Veritiv Corp
Form 10-K
March 24, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

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

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 Act). Yes ¨ No x
As of June 30, 2014, the registrant's common stock was not publicly traded.
The number of shares outstanding of the registrant's common stock as of March 16, 2015 was 16,000,000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for the 2015 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

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EXPLANATORY NOTE

On July 1, 2014, International Paper Company completed the spin-off of its xpedx distribution solutions business ("xpedx") to the International Paper Company shareholders. Immediately following the spin-off, UWW Holdings, Inc., the parent company of Unisource Worldwide, Inc. ("Unisource"), was merged with and into xpedx to form a new publicly traded company known as Veritiv Corporation ("Veritiv").
Because the spin-off and merger transactions were consummated on July 1, 2014:

- The Veritiv Consolidated and Combined Statements of Operations, Statements of Comprehensive Income (Loss), Statements of Cash Flows and Statements of Shareholders' Equity and Notes thereto presented in this report for the year ended December 31, 2014 include the legacy xpedx business for the full twelve months presented and the legacy Unisource results from July 1, 2014. The Veritiv Combined Statements of Operations, Statements of Comprehensive Income (Loss), Statements of Cash Flows and Statements of Shareholders' Equity and Notes thereto presented in this report for the years ended December 31, 2013 and 2012 reflect the results of the legacy xpedx business only.
- The Veritiv Consolidated Balance Sheet and Notes thereto presented in this report as of December 31, 2014 reflect the assets, liabilities and equity of the combined legacy xpedx and Unisource businesses. The Veritiv Combined Balance Sheet and Notes thereto presented in this report as of December 31, 2013 reflect the assets, liabilities and equity of the legacy xpedx business only.

Additionally, the financial information presented in Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—of this report, and elsewhere, is consistent with the above Consolidated and Combined financial statement presentation.

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," "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 management, 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 or 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; procurement and other risks in obtaining packaging, paper and facility products from our suppliers for resale to our customers; increased competition from existing and non-traditional sources; loss of significant customers; our ability to collect trade receivables from customers to whom we extend credit; successful integration of the legacy xpedx and Unisource businesses and realization and timing of the expected synergy and other cost savings from the Merger; fuel cost increases; inclement weather, anti-terrorism measures and other disruptions to the transportation network; 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; our ability to put in place in a timely manner the Sarbanes-Oxley procedures necessary as a public company; increasing interest rates; foreign currency fluctuations; changes in accounting standards and methodologies; regulatory changes and judicial rulings impacting our business; adverse results from litigation, governmental investigations or audits, or tax related proceedings or audits; the effects of work stoppages, union negotiations and union disputes; our reliance on third-party vendors for various services; and other events of which we are presently unaware or that we currently deem immaterial that may result in unexpected adverse operating results.

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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", "us", or "ourselves") is a leading North American business-to-business distributor of print, publishing, packaging, facility and logistics solutions. Veritiv was established in 2014, following the merger of International Paper Company's ("International Paper" or "Parent") xpedx distribution solutions business and UWW Holdings, Inc. ("UWWH"), the parent company of 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 more than 180 distribution centers primarily throughout the U.S., Canada and Mexico, serving customers across a broad range of industries. These customers include printers, publishers, commercial printing, 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: Print, Publishing, Packaging and Facility Solutions. 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:

- 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 its customers.

- 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 manufacturing, 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 contract packaging, 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. We offer a world class network of leading suppliers in all categories, total cost of ownership solutions with re-merchandising, budgeting

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and compliance, inventory management, consistent multi-local supply solutions, and a sales-force trained to bring leading vertical expertise to all of the major North American geographies.

The table below summarizes net sales for each of the above segments, as a percentage of consolidated net sales:

	Year Ended December 31,		
	2014	2013	2012
Print	40%	43%	44%
Publishing	15%	14%	14%
Packaging	30%	28%	26%
Facility Solutions	14%	15%	16%
Corporate & Other	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 and Combined Financial Statements in Item 8 of this report.

Our History

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

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 outstanding shares of Veritiv common stock.

Immediately following the Spin-off on the Distribution Date, UWW Holdings, LLC, the sole stockholder of UWWH, (the "UWWH Stockholder") which is jointly owned by Bain Capital and Georgia-Pacific, received 7,840,000 shares of Veritiv common stock for all of the outstanding shares of UWWH common stock that it held on the Distribution Date, in a private placement transaction.

Immediately following the completion of the Transactions, International Paper shareholders owned approximately 51%, and the UWWH Stockholder 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.

Products and Services

Veritiv distributes well-known national and regional branded 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, uBrand, nordic+, Econosource, Comet, Starbrite Opaque Ultra, porcelianECO 30 and other brands,

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- Packaging products under the TUFflex brand, which include stretch film, carton sealing tape and other specialty tapes, and
- Cleaning chemicals, skin care products, sanitary maintenance supplies and a wide range of facility supplies products under the Reliable and Spring Grove brands.

For the year ended December 31, 2014, sales of products sold under private label brands accounted for approximately 12% of consolidated net sales. On a segment basis, private label sales in the Print, Packaging and Facility Solutions segments accounted for approximately 21%, 8% and 9%, respectively, of that segment's total net sales for the year ended December 31, 2014. The Publishing segment did not have any private label sales.

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. Generally, the Company’s customers are 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 year ended December 31, 2014, 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 Print, Packaging and Facility Solutions segments. The Publishing segment primarily operates as a direct ship brokerage 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 managing the total cost of inventory by improving 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. We in turn enter into incentive agreements with certain of our largest customers, which are generally based on sales to these customers.

Competition

The paper, publishing, packaging and facility solutions 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.

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

- 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, 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. Veritiv's brokerage companies, Bulkley Dunton and Graphic Communications, act in a consulting capacity in the selection of products as well as providing supply chain services and solutions.
- 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.

We believe that our competitive advantages include over 1,600 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, 2014, 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 40% of the Company’s unionized employees have collective bargaining agreements that expire during 2015. We currently expect that we will be able to renegotiate such agreements on satisfactory terms when they expire. 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

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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, in each of our segments. For the year ended December 31, 2014, sales of products sold under private label brands accounted for approximately 12% of consolidated net sales. 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.

Veritiv does not have any material patents or licenses. During the last three years, Veritiv has not had any research and development expenditures.

Seasonality

The Company's operating results are subject to seasonal influences. Historically, our highest consolidated net sales and consequently Adjusted EBITDA (as defined in the "Key Performance Measure" section of Item 7 of this report) occur during the third quarter while our lowest consolidated net sales and consequently Adjusted EBITDA occur during the first quarter. 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. 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 second quarter due to increased summer demand in the away-from-home resort, cruise and hospitality markets and second highest during the third quarter due to back-to-school demand from our customers.

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, 2015.

Name	Age	Position
Mary A. Laschinger	54	Chairman and Chief Executive Officer
Stephen J. Smith	51	Senior Vice President and Chief Financial Officer
Charles B. Henry	50	Senior Vice President Integration and Change Management
Mark W. Hianik	54	Senior Vice President, General Counsel and Corporate Secretary
Thomas S. Lazzaro	51	Senior Vice President Field Sales and Operations

Joseph B. Myers	49	Senior Vice President Facility Solutions, Strategy and Commercial Excellence
Barry R. Nelson	50	Senior Vice President Publishing and Print Management
Elizabeth Patrick	47	Senior Vice President and Chief Human Resources Officer
Neil A. Russell	43	Senior Vice President Corporate Affairs
Darin W. Tang	49	Senior Vice President Packaging
Daniel J. Watkoske	46	Senior Vice President Print

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The following descriptions of the business experience of our executive officers include the principal positions held by them since March 2010.

Mary A. Laschinger has served as Chairman and Chief Executive Officer of the Company since January 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 product management and distribution 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 xpedx and the industry in which it operates. Ms. Laschinger also serves as a director of Kellogg Company.

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 distributer, 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 Integration and Change Management of the Company since July 2014. Previously, 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 corporate administrative functions as well as significant mergers and acquisitions, securities, corporate finance and corporate governance experience.

Thomas S. Lazzaro has served as Senior Vice President Field Sales and Operations of the Company since July 2014. 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. From October 2007 to May 2010, Mr. Lazzaro held several positions with HD Supply, a construction supply company, including President of White Cap Construction Supply and President of Creative Touch Interiors. Previously, Mr. Lazzaro was a senior executive with Home Depot and General Electric. Mr. Lazzaro has significant experience in general management, supply chain, operations and finance in the manufacturing and distribution industries.

Joseph B. Myers has served as Senior Vice President Facility Solutions, Strategy and Commercial Excellence of the Company since April 2014. Previously, Mr. Myers served as President of Oldcastle Building Solutions, a unit of Oldcastle

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Inc., one of the nation’s largest building products companies, from February 2012 to April 2014. From August 2000 to February 2012, Mr. Myers was a Partner at McKinsey & Company, a management consulting firm, where he was a designated expert in sales and market growth development and led client engagements across various industries, including distribution, paper, packaging and chemicals. Previously, Mr. Myers held positions in sales, marketing and general management with BP Amoco. Mr. Myers has significant experience in senior leadership, general management, consulting, strategy and business transformation positions.

Barry R. Nelson has served as Senior Vice President Publishing and Print Management of the Company since July 2014. 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 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 until 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. 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. Prior to that, 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 increasing responsibility with General Motors Company and GM spin-off, Delphi Corporation, a global automotive parts manufacturer. Ms. Patrick has significant human resources and finance management and leadership experience.

Neil A. Russell has served as Senior Vice President Corporate Affairs of the Company since February 2014. Previously, Mr. Russell served as Vice President—Investor Relations of Sysco Corporation, a global business-to-business foodservice distributor, from August 2007 to February 2014. Prior to that, Mr. Russell served as Director of Investor Relations of Delta Air Lines. While at Delta, Mr. Russell also held positions of increasing responsibility including Director of Financial Analysis and worked in the areas of Strategic Planning and Network Analysis. Mr. Russell has significant experience as an investor relations officer for global public companies, as well as significant financial planning and public relations experience.

Darin W. Tang has served as Senior Vice President Packaging of the Company since July 2014. Prior to that, Mr. Tang served as President of the Packaging Solutions Group for Unisource from January 2013 to July 2014. Since joining Unisource in 2004, Mr. Tang has held positions as Area Vice President of Packaging, Senior Vice President of Packaging, Senior Vice President for the East Region and National Packaging Director and President, Sales of the Industry Business Group. Prior to joining Unisource, Mr. Tang served as Director of Sales with Intertape Polymer Group, Inc., a specialty manufacturer of packaging products and systems, and in various roles in sales and training with Scott Paper Company/Kimberly-Clark, a manufacturer of personal care products to the distribution and retail channels. Mr. Tang has significant sales and sales management experience in the paper and packaging manufacturing and distribution industries.

Daniel J. Watkoske has served as Senior Vice President Print of the Company since July 2014. Prior to that, Mr. Watkoske served as Executive Vice President Sales for xpedx from January 2011 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.

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Company Information

Veritiv was incorporated in Delaware on July 10, 2013. Our principal executive offices are currently located at 6600 Governors Lake Parkway, Norcross, Georgia 30071. In December 2014, we announced our plans to relocate our principal executive offices to 400 Northpark Town Center in Atlanta, Georgia.

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 "Investors" 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 and the failure to grow the Packaging and Facility Solutions businesses 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.

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 have 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 gross domestic product ("GDP") in recent years has adversely affected our results of operations. If GDP continues to indicate a sluggish economy, or if economic growth declines, demand for the products we sell will be adversely affected. In addition, volatility in the capital and credit markets, which impacts interest

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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 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 and may incur substantial costs in connection with 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. 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 13% of our consolidated net sales for the six months ended December 31, 2014, 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 historical 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 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

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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 six months ended December 31, 2014, approximately 40% of our purchases were made from only 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. Although our purchasing volume can provide benefits when dealing with suppliers, suppliers may not provide the products and supplies needed in the quantities and at the prices 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. We currently pass on some of our fuel costs through a fuel surcharge on orders, but 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

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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 need quick delivery and will 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. We maintain redundant information systems as part of our disaster recovery program and, if necessary, are able to operate in many respects using a paper-based system to help mitigate a complete interruption in our information processing capabilities. We have also invested in tools and processes to combat security threats. Nonetheless, our information systems remain vulnerable to natural disasters, wide-area telecommunications or power utility outages, terrorist or cyber-attacks and other major disruptions.

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 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, 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

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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. 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 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 and interest 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 liability 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.

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 40 of our lease and sublease agreements

expire in June 2018. 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. Although we believe that the outcome of any pending or future lawsuits or claims will not have a material adverse effect on our business or consolidated financial statements, there can be no assurance that the outcome of any lawsuit or claim will be as expected. The defense of these lawsuits may divert our management's attention, and significant expenses may be incurred in defending these lawsuits. 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.

While we currently maintain insurance coverage to address a portion 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 in all cases. 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 have 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 costs are dependent upon numerous factors resulting from actual plan experience and assumptions of future experience, including 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 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 ("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

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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 liability, upon decrease or cessation of participation in a multi-employer pension plan. While an employer may obtain an estimate of such liability, the final calculation of withdrawal liability may not be determined for an extended period. 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, 2014, we had approximately $911.0 million in total indebtedness, reflecting borrowings of $847.8 million under the asset-based lending facility (the "ABL Facility"), $52.2 million of financing obligations to a related party (exclusive of the non-monetary portion) and $11.0 million of equipment capital lease 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 increased interest rates because 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

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- 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 Recent Spin-off and Merger

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

The benefits that we expect to achieve as a result of the Merger will depend, in part, on our ability to realize anticipated growth opportunities, cost savings and other synergies. Our success in realizing these growth opportunities, cost savings and synergies, and the timing of this realization, depends on the successful integration of the xpedx and Unisource businesses. 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. For example, we may be unable to eliminate duplicative costs. Moreover, we will incur substantial expenses in connection with the integration of xpedx's and Unisource's businesses. Such expenses are difficult to estimate accurately and may exceed current estimates. Accordingly, the 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 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. These challenges include:

- the challenge of integrating the xpedx and Unisource businesses and carrying on the ongoing operations of each business;
- the challenge of integrating the business cultures of each company;
- the challenge and cost of integrating the IT systems of each company; and
- the potential difficulty in retaining key employees and sales personnel of xpedx and Unisource.

The integration process could 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, which, in turn, decreases the time they will have to manage our company, service existing customers, attract new customers and develop new services or strategies.

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

Our historical financial data are not necessarily representative of the results we would have achieved if we operated as a combined company prior to the Transactions and may not be a reliable indicator of our future results.

Our historical financial data for periods prior to the Transactions included in this report may not reflect what xpedx's or Unisource's results of operations, financial condition and cash flows would have been had we been a combined company during the periods presented, or what our results of operations, financial condition and cash flows will be in the future. Among other factors, this is because:

- Prior to the Transactions, International Paper operated the xpedx business as part of its broader corporate organization. International Paper, or one of its affiliates, performed certain corporate functions for the xpedx business, including tax and treasury administration and certain governance functions, such as internal audit and

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external reporting. Our historical financial statements reflect allocations of corporate expenses from International Paper for these and similar functions and may not reflect the costs that we will incur for similar services in the future.

- The working capital and other capital required for the general corporate purposes of the xpedx business, including acquisitions and capital expenditures, historically have been satisfied as part of the company-wide cash management practices of International Paper. As a result of the Transactions, we need to generate our own funds to finance working capital or other cash requirements and may need to obtain additional financing from banks, either through public offerings or private placements of debt or equity securities or other arrangements.
- Other significant changes may occur in our cost structure, management, financing and business operations as a result of operating as a combined company.

We have limited experience complying with the reporting and other requirements of a publicly traded company.

As a result of the Transactions, we became a publicly traded company on July 1, 2014. We have limited experience complying with the reporting and other requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. We are responsible for ensuring that all aspects of our business comply with Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes Oxley Act"). Under the Sarbanes-Oxley Act, we are required to maintain effective disclosure controls and procedures and internal control over financial reporting. In addition, our management is required to assess the effectiveness of our internal control over financial reporting and obtain a report by an independent registered public accounting firm addressing such assessments on an annual basis, subject to applicable phase-in periods.

To comply with these requirements, we have incurred significant costs in upgrading our systems, implementing additional financial and management controls, reporting systems and procedures, and hiring additional accounting, audit, tax and legal staff. We will also incur additional annual expenses for the purpose of addressing these requirements, and those expenses may be significant. Any failure to achieve and maintain effective internal controls could have a material adverse effect on our business, financial condition and results of operations.

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

We anticipate that we will incur costs associated with the Transactions of approximately $225 million over the five years following the Transactions. We are not able to quantify the exact amount of these costs or the period in which they will be incurred. Some of the factors affecting the costs associated with the Transactions include the resources required in integrating the Unisource business and the xpedx business and the length of time during which transition services are provided to us by International Paper. The amount and timing of these costs 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 currently expect costs associated with achieving anticipated cost savings and other synergies from the Transactions to be approximately $225.0 million over a five-year period from the Distribution Date, including approximately $55.0 million for capital expenditures, primarily consisting 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. Expenditures in excess of the budgeted amounts on integration and other 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 Internal Revenue Code (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

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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, 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. In addition, International Paper received a private letter ruling from the IRS to the effect that the Merger will qualify as a tax-free reorganization under Section 368(a) of the Code. Although a private letter ruling from the IRS generally is binding on the IRS, the IRS ruling does not rule that the Merger satisfies every requirement for a tax-free reorganization under Section 368(a) of the Code, and we relied on an opinion of counsel for comfort that such additional requirements are satisfied.

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. 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 and 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 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 may be required to pay substantial U.S. federal income taxes.

In connection with the Transactions, 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 a private letter ruling from the IRS to the effect that the Subsidiary Merger will qualify as a transfer of property to Unisource under

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Section 351(a) of the Code. Although a private letter ruling from the IRS generally is binding on the IRS, the IRS ruling does not rule that the Subsidiary Merger satisfies every requirement for a transfer of property to Unisource under Section 351(a) of the Code, and the parties relied solely on the opinion of counsel for comfort that such additional requirements are satisfied.

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. 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 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.

We are generally obligated to pay the UWWH Stockholder an amount equal to 85% of the tax savings arising from pre-Merger net operating loss ("NOL") carryforwards, and our ability to use such NOL carryforwards to offset future taxable income may be subject to limitations, including as a result of an ownership change for Unisource in connection with the Merger under Section 382 of the Code.

Unisource had, and we acquired, substantial NOLs for U.S. federal, state and Canadian income tax purposes. Pursuant to the Tax Receivable Agreement, we are generally obligated to pay the UWWH Stockholder an amount equal to 85% of the U.S. federal, state and Canadian income tax savings, if any, that we actually realize with respect to taxable periods (or portions thereof) beginning after the date of the Merger as a result of the utilization of Unisource's net operating losses attributable to taxable periods prior to the date of the Merger. The utilization of Unisource's NOLs, tax credits and other tax attributes 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 utilize these tax attributes. 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. Moreover, the Merger resulted in an ownership change for Unisource under Section 382 of the Code, potentially limiting the use of Unisource's NOLs to offset future taxable income for both U.S. federal and state income tax purposes. These limitations may affect the timing of when these NOLs may be used which, in turn, may 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. While 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.

We are required to abide by potentially significant restrictions that could limit our ability to undertake certain corporate actions (such as the issuance of common stock or the undertaking of a merger or consolidation) that

otherwise could be advantageous.

The Tax Matters Agreement prohibits us from taking actions that could reasonably be expected to cause the Transactions to be taxable. In particular, for two years after the Spin-off we may not:

- cease, or permit certain of our wholly owned subsidiaries to cease, the active conduct of a business that was conducted immediately prior to the Spin-off or from holding certain assets held at the time of the Spin-off;
- dissolve, liquidate, take any action that is a liquidation for U.S. federal income tax purposes, merge or consolidate with any other person (other than pursuant to the Mergers), or permit certain of our wholly owned subsidiaries from doing any of the foregoing; or
- approve or allow an extraordinary contribution to us by our shareholders in exchange for stock, redeem or otherwise repurchase (directly or indirectly) any of our stock, or amend our certificate of incorporation or other organizational

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documents, or take any other action, if such amendment or other action would affect the relative voting rights of our capital stock.

Nevertheless, we are permitted to take any of the actions described above if International Paper obtains a supplemental IRS private letter ruling (or, in certain circumstances, an opinion of counsel that is reasonably acceptable to International Paper) to the effect that such action will not affect the tax-free status of the Transactions. Because of these restrictions, for two years after the Spin-off, we may be limited in the amount of capital stock that we can issue to make acquisitions or to raise additional capital.

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;
- the inability to issue equity securities or convertible debt securities during the two year period following the Distribution Date without jeopardizing the intended tax consequences of the Transactions;