



# RR Donnelley Reports First-Quarter 2013 Results

Apr 24, 2013

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

## Highlights:

- First-quarter 2013 net sales of \$2.5 billion grew 0.5% from the first quarter of 2012
  - U.S. Print and Related Services segment net sales declined 0.5%
  - International segment net sales grew 3.5%
  - Organic net sales decline of 1.2% reflects improvement in trend from the previous five quarters
- First-quarter 2013 GAAP net earnings attributable to common shareholders of \$27.1 million, or \$0.15 per diluted share
- First-quarter 2013 non-GAAP net earnings attributable to common shareholders of \$68.1 million, or \$0.37 per diluted share
- First-quarter 2013 non-GAAP adjusted EBITDA of \$277.1 million, or 10.9% of net sales
- Company reaffirms revenue, margin and free cash flow guidance for full-year 2013

"Our first-quarter results allow us to reaffirm our full-year guidance for revenue, margin and free cash flow," said Thomas J. Quinlan III, R.R. Donnelley's President and Chief Executive Officer. "We continue to focus our efforts to drive free cash flow, and remain committed to our targeted gross leverage range of 2.25x to 2.75x on a long-term sustainable basis."

Net sales in the quarter were \$2.5 billion, up \$13.6 million, or 0.5%, from the first quarter of 2012 due to the impact of 2012 acquisitions and volume growth in the International segment. The first quarter of 2012 included an adjustment to accounts receivable for prior periods' overaccruals of rebates owed to certain customers that favorably impacted both sales and operating income by \$19.8 million. After adjusting for the impact of this rebate adjustment, as well as the impact of acquisitions, changes in foreign exchange rates and pass-through paper sales, organic sales declined 1.2% from the first quarter of 2012 due to price erosion and volume declines in the U.S. Print and Related Services segment. Operating income in the first quarter of 2013 was \$139.8 million, which was impacted by restructuring and impairment charges and acquisition-related expenses totaling \$23.7 million, compared to operating income in the first quarter of 2012 of \$121.4 million, which included restructuring and impairment charges and acquisition-related expenses totaling \$50.3 million.

First-quarter 2013 net income attributable to common shareholders was \$27.1 million, or \$0.15 per diluted share, compared to net income of \$37.4 million, or \$0.21 per diluted share, in the first quarter of 2012. First-quarter 2013 net income attributable to common shareholders included \$62.5 million in pre-tax charges for restructuring, impairment (non-cash), acquisition-related expenses, a loss on currency devaluation in Venezuela and a loss on debt extinguishment, while in the first quarter of 2012, net income attributable to common shareholders included \$62.4 million in pre-tax charges for restructuring, impairment (non-cash), acquisition-related expenses and a loss on debt extinguishment. Additional details regarding the nature of these and other items are included in the attached schedules.

Non-GAAP adjusted EBITDA was \$277.1 million in the first quarter of 2013 compared to \$296.7 million in the first quarter of 2012. Non-GAAP adjusted EBITDA margin in the first quarter of 2013 was 10.9%, or 90 basis points lower than in the first quarter of 2012, as the \$19.8 million customer rebate adjustment, price pressure, an

unfavorable product mix and lower pension income more than offset lower employee-related expenses and productivity improvements.

Non-GAAP net earnings attributable to common shareholders totaled \$68.1 million, or \$0.37 per diluted share, in the first quarter of 2013 compared to \$78.8 million, or \$0.44 per diluted share, in the first quarter of 2012. First-quarter non-GAAP net earnings attributable to common shareholders exclude restructuring and impairment charges, losses on debt extinguishment, and acquisition-related expenses in both years as well as the loss on currency devaluation in Venezuela in 2013. 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.

## Outlook

The Company provides the following guidance for the full-year 2013:

	Current guidance	Previous guidance
Revenue	\$10.1 to \$10.3 billion	\$10.1 to \$10.3 billion
Non-GAAP adjusted EBITDA margin	11.2% to 11.4%	11.2% to 11.4%
Depreciation and amortization	\$450 to \$460 million	\$455 to \$465 million
Interest expense	\$250 to \$255 million	\$245 to \$250 million
Non-GAAP effective tax rate	33% to 35%	33% to 35%
Diluted share count	183 to 185 million	183 to 185 million
Capital expenditures	\$200 to \$225 million	\$200 to \$225 million
Free cash flow	\$400 to \$500 million	\$400 to \$500 million

## Conference Call

RR Donnelley will host a conference call and simultaneous webcast to discuss its first-quarter results today, Thursday, April 25, at 10:00 a.m. Eastern Time (9:00 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#.

## About RR Donnelley

RR Donnelley (Nasdaq:RRD) is a global provider of integrated communications. The Company works collaboratively with more than 60,000 customers worldwide to develop custom communications solutions that reduce costs, drive top-line growth, enhance ROI and ensure compliance. Drawing on a range of proprietary and commercially available digital and conventional technologies deployed across four continents, the Company employs a suite of leading Internet-based capabilities and other resources to provide premedia, printing, logistics and business process outsourcing services to clients in virtually every private and public sector.

For more information, and for RR Donnelley's Corporate 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 contains "forward-looking statements" as defined in the U.S. Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on these forward-looking statements and any such forward-looking statements are qualified in their entirety by reference to the following cautionary statements. All forward-looking statements speak only as of the date of this news release and are based on current expectations and involve a number of assumptions, risks and uncertainties that could cause the actual results to differ materially from such forward-looking statements. The Company 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. The factors that could cause material differences in the expected results of RR Donnelley include, without limitation, the following: the successful execution and integration of acquisitions and the performance of the Company's businesses following acquisitions; the ability to implement comprehensive plans for the integration of sales forces, cost containment, asset rationalization and other key strategies; competitive pressures in all markets in which the Company operates; the volatility and disruption of the capital and credit markets, and adverse changes in the global economy; the Company's ability to access debt and the capital markets and the reliability of the participants to the Company's lending and insurance agreements; factors that affect customer demand, including changes in postal rates and postal regulations, changes in the capital markets, changes in advertising markets, the rate of migration from paper-based forms to digital format, customers' budgetary constraints and customers' changes in short-range and long-range plans; customers' financial strength; shortages or changes in availability, or increases in costs of, key materials (such as ink, paper and fuel); and other risks and uncertainties described in RR Donnelley's periodic filings with the Securities and Exchange Commission (SEC). Readers are strongly encouraged to read the full cautionary statements contained in RR Donnelley's filings with the SEC.

R. R. Donnelley & Sons Company

Condensed Consolidated Balance Sheets

As of March 31, 2013 and December 31, 2012

(UNAUDITED)

(in millions, except per share data)

	March 31, 2013	December 31, 2012
<b>Assets</b>		
Cash and cash equivalents	\$ 302.9	\$ 430.7
Receivables, less allowances for doubtful accounts	1,851.8	1,878.8
Inventories	504.4	510.2
Prepaid expenses and other current assets	155.3	157.7

<b>Total Current Assets</b>	<b>2,814.4</b>	<b>2,977.4</b>
Property, plant and equipment - net	1,544.9	1,616.6
Goodwill	1,431.9	1,436.4
Other intangible assets - net	366.4	382.9
Deferred income taxes	447.9	445.1
Other noncurrent assets	401.3	404.3
<b>Total Assets</b>	<b>\$ 7,006.8</b>	<b>\$ 7,262.7</b>
<b>Liabilities</b>		
Accounts payable	\$ 1,030.9	\$ 1,210.3
Accrued liabilities	698.4	825.2
Short-term and current portion of long-term debt	21.6	18.4
<b>Total Current Liabilities</b>	<b>1,750.9</b>	<b>2,053.9</b>
Long-term debt	3,512.2	3,420.2
Pension liabilities	1,126.0	1,150.5
Other postretirement benefits plan liabilities	240.4	241.7
Other noncurrent liabilities	326.9	327.7
<b>Total Liabilities</b>	<b>6,956.4</b>	<b>7,194.0</b>
<b>Equity</b>		
Common stock, \$1.25 par value	303.7	303.7
Authorized shares: 500.0		
Issued shares: 243.0 in 2013 and 2012		
Additional paid-in capital	2,796.4	2,839.4
Accumulated deficit	(515.9)	(496.1)
Accumulated other comprehensive loss	(1,022.9)	(1,029.2)
Treasury stock, at cost, 61.6 shares in 2013 (2012 - 62.6 shares)	(1,524.2)	(1,565.0)
<b>Total RR Donnelley shareholders' equity</b>	<b>37.1</b>	<b>52.8</b>
Noncontrolling interests	13.3	15.9
<b>Total Equity</b>	<b>50.4</b>	<b>68.7</b>
<b>Total Liabilities and Equity</b>	<b>\$ 7,006.8</b>	<b>\$ 7,262.7</b>

R. R. Donnelley & Sons Company

Condensed Consolidated Statements of Operations

For the Three Months Ended March 31, 2013 and 2012

(UNAUDITED)

(in millions, except per share data)

For the Three Months Ended March 31,						
	2 0 1 3 GAAP	ADJUSTMENTS TO NON-GAAP	2 0 1 3 NON-GAAP	2 0 1 2 GAAP	ADJUSTMENTS TO NON-GAAP	2 0 1 2 NON-GAAP
Products net sales	\$ 2,129.7	\$ --	\$ 2,129.7	\$ 2,196.5	\$ --	\$ 2,196.5
Services net sales	408.8	--	408.8	328.4	--	328.4
<b>Total net sales</b>						