Veritiv Corp
Form 10-Q
August 14, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2014

- OR -

q 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 | 46-3234977 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S Employer Identification Number) |
| 6600 Governors Lake Parkway | |
| Norcross, Georgia | 30071 |
| (Address of principal executive offices) | (Zip code) |

(770) 447-9000
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and formal fiscal year, if changed since last report)

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 x
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) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes x No ¨

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ¨ | Accelerated filer | ¨ |

Non-accelerated filer x (Do not check if a smaller reporting company) Smaller reporting company ¨

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

The number of shares of the registrant's common stock outstanding as of August 14, 2014:
Veritiv Corporation 16,000,000 shares of common stock, par value $0.01 per share

TABLE OF CONTENTS

EXPLANATORY NOTE

On January 28, 2014, International Paper Company announced that it would spin off its xpedx distribution solutions business and merge that business with Unisource Worldwide, Inc. under the terms of definitive agreements that would result in the creation of a new, publicly-traded company. On June 13, 2014, the Form S-1 Registration Statement of Veritiv Corporation, a wholly owned subsidiary of International Paper formed for the purpose of effecting the spin-off and merger, was declared effective by the Securities and Exchange Commission. On July 1, 2014, International Paper completed the spin-off of xpedx to the International Paper shareholders. Immediately following the spin-off, UWW Holdings, Inc., the parent company of Unisource Worldwide, Inc., merged with and into xpedx to form a new, publicly-traded company known as Veritiv Corporation ("Veritiv").

Because Veritiv’s registration as a reporting company under the Securities Exchange Act of 1934 became effective in the second quarter and the spin-off and merger transactions were not consummated until the third quarter, the condensed combined financial statements presented in this Quarterly Report on Form 10-Q (“Form 10-Q”) include only legacy xpedx activity for the periods presented. Additionally, certain limited pro forma consolidated financial information for the combined company is included in this Form 10-Q in Part I, Item 2 - Management’s Discussion and Analysis of Financial Condition and Results of Operations. Beginning with the quarterly period ending September 30, 2014, Veritiv will report consolidated financial results for the combined company.

PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

xpedx
(A Business of International Paper Company)
Condensed Combined Statements of Operations and Comprehensive Income

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (Unaudited, in Millions) | | (Unaudited, in Millions) | |
| Net sales (including sales to a related-party of $12.3 and $13.5 for the three months ended June 30, 2014 and 2013, respectively, and $24.3 and $27.5 for the six months ended June 30, 2014 and 2013, respectively) | $1,329.0 | $1,402.9 | $2,636.4 | $2,791.3 |
| Cost of products sold (including purchases from a related-party of $136.5 and $139.8 for the three months ended June 30, 2014 and 2013, respectively, and $276.5 and $307.0 for the six months ended June 30, 2014 and 2013, respectively) (exclusive of depreciation and amortization shown separately below) | 1,116.7 | 1,172.1 | 2,205.2 | 2,331.4 |
| Distribution expenses | 72.0 | 77.9 | 149.1 | 159.4 |
| Selling and administrative expenses | 132.0 | 135.8 | 260.6 | 274.9 |
| Depreciation and amortization | 4.3 | 4.1 | 8.9 | 8.4 |
| Restructuring (income) charges | (0.9) | 17.3 | (1.1) | 24.4 |
| Operating income (loss) | 4.9 | (4.3) | 13.7 | (7.2) |
| Other income, net | (0.1) | (0.6) | (0.6) | (2.1) |
| Income (loss) from continuing operations before income taxes | 5.0 | (3.7) | 14.3 | (5.1) |
| Income tax provision (benefit) | 2.1 | (1.4) | 5.8 | (1.9) |
| Income (loss) from continuing operations | 2.9 | (2.3) | 8.5 | (3.2) |
| (Loss) income from discontinued operations, net of income taxes | — | (0.1) | (0.1) | 0.1 |
| Net income (loss) | 2.9 | (2.4) | 8.4 | (3.1) |
| Other comprehensive income, net of tax: | | | | |
| Change in cumulative foreign currency translation adjustment | — | (0.6) | 0.6 | 0.4 |
| Total comprehensive income (loss), net of tax | $2.9 | $(3.0) | $9.0 | $(2.7) |

The accompanying notes are an integral part of these condensed combined financial statements.

xpedx
(A Business of International Paper Company)
Condensed Combined Balance Sheets

| | June 30, 2014 | December 31, 2013 (as restated, see Note 13) |
|---|---|---|
| | (Unaudited, in Millions) | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $3.9 | $5.7 |
| Accounts receivable, less allowances of $17.0 and $22.7 in 2014 and 2013, respectively | 657.0 | 669.7 |
| Related-party receivable | 0.8 | 10.1 |
| Inventories, net | 365.3 | 360.9 |
| Other current assets | 24.7 | 26.3 |
| Assets held for sale | 6.5 | 9.3 |
| Total current assets | 1,058.2 | 1,082.0 |
| | | |
| Property and equipment, net | 99.5 | 107.1 |
| Other non-current assets | 6.7 | 9.4 |
| Goodwill | 26.4 | 26.4 |
| Other intangibles, net | 8.6 | 9.3 |
| Deferred income tax assets | 21.9 | 22.7 |
| Total assets | $1,221.3 | $1,256.9 |
| | | |
| Liabilities and parent company equity | | |
| Current liabilities: | | |
| Accounts payable | $348.8 | $357.3 |
| Related-party payable | 1.9 | 2.6 |
| Accrued payroll and benefits | 55.4 | 54.9 |
| Deferred income tax liabilities | 14.0 | 13.5 |
| Other accrued liabilities | 34.1 | 36.5 |
| Total current liabilities | 454.2 | 464.8 |
| Non-current liabilities | 10.9 | 12.5 |
| Total liabilities | 465.1 | 477.3 |
| | | |
| Commitments and contingent liabilities (Note 7) | | |
| Parent company equity: | | |
| Parent company investment | 760.3 | 784.3 |
| Accumulated other comprehensive loss | (4.1) | (4.7) |
| Total parent company equity | 756.2 | 779.6 |
| Total liabilities and parent company equity | $1,221.3 | $1,256.9 |

The accompanying notes are an integral part of these condensed combined financial statements.

xpedx
(A Business of International Paper Company)
Condensed Combined Statements of Cash Flows

| | For the Six Months Ended June 30, 2014 | 2013 |
|---|---|---|
| | (Unaudited, in Millions) | |
| Operating activities | | |
| Net income (loss) | $8.4 | $(3.1) |
| (Loss) income from discontinued operations, net of income taxes | (0.1) | 0.1 |
| Income (loss) from continuing operations | 8.5 | (3.2) |
| Depreciation and amortization | 8.9 | 8.4 |
| Net gains on sales of fixed assets | (1.5) | (7.5) |
| Provision for allowance for doubtful accounts | 4.0 | 1.5 |
| Deferred income tax provision | 1.5 | 1.5 |
| Stock-based compensation | 4.3 | 7.8 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 19.5 | 9.2 |
| Inventories, net | (4.4) | (7.4) |
| Accounts payable and accrued liabilities | (4.7) | 31.9 |
| Other | 1.9 | (9.1) |
| Cash provided by operating activities – continuing operations | 38.0 | 33.1 |
| Cash used for operating activities – discontinued operations | (1.1) | (1.3) |
| Cash provided by operating activities | $36.9 | $31.8 |
| | | |
| Investing activities | | |
| Invested in capital projects | $(1.3) | $(6.2) |
| Proceeds from asset sales | 4.8 | 18.9 |
| Other | 0.1 | (0.1) |
| Cash provided by investing activities – continuing operations | 3.6 | 12.6 |
| Cash provided by investing activities – discontinued operations | — | — |
| Cash provided by investing activities | $3.6 | $12.6 |
| | | |
| Financing activities | | |
| Net transfers to Parent | $(37.9) | $(33.7) |
| Change in book overdrafts | (6.1) | (13.0) |
| Cash used for financing activities – continuing operations | (44.0) | (46.7) |
| Cash provided by (used for) financing activities – discontinued operations | 1.1 | (1.4) |
| Cash used for financing activities | $(42.9) | $(48.1) |
| Effect of exchange rate changes on cash | 0.6 | 0.4 |
| | | |
| Change in cash and cash equivalents | (1.8) | (3.3) |
| Cash and cash equivalents at beginning of period | 5.7 | 15.4 |
| Cash and cash equivalents at end of period | $3.9 | $12.1 |
| | | |
| Supplementary cash flow information | | |
| Income taxes paid, net of refunds | $0.4 | $0.4 |
| | | |
| Non-cash transactions | | |
| Property additions included in accounts payable | $— | $0.4 |

The accompanying notes are an integral part of these condensed combined financial statements.

xpedx
(A Business of International Paper Company)
Condensed Combined Statements of Changes in Parent Company Equity

| | Parent Company Investment | Accumulated Other Comprehensive Income (Loss) | Total Parent Company Equity |
|---|---|---|---|
| | (Unaudited, in Millions, as restated, see Note 13) | | |
| Balance at December 31, 2012 | $819.2 | $(6.1) | $813.1 |
| Net income | 0.2 | — | 0.2 |
| Other comprehensive income, net of tax | — | 1.4 | 1.4 |
| Net transfers to parent | (35.1) | — | (35.1) |
| Balance at December 31, 2013 | $784.3 | $(4.7) | $779.6 |
| Net income | 8.4 | — | 8.4 |
| Other comprehensive income, net of tax | — | 0.6 | 0.6 |
| Net transfers to parent | (32.4) | — | (32.4) |
| Balance at June 30, 2014 | $760.3 | $(4.1) | $756.2 |

The accompanying notes are an integral part of these condensed combined financial statements.

xpedx
(A Business of International Paper Company)
Notes to Condensed Combined Financial Statements (unaudited)

1. Background and Basis of Presentation

xpedx ("xpedx" or the "Company") was a business-to-business distributor of paper, packaging and facility supplies products in North America that operated 85 distribution centers in the U.S. and Mexico. xpedx distributed products and services to a number of customer markets including: printers, publishers, data centers, manufacturers, higher education institutions, healthcare facilities, sporting and performance arenas, retail, government agencies, property managers and building service contractors.

On July 1, 2014 (the "Distribution Date"), International Paper Company ("International Paper") completed the previously announced spin-off of xpedx to the International Paper shareholders (the "Spin-off"). Immediately following the Spin-off, UWW Holdings, Inc., the parent company of Unisource Worldwide, Inc., merged (the "Merger") with and into Veritiv Corporation ("Veritiv") to form a new, publicly-traded company. The primary reason for the business combination was to create a North American business-to-business distribution company with a broad geographic reach, extensive product offering and a differentiated and leading service platform. The Merger will be reflected in Veritiv's financial statements using the acquisition method of accounting, with Veritiv being considered the accounting acquirer of UWW Holdings, Inc.

On the Distribution Date:

- 8,160,000 shares of Veritiv common stock were distributed on a pro rata basis to the International Paper shareholders of record as of the close of business on June 20, 2014. Immediately following the Spin-off, but prior to the Merger, International Paper's shareholders owned all of the shares of Veritiv common stock outstanding, and
- A special payment of $400.0 million was distributed to International Paper.

In addition to the $400.0 million special payment, International Paper also has a potential earnout 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 $400.0 million special payment and the $100.0 million potential earnout payment will be reflected by Veritiv as a reduction to equity at the time of payment.

Immediately following the Spin-off on the Distribution Date:

- UWW Holdings, LLC, the sole shareholder of UWW Holdings, Inc., received 7,840,000 shares of Veritiv common stock for all outstanding shares of UWW Holdings, Inc. common stock that it held on the Distribution Date, in a private placement transaction,
- Veritiv and UWW Holdings, LLC entered into a registration rights agreement (the "Registration Rights Agreement") that entitles UWW Holdings, LLC to transfer Veritiv's common stock to one or more of its affiliates or equity holders. Additionally, UWW Holdings, LLC may exercise registration rights on behalf of such transferees if such transferees become a party to the Registration Rights Agreement. The agreement also provides UWW Holdings, LLC with certain demand registration rights and piggyback registration rights,
- Veritiv and UWW Holdings, LLC entered into a tax receivable agreement (the "Tax Receivable Agreement") that sets forth the terms by which Veritiv generally will be obligated to pay UWW Holdings, LLC an amount equal to 85% of the U.S. federal, state and Canadian income tax savings, if any, that Veritiv actually realizes as a result of the utilization of Unisource Worldwide, Inc.'s net operating losses attributable to taxable periods prior to the date of the Merger, and

6

xpedx
(A Business of International Paper Company)
Notes to Condensed Combined Financial Statements (unaudited)
(continued)

- UWW Holdings, LLC received approximately $38.6 million of cash proceeds associated with customary working capital adjustments, net indebtedness and transaction expenses related adjustments that are subject to finalization within a 90-day period after the Distribution Date.

After the completion of the Spin-off and the Merger, International Paper shareholders owned approximately 51%, and UWW Holdings, LLC owned approximately 49%, of the shares of Veritiv common stock on a fully-diluted basis.

After the Distribution Date, International Paper does not beneficially own any shares of Veritiv common stock and, following such date, the financial results of Veritiv will no longer be consolidated in International Paper's financial results. Veritiv's Registration Statement on Form S-1, filed with the U.S. Securities and Exchange Commission ("SEC"), was declared effective on June 13, 2014. Veritiv's common stock began regular-way trading on the New York Stock Exchange on July 2, 2014 under the ticker symbol VRTV. See Note 12, Subsequent Events, for further details.

References in the notes to the condensed combined financial statements to International Paper or Parent refers to International Paper Company and its consolidated subsidiaries (other than Veritiv).

Basis of Combination

The unaudited interim condensed combined financial statements for the three and six months ended June 30, 2014 and 2013, and balance sheet as of June 30, 2014, included herein have not been audited by an independent registered public accounting firm, but in our opinion, all adjustments (which include normal recurring adjustments) necessary to make a fair statement of the financial position at June 30, 2014, and the results of operations and the statements of cash flows for the periods presented herein have been made. The results of operations for the three and six months ended June 30, 2014 and 2013 are not necessarily indicative of the operating results expected for Veritiv for the full fiscal year. As the Merger was after June 30, 2014, the Company's results of operations include only legacy xpedx activity.

The unaudited interim condensed combined financial statements included herein have been prepared pursuant to the rules and regulations of the SEC. Although we believe the disclosures made are adequate to make the information presented not misleading, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules or regulations. These interim condensed combined financial statements should be read in conjunction with the xpedx audited combined financial statements and notes thereto included in the Company's Registration Statement on Form S-1.

The preparation of the unaudited interim condensed combined financial statements requires management to make use of estimates and assumptions that affect the reported amount of assets and liabilities, revenue and expenses, and certain financial statement disclosures. Significant estimates in these unaudited interim condensed combined financial statements include revenue recognition, accounts receivable valuation, inventory valuation, postretirement benefits, income tax and goodwill and other intangible asset impairment. Estimates are revised as additional information becomes available.

These condensed combined financial statements reflect the historical financial position, results of operations, changes in parent company equity and cash flows of xpedx for the periods presented as xpedx was historically managed within International Paper. The condensed combined financial statements have been prepared on a carve-out basis and are derived from the consolidated financial statements and accounting records of International Paper. The condensed combined financial statements have been prepared in United States ("U.S.") dollars and in accordance with generally accepted accounting principles in the U.S. ("GAAP"). xpedx’s condensed combined

7

financial statements may not be indicative of Veritiv’s future performance and do not necessarily reflect what xpedx's results of operations, financial position and cash flows would have been had it operated as an independent company during the periods presented.
The condensed combined financial statements include expense allocations for certain functions previously provided by International Paper, including, but not limited to, general corporate expenses related to finance, legal, information technology, human resources, communications, insurance and stock-based compensation. These expenses have been allocated to the Company on the basis of direct usage when identifiable, with the remainder principally allocated on the basis of percent of capital employed, headcount or other measures. During the three months ended June 30, 2014 and 2013, the Company was allocated $15.7 million and $16.5 million, respectively, and during the six months ended June 30, 2014 and 2013, the Company was allocated $28.7 million and $39.5 million, respectively, of general corporate expenses incurred by International Paper which are included within Selling and administrative expenses in the condensed combined statements of operations and comprehensive income. Management considers the basis on which the expenses have been allocated to reasonably reflect the utilization of services provided to or the benefit received by the Company during the periods presented. The allocations may not, however, reflect the expenses the Company would have incurred as an independent company for the periods presented. Actual costs that may have been incurred if the Company had been a stand-alone company would depend on a number of factors, including the organizational structure, whether functions were outsourced or performed by employees, and strategic decisions made in areas such as information technology and infrastructure. The Company is unable to determine what such costs would have been had the Company been independent. Following the Spin-off and Merger, Veritiv will perform these functions using its own resources or purchased services. For an interim period, however, some of these functions will continue to be provided by International Paper under a transition services agreement. Such expenses are to be reimbursed by Veritiv to International Paper. In addition to the transition services agreement, Veritiv entered into several commercial agreements with International Paper in connection with the above described transaction.

Intercompany transactions between the Company and International Paper have been included in these condensed combined financial statements and were primarily considered to be effectively settled for cash in the condensed combined financial statements at the time the transaction was recorded. For those intercompany transactions historically settled in cash between the Company and International Paper, the Company has separately disclosed those balances in the balance sheet as of June 30, 2014 and December 31, 2013, as related-party receivables and payables. The total net effect of the settlement of these intercompany transactions, exclusive of those historically settled in cash, is reflected in the condensed combined statements of cash flows as a financing activity and in the condensed combined balance sheets as parent company investment.

International Paper’s debt and the related interest expense have not been allocated to the Company for any of the periods presented because the Company is not the legal obligor of the debt and International Paper borrowings were not directly attributable to the Company’s business.

International Paper maintains self-insurance programs at the corporate level. The Company was allocated a portion of the expenses associated with these programs as part of the general corporate overhead expense allocation. No self-insurance reserves were allocated to the Company as the self-insurance reserves represented obligations of International Paper, which are not transferrable.

International Paper uses a centralized approach to cash management and financing its operations. Transactions between International Paper and the Company were accounted for through parent company investment. Accordingly, none of the cash, cash equivalents, debt or related interest expense at the Parent level was assigned to the Company in the condensed combined financial statements. Cash and cash equivalents in the condensed combined balance sheets represents cash and cash equivalents held locally by certain of the Company’s entities.

xpedx
(A Business of International Paper Company)
Notes to Condensed Combined Financial Statements (unaudited)
(continued)

The Company ceased certain of its operations, and where appropriate, these operations have been reflected as discontinued operations in the condensed combined financial statements. See Note 4 for further discussion.

The Company operated on a calendar year-end. Going forward, Veritiv will also operate on a calendar year-end.

Fair Value of Financial Instruments

The Company's financial instruments consisted primarily of cash, trade accounts receivable, accounts payable and other components of other current assets and other current liabilities, in which the carrying amount approximates fair value due to the short maturity of these items.

Intangible assets acquired in a business combination were recorded at fair value, and the Company reviews indefinite lived intangible assets for impairment by comparing the fair value of the assets, estimated using an income approach, with their carrying value. Additionally, when performing annual goodwill impairment testing, the Company estimated the fair value of its reporting units using the projected future cash flows to be generated by each unit over the estimated remaining useful operating lives of the unit's assets, discounted using the estimated cost of capital for each reporting unit.

The guidance for fair value measurements and disclosures sets out a fair value hierarchy that groups fair value measurement inputs into the following three classifications:

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.

In valuing intangible assets acquired in a business combination as well as in performing annual and interim, if applicable, intangible asset impairment testing, the Company utilized, and Veritiv will utilize going forward, a combination of Level 1, 2 and 3 inputs.

Pro Forma Earnings per Share

As a result of the Spin-off and immediately prior to the Merger described above, on July 1, 2014, Veritiv had 8,160,000 shares of common stock outstanding, and this share amount is being utilized to calculate pro forma earnings per share for all periods presented below.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (Unaudited, in Millions, except per share and number of shares data) | 2014 | 2013 | 2014 | 2013 |
| Pro forma earnings (loss) per share | $0.36 | $(0.29) | $1.03 | $(0.38) |
| xpedx Net income (loss) | $2.9 | $(2.4) | $8.4 | $(3.1) |
| Veritiv pro forma shares outstanding | 8,160,000 | 8,160,000 | 8,160,000 | 8,160,000 |

No diluted earnings per share is presented in the table above as no Veritiv dilutive securities have been issued or granted.

xpedx
(A Business of International Paper Company)
Notes to Condensed Combined Financial Statements (unaudited)
(continued)

2. Recent Accounting Developments
Foreign Currency Matters
In March 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-05, Foreign Currency Matters, which provides the standards for parent’s accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. ASU 2013-05 is effective for reporting periods beginning after December 15, 2013. The application of the requirements of this guidance did not have a material effect on the condensed combined financial statements.
Income Taxes
In July 2013, the FASB issued ASU 2013-11, Income Taxes, which provides guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss carry forward, a similar tax loss, or a tax credit carry forward exists. This guidance should be applied to all unrealized tax benefits that exist as of the effective date which is fiscal years beginning after December 15, 2013, and interim periods within those years. The application of the requirements of this guidance did not have a material effect on the condensed combined financial statements.
Discontinued Operations - Presentation of Financial Statements and Property, Plant, and Equipment
In April 2014, the FASB issued ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU 2014-08 amends the requirements for reporting and disclosing discontinued operations. Under ASU 2014-08, a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has or will have a major effect on the entity’s operations and financial results. ASU 2014-08 is effective for interim and annual periods beginning after December 15, 2014, with early adoption permitted, and is to be applied prospectively. The adoption of the provisions of ASU 2014-08 is not expected to have a material impact on Veritiv's financial position or results of operations.
Revenue Recognition Standard
In May 2014, the FASB issued ASU 2014-09, Revenue From Contracts with Customers. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 is effective for annual reporting periods, including interim reporting periods within those periods, beginning after December 15, 2016 for public entities. Entities have the option of using either a full retrospective or a modified approach to adopt the guidance in the ASU. Early adoption is not permitted. Veritiv is currently in the process of evaluating the potential impact of adopting ASU 2014-09.

3. Restructuring Charges

During 2010, the Company completed a strategic assessment of its operating model, resulting in the decision to begin a multi-year restructuring plan. The restructuring plan involved the establishment of a lower cost operating model in connection with the repositioning of the Print segment in consideration of changing market considerations. The restructuring plan included initiatives to: (i) optimize the warehouse network, (ii) improve the efficiency of the sales team and (iii) reorganize the procurement function. Management launched the plan in 2011.

The restructuring plan identified locations to be affected and a range of time for specific undertakings. A severance liability was established when positions to be eliminated were identified and communicated to the respective affected employees. Generally, severance arrangements were based on years of employee service.

xpedx
(A Business of International Paper Company)
Notes to Condensed Combined Financial Statements (unaudited)
(continued)

2014

During the three months ended June 30, 2014, no new restructuring actions were taken. During the three and six months ended June 30, 2014, two warehouses were closed as part of the identified restructuring plan. The Company recorded total restructuring income of $0.9 million and $1.1 million before taxes and $0.6 million and $0.7 million after taxes for the three and six months ended June 30, 2014, respectively. These amounts included:

| | For the Three Months Ended June 30, 2014 | | For the Six Months Ended June 30, 2014 | |
|---|---|---|---|---|
| | Before-Tax Charges (In Millions) | After-Tax Charges | Before-Tax Charges (In Millions) | After-Tax Charges |
| Facility costs | $— | $— | $0.2 | $0.1 |
| Severance | 0.1 | 0.1 | 0.1 | 0.1 |
| Personnel costs | 0.1 | 0.1 | 0.2 | 0.1 |
| Accelerated amortization and depreciation | — | — | — | — |
| Professional services | — | — | — | — |
| Gain on sale of fixed assets | (1.1) | (0.8) | (1.6) | (1.0) |
| Total | $(0.9) | $(0.6) | $(1.1) | $(0.7) |

2013

During the three and six months ended June 30, 2013, the Company closed a total of three warehouses as part of the identified restructuring plan. The Company recorded total restructuring charges of $17.3 million and $24.4 million before taxes and $10.5 million and $14.8 million after taxes for the three and six months ended June 30, 2013, respectively. These charges included:

| | For the Three Months Ended June 30, 2013 | | For the Six Months Ended June 30, 2013 | |
|---|---|---|---|---|
| | Before-Tax Charges (In Millions) | After-Tax Charges | Before-Tax Charges (In Millions) | After-Tax Charges |
| Facility costs | $7.6 | $4.7 | $10.3 | $6.3 |
| Severance | 6.5 | 3.9 | 12.2 | 7.4 |
| Personnel costs | 4.5 | 2.7 | 7.7 | 4.7 |
| Accelerated amortization and depreciation | 0.3 | 0.2 | 0.3 | 0.2 |
| Professional services | 0.2 | 0.1 | 0.9 | 0.5 |
| Gain on sale of fixed assets | (1.8) | (1.1) | (7.0) | (4.3) |
| Total | $17.3 | $10.5 | $24.4 | $14.8 |

The corresponding liability and activity during the periods presented are detailed in the table below. The restructuring liability is included within Non-current liabilities ($0.6 million and $1.9 million at June 30, 2014 and December 31, 2013, respectively) and Other accrued liabilities ($3.0 million at June 30, 2014 and $5.8 million at December 31, 2013) in the condensed combined balance sheets.

xpedx
(A Business of International Paper Company)
Notes to Condensed Combined Financial Statements (unaudited)
(continued)

| | Total (In Millions) |
|---|---|
| Liability at December 31, 2012 | $3.8 |
| Additional provision | 44.0 |
| Payments | (39.7) |
| Adjustment of prior year's estimate | (0.4) |
| Liability at December 31, 2013 | 7.7 |
| Additional provision | 0.1 |
| Payments | (3.9) |
| Adjustment of prior year's estimate | (0.3) |
| Liability at June 30, 2014 | $3.6 |

4. Discontinued Operations

During 2011, the Company ceased its Canadian operations which provided distribution of printing supplies to Canadian based customers. Additionally, the Company ceased its printing press distribution business which was located in the U.S. Historically, both of these businesses had been included in the Company's Print segment. As the operations and cash flows of these components have been eliminated from the ongoing operations of the Company, and going forward, Veritiv will not have any significant continuing involvement in the operations of the components, these components are included in discontinued operations for all periods presented.

Net sales, income from operations and loss on disposition for discontinued operations are as follows:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (In Millions) | | (In Millions) | |
| Net sales | $— | $— | $— | $— |
| Loss from operations | $— | $(0.1) | $(0.1) | $(0.2) |
| Restructuring and disposal income | — | — | — | 0.3 |
| (Loss) income from discontinued operations | $— | $(0.1) | $(0.1) | $0.1 |

5. Supplementary Financial Statement Information

Accounts Receivable

Accounts receivable, net, consists of the following:

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| | (In Millions) | |
| Accounts receivable | $674.0 | $692.4 |
| Less: allowances | (17.0) | (22.7) |
| Accounts receivable, net | $657.0 | $669.7 |

Accounts receivables are recognized net of allowances that primarily consist of allowances for doubtful accounts of $16.7 million and $22.5 million with the remaining balance of $0.3 million and $0.2 million being comprised

xpedx
(A Business of International Paper Company)
Notes to Condensed Combined Financial Statements (unaudited)
(continued)

of reserves for sales returns for the periods ending June 30, 2014 and December 31, 2013, respectively. 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 allowance is inclusive of credit risks, returns, discounts and any other items affecting the realization of these assets. Accounts receivable are written off when management determines they are uncollectible.

Inventories, Net

Inventories are primarily valued at cost as determined by the last-in, first-out method ("LIFO"). 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 are reduced by estimated volume-based rebates and purchase discounts available from certain suppliers.

The Company’s inventories were, and Veritiv's inventories are, comprised of finished goods. Approximately 97% of inventories were valued using this method as of June 30, 2014 and December 31, 2013. If the first-in, first-out method had been used, it would have increased total inventory balances by approximately $76.3 million and $76.6 million at June 30, 2014 and December 31, 2013, respectively.

Goodwill

Goodwill has been recognized in connection with the Company’s acquisitions. Goodwill will be tested by Veritiv on October 1st for impairment or more frequently if indicators are present or changes in circumstances suggest that impairment may exist. The impairment test performed by xpedx during the fourth quarter of 2013 did not result in an impairment charge to goodwill.

Other Current Assets

The components of Other current assets were as follows at June 30, 2014 and December 31, 2013:

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| | (In Millions) | |
| Rebates receivable | $16.6 | $18.4 |
| Prepaid expenses | 5.9 | 5.6 |
| Other | 2.2 | 2.3 |
| Other current assets | $24.7 | $26.3 |

Assets Held for Sale

As part of the Company’s restructuring activities described in Note 3, certain land, buildings and improvements have been classified as held for sale within the condensed combined balance sheets as of June 30, 2014 and December 31, 2013, as the Company has committed to a plan to sell the identified assets and the assets are available for immediate sale.

6. Income Taxes

The difference between the Company’s effective tax rate for the three and six months ending June 30, 2014 and 2013 and the U.S. statutory tax rate of 35% is principally related to certain deductions permanently disallowed for tax, the effect of foreign tax rates being lower than the U.S. statutory tax rate and the state tax provision.

The Company's reserve for unrecognized tax benefits approximated $0.6 million (excluding related interest) at both June 30, 2014 and December 31, 2013. Generally, tax years 2002 through 2012 remain open and subject to examination by the relevant tax authorities. In 2013, the Company concluded its federal income tax return examination for the tax years 2006–2009.

As a result of the examination, other pending tax audit settlements and the expiration of statutes of limitation, the Company currently estimates that the amount of unrecognized tax benefits could be reduced by up to $0.6 million during the next twelve months with none of the reduction impacting the Company's or Veritiv's effective tax rate.

## 7. Commitments and Contingent Liabilities

### Guarantees

In connection with sales of property, equipment and other assets, the Company commonly made representations and warranties relating to such assets and, in some instances, may have agreed to indemnify buyers with respect to tax and environmental liabilities, breaches of representations and warranties, and other matters. Where liabilities for such matters are determined to be probable and subject to reasonable estimation, accrued liabilities are recorded at the time of sale as a cost of the transaction. There were no such guarantees at June 30, 2014 and December 31, 2013.

### Legal Proceedings

From time to time, the Company is involved in various lawsuits, claims, and regulatory and administrative proceedings arising out of our business relating to general commercial and contract 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 our assessment of the merits of the particular claim, we do not expect that any asserted or unasserted legal claims or proceedings, individually or in the aggregate, will have a material adverse effect on Veritiv's cash flows, results of operations or financial condition.

## 8. Retirement and Post Retirement Benefit Plans

Certain of the Company's employees participated in defined benefit pension and other post-employment benefit plans (the "Plans") sponsored by International Paper and accounted for by International Paper in accordance with accounting guidance for defined benefit pension and other post-employment benefit plans. The total cost of the Plans was determined by actuarial valuation, and the Company received an allocation of the service cost of the Plans based upon a percent of salaries. The amount of net pension and other post-employment benefit expense attributable to the Company related to these International Paper sponsored plans was $4.1 million and $3.8 million for the three months ended June 30, 2014 and 2013, respectively, and $8.0 million and $7.6 million for the six months ended June 30, 2014 and 2013, respectively, and is reflected within Cost of products sold, Distribution expenses and Selling and administrative expenses in the condensed combined statements of operations and comprehensive income. Veritiv will not maintain defined benefit plans for its non-bargained workforce from and after the Distribution Date.

The Company also contributed to, and Veritiv will continue to contribute to, multiemployer pension plans for certain collective bargaining U.S. employees that are not sponsored by International Paper. The risks of participating in these multiemployer pension plans are different from a single employer plan in the following aspects:

xpedx
(A Business of International Paper Company)
Notes to Condensed Combined Financial Statements (unaudited)
(continued)

- Assets contributed to the multiemployer 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.
- If the Company stops participating in the multiemployer plan, 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 made contributions to the bargaining unit supported multiemployer pension plans of approximately $0.6 million and $0.6 million for the three months ended June 30, 2014 and 2013, respectively, and $1.2 million and $1.1 million for the six months ended June 30, 2014 and 2013, respectively.

9. Incentive Plans

Prior to the Spin-off, certain xpedx employees participated in International Paper’s incentive stock program. In conjunction with the Spin-off, Veritiv adopted the Veritiv Corporation 2014 Omnibus Incentive Plan (the “Omnibus Incentive Plan”). The total number of shares of Veritiv Common Stock that may be issued under the Omnibus Incentive Plan, subject to certain adjustment provisions, is 2,080,000 shares. Veritiv may grant options, stock appreciation rights, stock purchase rights, restricted shares, restricted stock units, dividend equivalents, deferred share units, performance shares, performance units and other equity-based awards under the Omnibus Incentive Plan. Awards may be granted under the Omnibus Incentive Plan to any employee, director, consultant or other service provider of Veritiv or a subsidiary of Veritiv. To date, no awards have been granted pursuant to the Omnibus Incentive Plan.

As of June 30, 2014, all equity awards held by employees of the Company were granted under International Paper’s 2009 Incentive Compensation Plan ("ICP") or predecessor plans. The ICP authorizes grants of restricted stock, restricted or deferred stock units, performance awards payable in cash or stock upon the attainment of specified performance goals, dividend equivalents, stock options, stock appreciation rights, other stock-based awards, and cash-based awards at the discretion of the Management Development and Compensation Committee of the Board of Directors of International Paper that administers the ICP (the "Committee"). Restricted stock units were also awarded to certain non-U.S. employees. The following disclosures represent the Company’s portion of such plans.

Performance Share Plan

Under the Performance Share Plan ("PSP"), contingent awards of International Paper common stock are granted by the Committee. The PSP awards are earned over a three-year period. For the 2010 and 2011 grants, one-fourth of the award is earned during each of the three twelve-month periods, with the final one-fourth portion earned over the full three-year period. Beginning with the 2012 grant, the award is earned evenly over a thirty-six-month period. PSP awards are earned based on the achievement of defined performance rankings of return on investment ("ROI") and total shareholder return ("TSR") compared to ROI and TSR peer groups of companies. Awards are weighted 75% for ROI and 25% for TSR for all participants except for officers for whom the awards are weighted 50% for ROI and 50% for TSR. The ROI component of the PSP awards is valued at the closing price of International Paper on the day prior to the grant date. As the ROI component contains a performance condition, compensation expense, net of estimated forfeitures, is recorded over the requisite service period based on the most probable number of awards expected to vest. The TSR component of the PSP awards is valued using a Monte Carlo simulation as the TSR component contains a market condition. The Monte Carlo simulation estimates the fair value of the TSR component based on the expected term of the award, a risk-free rate, expected dividends and the expected volatility for International Paper and its competitors. The expected term is estimated

15

xpedx
(A Business of International Paper Company)
Notes to Condensed Combined Financial Statements (unaudited)
(continued)

based on the vesting period of the awards, the risk-free rate is based on the yield on U.S. Treasury securities matching the vesting period, and the volatility is based on International Paper's historical volatility over the expected term. Beginning with the 2011 PSP, grants were made in performance-based restricted stock units ("PSUs"). The PSP was paid in unrestricted shares of International Paper stock up until the end of June 30, 2014 and ceased as of July 1, 2014 as a result of the Spin-off and Merger, discussed in Note 1 above. All PSUs issued under the PSP were vested on a pro rata basis at July 1, 2014.

The following table sets forth the assumptions used to determine compensation cost for the market condition component of the PSP:

| | Six Months Ended June 30, 2014 |
|---|---|
| Expected volatility | 30.84% |
| Risk-free interest rate | 0.78% |

The following summarizes PSP activity for the six months ended June 30, 2014:

| | International Paper Shares/ Units | Weighted-Average Grant Date Fair Value (Actual Dollar) |
|---|---|---|
| Outstanding at December 31, 2012 | 1,093,972 | $29.28 |
| Granted | 296,888 | 39.55 |
| Shares issued | (334,228) | 28.93 |
| Forfeited | (14,844) | 39.55 |
| Outstanding at December 31, 2013 | 1,041,788 | $32.21 |
| Granted | 173,776 | 47.66 |
| Shares issued | (451,431) | 28.04 |
| Forfeited | (8,689) | 47.66 |
| Outstanding at June 30, 2014 | 755,444 | $38.16 |

Executive Continuity and Restricted Stock Award Programs

The Executive Continuity Award ("ECA") program provided for the granting of tandem awards of restricted stock and/or nonqualified stock options to key executives. Grants were restricted and awards conditioned on attainment of a specified age. The awarding of a tandem stock option results in the cancellation of the related restricted shares.

The service-based Restricted Stock Award program ("RSA"), designed for recruitment, retention and special recognition purposes, also provides for awards of restricted stock to key employees. The program ceased as of July 1, 2014 as a result of the Spin-off and Merger, as discussed in Note 1 above. All awards outstanding at June 30, 2014 were vested on a pro rata basis at July 1, 2014.

xpedx
(A Business of International Paper Company)
Notes to Condensed Combined Financial Statements (unaudited)
(continued)

The following summarizes the activity of the ECA and RSA programs for the period ended June 30, 2014:

| | International Paper Shares/ Units | Weighted-Average Grant Date Fair Value (Actual Dollar) |
|---|---|---|
| Outstanding at December 31, 2012 | 27,500 | $34.43 |
| Granted | — | — |
| Shares issued | (2,500) | 27.24 |
| Outstanding at December 31, 2013 | 25,000 | $35.15 |
| Granted | — | — |
| Shares issued | — | — |
| Outstanding at June 30, 2014 | 25,000 | $35.15 |

Stock-based compensation expense and related income tax benefits were as follows:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (In Millions) | | (In Millions) | |
| Total stock-based compensation expense (included in Selling and administrative expense) | $3.2 | $3.5 | $4.3 | $7.8 |
| Income tax benefit related to stock-based compensation | $0.3 | $0.9 | $1.3 | $0.9 |

At June 30, 2014, $13.1 million of compensation cost, net of estimated forfeitures, related to unvested restricted performance shares, ECA and RSA attributable to future performance had not yet been recognized. This amount would have been recognized in expense over a weighted-average period of 1.8 years had the transactions described in Note 1 not been executed.

10. Financial Information by Reportable Segment

The Company's reportable segments, Print, Packaging and Facility Solutions, are consistent with the internal structure used to manage these businesses and the Company's major product lines. For management purposes, the Company reports the operating performance of each segment based on operating profit.

Net Sales

The following table presents net sales by reportable segment for the three and six months ended June 30:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (In Millions) | | (In Millions) | |
| Print | $735.1 | $791.9 | $1,471.4 | $1,588.2 |
| Packaging | 406.9 | 395.3 | 796.9 | 779.3 |
| Facility Solutions | 187.0 | 215.7 | 368.1 | 423.8 |
| Net sales | $1,329.0 | $1,402.9 | $2,636.4 | $2,791.3 |

xpedx
(A Business of International Paper Company)
Notes to Condensed Combined Financial Statements (unaudited)
(continued)

Operating Profit

The following table presents operating profit by reportable segment for the three and six months ended June 30:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (In Millions) | | (In Millions) | |
| Print | $7.2 | $4.8 | $14.1 | $13.6 |
| Packaging | 12.6 | 11.8 | 26.7 | 26.4 |
| Facility Solutions | (7.4) | (12.7) | (17.6) | (25.1) |
| Operating profit | 12.4 | 3.9 | 23.2 | 14.9 |
| Corporate items | (7.4) | (7.6) | (8.9) | (20.0) |
| Income (loss) from continuing operations before income taxes | $5.0 | $(3.7) | $14.3 | $(5.1) |

Restructuring Charges

The following table presents restructuring charges by reportable segment for the three and six months ended June 30:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (In Millions) | | (In Millions) | |
| Print | $0.1 | $6.9 | $— | $8.3 |
| Packaging | (0.9) | 3.7 | (0.9) | 4.1 |
| Facility Solutions | (0.1) | 1.5 | (0.2) | 2.0 |
| Corporate | — | 5.2 | — | 10.0 |
| Restructuring (income) charges | $(0.9) | $17.3 | $(1.1) | $24.4 |

Assets

The following table presents total assets by reportable segment as of June 30, 2014 and December 31, 2013:

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| | (In Millions) | |
| Print | $629.2 | $628.5 |
| Packaging | 404.7 | 418.7 |
| Facility Solutions | 182.9 | 209.1 |
| Corporate | 4.5 | 0.6 |
| Total assets | $1,221.3 | $1,256.9 |

18

xpedx
(A Business of International Paper Company)
Notes to Condensed Combined Financial Statements (unaudited)
(continued)

11. Related-Party Transactions and Parent Company Equity
Related-Party Sales and Purchases
For the three months ended June 30, 2014 and 2013, the Company sold products to other International Paper businesses in the amount of $12.3 million and $13.5 million, respectively, and for the six months ended June 30, 2014 and 2013 in the amount of $24.3 million and $27.5 million, respectively, which is included in Net sales in the condensed combined statements of operations and comprehensive income. The Company also purchased, and Veritiv continues to purchase inventories from other International Paper businesses. The Company purchased and recognized in Cost of products sold inventory from International Paper of $136.5 million and $139.8 million for the three months ended June 30, 2014 and 2013, respectively, and $276.5 million and $307.0 million for the six months ended June 30, 2014 and 2013, respectively. At June 30, 2014 and December 31, 2013, the aggregate amount of inventories purchased from other International Paper businesses that remained on the Company's condensed combined balance sheets was $51.7 million and $48.5 million, respectively.
Parent Company Investment
Net transfers (to) from International Paper are included within Parent company equity on the condensed combined balance sheets. All significant intercompany transactions between the Company and International Paper have been included in these condensed combined financial statements and are considered to be effectively settled for cash in the condensed combined financial statements at the time the transaction is recorded. The total net effect of the settlement of these intercompany transactions is reflected in the condensed combined statements of cash flows as a financing activity and in the condensed combined balance sheets as Parent company investment. The components of the Net transfers to Parent for the three and six months ended June 30, 2014 and June 30, 2013, are as follows:

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (In Millions) | | (In Millions) | |
| Intercompany sales and purchases, net | $126.6 | $124.5 | $255.4 | $273.9 |
| Cash pooling and general financing activities | (148.2) | (124.3) | (322.5) | (337.5) |
| Corporate allocations including income taxes | 17.9 | 15.0 | 34.7 | 37.5 |
| Total net transfers (to) from Parent | $(3.7) | $15.2 | $(32.4) | $(26.1) |

On June 27, 2011, the Company borrowed $15.1 million from International Paper bearing interest at 1.86%. Additionally, on August 31, 2011, the Company separately borrowed $5.1 million from International Paper bearing interest of 3.05%. There are no covenants with these promissory notes, and interest was due to International Paper at the maturity date. On December 31, 2013, the Company entered into a General Conveyance Agreement with International Paper whereby the debt was assumed by International Paper, effective immediately.

12. Subsequent Events

Spin-off and Merger Transactions

As discussed in Note 1, on July 1, 2014, the Spin-off and Merger were consummated. After the business combination, International Paper shareholders owned approximately 51%, and UWW Holdings, LLC owned approximately 49%, of the shares of Veritiv common stock on a fully-diluted basis.

xpedx
(A Business of International Paper Company)
Notes to Condensed Combined Financial Statements (unaudited)
(continued)

As part of the private placement transaction between Veritiv and UWW Holdings, LLC, Veritiv entered into the Registration Rights Agreement. Pursuant to the Registration Rights Agreement, UWW Holdings, LLC may transfer Veritiv's 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 Registration Rights Agreement provides UWW Holdings, LLC with certain demand and piggyback registration rights as described more fully in the following paragraph.

UWW Holdings, LLC, 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 registrable shares in such registration. The demand rights described will commence 180 days after the Distribution Date. The Company is not required to affect 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.

The Merger will be reflected in Veritiv's financial statements using the acquisition method of accounting, with Veritiv being considered the accounting acquirer of UWW Holdings, Inc. The preliminary estimated purchase price of $411.6 million was determined in accordance with the Merger Agreement, based on the estimated fair value of Veritiv shares transferred on the Distribution Date, preliminary cash payments associated with customary working capital adjustments, net indebtedness and transaction expenses related adjustments, and preliminary contingent liability associated with the Tax Receivable Agreement, to UWW Holdings, LLC. The preliminary purchase price will be allocated to tangible and identifiable intangible assets and liabilities based upon their respective fair values. Such allocations will be based upon valuations which have not been finalized. Veritiv expects that the valuation process will be completed no later than the second quarter of 2015.

The preliminary estimated purchase price is allocated as follows as of July 1, 2014:

| | (In Millions) |
|---|---|
| Current assets | $921.3 |
| Long-term assets | 420.5 |
| Identifiable intangible assets | 41.7 |
| Total liabilities assumed | (984.0) |
| Total identifiable net assets | 399.5 |
| Goodwill | 12.1 |
| Net assets acquired | $411.6 |

The amounts shown above may change as the final purchase price will be based on the valuation of Veritiv shares transferred, customary working capital adjustments, and valuation of the contingent liability associated with the Tax Receivable Agreement. As the values of certain assets and liabilities presented above are preliminary in nature, they are subject to adjustment as additional information is obtained.

The following unaudited pro forma financial information presents results as if the Merger and the related

20

xpedx
(A Business of International Paper Company)
Notes to Condensed Combined Financial Statements (unaudited)
(continued)

financing described below occurred on January 1, 2013. The historical consolidated financial information of the Company and UWW Holdings, Inc. has been adjusted in the pro forma information to give effect to pro forma events that are (1) directly attributable to the transactions, (2) factually supportable and (3) expected to have a continuing impact on the combined results. The unaudited pro forma results do not reflect future events that have occurred or may occur after the transactions, including but not limited to, the impact of any actual or anticipated synergies expected to result from the Merger. Accordingly, the unaudited pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transactions been effected on the assumed date, nor is it necessarily an indication of future operating results.

| | Three Months Ended June 30, 2014 (In Millions, except per share data and number of shares) | | | |
|---|---|---|---|---|
| | xpedx | Financing Adjustments | UWW Adjustments | Veritiv Pro Forma As Adjusted |
| Net sales | $1,329.0 | — | 976.8 | $2,305.8 |
| Net earnings (loss) | $2.9 | (0.9) | (5.3) | $(3.3) |
| Earnings (loss) per share of common stock | $0.36 | | | $(0.21) |
| Veritiv shares outstanding | 8,160,000 | | | 16,000,000 |

| | Six Months Ended June 30, 2014 (In Millions, except per share data and number of shares) | | | |
|---|---|---|---|---|
| | xpedx | Financing Adjustments | UWW Adjustments | Veritiv Pro Forma As Adjusted |
| Net sales | $2,636.4 | — | 1,907.5 | $4,543.9 |
| Net earnings (loss) | $8.4 | (1.8) | (0.5) | $6.1 |
| Earnings (loss) per share of common stock | $1.03 | | | $0.38 |
| Veritiv shares outstanding | 8,160,000 | | | 16,000,000 |

| | Three Months Ended June 30, 2013 (In Millions, except per share data and number of shares) | | | |
|---|---|---|---|---|
| | xpedx | Financing Adjustments | UWW Adjustments | Veritiv Pro Forma As Adjusted |
| Net sales | $1,402.9 | — | 1,004.3 | $2,407.2 |
| Net earnings (loss) | $(2.4) | (0.8) | 3.3 | $0.1 |