UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# FORM 10-Q

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

For the quarterly period ended June 30, 2021

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

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

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

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

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

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

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

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

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

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

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

The number of shares outstanding of the registrant's common stock as of August 3, 2021 was 14,922,556.

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## PART I. FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

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

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|---|---|
| Net sales (including sales to related party of $6.1 and $11.7 in 2020, respectively) | $ 1,658.6 | $ 1,404.8 | $ 3,217.9 | $ 3,112.1 |
| Cost of products sold (including purchases from related party of $13.2 and $32.0 in 2020, respectively) (exclusive of depreciation and amortization shown separately below) | 1,319.0 | 1,106.8 | 2,557.1 | 2,466.4 |
| Distribution expenses | 104.0 | 99.9 | 205.5 | 223.3 |
| Selling and administrative expenses | 177.8 | 164.4 | 344.2 | 368.0 |
| Depreciation and amortization | 14.3 | 14.3 | 28.8 | 28.1 |
| Restructuring charges, net | 5.2 | 32.5 | 9.5 | 32.5 |
| **Operating income (loss)** | 38.3 | (13.1) | 72.8 | (6.2) |
| Interest expense, net | 4.5 | 7.2 | 9.6 | 14.2 |
| Other (income) expense, net | (1.7) | (1.3) | (2.7) | (1.4) |
| **Income (loss) before income taxes** | 35.5 | (19.0) | 65.9 | (19.0) |
| Income tax expense (benefit) | 9.1 | (0.5) | 18.2 | (0.1) |
| **Net income (loss)** | $ 26.4 | $ (18.5) | $ 47.7 | $ (18.9) |
| | | | | |
| Earnings (loss) per share: | | | | |
| Basic earnings (loss) per share | $ 1.69 | $ (1.16) | $ 3.03 | $ (1.18) |
| Diluted earnings (loss) per share | $ 1.62 | $ (1.16) | $ 2.89 | $ (1.18) |
| | | | | |
| Weighted-average shares outstanding: | | | | |
| Basic | 15.58 | 15.91 | 15.73 | 16.03 |
| Diluted | 16.30 | 15.91 | 16.49 | 16.03 |

See accompanying Notes to Condensed Consolidated Financial Statements.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Net income (loss) | $ 26.4 | $ (18.5) | $ 47.7 | $ (18.9) |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustments | 3.0 | 4.2 | 2.7 | (9.8) |
| Change in fair value of cash flow hedge, net of tax [1] | 0.1 | 0.0 | 0.1 | 0.0 |
| Pension liability adjustments, net of tax [1] | 0.0 | 0.0 | 0.0 | 0.0 |
| Other comprehensive income (loss) | 3.1 | 4.2 | 2.8 | (9.8) |
| Total comprehensive income (loss) | $ 29.5 | $ (14.3) | $ 50.5 | $ (28.7) |

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

See accompanying Notes to Condensed Consolidated Financial Statements.

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

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 34.7 | $ 120.6 |
| Accounts receivable, less allowances of $35.8 and $41.6, respectively | 882.8 | 849.5 |
| Inventories | 486.1 | 465.4 |
| Other current assets | 122.5 | 119.5 |
| **Total current assets** | 1,526.1 | 1,555.0 |
| Property and equipment (net of accumulated depreciation and amortization of $392.0 and $375.9, respectively) | 172.9 | 194.7 |
| Goodwill | 99.6 | 99.6 |
| Other intangibles, net | 45.1 | 47.4 |
| Deferred income tax assets | 58.9 | 60.0 |
| Other non-current assets | 365.3 | 378.3 |
| **Total assets** | $ 2,267.9 | $ 2,335.0 |
| **Liabilities and shareholders' equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 522.7 | $ 471.9 |
| Accrued payroll and benefits | 66.7 | 80.6 |
| Other accrued liabilities | 165.9 | 182.2 |
| Current portion of debt | 15.3 | 14.7 |
| **Total current liabilities** | 770.6 | 749.4 |
| Long-term debt, net of current portion | 520.4 | 589.1 |
| Defined benefit pension obligations | 17.0 | 18.2 |
| Other non-current liabilities | 380.3 | 395.2 |
| **Total liabilities** | 1,688.3 | 1,751.9 |
| Commitments and contingencies (Note 12) | | |
| Shareholders' equity: | | |
| Preferred stock, $0.01 par value, 10.0 million shares authorized, none issued | — | — |
| Common stock, $0.01 par value, 100.0 million shares authorized; shares issued - 17.0 million and 16.6 million, respectively; shares outstanding - 15.3 million and 15.9 million, respectively | 0.2 | 0.2 |
| Additional paid-in capital | 631.3 | 634.9 |
| Accumulated earnings (deficit) | 46.3 | (1.4) |
| Accumulated other comprehensive loss | (30.7) | (33.5) |
| Treasury stock at cost - 1.7 million shares in 2021 and 0.7 million shares in 2020 | (67.5) | (17.1) |
| **Total shareholders' equity** | 579.6 | 583.1 |
| **Total liabilities and shareholders' equity** | $ 2,267.9 | $ 2,335.0 |

See accompanying Notes to Condensed Consolidated Financial Statements.

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

| | Six Months Ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| **Operating activities** | | |
| Net income (loss) | $ 47.7 | $ (18.9) |
| Depreciation and amortization | 28.8 | 28.1 |
| Amortization and write-off of deferred financing fees | 0.7 | 1.5 |
| Net losses (gains) on disposition of assets and sale of a business | (5.6) | 0.3 |
| Provision for expected credit losses | (0.3) | 8.7 |
| Deferred income tax provision (benefit) | 1.3 | 2.4 |
| Stock-based compensation | 4.7 | 10.1 |
| Other non-cash items, net | 1.8 | 3.5 |
| Changes in operating assets and liabilities | | |
| Accounts receivable and related party receivable | (36.2) | 134.7 |
| Inventories | (21.2) | 37.9 |
| Other current assets | 0.4 | 15.9 |
| Accounts payable and related party payable | 58.9 | 0.2 |
| Accrued payroll and benefits | (13.9) | (14.8) |
| Other accrued liabilities | (18.6) | 10.1 |
| Other | 1.6 | 6.8 |
| Net cash provided by (used for) operating activities | 50.1 | 226.5 |
| **Investing activities** | | |
| Property and equipment additions | (9.1) | (14.7) |
| Proceeds from asset sales and sale of a business | 11.3 | 0.7 |
| Net cash provided by (used for) investing activities | 2.2 | (14.0) |
| **Financing activities** | | |
| Change in book overdrafts | (6.3) | (31.5) |
| Borrowings of long-term debt | 2,845.1 | 2,774.2 |
| Repayments of long-term debt | (2,909.0) | (2,865.7) |
| Payments under right-of-use finance leases | (6.7) | (6.2) |
| Deferred financing fees | (3.3) | (3.4) |
| Purchase of treasury stock | (50.4) | (3.5) |
| Payments under Tax Receivable Agreement | — | (0.3) |
| Other | (7.6) | (1.1) |
| Net cash provided by (used for) financing activities | (138.2) | (137.5) |
| Effect of exchange rate changes on cash | 0.0 | (0.6) |
| Net change in cash and cash equivalents | (85.9) | 74.4 |
| Cash and cash equivalents at beginning of period | 120.6 | 38.0 |
| Cash and cash equivalents at end of period | $ 34.7 | $ 112.4 |
| **Supplemental cash flow information** | | |
| Cash paid for income taxes, net of refunds | $ 26.0 | $ 1.2 |
| Cash paid for interest | 8.6 | 12.2 |
| **Non-cash investing and financing activities** | | |
| Non-cash additions to property and equipment for right-of-use finance leases | $ 0.4 | $ 12.6 |
| Non-cash additions to other non-current assets for right-of-use operating leases | 24.8 | 11.3 |

See accompanying Notes to Condensed Consolidated Financial Statements.

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

| | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common Stock Issued | | Additional Paid-in Capital | Accumulated Earnings (Deficit) | AOCL [1] | Treasury Stock | | Total |
| | Shares | Amount | | | | Shares | Amount | |
| Balance at December 31, 2020 | 16.6 | $ 0.2 | $ 634.9 | $ (1.4) | $ (33.5) | (0.7) | $ (17.1) | $ 583.1 |
| Net income (loss) | | | | 21.3 | | | | 21.3 |
| Other comprehensive income (loss) | | | | | (0.3) | | | (0.3) |
| Stock-based compensation | | | 1.2 | | | | | 1.2 |
| Issuance of common stock, net of stock received for minimum tax withholdings | 0.2 | 0.0 | (3.3) | | | | | (3.3) |
| Treasury stock purchases | | | | | | (0.6) | (24.6) | (24.6) |
| Balance at March 31, 2021 | 16.8 | $ 0.2 | $ 632.8 | $ 19.9 | $ (33.8) | (1.3) | $ (41.7) | $ 577.4 |
| Net income (loss) | | | | 26.4 | | | | 26.4 |
| Other comprehensive income (loss) | | | | | 3.1 | | | 3.1 |
| Stock-based compensation | | | 3.5 | | | | | 3.5 |
| Issuance of common stock, net of stock received for minimum tax withholdings | 0.2 | 0.0 | (5.0) | | | | | (5.0) |
| Treasury stock purchases | | | | | | (0.4) | (25.8) | (25.8) |
| Balance at June 30, 2021 | 17.0 | $ 0.2 | $ 631.3 | $ 46.3 | $ (30.7) | (1.7) | $ (67.5) | $ 579.6 |

[1] Accumulated other comprehensive loss.

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

[1] Accumulated other comprehensive loss.

See accompanying Notes to Condensed Consolidated Financial Statements.

**VERITIV CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

## 1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Description of Business**

Veritiv Corporation ("Veritiv" or the "Company") is a North American business-to-business 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 in 2014, following the merger (the "Merger") of International Paper Company's xpedx distribution solutions business ("xpedx") and UWW Holdings, Inc. ("UWWH"), the parent company of Unisource Worldwide, Inc. ("Unisource"). Veritiv operates from approximately 120 distribution centers primarily throughout the United States ("U.S."), Canada and Mexico.

**Basis of Presentation and Principles of Consolidation**

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for a complete set of annual audited financial statements. The accompanying unaudited financial information should be read in conjunction with the Consolidated Financial Statements and Notes contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") for the year ended December 31, 2020. In the opinion of management, all adjustments, including normal recurring accruals and other adjustments, considered necessary for a fair presentation of the interim financial information have been included. The operating results for the interim periods are not necessarily indicative of results for the full year, particularly in light of the novel coronavirus ("COVID-19") pandemic and its effects on the domestic and global economies. These financial statements include all of the Company's subsidiaries. All significant intercompany transactions between Veritiv's businesses have been eliminated.

**Use of Estimates**

The preparation of unaudited financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses and certain financial statement disclosures. Estimates and assumptions are used for, but not limited to, revenue recognition, right-of-use ("ROU") asset and liability valuations, accounts and notes receivable valuations, inventory valuation, employee benefit plans, income tax contingency accruals and valuation allowances, multi-employer pension plan ("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 began having a negative impact on the Company's financial results. 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 vaccines and to what extent normal economic and operating conditions can resume and be sustained. Even after the COVID-19 pandemic has subsided, the Company may experience an impact to its business as a result of any economic recession, downturn or volatility that has occurred or may occur in the future. Estimates are revised as additional information becomes available.

**Accounting Pronouncements**

***Recently Adopted Accounting Standards***

Effective January 1, 2021, the Company adopted Accounting Standards Update ("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 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 did not materially impact the Company's financial statements and disclosures.

***Recently Issued Accounting Standards Not Yet Adopted***

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, which currently carries an insignificant value, and long-term debt for which existing payments are based on LIBOR. The Company recently amended its ABL Facility to, among other things, update certain provisions to facilitate the transition from LIBOR to a new replacement benchmark rate. 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 AND CREDIT LOSSES

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. 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. Revenues from these sales are reported on a gross basis on the Condensed Consolidated Statements of Operations and have historically represented approximately 35% of Veritiv's total net sales. 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. 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. The Company has established credit and collection processes whereby collection assessments are performed and expected credit losses are recognized. Veritiv enters into incentive programs with certain of its customers, which are generally based on sales to those same customers. Veritiv follows the expected value method when estimating its retrospective incentives and records the estimated amount as a reduction to gross sales when revenue is recognized. Estimates of the variable consideration are based primarily on contract terms, current customer forecasts as well as historical experience.

Customer product returns are estimated based on historical experience and the identification of specific events necessitating an adjustment. The estimated return value is recognized as a reduction of gross sales and related cost of products sold. The estimated inventory returns value is recognized as part of inventories, while the estimated customer refund liability is recognized as part of other accrued liabilities on the Condensed Consolidated Balance Sheets. As of June 30, 2021 and December 31, 2020, estimated inventory returns were not significant.

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, which are included in accounts payable on the Condensed Consolidated Balance Sheets. 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 the table below for a year-to-date summary of the changes to the customer contract liabilities balance:

| | Customer Contract Liabilities | |
|---|---|---|
| *(in millions)* | 2021 | 2020 |
| Balance at January 1, | $ 12.2 | $ 11.7 |
| Payments received | 25.5 | 23.3 |
| Revenue recognized from beginning balance | (10.6) | (10.8) |
| Revenue recognized from current year receipts | (14.4) | (11.5) |
| Balance at June 30, | $ 12.7 | $ 12.7 |

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

- ***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 flexible, corrugated and fiber, ancillary packaging, rigid and equipment categories. The business is strategically focused on higher growth industry sectors including manufacturing, food and beverage, wholesale and retail, healthcare and transportation, as well as specialty 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 in product categories that include towels and tissues, food service, personal protective equipment, cleaning chemicals and skincare, 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 and graphics consumables primarily in North America. 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.

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

**Allowance for Credit Losses**

The components of the accounts receivable allowances were as follows:

| *(in millions)* | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Allowance for credit losses | $ 25.3 | $ 31.4 |
| Other allowances[1] | 10.5 | 10.2 |
| Total accounts receivable allowances | $ 35.8 | $ 41.6 |

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

Below is a year-to-date rollforward of the Company's allowance for credit losses. During the second quarter of 2021, the Company reassessed its reserve position for customers who had previously been considered high risk due to the pandemic, resulting in reductions to the allowance for certain customers. Additionally, the Company experienced no material customer bankruptcies during the first half of 2021. The impact of these positive experiences resulted in a favorable reduction of expected credit losses as shown in the table below.

| | Packaging and Facility Solutions | | Print - High Risk | | Print - Medium/Low Risk | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in millions)* | U.S. | Canada | U.S. | Canada | U.S. | Canada | Publishing[1] | Rest of world | Corporate & Other[1] | Total |
| Balance at December 31, 2020 | $ 14.4 | $ 0.5 | $ 10.2 | $ 0.7 | $ 2.2 | $ 0.0 | $ 1.6 | $ 1.0 | $ 0.8 | $ 31.4 |
| Add / (Deduct): | | | | | | | | | | |
| Provision for expected credit losses | 1.2 | 0.2 | (1.5) | 0.0 | 0.3 | 0.0 | (0.9) | (0.1) | 0.2 | (0.6) |
| Write-offs charged against the allowance | (2.4) | 0.0 | (1.3) | 0.0 | 0.0 | — | (0.1) | 0.0 | (0.2) | (4.0) |
| Recoveries of amounts previously written off | 0.0 | — | 0.0 | — | 0.0 | — | — | — | — | 0.0 |
| Other adjustments[2] | — | 0.0 | (0.2) | 0.0 | (1.3) | 0.0 | — | 0.0 | — | (1.5) |
| Balance at June 30, 2021 | $ 13.2 | $ 0.7 | $ 7.2 | $ 0.7 | $ 1.2 | $ 0.0 | $ 0.6 | $ 0.9 | $ 0.8 | $ 25.3 |

[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, under certain circumstances, enters into note receivable agreements with customers. Expected credit losses are recognized when collectability is uncertain; these losses are included in selling and administrative expenses on the Condensed Consolidated Statements of Operations. For the six months ended June 30, 2021 and 2020, the Company recognized $0.3 million and $4.3 million, respectively, in the provision for expected credit losses related to these notes receivable. At June 30, 2021 and December 31, 2020, the Company held $1.5 million and $2.2 million, respectively, in notes receivable, the majority of which is reflected within other current assets on the Condensed Consolidated Balance Sheets.

## 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 June 30, 2021, the Company operated from approximately 120 distribution centers of which approximately 110 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 components of lease expense were as follows:

| *(in millions)* | | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|---|
| **Lease Classification** | **Financial Statement Classification** | **2021** | **2020** | **2021** | **2020** |
| **Short-term lease expense**[1] | Operating expenses | $ 0.8 | $ 0.3 | $ 1.8 | $ 1.2 |
| **Operating lease expense**[2] | Operating expenses | $ 25.4 | $ 27.6 | $ 51.0 | $ 54.7 |
| **Finance lease expense:** | | | | | |
| Amortization of right-of-use assets | Depreciation and amortization | $ 3.6 | $ 3.7 | $ 7.3 | $ 7.2 |
| Interest expense | Interest expense, net | 0.7 | 0.7 | 1.4 | 1.5 |
| Total finance lease expense | | $ 4.3 | $ 4.4 | $ 8.7 | $ 8.7 |
| **Total Lease Cost** | | $ 30.5 | $ 32.3 | $ 61.5 | $ 64.6 |

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

Supplemental balance sheets and other information were as follows:

*(in millions, except weighted-average data)*

| **Lease Classification** | **Financial Statement Classification** | **June 30, 2021** | **December 31, 2020** |
|---|---|---|---|
| **Operating Leases:** | | | |
| Operating lease right-of-use assets | Other non-current assets | $ 335.7 | $ 351.7 |
| Operating lease obligations - current | Other accrued liabilities | $ 83.5 | $ 81.9 |
| Operating lease obligations - non-current | Other non-current liabilities | 288.0 | 307.4 |
| Total operating lease obligations | | $ 371.5 | $ 389.3 |
| Weighted-average remaining lease term in years | | 5.8 | 6.1 |
| Weighted-average discount rate | | 4.6 % | 4.7 % |
| **Finance Leases:** | | | |
| Finance lease right-of-use assets | Property and equipment | $ 70.4 | $ 76.6 |
| Finance lease obligations - current | Current portion of debt | $ 13.4 | $ 13.4 |
| Finance lease obligations - non-current | Long-term debt, net of current portion | 63.4 | 68.9 |
| Total finance lease obligations | | $ 76.8 | $ 82.3 |
| Weighted-average remaining lease term in years | | 6.8 | 7.1 |
| Weighted-average discount rate | | 3.7 % | 3.7 % |

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

| *(in millions)* | | Six Months Ended June 30, | |
|---|---|---|---|
| **Lease Classification** | **Financial Statement Classification** | **2021** | **2020** |
| **Operating Leases:** | | | |
| Operating cash flows from operating leases | Operating activities | $ 52.7 | $ 55.9 |
| | | | |
| **Finance Leases:** | | | |
| Operating cash flows from finance leases | Operating activities | $ 1.4 | $ 1.5 |
| Financing cash flows from finance leases | Financing activities | 6.7 | 6.2 |

**Lease Commitments**

Future minimum lease payments at June 30, 2021 were as follows:

| *(in millions)* | **Finance Leases** | **Operating Leases** [(1)] |
|---|---|---|
| 2021 (excluding the six months ended June 30, 2021) | $ 8.0 | $ 50.8 |
| 2022 | 15.7 | 90.4 |
| 2023 | 13.4 | 70.4 |
| 2024 | 11.6 | 56.4 |
| 2025 | 10.8 | 45.4 |
| 2026 | 8.0 | 39.2 |
| Thereafter | 20.2 | 74.2 |
| Total future minimum lease payments | 87.7 | 426.8 |
| Amount representing interest | (10.9) | (55.3) |
| Total future minimum lease payments, net of interest | $ 76.8 | $ 371.5 |

(1) Future sublease income of $2.4 million is excluded from the operating leases amount in the table above.

Total future minimum lease payments at June 30, 2021 for finance and operating leases, including the amount representing interest, are comprised of $446.6 million for real estate leases and $67.9 million for non-real estate leases.

At June 30, 2021, the Company had committed to additional future obligations of approximately $80.1 million for real estate operating leases that have not yet commenced and therefore are not included in the table above. These leases will commence within the next nine months with an average lease term of approximately nine years. At June 30, 2021, the Company also committed to future obligations of approximately $1.1 million for computer equipment finance leases that will commence within the next three months with terms of four years.

## 4. RESTRUCTURING 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 includes (i) a 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 currently estimates it will incur total restructuring charges of between $70 million and $87 million in connection with the 2020 Restructuring Plan. Through June 30, 2021, the Company has incurred approximately $61.7 million in costs and charges, of which $9.5 million was incurred during the six months ended June 30, 2021. Initial charges were incurred and recorded in June 2020. The Company expects to substantially complete the 2020 Restructuring Plan by the end of 2021.

Other direct costs reported in the tables below include facility closing costs and other incidental costs associated with the development, communication, administration and implementation of these initiatives; costs incurred exclude any non-cash portion of restructuring gains or losses on asset disposals.

The following is a summary of the Company's 2020 Restructuring Plan liability activity for the current year:

| *(in millions)* | Severance and Related Costs | Other Direct Costs | Total |
|---|---|---|---|
| Balance at December 31, 2020 | $ 15.4 | $ 6.9 | $ 22.3 |
| Costs incurred | (0.3) | 2.7 | 2.4 |
| Payments | (5.2) | (1.6) | (6.8) |
| Balance at March 31, 2021 | 9.9 | 8.0 | 17.9 |
| Costs incurred | 0.5 | 3.3 | 3.8 |
| Payments | (4.2) | (4.3) | (8.5) |
| Balance at June 30, 2021 | $ 6.2 | $ 7.0 | $ 13.2 |

In addition to the costs incurred in the table above, during the three and six months ended June 30, 2021, the Company expensed $1.9 million and $3.8 million, respectively, of Other Direct Costs, which was prepaid during the fourth quarter of 2020. For the three and six months ended June 30, 2021, the Company recognized non-cash net gains of $0.5 million from lease terminations and retirement of assets.

The following is a summary of the Company's 2020 Restructuring Plan liability activity for the prior year comparable period:

| *(in millions)* | Severance and Related Costs | Other Direct Costs | Total |
|---|---|---|---|
| Balance at March 31, 2020 | $ — | $ — | $ — |
| Costs incurred | 31.6 | 0.9 | 32.5 |
| Payments | — | — | — |
| Balance at June 30, 2020 | $ 31.6 | $ 0.9 | $ 32.5 |

Additionally, the Company has recorded other restructuring liabilities related to the previous restructuring plans that as of June 30, 2021, totaled $22.9 million, of which $19.4 million was related to MEPP withdrawal obligations that will be paid-out over an approximate 20-year period. These other liabilities as of December 31, 2020, totaled $24.0 million, of which $20.0 million was related to MEPP withdrawal obligations.

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

## 5. DEBT

The Company's debt obligations were as follows:

| *(in millions)* | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Asset-Based Lending Facility (the "ABL Facility") | $ 457.0 | $ 520.2 |
| Commercial card program | 1.9 | 1.3 |
| Finance leases | 76.8 | 82.3 |
| Total debt | 535.7 | 603.8 |
| Less: current portion of debt | (15.3) | (14.7) |
| Long-term debt, net of current portion | $ 520.4 | $ 589.1 |

**ABL Facility**

On May 20, 2021, the Company amended its ABL Facility to extend the maturity date to May 20, 2026, adjust the pricing grid for applicable interest rates and update certain provisions to facilitate the transition from LIBOR to a new replacement benchmark rate. All other significant terms remained substantially the same. The Company incurred and deferred $3.3 million of new financing costs associated with the transaction, reflected in other non-current assets in the Condensed Consolidated Balance Sheet, which will be amortized to interest expense on a straight-line basis over the new amended term of the ABL Facility.

Previously, on April 9, 2020, the Company amended its ABL Facility to extend the maturity date to April 9, 2025, reduce the aggregate commitments from $1.4 billion to $1.1 billion and adjust the pricing grid for applicable interest rates. All other significant terms remained substantially the same. The Company recognized a one-time charge of $0.6 million to interest expense, net, on the Condensed Consolidated Statement of Operations, for the write-off of a portion of the previously deferred financing costs associated with lenders in the ABL Facility that exited the amended ABL Facility. In addition, the Company incurred and deferred $3.4 million of financing costs associated with this transaction, reflected in other non-current assets on the Condensed Consolidated Balance Sheet, which will be amortized to interest expense on a straight-line basis over the new 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 June 30, 2021, the available additional borrowing capacity under the ABL Facility was approximately $444.6 million. As of June 30, 2021, the Company held $12.1 million in outstanding letters of credit.

The ABL Facility has a springing minimum fixed charge coverage ratio of at least 1.00 to 1.00 on a trailing four-quarter basis, which will be tested only when specified availability is less than the limits outlined under the ABL Facility. At June 30, 2021, 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.

**Commercial Card Program**

The Company has a commercial purchasing card program that is used for business purpose purchasing and must be paid in-full monthly. At June 30, 2021, the card carried a maximum credit limit of $37.5 million. At June 30, 2021 and December 31, 2020, $1.9 million and $1.3 million, respectively, was outstanding on the commercial card. The net change in the outstanding balance is reflected in other financing activities on the Condensed Consolidated Statements of Cash Flows.

## 6. INCOME TAXES

The Company calculated the expense or benefit for income taxes during the three and six months ended June 30, 2021 and 2020, by applying an estimate of the annual effective tax rate ("AETR") for the full fiscal year to "ordinary" income or loss (pre-tax income or loss excluding unusual or infrequently occurring discrete items) for the reporting periods.

The following table presents the Company's expense (benefit) for income taxes and the effective tax rates:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions)* | **2021** | **2020** | **2021** | **2020** |
| Income (loss) before income taxes | $ 35.5 | $ (19.0) | $ 65.9 | $ (19.0) |
| Income tax expense (benefit) | 9.1 | (0.5) | 18.2 | (0.1) |
| Effective tax rate | 25.6 % | 2.6 % | 27.6 % | 0.5 % |

The difference between the Company's effective tax rates for the three and six months ended June 30, 2021 and 2020, and the U.S. statutory tax rate of 21.0% primarily relates to state income taxes (net of federal income tax benefit), non-deductible expenses, vesting of stock compensation, Global Intangible Low-Taxed Income, and the Company's pre-tax book income (loss) by jurisdiction. In addition, Veritiv recognized the tax-effect of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") in the quarter ended March 31, 2020, and recorded an estimated $2.1 million benefit, primarily related to the carryback of net operating loss ("NOL" or "NOLs") generated in 2019 to prior years in which the U.S. statutory tax rate was 35%.

During the three months ended June 30, 2020, Veritiv refined the estimated carryback and recorded an estimated $1.2 million expense, for a year-to-date net benefit related to the CARES Act of $0.9 million.

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

## 7. RELATED PARTY TRANSACTIONS

On March 3, 2021, Veritiv announced that its Board of Directors authorized a $50 million share repurchase program (the "2021 Share Repurchase Program"), which was increased to $100 million in May 2021. Executing within the 2021 Share Repurchase Program, on March 9, 2021, Veritiv entered into a Share Repurchase Agreement with UWW Holdings, LLC (the "UWWH Stockholder"), pursuant to which the Company agreed to repurchase (the "Share Repurchase") an aggregate of 553,536 shares of its common stock owned by the UWWH Stockholder for an aggregate purchase price of $23.2 million. The Share Repurchase closed on March 12, 2021 and the Company funded the Share Repurchase with cash on hand. Concurrently with the closing of the Share Repurchase, the UWWH Stockholder sold the remainder of its shares of Veritiv common stock to an unrelated third party. Additionally, during the second quarter of 2021, the Company purchased 449,940 shares of its common stock owned by unrelated third parties for an aggregate purchase price of $25.8 million.

**Agreements with the UWWH Stockholder prior to the Share Repurchase**

In January 2020, in connection with the Tax Receivable Agreement ("TRA") executed at the time of the Merger, Veritiv paid $0.3 million in principal and interest to the UWWH Stockholder for the utilization of pre-merger NOLs in its 2018 federal and state tax returns. 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. See Note 9, 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. Following completion of such sale, which reduced the UWWH Stockholder's ownership below 10% of Veritiv's outstanding common stock, Georgia-Pacific, as joint owner of the UWWH Stockholder, is no longer treated as a related party. 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*.

**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 the transactions with Georgia-Pacific during the prior year period when it was considered a related party:

| | Three Months Ended June 30, | Six Months Ended June 30, |
|---|---|---|
| *(in millions)* | 2020 | 2020 |
| Sales to Georgia-Pacific, reflected in net sales | $ 6.1 | $ 11.7 |
| Purchases of inventory from Georgia-Pacific, recognized in cost of products sold | 13.2 | 32.0 |

## 8. DEFINED BENEFIT PLANS

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

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

| *(in millions)* | Three Months Ended June 30, 2021 U.S. | Three Months Ended June 30, 2021 Canada | Three Months Ended June 30, 2020 U.S. | Three Months Ended June 30, 2020 Canada |
|---|---|---|---|---|
| Components of net periodic benefit cost (credit): | | | | |
| Service cost | $ 0.6 | $ 0.1 | $ 0.5 | $ 0.1 |
| | | | | |
| Interest cost | $ 0.2 | $ 0.5 | $ 0.4 | $ 0.6 |
| Expected return on plan assets | (1.1) | (1.1) | (1.0) | (1.0) |
| Amortization of net loss | 0.0 | 0.1 | 0.0 | 0.1 |
| Total other components | $ (0.9) | $ (0.5) | $ (0.6) | $ (0.3) |
| Net periodic benefit cost (credit) | $ (0.3) | $ (0.4) | $ (0.1) | $ (0.2) |

| *(in millions)* | Six Months Ended June 30, 2021 U.S. | Six Months Ended June 30, 2021 Canada | Six Months Ended June 30, 2020 U.S. | Six Months Ended June 30, 2020 Canada |
|---|---|---|---|---|
| Components of net periodic benefit cost (credit): | | | | |
| Service cost | $ 1.2 | $ 0.2 | $ 1.1 | $ 0.2 |
| | | | | |
| Interest cost | $ 0.5 | $ 1.0 | $ 0.8 | $ 1.2 |
| Expected return on plan assets | (2.2) | (2.1) | (2.0) | (1.9) |
| Amortization of net loss | 0.0 | 0.1 | 0.0 | 0.1 |
| Total other components | $ (1.7) | $ (1.0) | $ (1.2) | $ (0.6) |
| Net periodic benefit cost (credit) | $ (0.5) | $ (0.8) | $ (0.1) | $ (0.4) |

## 9. FAIR VALUE MEASUREMENTS

At June 30, 2021 and December 31, 2020, 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 may include highly-liquid investments with original maturities to the Company of three months or less that are readily convertible into known amounts of cash.

Borrowings under the ABL Facility are at variable market interest rates, and accordingly, the carrying amount approximates fair value, which is a Level 2 measurement. 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 and was not significant for the periods presented in this report. See Note 5, Debt, for additional information regarding the Company's ABL Facility and other obligations.

At June 30, 2021 and December 31, 2020, the Company had assets-held-for-sale of $0.4 million and $0.4 million, respectively. These assets are included, at the lower of their carrying value or fair value, in other current assets on the Condensed Consolidated Balance Sheets. During the second quarter of 2021, the Company sold one property and recognized a gain of approximately $1.7 million related to the exit and sale of the facility, which is included in selling and administrative expenses on the Condensed Consolidated Statement of Operations.

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. 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 Condensed Consolidated Statements of Operations. In

December 2020, the Company and the UWWH Stockholder agreed to settle the TRA. See Note 7, Related Party Transactions, for additional information regarding the TRA.

## 10. EARNINGS (LOSS) PER SHARE

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

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(in millions, except per share data)* | 2021 | 2020 | 2021 | 2020 |
| **Numerator:** | | | | |
| Net income (loss) | $ 26.4 | $ (18.5) | $ 47.7 | $ (18.9) |
| | | | | |
| **Denominator:** | | | | |
| Weighted-average shares outstanding – basic | 15.58 | 15.91 | 15.73 | 16.03 |
| Dilutive effect of stock-based awards | 0.72 | — | 0.76 | — |
| Weighted-average shares outstanding – diluted | 16.30 | 15.91 | 16.49 | 16.03 |
| | | | | |
| **Earnings (loss) per share:** | | | | |
| Basic earnings (loss) per share | $ 1.69 | $ (1.16) | $ 3.03 | $ (1.18) |
| Diluted earnings (loss) per share | $ 1.62 | $ (1.16) | $ 2.89 | $ (1.18) |
| | | | | |
| Antidilutive stock-based awards excluded from computation of diluted earnings per share ("EPS") | 0.00 | 1.18 | 0.00 | 1.23 |
| Performance stock-based awards excluded from computation of diluted EPS because performance conditions had not been met | 0.07 | 0.31 | 0.07 | 0.31 |

In accordance with the Company's 2014 Omnibus Incentive Plan, as amended and restated as of March 8, 2017, shares of the Company's common stock were issued to plan participants whose Restricted Stock Units and/or Performance Condition Share Units vested during those periods. The net share issuance is included on the Condensed Consolidated Statements of Shareholders' Equity for the three and six months ended June 30, 2021 and 2020. The related cash flow impacts are included in other financing activities on the Condensed Consolidated Statements of Cash Flows. For additional information related to these plans refer to the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2020.

See the table below for information related to these transactions.

| *(in millions)* | 2021 | 2020 |
|---|---|---|
| Three months ended March 31, | | |
| Shares issued | 0.3 | 0.2 |
| Shares recovered for minimum tax withholding | (0.1) | (0.1) |
| Net shares issued | 0.2 | 0.1 |
| | | |
| Three months ended June 30, | | |
| Shares issued | 0.3 | 0.1 |
| Shares recovered for minimum tax withholding | (0.1) | 0.0 |
| Net shares issued | 0.2 | 0.1 |

## 11. ACCUMULATED OTHER COMPREHENSIVE LOSS ("AOCL")

Comprehensive income (loss) is reported on the Condensed Consolidated Statements of Comprehensive Income (Loss) and consists of net income (loss) and other gains and losses affecting shareholders' equity that, under U.S. GAAP, are excluded from net income (loss). The following tables provide the components of AOCL (amounts are shown net of their related income tax effects, if any):

| *(in millions)* | Foreign currency translation adjustments | Retirement liabilities | Interest rate cap | AOCL |
|---|---|---|---|---|
| Balance at December 31, 2020 | $ (24.2) | $ (9.1) | $ (0.2) | $ (33.5) |
| Unrealized net gains (losses) arising during the period | (0.3) | 0.0 | 0.0 | (0.3) |
| Net current period other comprehensive income (loss) | (0.3) | 0.0 | 0.0 | (0.3) |
| Balance at March 31, 2021 | (24.5) | (9.1) | (0.2) | (33.8) |
| Unrealized net gains (losses) arising during the period | 2.8 | 0.0 | 0.0 | 2.8 |
| Amounts reclassified from AOCL | 0.2 | 0.0 | 0.1 | 0.3 |
| Net current period other comprehensive income (loss) | 3.0 | 0.0 | 0.1 | 3.1 |
| Balance at June 30, 2021 | $ (21.5) | $ (9.1) | $ (0.1) | $ (30.7) |

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

## 12. COMMITMENTS AND CONTINGENCIES

**Legal Proceedings**

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

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

**Western Pennsylvania Teamsters and Employers Pension Fund**

During the second quarter of 2019, in the course of negotiations for a collective bargaining agreement, Veritiv negotiated a partial withdrawal from the Western Pennsylvania Teamsters and Employers Pension Fund (the "Western Pennsylvania Fund"), a MEPP related to its Warrendale, Pennsylvania location, and recognized an estimated partial withdrawal liability of $6.5 million, which was unchanged as of June 30, 2021.

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 June 30, 2021. 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 June 30, 2021, 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.

## 13. SEGMENT AND OTHER INFORMATION

Veritiv's business is organized under four reportable segments: Packaging, Facility Solutions, Print, and Publishing and Print Management ("Publishing"). See Note 2, Revenue Recognition and Credit Losses, for descriptions of the Company's reportable segments and Corporate & Other.

The following table presents net sales, Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, restructuring charges, net, integration and acquisition expenses and other similar charges including any severance costs, costs associated with warehouse and office openings or closings, consolidation, and relocation and other business optimization expenses, stock-based compensation expense, changes in the LIFO reserve, non-restructuring asset impairment charges, non-restructuring severance charges, non-restructuring pension charges, net, fair value adjustments related to contingent liabilities assumed in mergers and acquisitions and certain other adjustments), which is the metric management uses to assess operating performance of the segments, and certain other measures for each of the reportable segments and Corporate & Other for the periods presented:

| *(in millions)* | Packaging | Facility Solutions | Print | Publishing | Total Reportable Segments | Corporate & Other | Total |
|---|---|---|---|---|---|---|---|
| **Three Months Ended June 30, 2021** | | | | | | | |
| Net sales | $ 915.0 | $ 224.7 | $ 351.2 | $ 137.8 | $ 1,628.7 | $ 29.9 | $ 1,658.6 |
| Adjusted EBITDA | 95.4 | 10.4 | 18.3 | 3.9 | 128.0 | (54.5) | |
| Depreciation and amortization | 6.4 | 1.9 | 1.5 | 0.1 | 9.9 | 4.4 | 14.3 |
| Restructuring charges, net | 3.1 | 0.6 | 0.8 | 0.0 | 4.5 | 0.7 | 5.2 |
| **Three Months Ended June 30, 2020** | | | | | | | |
| Net sales | $ 781.5 | $ 202.5 | $ 282.2 | $ 115.2 | $ 1,381.4 | $ 23.4 | $ 1,404.8 |
| Adjusted EBITDA | 69.9 | 11.4 | 1.3 | (0.2) | 82.4 | (42.6) | |
| Depreciation and amortization | 5.6 | 1.9 | 1.9 | 0.1 | 9.5 | 4.8 | 14.3 |
| Restructuring charges, net | 8.2 | 3.2 | 16.0 | 0.0 | 27.4 | 5.1 | 32.5 |
| **Six Months Ended June 30, 2021** | | | | | | | |
| Net sales | $ 1,769.6 | $ 430.8 | $ 674.4 | $ 285.9 | $ 3,160.7 | $ 57.2 | $ 3,217.9 |
| Adjusted EBITDA | 173.4 | 21.9 | 30.6 | 9.0 | 234.9 | (101.9) | |
| Depreciation and amortization | 12.5 | 3.9 | 3.1 | 0.1 | 19.6 | 9.2 | 28.8 |
| Restructuring charges, net | 5.8 | 1.1 | 2.4 | 0.0 | 9.3 | 0.2 | 9.5 |
| **Six Months Ended June 30, 2020** | | | | | | | |
| Net sales | $ 1,584.1 | $ 462.2 | $ 734.4 | $ 281.9 | $ 3,062.6 | $ 49.5 | $ 3,112.1 |
| Adjusted EBITDA | 129.5 | 20.4 | 12.5 | 3.4 | 165.8 | (89.8) | |
| Depreciation and amortization | 10.9 | 3.8 | 4.0 | 0.1 | 18.8 | 9.3 | 28.1 |
| Restructuring charges, net | 8.2 | 3.2 | 16.0 | 0.0 | 27.4 | 5.1 | 32.5 |

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

| (in millions) | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|---|---|
| Net income (loss) | $ 26.4 | $ (18.5) | $ 47.7 | $ (18.9) |
| Interest expense, net | 4.5 | 7.2 | 9.6 | 14.2 |
| Income tax expense (benefit) | 9.1 | (0.5) | 18.2 | (0.1) |
| Depreciation and amortization | 14.3 | 14.3 | 28.8 | 28.1 |
| Restructuring charges, net | 5.2 | 32.5 | 9.5 | 32.5 |
| Facility closure charges, including (gain) loss from asset disposition | (1.5) | 0.6 | (1.2) | 2.0 |
| Stock-based compensation | 3.5 | 0.7 | 4.7 | 10.1 |
| LIFO reserve (decrease) increase | 11.0 | 1.7 | 16.1 | (4.2) |
| Non-restructuring severance charges | 1.1 | 0.7 | 1.9 | 2.4 |
| Non-restructuring pension charges, net | — | 0.1 | — | 7.2 |
| Fair value adjustment on TRA contingent liability | — | (0.3) | — | (1.0) |
| Fair value adjustment on contingent consideration liability | — | — | — | 1.0 |
| Other | (0.1) | 1.3 | (2.3) | 2.7 |
| Adjustment for Corporate & Other | 54.5 | 42.6 | 101.9 | 89.8 |
| Adjusted EBITDA for reportable segments | $ 128.0 | $ 82.4 | $ 234.9 | $ 165.8 |

On March 31, 2021, the Company sold its Print segment's Rollsource business, which provides specialized converting of commercial printing paper for distribution to the business-forms, direct-mail and digital-printing industries. The Company received cash proceeds of approximately $7.5 million, which was immediately used to pay outstanding revolving loan borrowings under the ABL Facility. The cash proceeds are reported as proceeds from asset sales and sale of a business in the investing activities section of the Condensed Consolidated Statements of Cash Flows. The Company recognized an initial gain of $2.4 million on the sale, and in the second quarter of 2021, recognized an additional gain of $0.7 million related to the post-closing working capital adjustment, both of which are included in selling and administrative expenses on the Condensed Consolidated Statements of Operations. The transaction is substantially complete and no further significant adjustments are expected. The divestiture is not considered a strategic shift that will have a major effect on the Company's operations or financial results; therefore, it is not reported as discontinued operations.

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

*Certain statements contained in this report regarding the Company's future operating results, performance, business plans, 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" and elsewhere in our Annual Report on Form 10-K 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 "Risk Factors" and elsewhere in our Annual Report on Form 10-K and in our other filings we make with the SEC. Forward-looking statements are made only as of the date hereof, and the Company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, historical information should not be considered as an indicator of future performance.*

*The following discussion of the Company's financial condition and results of operations for the three and six months ended June 30, 2021 should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto, included elsewhere in this report.*

**Executive Overview**

***The COVID-19 Pandemic***

The global outbreak of the novel coronavirus ("COVID-19"), which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the United States ("U.S.") and global economies and created significant uncertainty regarding potential impacts to Veritiv Corporation's ("Veritiv" or the "Company") operations, supply chain and customer demand. 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 began having a negative impact on the Company's financial results, including decreased sales activity. Sales activity during the second quarter of 2021 was above the same period in 2020 for all the Company's reportable segments including the Packaging segment, which is above pre-COVID-19 levels. The Company has seen economic improvements in many of the markets where it operates, as global vaccine distribution efforts continue. However, some areas continue to experience renewed outbreaks and new variants of the virus continue to emerge.

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.

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 as described under the heading "2020 Restructuring Plan" below.

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 June 30, 2021, Veritiv had cash and cash equivalents of $34.7 million and also had $444.6 million in available additional borrowing capacity under the ABL Facility. In May 2021, the Company amended its ABL Facility to, among other things, extend the maturity date to May 2026.

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 vaccines 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.

***Other Recent Developments***

*2021 Share Repurchase Program*

On March 3, 2021, Veritiv announced that its Board of Directors authorized a $50 million share repurchase program (the "2021 Share Repurchase Program"). On May 24, 2021, the Company announced its Board of Directors increased the 2021 Share Repurchase Program authorization to a total of $100 million. Under the increased repurchase authorization, the Company may, from time to time, purchase shares of its common stock through open market purchases, privately negotiated transactions, accelerated repurchase programs, tender offers or otherwise, in accordance with all applicable securities laws and regulations. This new and expanded authorization for the share repurchase program replaces the $25 million share repurchase authorization previously approved by the Board of Directors in March 2020 (the "2020 Share Repurchase Program") and may be suspended, terminated, increased or decreased by the Board at any time.

*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 includes (i) a 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 currently estimates it will incur total restructuring charges of between $70 million and $87 million in connection with the 2020 Restructuring Plan. Initial charges were incurred and recorded in June 2020. The Company expects to substantially complete the 2020 Restructuring Plan by the end of 2021. See Note 4 of the Notes to Condensed Consolidated Financial Statements for information related to the Company's restructuring efforts.

*Supply Chain Restructuring*

On March 13, 2020, Veritiv announced that its Board of Directors authorized Company management to evaluate alternatives to restructure the Company's integrated supply chain in an effort to facilitate better alignment with the supply chain needs of the Company's customers by segment, with a view towards reducing complexity and lowering overall supply chain costs. Each of the Company's reportable segments has different market dynamics and business and service needs. 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. The Company is not currently anticipating a separate restructuring of the supply chain operations in 2021 as the changes made in conjunction with the 2020 Restructuring Plan have positioned the Company to meet its near-term needs. There can be no assurance as to what form any future restructuring may take or whether this on-going 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. Veritiv was established in 2014, following the merger (the "Merger") of International Paper Company's xpedx distribution solutions business and UWW Holdings, Inc., the parent company of Unisource Worldwide, Inc. The Company operates from approximately 120 distribution centers primarily throughout the U.S., Canada and Mexico.

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

- ***Packaging*** – 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. Veritiv services its customers with a full spectrum of packaging product materials within flexible, corrugated and fiber, ancillary packaging, rigid and equipment categories. The business is strategically focused on higher growth industry sectors including manufacturing, food and beverage, wholesale and retail, healthcare and transportation, as well as specialty 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 in product categories that include towels and tissues, food service, personal protective equipment, cleaning chemicals and skincare, 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 and graphics consumables primarily in North America. Veritiv's broad geographic platform of operations coupled with the breadth of paper and graphics products, including exclusive private brand offerings, provides a foundation to service national, regional and local customers across North America.

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

***Seasonality***

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

**Results of Operations, Including Business Segments**

The following discussion compares the consolidated operating results of Veritiv for the three and six months ended June 30, 2021 and 2020:

| | Three Months Ended June 30, | | Increase (Decrease) | | Six Months Ended June 30, | | Increase (Decrease) | |
|---|---|---|---|---|---|---|---|---|
| *(in millions)* | 2021 | 2020 | $ | % | 2021 | 2020 | $ | % |
| Net sales | $ 1,658.6 | $ 1,404.8 | $ 253.8 | 18.1% | $ 3,217.9 | $ 3,112.1 | $ 105.8 | 3.4% |
| Cost of products sold (exclusive of depreciation and amortization shown separately below) | 1,319.0 | 1,106.8 | 212.2 | 19.2% | 2,557.1 | 2,466.4 | 90.7 | 3.7% |
| Distribution expenses | 104.0 | 99.9 | 4.1 | 4.1% | 205.5 | 223.3 | (17.8) | (8.0)% |
| Selling and administrative expenses | 177.8 | 164.4 | 13.4 | 8.2% | 344.2 | 368.0 | (23.8) | (6.5)% |
| Depreciation and amortization | 14.3 | 14.3 | 0.0 | 0.0% | 28.8 | 28.1 | 0.7 | 2.5% |
| Restructuring charges, net | 5.2 | 32.5 | (27.3) | (84.0)% | 9.5 | 32.5 | (23.0) | (70.8)% |
| Operating income (loss) | 38.3 | (13.1) | 51.4 | * | 72.8 | (6.2) | 79.0 | * |
| Interest expense, net | 4.5 | 7.2 | (2.7) | (37.5)% | 9.6 | 14.2 | (4.6) | (32.4)% |
| Other (income) expense, net | (1.7) | (1.3) | (0.4) | (30.8)% | (2.7) | (1.4) | (1.3) | (92.9)% |
| Income (loss) before income taxes | 35.5 | (19.0) | 54.5 | * | 65.9 | (19.0) | 84.9 | * |
| Income tax expense (benefit) | 9.1 | (0.5) | 9.6 | * | 18.2 | (0.1) | 18.3 | * |
| Net income (loss) | $ 26.4 | $ (18.5) | $ 44.9 | * | $ 47.7 | $ (18.9) | $ 66.6 | * |

****- not meaningful***

*Net Sales*

For the three months ended June 30, 2021, net sales increased by $253.8 million, or 18.1%. Net sales increased in all reportable segments with the Packaging segment's net sales responsible for over 50% of the total increase. Primarily beginning in April 2020, the Company experienced decreased net sales due to the negative impacts from the COVID-19 pandemic. See the "Segment Results" section for additional discussion.

For the six months ended June 30, 2021, net sales increased by $105.8, or 3.4%. Net sales increased in Packaging and Publishing, while Print and Facility Solutions decreased. The decrease in Print was due to continuing secular decline in the paper industry and negative impact on demand from the COVID-19 pandemic. The decrease in Facility Solutions was primarily due to continued impacts of the COVID-19 pandemic. See the "Segment Results" section for additional discussion. The duration and extent of the COVID-19 pandemic is highly uncertain and the recovery in net sales is difficult to predict.

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

For the three and six months ended June 30, 2021, cost of products sold increased primarily due to higher net sales.

*Distribution Expenses*

For the three months ended June 30, 2021, distribution expenses increased by $4.1 million, or 4.1%. The increase was primarily due to (i) a $5.6 million increase in freight and logistics expense and (ii) a $1.4 million increase in wages expense, partially offset by a $2.8 million decrease in facility and equipment rent expense. The increase in freight and logistics expense was primarily driven by an increase in third-party freight and fuel expenses mostly related to higher sales volume. The increase in wages expense was primarily driven by increases in overtime expense. The decrease in facility and equipment rent expense was primarily driven by consolidation of the Company's facilities.

For the six months ended June 30, 2021, distribution expenses decreased by $17.8 million, or 8.0%. The decrease was primarily due to (i) a $7.5 million decrease in facility and equipment rent expense, (ii) a $7.1 million multi-employer pension plan withdrawal charge in the first quarter of 2020 that did not repeat in 2021 and (iii) a $6.3 million decrease in wages and temporary employee expenses, partially offset by a $4.6 million increase in freight and logistics expense. The decrease in facility and equipment rent expense was primarily driven by consolidation of the Company's facilities. The decrease in wages and temporary employee expenses was primarily driven by actions taken by the Company in response to the COVID-19 pandemic in the prior year. The increase in freight and logistics expense was primarily driven by an increase in third-party freight and delivery and handling expense mostly related to higher sales volume.

*Selling and Administrative Expenses*

For the three months ended June 30, 2021, selling and administrative expenses increased by $13.4 million, or 8.2%. The increase was primarily due to a $21.8 million increase in personnel expenses. This was partially offset by (i) a $5.5 million decrease in bad debt expense, (ii) a $1.7 million gain on the sale of a facility and (iii) a $1.6 million decrease in professional fees expense. The increase in personnel expenses was primarily driven by (i) higher incentive compensation expenses, (ii) the reinstatement of the Company's matching contributions to certain defined contribution plans, (iii) the reinstatement of annual performance-related salary increases and (iv) an increase in travel and entertainment expenses.

For the six months ended June 30, 2021, selling and administrative expenses decreased by $23.8 million, or 6.5%. The decrease was primarily due to (i) a $9.0 million decrease in bad debt expense, (ii) a $6.8 million decrease in personnel expenses, (iii) a $4.2 million decrease in professional fees expense, (iv) a $3.1 million gain on the sale of a business and (v) a $1.7 million gain on the sale of a facility. The decrease in personnel expenses was primarily driven by (i) a decrease in commission expenses driven by the change in the sales force compensation plans and (ii) a decrease in travel and entertainment expenses in response to the COVID-19 pandemic, partially offset by higher incentive compensation expenses and higher wages.

*Depreciation and Amortization*

For the three months ended June 30, 2021, depreciation and amortization was flat as compared to the same period in 2020. For the six months ended June 30, 2021, depreciation and amortization increased by $0.7 million, or 2.5%.

*Restructuring Charges, Net*

For the three months ended June 30, 2021, restructuring charges, net, decreased by $27.3 million, or 84.0%.

For the six months ended June 30, 2021, restructuring charges, net, decreased by $23.0 million, or 70.8%.

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

*Interest Expense, Net*

For the three and six months ended June 30, 2021, interest expense, net, decreased by $2.7 million, or 37.5%, and $4.6 million, or 32.4%, respectively. The decrease was primarily due to (i) a lower average balance on the Company's ABL Facility and (ii) lower average interest rates.

*Other (Income) Expense, Net*

For the three months ended June 30, 2021, other (income) expense, net, was income of $1.7 million. This was a net improvement of $0.4 million as compared to the same period in 2020. The improvement was primarily due to lower pension expenses and improvements in foreign exchange impacts.

For the six months ended June 30, 2021, other (income) expense, net, was income of $2.7 million. This was a net improvement of $1.3 million as compared to the same period in 2020. The improvement was primarily due to lower pension expenses and improvements in foreign exchange impacts.

*Effective Tax Rate*

Veritiv's effective tax rates were 25.6% and 2.6% for the three months ended June 30, 2021 and 2020, respectively. Veritiv's effective tax rates were 27.6% and 0.5% for the six months ended June 30, 2021 and 2020, respectively. The difference between the Company's effective tax rates and the U.S. statutory tax rate of 21.0% primarily relates to state income taxes (net of federal income tax benefit), non-deductible expenses, vesting of stock compensation, Global Intangible Low-Taxed Income, and the Company's pre-tax book income (loss) by jurisdiction. In addition, Veritiv recognized the tax-effect of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") in the quarter ended March 31, 2020, and recorded an estimated $2.1 million benefit, primarily related to the carryback of net operating loss ("NOL" or "NOLs") generated in 2019 to prior years in which the U.S. statutory tax rate was 35%. During the three months ended June 30, 2020, Veritiv refined the estimated carryback and recorded an estimated $1.2 million expense, for a year-to-date net benefit related to the CARES Act of $0.9 million.

The historical 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 may experience volatility of the effective tax rate in future periods 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, including the U.S., changes in amounts of non-deductible expenses, and other items that could impact the effective tax rate.

***Segment Results***

Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, restructuring charges, net, integration and acquisition expenses and other similar charges including any severance costs, costs associated with warehouse and office openings or closings, consolidation, and relocation and other business optimization expenses, stock-based compensation expense, changes in the LIFO reserve, non-restructuring asset impairment charges, non-restructuring severance charges, non-restructuring pension charges, net, fair value adjustments related to contingent liabilities assumed in mergers and acquisitions and certain other adjustments) is the primary financial performance measure Veritiv uses to manage its businesses, to monitor its results of operations, to measure its performance against the ABL Facility and to incentivize its management.

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

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

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

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

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

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

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

The Company believes that the decline in demand for paper and related products is due to the widespread use of electronic media and permanent product substitution, more e-commerce, less print advertising, fewer catalogs and a reduced volume of direct mail, among other factors. This trend, which may 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:

| *(in millions)* | Packaging | Facility Solutions | Print | Publishing | Corporate & Other |
|---|---|---|---|---|---|
| **Three Months Ended June 30, 2021** | | | | | |
| Net sales | $ 915.0 | $ 224.7 | $ 351.2 | $ 137.8 | $ 29.9 |
| Adjusted EBITDA | 95.4 | 10.4 | 18.3 | 3.9 | (54.5) |
| Adjusted EBITDA as a % of net sales | 10.4 % | 4.6 % | 5.2 % | 2.8 % | * |
| **Three Months Ended June 30, 2020** | | | | | |
| Net sales | $ 781.5 | $ 202.5 | $ 282.2 | $ 115.2 | $ 23.4 |
| Adjusted EBITDA | 69.9 | 11.4 | 1.3 | (0.2) | (42.6) |
| Adjusted EBITDA as a % of net sales | 8.9 % | 5.6 % | 0.5 % | (0.2) % | * |
| **Six Months Ended June 30, 2021** | | | | | |
| Net sales | $ 1,769.6 | $ 430.8 | $ 674.4 | $ 285.9 | $ 57.2 |
| Adjusted EBITDA | 173.4 | 21.9 | 30.6 | 9.0 | (101.9) |
| Adjusted EBITDA as a % of net sales | 9.8 % | 5.1 % | 4.5 % | 3.1 % | * |
| **Six Months Ended June 30, 2020** | | | | | |
| Net sales | $ 1,584.1 | $ 462.2 | $ 734.4 | $ 281.9 | $ 49.5 |
| Adjusted EBITDA | 129.5 | 20.4 | 12.5 | 3.4 | (89.8) |
| Adjusted EBITDA as a % of net sales | 8.2 % | 4.4 % | 1.7 % | 1.2 % | * |

** - not meaningful*

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

**Packaging**

The table below presents selected data for the Packaging segment:

| | Three Months Ended June 30, | | Increase (Decrease) | | Six Months Ended June 30, | | Increase (Decrease) | |
|---|---|---|---|---|---|---|---|---|
| *(in millions)* | 2021 | 2020 | $ | % | 2021 | 2020 | $ | % |
| Net sales | $ 915.0 | $ 781.5 | $ 133.5 | 17.1 % | $ 1,769.6 | $ 1,584.1 | $ 185.5 | 11.7 % |
| Adjusted EBITDA | 95.4 | 69.9 | 25.5 | 36.5 % | 173.4 | 129.5 | 43.9 | 33.9 % |
| Adjusted EBITDA as a % of net sales | 10.4 % | 8.9 % | | 150 bps | 9.8 % | 8.2 % | | 160 bps |

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

| | Increase (Decrease) | |
|---|---|---|
| | Three Months Ended June 30, | Six Months Ended June 30, |
| (in millions) | 2021 vs. 2020 | 2021 vs. 2020 |
| Volume | $ 115.6 | $ 159.0 |
| Foreign currency | 9.7 | 15.0 |
| Price/Mix | 8.2 | 11.5 |
| Total change | $ 133.5 | $ 185.5 |

***Comparison of the Three Months Ended June 30, 2021 and June 30, 2020***

Net sales increased $133.5 million, or 17.1%, as compared to the same period in 2020. The net sales increase was primarily attributable to increased sales in all product categories and end use sectors as well as higher market prices and favorable foreign currency impacts. Sales to heavy manufacturing, specialty retail and healthcare customers improved significantly compared to the prior year period. Similar to the first quarter of 2021, net sales during the second quarter of 2021 were positively impacted by strong e-commerce demand.

Adjusted EBITDA increased $25.5 million, or 36.5%, as compared to the same period in 2020. The increase in Adjusted EBITDA was primarily attributable to (i) increased sales volume and (ii) cost of products sold increasing at a slower rate than net sales, partially offset by (i) an $8.0 million increase in selling and administrative expenses and (ii) a $6.4 million increase in distribution expenses. The increase in selling and administrative expenses was primarily driven by an $8.2 million increase in personnel expenses associated with (i) increased headcount to support the Company's Packaging growth strategy, (ii) the reinstatement of the Company's matching contributions to certain defined contribution plans, (iii) an increase in travel and entertainment expenses and (iv) the reinstatement of annual performance-related compensation increases. The increase in distribution expenses was primarily driven by increased utilization of the distribution network, which is reflected in (i) a $3.5 million increase in freight and logistics expense, (ii) a $1.6 million increase in facility and equipment rent expense and (iii) a $1.4 million increase in personnel expenses.

***Comparison of the Six Months Ended June 30, 2021 and June 30, 2020***

Net sales increased $185.5 million, or 11.7%, as compared to the same period in 2020. The net sales increase was primarily attributable to increased sales in all product categories and end use sectors as well as higher market prices and favorable foreign currency impacts. Sales to heavy manufacturing, specialty retail and healthcare customers improved significantly compared to the prior year period. Net sales were positively impacted by strong e-commerce demand in the first half of 2021.

Adjusted EBITDA increased $43.9 million, or 33.9%, as compared to the same period in 2020. The increase in Adjusted EBITDA was primarily attributable to (i) increased sales volume and (ii) cost of products sold increasing at a slower rate than net sales, partially offset by (i) an $8.1 million increase in distribution expenses and (ii) a $3.4 million increase in selling and administrative expenses. The increase in distribution expenses was primarily driven by increased utilization of the distribution network, which is reflected in (i) a $4.4 million increase in freight and logistics expense, (ii) a $2.3 million increase in facility and equipment rent expense and (iii) a $1.3 million increase in personnel expenses. The increase in selling and administrative expenses was primarily driven by a $3.3 million increase in personnel expenses.

**Facility Solutions**

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

| (in millions) | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Increase (Decrease) $ | Increase (Decrease) % | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 | Increase (Decrease) $ | Increase (Decrease) % |
|---|---|---|---|---|---|---|---|---|
| Net sales | $ 224.7 | $ 202.5 | $ 22.2 | 11.0 % | $ 430.8 | $ 462.2 | $ (31.4) | (6.8) % |
| Adjusted EBITDA | 10.4 | 11.4 | (1.0) | (8.8) % | 21.9 | 20.4 | 1.5 | 7.4 % |
| Adjusted EBITDA as a % of net sales | 4.6 % | 5.6 % | | (100) bps | 5.1 % | 4.4 % | | 70 bps |

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

| | Increase (Decrease) | |
|---|---|---|
| | Three Months Ended June 30, | Six Months Ended June 30, |
| (in millions) | 2021 vs. 2020 | 2021 vs. 2020 |
| Volume | $ 20.1 | $ (41.1) |
| Foreign currency | 7.3 | 10.9 |
| Price/Mix | (5.2) | (1.2) |
| Total change | $ 22.2 | $ (31.4) |

***Comparison of the Three Months Ended June 30, 2021 and June 30, 2020***

Net sales increased $22.2 million, or 11.0%, as compared to the same period in 2020. The net sales increase was primarily attributable to increased sales of food service products and towels and tissues primarily driven by overall demand improvements as compared to the prior year and favorable foreign currency impacts. 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. Sales to customers in the education and entertainment and hospitality sectors have begun to recover from the pandemic-driven lows of the prior year while office and property management customers remain near second quarter 2020 levels.

Adjusted EBITDA decreased $1.0 million, or 8.8%, as compared to the same period in 2020. The decrease in Adjusted EBITDA was primarily attributable to (i) cost of sales increasing at a faster rate than net sales and (ii) a $1.6 million increase in distribution expenses, partially offset by an increase in net sales. The increase in distribution expenses was primarily driven by a $1.3 million increase in freight and logistics expense, primarily driven by third-party freight and fuel expenses.

***Comparison of the Six Months Ended June 30, 2021 and June 30, 2020***

Net sales decreased $31.4 million, or 6.8%, as compared to the same period in 2020. The net sales decrease was primarily attributable to declines in the sale of towels and tissues, skin care products and chemicals primarily driven by the continuing impact on demand from the COVID-19 pandemic which began in the prior year period.

Adjusted EBITDA increased $1.5 million, or 7.4%, as compared to the same period in 2020. The increase in Adjusted EBITDA was primarily attributable to (i) a $6.4 million decrease in selling and administrative expenses and (ii) a $3.4 million decrease in distribution expenses, partially offset by decreased sales volume and cost of products sold decreasing at a slower rate than net sales. The decrease in selling and administrative expenses was primarily driven by a $6.7 million decrease in personnel expenses. The decrease in distribution expenses was primarily driven by a $3.0 million decrease in personnel expenses.

**Print**

The table below presents selected data for the Print segment:

| (in millions) | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Increase (Decrease) $ | Increase (Decrease) % | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 | Increase (Decrease) $ | Increase (Decrease) % |
|---|---|---|---|---|---|---|---|---|
| Net sales | $ 351.2 | $ 282.2 | $ 69.0 | 24.5 % | $ 674.4 | $ 734.4 | $ (60.0) | (8.2) % |
| Adjusted EBITDA | 18.3 | 1.3 | 17.0 | * | 30.6 | 12.5 | 18.1 | 144.8 % |
| Adjusted EBITDA as a % of net sales | 5.2 % | 0.5 % | | 470 bps | 4.5 % | 1.7 % | | 280 bps |

** - not meaningful*

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

| | Increase (Decrease) | |
|---|---|---|
| | Three Months Ended June 30, | Six Months Ended June 30, |
| (in millions) | 2021 vs. 2020 | 2021 vs. 2020 |
| Volume | $ 62.5 | $ (58.2) |
| Foreign currency | 4.8 | 7.2 |
| Price/Mix | 1.7 | (9.0) |
| Total change | $ 69.0 | $ (60.0) |

***Comparison of the Three Months Ended June 30, 2021 and June 30, 2020***

Net sales increased $69.0 million, or 24.5%, as compared to the same period in 2020. The net sales increase was primarily attributable to an increase in demand compared to the prior year period, when there was a significant negative impact on demand due to the COVID-19 pandemic, as well as favorable foreign currency impacts.

Adjusted EBITDA increased $17.0 million as compared to the same period in 2020. The Adjusted EBITDA increase was primarily attributable to (i) increased sales volume, (ii) a $4.3 million decrease in selling and administrative expenses and (iii) a $3.3 million decrease in distribution expenses. The decrease in selling and administration expenses was primarily driven by (i) a $2.5 million decrease in personnel expenses and (ii) a $1.5 million decrease in bad debt expense. The decrease in distribution expenses was primarily driven by a $3.9 million decrease in facility and equipment rent expense, primarily driven by consolidation of the Company's facilities, partially offset by a $0.9 million increase in freight and logistics expense, primarily driven by third-party freight and fuel expenses.

***Comparison of the Six Months Ended June 30, 2021 and June 30, 2020***

Net sales decreased $60.0 million, or 8.2%, as compared to the same period in 2020. The net sales decrease was primarily attributable to 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 the negative impact on demand primarily beginning in April 2020 from the COVID-19 pandemic as well as a decrease in price, partially offset by favorable foreign currency impacts.

Adjusted EBITDA increased $18.1 million, or 144.8%, as compared to the same period in 2020. The Adjusted EBITDA increase was primarily attributable to (i) a $16.0 million decrease in selling and administrative expenses and (ii) a $14.1 million decrease in distribution expenses, partially offset by a decline in net sales and cost of products sold increasing at a faster rate than net sales. The decrease in selling and administration expenses was primarily driven by (i) an $11.6 million decrease in personnel expenses and (ii) a $3.4 million decrease in bad debt expense. The decrease in distribution expenses was primarily driven by (i) an $8.1 million decrease in facility and equipment rent expense, primarily driven by consolidation of the Company's facilities, (ii) a $4.3 million decrease in personnel expenses and (iii) a $0.7 million decrease in maintenance and materials expense.

**Publishing**

The table below presents selected data for the Publishing segment:

| *(in millions)* | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Increase (Decrease) $ | Increase (Decrease) % | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 | Increase (Decrease) $ | Increase (Decrease) % |
|---|---|---|---|---|---|---|---|---|
| Net sales | $ 137.8 | $ 115.2 | $ 22.6 | 19.6 % | $ 285.9 | $ 281.9 | $ 4.0 | 1.4 % |
| Adjusted EBITDA | 3.9 | (0.2) | 4.1 | * | 9.0 | 3.4 | 5.6 | 164.7 % |
| Adjusted EBITDA as a % of net sales | 2.8 % | (0.2) % | | 300 bps | 3.1 % | 1.2 % | | 190 bps |

** - not meaningful*

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

| *(in millions)* | Increase (Decrease) Three Months Ended June 30, 2021 vs. 2020 | Increase (Decrease) Six Months Ended June 30, 2021 vs. 2020 |
|---|---|---|
| Volume | $ 24.1 | $ 9.6 |
| Foreign currency | — | — |
| Price/Mix | (1.5) | (5.6) |
| Total change | $ 22.6 | $ 4.0 |

***Comparison of the Three Months Ended June 30, 2021 and June 30, 2020***

Net sales increased $22.6 million, or 19.6%, as compared to the same period in 2020. The net sales increase was primarily attributable to an increase in demand compared to the prior year period, when there was a significant negative impact on demand due to the COVID-19 pandemic, partially offset by a decrease in price.

Adjusted EBITDA increased $4.1 million as compared to the same period in 2020. The Adjusted EBITDA increase was primarily attributable to (i) a $2.5 million decrease in selling and administrative expenses and (ii) increased sales volume. The decrease in selling and administrative expenses was primarily driven by a $3.1 million decrease in bad debt expense, partially offset by a $0.7 million increase in personnel expenses.

***Comparison of the Six Months Ended June 30, 2021 and June 30, 2020***

Net sales increased $4.0 million, or 1.4%, as compared to the same period in 2020. The net sales increase was primarily attributable to the negative impact on demand due to the COVID-19 pandemic in the prior year period, partially offset by a decrease in price.

Adjusted EBITDA increased $5.6 million, or 164.7%, as compared to the same period in 2020. The Adjusted EBITDA increase was primarily attributable to (i) a $5.2 million decrease in selling and administrative expenses and (ii) increased sales volume. The decrease in selling and administrative expenses was primarily driven by a $5.0 million decrease in bad debt expense.

**Corporate & Other**

The table below presents selected data for Corporate & Other:

| | Three Months Ended June 30, | | Increase (Decrease) | | Six Months Ended June 30, | | Increase (Decrease) | |
|---|---|---|---|---|---|---|---|---|
| *(in millions)* | 2021 | 2020 | $ | % | 2021 | 2020 | $ | % |
| Net sales | $ 29.9 | $ 23.4 | $ 6.5 | 27.8 % | $ 57.2 | $ 49.5 | $ 7.7 | 15.6 % |
| Adjusted EBITDA | (54.5) | (42.6) | (11.9) | (27.9) % | (101.9) | (89.8) | (12.1) | (13.5) % |

***Comparison of the Three Months Ended June 30, 2021 and June 30, 2020***

Net sales increased $6.5 million, or 27.8%, as compared to the same period in 2020. The net sales increase was primarily attributable to an increase in the price of freight brokerage services, partially offset by a decline in volume.

Adjusted EBITDA decreased $11.9 million, or 27.9%, as compared to the same period in 2020. The Adjusted EBITDA decrease was primarily driven by a $12.2 million increase in selling and administrative expenses. The increase in selling and administrative expenses was primarily driven by an $11.9 million increase in incentive compensation expense driven by the Company outperforming incentive targets and a planned discretionary payout for employees not participating in the annual incentive program for helping to ensure Veritiv's continued operations during the pandemic.

***Comparison of the Six Months Ended June 30, 2021 and June 30, 2020***

Net sales increased $7.7 million, or 15.6%, as compared to the same period in 2020. The net sales increase was primarily attributable to an increase in the price of freight brokerage services, partially offset by a decline in volume.

Adjusted EBITDA decreased $12.1 million, or 13.5%, as compared to the same period in 2020. The Adjusted EBITDA decrease was primarily driven by a $13.0 million increase in selling and administrative expenses. The increase in selling and administrative expenses was primarily driven by a $15.6 million increase in incentive compensation expense driven by the Company outperforming incentive targets and a planned 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 $1.7 million reduction in professional fees and (ii) a $1.6 million reduction in temporary and contract labor expenses.

**Liquidity and Capital Resources**

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

The following table sets forth a summary of cash flows:

| | Six Months Ended June 30, | |
|---|---|---|
| *(in millions)* | 2021 | 2020 |
| Net cash provided by (used for): | | |
| Operating activities | $ 50.1 | $ 226.5 |
| Investing activities | 2.2 | (14.0) |
| Financing activities | (138.2) | (137.5) |

***Analysis of Cash Flows***

*Operating Activities*

Net cash provided by operating activities decreased by $176.4 million as compared to the prior year, primarily as a result of an increase in accounts receivable and inventory levels partially offset by an increase in accounts payable driven by increasing sales in the current period as compared to the pandemic driven decreases in the 2020 period. The net cash used for other accrued liabilities was primarily a result of decreases in restructuring accruals and income tax payables. The decline in cash flows from operating assets and liabilities as compared to the prior year was partially offset by improvements in operating results.

*Investing Activities*

Net cash from investing activities increased by $16.2 million as compared to the prior year, primarily due to the sale of a business in the first quarter of 2021, for which the Company received cash proceeds of approximately $7.5 million, the sale of a facility in the second quarter of 2021, for which the Company received cash proceeds of approximately $3.0 million and lower capital expenditures in the current year period.

*Financing Activities*

Net cash used for financing activities was flat as compared to the prior year, primarily due to lower net repayments under the Company's ABL Facility offset by an increase in common stock repurchases. During the first six months of 2021, the Company repurchased 1,035,943 shares of its common stock at a cost of $50.4 million under its 2021 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, prior to its suspension as of March 27, 2020. See Part II, Item 2 of this report for additional information on the Company's share repurchase programs.

During the second quarter of 2021, in conjunction with the amendment of the ABL Facility, the Company incurred and paid $3.3 million in new financing fees. In conjunction with the amendment of the ABL Facility on April 9, 2020, the Company incurred and paid $3.4 million in financing fees during the second quarter of 2020.

**Funding and Liquidity Strategy**

On May 20, 2021, the Company amended its ABL Facility to extend the maturity date to May 20, 2026, adjust the pricing grid for applicable interest rates and update certain provisions to facilitate the transition from LIBOR to a new replacement benchmark rate. All other significant terms remained substantially the same. Previously, on April 9, 2020, the Company amended its ABL Facility to extend the maturity date to April 9, 2025, reduce the aggregate commitments from $1.4 billion to $1.1 billion and adjust the pricing grid for applicable interest rates. All other significant terms remained substantially the same. 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 June 30, 2021, the available additional borrowing capacity under the ABL Facility was approximately $444.6 million. As of June 30, 2021, 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 June 30, 2021, the above test was not applicable and based on information available as of the date of this report it is not expected to be applicable in the next 12 months.

Veritiv's management expects that the Company's primary future cash needs will be for working capital, capital expenditures, contractual commitments, share repurchases and strategic investments. Veritiv's ability to fund its capital and operating needs will depend on its ongoing ability to generate cash from operations, borrowings under the ABL Facility and access to the capital markets. 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 capital and operating needs 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. The Company elected to defer the payment of $19.1 million in payroll taxes incurred through December 31, 2020, as provided by the CARES Act, with 50% payable December 2021 and 50% payable December 2022. The Company currently estimates it will incur total restructuring charges of between $70 million and $87 million in connection with the 2020 Restructuring Plan. See Note 4 of the Notes to Condensed Consolidated Financial Statements for additional information on the Company's restructuring efforts.

**Off-Balance Sheet Arrangements**

Veritiv does not have any off-balance sheet arrangements as of June 30, 2021, other than leases that have not yet commenced and the letters of credit under the ABL Facility (see Note 3 and Note 5 of the Notes to Condensed Consolidated Financial Statements, respectively, for additional information on these items). The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

**Contractual Obligations**

There have been no material changes to the Company's contractual obligations from those disclosed in Veritiv's Annual Report on Form 10-K for the year ended December 31, 2020.

**Critical Accounting Policies and Estimates**

There have been no material changes to the Company's critical accounting policies and estimate methodologies from those disclosed in Veritiv's Annual Report on Form 10-K for the year ended December 31, 2020. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, actual results may ultimately differ from these estimates and assumptions, particularly in light of the COVID-19 pandemic and its effects on the domestic and global economies. Estimates are revised as additional information becomes available. See the "Use of Estimates" section of Note 1 of the Notes to Condensed Consolidated Financial Statements for additional information regarding the Company's estimates.

**Recently Issued Accounting Standards**

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

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk from the information provided in Item 7A "Quantitative and Qualitative Disclosures about Market Risk" of the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

## ITEM 4. CONTROLS AND PROCEDURES

**Evaluation of Disclosure Controls and Procedures**

The Company's management has carried out an evaluation, with the participation of its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended. Based upon such evaluation, management has concluded that the Company's disclosure controls and procedures were effective as of June 30, 2021.

**Changes in Internal Control over Financial Reporting**

There have been no changes in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2021 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

# PART II. OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

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

## ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

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

On March 3, 2021, Veritiv announced that its Board of Directors authorized a $50 million share repurchase program (the "2021 Share Repurchase Program"). On May 24, 2021, the Company announced its Board of Directors increased the 2021 Share Repurchase Program authorization to a total of $100 million. Under the increased repurchase authorization, the Company may, from time to time, purchase shares of its common stock through open market purchases, privately negotiated transactions, accelerated repurchase programs, tender offers or otherwise, in accordance with all applicable securities laws and regulations. This new and expanded authorization for the share repurchase program replaces the $25 million share repurchase authorization previously approved by the Board of Directors in March 2020 (the "2020 Share Repurchase Program") and may be suspended, terminated, increased or decreased by the Board at any time.

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, prior to its suspension as of March 27, 2020.

The following table presents information with respect to purchases made by the Company of its common stock during the three months ended June 30, 2021 (shares are in whole units):

| Period | Total Number of Shares Purchased [1] | Average Price Paid Per Share | Total Number of Shares Purchased as Part of the Publicly Announced Program [2] | Approximate Dollar Value of Shares that May Yet be Purchased Under the Publicly Announced Program |
|---|---|---|---|---|
| April 1-30 | 163,762 | $43.24 | 54,241 | $ 23,089,767 |
| May 1-31 | 98,258 | $53.59 | 98,098 | $ 67,831,272 |
| June 1-30 | 302,427 | $61.18 | 297,601 | $ 49,618,271 |

[1] The total number of shares purchased includes: (i) shares purchased pursuant to the 2021 Share Repurchase Program (if any) and (ii) shares surrendered to the Company to satisfy tax withholding obligations in connection with the vesting of stock units issued as part of the Company's equity-based incentive plans.
[2] This column discloses the number of shares purchased pursuant to the 2021 Share Repurchase Program during the indicated periods.

## ITEM 6. EXHIBITS

| Exhibit No. | Description |
|---|---|
| 10.1 | Second Amendment to ABL Credit Agreement dated as of May 20, 2021 among the Company, Veritiv Operating Company and the other borrowers from 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 Company's Current Report on Form 8-K filed on May 20, 2021. |
| 31.1* | Rule 13a-14(a) Certification of the Chief Executive Officer. |
| 31.2* | Rule 13a-14(a) Certification of the Chief Financial Officer. |
| 32.1* | Section 1350 Certification of the Chief Executive Officer. |
| 32.2* | Section 1350 Certification of the Chief Financial Officer. |
| 101.INS* | XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document. |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

* Filed herewith

**SIGNATURES**

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

**VERITIV CORPORATION**
(Registrant)

| | | |
|---|---|---|
| Date: | August 9, 2021 | By: /s/ Stephen J. Smith<br>Name: Stephen J. Smith<br>Title: Senior Vice President and Chief Financial Officer<br>(Principal Financial Officer) |
| Date: | August 9, 2021 | By: /s/ Andrew E. Magley<br>Name: Andrew E. Magley<br>Title: Chief Accounting Officer<br>(Principal Accounting Officer) |

**EXHIBIT 31.1**

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

I, Salvatore A. Abbate, certify that:

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

Date: August 9, 2021

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

**EXHIBIT 31.2**

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

I, Stephen J. Smith, certify that:

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

Date: August 9, 2021

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

EXHIBIT 32.1

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

In connection with the Quarterly Report on Form 10-Q of Veritiv Corporation (the “Company”) for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Salvatore A. Abbate, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

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

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

/s/ Salvatore A. Abbate

Salvatore A. Abbate
Chief Executive Officer
August 9, 2021

**EXHIBIT 32.2**

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

In connection with the Quarterly Report on Form 10-Q of Veritiv Corporation (the “Company”) for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stephen J. Smith, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

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

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

/s/ Stephen J. Smith

Stephen J. Smith
Senior Vice President and Chief Financial Officer
August 9, 2021