



# RR Donnelley Reports Fourth-Quarter and Full-Year 2013 Results and Issues 2014 Full-Year Guidance

Feb 24, 2014

CHICAGO, Feb. 25, 2014 (GLOBE NEWSWIRE) -- R.R. Donnelley & Sons Company (Nasdaq:RRD) today reported financial results for the fourth quarter of 2013:

Highlights:

- Company achieved or exceeded its previous guidance on revenue, non-GAAP adjusted EBITDA margin and cash flow as follows:

	Full-year 2013 Guidance	Full-year 2013 Actual
Net Sales	\$10.35 to \$10.45 billion	\$10.48 billion
Non-GAAP Adjusted EBITDA margin	11.0% to 11.2%	11.0%
Free Cash Flow <sup>(1)</sup>	\$400 to \$500 million	\$478.2 million

(1) Defined as Operating Cash Flow less Capital Expenditures: 2013 Actual Operating Cash Flow of \$694.8 million and Capital Expenditures of \$216.6 million

- Fourth-quarter net sales of \$2.8 billion grew 3.6% from the fourth quarter of 2012; organic sales grew 2.3% in the quarter
- Fourth-quarter GAAP net earnings attributable to common shareholders of \$104.0 million, or \$0.56 per diluted share, compared to a net loss attributable to common shareholders in the fourth quarter of 2012 of \$849.0 million, or \$4.70 per diluted share
- Fourth-quarter non-GAAP net earnings attributable to common shareholders of \$89.8 million, or \$0.49 per diluted share, compared to non-GAAP net earnings attributable to common shareholders in the fourth quarter of 2012 of \$78.1 million, or \$0.43 per diluted share
- Non-GAAP adjusted EBITDA in the quarter of \$293.6 million, or 10.7% of net sales, compared to \$292.2 million, or 11.0% of net sales, in the fourth quarter of 2012
- Company realigns into four new operating segments
- Company to celebrate 150-year anniversary in October 2014

"We are pleased with the fourth-quarter organic revenue growth of 2.3%, driven by strong revenue performance across many of our offerings. For the year, we realized reported revenue growth of 2.5% and organic growth of 0.6%, our best organic revenue growth performance since 2010, and continued to deliver strong free cash flow, at the upper end of our guidance for the year," said Thomas J. Quinlan III, R.R. Donnelley's President and Chief Executive Officer. "The continuing development of our market segment solutions, combined with our recent acquisition of Consolidated Graphics, will allow us to build upon the positive trend realized in 2013. We continue to target gross leverage on a long-term sustainable basis to be in the range of 2.25x to 2.75x."

## Net Sales

Net sales in the quarter were \$2.8 billion, up \$95.7 million, or 3.6%, from the fourth quarter of 2012. After

adjusting for the impact of acquisitions, changes in foreign exchange rates and pass-through paper sales, organic sales grew by 2.3% from the fourth quarter of 2012, driven by volume growth in many offerings and an increase in pass-through postage revenue.

## GAAP Earnings

Fourth-quarter 2013 net earnings attributable to common shareholders were \$104.0 million, or \$0.56 per diluted share, compared to a net loss attributable to common shareholders of \$849.0 million in the fourth quarter of 2012. Fourth-quarter net earnings attributable to common shareholders included pre-tax charges and expenses, detailed on the attached schedules, of \$74.5 million and \$1.0 billion in 2013 and 2012, respectively, as well as income tax adjustments in both years, all of which were excluded from the presentation of non-GAAP net earnings attributable to common shareholders. Additional details regarding the amount and nature of these and other items are included in the attached schedules.

## Non-GAAP Earnings

Fourth-quarter 2013 non-GAAP adjusted EBITDA was \$293.6 million or 10.7% of net sales, compared to non-GAAP adjusted EBITDA of \$292.2 million, or 11.0% of net sales, in the fourth quarter of 2012. Unfavorable changes in foreign exchange rates contributed nearly 20 basis points of the quarter-over-quarter margin decline, while higher pass-through postage revenue accounted for an additional 20 basis points of the decline. Higher volume and a favorable product mix offset price pressure, higher benefits-related expenses and wage and other cost inflation.

Non-GAAP net earnings attributable to common shareholders totaled \$89.8 million, or \$0.49 per diluted share, in the fourth quarter of 2013 compared to \$78.1 million, or \$0.43 per diluted share, in the fourth quarter of 2012. Fourth-quarter non-GAAP net earnings attributable to common shareholders exclude pre-tax charges and expenses of \$74.5 million and \$1.0 billion in 2013 and 2012, respectively, as well as income tax adjustments in both years. A reconciliation of net earnings attributable to common shareholders to non-GAAP adjusted EBITDA and non-GAAP net earnings attributable to common shareholders is presented in the attached schedules.

## 2014 Guidance

The Company provides the following full-year guidance for 2014, which includes eleven months of performance from the acquisition of Consolidated Graphics that closed on January 31, 2014:

	2014 Guidance	2013 Actual
Net sales	\$11.5 to \$11.7 billion	\$10.5 billion
Non-GAAP adjusted EBITDA margin	10.5% to 11.0%	11.0%
Depreciation and amortization	\$500 to \$510 million	\$435.8 million
Interest expense	\$275 to \$285 million	\$261.4 million
Non-GAAP effective tax rate	33% to 35%	30.5%
Diluted share count	Approximately 199 million	183.5 million
Capital expenditures	\$225 to \$250 million	\$216.6 million
Free cash flow <sup>(1)</sup>	\$400 to \$500 million	\$478.2 million

(1) Defined as operating cash flow less capital expenditures

## New Operating Segments

During the fourth quarter of 2013, the Company changed its reportable segments to reflect changes in the management reporting structure of the organization. The revised reporting structure includes four operating segments: Publishing and Retail Services, Variable Print, Strategic Services, and International, as well as unallocated Corporate expenses.

The schedules that follow provide quarterly segment-level financial data for 2011, 2012 and 2013. Listed below are the reporting units that comprise each segment:

Publishing and Retail Services	Variable Print	Strategic Services	International
Magazines, Catalogs, and Retail Inserts	Commercial and Digital Print	Logistics	Asia
Books	Direct Mail	Financial	Latin America
Directories	Labels	Digital and Creative Solutions	Business Process Outsourcing
	Statement Printing	Sourcing	Europe
	Forms		Global Turnkey Solutions
	Office Products		Canada

## Conference Call

RR Donnelley will host a conference call and simultaneous webcast to discuss its fourth-quarter results tomorrow, Wednesday, February 26, at 9:00 a.m. Eastern Time (8:00 a.m. Central Time). The live webcast will be accessible on RR Donnelley's web site: [www.rrdonnelley.com](http://www.rrdonnelley.com). Individuals wishing to participate **must register in advance** at <http://www.meetme.net/rrd>. After registering, participants will receive dial-in numbers, a passcode, and a personal identification number (PIN) that is used to uniquely identify their presence and automatically join them into the audio conference. A webcast replay will be archived on the Company's web site for 30 days after the call. In addition, a telephonic replay of the call will be available for seven days at 630.652.3042, passcode 9850121#.

## Investor Meeting

In addition to the conference call, an investor meeting and live webcast will be held tomorrow, Wednesday, February 26, from 12:00 p.m. to 3:30 p.m. Eastern Time, with check-in beginning at 11:00 a.m. Eastern Time. A management presentation, including a discussion of the Company's strategy and financial outlook, will be followed by a question and answer session. The live webcast will be accessible on RR Donnelley's web site: [www.rrdonnelley.com](http://www.rrdonnelley.com). A copy of the presentation will be available on the Company's web site in advance of the webcast.

## About RR Donnelley

RR Donnelley (Nasdaq:RRD) helps organizations communicate more effectively by working to create, manage, produce, distribute and process content on behalf of our customers. The company assists customers in developing and executing multichannel communication strategies that engage audiences, reduce costs, drive revenues and increase compliance. RR Donnelley's innovative technologies enhance digital and print communications to deliver integrated messages across multiple media to highly targeted audiences at optimal times for clients in virtually every private and public sector. Strategically located operations provide local service and responsiveness while leveraging the economic, geographic and technological advantages of a global organization.

For more information, and for RR Donnelley's Global Social Responsibility Report, visit the company's web site at <http://www.rrdonnelley.com>.

## Use of non-GAAP Information

This news release contains certain non-GAAP measures. The Company believes that these non-GAAP measures, when presented in conjunction with comparable GAAP measures, are useful because that information is an appropriate measure for evaluating the Company's operating performance. Internally, the Company uses this non-GAAP information as an indicator of business performance, and evaluates management's effectiveness with specific reference to these indicators. These measures should be considered in addition to, not a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP.

## Use of Forward-Looking Statements

This news release includes certain "forward-looking statements" within the meaning of, and subject to the safe harbor created by, Section 21E of the Securities Exchange Act of 1934, as amended, with respect to the business, strategy and plans of RR Donnelley and its expectations relating to future financial condition and performance. These statements include all of the items under the column labeled "2014 Guidance" in the table included under the "2014 Guidance" section. Statements that are not historical facts, including statements about RR Donnelley 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 RR Donnelley 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 RR Donnelley'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 RR Donnelley's current expectations depending upon a number of factors affecting the business and risks associated with the performance of the business. These factors include, among others, the ability to implement plans for the integration of acquisitions, including the Consolidated Graphics acquisition, including with respect to sales forces, cost containment, asset rationalization and other key strategies and the ability to recognize the anticipated synergies and benefits of such acquisitions, and such other risks and uncertainties detailed in RRD's periodic public filings with the SEC, including but not limited to those discussed under "Risk Factors" in RRD's Form 10-K and other filings with the SEC and in other investor communications of RRD from time to time. RR Donnelley does not undertake to and specifically declines 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.

R. R. Donnelley & Sons Company

Condensed Consolidated Balance Sheets

As of December 31, 2013 and December 31, 2012

*(UNAUDITED)*

*(in millions, except per share data)*

	December 31, 2013	December 31, 2012
<b>Assets</b>		
Cash and cash equivalents	\$ 1,028.4	\$ 430.7
Receivables, less allowances for doubtful accounts	1,832.3	1,878.8
Inventories	501.2	510.2

Prepaid expenses and other current assets	199.7	157.7
<b>Total Current Assets</b>	<b>3,561.6</b>	<b>2,977.4</b>
Property, plant and equipment - net	1,430.1	1,616.6
Goodwill	1,436.3	1,436.4
Other intangible assets - net	315.9	382.9
Deferred income taxes	118.8	445.1
Other noncurrent assets	375.5	404.3
<b>Total Assets</b>	<b>\$ 7,238.2</b>	<b>\$ 7,262.7</b>

#### Liabilities

Accounts payable	\$ 1,143.0	\$ 1,210.3
Accrued liabilities	814.8	825.2
Short-term and current portion of long-term debt	270.9	18.4
<b>Total Current Liabilities</b>	<b>2,228.7</b>	<b>2,053.9</b>
Long-term debt	3,587.0	3,420.2
Pension liabilities	245.2	1,150.5
Other postretirement benefits plan liabilities	174.1	241.7
Other noncurrent liabilities	349.5	327.7
<b>Total Liabilities</b>	<b>6,584.5</b>	<b>7,194.0</b>

#### Equity