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# 3<sup>rd</sup> Quarter 2019 Earnings Call

October 30, 2019

# Call Participants & Forward-Looking Statements



**Joel Quadracci**  
*Chairman, President &  
Chief Executive Officer*



**Dave Honan**  
*Executive Vice President  
& Chief Financial Officer*

## Forward-Looking Statements

This communication contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements regarding, among other things, our current expectations about the Company's future results, financial condition, revenue, earnings, free cash flow, margins, objectives, goals, strategies, beliefs, intentions, plans, estimates, prospects, projections and outlook of the Company and can generally be identified by the use of words or phrases such as "may," "will," "expect," "intend," "estimate," "anticipate," "plan," "foresee," "project," "believe," "continue" or the negatives of these terms, variations on them and other similar expressions. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results to be materially different from those expressed in or implied by such forward-looking statements. Forward-looking statements are based largely on the Company's expectations and judgments and are subject to a number of risks and uncertainties, many of which are unforeseeable and beyond our control.

The factors that could cause actual results to materially differ include, among others: the impact of decreasing demand for printed materials and significant overcapacity in the highly competitive environment creates downward pricing pressures and potential underutilization of assets; the impact of digital media and similar technological changes, including digital substitution by consumers; the impact of fluctuations in costs (including labor and labor-related costs, energy costs, freight rates and raw materials) and the impact of fluctuations in the availability of raw materials; the failure to successfully identify, manage, complete and integrate acquisitions and investments; the inability of the Company to reduce costs and improve operating efficiency rapidly enough to meet market conditions; the impact of increased business complexity as a result of the Company's transformation into a marketing solutions partner; the impact of regulatory matters and legislative developments or changes in laws, including changes in cyber-security, privacy and environmental laws; the impact of changing future economic conditions; the failure of clients to perform under contracts or to renew contracts with clients on favorable terms or at all; the failure to attract and retain qualified talent across the enterprise; significant capital expenditures may be needed to maintain the Company's platforms and processes and to remain technologically and economically competitive; the impact of changes in postal rates, service levels or regulations; the fragility and decline in overall distribution channels, including newspaper distribution channels; the impact of the various restrictive covenants in the Company's debt facilities on the Company's ability to operate its business; the impact of risks associated with the operations outside of the United States, including costs incurred or reputational damage suffered due to improper conduct of its employees, contractors or agents; the impact on the holders of Quad's class A common stock of a limited active market for such shares and the inability to independently elect directors or control decisions due to the voting power of the class B common stock; the impact of an other than temporary decline in operating results and enterprise value that could lead to non-cash impairment charges due to the impairment of property, plant and equipment and intangible assets; the impact of divestitures or discontinued operations and the other risk factors identified in the Company's most recent Annual Report on Form 10-K, which may be amended or supplemented by subsequent Quarterly Reports on Form 10-Q or other reports filed with the Securities and Exchange Commission.

Except to the extent required by the federal securities laws, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



# Uniquely Integrated Marketing Solutions Offering

**MARKETING STRATEGY**

## PLAN

*Understand and connect with your customer*

## MANAGE & MEASURE

*Alleviate operational burden and reduce complexity*

**MARKETING MANAGEMENT SERVICES**

**CREATIVE SOLUTIONS**

## PRODUCE

*Create content assets smarter and faster*

## DEPLOY

*Reach the right customer at the right time*

**MEDIA DEPLOYMENT**





# Providing Services to Maximize Multichannel Execution

## JOCKEY™

### OPPORTUNITY

- Continue to grow relationship with Jockey, which began with catalog print and prep work
- Make content work smarter by deploying it efficiently across channels

### IMPACT

- **Raised Jockey's social media profile** and **enhanced customer experiences** by enabling consumers to engage with brand in real time
- **Streamlined production** workflows.
- **Ongoing support** for creative, photo studio, retouching services and print production

### QUAD SOLUTION

- Expanded relationship, first by doing photography for their online retail, social and catalog channels, and then adding packaging photography and video production
- Used social media to amplify Jockey's market profile including Instagram Live videos that gave consumers a behind-the-scenes look at the catalog photo shoots
- Now providing data analytics and customer prospecting, and expanding to Jockey's international division





# Utilizing Data Insights to Create Growth Opportunities

## MULTI-NATIONAL RETAILER

### OPPORTUNITY

- Existing print customer looking to expand its marketing into digital channels
- Make better use of data to acquire new customers and drive repeat business

### IMPACT

- Launching an **additional integrated direct mail and digital program** in early 2020
- Continuing to **leverage insights** through Quad's proprietary virtual testing platform, **Accelerated Insights**

### QUAD SOLUTION

- Planned and executed a new customer acquisition campaign
- Started by researching digital and direct mail behaviors of end-consumers in underperforming markets
- Created and launched a new direct mail program including new creative and format, supported by a complementary digital campaign.



# Expanding Relationship Across Channels to Optimize Marketing Campaigns

## NATIONAL DISCOUNT GROCER

### OPPORTUNITY

- Existing print retail circular customer with opportunities to grow our partnership
- Improve the probability of inspiring a consumer shopping trip

### IMPACT

- Relationship has grown to include **ALL digital and broadcast media planning and buying**
- Working on a **media mix modeling study** measuring different media mixes against the client's KPIs to produce the insights necessary to **improve media spend performance**

### QUAD SOLUTION

- Expanded offering to print media placement, creative and production services for their circular program
- Began hosting the client's digital circular
- Quad's unique integrated marketing solutions offering allowed for matching the right content, to the right channel, at the most opportune time, in the right geography

# Key Actions to Accelerate Transformation

- 1** Plans to divest book business that generates annual sales of \$200 million as part of ongoing portfolio optimization.
- 2** Expands cost reduction program to \$50 million in annual savings.
- 3** Resets quarterly dividend to \$0.15 per share to provide additional financial flexibility to continue to scale its Quad 3.0 strategy and maintain a strong long-term balance sheet.

# Financial Overview

US \$ Millions	Third Quarter		Year-to-Date	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<b>STATEMENT OF OPERATIONS</b> <i>(excluding discontinued operations)</i>				
Net Sales	\$ 944	\$ 974	\$ 2,854	\$ 2,861
Cost of Sales	765	777	2,324	2,304
Selling, General and Administrative Expenses	100	89	291	269
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$ 80</b>	<b>\$ 107</b>	<b>\$ 239</b>	<b>\$ 310</b>
<b>Adjusted EBITDA Margin<sup>(1)</sup></b>	<b>8.4%</b>	<b>11.0%</b>	<b>8.4%</b>	<b>10.8%</b>
<b>STATEMENT OF CASH FLOWS</b> <i>(including discontinued operations)</i>				
Net Cash Provided By Operating Activities			\$ 4	\$ 47
Capital Expenditures			(99)	(85)
LSC-Related Payments			60	—
<b>Free Cash Flow<sup>(1)</sup></b>			<b>\$ (35)</b>	<b>\$ (38)</b>

(1) See slide 14 for definitions of our non-GAAP measures, slides 15 & 16 for reconciliations of Adjusted EBITDA and Adjusted EBITDA Margin and slide 17 for a reconciliation of Free Cash Flow as non-GAAP measures.



# Updated 2019 Annual Guidance

US \$	Previous 2019 Guidance	Updated 2019 Guidance Excluding Discontinued Operations
Net Sales	\$4.05 to \$4.25 billion	Approximately \$3.9 billion
Adjusted EBITDA <sup>(1)</sup>	\$360 to \$400 million	\$300 to \$330 million
Free Cash Flow <sup>(1)</sup> Before LSC-Related Payments <sup>(2)(4)</sup>	\$145 to \$185 million	\$80 to \$100 million
LSC-Related Payments <sup>(2)</sup>	\$65 to \$75 million	Approximately \$60 million
Interest Expense	\$90 to \$100 million	Approximately \$90 million
Depreciation & Amortization	\$225 to \$235 million	Approximately \$210 million
Restructuring and Transaction-Related Cash Expense	\$75 to \$85 million	Approximately \$85 million
Capital Expenditures <sup>(4)</sup>	\$100 to \$110 million	Approximately \$110 million
Pension Cash Contributions <sup>(3)</sup>	Approximately \$15 million	Approximately \$15 million
Cash Taxes	\$15 to \$20 million	\$10 to \$15 million

(1) See slide 14 for definitions of our non-GAAP measures.

(2) LSC-related payments include transaction-related costs associated with the proposed, but now terminated, acquisition of LSC Communications, Inc., including the \$45 million reverse termination fee and incremental interest payments associated with the 2019 amended debt refinancing.

(3) Includes single employer pension plans and multi-employer pension plans.

(4) Guidance related to the Statement of Cash Flows includes cash flows from discontinued operations.

# Debt Capital Structure as of September 30, 2019

We have the financial resources to pursue future growth opportunities and return value to our shareholders.

**\$1.2 billion**

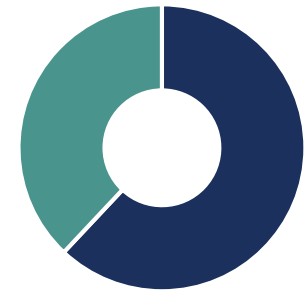
*Debt and Finance Lease Obligations at September 30, 2019*

**3.24x**

*Debt Leverage Ratio<sup>(1)</sup> as of September 30, 2019*

**38%**

*Floating*



**62%**

*Fixed*

**5.3%**

*Blended Interest Rate as of September 30, 2019*

**\$748 million**

*Available Liquidity on Revolver at September 30, 2019*

**May 2022**

*Next Significant Debt Maturity*

(1) See slide 14 for definitions of our Non-GAAP measures and slide 18 for a reconciliation of Debt Leverage Ratio as a Non-GAAP measure

# Actions to Improve Balance Sheet Strength

Continue to have opportunities to generate cash to accelerate our Quad 3.0 transformation, reduce debt leverage and deliver long-term sustainable value to all stakeholders.

## Sales & Divestitures

- Sold over 20 vacant facilities for \$100 million in cash since 2015.
- Sold Transpak (non-core industrial wood crating business) for \$11 million in Q3 2019.
- Planned divestiture of book business that generates annual sales of approximately \$200 million.

## Cash Flow Optimization

- Dividend reset reserves approximately \$30 million of additional annual financial flexibility.
- \$12 million of annualized interest cost savings from the Term Loan B payoff.
- Continued focus on cost savings, including our latest \$50 million cost savings program.
- Continuous improvements in working capital management.



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Thank You

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# Supplemental Information

# Non-GAAP Financial Measures

- In addition to financial measures prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), this presentation also contains Non-GAAP financial measures, specifically EBITDA, EBITDA Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Free Cash Flow, Debt Leverage Ratio, and Adjusted Diluted Earnings (Loss) Per Share. The Company believes that these Non-GAAP measures, when presented in conjunction with comparable GAAP measures, provide additional information for evaluating Quad's performance and are important measures by which Quad's management assesses the profitability and liquidity of its business. These Non-GAAP measures should be considered in addition to, not as a substitute for or superior to, net earnings (loss) as a measure of operating performance or to cash flows provided by operating activities as a measure of liquidity. These Non-GAAP measures may be different than Non-GAAP financial measures used by other companies. Reconciliations to the GAAP equivalent of these Non-GAAP measures are contained on slides 15 – 21.
- Adjusted EBITDA is defined as net earnings (loss) attributable to Quad common shareholders excluding interest expense, income tax expense (benefit), depreciation and amortization, restructuring, impairment and transaction-related charges, (loss) earnings from discontinued operations, net of tax, net pension income, employee stock ownership plan contribution, (gain) loss on debt extinguishment, equity in (earnings) loss of unconsolidated entity, the Adjusted EBITDA for unconsolidated equity method investments (calculated in a consistent manner with the calculation for Quad) and net earnings (loss) attributable to noncontrolling interests.
- Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by net sales.
- Free Cash Flow is defined as net cash provided by operating activities less purchases of property, plant and equipment, plus LSC-related payments, which includes payments for transaction-related costs associated with the now terminated, acquisition of LSC Communications, Inc. and the incremental interest payments associated with the 2019 amended debt refinancing.
- Debt Leverage Ratio is defined as total debt and finance lease obligations divided by the last twelve months of Adjusted EBITDA.
- Adjusted Diluted Earnings (Loss) Per Share is defined as earnings (loss) from continuing operations before income taxes and equity in (earnings) loss of unconsolidated entity excluding restructuring, impairment and transaction-related charges, employee stock ownership plan contribution, (gain) loss on debt extinguishment, and adjusted for income tax expense at a normalized tax rate, divided by diluted weighted average number of common shares outstanding.



# Adjusted EBITDA

Third Quarter

US \$ Millions	Three Months Ended September 30,	
	2019	2018
Net earnings (loss) attributable to Quad common shareholders	\$ (126.5)	\$ 23.4
Interest expense	22.0	18.3
Income tax expense (benefit)	(17.6)	4.5
Depreciation and amortization	52.2	55.0
<b>EBITDA [Non-GAAP]</b>	<b>\$ (69.9)</b>	<b>\$ 101.2</b>
<b>EBITDA Margin [Non-GAAP]</b>	<b>(7.4)%</b>	<b>10.4%</b>
Restructuring, impairment and transaction-related charges	56.7	5.3
Loss from discontinued operations, net of tax	79.4	5.0
Net pension income	(1.5)	(3.1)
Loss on debt extinguishment	14.6	—
Other <sup>(1)</sup>	0.4	(1.1)
<b>Adjusted EBITDA [Non-GAAP]</b>	<b>\$ 79.7</b>	<b>\$ 107.3</b>
<b>Adjusted EBITDA Margin [Non-GAAP]</b>	<b>8.4%</b>	<b>11.0%</b>

(1) Other includes the following items: (a) the equity in (earnings) loss of unconsolidated entity, which includes the results of operations for an investment in an entity where Quad has the ability to exert significant influence, but not control, and is accounted for using the equity method of accounting; (b) the Adjusted EBITDA for unconsolidated equity method investments, which was calculated in a consistent manner with the calculation above for Quad; and (c) the net earnings (loss) attributable to noncontrolling interests, which is the portion of the net earnings (loss) not owned by Quad for an investment where Quad has a controlling financial interest.



# Adjusted EBITDA

Year-to-Date

US \$ Millions	Nine Months Ended September 30,	
	2019	2018
Net earnings (loss) attributable to Quad common shareholders	\$ (163.8)	\$ 29.3
Interest expense	69.6	53.9
Income tax expense (benefit)	(28.0)	0.2
Depreciation and amortization	159.3	162.0
<b>EBITDA [Non-GAAP]</b>	<b>\$ 37.1</b>	<b>\$ 245.4</b>
<b>EBITDA Margin [Non-GAAP]</b>	<b>1.3%</b>	<b>8.6%</b>
Restructuring, impairment and transaction-related charges	73.7	40.6
Loss from discontinued operations, net of tax	101.1	12.6
Net pension income	(4.5)	(9.3)
Employee stock ownership plan contribution	—	22.3
Loss on debt extinguishment	30.5	—
Other <sup>(1)</sup>	1.2	(1.5)
<b>Adjusted EBITDA [Non-GAAP]</b>	<b>\$ 239.1</b>	<b>\$ 310.1</b>
<b>Adjusted EBITDA Margin [Non-GAAP]</b>	<b>8.4%</b>	<b>10.8%</b>

(1) Other includes the following items: (a) the equity in (earnings) loss of unconsolidated entity, which includes the results of operations for an investment in an entity where Quad has the ability to exert significant influence, but not control, and is accounted for using the equity method of accounting; (b) the Adjusted EBITDA for unconsolidated equity method investments, which was calculated in a consistent manner with the calculation above for Quad; and (c) the net earnings (loss) attributable to noncontrolling interests, which is the portion of the net earnings (loss) not owned by Quad for an investment where Quad has a controlling financial interest.



# Free Cash Flow

Year-to-Date

US \$ Millions	Nine Months Ended September 30,	
	2019	2018
Net cash provided by operating activities	\$ 4.1	\$ 46.6
Less: purchases of property, plant and equipment	(98.5)	(85.0)
Plus: LSC-related payments <sup>(1)</sup>	59.8	—
<b>Free Cash Flow [Non-GAAP]</b>	<b>\$ (34.6)</b>	<b>\$ (38.4)</b>

(1) LSC-related payments include transaction-related costs associated with the proposed, but now terminated, acquisition of LSC Communications, Inc., including the \$45 million reverse termination fee and incremental interest payments associated with the 2019 amended debt refinancing.

# Debt Leverage Ratio

US \$ Millions	September 30, 2019	December 31, 2018
Total debt and finance lease obligations on the balance sheets	\$ 1,178.2	\$ 935.8
Divided by:		
Trailing twelve months Adjusted EBITDA for Quad [Non-GAAP] <sup>(1)</sup>	\$ 356.8	\$ 427.8
Pro Forma Adjusted EBITDA for acquired companies [Non-GAAP] <sup>(2)</sup>	3.9	2.9
Trailing twelve months Adjusted EBITDA [Non-GAAP]	\$ 360.7	\$ 430.7
<b>Debt Leverage Ratio [Non-GAAP]</b>	<b>3.27x</b>	<b>2.17x</b>
<b>Debt Leverage Ratio — Net of Excess Cash [Non-GAAP]<sup>(3)</sup></b>	<b>3.24x</b>	<b>2.03x</b>

(1) The calculation of Adjusted EBITDA for the trailing twelve months ended September 30, 2019, and December 31, 2018, was as follows:

Year Ended	Add		Subtract		Trailing Twelve Months Ended
	September 30, 2019		September 30, 2018		
	December 31, 2018	September 30, 2019	September 30, 2018	September 30, 2019	
Net earnings (loss) attributable to Quad common shareholders	\$ 8.5	\$ (163.8)	\$ 29.3	\$ (184.6)	
Interest expense	73.2	69.6	53.9	88.9	
Income tax expense (benefit)	(2.4)	(28.0)	0.2	(30.6)	
Depreciation and amortization	214.9	159.3	162.0	212.2	
EBITDA [Non-GAAP]	\$ 294.2	\$ 37.1	\$ 245.4	\$ 85.9	
Restructuring, impairment and transaction-related charges	103.3	73.7	40.6	136.4	
Loss from discontinued operations, net of tax	22.0	101.1	12.6	110.5	
Net pension income	(12.4)	(4.5)	(9.3)	(7.6)	
Employee stock ownership plan contribution	22.3	—	22.3	—	
Loss on debt extinguishment	—	30.5	—	30.5	
Other	(1.6)	1.2	(1.5)	1.1	
<b>Adjusted EBITDA [Non-GAAP]</b>	<b>\$ 427.8</b>	<b>\$ 239.1</b>	<b>\$ 310.1</b>	<b>\$ 356.8</b>	

(2) As permitted by the Company's senior secured credit facility, certain pro forma financial information related to the acquisitions of Periscope, Inc. ("Periscope") and Ivie & Associates, LLC ("Ivie") were included in calculating the Debt Leverage Ratio:

- As the acquisition of Periscope was completed on January 3, 2019, the \$3.9 million pro forma Adjusted EBITDA represents the period from October 1, 2018, to January 2, 2019. Adjusted EBITDA for Periscope was calculated in a consistent manner with the calculation above for Quad. Periscope's financial information has been consolidated within Quad's financial results since the date of acquisition. If the three months of pro forma Adjusted EBITDA for Periscope was not included in the calculation, the Company's Debt Leverage Ratio would have been 3.30x as of September 30, 2019.
- As the acquisition of Ivie was completed on February 21, 2018, the \$2.9 million pro forma Adjusted EBITDA represents the period from January 1, 2018, to February 20, 2018. Adjusted EBITDA for Ivie was calculated in a consistent manner with the calculation above for Quad. Ivie's financial information has been consolidated within Quad's financial results since the date of acquisition. If the two months of pro forma Adjusted EBITDA for Ivie was not included in the calculation, the Company's Debt Leverage Ratio would have been 2.19x as of December 31, 2018.

(3) The Company had \$18 million and \$70 million in cash and cash equivalents at September 30, 2019, and December 31, 2018. Based on the Company's typical year-end cash balance of approximately \$10 million, Quad had \$8 million and \$60 million of excess cash at September 30, 2019 and December 31, 2018, respectively. If the excess cash was used to further pay down debt, the Debt Leverage Ratio would have been 3.24x and 2.03x at September 30, 2019 and December 31, 2018, respectively.

# Balance Sheet

US \$ Millions	September 30, 2019	December 31, 2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 18.2	\$ 69.5
Receivables, less allowances for doubtful accounts	472.0	497.6
Inventories	288.6	279.0
Prepaid expenses and other current assets	46.4	45.2
Property, plant and equipment—net	1,079.6	1,149.1
Operating lease right-of-use assets	118.1	—
Goodwill	103.0	44.5
Intangible assets—net	149.7	112.6
Other long-term assets	129.1	93.2
Assets of discontinued operations	63.3	178.4
<b>Total assets</b>	<b>\$ 2,468.0</b>	<b>\$ 2,469.1</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Accounts payable	\$ 416.3	\$ 496.3
Accrued liabilities	266.8	275.0
Current portion of debt and finance lease obligations	74.2	46.5
Current portion of operating lease obligations	32.6	—
Long-term debt and finance lease obligations	1,104.0	889.3
Operating lease obligations	88.5	—
Deferred income taxes	5.3	32.1
Single and multi-employer pension obligations	119.6	133.5
Other long-term liabilities	98.1	108.4
Liabilities of discontinued operations	21.6	27.8
<b>Total liabilities</b>	<b>\$ 2,227.0</b>	<b>\$ 2,008.9</b>
<b>Total Shareholders' equity and noncontrolling interests</b>	<b>\$ 241.0</b>	<b>\$ 460.2</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,468.0</b>	<b>\$ 2,469.1</b>



# Adjusted Diluted Earnings (Loss) Per Share

Third Quarter

US \$ Millions (Except Per Share Data)	Three Months Ended September 30,	
	2019	2018
Earnings (loss) from continuing operations before income taxes and equity in (earnings) loss of unconsolidated entity	\$ (64.5)	\$ 31.8
Restructuring, impairment and transaction-related charges	56.7	5.3
Loss on debt extinguishment	14.6	—
Adjusted net earnings from continuing operations, before income taxes [Non-GAAP]	6.8	37.1
Income tax expense at 25% normalized tax rate	1.7	9.3
Adjusted net earnings from continuing operations [Non-GAAP]	\$ 5.1	\$ 27.8
Basic weighted average number of common shares outstanding	50.1	49.3
Plus: effect of dilutive equity incentive instruments [Non-GAAP]	0.9	1.8
Diluted weighted average number of common shares outstanding [Non-GAAP]	51.0	51.1
<b>Adjusted Diluted Earnings Per Share from continuing operations [Non-GAAP]</b>	<b>\$ 0.10</b>	<b>\$ 0.54</b>
Diluted earnings (loss) per share from continuing operations [GAAP]	\$ (0.94)	\$ 0.56



# Adjusted Diluted Earnings (Loss) Per Share

Year-to-Date

US \$ Millions (Except Per Share Data)	Nine Months Ended September 30,	
	2019	2018
Earnings (loss) from continuing operations before income taxes and equity in (earnings) loss of unconsolidated entity	\$ (89.9)	\$ 40.6
Restructuring, impairment and transaction-related charges	73.7	40.6
Employee stock ownership plan contribution	—	22.3
Loss on debt extinguishment	30.5	—
Adjusted net earnings from continuing operations, before income taxes [Non-GAAP]	14.3	103.5
Income tax expense at 25% normalized tax rate	3.6	25.9
Adjusted net earnings from continuing operations [Non-GAAP]	\$ 10.7	\$ 77.6
Basic weighted average number of common shares outstanding	50.0	50.0
Plus: effect of dilutive equity incentive instruments [Non-GAAP]	0.9	1.8
Diluted weighted average number of common shares outstanding [Non-GAAP]	50.9	51.8
<b>Adjusted Diluted Earnings Per Share from continuing operations [Non-GAAP]</b>	<b>\$ 0.21</b>	<b>\$ 1.50</b>
Diluted earnings (loss) per share from continuing operations [GAAP]	\$ (1.26)	\$ 0.81

