



Non-GAAP Reconciliations

Fourth Quarter and
Fiscal Year 2017
Published March 1, 2018



Appendix: Reconciliation of Non-GAAP Financial Measures



We supplement our financial information prepared in accordance with GAAP with certain non-GAAP measures including 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 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 GAAP. Non-GAAP measures do not have definitions under 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 GAAP. We caution investors not to place undue reliance on such non-GAAP measures and to consider them with the most directly comparable 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 GAAP. Please see the following tables for reconciliations of non-GAAP measures to the most comparable 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,	
	2017	2016	2017	2016
Net income (loss)	\$ 12.3	\$ 4.2	\$ (13.3)	\$ 21.0
Interest expense, net	9.1	6.4	31.2	27.5
Income tax expense	24.5	1.4	11.4	19.8
Depreciation and amortization	14.3	14.2	54.2	54.7
EBITDA	60.2	26.2	83.5	123.0
Restructuring charges, net	(13.3)	5.2	16.7	12.4
Stock-based compensation	4.1	1.1	15.7	8.3
LIFO reserve increase	3.7	6.3	7.1	3.6
Non-restructuring asset impairment charges	—	3.7	8.4	7.7
Non-restructuring severance charges	2.0	0.7	3.5	3.1
Non-restructuring pension charges	—	0.1	2.2	2.4
Acquisition and integration expenses	8.4	6.3	36.5	25.9
Fair value adjustment on Tax Receivable Agreement contingent liability	(11.0)	0.1	(9.4)	4.9
Fair value adjustment on contingent consideration liability	2.0	—	2.0	—
Escheat audit contingent liability	3.0	—	7.5	—
Other	0.9	0.4	2.7	0.9
Adjusted EBITDA	\$ 60.0	\$ 50.1	\$ 176.4	\$ 192.2
Net sales	\$ 2,224.4	\$ 2,119.4	\$ 8,364.7	\$ 8,326.6
Adjusted EBITDA as a % of net sales	2.7%	2.4%	2.1%	2.3%

Appendix: Reconciliation of Non-GAAP Financial Measures



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

	<u>Year Ended</u> <u>December 31, 2017</u>
Net cash flows provided by operating activities	\$ 36.6
Less: Capital expenditures	(32.5)
Free cash flow	4.1
Add back:	
Cash payments for restructuring expenses	21.3
Cash payments for acquisition and integration expenses	40.6
Cash payments for integration-related capex	16.1
Adjusted free cash flow	<u>\$ 82.1</u>

Appendix: Reconciliation of Non-GAAP Financial Measures



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

	December 31, 2017
Amount drawn on ABL Facility	\$ 897.7
Less: Cash	(80.3)
Net debt	<u>817.4</u>
Last Twelve Months Adjusted EBITDA	\$ 176.4
Net debt to Adjusted EBITDA	4.6x
	 Last Twelve Months December 31, 2017
Net loss	\$ (13.3)
Interest expense, net	31.2
Income tax expense	11.4
Depreciation and amortization	54.2
EBITDA	<u>83.5</u>
Restructuring charges, net	16.7
Stock-based compensation	15.7
LIFO reserve increase	7.1
Non-restructuring asset impairment charges	8.4
Non-restructuring severance charges	3.5
Non-restructuring pension charges	2.2
Acquisition and integration expenses	36.5
Fair value adjustments on Tax Receivable Agreement contingent liability	(9.4)
Fair value adjustment on contingent consideration liability	2.0
Escheat audit contingent liability	7.5
Other	2.7
Adjusted EBITDA	<u>\$ 176.4</u>