



FOR IMMEDIATE RELEASE

Quad and LSC Communications Mutually Agree to Terminate Merger Agreement

Quad Continues to Aggressively Execute on Its 3.0 Growth Strategy

SUSSEX, WI, July 23, 2019 — Quad/Graphics, Inc. (NYSE: QUAD) (“Quad” or the “Company”), a worldwide marketing solutions partner, announced today that Quad and LSC Communications, Inc. (“LSC”) have mutually agreed to terminate their merger agreement pursuant to which Quad would have acquired LSC.

The all-stock transaction was announced on October 31, 2018, and was approved by shareholders of both companies on February 22, 2019. In June, the U.S. Department of Justice sued to block the acquisition, and this month the U.S. District Court for the Northern District of Illinois set a litigation schedule that includes a trial that would start in mid-November at the earliest and that would not result in a decision on the merits until 2020. The parties have determined that the added delay, uncertainty and cost of legal challenges would have likely eroded a considerable amount of the expected benefits of the merger. As required by the merger agreement, Quad will pay LSC a reverse termination fee of \$45 million.

“Quad’s commitment to our clients, shareholders and employees, and dedication to preserving a vibrant print option that can compete in the digital age, were driving forces behind this business combination and aligned with our long-term business strategy,” said Joel Quadracci, Quad Chairman, President & CEO. “We are disappointed by the Justice Department’s decision to sue to block the transaction and believe that the lawsuit does not reflect the dynamics of print today and the competitive effect of digital media. However, rather than devote time and resources to prolonged litigation, we are choosing to focus on ensuring that our clients benefit from our Quad 3.0 growth strategy through exciting innovations in printing and integrated multichannel marketing solutions that reduce complexity, increase efficiencies and enhance marketing spend effectiveness. We believe this focus is in the best long-term interest of all our stakeholders.”

Quad continues to aggressively execute on its strategic priorities to enhance Adjusted EBITDA and generate Free Cash Flow to fuel its Quad 3.0 growth strategy, which is transforming the Company and its value to clients. Over the past few years, Quad has made a series of strategic investments to strengthen and expand its integrated marketing solutions offering, including acquiring marketing services firm Ivie & Associates and creative agency Periscope; acquiring a controlling ownership interest in digital agency Rise Interactive; and investing in senior client-side talent. In addition, Quad continues to align with growth-focused strategic investments, such as the dtx company, which is innovating the way direct-to-consumer brands acquire and retain customers, and personalization capabilities within all media channels.

Concurrent with its transformation, Quad has evolved its go-to-market positioning with [Colorful Engineering](#) – messaging that supports the unique value Quad brings to clients via its integrated marketing solutions offering.



“*Colorful Engineering* captures the mixture of creativity, data and execution that makes Quad the ideal marketing partner in today’s consumer-led economy,” Quadracci said.

Quarterly Conference Call

Quad will discuss recent events, including the momentum behind its ongoing Quad 3.0 transformation, during its regularly scheduled conference call with analysts and investors on Wednesday, July 31, at 10 a.m. Eastern Time. Participants can pre-register for the webcast by navigating to <http://dpregrister.com/10133002>. Alternatively, participants without internet access may dial in on the day of the call at 1-877-328-5508 or, for international participants, 1-412-317-5424. Participants should access the call 15 minutes prior to the start of the call.

Cautionary Statement Regarding Forward-Looking Statements

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

The factors that could cause actual results to materially differ include, among others: the impact of decreasing demand for printed materials and significant overcapacity in the highly competitive environment creates downward pricing pressures and potential underutilization of assets; the impact of digital media and similar technological changes, including digital substitution by consumers; the impact of fluctuations in costs (including labor and labor-related costs, energy costs, freight rates and raw materials) and the impact of fluctuations in the availability of raw materials; the failure to successfully identify, manage, complete and integrate acquisitions and investments; the inability of the Company to reduce costs and improve operating efficiency rapidly enough to meet market conditions; the impact of increased business complexity as a result of the Company’s transformation into a marketing solutions 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 changing future economic conditions; the failure of clients to perform under contracts or to renew contracts with clients on favorable terms or at all; the failure to attract and retain qualified talent across the enterprise; significant capital expenditures may be needed to maintain the Company’s platforms and processes and to remain technologically and economically competitive; the impact of changes in postal rates, service levels or regulations; the fragility and decline in overall distribution channels, including newspaper distribution channels; the impact of the various restrictive covenants in the Company’s debt facilities on the Company’s ability to operate its business; the impact of risks associated with the operations outside of the United States, including costs incurred or reputational damage suffered due to improper conduct of its employees, contractors or agents; the impact on the holders of Quad’s class A common stock of a limited active market for such shares and the inability to independently elect directors or control decisions due to the voting power of the class B common stock; the impact of an other than



temporary decline in operating results and enterprise value that could lead to non-cash impairment charges due to the impairment of property, plant and equipment and intangible assets; and the other risk factors identified in the Company's most recent Annual Report on Form 10-K, which may be amended or supplemented by subsequent Quarterly Reports on Form 10-Q or other reports filed with the Securities and Exchange Commission.

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

About Quad

Quad (NYSE: QUAD) is a worldwide marketing solutions partner dedicated to creating a better way for its clients through a data-driven, integrated marketing platform that helps clients reduce complexity, increase efficiency and enhance marketing spend effectiveness. Quad provides its clients with unmatched scale for client onsite services and expanded subject expertise in marketing strategy, creative solutions, media deployment and marketing management services. With a client-centric approach that drives its expanded offering, combined with leading-edge technology and single-source simplicity, Quad believes it has the resources and knowledge to help a wide variety of clients in multiple vertical industries, including retail, publishing and healthcare. Quad has multiple locations throughout North America, South America and Europe, and strategic partnerships in Asia and other parts of the world. For additional information visit www.QUAD.com.

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