



RR Donnelley Reports First-Quarter 2016 Results

May 03, 2016

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CHICAGO, May 03, 2016 (GLOBE NEWSWIRE) -- **R.R. Donnelley & Sons Company** (NASDAQ:RRD) today reported financial results for the first quarter of 2016.

Highlights:

- First-quarter net sales of \$2.7 billion declined 3.4% from the first quarter of 2015; organic net sales declined 3.1% from the first quarter of 2015
- First-quarter GAAP net earnings attributable to common shareholders of \$39.8 million, or \$0.19 per diluted share, compared to GAAP net earnings attributable to common shareholders in the first quarter of 2015 of \$22.3 million, or \$0.11 per diluted share
- First-quarter non-GAAP net earnings attributable to common shareholders of \$47.2 million, or \$0.22 per diluted share, compared to non-GAAP net earnings attributable to common shareholders in the first quarter of 2015 of \$51.9 million, or \$0.26 per diluted share
- First-quarter non-GAAP adjusted EBITDA of \$250.2 million, or 9.4% of net sales, compared to \$259.3 million, or 9.4% of net sales, in the first quarter of 2015
- Company reiterates full-year 2016 guidance

"We are pleased with our first-quarter results. While the demand environment remained challenging, our disciplined cost management allowed us to hold EBITDA margin flat compared to last year's first quarter. In addition, we saw a marked improvement in the year-over-year revenue trend as the quarter progressed," said Thomas J. Quinlan III, RR Donnelley's President and Chief Executive Officer.

Quinlan continued, "Our outlook for the full year is in line with our previous guidance, which we reiterate today. We are focused on achieving these expectations, and at the same time, we are making significant progress on the spin-offs of LSC Communications and Donnelley Financial Solutions, both of which remain on track to be completed in October."

Net Sales

Net sales in the quarter were \$2.7 billion, down \$94.7 million, or 3.4%, from the first quarter of 2015. After adjusting for the impact of acquisitions and dispositions, as well as changes in foreign exchange rates and pass-through paper sales, organic sales decreased 3.1% from the first quarter of 2015, as an increase in the International segment only partially offset declines in the Strategic Services, Variable Print and Publishing and Retail Services segments.

GAAP Earnings

First-quarter 2016 net earnings attributable to common shareholders were \$39.8 million, or \$0.19 per diluted share, compared to net earnings attributable to common shareholders of \$22.3 million, or \$0.11 per diluted share, in the first quarter of 2015. The first-quarter net earnings attributable to common shareholders included pre-tax charges of \$9.9 million and \$60.2 million in 2016 and 2015, respectively, all of which are 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

Non-GAAP adjusted EBITDA in the first quarter of 2016 was \$250.2 million, compared to \$259.3 million in the first quarter of 2015. Non-GAAP adjusted EBITDA margin in the first quarter of 2016 was 9.4%, flat to the first quarter of 2015, as productivity improvements and higher pension income offset price pressure.

Non-GAAP net earnings attributable to common shareholders totaled \$47.2 million, or \$0.22 per diluted share, in the first quarter of 2016 compared to \$51.9 million, or \$0.26 per diluted share, in the first quarter of 2015. Reconciliations of net earnings attributable to common shareholders to non-GAAP adjusted EBITDA and non-GAAP net earnings attributable to common shareholders are presented in the attached schedules.

2016 Guidance

The Company reiterates the following full-year guidance for 2016, which remains unchanged from previous guidance and excludes the impact of the previously announced pending spin-off transactions:

	Current Guidance
Net sales	\$11.3 to \$11.5 billion
Non-GAAP adjusted EBITDA margin	10.4% to 10.6%
Depreciation and amortization	\$430 to \$440 million
Interest expense	\$260 to \$270 million
Non-GAAP effective tax rate	34% to 35%
Diluted share count	Approximately 211 million
Capital expenditures	\$200 to \$225 million
Free cash flow⁽¹⁾	\$400 to \$500 million

(1) Defined as operating cash flow less capital expenditures

Conference Call

RR Donnelley will host a conference call and simultaneous webcast to discuss its first-quarter results today, Tuesday, May 3, 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. 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 6908506#.

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 those regarding the previously announced pending spin-off transactions and all of the items under the column labeled "Current Guidance" in the table included under the "2016 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 such risks and uncertainties detailed in RR Donnelley's periodic public filings with the SEC, including but not limited to those discussed under the "Risk Factors" section in RR Donnelley's Form 10-K for the fiscal year ended December 31, 2015, those discussed under the "Cautionary Statement" and "Other Information" sections in RR Donnelley's quarterly Form 10-Q filings, and other filings with the SEC and in other investor communications of RR Donnelley 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 March 31, 2016 and December 31, 2015

(UNAUDITED)

(in millions, except per share data)

	March 31, 2016	December 31, 2015
Assets		
Cash and cash equivalents	\$ 263.7	\$ 389.6
Receivables, less allowances for doubtful accounts	1,948.6	2,000.4
Inventories	607.3	592.0
Prepaid expenses and other current assets	117.4	119.7
Total Current Assets	2,937.0	3,101.7
Property, plant and equipment - net	1,412.4	1,448.1
Goodwill	1,747.1	1,743.6
Other intangible assets - net	420.4	438.0
Deferred income taxes	177.0	178.2
Other noncurrent assets	392.2	369.7
Total Assets	\$ 7,086.1	\$ 7,279.3

Liabilities

Accounts payable	\$ 1,009.2	\$ 1,322.3
Accrued liabilities	779.5	780.4
Short-term and current portion of long-term debt	634.4	234.6
Total Current Liabilities	2,423.1	2,337.3
Long-term debt	2,942.9	3,188.3

Pension liabilities	489.6	514.4
Other postretirement benefits plan liabilities	169.4	168.8
Other noncurrent liabilities	363.6	373.9
Total Liabilities	6,388.6	6,582.7

Equity

Common stock, \$1.25 par value	333.7	333.7
Authorized shares: 500.0		
Issued shares: 267.0 in 2016 and 2015		
Additional paid-in capital	3,135.2	3,164.3
Accumulated deficit	(635.1)	(620.6)
Accumulated other comprehensive loss	(776.1)	(793.2)
Treasury stock, at cost, 57.6 shares in 2016 (2015 - 58.2 shares)	(1,373.9)	(1,401.5)
Total RR Donnelley shareholders' equity	683.8	682.7
Noncontrolling interests	13.7	13.9
Total Equity	697.5	696.6
Total Liabilities and Equity	\$ 7,086.1	\$ 7,279.3

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Condensed Consolidated Statements of Operations

For the Three Months Ended March 31, 2016 and 2015

(UNAUDITED)

(in millions, except per share data)

For the Three Months Ended March 31,					
	2016 GAAP	ADJUSTMENTS TO NON-GAAP	2016 NON- GAAP	2015 GAAP	ADJUSTMENTS TO NON-GAAP
Total net sales	\$ 2,651.4	\$ -	\$ 2,651.4	\$ 2,746.1	\$ -
Total cost of sales (1)	2,082.1	-	2,082.1	2,166.4	-
					2,166.4

Total gross profit (1)	569.3	-	569.3	579.7	-	579.7
Selling, general and administrative expenses (SG&A) (1)	331.6	(12.5)	319.1	330.9	(10.5)	320.4
Restructuring, impairment and other charges - net	9.7	(9.7)	-	19.8	(19.8)	-
Depreciation and amortization	107.0	-	107.0	113.4	-	113.4
Other operating income	(12.3)	12.3	-	-	-	-
Income from operations	133.3	9.9	143.2	115.6	30.3	145.9
 Interest expense - net	 68.2	 -	 68.2	 69.0	 -	 69.0
Investment and other expense (income) - net	-	-	-	28.3	(29.9)	(1.6)
 Earnings before income taxes	 65.1	 9.9	 75.0	 18.3	 60.2	 78.5
 Income tax expense	 25.0	 2.5	 27.5	 6.4	 20.2	 26.6
 Net earnings	 40.1	 7.4	 47.5	 11.9	 40.0	 51.9
 Less: Income (loss) attributable to noncontrolling interests	 0.3	 -	 0.3	 (10.4)	 10.4	 -
 Net earnings attributable to RR Donnelley common shareholders	 \$ 39.8	 \$ 7.4	 \$ 47.2	 \$ 22.3	 \$ 29.6	 \$ 51.9
 Net earnings per share attributable to RR Donnelley common shareholders:						
 Basic net earnings per share	 \$ 0.19		 \$ 0.23	 \$ 0.11		 \$ 0.26

Diluted net earnings per share	\$ 0.19	\$ 0.22	\$ 0.11	\$ 0.26
Weighted average common shares outstanding:				
Basic	209.6	209.6	200.6	200.6
Diluted	210.8	210.8	202.1	202.1

Additional information:

Gross margin (1)	21.5	%	21.5	%	21.1	%	21.1	%
SG&A as a % of net sales (1)	12.5	%	12.0	%	12.0	%	11.7	%
Operating margin	5.0	%	5.4	%	4.2	%	5.3	%
Effective tax rate	38.4	%	36.7	%	35.0	%	33.9	%

(1) Exclusive of depreciation and amortization

The Company believes that certain 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 this indicator. These measures should be considered in addition to, not a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP.

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Reconciliation of GAAP to Non-GAAP Measures

For the Three Months Ended March 31, 2016 and 2015

(UNAUDITED)

(in millions, except per share data)

For the Three Months Ended March 31, 2016

For the Three Months Er

Net earnings	Net earnings
attributable to	attributable to

	Income from SG&A	Operating margin	common shareholders	common shareholders per diluted share	SG&A	Income from operations
GAAP basis measures	\$ 331.6	\$ 133.3	5.0 %	\$ 39.8	\$ 0.19	\$ 330.9
Non-GAAP adjustments:						
Restructuring charges - net (1)	-	9.1	0.3 %	9.3	0.04	- 17.8
Impairment charges - net (2)	-	(0.8)	0.0 %	(0.8)	0.00	- 0.7
Other charges (3)	-	1.4	0.1 %	1.5	0.01	- 1.3
Spinoff-related transaction expenses (4)	(11.9)	11.9	0.4 %	9.1	0.04	- -
Acquisition- related expenses (5)	(0.6)	0.6	0.1 %	0.6	0.00	(10.5) 10.5
Gain on disposals of businesses (6)	-	(12.3)	(0.5 %)	(12.3)	(0.06)	- -
Venezuela currency remeasurement (7)	-	-	-	-	-	- -
Total Non- GAAP adjustments	(12.5)	9.9	0.4 %	7.4	0.03	(10.5) 30.3
Non-GAAP measures	\$ 319.1	\$ 143.2	5.4 %	\$ 47.2	\$ 0.22	\$ 320.4 \$ 145.9

(1) Restructuring charges - net: Operating results for the three months ended March 31, 2016 and 2015 were affected by:

	<u>2016</u>	<u>2015</u>
Employee termination costs (a)	\$ 5.0	\$ 14.2
Other restructuring charges (b)	4.1	3.6
Total restructuring charges - net	\$ 9.1	\$ 17.8

(a) For the three months ended March 31, 2016, employee termination costs resulted from the announcement of two facility closures in certain operations. For the three months ended March 31, 2015, employee termination costs resulted from one facility closure in the Int Print segment and the reorganization of certain operations.

(b) Includes lease termination and other facility costs.

(2) Impairment charges - net: Included income primarily related to the gains on sales of previously impaired long-lived assets. For the three months ended March 31, 2015, operating results were affected by other long-lived asset impairment charges.

(3) Other charges: Recognition of charges related to the Company's multi-employer pension plan withdrawal obligations.

(4) Spinoff-related transaction expenses: Included pre-tax charges of \$11.9 million (\$9.1 million after-tax) related to costs in the three months ended March 31, 2016 associated with the proposed spinoff transactions.

(5) Acquisition-related expenses: Legal, accounting and other expenses associated with completed or contemplated acquisitions.

(6) Gain on disposals of businesses: Included pre-tax gain on the sales of two entities in the International segment of \$12 million for the three months ended March 31, 2016.

(7) Venezuela currency remeasurement: Currency remeasurement in Venezuela and the related impact of the devaluation of \$1.2 million after-tax for the three months ended March 31, 2015, of which \$10.3 million was included in loss attributable to non-controlling interests.

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Segment GAAP to Non-GAAP Operating Income and Non-GAAP Adjusted EBITDA and Margin Reconciliation

For the Three Months Ended March 31, 2016 and 2015

(UNAUDITED)

(in millions)

	Publishing and Retail Services	Variable Print	Strategic Services	International	Corporate	Consolidated
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For the Three Months Ended March 31, 2016

Net sales	\$ 596.3	\$ 901.8	\$ 634.6	\$ 518.7	\$ -	\$ 2,651.4
Income (loss) from operations	15.8	69.5	43.7	37.6	(33.3)	133.3
Operating margin %	2.6 %	7.7 %	6.9 %	7.2 %	nm	5.0 %

Non-GAAP Adjustments

Restructuring charges - net	1.6	1.1	0.8	5.2	0.4	9.1
Impairment charges - net	1.0	(0.3)	-	(2.7)	1.2	(0.8)
Other charges	0.8	0.4	0.2	-	-	1.4
Spinoff-related transaction expenses	-	-	-	-	11.9	11.9
Acquisition-related expenses	-	-	-	-	0.6	0.6
Gain on disposals of businesses	-	-	-	(12.3)	-	(12.3)
Total Non-GAAP adjustments	3.4	1.2	1.0	(9.8)	14.1	9.9
Non-GAAP income (loss) from operations	\$ 19.2	\$ 70.7	\$ 44.7	\$ 27.8	\$ (19.2)	\$ 143.2
Non-GAAP operating margin %	3.2 %	7.8 %	7.0 %	5.4 %	nm	5.4 %
Depreciation and amortization	37.9	34.2	15.2	18.3	1.4	107.0
Non-GAAP Adjusted EBITDA	\$ 57.1	\$ 104.9	\$ 59.9	\$ 46.1	\$ (17.8)	\$ 250.2
Non-GAAP Adjusted EBITDA margin %	9.6 %	11.6 %	9.4 %	8.9 %	nm	9.4 %
Capital expenditures	\$ 5.9	\$ 15.5	\$ 11.3	\$ 8.9	\$ 6.5	\$ 48.1

For the Three Months Ended March 31, 2015

Net sales	\$ 573.8	\$ 948.8	\$ 667.3	\$ 556.2	\$ -	\$ 2,746.1
Income (loss) from operations	11.8	66.2	55.0	12.1	(29.5)	115.6
Operating margin %	2.1 %	7.0 %	8.2 %	2.2 %	nm	4.2 %

Non-GAAP Adjustments

Restructuring charges - net	3.9	3.3	2.1	7.9	0.6	17.8
Impairment charges - net	(0.4)	1.3	-	(0.2)	-	0.7
Other charges	0.8	0.4	0.1	-	-	1.3
Acquisition-related expenses	-	-	-	-	10.5	10.5
Total Non-GAAP adjustments	4.3	5.0	2.2	7.7	11.1	30.3
Non-GAAP income (loss) from operations	\$ 16.1	\$ 71.2	\$ 57.2	\$ 19.8	\$ (18.4)	\$ 145.9

Non-GAAP operating margin %	2.8	%	7.5	%	8.6	%	3.6	%	nm	5.3	%
Depreciation and amortization	34.3		39.0		17.4		21.7		1.0	113.4	
Non-GAAP Adjusted EBITDA	\$ 50.4		\$ 110.2		\$ 74.6		\$ 41.5		\$ (17.4)	\$ 259.3	
Non-GAAP Adjusted EBITDA margin %	8.8	%	11.6	%	11.2	%	7.5	%	nm	9.4	%
Capital expenditures	\$ 12.5		\$ 9.5		\$ 11.9		\$ 12.2		\$ 2.4	\$ 48.5	

nm Not meaningful

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Condensed Consolidated Statements of Cash Flows

For the Three Months Ended March 31, 2016 and 2015

(UNAUDITED)

(in millions)

	2016	2015
Net cash provided by (used in) operating activities	\$ (192.8)	\$ (144.3)
Net earnings	\$ 40.1	\$ 11.9
Adjustment to reconcile net earnings to net cash used in operating activities	83.4	144.8
Changes in operating assets and liabilities	(308.3)	(292.7)
Pension and other postretirement benefits plan contributions	(8.0)	(8.3)
Net cash used in operating activities	\$ (192.8)	\$ (144.3)
Capital expenditures	(48.1)	(48.5)
All other cash provided by investing activities	18.6	2.8
Net cash used in investing activities	\$ (29.5)	\$ (45.7)
Net cash provided by (used in) financing activities	\$ 92.0	\$ (47.6)
Effect of exchange rate on cash and cash equivalents	4.4	(21.6)
Net decrease in cash and cash equivalents	\$ (125.9)	\$ (259.2)

Cash and cash equivalents at beginning of period	389.6	527.9
Cash and cash equivalents at end of period	\$ 263.7	\$ 268.7

Additional Information:

	2016	2015
<i>For the Three Months Ended March 31:</i>		
Net cash used in operating activities	\$ (192.8)	\$ (144.3)
Less: capital expenditures	48.1	48.5
Free cash flow	\$ (240.9)	\$ (192.8)

R.R. Donnelley & Sons Company

Reconciliation of Reported to Pro Forma Net Sales

For the Three Months Ended March 31, 2016 and 2015

(UNAUDITED)

(in millions)

	Reported net sales	Adjustments (1)	Pro forma net sales
<u>For the Three Months Ended March 31, 2016</u>			
Publishing and Retail Services	\$ 596.3	\$ -	\$ 596.3
Variable Print	901.8	-	901.8
Strategic Services	634.6	-	634.6
International	518.7	-	518.7
Consolidated	\$ 2,651.4	\$ -	\$ 2,651.4

For the Three Months Ended March 31, 2015

Publishing and Retail Services	\$ 573.8	\$ 49.3	\$ 623.1
Variable Print	948.8	-	948.8
Strategic Services	667.3	7.5	674.8

International	556.2	3.8	560.0
Consolidated	\$ 2,746.1	\$ 60.6	\$ 2,806.7

Net sales change

Publishing and Retail Services	3.9	%	(4.3	%)
Variable Print	(5.0	%)	(5.0	%)
Strategic Services	(4.9	%)	(6.0	%)
International	(6.7	%)	(7.4	%)
Consolidated	(3.4	%)	(5.5	%)

Supplementary non-GAAP information:

Year-over-year impact of changes in foreign exchange (FX) rates

Publishing and Retail Services	---	%
Variable Print	(0.3	%)
Strategic Services	(0.3	%)
International	(5.7	%)
Consolidated	(1.2	%)

Approximate year-over-year impact of changes in pass-through paper sales

Publishing and Retail Services	(2.1	%)
Variable Print	---	%
Strategic Services	---	%
International	---	%
Consolidated	(0.5	%)

Year-over-year impact of dispositions (2)

Publishing and Retail Services	---	%
Variable Print	---	%
Strategic Services	---	%
International	(3.6	%)
Consolidated	(0.7	%)

Net organic sales change (3)

Publishing and Retail Services	(2.2)	(%)
Variable Print	(4.7)	(%)
Strategic Services	(5.7)	(%)
International	1.9	(%)
Consolidated	(3.1)	(%)

The reported results of the Company include the results of acquired businesses from the acquisition date forward. The Company has provided this schedule to reconcile reported net sales for the three months ended March 31, 2015 to pro forma net sales as if the 2015 acquisition took place as of January 1, 2015 for the purposes of this schedule.

There were no acquisitions during the three months ended March 31, 2016.

For the three months ended March 31, 2015, the adjustment for net sales of acquired businesses reflects the net sales of Courier Corporation ("Courier") (acquired June 8, 2015).

(1) Adjusted for net sales of acquired business: Courier

(2) Adjusted for net sales of disposed businesses: Two entities in the International segment and the Venezuelan operating entity

(3) Adjusted for net sales of acquired and disposed businesses, the impact of changes in FX rates and pass-through paper sales

R.R. Donnelley & Sons Company

Reconciliation of GAAP Net Earnings to Non-GAAP Adjusted EBITDA

For the Three and Twelve Months Ended March 31, 2016 and 2015

(UNAUDITED)

(in millions)

	For the Twelve Months Ended	For the Three Months Ended				
		March 31, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
GAAP net earnings attributable to RR Donnelley common shareholders		\$ 168.6	\$ 39.8	\$ 71.0	\$ 14.3	\$ 43.5

Adjustments

Income (loss) attributable to noncontrolling interests	(2.0)	0.3	0.3	(2.7)	0.1
Income tax expense	148.0	25.0	50.3	39.7	33.0
Interest expense - net	275.2	68.2	68.8	69.0	69.2
Investment and other expense - net	15.3	-	0.4	3.0	11.9
Depreciation and amortization	447.6	107.0	112.5	115.3	112.8
Restructuring, impairment and other charges - net (1)	112.5	9.7	17.7	52.9	32.2
Acquisition-related expenses (2)	4.4	0.6	0.2	0.3	3.3
Spinoff-related transaction expenses (3)	25.5	11.9	6.9	6.7	-
Gain on disposals of businesses (4)	(12.3)	(12.3)	-	-	-
Purchase accounting inventory adjustments (5)	10.8	-	0.9	6.7	3.2
Total Non-GAAP adjustments	1,025.0	210.4	258.0	290.9	265.7

Non-GAAP adjusted EBITDA **\$ 1,193.6** **\$ 250.2** **\$ 329.0** **\$ 305.2** **\$ 309.2**

Net sales	\$ 11,162.1	\$ 2,651.4	\$ 2,934.6	\$ 2,828.0	\$ 2,748.1
Non-GAAP adjusted EBITDA margin %	10.7 %	9.4 %	11.2 %	10.8 %	11.3 %

	For the Twelve Months Ended		For the Three Months Ended		
	March 31, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
GAAP net earnings attributable to RR Donnelley common shareholders	\$ 168.7	\$ 22.3	\$ 19.5	\$ 62.2	\$ 64.7

Adjustments

Income (loss) attributable to noncontrolling interests	(2.8)	(10.4)	4.1	2.6	0.9
Income tax expense (benefit)	56.2	6.4	(25.4)	35.7	39.5
Interest expense - net	280.1	69.0	69.1	71.2	70.8
Investment and other expense - net	33.3	28.3	0.7	2.0	2.3
Depreciation and amortization	471.9	113.4	117.0	119.6	121.9
Restructuring, impairment and other charges - net (1)	108.3	19.8	45.8	19.9	22.8

Acquisition-related expenses (2)	11.4	10.5	0.4	-	0.5
Pension settlement charges (6)	95.7	-	95.7	-	-
Purchase accounting inventory adjustment (5)	2.2	-	-	-	2.2
Total Non-GAAP adjustments	1,056.3	237.0	307.4	251.0	260.9

Non-GAAP adjusted EBITDA **\$ 1,225.0** **\$ 259.3** **\$ 326.9** **\$ 313.2** **\$ 325.6**

Net sales **\$ 11,675.7** **\$ 2,746.1** **\$ 3,069.3** **\$ 2,957.8** **\$ 2,902.5**

Non-GAAP adjusted EBITDA margin % **10.5 %** **9.4 %** **10.7 %** **10.6 %** **11.2 %**

(1) Restructuring, impairment and other charges- net: Pre-tax charges for employee termination costs, lease termination and other costs, including multi-employer pension plan withdrawal obligations as a result of facility closures, and impairment of goodwill, intangible assets and other long-lived assets.

(2) Acquisition-related expenses: Legal, accounting and other expenses associated with completed or contemplated acquisitions.

(3) Spinoff-related transaction expenses: Consulting, tax advice, legal and other expenses associated with the proposed spinoff transactions.

(4) Gain on disposals of businesses: Gain on the sales of two entities in the International segment.

(5) Purchase accounting inventory adjustments: Recognition of charges as a result of inventory purchase accounting adjustments.

(6) Pension settlement charges: Pre-tax charges recognized for pension lump-sum settlement payments.

R.R. Donnelley & Sons Company

Debt and Liquidity Summary

As of March 31, 2016 and 2015 and December 31, 2015

(UNAUDITED)

(in millions)

	March 31, 2016	December 31, 2015	March 31, 2015
Total Liquidity⁽¹⁾			
Cash ⁽²⁾	\$ 263.7	\$ 389.6	\$ 268.7
Amount available under the Credit Agreement ⁽³⁾	1,123.2	1,155.8	991.7
	1,386.9	1,545.4	1,260.4
Usage			
Borrowings under Credit Agreement ⁽³⁾	145.0	-	-
Impact on availability related to outstanding letters of credit	-	-	-
Net Available Liquidity	\$ 1,241.9	\$ 1,545.4	\$ 1,260.4
Short-term and current portion of long-term debt	\$ 634.4	\$ 234.6	\$ 203.3
Long-term debt	2,942.9	3,188.3	3,431.0
Total debt	\$ 3,577.3	\$ 3,422.9	\$ 3,634.3
Non-GAAP adjusted EBITDA for the twelve months ended March 31, 2016 and 2015 and the year ended December 31, 2015	\$ 1,193.6	\$ 1,202.7	\$ 1,225.0
Non-GAAP Gross Leverage (defined as total debt divided by non-GAAP adjusted EBITDA)	3.0x	2.8x	3.0x

(1) Liquidity does not include uncommitted credit facilities, located primarily outside of the U.S.

(2) Approximately 89% of cash as of March 31, 2016, 77% of cash as of December 31, 2015 and 76% of cash as of March 31, 2015 was located outside of the U.S. During 2016 and future years, the Company's foreign subsidiaries are expected to make approximately \$175.0 million in payments in satisfaction of intercompany obligations. Certain other cash balances of foreign subsidiaries may be subject to U.S. or local country taxes if repatriated to the U.S. In addition, repatriation of some foreign cash balances is further restricted by local laws.

(3) The Company has a \$1.5 billion senior secured revolving credit agreement (the "Credit Agreement") which expires September 9, 2019. The Credit Agreement is subject to a number of covenants, including a minimum Interest Coverage Ratio and a maximum Leverage Ratio, as defined and calculated pursuant to the Credit Agreement. There were \$145.0 million in borrowings under the Credit Agreement as of March 31, 2016. Based on the Company's results of operations for the twelve months ended March 31, 2016 and existing debt, the Company would have had the ability to utilize approximately \$1.0 billion of the \$1.5 billion Credit Agreement and not have been in violation of the terms of the agreement.

	March 31, 2016	December 31, 2015	March 31, 2015
Stated amount of the Credit Agreement	\$ 1,500.0	\$ 1,500.0	\$ 1,500.0
Less: availability reduction from covenants	376.8	344.2	508.3
Total amount available	1,123.2	1,155.8	991.7
Less: borrowings under the Credit Agreement	145.0	-	-
Impact on availability related to outstanding letters of credit	-	-	-
Availability under the Credit Agreement	\$ 978.2	\$ 1,155.8	\$ 991.7

Contact Information

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Source: RR Donnelley

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