

RR DONNELLEY & SONS CO

FORM 8-K (Current report filing)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 15, 2016

R. R. DONNELLEY & SONS COMPANY

(Exact name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

1-4694
(Commission File Number)

36-1004130
(IRS Employer
Identification No.)

**35 West Wacker Drive,
Chicago, Illinois**
(Address of Principal Executive Offices)

60601
(Zip Code)

Registrant's Telephone Number, Including Area Code: (312) 326-8000

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 7.01. Regulation FD Disclosure.

On October 1, 2016, R.R. Donnelley & Sons Company and its subsidiaries (the "Company" or "RR Donnelley") completed the previously announced separation of its financial communications and data services business ("Donnelley Financial Solutions, Inc." or "Donnelley Financial") and the publishing and retail-centric print services and office products business ("LSC Communications, Inc." or "LSC") into two separate publicly-traded companies (the "Separation"). The Company completed the tax free distribution of 80.75% of the outstanding common stock of Donnelley Financial and 80.75% of the outstanding common stock of LSC to the Company's stockholders (the "Distribution"). Immediately following the Distribution, RR Donnelley retained a 19.25% ownership stake in each of Donnelley Financial and LSC. Donnelley Financial and LSC are now independent public companies trading on the New York Stock Exchange under the symbols "DFIN" and "LKSD", respectively.

Filed as Exhibit 99.1 is the unaudited condensed consolidated statements of operations of RR Donnelley adjusted for discontinued operations. This is presented to illustrate the effects of the Separation of Donnelley Financial and LSC from the historical combined company and have been derived from the historical consolidated financial statements of RR Donnelley, as prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The historical financial results of Donnelley Financial and LSC for the periods have been reflected within Exhibit 99.1 as discontinued operations for all periods presented. Additionally, the number of shares of common stock and per share amounts within the historical unaudited condensed consolidated statements of operations presented in Exhibit 99.1 has been retroactively adjusted to reflect the 1-for-3 reverse stock split which became effective for RR Donnelley immediately following the Distribution on October 1, 2016.

Filed as Exhibit 99.2 is a reconciliation of GAAP Net Earnings to Non-GAAP Adjusted EBITDA adjusted for discontinued operations. This exhibit contains Non-GAAP financial measures, including Non-GAAP Operating Income and Non-GAAP Adjusted EBITDA and Margin Reconciliation. RR Donnelley believes these Non-GAAP measures, provide useful information about RR Donnelley's operating results and enhance the overall ability to assess RR Donnelley's financial performance. RR Donnelley uses these 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. Non-GAAP Adjusted EBITDA for RR Donnelley continuing operations allows investors to make a more meaningful comparison between RR Donnelley's core business operating results over different periods of time. RR Donnelley believes that Non-GAAP Adjusted EBITDA for RR Donnelley continuing operations, when viewed with RR Donnelley's results under GAAP, the financial statements included in Exhibit 99.1 and the accompanying reconciliations, provides useful information about RR Donnelley's business without regard to potential distortions. By eliminating potential differences in results of operations between periods caused by factors such as depreciation and amortization methods, acquisition expenses, historic cost and age of assets, financing and capital structures, taxation positions or regimes, restructuring, impairment and other charges, pension or other postretirement settlements or curtailments and gain or loss on certain equity investments and asset sales, RR Donnelley believes that Non-GAAP Adjusted EBITDA can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. Additional information relating to the adjustments for the Non-GAAP Adjusted EBITDA for RR Donnelley continuing operations is set forth in the notes to Exhibit 99.2. For a description of RR Donnelley's continuing operations operating segments, refer to the Business Section as filed under Exhibit 99.4 to the Current Report on Form 8-K filed on September 26, 2016.

The presentation of RR Donnelley's historical adjusted continuing operations is inherently limited in that it does not include, for all periods, income RR Donnelley receives from Donnelley Financial and LSC related to transition service agreements. Furthermore, certain expenses incurred to support RR Donnelley, Donnelley Financial and LSC's shared operations are included, which are not necessarily representative of costs required to support RR Donnelley's stand-alone business.

The financial information is intended for informational purposes only and does not purport to project RR Donnelley's financial performance or cost structure for any future period. The financial information should be read in conjunction with the audited consolidated financial statements and accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in RR Donnelley's Form 10-K for the year ended December 31, 2015 and the unaudited condensed consolidated financial statements and accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in RR Donnelley's Form 10-Q for the periods ended March 31, 2015, June 30, 2015, September 30, 2015, March 31, 2016, June 30, 2016, and September 30, 2016. Such reports, however, do not give effect to the Separation, as described above, or the Distribution.

Item 9.01. Financial Statements and Exhibits .

(d) Exhibits. The following exhibits are filed with this Current Report on Form 8-K.

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
99.1	Unaudited Condensed Consolidated Statements of Operations of RR Donnelley adjusted for discontinued operations for the three months ended March 31, 2015, June 30, 2015 and September 30, 2015, the three and twelve months ended December 31, 2015, the three months ended March 31, 2016 and June 30, 2016, and the three and nine months ended September 30, 2016
99.2	Reconciliation of GAAP Net Earnings to Non-GAAP Adjusted EBITDA from RR Donnelley Continuing Operations, adjusted for discontinued operations for the three months ended March 31, 2015, June 30, 2015 and September 30, 2015, the three and twelve months ended December 31, 2015, the three months ended March 31, 2016 and June 30, 2016, and the three and nine months ended September 30, 2016

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.

R. R. DONNELLEY & SONS COMPANY

Date: December 15, 2016

By: /s/ Terry D. Peterson

Terry D. Peterson

Executive Vice President and Chief Financial Officer

R. R. Donnelley & Sons Company

Unaudited Condensed Consolidated Statements of Operations

(in millions, except per share data)

	For the Three Months Ended March 31, 2015	For the Three Months Ended June 30, 2015	For the Three Months Ended September 30, 2015	For the Three Months Ended December 31, 2015	For the Twelve Months Ended December 31, 2015
Products net sales	\$ 1,326.1	\$ 1,277.3	\$ 1,314.4	\$ 1,394.3	\$ 5,312.1
Services net sales	410.9	402.1	397.2	415.0	1,625.2
Total net sales (a)	<u>1,737.0</u>	<u>1,679.4</u>	<u>1,711.6</u>	<u>1,809.3</u>	<u>6,937.3</u>
Products cost of sales (exclusive of depreciation and amortization)	1,041.8	1,008.9	1,039.3	1,088.9	4,178.9
Services cost of sales (exclusive of depreciation and amortization)	348.3	331.8	326.4	346.8	1,353.3
Total cost of sales	<u>1,390.1</u>	<u>1,340.7</u>	<u>1,365.7</u>	<u>1,435.7</u>	<u>5,532.2</u>
Products gross profit	284.3	268.4	275.1	305.4	1,133.2
Services gross profit	62.6	70.3	70.8	68.2	271.9
Total gross profit	<u>346.9</u>	<u>338.7</u>	<u>345.9</u>	<u>373.6</u>	<u>1,405.1</u>
Selling, general and administrative expenses (exclusive of depreciation and amortization)	227.8	209.8	217.7	217.3	872.6
Restructuring, impairment and other charges-net	13.4	9.6	26.7	13.0	62.7
Depreciation and amortization	59.8	59.4	57.4	55.9	232.5
Income from operations	<u>45.9</u>	<u>59.9</u>	<u>44.1</u>	<u>87.4</u>	<u>237.3</u>
Interest expense-net	51.2	51.3	51.0	50.6	204.1
Investment and other expense-net	28.2	12.1	3.0	0.6	43.9
(Loss) earnings before income taxes	(33.5)	(3.5)	(9.9)	36.2	(10.7)
Income tax (benefit) expense	(36.7)	4.4	1.0	52.3	21.0
Net earnings (loss) from continuing operations	<u>3.2</u>	<u>(7.9)</u>	<u>(10.9)</u>	<u>(16.1)</u>	<u>(31.7)</u>
Net earnings from discontinued operations, net of income taxes	8.7	51.5	22.5	87.4	170.1
Less: (Loss) income attributable to noncontrolling interests	(10.4)	0.1	(2.7)	0.3	(12.7)
Net earnings attributable to RR Donnelley common stockholders	<u>\$ 22.3</u>	<u>\$ 43.5</u>	<u>\$ 14.3</u>	<u>\$ 71.0</u>	<u>\$ 151.1</u>
Basic net earnings (loss) per share attributable to RR Donnelley common stockholders:					
Continuing operations	\$ 0.20	\$ (0.12)	\$ (0.12)	\$ (0.24)	\$ (0.28)
Discontinued operations	0.13	0.76	0.31	1.26	2.48
Net earnings attributable to RR Donnelley stockholders (b)	0.33	0.64	0.21	1.02	2.20
Diluted net earnings (loss) per share attributable to RR Donnelley common stockholders:					
Continuing operations	\$ 0.20	\$ (0.12)	\$ (0.12)	\$ (0.24)	\$ (0.28)
Discontinued operations	0.13	0.76	0.31	1.26	2.48
Net earnings attributable to RR Donnelley stockholders (b)	0.33	0.64	0.21	1.02	2.20
Weighted average number of common shares outstanding:					
Basic (b)	66.9	67.7	69.7	69.7	68.5
Diluted (b)	67.4	67.7	69.7	69.7	68.5

R. R. Donnelley & Sons Company

Unaudited Condensed Consolidated Statements of Operations

(in millions, except per share data)

	For the Three Months Ended March 31, 2016	For the Three Months Ended June 30, 2016	For the Three Months Ended September 30, 2016	For the Nine Months Ended September 30, 2016
Products net sales	\$ 1,242.7	\$ 1,231.7	\$ 1,343.4	\$ 3,817.8
Services net sales	402.9	400.9	397.8	1,201.6
Total net sales (a)	<u>1,645.6</u>	<u>1,632.6</u>	<u>1,741.2</u>	<u>5,019.4</u>
Products cost of sales (exclusive of depreciation and amortization)	971.9	985.2	1,046.3	3,003.4
Services cost of sales (exclusive of depreciation and amortization)	341.2	331.0	330.7	1,002.9
Total cost of sales	<u>1,313.1</u>	<u>1,316.2</u>	<u>1,377.0</u>	<u>4,006.3</u>
Products gross profit	270.8	246.5	297.1	814.4
Services gross profit	61.7	69.9	67.1	198.7
Total gross profit	<u>332.5</u>	<u>316.4</u>	<u>364.2</u>	<u>1,013.1</u>
Selling, general and administrative expenses (exclusive of depreciation and amortization)	229.3	233.6	218.1	681.0
Restructuring, impairment and other charges-net	5.3	8.2	10.8	24.3
Depreciation and amortization	52.6	49.9	51.0	153.5
Other operating (income) expense	(12.3)	—	0.3	(12.0)
Income from operations	<u>57.6</u>	<u>24.7</u>	<u>84.0</u>	<u>166.3</u>
Interest expense-net	50.4	51.4	48.8	150.6
Investment and other (income) expense-net	(0.1)	0.7	(1.0)	(0.4)
Earnings (loss) before income taxes	<u>7.3</u>	<u>(27.4)</u>	<u>36.2</u>	<u>16.1</u>
Income tax expense (benefit)	3.4	(4.4)	13.9	12.9
Net earnings (loss) from continuing operations	<u>3.9</u>	<u>(23.0)</u>	<u>22.3</u>	<u>3.2</u>
Net earnings (loss) from discontinued operations, net of income taxes	36.2	8.7	(29.1)	15.8
Less: Income attributable to noncontrolling interests	0.3	0.2	0.3	0.8
Net earnings (loss) attributable to RR Donnelley common stockholders	<u>\$ 39.8</u>	<u>\$ (14.5)</u>	<u>\$ (7.1)</u>	<u>\$ 18.2</u>
Basic net earnings (loss) per share attributable to RR Donnelley common stockholders:				
Continuing operations	\$ 0.05	\$ (0.33)	\$ 0.31	\$ 0.03
Discontinued operations	0.52	0.12	(0.41)	0.23
Net earnings attributable to RR Donnelley stockholders (b)	0.57	(0.21)	(0.10)	0.26
Diluted net earnings (loss) per share attributable to RR Donnelley common stockholders:				
Continuing operations	\$ 0.05	\$ (0.33)	\$ 0.31	\$ 0.03
Discontinued operations	0.52	0.12	(0.41)	0.23
Net earnings attributable to RR Donnelley stockholders (b)	0.57	(0.21)	(0.10)	0.26
Weighted average number of common shares outstanding:				
Basic (b)	69.9	70.0	70.0	70.0
Diluted (b)	70.3	70.0	70.5	70.5

R.R. DONNELLEY & SONS COMPANY AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Statements of Operations

- (a) Total net sales includes \$153.4 million for the year-ended December 31, 2015 and \$150.4 million for the nine-month period ended September 30, 2016 of historical RR Donnelley sales to Donnelley Financial and LSC which were historically reflected as intercompany sales that were eliminated in RR Donnelley's consolidated financial statements. These net sales and related cost of sales are governed by and expected to continue through the duration of the executed Commercial Agreements between RR Donnelley with Donnelley Financial and LSC.
- (b) Earnings per share amounts and weighted average common shares outstanding for all periods reflect RR Donnelley's 1-for-3 reverse stock split, which was effective October 1, 2016.

R.R. Donnelley & Sons Company

Reconciliations of GAAP Net Earnings to Non-GAAP Adjusted EBITDA from Continuing Operations

(in millions)

	Three Months Ended March 31, 2015	Three Months Ended June 30, 2015	Three Months Ended September 30, 2015	Three Months Ended December 31, 2015	Twelve Months Ended December 31, 2015
GAAP net earnings attributable to RR Donnelley common stockholders	\$ 22.3	\$ 43.5	\$ 14.3	\$ 71.0	\$ 151.1
Adjustments					
Less: earnings from discontinued operations, net of tax ^(a)	(8.7)	(51.5)	(22.5)	(87.4)	(170.1)
(Loss) income attributable to noncontrolling interests	(10.4)	0.1	(2.7)	0.3	(12.7)
Income tax (benefit) expense	(36.7)	4.4	1.0	52.3	21.0
Interest expense - net	51.2	51.3	51.0	50.6	204.1
Investment and other expense - net	28.2	12.1	3.0	0.6	43.9
Depreciation and amortization	59.8	59.4	57.4	55.9	232.5
Restructuring, impairment and other charges - net ^(b)	13.4	9.6	26.7	13.0	62.7
Acquisition-related expenses ^(c)	—	0.2	0.1	0.2	0.5
Total Non-GAAP adjustments	<u>96.8</u>	<u>85.6</u>	<u>114.0</u>	<u>85.5</u>	<u>381.9</u>
Non-GAAP adjusted EBITDA from continuing operations ^(g)	<u>\$ 119.1</u>	<u>\$ 129.1</u>	<u>\$ 128.3</u>	<u>\$ 156.5</u>	<u>\$ 533.0</u>
Net sales	\$ 1,737.0	\$ 1,679.4	\$ 1,711.6	\$ 1,809.3	\$ 6,937.3
Non-GAAP adjusted EBITDA margin % ^(g)	6.9%	7.7%	7.5%	8.6%	7.7%

See accompanying notes to the unaudited non-GAAP financial information.

R.R. Donnelley & Sons Company

Reconciliations of GAAP Net Earnings to Non-GAAP Adjusted EBITDA from Continuing Operations

(in millions)

	Three Months Ended March 31, 2016	Three Months Ended June 30, 2016	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
GAAP net earnings (loss) attributable to RR Donnelley common stockholders	\$ 39.8	\$ (14.5)	\$ (7.1)	\$ 18.2
Adjustments				
Less: (earnings) loss from discontinued operations, net of tax ^(a)	(36.2)	(8.7)	29.1	(15.8)
Income attributable to noncontrolling interests	0.3	0.2	0.3	0.8
Income tax expense (benefit)	3.4	(4.4)	13.9	12.9
Interest expense - net	50.4	51.4	48.8	150.6
Investment and other (income) expense - net	(0.1)	0.7	(1.0)	(0.4)
Depreciation and amortization	52.6	49.9	51.0	153.5
Restructuring, impairment and other charges - net ^(b)	5.3	8.2	10.8	24.3
Acquisition-related expenses ^(c)	0.6	1.4	0.7	2.7
Pension settlement charges ^(d)	—	20.4	0.3	20.7
Net (gain) loss on dispositions of businesses ^(e)	(12.3)	—	0.3	(12.0)
OPEB curtailment gains ^(f)	—	—	(19.7)	(19.7)
Total Non-GAAP adjustments	64.0	119.1	134.5	317.6
Non-GAAP adjusted EBITDA from continuing operations ^(g)	\$ 103.8	\$ 104.6	\$ 127.4	\$ 335.8
Net sales	\$ 1,645.6	\$ 1,632.6	\$ 1,741.2	\$ 5,019.4
Non-GAAP adjusted EBITDA margin % ^(g)	6.3%	6.4%	7.3%	6.7%

See accompanying notes to the unaudited non-GAAP financial information.

R. R. Donnelley & Sons Company

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

For the Three Months Ended March 31, 2015

(in millions)

	Variable Print	Strategic Services	International	Corporate	Consolidated
Net sales	\$ 818.5	\$ 403.6	\$ 514.9	\$ —	\$ 1,737.0
Operating expense	761.1	399.3	501.3	29.4	1,691.1
Income (loss) from operations	57.4	4.3	13.6	(29.4)	45.9
Operating margin %	7.0%	1.1%	2.6%	nm	2.6%
<u>Non-GAAP Adjustments</u>					
Restructuring, impairment and other charges - net (b)	3.8	1.7	7.4	0.5	13.4
Total Non-GAAP adjustments	3.8	1.7	7.4	0.5	13.4
Non-GAAP income (loss) from continuing operations (g)	\$ 61.2	\$ 6.0	\$ 21.0	\$ (28.9)	\$ 59.3
Non-GAAP operating margin % (g)	7.5%	1.5%	4.1%	nm	3.4%
Depreciation and amortization	34.0	5.2	19.6	1.0	59.8
Non-GAAP Adjusted EBITDA (g)	\$ 95.2	\$ 11.2	\$ 40.6	\$ (27.9)	\$ 119.1
Non-GAAP Adjusted EBITDA margin % (g)	11.6%	2.8%	7.9%	nm	6.9%

See accompanying notes to the unaudited non-GAAP financial information.

R. R. Donnelley & Sons Company

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

For the Three Months Ended June 30, 2015

(in millions)

	Variable Print	Strategic Services	International	Corporate	Consolidated
Net sales	\$ 763.3	\$ 393.7	\$ 522.4	\$ —	\$ 1,679.4
Operating expense	719.7	382.6	496.4	20.8	1,619.5
Income (loss) from operations	43.6	11.1	26.0	(20.8)	59.9
Operating margin %	5.7%	2.8%	5.0%	nm	3.6%
Non-GAAP Adjustments					
Restructuring, impairment and other charges - net (b)	3.4	1.6	2.7	1.9	9.6
Acquisition-related expenses (c)	—	—	—	0.2	0.2
Total Non-GAAP adjustments	3.4	1.6	2.7	2.1	9.8
Non-GAAP income (loss) from continuing operations (g)	\$ 47.0	\$ 12.7	\$ 28.7	\$ (18.7)	\$ 69.7
Non-GAAP operating margin % (g)	6.2%	3.2%	5.5%	nm	4.2%
Depreciation and amortization	33.8	5.1	19.5	1.0	59.4
Non-GAAP Adjusted EBITDA (g)	\$ 80.8	\$ 17.8	\$ 48.2	\$ (17.7)	\$ 129.1
Non-GAAP Adjusted EBITDA margin % (g)	10.6%	4.5%	9.2%	nm	7.7%

See accompanying notes to the unaudited non-GAAP financial information.

R. R. Donnelley & Sons Company

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

For the Three Months Ended September 30, 2015

(in millions)

	Variable Print	Strategic Services	International	Corporate	Consolidated
Net sales	\$ 793.1	\$ 390.7	\$ 527.8	\$ —	\$ 1,711.6
Operating expense	750.2	378.4	520.5	18.4	1,667.5
Income (loss) from operations	42.9	12.3	7.3	(18.4)	44.1
Operating margin %	5.4%	3.1%	1.4%	nm	2.6%
Non-GAAP Adjustments					
Restructuring, impairment and other charges - net (b)	1.9	2.0	21.5	1.3	26.7
Acquisition-related expenses (c)	—	—	—	0.1	0.1
Total Non-GAAP adjustments	1.9	2.0	21.5	1.4	26.8
Non-GAAP income (loss) from continuing operations (g)	\$ 44.8	\$ 14.3	\$ 28.8	\$ (17.0)	\$ 70.9
Non-GAAP operating margin % (g)	5.6%	3.7%	5.5%	nm	4.1%
Depreciation and amortization	33.5	4.6	18.5	0.8	57.4
Non-GAAP Adjusted EBITDA (g)	\$ 78.3	\$ 18.9	\$ 47.3	\$ (16.2)	\$ 128.3
Non-GAAP Adjusted EBITDA margin % (g)	9.9%	4.8%	9.0%	nm	7.5%

See accompanying notes to the unaudited non-GAAP financial information.

R. R. Donnelley & Sons Company

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

For the Three Months Ended December 31, 2015

(in millions)

	Variable Print	Strategic Services	International	Corporate	Consolidated
Net sales	\$ 840.0	\$ 416.6	\$ 552.7	\$ —	\$ 1,809.3
Operating expense	775.7	403.7	516.7	25.8	1,721.9
Income (loss) from operations	64.3	12.9	36.0	(25.8)	87.4
Operating margin %	7.7%	3.1%	6.5%	nm	4.8%
Non-GAAP Adjustments					
Restructuring, impairment and other charges - net (b)	—	0.5	12.0	0.5	13.0
Acquisition-related expenses (c)	—	—	—	0.2	0.2
Total Non-GAAP adjustments	—	0.5	12.0	0.7	13.2
Non-GAAP income (loss) from continuing operations (g)	\$ 64.3	\$ 13.4	\$ 48.0	\$ (25.1)	\$ 100.6
Non-GAAP operating margin % (g)	7.7%	3.2%	8.7%	nm	5.6%
Depreciation and amortization	32.8	4.6	18.1	0.4	55.9
Non-GAAP Adjusted EBITDA (g)	\$ 97.1	\$ 18.0	\$ 66.1	\$ (24.7)	\$ 156.5
Non-GAAP Adjusted EBITDA margin % (g)	11.6%	4.3%	12.0%	nm	8.6%

See accompanying notes to the unaudited non-GAAP financial information.

R. R. Donnelley & Sons Company

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

For the Three Months Ended March 31, 2016

(in millions)

	Variable Print	Strategic Services	International	Corporate	Consolidated
Net sales	\$ 780.1	\$ 384.5	\$ 481.0	\$ —	\$ 1,645.6
Operating expense	726.3	381.4	445.1	35.2	1,588.0
Income (loss) from operations	53.8	3.1	35.9	(35.2)	57.6
Operating margin %	6.9%	0.8%	7.5%	nm	3.5%
Non-GAAP Adjustments					
Restructuring, impairment and other charges - net (b)	1.3	0.4	1.9	1.7	5.3
Acquisition-related expenses (c)	—	—	—	\$ 0.6	\$ 0.6
Net gain on dispositions of businesses (e)	—	—	(12.3)	—	(12.3)
Total Non-GAAP adjustments	1.3	0.4	(10.4)	2.3	(6.4)
Non-GAAP income (loss) from continuing operations (g)	\$ 55.1	\$ 3.5	\$ 25.5	\$ (32.9)	\$ 51.2
Non-GAAP operating margin % (g)	7.1%	0.9%	5.3%	nm	3.1%
Depreciation and amortization	29.9	4.6	17.0	1.1	52.6
Non-GAAP Adjusted EBITDA (g)	\$ 85.0	\$ 8.1	\$ 42.5	\$ (31.8)	\$ 103.8
Non-GAAP Adjusted EBITDA margin % (g)	10.9%	2.1%	8.8%	nm	6.3%

See accompanying notes to the unaudited non-GAAP financial information.

R. R. Donnelley & Sons Company

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

For the Three Months Ended June 30, 2016

(in millions)

	Variable Print	Strategic Services	International	Corporate	Consolidated
Net sales	\$ 741.4	\$ 400.1	\$ 491.1	\$ —	\$ 1,632.6
Operating expense	701.3	391.2	463.6	51.8	1,607.9
Income (loss) from operations	40.1	8.9	27.5	(51.8)	24.7
Operating margin %	5.4%	2.2%	5.6%	nm	1.5%
Non-GAAP Adjustments					
Restructuring, impairment and other charges - net (b)	1.5	0.3	3.2	3.2	8.2
Acquisition-related expenses (c)	—	—	—	1.4	1.4
Pension settlement charges (d)	—	—	—	20.4	20.4
Total Non-GAAP adjustments	1.5	0.3	3.2	25.0	30.0
Non-GAAP income (loss) from continuing operations (g)	\$ 41.6	\$ 9.2	\$ 30.7	\$ (26.8)	\$ 54.7
Non-GAAP operating margin % (g)	5.6%	2.3%	6.3%	nm	3.4%
Depreciation and amortization	30.1	5.1	14.9	(0.2)	49.9
Non-GAAP Adjusted EBITDA (g)	\$ 71.7	\$ 14.3	\$ 45.6	\$ (27.0)	\$ 104.6
Non-GAAP Adjusted EBITDA margin % (g)	9.7%	3.6%	9.3%	nm	6.4%

See accompanying notes to the unaudited non-GAAP financial information.

R. R. Donnelley & Sons Company

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

For the Three Months Ended September 30, 2016

(in millions)

	Variable Print	Strategic Services	International	Corporate	Consolidated
Net sales	\$ 790.3	\$ 445.0	\$ 505.9	\$ —	\$ 1,741.2
Operating expense	740.2	431.7	469.8	15.5	1,657.2
Income (loss) from operations	50.1	13.3	36.1	(15.5)	84.0
Operating margin %	6.3%	3.0%	7.1%	nm	4.8%
Non-GAAP Adjustments					
Restructuring, impairment and other charges - net (b)	1.9	1.3	1.1	6.5	10.8
Acquisition-related expenses (c)	—	—	—	0.7	0.7
Pension settlement charges (d)	—	—	—	0.3	0.3
OPEB curtailment gains (f)	—	—	(0.1)	(19.6)	(19.7)
Net gain on dispositions of businesses (e)	—	—	(0.3)	0.6	0.3
Total Non-GAAP adjustments	1.9	1.3	0.7	(11.5)	(7.6)
Non-GAAP income (loss) from continuing operations (g)	\$ 52.0	\$ 14.6	\$ 36.8	\$ (27.0)	\$ 76.4
Non-GAAP operating margin % (g)	6.6%	3.3%	7.3%	nm	4.4%
Depreciation and amortization	30.5	4.2	14.7	1.6	51.0
Non-GAAP Adjusted EBITDA (g)	\$ 82.5	\$ 18.8	\$ 51.5	\$ (25.4)	\$ 127.4
Non-GAAP Adjusted EBITDA margin % (g)	10.4%	4.2%	10.2%	nm	7.3%

See accompanying notes to the unaudited non-GAAP financial information.

R.R. DONNELLEY & SONS COMPANY AND SUBSIDIARIES
Notes to Unaudited Non-GAAP Financial Information

- (a) Reflects the net earnings directly associated with the discontinued operations of the Donnelley Financial and LSC businesses.
- (b) *Restructuring, impairment and other charges - net*: included charges for employee termination costs, lease termination and other restructuring costs, multi-employer pension plan withdrawal obligations unrelated to facility closures, and net impairment charges of long-lived assets. These charges also included the impairment of goodwill and other intangible assets.
- (c) *Acquisition-related expenses*: included charges related to legal, accounting and other expenses associated with contemplated or completed acquisitions.
- (d) *Pension settlement charges*: included charges related to lump-sum pension settlement payments.
- (e) *Net gain on dispositions of businesses*: included a net gain on the sale of entities.
- (f) *Other postretirement benefit plan obligation (OPEB) curtailment gains*: included a gain as a result of the curtailments of the Company's OPEB plans.
- (g) The information contained in this line is a non-GAAP measure and thus is not calculated in accordance with GAAP. 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.