

Quad/Graphics, Inc.
Form 10-Q
November 14, 2011
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

T QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended September 30, 2011

or

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from to
Commission File Number 001-34806

QUAD/GRAPHICS, INC.

(Exact name of Registrant as specified in its charter)

Wisconsin

(State or other jurisdiction of
incorporation or organization)

N61 W23044 Harry's Way, Sussex, Wisconsin 53089-3995

(Address of principal executive offices) (Zip Code)

(414) 566 – 6000

(Registrant's telephone number, including area code)

N63 W23075 Highway 74, Sussex, Wisconsin 53089-2827

(Former address if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No "

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No "

Yes x No "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o

Accelerated filer o

Non-accelerated filer x

Smaller reporting company o

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes " No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class

Outstanding as of November 11, 2011

Edgar Filing: Quad/Graphics, Inc. - Form 10-Q

Class A Common Stock	32,417,294
Class B Common Stock	14,198,464
Class C Common Stock	245,353

Table of Contents

QUAD/GRAPHICS, INC.

FORM 10-Q INDEX

For the Quarter Ended September 30, 2011

	Page No.
<u>PART I. FINANCIAL INFORMATION</u>	<u>3</u>
<u>Item 1. Condensed Consolidated Financial Statements (Unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations (Unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets (Unaudited)</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>7</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>30</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>54</u>
<u>Item 4. Controls and Procedures</u>	<u>56</u>
<u>PART II. OTHER INFORMATION</u>	<u>57</u>
<u>Item 1A. Risk Factors</u>	<u>57</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>57</u>
<u>Item 6. Exhibits</u>	<u>57</u>
<u>Signatures</u>	<u>58</u>
<u>Exhibit Index</u>	<u>59</u>

Table of Contents

PART I — FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements

QUAD/GRAPHICS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share data)

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2011	2010	2011	2010	
Net sales					
Products	\$985.1	\$1,004.0	\$2,753.2	\$1,700.8	
Services	124.3	125.1	355.8	226.2	
Total net sales	1,109.4	1,129.1	3,109.0	1,927.0	
Cost of sales					
Products	743.1	777.4	2,105.3	1,293.1	
Services	97.3	93.8	275.4	163.7	
Total cost of sales	840.4	871.2	2,380.7	1,456.8	
Selling, general and administrative expenses	96.0	106.6	298.5	203.5	
Depreciation and amortization	85.1	84.3	255.9	181.8	
Restructuring, impairment and transaction-related charges	31.8	69.4	82.1	107.0	
Total operating expenses	1,053.3	1,131.5	3,017.2	1,949.1	
Operating income (loss) from continuing operations	56.1	(2.4) 91.8	(22.1)
Interest expense	25.4	31.1	84.5	61.4	
Loss on debt extinguishment	34.0	—	34.0	—	
Loss from continuing operations before income taxes and equity in earnings of unconsolidated entities	(3.3) (33.5) (26.7) (83.5)
Income tax expense (benefit)	2.8	198.8	(8.1) 197.2	
Loss from continuing operations before equity in earnings of unconsolidated entities	(6.1) (232.3) (18.6) (280.7)
Equity in earnings of unconsolidated entities	0.6	2.0			