

29-Oct-2025

# Quad/Graphics, Inc. (QUAD)

Q3 2025 Earnings Call

### **CORPORATE PARTICIPANTS**

Katie Krebsbach

Anthony C. Staniak

Senior Manager-Investor Relations, Quad/Graphics, Inc.

Chief Financial Officer, Quad/Graphics, Inc.

Joel Quadracci

Chairman, President & Chief Executive Officer, Quad/Graphics, Inc.

### OTHER PARTICIPANTS

**Kevin Mark Steinke** 

Analyst, Barrington Research Associates, Inc.

**Barton Crockett** 

Analyst, Rosenblatt Securities, Inc.

### MANAGEMENT DISCUSSION SECTION

**Operator**: Good morning and welcome to the Quad's Third Quarter 2025 Conference Call. During today's call, all participants will be in listen-only mode. [Operator Instructions] A slide presentation accompanies today's webcast. The participants are invited to follow along, advancing the slides themselves. To access the webcast, follow the instructions posted in the earnings release. Alternatively, you can access the slide presentation on the Investors section of Quad's website under the events and presentations link. After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I will now turn the conference over to Katie Krebsbach, Quad's Senior Manager of Investor Relations. Katie, please go ahead.

### Katie Krebsbach

Senior Manager-Investor Relations, Quad/Graphics, Inc.

Thank you, operator, and good morning, everyone. With me today are Joel Quadracci, Quad's Chairman, President and Chief Executive Officer; and Tony Staniak, Quad's Chief Financial Officer. Joel will lead today's call with a business update and Tony will follow with a summary of Quad's third quarter and year-to-date financial results followed by Q&A.

I would like to remind everyone that this call is being webcast and forward-looking statements are subject to Safe Harbor provisions as outlined in our quarterly news release and in today's slide presentation on slide 2. Quad's financial results are prepared in accordance with generally accepted accounting principles. However, this presentation also contains non-GAAP financial measures, including adjusted EBITDA, adjusted EBITDA margin, adjusted diluted earnings per share, free cash flow, net debt and net debt leverage ratio. We have included in the slide presentation reconciliations of these non-GAAP financial measures to GAAP financial measures. Finally, a replay of the call will be available on the Investor section of quad.com shortly after our call concludes today.

Q3 2025 Earnings Call

Corrected Transcript
29-Oct-2025

I will now hand over the call to Joel.

### Joel Quadracci

Chairman, President & Chief Executive Officer, Quad/Graphics, Inc.

Thank you, Katie, and good morning, everyone. Our results met our expectations and on slide 3, we outline key highlights from our third quarter and year-to-date performance. We continue making targeted investments in Alpowered tools and systems, data and audience intelligence services, and our In-Store Connect retail media network. These investments combined with our creative marketing services and premier print platform, fortify Quad's differentiated strengths as a marketing experience company that simplifies the complexities of marketing for brands and marketers. They also advance our revenue diversification strategy, which aims to return Quad to net sales growth in 2028.

Quad's continued strong balance sheet and our disciplined approach to managing the business have enabled us to return \$19 million of capital to shareholders year-to-date. Additionally, we are updating our full year 2025 guidance by narrowing our ranges for sales adjusted EBITDA and cash flow, which Tony will walk through later. Quad's MX offering shown on slide 4 includes a suite of integrated solutions for Creative, Production and Media, backed by Intelligence and Tech across all digital and physical channels. As we invest in our growing solution set, we also continue to monitor macroeconomic pressures such as inflation, employment rates, tariffs and high postage costs, which may negatively impact our client's Mission Critical Marketing Plans.

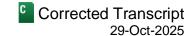
Quad's Overall supply chain continues to have limited, direct exposure to tariffs. Our largest imports, the paper we bring in from Canada and the books we manufacture for US clients in our Mexico facilities are compliant under the USMCA and remain exempt from tariffs. However, tariffs have increased the cost of certain print related materials, such as ink pigments and plates. As a result, we have notified our clients that Quad will pass along these costs through a January 1 price increase consistent with the rest of the industry.

During the third quarter, we did not see a significant pullback from clients due to tariffs. However, we are closely monitoring client actions given ongoing uncertainty around the macro environment. With postage being mailer single largest marketing expense. High postage rates continue to significantly impact our industry. However, marketers received positive news in September when the USPS announced that it would not issue a January price increase for market dominant mail, which includes magazines, catalogs and direct mail. This announcement comes at an important time for marketers as they formalize their 2026 media plans.

During the quarter, Quad leaders and I met with the USPS to have an open discussion about mailers concerns. We presented data on a variety of topics, including how twice annual rate increases and inconsistent delivery service negatively affect our industry. We also discussed work sharing, whereby private sector mailers like Quad perform tasks that the USPS would otherwise handle in exchange for discounted rates. The USPS has recently affirmed that this type of public private partnership is critical to the postal landscape and as it reduces operational costs for the government and lowers postage costs for mailers. I appreciate the USPS has renewed engagement with the mailing industry under the new Postmaster General and look forward to continued collaboration to keep print a vital part of the marketing mix.

We continue to deploy a strategic, two-pronged approach to help clients mitigate the impacts of high postal rates. Our approach focuses on maximizing savings, while increasing marketing effectiveness. To maximize savings, we provide clients with innovative postal optimization solutions. Earlier this year, we expanded our co-mailing capabilities by acquiring the co-mail assets of Enru to support high density pre-sort levels, which generates additional savings through economies of scale. We also offer innovative bundling services like Household Fusion, which combines different mail pieces destined for a single household into one package for a discounted rate. To

Q3 2025 Earnings Call



drive marketing effectiveness, we create smarter audience segments and deploy personalized content. This ultimately yields a higher response rate and greater return on investment, which offsets the cost of postage.

Transitioning to slide 5. Audience data is the lifeblood of today's marketing ecosystem. Quad is uniquely positioned to provide audience intelligence through our proprietary data stack, which is anchored in physical, household centric data. Our stack represents 92% of US households and includes more than 20,000 addressable, demographic, transactional, attitudinal and behavioral characteristics, as well as hundreds of proprietary interests or what we call passions. Addressable data enables precisely targeted marketing efforts that drive measurable results. Using our data stack, we create a single knowable audience that can be built and bought across multiple media partners supporting physical and digital channels. This unified buying experience helps clients understand who they are targeting and where, breaking down the walled gardens put in place by other media platforms and thereby removing unintentional audience duplication.

The biggest hurdle to scaling the application of our data stack has been the time and specialized knowledge required to interpret the relevant data for each particular use case. During last quarter's earnings call, I shared the launch of Quad's Audience Builder, a proprietary platform that enables employees to easily access our data stack and create complex, high propensity audiences. I am pleased to share that Quad has successfully integrated a generative AI chat feature into the platform, which provides an even faster and more effective way for our media strategists, analysts and planners to uncover consumer insights and design high performing audiences. This new feature uses Cortex AI functionality from Snowflake, a leading cloud data platform to interpret props, analyze stored audience attributes and enrich results with external demographic data. Aaron Foxworth, the Global Head of Marketing and Advertising at Snowflake said, our collaborative collaboration with Quad is a testament to the power of AI to transform how marketers interact with their data. We're making it possible for brands to unlock sophisticated insights and act at them with speed and precision.

Turning to slide 6. While the consumer journey today is more complicated and convoluted than ever, in-store shopping remains an important and engaging channel for our consumers. Recent research presented by Quad and conducted by the Harris Poll, one of the longest running surveys in the US, finds that 76% of Americans believe physical retail experiences help them connect more deeply with people and brands. And 86% of Gen Z and Millennials report that touching and feeling products are essential to their purchase decisions. In the coming days, Quad will raise these results from the Harris Poll's follow-up survey that shows a significant consumer preference for in-person shopping during the holiday due to its ability to spur brand discovery and human connection. These findings underscore how tactile brand experiences remain essential to driving sales and strengthening brand loyalty, especially as new technologies like AI disrupt traditional marketing methods.

On slide 7, we highlight how favorite child the brand strategy and design practice within Quad's creative agency is helping retailers like Aldi turn their private label packaging into powerful brand amplifier. With more than 2,500 US locations, Aldi is widely recognized as the nation's fastest growing grocery chain. Although 90% of its 3,000-plus products are private label, many shoppers don't realize these items are exclusive to Aldi. The retailer hired a favorite child to address this lack of brand visibility, leading Aldi's largest packaging refresh to-date. To start favorite child created Aldi's first-ever namesake brand, which puts its name on every product for recognizability and will replace many of the grocer's 90 previous brand names. The new Aldi packaging brand relies on a strategic design system comprised of flexible layouts, cohesive colors and bold fonts to balance brand consistency with eye catching variety that pops on shelf.

In addition, favorite child is working alongside other creative agencies to refresh some of the grocery's most popular private label brands like Clancy's, Simply Nature and Southern Grove. The rejuvenated packaging will

Q3 2025 Earnings Call



include the tag and all the original to strengthen the product's connections to the retailer's overall brand. Certain Aldi branded products are already on shelves and roll out will continue to scale throughout 2026.

Moving to slide 8, we spotlight how In-Store Connect, our retail media network for brick and mortar stores supports retailers and CPG brands by leveraging digital technology within the physical store environment. During the quarter, we introduced advancement to our solution, including three new digital signage form factors, all of which are designed to grab shopper attention and increase brand of visibility. We continue to receive positive results from CPG campaigns demonstrating the effectiveness of our In-Store retail media network.

Earlier this year, we conducted a test and control study with multiple clients, including Procter & Gamble, PepsiCo and Nestlé USA. The study tracked year-over-year brand sales lift across four-week period with The Save Mart Companies. The results showed significantly higher sales lift in locations deploying our solution versus those without it. Nestlé USA deployed a campaign for DiGiorno frozen pizza and experienced a 23 percentage point sales lift in test stores versus control stores. PepsiCo used our retail media network to drive awareness of its new six pack Rockstar energy drink and experienced a sales lift of 25 percentage points.

In high velocity retail categories, achieving significant sales lift can be difficult, particularly for mature brands like Procter & Gamble. Using In-Store Connect to promote laundry products such as Tide, Downy and Bounce, P&G realized a sales lift of 8 percentage points. With these strong results and growing pipeline of CPGs, we are optimistic about the In-Store Connect's future growth. When clients integrate their marketing efforts, they improve business outcomes, accelerate their speed to market, and realize cost efficiencies. While traditional holding companies focus their efforts on individual agency capabilities. Cobbling together businesses that operate in silos Quad has structured our services to work harmoniously together, producing results greater than the sum of their parts. Throughout 2025, Quad is seeing particularly strong momentum in our integrated approach to direct mail.

On slide 9, we share an example of this through our work with one of the nation's largest auto insurers. Quad partnered with the client to relaunch its direct mail channel through a scalable, data-backed strategy. Our end-to-end service model has helped the client modernize its direct marketing efforts with significantly condensing its number of partners compared to past programs. Quad support includes strategic guidance on the client's quarterly and annual DM plans. Audience targeting for customer acquisition campaigns. DM Creative Design backed by Quad's Proprietary Accelerated Marketing Insights pre-market testing to connect the best content, creative and format, print execution through our state-of-the-art manufacturing platform, postal optimization, services and guidance to maximize USPS discounts and comprehensive analytics to fuel growth through test and learn tactics. The iterative nature of this approach, conducted all under one roof has enabled the client to evolve its strategy over time based on consumer response rates. With this strategy, we have helped the client successfully relaunch its direct mail channel mailing more than 30 million pieces through the first three quarters of 2025.

Before I turn the call over to Tony, I would like to recognize our employees and thank them for their continued hard work during our traditionally busiest season of the year. Whether it's on the manufacturing floor in agency services or anywhere in between. Your hard work and commitment to innovation is helping solve client problems, drive diversified business, and advance our long-term strategic goals.

With that, I'll turn the call over to Tony.

### Anthony C. Staniak

Chief Financial Officer, Quad/Graphics, Inc.



Q3 2025 Earnings Call



Thanks, Joel, and good morning, everyone. On slide 10, we show our diverse revenue mix. Net sales were \$588 million in the third quarter of 2025, a decrease of 7%, compared to the third quarter of 2024, when excluding the 6% impact of the February 28, 2025 divestiture of our European operations. The decline in net sales during the third quarter was primarily due to lower paper sales, lower print volumes and lower logistics and agency solution sales. Net sales were \$1.8 billion in the first nine months of 2025, a 4% decline compared to the first nine months of 2024, when excluding the 5% impact of the Europe divestiture due to the same factors as the third quarter and including the loss of a large grocery client, which annualized at the beginning of March 2025. Comparing our net sales breakdown between the first nine months of 2024 and 2025, our revenue mix as a percentage of total net sales increased 2% in our targeted print offerings driven by growth in direct marketing, packaging and in-store.

Slide 11 provides a snapshot of our third quarter 2025 and year-to-date financial results. Adjusted EBITDA was \$53 million in the third quarter of 2025, as compared to \$59 million in the third quarter of 2024 and adjusted EBITDA margin improved from 8.7% to 8.9%. On a year-to-date basis, adjusted EBITDA was \$141 million in 2025, compared to \$161 million in 2024 and adjusted EBITDA margin declined from 8.2% to 7.9%. The decrease in adjusted EBITDA in both periods was primarily due to the impact of lower net sales, increased investments in innovative offerings to drive future revenue growth and the divestiture of our European operations, partially offset by lower selling, general and administrative expenses and benefits from improved manufacturing productivity.

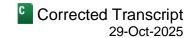
Adjusted diluted earnings per share was \$0.31 in the third quarter of 2025, increased 19% from \$0.26 in the third quarter of 2024. Year-to-date, adjusted diluted earnings per share was \$0.65 in 2025, increased 33% from \$0.49 in 2024. The increases are due to higher earnings, including lower restructuring impairment and transaction related charges, lower depreciation and amortization and lower interest expense, as well as the beneficial impact of share repurchases. Free cash flow improved \$5 million from last year to negative \$87 million in the nine months ended September 30, 2025. The improvement in free cash flow was primarily due to a \$9 million decrease in capital expenditures, partially offset by a \$4 million increase in net cash used in operating activities.

We show the seasonality of our free cash flow and net debt on slide 12. Due to the seasonality of our business, from the timing of holiday related advertising and promotions, we typically generate negative free cash flow in the first nine months of the year, followed by large positive free cash flow in the fourth quarter, resulting in reduced net debt at the end of the year. For the remainder of 2025, we anticipate a similar seasonal pattern for our free cash flow and net debt and we expect free cash flow in the fourth quarter to be in the range of \$137 million to \$147 million. When removing the impact of seasonality, our net debt has decreased by \$25 million from September 30, 2024 to September 30, 2025.

Our free cash flow in addition to proceeds from asset sales, fuels our capital allocation strategy, as shown on slide 13. During the third quarter, we made additional progress on the sale of closed facilities, including the sale of our two buildings in Effingham, Illinois for \$6.5 million. The geographic location and the length of the sales process resulted in a lower price per square foot compared to what we have received in previous real estate transactions. We continue to expect to generate future cash proceeds from additional owned facilities that are currently for sale, including in Greenville, Michigan, Waukee, Iowa and an ancillary building in Sussex, Wisconsin.

Our strong cash generation has enabled us to deepen our product offering through acquisitions such as the comailing assets of Enru, maintain low debt balances and returned \$19 million of capital to shareholders year-to-date through \$11 million of cash dividends and \$8 million of share repurchases. This year, we increased the quarterly dividend by 50% to \$0.075 per share, and our next dividend is payable on December 5. In addition, we repurchased 1.4 million shares of Class A common stock thus far in 2025. This brings total repurchases to 7.4 million shares since we commenced buybacks in 2022, or approximately 13% of Quad's March 31, 2022

Q3 2025 Earnings Call



outstanding shares. We believe this represents strong value and we will remain opportunistic in terms of our future share repurchases.

Slide 14 includes a summary of our debt capital structure. In August, we were pleased to add Flagstar Bank, one of the largest regional lenders in the country, to our bank group. With this addition, the aggregate outstanding principal amount of our Term Loan A was increased by \$20 million and our revolving credit availability was increased by \$15 million, further bolstering our liquidity. At the end of the third quarter, our total available liquidity, including cash on hand under our most restrictive debt covenant was \$166 million, with our next significant maturity of \$205 million not due until October 2029.

As a reminder, given uncertainty regarding interest rates, we entered into two interest rate collar agreements for \$150 million notional value during 2023, with \$75 million maturing on October 31, 2025. Due to the upcoming maturity during the third quarter, we entered into \$80 million of interest rate swaps, including these interest derivatives at the end of the third quarter, our blended interest rate was 7.1%, and we would pay lower interest expense on approximately 70% of our debt, if interest rates decline.

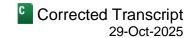
We update our 2025 guidance as shown on slide 15. For net sales, we are narrowing the range and reaffirming the midpoint of our guidance. We now expect net sales to declined 3% to 5% or 4% at the midpoint compared to previous guidance of a 2% to 6% decline, when excluding 2025 net sales of \$23 million and 2024 net sales of \$153 million from our divested European operations. We're also narrowing adjusted EBITDA and free cash flow within our original guidance ranges. Full year 2025 adjusted EBITDA is now expected to be between \$190 million and \$200 million, compared to previous guidance of \$180 million to \$220 million. While free cash flow is expected to be at the higher end of our original guidance range at \$50 million to \$60 million, compared to previous guidance of \$40 million to \$60 million. Capital expenditures are now expected to be between \$50 million and \$55 million, compared to previous guidance of \$65 million to \$75 million as part of our balanced capital allocation strategy.

Finally, our net debt leverage ratio is expected to slightly increase from approximately 1.5 times to approximately 1.6 times by the end of 2025. This increase is due to cash used in the acquisition of the co-mailing assets of Enru, as well as lower than expected proceeds received from the sale of the Effingham, Illinois buildings, partially offset by higher free cash flow at the midpoint of our updated guidance. Our net debt leverage ratio remains near the low-end of our long-term targeted leverage range of 1.5 times to 2.0 times. And as a reminder, we may operate above this range at certain times of the year, primarily due to the seasonality of our business. We are closely monitoring the potential impacts of tariffs and inflationary pressures on our clients. In addition to the recent postal rate increases, which could affect print and marketing spend. We will remain nimble and adapt to the changing demand environment, while following our disciplined approach to how we manage all aspects of our business, including treating all costs as variable, optimizing capacity utilization and maintaining strong labor management.

Slide 16 includes a summary of our 2028 financial outlook and long-term financial goals as we continue to build on our momentum as a marketing experience company. Compared to net sales declining 9.7% in 2024, we continue to expect the rate of net sales decline to improve to negative 4% in 2025, excluding the Europe divestiture, and then reach an inflection point of net sales growth in 2028. We are strategically investing for the future as we expect growth in our integrated solutions and targeted print offerings to outpace organic decline in our large-scale print product lines. Excluding the large-scale print offerings of retail inserts, magazines and directories. We anticipate the business to grow at a 3% CAGR through 2028.

In addition, by 2028, we expect to improve adjusted EBITDA by at least 100 basis points compared to the 8.4% margin in 2024 and then reach low-double-digit adjusted EBITDA margins in the long-term as our net sales mix of higher margin services and products increases, while continuing improve manufacturing productivity and reduce

Q3 2025 Earnings Call



costs. Regarding free cash flow, we expect to improve our free cash flow conversion as a percentage of adjusted EBITDA from approximately 28% based on our updated 2025 guidance to 35% by 2028 and 40% in the long-term, primarily due to lower interest payments on decreasing debt balances and lower restructuring payments.

Finally, we continue to expect to maintain our current long-term targeted net debt leverage ratio in the range of 1.5 times to 2.0 times as part of our balanced capital allocation strategy. We believe that Quad is compelling long-term investment and we remain focused on achieving our financial goals.

With that, I'd like to turn the call back to our operator for questions.

### **QUESTION AND ANSWER SECTION**

**Operator**: We will now begin the question-and-answer session. [Operator Instructions] The first question comes from Kevin Steinke with Barrington Research.

#### Joel Quadracci

Chairman, President & Chief Executive Officer, Quad/Graphics, Inc.

Good morning, Kevin.

#### **Kevin Mark Steinke**

Analyst, Barrington Research Associates, Inc.

Good morning. I wanted to start out by talking about some of the trends you're seeing in your targeted print categories. You presented your normal slide showing that those targeted print categories continue to increase as a percentage of revenue. So I don't know, if there's any in particular that you might want to call out year-to-date in what you're seeing in terms of uptake by clients and growth trends or growth rates.

#### Joel Quadracci

Chairman, President & Chief Executive Officer, Quad/Graphics, Inc.

Yeah. No, that's a good question. I'd say, just starting with catalog, which is in that continues to be a bit muted, because of the significant postal increase that happened in July. But when you look at direct mails up year-to-date by like over 6%, packaging over 9% year-to-date, In-Store plus 11% year-to-date. So again, these are areas where a lot of the approach we're taking and sort of the consultative approach with our clients are really working. And specifically, when you think about direct mail, that is really benefiting quite a bit from how we really push using the data stack and using data to really drive personalization, which thereby increases the responsiveness of it. And we're getting a lot of great new wins from that, as well as customers growing their volume with us. And so, yeah, the direct targeted print area has some great story to it here.

#### **Kevin Mark Steinke**

Analyst, Barrington Research Associates, Inc.

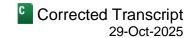
Okay. Yeah, that's helpful. So you mentioned there the postal increases impacting catalogs, but it sounds like a pretty significant piece of news that the postal – US Postal Services is putting off a price increase for some...

### Joel Quadracci

Chairman, President & Chief Executive Officer, Quad/Graphics, Inc.

Yes.

Q3 2025 Earnings Call



#### Kevin Mark Steinke

Analyst, Barrington Research Associates, Inc.

...categories. I mean, how significant do you see that as being? And it just sounds like a lot more favorable environment for your clients. And I don't know, if there's any early reaction you've gotten from clients and what that might mean for their future marketing campaigns?

#### Joel Quadracci

Chairman, President & Chief Executive Officer, Quad/Graphics, Inc.

Yeah. It's certainly news well received, because that increase would be somewhere in the – I don't know, 5%, 6% range. And they've foregone that, which is great news. Again, the challenge, as I share with the post office is, the last increase of 11% is on top of several years of significant inflation busting rate. So if you look at from 2021-2022 to today, while total inflation might be up in the 16-plus percent range, the rates on postal are up like 60%. And so we're still going to be suffering from that, because it just makes it very difficult to have the response rates make up for it.

That being said, we're very excited about what we've done with Enru, which is the co-mail acquisition we did. For a reminder, this is a third-party co-mailer that used to be a part of LSC that co-mail is not just for them, but also for the other printers throughout the industry to be able to aggregate enough volume to create discounts. And there's a slightly different philosophy that they had, which is trying to target high density mailing, where we're more five-digit. So what's happened is as we've rolled this out, we're experiencing pretty significant increases in discounts for our clients. I would tell you that in the first three or four cycles of this, the amount of stuff we got into high density, which you should translate into the next phase of discount is quite a bit more than we originally anticipated. And so, it's always a little bit frustrating, because we do all this work and spend this money investing in things like Enru to offset increases that probably shouldn't have happened. But the good news is the work we've done on Enru, I think will -combined with not having the increase in January, I'm hoping shows a little bit of a positive for customers as they go into the 2026 planning. And so we're watching them closely to see what happens as they put their 2026 plans together.

### **Kevin Mark Steinke**

Analyst, Barrington Research Associates, Inc.

Okay. That's helpful. And wanted to just talk about just some of the updated guidance ranges. Obviously narrowed the net sales comparable or organic range to down 3% to down 5%. That still implies fairly meaningful range of outcomes for the fourth quarter. So maybe just can you talk about what would kind of get you to the lower end or the higher end of the sales outlook for the fourth quarter or how you might have planned that from a scenario perspective?

#### Joel Quadracci

Chairman, President & Chief Executive Officer, Quad/Graphics, Inc.

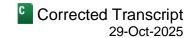
Yeah. I'll start, I'd say that the one area that can bounce a little more significantly is in the direct mail areas, it's more transactional. And so, as people kind of get to the end of the year and they're looking at their budgets, they may shift some in or shift some out accordingly. So that's where sometimes you'll see a little bit more of variability as we get into the fourth quarter. A lot of the catalog stuff had already be kind of set. But Tony, maybe you can add on.

### Anthony C. Staniak

Chief Financial Officer, Quad/Graphics, Inc.

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Q3 2025 Earnings Call



Yeah. I think fourth quarter is a seasonally busy quarter for us, so it can be prone to a little more fluctuation. But as you saw, Kevin, we reaffirmed the midpoint at 4%. Year-to-date without Poland, we're basically at 4%. So we're indicating that the fourth quarter is going to end at about the same rate.

#### **Kevin Mark Steinke**

Analyst, Barrington Research Associates, Inc.

Right. Okay. Yeah. Understood. Thank you. And maybe just also touch on the adjusted EBITDA range. You narrowed that the midpoint came down a bit, not a lot, but maybe talk about that. And then also the CapEx range came down in terms of what you're expecting to spend this year?

Anthony C. Staniak

Chief Financial Officer, Quad/Graphics, Inc.

Sure. I mean, the adjusted EBITDA range and the midpoint, as you pointed out, decreased from \$200 million to \$195 million. A relatively small shift in that adjusted EBITDA for the year or happy to be within the range, as we said in the scripted comments. As you look at free cash flow, that's increasing \$5 million and due to lower capital expenditures. We remain committed over the long-term to put 2% of our revenue back into CapEx. We think that CapEx will shift over time from less large machines like some of the \$15 million press as we bought over the years to more technology and automation focus for the floor. But overall, right, we're still over 2% this year, even at the updated guidance, 2.2% invested in CapEx. So that's lifting our free cash flow by \$5 million at the midpoint.

Kevin Mark Steinke

Analyst, Barrington Research Associates, Inc.

Okay. Great. I also wanted to ask about In-Store Connect, some continued exciting developments there, but just any update on the pace of deployment or pipeline of potential deployments? Obviously, you're getting some good data in terms of the sales lift. So, how much is that peaking the interest of grocers or others who might want to deploy the offering?

Joel Quadracci

Chairman, President & Chief Executive Officer, Quad/Graphics, Inc.

Yeah. It's a really interesting story, because we were at grocery shop in Vegas just about a month or so ago, and that's where all the CPGs and grocery retailers will be. And if I compare this year to last year, last year, it was a lot of people kicking tires and a lot of people kind of saying, yes, we know, we sort of got to think about this, but we're doing work on that. And so it was very much like an investigative sort of approach. This year, it was much more along the lines of, we got to get going with this or we are going with this. And with some of the existing customers we've rolled out with, we're talking about going to the next phase of rollout like we're doing with Save Mart, where we've gone – we've already been installing the next phase for them.

And so the pipeline, it looks pretty interesting, but I think the overall story in the industry is one from kind of investigating it and trying to determine is it a way to go to much more stronger feeling that at some point we have to go? And so, I also will say that some of the form factors that we evolved and as we learn more about how it impacts different categories. Like I said, if you look in that picture, we have that what I call the wedge, which is the vertical side that is in aisle, that's a new form factor to us. And you would have – at grocery shop, it felt like you would have thought we were in inventing the iPhone, because the reaction from CPGs and clients was great because of the visibility, the improved visibility that it gives as you walk down an aisle. We have filed a patent on it. So it's patent pending, because we think this thing will have a lot uses on a go forward basis. But we're also learning a lot about, again, how some of these different categories work.

Q3 2025 Earnings Call



So like in the pizza case with the DiGiorno, getting that big lift, it's a big lift, because when you're walking through the grocery store, typically the frozen pizzas is a discretionary spend item. And so you throw pizza in front of people, while they're picking up their beer. It's amazing how much responsive this this gets. And I think that's the big key here is we continue to show responsiveness of advertising within market. And I continue to believe that the pressure is going to be on and how you get your brand in front of consumers. Because as digital advertising continues to get disrupted, where AI is summarizing things for you, you're not clicking through to the publishers, which therefore means you're not seeing advertising. I think every marketer is trying to look at how they continue to build brand. And still 90% of the food bought out there is done within a grocery store. And so it is a place where people intend to purchase, they're there to purchase, therefore just trying to get them to go down the extra aisle or put in the extra piece of food is really important and responsive. So we're pretty excited about it.

Kevin Mark Steinke Analyst, Barrington Research Associates, Inc.	Q
Okay. That sounds great. Appreciate the update. I will turn it back over. Thanks.	
Joel Quadracci	Δ
Chairman, President & Chief Executive Officer, Quad/Graphics, Inc.	/ \
Thanks.	
Operator: The next question comes from Barton Crockett with Rosenblatt Securities. Please go ahead.	
Joel Quadracci	А
Chairman, President & Chief Executive Officer, Quad/Graphics, Inc.	/ \
Good morning, Barton.	
Anthony C. Staniak	Δ
Chief Financial Officer, Quad/Graphics, Inc.	/ \
Hi, Barton.	
Barton Crockett	$\cap$
Analyst, Rosenblatt Securities, Inc.	W

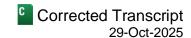
Hey, good morning. Good morning. Thanks for taking the questions. I wanted to ask about if you're seeing an impact from this announcement that there's no postage rate hike for your categories in January. The marketers are doing their planning. Are they – do you think, inclined to – is that going to impact their spend? Is that going to impact your revenue, do you think potentially?

# Joel Quadracci Chairman, President & Chief Executive Officer, Quad/Graphics, Inc.

I mean, one would hope so. I think that they're still like deep into it, because they're also still getting through the end of this year, which will impact next year. So it's a little early for us to tell what the impact will be for 2026. But certainly, as we think about not having the increase in January, the fact that they are doing that – for catalogers, they are doing this test period from October through I think June of trying to offset the 11% increase that happened in July, plus the fact that we're showing a lot of our customers increase savings through high density mailing, which will only improve as this continues to get rolled out. I would hope that we will see some positive results of that or less negative results on some of the volume hits that have happened as a result of the illogical

pricing increases that the Post Office has done.

Q3 2025 Earnings Call



#### **Barton Crockett**

Analyst, Rosenblatt Securities, Inc.

Okay. And is it too early to have any sense of whether this is a one and done or whether it's regime change and maybe postage going up well in excess of inflation is over. Is it too early to say that?

Joel Quadracci

Chairman, President & Chief Executive Officer, Quad/Graphics, Inc.

It's too early to say that. I worry about, okay, no increase in January, but what will they do in July? And I think you've got a very practical Postmaster General, David Steiner is a very practical leader. And if you watched his career, he's obviously very talented. So, I think he's – in the phase of really kind of building what his strategy is. But clearly, there's an impact by not extending the increases. I think that they're realizing that they're pushing it too far and that's hurting volume. So, yeah, a little bit too soon to see. There's going to be a lot of, I think more news to come on what his strategy will roll out to be.

**Barton Crockett** 

Analyst, Rosenblatt Securities, Inc.

Okay. And then...

Joel Quadracci

Chairman, President & Chief Executive Officer, Quad/Graphics, Inc.

One of the real positive things there is, we had the whole previous regime that really didn't want to engage with the community or talk to the community. And David is very accessible, I think, and is meeting with the community, wants to understand what's going on and taking that feedback. So we very much welcome his approach of reengagement with the industry.

**Barton Crockett** 

Analyst, Rosenblatt Securities, Inc.

Okay. That's great. So switching gears a little bit on the holiday season, I just, maybe this is a bit of a reiteration, but just to make sure I understand what you're seeing. The tariff grinches and stealing Christmas, I mean, the environment for Christmas seem that normal after all this volatility at this point, is that correct?

Joel Ouadracci

Chairman, President & Chief Executive Officer, Quad/Graphics, Inc.

That's what we're feeling. We're not seeing anything that's like out of the crazy norm other than just there's a lot of variables that will probably come into play here. But yeah, it doesn't feel like the grinches stealing Christmas.

**Barton Crockett** 

Analyst, Rosenblatt Securities, Inc.

Okay. That's great. And then in terms of the asset sales, any – it seems like you took nothing, but a meaningful step down from that \$40 per square foot norm that you've been posting previously. For the remaining kind of properties that are for sale, any early thoughts about whether Effingham is more representative or the \$40 buyer is more representative of what one should expect you're able to get in proceeds from the stuff?

Joel Quadracci

Chairman, President & Chief Executive Officer, Quad/Graphics, Inc.

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Q3 2025 Earnings Call



Yeah. I'd say the biggest problem with Effingham is location. It's just not sort of the place people want to be. But Tony, go ahead.

#### Anthony C. Staniak

Chief Financial Officer, Quad/Graphics, Inc.

Yeah. I'd add to that, Barton. I think we've got enough historical basis that I think that rule of thumb that you just mentioned is still the one to use, that the properties that we have for sale now that I talked about, they're smaller buildings, right, than what we saw in the case of Effingham or some of the previous. But I still think that rule of thumb is a good one to use going forward.

**Barton Crockett** 

Analyst, Rosenblatt Securities, Inc.

Okay. And that the square footage, just tell me how much is for sale in Sussex.

Anthony C. Staniak

Chief Financial Officer, Quad/Graphics, Inc.

It's about 200,000 square feet in a building that is remote very – across the street from our headquarters.

**Barton Crockett** 

Analyst, Rosenblatt Securities, Inc.

Okay, great. Well, that was it. Thank you.

Joel Quadracci

Chairman, President & Chief Executive Officer, Quad/Graphics, Inc.

Thanks. Barton.

**Operator**: This concludes our question...

Joel Quadracci

Chairman, President & Chief Executive Officer, Quad/Graphics, Inc.

Operator?

**Operator:** This concludes our question-and-answer session. I would like to turn the conference back over to Joel Quadracci for any closing remarks.

### Joel Quadracci

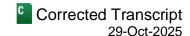
Chairman, President & Chief Executive Officer, Quad/Graphics, Inc.

Well, thank you, everybody, for joining today. I just want to close by reiterating that Quad remains steadfast in our strategic vision, leveraging our integrated marketing platform to unlock diversified growth, improve print and marketing efficiencies, and create meaningful value for all our stakeholders.

With that, thank you again and have a great day.

**Operator**: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

### Quad/Graphics, Inc. (QUAD) Q3 2025 Earnings Call



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