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, 2023

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

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 Building 400, Suite 1700 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 1, 2023 was 13,551,081.

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For the Quarterly Period Ended June 30, 2023

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,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net sales	$ 1,457.3	$ 1,820.7	$ 2,967.5	$ 3,678.8
Cost of products sold (exclusive of depreciation and amortization shown separately below)	1,096.6	1,410.9	2,240.7	2,866.3
Distribution expenses	88.7	98.2	178.4	210.4
Selling and administrative expenses	163.5	190.7	334.9	378.6
Gain on sale of businesses	—	(10.0)	—	(10.0)
Depreciation and amortization	9.6	11.1	19.7	23.8
Restructuring charges, net	—	1.4	—	4.1
Operating income	98.9	118.4	193.8	205.6
Interest expense, net	4.3	4.0	9.0	7.5
Other (income) expense, net	(1.9)	(6.6)	(0.9)	(7.2)
Income before income taxes	96.5	121.0	185.7	205.3
Income tax expense	25.8	29.9	46.3	35.7
Net income	$ 70.7	$ 91.1	$ 139.4	$ 169.6
Earnings per share:				
Basic	$ 5.22	$ 6.24	$ 10.30	$ 11.55
Diluted	$ 5.15	$ 6.12	$ 10.15	$ 11.23
Weighted-average shares outstanding:				
Basic	13.55	14.61	13.54	14.69
Diluted	13.72	14.88	13.73	15.10

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,	
	2023	2022	2023	2022
Net income	$ 70.7	$ 91.1	$ 139.4	$ 169.6
Other comprehensive income (loss):				
Foreign currency translation adjustments	1.4	(4.5)	4.3	(1.9)
Reclassification of foreign currency translation adjustments due to sale of a business, net of tax [1]	—	9.5	—	9.5
Change in fair value of cash flow hedge, net of tax [1]	—	0.1	—	0.1
Pension liability adjustments, net of tax [1]	(0.5)	6.4	(0.6)	6.4
Reclassification adjustment on settlement of a pension plan, net of tax [1]	(0.7)	(7.0)	(0.7)	(7.0)
Other comprehensive income (loss)	0.2	4.5	3.0	7.1
Total comprehensive income (loss)	$ 70.9	$ 95.6	$ 142.4	$ 176.7

[1] Amounts shown are net of tax impacts, if any, which for the three and six months ended June 30, 2023, were $(0.1) million for pension liability adjustments and $(0.3) million for the reclassification adjustment on settlement of a pension plan. For the three and six months ended June 30, 2022, the tax impacts were $2.0 million for the reclassification of foreign currency translation adjustments due to sale of a business, $2.2 million for pension liability adjustments and $(4.0) million for the reclassification adjustment on settlement of a pension plan.

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	June 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 43.9	$ 40.6
Accounts receivable, less allowances of $22.9 and $26.7, respectively	750.5	889.6
Inventories	487.0	423.9
Other current assets	95.0	103.7
Total current assets	1,376.4	1,457.8
Property and equipment (net of accumulated depreciation and amortization of $326.6 and $325.5, respectively)	124.2	127.5
Goodwill	96.3	96.3
Other intangibles, net	33.4	35.6
Deferred income tax assets	25.5	29.0
Other non-current assets	366.5	343.4
Total assets	$ 2,022.3	$ 2,089.6
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 418.1	$ 452.9
Accrued payroll and benefits	46.8	106.2
Other accrued liabilities	147.2	154.1
Current portion of debt	14.2	13.4
Total current liabilities	626.3	726.6
Long-term debt, net of current portion	171.6	264.8
Defined benefit pension obligations	0.8	0.4
Other non-current liabilities	340.3	341.7
Total liabilities	1,139.0	1,333.5
Commitments and contingencies (Note 11)		
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 - 17.6 million and 17.5 million, respectively; shares outstanding - 13.6 million and 13.5 million, respectively	0.2	0.2
Additional paid-in capital	614.9	613.1
Accumulated earnings	595.0	472.6
Accumulated other comprehensive loss	(9.7)	(12.7)
Treasury stock at cost - 4.0 million and 4.0 million shares, respectively	(317.1)	(317.1)
Total shareholders' equity	883.3	756.1
Total liabilities and shareholders' equity	$ 2,022.3	$ 2,089.6

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Operating activities		
Net income	$ 139.4	$ 169.6
Depreciation and amortization	19.7	23.8
Amortization and write-off of deferred financing fees	0.8	0.8
Net (gains) losses on disposition of assets and sale of businesses	0.1	(15.3)
Provision for expected credit losses	(1.8)	(0.1)
Deferred income tax provision (benefit)	4.1	(11.6)
Stock-based compensation	5.4	5.9
Other non-cash items, net	(1.7)	(7.0)
Changes in operating assets and liabilities		
Accounts receivable	142.0	(51.4)
Inventories	(60.8)	(25.4)
Other current assets	10.2	(1.5)
Accounts payable	(0.7)	23.4
Accrued payroll and benefits	(66.7)	(31.8)
Other accrued liabilities	0.0	(13.9)
Other	(24.7)	(3.2)
Net cash provided by (used for) operating activities	165.3	62.3
Investing activities		
Property and equipment additions	(6.0)	(11.6)
Proceeds from asset sales and sale of businesses, net of cash transferred	0.3	139.4
Proceeds from insurance related to property and equipment	0.1	3.5
Net cash provided by (used for) investing activities	(5.6)	131.3
Financing activities		
Change in book overdrafts	(36.4)	12.9
Borrowings of long-term debt	2,744.0	3,111.5
Repayments of long-term debt	(2,835.8)	(3,190.9)
Payments under right-of-use finance leases	(4.9)	(6.3)
Payments under vendor-based financing arrangements	(3.4)	(3.2)
Purchase of treasury stock	—	(104.8)
Impact of tax withholding on share-based compensation	(3.6)	(29.7)
Dividends paid to shareholders	(17.0)	—
Other	0.3	0.3
Net cash provided by (used for) financing activities	(156.8)	(210.2)
Effect of exchange rate changes on cash	0.4	(0.6)
Net change in cash and cash equivalents	3.3	(17.2)
Cash and cash equivalents at beginning of period	40.6	49.3
Cash and cash equivalents at end of period	$ 43.9	$ 32.1
Supplemental cash flow information		
Cash paid for income taxes, net of refunds	$ 50.7	$ 57.8
Cash paid for interest	8.0	6.4
Non-cash investing and financing activities		
Non-cash additions to property and equipment for right-of-use finance leases and vendor-based financing arrangements	$ 7.4	$ 18.1
Non-cash additions to other non-current assets for right-of-use operating leases	45.4	37.3

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	2023							
	Common Stock Issued		Additional Paid-in Capital	Accumulated Earnings	AOCL [1]	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance at December 31, 2022	17.5	$ 0.2	$ 613.1	$ 472.6	$ (12.7)	(4.0)	$ (317.1)	$ 756.1
Net income				68.7				68.7
Other comprehensive income (loss)					2.8			2.8
Stock-based compensation			1.8					1.8
Issuance of common stock, net of stock received for minimum tax withholdings	0.0	0.0	(3.6)					(3.6)
Dividends				(8.5)				(8.5)
Balance at March 31, 2023	17.5	$ 0.2	$ 611.3	$ 532.8	$ (9.9)	(4.0)	$ (317.1)	$ 817.3
Net income				70.7				70.7
Other comprehensive income (loss)					0.2			0.2
Stock-based compensation			3.6					3.6
Issuance of common stock, net of stock received for minimum tax withholdings	0.1	0.0	0.0					0.0
Dividends				(8.5)				(8.5)
Balance at June 30, 2023	17.6	$ 0.2	$ 614.9	$ 595.0	$ (9.7)	(4.0)	$ (317.1)	$ 883.3

[1] Accumulated other comprehensive loss.

	2022													
	Common Stock Issued			Additional Paid-in Capital		Accumulated Earnings		AOCL [1]		Treasury Stock				Total
	Shares		Amount							Shares		Amount		
Balance at December 31, 2021	17.0	$	0.2	$	633.8	$	143.2	$	(24.3)	(2.4)	$	(117.1)	$	635.8
Net income							78.5							78.5
Other comprehensive income (loss)									2.6					2.6
Stock-based compensation					2.8									2.8
Issuance of common stock, net of stock received for minimum tax withholdings	0.5		0.0		(29.5)									(29.5)
Treasury stock purchases										(0.1)		(10.4)		(10.4)
Balance at March 31, 2022	17.5	$	0.2	$	607.1	$	221.7	$	(21.7)	(2.5)	$	(127.5)	$	679.8
Net income							91.1							91.1
Other comprehensive income (loss)									4.5					4.5
Stock-based compensation					3.1									3.1
Issuance of common stock, net of stock received for minimum tax withholdings	0.0		0.0		(0.2)									(0.2)
Treasury stock purchases										(0.7)		(94.4)		(94.4)
Balance at June 30, 2022	17.5	$	0.2	$	610.0	$	312.8	$	(17.2)	(3.2)	$	(221.9)	$	683.9

[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 and print-based products and services. Veritiv was established in 2014, following the merger of International Paper Company's xpedx distribution solutions business and UWW Holdings, Inc., the parent company of Unisource Worldwide, Inc. ("Unisource"). Veritiv operates primarily throughout the United States ("U.S.") and Mexico.

On May 2, 2022, the Company sold its Veritiv Canada, Inc. business. On September 1, 2022, the Company sold its logistics solutions business. These sales did not represent strategic shifts that will have a major effect on the Company's operations or financial results and they did not meet the requirements to be classified as discontinued operations. See Note 13, Divestitures, for additional information.

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, 2022. 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 Company's divestitures. These financial statements include all of the Company's subsidiaries. All significant intercompany transactions between Veritiv's businesses have been eliminated. During the third quarter of 2022, the Company reclassified its gains from the sale of businesses from the selling and administrative expenses line to the gain on sale of businesses line on the Condensed Consolidated Statements of Operations. The results for the three and six months ended June 30, 2022, presented in this report, have been revised accordingly.

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, long-term incentive plans, income tax contingency accruals and valuation allowances, multi-employer pension plan ("MEPP") withdrawal liabilities, contingency accruals, 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.

Accounting Pronouncements

Recently Adopted Accounting Standards

Effective January 1, 2023, the Company adopted Accounting Standards Update ("ASU") 2022-04, *Liabilities- Supplier Finance Programs (Subtopic 405-50).* This standard requires disclosure of the key terms of outstanding supplier finance programs and a rollforward of the related obligations. The amendments in this update do not affect the recognition, measurement or financial statement presentation of obligations covered by supplier finance programs. The amendments in this update are effective for fiscal years beginning after December 15, 2022 on a retrospective basis, including interim periods within those fiscal years, except for the requirement to disclose rollforward information, which is effective prospectively for fiscal years beginning after December 15, 2023. The adoption did not, and is not expected to have in the future, any material impact on the Company's related disclosures.

Effective March 17, 2023, the Company 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, such as Term Secured Overnight Financing Rate ("SOFR"). 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, 2024. On March 17, 2023, the Company modified its Asset-Based Lending Facility, incorporating the transition from LIBOR to Term SOFR. The adoption did not materially impact the Company's consolidated financial statements and related disclosures.

2. REVENUE RECOGNITION AND CREDIT LOSSES

Revenue Recognition and Composition

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. 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, 2023 and December 31, 2022, 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)	**2023**	**2022**
Balance at January 1,	$ 16.1	$ 21.8
Payments received	28.4	28.7
Revenue recognized from beginning of year balance	(11.7)	(13.1)
Revenue recognized from current year receipts	(18.9)	(17.5)
Other adjustments [1]	—	(0.9)
Balance at June 30,	$ 13.9	$ 19.0

[1] Reflects liabilities removed as part of the sale of a business. See Note 13, Divestitures, for information regarding the sale of Veritiv Canada, Inc.

Historically, the Company's ten largest customers have generated approximately 10% - 15% of its consolidated annual net sales. Veritiv's principal markets are concentrated primarily across North America. Approximately 97% of its reported net sales for the three and six months ended June 30, 2023 were generated in the U.S. 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 three 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. Prior to its divestiture in September 2022, the Company's logistics solutions business, which provided transportation and warehousing solutions, was also included in Corporate & Other.

- ***Packaging*** – The Packaging segment provides custom and standard packaging solutions for customers based in North America and in key global markets. This segment 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. 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 Solutions*** – The Print Solutions segment sells and distributes commercial printing, writing and copying products and services primarily in North America. Veritiv's broad geographic platform of operations and services, coupled with the breadth of paper and graphics products, including exclusive private brand offerings, provides a comprehensive suite of solutions in paper procurement, print management, supply chain and distribution.

See Note 12, Segment and Other Information, for the disaggregation of revenue and other information related to the Company's reportable segments and Corporate & Other.

Credit Losses and Other Allowances

The components of the accounts receivable allowances were as follows:

(in millions)	**June 30, 2023**	**December 31, 2022**
Allowance for credit losses	$ 13.7	$ 17.7
Other allowances[(1)]	9.2	9.0
Total accounts receivable allowances	$ 22.9	$ 26.7

(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:

(in millions)	Packaging and Facility Solutions U.S.	Print Solutions - High Risk U.S.	Print Solutions - Medium/Low Risk U.S.	Rest of world	Total
Balance at December 31, 2022	$ 12.8	$ 2.7	$ 1.6	$ 0.6	$ 17.7
Add / (Deduct):					
Provision for expected credit losses	(0.6)	0.2	(0.1)	0.1	(0.4)
Write-offs charged against the allowance	(2.3)	0.0	(0.4)	(0.2)	(2.9)
Recoveries of amounts previously written off	0.1	0.1	0.1	—	0.3
Other adjustments[1]	—	(1.0)	—	0.0	(1.0)
Balance at June 30, 2023	$ 10.0	$ 2.0	$ 1.2	$ 0.5	$ 13.7

[1] 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. These adjustments may also include accounts receivable allowances recorded in connection with acquisitions and divestitures.

Additionally, for the six months ended June 30, 2023 and 2022, the Company recognized $(1.4) million and $(0.6) million, respectively, in the provision for expected credit losses related to its notes receivable. At June 30, 2023 and December 31, 2022, the Company held $0.1 million and $0.1 million, respectively, in notes receivable, the majority of which is reflected within other non-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, 2023, the Company operated from approximately 95 distribution centers of which approximately 90 were leased. These facilities are strategically located throughout the U.S. 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**	**2023**	**2022**	**2023**	**2022**
Short-term lease expense[1]	Operating expenses	$ 1.7	$ 0.8	$ 3.1	$ 1.6
Operating lease expense[2]	Operating expenses	$ 22.2	$ 23.0	$ 43.3	$ 48.1
Finance lease expense:					
Amortization of right-of-use assets	Depreciation and amortization	$ 2.7	$ 2.8	$ 5.3	$ 6.5
Interest expense	Interest expense, net	0.4	0.4	0.8	1.1
Total finance lease expense		$ 3.1	$ 3.2	$ 6.1	$ 7.6
Total Lease Cost		$ 27.0	$ 27.0	$ 52.5	$ 57.3

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

Supplemental balance sheets and other information were as follows:

(in millions, except weighted-average data)

Lease Classification	Financial Statement Classification	June 30, 2023	December 31, 2022
Operating Leases:			
Operating lease right-of-use assets	Other non-current assets	$ 316.0	$ 304.3
Operating lease obligations - current	Other accrued liabilities	$ 71.1	$ 67.9
Operating lease obligations - non-current	Other non-current liabilities	272.6	266.0
Total operating lease obligations		$ 343.7	$ 333.9
Weighted-average remaining lease term in years		5.4	5.9
Weighted-average discount rate		5.0 %	4.6 %
Finance Leases:			
Finance lease right-of-use assets	Property and equipment	$ 32.0	$ 29.7
Finance lease obligations - current	Current portion of debt	$ 8.9	$ 8.8
Finance lease obligations - non-current	Long-term debt, net of current portion	26.3	24.1
Total finance lease obligations		$ 35.2	$ 32.9
Weighted-average remaining lease term in years		4.1	3.7
Weighted-average discount rate		4.9 %	4.2 %

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

(in millions)

Lease Classification	Financial Statement Classification	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Operating Leases:			
Operating cash flows from operating leases	Operating activities	$ 43.9	$ 48.3
Finance Leases:			
Operating cash flows from finance leases	Operating activities	$ 0.8	$ 1.1
Financing cash flows from finance leases	Financing activities	4.9	6.3

Lease Commitments

Future minimum lease payments at June 30, 2023 were as follows:

(in millions)	Finance Leases	Operating Leases [1]
2023 (excluding the six months ended June 30, 2023)	$ 5.4	$ 43.3
2024	9.8	84.1
2025	9.1	72.1
2026	6.4	66.2
2027	3.8	49.8
2028	2.5	30.4
Thereafter	2.8	46.2
Total future minimum lease payments	39.8	392.1
Amount representing interest	(4.6)	(48.4)
Total future minimum lease payments, net of interest	$ 35.2	$ 343.7

[1] Future sublease income of $1.6 million is excluded from the operating leases amount in the table above.

Total future minimum lease payments at June 30, 2023 for finance and operating leases, including the amount representing interest, are comprised of $390.4 million for real estate leases and $41.5 million for non-real estate leases.

4. RESTRUCTURING CHARGES

2020 Restructuring Plan

During 2020, the Company initiated a restructuring plan (the "2020 Restructuring Plan") to (1) respond to the impact of the COVID-19 pandemic on its business operations, (2) address the ongoing secular changes in its print and publishing operations and (3) further align its cost structure with ongoing business needs as the Company executes on its stated corporate strategy. As of December 31, 2022, the 2020 Restructuring Plan was complete. See Note 12, Segment and Other Information, for the impact that charges from this restructuring plan had on the Company's reportable segments.

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; unless otherwise indicated, costs incurred exclude any restructuring gains or losses on lease terminations and asset disposals.

The following table presents a summary of restructuring charges, net, showing the cumulative amounts since the initiatives began:

(in millions)	Severance and Related Costs	Other Direct Costs	(Gain) Loss on Sale of Assets and Other	Total
Cumulative	$ 41.4	$ 36.6	$ (8.4)	$ 69.6

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, 2022	$ 0.9	$ 2.3	$ 3.2
Payments	(0.4)	(0.3)	(0.7)
Other non-cash items	(0.1)	0.0	(0.1)
Balance at March 31, 2023	0.4	2.0	2.4
Payments	(0.1)	(0.9)	(1.0)
Balance at June 30, 2023	$ 0.3	$ 1.1	$ 1.4

The total liability in the table above primarily consists of obligations to make future lease payments through the end of 2024 for properties that were exited before the lease expired; the majority of the noted severance obligation is expected to be paid by the end of 2023.

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 December 31, 2021	$ 4.7	$ 3.7	$ 8.4
Costs incurred	0.4	1.4	1.8
Payments	(2.3)	(2.1)	(4.4)
Balance at March 31, 2022	2.8	3.0	5.8
Costs incurred	0.1	0.7	0.8
Payments	(0.6)	(1.1)	(1.7)
Balance at June 30, 2022	$ 2.3	$ 2.6	$ 4.9

In addition to the costs incurred in the table above, during the three and six months ended June 30, 2022, the Company expensed $0.9 million and $1.8 million, respectively, of Other Direct Costs, which was prepaid at December 31, 2021. For the three and six months ended June 30, 2022, the Company recognized non-cash net gains of $0.3 million from lease terminations and retirement of assets.

5. DEBT

The Company's debt obligations were as follows:

(in millions)	**June 30, 2023**	**December 31, 2022**
Asset-Based Lending Facility (the "ABL Facility")	$ 137.4	$ 229.2
Commercial card program	1.9	1.6
Vendor-based financing arrangements	11.3	14.5
Finance leases	35.2	32.9
Total debt	185.8	278.2
Less: current portion of debt	(14.2)	(13.4)
Long-term debt, net of current portion	$ 171.6	$ 264.8

ABL Facility

On March 17, 2023, the Company amended its ABL Facility to, among other things, replace LIBOR provisions with analogous SOFR provisions. The Company completed the full transition to Term SOFR in the second quarter of 2023. All other significant terms remained substantially the same. The ABL Facility has aggregate commitments of $1.1 billion, a maturity date of May 20, 2026 and interest rates which are based on Term SOFR or the prime rate plus a margin rate. 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, 2023, the available additional borrowing capacity under the ABL Facility was approximately $733.7 million. As of June 30, 2023, the Company held $8.6 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, 2023, 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, 2023, the card carried a maximum credit limit of $37.5 million. The net change in the outstanding balance is included in other financing activities on the Condensed Consolidated Statements of Cash Flows.

Vendor-Based Financing Arrangements

On occasion, the Company enters into long-term vendor-based financing arrangements with suppliers to obtain products, services or property in exchange for extended payment terms. During the three months ended March 31, 2022, the Company entered into a vendor-based financing agreement with a principal amount of $18.5 million to finance the acquisition of certain internal use software licenses which is being paid in annual installments over a five-year term. The payments associated with this arrangement are classified as financing activities on the Condensed Consolidated Statements of Cash Flows. The Company has not entered into any other similar arrangements.

Finance Leases

See Note 3, Leases, for additional information related to the Company's finance leases.

6. INCOME TAXES

The Company calculated the expense for income taxes during the three and six months ended June 30, 2023 and 2022, by applying an estimate of the annual effective tax rate for the full fiscal year to "ordinary" income (pre-tax income excluding unusual or infrequently occurring discrete items) for the reporting periods.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2023	2022	2023	2022
Income before income taxes	$ 96.5	$ 121.0	$ 185.7	$ 205.3
Income tax expense	25.8	29.9	46.3	35.7
Effective tax rate	26.7 %	24.7 %	24.9 %	17.4 %

The difference between the Company's effective tax rates for the three and six months ended June 30, 2023 and 2022 and the U.S. statutory tax rate of 21.0% primarily relates to state income taxes (net of federal income tax benefit), vesting of stock compensation and non-deductible expenses. Additionally, the effective tax rates for the three and six months ended June 30, 2022 include a tax benefit on the disposition of the Company's investment in a foreign subsidiary.

7. DEFINED BENEFIT PLANS

Veritiv maintains an open defined benefit pension plan in the U.S. for employees covered by certain collectively bargained agreements. Veritiv also maintains a defined benefit plan in the U.S., which includes frozen cash balance accounts for certain former Unisource employees, and formerly maintained similar plans for Canadian employees prior to the sale of Veritiv Canada, Inc. No other employees participate in Veritiv-sponsored defined benefit pension plans.

Effective December 1, 2021, the Company divided the U.S. Veritiv Pension Plan by establishing a new Veritiv Hourly Pension Plan to provide benefits to certain employees who were accruing a benefit under the U.S. Veritiv Pension Plan pursuant to the terms of a collective bargaining agreement. In support of its previously announced intention to terminate and settle the U.S. Veritiv Pension Plan, the Company used a portion of the plan assets to settle approximately half of its obligations through payments to qualified plan participants who elected lump sum distributions during the first half of 2023. During the second quarter of 2023, the Company recognized a gain of approximately $1.0 million on the settlement of these obligations, which was included in other (income) expense, net on the Condensed Consolidated Statement of Operations. The Company currently expects to use the remaining plan assets to settle the remaining obligations by the end of 2023. The Veritiv Hourly Pension Plan will remain open.

During the three months ended June 30, 2022, the Company completed the sale of its Veritiv Canada, Inc. business. As a result of the sale, a pension settlement occurred, which required an interim remeasurement of Veritiv Canada, Inc.'s defined benefit pension plan obligations as of the date of the sale. The Company ultimately recognized a gain of $7.0 million on the settlement of the Veritiv Canada, Inc. defined benefit plans, which was included in other (income) expense, net on the Condensed Consolidated Statement of Operations. See Note 13, Divestitures, for additional information regarding the sale of Veritiv Canada, Inc.

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

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	
(in millions)	U.S.	U.S.	Canada
Components of net periodic benefit cost (credit):			
Service cost	$ 0.5	$ 0.7	$ 0.0
Interest cost	$ 0.6	$ 0.3	$ (1.0)
Expected return on plan assets	(0.5)	(0.4)	1.9
Settlement (gain) loss	(1.0)	—	(7.0)
Amortization of net (gain) loss	(0.1)	—	(0.1)
Total other components	$ (1.0)	$ (0.1)	$ (6.2)
Net periodic benefit cost (credit)	$ (0.5)	$ 0.6	$ (6.2)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	
(in millions)	U.S.	U.S.	Canada
Components of net periodic benefit cost (credit):			
Service cost	$ 0.9	$ 1.5	$ 0.1
Interest cost	$ 1.2	$ 0.6	$ (0.4)
Expected return on plan assets	(1.1)	(0.9)	0.8
Settlement (gain) loss	(1.0)	—	(7.0)
Amortization of net (gain) loss	(0.1)	—	(0.1)
Total other components	$ (1.0)	$ (0.3)	$ (6.7)
Net periodic benefit cost (credit)	$ (0.1)	$ 1.2	$ (6.6)

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 accumulated other comprehensive loss over the expected future working lifetime of active plan participants.

8. FAIR VALUE MEASUREMENTS

At June 30, 2023 and December 31, 2022, 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.

Debt and Other Obligations

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 Company's one interest rate cap agreement, which was related to the ABL Facility, expired on September 13, 2022. Prior to its expiration, the fair value of the 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.

9. EARNINGS PER SHARE

Basic earnings per share for Veritiv common stock is calculated by dividing net income 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 per share calculations is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions, except per share data)	**2023**	**2022**	**2023**	**2022**
Numerator:				
Net income	$ 70.7	$ 91.1	$ 139.4	$ 169.6
Denominator:				
Weighted-average shares outstanding – basic	13.55	14.61	13.54	14.69
Dilutive effect of stock-based awards	0.17	0.27	0.19	0.41
Weighted-average shares outstanding – diluted	13.72	14.88	13.73	15.10
Earnings per share:				
Basic	$ 5.22	$ 6.24	$ 10.30	$ 11.55
Diluted	$ 5.15	$ 6.12	$ 10.15	$ 11.23
Antidilutive stock-based awards excluded from computation of diluted earnings per share ("EPS")	0.04	0.00	0.03	0.08
Performance stock-based awards excluded from computation of diluted EPS because performance conditions had not been met	0.08	0.07	0.08	0.00

10. SHAREHOLDERS' EQUITY

Dividends

The following table summarizes the Company's dividend declarations and payments made during the current year period. There were no comparable transactions in the prior year period.

Declaration Date	Record Date	Payable Date	Dividend Per Share		Payment (in millions)	
February 27, 2023	March 9, 2023	March 31, 2023	$	0.63	$	8.5
May 8, 2023	May 18, 2023	June 5, 2023		0.63		8.5
August 7, 2023	August 17, 2023	September 13, 2023		0.63		N/A
Total			$	1.89	$	17.0

The payment of future dividends remains subject to the discretion of the Company's Board of Directors and will depend upon various factors then existing, including earnings, financial condition, results of operations, capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends, restrictions imposed by applicable law, general business conditions and other factors that Veritiv's Board of Directors may deem relevant.

Treasury Stock - Share Repurchase Program

On March 1, 2022, Veritiv announced that its Board of Directors authorized a $200 million share repurchase program (the "2022 Share Repurchase Program"). The 2022 Share Repurchase Program authorizes the Company, from time to time, to purchase shares of its common stock through open market transactions, privately negotiated transactions, forward, derivative or accelerated repurchase transactions, tender offers or otherwise, including Rule 10b5-1 trading plans, in accordance with all applicable securities laws and regulations. The timing and method of any repurchases, which will depend on a variety of market factors, including market conditions, are subject to results of operations, financial conditions, cash requirements and other factors. This authorization may be suspended, terminated, increased or decreased by the Board of Directors at any time. During the three and six months ended June 30, 2022, the Company repurchased 698,645 and 776,670 shares, respectively, of its common stock at a cost of approximately $94.4 million and $104.8 million, respectively, under its 2022 Share Repurchase Program. During the year ended December 31, 2022, the Company completed its repurchases under the 2022 Share Repurchase Program by repurchasing 1,564,420 shares of its common stock at a cost of $200 million, reaching the program's authorized repurchase limit.

Veritiv Omnibus Incentive Plan

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, Performance Share Units, Market Condition Performance Share Units and/or non-employee director grants (grants not deferred) 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, 2023 and 2022. The related cash flow impacts are included in 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, 2022.

See the table below for information related to these transactions.

(in millions)	2023	2022
Three months ended March 31,		
Shares issued	0.1	0.7
Shares recovered for minimum tax withholding	(0.1)	(0.2)
Net shares issued	0.0	0.5
Three months ended June 30,		
Shares issued	0.0	0.0
Shares recovered for minimum tax withholding	0.1	0.0
Net shares issued	0.1	0.0

Accumulated Other Comprehensive Loss ("AOCL")

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

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	AOCL
Balance at December 31, 2022	$ (16.6)	$ 3.9	$ (12.7)
Unrealized net gains (losses) arising during the period	2.9	(0.1)	2.8
Net current period other comprehensive income (loss)	2.9	(0.1)	2.8
Balance at March 31, 2023	(13.7)	3.8	(9.9)
Unrealized net gains (losses) arising during the period	1.4	(0.4)	1.0
Amounts reclassified from AOCL	—	(0.8)	(0.8)
Net current period other comprehensive income (loss)	1.4	(1.2)	0.2
Balance at June 30, 2023	$ (12.3)	$ 2.6	$ (9.7)

(in millions)	Foreign currency translation adjustments	Retirement liabilities	Interest rate cap	AOCL
Balance at December 31, 2021	$ (25.2)	$ 1.0	$ (0.1)	$ (24.3)
Unrealized net gains (losses) arising during the period	2.6	0.0	0.0	2.6
Net current period other comprehensive income (loss)	2.6	0.0	0.0	2.6
Balance at March 31, 2022	(22.6)	1.0	(0.1)	(21.7)
Unrealized net gains (losses) arising during the period	(4.5)	6.4	0.1	2.0
Amounts reclassified from AOCL	9.5	(7.0)	0.0	2.5
Net current period other comprehensive income (loss)	5.0	(0.6)	0.1	4.5
Balance at June 30, 2022	$ (17.6)	$ 0.4	$ 0.0	$ (17.2)

11. 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.

MEPPs

The Company records an estimated undiscounted charge when it becomes probable that it has incurred a withdrawal liability when exiting a MEPP. Final charges for MEPP withdrawals are not known until the plans issue their respective determinations. As a result, these estimates may increase or decrease depending upon the final determinations. Charges not related to the Company's restructuring efforts are recorded as distribution expenses on the Condensed Consolidated Statements of Operations. Initial amounts are recorded as other non-current liabilities on the Condensed Consolidated Balance Sheets.

Teamsters Pension Trust Fund of Philadelphia and Vicinity

During the fourth quarter of 2022, in the course of negotiations for a collective bargaining agreement, Veritiv negotiated a complete withdrawal from the Teamsters Pension Trust Fund of Philadelphia and Vicinity to take effect on December 31, 2024, and recognized an estimated complete withdrawal liability of $4.9 million as of December 31, 2022, which was unchanged as of June 30, 2023. The withdrawal charge was recorded in distribution expenses as it was not related to a restructuring activity. As of June 30, 2023, the Company has not yet received the determination letter for the complete withdrawal from the Teamsters Pension Trust Fund of Philadelphia and Vicinity. The Company expects that payments will occur over an approximate 19-year period.

Minneapolis Food Distributors Ind Pension Plan

During the fourth quarter of 2021, in the course of negotiations for a collective bargaining agreement, Veritiv negotiated a complete withdrawal from the Minneapolis Food Distributors Ind Pension Plan to take effect on July 31, 2022, and recognized an estimated complete withdrawal liability of $0.5 million as of December 31, 2021. During the first quarter of 2023, the Company received the determination letter and recognized a final withdrawal liability of $0.6 million. The Company expects to make payments over an approximate four-year period.

Western Pennsylvania Teamsters and Employers Pension Fund

During the first quarter of 2020, Veritiv negotiated the complete withdrawal from the Western Pennsylvania Teamsters and Employers Pension Fund (the "Western Pennsylvania Fund"), a MEPP 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, 2023. During the second quarter of 2019, in the course of negotiations for a collective bargaining agreement, Veritiv negotiated a partial withdrawal from the Western Pennsylvania Fund and recognized an estimated partial withdrawal liability of $6.5 million, which was unchanged as of June 30, 2023. As of June 30, 2023, the Company has not yet received the determination letters for the full and partial withdrawals from the Western Pennsylvania Fund. The Company expects that payments will occur over an approximate 20-year period, which could run consecutively.

12. SEGMENT AND OTHER INFORMATION

Veritiv's business is organized under three reportable segments: Packaging, Facility Solutions and Print Solutions. 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 (benefits), 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 Solutions	Total Reportable Segments	Corporate & Other	Total
Three Months Ended June 30, 2023						
Net sales	$ 906.9	$ 187.3	$ 363.1	$ 1,457.3	$ —	$ 1,457.3
Adjusted EBITDA	108.9	17.7	24.0	150.6	(38.4)	
Depreciation and amortization	5.2	1.2	1.2	7.6	2.0	9.6
Three Months Ended June 30, 2022						
Net sales	$ 1,001.6	$ 195.8	$ 593.2	$ 1,790.6	$ 30.1	$ 1,820.7
Adjusted EBITDA	108.4	16.0	60.5	184.9	(48.6)	
Depreciation and amortization	5.5	1.1	1.0	7.6	3.5	11.1
Restructuring charges, net	0.9	0.1	0.4	1.4	0.0	1.4
Six Months Ended June 30, 2023						
Net sales	$ 1,802.3	$ 367.5	$ 797.7	$ 2,967.5	$ —	$ 2,967.5
Adjusted EBITDA	205.3	33.1	61.2	299.6	(83.6)	
Depreciation and amortization	10.6	2.4	2.3	15.3	4.4	19.7
Six Months Ended June 30, 2022						
Net sales	$ 2,004.7	$ 425.2	$ 1,189.8	$ 3,619.7	$ 59.1	$ 3,678.8
Adjusted EBITDA	205.8	29.4	115.1	350.3	(94.5)	
Depreciation and amortization	11.8	2.9	2.2	16.9	6.9	23.8
Restructuring charges, net	2.5	0.5	1.1	4.1	0.0	4.1

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2023	2022	2023	2022
Net income	$ 70.7	$ 91.1	$ 139.4	$ 169.6
Interest expense, net	4.3	4.0	9.0	7.5
Income tax expense	25.8	29.9	46.3	35.7
Depreciation and amortization	9.6	11.1	19.7	23.8
Restructuring charges, net	—	1.4	—	4.1
Gain on sale of businesses	—	(10.0)	—	(10.0)
Facility closure charges, including (gain) loss from asset disposition	0.1	(0.3)	0.0	(0.9)
Stock-based compensation	3.6	3.1	5.4	5.9
LIFO reserve (decrease) increase	(3.5)	11.8	(6.0)	22.8
Non-restructuring severance charges	(0.2)	(0.2)	0.1	1.5
Non-restructuring pension charges (benefits)	(1.0)	(7.0)	(0.8)	(7.0)
Other	2.8	1.4	2.9	2.8
Adjustment for Corporate & Other	38.4	48.6	83.6	94.5
Adjusted EBITDA for reportable segments	$ 150.6	$ 184.9	$ 299.6	$ 350.3

In February 2021, a Veritiv warehouse incurred significant damage as a result of a severe weather event, which included damage to the building structure and contents, as well as a loss of inventory. The total amount of the incurred loss and restoration cost is currently estimated to be approximately $13 million, the majority of which is expected to be covered by the Company's various insurance policies. From the date of the incident, a total net benefit of $2.8 million has been recognized in selling and administrative expenses on the Company's statements of operations, of which $0.1 million of expense and $3.5 million of benefit was recognized for the six months ended June 30, 2023 and 2022, respectively. During the six months ended June 30, 2023 and 2022, the Company received $0.1 million and $3.5 million, respectively, in reimbursements related to the structural damage, which is reported as proceeds from insurance related to property and equipment on the Condensed Consolidated Statement of Cash Flows. Insurance proceeds not related to the structural damage are reported as cash flows from operating activities.

13. DIVESTITURES

On May 2, 2022, the Company sold its Veritiv Canada, Inc. business to Imperial Dade Canada Inc. for a purchase price of CAD $240 million (approximately U.S. $190 million) in cash payable at closing, subject to certain customary adjustments. The Company recognized an initial pre-tax gain of approximately $10.0 million in the second quarter of 2022, which is included in gain on sale of businesses on the Condensed Consolidated Statements of Operations. Veritiv also received initial net cash proceeds of approximately $147.4 million in the second quarter of 2022, reflecting the purchase price adjusted for cash and target working capital, closing date debt and transaction fees. The net cash proceeds are reported as proceeds from asset sales and sale of businesses, net of cash transferred, in the investing activities section of the Condensed Consolidated Statements of Cash Flows. As of December 31, 2022, the Company had recognized a total pre-tax gain of approximately $18.7 million and net cash proceeds of approximately $162.2 million related to the sale of Veritiv Canada, Inc. The Company used the proceeds to support the 2022 Share Repurchase Program, to pay down outstanding debt and to fund capital priorities and growth initiatives. The sale included substantially all of the Company's facility solutions and print operations in Canada, and a majority of the Company's Canada-based packaging business, which primarily serves food service customers. The Company maintains the ability to supply packaging solutions to the Canadian locations of certain U.S.-based customers. The sale did not represent a strategic shift that will have a major effect on the Company's operations or financial results and it did not meet the requirements to be classified as a discontinued operation. Management determined that the carrying values of the goodwill and other intangible assets allocated to the Veritiv Canada, Inc. business were not impaired. Upon closing of the sale, Veritiv's approximately 900 employees in Canada became employees of Imperial Dade Canada Inc. In connection with the closing, the Company entered into an agreement with the buyer for the provision of certain storage, order processing and/or fulfillment services for the small subset of Veritiv-retained packaging customers.

14. SUBSEQUENT EVENT

On August 6, 2023, the Company entered into a definitive merger agreement to be acquired by an affiliate of Clayton, Dubilier & Rice, LLC. Under the terms of the agreement, each share of the Company's common stock issued and outstanding immediately prior to the closing of the transaction will be entitled to receive $170 per share in cash. The transaction, which was unanimously approved by the Company's Board of Directors, is currently expected to close in the fourth quarter of 2023, subject to customary closing conditions, including approval by the Company's shareholders and the receipt of required regulatory approvals. Upon the completion of the transaction, Veritiv will become a privately held company and shares of Veritiv common stock will no longer be listed on any public markets.

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, strategy, business plans, prospects and guidance, statements related to customer demand, supply and demand imbalances, the expected competitive landscape 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," "will," "may," "should," "could," "would," "plan," "estimate," "predict," "potential," "goal," "outlook," or the negative of such terms, or other comparable expressions, 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 results 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, strategy, 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 the risks and other factors described under "Risk Factors" and elsewhere in our Annual Report on Form 10-K and in the Company's other publicly available reports filed with the Securities and Exchange Commission ("SEC"). Such risks and other factors, which in some instances are beyond the Company's control, include: the industry-wide decline in demand for paper and related products; 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 multiple significant customers; 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 appropriately 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; 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; our ability to adequately address environmental, social and governance matters; 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; adverse impacts from the COVID-19 pandemic; 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.

Other risks and uncertainties include, but are not limited to, uncertainties relating to the proposed merger between the Company and an affiliate of Clayton, Dubilier & Rice, LLC (the "Merger") as described in Note 14 (Subsequent Event), including: uncertainties as to the timing of the Merger; the timing, receipt and terms and conditions of any required governmental or regulatory approvals of the Merger that could reduce the anticipated benefits of or cause the parties to abandon the Merger; risks related to the satisfaction of the conditions to closing the Merger (including the failure to obtain necessary regulatory approvals or the approval of the Company's shareholders) in the anticipated timeframe or at all; the risk that any announcements *relating to the Merger could have adverse effects on the market price of the Company's common stock; disruption from the Merger making it more difficult to maintain business and operational relationships, including retaining and hiring key personnel; the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement, including in certain circumstances requiring the Company to pay a termination fee; risks related to disruption of management's attention from the Company's ongoing business operations due to the Merger; significant transaction costs; and the risk of litigation and/or regulatory actions related to the Merger.*

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, 2023 should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and Notes thereto, included elsewhere in this report.

Executive Overview

Company Strategy

Veritiv continues to execute against its long-term strategy to be the leading provider of business-to-business packaging products and services, as well as paper and facility solutions products and services. The Company continues to invest in organic packaging growth including selling and supply chain capabilities, and to pursue inorganic packaging growth opportunities. The Company also continues to evaluate alternatives for non-core components of its business.

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 and print-based products and services. Veritiv was established on July 1, 2014 following the merger of International Paper Company's xpedx distribution solutions business and UWW Holdings, Inc., the parent company of Unisource Worldwide, Inc. Veritiv operates primarily throughout the United States ("U.S.") and Mexico.

On May 2, 2022, the Company sold its Veritiv Canada, Inc. business. The sale included substantially all of the Company's facility solutions and print operations in Canada, and a majority of the Company's Canada-based packaging business, which primarily served food service customers. On September 1, 2022, the Company sold its logistics solutions business, which provided transportation and warehousing solutions to customers in the U.S. These divestitures allow Veritiv to continue to shift its portfolio to focus on its core packaging business, with an emphasis on higher growth, higher margin businesses, and further invest in building on its industry-leading capabilities. This report includes the financial results of the Veritiv Canada, Inc. business and the Company's logistics solutions business for their respective partial year of 2022 based on their respective sale dates.

Veritiv's business is organized under three reportable segments: Packaging, Facility Solutions and Print Solutions. 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. Prior to its divestiture in September 2022, the Company's logistics solutions business, which provided transportation and warehousing solutions, was also included in Corporate & Other. 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. This segment 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 and inventory management. Its sales force is trained to bring leading vertical expertise to the major North American geographies.

- ***Print Solutions*** – The Print Solutions segment helps customers optimize their printed communication by sourcing and distributing sustainable papers through a global network of suppliers. The Print Solutions segment sells and distributes commercial printing, writing and copying products and services primarily in North America. Veritiv's broad geographic platform of operations and services, coupled with the breadth of paper and graphics products, including exclusive private brand offerings, provides a comprehensive suite of solutions in paper procurement, print management, supply chain and distribution. This segment's customer base includes commercial printers, marketers, corporate end users, publishers and retailers.

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 Solutions segment, 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.

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, 2023 and 2022:

	Three Months Ended June 30,		Increase (Decrease)		Six Months Ended June 30,		Increase (Decrease)	
(in millions)	2023	2022	$	%	2023	2022	$	%
Net sales	$ 1,457.3	$ 1,820.7	$ (363.4)	(20.0)%	$ 2,967.5	$ 3,678.8	$ (711.3)	(19.3)%
Cost of products sold (exclusive of depreciation and amortization shown separately below)	1,096.6	1,410.9	(314.3)	(22.3)%	2,240.7	2,866.3	(625.6)	(21.8)%
Distribution expenses	88.7	98.2	(9.5)	(9.7)%	178.4	210.4	(32.0)	(15.2)%
Selling and administrative expenses	163.5	190.7	(27.2)	(14.3)%	334.9	378.6	(43.7)	(11.5)%
Gain on sale of businesses	—	(10.0)	(10.0)	(100.0)%	—	(10.0)	(10.0)	(100.0)%
Depreciation and amortization	9.6	11.1	(1.5)	(13.5)%	19.7	23.8	(4.1)	(17.2)%
Restructuring charges, net	—	1.4	(1.4)	(100.0)%	—	4.1	(4.1)	(100.0)%
Operating income	98.9	118.4	(19.5)	(16.5)%	193.8	205.6	(11.8)	(5.7)%
Interest expense, net	4.3	4.0	0.3	7.5%	9.0	7.5	1.5	20.0%
Other (income) expense, net	(1.9)	(6.6)	4.7	71.2%	(0.9)	(7.2)	6.3	87.5%
Income before income taxes	96.5	121.0	(24.5)	(20.2)%	185.7	205.3	(19.6)	(9.5)%
Income tax expense	25.8	29.9	(4.1)	(13.7)%	46.3	35.7	10.6	29.7%
Net income	$ 70.7	$ 91.1	$ (20.4)	(22.4)%	$ 139.4	$ 169.6	$ (30.2)	(17.8)%

The table below provides a reconciliation of Veritiv's reported net sales, calculated in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), to its organic sales, which is a non-GAAP financial measure. Organic sales is defined by the Company as: net sales on an average daily sales basis, excluding revenue from sold businesses and revenue from acquired businesses for a period of 12 months after the Company completes the acquisition. The Company believes presenting organic sales will help investors better compare period-over-period results. Other companies in the industry may calculate organic sales differently than Veritiv does, limiting its usefulness as a comparative measure.

	Three Months Ended June 30,									
	Total Company		Packaging		Facility Solutions		Print Solutions		Corporate & Other	
(in millions)	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Reported net sales	$ 1,457.3	$ 1,820.7	$ 906.9	$ 1,001.6	$ 187.3	$ 195.8	$ 363.1	$ 593.2	$ —	$ 30.1
Impact of change in selling days [(1)]	—	—	—	—	—	—	—	—	—	—
Net sales (on an average daily sales basis)	1,457.3	1,820.7	906.9	1,001.6	187.3	195.8	363.1	593.2	—	30.1
Business divestitures [(2)]	—	(98.4)	—	(26.1)	—	(22.5)	—	(19.7)	—	(30.1)
Organic sales	$ 1,457.3	$ 1,722.3	$ 906.9	$ 975.5	$ 187.3	$ 173.3	$ 363.1	$ 573.5	$ —	$ —

(1) Adjustment for differences in the number of selling days, if any.

(2) Represents the net sales of each of the following divested businesses prior to its respective divestiture: Veritiv Canada, Inc. (May 2, 2022) and the logistics solutions business (September 1, 2022).

	Six Months Ended June 30,									
	Total Company		Packaging		Facility Solutions		Print Solutions		Corporate & Other	
(in millions)	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Reported net sales	$ 2,967.5	$ 3,678.8	$ 1,802.3	$ 2,004.7	$ 367.5	$ 425.2	$ 797.7	$ 1,189.8	$ —	$ 59.1
Impact of change in selling days [(1)]	—	—	—	—	—	—	—	—	—	—
Net sales (on an average daily sales basis)	2,967.5	3,678.8	1,802.3	2,004.7	367.5	425.2	797.7	1,189.8	—	59.1
Business divestitures [(2)]	—	(319.0)	—	(100.3)	—	(87.0)	—	(72.6)	—	(59.1)
Organic sales	$ 2,967.5	$ 3,359.8	$ 1,802.3	$ 1,904.4	$ 367.5	$ 338.2	$ 797.7	$ 1,117.2	$ —	$ —

[(1)] Adjustment for differences in the number of selling days, if any.
[(2)] Represents the net sales of each of the following divested businesses prior to its respective divestiture: Veritiv Canada, Inc. (May 2, 2022) and the logistics solutions business (September 1, 2022).

Net Sales

For the three months ended June 30, 2023, net sales decreased by $363.4 million, or 20.0%, and organic sales decreased by $265.0 million, or 15.4%. The decrease in net sales resulting from the divestitures of the Canadian and logistics solutions businesses for the three months ended June 30, 2023, was $68.3 million and $30.1 million, respectively. After adjusting for the impact of the divestiture of the Canadian business, net sales decreased in the Print Solutions and Packaging reportable segments with Print Solutions responsible for a majority of the total decline. The decrease in net sales was primarily due to lower volumes partially offset by higher market prices. Throughout the second quarter of 2023, net sales were negatively impacted by customer inventory destocking and lower demand, primarily in the Print Solutions segment. Inflationary market price increases, primarily in the Company's Packaging and Print Solutions product portfolios, impacted the second quarter of 2023. To the extent feasible, the Company has adjusted its prices to reflect the impact of inflation on the cost of purchased materials and services. Management expects weak underlying demand in the print industry to continue in the second half of 2023. Overall uncertain macroeconomic conditions may lead to a continued slow-down of broader market demand in the second half of 2023. See the "Segment Results" section for additional discussion.

For the six months ended June 30, 2023, net sales decreased by $711.3 million, or 19.3%, and organic sales decreased by $392.3 million, or 11.7%. The decrease in net sales resulting from the divestitures of the Canadian and logistics solutions businesses for the six months ended June 30, 2023, was $259.9 million and $59.1 million, respectively. After adjusting for the impact of the divestiture of the Canadian business, net sales decreased in the Print Solutions and Packaging reportable segments with Print Solutions responsible for a majority of the total decline. The decrease in net sales was primarily due to lower volumes partially offset by higher market prices. Throughout the first half of 2023, net sales were negatively impacted by customer inventory destocking and lower demand, primarily in the Print Solutions segment and to a lesser extent the Packaging segment. Inflationary market price increases, primarily in the Company's Packaging and Print Solutions product portfolios, impacted the first half of 2023. To the extent feasible, the Company has adjusted its prices to reflect the impact of inflation on the cost of purchased materials and services. See the "Segment Results" section for additional discussion.

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

For the three months ended June 30, 2023, cost of products sold decreased primarily due to lower net sales and the divestiture of the Canadian business. Cost of products sold decreased at a slower rate than net sales due to improvements in pricing, sale of the lower margin Canadian business and changes in segment mix.

For the six months ended June 30, 2023, cost of products sold decreased primarily due to the divestiture of the Canadian business and lower net sales. Cost of products sold decreased at a slower rate than net sales due to improvements in pricing, sale of the lower margin Canadian business and changes in segment mix.

Distribution Expenses

For the three months ended June 30, 2023, distribution expenses decreased by $9.5 million, or 9.7%. The decrease was primarily due to (i) a $5.1 million decrease related to the divestiture of the Canadian business and (ii) a $4.2 million decrease in freight and logistics expense, which was primarily related to third-party freight and fuel expenses due to lower sales volume.

For the six months ended June 30, 2023, distribution expenses decreased by $32.0 million, or 15.2%. The decrease was primarily due to (i) a $21.4 million decrease related to the divestiture of the Canadian business, (ii) an $8.2 million decrease in freight and logistics expense, which was primarily related to third-party freight and fuel expenses due to lower sales volume and (iii) a $1.3 million decrease in personnel expenses.

Selling and Administrative Expenses

For the three months ended June 30, 2023, selling and administrative expenses decreased by $27.2 million, or 14.3%. The decrease was primarily due to (i) a $20.0 million decrease in personnel expenses, (ii) a $5.4 million decrease in expenses related to the divestiture of the Canadian business and (iii) a $1.2 million decrease in professional fees expense, partially offset by a $1.4 million lower net gain from insurance proceeds as compared to the prior year period. The decrease in personnel expenses was primarily driven by (i) lower incentive compensation expense and (ii) a decrease in commission expenses due to lower net sales.

For the six months ended June 30, 2023, selling and administrative expenses decreased by $43.7 million, or 11.5%. The decrease was primarily due to (i) a $21.9 million decrease in personnel expenses, (ii) a $19.7 million decrease in expenses related to the divestiture of the Canadian business and (iii) a $5.0 million decrease in professional fees expense, partially offset by a $3.6 million lower net gain from insurance proceeds as compared to the prior year period. The decrease in personnel expenses was primarily due to (i) lower incentive compensation expense and (ii) a decrease in commission expenses due to lower net sales, partially offset by higher wages.

Gain on Sale of Businesses

The Company had no business divestitures in 2023. For the three and six months ended June 30, 2022, the gain on the sale of the Veritiv Canada, Inc. business was $10.0 million. See Note 13 of the Notes to Condensed Consolidated Financial Statements for additional information related to the Company's business divestitures.

Depreciation and Amortization

For the three and six months ended June 30, 2023, depreciation and amortization was lower than the same period in 2022. The decrease was primarily driven by lower depreciation on information technology related assets and the divestiture of the Canadian business.

Restructuring Charges, Net

The Company had no restructuring charges in 2023. For the three and six months ended June 30, 2022, restructuring charges, net, were $1.4 million and $4.1 million, respectively. As of December 31, 2022, the Company had completed its restructuring activities. See Note 4 of the Notes to Condensed Consolidated Financial Statements for additional information related to the Company's restructuring efforts.

Interest Expense, Net

For the three months ended June 30, 2023, interest expense, net, increased by $0.3 million, or 7.5%. The increase was primarily due to higher average interest rates, partially offset by a lower average balance on the Company's ABL Facility.

For the six months ended June 30, 2023, interest expense, net, increased by $1.5 million, or 20.0%. The increase was primarily due to higher average interest rates, partially offset by a lower average balance on the Company's ABL Facility.

Other (Income) Expense, Net

For the three months ended June 30, 2023, other (income) expense, net, was income of $1.9 million. This was a net unfavorable change of $4.7 million as compared to the same period in 2022. The unfavorable change was primarily due to a $1.0 million gain on the settlement of the U.S. Veritiv Pension Plan in 2023 that was less than the $7.0 million gain on the settlement of the Canadian pension plans in 2022, partially offset by favorable changes in pension expenses and favorable foreign exchange impacts in 2023.

For the six months ended June 30, 2023, other (income) expense, net, was income of $0.9 million. This was a net unfavorable change of $6.3 million as compared to the same period in 2022. The unfavorable change was primarily due to a $1.0 million gain on the settlement of the U.S. Veritiv Pension Plan in 2023 that was less than the $7.0 million gain on the settlement of the Canadian pension plans in 2022, partially offset by favorable foreign exchange impacts in 2023.

Effective Tax Rate

Veritiv's effective tax rates were 26.7% and 24.7% for the three months ended June 30, 2023 and 2022, respectively. Veritiv's effective tax rates were 24.9% and 17.4% for the six months ended June 30, 2023 and 2022, 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), vesting of stock compensation and non-deductible expenses. Additionally, the effective tax rates for the three and six months ended June 30, 2022, include a tax benefit on the disposition of the Company's investment in a foreign subsidiary.

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 (benefits), 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. 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, 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 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 historical 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. In the long term, this trend 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 Solutions segment.

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

(in millions)	Packaging	Facility Solutions	Print Solutions	Corporate & Other
Three Months Ended June 30, 2023				
Net sales	$ 906.9	$ 187.3	$ 363.1	$ —
Adjusted EBITDA	108.9	17.7	24.0	(38.4)
Adjusted EBITDA as a % of net sales	12.0 %	9.5 %	6.6 %	*
Three Months Ended June 30, 2022				
Net sales	$ 1,001.6	$ 195.8	$ 593.2	$ 30.1
Adjusted EBITDA	108.4	16.0	60.5	(48.6)
Adjusted EBITDA as a % of net sales	10.8 %	8.2 %	10.2 %	*
Six Months Ended June 30, 2023				
Net sales	$ 1,802.3	$ 367.5	$ 797.7	$ —
Adjusted EBITDA	205.3	33.1	61.2	(83.6)
Adjusted EBITDA as a % of net sales	11.4 %	9.0 %	7.7 %	*
Six Months Ended June 30, 2022				
Net sales	$ 2,004.7	$ 425.2	$ 1,189.8	$ 59.1
Adjusted EBITDA	205.8	29.4	115.1	(94.5)
Adjusted EBITDA as a % of net sales	10.3 %	6.9 %	9.7 %	*

** - not meaningful*

See Note 12 of the Notes to Condensed Consolidated Financial Statements for additional information related to Adjusted EBITDA, including a reconciliation of net income as reflected on the Condensed Consolidated Statements of Operations to Adjusted EBITDA for reportable segments.

Packaging

	Three Months Ended June 30,		Increase (Decrease)		Six Months Ended June 30,		Increase (Decrease)	
(in millions)	2023	2022	$	%	2023	2022	$	%
Net sales	$ 906.9	$ 1,001.6	$ (94.7)	(9.5)%	$ 1,802.3	$ 2,004.7	$ (202.4)	(10.1)%
Adjusted EBITDA	108.9	108.4	0.5	0.5 %	205.3	205.8	(0.5)	(0.2)%
Adjusted EBITDA as a % of net sales	12.0 %	10.8 %		120 bps	11.4 %	10.3 %		110 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)	2023 vs. 2022	2023 vs. 2022
Volume	$ (117.8)	$ (270.2)
Price/Mix	23.1	67.8
Total change	$ (94.7)	$ (202.4)

Comparison of the Three Months Ended June 30, 2023 and June 30, 2022

Net sales decreased $94.7 million, or 9.5%, as compared to the same period in 2022. Organic sales decreased $68.6 million, or 7.0%, as compared to the same period in 2022**.** The net sales decrease was primarily attributable to lower sales volume and volume declines associated with the divestiture of the Canadian business, partially offset by higher market prices. Throughout the second quarter of 2023, economic uncertainty contributed to lower demand. Sales decreases to light manufacturing, food and beverage and heavy manufacturing customers were partially offset by sales increases to logistics, wholesale and retail and entertainment and hospitality customers compared to the prior year period. The decrease in net sales resulting from the divestiture of the Canadian business for the three months ended June 30, 2023 was $26.1 million. Management expects Veritiv to benefit as the industry projects North American box shipments to return to growth in the second half of 2023.

Adjusted EBITDA increased $0.5 million, or 0.5%, as compared to the same period in 2022. The increase in Adjusted EBITDA was attributable to (i) a $7.8 million decrease in selling and administrative expenses, (ii) a $6.6 million decrease in distribution expenses and (iii) cost of products sold decreasing at a faster rate than net sales, partially offset by lower sales volume. The decrease in selling and administrative expenses was primarily driven by (i) a $3.0 million decrease in professional fees, (ii) a $1.9 million decrease in personnel expenses, (iii) a $1.3 million decrease related to the divestiture of the Canadian business and (iv) a $0.7 million decrease in bad debt expense. The decrease in personnel expenses was due to lower incentive compensation and commission expenses, partially offset by higher wages. The decrease in distribution expenses was primarily driven by (i) a $2.6 million decrease in facility rent expense driven by decreased utilization of the distribution network, (ii) a $2.2 million decrease related to the divestiture of the Canadian business and (iii) a $1.5 million decrease in freight and logistics expense, which was primarily related to fuel and third-party freight due to lower sales volume.

Comparison of the Six Months Ended June 30, 2023 and June 30, 2022

Net sales decreased $202.4 million, or 10.1%, as compared to the same period in 2022. Organic sales decreased $102.1 million, or 5.4%, for the six months ended June 30, 2023. The net sales decrease was primarily attributable to lower sales volume and volume declines associated with the divestiture of the Canadian business, partially offset by higher market prices. Economic uncertainty throughout the first half of 2023 combined with customer inventory destocking primarily during the first quarter of 2023 contributed to lower demand. Sales decreases to light manufacturing, food and beverage and heavy manufacturing customers were partially offset by sales increases to healthcare, wholesale and retail, and entertainment and hospitality customers compared to the prior year period. The decrease in net sales resulting from the divestiture of the Canadian business for the six months ended June 30, 2023 was $100.3 million.

Adjusted EBITDA decreased $0.5 million, or 0.2%, as compared to the same period in 2022. The decrease in Adjusted EBITDA was primarily attributable to lower sales volume partially offset by (i) an $18.3 million decrease in distribution expenses, (ii) an $11.7 million decrease in selling and administrative expenses and (iii) cost of products sold decreasing at a faster rate than net sales. The decrease in distribution expenses was primarily driven by (i) a $9.4 million decrease related to the divestiture of the Canadian business, (ii) a $4.7 million decrease in facility rent expense driven by decreased utilization of the distribution network and (iii) a $3.4 million decrease in freight and logistics expense, which was primarily related to third-party freight and fuel due to lower sales volume. The decrease in selling and administrative expenses was primarily driven by (i) a $6.9 million decrease in professional fees and (ii) a $4.5 million decrease related to the divestiture of the Canadian business.

Facility Solutions

(in millions)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Increase (Decrease) $	Increase (Decrease) %	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Increase (Decrease) $	Increase (Decrease) %
Net sales	$ 187.3	$ 195.8	$ (8.5)	(4.3)%	$ 367.5	$ 425.2	$ (57.7)	(13.6)%
Adjusted EBITDA	17.7	16.0	1.7	10.6 %	33.1	29.4	3.7	12.6 %
Adjusted EBITDA as a % of net sales	9.5 %	8.2 %		130 bps	9.0 %	6.9 %		210 bps

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, 2023 vs. 2022	Increase (Decrease) Six Months Ended June 30, 2023 vs. 2022
Volume	$ (23.3)	$ (91.0)
Price/Mix	14.8	33.3
Total change	$ (8.5)	$ (57.7)

Comparison of the Three Months Ended June 30, 2023 and June 30, 2022

Net sales decreased $8.5 million, or 4.3%, as compared to the same period in 2022. Organic sales increased $14.0 million, or 8.1%, as compared to the same period in 2022**.** The net sales decrease was primarily attributable to the divestiture of the Canadian business, partially offset by higher market prices and increased sales of towels and tissues, food service products and wipers. The decrease in net sales resulting from the divestiture of the Canadian business for the three months ended June 30, 2023 was $22.5 million. During the second quarter of 2023, a continued consumer shift from goods to services contributed to higher demand in away-from-home product categories. Demand improved within the entertainment and hospitality and heavy manufacturing end use sectors as well as office-like end use sectors as more employees are physically returning to offices. This was partially offset by lower demand in the food and beverage and light manufacturing end use sectors.

Adjusted EBITDA increased $1.7 million, or 10.6%, as compared to the same period in 2022. The increase in Adjusted EBITDA was primarily attributable to (i) the organic sales increase and (ii) cost of products sold increasing at a slower rate than net sales, partially offset by lower net sales resulting from the divestiture of the Canadian business. The divestiture of the Canadian business resulted in (i) a $2.1 million decrease in distribution expenses and (ii) a $1.5 million decrease in selling and administrative expenses.

Comparison of the Six Months Ended June 30, 2023 and June 30, 2022

Net sales decreased $57.7 million, or 13.6%, as compared to the same period in 2022. Organic sales increased $29.3 million, or 8.7%, for the six months ended June 30, 2023. The net sales decrease was primarily attributable to the divestiture of the Canadian business and decreased sales volume, partially offset by higher market prices and increased sales of towels and tissues, wipers and chemicals. The decrease in net sales resulting from the divestiture of the Canadian business for the six months ended June 30, 2023 was $87.0 million. During the first half of 2023, a consumer shift from goods to services contributed to higher demand in away-from-home product categories. Demand improved within the entertainment and hospitality, office like and heavy manufacturing end use sectors. This was partially offset by lower demand in the food and beverage and government end use sectors.

Adjusted EBITDA increased $3.7 million, or 12.6%, as compared to the same period in 2022. The increase in Adjusted EBITDA was primarily attributable to (i) the organic sales increase and (ii) cost of products sold increasing at a slower rate than net sales, partially offset by lower net sales resulting from the divestiture of the Canadian business. The divestiture of the Canadian business resulted in (i) an $8.4 million decrease in distribution expenses and (ii) a $5.3 million decrease in selling and administrative expenses.

Print Solutions

(in millions)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Increase (Decrease) $	Increase (Decrease) %	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Increase (Decrease) $	Increase (Decrease) %
Net sales	$ 363.1	$ 593.2	$ (230.1)	(38.8)%	$ 797.7	$ 1,189.8	$ (392.1)	(33.0)%
Adjusted EBITDA	24.0	60.5	(36.5)	(60.3)%	61.2	115.1	(53.9)	(46.8)%
Adjusted EBITDA as a % of net sales	6.6 %	10.2 %		(360) bps	7.7 %	9.7 %		(200) bps

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, 2023 vs. 2022	Increase (Decrease) Six Months Ended June 30, 2023 vs. 2022
Volume	$ (265.9)	$ (510.5)
Price/Mix	35.8	118.4
Total change	$ (230.1)	$ (392.1)

Comparison of the Three Months Ended June 30, 2023 and June 30, 2022

Net sales decreased $230.1 million, or 38.8%, as compared to the same period in 2022. Organic sales decreased $210.4 million, or 36.7%, as compared to the same period in 2022. The net sales decrease was primarily attributable to decreased sales volume as well as volume declines associated with the divestiture of the Canadian business, partially offset by higher market prices. Customer inventory destocking contributed to lower demand throughout the second quarter of 2023. The decrease in net sales resulting from the divestiture of the Canadian business for the three months ended June 30, 2023 was $19.7 million. Management expects the effects of customer inventory destocking will likely continue in the third quarter of 2023.

Adjusted EBITDA decreased $36.5 million, or 60.3%, as compared to the same period in 2022. The Adjusted EBITDA decrease was primarily attributable to lower net sales, partially offset by (i) cost of products sold decreasing at a faster rate than net sales and (ii) a $7.5 million decrease in selling and administrative expenses. The decrease in selling and administrative expenses was primarily driven by (i) a $7.0 million decrease in personnel expenses and (ii) a $0.8 million decrease related to the divestiture of the Canadian business. The decrease in personnel expenses was due to lower commission expenses related to lower net sales and lower incentive compensation expense. Distribution expenses were flat as lower freight and logistics expense and personnel expenses were offset by higher facility rent expense driven by increased utilization of the distribution network.

Comparison of the Six Months Ended June 30, 2023 and June 30, 2022

Net sales decreased $392.1 million, or 33.0%, as compared to the same period in 2022. Organic sales decreased $319.5 million, or 28.6%, for the six months ended June 30, 2023. The net sales decrease was primarily attributable to decreased sales volume as well as volume declines associated with the divestiture of the Canadian business, partially offset by higher market prices. Customer inventory destocking contributed to lower demand throughout the first half of 2023. The decrease in net sales resulting from the divestiture of the Canadian business for the six months ended June 30, 2023 was $72.6 million.

Adjusted EBITDA decreased $53.9 million, or 46.8%, as compared to the same period in 2022. The Adjusted EBITDA decrease was primarily attributable to lower net sales, partially offset by (i) cost of products sold decreasing at a faster rate than net sales, (ii) a $10.4 million decrease in selling and administrative expenses and (iii) a $1.3 million decrease in distribution expenses. The decrease in selling and administrative expenses was driven by (i) a $7.7 million decrease in personnel expenses and (ii) a $2.9 million decrease related to the divestiture of the Canadian business. The decrease in personnel expenses was due to lower commission expenses related to lower net sales and lower incentive compensation expense. The decrease in distribution expenses was primarily driven by (i) a $3.3 million decrease related to the divestiture of the Canadian business, (ii) a $3.0 million decrease in freight and logistics expense and (iii) a $2.8 million decrease in personnel expenses, partially offset by a $7.6 million increase in facility rent expense, driven by increased utilization of the distribution network.

Corporate & Other

(in millions)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Increase (Decrease) $	Increase (Decrease) %	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Increase (Decrease) $	Increase (Decrease) %
Net sales	$ —	$ 30.1	$ (30.1)	(100.0)%	$ —	$ 59.1	$ (59.1)	(100.0)%
Adjusted EBITDA	(38.4)	(48.6)	10.2	21.0 %	(83.6)	(94.5)	10.9	11.5 %

Comparison of the Three Months Ended June 30, 2023 and June 30, 2022

Net sales decreased $30.1 million, or 100.0%, as compared to the same period in 2022. The net sales decrease was driven by the divestiture of the logistics solutions business in 2022.

Adjusted EBITDA increased $10.2 million, or 21.0%, as compared to the same period in 2022. The Adjusted EBITDA increase was primarily driven by a $13.3 million decrease in selling and administrative expenses, partially offset by the net sales decrease due to the divestiture of the logistics solutions business. The decrease in selling and administrative expenses was due to (i) a $10.0 million decrease in personnel expenses, (ii) a $2.7 million decrease related to the divestiture of the logistics solutions business and (iii) a $1.0 million decrease related to the divestiture of the Canadian business, partially offset by a $1.0 million increase in professional fees. The decrease in personnel expenses was primarily due to lower incentive compensation expense.

Comparison of the Six Months Ended June 30, 2023 and June 30, 2022

Net sales decreased $59.1 million, or 100.0%, as compared to the same period in 2022. The net sales decrease was driven by the divestiture of the logistics solutions business in 2022.

Adjusted EBITDA increased $10.9 million, or 11.5%, as compared to the same period in 2022. The Adjusted EBITDA increase was primarily driven by an $18.3 million decrease in selling and administrative expenses, partially offset by the net sales decrease due to the divestiture of the logistics solutions business. The decrease in selling and administrative expenses was due to (i) an $11.9 million decrease in personnel expenses, (ii) a $4.9 million decrease related to the divestiture of the logistics solutions business and (iii) a $4.4 million decrease related to the divestiture of the Canadian business, partially offset by a $3.3 million increase in professional fees. The decrease in personnel expenses was primarily due to lower incentive compensation expense.

Liquidity and Capital Resources

The cash requirements of the Company are primarily 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 related to the Company's debt position.

The following table sets forth a summary of cash flows:

(in millions)	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net cash provided by (used for):		
Operating activities	$ 165.3	$ 62.3
Investing activities	(5.6)	131.3
Financing activities	(156.8)	(210.2)

Analysis of Cash Flows

Operating Activities

Net cash from operating activities was higher by $103.0 million as compared to the prior year. The increase was primarily due to a decrease in accounts receivable driven by the decline in net sales and the Company's improved accounts receivable collection efforts in the current year period. Unfavorable impacts to operating cash flows were due to (i) a $35.4 million increase in cash paid for inventories, (ii) a $19.4 million decrease in incentive compensation and commissions, (iii) the payment of the cash-based long-term incentive awards granted in 2020, valued at approximately $15.2 million and (iv) approximately $12.0 million of additional cash payments in 2023 related to the Company's technology improvement initiatives. The remaining changes in the Company's operating assets and liabilities were driven by normal business activities.

Investing Activities

Net cash used for investing activities was an increased use of cash by $136.9 million as compared to the prior year. The increased usage was primarily due to (i) the receipt of proceeds from the sale of Veritiv Canada, Inc. in 2022 that did not repeat in 2023 and (ii) a decrease in insurance proceeds in the current year as compared to the prior year. The decrease in cash received in the prior year period was partially offset by a decrease in the purchases of property and equipment in the current year as compared to the prior year.

Financing Activities

Net cash used for financing activities was a decreased use of cash by $53.4 million as compared to the prior year. The decreased usage was primarily due to (i) lower common stock repurchases, as no stock repurchases were made in 2023 and (ii) lower tax withholdings on share based compensation in the current year as compared to the prior year. The decreased usage was partially offset by (i) the unfavorable change in book overdrafts, due to the timing of payments, (ii) an increase in the payment of dividends in 2023, as no dividends were paid in the first half of 2022 and (iii) increased net repayments under the Company's ABL Facility.

Funding and Liquidity Strategy

ABL Facility

On March 17, 2023, the Company amended its ABL Facility to, among other things, replace LIBOR provisions with analogous SOFR provisions. The Company completed the full transition to Term SOFR in the second quarter of 2023. All other significant terms remained substantially the same. The ABL Facility has aggregate commitments of $1.1 billion and a maturity date of May 20, 2026. The ABL Facility is available to be drawn in U.S. dollars, or in other currencies that are mutually agreeable. The ABL Facility provides for the right of the individual lenders to extend the maturity date of their respective commitments and loans upon the request of Veritiv and without the consent of any other lenders. The ABL Facility may be prepaid at Veritiv's option at any time without premium or penalty and is subject to mandatory prepayment if the amount outstanding under the ABL Facility exceeds either the aggregate commitments with respect thereto or the current borrowing base, in an amount equal to such excess. The Company's accounts receivable and inventories in the U.S. are collateral under 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, 2023, the available additional borrowing capacity under the ABL Facility was approximately $733.7 million. As of June 30, 2023, the Company held $8.6 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, 2023, 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.

Short and long-term funding strategy

Veritiv's management expects that the Company's primary future cash needs will be for working capital, capital expenditures, contractual commitments, dividends and strategic investments. Veritiv's ability to fund its capital and operating needs will depend on its ongoing ability to generate cash from operations, availability of 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 would 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.

The Company currently estimates that during 2023 it will spend approximately $25 million for traditional capital expenditures, covering both maintenance and strategic investments, and approximately $20 million for cloud computing arrangements. On August 7, 2023, the Company's Board of Directors declared a quarterly cash dividend of $0.63 per share of common stock, payable on September 13, 2023 to shareholders of record at the close of business on August 17, 2023.

The Company currently expects to pay-out the cash-based long-term incentive awards granted in 2021 in March 2024; the value of these awards cannot yet be determined. See Note 3 of the Notes to Condensed Consolidated Financial Statements for information regarding the Company's lease commitments, including leases that have not yet commenced, if any. See Note 5 of the Notes to Condensed Consolidated Financial Statements for information regarding the Company's use of vendor-based financing arrangements, if any. The payment of future dividends remains subject to the discretion of the Company's Board of Directors and will depend upon various factors then existing, including earnings, financial condition, results of operations, capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends, restrictions imposed by applicable law, general business conditions and other factors that Veritiv's Board of Directors may deem relevant.

Inflation and Changing Prices

Essentially all of the Company's revenue is derived from the sale of its products and services in competitive markets. To the extent feasible, the Company has adjusted its prices to reflect the impact of inflation on the cost of purchased materials and services. Impacts on the Company's results from price and product mix are discussed in the "Segment Results" section of this Item 2.

Critical Accounting Estimates

There have been no material changes to the Company's critical accounting estimate methodologies from those disclosed in Veritiv's Annual Report on Form 10-K for the year ended December 31, 2022. 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. 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, 2022.

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, 2023.

Changes in Internal Control over Financial Reporting

The Company is in the process of implementing a broad, multi-year, technology transformation project to modernize legacy systems to achieve better process efficiencies across customer service, sourcing, warehousing and accounting through the use of various cloud based solutions. During the second quarter of 2023, the Company completed the implementation of a new accounts receivable system. As the Company's technology transformation project continues, the Company continues to emphasize the maintenance of effective internal controls and assessment of the design and operating effectiveness of key control activities throughout development and deployment of each phase.

Except as disclosed above, there have been no changes in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Refer to Note 11 of the Notes to Condensed Consolidated Financial Statements.

ITEM 1A. RISK FACTORS

Other than as described above, 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, 2022.

ITEM 6. EXHIBITS

Exhibit No.	Description
2.1†	Agreement and Plan of Merger, dated as of August 6, 2023, by and among the Veritiv Corporation, Verde Purchaser, LLC and Verde Merger Sub Inc., incorporated by reference from Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on August 7, 2023.
10.1	Voting and Support Agreement, dated as of August 6, 2023 by and among the Veritiv Corporation, Verde Purchaser, LLC and Baupost Limited Partnership 1983 A-1, Baupost Limited Partnership 1983 B-1, Baupost Limited Partnership 1983 C-1, PB Institutional Limited Partnership, YB Institutional Limited Partnership, Baupost Value Partners, L.P.-I, Baupost Value Partners, L.P.-II, Baupost Value Partners, L.P.-III, and Baupost Value Partners, L.P.-IV, incorporated by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 7, 2023.
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)

† Schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company hereby undertakes to furnish supplemental copies of any of the omitted schedules upon request by the SEC.

* 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 8, 2023	By: /s/ Eric J. Guerin Name: Eric J. Guerin Title: Senior Vice President and Chief Financial Officer (Principal Financial Officer)
Date:	August 8, 2023	By: /s/ Lance D. Gebert Name: Lance D. Gebert Title: Corporate Controller (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 8, 2023

/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, Eric J. Guerin, 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 8, 2023

/s/ Eric J. Guerin
Eric J. Guerin
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, 2023 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 8, 2023

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, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Eric J. Guerin, 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/ Eric J. Guerin

Eric J. Guerin
Senior Vice President and Chief Financial Officer
August 8, 2023