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Quad/Graphics, Inc. (QUAD)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to Quad's Fourth Quarter and Full Year 2025 Conference Call. During today's call, all participants will be in listen-only mode. [Operator Instructions] A slide presentation accompanies today's webcast and participants are invited to follow along advancing the slides themselves. To access the webcast, follow the instructions posted on 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 Julie Fraundorf, Quad's Executive Director of Corporate Development and Investor Relations. Julie, please go ahead.

Julie Fraundorf

Executive Director, Corporate Development & Investor Relations, Quad/Graphics, Inc.

Thank you, Operator. And good morning, everyone. With me today are Joel Quadracci, Quad's Chairman and Chief Executive Officer; and Tony Staniak, Quad's Chief Financial Officer and Treasurer. Joel will lead today's call with the business update and Tony will follow with a summary of Quad's fourth quarter and full year 2025 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 investors section of quad.com shortly after our call concludes today.

I will now hand over the call to Joel.

Joel Quadracci

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

Thank you, Julie, and good morning, everyone. I'll begin with key highlights shown on slide 3. In 2025, we achieved our full year financial guidance. Despite a planned reduction in reported sales, we generated strong cash flow, enabling us to make targeted investments that support long-term growth, reduce debt and provide strong shareholder returns. We also made meaningful progress advancing our revenue diversification strategy. Targeted print categories including packaging, in-store marketing, experienced net sales growth, and direct mail performed well above our 2025 expectations, primarily due to higher volumes and strong operational efficiencies.

Our Betty creative and Rise media agencies also produce highly visible work for leading brands like ALDI, [ph] Natrol (00:03:21), CLR and Gallo. Our 2026 financial guidance, which Tony will walk through, reflects this continued progress and remains consistent with our expectation to return to net sales growth by 2028. I'm also pleased that Quad's strong balance sheet and disciplined approach to managing the business have enabled the company to increase its quarterly dividend by 33% to \$0.10 per share or \$0.40 per share on an annualized basis underscoring our focus on creating long-term shareholder value.

Moving to slide 4. Quad's integrated marketing platform encompasses all the resources, brands and marketers need to strategize, plan, create, deploy, measure and optimize their marketing efforts across all media channels, from household to in-store to online. We do this through our MX Solutions Suite, which seamlessly integrates creative production and media solutions across physical and digital channels, supported by data-driven intelligence and state-of-the-art technology, these scalable solutions are tailored to eliminate friction at any point along the marketing journey.

While our products and services are organized into distinct solution suites, they are intentionally designed to function together. This integration is significant competitive advantage for Quad as it creates a unified ecosystem that improves marketing performance for clients. One area where this integration is delivering results is direct mail, a critical tactic under the broader umbrella of direct marketing.

On slide 5, we highlight our direct marketing agency, which we formalized in 2025. The agency provides an improved marketing experience for mailers by combining strategy and planning, audience identification and activation, creative, production and measurement services. Our DM agency leverages Quad's proprietary data stack, which we use to generate targeted, highly responsive audiences. Clients also benefit from pre-market testing services that validate content and designs before a single piece is printed or campaign is deployed. Uniting these often siloed services with our robust manufacturing platform enables Quad to scale personalized direct mail building on the strong DM sales momentum we gained in 2025.

On slide 6, we highlight our work with Heartland Dental, one of the largest dental support organizations in the US, as an example of how we are helping clients modernize the direct mail channel. Heartland Dental relies on printed direct mail as a proven growth driver and is working to improve efficiency and effectiveness by moving from broad geography based mailings toward more targeted outreach aligned with our high value patient segments. Since winning the business in the fourth quarter of 2025, Quad has partner closely with Heartland Dental to establish the foundation for long-term success. The team is focused on understanding objectives, assessing creative and performance and delivering postal optimization.

We're developing a structured test and learn strategy designed to improve return on investment per mail piece rather than just simply minimizing cost per piece. Using our accelerated marketing insights pre-market testing, we're optimizing legacy creative while utilizing Quad's market leading personalization platform to generate new 1 to 1 dynamic content.

As the partnership matures, Quad plans to introduce more advanced household level targeting using our proprietary data stack. This will enable the client to shift spend toward higher value growth audiences in key geographies. In parallel, Heartland Dental is using Quad's At-Home Connect platform to run automated trigger-based direct mail. On the production side, Quad is looking to deliver a seven figure postal savings for the client in the first year of our partnership by leveraging USPS' promotions and our postal optimization services, creating capacity for reinvestment into Heartland Dental's growth strategy.

Turning to slide 7. We continue to invest in scaling creative and media capabilities through our Betty and Rise agencies. To support increasing client demand, we recently announced new offices in Austin, Texas and Mexico City, Mexico. The Austin office is a full service studio, while our Mexico City office opening later this quarter will bring Rise media experts and Betty creatives together to support clients with strengths in retail, grocery and packaging design. As our agency footprint grows, so does our ability to win larger, integrated assignments demonstrated by recent wins with premier brands like Scandinavian Designs and Valvoline Instant Oil Change.

On slide 7, we highlight our newest integrated agency client: The Gorilla Glue Company, a leading manufacturer of tough adhesives and adhesive products. Last year, Gorilla Glue hired Betty to develop a scalable creative platform for use across the brand's broad product portfolio. The resulting campaign, which launched last month, combines real actors and product demonstrations with a hyper realistic brand character created with advanced generative AI and CGI technology. This blended approach demonstrates how Betty applies AI to unlock new creative possibilities while remaining authentic and relatable.

While Betty developed the campaign, the Gorilla Glue Company worked with industry analysts from Accel Partners Group to search for a new media agency. As a result, the client named Rise as its media agency of record for both Gorilla Glue and O'Keeffe's, its skincare brand. Rise, now leads the brands' integrated media strategy, planning, buying and measurement across all digital and traditional channels. Morgan Roberts, VP of Brand Management at The Gorilla Glue Company, said in Betty, we see just not an agency but a creative ally that can help us bring bold ideas to life in a way that feels authentic to the brand, while helping move it forward. Rise stood out for its ability to bring rigor, accountability and clear measurement to our media approach, helping us connect more effectively with DIYers, professionals and everyone in between.

Looking ahead, future campaigns for this client's brands will be powered by Quad's proprietary data stack to identify and activate the highest value audiences for its products. With creative and media working in close coordination, Rise's audience insights and experiential media planning will inform Betty's creative strategy. This consolidated partnership streamlines execution, reduces handoffs for the client and reinforces Quad's integrated model for delivering scalable, high performing marketing programs.

Transitioning to slide 8, Quad is increasingly applying its integrated solutions to support emerging consumer packaged goods brands looking to scale their presence across big box retailers. Our extensive manufacturing and structural design capabilities enable us to execute rapid market entry while offering a wide array of displays that capture consumers' attention and educate them on products benefits. With decades of experience serving some of the biggest US retailers, we know how to adjust an in-store display's design to meet a particular chain's distinct environments and merchandising requirements. This helps CPG brands scale quickly by introducing modified and adaptive displays to new retailers.

We provide an example of this execution on slide 9 with Pura, a fast growing smart home fragrance company which engaged Quad to support the brand's largest in-store retail promotion to-date. Quad was involved from the outset, providing integrated support across concept development, structural engineering, print production and distribution. This early integrated involvement enabled a cohesive solution rather than a series of disconnected offerings.

To translate Pura's premium sensory brand into a high traffic retail setting, Quad designed a custom endcap that elevated a standard retail fixture into a home inspired brand moment. The display featured a custom engineered diffuser that allowed shoppers to experience Pura's fragrances while maintaining display integrity and product security. After the retailer awarded Pura a more shelf space, Quad designed an additional side cap display with a complementary look and feel. We continue to partner on all the brand's in-aisle displays as well as new endcap opportunities with that retailer and we have since deployed similar Pura displays across multiple national and regional retailers.

Turning to slide 10. In support of Quad's ongoing evolution as a company that solves marketing complexity at scale, I am pleased to share that we have expanded Dave Honan's role promoting him to President in addition to his ongoing responsibilities as Chief Operating Officer. Since joining Quad in 2009, Dave has been instrumental in strengthening our operations, margins and performance discipline. The board and I have deep confidence in his ability to continue to drive day to day execution across the company.

Dave and I have worked closely together for 17 years, developing a trusted, highly effective partnership grounded in a shared vision and strategy for Quad. We remain committed to continuing to build on Quad's 55 year legacy of excellence. As CEO (sic) [COO] for the past four years, Dave has done an excellent job overseeing operational leadership for our manufacturing platform. In his expanded role, he now extends that's operational focus to the entire company. This leadership structure allows me, as Chairman and CEO, to remain deeply focused on long-term strategy, innovation, partnerships and stakeholder relationships.

I look forward to leading Quad for many years to come and I'm extremely optimistic about what we are all building together. A company that helps brands connect with people in smarter, more meaningful ways, rooted in a values-driven culture that is focused on creating a better way and acting with a soul every day. Alongside this evolution, our executive leadership structure, we've taken additional steps to reinforce alignment deeper within the business.

As shown on slide 11, we have strategically aligned our marketing and sales functions under one leader, Executive Vice President and Chief Revenue Officer, Julie Currie. This new structure creates an even stronger connection between the company's marketing efforts and business growth priorities, helping ensure our brand demand and go-to-market activities are tightly aligned to prioritize revenue generation.

We want to take a moment to thank Josh Golden, Quad's Former Chief Marketing Officer, and wish him well as he pursues a new career opportunity. Since he joined Quad in 2021, Josh played an essential role in elevating our brand identity as a marketing experience company and in building a strong marketing organization that will contribute to our growth into the future. We appreciate Josh's many contributions to Quad.

Turning to slide 12, Quad continues to make targeted investments in artificial intelligence to drive both cost efficiency and revenue generation. Internally, AI-powered automation is improving productivity across recurring labor intensive workflows, like scheduling, job ticket creation and automated planning for machine maintenance. Externally, Quad has infused AI across our MX Solutions Suite to drive clients marketing efficiency and

effectiveness. For example, we continue to scale usage of the AI capabilities within our audience builder platform, underpinned by our proprietary data stack to accelerate the creation of faster, more precise audiences for clients.

Rise has adopted a new agency operating system that uses AI-powered optimization and Agentic AI tools to provide automated reporting with advanced measurement and insights. In addition to Betty's use of AI in creative campaigns, Betty Studios is blending synthetic and traditional photography to produce high volumes of creative assets faster and more cost effectively for clients.

Moving to slide 13. In Q4, we completed the integration of Enru's co-mail volume and high density capabilities. Our postal optimization platform now has significantly expanded mail pool sizes and improves sortation levels, generating greater savings for our clients. With postage remaining mailers' single largest cost to manufacture and deliver printed marketing materials representing up to 70% of costs, Quad's ability to maximize postage savings is critical to maintaining print's value in the marketing mix.

As such, we remain focused on adding volume into our co-mail pools by growing our third-party co-mail partnerships. In April, Quad will hold its 25th postal conference. This, one of a kind industry event, will feature discussions with Quad postal experts, clients and USPS leadership, including Postmaster General and CEO, David Steiner. I look forward to using this opportunity to share more about our postal optimization solutions with clients while collaborating on how to best address ongoing challenges in the postal landscape.

Transitioning to slide 14, I would like to recognize our employees and thank them for their continued commitment to work. Their innovation and collaboration have created a unique company culture at Quad, which was recently recognized by two high profile media outlets. Forbes named Quad to its inaugural list of Best Employers for Company Culture and Digiday named Betty agency the best hybrid work environment as part of its WorkLife Award. These honors reinforce Quad's ability to attract and retain top talent, which is critical to our long-term growth.

Before I turn the call over to Tony, I would like to recognize a really important transition in our manufacturing network. After more than 35 years in Upson County, our plant outside Thomaston, Georgia is wrapping up production and will close in early March. I want to express our deep, deep appreciation to the employees there. Their dedication, craftsmanship and pride in their work have been central to our success for decades. I also want to thank the Upson County community for its long standing partnership and support. As we close this chapter, we do so with gratitude for everything we accomplished together and for the legacy that remains.

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

Anthony C. Staniak

Chief Financial Officer & Treasurer, Quad/Graphics, Inc.

Thanks, Joel, and good morning, everyone. On slide 15, we show our diverse revenue mix. Net sales were \$631 million in the fourth quarter of 2025, a decrease of 5.7% compared to the fourth quarter of 2024, when excluding the divestiture of our European operations. For the full year, we achieved our public guidance range with net sales of \$2.4 billion in 2025, a 4.8% decline in 2025 compared to 2024, excluding the European divestiture.

The decline in our full year net sales was due to lower paper sales, lower print volumes and lower logistics and agency sales, including the loss of a large grocery client in 2024, which annualized at the beginning of March 2025. Comparing our net sales breakdown between 2024 and 2025, our revenue mix as a percentage of total net sales increased in our targeted print offerings of direct mail, packaging and in-store, as well as in our QuadMed

employer sponsored healthcare business. These increases were offset by expected declines in the print product lines of magazine and catalogs and also logistics, which is correlated with print volume declines.

Slide 16 provides a snapshot of our fourth quarter and full year 2025 financial results. Adjusted EBITDA was \$55 million in the fourth quarter of 2025, as compared to \$63 million in the fourth quarter of 2024. And on a full year basis, adjusted EBITDA was \$196 million in 2025 compared to \$224 million in 2024. 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 \$0.36 in the fourth quarter of 2025, which was consistent with the fourth quarter of 2024 and full year 2025 adjusted diluted earnings per share was \$1.01 an increase of \$0.16 or 19% from 2024 due to higher adjusted net earnings and the beneficial impact of a lower share count due to stock buybacks. Beginning in 2022, we have repurchased 7.4 million Quad shares at an average price of \$4.11, representing approximately 13% of our total outstanding common stock as of that time. This includes 1.5 million shares at an average price of \$5.40 for \$8 million during 2025.

Quad's board of directors authorized a share repurchase program of up to \$100 million of our outstanding Class A common stock in 2018. As of December 31, 2025, there were \$69.5 million of authorized repurchases remaining under the program. We expect to continue to be opportunistic in terms of our future share repurchases. Free cash flow was \$51 million in 2025 as compared to \$56 million in 2024. The \$5 million decline in free cash flow was primarily due to a \$17 million decrease in net cash provided by operating activities, mainly driven by timing of working capital, partially offset by a \$12 million decrease in capital expenditures.

As we have previously shared, we will continue to generate proceeds from asset sales in addition to the strong free cash flow generated by our large printing operations as shown on slide 17. We generated over \$870 million of free cash flow and proceeds from asset sales from 2020 to 2025, including \$88 million during 2025. These asset sales include divestitures of certain non-core portions of our business as well as sales of property, plant and equipment from closed facilities.

During 2025, we completed the sale of our European operations to Capmont and we also sold five buildings, including the Greenville, Michigan production facility and an ancillary building in Sussex, Wisconsin during the fourth quarter of 2025. We will generate future cash proceeds from buildings we currently have for sale in Waukee, Iowa and Thomaston, Georgia.

This strong cash generation fuels our balanced capital allocation strategy, as shown on slide 18. While maintaining low net debt leverage of 1.57 times as of December 31, 2025, we deepened our postal optimization offering through the April 2025 acquisition of the co-mailing assets of Enru, and invested \$45 million, representing approximately 2% of our net sales in capital expenditures for growth, automation and maintenance of our offerings.

We also provided \$22 million of shareholder returns in 2025, including \$14 million of cash dividends and the earlier mentioned \$8 million of share repurchases. In the first quarter of 2025, we increased dividends by 50% to \$0.075 per share quarterly and as announced last week, our board of directors approved increasing dividends by another 33% to \$0.10 per share, paid quarterly or \$0.40 per share on an annual basis. The 2026 dividend approval represents a sustainable \$5 million increase in expected cash dividend payments in 2026 compared to 2025. We are pleased to return capital to shareholders through the quarterly dividend and opportunistic share repurchases.

We show the results of our multi-year debt reduction strategy on slide 19. During 2025, we reduced net debt by \$42 million, and from 2020 to 2025, we use our strong cash generation to reduce debt by \$726 million, a 70% reduction from over \$1 billion of debt on January 1, 2020.

Slide 20 includes a summary of our debt capital structure. During 2025, we were pleased to add Flagstar Bank, one of the largest regional lenders in the country, to our bank group of 12 premier institutions. At the end of 2025, our debt had a blended interest rate of 7.0% and our total available liquidity, including cash on hand under our most restrictive debt covenant was \$299 million.

Our next significant maturity of \$205 million is not due until October of 2029. Given uncertainty regarding interest rates, we hold four interest rate swaps with notional value of \$130 million and one interest rate collar agreement with notional value of \$75 million, including all interest rate derivatives, we have 58% of our interest rate exposure capped and with the interest rate collar, we would pay lower interest expense on approximately 62% of our debt if interest rates decline.

During the fourth quarter of 2025, we completed an annuitization of a portion of a portion of the defined benefit single employer pension plan as shown on slide 21. We annuitized \$96 million of pension liability representing 32% of the single employer pension obligation as of the time of annuitization with a \$94 million distribution from the pension plan assets. This represented the pension obligations to 6,200 or 65% of the pension plan participants. We incurred a non-cash settlement charge of \$13 million with the annuitization.

As a reminder, [ph] we acquired (00:26:11) the single employer pension plan, along with two multi-employer pension plans and other post-retirement obligations as part of the acquisition of World Color Press in 2010, totaling \$533 million of net obligations as of the acquisition date. Since the acquisition, we have made cash contributions to these plans and taken other actions such as the pension annuitization to reduce the net obligations by \$491 million and improve the funded status of the qualified pension plan to 91% funded. As of December 31, 2025, only \$42 million of net pension liability remains.

We share our 2026 guidance as shown on slide 22 and are pleased that our 2026 guidance represents another step on our way to our 2028 outlook for revenue growth. We expect 2026 net sales to decline 1% to 5% compared to 2025, excluding \$23 million of 2025 net sales from the divestiture of our European operations. The 3% decline at the midpoint of the 2026 guidance range represents continued sequential improvement from year-over-year net sales declines of 9.7% in 2024 and 4.8% in 2025 when excluding the impact of the European divestiture. With our typical seasonality, net sales are expected to be lower in the first half of 2026, followed by higher net sales in the second half of the year during our seasonal production peak.

Full year 2026 adjusted EBITDA is expected to be between \$175 million and \$215 million, with \$195 million at the midpoint of that range being essentially equal with the 2025 adjusted EBITDA of \$196 million. We expect adjusted EBITDA to follow the same seasonal pattern as net sales. Our adjusted EBITDA margin is expected to increase by 30 basis points from 8.1% in 2025 to 8.4% in 2026 due to continued disciplined cost management and changes in revenue mix.

We expect 2026 free cash flow to be in the range of \$40 million to \$60 million with \$50 million at the midpoint of that range, also essentially equal with the 2025 free cash flow of \$51 million. We expect increased net cash from operating activities due to higher cash earnings and timing of working capital to be offset by higher capital expenditures. In 2026, free cash flow is expected to be weakest in the first quarter due to the timing of

investments in our people in the form of annual bonuses and 401(k) matching payments, as well as the timing of working capital.

As a reminder, the company historically generates the majority of its free cash flow in the fourth quarter of the year. With the expectation for a strong cash generation, we plan to increase our growth investments while maintaining low debt leverage. Capital expenditures are expected to be in the range of \$55 million to \$65 million, approximately \$15 million higher than 2025 at the midpoint of our 2026 guidance range as we continue to invest in growth and automation both in our print platform as well as in our service lines, including In-Store Connect by Quad.

In addition, our net debt leverage ratio is expected to decrease from 1.7 (sic) [1.57] times at the end of 2025 to approximately 1.5 times by the end of 2026, achieving the low end of our long-term targeted net debt leverage range of 1.5 times to 2.0 times. As a reminder, we may operate above this range at certain times of the year due to the seasonality of our business. We are closely monitoring the potential impacts of tariffs and inflationary pressures on our client, in addition to postal rate increases, which could affect print and marketing spend.

We'll 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. As part of these actions, we announced the closure of our Thomaston, Georgia print plant in the fourth quarter of 2025 and anticipate operations there to cease by the end of the first quarter.

Slide 23 includes a summary of our 2028 financial outlook and long term financial goals as we continue to build our momentum as a marketing experience company. We continue to expect the rate of net sales decline to improve as it has since 2024, 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 product lines 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 margin to 9.4% and are planning to achieve progress towards that goal in 2026 by improving the adjusted EBITDA margin 30 basis points. We then anticipate reaching low double-digit adjusted EBITDA margins in the long-term as our net sales mix of higher margin services and products increases while continuing to improve manufacturing productivity and reduce costs.

Regarding free cash flow, we expect to improve our free cash flow conversion as a percentage of adjusted EBITDA from approximately 26% based on our 2026 guidance to 35% by 2028 and 40% in the long-term, primarily due to lower interest payments and 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 a compelling long-term investment and we remain focused on achieving our financial goals and providing strong shareholder returns, including the recently increased quarterly dividend of \$0.10 per share, payable on March 13, 2026 to shareholders of record as of February 27, 2026.

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

QUESTION AND ANSWER SECTION

Operator: Thank you very much. We will now begin the question-and-answer session. [Operator Instructions]
The first question comes from Kevin Steinke with Barrington Research. Please go ahead.

Joel Quadracci

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

Good morning, Kevin.

A

Kevin Mark Steinke

Analyst, Barrington Research Associates, Inc.

Yeah, thank you and good morning. I wanted to start off by asking about direct mail. You mentioned that direct mail outperformed your expectations in 2025, I believe. And you talked about the strong momentum in that targeted print category, your direct marketing agency. So maybe any more commentary on growth trends and kind of how you see that momentum carrying into perhaps 2026 and beyond?

Q

Joel Quadracci

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

Yeah. I think, it's also a chance for me to clarify the difference between DM meaning direct mail the product and DM AOR, the agency. So, DM, direct mail is, sort of the letter shop kind of letter based mail that you'll get and predominantly over the course of time, a lot of it has been very generic direct mail where it's the same thing to everyone. Where Quad really likes to play is becoming much more personalized driving data to increase responsiveness. And so the difference between sort of a generic letter piece and a very data-driven letter piece means a much higher, much higher response rate. And in a relatively great response rate to the rest of the media world, when you think about mix across all channels. And so that's something that people sort of sometimes don't realize that this is a very responsive channel. And we're also getting people like [indiscernible] (00:34:40) to reenter the direct mail space because of the responsiveness.

A

And so as the – when we think about the DM AOR, the agency around direct mail, that's the ability to tap into all the stuff that we talk about generally in our agency solutions, which is the data stack to help find that audience and become much more targeted. And because it's very household-centric, the data stack is with the personalities of the household that becomes a really powerful combination with direct mail, the product that goes into the mailbox.

And so, as we think forward, the more we kind of help people as an agency for DM, creating innovation and taking the use of direct mail to a whole different level, we think that there'll be plenty of other combinations that make sense, such as linking those efforts with things like In-Store Connect for advertisers or other types of marketing. And so that approach is really helping drive people towards us, but also creating direct mail where there wasn't direct mail. And so, we're excited about the approach that Scott and his team have taken and really excited about the actual sort of learnings that are happening real-time and resulting in real numbers.

Anthony C. Staniak

Chief Financial Officer & Treasurer, Quad/Graphics, Inc.

Kevin?

A

Kevin Mark Steinke

Analyst, Barrington Research Associates, Inc.



Yeah. Okay. No, thank you. That's good to hear. I wanted to also ask about just the postal service had put off the postal rate increase that normally would [ph] have gone in (00:36:23) January on certain categories, which I believe included catalogs. And I think it sounds like longer term catalogs could be a really integral part of a client's marketing outreach. So have you seen any greater uptake in terms of catalogs or other channels due to the delayed postal rate increase, acknowledging the fact that, rates are still up significantly over the last several years?

Joel Quadracci

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



Well, I'll answer that specifically, but also more generally as it relates to what's going on with the post office, because I think you know that's one of my sort of favorite things to [indiscernible] (00:37:07). As a reminder, postal is about 70% of direct mailers spend. And when we talk about co-mail and all that stuff, that's our ability to workshare with the post office to create much more efficiency for them, which then results in great significant savings for our clients because they offer discount, if you make it more efficient.

Until 2021, for over a decade, the post office was required to stick to the change in CPI as their rate increase every year. And so that created not only predictable models but really stayed in tune with how the rest of the world works because inflation is in fact kind of a measurement of what goes on in the pricing world for products and services. And so what they did, the previous Postmaster General in 2021 post the pandemic, they were given the authority to go above that, to try and fix some of the problems they have. And so, what they proceeded to do was aggressively use that authority, they started increasing twice a year, once at the beginning of the year, once in the mid-time part of the year, averaging over 35% greater than inflation.

Now in any industry, if you're going to significantly increase your biggest cost by 35% over inflation over a period of years, everyone would see an increase in decline. And so, what's happened here, catalog has always been a very responsive mechanism. There's a whole industry around it and there is people who are specific to catalogs. And then there's a whole lot of marketers who use catalogs as a part of the media mix. We have seen accelerated decline during that period.

Now the new Postmaster General, everything that we see and hear is that he'd like to change the philosophy to more of a growth philosophy, because raising rates, by the way, in those – that time period did create more revenue and they claim success with that. But that's not true growth. That's pricing used to increase revenue, which then in the following year creates a significant decline in the volume. And then you've to raise revenue again – rates again to try and keep that revenue flat, it's kind of a spiral. And the new Postmaster General indicates that he would like to kind of think differently about the post office writ large with the growth mentality. And the evidence of that was that he did forego and allowed increase in January.

That being said, they're still on target for an increase in the second half of the year and specific to catalogs, they did implement a test period which allowed them to offset last year's midyear increase. But that set to lapse and it won't prove to be successful in driving volume because that 35% average over the rate of inflation over a period of many years created the cost baseline that is so far ahead of where it should be that it hasn't been able to instigate growth like we would like.

And the biggest part of catalog that's been impacted would be in prospecting mailing, where they're using the catalog to try and gain new customers. That's where you're not already having a transactional relationship with

someone. Therefore, the responsive rate versus the customer's catalog that you said would be significantly lower. But it's still effective in driving volume. But if your cost is so far above, where the baseline should be, people, that's where you see a lot of the volume hit catalogs.

So specific to your question, we haven't seen growth in catalogs. We've seen further decline because that baseline is somewhat outpaced inflation. But we've done a significant job of helping offset that though this past year with the Enru acquisition. So we've had over a 50% increase in our multi-mail volumes, which means that much more mail gets exposed to potential discounts. We've had a 3x improvement in enhancing carrier route density levels, which is – speaks to discounts. And we've had over \$0.075 plus postal savings per piece for enhanced carrier route.

So all-in-all, what that means is, we've at least been able to try and offset the damage they've done. What I'm looking for, what I'm hoping for is a realization that they have to spur growth through creating a more significant discount opportunity specifically for prospective mailing and hold off on trying to kill this, the category with significant increases. I know that's a very long winded answer, but I think it's really important for all constituents on the phone to understand that part of what's going on.

Kevin Mark Steinke

Analyst, Barrington Research Associates, Inc.

Q

That's great. Absolutely. Appreciate all the insight there. Just wanted to ask also about any updates on In-Store Connect in terms of the pipeline there or further store deployments in the works? And maybe where you stand, in terms of how much you roll that out currently?

Joel Quadracci

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

A

Yeah. We've learned a lot in the last year of trying a whole new category, which as you know, is a bet we're making about in-store media that everyone in the – specifically grocery space but retail in general talk about activating. And the challenge is, it affects every part of a retailer's business, whether it's merchandising, media selling, how the experience is through the store. So it involves every part of a company's organization which, for us, was a learning that it's going to – it takes longer for people to be able to execute and make a decision on that. That being said, we've seen an acceleration in conversations as well as opportunities and increases in counts that we're going to be doing and some new exciting opportunities that we'll be turning on in the near future.

So I'd say that there continues to be what we believe is [ph] a they're there in-store media (00:43:34) as a new medium to be activated. And it's again about getting to as many eyeballs as you can so that CPGs want to make it a regular part of their budget. And so, we're sort of full steam ahead here. Again, we've learned a lot that it takes a little bit longer for organizations to navigate it, but it hasn't changed sort of the interest that we're seeing out there.

Anthony C. Staniak

Chief Financial Officer & Treasurer, Quad/Graphics, Inc.

A

And Kevin, I'll just add, we've reserved capital in our CapEx guidance for 2026 for growth here in SCQ so it's one of the primary drivers behind the increase in CapEx between years.

Kevin Mark Steinke

Analyst, Barrington Research Associates, Inc.

Q

Okay. Thanks. That's helpful. Yeah, go ahead.

Joel Quadracci

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

A

And speaking to CapEx, in addition to that, we have money reserved for some other growth initiatives that we're in the planning process of, but not ready to talk about. But we think will be worth the spend.

Kevin Mark Steinke

Analyst, Barrington Research Associates, Inc.

Q

Okay, great. Just a couple more here on the financial side of things. When we look at the guidance ranges provided for 2026, as you noted, the midpoint implies a continued improvement in the sales trend over the previous two years. Just kind of curious as you think about those ranges for sales and adjusted EBITDA, what are the factors you're thinking about in terms of maybe, higher end versus lower end of those ranges as 2026 progresses?

Joel Quadracci

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

A

Yeah. I'd say that again the – on the sales side, I'll cover that, which is a little bit to what I talked about is to what degree does some of the decline that we plan for and know how to manage. To what degree does postal impact that? That could either create a higher opportunity or a little bit lower in that category. But then to the degree at which we continue to see momentum of direct mail in-store as well as packaging, which have all been, feeling good and looking good.

Anthony C. Staniak

Chief Financial Officer & Treasurer, Quad/Graphics, Inc.

A

Yeah. I think, those targeted print categories, we've said this, since our Investor Day in 2024. They're at a higher margin profile than our large scale print offerings. So as the mix continues to evolve towards targeted print, that will help lift our margins, which is what we're seeing this year. And then we're going to continue to watch, obviously the cost side closely and have demonstrated actions towards that effect.

Kevin Mark Steinke

Analyst, Barrington Research Associates, Inc.

Q

Okay, great. And then just lastly, maybe a question about capital allocation. You continue to be at or near the low end of your targeted leverage ratio range. And it's really nice to see the significant dividend increase you announced. Should we just think about capital allocation going forward, continuing to be pretty balanced? You mentioned share repurchases, are you still looking for maybe tuck-in acquisition opportunities or any other things you'd want to touch on? And obviously organic growth investments as well, but?

Anthony C. Staniak

Chief Financial Officer & Treasurer, Quad/Graphics, Inc.

A

Yeah, Kevin. I think, overall the message for 2026 is similar to 2025. We'll look at, if a tuck-in acquisition fits and use our parameters that is possible. CapEx remains important. Joel talked about not only SCQ but other growth that we could put money towards. We do believe in providing a strong return to shareholders. We are proving out getting towards that 2028 flip. And in the meantime, we want to reward our shareholders for being long-term and part of this. So that's where the stock buybacks and the dividend come in. And then maintaining low debt leverage, we still think is very prudent in this cycle to make sure we can weather any storms but also be available for – have cash available for any opportunities that present themselves. So I would expect a similar type of mix and what we did in 2025.

Kevin Mark Steinke

Analyst, Barrington Research Associates, Inc.

Okay. Sounds good. Thanks for all the insight. I'll turn it over.

Q

Joel Quadracci

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

Thanks, Kevin. Operator?

A

Operator: Thank you. Our next question comes from Barton Crockett with Rosenblatt Securities. Please go ahead.

Joel Quadracci

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

Good morning, Barton.

A

Barton Crockett

Analyst, Rosenblatt Securities, Inc.

Good morning. Good morning, thanks for taking the question. Let me see, just stepping back to the environment, you've given your guidance range for the year. Can you give us some sense of how we're starting in the first quarter relative to your metrics that you put out there, particularly revenue?

Q

Joel Quadracci

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

Yeah. First quarter, as we said in our prepared remarks, that's a lower volume quarter for us, especially compared to the back half of the year. I think, we've started out on track with what we expected and seeing decent volumes here in February so far as well. So I feel, like we're on track.

A

Anthony C. Staniak

Chief Financial Officer & Treasurer, Quad/Graphics, Inc.

Yeah. And I'd add that sort of some of the noise of past year with things like tariffs and all that stuff, you sort of feel like people are a little more confident in their decisions, which is a good thing. And so, we're seeing some reinvestment.

A

Barton Crockett

Analyst, Rosenblatt Securities, Inc.

Which is interesting because, some of the commentary out there, particularly [ph] Pinterest (00:49:30) was talking about marketing pullback by large retailers. You guys aren't seeing anything like that is what you're telling us. Is that correct?

Q

Joel Quadracci

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

Well, it's – again as I said last year, it's situational. But no, we – I can say that so far we haven't seen like significant pullback. And again, I think that in our media channel, it's been a tried and true channel for them that they know very well for many, many years. And some of the pullbacks that they've done, like one of the areas that got pulled back over time. And we've said this would happen is retail inserts that a lot of the big box guys are

A

already sort of kind of pared that back significantly, where it remains actually relatively strong is in like things like grocery.

And so some of the shifts that have happened in our media channels have already kind of – some of them have played out a little more than maybe some of the stuff that's kind of rejiggering around in the bigger media mix. So at this point, again, situationally, some are better, some are worse. But again, I think that because of the channels we're in, if anything, we're seeing people want to get more help and some of the ways to market and how to use audience better linking our channels to other channels and interest in things like [ph] ISCQ (00:50:48) because part of the challenge in digital too is, overall, people are seeing a lot of, I guess, crowded nature of the channel and in some cases you start to see lower responsiveness. So people are always jiggering around how do they get more responsiveness?

So I think, certainly with like AI, you're probably able to analyze it even better of what's working and what's not these days. And that's the quest that people are on. So, will we see some other stuff as we get to the seasonally busy part of the year? Typically, at this point, we won't see that from the client.

Barton Crockett

Analyst, Rosenblatt Securities, Inc.

Q

Okay. Now, one of the things also you touched on, postal, I want to make sure I understand what you have visibility into and what's still unknown. So you have visibility into January postage, but is it still unknown what's going to happen midyear?

Joel Quadracci

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

A

It works – I think the industry is basically accepting or expecting an increase, somewhere in the 6% to 8% range mid-year, which again, one of the things that happened a couple of years ago is when they surprised everybody outside of the budgeting process. The good news is, at least people have been expecting this. Again, aspirationally, they'd prefer further incentives to try and increase mail. But I think that that one's kind of built in.

Barton Crockett

Analyst, Rosenblatt Securities, Inc.

Q

Okay. So is it your view that it's unknown what the longer term trajectory is or does it feel likely to you that we're kind of stay somewhere in this 0 to 6% to 8% kind of range?

Joel Quadracci

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

A

That's the big question, right. You have a new regime in and there's a lot of pressure on the post office to fix itself. You'll probably see the Postmaster General. My understanding is, he'll be up in front of Congress pretty soon to talk about operational issues. But he's also trying to implement, sort of continuation of some of the old strategy, but trying to pivot them to growth. And you can't do that unless you sort of tackle the ability for customers to pivot to growth, i.e., pricing. And so, that's the part I'm really watching closely, but we don't have full visibility to at this point.

Barton Crockett

Analyst, Rosenblatt Securities, Inc.

Q

Okay. All right. And then just one other category. I was kind of curious about a question, which is, there's been tremendous kind of uptake among performance marketers in some of the end-to-end kind of digital performance

max kind of black box give you an outcome online digitally solutions that are driven by scale by people like Google, tied into their search in YouTube properties. That seems to be, an area of increased focus for performance marketers. I'm just wondering if that's creating some competitive pressures for you guys in Rise and then your push into your kind of angle on performance?

Joel Quadracci

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

A

Yeah. Well, look, we're using all the channels [ph] for it (00:54:03) and within digital we're using Google, we're using YouTube, we're using all those different services to place ads. I think that the challenge people are trying to tackle is the integration of how does it all work together. So I always talk about integration. I talk about all channels, but even within digital, people are trying to understand when I spend on Pinterest versus Facebook. What happens? I've heard varying accounts depending on the category of like how responsive really is Facebook in our advertising spend. I've heard, opposite. So it's like the biggest issue people are trying to drive to is understanding when I spend in digital, where should it be and what is the true measurement. And that's what we're trying to provide them and that's for us has been an opportunity.

Barton Crockett

Analyst, Rosenblatt Securities, Inc.

Q

Okay. All right. I'll leave it there. Thanks a lot.

Joel Quadracci

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

A

Yeah. Thanks, Barton. Operator?

Operator: Yes. This concludes question-and-answer session. I would like to turn the conference back over to the management for closing remarks.

Joel Quadracci

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

Thank you, operator, for joining and everyone for joining the call. I want to close by reiterating that Quad remains committed to our strategic vision, leveraging our integrated marketing platform to drive diversified growth, improve print and marketing efficiencies and create meaningful value for all stakeholders. With that, thank you again and have a good day.

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

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