

RRD REPORTS FIRST QUARTER 2022 RESULTS

NET SALES INCREASED 12% OVER PRIOR YEAR PERIOD; REPRESENTS FOURTH CONSECUTIVE QUARTER OF ORGANIC SALES GROWTH

ADJUSTED EBITDA INCREASED 44% OVER THE PRIOR YEAR PERIOD – STRONGEST FIRST QUARTER PERFORMANCE SINCE THE SPIN IN 2016

Chicago, May 10, 2022 – R.R. Donnelley & Sons Company (“RRD” or the “Company”) today reported financial results for the first quarter of 2022.

Q1 Key messages

- GAAP net sales, including the impact of foreign exchange, increased \$139 million or 11.8%; Non-GAAP organic net sales increased 12% primarily from higher demand for most of the Company’s products and services
- GAAP net loss from continuing operations of \$58 million includes merger related expenses of \$64 million, higher restructuring, impairment and other charges compared to the prior year period, and expenses associated with the systems intrusion identified in December 2021
- Non-GAAP adjusted EBITDA of \$110 million increased 44% over the prior year period; related margin increased 190 bps to 8.4%
- Non-GAAP adjusted net income of \$33 million was up \$27 million versus the prior year period
- Cash used in operating activities during the three months ended March 31, 2022 was \$213 million compared to \$19 million in the prior year period; current year results reflect working capital investments due to increased volume and inflation in addition to \$77 million of merger related payments
- Gross leverage ratio of 3.6x improved 0.3x from March 31, 2021; net leverage ratio of 3.0x improved 0.2x from same period

Financial highlights

The following tables provide an overview of RRD’s financial performance:

	1st Quarter Results		
	Q1 2022	Q1 2021	% Change
Net sales	\$1.31 billion	\$1.17 billion	11.8%
(Loss) income from operations	\$(25.5) million	\$25.1 million	nm
Net loss from continuing operations	\$(58.4) million	\$(1.7) million	nm
Adjusted income from operations - non-GAAP ⁽¹⁾	\$74.6 million	\$37.4 million	99.5%
Adjusted EBITDA - non-GAAP ⁽¹⁾	\$109.6 million	\$76.0 million	44.2%
Adjusted net income - non-GAAP ⁽¹⁾	\$32.7 million	\$6.1 million	nm

(1) Refer to "Use of Non-GAAP Information" for additional information on the usage and presentation of non-GAAP financial measures, and refer to the schedules for reconciliations to the most directly comparable GAAP financial measures.

Net sales in the first quarter were \$1.31 billion, up \$138.8 million or 11.8% from the first quarter of 2021. While first quarter net sales decreased nearly \$3 million due to changes in foreign exchange, the majority

of the increase relates to higher client demand for most of the Company's products and services, and price increases to partially offset inflationary cost increases. The Company experienced significant growth in Supply Chain Management, Commercial Print and Labels products. Organic net sales increased 12.0%.

Loss from operations was \$25.5 million in the first quarter of 2022 compared to income from operations of \$25.1 million in the first quarter of 2021. The first quarter of 2022 included \$64 million of expenses related to the merger, and net restructuring, impairment and other charges of \$18.9 million which increased \$13.1 million from the prior year period.

Net loss from continuing operations of \$58.4 in the first quarter of 2022 compared to \$1.7 reported in the first quarter of 2021. The 2022 net loss from continuing operations reflects the increased loss from operations, higher income taxes and loss on debt extinguishment, slightly offset by lower interest expense.

Non-GAAP adjusted EBITDA of \$109.6 million increased \$33.6 million from the prior year period. The increase was primarily due to the impact of higher net sales and ongoing cost control initiatives partially offset by continued inflation.

Non-GAAP adjusted net income from continuing operations of \$32.7 in the first quarter of 2022 increased from \$6.1 in the first quarter of 2021 primarily due to higher adjusted income from operations and lower interest expense, partially offset by unfavorable income taxes.

Other highlights and information

Cash used in operating activities during the three months ended March 31, 2022 was \$213.3 million compared to \$18.9 million in the prior year period. The increase in cash used is primarily driven by working capital investments due to increased volume and inflation and \$77 million of merger related payments.

Capital expenditures in the first quarter of 2022 were \$13.5 million versus \$13.0 million in the prior year period.

As of March 31, 2022, cash on hand was \$283.8 million, up \$3.6 million from December 31, 2021. Total debt outstanding at the end of the quarter was \$1.6 billion, up \$133.8 from the prior year end. Availability under the credit facility was \$237.7 million at March 31, 2022. Total liquidity, including cash on hand, was \$521.5 million, down from \$830.9 million at December 31, 2021.

Distribution of future earnings releases

As part of its transition to a privately owned company, the Company plans to publicly issue a press release related to its quarterly earnings releases and post the release to its website for each of the quarters in 2022. Beginning with the first quarter of 2023, the Company expects to no longer issue its results publicly. Instead creditors, investors, clients, suppliers and other approved parties may submit a request for access to financial information on the investor relations page on the Company's website.

About RRD

RRD is a leading global provider of multichannel business communications services and marketing solutions. With 25,000 clients and 32,000 employees across 28 countries, RRD offers the industry's most comprehensive offering of solutions designed to help companies—from Main Street to Wall Street—optimize customer engagement and streamline business operations across the complete customer journey. RRD offers a comprehensive portfolio of capabilities, experience and scale that enables organizations around the world to create, manage, deliver, and optimize their marketing and business communications strategies.

For more information, visit the Company's web site at www.rrd.com.

Use of non-GAAP information

This news release contains non-GAAP financial measures, including non-GAAP SG&A, non-GAAP income from operations, non-GAAP Adjusted EBITDA, non-GAAP effective tax rate, non-GAAP adjusted net income, non-GAAP organic net sales and gross and net leverage ratios. The Company believes that these non-GAAP measures, when presented in conjunction with comparable GAAP measures, provide useful information about its operating results and enhance the overall ability to assess the Company's financial performance. These measures should be considered in addition to, and not as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. RRD uses these non-GAAP measures, together with other measures of performance under GAAP, to compare the relative performance of operations in planning, budgeting and reviewing the performance of its business. Additional information relating to the adjustments for the non-GAAP SG&A, non-GAAP income from operations, non-GAAP Adjusted EBITDA, non-GAAP effective tax rate, non-GAAP adjusted net income, non-GAAP organic net sales and gross and net leverage ratios for RRD is set forth in the attached schedules.

Use of forward-looking statements

This news release includes certain “forward-looking statements” within the meaning of the federal securities laws, with respect to the business, strategy and plans of the Company and its expectations relating to future financial condition and performance. Statements that are not historical facts, including statements about RRD's management's beliefs and expectations, are forward-looking statements. Words such as “believes,” “anticipates,” “estimates,” “expects,” “intends,” “aims,” “potential,” “will,” “would,” “could,” “considered,” “likely,” “estimate” and variations of these words and similar future or conditional expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. While RRD believes these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond RRD's control. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon future circumstances that may or may not occur. Actual results may differ materially from those in the forward-looking statements and may vary from RRD's current expectations depending upon a number of factors affecting the business and risks associated with the performance of the business. These factors include such risks and uncertainties detailed in RRD's periodic public filings with the U.S. Securities and Exchange Commission (the “SEC”), including but not limited to those discussed under the “Risk Factors” section in RRD's Form 10-K for the fiscal year ended December 31, 2021, and other filings with the SEC and in other investor communications of RRD from time to time. RRD does not undertake to and

specifically disclaims any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect future events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events.

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Source: RRD

R. R. Donnelley & Sons Company
Condensed Consolidated Statements of Operations
For the Three Months Ended March 31, 2022 and 2021
(UNAUDITED)
(in millions)

	For the Three Months Ended March 31,	
	2022	2021
Net sales	\$ 1,311.9	\$ 1,173.1
Cost of sales ⁽¹⁾	1,063.2	949.0
Gross profit ⁽¹⁾	248.7	224.1
Selling, general and administrative expenses (SG&A) ^{(1) (2)}	187.0	153.3
Restructuring, impairment and other charges-net	18.9	5.8
Depreciation and amortization	30.5	33.8
Other operating expense ⁽³⁾	37.8	6.1
(Loss) income from operations	(25.5)	25.1
Interest expense-net	24.7	30.5
Loss on debt extinguishment	2.3	—
Investment and other income-net	(4.5)	(4.8)
Loss from continuing operations before income taxes	(48.0)	(0.6)
Income tax expense	10.4	1.1
Net loss from continuing operations	(58.4)	(1.7)
Gain on sale of discontinued operations, net of tax	—	0.6
Net loss	(58.4)	(1.1)
Less: income attributable to noncontrolling interests	—	0.2
Net loss attributable to RRD common stockholders	\$ (58.4)	\$ (1.3)

Additional information:

Gross margin ⁽¹⁾	19.0%	19.1%
SG&A as a % of total net sales ⁽¹⁾	14.3%	13.1%
Operating margin	(1.9%)	2.1%
Effective tax rate	(21.7%)	(183.3%)

(1) Exclusive of depreciation and amortization.

(2) Inclusive of \$36.0 million in accelerated incentive compensation expense related to the Merger in 2022.

(3) Inclusive of \$27.5 million in transaction costs related to the Merger in 2022.

R. R. Donnelley & Sons Company
Condensed Consolidated Balance Sheets
As of March 31, 2022 and December 31, 2021
(UNAUDITED)
(in millions)

	<u>3/31/2022</u>	<u>12/31/2021</u>
Assets		
Cash and cash equivalents	\$ 283.8	\$ 280.2
Receivables, less allowances for credit losses	1,070.4	1,063.4
Inventories	393.2	352.7
Assets held-for-sale	6.7	9.2
Prepaid expenses and other current assets	121.8	101.3
Total Current Assets	1,875.9	1,806.8
Property, plant and equipment - net	393.9	408.4
Goodwill	404.4	405.4
Other intangible assets - net	45.1	49.8
Deferred income taxes	32.0	34.6
Operating lease assets	212.0	214.5
Other noncurrent assets	203.8	211.9
Total Assets	\$ 3,167.1	\$ 3,131.4
Liabilities		
Accounts payable	805.0	895.3
Accrued liabilities and other	314.7	352.9
Short-term operating lease liabilities	70.2	70.8
Short-term and current portion of long-term debt	7.5	-
Total Current Liabilities	1,197.4	1,319.0
Long-term debt	1,592.6	1,466.3
Pension liabilities	61.5	62.5
Long-term income tax liability	60.3	60.3
Long-term operating lease liabilities	148.7	149.9
Other noncurrent liabilities	223.7	238.3
Total Liabilities	\$ 3,284.2	\$ 3,296.3
Equity		
Common stock	-	0.9
Additional paid-in capital	2,231.4	2,686.9
Accumulated deficit	(2,295.4)	(2,237.0)
Accumulated other comprehensive loss	(66.0)	(63.1)
Treasury stock	-	(566.4)
Total RRD stockholders' equity	(130.0)	(178.7)
Noncontrolling interests	12.9	13.8
Total Equity	\$ (117.1)	\$ (164.9)
Total Liabilities and Equity	\$ 3,167.1	\$ 3,131.4

R. R. Donnelley & Sons Company
Condensed Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2022 and 2021
(UNAUDITED)
(in millions)

	2022	2021
Net loss	\$ (58.4)	\$ (1.1)
Adjustment to reconcile net loss to net cash used in operating activities	37.8	30.7
Changes in operating assets and liabilities	(190.9)	(46.6)
Pension and other postretirement benefits plan contributions	(1.8)	(1.9)
Net cash used in operating activities	\$ (213.3)	\$ (18.9)
Capital expenditures	(13.5)	(13.0)
All other cash provided by investing activities	20.3	1.7
Net cash provided by (used in) investing activities	\$ 6.8	\$ (11.3)
Net cash provided by (used in) financing activities	\$ 215.7	\$ (4.7)
Effect of exchange rate on cash, cash equivalents and restricted cash	(1.9)	(2.1)
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ 7.3	\$ (37.0)
Cash, cash equivalents and restricted cash at beginning of year	320.3	357.6
Cash, cash equivalents and restricted cash at end of period	\$ 327.6	\$ 320.6

R. R. Donnelley & Sons Company
Reconciliation of GAAP to Non-GAAP Measures
For the Three Months Ended March 31, 2022 and 2021
(UNAUDITED)
(in millions)

	For the Three Months Ended March 31, 2022					For the Three Months Ended March 31, 2021				
	Cost of sales	SG&A (1)	(Loss) income from operations	Interest Expense	Income tax expense	Net (loss) income from continuing operations attributable to RRD stockholders	SG&A (1)	Income from operations	Income tax expense	Net (loss) income from continuing operations attributable to RRD stockholders
GAAP basis measures	\$ 1,063.2	\$ 187.0	\$ (25.5)	\$ 24.7	\$ 10.4	\$ (58.4)	\$ 153.3	\$ 25.1	\$ 1.1	\$ (1.9)
Non-GAAP adjustments:										
Restructuring, impairment and other charges-net (2)	—	—	18.9	—	1.9	17.0	—	5.8	2.1	3.7
Merger-related expenses (3)	(0.3)	(36.2)	64.0	—	(0.5)	64.5	—	—	—	—
Gain on swap terminations	—	—	—	0.7	(0.1)	(0.6)	—	—	—	—
Loss on debt extinguishments	—	—	—	—	0.2	2.0	—	—	—	—
All other (4)	—	(6.8)	17.2	—	9.0	8.2	(0.4)	6.5	2.3	4.3
Total Non-GAAP adjustments	(0.3)	(43.0)	100.1	0.7	10.5	91.1	(0.4)	12.3	4.4	8.0
Non-GAAP measures	\$ 1,062.9	\$ 144.0	\$ 74.6	\$ 25.4	\$ 20.9	\$ 32.7	\$ 152.9	\$ 37.4	\$ 5.5	\$ 6.1
Additional non-GAAP information:					2022	2021				
Gross margin (1)					19.0%	19.1%				
Adjusted SG&A as a % of total net sales (1)					11.0%	13.0%				
Adjusted operating margin					5.7%	3.2%				
Adjusted effective tax rate					38.9%	47.0%				

(1) Exclusive of depreciation and amortization.

(2) *Restructuring, impairment and other charges-net*: charges incurred in the first quarter of 2022 primarily included \$15.2 million for employee termination costs and \$5.5 million in other restructuring charges, partially offset by net gains on the sale of two restructured facilities. Charges incurred in the first quarter of 2021 primarily included \$4.0 million in other restructuring charges and \$1.5 million for employee termination costs.

(3) *Merger-related expenses*: primarily included \$36.0 million in accelerated incentive compensation expense and \$27.5 million in transaction costs related to the Merger in 2022.

(4) *All other*: charges in the first quarter of 2022 primarily included expenses related to the systems intrusion identified in December 2021, runoff insurance policies and expenses related to the ongoing SEC and DOJ investigations in RRD Brazil. Charges in the first quarter of 2021 primarily included expenses related to the ongoing SEC and DOJ investigations in RRD Brazil.

R. R. Donnelley & Sons Company
Reconciliation of Reported to Organic Net Sales
For the Three Months Ended March 31, 2022
(UNAUDITED)

	For the Three Months Ended March 31, 2022
Reported net sales change	11.8%
Less:	
Year-over-year impact of changes in foreign currency rates	(0.2%)
Net organic sales change	<u>12.0%</u>

R. R. Donnelley & Sons Company
Reconciliation of GAAP Net (Loss) Income to Non-GAAP Adjusted EBITDA
For the Three Months Ended March 31, 2022 and 2021
(UNAUDITED)
(in millions)

	For the Three Months Ended March 31,	
	2022	2021
GAAP net loss from continuing operations attributable to RRD stockholders	\$ (58.4)	\$ (1.9)
Adjustments		
Income attributable to noncontrolling interests	—	0.2
Income tax expense	10.4	1.1
Interest expense - net	24.7	30.5
Depreciation and amortization	30.5	33.8
Restructuring, impairment and other charges-net	18.9	5.8
Loss on debt extinguishment	2.3	—
Merger-related expenses	64.0	—
Other	17.2	6.5
Total Non-GAAP adjustments	168.0	77.9
Non-GAAP adjusted EBITDA	\$ 109.6	\$ 76.0
Net sales	\$ 1,311.9	\$ 1,173.1
Non-GAAP adjusted EBITDA margin %	8.4%	6.5%

R. R. Donnelley & Sons Company

Debt Leverage Ratios As of March 31, 2022 and 2021 (UNAUDITED)

	As of March 31,	
	2022	2021
Gross Leverage Ratio		
Total Debt	1,600.1	1,503.1
Trailing 12 months adjusted EBITDA on a continuing basis	440.6	383.5
Discontinued operations adjusted EBITDA (1)	n/a	n/a
Total adjusted EBITDA	440.6	383.5
Gross Leverage Ratio	3.6x	3.9x
Net Leverage Ratio		
Total Debt	1,600.1	1,503.1
Less Cash and cash equivalents	283.8	261.6
Net Debt	1,316.3	1,241.5
Trailing 12 months adjusted EBITDA on a continuing basis	440.6	383.5
Discontinued operations adjusted EBITDA (1)	n/a	n/a
Total adjusted EBITDA	440.6	383.5
Net Leverage Ratio	3.0x	3.2x

(1) March 31, 2021 leverage ratios exclude EBITDA from discontinued operations as proceeds from the sale of the divested businesses were used to reduce debt.