Quad/Graphics, Inc.
Form 10-Q
May 02, 2018
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2018
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 001-34806
QUAD/GRAPHICS, INC.
(Exact name of registrant as specified in its charter)

Wisconsin	39-1152983
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
N61 W23044 Harry's Way, Sussex, Wisconsin 53089-3995	(414) 566-6000
(Address of principal executive offices) (Zip Code)	(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o
(Do not check if a smaller reporting company)	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x
Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class	Outstanding as of April 27, 2018
Class A Common Stock	40,044,081
Class B Common Stock	13,556,858

Class C Common Stock —

Table of Contents

QUAD/GRAPHICS, INC.
FORM 10-Q INDEX
For the Quarter Ended March 31, 2018

Table of Contents

PART I — FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements (Unaudited)

QUAD/GRAPHICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)
(UNAUDITED)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Net sales		
Products	$801.1	$854.3
Services	166.4	144.3
Total net sales	967.5	998.6
Cost of sales		
Products	665.2	682.4
Services	127.2	98.7
Total cost of sales	792.4	781.1
Operating expenses		
Selling, general and administrative expenses	86.9	98.6
Depreciation and amortization	56.2	58.7
Restructuring, impairment and transaction-related charges	24.9	9.2
Total operating expenses	960.4	947.6
Operating income	7.1	51.0
Interest expense	17.3	18.2
Net pension income	(3.1)	(2.6)
Loss on debt extinguishment	—	2.6
Earnings (loss) before income taxes and equity in (earnings) loss of unconsolidated entity	(7.1)	32.8
Income tax (benefit) expense	(3.3)	6.7
Earnings (loss) before equity in (earnings) loss of unconsolidated entity	(3.8)	26.1
Equity in (earnings) loss of unconsolidated entity	(0.3)	0.7
Net earnings (loss)	(3.5)	25.4
Net (earnings) loss attributable to noncontrolling interests	—	—
Net earnings (loss) attributable to Quad/Graphics common shareholders	$(3.5)	$25.4
Earnings (loss) per share attributable to Quad/Graphics common shareholders		
Basic	$(0.07)	$0.52
Diluted	$(0.07)	$0.49
Dividends declared per share	$0.30	$0.30
Weighted average number of common shares outstanding		
Basic	50.1	49.1
Diluted	50.1	51.5

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents

QUAD/GRAPHICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)
(UNAUDITED)

	Three Months Ended March 31,	
	2018	2017
Net earnings (loss)	$(3.5)	$25.4
Other comprehensive income		
Translation adjustments	5.6	7.7
Interest rate swap adjustments	3.7	0.4
Other comprehensive income, before tax	9.3	8.1
Income tax impact related to items of other comprehensive income	(0.8)	—
Other comprehensive income, net of tax	8.5	8.1
Total comprehensive income	5.0	33.5
Less: comprehensive (income) loss attributable to noncontrolling interests	—	—
Comprehensive income attributable to Quad/Graphics common shareholders	$5.0	$33.5

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents

QUAD/GRAPHICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions)
(UNAUDITED)

	March 31, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	$30.2	$ 64.4
Receivables, less allowances for doubtful accounts of $28.0 million at March 31, 2018, and $28.9 million at December 31, 2017	531.3	552.5
Inventories	269.2	246.5
Prepaid expenses and other current assets	55.4	45.1
Total current assets	886.1	908.5
Property, plant and equipment—net	1,351.9	1,377.6
Goodwill	88.0	—
Other intangible assets—net	116.6	43.4
Equity method investment in unconsolidated entity	3.9	3.6
Other long-term assets	96.4	119.3
Total assets	$2,542.9	$ 2,452.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$388.6	$ 381.6
Accrued liabilities	283.2	316.7
Short-term debt and current portion of long-term debt	43.5	42.0
Current portion of capital lease obligations	5.7	5.6
Total current liabilities	721.0	745.9
Long-term debt	970.3	903.5
Capital lease obligations	13.3	13.7
Deferred income taxes	44.7	41.9
Other long-term liabilities	224.9	225.0
Total liabilities	1,974.2	1,930.0
Commitments and contingencies (Note 8)		
Shareholders' equity		
Preferred stock	—	—
Common stock, Class A	1.0	1.0
Common stock, Class B	0.4	0.4
Common stock, Class C	—	—
Additional paid-in capital	850.4	861.1
Treasury stock, at cost	(17.9)	(52.8)
Accumulated deficit	(176.4)	(162.9)
Accumulated other comprehensive loss	(118.8)	(124.4)
Quad/Graphics' shareholders' equity	538.7	522.4
Noncontrolling interests	30.0	—
Total shareholders' equity and noncontrolling interests	568.7	522.4
Total liabilities and shareholders' equity	$2,542.9	$ 2,452.4

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents

QUAD/GRAPHICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(UNAUDITED)

	Three Months Ended March 31, 2018	2017
OPERATING ACTIVITIES		
Net earnings (loss)	$ (3.5)	$ 25.4
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	56.2	58.7
Employee stock ownership plan contribution	22.3	—
Impairment charges	7.9	0.4
Amortization of debt issuance costs and original issue discount	0.9	0.9
Loss on debt extinguishment	—	2.6
Stock-based compensation	5.4	6.0
Gain from a property insurance claim	(17.2)	—
Gain on sale or disposal of property, plant and equipment	(2.2)	(3.7)
Deferred income taxes	0.9	3.2
Equity in (earnings) loss of unconsolidated entity	(0.3)	0.7
Changes in operating assets and liabilities—net of acquisitions	(68.2)	(30.9)
Net cash provided by operating activities	2.2	63.3
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(24.2)	(23.4)
Proceeds from the sale of property, plant and equipment	4.3	10.8
Proceeds from property insurance claims	13.4	3.0

Loan to an unconsolidated entity	—	(5.0)
Acquisition of businesses—net of cash acquired	(73.9)	—
Net cash used in investing activities	(80.4)	(14.6)
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	—	375.0
Payments of long-term debt	(5.0)	(384.0)
Payments of capital lease obligations	(1.6)	(2.1)
Borrowings on revolving credit facilities	245.5	67.0
Payments on revolving credit facilities	(174.0)	(83.8)
Payments of debt issuance costs and financing fees	—	(4.6)
Proceeds from stock options exercised	4.0	1.3
Equity awards redeemed to pay employees' tax obligations	(7.5)	(5.9)
Payment of cash dividends	(17.2)	(16.8)
Other financing activities	—	(4.1)
Net cash provided by (used in) financing activities	44.2	(58.0)
Effect of exchange rates on cash and cash equivalents	(0.2)	0.4
Net decrease in cash and cash equivalents	(34.2)	(8.9)
Cash and cash equivalents at beginning of period	64.4	19.2
Cash and cash equivalents at end of period	$ 30.2	$ 10.3

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

6

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements for Quad/Graphics, Inc. and its subsidiaries (the "Company" or "Quad/Graphics") have been prepared by the Company pursuant to the rules and regulations for interim financial information of the United States Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted pursuant to such SEC rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated annual financial statements as of and for the year ended December 31, 2017, and notes thereto included in the Company's latest Annual Report on Form 10-K filed with the SEC on February 21, 2018.

The Company is subject to seasonality in its quarterly results as net sales and operating income are higher in the third and fourth quarters of the calendar year as compared to the first and second quarters. The fourth quarter is typically the highest seasonal quarter for cash flows from operating activities due to the reduction of working capital requirements that reach peak levels during the third quarter. Seasonality is driven by increased magazine advertising page counts, retail inserts, catalogs and books primarily due to back-to-school and holiday-related advertising and promotions. The Company expects this seasonality impact to continue in future years.

The financial information contained herein reflects all adjustments, in the opinion of management, necessary for a fair presentation of the Company's results of operations for the three months ended March 31, 2018 and 2017. All of these adjustments are of a normal recurring nature, except as otherwise noted. All intercompany transactions have been eliminated in consolidation. These unaudited condensed consolidated financial statements include estimates and assumptions of management that affect the amounts reported in the condensed consolidated financial statements. Actual results could differ from these estimates.

Revenue Recognition

On January 1, 2018, the Company adopted Accounting Standards Update 2014-09, "Revenue from Contracts with Customers" (Topic 606), ("ASU 2014-09"), which provides revised guidance on recognizing revenue from contracts with customers. The Company adopted Topic 606 using the modified retrospective approach and applied the guidance to those contracts which were not completed as of January 1, 2018. This means that Topic 606 has been applied to the 2018 financial statements and disclosures going forward, but that prior period financial statements and disclosures reflect the revenue recognition standard of Topic 605, Revenue from Contracts with Customers. See Note 2, "Revenue Recognition," for additional accounting policy and transition disclosures.

Pension Plans

On January 1, 2018, the Company adopted Accounting Standards Update 2017-07 "Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" ("ASU 2017-07"), which provides revised guidance on how to present the components of net pension income in the statement of operations. As a result of the adoption of ASU 2017-07, the Company has reported $3.1 million of net pension income during the three months ended March 31, 2018, and has reclassified net pension income of

$2.6 million for the three months ended March 31, 2017, to a line outside the subtotal of operating income, resulting in no impact to net earnings (loss). The Company has adopted ASU 2017-07 retrospectively and has utilized the practical expedient that permits the use of the amounts disclosed in previous filings for net pension income as the estimation basis for the presentation of the prior comparative periods. There are no service costs associated with the Company's pension plans due to their frozen status. See Note 13, "Employee Retirement Plans," for the components of net pension income.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

Note 2. Revenue Recognition

The Company recognizes its products and services revenue based on when the transfer of control passes to the customer or when the service is completed and accepted by the customer.

The effects of the adjustments to the December 31, 2017 consolidated balance sheet for the adoption of Topic 606, were as follows:

	December 31, 2017 As Reported	Topic 606 Adjustments	Opening Balance at January 1, 2018
Prepaid expenses and other current assets	$ 45.1	$ 2.3	$ 47.4
Other long-term assets	119.3	2.0	121.3
Deferred income taxes	41.9	1.1	43.0
Accumulated deficit	(162.9)	3.2	(159.7)

The adoption of Topic 606 did not have a material effect on the consolidated financial statements. In adopting Topic 606, the timing of recognition changed for certain variable consideration paid to customers and costs to obtain contracts with customers.

Revenue Disaggregation

The following table provides information about disaggregated revenue by the Company's operating segments and major products and services offerings:

	United States Print and Related Services	International	Total
Three months ended March 31, 2018			
Catalog, publications, retail inserts, books and directories	$ 563.2	$ 85.5	$ 648.7
Direct mail and other printed products	136.6	8.9	145.5
Other	6.8	0.1	6.9
Total Products	706.6	94.5	801.1
Logistics services	97.8	5.2	103.0
Imaging, marketing services and other services	63.4	—	63.4
Total Services	161.2	5.2	166.4
Total Net Sales	$ 867.8	$ 99.7	$ 967.5
Three months ended March 31, 2017			
Catalog, publications, retail inserts, books and directories	$ 599.4	$ 83.7	$ 683.1

Direct mail and other printed products	148.7	7.3	156.0
Other	15.0	0.2	15.2
Total Products	763.1	91.2	854.3
Logistics services	94.1	5.2	99.3
Imaging, marketing services and other services	45.0	—	45.0
Total Services	139.1	5.2	144.3
Total Net Sales	$ 902.2	$ 96.4	$998.6

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

Nature of Products and Services

The products offering is predominantly comprised of the Company's print operations which includes retail inserts, publications, catalogs, special interest publications, journals, direct mail, books, directories, in-store marketing and promotion, packaging, newspapers, custom print products, other commercial and specialty printed products and global paper procurement.

The Company considers its logistic operations as services, which include the delivery of printed material. The Services offering also includes revenues related to the Company's imaging operations, which include digital content management, photography, color services, page production, marketing services, media planning and placement, facilities management and medical services.

When Performance Obligations are Satisfied

At contract inception, the Company assesses the products and services promised in its contracts with customers and identifies performance obligations for each promise to transfer to the customer a product or service that is distinct. To identify the performance obligations, the Company considers the goods or services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. The Company determined that the following distinct products and services represent separate performance obligations:

•Pre-Press Services
•Print
•Other Services

For Pre-Press and Other Services, the Company recognizes revenue at point-in-time upon completion of the performed service and acceptance by the customer. The Company considers transfer of control to occur once the service is performed as the Company has right to payment and the customer has legal title and risk and reward of ownership.

The Company recognizes its Print revenues upon transfer of title and the passage of risk of loss, which is point-in-time upon shipment to the customer, and when there is a reasonable assurance as to collectability. Revenues related to the Company's logistics operations, which includes the delivery of printed material, are included in the Print performance obligation and are also recognized at point-in-time as services are completed. Under agreements with certain customers, products may be stored by the Company for future delivery. In these situations, the Company may receive warehouse management fees for the services it provides. Revenue from warehouse management fees was immaterial for the three months ended March 31, 2018 and 2017.

Certain revenues earned by the Company require judgment to determine if revenue should be recorded gross as principal or net of related costs as an agent. Billings for third-party shipping and handling costs, primarily in the Company's logistics operations, and out-of-pocket expenses are recorded gross in net sales and cost of sales in the condensed consolidated statements of operations. Many of the Company's operations process materials, primarily paper, that may be supplied directly by customer or may be purchased by the Company and sold to customers. No revenue is recognized for customer-supplied paper. Revenues for the Company-supplied paper are recognized on a gross basis. In some instances, the Company will deliver print work for a customer and bill the customer for postage. In these cases, the Company is acting as an agent and billings are recorded on a net basis in net sales.

Significant Payment Terms

Payment terms and conditions for contracts with customers vary. The Company typically offers standard terms of net 30 days. It is not the Company's standard business practice to offer extended payment terms longer than one year. The Company may offer cash discounts or prepayment and extended terms depending on certain facts and circumstances. As such, when the timing of the Company's delivery of products and services differs from the timing of payment, the Company will record either a contract asset or a contract liability.

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

Variable Consideration

When evaluating the transaction price, the Company analyzes on a contract by contract basis all applicable variable considerations and non-cash consideration and also performs a constraint analysis. The nature of the Company's contracts give rise to variable consideration, including, volume rebates, credits, discounts, and other similar items that generally decrease the transaction price. These variable amounts generally are credited to the customer, based on achieving certain levels of sales activity, when contracts are signed, or making payments within specific terms.

Product returns are not significant because the products are customized; however, the Company accrues for the estimated amount of customer allowances at the time of sale based on historical experience and known trends.

When the transaction price requires allocation to multiple performance obligations, the Company uses the estimated stand-alone selling prices using the adjusted market assessment approach.

Cost to Obtain Contracts

In accordance with Topic 606, the Company capitalizes certain sales incentives of the sales compensation packages for costs that are directly attributed to being awarded a customer contract or renewal and would not have been incurred had the contract not been obtained. The Company also defers certain contract acquisition costs paid to the customer at contract inception. The Company elected the practical expedient in Topic 606 for contracts with a duration of less than one year and expenses the cost to obtain contracts as incurred. For all contract costs with contracts over one year, the Company amortizes the costs to obtain contracts on a straight-line basis over the estimated life of the contract and reviews quarterly for impairment. At January 1, 2018, the Company had $23.5 million in contract costs for contracts that were not completed as of that date. For the three months ended March 31, 2018, the Company incurred additional contract costs of $0.7 million, amortized $1.8 million, and consequently, the balance of contract costs were $22.4 million as of March 31, 2018.

Practical Expedients

For certain performance obligations related to print contracts, the Company has elected not to disclose the value of unsatisfied performance obligations for: (1) contracts that have an original expected length of one year or less; (2) contracts where revenue is recognized as invoiced; or (3) contracts with variable consideration related to unsatisfied performance obligations. The Company has approximately $820.6 million in volume commitments in contracts that extend beyond one year. The Company expects to recognize approximately 32% of these volume commitments in contracts as revenue by the end of 2018, an additional 37% by the end of 2020, and the balance thereafter.

The Company expenses costs to obtain contracts as incurred when the contract duration is less than one year.

The Company does not disclose the value of the unsatisfied performance obligations as the transfer of products and services is less than one year in duration.

The transaction amount is not adjusted for a significant financing component as the period between transfer of the products or services is less than one year.

The Company accounts for shipping and handling activities, which includes postage, that occur after control of the related products or services transfers to the customer as fulfillment activities and are therefore recognized at time of shipping.

The Company excludes from its transaction price any amounts collected from customers for sales taxes.

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

Note 3. Acquisitions and Strategic Investments

2018 Ivie & Associates Acquisition

The Company completed the acquisition of Ivie & Associates ("Ivie") on February 21, 2018, for $92.5 million cash paid, which is subject to a potential earn-out of up to an additional $16.0 million, to the extent that certain financial metrics are achieved post-integration. Ivie is headquartered in Flower Mound, Texas and provides a full array of marketing services, including creative and production services, studio services, sourcing, procurement, staff enhancement, media services, public relations, digital, technology solutions and project management for many leading brands throughout the world. The preliminary purchase price of $105.1 million, includes $13.7 million of acquired cash and an estimated $12.6 million of future cash payments related to the acquisition. Included in the preliminary purchase price allocation are $78.6 million of identifiable other intangible assets, which are amortized over their estimated useful lives, ranging from three to eight years, and $29.4 million of goodwill, of which $27.6 million is deductible for tax purposes. The preliminary allocation of the purchase price is based on valuations performed to determine the fair value of the net assets as of the acquisition date. The purchase price, as well as the purchase price allocation, is subject to the final determination of acquired working capital and completion of the final valuation of the net assets acquired. The net assets acquired, excluding acquired cash, were classified as Level 3 in the valuation hierarchy (see Note 11, "Financial Instruments and Fair Value Measurements," for the definition of Level 3 inputs). Ivie's operations are included in the United States Print and Related Services segment.

2018 Rise Interactive Investment

On March 14, 2018, the Company increased its equity position in Rise Interactive ("Rise") from 19% to 57% for the conversion of $9.3 million of loans to equity ownership and $8.7 million cash paid. The Company had historically accounted for Rise as a cost method investment. Rise is a digital marketing agency headquartered in Chicago, Illinois, that specializes in media, analytics and customer experience, and helps enterprise marketers see, shape, and act on opportunities in digital media. The Company has consolidated the results of Rise as of the date the Company obtained controlling financial interest in Rise and accounts for the 43% portion of Rise's results not owned by the Company as noncontrolling interest in the condensed consolidated financial statements. The preliminary fair value of the assets and liabilities of, and noncontrolling interests in, Rise is estimated to be $60.0 million, including an estimated $58.6 million of goodwill, of which $33.4 million is deductible for tax purposes and $13.6 million of acquired cash. The preliminary allocation of the fair value is based on initial valuations performed to determine the fair value of the net assets as of the acquisition date. The fair value, as well as the fair value allocation, is subject to the completion of the final valuation of the net assets of the business. The net assets, excluding cash, were classified as Level 3 in the valuation hierarchy (see Note 11, "Financial Instruments and Fair Value Measurements," for the definition of Level 3 inputs). Rise's operations are included in the United States Print and Related Services segment.

Note 4. Restructuring, Impairment and Transaction-Related Charges

The Company recorded restructuring, impairment and transaction-related charges for the three months ended March 31, 2018 and 2017, as follows:

	Three Months Ended March 31,	
	2018	2017
Employee termination charges	$10.6	$2.9
Impairment charges	7.9	0.4
Transaction-related charges	0.7	0.8
Integration costs	0.1	—
Other restructuring charges	5.6	5.1
Total	$24.9	$9.2

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

The costs related to these activities have been recorded in the condensed consolidated statements of operations as restructuring, impairment and transaction-related charges. See Note 18, "Segment Information," for restructuring, impairment and transaction-related charges by segment.

Restructuring Charges

The Company began a restructuring program in 2010 related to eliminating excess manufacturing capacity and properly aligning its cost structure. The Company has announced a total of 42 plant closures and has reduced headcount by approximately 12,300 employees since 2010. The Company recorded the following charges as a result of plant closures and other restructuring programs:

- Employee termination charges of $10.6 million and $2.9 million were recorded during the three months ended March 31, 2018 and 2017, respectively. The Company reduced its workforce through facility consolidations and separation programs.

- Integration costs of $0.1 million were recorded during the three months ended March 31, 2018, which related to costs for the integration of acquired companies. There were no integration costs recorded during the three months ended March 31, 2017.

- Other restructuring charges of $5.6 million were recorded during the three months ended March 31, 2018, which consisted of the following: (1) $2.2 million of lease exit charges; (2) $2.2 million of vacant facility carrying costs, net of a $2.2 million gain from the sale of the San Ixhuatepec, Mexico facility; (3) $0.8 million of equipment and infrastructure removal costs from closed plants; and (4) $0.4 million of other restructuring charges.

Other restructuring charges of $5.1 million were recorded during the three months ended March 31, 2017, which consisted of the following: (1) $3.2 million of lease exit charges primarily related to the closures of the Huntington Beach, California; and Manassas, Virginia plants; (2) $1.2 million of equipment and infrastructure removal costs from closed plants; and (3) $0.7 million of vacant facility carrying costs, net of a $3.7 million gain from the sale of the East Greenville, Pennsylvania and Marengo, Iowa plants.

The restructuring charges recorded were based on plans that have been committed to by management and were, in part, based upon management's best estimates of future events. Changes to the estimates may require future restructuring charges and adjustments to the restructuring liabilities. The Company expects to incur additional restructuring charges related to these and other initiatives.

Impairment Charges

The Company recognized impairment charges of $7.9 million during the three months ended March 31, 2018, which consisted of $2.4 million of land and building impairment charges and $5.5 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations, as well as other capacity reduction restructuring activities.

The Company recognized impairment charges of $0.4 million during the three months ended March 31, 2017, for machinery and equipment no longer being utilized in production as a result of facility consolidations, as well as other capacity reduction restructuring activities.

The fair values of the impaired assets were determined by the Company to be Level 3 under the fair value hierarchy (see Note 11, "Financial Instruments and Fair Value Measurements," for the definition of Level 3 inputs) and were estimated based on internal discounted cash flow estimates, quoted market prices where available and independent appraisals, as appropriate. These assets were adjusted to their estimated fair values at the time of impairment.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

Transaction-Related Charges

The Company incurs transaction-related charges primarily consisting of professional service fees related to business acquisition and divestiture activities. Transaction-related charges of $0.7 million and $0.8 million were recorded during the three months ended March 31, 2018 and 2017, respectively. The transaction-related charges were expensed as incurred in accordance with the applicable accounting guidance on business combinations.

Restructuring Reserves

Activity impacting the Company's restructuring reserves for the three months ended March 31, 2018, was as follows:

	Employee Termination Charges	Impairment Charges	Transaction-Related Charges	Integration Costs	Other Restructuring Charges	Total
Balance at December 31, 2017	$ 17.6	$ —	$ 0.4	$ 0.2	$ 11.3	$ 29.5
Expense	10.6	7.9	0.7	0.1	5.6	24.9
Cash payments	(8.7)	—	(0.6)	(0.1)	(5.3)	(14.7)
Non-cash adjustments/reclassifications	(0.6)	(7.9)	—	—	0.2	(8.3)
Balance at March 31, 2018	$ 18.9	$ —	$ 0.5	$ 0.2	$ 11.8	$ 31.4

The Company's restructuring reserves at March 31, 2018, included a short-term and a long-term component. The short-term portion included $26.3 million in accrued liabilities (see Note 12, "Accrued Liabilities and Other Long-Term Liabilities") and $1.1 million in accounts payable in the condensed consolidated balance sheets as the Company expects these reserves to be paid within the next twelve months. The long-term portion of $4.0 million is included in other long-term liabilities (see Note 12, "Accrued Liabilities and Other Long-Term Liabilities") in the condensed consolidated balance sheets.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

Note 5. Goodwill and Other Intangible Assets

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in a business combination. Goodwill is assigned to specific reporting units and is tested annually for impairment as of October 31 or more frequently if events or changes in circumstances indicate that it is more likely than not that the fair value of a reporting unit is below its carrying value.

The Company recorded preliminary goodwill within the United States Print and Related Services segment related to acquisitions completed during the three months ended March 31, 2018. The amount of preliminary goodwill is subject to the final determination of acquired working capital and completion of the final valuation of the net assets acquired. Activity impacting goodwill for the three months ended March 31, 2018, was as follows:

	United States Print and Related Services	International	Total
Balance at December 31, 2017	$ —	$ —	$—
Ivie acquisition (see Note 3)	29.4	—	29.4
Rise acquisition (see Note 3)	58.6	—	58.6
Balance at March 31, 2018	$ 88.0	$ —	$88.0

The accumulated goodwill impairment losses and the carrying value of goodwill at March 31, 2018, and December 31, 2017, were as follows:

	March 31, 2018			December 31, 2017		
	United States Print and Related Services	International	Total	United States Print and Related Services	International	Total
Goodwill	$866.3	$ 30.0	$896.3	$778.3	$ 30.0	$808.3
Accumulated goodwill impairment loss	(778.3)	(30.0)	(808.3)	(778.3)	(30.0)	(808.3)
Ending Balance	$88.0	$ —	$88.0	$—	$ —	$—

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

Other Intangible Assets

The components of finite-lived intangible assets at March 31, 2018, and December 31, 2017, were as follows:

	March 31, 2018				December 31, 2017			
	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Trademarks, patents, licenses and agreements	6	$ 51.6	$ (15.0)	$ 36.6	7	$ 24.0	$ (13.5)	$ 10.5
Capitalized software	5	10.2	(2.6)	7.6	5	2.8	(2.3)	0.5
Acquired technology	5	2.0	(2.0)	—	5	2.0	(2.0)	—
Customer relationships	6	505.4	(433.0)	72.4	6	460.8	(428.4)	32.4
Total		$ 569.2	$ (452.6)	$ 116.6		$ 489.6	$ (446.2)	$ 43.4

During the three months ended March 31, 2018, the gross carrying amount of other intangible assets increased primarily due to $78.6 million of acquired identifiable finite-lived intangible assets as discussed in Note 3, "Acquisitions and Strategic Investments." The gross carrying amount and accumulated amortization within other intangible assets—net in the condensed consolidated balance sheets at March 31, 2018, and December 31, 2017, differs from the value originally recorded at acquisition due to impairment charges recorded in prior years and the effects of currency fluctuations since the purchase date.

Other intangible assets are evaluated for potential impairment whenever events or circumstances indicate that the carrying value may not be recoverable. There were no impairment charges recorded on finite-lived intangible assets for the three months ended March 31, 2018 and 2017.

Amortization expense for other intangible assets was $5.8 million and $4.5 million for the three months ended March 31, 2018 and 2017, respectively. The estimated future amortization expense related to other intangible assets as of March 31, 2018, was as follows:

	Amortization Expense
Remainder of 2018	$ 24.3
2019	27.7
2020	22.3
2021	14.6
2022	12.2
2023 and thereafter	15.5
Total	$ 116.6

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

Note 6. Inventories

The components of inventories at March 31, 2018, and December 31, 2017, were as follows:

	March 31, 2018	December 31, 2017
Raw materials and manufacturing supplies	$ 149.4	$ 128.7
Work in process	49.6	43.6
Finished goods	70.2	74.2
Total	$ 269.2	$ 246.5

Note 7. Property, Plant and Equipment

The components of property, plant and equipment at March 31, 2018, and December 31, 2017, were as follows:

	March 31, 2018	December 31, 2017
Land	$ 121.1	$ 122.5
Buildings	921.4	924.5
Machinery and equipment	3,619.1	3,617.1
Other[(1)]	199.9	197.5
Construction in progress	40.7	33.0
Property, plant and equipment—gross	$ 4,902.2	$ 4,894.6
Less: accumulated depreciation	(3,550.3)	(3,517.0)
Property, plant and equipment—net	$ 1,351.9	$ 1,377.6

(1) Other consists of computer equipment, vehicles, furniture and fixtures, leasehold improvements and communication-related equipment.

The Company recorded impairment charges of $7.9 million and $0.4 million for the three months ended March 31, 2018 and 2017, respectively, to reduce the carrying amounts of certain property, plant and equipment no longer utilized in production to fair value (see Note 4, "Restructuring, Impairment and Transaction-Related Charges," for further discussion on impairment charges).

The Company recognized depreciation expense of $50.4 million and $54.2 million for the three months ended March 31, 2018 and 2017, respectively.

Assets Held for Sale

The Company considered certain closed facilities for held for sale classification on the condensed consolidated balance sheets. There were no assets held for sale as of March 31, 2018, and December 31, 2017.

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

Note 8. Commitments and Contingencies

Litigation

The Company is named as a defendant in various lawsuits in which claims are asserted against the Company in the normal course of business. The liabilities, if any, which ultimately result from such lawsuits are not expected by management to have a material impact on the condensed consolidated financial statements of the Company.

In April 2016, the Company self-reported to the SEC and the Department of Justice ("DOJ") certain Foreign Corrupt Practices Act ("FCPA") issues, and a resulting internal investigation, related to its operations managed from Peru. These operations had approximate annual sales ranging from $95.0 million to $135.0 million from the date that the Company acquired those operations in July 2010 until the date the issues were discovered. The self-reported issues were identified by the Company's financial internal controls. The Company, under the oversight of its Audit Committee and Board of Directors, proactively initiated an investigation into this matter with the assistance of external legal counsel and external forensic accountants. Additional compliance issues arising out of the Peru subsidiary have been identified during the course of the investigation and are known to the SEC and DOJ. During the course of its internal investigation, the Company has also identified, and self-reported to the DOJ and SEC, transactions raising similar issues involving certain sales made in its Quad/Tech China operations. For the period 2011 through 2015, the approximate annual sales of these China operations ranged from $2.0 million to $3.0 million. During the course of its internal investigation, the Company has also identified and informed the Office of Foreign Assets Control ("OFAC"), the DOJ and SEC, of certain transactions involving Cuba, and continues to investigate the propriety of such transactions under United States trade sanctions. In connection with this investigation, the Company has made, and continues to evaluate, certain enhancements to its compliance program. The Company is fully cooperating with the OFAC, the SEC and the DOJ. At this time, the Company does not anticipate any material adverse effect on its business or financial condition as a result of this matter.

Environmental Reserves

The Company is subject to various laws, regulations and government policies relating to health and safety, to the generation, storage, transportation, and disposal of hazardous substances, and to environmental protection in general. The Company provides for expenses associated with environmental remediation obligations when such amounts are probable and can be reasonably estimated. Such reserves are adjusted as new information develops or as circumstances change. The environmental reserves are not discounted. The Company believes it is in compliance with such laws, regulations and government policies in all material respects. Furthermore, the Company does not anticipate that maintaining compliance with such environmental statutes will have a material impact upon the Company's condensed consolidated financial position.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

Note 9. Debt

The components of long-term debt as of March 31, 2018, and December 31, 2017, were as follows:

	March 31, 2018	December 31, 2017
Master note and security agreement	$120.9	$ 123.6
Term loan A—$375.0 million due January 2021	281.3	281.3
Term loan B—$300.0 million due April 2021	279.2	279.1
Revolving credit facility—$725.0 million due January 2021	70.0	—
Senior unsecured notes—$300.0 million due May 2022	243.5	243.5
International term loan—$21.9 million	13.1	14.9
International revolving credit facility—$17.6 million	11.3	9.8
Equipment term loans	2.3	2.4
Other	1.7	1.2
Debt issuance costs	(9.5)	(10.3)
Total debt	$1,013.8	$ 945.5
Less: short-term debt and current portion of long-term debt	(43.5)	(42.0)
Long-term debt	$970.3	$ 903.5

Fair Value of Debt

Based upon the interest rates available to the Company for borrowings with similar terms and maturities, the fair value of the Company's total debt was approximately $1.0 billion at March 31, 2018, and at December 31, 2017. The fair value determination of the Company's total debt was categorized as Level 2 in the fair value hierarchy (see Note 11, "Financial Instruments and Fair Value Measurements," for the definition of Level 2 inputs).

2017 Senior Secured Credit Facility Amendment

The Company completed the second amendment to the Company's April 28, 2014 Senior Secured Credit Facility on February 10, 2017. This second amendment was completed to reduce the size of the revolving credit facility and Term Loan A and to extend the Company's debt maturity profile while maintaining the Company's current cost of borrowing and covenant structure. The amendment resulted in a loss on debt extinguishment of $2.6 million during the three months ended March 31, 2017.

The revolving credit facility was lowered to a maximum borrowing amount of $725.0 million with a term of just under four years, maturing on January 4, 2021. The Term Loan A was lowered to an aggregate amount of $375.0 million with a term of just under four years, maturing on January 4, 2021, subject to certain required amortization. Borrowings under the revolving credit facility and Term Loan A loans made under the Senior Secured Credit Facility bear interest at 1.75% in excess of reserve adjusted London Interbank Offered Rate ("LIBOR"), or 0.75% in excess of an alternate base rate. This amendment to the Senior Secured Credit Facility does not have an impact on the quarterly financial covenant requirements the Company is subject to.

The Senior Secured Credit Facility remains secured by substantially all of the unencumbered assets of the Company. The Senior Secured Credit Facility also requires the Company to provide additional collateral to the lenders in certain limited circumstances.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

Debt Issuance Costs

Activity impacting the Company's debt issuance costs for the three months ended March 31, 2018, was as follows:

	Capitalized Debt Issuance Costs
Balance at December 31, 2017	$ 10.3
Amortization of debt issuance costs	(0.8)
Balance at March 31, 2018	$ 9.5

2017 Loss on Debt Extinguishment

The Company incurred $4.7 million in debt issuance costs in conjunction with the second amendment to the Company's Senior Secured Credit Facility. In accordance with the accounting guidance for the treatment of debt issuance costs in a debt extinguishment, of the $4.7 million in new debt issuance costs, $3.2 million was classified as a reduction of long-term debt in the condensed consolidated balance sheets and $1.5 million was expensed and was classified as loss on debt extinguishment in the condensed consolidated statements of operations during the three months ended March 31, 2017.

The loss on debt extinguishment recorded during the three months ended March 31, 2017, was comprised of the following:

	Loss on Debt Extinguishment
Debt issuance costs from April 28, 2014 debt financing arrangement	$ 1.1
Debt issuance costs from February 10, 2017 debt financing arrangement	1.5
Total	$ 2.6

Covenants and Compliance

The Company's various lending arrangements include certain financial covenants (all financial terms, numbers and ratios are as defined in the Company's debt agreements). Among these covenants, the Company was required to maintain the following as of March 31, 2018:

- Total Leverage Ratio. On a rolling twelve-month basis, the total leverage ratio, defined as total consolidated debt to consolidated EBITDA, shall not exceed 3.75 to 1.00 (for the twelve months ended March 31, 2018, the Company's total leverage ratio was 2.21 to 1.00).

- Senior Secured Leverage Ratio. On a rolling twelve-month basis, the senior secured leverage ratio, defined as senior secured debt to consolidated EBITDA, shall not exceed 3.50 to 1.00 (for the twelve months ended March 31, 2018, the Company's senior secured leverage ratio was 1.69 to 1.00).

- Minimum Interest Coverage Ratio. On a rolling twelve-month basis, the minimum interest coverage ratio, defined as consolidated EBITDA to consolidated cash interest expense, shall not be less than 3.50 to 1.00 (for the twelve months ended March 31, 2018, the Company's minimum interest coverage ratio was 7.06 to 1.00).

19

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

The indenture underlying the Company's $300.0 million aggregate principal amount of unsecured 7.0% senior notes due May 1, 2022, (the "Senior Unsecured Notes") contains various covenants, including, but not limited to, covenants that, subject to certain exceptions, limit the Company's and its restricted subsidiaries' ability to incur and/or guarantee additional debt; pay dividends, repurchase stock or make certain other restricted payments; enter into agreements limiting dividends and certain other restricted payments; prepay, redeem or repurchase subordinated debt; grant liens on assets; enter into sale and leaseback transactions; merge, consolidate, transfer or dispose of substantially all of the Company's consolidated assets; sell, transfer or otherwise dispose of property and assets; and engage in transactions with affiliates.

In addition to those covenants, the Senior Secured Credit Facility also includes certain limitations on acquisitions, indebtedness, liens, dividends and repurchases of capital stock, including the following:

- If the Company's total leverage ratio is greater than 3.00 to 1.00 (as defined in the Senior Secured Credit Facility), the Company is prohibited from making greater than $120.0 million of annual dividend payments, capital stock repurchases and certain other payments. If the total leverage ratio is less than 3.00 to 1.00, there are no such restrictions.

- If the Company's senior secured leverage ratio is greater than 3.00 to 1.00 or the Company's total leverage ratio is greater than 3.50 to 1.00 (these ratios as defined in the Senior Secured Credit Facility), the Company is prohibited from voluntarily prepaying any of the Senior Unsecured Notes and from voluntarily prepaying any other unsecured or subordinated indebtedness, with certain exceptions (including any mandatory prepayments on the Senior Unsecured Notes or any other unsecured or subordinated debt). If the senior secured leverage ratio is less than 3.00 to 1.00 and the total leverage ratio is less than 3.50 to 1.00, there are no such restrictions.

Note 10. Income Taxes

The Company records income tax (benefit) expense on an interim basis. The estimated annual effective income tax rate is adjusted quarterly, and items discrete to a specific quarter are reflected in income tax (benefit) expense for that interim period. For 2018, the estimated annual effective income tax rate incorporates the relevant provisions of the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), including, but not limited to, the 21% United States federal corporate rate.

The effective income tax rate for the interim period can differ from the statutory tax rate, as it reflects discrete items, such as changes in the liability for unrecognized tax benefits related to the establishment and settlement of income tax exposures and benefits related to share-based compensation.

The Company's liability for unrecognized tax benefits as of March 31, 2018, was $20.0 million. The Company anticipates a $6.0 million decrease to its liability for unrecognized tax benefits within the next twelve months due to the resolution of income tax audits or statute expirations.

The SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date of December 22, 2017, for companies to complete under Accounting Standards Codification

740 ("ASC 740").

The Company was able to reasonably estimate certain effects of the Tax Act as of December 31, 2017 and has not changed the preliminary estimates as of March 31, 2018. The Company was unable to reasonably estimate effects of the Tax Act related to the global intangible low taxed income ("GILTI") and related impact on valuation allowances as of December 31, 2017. Because of the complexity of the new GILTI tax rules, the Company continues to evaluate this provision of the Tax Act and the application of ASC 740 and did not record a provisional adjustment during the three months ended March 31, 2018.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

Note 11. Financial Instruments and Fair Value Measurements

Certain assets and liabilities are required to be recorded at fair value on a recurring basis, while other assets and liabilities are recorded at fair value on a nonrecurring basis, generally as a result of acquisitions or impairment charges. Fair value is determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. GAAP also classifies the inputs used to measure fair value into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability. There were no Level 3 recurring measurements of assets or liabilities as of March 31, 2018.

Interest Rate Swap

The Company entered into a $250.0 million interest rate swap on February 7, 2017. The swap was designated as a cash flow hedge as its purpose is to reduce the variability of cash flows from interest payments related to a portion of Quad/Graphics' variable-rate debt. The swap effectively converts $250.0 million of the Company's variable-rate debt based on one-month LIBOR to a fixed rate of 3.64% (including a 1.75% spread on underlying debt at March 31, 2018). The variable interest rate resets monthly and the swap is a five year arrangement, maturing on February 28, 2022.

The Company classifies the interest rate swap as Level 2 because the inputs into the valuation model are observable or can be derived or corroborated utilizing observable market data at commonly quoted intervals. The interest rate swap was highly effective as of March 31, 2018; therefore, the increase in fair value of $3.7 million and $0.4 million during three months ended March 31, 2018 and 2017, respectively, is included in accumulated other comprehensive loss in the condensed consolidated balance sheets and is shown as a change in other comprehensive income in the condensed consolidated statements of comprehensive income. No amount of ineffectiveness has been recorded into earnings related to this cash flow hedge. The fair value of the interest rate swap was an asset of $5.8 million as of March 31, 2018, and an asset of $2.1 million as of December 31, 2017, and was recorded in prepaid expenses and other current assets in the condensed consolidated balance sheets.

The net payment of interest under the terms of the interest rate swap totaled an expense of $0.2 million during the three months ended March 31, 2018, and during the three months ended March 31, 2017, and has been recognized as an adjustment to interest expense in the condensed consolidated statements of operations.

Foreign Exchange Contracts

The Company has operations in countries that have transactions outside their functional currencies and periodically enters into foreign exchange contracts. These contracts are used to hedge the net exposures of changes in foreign currency exchange rates and are designated as either cash flow hedges or fair value hedges. Gains or losses on net foreign currency hedges are intended to offset losses or gains on the underlying net exposures in an effort to reduce the earnings volatility resulting from fluctuating foreign currency exchange rates. There were no open foreign currency exchange contracts as of March 31, 2018.

Natural Gas Forward Contracts

The Company periodically enters into natural gas forward purchase contracts to hedge against increases in commodity costs. The Company's commodity contracts qualified for the exception related to normal purchases and sales during the three months ended March 31, 2018 and 2017, as the Company takes delivery in the normal course of business.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

Debt

The Company measures fair value on its debt instruments using interest rates available to the Company for borrowings with similar terms and maturities and is categorized as Level 2. See Note 9, "Debt," for the fair value of the Company's debt as of March 31, 2018.

Nonrecurring Fair Value Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company is required to record certain assets and liabilities at fair value on a nonrecurring basis, generally as a result of acquisitions or the remeasurement of assets resulting in impairment charges. See Note 3, "Acquisitions and Strategic Investments," for further discussion on acquisitions. See Note 4, "Restructuring, Impairment and Transaction-Related Charges" and Note 7, "Property, Plant and Equipment" for further discussion on impairment charges recorded as a result of the remeasurement of certain long-lived assets.

Other Estimated Fair Value Measurements

The Company records the fair value of its forward contracts and pension plan assets on a recurring basis. The fair value of cash and cash equivalents, receivables, inventories, accounts payable and accrued liabilities approximate their carrying values as of March 31, 2018, and December 31, 2017.

Note 12. Accrued Liabilities and Other Long-Term Liabilities

The components of accrued and other long-term liabilities as of March 31, 2018, and December 31, 2017, were as follows:

	March 31, 2018			December 31, 2017		
	Accrued Liabilities	Other Long-Term Liabilities	Total	Accrued Liabilities	Other Long-Term Liabilities	Total
Employee-related liabilities [1]	$111.3	$ 62.5	$173.8	$152.1	$ 67.4	$219.5
Single employer pension plan obligations	1.7	79.0	80.7	1.7	82.4	84.1
Multiemployer pension plans – withdrawal liability	7.6	17.7	25.3	8.8	19.4	28.2
Tax-related liabilities	24.9	17.1	42.0	29.0	18.2	47.2
Restructuring liabilities	26.3	4.0	30.3	24.6	4.2	28.8
Interest and rent liabilities	11.9	2.7	14.6	6.7	1.9	8.6
Other	99.5	41.9	141.4	93.8	31.5	125.3
Total	$283.2	$ 224.9	$508.1	$316.7	$ 225.0	$541.7

(1) Employee-related liabilities consist primarily of payroll, bonus, vacation, health and workers' compensation.

22

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

Note 13. Employee Retirement Plans

Defined Contribution Plans

The Quad/Graphics Employee Stock Ownership Plan ("ESOP") holds profit sharing contributions of Company stock, which are made at the discretion of the Company's Board of Directors. The Company made a non-cash contribution of 1,006,061 shares of Company class A common stock at a stock price of $22.18 per share for a total value of $22.3 million to the ESOP during the three months ended March 31, 2018. There were no profit sharing contributions during the three months ended March 31, 2017.

Pension Plans

The Company assumed various funded and unfunded frozen pension plans for a portion of its full-time employees in the United States as part of the acquisition of World Color Press Inc. ("World Color Press") in 2010. Benefits are generally based upon years of service and compensation. These plans are funded in conformity with the applicable government regulations. The Company funds at least the minimum amount required for all qualified plans using actuarial cost methods and assumptions acceptable under government regulations.

The components of net pension income for the three months ended March 31, 2018 and 2017, were as follows:

	Three Months Ended March 31,	
	2018	2017
Interest cost	$(4.0)	$(4.3)
Expected return on plan assets	7.1	6.9
Net pension income	$3.1	$2.6

The Company made $0.3 million in benefit payments to its non-qualified defined benefit pension plans and made no contributions to its qualified defined benefit pension plans during the three months ended March 31, 2018.

Multiemployer Pension Plans ("MEPPs")

The Company has withdrawn from all significant multiemployer pension plans and replaced these union sponsored "promise to pay in the future" defined benefit plans with a Company sponsored "pay as you go" defined contribution plan. The two MEPPs, the Graphic Communications International Union – Employer Retirement Fund ("GCIU") and the Graphic Communications Conference of the International Brotherhood of Teamsters National Pension Fund ("GCC"), are significantly underfunded, and require the Company to pay a withdrawal liability to fund its pro rata share of the underfunding as of the plan year the full withdrawal was completed. As a result of the decision to withdraw, the Company accrued the estimated withdrawal liability based on information provided by each plan's trustee.

The Company has received a notice of withdrawal and demand for payment letter from the GCIU, which is in excess of the reserve established by the Company for the GCIU withdrawal. The Company is currently in litigation with the GCIU trustees to determine the amount and duration of the withdrawal payments for the GCIU. Arbitration proceedings with the GCIU have been completed, both sides have appealed the arbitrator's ruling, and litigation in Federal court has commenced. During April 2017, a Federal district court overturned the arbitration decision in one of the pending disputes in this matter. The Company has appealed the district court's ruling to the Ninth Circuit.

During the fourth quarter of 2016, the Company and the GCC reached a settlement agreement for all claims, with scheduled payments until February 2024.

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

The Company made payments totaling $3.9 million and $6.4 million for the three months ended March 31, 2018 and 2017, respectively. The payments are required by the Employee Retirement Income Security Act, although such payments to the GCIU do not waive the Company's rights to object to the withdrawal liabilities submitted by the GCIU plan administrator. The Company has reserved $25.3 million as its estimate of the total MEPPs withdrawal liability as of March 31, 2018, of which $17.7 million was recorded in other long-term liabilities and $7.6 million was recorded in accrued liabilities in the condensed consolidated balance sheets. The withdrawal liability reserved by the Company is within the range of the Company's estimated potential outcomes. This estimate may increase or decrease depending on the final conclusion of the litigation with the GCIU trustees.

Note 14. Earnings (Loss) Per Share Attributable to Quad/Graphics Common Shareholders

Basic earnings (loss) per share attributable to Quad/Graphics common shareholders is computed as net earnings (loss) attributable to Quad/Graphics common shareholders divided by the basic weighted average common shares outstanding. The calculation of diluted earnings (loss) per share attributable to Quad/Graphics common shareholders includes the effect of any dilutive equity incentive instruments. The Company uses the treasury stock method to calculate the effect of outstanding dilutive equity incentive instruments, which requires the Company to compute total proceeds as the sum of the amount the employee must pay upon exercise of the award and the amount of unearned stock-based compensation costs attributable to future services.

Equity incentive instruments for which the total employee proceeds from exercise exceed the average fair value of the same equity incentive instrument over the period have an anti-dilutive effect on earnings per share during periods with net earnings, and accordingly, the Company excludes them from the calculation. Anti-dilutive equity instruments excluded from the computation of diluted net earnings per share were 1.0 million class A common shares for the three months ended March 31, 2017. Due to the net loss incurred during the three months ended March 31, 2018, the assumed exercise of all equity incentive instruments was anti-dilutive and therefore, not included in the diluted loss per share calculation for that period.

Reconciliations of the numerator and the denominator of the basic and diluted per share computations for the Company's common stock, for the three months ended March 31, 2018 and 2017, are summarized as follows:

	Three Months Ended March 31,	
	2018	2017
Numerator		
Net earnings (loss) attributable to Quad/Graphics common shareholders	$(3.5)	$25.4
Denominator		
Basic weighted average number of common shares outstanding for all classes of common shares	50.1	49.1
Plus: effect of dilutive equity incentive instruments	—	2.4
Diluted weighted average number of common shares outstanding for all classes of common shares	50.1	51.5
Earnings (loss) per share attributable to Quad/Graphics common shareholders		

Basic	$(0.07)	$0.52
Diluted	$(0.07)	$0.49
Cash dividends paid per common share for all classes of common shares	$0.30	$0.30

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

Note 15. Equity Incentive Programs

The shareholders of the Company approved the Quad/Graphics, Inc. 2010 Omnibus Incentive Plan ("Omnibus Plan") for two complementary purposes: (1) to attract and retain outstanding individuals to serve as directors, officers and employees; and (2) to increase shareholder value. The Omnibus Plan provides for an aggregate 10,871,652 shares of class A common stock reserved for issuance under the Omnibus Plan. Awards under the Omnibus Plan may consist of incentive awards, stock options, stock appreciation rights, performance shares, performance share units, shares of class A common stock, restricted stock, restricted stock units, deferred stock units or other stock-based awards as determined by the Company's Board of Directors. Each stock option granted has an exercise price of no less than 100% of the fair market value of the class A common stock on the date of grant. As of March 31, 2018, there were 1,540,511 shares available for issuance under the Omnibus Plan. Authorized unissued shares or treasury shares may be used for issuance under the Company's equity incentive programs. The Company plans to either use treasury shares of its class A common stock or issue shares of class A common stock to meet the stock requirements of its awards in the future.

The Company recognizes compensation expense based on estimated grant date fair values for all share-based awards issued to employees and non-employee directors, including stock options, performance shares, performance share units, restricted stock, restricted stock units and deferred stock units. The Company recognizes these compensation costs for only those awards expected to vest, on a straight-line basis over the requisite three to four year service period of the awards, except deferred stock units, which are fully vested and expensed on the grant date. The Company estimated the number of awards expected to vest based, in part, on historical forfeiture rates and also based on management's expectations of employee turnover within the specific employee groups receiving each type of award. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods, if actual forfeitures differ from those estimates.

Equity Incentive Compensation Expense

The total compensation expense recognized related to all equity incentive programs was $5.4 million and $6.0 million for the three months ended March 31, 2018 and 2017, respectively, and was recorded primarily in selling, general and administrative expenses in the condensed consolidated statements of operations. Total future compensation expense related to all equity incentive programs granted as of March 31, 2018, was estimated to be $25.4 million, which consists entirely of expense for restricted stock ("RS") and restricted stock unit ("RSU") awards. Estimated future compensation expense is $9.7 million for the remainder of 2018, $9.9 million for 2019, $5.1 million for 2020 and $0.7 million for 2021.

Stock Options

Options vest over four years, with no vesting in the first year and one-third vesting upon the second, third and fourth anniversary dates. As defined in the individual grant agreements, acceleration of vesting may occur under a change in control, death, disability or normal retirement of the grantee. Options expire no later than the tenth anniversary of the grant date, 24 months after termination for death, 36 months after termination for normal retirement or disability and 90 days after termination of employment for any other reason. Options are not credited with dividend declarations, except for the November 18, 2011 grants. Stock options are only to be granted to employees.

There were no stock options granted, and no compensation expense was recognized related to stock options for the three months ended March 31, 2018 and 2017. There is no future compensation expense for stock options as of March 31, 2018.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

The following table is a summary of the stock option activity for the three months ended March 31, 2018:

	Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (millions)
Outstanding at December 31, 2017	1,532,033	$ 23.60	2.3	$ 6.8
Granted	—	—		
Exercised	(271,859)	14.78		
Canceled/forfeited/expired	(295,679)	29.66		
Outstanding and exercisable at March 31, 2018	964,495	$ 24.23	2.5	$ 6.4

The intrinsic value of options outstanding and exercisable at March 31, 2018, and December 31, 2017, was based on the fair value of the stock price. All outstanding options are vested as of March 31, 2018.

The following table is a summary of the stock option exercise activity for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31, 2018	2017
Total intrinsic value of stock options exercised	$3.6	$0.7
Proceeds from stock options exercised	4.0	1.3

Restricted Stock and Restricted Stock Units

Restricted stock and restricted stock unit awards consist of shares or the rights to shares of the Company's class A common stock which are awarded to employees of the Company. The awards are restricted such that they are subject to substantial risk of forfeiture and to restrictions on their sale or other transfer by the employee. RSU awards are typically granted to eligible employees outside of the United States. As defined in the individual grant agreements, acceleration of vesting may occur under a change in control, death, disability or normal retirement of the grantee. Grantees receiving RS grants are able to exercise full voting rights and receive full credit for dividends during the vesting period. All such dividends will be paid to the RS grantee within 45 days of full vesting. Grantees receiving RSUs are not entitled to vote, but do earn dividends. Upon vesting, RSUs will be settled either through cash payment equal to the fair market value of the RSUs on the vesting date or through issuance of the Company's class A common stock.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

The following table is a summary of RS and RSU award activity for the three months ended March 31, 2018:

	Restricted Stock			Restricted Stock Units		
	Shares	Weighted-Average Grant Date Fair Value Per Share	Weighted-Average Remaining Contractual Term (years)	Units	Weighted-Average Grant Date Fair Value Per Share	Weighted-Average Remaining Contractual Term (years)
Nonvested at December 31, 2017	2,470,158	$ 16.95	1.2	114,942	$ 16.68	1.3
Granted	654,401	22.60		18,586	22.60	
Vested	(635,399)	21.44		(19,510)	23.11	
Forfeited	(109,047)	16.52		—	—	
Nonvested at March 31, 2018	2,380,113	$ 17.33	1.7	114,018	$ 16.55	1.5

In general, RS and RSU awards will vest on the third anniversary of the grant date, provided the holder of the share is continuously employed by the Company until the vesting date. Compensation expense recognized for RS and RSUs was $4.5 million and $5.1 million for the three months ended March 31, 2018 and 2017, respectively.

Deferred Stock Units

Deferred stock units ("DSU") are awards of rights to shares of the Company's class A common stock and are awarded to non-employee directors of the Company. The following table is a summary of DSU award activity for the three months ended March 31, 2018:

	Deferred Stock Units	
	Units	Weighted-Average Grant Date Fair Value Per Share
Outstanding at December 31, 2017	195,913	$ 18.18
Granted	39,360	22.60
Dividend equivalents granted	2,625	25.35
Settled	(12,587)	10.56
Outstanding at March 31, 2018	225,311	$ 19.46

Each DSU award entitles the grantee to receive one share of class A common stock upon the earlier of the separation date of the grantee or the second anniversary of the grant date, but could be subject to acceleration for a change in control, death or disability as defined in the individual DSU grant agreement. Grantees of DSU awards may not exercise voting rights, but are credited with dividend equivalents, and those dividend equivalents will be converted into additional DSU awards based on the closing price of the class A common stock. Compensation expense of $0.9 million was recognized for DSUs during the three months ended March 31, 2018 and 2017. As DSU awards are fully vested on the grant date, all compensation expense was recognized at the date of grant.

27

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

Note 16. Shareholders' Equity

The Company has three classes of common stock as follows (share data in millions):

		Issued Common Stock		
	Authorized Shares	Outstanding	Treasury	Total Issued Shares
Class A stock ($0.025 par value)	80.0			
March 31, 2018		40.1	0.2	40.3
December 31, 2017		38.2	1.8	40.0
Class B stock ($0.025 par value)	80.0			
March 31, 2018		13.5	—	13.5
December 31, 2017		13.8	—	13.8
Class C stock ($0.025 par value)	20.0			
March 31, 2018		—	0.5	0.5
December 31, 2017		—	0.5	0.5

In accordance with the Articles of Incorporation, each class A common share has one vote per share and each class B and class C common share has ten votes per share on all matters voted upon by the Company's shareholders. Liquidation rights are the same for all three classes of common stock.

The Company also has 0.5 million shares of $0.01 par value preferred stock authorized, of which none were issued at March 31, 2018, and December 31, 2017. The Company has no present plans to issue any preferred stock.

On September 6, 2011, the Company's Board of Directors authorized a share repurchase program of up to $100.0 million of the Company's outstanding class A common stock. There were no share repurchases during the three months ended March 31, 2018. As of March 31, 2018, there were $79.2 million of authorized repurchases remaining under the program.

On February 16, 2018, the Company's Board of Directors authorized the issuance of 1,006,061 shares of Company class A common stock from treasury to the Company's ESOP, at a stock price of $22.18 per share for a total value of $22.3 million.

In March 2018, 284,845 shares of class B common stock were converted to class A common stock, and the class B common shares were canceled and returned to the status of authorized but unissued shares.

In accordance with the Articles of Incorporation, dividends are paid equally for all three classes of common shares. The dividend activity related to the then outstanding shares for the three months ended March 31, 2018 and 2017, was as follows:

	Declaration Date	Record Date	Payment Date	Dividend Amount per Share
2018				
Q1 Dividend	February 21, 2018	March 19, 2018	March 30, 2018	$ 0.30
2017				
Q1 Dividend	February 17, 2017	February 27, 2017	March 10, 2017	$ 0.30

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

Activity impacting the Company's shareholders' equity and noncontrolling interests for the three months ended March 31, 2018, was as follows:

	Quad/Graphics' Shareholders' Equity	Noncontrolling Interests	Total Shareholders' Equity and Noncontrolling Interests
Balance at December 31, 2017	$ 522.4	$ —	$ 522.4
Net loss	(3.5)	—	(3.5)
Consolidation of Rise	—	30.0	30.0
Accumulated deficit transition adjustment for adoption of ASU 2014-09 (see Note 2)	3.2	—	3.2
Translation adjustments	5.6	—	5.6
Interest rate swap adjustments, net of tax	2.9	—	2.9
Cash dividends declared	(16.1)	—	(16.1)
Stock-based compensation	5.4	—	5.4
Employee stock ownership plan contribution	22.3	—	22.3
Stock options exercised	4.0	—	4.0
Equity awards redeemed to pay employees' tax obligations	(7.5)	—	(7.5)
Balance at March 31, 2018	$ 538.7	$ 30.0	$ 568.7

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

Note 17. Accumulated Other Comprehensive Loss

The changes in accumulated other comprehensive loss by component, net of tax, for the three months ended March 31, 2018, were as follows:

	Translation Adjustments	Interest Rate Swap Adjustments	Pension Benefit Plan Adjustments	Total
Balance at December 31, 2017	$ (115.9)	$ 1.3	$ (9.8)	$(124.4)
Other comprehensive income before reclassifications	5.6	2.9	—	8.5
Amounts reclassified from accumulated other comprehensive loss to net loss	—	—	—	—
Net other comprehensive income	5.6	2.9	—	8.5
Amounts reclassified from accumulated other comprehensive loss to accumulated deficit (1)	(1.1)	0.3	(2.1)	(2.9)
Balance at March 31, 2018	$ (111.4)	$ 4.5	$ (11.9)	$(118.8)

(1) Includes adjustments for the adoption of ASU 2018-02 (see Note 20, "New Accounting Pronouncements" for more information).

The changes in accumulated other comprehensive loss by component, net of tax, for the three months ended March 31, 2017, were as follows:

	Translation Adjustments	Interest Rate Swap Adjustments	Pension Benefit Plan Adjustments	Total
Balance at December 31, 2016	$ (130.8)	$ —	$ (21.8)	$(152.6)
Other comprehensive income before reclassifications	7.7	0.4	—	8.1
Amounts reclassified from accumulated other comprehensive loss to net earnings	—	—	—	—
Net other comprehensive income	7.7	0.4	—	8.1
Balance at March 31, 2017	$ (123.1)	$ 0.4	$ (21.8)	$(144.5)

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

Note 18. Segment Information

The Company is a leading marketing solutions provider. The Company leverages its strong print foundation as part of a much larger, robust integrated marketing platform that helps marketers and content creators improve the efficiency and effectiveness of their marketing spend across offline and online media channels. The Company's operating and reportable segments are aligned with how the chief operating decision maker of the Company currently manages the business. The Company's operating and reportable segments, including their product and service offerings, and a "Corporate" category are as follows:

- United States Print and Related Services
- International
- Corporate

United States Print and Related Services

The United States Print and Related Services segment is predominantly comprised of the Company's United States printing operations and is managed as one integrated platform. This includes retail inserts, publications, catalogs, special interest publications, journals, direct mail, books, directories, in-store marketing and promotion, packaging, newspapers, custom print products, other commercial and specialty printed products and global paper procurement, together with marketing and other complementary services, including consumer insights, audience targeting, personalization, media planning and placement, process optimization, campaign planning and creation, pre-media production, videography, photography, digital execution, print execution and logistics. This segment also includes the manufacture of ink.

International

The International segment consists of the Company's printing operations in Europe and Latin America, including operations in England, France, Germany, Poland, Argentina, Colombia, Mexico and Peru, as well as investments in printing operations in Brazil and India. This segment provides printed products and marketing and other complementary services consistent with the United States Print and Related Services segment. Unrestricted subsidiaries as defined in the Company's Senior Unsecured Notes indenture represent less than 2.0% of total consolidated assets as of March 31, 2018, and less than 2.0% of total consolidated net sales for the three months ended March 31, 2018.

Corporate

Corporate consists of unallocated general and administrative activities and associated expenses including, in part, executive, legal and finance, as well as certain expenses and income from frozen employee retirement plans, such as pension benefit plans.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

The following is a summary of segment information for the three months ended March 31, 2018 and 2017:

	Net Sales		Operating Income (Loss)	Restructuring, Impairment and Transaction-Related Charges
	Products	Services		
Three months ended March 31, 2018				
United States Print and Related Services	$706.6	$ 161.2	$ 20.3	$ 20.4
International	94.5	5.2	5.7	1.0
Total operating segments	801.1	166.4	26.0	21.4
Corporate	—	—	(18.9)	3.5
Total	$801.1	$ 166.4	$ 7.1	$ 24.9
Three months ended March 31, 2017				
United States Print and Related Services	$763.1	$ 139.1	$ 62.5	$ 7.1
International	91.2	5.2	4.8	1.0
Total operating segments	854.3	144.3	67.3	8.1
Corporate	—	—	(16.3)	1.1
Total	$854.3	$ 144.3	$ 51.0	$ 9.2

Restructuring, impairment and transaction-related charges for the three months ended March 31, 2018 and 2017, are further described in Note 4, "Restructuring, Impairment and Transaction-Related Charges," and are included in the operating income (loss) results by segment above.

A reconciliation of operating income to earnings (loss) before income taxes and equity in (earnings) loss of unconsolidated entity as reported in the condensed consolidated statements of operations for the three months ended March 31, 2018 and 2017, was as follows:

	Three Months Ended March 31,	
	2018	2017
Operating income	$7.1	$51.0
Less: interest expense	17.3	18.2
Less: net pension income	(3.1)	(2.6)
Less: loss on debt extinguishment	—	2.6
Earnings (loss) before income taxes and equity in (earnings) loss of unconsolidated entity	$(7.1)	$32.8

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

Note 19. Separate Financial Information of Subsidiary Guarantors of Indebtedness

On April 28, 2014, Quad/Graphics completed an offering of the Senior Unsecured Notes (see Note 9, "Debt," for further details on the Senior Unsecured Notes). Each of the Company's Guarantor Subsidiaries fully and unconditionally guarantee or, in the case of future subsidiaries, will guarantee, on a joint and several basis, the Senior Unsecured Notes. All of the current Guarantor Subsidiaries are 100% owned by the Company. Guarantor Subsidiaries will be automatically released from these guarantees upon the occurrence of certain events, including the following:

- the designation of any of the Guarantor Subsidiaries as an unrestricted subsidiary;
- the release or discharge of any guarantee or indebtedness that resulted in the creation of the guarantee of the Senior Unsecured Notes by any of the Guarantor Subsidiaries; or
- the sale or disposition, including the sale of substantially all the assets, of any of the Guarantor Subsidiaries.

The following condensed consolidating financial information reflects the summarized financial information of Quad/Graphics, the Company's Guarantor Subsidiaries on a combined basis and the Company's non-guarantor subsidiaries on a combined basis.

Table of Contents

QUAD/GRAPHICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In millions, except share and per share data and unless otherwise indicated)

Condensed Consolidating Statement of Operations
For the Three Months Ended March 31, 2018

	Quad/Graphics, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$ 410.7	$ 546.4	$ 111.7	$ (101.3)	$967.5
Cost of sales	331.5	472.3	87.5	(98.9)	792.4
Selling, general and administrative expenses	53.8	25.1	10.4	(2.4)	86.9
Depreciation and amortization	25.1	25.3	5.8	—	56.2
Restructuring, impairment and transaction-related charges	18.0	6.1	0.8	—	24.9
Total operating expenses	428.4	528.8	104.5	(101.3)	960.4
Operating income (loss)	$ (17.7)	$ 17.6	$ 7.2	$ —	$7.1
Interest expense (income)	15.7	0.9	0.7	—	17.3
Net pension income	—	(3.1)	—	—	(3.1)
Earnings (loss) before income taxes and equity in (earnings) loss of consolidated and unconsolidated entities	(33.4)	19.8	6.5	—	(7.1)
Income tax expense (benefit)	(8.5)	4.4	0.8	—	(3.3)
Earnings (loss) before equity in (earnings) loss of consolidated and unconsolidated entities	(24.9)	15.4	5.7	—	(3.8)
Equity in (earnings) loss of consolidated entities	(21.4)	(1.5)	—	22.9	—
Equity in (earnings) loss of unconsolidated entity	—	—	(0.3)	—	(0.3)
Net earnings (loss)	(3.5)	16.9	6.0	(22.9)	(3.5)
Net (earnings) loss attributable to noncontrolling interests	—	—	—	—	—
Net earnings (loss) attributable to Quad/Graphics common shareholders	$ (3.5)				