



Non-GAAP Reconciliations

Fourth Quarter and
Full Year 2018
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Appendix: Reconciliation of Non-GAAP Financial Measures



We supplement our financial information prepared in accordance with U.S. GAAP with certain non-GAAP measures including Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, restructuring charges, net, integration and acquisition expenses and other similar charges including any severance costs, costs associated with warehouse and office openings or closings, consolidation, and relocation and other business optimization expenses, stock-based compensation expense, changes in the LIFO reserve, non-restructuring asset impairment charges, non-restructuring severance charges, non-restructuring pension charges, net, fair value adjustments related to contingent liabilities assumed in mergers and acquisitions and certain other adjustments) because we believe investors commonly use Adjusted EBITDA and these other non-GAAP measures as key financial metrics for valuing companies. In addition, the credit agreement governing our asset-based lending facility permits us to exclude the foregoing and other charges in calculating “Consolidated EBITDA”, as defined in the facility. We approximate foreign currency effects by applying the foreign currency exchange rate for the prior period to the local currency results for the current period.

Adjusted EBITDA and these other non-GAAP measures are not alternative measures of financial performance under U.S. GAAP. Non-GAAP measures do not have definitions under U.S. GAAP and may be defined differently by, and not be comparable to, similarly titled measures used by other companies. As a result, we consider and evaluate non-GAAP measures in connection with a review of the most directly comparable measure calculated in accordance with U.S. GAAP. We caution investors not to place undue reliance on such non-GAAP measures and to consider them with the most directly comparable U.S. GAAP measures. Adjusted EBITDA and these other non-GAAP measures have limitations as analytical tools and should not be considered in isolation or as a substitute for analyzing our results as reported under U.S. GAAP. Please see the following tables for reconciliations of non-GAAP measures to the most comparable U.S. GAAP measures.

Appendix: Reconciliation of Non-GAAP Financial Measures



Table I
VERITIV CORPORATION
RECONCILIATION OF NON-GAAP MEASURES
NET INCOME (LOSS) TO ADJUSTED EBITDA; ADJUSTED EBITDA MARGIN
(in millions, unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
Net income (loss)	\$ 9.3	\$ 12.3	\$ (15.7)	\$ (13.3)
Interest expense, net	11.8	9.1	42.3	31.2
Income tax expense	6.6	24.5	5.5	11.4
Depreciation and amortization	12.0	14.3	53.5	54.2
EBITDA	39.7	60.2	85.6	83.5
Restructuring charges, net	(7.4)	(13.3)	21.3	16.7
Stock-based compensation	2.9	4.1	18.1	15.7
LIFO reserve increase	1.5	3.7	19.9	7.1
Non-restructuring asset impairment charges	0.2	—	0.4	8.4
Non-restructuring severance charges	2.6	2.0	4.9	3.5
Non-restructuring pension charges, net	12.1	—	11.3	2.2
Integration and acquisition expenses	7.2	8.4	31.8	36.5
Fair value adjustment on Tax Receivable Agreement contingent liability	(0.9)	(11.0)	(1.2)	(9.4)
Fair value adjustment on contingent consideration liability	(1.3)	2.0	(12.3)	2.0
Escheat audit contingent liability	1.7	3.0	2.5	7.5
Other	(0.7)	0.9	3.1	2.7
Adjusted EBITDA	\$ 57.6	\$ 60.0	\$ 185.4	\$ 176.4
Net sales	\$ 2,230.8	\$ 2,224.4	\$ 8,696.2	\$ 8,364.7
Adjusted EBITDA as a % of net sales	2.6%	2.7%	2.1%	2.1%

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Table II
VERITIV CORPORATION
RECONCILIATION OF NON-GAAP MEASURES
FREE CASH FLOW TO ADJUSTED FREE CASH FLOW
(in millions, unaudited)

	<u>Year Ended December 31, 2018</u>
Net cash flows provided by operating activities	\$ 15.0
Less: Capital expenditures	<u>(45.4)</u>
Free cash flow	(30.4)
Add back:	
Cash payments for restructuring expenses	34.1
Cash payments for integration and acquisition expenses	30.7
Cash payments for integration-related capex	<u>23.9</u>
Adjusted free cash flow	<u>\$ 58.3</u>

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Table III
VERITIV CORPORATION
RECONCILIATION OF NON-GAAP MEASURES
NET DEBT TO ADJUSTED EBITDA
(in millions, unaudited)

	December 31, 2018	
Amount drawn on ABL Facility	\$	932.1
Less: Cash		(64.3)
Net debt		867.8
Last Twelve Months Adjusted EBITDA	\$	185.4
Net debt to Adjusted EBITDA		4.7x
		Last Twelve Months
		December 31, 2018
Net loss	\$	(15.7)
Interest expense, net		42.3
Income tax expense		5.5
Depreciation and amortization		53.5
EBITDA		85.6
Restructuring charges, net		21.3
Stock-based compensation		18.1
LIFO reserve increase		19.9
Non-restructuring asset impairment charges		0.4
Non-restructuring severance charges		4.9
Non-restructuring pension charges, net		11.3
Integration and acquisition expenses		31.8
Fair value adjustment on Tax Receivable Agreement contingent liability		(1.2)
Fair value adjustment on contingent consideration liability		(12.3)
Escheat audit contingent liability		2.5
Other		3.1
Adjusted EBITDA	\$	185.4