

The top half of the page features a vibrant green background with a dynamic, abstract pattern of light streaks and bokeh effects, suggesting speed and growth.

ACCELERATING OUR GROWTH



2017 ANNUAL REPORT



OUR VISION

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



Veritiv Corporation is a Fortune 500® company and a leading North American business-to-business distributor of packaging, facility solutions, print and publishing products and services, and also a provider of logistics and supply chain management solutions. With approximately 8,900 employees strong, we are driven by our Values: *Integrity, One Team, People Commitment, Customer Focus, Operational Excellence, and Passion for Results.*

We put decades of industry knowledge, expertise, and proven supply chain ingenuity to work for our customers in a wide range of industries and a variety of businesses – including more than half of Fortune 500® companies. With approximately 170 distribution centers across the U.S., Canada, and Mexico, our focus is on the success of our customers' businesses and their brands. Driven by our innovative people, our values, and providing exceptional service, helping to shape our customers' business success is at the heart of everything we do.

VERITIV BY THE NUMBERS



\$8.4B

NET SALES

\$176M

ADJUSTED EBITDA



8,900*

EMPLOYEES



170*

DISTRIBUTION
CENTERS



20M*

SQUARE FEET OF
DISTRIBUTION
CENTER SPACE

* Approximate as of December 31, 2017

FINANCIAL HIGHLIGHTS

*In millions, except per share
amounts, at December 31*

	2017	2016
Net Sales	\$ 8,364.7	\$ 8,326.6
Cost of Products Sold	6,846.6	6,826.4
Net Sales Less Cost of Products Sold	1,518.1	1,500.2
Net Income (Loss)	(13.3)	21.0
Basic Earnings (Loss) Per Share	(0.85)	1.31
Diluted Earnings (Loss) Per Share	(0.85)	1.30
Weighted – Average – Shares Outstanding – Basic	15.70	15.97
Weighted – Average – Shares Outstanding – Diluted	15.70	16.15
Adjusted EBITDA	176.4	192.2

¹ For our Non-GAAP reconciliations see our 2017 Annual Report on Form 10-K, starting on page 94.



TO OUR SHAREHOLDERS

The Veritiv team executed on what we set out to do at the beginning of 2017 and performed well against many of our priorities for the year. We did this despite difficult market conditions, continuing structural decline in our Print and Publishing segments, and significant change that continues to take place across our company. Even with these headwinds, we ended the year with nearly \$8.4 billion in revenue, our first year-over-year increase since the merger, and \$176 million in Adjusted EBITDA.

Throughout 2017, we remained firmly committed to integration and laying the foundation to strengthen processes and create efficiencies to enable accelerated growth. We effectively completed our initial synergy capture, and consider it a success. We also focused on our higher revenue growth segments, Packaging and Facility Solutions, and welcomed All American Containers, a rigid packaging distributor, into the Veritiv family. We remain committed to growing our business, evolving our culture, and addressing the needs of our customers.

We expect 2018 will be another challenging year as we look to



complete most of our remaining integration work and transition to the optimization element of our invest, protect and optimize strategy.

We will continue to invest in our higher growth and higher margin businesses, including our Packaging segment and services offerings. We will continue to protect our leading market positions and maximize Adjusted EBITDA and free cash flow in our Facility Solutions, Print and Publishing segments. We will begin to optimize our entire business by

simplifying processes, lowering costs, and improving overall customer and supplier experiences.

We would not be where we are today without our strong and talented team of Veritiv colleagues around the world. From the start, we dedicated ourselves to building a values-based culture that promotes customer focus, operational excellence, a passion for results, integrity, one team, and a commitment to our people. Our commitment to these values throughout our short tenure as a public company has been unwavering.

I am confident in Veritiv's future and look forward to executing our strategy in the coming months and years to complete the transformative journey that will make Veritiv the leading distribution solutions and services provider we aspire to be.

Thank you for your continued support of Veritiv.

A handwritten signature in cursive script that reads "Mary Laschinger".

Mary Laschinger
Chairman and Chief Executive Officer





OUR VALUES

INTEGRITY

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

ONE TEAM

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

PEOPLE COMMITMENT

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

CUSTOMER FOCUS

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

OPERATIONAL EXCELLENCE

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

PASSION FOR RESULTS

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





PACKAGING

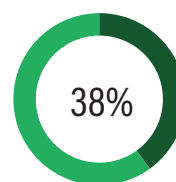
Veritiv works directly with customers to identify and implement packaging solutions that deliver in both form and function. Our packaging specialists are experts at discovering untapped efficiencies in designing, sourcing, and delivering standard and custom packaging processes for customers across a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

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

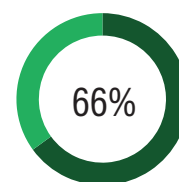
Our packaging solutions span across food-grade packaging, industrial packaging, point-of-sale displays, and shipping supplies. Our exclusive TUFFlex™ line of packaging essentials delivers enduring performance, maximum efficiency, and unmatched value.

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

Packaging optimization extends through our Veritiv Packaging Design Network, where an experienced team of designers, engineers, and marketers provide in-house expertise for custom improvements in cost and waste reduction, logistics, structural and graphical integrity, and testing processes.



\$3.2B • 38%
REVENUE¹



\$238M • 66%
ADJ. EBITDA¹

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



FACILITY SOLUTIONS

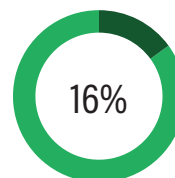
Veritiv understands that clean, healthy, and well-maintained environments significantly impact both internal operations and external perceptions. Veritiv's Lean-certified Facility Advisors are well versed in how our cleaning and food service products, management programs, and analysis tools help maintain high levels of facility excellence for our customers, helping to propel their businesses forward.

We have the hands-on expertise and sourcing capabilities to serve customers across a wide range of industries, including:

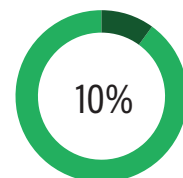
- Office buildings
- Manufacturing
- Higher education
- Healthcare
- Government
- Other high-traffic venues

Our private brands include Reliable Brand® commercial cleaning solutions and Spring Grove™ food service disposable products. Both offer a simplified approach to help customers meet and exceed facility expectations, increase value, and redirect surplus dollars.

FORDIS® and Saalfeld®, our redistribution businesses, provide solutions to distributors in local markets.



\$1.31B • 16%
REVENUE¹



\$35.6M • 10%
ADJ. EBITDA¹

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



Veritiv's paper and print private brands include:

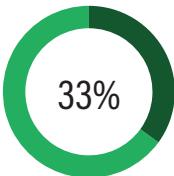
- Comet™ Multipurpose
- Econosource®
- Endurance®
- Galaxy™
- Starbrite® Opaque Select
- nordic+®
- Seville™
- Showcase™

PRINT

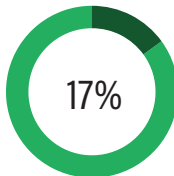
We leverage our global supplier network, as well as our expertise and advanced technology, to deliver the most comprehensive and diverse solutions to our customers. Our experience and unique offerings in logistics and supply chain efficiency, new revenue generation, service excellence, chain of custody and sustainable sourcing, custom converting, and customized reporting are all aimed to help our customers reach their goals. Our distribution centers are stocked with a comprehensive print solutions inventory to serve the commercial, digital, wide format, and graphic communications markets.

The print products we sell and distribute are used by commercial printers, data centers, in-plant print facilities, package and flexographic printers, print design agencies, specialty graphic imaging printers, and others. These customers use Veritiv products in a range of communications, including advertising

supplements, annual reports, billboards, brochures, business forms, catalogs, retail circulars, retail visuals, and vinyl offerings. We serve our smaller customers in the U.S. through our Veritiv Express branches, which supply business imaging paper, printing paper, and packaging products available for immediate pickup or quick delivery. Veritiv maintains a proven private brand portfolio of coated, uncoated, digital and office papers, board and envelope portfolios, and specialty product lines, such as pressure-sensitive labels and pressroom supplies.



\$2.8B • 33%
REVENUE¹



\$60.8M • 17%
ADJ. EBITDA¹

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

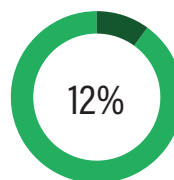


PUBLISHING AND PRINT MANAGEMENT

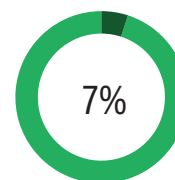
Through Veritiv's two complementary publishing and print management businesses, Bulkley Dunton and Graphic Communications, our specialists provide customized solutions that offer retailers, publishers, catalogers, direct mail companies, grocers, corporate enterprise businesses, and printers the greatest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

By differentiating paper purchasing from printing, Veritiv is able to leverage our sophisticated and expansive supply chain to ensure consistent and predictable costs, quality, and paper availability for customers of all sizes. Additionally, Veritiv is now able to analyze our clients' complete media requirements to complement their print and paper programs. With a client base ranging from Fortune 500® companies to small local businesses, our industry consultants are experts at scaling solutions to shield clients from market volatility while maintaining their brand requirements and appropriate certifications.

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



\$1B • 12%
REVENUE¹



\$26.4M • 7%
ADJ. EBITDA¹

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



CORPORATE RESPONSIBILITY

As a leading business-to-business distribution solutions company, Veritiv operates in more than 250 communities across North America. Driven by our core values and Veritiv Connects, our community engagement and philanthropy program, we focus our efforts on corporate giving and employee volunteer efforts to help shape the success of these communities. We are committed to playing an active role in helping to improve the quality of life in the communities where we live and work, and on having a positive impact on all of our stakeholders in these areas including employees, customers, and suppliers.

PRIMARY FOCUS AREAS

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

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

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

Junior Achievement – Veritiv partners with Junior Achievement to provide students with the knowledge and skills



Shaping Success with the Community

they need to plan for their futures, and to make smart academic and economic choices. Teams of Veritiv employees regularly volunteer at the Junior Achievement Discovery Center that provides a learning experience to engage students and open their eyes to life beyond the classroom. Students apply business and personal finance concepts they discover in the classroom on real-world scenarios through a hands-on, learning experience.

American Red Cross – Veritiv and our employees made significant monetary contributions to support relief efforts in the aftermath of Hurricanes Harvey, Irma, and Maria, as well as the California wildfires and the Mexico earthquake. In addition, Veritiv donated much needed cleaning supplies, including gloves, mops, and totes to further aid in hurricane clean-up efforts.

OTHER FOCUS AREAS

- **Disaster Preparedness, Response, and Resiliency** – We can make the most important contribution utilizing our distribution network to aid in relief efforts and assist families, communities, and businesses as they work to rebuild.
- **Veterans** – We want to help the women and men who have served our country successfully re-enter civilian life and give them an opportunity to seek employment at Veritiv and other companies.
- **Clean Communities** – As a distributor of a variety of products, we support efforts to preserve, replenish, and enhance the environment for future generations.
- **Local Education Programs** – This focus area is built on our belief that a good education for all is essential in advancing society, strengthening our communities, and supporting a strong talent pipeline.

SUPPORTING LOCAL COMMUNITIES

- Supporting our healthy living focus area, employees at Veritiv's Jacksonville campus saw a need and answered the call. Many food pantries enter the year with depleted supplies following the holidays. Through a partnership with **Feeding Northeast Florida**, the Jacksonville team held a can drive to help with replenishment and collected more than 400 pounds of food – enough to serve 341 meals to families in local communities.



- **Hands On Atlanta Day** – Employees in Atlanta joined more than 3,000 volunteers across the city on this day dedicated to serving Metro Atlanta communities, schools, and nonprofit organizations. Veritiv employees tackled two projects: cleaning and packaging eyeglasses for distribution to low-income individuals, and helping to create a rigorous learning environment by painting murals at a local school.
- **Love Rolls** – As one of the largest facility supplies distributors in the U.S. and in recognition of National Toilet Paper Day, Veritiv donated 25,000 rolls of toilet paper to Love Rolls, Inc., a charity dedicated to providing toilet paper to homeless communities across the country.
- A number of Veritiv employees participated in projects for **Make a Difference Day**, an annual event where tens of thousands of volunteers across the U.S. aim to improve the lives of others through a wide range of community-driven service projects. Projects included building homes for disabled veterans, supporting local animal shelters, and collecting food and clothing.
- **Toys for Tots** - Veritiv supported the U.S. Marine Corps Reserve Toys for Tots program at five locations across Metro Atlanta this holiday season. Employees collected 400 toys for children in need across the Atlanta community.
- Employees across Canada donated an assortment of coats, snow pants, hats, scarves, gloves, and hoodies to **One Warm Coat**, a national non-profit organization that works to provide a free, warm coat to any person in need to help them through the winter months.

ONE VERITIV FUND: EMPLOYEES HELPING EMPLOYEES

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



SAFETY AND ENVIRONMENT

SAFETY

At Veritiv, we are committed to providing all team members with a safe and productive workplace, and continuing to refine our culture of proactive safety. Our Target Zero approach symbolizes our goal of zero unrecognized and unresolved hazards that can lead to injuries. We strive to achieve that goal each and every day. Through Target Zero, we empower and engage all Veritiv employees in proactive identification of workplace hazards and the development of practical solutions integrated with business operations.

In 2017, our Total Incident Rate (TIR) for our operations in the U.S., Canada, and Mexico was 1.261¹.

Block Hazards. Drive Awareness. SCORE a Safe Workplace.

We introduced SCORE (Stop, Consider, Observe, React, and Execute safely) in 2017 as a new safety initiative that facilitates a simple communication to workers about how to approach daily tasks safely, regardless of how routine the task may be.

¹ Total Incident Rate (TIR) is calculated using the OSHA criteria for recordability and OSHA calculation methodologies. Total Incident Rate = Total Recordable Injuries X 200,000/Total Hours Worked. The 200,000 hours in the formula represent the equivalent of 100 employees working 40 hours per week, 50 weeks per year and provides the standard base for the incident rate.

ENVIRONMENT

As a leading North American distribution company, we recognize that our businesses have an impact on the environment. We focus our environmental sustainability efforts in three areas: our fleet, our facilities, and our products.

Fleet – As a distribution company, the majority of our business involves moving products by road. There are significant opportunities to reduce our environmental impact by improving resource efficiency across our fleet and delivery network.

Veritiv is a member of the U.S. Environmental Protection Agency's SmartWay Transport Partnership, which helps businesses reduce transportation-related emissions through advanced fuel-efficient technologies and operational practices. Route and delivery optimization software helps Veritiv drivers make deliveries using the most efficient routes, minimizing fuel use and emissions. We are also in the process of replacing some of our older vehicles with approximately 250 new units that offer improved fuel economy.

Facilities – Veritiv takes a strategic approach to reducing our buildings' impact on the environment. We aim to improve energy efficiency across our operations through retrofit projects and use of efficient equipment and technologies.

Products – Veritiv is committed to advancing and improving our offerings of environmentally sustainable products, both in our private brands and name-brand product lines, across our Print, Packaging, and Facility Solutions segments. We offer a range of products that meet widely acknowledged environmental standards.

Veritiv Private Label Brands – Our proprietary brands adhere to the highest standards. Several of Veritiv's private label paper brands hold Chain of Custody certification, including Endurance® Printing Paper and Starbrite® Opaque Select. Our Reliable Brand® towel and tissue line is made from recycled content and meets Environmental Protection Agency (EPA) and LEED® standards.

- **Packaging** – Through our network of Packaging Design Centers, Veritiv employees research, design, and develop cost-effective packaging solutions that minimize environmental impacts.
- **Facility Solutions** – Veritiv's Green Gauge™ analysis tool enables customers to quickly quantify product usage and sustainable cleaning purchases against LEED standards for their entire facility network, and seamlessly report on it for certifications and communications.
- **Print** – We maintain three Chain of Custody certifications for our print and publishing businesses: Forest Stewardship Council®, Sustainable Forestry Initiative®, and Programme for the Endorsement of Forest Certification®. In 2017, Veritiv sold more than 1.5 million tons of Chain of Custody-certified commercial printing and imaging papers.





MANAGEMENT TEAM



MARY A. LASCHINGER
Chairman of the Board and Chief Executive Officer



STEPHEN J. SMITH
Senior Vice President and Chief Financial Officer



THOMAS S. LAZZARO
Senior Vice President, Field Sales and Operations



JOHN G. BISCANTI
Group Vice President, Publishing and Print Management



CHARLES B. HENRY
Senior Vice President, Corporate Services



MARK W. HIANIK
Senior Vice President, General Counsel and Corporate Secretary



BARRY R. NELSON
Senior Vice President, Facility Solutions



ELIZABETH A. PATRICK
Senior Vice President and Chief Human Resources Officer



TRACY L. PEARSON
Senior Vice President, Packaging



DANIEL J. WATKOSKE
Senior Vice President, Print and Veritiv Services

BOARD OF DIRECTORS



MARY A. LASCHINGER
Chairman of the Board and Chief Executive Officer



WILLIAM E. MITCHELL
Presiding Director, Managing Partner of Sequel Capital Management, LLC



DAVID E. FLITMAN¹
Executive Vice President of Performance Food Group Company



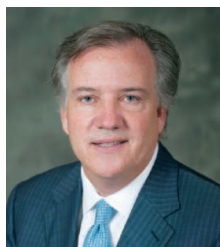
DANIEL T. HENRY^{1, 2}
Retired Chief Financial Officer and Executive Vice President of American Express Company



LIZA K. LANDSMAN³
President and Chief Customer Officer of Jet.com



TRACY A. LEINBACH^{2, 3*}
Retired Executive Vice President and Chief Financial Officer of Ryder System, Inc.



MICHAEL P. MULDOWNEY^{1, 2}
Chief Financial Officer of Gordon Brothers Group



CHARLES G. WARD, III^{1, 3}
Retired Partner of Perella Weinberg Partners



JOHN J. ZILLMER^{2*, 3}
Retired Executive Chairman of Univar Inc.

Board Committees:

- 1- Audit and Finance
- 2- Compensation and Leadership Development
- 3- Nominating and Governance

*- Denotes Committee Chair

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

OR

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

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



VERITIV CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

46-3234977

(I.R.S Employer Identification Number)

**1000 Abernathy Road NE
Building 400, Suite 1700**

Atlanta, Georgia

(Address of principal executive offices)

30328

(Zip Code)

(770) 391-8200

(Registrant's telephone number, including area code)

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

Title of each class

Name of each exchange on which registered

Common stock, \$0.01 par value

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

(do not check if a small reporting company)

Smaller reporting company

Emerging growth company

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

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

As of June 30, 2017, the aggregate market value of the voting common stock of the registrant held by non-affiliates of the registrant, based on the closing sale price of those shares on the New York Stock Exchange reported on June 30, 2017, was \$511,432,245. For the purposes of this disclosure only, the registrant has assumed that its directors and executive officers (as defined in Rule 3b-7 under the Exchange Act) and the UWW Holdings, LLC stockholder are the affiliates of the registrant.

The number of shares outstanding of the registrant's common stock as of February 23, 2018 was 15,733,745.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for the 2018 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

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CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

Certain statements contained in this report regarding the Company's future operating results, performance, business plans, prospects, guidance and any other statements not constituting historical fact are "forward-looking statements" subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. Where possible, the words "believe," "expect," "anticipate," "continue," "intend," "should," "will," "would," "planned," "estimated," "potential," "goal," "outlook," "may," "predicts," "could," or the negative of such terms, or other comparable expressions, as they relate to the Company or its business, have been used to identify such forward-looking statements. All forward-looking statements reflect only the Company's current beliefs and assumptions with respect to future operating results, performance, business plans, prospects, guidance and other matters, and are based on information currently available to the Company. Accordingly, the statements are subject to significant risks, uncertainties and contingencies, which could cause the Company's actual operating results, performance, business plans or prospects to differ materially from those expressed in, or implied by, these statements.

Factors that could cause actual results to differ materially from current expectations include risks and other factors described under "Risk Factors" in this report and elsewhere in the Company's publicly available reports filed with the Securities and Exchange Commission ("SEC"), which contain a discussion of various factors that may affect the Company's business or financial results. Such risks and other factors, which in some instances are beyond the Company's control, include: the industry-wide decline in demand for paper and related products; increased competition from existing and non-traditional sources; adverse developments in general business and economic conditions as well as conditions in the global capital and credit markets; foreign currency fluctuations; our ability to attract, train and retain highly qualified employees; the effects of work stoppages, union negotiations and labor disputes; the loss of any of our significant customers; changes in business conditions in our international operations; procurement and other risks in obtaining packaging, paper and facility products from our suppliers for resale to our customers; changes in prices for raw materials; fuel cost increases; inclement weather; anti-terrorism measures and other disruptions to the transportation network; our dependence on a variety of IT and telecommunications systems and the Internet; our reliance on third-party vendors for various services; cyber-security risks; costs to comply with laws, rules and regulations, including environmental, health and safety laws, and to satisfy any liability or obligation imposed under such laws; regulatory changes and judicial rulings impacting our business; adverse results from litigation, governmental investigations or audits, or tax-related proceedings or audits; our inability to renew existing leases on acceptable terms, negotiate rent decreases or concessions and identify affordable real estate; our ability to adequately protect our material intellectual property and other proprietary rights, or to defend successfully against intellectual property infringement claims by third parties; our pension and health care costs and participation in multi-employer pension, health and welfare plans; increasing interest rates; our ability to generate sufficient cash to service our debt; our ability to comply with the covenants contained in our debt agreements; our ability to refinance or restructure our debt on reasonable terms and conditions as might be necessary from time to time; changes in accounting standards and methodologies; our ability to realize the full benefit of the anticipated synergies, cost savings and growth opportunities from the merger transaction and our ability to integrate the xpedx business with the Unisource business; the possibility of incurring expenditures in excess of those currently budgeted in connection with the integration, and other events of which we are presently unaware or that we currently deem immaterial that may result in unexpected adverse operating results.

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

PART I

ITEM 1. BUSINESS

Our Company

Veritiv Corporation ("Veritiv" or the "Company" and sometimes referred to in this Annual Report on Form 10-K as "we", "our" or "us") is a leading North American business-to-business distributor of packaging, facility solutions, print and publishing products and services. Additionally, Veritiv provides logistics and supply chain management solutions to its customers. Veritiv was established in 2014, following the merger (the "Merger") of International Paper Company's xpedx distribution solutions business ("xpedx") and UWW Holdings, Inc. ("UWWH"), the parent company of Unisource

Worldwide, Inc. ("Unisource"). Independently, the two companies achieved past success by continuously upholding high standards of efficiency and customer focus. Through leveraging this combined history of operational excellence, Veritiv evolved into one team shaping its success through exceptional service, innovative people and consistent values. Today, Veritiv's focus on segment-tailored market leadership in distribution and a commitment to operational excellence allows it to partner with world class suppliers, add value through multiple capabilities and deliver solutions to a wide range of customer segments.

We operate from approximately 170 distribution centers primarily throughout the U.S., Canada and Mexico, serving customers across a broad range of industries. These customers include printers, publishers, data centers, manufacturers, higher education institutions, healthcare facilities, sporting and performance arenas, retail stores, government agencies, property managers and building service contractors.

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

- **Packaging** – The Packaging segment provides standard as well as custom and comprehensive packaging solutions for customers based in North America and in key global markets. The business is strategically focused on higher growth industries including light industrial/general manufacturing, food production, fulfillment and internet retail, as well as niche verticals based on geographical and functional expertise. Veritiv's packaging professionals create customer value through supply chain solutions, structural and graphic packaging design and engineering, automation, workflow and equipment services and kitting and fulfillment.
- **Facility Solutions** – The Facility Solutions segment sources and sells cleaning, break-room and other supplies such as towels, tissues, wipers and dispensers, can liners, commercial cleaning chemicals, soaps and sanitizers, sanitary maintenance supplies and equipment, safety and hazard supplies, and shampoos and amenities primarily in the U.S., Canada and Mexico. Veritiv is a leading distributor in the Facility Solutions segment. Through this segment we manage a world class network of leading suppliers in most facilities solutions categories. Additionally, we offer total cost of ownership solutions with re-merchandising, budgeting and compliance reporting, inventory management, and a sales-force trained to bring leading vertical expertise to the major North American geographies.
- **Print** – The Print segment sells and distributes commercial printing, writing, copying, digital, wide format and specialty paper products, graphics consumables and graphics equipment primarily in the U.S., Canada and Mexico. This segment also includes customized paper conversion services of commercial printing paper for distribution to document centers and form printers. Our broad geographic platform of operations coupled with the breadth of paper and graphics products, including our exclusive private brand offerings, provides a foundation to service national, regional and local customers across North America.
- **Publishing** – The Publishing segment sells and distributes coated and uncoated commercial printing papers to publishers, retailers, converters, printers and specialty businesses for use in magazines, catalogs, books, directories, gaming, couponing, retail inserts and direct mail. This segment also provides print management, procurement and supply chain management solutions to simplify paper and print procurement processes for our customers.

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

	Year Ended December 31,		
	2017	2016	2015
Packaging	38%	34%	32%
Facility Solutions	16%	15%	15%
Print	33%	37%	38%
Publishing	11%	13%	14%
Corporate & Other	2%	1%	1%
Total	100%	100%	100%

Additional financial information regarding our reportable business segments and certain geographic information is included in Item 7 of this report and in Note 17 of the Notes to Consolidated Financial Statements in Item 8 of this report.

Our History

On July 1, 2014 (the "Distribution Date"), International Paper Company ("International Paper") completed the spin-off of xpedx to its shareholders (the "Spin-off"), forming a new public company known as Veritiv. Immediately following the Spin-off, UWWH merged with and into Veritiv. The Spin-off and the Merger are collectively referred to as the "Transactions".

Immediately following the completion of the Transactions, International Paper shareholders owned approximately 51%, and UWW Holdings, LLC, the former sole stockholder of UWWH (the "UWWH Stockholder"), which is jointly owned by Bain Capital and Georgia-Pacific, owned approximately 49%, of the shares of Veritiv common stock on a fully-diluted basis. Immediately following the completion of the Spin-off, International Paper did not own any shares of Veritiv common stock. Veritiv's common stock began regular-way trading on the New York Stock Exchange on July 2, 2014 under the ticker symbol VRTV.

International Paper's distribution business was consolidated into a division operating under the xpedx name in 1998 to serve the U.S. and Mexico markets. International Paper grew its distribution business both organically and through the acquisition of over 30 distribution businesses located across the U.S. and Mexico. Unisource was a wholly-owned subsidiary of Alco Standard Corporation until its spin-off of Unisource in December 1996 whereby Unisource became a separate public company. Unisource was acquired by Georgia-Pacific, now owned by Koch Industries, in July 1999. In November 2002, Bain Capital acquired approximately a 60% ownership interest in Unisource, while Georgia-Pacific retained approximately a 40% ownership interest.

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

Products and Services

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

- Coated and uncoated papers, coated board and cut size under the Endurance, nordic+, Econosource, Comet, Starbrite Opaque Select and other brands;
- Packaging products under the TUFflex brand, which include stretch film, mailers, shrink film, carton sealing tape, and other specialty tapes; and

- Foodservice disposable products, cleaning chemicals, towels and tissues, can liners, sanitary maintenance supplies and a wide range of facility supplies products under the Reliable and Spring Grove brands.

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

	Year Ended December 31,		
	2017	2016	2015
Packaging	6%	6%	6%
Facility Solutions	8%	8%	8%
Print	20%	22%	19%
Total Company	10%	11%	10%

Customers

We serve customers across a broad range of industries, through a variety of means ranging from multi-year supply agreements to transactional sales. The Company has valuable, multi-year, long-term supply agreements with many of its largest customers that set forth the terms and conditions of sale, including product pricing and warranties. We enter into incentive agreements with certain of our largest customers, which are generally based on sales to these customers. The Company's customers are generally not required to purchase any minimum amount of products under these agreements and can place orders on an individual purchase order basis. However, the Company enters into negotiated supply agreements with a minority of its customers.

For the years ended December 31, 2017, 2016 and 2015, no single customer accounted for more than 5% of the Company's consolidated net sales.

Suppliers

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

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

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

During the year ended December 31, 2017, approximately 38% of our purchases were made from ten suppliers.

Competition

The packaging, facility solutions, paper and publishing distribution industry is highly competitive, with numerous regional and local competitors, and is a mature industry characterized by slowing growth or, in the case of paper, declining net sales. The Company's principal competitors include national, regional and local distributors, national and regional manufacturers, independent brokers and both catalog-based and online business-to-business suppliers. Most of these

competitors generally offer a wide range of products at prices comparable to those Veritiv offers, though at varying service levels. Additionally, new competition could arise from non-traditional sources, group purchasing organizations, e-commerce, discount wholesalers or consolidation among competitors. Veritiv believes it offers the full range of services required to effectively compete, but if new competitive sources appear, it may result in margin erosion or make it more difficult to attract and retain customers.

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

- **Packaging** – The packaging market is fragmented and consists of competition from national and regional packaging distributors, national and regional manufacturers of packaging materials, independent brokers and both catalog-based and online business-to-business suppliers. Veritiv believes there are few national packaging distributors with substrate neutral design capabilities similar to the Company's capabilities.
- **Facility Solutions** – There are few national, but numerous regional and local distributors of facility supply solutions. Several groups of distributors have created strategic alliances among multiple distributors to provide broader geographic coverage for larger customers. Other key competitors include the business-to-business divisions of big box stores, purchasing group affiliates and both catalog-based and online business-to-business suppliers.
- **Print** – Industry sources estimate that there are hundreds of regional and local companies engaged in the marketing and distribution of paper and graphics products. While the Company believes there are few national distributors of paper and graphics products similar to Veritiv, several regional and local distributors have cooperated together to serve customers nationally. The Company's customers also have the opportunity to purchase products directly from paper and graphics manufacturers. In addition, competitors also include regional and local specialty distributors, office supply and big box stores, online business-to-business suppliers, independent brokers and large commercial printers that broker the sale of paper in connection with the sale of their printing services.
- **Publishing** – The publishing market is serviced by printers, paper brokers and distributors. The Company's customers also have the opportunity to purchase paper directly from paper manufacturers. The market consists primarily of magazine and book publishers, cataloguers, direct mailers and retail customers using catalog, insert and direct mail as a method of advertising.

We believe that our competitive advantages include over 1,800 sales and marketing professionals and the breadth of our selection of quality products, including high-quality private brands. The breadth of products distributed and services offered, the diversity of the types of customers served, and our broad geographic footprint in the U.S., Canada and Mexico buffer the impact of regional economic declines while also providing a network to readily serve national accounts.

Distribution and Logistics

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

Working Capital

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

Employees

As of December 31, 2017, Veritiv had approximately 8,900 employees worldwide, of which approximately 10% were covered by collective bargaining agreements. Labor contract negotiations are handled on an individual basis by a team of Veritiv Human Resources and Legal personnel. Approximately 41% of the Company's unionized employees have collective bargaining agreements that expire during 2018. We currently expect that we will be able to renegotiate such agreements on satisfactory terms. We consider labor relations to be good.

Government Relations

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

We are also subject to regulation by numerous U.S., Canadian and Mexican federal, state and local regulatory agencies, including, but not limited to, the U.S. Department of Labor, which sets employment practice standards for workers. Although we are subject to other U.S., Canadian and Mexican federal, state and local provisions relating to the protection of the environment and the discharge or destruction of materials, these provisions do not materially impact the use or operation of the Company's facilities. Compliance with these laws has not had, and is not anticipated to have, a material effect on Veritiv's capital expenditures, earnings or competitive position.

Intellectual Property

We have numerous well-recognized trademarks, represented primarily by our private label brands. Most of our trademark registrations are effective for an initial period of 10 years, and we generally renew our trademark registrations before their expiration dates for trademarks that are in use or have reasonable potential for future use. Although our Print, Packaging and Facility Solutions segments rely on a number of trademarks that, in the aggregate, provide important protections to the Company, no single trademark is material to any one of these segments. See the Products and Services section above for additional information regarding our private label brand sales.

Veritiv does not have any material patents or licenses.

Seasonality

The Company's operating results are subject to seasonal influences. Historically, our higher consolidated net sales occur during the third and fourth quarters while our lowest consolidated net sales occur during the first quarter. The Packaging segment net sales tend to increase each quarter throughout the year and net sales for the first quarter are typically less than net sales for the fourth quarter of the preceding year. Production schedules for non-durable goods that build up to the holidays and peak in the fourth quarter drive this seasonal net sales pattern. Net sales for the Facility Solutions segment tend to be highest during the third and fourth quarters due to increased summer demand in the away-from-home resort, cruise and hospitality markets, activities related to back-to-school and increased retail activity during the holidays. Within the Print and Publishing segments, seasonality is driven by increased magazine advertising page counts, retail inserts, catalogs and direct mail primarily due to back-to-school, political election and holiday-related advertising and promotions in the second half of the year.

Executive Officers of the Company

The following table sets forth certain information concerning the individuals who serve as executive officers of the Company as of March 1, 2018.

Name	Age	Position
Mary A. Laschinger	57	Chairman and Chief Executive Officer
Stephen J. Smith	54	Senior Vice President and Chief Financial Officer
Charles B. Henry	53	Senior Vice President Corporate Services
Mark W. Hianik	57	Senior Vice President, General Counsel and Corporate Secretary
Thomas S. Lazzaro	54	Senior Vice President Field Sales and Operations
Barry R. Nelson	53	Senior Vice President Facility Solutions
Elizabeth A. Patrick	50	Senior Vice President and Chief Human Resources Officer
Tracy L. Pearson	47	Senior Vice President Packaging
Daniel J. Watkoske	49	Senior Vice President Print and Veritiv Services

The following descriptions of the business experience of our executive officers include the principal positions held by them since March 2013.

Mary A. Laschinger has served as Chairman and Chief Executive Officer of the Company since July 2014. Ms. Laschinger also served as Senior Vice President of International Paper Company, a global packaging and paper manufacturing company, from 2007 to July 2014 and as President of its xpedx distribution business from January 2010 to July 2014. Ms. Laschinger previously served as President of International Paper's Europe, Middle East, Africa and Russia business, Vice President and General Manager of International Paper's Wood Products and Pulp businesses and in other senior management roles at International Paper in sales, marketing, manufacturing and supply chain. Ms. Laschinger joined International Paper in 1992. Prior to joining International Paper, Ms. Laschinger held various positions in sales, marketing and supply chain at James River Corporation and Kimberly-Clark Corporation. Ms. Laschinger has significant knowledge and executive management experience running domestic and international manufacturing and distribution businesses as well as a deep understanding of Veritiv and the industry in which it operates. Ms. Laschinger also serves as a director of Kellogg Company and the Federal Reserve Bank of Atlanta.

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

Charles B. Henry has served as Senior Vice President Corporate Services since March 2016. Previously, Mr. Henry served as Senior Vice President Commercial Excellence and Enterprise Initiatives of the Company from January 2016 to March 2016. Previously, Mr. Henry served as Senior Vice President Integration and Change Management of the Company from July 2014 to December 2015. Prior to that, Mr. Henry served as Vice President, Strategy Management and Integration of xpedx from March 2013 to July 2014 and was a member of the xpedx Senior Lead Team. Prior to that, he served as Director of the xpedx Strategy Management Office from February 2011 to March 2013. Prior to that, he served as a Director in International Paper's Supply Chain Project Management Office. Mr. Henry joined International Paper in 1986 and served in a variety of supply chain, sales and general management roles within International Paper's Program Management Office, Printing and Communications Papers business and Global Supply Chain operations. Mr. Henry has significant strategy and project management experience in the manufacturing and distribution industries.

Mark W. Hianik has served as Senior Vice President, General Counsel and Corporate Secretary of the Company since January 2014. Previously, Mr. Hianik served as Senior Vice President, General Counsel and Chief Administrative Officer for Dex One Corporation, an advertising and marketing services company, from March 2012 to May 2013. Prior to that Mr. Hianik served as Senior Vice President, General Counsel and Corporate Secretary for Dex One (and its predecessor, R.H. Donnelley Corporation) from April 2008 to March 2012. R.H. Donnelley filed for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code in May 2009 emerging with a confirmed plan as Dex One in January 2010 and Dex One filed a pre-packaged bankruptcy petition under Chapter 11 in March 2013 to effect a merger consummated in April 2013. Mr. Hianik previously served as Vice President and Assistant General Counsel for Tribune Company, a diversified media company, and as a corporate and securities partner in private practice. Mr. Hianik has significant experience as a public company general counsel and leader of other corporate functions as well as significant mergers and acquisitions, securities, capital markets and corporate governance experience.

Thomas S. Lazzaro has served as Senior Vice President Field Sales and Operations of the Company since July 2014. In this role, Mr. Lazzaro leads the Supply Chain and the Field Sales organizations. Previously, Mr. Lazzaro served as Executive Vice President, Supply Chain of xpedx from March 2013 to July 2014 and was a member of the xpedx Senior Lead Team. Mr. Lazzaro joined xpedx in January 2011 as Executive Vice President and Chief Procurement Officer, responsible for all aspects of the purchasing organization. Prior to xpedx, Mr. Lazzaro was a senior executive with HD Supply, The Home Depot and General Electric. Mr. Lazzaro has significant experience in general management, supply chain, operations and finance in the manufacturing and distribution industries.

Barry R. Nelson has served as Senior Vice President Facility Solutions of the Company since December 2015. Previously, Mr. Nelson served as Senior Vice President Publishing and Print Management of the Company from July 2014 to December 2015. Prior to that, Mr. Nelson served as Group Vice President, Sales-Publishing for xpedx from December 2012 to July 2014. From August 2002 to December 2012, Mr. Nelson served as Senior Vice President of Sales and Marketing for NewPage Corporation, a paper manufacturing company. NewPage filed for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code in September 2011 and emerged with a confirmed plan in December 2012. Previously, Mr. Nelson served as Executive Vice President of Sales, Marketing and Client Delivery at ForestExpress, a technology joint venture of leading forest product companies. Mr. Nelson has significant sales and sales leadership experience in the paper manufacturing and distribution industries.

Elizabeth A. Patrick has served as Senior Vice President and Chief Human Resources Officer of the Company since July 2014. Prior to that, Ms. Patrick served as Vice President, Human Resources, of xpedx from March 2013 to July 2014 and was a member of International Paper Company's Human Resources & Communications Lead Team and the xpedx Senior Lead Team. Prior to that, she served as Director, Human Resources-Field Operations of xpedx from October 2012 to March 2013. Previously, Ms. Patrick served as Vice President of Human Resources of TE Connectivity, a global electronics manufacturing and distribution company, from April 2008 to October 2012. Previously, Ms. Patrick served as Vice President Human Resources of Guilford Mills, Inc., an automotive and specialty markets fabrics manufacturer, and in a variety of roles of increased responsibility with General Motors Company and GM spin-off, Delphi Corporation, a global automotive parts manufacturer. Ms. Patrick has significant human resources management and leadership experience.

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

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

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

Company Information

Veritiv was incorporated in Delaware on July 10, 2013. Our principal executive offices are located at 1000 Abernathy Road NE, Building 400, Suite 1700, Atlanta, Georgia 30328.

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

ITEM 1A. RISK FACTORS

You should carefully consider the following risk factors, together with the other information contained in this report, in evaluating us and an investment in our common stock. The risks described below are the material risks, although not the

only risks, relating to us and our common stock. If any of the following risks and uncertainties develop into actual events, these events could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Risks Relating to Our Business

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

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

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

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

Increased competition within the industry, reduced demand for paper, increased and permanent product substitution through less print advertising, more electronic billing, more e-commerce, fewer catalogs, a reduced volume of mail and general economic conditions has served to further increase pressure on the industry's profit margins, and continued margin pressure within the industry may have a material adverse impact on our operating results and profitability.

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

The persistently slow rate of increase in the U.S. gross domestic product ("GDP") in recent years has adversely affected our results of operations. If GDP continues to increase at a slow rate or if economic growth declines, demand for the products we sell will be adversely affected. In addition, volatility in the global capital and credit markets, which impacts interest rates, currency exchange rates and the availability of credit, could have a material adverse effect on the business, financial condition and results of operations of our company and our customers. We have exposure to counterparties with which we routinely execute transactions. Such counterparties include customers and financial institutions. A bankruptcy or liquidity event by one or more of our counterparties could have a material adverse effect on our business, financial condition and results of operations.

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

To successfully compete, we must attract, train and retain a large number of highly qualified employees while controlling related labor costs. Specifically, we must recruit and retain qualified sales professionals. If we were to lose a significant amount of our sales professionals, we could lose a material amount of sales, which would have a material adverse effect on our financial condition and results of operations. Many of our sales professionals are subject to confidentiality and non-competition agreements. If our sales professionals were to violate these agreements, we could seek to legally enforce these agreements, but we may incur substantial costs in connection with such enforcement and may not be successful in such

enforcement. We compete with other businesses for employees and invest significant resources in training and motivating them. There is no assurance that we will be able to attract or retain highly qualified employees. The inability to retain or hire qualified personnel at economically reasonable compensation levels would restrict our ability to improve our business and result in lower operating results and profitability.

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

Approximately 10% of our employees are currently covered by collective bargaining or other similar labor agreements. Historically, the effects of collective bargaining and other similar labor agreements have not been significant. However, if a larger number of our employees were to unionize, including in the wake of any future legislation or administrative regulation that makes it easier for employees to unionize, the effect may be negative.

Approximately 41% of the Company's unionized employees have collective bargaining agreements that expire during 2018. Any inability to negotiate acceptable new contracts under these collective bargaining arrangements could cause strikes or other work stoppages, and new contracts could result in increased operating costs. If any such strikes or other work stoppages occur, or if additional employees become represented by a union, a disruption of our operations and higher labor costs could result. Labor relations matters affecting our suppliers of products and services could also adversely affect our business from time to time.

The loss of any of our significant customers could adversely affect our financial condition.

Our ten largest customers generated approximately 9% of our consolidated net sales for the year ended December 31, 2017, and our largest customer accounted for approximately 2% of our consolidated net sales in that same period. We cannot guarantee that we will maintain or improve our relationships with these customers or that we will continue to supply these customers at historic levels.

Generally, our customers are not contractually required to purchase any minimum amount of products. Should such customers purchase products sold by us in significantly lower quantities than they have in the past, such decreased purchases could have a material adverse effect on our financial condition, operating results and cash flows.

In addition, consolidation among customers could also result in changes to the purchasing habits and volumes among some of our present customers. The loss of one or more of these significant customers, a significant customer's decision to purchase our products in substantially lower quantities than they have in the past, or a deterioration in the relationship with any of these customers could adversely affect our financial condition, operating results and cash flows.

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

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

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

As a distributor, we obtain our packaging, paper and facility products from third-party suppliers. Our business and financial results are dependent on our ability to purchase products from suppliers not controlled by us that we, in turn, sell to our customers. We may not be able to obtain the products we need on open credit, with market or other favorable terms, or at all. During the year ended December 31, 2017, approximately 38% of our purchases were made from ten suppliers. A

sustained disruption in our ability to source products from one or more of the largest of these vendors might have a material impact on our ability to fulfill customer orders resulting in lost sales and, in rare cases, damages for late or non-delivery.

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

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

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

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

We may not be able to fully compensate for increases in fuel costs.

Volatile fuel prices have a direct impact on our industry. The cost of fuel affects the price paid by us for products as well as the costs incurred to deliver products to our customers. Although we have been able to pass along a portion of increased fuel costs to our customers in the past, there is no guarantee that we can continue to do so. As such, we may experience difficulties in passing all or a portion of these costs along to our customers, which may have a negative impact on our business and our profitability.

Inclement weather, anti-terrorism measures and other disruptions to the transportation network could impact our distribution system and operations.

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

Furthermore, in the aftermath of terrorist attacks in the United States, federal, state and local authorities have implemented and continue to implement various security measures that affect many parts of the transportation network in the U.S. and abroad. Our customers typically require delivery of products in short time frames and rely on our on-time delivery capabilities. If security measures disrupt or impede the timing of our deliveries, we may fail to meet the needs of our customers, or may incur increased expenses to do so. Any of these disruptions to our operations may reduce our sales and have an adverse effect on our business, financial condition and results of operations.

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

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

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

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

Our operations rely upon secure IT systems for data capture, processing, storage and reporting. Our IT systems, and those of our third-party providers, could become subject to cyber-attacks. Network, system, application and data breaches could result in operational disruptions or information misappropriation including, but not limited to, interruption of systems availability, or denial of access to and misuse of applications required by our customers to conduct business with us. Access to internal applications required to plan our operations, source materials, ship finished goods and account for orders could be denied or misused. Theft of intellectual property or trade secrets, and inappropriate disclosure of confidential information, could stem from such incidents. Any operational disruptions or misappropriation of information could harm our relationship with our customers and suppliers, result in lost sales, business delays and negative publicity and could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

increased legislation and regulation, which could negatively impact our business, financial condition and results of operations.

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

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

Tax assessments and unclaimed property audits by governmental authorities could adversely impact our operating results.

We remit a variety of taxes and fees to various governmental authorities, including federal and state income taxes, excise taxes, property taxes, sales and use taxes and payroll taxes. The taxes and fees remitted by us are subject to review and audit by the applicable governmental authorities which could result in liability for additional assessments. In addition, we are subject to unclaimed property (escheat) laws which require us to turn over to certain government authorities the property of others held by us that has been unclaimed for a specified period of time. We are subject to audit by individual U.S. states with regard to our escheatment practices. The legislation and regulations related to tax and unclaimed property matters tend to be complex and subject to varying interpretations by both government authorities and taxpayers. Although management believes that the positions we have taken are reasonable, various taxing authorities may challenge certain of the positions we have taken, which may also potentially result in additional liabilities for taxes, unclaimed property, interest and penalties in excess of accrued liabilities. Our positions are reviewed as events occur such as the availability of new information, the lapsing of applicable statutes of limitations, the conclusion of tax audits, the measurement of additional estimated liabilities based on current calculations, the identification of new tax contingencies or the rendering of relevant court decisions. An unfavorable resolution of assessments by a governmental authority could have a material adverse effect on our financial condition, results of operations and cash flows in future periods.

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

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

The Merger resulted in an ownership change for Unisource under Section 382 of the Internal Revenue Code (the "Code"), limiting the use of Unisource's NOLs to offset future taxable income for both U.S. federal and state income tax purposes. Moreover, future trading of our stock by our significant shareholders may result in additional ownership changes as defined under Section 382 of the Code, further limiting the use of Unisource's NOLs. These limitations may affect the availability and the timing of when these NOLs may be used which could impair our deferred tax assets which, in turn, may adversely impact the timing and amount of cash taxes payable by our company.

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

Our inability to renew existing leases on acceptable terms, negotiate rent decreases or concessions and identify affordable real estate could adversely affect our operating results.

We may be unable to successfully negotiate or renew existing leases at attractive rents, negotiate rent decreases or concessions or identify affordable real estate. A key factor in our operating performance is the location and associated real estate costs of our distribution centers. In particular, approximately 24 of our real estate financing agreements expire in June 2018 which accounted for approximately 20% of our total operating leased square footage as of December 31, 2017. Our inability to negotiate or renew these or any other leases on favorable terms, or at all, could have a material adverse effect on our business and results of operations due to, among other things, any resultant increased lease payments.

Results of legal proceedings could have a material adverse effect on our consolidated financial statements.

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

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

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

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

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

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

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

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

We contribute to multi-employer defined benefit pension plans as well as multi-employer health and welfare plans under the terms of collective bargaining agreements that cover certain unionized employee groups in the United States. The risks of participating in multi-employer pension plans differ from single employer-sponsored plans and such plans are subject to regulation under the Pension Protection Act (the "PPA"). Multi-employer pension plans are cost-sharing plans subject to collective-bargaining agreements. Contributions to a multi-employer plan by one employer are not specifically earmarked for its employees and may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan are borne by the remaining participating employers. In addition, if a multi-employer plan is determined to be underfunded based on the criteria established by the PPA, the plan may be required to implement a financial improvement plan or rehabilitation plan that may require additional contributions or surcharges by participating employers.

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

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

As of December 31, 2017, we had approximately \$934.8 million in total indebtedness, reflecting borrowings of \$897.7 million under the asset-based lending facility (the "ABL Facility"), \$23.6 million of financing obligations (including financing obligations to a related party exclusive of the non-monetary portion) and \$13.5 million of equipment capital lease and other obligations. This level of indebtedness could have important consequences to our financial condition, operating results and business, including the following:

- limiting our ability to obtain additional debt or equity financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- increasing our cost of borrowing;
- requiring that a substantial portion of our cash flows from operations be dedicated to payments on our indebtedness instead of other purposes, including operations, capital expenditures and future business opportunities;
- making it more difficult for us to make payments on our indebtedness or satisfy other obligations;
- exposing us to risk of (i) increased interest rates on our borrowings in excess of our interest rate cap and (ii) increased interest rates of up to 3% on our borrowings covered by our interest rate cap because all of our borrowings under the ABL Facility are at variable rates of interest;
- limiting our ability to make the expenditures necessary to complete the integration of xpedx's business with Unisource's business;
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors that have less debt; and
- increasing our vulnerability to a downturn in general economic conditions or in our business, and making us unable to carry out capital spending that is important to our growth.

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

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

The agreements governing our indebtedness contain restrictive covenants, which could restrict our operational flexibility.

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

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

The agreements governing the ABL Facility also contain other restrictions customary for asset-based facilities of this nature.

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

Risks Relating to the Spin-off and Merger

We may not realize the full benefits of the anticipated synergies, cost savings and growth opportunities from the Merger.

The benefits of the Merger depend, in part, on our ability to realize anticipated growth opportunities, cost savings and other synergies. Even if we are able to integrate the xpedx and Unisource businesses successfully, this integration may not result in the realization of the full benefits of the growth opportunities and cost savings and other synergies that we currently expect from this integration within the anticipated time frame or at all. We have incurred and will continue to incur substantial expenses in connection with the integration of these businesses. Such expenses may exceed current estimates and accordingly, the full benefits from the Merger may be offset by costs or delays incurred in integrating the businesses.

The integration of the xpedx business with the Unisource business following the Transactions may present significant challenges.

There is a significant degree of difficulty and management distraction inherent in the process of integrating the xpedx and Unisource businesses which include the challenge and cost of integrating the IT systems of each company and network optimization.

The continuation of the integration process may cause an interruption of, or loss of momentum in, the activities of our business and may require us to incur substantial out-of-pocket costs. Members of our senior management have devoted and will continue to devote considerable amounts of time and attention to the integration process.

We cannot assure you that we will successfully or cost-effectively finalize the integration of the xpedx and Unisource businesses. The failure to do so could have a material adverse effect on our business, financial condition and results of operations.

We have incurred and continue to incur significant costs and charges associated with the Transactions that could affect our period-to-period operating results.

Through December 31, 2017, we have incurred approximately \$221 million in costs and charges associated with the Transactions, including approximately \$82 million for capital expenditures and \$25 million related to the complete or partial withdrawal from various multi-employer pension plans. We anticipate that we will incur additional costs and charges associated with the Transactions. We are not able to quantify the total amount of these costs and charges or the period in which they will be incurred as the operating plans affecting these costs are evolving and most charges relating to the withdrawal from multi-employer pension plans are uncertain. Excluding the multi-employer pension plan withdrawal charges, we currently anticipate that total net costs and charges associated with the Transactions will be approximately \$225 to \$250 million through December 31, 2018. The amount and timing of these costs and charges could adversely affect our period-to-period operating results, which could result in a reduction in the market price of shares of our common stock. Moreover, delays in completing the integration may reduce or delay the synergies and other benefits expected from the Transactions and such reduction may be material.

If costs to integrate our IT infrastructure and network systems are more than amounts that have been budgeted, our business, financial condition and results of operations could be adversely affected.

We expect to incur additional costs associated with achieving anticipated cost savings and other synergies from the Transactions. Some of these costs will consist of information technology infrastructure, systems integration and planning. The primary areas of spending will be integrating our financial, operational and human resources systems. We expect that a portion of these expenditures will be capitalized. Such expenditures and other integration costs could adversely affect our business, financial condition and results of operations.

If the Spin-off does not qualify as a tax-free spin-off under Section 355 of the Code, including as a result of subsequent acquisitions of stock of International Paper or our company, then International Paper and/or the International Paper shareholders may be required to pay substantial U.S. federal income taxes.

In connection with the Transactions, International Paper received a private letter ruling from the Internal Revenue Service ("IRS") to the effect that the Spin-off and certain related transactions will qualify as tax-free to International Paper and the International Paper shareholders for U.S. federal income tax purposes. Although a private letter ruling from the IRS generally is binding on the IRS, the IRS ruling does not rule that the Spin-off satisfies every requirement for a tax-free spin-off under Section 355 of the Code, and we and International Paper relied solely on the opinion of counsel for comfort that such additional requirements are satisfied. We also received an opinion of counsel to the effect that the Spin-off will qualify as tax-free to International Paper and the International Paper shareholders. This opinion relied on the IRS ruling as to matters covered by the IRS ruling.

The IRS ruling and such opinion were based on, among other things, certain representations and assumptions as to factual matters made by us, International Paper and UWWH, including assumptions concerning Section 355(e) of the Code as discussed below. The failure of any factual representation or assumption to be true, correct and complete in all material respects could adversely affect the validity of the IRS ruling or such opinion. An opinion of counsel represents counsel's best legal judgment, is not binding on the IRS or the courts, and the IRS or the courts may not agree with the opinion. In addition, the IRS ruling and such opinion were based on then current law, and cannot be relied upon if current law changes with retroactive effect.

If the Spin-off does not qualify as a tax-free spin-off under Section 355 of the Code, then the receipt of our common stock would be taxable to the International Paper shareholders, International Paper might recognize a substantial gain on the Spin-off, and we may be required to indemnify International Paper for the tax on such gain pursuant to the Tax Matters Agreement we entered into with International Paper in connection with the Spin-off.

In addition, the Spin-off will be taxable to International Paper pursuant to Section 355(e) of the Code if there is a 50% or more change in ownership of either International Paper or our company, directly or indirectly, as part of a plan or series of related transactions that include the Spin-off. Because the International Paper shareholders collectively owned more than 50% of our common stock upon the Merger, the Merger alone will not cause the Spin-off to be taxable to International Paper under Section 355(e) of the Code. However, Section 355(e) of the Code might apply if other acquisitions of stock of International Paper before or after the Merger, or of our company after the Merger, are considered to be part of a plan or series of related transactions that include the Spin-off. If Section 355(e) of the Code applied, then International Paper might recognize a substantial amount of taxable gain, and we may be required to indemnify International Paper for the tax on such gain pursuant to the Tax Matters Agreement.

If the Merger does not qualify as a tax-free reorganization under Section 368(a) of the Code, or if the Subsidiary Merger does not qualify as a transfer of property to Unisource under Section 351(a) of the Code, then we may be required to pay substantial U.S. federal income taxes.

In connection with the Transactions, we received an opinion of counsel to the effect that the Merger will qualify as a tax-free reorganization under Section 368(a) of the Code and UWWH received an opinion of counsel to the effect that the merger of xpedx Intermediate with and into Unisource (the "Subsidiary Merger" and, collectively with the Merger the "Mergers") will qualify as a transfer of property to Unisource under Section 351(a) of the Code. In addition, International Paper received private letter rulings from the IRS to the effect that the Merger will qualify as a tax-free reorganization under Section 368(a) of the Code and that the Subsidiary Merger will qualify as a transfer of property to Unisource under Section 351(a) of the Code. Although a private letter ruling from the IRS generally is binding on the IRS, the IRS rulings do not rule that the Merger satisfies every requirement for a tax-free reorganization under Section 368(a) of the Code, or that the Subsidiary Merger satisfies every requirement for a transfer of property to Unisource under Section 351(a) of the Code. The parties involved have each relied on an opinion of counsel for comfort that such additional requirements are satisfied.

The IRS rulings and such opinions were based on, among other things, certain representations and assumptions as to factual matters made by us, International Paper and UWWH. The failure of any factual representation or assumption to be true, correct and complete in all material respects could adversely affect the validity of the respective IRS rulings and such opinions. An opinion of counsel represents counsel's best legal judgment, is not binding on the IRS or the courts, and the IRS or the courts may not agree with the opinion. In addition, the IRS rulings and such opinions were based on then current law, and cannot be relied upon if current law changes with retroactive effect.

If the Merger does not qualify as a tax-free reorganization under Section 368(a) of the Code, then UWWH would be considered to have made a taxable sale of its assets to us and we would be required to pay the U.S. federal income tax on the gain, if any, arising from such taxable sale as a result of being the surviving corporation in the Merger.

If the Subsidiary Merger does not qualify as a transfer of property to Unisource under Section 351(a) of the Code, then we would be considered to have made a taxable sale of the assets of xpedx Intermediate to Unisource, and we may either be required to pay the U.S. federal income tax on such sale or to indemnify International Paper for the U.S. federal income tax on such sale pursuant to the Tax Matters Agreement.

Risks Relating to Our Common Stock

Our stock price may fluctuate significantly.

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

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

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

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

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

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

Our three largest shareholders collectively owned approximately 60% of our outstanding common stock as of December 31, 2017. As a result, certain of these shareholders may exercise significant influence over all matters requiring shareholder approval, including approval of significant corporate transactions, which may reduce the market price of our common stock. Additionally, the interests of these shareholders may conflict with the interests of our other shareholders.

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

Under our amended and restated certificate of incorporation (our "charter"), the UWWH Stockholder, Bain Capital Fund VII, L.P. and their respective affiliates and, in some circumstances, any of our directors and officers who is also a director, officer, employee, member or partner of the UWWH Stockholder, Bain Capital Fund VII, L.P. and their respective affiliates, have no obligation to offer us corporate opportunities.

The policies relating to corporate opportunities and transactions with the UWWH Stockholder, Bain Capital Fund VII, L.P. and their respective affiliates set forth in our charter address potential conflicts of interest between us, on the one hand, and the UWWH Stockholder, Bain Capital Fund VII, L.P., their respective affiliates and their respective officers and directors who are directors or officers of our company, on the other hand. Although these provisions are designed to resolve conflicts between us and the UWWH Stockholder, Bain Capital Fund VII, L.P. and their respective affiliates fairly, conflicts may not be so resolved.

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

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

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

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

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

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

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

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

agreements governing future indebtedness may, in certain circumstances, restrict the ability of our subsidiaries to pay dividends or otherwise transfer assets to us.

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2017, we had a distribution network operating from approximately 170 distribution centers.

	Leased	Owned	Total
Properties	160	10	170
Square feet (in millions)	18.1	1.3	19.4

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

The Company also leases various office spaces for corporate and sales functions.

ITEM 3. LEGAL PROCEEDINGS

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

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Veritiv's common stock is publicly traded on the New York Stock Exchange ("NYSE") under the symbol VRTV. As of February 23, 2018, there were 5,904 shareholders of record. The number of record holders does not include shareholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees.

The following table sets forth, for the quarterly reporting periods indicated, the high and low market prices per share for the Company's common stock, as reported on the NYSE.

	2017		2016	
	High	Low	High	Low
1st Quarter	\$ 62.60	\$ 48.95	\$ 39.23	\$ 27.44
2nd Quarter	\$ 53.25	\$ 39.30	\$ 42.25	\$ 34.10
3rd Quarter	\$ 45.40	\$ 26.85	\$ 52.49	\$ 37.05
4th Quarter	\$ 33.70	\$ 20.35	\$ 56.70	\$ 43.00

Veritiv has not historically paid dividends on its common stock. The Company currently intends to invest its future earnings, if any, to fund its growth, to develop its business, for working capital needs, to reduce debt and for general

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

On November 23, 2016, the UWWH Stockholder, one of Veritiv's existing stockholders and the former parent company of Unisource Worldwide, Inc., sold 1.76 million shares of Veritiv common stock in an underwritten public offering. Concurrently with the closing of the offering, Veritiv repurchased 0.31 million of these offered shares from the underwriters at a price of \$42.8625 per share, which is the price at which the underwriters purchased such shares from the selling stockholder, for an aggregate purchase price of approximately \$13.4 million. The Company may repurchase additional shares in the future, however, there is currently no share repurchase authorization plan approved by the Company's Board of Directors.

On March 22, 2017, the UWWH Stockholder sold 1.80 million shares of Veritiv common stock in a block trade. The Company did not sell or repurchase any shares and did not receive any of the proceeds.

The UWWH Stockholder beneficially owned 4,283,840 shares of Veritiv's outstanding common stock as of December 31, 2017.

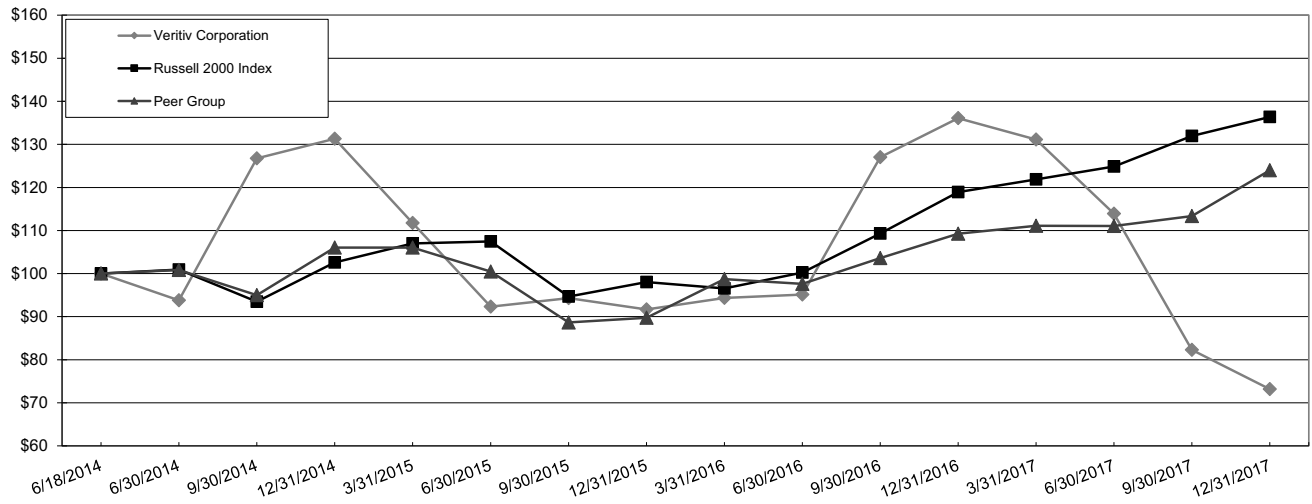
Performance Graph

The following graph provides a comparison of the cumulative shareholder return on the Company's common stock to the returns of the Russell 2000 Index and the average performance of a group consisting of the Company's peer companies (the "Peer Group") based on total shareholder return from June 18, 2014 (the first day Veritiv's common stock began "when-issued" trading on the NYSE) through December 31, 2017. Companies included in the Peer Group are as follows:

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

The graph is not, and is not intended to be, indicative of future performance of our common stock. The graph assumes \$100 invested on June 18, 2014 in the Company, the Russell 2000 Index and the Peer Group. Total return indices reflect reinvestment of dividends and are weighted on the basis of market capitalization at the time of each reported data point.

Comparison of 43 Month Cumulative Total Return
Among Veritiv Corporation, the Russell 2000 Index and Peer Group



ITEM 6. SELECTED FINANCIAL DATA

The following table presents the selected historical consolidated financial data for Veritiv and should be read in conjunction with Item 7 of this report and the audited Consolidated Financial Statements and notes thereto contained in Item 8 of this report. The Consolidated Statements of Operations data for the years ended December 31, 2017, 2016 and 2015 and the Consolidated Balance Sheets data as of December 31, 2017 and 2016 set forth below are derived from the audited Consolidated Financial Statements included in Item 8 of this report.

The Consolidated and Combined Statement of Operations data for the year ended December 31, 2014 is derived from Veritiv's audited Consolidated and Combined Financial Statements for 2014 and the Consolidated Balance Sheets data as of December 31, 2015 and 2014 are derived from Veritiv's audited Consolidated Financial Statements for 2015. These financial statements are not included in this report. The Combined Statements of Operations data for the year ended December 31, 2013 and the Combined Balance Sheets data as of December 31, 2013 are derived from xpedx's audited Combined Financial Statements for 2013 which are not included in this report.

The financial information may not be indicative of Veritiv's future performance and the financial information presented for the years prior to 2015 does not necessarily reflect what the financial condition and results of operations would have been had Veritiv operated as a separate, stand-alone entity during those periods.

(in millions, except per share data)

As of and for the Year Ended December 31,

Statements of Operations Data	2017	2016	2015	2014⁽¹⁾	2013
Net sales	\$ 8,364.7	\$ 8,326.6	\$ 8,717.7	\$ 7,406.5	\$ 5,652.4
Cost of products sold	6,846.6	6,826.4	7,160.3	6,180.9	4,736.8
Distribution expenses	516.9	505.1	521.8	426.2	314.2
Selling and administrative expenses	872.6	826.2	853.9	689.1	548.2
Depreciation and amortization	54.2	54.7	56.9	37.6	17.1
Acquisition, integration and merger expenses	36.5	25.9	34.9	75.1	—
Restructuring charges, net	16.7	12.4	11.3	4.0	37.9
Operating income (loss)	21.2	75.9	78.6	(6.4)	(1.8)
Income tax expense (benefit)	11.4	19.8	18.2	(2.1)	0.4
Income (loss) from continuing operations	(13.3)	21.0	26.7	(19.5)	0.0
Income (loss) from discontinued operations, net of income taxes	—	—	—	(0.1)	0.2
Net income (loss)	(13.3)	21.0	26.7	(19.6)	0.2

Earnings (loss) per share⁽²⁾:

Basic

Continuing operations	\$ (0.85)	\$ 1.31	\$ 1.67	\$ (1.61)	\$ 0.00
Discontinued operations	—	—	—	(0.01)	0.02
Basic earnings (loss) per share	<u>\$ (0.85)</u>	<u>\$ 1.31</u>	<u>\$ 1.67</u>	<u>\$ (1.62)</u>	<u>\$ 0.02</u>

Diluted

Continuing operations	\$ (0.85)	\$ 1.30	\$ 1.67	\$ (1.61)	\$ 0.00
Discontinued operations	—	—	—	(0.01)	0.02
Diluted earnings (loss) per share	<u>\$ (0.85)</u>	<u>\$ 1.30</u>	<u>\$ 1.67</u>	<u>\$ (1.62)</u>	<u>\$ 0.02</u>

Balance Sheets Data (at period end)

Accounts receivable, net	\$ 1,174.3	\$ 1,048.3	\$ 1,037.5	\$ 1,115.1	\$ 669.7
Inventories	722.7	707.9	720.6	673.2	360.9
Total assets	2,708.4	2,483.7	2,476.9	2,574.5	1,256.9
Long-term debt, net of current maturities	908.3	749.2	800.5	855.0	—
Financing obligations, less current portion	181.6	176.1	197.8	212.4	—
Defined benefit pension obligations	24.4	27.6	28.7	36.3	—
Other non-current liabilities	137.0	121.2	105.6	107.2	12.5

⁽¹⁾ Includes the operating results of Unisource for the six months ended December 31, 2014.

⁽²⁾ See Note 13 of the Notes to Consolidated Financial Statements for discussion about the shares of common stock utilized in the computation of basic and diluted earnings per share for the years ended December 31, 2017, 2016 and 2015.

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

The following discussion of the Company's results of operations and financial condition should be read in conjunction with the Consolidated Financial Statements and Notes thereto, included elsewhere in this report.

Executive Overview

Business Overview

Veritiv is a leading North American business-to-business distributor of packaging, facility solutions, print and publishing products and services. Additionally, Veritiv provides logistics and supply chain management solutions to its customers. On August 31, 2017, Veritiv completed its acquisition of 100% of the equity interest in various All American Containers entities (collectively, "AAC"), a family owned and operated distributor of rigid packaging, including plastic, glass and metal containers, caps, closures and plastic pouches. The Company operates from approximately 170 distribution centers primarily throughout the U.S., Canada and Mexico.

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

- ***Packaging*** – The Packaging segment provides standard as well as custom and comprehensive packaging solutions for customers based in North America and in key global markets. The business is strategically focused on higher growth industries including light industrial/general manufacturing, food production, fulfillment and internet retail, as well as niche verticals based on geographical and functional expertise. Veritiv's packaging professionals create customer value through supply chain solutions, structural and graphic packaging design and engineering, automation, workflow and equipment services and kitting and fulfillment.
- ***Facility Solutions*** – The Facility Solutions segment sources and sells cleaning, break-room and other supplies such as towels, tissues, wipers and dispensers, can liners, commercial cleaning chemicals, soaps and sanitizers, sanitary maintenance supplies and equipment, safety and hazard supplies, and shampoos and amenities primarily in the U.S., Canada and Mexico. Veritiv is a leading distributor in the Facility Solutions segment. Through this segment we manage a world class network of leading suppliers in most facilities solutions categories. Additionally, we offer total cost of ownership solutions with re-merchandising, budgeting and compliance reporting, inventory management, and a sales-force trained to bring leading vertical expertise to the major North American geographies.
- ***Print*** – The Print segment sells and distributes commercial printing, writing, copying, digital, wide format and specialty paper products, graphics consumables and graphics equipment primarily in the U.S., Canada and Mexico. This segment also includes customized paper conversion services of commercial printing paper for distribution to document centers and form printers. The Company's broad geographic platform of operations coupled with the breadth of paper and graphics products, including its exclusive private brand offerings, provides a foundation to service national, regional and local customers across North America.
- ***Publishing*** – The Publishing segment sells and distributes coated and uncoated commercial printing papers to publishers, retailers, converters, printers and specialty businesses for use in magazines, catalogs, books, directories, gaming, couponing, retail inserts and direct mail. This segment also provides print management, procurement and supply chain management solutions to simplify paper and print procurement processes for its customers.

The Company also has a Corporate & Other category which includes certain assets and costs not primarily attributable to any of the reportable segments, as well as its Veritiv logistics solutions business which provides transportation and warehousing solutions.

Results of Operations, Including Business Segments

The following discussion compares the consolidated operating results of Veritiv for the years ended December 31, 2017, 2016 and 2015.

Comparison of the Years Ended December 31, 2017, 2016 and 2015

<i>(in millions)</i>	Year Ended December 31,			2017 vs. 2016	2016 vs. 2015
	2017	2016	2015	Increase (Decrease) %	Increase (Decrease) %
Net sales	\$ 8,364.7	\$ 8,326.6	\$ 8,717.7	0.5 %	(4.5)%
Cost of products sold (exclusive of depreciation and amortization shown separately below)	6,846.6	6,826.4	7,160.3	0.3 %	(4.7)%
Distribution expenses	516.9	505.1	521.8	2.3 %	(3.2)%
Selling and administrative expenses	872.6	826.2	853.9	5.6 %	(3.2)%
Depreciation and amortization	54.2	54.7	56.9	(0.9)%	(3.9)%
Acquisition and integration expenses	36.5	25.9	34.9	40.9 %	(25.8)%
Restructuring charges, net	16.7	12.4	11.3	34.7 %	9.7 %
Operating income	21.2	75.9	78.6	(72.1)%	(3.4)%
Interest expense, net	31.2	27.5	27.0	13.5 %	1.9 %
Other (income) expense, net	(8.1)	7.6	6.7	(206.6)%	13.4 %
Income (loss) before income taxes	(1.9)	40.8	44.9	(104.7)%	(9.1)%
Income tax expense	11.4	19.8	18.2	(42.4)%	8.8 %
Net income (loss)	\$ (13.3)	\$ 21.0	\$ 26.7	(163.3)%	(21.3)%

Net Sales

- **2017 compared to 2016:** Net sales increased by \$38.1 million, or 0.5%, primarily due to the incremental net sales of \$71.7 million resulting from the AAC acquisition. Increases in net sales in the Packaging and Facility Solutions segments as well as Veritiv's logistics solutions business were offset by declines in the Print and Publishing segments. See the "Segment Results" section for additional discussion.
- **2016 compared to 2015:** Net sales declined by \$391.1 million, or 4.5%, primarily due to declines in the Print and Publishing segments. See the "Segment Results" section for additional discussion.

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

- **2017 compared to 2016:** Cost of products sold increased by \$20.2 million, or 0.3%, due to the growth in net sales as previously discussed. See the "Segment Results" section for additional discussion.
- **2016 compared to 2015:** Cost of products sold decreased by \$333.9 million, or 4.7%, primarily due to the decline in net sales as previously discussed. See the "Segment Results" section for additional discussion.

Distribution Expenses

- **2017 compared to 2016:** Distribution expenses increased by \$11.8 million or 2.3%. Distribution expenses increased \$12.2 million from an increase in freight and logistics expenses, primarily due to increased third-party freight, transfer expenses and diesel fuel prices and \$4.9 million related to the AAC acquisition. These increases were partially offset by (i) a \$1.7 million decrease in facilities rent and other related expenses, (ii) a \$1.5 million decrease in insurance expense and (iii) a \$1.6 million decrease in personnel expenses as well as maintenance and material expense. The offsetting decreases were primarily driven by warehouse consolidations.
- **2016 compared to 2015:** Distribution expenses decreased by \$16.7 million or 3.2%. The decline was primarily due to (i) a \$6.3 million decrease in facilities expenses due primarily to warehouse consolidations, (ii) a \$5.9 million decrease in personnel costs due primarily to reductions in temporary employee expense and (iii) a \$5.3 million decrease in vehicle operating expenses primarily driven by reductions in third-party freight expense and fuel.

Selling and Administrative Expenses

- **2017 compared to 2016:** Selling and administrative expenses increased by \$46.4 million or 5.6%. The increase was primarily attributed to (i) an \$18.8 million increase in personnel expenses, (ii) a \$13.3 million increase in bad debt expense and (iii) a \$9.3 million increase related to the AAC acquisition. The increase in personnel expenses was primarily driven by an increase in headcount to support the Company's growth strategy as well as lower commissions in 2016 due to the recovery of commission advances, discussed below. The increase in bad debt expense was primarily due to additional reserves related to certain customers with declining financial conditions during 2017 combined with favorable collections experience in 2016. Selling and administrative expenses also included \$8.4 million of impairment charges related to the impairment of the logistics solutions business goodwill and customer relationship intangible asset.
- **2016 compared to 2015:** Selling and administrative expenses decreased by \$27.7 million or 3.2%. The decrease was primarily attributed to (i) an \$11.2 million decrease in commission expense due in part to lower net sales volume and (ii) a \$13.6 million decrease in incentive compensation. In 2013, xpedx advanced funds to commissioned sales representatives to compensate them for a change in the timing of commission payments. During 2016, the Company recovered \$6.0 million of those advances, which further reduced commission expense. These decreases were partially offset by \$5.8 million of impairment charges attributable to the Print and Publishing segments' customer relationship intangible assets.

Depreciation and Amortization

- **2017 compared to 2016:** Depreciation and amortization expense decreased \$0.5 million.
- **2016 compared to 2015:** Depreciation and amortization expense decreased \$2.2 million primarily due to \$2.4 million of amortization for intangible assets acquired in the Merger that were fully amortized as of June 30, 2015.

Acquisition and Integration Expenses

During the years ended December 31, 2017, 2016 and 2015, Veritiv incurred costs and charges to integrate its combined businesses. Integration expenses include internally dedicated integration management resources, retention compensation, information technology conversion costs, rebranding, professional services and other costs to integrate its businesses. Veritiv incurred acquisition and integration expenses of \$8.0 million in 2017 related to the acquisition of AAC.

See Note 3 of the Notes to Consolidated Financial Statements for a breakdown of these costs.

Restructuring Charges, Net

Restructuring charges, net relates primarily to Veritiv's restructuring of its North American operations intended to integrate the legacy xpedx and Unisource operations, generate cost savings and capture synergies across the combined company. Restructuring charges, net includes net gains related to the sale or exit of certain facilities totaling \$24.4 million and \$2.1 million for the years ended December 31, 2017 and 2016, respectively, and a \$4.1 million net non-cash loss from asset impairments for the year ended December 31, 2015. See Note 3 of the Notes to Consolidated Financial Statements for additional details. The Company may continue to record restructuring charges in the future as these activities progress, which may include gains or losses from the disposition of assets.

Interest Expense, Net

Interest expense, net in 2017 consisted of (i) \$25.5 million of interest expense on the Company's asset-based lending facility (the "ABL Facility"), (ii) \$2.6 million for amortization of deferred financing costs related to the ABL Facility and (iii) \$3.1 million in miscellaneous interest expense. Interest expense, net in 2017 increased \$ 3.7 million. Interest expense increased due to (i) an increased average balance on the ABL Facility and (ii) increased interest rates. See Note 5 of the Notes to Consolidated Financial Statements for information related to the ABL Facility. The increased average balance and interest rates on the ABL Facility were primarily due to the acquisition of AAC on August 31, 2017. See Note 2 of the Notes to Consolidated Financial Statements for additional details.

Interest expense, net in 2016 consisted of (i) \$18.6 million of interest expense on the ABL Facility, (ii) \$5.6 million for amortization of deferred financing costs related to the ABL Facility and (iii) \$3.3 million in miscellaneous interest expense. The increase in 2016 was due primarily to an additional \$1.9 million of deferred financing cost amortization resulting from an amendment to the ABL Facility. This increase was offset by lower miscellaneous interest expense.

Interest expense, net in 2015 consisted of (i) \$18.7 million of interest expense on the ABL Facility, (ii) \$4.4 million for amortization of deferred financing costs related to the ABL Facility and (iii) \$3.9 million in miscellaneous interest expense.

Other (Income) Expense, Net

- **2017 compared to 2016:** Other (income) expense, net was income of \$8.1 million in 2017 compared to expense of \$7.6 million in 2016. The \$15.7 million change is primarily the result of the Tax Cuts and Jobs Act (the "Tax Act") which lowered the U.S. corporate federal tax rate, from 35% to 21%. The lower rate reduced the value of the Tax Receivable Agreement liability by \$13.5 million which was recorded as other income in the fourth quarter of 2017. See Note 8 of the Notes to Consolidated Financial Statements for additional details regarding the Tax Act.
- **2016 compared to 2015:** Other (income) expense, net increased \$0.9 million compared to 2015. This increase was primarily driven by higher expenses associated with the Tax Receivable Agreement and a loss on debt extinguishment that were partially offset by lower expenses associated with foreign currency losses in 2016 compared to 2015.

Effective Tax Rate

Veritiv's effective tax rates were (600.0)%, 48.5% and 40.5% for the years ended December 31, 2017, 2016 and 2015 respectively. The Company's effective tax rate for the year ended December 31, 2017 is impacted by a near break-even pre-tax book loss in combination with the impact of the following discrete items:

- A \$30.2 million expense in connection with our provisional estimate of the impact of the Tax Act, including \$23.0 million for the remeasurement of our deferred taxes and \$7.2 million for the one-time transition tax. See Note 8 of the Notes to Consolidated Financial Statements for additional details regarding the Tax Act.
- A \$13.4 million benefit for the reversal of the valuation allowance on the deferred tax assets of the Company's Canadian subsidiary. The reversal reflects the Company's cumulative recent income and improved expectation of future taxable income.
- A \$3.8 million tax rate benefit for the reduction in the fair value of the Tax Receivable Agreement, including the federal rate reduction.
- A \$3.1 million benefit in conjunction with the third quarter 2017 filing of Veritiv's 2016 U.S. federal tax return and amended 2015 and 2014 U.S. federal tax returns for credits related to foreign taxes and research and experimentation activities.
- A tax rate effect of \$2.1 million for the impact of impairing non-deductible goodwill.

In addition to the above items, the difference between the Company's effective tax rates for the years ended December 31, 2017, 2016 and 2015 and the U.S. statutory tax rate of 35% includes the impact of non-deductible expenses, state income taxes (net of federal income tax benefit), the Company's income (loss) by jurisdiction, the tax effect of Tax Receivable Agreement changes, and changes in the valuation allowance against deferred tax assets. The year ended December 31, 2015 also includes the tax impact of a foreign exchange loss and an impairment of non-deductible goodwill.

The Tax Act makes broad and complex changes to the U.S. tax code that affected our income taxes in 2017 as well as changes that will affect us beginning in 2018. The volatility of the Company's effective tax rate has been primarily due to both the level of pre-tax income as well as variations in the Company's income (loss) by jurisdiction. Additionally, uncertainty related to the future impact of the Tax Act may increase effective tax rate volatility. Pending further evaluation of the Tax Act, over time and with increasing pre-tax income, the Company estimates its effective tax rate will trend toward approximately 26%. However, the effective tax rate may vary significantly due to potential fluctuations in the amount and source, including both foreign and domestic, of pre-tax income and changes in amounts of non-deductible expenses and other items that could impact the effective tax rate. See Note 8 of the Notes to Consolidated Financial Statements for additional details.

Segment Results

Adjusted EBITDA is the primary financial performance measure Veritiv uses to manage its businesses, to monitor its results of operations, to measure its performance against the ABL Facility and to incentivize its management. This common metric is intended to align shareholders, debt holders and management. Adjusted EBITDA is a non-GAAP financial measure and is not an alternative to net income, operating income or any other measure prescribed by U.S. generally accepted accounting principles ("U.S. GAAP").

Veritiv uses Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, restructuring charges, net, acquisition and integration expenses and other similar charges including any severance costs, costs associated with warehouse and office openings or closings, consolidation, and relocation and other business optimization expenses, stock-based compensation expense, changes in the LIFO reserve, non-restructuring asset impairment charges, non-restructuring severance

charges, non-restructuring pension charges, fair value adjustments related to contingent liabilities assumed in mergers and acquisitions and certain other adjustments) because Veritiv believes investors commonly use Adjusted EBITDA as a key financial metric for valuing companies. In addition, the credit agreement governing the ABL Facility permits the Company to exclude these and other charges in calculating Consolidated EBITDA, as defined in the ABL Facility.

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

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

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

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

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

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

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

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

<i>(in millions)</i>	Packaging	Facility Solutions	Print	Publishing	Corporate & Other
Year Ended December 31, 2017					
Net sales	\$ 3,157.8	\$ 1,309.7	\$ 2,793.7	\$ 958.0	\$ 145.5
Adjusted EBITDA	\$ 238.0	\$ 35.5	\$ 60.8	\$ 26.4	\$ (184.3)
Adjusted EBITDA as a % of net sales	7.5%	2.7%	2.2%	2.8%	*
Year Ended December 31, 2016					
Net sales	\$ 2,854.2	\$ 1,271.6	\$ 3,047.4	\$ 1,033.6	\$ 119.8
Adjusted EBITDA	\$ 221.2	\$ 47.0	\$ 76.8	\$ 23.6	\$ (176.4)
Adjusted EBITDA as a % of net sales	7.7%	3.7%	2.5%	2.3%	*
Year Ended December 31, 2015					
Net sales	\$ 2,829.9	\$ 1,289.3	\$ 3,271.8	\$ 1,215.5	\$ 111.2
Adjusted EBITDA	\$ 212.6	\$ 41.7	\$ 79.0	\$ 34.7	\$ (186.0)
Adjusted EBITDA as a % of net sales	7.5%	3.2%	2.4%	2.9%	*

* - not meaningful

See Note 17, of the Notes to Consolidated Financial Statements for additional information related to Adjusted EBITDA, including a reconciliation of income (loss) before income taxes as reflected in the Consolidated Statements of Operations to Adjusted EBITDA for reportable segments.

Packaging

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

<i>(in millions)</i>	Year Ended December 31,			2017 vs. 2016	2016 vs. 2015
	2017	2016	2015	Increase (Decrease) %	Increase (Decrease) %
Net sales	\$ 3,157.8	\$ 2,854.2	\$ 2,829.9	10.6%	0.9%
Adjusted EBITDA	\$ 238.0	\$ 221.2	\$ 212.6	7.6%	4.0%
Adjusted EBITDA as a % of net sales	7.5%	7.7%	7.5%		

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

<i>(in millions)</i>	Increase (Decrease)	
	2017 vs. 2016	2016 vs. 2015
Volume	\$ 315.0	\$ 50.3
Foreign currency	3.3	(21.8)
Price/Mix	(14.7)	(4.2)
	<u>\$ 303.6</u>	<u>\$ 24.3</u>

Comparison of the Years Ended December 31, 2017 and December 31, 2016

Net sales increased \$303.6 million, or 10.6%, compared to 2016. The net sales increase was primarily attributable to an increase in net sales of corrugated products, films and tertiary packaging items due to increases in volume and market prices as well as \$71.7 million of rigid packaging product net sales in 2017 relating to the AAC acquisition.

Adjusted EBITDA increased \$16.8 million, or 7.6%, compared to 2016 primarily due to increased net sales volume. The increase in net sales was partially offset by (i) cost of products sold increasing at a faster rate than net sales, (ii) a \$25.0 million increase in distribution expenses and (iii) an \$18.7 million increase in selling and administrative expenses. The increase in distribution expenses was primarily driven by increased utilization of the distribution network, which is reflected in (i) increased freight and logistics expenses driven primarily by increased third-party freight, transfer expenses and diesel fuel prices, (ii) increased personnel expenses and (iii) increased facilities rent and other related expenses. The increase in selling and administrative expenses was primarily driven by higher personnel expenses associated with increased headcount to support our growth strategy. The AAC acquisition resulted in a \$4.9 million increase in distribution expenses and a \$9.4 million increase in selling and administrative expenses.

Comparison of the Years Ended December 31, 2016 and December 31, 2015

The net sales increase was primarily attributable to an increase in net sales of corrugated products.

The Adjusted EBITDA increase was primarily due to increased net sales volume, and \$3.4 million attributed to cost of products sold increasing at a slower rate than net sales. These improvements were partially offset by a \$1.1 million increase in selling, general, and administrative personnel costs primarily attributable to the addition of new sales representatives.

Facility Solutions

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

<i>(in millions)</i>	Year Ended December 31,			2017 vs. 2016	2016 vs. 2015
	2017	2016	2015	Increase (Decrease) %	Increase (Decrease) %
Net sales	\$ 1,309.7	\$ 1,271.6	\$ 1,289.3	3.0 %	(1.4)%
Adjusted EBITDA	\$ 35.5	\$ 47.0	\$ 41.7	(24.5)%	12.7 %
Adjusted EBITDA as a % of net sales	2.7%	3.7%	3.2%		

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

<i>(in millions)</i>	Increase (Decrease)	
	2017 vs. 2016	2016 vs. 2015
Volume	\$ 43.1	\$ (5.6)
Foreign currency	5.1	(9.2)
Price/Mix	(10.1)	(2.9)
	<u>\$ 38.1</u>	<u>\$ (17.7)</u>

Comparison of the Years Ended December 31, 2017 and December 31, 2016

Net sales increased \$38.1 million, or 3.0%, compared to 2016. The net sales increase was primarily attributable to increased net sales of food service products, safety supplies, chemicals, towels and tissues.

Adjusted EBITDA decreased \$11.5 million, or 24.5%, compared to 2016. The decrease in Adjusted EBITDA was primarily driven by (i) cost of products sold increasing at a faster rate than net sales, (ii) a \$6.9 million increase in distribution expenses and (iii) a \$5.6 million increase in selling and administrative costs, partially offset by an increase in net sales. The increase in distribution expenses was primarily driven by increased utilization of the distribution network and is evidenced in (i) increased freight and logistics expenses driven primarily by increased third-party freight, transfer expenses and diesel fuel prices and (ii) increased personnel expenses. The increase in selling and administrative expenses was primarily driven by (i) an increase in personnel expenses primarily due to increased headcount to support our growth strategy and (ii) an increase in bad debt expense.

Comparison of the Years Ended December 31, 2016 and December 31, 2015

The net sales decrease was primarily attributable to (i) foreign currency effects, (ii) strategic decisions to exit certain unprofitable customer relationships in 2015 and (iii) pricing pressure.

The Adjusted EBITDA improvement was primarily due to (i) cost of products sold decreasing at a faster rate than net sales and (ii) a \$3.5 million decrease in selling and administrative costs. The decrease in selling and administrative expenses was primarily driven by (i) a decrease in commissions due to lower net sales volume, (ii) a decrease in bad debt expense due to favorable collections experience and (iii) a reduction in personnel costs.

Print

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

<i>(in millions)</i>	Year Ended December 31,			2017 vs. 2016	2016 vs. 2015
	2017	2016	2015	Increase (Decrease) %	Increase (Decrease) %
Net sales	\$ 2,793.7	\$ 3,047.4	\$ 3,271.8	(8.3)%	(6.9)%
Adjusted EBITDA	\$ 60.8	\$ 76.8	\$ 79.0	(20.8)%	(2.8)%
Adjusted EBITDA as a % of net sales	2.2%	2.5%	2.4%		

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

<i>(in millions)</i>	Increase (Decrease)	
	2017 vs. 2016	2016 vs. 2015
Volume	\$ (256.8)	\$ (225.2)
Foreign currency	3.5	(9.2)
Price/Mix	(0.4)	10.0
	<u>\$ (253.7)</u>	<u>\$ (224.4)</u>

Comparison of the Years Ended December 31, 2017 and December 31, 2016

Net sales decreased \$253.7 million, or 8.3%, compared to 2016. The net sales decrease was primarily attributable to the continued secular decline in the paper industry.

Adjusted EBITDA decreased \$16.0 million, or 20.8%, compared to 2016. The Adjusted EBITDA decrease was largely attributable to the decline in net sales. The decline in net sales was partially offset by (i) a \$16.0 million decrease in distribution expenses and (ii) a \$5.2 million decrease in selling and administrative expenses. The decrease in distribution expenses was primarily driven by decreased utilization of the distribution network, which is reflected in (i) a decrease in facilities rent and other related expenses and (ii) a decrease in personnel expense. The decrease in selling and administrative expenses was primarily driven by a decrease in personnel expenses and professional fees, partially offset by an increase in bad debt expense.

Comparison of the Years Ended December 31, 2016 and December 31, 2015

The net sales decrease was primarily attributable to the continued erosion in net sales volume from the secular decline in the paper industry as well as strategic decisions to exit certain unprofitable customer relationships.

The decline in Adjusted EBITDA was primarily due to lower net sales volume and was partially offset by a \$5.4 million reduction in selling and general administrative expenses resulting from a decrease in personnel costs.

Publishing

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

<i>(in millions)</i>	Year Ended December 31,			2017 vs. 2016	2016 vs. 2015
	2017	2016	2015	Increase (Decrease) %	Increase (Decrease) %
Net sales	\$ 958.0	\$ 1,033.6	\$ 1,215.5	(7.3)%	(15.0)%
Adjusted EBITDA	\$ 26.4	\$ 23.6	\$ 34.7	11.9 %	(32.0)%
Adjusted EBITDA as a % of net sales	2.8%	2.3%	2.9%		

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

<i>(in millions)</i>	Increase (Decrease)	
	2017 vs. 2016	2016 vs. 2015
Volume	\$ (82.5)	\$ (192.5)
Foreign currency	0.8	(0.2)
Price/Mix	6.1	10.8
	<u>\$ (75.6)</u>	<u>\$ (181.9)</u>

Comparison of the Years Ended December 31, 2017 and December 31, 2016

Net sales decreased \$75.6 million, or 7.3%, compared to 2016. The net sales decrease was primarily attributable to a decline in volume, reflecting the continued secular decline in the paper industry.

Adjusted EBITDA increased \$2.8 million, or 11.9%, compared to 2016. The Adjusted EBITDA increase was primarily attributable to the cost of products sold decreasing at a faster rate than net sales and a \$1.9 million decrease in selling and administrative expenses partially offset by a decrease in net sales. The decrease in selling and administrative expenses was primarily driven by a decrease in personnel expenses.

Comparison of the Years Ended December 31, 2016 and December 31, 2015

The net sales decrease was primarily attributable to the continued erosion in net sales volume from the continued secular decline in the paper industry.

The decline in Adjusted EBITDA was primarily due to lower net sales volume and a \$2.9 million decrease attributed to cost of products sold decreasing at a slower rate than net sales. These declines were partially offset by a \$3.6 million decrease in selling and administrative expenses due to lower commission expense.

Corporate & Other

<i>(in millions)</i>	Year Ended December 31,			2017 vs. 2016	2016 vs. 2015
	2017	2016	2015	Increase (Decrease) %	Increase (Decrease) %
Net sales	\$ 145.5	\$ 119.8	\$ 111.2	21.5 %	7.7%
Adjusted EBITDA	\$ (184.3)	\$ (176.4)	\$ (186.0)	(4.5)%	5.2%

Comparison of the Years Ended December 31, 2017 and December 31, 2016

Net sales increased \$25.7 million, or 21.5%, compared to 2016. The net sales increase was primarily attributable to an increase in freight brokerage services.

Adjusted EBITDA decreased \$7.9 million, or 4.5% compared to 2016. The Adjusted EBITDA decrease was primarily driven by (i) cost of products sold increasing at a faster rate than net sales, (ii) a \$9.1 million increase in selling and administrative costs partially offset by an increase in net sales and (iii) a \$3.3 million decrease in distribution expenses. The

increase in selling and administrative costs was driven primarily by (i) an increase in personnel expenses primarily driven by increased headcount to support the Company's growth strategy and (ii) lower commission expense in 2016 due to the recovery of commission advances, as discussed above.

Comparison of the Years Ended December 31, 2016 and December 31, 2015

Net sales increased \$8.6 million, or 7.7%, due to continued growth in freight brokerage services.

The Adjusted EBITDA improvement was primarily due to (i) the recovery of commission advances and (ii) a decrease in corporate personnel costs mainly attributable to a reduction in incentive compensation.

Liquidity and Capital Resources

The cash requirements of the Company are provided by cash flows from operations and borrowings under the ABL Facility. The following table sets forth a summary of cash flows:

<i>(in millions)</i>	Year Ended December 31,		
	2017	2016	2015
Net cash provided by (used for):			
Operating activities	\$ 36.6	\$ 140.2	\$ 113.0
Investing activities	(126.2)	(34.4)	(44.1)
Financing activities	99.2	(89.9)	(70.4)

Analysis of Cash Flows

The Company ended 2017 with \$80.3 million in cash, an increase of \$10.7 million during the year. Cash flow from operations was \$36.6 million in 2017 compared with \$140.2 million in 2016. The factors driving cash flow from operating activities in 2017 were: (i) a \$48.3 million increase in accounts payable and related party payable, (ii) a \$30.1 million decrease in inventories, (iii) a \$13.6 million increase in other accrued liabilities and (iv) a \$15.3 million increase from other operating activities. The increase in cash from operating activities was partially offset by: (i) a net loss, (ii) a \$101.9 million increase in accounts receivable and related party receivable, (iii) an \$11.3 million decrease in accrued payroll and benefits and (iv) an \$8.4 million increase in other current assets. The Company also generated \$167.3 million in cash flow from a net increase in revolving loan borrowings under the ABL Facility and \$51.1 million related to proceeds from asset sales. The primary uses of cash during 2017 were: (i) \$144.8 million for the acquisition of AAC, (ii) a \$40.5 million decline in book overdrafts, (iii) \$32.5 million for property and equipment additions, of which \$16.1 million were integration-related capital expenditures and \$16.4 million were ordinary capital expenditures, (iv) \$16.4 million for payments under financing obligations including obligations to related party, (v) \$8.5 million for the Tax Receivable Agreement payment and (vi) \$2.7 million for payments under capital lease obligations.

The primary sources of cash during 2016 were: (i) a \$69.9 million increase in accounts payable and related party payable, (ii) a \$14.3 million increase in other operating activities and (iii) a \$13.1 million reduction in inventories. The Company also generated \$18.9 million in positive cash flow from an increase in book overdrafts and \$6.6 million related to proceeds from asset sales. The primary uses of cash during 2016 were: (i) a \$40.9 million decrease in accrued payroll and benefits, (ii) a \$14.7 million increase in accounts receivable and related party receivable, (iii) an \$11.4 million increase in other current assets, and (iv) a \$3.6 million decrease in other accrued liabilities. Cash was also used by (i) \$70.1 million of net repayments of revolving loan borrowings under the ABL Facility, (ii) \$41.0 million of property and equipment additions, of which \$25.5 million were integration-related capital expenditures and \$15.5 million were ordinary capital expenditures, (iii) \$19.9 million of payments under financing obligations to related party, (iv) \$13.6 million used to repurchase 0.31 million shares of Veritiv outstanding common stock, (v) \$3.2 million for payments under capital lease obligations and (vi) \$2.0 million for financing fees incurred in connection with an amendment to the ABL Facility.

The primary sources of cash during 2015 were: (i) higher net income compared to 2014, (ii) a \$53.4 million reduction in accounts receivable and related party receivable, (iii) \$10.5 million from an increase in accrued payroll and benefits and (iv) \$3.1 million from other operating activities. The primary uses of cash during 2015 were: (i) a \$62.0 million increase in inventories, (ii) \$47.0 million of net repayments of revolving loan borrowings under the ABL Facility, (iii) \$44.4 million of property and equipment additions, of which \$29.4 million were integration-related capital expenditures and \$15.0 million were ordinary capital expenditures, (iv) \$13.8 million of payments under financing obligations to related party, (v) an \$8.4 million decrease in accounts

payable and related party payable, (vi) a \$7.1 million decrease in other accrued liabilities and (vii) \$3.8 million in payments under capital lease obligations. Cash was also used for a \$5.8 million decrease in book overdrafts.

Funding and Liquidity Strategy

Veritiv has a \$1.4 billion asset-based lending facility (the "ABL Facility"). The ABL Facility is comprised of U.S. and Canadian sub-facilities of \$1,250.0 million and \$150.0 million, respectively. The ABL Facility is available to be drawn in U.S. dollars, in the case of the U.S. sub-facilities, and in U.S. dollars or Canadian dollars, in the case of the Canadian sub-facilities, or in other currencies that are mutually agreeable. The Company's accounts receivable and inventories in the U.S. and Canada are collateral under the ABL Facility.

On August 11, 2016, the Company amended the ABL Facility to, among other things, extend the maturity date to August 11, 2021. All other significant terms remained consistent. The ABL Facility provides for the right of the individual lenders to extend the maturity date of their respective commitments and loans upon the request of Veritiv and without the consent of any other lenders. The ABL Facility may be prepaid at Veritiv's option at any time without premium or penalty and is subject to mandatory prepayment if the amount outstanding under the ABL Facility exceeds either the aggregate commitments with respect thereto or the current borrowing base, in an amount equal to such excess. The Company incurred and deferred \$2.0 million of new financing fees associated with the amendment, which are reflected in other non-current assets in the Consolidated Balance Sheets, and will be amortized to interest expense on a straight-line basis over the amended term of the ABL Facility.

The ABL Facility has a springing minimum fixed charge coverage ratio of at least 1.00 to 1.00 on a trailing four-quarter basis, which will be tested only when specified availability is less than limits outlined under the ABL Facility. At December 31, 2017 the above test was not applicable and is not expected to be applicable in the next 12 months.

Availability under the ABL Facility is determined based upon a monthly borrowing base calculation which includes eligible customer receivables and inventory, less outstanding borrowings, letters of credit and certain designated reserves. As of December 31, 2017, the available additional borrowing capacity under the ABL Facility was approximately \$316.5 million.

Under the terms of the ABL Facility, interest rates are based upon LIBOR or the prime rate plus a margin rate, or in the case of Canada, a banker's acceptance rate or base rate plus a margin rate. For the years ended December 31, 2017 and December 31, 2016, the weighted-average borrowing interest rate was 3.3% and 2.5%, respectively.

On November 23, 2016, the UWWH Stockholder sold 1.76 million shares of Veritiv common stock in an underwritten public offering. Veritiv did not receive any of the proceeds. Concurrently with the closing of the offering, Veritiv repurchased 0.31 million of these offered shares from the underwriters at a price of \$42.8625 per share, which is the price at which the underwriters purchased such shares from the selling stockholder, for an aggregate purchase price of approximately \$13.4 million. In conjunction with these transactions, Veritiv incurred approximately \$0.8 million in transaction-related fees, of which approximately \$0.2 million was recorded as part of the cost to acquire the treasury stock and the remainder was included in selling and administrative expenses on the Consolidated Statements of Operations.

Veritiv's ability to fund its capital needs will depend on its ongoing ability to generate cash from operations, borrowings under the ABL Facility and funds received from capital markets offerings. If Veritiv's cash flows from operating activities are lower than expected, the Company will need to borrow under the ABL Facility and may need to incur additional debt or issue additional equity. Although management believes that the arrangements currently in place will permit Veritiv to finance its operations on acceptable terms and conditions, the Company's access to, and the availability of, financing on acceptable terms and conditions in the future will be impacted by many factors, including the liquidity of the overall capital markets and the current state of the economy.

Veritiv's management expects that the Company's primary future cash needs will be for working capital, capital expenditures, contractual commitments and strategic investments. Additionally, management expects that cash provided by operating activities and available capacity under the ABL Facility will provide sufficient funds to operate the business and meet other liquidity needs.

Through December 31, 2017, the Company incurred approximately \$221 million in costs and charges associated with achieving anticipated cost savings and other synergies from the Merger, including approximately \$82 million for capital expenditures and \$25 million related to the complete or partial withdrawal from various multi-employer pension plans. The Company anticipates that it will incur additional costs and charges associated with the Merger. The Company is not able to

quantify the total amount of these costs and charges or the period in which they will be incurred as the operating plans affecting these costs are evolving and charges relating to the withdrawal from multi-employer pension plans which have not yet been finalized, are uncertain. Excluding the multi-employer pension plan withdrawal charges, we currently anticipate that total costs associated with the Merger will be approximately \$225 to \$250 million through December 31, 2018, including approximately \$90 million for capital expenditures, primarily consisting of information technology infrastructure, systems integration and planning. Ordinary capital expenditures for 2018 are expected to be in the range of \$20 million to \$30 million, with another \$10 million to \$20 million of integration-related capital expenditures during 2018.

All of the cash held by our non-U.S. subsidiaries is available for general corporate purposes. Veritiv considers the earnings of certain non-U.S. subsidiaries to be permanently invested outside the United States on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and management's specific plans for reinvestment of those subsidiary earnings. The table below summarizes the Company's cash positions as of December 31, 2017 and 2016:

<i>(in millions)</i>	As of December 31,	
	2017	2016
Cash held in the U.S.	\$ 64.0	\$ 57.6
Cash held in foreign subsidiaries	16.3	12.0
Total Cash	\$ 80.3	\$ 69.6

Off-Balance Sheet Arrangements

Veritiv does not have any off-balance sheet arrangements as of December 31, 2017, other than the Other lease type obligations included in the contractual obligations table below and the letters of credit under the ABL Facility. The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

The table below summarizes the Company's contractual and certain other long-term obligations as of December 31, 2017:

<i>(in millions)</i>	Payment Due by Period				
	2018	2019 – 2020	2021 – 2022	After 2022	Total
Equipment capital lease obligations ⁽¹⁾	\$ 4.0	\$ 6.3	\$ 4.3	\$ 3.7	\$ 18.3
Financing obligations (including obligations to related party) ⁽²⁾	8.8	3.3	3.5	18.7	34.3
Other lease type obligations ⁽³⁾	94.1	150.5	103.5	135.6	483.7
ABL Facility ⁽⁴⁾	29.6	59.3	915.8	—	1,004.7
Deferred compensation ⁽⁵⁾	2.6	4.9	3.9	9.2	20.6
Tax Receivable Agreement contingent liability ⁽⁶⁾	9.9	12.4	9.9	25.5	57.7
AAC contingent liability ⁽⁷⁾	17.1	7.1	—	—	24.2
Multi-employer pension plan ("MEPP") withdrawal obligations ⁽⁸⁾	0.7	1.3	1.4	9.9	13.3
Federal income tax liability ⁽⁹⁾	0.5	1.0	1.0	3.7	6.2
Total	\$ 167.3	\$ 246.1	\$ 1,043.3	\$ 206.3	\$ 1,663.0

⁽¹⁾ Equipment capital lease obligations and financing obligations include amounts classified as interest.

⁽²⁾ Financing obligations will not result in cash payments in excess of amounts reported above. At the end of the lease terms, the net remaining financing obligations of \$155.2 million and \$10.6 million will be settled by the return of the assets to the Purchaser/Landlord for the related party and non-related party obligations, respectively.

⁽³⁾ Amounts shown are presented net of contractual sublease rental income.

⁽⁴⁾ The ABL Facility will mature and the commitments thereunder will terminate after August 11, 2021. Interest payments included here were estimated using a simple interest method based on the year-end December 31, 2017 ABL Facility outstanding balance of \$897.7 million and its corresponding year-end weighted-average interest rate of 3.3%. The 2021 payment amount shown above includes an estimated \$897.7 million of principal balance.

⁽⁵⁾ The deferred compensation obligation relates to Unisource's legacy deferred compensation plans and reflects gross cash payment amounts due.

⁽⁶⁾ The Tax Receivable Agreement contingent liability reflects gross contingent obligation amounts excluding interest due to related party.

⁽⁷⁾ The AAC contingent liability reflects the fair value of the estimated amount to be paid. The maximum amount payable is \$50.0 million, payable in up to \$25.0 million increments at the first and second anniversaries of the acquisition of AAC on August 31, 2017.

⁽⁸⁾ The MEPP withdrawal obligations include final gross unpaid charges for one plan where a determination has been issued.

⁽⁹⁾ The federal income tax liability reflects amounts payable over eight years resulting from the transition tax implemented in the Tax Act.

The table above does not include future expected Company contributions to its pension plans nor does it include future expected payments related to the complete or partial withdrawals from various multi-employer pension plans where final determinations have not been made. Information related to the amounts of these future payments is described in Note 10 of the Notes to Consolidated Financial Statements. The table above also excludes the liability for uncertain tax positions and for the Veritiv Deferred Compensation Savings Plan as the Company cannot predict with reasonable certainty the timing of future cash outflows associated with these liabilities. As a result of the Merger, International Paper has a potential earn-out payment of up to \$100.0 million that would become due in 2020. The potential earn-out payment would be reflected by Veritiv as a reduction to equity at the time of payment. Due to the uncertainty of achievement, that potential payment is not included in the table above.

See Note 1, Note 2, Note 5, Note 7, Note 10 and Note 11 of the Notes to Consolidated Financial Statements for additional information related to these obligations.

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

		Year Ended December 31,		
<i>(in millions)</i>	Restructuring charges, net	Distribution expenses	Total Net Charges	
2017	\$ 17.4	\$ 2.1	\$ 19.5	
2016	7.5	2.3	9.8	

		At December 31,	
<i>(in millions)</i>	Other accrued liabilities	Other non-current liabilities	
2017	\$ 0.7	\$ 27.2	
2016	0.0	9.8	

See Note 3 of the Notes to Consolidated Financial Statements for additional information regarding these restructuring efforts. Final charges for these withdrawals will not be known until the plans issue their respective determinations. As a result, these estimates may increase or decrease depending upon the final determinations. Currently, the Company expects payments will occur over an approximately 20 year period. The Company expects to incur similar types of charges in future periods in connection with its ongoing restructuring activities. As of December 31, 2017, the Company has received determination letters from two plans. Of those, the liability for one was settled with a lump sum payment, while monthly payments for the other plan are expected to occur over an approximately 20 year period.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires the Company to establish accounting policies and utilize estimates that affect both the amounts and timing of the recording of assets, liabilities, net sales and expenses. Some of these estimates require judgment about matters that are inherently uncertain. Different amounts would be reported under different operating conditions or under alternative assumptions.

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

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, the price is fixed or determinable, collectability is reasonably assured and delivery has occurred. Revenue is recognized when the customer takes title and assumes the risks and rewards of ownership. When management cannot conclude collectability is reasonably assured for shipments to a particular customer, revenue associated with that customer is not recognized until cash is collected or management is otherwise able to establish that collectability is reasonably assured.

Sales transactions with customers are designated free on board ("f.o.b.") destination and revenue is recorded when the product is delivered to the customer's delivery site, when title and risk of loss are transferred. Effective January 1, 2016, the Company harmonized its shipping terms to be f.o.b. destination. Prior to that date, revenue was recorded at the time of shipment for certain xpedx customers whose terms were designated f.o.b. shipping point. Management determined that any shipments in transit at December 31, 2015 would honor the f.o.b. destination terms resulting in a reduction of \$27.0 million and \$1.8 million to net sales and operating income, respectively, for the year ended December 31, 2015.

Certain revenues are derived from shipments arranged by the Company made directly from a manufacturer to a customer. The Company is considered to be a principal to these transactions because, among other factors, it controls pricing to the customer and bears the credit risk of the customer defaulting on payment and is the primary obligor. Revenues from these sales are reported on a gross basis in the Consolidated Statements of Operations and amounted to \$3.0 billion, \$3.0 billion and \$3.3 billion for the years ended December 31, 2017, 2016 and 2015, respectively.

The Company adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and its related interpretations on January 1, 2018 applying the modified retrospective method. The adoption did not materially impact the Company's financial statements and is not expected to have a material impact on future financial results as the adoption did not change the recognition pattern for the Company's existing revenue streams.

Acquisition and Integration Expenses

The Company's Consolidated Statements of Operations include a line item titled, "Acquisition and Integration Expenses". Acquisition and Integration Expenses is not a defined term in U.S. GAAP, thus management must use judgment in determining whether a particular expense should be classified as an acquisition and integration expense. Management believes its accounting policy for acquisition and integration expenses is critical because these costs have been significant and will continue to be significant in 2018, will generally involve cash expenditures, are not defined in U.S. GAAP, are excluded in determining compliance with the ABL Facility and are excluded in determining management compensation.

Acquisition and integration expenses include internally dedicated integration management resources, retention compensation, information technology conversion costs, rebranding, professional services and other costs to integrate its businesses. See Note 3 of the Notes to Consolidated Financial Statements for a breakdown of these expenses.

Acquisition and integration expenses are differentiated from restructuring charges as restructuring charges primarily relate to contract termination costs, involuntary termination benefits and other direct costs associated with consolidating facilities and reorganizing functions.

Allowance for Doubtful Accounts

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

If the financial condition of Veritiv's customers deteriorates, resulting in an inability to make required payments to the Company, or if economic conditions deteriorate, additional allowances may be deemed appropriate or required. If the allowance for doubtful accounts changed by 0.1% of gross billed receivables, reflecting either an increase or decrease in expected future write-offs, the impact to consolidated pretax income would have been approximately \$1.2 million.

Employee Benefit Plans

Veritiv sponsors defined benefit plans and Supplemental Executive Retirement Plans ("SERP") in the U.S. and Canada. These plans were frozen prior to the Merger. See Note 10 of the Notes to Consolidated Financial Statements for more information about these plans.

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

At each measurement date, management determines the discount rate by reference to rates of high-quality, long-term corporate bonds that mature in a pattern similar to the future payments anticipated to be made under the plans. As of December 31, 2017, the weighted-average discount rates used to compute the benefit obligations were 3.33% and 3.40% for the U.S. and Canadian plans, respectively.

The expected long-term rate of return on plan assets is based upon the long-term outlook of the investment strategy as well as historical returns and volatilities for each asset class. Veritiv also reviews current levels of interest rates and inflation to assess the reasonableness of the long-term rates. The Company's pension plan investment objective is to ensure all of its plans have sufficient funds to meet their benefit obligations when they become due. As a result, the Company periodically revises asset allocations, where appropriate, to improve returns and manage risk. The weighted-average expected long-term rate of return used to calculate the pension expense for the year ended 2017 was 7.15% and 5.50% for the U.S. and Canadian plans, respectively.

The following illustrates the effects of a 1% change in the discount rate or return on plan assets on the 2017 net periodic pension cost and projected benefit obligation (in millions):

Assumption	Change	Net Periodic Benefit Cost	Projected Benefit Obligation
Discount rate	1% increase	\$(0.2)	\$(4.5)
	1% decrease	0.7	6.7
Return on plan assets	1% increase	(1.4)	N/A
	1% decrease	1.4	N/A

See Note 10 of the Notes to Consolidated Financial Statements for a comprehensive discussion of Veritiv's pension and post-retirement benefit expense, including a discussion of the actuarial assumptions, the policy for recognizing the associated gains and losses and the method used to estimate service and interest cost components.

Recently Issued Accounting Standards

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Derivative Instrument

Borrowings under the ABL Facility bear interest at a variable rate, based on LIBOR or the prime rate, in either case plus an applicable margin. From time to time, Veritiv may use interest rate swap agreements to manage the variable interest rate characteristics on a portion of the outstanding debt. The Company evaluates its outstanding indebtedness, market conditions, and the covenants contained in the ABL Facility in order to determine its tolerance for potential increases in interest expense that could result from changes in variable interest rates. In July 2015, the Company entered into an interest rate cap agreement. The interest rate cap effectively limits the floating LIBOR-based portion of the interest rate. The interest rate cap expires on July 1, 2019. The initial notional amount of this agreement covered \$392.9 million of the Company's floating-rate debt at 3.0% plus the applicable credit spread. The Company paid \$2.0 million for the interest rate cap agreement. Approximately \$0.6 million of the amount paid represented transaction costs and was expensed immediately to earnings.

The Company designated the interest rate cap as a cash flow hedge of exposure to changes in cash flows due to changes in the LIBOR-based portion of the interest rate above 3.0% on an equivalent amount of debt. The notional amount of the cap is reduced throughout the term of the agreement to align with the expected repayment of the Company's outstanding floating-rate debt.

At December 31, 2017, the fair value of the interest rate cap was not significant. The amount expected to be reclassified from accumulated other comprehensive loss into earnings during the next 12 months is approximately \$0.7 million. During 2017 the amount reclassified into earnings as an adjustment to interest expense was not significant.

The Company is exposed to counterparty credit risk for nonperformance and, in the event of nonperformance, to market risk for changes in the interest rate. The Company attempts to manage exposure to counterparty credit risk primarily by selecting only counterparties that meet certain credit and other financial standards. The Company believes there has been no material change in the creditworthiness of its counterparty and believes the risk of nonperformance by such party is minimal. For additional information regarding Veritiv's interest rate swap, see Note 6 of the Notes to Consolidated Financial Statements.

Interest Rate Risk

Veritiv's exposure to fluctuations in interest rates results primarily from its borrowings under the ABL Facility. Under the terms of the ABL Facility, interest rates are based upon LIBOR or the prime rate plus a margin rate, or in the case of Canada, a banker's acceptance rate or base rate plus a margin rate. LIBOR based loans can be set for durations of one week, or for periods of one to nine months. The margin rate amount can be adjusted upward or downward based upon usage under the line in two increments of 25 basis points. Veritiv's interest rate exposure under the ABL Facility results from changes in LIBOR, bankers' acceptance rates, the prime/base interest rates and actual borrowings. The weighted-average borrowing interest rate at December 31, 2017 was 3.3%. Based on the average borrowings under the ABL Facility during the year ended December 31, 2017, a hypothetical 100 basis point increase in the interest rate would result in approximately \$8.5 million of additional interest expense.

Foreign Currency Exchange Rate Risk

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

Veritiv's most significant foreign currency exposure primarily relates to fluctuations in the foreign exchange rate between the U.S. dollar and the Canadian dollar. Net sales from Veritiv's Canadian operations for the year ended December 31, 2017 represented approximately 8% of Veritiv's total net sales. Veritiv has not used foreign exchange currency options or futures agreements to hedge its exposure to changes in foreign exchange rates.

Fuel Price Risk

Due to the nature of Veritiv's distribution business, the Company is exposed to potential volatility in fuel prices. The cost of fuel affects the price paid for products as well as the costs incurred to deliver products to the Company's customers. The price and availability of diesel fuel fluctuates due to changes in production, seasonality and other market factors generally outside of the Company's control. Increased fuel costs may have a negative impact on the Company's results of operations and financial condition. In times of higher fuel prices, Veritiv may have the ability to pass a portion of the increased costs on to customers; however, there can be no assurance that the Company will be able to do so. Based on Veritiv's 2017 fuel consumption, a 10% increase in the average annual price per gallon of diesel fuel would result in a potential increase of approximately \$3.0 million in annual transportation fuel costs (excluding any amounts recovered from customers). Veritiv does not use derivatives to manage its exposure to fuel prices.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Veritiv Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Veritiv Corporation and subsidiaries (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2018, expressed an unqualified opinion on the Company's internal control over financial reporting.

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.

/s/ Deloitte & Touche LLP

Atlanta, Georgia
March 1, 2018

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

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

	Year Ended December 31,		
	2017	2016	2015
Net sales (including sales to related party of \$32.2, \$35.6 and \$33.6, respectively)	\$ 8,364.7	\$ 8,326.6	\$ 8,717.7
Cost of products sold (including purchases from related party of \$181.6, \$224.9 and \$264.7, respectively) (exclusive of depreciation and amortization shown separately below)	6,846.6	6,826.4	7,160.3
Distribution expenses	516.9	505.1	521.8
Selling and administrative expenses	872.6	826.2	853.9
Depreciation and amortization	54.2	54.7	56.9
Acquisition and integration expenses	36.5	25.9	34.9
Restructuring charges, net	16.7	12.4	11.3
Operating income	<u>21.2</u>	<u>75.9</u>	<u>78.6</u>
Interest expense, net	31.2	27.5	27.0
Other (income) expense, net	(8.1)	7.6	6.7
Income (loss) before income taxes	<u>(1.9)</u>	<u>40.8</u>	<u>44.9</u>
Income tax expense	11.4	19.8	18.2
Net income (loss)	<u><u>\$ (13.3)</u></u>	<u><u>\$ 21.0</u></u>	<u><u>\$ 26.7</u></u>
Earnings (loss) per share:			
Basic earnings (loss) per share	\$ (0.85)	\$ 1.31	\$ 1.67
Diluted earnings (loss) per share	\$ (0.85)	\$ 1.30	\$ 1.67
Weighted-average shares outstanding:			
Basic	15.70	15.97	16.00
Diluted	15.70	16.15	16.00

See accompanying Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2017	2016	2015
Net income (loss)	\$ (13.3)	\$ 21.0	\$ 26.7
Other comprehensive income (loss):			
Foreign currency translation adjustments, net of \$2.0 tax for 2015	5.7	(2.1)	(12.4)
Change in fair value of cash flow hedge, net of \$0.0, \$0.1 and \$0.3 tax, respectively	0.0	(0.2)	(0.5)
Pension liability adjustments, net of (\$0.6), (\$0.3) and \$0.3 tax, respectively	(0.2)	(1.7)	0.0
Other comprehensive income (loss)	5.5	(4.0)	(12.9)
Total comprehensive income (loss)	\$ (7.8)	\$ 17.0	\$ 13.8

See accompanying Notes to Consolidated Financial Statements.

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

	December 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash	\$ 80.3	\$ 69.6
Accounts receivable, less allowances of \$44.0 and \$34.5, respectively	1,174.3	1,048.3
Related party receivable	3.3	3.9
Inventories	722.7	707.9
Other current assets	133.5	118.9
Total current assets	2,114.1	1,948.6
Property and equipment (net of depreciation and amortization of \$314.6 and \$292.8, respectively)	340.2	371.8
Goodwill	99.6	50.2
Other intangibles, net	64.1	21.0
Deferred income tax assets	59.6	61.8
Other non-current assets	30.8	30.3
Total assets	\$ 2,708.4	\$ 2,483.7
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 680.1	\$ 654.1
Related party payable	8.5	9.0
Accrued payroll and benefits	73.5	84.4
Other accrued liabilities	134.6	102.5
Current maturities of long-term debt	2.9	2.9
Financing obligations, current portion (including obligations to related party of \$7.1 and \$14.9, respectively)	7.8	14.9
Total current liabilities	907.4	867.8
Long-term debt, net of current maturities	908.3	749.2
Financing obligations, less current portion (including obligations to related party of \$155.2 and \$176.1, respectively)	181.6	176.1
Defined benefit pension obligations	24.4	27.6
Other non-current liabilities	137.0	121.2
Total liabilities	2,158.7	1,941.9
Commitments and contingencies (Note 16)		
Shareholders' equity:		
Preferred stock, \$0.01 par value, 10.0 million shares authorized, none issued	—	—
Common stock, \$0.01 par value, 100.0 million shares authorized, 16.0 million shares issued; shares outstanding - 15.7 million at December 31, 2017 and 2016	0.2	0.2
Additional paid-in capital	590.2	574.5
Accumulated earnings	6.4	19.7
Accumulated other comprehensive loss	(33.5)	(39.0)
Treasury stock at cost - 0.3 million shares at December 31, 2017 and 2016	(13.6)	(13.6)
Total shareholders' equity	549.7	541.8
Total liabilities and shareholders' equity	\$ 2,708.4	\$ 2,483.7

See accompanying Notes to Consolidated Financial Statements.

VERITIV CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended December 31,		
	2017	2016	2015
Operating activities			
Net income (loss)	\$ (13.3)	\$ 21.0	\$ 26.7
Depreciation and amortization	54.2	54.7	56.9
Amortization and write-off of deferred financing fees	2.6	5.6	4.4
Net losses (gains) on dispositions of property and equipment	(25.7)	(0.8)	0.5
Goodwill and long-lived asset impairment charges	8.4	7.7	5.9
Provision for allowance for doubtful accounts	15.9	2.2	7.4
Deferred income tax provision	1.9	11.1	14.9
Stock-based compensation	15.7	8.3	3.8
Other non-cash items, net	(8.8)	3.7	2.0
Changes in operating assets and liabilities			
Accounts receivable and related party receivable	(101.9)	(14.7)	53.4
Inventories	30.1	13.1	(62.0)
Other current assets	(8.4)	(11.4)	1.0
Accounts payable and related party payable	48.3	69.9	(8.4)
Accrued payroll and benefits	(11.3)	(40.9)	10.5
Other accrued liabilities	13.6	(3.6)	(7.1)
Other	15.3	14.3	3.1
Net cash provided by operating activities	<u>36.6</u>	<u>140.2</u>	<u>113.0</u>
Investing activities			
Property and equipment additions	(32.5)	(41.0)	(44.4)
Proceeds from asset sales	51.1	6.6	0.3
Cash paid for purchase of business, net of cash acquired	(144.8)	—	—
Net cash used for investing activities	<u>(126.2)</u>	<u>(34.4)</u>	<u>(44.1)</u>
Financing activities			
Change in book overdrafts	(40.5)	18.9	(5.8)
Borrowings of long-term debt	4,898.8	4,555.8	4,661.9
Repayments of long-term debt	(4,731.5)	(4,625.9)	(4,708.9)
Payments under equipment capital lease obligations	(2.7)	(3.2)	(3.8)
Payments under financing obligations (including obligations to related party of \$15.0, \$19.9 and \$13.8, respectively)	(16.4)	(19.9)	(13.8)
Deferred financing fees	—	(2.0)	—
Purchase of treasury stock	—	(13.6)	—
Payments under Tax Receivable Agreement	(8.5)	—	—
Net cash provided by (used for) financing activities	<u>99.2</u>	<u>(89.9)</u>	<u>(70.4)</u>
Effect of exchange rate changes on cash	1.1	(0.7)	(1.7)
Net change in cash	10.7	15.2	(3.2)
Cash at beginning of period	69.6	54.4	57.6
Cash at end of period	<u>\$ 80.3</u>	<u>\$ 69.6</u>	<u>\$ 54.4</u>
Supplemental cash flow information			
Cash paid for income taxes, net of refunds	\$ 3.7	\$ 11.6	\$ 1.9
Cash paid for interest	27.6	20.6	21.7
Non-cash investing and financing activities			
Non-cash additions to property and equipment	17.8	20.8	4.0
Contingent consideration for purchase of business: Earn-out	22.2	—	—

See accompanying Notes to Consolidated Financial Statements.

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

	<u>Common Stock Issued</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Earnings (Deficit)</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Treasury Stock</u>		<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				<u>Shares</u>	<u>Amount</u>	
Balance at December 31, 2014	16.0	\$ 0.2	\$ 562.4	\$ (28.0)	\$ (22.1)	—	\$ —	\$ 512.5
Net income	—	—	—	26.7	—	—	—	26.7
Other comprehensive loss	—	—	—	—	(12.9)	—	—	(12.9)
Stock-based compensation	—	—	3.8	—	—	—	—	3.8
Balance at December 31, 2015	16.0	\$ 0.2	\$ 566.2	\$ (1.3)	\$ (35.0)	—	\$ —	\$ 530.1
Net income	—	—	—	21.0	—	—	—	21.0
Other comprehensive loss	—	—	—	—	(4.0)	—	—	(4.0)
Stock-based compensation	—	—	8.3	—	—	—	—	8.3
Treasury stock	—	—	—	—	—	(0.3)	(13.6)	(13.6)
Balance at December 31, 2016	16.0	\$ 0.2	\$ 574.5	\$ 19.7	\$ (39.0)	(0.3)	\$ (13.6)	\$ 541.8
Net loss	—	—	—	(13.3)	—	—	—	(13.3)
Other comprehensive income	—	—	—	—	5.5	—	—	5.5
Stock-based compensation	—	—	15.7	—	—	—	—	15.7
Balance at December 31, 2017	16.0	\$ 0.2	\$ 590.2	\$ 6.4	\$ (33.5)	(0.3)	\$ (13.6)	\$ 549.7

See accompanying Notes to Consolidated Financial Statements.

VERITIV CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Veritiv Corporation ("Veritiv" or the "Company") is a North American business-to-business distributor of packaging, facility solutions, print and publishing products and services. Additionally, Veritiv provides logistics and supply chain management solutions to its customers. Veritiv was established on July 1, 2014 (the "Distribution Date"), following the merger (the "Merger") of International Paper Company's ("International Paper") xpedx distribution solutions business ("xpedx") and UWW Holdings, Inc. ("UWWH"), the parent company of Unisource Worldwide, Inc. ("Unisource"). On July 2, 2014, Veritiv's common stock began regular-way trading on the New York Stock Exchange under the ticker symbol VRTV.

International Paper has a potential earn-out payment of up to \$100.0 million that would become due in 2020 if Veritiv's aggregate EBITDA for fiscal years 2017, 2018 and 2019 exceeds an agreed-upon target of \$759.0 million, subject to certain adjustments. The \$100.0 million potential earn-out payment would be reflected by Veritiv as a reduction to equity at the time of payment.

Following the Merger, certain corporate and other related functions continued to be provided by International Paper under a transition services agreement. For the year ended December 31, 2015, the Company recognized \$10.0 million in selling and administrative expenses related to this agreement. As of December 31, 2015, all of the functions originally provided by International Paper under this agreement have been fully transitioned to the Company.

Veritiv operates from approximately 170 distribution centers primarily throughout the U.S., Canada and Mexico.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include all of the Company's subsidiaries. All significant intercompany transactions between Veritiv's businesses have been eliminated.

Use of Estimates

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

Summary of Significant Accounting Policies

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, the price is fixed or determinable, collectability is reasonably assured and delivery has occurred. Revenue is recognized when the customer takes title and assumes the risks and rewards of ownership. When management cannot conclude collectability is reasonably assured for shipments to a particular customer, revenue associated with that customer is not recognized until cash is collected or management is otherwise able to establish that collectability is reasonably assured. Multiple contracts with a single counterparty are accounted for as separate arrangements.

Sales transactions with customers are designated free on board ("f.o.b.") destination and revenue is recorded when the product is delivered to the customer's delivery site, when title and risk of loss are transferred. Effective January 1, 2016, the Company harmonized its shipping terms to be f.o.b. destination. Prior to that date, revenue was recorded at the time of shipment for certain xpedx customers whose terms were designated f.o.b. shipping point. Management determined that any shipments in transit at December 31, 2015 would honor the f.o.b. destination terms resulting in a reduction of \$27.0 million and \$1.8 million to net sales and operating income, respectively, for the year ended December 31, 2015.

Certain revenues are derived from shipments arranged by the Company made directly from a manufacturer to a customer. The Company is considered to be a principal to these transactions because, among other factors, it controls pricing to the customer, bears the credit risk of the customer defaulting on payment and is the primary obligor. Revenues from these sales are reported on a gross basis in the Consolidated Statements of Operations and amounted to \$3.0 billion, \$3.0 billion and \$3.3 billion for the years ended December 31, 2017, 2016 and 2015, respectively.

Taxes collected from customers relating to product sales and remitted to governmental authorities are accounted for on a net basis. Accordingly, such taxes are excluded from both net sales and expenses.

Purchase Incentives and Customer Rebates

Veritiv enters into agreements with suppliers that entitle Veritiv to receive rebates, allowances and other discounts based on the attainment of specified purchasing levels or sales to certain customers. Purchase incentives are recorded as a reduction to inventory and recognized in cost of products sold when the sale occurs. During the year ended December 31, 2017, approximately 38% of the Company's purchases were made from ten suppliers.

Veritiv also enters into incentive agreements with certain of its customers, which are generally based on sales to these customers. Veritiv records estimated rebates to customers as a reduction to gross sales as customer revenue is recognized.

Distribution Expenses

Distribution expenses consist of storage, handling and delivery costs including freight to the Company's customers' destinations. Handling and delivery costs were \$380.7 million, \$371.7 million and \$380.5 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Acquisition and Integration Expenses

Acquisition and integration expenses are expensed as incurred. Acquisition and integration expenses include internally dedicated integration management resources, retention compensation, information technology conversion costs, rebranding, professional services and other costs to integrate its businesses.

Accounts Receivable and Allowances

Accounts receivable are recognized net of allowances. The allowance for doubtful accounts reflects the best estimate of losses inherent in the Company's accounts receivable portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other available evidence. The other allowances balance is inclusive of returns, discounts and any other items affecting the realization of these assets. Accounts receivable are written off when management determines they are uncollectible.

The components of the accounts receivable allowances were as follows:

	Year Ended December 31,	
	2017	2016
<i>(in millions)</i>		
Allowance for doubtful accounts	\$ 32.4	\$ 23.7
Other allowances	11.6	10.8
Total accounts receivable allowances	<u>\$ 44.0</u>	<u>\$ 34.5</u>

Below is a rollforward of the Company's accounts receivable allowances for the years ended December 31, 2017, 2016 and 2015:

<i>(in millions)</i>	Year Ended December 31,		
	2017	2016	2015
Beginning balance, January 1	\$ 34.5	\$ 33.3	\$ 39.0
Add / (Deduct):			
Provision for bad debt expense	15.9	2.2	7.4
Net write-offs and recoveries	(7.7)	(6.7)	(13.1)
Other adjustments ⁽¹⁾	1.3	5.7	—
Ending balance, December 31	<u>\$ 44.0</u>	<u>\$ 34.5</u>	<u>\$ 33.3</u>

⁽¹⁾ Other adjustments represent amounts reserved for returns and discounts, foreign currency translation adjustments and reserves for customer accounts where revenue is not recognized because collectability is not reasonably assured, and may include accounts receivable allowances recorded in connection with acquisitions. 2015 amounts were not material.

Inventories

The Company's inventories are primarily comprised of finished goods and predominantly valued at cost as determined by the last-in first-out ("LIFO") method. Such valuations are not in excess of market. Elements of cost in inventories include the purchase price invoiced by a supplier, plus inbound freight and related costs and reduced by estimated volume-based discounts and early pay discounts available from certain suppliers. Approximately 86% and 87% of inventories were valued using the LIFO method as of December 31, 2017 and 2016, respectively. If the first-in, first-out method had been used, total inventory balances would be increased by approximately \$78.7 million and \$71.3 million at December 31, 2017 and 2016, respectively.

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

Veritiv maintains some of its inventory on a consignment basis in which the inventory is physically located at the customer's premises or a third-party warehouse. Veritiv had \$50.9 million and \$47.3 million of consigned inventory as of December 31, 2017 and 2016, respectively, valued on a LIFO basis, net of reserves.

Property and Equipment, Net

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

The components of property and equipment, net were as follows:

<i>(in millions)</i>	December 31, 2017	December 31, 2016
Land, buildings and improvements	\$ 106.6	\$ 132.0
Machinery and equipment	145.3	131.1
Equipment capital leases and assets related to financing obligations (including financing obligations with related party)	233.3	215.5
Internal use software	159.2	151.0
Construction-in-progress	10.4	35.0
Less: Accumulated depreciation and software amortization	(314.6)	(292.8)
Property and equipment, net	<u>\$ 340.2</u>	<u>\$ 371.8</u>

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

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

Buildings	40 years
Leasehold improvements	1 to 20 years
Machinery and equipment	3 to 15 years
Equipment capital leases and assets related to financing obligations (including financing obligations with related party)	3 to 15 years
Internal use software	3 to 5 years

Additional property and equipment information is as follows:

<i>(in millions)</i>	Year Ended December 31,		
	2017	2016	2015
Depreciation expense ⁽¹⁾	\$ 33.5	\$ 33.8	\$ 32.6
Amortization expense - internal use software	16.5	17.5	18.4
Depreciation and amortization expense related to property and equipment	<u>\$ 50.0</u>	<u>\$ 51.3</u>	<u>\$ 51.0</u>

Accumulated depreciation on equipment capital leases and assets related to financing obligations (including financing obligations with related party)

\$ 35.6 \$ 29.7

Unamortized internal use software costs, including amounts recorded in CIP

\$ 37.6 \$ 43.9

⁽¹⁾ Includes the depreciation expense for equipment capital leases and assets related to financing obligations (including financing obligations with related party).

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

Leases

The Company leases certain property and equipment used for operations. Such lease arrangements are reviewed for capital or operating classification at their inception.

Capital lease obligations consist of delivery equipment, material handling equipment, computer hardware and office equipment which are leased through third parties under non-cancelable leases with terms generally ranging from three to eight years. Many of the delivery equipment leases include annual rate increases based on the Consumer Price Index which are included in the calculation of the initial lease obligation. The carrying value of the related equipment associated with these capital leases is included within property and equipment, net in the Consolidated Balance Sheets and depreciated over the term of the lease. The Company does not record rent expense for capital leases. Rather, rental payments under the lease are recognized as a reduction of the capital lease obligation and interest expense. Depreciation expense for assets under capital leases is included in the total depreciation expense disclosed in the Consolidated Statements of Operations.

All other leases are operating leases. Certain lease agreements include renewal options and rent escalation clauses. Assets subject to an operating lease and the related lease payments are not recorded on the Company's balance sheet. Rent expense is recognized on a straight-line basis over the expected lease term.

The term for all types of leases begins on the date the Company becomes legally obligated for the rent payments or takes possession of the asset, whichever is earlier. See Note 7, Leases, for additional information related to the Company's leases.

Goodwill and Other Intangible Assets, Net

Goodwill relating to a single business reporting unit is included as an asset of the applicable segment. Goodwill arising from major acquisitions that involve multiple reportable segments is allocated to the reporting units based on the relative fair value of the reporting unit.

Goodwill is reviewed by Veritiv for impairment on a reporting unit basis annually on October 1st or more frequently if indicators are present or changes in circumstances suggest that impairment may exist. The testing of goodwill for possible impairment is performed by completing a Step 0 test or electing to by-pass the Step 0 test and comparing the fair value of a reporting unit with its carrying value, including goodwill. The Step 0 test utilizes qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. Qualitative factors include: macroeconomic conditions; industry and market considerations; overall financial performance and cost factors to determine whether a reporting unit is at risk for goodwill impairment.

In the event a reporting unit fails the Step 0 goodwill impairment test, it is necessary to move forward with a comparison of the fair value of the reporting unit with its carrying value, including goodwill. If the fair value exceeds the carrying value, goodwill is not considered to be impaired. If the fair value of a reporting unit is below the carrying value, a goodwill impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, any loss recognized will not exceed the total amount of goodwill allocated to the reporting unit. See Note 4, Goodwill and Other Intangible Assets, for additional information related to the Company's goodwill.

Intangible assets acquired in a business combination are recorded at fair value. The Company's intangible assets include customer relationships, trademarks and trade names and non-compete agreements. Intangible assets with finite useful lives are subsequently amortized using the straight-line method over the estimated useful lives of the assets. See the *Impairment of Long-Lived Assets* section below for the accounting policy related to the periodic review of long-lived intangible assets for impairment. See Note 4, Goodwill and Other Intangible Assets, for additional information related to the Company's intangible assets.

Impairment of Long-Lived Assets

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

For the years ended December 31, 2017 and 2016, impairment charges of \$0.7 million and \$1.9 million, respectively, were recorded for certain long-lived assets that supported multiple segments. These charges were recorded as

selling and administrative expense as they were not related to the Company's restructuring efforts. For the year ended December 31, 2015, impairment charges of \$4.0 million were recorded for certain long-lived assets that supported multiple segments, with \$0.7 million recorded as selling and administrative expense and \$3.3 million recorded as restructuring expense. See Note 3, Acquisition, Integration and Restructuring Charges for additional information related to the Company's restructuring efforts.

Employee Benefit Plans

The Company sponsors and/or contributes to defined contribution plans, defined benefit pension plans and multi-employer pension plans in the United States. In addition, the Company and its subsidiaries have various pension plans and other forms of retirement arrangements outside the United States. See Note 10, Employee Benefit Plans, for additional information related to these plans and arrangements.

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

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

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

Stock-Based Compensation

The Company measures and records compensation expense for all stock-based awards based on the grant date fair values over the vesting period of the awards. Forfeitures are recognized when they occur. See Note 15, Equity-Based Incentive Plans, for additional information.

Income Taxes

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

The Tax Act was signed into law on December 22, 2017 and makes broad and complex changes to the U.S. tax code. We recognized provisional estimates of the impact of the Tax Act in the year ended December 31, 2017. These provisional amounts may be adjusted during 2018 in accordance with the measurement period guidance outlined in Securities and Exchange Commission's Staff Accounting Bulletin No. 118. See Note 8, Income Taxes of the Notes to Consolidated Financial Statements for additional details regarding the Tax Act.

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

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

Fair Value Measurements

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

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

See Note 11, Fair Value Measurements, for further detail.

Foreign Currency

The assets and liabilities of the foreign subsidiaries are translated from their respective local currencies to the U.S. dollars at the appropriate spot rates as of the balance sheet date. Changes in the carrying values of these assets and liabilities attributable to fluctuations in spot rates are recognized in foreign currency translation adjustment, a component of accumulated other comprehensive loss ("AOCL"). See Note 14, Shareholders' Equity, for the impacts of foreign currency translation adjustments on AOCL.

The revenues and expenses of the foreign subsidiaries are translated using the monthly average exchange rates during the year. The gains or losses from foreign currency transactions are included in other (income) expense, net in the Consolidated Statements of Operations.

Treasury Stock

Common stock purchased for treasury is recorded at cost. Costs incurred by the Company that are associated with the acquisition of treasury stock are treated in a manner similar to stock issue costs and are added to the cost of the treasury stock.

Recently Issued Accounting Standards

Recently Issued Accounting Standards Not Yet Adopted

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
Accounting Standards Update ("ASU") 2016-02, <i>Leases (Topic 842)</i>	<p>The standard requires lessees to put most leases on their balance sheet but recognize expenses in their statement of operations in a manner similar to current accounting guidance. The new standard also eliminates the current guidance related to real estate specific provisions. The guidance requires application on a modified retrospective basis to leases that existed at the beginning of the earliest period presented and those entered into thereafter but prior to the effective date. A proposed ASU has been issued that would add the option for organizations to not provide comparative period financial statements and instead apply the transition requirements as of the effective date. The standard permits entities to elect a package of practical expedients which must be applied consistently to all leases that commenced prior to the effective date. If the package of practical expedients is elected, entities do not need to reassess: (i) whether expired or existing contracts contain leases; (ii) lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. The guidance also allows entities to make certain policy elections under the new standard, including: (i) the use of hindsight to determine lease term and when assessing existing right of use assets for impairment; (ii) a policy to not record short-term leases on the balance sheet; and (iii) a policy to not separate lease and non-lease components.</p>	January 1, 2019; early adoption is permitted	<p>The Company is currently evaluating this standard and anticipates that its adoption will have a material impact on the Consolidated Financial Statements and related disclosures as it will result in recording substantially all operating leases on the balance sheet as a lease obligation and right of use asset. Lease software has been implemented that will better enable the Company to implement the standard. The Company currently anticipates electing to apply the package of practical expedients to all leases that commenced prior to the date of adoption. Based on the analysis performed to date, the Company anticipates making a policy election to not include short-term leases on the Consolidated Balance Sheets and to separate lease and non-lease components. The Company currently does not anticipate making a policy election to use hindsight to determine lease term. The assessment is ongoing and the preliminary conclusions are subject to change. At this time the Company is unable to quantify the impact that the adoption of this standard will have on the Consolidated Financial Statements and related disclosures. The Company currently plans to adopt this ASU on January 1, 2019.</p>

Recently Issued Accounting Standards Not Yet Adopted (continued)

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
ASU 2016-13, <i>Financial Instruments-Credit Losses (Topic 326)</i>	The standard will replace the currently required incurred loss impairment methodology with guidance that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to be considered in making credit loss estimates. The guidance requires application on a modified retrospective basis. Other application requirements exist for specific assets impacted by a more-than-insignificant credit deterioration since origination.	January 1, 2020; early adoption is permitted for fiscal years beginning after December 15, 2018	The Company is currently evaluating the impact this ASU will have on its Consolidated Financial Statements and related disclosures. The Company currently plans to adopt this ASU on January 1, 2020.
ASU 2018-02, <i>Income Statement-Reporting Comprehensive Income (Topic 220)</i>	The standard allows companies to reclassify the effect of the change in tax laws and rates on deferred tax assets and liabilities as part of the Tax Act from accumulated other comprehensive income (loss) to retained earnings. The guidance is to be applied to each period in which the effect of the Tax Act (or portion thereof) is recorded and companies may apply it either (1) retrospectively as of the date of enactment or (2) as of the beginning of the period of adoption.	January 1, 2019; early adoption is permitted.	The Company is currently evaluating early adoption and the impact this ASU will have on its Consolidated Financial Statements and related disclosures.

Recently Adopted Accounting Standards

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
ASU 2014-09, <i>Revenue from Contracts with Customers (Topic 606)</i>	The standard replaces previous revenue recognition standards and significantly expands the disclosure requirements for revenue arrangements. It may be adopted either retrospectively or on a modified retrospective basis to new contracts and existing contracts with remaining performance obligations as of the effective date.	January 1, 2018; early adoption date is no earlier than the annual period beginning after December 15, 2016	The Company adopted this ASU on January 1, 2018 applying the modified retrospective method. Focus areas were customer rebates, accounting for customer dedicated inventory and principal/agent considerations. The adoption did not materially impact the Company's Financial Statements and is not expected to have a material impact on future financial results as the adoption did not change the recognition pattern for the Company's existing revenue streams. The Company implemented new internal controls related to contract reviews and revenue recognition disclosures. Additional disclosures will be made as needed in future reports as a result of the adoption in 2018.

Recently Adopted Accounting Standards (continued)

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
ASU 2016-15, <i>Statement of Cash Flows (Topic 230)</i>	The standard addresses eight specific cash flow issues and is intended to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The guidance requires application on a retrospective basis.	January 1, 2018; early adoption is permitted (early adoption requires the adoption of all amendments in the same period)	The Company adopted this ASU on January 1, 2018. The adoption did not materially impact the Company's historical Consolidated Financial Statements or related disclosures. Impacts to future results and disclosures will be dependent upon the presence of any items noted in the standard.
ASU 2017-01, <i>Business Combinations (Topic 805)</i>	The standard clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The guidance requires application on a prospective basis.	January 1, 2018; early adoption is permitted	The Company adopted this ASU on January 1, 2018.
ASU 2017-07, <i>Compensation-Retirement Benefits (Topic 715)</i>	The standard requires employers to disaggregate the service cost component from the other components of net benefit cost and disclose the amount of net benefit cost that is included in the income statement or capitalized in assets, by line item. The standard requires employers to report the service cost component in the same line item(s) as other compensation costs and to report other pension-related costs (which include interest costs, amortization of pension-related costs from prior periods, and the gains or losses on plan assets) separately and exclude them from the subtotal of operating income. The standard also allows only the service cost component to be eligible for capitalization when applicable. The guidance requires application on a retrospective basis for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement and on a prospective basis for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit in assets.	January 1, 2018; early adoption is permitted as of the first interim period of an annual period for which interim or annual financial statements have not been issued	The Company adopted this ASU on January 1, 2018. The adoption did not materially impact its historical Consolidated Financial Statements or related disclosures.
ASU 2015-11, <i>Inventory - Simplifying the Measurement of Inventory (Topic 330)</i>	The standard requires companies to measure inventory at the lower of cost and net realizable value, thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market. This ASU will not apply to inventories measured by either the last-in first-out method or retail inventory method. The guidance requires application on a prospective basis.	January 1, 2017	The Company adopted this ASU on January 1, 2017. The adoption did not materially impact its Consolidated Financial Statements or related disclosures. For the years ended December 31, 2017 and 2016, approximately 86% and 87% of the inventory balances were measured using LIFO, respectively.

Recently Adopted Accounting Standards (continued)

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
ASU 2017-04, <i>Intangibles - Goodwill and Other (Topic 350)</i>	The standard simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The guidance requires application on a prospective basis.	January 1, 2020; early adoption is permitted	The Company adopted this ASU on January 1, 2017.
ASU 2017-09, <i>Compensation - Stock Compensation (Topic 718)</i>	The standard clarifies the changes to the terms and conditions of a share-based payment award that require an entity to apply modification accounting. The guidance requires application on a prospective basis.	January 1, 2018; early adoption is permitted	The Company adopted this ASU on April 1, 2017. The adoption did not materially impact its Consolidated Financial Statements or related disclosures. Impacts to future results and disclosures will be dependent upon the presence of any items noted in the standard.

2. 2017 ACQUISITION

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

Acquisition-related costs of approximately \$7.3 million were expensed as incurred. These costs were recognized in acquisition and integration expenses on the Consolidated Statements of Operations for the year ended December 31, 2017. These charges are included in the table in Note 3, Acquisition, Integration and Restructuring Charges, and related primarily to legal, consulting and other professional fees, and retention.

The acquisition of AAC was accounted for in the Company's financial statements using the acquisition method of accounting. The total consideration to complete the acquisition was approximately \$169.8 million. Due to the limited amount of time since the acquisition of AAC, the valuation of certain assets and liabilities is preliminary and, as management receives additional information during the measurement period, these assets and liabilities may be adjusted. The preliminary purchase price was allocated to tangible and intangible assets and liabilities based upon their respective estimated fair values. The following table summarizes the components of the preliminary estimated purchase price for AAC:

Preliminary estimated purchase price:

	<i>(in millions)</i>
Cash consideration	\$ 112.0
Loan pay-off	34.3
Contingent consideration	22.2
Other	1.3
Total preliminary estimated purchase price	<u>\$ 169.8</u>

The following table summarizes the allocation of the preliminary estimated purchase price to assets acquired and liabilities assumed as of the Acquisition Date based on valuation information, estimates and assumptions available on December 31, 2017. See Note 4, Goodwill and Other Intangible Assets, for additional information related to the goodwill and intangible assets acquired in the AAC acquisition. See Note 11, Fair Value Measurements, for additional information related to the fair value of the contingent consideration related to the earn-out.

Preliminary allocation:

	<i>(in millions)</i>
Cash	\$ 1.5
Accounts receivable	30.4
Inventories	38.5
Other current assets	5.7
Property and equipment	3.5
Goodwill	55.5
Other intangible assets	49.0
Other non-current assets	1.4
Accounts payable	(12.4)
Other current liabilities	(2.7)
Other non-current liabilities	(0.6)
Total preliminary estimated purchase price	<u>\$ 169.8</u>

The amounts shown above may change as the purchase price will be based upon finalization of customary working capital adjustments. The Company is still in the process of verifying data and finalizing information related to the valuation and expects to finalize these matters within the measurement period as final asset and liability valuations are completed.

Actual and Pro Forma Impact (unaudited)

The operating results of AAC are included in the Company's financial statements from September 1, 2017 through December 31, 2017 and are reported as part of the Packaging reportable segment. Net sales and operating loss attributable to AAC during this period and included in the Company's Consolidated Statements of Operations were \$71.7 million and (\$1.7) million, respectively.

The following unaudited pro forma financial information presents results as if the acquisition of AAC occurred on January 1, 2016. The historical consolidated financial information of the Company and AAC has been adjusted in the pro forma information to give effect to pro forma events that are directly attributable to the transaction and are factually supportable. The unaudited pro forma results do not reflect events that have occurred or may occur after the transaction, including the impact of any synergies expected to result from the acquisition. Accordingly, the unaudited pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transaction been effected on the assumed date, nor is it necessarily an indication of future operating results.

(Unaudited)	<u>Year Ended December 31,</u>	
<i>(in millions, except share and per share data)</i>	<u>2017</u>	<u>2016</u>
Net sales	\$ 8,527.6	\$ 8,548.2
Net income (loss)	(7.2)	14.1
Earnings (loss) per share:		
Basic earnings (loss) per share	\$ (0.46)	\$ 0.88
Diluted earnings (loss) per share	\$ (0.46)	\$ 0.87
Weighted-average shares outstanding		
Basic	15.70	15.97
Diluted	15.70	16.15

The unaudited pro forma information reflects primarily the following pre-tax adjustments for the respective periods:

- Acquisition and integration expenses: Acquisition and integration expenses of \$8.9 million incurred during the year ended December 31, 2017 have been eliminated. Pro forma net income for the year ended December 31, 2016 includes acquisition and integration expenses of \$8.9 million.
- Incremental amortization expense: Pro forma net income for the year ended December 31, 2017 includes incremental amortization expense of \$2.5 million. Pro forma net income for the year ended December 31, 2016 includes incremental amortization expense of \$6.3 million.
- Interest expense: Pro forma net income for the year ended December 31, 2017 includes incremental interest expense of \$2.0 million. Pro forma net income for the year ended December 31, 2016 includes incremental interest expense of \$2.4 million.

A combined U.S. federal statutory and state rate of 39.0% was used to determine the after-tax impact on net income of the pro forma adjustments.

3. ACQUISITION, INTEGRATION AND RESTRUCTURING CHARGES

Merger of xpedx and Unisource

The Company currently expects net costs and charges associated with achieving anticipated cost savings and other synergies from the Merger (excluding charges relating to the complete or partial withdrawal from multi-employer pension plans ("MEPP"), some of which are uncertain at this time, and including cash proceeds from sales of assets related to consolidation), to be approximately \$225 million to \$250 million, through December 31, 2018. Included in the estimate is approximately \$90 million for capital expenditures, primarily consisting of information technology infrastructure, systems integration and planning. Through December 31, 2017, the Company has incurred approximately \$221 million in costs and charges, including approximately \$82 million for capital expenditures.

Acquisition and Integration Expenses

During the years ended December 31, 2017, 2016 and 2015, Veritiv incurred costs and charges related primarily to: internally dedicated integration management resources, retention compensation, information technology conversion costs, rebranding, professional services and other costs to integrate its businesses. The following table summarizes the components of acquisition and integration expenses:

<i>(in millions)</i>	Year Ended December 31,		
	2017	2016	2015
Integration management	\$ 14.5	\$ 8.3	\$ —
Retention compensation	0.2	2.5	10.8
Information technology conversion costs	8.8	6.3	7.4
Rebranding	0.5	2.4	6.1
Legal, consulting and other professional fees	1.5	2.3	7.8
Other	3.0	4.1	2.8
AAC acquisition and integration	8.0	—	—
Total acquisition and integration expenses	<u>\$ 36.5</u>	<u>\$ 25.9</u>	<u>\$ 34.9</u>

Veritiv Restructuring Plan

As part of the Merger, the Company is executing on a multi-year restructuring program of its North American operations intended to integrate the legacy xpedx and Unisource operations, generate cost savings and capture synergies across the combined company. The restructuring plan includes initiatives to: (i) consolidate warehouse facilities in overlapping markets, (ii) improve efficiency of the delivery network, (iii) consolidate customer service centers, (iv) reorganize the field sales and operations functions and (v) restructure the corporate general and administrative functions. As part of its restructuring efforts, the Company continues to evaluate its operations outside of North America to identify additional cost saving opportunities. The Company may elect to restructure its operations in specific countries, which may include staff reductions, lease terminations and facility closures, or a complete exit of a market. The Company may continue to record restructuring charges in the future as restructuring activities progress, which may include gains or losses from the disposition of assets. See Note 17, Segment Information, for the impact these charges had on the Company's reportable segments.

For the years ended December 31, 2017, 2016 and 2015, the Company recognized \$24.4 million and \$2.1 million in net gains related to the sale or exit of certain facilities and a \$4.1 million net non-cash loss from asset impairments, respectively. As of December 31, 2017, the Company held for sale \$3.2 million in assets related to these activities, which are included in other current assets on the Consolidated Balance Sheets.

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

The following table presents a summary of restructuring charges, net, related to active restructuring initiatives that were incurred during the last three fiscal years and the cumulative recorded amounts since the initiative began:

<i>(in millions)</i>	Severance and Related Costs	Other Direct Costs	Gain on Sale of Assets and Other	Total
2017	\$ 7.5	\$ 33.6	\$ (24.4)	\$ 16.7
2016	3.5	11.0	(2.1)	12.4
2015	4.3	2.9	4.1	11.3
Cumulative	20.0	47.9	(22.4)	45.5

The following is a summary of the Company's restructuring liability activity for the periods presented:

<i>(in millions)</i>	Severance and Related Costs	Other Direct Costs	Total
Balance at December 31, 2015	\$ 1.7	\$ 0.4	\$ 2.1
Costs incurred	3.5	11.0	14.5
Payments	<u>(3.4)</u>	<u>(3.4)</u>	<u>(6.8)</u>
Balance at December 31, 2016	1.8	8.0	9.8
Costs incurred	7.5	33.6	41.1
Payments	<u>(4.9)</u>	<u>(16.4)</u>	<u>(21.3)</u>
Balance at December 31, 2017	<u>\$ 4.4</u>	<u>\$ 25.2</u>	<u>\$ 29.6</u>

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

<i>(in millions)</i>	Year Ended December 31,		
	Restructuring charges, net	Distribution expenses	Total Net Charges
2017	\$ 17.4	\$ 2.1	\$ 19.5
2016	7.5	2.3	9.8

Final charges for these MEPP withdrawals will not be known until the plans issue their respective determinations. As a result, these estimates may increase or decrease depending upon the final determinations. Currently, the Company expects payments will occur over an approximate 20 year period. The Company expects to incur similar types of charges in future periods in connection with its ongoing restructuring activities. As of December 31, 2017, the Company has received the determination letters from one of the restructuring related plans. Monthly payments for this plan are expected to occur over an approximate 20 year period.

4. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

At December 31, 2017, the net goodwill balance was \$99.6 million. The following table sets forth the changes in the carrying amount of goodwill during 2017 and 2016:

<i>(in millions)</i>	Packaging	Facility Solutions	Print	Publishing	Corporate & Other	Total
Balance at December 31, 2015:						
Goodwill	\$ 44.1	\$ 59.0	\$ 265.4	\$ 50.5	\$ 6.1	\$ 425.1
Accumulated impairment losses	—	(59.0)	(265.4)	(50.5)	—	(374.9)
Net goodwill 2015	44.1	—	—	—	6.1	50.2
2016 Activity:						
Goodwill acquired	—	—	—	—	—	—
Impairment of goodwill	—	—	—	—	—	—
Balance at December 31, 2016:						
Goodwill	44.1	59.0	265.4	50.5	6.1	425.1
Accumulated impairment losses	—	(59.0)	(265.4)	(50.5)	—	(374.9)
Net goodwill 2016	44.1	—	—	—	6.1	50.2
2017 Activity:						
Goodwill acquired	55.5	—	—	—	—	55.5
Impairment of goodwill	—	—	—	—	(6.1)	(6.1)
Balance at December 31, 2017:						
Goodwill	99.6	59.0	265.4	50.5	6.1	480.6
Accumulated impairment losses	—	(59.0)	(265.4)	(50.5)	(6.1)	(381.0)
Net goodwill 2017	<u>\$ 99.6</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 99.6</u>

Preliminary goodwill of \$55.5 million arising from the acquisition of AAC, as described in Note 2, 2017 Acquisition, consists largely of the expected synergies and other benefits from combining operations and is expected to be deductible for tax purposes. The goodwill was allocated 100% to the Company's Packaging reportable segment.

During the third quarter of 2017, as part of the Company's review for possible goodwill impairment indicators, management determined that the goodwill allocated to the logistics solutions business was fully impaired. The impairment was recorded as selling and administrative expense in the Consolidated Statements of Operations. See Note 11, Fair Value Measurements, for additional information related to the impairment. There were no other goodwill impairment charges for the year ended December 31, 2017. No goodwill impairment charges were recorded during the year ended December 31, 2016. During the fourth quarter of 2015, a \$1.9 million goodwill impairment was identified and recorded as selling and administrative expense for the Facility Solutions segment.

Other Intangible Assets

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

<i>(in millions)</i>	December 31, 2017			December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	\$ 67.7	\$ 6.1	\$ 61.6	\$ 23.6	\$ 4.0	\$ 19.6
Trademarks/Trade names	3.8	2.3	1.5	2.7	1.3	1.4
Non-compete agreements	1.5	0.5	1.0	—	—	—
Total	<u>\$ 73.0</u>	<u>\$ 8.9</u>	<u>\$ 64.1</u>	<u>\$ 26.3</u>	<u>\$ 5.3</u>	<u>\$ 21.0</u>

The gross carrying amount of other intangible assets increased by \$49.0 million as a result of the acquisition of AAC. The Company is still in the process of verifying data and finalizing information related to the valuation and expects to finalize these matters within the measurement period as final asset and liability valuations are completed. These assets are included in other intangibles, net on the Consolidated Balance Sheets and are being amortized to operating expense on a straight-line basis over their estimated useful lives. Preliminary allocated values from the AAC acquisition are as follows:

	<u>Gross Value (in millions)</u>	<u>Estimated Useful Life (in years)</u>
Customer relationships	\$ 46.4	14.0
Trademarks/Trade names	1.1	1.0
Non-compete agreements	1.5	1.0
Total identifiable intangible assets acquired	<u>\$ 49.0</u>	

During the third quarter of 2017, the Company recognized a \$1.6 million non-restructuring asset impairment charge related to its logistics solutions business's customer relationship intangible asset, which was recorded in selling and administrative expenses. During the year ended December 31, 2016, the Company recognized \$2.8 million and \$3.0 million in asset impairment charges related to its Print and Publishing segments' customer relationship intangible assets, respectively, which were recorded in selling and administrative expenses. No intangible asset impairment charges were recorded during the year ended December 31, 2015.

See Note 11, Fair Value Measurements, for additional information related to these impairments.

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

The Company recorded amortization expense of \$4.2 million, \$3.4 million and \$5.9 million for the years ended December 31, 2017, 2016 and 2015, respectively.

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

<u>Year</u>	<u>Total</u>
2018	\$ 6.7
2019	4.8
2020	4.8
2021	4.8
2022	4.8

5. DEBT AND OTHER OBLIGATIONS

The Company's long-term debt obligations were as follows:

<i>(in millions)</i>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Asset-Based Lending Facility (the "ABL Facility")	\$ 897.7	\$ 726.9
Equipment capital lease and other obligations	13.5	25.2
Total debt	<u>911.2</u>	<u>752.1</u>
Less: current maturities of long-term debt	(2.9)	(2.9)
Long-term debt, net of current maturities	<u>\$ 908.3</u>	<u>\$ 749.2</u>

The equipment capital lease and other obligations reported in the table above includes \$19.1 million related to the accumulated construction costs for the Toronto build-to-suit arrangement as of December 31, 2016. This project was completed during the second quarter of 2017 and is accounted for as a financing obligation. As such, for periods beginning with the second quarter of 2017 the obligation value is shown in the table below as other financing, in addition to the Company's related party financing obligations.

The Company's long-term financing obligations were as follows:

<i>(in millions)</i>	December 31, 2017	December 31, 2016
Obligations to related party	\$ 162.3	\$ 191.0
Obligations - other financing	27.1	—
Total financing obligations	189.4	191.0
Less: current portion of financing obligations	(7.8)	(14.9)
Financing obligations, less current portion	<u>\$ 181.6</u>	<u>\$ 176.1</u>

From the Merger through December 31, 2017, the Company has terminated agreements for 11 of the related party financed properties and therefore triggered an early termination of each respective property's financing agreement. One of these terminations also involved the purchase of a facility in Austin, Texas. See Note 7, Leases, for additional information related to that purchase. Upon termination of a property's financing agreement, the Company recognizes the non-cash effects of the derecognition of (i) the property and equipment and (ii) the corresponding financing obligation, as other non-cash items, net, on the Consolidated Statements of Cash Flows. Any gain or loss realized upon derecognition has been included in other (income) expense, net or restructuring charges on the Consolidated Statements of Operations, based upon the rationale for the termination. Unless terminated early, upon the expiration of the term of the remaining related party financing agreements, the net remaining financing obligation of \$155.2 million will be settled by the return of the assets to the owner and has been included in other non-current liabilities on the Consolidated Balance Sheets. See the table below for the non-cash effects of the derecognition of (i) the property and equipment and (ii) the corresponding financing obligation:

<i>(in millions, except number of agreements)</i>	Year Ended December 31,		
	2017	2016	Total
Property and equipment	\$ 14.6	\$ 3.7	\$ 18.3
Financing obligations	15.2	8.4	23.6
Number of terminated property agreements	8	3	11

ABL Facility

Veritiv has a \$1.4 billion asset-based lending facility. The ABL Facility is comprised of U.S. and Canadian sub-facilities of \$1,250.0 million and \$150.0 million, respectively. The ABL Facility is available to be drawn in U.S. dollars, in the case of the U.S. sub-facilities, and in U.S. dollars or Canadian dollars, in the case of the Canadian sub-facilities, or in other currencies that are mutually agreeable. The Company's accounts receivable and inventories in the U.S. and Canada are collateral under the ABL Facility.

On August 11, 2016, the Company amended the ABL Facility to, among other things, extend the maturity date to August 11, 2021. All other significant terms remained consistent. The ABL Facility provides for the right of the individual lenders to extend the maturity date of their respective commitments and loans upon the request of Veritiv and without the consent of any other lenders. The ABL Facility may be prepaid at Veritiv's option at any time without premium or penalty and is subject to mandatory prepayment if the amount outstanding under the ABL Facility exceeds either the aggregate commitments with respect thereto or the current borrowing base, in an amount equal to such excess.

The ABL Facility has a springing minimum fixed charge coverage ratio of at least 1.00 to 1.00 on a trailing four-quarter basis, which will be tested only when specified availability is less than limits outlined under the ABL Facility. At December 31, 2017 the above test was not applicable.

Availability under the ABL Facility is determined based upon a monthly borrowing base calculation which includes eligible customer receivables and inventory, less outstanding borrowings, letters of credit and certain designated reserves. As of December 31, 2017, the available additional borrowing capacity under the ABL Facility was approximately \$316.5 million. As of December 31, 2017, the Company held \$10.1 million in outstanding letters of credit.

Under the terms of the ABL Facility, interest rates are based upon LIBOR or the prime rate plus a margin rate, or in the case of Canada, a banker's acceptance rate or base rate plus a margin rate. The weighted-average borrowing interest rate was 3.3% and 2.5% at December 31, 2017 and December 31, 2016, respectively.

Financing and other related costs incurred in connection with the ABL Facility are reflected in other non-current assets in the Consolidated Balance Sheets and are amortized over the ABL Facility term. In conjunction with the ABL Facility amendment noted above, the Company recognized a charge of \$1.9 million to interest expense, net, in the Consolidated Statements of Operations, for the write-off of a portion of the previously deferred financing costs associated with lenders in the original ABL Facility that exited the amended ABL Facility. In addition, the Company incurred and deferred \$2.0 million of new financing costs associated with this transaction, reflected in other non-current assets in the Consolidated Balance Sheets, which will be amortized to interest expense on a straight-line basis over the amended term of the ABL Facility. For the years ended December 31, 2017, 2016 and 2015, interest expense, net in the Consolidated Statements of Operations included \$2.6 million, \$5.6 million and \$4.4 million, respectively, of amortization and write-off of deferred financing fees.

Equipment Capital Lease Obligations

See Note 7, Leases, for additional information regarding the Company's equipment capital lease obligations.

6. DERIVATIVE INSTRUMENT, HEDGING ACTIVITIES AND RISK MANAGEMENT

Financial Risk Management Policy

The Company's indebtedness under its financing arrangement creates interest rate risk. The Company's objective is to reduce, where it is deemed appropriate to do so, fluctuations in earnings and cash flows associated with changes in the interest rate. The Company does not hold or issue derivative financial instruments for trading or speculative purposes.

This interest rate exposure is actively monitored by management, and in July 2015, the Company entered into an interest rate cap agreement. The interest rate cap effectively limits the floating LIBOR-based portion of the interest rate. The effective date of the interest rate cap agreement was July 31, 2015 with an expiration date of July 1, 2019. The initial notional amount of this agreement covered \$392.9 million of the Company's floating-rate debt at 3.0% plus the applicable credit spread. The Company paid \$2.0 million for the interest rate cap agreement. Approximately \$0.6 million of the amount paid represented transaction costs and was expensed immediately to earnings. As of December 31, 2017 and December 31, 2016, the interest rate cap agreement had a fair value that was not significant, classified within other non-current assets on the Consolidated Balance Sheets. The fair value is estimated using observable market-based inputs including interest rate curves and implied volatilities (Level 2).

The Company designated the interest rate cap as a cash flow hedge of exposure to changes in cash flows due to changes in the LIBOR-based portion of the interest rate above 3.0% on an equivalent amount of debt. The notional amount of the cap is reduced throughout the term of the agreement to align with the expected repayment of the Company's outstanding floating-rate debt.

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

Accounting for Derivative Instruments

The interest rate cap agreement is subject to Accounting Standards Codification 815, *Accounting for Derivative and Hedging Transactions*. For those instruments that are designated and qualify as hedging instruments, a company must designate the instrument, based upon the exposure being hedged, as a cash flow hedge, a fair value hedge or a hedge of a net investment in a foreign operation.

A cash flow hedge refers to hedging the exposure to variability in expected future cash flows attributable to a particular risk. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of AOCL until reclassified into earnings in the same period the hedged transaction affects earnings. The gain or loss on the ineffective portion, if any, is immediately recognized in earnings. The ineffective portion was not significant for the years ended December 31, 2017, 2016 and 2015 respectively.

For the years ended December 31, 2017, 2016 and 2015, the Company recognized an after-tax loss of \$0.0 million, \$0.2 million and \$0.5 million, respectively, in other comprehensive income associated with the interest rate cap. For the year ended December 31, 2017, \$0.2 million was reclassified from AOCL into earnings. There were no reclassifications from AOCL into earnings for the years ended December 31, 2016 and 2015, respectively. The amount the Company expects to reclassify from AOCL into earnings within the following twelve months is approximately \$0.7 million.

7. LEASES

Lease Commitments

Future minimum lease payments at December 31, 2017 were as follows:

<i>(in millions)</i>	Financing Obligations and Equipment Capital Leases ⁽¹⁾	Operating Leases		
		Lease Obligations	Sublease Income	Total
2018	\$ 12.8	\$ 94.3	\$ (0.2)	\$ 94.1
2019	5.0	80.3	(0.2)	80.1
2020	4.6	70.4	—	70.4
2021	4.0	57.7	—	57.7
2022	3.8	45.8	—	45.8
Thereafter	22.4	135.6	—	135.6
	52.6	484.1	(0.4)	483.7
Amount representing interest	(12.5)	—	—	—
Total future minimum lease payments	\$ 40.1	\$ 484.1	\$ (0.4)	\$ 483.7

⁽¹⁾ Amounts shown include the financing obligations to related party.

Financing Obligations to Related Party

In connection with Bain Capital Fund VII, L.P.'s acquisition of its 60% interest in UWWH on November 27, 2002, Unisource transferred 40 of its U.S. warehouse and distribution facilities (the "Properties") to Georgia-Pacific who then sold 38 of the Properties to an unrelated third-party (the "Purchaser/Landlord"). Contemporaneously with the sale, Georgia-Pacific entered into lease agreements with the Purchaser/Landlord with respect to the individual 38 Properties and concurrently entered into sublease agreements with Unisource, which are set to expire in June 2018. As a result of certain forms of continuing involvement, these transactions did not qualify for sale-leaseback accounting. Accordingly, the leases were classified as financing transactions. From the Merger through December 31, 2017, the Company has terminated agreements for 11 of these Properties. At the end of the lease term, the net remaining financing obligation of \$155.2 million will be settled by the return of the assets to the Purchaser/Landlord.

The lease and sublease agreements also include rent schedules and escalation clauses throughout the lease and sublease terms. Subject to certain conditions, the Company has the right to sublease any of the Properties. Under the terms of the lease and sublease agreements, Georgia-Pacific and the Company are responsible for all costs and expenses associated with the Properties, including the operation, maintenance and repair, taxes and insurances. In addition to the obligations noted above, the Company currently leases from Georgia-Pacific one remaining Property that is directly owned by Georgia-Pacific and has classified it as an operating lease in accordance with the accounting guidance.

In April 2016, Veritiv assumed ownership of a warehouse and distribution facility located in Austin, Texas that was subleased from Georgia-Pacific. The Company exercised its right of first refusal and matched a \$5.4 million offer from an unrelated third-party to purchase the facility directly from the owner. This transaction was accounted for as a settlement of

the financing obligation related to the facility. Accordingly, Veritiv recognized a \$1.3 million loss on the transaction, which is reflected in other (income) expense, net, on the Consolidated Statements of Operations.

In May 2017, the Company entered into a purchase and sale agreement under which Veritiv agreed to sell the previously acquired Austin, Texas facility to an unrelated third-party. Upon the closing of the sale, Veritiv entered into a lease of the facility for an initial period of ten years with two optional five-year renewal terms. The sale-leaseback transaction does not provide for any continuing involvement by the Company other than a normal lease for use of the property during the lease term. The transaction resulted in net cash proceeds of \$9.1 million and a related deferred gain of \$5.4 million. The Company expects to recognize the gain over the initial ten-year lease period on a straight-line basis as a reduction to selling and administrative expenses in the Consolidated Statements of Operations. The current portion of the deferred gain is included in other accrued liabilities and the non-current portion of the deferred gain is included in other non-current liabilities on the Consolidated Balance Sheets.

Operating Leases

Certain properties and equipment are leased under cancelable and non-cancelable agreements. The Company recorded rent expense of \$106.3 million, \$108.1 million and \$106.2 million for the years ended December 31, 2017, 2016 and 2015, respectively.

8. INCOME TAXES

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

<i>(in millions)</i>	Year Ended December 31,		
	2017	2016	2015
Domestic (United States)	\$ (18.0)	\$ 27.6	\$ 46.6
Foreign	16.1	13.2	(1.7)
Income (loss) before income taxes	<u>\$ (1.9)</u>	<u>\$ 40.8</u>	<u>\$ 44.9</u>

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

<i>(in millions)</i>	Year Ended December 31,		
	2017	2016	2015
Current Provision:			
U.S. Federal	\$ 4.8	\$ 3.6	\$ —
U.S. State	1.5	1.5	1.7
Foreign	3.2	3.6	1.6
Total current income tax expense	<u>\$ 9.5</u>	<u>\$ 8.7</u>	<u>\$ 3.3</u>
Deferred, net:			
U.S. Federal	\$ 16.3	\$ 9.6	\$ 14.8
U.S. State	(2.7)	1.9	0.5
Foreign	(11.7)	(0.4)	(0.4)
Total deferred, net	<u>\$ 1.9</u>	<u>\$ 11.1</u>	<u>\$ 14.9</u>
Provision for income tax expense (benefit)	<u>\$ 11.4</u>	<u>\$ 19.8</u>	<u>\$ 18.2</u>

Reconciliation between the federal statutory rate and the effective tax rate is as follows (see Note 9, Related Party Transactions for additional information related to the Tax Receivable Agreement):

<i>(in millions)</i>	Year Ended December 31,		
	2017	2016	2015
Income (loss) before income taxes	\$ (1.9)	\$ 40.8	\$ 44.9
Statutory U.S. income tax rate	35.0 %	35.0%	35.0%
Tax expense using statutory U.S. income tax rate	\$ (0.7)	\$ 14.3	\$ 15.7
Foreign income tax rate differential	(1.4)	(1.1)	0.2
State tax (net of federal benefit)	(0.5)	2.8	1.6
Non-deductible expenses	2.2	2.3	1.5
Tax Receivable Agreement ^(a)	(3.8)	1.6	0.7
Tax credits ^(b)	(4.0)	—	—
Foreign exchange loss ^(c)	—	—	(1.2)
Impact of U.S. Tax Act (Federal and State)	30.2	—	—
Change in valuation allowance - U.S. Federal and State ^(d)	—	—	(0.8)
Change in valuation allowance - Foreign	(13.7)	(0.5)	1.7
Goodwill impairment	2.1	—	0.7
Foreign taxes	0.7	0.5	0.1
Other ^(e)	0.3	(0.1)	(2.0)
Income tax provision (benefit)	\$ 11.4	\$ 19.8	\$ 18.2
Effective income tax rate	<u>(600.0)%</u>	<u>48.5%</u>	<u>40.5%</u>

^(a) Includes a \$4.7 million tax rate benefit for the federal tax rate change as part of the Tax Act and a \$0.9 million tax rate increase for other fair value changes in 2017.

^(b) Includes a \$3.1 million benefit for credits related to foreign taxes and research and experimentation activities recognized in conjunction with the third quarter of 2017 filing of Veritiv's 2016 U.S. federal tax return and amended 2015 and 2014 U.S. federal tax returns.

^(c) Recognition of a 2015 U.S. tax benefit with respect to a foreign exchange loss on the capitalization of an intercompany loan with the Company's Canadian subsidiary.

^(d) Increase in Section 382 limitation resulting from recognition of 2015 built-in gains.

^(e) In 2015, Other primarily relates to tax benefits related to uncertain tax positions, taxes allocated to comprehensive income, adjustments for prior year tax matters and fuel tax credits.

The Tax Act was signed into law on December 22, 2017. The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to reducing the U.S. federal corporate tax rate from 35% to 21%, implementation of a territorial tax system and a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries that is payable over eight years. Veritiv recognized the tax effects of the Tax Act in the year ended December 31, 2017 and recorded \$30.2 million in provisional tax expense, of which \$23.0 million related primarily to the remeasurement of the Company's deferred taxes to the 21% tax rate and \$7.2 million related to the one-time transition tax.

On December 22, 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. In accordance with SAB 118, the Company has determined that remeasurement of its deferred tax assets and liabilities, one-time transition tax, impact of the Tax Act on state taxes, and tax liability associated with investments in non-U.S. subsidiaries where book basis exceeds tax basis are provisional amounts and reasonable estimates at December 31, 2017. The impact of the Tax Act may differ from this estimate, possibly materially, due to, among other things, changes in interpretations and assumptions the Company has made, guidance that may be issued, completion of the Company's 2017 U.S. federal and state tax returns in 2018, completion of earnings and profits and foreign income tax calculations for the Company's non-U.S. subsidiaries, and actions the Company may take as a result of the Tax Act. Additional work is necessary for a more detailed analysis of Veritiv's deferred tax assets and liabilities and its historical foreign earnings as well as potential correlative adjustments. The Company has not accounted for the tax impacts related to the Global Intangible Low Tax Income (GILTI), Base Erosion Anti Abuse Tax or Foreign Derived Intangible Income regimes or any of the other provisions of the Tax Act that are not effective until fiscal year 2018. Additionally, the Company has not concluded on any applicable accounting policy election associated with GILTI. Any subsequent adjustment to these amounts will be recorded to tax expense in the quarter of 2018 when the analysis is complete.

Deferred income tax assets and liabilities as of December 31, 2017 and 2016 were as follows:

<i>(in millions)</i>	December 31, 2017		December 31, 2016	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Deferred income tax assets:				
Accrued compensation	\$ 11.6	\$ 0.2	\$ 17.7	\$ 0.1
Financing obligations to related party	47.3	0.8	77.5	0.8
Goodwill and other intangibles, net	1.9	—	4.6	—
Long-term compensation	21.3	4.1	21.2	3.8
Net operating losses and credit carryforwards	44.9	11.8	74.1	13.6
Allowance for doubtful accounts	10.0	0.1	11.9	—
Other	5.6	0.6	3.5	0.8
Gross deferred income tax assets	142.6	17.6	210.5	19.1
Less valuation allowance	(4.7)	(3.6)	(6.5)	(18.1)
Total deferred tax asset	137.9	14.0	204.0	1.0
Deferred income tax liabilities:				
Property and equipment, net	(54.2)	—	(86.7)	—
Inventory reserve	(33.5)	—	(48.2)	—
Other	(4.6)	—	(8.3)	—
Total deferred tax liability	(92.3)	—	(143.2)	—
Net deferred income tax asset	\$ 45.6	\$ 14.0	\$ 60.8	\$ 1.0

Deferred income tax asset valuation allowance is as follows:

<i>(in millions)</i>	U.S.	Non-U.S.	Total
Balance at December 31, 2015	\$ 6.3	\$ 15.5	\$ 21.8
Additions	0.2	3.4	3.6
Subtractions	—	(0.9)	(0.9)
Currency translation adjustments	—	0.1	0.1
Balance at December 31, 2016	6.5	18.1	24.6
Additions	—	0.2	0.2
Subtractions ^(a)	(1.8)	(16.0)	(17.8)
Currency translation adjustments	—	1.3	1.3
Balance at December 31, 2017	\$ 4.7	\$ 3.6	\$ 8.3

^(a) Includes a \$13.4 million benefit for release of the valuation allowance against net deferred tax assets in Canada reflecting the Company's cumulative recent income and improved expectation of future taxable income.

The Merger resulted in a significant change in the ownership of the Company, which, pursuant to the Internal Revenue Code Section 382, imposes annual limits on the Company's ability to utilize its U.S. federal and state net operating loss carryforwards ("NOLs"). The Company's NOLs will continue to be available to offset taxable income (until such NOLs are either utilized or expire) subject to the Section 382 annual limitation. This limitation is increased for built-in gains recognized within a 60-month period following the ownership change to the extent of total unrealized built-in gains. If the annual limitation amount is not fully utilized in a particular tax year, then the unused portion from that particular tax year will be added to the annual limitation in subsequent years.

In general, it is the practice and intention of Veritiv to reinvest the earnings of its non-U.S. subsidiaries in those operations. As of December 31, 2017, Veritiv's tax basis exceeded its financial reporting basis in certain investments in non-U.S. subsidiaries. The Company does not believe these temporary differences will reverse in the foreseeable future and, therefore, no deferred tax asset has been recognized with respect to these basis differences. Additionally, no deferred tax liability has been recognized for income and withholding tax liabilities associated with investments in non-U.S. subsidiaries

where book basis exceeds tax basis. The provisional estimate of such temporary differences totaled approximately \$25.8 million as of December 31, 2017. The provisional estimate of income and withholding tax liability associated with these temporary differences is immaterial. Veritiv will record the tax effects of any change in its prior provisional estimates, with respect to these investments, and disclose any unrecognized deferred tax impact for temporary differences related to its foreign investments, if practicable, in the period that it is first able to determine a change, but no later than December 31, 2018.

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

The Company accrues interest on unrecognized tax benefits as a component of interest expense. Penalties, if incurred, are recognized as a component of income tax expense. Total gross unrecognized tax benefits as of December 31, 2017, 2016 and 2015, as well as activity within each of the years, was not material.

In the U.S., Veritiv is generally subject to examination by the Internal Revenue Service ("IRS") for fiscal years 2014 and later and certain states for fiscal years 2013 and later; however, it may be subject to IRS and state tax authority adjustments for years prior to 2014 to the extent of losses or other tax attributes carrying forward from the earlier years. Veritiv Canada remains subject to examination by the Canadian Revenue Agency and certain provinces for fiscal years 2012 and later.

As of December 31, 2017, Veritiv has federal, state and foreign income tax NOLs available to offset future taxable income of \$167.1 million, \$165.5 million and \$49.2 million, respectively, which will expire at various dates from 2018 through 2035, with the exception of certain foreign NOLs that do not expire but have a full valuation allowance.

9. RELATED PARTY TRANSACTIONS

Agreements with the UWWH Stockholder

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

- **Registration Rights Agreement:** The Registration Rights Agreement provides the UWWH Stockholder with certain demand and piggyback registration rights. Under this Agreement, the UWWH Stockholder is also entitled to transfer its Veritiv common stock to one or more of its affiliates or equity-holders and may exercise registration rights on behalf of such transferees if such transferees become a party to the Registration Rights Agreement. The UWWH Stockholder, on behalf of the holders of shares of Veritiv's common stock that are party to the Registration Rights Agreement, under certain circumstances and provided certain thresholds described in the Registration Rights Agreement are met, may make a written request to the Company for the registration of the offer and sale of all or part of the shares subject to such registration rights. If the Company registers the offer and sale of its common stock (other than pursuant to a demand registration or in connection with registration on Form S-4 and Form S-8 or any successor or similar forms, or relating solely to the sale of debt or convertible debt instruments) either on its behalf or on the behalf of other security holders, the holders of the registration rights under the Registration Rights Agreement are entitled to include their shares in such registration. The demand rights described commenced 180 days after the Distribution Date. Veritiv is not required to effect more than one demand registration in any 150-day period or more than two demand registrations in any 365-day period. If Veritiv believes that a registration or an offering would materially affect a significant transaction or would require it to disclose confidential information which it in good faith believes would be adverse to its interest, then Veritiv may delay a registration or filing for no more than 120 days in a 360-day period.
- **Tax Receivable Agreement:** The Tax Receivable Agreement sets forth the terms by which Veritiv generally will be obligated to pay the UWWH Stockholder an amount equal to 85% of the U.S. federal, state and Canadian income tax savings that Veritiv actually realizes as a result of the utilization of Unisource's net operating losses attributable to taxable periods prior to the date of the Merger. For purposes of the Tax Receivable Agreement, Veritiv's income tax savings will generally be computed by comparing Veritiv's actual aggregate U.S. federal, state and Canadian income tax liability for taxable periods (or portions thereof) beginning after the date of the Merger to the amount of Veritiv's aggregate U.S. federal, state and Canadian income tax liability for the same periods had Veritiv not been able to utilize Unisource's net operating losses attributable to taxable periods prior to the date of the Merger. Veritiv will pay to the

UWWH Stockholder an amount equal to 85% of such tax savings, plus interest at a rate of LIBOR plus 1.00%, computed from the earlier of the date that Veritiv files its U.S. federal income tax return for the applicable taxable year and the date that such tax return is due (without extensions) until payments are made. Under the Tax Receivable Agreement, the UWWH Stockholder will not be required to reimburse Veritiv for any payments previously made if such tax benefits are subsequently disallowed or adjusted (although future payments under the Tax Receivable Agreement would be adjusted to the extent possible to reflect the result of such disallowance or adjustment). The Tax Receivable Agreement will be binding on and adapt to the benefit of any permitted assignees of the UWWH Stockholder and to any successors to any of the parties of the Tax Receivable Agreement to the same extent as if such permitted assignee or successor had been an original party to the Tax Receivable Agreement. In January 2018 and 2017, Veritiv paid \$10.1 million and \$8.7 million, respectively, in principal and interest, to the UWWH Stockholder for the utilization of pre-merger NOLs in its 2016 and 2015 federal and state tax returns, respectively. As of December 31, 2017, the Tax Receivable Agreement was revalued for the Tax Act change, lowering the U.S. federal corporate tax rate from 35% to 21%. This change reduced the value of the Tax Receivable Agreement liability by \$13.5 million.

On November 23, 2016, the UWWH Stockholder sold 1.76 million shares of Veritiv common stock in an underwritten public offering. Concurrently with the closing of the offering, Veritiv repurchased 0.31 million of these offered shares from the underwriters at a price of \$42.8625 per share, which is the price at which the underwriters purchased such shares from the selling stockholder, for an aggregate purchase price of approximately \$13.4 million. In conjunction with these transactions, Veritiv incurred approximately \$0.8 million in transaction-related fees, of which approximately \$0.2 million was capitalized as part of the cost to acquire the treasury stock with the remainder included in selling and administrative expense, on the Consolidated Statements of Operations.

On March 22, 2017, the UWWH Stockholder sold 1.80 million shares of Veritiv common stock in a block trade. The Company did not sell any shares and did not receive any of the proceeds. In conjunction with this transaction, Veritiv incurred approximately \$0.2 million in transaction-related fees, which were included in selling and administrative expenses on the Consolidated Statements of Operations. The UWWH Stockholder beneficially owned 4,283,840 shares of Veritiv's outstanding common stock as of December 31, 2017.

Transactions with Georgia-Pacific

Veritiv purchases certain inventory items from, and sells certain inventory items to, Georgia-Pacific in the normal course of business. As a result of the Merger and related private placement, Georgia-Pacific, as joint owner of the UWWH Stockholder, is a related party. The following table summarizes the financial impact of these related party transactions with Georgia Pacific:

<i>(in millions)</i>	Year Ended December 31,		
	2017	2016	2015
Sales to Georgia-Pacific, reflected in net sales	\$ 32.2	\$ 35.6	\$ 33.6
Purchases of inventory from Georgia-Pacific, recognized in cost of products sold	\$ 181.6	\$ 224.9	\$ 264.7
Inventories purchased from Georgia-Pacific that remained on Veritiv's balance sheet	\$ 22.7	\$ 24.8	
Related party payable to Georgia-Pacific	\$ 8.5	\$ 9.0	
Related party receivable from Georgia-Pacific	\$ 3.3	\$ 3.9	

See Note 7, Leases, for information on the Company's financing obligations to Georgia-Pacific.

Separation Agreements with Former Unisource CEO

Effective as of the Distribution Date, Allan R. Dragone, Jr. ceased to be the Chief Executive Officer of Unisource and became a member of Veritiv's Board of Directors. Under his then existing employment agreement with Unisource, Mr. Dragone was entitled to receive severance benefits, subject to his execution and non-revocation of a general release of claims against Unisource, the Company and International Paper. As part of his employment agreement, Mr. Dragone exercised his right to sell his personal residence to the Company. The Company completed the purchase of the residence for \$4.6 million and subsequently sold the residence for \$4.6 million during 2015.

10. EMPLOYEE BENEFIT PLANS

Defined Contribution Plans

Veritiv sponsors qualified defined contribution plans covering its employees in the U.S. and Canada. The defined contribution plans allow eligible employees to contribute a portion of their eligible compensation (including salary and annual incentive plan bonus) to the plans and Veritiv makes matching contributions to participant accounts on a specified percentage of employee deferrals as determined by the provisions of each plan. During the years ended December 31, 2017, 2016 and 2015 Veritiv's contributions to these plans totaled \$19.4 million, \$19.6 million and \$19.0 million, respectively.

Deferred Compensation Savings Plans

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

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

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

Deferred Compensation Liability

<i>(in millions)</i>	December 31, 2017	December 31, 2016
Other accrued liabilities	\$ 2.6	\$ 2.7
Other non-current liabilities	23.7	21.6
Total liabilities	<u>\$ 26.3</u>	<u>\$ 24.3</u>

Defined Benefit Plans

At December 31, 2017 and 2016, Veritiv did not maintain any active defined benefit plans for its non-union employees.

Benefit Obligations and Funded Status

The following table provides information about Veritiv's U.S. and Canadian defined benefit pension and SERP plans:

<i>(in millions)</i>	Year Ended December 31,			
	2017		2016	
	U.S.	Canada	U.S.	Canada
Accumulated benefit obligation, end of year	\$ 91.0	\$ 83.2	\$ 89.7	\$ 71.9
Change in projected benefit obligation:				
Benefit obligation, beginning of year	\$ 89.7	\$ 79.0	\$ 89.0	\$ 76.0
Service cost	0.8	0.3	0.7	0.3
Interest cost	2.7	2.7	3.4	3.1
Actuarial (gain) loss	3.3	6.1	—	2.2
Benefits paid	(5.5)	(3.9)	(3.4)	(4.8)
Foreign exchange adjustments	—	5.8	—	2.2
Projected benefit obligation, end of year	\$ 91.0	\$ 90.0	\$ 89.7	\$ 79.0
Change in plan assets:				
Plan assets, beginning of year	\$ 75.9	\$ 64.9	\$ 74.4	\$ 61.6
Employer contributions	—	3.1	—	3.1
Investment returns	12.0	6.0	5.9	3.1
Benefits paid	(5.5)	(3.9)	(3.4)	(4.8)
Administrative expenses paid	(1.0)	—	(1.0)	—
Foreign exchange adjustments	—	4.8	—	1.9
Plan assets, end of year	\$ 81.4	\$ 74.9	\$ 75.9	\$ 64.9
Underfunded status, end of year	\$ (9.6)	\$ (15.1)	\$ (13.8)	\$ (14.1)

Balance Sheet Positions

<i>(in millions)</i>	Year Ended December 31,			
	2017		2016	
	U.S.	Canada	U.S.	Canada
Amounts recognized in the Consolidated Balance Sheets consist of:				
Other accrued liabilities	\$ 0.1	\$ 0.2	\$ 0.1	\$ 0.2
Defined benefit pension obligations	9.5	14.9	13.7	13.9
Net liability recognized	\$ 9.6	\$ 15.1	\$ 13.8	\$ 14.1

<i>(in millions)</i>	Year Ended December 31,			
	2017		2016	
	U.S.	Canada	U.S.	Canada
Amounts not yet reflected in net periodic benefit cost and included in AOCL consist of:				
Net loss, net of tax	\$ 3.2	\$ 6.1	\$ 5.7	\$ 3.4

Net Periodic Cost

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

<i>(in millions)</i>	Year Ended December 31,					
	2017		2016		2015	
	U.S.	Canada	U.S.	Canada	U.S.	Canada
Components of net periodic benefit cost (credit):						
Service cost	\$ 2.0	\$ 0.3	\$ 1.7	\$ 0.3	\$ 1.6	\$ 0.2
Interest cost	2.7	2.7	3.4	3.1	3.2	3.2
Expected return on plan assets	(5.1)	(3.7)	(5.0)	(3.5)	(5.2)	(3.3)
Amortization of net loss	0.1	0.2	0.1	0.2	—	—
Net periodic benefit cost (credit)	<u>\$ (0.3)</u>	<u>\$ (0.5)</u>	<u>\$ 0.2</u>	<u>\$ 0.1</u>	<u>\$ (0.4)</u>	<u>\$ 0.1</u>
Changes to funded status recognized in other comprehensive (income) loss:						
Net loss (gain) during year, net of tax	<u>\$ (2.5)</u>	<u>\$ 2.7</u>	<u>\$ (0.5)</u>	<u>\$ 2.2</u>	<u>\$ 1.0</u>	<u>\$ (1.0)</u>

Amounts are generally amortized from AOCL over the expected future working lifetime of active plan participants. The amount Veritiv expects to amortize from AOCL into net periodic pension cost in 2017 is not significant.

Fair Value of Plan Assets

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

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

As of December 31, 2017

<i>(in millions)</i>	Total	Level 1	Level 2	Level 3
Investments – U.S.:				
Equity securities	\$ 56.8	\$ 56.8	\$ —	\$ —
Fixed income securities	24.3	24.3	—	—
Cash and short-term securities	0.3	0.3	—	—
Total	<u>\$ 81.4</u>	<u>\$ 81.4</u>	<u>\$ —</u>	<u>\$ —</u>

As of December 31, 2017*(in millions)*

	Total	Level 1	Level 2	Level 3
Investments – Canada:				
Cash and short-term securities	\$ 0.1	\$ 0.1	\$ —	\$ —
Investments measured at NAV:				
Equity securities	49.2			
Fixed income securities	25.6			
Total	\$ 74.9	\$ 0.1	\$ —	\$ —

As of December 31, 2016*(in millions)*

	Total	Level 1	Level 2	Level 3
Investments – U.S.:				
Equity securities	\$ 50.0	\$ 50.0	\$ —	\$ —
Fixed income securities	25.7	25.7	—	—
Cash and short-term securities	0.2	0.2	—	—
Total	\$ 75.9	\$ 75.9	\$ —	\$ —

As of December 31, 2016*(in millions)*

	Total	Level 1	Level 2	Level 3
Investments – Canada:				
Cash and short-term securities	\$ 0.3	\$ 0.3	\$ —	\$ —
Investments measured at NAV:				
Equity securities	43.8			
Fixed income securities	20.8			
Total	\$ 64.9	\$ 0.3	\$ —	\$ —

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

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

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

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

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

<i>As of December 31, 2017</i> (in millions)	Asset Allocation Range			
	U.S.	Canada	U.S.	Canada
Equity securities	\$ 56.8	\$ 49.2	55 - 75%	50 - 70%
Fixed income securities	24.3	25.6	20 - 40%	30 - 50%
Cash and short-term securities	0.3	0.1	0 - 10%	0 - 5%
Total	<u>\$ 81.4</u>	<u>\$ 74.9</u>		

<i>As of December 31, 2016</i> (in millions)	Asset Allocation Range			
	U.S.	Canada	U.S.	Canada
Equity securities	\$ 50.0	\$ 43.8	55 - 75%	50 - 70%
Fixed income securities	25.7	20.8	20 - 40%	30 - 50%
Cash and short-term securities	0.2	0.3	0 - 10%	0 - 5%
Total	<u>\$ 75.9</u>	<u>\$ 64.9</u>		

Veritiv's investment objectives include maximizing long-term returns at acceptable risk levels, diversifying among asset classes, as applicable, and among investment managers as well as establishing certain risk parameters within asset classes.

Investment performance is evaluated at least quarterly. Total returns are compared to the weighted-average return of a benchmark mix of investments. Individual fund investments are compared to historical 3, 5 and 10 year returns achieved by funds with similar investment objectives.

Assumptions

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

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

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

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

	December 31,			
	2017		2016	
	U.S.	Canada	U.S.	Canada
Discount rate	3.33%	3.40%	3.76%	3.85%
Rate of compensation increases	N/A	3.00%	N/A	3.00%

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

	Year Ended December 31,			
	2017		2016	
	U.S.	Canada	U.S.	Canada
Discount rate	3.76%	3.85%	4.05%	4.00%
Rate of compensation increases	N/A	3.00%	N/A	3.00%
Expected long-term rate of return on assets	7.15%	5.50%	7.15%	5.50%

Cash Flows

Veritiv expects to contribute \$0.1 million and \$3.2 million to its U.S. and Canadian defined benefit pension and SERP plans, respectively, during 2018. Future benefit payments under the defined benefit pension and SERP plans are estimated as follows:

<i>(in millions)</i>	U.S.	Canada
2018	\$ 9.6	\$ 2.8
2019	5.7	2.9
2020	5.4	3.0
2021	5.6	3.2
2022	5.5	3.4
2023-2027	27.7	20.1

Multi-employer Plans

Veritiv's contributions to multi-employer plans were \$3.5 million, \$3.7 million and \$3.9 million for the years ended December 31, 2017, 2016 and 2015, respectively. It is reasonably possible that changes to Veritiv employees covered under these plans might result in additional contribution obligations. Any such obligations would be governed by the specific agreement between Veritiv and any such plan. Veritiv's contributions did not represent more than 5% of total contributions to any multi-employer plans for the years ended December 31, 2017, 2016 and 2015. At the date these Consolidated Financial Statements were issued, Forms 5500 were not available for the plan years ending in 2017.

The risks of participating in these multi-employer pension plans are different from a single employer plan in the following aspects:

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

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

Year Ended December 31,			
<i>(in millions)</i>	Restructuring charges, net	Distribution expenses	Total Net Charges
2017	\$ 17.4	\$ 2.1	\$ 19.5
2016	7.5	2.3	9.8

At December 31,			
<i>(in millions)</i>	Other accrued liabilities	Other non-current liabilities	
2017	\$ 0.7	\$ 27.2	
2016	0.0	9.8	

Included in the previously mentioned multi-employer pension plan withdrawal charges is \$13.6 million related to the New England Teamsters and Trucking Industry Pension Fund (the "NE Fund"), a multi-employer pension plan. During the second quarter of 2017, the Company was presented with a Demand for Payment of Withdrawal Liability from the NE Fund attributable to the closure of the Company's Wilmington, Massachusetts facility in the amount of \$10.9 million, payable in 240 equal monthly installments beginning in August 2017. Also as part of this same consolidation, the Company's Windsor and Middletown, Connecticut facilities were closed and relocated to Enfield, Connecticut. Employees at both the Windsor and Middletown locations were covered by separate collective bargaining agreements. Employees at the Middletown location subject to that agreement also participate in the NE Fund. The Company entered into a new collective bargaining agreement for the Enfield, Connecticut facility to replace the legacy Windsor and Middletown, Connecticut agreements. The new agreement ended participation in the NE Fund. As a result, in December 2017, the Company received another Demand for Payment of Withdrawal Liability from the NE Fund attributable to that negotiated exit in the amount of \$2.7 million, payable in 240 equal monthly installments beginning in February 2018.

See Note 3, Acquisition, Integration and Restructuring Charges, for additional information regarding these transactions. The Company records an estimated undiscounted charge when it becomes probable that it has incurred a withdrawal liability. Final charges for these withdrawals will not be known until the plans issue their respective determinations. As a result, these estimates may increase or decrease depending upon the final determinations. Currently, the Company expects payments will occur over an approximately 20-year period. The Company expects to incur similar types of charges in future periods in connection with its ongoing restructuring activities. As of December 31, 2017, the Company has received determination letters from two plans. Of those, the liability for one was settled with a lump sum payment, while monthly payments for the other plan are expected to occur over an approximately 20-year period.

Veritiv's participation in the multi-employer plans for the year ended December 31, 2017 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number and the three-digit plan number, if applicable. The Pension Protection Act zone listed below is based on the latest information Veritiv received from the plan and is certified by the plan's actuary. Plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded and plans in the green zone are at least 80% funded. There were no changes in the status of any zones in 2017. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan or a rehabilitation plan is either pending or has been implemented. The last column lists the expiration date(s) of the collective-bargaining agreement(s). Contributions in the table below, for the year ended December 31, 2017 exclude \$1.4 million related to payments made for accrued withdrawal liabilities.

Pension Fund	EIN/Pension Plan No.	Pension Protection Act Zone Status	FIP/RP Status Pending/ Implemented	Veritiv's Contributions			Surcharge Imposed	Expiration Date(s) of Collective Bargaining Agreement(s)
				2017	2016	2015		
Western Conference of Teamsters Pension Trust Fund ⁽¹⁾	916145047/001	Green	No	\$ 1.6	\$ 1.7	\$ 1.7	No	7/31/2017 - 10/31/2020
Central States, Southeast & Southwest Areas Pension Fund ⁽²⁾	366044243/001	Red	Implemented	0.2	0.3	0.4	Yes	7/31/2018
Teamsters Pension Plan of Philadelphia & Vicinity	231511735/001	Yellow	Implemented	0.4	0.4	0.4	Yes	3/31/2018 & 7/31/2018
Graphic Arts Industry Joint Pension Trust	521074215/001	Red	Implemented	—	—	0.1	Yes	Exited during 2016
New England Teamsters & Trucking Industry Pension	046372430/001	Red	Implemented	0.4	0.5	0.4	Yes	Exited during 2017
Western Pennsylvania Teamsters and Employers Pension Plan	256029946/001	Red	Implemented	0.3	0.3	0.3	Yes	3/31/2019 & 3/31/2020
Contributions for individually significant plans				2.9	3.2	3.3		
Contributions to other multi-employer plans				0.6	0.5	0.6		
Total contributions				<u>\$ 3.5</u>	<u>\$ 3.7</u>	<u>\$ 3.9</u>		

⁽¹⁾ As of December 31, 2017, there were 11 collective bargaining units participating in the Western Conference of Teamsters Pension Trust. As of December 31, 2017, one was then in negotiations.

⁽²⁾ As of December 31, 2017, there was one collective bargaining unit participating in the Central States, Southeast & Southwest Areas Pension Fund. As of December 31, 2017, it was not then in negotiations.

11. FAIR VALUE MEASUREMENTS

At December 31, 2017 and 2016, the carrying amounts of cash, receivables, payables and other components of other current assets and other current liabilities approximate their fair values due to the short maturity of these items.

Borrowings under the ABL Facility are at variable market interest rates, and accordingly, the carrying amount approximates fair value.

The fair value of the interest rate cap was derived from a discounted cash flow analysis based on the terms of the agreement and Level 2 data for the forward interest rate curve adjusted for the Company's credit risk. See Note 6, Derivative Instrument, Hedging Activities and Risk Management, for additional information on the interest rate cap agreement.

The fair value analysis for the goodwill and intangible asset impairments described in Note 4, Goodwill and Other Intangible Assets, and Note 1, Business and Summary of Significant Accounting Policies, respectively, relied upon both Level 2 data (publicly observable data such as market interest rates, the Company's stock price, the stock prices of peer companies and the capital structures of peer companies) and Level 3 data (internal data such as the Company's operating and cash flow projections).

During the third quarter of 2017, the Company reviewed its intangible assets for possible impairment indicators, and management determined that the carrying values of the goodwill and customer relationship intangible assets allocated to the logistics solutions business were fully impaired. The impairments were determined after a review of the business's forecasted revenues and estimated cash flows (Level 3 data). The impairment charges were primarily a result of lower forecasted sales growth due to changes in the Company's growth strategy and margin compression due to increased competition. The fair value of these assets was derived using discounted cash flow analyses based on Level 3 inputs. As a result, the Company recorded \$7.7 million in non-restructuring impairment charges related to its logistics solutions business's goodwill and customer relationship intangible assets, included in selling and administrative expenses, on the Consolidated Statements of

Operations. See Note 4, Goodwill and Other Intangible Assets, for additional information regarding the Company's goodwill and other intangible assets.

For the year ended December 31, 2016, the Company recognized \$5.8 million in intangible asset impairment charges related to its Print and Publishing segments' customer relationship intangible assets, included in selling and administrative expenses, on the Consolidated Statements of Operations. The impairments were determined after review of the segments' forecasted revenues and estimated cash flows (Level 3). As a result, the entire carrying values were deemed impaired.

For the year ended December 31, 2015, the Company recognized a \$1.9 million goodwill impairment charge for its Facility Solutions segment and \$3.3 million in asset impairment charges related to property, plant and equipment disposed of as part of its restructuring efforts. The goodwill impairment charge is included in selling and administrative expense and the property, plant and equipment impairment charge is included in restructuring charges, net on the Consolidated Statements of Operations.

For the year ended December 31, 2017, there were no impairments charged to restructuring expense. The Company has on occasion recognized other minor impairments when warranted as part of its normal review of long-lived assets and these impairments are included in selling and administrative expenses on the Consolidated Statements of Operations. Total goodwill and long-lived asset impairments for the years ended December 31, 2017, 2016 and 2015 were \$8.4 million, \$7.7 million and \$5.9 million, respectively.

At December 31, 2017 and 2016, the pension plan assets were primarily comprised of mutual funds and pooled funds. The underlying investments of these funds were valued using either quoted prices in active markets or valued as of the most recent trade date. See Note 10, Employee Benefits Plans, for further detail.

At the time of the Merger, the Company recorded a \$59.4 million contingent liability associated with the Tax Receivable Agreement at fair value using a discounted cash flow model that reflected management's expectations about probability of payment. The fair value of the Tax Receivable Agreement is a Level 3 measurement which relied upon both Level 2 data (publicly observable data such as market interest rates) and Level 3 data (internal data such as the Company's projected revenues, taxable income and assumptions about the utilization of Unisource's net operating losses, attributable to taxable periods prior to the Merger, by the Company). The amount payable under the Tax Receivable Agreement is contingent on the Company generating a certain level of taxable income prior to the expiration of the NOL carryforwards. Moreover, future trading of Company stock by significant shareholders may result in additional ownership changes as defined under Section 382 of the Internal Revenue Code, further limiting the use of Unisource's NOLs and the amount ultimately payable under the Tax Receivable Agreement. The contingent liability is remeasured at fair value at each reporting period with the change in fair value recognized in other (income) expense, net on the Consolidated Statements of Operations. At December 31, 2017, the Company remeasured the contingent liability using a discount rate of 4.2% (Moody's daily long-term corporate BAA bond yield). There have been no transfers between the fair value measurement levels for the years ended December 31, 2017 and 2016. The Company recognizes transfers between the fair value measurement levels at the end of the reporting period. See Note 9, Related Party Transactions, for further discussion of the Tax Receivable Agreement.

The following table provides a reconciliation of the beginning and ending balance of the Tax Receivable Agreement ("TRA") contingent liability for the year ended December 31, 2017:

<i>(in millions)</i>	TRA Contingent Liability
Balance at December 31, 2015	\$ 63.0
Change in fair value adjustment recorded in other (income) expense, net	4.9
Balance at December 31, 2016	67.9
Change in fair value adjustment recorded in other (income) expense, net ^(a)	(9.4)
Principal payments	(8.5)
Balance at December 31, 2017	\$ 50.0

^(a) The Tax Act lowered the U.S. federal corporate tax rate to 21%, which resulted in a fair value reduction of \$13.5 million included in the 2017 fair value change in the table above.

The preliminary purchase price allocation for the acquisition of AAC, described in Note 2, 2017 Acquisition, includes \$22.2 million for the estimated fair value of contingent consideration. The maximum amount payable for the contingent consideration is \$50.0 million, with up to \$25.0 million payable at each of the first and second anniversaries of the Acquisition Date. The final amount will be determined based on actual growth rates in revenue and gross profit. The preliminary fair value estimate was based on historic growth patterns and future forecasts, which are Level 3 data. The valuation of contingent consideration uses assumptions and estimates to forecast a range of outcomes and probabilities for the contingent consideration. The contingent consideration is valued using a Monte Carlo simulation model. The Company will assess these assumptions and estimates on a quarterly basis as additional data impacting the assumptions is obtained. Any changes in the fair value of contingent consideration related to updated assumptions and estimates will be recognized within other (income) expense, net, in the Consolidated Statements of Operations during the period in which the change occurs.

The following table provides a reconciliation of the beginning and ending balance of the AAC contingent liability for the year ended December 31, 2017:

<i>(in millions)</i>	<u>AAC Contingent Liability</u>
Balance at August 31, 2017	\$ 30.0
Purchase accounting adjustment	(7.8)
Adjusted purchase price	<u>22.2</u>
Change in fair value adjustment recorded in other (income) expense, net	<u>2.0</u>
Balance at December 31, 2017	<u><u>\$ 24.2</u></u>

12. SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION

Other Current Assets

The components of other current assets were as follows:

<i>(in millions)</i>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Rebates receivable	\$ 61.1	\$ 62.3
Prepaid expenses	33.8	26.1
Other	38.6	30.5
Other current assets	<u>\$ 133.5</u>	<u>\$ 118.9</u>

Other Non-Current Assets

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

<i>(in millions)</i>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Deferred financing costs	\$ 9.3	\$ 11.9
Investments in real estate joint ventures	6.4	6.0
Below market leasehold agreements	4.7	4.7
Other	10.4	7.7
Other non-current assets	<u>\$ 30.8</u>	<u>\$ 30.3</u>

Accrued Payroll and Benefits

The components of accrued payroll and benefits were as follows:

<i>(in millions)</i>	December 31, 2017	December 31, 2016
Accrued payroll and related taxes	\$ 18.0	\$ 26.0
Accrued commissions	23.2	21.8
Accrued incentive plans	28.7	33.1
Other	3.6	3.5
Accrued payroll and benefits	<u>\$ 73.5</u>	<u>\$ 84.4</u>

Other Accrued Liabilities

The components of other accrued liabilities were as follows:

<i>(in millions)</i>	December 31, 2017	December 31, 2016
Accrued taxes	\$ 12.1	\$ 9.1
Accrued customer incentives	25.1	23.3
Accrued freight	16.0	13.9
Accrued professional fees	6.7	7.3
Tax Receivable Agreement contingent liability	9.9	8.5
AAC contingent liability and working capital adjustment	18.4	—
Other	46.4	40.4
Other accrued liabilities	<u>\$ 134.6</u>	<u>\$ 102.5</u>

Other Non-Current Liabilities

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

<i>(in millions)</i>	December 31, 2017	December 31, 2016
Tax Receivable Agreement contingent liability	\$ 40.1	\$ 59.4
AAC contingent liability	7.1	—
Deferred compensation	23.7	21.6
Straight-line rent	17.5	15.7
Above market leasehold agreements	2.1	3.1
Other, including multi-employer pension plan withdrawals	46.5	21.4
Other non-current liabilities	<u>\$ 137.0</u>	<u>\$ 121.2</u>

13. EARNINGS (LOSS) PER SHARE

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

The calculation of basic and diluted earnings (loss) per share for the years ended December 31, 2017, 2016 and 2015 utilized 15.70 million, 15.97 million and 16.00 million shares for basic, respectively, and 15.70 million, 16.15 million and

16.00 million shares for dilutive, respectively, issued and outstanding based on the weighted-average shares outstanding during this period, with the weighted-average shares outstanding for the diluted earnings per share having been adjusted for potentially dilutive shares.

See Note 15, Equity-Based Incentive Plans, for additional information.

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

<i>(in millions, except per share data)</i>	Year Ended December 31,		
	2017	2016	2015
Numerator:			
Net income (loss)	\$ (13.3)	\$ 21.0	\$ 26.7
Denominator:			
Weighted-average number of shares outstanding – basic	15.70	15.97	16.00
Weighted-average number of shares outstanding – diluted	15.70	16.15	16.00
Earnings (loss) per share:			
Basic earnings (loss) per share	\$ (0.85)	\$ 1.31	\$ 1.67
Diluted earnings (loss) per share	\$ (0.85)	\$ 1.30	\$ 1.67
Antidilutive stock-based awards excluded from computation of diluted earnings per share	0.80	0.06	0.10
Performance stock-based awards excluded from computation of diluted earnings per share because performance conditions had not been met	0.30	0.20	0.16

14. SHAREHOLDERS' EQUITY

Common Stock

Shares Outstanding: On November 23, 2016, the UWWH Stockholder sold 1.76 million shares of Veritiv common stock in an underwritten public offering. See the "Treasury Stock" section of this footnote below for additional information. On March 22, 2017, the UWWH Stockholder sold 1.80 million shares of Veritiv common stock in a block trade. The Company did not sell any shares and did not receive any of the proceeds in these transactions.

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

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

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

Preferred Stock

Subject to the provisions of the Amended and Restated Certificate of Incorporation, the Board of Directors of Veritiv is authorized to provide for the issuance of up to 10.00 million shares of preferred stock in one or more series. The Board of Directors may fix the number of shares constituting any series and determine the designation of the series, the dividend rates, rights of priority of dividend payment, the voting powers (if any) of the shares of the series, and the preferences and relative participating, optional and other rights, if any, and any qualifications, limitations or restrictions, applicable to the shares of such series. No preferred stock was issued and outstanding as of December 31, 2017.

Treasury Stock

In conjunction with the November 2016 UWWH Stockholder offering and related Veritiv stock repurchase, Veritiv incurred approximately \$0.8 million in transaction-related fees, of which approximately \$0.2 million was capitalized as part of the cost to acquire the treasury stock with the remainder included in selling and administrative expense on the Consolidated Statements of Operations. The Company may repurchase additional shares in the future, however, there is currently no share repurchase authorization plan approved by the Company's Board of Directors. See Note 9, Related Party Transactions, for additional information regarding these transactions.

Accumulated Other Comprehensive Loss

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

<i>(in millions)</i>	Foreign currency translation adjustments	Retirement liabilities	Interest rate swap	AOCL
Balance at December 31, 2015	\$ (27.1)	\$ (7.4)	\$ (0.5)	\$ (35.0)
Unrealized net losses arising during the period	(2.1)	(1.8)	(0.2)	(4.1)
Amounts reclassified from AOCL	—	0.1	—	0.1
Net current period other comprehensive loss	(2.1)	(1.7)	(0.2)	(4.0)
Balance at December 31, 2016	(29.2)	(9.1)	(0.7)	(39.0)
Unrealized net gains (losses) arising during the period	5.9	0.1	(0.1)	5.9
Amounts reclassified from AOCL	(0.2)	(0.3)	0.1	(0.4)
Net current period other comprehensive income (loss)	5.7	(0.2)	0.0	5.5
Balance at December 31, 2017	<u>\$ (23.5)</u>	<u>\$ (9.3)</u>	<u>\$ (0.7)</u>	<u>\$ (33.5)</u>

15. EQUITY-BASED INCENTIVE PLANS

Veritiv Omnibus Incentive Plan

Veritiv's 2014 Omnibus Incentive Plan, as amended and restated as of March 8, 2017 (the "2014 Plan") provides for the grant of stock, deferred share units ("DSUs"), restricted stock units ("RSUs"), performance condition share units ("PCSUs"), and market condition performance share units ("MCPSUs"), among other awards. A total of 3.08 million shares of Veritiv common stock may be issued under the 2014 Plan subject to certain adjustment provisions. As of December 31, 2017, there were approximately 1.3 million shares available to be granted to any employee, director or consultant of Veritiv or a subsidiary of Veritiv. Grants are made at the discretion of the Compensation and Leadership Development Committee of the Company's Board of Directors.

Stock

The Company made grants of common stock in 2017 to its non-employee directors. The stock grant was fully vested and non-forfeitable as of the grant date. The non-employee directors were eligible to defer receipt of the award under the Veritiv Deferred Compensation Plan. The Company recognized \$1.1 million in expense related to these grants for the year ended December 31, 2017.

Deferred Share Units

The Company granted DSUs in 2014, 2015 and 2016 to its non-employee directors. Each DSU is the economical equivalent of one share of Veritiv's common stock. The DSUs were fully vested and non-forfeitable as of the grant date and are payable following the individual's termination of service as a Veritiv director. The DSUs granted in 2014 and 2015 are payable in cash and the DSUs granted in 2016 are settled in stock. The cash-settled DSUs are classified as a non-current liability and are remeasured at each reporting date, with a corresponding adjustment to compensation expense. At December 31, 2017 there were approximately 51,900 DSUs outstanding with a fair value of \$1.7 million. At December 31, 2016, there were approximately 55,100 DSUs outstanding with a fair value of \$3.0 million. The Company recognized \$(0.8) million, \$0.6 million and \$0.7 million in net expense related to these grants for the years ended December 31, 2017, 2016 and 2015 respectively.

Restricted Stock Units

RSUs are awarded to key employees annually and cliff vest at the end of three years, subject to continued service. The fair value of the RSU awards is based typically on either the closing price of Veritiv common stock on the date of grant or the closing price on the trading date immediately prior to the date of grant if the grant date is not a trading date. Compensation expense for the RSUs is recognized ratably from the grant date to the vesting date.

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

<i>(units in thousands)</i>	Number of RSUs	Weighted- Average Grant Date Fair Value Per Share
Non-vested at December 31, 2015	59	\$ 51.21
Granted	98	\$ 36.43
Vested	(1)	\$ 47.71
Forfeited	(10)	\$ 41.35
Non-vested at December 31, 2016	146	\$ 42.05
Granted	111	\$ 49.86
Vested	—	\$ —
Forfeited	(8)	\$ 44.21
Non-vested at December 31, 2017	249	\$ 45.43

Performance Condition Share Units

PCSUs are awarded to key employees annually and cliff vest at the end of three years, subject to continued service and the attainment of performance conditions. The PCSU award represents the contingent right to receive a number of shares equal to a portion, all or a multiple (not to exceed 200%) of the target number of PCSUs. The PCSUs are divided into three tranches, and each tranche is earned based on the achievement of an annual Adjusted EBITDA target which is set at the beginning of each of the three years in the vesting period. The Company defines Adjusted EBITDA as earnings before interest, income taxes, depreciation and amortization, restructuring charges, net, acquisition and integration expenses and other similar charges including any severance costs, costs associated with warehouse and office openings or closings, consolidation, and relocation and other business optimization expenses, stock-based compensation expense, changes in the LIFO reserve, non-restructuring asset impairment charges, non-restructuring severance charges, non-restructuring pension charges, fair value adjustments related to contingent liabilities assumed in mergers and acquisitions and certain other

adjustments. Compensation expense for each tranche is recognized ratably from the date the fair value is determined to the vesting date for the number of awards expected to vest.

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

<i>(units in thousands)</i>	Number of PCSU s	Weighted- Average Grant Date Fair Value Per Share
Non-vested at December 31, 2015	159	\$ 51.23
Granted	244	\$ 47.98 ⁽¹⁾
Shares lost based on actual performance	(22)	\$ 36.43
Vested	—	\$ —
Forfeited	(26)	\$ 41.49
Non-vested at December 31, 2016	355	\$ 42.14
Granted	166	\$ 53.56 ⁽²⁾
Shares lost based on actual performance	(45)	\$ 53.56
Vested	—	\$ —
Forfeited	(22)	\$ 40.78
Non-vested at December 31, 2017	454	\$ 40.87

⁽¹⁾ Represents weighted-average grant date fair value for the 2016 and 2017 tranches.

⁽²⁾ Represents weighted-average grant date fair value for the 2017 tranche.

Market Condition Performance Share Units

MCPSUs are awarded to key employees annually and cliff vest at the end of three years, subject to continued service and the attainment of performance conditions. The MCPSU award represents the contingent right to receive a number of shares equal to a portion, all or a multiple (not to exceed 200%) of the target number of MCPSUs. The MCPSUs are divided into three tranches and each tranche is earned based on the achievement of a total shareholder return ("TSR") target relative to the TSR of an applicable peer group over the 1-, 2- and 3-year cumulative periods in the vesting period. The weighted-average grant date fair value of the MCPSUs is determined using a Monte Carlo simulation model. Assumptions used in the 2017, 2016 and 2015 models included a 25.0% expected volatility rate and a 1.1% risk-free interest rate. The expected volatility rate is based on the historical volatility over the most recent period equal to the vesting period. Given Veritiv's limited trading history, an average of the peer group volatility was used for the portion of the historical period prior to the Merger and Veritiv's actual historical volatility was used for the portion of the period after the Merger. The risk-free interest rate is based on the yield on U.S. Treasury securities matching the vesting period. Compensation expense is recognized ratably from the grant date to the vesting date.

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

<i>(units in thousands)</i>	Number of MCPSUs	Weighted- Average Grant Date Fair Value Per Share
Non-vested at December 31, 2015	91	\$ 62.52
Granted	146	\$ 42.23
Shares earned based on actual performance	15	\$ —
Vested	—	\$ —
Forfeited/cancelled	(44)	\$ 58.16
Non-vested at December 31, 2016	208	\$ 48.23
Granted	100	\$ 71.63
Shares lost based on actual performance	(103)	\$ 71.63
Vested	—	\$ —
Forfeited/cancelled	(12)	\$ 55.65
Non-vested at December 31, 2017	193	\$ 56.23

For the years ended December 31, 2017, 2016 and 2015, the Company recognized \$15.7 million, \$8.3 million and \$3.8 million, respectively, in expense related to the aforementioned equity-based awards. The income tax benefit recognized in 2017, 2016 and 2015 related to stock-based compensation expense was \$5.7 million, \$3.2 million and \$1.5 million, respectively. As of December 31, 2017, total unrecognized stock-based compensation expense was \$21.8 million and is expected to be recognized over a weighted-average period of 1.8 years. Unrecognized compensation expense for the 2018 and 2019 tranches of the PCSU awards is estimated based on the Company's closing stock price at December 31, 2017. Dividends are not paid or accrued on unvested stock units. The grant date fair values are not reduced for dividends as none are expected to be paid during the vesting period.

16. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

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

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

Escheat Audit

In 2013, Unisource was notified by the State of Delaware that it intended to examine the books and records of Unisource to determine compliance with Delaware escheat laws. Since that date, seven other states have joined with Delaware in the audit process, which is conducted by an outside firm on behalf of the states. In the third quarter of 2017, the Company recorded an estimated liability with respect to certain transactions in connection with the pending audit.

During the fourth quarter of 2017, the Company filed an election to convert the Delaware portion of the audit into a review under the State of Delaware's Voluntary Disclosure Agreement Program ("VDA"). Under the VDA, the Company will continue to identify source documents that support the historical treatment of the transactions at issue to determine the amount it believes is owed to Delaware. Similarly, the Company will continue to identify source documents that support the historical treatment of the transactions under audit by the other participating states.

Based upon the information available to date, the Company recognized an estimated liability in 2017 of \$7.5 million. The Company anticipates that it may take more than a year to complete the VDA and audit. Due to the inherent uncertainties with respect to the ultimate outcome of these matters, any updates to this estimate of loss could have a material impact on the Company's results of operations, financial condition or cash flows.

17. SEGMENT INFORMATION

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

- **Packaging** – The Packaging segment provides standard as well as custom and comprehensive packaging solutions for customers based in North America and in key global markets. The business is strategically focused on higher growth industries including light industrial/general manufacturing, food production, fulfillment and internet retail, as well as niche verticals based on geographical and functional expertise.
- **Facility Solutions** – The Facility Solutions segment sources and sells cleaning, break-room and other supplies such as towels, tissues, wipers and dispensers, can liners, commercial cleaning chemicals, soaps and sanitizers, sanitary maintenance supplies and equipment, safety and hazard supplies, and shampoos and amenities primarily in the U.S., Canada and Mexico.
- **Print** – The Print segment sells and distributes commercial printing, writing, copying, digital, wide format and specialty paper products, graphics consumables and graphics equipment primarily in the U.S., Canada and Mexico. This segment also includes customized paper conversion services of commercial printing paper for distribution to document centers and form printers.
- **Publishing** – The Publishing segment sells and distributes coated and uncoated commercial printing papers to publishers, retailers, converters, printers and specialty businesses for use in magazines, catalogs, books, directories, gaming, couponing, retail inserts and direct mail. This segment also provides print management, procurement and supply chain management solutions to simplify paper and print procurement processes for its customers.

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

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

<i>(in millions)</i>	<u>Packaging</u>	<u>Facility Solutions</u>	<u>Print</u>	<u>Publishing</u>	<u>Total Reportable Segments</u>	<u>Corporate & Other</u>	<u>Total</u>
Year Ended December 31, 2017							
Net sales	\$ 3,157.8	\$ 1,309.7	\$ 2,793.7	\$ 958.0	\$ 8,219.2	\$ 145.5	\$ 8,364.7
Adjusted EBITDA	238.0	35.5	60.8	26.4	360.7	(184.3)	
Depreciation and amortization	15.9	6.0	10.4	1.5	33.8	20.4	54.2
Restructuring charges, net	6.1	2.3	8.0	0.0	16.4	0.3	16.7
Year Ended December 31, 2016							
Net sales	2,854.2	1,271.6	3,047.4	1,033.6	8,206.8	119.8	8,326.6
Adjusted EBITDA	221.2	47.0	76.8	23.6	368.6	(176.4)	
Depreciation and amortization	12.4	5.9	12.4	3.1	33.8	20.9	54.7
Restructuring charges, net	4.6	2.3	5.2	0.1	12.2	0.2	12.4
Year Ended December 31, 2015							
Net sales	2,829.9	1,289.3	3,271.8	1,215.5	8,606.5	111.2	8,717.7
Adjusted EBITDA	212.6	41.7	79.0	34.7	368.0	(186.0)	
Depreciation and amortization	14.4	7.1	13.5	3.1	38.1	18.8	56.9
Restructuring charges	3.8	2.5	3.6	0.0	9.9	1.4	11.3

The table below presents a reconciliation of income (loss) from operations before income taxes as reflected in the Consolidated Statements of Operations to Adjusted EBITDA for the reportable segments:

<i>(in millions)</i>	Year Ended December 31,		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Income (loss) before income taxes	\$ (1.9)	\$ 40.8	\$ 44.9
Interest expense, net	31.2	27.5	27.0
Depreciation and amortization	54.2	54.7	56.9
Restructuring charges, net	16.7	12.4	11.3
Stock-based compensation	15.7	8.3	3.8
LIFO reserve increase (decrease)	7.1	3.6	(7.3)
Non-restructuring asset impairment charges	8.4	7.7	2.6
Non-restructuring severance charges	3.5	3.1	3.3
Non-restructuring pension charges	2.2	2.4	—
Acquisition and integration expenses	36.5	25.9	34.9
Fair value adjustment on Tax Receivable Agreement contingent liability	(9.4)	4.9	1.9
Fair value adjustment on contingent consideration liability	2.0	—	—
Escheat audit contingent liability	7.5	—	—
Other	2.7	0.9	2.7
Adjustment for Corporate & Other	184.3	176.4	186.0
Adjusted EBITDA for reportable segments	<u>\$ 360.7</u>	<u>\$ 368.6</u>	<u>\$ 368.0</u>

The table below summarizes total assets as of December 31, 2017 and December 31, 2016:

<i>(in millions)</i>	December 31, 2017	December 31, 2016
Packaging	\$ 1,192.2	\$ 875.9
Facility Solutions	416.9	397.9
Print	801.8	874.1
Publishing	168.6	170.0
Corporate & Other	128.9	165.8
Total assets	<u>\$ 2,708.4</u>	<u>\$ 2,483.7</u>

The following table presents net sales and property and equipment, net by geographic area.

<i>(in millions)</i>	Net Sales			Property and Equipment, Net	
	Year Ended December 31,			December 31,	December 31,
	2017	2016	2015	2017	2016
U.S.	\$ 7,510.9	\$ 7,552.3	\$ 7,961.3	\$ 300.6	\$ 333.8
Canada	682.0	631.2	628.9	36.7	35.0
Rest of world	171.8	143.1	127.5	2.9	3.0
Total	<u>\$ 8,364.7</u>	<u>\$ 8,326.6</u>	<u>\$ 8,717.7</u>	<u>\$ 340.2</u>	<u>\$ 371.8</u>

No single customer accounted for more than 5% of net sales for the years ended December 31, 2017, 2016 and 2015. During the year ended December 31, 2017, approximately 38% of our purchases were made from ten suppliers.

18. QUARTERLY DATA (UNAUDITED)

The unaudited quarterly results of operations for 2017 and 2016 are summarized below:

<i>(in millions, except per share data)</i>	2017			
	Three Months Ended			
	March 31	June 30	September 30	December 31
Net sales	\$ 1,994.6	\$ 2,028.9	\$ 2,116.8	\$ 2,224.4
Cost of products sold	1,629.3	1,660.5	1,736.6	1,820.2
Net income (loss)	(2.2)	(9.1)	(14.3)	12.3
Weighted-average number of shares outstanding – basic	15.69	15.70	15.70	15.70
Weighted-average number of shares outstanding – diluted	15.69	15.70	15.70	15.98
Earnings (loss) per share ⁽¹⁾ :				
Basic earnings (loss) per share	\$ (0.14)	\$ (0.58)	\$ (0.91)	\$ 0.78
Diluted earnings (loss) per share	(0.14)	(0.58)	(0.91)	0.77

⁽¹⁾ See Note 13, Earning (Loss) Per Share, for discussion about the shares of common stock utilized in the computation of basic and diluted earnings per share for the year ended December 31, 2017.

<i>(in millions, except per share data)</i>	2016			
	Three Months Ended			
	March 31	June 30	September 30	December 31
Net sales	\$ 2,019.8	\$ 2,060.8	\$ 2,126.6	\$ 2,119.4
Cost of products sold	1,654.5	1,687.9	1,743.8	1,740.2
Net income	3.3	7.9	5.6	4.2
Weighted-average number of shares outstanding – basic	16.00	16.00	16.00	15.87
Weighted-average number of shares outstanding – diluted	16.00	16.00	16.27	16.21
Earnings per share ⁽¹⁾ :				
Basic earnings per share	\$ 0.21	\$ 0.49	\$ 0.35	\$ 0.26
Diluted earnings per share	0.21	0.49	0.34	0.26

⁽¹⁾ See Note 13, Earnings (Loss) Per Share, for discussion about the shares of common stock utilized in the computation of basic and diluted earnings per share for the year ended December 31, 2016.

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

<i>(in millions)</i>	2017			
	Three Months Ended			
	March 31	June 30	September 30	December 31
Acquisition and integration expenses	\$ 6.4	\$ 7.5	\$ 14.2	\$ 8.4
Restructuring charges, net	4.1	23.2	2.7	(13.3)

<i>(in millions)</i>	2016			
	Three Months Ended			
	March 31	June 30	September 30	December 31
Acquisition and integration expenses	\$ 6.2	\$ 6.1	\$ 7.3	\$ 6.3
Restructuring charges, net	1.7	(0.3)	5.8	5.2

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains a set of disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act, of 1934, as amended (the "Exchange Act"), designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized or reported within the time periods specified in SEC rules and forms. The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2017. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2017.

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

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the fourth quarter of 2017 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Management's Annual Report On Internal Control Over Financial Reporting

Management's Responsibility for the Financial Statements

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

Internal Control Over Financial Reporting

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

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

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

Management, including the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. The scope of management's assessment of the effectiveness of internal control over financial reporting includes all of the Company's businesses except for the various All American Containers entities (collectively, "AAC") which were acquired on August 31, 2017. The financial statements of AAC constitute 6.8% of total assets and 0.9% of revenues of the consolidated financial statement amounts as of and for the year ended December 31, 2017. Further discussion of this acquisition can be found in Note 2 of the Notes to Consolidated Financial Statements. This exclusion is in accordance with SEC staff interpretive guidance that a recently acquired business may be omitted from the scope of the assessment in the year of acquisition. In making this assessment on the effectiveness of our internal control over financial reporting as of December 31, 2017, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework* (2013 Framework). Based on our assessment, management has concluded that internal controls over financial reporting were effective as of December 31, 2017.

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

Audit and Finance Committee Responsibility

The Audit and Finance Committee of our Board of Directors, composed solely of directors who are independent in accordance with the requirements of the New York Stock Exchange listing standards, the Exchange Act and our Corporate Governance Guidelines, meets with the independent auditors, management and internal auditors periodically to discuss internal control over financial reporting and auditing and financial reporting matters. The Audit and Finance Committee reviews with the independent auditors the scope and results of the audit effort. The Audit and Finance Committee also meets periodically with the independent auditors and the chief internal auditor without management present to ensure that the independent auditors and the chief internal auditor have free access to the Audit and Finance Committee. Our Audit and Finance Committee's Report can be found in the Proxy Statement for the Annual Meeting of Stockholders to be held on April 25, 2018, which will be filed on or about March 2, 2018.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Veritiv Corporation

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Veritiv Corporation and subsidiaries (the "Company") as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2017, of the Company and our report dated March 1, 2018 expressed an unqualified opinion on those financial statements.

As described in Management's Annual Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at the All American Containers entities (collectively referred to as "AAC"), which were acquired on August 31, 2017 and whose financial statements constitute 6.8% of total assets and 0.9% of

revenues of the consolidated financial statement amounts as of and for the year ended December 31, 2017. Accordingly, our audit did not include the internal control over financial reporting at AAC.

Basis for Opinion

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ Deloitte & Touche LLP

Atlanta, Georgia

March 1, 2018

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

(a) Directors of the Company.

This information is incorporated by reference to the Company's Proxy Statement for the 2018 Annual Meeting of Shareholders to be filed subsequent to the filing of this report under the heading "Proposal 1 – Election of Directors."

(b) Executive Officers of the Company.

This information can be found under "Executive Officers of the Company" in Part I, Item 1 of this report.

(c) Audit Committee Financial Experts.

This information is incorporated by reference to the Company's Proxy Statement for the 2018 Annual Meeting of Shareholders to be filed subsequent to the filing of this report under the heading "Corporate Governance—Board Committees."

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

This information is incorporated by reference to the Company's Proxy Statement for the 2018 Annual Meeting of Shareholders to be filed subsequent to the filing of this report under the heading "Corporate Governance—Board Committees."

(e) Compliance with Section 16(a) of the Exchange Act.

This information is incorporated by reference to the Company's Proxy Statement for the 2018 Annual Meeting of Shareholders to be filed subsequent to the filing of this report under the heading "Security Ownership of Certain Beneficial Owners and Management—Section 16(a) Beneficial Ownership Reporting Compliance."

(f) Code of Ethics.

This information is incorporated by reference to the Company's Proxy Statement for the 2018 Annual Meeting of Shareholders to be filed subsequent to the filing of this report under the heading "Corporate Governance—Corporate Governance Principles."

ITEM 11. EXECUTIVE COMPENSATION

This information is incorporated by reference to the Company's Proxy Statement for the 2018 Annual Meeting of Shareholders to be filed subsequent to the filing of this report under the headings "Executive Compensation" and "Corporate Governance—Director Compensation."

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

This information is incorporated by reference to the Company's Proxy Statement for the 2018 Annual Meeting of Shareholders to be filed subsequent to the filing of this report under the headings "Security Ownership of Certain Beneficial Owners and Management" and "Executive Compensation—Equity Compensation Plans."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

This information is incorporated by reference to the Company's Proxy Statement for the 2018 Annual Meeting of Shareholders to be filed subsequent to the filing of this report under the headings "Corporate Governance—Related Person Transaction Policy" and "Corporate Governance—Director Independence."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

This information is incorporated by reference to the Company's Proxy Statement for the 2018 Annual Meeting of Shareholders to be filed subsequent to the filing of this report under the heading "Principal Accountant Fees and Services."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed or incorporated by reference as part of this Form 10-K:

1. Financial Statements:

See Item 8. Financial Statements and Supplementary Data.

2. Financial Statement Schedules:

All schedules have been omitted as the required information is included in the footnotes or not applicable.

Exhibit

No.

Description

- | | |
|------|---|
| 2.1 | Agreement and Plan of Merger, dated as of January 28, 2014, by and among International Paper Company, Veritiv Corporation (f/k/a/ xpedx Holding Company), xpedx Intermediate, LLC, xpedx, LLC, UWW Holdings, LLC, UWW Holdings, Inc. and Unisource Worldwide, Inc., incorporated by reference from Exhibit 2.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-193950) filed on April 4, 2014. |
| 2.2 | Amendment No. 1 to the Agreement and Plan of Merger, dated as of May 28, 2014, by and among International Paper Company, Veritiv Corporation (f/k/a xpedx Holding Company), xpedx Intermediate, LLC, xpedx, LLC, UWW Holdings, LLC, UWW Holdings, Inc. and Unisource Worldwide, Inc., incorporated by reference from Exhibit 2.2 to the Registrant's Registration Statement on Form S-1 (File No. 333-193950) filed on June 5, 2014. |
| 2.3 | Amendment No. 2 to the Agreement and Plan of Merger, dated as of June 4, 2014, by and among International Paper Company, Veritiv Corporation (f/k/a) xpedx Holding Company), xpedx Intermediate, LLC, xpedx, LLC, UWW Holdings, LLC, UWW Holdings, Inc. and Unisource Worldwide, Inc., incorporated by reference from Exhibit 2.3 to the Registrant's Registration Statement on Form S-1 (File No. 333-193950) filed on June 5, 2014. |
| 2.4 | Contribution and Distribution Agreement, dated as of January 28, 2014, by and among International Paper Company, Veritiv Corporation (f/k/a/ xpedx Holding Company), UWW Holdings, Inc. and UWW Holdings, LLC, incorporated by reference from Exhibit 2.4 to the Registrant's Registration Statement on Form S-1 (File No. 333-193950) filed on April 4, 2014. |
| 2.5 | Amendment No. 1 to the Contribution and Distribution Agreement, dated May 28, 2014, by and among International Paper Company, Veritiv Corporation (f/k/a xpedx Holding Company), UWW Holdings, Inc. and UWW Holdings, LLC, incorporated by reference from Exhibit 2.5 to the Registrant's Registration Statement on Form S-1 (File No. 333-193950) filed on June 5, 2014. |
| 3.1 | Amended and Restated Certificate of Incorporation of Veritiv Corporation, incorporated by reference from Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on July 3, 2014. |
| 3.2 | Certificate of Amendment of Amended and Restated Certificate of Incorporation of Veritiv Corporation, incorporate by reference from Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on May 13, 2016. |
| 3.3 | Amended and Restated Bylaws of Veritiv Corporation, incorporated by reference from Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on July 3, 2014 |
| 10.1 | Credit Agreement, dated as of July 1, 2014, among Veritiv Corporation, xpedx Intermediate, LLC and xpedx, LLC, as borrowers, the several lenders and financial institutions from time to time parties thereto, Bank of America, N.A., as administrative agent and collateral agent for the lenders party thereto, and the other parties thereto, together with the ABL Joinder Agreement, dated as of July 1, 2014, made by Unisource Worldwide, Inc. and Unisource Canada, Inc. for the benefit of the Lenders under the Credit Agreement, incorporated by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on July 3, 2014. |

Exhibit

<u>No.</u>	<u>Description</u>
10.2	First Amendment to ABL Credit Agreement, dated as of August 11, 2016, among Veritiv Operating Company (f/k/a Unisource Worldwide, Inc.) and Unisource Canada, Inc., as borrowers, Veritiv Corporation and certain subsidiaries of Veritiv Operating Company, as loan parties, the several lenders and financial institutions from time to time parties thereto, Bank of America, N.A., as administrative agent and collateral agent for the lenders party thereto, and the other parties thereto, incorporated by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 15, 2016.
10.3	U.S. Guarantee and Collateral Agreement, dated as of July 1, 2014, made by xpedx Intermediate, LLC, xpedx, LLC, the Subsidiary Borrowers and the U.S. Guarantors parties thereto and Veritiv Corporation, in favor of Bank of America, N.A., as administrative agent and collateral agent for the Secured Parties (as defined therein), together with the Assumption and Supplemental Agreement, dated as of July 1, 2014, made by Veritiv Corporation, Alco Realty, Inc., Graph Comm Holdings International, Inc., Graphic Communications Holdings, Inc., Paper Corporation of North America, Unisource International Holdings, Inc., Unisource International Holdings Poland, Inc., and Unisource Worldwide, Inc., in favor of Bank of America, N.A., as collateral agent and as administrative agent, incorporated by reference from Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on July 3, 2014.
10.4	Canadian Guarantee and Collateral Agreement, dated as of July 1, 2014, made by Unisource Canada, Inc. and the Canadian Guarantors parties thereto, in favour of Bank of America, N.A., as administrative agent and collateral agent for the Secured Parties (as defined therein), incorporated by reference from Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on July 3, 2014.
10.5	Registration Rights Agreement, dated as of July 1, 2014, between UWW Holdings, LLC and Veritiv Corporation, incorporated by reference from Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on July 3, 2014.
10.6	Tax Receivable Agreement, dated as of July 1, 2014, by and among Veritiv Corporation and UWW Holdings, LLC, incorporated by reference from Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed on July 3, 2014.
10.7	Tax Matters Agreement, dated as of January 28, 2014, by and among International Paper Company, Veritiv Corporation (f/k/a/ xpedx Holding Company) and UWW Holdings, Inc., incorporated by reference from Exhibit 10.5 to the Registrant's Registration Statement on Form S-1 (File No. 333-193950) filed on February 14, 2014.
10.8†	Employment Agreement, dated as of December 29, 2017, between Veritiv Corporation and Mary A. Laschinger, incorporated by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 5, 2018.
10.9†	Offer Letter, dated as of February 13, 2014, between Veritiv Corporation (f/k/a xpedx Holding Company) and Stephen J. Smith, incorporated by reference from Exhibit 10.12 to the Registrant's Form 10-Q filed on August 14, 2014.
10.10†*	Offer Letter, dated as of September 16, 2016, between Veritiv Operating Company and Tracy L. Pearson.
10.11†*	Addendum to Offer Letter, dated November 15, 2016, between Veritiv Operating Company and Tracy L. Pearson.
10.12†	Form of Indemnification Agreement between Veritiv Corporation (f/k/a xpedx Holding Company) and each of its directors, incorporated by reference from Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 (File No. 333-193950) filed on June 11, 2014.
10.13†	Veritiv Corporation 2014 Omnibus Incentive Plan, as amended and restated, effective March 8, 2017, incorporated by reference to Appendix A of the Registrant's Definitive Proxy Statement on Schedule 14A filed on April 13, 2017.
10.14†	2014 Short-Year Veritiv Incentive Plan adopted effective as of August 8, 2014, incorporated by reference from Exhibit 10.15 to the Registrant's Form 10-Q filed on August 14, 2014.
10.15†	Form of Notice of 2014 Long-Term Transition Incentive Award, incorporated by reference from Exhibit 10.16 to the Registrant's Form 10-Q filed on August 14, 2014.
10.16†	Form of Notice of 2014-15 Long-Term Transition Incentive Award, incorporated by reference from Exhibit 10.17 to the Registrant's Form 10-Q filed on August 14, 2014.

<u>Exhibit No.</u>	<u>Description</u>
10.17†	Form of Notice of 2014-15-16 Long-Term Transition Incentive Award, incorporated by reference from Exhibit 10.18 to the Registrant's Form 10-Q filed on August 14, 2014.
10.18†	Terms and Conditions of Long-Term Transition Incentive Award Opportunities, incorporated by reference from Exhibit 10.19 to the Registrant's Form 10-Q filed on August 14, 2014.
10.19†	Veritiv Corporation Deferred Compensation Savings Plan, incorporated by reference from Exhibit 10.20 to the Registrant's Form 10-Q filed on November 14, 2014.
10.20†	Form of Director Deferred Share Unit Award Agreement, incorporated by reference from Exhibit 10.21 to the Registrant's Form 10-K filed on March 24, 2015.
10.21†	Form of Director Deferred Share Unit Award Agreement (Stock-Settled Award), incorporated by reference from Exhibit 10.1 to the Registrant's Form 10-Q filed on August 9, 2016.
10.22†	Form of Restricted Stock Unit Award Agreement, incorporated by reference from Exhibit 10.22 to the Registrant's Form 10-K filed on March 24, 2015.
10.23†	Form of Performance Share Award Agreement (Adjusted EBITDA Performance Shares), incorporated by reference from Exhibit 10.23 to the Registrant's Form 10-K filed on March 24, 2015.
10.24†	Form of Performance Share Award Agreement (Relative TSR Performance Shares), incorporated by reference from Exhibit 10.24 to the Registrant's Form 10-K filed on March 24, 2015.
10.25†	2015 Veritiv Corporation Annual Incentive Plan, as amended and restated, effective March 8, 2017 incorporated by reference to Appendix B of the Registrant's Definitive Proxy Statement on Schedule 14A filed on April 13, 2017.
10.26†	Veritiv Corporation Executive Severance Plan adopted effective as of March 4, 2015, incorporated by reference from Exhibit 10.26 to the Registrant's Form 10-K filed on March 24, 2015.
21.1*	List of Subsidiaries.
23.1*	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.
31.1*	Rule 13a-14(a) Certification of the Chief Executive Officer.
31.2*	Rule 13a-14(a) Certification of the Chief Financial Officer.
32.1*	Section 1350 Certification of the Chief Executive Officer.
32.2*	Section 1350 Certification of the Chief Financial Officer.
101.INS*	XBRL Instance Document.
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.

† Management contract or compensatory plans or arrangements

* Filed herewith

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on March 1, 2018.

VERITIV CORPORATION

(Registrant)

By: /s/ Mary A. Laschinger

Name: Mary A. Laschinger

Title: Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on March 1, 2018.

(i) Principal executive officer:

/s/ Mary A. Laschinger Chairman of the Board of Directors and Chief Executive Officer
Mary A. Laschinger

(ii) Principal financial officer:

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

(iii) Principal accounting officer:

/s/ W. Forrest Bell Chief Accounting Officer
W. Forrest Bell

(iv) Directors:

/s/ David E. Flitman Director
David E. Flitman

/s/ Daniel T. Henry Director
Daniel T. Henry

/s/ Liza K. Landsman Director
Liza K. Landsman

/s/ Tracy A. Leinbach Director
Tracy A. Leinbach

/s/ William E. Mitchell Director
William E. Mitchell

/s/ Michael P. Muldowney Director
Michael P. Muldowney

/s/ Charles G. Ward, III Director
Charles G. Ward, III

/s/ John J. Zillmer Director
John J. Zillmer

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SHAREHOLDER INFORMATION

TRANSFER AGENT & REGISTRAR

Computershare

P.O. Box 505000
Louisville, KY 40233
computershare.com/investor
866.276.9370

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2017

Deloitte & Touche LLP Atlanta, GA

ANNUAL MEETING

The Veritiv Corporation
Annual Meeting will be held
on Wednesday, April 25, 2018
in Atlanta, GA.

INVESTOR CONTACT

Thomas C. Morabito

Director, Investor Relations

investor@veritivcorp.com
844.845.2136

ANNUAL REPORT & FORM 10-K COPIES

Copies of the Annual Report
and Form 10-K are available
and may be obtained by
contacting:

Veritiv Corporation

c/o Investor Relations
1000 Abernathy Rd. NE
Building 400, Suite 1700
Atlanta, GA 30328

844.845.2136
ir.veritivcorp.com

FORWARD-LOOKING STATEMENTS

Certain statements contained in this report regarding the Company's future operating results, performance, business plans, prospects, guidance and any other statements not constituting historical fact are "forward-looking statements" subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. All forward-looking statements reflect only the Company's current beliefs and assumptions with respect to future operating results, performance, business plans, prospects, guidance and other matters, and are based on information currently available to the Company. Accordingly, the statements are subject to significant risks, uncertainties and contingencies, which could cause the Company's actual operating results, performance or business plans or prospects to differ materially from those expressed in, or implied by, these statements. For a detailed discussion of specific risks and uncertainties that could cause actual results to differ from those contained in the forward-looking statements, see the information under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017, which is included in this report, and in other filings we make with the SEC. The Company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, historical information should not be considered as an indicator of future performance.



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Building 400, Suite 1700
Atlanta, GA 30328

veritivcorp.com

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[Twitter.com/VeritivIR](https://twitter.com/VeritivIR)



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