



2020 ANNUAL REPORT

**TO RECEIVE ADDITIONAL INFORMATION ON SYSTEMAX
PLEASE SEND A WRITTEN REQUEST TO:**

CORPORATE HEADQUARTERS:

Systemax Inc.
11 Harbor Park Drive
Port Washington, NY 11050
516-608-7000
Email: investinfo@systemax.com
Web Site: <http://www.systemax.com>

INVESTOR RELATIONS:

Mike Smargiassi
The Plunkett Group
(212) 739-6740
Email: syx@theplunkettgroup.com
Website: www.theplunkettgroup.com

TRANSFER AGENT:

Broadridge Corporate Issuer Solutions, Inc.
P.O. Box 1342
Brentwood, NY 11717
(877) 830-4936
Email: shareholder@broadridge.com
Website: <http://www.shareholder.broadridge.com>

SEND CERTIFICATES FOR TRANSFER AND ADDRESS CHANGES TO:

Broadridge Corporate Issuer Solutions, Inc.
P.O. Box 1342
Brentwood, NY 11717

STOCK EXCHANGE:

The Company's shares are traded on the
New York Stock Exchange under the symbol SYX.

CORPORATE GOVERNANCE

Copies of the Company's 2020 Annual Report on Form 10-K, Proxy Statement for the 2021 Annual Meeting, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission are available online at www.systemax.com or to stockholders without charge upon written request to the Company's address listed above, Attention: Investor Relations. In addition, on the Corporate Governance page of the Company's website, www.systemax.com, stockholders can view the Company's Corporate Ethics Policy, Audit Committee Charter, Compensation Committee Charter, Nominating/Corporate Governance Committee Charter and Corporate Governance Guidelines and Principles.

Systemax Inc. (www.systemax.com), through its operating subsidiaries, is a provider of industrial products in North America going to market through a system of branded e-Commerce websites and relationship marketers. The primary brand is Global Industrial.



Dear Fellow Stockholders,

The past year has been life-changing for all of us, and at times it was trying personally and professionally. I'm proud of how Systemax responded to the COVID-19 pandemic and grateful to all of our associates, as they stepped up to the challenge. Their commitment to our customers and our company was exceptional, and as a result of their efforts, 2020 was a resounding success for Systemax.

In 2020, revenue increased more than 8% and exceeded one billion dollars, a significant milestone. Profitability was strong as we generated operating income of \$84 million, a 27% improvement, and had healthy operating cash flow from continuing operations of \$67 million. With this impressive financial performance, we paid a special \$2 per share dividend in December, and in February 2021 increased our quarterly recurring dividend by 14%, to sixteen cents per share, the fifth increase in as many years.

These results reflect the strong execution of our ACE (Accelerating our Customer Experience) strategy, and the deliberate and swift actions we took in an unprecedented business environment. We were there for our customers helping them restore, return and rebound their businesses. In the year ahead, we will be making further investments within the core pillars of our strategy. This includes investments in:

- automation and technology in our customer service stack;
- e-commerce shopping experience to provide a seamless shopping journey filled with educational content and solutions offerings;
- distribution centers to increase timeliness, quality and accuracy in customer order fulfillment; and
- sales force productivity and automation, which will continue to allow our managed sales force to proactively provide customers the solutions they need.

These actions will enhance our end-to-end customer experience, drive the further evolution of our e-commerce platform, and strengthen our overall competitive position. We will also continue to invest in our Global Industrial branded products offering, which further differentiates our value proposition, and enhances our margin profile.

We are always looking forward, adapting to the needs of our customers and moving the company to where it needs to be tomorrow. To that end, we kicked off 2021 by providing Global Industrial with a new look and brand promise. It's an evolution of the brand identity that honors our 70-year history of service, and reflects our core values and continuous improvement mindset.

We believe we are well positioned to continue to capitalize on the acceleration of B2B e-commerce environments, and to capture additional market share in a highly fragmented industrial distribution marketplace. Across the company we are driving operational excellence in everything we do. This is resulting in a better customer experience and improved customer acquisition, retention and overall satisfaction rates. With an exceptional platform and differentiated go to market strategy, we believe we have a lot of opportunity ahead and are just getting started.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Litwin", is positioned above the printed name.

Barry Litwin
Chief Executive Officer



11 Harbor Park Drive, Port Washington, NY 11050 • 516.608.7000 • investinfo@systemax.com

Notice of Annual Meeting of Stockholders

Date and time: Monday, June 7, 2021, at 12:00 p.m., Eastern time

Virtual Location: This year's Annual Meeting will be a completely virtual meeting of stockholders, which will be conducted via live webcast. You will be able to participate in this year's Annual Meeting online, vote your shares electronically and submit your questions during the meeting by visiting www.virtualshareholdermeeting.com/SYX2021. **Because the Annual Meeting is virtual and being conducted via live webcast, stockholders will not be able to attend the Annual Meeting in person.** Details regarding how to participate in the meeting online are more fully described in the proxy statement.

Purpose:

- (1) To elect the 8 director nominees named in the proxy statement;
- (2) To ratify the appointment of Ernst & Young LLP as our independent auditor for fiscal year 2021; and
- (3) To transact such other business as may properly come before the meeting or any adjournment or postponement.

Stockholders of record at the close of business on April 13, 2021 are entitled to notice of, and to vote at, the meeting or any adjournment or postponement.

Who may vote: Stockholders of record at the close of business on April 13, 2021 are entitled to notice of, and to vote at, the meeting or any adjournment or postponement.

By order of the Board of Directors,

Eric Lerner
Senior Vice President and General Counsel
April 28, 2021

Important notice regarding the availability of proxy materials for the Annual Meeting of Stockholders to be held on June 7, 2021:

This Notice of Annual Meeting of Stockholders, the accompanying proxy statement and our 2020 Annual Report to Stockholders all are available at www.proxyvote.com.

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PROXY STATEMENT

General Information

These proxy materials are being furnished to solicit proxies on behalf of the Board of Directors of Systemax Inc. for use at our Annual Meeting of Stockholders to be held virtually on Monday, June 7, 2021 at 12:00 p.m., Eastern time, or at any adjournments or postponements thereof.

The Annual Meeting can be accessed by visiting www.virtualshareholdermeeting.com/SYX2021, where you will be able to listen to and participate in the meeting live, submit questions, and vote online.

These proxy materials include our Notice of Annual Meeting and Proxy Statement and our 2020 Annual Report to Stockholders, which includes our Fiscal 2020 Form 10-K. In addition, these proxy materials may include a proxy card for our Annual Meeting. These proxy materials are first being sent or made available to our stockholders commencing on April 28, 2021.

Notice of Internet Availability of Proxy Materials

We have implemented the Securities and Exchange Commission, or SEC, "Notice Only" rule that allows us to furnish our proxy materials over the Internet to our stockholders instead of mailing paper copies. As a result, beginning on or about April 28, 2021, we mailed to most of our stockholders of record on April 13, 2021 a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy materials over the Internet and vote online.

This notice is not a proxy card and cannot be used to vote your shares. If you received a notice this year, you will not receive paper copies of the proxy materials unless you request the materials by following the instructions on the notice or on the website referred to in the notice.

If you own shares of common stock in more than one account—for example, in a joint account with your spouse and in your individual brokerage account—you may have received more than one notice. To vote all of your shares by proxy, please follow each of the separate proxy voting instructions that you received for your shares of common stock held in each of your different accounts.

Record Date

We have fixed the close of business on April 13, 2021 as the record date for determining our stockholders entitled to notice of and to vote at our Annual Meeting.

On that date, we had 37,719,099 shares of common stock outstanding. Stockholders as of the record date will have one vote per share on each voting matter.

Quorum

The presence of the holders of a majority of the outstanding shares of common stock entitled to vote at our Annual Meeting, present virtually or represented by proxy, is necessary to constitute a quorum.

Abstentions and "broker non-votes" (discussed below) will be counted as present for purposes of establishing a quorum.



How to Vote

Stockholders of record. If you are a “stockholder of record” (meaning your shares are registered in your name with our transfer agent, Broadridge) you may vote either virtually at our Annual Meeting or by proxy.

If you decide to vote by proxy, you may do so in any one of the following three ways:



You may vote your shares 24 hours a day by logging on to a secure website, www.proxyvote.com, and following the instructions provided. You will need to enter identifying information that appears on your proxy card or the Notice. The internet voting system allows you to confirm that your votes were properly recorded.



You may vote your shares 24 hours a day by calling the toll free number (800) 690-6903, and following instructions provided by the recorded message. You will need to enter identifying information that appears on your proxy card or the Notice. As with the internet voting system, you will be able to confirm that your votes were properly recorded.



If you received a proxy card, you may mark, sign and date your proxy card and return it by mail in the enclosed postage-paid envelope.

Internet and telephone voting is available through 11:59 PM Eastern time on Sunday, June 6, 2021.

If you vote by mail, your proxy card must be received before our Annual Meeting to assure that your vote is counted. We encourage you to vote promptly.

Beneficial owners. If, like most stockholders, you are a beneficial owner of shares held in “street name” (meaning a broker, trustee, bank or other nominee holds shares on your behalf), you may vote virtually at our Annual Meeting only if you obtain a legal proxy from the nominee that holds your shares. Alternatively, you may vote by completing, signing and returning the voting instruction form that the nominee provides to you or by following any telephone or Internet voting instructions described on the voting instruction form, the Notice or other materials that the nominee provides to you.

No matter in what form you own your shares – We encourage you to vote promptly.

Attending the Virtual Annual Meeting

The Annual Meeting will be a completely virtual meeting of stockholders conducted exclusively by a live audio webcast.

If you are a stockholder of record as of the close of business on April 13, 2021, the record date for the Annual Meeting, you will be able to virtually attend the Annual Meeting, vote your shares and submit your questions online during the meeting by visiting www.virtualshareholdermeeting.com/SYX2021. You will need to enter the 16-digit control number included on your notice, on your proxy card or on the instructions that accompanied your proxy materials.

If you are a stockholder holding your shares in “street name” as of the close of business on April 13, 2021, you may gain access to the meeting by following the instructions in the voting instruction card provided by your broker, bank or other nominee. You may not vote your shares electronically at the Annual Meeting unless you receive a valid proxy from your brokerage firm, bank, broker dealer or other nominee holder.

The online meeting will begin promptly at 12:00 p.m., Eastern time. We encourage you to access the meeting prior to the start time. Online check-in will begin at 11:45 a.m., Eastern time, and you should allow approximately 15 minutes for the online check-in procedures. If you wish to submit a question for the Annual Meeting, you may do so in advance

at www.virtualshareholdermeeting.com/SYX2021, or you may type it into the dialog box provided at any point during the virtual meeting (until the floor is closed to questions).

Votes Required to Adopt the Proposals

- **Proposal 1** – The affirmative vote of a **plurality of the outstanding shares** of common stock entitled to vote and present, virtually or by proxy, at a meeting at which a quorum is present will be required to elect the nominated directors to the Board.
- **Proposal 2** – The affirmative vote of a **majority of the outstanding shares** of common stock entitled to vote and present, virtually or by proxy, at a meeting at which a quorum is present will be required to ratify the appointment of Ernst & Young LLP as our independent auditors.

Messrs. Richard, Bruce and Robert Leeds (each a director and officer of Systemax), together with trusts for the benefit of certain members of their respective families and other entities controlled by them, as applicable, beneficially owned as of our record date more than 50% of the shares outstanding, and they have each separately advised us that they intend to vote all of such shares they each have the power to vote in accordance with the recommendations of the Board on each of the Proposals identified above, which will be sufficient to constitute a quorum and to determine the outcome of each Proposal.

How Shares Will Be Voted

Proxies will be voted as specified by the stockholders. Where specific choices are not indicated, proxies will be voted, per the Board's recommendations, FOR Proposals 1 and 2. If any other matters properly come before our Annual Meeting, the persons named in the proxy will vote at their discretion.

List of Stockholders

A list of our stockholders satisfying the requirements of Section 219 of the Delaware General Corporation Law will be available for inspection for any purpose germane to our Annual Meeting for the ten days prior to our Annual Meeting. If you want to inspect the stockholder list, call email investinfo@systemax.com to schedule an appointment. In addition, the list of stockholders will also be available during the annual meeting through the meeting website for those stockholders who choose to attend.

Changing or Revoking Your Proxy

Your virtual attendance at our Annual Meeting will not automatically revoke your proxy.

Stockholders of record. If you are a stockholder of record, you may change or revoke your proxy at any time before a vote is taken at our Annual Meeting by executing and forwarding to us a later-dated proxy or by voting a later proxy over the telephone or the Internet or by virtually attending the Annual Meeting and voting.

Beneficial owners. If you are a beneficial owner of shares, you should check with the broker, trustee, bank or other nominee that holds your shares to determine how to change or revoke your vote.

Abstentions

- **Proposal 1** – Abstentions will have no effect on the election of directors.
- **Proposal 2** – Abstentions will have the same effect as a negative vote regarding the ratification of Ernst & Young LLP as our independent auditors.

Broker Non-Votes

A “broker non-vote” occurs when a broker or other nominee holding shares for a beneficial owner does not vote on a particular proposal because they do not have discretionary voting power for that proposal and have not received instructions from the beneficial owner.

If you are a beneficial owner whose shares are held by a broker, as stated above you must instruct the broker how to vote your shares. If you do not provide voting instructions, your broker is not permitted to vote your shares on Proposal 1 (Election of Directors).

In the absence of voting instructions, the broker can only register your shares as being present at our Annual Meeting for purposes of determining a quorum and may vote your shares on Proposal 2 only (Ratification of the Appointment of our Auditor).

Frequently Asked Questions

How can I access the proxy materials over the Internet?

Your Notice of the Internet Availability of the proxy materials, proxy card or voting instruction card will contain instructions on how to view our proxy materials for our Annual Meeting on the Internet. Our proxy materials and Annual Report on Form 10-K for fiscal 2020, as well as the means to vote by Internet, are available at www.proxyvote.com.

How may I obtain a paper copy of the proxy materials?

The Notice of the Internet Availability of the proxy materials, provides instructions about how to obtain a paper copy of the proxy materials. If you did not receive the notice, you will receive a paper copy of the proxy materials by mail.

What is “householding”?

SEC rules allow us to send a single copy of the proxy materials or the Notice of Internet Availability of Proxy Materials to multiple stockholders sharing the same address and last name, or who we reasonably believe are members of the same family in a manner provided by such rules. This practice is referred to as “householding” and we use this process to achieve savings of paper and mailing costs.

How can I find voting results of our Annual Meeting?

We will announce preliminary voting results at our Annual Meeting and we will publicly disclose the results on a Form 8-K within four business days of our Annual Meeting, as required by SEC rules.

Proposal No. 1 – Election of Directors

At our Annual Meeting, eight directors are to be elected to hold office until the 2022 annual meeting and until their successors have been elected and qualified. All nominees are current Systemax Board members who were elected by stockholders at the 2020 annual meeting.

There are no family relationships among any of our directors or executive officers or nominees for director or executive officer, except that Messrs. Richard, Bruce and Robert Leeds are brothers. Except as disclosed herein, there were no arrangements or understandings between any director or nominee for director and any other person pursuant to which such person was selected as a director or nominee for director.

The accompanying proxy will be voted FOR the election of the Board's nominees unless contrary instructions are given. If any Board nominee is unable to serve, which is not anticipated, the persons named as proxies intend to vote, unless the Board reduces the number of nominees, for such other person or persons as the Board may designate.

When voting by proxy with respect to the election of directors, stockholders may vote in favor of all nominees, withhold their votes as to all nominees or withhold their votes for specific nominees.

Richard Leeds

Executive Chairman

Director Since: 1995 Age: 61

Richard Leeds joined Systemax in 1982 and served as our Chairman and CEO from April 1995 until becoming our Executive Chairman in March 2016. He also served as President of our Industrial Products Group until 2011. Mr. Leeds was selected to serve as Executive Chairman of our Board due to his experience and depth of knowledge of Systemax and the direct marketing, computer and industrial products industries, his role in developing and managing our business strategies and operations, as well as his exceptional business judgment and leadership qualities.

Bruce Leeds

Vice Chairman

Director Since: 1995 Age: 65

Bruce Leeds joined Systemax in 1977 and has served as our Vice Chairman since April 1995. He also served as President of our International Operations until 2005. Mr. Leeds was selected to serve as a director on our Board due to his experience and depth of knowledge of Systemax and the direct marketing, computer and industrial products industries, his role in developing and managing our business strategies and operations, his experience in international business as well as his exceptional business judgment.

Robert Leeds

Vice Chairman

Director Since: 1995 Age: 65

Robert Leeds joined Systemax in 1977 and has served as our Vice Chairman since April 1995. He also served as President of our Domestic Operations until 2005 and as Chief Executive of the North American Technology Products Group from 2013 to 2015. Mr. Leeds has served as a director since April 1995. Mr. Leeds was selected to serve as a director on our Board because of his experience and depth of knowledge of Systemax and the direct marketing, computer and industrial products industries, his role in developing and managing our business strategies and operations, his significant computer and technology industry experience as well as his exceptional business judgment.

Barry Litwin

Chef Executive Officer

Director Since: 2017 Age: 54

Mr. Litwin was appointed Chief Executive Officer of Systemax in January 2019. Prior to joining Systemax, he was the Chief Executive Officer of Adorama, Inc., a leading multi-channel retailer of professional camera, audio, and video equipment. Previous executive roles included overseeing e-commerce and marketing for Sears Holdings, Inc, Office Depot, and Newark Electronics, Inc, in addition to serving as an advisor to several early stage digital and technology companies. Mr. Litwin graduated from Indiana University with a BS degree, and an MBA in Operations from Loyola University, Quinlan School of Business in 1992. Mr. Litwin was selected to serve as a director on our Board due to his e-commerce and direct marketing expertise.

Robert D. Rosenthal

Independent Director

Director Since: 1995 Age: 72

Robert D. Rosenthal has been the lead independent director since October 2006. Mr. Rosenthal is Chairman and Chief Executive Officer of First Long Island Investors LLC, which he co-founded in 1983. Mr. Rosenthal is the Chairman and CEO of a wealth management company that invests in numerous public companies and is also an attorney and member of the bar of the State of New York. Mr. Rosenthal was selected to serve as a director on our Board due to his financial, investment and legal experience and acumen.

Chad M. Lindbloom

Independent Director

Director Since: 2017 Age: 56

Mr. Lindbloom was employed by C.H. Robinson Worldwide, Inc. – one of the world’s largest third-party logistics providers – from June 1990 through March 2018 in various roles, including Chief Information Officer, Chief Financial Officer and Controller. Mr. Lindbloom holds BS and MBA degrees from the Carlson School of Management at the University of Minnesota. Mr. Lindbloom was selected to serve as a director on our Board due to his supply chain and logistics expertise, as well as his skills relating to financial statement and accounting matters.

Paul S. Pearlman

Independent Director

Director Since: 2019 Age: 67

Since March 2020, Mr. Pearlman has been a partner in Zeughauser Group, LLC, a nationally prominent law firm management consulting firm. From August 2000 through December 2019, Mr. Pearlman was the Managing Partner of Kramer Levin Naftalis & Frankel LLP, a New York City headquartered international law firm, and Mr. Pearlman will continue to serve as Counsel, Managing Partner Emeritus in the firm until December 31, 2021. Prior thereto, he was a partner in the firm practicing in the areas of private equity and corporate restructuring. Mr. Pearlman is a 1978 cum laude graduate of St. John’s University School of Law and a 1975 graduate of George Washington University. Mr. Pearlman was selected to serve as a director on our Board due to his business and legal experience and acumen as well as his management, financial and leadership skills as the head of a prominent international law firm.

Lawrence Reinhold

Director

Director Since: 2009 Age: 61

Lawrence Reinhold joined Systemax as its Chief Financial Officer in January 2007 and served as President and CEO from March 2016 through January 2019. In January 2019, Mr. Reinhold entered into a two year consulting agreement with Systemax. Mr. Reinhold was previously the CFO of several publicly traded technology companies and a Partner with PricewaterhouseCoopers. Mr. Reinhold is a Certified Public Accountant. Mr. Reinhold was selected to serve as a director on our Board due to his contributions while working at Systemax and his extensive experience and expertise in business, strategy, finance, accounting, SEC reporting, public company management, mergers and acquisitions and financial systems.

**The Board Recommends That You Vote for the Election
of All the Director Nominees (Proposal No. 1)**

Corporate Governance

Board of Directors

Our Board currently consists of eight members, three of whom are independent under the rules of the SEC and New York Stock Exchange, or NYSE. Our Board is led by Executive Chairman Mr. Richard Leeds and Vice Chairmen Messrs. Bruce Leeds and Robert Leeds. Our independent directors have designated Mr. Rosenthal to be the Lead Independent Director.

Our Board held ten meetings in fiscal 2020. All of the directors attended at least 75% of the meetings of the Board and the respective committees of the Board on which they were members.

At last year's annual meeting of stockholders held on June 1, 2020, two directors attended the meeting. We do not have a policy with regards to directors' attendance at our annual meeting of stockholders.

Board Leadership Structure

We believe that the current mix of employee directors and non-employee independent directors that make up our Board, along with the independent oversight of our Lead Independent Director, benefits Systemax and our stockholders.

Although the Board does not have an express policy on whether or not the roles of CEO and Executive Chairman of the Board should be separate and if they are to be separate, whether the Executive Chairman of the Board should be selected from the non-management directors or be an employee, the Board believes that it should have the flexibility to make a determination from time to time in a manner that is in the best interests of Systemax and our stockholders at the time of such determination.

Our Board as well as our Board Committees conducts an annual evaluation in order to determine whether it and its committees are functioning effectively. As part of this annual self-evaluation, the Board evaluates whether the current leadership structure continues to be optimal for Systemax and our stockholders.

Our Board believes that the most effective Board leadership structure for Systemax at the present time is for the roles of CEO and Executive Chairman of the Board to be separate. Further, the Board believes that our Executive Chairman and two Vice Chairmen should also have management roles, so that our Executive Chairman and Vice Chairmen remain in closer touch with the operations of our business and so that, together with our CEO, they can focus their attention on different aspects of the strategic and operating challenges and opportunities ahead for Systemax.

The Board believes that the independent directors provide effective oversight of management. Moreover, in addition to feedback provided during the course of Board meetings, the independent directors have regular executive sessions. Following an executive session of independent directors, the Lead Independent Director acts as a liaison between the independent directors and the Executive Chairman regarding any specific feedback or issues, provides the Executive Chairman with input regarding agenda items for Board and Committee meetings, and coordinates with the Executive Chairman regarding information to be provided to the independent directors in performing their duties.

Our Corporate Governance Guidelines provide the flexibility for our Board to modify or continue our leadership structure in the future, as it deems appropriate.

Director Independence

In connection with its annual review of director independence, the Board has determined that each of Messrs. Rosenthal, Lindbloom and Pearlman has no material relationship with Systemax (directly or as a partner, stockholder, or officer of an organization that has a relationship with Systemax) and meets the standards for independence required by the NYSE and SEC rules. The Board has not adopted any other categorical standards of materiality for independence purposes.

The Board made this determination based on

- ✓ the absence of any of the express disqualifying criteria relating to director independence set forth in Section 303A of the Corporate Governance Rules of the NYSE, and
- ✓ the criteria for independence required of audit committee directors by Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, and
- ✓ information provided by the directors to Systemax, which did not indicate any relationships (e.g., commercial, industrial, banking, consulting, legal, accounting, charitable, or familial) which would impair the independence of any of the non-management directors.

In making its determination, the Board took into consideration that (i) certain Systemax directors and executive officers have each invested funds with or through a private investment firm, of which Mr. Rosenthal is Chairman and CEO (and which firm receives fees in respect of such investments), and may continue to do so in the future and (ii) Mr. Rosenthal is on the board of directors or is a trustee of several entities that are part of the Northwell Health complex of hospitals, clinics and healthcare providers, to which Systemax's Global Industrial business sells product on an arm's length basis, without Mr. Rosenthal's involvement, and that Mr. Rosenthal has no financial or other interest in any such transactions. The Board (in each case with Mr. Rosenthal and the investing directors being recused) determined that neither such relationship was material to Mr. Rosenthal and does not affect his independence.

As a "controlled company," Systemax is exempt from the NYSE requirement that listed companies have a majority of independent directors. A "controlled company" is defined by the NYSE as a company of which more than 50% of the voting power for the election of directors is held by an individual, group or other company. Systemax is a "controlled company" in that more than 50% of the voting stock for the election of directors of Systemax, in the aggregate, is owned by certain members of the Leeds family (including Messrs. Richard, Bruce and Robert Leeds, each of whom is an officer and director of Systemax) and certain Leeds' family trusts and other entities controlled by them (collectively, the "Leeds Group"). The members of the Leeds Group have entered into a Stockholders Agreement with respect to certain shares they each own. See *Transactions with Related Persons / page 22 of this proxy statement*.

Lead Independent Director

The independent directors have designated Mr. Rosenthal to serve as our Lead Independent Director.

In addition to presiding at executive sessions of non-management directors, the Lead Independent Director has the responsibility to coordinate the activities of the independent directors, and to perform the following functions:

- advise the Executive Chairman of the Board as to an appropriate schedule of Board meetings, seeking to ensure that the independent directors can perform their duties responsibly while not interfering with the flow of Systemax's operations;
- provide the Executive Chairman with input as to the preparation of agendas for the Board and committee meetings;
- advise the Executive Chairman as to the quality, quantity, and timeliness of the flow of information from our management that is necessary for the independent directors to effectively and responsibly perform their duties, and although our management is responsible for the preparation of materials for the Board, the Lead Independent Director may specifically request the inclusion of certain material;
- recommend to the Executive Chairman the retention of consultants who report directly to the Board;
- assist the Board and our officers in assuring compliance with and implementation of the corporate governance policies; and be principally responsible for recommending revisions to the corporate governance policies;
- coordinate and develop the agenda for, and moderate executive sessions of, the independent directors of the Board, and act as principal liaison between the independent directors and the Executive Chairman on sensitive issues; and
- recommend to the Executive Chairman the membership of the various Board committees.

Meetings of Non-Management Directors

The NYSE requires the "non-management directors" or independent directors of a NYSE-listed company to meet at regularly scheduled executive sessions without management and to disclose in their annual proxy statements:

- the name of the non-management director who is chosen to preside at all regularly-scheduled executive sessions of the non-management members of the board of directors, and
- a method for all interested parties to communicate directly with the presiding director or with the non-management directors as a group (this method is described below under "Communicating with the Board").

The Board's non-management or independent directors meet separately in executive sessions, chaired by the Lead Independent Director (currently Mr. Rosenthal), at least quarterly.

Communicating with the Board

Stockholders and other interested parties may communicate with the Board, any committee of the Board, any individual director (including the Lead Independent Director) or the independent directors as a group, by directing communication to:



investinfo@systemax.com



Office of the Corporate Secretary
Systemax Inc.
11 Harbor Park Drive
Port Washington, NY 11050

Communications from stockholders will be distributed to the entire Board unless addressed to a particular committee, director or group of directors. The Corporate Secretary will not distribute communications that are unrelated to the duties of the Board, such as spam, junk mail, mass mailings, business solicitations and advertisements.

Committees of the Board

The Board has a standing Audit Committee, Nominating/Corporate Governance Committee, and Compensation Committee. In addition, the Board has an Executive Committee empowered to act for the Board in certain circumstances, but the Executive Committee did not exercise its power in 2012. See *Executive Committee / page 15 of this proxy statement*.

Committee Composition

		Audit Committee	Nominating/Corporate Governance Committee	Compensation Committee
Robert D. Rosenthal	<i>I</i>			
Chad M. Lindbloom	<i>I</i>			
Paul S. Pearlman	<i>I</i>			
	<i>I = Independent Director</i>		= <i>Chairman</i>	= <i>Member</i>

Audit Committee

Number of Meetings Held in Fiscal 2020: Nine

The Audit Committee is appointed by the Board to assist the Board with oversight of:

- the integrity of our financial statements;
- our compliance with legal and regulatory requirements;
- the independence and qualifications of our external auditors; and
- the performance of our internal audit function and external auditors.

It is the Audit Committee's responsibility to retain or terminate our independent registered public accountants, who audit our financial statements, and to prepare the Audit Committee report that the SEC requires to be included in our annual proxy statement. See *Report of the Audit Committee / page 18 of this proxy statement*.

As part of its activities, the Audit Committee meets with our auditors at least annually to review the scope and results of the annual audit and quarterly to discuss the review of the quarterly financial results.

In addition, the Audit Committee receives and considers the independent registered public accountants' comments and recommendations as to internal controls, accounting staff, management performance and auditing procedures.

The Audit Committee is also responsible for establishing procedures for:

- the receipt, retention and treatment of complaints received by Systemax regarding accounting, internal accounting controls and auditing matters, and
- the confidential, anonymous submission by employees of Systemax of concerns regarding questionable accounting or auditing matters.

In addition, the Audit Committee is responsible for reviewing, and discussing with management and reporting to the Board regularly, our risk assessment and risk management processes, although it is senior management's responsibility to assess and manage our exposure to risk under the oversight of the Board.

In addition, the Audit Committee works together with the Compensation Committee to ensure that our compensation policies address and promote our risk management goals and objectives. The Audit Committee also discusses with management our major financial risk exposures and the steps management has taken to monitor and control such exposures.

The Board has determined that Messrs. Rosenthal, Lindbloom and Pearlman are "audit committee financial experts" as defined under SEC regulations.

Systemax does not have a standing policy on the maximum number of audit committees of other publicly owned companies on which the members of the Audit Committee may serve. However, if a member of the Audit Committee simultaneously serves on the audit committee of more than two other publicly-owned companies, the Board must determine whether such simultaneous service would impair the ability of such member to effectively serve on the Audit Committee. Any such determination will be disclosed in our annual proxy statement. Currently no member of the Audit Committee serves on the audit committee of more than two other publicly-owned companies.

Nominating/Corporate Governance Committee

Number of Meetings Held in Fiscal 2020: Seven

The Nominating/Corporate Governance Committee's responsibilities include, among other things:

- identifying individuals qualified to become Board members and recommending to the Board nominees to stand for election at any meeting of stockholders,
- identifying and recommending nominees to fill any vacancy, however created, in the Board, and
- developing and recommending to the Board a code of business conduct and ethics and a set of corporate governance principles (including director qualification standards, responsibilities and compensation) and periodically reviewing the code and principles.

In nominating candidates to become Board members, the Nominating/Corporate Governance Committee takes into consideration such factors as it deems appropriate, including the experience, skill, integrity and background of the candidates. The Nominating/Corporate Governance Committee may consider candidates proposed by management or stockholders but is not required to do so. The Nominating/Corporate Governance Committee does not have any formal policy with regard to the consideration of any director candidates recommended by stockholders or any minimum qualifications or specific procedure for identifying and evaluating nominees for director as the Board does not believe that such a formalistic approach is necessary or appropriate at this time. In addition, the Nominating/Corporate Governance Committee and the Board may engage an independent search firm to assist in identifying qualified board candidates.

The Nominating/Corporate Governance Committee, in seeking qualified Board members, does not have a policy regarding utilizing diversity, however defined, in its selection process. The Nominating/Corporate Governance Committee looks for individuals who have very high integrity, significant business experience and a deep genuine interest in Systemax. We believe that each of the director nominees bring these qualifications to our Board. Moreover, they provide our Board with a diverse complement of specific business skills, experience and perspectives.

Compensation Committee

Number of Meetings Held in Fiscal 2020: Six

The Compensation Committee's responsibility is to review and approve corporate goals relevant to the compensation of the CEO and, after an evaluation of the CEO's performance in light of such goals, to set the compensation of the CEO.

The Compensation Committee also approves:

- the annual compensation of the other executive officers of Systemax,
- the annual compensation of certain select vice presidents and managers of Systemax's Global Industrial business, and
- all individual stock-based incentive grants.

The Compensation Committee is also responsible for reviewing and making periodic recommendations to the Board with respect to the general compensation, benefits and perquisite policies and practices of Systemax including our incentive-based and equity-based compensation plans. The Compensation Committee also prepares an annual report on executive compensation for inclusion in our annual proxy statement. *See Compensation Committee Report / page 40 of this proxy statement.* The Compensation Committee also reviews and approves the performance and compensation of our Executive Chairman and Vice Chairmen.

In addition, it is the Compensation Committee's responsibility to consider, and work together with the Audit Committee to ensure our compensation policies address and promote our risk management goals and objectives.

Executive Committee

Number of Meetings Held in Fiscal 2020: None

Among other duties as may be assigned by the Board from time to time, the Executive Committee is:

- authorized to oversee our operations,
- authorized to supervise our executive officers,
- authorized to review and make recommendations to the Board regarding our strategic direction, and
- authorized to review and make recommendations to the Board regarding possible acquisitions or other significant business transactions.

The Executive Committee is also authorized to manage the affairs of Systemax between meetings of the Board; the Executive Committee has all of the powers of the Board not inconsistent with any provisions of the Delaware General Corporation Law, our Certificate of Incorporation or By-Laws or other resolutions adopted by the Board, but the Executive Committee did not exercise its power in 2020. The current members of the Executive Committee are Messrs. Richard Leeds, Bruce Leeds, Robert Leeds and Robert D. Rosenthal.

Risk Oversight

Board's Role in Risk Oversight

Our Board as a whole is responsible for overseeing our risk management process. The Board focuses on our general risk management strategy, the most significant risks facing Systemax, and seeks to ensure that appropriate risk mitigation strategies are implemented by management.

Risk management is a recurring Board quarterly agenda item, and is considered part of business and operations planning.

The Board is also apprised of particular risk management matters in connection with its general oversight and approval of corporate matters and at least quarterly receives information relating to material risk from management and from our Legal & Risk Management and Internal Audit Departments.

Delegation to Board Committees

The Board has delegated to each of its Committees oversight of certain aspects of our risk management process.

Among its duties, the Audit Committee reviews with management (a) processes with respect to risk assessment and management of risks that may be material to Systemax, (b) our system of disclosure controls and system of internal controls over financial reporting, and (c) our compliance with legal and regulatory requirements.

The Compensation Committee is responsible for considering and working together with the Audit Committee regarding the compensation policies for all our employees in the context of how such policies affect and promote our risk management goals and objectives.

The Nominating/Corporate Governance Committee is responsible for working with the Audit and Compensation Committees to develop and recommend to the Board a set of risk management policies and procedures, including our compensation policies for all our employees as they relate to risk management, and to review these policies and procedures annually. All committees report to the full Board as appropriate, including when a matter rises to the level of a material or enterprise level risk.

Day-to-Day Risk Management

Our senior management is responsible for day-to-day risk management.

Our Internal Audit Department serves as the primary monitoring and testing function for company-wide policies and procedures and manages the day-to-day oversight of the risk management strategy for the ongoing business of Systemax. This oversight includes identifying, evaluating, and addressing potential risks that may exist at the enterprise, strategic, financial, operational, compliance and reporting levels. The Internal Auditor reports directly to our Audit Committee quarterly, and works closely with our CEO on matters that may impact our exposure to risk.

We believe the division of risk management responsibilities described above is an effective approach for addressing the risks facing Systemax and that our Board leadership structure supports this approach.

Proposal No. 2 – Ratification of Ernst & Young LLP as our Independent Auditor

The Audit Committee of the Board is directly responsible for the appointment, compensation, retention and oversight of our independent auditor and approves the audit engagement letter with Ernst & Young LLP and its audit fees. The Audit Committee has appointed Ernst & Young LLP as our independent auditor for fiscal 2021 and believes that the continued retention of Ernst & Young LLP as our independent auditor is in the best interest of Systemax and our stockholders.

While not required by law, we are asking our stockholders to ratify the appointment of Ernst & Young LLP as our independent auditor for fiscal 2021 at the Annual Meeting as a matter of good corporate governance. If stockholders do not ratify this appointment, the Audit Committee will consider whether it is appropriate to appoint another audit firm. Even if the appointment is ratified, the Audit Committee in its discretion may appoint a different audit firm at any time during the fiscal year if it determines that such a change would be in the best interest of Systemax and our stockholders.

We expect representatives of Ernst & Young LLP to be present at the Annual Meeting. They will have an opportunity to make a statement if they desire to do so and to respond to appropriate questions from stockholders.

Fees Paid to our Independent Auditor

The following table sets forth the fees billed to us by Ernst & Young LLP for services in fiscal 2020 and 2019, all of which were pre-approved by the Audit Committee:

Fee Category	2020 (\$)	2019 (\$)
Audit fees (1)	1,238,500	1,196,000
Audit-related fees (2)	12,250	0
Tax fees (3)	0	0
All other fees (4)	5,000	2,000
Total	1,255,750	1,198,000

- (1) In accordance with the SEC's definitions and rules, "audit fees" are fees that were billed to Systemax by Ernst & Young LLP for the audit of our annual financial statements, to be included in the Form 10-K, and review of financial statements included in the Form 10-Qs; for the audit of our internal control over financial reporting with the objective of obtaining reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects; for the attestation of management's report on the effectiveness of internal control over financial reporting; and for services that are normally provided by the auditor in connection with statutory and regulatory filings or engagements.
- (2) "Audit-related fees" are fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and internal control over financial reporting, including services in connection with assisting Systemax in our compliance with our obligations under Section 404 of the Sarbanes-Oxley Act and related regulations.
- (3) Ernst & Young LLP did not provide any professional services for tax compliance, planning or advice in 2020 and 2019.
- (4) Consists of fees billed for other professional services rendered to Systemax.

Audit Committee Pre-Approval Policy

The Audit Committee is responsible for approving every engagement of Systemax's independent auditor to perform audit or non-audit services on behalf of Systemax or any of its subsidiaries before such auditors can be engaged to provide those services. The Audit Committee does not delegate its pre-approval authority. The Audit Committee is not permitted to engage the independent auditor to perform any non-audit services proscribed by law or regulation. The Audit Committee has reviewed the services provided to Systemax by Ernst & Young LLP and believes that the non-audit/review services it has provided are compatible with maintaining the auditor's independence.

The Board recommends that you vote for the proposal to ratify the appointment of Ernst & Young LLP as our independent auditor for fiscal year 2021 (Proposal No. 2)

Report of the Audit Committee

The Audit Committee of the Board operates under its Charter, which was originally adopted by the Board in 2000, is reviewed annually, and was most recently revised in March 2017. As set forth in its Charter, the Audit Committee's job is one of oversight. Management is responsible for Systemax's financial statements, internal accounting and financial controls, the financial reporting process, the internal audit function and compliance with our policies and legal requirements. Our independent auditors are responsible for performing independent audits of our consolidated financial statements and the effectiveness of our internal controls in accordance with standards of the Public Company Accounting Oversight Board (United States) and for issuance of reports thereon; they also perform limited reviews of our unaudited quarterly financial statements.

The Audit Committee's responsibility is to engage the independent registered public accountants, monitor and oversee these accounting, financial and audit processes and report its findings to the full Board. It also investigates matters related to our financial statements and controls as it deems appropriate. In the performance of these oversight functions, the members of the Audit Committee rely upon the information, opinions, reports and statements presented to them by Systemax management and by the independent registered public accountants, as well as by other experts that the Audit Committee hires.

The Audit Committee met with our independent auditors to review and discuss the overall scope and plans for the audit of our consolidated financial statements for the year ended December 31, 2020. The Audit Committee has considered and discussed with management and the independent auditors (both alone and with management present) the audited financial statements as well as the independent auditors' evaluation of our internal controls and the overall quality of our financial reporting.

Management represented to the Audit Committee that our consolidated financial statements for fiscal 2020 were prepared in accordance with U.S. generally accepted accounting principles. In connection with these responsibilities, the Audit Committee met with management and Ernst & Young LLP to review and discuss the December 31, 2020 audited consolidated financial statements. The Audit Committee also discussed with Ernst & Young LLP the matters required to be discussed by the Public Company Accounting Oversight Board Auditing Standard No. 1301, Communications with Audit Committees. The Audit Committee also received written disclosures and the letter from Ernst & Young LLP required by Rule 3526 of the Public Company Accounting Oversight Board (Communications with Audit Committees Concerning Independence), and the Audit Committee discussed with Ernst & Young LLP the firm's independence.

Based on the review of the representations of management, the discussions with management and the independent registered public accountants and the review of the Report of Ernst & Young LLP, Independent Registered Public Accounting Firm, to the Committee, the Audit Committee recommended to the Board that the financial statements of Systemax for fiscal 2020 as audited by Ernst & Young LLP be included in Systemax's Annual Report on Form 10-K filed with the SEC.

Submitted by the Audit Committee of the Board,

Chad M. Lindbloom (Chairman)

Robert D. Rosenthal

Paul S. Pearlman

Security Ownership Information

The following table provides certain information regarding the beneficial ownership of Systemax common stock as of April 13, 2021, by:

- our directors;
- our executive officers named in the *Summary Compensation Table / page 41 of this proxy statement*;
- all current executive officers and directors as a group; and
- each person known by us to own beneficially more than 5% of our outstanding common stock

A person has beneficial ownership of shares if the person has voting or investment power over the shares or the right to acquire such power in 60 days. Investment power means the power to direct the sale or other disposition of the shares. Except as otherwise described in the notes below, information on the number of shares beneficially owned is as of April 13, 2021, and the listed beneficial owners have sole voting and investment power. A total of 37,719,099 shares of our common stock were outstanding as of April 13, 2021.

The address for each beneficial owner, unless otherwise noted is c/o Systemax Inc., 11 Harbor Park Drive, Port Washington, NY 11050.

Security Ownership of Certain Beneficial Owners and Management

Name of Beneficial Owner	Shares of Common Stock (a)	Restricted Stock Units vesting within 60 days (1)	Stock Options currently exercisable or becoming exercisable within 60 days (1)	Percent of Common Stock
Richard Leeds (2)	14,269,922	-	-	38%
Bruce Leeds (3)	13,529,196	-	-	36%
Robert Leeds (4)	13,070,886	-	-	35%
Barry Litwin	16,810	-	20,000	*
Robert D. Rosenthal	70,660	1,839	10,000	*
Chad M. Lindbloom	680	1,839	-	*
Paul S. Pearlman	-	1,839	-	*
Lawrence Reinhold	27,849 (5)	1,839	-	*
Thomas Clark	23,169	-	42,436	*
Ritesh Chaturbedi	8,831	-	5,576	*
Eric Lerner	19,940	-	35,850	*
Robert Dooley (6)	86,198	-	42,109	*
All of our current directors and executive officers (16 persons)	25,100,345	7,356	192,731	67%

(a) Amounts listed in this column may include shares held in partnerships or trusts that are counted in more than one individual's total.

* less than 1%

- (1) In computing the percentage of shares owned by each person and by the group, these restricted stock units and stock options, as applicable, were added to the total number of outstanding shares of common stock for the percentage calculation.
- (2) Includes 167,221 shares owned by Mr. Richard Leeds directly, 2,082,687 shares owned by the Richard Leeds 2020 GRAT #2, 842,779 shares owned by the Richard Leeds 2020 GRAT, 685,642 shares owned by the Richard Leeds 2019 GRAT and 62,398 shares owned by the Richard Leeds 2020 Family Trust. Also, includes 1,838,583 shares owned by a limited partnership of which Mr. Richard Leeds is a general partner, 100 shares owned by the general partner of the aforementioned limited partnership, 235,850 shares owned by a limited partnership of which a limited liability company controlled by Mr. Richard Leeds is the general partner, 50,000 shares owned by trusts for the benefit of his children for which Mr. Richard Leeds acts as trustee, 7,774,862 shares owned by trusts for the benefit of his brothers' children for which Mr. Richard Leeds acts as co-trustee, 519,800 shares owned by a limited partnership in which Mr. Richard Leeds has an indirect pecuniary interest, and 10,000 shares owned by trusts for the benefits of other family members for which Mr. Richard Leeds acts as co-trustee.
- (3) Includes 127,901 shares owned by Mr. Bruce Leeds, 1,834,671 shares owned by Bruce Leeds 2020 GRAT # 2, 882,099 shares owned by Bruce Leeds 2020 GRAT, 690,133 shares owned by Bruce Leeds 2019 GRAT, and 54,490 shares owned by Bruce Leeds 2020 Family Trust. Also, includes 1,838,583 shares owned by a limited partnership of which Mr. Bruce Leeds is a general partner, 100 shares owned by the general partner of the aforementioned limited partnership, 50,000 shares owned by trusts for the benefit of his children for which Mr. Bruce Leeds acts as trustee, 7,521,419 shares owned by trusts for the benefit of his brothers' children for which Mr. Bruce Leeds acts as co-trustee, 519,800 shares owned by a limited partnership in which Mr. Bruce Leeds has an indirect pecuniary interest, and 10,000 shares owned by trusts for the benefits of other family members for which Mr. Bruce Leeds acts as co-trustee.
- (4) Includes 10,000 shares owned by Mr. Robert Leeds, 1,185,328, shares owned by the Robert Leeds 2020 GRAT # 2, 842,779 shares owned by the Robert Leeds 2020 GRAT, 1,027,063 shares owned by the Robert Leeds 2019 GRAT, 35,855 shares owned by the Robert Leeds 2020 Family Trust and 264,115 shares owned by the Robert Leeds Declaration of Trust. Also, includes 1,838,583 shares owned by a limited partnership of which Mr. Robert Leeds is a general partner, 100 shares owned by the general partner of the aforementioned limited partnership, 50,000 shares owned by trusts for the benefit of his children for which Mr. Robert Leeds acts as trustee, 7,297,263 shares owned by trusts for the benefit of his brothers' children for which Mr. Robert Leeds acts as co-trustee and 519,800 shares owned by a limited partnership in which Mr. Robert Leeds has an indirect pecuniary interest.
- (5) Includes 1,000 shares held by Mr. Reinhold's spouse, of which Mr. Reinhold disclaims beneficial ownership.
- (6) Mr. Dooley retired from Systemax effective April 3, 2021. Security ownership information is provided for Mr. Dooley as he is included in the *Summary Compensation Table / page 41 of this proxy statement*.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of Forms 3, 4 and 5 furnished to us and written representations from our officers and directors, we believe that all of our officers and directors and all beneficial owners of 10% or more of any class of our registered equity securities timely filed all reports required under Section 16(a) of the Exchange Act during fiscal 2020.

Equity Compensation Plans

Information for our equity compensation plans in effect as of the end of fiscal 2020 is as follows:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (1) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by stockholders	661,024	\$19.78	7,489,756
Equity compensation plans not approved by stockholders	-	-	-
Total	661,024	\$19.78	7,489,756

(1) The weighted-average exercise price does not take into account the shares issuable upon outstanding restricted stock units vesting, which have no exercise price.

Certain Relationships and Related Transactions

Related Person Transaction Policy

Our written corporate approval policy requires transactions with related persons, to be reviewed and approved or ratified by the following persons on an escalating basis:

- ✓ our General Counsel,
- ✓ our CFO,
- ✓ our CEO, and
- ✓ our Nominating/Corporate Governance Committee.

In this regard, all such transactions are first discussed with the CFO and are submitted to the General Counsel's office, including for an initial determination of whether such further related person transaction review is required.

We utilize the definition of related persons under applicable SEC rules, defined as any executive officer, director or nominee for director of Systemax, any beneficial owner of more than 5% of the outstanding shares of our common stock, or any immediate family member of any such person.

In reviewing these transactions, we strive to assure that the terms of any agreement between Systemax and a related party is at arm's length, fair and at least as beneficial to Systemax as could be obtained from third parties.

The Nominating/Corporate Governance Committee, in its discretion, may consult with third party appraisers, valuation advisors or brokers to make such determination.

Transactions With Related Persons

Lease. On December 14, 2016, Global Equipment Company Inc., a wholly owned indirect subsidiary of Systemax entered into an amended and restated lease (the "Lease") for its Port Washington, NY headquarters (the "Headquarters"). Systemax has leased the Headquarters since September 1988 from an entity owned by Messrs. Richard, Bruce and Robert Leeds, directors and officers of, and together with their respective affiliated entities majority stockholders of, Systemax (the "Landlord"). The Lease has an initial term of ten years, with two option periods to extend the lease for additional periods of five years under each option and provides that it is intended to be a "triple net" lease with Global Equipment Company Inc. to pay, or reimburse Landlord for paying, all costs and operating expenses, including taxes, insurance and maintenance expenses, associated with the Lease and the Headquarters. The Lease was reviewed and approved in accordance with the corporate approval policy noted above for related party transactions. Lease payments totaled \$998,700 for fiscal 2020.

Stockholders Agreement. Certain members of the Leeds family (including Messrs. Richard, Bruce and Robert Leeds) and family trusts of Messrs. Richard, Bruce and Robert Leeds entered into a stockholders agreement pursuant to which the parties agreed to vote in favor of the nominees for the Board designated by the holders of a majority of the shares held by such stockholders at the time of our initial public offering of the shares. In addition, the agreement prohibits the sale of the shares without the consent of the holders of a majority of the shares held by all parties to the agreement, subject to certain exceptions, including sales pursuant to an effective registration statement and sales made in accordance with Rule 144. The agreement also grants certain drag-along rights in the event of the sale of all or a portion of the shares held by holders of a majority of the shares. As of the end of fiscal 2020, the parties bound to the stockholders agreement beneficially owned 25,221,028 shares subject to such agreement (constituting approximately 67.2% of the shares outstanding).

Pursuant to the stockholders agreement, Systemax granted to the parties demand and incidental, or "piggy-back," registration rights with respect to the shares. The demand registration rights generally provide that the holders of a majority of the shares may require, subject to certain restrictions regarding timing and number of shares that Systemax register under the Securities Act all or part of the shares held by such stockholders. Pursuant to the incidental registration rights, Systemax is required to notify such stockholders of any proposed registration of any shares under the Securities Act and if requested by any such stockholder to include in such registration any number of shares of shares held by it subject to certain restrictions. Systemax has agreed to pay all expenses and indemnify any selling stockholders against certain liabilities, including under the Securities Act, in connection with the registration of shares pursuant to such agreement.

Vendor Agreement. In April 2020, due to the severely constrained supply of certain PPE product in the market due to COVID-19, Global Industrial Distribution Inc. ("GID"), an indirect wholly owned subsidiary of Systemax, entered into its standard form of vendor agreements with SoFi Paper Products LLC ("SoFi") for the purchase of hand sanitizer, and in July 2020 with SoFi's affiliate Jokki Labs LLC ("Jokki"). SoFi and Jokki are each solely owned by Brandon and Jordan Leeds, the sons of Executive Chairman Mr. Richard Leeds, and nephews of Vice Chairmen Messrs. Bruce and Robert Leeds. The vendor agreements were negotiated on an arms-length basis on GID's standard terms, and within market pricing for such products at that time the agreements were entered into. The parameters required for the entering into of these arrangements were reviewed and approved in advance by the Nominating/Corporate Governance Committee in accordance with Systemax's corporate approval policy and related party transaction policy. Total payments under the vendor agreements totaled \$3,027,767.88 for fiscal 2020.

Retirement Agreement and Consulting Agreement. As previously disclosed on February 22, 2021, Systemax and Mr. Dooley entered into a retirement agreement (the "Retirement Agreement") under which he retired as the President, Industrial Products Group effective as of April 3, 2021 (the "Retirement Date". At that time Mr. Dooley entered into a four year consulting agreement with Systemax (the "Consulting Agreement") under which he receives \$285,000 per year and the option awards and performance restricted stock awards previously granted to Mr. Dooley will continue to vest, terminate or remain exercisable in accordance with their terms during the ongoing consultancy period.

Executive Officers

There are no arrangements or understandings between any officer and any other person pursuant to which such person was selected as an officer.

Messrs. Richard Leeds, Bruce Leeds, Robert Leeds and Barry Litwin biographical information is on page 6 of this proxy statement.

Thomas Clark

Senior Vice President and Chief Financial Officer

Age: 39

Thomas Clark was appointed Vice President and CFO of Systemax in October 2016. Mr. Clark originally joined Systemax in 2007. Prior to being appointed Vice President and CFO, Mr. Clark, served in a number of senior financial positions at Systemax, most recently as Controller of the Industrial Products Group. Previously he held the positions of Director of Finance, and Manager of Financial Planning & Analysis at Systemax.

Ritesh Chaturbedi

Senior Vice President and Chief Operations Officer

Age: 43

Ritesh Chaturbedi joined Systemax in April 2019 as Senior Vice President and Chief Operations Officer. Prior to joining Systemax, Mr. Chaturbedi worked in various senior leadership roles with broad responsibility for operations, procurement, customer service, technology and other key functions. He has led critical growth operations across multiple industry environments and his recent experience includes: Ditech Holding Corporation, Amazon.com, Sears and Fareportal.

Donna Fielding

Senior Vice President and Chief Human Resources Officer

Age: 50

Donna Fielding joined Systemax in 2018 as Senior Vice President and Chief Human Resources Officer. Prior to joining Systemax, Donna worked in various human resource leadership roles in Fortune 500 organizations, including ADP, Credit Suisse, Pfizer and JPMorgan Chase. Ms. Fielding has broad experience in traditional human resources as well as cultural transformation, differentiated and specialized talent models, and integrated human capital solutions.

Claudia Hughes

Senior Vice President and Chief Sales Officer

Age: 53

Claudia Hughes joined Systemax in 2021 as Senior Vice President and Chief Sales Officer. She was previously Senior Vice President, US Field Sales for Office Depot, where she held positions of increasing responsibility during her 27-year tenure. Ms. Hughes possesses exceptional business skills across B2B Sales, Sales Leadership and Sales Operations, with data driven results.

Eric Lerner

Senior Vice President and General Counsel

Age: 63

Eric Lerner was appointed Senior Vice President and General Counsel in May 2012. He was previously a senior corporate partner at Kramer Levin Naftalis & Frankel, a corporate partner, Co-Chair of the National Corporate Department and member of the Board of Directors of Katten Muchin Zavis Rosenman, and a corporate partner and Chair of the Corporate Department of Rosenman & Colin.

Manoj Shetty

Senior Vice President and Chief Information Officer

Age: 60

Manoj Shetty was appointed Senior Vice President and Chief Information Officer of Systemax in August 2014. Mr. Shetty originally joined Systemax in 2000 and has served in several Information Technology roles since that time. Prior to joining Systemax, Mr. Shetty was employed at Mercator (ultimately acquired by IBM) and in the manufacturing sector.

Klaus Werner

Senior Vice President and Chief Marketing Officer

Age: 53

Klaus Werner joined Systemax in February 2020 as Senior Vice President and Chief Marketing Officer. Prior to joining Systemax, Mr. Werner worked in various senior executive roles in marketing, e-commerce, technology, data and enterprise analytics. During his career he has held leadership positions with HD Supply, Alex Lee, Rosetta, Lowe's and Bellsouth.

Thomas Axmacher

Vice President and Controller

Age: 62

Thomas Axmacher was appointed Vice President and Controller of Systemax in September 2006. He was previously Chief Financial Officer of Curative Health Services, Inc., a publicly traded health care company, and Vice President and Controller of Tempo Instrument Group, an electronics manufacturer.

Compensation Discussion and Analysis

Executive Summary

In this section, we discuss the objectives of our compensation programs and policies, and the reasons why we pay each material element of our executives' compensation. Following this discussion, you will find a series of tables containing more specific details about the compensation of our Named Executive Officers, (referred to as "NEOs"), listed below. The following discussion relates to the NEOs and their titles as of the end of 2020.

Our NEOs* in 2020 were as follows:

Name	Title
Richard Leeds	Executive Chairman
Bruce Leeds	Vice Chairman
Robert Leeds	Vice Chairman
Barry Litwin	Chief Executive Officer
Thomas Clark	Senior Vice President & Chief Financial Officer
Ritesh Chaturbedi	Senior Vice President & Chief Operations Officer
Eric Lerner	Senior Vice President & General Counsel
Robert Dooley	Former President, Industrial Products Group

* We define our NEOs for 2020 as each person who served as chief executive officer or chief financial officer at any time during 2020, and the three other most highly compensated persons serving as executive officers at year end, and three additional executive officers. Mr. Dooley retired from Systemax effective April 3, 2021. Compensation information for Mr. Dooley has been included, as he was a NEO as of December 31, 2020.

Central Objectives and Philosophy of Our Executive Compensation Programs

The Compensation Committee designs competitive compensation packages having the proper amount and mix of short term, annual and long-term incentive programs to serve several important objectives:

- attracting and retaining individuals of superior ability and managerial talent;
- rewarding outstanding individual and team contributions to the achievement of our short and long-term financial and business objectives, including our "ACE" programs (Accelerating the Customer Experience);
- promoting integrity and good corporate governance;
- motivating our executive officers to manage for sustained growth and financial performance, and enhanced stockholder value, for the long-term benefit of our stockholders, customers and employees; and
- mitigating risk and reducing risk taking behavior that might negatively affect financial results, without diminishing the incentive nature of the compensation (as described below).

Risk Management

We believe our programs encourage and reward prudent business judgment and appropriate risk-taking over the long-term. We believe the following factors are effective in mitigating risk relating to our compensation programs including the risk that an executive will take action that is detrimental to our long-term interests in order to increase the executive's short-term performance-based compensation:

- **Governance and Management Processes.** Our Board is responsible for overseeing, and together with our Audit Committee, monitors the risk management processes associated with our operations, and together with our Audit Committee focuses on the most significant risks facing Systemax, and seeks to ensure that appropriate general and specific risk mitigation considerations are implemented by management and considered in our business and operations planning. Our Compensation Committee is responsible for considering risk mitigation issues and for including strategies to mitigate risk in our compensation programs.
- **Regular Oversight.** Risk management is regularly overseen by the Board and Audit Committee on a quarterly basis, covering particular risk management matters in connection with general oversight and approval of corporate matters, and through discussions relating to material risks affecting Systemax presented by management and by our Finance, Legal, Risk Management/Insurance and Internal Audit departments. The Compensation Committee members also receive these presentations and take risk mitigation into account in designing our compensation programs.
- **Multiple Performance Factors.** We use multiple performance factors that encourage executives to focus on the overall health of the business rather than a single financial measure.
- **Award Cap.** Our annual NEO Non-Equity Incentive Plans ("NEO Plans") cap the maximum award payable to any individual.
- **Clawback Provision.** Our NEO Plans provide Systemax the ability to recapture cash awards from our executive officers:
 - to the extent a NEO Plan payment resulted from reported financial results that upon restatement of such results (other than as a result of changes in accounting principles) would not have generated the payment or would have generated a lower payment; or
 - if misconduct by the executive officer contributed to Systemax having to restate all or a portion of our financial statements; or
 - if the Board determines that the executive engaged in serious ethical misconduct.
- **Long-Term Equity Compensation.** From time to time in the past, our executives and a limited number of key business unit leaders and managers received stock options and/or restricted stock units in varying amounts, in the discretion of the Compensation Committee. In 2020 we made significant changes to our equity compensation philosophy and practices, as discussed below, and we have followed a more metrics driven and goal-oriented benchmarked approach to providing annual grants of equity compensation. All awards are subject to years long vesting periods, deferred distribution in the case of restricted stock unit awards granted in 2020 and thereafter, and since 2019 include performance criteria in the vesting formula. We believe the long-term vesting period for stock options and restricted stock unit grants causes our executives to focus on long-term achievements and on building stockholder value. We anticipate continuing to make such use of equity awards as an important component of our compensation programs in the future.

Elements of Our Executive Compensation Programs

To promote the objectives described above, our executive compensation programs consist of the following principal elements:

- Base salary;
- Non-Equity Incentive Compensation;
- Special Bonus (in special circumstances);
- Equity-Based Incentives; and
- Benefits, Perquisites and Other Compensation

In 2020, the Compensation Committee developed general guidelines, policies and formulas for allocating compensation among current and long-term compensation, mix of equity and non-equity compensation and fixed and variable cash compensation. The Compensation Committee from time to time adjusts different elements of compensation based upon its evaluation of our key business objectives and related compensation goals set forth above. We do not have a formal policy regarding internal pay equity. In addition, we provide our stockholders, pursuant to SEC regulation, with a non-binding “say on pay” advisory vote on our executive compensation every three years. While the Compensation Committee considers the results of the stockholder “say on pay” vote, the voting results are only one among many factors considered by the Compensation Committee in evaluating our compensation principles, design and practices.

Base Salary. Historically, base salary levels were primarily determined based on individual and Systemax performance as well as an objective assessment of the average prevailing salary levels for comparable companies in our geographic regions (based on industry, revenues, number of employees, and similar factors), derived from widely available published reports. Such reports do not identify the component companies. Beginning for 2020, the Compensation Committee, assisted by the Compensation Committee’s compensation consultant, adopted a more objective salary determination process primarily based on benchmarking our executive’s salaries against the salary levels of similar executives via an extensive library of compensation surveys as well as against comparable companies, principally based on industry, revenues, and number of employees. This peer set was further supplemented by companies in our geographic regions as well as other public company competitors that may not have otherwise been included. See discussion below of “Compensation Consultant” and “Peer Companies”.

Non-Equity Incentive Compensation. Incentive cash compensation of our NEOs under the 2018 and 2019 NEO Plans (which operated under our 2010 LTIP) and under the 2020 NEO Plan (which operates under our 2020 LTIP) is based primarily upon an evaluation of Systemax performance as it relates to three general business areas:

- Operational and Financial Performance, such as net sales, operating income, consolidated net income, earnings before interest and taxes (“EBIT”), gross margin, operating margin, earnings per share, working capital, return on invested capital, stockholder equity and peer group comparisons);
- Strategic Accomplishments, such as growth in the business (top line sales and margins), expansion of product lines and introduction of new product categories, implementation of systems enhancements, new processes and technology improvements, efficiency and productivity initiatives in our distribution center network, marketing, advertising and sales initiatives, customer satisfaction and service enhancements, cost management, and growth in the value of our assets, including through strategic acquisition transactions; and
- Corporate Governance and Oversight, encompassing legal and regulatory compliance and adherence to Systemax policies including the timely filing of periodic reports with the SEC, compliance with the Sarbanes-Oxley Act, maintaining robust internal controls, OSHA compliance, environmental, employment and health/safety laws and regulations compliance (including in connection with pandemic preparation and mitigation) and enforcement of our corporate ethics policy.

The non-financial Strategic Accomplishments and Corporate Governance and Oversight goals are subjectively approved by the Compensation Committee annually, based on Systemax’s changing needs from time to time, and are intended to encourage cross functional efforts by our management team to support projects that benefit Systemax. Detailed discussion of these goals can be found below in the discussion of the 2020 NEO Plan.

Our performance goals may be expressed (i) with respect to Systemax as a whole or with respect to one or more divisions or business units, (ii) on a pre-tax or after-tax basis, and (iii) on an absolute and/or relative basis. The performance goals may (i) employ comparisons with past performance of Systemax (including one or more divisions) and/or (ii) employ comparisons with the current or past performance of other companies, and in the case of earnings-based measures, may employ comparisons to capital, stockholders' equity and shares outstanding.

To the extent applicable, the measures used in performance goals set under the 2010 LTIP and in the 2020 LTIP are determined in a manner consistent with the methods used in our SEC reporting on Forms 10-K and 10-Q, except that adjustments will be made for certain items, including special, unusual or non-recurring items, acquisitions and dispositions and changes in accounting principles.

Pursuant to SEC rules, and except for disclosure of our actual performance relative to any actually achieved 2020 and future financial targets, Systemax is not disclosing the specific performance targets and actual performance measures for the financial goals used in our NEO Plans because they represent confidential financial information that Systemax does not disclose to the public, and Systemax believes that disclosure of this information would cause us competitive harm. In addition, we do not disclose the specific subjective non-financial goals, since they may directly relate to strategic initiatives, plans and tactics being undertaken by our business and may indicate where we intend to devote our resources. We believe that our competitors having detailed knowledge of where we are devoting our strategic resources and management emphasis could give our competitors an advantage and be harmful to our competitive position.

Financial targets are set such that only exceptional performance will result in payouts above the target incentive and poor performance will result in diminished or no incentive payment. We set the financial target performance goals at a level for which there is a reasonably challenged chance of achievement based upon the range of assumptions used to build our annual budget and forecasted performance. We did not perform specific analysis on the probability of the achievement of the financial target performance goals, given that the market is difficult to predict. Rather, we relied upon our experience in setting the goals guided by our objective of setting a reasonably attainable and motivationally meaningful goal. We set the non-financial goals (which are established by the Compensation Committee and measured by the management of Systemax and the assessment is approved by the Compensation Committee in four incremental levels of achievement, as discussed below) to reflect a reasonable degree of difficulty to achieve substantial performance.

Special Bonuses. From time to time, the Compensation Committee may make special awards to our executives, in order to reward special achievement in the year that was not covered by the NEO Plan for that year. These awards may take the form of cash bonuses or equity awards and were granted pursuant to the 2010 LTIP and predecessor plans, and 2021 grants would be awarded under the 2020 LTIP.

Equity-Based Incentives. Equity based compensation provides an incentive for executives to manage Systemax with a view to achieving results which would increase our stock price over the long-term and, therefore, the return to our stockholders. Historically equity grants included only time based vesting conditions, but in 2019, 2020 and 2021 certain executives and other members of management received equity grants that included both time based and performance based vesting conditions.

Outstanding equity-based incentives consist of:

- non-qualified stock options granted at 100% of the stock's fair market value on the grant date (based on the NYSE closing price of our common stock on that date), subject to repricing as occurred in 2019; and
- restricted stock units granted subject to vesting conditions including both time and / or performance criteria (and beginning in 2020 subject to deferred delivery of vested restricted stock unit awards) constitute the long-term incentive portion of our executive compensation package.

The Compensation Committee is cognizant of the timing of the grant of stock based compensation in relation to the publication of Systemax earnings releases and other public announcements.

Benefits, Perquisites and Other Compensation. Systemax provides various employee benefit programs to our employees, including NEOs such as:

- medical, dental, life and disability insurance benefits;
- our 401(k) plan, which includes Systemax contributions;

- automobile allowances and related reimbursements to all NEOs and certain other Systemax managers which are not provided to all employees; and
- severance payments, and/or change of control payments pursuant to negotiated employment agreements they have with Systemax (described below).

Systemax does not provide any pension benefits or deferred compensation under any defined contribution or other plan on a basis that is not tax-qualified.

Tax Deductibility Considerations. Section 162(m) of the Internal Revenue Code (the “Code”) limits to \$1,000,000 the U.S. federal income tax deductibility of compensation paid in one year to a company's executive officers. While the Code limits the deductibility of compensation paid to our named executive officers, our Compensation Committee will-consistent with its past practice-continue to retain flexibility to design compensation programs that are in the best long-term interests of Systemax and our stockholders, with deductibility of compensation being one of a variety of considerations taken into account.

Role of the Compensation Committee and CEO in Compensation Decisions

The Compensation Committee’s role and responsibility covers several distinct aspects of setting compensation:

- review and approve the compensation of the Executive Chairman, Vice Chairmen and CEO;
- approve, upon the recommendation of the CEO (following consultation with the Executive Chairman and Vice Chairmen), (a) the annual total compensation of the other executive officers of Systemax, including non-equity incentive and bonus compensation, (b) the annual compensation of certain subsidiary managers, and (c) all individual equity incentive grants; and
- together with the CEO, review and make periodic recommendations to the Board with respect to our general compensation, benefits and perquisite policies and practices (including with respect to risk management), including our stock-incentive based compensation plan.

Engagement of Compensation Consultant

The Compensation Committee is empowered to retain third party compensation consultants to provide assistance with respect to compensation strategies, market practices, market research data and our compensation goals. The Compensation Committee did not retain any such consultant in 2018. In March 2019, in coordination with and at the recommendation of Systemax’s Chief Human Resources Officer, and with the approval of the Board, the Compensation Committee directly retained a compensation consultant (EA Compensation Resources d/b/a Compensation Resources, the “Compensation Consultant”) to advise on and provide data as it relates to corporate executive and senior management compensation for 2020, and the Board consulted with the Compensation Consultant regarding compensation for non-employee directors and through a separate engagement approved by the Board, the Chief Human Resources Officer and other members of executive management directly engaged a different team within the Compensation Consultant to advise on compensation strategy for a broader employee population as well as to review and advise upon the structure of our sales commission and compensation plans. In 2020, upon the recommendation of the Chief Human Resources Officer, Systemax entered into a monthly retainer agreement with EA Compensation Resources to provide position slotting and benchmarking for new roles and provide guidance on overall compensation strategy.

In consultation with the Compensation Consultant, the Compensation Committee and management focused on the following factors in redesigning our equity compensation philosophy and practices:

- determining the market competitiveness and structure of Systemax’s executive salaries, as well as of other salaried positions;
- evaluating the appropriate mix of fixed and variable cash compensation;
- evaluating the mix of equity and non-equity compensation;

- developing a long-term equity incentive plan design and implementation strategy to align with the key strategies of Systemax to attract, retain, and reward management for performance as well as to further align management with our stockholders; and
- creating a stronger link between incentive compensation and performance, for both equity and non-equity incentive compensation.

In performing its work in 2019 the Compensation Committee made use of surveys and analyses prepared by the Compensation Consultant to benchmark Systemax's compensation arrangements against those of peer group companies based on revenue, industry segment and geographic location ("core peers"). An additional set of peers were identified from a "controlled company" and comparable talent pool perspective ("non-core peers"), in order to gain best practice information from companies against whom we compete for talent. We did not use the non-core peers as salary benchmark data. The Compensation Committee further analyzed compensation based on our position descriptions and not historical compensation levels.

The peer group companies used by the Compensation Committee in its 2019 benchmarking analysis were as follows:

Peer Group Companies	2019 Revenue
1-800-Flowers.com, Inc.	\$ 1,248,623,000
Amazon.com Inc.	\$ 280,522,000,000
Bluelinx Holdings Inc.*	\$ 2,637,268,000
DXP Enterprises, Inc.*	\$ 1,300,000,000
Foundation Building Materials Inc.	\$ 2,200,000,000
GMS Inc.*	\$ 3,116,032,000
H&E Equipment Services Inc.*	\$ 1,300,000,000
HD Supply Holdings Inc.	\$ 6,146,000,000
Henry Schein Inc.	\$ 9,985,803,000
Honeywell International Inc.	\$ 36,709,000,000
Huttig Building Products Inc.*	\$ 812,000,000
Kaman Corp.*	\$ 761,608,000
Lifetime Brands Inc.	\$ 734,900,000
Lowe's Companies Inc.	\$ 72,148,000,000
MSC Industrial Direct Co Inc.	\$ 3,363,800,000
Office Depot, Inc.	\$ 10,600,000,000
Pool Corp.*	\$ 3,199,517,000
Siteone Landscape Supply Inc.*	\$ 2,360,000,000
The Hain Celestial Group Inc.	\$ 2,302,468,000
The TJX Companies, Inc.	\$ 41,700,000,000
Tyson Foods, Inc.	\$ 42,405,000,000
W.W. Grainger Inc.	\$ 11,500,000,000
Walmart Inc.	\$ 524,000,000,000
Watsco, Inc.	\$ 4,770,362,000

* core peers

The decisions made by the Compensation Committee following its work in respect of our NEOs are described below under 2020 NEO Plan.

2010 and 2020 Long-Term Incentive Plan

Basic Features and Types of Awards

In 2010, the Board of Directors and our stockholders approved the 2010 Long-Term Incentive Plan (the “2010 LTIP”) in order to promote the interests of Systemax and our stockholders. The 2010 LTIP expired on April 23, 2020 and accordingly, it could not be used for future awards after that date. The grants made in 2020 and the prior years described below were made under the 2010 LTIP before it expired and were the last grants to be made under the 2010 LTIP.

In March 2020 our Board adopted the Systemax Inc. 2020 Omnibus Long-Term Incentive Plan (the “2020 LTIP”), which was approved by our stockholders in June 2020. Both the 2010 LTIP and the 2020 LTIP provide substantially the same terms and conditions for the awarding of all forms of cash, equity and non-equity executive compensation, the details of which are addressed in the annual NEO Plans, as described in this proxy statement.

Both the 2010 LTIP and the 2020 LTIP are intended to help us (i) attract and retain exceptional directors, including non-employee directors, executive personnel and other key employees, including consultants and advisors to Systemax and its affiliates; (ii) motivate such award recipients by means of performance-related incentives to achieve longer-range performance goals; and (iii) enable such recipients to participate in the long-term growth and financial success of Systemax.

Due to the timing, the salaries, non-equity compensation and equity grants paid or made in 2020 (including in respect of 2019 performance) prior to March 2020 were originally awarded under the 2010 LTIP, and the salaries, non-equity compensation and equity grants paid or made after March 2020 or in 2021 (including in respect of 2020 performance) were awarded under the 2020 LTIP.

The following is a summary of the principal provisions of the 2010 LTIP and of the 2020 LTIP (the “LTIP Plans”).

The LTIP Plans set the basic parameters of our compensation policies and approach to executive compensation, and the annual NEO Plans adopted by the Compensation Committee under the 2010 LTIP implement that approach by linking compensation to achievement of Systemax’s goals as the needs of our business change over time. We believe having consistent compensation policies that permit our compensation programs to adjust to address constantly evolving market conditions allows us to readily address the business challenges we face and motivate our employees to overcome them.

As explained below, certain basic features of the 2018, 2019 and 2020 NEO Plans historically are the same from year to year/; however, in 2017 we implemented a compensation program that measured quarterly achievement and provided for quarterly non-equity incentive compensation Awards for certain NEOs. While Systemax believed this quarterly program had a beneficial effect in motivating our employees to achieve our and their 2018 and 2019 goals, beginning in 2020 we replaced the quarterly feature with an annual measurement approach to better align our NEOs with Systemax’s annual and multi-year initiatives and longer term interests.

The LTIP Plans provide for the granting of various equity or cash based awards (“Award”), subject to certain limits including a maximum of 1,500,000 shares (or \$10,000,000 in the case of cash performance awards) per individual per year. An aggregate of 7,500,000 shares of common stock were authorized for stock based Awards, of which as of April 6, 2020 Awards 5,676,016 shares remained available for future issuance. The 2010 LTIP expired in April 2020 without issuing additional awards.

Future awards under the 2020 LTIP may be:

- incentive stock options;
- non-qualified stock options;
- stock appreciation rights;
- restricted stock;
- restricted stock units;

- cash performance awards (which may take the form of non-equity incentive compensation under the NEO Plans or may be in the form of special cash “bonuses”); or
- other stock-based awards.

In the Summary Compensation Table, cash awards granted as NEO non-equity incentive compensation under the NEO Plan for that year are reported as such in that column, and special cash bonuses awarded other than pursuant to the parameters of the NEO Plan are reported as such in the “Bonus” column.

Administration

The Compensation Committee has the authority to administer, interpret and construe any provision of the LTIP Plans (and the annual NEO Plans adopted under it) and to adopt such rules and regulations for administering the LTIP Plans and the NEO Plans as it deems necessary or appropriate. All decisions and determinations of the Compensation Committee are final, binding and conclusive on all parties.

Further, the Compensation Committee has sole discretion over the terms and conditions of any Award, including:

- the persons who will receive Awards;
- the type of Awards granted;
- the number of shares subject to each Award;
- exercise price of and Award;
- expiration dates;
- vesting schedules;
- distribution and delivery schedules;
- forfeiture provisions;
- conditions on the achievement of specified performance goals for the granting or vesting of options, restricted stock, restricted stock units or cash Awards; and
- other material features of Awards.

The Compensation Committee or the Board may delegate to our officers or managers the authority to designate Award recipients, but the Compensation Committee must grant all Awards to those individuals reasonably considered to be subject to the insider trading provisions of federal securities law, including our officers and directors.

Individual Achievement and Systemax Performance

In determining the compensation of a particular executive, the Compensation Committee takes into account the ways in which our executives most directly impact our business and seeks to correlate their compensation objectives to the ways they can be effectively motivated, and their contribution objectively measured. Accordingly, the NEO Plans adopted under the LTIP Plans give varied weights and consideration to the executive's specific corporate responsibilities, in some cases aside from specific Company metrics and achievements, as they relate to our business and goals, and therefore the performance metrics, and the amount and mix of compensation elements, may vary from year to year.

Beginning in 2019, all NEOs are aligned based upon the financial performance of the consolidated Systemax group, and each of our NEOs, other than the CEO, has personal achievement targets that support one or more of the Scorecards described below.

Common Elements of the 2018, 2019 and 2020 NEO Plans

Certain features of the 2018, 2019 and 2020 NEO Plans, such as performance categories, annual caps and partial achievement adjustment mechanisms, are the same under each Plan, and are discussed here for ease of reference.

As explained below, in determining non-equity incentive compensation the financial goals are accorded a more significant weighting factor than the non-financial goals, reflecting the Compensation Committee's belief that the financial goals are the most critical to enhancing stockholder value, maintaining long-term growth, and remaining competitive, and furthermore provide the funding for implementing the strategic accomplishments and corporate governance goals. Achievement and over-achievement of the financial goals results in incremental increases to the available incentive compensation pool in which the participating executives share.

Certain new features and modifications to existing features of our NEO Plans were introduced for the 2020 year, such as using annual rather than quarterly achievement measurement periods, expansion of the number of recipients of equity incentive grants, changes to the relative weighting of Company and personal goals, tiered (by position) allocation of non-equity and equity incentive compensation components, tiered (by position) standard equity award grant levels and award ranges, minimum and maximum levels of non-equity award payouts, deferred delivery of vested restricted stock units and benchmarking.

Systemax Consolidated Financial Goals for 2018, 2019 and 2020.

- *Adjusted Operating Income Performance.* The Compensation Committee believes this is the most important individual component and aligns the interests of our executives with those of our stockholders, in addition to building long-term value. Adjusted Operating Income is defined as operating income adjusted for unusual or nonrecurring items as determined by our Compensation Committee.
- *Sales Performance.* The Compensation Committee believes sales performance is key to Systemax achieving the scale necessary to remain competitive with larger companies. Sales are defined as sales revenue net of returns on a constant currency basis. Sales are further adjusted for the impact of any acquisition or disposition which is completed during the plan year.

Systemax Consolidated Non-Financial Goals for 2018 2019 and 2020.

- *Strategic Accomplishments.* Prior to 2019, strategic goals were established surrounding accomplishments within our Industrial Products Group, European Technology Products Group, and the Corporate and Other Segment. In 2019, following the divestitures of our European Technology Group, Systemax combined its Industrial Products Group Segment and its Corporate and Other Segment for purposes of setting and measuring strategic accomplishments. For more information, see 2020 NEO Plan 2020--2020 Performance against Objectives / page 38 of this proxy statement.
- *Corporate Governance Goals.* These goals relate to continuing improvements in our internal control processes, ethics compliance procedures and safety protocols that the Compensation Committee believes will generally benefit stockholders, as evidenced by the absence of material weaknesses in internal controls and financial reporting, prompt investigation and disposition of any ethical or governance issues that may arise, and the absence of any serious OSHA matters. For more information, see 2020 NEO Plan 2020--2020 Performance against Objectives / page 38 of this proxy statement.

Business Unit or Individual Financial and Non-Financial Goal for 2018, 2019 and 2020. Business Unit and Individual Goals were set for Messrs. Clark, Dooley and Lerner in 2018, and only individual goals were used in 2019. These objectives are comprised of a variety of measurable strategic, financial and operational targets and initiatives including sales growth and margin improvement, cost management, process improvement, corporate development, and others as deemed appropriate by the CEO in consultation with the Compensation Committee. In each case, the selected objectives are considered relevant to the scope of each executive's functional areas of operation and are designed to incentivize management to accomplish the businesses' strategic plan. Starting in 2017 these goals were administered on both a quarterly and full year basis, and beginning in 2020 the goals are administered on an annual basis, as described below.

Targets, Caps and Adjustment Mechanisms. Achievement of each of the target financial goals generates a variable non-equity incentive payment target (base case); reduced amounts are payable on a pro rata basis for each financial goal component and on a partial basis on the non-financial goal components. The 2018, 2019 and 2020

NEO Plans impose a cap on the total non-equity incentive compensation that could be payable to each executive based upon the relative weights of each component.

Systemax Consolidated Sales Target Financial Component for 2018 and 2019.

- Sales target amount is payable starting at achievement of in excess of 80% of the sales target financial goal component amount.
- Sales target amount is capped at 140% (for 2018) and 102% (for 2019), of the sales target financial goal component amount.
- Each 1% variance in actual achievement below the 100% level will generate a 5% negative variance in the target non-equity incentive amount.
- Each 1% variance in actual achievement above the 100% level generates a 5% positive variance in the target non-equity incentive amount.
- No non-equity incentive compensation is payable in respect of the sales target if achievement is 80% or less of the sales target while increased payments (up to 300% for 2018 and up to 110% for 2019 of the target non-equity incentive compensation amount for this financial component) are payable on a pro rata basis for over achievement of the sales target component.

Systemax Consolidated Adjusted Operating Income Financial Component for 2018 and 2019.

- The adjusted operating income goal is payable at a level of 100% if the target is achieved.
- Each \$1,500,000 variance in actual achievement below the 100% level will generate a 5% negative variance in the target non-equity incentive compensation amount.
- Each \$1,500,000 variance in actual achievement above the 100% level will generate a 5% positive variance in the target non-equity incentive compensation amount up to 300% (for 2018) and 115% (for 2019) of the target non-equity incentive compensation amount for this financial component.
- Systemax Consolidated Non-Financial Goals. The non-financial goals are measured based on whether or not the goal is either accomplished or not accomplished during the fiscal year. Accomplishment can be measured at 0%, 25%, 50%, 75%, or 100% levels (as subjectively determined by the Compensation Committee) with target non-equity incentive compensation paid out accordingly.

Business Unit or Individual Goals.

For 2018: Generally, the accomplishment can be measured at 0%, 25%, 50%, 75%, or 100% levels (as subjectively determined by the CEO and approved by the Compensation Committee) with target non-equity incentive compensation paid out accordingly. Adjusted Operating Income Performance of each business unit above or below plan, would result in either higher potential or lower potential target non-equity incentive levels.

For 2019: Business Unit and Individual goals are subject to a double trigger mechanism in order to be earned. For each quarterly period, or annual measurement, the performance of Adjusted Operating Income will fund the available bonus eligible to be earned based upon the accomplishment of each objective. Each 5% variance below goal will generate a 10% negative variance in the target non-equity incentive compensation amount and each 5% variance above goal will generate a 5% positive variance in the target non-equity incentive compensation amount. Generally, the Business Unit Goals can be measured between 0 and 100% accomplishment, while individual goal accomplishment can be measured at 0%, 50%, 85%, or 100%, with target non-equity incentive compensation paid out accordingly.

Compensation Committee Discretion. The Compensation Committee has the discretion to adjust financial targets based on such events as acquisitions or other one-time charges or gains, or other unforeseen circumstances that can skew normal operating results; exercises of such discretion are noted below. Targets and non-equity incentive compensation are also subject to adjustment to prevent unreasonable results in the strict application of these formulas. Executives must generally be employed with Systemax at the time the incentive compensation is paid out to receive the payment, though the Compensation Committee has discretion to waive this requirement. The Compensation Committee exercised its discretion in 2019.

2020 NEO Plan

In March 2020, pursuant to the 2010 LTIP, our Compensation Committee, with input from our CEO and in consultation with the Compensation Consultant, established our 2020 NEO Incentive Plan (“2020 Plan”). The 2020 Plan pertains specifically to the payment of non-equity incentive compensation to NEOs for 2020 and provides for equity compensation as well. Certain new features and modifications to features of our 2018 and 2019 NEO Plans were introduced for the 2020 year, such as using annual rather than quarterly achievement measurement periods for all participants, expansion of the number of recipients of equity incentive grants, changes to the relative weighting of Company and personal goals, tiered (by position) allocation of non-equity and equity incentive compensation components, tiered (by position) standard equity award grant levels and award ranges, minimum and maximum levels of non-equity award payouts, deferred delivery of vested restricted stock unit, and peer benchmarking. In addition, performance metrics, caps, and measurement criteria were also modified for 2020. Many of these features are also used in our 2021 NEO Plan, adopted in March 2021.

Our CEO does not participate in the NEO Plan on the same basis as our other executives. See a description of Mr. Litwin’s employment and compensation arrangements at page 46 of this proxy statement.

2020 Plan Key Features

In adopting the 2020 Plan, the Compensation Committee changed the relative weightings of Company and personal goals; previously such goals were weighted in varying degrees for different NEOs and other employees. In 2020, for our NEOs (other than our CEO) we have assigned weights of 70% to achieving Company objectives and 30% to achieving personal goals in order to earn incentive compensation awards, to better align our employees’ interests with Systemax’s objectives. As described below, the Compensation Committee has assigned measurable personal objectives and business unit goals for each NEO, aligning them in supporting Systemax’s core business strategies and 2020 Operating Plan. Other executives, business unit leaders and key contributors have varying tiered weighting levels taking into account their positions and total compensation arrangements. These weightings and approach are also used in our 2021 NEO Plan.

In addition, our senior executives, including our NEOs, have a greater percentage of their total compensation “at risk” in the form of variable compensation (non-equity and equity incentive compensation) than do our other employees.

The Compensation Committee determined that increased use of equity compensation and regular, defined annual equity grants would be in the best interests of Systemax and would enhance stockholder value by aligning the long-term interests of a larger group of senior executives, business unit leaders and key managers with Systemax’s goals and objectives. We anticipate following this approach under the 2021 NEO Plan and in the future.

The new or modified features adopted by the Compensation Committee under the 2020 Plan are as follows:

- **Measurement Period:** We measure financial, strategic, operational and other objectives on an annual rather than quarterly basis, so that our employees will place greater focus on the long-term, cross-functional initiatives we have undertaken as part of our Accelerate the Customer Experience (ACE) and Operational Excellence Strategies.
- **Expanded pool of equity recipients:** We have increased the number of recipients of equity incentive grants to better align a larger group of senior executives, business unit leaders and key managers with Systemax’s goals and objectives. The Compensation Committee also believes that providing equity awards to key employees will assist Systemax in recruiting and retaining high quality members of management.
- **Annual awards of target non-equity incentive compensation:** We will make annual awards of non-equity compensation within ranges tiered by position. For NEOs (other than the CEO), the non-equity incentive compensation award is targeted to range from 50% to 60% of annual base salary.
- **Annual awards of target equity incentive compensation:** We will make annual awards of equity compensation within ranges tiered by position. For NEOs (other than the CEO), equity awards generally can range from 0 to 75% of target non-equity compensation (or more in exceptional circumstances). Awards will be denominated as 50% stock options and 50% performance restricted stock units (number of shares based on relative fair market value including applying Black-Scholes formula for options valuation).
- **Payout Limits:** Minimum and maximum levels of non-equity award payouts continue to be features of the 2020 Plan, as modified; see discussion below.

- **Vesting of equity incentive compensation tied to performance:** Other than the CEO, we have provided that restricted stock unit awards will vest annually in amounts tied to achievement of financial targets for that year (for 2020 awards, annual adjusted operating income growth plus 10 percentage points). Recipients will have up to four years to earn the full grant based upon annual performance for each year.
- **Deferred delivery of vested restricted stock units:** We have deferred delivery of any tranches of vested restricted stock unit awards until the earlier of the grant's expiration date or 45 days following termination of employment.
- **Benchmarking:** In order to set our compensation arrangements in line with market conditions and best practices and to continue to attract and retain quality employees, we have benchmarked our compensation practices against carefully chosen peer companies.
- **Alignment of all NEO's, including the CEO, of performance against Systemax's Balanced Scorecard including the five key components of 1) Financial Performance, 2) Customer Experience, 3) Operational Excellence, 4) Talent Management, and 5) Strategic Plan Implementation:** As the CEO is not measured against Individual Objectives, the allocation of weighting between each component is different than the rest of the NEO Group.
- **Threshold Operating Income Performance to determine Eligible Bonus:** Other than the CEO, Systemax must achieve at least 80% of its targeted adjusted operating income dollars for year in order for any non-equity incentive compensation to be earned. 80% Achievement will result in an eligible bonus pool of 50% of the target bonus amount. 100% Achievement will result in an eligible bonus pool of 100% of the target bonus amount. 150% Achievement will result in the maximum eligible bonus pool of 175% of target bonus amount. The eligible bonus increases in a linear fashion between 80% and 100% Achievement and accelerates between 100% and 150% Achievement. These thresholds determine the maximum amount of non-equity incentive that could be earned. Actual earnings will be based upon the accomplishments of the Financial, Non-Financial, and Individual Objectives Score Card.

The features of the 2020 NEO Plan are also used in the 2021 NEO Plan.

Systemax Financial Scorecard

For 2020, the Compensation Committee approved a Financial Scorecard comprised of targets for Revenue, Gross Profit Dollars, Gross Margin Percent, SG&A, Adjusted Operating Income, and Adjusted Operating Margin. For our CEO, 80% of his target non-equity compensation is tied to Financial Objectives (60% is tied to the achievement of Adjusted Operating Income and 20% is tied to the achievement of sales objectives). For our other NEO's, 42% of their target non-equity compensation is tied to the achievement of the Financial Scorecard. For each of the metrics, Revenue, Gross Profit Dollars, SG&A Budget, and Adjusted Operating Income are weighted at 8.4% each, while Gross Margin % and Adjusted Operating Margin % are weighted at 4.2% each. These goals are all monitored for achievement on a quarterly bases and final achievement is assessed on an annual basis.

Systemax Non-Financial Scorecards

For 2020, the Compensation Committee set the non-financial goals component to align with the accomplishment of key strategic initiatives for Systemax. For each component of the Non-Financial Scorecard, 5% and 7% of target non-equity incentive compensation is targeted for the CEO and other NEO's respectively. The Non-Financial Scoreboard percentages are set forth in the table below and the components are:

- Customer Scorecard: measures achievement of new customer, customer retention, account growth, web conversion and customer satisfaction targets.
- Operational Scorecard: measures achievement of order handling, customer service response, shipment costs, freight expense and safety targets.
- People Scorecard: measures achievement of employee retention, sales compensation, salary efficiency, talent management and employee satisfaction targets and projects.
- Strategy and Operating Initiatives Scorecard: measures achievement of gross margin initiatives, new product and private label growth, technology enhancements and our ACE initiative targets.

Individual NEO Objectives Scorecard

Each of our NEOs, other than the CEO, has personal achievement targets that support one or more of the Scorecards described above. 30% of each of their target non-equity incentive compensation is based on achieving these individual targets and 70% is based on the Scorecard achievements. In certain cases achievement is measured objectively and in some cases is assessed subjectively by the Compensation Committee.

Mr. Litwin's 2020 non-equity incentive compensation is set under his employment agreement (described at page 46 of this proxy statement). In 2020, Mr. Litwin's non-equity incentive compensation is based 20% on achieving sales targets, 60% based on achieving operating income targets, and 20% based on the Non-Financial Scorecard achievements.

Please see the discussion below regarding the individual goals set for each of our other NEOs: Messrs Clark, Chaturbedi, Lerner and Dooley.

Under the 2020 Plan, the Compensation Committee set the following non-equity incentive target amounts, non-equity incentive compensation cap percentages and relative percentages weights for each plan component for each of our NEOs (other than our CEO, whose arrangements are set under his employment agreement) in 2020 who are participating in our incentive compensation plans. Messrs Richard, Robert and Bruce Leeds no longer participate in incentive compensation awards.

Name	Target (\$)	Cap (%)	Financial Scorecard (%)	Customer Scorecard (%)	Operational Scorecard (%)	Talent Management Scorecard (%)	Strategic Plan Implementation Scorecard (%)	Individual Objectives (%)
Barry Litwin	1,169,438	111	80	5	5	5	5	0
Thomas Clark	240,750	175	42	7	7	7	7	30
Ritesh Chaturbedi	296,400	175	42	7	7	7	7	30
Eric Lerner	301,900	175	42	7	7	7	7	30
Robert Dooley	615,000	175	42	7	7	7	7	30

2020 Performance against Objectives.

The following table sets out the achievement level (presented as a percentage of target) for each plan component as well as the relative payout ratio earned based on the mechanics of each plan component. The aggregate payouts, expressed in dollars, appear in the Summary Compensation Table / page 41 of this proxy statement.

Name	Net Sales (%)		Adjusted Operating Income (%)		Strategic Objectives (%)		Corporate Governance (%)		Business Unit/ Individual Objectives (%)		Weighted Average Eligible Non-Equity Incentive Compensation (%)
	Actual	Payout Ratio	Actual	Payout Ratio	Actual	Payout Ratio	Actual	Payout Ratio	Actual	Payout Ratio	
Barry Litwin	101	105	116	115	N/A	N/A	94	94	N/A	N/A	109
Thomas Clark	N/A	N/A	N/A	N/A	104	123	94	115	100	123	120
Ritesh Chaturbedi	N/A	N/A	N/A	N/A	104	123	94	115	100	123	120
Eric Lerner	N/A	N/A	N/A	N/A	104	123	94	115	100	123	120
Robert Dooley	N/A	N/A	N/A	N/A	104	123	94	115	100	123	120

In determining the compensation of our CEO for fiscal 2020 and approving the compensation of our other NEOs, the Compensation Committee considered that management had performed well in addressing a unique national and international business and economic environment as the Coronavirus exploded across the United States and the world in the first quarter of 2020 and throughout the year. Business closings, lock down restrictions, unemployment, quarantines, and product and supply chain disruptions presented unique challenges in 2020. The Compensation Committee recognized that management had kept the business open, operating and growing throughout the pandemic, had sourced difficult to find product, had introduced effective marketing and sales campaigns to position the Company's offerings for the pandemic, and had executed well on various work from home and return to work initiatives. The Compensation Committee further considered that despite the pandemic, management had executed well in onboarding and integrating additional senior executive and other management team leaders, training new sales associates, continued to implement the next phase of our ACE (Accelerate the Customer Experience) strategy, including new sales, customer service and marketing initiatives and in implementing the next phase of our Operational Excellence program in our distribution centers, including new vendor and inventory programs, freight and shipping process enhancements and distribution center efficiency and productivity initiatives. It was the view of the Compensation Committee that management had executed these initiatives and had positioned Systemax for further growth while managing risk in a difficult environment. Based on Systemax and individual performance, the Compensation Committee believes that compensation levels for fiscal 2020 were consistent with the philosophy and objectives of our compensation programs.

Systemax Consolidated Net Sales target for 2020 was set based upon Systemax's continuing operations. The payout ratio based upon 1% overachievement to plan was 105%.

Systemax Consolidated Adjusted Operating Income target for 2020 was set based upon Systemax's continuing operations. The payout ratio based upon overachievement to plan was 115%.

Systemax's Non-Financial Score Card Goals included key objectives surrounding actions and KPIs related to four key pillars: Customer, Operations, People, and Strategy. Within the Customer pillar, goals related to new customer acquisition, customer retention, customer conversion, as well as overall customer satisfaction. Within the Operations pillar, goals related to on time delivery, contact center efficiency, safety, and cost control. Within the People pillar, key objectives included employee engagement scores, cost containment, and the launch of a new commission program for its sales team. Finally, within the Strategy pillar, objectives included, new product launch targets, growth of private label sales, and achievement of key segmentation projects within its customer base. Achievement of each metric included payout ratios ranging from 50%, when 50% of the target was achieved, to 100% when at least 97% of the target was achieved.

Each of the NEOs (other than our CEO) were responsible for five measurable initiatives linked to our 2020 Operating Plan. Business Unit and individual objectives for Messrs. Clark, Chaturbedi, Lerner and Dooley, related to the full year. Our CEO recommended and the Compensation Committee agreed to exercise discretion in the assessment of these individual goals. Due to the extraordinary financial performance of Systemax, despite the macro challenges that existed in 2020, and the constant changing priorities that came with operating during a global pandemic, it was determined that Messrs. Clark, Chaturbedi, Lerner and Dooley should each be awarded based upon achieving 100% of their objectives on a weighted average basis.

Mr. Clark's objectives primarily were associated with leading finance initiatives, process improvement, risk mitigation and internal audit activities, management of numerous finance department technology enhancements and assisting the Company to achieve key financial targets.

Mr. Chaturbedi's objectives were associated with reducing distribution center costs, achieving customer shipping expectations, improving shipping quality control and damages, implementing inventory management and vendor compliance and achieving customer experience and satisfaction targets.

Mr. Lerner's objectives were primarily associated with oversight of loss prevention and security projects, product and facility safety compliance, SEC public company and governance compliance, and reduction of legal expenses.

Mr. Dooley's objectives primarily were associated with achieving sales and gross profit targets and related initiatives, sales and product growth initiatives, and human resources/staffing goals.

Based upon the performance of Adjusted Operating Income, each NEO other than the CEO, was eligible to earn 122.5% of their target bonus. As such and in the combination of the assessment of each component of non-equity incentive compensation, Messrs. Clark, Chaturbedi, Lerner and Dooley each earned 120% of their original target bonus. The 2020 threshold, target and maximum non-equity incentive amounts for each of our Named Executive Officers are found in the Grants of Plan-Based Awards table / page 43 of this proxy statement.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the above Compensation Discussion and Analysis with management. Based on its review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the proxy statement and incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2020.

Submitted by the Compensation Committee of the Board,

Chad M. Lindbloom (Chairman)

Robert D. Rosenthal

Paul S. Pearlman

Compensation Committee Interlocks and Insider Participation

At the end of fiscal 2020, the members of Systemax's Compensation Committee were Messrs. Lindbloom, Pearlman and Rosenthal.

Mr. Litwin resigned from the Compensation Committee effective when he became CEO of Systemax on January 7, 2019 and Mr. Pearlman was appointed a member of the Compensation Committee effective as of such date.

Except as noted above with Mr. Litwin, Systemax does not employ any current (or former) member of the Compensation Committee and no current (or former) member of the Compensation Committee has ever served as an officer of Systemax.

In addition, none of our current (or former) directors serving on the Compensation Committee has any relationship that requires disclosure under SEC regulations.

Executive Compensation

Summary Compensation Table

The following table sets forth the compensation earned by the Named Executive Officers for fiscal years 2020, 2019, and 2018:

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)(3)	All Other Compensation (\$)	Total (\$)
Richard Leeds Executive Chairman	2020	950,000					30,000 (4)	980,000
	2019	950,000					30,000	980,000
	2018	960,900					30,000	990,900
Bruce Leeds Vice Chairman	2020	950,000					30,000 (4)	980,000
	2019	950,000					30,000	980,000
	2018	954,700					30,000	984,700
Robert Leeds Vice Chairman	2020	950,000					30,000 (4)	980,000
	2019	950,000					30,000	980,000
	2018	956,200					30,000	986,200
Barry Litwin (5) Chief Executive Officer	2020	866,300		700,000		1,271,800	205,400 (6)	3,043,500
	2019	793,300	614,000	700,000	969,700	902,100	128,200	4,107,300
	2018							
Thomas Clark Senior Vice President & Chief Financial Officer	2020	481,500		90,300	90,100	289,600	39,800 (7)	991,300
	2019	450,000		241,300	303,500	171,300	72,700	1,238,800
	2018	386,000				193,300	55,500	634,800
Ritesh Chaturbedi (8) Senior Vice President & Chief Operations Officer	2020	494,000		204,500	204,100	356,500	51,300 (9)	1,310,400
	2019							
	2018							
Eric Lerner (10) Senior Vice President & General Counsel	2020	601,800		67,700	67,500	361,900	44,800 (11)	1,143,700
	2019	601,800		295,000	320,100	229,000	76,300	1,522,200
	2018							
Robert Dooley Former President, Industrial Products Group	2020	615,000		138,400	138,100	739,700	71,100 (12)	1,702,300
	2019	615,000		307,500	412,000	423,900	159,300	1,917,700
	2018	615,000				623,600	88,400	1,327,000

- (1) This column represents the fair value of the stock award on the grant date determined in accordance with the provisions of ASC 718. As per SEC rules relating to executive compensation disclosure, the amounts shown exclude the impact of forfeitures related to service based vesting conditions. For additional information regarding assumptions made in calculating the amount reflected in this column, please refer to Note 12 to our audited consolidated financial statements, included in our Annual Report on Form 10-K for fiscal 2020.
- (2) This column represents the fair value of the stock option on the grant date determined in accordance with the provisions of ASC 718. As per SEC rules relating to executive compensation disclosure, the amounts shown exclude the impact of forfeitures related to service based vesting conditions. These amounts were calculated using the Black-Scholes option-pricing model. For additional information regarding assumptions made in calculating the amount reflected in this column, please refer to Note 12 to our audited consolidated financial statements, included in our Annual Report on Form 10-K for fiscal 2020.
- (3) The 2017 figures in this column represent the amount earned in fiscal 2017 (although paid in fiscal 2018) pursuant to the 2017 NEO Plan; and the 2018 figures in this column represent the amount earned in fiscal 2018 (although paid in fiscal 2019) pursuant to the 2018 NEO Plan; and the 2019 figures in this column represent the amount earned in fiscal 2019 (although paid in fiscal 2020) pursuant to the 2019 NEO Plan. For more information, see *Grants of Plan-Based Awards / page 43 of this proxy statement*. Because these payments were based on predetermined performance metrics, these amounts are reported in the Non-Equity Incentive Plan column.
- (4) Auto-allowance.

- (5) Mr. Litwin was appointed as the Chief Executive Officer on January 7, 2019 and was not a Named Executive Officer in fiscal year 2018 and therefore no amounts are reported for fiscal years 2018 in the Summary Compensation Table. The amount presented for 2019 is Mr. Litwin's \$825,000 base salary pro-rated for 2019.
- (6) Includes auto-allowance (\$30,000), transportation related expenses (\$43,700), gross-up on transportation related expenses (\$41,800), Systemax 401(k) contributions (\$6,400) and dividend equivalent payments on unvested restricted stock (\$83,500).
- (7) Includes auto-allowance (\$14,400), Systemax 401(k) contributions (\$6,400), and dividend equivalent payments on unvested restricted stock (\$19,000).
- (8) Mr. Chaturbedi was not a Named Executive Officer in fiscal years 2018 and 2019, and therefore no amounts are reported for fiscal years 2018 and 2019 in the Summary Compensation Table.
- (9) Includes auto-allowance (\$18,000), Systemax 401(k) contributions (\$6,400), and dividend equivalent payments on unvested restricted stock (\$26,900).
- (10) Mr. Lerner was not a Named Executive Officer in fiscal years 2018, and therefore no amounts are reported for fiscal year 2018 in the Summary Compensation Table.
- (11) Includes auto-allowance (\$18,000), Systemax 401(k) contributions (\$6,400), and dividend equivalent payments on unvested restricted stock (\$20,400).
- (12) Includes auto-allowance (\$18,000), Systemax 401(k) contributions (\$6,100), and dividend equivalent payments on unvested restricted stock (\$47,000).

Grants of Plan-Based Awards

The following table sets forth the estimated possible payouts under the cash incentive awards granted to our Named Executive Officers in respect of 2020 performance under the 2020 NEO Plan.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards
		Threshold (\$)	Target (\$)	Maximum (\$)				
Barry Litwin	-	110,512	1,169,438	1,299,375				
Thomas Clark	-	60,188	240,750	421,313				
Ritesh Chaturbedi	-	74,100	296,400	518,700				
Eric Lerner	-	75,225	300,900	526,575				
Robert Dooley	-	153,750	615,000	1,076,250				

(1) Amounts presented assume payment of threshold, target and maximum awards at the applicable level.

Outstanding Equity Awards at Fiscal Year-End for Fiscal 2020

The following table sets forth information regarding stock option and restricted stock awards previously granted to our Named Executive Officers which were outstanding at the end of fiscal 2020.

The market value of the unvested stock award is based on the closing price of one share of our common stock as of December 31, 2020, the last trading day of the fiscal 2020, which was \$35.73.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Un-exercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Barry Litwin	0	90,000 (1)	23.14	01/07/29	24,200 (2)	864,700
					28,272 (3)	1,010,200
Thomas Clark	2,500	0 (4)	6.01 (5)	02/01/26	4,495 (6)	160,600
	25,000	0 (4)	6.02 (5)	11/10/26	2,374 (7)	84,800
	12,474	12,474 (8)	23.72	01/17/29		
	0	9,845 (4)	23.65	02/10/30		
Ritesh Chaturbedi	0	19,410 (4)	22.71	04/22/29	4,623 (6)	165,200
	0	22,303(4)	23.65	02/10/30	5,379 (7)	192,200
Eric Lerner	6,250	0 (4)	8.32 (5)	05/02/25	5,497 (6)	196,400
	12,500	0 (4)	6.01 (5)	02/01/26	1,721 (7)	61,500
	15,524	15,253 (8)	23.72	01/17/29		
	0	7,383 (4)	23.65	02/10/30		
Robert Dooley	20,348	0 (4)	16.43 (5)	03/01/22	10,000 (9)	357,300
	5,000	0 (4)	6.01 (5)	04/03/22 (10)	5,730 (6)	204,700
	37,500	0 (4)	6.65 (5)	04/03/22 (10)	3,639 (7)	130,000
	15,900	15,899 (8)	23.72	04/03/25 (11)		
	0	15,090 (4)	23.65	04/03/25 (11)		

- (1) Options vest as follows: 20% of the stock options will vest on the first anniversary of the grant date, 20% will vest on the 2nd anniversary and 10% will vest on each subsequent anniversary of the grant date.
- (2) Restricted stock units vest as follows: 6,051 units on January 7, 2020; 6,050 units on January 7, 2021; 6,050 units on January 7, 2022; 6,050 units on January 7, 2023; and 6,050 units on January 7, 2024.
- (3) Restricted stock units vest as follows: 7,068 units on January 7, 2021; 7,068 units on January 7, 2022; 7,068 units on January 7, 2023; and 7,068 units on January 7, 2024.
- (4) Options vest 25% per year over four years from date of grant. The grant date for each option is ten years prior to the option expiration date.
- (5) On January 17, 2019, the exercise price of each outstanding Employee Stock Option (right to buy) was amended to reduce such exercise price by \$2.30.
- (6) Performance stock units vest over four years through 2022 based upon year over year growth in Adjusted Operating Income.
- (7) Performance stock units vest over four years through 2023 based upon year over year growth in Adjusted Operating Income.
- (8) Options vest 25% per year over four years from December 31, 2018. The grant date for each option is January 17, 2019.
- (9) In accordance with the terms of the Retirement Agreement, any unvested shares shall vest on the Retirement Date.
- (10) In accordance with the terms of the Retirement Agreement, any unexercised options shall expire one year from the Retirement Date.
- (11) In accordance with the terms of the Retirement Agreement, any unexercised options shall expire at the end of the term of the Consulting Agreement.

Option Exercises and Stock Vested For Fiscal 2020

The table below shows stock options that were exercised, and restricted stock units that vested, during fiscal 2020 for each of our Named Executive Officers:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) (1)
Barry Litwin	10,000	252,900	1,259 (2)	26,800
			6,051 (3)	150,800
Thomas Clark	3,499	104,900	3,845 (4)	169,800
	4,001	144,600	1,443 (5)	-
	10,000	361,300		
Ritesh Chaturbedi	3,479	24,100	3,953 (4)	174,600
	3,000	45,200	3,269 (5)	-
Eric Lerner	-	-	4,701 (4)	207,600
			1,082 (5)	-
Robert Dooley	3,502	85,400	4,900 (4)	216,400 (4)
	1,498	36,500	2,212 (5)	-
	5,000	129,000	5,000 (6)	104,300 (6)
	2,313	69,700		
	7,687	231,300		

- (1) Options vest as follows: 20% of the stock options will vest on the first anniversary of the grant date, 20% will vest on the 2nd anniversary and 10% will vest on each subsequent anniversary of the grant date.
- (2) Restricted stock units vest on June 1, 2020.
- (3) Restricted stock units vest as follows: 6,051 units on January 7, 2020; 6,050 units on January 7, 2021; 6,050 units on January 7, 2022; 6,050 units on January 7, 2023; and 6,050 units on January 7, 2024.
- (4) Pursuant to a grant of performance-based restricted stock units on January 17, 2019.
- (5) Pursuant to a grant of performance-based restricted stock units on February 10, 2020. Value realized on vesting of this award is deferred until the earlier of a four year vesting period or termination of employment.
- (6) Pursuant to a grant of restricted stock units on March 1, 2012, the restricted stock units vest in ten equal annual installments of 5,000 units each, beginning on March 1, 2013.

Employment Arrangements of the Named Executive Officers

The 2021 salary levels discussed below reflect the Compensation Committee's view that such levels are appropriate in light of the current business performance and expected performance in 2021, and takes into account the other compensation elements applicable to each employee.

Richard Leeds – Richard Leeds has no employment agreement and is an “at will” employee. Base salary accounted for 97% of Mr. Leeds total cash compensation for 2020. Mr. Leeds' base salary for 2021 is set at \$950,000.

Bruce Leeds – Bruce Leeds has no employment agreement and is an “at will” employee. Base salary accounted for 97% of Mr. Leeds total cash compensation for 2020. Mr. Leeds' base salary for 2021 is set at \$950,000.

Robert Leeds – Robert Leeds has no employment agreement and is an “at will” employee. Base salary accounted for 97% of Mr. Leeds total cash compensation for 2020. Mr. Leeds' base salary for 2021 is set at \$950,000.

Barry Litwin – Systemax entered into an employment agreement with Mr. Litwin to employ him as Chief Executive Officer, commencing January 7, 2019. The agreement provides for a minimum annual base salary of \$825,000 and an annual cash bonus (the “Bonus”) in an amount to be determined by Systemax under its NEO Plan, which Bonus generally will range from 0%-150% of Mr. Litwin's annual base salary, with an on-target performance payout of 135% of annual base salary, assuming Mr. Litwin meets the performance objectives (including the financial and other performance objectives) established for him by Systemax. In addition, Mr. Litwin is entitled to a car allowance. Base salary accounted for 38% of Mr. Litwin's total cash compensation for 2020. Mr. Litwin's salary for 2021 is set at \$909,600. Compensation that may become payable following the termination of his employment or a change in control of Systemax, are discussed below under *Potential Payments Upon Termination of Employment or Change in Control / page 47 of this proxy statement*.

Thomas Clark – Mr. Clark has no employment agreement and is an “at will” employee. Base salary accounted for 59% of Mr. Clark's total cash compensation for 2020. Mr. Clark's non-equity incentive compensation for 2020 was determined as described above under the heading 2020 NEO Plan. Mr. Clark's base salary for 2021 is set at \$505,600. Compensation that may become payable following the termination of his employment or a change in control of Systemax, are discussed below under *Potential Payments Upon Termination of Employment or Change in Control / page 47 of this proxy statement*.

Ritesh Chaturbedi – Mr. Chaturbedi has no employment agreement and is an “at will” employee. Base salary accounted for 55% of Mr. Chaturbedi's total cash compensation for 2020. Mr. Chaturbedi's non-equity incentive compensation for 2020 was determined as described above under the heading 2020 NEO Plan. Mr. Chaturbedi's base salary for 2021 is set at \$518,700. Compensation that may become payable following the termination of his employment or a change in control of Systemax, are discussed below under *Potential Payments Upon Termination of Employment or Change in Control / page 47 of this proxy statement*.

Eric Lerner – Systemax entered into an employment agreement with Mr. Lerner on April 12, 2012. The agreement provides for a minimum base salary of \$480,000 (which may be increased at the discretion of Systemax) and a bonus (which the agreement states is expected to be at least equal to 50% of the base salary) assuming Mr. Lerner meets certain performance objectives (under a 2020 amendment to the agreement, 70% of such bonus is based on the performance objectives for Systemax under its NEO cash bonus plan for the applicable year and 30% of such bonus is based on the achievement of performance objectives established for him by Systemax). He is entitled to receive a car allowance. Base salary accounted for 58% of Mr. Lerner's total cash compensation for 2020. Mr. Lerner's bonus for 2020 was determined as described above under the heading 2020 NEO Plan. Mr. Lerner's salary for 2021 is set at \$601,800. Compensation that may become payable following the termination of his employment or a change in control of Systemax, are discussed below under *Potential Payments Upon Termination of Employment or Change in Control / page 47 of this proxy statement*.

Robert Dooley – As previously disclosed, Mr. Dooley retired from Systemax effective April 3, 2021. Base salary accounted for 43% of Mr. Dooley's total cash compensation for 2020. Mr. Dooley's non-equity incentive compensation for 2020 was determined as described above under the heading 2020 NEO Plan.

Potential Payments Upon Termination of Employment or Change in Control

Barry Litwin. Mr. Litwin's employment agreement is terminable upon death or total disability, by Systemax for "cause" (as defined) or without cause, or by Mr. Litwin voluntarily for any reason or for "good reason" (as defined). In the event of termination for death, total disability, cause or voluntary termination by Mr. Litwin Systemax will owe no further payments other than as applicable under disability or medical plans and any accrued but unused vacation time (up to four weeks). In the event of termination for death or total disability, Mr. Litwin would also receive the pro rata portion of any bonus which would otherwise be paid to him if such termination had not occurred. If Mr. Litwin resigns for good reason or if Systemax terminates him for any reason other than total disability, death or cause, he shall also receive in addition to the payments described above for other terminations, severance payments equal to 12 months' base salary, the target bonus which would otherwise be paid for the year in which termination occurred, and a reimbursement of costs for COBRA insurance coverage for twelve months.

Eric Lerner. Mr. Lerner's employment agreement is terminable upon death or total disability, by Systemax for "cause" (as defined) or without cause, or by Mr. Lerner voluntarily for any reason or for "good reason" (as defined). In the event of termination for death, total disability, cause or voluntary termination by Mr. Lerner, Systemax will owe no further payments other than as applicable under disability or medical plans and any accrued but unused vacation time (up to four weeks). In the event of termination for total disability or death, Mr. Lerner would also receive the pro rata portion of any bonus which would otherwise be paid based on the average annual bonus received for the prior two years. If Mr. Lerner resigns for good reason or if Systemax terminates him for any reason other than total disability, death or cause, he shall also receive in addition to the payments described above for other terminations, severance payments equal to 12 months' base salary, one year's bonus based on his average annual bonus for the prior two years, and a reimbursement of costs for COBRA insurance coverage for twelve months.

Ritesh Chaturbedi – Mr. Chaturbedi's offer letter provides that if his employment is terminated by Systemax without "cause" he would be entitled to receive (i) severance payments equal to six months base salary and (ii) payments by Systemax of the costs of continued medical coverage under COBRA for six months following termination.

Barry Litwin, Thomas Clark, Ritesh Chaturbedi, Eric Lerner and Robert Dooley.

Pursuant to the restricted stock unit agreement with Mr. Litwin (dated January 7, 2019): (i) if Mr. Litwin is terminated for cause, any unvested portion of his restricted stock units will terminate and be forfeited; (ii) if the named executive's employment is terminated without cause or for good reason within twelve months following a change in control, he will become immediately vested in all non-vested units and will become immediately entitled to a distribution of that number of shares of common stock of Systemax that are represented by those vested restricted stock units; and (iii) if Mr. Litwin's employment is terminated due to total disability or death, his estate or designated beneficiary(ies), whichever is applicable, will become immediately vested in all non-vested units and will become immediately entitled to a distribution of that number of shares of common stock of Systemax that are represented by those vested restricted stock units. In addition, in the event of termination without cause or by Mr. Litwin for good reason, the next immediate tranche of granted restricted stock that would otherwise have vested if employment had not been so terminated shall accelerate and be vested as of the date of termination.

Pursuant to the performance restricted stock unit agreements with Mr. Clark (dated January 17, 2019 and February 10, 2020), Mr. Chaturbedi (dated April 22, 2019 and February 10, 2020), Mr. Lerner (dated January 17, 2019 and February 10, 2020) and Mr. Dooley (dated January 17, 2019 and February 10, 2020): (i) if the named executive is terminated for cause, any unvested portion of his performance restricted stock units will terminate and be forfeited; (ii) if the named executive's employment is terminated without cause or for good reason within six months following a change in control, he will become immediately vested in all non-vested units and will become immediately entitled to a distribution of that number of shares of common stock of Systemax that are represented by those vested performance restricted stock units; and (iii) if the applicable named executive's employment is terminated due to total disability or death, his estate or designated beneficiary(ies), whichever is applicable, will become immediately vested in all non-vested units and will become immediately entitled to a distribution of that number of shares of common stock of Systemax that are represented by those vested performance restricted stock units.

Pursuant to our standard option agreements, in the event the employment of an above named executive is terminated for any reason other than death, total disability or cause, the vested portions of his options will be exercisable for up to three months, and the unvested portion will be forfeited. In the event of death or total disability, the vested portion of his option will be exercisable for up to one year, and the unvested portion will be forfeited. In the event of termination for cause, all unexercised options (vested and unvested) will be forfeited.

Pursuant to the stock option agreements with Mr. Litwin (January 7, 2019), Mr. Clark (dated November 10, 2016, January 17, 2019 and February 10, 2020)), Mr. Dooley (dated February 1, 2016, December 14, 2016, January 17, 2019 and February 10, 2020)), Mr. Lerner (dated May 2, 2015, February 1, 2016, January 17, 2019 and February 10, 2020), Mr. Shetty (dated January 17, 2019), and Mr. Reinhold (dated February 1, 2016 and December 14, 2016), if the named executive's employment is terminated without cause or for good reason within six months (twelve months for Mr. Litwin) following a "change in control", such named executive will become immediately vested in all outstanding unvested stock options, and all of the named executive's outstanding options shall remain exercisable in accordance with their terms, but in no event for less than 90 days after such termination. In addition, with respect to Mr. Litwin's agreement, in the event of termination without cause or by Mr. Litwin for good reason, the next immediate tranche of granted options that would otherwise have vested if employment had not been so terminated shall accelerate and be vested as of the date of termination.

Robert Dooley. As noted herein, Mr. Dooley entered into a Retirement Agreement pursuant to which he received the compensation described under *Employment Arrangements of the Named Executive Officers / page 46 of this proxy statement*.

The tables below describe potential payments and benefits upon termination of employment or change in control as of January 2, 2021, the last day of fiscal 2020, and using the closing price of our common stock on December 31, 2020, the last trading day of fiscal 2020. These amounts are estimates and the actual amounts to be paid can only be determined at the time of the termination of employment or the date of the change in control.

Barry Litwin

Type of Payment	Termination by Systemax without "Cause" or Resignation by Employee for "good reason" (\$)	Termination Due to Death or Total Disability (\$)	Change In Control Only (\$)	Termination by Systemax without "Cause" or Resignation by Employee for "good reason" within a certain period of time following a Change in Control (\$)
Cash Compensation (Salary & Non-Equity Incentive Compensation)	2,035,700 (1)	1,169,400 (2)	-	2,035,700 (1)
Value of Accelerated Vesting of Stock Option Awards	255,000 (3)	-	-	1,020,000 (4)
Value of Accelerated Vesting of Restricted Stock Unit Awards	470,800 (5)	1,947,800 (6)	-	1,947,800 (6)
Medical and Other Benefits	42,200 (7)	-	-	42,200 (7)
Total	2,803,700	3,117,200	-	5,045,700

(1) Represents one year's base salary (\$866,300) and target bonus for fiscal year 2020 (\$1,169,400).

(2) Represents target bonus for fiscal year 2020 (\$1,169,400).

(3) Represents accelerated vesting of 20,000 stock options. Pursuant to Mr. Litwin's stock option agreement (dated January 7, 2019), if Mr. Litwin's employment is terminated without cause or for good reason, the next immediate tranche of granted options that would otherwise have vested if employment had not been so terminated shall accelerate and be vested as of the date of termination.

(4) Represents accelerated vesting of 80,000 stock options. Pursuant to Mr. Litwin's stock option agreement (dated January 7, 2019), if Mr. Litwin's employment is terminated without cause or for good reason within twelve months following a "change in control", he will become immediately vested in all outstanding unvested stock options, and all of Mr. Litwin's outstanding options shall remain exercisable in accordance with their terms, but in no event for less than 90 days after such termination.

(5) Represents accelerated vesting of 13,118 . Pursuant to Mr. Litwin's restricted stock unit agreements (dated January 7, 2019 and January 7, 2020), if Mr. Litwin's employment is terminated without cause or for good reason, the next immediate tranche of granted restricted stock that would otherwise have vested if employment had not been so terminated shall accelerate and be vested as of the date of termination.

(6) Represents accelerated vesting of 52,472 unvested restricted stock units. Pursuant to Mr. Litwin's restricted stock unit agreement (dated January 7, 2019 and January 7, 2020), if Mr. Litwin's employment is terminated without cause or for good reason within twelve months following a "change in control" or if Mr. Litwin's employment is terminated due to death or total disability, all non-vested units shall accelerate and be vested as of the date of termination.

(7) Represents reimbursement of medical and dental insurance payments under COBRA for twelve months.

Thomas Clark

Type of Payment	Termination by Systemax without "Cause" or Resignation by Employee for "good reason" (\$)	Termination Due to Death or Total Disability (\$)	Change In Control Only (\$)	Termination by Systemax without "Cause" or Resignation by Employee for "good reason" within a certain period of time following a Change in Control (\$)
Cash Compensation (Salary & Non-Equity Incentive Compensation)	-	-	-	-
Value of Accelerated Vesting of Stock Option Awards	-	-	-	272,300 (1)
Value of Accelerated Vesting of Restricted Stock Unit Awards	-	-	-	-
Value of Accelerated Vesting of Performance Restricted Stock Unit Awards	-	213,100 (2)	-	213,100 (2)
Medical and Other Benefits	-	-	-	-
Total	-	272,300	-	485,400

- (1) Represents accelerated vesting of 22,319 stock options. Pursuant to Mr. Clark's stock option agreements (dated January 17, 2019 and February 10, 2020), if Mr. Clark's employment is terminated without cause or for good reason within six months following a "change in control", he will become immediately vested in all outstanding unvested stock options, and all of Mr. Clark's outstanding options shall remain exercisable in accordance with their terms, but in no event for less than 90 days after such termination.
- (2) Represents accelerated vesting of 5,938 unvested performance restricted stock units. Pursuant to Mr. Clark's performance restricted stock unit agreement (dated January 17, 2019 and February 10, 2020), if Mr. Clark's employment is terminated without cause or for good reason within six months following a "change in control" or if Mr. Clark's employment is terminated due to death or total disability, all non-vested units shall accelerate and be vested as of the date of termination.

Ritesh Chaturbedi

Type of Payment	Termination by Systemax without "Cause" or Resignation by Employee for "good reason" (\$)	Termination Due to Death or Total Disability (\$)	Change In Control Only (\$)	Termination by Systemax without "Cause" or Resignation by Employee for "good reason" within a certain period of time following a Change in Control (\$)
Cash Compensation (Salary & Non-Equity Incentive Compensation)	247,000 (1)	-	-	247,000 (1)
Value of Accelerated Vesting of Stock Option Awards	-	-	-	528,800 (2)
Value of Accelerated Vesting of Restricted Stock Unit Awards	-	-	-	-
Value of Accelerated Vesting of Performance Restricted Stock Unit Awards	-	359,000 (3)	-	359,000 (3)
Medical and Other Benefits	23,500 (4)	-	-	23,500 (4)
Total	270,500	359,000	-	1,158,300

(1) Represents six months base salary (\$247,000).

(2) Represents accelerated vesting of 41,713 stock options. Pursuant to Mr. Chaturbedi's stock option agreements (dated April 22, 2019 and February 10, 2020), if Mr. Chaturbedi's employment is terminated without cause or for good reason within six months following a "change in control", he will become immediately vested in all outstanding unvested stock options, and all of Mr. Chaturbedi's outstanding options shall remain exercisable in accordance with their terms, but in no event for less than 90 days after such termination.

(3) Represents accelerated vesting of 10,002 unvested performance restricted stock units. Pursuant to Mr. Chaturbedi's performance restricted stock unit agreements (dated April 22, 2019 and February 10, 2020), if Mr. Chaturbedi's employment is terminated without cause or for good reason within six months following a "change in control" or if Mr. Chaturbedi's employment is terminated due to death or total disability, all non-vested units shall accelerate and be vested as of the date of termination.

(4) Represents reimbursement of medical and dental insurance payments under COBRA for six months.

Eric Lerner

Type of Payment	Termination by Systemax without "Cause" or Resignation by Employee for "good reason" (\$)	Termination Due to Death or Total Disability (\$)	Change In Control Only (\$)	Termination by Systemax without "Cause" or Resignation by Employee for "good reason" within a certain period of time following a Change in Control (\$)
Cash Compensation (Salary & Non-Equity Incentive Compensation)	1,011,800 (1)	410,000 (2)	-	1,011,800 (1)
Value of Accelerated Vesting of Stock Option Awards	-	-	-	276,000 (3)
Value of Accelerated Vesting of Restricted Stock Unit Awards	-	-	-	-
Value of Accelerated Vesting of Performance Restricted Stock Unit Awards	-	261,200 (4)	-	261,200 (4)
Medical and Other Benefits	33,800 (5)	-	-	33,800 (5)
Total	1,045,600	671,200		1,582,800

(1) Represents one year's base salary (\$601,800) and the average annual non-equity incentive compensation paid to Mr. Lerner for fiscal years 2019 and 2020 (\$410,000).

(2) Represents the average annual non-equity incentive compensation paid to Mr. Lerner for fiscal years 2019 and 2020 (\$410,000).

(3) Represents accelerated vesting of 22,636 stock options. Pursuant to Mr. Lerner's stock option agreements (dated January 17, 2019 and February 10, 2020), if Mr. Lerner's employment is terminated without cause or for good reason within six months following a "change in control", he will become immediately vested in all outstanding unvested stock options, and all of Mr. Lerner's outstanding options shall remain exercisable in accordance with their terms, but in no event for less than 90 days after such termination.

(4) Represents accelerated vesting of 7,278 unvested performance restricted stock units. Pursuant to Mr. Lerner's performance restricted stock unit agreement (dated January 17, 2019 and February 10, 2020), if Mr. Lerner's employment is terminated without cause or for good reason within six months following a "change in control" or if Mr. Lerner's employment is terminated due to death or total disability, all non-vested units shall accelerate and be vested as of the date of termination.

(5) Represents reimbursement of medical and dental insurance payments under COBRA for twelve months.

Robert Dooley

Type of Payment	Termination by Systemax without "Cause" or Resignation by Employee for "good reason" (\$)	Termination Due to Death or Total Disability (\$)	Change In Control Only (\$)	Termination by Systemax without "Cause" or Resignation by Employee for "good reason" within a certain period of time following a Change in Control (\$)
Cash Compensation (Salary & Non-Equity Incentive Compensation)	-	-	-	-
Value of Accelerated Vesting of Stock Option Awards	-	-	-	378,200 (1)
Value of Accelerated Vesting of Restricted Stock Unit Awards	358,900 (2)	179,500 (3)	358,900 (2)	-
Value of Accelerated Vesting of Performance Restricted Stock Unit Awards		285,000 (4)		285,000 (4)
Medical and Other Benefits	-	-	-	-
Total	358,900	464,500	358,900	663,200

- (1) Represents accelerated vesting of 30,989 stock options. Pursuant to Mr. Dooley's stock option agreements (dated January 17, 2019 and February 10, 2020), if Mr. Dooley's employment is terminated without cause or for good reason within six months following a "change in control", he will become immediately vested in all outstanding unvested stock options, and all of Mr. Dooley's outstanding options shall remain exercisable in accordance with their terms, but in no event for less than 90 days after such termination.
- (2) Represents accelerated vesting of 10,000 unvested restricted stock units. Pursuant to Mr. Dooley's restricted stock unit agreement (dated March 1, 2012), upon a "change in control" all non-vested units shall accelerate and be vested as of the date of the "change in control" and if Mr. Dooley's employment is terminated without cause or for good reason, all non-vested units shall accelerate and be vested as of the date of termination.
- (3) Represents accelerated vesting of 5,000 unvested restricted stock units. Pursuant to Mr. Dooley's restricted stock unit agreement (dated March 1, 2012), on the event of Mr. Dooley's death or total disability, 5,000 restricted stock units (50% of the unvested restricted stock units granted under such agreement on January 2, 2021) would vest.
- (4) Represents accelerated vesting of 7,942 unvested performance restricted stock units. Pursuant to Mr. Dooley's performance restricted stock unit agreements (dated January 17, 2019 and February 10, 2020), if Mr. Dooley's employment is terminated without cause or for good reason within six months following a "change in control" or if Mr. Dooley's employment is terminated due to death or total disability, all non-vested units shall accelerate and be vested as of the date of termination.

Director Compensation

General Policy

Our policy is not to pay compensation to directors who are also employees of Systemax or any of our subsidiaries. Directors are reimbursed for reasonable travel and out-of-pocket expenses incurred for attending Board and Committee meetings and are covered by our travel accident insurance policy for such travel.

The table below shows the elements and amounts of compensation that we paid our non-management directors for fiscal 2020.

Compensation Element	Amount (\$)
Retainers (1)	70,000
Restricted Stock Units (2)	50,000
Committee Chair Annual Retainers (1)	
Audit Committee	20,000
Compensation Committee	10,000
Nominating/Corporate Governance Committee	10,000
Committee Member Annual Retainers (1)	
Audit Committee	10,000
Compensation Committee	5,000
Nominating/Corporate Governance Committee	5,000
Lead Independent Director Retainer (1)	20,000

- (1) Retainer amounts are paid in quarterly installments.
- (2) Each non-management director receives an annual grant of restricted stock units each year immediately following the annual stockholders meeting in an amount equal to \$50,000 divided by the closing price per share during the 20 trading days preceding the date of the annual meeting (rounded up to the nearest whole number of shares). Such restricted stock units are generally subject to forfeiture if the holder is not a director of Systemax on the date of the second annual meeting following such grant, and cannot be sold while so restricted; such restrictions lapse if the holder dies or becomes disabled or there is a change of control, as defined in the grant agreement. Cash dividend equivalents are paid on unvested restricted stock.

Non-Management Director Compensation in Fiscal 2020

The non-management directors received the following compensation during fiscal 2020:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	Option Awards (\$)	All Other Compensation (\$)(2)	Total (\$)
Robert D. Rosenthal	115,000	50,000	-	14,000	179,000
Chad M. Lindbloom	105,000	50,000	-	14,000	169,000
Paul S. Pearlman	90,000	50,000	-	13,500	153,500
Lawrence Reinhold	70,000	50,000	-	13,500	133,500

- (1) This column represents the fair value of the stock award on the grant date determined in accordance with the provisions of ASC 718. As per SEC rules relating to executive compensation disclosure, the amounts shown exclude the impact of forfeitures related to service based vesting conditions. For additional information regarding assumptions made in calculating the amount reflected in this column, please refer to Note 12 to our audited consolidated financial statements, included in our Annual Report on Form 10-K for fiscal 2020.
- (2) Dividend equivalent payments on unvested restricted stock.

CEO Pay Ratio Disclosure

As permitted under the SEC rules, in order to identify our “median employee” to compare to our CEO, we took into account our entire employee population (other than our CEO) at December 31, 2020, located in the United States, Canada, and India, including full, part-time employees and temporary/seasonal employees (1,480 Employees). We used the compensation components utilized in the *Summary Compensation Table / page 41 of this proxy statement* (“SCT”) for the period from January 1, 2020 to December 31, 2020 as the compensation measure to identify the median employee, and the median employee’s compensation. We annualized total compensation for those employees who commenced work during 2020 and excluded our cost of providing health and wellness benefits for all employees.

The pay ratio specified below is a reasonable estimate calculated in a manner that is intended to be consistent with Item 402(u) of Regulation S-K under the Exchange Act. In calculating Total Compensation for our median employee and CEO, we included, among other things, base salary, overtime, incentive payments, and stock-based compensation (based on the grant date fair value of awards granted during 2020); therefore, the CEO’s Total Compensation for purposes of this calculation matches the Total Compensation described in *the Summary Compensation Table / page 41 of this proxy statement*.

The median team member’s estimated Total Compensation for 2020 was \$43,500. The ratio of CEO pay to median team member pay is estimated to be 70 to 1.

Additional Matters

Solicitation of Proxies

The cost of soliciting proxies for the Annual Meeting will be borne by Systemax. In addition to solicitation by mail and over the internet, solicitations may also be made by personal interview, fax and telephone. Arrangements will be made with brokerage houses and other custodians, nominees and fiduciaries to send proxies and proxy material to their principals and Systemax will reimburse them for expenses in so doing.

Consistent with our confidential voting procedure, directors, officers and other regular employees of Systemax, as yet undesignated, may also request the return of proxies by telephone or fax, or in person.

Submitting Stockholder Proposals and Director Nominations for the Next Annual Meeting

Stockholder proposals intended to be presented at the 2021 annual meeting, including proposals for the nomination of directors, must be received by December 29, 2021 to be considered for the 2022 annual meeting pursuant to Rule 14a-8 under the Exchange Act.

Stockholders proposals should be mailed to Systemax Inc., Attention: Investor Relations, 11 Harbor Park Drive, Port Washington, NY 11050.

Any proposal for a director nominee shall contain at a minimum:

- the name and address of the stockholder making the recommendation;
- if the stockholder is not a stockholder of record, a representation and satisfactory proof of share ownership;
- a description of all direct and indirect related party transactions, compensation and other material monetary arrangements, agreements or understandings during the past three years, and any other material relationship, if any, between the stockholder and its respective affiliates or associates, or others with whom they are acting in concert, on the one hand, and the nominee and his or her respective affiliates, associates and others with whom they are acting in concert, on the other hand;
- whether the stockholder has been involved in any legal proceeding during the past 10 years;
- the nominee's name, age, address and other contact information;
- any direct or indirect holdings, beneficially and/or of record, of our securities by the nominee;
- any information regarding the nominee required to be disclosed about directors under applicable securities laws and/or stock exchange requirements;
- information regarding related party transactions with Systemax and/or the stockholder submitting the nomination and/or the nominee;
- any actual or potential conflicts of interest; and
- the nominee's biographical data, current public and private company affiliations, employment history (including current principal employment) and qualifications and status as "independent" under applicable securities laws and stock exchange requirements.

Nominees proposed by stockholders will receive the same consideration as other nominees.

Other Matters

The Board does not know of any matter other than those described in this proxy statement that will be presented for action at the Annual Meeting. If other matters properly come before the Annual Meeting, the persons named as proxies intend to vote the shares they represent in accordance with their judgment.

A COPY OF OUR FORM 10-K FOR FISCAL 2020 IS INCLUDED AS PART OF OUR ANNUAL REPORT ALONG WITH THIS PROXY STATEMENT, WHICH ARE AVAILABLE AT www.proxyvote.com.

Available Information

We maintain a website at www.systemax.com. We file reports with the SEC and make available free of charge on or through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, including all amendments to those reports. These are available as soon as is reasonably practicable after they are filed with the SEC. All reports mentioned above are also available from the SEC's website (www.sec.gov). The information on our website or any report we file with, or furnish to, the SEC is not part of this proxy statement.

The Board has adopted the following corporate governance documents:

- Charter for the Audit Committee of the Board (last amended March 2017).
- Charter for the Compensation Committee of the Board (last amended May 2013).
- Charter for the Nominating/Corporate Governance Committee of the Board (last amended January 2015).
- Corporate Ethics Policy (last amended January 2019).
Applies to all of our directors, officers (including our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Controller and any person performing similar functions) and employees.
- Corporate Governance Guidelines and Principles (last amended March 2017).
Establishes our corporate governance principles and practices on a variety of topics, including the responsibilities, composition and functioning of the Board.

In accordance with the corporate governance rules of the NYSE, each of these corporate governance documents is available on our web site (www.systemax.com under "Investors—Corporate Governance—Corporate Governance Documents").

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended **December 31, 2020**
or

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

For the transition period from _____ to _____

Commission File Number: **1-13792**

Systemax Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

11-3262067

(I.R.S. Employer Identification No.)

11 Harbor Park Drive

Port Washington, New York 11050

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **(516) 608-7000**

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, par value \$.01 per share	SYX	New York Stock Exchange

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or 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 (Check one):

Large Accelerated Filer

Non-Accelerated Filer

Accelerated Filer

Smaller reporting company

Emerging growth company

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2020, which is the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$228,333,826. For purposes of this computation, all executive officers and directors of the Registrant and all parties to the Stockholders Agreement dated as of June 15, 1995 have been deemed to be affiliates. Such determination should not be deemed to be an admission that such persons are, in fact, affiliates of the Registrant.

The number of shares outstanding of the registrant's common stock as of March 8, 2021 was 37,657,151 shares.

Documents incorporated by reference: Portions of the Proxy Statement of Systemax Inc. relating to the Annual Meeting of Stockholders to be held in 2021 are incorporated by reference in Part III hereof.

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PART I

Unless otherwise indicated, all references herein to Systemax Inc. (sometimes referred to as “Systemax,” the “Company,” or “we”) include its subsidiaries.

Forward-Looking Statements

This report contains forward-looking statements within the meaning of that term in the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934). Additional written or oral forward-looking statements may be made by the Company from time to time in filings with the Securities and Exchange Commission or otherwise. Any such statements that are not historical facts are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are based on management’s estimates, assumptions and projections and are not guarantees of future performance. Forward-looking statements may include, but are not limited to statements regarding: i) projections or estimates of revenue, income or loss, exit costs, cash flow needs and capital expenditures; ii) fluctuations in general economic conditions; iii) future operations, such as risks regarding strategic business initiatives, plans relating to new distribution facilities, plans for utilizing alternative sources of supply in response to government tariff and trade actions and/or due to supply chain disruptions arising from the Coronavirus pandemic, and plans for new products or services; iv) plans for acquisition or sale of businesses, including expansion or restructuring plans; v) financing needs, and compliance with financial covenants in loan agreements; vi) assessments of materiality; vii) predictions of future events and the effects of pending and possible litigation; and viii) assumptions relating to the foregoing. In addition, when used in this report, the words “anticipates,” “believes,” “estimates,” “expects,” “intends,” and “plans” and variations thereof and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified based on current expectations. Consequently, future events and results could differ materially from those relating to or underlying the forward-looking statements contained in this report. Statements in this report, particularly in “Item 1. Business,” “Item 1A. Risk Factors,” “Item 3. Legal Proceedings,” “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and the Notes to Consolidated Financial Statements describe certain factors, among others, that could contribute to or cause such differences.

Forward-looking statements in this report are based on the Company’s beliefs and expectations as of the date of this report and are subject to risks and uncertainties which may have a significant impact on the Company’s business, operating results or financial condition. Investors are cautioned that these forward-looking statements are inherently uncertain and undue reliance should not be placed on them. We undertake no obligation to publicly release the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unexpected events.

Risk Factors Summary (see Item 1A. Risk Factors, below): Other factors that may affect our future results of operations and financial condition include, but are not limited to, unanticipated developments in any one or more of the following areas, as well as other factors which may be detailed from time to time in our Securities and Exchange Commission filings, which we summarize below:

- general economic conditions, such as customer inventory levels, interest rates, borrowing ability and economic conditions in the manufacturing and/or distribution industries generally, as well as government spending levels will continue to impact our business;
- the temporary closing of many businesses, and reduced business activity, during the Coronavirus pandemic has negatively impacted the general economy; and decreased customer purchasing volume of products not directly associated with home or workplace safety, hygiene, or other pandemic related supplies negatively affected our business and may do so in future quarters until general business activity reaches pre-pandemic levels;
- delays in the timely availability of products from our suppliers has in the past and could in the future delay receipt of needed product, resulting in delayed or lost sales;
- global supply chains and the timely availability of products, particularly products, or product components used in domestic manufacturing, imported from China and other Asian nations as well as from other countries, have been, and in the future could continue to be adversely affected by allocation restrictions of difficult to source products by our vendors;
- quarantines, factory slowdowns or shutdowns, border closings and travel restrictions resulting from the Coronavirus pandemic have in the past and could in the future adversely affect the timely availability of products, resulting in delayed or lost sales;

- government mandated shutdowns of and/or limitations on entities deemed to be non-essential businesses has negatively impacted sales of our products to those businesses and will continue to impact our sales as long as these mandated closures and restrictions are in place; the extent to which the Coronavirus pandemic continues to impact our operations and financial results will depend on numerous evolving factors including the duration of the pandemic; our ability to keep our distribution centers operating productively and with minimal down time for Coronavirus safety and remediation efforts and with limited absenteeism; the re-imposition of the early governmental response plans such as “stay at home” or “shelter in place” regulations or guidelines taken in response to the pandemic; the impact, duration and severity of the pandemic on economic activity; how long it will take to return to more historic levels of economic growth, and the effect of the economic downturn on our customers;
- the imposition of tariffs and other trade barriers, as well as retaliatory trade measures, have caused us to raise the prices on certain of our products and seek alternate sources of supply, which could negatively impact our sales or disrupt our operations if we are not able to mitigate these measures;
- our use of alternate sources of supply, such as utilizing new vendors in additional countries, entails various risks, such as identifying, vetting and managing new business relationships, reliance on new vendors and maintaining quality control over their products, and protecting our intellectual property rights;
- increases in freight and shipping costs, including fuel costs, could affect our margins to the extent the increases cannot be passed along to customers, as has occurred in the past;
- extreme weather conditions have delayed or disrupted global product supply chains and have affected our ability to timely receive and ship products, which have and could adversely impact sales;
- other critical factors affecting the shipping and distribution of products imported to the United States by us or our domestic vendors, such as the current global shortage in availability of shipping containers, the current port congestion, and pandemic related labor shortages, have in the past and could in the future adversely affect the timely availability of products, resulting in delayed or lost sales, as well as adversely affecting our margins;
- our reliance on common carrier delivery services for shipping inventoried merchandise to customers;
- our reliance on drop ship deliveries directly to customers by our product vendors for products we do not hold in inventory;
- our ability to maintain available capacity in our distribution operations for stocked inventory and to enable on time shipment and deliveries, such as by timely implementing additional temporary or permanent distribution resources, whether in the form of additional facilities we operate or by outsourcing certain functions to third-party distribution and logistics partners;
- we compete with other companies for recruiting, training, integrating and retaining talented and experienced employees, particularly in markets where we and they have central distribution facilities; and this aspect of competition is aggravated by the current tight labor market in the U.S. for such jobs and at a time this market is undergoing competitive changes due to the Coronavirus pandemic;
- risks involved with e-commerce, including possible loss of business and customer dissatisfaction if outages or other computer-related problems should preclude customer access to our products and services;
- our information systems and other technology platforms supporting our sales, procurement and other operations are critical to our operations and disruptions or delays have occurred and could occur in the future, and if not timely addressed could have a material adverse effect on us;
- a data security breach due to our e-commerce, data storage or other information systems being hacked by those seeking to steal Company, vendor, employee or customer information, or due to employee error, resulting in disruption to our operations, litigation and/or loss of reputation or business;
- managing various inventory risks, such as being unable to profitably resell excess or obsolete inventory and/or the loss of product return rights from our vendors;
- meeting credit card industry compliance standards in order to maintain our ability to accept credit cards;
- rising interest rates, increased borrowing costs or limited credit availability, including our own ability to maintain satisfactory credit agreements and to renew credit facilities, could impact both our and our customers’ ability to fund purchases and conduct operations in the ordinary course;
- pending or threatened litigation and investigations, and other government actions, such as anti-dumping, unclaimed property, or trade and customs actions by U.S. or foreign governmental authorities, have occurred in the past and although had no material impact to our business, there can be no assurance that future such events would not have such impact on our business and results of operation.

Item 1. Business.

General

Systemax Inc., through its operating subsidiaries, is primarily a direct marketer of brand name and private label industrial and business equipment and supplies in North America going to market under the Global banner through a system of branded e-commerce websites and relationship marketers. The Company was incorporated in Delaware in 1995. Certain predecessor businesses which now constitute the Company's operations have been in business since 1949. Our headquarters office is located at 11 Harbor Park Drive, Port Washington, New York.

Current operations

The Company sells a wide array of industrial and general business hard goods and supplies and to a lesser extent products that would fall into the generally recognizable category of maintenance, repair and operations (“MRO”) products, which are marketed in North America. Many of these products are manufactured by other companies. Some products are manufactured for us and sold under our brand as a white label product, and some are manufactured to our own design and marketed under the trademarks: *Global*[™], *GlobalIndustrial.com*[™], *Nexel*[™] *Paramount*[™] and *Interior*[™].

See Note 5 to the consolidated financial statements included in Item 15 of this Form 10-K for additional financial information about our business as well as information about our geographic operations.

Accelerating the Customer Experience

The Company's multi-year business strategy is focused on Accelerating our Customers Experience (“ACE”). The ACE initiative, which guides our actions across the business, and specifically in our customer end-to-end purchase, service, and delivery experience, has at its core building of customer loyalty and trust by addressing unique customer needs through a responsive and tailored sales, product, and service experience. We build customer loyalty and trust through personalized and high touch customer interactions that often feature strong one to one relationships. The Company's digital and multi-channel sales model drives customer acquisition and with rigorous vetting we are able to identify opportunities for product category expansion, particularly private label products. Category expansion with our customers drives repeat orders and increases their annual and average spend. We maximize customer satisfaction and loyalty by coupling close customer relationships with product expertise, efficient and competitive fulfillment and delivery and exceptional customer service.

WE CAN SUPPLY THAT[™]

Products

Our broad product offering and focus on responsiveness to our customers is captured in our promise “*We Can Supply That*”. We offer our customers a competitive assortment of leading products and services and a sales force with deep product knowledge and expertise. Our go to market strategy also focuses on leveraging our deep product knowledge and experience by seeking to expand our higher margin private label line of Global products by adding additional products and product categories. We have over one million brand name and private label products available through our e-commerce sites and have access to over 1.7 million products in our database. We endeavor to expand and keep current the breadth of our product offerings to fulfill the increasingly wide range of product needs of our customers, and periodically remove certain products from our offering to improve efficiencies or to address vendor or market changes. Sourcing hard to find or non-standard product helps to differentiate our business from our competitors and we believe provides us with a competitive advantage.

Historically the Company has focused on products within the following categories: storage and shelving; material handling; janitorial and maintenance; furniture and office; and workbench and shop desks. We have become a destination and trusted supplier of these products by offering competitive pricing, high service levels, broad and deep product offering, extensive product and sales expertise. Importantly, we have a well-developed and expanding private label product portfolio offering both high quality and attractively priced alternatives to leading national brands. Other emerging or growing categories are becoming a larger portion of our product portfolio; these include HVAC/R and fans, safety and security, outdoor and grounds maintenance, tools and instruments, office and school supplies, plumbing and pumps, packaging and supplies, electrical and lighting, food service and appliances, raw materials and building supplies, motors and power transmission, pneumatics and hydraulics, medical and laboratory equipment, metalworking and cutting tools, vehicle maintenance, and fasteners and

hardware. Within these categories we intend to use the go to market strategy that we successfully employed to grow our legacy core product categories, as discussed below.

Sales and Marketing

We market our products primarily to business customers, which include for-profit businesses, state, local, and private educational organizations and government entities including federal, state, and local municipalities. We have an established multi-faceted direct marketing system and customer life cycle marketing program which tends to begin with customer acquisition via keyword or branding search, supported by strategic account managers, leading e-commerce and account management tools, and deep pre and post sales product expertise which are intended to drive customer retention and penetration and to maximize sales. From time to time we adjust or re-allocate our marketing and advertising spend to best take advantage of changes in market conditions, changes in product mix and/or to drive special sales initiatives and product promotions and in 2020 we implemented various new strategies to further focus our online advertising spend to achieve improved results in both customer acquisition rates as well as customer retention.

Relationship Marketers

Our relationship marketers focus their efforts on our business customers by establishing a personal relationship between such customers and a Systemax account manager. The goal of the relationship marketing sales force is to increase the purchasing productivity of current customers and to actively solicit newly targeted prospects to become customers. With access to the records we maintain, our relationship marketers are prompted with product suggestions to expand customer order values. We also have the ability to provide such customers with electronic data interchange (“EDI”) ordering and customized billing services, customer savings reports and stocking of specialty items specifically requested by these customers. Our relationship marketers’ efforts are supported by e-mail campaigns and periodic catalog mailings, both of which are designed to generate inbound telephone sales, and visits to our interactive websites, which allow customers to purchase products directly online. We believe that the integration of our multiple marketing methods enables us to more thoroughly penetrate our business, educational and government customer base. We believe increased internet exposure leads to more internet-related sales and also generates more inbound telephone sales; just as we believe email campaigns, and to a lesser extent catalog mailings, which feature our websites results in greater internet-related sales.

E-commerce

We currently operate multiple e-commerce sites, including:

www.globalindustrial.com

www.globalindustrial.ca

www.industrialsupplies.com

We are continually upgrading the capabilities and performance of these websites in our significant markets. In 2019, we launched a new version of our globalindustrial.com website which provides advanced features and self-serve capabilities that increases ease of use, while supplying a premier customer experience. The new website allows customers to conduct more of their order and service-related tasks such as returns, auto reorder, replacement parts and order tracking online. In 2020 we enhanced our website for full ADA/508 compliance, expanded customer self service functions such as SMS notifications, added proactive notifications through Global Assist (order tracking on the web) and added the ability to create quotes and product reviews. In addition we have upgraded the look and functionality of our mobile site.

Our internet sites feature over one million MRO and industrial and general business supplies. Our customers have around-the-clock, online access to purchase products and we have the ability to create targeted promotions for our customers’ interests.

In addition to our own e-commerce websites, we have partnering agreements with several of the largest internet shopping and search engine providers who feature our products on their websites or provide “click-throughs” from their sites directly to ours. These arrangements allow us to expand our customer base at an economical cost.

Signature Campaigns

We implemented periodic strategic marketing campaigns in 2020 including the *Restore, Return and Rebound* your business campaign addressing customer needs for returning to operations post pandemic and the *Ready, Set, Vaccinate* campaign

introduced later in 2020 to assist hospitals and other health agency customers prepare for administering vaccines to the public. We expect to continue these periodic campaigns in the future.

Catalogs

As the Company increased its focus on online and e-commerce advertising, marketing and sales activities over the years, its use of hard copy catalogs decreased as compared to earlier periods, but over the last several years, it has distributed a stable number of regular and specialty catalogs, postcards, and other physical mail and anticipates continuing to do so in the near term.

Customer Service, Order Fulfillment and Support

In 2019 we launched several initiatives with our vendors and freight partners, and in our own distribution centers, to improve our customer's experience such as our Voice of the Customer initiative, involving phone and online surveys to obtain our customer's input on their experiences with us and our products to ensure we deliver on the promise, to better focus our sales, service and marketing efforts on our customers' needs and to target areas of improvement to enhance the overall customer experience. These efforts continued through 2020, and we further added additional improvements to the experience including offering 24x7 chat supported by both AI chatbots and live chats with our associates.

A growing proportion of our orders are received electronically via internet, extranet, EDI, customer punch out catalog, online chat, or through broadly utilizing vendor and customer portals such as Ariba or Coupa. These E-orders represented over 55% of our transaction count in the second half of 2020 and for the year ended December 31, 2020 compared to over 48% for the year ended December 31, 2019. Manual orders are received by telephone to our inbound call center, direct dial to our inside account management team, placement through one of our field sales representatives, and to a small extent via fax. We generally provide toll-free telephone number access for our customers in countries where it is customary. Certain domestic call centers are linked to provide telephone backup in the event of a disruption in phone service.

The Company utilizes a sourcing strategy encompassing sales of in stock items that are either national brands, private label, or white label products as well as supplementing its stocking strategy with product fulfilled directly by our vendor partners via a drop ship relationship. In stock items tend to be higher in velocity, higher in gross margin, and offer a higher service level to our customers. In stock items are distributed via a network of five large distribution centers in the U.S. located in the Northeast, Midwest, West, Southeast and South Central regions and two additional smaller distribution facilities in Canada. Product deliveries to our customers are made through a nationwide network of common carriers that we contract with directly in order to establish and maintain high service levels and enhance operational efficiencies. We tend to stock items in our distribution center, and invest the requisite working capital in inventory position, after demonstrating sales volume success in the drop ship sales of that item effected through our suppliers. Orders are generally shipped by third-party delivery services and we maintain relationships with thousands of distributors and product vendors in the United States and Canada.

We maintain a database of commonly asked questions for our technical support representatives, enabling them to respond quickly to similar questions. We conduct regular on-site training seminars for our sales representatives to help ensure that they are well trained and informed regarding our latest product offerings.

Suppliers

We purchase substantially all of our products and components directly from both large and small manufacturers as well as large wholesale distributors. No supplier accounted for 10% or more of our product purchases related to continuing operations in 2020, 2019 and 2018. Most private label products are manufactured by third parties to our specifications.

Competition and Other Market Factors

Industrial Products

The market for the sale of industrial products in North America is highly fragmented and is characterized by multiple distribution channels such as small dealerships, direct mail distribution, internet-based resellers, large warehouse stores and retail outlets. We face competition from large diversified MRO distributors such as Uline Inc, Grainger Inc., MSC Industrial Direct Inc., Fastenal Inc., and other large retailers, including Amazon. We also face competition from manufacturers' own sales representatives, who sell industrial equipment directly to customers, and from regional or local distributors. Many purchasers begin sourcing products via search engine or mobile application on desktops, laptops, or mobile devices. In the industrial products market, customer purchasing decisions are primarily based on price, product selection, product availability,

level of service, access to open account terms, and convenience. We believe that direct marketing via sales representatives, the internet and catalogs are effective and convenient distribution methods to reach both our core small and mid-sized customer as well as large enterprises. Further we believe that our customer engagement approach allows for high levels of service to accounts that may purchase high volume capital or durable goods infrequently or that place many small orders for supplies and other consumables that require a wide selection of products. In addition, because the industrial products market is highly fragmented and generally less brand oriented, we believe it is well suited to private label and white label products.

Human Capital Resources

As of December 31, 2020, we employed a total of approximately 1,480 associates, of whom 1,280 were in North America and 200 were in Asia. Approximately 41% of our associates are customer facing including customer service, quota bearing sales representatives, inbound call center representatives, and other pre and post sales management and support. Approximately 37% of our team members are employed within distribution, logistics, and fulfillment areas, while 22% of our associates base works within administrative functions including: IT, Marketing, Product Management, Human Resources, Accounting and Finance, Legal and Risk Management and general administrative and management roles.

Our worldwide workforce is made up of a diverse group of associates. In our most recent U.S. EEO-1 data, the associate demographic breakdown for individuals reporting was 43% female and 57% male and minorities constituted 52% of our workforce. We believe our diversity of associates is one of the Company's considerable strengths and that our demographics are consistent with or higher than our competitors in the sales and distribution space. Our employees are not subject to collective bargaining agreements. The Company has not experienced work stoppages and we believe relationships with our employees are good.

Environment, Health and Safety: Government Regulation

Employee health and safety is a top priority for the Company, and was a key factor in our safely navigating the pandemic thus far. As an essential business our distribution centers have remained open during the pandemic and our office facilities remained open in locations where social distancing and local regulations permitted. Safety protocols we established to keep our employees safe include:

- Implementing Covid-19 related controls to address social distancing, intense cleaning of common areas, and enhanced use of personal protective equipment.
- Providing face masks, gloves and sanitizing products for employees' use.
- Limiting all but essential travel for all employees.
- Providing paid time off for employees with suspected and confirmed Covid-19 illness and for contact tracing.
- Restricting access to our facilities to essential visitor personnel.
- Closing Company provided gym spaces.
- Implementing remote work and in office rotation policies to effect social distancing.

Our safety teams and local safety committees, led by our new Director of Environment, Health and Safety, provides oversight, training, education and compliance guidance, as well as workers compensation remediation advice, to our management teams and directly to our workforce. Our EH&S group is also responsible for overseeing product safety and compliance programs and initiative including compliance with various EPA, FDA and hazmat regulations that apply to certain of the products we offer.

Under various national, state and local environmental laws and regulations in North America and Asia, a current or previous owner or operator (including the lessee) of real property may become liable for the costs of removal or remediation of hazardous substances at such real property. Such laws and regulations often impose liability without regard to fault. We lease all of our facilities. In connection with such leases, we could be held liable for the costs of removal or remedial actions with respect to hazardous substances that escape into the environment. Although we have not been notified of, and are not otherwise aware of, any material real property environmental liability, claims or non-compliance, there can be no assurance that we will not be required to incur remediation or other costs in connection with real property environmental matters in the future.

Seasonality

Seasonality does have some effect on the Company's sales. Certain product lines are highly seasonal in nature, including HVAC products, snow removal products and outdoor furniture and equipment. In addition, certain customer segment buying

cycles, including those of education and government, may tend to be more seasonal than others. Given these trends, financial results tend to vary quarter to quarter with sales and operating margin in the second and third quarters moderately higher than those in the first and fourth quarters respectively.

Financial Information About Domestic and Foreign Operations

We currently sell substantially all of our products through established sales channels to our customers in North America (primarily the United States and Canada). Approximately 5.9%, 4.8%, and 4.7% of our net sales from continuing operations during 2020, 2019 and 2018, respectively were made by our Canadian subsidiary. The following sets forth selected information with respect to our continuing operations net sales and operating income (loss), in those two geographic markets (in millions):

	North America	Europe and Asia	Total
<u>2020</u>			
Net sales	\$ 1,029.0	\$ 0.0	\$ 1,029.0
Operating income	\$ 83.8	\$ 0.3	\$ 84.1
Identifiable assets	\$ 372.0	\$ 2.9	\$ 374.9
<u>2019</u>			
Net sales	\$ 946.9	\$ 0.0	\$ 946.9
Operating income	\$ 64.8	\$ 1.3	\$ 66.1
Identifiable assets	\$ 393.8	\$ 3.1	\$ 396.9
<u>2018</u>			
Net sales	\$ 896.9	\$ 0.0	\$ 896.9
Operating income	\$ 61.5	\$ 0.2	\$ 61.7
Identifiable assets	\$ 526.6	\$ 3.4	\$ 530.0

See Item 7, “Management’s Discussions and Analysis of Financial Condition and Results of Operations”, for further information with respect to our operations.

Discontinued operations

For information regarding certain discontinued operations and former lines of business, see Item 7, "Management's Discussions and Analysis of Financial Condition and Results of Operations" and Note 6 to the consolidated financial statements included in Item 15 of this Form 10-K.

Available Information

We maintain an internet website at www.systemax.com. We file reports with the Securities and Exchange Commission ("SEC") and make available free of charge on or through this website our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, including all amendments to those reports, as well as other SEC Filings as appropriate. These are available as soon as is reasonably practicable after they are filed with the SEC. All reports mentioned above are also available from the SEC's website (www.sec.gov). The information on our website is not part of this or any other report we file with, or furnish to, the SEC.

Our Board of Directors has adopted the following corporate governance documents with respect to the Company (the "Corporate Governance Documents"):

- Corporate Ethics Policy for officers, directors and employees
- Charter for the Audit Committee of the Board of Directors
- Charter for the Compensation Committee of the Board of Directors
- Charter for the Nominating/Corporate Governance Committee of the Board of Directors
- Corporate Governance Guidelines and Principles

In accordance with the listing standards of the New York Stock Exchange, each of the Corporate Governance Documents is available on our Company website (www.systemax.com).

Item 1A. Risk Factors.

There are a number of factors and variables described below that may affect our future results of operations and financial condition. Other factors, of which we are currently not aware or that we currently deem immaterial, may also affect our results of operations and financial position.

Risks Related to the Economy and Our Industries

- *General economic conditions, including those that can result in decreased customer confidence and spending, could result in our failure to achieve our historical sales growth rates and profit levels. Pandemics, such as the global coronavirus outbreak have and threatens to continue to disrupt global supply chains, including those we rely on in China, which could materially adversely affect our operations.*

Both we and our customers are subject to global political, economic and market conditions, including trade and tariff uncertainties, customer inventory levels in the marketplace, borrowing ability, economic conditions in the manufacturing and/or distribution industries, increases in inflation, interest rates, freight costs and energy costs, as well as the impact of natural disasters, military action, the threat of terrorism, and global pandemic or other health crises. Our consolidated results of operations are directly affected by economic conditions in North America, and our supply chain for imported product is affected by conditions in Asia (particularly China).

In this regard, global supply chains and the timely availability of products, particularly products, or product components used in domestic manufacturing, imported from China and other Asian nations have been and could again be materially disrupted by quarantines, factory slowdowns or shutdowns, border closings, and travel restrictions resulting from the coronavirus outbreak. These events have and may continue to result in imported products not being timely received and resultant delayed or lost sales. We depend to a significant extent on products imported from China for our private label lines, and on domestic manufacturers who utilize components imported from Asia. While we have experienced insignificant lost sales due to the coronavirus and are making efforts to secure satisfactory levels of inventory, certain of our vendors have indicated they continue to experience constrained supply and are deferring delivery dates, and there can

be no assurance that our supply chain will not experience further disruptions significant enough to adversely affect our operations.

We may experience a decline in sales as a result of poor economic conditions and the lack of visibility relating to future orders (as well as due to the other risks discussed below). Our results of operations depend upon, among other things, our ability to maintain and increase sales volumes with existing customers, our ability to limit price reductions and manage price increases, our ability to manage freight and shipping costs and maintain our margins, our ability to attract new customers and increase our market share, and the financial condition of our customers. A decline in the economy that adversely affects our customers, causing them to limit or defer their spending or that hampers their ability to pay for products would likely adversely affect our sales, prices and profitability as well. We cannot predict with any certainty whether we will be able to maintain or improve upon historical sales volumes with existing customers, maintain or grow our historical margins, and whether we will be able to attract new customers.

In response to economic and market conditions, from time to time we have undertaken initiatives to reduce our cost structure where appropriate, including workforce reductions. However, these actions may not be sufficient to meet current and future changes in economic and market conditions and allow us to continue to achieve the growth rates and levels of profitability we experienced in the past.

- *Adverse weather events or natural disasters, as well as pandemics such as the coronavirus, could negatively affect or disrupt our operations. We may be affected by global climate changes or by legal, regulatory or market responses to such potential change.*

Certain areas in which we operate are susceptible to severe weather events, such as hurricanes, winter storms, tornadoes and floods which can impact any of our locations as well as shipping ports and distribution centers. These events, as well as pandemics, have in the past and may in the future disrupt our locations and the supply chains dependent on such shipping ports and distribution centers. In this regard, we experienced product delivery and shipping delays due to the disrupted global product supply chains which affected our ability to timely receive and ship products, which could adversely impact sales.

Our ability to provide efficient distribution of core business products from our or third-party drop ship distribution centers is critical to our business strategy. Disruptions at distribution centers or shipping ports, or the unavailability of employees needed by us or third parties to operate key functions at such locations, has and in the future may affect our ability to both maintain core products in inventory and deliver products to our customers on a timely basis, which may in turn adversely affect our results of operations. We cannot predict whether or to what extent damage caused by these events will affect our operations or the economies in regions where we operate. These adverse events could result in disruption of our operations, our purchasing or distribution capabilities, interruption of our business that exceeds our insurance coverage, our inability to collect from customers and increased operating costs. Our business or results of operations may be adversely affected by these and other negative effects of these events.

- *The imposition of tariffs and other trade barriers, as well as retaliatory trade measures, have caused us to raise the prices on certain of our products and seek alternate sources of supply, which could negatively impact our sales or disrupt our operations.*

Our industry is subject to risks associated with U.S. and foreign laws relating to importing products, including quotas, duties, tariffs or taxes, as well as other charges or restrictions, which could adversely affect our ability to import products at desired cost or volume levels.

During 2018 the United States enacted three sets of tariffs on a variety of foreign sourced goods. While we experienced minimal impact from the first two tariff lists during 2018, the third list, which went into effect at the end of the third quarter of 2018, imposed tariffs on a broader group of products and impacted a number of the private label products we source directly from China as well as third-party branded products our U.S. suppliers source from China. We strategically increase prices in an effort to offset the incremental costs on certain products and shift certain products to alternative sources where available. Our use of alternate sources of supply, such as utilizing new vendors in additional countries, entails various risks, such as identifying, vetting and managing new business relationships, reliance on new vendors, maintaining quality control over their products, and protecting our intellectual property rights.

These tariffs have increased and will continue to increase our costs of procurement. If the Company is able to adequately review its supply chain and monitor sell prices in the market, and successfully work with suppliers to mitigate costs, the

Company does not expect any material impact on its business from the 2018 tariff actions and continues to believe that any impact from the tariffs currently in effect will be gradual and not material to the business, although there can be no assurance.

Since 2018 the U.S. has been conducting an industry wide anti-dumping investigation of “steel racks” product imported from China. The investigation will likely result in the assessment of anti-dumping duties and countervailing duties assessed against U.S. distributors of these products, such as the Company. While the Company does not believe the outcome of the investigation or any resultant assessments will have a material adverse effect on the Company, there can be no assurance that the fines and duties will not be significant in the period within which they occur.

There can be no assurance that we will be able to effectively or expeditiously mitigate these trade challenges, which could disrupt our operations, negatively impact our sales and would have a material adverse effect on our financial results. However, we do not believe that we will be disproportionately impacted by these costs as compared to our competitors, and we will continue to evaluate marketplace conditions and implement other actions or strategies as the need arises.

Finally, we cannot predict whether additional U.S. and foreign customs quotas, duties (including anti-dumping or countervailing duties), tariffs, taxes or other charges or restrictions, requirements as to where raw materials must be purchased, additional workplace regulations or other restrictions on our imports will be imposed in the future and if so, what effect such actions would have on our costs of operations.

- *There is a tight labor market for certain employees we hire, which can impact our growth plans.*

Many of our competitors also compete with us for recruiting and retaining talented and experienced employees, particularly in markets where we and they have significant distribution facilities. We have also experienced high levels of turnover in our warehouse/distribution operations, consistent with current market conditions. This aspect of competition is aggravated by the current tight labor market in the U.S. for such jobs. There can be no assurance the Company will be able to timely recruit, train and retain employees sufficient to support its growth strategies or will not have to incur increased compensation costs in order to do so. Our results of operations have been and in the future could be adversely affected by increased costs due to increased competition for employees, higher employee turnover or increased employee benefit costs. In the event of significant numbers of employees having to miss work due to a widespread health situation or pandemic such as the coronavirus, we may not be able to quickly source replacement or temporary workers, which could adversely affect our operations, particularly in our distribution centers.

- *Our industry is evolving and consolidating, which could adversely affect our business and financial results.*

The MRO and industrial equipment industry are consolidating as customers are increasingly aware of the total costs of fulfillment and of the need to have consistent sources of supply at multiple locations. This consolidation has and will continue to cause the industry to become more competitive as greater economies of scale are achieved by competitors, or as competitors with a new lower cost business models are able to operate with lower prices.

- *Volatility in commodity prices may adversely affect gross margins.*

Some of our products contain significant amounts of commodity-priced materials, such as steel, copper, petroleum derivatives or rare earth minerals, and are subject to price changes based upon fluctuations in the commodities market. Fluctuations in the price of fuel could affect transportation costs. Our ability to pass on such increases in costs in a timely manner depends on market conditions. The inability to pass along cost increases could result in lower gross margins. In addition, higher prices could impact demand for these products, resulting in lower sales volumes.

- *Events such as acts of war or terrorism, natural disasters, data security breaches, changes in law, or large losses could adversely affect our insurance coverage and insurance expense, resulting in an adverse effect on our profitability and financial condition.*

We insure for certain property and casualty risks consisting primarily of physical loss to property, business interruptions resulting from property losses, worker’s compensation, comprehensive general liability, and auto liability. Insurance coverage is obtained for catastrophic property and casualty exposures as well as those risks required to be insured by law or contract. Although we believe that our insurance coverage is reasonable, significant events such as acts of war and terrorism, economic conditions, data security breaches, judicial decisions, legislation, natural disasters and large losses could materially affect our insurance obligations and future expense. Furthermore, the occurrence of an uninsured significant event could materially adversely affect our business and results of operations.

- *Environmental Matters*

Under various national, state and local environmental laws and regulations in North America, a current or previous owner or operator (including the lessee) of real property may become liable for the costs of removal or remediation of hazardous substance at such real property. Such laws and regulation often impose liability without regard to fault. We lease all of our facilities. In connection with such leases, we could be held liable for the costs of removal or remedial actions with respect to hazardous substances. Although we have not been notified of, and are not otherwise aware of, any material real property environmental liability, claim or non-compliance, there can be no assurance that we will not be required to incur remediation or other costs in connection with real property environmental matters in the future.

Risks Related to Our Company

- *Distribution facilities*

Our ability to maintain available capacity in our distribution operations for stocked inventory and to enable on time shipment and deliveries, such as by timely implementing additional distribution resources, whether in the form of expanded or additional temporary and permanent facilities we operate or by outsourcing certain functions to third-party distribution and logistics partners, is critical to our ability to service our growing business. If we do not accurately forecast our future warehousing and distribution center needs, and then timely plan, fund on budget, launch and efficiently operate new distribution resources and facilities when needed, our operations and financial results could be materially adversely impacted. In addition, expanding and/or enhancing our distribution network would have an adverse impact on operating expenses as a percentage of sales, inventory turnover, and working capital requirements in the periods prior to and for some time following the commencement of operations for each such expansion or enhancement.

- *We rely on third-party suppliers for most of our products and services. The loss or interruption of these relationships could impact our sales volumes, the levels of inventory we must carry, and/or result in sales delays and/or higher inventory costs from new suppliers.*

We purchase a portion of our products from major distributors and directly from large manufacturers who may deliver those products directly to our customers (“drop ship”), as well as from smaller more regional vendors. These drop ship delivery relationships enable us to make available to our customers a wide selection of products without having to maintain large amounts of inventory. The termination or interruption of our relationships with any of these drop ship suppliers could materially adversely affect our business.

We purchase a number of our products, particularly private label and white label products, from vendors located outside of the United States. Raw material costs used in our vendors’ products (steel, tungsten, etc.) and energy costs may increase, which may result in increased production costs for our vendors, which they may seek to pass along to us. Difficulties encountered by one or several of these suppliers could halt or disrupt production and delay completion or cause the cancellation of our orders. Delays or interruptions in the transportation network could result in loss or delay of timely receipt of product required to fulfill customer orders. Our ability to find qualified vendors who meet our standards and supply products in a timely and efficient manner is a significant challenge, especially with respect to goods sourced from outside the U.S. In this regard, in response to the tariffs imposed by the U.S. on goods imported from China, we are seeking alternative sources of supply, such as utilizing new vendors in additional countries, which entails various risks, such as identifying, vetting and managing new business relationships, reliance on these new vendors maintaining quality control over their products, and protecting our intellectual property rights.

Political or financial instability, merchandise quality issues, product safety concerns, trade restrictions, work stoppages, tariffs, foreign currency exchange rates, transportation capacity and costs, inflation, civil unrest, outbreaks of pandemics and other factors are beyond our control. These and other issues affecting our vendors could materially adversely affect our revenue and gross profit.

See also the discussion above for information regarding the risks posed by the spread of the coronavirus on our supply chain and general economic activity.

- *We rely on third-party suppliers for shipping and delivery services and managing the logistics of a distribution business can impact our results of operations and margins.*

We face certain risks due to our reliance on common carrier delivery services for shipping inventoried merchandise to customers and our reliance on drop ship deliveries directly to customers by our product vendors for products we do not

hold in inventory (such as freight cost increases, timely delivery and customer service, delays due to work stoppages, etc.). We also must effectively manage our ability to maintain available capacity in our distribution operations for stocked inventory and to enable on time shipment and deliveries, such as by timely implementing additional or alternative distribution resources, whether in the form of additional facilities we operate or by outsourcing certain functions to third-party distribution and logistics partners.

Increases in freight and shipping costs charged to us by third parties could adversely affect our margins to the extent the increases cannot be passed along to customers, and factors affecting the shipping and distribution of products imported to the United States by us or our domestic vendors, such as the current shortage in global availability of shipping containers, the current port congestion and global logistical delays and pandemic related labor shortages, have in the past and could in the future adversely affect the timely availability of products, resulting in delayed or lost sales, as well as adversely affecting our margins.

The fuel costs of our independent freight companies have been volatile. Our vendors and independent freight carriers typically look to pass increased costs along to us through price increases. When we are forced to accept these price increases, we may not be able to pass them along to our customers, resulting in lower margins.

- *Changes in customer, product, vendor, sourcing or channel sales mix, could cause the gross margin and ultimately operating margins to decline; failure to mitigate these pressures could adversely affect our operating results and financial condition.*

Our gross margins are dependent on the mix of products we sell, decisions to drop ship rather than stock products in our distribution centers, decisions to offer private label alternatives or branded offerings, price changes by manufacturers, and pricing actions by competitors. In addition, we could be adversely affected by a continuation of our customers' shift to lower-priced products.

- *We rely to a great extent on our information and telecommunications systems, and significant system failures or outages, or our failure to properly evaluate, upgrade or replace our systems, or the failure of our security/safety measures to protect our systems and websites, could have an adverse effect on our results of operations.*

We rely on a variety of information and telecommunications systems including internally developed software, third-party purchased software and third-party cloud-based software in order to manage our business, including our customer, vendor, employee, facilities, finance, management and corporate operations. Our success is dependent in large part on the accuracy and proper use of our information systems, including our telecommunications systems, which are utilized in all aspects of our business. To manage our growth, we need to continually evaluate the effectiveness and adequacy of our existing systems and procedures to ensure they are keeping pace with changes in our business. These systems, whether internally developed, purchased or cloud-based may need to be modified, upgraded or replaced from time to time. System modifications, upgrades or replacements involve costs as well as the risk of implementation delays and not operating as intended. We rely on third parties such as telecommunication carriers, internet service providers and our own employees to provide the technology services and expertise on which we depend. There are risks that third parties may incur outages or circumstances where they cannot provide the services we require as intended or that our employees do not have the expertise to remediate system outages or technical problems that may arise. We have experienced some delays and operational problems in implementing new IT systems in the past. We anticipate that we will regularly need to make capital expenditures to upgrade and modify our management information systems, including software and hardware, as we grow and the needs of our business change. We have disaster recovery systems and system backups are routinely done for certain critical systems, but not for every system. The occurrence of a significant system failure, electrical or telecommunications outages or our failure to ensure our IT employees are properly trained and technically proficient, or that our systems are adequate, effective and beneficial to our business, or our failure to expand or successfully implement new systems could have a material adverse effect on our results of operations.

- *Use of Cloud-Based Systems and Infrastructure Provided by Third Parties Present Significant Risks to Our Business.*

In 2018, we moved certain of our operating systems and management information systems resources and storage to a leading cloud-based platform operated by a well-known third-party provider of technology services, and we no longer operate or maintain such systems or store related data on our own servers. This managed cloud-based platform is operated on a "infrastructure as a service" ("IAAS") model. Accordingly, exposure to third-party service outages and data loss, or a failure of the network or loss of connectivity can adversely affect our business. In addition, since the data resides on the cloud, we and our customers are forced to rely on the physical and information security of the vendor to protect their

valuable information. There can be no assurance that the cloud-based systems on which we rely will not experience such outages or failures or that data privacy/information security will not be breached.

- *Data and security breaches, and other disruptions in our information technology systems, could compromise confidential or private information and expose us to liability, which could cause our business and reputation to suffer.*

Our operations are dependent upon information technology that encompasses all of our major business functions. We use our information systems to, among other things, monitor our supply chain, make purchasing decisions, manage and replenish inventories, coordinate our sales and marketing activities, fill and ship customer orders on a timely basis and to monitor and record our financial transactions and results of operations. These systems also process, transmit and store sensitive electronic data, including employee personal information, supplier and customer records, allow vendors and customers to register on our portals and websites, as applicable, or otherwise allow third parties to communicate or interact with us. In addition, we depend on IT systems of third parties, to, among other things, market and distribute products, to operate our websites, host and manage our services, store data, and process transactions. We may share information with these third parties that participate in certain aspects of our business, and we obtain external auditor certification on the controls and security of any significant outsourced service provider according to the SSAE 18 standard. However, there is always a risk that the confidentiality of data held or accessed by them may be compromised.

In processing our sales orders, we often collect personal information and transmit credit card information of our customers. If there was a security breach resulting in unauthorized access to or use of such information, we could be subject to claims for identity theft, unauthorized purchases and claims alleging misrepresentation of our privacy and data security practices or other related claims. While the Company believes it conforms to appropriate Payment Card Industry (“PCI”) security standards, any breach involving the loss of credit card information may lead to PCI related fines in the millions of dollars. In the event of a severe breach, credit card providers may prevent our accepting of credit cards.

We measure our data security effectiveness through industry accepted methods and remediate significant findings. We maintain and routinely test backup systems and disaster recovery, along with external network security penetration testing by an independent third-party as part of our business continuity preparedness. We also have processes in place to prevent disruptions resulting from the implementation of new software and systems of the latest technology. We have implemented solutions, processes, and procedures to help mitigate the risk of cyber-attacks, such as conducting annual vulnerability testing, and in 2018 engaged consultants to assist us in implementing stronger security measures, identifying remediation initiatives and establishing emergency response plans, but there can be no assurance these efforts will successfully deter future cyber-attacks. Our Board of Directors is responsible for oversight of the activities of our IT department (which reports to our Chief Executive Officer) and receives periodic presentations from our Chief Information Officer that cover, among other things, data security and cyber liability matters.

Although our IT systems are protected through various network security measures, our facilities and systems, and those of our third-party service providers with which we do business, may nevertheless be vulnerable to security breaches, cyber-attacks (any adverse event that threatens the confidentiality, integrity or availability of our information resources) vandalism, power outages, natural disasters, computer system failures, telecommunication or network failures, computer viruses, malware, misplaced or lost data, programming and/or human errors or other similar events. From time to time, we have experienced efforts by unknown persons, including “bots”, to access or breach our information systems, and these efforts can be expected to continue in the future. While we have successfully defended against such efforts in the past, there can be no assurance we will be able to protect sensitive data and/or the integrity of the Company's information systems and to defend against such efforts in the future.

Any security breach involving the misappropriation, loss or other unauthorized disclosure of our confidential information or confidential information of our customers, employees, or suppliers, whether by us or by our third-party service providers, could disrupt our business, expose us to risks of litigation (such as customer or third-party claims that their data has been compromised) and liability, result in a loss of assets or cause reputational damage, and otherwise have a material adverse effect on our operations and financial condition. Any substantial disruption of our systems could impair our ability to process orders, maintain proper levels of inventories, manage customer billings and collections, prepare and present accurate financial statements and related information, and otherwise materially adversely affect our ability to manage our business.

We maintain cyber liability risk insurance, but this insurance may not be sufficient to cover all of our losses from any future breaches of our systems, or to cover the cause of the future specific situation/loss at hand. In addition, as privacy and information security laws and standards evolve, we may need to incur significant additional investment in technology and other processes to meet new legal requirements.

- *Goodwill and intangible assets may become impaired resulting in a charge to earnings.*

The Company has made acquisitions in the past of other businesses and these acquisitions resulted in the recording of significant intangible assets and/or goodwill. We are required to test goodwill and intangible assets annually to determine if the carrying values of these assets are impaired or on a more frequent basis if indicators of impairment exist. If any of our goodwill or intangible assets are determined to be impaired, we may be required to record a significant charge to earnings in the period during which the impairment is discovered. Although the carrying amounts of intangible assets and goodwill are relatively small as of December 31, 2020, to the extent the Company makes acquisitions in the future there could again be material amounts of such assets recorded and subject to future impairment testing.

- *Our foreign product procurement operations are subject to risks such as foreign regulatory trade and customs requirements such as the tariffs and duties matters discussed above, and the political and economic conditions of the jurisdictions from which we procure products.*

Because we sell products all across North America and procure product from abroad, including from China, we operate internationally and as a result, we are subject to risks associated with doing business globally, such as risks related to the differing legal, political and regulatory requirements and economic conditions of many jurisdictions. Risks inherent to operating internationally include:

- Changes in a country's economic or political conditions;
- Tariff and trade uncertainties;
- Changes in foreign currency exchange rates;
- Difficulties with staffing and managing international relationships;
- Unexpected changes in regulatory requirements;
- Changes in transportation and shipping costs; and
- Enforcement of intellectual property rights.

The functional currencies of our businesses outside of the U.S. are the local currencies. Changes in exchange rates between these foreign currencies and the U.S. Dollar will affect the recorded levels of our assets, liabilities, net sales, cost of goods sold and operating margins and could result in exchange gains or losses. The primary currencies to which we have exposure are the Canadian Dollar and the India Rupee. Our operating results and profitability may be affected by any volatility in currency exchange rates and our ability to manage effectively our currency transaction and translation risks. For example, we currently have operations located in countries outside the United States, and non-U.S. sales accounted for approximately 5.9% of our net sales from continuing operations during 2020. To the extent the U.S. dollar strengthens against foreign currencies, our foreign revenues and profits will be reduced when translated into U.S. dollars.

- *We are exposed to various inventory risks, such as being unable to profitably resell excess or obsolete inventory and/or the loss of product return from our vendors; such events could lower our gross margins or result in inventory write-downs that would reduce reported future earnings.*

Our inventory is subject to risk due to changes in market demand for particular products. If we fail to manage our inventory of older products we may have excess or obsolete inventory. We may have limited rights to return purchases to certain suppliers. The elimination of purchase return privileges could lower our gross margin or result in inventory write-downs.

We also take advantage of attractive product pricing by making opportunistic bulk inventory purchases; any resulting excess and/or obsolete inventory that we are not able to re-sell could have an adverse impact on our results of operations. Any inability to make such bulk inventory purchases may significantly impact our sales and profitability.

- *Concentration of Ownership and Control Limits Stockholders Ability to Influence Corporate Actions.*

Richard Leeds, Robert Leeds, and Bruce Leeds (each are brothers and directors and executive officers of the Company), together with trusts for the benefit of certain members of their respective families and other entities controlled by them, control approximately 67.2% of the voting power of our outstanding common stock. Due to such holdings, the Leeds brothers together with these trusts and entities are able to determine the outcome of virtually all matters submitted to stockholders for approval, including the election of directors, the appointment of management, amendment of our articles of incorporation, significant corporate transactions (such as a merger or other sale of our company or our assets), the payments of dividends on our common stock and the entering into of extraordinary transactions. Further, as a "controlled

company" under NYSE rules, the Company has elected to opt-out of certain New York Stock Exchange listing standards that, among other things, require listed companies to have a majority of independent directors on their board of directors; the Company does however currently have an independent Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee.

General Risk Factors

- *We may encounter difficulties with acquisitions and other strategic transactions which could harm our business.*

We expect to pursue acquisitions and other strategic transactions that we believe will either expand or complement our business in new or existing markets or further enhance the value and offerings we are able to provide to our existing or future potential customers.

Acquisitions and other strategic transactions involve numerous risks and challenges, including the following:

- diversion of management's attention from the normal operation of our business;
- potential loss of key associates and customers of the acquired companies;
- difficulties managing and integrating operations in geographically dispersed locations;
- the potential for deficiencies in internal controls at acquired companies;
- increases in our expenses and working capital requirements, which reduce our return on invested capital;
- lack of experience operating in the geographic market or industry sector of the acquired business; and
- exposure to unanticipated liabilities of acquired companies.

To integrate acquired businesses, we must implement our management information systems, operating systems and internal controls, and assimilate and manage the personnel of the acquired operations. The difficulties of this integration may be further complicated by geographic distances. The integration of acquired businesses may not be successful and could result in disruption to other parts of our business.

- *Our business is dependent on certain key personnel, including the recent engagement of new senior executives.*

Our business depends largely on the efforts and abilities of certain key senior management employees. The loss of the services of one or more of such key personnel could have a material adverse effect on our business and financial results.

- *We are subject to litigation risk due to the nature of our business, which may have a material adverse effect on our results of operations and business.*

From time to time, we are involved in lawsuits or other legal proceedings arising in the ordinary course of our business. These include patent, trademark or other intellectual property matters, employment law matters, states sales tax claims on internet/e-commerce transactions, product liability, commercial disputes, consumer sales practices, or other matters. In addition, as a public company we could from time to time face claims relating to corporate or securities law matters. The defense and/or outcome of such lawsuits or proceedings could have a material adverse effect on our business. See "Legal Proceedings".

- *Our profitability can be adversely affected by changes in our income tax exposure due to changes in tax rates or laws, changes in our effective tax rate due to changes in the mix of earnings among different countries, restrictions on utilization of tax benefits and changes in valuation of our deferred tax assets and liabilities.*

Changes in our income tax expense due to changes in the mix of U.S. and non-U.S. revenues and profitability, changes in tax rates or exposure to additional income tax liabilities could affect our profitability. We are subject to income taxes in the United States and various foreign jurisdictions. Our effective tax rate has been in the past and could be in the future adversely affected by changes in the mix of earnings in countries with differing statutory tax rates, restrictions on utilization of tax benefits, changes in the valuation of deferred tax assets and liabilities, changes in tax laws or by material audit assessments.

The carrying value of our deferred tax assets is dependent on our ability to generate future taxable income in those jurisdictions. In the case of where several years of losses occur in a jurisdiction, there is a risk that the Company would need to reserve its deferred tax assets which would likely result in a material tax expense being recorded in the period that such reserve is established. Similarly, in the case where a reserve against deferred tax assets has previously been established, successive years of profitability would require the reversal of deferred tax asset reserves which would likely

result in a material tax benefit in the period that the reserve is deemed to be no longer necessary. In addition, the amount of income taxes we pay is subject to audit in our various jurisdictions and a material assessment by a tax authority could affect our profitability.

- *We exited our France business in 2018 and our NATG business in 2015 and could incur costs in excess of our estimated exit expenses.*

The Company has completed the wind-down activities related to the sale of the France business, but may incur additional charges related to statutory tax and other indemnities given at closing. The Company has substantially completed the wind-down activities related to the NATG business, although certain NATG activities related to sublet facilities, settling accounts payable and other contingent liabilities continue. The Company expects that total additional NATG exit costs incurred during 2021 or later may aggregate up to \$0.5 million, which will be presented in discontinued operations. There can be no assurance the Company will be able to timely exit its existing NATG lease commitments at currently recorded cost levels. Failure to achieve these expectations will result in increased cash exit costs for the Company.

- *Changes in accounting standards or practices, as well as new accounting pronouncements or interpretations, may require us to account for and report our financial results in a different manner in the future, which may be less favorable than the manner used historically.*

A change in accounting standards or practices can have a significant effect on our reported results of operations. New accounting pronouncements and interpretations of existing accounting rules and practices have occurred and may occur in the future. Changes to existing rules may adversely affect our reported financial results.

- *Risk of Thin Trading and Volatility of our Common Stock Could Impact Stockholder Value*

Our common stock is currently listed on the NYSE and is thinly traded. Volatility of thinly traded stocks is typically higher than the volatility of more liquid stocks with higher trading volumes. The trading of relatively small quantities of shares of common stock by our stockholders may disproportionately influence the price of those shares in either direction. This may result in volatility in our stock price and could exacerbate the other volatility-inducing factors described below. The market price of our common stock could be subject to significant fluctuations as a result of being thinly traded.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We operate our business from numerous facilities in North America and Asia. These facilities include our headquarters location, administrative offices, telephone call centers and distribution centers. Certain facilities handle multiple functions. All of our facilities are leased.

North America

As of December 31, 2020, we have seven operational distribution centers in North America which aggregate approximately 2.5 million square feet.

Our headquarters, administrative offices and call centers aggregate approximately 192,000 square feet.

The Company has one B2B call center and one warehouse from its discontinued NATG business that are sublet. These properties aggregate to approximately 0.4 million square feet.

Asia

As of December 31, 2020, we leased two administrative offices in Asia aggregating approximately 9,100 square feet.

Please refer to Note 3 to the consolidated financial statements for additional information about leased properties.

Item 3. Legal Proceedings.

The Company and its subsidiaries are from time to time involved in various lawsuits, claims, investigations and proceedings which may include commercial, employment, tax, customs and trade, customer, vendor, personal injury, creditors rights and health and safety law matters, which are handled and defended in the ordinary course of business. In addition, the Company is from time to time subjected to various assertions, claims, proceedings and requests for damages and/or indemnification concerning sales channel practices and intellectual property matters, including patent infringement suits involving technologies that are incorporated in a broad spectrum of products the Company sells or that are incorporated in the Company's e-commerce sales channels, as well as trademark/copyright infringement claims. The Company is also audited by (or has initiated voluntary disclosure agreements with) various U.S. Federal and state authorities, as well as Canadian authorities, concerning potential income tax, sales tax and/or "unclaimed property" liabilities. These matters are in various stages of investigation, negotiation and/or litigation. The Company's former NATG subsidiaries are also being audited by an entity representing 28 states seeking recovery of "unclaimed property" and has received separate demands from 20 states requesting payments of their claimed amounts. The Company has complied with the unclaimed property audit, has provided requested information and has corresponded with the states regarding possible further discussions. The Company intends to vigorously defend these matters and believes it has strong defenses.

Although the Company does not expect, based on currently available information, that the outcome in any of these matters, individually or collectively, will have a material adverse effect on its financial position or results of operations, the ultimate outcome is inherently unpredictable. Therefore, judgments could be rendered or settlements entered, that could adversely affect the Company's operating results or cash flows in a particular period. The Company regularly assesses all of its litigation and threatened litigation as to the probability of ultimately incurring a liability and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable and estimable. In this regard, the Company establishes accrual estimates for its various lawsuits, claims, investigations and proceedings when it is probable that an asset has been impaired or a liability incurred at the date of the financial statements and the loss can be reasonably estimated. At December 31, 2020 the Company has established accruals for certain of its various lawsuits, claims, investigations and proceedings based upon estimates of the most likely outcome in a range of loss or the minimum amounts in a range of loss if no amount within a range is a more likely estimate. The Company does not believe that at December 31, 2020 any reasonably possible losses in excess of the amounts accrued would be material to the financial statements.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Systemax's common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "SYX." The following table sets forth the high and low closing sale price for the common stock and the dividends declared per share for each quarter during 2020 and 2019.

	<u>High</u>	<u>Low</u>	<u>Dividends</u>
<u>2020</u>			
First Quarter	\$ 25.62	\$ 14.82	\$ 1.14
Second Quarter	21.87	15.82	0.14
Third Quarter	23.44	18.82	0.14
Fourth Quarter	37.20	22.94	2.14
<u>2019</u>			
First Quarter	\$ 25.19	\$ 20.23	\$ 0.12
Second Quarter	24.04	20.01	0.12
Third Quarter	23.12	18.71	0.12
Fourth Quarter	26.37	21.40	0.12

On December 31, 2020, the last reported sale price of our common stock on the NYSE was \$35.89 per share. As of December 31, 2020, we had 165 shareholders of record.

In February 2021, the Company's Board of Directors declared a regular cash dividend of \$0.16 per share to common stock shareholders of record at the close of business on March 8, 2021, payable on March 15, 2021.

Depending in part upon profitability, the strength of our balance sheet, our cash position and the need to retain cash for the development and expansion of our business, we anticipate continuing a regular quarterly dividend in the future, subject to availability limitations under our credit facilities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition, Liquidity and Capital Resources" and Note 9 of "Notes to Consolidated Financial Statements".

Information regarding securities authorized for issuance under equity compensation plans and a performance graph relating to the Company's common stock is set forth in the Company's Proxy Statement relating to the 2021 Annual Meeting of Shareholders and is incorporated by reference herein.

Purchases of Equity Securities

In July 2018, the Company's Board of Director's approved a share repurchase program with a repurchase authorization of up to two million shares of the Company's common stock. Under the share repurchase program, the Company is authorized to purchase shares from time to time through open market purchases, tender offerings or negotiated purchases, subject to market conditions and other factors. During 2020, the Company repurchased 392,337 common shares for \$7.2 million under its share repurchase authorization. The maximum number of shares that may yet be purchased under the program total approximately 1,375,000.

Item 6. Selected Financial Data.

The following selected financial information is qualified by reference to, and should be read in conjunction with, the Company's Consolidated Financial Statements and the notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained elsewhere in this report. The selected statement of operations data, excluding discontinued operations, for fiscal years 2020, 2019 and 2018 and the selected balance sheet data as of December 31, 2020 and 2019 are derived from the audited consolidated financial statements which are included elsewhere in this report. The selected balance sheet data as of December 31, 2018, 2017 and 2016 and the selected statement of operations data for fiscal years 2017 and 2016 are derived from the audited consolidated financial statements of the Company which are not included in this report.

The results of operations shown here have been adjusted to reflect the presentation of the ETG and NATG discontinued operations (See Note 1 of the Notes to Consolidated Financial Statements).

	Years Ended December 31,				
	(In millions, except per share data)				
	2020	2019	2018	2017	2016
Statement of Operations Data:					
Net sales	\$ 1,029.0	\$ 946.9	\$ 896.9	\$ 791.8	\$ 753.1
Gross profit	\$ 356.9	\$ 325.7	\$ 307.7	\$ 273.2	\$ 238.2
Operating income from continuing operations	\$ 84.1	\$ 66.1	\$ 61.7	\$ 45.7	\$ 8.0
Net income from continuing operations	\$ 64.1	\$ 50.0	\$ 49.5	\$ 65.5	\$ 3.9
Per Share Amounts:					
Net income from continuing operations — diluted	\$ 1.68	\$ 1.32	\$ 1.31	\$ 1.74	\$ 0.10
Weighted average common shares — diluted	37.7	37.7	37.9	37.6	37.2
Cash dividends declared per common share	\$ 3.56	\$ 0.48	\$ 7.94	\$ 1.85	\$ 0.10
Balance Sheet Data:					
Working capital	\$ 77.4	\$ 144.5	\$ 117.8	\$ 178.3	\$ 186.2
Total assets	\$ 374.9	\$ 396.9	\$ 530.0	\$ 551.4	\$ 566.1
Shareholders' equity	\$ 106.8	\$ 175.5	\$ 137.7	\$ 211.8	\$ 214.4

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

Systemax Inc., through its subsidiaries, is primarily a direct marketer of brand name and private label industrial and business equipment and supplies in North America going to market through a system of branded e-commerce websites and relationship marketers.

As the coronavirus has become widespread in the United States, it has led to health screenings, domestic quarantines, government mandated business, school and government agency shutdowns and lower domestic economic activity and productivity. The resultant lower demand for certain of our core products and other product lines was mitigated by stronger sales of pandemic and safety related supplies.

Continuing Operations

The Company sells a wide array of industrial and general business hard goods and supplies and to a lesser extent products that would fall into the generally recognizable category of maintenance, repair and operational ("MRO") products, which are marketed in North America. Many of these products are manufactured by other companies. Some products are manufactured for us and sold under our brand as a white label product, and some are manufactured to our own design and marketed under the trademarks: *Global*TM, *GlobalIndustrial.com*TM, *Nexel*TM *Paramount*TM and *Interior*TM.

Discontinued Operations

The Company's discontinued operations include the results of the France business sold in August 2018, the SARL Businesses sold in March 2017 and the NATG business sold in December 2015 (see Note 1 and Note 6).

Operating Conditions

The North American industrial products market is highly fragmented and we compete against numerous competitors in multiple distribution channels. Industrial products distribution is working capital intensive, requiring us to incur significant costs associated with the warehousing of many products, including the costs of maintaining inventory, leasing warehouse space, inventory management systems, and employing personnel to perform the associated tasks. We supplement our on-hand product

availability by maintaining relationships with major distributors and manufacturers, utilizing a combination of stock and drop-shipment fulfillment.

The primary component of our operating expenses historically has been employee-related costs, which includes items such as wages, commissions, bonuses, employee benefits and equity-based compensation, as well as marketing expenses, primarily comprised of digital marketing spend, and occupancy related charges associated with our leased distribution and call center facilities. We continually assess our operations to ensure that they are efficient, aligned with market conditions and responsive to customer needs.

In the discussion of our results of operations, constant currency refers to the adjustment of the results of our foreign operations to exclude the effects of period to period fluctuations in currency exchange rates.

The discussion of our results of operations and financial condition that follows will provide information that will assist in understanding our financial statements, the factors that we believe may affect our future results and financial condition as well as information about how certain accounting policies and estimates affect the consolidated financial statements.

The Company has elected to omit discussion of the earliest year presented, December 31, 2018, in MD&A. This discussion can be found in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in Form 10-K for the year ended December 31, 2019, filed on March 12, 2020.

Business Outlook

As we look to 2021, the Company is focused on the continued execution of our customer centric strategy, building on our financial performance and expanding our higher margin private label line of Global products by adding additional products and product categories. The strategy guides our actions across the business and specifically in our customer end-to-end purchase, service and delivery experience. In the year ahead, we will be making further investments in: automation and technology in our customer service stack; our e-commerce shopping experience to provide a seamless shopping journey filled with educational content and solutions offerings; our distribution centers to increase timeliness, quality and accuracy in customer order fulfillment, while driving labor productivity and sales force productivity and automation, which will continue to allow our managed sales force to proactively provide our customers the solutions they need in order to operate their businesses. These actions will enhance our end-to-end customer experience, drive the further evolution of our e-commerce platform and strengthen our competitive position. Accordingly, we expect our capital expenditures in 2021 to be in the range of \$5.0 to \$7.0 million.

Highlights from 2020

The following discussion of our results of operations and financial condition will provide information that will assist in understanding our financial statements and information about how certain accounting principles and estimates affect the consolidated financial statements. This discussion should be read in conjunction with the consolidated financial statements included herein.

- Consolidated sales increased 8.7% to \$1.0 billion compared to \$946.9 million in the prior year.
- On a Non-GAAP*, average daily sales, constant currency basis, sales increased 7.0% compared to prior year.
- Consolidated operating income increased 27.2% to \$84.1 million compared to \$66.1 million last year.
- Net income per diluted share from continuing operations increased 27.3% to \$1.68 compared to \$1.32 in the prior year.

**Non-GAAP, average daily sales, constant currency is calculated based upon the number of selling days in each period, with Canadian sales converted to US Dollars using the prior year's average exchange rate.*

Results of Operations

Key Performance Indicators (in millions):

	<u>Years Ended December 31</u>		<u>Change</u>
	<u>2020</u>	<u>2019</u>	<u>2020 vs. 2019</u>
<i>Results of continuing operations:</i>			
Consolidated net sales	\$ 1,029.0	\$ 946.9	8.7 %
Consolidated gross profit	\$ 356.9	\$ 325.7	9.6 %
<i>Consolidated gross margin</i>	<i>34.7 %</i>	<i>34.4 %</i>	<i>0.3 %</i>
Consolidated SD&A costs	\$ 272.8	\$ 260.4	4.8 %
<i>Consolidated SD&A costs as % of sales</i>	<i>26.5 %</i>	<i>27.5 %</i>	<i>(1.0) %</i>
Consolidated operating income	\$ 84.1	\$ 66.1	27.2 %
<i>Consolidated operating margin from continuing operations:</i>	<i>8.2 %</i>	<i>7.0 %</i>	<i>1.2 %</i>
Effective income tax rate	23.7 %	24.4 %	(0.7) %
Net income from continuing operations	\$ 64.1	\$ 50.0	28.2 %
<i>Net margin from continuing operations</i>	<i>6.2 %</i>	<i>5.3 %</i>	<i>0.9 %</i>
Net income (loss) from discontinued operations, net of tax	\$ 1.3	\$ (1.5)	186.7 %

SYSTEMAX INC.
Consolidated Summary Results⁽¹⁾ - Unaudited
(In millions)

	Year Ended December 31,		Change
	2020	2019	2020 vs. 2019
GAAP:			
Net sales	\$1,029.0	\$946.9	8.7 %
Average daily sales*	\$4.0	\$3.7	7.0 %
Operating income	\$84.1	\$66.1	27.2 %
Operating margin %	8.2%	7.0%	1.2 %
Non-GAAP:			
Average daily sales, constant currency**	\$4.0	\$3.7	7.0 %

* Average daily sales is calculated based upon the number of selling days in each period, converted to US Dollars using the current year's average exchange rate. There were 257 selling days in 2020 and 253 selling days in 2019.

** Non-GAAP, average daily sales, constant currency is calculated based upon the number of selling days in each period, with Canadian sales converted to US Dollars using the prior year's average exchange rate.

¹ Systemax manages its business and reports using a 52-53 week fiscal year that ends at midnight on the Saturday closest to December 31. For clarity of presentation, fiscal years and quarters are described as if they ended on the last day of the respective calendar month. The actual fiscal quarter ended on January 2, 2021 and December 28, 2019. The year ended 2020 included 53 weeks and 2019 included 52 weeks.

Management's discussion and analysis that follows will include current operations and discontinued operations.

NET SALES

The Company's net sales increased 8.7% to over \$1.0 billion compared to \$946.9 million as the Company's performance continued to benefit from investments in our private label offerings, significant growth in pandemic related supplies and equipment and a return to growth from our core product offerings in the second half of the year despite the challenging macro environment. Net sales from our Canada business grew 33.6%, 34.8% on a constant currency basis, compared to prior year. U.S. revenue increased 7.4% compared to prior year. On a constant currency basis, average daily sales increased 7.0% compared to prior year. There were 257 selling days in 2020 compared to 253 selling days in 2019. The Company expects that there will be challenging impacts in early in 2021 associated with disruptions in the supply chain, including container shortages, high levels of port congestion, and disruption to the domestic less-than-truckload ("LTL") carrier network due to severe winter storms across much of the U.S.

GROSS MARGIN

Gross margin is dependent on variables such as product mix including sourcing and category, competition, pricing strategy, vendor volume rebates, free freight and freight discounting arrangements, inventory valuation and obsolescence and other variables, any or all of which may result in fluctuations in gross margin. The Company expects to see continued margin variability due to the current economic environment, freight pricing fluctuations, changes in mix as a result of our customer's strong demand of personal protective equipment ("PPE") and other related products, significant price fluctuations of PPE based upon market availability and historical seasonality.

Gross margin was 34.7% compared to 34.4% in the prior year primarily driven by improvements in price rationalization, as well as a product mix shift to in stock and private label products and the higher margins these sourcing channels provide as compared to nationally branded products fulfilled through a drop ship model. The Company did experience a number of margin pressures during the fourth quarter related to freight promotions, increased parcel shipping costs associated with an extended peak season and ocean freight costs. We expect these costs to continue into the first quarter of 2021, and will also incur, what we believe to be temporary additional freight costs as we transition to a new third party logistics partner in an effort to further improve service levels and our customers' experience.

SELLING, DISTRIBUTION AND ADMINISTRATIVE EXPENSES ("SD&A"), EXCLUDING SPECIAL GAINS AND CHARGES

Selling, distribution and administrative expenses totaled \$272.8 million and \$260.4 million for the years ended December 31, 2020 and 2019, respectively.

SD&A costs as a percentage of sales improved in 2020 compared to 2019 by 100 basis points. This improved SD&A leverage reflects our continued optimization in marketing spend, as well as fixed cost leverage as sales volume grew. Significant cost savings were generated from lower net advertising spend of approximately \$7.7 million and lower net catalog and trade shows costs of approximately \$1.8 million. Offsetting these decreased costs was increased salary and related costs of approximately \$13.9 million, of which \$7.0 million related to variable bonus and commission expense, which is directly attributable to the Company's financial performance in the current year. Additional increased costs related to consulting expenses of approximately \$3.2 million primarily related to our customer centric strategy initiatives, increased facility costs of approximately \$2.2 million, and additional credit card fees of approximately \$1.5 million.

CONTINUING OPERATIONS SPECIAL GAINS AND CHARGES

The Company did not incur any special charges within continuing operations during 2020. During the third quarter of 2019 and for the year ended December 31, 2019, the Company's former German branch recorded special gains of approximately \$0.8 million related to a buyout for its outstanding lease obligation.

DISCONTINUED OPERATIONS SPECIAL GAINS AND CHARGES

The Company's discontinued operations include the results of the France business sold in August 2018, the SARL Businesses sold in March 2017 and the NATG businesses sold in December 2015 (see Note 1 and Note 6).

Total special gains included in discontinued operations totaled \$1.4 million and \$0.0 million for the years ended December 31, 2020 and 2019, respectively. The Company's NATG discontinued operations recorded approximately \$1.9 million in restitution

receipts offset by \$0.5 million of professional fees during 2020. There were no special charges (gains) recorded in discontinued operations in 2019.

OPERATING MARGIN

The Company's operating margin increase of 120 basis points in 2020 compared to 2019 was driven by improved gross margin that resulted from the product mix shift to in stock and private label products, efficiencies in our marketing efforts, improved leverage within our fixed cost structure given our higher sales volume, as well as the benefit of the reduction in force action implemented in April 2020.

Consolidated operating margin was impacted by special gains of \$0.0 million and \$0.8 million for the years ended December 31, 2020 and 2019, respectively.

INTEREST AND OTHER (INCOME) EXPENSE, NET

Interest and other (income) expense, net from continuing operations was \$0.1 million for 2020 and \$0.0 million in 2019.

INCOME TAXES

The Company recorded net tax expense in continuing operations for 2020 of \$19.9 million, or 23.7%, and a net tax expense in discontinued operations of \$0.5 million. Tax expense from continuing operations was primarily the result of pretax income in the U.S. and India operations, including tax expense for certain U.S. states. The tax rate was benefited by pre-tax income in Canada of approximately \$3.2 million as the Company has full valuation allowances against the deferred tax assets, including net operating losses, of its Canadian subsidiary and taxable income is fully offset by these net operating losses. Tax expense from continuing operations was also benefited by approximately \$0.6 million of stock option exercises and dividend equivalent payments. Non-deductible expenses, including executive compensation, was approximately \$0.7 million. Tax expense in discontinued operations is attributed to pretax income recorded in the discontinued NATG business.

The Company recorded net tax expense in continuing operations for 2019 of \$16.1 million, or 24.4%, and a net tax benefit in discontinued operations of \$0.6 million. Tax expense from continuing operations was primarily the result of pretax income in the U.S. and was benefited by approximately \$0.5 million of stock option exercises and approximately \$0.2 million from dividend equivalent payments. Non-deductible expense, including executive compensation, was approximately \$0.8 million. Tax benefit in discontinued operations is primarily attributed to pretax losses incurred in the discontinued NATG business.

Financial Condition, Liquidity and Capital Resources

Selected liquidity data (in millions):

	December 31,		\$ Change
	2020	2019	
Cash and cash equivalents	\$ 22.4	\$ 97.2	\$ (74.8)
Accounts receivable, net	\$ 102.3	\$ 88.2	\$ 14.1
Inventories	\$ 132.3	\$ 112.5	\$ 19.8
Prepaid expenses and other current assets	\$ 6.8	\$ 6.4	\$ 0.4
Accounts payable	\$ 125.4	\$ 115.9	\$ 9.5
Accrued expenses and other current liabilities	\$ 50.7	\$ 34.0	\$ 16.7
Operating lease liabilities	\$ 10.3	9.9	\$ 0.4
Working capital	\$ 77.4	\$ 144.5	\$ (67.1)

Historical Cash Flows

	Year Ended December 31,	
	2020	2019
Net cash provided by operating activities from continuing operations	\$ 67.3	\$ 70.3
Net cash provided by (used in) operating activities from discontinued operations	\$ 0.9	\$ (1.9)
Net cash used in investing activities from continuing operations	\$ (2.7)	\$ (6.9)
Net cash used in financing activities from continuing operations	\$ (138.8)	\$ (259.6)
Effects of exchange rates on cash	\$ 0.1	\$ (0.1)
Net decrease in cash and cash equivalents	\$ (73.2)	\$ (198.2)

Our primary liquidity needs are to support working capital requirements in our business, funding recently declared and any future dividends, funding capital expenditures, continuing investment in upgrading and expanding our technological capabilities and information technology infrastructure specifically related to our e-commerce shopping experience, and sales force productivity and automation, continuing investment in upgrading and expanding our distribution footprint, and funding acquisitions. We rely principally upon operating cash flows to meet these needs. We currently believe that current cash on hand and cash flow from operations will be sufficient to fund our working capital and other cash requirements for at least the next twelve months. We believe our current capital structure and cash resources are adequate for our internal growth initiatives. To the extent our growth initiatives expand, including major acquisitions, we would seek to raise additional capital. We believe that, if needed, we can access public or private funding alternatives to raise additional capital.

Our working capital decreased \$67.1 million primarily related to the \$2.00 per share special dividend declared, totaling \$75.5 million, of which \$75.1 million was paid in December 2020, increased accounts payable balances and accrued expenses and other current liabilities balances offset by increased accounts receivable and inventory balances. Our inventory balance increase is primarily associated with strategic investment in personal protective equipment items in response to continuing demand for Covid-19 related safety products, as well as increased stocking levels of certain core products which turned slower in 2020 given lower demand due to business and government shutdowns, but has shown continued recovery in the last quarter of 2020. Accounts receivable days outstanding were 37.4 in 2020 compared to 35.9 in 2019. Inventory turns were 5.3 in 2020 compared to 5.9 in 2019 and accounts payable days outstanding were 68.3 in 2020 compared to 68.7 in 2019. We expect that future accounts receivable, inventory and accounts payable balances will fluctuate with net sales and the product mix of our net sales.

Operating Activities

Net cash provided by operating activities from continuing operations was \$67.3 million attributable to cash generated from net income adjusted by other non-cash items which provided \$73.6 million in 2020 compared to \$61.2 million provided by these items in 2019. This increase is primarily related to the higher net income from continuing operations in 2020 compared to 2019. Partially offsetting this increase are the changes in our working capital accounts, which used \$6.3 million in cash compared to \$9.1 million provided in 2019, primarily the result of changes in the inventory, accounts receivable, accounts payable and accrued expenses and other current liabilities and non-current liabilities balances in 2020. Net cash provided by operating activities from discontinued operations was \$0.9 million in 2020 and net cash used in discontinued operations in 2019 was \$1.9 million.

Investing Activities

Net cash used in investing activities from continuing operations totaled \$2.7 million and \$6.9 million for 2020 and 2019, respectively. In 2020, investing activities primarily related to leasehold improvements, warehouse machinery and equipment, molds and computer equipment. In 2019, investing activities were primarily related to the new Texas distribution center other warehouse projects including wire decking, in-rack sprinkler systems, video security systems and warehouse lighting. Net cash used in investing activities from discontinued operations was zero for 2020 and 2019.

Financing Activities

Net cash used in financing activities was \$138.8 million and \$259.6 million in 2020 and 2019, respectively. In 2020, net cash used in financing activities primarily related to the special dividend of \$2.00 per share declared in December 2020, the \$1.00 per share special dividend declared in February 2020 and the regular quarterly dividends of \$0.14 per share, which totaled approximately \$134.3 million. Also, during 2020, the Company purchased treasury shares totaling approximately \$7.2 million.

Proceeds from the issuance of common stock from stock option exercises, net of payments for payroll taxes through shares withheld, totaled \$1.9 million and proceeds from the issuance of common stock from our employee stock purchase plan totaled \$0.8 million. In 2019, cash used in financing activities was primarily related to the payment of the special dividend declared in December 2018 of \$243.5 million and regularly quarterly dividends that totaled approximately \$18.1 million. Proceeds from stock option exercises, net of payments for payroll taxes through shares withheld, totaled \$1.2 million and proceeds from the issuance of common stock from our employee stock purchase plan totaled \$0.8 million.

The Company maintains a \$75.0 million secured revolving credit facility with one financial institution which has a five-year term, maturing on October 28, 2021 and provides for borrowings in the United States. The Company expects to renew this facility before its expiration in 2021. The credit agreement contains certain operating, financial and other covenants, including limits on annual levels of capital expenditures, availability tests related to payments of dividends and stock repurchases and fixed charge coverage tests related to acquisitions. The revolving credit agreement requires that a minimum level of availability be maintained. If such availability is not maintained, the Company will be required to maintain a fixed charge coverage ratio (as defined). The borrowings under the agreement are subject to borrowing base limitations of up to 85% of eligible accounts receivable and the inventory advance rate computed as the lesser of 60% or 85% of the net orderly liquidation value ("NOLV"). Borrowings are secured by substantially all of the Borrower's assets, as defined, including all accounts receivable, inventory and certain other assets, subject to limited exceptions, including the exclusion of certain foreign assets from the collateral. The interest rate under the amended and restated facility is computed at applicable market rates based on the London interbank offered rate ("LIBOR"), the Federal Reserve Bank of New York ("NYFRB") or the Prime Rate, plus an applicable margin. The applicable margin varies based on borrowing base availability. As of December 31, 2020, eligible collateral under the credit agreement was \$75.0 million, total availability and excess availability was \$72.6 million and there were no outstanding borrowings. The Company has restricted cash collateralizing letters of credit outstanding of \$1.6 million at December 31, 2020 recorded within Other assets in the accompanying Consolidated Balance Sheets. The Company was in compliance with all of the covenants of the credit agreement in place as of December 31, 2020.

Levels of earnings and cash flows are dependent on factors such as consolidated gross margin and selling, distribution and administrative costs, product mix and relative levels of domestic and foreign sales. Unusual gains or expense items, such as special (gains) charges and settlements, may impact earnings and are separately disclosed. We expect that past performance may not be indicative of future performance due to the competitive nature of our business segments where the need to adjust prices to gain or hold market share is prevalent.

Macroeconomic conditions, such as business and consumer sentiment, may affect our revenues, cash flows or financial condition. However, we do not believe that there is a direct correlation between any specific macroeconomic indicator and our revenues, cash flows or financial condition. We are not currently interest rate sensitive, as we have minimal debt.

The expenses, capital expenditures and exit activities described above will require significant levels of liquidity, which we believe can be adequately funded from our currently available cash resources and borrowing under our current credit facility. In 2021 we anticipate capital expenditures in the range of \$5.0 to \$7.0 million, though at this time we are not contractually committed to incur these expenditures.

In the past we have engaged in opportunistic acquisitions, choosing to pay the purchase price in cash, and may do so in the future as favorable situations arise. However, a deep and prolonged period of reduced business spending could adversely impact our cash resources and force us to either forego future acquisition opportunities or to pay the purchase price using debt, which could have an adverse effect on our earnings. We believe that our cash balances and future cash flows from operations will be sufficient to fund our working capital and other cash requirements for at least the next twelve months.

We maintain our cash and cash equivalents in money market funds or their equivalent that have maturities of less than three months and in non-interest bearing accounts that partially offset banking fees. As of December 31, 2020, we had no investments with maturities of greater than three months. Accordingly, we do not believe that our cash balances have significant exposure to interest rate risk. At December 31, 2020 cash balances held in foreign subsidiaries totaled approximately \$3.4 million. These balances are held in local country banks and are held primarily to support local working capital needs. The Company had in excess of \$93 million of liquidity (cash, restricted cash and an undrawn line of credit) in the U.S. as of December 31, 2020. This facility expires in October 2021, however the Company expects to renew this facility before its expiration in 2021.

We are obligated under non-cancelable operating leases for the rental of most of our facilities and certain of our equipment which expires at various dates through 2032. We have sublease agreements for unused space we lease in the United States. In the event the sub lessee is unable to fulfill its obligations, we would be responsible for rents due under the leases.

Following is a summary of our contractual obligations for future principal payments on our non-cancelable operating leases and minimum payments on our other purchase obligations as of December 31, 2020 (in millions):

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
<i>Contractual Obligations:</i>					
Operating lease liabilities	\$ 112.6	\$ 14.8	\$ 39.9	\$ 27.7	\$ 30.2
Purchase & other obligations	30.1	6.5	12.2	11.4	
Total contractual obligations	\$ 142.7	\$ 21.3	\$ 52.1	\$ 39.1	\$ 30.2

See Note 4 of Notes to Consolidated Financial Statements for further detail related to operating lease obligations.

Our purchase and other obligations consist primarily of product purchase commitments, certain employment agreements and service agreements.

We are party to certain litigation, the outcome of which we believe, based on discussions with legal counsel, will not have a material adverse effect on our consolidated financial statements.

Tax contingencies are related to uncertain tax positions taken on income tax returns that may result in additional tax, interest and penalties being paid to taxing authorities. As of December 31, 2020, the Company had no material uncertain tax positions.

Discontinued Operations

The Company's discontinued operations include the results of the France business sold in August 2018, the SARL Businesses sold in March 2017 and the NATG business sold in December 2015 (see Note 1 and Note 6).

Off-Balance Sheet Arrangements

We have not created, and are not party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating our business. We do not have any arrangements or relationships with entities that are not consolidated into the financial statements that are reasonably likely to materially affect our liquidity or the availability of capital resources.

Critical Accounting Policies and Estimates

Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements included in Item 15 of this Form 10-K. Certain accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty, and as a result, actual results could differ materially from those estimates. These judgments are based on historical experience, observation of trends in the industry, information provided by customers, forecasts of future economic conditions and information available from other outside sources, as appropriate. Management believes that full consideration has been given to all relevant circumstances that we may be subject to, and the consolidated financial statements of the Company accurately reflect management's best estimate of the consolidated results of operations, financial position and cash flows of the Company for the years presented. We identify below a number of policies that entail significant judgments or estimates, the assumptions and/or judgments used to determine those estimates and the potential effects on reported financial results if actual results differ materially from these estimates.

Leases

The Company has operating and finance leases for office and warehouse facilities, headquarters and call centers and certain computer, communications equipment and machinery and equipment which provide the right to use the underlying assets in exchange for agreed upon lease payments, determined by the payment schedule contained in each lease. The Company determines if an arrangement is an operating or finance lease at the inception of the lease. The Company has elected not to

apply recognition requirements to leases with terms of one year or less. All other leases are recorded on the balance sheet, with Operating lease right-of-use ("ROU") assets representing the right to use the underlying asset for the lease term and Operating lease liabilities representing the obligation to make lease payments arising from the lease. The Company's lease portfolio consists primarily of operating leases which expire at various dates through 2032.

The ROU assets and corresponding lease liabilities are recorded based upon the net present value of the remaining lease payments, discounted using interest rates determined by utilizing such factors as the Company's current credit facility terms, the length of the remaining term of the lease, the Company's expected debt credit rating and comparable company term loan yields. Certain leases may include options to extend the lease, however the Company is not including any impact of such options in the valuation of its ROU assets or liabilities as they are not currently probable of being extended. The Company's lease agreements do not contain residual value guarantees or restrictive covenants. The Company has sublease agreements for certain unused facilities.

Revenue Recognition

The Company recognizes revenue from contracts with its customers utilizing the following steps:

- Identifying the contract with the customer
 - Identifying the performance obligations under the contract
 - Determine the transaction price
 - Allocate transaction price to performance obligations, if necessary
 - Recognizing revenue as performance obligations are satisfied

The Company's invoice, and the terms and conditions of sale contained therein, constitutes the evidence of an arrangement and is a contract with the customer. The performance obligations are generally delivery of the products listed on the invoice and the transaction price for each product is listed. Allocation of transaction price is generally not needed. Performance obligations are satisfied, and revenue is recognized upon the shipment of goods from one of the Company's distribution centers or drop shippers for most contracts or in certain cases revenue will be recognized upon delivery and acceptance by the customer. Customer acceptance occurs when the customer accepts the shipment. The Company's standard terms, provided on its invoices as well as on its websites, are included in communications with the customer and have standard payment terms of 30 days. Certain customers may have extended payment terms that have been pre-approved by the Company's credit department, but generally none extend longer than 120 days.

Provisions for sales returns and allowances are estimated based on historical data and are recorded concurrently with the recognition of revenue. These provisions are reviewed and adjusted periodically by the Company. Revenue is presented net of sales taxes collected from customers and remitted to government authorities. Revenue is reduced for any early payment discounts or volume incentive rebates offered to customers.

The Company's revenue is shown as "Net sales" in the accompanying Consolidated Statements of Operations and is measured as the determined transaction price, net of any variable consideration consisting primarily of rights to return product. The Company has elected to treat shipping and handling revenues as activities to fulfill its performance obligation. Billings for freight and shipping and handling are recorded in net sales and costs of freight and shipping and handling are recorded in cost of sales in the accompanying Consolidated Statements of Operations.

The Company will record a contract liability in cases where customers pay in advance of the Company satisfying its performance obligation. The Company did not have any material unsatisfied performance obligations or liabilities as of December 31, 2020.

The Company offers customers rights to return product within a certain time, usually 30 days. The Company estimates its sales returns liability quarterly based upon its historical returns rates as a percentage of historical sales for the trailing twelve-month period. The total accrued sales returns liability was approximately \$1.9 million at December 31, 2020 and 2019, respectively, and was recorded as a refund liability in Accrued expenses and other current liabilities in the accompanying Consolidated Balance Sheets.

Allowance for Credit Losses

On January 1, 2020 the Company adopted ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)*. The Company's trade accounts receivable are subject to this standard. The adoption of this ASU did not have a material impact on the Company's financial position or results of operations.

The Company's trade accounts receivable is one portfolio comprised of commercial businesses operating in the U.S. and to a much lesser extent, Canada. The Company develops its allowances for credit losses, which represent an estimate of expected losses over the remaining contractual life of its receivables, considering customer financial condition, historical loss experience with its customers, current market economic conditions and forecasts of future economic conditions when appropriate. When the Company becomes aware of a customer's inability to meet its financial obligation, a specific reserve is recorded to reduce the receivable to the expected amount to be collected. For the balance of its trade receivables, the Company uses a loss rate method to estimate its credit loss reserve. Historical loss experience rates are calculated using receivable write offs over a trailing twelve-month period and comparing that to the average receivable balances over the same period. That rate is applied to the current accounts receivable portfolio, excluding accounts that have been specifically reserved. Any write offs incurred are recorded against the established reserves.

The Company grants credit to commercial business customers using an electronic application process that evaluates the customer's detailed credit report, reference responses, availability under credit facilities, existing liens, tenure of management and business history, among other factors. Credit terms are typically net 30 days payment required with larger businesses eligible for up to net 90 day terms, if qualified.

Our estimates for the years ended December 31, 2020 and 2019 have not been materially different than our actual experience. While bad debt allowances have been within expectations, there can be no assurance that we will continue to experience the same allowance rate we have in the past particularly if business or economic conditions change or actual results deviate from historical trends.

Inventory Valuation

We value our inventories at the lower of cost or net realizable value; cost being determined on the first-in, first-out method. Excess and obsolete or unmarketable merchandise are written down based on historical experience, assumptions about future product demand and market conditions. If market conditions are less favorable than projected or if technological developments result in accelerated obsolescence, additional write-downs may be required. While obsolescence and resultant markdowns have been within expectations, there can be no guarantee that we will continue to experience the same level of markdowns we have in the past. The Company estimates the net realizable value of its inventory by considering factors such as inventory levels, historical write-off information, historical and current demand trends, market conditions, estimated direct selling costs and physical condition of the inventory as well as credits that we may obtain for returned merchandise.

Our inventory reserve estimates for the years ended December 31, 2020 and 2019 have not been materially different than our actual experience. However, if in the future our estimates are materially different than our actual experience we could have a material loss adjustment.

Goodwill and Intangible Assets

Our business acquisition activity results in the recording of goodwill and intangible assets as part of the purchase price allocation process. We apply the provisions of relevant accounting guidance in our valuation of goodwill, trademarks, domain names, client lists and other intangible assets. Relevant accounting guidance requires that goodwill and indefinite lived intangibles be reviewed at least annually for impairment or more frequently if indicators of impairment exist.

The Company operates in one reporting unit and in the fourth quarter of each year performs a quantitative assessment of its goodwill by comparing the Company's fair market value, or market capitalization, to the carrying value of the Company, including goodwill, to determine if impairment exists.

We have approximately, in aggregate, \$7.0 million in goodwill and intangible assets at December 31, 2020. We do not believe it is reasonably likely that the estimates or assumptions used to determine whether any of our remaining goodwill or intangible

assets are impaired will change materially in the future. However, there can be no assurances that we will not incur impairment charges that are material in the future.

Long-lived Assets

Management exercises judgment in evaluating our long-lived assets for impairment and in their depreciation and amortization methods and lives including evaluating undiscounted cash flows. The impairment analysis for long-lived assets requires management to make judgments about useful lives and to estimate fair values of long-lived assets. It may also require us to estimate future cash flows of related assets using a discounted cash flow model. Our estimates of future cash flows involve assumptions concerning future operating performance and economic conditions. While we believe that our estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect our evaluations. We have not made any material changes to our long-lived assets policy in the past four years and we do not anticipate making any material changes to this policy in the future.

We do not believe it is reasonably likely that the estimates and assumptions used to determine long lived asset impairment will vary materially in the future. However, if our estimates are materially different than our actual experience we could have a material gain or loss adjustment.

Income Taxes

We are subject to taxation from federal, state and foreign jurisdictions and the determination of our tax provision is complex and requires significant management judgment.

We conduct operations in numerous U.S. states and several foreign locations. Our effective tax rate depends upon the geographic distribution of our pre-tax income or losses among locations with varying tax rates and rules. As the geographic mix of our pre-tax results among various tax jurisdictions changes, the effective tax rate may vary from period to period. We are also subject to periodic examination from domestic and foreign tax authorities regarding the amount of taxes due. These examinations include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. We establish as needed, and periodically reevaluate, an estimated income tax reserve on our consolidated balance sheet to provide for the possibility of adverse outcomes in income tax proceedings. While management believes that we have identified all reasonably identifiable exposures and whether or not a reserve is appropriate, it is possible that additional exposures exist and/or that exposures may be settled at amounts different than the amounts reserved. The determination of deferred tax assets and liabilities and any valuation allowances that might be necessary requires management to make significant judgments concerning the ability to realize net deferred tax assets. The realization of our net deferred tax assets is significantly dependent upon the generation of future taxable income. In estimating future taxable income there are judgments and uncertainties related to the development of forecasts of future results that may not be reliable. Significant management judgment is also necessary to evaluate the operating environment and economic conditions that exist to develop a forecast for a reporting unit. Where management has determined that it is more likely than not that some portion or the entire deferred tax asset will not be realized, we have provided a valuation allowance. If the realization of those deferred tax assets in the future is considered more likely than not, an adjustment to the deferred tax assets would increase net income in the period such determination is made. We have not made any material changes to our income tax policy in the past four years and we do not anticipate making any material changes to this policy in the near future.

We do not believe it is reasonably likely that the estimates or assumptions used to determine our deferred tax assets and liabilities and related valuation allowances will change materially in the future. However, if our estimates are materially different than our actual experience we could have a material gain or loss adjustment.

Recent Accounting Pronouncements

For information about recent accounting pronouncements, see Note 2, Summary of Significant Accounting Policies, in the Notes to the Consolidated Financial Statements included in Part II, Item 8, Financial Statements and Supplemental Data, of this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks, which include changes in U.S. and international interest rates as well as changes in currency exchange rates (principally Canadian Dollars) as measured against the U.S. Dollar and each other.

The translation of the financial statements of our operations located outside of the United States is impacted by movements in foreign currency exchange rates. Changes in currency exchange rates as measured against the U.S. dollar may positively or negatively affect income statement, balance sheet and cash flows as expressed in U.S. dollars. Sales would have fluctuated by approximately \$6.1 million and pretax income would have fluctuated by approximately \$0.4 million if average foreign exchange rates changed by 10% in 2020. We may enter into foreign currency options or forward exchange contracts aimed at limiting in part the impact of certain currency fluctuations, but as of December 31, 2020 we had no outstanding forward exchange contracts.

Our exposure to market risk for changes in interest rates relates primarily to our variable rate debt. Our variable rate debt consists of short-term borrowings under our credit facilities. As of December 31, 2020, there were no outstanding balances under our variable rate credit facility. A hypothetical change in average interest rates of one percentage point is not expected to have a material effect on our financial position, results of operations or cash flows over the next fiscal year.

Item 8. Financial Statements and Supplementary Data.

The information required by Item 8 of Part II is incorporated herein by reference to the Consolidated Financial Statements filed with this report; see Item 15 of Part IV.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.**Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2020. Based upon this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

Inherent Limitations of Internal Controls over Financial Reporting

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

Management, including the Company's Chief Executive Officer and Chief Financial Officer, does not expect that the Company's internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, the Company evaluated the effectiveness of the design and operation of its internal control over financial reporting based on the framework established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's internal control over financial reporting was effective as of December 31, 2020.

The Company's independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2020, a copy of which is included herein.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ending December 31, 2020 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Systemax Inc.

Opinion on Internal Control over Financial Reporting

We have audited Systemax Inc.'s internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Systemax Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2020 consolidated financial statements of the Company and our report dated March 18, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Ernst & Young LLP

New York, New York
March 18, 2021

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by Item 10 of Part III is hereby incorporated by reference to the Company's Proxy Statement for the 2021 Annual Meeting of Stockholders (the "Proxy Statement").

Item 11. Executive Compensation.

The information required by Item 11 of Part III is hereby incorporated by reference to the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by item 12 of Part III is hereby incorporated by reference to the Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 of Part III is hereby incorporated by reference to the Proxy Statement.

Item 14. Principal Accounting Fees and Services.

The information required by Item 14 of Part III is hereby incorporated by reference to the Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) 1. Consolidated Financial Statements of Systemax Inc.

Reference

Report of Ernst & Young LLP Independent Registered Public Accounting Firm	41
Consolidated Balance Sheets as of December 31, 2020 and 2019	43
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Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2020, 2019 and 2018	45
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2 Financial Statement Schedule:

The following financial statement schedule is filed as part of this report and should be read together with our consolidated financial statements:

Schedule II — Valuation and Qualifying Accounts	68
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Schedules not included with this additional financial data have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

Item 15. Exhibits and Financial Statement Schedules.

3 Exhibits.

Exhibit No.	Description
3.1	Certificate of Incorporation of the Company (incorporated by reference to the Company's registration statement on Form S-1 (Registration No. 33-92052).
3.2	Certificate of Amendment of Certificate of Incorporation of the Company (incorporated by reference to the Company's report on Form 8-K dated May 18, 1999).
3.3	Amended and Restated By-laws of the Company (effective as of December 29, 2007, incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2007).
3.4	Amendment to the Bylaws of the Company (incorporated by reference to the Company's report on Form 8-K dated March 3, 2008).
4.1	Stockholders Agreement (incorporated by reference to the Company's quarterly report on Form 10-Q for the quarterly period ended September 30, 1995).
10.1	Lease Agreement, dated December 8, 2005, between Hamilton Business Center, LLC (landlord) and Global Equipment Company Inc. (tenant) (Buford, GA facility) (the "Buford Lease") (incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2005).
10.2	First Amendment, to the Buford Lease, dated June 12, 2006, between Hamilton Business Center, LLC (landlord) and Global Equipment Company Inc. (tenant) (Buford, GA facility) (incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2005).
10.3	Lease Agreement, dated February 27, 2012, between PR I Washington Township NJ, LLC (landlord) and Global Equipment Company Inc. (tenant) (Robbinsville, NJ facility) (incorporated by reference to the Company's quarterly report on Form 10-Q for the quarterly period ended March 31, 2012).
10.4*	Form of 2010 Long Term Incentive Plan (incorporated by reference to the Company's Definitive Proxy Statement filed April 29, 2010).
10.5*	Employment Agreement, dated April 12, 2012, between the Company and Eric Lerner (incorporated by reference to the Company's quarterly report on Form 10-Q for the quarterly period ended March 31, 2012).
10.6*	Amendment No. 1, dated March 10, 2020 and effective as of January 1, 2020, to the Employment Agreement, between the Company and Eric Lerner (incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2019).
10.7	Lease Agreement, dated December 10, 2014, between Prologis, L.P. (landlord) and Global Industrial Distribution Inc. (tenant) (Las Vegas, NV facility) (incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2014).
10.8*	Amendment to the Term of the 2010 Long Term Incentive Plan (incorporated by reference to the Company's Supplemental Proxy Material filed May 18, 2015).
10.9	Third Amended and Restated Credit Agreement dated as of October 28, 2016, by and among Systemax Inc. and certain affiliates thereof and JPMorgan Chase Bank, N.A., as Administrative Agent, Sole Bookrunner and Sole Lead Arranger, and the lenders from time to time party thereto (incorporated by reference to the Company's report on Form 8-K dated November 3, 2016).
10.10	Third Amended and Restated Pledge and Security Agreement dated as of October 28, 2016, by and among Systemax Inc. and certain affiliates thereof and JPMorgan Chase Bank, N.A., in its capacity as administrative agent for the lenders party to the Third Amended and Restated Credit Agreement (incorporated by reference to the Company's report on Form 8-K dated November 3, 2016).
10.11	Amended and Restated Lease dated December 14, 2016, by and between Addwin Realty Associates, LLC (landlord) and Global Equipment Company Inc. (tenant) (Port Washington, NY facility) (incorporated by reference to the Company's report on Form 8-K dated December 16, 2016).
10.12*	Employment Agreement, dated October 5, 2018, between the Company and Barry Litwin (incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2018).
10.13*	Amendment No. 1, dated January 7, 2020, to the Employment Agreement, between the Company and Barry Litwin (incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2019).
10.14*	Systemax Inc. Employee Stock Purchase Plan (incorporated by reference to the Company's Definitive Proxy Statement filed November 2, 2018).
10.15	Lease Agreement, dated April 18, 2019, by and between HLIT II CTC 3, L.P. (landlord) and Global Industrial Distribution Inc. (tenant) (DeSoto, TX facility) (exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K) (incorporated by reference to the Company's quarterly report on Form 10-Q for the quarterly period ended June 30, 2019).

10.16	Lease Agreement, dated December 18, 2009, between Lakeview XII Ventures, LLC (landlord) and Global Industrial Distribution Inc. (as successor in interest through merger to C&H Service, LLC) (tenant) (Pleasant Prairie, WI facility) (the "PP" Lease) (incorporated by reference to the Company's quarterly report on Form 10-Q for the quarterly period ended June 30, 2020).
10.17	First Amendment, to the PP Lease, dated April 14, 2020, between Lakeview XII Ventures, LLC (landlord) and Global Industrial Distribution Inc. (as successor in interest through merger to C&H Service, LLC) (tenant) (incorporated by reference to the Company's quarterly report on Form 10-Q for the quarterly period ended June 30, 2020).
10.18	Second Amendment to the Buford Lease, dated November 20, 2006, between Teachers Insurance and Annuity Association of America, for the benefit of its separate real estate account (as successor-in-interest to Hamilton Mill Business Center, LLC) (landlord) and Global Equipment Company Inc. (tenant) (Buford, GA facility) (incorporated by reference to the Company's quarterly report on Form 10-Q for the quarterly period ended September 30, 2020).
10.19	Third Amendment to the Buford Lease Agreement, dated September 16, 2020 between Teachers Insurance and Annuity Association of America, for the benefit of its separate real estate account (as successor-in-interest to Hamilton Mill Business Center, LLC) (landlord) and Global Equipment Company Inc. (tenant) (Buford, GA facility) (incorporated by reference to the Company's quarterly report on Form 10-Q for the quarterly period ended September 30, 2020).
10.20*	Form of 2020 Omnibus Long-Term Incentive Plan (incorporated by reference to the Company's Definitive Proxy Statement filed April 22, 2020).
10.21*	Retirement Agreement and Release dated February 22, 2021 between the Company and Robert Dooley (filed herewith).
14	Corporate Ethics Policy for Officers, Directors and Employees (revised as of January 2019) (incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2018).
21	Subsidiaries of the Registrant (filed herewith).
23	Consent of Independent Registered Public Accounting Firm (filed herewith).
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

*Exhibit is a management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

SYSTEMAX INC.

By: /s/ BARRY LITWIN

Barry Litwin
Chief Executive Officer

Date: March 18, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ RICHARD LEEDS</u> Richard Leeds	Executive Chairman and Director	March 18, 2021
<u>/s/ BRUCE LEEDS</u> Bruce Leeds	Vice Chairman and Director	March 18, 2021
<u>/s/ ROBERT LEEDS</u> Robert Leeds	Vice Chairman and Director	March 18, 2021
<u>/s/ BARRY LITWIN</u> Barry Litwin	Chief Executive Officer and Director (Principal Executive Officer)	March 18, 2021
<u>/s/ THOMAS CLARK</u> Thomas Clark	Vice President and Chief Financial Officer (Principal Financial Officer)	March 18, 2021
<u>/s/ THOMAS AXMACHER</u> Thomas Axmacher	Vice President and Controller (Principal Accounting Officer)	March 18, 2021
<u>/s/ ROBERT ROSENTHAL</u> Robert Rosenthal	Director	March 18, 2021
<u>/s/ CHAD LINDBLOOM</u> Chad Lindbloom	Director	March 18, 2021
<u>/s/ LAWRENCE REINHOLD</u> Lawrence Reinhold	Director	March 18, 2021
<u>/s/ PAUL PEARLMAN</u> Paul Pearlman	Director	March 18, 2021

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Systemax Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Systemax Inc. (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 18, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

Critical Audit Matter

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

Measurement of Inventory Valuation Reserves

*Description of
the Matter*

As of December 31, 2020, the Company's net inventory balance was \$132.3 million. As described in Note 2 to the consolidated financial statements, management records inventory at the lower of its cost or net realizable value. The valuation of inventory requires management to make assumptions and judgments about the recoverability of the inventory, which includes the consideration of shrinkage and slow-moving or obsolete inventory. To establish the inventory valuation reserves the Company considers factors such as historical demand trends, market conditions, inventory levels, historical write-off information and assumptions regarding future demand and direct selling costs.

Auditing management's inventory valuation reserves was complex as auditor judgment was necessary in evaluating the amounts that should be reserved based on the assumptions described above.

*How We Addressed the Matter
in Our Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the inventory reserve process, including controls over the inputs and assumptions described above, that are used in management's calculation.

Our audit procedures to test the adequacy of the inventory valuation reserve included, among others, evaluating the appropriateness of management's inputs to the inventory valuation reserve calculation, including testing the completeness and accuracy of the data used in management's calculation such as historical write-off activity, direct selling costs, inventory levels and sales history for each product. We compared actual write-off activity in recent years to the inventory valuation reserve estimated by the Company in prior years. We also tested, the mathematical accuracy of the Company's reserve calculation, performed inquiries of the Company's management and obtained documentation to evaluate the Company's estimate.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2005.

New York, New York
March 18, 2021

SYSTEMAX INC.
CONSOLIDATED BALANCE SHEETS
(in millions, except for share data)

	December 31,	
	2020	2019
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 22.4	\$ 97.2
Accounts receivable, (net of allowance for credit losses of \$1.7 and \$6.8, respectively)	102.3	88.2
Inventories	132.3	112.5
Prepaid expenses and other current assets	6.8	6.4
Total current assets	<u>263.8</u>	<u>304.3</u>
Property, plant and equipment, net	16.6	17.8
Operating lease right-of-use assets	77.3	59.3
Deferred income taxes	7.6	7.3
Goodwill and intangibles	7.0	7.2
Other assets	2.6	1.0
Total assets	<u>\$ 374.9</u>	<u>\$ 396.9</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 125.4	\$ 115.9
Accrued expenses and other current liabilities	50.7	34.0
Operating lease liabilities	10.3	9.9
Total current liabilities	<u>186.4</u>	<u>159.8</u>
Operating lease liabilities	77.2	58.7
Other liabilities	4.5	2.9
Total liabilities	<u>268.1</u>	<u>221.4</u>
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, par value \$.01 per share, authorized 25 million shares; issued none		
Common stock, par value \$.01 per share, authorized 150 million shares; issued 38,955,848 and 38,906,221 shares; outstanding 37,552,055 and 37,678,539 shares	0.4	0.4
Additional paid-in capital	193.5	189.7
Treasury stock at cost —1,403,793 and 1,227,682 shares	(24.0)	(20.4)
Retained (loss) earnings	(66.5)	2.8
Accumulated other comprehensive income	3.4	3.0
Total shareholders' equity	<u>106.8</u>	<u>175.5</u>
Total liabilities and shareholders' equity	<u>\$ 374.9</u>	<u>\$ 396.9</u>

See notes to consolidated financial statements.

SYSTEMAX INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)

	Year Ended December 31,		
	2020	2019	2018
Net sales	\$ 1,029.0	946.9	\$ 896.9
Cost of sales	672.1	621.2	589.2
Gross profit	356.9	325.7	307.7
Selling, distribution and administrative expenses	272.8	260.4	245.2
Special (gains) charges, net	0.0	(0.8)	0.8
Operating income from continuing operations	84.1	66.1	61.7
Foreign currency exchange loss	0.0	0.0	0.4
Interest and other (income) expense, net	0.1	0.0	(1.6)
Income from continuing operations before income taxes	84.0	66.1	62.9
Provision for income taxes	19.9	16.1	13.4
Net income from continuing operations	64.1	50.0	49.5
Income (loss) from discontinued operations, net of tax	1.3	(1.5)	175.2
Net income	\$ 65.4	\$ 48.5	\$ 224.7
Net income per common share from continuing operations:			
Basic	\$ 1.69	\$ 1.33	\$ 1.34
Diluted	\$ 1.68	\$ 1.32	\$ 1.31
Net income (loss) per common share from discontinued operations:			
Basic	\$ 0.03	\$ (0.04)	\$ 4.69
Diluted	\$ 0.03	\$ (0.04)	\$ 4.62
Net income per common share:			
Basic	\$ 1.72	\$ 1.29	\$ 6.03
Diluted	\$ 1.71	\$ 1.28	\$ 5.93
Weighted average common and common equivalent shares:			
Basic	37.5	37.5	37.2
Diluted	37.7	37.7	37.9
Dividends declared	3.56	0.48	7.94

See notes to consolidated financial statements.

SYSTEMAX INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions)

	Year Ended December 31,		
	2020	2019	2018
Net income	\$ 65.4	\$ 48.5	\$ 224.7
Other comprehensive income (loss):			
Foreign currency translation	0.4	0.0	(3.0)
Total comprehensive income	<u>\$ 65.8</u>	<u>\$ 48.5</u>	<u>\$ 221.7</u>

See notes to consolidated financial statements.

SYSTEMAX INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended December 31,		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income from continuing operations	\$ 64.1	\$ 50.0	\$ 49.5
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	4.1	4.1	4.5
Other non-cash (benefit) and asset impairment charges	0.0	(0.8)	1.9
(Benefit) provision for deferred income taxes	(0.5)	1.4	8.4
Provision for credit losses	1.2	1.0	0.7
Compensation expense related to equity compensation plans	4.7	5.4	0.9
Loss on dispositions and abandonment	0.0	0.1	0.0
Changes in operating assets and liabilities:			
Accounts receivable	(15.0)	(5.6)	(11.9)
Inventories	(19.7)	(5.0)	(19.4)
Prepaid expenses and other assets	(2.6)	(0.4)	(2.4)
Income taxes payable (receivable)	3.1	3.7	(5.4)
Accounts payable	10.1	14.6	(6.6)
Accrued expenses, other current liabilities and other liabilities	17.8	1.8	(10.4)
Net cash provided by operating activities from continuing operations	<u>67.3</u>	<u>70.3</u>	<u>9.8</u>
Net cash provided by (used in) operating activities from discontinued operations	<u>0.9</u>	<u>(1.9)</u>	<u>(32.1)</u>
Net cash provided by (used in) operating activities	<u>68.2</u>	<u>68.4</u>	<u>(22.3)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	<u>(2.7)</u>	<u>(6.9)</u>	<u>(4.5)</u>
Net cash used in investing activities from continuing operations	<u>(2.7)</u>	<u>(6.9)</u>	<u>(4.5)</u>
Net cash provided by investing activities from discontinued operations	<u>0.0</u>	<u>0.0</u>	<u>249.6</u>
Net cash (used in) provided by investing activities	<u>(2.7)</u>	<u>(6.9)</u>	<u>245.1</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of capital lease obligations	0.0	0.0	(0.1)
Dividends paid	(134.3)	(261.6)	(109.3)
Proceeds from issuance of common stock	3.3	2.1	5.4
Payment of payroll taxes on stock-based compensation through shares withheld	(1.4)	(0.9)	(1.9)
Proceeds from the issuance of common stock from employee stock purchase plans	0.8	0.8	0.0
Purchase of treasury shares	<u>(7.2)</u>	<u>0.0</u>	<u>(9.1)</u>
Net cash used in financing activities from continuing operations	<u>(138.8)</u>	<u>(259.6)</u>	<u>(115.0)</u>
EFFECTS OF EXCHANGE RATES ON CASH	<u>0.1</u>	<u>(0.1)</u>	<u>3.1</u>
NET (DECREASE) INCREASE IN CASH	(73.2)	(198.2)	110.9
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>97.2</u>	<u>295.4</u>	<u>184.5</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH – END OF YEAR	<u>\$ 24.0</u>	<u>\$ 97.2</u>	<u>\$ 295.4</u>
Supplemental disclosures:			
Interest paid	\$ 0.2	\$ 0.3	\$ 0.2
Income taxes paid	\$ 17.7	\$ 11.3	\$ 36.6
Supplemental disclosures of non-cash operating and investing activities:			
Right-of-use assets obtained in exchange for lease obligations:			
Operating leases	\$ 28.7	\$ 16.5	\$ 0.0
December 31,			
	2020	2019	2018
Supplemental disclosures:			
Reconciliation of cash, cash equivalents and restricted cash:			
Cash and cash equivalents	\$ 22.4	\$ 97.2	\$ 295.4
Restricted cash	1.6	0.0	0.0
Total cash, cash equivalents and restricted cash	<u>\$ 24.0</u>	<u>\$ 97.2</u>	<u>\$ 295.4</u>

See notes to consolidated financial statements.

SYSTEMAX INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions, except share data in thousands)

	<u>Common Stock</u>		Additional Paid-in Capital	Treasury Stock, At Cost	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
	Number of Shares Outstanding	Amount					
Balances, December 31, 2017	37,094	\$ 0.4	\$ 186.5	\$ (21.8)	\$ 44.8	\$ 1.9	\$ 211.8
Stock-based compensation expense			2.8				2.8
Issuance of restricted stock	117		(1.7)	1.7			0.0
Stock withheld for employee taxes	(62)			(1.9)			(1.9)
Proceeds from issuance of common stock	419		(0.6)	6.0			5.4
Dividends					(297.1)		(297.1)
Purchase of treasury shares	(233)			(9.1)			(9.1)
Discontinued France operations entities cumulative translation adjustment						4.1	4.1
Change in cumulative translation adjustment						(3.0)	(3.0)
Net income					224.7		224.7
Balances, December 31, 2018	37,335	\$ 0.4	\$ 187.0	\$ (25.1)	\$ (27.6)	\$ 3.0	\$ 137.7
Stock-based compensation expense			5.4				5.4
Issuance of restricted stock	109		(1.8)	1.8			0.0
Stock withheld for employee taxes	(39)			(0.9)			(0.9)
Proceeds from issuance of common stock	230		(1.7)	3.8			2.1
Dividends					(18.1)		(18.1)
Issuance of shares under employee stock purchase plan	44		0.8				0.8
Net income					48.5		48.5
Balances, December 31, 2019	37,679	\$ 0.4	\$ 189.7	\$ (20.4)	\$ 2.8	\$ 3.0	\$ 175.5
Stock-based compensation expense			4.7				4.7
Issuance of restricted stock	42		(0.7)	0.7			0.0
Stock withheld for employee taxes	(47)			(1.4)			(1.4)
Proceeds from issuance of common stock	221		(1.0)	4.3			3.3
Dividends					(134.7)		(134.7)
Purchase of treasury shares	(392)			(7.2)			(7.2)
Issuance of shares under employee stock purchase plan	49		0.8				0.8
Change in cumulative translation adjustment						0.4	0.4
Net income					65.4		65.4
Balances, December 31, 2020	37,552	\$ 0.4	\$ 193.5	\$ (24.0)	\$ (66.5)	\$ 3.4	\$ 106.8

See notes to consolidated financial statements.

SYSTEMAX INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

Systemax Inc., through its operating subsidiaries, is primarily a direct marketer of brand name and private label industrial and business equipment and supplies in North America going to market through a system of branded e-commerce websites and relationship marketers. As previously disclosed, in August 2018 the Company sold its France-based IT business. With the completion of the sale, Systemax operates and is internally managed in one reportable business segment. The Company sells a wide array of industrial and general business hard goods and supplies and to a lesser extent products that would fall into the generally recognizable category of maintenance, repair and operations ("MRO"), markets the Company has served since 1949. Because of the large number of products and product categories the Company offers, providing information on the amount of revenue derived from transactions with external customers for each product or groupings of products is impractical.

Included in discontinued operations is the Company's former France-based IT value added reseller business sold in August 2018, the SARL Businesses sold in March 2017 and the Company's former North American Products Group ("NATG") business sold in December 2015. The France business and SARL Businesses were reported within the Company's former European Technology Products Group ("ETG") segment and the NATG business was reported within the Company's former NATG segment.

The sale of these businesses met the "strategic shift with major impact" criteria as defined under Accounting Standards Update ("ASU") 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which requires disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. Under ASU 2014-08, in order for a disposal to qualify for discontinued operations presentation in the financial statements, the disposal must be a "strategic shift" with a major impact for the reporting entity. If the entity meets this threshold, and other requirements, only the components that were in operation at the time of disposal are presented as discontinued operations. Therefore, the prior year results of the France business, SARL Businesses and NATG are included in discontinued operations in the accompanying consolidated financial statements.

The Company sold its France business, in 2018, and recorded a pre-tax book gain of approximately \$178.9 million. Net sales of the France business, included within discontinued operations, totaled \$352.0 million in 2018. Net gain from the sale of the France business and eight months of operating activity, included within discontinued operations, totaled \$175.8 million in 2018.

For the year ended December 31, 2018, net income included in discontinued operation from the discontinued SARL Businesses totaled \$0.2 million.

For the year ended December 31, 2020, net income from the discontinued NATG business totaled \$1.3 million and for the years ended December 31, 2019 and 2018, net losses from the discontinued NATG business totaled \$1.5 million and \$0.8 million, respectively.

During 2018 the Company's recorded a net gain of \$3.1 million, in continuing operations, related to the settlement of state audits previously disclosed in its 2013 Form 10-K filing offset by an impairment charge resulting from the decision to impair the trade and domain names of C&H Distributors, which was recorded within selling, distribution and administrative expenses.

Related Party Transactions

During 2020, the Company made inventory purchases of approximately \$3.2 million from an entity owned by immediate family members of the Company's Executive Chairman. Amounts outstanding at December 31, 2020 were de minimis and are recorded in Accounts payable in the accompanying Consolidated Balance Sheets. These transactions were carried out on an arm's length basis and with prior approval of the Company's Nominating and Corporate Governance Committee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation — The accompanying consolidated financial statements include the accounts of Systemax Inc. and its wholly-owned subsidiaries (collectively, the "Company" or "Systemax"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Fiscal Year — The Company's fiscal year ends at midnight on the Saturday closest to December 31. For clarity of presentation herein, all fiscal years are referred to as if they ended on December 31. The fiscal year is divided into four fiscal quarters that each end at midnight on a Saturday. For clarity of presentation herein, all fiscal quarters are referred to as if they ended on the traditional calendar month. The full year of 2020 included 53 weeks while 2019 and 2018 included 52 weeks.

Use of Estimates in Financial Statements — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company bases its estimates on historical experience, current business factors, and various other assumptions that the Company believes are necessary to consider to form a basis for making judgments about the carrying values of assets and liabilities, the recorded amounts of revenue and expenses, and the disclosure of contingent assets and liabilities. The Company is subject to uncertainties such as the impact of future events, economic and political factors, and changes in the Company's business environment, therefore, actual results could differ from these estimates.

Changes in estimates are made when circumstances warrant. Such changes in estimates and refinements in estimation methodologies are reflected in reported results of operations; if material, the effects of changes in estimates are disclosed in the notes to the consolidated financial statements. Significant estimates and assumptions by management affect the allowance for credit losses, product returns liabilities, inventory reserves, allowances for cooperative advertising, the carrying value of long-lived assets (including goodwill and intangible assets), the provision for income taxes and related deferred tax accounts, certain accrued liabilities, revenue recognition, contingencies, sublease income, litigation and related legal accruals and the value attributed to employee stock options and other stock-based awards.

Foreign Currency Translation — The Company has operations in foreign countries. The functional currency of each foreign country is the local currency. The financial statements of the Company's foreign entities are translated into U.S. dollars, the reporting currency, using year-end exchange rates for assets and liabilities, year to date average exchange rates for the statement of operations items and historical rates for equity accounts. Translation gains or losses are recorded as a separate component of shareholders' equity.

Cash and cash equivalents — The Company considers amounts held in money market accounts and other short-term investments, including overnight bank deposits, with an original maturity date of three months or less to be cash. Cash overdrafts are classified in accounts payable.

Restricted cash — The Company has restricted cash collateralizing letters of credit outstanding of \$1.6 million, which are recorded in Other assets in the accompanying Consolidated Balance Sheets. Amounts included in restricted cash represent those required to be set aside by a contractual agreement with an insurer for the payment of workers' compensation claims.

Inventories — Inventories consist primarily of finished goods and are stated at the lower of cost or net realizable value. Cost is determined by using the first-in, first-out method. The Company estimates the net realizable value of its inventory by considering factors such as inventory levels, historical write-off information, historical and current demand trends, market conditions, estimated direct selling costs and physical condition of the inventory as well as credits that we may obtain for returned merchandise.

Leases — The Company has operating and finance leases for office and warehouse facilities, headquarters and call centers and certain computer, communications equipment and machinery and equipment which provide the right to use the underlying assets in exchange for agreed upon lease payments, determined by the payment schedule contained in each lease. The Company determines if an arrangement is an operating or finance lease at the inception of the lease. The Company has elected not to apply recognition requirements to leases with terms of one year or less. All other leases are recorded on the balance sheet, with Operating lease right-of-use assets representing the right to use the underlying asset for the lease term and Operating lease liabilities representing the obligation to make lease payments arising from the lease. The Company elected to adopt the available package of practical expedients. The ROU assets and corresponding liabilities are recorded based upon the net present value of the lease payments, discounted using interest rates determined by utilizing such factors as the Company's current credit facility terms, length of the lease term, the Company's expected debt credit rating and comparable company term loan yields. Certain leases may include options to extend the lease, however, the Company is not including any impact of such options in the valuation of its ROU assets or liabilities as they are not probable of being extended. The Company's lease agreements do not contain residual value guarantees or restrictive covenants. The Company has sublease agreements for certain unused facilities. The Company's lease portfolio consists primarily of operating leases which expire at various dates through 2032. See Note 4 to the consolidated financial statements.

Property, Plant and Equipment — Property, plant and equipment is stated at cost. Furniture, fixtures and equipment are depreciated using the straight-line or accelerated method over their estimated useful lives ranging from three years to fifteen years. Leasehold improvements are amortized over the shorter of the useful lives or the term of the respective leases. During 2020, the Company disposed of property, plant and equipment of approximately \$10.5 million and accumulated depreciation of \$10.5 million.

Maintenance and repairs are charged to expense as incurred, and improvements are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statement of operations in the period realized.

Internal-Use Software — Internal-use software is included in fixed assets and is amortized on a straight-line basis over three years. The Company capitalizes costs incurred during the application development stage. Costs related to minor upgrades, minor enhancements and maintenance activities are expensed as incurred.

Evaluation of Long-lived Assets — Long-lived assets are assets used in the Company's operations and include definite-lived intangible assets, leasehold improvements, warehouse and similar property used to generate sales and cash flows. Long-lived assets are tested for impairment utilizing a recoverability test. The recoverability test compares the carrying value of an asset group to the undiscounted cash flows directly attributable to the asset group over the life of the primary asset. If the undiscounted cash flows of an asset group is less than the carrying value of the asset group, the fair value of the asset group is then measured. If the fair value is also determined to be less than the carrying value of the asset group, the asset group is impaired.

Goodwill and Intangible Assets — Goodwill represents the excess of the cost of acquired assets over the fair value of assets acquired. The Company operates in one reporting unit and in the fourth quarter of each year performs a quantitative assessment of its goodwill by comparing the Company's fair market value, or market capitalization, to the carrying value of the Company, including goodwill, to determine if impairment exists. Any excess of the carrying amount over fair value would be charged to impairment expense.

Income Taxes — The Company accounts for income taxes using the liability method, under which deferred tax assets and liabilities are determined based on the future tax consequences attributable to differences between the financial reporting carrying amounts of existing assets and liabilities and their respective tax basis and tax credit carry forwards and net operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates that are expected to be in effect when the differences are expected to reverse.

The Company assesses the likelihood that deferred tax assets will be recovered from future taxable income, and a valuation allowance is established when necessary to reduce deferred tax assets to the amounts more likely than not expected to be realized.

In accordance with the guidance for accounting for uncertainty in income taxes the Company recognizes the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefit of an uncertain tax position that meets the more-likely-than-not recognition threshold is measured as the largest amount that is greater than 50% likely to be realized upon settlement with the tax authority. To the extent we prevail in matters for which accruals have been established or are required to pay amounts in excess of accruals, our effective tax rate in a given financial statement period could be affected.

Revenue Recognition and Accounts Receivable — The Company's revenue is shown as "Net sales" in the accompanying Consolidated Statements of Operations and is measured as the determined transaction price, net of any variable consideration consisting primarily of rights to return product. The Company has elected to treat shipping and handling revenues as activities to fulfill its performance obligation. Billings for freight and shipping and handling are recorded in net sales and costs of freight and shipping and handling are recorded in cost of sales in the accompanying Consolidated Statements of Operations.

The Company will record a contract liability in cases where customers pay in advance of the Company satisfying its performance obligation. The Company did not have any material unsatisfied performance obligations or liabilities as of December 31, 2020.

The Company offers customers rights to return product within a certain time, usually 30 days. The Company estimates its sales returns liability quarterly based upon its historical return rates as a percentage of historical sales for the trailing twelve-month period. The total accrued sales returns liability was approximately \$1.9 million at December 31, 2020 and 2019,

respectively, and was recorded as a refund liability in Accrued expenses and other current liabilities in the accompanying Consolidated Balance Sheets.

Allowance for Credit Losses - On January 1, 2020 the Company adopted ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)*. The Company's trade accounts receivable are subject to this standard. The adoption of this ASU did not have a material impact on the Company's financial position or results of operations.

The Company's trade accounts receivable is one portfolio comprised of commercial businesses operating in the U.S. and to a much lesser extent, Canada. The Company develops its allowances for credit losses, which represent an estimate of expected losses over the remaining contractual life of its receivables, considering customer financial condition, historical loss experience with its customers, current market economic conditions and forecasts of future economic conditions when appropriate. When the Company becomes aware of a customer's inability to meet its financial obligation, a specific reserve is recorded to reduce the receivable to the expected amount to be collected. For the balance of its trade receivables, the Company uses a loss rate method to estimate its credit loss reserve. Historical loss experience rates are calculated using receivable write offs over a trailing twelve-month period and comparing that to the average receivable balances over the same period. That rate is applied to the current accounts receivable portfolio, excluding accounts that have been specifically reserved. Any write offs incurred are recorded against the established reserves.

The Company grants credit to commercial business customers using an electronic application process that evaluates the customer's detailed credit report, reference responses, availability under credit facilities, existing liens, tenure of management and business history, among other factors. Credit terms are typically net 30 days payment required with larger businesses eligible for up to net 90 day terms, if qualified.

Shipping and Handling Costs — The Company recognizes shipping and handling costs in cost of sales.

Advertising Costs — Expenditures for internet, television, local radio and newspaper advertising are expensed in the period the advertising takes place. Catalog preparation, printing and postage expenditures are amortized over the fiscal year during which the benefits are expected.

Net advertising expenses were \$60.3 million, \$69.8 million and \$70.4 million during 2020, 2019 and 2018, respectively, and are included in the accompanying consolidated statements of operations within continuing and discontinued operations. Of the previously mentioned amounts, the Company's discontinued operations net advertising expenses totaled \$0.0 million, \$0.0 million and \$1.1 million during 2020, 2019 and 2018, respectively.

The Company utilizes advertising programs to drive traffic to its websites, support vendors, including catalogs, internet and magazine advertising, and receives payments and credits from vendors, including consideration pursuant to volume incentive programs and cooperative marketing programs. The Company accounts for consideration from vendors as a reduction of cost of sales unless certain conditions are met showing that the funds are used for specific, incremental, identifiable costs, in which case the consideration is accounted for as a reduction in the related expense category, such as advertising expense.

Stock Based Compensation — The fair value of employee share options is recognized in expense over the vesting period of the options, using the graded attribution method. The fair value of employee share options is determined on the date of grant using the Black-Scholes option pricing model. The Company has calculated its dividend yield by dividing the annualized regular quarterly dividend by the current stock price at grant date. The Company has used historical volatility in its estimate of expected volatility. The expected life represents the period of time (in years) for which the options granted are expected to be outstanding. The risk-free interest rate is based on the U.S. Treasury yield curve. Stock-based compensation expense includes an estimate for forfeitures and is recognized over the expected term of the award.

The fair value of the restricted stock and performance restricted stock is the closing stock price on the NYSE of the Company's common stock on the date of grant or the closing stock price of the Company's common stock on the last business day prior to the grant date. Upon delivery, a portion of the RSU award may be withheld to satisfy the statutory withholding taxes. The remaining RSU's/PRSU's will be settled in shares of the Company's common stock after the vesting period and on the prescribed delivery date. These RSU's/PRSU's have none of the rights as other shares of common stock, other than rights to cash dividends, until common stock is distributed.

Net Income (Loss) Per Common Share — Net income per common share - basic is calculated based upon the weighted average number of common shares outstanding during the respective periods presented using the two-class method of computing earnings per share. The two-class method was used as the Company has outstanding restricted stock with rights to

dividend participation for unvested shares. Net income per common share - diluted was calculated based upon the weighted average number of common shares outstanding and included the equivalent shares for dilutive options outstanding during the respective periods, including unvested options. The dilutive effect of outstanding options and restricted stock issued by the Company is reflected in net income per share - diluted using the treasury stock method. Under the treasury stock method, options will only have a dilutive effect when the average market price of common stock during the period exceeds the exercise price of the options.

For the calculation of net income per share-basic from continuing operations, net income available to common shareholders was \$63.3 million, \$49.7 million and \$49.8 million for the years ended December 31, 2020, 2019 and 2018, respectively. For the calculation of net income per share-diluted from continuing operations, net income available to common shareholders was \$63.3 million, \$49.7 million and \$49.5 million for the years ended December 31, 2020, 2019 and 2018, respectively. For the calculation of net income per share-basic from discontinued operations, net income (loss) available to common shareholders was \$1.3 million, \$(1.5) million and \$174.4 million for the years ended December 31, 2020, 2019 and 2018, respectively. For the calculation of net income per share-diluted from discontinued operations, net income (loss) available to common shareholders was \$1.3 million, \$(1.5) million and \$175.2 million for the years ended December 31, 2020, 2019 and 2018, respectively. Basic shares outstanding were 37.5 million for the years ended December 31, 2020 and 2019, and 37.2 million for the year ended December 31, 2018. The weighted average number of stock options outstanding included in the computation of diluted earnings per share was 0.2 million for the years ended December 31, 2020 and 2019. The weighted average number of stock options outstanding included in the computation of diluted earnings per share was 0.5 million and the weighted average number of restricted stock awards included in the computation of diluted earnings per share was 0.2 million for the year ended December 31, 2018. The weighted average number of stock options outstanding excluded from the computation of diluted income per share was 0.5 million shares, 0.4 million shares and a de minimis number of shares for the years ended December 31, 2020, 2019 and 2018, respectively, due to their antidilutive effect.

Employee Benefit Plans — The Company's U.S. subsidiaries participate in a defined contribution 401(k) plan covering substantially all U.S. employees. Employees may invest 1% or more of their eligible compensation, limited to maximum amounts as determined by the Internal Revenue Service. The Company provides a matching contribution to the plan, determined as a percentage of the employees' contributions. Aggregate expense to the Company for contributions to the plan was approximately \$1.4 million, \$1.1 million and \$1.2 million in 2020, 2019 and 2018, respectively.

Fair Value Measurements — On January 1, 2020, the Company adopted ASU 2018-13, *Fair Value Measurements* (Topic 820). The adoption of this ASU did not have a material impact on the Company's financial position or results of operations.

Fair value accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value standards establish the fair value hierarchy to prioritize the inputs used in valuation techniques. There are three levels to the fair value hierarchy (Level 1 is the highest priority and Level 3 is the lowest priority):

- Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 - Unobservable inputs which are supported by little or no market activity

Financial instruments consist primarily of investments in cash, trade accounts receivable, debt and accounts payable. The Company determines the fair value of financial instruments based on interest rates available to the Company. At December 31, 2020 and 2019, the carrying amounts of cash, accounts receivable and accounts payable are considered to be representative of their respective fair values due to their short-term nature. Cash is classified as Level 1 within the fair value hierarchy.

The fair value of goodwill, non-amortizing intangibles and long-lived assets is measured in connection with the Company's annual impairment testing as discussed above.

The weighted average interest rate on short-term borrowings was 4.4% in 2020, 6.2% in 2019 and 5.7% in 2018.

Significant Concentrations — Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable. The Company's excess cash balances are invested with money center banks. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers and their

geographic dispersion comprising the Company's customer base. The Company also performs on-going credit evaluations and maintains allowances for potential losses as warranted.

The Company purchases substantially all of its products and components directly from both large and small manufacturers as well as large wholesale distributors. No supplier accounted for 10% or more of our product purchases for continuing operations in 2020, 2019 and 2018. Most private label products are manufactured by third parties to our specifications.

Recent Accounting Pronouncements

Public companies in the United States are subject to the accounting and reporting requirements of various authorities, including the Financial Accounting Standards Board ("FASB") and the Securities and Exchange Commission ("SEC"). These authorities issue numerous pronouncements, most of which are not applicable to the Company's current or reasonably foreseeable operating structure. Below are the new authoritative pronouncements that management believes are relevant to Company's current operations.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This ASU clarifies and simplifies accounting for income taxes by eliminating certain exceptions for intraperiod tax allocation principles and the methodology for calculating income tax rates in an interim period, among other updates. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company will adopt this ASU effective January 1, 2021. The Company does not expect the adoption of this standard to have a material impact on the Company's financial position or results of operations.

In October 2020, the FASB issued ASU 2020-10, *Codification Improvements*. This ASU amends a variety of topics in the Codification to improve consistency and clarify the guidance. The effective date of this ASU is for fiscal years and interim periods beginning after December 15, 2020. The Company does not expect the adoption of this standard to have a material impact on the Company's financial position or results of operations.

3. CREDIT LOSSES

On January 1, 2020 the Company adopted ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)*. The Company's trade accounts receivable and notes and other receivables are subject to this standard. The adoption of this ASU did not have a material impact on the Company's financial position or results of operations.

The Company's trade accounts receivable is one portfolio comprised of commercial businesses operating in the U.S. and to a much lesser extent, Canada. The Company develops its allowances for credit losses, which represent an estimate of expected losses over the remaining contractual life of its receivables, considering customer financial condition, historical loss experience with its customers, current market economic conditions and forecasts of future economic conditions when appropriate. When the Company becomes aware of a customer's inability to meet its financial obligation, a specific reserve is recorded to reduce the receivable to the expected amount to be collected. For the balance of its trade receivables, the Company uses a loss rate method to estimate its credit loss reserve. Historical loss experience rates are calculated using receivable write offs over a trailing twelve-month period and comparing that to the average receivable balances over the same period. That rate is applied to the current accounts receivable portfolio, excluding accounts that have been specifically reserved. Any write offs incurred are recorded against the established reserves.

The Company grants credit to commercial business customers using an electronic application process that evaluates the customer's detailed credit report, reference responses, availability under credit facilities, existing liens, tenure of management and business history, among other factors. Credit terms are typically net 30 days payment required with larger businesses eligible for up to net 90 day terms, if qualified.

The following is a rollforward of the allowances for credit losses related to the Company's receivables for the year ended December 31, 2020:

	December 31, 2020	
Balance at beginning of period	\$	6.8
Current period provision		1.2
Write-offs - trade accounts receivable		(0.7)
Write-offs - notes and other receivables*		(5.6)
Balance at end of period	\$	1.7

*\$5.6 million of reserves related to notes and other receivables originated in 2016 and this balance was written off in the second quarter of 2020.

4. LEASES

The Company has operating and finance leases for office and warehouse facilities, headquarters, call centers, machinery and certain computer and communications equipment which provide the right to use the underlying assets in exchange for agreed upon lease payments, determined by the payment schedule contained in each lease. The Company's lease portfolio consists primarily of operating leases which expire at various dates through 2032.

The Company's operating lease costs, included in continuing operations, was \$13.1 million, \$12.0 million and \$11.4 million, for the years ended December 31, 2020, 2019 and 2018, respectively.

Information relating to operating leases for continuing and discontinued operations as of December 31, 2020 and 2019:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Weighted Average Remaining Lease Term		
Operating leases	8.7 years	8.4 years
Weighted Average Discount Rate		
Operating leases	5.2 %	5.7 %
ROU assets obtained in exchange for operating lease obligations	\$ 28.7	\$ 16.5

Maturities of lease liabilities were as follows (in millions):

Year Ending December 31	Operating Leases	
2021	\$	14.8
2022		14.0
2023		13.6
2024		12.3
2025		11.1
Thereafter		46.8
Total lease payments		112.6
Less: interest		(25.1)
Total present value of lease liabilities	\$	87.5

The Company currently leases its headquarters office facility from an entity owned by the Company's principal shareholders. Total expense recorded to related parties was \$1.0 million in 2020, 2019 and 2018.

The Company has sublease agreements for certain unused facilities related to continuing and discontinued operations. These sublease agreements expire in February 2022 and August 2023 with options to extend the terms of the lease included in one of the agreements. Total sublease income of \$1.7 million, \$1.9 million and \$0.2 million was recorded for the years ended December 31, 2020, 2019 and 2018, respectively. Future rent streams related to sublease agreements of \$1.3 million to be collected in less than one year and \$0.5 million to be collected between one and three years,

5. REVENUE

Disaggregation of Revenues

The Company believes its presentation of revenue by geography most reasonably depicts how the nature, amount, timing and uncertainty of the Company's revenue and cash flows are affected by economic and industry factors, including fluctuations in exchange rates between the U.S. and Canada. The following table presents the Company's revenue, from continuing operations, by geography for the year ended December 31, 2020, 2019 and 2018 (in millions):

	Year Ended December 31,		
	2020	2019	2018
Net sales:			
United States	\$ 968.1	\$ 901.3	\$ 854.6
Canada	60.9	45.6	42.3
Consolidated	<u>\$ 1,029.0</u>	<u>\$ 946.9</u>	<u>\$ 896.9</u>

6. DISPOSITIONS AND SPECIAL GAINS AND CHARGES

The Company's discontinued operations include the results of the France business sold in August 2018, the SARL Businesses sold in March 2017 and the NATG business sold in December 2015 (see Note 1).

For the years ended December 31, 2020, 2019 and 2018, special charges (gains) included in discontinued operations were \$1.4 million income, \$0.0 million and \$178.3 million income, respectively.

For the year ended December 31, 2020, the Company's NATG discontinued operations recorded approximately \$1.9 million in restitution receipts offset by approximately \$0.5 million of professional fees.

On August 31, 2018, the Company closed on the sale of its France-based IT value added reseller business. The Company recorded a pre-tax book gain on the sale of the France business, of approximately \$178.9 million for the year ended December 31, 2018.

For the year ended December 31, 2018, the Company's NATG discontinued operations recorded special charges of approximately \$0.6 million. The Company recorded lease reserve adjustments related to its previously exited leased facilities for the discontinued NATG business of approximately \$1.7 million and additional legal and professional fees of \$0.1 million for ongoing restitution proceedings. Offsetting these expenses were approximately \$1.0 million in restitution receipts and \$0.2 million in vendor settlement receipts from the discontinued NATG business.

The Company has completed the wind-down activities related to the sale of the France business, but may incur additional charges related to statutory tax and other indemnities given at closing. The Company has substantially completed the wind-down activities related to the NATG business, although certain NATG activities related to sublet facilities, settling accounts payable and other contingent liabilities continue. The Company expects that total additional exit charges related to discontinued operations after this quarter may aggregate up to \$0.5 million.

Results of discontinued operations for the years ended December 31, 2020, 2019 and 2018 are as follows:

	Year Ended December 31,		
	2020	2019	2018
Net sales	\$ 0.0	\$ 0.0	\$ 352.0
Cost of sales	0.0	0.0	295.8
Gross profit	0.0	0.0	56.2
Selling, distribution and administrative expenses	(0.4)	2.1	36.5
Pre-tax book gain on sale of France business	0.0	0.0	(178.9)
Special (gains) charges, net	(1.4)	0.0	0.6
Operating income (loss) from discontinued operations	1.8	(2.1)	198.0
Foreign currency exchange income	0.0	0.0	(0.2)
Income (loss) of discontinued operations before income taxes	1.8	(2.1)	198.2
Provision (benefit) for income taxes	0.5	(0.6)	23.0
Net income (loss) from discontinued operations	<u>\$ 1.3</u>	<u>\$ (1.5)</u>	<u>\$ 175.2</u>
Net income (loss) per share - basic	<u>\$ 0.03</u>	<u>\$ (0.04)</u>	<u>\$ 4.69</u>
Net income (loss) per share - diluted	<u>\$ 0.03</u>	<u>\$ (0.04)</u>	<u>\$ 4.62</u>

The Company has not incurred any special charges in 2020 in continuing operations. In the third quarter of 2019, within continuing operations, the Company's former German branch recorded special gains of approximately \$0.8 million related to a buyout for its outstanding lease obligation. The Company recorded special charges of \$0.8 million in 2018, within continuing operations, related to updating lease reserves adjustments related to its discontinued NATG outstanding business lease obligations.

The following table details liabilities related to the exit costs of the sold businesses that remain for 2020 (in millions):

	Accrued exit costs	
Balance January 1, 2020	\$	2.8
Charged to expense		0.4
Paid or otherwise settled		(0.4)
Balance December 31, 2020	\$	2.8

The following table details liabilities related to the exit costs of the sold businesses for 2019 (in millions):

	Accrued exit costs	
Balance, January 1, 2019	\$	2.8
Charged to expense		0.7
Paid or otherwise settled		(0.7)
Balance, December 31, 2019	\$	2.8

7. GOODWILL AND INTANGIBLES

Goodwill and indefinite-lived intangible assets:

The following table provides information related to the carrying value of goodwill (in millions):

	December 31,	
	2020	2019
Balance, December 31	\$ 5.5	\$ 5.5

The following table provides information related to the carrying value of indefinite lived intangibles as of December 31, 2020 and 2019, respectively (in millions):

	December 31,	
	2020	2019
Balance, December 31	\$ 0.7	\$ 0.7

Definite-lived intangible assets:

The following table summarizes information related to definite-lived intangible assets as of December 31, 2020 (in millions):

	December 31, 2020				
	Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted avg useful life
Client lists	5-10 yrs	\$ 2.0	\$ 1.2	\$ 0.8	4.1
Domain name	5 yrs	3.4	3.4	0.0	0.0
Total		\$ 5.4	\$ 4.6	\$ 0.8	4.1

The following table summarizes information related to definite-lived intangible assets as of December 31, 2019 (in millions):

	December 31, 2019				
	Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted avg useful life
Client lists	5-10 yrs	\$ 2.0	\$ 1.0	\$ 1.0	5.1
Domain name	5 yrs	3.4	3.4	0.0	0.0
Total		\$ 5.4	\$ 4.4	\$ 1.0	5.1

The aggregate amortization expense for these intangibles was approximately \$0.2 million in 2020. The estimated amortization for future years ending December 31 is as follows (in millions):

2021	\$ 0.2
2022	0.2
2023	0.2
2024	0.2
Total	\$ 0.8

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net consist of the following (in millions):

	December 31,	
	2020	2019
Land improvements	\$ 0.8	\$ 0.8
Furniture and fixtures, office, computer and other equipment and software	36.5	44.3
Leasehold improvements	13.1	13.1
	50.4	58.2
Less accumulated depreciation and amortization	33.8	40.4
Property, plant and equipment, net	\$ 16.6	\$ 17.8

Depreciation charged to continuing operations for property, plant and equipment including capital leases in 2020, 2019, and 2018 was \$3.9 million, \$3.9 million and \$3.5 million, respectively and is reported within selling, distribution and administrative expenses. During 2020, the Company disposed of property, plant and equipment of approximately \$10.5 million and accumulated depreciation of \$10.5 million.

9. CREDIT FACILITIES

The Company maintains a \$75 million secured revolving credit facility with one financial institution, which has a five-year term, maturing on October 28, 2021 and provides for borrowings in the United States. The Company expects to renew this facility before its expiration in 2021. The credit agreement contains certain operating, financial and other covenants, including limits on annual levels of capital expenditures, availability tests related to payments of dividends and stock repurchases and fixed charge coverage tests related to acquisitions. The revolving credit agreement requires that a minimum level of availability be maintained. If such availability is not maintained, the Company will be required to maintain a fixed charge coverage ratio (as defined). The borrowings under the agreement are subject to borrowing base limitations of up to 85% of eligible accounts receivable and the inventory advance rate computed as the lesser of 60% or 85% of the net orderly liquidation value ("NOLV"). Borrowings are secured by substantially all of the borrower's assets, as defined, including all accounts, accounts receivable, inventory and certain other assets, subject to limited exceptions, including the exclusion of certain foreign assets from the collateral. The interest rate under the amended and restated facility is computed at applicable market rates based on the London interbank offered rate ("LIBOR"), the Federal Reserve Bank of New York ("NYFRB") or the Prime Rate, plus an applicable margin. The applicable margin varies based on borrowing base availability. As of December 31, 2020, eligible collateral under the credit agreement was \$75.0 million, total availability and excess availability was \$72.6 million and there were no outstanding borrowings. The Company has restricted cash collateralizing letters of credit outstanding of \$1.6 million at December 31, 2020 recorded within Other assets on the accompanying Consolidated Balance Sheets. The Company was in compliance with all of the covenants of the credit agreement in place as of December 31, 2020.

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following (in millions):

	December 31,	
	2020	2019
Payroll and employee benefits	\$ 26.4	\$ 11.3
Advertising	4.8	4.9
Sales and VAT tax payable	3.8	2.6
Freight	7.4	6.8
Reorganization costs	0.4	0.4
Income taxes payable	0.9	0.0
Product returns liability	1.9	1.9
Other	5.1	6.1
	\$ 50.7	\$ 34.0

11. STOCK REPURCHASES

In 2018, the Company's Board of Director's approved a share repurchase program with a repurchase authorization of up to two million shares of the Company's common stock. Under the share repurchase program, the Company is authorized to purchase shares from time to time through open market purchases, tender offerings or negotiated purchases, subject to market conditions and other factors. In 2020, the Company repurchased 392,337 common shares for approximately \$7.2 million. Also, in 2018, the Company repurchased 232,550 common shares for approximately \$9.1 million. The maximum number of shares that may yet be purchased under the Plan was approximately 1,375,000 at December 31, 2020.

12. SHAREHOLDERS' EQUITY

Stock-Based Compensation Plans

The Company currently has two equity compensation plan which reserves shares of common stock for issuance to key employees, directors, consultants and advisors to the Company. The following is a description of these plans:

The 2010 Long-term Stock Incentive Plan ("2010 Plan") - This plan was adopted in April 2010 and allows the Company to issue incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock and restricted stock units, performance awards and other stock based awards authorized by the Compensation Committee of the Board of Directors. Options and awards issued under this plan expire ten years after the options and awards are granted. The maximum number of shares granted per type of award to any individual may not exceed 1,500,000 in any calendar year. Restricted stock grants and common stock awards reduce stock options otherwise available for future grant. Awards for a maximum of 7,500,000 shares may be granted under this plan. A total of 661,024 options and 153,516 restricted stock units were outstanding under this plan as of December 31, 2020.

The 2020 Omnibus Stock Incentive Plan ("2020 Omnibus Plan") - This plan was adopted in June 2020 and allows the Company to issue incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards and other stock based awards authorized by the Compensation Committee of the Board of Directors. Options and awards issued under this plan expire ten years after the options and awards are granted. The maximum number of shares granted per type of award to any individual may not exceed 1,500,000 in any calendar year (or \$10.0 million in the case of cash performance awards). Restricted stock grants and common stock awards reduce stock options otherwise available for future grant. Awards for a maximum of 7,500,000 shares may be granted under this plan. A total of 10,244 restricted stock units were outstanding under this plan as of December 31, 2020.

Shares issued under our share-based compensation plans are usually issued from shares of our common stock held in the treasury.

Compensation cost related to non-qualified stock options recognized in continuing operations (selling, distribution and administrative expenses) for 2020, 2019 and 2018 was \$1.8 million, \$3.3 million, and \$0.3 million respectively. In the first quarter of 2019, the Company repriced approximately 0.6 million shares of outstanding stock options and recorded approximately \$0.6 million of related compensation expense and for the year ended December 31, 2019, the Company recorded \$0.7 million of related compensation expense. France discontinued operations compensation cost related to non-qualified stock options was \$0.4 million in 2018, primarily related to the acceleration of stock options due to the sale of the France business of approximately \$0.3 million. The related future income tax benefits recognized for 2020, 2019 and 2018 were \$0.4 million, \$0.7 million and \$0.1 million, respectively.

Stock Options

The following table presents the weighted-average assumptions used to estimate the fair value of options granted in 2020, 2019 and 2018:

	2020	2019	2018
Expected annual dividend yield	2.0 %	1.9 %	1.4 %
Risk-free interest rate	1.38 %	2.65 %	2.94 %
Expected volatility	51.1 %	50.4 %	48.0 %
Expected life in years	5.2	5.0	5.2

The following table summarizes information concerning outstanding and exercisable options:

	Weighted Average					
	2020		2019		2018	
	Shares	Weighted Avg. Exercise Price	Shares	Weighted Avg. Exercise Price	Shares	Weighted Avg. Exercise Price
Outstanding at beginning of year	764,784	\$ 17.31	596,148	\$ 11.64	1,001,300	\$ 11.58
Granted	111,872	\$ 23.60	1,038,536	\$ 15.76	17,550	\$ 31.66
Exercised	(191,780)	\$ 11.68	(224,750)	\$ 8.92	(400,203)	\$ 12.18
Canceled or expired	(23,852)	\$ 23.71	(645,150)	\$ 12.50	(22,499)	\$ 15.24
Outstanding at end of year	<u>661,024</u>	<u>\$ 19.78</u>	<u>764,784</u>	<u>\$ 17.31</u>	<u>596,148</u>	<u>\$ 11.64</u>
Options exercisable at year end	302,283		227,598		341,515	
Weighted average fair value per option granted during the year	\$ 9.12		\$ 9.16		\$ 12.87	

The total intrinsic value of options exercised was \$3.9 million in 2020 and \$3.4 million in 2019 and \$9.5 million in 2018.

The following table summarizes information about options vested and exercisable or non-vested that are expected to vest (non-vested outstanding less expected forfeitures) at December 31, 2020:

Range of Exercise Prices	Options outstanding and Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in millions)
\$ 5.00 to \$ 10.00	123,000	\$ 6.29	5.53	\$ 3.6
\$ 10.01 to \$ 15.00	0	\$ 0.00	0	0.0
\$ 15.01 to \$ 20.00	57,304	\$ 17.03	2.43	1.1
\$ 20.01 to \$ 25.00	<u>480,720</u>	<u>\$ 23.55</u>	<u>8.30</u>	<u>5.9</u>
\$ 5.00 to \$ 25.00	<u>661,024</u>	<u>\$ 19.78</u>	<u>7.27</u>	<u>\$ 10.6</u>

The aggregate intrinsic value in the tables above represents the total pretax intrinsic value (the difference between the closing stock price on the last day of trading in 2020 and the exercise price) that would have been received by the option holders had all options been exercised on December 31, 2020. This value will change based on the fair market value of the Company's common stock.

The following table reflects the activity for all unvested stock options during 2020:

	Shares	Weighted Average Grant-Date Fair Value
Unvested at January 1, 2020	537,186	\$ 9.38
Granted	111,872	\$ 9.12
Vested	(269,553)	\$ 9.19
Forfeited	(20,764)	\$ 9.61
Unvested at December 31, 2020	<u>358,741</u>	<u>\$ 9.63</u>

At December 31, 2020, there was approximately \$1.6 million of unrecognized compensation costs related to unvested stock options, which is expected to be recognized over a weighted average period of 3.36 years. The total fair value of stock options vested during 2020, 2019 and 2018 was \$2.5 million, \$4.0 million and \$1.2 million, respectively.

Restricted Stock and Restricted Stock Units

The following table reflects the activity for restricted stock awards, excluding the restricted stock issued to Directors (in millions, except shares data):

Year Granted	Shares Granted	Outstanding at December 31, 2020	Rights to Cash Dividend	Other Participation Rights	Performance Award	Compensation Expense		
						Year Ended December 31,		
						2020	2019	2018
2010	175,000	—	Yes	None	No	\$ 0.0	\$ 0.0	\$ 0.1
2011	100,000	—	Yes	None	No	0.0	0.0	0.2
2012	50,000	10,000	Yes	None	No	0 ⁽¹⁾	0 ⁽¹⁾	0 ⁽¹⁾
2016	100,000	—	Yes	None	No	0.0	0 ⁽¹⁾	0.1
2017	53,288	—	Yes	None	No	0.0	0.0	0 ⁽¹⁾
2017	49,600	—	Yes	None	Yes	0.0	0.0	1.5 ⁽²⁾
2018	5,117	—	Yes	None	No	0.0	0.0	0 ⁽¹⁾
2019	30,251	24,200	Yes	None	No	0.2	0.3	0.0
2019	149,412	57,242	Yes	None	Yes	1.2	1.3	0.0
2020	28,272	28,272	Yes	None	No	0.4	0.0	0.0
2020	43,330	26,446	Yes	None	Yes	0.6	0.0	0.0
Total						\$ 2.4	\$ 1.6	\$ 1.9

¹ less than \$0.1 million of expense recorded

² As a result of the sale of the France business in August 2018 and terms of the performance award, compensation expense of \$1.5 million was recorded in discontinued operations for the year ended 2018.

Share-based compensation expense reported within continuing operations for restricted stock issued to Directors was \$0.2 million in 2020 and 2019 and \$0.1 million in 2018 and is recorded within selling, distribution and administrative expenses. A total of 17,600 restricted stock units, 10,244 from the 2020 Omnibus Plan and 7,356 from the 2010 Plan, are outstanding to the Directors as of December 31, 2020.

At December 31, 2020, there was approximately \$1.7 million of unrecognized compensation cost related to the unvested RSU's, which is expected to be recognized over a weighted average period of 2.47 years.

Compensation expense related to RSU and performance RSU's reported within continuing operations was approximately \$2.5 million, \$1.8 million and \$0.5 million for the years ended December 31, 2020, 2019 and 2018, respectively, and is recorded within selling, distribution and administrative expenses.

The following table reflects the activity for all unvested restricted stock during 2020:

	Shares	Weighted Average Grant-Date Fair Value
Unvested at January 1, 2020	172,595	\$ 23.14
Granted	81,846	\$ 23.49
Vested	(81,547)	\$ 23.58
Forfeited	(9,134)	\$ 23.71
Unvested at December 31, 2020	163,760	\$ 23.06

Employee Stock Purchase Plan

The 2018 Employee Stock Purchase Plan - This plan was approved by the Company's stockholders in December 2018 and a reserve of 500,000 shares of common stock has been established under this plan. The Company adopted this plan, the terms of which allow for eligible employees (as defined in the 2018 Employee Stock Purchase Plan) to participate in the purchase, during each six month purchase period, up to a maximum of 10,000 shares of the Company's common stock at a purchase price equal to 85% of the closing price at either the start date or the end date of the stock purchase period, whichever is lower. Compensation expense related to this plan of approximately \$0.3 million for the years ended December 31, 2020 and 2019 and \$0.1 million for the year ended December 31, 2018 is recognized in selling, distribution and administrative expenses. As of December 31, 2020, approximately 406,144 shares remain reserved for issuance under this plan. Employees purchased approximately 49,627 shares of common stock during fiscal year 2020 at an average per share price of \$16.85. During fiscal year 2019, employees purchased approximately 44,229 shares of common stock at an average per share price of \$17.61.

13. INCOME TAX

The following table summarizes our U.S. and foreign components of income from continuing operations before income taxes (in millions):

	Year Ended December 31,		
	2020	2019	2018
United States	\$ 80.5	\$ 65.8	\$ 62.8
Foreign	3.5	0.3	0.1
Total	\$ 84.0	\$ 66.1	\$ 62.9

The following table summarizes the (benefit) provision for income taxes from continuing operations (in millions):

	Year Ended December 31,		
	2020	2019	2018
Current:			
Federal	\$ 17.0	\$ 12.5	\$ 2.6
State	3.3	2.1	2.4
Foreign	0.1	0.1	0.0
Total current	\$ 20.4	\$ 14.7	\$ 5.0
Deferred:			
Federal	\$ (0.8)	\$ 1.1	\$ 7.7
State	0.3	0.3	0.6
Foreign	0.0	0.0	0.1
Total deferred	\$ (0.5)	\$ 1.4	\$ 8.4
TOTAL	\$ 19.9	\$ 16.1	\$ 13.4

Tax expense (benefit) from discontinued operations was \$0.5 million, \$(0.6) million and \$23.0 million for the years ended December 31, 2020, 2019 and 2018, respectively. Income taxes are accrued and paid by each foreign entity in accordance with applicable local regulations.

A reconciliation of the difference between the income tax expense and the computed income tax expense from continuing operations based on the Federal statutory corporate rate is as follows (in millions):

	Year Ended December 31,					
	2020		2019		2018	
Income tax at Federal statutory rate	\$ 17.6	21.0 %	\$ 13.9	21.0 %	\$ 13.2	21.0 %
State and local income taxes, net of federal tax benefit	3.0	3.5 %	2.4	3.7 %	2.6	4.1 %
Impact of state rate changes	0.0	0.0 %	0.1	0.1 %	(0.1)	(0.2)%
Reversal of valuation allowances	(0.9)	(1.0)%	(0.3)	(0.4)%	(0.2)	(0.3)%
Stock based compensation	(0.5)	(0.6)%	(0.5)	(0.8)%	(1.5)	(2.4)%
Non-deductible items	0.8	0.9 %	0.8	1.2 %	0.1	0.2 %
Other items, net	(0.1)	(0.1)%	(0.3)	(0.4)%	(0.7)	(1.1)%
Income tax	<u>\$ 19.9</u>	<u>23.7 %</u>	<u>\$ 16.1</u>	<u>24.4 %</u>	<u>\$ 13.4</u>	<u>21.3 %</u>

The deferred tax assets and liabilities are comprised of the following (in millions):

	December 31,	
	2020	2019
Assets:		
Accrued expenses and other liabilities	\$ 2.5	\$ 1.3
Inventory	1.7	1.3
Operating lease obligations	20.9	16.5
Intangible & other	0.6	1.3
Net operating loss and credit carryforwards	15.5	17.7
Valuation allowances	(15.2)	(16.8)
Total deferred tax assets	<u>\$ 26.0</u>	<u>\$ 21.3</u>
Liabilities:		
Operating lease right-of-use assets	\$ 18.4	\$ 14.0
Other	0.1	0.1
Total deferred tax liabilities	<u>\$ 18.5</u>	<u>\$ 14.1</u>

During 2020 the Company utilized approximately \$4.1 million in state NOL carryforwards to reduce the current year tax expense. As of December 31, 2020, the Company has foreign NOLs of \$7.9 million which expire through 2033 and foreign tax credit carryforwards of \$1.1 million expiring in years through 2028. The Company has recorded valuation allowances of approximately \$15.2 million, including valuations against state net operating loss carryforwards of \$5.8 million, foreign NOLs of \$7.9 million, \$0.4 million against the deductibility of foreign temporary tax differences and \$1.1 million against foreign tax carryforwards. Valuation allowances have been recorded against these assets as the Company believes it is more likely than not that these NOLs, temporary differences and foreign tax credits will not be utilized in the near future.

The Company has not provided for federal income taxes applicable to the undistributed earnings of its foreign subsidiary in India and Canada of approximately \$3.7 million as of December 31, 2020, since these earnings are considered permanently reinvested in the subsidiaries. The Company's permanent reinvestment assertion has not changed following the enactment of the TCJA. If the Company ceases to be permanently reinvested in its foreign subsidiaries, the Company may be subject to foreign withholding and other taxes on undistributed earnings and may need to record a deferred tax liability for any outside basis difference in its investments in its foreign subsidiaries.

Under the TCJA each U.S. shareholder of a controlled foreign corporation ("CFC") must include in its gross taxable income in any tax year the aggregate net GILTI, or net income, of its CFCs. In 2020 the Company has included in taxable income the net income of its subsidiaries in the Netherlands, India, and Canada. The Company has elected to treat GILTI expense as a period cost when incurred.

The Company is routinely audited by federal, state and foreign tax authorities with respect to its income taxes. The Company regularly reviews and evaluates the likelihood of audit assessments. The Company's federal income tax returns have been audited through 2013. The Company has not signed any consent to extend the statute of limitations for any subsequent years. The Company's significant state tax returns have been audited through 2009. The Company considers its significant tax jurisdictions in foreign locations to be Canada and India.

As of December 31, 2020, the Company had no uncertain tax positions. Interest and penalties, if any, are recorded in income tax expense. There were no accrued interest or penalty charges related to unrecognized tax benefits recorded in income tax expense in 2020, 2019 or 2018.

14. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

The Company and its subsidiaries are from time to time involved in various lawsuits, claims, investigations and proceedings which may include commercial, employment, tax, customs and trade, customer, vendor, personal injury, creditors rights and health and safety law matters, which are handled and defended in the ordinary course of business. In addition, the Company is from time to time subjected to various assertions, claims, proceedings and requests for damages and/or indemnification concerning sales channel practices and intellectual property matters, including patent infringement suits involving technologies that are incorporated in a broad spectrum of products the Company sells or that are incorporated in the Company's e-commerce sales channels, as well as trademark/copyright infringement claims. The Company is also audited by (or has initiated voluntary disclosure agreements with) various U.S. Federal and state authorities, as well as Canadian authorities, concerning potential income tax, sales tax and/or "unclaimed property" liabilities. These matters are in various stages of investigation, negotiation and/or litigation. The Company's NATG subsidiaries are being audited by an entity representing 28 states seeking recovery of "unclaimed property" and has received separate demands from 20 states requesting payments of their claimed amounts. The Company has complied with the unclaimed property audit, has provided requested information and has corresponded with the states regarding possible further discussions. The Company intends to vigorously defend these matters and believes it has strong defenses.

Although the Company does not expect, based on currently available information, that the outcome in any of these matters, individually or collectively, will have a material adverse effect on its financial position or results of operations, the ultimate outcome is inherently unpredictable. Therefore, judgments could be rendered or settlements entered, that could adversely affect the Company's operating results or cash flows in a particular period. The Company regularly assesses all of its litigation and threatened litigation as to the probability of ultimately incurring a liability, and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable and estimable. In this regard, the Company establishes accrual estimates for its various lawsuits, claims, investigations and proceedings when it is probable that an asset has been impaired or a liability incurred at the date of the financial statements and the loss can be reasonably estimated. At December 31, 2020 the Company has established accruals for certain of its various lawsuits, claims, investigations and proceedings based upon estimates of the most likely outcome in a range of loss or the minimum amounts in a range of loss if no amount within a range is a more likely estimate. The Company does not believe that at December 31, 2020 any reasonably possible losses in excess of the amounts accrued would be material to the financial statements.

15. SUBSEQUENT EVENT

In February 2021, the Company recorded approximately \$15.0 million in restitution receipts and also recorded approximately \$3.0 million of professional fees related to the ongoing restitution proceedings. These items will be recorded in Discontinued Operations in the first quarter of 2021.

16. QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly financial data, excluding discontinued operations, is as follows (in millions, except for per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2020				
Net sales	\$ 227.3	\$ 242.1	\$ 285.7	\$ 273.9
Gross profit	\$ 76.7	\$ 84.8	\$ 102.3	\$ 93.1
Net income from continuing operations	\$ 8.3	\$ 15.3	\$ 24.1	\$ 16.4
Net income per common share from continuing operations:				
Basic	0.21	0.41	0.64	0.42
Diluted	0.21	0.40	0.64	0.42
2019				
Net sales	\$ 232.2	\$ 248.6	\$ 243.9	\$ 222.2
Gross profit	\$ 80.3	\$ 86.0	\$ 84.4	\$ 75.0
Net income from continuing operations	\$ 10.0	\$ 14.9	\$ 13.7	\$ 11.4
Net income per common share from continuing operations:				
Basic	0.27	0.40	0.36	0.30
Diluted	0.26	0.39	0.36	0.30

SYSTEMAX INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

For the years ended December:
(in millions)

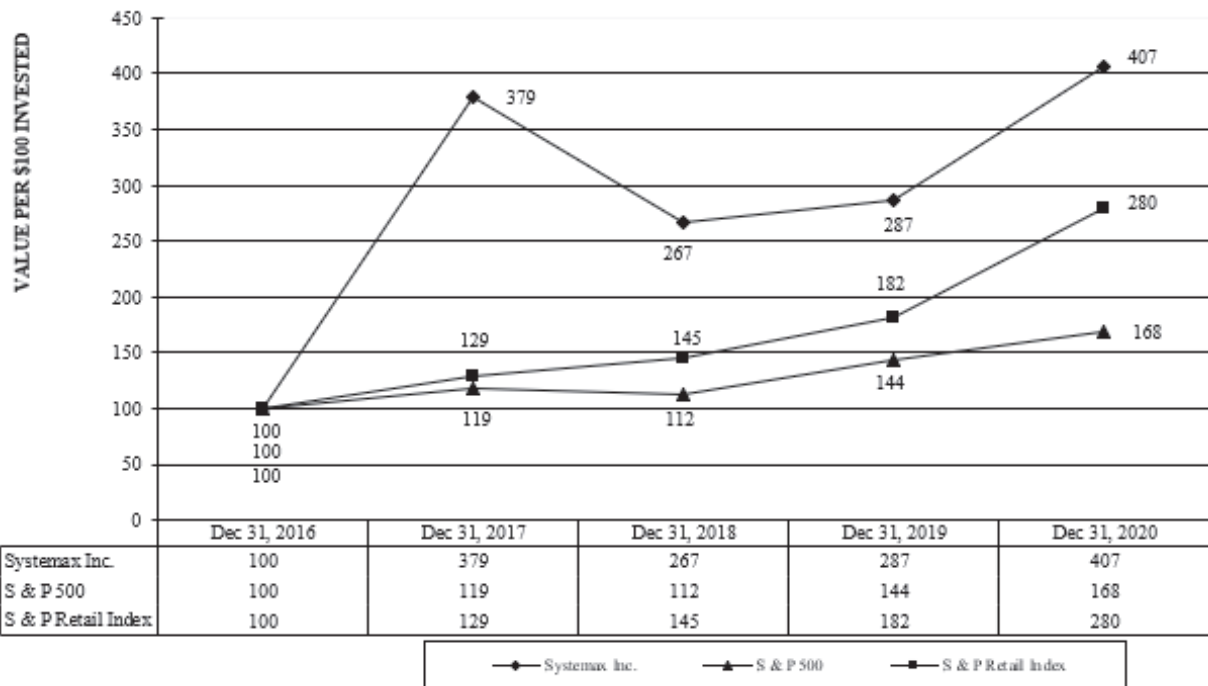
Description	Balance at Beginning of Period	Charged to Expenses	Write-offs	Other	Balance at End of Period
Allowance for credit losses					
2020	\$ 6.8	\$ 1.2	\$ (6.3)	\$ 0.0	\$ 1.7
2019	\$ 6.6	\$ 1.0	\$ (0.8)	\$ 0.0	\$ 6.8
2018	\$ 6.7	\$ 0.7	\$ (0.8)	\$ 0.0	\$ 6.6
Allowance for deferred tax assets					
2020	\$ 16.8	\$ (1.0)	\$ (0.6)	\$ 0.0	\$ 15.2
2019	\$ 18.3	\$ (0.3)	\$ 0.0	\$ (1.2)	\$ 16.8
2018	\$ 18.3	\$ (0.3)	\$ 0.0	\$ 0.3	\$ 18.3

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Stock Performance Graph



Financial Summary

(In millions except Diluted Net Income Per Share)

	2016	2017	2018	2019	2020
Net sales from continuing operations	\$ 753.1	\$ 791.8	\$ 896.9	\$ 946.9	\$1,029.0
Operating income (loss) from continuing operations	\$ 8.0	\$ 45.7	\$ 61.7	\$ 66.1	\$ 84.1
Net income from continuing operations	\$ 3.9	\$ 65.5	\$ 49.5	\$ 50.0	\$ 64.1
Diluted net income (loss) per share	\$ 0.10	\$ 1.74	\$ 1.31	\$ 1.32	\$ 1.68

Forward-Looking Statements: Certain statements in this Annual Report constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include known and unknown risks, uncertainties and other factors as set forth within the Form 10K forming a part of this document.

ANNUAL MEETING OF STOCKHOLDERS:

The 2021 Annual Meeting will be held on:
Monday, June 7, 2021 at 12:00 p.m. Eastern Time
online at:
www.virtualshareholdermeeting.com/SYX2021

STOCK EXCHANGE:

The Company's shares are traded on the
New York Stock Exchange under the symbol SYX.

INDEPENDENT AUDITORS:

ERNST & YOUNG LLP
New York, NY

DIRECTORS**Richard Leeds**

Executive Chairman

Bruce Leeds

Vice Chairman

Robert Leeds

Vice Chairman

Barry Litwin

Chief Executive Officer

Robert D. Rosenthal

Independent Director

Chad M. Lindbloom

Independent Director

Paul S. Pearlman

Independent Director

Lawrence Reinhold

Director

EXECUTIVE OFFICERS**Richard Leeds**

Executive Chairman

Bruce Leeds

Vice Chairman

Robert Leeds

Vice Chairman

Barry Litwin

Chief Executive Officer

Thomas Clark

Senior Vice President & Chief Financial Officer

Ritesh Chaturbedi

Senior Vice President & Chief Operations Officer

Donna FieldingSenior Vice President &
Chief Human Resources Officer**Claudia Hughes**Senior Vice President &
Chief Sales Officer**Eric Lerner**

Senior Vice President & General Counsel

Manoj Shetty

Senior Vice President & Chief Information Officer

Klaus Werner

Senior Vice President & Chief Marketing Officer

Thomas Axmacher

Vice President & Controller

Headquarters

11 Harbor Park Drive, Port Washington, NY 11050

The logo for Systemax, featuring the word "Systemax" in a white, bold, sans-serif font with a white swoosh above the "a" and "x". A small "TM" trademark symbol is located to the right of the "x".

SystemaxTM

The text "2020 ANNUAL REPORT" in a blue, sans-serif font, positioned on a light gray rectangular background. A red rectangular bar is partially visible to the left of the gray background.

2020 ANNUAL REPORT