

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2020

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: 000-51515



Core-Mark Holding Company, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1500 Solana Boulevard, Suite 3400
Westlake, Texas
(Address of principal executive offices)

20-1489747
(IRS Employer
Identification No.)

76262

(Zip Code)

(940) 293-8600

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.01 per share	CORE	NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of November 2, 2020, 44,921,547 shares of the registrant's common stock, \$0.01 par value per share, were outstanding.

FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2020
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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share and per share data)
(Unaudited)

	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 11.7	\$ 14.1
Accounts receivable, net of allowance for credit losses of \$15.2 and \$14.5 as of September 30, 2020 and December 31, 2019, respectively	387.3	402.9
Other receivables, net	110.1	96.2
Inventories, net (Note 3)	832.2	670.9
Deposits and prepayments	86.4	116.0
Total current assets	1,427.7	1,300.1
Property and equipment, net	269.1	249.9
Operating lease right-of-use assets	174.7	199.8
Goodwill	72.8	72.8
Other intangible assets, net	42.4	47.2
Other non-current assets, net	25.3	28.6
Total assets	\$ 2,012.0	\$ 1,898.4
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 242.7	\$ 192.2
Book overdrafts	43.3	23.9
Cigarette and tobacco taxes payable	225.2	280.1
Operating lease liabilities	33.3	39.5
Accrued liabilities	176.6	151.0
Total current liabilities	721.1	686.7
Long-term debt (Note 4)	444.7	382.1
Deferred income taxes	22.9	22.6
Long-term operating lease liabilities	151.4	173.4
Other long-term liabilities	15.9	5.6
Claims liabilities	37.4	36.1
Total liabilities	1,393.4	1,306.5
Contingencies (Note 5)		
Stockholders' equity:		
Common stock, \$0.01 par value (150,000,000 shares authorized; 52,916,459 and 52,702,551 shares issued; 45,092,286 and 45,113,722 shares outstanding at September 30, 2020 and December 31, 2019, respectively)	0.5	0.5
Additional paid-in capital	294.8	290.6
Treasury stock at cost (7,824,173 and 7,588,829 shares of common stock at September 30, 2020 and December 31, 2019, respectively)	(118.0)	(112.6)
Retained earnings	446.6	418.5
Accumulated other comprehensive loss	(5.3)	(5.1)
Total stockholders' equity	618.6	591.9
Total liabilities and stockholders' equity	\$ 2,012.0	\$ 1,898.4

See accompanying notes to condensed consolidated financial statements.

CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net sales	\$ 4,502.6	\$ 4,422.6	\$ 12,705.8	\$ 12,515.7
Cost of goods sold	4,267.6	4,176.0	12,039.3	11,822.0
Gross profit	235.0	246.6	666.5	693.7
Warehousing and distribution expenses	140.4	148.6	408.3	426.0
Selling, general and administrative expenses	57.3	61.8	181.0	192.3
Amortization of intangible assets	2.5	2.3	7.2	7.7
Total operating expenses	200.2	212.7	596.5	626.0
Income from operations	34.8	33.9	70.0	67.7
Interest expense, net	(2.1)	(4.2)	(8.4)	(10.8)
Foreign currency transaction (losses) gains, net	(0.5)	0.9	(0.7)	(0.3)
Income before income taxes	32.2	30.6	60.9	56.6
Provision for income taxes	(9.2)	(8.1)	(16.7)	(15.1)
Net income	<u>\$ 23.0</u>	<u>\$ 22.5</u>	<u>\$ 44.2</u>	<u>\$ 41.5</u>
Basic earnings per share (Note 6)	\$ 0.51	\$ 0.49	\$ 0.98	\$ 0.91
Diluted earnings per share (Note 6)	\$ 0.51	\$ 0.49	\$ 0.98	\$ 0.90
Basic weighted-average shares (Note 6)	45.1	45.8	45.1	45.8
Diluted weighted-average shares (Note 6)	45.4	46.1	45.3	46.1

See accompanying notes to condensed consolidated financial statements.

CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Net income	\$ 23.0	\$ 22.5	\$ 44.2	\$ 41.5
Foreign currency translation gains (losses), net	1.2	(1.5)	(0.2)	1.5
Comprehensive income	<u>\$ 24.2</u>	<u>\$ 21.0</u>	<u>\$ 44.0</u>	<u>\$ 43.0</u>

See accompanying notes to condensed consolidated financial statements.

CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Total stockholders' equity, beginning balances	\$ 597.0	\$ 580.8	\$ 591.9	\$ 567.0
Common stock:				
Beginning and ending balances	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5
Additional paid-in capital:				
Beginning balances	\$ 292.3	\$ 285.3	\$ 290.6	\$ 283.3
Common stock issued, net of shares withheld for employee taxes	(0.1)	(0.1)	(2.5)	(2.2)
Stock-based compensation expense	2.6	3.1	6.7	7.2
Ending balances	\$ 294.8	\$ 288.3	\$ 294.8	\$ 288.3
Treasury stock:				
Beginning balances	\$ (118.0)	\$ (90.6)	\$ (112.6)	\$ (90.6)
Repurchase of common stock	—	(8.1)	(5.4)	(8.1)
Ending balances	\$ (118.0)	\$ (98.7)	\$ (118.0)	\$ (98.7)
Retained earnings:				
Beginning balances	\$ 428.7	\$ 390.4	\$ 418.5	\$ 381.6
Net income	23.0	22.5	44.2	41.5
Dividends declared	(5.1)	(5.1)	(16.1)	(15.3)
Ending balances	\$ 446.6	\$ 407.8	\$ 446.6	\$ 407.8
Accumulated other comprehensive loss:				
Beginning balances	\$ (6.5)	\$ (4.8)	\$ (5.1)	\$ (7.8)
Other comprehensive gains (losses)	1.2	(1.5)	(0.2)	1.5
Ending balances	\$ (5.3)	\$ (6.3)	\$ (5.3)	\$ (6.3)
Total stockholders' equity, ending balances	<u>\$ 618.6</u>	<u>\$ 591.6</u>	<u>\$ 618.6</u>	<u>\$ 591.6</u>
Common stock shares:				
Beginning share balance	52.9	52.7	52.7	52.5
Common stock issued, net of shares withheld for employee taxes	—	—	0.2	0.2
Ending share balance	<u>52.9</u>	<u>52.7</u>	<u>52.9</u>	<u>52.7</u>
Treasury stock shares:				
Beginning share balance	(7.8)	(6.8)	(7.6)	(6.8)
Repurchase of common stock	—	(0.3)	(0.2)	(0.3)
Ending share balance	<u>(7.8)</u>	<u>(7.1)</u>	<u>(7.8)</u>	<u>(7.1)</u>
Total shares outstanding	<u>45.1</u>	<u>45.6</u>	<u>45.1</u>	<u>45.6</u>
Dividends declared per share	\$ 0.12	\$ 0.11	\$ 0.36	\$ 0.33

See accompanying notes to condensed consolidated financial statements.

CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net income	\$ 44.2	\$ 41.5
Adjustments to reconcile net income to net cash used in operating activities:		
LIFO and inventory provisions	21.6	21.4
Amortization of debt issuance costs	0.6	0.6
Stock-based compensation expense	6.7	7.2
Credit loss expense, net	5.7	5.4
Impairment charge and other	0.3	—
Loss on disposals	0.1	0.1
Depreciation and amortization	48.9	45.8
Foreign currency losses, net	0.7	0.3
Deferred income taxes	0.3	0.5
Changes in operating assets and liabilities:		
Accounts receivable, net	9.1	(29.9)
Other receivables, net	(14.1)	(21.6)
Inventories, net	(185.4)	(199.5)
Deposits, prepayments and other non-current assets	23.3	(22.9)
Accounts payable	51.2	74.2
Cigarette and tobacco taxes payable	(53.6)	(61.3)
Claims, accrued and other long-term liabilities	32.7	27.1
Net cash used in operating activities	(7.7)	(111.1)
Cash flows from investing activities:		
Acquisition of business	—	(2.5)
Additions to property and equipment, net	(17.9)	(15.3)
Capitalization of software and related development costs	(2.7)	(3.3)
Proceeds from sale of property and equipment, net	—	0.2
Proceeds from sale of other non-current assets	1.1	—
Net cash used in investing activities	(19.5)	(20.9)
Cash flows from financing activities:		
Borrowings under the Credit Facility	1,424.5	1,334.6
Repayments under the Credit Facility	(1,386.3)	(1,166.6)
Payments on finance leases	(8.9)	(3.6)
Dividends paid	(16.5)	(15.2)
Repurchases of common stock	(5.4)	(8.1)
Tax withholdings related to net share settlements of restricted stock units	(2.5)	(2.2)
Increase (decrease) in book overdrafts	19.4	(7.7)
Net cash provided by financing activities	24.3	131.2
Effects of changes in foreign exchange rates	0.5	(0.5)
Change in cash and cash equivalents	(2.4)	(1.3)
Cash and cash equivalents, beginning of period	14.1	27.3
Cash and cash equivalents, end of period	\$ 11.7	\$ 26.0
Supplemental disclosures:		
Cash (paid) received during the period for:		
Income taxes, net	\$ (22.3)	\$ (13.6)
Interest	\$ (8.2)	\$ (9.1)
Operating lease liabilities arising from obtaining new right-of-use assets	\$ 5.2	\$ 7.0
Finance lease liabilities arising from obtaining new right-of-use assets	\$ 36.9	\$ 29.3
Non-cash transactions between other non-current assets and other long-term liabilities	\$ —	\$ 4.7

See accompanying notes to condensed consolidated financial statements.

CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Summary of Company Information and Basis of Presentation

Business

Core-Mark Holding Company, Inc., and its subsidiaries (collectively referred to herein as the “Company” or “Core-Mark”), are one of the largest marketers of fresh, food and broad-line supply solutions to the convenience retail industry in North America. The Company offers a full range of products, marketing programs and technology solutions to approximately 41,000 customer locations in the United States (“U.S.”) and Canada. The Company’s customers include traditional convenience stores, drug stores, mass merchants, grocery stores, liquor stores and other specialty and small format stores that carry convenience products. The Company’s product offering includes cigarettes, other tobacco products (“OTP”), alternative nicotine products, candy, snacks, fast food, groceries, fresh products, dairy, bread, beverages, general merchandise and health and beauty care products. The Company operates a network of thirty-two distribution centers in the U.S. and Canada (excluding two distribution facilities it operates as a third-party logistics provider). Twenty-seven distribution centers are located in the U.S. and five are located in Canada.

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated balance sheet as of September 30, 2020, the unaudited condensed consolidated statements of operations and comprehensive income, the unaudited condensed consolidated statements of stockholders’ equity for the three and nine months ended September 30, 2020 and 2019, and the unaudited condensed consolidated statements of cash flows for the nine months ended September 30, 2020 and 2019, have been prepared in accordance with the requirements of the U.S. Securities and Exchange Commission (“SEC”) for interim reporting. Accordingly, certain footnotes and other financial information that are normally required by generally accepted accounting principles in the U.S. (“GAAP”) have been condensed or omitted. The condensed consolidated balance sheet as of December 31, 2019 has been derived from the Company’s audited financial statements, which are included in its 2019 Annual Report on Form 10-K, filed with the SEC on March 2, 2020.

The consolidated financial statements include Core-Mark and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements in its Annual Report on Form 10-K, for the year ended December 31, 2019.

The unaudited condensed consolidated interim financial statements include all adjustments necessary for the fair presentation of the Company’s consolidated results of operations, financial position, comprehensive income, changes in stockholders’ equity and cash flows. Results for the interim periods are not necessarily indicative of results to be expected for the full year or any other future periods.

2. Summary of Significant Accounting Policies

Adoption of Accounting Pronouncements

On June 16, 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”). The Company adopted this pronouncement on a modified retrospective basis effective January 1, 2020. The new guidance replaces the incurred loss impairment approach with a methodology that incorporates all expected credit loss estimates, resulting in more timely recognition of losses. The adoption of ASU 2016-13 and all subsequent amendments did not have a material impact on the Company’s consolidated financial statements.

On January 26, 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”). The Company adopted this pronouncement on a prospective basis effective January 1, 2020. The new guidance simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. ASU 2017-04 requires goodwill impairment to be measured as the amount by which a reporting unit’s carrying amount exceeds its fair value, not to exceed the carrying amount of its goodwill. Accordingly, the Company has amended its methodology for determining any goodwill impairment calculations. The adoption of ASU 2017-04 did not have a material impact on the Company’s consolidated financial statements.

Recent Accounting Standards or Updates Not Yet Effective

On August 28, 2018, the FASB issued ASU No. 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans -General (Topic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans* (“ASU 2018-14”). The new guidance removes disclosures that are no longer considered cost beneficial, clarifies the specific requirements of disclosures and adds disclosure requirements identified as relevant for defined benefit pension and other post-retirement benefit plans. ASU 2018-14 requires retrospective application and is effective for annual periods beginning after December 15, 2020, with early adoption permitted. The Company has determined that ASU 2018-14 will not have a material impact on its consolidated financial statements.

On December 18, 2019 the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (“ASU 2019-12”). The new guidance enhances and simplifies various aspects of the income tax accounting guidance, including requirements pertaining to hybrid tax regimes, ownership changes in investments, and interim-period accounting for enacted changes in tax law. ASU 2019-12 is effective for annual periods beginning after December 15, 2020, with early adoption permitted. The Company has determined that ASU 2019-12 will not have a material impact on its consolidated financial statements.

Concentration of Credit Risks

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash investments, accounts receivable and other receivables. The Company places its cash and cash equivalents in short-term instruments with high-quality financial institutions and limits the amount of credit exposure in any one financial instrument.

A credit review is completed for new customers and ongoing credit evaluations of each customer’s financial condition are performed periodically, with an allowance recognized for expected credit losses. Credit limits given to customers are based on a risk assessment of their ability to pay and other factors. Accounts receivable are typically not collateralized, but the Company may require prepayments or other guarantees whenever deemed necessary.

Murphy U.S.A., the Company’s largest customer, accounted for approximately 13% and 14% of the Company’s net sales for the three and nine months ended September 30, 2020, respectively, and approximately 13% of the Company’s net sales for the three and nine months ended September 30, 2019. No other customer individually accounted for more than 10% of sales for these periods. No single customer individually accounted for 10% or more of the Company’s accounts receivable as of September 30, 2020 or December 31, 2019.

3. Inventories, Net

Inventories consist of the following (in millions):

	September 30, 2020	December 31, 2019
Inventories at FIFO, net of reserves	\$ 1,058.4	\$ 875.6
Less: LIFO reserve	(226.2)	(204.7)
Total inventories, net of reserves	<u>\$ 832.2</u>	<u>\$ 670.9</u>

Cost of goods sold reflects the application of the last-in, first-out (“LIFO”) method of valuing inventories in the U.S. based upon estimated annual producer price indexes. Inventories in Canada are valued on a first-in, first-out (“FIFO”) basis, as LIFO is not a permitted inventory valuation method in Canada. During periods of rising prices, the LIFO method of costing inventories generally results in higher current costs being charged against income while lower costs are retained in inventories. Conversely, during periods of decreasing prices, the LIFO method of costing inventories generally results in lower current costs being charged against income and higher stated inventories. If the FIFO method had been used for valuing inventories in the U.S., inventories would have been approximately \$226.2 million and \$204.7 million higher as of September 30, 2020 and December 31, 2019, respectively. The Company recorded LIFO expense of \$5.4 million and \$7.3 million for the three months ended September 30, 2020 and 2019, respectively, and \$21.5 million and \$21.7 million for the nine months ended September 30, 2020 and 2019, respectively.

4. Long-Term Debt

Long-term debt consists of the following (in millions):

	September 30, 2020	December 31, 2019
Amounts borrowed (Credit Facility)	\$ 363.0	\$ 324.8
Obligations under finance leases	81.7	57.3
Total long-term debt	\$ 444.7	\$ 382.1

The Company has a revolving credit facility (the “Credit Facility”) with a capacity of \$750.0 million as of September 30, 2020, limited by a borrowing base consisting of eligible accounts receivables and inventories. The Credit Facility expires in March 2022 and has an expansion feature which permits an increase of \$200.0 million, subject to borrowing base requirements. All obligations under the Credit Facility are secured by first-priority liens on substantially all of the Company’s present and future assets. The terms of the Credit Facility permit prepayment without penalty at any time (subject to customary breakage costs with respect to London Interbank Offered Rate (“LIBOR”) or Canadian Dollar Offered Rate (“CDOR”) based loans prepaid prior to the end of an interest period).

Amounts related to the Credit Facility are as follows (in millions, except interest rate data):

	September 30, 2020	December 31, 2019
Amounts borrowed, net	\$ 363.0	\$ 324.8
Outstanding letters of credit	19.4	16.7
Amounts available to borrow ⁽¹⁾	352.1	341.7
Unamortized debt issuance costs	1.1	1.7

(1) Subject to borrowing base limitations, and excluding expansion feature of \$200.0 million.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Average borrowings	\$ 163.4	\$ 371.1	\$ 284.2	\$ 295.0
Range of borrowings	69.0 - 401.0	252.8 - 489.0	69.0 - 499.3	141.7 - 489.0
Unused Credit Facility and letter of credit participation fees ⁽¹⁾	0.4	0.3	1.0	0.9
Amortization of debt issuance costs ⁽¹⁾	0.2	0.2	0.6	0.6
Weighted-average interest rate ⁽²⁾	1.4 %	3.5 %	1.9 %	3.6 %

(1) Included in interest expense, net.

(2) Calculated based on the daily cost of borrowing, reflecting a blend of prime and LIBOR rates.

5. Contingencies

Litigation

The Company is subject to certain legal proceedings, claims, investigations and administrative proceedings in the ordinary course of its business. The Company records a provision for a liability when it is probable that the liability has been incurred and the amount of the liability can be reasonably estimated. These provisions, if any, are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. In the opinion of management, the outcome of pending litigation is not expected to have a material effect on the Company’s results of operations, financial condition or liquidity.

On October 2, 2019, the United States Judicial Panel on Multidistrict Litigation transferred and consolidated all then-pending personal injury cases against Juul Labs, Inc. (“JLI”) involving the distribution and sale of JUUL products to the Northern District of California (the “JUUL MDL”). Subsequently, on March 11, 2020, the plaintiffs in the JUUL MDL filed a Personal Injury Consolidated Master Complaint against JLI, Philip Morris and various Altria Group entities, JLI co-founders, early JLI investors and board members, certain e-liquid manufacturers, and numerous distributors and retailers of JUUL products, including Core Mark. Consequently, Core-Mark has been added as a defendant in a number of these personal injury suits. The JLI MDL litigation is currently in an early stage, and the personal injury plaintiffs have not made a monetary demand to the defendants. Core-Mark believes that it is entitled to contractual, statutory and/or common law indemnification from JLI for any liability that could result from the JUUL MDL. Core-Mark and JLI are in discussions regarding these indemnification rights.

6. Earnings Per Share

The following table sets forth the computation of basic and diluted net earnings per share (dollars and shares in millions, except per share amounts):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Earnings				
Net income	\$ 23.0	\$ 22.5	\$ 44.2	\$ 41.5
Shares				
Weighted-average common shares outstanding (basic shares)	45.1	45.8	45.1	45.8
Adjustment for assumed dilution:				
Restricted stock units	0.2	0.2	0.1	0.2
Performance shares	0.1	0.1	0.1	0.1
Weighted-average shares assuming dilution (diluted shares)	45.4	46.1	45.3	46.1
Earnings per share				
Basic ⁽¹⁾	\$ 0.51	\$ 0.49	\$ 0.98	\$ 0.91
Diluted ⁽¹⁾	\$ 0.51	\$ 0.49	\$ 0.98	\$ 0.90

(1) Basic and diluted earnings per share are calculated based on unrounded actual amounts.

The number of common shares that were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive were 10,279 and 263,983 for the three and nine months ended September 30, 2020, respectively, and 10,279 and 205,748, for the same periods in 2019, respectively.

7. Stock-Based Compensation Plans

2019 Long-Term Incentive Plan

On May 21, 2019, the Company’s stockholders approved the 2019 Long-Term Incentive Plan (“2019 LTIP”) which, among other things, replaces the Company’s 2010 Long-Term Incentive Plan (as amended, the “2010 LTIP”) and reserves for awards an aggregate of up to 4,236,959 shares. As of September 30, 2020, the total number of shares available for issuance under the 2019 LTIP was 3,136,192. The 2019 LTIP allows the Company to grant, among other things, time-vesting and performance-based restricted stock unit awards. Awards may be made under the 2019 LTIP through May 21, 2029.

Grant Activities

During the nine months ended September 30, 2020 and 2019, the Company granted 280,325 and 230,235, respectively, of time-vesting restricted stock units to certain of its employees and non-employee directors at a weighted-average grant date fair value of \$25.38 and \$29.67, respectively.

During the nine months ended September 30, 2020, the Company granted 154,363 performance-based restricted stock units to certain of its employees at a weighted-average grant date fair value of \$25.48. The 154,363 performance-based restricted stock units represent the maximum number that can be earned. The number of performance-based restricted stock

units that employees ultimately earn will be based on the Company's achievement of certain specified performance targets for the full year of 2020. During the nine months ended September 30, 2019, the Company granted 154,511 performance-based restricted stock units to certain of its employees at a weighted-average grant date fair value of \$29.90, all of which were ultimately earned, based upon 2019 performance criteria achieved.

Stock-Based Compensation Cost

Total stock-based compensation cost included in selling, general and administrative expenses was \$2.6 million and \$3.1 million for the three months ended September 30, 2020 and 2019, respectively. During the nine months ended September 30, 2020 and 2019, the Company recognized stock-based compensation cost of \$6.7 million and \$7.2 million, respectively. Total unrecognized stock-based compensation cost related to unvested share-based compensation arrangements was \$14.1 million at September 30, 2020, which is expected to be recognized over a weighted-average period of 1.6 years. Total unrecognized stock-based compensation cost is adjusted for any unearned or estimated not to be earned performance-based restricted stock units or forfeited shares.

8. Stockholders' Equity

Dividends

The Board of Directors approved the following cash dividends in 2020 (in millions, except per share data):

Declaration Date	Dividend Per Share	Record Date	Cash Payment Amount	Payment Date
February 24, 2020	\$0.12	March 16, 2020	\$5.5	March 27, 2020
May 7, 2020	\$0.12	May 22, 2020	\$5.4	June 19, 2020
August 6, 2020	\$0.12	August 21, 2020	\$5.4	September 18, 2020
November 5, 2020	\$0.13	November 20, 2020	N/A ⁽¹⁾	December 18, 2020

(1) Amount will be determined based on common stock outstanding as of the record date.

Repurchase of Common Stock

On February 24, 2020, the Company's Board of Directors authorized a \$60.0 million stock repurchase program (the "Program"), replacing the Company's prior stock repurchase program. At the time of approval, the Company had funds totaling \$0.4 million remaining under the prior stock repurchase program, which were subsequently retired unused. The timing, price and volume of purchases under the Program are based on market conditions, cash and liquidity requirements, relevant securities laws and other factors. The Program may be discontinued or amended at any time. The Program has no expiration date and terminates when the amount authorized has been expended or the Board of Directors withdraws its authorization.

On April 14, 2020, the Company announced that spending under the Program would be temporarily postponed due to the volatility related to the novel coronavirus pandemic ("COVID-19"). During the three months ended September 30, 2020, no shares of common stock were purchased under the Program. During the nine months ended September 30, 2020, the Company spent \$5.4 million to repurchase 235,344 shares of common stock under the Program. During the three and nine months ended September 30, 2019, 250,925 shares of common stock were repurchased under the prior stock repurchase program. As of September 30, 2020, there was \$54.6 million available for future share repurchases under the Program.

9. Segment and Geographic Information

The Company identifies its operating segments based primarily on the way the Chief Operating Decision Maker ("CODM") evaluates performance and makes decisions. The Chief Executive Officer of the Company has been identified as the CODM. From the perspective of the CODM, the Company is engaged primarily in the business of distributing packaged consumer products to convenience retail stores in the U.S. and Canada (collectively "North America"), each of which consists of customers that have similar characteristics. Therefore, the Company has determined that it has two operating segments, U.S. and Canada, which aggregate to one reportable segment. Additionally, the Company presents its segment reporting information based on business operations for each of the two geographic areas in which it operates and also by major product category.

Information about the Company's business operations based on geographic areas is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net sales:				
United States	\$ 4,059.1	\$ 3,999.3	\$ 11,498.7	\$ 11,348.2
Canada	431.6	415.7	1,174.6	1,132.4
Corporate ⁽¹⁾	11.9	7.6	32.5	35.1
Total	<u>\$ 4,502.6</u>	<u>\$ 4,422.6</u>	<u>\$ 12,705.8</u>	<u>\$ 12,515.7</u>
Income before income taxes:				
United States	\$ 42.9	\$ 33.5	\$ 78.2	\$ 74.1
Canada	5.0	3.8	9.2	7.7
Corporate ⁽²⁾	(15.7)	(6.7)	(26.5)	(25.2)
Total	<u>\$ 32.2</u>	<u>\$ 30.6</u>	<u>\$ 60.9</u>	<u>\$ 56.6</u>
Interest expense, net: ⁽³⁾				
United States	\$ 14.1	\$ 15.6	\$ 44.0	\$ 41.4
Canada	0.1	0.2	0.4	1.0
Corporate ⁽⁴⁾	(12.1)	(11.6)	(36.0)	(31.6)
Total	<u>\$ 2.1</u>	<u>\$ 4.2</u>	<u>\$ 8.4</u>	<u>\$ 10.8</u>
Depreciation and amortization:				
United States	\$ 12.1	\$ 10.6	\$ 33.9	\$ 32.0
Canada	0.9	0.7	2.5	1.9
Corporate ⁽⁵⁾	3.5	3.6	12.5	11.9
Total	<u>\$ 16.5</u>	<u>\$ 14.9</u>	<u>\$ 48.9</u>	<u>\$ 45.8</u>
Capital expenditures:				
United States	\$ 7.9	\$ 5.4	\$ 16.1	\$ 13.9
Canada	0.2	0.7	1.8	1.4
Total	<u>\$ 8.1</u>	<u>\$ 6.1</u>	<u>\$ 17.9</u>	<u>\$ 15.3</u>

- (1) Consists primarily of external sales made by the Company's consolidating warehouses, management service fee revenue, allowance for sales returns and certain other sales adjustments.
- (2) Consists primarily of expenses and other income, such as corporate incentives and salaries, LIFO expense, health care costs, insurance and workers' compensation adjustments, elimination of overhead allocations and foreign exchange gains or losses.
- (3) Includes \$0.1 million and \$0.2 million of interest income for the three and nine months ended September 30, 2020, respectively. Includes \$0.1 million and \$0.3 million of interest income for the three and nine months ended September 30, 2019, respectively.
- (4) Consists primarily of intercompany eliminations for interest.
- (5) Consists primarily of depreciation for the consolidation centers and amortization of intangible assets.

Identifiable assets by geographic area are as follows (in millions):

	September 30, 2020	December 31, 2019
Identifiable assets:		
United States	\$ 1,870.2	\$ 1,741.4
Canada	141.8	157.0
Total	<u>\$ 2,012.0</u>	<u>\$ 1,898.4</u>

The net sales mix for the Company's primary product categories is as follows (in millions):

Product Category	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Cigarettes	\$ 3,000.2	\$ 2,880.0	\$ 8,475.5	\$ 8,181.5
Food	424.3	476.8	1,186.8	1,314.6
Fresh	139.4	135.8	381.8	376.1
Candy	259.1	269.7	759.3	782.8
OTP	403.6	370.4	1,154.5	1,068.9
Health, beauty & general	212.5	226.0	594.8	630.3
Beverages	64.1	63.9	153.2	160.2
Equipment/other	(0.6)	—	(0.1)	1.3
Total food/non-food products	1,502.4	1,542.6	4,230.3	4,334.2
Total net sales	\$ 4,502.6	\$ 4,422.6	\$ 12,705.8	\$ 12,515.7

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read together with the unaudited condensed consolidated interim financial statements, including the related notes, and the other financial information appearing elsewhere in this Quarterly Report on Form 10-Q.

FORWARD-LOOKING STATEMENTS

Statements in this Quarterly Report on Form 10-Q that are not statements of historical fact are forward-looking statements made pursuant to the safe-harbor provisions of the Securities Exchange Act of 1934 and the Securities Act of 1933.

Forward-looking statements in some cases can be identified by the use of words such as “may,” “will,” “should,” “potential,” “intend,” “expect,” “seek,” “anticipate,” “estimate,” “believe,” “could,” “would,” “project,” “predict,” “continue,” “plan,” “propose” or other similar words or expressions. Forward-looking statements are made only as of the date of this Form 10-Q and are based on our current intent, beliefs, plans and expectations. They involve risks and uncertainties that could cause actual future results, performance or developments to differ materially from historical results or those described in or implied by such forward-looking statements.

Factors that might cause or contribute to such differences include, but are not limited to, the extent and duration of the disruption to business activities caused by the global health crisis associated with the novel coronavirus pandemic (“COVID-19”) outbreak, including the effects on vehicle miles driven, on the financial health of our business partners, on supply chains, and on financial and capital markets; declining cigarette sales volumes; our dependence on the convenience retail industry for our revenues; our dependence on qualified labor, senior management and other key personnel; competition in our distribution markets, including product, service and pricing pressures related to COVID-19; risks and costs associated with efforts to grow our business through acquisitions; the dependence of some of our distribution centers on a few relatively large customers; manufacturers or retail customers adopting direct distribution channels; fuel and other transportation costs; failure, disruptions or security breaches of our information technology systems; the low-margin nature of cigarette and consumable goods distribution; our reliance on manufacturer discount and incentive programs and cigarette excise stamping allowances; our dependence on relatively few suppliers and our ability to maintain favorable supplier arrangements; disruptions in suppliers’ operations, including the impact of COVID-19 on our suppliers as well as supply chain, including potential problems with inventory availability and the potential result of higher cost of product and freight due to high demand of products and low supply for an unpredictable period of time; product liability and counterfeit product claims and manufacturer recalls of products, including ongoing litigation related to Juul products; our ability to achieve the expected benefits of implementation of marketing initiatives; failing to maintain our brand and reputation; unexpected outcomes in legal proceedings; attempts by unions to organize our employees; increasing expenses related to employee health benefits; changes to minimum wage laws; failure to comply with governmental regulations or substantial changes to governmental regulations, including increased regulation of electronic cigarette and other alternative nicotine products; risks related to changes to our workforce, including reductions to hours, headcount and benefits as a result of COVID-19; earthquake and natural disaster damage; increases in the number or severity of insurance and claims expenses; legislation, regulations and other matters negatively affecting the cigarette, tobacco and alternative nicotine industry; increases in excise taxes or reduction in credit terms by taxing jurisdictions; potential liabilities associated with sales of cigarettes and other tobacco products (“OTP”); changes to federal, state or provincial income tax legislation; reduction in the payment of dividends; currency exchange rate fluctuations; our ability to borrow additional capital; restrictive covenants in our Credit Facility; and changes to accounting rules or regulations. For a more detailed discussion of such factors, please refer to Part II, Item 1A, “Risk Factors” of any quarterly report on Form 10-Q and to Part I, Item 1A of our Annual Report on Form 10-K, for the year ended December 31, 2019 filed with the SEC on March 2, 2020. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Our Business

Core-Mark is one of the largest marketers of fresh, food and broad-line supply solutions to the convenience retail industry in North America. We offer a full range of products, marketing programs and technology solutions to approximately 41,000 customer locations in the U.S. and Canada. Our customers include traditional convenience stores, drug stores, mass merchants, grocery stores, liquor stores and other specialty and small format stores that carry convenience products. Our product offering includes cigarettes, OTP, alternative nicotine products, candy, snacks, food, including fresh products, groceries, dairy, bread, beverages, general merchandise and health and beauty care products. As of September 30, 2020, we operated a network of thirty-two distribution centers in the U.S. and Canada (excluding two distribution facilities we operate as a third-party logistics provider).

Business Strategy Overview

Core-Mark's mission is to be the most valued marketer of fresh, food and broad-line supply solutions to the convenience retail industry. Consistent with this mission, our strategic framework is centered around three key initiatives: growing sales and margins faster than the industry, providing industry-leading category management solutions and leveraging our cost structure. The convenience wholesale and retail landscape remains highly fragmented, supporting significant opportunities for both organic growth and growth through strategic acquisitions. Core-Mark is one of the largest wholesale distributors to the convenience retail industry in North America, one of two national convenience distributors in the U.S. and the largest in Canada, and represents an estimated 7% market share of the in-store sales of convenience stores in North America.

Our growth initiatives include elevating same store sales, gaining share of the more than 180,000 North American convenience stores and being opportunistic with acquisition opportunities. Our focus on providing industry-leading category management solutions to our customers positions us to partner with retailers to help increase their sales and profits. We offer a wide array of marketing programs, innovative product alternatives, data aggregation and loyalty solutions to name a few key elements we provide customers in pursuit of category management excellence. The final major component of our strategic framework is focused on leveraging costs. Core-Mark is actively engaged in efforts to increase the leverage of our operating cost structure through a range of initiatives, including technology investments, centralizing transactional processes and employee engagement aimed at increasing productivity.

We believe consistent execution on the aforementioned strategic priorities will position Core-Mark as the leader in convenience retail distribution and provides a strong pathway to achieve sustainable shareholder returns.

Critical Accounting Policies and Estimates

In preparing our condensed consolidated financial statements, we make assumptions, judgments and estimates that can have a significant impact on our revenue, operating income and net income, as well as on the value of certain assets and liabilities on our condensed consolidated balance sheets. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. At least quarterly, we evaluate our assumptions, judgments and estimates, and make changes as deemed necessary.

Due to the COVID-19 pandemic, there has been increased uncertainty and disruption in the global economy and financial markets. We are not aware of any specific event or circumstance that would require updates to our estimates or judgments or require us to revise the carrying value of our assets or liabilities as of November 5, 2020, the date of issuance of this Quarterly Report on Form 10-Q. These estimates may change as new events occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions.

For further information about our critical accounting policies and estimates, see the discussion in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” under the heading “Critical Accounting Policies and Estimates” in our Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the SEC on March 2, 2020.

Third Quarter Overview and COVID-19 Update

The effects of the COVID-19 pandemic did have an impact on our operating results during the three and nine months ended September 30, 2020, and we expect it will continue to affect our business for some period of time. While the vast majority of our customers are convenience retailers that continue to operate as essential businesses, the unprecedented impact of COVID-19 during the second and third quarter of 2020, including shelter-in-place orders by states, provinces, cities and counties resulted in a significant downturn in miles driven, resulting in a decline in convenience retail store visits across North America. Although we are seeing recovery as consumer purchase trends improve, we expect future results to continue to be impacted by the effects of COVID-19.

Our net sales in the third quarter of 2020 were \$4,502.6 million compared to \$4,422.6 million for the same period in 2019, an increase of 1.8%, or \$80.0 million. The increase in net sales for the third quarter of 2020 was driven primarily by strong carton sales and increases in cigarette manufacturers' prices, partially offset by a 2.6% decrease in sales of food/non-food. Sales of cigarettes and food/non-food products in the third quarter of 2020 continued to be impacted by changes in consumer buying habits as a result of COVID-19.

Gross profit in the third quarter of 2020 decreased 4.7%, or \$11.6 million, to \$235.0 million from \$246.6 million for the same period in 2019, driven primarily by the decrease in food/non-food sales and margins to existing customers.

Gross profit margin was 5.22% of total net sales during the third quarter of 2020 compared to 5.58% for the same period in 2019. Remaining gross profit margin⁽¹⁾ decreased to 5.21% for the third quarter of 2020 from 5.60% for the same period in 2019. The decline in remaining gross profit margin was driven by the change in the sales mix between cigarettes and food/non-food and a decline in margins within food/non-food as a result of a shift in sales mix and lower gross profit margins in certain categories. We expect our gross profit margin to continue to be impacted by both sales mix and lower margins in certain product categories for some period of time as a direct result of the impacts of COVID-19.

Operating expenses in the third quarter of 2020 decreased 5.9%, or \$12.5 million, to \$200.2 million from \$212.7 million for the same period in 2019. The decrease was driven primarily by increased productivity and cost savings initiatives implemented mainly in response to COVID-19. As outlined in our press release on April 14, 2020, we took steps during the second quarter to reduce operating costs to better align them with sales volume trends and preserve liquidity. We also achieved cost savings through actions to reduce other non-essential costs including travel, meetings and events and other discretionary expenditures. Operating expenses were 4.4% of total net sales for the third quarter of 2020 compared to 4.8% of total net sales for the same period in 2019. Operating expenses were 85.3% of remaining gross profit⁽¹⁾ for the third quarter of 2020, compared to 85.8% of remaining gross profit for the same period in 2019.

Net income in the third quarter of 2020 increased \$0.5 million to \$23.0 million compared to \$22.5 million for the same period in 2019. Adjusted EBITDA⁽¹⁾ was \$59.3 million for the third quarter of 2020 compared to \$59.2 million for the same period in 2019.

(1) Remaining gross profit margin, Adjusted EBITDA and operating expenses as a percentage of remaining gross profit are non-GAAP financial measures and should be considered as a supplement to, and not as a substitute for, or superior to, financial measures calculated in accordance with generally accepted accounting principles in the United States of America ("GAAP"). See "Non-GAAP Financial Information."

Results of Operations

Comparison of the Three Months Ended September 30, 2020 and 2019 (in millions, except percentages)⁽¹⁾:

	Increase (Decrease)	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
		Amounts	% of Net sales	% of Net sales, less excise taxes	Amounts	% of Net sales	% of Net sales, less excise taxes
Net sales	\$ 80.0	\$ 4,502.6	100.0 %	— %	\$ 4,422.6	100.0 %	— %
Net sales — Cigarettes	120.2	3,000.2	66.6	61.6	2,880.0	65.1	59.4
Net sales — Food/Non-food	(40.2)	1,502.4	33.4	38.4	1,542.6	34.9	40.6
Net sales, less excise taxes (non-GAAP) ⁽²⁾	75.8	3,614.3	80.3	100.0	3,538.5	80.0	100.0
Gross profit ⁽³⁾	(11.6)	235.0	5.2	6.5	246.6	5.6	7.0
Warehousing and distribution expenses	(8.2)	140.4	3.1	3.9	148.6	3.4	4.2
Selling, general and administrative expenses	(4.5)	57.3	1.3	1.6	61.8	1.4	1.7
Amortization of intangible assets	0.2	2.5	0.1	0.1	2.3	0.1	0.1
Income from operations	0.9	34.8	0.8	1.0	33.9	0.8	1.0
Interest expense, net	(2.1)	(2.1)	—	(0.1)	(4.2)	(0.1)	(0.1)
Foreign currency transaction (losses) gains, net	(1.4)	(0.5)	—	—	0.9	—	—
Income before income taxes	1.6	32.2	0.7	0.9	30.6	0.7	0.9
Net income	0.5	23.0	0.5	0.6	22.5	0.5	0.6
Adjusted EBITDA (non-GAAP) ⁽⁴⁾	0.1	59.3	1.3	1.6	59.2	1.3	1.7

(1) Amounts and percentages have been rounded for presentation purposes and may differ from unrounded results.

(2) See the reconciliation of net sales to net sales, less excise taxes in “Non-GAAP Financial Information.”

(3) Gross profit may not be comparable to those of other entities because warehousing and distribution expenses are not included as a component of our cost of goods sold.

(4) See the reconciliation of net income to Adjusted EBITDA in “Non-GAAP Financial Information.”

Net Sales. Net sales in the third quarter of 2020 increased by \$80.0 million, or 1.8%, to \$4,502.6 million, from \$4,422.6 million for the same period in 2019. The increase in net sales was driven primarily by strong carton volumes and cigarette manufacturers’ price increases, partially offset by a decrease in food/non-food sales to existing customers and a net decrease in the number of stores serviced during the quarter. Sales of cigarettes and food/non-food products in the third quarter of 2020 were impacted by changes in consumer buying habits as a result of COVID-19.

Net Sales of Cigarettes. Net sales of cigarettes in the third quarter of 2020 increased by \$120.2 million, or 4.2%, to \$3,000.2 million from \$2,880.0 million for the same period in 2019. The increase was driven primarily by a 4.2% increase in the average sales price per carton due primarily to cigarette manufacturers’ price increases and a 0.1% increase in carton sales. Cigarette carton sales remained flat in the U.S and increased by 1.6% in Canada, driven by a 2.9% increase in carton sales to existing customers, partially offset by a net decrease in the number of stores serviced during the quarter. Cigarette carton sales to existing customers during the third quarter of 2020 outperformed the historical industry rate of decline arising primarily from changes in consumer buying behavior as a result of COVID-19.

We believe long-term cigarette consumption will be adversely impacted by rising prices, increases in excise taxes and other legislative actions, diminishing social acceptance, sales through illicit markets and increasing use of alternative nicotine products. We expect cigarette manufacturers will raise prices as carton sales decline in order to maintain or enhance their overall profitability, thus partially mitigating the effect of the declines to distributors. Historical industry data indicates that convenience retailers have more than offset cigarette profit declines through sales growth in food/non-food products.

Net cigarette sales as a percentage of total net sales was 66.6% in the third quarter of 2020 compared to 65.1% for the same period last year.

Net Sales of Food/Non-food Products. Net sales of food/non-food products in the third quarter of 2020 decreased \$40.2 million, or 2.6%, to \$1,502.4 million from \$1,542.6 million for the same period in 2019.

The following table provides net sales by product category for our food/non-food products (in millions, except percentages)⁽¹⁾:

Product Category	Three Months Ended September 30,		Increase (Decrease)	
	2020	2019	Amounts	Percentage
Food	\$ 424.3	\$ 476.8	\$ (52.5)	(11.0)%
Fresh	139.4	135.8	3.6	2.7 %
Candy	259.1	269.7	(10.6)	(3.9)%
OTP	403.6	370.4	33.2	9.0 %
Health, beauty & general (“HB&G”)	212.5	226.0	(13.5)	(6.0)%
Beverages	64.1	63.9	0.2	0.3 %
Equipment/other	(0.6)	—	(0.6)	— %
Total food/non-food products	<u>\$ 1,502.4</u>	<u>\$ 1,542.6</u>	<u>\$ (40.2)</u>	<u>(2.6)%</u>

(1) Amounts and percentages have been rounded for presentation purposes and may differ from unrounded results.

The decrease in food/non-food sales for the third quarter of 2020 was driven by a decrease in sales to existing customers and a net decrease in the number of stores serviced during the quarter. The largest declines were in the food, HB&G and candy categories which were impacted by changes in consumer buying behavior related primarily to COVID-19, partially offset by growth in OTP sales to existing customers. Our HB&G category was also impacted by a decline in sales of alternative nicotine products due primarily to the enactment of regulations governing the sale of flavored product categories.

Net sales of food/non-food products as a percentage of total net sales was 33.4% for the third quarter of 2020 compared to 34.9% for the same period in 2019.

Gross Profit. Gross profit represents profit after deducting cost of goods sold from net sales during the period. Inventory holding gains represent incremental revenues, whereas vendor incentives, OTP tax refunds and changes in last-in, first-out (“LIFO”) reserves are components of cost of goods sold. Gross profit in the third quarter of 2020 decreased \$11.6 million, or 4.7%, to \$235.0 million from \$246.6 million for the same period in 2019, driven primarily by a decrease in food/non-food sales and margins to existing customers as a result of COVID-19.

Gross profit margin was 5.22% of total net sales during the third quarter of 2020 compared to 5.58% for the same period in 2019. The change in the sales mix between cigarettes and food/non-food contributed to approximately 40% of the gross profit margin decline. In addition, the decrease in gross profit margin was driven by a decline in margins within food/non-food as a result of a shift in sales mix toward lower margin items, including growth in our lower margin OTP category, and lower margins within the HB&G category, primarily in alternative nicotine products.

Distributors such as Core-Mark, may from time to time, earn higher gross profits on inventory and excise tax stamp quantities on hand at the time manufacturers increase their prices or when states, localities or provinces increase their excise taxes. Such increases are reflected in customer pricing for all subsequent sales, including sales of inventory on hand at the time of the increase. The resulting higher gross profits are referred to as inventory holding gains. The third quarter of 2020 had \$0.5 million lower inventory holding gains as compared to the same period in 2019. Cigarette inventory holding gains, which were impacted by the timing and amount of cigarette manufacturers’ price increases, increased \$5.3 million for the third quarter of 2020, offset by \$5.8 million in inventory holding gains related to a candy price increase in the third quarter of 2019. Historically, significant price increases from candy manufacturers have only occurred every three to four years.

We expect cigarette manufacturers will continue to raise prices as carton sales decline in order to maintain or enhance their overall profitability and the various taxing jurisdictions will raise excise taxes to make up for lost tax dollars related to consumption declines.

LIFO expense was \$5.4 million for the third quarter of 2020 compared to \$7.3 million for the same period of 2019. Since we value our inventory in the U.S. on a LIFO basis, our gross profit can be positively or negatively impacted depending on the relative level of price inflation or deflation in manufacturer prices as reported in the Bureau of Labor Statistics Purchase Price Index (“PPI”) used to estimate and record our book LIFO expense. The decrease in LIFO expense for the third quarter of 2020 was due primarily to a decline in expected price inflation for food/non-food products.

The following table provides the components of gross profit (in millions, except percentages)⁽¹⁾:

	Increase (Decrease)	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
		Amounts	% of Net sales	% of Net sales, less excise taxes	Amounts	% of Net sales	% of Net sales, less excise taxes
Net sales	\$ 80.0	\$ 4,502.6	100.0 %	— %	\$ 4,422.6	100.0 %	— %
Net sales, less excise taxes (non-GAAP) ⁽²⁾	75.8	3,614.3	80.3	100.0	3,538.5	80.0	100.0
Components of gross profit:							
Cigarette inventory holding gains ⁽³⁾	\$ 5.3	\$ 5.6	0.13 %	0.15 %	\$ 0.3	0.01 %	0.01 %
Candy inventory holding gains ⁽⁴⁾	(5.8)	—	—	—	5.8	0.14	0.17
LIFO expense ⁽⁵⁾	1.9	(5.4)	(0.12)	(0.15)	(7.3)	(0.17)	(0.21)
Remaining gross profit (non-GAAP) ⁽⁶⁾	(13.0)	234.8	5.21	6.50	247.8	5.60	7.00
Gross profit	\$ (11.6)	\$ 235.0	5.22 %	6.50 %	\$ 246.6	5.58 %	6.97 %

(1) Amounts and percentages have been rounded for presentation purposes and may differ from unrounded results.

(2) See reconciliation of net sales to net sales, less excise taxes in “Non-GAAP Financial Information.”

(3) For the third quarter of 2020, \$4.9 million and \$0.7 million of cigarette inventory holding gains were attributable to the U.S. and Canada, respectively. For the third quarter of 2019, \$0.2 million and \$0.1 million of cigarette inventory holding gains were attributable to the U.S. and Canada, respectively.

(4) In 2019, we recognized \$5.8 million of candy inventory holding gains which were attributable to the U.S.

(5) The reduction of \$1.9 million in LIFO expense in 2020 was due primarily to a reduction in the Producer Price Index (“PPI”) for food and fresh category.

(6) Remaining gross profit is a non-GAAP financial measure, which we provide to segregate the effects of LIFO expense, cigarette inventory holding gains and other items that significantly affect the comparability of gross profit.

Remaining gross profit, a non-GAAP financial measure (see reconciliation of gross profit to remaining gross profit in “Non-GAAP Financial Information”), decreased \$13.0 million, or 5.2%, to \$234.8 million for the third quarter of 2020 from \$247.8 million for the same period in 2019. Remaining gross profit margin, a non-GAAP financial measure (see reconciliation of remaining gross profit margin, as well as an explanation of its significance, in “Non-GAAP Financial Information”) decreased to 5.21% for the third quarter of 2020 from 5.60% for the same period in 2019, driven by the impact of a shift in sales mix towards lower margin cigarettes and a shift in the sales mix within food/non-food towards lower margin categories and a decline in margins in certain categories.

Cigarette remaining gross profit, a non-GAAP financial measure (see reconciliation of cigarette gross profit to cigarette remaining gross profit in “Non-GAAP Financial Information”), increased \$0.1 million, or 0.2%, to \$57.7 million for the third quarter of 2020 from \$57.6 million for the same period in 2019. The increase in cigarette remaining gross profit was driven primarily by a 0.1% increase in cigarette carton sales.

Food/non-food remaining gross profit, a non-GAAP financial measure (see reconciliation of food/non-food gross profit to food/non-food remaining gross profit in “Non-GAAP Financial Information”), decreased \$13.1 million, or 6.9%, to \$177.1 million for the third quarter of 2020 from \$190.2 million the same period in 2019. Food/non-food remaining gross profit margin, a non-GAAP financial measure (see reconciliation of food/non-food remaining gross profit margin in “Non-GAAP Financial Information”) in the third quarter of 2020 decreased to 11.79% from 12.33% for the same period in 2019. The decline in remaining gross profit margin was driven primarily by a decrease in sales in certain higher margin categories including food and HB&G, an increase in sales in our lower margin OTP category, and a decline in margin rate, primarily in alternative nicotine products within the HB&G category.

For the third quarter of 2020, our remaining gross profit for food/non-food products was 75.4% of our total remaining gross profit compared to 76.8% for the same period in 2019.

Operating Expenses. Our operating expenses include costs related to warehousing and distribution, SG&A expenses and amortization of intangible assets. In the third quarter of 2020, operating expenses decreased by \$12.5 million, or 5.9%, to \$200.2 million from \$212.7 million for the same period in 2019. The decrease in operating expenses was driven primarily by increased productivity and cost savings initiatives implemented mainly in response to COVID-19. As a percentage of total net sales, operating expenses were 4.4% for the third quarter of 2020 compared to 4.8% for the same period in 2019. Operating expenses were 85.3% of remaining gross profit, a non-GAAP financial ratio, (see reconciliation of operating expenses as a percentage of remaining gross profit, as well as an explanation of its significance, in “Non-GAAP Financial Information”) for the third quarter of 2020, compared to 85.8% of remaining gross profit for the same period in 2019. The decrease in operating

expenses as a percentage of remaining gross profit was due primarily to operating expense reductions that more than offset the decline in remaining gross profit.

Warehousing and Distribution Expenses. Warehousing and distribution expenses decreased \$8.2 million, or 5.5%, to \$140.4 million in the third quarter of 2020 from \$148.6 million for the same period in 2019. The reduction in warehousing and distribution expenses was due primarily to cost reductions, an increase in productivity and fewer deliveries. Warehousing and distribution expenses were 3.1% of total net sales for the third quarter of 2020 compared to 3.4% of total net sales for the same period in 2019. Warehousing and distribution expenses were 59.8% of remaining gross profit, a non-GAAP financial ratio, (see reconciliation, as well as an explanation of its significance, in “Non-GAAP Financial Information”) for the third quarter of 2020, compared to 60.0% of remaining gross profit in 2019.

Selling, General and Administrative (“SG&A”) Expenses. SG&A expenses decreased \$4.5 million, or 7.3%, to \$57.3 million in the third quarter of 2020 from \$61.8 million for the same period in 2019. SG&A expenses were 1.3% of total net sales for the third quarter of 2020 as compared to 1.4% of total net sales for the same period in 2019. SG&A expenses were 24.4% of remaining gross profit, a non-GAAP financial ratio (see reconciliation, as well as an explanation of its significance, in “Non-GAAP Financial Information”), for the third quarter of 2020 compared to 24.9% for the same period in 2019. The reduction in SG&A expenses was due primarily to cost savings initiatives.

Amortization Expense. Amortization expense increased \$0.2 million, or 8.7%, in the third quarter of 2020 to \$2.5 million from \$2.3 million for the same period in 2019.

Interest Expense, Net. Interest expense, net includes interest income and expense, amortization of loan origination costs related to borrowings, facility fees and interest on finance lease obligations. Interest expense, net decreased to \$2.1 million in the third quarter of 2020 from \$4.2 million for the same period in 2019. The decrease in net interest expense was due primarily to a decrease in the average borrowing rate, and lower average borrowings during the third quarter of 2020. Average borrowings in the third quarter of 2020 were \$163.4 million with a weighted-average interest rate of 1.4% compared to average borrowings of \$371.1 million with a weighted-average interest rate of 3.5% for the same period in 2019.

Foreign Currency Transaction (Losses) Gains, Net. We recognized a foreign currency loss of \$0.5 million in the third quarter of 2020 compared to a gain of \$0.9 million for the same period in 2019. During times of a strengthening U.S. dollar, we generally record foreign currency losses from our Canadian operations. Conversely, during times of a weakening U.S. dollar, we generally record foreign currency gains.

Income Taxes. For the third quarter of 2020, our effective tax rate was a provision of 28.6% compared to a provision of 26.5% for the same period in 2019. The increase in our effective tax rate was due primarily to adjustments related to prior year taxes made in the third quarter of 2020. We expect our effective tax rate to be approximately 27% for 2020.

Adjusted EBITDA. Adjusted EBITDA, a non-GAAP financial measure (see the reconciliation of net income to Adjusted EBITDA in “Non-GAAP Financial Information”), was \$59.3 million for the third quarter of 2020 compared to \$59.2 million for the same period last year. A decline in gross profit for the third quarter of 2020, driven primarily by the impacts of COVID-19 and a reduction in inventory holding gains of \$0.5 million, was partially offset by lower operating expenses compared with the same period in 2019.

Results of Operations

Comparison of the Nine Months Ended September 30, 2020 and 2019 (in millions, except percentages)⁽¹⁾:

	Increase (Decrease)	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
		Amounts	% of Net sales	% of Net sales, less excise taxes	Amounts	% of Net sales	% of Net sales, less excise taxes
Net sales	\$ 190.1	\$ 12,705.8	100.0 %	— %	\$ 12,515.7	100.0 %	— %
Net sales — Cigarettes	294.0	8,475.5	66.7	61.6	8,181.5	65.4	59.7
Net sales — Food/Non-food	(103.9)	4,230.3	33.3	38.4	4,334.2	34.6	40.3
Net sales, less excise taxes (non-GAAP) ⁽²⁾	195.7	10,189.8	80.2	100.0	9,994.1	79.9	100.0
Gross profit ⁽³⁾	(27.2)	666.5	5.2	6.5	693.7	5.5	6.9
Warehousing and distribution expenses	(17.7)	408.3	3.2	4.0	426.0	3.4	4.3
Selling, general and administrative expenses	(11.3)	181.0	1.4	1.8	192.3	1.5	1.9
Amortization of intangible assets	(0.5)	7.2	0.1	0.1	7.7	0.1	0.1
Income from operations	2.3	70.0	0.6	0.7	67.7	0.5	0.7
Interest expense, net	(2.4)	(8.4)	(0.1)	(0.1)	(10.8)	(0.1)	(0.1)
Foreign currency transaction losses, net	(0.4)	(0.7)	—	—	(0.3)	—	—
Income before income taxes	4.3	60.9	0.5	0.6	56.6	0.5	0.6
Net income	2.7	44.2	0.3	0.4	41.5	0.3	0.4
Adjusted EBITDA (non-GAAP) ⁽⁴⁾	4.7	147.1	1.2	1.4	142.4	1.1	1.4

(1) Amounts and percentages have been rounded for presentation purposes and may differ from unrounded results.

(2) See the reconciliation of net sales, less excise taxes to net sales in “Non-GAAP Financial Information.”

(3) Gross profit may not be comparable to those of other entities because warehousing and distribution expenses are not included as a component of our cost of goods sold.

(4) See the reconciliation of Adjusted EBITDA to net income in “Non-GAAP Financial Information.”

Net Sales. Net sales for the nine months ended September 30, 2020 increased by \$190.1 million, or 1.5%, to \$12,705.8 million, from \$12,515.7 million for the same period in 2019. The increase in net sales was driven primarily by cigarette manufacturers’ price increases, an increase in sales of cigarette cartons to existing customers, and an extra selling day during the nine months ended September 30, 2020 compared to the same period in 2019. These increases were partially offset by a decrease in food/non-food sales to existing customers and a net decrease in the number of stores serviced. Sales of cigarettes and food/non-food products in 2020 were impacted by changes in consumer buying habits as a result of COVID-19.

Net Sales of Cigarettes. Net sales of cigarettes for the nine months ended September 30, 2020 increased by \$294.0 million, or 3.6%, to \$8,475.5 million from \$8,181.5 million for the same period in 2019. The increase in net sales of cigarettes was driven primarily by a 3.3% increase in the average sales price per carton due to cigarette manufacturers’ price increases and an extra selling day during the nine months ended September 30, 2020 compared to the corresponding period in 2019. Cigarette carton sales increased by 0.2% and 0.3% in the U.S. and Canada, respectively, driven primarily by an extra selling day and an increase in carton sales to existing customers, partially offset by a net decrease in the number of stores serviced. Cigarette carton sales to existing customers during the second and third quarter of 2020 outperformed the historical industry rate of decline arising primarily from changes in consumer buying behavior as a result of COVID-19.

Net cigarette sales as a percentage of total net sales was 66.7% for the nine months ended September 30, 2020 compared to 65.4% for the same period last year.

Net Sales of Food/Non-food Products. Net sales of food/non-food products for the nine months ended September 30, 2020 decreased \$103.9 million, or 2.4%, to \$4,230.3 million from \$4,334.2 million for the same period in 2019.

The following table provides net sales by product category for our food/non-food products (in millions, except percentages)⁽¹⁾:

Product Category	Nine Months Ended September 30,		Increase (Decrease)	
	2020	2019	Amounts	Percentage
Food	\$ 1,186.8	\$ 1,314.6	\$ (127.8)	(9.7)%
Fresh	381.8	376.1	5.7	1.5 %
Candy	759.3	782.8	(23.5)	(3.0)%
OTP	1,154.5	1,068.9	85.6	8.0 %
HB&G	594.8	630.3	(35.5)	(5.6)%
Beverages	153.2	160.2	(7.0)	(4.4)%
Equipment/other	(0.1)	1.3	(1.4)	(107.7)%
Total food/non-food Products	\$ 4,230.3	\$ 4,334.2	\$ (103.9)	(2.4)%

(1) Amounts and percentages have been rounded for presentation purposes and may differ from unrounded results.

The decrease in food/non-food sales for the nine months ended September 30, 2020 was driven primarily by a decrease in sales to existing customers and a net decrease in the number of stores serviced, partially offset by an extra selling day during the nine months ended September 30, 2020 compared to the corresponding period in 2019. The largest sales declines were in the food, HB&G and candy categories which were impacted by changes in consumer buying behavior as a result of COVID-19, partially offset by growth in OTP sales to existing customers. Our HB&G category was also impacted by a decline in sales of alternative nicotine products due primarily to the enactment of regulations governing the sale of flavored product categories.

Net sales of food/non-food products as a percentage of total net sales was 33.3% for the nine months ended September 30, 2020 compared to 34.6% for the same period in 2019.

Gross Profit. Gross profit for the nine months ended September 30, 2020 decreased \$27.2 million, or 3.9%, to \$666.5 million from \$693.7 million for the same period in 2019. The decrease in gross profit was driven primarily by a decrease in food/non-food sales and margins related primarily to COVID-19, partially offset by \$3.7 million of net incremental cigarette and candy inventory holding gains during the nine months ended September 30, 2020 as compared to the same period in 2019 and the impact of an extra selling day during the nine months ended September 30, 2020.

Gross profit margin was 5.25% of total net sales for the nine months ended September 30, 2020 compared to 5.54% for the same period in 2019. The change in the sales mix between cigarettes and food/non-food contributed to approximately 42% of the gross profit margin decline. In addition, the decrease in gross profit margin was driven by a decline in margins within food/non-food as a result of a shift in sales mix toward lower margin items, including growth in our lower margin OTP category, and lower margins within the HB&G category, primarily in alternative nicotine products.

Our inventory holding gains were \$22.4 million for the nine months ended September 30, 2020 compared to \$18.7 million for the same period in 2019. The increase in holding gains was due primarily to the timing and amount of cigarette manufacturers' price increases, partially offset by inventory holding gains of \$5.8 million related to a candy price increase in the third quarter of 2019. Historically, significant price increases from candy manufacturers have only occurred every three to four years. We expect cigarette manufacturers will continue to raise prices as carton sales decline in order to maintain or enhance their overall profitability and the various taxing jurisdictions will raise excise taxes to make up for lost tax dollars related to consumption declines.

LIFO expense was \$21.5 million for the nine months ended September 30, 2020 compared to \$21.7 million for the same period in 2019. Because we value our inventory in the U.S. on a LIFO basis, our gross profit can be positively or negatively impacted depending on the relative level of price inflation or deflation in manufacturer prices as reported in the Bureau of Labor Statistics PPI used to estimate and record our book LIFO expense.

The following table provides the components of gross profit (in millions, except percentages)⁽¹⁾:

	Increase (Decrease)	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
		Amounts	% of Net sales	% of Net sales, less excise taxes	Amounts	% of Net sales	% of Net sales, less excise taxes
Net sales	\$ 190.1	\$ 12,705.8	100.0 %	— %	\$ 12,515.7	100.0 %	— %
Net sales, less excise taxes (non-GAAP) ⁽²⁾	195.7	10,189.8	80.2	100.0	9,994.1	79.9	100.0
Components of gross profit:							
Cigarette inventory holding gains ⁽³⁾	\$ 9.5	\$ 22.4	0.18 %	0.22 %	\$ 12.9	0.10 %	0.13 %
Candy inventory holding gains ⁽⁴⁾	(5.8)	—	—	—	5.8	0.05	0.05
LIFO expense ⁽⁵⁾	0.2	(21.5)	(0.17)	(0.21)	(21.7)	(0.18)	(0.22)
Remaining gross profit (non-GAAP) ⁽⁶⁾	(31.1)	665.6	5.24	6.53	696.7	5.57	6.97
Gross profit	\$ (27.2)	\$ 666.5	5.25 %	6.54 %	\$ 693.7	5.54 %	6.94 %

(1) Amounts and percentages have been rounded for presentation purposes and may differ from unrounded results.

(2) See reconciliation of net sales, less excise taxes to net sales in “Non-GAAP Financial Information.”

(3) For the nine months ended September 30, 2020, \$20.4 million and \$2.0 million of the cigarette inventory holding gains were attributable to the U.S. and Canada, respectively. For the same period in 2019, \$11.3 million and \$1.6 million of the cigarette inventory holding gains were attributable to the U.S. and Canada, respectively.

(4) In 2019, we recognized \$5.8 million of candy inventory holding gains which were attributable to the U.S.

(5) The reduction of \$0.2 million in LIFO expense in 2020 was due primarily to a reduction in the Producer Price Index (“PPI”) for cigarettes, food, fresh and candy category.

(6) Remaining gross profit is a non-GAAP financial measure, which we provide to segregate the effects of LIFO expense, cigarette inventory holding gains and other items that significantly affect the comparability of gross profit.

Remaining gross profit, a non-GAAP financial measure (see reconciliation of remaining gross profit to gross profit in “Non-GAAP Financial Information”), decreased \$31.1 million, or 4.5%, to \$665.6 million for the nine months ended September 30, 2020 from \$696.7 million for the same period in 2019. Remaining gross profit margin, a non-GAAP financial measure (see reconciliation of remaining gross profit margin, as well as an explanation of its significance, in “Non-GAAP Financial Information”) was 5.24% for the nine months ended September 30, 2020 compared to 5.57% for the same period in 2019.

Cigarette remaining gross profit, a non-GAAP financial measure (see reconciliation of cigarette remaining gross profit to cigarette gross profit in “Non-GAAP Financial Information”), increased \$0.4 million, or 0.2%, to \$163.5 million for the nine months ended September 30, 2020 from \$163.1 million for the same period in 2019. The increase in cigarette remaining gross profit was driven primarily by an increase in cigarette carton sales, including the benefit of an extra selling day during the nine months ended September 30, 2020.

Food/non-food remaining gross profit, a non-GAAP financial measure (see reconciliation of food/non-food remaining gross profit to food/non-food gross profit in “Non-GAAP Financial Information”), decreased \$31.5 million, or 5.9%, to \$502.1 million for the nine months ended September 30, 2020 from \$533.6 million the same period in 2019. Food/non-food remaining gross profit margin, a non-GAAP financial measure (see reconciliation of food/non-food remaining gross profit margin in “Non-GAAP Financial Information”) for the nine months ended September 30, 2020 was 11.87% compared to 12.31% for the same period in 2019. The decrease in food/non-food remaining gross profit margin was driven primarily by a decrease in sales in certain higher margin categories including food and HB&G, an increase in sales in our lower margin OTP category, and a decline in margins, primarily in alternative nicotine products within the HB&G category.

For the nine months ended September 30, 2020, our remaining gross profit for food/non-food products was 75.4% of our total remaining gross profit compared to 76.6% for the same period in 2019.

Operating Expenses. Our operating expenses include costs related to warehousing and distribution, SG&A expenses and amortization of intangible assets. For the nine months ended September 30, 2020, operating expenses decreased by \$29.5 million, or 4.7%, to \$596.5 million from \$626.0 million for the same period in 2019. The decrease was driven primarily by increased productivity and cost savings initiatives implemented mainly in response to COVID-19. In addition, 2019 operating expenses included \$2.3 million of incremental costs related to the relocation of our headquarters. As a percentage of total net sales, total operating expenses were 4.7% for the nine months ended September 30, 2020 compared to 5.0% for the same period in 2019. Operating expenses were 89.6% of remaining gross profit, a non-GAAP financial ratio (see reconciliation of operating expenses as a percentage of remaining gross profit, as well as an explanation of its significance, in “Non-GAAP Financial Information”) for the nine months ended September 30, 2020, compared to 89.9% of remaining gross profit for the same period in 2019.

Warehousing and Distribution Expenses. Warehousing and distribution expenses decreased \$17.7 million, or 4.2%, to \$408.3 million for the nine months ended September 30, 2020 from \$426.0 million for the same period in 2019. The decrease in warehousing and distribution expenses was due primarily to lower salaries and related benefits, and other operational costs associated with reduced sales volume and deliveries as a result of COVID-19 as well as productivity improvements. As a percentage of total net sales, warehousing and distribution expenses were 3.2% for the nine months ended September 30, 2020 compared to 3.4% for the same period in 2019. Warehouse and distribution expenses were 61.3% of remaining gross profit, a non-GAAP financial ratio (see reconciliation, as well as an explanation of its significance, in “Non-GAAP Financial Information”) for the nine months ended September 30, 2020, compared to 61.1% of remaining gross profit for the same period in 2019.

SG&A Expenses. SG&A expenses decreased \$11.3 million, or 5.9%, for the nine months ended September 30, 2020, to \$181.0 million from \$192.3 million for the same period in 2019. The reduction in SG&A expenses was due primarily to cost savings initiatives. Operating expenses for the nine months ended September 30, 2019 included \$2.3 million of costs related to the relocation of our headquarters. As a percentage of net sales, SG&A expenses were 1.4% for the nine months ended September 30, 2020 compared to 1.5% for the same period in 2019. SG&A was 27.2% of remaining gross profit, a non-GAAP financial ratio (see reconciliation, as well as an explanation of its significance, in “Non-GAAP Financial Information”) for the nine months ended September 30, 2020, compared to 27.6% of remaining gross profit for the same period in 2019.

Amortization Expense. Amortization expense decreased \$0.5 million, or 6.5%, for the nine months ended September 30, 2020, to \$7.2 million from \$7.7 million for the same period in 2019.

Interest Expense, Net. Interest expense, net decreased \$2.4 million to \$8.4 million for the nine months ended September 30, 2020, from \$10.8 million for the same period in 2019. The decrease in net interest expense was due primarily to a decrease in the average borrowing rate, and lower average borrowings. Average borrowings for the nine months ended September 30, 2020 were \$284.2 million, with a weighted-average interest rate of 1.9%, compared to average borrowings of \$295.0 million and a weighted-average interest rate of 3.6% for the same period in 2019.

Foreign Currency Transaction Losses, Net. We recognized a foreign currency loss of \$0.7 million for the nine months ended September 30, 2020 compared to a loss of \$0.3 million for the same period in 2019. The change was due primarily to fluctuations in our net intercompany borrowing positions and the Canadian/U.S. exchange rate.

Income Taxes. The effective tax rate for the nine months ended September 30, 2020 was 27.4% compared to 26.7% for the same period in 2019. We expect our effective tax rate to be approximately 27% for 2020.

Adjusted EBITDA. Adjusted EBITDA, a non-GAAP financial measure (see reconciliation of Adjusted EBITDA to net income in “Non-GAAP Financial Information”), increased \$4.7 million, or 3.3%, to \$147.1 million for the nine months ended September 30, 2020 from \$142.4 million for the same period last year driven primarily by higher inventory holding gains. Additionally, a decline in gross profit related primarily to COVID-19 was offset by cost reductions and productivity improvements.

Non-GAAP Financial Information

The financial statements in this Quarterly Report on Form 10-Q are prepared in accordance with GAAP. Core-Mark uses certain non-GAAP financial measures including (i) Adjusted EBITDA, (ii) net sales, less excise taxes, (iii) remaining gross profit (including cigarette remaining gross profit and food/non-food remaining gross profit), (iv) remaining gross profit margin (including cigarette remaining gross profit margin and food/non-food remaining gross profit margin), (v) remaining gross profit margin less excise taxes (including cigarette remaining gross profit margin less excise taxes and food/non-food remaining gross profit margin less excise taxes), (vi) cigarette remaining gross profit per carton and (vii) operating expenses (and the components thereof) as a percentage of remaining gross profit. We believe these non-GAAP financial measures provide meaningful supplemental information for investors regarding the performance of our business and facilitate a meaningful period

to period evaluation. We also believe these measures allow investors to view results in a manner similar to the method used by our management. Management uses these non-GAAP financial measures in order to have comparable financial results to analyze changes in our underlying business. These non-GAAP measures should be considered as a supplement to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. These measures may be defined differently than other companies and therefore, such measures may not be comparable to ours. We strongly encourage investors and stockholders to review our financial statements and publicly filed reports in their entirety and not to rely on any single financial measure. These non-GAAP measures are defined as follows:

(i) Adjusted EBITDA is a measure used by management to measure operating performance. Adjusted EBITDA is equal to net income adding back net interest expense, provision for income taxes, depreciation and amortization, LIFO expense, stock-based compensation expense and net foreign currency transaction gains or losses. See the Adjusted EBITDA tables in our Management's Discussion and Analysis for additional details on the components of Adjusted EBITDA. We believe Adjusted EBITDA is one of the primary measures used externally by our investors, analysts and peers in our industry for purposes of valuation and comparing our results to other companies.

(ii) Net sales, less excise taxes is a non-GAAP financial measure which we provide to separate the increase in sales and gross profits due to product sales growth and increases in state, local and provincial excise taxes, which we are responsible for collecting and remitting. Federal excise taxes are levied on the manufacturers who pass the tax on to us as part of the product cost, and thus are not a component of our excise taxes. Although increases in cigarette taxes result in higher net sales, our overall gross profit percentage may be reduced.

(iii) Remaining gross profit (including cigarette remaining gross profit and food/non-food remaining gross profit), (iv) remaining gross profit margin (including cigarette remaining gross profit margin and food/non-food remaining gross profit margin), (v) remaining gross profit margin less excise taxes (including cigarette remaining gross profit margin less excise taxes and food/non-food remaining gross profit margin less excise taxes), and (vi) cigarette remaining gross profit per carton, are non-GAAP financial measures, which we provide to segregate the effects of LIFO expense, cigarette inventory holding gains and certain other items that significantly affect the comparability of gross profit.

(vii) Operating expenses (and the components thereof) as a percentage of remaining gross profit is a non-GAAP financial measure, which is used by management to measure operating leverage. Although management also uses operating expenses as a percentage of net sales, this metric may be impacted on a comparable basis by, among other items, excise taxes, changes in manufacturers' prices (including inflation), and our continuing trend in sales mix shift from cigarettes to higher-margin food/non-food items which have substantially lower selling prices.

The following table reconciles net income to Adjusted EBITDA, as net income is the most comparable financial measure under U.S. GAAP (in millions, except percentages)⁽¹⁾:

	Three Months Ended			Nine Months Ended		
	September 30,		% Change	September 30,		% Change
	2020	2019		2020	2019	
Net income	\$ 23.0	\$ 22.5	2.2%	\$ 44.2	\$ 41.5	6.5%
Interest expense, net ⁽²⁾	2.1	4.2		8.4	10.8	
Provision for income taxes	9.2	8.1		16.7	15.1	
Depreciation and amortization	16.5	14.9		48.9	45.8	
LIFO expense	5.4	7.3		21.5	21.7	
Stock-based compensation expense	2.6	3.1		6.7	7.2	
Foreign currency transaction losses (gains), net	0.5	(0.9)		0.7	0.3	
Adjusted EBITDA (non-GAAP)	\$ 59.3	\$ 59.2	0.2%	\$ 147.1	\$ 142.4	3.3%

(1) Amounts and percentages have been rounded for presentation purposes and may differ from unrounded results.

(2) Interest expense, net, is reported net of interest income.

The following tables reconcile net sales to net sales, less excise taxes, and gross profit to remaining gross profit (including cigarette remaining gross profit and food/non-food gross profit), their most comparable financial measures under U.S. GAAP (in millions, except percentages)⁽¹⁾:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Net sales	\$ 4,502.6	\$ 4,422.6	\$ 12,705.8	\$ 12,515.7
Excise taxes	(888.3)	(884.1)	(2,516.0)	(2,521.6)
Net sales, less excise taxes (non-GAAP)	\$ 3,614.3	\$ 3,538.5	\$ 10,189.8	\$ 9,994.1
Gross profit	\$ 235.0	\$ 246.6	\$ 666.5	\$ 693.7
Cigarette inventory holding gains ⁽²⁾	(5.6)	(0.3)	(22.4)	(12.9)
Candy inventory holding gains ⁽³⁾	—	(5.8)	—	(5.8)
LIFO expense	5.4	7.3	21.5	21.7
Remaining gross profit (non-GAAP)	\$ 234.8	\$ 247.8	\$ 665.6	\$ 696.7
Gross profit %	5.22 %	5.58 %	5.25 %	5.54 %
Gross profit % less excise taxes (non-GAAP)	6.50 %	6.97 %	6.54 %	6.94 %
Remaining gross profit % (non-GAAP)	5.21 %	5.60 %	5.24 %	5.57 %
Remaining gross profit % less excise taxes (non-GAAP)	6.50 %	7.00 %	6.53 %	6.97 %

(1) Amounts and percentages have been rounded for presentation purposes and may differ from unrounded results.

(2) For the three months ended September 30, 2020, the \$4.9 million and \$0.7 million of cigarette inventory holding gains were attributable to the U.S. and Canada, respectively. For the three months ended September 30, 2019, the \$0.2 million and \$0.1 million of the cigarette inventory holding gains were attributable to the U.S. and Canada, respectively. For the nine months ended September 30, 2020, \$20.4 million and \$2.0 million of the cigarette inventory holding gains were attributable to the U.S. and Canada, respectively. For the same period in 2019, \$11.3 million and \$1.6 million of the cigarette inventory holding gains were attributable to the U.S. and Canada, respectively.

(3) For the three and nine months ended September 30, 2019, \$5.8 million of candy inventory holding gains was attributable to the U.S.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Cigarettes:				
Net sales	\$ 3,000.2	\$ 2,880.0	\$ 8,475.5	\$ 8,181.5
Excise taxes	(775.0)	(777.7)	(2,195.0)	(2,213.0)
Net sales, less excise taxes (non-GAAP)	\$ 2,225.2	\$ 2,102.3	\$ 6,280.5	\$ 5,968.5
Gross profit	\$ 56.6	\$ 52.0	\$ 166.8	\$ 158.1
Cigarette inventory holding gains ⁽²⁾	(5.6)	(0.3)	(22.4)	(12.9)
LIFO expense	6.7	5.9	19.1	17.9
Remaining gross profit (non-GAAP)	\$ 57.7	\$ 57.6	\$ 163.5	\$ 163.1
Gross profit %	1.89 %	1.81 %	1.97 %	1.93 %
Gross profit % less excise taxes (non-GAAP)	2.54 %	2.47 %	2.66 %	2.65 %
Remaining gross profit % (non-GAAP)	1.92 %	2.00 %	1.93 %	1.99 %
Remaining gross profit % less excise taxes (non-GAAP)	2.59 %	2.74 %	2.60 %	2.73 %

(1) Amounts and percentages have been rounded for presentation purposes and may differ from unrounded results.

(2) For the three months ended September 30, 2020, the \$4.9 million and \$0.7 million of cigarette inventory holding gains were attributable to the U.S. and Canada, respectively. For the three months ended September 30, 2019, \$0.2 million and \$0.1 million of cigarette inventory holding gains were attributable to the U.S. and Canada, respectively. For the nine months ended September 30, 2020, \$20.4 million and \$2.0 million of the cigarette inventory holding gains were attributable to the U.S. and Canada, respectively. For the same period in 2019, \$11.3 million and \$1.6 million of the cigarette inventory holding gains were attributable to the U.S. and Canada, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Food/Non-food:				
Net sales	\$ 1,502.4	\$ 1,542.6	\$ 4,230.3	\$ 4,334.2
Excise taxes	(113.3)	(106.4)	(321.0)	(308.6)
Net sales, less excise taxes (non-GAAP)	\$ 1,389.1	\$ 1,436.2	\$ 3,909.3	\$ 4,025.6
Gross profit	\$ 178.4	\$ 194.6	\$ 499.7	\$ 535.6
Candy inventory holding gains ⁽²⁾	—	(5.8)	—	(5.8)
LIFO expense	(1.3)	1.4	2.4	3.8
Remaining gross profit (non-GAAP)	\$ 177.1	\$ 190.2	\$ 502.1	\$ 533.6
Gross profit %	11.87 %	12.62 %	11.81 %	12.36 %
Gross profit % less excise taxes (non-GAAP)	12.84 %	13.55 %	12.78 %	13.30 %
Remaining gross profit % (non-GAAP)	11.79 %	12.33 %	11.87 %	12.31 %
Remaining gross profit % less excise taxes (non-GAAP)	12.75 %	13.24 %	12.84 %	13.26 %

(1) Amounts and percentages have been rounded for presentation purposes and may differ from unrounded results.

(2) For the three and nine months ended September 30, 2019, \$5.8 million of candy inventory holding gains was attributable to the U.S.

The following table provides operating expenses as a percentage of remaining gross profit (in millions, except percentages)⁽¹⁾:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Gross profit	\$ 235.0	\$ 246.6	\$ 666.5	\$ 693.7
Cigarette inventory holding gains ⁽²⁾	(5.6)	(0.3)	(22.4)	(12.9)
Candy inventory holding gains ⁽³⁾	—	(5.8)	—	(5.8)
LIFO expense	5.4	7.3	21.5	21.7
Remaining gross profit (non-GAAP)	\$ 234.8	\$ 247.8	\$ 665.6	\$ 696.7
Warehousing and distribution expenses	\$ 140.4	\$ 148.6	\$ 408.3	\$ 426.0
Selling, general and administrative expenses	57.3	61.8	181.0	192.3
Amortization of intangible assets	2.5	2.3	7.2	7.7
Total operating expenses	\$ 200.2	\$ 212.7	\$ 596.5	\$ 626.0
Warehouse and distribution expense as a percentage of remaining gross profit (non-GAAP)	59.8 %	60.0 %	61.3 %	61.1 %
Selling, general and administrative expense as a percentage of remaining gross profit (non-GAAP)	24.4 %	24.9 %	27.2 %	27.6 %
Amortization of intangible assets as a percentage of remaining gross profit (non-GAAP)	1.1 %	0.9 %	1.1 %	1.1 %
Total operating expense as a percentage of remaining gross profit (non-GAAP)	85.3 %	85.8 %	89.6 %	89.9 %

(1) Amounts and percentages have been rounded for presentation purposes and may differ from unrounded results.

(2) For the three months ended September 30, 2020, the \$4.9 million and \$0.7 million of cigarette inventory holding gains were attributable to the U.S. and Canada, respectively. For the three months ended September 30, 2019, \$0.2 million and \$0.1 million of cigarette inventory holding gains were attributable to the U.S. and Canada, respectively. For the nine months ended September 30, 2020, \$20.4 million and \$2.0 million of the cigarette inventory holding gains were attributable to the U.S. and Canada, respectively. For the same period in 2019, \$11.3 million and \$1.6 million of the cigarette inventory holding gains were attributable to the U.S. and Canada, respectively.

(3) For the three and nine months ended September 30, 2019, \$5.8 million of candy inventory holding gains was attributable to the U.S.

Liquidity and Capital Resources

Our cash and cash equivalents were \$11.7 million and \$14.1 million as of September 30, 2020 and December 31, 2019, respectively.

Our liquidity requirements arise primarily from our working capital needs, capital expenditures, debt service requirements for our revolving credit facility (“Credit Facility”), income taxes, repurchases of common stock and dividend payments. We have historically funded our liquidity requirements through our cash flows from operations and external borrowings. For the nine months ended September 30, 2020, our cash flows used in operating activities were \$7.7 million. Subject to borrowing base limitations, we had \$352.1 million of borrowing capacity available under our Credit Facility, excluding our expansion feature of \$200.0 million, as of September 30, 2020.

We are potentially exposed to increased credit risk as a result of the COVID-19 crisis. While the vast majority of our customers are convenience retailers that continue to operate as essential businesses, our customers include smaller independent convenience retailers that may face liquidity constraints as a result of reduced store traffic. Our customers also include non-convenience store formats including hotel gift shops, casinos, tobacco shops, schools, airport concessions and other specialty and small format stores that carry convenience products. Some of these customers may have temporarily ceased, or significantly reduced, operations due to government-imposed restrictions while others have seen a material decline in store traffic.

We have taken actions to help preserve liquidity, including reducing operating costs to better align with the current sales volume trend and closely managing our accounts receivable and capital expenditures.

Given our financial strength coming into the pandemic and ample availability of capital, we expect to be able to maintain adequate liquidity through the current environment subject to the severity and duration of COVID-19.

Cash Flows from Operating Activities

Our cash flows from operating activities, including net income, net non-cash additions to net income and changes in operating assets and liabilities (working capital), used net cash of \$7.7 million for the nine months ended September 30, 2020 compared to \$111.1 million of net cash used for the same period in 2019, an increase of \$103.4 million. The increase was primarily attributable to changes in working capital during the comparative periods.

Working capital used cash of \$136.8 million for the nine months ended September 30, 2020, compared to \$233.9 million of cash used for the nine months ended September 30, 2019, an increase of \$97.1 million. These contributions for the comparative periods were impacted primarily by a decrease in accounts receivable, net and a decrease in deposits, prepayments and other non-current assets due to lower prepayments of cigarette vendors, among other items.

Our cash flows from operating activities were impacted by the following movements in working capital (in millions):

	Nine Months Ended		Change
	September 30,		
	2020	2019	
Accounts receivable, net	\$ 9.1	\$ (29.9)	\$ 39.0
Other receivables, net	(14.1)	(21.6)	7.5
Inventories, net	(185.4)	(199.5)	14.1
Deposits, prepayments and other non-current assets	23.3	(22.9)	46.2
Accounts payable	51.2	74.2	(23.0)
Cigarette and tobacco taxes payable	(53.6)	(61.3)	7.7
Claims, accrued and other long-term liabilities	32.7	27.1	5.6
Net cash used in changes in working capital	<u>\$ (136.8)</u>	<u>\$ (233.9)</u>	<u>\$ 97.1</u>

Cash Flows from Investing Activities

Our investing activities used net cash of \$19.5 million for the nine months ended September 30, 2020 compared to net cash used of \$20.9 million for the same period in 2019. Capitalization of software and related development costs were \$2.7 million and \$3.3 million for the nine months ended September 30, 2020 and 2019, respectively. Additions to property, plant and equipment were \$17.9 million and \$15.3 million for the nine months ended September 30, 2020 and 2019, respectively. Additionally, proceeds from the sale of other non-current assets provided net cash of \$1.1 million for the nine months ended September 30, 2020. We expect our capital expenditures for 2020 to be approximately \$35 million for the year.

Cash Flows from Financing Activities

Our financing activities provided net cash of \$24.3 million for the nine months ended September 30, 2020 compared to net cash provided of \$131.2 million for the same period in 2019, a decrease of \$106.9 million. Net borrowings of our Credit Facility during the nine months ended September 30, 2020 were \$38.2 million compared to net borrowings of \$168.0 million for the same period in 2019.

Our Credit Facility

We have a Credit Facility with a capacity of \$750.0 million as of September 30, 2020, limited by a borrowing base consisting of eligible accounts receivable and inventories. The Credit Facility expires in March 2022 and has an expansion feature which permits an increase of up to \$200.0 million, subject to borrowing base requirements. All obligations under the Credit Facility are secured by first-priority liens on substantially all of our present and future assets. The terms of the Credit Facility permit prepayment without penalty at any time (subject to customary breakage costs with respect to London Interbank Offered Rate or Canadian Dollar Offered Rate based loans prepaid prior to the end of an interest period).

Amounts related to the Credit Facility are as follows (in millions):

	September 30, 2020	December 31, 2019
Amounts borrowed, net	\$ 363.0	\$ 324.8
Outstanding letters of credit	19.4	16.7
Amounts available to borrow ⁽¹⁾	352.1	341.7

(1) Subject to borrowing base limitations, and excluding expansion feature of \$200.0 million.

Average borrowings during the three and nine months ended September 30, 2020 were \$163.4 million and \$284.2 million, respectively, with outstanding amounts borrowed at any one time ranging from \$69.0 million to \$499.3 million over the nine-month period. For the three and nine months ended September 30, 2019, average borrowings were \$371.1 million and \$295.0 million, respectively, with outstanding amounts borrowed at any one time ranging from \$141.7 million to \$489.0 million over the nine-month period.

Off-Balance Sheet Arrangements

There have been no material changes to the information provided in our Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the SEC on March 2, 2020, regarding off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our market risk disclosures set forth in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the SEC on March 2, 2020, did not change materially during the nine months ended September 30, 2020.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We conducted, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based on our evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2020, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is subject to certain legal proceedings, claims, investigations and administrative proceedings in the ordinary course of its business. The Company records a provision for a liability when it is both (a) probable that the liability has been incurred and (b) the amount of the liability can be reasonably estimated. These provisions, if any, are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. In the opinion of management, the outcome of pending litigation is not expected to have a material effect on the Company's results of operations, financial condition or liquidity.

On October 2, 2019, the United States Judicial Panel on Multidistrict Litigation transferred and consolidated all then-pending personal injury cases against Juul Labs, Inc. ("JLI") involving the distribution and sale of JUUL products to the Northern District of California (the "JUUL MDL"). Subsequently, on March 11, 2020, the plaintiffs in the JUUL MDL filed a Personal Injury Consolidated Master Complaint against JLI, Philip Morris and various Altria Group entities, JLI co-founders, early JLI investors and board members, certain e-liquid manufacturers, and numerous distributors and retailers of JUUL products, including Core Mark. Consequently, Core-Mark has been added as a defendant in a number of these personal injury suits. The JLI MDL litigation is currently in an early stage, and the personal injury plaintiffs have not made a monetary demand to the defendants. Core-Mark believes that it is entitled to contractual, statutory and/or common law indemnification from JLI for any liability that could result from the JUUL MDL. Core-Mark and JLI are in discussions regarding these indemnification rights.

ITEM 1A. RISK FACTORS

Other than the risk factor set forth below, there have been no material changes from the Risk Factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the SEC on March 2, 2020.

The COVID-19 pandemic and the responsive actions taken by governments and others to mitigate its spread have significantly impacted worldwide economic conditions and could have a material adverse effect on our operations and business.

The novel coronavirus (or "COVID-19") pandemic and the responsive actions taken by governments and others, including mandatory and voluntary closures, shelter-in-place orders and social distancing protocols, began to adversely impact our operations late in the first quarter of 2020 and are likely to continue to affect our business for an indeterminate amount of time. These actions could materially adversely affect our ability to adequately staff and maintain our operations, cause disruptions in the supply chain and impact our ability to maintain adequate inventory and liquidity. While we and the vast majority of our customers have been permitted to continue to operate as essential businesses, the unprecedented impact of COVID-19, including an increase in the level of shelter-in-place orders by states, provinces, cities and counties, has resulted in a significant downturn in miles driven, causing a substantial decline in convenience retail store visits across North America. In addition to adversely affecting our revenues, the decrease in convenience retail store visits could also negatively impact our customers' ability to pay for our goods and services or cause some customers' businesses to fail. COVID-19 has produced significant shifts in the mix of our business with a larger decline in food/non-food sales relative to cigarette sales, which we anticipate will result in lower gross margins until the impacts of COVID-19 starts to moderate. As we cannot predict the duration or scope of the COVID-19 pandemic, the anticipated negative financial impact to our operating results cannot be reasonably estimated, but could be material and last for an extended period of time.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no repurchases of common stock by the Company during the three months ended September 30, 2020.

ITEM 6. EXHIBITS

Exhibit No.	Description
3.1	Certificate of Incorporation of Core-Mark Holding Company, Inc. (incorporated by reference to Exhibit 3.1 of the Company's Registration Statement on Form 10 filed on September 6, 2005).
3.2	Certificate of Amendment to Certificate of Incorporation of Core-Mark Holding Company, Inc. (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed May 21, 2015).
3.3	Certificate of Amendment to Certificate of Incorporation of Core-Mark Holding Company, Inc. (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on May 23, 2018).
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350*.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350*.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - formatted in Inline XBRL and included as Exhibit 101

* This Exhibit is being furnished rather than filed and shall not be deemed incorporated by reference into any filing pursuant to Item 601 of Regulation S-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Core-Mark Holding Company, Inc.
(Registrant)

November 5, 2020

By: /s/ CHRISTOPHER M. MILLER
Name: Christopher M. Miller
Title: Senior Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer and Authorized Signatory)

CERTIFICATION

I, Scott E. McPherson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Core-Mark Holding Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 5, 2020

By: /s/ SCOTT E. McPHERSON

Scott E. McPherson

President, Chief Executive Officer and Director

CERTIFICATION

I, Christopher M. Miller, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Core-Mark Holding Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 5, 2020

By: /s/ CHRISTOPHER M. MILLER

Christopher M. Miller

Senior Vice President, Chief Financial Officer

CORE-MARK HOLDING COMPANY, INC.
CERTIFICATION

In connection with the quarterly report of Core-Mark Holding Company, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, Scott E. McPherson, Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification shall not be deemed "filed" with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liability of that section.

November 5, 2020

By:

/s/ SCOTT E. McPHERSON

Scott E. McPherson

President, Chief Executive Officer and Director

CORE-MARK HOLDING COMPANY, INC.
CERTIFICATION

In connection with the quarterly report of Core-Mark Holding Company, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, Christopher M. Miller, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification shall not be deemed "filed" with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liability of that section.

November 5, 2020

By:

/s/ CHRISTOPHER M. MILLER

Christopher M. Miller

Senior Vice President, Chief Financial Officer