Quad/Graphics, Inc.

1st Quarter 2018 Earnings Call

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Chairman, President & CEO

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Executive Vice President & CFO

May 2, 2018

Performance through Innovation

Forward-Looking Statements

- To the extent any statements in this investor presentation contain information that is not historical, these statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements relate to, 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 Quad/Graphics, Inc. (the "Company" or "Quad/Graphics"), and can generally be identified by the use of words 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. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements.
- These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond the control of Quad/Graphics. These risks, uncertainties, and other factors could cause actual results to differ materially from those expressed or implied by those forward-looking statements. Among risks, uncertainties and other factors that may impact Quad/Graphics are: the impact of decreasing demand for printed materials and significant overcapacity in the highly competitive commercial printing industry creates downward pricing pressures and potential underutilization of assets; the impact of electronic media and similar technological changes, including digital substitution by consumers; the inability of the Company to reduce costs and improve operating efficiency rapidly enough to meet market conditions; 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 impact of increased business complexity as a result of the Company's transformation into a marketing solutions provider; the impact of regulatory matters and legislative developments or changes in laws, including changes in cyber-security, privacy and environmental laws; 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 attract and retain qualified production personnel; the impact of changes in postal rates, service levels or regulations; the fragility and decline in overall distribution channels, including newspaper distribution channels; the failure to successfully identify, manage, complete and integrate acquisitions and investments; 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; significant capital expenditures may be needed to maintain the Company's platform and processes and to remain technologically and economically competitive; the impact of the various restrictive covenants in the Company's debt facilities on the Company's ability to operate its business; the impact on the holders of Quad/Graphics 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 other intangible assets; and the other risk factors identified in the Company's most recent Annual Report on Form 10-K, as such may be amended or supplemented by subsequent Quarterly Reports on Form 10-Q or other reports filed with the Securities and Exchange Commission.
- Quad/Graphics cautions that the foregoing list of risks, uncertainties and other factors is not exhaustive and you should carefully consider the other factors detailed from time to time in Quad/Graphics' filings with the United States Securities and Exchange Commission and other uncertainties and potential events when reviewing Quad/Graphics' forward-looking statements.
- Because forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. You are cautioned not to place undue reliance on such statements, which speak only as of the date of this investor presentation. Except to the extent required by the federal securities laws, Quad/Graphics undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Q1 2018 Summary

$968 million
Net Sales (QTD)

$111 million
Adjusted EBITDA[(1)] (QTD)

11.4%
Adjusted EBITDA Margin[(1)] (QTD)

$(22) million
Free Cash Flow[(1)] (QTD)

2.28x
Debt Leverage Ratio[(1)]

(1) See slides 9 – 15 for definitions and reconciliations of non-GAAP measures.

Build | Partner | Acquire

Ivie: Acquired on February 21, 2018 for $92.5 million

Rise Interactive: Obtained controlling ownership interest on March 14, 2018

Strategic Priorities

Generate Sustainable Strong Free Cash Flow	Drive Further EBITDA Enhancement	Strengthen the Balance Sheet	Commitment to Shareholders	Accelerate Quad 3.0 Transformation

Financial Overview

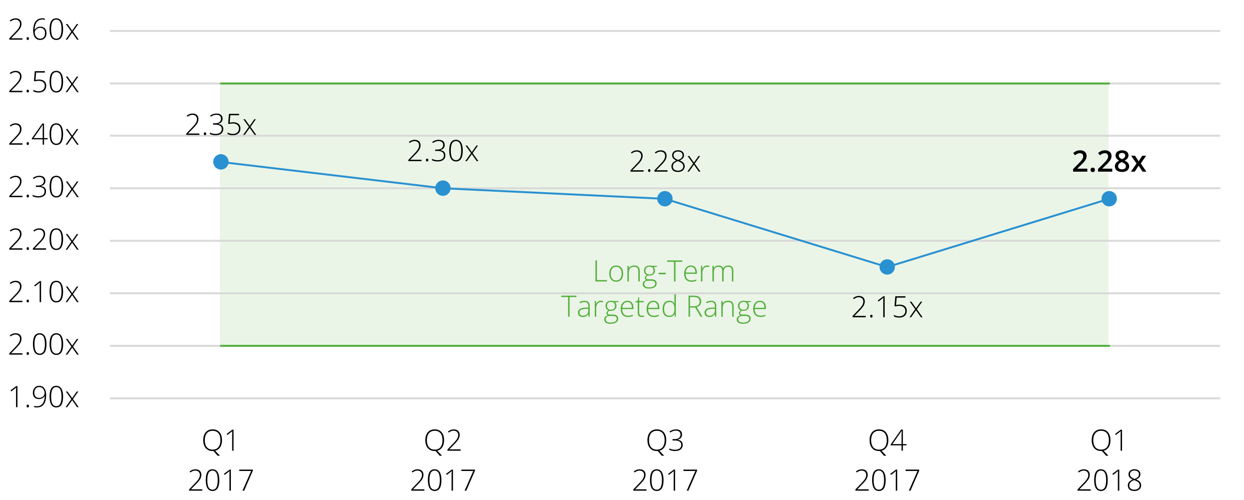
($ in millions)	First Quarter	
	March 31, 2018	March 31, 2017
Statement of Operations		
Net Sales	$ 967.5	$ 998.6
Cost of Sales	792.4	781.1
SG&A	86.9	98.6
Adjusted EBITDA(1)	$ 110.5	$ 118.9
Adjusted EBITDA Margin(1)	11.4%	11.9%
Statement of Cash Flows		
Cash from Operating Activities	$ 2.2	$ 63.3
Capital Expenditures	(24.2)	(23.4)
Free Cash Flow(1)	$ (22.0)	$ 39.9

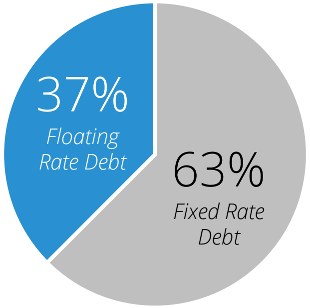
Q1 2018 results were in line with our expectations.

(1) See slide 9 for definitions of our non-GAAP measures and slide 11 for reconciliations of Adjusted EBITDA and Adjusted EBITDA Margin and slide 12 for a reconciliation of Free Cash Flow as non-GAAP measures.

Capital Structure as of March 31, 2018

Debt Leverage Ratio[1]





5.2%
Blended Interest Rate

$623 million
Available Liquidity Under Revolver

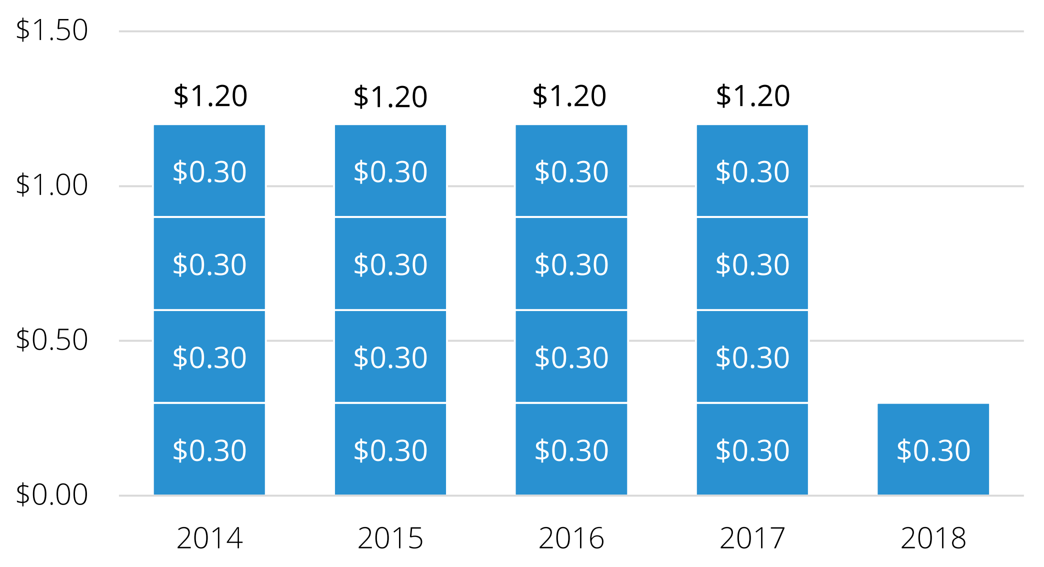
January 2021
Next Significant Maturity

Leverage increased due to a $68 million increase in debt driven by $74 million of net cash paid for the Ivie and Rise Interactive investments

(1) See slide 9 for definitions of our non-GAAP measures and slide 13 for a reconciliation of Debt Leverage Ratio as a non-GAAP measure.

Shareholder Value

Commitment to Dividend



5%

Dividend Yield[1]

28%

Dividend as % of Free Cash Flow

Declared dividend of $0.30 per share to be payable on June 8, 2018, to shareholders of record as of May 21, 2018.

(1) Dividend Yield is calculated as an annualized dividend of $1.20 per share divided by Quad/Graphics closing stock price on April 30, 2018 of $24.71.

For questions contact:
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Supplemental Information

Performance through Innovation™

Use of 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 Per Share. The Company believes that these Non-GAAP measures, when presented in conjunction with comparable GAAP measures, provide additional information for evaluating Quad/Graphics' performance and are important measures by which Quad/Graphics' 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 10 – 15.
- Adjusted EBITDA is defined as net earnings (loss) excluding interest expense, income tax expense (benefit), depreciation and amortization, restructuring, impairment and transaction-related charges, net pension income, employee stock ownership plan contribution, loss (gain) on debt extinguishment, and equity in (earnings) loss of unconsolidated entity.
- 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.
- Debt Leverage Ratio is defined as total debt and capital lease obligations divided by the last twelve months of Adjusted EBITDA.
- Adjusted Diluted Earnings Per Share is defined as net earnings (loss) excluding restructuring, impairment and transaction-related charges, employee stock ownership plan contribution, loss (gain) on debt extinguishment, equity in (earnings) loss of unconsolidated entity, discrete income tax items and net (earnings) loss attributable to noncontrolling interests, divided by diluted weighted average number of common shares outstanding.

2018 Annual Guidance[1]

US $ Millions	2018
Net Sales[2]	$4.0 to $4.2 billion
Adjusted EBITDA[2][3][4]	$410 to $450 million
Free Cash Flow[4]	$200 to $240 million
Depreciation and Amortization	$215 to $225 million
Interest Expense	$65 to $75 million
Restructuring and Transaction-Related Cash Expenses	$35 to $45 million
Capital Expenditures	$85 to $95 million
Pension Cash Contributions[5]	Approximately $15 million
Cash Taxes	$15 to $25 million

(1) No change in annual 2018 guidance from ranges provided on February 21, 2018.

(2) The acquisition of Ivie announced on February 21, 2018, is expected to contribute approximately $150 million of net sales and $10 million of Adjusted EBITDA in 2018.

(3) Adjusted EBITDA guidance excludes non-cash pension income in 2018 due to new accounting standards that require pension income to be excluded from Operating Income. As a result, 2017 Adjusted EBITDA has also been adjusted down to $448 million to remove $11 million of pension income, allowing for consistent presentation

(4) See slide 15 for definitions of our non-GAAP measures.

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

Adjusted EBITDA

First Quarter (US $ Millions)

	Three Months Ended March 31,	
	2018	**2017**
Net earnings (loss)	$ (3.5)	$ 25.4
Interest expense	17.3	18.2
Income tax (benefit) expense	(3.3)	6.7
Depreciation and amortization	56.2	58.7
EBITDA [Non-GAAP]	$ 66.7	$ 109.0
EBITDA Margin [Non-GAAP]	6.9%	10.9%
Restructuring, impairment and transaction-related charges	24.9	9.2
Net pension income	(3.1)	(2.6)
Employee stock ownership plan contribution	22.3	—
Loss on debt extinguishment	—	2.6
Equity in (earnings) loss of unconsolidated entity	(0.3)	0.7
Adjusted EBITDA [Non-GAAP]	**$ 110.5**	**$ 118.9**
Adjusted EBITDA Margin [Non-GAAP]	**11.4%**	**11.9%**

Free Cash Flow

(US $ Millions)

	Three Months Ended March 31,	
	2018	2017
Net cash provided by operating activities	$ 2.2	$ 63.3
Less: purchases of property, plant and equipment	(24.2)	(23.4)
Free Cash Flow [Non-GAAP]	**$ (22.0)**	**$ 39.9**

Debt Leverage Ratio

(US $ Millions, Except Ratio Data)

	March 31, 2018	December 31, 2017
Total debt and capital lease obligations on the balance sheets	$ 1,032.8	$ 964.8
Divided by:		
Trailing twelve months Adjusted EBITDA for Quad/Graphics [Non-GAAP]	$ 439.8	$ 448.2
Pro Forma Adjusted EBITDA for Ivie & Associates [Non-GAAP]	14.1	—
Trailing twelve months Adjusted EBITDA [Non-GAAP]	$ 453.9	$ 448.2
Debt Leverage Ratio [Non-GAAP][(1)]	**2.28x**	**2.15x**

(1) The calculation of Adjusted EBITDA for the trailing twelve months ended March 31, 2018 and December 31, 2017, was as follows:

	Year Ended	Add Three Months Ended	Subtract Three Months Ended	Trailing Twelve Months Ended
	December 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018
Net earnings (loss)	$ 107.2	$ (3.5)	$ 25.4	$ 78.3
Interest expense	71.1	17.3	18.2	70.2
Income tax (benefit) expense	(16.0)	(3.3)	6.7	(26.0)
Depreciation and amortization	232.5	56.2	58.7	230.0
EBITDA [Non-GAAP]	$ 394.8	$ 66.7	$ 109.0	$ 352.5
Restructuring, impairment and transaction-related charges	60.4	24.9	9.2	76.1
Net pension income	(9.6)	(3.1)	(2.6)	(10.1)
Employee stock ownership plan contribution	—	22.3	—	22.3
Loss on debt extinguishment	2.6	—	2.6	—
Equity in loss (gain) of unconsolidated entity	—	(0.3)	0.7	(1.0)
Adjusted EBITDA [Non-GAAP]	**$ 448.2**	**$ 110.5**	**$ 118.9**	**$ 439.8**

Balance Sheet

(US $ Millions)

	March 31, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	$ 30.2	$ 64.4
Receivables	531.3	552.5
Inventories	269.2	246.5
Other current assets	55.4	45.1
Property, plant and equipment—net	1,351.9	1,377.6
Goodwill	88.0	—
Intangible assets—net	116.6	43.4
Other long-term assets	100.3	122.9
Total assets	**$ 2,542.9**	**$ 2,452.4**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 388.6	$ 381.6
Other current liabilities	273.9	306.2
Current debt and capital leases	49.2	47.6
Long-term debt and capital leases	983.6	917.2
Deferred income taxes	44.7	41.9
Single and multi-employer pension obligations	106.0	112.3
Other long-term liabilities	128.2	123.2
Total liabilities	**$ 1,974.2**	**$ 1,930.0**
Shareholders' equity	**$ 568.7**	**$ 522.4**
Total liabilities and shareholders' equity	**$ 2,542.9**	**$ 2,452.4**

Adjusted Diluted Earnings Per Share

First Quarter (US $ Millions, Except Per Share Data)

	Three Months Ended March 31,	
	2018	2017
Earnings (loss) before income taxes and equity in (earnings) loss of unconsolidated entity	$ (7.1)	$ 32.8
Restructuring, impairment and transaction-related charges	24.9	9.2
Employee stock ownership plan contribution	22.3	—
Loss on debt extinguishment	—	2.6
	40.1	44.6
Income tax expense at normalized tax rate(1)	10.0	17.8
Adjusted net earnings [Non-GAAP]	$ 30.1	$ 26.8
Basic weighted average number of common shares outstanding	50.1	49.1
Plus: effect of dilutive equity incentive instruments [Non-GAAP]	2.0	2.4
Diluted weighted average number of common shares outstanding [Non-GAAP]	52.1	51.5
Adjusted Diluted Earnings Per Share [Non-GAAP]	**$ 0.58**	**$ 0.52**
Diluted Earnings (Loss) Per Share [GAAP]	$ (0.07)	$ 0.49

(1) A normalized income tax rate of 25% was used for the three months ended March 31, 2018, which reflects changes related to the Tax Cuts and Jobs Act that was enacted in December 2017. The Company used a normalized income tax rate of 40% for the three months ended March 31, 2017, consistent with the normalized rate used prior to the enactment of the Tax Cuts and Jobs Act.