, financial condition and results of operations. If our operations are curtailed, we may need to seek alternate sources of supply which may be more expensive, unavailable or may result in delays in shipments to us from our supply chain and subsequently to our customers. Further, if our customers' businesses are similarly affected, they might delay or reduce purchases from us, which could adversely affect our results of operations.

Furthermore, in the aftermath of terrorist attacks in the U.S., federal, state and local authorities have implemented and continue to implement various security measures that affect many parts of the transportation network in the U.S. and abroad. Our customers typically require delivery of products in short time frames and rely on our on-time delivery capabilities. If security measures disrupt or impede the timing of our deliveries, we may fail to meet the needs of our

customers, or may incur increased expenses to do so. Any of these disruptions to our operations may reduce our sales and have an adverse effect on our business, financial condition and results of operations.

***We are dependent on a variety of information technology ("IT") and telecommunications systems and the Internet, and any failure of these systems could adversely impact our business and operating results.***

We depend on IT and telecommunications systems and the Internet for our operations. These systems support a variety of functions including inventory management, order placement and processing with vendors and from customers, shipping, shipment tracking and billing. Our information systems are vulnerable to natural disasters, wide-area telecommunications or power utility outages, terrorist or cyber-attacks and other major disruptions, and our redundant information systems may not operate effectively.

Failures or significant downtime of our IT or telecommunications systems for any reason could prevent us from taking customer orders, printing product pick-lists, shipping products, billing customers and handling call volume. Sales also may be adversely impacted if our reseller and retail customers are unable to access pricing and product availability information. We also rely on the Internet, electronic data interchange and other electronic integrations for a large portion of our orders and information exchanges with our suppliers and customers. The Internet and individual websites have experienced a number of disruptions and slowdowns, some of which were caused by organized attacks. In addition, some websites have experienced security breakdowns. If we were to experience a security breakdown, disruption or breach that compromised sensitive information, it could harm our relationships with our suppliers and customers. Disruption of our website or the Internet in general could impair our order processing or more generally prevent our suppliers and resellers from accessing information. Failures of our systems could also lead to delivery delays and may expose us to litigation and penalties under some of our contracts. Any significant increase in our IT and telecommunications costs or temporary or permanent loss of our IT or telecommunications systems could harm our relationships with our customers and suppliers and result in lost sales, business delays and bad publicity. The occurrence of any of these events, as well as the costs we may incur in preventing or responding to such events, could have a material adverse effect on our business, financial condition and results of operations.

***We are subject to cybersecurity risks related to breaches of security pertaining to sensitive company, customer, employee and vendor information as well as breaches in the technology that manages operations and other business processes.***

Our operations rely upon secure IT systems for data capture, processing, storage and reporting. Our IT systems, and those of our third-party providers, could become subject to cyber-attacks. The evolving nature of threats to data security, in light of new and sophisticated methods used by criminals and cyberterrorists, state-sponsored organizations and nation-states, including computer viruses, malware, phishing, misrepresentation, social engineering and forgery, make it increasingly challenging to anticipate and adequately mitigate these risks. Network, system, application and data breaches could result in operational disruptions or information misappropriation including, but not limited to, interruption of systems availability, or denial of access to and misuse of applications required by our customers to conduct business with us. Access to internal applications required to plan our operations, source materials, ship finished goods and account for orders could be denied or misused. Theft of intellectual property or trade secrets, and inappropriate disclosure of confidential information, could stem from such incidents. Any operational disruptions or misappropriation of information could harm our relationship with our customers and suppliers, result in lost sales, business delays and negative publicity and could have a material adverse effect on our business, financial condition and results of operations.

## **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## **ITEM 2. PROPERTIES**

As of December 31, 2020, we had a distribution network operating from 125 distribution centers.

	Leased	Owned	Total
Properties	117	8	125
Square feet (in millions)	16.2	0.9	17.1



These facilities are strategically located throughout the U.S., Canada and Mexico in order to efficiently serve our customer base in the surrounding areas while also facilitating expedited delivery services for special orders. We continually evaluate location, size and attributes to maximize efficiency, deliver top quality customer service and achieve economies of scale. The Company also leases various office spaces for corporate and sales functions.

### **ITEM 3. 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 cash flow, results of operations or financial condition.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

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

Veritiv's common stock is publicly traded on the New York Stock Exchange ("NYSE") under the ticker symbol "VRTV". As of February 26, 2021, there were 4,878 shareholders of record. The number of record holders does not include shareholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees.

On March 16, 2020, Veritiv announced that its Board of Directors authorized a \$25 million share repurchase program (the "2020 Share Repurchase Program"). 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 2020 Share Repurchase Program, which has been suspended since March 27, 2020.

On March 3, 2021, Veritiv announced that its Board of Directors authorized a \$50 million 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. This authorization for the share repurchase program replaces the \$25 million share repurchase authorization previously approved by the Board of Directors in March 2020 and may be suspended, terminated, increased or decreased by the Board at any time.

On November 19, 2020, the UWWH Stockholder, one of Veritiv's existing stockholders and the former parent company of Unisource Worldwide, Inc., sold 1.40 million shares of Veritiv common stock in an underwritten public offering. The Company did not sell or repurchase any shares and did not receive any of the proceeds.

The following table presents information with respect to purchases made by the Company of its common stock during the three months ended December 31, 2020 (shares are in whole units):

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of the Publicly Announced Program <sup>(2)</sup>	Approximate Dollar Value of Shares that May Yet be Purchased Under the Publicly Announced Program
October 1-31	30	\$13.01	—	\$ 21,478,003
November 1-30	—	\$0.00	—	\$ 21,478,003
December 1-31	—	\$0.00	—	\$ 21,478,003

<sup>(1)</sup> 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.

<sup>(2)</sup> This column discloses the number of shares purchased pursuant to the 2020 Share Repurchase Program during the indicated periods.

Veritiv has not historically declared or paid dividends on its common stock. The Company currently intends to invest its future earnings, if any, to fund its growth, to develop its business, for working capital needs, to reduce debt and for general corporate purposes. Any payment of dividends will be at the discretion of Veritiv's Board of Directors and will depend upon various factors then existing, including earnings, financial condition, results of operations, capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends, restrictions imposed by applicable law, general business conditions and other factors that Veritiv's Board of Directors may deem relevant.

#### Performance Graph

The following graph provides a comparison of the cumulative total shareholder return on the Company's common stock to the cumulative total returns of the Russell 2000 Index and the average performance of two customized peer groups for the period from December 31, 2015 through December 31, 2020. The graph is not, and is not intended to be, indicative of future performance of our common stock. The graph assumes that the value of the investment in the Company's common

stock, the Russell 2000 Index and the peer groups was \$100 on December 31, 2015. Total return indices reflect reinvestment of dividends and are weighted on the basis of market capitalization at the time of each reported data point. The peer group is reviewed periodically based on industry, size and market dynamics. Because the Company changed the composition of the peer group for 2020, as noted in the tables below, the peer group used for the corresponding disclosures in 2019 is shown for comparison.

Companies included in the 2020 peer group are as follows:

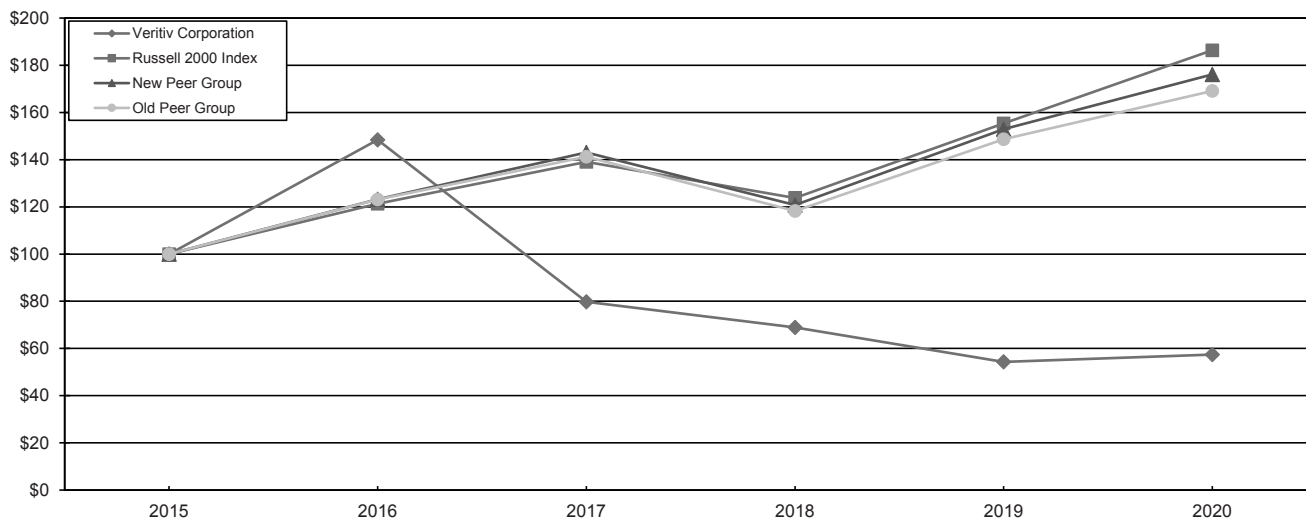
- Applied Industrial Technologies, Inc.
- Avery Dennison Corporation
- Beacon Roofing Supply, Inc.
- Brady Corporation
- Deluxe Corporation
- Domtar Corporation
- Ennis, Inc.
- Fastenal Company
- Genuine Parts Company
- Graphic Packaging Holding Company
- International Paper Company
- Kaman Corporation
- MSC Industrial Direct Co., Inc.
- Neenah Inc.
- Office Depot, Inc.
- P.H. Glatfelter Company
- Packaging Corporation of America
- R.R. Donnelley & Sons Company
- Resolute Forest Products, Inc.
- Sealed Air Corporation
- Sonoco Products Company
- Univar Solutions, Inc.
- Verso Corporation
- W.W. Grainger, Inc.
- Watsco, Inc.

Companies included in the 2019 peer group are as follows:

- Anixter International, Inc.
- Applied Industrial Technologies, Inc.
- Arrow Electronics, Inc.
- Avery Dennison Corporation
- Avnet, Inc.
- Brady Corporation
- Deluxe Corporation
- Domtar Corporation
- Ennis, Inc.
- Fastenal Company
- Genuine Parts Company
- Graphic Packaging Holding Company
- InnerWorkings, Inc.
- International Paper Company
- Kaman Corporation
- MSC Industrial Direct Co., Inc.
- Neenah Inc.
- Office Depot, Inc.
- P.H. Glatfelter Company
- Packaging Corporation of America
- R.R. Donnelley & Sons Company
- Resolute Forest Products, Inc.
- ScanSource, Inc.
- Sealed Air Corporation
- Sonoco Products Company
- W.W. Grainger, Inc.
- WESCO International, Inc.
- WestRock Company



**Comparison of 5 Year Cumulative Total Return  
Among Veritiv Corporation, the Russell 2000 Index, New Peer Group and Old Peer Group**



## ITEM 6. SELECTED FINANCIAL DATA

The following table presents the selected historical consolidated financial data for Veritiv and should be read in conjunction with Item 7 of this report and the audited Consolidated Financial Statements and notes thereto contained in Item 8 of this report. The Consolidated Statements of Operations data for the years ended December 31, 2020, 2019 and 2018 and the Consolidated Balance Sheets data as of December 31, 2020 and 2019 set forth below are derived from the audited Consolidated Financial Statements included in Item 8 of this report. The Consolidated Statements of Operations data for the years ended December 31, 2017 and 2016 and the Consolidated Balance Sheets data as of December 31, 2018, 2017 and 2016 set forth below are derived from the audited Consolidated Financial Statements for 2018 and 2017, which are not included in this report. The selected historical consolidated financial information presented below may not be indicative of Veritiv's future performance.

(in millions, except per share data)

Statements of Operations Data	As of and for the Year Ended December 31,				
	2020	2019	2018	2017	2016
Net sales	\$ 6,345.6	\$ 7,659.4	\$ 8,696.2	\$ 8,364.7	\$ 8,326.6
Cost of products sold	5,040.2	6,206.2	7,155.7	6,846.6	6,826.4
Distribution expenses	429.8	509.2	550.5	516.9	505.1
Selling and administrative expenses <sup>(1)</sup>	717.9	823.3	867.6	875.7	827.9
Depreciation and amortization	57.7	53.5	53.5	54.2	54.7
Integration and acquisition expenses	—	17.5	31.8	36.5	25.9
Restructuring charges, net	52.2	28.8	21.3	16.7	12.4
Operating income (loss) <sup>(1)</sup>	47.8	20.9	15.8	18.1	74.2
Income tax expense (benefit)	8.8	0.7	5.5	11.4	19.8
Net income (loss)	34.2	(29.5)	(15.7)	(13.3)	21.0
Earnings (loss) per share <sup>(2)</sup> :					
Basic earnings (loss) per share	\$ 2.14	\$ (1.84)	\$ (0.99)	\$ (0.85)	\$ 1.31
Diluted earnings (loss) per share	\$ 2.08	\$ (1.84)	\$ (0.99)	\$ (0.85)	\$ 1.30
Balance Sheets Data (at period end)					
Accounts receivable, net <sup>(3)</sup>	\$ 849.5	\$ 910.8	\$ 1,181.4	\$ 1,174.3	\$ 1,048.3
Inventories	465.4	552.9	688.2	722.7	707.9
Total assets <sup>(4,5)</sup>	2,335.0	2,511.1	2,529.7	2,708.4	2,483.7
Long-term debt, net of current portion <sup>(5)</sup>	589.1	742.4	963.6	908.3	749.2
Financing obligations, net of current portion <sup>(4,5)</sup>	—	—	23.6	181.6	176.1
Defined benefit pension obligations	18.2	15.7	21.1	24.4	27.6
Other non-current liabilities <sup>(5)</sup>	395.2	485.3	128.6	137.0	121.2

<sup>(1)</sup> Amounts shown prior to 2018 have been revised to reflect the impact of the Company's adoption of Accounting Standards Update ("ASU") 2017-07 on January 1, 2018.

<sup>(2)</sup> See Note 12 of the Notes to Consolidated Financial Statements for information regarding the shares of common stock utilized in the computation of basic and diluted earnings (loss) per share for the years ended December 31, 2020, 2019 and 2018.

<sup>(3)</sup> See Note 1 of the Notes to Consolidated Financial Statements for information regarding the Company's adoption of ASU 2016-13 on January 1, 2020, which included a cumulative effect decrease to retained earnings of approximately \$0.3 million. The amounts prior to 2020 have not been revised.

<sup>(4)</sup> See Note 3 of the Notes to Consolidated Financial Statements for information regarding the impacts to property and equipment and financing obligations due to the termination or expiration of the related party financing obligations, the majority of which occurred in 2018.

<sup>(5)</sup> See Note 3 of the Notes to Consolidated Financial Statements for information regarding the Company's adoption of ASU 2016-02 on January 1, 2019, which included a cumulative effect increase to retained earnings of approximately \$2.7 million. Amounts shown prior to 2019 have not been revised and are not comparable to the amounts in 2020 and 2019.

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

*The following discussion of the Company's results of operations and financial condition should be read in conjunction with the 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. The COVID-19 pandemic has had widespread, rapidly evolving and unpredictable impacts on global societies, economies, financial markets and business practices. Federal and state governments have implemented measures in an effort to contain the virus, including physical distancing recommendations, travel restrictions, border closures, limitations on public gatherings, work-from-home recommendations, supply chain logistical changes and closure of non-essential businesses. Veritiv's logistics and distribution operations have fallen 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. Veritiv serves customers across a broad range of industry sectors and geographies, with varying COVID-19 impacts. 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 sales activity across all segments. During the third and fourth quarters of 2020, the Company experienced improvements in sales activity in each of its reportable segments as compared to the second quarter of 2020, with the Packaging segment nearing pre-COVID-19 levels.

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 initiated its Corporate Incident Response Team and initiated enhanced health and safety measures across its facilities. The Company 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.

Towards the end of the first quarter of 2020, the Company began to experience decreased sales activity in each of its reportable segments as compared to the corresponding prior year period. 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. 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, as further described under "2020 Restructuring Plan" below. In addition, during the second, third and fourth 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 December 31, 2020, Veritiv had cash and cash equivalents of \$120.6 million and also had \$341.9 million in available additional borrowing capacity under the ABL Facility. In April 2020, Veritiv refinanced and extended the maturity date of the ABL Facility to April 2025.

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, the availability, adoption and effectiveness of a vaccine 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 I, Item 1A, Risk Factors, for additional information on risks related to the COVID-19 pandemic.

### ***Other Recent Events***

#### ***2020 Restructuring Plan***

During the second quarter of 2020, the Company initiated a 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 fourth quarter of 2020, the Company expanded the initial plan to further align its cost structure with ongoing business needs as the Company executes on its stated corporate strategy. The initial and expansion activities are collectively referred to as the "2020 Restructuring Plan."

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, (iv) repositioning of inventory to expand the Company's service radius and (v) other actions.

The Company estimates it will now incur total restructuring charges of between \$77 million and \$101 million in connection with the 2020 Restructuring Plan. These costs will consist of approximately (i) \$52 million to \$54 million in employee termination and other one-time compensation costs, (ii) \$11 million to \$29 million in real estate exit costs, (iii) \$10 million in inventory related costs and (iv) \$4 million to \$8 million in other exit costs. In addition, the Company expects to incur approximately \$4 million of inventory related costs to be reported in cost of products sold. The Company expects to substantially complete the 2020 Restructuring Plan by the end of 2021. Initial charges were incurred and recorded in June 2020. See Note 4 of the Notes to 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 full-service provider of value-added packaging products and services, as well as facility solutions, print and publishing products and services. Additionally, Veritiv provides logistics and supply chain management solutions to its customers. 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. The Company operates from 125 distribution centers primarily throughout the United States ("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** – Veritiv is a global provider of packaging products, services and solutions. The Packaging segment provides custom and standard packaging solutions for customers based in North America and in key global markets. We service our customers with a full spectrum of packaging product materials within the fiber-based, flexible and rigid categories. The business is strategically focused on higher growth industry sectors including manufacturing, food processing and service, fulfillment and internet retail, as well as niche sectors based on industry and product 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.
- **Facility Solutions** – Veritiv is a global provider of hygiene and facility solutions products and services. The Facility Solutions segment sources and sells cleaning, break-room and other supplies such as towels, tissues, commercial cleaning chemicals, personal protective equipment and safety supplies, wipers, can liners, soaps and sanitizers, dispensers, sanitary maintenance supplies and equipment, hazard supplies, and shampoos and amenities primarily in North America. 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.

## Results of Operations, Including Business Segments

The following discussion compares the consolidated operating results of Veritiv for the years ended December 31, 2020, 2019 and 2018:

(in millions)	Year Ended December 31,			2020 vs. 2019		2019 vs. 2018	
				Increase (Decrease)		Increase (Decrease)	
	2020	2019	2018	\$	%	\$	%
Net sales	\$ 6,345.6	\$ 7,659.4	\$ 8,696.2	\$ (1,313.8)	(17.2)%	\$ (1,036.8)	(11.9)%
Cost of products sold (exclusive of depreciation and amortization shown separately below)	5,040.2	6,206.2	7,155.7	(1,166.0)	(18.8)%	(949.5)	(13.3)%
Distribution expenses	429.8	509.2	550.5	(79.4)	(15.6)%	(41.3)	(7.5)%
Selling and administrative expenses	717.9	823.3	867.6	(105.4)	(12.8)%	(44.3)	(5.1)%
Depreciation and amortization	57.7	53.5	53.5	4.2	7.9 %	0.0	0.0 %
Integration and acquisition expenses	—	17.5	31.8	(17.5)	(100.0)%	(14.3)	(45.0)%
Restructuring charges, net	52.2	28.8	21.3	23.4	81.3 %	7.5	35.2 %
Operating income (loss)	47.8	20.9	15.8	26.9	128.7 %	5.1	32.3 %
Interest expense, net	25.1	38.1	42.3	(13.0)	(34.1)%	(4.2)	(9.9)%
Other (income) expense, net	(20.3)	11.6	(16.3)	(31.9)	(275.0)%	27.9	171.2 %
Income (loss) before income taxes	43.0	(28.8)	(10.2)	71.8	249.3 %	(18.6)	(182.4)%
Income tax expense (benefit)	8.8	0.7	5.5	8.1	1,157.1 %	(4.8)	(87.3)%
Net income (loss)	\$ 34.2	\$ (29.5)	\$ (15.7)	\$ 63.7	215.9 %	\$ (13.8)	(87.9)%

### Net Sales

- 2020 compared to 2019:** Net sales decreased by \$1,313.8 million, or 17.2%. 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 approximately 70% of the total decline in net sales. However, net sales declines of 10.5% in the fourth quarter of 2020 and 17.3% in the third quarter of 2020 were sequential improvements 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 first half of 2021 to be unfavorably impacted in each of the Company's reportable segments, with the possible exception of the Packaging segment, due to the continuing negative effects of the COVID-19 pandemic. The duration and extent of the COVID-19 pandemic is highly uncertain and the magnitude of net sales declines is difficult to predict.
- 2019 compared to 2018:** Net sales decreased by \$1,036.8 million, or 11.9%, primarily due to the Print and Publishing segments' decline in net sales as those segments were responsible for over 75% of the total decline in net sales. See the "Segment Results" section for additional discussion.

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

- 2020 compared to 2019:** Cost of products sold decreased by \$1,166.0 million, or 18.8%, primarily due to the decline in net sales as previously discussed. 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. See the "Segment Results" section for additional discussion.
- 2019 compared to 2018:** Cost of products sold decreased by \$949.5 million, or 13.3%, primarily due to the decline in net sales as previously discussed. See the "Segment Results" section for additional discussion.



### *Distribution Expenses*

- **2020 compared to 2019:** Distribution expenses decreased by \$79.4 million, or 15.6%. The decrease was primarily attributable to (i) a \$39.1 million decrease in wages and temporary employee expenses, (ii) a \$23.8 million decrease in freight and logistics expense, (iii) a \$10.9 million decrease in equipment and facility rent expense and (iv) a \$3.3 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.
- **2019 compared to 2018:** Distribution expenses decreased by \$41.3 million, or 7.5%. The decrease was primarily attributable to (i) a \$25.7 million decrease in freight and logistics expenses, primarily driven by a decrease in third-party freight and fuel expenses, (ii) an \$18.7 million decrease in personnel expenses driven by lower wages, temporary employee expenses and multi-employer pension plan ("MEPP") withdrawal charges and (iii) a \$3.5 million decrease related to replacing certain equipment leases, previously treated as operating leases (expenses included in distribution expense), with finance leases (expenses included in depreciation and amortization and interest expense, net), partially offset by a \$7.4 million increase in storage expenses mostly during the first half of 2019, primarily due to replacing certain property leases, previously treated as financing arrangements (expenses included in depreciation and amortization and interest expense, net) with operating leases. Charges associated with withdrawals from MEPPs were \$6.6 million in 2019 and \$11.2 million in 2018.

### *Selling and Administrative Expenses*

- **2020 compared to 2019:** Selling and administrative expenses decreased by \$105.4 million, or 12.8%. The decrease was primarily due to (i) a \$78.9 million decrease in personnel expenses, (ii) an \$8.6 million decrease in professional fees expense, (iii) an \$8.3 million net gain on the sale of property, (iv) a \$3.9 million decrease related to the escheat audit expense in 2019 that did not repeat in 2020 and (v) a \$2.5 million decrease in bad debt expense. The decrease in personnel expenses was primarily driven by (i) lower wages and temporary employee expenses 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 in response to the COVID-19 pandemic, partially offset by higher incentive compensation expenses.
- **2019 compared to 2018:** Selling and administrative expenses decreased by \$44.3 million, or 5.1%. The decrease was primarily due to (i) a \$30.6 million decrease in personnel expense, mainly driven by a decrease in commission and compensation expenses primarily related to the Print segment, (ii) a \$12.2 million decrease in bad debt expense primarily related to the Print segment and (iii) an \$8.7 million decrease in professional fees expense, partially offset by a \$2.7 million decrease related to a facility sale net gain in 2018, a \$1.4 million increase in insurance expense and a \$1.2 million increase related to the escheat audit.

### *Depreciation and Amortization*

- **2020 compared to 2019:** Depreciation and amortization expense increased by \$4.2 million, or 7.9%, primarily due to increases in depreciation related to capitalized delivery equipment.
- **2019 compared to 2018:** Depreciation and amortization expense was flat as compared to 2018.

### *Integration and Acquisition Expenses*

During the years ended December 31, 2019 and 2018, Veritiv incurred costs and charges to integrate its combined businesses. Integration expenses included internally dedicated integration management resources, retention compensation, information technology conversion costs, professional services and other costs to integrate its businesses. Additionally, Veritiv incurred integration and acquisition expenses of \$0.8 million and \$2.1 million in 2019 and 2018, respectively, related to the acquisition of AAC on August 31, 2017. The Company completed its integration efforts as of December 31, 2019. See Note 4 of the Notes to Consolidated Financial Statements for information related to integration and acquisition expenses.

### *Restructuring Charges, Net*

During the three and twelve months ended December 31, 2020, the Company incurred charges of \$11.8 million and

\$52.2 million, respectively related to the 2020 Restructuring Plan. The Company expects to substantially complete the 2020 Restructuring Plan by the end of 2021. Initial charges were incurred and recorded in June 2020.

For periods prior to 2020, Restructuring charges, net related primarily to Veritiv's Merger related restructuring of its North American operations intended to integrate the legacy xpedx and Unisource operations, generate cost savings and capture synergies across the combined company. Restructuring charges, net in 2018 also included impacts from its Print restructuring plan, which was completed in 2018. Restructuring charges, net included net (losses) or gains related to the sale or exit of certain facilities totaling (\$0.4) million and \$15.0 million for the years ended December 31, 2019 and 2018, respectively. The Company completed its Merger related restructuring efforts as of December 31, 2019.

See Note 4 of the Notes to Consolidated Financial Statements for information related to the Company's restructuring efforts.

#### *Interest Expense, Net*

Interest expense, net in 2020 consisted of (i) \$18.9 million of interest expense on the Company's ABL Facility, (ii) \$3.0 million of finance lease interest expense, (iii) \$2.1 million for amortization and write-off of deferred financing costs related to the ABL Facility and (iv) \$1.1 million in miscellaneous interest expense. Interest expense, net in 2020 decreased by \$13.0 million, or 34.1%, compared to 2019 primarily due to (i) lower average interest rates and (ii) a lower average balance on the ABL Facility. The decreased average balance was due to an increase in operating cash flow used to reduce the ABL Facility balance. See Note 6 of the Notes to Consolidated Financial Statements for information related to the ABL Facility.

Interest expense, net in 2019 consisted of (i) \$32.8 million of interest expense on the ABL Facility, (ii) \$2.6 million for amortization of deferred financing costs related to the ABL Facility and (iii) \$2.7 million in miscellaneous interest expense. Interest expense, net in 2019 decreased by \$4.2 million compared to 2018 primarily due to a lower average balance on the ABL Facility. The decreased average balance was due to an increase in operating cash flow used to reduce the ABL Facility balance. See Note 6 of the Notes to Consolidated Financial Statements for information related to the ABL Facility.

#### *Other (Income) Expense, Net*

- **2020 compared to 2019:** Other (income) expense, net, in 2020 was income of \$20.3 million. This was a net improvement of \$31.9 million, as compared to the same period in 2019. In December 2020, the Company and UWW Holdings, LLC (the "UWWH Stockholder") agreed to settle the Tax Receivable Agreement ("TRA"), which was entered into at the time of the Merger. The Company paid the UWWH Stockholder a total of \$12.0 million in settlement of all past and future liabilities that would have been owed under the TRA and the parties agreed to a mutual release of claims under the TRA. As a result of the settlement, the Company recognized a favorable fair value adjustment of \$20.1 million in other (income) expense, net in the fourth quarter of 2020. The remaining net improvement in 2020 was primarily due to the 2020 AAC contingent consideration expense being \$12.1 million lower than the 2019 expense. The AAC contingent consideration liability was settled in March 2020. See Note 10 of the Notes to Consolidated Financial Statements for information related to the AAC contingent consideration.
- **2019 compared to 2018:** Other (income) expense, net, in 2019 was expense of \$11.6 million. This was a net other expense increase of \$27.9 million, compared to the same period in 2018. In 2019 there was a \$13.1 million increase in the fair value of the AAC contingent consideration as compared to a reduction of \$12.3 million in 2018. See Note 10 of the Notes to Consolidated Financial Statements for information related to the AAC contingent consideration. The remaining expense was primarily driven by changes associated with the TRA.

See Note 8 and Note 10 of the Notes to Consolidated Financial Statements for information related to the TRA.

#### *Effective Tax Rate*

Veritiv's effective tax rates were 20.5%, (2.4)% and (53.9)% for the years ended December 31, 2020, 2019 and 2018, respectively. The difference between the Company's effective tax rates and the U.S. statutory tax rate of 21.0% primarily relates to the tax effect of TRA changes, state income taxes (net of federal income tax benefit), tax expense for stock compensation vesting, Global Intangible Low-Taxed Income, non-deductible expenses, tax credits and the Company's pre-tax book income (loss) by jurisdiction, and changes in the valuation allowance against deferred tax assets. In addition, the

Company's effective tax rate for the year ended December 31, 2020 includes a \$2.4 million benefit related to the carryback of net operating losses under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act").

The Company's effective tax rate for the year ended December 31, 2018 was impacted by the following discrete item:

- A \$1.3 million expense recorded in 2018 for the accounting completed under the measurement period related to the Tax Cuts and Jobs Act of 2017 (the "Tax Act") under Staff Accounting Bulletin 118, totaling \$31.5 million of cumulative effect of which \$24.0 million is remeasurement of our deferred taxes and \$7.5 million for the one-time transition tax. See Note 7 of the Notes to the Consolidated Financial Statements for additional details regarding the Tax Act.

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 certain jurisdictions, changes in amounts of non-deductible expenses, and other items that could impact the effective tax rate. Additionally, continued unfavorable impacts from the COVID-19 pandemic have had a negative impact on the Company's financial results during the year ended December 31, 2020. The negative impact on the Company's financial and operating results and other one-time costs further influence volatility. See further discussion of the COVID-19 pandemic impacts in the Executive Overview section above. See Note 7 of the Notes to Consolidated Financial Statements for additional information related to the Company's income taxes.

### ***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 both 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. We believe 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 the 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 have been 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:

<i>(in millions)</i>	<b>Packaging</b>	<b>Facility Solutions</b>	<b>Print</b>	<b>Publishing</b>	<b>Corporate &amp; Other</b>
<b>Year Ended December 31, 2020</b>					
Net sales	\$ 3,316.7	\$ 922.3	\$ 1,458.2	\$ 543.5	\$ 104.9
Adjusted EBITDA	300.0	41.6	33.7	12.8	(200.5)
Adjusted EBITDA as a % of net sales	9.0 %	4.5 %	2.3 %	2.4 %	*
<b>Year Ended December 31, 2019</b>					
Net sales	\$ 3,446.3	\$ 1,181.8	\$ 2,104.6	\$ 798.0	\$ 128.7
Adjusted EBITDA	243.5	33.1	43.1	21.4	(185.2)
Adjusted EBITDA as a % of net sales	7.1 %	2.8 %	2.0 %	2.7 %	*
<b>Year Ended December 31, 2018</b>					
Net sales	\$ 3,547.1	\$ 1,311.7	\$ 2,676.7	\$ 1,019.2	\$ 141.5
Adjusted EBITDA	246.7	29.0	64.0	24.6	(178.9)
Adjusted EBITDA as a % of net sales	7.0 %	2.2 %	2.4 %	2.4 %	*

\* - not meaningful

See Note 16 of the Notes to Consolidated Financial Statements for a reconciliation of net income (loss) as reflected on the Consolidated Statements of Operations to Adjusted EBITDA for the reportable segments.

## Packaging

The table below presents selected data with respect to the Packaging segment:

<i>(in millions)</i>	Year Ended December 31,			2020 vs. 2019		2019 vs. 2018	
				Increase (Decrease)		Increase (Decrease)	
	2020	2019	2018	\$	%	\$	%
Net sales	\$ 3,316.7	\$ 3,446.3	\$ 3,547.1	\$ (129.6)	(3.8)%	\$ (100.8)	(2.8)%
Adjusted EBITDA	300.0	243.5	246.7	56.5	23.2 %	(3.2)	(1.3)%
Adjusted EBITDA as a % of net sales	9.0 %	7.1 %	7.0 %		190 BPS		10 BPS

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

<i>(in millions)</i>	Increase (Decrease)	
	2020 vs. 2019	2019 vs. 2018
Volume	\$ (183.9)	\$ (140.1)
Foreign currency	(1.6)	(8.4)
Price/Mix	55.9	47.7
	<u>\$ (129.6)</u>	<u>\$ (100.8)</u>

### ***Comparison of the Years Ended December 31, 2020 and 2019***

Net sales decreased \$129.6 million, or 3.8%, compared to 2019. The net sales decrease was primarily attributable to decreased sales of films, tapes, corrugated products 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. Net sales increased 4.3% in the fourth quarter of 2020 from the 2019 fourth quarter, as compared to declines of 2.7% and 11.3% in the third and second quarters of 2020, respectively, from the corresponding quarters of the prior year. The sequential quarterly improvement in net sales was due in part to strong e-commerce and rigid packaging demand and 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 \$56.5 million, or 23.2%, compared to 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 \$35.9 million decrease in selling and administrative expenses and (iii) a \$10.1 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) a \$26.2 million decrease in personnel expenses, primarily driven by actions taken by the Company in response to the COVID-19 pandemic and (ii) a \$5.5 million decrease in bad debt expense. The decrease in distribution expenses was primarily driven by (i) a \$5.9 million decrease in freight and logistics expense, primarily driven by third-party freight and fuel expenses and (ii) a \$4.5 million decrease in personnel expenses.

### ***Comparison of the Years Ended December 31, 2019 and 2018***

Net sales decreased \$100.8 million, or 2.8%, compared to 2018. The net sales decrease was primarily attributable to decreased sales of films, corrugated products and food packaging.

Adjusted EBITDA decreased \$3.2 million, or 1.3%, compared to 2018. The decrease in Adjusted EBITDA was primarily attributable to (i) a \$12.2 million increase in selling and administrative expenses, (ii) a \$4.8 million increase in distribution expenses and (iii) a decline in net sales, partially offset by cost of products sold decreasing at a faster rate than net sales. The increase in selling and administrative expenses was primarily driven by (i) an \$8.3 million increase in personnel expenses associated with a reallocation of resources to support the Company's Packaging growth strategy and (ii) a \$2.0 million increase in bad debt expense. The increase in distribution expenses was primarily due to an increase in facility rent mostly during the first half of 2019 related to replacing certain property leases, previously treated as financing arrangements (expenses included in depreciation and amortization and interest expense, net) with operating leases (expenses included in distribution expense).

## Facility Solutions

The table below presents selected data with respect to the Facility Solutions segment:

(in millions)	Year Ended December 31,			2020 vs. 2019		2019 vs. 2018	
				Increase (Decrease)		Increase (Decrease)	
	2020	2019	2018	\$	%	\$	%
Net sales	\$ 922.3	\$ 1,181.8	\$ 1,311.7	\$ (259.5)	(22.0)%	\$ (129.9)	(9.9)%
Adjusted EBITDA	41.6	33.1	29.0	8.5	25.7 %	4.1	14.1 %
Adjusted EBITDA as a % of net sales	4.5 %	2.8 %	2.2 %		170 BPS		60 BPS

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

(in millions)	Increase (Decrease)	
	2020 vs. 2019	2019 vs. 2018
	\$	\$
Volume	(266.4)	(129.0)
Foreign currency	(2.6)	(6.5)
Price/Mix	9.5	5.6
	<u>\$ (259.5)</u>	<u>\$ (129.9)</u>

### Comparison of the Years Ended December 31, 2020 and 2019

Net sales decreased \$259.5 million, or 22.0%, compared to 2019. The net sales decrease was primarily attributable to (i) decreased sales of towels and tissues, food service products and can liners primarily driven by the negative impact on demand from the COVID-19 pandemic and (ii) the Company exiting a branded re-distribution business. 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 2020, net sales associated with this business decreased \$96.7 million from 2019 and have historically been approximately 12% of the Facility Solutions segment's net sales. Beginning in April 2020 net sales were negatively impacted due to reduced customer demand 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.

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 protective products, and cleaning supplies due to the COVID-19 pandemic. Demand for these personal protective equipment and hygiene-related products was strong in the second, third and fourth quarters of 2020. 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 \$8.5 million, or 25.7%, compared to 2019. The increase in Adjusted EBITDA was primarily attributable to (i) a \$29.6 million decrease in distribution expenses, (ii) a \$29.3 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 \$16.8 million decrease in personnel expenses, (ii) an \$8.7 million decrease in freight and logistics expense, primarily driven by third-party freight and fuel expenses and (iii) a \$2.7 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 \$27.5 million decrease in personnel expenses, primarily driven by actions taken by the Company in response to the COVID-19 pandemic and a decrease in commission expense driven by lower net sales.

### Comparison of the Years Ended December 31, 2019 and 2018

Net sales decreased \$129.9 million, or 9.9%, compared to 2018. The net sales decrease was primarily attributable to decreased sales of food service products, towels and tissues and chemicals. The decrease in net sales was also due to strategic

decisions to exit certain customer relationships that were not aligned with the Company's product and service capabilities. During the 2019 third quarter the Company began exiting a branded re-distribution business which was substantially completed by year-end 2019. Net sales associated with this business decreased \$53.7 million from 2018 and have historically been approximately 12% of the Facility Solutions segment's net sales.

Adjusted EBITDA increased \$4.1 million, or 14.1%, compared to 2018. The increase in Adjusted EBITDA was primarily attributable to (i) a \$17.9 million decrease in distribution expenses, (ii) a \$10.2 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) an \$8.0 million decrease in freight and logistics expenses, primarily driven by a decrease in third-party freight and fuel expenses, (ii) a \$6.2 million decrease in personnel expenses and (iii) a \$3.1 million decrease in facilities rent and other related expenses. The decrease in selling and administrative expenses was primarily driven by a \$8.8 million decrease in personnel expenses.

## Print

The table below presents selected data with respect to the Print segment:

(in millions)	Year Ended December 31,			2020 vs. 2019		2019 vs. 2018	
				Increase (Decrease)		Increase (Decrease)	
	2020	2019	2018	\$	%	\$	%
Net sales	\$ 1,458.2	\$ 2,104.6	\$ 2,676.7	\$ (646.4)	(30.7)%	\$ (572.1)	(21.4)%
Adjusted EBITDA	33.7	43.1	64.0	(9.4)	(21.8)%	(20.9)	(32.7)%
Adjusted EBITDA as a % of net sales	2.3 %	2.0 %	2.4 %		30 BPS		(40) BPS

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

(in millions)	Increase (Decrease)	
	2020 vs. 2019	2019 vs. 2018
Volume	\$ (578.3)	\$ (678.7)
Foreign currency	(1.2)	(4.7)
Price/Mix	(66.9)	111.3
	<u>\$ (646.4)</u>	<u>\$ (572.1)</u>

### Comparison of the Years Ended December 31, 2020 and 2019

Net sales decreased \$646.4 million, or 30.7%, compared to 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 \$9.4 million, or 21.8%, compared to 2019. The Adjusted EBITDA decrease was primarily attributable to a decline in net sales, partially offset by (i) a \$42.9 million decrease in distribution expenses and (ii) a \$37.2 million decrease in selling and administrative expenses. The decrease in distribution expenses was primarily driven by (i) a \$19.3 million decrease in personnel expenses, (ii) an \$11.4 million decrease in equipment and facility rent expense, primarily driven by consolidation of the Company's facilities, (iii) a \$9.1 million decrease in freight and logistics expense, primarily driven by a decrease in third-party freight and fuel expenses and (iv) a \$2.3 million decrease in maintenance expenses. The decrease in selling and administrative expenses was primarily driven by (i) a \$33.2 million decrease in personnel expenses, primarily driven by actions taken by the Company in response to the COVID-19 pandemic and a decrease in commission expense driven by lower net sales and (ii) a \$1.5 million decrease in professional fees expense.

### Comparison of the Years Ended December 31, 2019 and 2018

Net sales decreased \$572.1 million, or 21.4%, compared to 2018. The net sales decrease was primarily attributable to the continued secular decline in the paper industry as well as managing risk in the Print segment through strategic adjustments



to the Company's customer base and product offerings, partially offset by higher market prices.

Adjusted EBITDA decreased \$20.9 million, or 32.7%, compared to 2018. The Adjusted EBITDA decrease was primarily driven by the decline in net sales and cost of products sold decreasing at a slower rate than net sales, partially offset by (i) a \$41.0 million decrease in selling and administrative expenses and (ii) a \$24.2 million decrease in distribution expenses. The decrease in selling and administrative expenses was primarily due to (i) a \$26.0 million decrease in personnel expenses due to a decrease in commission expense driven by lower net sales and a decrease in headcount and commission expense related to the Print segment restructuring plan and (ii) a \$13.1 million decrease in bad debt expense. The decrease in distribution expenses was driven by (i) a \$12.4 million decrease in freight and logistics expenses, primarily driven by a decrease in third-party freight and fuel expenses and (ii) a \$9.7 million decrease in personnel expenses.

## Publishing

The table below presents selected data with respect to the Publishing segment:

(in millions)	Year Ended December 31,			2020 vs. 2019		2019 vs. 2018	
				Increase (Decrease)		Increase (Decrease)	
	2020	2019	2018	\$	%	\$	%
Net sales	\$ 543.5	\$ 798.0	\$1,019.2	\$ (254.5)	(31.9)%	\$ (221.2)	(21.7)%
Adjusted EBITDA	12.8	21.4	24.6	(8.6)	(40.2)%	(3.2)	(13.0)%
Adjusted EBITDA as a % of net sales	2.4 %	2.7 %	2.4 %	(30) BPS		30 BPS	

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

(in millions)	Increase (Decrease)	
	2020 vs. 2019	2019 vs. 2018
	\$	\$
Volume	(214.5)	(267.3)
Foreign currency	—	—
Price/Mix	(40.0)	46.1
	<u>\$ (254.5)</u>	<u>\$ (221.2)</u>

### Comparison of the Years Ended December 31, 2020 and 2019

Net sales decreased \$254.5 million, or 31.9%, compared to 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 \$8.6 million, or 40.2%, compared to 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 \$2.5 million decrease in selling and administrative expenses. The decrease in selling and administrative expenses was primarily driven by a \$5.4 million decrease in personnel expenses, primarily driven by a decrease in commission expense driven by lower net sales and actions taken by the Company in response to the COVID-19 pandemic, partially offset by a \$3.6 million increase in bad debt expense.

### Comparison of the Years Ended December 31, 2019 and 2018

Net sales decreased \$221.2 million, or 21.7%, compared to 2018. The net sales decrease was primarily attributable to the continued secular decline in the paper industry as well as managing risk in the Publishing segment through strategic adjustments to the Company's customer base, partially offset by higher market prices.

Adjusted EBITDA decreased \$3.2 million, or 13.0%, compared to 2018. The Adjusted EBITDA decrease was primarily attributable to the decline in net sales, partially offset by cost of products sold decreasing at a faster rate than net sales,

and a \$5.0 million decrease in selling and administrative expenses which was primarily driven by a decrease in personnel expenses.

## Corporate & Other

(in millions)	Year Ended December 31,			2020 vs. 2019		2019 vs. 2018	
	2020	2019	2018	Increase (Decrease)		Increase (Decrease)	
				\$	%	\$	%
Net sales	\$ 104.9	\$ 128.7	\$ 141.5	\$ (23.8)	(18.5)%	\$ (12.8)	(9.0)%
Adjusted EBITDA	(200.5)	(185.2)	(178.9)	(15.3)	(8.3)%	(6.3)	(3.5)%

### Comparison of the Years Ended December 31, 2020 and 2019

Net sales decreased \$23.8 million, or 18.5%, compared to 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 \$15.3 million, or 8.3%, compared to 2019. The Adjusted EBITDA decrease was primarily driven by (i) a \$10.4 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. The increase in selling and administrative expenses was primarily driven by a \$33.8 million increase in incentive compensation expenses driven by the Company outperforming incentive targets and a one-time discretionary payout for employees not participating in the annual incentive program for helping to ensure Veritiv's continued operations during the pandemic, partially offset by (i) a \$13.9 million decrease in wages and temporary employee expenses, primarily driven by actions taken by the Company in response to the COVID-19 pandemic, (ii) a \$7.7 million decrease in professional fees expense and (iii) a \$2.5 million decrease in travel and entertainment expenses.

### Comparison of the Years Ended December 31, 2019 and 2018

Net sales decreased \$12.8 million, or 9.0%, compared to 2018, driven by a decrease in volume of freight brokerage services.

Adjusted EBITDA decreased \$6.3 million, or 3.5%, compared to 2018, primarily driven by (i) a \$2.9 million increase in incentive compensation driven by strong cash flow results, (ii) a \$1.4 million increase in casualty insurance losses and (iii) the decline in net sales.

## 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 6 of the Notes to Consolidated Financial Statements for additional information regarding the Company's debt position.

The following table sets forth a summary of cash flows:

(in millions)	Year Ended December 31,		
	2020	2019	2018
Net cash provided by (used for):			
Operating activities	\$ 289.2	\$ 281.0	\$ 15.0
Investing activities	(5.3)	(33.6)	(21.7)
Financing activities	(202.6)	(273.9)	(8.7)

## *Analysis of Cash Flows*

### **2020 Cash Flows**

The Company ended 2020 with \$120.6 million in cash and cash equivalents, an increase of \$82.6 million over the prior year-end balance. Cash flow from operations was \$289.2 million in 2020 compared with \$281.0 million in 2019. Net cash provided by operating activities increased by \$8.2 million as compared to the prior year, primarily as a result of improvements in operating results partially offset by lower cash flows from operating assets and liabilities as decreases in cash flows from inventory, accounts receivable and supplier purchase incentives were offset by improvements in cash flows from accounts payable, deferred payroll taxes and restructuring accruals. The decrease in working capital was driven by the decline in net sales primarily due to the COVID-19 pandemic and the continued secular decline in the paper industry. The factors driving cash flow from operating activities in 2020 were: (i) an \$89.7 million decrease in inventories, (ii) a \$56.5 million decrease in accounts receivable and related party receivable and (iii) net income of \$34.2 million. Net cash used for investing activities decreased by \$28.3 million as compared to the prior year, due to cash proceeds received from the sale of two properties and lower capital expenditures. The primary use of cash for financing activities during 2020 was \$153.2 million to pay outstanding revolving loan borrowings under the ABL Facility, a net decrease of \$107.3 million compared to the prior year. Additionally, beginning in the second quarter of 2020, in response to the COVID-19 pandemic, the Company invested \$75.0 million of its cash in highly-liquid investments instead of paying down its long-term debt.

### ***2020 Special Financing Activities***

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 2020 Share Repurchase Program, which has been suspended since March 27, 2020. See Part II, Item 5 of this report for additional information on the Company's 2020 Share Repurchase Program. The Company expects to finance any future repurchases from a combination of cash on hand, cash provided by operating activities or borrowings under the Company's ABL Facility.

During the second quarter of 2020, in conjunction with the amendment of the ABL Facility, the Company incurred and paid \$3.4 million in new financing fees.

### ***2020 Special Operating Activities***

During the fourth quarter of 2020, the Company prepaid \$8.1 million of restructuring costs for other one-time compensation, of which \$1.1 million was expensed during the quarter and \$7.0 million remained as a component of other current assets on the Consolidated Balance Sheet as of December 31, 2020. The Company is expected to make another payment of approximately \$8.1 million during the fourth quarter of 2021.

Additionally, during the fourth quarter, the Company and the UWWH Stockholder agreed to settle the TRA. The Company paid the UWWH Stockholder a total of \$12.0 million in settlement of all past and future liabilities that would have been owed under the TRA and the parties agreed to a mutual release of claims under the TRA. In response to the COVID-19 pandemic, the Company deferred the payment of \$19.1 million in payroll taxes incurred through December 31, 2020, as provided by the CARES Act, until 2021 and 2022.

### **2019 Cash Flows**

The Company ended 2019 with \$38.0 million in cash, a decrease of \$26.3 million over the prior year-end balance. Cash flow from operations was \$281.0 million in 2019 compared with \$15.0 million in 2018. The improvement in cash flow from operations was primarily due to a decrease in working capital, driven by the decline in net sales and management's focus on working capital improvement. The factors driving cash flow from operating activities in 2019 were: (i) a \$252.3 million decrease in accounts receivable and related party receivable, (ii) a \$139.7 million decrease in inventories and (iii) a \$37.1 million decrease in other current assets. The increase in cash from operating activities was partially offset by: (i) a net loss, (ii) a \$199.7 million decrease in accounts payable and related party payable and (iii) a \$22.4 million decrease in other accrued liabilities. The primary uses of cash during 2019 were: (i) \$260.5 million from a net decrease in revolving loan borrowings under the ABL Facility, (ii) \$34.1 million for property and equipment additions, of which \$22.7 million were ordinary capital expenditures and \$11.4 million were integration-related capital expenditures and (iii) \$20.0 million for payments under other contingent consideration.

For information regarding the Company's cash flows for 2018, refer to the "Liquidity and Capital Resources" section of Item 7 of the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2019.

## **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 substantially the same.

The ABL Facility is comprised of U.S. and Canadian sub-facilities of \$1.1 billion and \$150.0 million, respectively. The ABL Facility is available to be drawn in U.S. dollars, in the case of the U.S. sub-facilities, and in U.S. dollars or Canadian dollars, in the case of the Canadian sub-facilities, or in other currencies that are mutually agreeable.

The ABL Facility provides for the right of the individual lenders to extend the maturity date of their respective commitments and loans upon the request of Veritiv and without the consent of any other lenders. The ABL Facility may be prepaid at Veritiv's option at any time without premium or penalty and is subject to mandatory prepayment if the amount outstanding under the ABL Facility exceeds either the aggregate commitments with respect thereto or the current borrowing base, in an amount equal to such excess. In conjunction with the amendment of the ABL Facility in 2020, the Company incurred and deferred \$3.4 million in new financing costs, which are reflected in other non-current assets in the Consolidated Balance Sheets, and 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 December 31, 2020, the available additional borrowing capacity under the ABL Facility was approximately \$341.9 million. As of December 31, 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 limits outlined under the ABL Facility. At December 31, 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.

Under the terms of the ABL Facility, interest rates are based upon LIBOR or the prime rate plus a margin rate, or in the case of Canada, a banker's acceptance rate or base rate plus a margin rate. For the years ended December 31, 2020, 2019 and 2018, the weighted-average borrowing interest rates were 2.9%, 3.4% and 4.6%, respectively.

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 December 31, 2020, the Company held \$75.0 million in these cash equivalents. The Company also elected to defer the payment of \$19.1 million in payroll taxes incurred through December 31, 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, share repurchases and strategic investments. The Company estimates it will incur total restructuring charges of between \$77 million and \$101 million in connection with the 2020 Restructuring Plan. In addition, Veritiv expects to incur approximately \$4 million of inventory related costs to be reported in cost of products sold. 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.

All of the cash held by Veritiv's non-U.S. subsidiaries is available for general corporate purposes. Veritiv considers the earnings of certain non-U.S. subsidiaries to be permanently invested outside the U.S. on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and management's specific plans for



reinvestment of those subsidiary earnings. The table below summarizes the Company's cash and cash equivalent positions as of December 31, 2020 and 2019:

<i>(in millions)</i>	<b>As of December 31,</b>	
	<b>2020</b>	<b>2019</b>
Cash and cash equivalents held in the U.S.	\$ 101.0	\$ 23.3
Cash held in foreign subsidiaries	19.6	14.7
Total Cash and cash equivalents	<u>\$ 120.6</u>	<u>\$ 38.0</u>

### Off-Balance Sheet Arrangements

Veritiv does not have any off-balance sheet arrangements as of December 31, 2020, other than leases that have not yet commenced and the letters of credit under the ABL Facility (see Note 3 and Note 6 of the Notes to 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.

### Overview of Contractual Obligations

The table below summarizes the Company's contractual obligations as of December 31, 2020:

<i>(in millions)</i>	<b>Payment Due by Period</b>				
	<b>2021</b>	<b>2022 – 2023</b>	<b>2024 – 2025</b>	<b>After 2025</b>	<b>Total</b>
Finance lease obligations <sup>(1)</sup>	\$ 16.0	\$ 28.7	\$ 22.0	\$ 27.7	\$ 94.4
Operating lease obligations <sup>(2)</sup>	98.3	146.5	95.4	111.4	451.6
ABL Facility <sup>(3)</sup>	15.0	30.0	540.6	—	585.6
Deferred compensation <sup>(4)</sup>	4.2	6.7	3.8	4.6	19.3
MEPP withdrawal obligations <sup>(5)</sup>	1.8	3.5	3.5	22.1	30.9
Total	<u>\$ 135.3</u>	<u>\$ 215.4</u>	<u>\$ 665.3</u>	<u>\$ 165.8</u>	<u>\$ 1,181.8</u>

<sup>(1)</sup> Finance lease obligations include amounts classified as interest.

<sup>(2)</sup> Amounts shown exclude contractual sublease rental income as it is not significant. In addition to the amounts shown in the table above, at December 31, 2020, the Company had committed to future obligations of approximately \$10.2 million for a real estate operating lease that had not yet commenced.

<sup>(3)</sup> The ABL Facility will mature and the commitments thereunder will terminate after April 9, 2025. Interest payments included here were estimated using a simple interest method based on the year-end December 31, 2020 ABL Facility outstanding balance of \$520.2 million and its corresponding year-end weighted-average interest rate of 2.9%. The 2025 payment amount shown above includes an estimated \$520.2 million of principal balance.

<sup>(4)</sup> The deferred compensation obligation reflects gross cash payment amounts due for scheduled payments under the legacy Unisource plan and the Veritiv Deferred Compensation Savings Plan.

<sup>(5)</sup> The MEPP withdrawal obligations include final gross unpaid charges for four withdrawals where determinations have been issued.

The table above does not include future expected Company contributions to its pension plans nor does it include future expected payments related to the partial and subsequent full withdrawal from the Western Pennsylvania Teamsters and Employers Pension Fund MEPP. 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 determination. As of December 31, 2020, the Company has not yet received the determination letters for the partial and subsequent full withdrawal from the Western Pennsylvania Teamsters and Employers Pension Fund. The Company expects that payments will occur over an approximate 20-year period, which could run consecutively. See Note 9, for additional information regarding these transactions. The table above also excludes the liability for uncertain tax positions, cash-based long-term incentive plans and unscheduled portions of the Veritiv Deferred Compensation Savings Plan, as the Company cannot predict with reasonable certainty the timing of future cash outflows associated with these liabilities.

See Note 3, Note 6, and Note 9 of the Notes to Consolidated Financial Statements for additional information related to these obligations.

### Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires the Company to establish accounting policies and utilize estimates that affect both the amounts and timing of the recording of assets, liabilities, net sales and

expenses. Some of these estimates require judgment about matters that are inherently uncertain. Different amounts would be reported under different operating conditions or under alternative assumptions.

The Company has evaluated the accounting policies used in the preparation of the accompanying Consolidated Financial Statements and related Notes and believes those policies to be reasonable and appropriate. Management believes that the accounting estimates discussed below are the most critical accounting policies whose application may have a significant effect on the reported results of operations and financial position of the Company and can require judgments by management that affect their application. 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 Consolidated Financial Statements for additional information regarding the Company's estimates.

### ***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.

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 Consolidated Statements of Operations and have historically represented approximately 35% of Veritiv's total net sales.

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 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 other sale arrangements requiring prepayment. 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 other sale arrangements requiring prepayment initially cover a 60-90 day period, but can be renewed by the customer.

See Note 2 of the Notes to Consolidated Financial Statements for additional information regarding the Company's revenues.

### ***Integration and Acquisition Expenses***

The Company's Consolidated Statements of Operations include a line item titled, "Integration and acquisition expenses". Integration and acquisition expenses is not a defined term in U.S. GAAP, thus management must use judgment in determining whether a particular expense should be classified as an integration and acquisition expense. Management believes its accounting policy for integration and acquisition expenses is critical because these costs have been significant, generally involve cash expenditures, are not defined in U.S. GAAP, are excluded in determining compliance with the ABL Facility and are excluded in determining management compensation.

Integration and acquisition expenses include internally dedicated integration management resources, retention compensation, information technology conversion costs, professional services and other costs to integrate its businesses. See Note 4 of the Notes to Consolidated Financial Statements for a breakdown of these expenses. Integration and acquisition expenses are differentiated from restructuring charges as restructuring charges primarily relate to contract termination costs, involuntary termination benefits and other direct costs associated with consolidating facilities and reorganizing functions.

### ***Allowance for Credit Losses***

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 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 allowances contain uncertainties because the calculation requires management to make assumptions and apply judgment regarding the customer's credit worthiness. Veritiv performs ongoing evaluations of its customers' financial condition and adjusts credit limits based upon payment history and the customer's current credit worthiness as determined by its review of their current financial information. The Company continuously monitors collections from its customers and maintains a provision for estimated credit losses based upon the customers' financial condition, collection experience and any other relevant customer specific information. Veritiv's assessment of this and other information forms the basis of its allowances.

If the financial condition of Veritiv's customers deteriorates, resulting in an inability to make required payments to the Company, or if economic conditions deteriorate, additional allowances may be deemed appropriate or required. If the allowance for doubtful accounts changed by 0.1% of gross billed receivables, reflecting either an increase or decrease in expected future write-offs, the impact to consolidated pre-tax income would have been approximately \$0.9 million.

See Note 1 of the Notes to Consolidated Financial Statements for additional information regarding the Company's credit losses.

### ***Income Taxes***

The Company's determination of the provision for income taxes requires significant judgment, the use of estimates and the interpretation and application of complex tax laws. The provision for income taxes primarily reflects a combination of income earned and taxed in the various U.S. federal and state, as well as foreign, jurisdictions. Tax law changes, increases or decreases in book versus tax basis differences, accruals or adjustments of accruals for unrecognized tax benefits or valuation allowances, and the change in the mix of earnings from these taxing jurisdictions all affect the overall effective tax rate. The impact of the COVID-19 pandemic may change the mix of earnings by jurisdiction and has increased the risk that operating losses may occur within certain jurisdictions that could lead to the recognition of valuation allowances against certain deferred tax assets in the future, if these losses are prolonged beyond current expectations. This would negatively impact Veritiv's

income tax expense, net earnings, and balance sheet.

### ***Employee Benefit Plans***

Veritiv sponsors defined benefit plans and Supplemental Executive Retirement Plans in the U.S. and Canada. These plans were frozen prior to the Merger with the exception of employees covered by certain collective bargaining agreements. See Note 9 of the Notes to Consolidated Financial Statements for additional information regarding these plans.

Management is required to make certain critical estimates related to actuarial assumptions used to determine the Company's pension expense and related obligation. The Company believes the most critical assumptions are related to (i) the discount rate used to determine the present value of the liabilities and (ii) the expected long-term rate of return on plan assets. All of the actuarial assumptions are reviewed annually, or more frequently when changes in circumstances warrant a reassessment. Changes in these assumptions could have a material impact on the measurement of pension expense and the related obligation.

At each measurement date, management determines the discount rate by reference to rates of high-quality, long-term corporate bonds that mature in a pattern similar to the future payments anticipated to be made under the plans. As of December 31, 2020, the weighted-average discount rates used to compute the benefit obligations were 2.15% and 2.50% for the U.S. and Canadian plans, respectively.

The expected long-term rate of return on plan assets is based upon the long-term outlook of the investment strategy as well as historical returns and volatilities for each asset class. Veritiv also reviews current levels of interest rates and inflation to assess the reasonableness of the long-term rates. The Company's pension plan investment objective is to ensure all of its plans have sufficient funds to meet their benefit obligations when they become due. As a result, the Company periodically revises asset allocations, where appropriate, to improve returns and manage risk. The weighted-average expected long-term rates of return used to calculate the pension expense for the year ended 2020 were 7.15% and 5.25% for the U.S. and Canadian plans, respectively.

The following illustrates the effects of a 1% change in the discount rate or return on plan assets on the 2020 net periodic pension cost and projected benefit obligation (in millions):

<b>Assumption</b>	<b>Change</b>	<b>Net Periodic Benefit Cost</b>	<b>Projected Benefit Obligation</b>
Discount rate	1% increase	\$ 0.4	\$ (20.6)
	1% decrease	0.5	25.9
Return on plan assets	1% increase	(1.3)	N/A
	1% decrease	1.2	N/A

See Note 9 of the Notes to Consolidated Financial Statements for a comprehensive discussion of Veritiv's pension and postretirement benefit expense, including a discussion of the actuarial assumptions, the policy for recognizing the associated gains and losses and the method used to estimate service and interest cost components.

### ***Leases***

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. Operating leases are reported as part of other non-current assets, other accrued liabilities and other non-current liabilities on the Consolidated Balance Sheets. Finance leases are reported as part of property and equipment and debt obligations on the Consolidated Balance Sheets. The Company does not include leases with a term of twelve months or less on the Consolidated Balance Sheets. In order to value the right-of-use ("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 Company's decisions to cease operations in certain warehouse facilities and retail locations leads to different accounting treatment depending upon whether the leased properties are considered abandoned versus properties that the Company has the intent and ability to sublease. Abandoned ROU assets are assessed for impairment based on estimates of undiscounted operating cash flows until the anticipated cease-use date and any remaining lease expense is accelerated through the anticipated cease-use date. Leases for which the Company has the intent and ability to sublease are assessed for impairment and any remaining ROU assets are amortized over the shorter of the remaining useful lives of the assets or lease term. The intent and practical ability to sublease and estimates of future cash flows attributable to the sublease are assessed considering the terms of the lease agreement, certain market conditions, remaining lease terms and the time required to sublease the facility, and other factors.

See Note 3 of the Notes to Consolidated Financial Statements for additional information regarding the Company's leases.

### ***Impairment or Disposal of Long-Lived Assets and Goodwill***

A long-lived asset is potentially impaired when the asset's carrying amount exceeds its expected future undiscounted cash flows. When this situation occurs, the Company must estimate the fair value of the long-lived asset and reduce the carrying amount to the fair value if it is less than the carrying amount. A goodwill impairment exists when the carrying amount of goodwill exceeds its fair value. Assessments of possible impairments of long-lived assets and goodwill are made annually in the fourth quarter, and when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable through future operations. The amount and timing of any impairment charges based on these assessments require the estimation of future cash flows and the fair market value of the related assets based on management's best estimates of certain key factors. These key factors include future selling prices and volumes, operating, inventory, energy and freight costs and various other projected operating economic factors. The calculation of lease impairment charges requires significant judgments and estimates, including estimated sublease rentals, discount rates and future cash flows based on the Company's experience and knowledge of the market in which the property is located, previous efforts to dispose of similar assets and an assessment of current market conditions. As these key factors change in future periods, the Company will update its impairment analyses to reflect the latest estimates and projections.

Goodwill is reviewed for impairment on a reporting unit basis. The testing of goodwill for possible impairment is performed by completing a Step 0 test or electing to by-pass the Step 0 test and comparing the fair value of a reporting unit with its carrying value, including goodwill. The Step 0 test utilizes qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. Qualitative factors include: macroeconomic conditions; industry and market considerations; overall financial performance and cost factors to determine whether a reporting unit is at risk for goodwill impairment. In the event a reporting unit fails the Step 0 goodwill impairment test, it is necessary to move forward with a comparison of the fair value of the reporting unit with its carrying value, including goodwill. If the fair value exceeds the carrying value, goodwill is not considered to be impaired. If the fair value of a reporting unit is below the carrying value, a goodwill impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, any loss recognized will not exceed the total amount of goodwill allocated to the reporting unit. In calculating the estimated fair value of its reporting units, Veritiv uses an income approach that utilizes discounted cash flows and requires management to make significant assumptions and estimates related to the forecasts of future revenues, profit margins and discount rates. Subsequent changes in economic and operating conditions can affect these assumptions and could result in additional interim testing and goodwill impairment charges in future periods. Upon completion, the resulting estimated fair values are then analyzed for reasonableness by comparing them to earnings multiples for historic industry business transactions and by comparing the sum of the reporting unit fair values to the fair value of the Company as a whole.

Intangible assets acquired in a business combination are recorded at fair value. The Company's intangible assets may include customer relationships, trademarks and trade names and non-compete agreements. Intangible assets with finite useful lives are subsequently amortized using the straight-line method over the estimated useful lives of the assets.

See Note 1 and Note 5 of the Notes to Consolidated Financial Statements for additional information regarding the Company's long-lived assets, goodwill and other intangible assets.

### **Recently Issued Accounting Standards**

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

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Veritiv is exposed to the impact of interest rate changes, foreign currency fluctuations, primarily related to the Canadian dollar, and fuel price changes. The Company's objective is to identify and understand these risks and implement strategies to manage them. When evaluating potential strategies, Veritiv evaluates the fundamentals of each market and the underlying accounting and business implications. To implement these strategies, the Company may enter into various hedging or similar transactions. The sensitivity analyses presented below do not consider the effect of possible adverse changes in the general economy, nor do they consider additional actions the Company may take from time to time in the future to mitigate the exposure to these or other market risks. There can be no assurance that Veritiv will manage or continue to manage any risks in the future or that any of its efforts will be successful.

### ***Derivative Instrument***

Borrowings under the ABL Facility bear interest at a variable rate, based on LIBOR or the prime rate, in either case plus an applicable margin. From time to time, Veritiv may use interest rate cap agreements to manage the variable interest rate characteristics on a portion of the outstanding debt. The Company evaluates its outstanding indebtedness, market conditions, and the covenants contained in the ABL Facility in order to determine its tolerance for potential increases in interest expense that could result from changes in variable interest rates.

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. As of December 31, 2020, the interest rate cap had a fair value that was not significant. The fair value was estimated using observable market-based inputs including interest rate curves and implied volatilities (Level 2). The amount expected to be reclassified from accumulated other comprehensive loss ("AOCL") into earnings within the following 12 months is not significant. For the year ended December 31, 2020, the amount reclassified from AOCL into earnings was not significant. 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 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 counterparties that meet certain credit and other financial standards. The Company believes there has not been a material change in the creditworthiness of its counterparty and believes the risk of nonperformance by such party is minimal. For additional information regarding Veritiv's debt arrangements, see Note 6 of the Notes to Consolidated Financial Statements.

### ***Interest Rate Risk***

Veritiv's exposure to fluctuations in interest rates results primarily from its borrowings under the ABL Facility. Under the terms of the ABL Facility, interest rates are based upon LIBOR or the prime rate plus a margin rate, or in the case of Canada, a banker's acceptance rate or base rate plus a margin rate. LIBOR based loans can be set for durations of one week, or for periods of one to nine months. The margin rate amount can be adjusted upward or downward based upon usage under the line in two increments of 25 basis points. Veritiv's interest rate exposure under the ABL Facility results from changes in LIBOR, bankers' acceptance rates, the prime/base interest rates and actual borrowings. The weighted-average borrowing interest rate at December 31, 2020 was 2.9%. Based on the average borrowings under the ABL Facility during the year ended December 31, 2020, a hypothetical 100 basis point increase in the interest rate would result in approximately \$5.7 million of additional interest expense.

### ***Foreign Currency Exchange Rate Risk***

Veritiv conducts business in various foreign currencies and is exposed to earnings and cash flow volatility associated with changes in foreign currency exchange rates. This exposure is primarily related to international assets and liabilities, whose value could change materially in reference to the U.S. dollar reporting currency.

Veritiv's most significant foreign currency exposure primarily relates to fluctuations in the foreign exchange rate between the U.S. dollar and the Canadian dollar. Net sales from Veritiv's Canadian operations for the year ended December 31, 2020 represented approximately 10% of Veritiv's total net sales. Veritiv has not used foreign exchange currency options or futures agreements to hedge its exposure to changes in foreign exchange rates.

### ***Fuel Price Risk***

Due to the nature of Veritiv's distribution business, the Company is exposed to potential volatility in fuel prices. The cost of fuel affects the price paid for products as well as the costs incurred to deliver products to the Company's customers. The price and availability of diesel fuel fluctuates due to changes in production, seasonality and other market factors generally outside of the Company's control. Increased fuel costs may have a negative impact on the Company's results of operations and financial condition. In times of higher fuel prices, Veritiv may have the ability to pass a portion of the increased costs on to customers; however, there can be no assurance that the Company will be able to do so. Based on Veritiv's 2020 fuel consumption, a 10% increase in the average annual price per gallon of diesel fuel would result in a potential increase of approximately \$1.7 million in annual transportation fuel costs (excluding any amounts recovered from customers). Veritiv does not use derivatives to manage its exposure to fuel prices.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and Board of Directors of Veritiv Corporation

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Veritiv Corporation and subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 3, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

### Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2019, the Company adopted Accounting Standards Update 2016-02, "Leases (Topic 842)", using the modified retrospective approach.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### ***Goodwill — Refer to Notes 1, 5, and 10 to the financial statements***

##### *Critical Audit Matter Description*

The Company's evaluation of goodwill for impairment involves the comparison of the fair value of the Packaging reporting unit to its carrying value. The Company determines the fair value of the Packaging reporting unit using an income approach that utilizes discounted cash flows and requires management to make significant assumptions and estimates related to the

forecasts of future revenues, profit margins and discount rates. Changes to the assumptions and estimates may result in a significantly different estimate of the fair value of the reporting unit, which could result in a different assessment of the recoverability of goodwill. The goodwill balance was \$99.6 million as of December 31, 2020. The fair value of the reporting unit exceeded its carrying value as of the measurement date, and therefore, no impairment was recognized.

We identified goodwill for the Packaging reporting unit as a critical audit matter because of the significant judgments made by management to estimate the fair value of the reporting unit. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to forecasts of future revenues and profit margins.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the forecasts of future revenues and profit margins included the following, among others:

- We tested the effectiveness of controls over management's goodwill impairment evaluation, including those over the determination of the fair value of the Packaging reporting unit, such as controls related to management's forecasts.
- We evaluated management's ability to accurately forecast by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's forecasts by comparing the forecasts to (1) historical revenues and profit margins, (2) internal communications to management and the Board of Directors, and (3) forecasted industry information included in industry reports relevant to the reporting unit.
- We considered the impact of changes in the industry on management's forecasts.

/s/ Deloitte & Touche LLP

Atlanta, Georgia

March 3, 2021

We have served as the Company's auditor since 2013.

**VERITIV CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(in millions, except per share data)

	Year Ended December 31,		
	2020	2019	2018
Net sales (including sales to related party of \$19.7, \$23.4 and \$28.0, respectively)	\$ 6,345.6	\$ 7,659.4	\$ 8,696.2
Cost of products sold (including purchases from related party of \$55.6, \$85.2 and \$146.5, respectively) (exclusive of depreciation and amortization shown separately below)	5,040.2	6,206.2	7,155.7
Distribution expenses	429.8	509.2	550.5
Selling and administrative expenses	717.9	823.3	867.6
Depreciation and amortization	57.7	53.5	53.5
Integration and acquisition expenses	—	17.5	31.8
Restructuring charges, net	52.2	28.8	21.3
<b>Operating income (loss)</b>	47.8	20.9	15.8
Interest expense, net	25.1	38.1	42.3
Other (income) expense, net	(20.3)	11.6	(16.3)
<b>Income (loss) before income taxes</b>	43.0	(28.8)	(10.2)
Income tax expense (benefit)	8.8	0.7	5.5
<b>Net income (loss)</b>	<u>\$ 34.2</u>	<u>\$ (29.5)</u>	<u>\$ (15.7)</u>
Earnings (loss) per share:			
Basic earnings (loss) per share	\$ 2.14	\$ (1.84)	\$ (0.99)
Diluted earnings (loss) per share	\$ 2.08	\$ (1.84)	\$ (0.99)
Weighted-average shares outstanding:			
Basic	15.96	16.06	15.82
Diluted	16.48	16.06	15.82

See accompanying Notes to Consolidated Financial Statements.

**VERITIV CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(in millions)

	<b>Year Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Net income (loss)	\$ 34.2	\$ (29.5)	\$ (15.7)
Other comprehensive income (loss):			
Foreign currency translation adjustments	2.4	3.7	(6.8)
Change in fair value of cash flow hedge, net of tax <sup>(1)</sup>	0.1	0.0	0.5
Pension liability adjustments, net of tax <sup>(1)</sup>	(2.9)	3.9	(0.1)
Other comprehensive income (loss)	(0.4)	7.6	(6.4)
Total comprehensive income (loss)	<u>\$ 33.8</u>	<u>\$ (21.9)</u>	<u>\$ (22.1)</u>

<sup>(1)</sup> Amounts shown are net of tax impacts, which were not significant for the periods presented.

See accompanying Notes to Consolidated Financial Statements.



**VERITIV CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(dollars in millions, except par value)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 120.6	\$ 38.0
Accounts receivable, less allowances of \$41.6 and \$43.8, respectively	849.5	910.8
Related party receivable	—	2.8
Inventories	465.4	552.9
Other current assets	119.5	126.1
<b>Total current assets</b>	<u>1,555.0</u>	<u>1,630.6</u>
Property and equipment (net of accumulated depreciation and amortization of \$375.9 and \$342.6, respectively)	194.7	216.9
Goodwill	99.6	99.6
Other intangibles, net	47.4	52.2
Deferred income tax assets	60.0	57.0
Other non-current assets	378.3	454.8
<b>Total assets</b>	<u>\$ 2,335.0</u>	<u>\$ 2,511.1</u>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 471.9	\$ 476.9
Related party payable	—	4.3
Accrued payroll and benefits	80.6	53.9
Other accrued liabilities	182.2	183.8
Current portion of debt	14.7	12.6
<b>Total current liabilities</b>	<u>749.4</u>	<u>731.5</u>
Long-term debt, net of current portion	589.1	742.4
Defined benefit pension obligations	18.2	15.7
Other non-current liabilities	395.2	485.3
<b>Total liabilities</b>	<u>1,751.9</u>	<u>1,974.9</u>
Commitments and contingencies (Note 15)		
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	634.9	618.0
Accumulated earnings (deficit)	(1.4)	(35.3)
Accumulated other comprehensive loss	(33.5)	(33.1)
Treasury stock at cost - 0.7 million shares in 2020 and 0.3 million shares in 2019	(17.1)	(13.6)
<b>Total shareholders' equity</b>	<u>583.1</u>	<u>536.2</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 2,335.0</u>	<u>\$ 2,511.1</u>

See accompanying Notes to Consolidated Financial Statements.

**VERITIV CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in millions)

	Year Ended December 31,		
	2020	2019	2018
<b>Operating activities</b>			
Net income (loss)	\$ 34.2	\$ (29.5)	\$ (15.7)
Depreciation and amortization	57.7	53.5	53.5
Amortization and write-off of deferred financing fees	2.1	2.6	2.6
Net losses (gains) on dispositions of property and equipment	(8.2)	0.6	(18.5)
Long-lived asset impairment charges	0.5	—	0.4
Provision for expected credit losses and doubtful accounts, respectively	12.4	14.9	27.1
Deferred income tax provision (benefit)	(1.8)	(2.7)	2.0
Stock-based compensation	17.7	14.6	18.1
Other non-cash items, net	(12.4)	11.9	(8.3)
Changes in operating assets and liabilities			
Accounts receivable and related party receivable	56.5	252.3	(43.9)
Inventories	89.7	139.7	26.4
Other current assets	(3.2)	37.1	(23.2)
Accounts payable and related party payable	5.5	(199.7)	(15.9)
Accrued payroll and benefits	17.1	(2.9)	(16.6)
Other accrued liabilities	(1.0)	(22.4)	17.2
Other	22.4	11.0	9.8
Net cash provided by (used for) operating activities	289.2	281.0	15.0
<b>Investing activities</b>			
Property and equipment additions	(23.6)	(34.1)	(45.4)
Proceeds from asset sales	18.3	0.5	23.7
Net cash provided by (used for) investing activities	(5.3)	(33.6)	(21.7)
<b>Financing activities</b>			
Change in book overdrafts	(16.6)	26.2	(16.2)
Borrowings of long-term debt	5,566.0	6,746.5	5,805.3
Repayments of long-term debt	(5,719.2)	(7,007.0)	(5,767.3)
Payments under right-of-use finance leases and capital leases, respectively	(13.0)	(9.1)	(6.7)
Payments under financing obligations (including obligations to related party of \$0.0, \$0.0 and \$8.6, respectively)	—	—	(9.3)
Deferred financing fees	(3.4)	—	—
Purchase of treasury stock	(3.5)	—	—
Payments under Tax Receivable Agreement	(12.3)	(7.8)	(9.9)
Payments under other contingent consideration	—	(20.0)	(2.5)
Other	(0.6)	(2.7)	(2.1)
Net cash provided by (used for) financing activities	(202.6)	(273.9)	(8.7)
Effect of exchange rate changes on cash	1.3	0.2	(0.6)
Net change in cash and cash equivalents	82.6	(26.3)	(16.0)
Cash and cash equivalents at beginning of period	38.0	64.3	80.3
Cash and cash equivalents at end of period	\$ 120.6	\$ 38.0	\$ 64.3
<b>Supplemental cash flow information</b>			
Cash paid for income taxes, net of refunds	\$ 7.8	\$ 4.8	\$ 2.4
Cash paid for interest	22.0	34.7	38.9
<b>Non-cash investing and financing activities</b>			
Non-cash additions to property and equipment for right-of-use finance leases and capital leases, respectively	\$ 14.8	\$ 22.3	\$ 31.5
Non-cash additions to other non-current assets for right-of-use operating leases	20.1	129.3	—

See accompanying Notes to Consolidated Financial Statements.

**VERITIV CORPORATION**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(in millions)

	<b>Common Stock Issued</b>		<b>Additional Paid-in Capital</b>	<b>Accumulated Earnings (Deficit)</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Treasury Stock</b>		<b>Total</b>
	<b>Shares</b>	<b>Amount</b>				<b>Shares</b>	<b>Amount</b>	
Balance at December 31, 2017	16.0	\$ 0.2	\$ 590.2	\$ 6.4	\$ (33.5)	(0.3)	\$ (13.6)	\$ 549.7
Net income (loss)				(15.7)				(15.7)
Other comprehensive income (loss)					(6.4)			(6.4)
Stock-based compensation			18.1					18.1
Issuance of common stock, net of stock received for minimum tax withholdings	0.2	0.0	(2.6)					(2.6)
Tax impact of adoption of Accounting Standards Update 2018-02				0.8	(0.8)			0.0
Balance at December 31, 2018	16.2	\$ 0.2	\$ 605.7	\$ (8.5)	\$ (40.7)	(0.3)	\$ (13.6)	\$ 543.1
Net income (loss)				(29.5)				(29.5)
Other comprehensive income (loss)					7.6			7.6
Stock-based compensation			14.6					14.6
Issuance of common stock, net of stock received for minimum tax withholdings	0.2	0.0	(2.3)					(2.3)
Adoption impact - Accounting Standards Update 2016-02				2.7				2.7
Balance at December 31, 2019	16.4	\$ 0.2	\$ 618.0	\$ (35.3)	\$ (33.1)	(0.3)	\$ (13.6)	\$ 536.2
Net income (loss)				34.2				34.2
Other comprehensive income (loss)					(0.4)			(0.4)
Stock-based compensation			17.7					17.7
Issuance of common stock, net of stock received for minimum tax withholdings	0.2	0.0	(0.8)					(0.8)
Adoption impact - Accounting Standards Update 2016-13				(0.3)				(0.3)
Treasury stock						(0.4)	(3.5)	(3.5)
Balance at December 31, 2020	16.6	\$ 0.2	\$ 634.9	\$ (1.4)	\$ (33.5)	(0.7)	\$ (17.1)	\$ 583.1

See accompanying Notes to Consolidated Financial Statements.

# VERITIV CORPORATION

## NOTES TO 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 full-service provider of value-added packaging products and services, as well as facility solutions, print and publishing products and services. Additionally, Veritiv provides logistics and supply chain management solutions to its customers. Veritiv was established on July 1, 2014 (the "Distribution Date"), following the merger (the "Merger") of International Paper Company's ("International Paper") xpedx distribution solutions business ("xpedx") and UWW Holdings, Inc. ("UWWH"), the parent company of Unisource Worldwide, Inc. ("Unisource"). On July 2, 2014, Veritiv's common stock began regular-way trading on the New York Stock Exchange under the ticker symbol "VRTV". Veritiv operates from 125 distribution centers primarily throughout the United States ("U.S."), Canada and Mexico.

#### Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include all of the Company's subsidiaries. All significant intercompany transactions between Veritiv's businesses have been eliminated. As a result of adopting Accounting Standards Update ("ASU") 2016-13, *Financial Instruments-Credit Losses (Topic 326)* on January 1, 2020, using the required modified retrospective basis, the accounting for credit losses for periods prior to 2020 has not been revised and results are reported in accordance with prior U.S. GAAP. See the adoption impact in the Recently Issued Accounting Standards section of this note. As a result of adopting ASU 2016-02, *Leases (Topic 842)* on January 1, 2019, applying the additional transition approach, which is a prospective approach, the accounting for operating leases for periods prior to 2019 has not been revised and results are reported in accordance with prior U.S. GAAP.

#### Use of Estimates

The preparation of 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 ("MEPP") 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 sales activity across all segments. As a result of the COVID-19 pandemic, the Company could continue to 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, the availability, adoption and effectiveness of a vaccine 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.



## Summary of Significant Accounting Policies

### ***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. 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. See Note 2, Revenue Recognition, for additional information regarding the Company's revenue recognition practices.

### ***Purchase Incentives***

Veritiv enters into agreements with suppliers that entitle Veritiv to receive rebates, allowances and other discounts based on the attainment of specified purchasing levels or sales to certain customers. Purchase incentives are recorded as a reduction to inventory and recognized in cost of products sold when the sale occurs. During the year ended December 31, 2020, approximately 30% of the Company's purchases were made from ten suppliers.

### ***Distribution Expenses***

Distribution expenses consist of storage, handling and delivery costs including freight to the Company's customers' destinations. Handling and delivery costs were \$273.6 million, \$346.9 million and \$398.0 million for the years ended December 31, 2020, 2019 and 2018, respectively.

### ***Integration and Acquisition Expenses***

Integration and acquisition expenses are expensed as incurred. Integration and acquisition expenses include internally dedicated integration management resources, retention compensation, information technology conversion costs, professional services and other costs to integrate its businesses. See Note 4, Restructuring, Integration and Acquisition Charges, for additional information regarding the Company's integration and acquisition activities.

### ***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 December 31, 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.

### ***Trade Accounts Receivable, Notes Receivable and Related Allowances***

The Company adopted ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326)* on January 1, 2020, using the required modified retrospective approach. 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.

#### **Under Topic 326**

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 industry sectors 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 risk characteristics of the Facility Solutions segment include revenue declines and delinquency rates attributable to changes in the travel industry and back-to-school activities. The risk characteristics of the Packaging segment include 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.

#### Under prior guidance

Accounts receivable are recognized net of allowances. The allowance for doubtful accounts reflects the best estimate of losses inherent in the Company's accounts receivable portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other available evidence.

Additional accounts and notes receivable information:

The components of the accounts receivable allowances were as follows:

	As of December 31,	
	2020	2019
(in millions)		
Allowance for credit losses and doubtful accounts, respectively	\$ 31.4	\$ 30.4
Other allowances <sup>(1)</sup>	10.2	13.4
Total accounts receivable allowances	<u>\$ 41.6</u>	<u>\$ 43.8</u>

<sup>(1)</sup> Includes amounts reserved for credit memos, customer discounts, customer short pays and other miscellaneous items.

Below is a rollforward of the Company's accounts receivable allowances for the years ended December 31, 2020, 2019 and 2018. Accounts receivable are written-off when management determines they are uncollectible.

	Year Ended December 31,		
	2020	2019	2018
(in millions)			
Balance at January 1,	\$ 43.8	\$ 62.0	\$ 44.0
Add / (Deduct):			
Provision for expected credit losses and doubtful accounts, respectively	7.3	13.8	26.5
Net write-offs and recoveries	(6.5)	(29.5)	(6.3)
Other adjustments <sup>(1)</sup>	(3.0)	(2.5)	(2.2)
Balance at December 31,	<u>\$ 41.6</u>	<u>\$ 43.8</u>	<u>\$ 62.0</u>

<sup>(1)</sup> Other adjustments represent amounts reserved for returns and discounts, 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. The 2020 amount includes the impact of the Company's adoption of ASU 2016-13 on January 1, 2020.

Below is a rollforward of the Company's allowance for credit losses for the year ended December 31, 2020:

(in millions)	Packaging and Facility Solutions		Print - High Risk		Print - Medium/Low Risk		Publishing <sup>(1)</sup>	Rest of world	Corporate & Other <sup>(1)</sup>	Total
	U.S.	Canada	U.S.	Canada	U.S.	Canada				
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	2.8	0.1	2.3	0.3	0.1	0.0	1.3	0.4	0.0	7.3
Write-offs charged against the allowance	(3.0)	(0.3)	(2.4)	0.0	(0.1)	—	(0.9)	—	(0.1)	(6.8)
Recoveries of amounts previously written off	0.3	—	0.0	0.0	0.0	—	0.0	—	0.0	0.3
Other adjustments <sup>(2)</sup>	—	0.0	(1.4)	0.0	1.2	0.0	—	0.0	—	(0.2)
Balance at December 31, 2020	<u>\$ 14.4</u>	<u>\$ 0.5</u>	<u>\$ 10.2</u>	<u>\$ 0.7</u>	<u>\$ 2.2</u>	<u>\$ 0.0</u>	<u>\$ 1.6</u>	<u>\$ 1.0</u>	<u>\$ 0.8</u>	<u>\$ 31.4</u>

(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.

The Company has, under certain circumstances, entered into a note receivable agreement with a customer. Expected credit losses are recognized when collectability is uncertain; these losses are included in selling and administrative expenses on the Consolidated Statements of Operations. For the years ended December 31, 2020, 2019 and 2018, the Company recognized \$5.1 million, \$1.1 million and \$0.6 million, respectively, in the provision for credit losses related to these notes receivable. At December 31, 2020 and 2019, the Company held \$2.2 million and \$6.7 million, respectively, in notes receivable within other current assets on the Consolidated Balance Sheets.

## Inventories

The Company's inventories are primarily comprised of finished goods and predominantly valued at cost as determined by the last-in first-out ("LIFO") method. Such valuations are not in excess of market. Elements of cost in inventories include the purchase price invoiced by a supplier, plus inbound freight and related costs and reduced by estimated volume-based discounts and early pay discounts available from certain suppliers. Approximately 76% and 81% of inventories were valued using the LIFO method as of December 31, 2020 and 2019, respectively. If the first-in, first-out method had been used, total inventory balances would be increased by approximately \$93.2 million and \$93.8 million at December 31, 2020 and 2019, respectively.

The Company reduces the value of obsolete inventory based on the difference between the LIFO cost of the inventory and the estimated market value using assumptions of future demand and market conditions. To estimate the net realizable value, the Company considers factors such as the age of the inventory, the nature of the products, the quantity of items on-hand relative to sales trends, current market prices and trends in pricing, its ability to use excess supply in another channel, historical write-offs and expected residual values or other recoveries.

Veritiv maintains some of its inventory on a consignment basis in which the inventory is physically located at the customer's premises or a third-party distribution center. Veritiv had \$20.5 million and \$30.7 million of consigned inventory as of December 31, 2020 and 2019, respectively, valued on a LIFO basis, net of reserves.

## Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Expenditures for replacements and major improvements are capitalized, whereas repair and maintenance costs that do not improve service potential or extend economic life are expensed as incurred. The Company capitalizes certain computer software and development costs incurred in connection with developing or obtaining software for internal use. Costs related to the development of internal use software, other than those incurred during the application development stage, are expensed as incurred.

The components of property and equipment were as follows:

<i>(in millions)</i>	<b>As of December 31,</b>	
	<b>2020</b>	<b>2019</b>
Land, buildings and improvements	\$ 100.7	\$ 96.4
Machinery and equipment	164.9	167.9
Finance leases	111.8	99.5
Internal use software	188.6	178.5
Construction-in-progress	4.6	17.2
Less: Accumulated depreciation and amortization	(375.9)	(342.6)
Property and equipment (net of accumulated depreciation and amortization)	<u>\$ 194.7</u>	<u>\$ 216.9</u>

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Land is not depreciated, and construction-in-progress ("CIP") is not depreciated until ready for service. Leased property and leasehold improvements are amortized on a straight-line basis over the lease term or useful life of the asset, whichever is less.

Depreciation and amortization for property and equipment, other than land, finance leases and CIP, is based upon the following estimated useful lives:

Buildings	40 years
Leasehold improvements	1 to 20 years
Machinery and equipment	3 to 15 years
Internal use software	3 to 5 years

Additional property and equipment information is as follows:

<i>(in millions)</i>	<b>Year Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Depreciation expense <sup>(1)</sup>	\$ 36.8	\$ 33.5	\$ 33.2
Amortization expense - internal use software	16.1	15.0	13.4
Depreciation and amortization expense related to property and equipment	<u>\$ 52.9</u>	<u>\$ 48.5</u>	<u>\$ 46.6</u>

<sup>(1)</sup> Includes depreciation expense for finance leases, capital leases and assets related to financing obligations (including financing obligations with related party).

<i>(in millions)</i>	<b>As of December 31,</b>	
	<b>2020</b>	<b>2019</b>
Unamortized internal use software costs, including amounts recorded in CIP	\$ 24.6	\$ 32.6

Upon retirement or other disposal of property and equipment, the cost and related amount of accumulated depreciation or accumulated amortization are eliminated from the asset and accumulated depreciation or accumulated amortization accounts, respectively. The difference, if any, between the net asset value and the proceeds is included in net income (loss) on the Consolidated Statements of Operations.



## ***Leases***

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. Operating leases are reported as part of other non-current assets, other accrued liabilities and other non-current liabilities on the Consolidated Balance Sheets. Finance leases are reported as part of property and equipment and debt obligations on the Consolidated Balance Sheets. The Company does not include leases with a term of twelve months or less on the Consolidated Balance Sheets. In order to value the 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 ("CPI")). 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 Company's decisions to cease operations in certain warehouse facilities and retail locations leads to different accounting treatment depending upon whether the leased properties are considered abandoned versus properties that the Company has the intent and ability to sublease. See Note 3, Leases, for additional information related to the Company's leases.

## ***Goodwill and Other Intangible Assets***

Goodwill relating to a single business reporting unit is included as an asset of the applicable segment. Goodwill arising from major acquisitions that involve multiple reportable segments is allocated to the reporting units based on the relative fair value of the reporting unit. Goodwill is reviewed by Veritiv for impairment on a reporting unit basis annually on October 1<sup>st</sup> or more frequently if indicators are present or changes in circumstances suggest that impairment may exist. The testing of goodwill for possible impairment is performed by completing a Step 0 test or electing to by-pass the Step 0 test and comparing the fair value of a reporting unit with its carrying value, including goodwill. The Step 0 test utilizes qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. Qualitative factors include: macroeconomic conditions; industry and market considerations; overall financial performance and cost factors to determine whether a reporting unit is at risk for goodwill impairment. In the event a reporting unit fails the Step 0 goodwill impairment test, it is necessary to move forward with a comparison of the fair value of the reporting unit with its carrying value, including goodwill. If the fair value exceeds the carrying value, goodwill is not considered to be impaired. If the fair value of a reporting unit is below the carrying value, a goodwill impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, any loss recognized will not exceed the total amount of goodwill allocated to the reporting unit.

Intangible assets acquired in a business combination are recorded at fair value. The Company's intangible assets may include customer relationships, trademarks and trade names and non-compete agreements. Intangible assets with finite useful lives are subsequently amortized using the straight-line method over the estimated useful lives of the assets. See the *Impairment of Long-Lived Assets* section below for the accounting policy related to the periodic review of long-lived intangible assets for impairment.

See Note 5, Goodwill and Other Intangible Assets, for additional information related to the Company's goodwill and other intangible assets.

## ***Impairment of Long-Lived Assets***

Long-lived assets, including finite lived intangible assets, are tested for impairment whenever events or changes in circumstances indicate their carrying value may not be recoverable. The Company assesses the recoverability of long-lived assets based on the undiscounted future cash flow the assets are expected to generate and recognizes an impairment loss when the estimated undiscounted future cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset, if any, are less than the carrying value of the asset. When an impairment is identified, the Company

reduces the carrying amount of the asset to its estimated fair value based on a discounted cash flow approach or, when available and appropriate, to comparable market values. The calculation of lease impairment charges requires significant judgments and estimates, including estimated sublease rentals, discount rates and future cash flows based on the Company's experience and knowledge of the market in which the property is located, previous efforts to dispose of similar assets and an assessment of current market conditions.

### ***Employee Benefit Plans***

The Company sponsors and/or contributes to defined contribution plans, defined benefit pension plans and MEPPs in the U.S. Except for certain union employees who continue to accrue benefits under the U.S. defined benefit pension plan in accordance with their collective bargaining agreements, as discussed below, the defined benefit pension plans are frozen. In addition, the Company and its subsidiaries have various pension plans and other forms of retirement arrangements outside the U.S. See Note 9, Employee Benefit Plans, for additional information related to these plans and arrangements.

The determination of defined benefit pension and postretirement plan obligations and their associated costs requires the use of actuarial computations to estimate participant plan benefits to which the employees will be entitled. The Company's significant assumptions in this regard include discount rates, rate of future compensation increases, expected long-term rates of return on plan assets, mortality rates and other factors. Each assumption is developed using relevant company experience in conjunction with market-related data in the U.S. and Canada. All actuarial assumptions are reviewed annually with third-party consultants and adjusted as necessary.

For the recognition of net periodic postretirement cost, the calculation of the expected long-term rate of return on plan assets is derived using the fair value of plan assets at the measurement date. Actual results that differ from the Company's assumptions are accumulated and amortized on a straight-line basis only to the extent they exceed 10% of the higher of the fair value of plan assets or the projected benefit obligation, over the estimated remaining service period of active participants. The fair value of plan assets is determined based on market prices or estimated fair value at the measurement date.

The Company also makes contributions to MEPPs for its union employees covered by such plans. For these plans, the Company recognizes a liability only for any required contributions to the plans or surcharges imposed by the plans that are accrued and unpaid at the balance sheet date. The Company does not record an asset or liability to recognize the funded status of the plans. The Company records an estimated undiscounted charge when it becomes probable that it has incurred a withdrawal liability, as the final amount and timing is not assured. When a final determination of the withdrawal liability is received from the plan, the estimated charge is adjusted to the final amount determined by the plan.

### ***Long-Term Incentive Compensation Plans***

The Company measures and records compensation expense for all long-term incentive compensation awards based on the grant date fair values over the vesting periods of the awards. Forfeitures are recognized when they occur. See Note 14, Long-Term Incentive Compensation Plans, for additional information.

### ***Income Taxes***

Veritiv's income tax expense, deferred tax assets and liabilities, and liabilities for unrecognized tax benefits reflect management's best assessment of estimated current and future taxes to be paid. Veritiv records its global tax provision based on the respective tax rules and regulations for the jurisdictions in which it operates. Where treatment of a position is uncertain, liabilities are recorded based upon an evaluation of the more likely than not outcome considering technical merits of the position. Changes to recorded liabilities are made only when an identifiable event occurs that alters the likely outcome, such as settlement with the relevant tax authority or the expiration of statutes of limitation for the subject tax year. Significant judgments and estimates are required in determining the consolidated income tax expense.

The Tax Cuts and Jobs Act of 2017 (the "Tax Act") was signed into law on December 22, 2017 and makes broad and complex changes to the U.S. tax code. Veritiv recognized provisional estimates of the impact of the Tax Act in the year ended December 31, 2017 and as of the year ended December 31, 2018, the Company recorded additional tax expense. Although the Company considers these items complete, the determination of the Tax Act's income tax effects may change following future legislation or further interpretation of the Tax Act based on the publication of U.S. Treasury regulations and

guidance from the Internal Revenue Service ("IRS") and state tax authorities. Additionally, the Company has concluded the applicable accounting policy election associated with Global Intangible Low Tax Income ("GILTI") will be treated as a period cost. See Note 7, Income Taxes, for additional details regarding the Tax Act.

Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Significant judgment is required in evaluating the need for and amount of valuation allowances against deferred tax assets. The realization of these assets is dependent on generating sufficient future taxable income.

While Veritiv believes that these judgments and estimates are appropriate and reasonable under the circumstances, actual resolution of these matters may differ from recorded estimated amounts.

### ***Fair Value Measurements***

Fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy is used in selecting inputs, with the highest priority given to Level 1, as these are the most transparent or reliable.

- Level 1 – Quoted market prices in active markets for identical assets or liabilities.
- Level 2 – Observable market-based inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability reflecting the reporting entity's own assumptions or external inputs from inactive markets.

See Note 10, Fair Value Measurements, for further details.

### ***Foreign Currency***

The assets and liabilities of the foreign subsidiaries are translated from their respective local currencies to the U.S. dollars at the appropriate spot rates as of the balance sheet date. Changes in the carrying values of these assets and liabilities attributable to fluctuations in spot rates are recognized in foreign currency translation adjustment, a component of accumulated other comprehensive loss ("AOCL"). See Note 13, Shareholders' Equity, for the impacts of foreign currency translation adjustments on AOCL. The revenues and expenses of the foreign subsidiaries are translated using the monthly average exchange rates during the year. The gains or losses from foreign currency transactions are included in other (income) expense, net on the Consolidated Statements of Operations.

### ***Treasury Stock***

Common stock purchased for treasury is recorded at cost. Costs incurred by the Company that are associated with the acquisition of treasury stock are treated in a manner similar to stock issue costs and are added to the cost of the treasury stock. See Note 13, Shareholders' Equity, for additional information regarding the Company's treasury stock transactions.

### ***Accounting for Derivative Instruments***

The Company holds one interest rate cap agreement which is subject to Accounting Standards Codification ("ASC") 815, *Derivatives and Hedging*. For those instruments that are designated and qualify as hedging instruments, a company must designate the instrument, based upon the exposure being hedged, as a cash flow hedge, a fair value hedge or a hedge of a net investment in a foreign operation. A cash flow hedge refers to hedging the exposure to variability in expected future cash flows attributable to a particular risk. For derivative instruments that are designated and qualify as a cash flow hedge, the gains and losses resulting from changes in the fair value of the derivative instrument are reported as a component of AOCL in the Company's Consolidated Balance Sheets and in the Consolidated Statements of Comprehensive Income (Loss), until reclassified into the same Consolidated Statements of Operations line item in the same period the hedged transaction affects earnings. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. See Note 6, Debt and Note 13, Shareholders' Equity, for additional information regarding the Company's derivative instrument.

## Recently Issued Accounting Standards

### *Recently Adopted Accounting Standards*

Effective January 1, 2020, the Company adopted 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 amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. 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.

Effective January 1, 2020, the Company adopted 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 adoption did not materially impact the Company's financial statement disclosures.

Effective January 1, 2020, the Company adopted 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 a prospective basis. Capitalized amounts are reported on the Consolidated Balance Sheet as other non-current assets, pursuant to the standard which requires presentation in the same line item that a prepayment of the fees for the associated hosting arrangement would be presented. The related periodic expense is reported as part of operating expenses on the Consolidated Statement of Operations and the corresponding cash flow impact is reported as part of operating activities on the Consolidated Statement of Cash Flows. The adoption did not materially impact the Consolidated Financial Statements. 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*

Effective January 1, 2021, the Company will adopt 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 adoption will not have a material impact on future consolidated financial statements and related disclosures.



ASU 2020-04, *Reference Rate Reform (Topic 848)* - This standard provides temporary optional expedients and exceptions to accounting guidance for certain contract modifications and hedging arrangements to ease financial reporting burdens as the market transitions from the London Interbank Offered Rate ("LIBOR") and other interbank reference rates to alternative reference rates. The guidance is available for prospective application upon its issuance and can generally be applied to contract modifications and hedging relationships entered into March 12, 2020 through December 31, 2022. The Company has an interest rate cap arrangement and long-term debt as described in Note 6, Debt for which existing payments are based on LIBOR. The Company is currently evaluating the timing of adoption and the related impact on its consolidated financial statements. Currently, the Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements and related disclosures.

## **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 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 other sale arrangements requiring prepayment. 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 other sale arrangements requiring prepayment initially cover a 60-90 day period, but can be renewed by the customer.

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

See the table below for a summary of the changes to the customer contract liabilities for the years ended December 31, 2020 and 2019:

	Customer Contract Liabilities	
	2020	2019
(in millions)		
Balance at January 1,	\$ 11.7	\$ 17.7
Payments received	53.2	46.1
Revenue recognized from beginning balance	(11.6)	(17.7)
Revenue recognized from current year receipts	(41.1)	(34.4)
Balance at December 31,	<u>\$ 12.2</u>	<u>\$ 11.7</u>

## 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 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 custom and standard packaging solutions for customers based in North America and in key global markets. This segment services customers with a full spectrum of packaging product materials within the fiber-based, flexible and rigid categories. The business is strategically focused on higher growth industry sectors including manufacturing, food processing and service, fulfillment and internet retail, as well as niche sectors based on industry and product expertise. This segment also provides supply chain solutions, structural and graphic packaging design and engineering, automation, workflow and equipment services and kitting.
- **Facility Solutions** – The Facility Solutions segment sources and sells cleaning, break-room and other supplies such as towels, tissues, commercial cleaning chemicals, personal protective equipment and safety supplies, wipers, can liners, soaps and sanitizers, dispensers, sanitary maintenance supplies and equipment, 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 16, Segment and Other 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 December 31, 2020, the Company operated from 125 distribution centers of which approximately 117 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.

The Company's leased asset categories generally carry the following lease terms:

Real estate leases	3 to 10 years
Delivery equipment leases	3 to 8 years
Other non-real estate leases	3 to 5 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 Company's decisions to cease operations in certain warehouse facilities and retail locations leads to different accounting treatment depending upon whether the leased properties are considered abandoned versus properties that the Company has the intent and ability to sublease. Abandoned ROU assets are assessed for impairment based on estimates of undiscounted operating cash flows until the anticipated cease-use date and any remaining lease expense is accelerated

through the anticipated cease-use date. Leases for which the Company has the intent and ability to sublease are assessed for impairment and any remaining ROU assets are amortized over the shorter of the remaining useful lives of the assets or lease term. The intent and practical ability to sublease and estimates of future cash flows attributable to the sublease are assessed considering the terms of the lease agreement, certain market conditions, remaining lease terms and the time required to sublease the facility and other factors.

The components of lease expense were as follows:

(in millions)

Lease Classification	Financial Statement Classification	Year Ended December 31,	
		2020	2019
<b>Short-term lease expense<sup>(1)</sup></b>	Operating expenses	\$ 2.3	\$ 7.1
<b>Operating lease expense<sup>(2)</sup></b>	Operating expenses	\$ 111.8	\$ 113.9
<b>Finance lease expense:</b>			
Amortization of right-of-use assets	Depreciation and amortization	\$ 14.7	\$ 10.8
Interest expense	Interest expense, net	3.0	2.3
Total finance lease expense		\$ 17.7	\$ 13.1
<b>Total Lease Cost</b>		<u>\$ 131.8</u>	<u>\$ 134.1</u>

<sup>(1)</sup> 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.

<sup>(2)</sup> Sublease income and variable lease expense are not included in the above table as the amounts were not significant for the years ended December 31, 2020 and 2019.

Supplemental balance sheets and other information were as follows:

(in millions, except weighted-average data)

Lease Classification	Financial Statement Classification	As of December 31,	
		2020	2019
<b>Operating Leases:</b>			
Operating lease right-of-use assets	Other non-current assets	\$ 351.7	\$ 429.2
Operating lease obligations - current	Other accrued liabilities	\$ 81.9	\$ 90.5
Operating lease obligations - non-current	Other non-current liabilities	307.4	376.6
Total operating lease obligations		<u>\$ 389.3</u>	<u>\$ 467.1</u>
Weighted-average remaining lease term in years		6.1	6.6
Weighted-average discount rate		4.7 %	4.6 %
<b>Finance Leases:</b>			
Finance lease right-of-use assets	Property and equipment	\$ 76.6	\$ 76.6
Finance lease obligations - current	Current portion of debt	\$ 13.4	\$ 11.5
Finance lease obligations - non-current	Long-term debt, net of current portion	68.9	69.2
Total finance lease obligations		<u>\$ 82.3</u>	<u>\$ 80.7</u>
Weighted-average remaining lease term in years		7.1	7.8
Weighted-average discount rate		3.7 %	3.4 %



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

<i>(in millions)</i>		<b>Year Ended December 31,</b>	
<b>Lease Classification</b>	<b>Financial Statement Classification</b>	<b>2020</b>	<b>2019</b>
<b>Operating Leases:</b>			
Operating cash flows from operating leases	Operating activities	\$ 111.1	\$ 109.5
<b>Finance Leases:</b>			
Operating cash flows from finance leases	Operating activities	\$ 3.0	\$ 2.3
Financing cash flows from finance leases	Financing activities	13.0	9.1

## Lease Commitments

Future minimum lease payments at December 31, 2020 were as follows:

<i>(in millions)</i>	<b>Finance Leases</b>	<b>Operating Leases<sup>(1)</sup></b>
2021	\$ 16.0	\$ 98.3
2022	15.5	83.4
2023	13.2	63.1
2024	11.4	53.0
2025	10.6	42.4
Thereafter	27.7	111.4
Total future minimum lease payments	94.4	451.6
Amount representing interest	(12.1)	(62.3)
Total future minimum lease payments, net of interest	\$ 82.3	\$ 389.3

<sup>(1)</sup> Future sublease income of \$1.8 million is excluded from the operating leases amount in the table above.

Total future minimum lease payments at December 31, 2020 for finance and operating leases, including the amount representing interest, are comprised of \$467.8 million for real estate leases and \$78.2 million for non-real estate leases.

At December 31, 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 is expected to commence within the next three months with a lease term of three years.

## Operating Leases - prior to the adoption of Topic 842

The Company recorded rent expense of \$118.1 million for the year ended December 31, 2018.

## Other Lease Transactions

In connection with Bain Capital Fund VII, L.P.'s acquisition of its 60% interest in UWWH on November 27, 2002, Unisource transferred 40 of its U.S. distribution facilities (the "Properties") to Georgia-Pacific who then sold 38 of the Properties to an unrelated third party (the "Purchaser/Landlord"). Contemporaneously with the sale, Georgia-Pacific entered into lease agreements with the Purchaser/Landlord with respect to the individual 38 Properties and concurrently entered into sublease agreements with Unisource, which expired in June 2018. As a result of certain forms of continuing involvement, these transactions did not qualify for sale-leaseback accounting. Accordingly, the leases were classified as financing transactions. As of June 30, 2018, the financing obligations for all of the related party financed Properties were either terminated early or had expired in accordance with their terms. Through formal termination or natural expiration of these agreements, the involvement of Georgia-Pacific ceased and the leases no longer qualified as failed sale-leaseback financing obligations. Of the original 38 financing obligations to related party Properties, 27 were settled by the return of the Properties to the landlord. See Note 4, Restructuring, Integration and Acquisition Charges, for additional information regarding the related party failed-sale leaseback agreements.

In May 2017, the Company entered into a purchase and sale agreement under which Veritiv agreed to sell its Austin, Texas facility to an unrelated third party. Upon the closing of the sale, Veritiv entered into a lease of the facility for an initial period of ten years with two optional five-year renewal terms. The sale-leaseback transaction did not provide for any continuing involvement by the Company other than a normal lease for use of the property during the lease term. The transaction resulted in net cash proceeds of \$9.1 million and a related deferred gain of \$5.4 million. Prior to 2019, the Company recognized a portion of the gain on a straight-line basis over the initial ten-year lease period as a reduction to selling and administrative expenses on the Consolidated Statements of Operations. Upon the Company's adoption of ASU 2016-02 on January 1, 2019, it recognized an increase to retained earnings of \$2.7 million, primarily driven by the derecognition of the unamortized gain from the sale of this property.

#### 4. RESTRUCTURING, INTEGRATION AND ACQUISITION CHARGES

##### 2020 Restructuring Plan

During the second quarter of 2020, the Company initiated a 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 fourth quarter of 2020, the Company expanded the initial plan to further align its cost structure with ongoing business needs as the Company executes on its stated corporate strategy. The initial and expansion activities are collectively referred to as the "2020 Restructuring Plan."

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, (iv) repositioning of inventory to expand the Company's service radius and (v) other actions.

The Company estimates it will now incur total restructuring charges of between \$77 million and \$101 million in connection with the 2020 Restructuring Plan. These costs will consist of approximately (i) \$52 million to \$54 million in employee termination and other one-time compensation costs, (ii) \$11 million to \$29 million in real estate exit costs, (iii) \$10 million in inventory related costs and (iv) \$4 million to \$8 million in other exit costs. In addition, the Company expects to incur approximately \$4 million of inventory related costs to be reported in cost of products sold. The Company expects to substantially complete the 2020 Restructuring Plan by the end of 2021. 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 year ended December 31, 2020 (costs incurred exclude any non-cash portion of restructuring gains or losses on asset disposals):

<i>(in millions)</i>	<b>Severance and Related Costs</b>	<b>Other Direct Costs</b>	<b>Total</b>
Balance at December 31, 2019	\$ —	\$ —	\$ —
Costs incurred	38.7	12.4	51.1
Payments	(23.3)	(5.5)	(28.8)
Balance at December 31, 2020	<u>\$ 15.4</u>	<u>\$ 6.9</u>	<u>\$ 22.3</u>

In addition to the costs incurred and payments shown in the table above, during the fourth quarter of 2020 the Company prepaid \$8.1 million of Other Direct Costs, of which \$1.1 million was expensed during the quarter and \$7.0 million remained as a component of other current assets on the Consolidated Balance Sheet as of December 31, 2020. The Company is expected to make another payment of approximately \$8.1 million during the fourth quarter of 2021, of which approximately \$4.1 million will represent a prepayment.

##### Merger of xpedx and Unisource

As of December 31, 2019, the integration and restructuring plans related to the Merger were complete and no further costs or charges are expected.

## ***Integration and Acquisition Expenses***

During the years ended December 31, 2019 and 2018, Veritiv incurred costs and charges related primarily to: internally dedicated integration management resources, retention compensation, information technology conversion costs, professional services and other costs to integrate its businesses. The following table summarizes the components of integration and acquisition expenses:

<i>(in millions)</i>	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Integration management	\$ 10.4	\$ 17.3
Retention compensation	1.0	0.5
Information technology conversion costs	3.4	8.1
Legal, consulting and other professional fees	—	0.3
Other	1.9	3.5
AAC integration and acquisition	0.8	2.1
Total integration and acquisition expenses	<u>\$ 17.5</u>	<u>\$ 31.8</u>

### ***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.

Costs related to exiting a branded re-distribution business were included in restructuring charges, net, on the Consolidated Statements of Operations and totaled \$10.8 million for the year ended December 31, 2019, of which \$5.4 million was recognized during the fourth quarter of 2019. For the years ended December 31, 2019 and 2018, the Company recognized a net loss of \$0.4 million, and a net gain of \$15.0 million, respectively, related to the sale or exit of certain facilities. During the fourth quarter of 2018, three properties were sold as part of the Company's restructuring efforts. The Company recognized a gain on the sale of these assets of approximately \$12.9 million. See additional information at Note 10, Fair Value Measurements.

On June 30, 2018, the related party failed sale-leaseback agreements, originally entered into with Georgia-Pacific, expired in accordance with their terms. The agreements contained provisions that required Veritiv to incur costs during the lease term related to general repairs and maintenance. Certain termination and repair costs were incurred at or near the end of the agreements' expirations. Costs related to the properties that were exited as part of the restructuring plan were classified within restructuring charges, net, on the Consolidated Statements of Operations, and totaled \$11.2 million for the year ended December 31, 2018. See Note 3, Leases, for additional information related to the related party failed-sale leaseback agreements.

Other direct costs reported in the tables below include facility closing costs, actual and estimated MEPP withdrawal charges and other incidental costs associated with the development, communication, administration and implementation of these initiatives.

The following table presents a summary of restructuring charges, net, related to restructuring initiatives that were incurred during the years ended December 31, 2019 and 2018 and the cumulative recorded amounts since the initiative began:

<i>(in millions)</i>	<b>Severance and Related Costs</b>	<b>Other Direct Costs</b>	<b>(Gain) Loss on Sale of Assets and Other (non- cash portion)</b>	<b>Total</b>
2019	\$ 9.1	\$ 20.3	\$ (0.6)	\$ 28.8
2018	3.3	22.3	(15.0)	10.6
Cumulative	32.4	90.5	(38.0)	84.9

The Company's Merger related restructuring liability as of December 31, 2020 was \$24.0 million of which \$20.0 million was related to MEPP withdrawal obligations that will be paid-out over an approximate 20-year period. The following is a summary of the Company's restructuring liability activity for the periods presented (costs incurred exclude any non-cash portion of restructuring gains or losses on asset disposals):

<i>(in millions)</i>	<b>Severance and Related Costs</b>	<b>Other Direct Costs</b>	<b>Total</b>
Balance at December 31, 2018	\$ 4.7	\$ 25.1	\$ 29.8
Costs incurred	9.1	20.3	29.4
Payments	(7.6)	(14.8)	(22.4)
Balance at December 31, 2019	6.2	30.6	36.8
Payments	(5.8)	(6.9)	(12.7)
Other non-cash items	—	(0.1)	(0.1)
Balance at December 31, 2020	<u>\$ 0.4</u>	<u>\$ 23.6</u>	<u>\$ 24.0</u>

The Company has recorded undiscounted charges related to the complete or partial withdrawal from various MEPPs. Charges not related to the Company's restructuring efforts are recorded as distribution expenses. Initial amounts are recorded as other non-current liabilities on the Consolidated Balance Sheets. See the table below for a summary of the net withdrawal charges for the respective years ended December 31:

<i>(in millions)</i>	<b>Year Ended December 31,</b>		
	<b>Restructuring charges, net</b>	<b>Distribution expenses</b>	<b>Total Net Charges</b>
2019	\$ 1.5	\$ 6.6	\$ 8.1
2018	(2.8)	11.2	8.4

See Note 9, Employee Benefit Plans, for additional information regarding these MEPP transactions.

### **Veritiv Restructuring Plan: Print Segment**

To ensure that Veritiv will be appropriately positioned to respond to the secular decline in the paper industry, the Company restructured its Print segment and completed its efforts as of December 31, 2018. The restructuring plan included initiatives within the Company's Print segment to improve the sustainability of the print business, better serve its customers' needs and work more effectively with suppliers by incorporating a more customer focused, collaborative, team-selling approach as well as better aligning its support functions. As of December 31, 2019, the Company had \$0.1 million of restructuring liabilities related to this plan, which was paid in 2020.



The following is a summary of the Company's Print restructuring liability activity for the year ended December 31, 2019:

<i>(in millions)</i>	<b>Severance and Related Costs</b>
Balance at December 31, 2018	\$ 2.0
Payments	(1.9)
Balance at December 31, 2019	<u>\$ 0.1</u>

See Note 16, Segment and Other Information, for the impact these charges had on the Company's reportable segments.

## 5. GOODWILL AND OTHER INTANGIBLE ASSETS

### Goodwill

At December 31, 2020, the net goodwill balance was \$99.6 million. The following table sets forth the changes in the carrying amount of goodwill during 2020 and 2019:

<i>(in millions)</i>	<b>Packaging</b>	<b>Facility Solutions</b>	<b>Print</b>	<b>Publishing</b>	<b>Corporate &amp; Other</b>	<b>Total</b>
Balance at December 31, 2018:						
Goodwill	\$ 99.6	\$ 59.0	\$ 265.4	\$ 50.5	\$ 6.1	\$ 480.6
Accumulated impairment losses	—	(59.0)	(265.4)	(50.5)	(6.1)	(381.0)
Net goodwill 2018	99.6	—	—	—	—	99.6
2019 Activity:						
Goodwill acquired	—	—	—	—	—	—
Impairment of goodwill	—	—	—	—	—	—
Balance at December 31, 2019:						
Goodwill	99.6	59.0	265.4	50.5	6.1	480.6
Accumulated impairment losses	—	(59.0)	(265.4)	(50.5)	(6.1)	(381.0)
Net goodwill 2019	99.6	—	—	—	—	99.6
2020 Activity:						
Goodwill acquired	—	—	—	—	—	—
Impairment of goodwill	—	—	—	—	—	—
Balance at December 31, 2020:						
Goodwill	99.6	59.0	265.4	50.5	6.1	480.6
Accumulated impairment losses	—	(59.0)	(265.4)	(50.5)	(6.1)	(381.0)
Net goodwill 2020	<u>\$ 99.6</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 99.6</u>

## Other Intangible Assets

The components of the Company's other intangible assets were as follows:

	December 31, 2020			December 31, 2019		
(in millions)	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	\$ 67.7	\$ 20.3	\$ 47.4	\$ 67.7	\$ 15.5	\$ 52.2
Trademarks/Trade names	3.8	3.8	—	3.8	3.8	—
Total	<u>\$ 71.5</u>	<u>\$ 24.1</u>	<u>\$ 47.4</u>	<u>\$ 71.5</u>	<u>\$ 19.3</u>	<u>\$ 52.2</u>

Upon retirement or full impairment of the intangible assets, the cost and related amount of accumulated amortization are eliminated from the asset and accumulated amortization accounts, respectively.

The Company recorded amortization expense of \$4.8 million, \$5.0 million and \$6.9 million for the years ended December 31, 2020, 2019 and 2018, respectively.

The estimated aggregate amortization expense for each of the five succeeding years is as follows (in millions):

Year	Total
2021	\$ 4.8
2022	4.8
2023	4.8
2024	4.8
2025	4.8

See Note 10, Fair Value Measurements, for additional information related to impairment assessments for goodwill and other intangible assets.

## 6. DEBT

The Company's debt obligations were as follows:

	As of December 31,	
(in millions)	2020	2019
Asset-Based Lending Facility (the "ABL Facility")	\$ 520.2	\$ 673.2
Commercial card program	1.3	1.1
Finance leases	82.3	80.7
Total debt	603.8	755.0
Less: current portion of debt	(14.7)	(12.6)
Long-term debt, net of current portion	<u>\$ 589.1</u>	<u>\$ 742.4</u>

### 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 substantially the same. The ABL Facility is comprised of U.S. and Canadian sub-facilities of \$1.1 billion and \$150 million, respectively. The ABL Facility is available to be drawn in U.S. dollars, in the case of the U.S. sub-facility, and in U.S. dollars or Canadian dollars, in the case of the Canadian sub-facility, or in other currencies that are mutually agreeable. The ABL Facility provides for the right of the individual lenders to extend the maturity date of their respective commitments and loans upon the request of Veritiv and without the consent of any other lenders. The ABL Facility may be prepaid at Veritiv's option at any time without premium or penalty and is subject to mandatory prepayment if

the amount outstanding under the ABL Facility exceeds either the aggregate commitments with respect thereto or the current borrowing base, in an amount equal to such excess. The Company's accounts receivable and inventories in the U.S. and Canada are collateral under the ABL Facility.

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 December 31, 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.

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 December 31, 2020, the available additional borrowing capacity under the ABL Facility was approximately \$341.9 million. As of December 31, 2020, the Company held \$12.1 million in outstanding letters of credit.

Under the terms of the ABL Facility, interest rates are based upon LIBOR or the prime rate plus a margin rate, or in the case of Canada, a banker's acceptance rate or base rate plus a margin rate. For the years ended December 31, 2020, 2019 and 2018, the weighted-average borrowing interest rates were 2.9%, 3.4% and 4.6%, respectively.

In conjunction with the April 9, 2020 amendment to the ABL Facility, the Company recognized a one-time charge of \$0.6 million to interest expense, net, on the Consolidated Statements 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 Consolidated Balance Sheet, which will be amortized to interest expense on a straight-line basis over the amended term of the ABL Facility. Interest expense, net on the Consolidated Statements of Operations included \$2.1 million, \$2.6 million and \$2.6 million of amortization and write-off charges related to deferred financing fees for the years ended December 31, 2020, 2019 and 2018, respectively.

## **Finance and Capital Lease Obligations**

See Note 3, Leases, for additional information regarding the Company's finance and capital leases.

## **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 years ended December 31, 2020, 2019 and 2018 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 years ended December 31, 2020 and 2019, the amounts reclassified from AOCL into earnings were not significant. As of December 31, 2020 and 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 Consolidated Balance Sheets as of December 31, 2020 and 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 not been a 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 December 31, 2020 and 2019, \$1.3 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 Consolidated Statements of Cash Flows.

## 7. INCOME TAXES

The Company is subject to federal, state and local income taxes in the U.S., as well as income taxes in Canada, Mexico and other foreign jurisdictions. The domestic (U.S.) and foreign components of the Company's income (loss) before income taxes were as follows:

	Year Ended December 31,		
	2020	2019	2018
<i>(in millions)</i>			
Domestic (U.S.)	\$ 30.8	\$ (50.5)	\$ (16.7)
Foreign	12.2	21.7	6.5
Income (loss) before income taxes	<u>\$ 43.0</u>	<u>\$ (28.8)</u>	<u>\$ (10.2)</u>

Income tax expense (benefit) on the Consolidated Statements of Operations consisted of the following:

	Year Ended December 31,		
	2020	2019	2018
<i>(in millions)</i>			
Current Provision:			
U.S. Federal	\$ 4.7	\$ 0.7	\$ 0.8
U.S. State	3.9	0.5	1.2
Foreign	2.0	2.2	1.5
Total current income tax expense	<u>\$ 10.6</u>	<u>\$ 3.4</u>	<u>\$ 3.5</u>
Deferred, net:			
U.S. Federal	\$ (2.6)	\$ (4.8)	\$ 0.4
U.S. State	(0.4)	0.0	0.6
Foreign	1.2	2.1	1.0
Total deferred, net	<u>\$ (1.8)</u>	<u>\$ (2.7)</u>	<u>\$ 2.0</u>
Provision for income tax expense	<u>\$ 8.8</u>	<u>\$ 0.7</u>	<u>\$ 5.5</u>



Reconciliation between the federal statutory rate and the effective tax rate is as follows (see Note 8, Related Party Transactions, for additional information related to the Tax Receivable Agreement ("TRA")):

(in millions)	Year Ended December 31,		
	2020	2019	2018
Income (loss) before income taxes	\$ 43.0	\$ (28.8)	\$ (10.2)
Statutory U.S. income tax rate	21.0 %	21.0 %	21.0 %
Tax expense (benefit) using statutory U.S. income tax rate	\$ 9.0	\$ (6.0)	\$ (2.1)
Foreign income tax rate differential	0.6	0.6	0.7
State tax (net of federal benefit)	2.6	0.3	1.4
Non-deductible expenses	2.3	2.4	2.7
Global Intangible Low Taxed Income	(1.5)	2.8	1.4
TRA	(3.7)	(0.1)	(0.3)
Tax credits	(1.9)	(1.1)	(1.0)
Impact of U.S. Tax Act (Federal and State)	—	—	1.3
Impact of CARES Act	(2.4)	—	—
Stock compensation vesting	2.1	1.3	1.7
Change in valuation allowance - U.S. Federal <sup>(1)</sup>	—	—	(0.1)
Change in valuation allowance - Foreign	—	0.3	(0.4)
Foreign taxes	1.6	0.9	0.6
Bad debt	—	(0.9)	—
Other	0.1	0.2	(0.4)
Income tax provision	\$ 8.8	\$ 0.7	\$ 5.5
Effective income tax rate	20.5 %	(2.4)%	(53.9)%

<sup>(1)</sup>Increase in Section 382 limitation resulting from recognition of 2018 built-in gains.

The Tax Act was signed into law on December 22, 2017. The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to reducing the U.S. federal corporate tax rate from 35.0% to 21.0%, implementation of a territorial tax system and a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries that is payable over eight years. Veritiv recognized the tax effects of the Tax Act in the year ended December 31, 2017 and completed the accounting for certain income tax effects of the Tax Act during the fourth quarter of 2018 in accordance with Staff Accounting Bulletin 118. The total amount recorded related to the Tax Act includes \$31.5 million in tax expense, of which \$24.0 million related primarily to the remeasurement of the Company's deferred taxes to the 21.0% tax rate and \$7.5 million related to the one-time transition tax. Additionally, the Company has concluded the applicable accounting policy election associated with GILTI will be treated as a period cost.

The Coronavirus Aid, Relief, and Economic Security Act (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 net operating losses ("NOLs" or "NOL") occurring in 2018, 2019, and 2020 to the prior five years and eliminating the taxable income limitation, changing the interest expense limitation, including a technical correction for qualified improvement property depreciation and providing for additional employee retention credits.

Effective January 1, 2018, Veritiv elected to early adopt ASU 2018-02, *Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from accumulated other comprehensive income (AOCI)* which gives companies the option to reclassify to retained earnings tax effects resulting from the Tax Act related to items in AOCI that the FASB refers to as having been stranded in AOCI. As a result of adopting this standard, the Company reclassified \$0.8 million from Veritiv's AOCL to retained earnings.

Deferred income tax assets and liabilities as of December 31, 2020 and 2019 were as follows:

	As of December 31,			
	2020		2019	
	U.S.	Non-U.S.	U.S.	Non-U.S.
<i>(in millions)</i>				
Deferred income tax assets:				
Accrued compensation	\$ 39.4	\$ 3.6	\$ 32.9	\$ 2.7
Finance leases	10.8	9.9	10.2	9.0
Lease obligations	90.2	12.1	108.4	12.5
Net operating losses and credit carryforwards	27.8	4.6	35.4	7.7
Allowance for credit losses and doubtful accounts, respectively	12.3	0.2	11.4	0.1
Other	8.3	1.0	13.7	0.6
Gross deferred income tax assets	188.8	31.4	212.0	32.6
Less valuation allowance	(1.3)	(1.0)	(2.4)	(2.4)
Total deferred tax asset	\$ 187.5	\$ 30.4	\$ 209.6	\$ 30.2
Deferred income tax liabilities:				
Property and equipment, net	\$ (26.6)	\$ (8.8)	\$ (25.6)	\$ (8.1)
Lease assets	(82.9)	(11.6)	(101.4)	(12.2)
Inventory reserve	(17.9)	—	(28.7)	—
Other	(10.1)	—	(6.8)	—
Total deferred tax liability	\$ (137.5)	\$ (20.4)	\$ (162.5)	\$ (20.3)
Net deferred income tax asset	\$ 50.0	\$ 10.0	\$ 47.1	\$ 9.9

Deferred income tax asset valuation allowance is as follows:

	U.S.	Non-U.S.	Total
<i>(in millions)</i>			
Balance at December 31, 2018	\$ 5.1	\$ 3.3	\$ 8.4
Additions	1.1	0.4	1.5
Subtractions	(3.8)	(1.2)	(5.0)
Currency translation adjustments	—	(0.1)	(0.1)
Balance at December 31, 2019	2.4	2.4	4.8
Additions	—	—	—
Subtractions	(1.1)	(1.6)	(2.7)
Currency translation adjustments	—	0.2	0.2
Balance at December 31, 2020	\$ 1.3	\$ 1.0	\$ 2.3

The Merger resulted in a significant change in the ownership of the Company, which, pursuant to the Internal Revenue Code Section 382, imposes annual limits on the Company's ability to utilize its U.S. federal and state NOL carryforwards. The Company's NOLs will continue to be available to offset taxable income (until such NOLs are either utilized or expire) subject to the Section 382 annual limitation. If the annual limitation amount is not fully utilized in a particular tax year, then the unused portion from that particular tax year will be added to the annual limitation in subsequent years. In accordance with Notice 2003-65, the Company was in a net unrealized built-in gain position at the time of the Merger. During the year ended December 31, 2019, the Company's five-year recognition period to recognize built-in gain ended. As such, the deferred tax asset and valuation allowance representing the book basis in excess of tax basis of various assets was written-off.

The Company evaluates the realizability of the deferred tax assets, and to the extent that the Company estimates that it is more likely than not that a benefit will not be realized, the carrying amount of the deferred tax assets is reduced with a valuation allowance. This analysis is done quarterly for each jurisdiction. As a part of this evaluation, the Company assesses all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected

future taxable income, tax-planning strategies, and results of recent operations, to determine whether sufficient future taxable income will be generated to realize existing deferred tax assets. In the U.S. jurisdiction, the Company had positive but near break-even cumulative income over the preceding 12 quarters ended December 31, 2020. Thus, the analysis of whether a valuation allowance is needed required significant judgement. The Company evaluated its historical core earnings for the past three years by adjusting for certain nonrecurring items to estimate future income. On the basis of this assessment and after considering future reversals of existing taxable temporary differences, the Company concluded that its net U.S. deferred tax assets of \$50.0 million will more likely than not be realized, and recorded no valuation allowance.

In general, it is the practice and intention of Veritiv to reinvest the earnings of its non-U.S. subsidiaries in those operations. As of December 31, 2020, Veritiv's tax basis exceeded its financial reporting basis in certain investments in non-U.S. subsidiaries. The Company does not believe these temporary differences will reverse in the foreseeable future and, therefore, no deferred tax asset has been recognized with respect to these basis differences. Additionally, no deferred tax liability has been recognized for income and withholding tax liabilities associated with investments in non-U.S. subsidiaries where book basis exceeds tax basis. The amount of such temporary differences totaled approximately \$18.7 million as of December 31, 2020. The income and withholding tax liability associated with these temporary differences is not significant.

Veritiv applies a "more likely than not" threshold to the recognition and de-recognition of uncertain tax positions. A change in judgment related to prior years' uncertain tax positions is recognized in the period of such change.

The Company accrues interest on unrecognized tax benefits as a component of interest expense. Penalties, if incurred, are recognized as a component of income tax expense. Total gross unrecognized tax benefits as of December 31, 2020, 2019 and 2018, as well as activity within each of the years, was not material.

In the U.S., Veritiv is generally subject to examination by the IRS for fiscal years 2016 and later and certain states for fiscal years 2016 and later; however, it may be subject to IRS and state tax authority adjustments for years prior to 2016 to the extent of losses or other tax attributes carrying forward from the earlier years. Veritiv Canada remains subject to examination by the Canadian Revenue Agency and certain provinces for fiscal years 2012 and later.

As of December 31, 2020, Veritiv has federal, state and foreign income tax NOLs available to offset future taxable income of \$109.0 million, \$95.6 million and \$18.1 million, respectively. Federal NOLs begin expiring in 2024. State and foreign NOLs will expire at various dates from 2021 through 2039, with the exception of certain foreign NOLs that do not expire, but have a full valuation allowance.

## 8. RELATED PARTY TRANSACTIONS

### Agreements with the UWWH Stockholder

On the Distribution Date UWW Holdings, LLC (the "UWWH Stockholder"), the sole shareholder of UWWH, received 7.84 million shares of Veritiv common stock for all outstanding shares of UWWH common stock that it held in a private placement transaction. Additionally, Veritiv and the UWWH Stockholder executed the following agreements:

- **Registration Rights Agreement:** The Registration Rights Agreement provides the UWWH Stockholder with certain demand and piggyback registration rights. Under this Agreement, the UWWH Stockholder is also entitled to transfer its Veritiv common stock to one or more of its affiliates or equity-holders and may exercise registration rights on behalf of such transferees if such transferees become a party to the Registration Rights Agreement. The UWWH Stockholder, on behalf of the holders of shares of Veritiv's common stock that are party to the Registration Rights Agreement, under certain circumstances and provided certain thresholds described in the Registration Rights Agreement are met, may make a written request to the Company for the registration of the offer and sale of all or part of the shares subject to such registration rights. If the Company registers the offer and sale of its common stock (other than pursuant to a demand registration or in connection with registration on Form S-4 and Form S-8 or any successor or similar forms, or relating solely to the sale of debt or convertible debt instruments) either on its behalf or on the behalf of other security holders, the holders of the registration rights under the Registration Rights Agreement are entitled to include their shares in such registration. The demand rights described commenced 180 days after the Distribution Date. Veritiv is not required to effect more than one demand registration in any 150-day period or more than two demand registrations in any 365-day period. If Veritiv believes that a registration or an offering would materially affect a significant transaction or would require it to disclose confidential information which it in good faith believes would be adverse to its interest, then Veritiv may delay a registration or filing for no more than 120 days in a 360-day period.

- **Tax Receivable Agreement:** The Tax Receivable Agreement set forth the terms by which Veritiv was generally obligated to pay the UWWH Stockholder an amount equal to 85% of the U.S. federal, state and Canadian income tax savings, if any, that Veritiv actually realized as a result of the utilization of Unisource's NOLs attributable to taxable periods prior to the date of the Merger. In December 2020, the Company and the UWWH Stockholder agreed to settle the TRA. The Company paid the UWWH Stockholder a total of \$12.0 million in settlement of all past and future liabilities that would have been owed under the TRA and the parties agreed to a mutual release of claims under the TRA. In January 2020, 2019 and 2018, Veritiv paid \$0.3 million, \$8.1 million and \$10.1 million, respectively, in principal and interest, to the UWWH Stockholder for the utilization of pre-merger NOLs in its 2018, 2017 and 2016 federal and state tax returns, respectively. See Note 10, Fair Value Measurements, for additional information regarding the TRA.

On November 19, 2020, the UWWH Stockholder sold 1.40 million shares of Veritiv common stock in an underwritten public offering. The Company did not sell or repurchase any shares and did not receive any of the proceeds. In conjunction with this transaction, Veritiv incurred approximately \$0.2 million in transaction-related fees, which were included in selling and administrative expenses on the Consolidated Statements of Operations. On September 25, 2018, the UWWH Stockholder sold 1.50 million shares of Veritiv common stock in a block trade. The Company did not sell or repurchase any shares and did not receive any of the proceeds in this transaction. In conjunction with this transaction, Veritiv incurred approximately \$0.2 million in transaction-related fees, which were included in selling and administrative expenses on the Consolidated Statements of Operations.

The UWWH Stockholder beneficially owned 8.7% of Veritiv's outstanding common stock as of December 31, 2020. The Company considers its stockholders that own more than 10.0% of its outstanding common stock to be related parties as defined within ASC 850, *Related Party Disclosures*. As a result of the Merger and related private placement, Georgia-Pacific, as joint owner of the UWWH Stockholder, qualified as a related party. Effective with the November 19, 2020 sale of the Company's common stock by the UWWH Stockholder, Georgia-Pacific will no longer be treated as a related party.

### Transactions with Georgia-Pacific

Veritiv purchases certain inventory items from, and sells certain inventory items to, Georgia-Pacific in the normal course of business. The following table summarizes the financial impact of these related party transactions with Georgia-Pacific - the net sales and cost of product sold amounts reflect transactions through November 19, 2020:

	Year Ended December 31,		
	2020	2019	2018
(in millions)			
Sales to Georgia-Pacific, reflected in net sales	\$ 19.7	\$ 23.4	\$ 28.0
Purchases of inventory from Georgia-Pacific, recognized in cost of products sold	55.6	85.2	146.5
	As of December 31,		
	2020	2019	
(in millions)			
Inventories purchased from Georgia-Pacific that remained on Veritiv's balance sheets	\$ —	\$ 11.4	
Related party payable to Georgia-Pacific	—	4.3	
Related party receivable from Georgia-Pacific	—	2.8	

See Note 3, Leases, for information on the Company's financing obligations to Georgia-Pacific.

## 9. EMPLOYEE BENEFIT PLANS

### Defined Contribution Plans

Veritiv sponsors qualified defined contribution plans covering its employees in the U.S. and Canada. The defined



contribution plans allow eligible employees to contribute a portion of their eligible compensation (including salary and annual incentive plan bonus) to the plans and Veritiv makes matching contributions to participant accounts on a specified percentage of employee deferrals as determined by the provisions of each plan. During the years ended December 31, 2020, 2019 and 2018 Veritiv's contributions to these plans totaled \$9.3 million, \$19.9 million and \$20.6 million, respectively. As part of the Company's cost-saving actions taken due to the COVID-19 pandemic, the Company's matching contributions for all salaried employees not covered by collective bargaining agreements were suspended effective May 1, 2020.

### Deferred Compensation Savings Plans

In conjunction with the Merger, Veritiv assumed responsibility for Unisource's legacy deferred compensation plans. In general, the payout terms varied for each employee agreement and are paid in monthly or annual installments ranging up to 15 years from the date of eligibility.

Effective January 1, 2015, the Company adopted the Veritiv Deferred Compensation Savings Plan which provides for the deferral of salaries, commissions or bonuses of eligible non-union employees and the deferral of cash and equity retainers for non-employee members of the Company's Board of Directors. Under this plan, eligible employees may elect to defer up to 85% of their base salary, commissions and annual incentive bonus. The amounts deferred are credited to notional investment accounts selected by participants. At the time a deferral election is made, participants elect to receive payout of the deferred amounts upon termination of employment or termination of Board service in the form of a lump sum or equal annual installments ranging from two to ten years. Currently, Veritiv does not make matching contributions to this plan.

The liabilities associated with these plans are summarized in the table below.

	As of December 31,	
	2020	2019
<i>(in millions)</i>		
Other accrued liabilities	\$ 4.1	\$ 3.7
Other non-current liabilities	19.7	21.1
Total liabilities	<u>\$ 23.8</u>	<u>\$ 24.8</u>

### Defined Benefit Plans

At December 31, 2020 and 2019, Veritiv did 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.

During October 2018, the Company settled its pension obligation related to participants currently in receipt of benefits (i.e., retirees) in the U.S. by purchasing a group annuity insurance contract. By purchasing an insurance contract, the Company eliminated its obligation related to paying and managing these participants and passed the full obligation to the selected insurer, which reduced Veritiv's projected benefit obligation and plan assets by approximately \$21.6 million for the year ended December 31, 2018. The Company recorded a settlement loss of approximately \$0.9 million related to this transaction, which was included in other (income) expense, net on the Consolidated Statement of Operations.

## Benefit Obligations and Funded Status

The following table provides information about Veritiv's U.S. and Canadian defined benefit pension plans and Supplemental Executive Retirement Plans ("SERP"):

(in millions)	Year Ended December 31,			
	2020		2019	
	U.S.	Canada	U.S.	Canada
Accumulated benefit obligation, end of year	\$ 68.6	\$ 89.0	\$ 65.4	\$ 81.9
Change in projected benefit obligation:				
Benefit obligation, beginning of year	\$ 65.4	\$ 87.6	\$ 64.1	\$ 75.3
Service cost	1.3	0.4	1.1	0.3
Interest cost	1.6	2.4	2.1	2.9
Actuarial (gain) loss	4.3	7.4	1.3	8.8
Benefits paid	(0.4)	(4.6)	(3.2)	(3.7)
Settlements	(3.6)	—	—	—
Foreign exchange adjustments	—	2.1	—	4.0
Projected benefit obligation, end of year	\$ 68.6	\$ 95.3	\$ 65.4	\$ 87.6
Change in plan assets:				
Plan assets, beginning of year	\$ 59.2	\$ 77.8	\$ 52.1	\$ 65.9
Employer contributions	0.1	0.4	—	1.0
Investment returns	8.9	6.7	11.1	11.2
Benefits paid	(0.4)	(4.6)	(3.2)	(3.7)
Administrative expenses paid	(0.8)	—	(0.8)	—
Settlements	(3.6)	—	—	—
Foreign exchange adjustments	—	1.7	—	3.4
Plan assets, end of year	\$ 63.4	\$ 82.0	\$ 59.2	\$ 77.8
Underfunded status, end of year	\$ (5.2)	\$ (13.3)	\$ (6.2)	\$ (9.8)

## Balance Sheet Positions

(in millions)	As of December 31,			
	2020		2019	
	U.S.	Canada	U.S.	Canada
Amounts recognized on the Consolidated Balance Sheets consist of:				
Other accrued liabilities	\$ 0.1	\$ 0.2	\$ 0.1	\$ 0.2
Defined benefit pension obligations	5.1	13.1	6.1	9.6
Net liability recognized	\$ 5.2	\$ 13.3	\$ 6.2	\$ 9.8

(in millions)	Year Ended December 31,			
	2020		2019	
	U.S.	Canada	U.S.	Canada
Amounts not yet reflected in net periodic benefit cost and included in AOCL consist of:				
Net loss, net of tax	\$ 0.2	\$ 8.9	\$ 0.7	\$ 5.5

## Net Periodic Cost

Total net periodic benefit cost (credit) associated with the defined benefit pension and SERP plans is summarized below:

(in millions)	Year Ended December 31,					
	2020		2019		2018	
	U.S.	Canada	U.S.	Canada	U.S.	Canada
Components of net periodic benefit cost (credit):						
Service cost	\$ 2.1	\$ 0.4	\$ 1.9	\$ 0.3	\$ 2.0	\$ 0.3
Interest cost	\$ 1.6	\$ 2.4	\$ 2.1	\$ 2.9	\$ 2.5	\$ 2.7
Expected return on plan assets	(3.9)	(3.9)	(3.4)	(3.7)	(5.2)	(3.9)
Settlement loss	0.0	0.1	—	—	1.1	0.1
Amortization of net loss	0.0	0.2	—	0.2	—	0.3
Total other components	\$ (2.3)	\$ (1.2)	\$ (1.3)	\$ (0.6)	\$ (1.6)	\$ (0.8)
Net periodic benefit cost (credit)	<u>\$ (0.2)</u>	<u>\$ (0.8)</u>	<u>\$ 0.6</u>	<u>\$ (0.3)</u>	<u>\$ 0.4</u>	<u>\$ (0.5)</u>
Changes to funded status recognized in other comprehensive (income) loss:						
Net loss (gain) during year, net of tax	<u>\$ (0.5)</u>	<u>\$ 3.4</u>	<u>\$ (4.7)</u>	<u>\$ 0.8</u>	<u>\$ 2.2</u>	<u>\$ (1.4)</u>

The components of net periodic benefit cost (credit) other than the service cost component are included in other (income) expense, net in the Company's Consolidated Statements of Operations. Amounts are generally amortized from AOCL over the expected future working lifetime of active plan participants.

## Fair Value of Plan Assets

U.S. and Canada pension plan assets are primarily invested in broad-based mutual funds and pooled funds comprised of U.S. and non-U.S. equities, U.S. and non-U.S. high-quality and high-yield fixed income securities, hedge fund-of-funds and short-term interest bearing securities or deposits.

The underlying Level 1 investments of the U.S. plan assets are valued using quoted prices in active markets. The Level 2 investments are primarily valued by each fund's third-party administrator based upon the valuation of the underlying securities and instruments and primarily by applying a valuation methodology based on observable market data as appropriate depending on the specific type of security or instrument held. The underlying investments of the Canada plan assets in equity and fixed income securities are measured at fair value using the Net Asset Value ("NAV") provided by the administrator of the fund and the Company has the ability to redeem such assets at the measurement date or within the near term without redemption restrictions. In accordance with ASU 2015-07, *Fair Value Measurement (Topic 820)*, investments that are measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy. The following tables present Veritiv's plan assets using the fair value hierarchy which is reconciled to the amounts presented for the total pension benefit plan assets as of December 31:

## As of December 31, 2020

(in millions)	Total	Level 1	Level 2	Level 3
<b>Investments – U.S.:</b>				
Equity securities	\$ 35.2	\$ 35.2	\$ —	\$ —
Fixed income securities	23.8	23.8	—	—
Hedge Fund-of-Funds	3.8	—	3.8	—
Cash and short-term securities	0.6	0.6	—	—
Total	<u>\$ 63.4</u>	<u>\$ 59.6</u>	<u>\$ 3.8</u>	<u>\$ —</u>

**As of December 31, 2020**

(in millions)

**Investments – Canada:**

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and short-term securities	\$ 1.1	\$ 1.1	\$ —	\$ —
Investments measured at NAV:				
Equity securities	53.9			
Fixed income securities	27.0			
<b>Total</b>	<b>\$ 82.0</b>	<b>\$ 1.1</b>	<b>\$ —</b>	<b>\$ —</b>

**As of December 31, 2019**

(in millions)

**Investments – U.S.:**

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Equity securities	\$ 36.0	\$ 36.0	\$ —	\$ —
Fixed income securities	23.1	23.1	—	—
Cash and short-term securities	0.1	0.1	—	—
<b>Total</b>	<b>\$ 59.2</b>	<b>\$ 59.2</b>	<b>\$ —</b>	<b>\$ —</b>

**As of December 31, 2019**

(in millions)

**Investments – Canada:**

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and short-term securities	\$ 0.6	\$ 0.6	\$ —	\$ —
Investments measured at NAV:				
Equity securities	52.1			
Fixed income securities	25.1			
<b>Total</b>	<b>\$ 77.8</b>	<b>\$ 0.6</b>	<b>\$ —</b>	<b>\$ —</b>

The classification of fair value measurements within the hierarchy is based upon the lowest level of input that is significant to the measurement. Valuation methodologies used for assets and liabilities measured at fair value are as follows:

\* *Equity Securities:* Commingled funds are valued at the net asset value of units held at year end, as determined by a pricing vendor or the fund family. Mutual funds are valued at the net asset value of shares held at year end, as determined by the closing price reported on the active market on which the individual securities are traded, or a pricing vendor or the fund family if an active market is not available.

\* *Fixed Income Securities:* Mutual funds are valued at the net asset value of shares held at year end, as determined by the closing price reported on the active market on which the individual securities are traded, or a pricing vendor or the fund family if an active market is not available.

\* *Hedge Fund-of-Funds:* These investments represent limited partnership interests in private equity and hedge funds. The partnership interests are valued by the general partners based on the underlying assets in each fund.

\* *Cash and Short-term Securities:* Cash and cash equivalents consist of U.S. and foreign currencies. Foreign currencies are reported in U.S. dollars based on currency exchange rates readily available in active markets. Short-term securities are valued at the net asset value of units held at year end.

The weighted-average asset allocations of invested assets within Veritiv's defined benefit pension plans were as follows:

**As of December 31, 2020**

(in millions)

			<b>Asset Allocation Range</b>	
	<b>U.S.</b>	<b>Canada</b>	<b>U.S.</b>	<b>Canada</b>
Equity securities	\$ 35.2	\$ 53.9	45% - 60%	50% - 70%
Fixed income securities	23.8	27.0	30% - 50%	30% - 50%
Hedge Fund-of-Funds	3.8	—	0% - 10%	—% - —%
Cash and short-term securities	0.6	1.1	0% - 5%	0% - 5%
Total	<u>\$ 63.4</u>	<u>\$ 82.0</u>		

**As of December 31, 2019**

(in millions)

			<b>Asset Allocation Range</b>	
	<b>U.S.</b>	<b>Canada</b>	<b>U.S.</b>	<b>Canada</b>
Equity securities	\$ 36.0	\$ 52.1	55% - 75%	50% - 70%
Fixed income securities	23.1	25.1	20% - 40%	30% - 50%
Cash and short-term securities	0.1	0.6	0% - 10%	0% - 5%
Total	<u>\$ 59.2</u>	<u>\$ 77.8</u>		

Veritiv's investment objectives include maximizing long-term returns at acceptable risk levels, diversifying among asset classes, as applicable, and among investment managers as well as establishing certain risk parameters within asset classes. Veritiv's pension investment strategy is to reduce the effects of future volatility on the fair value of pension assets relative to pension obligations by increasing the allocation to high quality, longer-term fixed income securities and reducing the allocation to equity investments as the funded status improves. Investment performance is evaluated at least quarterly. Total returns are compared to the weighted-average return of a benchmark mix of investments. Individual fund investments are compared to historical three year, five year and ten year returns achieved by funds with similar investment objectives.

**Assumptions**

The determination of Veritiv's defined benefit obligations and pension expense is based on various assumptions, such as discount rates, expected long-term rates of return, rate of compensation increases, employee retirement patterns and payment selections, inflation, and mortality rates.

Veritiv's weighted-average discount rates for its U.S. plans were determined by using cash flow matching techniques whereby the rates of yield curves, developed from U.S. corporate yield curves, were applied to the benefit obligations to determine the appropriate discount rate. Veritiv's weighted-average discount rates for its Canadian plans were determined by using spot rates from yield curves, developed from high-quality bonds (rated AA or higher) by established rating agencies, matching the duration of the future expected benefit obligations.

Veritiv's weighted-average expected rate of return was developed based on several factors, including projected and historical rates of returns, investment allocations of pension plan assets and inflation expectations. Veritiv evaluates the expected rate of return assumptions on an annual basis.

The following table presents significant weighted-average assumptions used in computing the benefit obligations:

	<b>As of December 31,</b>					
	<b>2020</b>		<b>2019</b>		<b>2018</b>	
	<b>U.S.</b>	<b>Canada</b>	<b>U.S.</b>	<b>Canada</b>	<b>U.S.</b>	<b>Canada</b>
Discount rate	2.15 %	2.50 %	2.98 %	3.10 %	4.01 %	3.90 %
Rate of compensation increases	N/A	3.00 %	N/A	3.00 %	N/A	3.00 %



The following table presents significant weighted-average assumptions used in computing net periodic benefit cost (credit):

	Year Ended December 31,					
	2020		2019		2018	
	U.S.	Canada	U.S.	Canada	U.S.	Canada
Discount rate	2.98 %	3.10 %	4.01 %	3.90 %	3.47 %	3.40 %
Rate of compensation increases	N/A	3.00 %	N/A	3.00 %	N/A	3.00 %
Expected long-term rate of return on assets	7.15 %	5.25 %	7.15 %	5.50 %	7.15 %	5.50 %
Interest crediting rate	2.73 %	N/A	5.00 %	N/A	5.00 %	N/A

#### *Cash Flows*

Veritiv expects to contribute \$0.1 million and \$0.4 million to its U.S. and Canadian defined benefit pension and SERP plans, respectively, during 2021. Future benefit payments under the defined benefit pension and SERP plans are estimated as follows:

<i>(in millions)</i>	U.S.	Canada
2021	\$ 5.1	\$ 2.9
2022	4.1	3.1
2023	4.0	3.3
2024	3.9	3.5
2025	4.0	3.7
2026 – 2030	18.6	20.8

#### **MEPPs**

Veritiv's contributions to MEPPs, excluding the payment of any withdrawal liabilities, were \$2.0 million, \$2.4 million and \$3.0 million for the years ended December 31, 2020, 2019 and 2018, respectively. It is reasonably possible that changes to Veritiv employees covered under these plans might result in additional contribution obligations. Any such obligations would be governed by the specific agreement between Veritiv and any such plan. Veritiv's contributions did not represent more than 5% of total contributions to any MEPPs for the plan years in which Forms 5500 were available. At the date these Consolidated Financial Statements were issued, Forms 5500 were not available for the plan year ended in 2020.

The risks of participating in these MEPPs are different from a single employer plan in the following aspects:

- Assets contributed to the MEPPs by one employer may be used to provide benefits to employees of other participating employers,
- If a participating employer ceases contributing to the plan, the unfunded obligations of the plan may be inherited by the remaining participating employers, and
- If the Company stops participating in any of the MEPPs, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company has recorded undiscounted charges related to the complete or partial withdrawal from various MEPPs. Charges not related to the Company's restructuring efforts are recorded as distribution expenses. Initial amounts are recorded as other non-current liabilities on the Consolidated Balance Sheets. See the table below for a summary of the net withdrawal charges and the year-end balance sheet liability positions for the respective years ended December 31:

	<b>Year Ended December 31,</b>		
<i>(in millions)</i>	<b>Restructuring charges, net</b>	<b>Distribution expenses</b>	<b>Total Net Charges</b>
2020	\$ —	\$ 7.2	\$ 7.2
2019	1.5	6.6	8.1
2018	(2.8)	11.2	8.4

	<b>As of December 31,</b>	
<i>(in millions)</i>	<b>Other accrued liabilities</b>	<b>Other non-current liabilities</b>
2020	\$ 1.8	\$ 42.7
2019	1.9	37.4

During the first quarter of 2020, Veritiv negotiated the complete withdrawal from the Western Pennsylvania Teamsters and Employers Pension Fund (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, as it was not related to a restructuring activity.

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 Fund and recognized an estimated partial withdrawal liability of \$6.5 million in distribution expenses, as it was not related to a restructuring activity. Also during the second quarter of 2019, Veritiv recognized an estimated complete withdrawal liability of \$1.8 million in restructuring charges, net related to the closing of its Philadelphia, Pennsylvania location for those employees who participated in the Warehouse Employees Local Union 169 and Employer's Joint Pension Trust MEPP ("Local 169 MEPP"). In the fourth quarter of 2019, Veritiv received the estimated determination letter from the Local 169 MEPP assessing a complete withdrawal liability of \$1.8 million, which was equal to the amount recognized during the second quarter of 2019, and is payable in 80 quarterly installments beginning in December 2019.

Included in the restructuring charges, net amounts shown in the table above for 2018, is a MEPP withdrawal reduction of \$2.7 million related to the Central States MEPP. During the third quarter of 2018, based on an estimate provided by the MEPP and an actuarial review change, Veritiv recognized a reduction of \$2.7 million in the estimated partial withdrawal liability for the three locations which exited from the Central States MEPP in 2017 and 2016. During the fourth quarter of 2018, Veritiv negotiated a withdrawal from the Central States MEPP for its Rogers, Minnesota location and recognized an estimated complete withdrawal liability of an additional \$12.0 million in distribution expenses, as it was not related to a restructuring activity. In the second quarter of 2019, Veritiv received the final determination letters for the partial and the complete withdrawals. The determinations were in the amount of \$7.7 million for the partial and \$12.0 million for the complete, both payable in 240 equal monthly installments beginning in April 2019. This was a reduction of \$0.4 million from what had previously been recorded.

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 determination. As of December 31, 2020, the Company has received determination letters resulting from six complete or partial withdrawals. Of those, the liabilities for two withdrawals were settled with lump sum payments, one withdrawal was settled with payments over a nine month period, and three withdrawals are expected to occur over an approximate 20-year period. The Company has not yet received the determination letters for the partial and subsequent full withdrawal from the Western Pennsylvania Fund. The Company expects that payments will occur over an approximate 20-year period, which could run consecutively.

Veritiv's participation in the MEPPs for the year ended December 31, 2020, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number and the three-digit plan number, if applicable. The Pension Protection Act zone listed below is based on the latest information Veritiv received from the plan and is certified by the plan's actuary. Plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded and plans in the green zone are at least 80% funded. There were no changes in the status of any zones

based on the information provided to Veritiv during 2020. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan or a rehabilitation plan is either pending or has been implemented. The last column lists the expiration date(s) of the collective-bargaining agreement(s). Contributions in the table below, for the years ended December 31, 2020, 2019 and 2018, exclude \$1.9 million, \$2.0 million and \$3.1 million, respectively, related to payments made for accrued withdrawal liabilities.

Pension Fund	EIN/Pension Plan No.	Pension Protection Act Zone Status	FIP/RP Status Pending/Implemented	Veritiv's Contributions			Surcharge Imposed	Expiration Date(s) of Collective Bargaining Agreement(s)
				2020	2019	2018		
Western Conference of Teamsters Pension Trust Fund <sup>(1)</sup>	916145047/001	Green	No	\$ 1.1	\$ 1.3	\$ 1.6	No	9/30/2021 - 10/31/2023
Central States, Southeast & Southwest Areas Pension Fund	366044243/001	Red	Implemented	—	—	0.2	Yes	Exited during 2018
Teamsters Pension Plan of Philadelphia & Vicinity	231511735/001	Yellow	Implemented	0.4	0.4	0.4	Yes	7/31/2021
Western Pennsylvania Teamsters and Employers Pension Plan	256029946/001	Red	Implemented	0.1	0.2	0.3	Yes	Partial exit during 2019; complete exit during 2020
Contributions for individually significant plans				1.6	1.9	2.5		
Contributions to other multi-employer plans				0.4	0.5	0.5		
Total contributions				<u>\$ 2.0</u>	<u>\$ 2.4</u>	<u>\$ 3.0</u>		

<sup>(1)</sup> As of December 31, 2020, there were eight collective bargaining units participating in the Western Conference of Teamsters Pension Trust. As of December 31, 2020, none were then in negotiations.

## 10. FAIR VALUE MEASUREMENTS

At December 31, 2020 and 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.

### *Debt and Other Obligations*

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 6, Debt, for additional information regarding the Company's ABL Facility and other obligations.

### *Goodwill and Other Intangibles*

The fair value analyses used for the determination of goodwill and intangible asset impairments, as described in Note 1, Business and Summary of Significant Accounting Policies and Note 5, Goodwill and Other Intangible Assets, relied upon both Level 2 data (publicly observable data such as market interest rates, the Company's stock price, the stock prices of peer companies and the capital structures of peer companies) and Level 3 data (internal data such as the Company's operating and cash flow projections).

At December 31, 2020, 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<sup>st</sup> 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 performed a quantitative goodwill impairment test during the fourth quarter of 2020, which requires a determination of whether the fair value of a reporting unit is less than its carrying value. The determination of the 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. As a result of the quantitative goodwill impairment test, no goodwill impairment was indicated or recorded. 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 will perform additional goodwill impairment testing when indicators are present or changes in circumstances suggest the carrying amount of the asset may not be recoverable and a triggering event has occurred.

### ***Other Assets***

At December 31, 2020 and 2019, the Company held for sale \$0.4 million and \$10.1 million, respectively, in assets related to its restructuring plans. These assets are included in other current assets on the Consolidated Balance Sheets at the lower of their carrying value or fair value at December 31, 2020 and 2019, respectively. During the third and fourth quarters of 2020, the Company sold two properties and recognized gains totaling approximately \$8.3 million related to the exit and sale of those facilities. The gains included approximately \$1.1 million related to exiting a land lease associated with a facility, which was not included in the above noted assets-held-for-sale amount at December 31, 2019. The gains on the dispositions of these properties are included in selling and administrative expenses on the Consolidated Statements of Operations.

The Company has on occasion recognized minor impairments when warranted as part of its normal review of long-lived assets. Based on the underlying nature of each item, these impairment charges may be reported as restructuring charges, net or selling and administrative expenses on the Consolidated Statements of Operations. Total long-lived asset impairments for the years ended December 31, 2020, 2019 and 2018 were \$0.5 million, none and \$0.4 million, respectively.

At December 31, 2020 and 2019, the pension plan assets were primarily comprised of mutual funds and pooled funds. The underlying investments of these funds were valued using either quoted prices in active markets or valued as of the most recent trade date. See Note 9, Employee Benefits Plans, for further detail.

### ***TRA Contingent Liability***

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 was 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 contingent liability was remeasured at fair value at each reporting period-end with the change in fair value recognized in other (income) expense, net on the Consolidated Statements of Operations. In December 2020, the Company and the UWWH Stockholder agreed to settle the TRA. The Company paid the UWWH Stockholder a total of \$12.0 million in settlement of all past and future liabilities that would have been owed under the TRA and the parties agreed to a mutual release of claims under the TRA. As a result of the settlement, the Company recognized a favorable fair value adjustment of \$20.1 million in other (income) expense, net in the fourth quarter of 2020. See Note 8, 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 years ended December 31, 2020 and 2019:

<i>(in millions)</i>	<b>TRA Contingent Liability</b>
Balance at December 31, 2018	\$ 38.9
Change in fair value adjustment recorded in other (income) expense, net	0.3
Principal payment	(7.8)
Balance at December 31, 2019	31.4
Change in fair value adjustment recorded in other (income) expense, net	(19.1)
Principal payment	(12.3)
Balance at December 31, 2020	\$ —

### ***AAC Contingent Consideration***

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 years ended December 31, 2020 and 2019:

<i>(in millions)</i>	<b>AAC Contingent Liability</b>
Balance at December 31, 2018	\$ 9.4
Change in fair value adjustment recorded in other (income) expense, net	13.1
Contingent liability payment	(20.0)
Balance at December 31, 2019	2.5
Change in fair value adjustment recorded in other (income) expense, net	1.0
Contingent liability payment	(3.5)
Balance at December 31, 2020	\$ —

## **11. SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION**

### **Other Current Assets**

The components of other current assets as of December 31 were as follows:

<i>(in millions)</i>	<b>2020</b>	<b>2019</b>
Rebates receivable	\$ 44.5	\$ 51.1
Prepaid expenses	46.9	32.9
Value Added Tax receivable	11.1	13.7
Vendor Deposits	5.3	5.7
Other	11.7	22.7
Other current assets	\$ 119.5	\$ 126.1



## Other Non-Current Assets

The components of other non-current assets as of December 31 were as follows:

<i>(in millions)</i>	2020	2019
Operating lease right-of-use assets	\$ 351.7	\$ 429.2
Deferred financing costs	5.4	4.1
Investments in real estate joint ventures	7.3	7.1
Other	13.9	14.4
Other non-current assets	<u>\$ 378.3</u>	<u>\$ 454.8</u>

## Accrued Payroll and Benefits

The components of accrued payroll and benefits as of December 31 were as follows:

<i>(in millions)</i>	2020	2019
Accrued incentive plans	\$ 43.9	\$ 24.7
Accrued commissions	17.1	17.0
Accrued payroll and related taxes	16.6	8.8
Other	3.0	3.4
Accrued payroll and benefits	<u>\$ 80.6</u>	<u>\$ 53.9</u>

## Other Accrued Liabilities

The components of other accrued liabilities as of December 31 were as follows:

<i>(in millions)</i>	2020	2019
Operating lease obligations - current	\$ 81.9	\$ 90.5
Accrued customer incentives	20.0	21.1
Accrued freight	7.8	9.0
Accrued taxes	18.8	9.0
AAC contingent liability	—	2.5
TRA contingent liability	—	0.3
Escheat audit accrual	—	0.4
Accrued professional fees	1.6	3.4
Other	52.1	47.6
Other accrued liabilities	<u>\$ 182.2</u>	<u>\$ 183.8</u>

## Other Non-Current Liabilities

The components of other non-current liabilities as of December 31 were as follows:

<i>(in millions)</i>	2020	2019
Operating lease obligations - non-current	\$ 307.4	\$ 376.6
MEPP withdrawals	42.7	37.4
TRA contingent liability	—	31.1
Deferred compensation	19.7	21.1
Other	25.4	19.1
Other non-current liabilities	<u>\$ 395.2</u>	<u>\$ 485.3</u>

## 12. 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. See Note 14, Long-Term Incentive Compensation Plans, for additional information regarding shares issued under incentive plans.

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

<i>(in millions, except per share data)</i>	Year Ended December 31,		
	2020	2019	2018
<b>Numerator:</b>			
Net income (loss)	\$ 34.2	\$ (29.5)	\$ (15.7)
<b>Denominator:</b>			
Weighted-average shares outstanding – basic	15.96	16.06	15.82
Weighted-average shares outstanding – diluted	16.48	16.06	15.82
Earnings (loss) per share:			
Basic earnings (loss) per share	\$ 2.14	\$ (1.84)	\$ (0.99)
Diluted earnings (loss) per share	\$ 2.08	\$ (1.84)	\$ (0.99)
Antidilutive stock-based awards excluded from computation of diluted earnings per share	0.28	1.17	1.32
Performance stock-based awards excluded from computation of diluted earnings per share because performance conditions had not been met	0.08	0.33	0.26

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 ("RSUs") and/or Performance Condition Share Units ("PSUs") vested during those periods. The net share issuance is included on the Consolidated Statements of Shareholders' Equity for the years ended December 31, 2020, 2019 and 2018.

See the table below for information related to these transactions:

<i>(in millions)</i>	Year Ended December 31,		
	2020	2019	2018
Shares issued	0.3	0.3	0.3
Shares recovered for minimum tax withholding	(0.1)	(0.1)	(0.1)
Net shares issued	0.2	0.2	0.2

## 13. SHAREHOLDERS' EQUITY

### Common Stock

**Shares Outstanding:** On November 19, 2020, the UWWH Stockholder sold 1.40 million shares of Veritiv common stock in an underwritten public offering. On September 25, 2018, the same stockholder sold 1.50 million shares of Veritiv common stock in a block trade. The Company did not sell or repurchase any shares and did not receive any of the proceeds in either of these transactions.

**Dividends:** Each holder of common stock shall be entitled to participate equally in all dividends payable with respect to the common stock.

**Voting Rights:** The holders of the Company's common stock are entitled to vote only in the circumstances set forth in Veritiv's Amended and Restated Certificate of Incorporation. Each holder of common stock shall be entitled to one vote for each share of common stock held of record by such holder upon all matters to be voted on by the holders of the common stock.

**Other Rights:** Each holder of common stock shall be entitled to share equally, subject to any rights and preferences of the preferred stock (as fixed by resolutions, if any, of the Board of Directors), in the assets of the Company available for distribution, in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of Veritiv, or upon any distribution of the assets of the Company.

## Preferred Stock

Subject to the provisions of the Amended and Restated Certificate of Incorporation, the Board of Directors of Veritiv is authorized to provide for the issuance of up to 10.0 million shares of preferred stock in one or more series. The Board of Directors may fix the number of shares constituting any series and determine the designation of the series, the dividend rates, rights of priority of dividend payment, the voting powers (if any) of the shares of the series, and the preferences and relative participating, optional and other rights, if any, and any qualifications, limitations or restrictions, applicable to the shares of such series. No preferred stock was issued and outstanding as of December 31, 2020.

## Treasury Stock

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. 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 2020 Share Repurchase Program, which has been suspended since March 27, 2020.

## Accumulated Other Comprehensive Loss (AOCL)

Comprehensive income (loss) is reported on the 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 December 31, 2020 and 2019 (amounts are shown net of their related income tax effect, if any):

<i>(in millions)</i>	<b>Foreign currency translation adjustments</b>	<b>Retirement liabilities</b>	<b>Interest rate cap</b>	<b>AOCL</b>
Balance at December 31, 2018	\$ (30.3)	\$ (10.1)	\$ (0.3)	\$ (40.7)
Unrealized net gains (losses) arising during the period	4.7	5.2	(0.4)	9.5
Amounts reclassified from AOCL	(1.0)	(1.3)	0.4	(1.9)
Net current period other comprehensive income (loss)	3.7	3.9	0.0	7.6
Balance at December 31, 2019	(26.6)	(6.2)	(0.3)	(33.1)
Unrealized net gains (losses) arising during the period	2.1	(3.9)	(0.1)	(1.9)
Amounts reclassified from AOCL	0.3	1.0	0.2	1.5
Net current period other comprehensive income (loss)	2.4	(2.9)	0.1	(0.4)
Balance at December 31, 2020	<u>\$ (24.2)</u>	<u>\$ (9.1)</u>	<u>\$ (0.2)</u>	<u>\$ (33.5)</u>

## **14. LONG-TERM INCENTIVE COMPENSATION PLANS**

### **Veritiv Omnibus Incentive Plan**

The 2014 Plan provides for the grant of stock, Deferred Share Units ("DSUs"), RSUs, PSUs, Market Condition Performance Share Units ("MCPSUs") and cash-based Performance-Based Units ("PBUs"), among other awards. A total of 3.08 million shares of Veritiv common stock may be issued under the 2014 Plan subject to certain adjustment provisions. As of December 31, 2020, there were approximately 1.00 million shares available to be granted to any employee, director or consultant of Veritiv or a subsidiary of Veritiv. Grants are made at the discretion of the Compensation and Leadership Development Committee of the Company's Board of Directors. Effective for awards with grant dates beginning January 1, 2020, the Compensation and Leadership Development Committee approved cash-based grants in lieu of equity-based PSU and MCPSU grants.

### ***Stock***

The Company made grants of common stock in 2020, 2019 and 2018 to its non-employee directors. The stock grants were fully vested and non-forfeitable as of the grant dates. The non-employee directors were eligible to defer receipt of the awards under the Veritiv Deferred Compensation Savings Plan, a nonqualified plan. The Company recognized \$1.0 million, \$1.0 million and \$1.1 million in expense related to these grants for the years ended December 31, 2020, 2019 and 2018, respectively.

### ***Deferred Share Units***

The Company granted DSUs in 2014, 2015 and 2016 to its non-employee directors. Each DSU is the economical equivalent of one share of Veritiv's common stock. The DSUs were fully vested and non-forfeitable as of the grant date and are payable following the individual's separation of service as a Veritiv director. The DSUs granted in 2014 and 2015 are payable in cash and the DSUs granted in 2016 are settled in stock. The cash-settled DSUs are classified as a non-current liability and are remeasured at each reporting date, with a corresponding adjustment to compensation expense. At December 31, 2020 there were approximately 34,600 DSUs outstanding with a fair value of \$1.0 million. At December 31, 2019, there were approximately 51,900 DSUs outstanding with a fair value of \$1.4 million. All selling and administrative expenses related to these grants in the Company's Statements of Operations for the years ended December 31, 2020, 2019 and 2018 were not significant.

### ***Restricted Stock Units***

RSUs are awarded to key employees annually. RSUs granted prior to 2020 typically cliff vest at the end of three years, subject to continued service. RSUs granted in 2020 vest over four years, with 25% vesting on each of the first, second, third and fourth anniversaries of the grant date, subject to continued service. The fair value of the RSU awards is based typically on either the closing price of Veritiv common stock on the grant date or the closing price on the trading date immediately prior to the grant date if the grant date is not a trading date. Compensation expense for RSUs granted prior to 2020 is recognized ratably from the grant date to the vesting date. Compensation expense for RSUs granted in 2020 is recognized ratably over the requisite service period for the entire award, which is four years. The total fair value of RSUs that vested during 2020, 2019 and 2018 was \$4.3 million, \$3.8 million and \$3.2 million, respectively.

A summary of activity related to non-vested RSUs is presented below:

<i>(units in thousands)</i>	<b>Number of RSUs</b>	<b>Weighted- Average Grant Date Fair Value Per Share</b>
Non-vested at December 31, 2017	249	\$ 45.43
Granted	228	\$ 29.69
Vested	(65)	\$ 50.03
Forfeited	(14)	\$ 39.01
Non-vested at December 31, 2018	398	\$ 35.88
Granted	160	\$ 24.70
Vested	(102)	\$ 37.53
Forfeited	(87)	\$ 29.96
Non-vested at December 31, 2019	369	\$ 32.00
Granted	352	\$ 18.59
Vested	(99)	\$ 43.48
Forfeited	(66)	\$ 22.69
Non-vested at December 31, 2020	556	\$ 22.59

### ***Performance Share Units***

PSUs granted prior to 2020 were awarded to key employees annually and cliff vest at the end of three years, subject to continued service and the attainment of performance conditions. The PSU award represents the contingent right to receive a number of shares equal to a portion, all or a multiple (not to exceed 200%) of the target number of PSUs. The PSUs are divided into three tranches, and each tranche is earned based on the achievement of an annual Adjusted EBITDA target which is set at the beginning of each of the three years in the vesting period. The Company defines Adjusted EBITDA as 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. Compensation expense for each tranche is recognized ratably from the date the fair value is measured to the vesting date for the number of awards expected to vest. The total fair value of PSUs that vested during 2020, 2019 and 2018 was \$3.6 million, \$6.7 million and \$5.8 million, respectively. Cash-based PBUs were granted in 2020 in lieu of equity-based PSUs.



A summary of activity related to non-vested PSUs is presented below:

<i>(units in thousands)</i>	<b>Number of PSUs</b>	<b>Weighted- Average Grant Date Fair Value Per Share</b>
Non-vested at December 31, 2017	454	\$ 40.87
Granted	323	\$ 24.62 <sup>(1)</sup>
Shares gained based on actual performance	7	\$ 24.62
Vested	(122)	\$ 47.37
Forfeited	(35)	\$ 34.57
Non-vested at December 31, 2018	627	\$ 32.59
Granted	392	\$ 21.39 <sup>(2)</sup>
Shares lost based on actual performance	(112)	\$ 21.39
Vested	(174)	\$ 38.36
Forfeited	(88)	\$ 25.30
Non-vested at December 31, 2019	645	\$ 25.10
Shares gained based on actual performance	183	\$ 19.67 <sup>(3)</sup>
Vested	(102)	\$ 35.70
Forfeited	(139)	\$ 28.26
Non-vested at December 31, 2020	587	\$ 23.06

<sup>(1)</sup> Represents weighted-average grant date fair value for the 2018, 2019 and 2020 tranches.

<sup>(2)</sup> Represents weighted-average grant date fair value for the 2019 and 2020 tranches.

<sup>(3)</sup> Represents weighted-average grant date fair value for the 2020 tranches.

### ***Market Condition Performance Share Units***

MCPSUs granted prior to 2020 were awarded to key employees annually and cliff vest at the end of three years, subject to continued service and the attainment of performance conditions. The MCPSU award represents the contingent right to receive a number of shares equal to a portion, all or a multiple (not to exceed 200%) of the target number of MCPSUs. The MCPSUs are divided into three tranches and each tranche is earned based on the achievement of a total shareholder return ("TSR") target relative to the TSR of an applicable peer group over the one-, two- and three-year cumulative periods in the vesting period. The weighted-average grant date fair value of the MCPSUs is determined using a Monte Carlo simulation model. Assumptions used in the 2019 and 2018 models included an expected volatility rate of 53.6% and 45.5%, respectively, and a risk-free interest rate of 2.5% and 2.0%, respectively; no MCPSUs were granted in 2020. The expected volatility rate is based on the historical volatility over the most recent period equal to the vesting period. The risk-free interest rate is based on the yield on U.S. Treasury securities matching the vesting period. Compensation expense is recognized ratably from the grant date to the vesting date. The total fair value of MCPSUs that vested during 2019 and 2018 was \$2.7 million and \$1.4 million, respectively. None of the 2017 MCPSUs vested in 2020, due to the cumulative TSR performance resulting in a 0% of target final payout. Cash-based PBUs were granted in 2020 in lieu of equity-based MCPSUs.

A summary of activity related to non-vested MCPSUs is presented below:

<i>(units in thousands)</i>	<b>Number of MCPSUs</b>	<b>Weighted- Average Grant Date Fair Value Per Share</b>
Non-vested at December 31, 2017	193	\$ 56.23
Granted	194	\$ 37.76
Shares lost based on actual performance	(35)	\$ 37.76
Vested	(23)	\$ 62.53
Forfeited/cancelled	(21)	\$ 49.66
Non-vested at December 31, 2018	308	\$ 46.74
Granted	235	\$ 31.41
Shares lost based on actual performance	(153)	\$ 31.41
Vested	(64)	\$ 42.12
Forfeited/cancelled	(52)	\$ 40.93
Non-vested at December 31, 2019	274	\$ 40.81
Shares lost based on actual performance	(110)	\$ 34.35
Vested	—	\$ —
Forfeited/cancelled	(144)	\$ 58.89
Non-vested at December 31, 2020	20	\$ 34.35

***Performance-Based Units (cash-based)***

In 2020, PBUs valued at \$1.00 per unit and payable in cash, were awarded to key employees and cliff vest at the end of three years, subject to continued service and the attainment of performance conditions. The PBUs represent the contingent right to receive a cash payment of performance units equal to a portion, all or a multiple (not to exceed 200%) of the target value. Fifty percent of the PBUs vest based on the achievement of Packaging Gross Profit Dollar Growth targets, which were set at the beginning of 2020. Packaging Gross Profit Dollar Growth is defined as: net sales for the Packaging reportable segment less the cost of product sold, excluding the impact of LIFO inventory accounting and certain other adjustments. The remaining 50% of the PBUs vest based on the achievement of Return on Invested Capital targets, which were set at the beginning of 2020. Return on Invested Capital is defined as: (Net Operating Profit) divided by (the sum of net working capital and property and equipment). Net Operating Profit is defined as: (Adjusted EBITDA less depreciation and amortization) times (1 minus the standard tax rate). The standard tax rate used in 2020 was 26%. The maximum PBU payout based on the achievement of Packaging Gross Profit Dollar Growth and Return on Invested Capital targets is 180% of the target values. The PBUs are then subject to an adjustment of 20 percentage points (increase or decrease) based on the Company's TSR relative to the TSR of an applicable peer group. The maximum total payout that can be earned, including the 20% relative TSR modifier, is 200% of the target value. The PBUs are classified as a non-current liability and are remeasured at each reporting date. Compensation expense is recognized ratably from the grant date to the vesting date for the number of awards expected to vest.

A summary of activity related to non-vested PBUs is presented below:

<i>(units in thousands)</i>	<b>Number of PBUs</b>	<b>Grant Date Fair Value Per Share</b>
Non-vested at December 31, 2019	—	\$ —
Granted	11,863	\$ 1.00
PBUs gained based on actual performance	1,056	\$ 1.00
Vested	—	\$ —
Forfeited/cancelled	(1,306)	\$ 1.00
Non-vested at December 31, 2020	11,613	\$ 1.00

For the years ended December 31, 2020, 2019 and 2018, the Company recognized \$17.7 million, \$14.6 million and \$18.1 million, respectively, in expense related to the aforementioned stock-based long-term incentive awards. For the year ended December 31, 2020, the Company recognized \$6.5 million in expense related to the aforementioned cash-based long-term incentive awards. The income tax benefit recognized in 2020, 2019 and 2018 related to the stock-based long-term incentive compensation expense was \$4.6 million, \$3.8 million and \$4.7 million, respectively. The income tax benefit recognized in 2020 related to the cash-based long-term incentive compensation expense was \$1.7 million. As of December 31, 2020, total unrecognized long-term incentive compensation expense was \$16.1 million and is expected to be recognized over a weighted-average period of approximately 2.0 years. Unrecognized compensation expense for the 2021 tranche of the PSU awards is estimated based on the Company's closing stock price at December 31, 2020. Dividends are not paid or accrued on unvested stock units. The grant date fair values are not reduced for dividends as none are expected to be paid during the vesting period.

## **15. 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 December 31, 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, which was unchanged as of December 31, 2020. The withdrawal charge was recorded in distribution expenses as it was not related to a restructuring activity.

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. As of December 31, 2020, the Company has not yet received the determination letters for the partial and subsequent full withdrawal from the Western Pennsylvania Fund. The Company expects that payments will occur over an approximate 20-year period, which could run consecutively.

## 16. SEGMENT AND OTHER INFORMATION

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:

<i>(in millions)</i>	<b>Packaging</b>	<b>Facility Solutions</b>	<b>Print</b>	<b>Publishing</b>	<b>Total Reportable Segments</b>	<b>Corporate &amp; Other</b>	<b>Total</b>
<b>Year Ended December 31, 2020</b>							
Net sales	\$ 3,316.7	\$ 922.3	\$ 1,458.2	\$ 543.5	\$ 6,240.7	\$ 104.9	\$ 6,345.6
Adjusted EBITDA	300.0	41.6	33.7	12.8	388.1	(200.5)	
Depreciation and amortization	22.5	7.9	7.6	0.2	38.2	19.5	57.7
Restructuring charges, net	16.0	5.1	23.8	0.0	44.9	7.3	52.2
<b>Year Ended December 31, 2019</b>							
Net sales	3,446.3	1,181.8	2,104.6	798.0	7,530.7	128.7	7,659.4
Adjusted EBITDA	243.5	33.1	43.1	21.4	341.1	(185.2)	
Depreciation and amortization	18.9	7.0	8.4	0.5	34.8	18.7	53.5
Restructuring charges, net	10.3	14.7	7.2	(9.1)	23.1	5.7	28.8
<b>Year Ended December 31, 2018</b>							
Net sales	3,547.1	1,311.7	2,676.7	1,019.2	8,554.7	141.5	8,696.2
Adjusted EBITDA	246.7	29.0	64.0	24.6	364.3	(178.9)	
Depreciation and amortization	19.2	6.8	8.8	0.8	35.6	17.9	53.5
Restructuring charges, net	4.7	3.4	12.1	0.7	20.9	0.4	21.3

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

<i>(in millions)</i>	<b>Year Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Net income (loss)	\$ 34.2	\$ (29.5)	\$ (15.7)
Interest expense, net	25.1	38.1	42.3
Income tax expense (benefit)	8.8	0.7	5.5
Depreciation and amortization	57.7	53.5	53.5
Restructuring charges, net	52.2	28.8	21.3
Facility closure charges, including (gain) loss from asset disposition	(3.7)	—	—
Stock-based compensation	17.7	14.6	18.1
LIFO reserve (decrease) increase	(1.5)	(3.7)	19.9
Non-restructuring asset impairment charges	—	—	0.4
Non-restructuring severance charges	4.1	8.4	4.9
Non-restructuring pension charges, net	7.2	6.6	11.3
Integration and acquisition expenses	—	17.5	31.8
Fair value adjustment on TRA contingent liability	(19.1)	0.3	(1.2)
Fair value adjustment on contingent consideration liability	1.0	13.1	(12.3)
Escheat audit contingent liability	(0.2)	3.7	2.5
Other	4.1	3.8	3.1
Adjustment for Corporate & Other	200.5	185.2	178.9
Adjusted EBITDA for reportable segments	<u>\$ 388.1</u>	<u>\$ 341.1</u>	<u>\$ 364.3</u>

The table below summarizes total assets as of December 31, 2020 and 2019:

<i>(in millions)</i>	<b>2020</b>	<b>2019</b>
Packaging	\$ 1,332.9	\$ 1,290.2
Facility Solutions	314.7	324.4
Print	424.2	610.3
Publishing	104.7	123.9
Corporate & Other	158.5	162.3
Total assets	<u>\$ 2,335.0</u>	<u>\$ 2,511.1</u>

The following table presents net sales as well as property and equipment and operating lease ROU assets, which are shown net of accumulated depreciation and or accumulated amortization, by geographic area:

<i>(in millions)</i>	<b>Net Sales</b>			<b>Property and Equipment</b>		<b>Operating Lease ROU Assets</b>	
	<b>Year Ended December 31,</b>			<b>As of December 31,</b>		<b>As of December 31,</b>	
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
U.S.	\$ 5,521.8	\$ 6,779.6	\$ 7,800.9	\$ 149.4	\$ 174.3	\$ 311.8	\$ 383.4
Canada	650.9	699.4	712.7	42.3	39.1	30.6	34.9
Rest of world	172.9	180.4	182.6	3.0	3.5	9.3	10.9
Total	<u>\$ 6,345.6</u>	<u>\$ 7,659.4</u>	<u>\$ 8,696.2</u>	<u>\$ 194.7</u>	<u>\$ 216.9</u>	<u>\$ 351.7</u>	<u>\$ 429.2</u>

No single customer accounted for more than 5% of net sales for the years ended December 31, 2020, 2019 and 2018. During the year ended December 31, 2020, approximately 30% of our purchases were made from ten suppliers.



## 17. QUARTERLY DATA (UNAUDITED)

The unaudited quarterly results of operations for 2020 and 2019 are summarized below:

	2020			
	Three Months Ended			
	March 31	June 30	September 30	December 31
<i>(in millions, except per share data)</i>				
Net sales	\$ 1,707.3	\$ 1,404.8	\$ 1,591.2	\$ 1,642.3
Cost of products sold	1,359.6	1,106.8	1,262.4	1,311.4
Net income (loss)	(0.4)	(18.5)	21.1	32.0
Weighted-average shares outstanding – basic	16.16	15.91	15.89	15.89
Weighted-average shares outstanding – diluted	16.16	15.91	16.21	16.80
Earnings (loss) per share <sup>(1)</sup> :				
Basic earnings (loss) per share	\$ (0.02)	\$ (1.16)	\$ 1.33	\$ 2.01
Diluted earnings (loss) per share	\$ (0.02)	\$ (1.16)	\$ 1.30	\$ 1.90

<sup>(1)</sup> See Note 12, Earnings (Loss) Per Share, for discussion about the shares of common stock utilized in the computation of basic and diluted earnings (loss) per share for the year ended December 31, 2020.

	2019			
	Three Months Ended			
	March 31	June 30	September 30	December 31
<i>(in millions, except per share data)</i>				
Net sales	\$ 1,941.5	\$ 1,958.2	\$ 1,924.5	\$ 1,835.2
Cost of products sold	1,591.4	1,584.3	1,550.8	1,479.7
Net income (loss)	(26.7)	(11.3)	5.1	3.4
Weighted-average shares outstanding – basic	15.94	16.09	16.10	16.10
Weighted-average shares outstanding – diluted	15.94	16.09	16.24	16.40
Earnings (loss) per share <sup>(1)</sup> :				
Basic earnings (loss) per share	\$ (1.68)	\$ (0.70)	\$ 0.32	\$ 0.21
Diluted earnings (loss) per share	\$ (1.68)	\$ (0.70)	\$ 0.31	\$ 0.21

<sup>(1)</sup> See Note 12, Earnings (Loss) Per Share, for discussion about the shares of common stock utilized in the computation of basic and diluted earnings (loss) per share for the year ended December 31, 2019.

See the table below for the quarterly breakdown of restructuring charges, net and integration expenses:

	2020			
	Three Months Ended			
	March 31	June 30	September 30	December 31
<i>(in millions)</i>				
Restructuring charges, net	\$ —	\$ 32.5	\$ 7.9	\$ 11.8
	2019			
	Three Months Ended			
	March 31	June 30	September 30	December 31
<i>(in millions)</i>				
Restructuring charges, net	\$ 2.4	\$ 6.9	\$ 7.6	\$ 11.9
Integration expenses	4.3	4.5	4.5	4.2

## **18. SUBSEQUENT EVENT**

On March 3, 2021, Veritiv announced that its Board of Directors authorized a \$50 million 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. This authorization replaces the \$25 million share repurchase authorization previously approved by the Board of Directors in March 2020 and may be suspended, terminated, increased or decreased by the Board at any time.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

### **ITEM 9A. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

The Company maintains a set of disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act, of 1934, as amended (the "Exchange Act"), designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2020. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2020.

Management necessarily applies its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives. The Company's management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that our disclosure controls and procedures can prevent all possible errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. Judgments in decision-making can be faulty and breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of one or more persons. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and while our disclosure controls and procedures are designed to be effective under circumstances where they should reasonably be expected to operate effectively, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in any control system, misstatements due to possible errors or fraud may occur and not be detected.

#### **Changes in Internal Control Over Financial Reporting**

There have been no changes in our internal control over financial reporting during the fourth quarter of 2020 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

#### **Management's Annual Report On Internal Control Over Financial Reporting**

##### ***Management's Responsibility for the Financial Statements***

The management of Veritiv Corporation is responsible for the preparation and integrity of the Consolidated Financial Statements appearing in our Annual Report on Form 10-K. The financial statements were prepared in conformity with U.S. GAAP appropriate in the circumstances and, accordingly, include certain amounts based on our best judgments and estimates. Financial information in this Annual Report on Form 10-K is consistent with that in the financial statements.

##### ***Internal Control Over Financial Reporting***

Management of our Company is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Consolidated Financial Statements. Our internal control over financial reporting is supported by a program of internal audits and appropriate reviews by management, written policies and guidelines, careful selection and training of qualified personnel and a written code of conduct adopted by our Board of Directors that is applicable to all officers and employees of our Company and subsidiaries, as well as a code of conduct that is applicable to all of our directors.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective, can only provide reasonable assurance with respect to financial statement

preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. The scope of management's assessment of the effectiveness of internal control over financial reporting includes all of the Company's businesses. In making this assessment on the effectiveness of our internal control over financial reporting as of December 31, 2020, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework* (2013 Framework). Based on our assessment, management has concluded that internal controls over financial reporting were effective as of December 31, 2020.

Our independent auditors, Deloitte & Touche LLP, an independent registered public accounting firm, are appointed by the Audit and Finance Committee of our Board of Directors. Deloitte & Touche LLP has audited and reported on the Consolidated Financial Statements of Veritiv Corporation, and has issued an attestation report on the effectiveness of our internal control over financial reporting. The report of the independent registered public accounting firm is contained in this Annual Report.

#### ***Audit and Finance Committee Responsibility***

The Audit and Finance Committee of our Board of Directors, composed solely of directors who are independent in accordance with the requirements of the New York Stock Exchange listing standards, the Exchange Act and our Corporate Governance Guidelines, meets with the independent auditors, management and internal auditors periodically to discuss internal control over financial reporting and auditing and financial reporting matters. The Audit and Finance Committee reviews with the independent auditors the scope and results of the audit effort. The Audit and Finance Committee also meets periodically with the independent auditors and the chief internal auditor without management present to ensure that the independent auditors and the chief internal auditor have free access to the Audit and Finance Committee. Our Audit and Finance Committee's Report can be found in the Proxy Statement for the Annual Meeting of Stockholders to be held on April 28, 2021, which will be filed on or about March 17, 2021.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and Board of Directors of Veritiv Corporation

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Veritiv Corporation and subsidiaries (the "Company") as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated March 3, 2021 expressed an unqualified opinion on those financial statements.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Atlanta, Georgia  
March 3, 2021



**ITEM 9B. OTHER INFORMATION**

Not applicable.

## **PART III**

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

(a) Directors of the Company.

This information is incorporated by reference to the Company's Proxy Statement for the 2021 Annual Meeting of Shareholders to be filed subsequent to the filing of this report under the heading "Proposal 1 – Election of Directors."

(b) Executive Officers of the Company.

This information can be found under "Information About Our Executive Officers" in Part I, Item 1 of this report.

(c) Audit Committee Financial Experts.

This information is incorporated by reference to the Company's Proxy Statement for the 2021 Annual Meeting of Shareholders to be filed subsequent to the filing of this report under the heading "Corporate Governance—Board Committees."

(d) Identification and Composition of the Audit and Finance Committee.

This information is incorporated by reference to the Company's Proxy Statement for the 2021 Annual Meeting of Shareholders to be filed subsequent to the filing of this report under the heading "Corporate Governance—Board Committees."

(e) Delinquent Section 16(a) Reports.

Not applicable.

(f) Code of Ethics.

This information is incorporated by reference to the Company's Proxy Statement for the 2021 Annual Meeting of Shareholders to be filed subsequent to the filing of this report under the heading "Corporate Governance—Corporate Governance Principles."

### **ITEM 11. EXECUTIVE COMPENSATION**

This information is incorporated by reference to the Company's Proxy Statement for the 2021 Annual Meeting of Shareholders to be filed subsequent to the filing of this report under the headings "Executive Compensation" and "Corporate Governance—Director Compensation."

### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

This information is incorporated by reference to the Company's Proxy Statement for the 2021 Annual Meeting of Shareholders to be filed subsequent to the filing of this report under the headings "Security Ownership of Certain Beneficial Owners and Management" and "Executive Compensation—Equity Compensation Plans."

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

This information is incorporated by reference to the Company's Proxy Statement for the 2021 Annual Meeting of Shareholders to be filed subsequent to the filing of this report under the headings "Corporate Governance—Related Person Transaction Policy" and "Corporate Governance—Director Independence."

### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

This information is incorporated by reference to the Company's Proxy Statement for the 2021 Annual Meeting of Shareholders to be filed subsequent to the filing of this report under the heading "Principal Accountant Fees and Services."

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed or incorporated by reference as part of this Form 10-K:

1. Financial Statements:

See Item 8. Financial Statements and Supplementary Data.

2. Financial Statement Schedules:

All schedules have been omitted as the required information is included in the footnotes or not applicable.

<b>Exhibit No.</b>	<b>Description</b>
--------------------	--------------------

2.1+	Agreement and Plan of Merger, dated as of January 28, 2014, by and among International Paper Company, Veritiv Corporation (f/k/a/ xpedx Holding Company), xpedx Intermediate, LLC, xpedx, LLC, UWW Holdings, LLC, UWW Holdings, Inc. and Unisource Worldwide, Inc., incorporated by reference from Exhibit 2.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-193950) filed on April 4, 2014.
2.2	Amendment No. 1 to the Agreement and Plan of Merger, dated as of May 28, 2014, by and among International Paper Company, Veritiv Corporation (f/k/a xpedx Holding Company), xpedx Intermediate, LLC, xpedx, LLC, UWW Holdings, LLC, UWW Holdings, Inc. and Unisource Worldwide, Inc., incorporated by reference from Exhibit 2.2 to the Registrant's Registration Statement on Form S-1 (File No. 333-193950) filed on June 5, 2014.
2.3	Amendment No. 2 to the Agreement and Plan of Merger, dated as of June 4, 2014, by and among International Paper Company, Veritiv Corporation (f/k/a) xpedx Holding Company), xpedx Intermediate, LLC, xpedx, LLC, UWW Holdings, LLC, UWW Holdings, Inc. and Unisource Worldwide, Inc., incorporated by reference from Exhibit 2.3 to the Registrant's Registration Statement on Form S-1 (File No. 333-193950) filed on June 5, 2014.
2.4+	Contribution and Distribution Agreement, dated as of January 28, 2014, by and among International Paper Company, Veritiv Corporation (f/k/a/ xpedx Holding Company), UWW Holdings, Inc. and UWW Holdings, LLC, incorporated by reference from Exhibit 2.4 to the Registrant's Registration Statement on Form S-1 (File No. 333-193950) filed on April 4, 2014.
2.5	Amendment No. 1 to the Contribution and Distribution Agreement, dated May 28, 2014, by and among International Paper Company, Veritiv Corporation (f/k/a xpedx Holding Company), UWW Holdings, Inc. and UWW Holdings, LLC, incorporated by reference from Exhibit 2.5 to the Registrant's Registration Statement on Form S-1 (File No. 333-193950) filed on June 5, 2014.
3.1	Amended and Restated Certificate of Incorporation of Veritiv Corporation, incorporated by reference from Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on July 3, 2014.
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Veritiv Corporation, incorporate by reference from Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on May 13, 2016.
3.3	Amended and Restated Bylaws of Veritiv Corporation, incorporated by reference from Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on December 21, 2018
4.1	Description of the Registrant's Securities, incorporated by reference from Exhibit 4.1 to the Registrant's Annual Report on Form 10-K filed on February 27, 2020.
10.1	Amended and Restated ABL Credit Agreement, dated as of July 1, 2014, as amended as of August 11, 2016 and as amended and restated as of April 9, 2020, by and among Veritiv Corporation, Veritiv Operating Company (f/k/a Unisource Worldwide, Inc.) and the other borrowers from time to time parties thereto, the several lenders and financial institutions from time to time parties thereto, Bank of America, N.A., as administrative agent and collateral agent for the lenders party thereto, and the other parties thereto, incorporated by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 14, 2020.

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
10.2	U.S. Guarantee and Collateral Agreement, dated as of July 1, 2014, made by xpedx Intermediate, LLC, xpedx, LLC, the Subsidiary Borrowers and the U.S. Guarantors parties thereto and Veritiv Corporation, in favor of Bank of America, N.A., as administrative agent and collateral agent for the Secured Parties (as defined therein), together with the Assumption and Supplemental Agreement, dated as of July 1, 2014, made by Veritiv Corporation, Alco Realty, Inc., Graph Comm Holdings International, Inc., Graphic Communications Holdings, Inc., Paper Corporation of North America, Unisource International Holdings, Inc., Unisource International Holdings Poland, Inc., and Unisource Worldwide, Inc., in favor of Bank of America, N.A., as collateral agent and as administrative agent, incorporated by reference from Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on July 3, 2014.
10.3	Canadian Guarantee and Collateral Agreement, dated as of July 1, 2014, made by Unisource Canada, Inc. and the Canadian Guarantors parties thereto, in favour of Bank of America, N.A., as administrative agent and collateral agent for the Secured Parties (as defined therein), incorporated by reference from Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on July 3, 2014.
10.4	Registration Rights Agreement, dated as of July 1, 2014, between UWW Holdings, LLC and Veritiv Corporation, incorporated by reference from Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on July 3, 2014.
10.5	Tax Matters Agreement, dated as of January 28, 2014, by and among International Paper Company, Veritiv Corporation (f/k/a/ xpedx Holding Company) and UWW Holdings, Inc., incorporated by reference from Exhibit 10.5 to the Registrant's Registration Statement on Form S-1 (File No. 333-193950) filed on February 14, 2014.
10.6†	Employment Agreement, dated as of December 29, 2017, 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 January 5, 2018.
10.7†	Offer Letter, dated as of February 13, 2014, between Veritiv Corporation (f/k/a xpedx Holding Company) and Stephen J. Smith, incorporated by reference from Exhibit 10.12 to the Registrant's Form 10-Q filed on August 14, 2014.
10.8†	Offer Letter, dated as of September 16, 2016, between Veritiv Operating Company and Tracy L. Pearson incorporated by reference from Exhibit 10.10 to the Registrant's Form 10-K filed on March 1, 2018.
10.9†	Addendum to Offer Letter, dated November 15, 2016, between Veritiv Operating Company and Tracy L. Pearson incorporated by reference from Exhibit 10.11 to the Registrant's Form 10-K filed on March 1, 2018.
10.10†	Offer Letter, dated as of February 15, 2018, between Veritiv Operating Company and Salvatore Abbate, incorporated by reference from Exhibit 10.12 to the Registrant's Form 10-K filed on February 28, 2019.
10.11†	Form of Indemnification Agreement between Veritiv Corporation (f/k/a xpedx Holding Company) and each of its directors, incorporated by reference from Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 (File No. 333-193950) filed on June 11, 2014.
10.12†	Veritiv Corporation 2014 Omnibus Incentive Plan, as amended and restated, effective March 8, 2017, incorporated by reference to Appendix A of the Registrant's Definitive Proxy Statement on Schedule 14A filed on April 13, 2017.
10.13†	Veritiv Corporation Deferred Compensation Savings Plan, incorporated by reference from Exhibit 10.20 to the Registrant's Form 10-Q filed on November 14, 2014.
10.14†	Form of Director Deferred Share Unit Award Agreement, incorporated by reference from Exhibit 10.21 to the Registrant's Form 10-K filed on March 24, 2015.
10.15†	Form of Director Deferred Share Unit Award Agreement (Stock-Settled Award), incorporated by reference from Exhibit 10.1 to the Registrant's Form 10-Q filed on August 9, 2016.
10.16†	Form of Restricted Stock Unit Award Agreement, incorporated by reference from Exhibit 10.22 to the Registrant's Form 10-K filed on March 24, 2015.
10.17†	Form of Performance Share Award Agreement (Adjusted EBITDA Performance Shares), incorporated by reference from Exhibit 10.23 to the Registrant's Form 10-K filed on March 24, 2015.
10.18†	Form of Performance Share Award Agreement (Relative TSR Performance Shares), incorporated by reference from Exhibit 10.24 to the Registrant's Form 10-K filed on March 24, 2015.

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
10.19†	2015 Veritiv Corporation Annual Incentive Plan, as amended and restated, effective March 8, 2017 incorporated by reference to Appendix B of the Registrant's Definitive Proxy Statement on Schedule 14A filed on April 13, 2017.
10.20†	Separation Agreement, dated as of December 6, 2019, by and between Veritiv Corporation and Thomas S. Lazzaro, incorporated by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 9, 2019.
10.21†	Form of Restricted Stock Unit Award Agreement (2020 revision), incorporated by reference from Exhibit 10.24 to the Registrant's Annual Report on Form 10-K filed on February 27, 2020.
10.22†	Form of Performance-Based Unit Award Agreement (ROIC, Packaging Gross Profit Dollar Growth & Relative TSR Modifier), incorporated by reference from Exhibit 10.25 to the Registrant's Annual Report on Form 10-K filed on February 27, 2020.
10.23†	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.
10.24†	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.
21.1*	List of Subsidiaries.
23.1*	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.
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)

+ Omitted schedules will be furnished supplementally to the SEC upon request

† Management contract or compensatory plans or arrangements

\* Filed herewith



## ITEM 16. FORM 10-K SUMMARY

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on March 3, 2021.

### VERITIV CORPORATION

(Registrant)

By: /s/ Salvatore A. Abbate

Name: Salvatore A. Abbate

Title: Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on March 3, 2021.

(i) Principal executive officer:

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

(ii) Principal financial officer:

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

(iii) Principal accounting officer:

/s/ Andrew E. Magley	Chief Accounting Officer
Andrew E. Magley	

(iv) Directors:

/s/ Stephen E. Macadam	Chairman of the Board of Directors
Stephen E. Macadam	
/s/ Shantella E. Cooper	Director
Shantella E. Cooper	
/s/ David E. Flitman	Director
David E. Flitman	
/s/ Daniel T. Henry	Director
Daniel T. Henry	
/s/ Tracy A. Leinbach	Director
Tracy A. Leinbach	
/s/ Michael P. Muldowney	Director
Michael P. Muldowney	
/s/ Charles G. Ward, III	Director
Charles G. Ward, III	



**Keisha Grigsby**  
Accounting Specialist  
Houston, Texas

## SHAREHOLDER INFORMATION

### TRANSFER AGENT & REGISTRAR

**Computershare**  
P.O. Box 505000  
Louisville, KY 40233-5000  
computershare.com/investor  
866.276.9370

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2020

**Deloitte & Touche LLP**  
Atlanta, GA

### ANNUAL MEETING

The Veritiv Corporation  
Annual Meeting of  
Shareholders will be held  
on Wednesday, April 28, 2021

### INVESTOR CONTACT

**Scott Palfreeman**  
Director, Finance and  
Investor Relations  
investor@veritivcorp.com  
844.845.2136

### ANNUAL REPORT & FORM 10-K COPIES

Copies of the Annual Report  
and Form 10-K are available  
and may be obtained by  
contacting:

**Veritiv Corporation**  
c/o Investor Relations  
1000 Abernathy Rd. NE  
Building 400, Suite 1700  
Atlanta, GA 30328

844.845.2136  
ir.veritivcorp.com

### FORWARD-LOOKING STATEMENTS

Certain statements contained in this report regarding the Company's future operating results, performance, business plans, prospects, guidance 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. 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 or business plans or prospects to differ materially from those expressed in, or implied by, these statements. For a detailed discussion of specific risks and uncertainties that could cause actual results to differ from those contained in the forward-looking statements, see the information under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020, which is included in this report, and in other filings we make with the SEC. 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.



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