From: Jim Anderson <jaa@printstockwatch.com>
Sent: Friday, February 18, 2022 1:37PM EST
To: Jim Anderson <jaa@printmergers.com>
Subject: PrintStockWatch BREAKING NEWS-"Swan-song" for RRD

I believe that R.R. Donnelley (NYSE: **RRD**) may have conducted its final "Results Call" this AM...

There will be a Shareholder vote next Tuesday (Feb 22nd) on the "take-private" offer of $10.85/SH by Chatham Asset Management...Closing would occur next Friday, February 25th and R.R. Donnelley (NYSE: **RRD**) would cease to be a public company for the first time since 1956. Sad actually...the "spins" in October 2016 started it all.

Here are the Condensed Operating Results for RRD covering Q4 and the full year of 2021...probably the last time we get to see just how poorly RRD performs:

R.R. Donnelley & Sons Company
Condensed Financial Information
(Stated in millions)

Condensed Operating Results	4th Quarter		Full Year	
	2021	2020	2021	2020
Net Sales	**1,377.2**	**1,348.6**	**4,963.7**	**4,766.3**
Cost of Goods Sold (*sans* D&A)	(1,104.9)	(1,059.8)	(3,994.9)	(3,789.2)
Gross Profit Margin $ (*sans* D&A)	**272.3**	**288.8**	**968.8**	**977.1**
Gross Profit Margin %	19.8%	21.4%	19.5%	20.5%
S, G & A Expenses (*sans* D&A)	(162.3)	(160.8)	(600.6)	(597.5)
Restructuring/Impairment	(13.8)	(6.2)	(33.3)	(100.0)
Depreciation/Amortization	(31.5)	(33.4)	(130.5)	(145.7)
Dep./Amort. as a % of Net Sales	2.3%	2.5%	2.6%	3.1%
Other Operating Income (Expense)	(27.6)	(10.3)	(40.9)	(25.8)
Operating Income/EBIT	**37.1**	**78.1**	**163.5**	**108.1**
Interest Expense-Net	(29.2)	(32.4)	(127.6)	(135.1)
Loss on Debt Extinguishment	(0.9)	(2.6)	(7.1)	(3.0)
Investment and other Income-Net	4.8	3.3	19.9	14.1
Income (Loss) Before Income Taxes	**11.8**	**46.4**	**48.7**	**(15.9)**
Income Tax Benefit (Expense)	(25.2)	(13.0)	(44.9)	(10.0)
Net Income (Loss) from Continuing Ops	**(13.4)**	**33.4**	**3.8**	**(25.9)**
"Pure" non-adjusted EBITDA $	**68.6**	**111.5**	**294.0**	**253.8**
"Pure" non-adjusted EBITDA %	5.0%	8.3%	5.9%	5.3%

Note: "Pure" EBITDA equals **reported** Operating Income/EBIT + Depreciation & Amortization

Note that RRD has always reported **G**ross **M**argin **$** without Depreciation & Amortization which would have lowered its **GM%** to just 16.9% for 2021. Conversely, Ennis (NYSE: **EBF**) has a Gross Margin **%** of close to 30% AND ENNIS SELLS TO THE TRADE! Combined with that **%**, most all of the Print ***Distributors*** in the *Wonderful World of Print* run a GM% in the range of 25%-35%. It should be no wonder to anyone that RRD's results are this poor with a "true" Gross Margin **%** (for a direct-selling manufacturer) of just 16.9%! My guess is that under Chatham Asset Management this will (have to) improve...

You may view R.R. Donnelley's full Press Release here: **LINK**

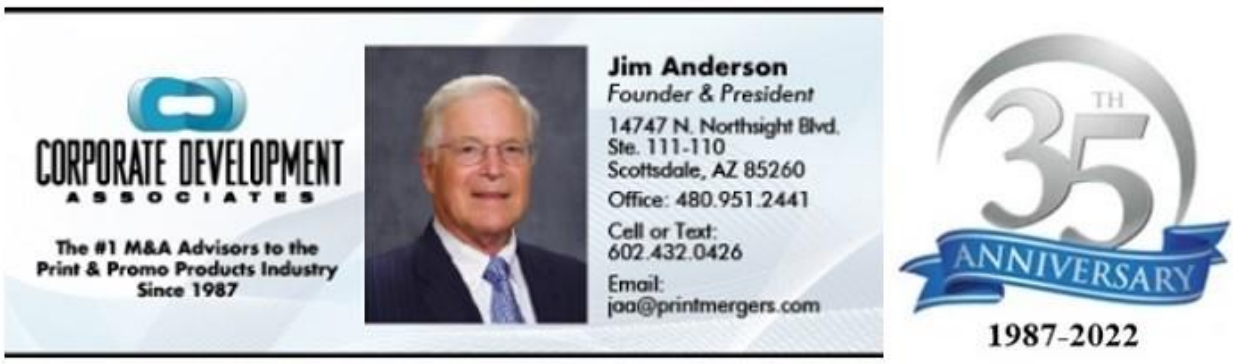
Using RRD's 12/31/21 numbers in the Press Release (which shows 73.2MM net shares outstanding), I have valued the $10.85/SH transaction at $1.98Bil Net of Cash on hand of $280.2MM. That would be $794.22MM in Cash for the shares and Chatham's assumption of $1.47Bil in Debt. Chatham will have to make some changes or they will find themselves in trouble at some point..

For the year of 2021, RRD produced just **$3.8MM** in Net Income on almost **$5Bil** in Sales...**no comment!**

The real "winners" as a result of this now expected transaction are the Top Managemet Team at RRD who (per an 8K filed on 12/17/21) stand to receive at Closing:

Dan Knotts (President/CEO): **~$55-60MM** (**Note:** ~15X RRD's 2021 Net Income)
Deb Steiner (EVP/General Counsel): ~$12MM
Terry Peterson (EVP/CFO): ~$10-11MM
John Pecaric (President-Business Services): ~$5-6MM
Elif Sagsen-Ercel (EVP Strategy): $2.76MM
Michael Sharp (SVP/Controller): $2.35MM

Do you ever get the feeling that you are in the wrong business?

Jim Anderson
Founder & Publisher

PS Our normal PrintStockWatch issue will be published later this afternoon after the stock market closes at 4:00PM EST...