Quad/Graphics, Inc.
Form 10-K
February 23, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the fiscal year ended December 31, 2015
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	39-1152983
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
N61 W23044 Harry's Way, Sussex, Wisconsin 53089-3995	(414) 566-6000
(Address of principal executive offices) (Zip Code)	(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Each Exchange on Which Registered
Class A Common Stock, par value $0.025 per share	The New York Stock Exchange, LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a 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 x	Non-accelerated filer o	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

The aggregate market value of the class A common stock (based on the closing price of $18.51 per share on the New York Stock Exchange, LLC) on June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter, held by non-affiliates was $533,245,927. The registrant's class B common stock is not listed on a national securities exchange or traded in an organized over-the-counter market, but each share of the registrant's class B common stock is convertible into one share of the registrant's class A common stock.

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 February 18, 2016
Class A Common Stock	35,727,018
Class B Common Stock	14,198,464
Class C Common Stock	—

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the registrant's 2016 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

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Forward-Looking Statements

To the extent any statements in this Annual Report on Form 10-K contain information that is not historical, these statements are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements relate to, among other things, the objectives, goals, strategies, beliefs, intentions, plans, estimates, prospects, projections and outlook of Quad/Graphics, Inc. (the "Company" or "Quad/Graphics"), and can generally be identified by the use of words such as "may," "will," "expect," "intend," "estimate," "anticipate," "plan," "foresee," "believe" or "continue" or the negatives of these terms, variations on them and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements.

These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond the control of the Company. These risks, uncertainties and other factors could cause actual results to differ materially from those expressed or implied by those forward-looking statements. Among risks, uncertainties and other factors that may impact Quad/Graphics are those described in Part I, Item 1A, "Risk Factors," of this Annual Report on Form 10-K, as such may be amended or supplemented in Part II, Item 1A, "Risk Factors," of the Company's subsequently filed Quarterly Reports on Form 10-Q, and the following:

- The impact of decreasing demand for printed materials and significant overcapacity in the highly competitive commercial printing industry creates downward pricing pressures;
- The inability of the Company to reduce costs and improve operating efficiency rapidly enough to meet market conditions;
- The impact of electronic media and similar technological changes including digital substitution by consumers;
- The impact of changing future economic conditions;
- The impact of the various covenants in the Company's debt facilities that impose restrictions may affect the Company's ability to operate its business;
- The failure of clients to perform under contracts or to renew contracts with clients on favorable terms or at all;
- The impact of fluctuations in costs (including labor and labor-related costs, energy costs, freight rates and raw materials) and the impact of fluctuations in the availability of raw materials;
- The impact of changes in postal rates, service levels or regulations;
- The failure to successfully identify, manage, complete and integrate acquisitions and investments;
- The impact of increased business complexity as a result of the Company's entry into additional markets;
- The impact of regulatory matters and legislative developments or changes in laws, including changes in cyber-security, privacy and environmental laws;
- The impact of an other than temporary decline in operating results and enterprise value that could lead to non-cash impairment charges due to the impairment of property, plant and equipment and other intangible assets;
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The impact on the holders of Quad/Graphics' class A common stock of a limited active market for such shares and the inability to independently elect directors or control decisions due to the voting power of the class B common stock;

- Significant capital expenditures may be needed to maintain the Company's platform and processes and to remain technologically and economically competitive; and

- The impact of risks associated with the operations outside of the United States, including costs incurred or reputational damage suffered due to improper conduct of its employees, contractors or agents.

Quad/Graphics cautions that the foregoing list of risks, uncertainties and other factors is not exhaustive and you should carefully consider the other factors detailed from time to time in Quad/Graphics' filings with the United States Securities and Exchange Commission ("SEC") and other uncertainties and potential events when reviewing the Company's forward-looking statements.

Because forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. You are cautioned not to place undue reliance on such statements, which speak only as of the date of this Annual Report on Form 10-K. Except to the extent required by the federal securities laws, Quad/Graphics undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I

Item 1. Business

Overview

At the forefront of innovation for 45 years, Quad/Graphics is a leading print and marketing services provider focused on helping brand owners market their products, services and content more efficiently and effectively across media channels. The Company was founded in Pewaukee, Wisconsin, as a Wisconsin corporation, in 1971 by the late Harry V. Quadracci. As of December 31, 2015, the Company had approximately 22,500 full-time equivalent employees in North America, South America and Europe, and served a diverse base of approximately 9,400 clients from 161 facilities located in 17 countries, as well as strategic investments in printing operations in Brazil and India.

With a consultative approach, worldwide capabilities, leading-edge technology and single-source simplicity, the Company believes it has the resources and knowledge to help a wide variety of clients in vertical industries including, but not limited to, retail, publishing, healthcare, insurance and financial. Quad/Graphics creates value for its clients by helping them perform better in today's rapidly changing world through the integration of print products with complementary services to improve efficiencies, reduce costs, create engagement, lift response and increase revenue.

To better serve the evolving needs of marketers and publishers in today's multimedia world, Quad/Graphics streamlined its United States organizational structure in 2015 by consolidating several print product lines into two main sales groups—Marketing Solutions and Publishing Solutions. The Company believes that this streamlined approach will better align its offerings with its clients' expanding integrated marketing and publishing needs and help drive future innovation. The Company uses a consultative approach to tailor the Company's wide range of print products and complementary services to the unique characteristics of each vertical industry it serves. These products and services include:

- Print. Including retail inserts, publications, catalogs, special interest publications, journals, direct mail, books, directories, in-store marketing and promotion, packaging, newspapers, custom print products, other commercial and specialty printed products and global paper procurement.

- Logistics. Including mailing solutions, postal consultation, delivery optimization and hygiene services, delivery monitoring and tracking, and distribution, logistics and transportation services.

- Digital. Including email, social, mobile (activated print, apps, websites), digital publishing and beacon technology.

- Strategy. Including brand, campaign, and media planning and placement.

- Data. Including data insights, segmentation and response analysis.

- Creative. Including concept and design, page layout and production, copywriting, photography, retouching, mobile, video production and optimization.

- Workflow. Including content management, process management, production and facilities management services, color management, and digital file processing and proofing.

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Quad/Graphics proudly partners with leading marketers, brand owners and publishers:

- Leading marketers and brand owners include American Eagle Outfitters, American Girl, Best Buy Co., Inc., Bluestem Brands, Charter Communications, Colony Brands, ConAgra Foods, Inc., CVS Health Corporation, Eddie Bauer LLC, Hanesbrands, Inc., Menards, Inc., Mylan N.V., Publishers Clearing House, Inc., Publix Super Markets, Inc., Sprouts Farmers Market, Inc., Tractor Supply Company, Walgreen Co., and Weight Watchers International, Inc.
- Leading publishers include Condé Nast, Harlequin Enterprises Limited, Hearst Magazines, hibu plc, McGraw-Hill Education, Meredith Corporation, National Geographic Partners LLC, Rodale Inc., Simon & Schuster, Inc., TEN: The Enthusiast Network LLC, Time Inc., Wenner Media LLC, Yellow Pages Digital and Media Solutions Limited.

The Company benefits from consistent executive leadership who is committed to transforming the Company to remain relevant and competitive, and create value for shareholders. The Company refers to its transformative journey in chapters. The Company's first chapter covers a period of tremendous organic growth that began with its founding in 1971 and concluded in 2010. The Company views this chapter as a 40-year period of building a strong and lasting foundation in which Quad/Graphics established the Company's culture based on strong values that are still in place today. During this period, the Company grew rapidly through greenfield growth; built a premier manufacturing and distribution platform equipped with the latest technology; and established its reputation as one of the industry's foremost innovators. When chapter one culminated in 2010, Quad/Graphics had grown from a tiny upstart into a $1.8 billion global provider of print and media solutions with approximately 11,600 employees in the United States, South America and Europe operating 11 domestic plants, plus international locations in Poland, Argentina and Brazil.

Quad/Graphics' second chapter began in 2010 and continues today. The Company's second chapter relates to its role as a disciplined industry consolidator. Quad/Graphics saw an opportunity to start participating in industry consolidation in response to economic and industry pressures following the great recession of 2008 and 2009, which severely impacted volumes. At the same time, digital and mobile content delivery methods came of age as consumers rushed to adopt new technologies, creating confusion for marketers on how to use print in combination with other channels as part of a multimedia campaign. This created an opportunity for Quad/Graphics—with manufacturing and distribution economies of scale, a strong balance sheet and access to capital markets—to take advantage of consolidating acquisition opportunities in order to reduce costs and address overcapacity in the industry.

The Company completed a number of value-driven industry consolidation opportunities in recent years, including the July 2010 acquisition of World Color Press Inc. ("World Color Press"), which was a transformative event in the Company's history, as it significantly enhanced Quad/Graphics' size, range of product and service offerings, and overall industry presence. At this time, Quad/Graphics class A common stock began to trade on The New York Stock Exchange, LLC ("NYSE") under the symbol "QUAD." Other consolidating acquisitions have included Vertis Holdings Inc. ("Vertis") in January 2013 and Brown Printing Company ("Brown Printing") in May 2014 as well as the asset swap with Transcontinental Inc. ("Transcontinental") in 2011. Through each of these acquisitions, the Company was able to enhance or expand its product offerings, while removing inefficient and underutilized capacity, pulling out costs, and transitioning work to the most efficient facilities. This includes maximizing capacity utilization at the Company's most efficient, flexible and modern mega plant facilities (facilities greater than 1.0 million square feet) that Quad/Graphics built and maintained during chapter one of the Company's transformative journey, as well as plants that were acquired in which Quad/Graphics continues to make strategic investments.

As the Company transitions from chapter two to chapter three, Quad/Graphics continues to strengthen its core product lines and make the necessary adjustments to quickly respond to ongoing industry pressures, with the goal in chapter three to be the industry's high-quality, low-cost producer to position the Company to take advantage of transformational opportunities. In chapter three, Quad/Graphics will continue to invest in ways to automate and streamline process and workflows to better serve its clients, improve efficiencies and reduce costs. Additionally, with a strategic account focus in key vertical industries, the Company intends to leverage its extensive relationships with more than 9,400 companies to further develop and grow innovative and complementary products and marketing services. The Company believes these products and services will help its clients drive improved performance and Return On

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Investment ("ROI") on their total marketing spend in two distinct ways: first, through helping them market their products and content more effectively across multiple media channels to increase revenue, and second, through improving efficiencies and speed to market through reducing the overall production and distribution costs.

In support of Quad/Graphics' chapter three transformational growth strategy, the Company built upon its strength in printing, supply chain management and logistics, and in 2015 expanded its packaging, in-store promotions and marketing services offering. This expansion also supports the Company's strategic selling approach to the retail industry—a key vertical market for the Company that includes brick and mortar, electronic retail and brand owners—while also allowing the Company to develop its offerings in growth markets. For example, with the acquisition of Wisconsin-based Proteus Packaging ("Proteus") in 2013, the Company entered the high-end paperboard packaging market, including automotive, biotechnology, food, beverage, personal care, pharmaceuticals, software and electronics. In addition, on April 14, 2015, Quad/Graphics completed the acquisition of Copac Global Packaging, Inc. ("Copac,") a leading international provider of innovative packaging and supply chain solutions, including turnkey packaging design, production and fulfillment services across a range of end markets. Copac has production facilities in Spartanburg, South Carolina, and Santo Domingo, Dominican Republic, and strategically sources packaging product manufacturing over multiple end markets in Central America and Asia, giving it a global footprint. Copac manufactures products such as folding cartons, labels, inserts, tags and specialty envelopes in vertical industries including apparel, consumer products, tobacco, healthcare, food and beverage. The Company continued to expand in the packaging market with the acquisition of Specialty Finishing, Inc. ("Specialty") on August 25, 2015. Specialty is a full-service paperboard folding carton manufacturer and logistics provider located in Omaha, Nebraska, which serves a variety of vertical industries including food, pharmaceutical and industrial supplies. Upon the completion of the Specialty acquisition, the Company rebranded its newly formed division as QuadPackaging to take advantage of this growing market segment. Given its increased scale, vertical expertise and geographic footprint, QuadPackaging is now positioned to compete for large-volume or multi-location clients in a diverse range of vertical industries across the United States, Europe, Asia, and Central and South America.

In 2015, Quad/Graphics announced the expansion of its existing BlueSoho business, expanding its marketing agency solutions offering into campaign development, shopper activation and mobile/digital programming. The Company believes that BlueSoho will play an important role in defining its path forward in chapter three as it is now uniquely capable of orchestrating cross-media programs that turn shoppers into buyers and buyers into loyal brand advocates. The expanding service set is now comprised of local promotional strategy, conceptual design, media planning and buying, creative development, production services, marketplace deployment and program measurement. This strategic repositioning of BlueSoho as an independent brand enables Quad/Graphics to capture new business, especially among brand owners who understand the benefits of fully orchestrated media execution and actionable brand experiences—from campaign development through all forms of media activation.

As part of the Company's focus on in-store promotion growth opportunities, Quad/Graphics announced the acquisition of Marin's International, S.A. ("Marin's") on February 3, 2015. Marin's is a worldwide leader in the point-of-sale display industry. Marin's specializes in the research and design of display solutions, and uses its own European-based sales force as well as a network of global licensees, including Quad/Graphics, to sell its patented product portfolio. Marin's enhances Quad/Graphics' existing in-store and large-format marketing promotions and, combined with the power of BlueSoho, Marin's will help the Company expand its ability to help retailers and brand marketers promote their brands as part of a global campaign.

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As Quad/Graphics continues on its path forward, the Company remains focused on its five primary strategic goals that support its objective to be the industry's high-quality, low-cost producer to position the Company to take advantage of transformational opportunities and drive improved performance through innovation for its clients. The Company believes these goals will allow it to be successful despite ongoing industry challenges. These strategic goals are described in the "Strategy" section of this document and include the following:

1. Strengthen the core;

2. Grow the business profitably;

3. Walk in the shoes of our clients;

4. Engage employees; and

5. Enhance financial strength and create shareholder value.

More information regarding Quad/Graphics is available on the Company's website at www.QG.com. Quad/Graphics is not including the information contained on or available through its website as part of, or incorporating such information by reference into, this Annual Report on Form 10-K. The Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports are made available to the public at no charge through a link appearing on the Company's website. Quad/Graphics provides access to such materials through its website as soon as reasonably practicable after electronically filing such material with, or furnishing it to, the SEC.

Industry

The global commercial printing industry is made up of companies whose capabilities include commercial lithographic printing, gravure printing, flexographic printing, screen printing, quick printing, digital printing, business form printing, prepress services that include adjusting images and text and creating high-quality print files, and postpress services, including trade binding. According to the April 2015 Global Commercial Printing IBISWorld industry report, the global commercial printing industry generates an estimated $708 billion in annual revenue and has a low level of market share concentration with the four largest players (which includes Quad/Graphics) in the industry accounting for approximately 5% of annual industry revenue.

Quad/Graphics operates primarily in the commercial print portion of the printing industry. According to the October 2015 Printing in the U.S. IBISWorld industry report, the United States commercial printing industry generates an estimated $82 billion in annual revenue, employs more than 435,000 employees and is comprised of approximately 45,000 companies. The commercial printing industry is also highly fragmented, with the four largest printing companies (which includes Quad/Graphics) accounting for less than 20% of total commercial print industry annual revenue in the United States. Although there has been significant industry consolidation, particularly in the past decade, the largest 400 printers in the printing industry still only represent approximately just over half of the total industry revenue in the United States, according to the December 2015 Printing Impressions PI400.

According to the October 2015 Printing in the U.S. IBISWorld industry report, the commercial print industry in the United States services markets including advertising, publishing, retailers, consumer goods manufacturers, stationery and textile manufacturers, financial and legal firms, and wholesalers with capabilities that include the following:

- Commercial Lithographic Printing. Commercial lithographic printing accounts for approximately 55% of industry revenue with primary end uses including advertising, publications, periodicals, catalogs, directories, financial and legal printing, and labels and wrappers.

- Commercial Screen Printing. Commercial screen printing accounts for approximately 9% of industry revenue and derives its revenue from printing on apparel in addition to revenue from advertisers, label printing, and printing decals.

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- Commercial Flexographic Printing. Commercial flexographic printing accounts for approximately 8% of industry revenue and is mainly used for packaging, labels and wrappers.

- Digital Printing. Digital printing accounts for approximately 7% of industry revenue and, since it does not require printing plates and requires less initial setup than many of the other forms of commercial printing, it is very cost effective for small print runs.

- Book Printing. Book printing accounts for approximately 5% of industry revenue and involves printing and binding books and pamphlets.

- Commercial Gravure Printing. Commercial gravure printing accounts for approximately 4% of industry revenue with primary end uses including advertising, catalogs, directories, publications, periodicals, stationery, and labels.

- Quick Printing. Quick printing accounts for approximately 3% of industry revenue and is primarily a business-to-business service that is characterized by its short-run printing and fast copying speeds.

- Other Printing. Other printing accounts for approximately 9% of industry revenue and includes printing blank books, loose leaf binders and business forms.

Demand for printed products and related services is affected by real gross domestic product growth, as economic activity and advertising spending are key drivers of consumer demand. In times of global economic uncertainty, advertisers may reduce spending. Magazine publishers, facing diminished advertising pages, reduce total page counts; catalog marketers reduce page counts, circulation and the frequency of print campaigns; retailers curb investments in store inventory and cut back on retail insert circulation and advertising; and other advertisers reduce their direct mail volume, particularly in the banking, insurance, credit card, real estate and nonprofit industries. In addition, the Company believes the commercial print industry has moved toward a demand for shorter print runs, faster product turnaround and increased production efficiency of products with lower page counts and increasing complexity. This, combined with increases in postage expenses (which significantly outpaced inflation over the last ten years) and the increased use of alternative digital marketing technologies have led to excess manufacturing capacity in the industry and this excess capacity has allowed for larger printers with economies of scale, strong balance sheets and access to capital markets the ability to install more efficient equipment, take advantage of consolidating acquisition opportunities to remove excess, inefficient and/or underutilized capacity and reduce overall costs.

Quad/Graphics believes that traditional business users of print and print-related services are focused on generating and tracking the highest returns on their marketing spend. The Company believes that its clients receive the greatest return on their marketing and advertising dollars when they effectively use data to target the appropriate customers and combine digital alternatives with customized print products in a targeted, cross-channel marketing campaign driven by an overall marketing strategy. Quad/Graphics believes it is well positioned to help its clients navigate through this changing media landscape and create innovative ways to connect print with digital channels.

Finally, the Company believes that successful commercial printing companies will invest in mailing and logistics capabilities because, for many clients, mailing and distribution represent their largest cost—typically two to three times the cost of their print expense. Therefore, Quad/Graphics believes a printer's ability to impact mailing and distribution expenses through data hygiene solutions and sophisticated, automated printing, finishing and distribution equipment creates value for clients by minimizing their total manufacturing and distribution cost.

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Seasonality

The Company is subject to seasonality in its quarterly results as net sales and operating income are higher in the third and fourth quarters of the calendar year as compared to the first and second quarters. The fourth quarter is the highest seasonal quarter for cash flows from operating activities and Free Cash Flow due to the reduction of working capital requirements that reach peak levels during the third quarter. Seasonality is driven by increased magazine advertising page counts, retail inserts, catalogs and books primarily due to back-to-school and holiday-related advertising and promotions. The Company expects this seasonality impact to continue in future years.

Strategy

As Quad/Graphics continues on its path forward, the Company remains focused on its five primary strategic goals that support its objective to be the industry's high-quality, low-cost producer to fuel transformative growth and drive improved performance through innovation for its clients. The Company believes the following goals will allow it to be successful despite ongoing industry challenges:

1. Strengthen the Core

Quad/Graphics uses a disciplined return on capital framework and historically has made significant investments in its print manufacturing platform and data management capabilities that have resulted in what it believes is one of the most integrated, automated, efficient and modern manufacturing platforms in the industry. Core or foundational print product lines at Quad/Graphics include retail inserts, publications, catalogs, books and directories, as they represent a large percentage of the Company's revenue. The Company's disciplined focus on maintaining the strength of its core product lines, through investments to streamline, automate and improve efficiencies and throughput while reducing labor, promotes sustainable cash flow and continued value creation. A commitment to Lean Enterprise and a disciplined culture of continuous process improvement is a high priority throughout the Company and supports its goal of strengthening the core product lines to be the industry's high-quality, low-cost producer.

Quad/Graphics believes that its national distribution network is also a key attribute in its ability to strengthen the core foundation of the Company. Quad/Graphics has made strategic capital expenditures and information technology ("IT") investments to build what it believes is one of the most efficient and innovative distribution networks in the commercial printing industry. The Company's goal, and an integral component of how Quad/Graphics creates client value, is to maintain and utilize a fully integrated, national distribution network to help mitigate rising postage costs for its clients by minimizing their total cost of production and distribution.

Quad/Graphics also strengthens the core of the Company through a dedicated focus on having the right people in the right roles at the right time. The Company benefits from leadership consistency and longevity with senior executives having decades of print industry experience, which gives them valuable knowledge and perspective. The Company also continues to enhance its leadership team, bringing aboard complementary, experienced talent who can immediately contribute to advancing the Company's goals.

2. Grow the Business Profitably

The Company believes it is well positioned to grow the business profitably. Key components of this strategy are centered on the Company's ability to grow through ongoing innovation, organic growth and disciplined acquisitions. Innovation takes many different forms at Quad/Graphics. From a client perspective, Quad/Graphics believes that marketing today has been upended due to the proliferation of digital media which has increased complexity and created a crisis in measurement given that many client organizational structures are siloed by media channel expertise. This marketing shift has created an opportunity for both Quad/Graphics and its clients to innovate and create enhanced value. The Company believes that no channel is an island; each influences and impacts the other. Quad/Graphics also believes that print delivers high levels of marketing ROI, especially when used in combination with other media channels. As supported by the November 2015 InfoTrends study Micro to Mega: Trends in Business Communications, using multiple media channels yields a better response rate for integrated marketing campaigns. Specifically, marketers reported an

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average improvement of 28% in response rate when adding email, social media, and mobile application channels to their print campaigns.

The Company leverages knowledge from existing client relationships in key vertical industries to drive innovation and the development of complementary products and services that help brand owners market their products, services and content more efficiently and effectively across media channels. The Company is focused on ensuring it has the right talent in the best positions to have strategic marketing conversations with its clients to define their needs, develop tailored solutions and grow market share. Clients benefit from improved performance and ROI on their marketing spend through better reach and end-user engagement, improved response and increased revenue derived from these cross-channel marketing programs.

From a manufacturing platform perspective, innovation drives the Company's ability to help its clients precisely segment and target their audience to deliver relevant content, ads and offers. Through advanced variable printing capabilities and data management solutions, the Company can provide relevant content to encourage one-to-one end consumer connection and reader engagement. Innovation through automation in the manufacturing platform also allows Quad/Graphics to improve productivity and reduce costs in support of the Company's long standing commitment to be the industry's high-quality, low-cost producer.

Another key attribute of this strategy is the Company's ability to grow the business through compelling, ongoing platform investments that drive profitable organic growth and productivity in the Company's current business, as well as using a disciplined approach to execute on acquisitions that help the Company transition into chapter three of its journey. This includes pursuing growth opportunities that will help transform an existing product line, or expand Quad/Graphics' business into higher growth product and service categories that are a logical extension of its core print product lines. The Company also believes that additional value-driven industry consolidation opportunities will create measurable value through the addition of complementary capabilities, allowing the Company to provide an enhanced range of products and services, and create significant efficiencies in the overall print production and distribution processes.

3. Walk in the Shoes of our Clients

Quad/Graphics believes that every client, regardless of size, is the most important client. A key component of Quad/Graphics' client-facing strategy is to strengthen relationships at different levels inside a client's organization so the Company can better understand, anticipate and exceed the client's needs—sometimes before the client even knows it has a need. The Company's goal is to become an invaluable strategic partner to its clients—a partner who is focused on helping each client successfully navigate today's changing media landscape. While Quad/Graphics has dedicated sales, sales service and customer service representatives, the Company reinforces that all employees, regardless of job title, are part of the Quad/Graphics' client experience team. As such, all employees are responsible for meeting the needs of its clients every day, making it easy to do work with Quad/Graphics, and making the client experience enjoyable at every touchpoint. Quad/Graphics believes its strategy to walk in the shoes of our clients helps all employees focus on the client experience at all touchpoints throughout its end-to-end process to improve client satisfaction and create loyalty to the Quad/Graphics brand. The Company also believes its proactive thought leadership in the key issues facing clients—such as cross-channel marketing and postal reform—will create value and deepen client relationships.

4. Engage Employees

Quad/Graphics' strategy to engage employees builds on key aspects of its distinct corporate culture, including an organization-wide entrepreneurial spirit and opportunity-seeking mentality where employees are encouraged to take pride and ownership in their work; take advantage of continuous learning, apprentice and job-advancement opportunities; share knowledge by mentoring others; and innovate solutions. With the encouragement to do things differently—and find a better way—the Company believes its employees are more fully engaged in producing better results for clients and the local communities surrounding its facilities, and advancing the Company's strategic goals.

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The Company believes one of the most important ways it can drive employee engagement is by acting on a continuous employee feedback loop. Quad/Graphics believes in transparent and regular two-way communication with employees. The Company provides the opportunity for all employees to have a voice or share an opinion through a number of different channels including surveys and open forums at Company town hall and department meetings. The Company then demonstrates its commitment to their engagement by maintaining a safe work environment while implementing programs and policies that address their needs and/or suggestions. At the same time, the Company consistently reinforces the Company's long-standing eight core values that drive how the Company operates: Believe in People, Do the Right Thing, Trust in Trust, Innovate, Grow, Make Money, Have Fun, and Do Things for the Rose (i.e., do things for the sake of excellence).

5. Enhance Financial Strength and Create Shareholder Value

Quad/Graphics follows a disciplined approach to maintaining and enhancing financial strength to create shareholder value, which is essential given ongoing industry challenges. This key strategic goal is centered on the Company's ability to maximize Free Cash Flow, net earnings and EBITDA; maintain consistent financial policies to ensure a strong balance sheet and liquidity level; and retain the financial flexibility needed to strategically allocate and deploy capital as circumstances change.

The priorities for capital allocation and deployment are adjusted based on prevailing circumstances and what the Company thinks is best for shareholder value creation at any particular point in time. Those priorities currently include the following: (1) deleveraging the Company's balance sheet through debt and pension liability reductions; (2) making compelling investments that drive profitable organic growth and productivity in the Company's current business, as well as executing on acquisitions through a disciplined approach that includes expansion into higher-growth products and services that are complementary to its core product and service lines, and pursuing value-driven industry consolidation; and (3) returning capital to shareholders through dividends and share repurchases.

Competitive Advantages

Quad/Graphics believes its success has been fueled by a number of key competitive advantages that drive its five primary strategic goals. These competitive advantages are an efficient, flexible and modern manufacturing platform; vertically integrated non-print capabilities; a client-centric approach; leading mailing and distribution capabilities; a commitment to ongoing innovation and rapid adoption of technology with a focus on execution and influencing media spend for its clients; a disciplined and consistent financial approach; a well-defined integration process; and a distinct corporate culture that empowers and engages employees to think and act like owners to drive business results.

Efficient, Flexible and Modern Manufacturing Platform

The Company has continuously invested in its manufacturing platform through modern equipment and automation that allow for more pages to be printed for each revolution of the press, reducing the amount of time that each individual printing job takes to complete. In addition, the Company's long-standing commitment to invest in its manufacturing platform to create productivity improvements has led to more automation designed to reduce labor costs, maximize labor productivity and increase throughput. The Company's investment in its manufacturing platform has consistently been based on evaluating the useful economic life of the underlying equipment rather than focusing on the potential mechanical life of the equipment. This discipline is critical in an industry in which technological change can create obsolescence well before the end of the mechanical life of equipment.

Another key aspect of the Company's modern manufacturing platform is the combination of its footprint of mega plants (facilities greater than 1.0 million square feet) that produce a number of different products under one roof; mega zones where multiple facilities in close geographic proximity are managed as one large facility; and smaller strategically located facilities. The Company has continued to evolve its platform, equipping facilities to be product line agnostic, which enables the Company to maximize equipment utilization. Quad/Graphics believes that the large plant size of certain of its key printing facilities allows the Company to drive savings in certain product lines (such as magazines and catalogs) due to efficiencies of scale and from investments in automation and technology. Complementing its mega plant and mega zone footprints are smaller facilities, strategically located closer to final

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distribution points for expedited delivery. This allows clients greater deadline flexibility for adjusting content or marketing strategy, especially for commercial products, direct mail and retail inserts. The Company's platform provides it with the flexibility to meet complex customer service requirements, such as quick turns for time-sensitive material, or when weather patterns threaten production or delivery in a specific area of the country.

To achieve its goal to be the industry's high-quality, low-cost producer, Quad/Graphics makes a concerted effort to treat all costs as variable and maintains a stringent focus on achieving productivity improvements and sustainable cost reductions through a variety of continuous improvement programs in both manufacturing and administrative areas. The Company believes it is making progress toward this goal by remaining focused on the following:

- the implementation of sustainable reductions in non-labor and indirect labor spending areas;
- a disciplined approach to improving capacity utilization and productivity across the entire platform; and
- a focused effort to take out direct costs through a variety of means, including the maximization of labor mix and the expansion of continuous improvement programs to reduce waste, eliminate redundancies and shorten cycle times.

Vertically Integrated Non-Print Capabilities

Quad/Graphics has a long history of finding a better way to do business. This approach to business gives the Company a competitive advantage in reducing costs and creating efficiencies for its clients and employees. Vertically-integrated non-print capabilities—such as data management, imaging, logistics and distribution, ink manufacturing, paper procurement, equipment research and design, and health and wellness—assist the Company in delivering lower costs for its clients, enhancing customer service levels, allowing substantial control over critical links in the overall print supply chain (such as the Company's ink manufacturing capabilities which help it control the quality, cost and availability of a key input in the printing process), increasing flexibility and providing more aggregated services to each client.

Chemical Research\Technology ("CR\T") is the ink manufacturing subsidiary of Quad/Graphics. With CR\T, Quad/Graphics is one of the largest ink manufacturers in the United States, and the only United States commercial printer that produces its own inks. Quad/Graphics founded CR\T in 1982 to formulate and manufacture its own special blend of inks based on extensive experience working directly with the Company's press operators. The benefits of manufacturing its own inks include better management of the quality and consistency of the product, a better yield per pound of ink, and increased raw materials purchasing power.

Quad/Graphics has been dedicated to research and development to improve its print manufacturing platform for more than 35 years. The Company's research and development designers and systems engineers work closely with the Company's press and finishing operators and IT professionals, and over the years have developed a range of advancements that the Company's management believes puts its print platform at the forefront of print innovation. The value of these innovations to the industry is supported by the fact that these technology solutions are sold by the Company's QuadTech subsidiary to equipment manufacturers and other printers in the commercial, newspaper and packaging printing industries.

Outside of print, Quad/Graphics successfully integrates health and wellness for all employees through the Company's QuadMed subsidiary, which specializes in employer-sponsored health care solutions. QuadMed was founded in 1990 to address the Company's own employees' needs for quality, cost-effective primary care. In 2013, QuadMed acquired Novia CareClinics, LLC ("Novia"), and today provides workplace solutions on a national level to employers of all sizes, including private and public sector companies. These services include 82 on-site and near-site primary care clinics, telemedicine, and comprehensive health and wellness programs.

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Client-Centric Approach

Throughout its 45-year history, Quad/Graphics has put its partnership with clients at the center of its operations, creating solutions clients need to meet their business objectives. Quad/Graphics has made a concerted effort to hire talent with client-side experience who can provide unique insights into how the client operates and where they may be experiencing a marketing challenge the Company can help solve. To better serve the evolving needs of marketers and publishers in today's multimedia world, Quad/Graphics streamlined its United States organization in 2015 by consolidating several print product lines into two main sales groups—Marketing Solutions and Publishing Solutions. The Company believes that this streamlined approach will better align its offerings with its clients' expanding integrated marketing and publishing needs and help drive future innovation. The Company uses a consultative approach to tailor its wide range of print products and complementary services to the unique characteristics of each vertical industry it serves. This consultative approach includes the following:

- leveraging its integrated data analytics, finishing technology and logistics operations, which allow clients to create and track customized and relevant communications across channels on a cost-effective basis, with the objective of delivering higher response rates at a lower cost;

- consulting with clients on marketing strategies to integrate personalized, targeted print communications (including in-store signage and point-of-purchase displays), with other media channels including mobile, email, the Web, tablets and e-readers, video and social media to drive higher response rates;

- improving the cost-effectiveness of local advertising investments through an improved understanding of customers' shopping behavior, messaging preferences and media consumption habits;

- developing workflow solutions to help clients streamline content management across multiple channels;

- deploying its interactive media capabilities, including planning, executing and monitoring interactive print campaigns, email, personalized URLs, mobile solutions and digital editions, and creating and maintaining microsites in support of effective, cross-channel marketing campaigns to connect print with mobile technologies—such as smartphones and tablets—to create compelling calls to action that drive business results; and

- continuing to invest in leading-edge technologies and capabilities to ensure it can provide the most desirable and effective cross-channel solutions to marketers and publishers as technologies and user preferences change.

Quad/Graphics' "high tech/high touch" approach has led to what the Company believes is an excellent client service reputation. The Company uses the latest technology and tools to better connect clients with employees and employees with each other. Its own brand of Smartools® not only link the Company's people and equipment across its entire network of plants, but extend to the Company's clients as well, creating true, real-time communications integration. For example, the Company's Smartools® provide clients with access to the very same up-to-the-minute information used by the Company's production, customer service and sales representatives, allowing them to better manage current projects and plan future work.

Quad/Graphics pays particularly close attention to listening to what its clients say about the Company, proactively seeking their input through the annual Quad/Graphics Performance Client Survey. The survey provides sound insights on clients' experience with the Company as well as ways to enhance products, services and overall value. Key concerns are addressed by a Senior Executive Team led by the Chairman, President and Chief Executive Officer, demonstrating the Company's top-down commitment to client satisfaction. Based on survey results, the Company has worked on a series of initiatives to streamline and simplify internal processes to address known pain points; share more information about its expanded product and service offering via a newly launched website (QG.com), including a focus on its expertise in meeting the needs of specific vertical industries; and provide clients with peer networking and thought leadership opportunities in the key issues facing clients such as cross-channel marketing challenges and postal reform issues. In 2015, the Company held a two-day marketing thought leadership conference where it brought together leading

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marketers and publishers from a diverse group of industries for learning and networking opportunities. The Company's event featured keynote presentations, small group discussions, working breakout sessions and real stories from the front lines of cross-channel marketing. Quad/Graphics' 2015 Postal Conference connected United States Postal Service ("USPS") officials, key Congressional staff and client leadership responsible for circulation, production and marketing with a unique opportunity to share information, and discuss today's most pressing postal issues. Participants took away knowledge to help their business and advance postal regulation and legislation for a sustainable USPS.

Leading Mailing and Distribution Capabilities

Quad/Graphics creates targeted and personalized printed materials for its clients, which helps its clients increase consumer response rates, maximize their return on print spending and reduce overall costs. Quad/Graphics uses its in-data capabilities to analyze mail list data, demographic data, consumer transaction data and other consumer-specific data to help its clients target consumers through personalized printed materials. Personalization and targeting create the opportunity to reach the right recipients with the right (or relevant) message at the right time. The Company believes that integrating its analysis of mail list data with its logistics services allows it to reduce client freight costs for shipments to newsstands and postal centers, while providing a high level of dependability and rapid response times that are crucial to the delivery of time-sensitive materials. Further, the Company uses a national consolidation network to combine like-destination freight to maximize cost-effectiveness.

Postal rates are a significant component of many clients' cost structures, and Quad/Graphics believes that postal costs influence the number of pieces that its clients print and mail. The Company has invested significantly in its mail preparation and distribution capabilities to offset increasing postage costs, and to help clients successfully navigate the ever-changing postal environment. Through its data analytics, unique software to merge mailstreams on a large scale, advanced finishing capabilities and technology, and in-house transportation and logistics operations, the Company manages the mail preparation and distribution of most of its clients' products to maximize efficiency and reduce these costs. The Company helps its United States clients reduce their overall postage costs through what it believes, based on information published by or otherwise made available from its competitors, is the industry's largest co-mail program. The Company's co-mail program involves the sorting and bundling of printed products to be mailed to consumers, in order to facilitate better integration with USPS. The USPS offers significant work-sharing discounts for this sorting, bundling and drop-shipping to more than 300 USPS postal processing centers as it reduces handling by the USPS. By combining the products of multiple clients in the mailstream, the Company leverages the volume from participating clients, regardless of the production facility, to achieve USPS discounts for their benefit. Quad/Graphics co-mailed approximately 5.4 billion magazines, catalogs and direct marketing pieces in 2015. Quad/Graphics estimates that the Company's clients saved an estimated $260 million in 2015 through the Company's co-mailing programs.

Quad/Graphics is also able to leverage the volume of products running through its plants for further client distribution savings by coordinating and consolidating shipments from single mega plants or multiple plants that create a mega zone, and then routing those shipments directly to thousands of local newspapers, USPS processing facilities or other distribution facilities. In addition, each major United States metropolitan area is within one day's drive of at least one of the Company's strategically located facilities, providing its clients the flexibility to print closest to their end consumers.

Commitment to Ongoing Innovation and Rapid Adoption of Technology with a Focus on Execution and Influencing Media Spend for Its Clients

Over the last five years, Quad/Graphics has invested an average of 3% of its annual net sales for capital expenditures. This investment has resulted in what the Company believes is one of the most advanced and efficient platforms in the industry and has allowed the Company to reduce the amount invested in recent years without impacting its leading technological excellence. The Company has had a continued commitment to research and development, platform maintenance, manufacturing process improvements and the rapid adoption of technological innovations. For example, in early 2015 the Company announced a three-year plan to transform some of its platform from conventional web offset presses to modern digital presses that will give marketers and publishers a full range of options to produce and deliver relevant direct mail, book and other commercial products faster and more cost-effectively. Another example of Quad/Graphics' innovative approach is the integration of its imaging, manufacturing and distribution networks into a

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single platform using a networked IT infrastructure. This platform—connected via Quad/Graphics' own Smartools®—provides seamless, real-time information flow across sales and estimating, production planning, scheduling, manufacturing, warehousing, logistics, invoicing, reporting and customer service.

From a client-facing technology perspective, Quad/Graphics believes it is at the forefront of the printing industry with creating and/or rapidly adopting services that help marketers and publishers drive improved performance and ROI on their marketing spend. In 2015, Quad/Graphics announced the expansion of its existing BlueSoho business, expanding its marketing agency solutions offering into campaign development, shopper activation and mobile/digital programming. The Company believes that BlueSoho will play an important role in defining its path forward as it is now uniquely capable of orchestrating cross-media programs that turn shoppers into buyers and buyers into loyal brand advocates. The expanding service set is now comprised of local promotional strategy, conceptual design, media planning and buying, creative development, production services, marketplace deployment and program measurement. This strategic repositioning of BlueSoho as an independent brand enables Quad/Graphics to capture new business, especially among brand owners who understand the benefits of fully orchestrated media execution and actionable brand experiences—from campaign development through all forms of media activation.

Data supports the Company's belief that marketers will continue to use a multichannel approach. The November 2015 InfoTrends study Micro to Mega: Trends in Business Communications found that utilizing multiple media channels yielded a better response rate for marketing campaigns. Specifically, marketers reported an average improvement of 28% in response rate when adding email, social media, and mobile application channels to their print campaigns.

The Company has long believed that print possesses the unique ability to create an emotional connection with consumers and readers that promotes engagement and response. Data supports the Company’s belief that print works. According to the December 2015 InfoTrends study Direct Marketing Production Printing & Value-Added Services: A Strategy for Growth, 62% of consumers receiving printed catalogs that made a purchase within the last three months were influenced by the catalog. Furthermore, the study found that two-thirds of direct mail is opened and more than 40% of consumers have made a purchase in the last three months because of a piece of direct mail they received.

Quad/Graphics also conducts an annual quantitative research study, Customer Focus®™, which provides consumer views on singular and integrated media usage via an extensive survey. For example, the 2015 Customer Focus® study found that 60% of United States adults use retail inserts to find sales, coupons or promotions, and 65% of United States adults want to receive direct mail that is personalized with customized offers based on needs, interests and purchase history. The survey reveals the unique characteristics of special demographic, generational, gender and socio-economic groups and how they consume advertising and marketing messaging, and their attitudes and engagement preferences in a number of industry segments. The Company's clients use these insights to validate current marketing strategies and form strategies for new programs. Further, when coupled with third-party persona data sources, Customer Focus® provides the Company's clients with a basis for segmentation, creative and messaging relevancy, regardless of delivery channel.

This active response to print has influenced magazines publishers to increase usage of custom product covers to enhance reader engagement and retailers who primarily use digital channels, such as online-only retailers, or electronic-retailers, to incorporate print into their marketing strategy. In the past 24 months, the Company has assisted more than 40 electronic retail clients to mail printed catalogs or direct mail for the first time. Of these clients, 95% continue to market with print and more than 50% have increased page count, circulation or delivery frequency.

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Disciplined and Consistent Financial Approach

As a controlled public company, Quad/Graphics enjoys the competitive advantage of remaining under the leadership and control of the founder's family. The Quadracci family has had consistent control over the Company's operations and decision-making process since its founding in 1971, which allows for a longer-term strategic view with stability of leadership and strategic vision and deployment. As of February 18, 2016, the Quadracci family retains approximately 80% voting control of the Company through the ownership of high-vote stock. This leadership and voting control structure enables the Company to manage the Company's strategy and financial policy by having the foresight to make decisions today that could impact the Company years from now and avoiding the pitfalls of short-term decision-making that could potentially jeopardize the stability and longevity of the Company.

Quad/Graphics believes that its disciplined financial approach of focusing on maximizing earnings and Free Cash Flow, and maintaining a strong balance sheet provides a competitive advantage. Continuous Improvement and Lean Manufacturing methodologies are among the tools that Quad/Graphics uses to improve manufacturing productivity and to ultimately maximize operating margins. The Company applies these same methodologies to its selling, general and administrative functions to create a truly Lean Enterprise. Additionally, Quad/Graphics has a culture of continuous cost reduction that includes minimizing waste, increasing efficiencies and throughput, and simplifying and streamlining processes. The Company has been working diligently to lower its cost structure by consolidating its manufacturing platform into its most efficient facilities, as well as realizing purchasing, mailing and logistics efficiencies by centralizing and consolidating print manufacturing volumes and eliminating redundancies in its administrative and corporate operations. Quad/Graphics believes that its focused efforts to be the high-quality, low-cost producer generates increased Free Cash Flow and allows the Company to maintain a strong balance sheet through debt and pension liability reductions. The Company's disciplined financial approach also allows it to maintain sufficient liquidity as well as to reduce refinancing risk, with the nearest significant maturity not occurring until April 2019.

The Company takes a very disciplined approach to its capital allocation decisions. A key part of this discipline is a goal of having ROI exceed the cost of capital, whether the investments are related to purchasing the right equipment or investing in the right strategic growth initiatives. The Company balances the use of cash between deleveraging the balance sheet through debt and pension liability reductions; making compelling investment opportunities; or returning cash back to shareholders through dividends and share repurchases.

When reviewing an investment opportunity, such as a consolidating acquisition, Quad/Graphics uses a disciplined, value-driven approach to ensure the following criteria are met before any opportunity is selected:

- Strategic Fit. The Company conducts a thorough review process to ensure a potential acquisition will be a good strategic fit.

- Economics Make Sense. The Company ensures that the economics make sense and will create value through an enhanced range of products and services, revenue-generating solutions and increased efficiencies. Key economics include the negotiated purchase price, targeted efficiencies from integrating the companies together and the necessary cost to achieve those synergies.

- Executable Integration Plan. The Company makes certain that the integration plan is executable in a timely manner and without risk of significant client disruption. The Company has a holistic approach to integration and measures success with four key elements: financial metrics, client retention and satisfaction, employee integration, and IT and platform integration.

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Balance Sheet Integrity. The Company ensures that post-acquisition, it retains the financial strength and flexibility it had prior to the acquisition.

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Well-Defined Integration Process

As Quad/Graphics has grown through acquisitions, it has refined its integration process, creating what it believes to be a very well-defined and disciplined approach. The Company's integration process puts a strong focus on serving clients well—minimizing disruption and maximizing retention—while improving the efficiency and productivity of its platform to drive cost savings. The Company does not simply "bolt on" its acquisitions, leaving them to operate independently and overlooking the opportunities to eliminate redundancies and improve efficiencies. Rather, it seeks to fully integrate the business. Following an integration, Quad/Graphics takes a holistic approach to measuring success, considering client retention and satisfaction, employee integration, IT and platform integration and financial metrics. The Company uses the knowledge gained to improve future integration processes and has applied the same discipline to manage cost reduction initiatives through the Company's Project Management Office.

Given that integrating corporate cultures is one of the most complex and important efforts following an acquisition, the Company puts a strong focus on it. Looking specifically at employee integration efforts, Quad/Graphics spends time helping new employees understand Company culture, including how it runs the business and the values system that drives decision-making and conduct. As necessary, new employees in management and supervisory roles participate in a training program that helps them develop a deeper understanding of the organization and resources.

Distinct Corporate Culture

Quad/Graphics believes that its distinct corporate culture, which evolved from a core set of values conceived by the late founder Harry V. Quadracci, drives thoughtful decision-making, especially with regard to how it manages operations and creates solutions that redefine print in a multichannel media landscape, and better positions the Company to prevail in the dynamic and competitive printing industry. The Company fosters an entrepreneurial environment by inspiring and empowering employees to own projects and enact solutions that advance the Company's goals. Employees in the United States also may have a beneficial ownership interest in the Company through company stock held in an employee stock ownership plan, enhancing their sense of ownership. The Company believes that the empowerment, engagement and development of its employee owners foster a strong partnership approach within the business that delivers results.

To maintain a culture of employee empowerment, the Company helps employees keep current on skills through education and training programs offered on the job and in the classroom. Continuous Improvement classes include Lean Enterprise and Six Sigma training, designed to empower both production and administrative employees to find better ways to do their jobs and improve department and Company performance. Safety initiatives include regular safety huddles and quizzes to discuss safe work conduct and promote a safety mindset, as well as on-site safety classes, including first-responder training. The Company also maintains what it believes to be the industry's premier management training program, also known as the Corporate Training Program, which attracts capable, inspired next-generation talent as well as experienced, ready-to-contribute second-career talent.

Quad/Graphics further invests in its employees by providing personal improvement classes, financial and retirement planning and comprehensive health and wellness benefits. Through its own network of QuadMed primary care clinics located at larger worksite locations, and combined with advanced telemedicine systems, the Company provides high-quality primary medical care and specialty services to employees and their families at a low cost. The Company demonstrates its commitment to wellness through onsite fitness centers at a number of printing plant locations, as well as by offering smoking cessation, weight-management and nutrition classes among other wellness-related programs; providing employee assistance program counseling services; and developing its own programs with financial incentives for managing chronic conditions such as diabetes and asthma (known as Well You) and promoting healthy lifestyles. QuadMed also sells this business model of healthcare services to third-party businesses.

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The Company has a number of programs designed to attract next-generation talent while retaining and engaging existing, valued employees. These programs include "Think Smalls," a small-group gathering outside of work hours to strengthen co-worker relationships and provide a forum for meaningful business discussion; an industry years of service recognition program; and financial and volunteer support in the communities where employees live and work. These programs are part of the Company's "Quad Proud" campaign that recognizes individual employee contributions to the Company's collective success while never forgetting the importance of being a Quad/Graphics team member, which includes the obligation to mentor the next generation of employees.

Quad/Graphics is led by an experienced management team with a proven track record in the printing industry that is committed to preserving the Company's values-based culture. The senior management team includes individuals with long tenure with the Company augmented with seasoned industry talent realized through strategic hiring or recent acquisitions, further supported by managers and employees committed to advancing print solutions in coordination with the ever-evolving multichannel media landscape. The Company believes the experience and stability of senior management, paired with next-generation entrepreneurially minded employees, will contribute to its long-term success as it continues on its path forward.

Segment Description

Quad/Graphics operates primarily in the commercial print portion of the printing industry, with related product and service offerings designed to offer clients complete solutions for communicating their message to target audiences. The Company's operating and reportable segments are aligned with how the chief operating decision maker of the Company currently manages the business. The Company's reportable and operating segments and their product and service offerings are summarized below:

United States Print and Related Services

The United States Print and Related Services segment is predominantly comprised of the Company's United States printing operations and is managed as one integrated platform. This includes retail inserts, publications, catalogs, special interest publications, journals, direct mail, books, directories, in-store marketing and promotion, packaging, newspapers, custom print products, other commercial and specialty printed products and global paper procurement, together with complementary service offerings, including marketing strategy, media planning and placement, data insights, segmentation and response analytics services, creative services, videography, photography, workflow solutions, digital imaging, facilities management services, digital publishing, interactive print solutions including image recognition and near field communication technology, mailing, distribution, logistics, and data optimization and hygiene services. This segment also includes the manufacture of ink. The United States Print and Related Services segment accounted for approximately 92%, 91% and 90% of Quad/Graphics' consolidated net sales in 2015, 2014 and 2013, respectively.

International

The International segment consists of the Company's printing operations in Europe and Latin America, including operations in England, France, Germany, Poland, Argentina, Colombia, Mexico and Peru, as well as strategic investments in printing operations in Brazil and India. This segment provides printed products and complementary service offerings consistent with the United States Print and Related Services segment. The International segment accounted for approximately 8%, 9% and 10% of the Company's consolidated net sales in 2015, 2014 and 2013, respectively.

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Corporate

Corporate consists of unallocated general and administrative activities and associated expenses including, in part, executive, legal and finance. In addition, in 2014 and 2015 certain expenses and income from frozen employee retirement plans, such as pension and postretirement benefit plans, are included in Corporate and not allocated to the operating segment.

For additional financial information by segment and geographic area, see Note 22, "Segment Information," and Note 23, "Geographic Area and Product Information," to the consolidated financial statements, respectively, in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K. For a discussion of the risks attendant to the Company's foreign operations, see the risk factor titled "There are risks associated with the Company's operations outside of the United States" in Item 1A, "Risk Factors," of this Annual Report on Form 10-K.

Competition

The printing industry, with approximately 45,000 companies in the United States, is highly fragmented and competitive. The four largest printing companies account for less than 20% of total commercial print industry annual revenue in the United States, with Quad/Graphics being the second largest. Although there has been significant industry consolidation, particularly in the past decade, the largest 400 printers in the printing industry still only represent just over half of the total industry revenue in the United States, according to the December 2015 Printing Impressions PI400. According to the October 2015 Printing in the U.S. IBISWorld industry report, the majority of commercial printers in the United States are privately owned and generate, on average, less than $35 million in annual revenue and approximately 70% of firms operating in the industry have fewer than 10 employees.

In addition to being in a highly fragmented industry, the Company also faces competition due to the increased accessibility and quality of digital alternatives to traditional delivery of printed documents through the online distribution and hosting of media content, and the digital distribution of documents and data. In addition, the Company faces competition from print management firms, which look to streamline processes and reduce the overall print spend of the Company's clients, as well as from strategic marketing firms focused on helping businesses integrate multiple channels into their marketing campaigns.

Across Quad/Graphics' range of products and services, competition is based on a number of factors, including the following:

- total price of printing, materials and distribution;
- quality;
- range of services offered, including the ability to provide multichannel marketing campaigns;
- marketing expertise;
- distribution capabilities;
- customer service;
- access to a highly skilled workforce;
- availability to schedule work on appropriate equipment;

- on-time production and delivery; and
- state-of-the-art technology to meet a client's business objectives, including the ability to adopt new technology quickly.

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Clients

Quad/Graphics enjoys long-standing relationships with a diverse base of clients, which includes both national and regional corporations in North America, South America, Europe and Asia. The Company's clients include industry-leading blue chip companies that operate in a wide range of industries and serve both businesses and consumers, including retailers, publishers and direct marketers. The Company's relationships with its largest clients average more than 19 years in duration.

In 2015, Quad/Graphics served approximately 9,400 clients, and its 10 largest clients accounted for approximately 15% of consolidated sales, with none representing more than 5% individually. The Company believes that its large and diverse client base, broad geographic coverage and extensive range of printing and print-related capabilities are competitive strengths.

Patents, Trademarks and Trade Names

Quad/Graphics operates research and development facilities that support the development of new equipment, process improvements, raw materials and content management, and distribution technologies to better meet client needs and improve operating efficiencies. The Company continues to innovate within the printing and print-related industry and, as a result, has developed what it believes to be one of the most powerful patent portfolios in the print industry.

Quad/Graphics currently holds or has rights to commercialize a wide variety of worldwide patents and applications relating to its business. The Company intends to continue to file patent applications that it believes will help ensure the continued strength of the Company and its portfolio. Additionally, the Company markets products, services and capabilities under a number of trademarks and trade names. Quad/Graphics aggressively defends its intellectual property rights and intends to continue to do so in the future.

Raw Materials

The primary raw materials that Quad/Graphics uses in its print business are paper, ink and energy. At this time, the Company's supply of raw materials is readily available from numerous vendors; however, based on market conditions, that could change in the future. The Company generally buys these raw materials based upon market prices that are established with the vendor as part of the procurement process.

The majority of paper used by the Company is supplied directly by its clients. For those clients that do not directly supply their own paper, the Company makes use of its purchasing efficiencies to supply paper by negotiating with leading paper vendors, uses a wide variety of paper grades, weights and sizes, and does not rely on any one vendor. In addition, the Company generally includes price adjustment clauses in sales contracts for paper and other critical raw materials in the printing process. Although these clauses generally mitigate paper price risk, higher paper prices and tight paper supplies may have an impact on client demand for printed products. The Company's working capital requirements, including the impact of seasonality, are partially mitigated through the direct purchasing of paper by its clients.

The Company produces the majority of ink used in its print production, allowing it to control the quality, cost and supply of key inputs. Raw materials for the ink manufacturing process are purchased externally from a variety of vendors.

The Company generally cannot pass on to clients the impact of higher electric and natural gas energy prices on its manufacturing costs, and increases in energy prices result in higher manufacturing costs for certain of its operations.

The Company mitigates its risk through natural gas hedges when appropriate. In its logistic operations, however, the Company is able to pass a substantial portion of any increase in fuel prices directly to its clients.

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Environmental Stewardship

As the owner, lessee or operator of various real properties and facilities, Quad/Graphics is subject to various federal, state and local environmental laws and regulations, including those relating to air emissions; waste generation, handling, management and disposal; sanitary and storm water discharge; and remediation of contaminated sites. Historically, compliance with these laws and regulations has not had a material adverse effect on the Company's results of operations, financial position or cash flows. Compliance with existing or new environmental laws and regulations may require the Company to make future expenditures.

Quad/Graphics strives to be the leader in the printing industry in adopting new technologies and processes to minimize the Company's impact on the environment. The Company believes it has long been known for its environmental stewardship. Quad/Graphics' proactive approach to incorporate holistic practices has also positively impacted operating costs through the reduction of waste, energy use, emissions, as well as through the implementation of water conservation solutions. The Company has also undertaken steps to reduce greenhouse gas emissions from its manufacturing processes and to improve fuel efficiency and reduce emissions in its fleet of Company-owned tractor trailers.

Employees

As of December 31, 2015, Quad/Graphics had approximately 22,500 full-time equivalent employees in North America, South America, Europe and Asia. Within the United States, there were approximately 19,600 full-time equivalent employees of which approximately 800 were covered by a collective bargaining agreement. Outside of the United States, there were approximately 2,900 full-time equivalent employees, of which approximately 1,300 were either governed by agreements that apply industry-wide, by a collective bargaining agreement or through works councils or similar arrangements. Quad/Graphics believes that its employee relations are good and that the Company maintains an employee-centric culture.

Business Acquisitions

The following is a listing of the Company's 2015 acquisition activity. For additional information related to the Company's acquisition activity, see Note 2, "Acquisitions and Strategic Investments," to the consolidated financial statements in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

- The Company completed the acquisition of Specialty, a full-service paperboard folding carton manufacturer and logistics provider located in Omaha, Nebraska, on August 25, 2015.
- The Company completed the acquisition of Copac, a leading international provider of innovative packaging and supply chain solutions, including turnkey packaging design, production and fulfillment services across a range of end markets headquartered in Spartanburg, South Carolina, on April 14, 2015.
- The Company completed the acquisition of Marin's, a worldwide leader in the point-of-sale display industry headquartered in Paris, France, on February 3, 2015.

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Executive Officers of Quad/Graphics

The following table sets forth the names, ages (as of February 18, 2016) and positions of Quad/Graphics' executive officers.

Name	Age	Position
J. Joel Quadracci	47	Chairman, President and Chief Executive Officer
John C. Fowler	65	Vice Chairman and Executive Vice President of Global Strategy and Corporate Development
Thomas J. Frankowski	55	Chief Operating Officer
Renee B. Badura	52	Executive Vice President of Sales
David A. Blais	53	Executive Vice President of Global Procurement and Platform Strategy
David J. Honan	47	Executive Vice President and Chief Financial Officer
Jennifer J. Kent	44	Executive Vice President of Administration and General Counsel
Kelly A. Vanderboom	41	President of Logistics, Vice President and Treasurer
Steven D. Jaeger	51	Vice President and Chief Information Officer
Nancy J. Ott	50	Vice President of Human Resources
Maura D. Packham	47	Vice President of Marketing and Communications
Anthony C. Staniak	43	Vice President, Corporate Controller and Chief Accounting Officer

Mr. Quadracci has served as the Chairman, President and Chief Executive Officer of Quad/Graphics since January 2010. He previously served as President and Chief Executive Officer from July 2006 to January 2010, President from January 2005 to July 2006 and has served as a director of Quad/Graphics since 2003. Mr. Quadracci joined Quad/Graphics in 1991 and, prior to becoming President and Chief Executive Officer, served in various capacities, including Sales Manager, Regional Sales Strategy Director, Vice President of Print Sales, Senior Vice President of Sales & Administration, and President and Chief Operating Officer. Mr. Quadracci is the brother of Kathryn Quadracci Flores, a director of the Company, and the brother-in-law of Christopher B. Harned, a director of the Company. Quad/Graphics believes that Mr. Quadracci's experience in the printing industry and in leadership positions with the Company qualifies him for service as a director of the Company.

Mr. Fowler has served as Vice Chairman and Executive Vice President of Global Strategy and Corporate Development since March 2014. He previously served as Executive Vice President and Chief Financial Officer from July 2010 to March 2014, as Senior Vice President and Chief Financial Officer from May 2005 to July 2010 and as Vice President and Controller from when he joined Quad/Graphics in 1980 (which at the time was the Company's top financial position) until May 2005. Prior to joining Quad/Graphics, Mr. Fowler worked for Arthur Andersen LLP for six years.

Mr. Frankowski has served as Chief Operating Officer since March 2014. He previously served as Executive Vice President of Manufacturing & Operations and President of Europe from July 2010 to March 2014. Prior thereto, Mr. Frankowski was Senior Vice President of Manufacturing from 2004 to July 2010, President of Quad/Graphics Europe, Quad/Graphics' Polish subsidiary, from 2008 to July 2010, and he served in various other capacities since he joined Quad/Graphics in 1979.

Ms. Badura has served as Executive Vice President of Sales since June 2015. She previously served as Vice President of Omnichannel Sales Strategy from February 2014 to June 2015, as Regional Vice President of Sales-Midwest for Marketing Solutions from January 2012 to February 2014, as Vice President of Sales - East Coast for Magazines and Catalogs from April 2007 to December 2011, as Vice President of Sales - West Coast from January 2004 to March 2007 and in various other capacities since she joined Quad/Graphics in 1986.

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Mr. Blais has served as Executive Vice President of Global Procurement and Platform Strategy since March 2014. He previously served as Executive Vice President of Sales and Client Services from January 2012 to March 2014 and as Executive Vice President and President of Magazines and Catalogs from July 2010 to January 2012. Mr. Blais was Senior Vice President of Sales & Administration from May 2005 to July 2010, Quad/Graphics' Vice President of Operations from 1999 to May 2005 and in various other capacities since he joined Quad/Graphics in 1984.

Mr. Honan has served as Executive Vice President and Chief Financial Officer since January 2015. He previously served as Vice President and Chief Financial Officer from March 2014 to January 2015, Vice President and Chief Accounting Officer from July 2010 to March 2014, Vice President and Corporate Controller from December 2009 to July 2010 and as the Company's Corporate Controller from when he joined Quad/Graphics in May 2009 until December 2009. Prior to joining Quad/Graphics, Mr. Honan served as Vice President, General Manager and Chief Financial Officer of Journal Community Publishing Group, a subsidiary of media conglomerate Journal Communications Inc., for five years. Before joining Journal Community Publishing Group, Mr. Honan worked in executive-level roles in investor relations and corporate development at Newell Rubbermaid, a global marketer of consumer and commercial products. Prior thereto, Mr. Honan worked at the accounting firm Arthur Andersen LLP for 11 years.

Ms. Kent has served as Executive Vice President of Administration and General Counsel since June 2015. She previously served as Vice President and General Counsel from December 2013 to June 2015 and as the Company's Assistant General Counsel from when she joined Quad/Graphics in August 2010 until December 2013. Prior to joining Quad/Graphics, Ms. Kent held various positions in the legal department at Harley-Davidson Motor Company from March 2003 to July 2010. Prior thereto, Ms. Kent served as an Assistant United States Attorney for the Eastern District of Wisconsin and practiced law at Foley & Lardner LLP, a Milwaukee-based law firm.

Mr. Vanderboom has served as President of Logistics, Vice President and Treasurer since March 2014. He previously served as Quad/Graphics' Vice President & Treasurer from 2008 to March 2014 and as its Treasurer from 2007 to 2008. Prior to becoming Quad/Graphics' Treasurer, Mr. Vanderboom served as Director of Treasury, Risk & Planning from 2006 until 2007, as Controller of Quad/Graphics' Distribution and Facilities departments from 2004 until 2006, and in various other capacities since he joined Quad/Graphics in 1993.

Mr. Jaeger has served as Vice President and Chief Information Officer since November 2015. He previously served as Executive Vice President, President of Direct Marketing and Chief Information Officer from November 2014 to November 2015, as Executive Vice President, President of Direct Marketing and Media Solutions and Chief Information Officer from March 2014 to November 2014, as Corporate Vice President of Information and Technology for Quad/Graphics since 2013, Vice President of Information Systems and Infrastructure from 2007 to 2012 and as President of Quad/Direct since August 2007. Prior thereto, Mr. Jaeger had been Quad/Graphics' Vice President of Information Systems from 1998 to 2006 and had worked in various other capacities since he joined the Company in 1994. Prior to joining Quad/Graphics, Mr. Jaeger worked for Andersen Consulting for eight years.

Ms. Ott has served as Vice President of Human Resources since December 2013. She previously served as the Company's Executive Director of Human Resources from 2009 to 2013, as Manager of Human Resources from 1994 to 2009 and as Employee Services Generalist from 1986 to 1994. Prior to joining Quad/Graphics, Ms. Ott worked for Principal Financial Group.

Ms. Packham has served as Vice President of Marketing and Communications from when she joined Quad/Graphics in July 2010. Prior to joining Quad/Graphics, Ms. Packham served as World Color Press' Vice President of Marketing for North America during 2010 and as World Color Press' Vice President of Marketing for the Marketing Solutions Group from 2003 to 2009. She joined World Color Press in 1995 as a senior financial analyst.

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Mr. Staniak has served as Vice President, Corporate Controller and Chief Accounting Officer since January 2015. He previously served as Executive Director, Financial Controller and Chief Accounting Officer from March 2014 to January 2015, as Executive Director and Financial Controller from March 2013 to March 2014, as Director of Internal Audit from November 2011 to March 2013 and as Director of External Reporting from when he joined Quad/Graphics in October 2009 until November 2011. Prior to joining Quad/Graphics, Mr. Staniak served as Chief Financial Officer for the data consulting firm Sagence, Inc. since 2002. Prior thereto, Mr. Staniak worked in the audit division of the accounting firm Arthur Andersen LLP since 1995.

Executive officers of the Company are elected by and serve at the discretion of the Company's board of directors. Other than described above, there are no family relationships between any directors or executive officers of Quad/Graphics.

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Item 1A. Risk Factors

You should carefully consider each of the risks described below, together with all of the other information contained in this Annual Report on Form 10-K, before making an investment decision with respect to Quad/Graphics' securities. If any of the following risks develop into actual events, the Company's business, financial condition or results of operations could be materially and adversely affected, and you may lose all or part of your investment.

Quad/Graphics operates in a highly competitive industry.

Quad/Graphics operates primarily in the commercial print portion of the printing industry. The printing industry, with approximately 45,000 companies in the United States, is highly fragmented and competitive. The four largest printing companies account for less than 20% of total commercial print industry annual revenue in the United States. Although there has been significant industry consolidation, particularly in the past decade, the largest 400 printers in the printing industry still only represent just over half of the total industry revenue in the United States, according to the December 2015 Printing Impressions PI400. According to the October 2015 Printing in the U.S. IBISWorld Industry Report, the majority of commercial printers in the United States are privately owned and generate, on average, less than $35 million in annual revenue and approximately 70% of firms operating in the industry have fewer than 10 employees. As such, the Company competes for business not only with large and mid-sized printers, but also with smaller regional printers. In certain circumstances, due primarily to factors such as freight rates and client preference for local services, printers with better access to certain regions of a given country may be preferred by clients in such regions.

In recent years, the printing industry has experienced a reduction in demand for printed materials and overcapacity due to various factors including the great recession of 2008 and 2009, which severely impacted volumes and competition from alternative sources of communication, including email, the Web, electronic readers, interactive television and electronic retailing. The impacts of overcapacity and intense competition have led to continued downward pricing pressures. Printing industry revenues may continue to decrease in the future. Some of the industries that the Company services have been subject to consolidation efforts, leading to a smaller number of potential clients. Furthermore, if the smaller clients of Quad/Graphics are consolidated with larger companies using other printing companies, the Company could lose its clients to competing printing companies.

The printing industry is highly competitive and expected to remain so. Any failure on the part of the Company to compete effectively in the markets it serves could have a material adverse effect on its results of operations, financial condition or cash flows and could require changes to the way it conducts its business or require it to reassess strategic alternatives involving its operations.

Significant downward pricing pressure and decreasing demand for printing services caused by factors outside of the Company's control may adversely affect the Company.

The Company has experienced significant downward pricing pressures for printing services in the past, and pricing for printing services has declined significantly in recent years. Such pricing may continue to decline from current levels. In addition, demand for printing services has decreased in recent years and may continue to decrease. Any increases in the supply of printing services or decreases in demand could cause prices to continue to decline, and prolonged periods of low prices, weak demand and/or excess supply could have a material adverse effect on the Company's business growth, results of operations and liquidity.

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Quad/Graphics may not be able to reduce costs and improve its operating efficiency rapidly enough to meet market conditions.

Because the markets in which the Company competes are highly competitive, Quad/Graphics will need to continue to improve its operating efficiency in order to maintain or improve its profitability. There can be no assurance that the Company's continuing cost reduction efforts will continue to be beneficial to the extent anticipated, or that the estimated productivity, cost savings or cash flow improvements will be realized as anticipated or at all. If the Company's efforts are not successful, it could have an adverse effect on the Company's operations and competitive position. In addition, the need to reduce ongoing operating costs have and, in the future, may continue to result in significant up-front costs to reduce workforce, close or consolidate facilities, or upgrade equipment and technology.

The impact of electronic media and similar technological changes, including the substitution of printed products for digital content, may continue to adversely affect the results of the Company's operations.

The media landscape is experiencing rapid change due to the impact of electronic media and digital content on printed products. Improvements in the accessibility and quality of digital media through the online distribution and hosting of media content, mobile technologies, e-reader technologies, electronic retailing and the digital distribution of documents and data has resulted and may continue to result in increased consumer substitution. Continued consumer acceptance of such digital media, as an alternative to print materials, is uncertain and difficult to predict and may decrease the demand for the Company's printed products, result in reduced pricing for its printing services and additional excess capacity in the printing industry and adversely affect the results of the Company's operations.

Future declines in economic conditions may adversely affect the Company's results of operations.

In general, demand for the Company's products and services is highly related to general economic conditions in the markets Quad/Graphics clients serve. Declines in economic conditions in the United States or in other countries in which the Company operates may adversely impact the Company's financial results, and these impacts may be material. Because such declines in demand are difficult to predict, the Company or the industry may have increased excess capacity as a result. An increase in excess capacity has resulted and may continue to result in declines in prices for the Company's products and services. In addition, a prolonged decline in the global economy and an uncertain economic outlook has and could further reduce the demand in the printing industry. Economic weakness and constrained advertising spending have resulted, and may in the future result, in decreased revenue, operating margin, earnings and growth rates and difficulty in managing inventory levels and collecting accounts receivable. The Company has experienced, and expects to experience in the future, excess capacity and lower demand due to economic factors affecting consumers' and businesses' spending behavior. Uncertainty about future economic conditions makes it difficult for the Company to predict results of operations, financial position and cash flows and to make strategic decisions regarding the allocation and deployment of capital.

Quad/Graphics' debt facilities include various covenants imposing restrictions that may affect the Company's ability to operate its business.

On September 1, 1995, and as last amended on November 24, 2014, Quad/Graphics entered into a senior secured note agreement (the "Master Note and Security Agreement") pursuant to which the Company has issued over time senior notes in an aggregate principal amount of $1.1 billion in various tranches. As of December 31, 2015, the borrowings outstanding under the Master Note and Security Agreement were $260.4 million. On April 28, 2014, and as last amended on December 18, 2014, the Company entered into a $1.6 billion senior secured credit facility (the "Senior Secured Credit Facility,") which includes three different loan facilities, a Term Loan A, a Term Loan B, and a revolving credit facility. The $850.0 million revolving credit facility and the $450.0 million Term Loan A mature on April 27, 2019. The $300.0 million Term Loan B matures on April 27, 2021. As of December 31, 2015, the borrowings outstanding under the Senior Secured Credit Facility was $774.6 million. On April 28, 2014, the Company also issued $300.0 million aggregate principal amount of its unsecured 7.0% senior notes due May 1, 2022 ("Senior Unsecured Notes,") all of which remains outstanding as of December 31, 2015.

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The Company's various lending arrangements include certain financial covenants. In addition to the financial covenants, the debt facilities also include certain limitations on acquisitions, indebtedness, liens, dividends and repurchases of capital stock. As of December 31, 2015, the Company was in compliance with all financial covenants in its debt agreements. While the Company currently expects to be in compliance in future periods with all of the financial covenants, there can be no assurance that these covenants will continue to be met. The Company's failure to maintain compliance with the covenants could prevent the Company from borrowing additional amounts and could result in a default under any of the debt agreements. Such default could cause the outstanding indebtedness to become immediately due and payable, by virtue of cross-acceleration or cross-default provisions.

Quad/Graphics' business depends substantially on customer contract renewals and/or customer retention. Any contract non-renewals, renewals on different terms and conditions or decline in the Company's customer retention or expansion could materially adversely affect Quad/Graphics' results of operations, financial condition and cash flows.

The Company has historically derived a significant portion of its revenue from long-term contracts with significant clients. If the Company loses significant clients, is unable to renew such contracts on similar terms and conditions, or at all, or is not awarded new long-term contracts with important clients in the future, its results of operations, financial condition and cash flows may be adversely affected.

The Company is exposed to risks of loss in the event of nonperformance by its clients. Some of the Company's clients are highly leveraged or otherwise subject to their own operating and regulatory risks. Even if the Company's credit review and analysis mechanisms work properly, the Company may experience financial losses and loss of future business if its clients become bankrupt, insolvent or otherwise are unable to pay the Company for its work performed. Any increase in the nonpayment or nonperformance by clients could adversely affect the Company's results of operations and financial condition.

Certain of the industries in which the Company's clients operate are experiencing consolidation. When client consolidation occurs, it is possible that the volume of work performed by the Company for a client after the consolidation will be less than it was before the consolidation or that the client's work will be completely moved to competitors. Any such reduction or loss of work could adversely affect the Company's results of operations and financial condition.

Quad/Graphics may be adversely affected by increases in its operating costs, including the cost and availability of raw materials, labor-related costs, fuel and other energy costs and freight rates.

The primary raw materials that Quad/Graphics uses in its print business are paper, ink and energy. The price of such raw materials has fluctuated over time and has caused fluctuations in the Company's net sales and cost of sales. This volatility may continue and Quad/Graphics may experience increases in the costs of its raw materials in the future as prices in the overall paper, ink and energy markets are expected to remain beyond its control.

The majority of paper used by the Company is supplied by its clients. For those clients that do not directly supply their own paper, the Company generally includes price adjustment clauses in sales contracts for paper and other critical raw materials in the printing process. Although these clauses generally mitigate paper price risk, higher paper prices and tight paper supplies may have an impact on client demand for printed products. If Quad/Graphics passes along increases in the cost of paper and the price of the Company's products and services increases as a result, client demand could be adversely affected, and thereby, negatively impact Quad/Graphics' financial performance. If the Company is unable to continue to pass along increases in the cost of paper to its clients, future increases in paper costs would adversely affect its margins and profits.

Quad/Graphics is dependent upon the vendors within the Company's supply chain to maintain a steady supply of inventory, parts and materials. Many of the Company's products are dependent upon a limited number of vendors, and significant disruptions could adversely affect operations. Under recent market conditions, including the tightening credit market, it is possible that one or more of the Company's vendors will be unable to fulfill their operating obligations due to financial hardships, liquidity issues or other reasons related to the prolonged market recovery.

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Due to the significance of paper in the Company's business, it is dependent on the availability of paper. In periods of high demand, certain paper grades have been in short supply, including grades used in the Company's business. In addition, during periods of tight supply, many paper producers allocate shipments of paper based upon historical purchase levels of customers. Although Quad/Graphics generally has not experienced significant difficulty in obtaining adequate quantities of paper, unforeseen developments in the overall paper markets could result in a decrease in the supply of paper and could adversely affect the Company's revenues or profits.

In addition, the Company may not be able to resell waste paper and other by-products or the prices received for their sale may decline substantially.

The Company has less frequently been able to pass along increases in the cost of ink and energy to its clients. If the Company is unable to pass along increases in the cost of ink and energy, future increases in these items would adversely affect its margins and profits. If Quad/Graphics is able to pass along increases in the costs of ink and energy and the price of the Company's products and services increases as a result, client demand could be adversely affected, and thereby, negatively impact Quad/Graphics' financial performance.

Labor represents a significant component of the cost structure of Quad/Graphics. Increases in wages, salaries and benefits, such as medical, dental, pension and other post-retirement benefits, may impact the Company's financial performance. Changes in interest rates, investment returns or the regulatory environment may impact the amounts the Company will be required to contribute to the pension plans that it sponsors and may affect the solvency of these pension plans. Quad/Graphics may be unable to achieve labor productivity targets, to retain employees or labor may not be adequately available in locations in which the Company operates, which could negatively impact the Company's financial performance.

Freight rates and fuel costs also represent a significant component of the Company's cost structure. In general, the Company has been able to pass along increases in the cost of freight and fuel to many of its clients. If the Company is not able to pass along a substantial portion of increases in freight rates or in the price of fuel, future increases in these items would adversely impact the Company's margin and profits. If Quad/Graphics passes along increases in the cost of freight and fuel and the price of the Company's products and services increases as a result, client demand could be adversely affected, and thereby, negatively impact Quad/Graphics' financial performance.

Changes in postal rates, postal regulations and postal services may adversely impact customers' demand for print products and services.

Postal costs are a significant component of the cost structures of many of the Company's clients and potential clients. Postal rate changes and USPS regulations that result in higher overall costs can influence the volume that these clients will be willing to print and ultimately send through the USPS.

Integrated distribution with the postal service is an important component of the Company's business. Any material change in the current service levels provided by the postal service could impact the demand that clients have for print services. The USPS has reported cumulative net losses totaling more than $56 billion since 2007. Without increased revenues or action by Congress to reform the USPS' cost structure, these losses will continue into the future. As a result of these financial difficulties, the USPS has come under increased pressure to adjust its postal rates and service levels. In January 2014, the USPS implemented a temporary exigent postage rate increase of 6.0% (includes the normal and expected annual Consumer Price Index ("CPI") increase of 1.7% and an additional 4.3% temporary exigent increase). In January 2015, the USPS filed a proposal with the Postal Regulatory Commission ("PRC") for a CPI increase of 2.0% on April 26, 2015. After being rejected twice by the PRC, the third proposal was approved, and prices were implemented on May 31, 2015. Additionally, the 4.3% temporary exigent increase was extended and is scheduled to end in April 2016. However, the USPS has filed an appeal in federal court requesting that the "surcharge" be continued and made part of the permanent base postage rate. Additionally, there is legislation pending before Congress that would also make this surcharge a permanent part of the base postage rate. Many of the Company's customers have already budgeted for their postal spend assuming that the current law would be maintained and the surcharge would end as scheduled. A court ruling or passage of legislation that maintains the postage surcharge may result in customers reducing mail volumes and exploring the use of alternative methods for delivering their products, such as continued

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diversion to the Internet and other alternative media channels in order to ensure that they stay within their expected postage budgets.

The USPS does offer "work-share" discounts that provide incentives to co-mail and place product as far down the mail-stream as possible. Discounts are earned as a result of less handling of the mail, and therefore, lower costs for the USPS. As a result, Quad/Graphics has made substantial investments in co-mailing technology and equipment to ensure customers benefit from these discounts. As the USPS reacts to its financial difficulties, it often revises design standards for mail entering its system. These design standards often increase costs for customers and, in turn, minimize the value of the cost reductions that the Company's co-mailing services provide. If the incentives to co-mail are minimized by USPS regulations, the overall cost to mail printed products will increase and may result in print volumes declining.

Current federal law limits postal rate increase (outside of an "exigent circumstance") to the increase in the CPI. This cap works to ensure funding stability and predictability for mailers. However, that same federal statute requires the PRC to conduct a review of the overall rate-making structure for the USPS. This review will begin in late 2016 with new rates going into effect by January 1, 2018. This rate review may result in a substantially altered rate structure for mailers. There is a great deal of uncertainty as to the outcome of this review as it may retain the current CPI cap or, more likely, it will result in a revised structure. The newly revised rates may include a higher rate cap or potentially the elimination of a rate cap altogether which will result in no restrictions on the USPS' ability to increase rates from year to year. That kind of rate-making flexibility may lead to price spikes for mailers and may also reduce the incentive for the USPS to continue to take out costs and instead continue to rely on postage to cover the costs of an outdated postal service that does not reflect the industry's ability or willingness to pay. The end result may be reduced demand for printed products as customers may move more aggressively into other delivery methods such as the many digital and mobile options now available to consumers.

If Quad/Graphics fails to identify, manage, complete and integrate acquisitions, investment opportunities or other significant transactions, it may adversely affect the Company's future results.

As part of Quad/Graphics' growth strategy, the Company may pursue acquisitions of, investment opportunities in or other significant transactions with companies that are complementary to the Company's business. In order to pursue this strategy successfully, the Company must identify attractive acquisition or investment opportunities, successfully complete the transaction, some of which may be large and complex, and manage post-closing issues such as integration of the acquired company or employees. Quad/Graphics may not be able to identify or complete appealing acquisition or investment opportunities given the intense competition for these transactions. Even if the Company identifies and completes suitable corporate transactions, the Company may not be able to successfully address inherent risks in a timely manner, or at all. These inherent risks include, among other things: (1) failure to successfully integrate the purchased operations, technologies, products or services and maintain uniform standard controls, policies and procedures; (2) substantial unanticipated integration costs; (3) loss of key employees including those of the acquired business; (4) diversion of management's attention from other operations; (5) failure to retain the clients of the acquired business; (6) failure to achieve any projected synergies and performance targets; (7) additional debt and/or assumption of known or unknown liabilities; (8) potential dilutive issuances of equity securities; and (9) a write-off of goodwill, client lists, other intangibles and amortization of expenses. If the Company fails to successfully integrate an acquisition, the Company may not realize all or any of the anticipated benefits of the acquisition, and Quad/Graphics' future results of operations could be adversely affected. In addition, the diversion of management's attention from the Company's other operations due to these acquisitions and integration effort could adversely affect its business and have a negative financial impact.

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Quad/Graphics' entry into additional markets increases the complexity of the Company's business, and if the Company is unable to successfully adapt its business processes as required by these new markets, the Company will be at a competitive disadvantage and its ability to grow will be adversely affected.

As the Company expands its product line to provide additional marketing and publishing channels, the overall complexity of the Company's business increases at an accelerated rate and the Company becomes subject to different market dynamics. The new markets into which Quad/Graphics is expanding, or may expand, may have different characteristics from the markets in which the Company currently competes. These different characteristics may include, among other things, demand volume requirements, demand seasonality, product generation development rates, client concentrations and performance and compatibility requirements. The Company's failure to make the necessary adaptations to its business model to address these different characteristics, complexities and new market dynamics could adversely affect the Company's operating results.

Quad/Graphics and its facilities are subject to various consumer protection and privacy laws and regulations, and will become subject to additional laws and regulations in the future. If Quad/Graphics' efforts to comply with such laws or protect the security of information are unsuccessful, any failure may subject the Company to material liability, require it to incur material costs or otherwise adversely affect its results of operations as a result of compliance with such laws, costly enforcement actions and private litigation.

The nature of the Company's business includes the receipt and storage of information about the Company's clients, vendors and the end-users of Quad/Graphics' products and services. Quad/Graphics and its clients are subject to various United States and foreign consumer protection, information security, data privacy and "do not mail" requirements at the federal, states, provincial and local levels. Quad/Graphics is subject to many legislative and regulatory laws and regulations around the world concerning data protection and privacy. In addition, the interpretation and application of consumer and data protection laws in the United States and elsewhere are often fluid and uncertain. To the extent that the Company or its clients become subject to additional or more stringent requirements or that the Company is not successful in its efforts to comply with existing requirements or protect the security of information, demand for the Company's services may decrease and the Company's reputation may suffer, which could adversely affect the Company's results of operations. In addition, such laws may be interpreted and applied in a manner inconsistent with Quad/Graphics' internal policies. If so, the Company could suffer costly enforcement actions (including an order requiring changes to Quad/Graphics' data practices) and private litigation, which could have an adverse effect on the Company's business and results of operations. Complying with these various laws could cause Quad/Graphics to incur substantial costs or require changes to the Company's business practices in a manner adverse to Quad/Graphics' business.

Quad/Graphics may suffer a data-breach of sensitive information. If Quad/Graphics' efforts to protect the security of such information are unsuccessful, any such failure may result in costly government enforcement actions and private litigation, and our sales and reputation could suffer.

Quad/Graphics and its clients are subject to various United States and foreign cyber-security laws, which require the Company to maintain adequate protections for electronically held information. The Company may not be able to anticipate techniques used to gain access to Quad/Graphics' systems or facilities, the Company's clients' systems, vendor systems or implement adequate prevention measures. Moreover, unauthorized parties may attempt to access Quad/Graphics' systems or facilities, the Company's clients' systems or vendor systems through fraud or deception. In the event and to the extent that a data breach occurs, such breach could have an adverse effect on the Company's business and results of operations. Complying with these various laws could cause Quad/Graphics to incur substantial costs or require changes to the Company's business practices in a manner adverse to Quad/Graphics' business.

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An other than temporary decline in operating results and enterprise value could lead to non-cash impairment charges due to the impairment of property, plant and equipment and other intangible assets.

The Company has a material amount of property, plant, equipment and other intangible assets on its balance sheet, due in part to acquisitions. As of December 31, 2015, the Company had the following long-lived assets on its consolidated balance sheet included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K:

- Property, plant and equipment of $1,675.8 million; and

- Other intangible assets, primarily representing the value of customer relationships acquired, of $110.5 million.

As of December 31, 2015, these assets represented approximately 63% of the Company's total assets. The Company assesses impairment of property, plant and equipment and other intangible assets based upon the expected future cash flows of the respective assets. These valuations include management's estimates of sales, profitability, cash flow generation, capital structure, cost of debt, interest rates, capital expenditures and other assumptions. A decline in expected profitability, significant negative industry or economic trends, inability to effectively integrate acquired businesses, unexpected significant changes or planned changes in use of the assets or in entity structure, and divestitures may adversely impact the assumptions used in the valuations. As a result, the recoverability of these assets could be called into question, and the Company could be required to write down or write off these assets. Such an occurrence could have a material adverse effect on the Company's results of operations and financial position.

If Quad/Graphics is not able to take advantage of technological developments in the printing industry on a timely basis, the Company may experience a decline in the demand for its services, be unable to implement its business strategy and experience reduced profits.

The printing industry is experiencing rapid change as new technologies are developed that offer clients an array of choices for their marketing and publication needs. In order to grow and remain competitive, the Company will need to adapt to future changes in technology, enhance the Company's existing offerings and introduce new offerings to address the changing demands of clients. If Quad/Graphics is unable to meet future challenges from competing technologies on a timely basis or at an acceptable cost, the Company could lose clients to competitors. In general, the development of new communication channels inside and outside the printing and media solutions industry requires the Company to anticipate and respond to the varied and continually changing demands of clients. The Company may not be able to accurately predict technological trends or the success of new services in the market.

Currently, there is a limited active market for Quad/Graphics' class A common stock and, as a result, shareholders may be unable to sell their class A common stock without losing a significant portion of their investment.

The Company's class A common stock has been traded on the NYSE under the symbol "QUAD" since July 6, 2010. However, there is currently a limited active market for the class A common shares. The Company cannot predict the extent to which investor interest in the Company will lead to the development of an active trading market for its class A common stock on the NYSE or how liquid that market will become. If a more active trading market does not develop, shareholders may have difficulty selling any class A common stock without negatively affecting the stock price, and thereby, losing a significant portion of their investment.

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Changes in the legal and regulatory environment could limit the Company's business activities, increase its operating costs, reduce demand for its products or result in litigation.

The conduct of the Company's businesses is subject to various laws and regulations administered by federal, state and local government agencies in the United States, as well as to foreign laws and regulations administered by government entities and agencies in markets in which the Company operates. These laws and regulations and interpretations thereof may change, sometimes dramatically, as a result of political, economic or social events. Such regulatory environment changes may include changes in environmental laws, requirements of United States and foreign occupational health and safety laws, accounting standards and taxation requirements. Changes in laws, regulations or governmental policy and the related interpretations may alter the environment in which Quad/Graphics does business, and therefore, may impact its results or increase its costs or liabilities.

In addition, the Company and its subsidiaries are party to a variety of legal and environmental remediation obligations arising in the normal course of business, as well as environmental remediation and related indemnification proceedings in connection with certain historical activities, former facilities and contractual obligations of acquired businesses. Permits are required for the operation of certain parts of the Company's business, and these permits are subject to renewal, modification and, in some circumstances, revocation. Due to regulatory complexities, uncertainties inherent in litigation and the risk of unidentified contaminants on current and former properties, the potential exists for remediation, liability and indemnification costs to differ materially from the costs the Company has estimated. Quad/Graphics cannot assure you that the Company's costs in relation to these matters will not exceed its established liabilities or otherwise have an adverse effect on its results of operations.

Various laws and regulations addressing climate change are being considered at the federal and state levels. Proposals under consideration include limitations on the amount of greenhouse gas that can be emitted (so-called "caps") together with systems of trading allowed emissions capacities. The impacts of such proposals could have a material adverse impact on the Company's financial condition and results of operations.

Quad/Graphics may be required to make capital expenditures to maintain its platform and processes and to remain technologically and economically competitive, which may increase its costs or disrupt its operations.

The Company may need to make significant capital expenditures as it develops and continues to maintain its platform and processes. The Company also may be required to make capital expenditures to develop and integrate new technologies to remain technologically and economically competitive. In order to accomplish this effectively, the Company will need to deploy its resources efficiently, maintain effective cost controls and bear potentially significant market and raw material risks. If the Company's revenues decline, it may impact the Company's ability to expend the capital necessary to develop and implement new technology and be economically competitive. Debt or equity financing, or cash generated from operations, may not be available or sufficient for these requirements or for other corporate purposes or, if debt or equity financing is available, it may not be on terms favorable to the Company. In addition, even if capital is available to the Company, there is risk that the Company's vendors will have discontinued the production of parts needed for repairs, replacements or improvements to the Company's existing manufacturing platform, leading the Company to expend more capital than expected to perform such repairs, replacements or improvements.

Quad/Graphics' revenue is subject to cyclical and seasonal variations.

The Company's business is seasonal, with Quad/Graphics recognizing the majority of its operating income in the third and fourth quarters of the financial year, primarily as a result of the increased magazine advertising page counts and retail inserts, catalogs and books from back-to-school and holiday-related advertising and promotions. The fourth quarter is the highest seasonal quarter for cash flows from operating activities and Free Cash Flow due to the reduction of working capital requirements that reach peak levels during the third quarter. Within any year, this seasonality could adversely affect the Company's cash flows and results of operations.

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The Company has significant liabilities with respect to defined benefit pension plans that could grow in the future and cause the Company to incur additional costs.

As a result of the 2010 acquisition of World Color Press, the Company assumed frozen single employer defined benefit pension plans for certain of its employees in the United States. The majority of the plans' assets are held in North American and global equity securities and debt securities. The asset allocation as of December 31, 2015, was approximately 54% equity securities and 46% debt securities.

As of December 31, 2015, the Company had underfunded pension liabilities of approximately $138 million for single employer defined benefit plans in the United States. Under current United States pension law, pension funding deficits are generally required to be funded over a seven-year period. These pension deficits may increase or decrease depending on changes in the levels of interest rates, pension plan investment performance, pension legislation and other factors. Declines in global debt and equity markets would increase the Company's potential pension funding obligations. Any significant increase in the Company's required contributions could have a material adverse impact on its business, financial condition, results of operations and cash flows.

In addition to the single employer defined benefit plans described above, the Company has previously participated in multiemployer pension plans ("MEPPs") in the United States, including the Graphic Communications International Union - Employer Retirement Fund ("GCIU") and the Graphic Communications Conference of the International Brotherhood of Teamsters National Pension Fund ("GCC"). Prior to the acquisition of World Color Press by Quad/Graphics, World Color Press received notice that certain plans in which it participated were in critical status, as defined in Section 432 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). As a result, the Company could have been subject to increased contribution rates associated with these plans or other MEPPs suffering from declines in their funding levels. Due to the significantly underfunded status of the United States multiemployer plans and the potential increased contribution rates, the Company withdrew from participation in these multiemployer plans and has replaced these pension benefits with a Company-sponsored "pay as you go" defined contribution plan, which is historically the form of retirement benefit provided to the Company's employees.

As of December 31, 2015, the Company estimates and has recorded in its financial statements a pre-tax withdrawal liability for all United States multiemployer plans of approximately $48 million in the aggregate. There are arbitration proceedings in process with the GCIU, and also both the Company and GCIU have filed lawsuits in Federal court. Arbitration proceedings with the GCC have been completed, both sides have appealed the arbitrator's ruling, and litigation has commenced. Until litigation with the multiemployer plans' trustees is concluded, the exact amount of the withdrawal liability will not be known, and, as such, a difference from the recorded estimate could have an adverse effect on the Company's results of operations, financial position and cash flows.

There are risks associated with the Company's operations outside of the United States.

Although the substantial majority of the Company's business activity takes place in the United States, a portion of Quad/Graphics net sales are derived from operations in foreign countries. The Company's products and services are sold primarily throughout North America, South America and Europe. In addition, the Company strategically sources packaging product manufacturing over multiple end markets in Central America and Asia. The Company's printing operations located in Europe and Latin America include operations in England, France, Germany, Poland, Argentina, Colombia, Mexico and Peru, as well as strategic investments in printing operations in Brazil and India. Net sales from the Company's wholly-owned subsidiaries outside of the United States accounted for approximately 8%, 9% and 10% of its consolidated net sales for the years ended December 31, 2015, 2014 and 2013, respectively.

As a result, the Company is subject to the risks inherent in conducting business outside of the United States, including, but not limited to: the impact of economic and political instability; fluctuations in currency values, foreign-currency exchange rates, devaluation and conversion restrictions; exchange control regulations and other limits on the Company's ability to import raw materials or finished product; tariffs and other trade barriers; political and economic instability; trade restrictions and economic embargoes by the United States or other countries; social unrest, acts of terrorism, force majeure, war or other armed conflicts; inflation and fluctuations in interest rates; language barriers;

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difficulties in staffing, training, employee retention and managing international operations; logistical and communications challenges; differing local business practices and cultural consideration; restrictions on the ability to repatriate funds; foreign ownership restrictions and the potential for nationalization or expropriation of property or other resources; longer accounts receivable payment cycles; potential adverse tax consequences and being subject to different legal and regulatory regimes that may preclude or make more costly certain initiatives or the implementation of certain elements of its business strategy. Any international expansion or acquisition that the Company undertakes could amplify these risks related to operating outside of the United States.

Quad/Graphics is exposed to the economic and political conditions in Argentina. The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high and variable levels of inflation and currency devaluation. As a consequence, the Company's business and operations have been, and could be in the future, affected from time to time to varying degrees by economic and political developments and other material events affecting the Argentine economy. The majority of the Company's employees in Argentina are covered by a collective bargaining agreement. A strike, work stoppage or other form of labor protest in Argentina in the future could disrupt the Company's operations and result in a material adverse impact to the Company's Argentina operations' financial condition, results of operations and cash flows, which could force the Company to reassess its strategic alternatives involving operations in Argentina. In addition, on March 25, 2015, due to deteriorating economic conditions, including inflation and currency devaluation, combined with uncertain political conditions, declining print volumes and labor challenges, the Company's Argentina subsidiaries commenced bankruptcy restructuring proceedings with a goal of consolidating operations. The Company may be unable to successfully complete such consolidation and such proceedings may not be (in whole or in part) decided in the Company's favor. Any such outcome may result in an adverse effect on the Company's results of operations, financial position and cash flows. As of December 31, 2015, the Company had $22.1 million of total assets in Argentina, representing 0.8% of Quad/Graphics consolidated total assets. For the year ended December 31, 2015, the Company recognized $67.4 million of net sales in Argentina, representing 1.4% of Quad/Graphics consolidated net sales.

Quad/Graphics may incur costs or suffer reputational damage due to improper conduct of its employees, contractors or agents.

The Company could be adversely affected by engaging in business practices that are in violation of United States and foreign anti-corruption laws, including the United States Foreign Corrupt Practices Act. The Company operates in parts of the world with developing economies that have experienced governmental corruption to some degree, and in certain circumstances, strict compliance with anti-corruption laws may conflict with local customs and practices. In certain countries, the Company does substantial business with government entities or instrumentalities, which creates enhanced Foreign Corrupt Practices Act risk. There can be no assurance that all of the Company's employees, contractors or agents, including those representing the Company in countries where practices which violate anti-corruption laws may be customary, will not take actions in violation of Quad/Graphics' policies and procedures. The failure to comply with the laws governing international business practices may result in substantial penalties and fines.

Holders of class A common stock are not able to independently elect directors of Quad/Graphics or control any of the Company's management policies or business decisions or its decisions to issue additional shares, declare and pay dividends or enter into corporate transactions because the holders of class A common stock have substantially less voting power than the holders of the Company's class B common stock, all of which is owned by certain members of the Quadracci family, trusts for their benefit or other affiliates of Quad/Graphics, whose interests may be different from the holders of class A common stock.

The Company's outstanding stock is divided into two classes of common stock: class A common stock ("class A stock") and class B common stock ("class B stock"). The class B stock has ten votes per share on all matters and the class A stock is entitled to one vote per share. As of February 18, 2016, the class B stock constitutes approximately 80% of Quad/Graphics' total voting power. As a result, holders of class B stock are able to exercise a controlling influence over the Company's business, have the power to elect its directors and indirectly control decisions such as whether to issue additional shares, declare and pay dividends or enter into corporate transactions. All of the class B stock is owned by certain members of the Quadracci family or trusts for their benefit, whose interests may differ from the interests of the holders of class A stock.

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Approximately 91% of the outstanding class B stock is held of record by the Quad/Graphics Voting Trust, and that constitutes approximately 72% of the Company's total voting power. The trustees of the Quad/Graphics Voting Trust have the authority to vote the stock held by the Quad/Graphics Voting Trust. Accordingly, the trustees of the Quad/Graphics Voting Trust are able to exercise a controlling influence over the Company's business, have the power to elect its directors and indirectly control decisions such as whether to issue additional shares, declare and pay dividends or enter into corporate transactions.

Quad/Graphics is a controlled company within the meaning of the rules of the NYSE and, as a result, it relies on exemptions from certain corporate governance requirements that provide protection to shareholders of other companies.

Since the Quad/Graphics Voting Trust owns more than 50% of the total voting power of the Company's stock, the Company is considered a controlled company under the corporate governance listing standards of the NYSE. As a controlled company, an exception under the NYSE listing standards exempts the Company from the obligation to comply with certain of the NYSE's corporate governance requirements, including the requirements:

- that a majority of the Company's board of directors consist of independent directors, as defined under the rules of the NYSE;

- that the Company have a corporate governance and nominating committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and

- that the Company have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

Accordingly, for so long as Quad/Graphics is a controlled company, holders of class A stock will not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of the NYSE.

The Company is heavily dependent on its Chief Executive Officer, its management team and skilled personnel and, if we are unable to retain or motivate such personnel or hire qualified personnel, the Company may not be able to compete effectively.

The Company's future success depends on its continuing ability to identify, hire, develop, motivate and retain its Chief Executive Officer, the management team and skilled personnel for all areas of the organization. The Company's continued ability to compete effectively depends on its ability to attract new employees and retain and motivate its existing employees.

The Company may not be able to utilize deferred tax assets to offset future taxable income.

As of December 31, 2015, the Company had deferred tax assets, net of valuation allowances, of $274.7 million. The Company expects to utilize the deferred tax assets to reduce consolidated income tax liabilities in future taxable years. However, the Company may not be able to fully utilize the deferred tax assets if its future taxable income and related income tax liability is insufficient to permit their use. In addition, in the future, the Company may be required to record a valuation allowance against the deferred tax assets if the Company believes it is unable to utilize them, which would have an adverse effect on the Company's results of operations and financial position.

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Quad/Graphics may be adversely affected by interest rates and foreign exchange rates.

As of December 31, 2015, 57% of the Company's borrowings were subject to variable interest rates. As a result, the Company is exposed to market risks associated with fluctuations in interest rates, and increases in interest rates could adversely affect the Company.

Because a portion of the Company's operations are outside of the United States, significant revenues and expenses are denominated in local currencies. Although operating in local currencies may limit the impact of currency rate fluctuations on the results of operations of the Company's non-United States subsidiaries and business units, fluctuations in such rates may affect the translation of these results into the Company's consolidated financial statements. To the extent revenues and expenses are not in the applicable local currency, the Company may enter into foreign exchange forward contracts to hedge the currency risk. There can be no assurance, however, that the Company's efforts at hedging will be successful. There is always a possibility that attempts to hedge currency risks will lead to greater losses than predicted.

Quad/Graphics may be adversely affected by strikes and other labor protests.

As of December 31, 2015, Quad/Graphics had a total of approximately 22,500 full-time equivalent employees, of which approximately 2,100 were covered by a collective bargaining agreement. As of December 31, 2015, the Company had seven collective bargaining agreements in the United States and eight agreements outside of the United States that are either industry-wide individual collective bargaining agreements or works councils or similar arrangements.

While the Company believes its employee relations are good and that the Company maintains an employee-centric culture, and there has not been any material disruption in operations resulting from labor disputes, the Company cannot be certain that it will be able to maintain a productive and efficient labor environment. The Company cannot predict the outcome of any future negotiations relating to the renewal of the collective bargaining agreements, nor can there be any assurance that work stoppages, strikes or other forms of labor protests pending the outcome of any future negotiations will not occur. A strike or other forms of labor protest affecting a series of major plants in the future could materially disrupt the Company's operations and result in a material adverse impact on its financial condition, results of operations and cash flows, which could force the Company to reassess its strategic alternatives involving certain of its operations.

Item 1B. Unresolved Staff Comments

The Company has no unresolved staff comments to report pursuant to this item.

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Item 2. Properties

Quad/Graphics' corporate office is located in Sussex, Wisconsin. The Company owned or leased 161 facilities located in 17 countries including manufacturing operations, warehouses and office space totaling approximately 33,910,000 square feet, of which approximately 24,700,000 is owned space and approximately 9,210,000 is leased space as of December 31, 2015. In addition to these owned and leased facilities, the Company has strategic investments in printing operations located in Brazil and India.

Within the United States Print and Related Services segment, the Company operated 65 owned or leased manufacturing facilities encompassing approximately 23,705,000 square feet as of December 31, 2015. Within the International segment, the Company operated 7 owned or leased manufacturing facilities encompassing approximately 1,810,000 square feet as of December 31, 2015. The following table lists the Company's operating locations with manufacturing facilities totaling over 500,000 square feet as of December 31, 2015:

Locations	Square Feet	Property Type	Segment
Lomira, Wisconsin, United States	2,174,000	Owned	United States Print and Related Services
Martinsburg, West Virginia, United States	2,123,000	Owned	United States Print and Related Services
Sussex, Wisconsin, United States	1,970,000	Owned	United States Print and Related Services
Hartford, Wisconsin, United States	1,564,000	Owned	United States Print and Related Services
Oklahoma City, Oklahoma, United States	1,128,000	Owned	United States Print and Related Services
Versailles, Kentucky, United States	1,065,000	Owned	United States Print and Related Services
Saratoga Springs, New York, United States	1,034,000	Owned	United States Print and Related Services
West Allis, Wisconsin, United States	913,000	Owned	United States Print and Related Services
Waseca, Minnesota, United States	786,000	Owned	United States Print and Related Services
The Rock, Georgia, United States	797,000	Owned	United States Print and Related Services
Wyszkow, Poland	709,000	Owned	International
Franklin, Kentucky, United States	617,000	Owned/Leased	United States Print and Related Services
Effingham, Illinois, United States	564,000	Owned	United States Print and Related Services
Merced, California, United States	539,000	Owned	United States Print and Related Services
Taunton, Massachusetts, United States	513,000	Owned/Leased	United States Print and Related Services
Pewaukee, Wisconsin, United States	504,000	Owned	United States Print and Related Services

Item 3. Legal Proceedings

Quad/Graphics is subject to various legal actions, administrative proceedings and claims arising out of the ordinary course of business. Quad/Graphics believes that such unresolved legal actions, proceedings and claims will not materially adversely affect its results of operations, financial condition or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Capital Stock and Dividends

Quad/Graphics' authorized capital stock consists of 80.0 million shares of class A stock, 80.0 million shares of class B stock, 20.0 million shares of class C common stock and 0.5 million shares of preferred stock. The Company's outstanding capital stock as of December 31, 2015, consisted of 35.4 million shares of class A stock, 14.2 million shares of class B stock and no shares of class C common stock or preferred stock. As of February 18, 2016, there were 2,370 record holders of the class A stock and 26 record holders of the class B stock.

The Company's class A stock is listed on the NYSE under the symbol "QUAD". The class A stock is entitled to one vote per share. The Company's class B stock is held by certain members of the Quadracci family or trusts for their benefit (and can only be voluntarily transferred to the Company or to a member of the Quadracci "family group" as defined in the Company's amended and restated articles of incorporation; and any transfer in violation of the Company's amended and restated articles of incorporation results in the automatic conversion of such class B stock into class A stock). The class B stock is entitled to ten votes per share. Each share of class B stock may, at the option of the holder, be converted at any time into one share of class A stock. There is no public trading market for the class B stock.

Pursuant to the Company's amended and restated articles of incorporation, each outstanding class of common stock has equal rights with respect to cash dividends. Pursuant to the Company's debt facilities, the Company is subject to limitations on dividends and repurchases of capital stock. If the Company's total leverage ratio is greater than 3.00 to 1.00 (as defined in the Company's Senior Secured Credit Facility), the Company is prohibited from making greater than $120.0 million of annual dividend payments, capital stock repurchases and certain other payments. If the total leverage ratio is less than 3.00 to 1.00, there are no such restrictions. For the twelve months ended December 31, 2015, the Company's total leverage ratio was 2.89 to 1.00.

The high and low closing sales prices of the Company's class A stock during each quarter and the quarterly dividends paid per share of each class of common stock then outstanding during the years ended December 31, 2015 and 2014, are contained in the chart below:

			Class A Closing Stock Prices			
	Dividends Paid		2015		2014	
	2015	2014	High	Low	High	Low
First Quarter	$0.30	$0.30	$23.90	$20.04	$26.39	$21.89
Second Quarter	0.30	0.30	23.22	18.40	23.64	19.30
Third Quarter	0.30	0.30	18.05	12.10	22.71	19.25
Fourth Quarter	0.30	0.30	13.32	8.73	23.30	18.26

Securities Authorized For Issuance Under Equity Compensation Plans

See Part III, Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters," of this Annual Report on Form 10-K for certain information regarding the Company's equity compensation plans.

Issuer Purchases of Equity Securities

On September 6, 2011, the Company's board of directors authorized a share repurchase program of up to $100.0 million of the Company's outstanding class A stock. Under the authorization, share repurchases may be made at the Company's discretion, from time to time, in the open market and/or in privately negotiated transactions as permitted by federal securities laws and other legal requirements. The timing, manner, price and amount of any repurchase will depend on economic and market conditions, share price, trading volume, applicable legal requirements and other factors.

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The program may be suspended or discontinued at any time. There were no share repurchases made during the year ended December 31, 2015. As of December 31, 2015, there were $91.8 million of authorized repurchases remaining under the program. Subsequent to December 31, 2015, and through February 18, 2016, the Company repurchased 984,190 shares of its class A stock at a weighted average price of $8.96 per share for a total purchase price of $8.8 million.

Stock Performance Information

The following graph compares cumulative shareholder return on Quad/Graphics' class A stock since December 31, 2010, as compared to the Standard & Poor's ("S&P") MidCap 400 Index and the S&P 1500 Commercial Printing Index over the same period. The graph assumes a $100.00 investment and that all dividends are reinvested. The comparison in the graph below is based upon historical stock performance and should not be considered indicative of future stockholder returns.

Indexed Returns

	Base Period 12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Quad/Graphics, Inc.	$100.00	$35.70	$59.49	$83.15	$74.03	$32.66
S&P MidCap 400 Index	100.00	98.27	115.83	154.64	169.74	166.05
S&P 1500 Commercial Printing Index	100.00	92.60	83.71	170.19	174.23	157.59

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Item 6. Selected Financial Data

The selected consolidated statements of operations data for the years ended December 31, 2015, 2014 and 2013, and the selected consolidated balance sheets data at December 31, 2015 and 2014, are derived from the audited consolidated financial statements of the Company included in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K. The selected financial data includes the results of operations prospectively from their respective acquisition dates. For additional information related to the Company's acquisition activity, see Note 2, "Acquisitions and Strategic Investments," to the consolidated financial statements in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K. The selected consolidated statements of operations data for the years ended December 31, 2012 and 2011, and the consolidated balance sheets data at December 31, 2013, 2012 and 2011, are derived from audited consolidated financial statements not included herein.

SELECTED FINANCIAL DATA
(In millions, except per share data)

	2015	2014	2013	2012	2011
Consolidated Statements of Operations Data:					
Net sales	$4,677.7	$4,862.4	$4,795.9	$4,094.0	$4,324.6
Operating income (loss) from continuing operations[(1)]	(830.0)	141.3	142.2	106.5	156.9
Net earnings (loss) attributable to Quad/Graphics common shareholders:					
From continuing operations[(1)]	(641.9)	18.6	32.5	56.6	(8.3)
From discontinued operations[(2)]	—	—	—	30.8	(38.6)
Net earnings (loss)[(1)]	$(641.9)	$18.6	$32.5	$87.4	$(46.9)
Earnings (loss) per diluted share attributable to Quad/Graphics common shareholders:					
From continuing operations	$(13.40)	$0.38	$0.65	$1.13	$(0.18)
From discontinued operations	—	—	—	0.65	(0.82)
Earnings (loss) per diluted share	$(13.40)	$0.38	$0.65	$1.78	$(1.00)
Consolidated Balance Sheets Data:					
Total assets[(3)]	$2,847.5	$4,008.8	$4,103.6	$4,025.3	$4,628.3
Long-term debt and capital lease obligations (excluding current portion)[(3)]	1,249.6	1,309.4	1,258.2	1,209.1	1,347.5
Other Financial Data:					
Dividends per share of common stock[(4)]	$1.20	$1.20	$1.20	$3.00	$0.60

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(1) Includes restructuring, impairment and transaction-related charges of $164.9 million, $67.3 million, $95.3 million, $118.3 million and $114.0 million for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, respectively. Includes goodwill impairment charges of $808.3 million ($542.4 million, net of tax) for the year ended December 31, 2015.

(2) The results of operations of the Company's Canadian operations have been reported as discontinued operations for all periods presented. Loss from discontinued operations, net of tax, decreased $35.4 million during the year ended December 31, 2012, to a $3.2 million loss, which primarily reflects the sale of the Company's Canadian operations on March 1, 2012, and the effect of reporting two months of activity as opposed to twelve months for the year ended December 31, 2011. This $3.2 million loss was offset by a gain on disposal of discontinued operations, net of tax, of $34.0 million, resulting in $30.8 million of earnings from discontinued operations for the year ended December 31, 2012.

(3)

Long-term debt and capital lease obligations (excluding current portion) and total assets presented includes the retrospective adoption of new accounting guidance on the balance sheet presentation of debt issuance costs and deferred taxes issued by the Financial Accounting Standards Board ("FASB") in April 2015 and November 2015, respectively, and accordingly, the amounts have been restated for all periods presented. See Note 25, "New Accounting Pronouncements," to the consolidated financial statements in Item 8 "Financial Statements and Supplementary Data" for further information.

(4) Dividends per share of common stock in 2012 includes a special dividend of $2.00 per share, which was declared and paid in December 2012. Excludes aggregate tax distributions declared to S corporation shareholders of $2.7 million for the year ended December 31, 2011. There were no tax distributions declared to S corporation shareholders for the years ended December 31, 2015, 2014, 2013 and 2012.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of the financial condition and results of operations of Quad/Graphics should be read together with the Quad/Graphics' audited consolidated financial statements for each of the three years in the period ended December 31, 2015, including the notes thereto, included in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K. This discussion contains forward-looking statements that reflect the Company's plans, estimates and beliefs. The Company's actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed in "Forward-Looking Statements" and Part I, Item 1A, "Risk Factors," included earlier within this Annual Report on Form 10-K.

Management's discussion and analysis of financial condition and results of operations is provided as a supplement to the Company's consolidated financial statements and accompanying notes to help provide an understanding of the Company's financial condition, the changes in the Company's financial condition and the Company's results of operations. This discussion and analysis is organized as follows:

- Overview. This section includes a general description of the Company's business and segments, an overview of key performance metrics the Company's management measures and utilizes to evaluate business performance, and an overview of trends affecting the Company, including management's actions related to the trends.

- Results of Operations. This section contains an analysis of the Company's results of operations by comparing the results for (1) the year ended December 31, 2015, to the year ended December 31, 2014; and (2) the year ended December 31, 2014, to the year ended December 31, 2013. The comparability of the Company's results of operations between periods was impacted by acquisitions, including the 2013 acquisitions of Vertis, Novia, Proteus and Transpak Corporation ("Transpak"); 2014 acquisitions of Brown Printing and UniGraphic, Inc. ("UniGraphic"); and the 2015 acquisitions of Marin's, Copac and Specialty. The results of operations of all acquisitions are included in the Company's consolidated results prospectively from their respective acquisition dates. Forward-looking statements providing a general description of recent and projected industry and Company developments that are important to understanding the Company's results of operations are included in this section. This section also provides a discussion of EBITDA and EBITDA margin, financial measures that the Company uses to assess the performance of its business that are not prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

- Liquidity and Capital Resources. This section provides an analysis of the Company's capitalization, cash flows, a statement about off-balance sheet arrangements, and a discussion and table of outstanding debt and commitments. Forward-looking statements important to understanding the Company's financial condition are also included in this section. This section also provides a discussion of Free Cash Flow and Debt Leverage Ratio, non-GAAP financial measures that the Company uses to assess liquidity and capital allocation and deployment.

- Critical Accounting Policies and Estimates. This section contains a discussion of the accounting policies that the Company's management believes are important to the Company's financial condition and results of operations, as well as allowances and reserves that require significant judgment and estimates on the part of the Company's management. In addition, all of the Company's significant accounting policies, including critical accounting policies, are summarized in Note 1, "Basis of Presentation and Summary of Significant Accounting Policies," to the consolidated financial statements in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

- New Accounting Pronouncements. This section provides a discussion of new accounting pronouncements and the anticipated impact of those accounting pronouncements to the Company's consolidated financial statements.

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Overview

Business Overview

Quad/Graphics is a leading print and marketing services provider. With a consultative approach, worldwide capabilities, leading-edge technology and single-source simplicity, the Company believes it has the resources and knowledge to help a wide variety of clients in vertical industries including, but not limited to, retail, publishing, healthcare, insurance and financial. The Company uses a consultative approach to tailor the Company's wide range of print products and complementary services to the unique characteristics of each vertical industry it serves. These products and services include:

- Print. Including retail inserts, publications, catalogs, special interest publications, journals, direct mail, books, directories, in-store marketing and promotion, packaging, newspapers, custom print products, other commercial and specialty printed products and global paper procurement.
- Logistics. Including mailing solutions, postal consultation, delivery optimization and hygiene services, delivery monitoring and tracking, and distribution, logistics and transportation services.
- Digital. Including email, social, mobile (activated print, apps, websites), digital publishing and beacon technology.
- Strategy. Including brand, campaign, and media planning and placement.
- Data. Including data insights, segmentation and response analysis.
- Creative. Including concept and design, page layout and production, copywriting, photography, retouching, mobile, video production and optimization.
- Workflow. Including content management, process management, production and facilities management services, color management, and digital file processing and proofing.

Quad/Graphics remains focused on its five primary strategic goals that support its objective to be the industry's high-quality, low-cost producer to fuel transformative growth opportunities and drive improved performance through innovation for its clients. The Company believes these goals, which are summarized below, will allow it to be successful despite ongoing industry challenges:

- Strengthen the Core. Quad/Graphics core print categories—retail inserts, publications, catalogs, books and directories—have been under pressure in recent years, but remain foundational to most marketers' and publishers' business strategies and generate a significant amount of cash flow for the Company. Quad/Graphics utilizes a disciplined return on capital framework and historically has made significant investments in its print manufacturing platform and data management capabilities that have resulted in what it believes is one of the most integrated, automated, efficient and modern manufacturing platforms in the industry. The Company's ability to maintain the strength of its core product lines promotes sustainable cash flow and continued value creation to support future growth opportunities.
- Grow the Business Profitably. The Company believes it is well positioned to grow the business profitably through ongoing innovation, organic growth and disciplined acquisitions that expand the business into new product categories and geographies, transform an existing product line, or create value-driven industry consolidation. Helping clients use print in combination with other media channels, including digital, mobile, social and signage, to increase response rates and deliver high levels of marketing ROI is of particular focus. The Company is adept at leveraging existing

client relationships in key vertical industries to drive innovation and develop complementary products and services that help brand owners market their products, services and content more efficiently and effectively across media channels. The Company will look to grow through compelling, ongoing investments in its platform as well as through acquisitions that

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create value either through providing an enhanced range of products and services or through creating manufacturing and distribution efficiencies.

- Walk in the Shoes of our Clients. The Company is focused on creating a client experience that creates loyalty to the Quad/Graphics brand by partnering with our clients to fully understand their internal processes, marketing strategies and challenges so the Company can better deliver the solutions that will help them achieve their business objectives. Quad/Graphics examines everything from clients' marketing strategy—including how clients manage their customer data—to production and marketing workflow processes. Through a consultative approach, the Company's goal is to become an invaluable strategic partner to its clients—a partner who is focused on helping each client successfully navigate today's changing media landscape.

- Engage Employees. Quad/Graphics looks to engage employees through the Company's distinct corporate culture, which encourages employees to take pride and ownership in their work; take advantage of continuous learning, apprentice and job-advancement opportunities; share knowledge by mentoring others; and innovate solutions. Quad/Graphics believes one of the most important ways it can drive employee engagement is by acting on a continuous employee feedback loop. Quad/Graphics believes in transparent and regular two-way communication with employees and provides the opportunity for all employees to have a voice or share an opinion through a number of different channels, including surveys and open forums at Company town hall and department meetings.

- Enhance Financial Strength and Create Shareholder Value. Quad/Graphics follows a disciplined approach to maintaining and enhancing financial strength to create shareholder value, which is essential given ongoing industry challenges. This key strategic goal is centered on the Company's ability to maximize Free Cash Flow, net earnings and EBITDA; maintain consistent financial policies to ensure a strong balance sheet and liquidity level; and retain the financial flexibility needed to strategically allocate and deploy capital as circumstances change.

Quad/Graphics operates primarily in the commercial print portion of the printing industry, with related product and service offerings designed to offer clients complete solutions for communicating their message to target audiences. The Company's operating and reportable segments are aligned with how the chief operating decision maker of the Company currently manages the business. The Company's reportable and operating segments are summarized below.

The United States Print and Related Services segment is predominantly comprised of the Company's United States printing operations and is managed as one integrated platform. This includes retail inserts, publications, catalogs, special interest publications, journals, direct mail, books, directories, in-store marketing and promotion, packaging, newspapers, custom print products, other commercial and specialty printed products and global paper procurement, together with complementary service offerings, including marketing strategy, media planning and placement, data insights, segmentation and response analytics services, creative services, videography, photography, workflow solutions, digital imaging, facilities management services, digital publishing, interactive print solutions including image recognition and near field communication technology, mailing, distribution, logistics, and data optimization and hygiene services. This segment also includes the manufacture of ink. The United States Print and Related Services segment accounted for approximately 92% of the Company's consolidated net sales during the year ended December 31, 2015.

The International segment consists of the Company's printing operations in Europe and Latin America, including operations in England, France, Germany, Poland, Argentina, Colombia, Mexico and Peru, as well as strategic investments in printing operations in Brazil and India. This segment provides printed products and complementary service offerings consistent with the United States Print and Related Services segment. The International segment accounted for approximately 8% of the Company's consolidated net sales during the year ended December 31, 2015.

Corporate consists of unallocated general and administrative activities and associated expenses including, in part, executive, legal and finance. In addition, in 2014 and 2015 certain expenses and income from frozen employee retirement plans, such as pension and postretirement benefit plans, are included in Corporate and not allocated to the operating segment.

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Key Performance Metrics Overview

The Company's management believes the ability to generate net sales growth, profit increases and positive cash flow, while maintaining the appropriate level of debt, are key indicators of the successful execution of the Company's business strategy and will increase shareholder value. The Company uses period over period net sales growth, EBITDA, EBITDA margin, net cash provided by operating activities, Free Cash Flow and Debt Leverage Ratio as metrics to measure operating performance, financial condition and liquidity. EBITDA, EBITDA margin, Free Cash Flow and Debt Leverage Ratio are non-GAAP financial measures (see the definitions of EBITDA, EBITDA margin and the reconciliation of net earnings (loss) attributable to Quad/Graphics common shareholders to EBITDA in the "Results of Operations" section below, and see the definitions of Free Cash Flow and Debt Leverage Ratio, the reconciliation of net cash provided by operating activities to Free Cash Flow, and the calculation of Debt Leverage Ratio in the "Liquidity and Capital Resources" section below).

Net sales growth. The Company uses period over period net sales growth as a key performance metric. The Company's management assesses net sales growth based on the ability to generate increased net sales through increased sales to existing clients, sales to new clients, sales of new or expanded solutions to existing and new clients and opportunities to expand sales through strategic investments, including acquisitions.

EBITDA and EBITDA margin. The Company uses EBITDA and EBITDA margin as metrics to assess operating performance. The Company's management assesses EBITDA and EBITDA margin based on the ability to increase revenues while controlling variable expense growth.

Net cash provided by operating activities. The Company uses net cash provided by operating activities as a metric to assess liquidity. The Company's management assesses net cash provided by operating activities based on the ability to meet recurring cash obligations while increasing available cash to fund integration and restructuring requirements, including acquired operations and other cost reduction activities, as well as to fund capital expenditures, debt service requirements, World Color Press single employer pension plan contributions, World Color Press MEPPs withdrawal liabilities, acquisitions and other investments in future growth, shareholder dividends and share repurchases. Net cash provided by operating activities can be significantly impacted by the timing of non-recurring or infrequent receipts or expenditures.

Free Cash Flow. The Company uses Free Cash Flow as a metric to assess liquidity and capital deployment. The Company's management assesses Free Cash Flow as a measure to quantify cash available for strengthening the balance sheet (debt reduction), for strategic capital allocation and deployment through investments in the business (acquisitions and strategic investments), and returning capital to the shareholders (dividends and share repurchases). The priorities for capital allocation and deployment will change as circumstances dictate for the business, and Free Cash Flow can be significantly impacted by the Company's restructuring activities and other unusual items.

Debt Leverage Ratio. The Company uses the Debt Leverage Ratio as a metric to assess liquidity and the flexibility of its balance sheet. Consistent with other liquidity metrics, the Company monitors the Debt Leverage Ratio as a measure to determine the appropriate level of debt the Company believes is optimal to operate its business, and accordingly, to quantify debt capacity available for strategic capital allocation and deployment through investments in the business (capital expenditures and acquisitions), for strengthening the balance sheet (debt and pension liability reduction), and for returning capital to the shareholders (dividends and share repurchases). The priorities for capital allocation and deployment will change as circumstances dictate for the business, and the Debt Leverage Ratio can be significantly impacted by the amount and timing of large expenditures requiring debt financing, as well as changes in profitability.

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Overview of Trends Affecting Quad/Graphics

Competition in the highly fragmented printing industry remains intense, and the Company believes that there are indicators of heightened competitive pressures. The industry has excess manufacturing capacity created by continued declines in industry volumes which, in turn, has created accelerated downward pricing pressures. In addition, digital delivery of documents and data, including the online distribution and hosting of media content and mobile technologies, offer alternatives to traditional delivery of printed documents. Increasing consumer acceptance of digital delivery of content has resulted in marketers and publishers allocating their marketing and advertising spend across the expanding selection of digital delivery options, which further reduces printing demand and contributes to industry overcapacity. The Company also faces competition from print management firms, which look to streamline processes and reduce the overall print spend of the Company's clients, as well as from strategic marketing firms focused on helping businesses integrate multiple channels into their marketing campaigns.

The Company believes that a disciplined approach for capital management and a strong balance sheet are critical to be able to invest in profitable growth opportunities and technological advances, thereby providing the highest return for shareholders. Management balances the use of cash between compelling investment opportunities, deleveraging the Company's balance sheet (through reduction in debt and pension obligations), and returns to shareholders (through share repurchases and a quarterly dividend of $0.30 per share).

The Company continues to remain disciplined with its debt leverage. The Company's consolidated debt and capital leases decreased by $56 million during the year ended December 31, 2015, despite investing $133 million in capital expenditures and $143 million in acquisitions (primarily the 2015 Marin's, Copac and Specialty acquisitions). Since the Company completed the World Color Press acquisition in July 2010, the Company has reduced debt and capital leases by $390 million and has reduced the obligations for pension, postretirement and MEPPs by $361 million.

The Company has been working diligently to integrate acquired companies, thereby lowering its cost structure by consolidating its manufacturing platform into its most efficient facilities, as well as realizing purchasing, mailing and logistics efficiencies by centralizing and consolidating print manufacturing volumes and eliminating redundancies in its administrative and corporate operations. These efforts include the deployment of the Company's Smartools® platform to streamline workflows and improve data visibility across the consolidated platform. In addition, restructuring actions initiated by the Company beginning in 2010 have resulted in the announcement of 31 plant closures and have reduced headcount by approximately 10,000 employees through December 31, 2015.

In addition to cost savings through acquisition-related synergies, the Company continues its focus on cost reductions through Lean Manufacturing and Continuous Improvement initiatives, both on the production floor and with administrative support, in order to achieve improved efficiencies, reduce waste, lower overall operating costs, enhance quality and timeliness and create a safer work environment for the Company's employees. In January 2016, the Company announced that it had completed its previously announced $100 million sustainable cost reduction program ahead of schedule, intended to bring the Company's cost structure in line with revenues in light of heightened competitive pressures. The program included reducing excess manufacturing capacity through plant closures; intensifying the Company's focus on productivity; reducing selling, general and administrative costs; and implementing a new streamlined organizational structure. The cost reduction program incrementally reduced the Company's cost structure by $100 million starting January 1, 2016, and the Company intends to continue reducing costs during 2016 and the years beyond.

Integrated distribution with the postal service is an important component of the Company's business. Any material change in the current service levels provided by the postal service could impact the demand that clients have for print services. The USPS has reported cumulative net losses totaling more than $56 billion since 2007. Without increased revenues or action by Congress to reform the USPS' cost structure, these losses will continue into the future. As a result of these financial difficulties, the USPS has come under increased pressure to adjust its postal rates and service levels. In January 2014, the USPS implemented a temporary exigent postage rate increase of 6.0% (includes the normal and expected annual CPI increase of 1.7% and an additional 4.3% temporary exigent increase). In January 2015, the USPS filed a proposal with the PRC for a CPI increase of 2.0% on April 26, 2015. After being rejected twice by the PRC, the third proposal was approved, and prices were implemented on May 31, 2015. Additionally, the 4.3%

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temporary exigent increase was extended and is scheduled to end in April 2016. However, the USPS has filed an appeal in federal court requesting that the "surcharge" be continued and made part of the permanent base postage rate. Additionally, there is legislation pending before Congress that would also make this surcharge a permanent part of the base postage rate. Because of allowances within the law governing the CPI increase, the impact to clients varied greatly, from decreases to double digit increases. Quad/Graphics has invested significantly in its mail preparation and distribution capabilities to mitigate the impact of increases in postage costs, and to help clients successfully navigate the ever-changing postal environment. Through its data analytics, unique software to merge mailstreams on a large scale, advanced finishing capabilities and technology, and in-house transportation and logistics operations, the Company manages the mail preparation and distribution of most of its clients' products to maximize efficiency and partially reduce these costs; however, the net impact of increasing postal costs may create a decrease in client demand for print and mail products.

When making capital investment decisions, management undertakes a thorough process aimed at driving the strongest contribution to long-term profitability, whether those are property, plant and equipment additions, organic growth opportunities, or acquisitions. Some recent examples of capital investments made by the Company include the following:

- The Company completed the acquisition of Specialty on August 25, 2015, for a net purchase price of $62 million, excluding acquired cash. Specialty is a full-service paperboard folding carton manufacturer and logistics provider located in Omaha, Nebraska.

- The Company completed the acquisition of Copac on April 14, 2015, for a net purchase price of $59 million, excluding acquired cash. Copac is a leading international provider of innovative packaging and supply chain solutions, including turnkey packaging design, production and fulfillment services across a range of end markets headquartered in Spartanburg, South Carolina. Copac manufactures products such as folding cartons, labels, inserts, tags and specialty envelopes, and has production facilities in Spartanburg and Santo Domingo, Dominican Republic, as well as strategically sourcing packaging product manufacturing over multiple end markets in Central America and Asia, giving it a global footprint.

- The Company completed the acquisition of Marin's on February 3, 2015, for a net purchase price of $21 million, excluding acquired cash. Marin's is a worldwide leader in the point of sale display industry and specializes in the research and design of display solutions headquartered in Paris, France. Marin's products are produced by a global network of licensees, including Quad/Graphics, as well as one wide-format digital print, kitting and fulfillment facility in Paris. Marin's uses its own European–based sales force and the global licensees to sell its patented product portfolio.

- The Company announced its plan to invest in multiple high-speed color digital web presses on January 14, 2015, as part of a three-year strategy to transform the Company's book platform to the widest, most productive digital web presses available in the marketplace today. As of December 31, 2015, seven digital web presses have been installed.

- The Company completed the acquisition of Brown Printing on May 30, 2014, for a net purchase price of $98 million, excluding acquired cash. Brown Printing provides magazine and catalog printing, distribution services and integrated media solutions to magazine publishers and catalog marketers in the United States.

- The Company completed the acquisition of UniGraphic on February 5, 2014, for a net purchase price of $11 million, excluding acquired cash. UniGraphic is a commercial and specialty printing company based in the Boston metro area, offers commercial and specialty printing, in-store marketing, digital and fulfillment solutions for a wide variety of industries including arts and entertainment, education, financial, food, healthcare, mass media, pharmaceutical and retail. The acquisition expands Quad/Graphics' capabilities in the commercial and specialty printing market and strengthens the Company's ability to service national retailers' large-format and in-store marketing needs, adding an

East Coast presence to Quad/Graphics existing Midwest and West Coast locations.

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- The Company completed the acquisition of Wisconsin-based Proteus, as well as its sister company Transpak, on December 18, 2013, for $49 million. Proteus is a designer and manufacturer of high-end paperboard packaging, offering packaging solutions for a wide variety of industries, including automotive, biotechnology, food, beverage, personal care, pharmaceuticals, software and electronics. Transpak is a full-service industrial packaging company, offering crating, packaging, warehousing, distribution and logistics services to destinations worldwide. Through the acquisition of the two companies, Quad/Graphics expanded its capabilities to serve the packaging market.

- The Company completed the acquisition of Novia on November 7, 2013, for $13 million. Novia is a healthcare solutions company that develops and manages onsite and shared primary care clinics for small to medium sized companies and the public sector, such as school districts and city and county governments, and is located in Indianapolis, Indiana.

- The Company completed its acquisition of substantially all of the assets of Vertis on January 16, 2013, for $265 million, including $95 million for current assets that were in excess of normalized working capital requirements. Vertis is a provider of retail advertising inserts, direct marketing and in-store marketing solutions. The Company believes the acquisition of Vertis strengthened its client offering with an enhanced range of products and services, and also increased manufacturing flexibility and distribution efficiencies from an extended geographic footprint in the United States.

The Company is subject to seasonality in its quarterly results as net sales and operating income are higher in the third and fourth quarters of the calendar year as compared to the first and second quarters. The fourth quarter is the highest seasonal quarter for cash flows from operating activities and Free Cash Flow due to the reduction of working capital requirements that reach peak levels during the third quarter. Seasonality is driven by increased magazine advertising page counts, retail inserts, catalogs and books primarily due to back-to-school and holiday-related advertising and promotions. The Company expects this seasonality impact to continue in future years.

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Results of Operations for the Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

Summary Results

The Company's operating income (loss), operating margin, net earnings (loss) attributable to Quad/Graphics common shareholders (computed using a 40% normalized tax rate) and diluted earnings (loss) per share attributable to Quad/Graphics common shareholders for the year ended December 31, 2015, changed from the year ended December 31, 2014, as follows (dollars in millions, except per share data):

	Operating Income (Loss)	Operating Margin	Net Earnings (Loss) Attributable to Quad/Graphics Common Shareholders	Earnings (Loss) Per Share Attributable to Quad/Graphics Common Shareholders—Diluted
For the year ended December 31, 2014	$141.3	2.9 %	$18.6	$ 0.38
2015 restructuring, impairment and transaction-related charges[(1)]	(164.9)	(3.5)%	(108.0)	(2.25)
2014 restructuring, impairment and transaction-related charges[(2)]	67.3	1.4 %	40.4	0.83
Goodwill impairment[(3)]	(808.3)	(17.3)%	(542.4)	(11.32)
Decrease in interest expense[(4)]	N/A	N/A	2.7	0.06
2014 loss on debt extinguishment[(5)]	N/A	N/A	4.3	0.09
Impact of income taxes[(6)]	N/A	N/A	(14.4)	(0.30)
Decrease attributable to investments in unconsolidated entities and noncontrolling interests, net of tax[(7)]	N/A	N/A	(3.9)	(0.08)
Decrease in operating income[(8)]	(65.4)	(1.2)%	(39.2)	(0.81)
For the year ended December 31, 2015	$(830.0)	(17.7)%	$(641.9)	$ (13.40)

(1) Restructuring, impairment and transaction-related charges of $164.9 million incurred during the year ended December 31, 2015, included:

a. $42.1 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs;

b. $95.3 million of impairment charges including: (1) $54.7 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Atlanta, Georgia; Augusta, Georgia; Dickson, Tennessee; East Greenville, Pennsylvania; Loveland, Colorado; and Queretaro, Mexico, as well as other capacity reduction restructuring initiatives; (2) $18.6 million of investment-related impairment charges, primarily related to $16.7 million of impairment charges to reduce the book value of the Company's equity method investment in Quad/Graphics Chile S.A. ("Chile") to fair value (see Note 8, "Equity Method Investments in Unconsolidated Entities," to the consolidated financial statements in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K, for additional details related to the impairment of the Company's equity method investment in Chile); (3) $12.7 million of land and building impairment charges primarily related to the Augusta, Georgia and East Greenville, Pennsylvania plant closures; (4) $7.1 million of customer relationship intangible asset impairments; and (5) $2.2 million of impairment charges primarily related to the restructuring proceedings in Argentina for the Company's

Argentina subsidiaries, Anselmo L. Morvillo S.A. ("Morvillo") and World Color Argentina, S.A. (the "Argentina Subsidiaries") for land, building, machinery and equipment and other intangible assets;

c. $(6.7) million of transaction-related charges (income) including a $10.0 million non-recurring gain as a result of Courier Corporation's ("Courier") termination of the agreement pursuant to which Quad/Graphics was to acquire Courier, partially offset by $3.3 million of professional service fees including fees for the terminated acquisition of Courier and the acquisitions of Marin's, Copac and Specialty;

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d. $5.1 million of acquisition-related integration costs primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies; and

e. $29.1 million of various other restructuring charges, including a $6.0 million non-cash and nondeductible expense to recognize accumulated foreign exchange losses on the sale of the Chile equity method investment, lease exit charges related to closed facilities, as well as other costs to maintain and exit closed facilities.

The Company expects to incur additional restructuring and integration costs in future reporting periods in connection with eliminating excess manufacturing capacity and properly aligning its cost structure in conjunction with the Company's acquisitions and strategic investments, and other cost reduction programs.

(2) Restructuring, impairment and transaction-related charges of $67.3 million incurred during the year ended December 31, 2014, included:

a. $30.6 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs;

b. $14.4 million of impairment charges including: (1) $8.0 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Atlanta, Georgia; Dickson, Tennessee; Mexico City, Mexico; Pomona, California; and St. Cloud, Minnesota, as well as other capacity reduction restructuring initiatives and (2) $6.4 million of land and building impairment charges primarily related to the Bristol, Pennsylvania and Dickson, Tennessee plant closures;

c. $2.6 million of transaction-related charges consisting of professional service fees for business acquisition and divestiture activities, which primarily includes professional service fees for the acquisitions of Brown Printing and UniGraphic;

d. $11.2 million of acquisition-related integration costs primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies; and

e. $8.5 million of other restructuring charges, including costs to maintain and exit closed facilities, as well as lease exit charges, presented net of a $4.9 million gain from the termination of the postretirement medical benefit plan.

(3) Pre-tax non-cash goodwill impairment charges of $808.3 million ($542.4 million, net of tax) were recorded during the year ended December 31, 2015, of which $778.3 million related to the United States Print and Related Services segment and $30.0 million related to the International segment.

(4) Interest expense decreased $4.5 million ($2.7 million, net of tax) during the year ended December 31, 2015, to $88.4 million. This change was due to a lower weighted average interest rate on borrowings and lower average debt levels in 2015 as compared to 2014.

(5) A non-recurring $7.2 million loss on debt extinguishment ($4.3 million, net of tax) was recognized during the year ended December 31, 2014, primarily related to the $1.9 billion debt financing arrangements completed on April 28, 2014. The $7.2 million represents certain debt issuance costs that were expensed.

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(6) The decrease in income tax benefit of $14.4 million as calculated in the following table is primarily due to $10.4 million in reduced tax benefits in 2015 from a reversal of the liability for unrecognized tax benefits in 2014 based on the expiration of statutes of limitations and $5.6 million related to losses in foreign jurisdictions in 2015 in excess of 2014 where the Company does not receive a tax benefit. See Note 14, "Income Taxes," to the consolidated financial statements in Item 8 of this Annual Report on Form 10-K for further information on income taxes.

	Year Ended December 31, 2015	2014	$ Change
Earnings (loss) before income taxes and equity in loss of unconsolidated entities	$(918.4)	$41.2	$(959.6)
Goodwill impairment charges	808.3	—	808.3
Nondeductible equity method investment impairment	16.7	—	16.7
Nondeductible foreign exchange losses on the sale of investment	6.0	—	6.0
Income (loss) subject to income taxes	(87.4)	41.2	(128.6)
40% normalized tax rate	40.0%	40.0%	40.0%
Income tax expense (benefit) at 40% normalized tax rate	(35.0)	16.5	(51.5)
Plus: tax benefit related to goodwill impairment charges (Note 14)	(265.9)	—	(265.9)
	(300.9)	16.5	(317.4)
Income tax expense (benefit) from the consolidated statements of operations	(282.8)	20.2	303.0
Impact of income taxes	$(18.1)	$(3.7)	$(14.4)

(7) The decrease attributable to investments in unconsolidated entities and noncontrolling interests, net of tax, of $3.9 million during the year ended December 31, 2015, was primarily due to a $2.8 million increase in losses from unconsolidated entities at the Company's investment in Plural Industria Gráfica Ltda ("Plural"), the Company's Brazilian joint venture and a $0.9 million increase in losses at the Company's investment in Chile that was sold on July 31, 2015.

(8) Operating income (loss), excluding restructuring, impairment and transaction-related charges and goodwill impairment charges, decreased $65.4 million ($39.2 million, net of tax) primarily due to: (1) a 3.8% reduction in net sales predominantly from ongoing industry volume and pricing pressures; (2) higher labor costs associated with lower productivity; (3) a $10.8 million charge to reduce a vendor receivable due to collectability concerns; and (4) $6.1 million in net gains in 2014 related to favorable legal and bankruptcy settlements. These declines were partially offset by: (1) operating results from the additional earnings from the sales attributed to recent acquisitions; (2) a $4.5 million increase in net gains on the sale of property, plant and equipment; (3) a $4.5 million decrease in foreign currency losses; (4) $4.0 million in lower vacation expense due to a change in the vacation policy; (5) a $2.5 million gain on the sale of a cost method investment; and (6) a $1.1 million favorable impact from the resolution of certain acquisition related contingencies. The following discussion provides additional details.

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Operating Results

The following table sets forth certain information from the Company's consolidated statements of operations on an absolute dollar basis and as a relative percentage of total net sales for each noted period, together with the relative percentage change in such information between the periods set forth below:

	Year Ended December 31, 2015 (dollars in millions)		2014			
	Amount	% of Sales	Amount	% of Sales	$ Change	% Change
Net sales:						
Products	$4,030.3	86.2 %	$4,197.5	86.3 %	$(167.2)	(4.0)%
Services	647.4	13.8 %	664.9	13.7 %	(17.5)	(2.6)%
Total net sales	4,677.7	100.0 %	4,862.4	100.0 %	(184.7)	(3.8)%
Cost of sales:						
Products	3,294.1	70.4 %	3,421.4	70.3 %	(127.3)	(3.7)%
Services	466.8	10.0 %	470.5	9.7 %	(3.7)	(0.8)%
Total cost of sales	3,760.9	80.4 %	3,891.9	80.0 %	(131.0)	(3.4)%
Selling, general & administrative expenses	448.3	9.5 %	425.5	8.8 %	22.8	5.4 %
Depreciation and amortization	325.3	7.0 %	336.4	6.9 %	(11.1)	(3.3)%
Restructuring, impairment and transaction-related charges	164.9	3.5 %	67.3	1.4 %	97.6	145.0 %
Goodwill impairment	808.3	17.3 %	—	— %	808.3	nm
Total operating expenses	5,507.7	117.7 %	4,721.1	97.1 %	786.6	16.7 %
Operating income (loss)	$(830.0)	(17.7)%	$141.3	2.9 %	$(971.3)	nm

Net Sales

Product sales decreased $167.2 million, or 4.0%, for the year ended December 31, 2015, compared to the year ended December 31, 2014, primarily due to a $260.5 million decrease in product sales in the Company's core print and specialty print product lines owned more than a year predominantly due to ongoing volume and pricing pressures and $53.3 million in negative foreign exchange impact. These decreases were partially offset by a $146.6 million increase from acquisitions.

Service sales, which primarily consist of imaging, logistics and distribution services, decreased $17.5 million, or 2.6%, for the year ended December 31, 2015, compared to the year ended December 31, 2014, primarily due to a decrease in logistics sales resulting from ongoing volume pressures. This decrease was partially offset by $12.9 million in increased sales of QuadMed medical services and $9.0 million in increased logistics and imaging sales resulting from acquisitions.

Cost of Sales

Cost of product sales decreased $127.3 million, or 3.7%, for the year ended December 31, 2015, compared with the year ended December 31, 2014, primarily due to lower print and paper volumes in product lines owned more than a year and a $4.0 million vacation reserve reduction due to a vacation policy change. These reductions were partially offset by increased cost of product sales resulting from acquisitions, higher labor costs associated with lower productivity and a $10.8 million charge to reduce a vendor receivable due to collectability concerns.

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Cost of product sales as a percentage of net sales increased to 70.4% for the year ended December 31, 2015, from 70.3% for the year ended December 31, 2014, primarily due to the reasons provided above.

Cost of service sales decreased $3.7 million, or 0.8%, for the year ended December 31, 2015, compared with the year ended December 31, 2014, primarily due to lower logistics volumes, partially offset by additional costs resulting from QuadMed medical services and increased sales generated by acquisitions.

Cost of service sales as a percentage of net sales increased to 10.0% for the year ended December 31, 2015, from 9.7% for the year ended December 31, 2014, primarily due to increased costs of QuadMed medical services.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $22.8 million, or 5.4%, for the year ended December 31, 2015, compared with the year ended December 31, 2014, primarily due to: (1) a $16.7 million increase in employee-related costs due to acquisitions, net of a $9.8 million reduction in compensation expense recognized related to equity incentive programs; (2) $6.1 million in net gains in 2014 related to favorable legal and bankruptcy settlements; (3) a $3.5 million increase in legal and professional fees; and (4) a $2.5 million increase in general administrative expenses. These increases were partially offset by: (1) a $4.5 million increase in net gains on the sale of property, plant and equipment; (2) a $4.5 million decrease in foreign currency losses; (3) a $2.5 million gain from the sale of a cost investment; and (4) a $1.1 million favorable impact from the resolution of certain acquisition related contingencies. Selling, general and administrative expenses as a percentage of net sales increased from 8.8% to 9.5% between years primarily due to the same reasons.

Depreciation and Amortization

Depreciation and amortization decreased $11.1 million, or 3.3%, for the year ended December 31, 2015, compared with the year ended December 31, 2014, primarily due to a $14.8 million decrease in depreciation expense. The decreased depreciation expense is a result of property, plant and equipment becoming fully depreciated over the past year. This was partially offset by depreciation of property, plant and equipment purchased in acquisitions. The decrease in depreciation expense was partially offset by a $3.7 million increase in amortization expense, primarily due to amortization of customer relationship intangible assets and other intangible assets from the companies acquired during 2015.

Restructuring, Impairment and Transaction-Related Charges

Restructuring, impairment and transaction-related charges increased $97.6 million, or 145.0%, for the year ended December 31, 2015, compared with the year ended December 31, 2014, primarily due to a $80.9 million increase in impairment charges, a $20.6 million increase in other restructuring charges and a $11.5 million increase in employee termination charges, partially offset by a $9.3 million decrease in transaction-related charges and a $6.1 million decrease in acquisition-related integration costs.

Restructuring, impairment and transaction-related charges of $164.9 million incurred in the year ended December 31, 2015, included: (1) $42.1 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs; (2) $95.3 million of impairment charges, including $54.7 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Atlanta, Georgia; Augusta, Georgia; Dickson, Tennessee; East Greenville, Pennsylvania; Loveland, Colorado; and Queretaro, Mexico, as well as other capacity reduction restructuring initiatives, $18.6 million of investment related impairment charges, primarily related to $16.7 million of impairment charges to reduce the book value of the Company's equity method investment in Chile to fair value (see Note 8, "Equity Method Investments in

Unconsolidated Entities," for additional details related to the impairment of the Company's equity method investment in Chile), $12.7 million of land and building impairment charges primarily related to the Augusta, Georgia and East Greenville, Pennsylvania plant closures, $7.1 million of customer relationship intangible asset impairments and $1.2 million of impairment charges for land and building, $0.9 million of impairment charges for machinery and equipment and $0.1 million of impairment charges for other intangible assets as a result of the Company's Argentina

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Subsidiaries restructuring proceedings; (3) $(6.7) million of transaction-related charges (income), which includes a $10.0 million non-recurring gain as a result of Courier's termination of the agreement pursuant to which Quad/Graphics was to acquire Courier, partially offset by $3.3 million of professional service fees for the terminated acquisition of Courier and the acquisitions of Marin's, Copac and Specialty; (4) $5.1 million of acquisition-related integration costs primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies; and (5) $29.1 million of other restructuring charges, including a $6.0 million non-cash expense to recognize accumulated foreign exchange losses on the sale of the Chile equity method investment, as well as lease exit charges and other costs to maintain and exit closed facilities.

Restructuring, impairment and transaction-related charges of $67.3 million incurred in the year ended December 31, 2014, included: (1) $30.6 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs; (2) $14.4 million of impairment charges, including $8.0 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Atlanta, Georgia; Dickson, Tennessee; Mexico City, Mexico; Pomona, California; and St. Cloud, Minnesota, as well as other capacity reduction restructuring initiatives and $6.4 million of land and building impairment charges primarily related to the Bristol, Pennsylvania and Dickson, Tennessee plant closures; (3) $2.6 million of transaction-related charges consisting of professional service fees for business acquisition and divestiture activities, which primarily includes professional service fees for the acquisitions of Brown Printing and UniGraphic; (4) $11.2 million of acquisition-related integration costs primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies; and (5) $8.5 million of other restructuring charges, including costs to maintain and exit closed facilities, as well as lease exit charges, presented net of a $4.9 million gain from the termination of the postretirement medical benefit plan.

Goodwill Impairment

On March 25, 2015, due to deteriorating economic conditions, including inflation and currency devaluation, combined with uncertain political conditions, declining print volumes and labor challenges, the Company's Argentina Subsidiaries (included within the Latin America reporting unit) commenced bankruptcy restructuring proceedings with a goal of consolidating operations. The Company conducted an interim goodwill impairment assessment of the Latin America reporting unit, which included comparing the carrying amount of net assets, including goodwill, to its respective fair value as of March 31, 2015, the date of the interim assessment. As a result of the interim goodwill impairment assessment as well as the annual impairment test as of October 31, 2015, the Company's International segment recorded non-cash nondeductible goodwill impairment charges of $30.0 million in the year ended December 31, 2015, primarily including a $23.3 million non-cash goodwill impairment charge for the Latin America reporting unit.

Due to the decline in the Company's stock price in the third quarter of 2015, an interim goodwill impairment test of the three reporting units in the United States Print and Related Services segment was performed as of July 31, 2015. As a result of the interim goodwill impairment assessment as well as the annual impairment test as of October 31, 2015, the Company's United States Print and Related Services segment recorded pre-tax non-cash goodwill impairment charges of $778.3 million ($512.4 million after tax) in the year ended December 31, 2015, that included impairment charges of $640.8 million, $118.9 million and $18.6 million in the Core Print and Related Services reporting unit, the Specialty Print and Related Services reporting unit and the Other United States Products and Services reporting unit, respectively.

In total, the Company recorded pre-tax non-cash goodwill impairment charges of $808.3 million ($542.4 million after tax) in the year ended December 31, 2015.

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EBITDA and EBITDA Margin—Consolidated

EBITDA and EBITDA margin for the year ended December 31, 2015, compared to the year ended December 31, 2014, were as follows:

	Year Ended December 31,			
	2015		2014	
	Amount	% of Net Sales	Amount	% of Net Sales
	(dollars in millions)			
EBITDA and EBITDA margin	$(511.0)	(10.9)%	$468.1	9.6%

EBITDA decreased $979.1 million for the year ended December 31, 2015, compared to the year ended December 31, 2014, primarily due to: (1) a $808.3 million non-cash goodwill impairment charge recorded in 2015; (2) $97.6 million of increased restructuring, impairment and transaction-related charges; (3) ongoing volume and pricing pressures from excess capacity in the printing industry; (4) higher labor costs associated with lower productivity; (5) a $10.8 million charge to reduce a vendor receivable due to collectability concerns; and (6) $6.1 million in net gains in 2014 related to favorable legal and bankruptcy settlements. These impacts were partially offset by: (1) the additional earnings on sales generated from acquisitions; (2) a $4.5 million increase in net gains on the sale of property, plant and equipment; (3) a $4.5 million decrease in foreign currency losses; (4) a $4.0 million vacation reserve reduction due to a vacation policy change; (5) a $2.5 million gain on the sale of a cost investment; and (6) a $1.1 million favorable impact from the resolution of certain acquisition related contingencies.

EBITDA represents net earnings (loss) attributable to Quad/Graphics common shareholders, plus (i) interest expense, (ii) income tax expense (if applicable) and (iii) depreciation and amortization, and less income tax benefit (if applicable). EBITDA margin represents EBITDA as a percentage of net sales. EBITDA and EBITDA margin are presented to provide additional information regarding Quad/Graphics' performance and because both are important measures by which Quad/Graphics gauges the profitability and assesses the performance of its business. EBITDA and EBITDA margin are not measures of financial performance in accordance with GAAP. EBITDA and EBITDA margin should not be considered alternatives to net earnings (loss) as a measure of operating performance or to cash flows provided by operating activities as a measure of liquidity. Quad/Graphics' calculation of EBITDA and EBITDA margin may be different from the calculations used by other companies, and therefore, comparability may be limited. A reconciliation of EBITDA to net earnings (loss) attributable to Quad/Graphics common shareholders follows:

	Year Ended December 31,	
	2015	2014
	(dollars in millions)	
Net earnings (loss) attributable to Quad/Graphics common shareholders[1]	$(641.9)	$18.6
Interest expense	88.4	92.9
Income tax expense (benefit)	(282.8)	20.2
Depreciation and amortization	325.3	336.4
EBITDA	$(511.0)	$468.1

[1] Net earnings (loss) attributable to Quad/Graphics common shareholders includes the following effects:

a. Restructuring, impairment and transaction-related charges of $164.9 million and $67.3 million for the years ended December 31, 2015 and 2014, respectively;
b. Non-cash goodwill impairment charge of $808.3 million for the year ended December 31, 2015; and
c. Loss on debt extinguishment of $7.2 million for the year ended December 31, 2014.

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United States Print and Related Services

The following table summarizes net sales, operating income (loss), operating margin and certain items impacting comparability within the United States Print and Related Services segment:

	Year Ended December 31, 2015 Amount	2014 Amount	$ Change	% Change
	(dollars in millions)			
Net sales:				
Products	$3,651.8	$3,760.6	$(108.8)	(2.9)%
Services	628.5	645.2	(16.7)	(2.6)%
Operating income (loss) (including restructuring, impairment and transaction-related charges and goodwill impairment)	(706.1)	197.9	(904.0)	nm
Operating margin	(16.5)%	4.5%	N/A	N/A
Restructuring, impairment and transaction-related charges	$101.4	$52.1	$49.3	94.6%
Goodwill impairment	778.3	—	778.3	nm

Net Sales

Product sales for the United States Print and Related Services segment decreased $108.8 million, or 2.9%, for the year ended December 31, 2015, compared to the year ended December 31, 2014, primarily due to a $242.5 million decrease in product sales in the Company's core print and specialty print product lines owned more than a year predominantly due to ongoing volume and pricing pressures from excess capacity in the printing industry, partially offset by a $133.7 million increase from acquisitions.

Service sales for the United States Print and Related Services segment decreased $16.7 million, or 2.6%, for the year ended December 31, 2015, compared to the year ended December 31, 2014, primarily due to a decrease in logistics sales resulting from ongoing volume pressures. This decrease was partially offset by $12.9 million in increased sales of QuadMed medical services and $9.0 million in logistics and imaging sales resulting from acquisitions.

Operating Income (Loss)

Operating income (loss) for the United States Print and Related Services segment decreased $904.0 million for the year ended December 31, 2015, compared to the year ended December 31, 2014, primarily due to: (1) a $778.3 million non-cash goodwill impairment charge; (2) $49.3 million in increased restructuring, impairment and transaction-related charges; (3) ongoing volume and pricing pressures from excess capacity in the printing industry; (4) a $10.8 million charge to reduce a vendor receivable due to collectability concerns; and (5) $2.5 million in net gains in 2014 related to favorable legal and bankruptcy settlements. These decreases in operating income were partially offset by: (1) additional earnings from the sales attributed to recent acquisitions; (2) a $4.5 million increase in net gains on the sale of property, plant and equipment; (3) a $4.0 million vacation reserve reduction due to a vacation policy change; (4) a $2.5 million gain on the sale of a cost investment; and (5) a $1.1 million favorable impact from the resolution of certain acquisition related contingencies.

Operating margin for the United States Print and Related Services segment decreased to (16.5)% for the year ended December 31, 2015, from 4.5% for the year ended December 31, 2014, primarily due to the reasons provided above.

Restructuring, Impairment and Transaction-Related Charges

Restructuring, impairment and transaction-related charges for the United States Print and Related Services segment for the year ended December 31, 2015, were $101.4 million, consisting of: (1) $27.3 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs; (2) $50.7 million of impairment charges, including $33.5 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Atlanta, Georgia; Augusta, Georgia; Dickson, Tennessee; East Greenville, Pennsylvania; and Loveland, Colorado, as well as other capacity reduction restructuring initiatives, $11.2 million of land and building impairment charges primarily related to the Augusta, Georgia and East Greenville, Pennsylvania plant closures and $6.0 million of customer relationship intangible asset impairments; (3) $4.6 million of acquisition-related integration costs primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies; and (4) $18.8 million of other restructuring charges, including costs to maintain and exit closed facilities, as well as lease exit charges.

Restructuring, impairment and transaction-related charges for the United States Print and Related Services segment for the year ended December 31, 2014, were $52.1 million, consisting of: (1) $19.9 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs; (2) $12.7 million of impairment charges, including $7.0 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Atlanta, Georgia; Dickson, Tennessee; Pomona, California; and St. Cloud, Minnesota, as well as other capacity reduction restructuring initiatives and $5.7 million of land and building impairment charges primarily related to the Bristol, Pennsylvania and Dickson, Tennessee plant closures; (3) $8.8 million of acquisition-related integration costs primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies; and (4) $10.7 million of other restructuring charges, including costs to maintain and exit closed facilities, as well as lease exit charges.

Goodwill Impairment

Due to the decline in the Company's stock price in the third quarter of 2015, an interim goodwill impairment test of the three reporting units in the United States Print and Related Services segment was performed as of July 31, 2015. As a result of the interim goodwill impairment assessment as well as the annual impairment test as of October 31, 2015, the Company's United States Print and Related Services segment recorded pre-tax non-cash goodwill impairment charges of $778.3 million ($512.4 million after tax) in the year ended December 31, 2015, that included impairment charges of $640.8 million, $118.9 million and $18.6 million in the Core Print and Related Services reporting unit, the Specialty Print and Related Services reporting unit and the Other United States Products and Services reporting unit, respectively.

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International

The following table summarizes net sales, operating loss, operating margin, certain items impacting comparability and equity in loss of unconsolidated entities within the International segment:

	Year Ended December 31, 2015 (dollars in millions) Amount	2014 Amount	$ Change	% Change
Net sales:				
Products	$378.5	$436.9	$(58.4)	(13.4)%
Services	18.9	19.7	(0.8)	(4.1)%
Operating loss (including restructuring, impairment and transaction-related charges and goodwill impairment)	(63.4)	(11.2)	(52.2)	466.1%
Operating margin	(16.0)%	(2.5)%	N/A	N/A
Restructuring, impairment and transaction-related charges	$38.8	$9.2	$29.6	321.7%
Goodwill impairment	30.0	—	30.0	nm
Equity in loss of unconsolidated entities	(6.3)	(2.7)	(3.6)	nm

Net Sales

Product sales for the International segment decreased $58.4 million, or 13.4%, for the year ended December 31, 2015, compared to the year ended December 31, 2014, primarily due to $53.3 million in foreign exchange losses primarily in Europe, Mexico, Colombia and Argentina and $28.6 million in lower volumes predominantly in Mexico and Colombia. These decreases were partially offset by $12.9 million in sales from the Marin's acquisition and a $10.6 million increase in Europe, primarily due to higher volumes.

Service sales for the International segment decreased $0.8 million, or 4.1%, for the year ended December 31, 2015, compared to the year ended December 31, 2014, primarily due to a decrease in logistics revenue in Europe.

Operating Loss

Operating loss for the International segment increased $52.2 million for the year ended December 31, 2015, compared to the year ended December 31, 2014, primarily due to: (1) $30.0 million non-cash nondeductible goodwill impairment charges; (2) $29.6 million of higher restructuring and impairment expenses, including $16.7 million of impairment charges to reduce the book value of the Company's equity method investment in Chile and $6.0 million of non-deductible foreign exchange losses on the sale of the equity method investment in Chile; (3) $3.6 million in net gains in 2014 related to favorable legal settlements; and (4) a $3.6 million increase in equity loss of unconsolidated entities, as discussed below. These increases in operating loss were partially offset by a $4.0 million increase in operating income in Europe and increased operating income in Latin America despite lower product sales in Latin America.

Restructuring, Impairment and Transaction-Related Charges

Restructuring, impairment and transaction-related charges for the International segment for the year ended December 31, 2015, were $38.8 million, consisting of: (1) $7.3 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs; (2) $22.8 million of impairment charges, including $16.7 million of impairment charges to reduce the book value of the Company's equity method investment in Chile to fair value (see Note 8, "Equity Method Investments in Unconsolidated Entities," for additional details related to the impairment of the Company's equity method investment in Chile), $2.2 million of impairment charges primarily related to the restructuring proceedings in Argentina for the Company's Argentina Subsidiaries for land, building, machinery and equipment and other intangible assets, $1.5 million of land and building impairment charges, $1.3 million of impairment charges for machinery and equipment no longer being utilized in production, as well as other capacity reduction restructuring initiatives and $1.1 million of customer relationship intangible asset impairments; and (3) $8.7 million of other restructuring charges, primarily related to the $6.0 million non-cash expense to recognize accumulated foreign exchange losses on the sale of the Chile equity method investment.

Restructuring, impairment and transaction-related charges for the International segment for the year ended December 31, 2014, were $9.2 million, consisting of: (1) $6.0 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs; (2) $1.7 million of impairment charges, including $1.0 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations in Mexico City, Mexico, as well as other capacity reduction restructuring initiatives and $0.7 million of land and building impairment charges as a result of facility consolidations in Poland; and (3) $1.5 million of other restructuring charges.

Goodwill Impairment

On March 25, 2015, due to deteriorating economic conditions, including inflation and currency devaluation, combined with uncertain political conditions, declining print volumes and labor challenges, the Company's Argentina Subsidiaries (included within the Latin America reporting unit) commenced bankruptcy restructuring proceedings with a goal of consolidating operations. The Company conducted an interim goodwill impairment assessment of the Latin America reporting unit, which included comparing the carrying amount of net assets, including goodwill, to its respective fair value as of March 31, 2015, the date of the interim assessment. As a result of the interim goodwill impairment assessment as well as the annual impairment test as of October 31, 2015, the Company's International segment recorded non-cash nondeductible goodwill impairment charges of $30.0 million in the year ended December 31, 2015, primarily including a $23.3 million non-cash goodwill impairment charge for the Latin America reporting unit.

Equity in Loss of Unconsolidated Entities

Investments in entities where Quad/Graphics has the ability to exert significant influence, but not control, are accounted for using the equity method of accounting. The Company holds a 49% ownership interest in Plural, a commercial printer based in São Paulo, Brazil. The Company also held a 50% interest in a joint venture based in Chile that was acquired as part of the World Color Press Inc. acquisition until July 31, 2015, when the investment was sold. The equity in loss of unconsolidated entities in the International segment increased $3.6 million for the year ended December 31, 2015, compared to the year ended December 31, 2014, primarily due to a $2.8 million increase in equity losses in Plural and a $0.9 million increase in equity losses in Chile.

Unrestricted Subsidiaries

Unrestricted subsidiaries as defined in the Senior Unsecured Notes indenture represented less than 2.0% of total consolidated net sales for the year ended December 31, 2015.

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Corporate

The following table summarizes unallocated operating expenses presented as Corporate:

	Year Ended December 31,				
	2015	2014			
	(dollars in millions)				
	Amount	Amount	$ Change	% Change	
Operating expenses (including restructuring, impairment and transaction-related charges)	$60.5	$45.4	$15.1	33.3	%
Restructuring, impairment and transaction-related charges	24.7	6.0	18.7	311.7	%

Operating Expenses

Corporate operating expenses increased $15.1 million, or 33.3%, for the year ended December 31, 2015, compared with the year ended December 31, 2014, primarily due to a $18.7 million increase in restructuring, impairment and transaction-related charges, partially offset by $7.3 million in lower compensation expense related to equity incentive programs.

Restructuring, Impairment and Transaction-Related Charges

Corporate restructuring, impairment and transaction-related charges for the year ended December 31, 2015, were $24.7 million, consisting of: (1) $7.5 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs; (2) $21.8 million of impairment charges, including $19.9 million of impairment charges for corporate equipment and $1.9 million of investment related impairment charges; (3) $(6.7) million of transaction-related charges (income), which includes the $10.0 million non-recurring gain from Courier, partially offset by $3.3 million of professional service fees, including fees for the terminated acquisition of Courier and the acquisitions of Marin's, Copac and Specialty; (4) $0.3 million of acquisition-related integration costs primarily related to professional fees; and (5) $1.8 million of other restructuring charges.

Corporate restructuring, impairment and transaction-related charges for the year ended December 31, 2014, were $6.0 million, consisting of: (1) $4.7 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs; (2) $2.6 million of transaction-related charges consisting of professional service fees for business acquisition and divestiture activities, which primarily includes professional service fees for the acquisitions of Brown Printing and UniGraphic; (3) $2.4 million of acquisition-related integration costs primarily related to professional fees; and (4) $(3.7) million of other restructuring charges (income), which includes a $4.9 million gain from the termination of the postretirement medical benefit plan.

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Results of Operations for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

Summary Results

The Company's operating income from continuing operations, operating margin, net earnings attributable to Quad/Graphics common shareholders (computed using a 40% normalized tax rate) and diluted earnings per share attributable to Quad/Graphics common shareholders for the year ended December 31, 2014, changed from the year ended December 31, 2013, as follows (dollars in millions, except per share data):

	Operating Income from Continuing Operations	Operating Margin	Net Earnings Attributable to Quad/Graphics Common Shareholders	Earnings Per Share Attributable to Quad/Graphics Common Shareholders—Diluted
For the year ended December 31, 2013	$142.2	3.0 %	$32.5	$ 0.65
2014 restructuring, impairment and transaction-related charges[1]	(67.3)	(1.4)%	(40.4)	(0.83)
2013 restructuring, impairment and transaction-related charges[2]	95.3	2.0 %	57.2	1.19
Increase in interest expense[3]	N/A	N/A	(4.4)	(0.09)
Increase in loss on debt extinguishment[4]	N/A	N/A	(4.3)	(0.09)
Impact of income taxes[5]	N/A	N/A	(3.1)	(0.06)
Decrease attributable to investments in unconsolidated entities and noncontrolling interests, net of tax[6]	N/A	N/A	(1.5)	(0.03)
Decrease in operating income[7]	(28.9)	(0.7)%	(17.4)	(0.36)
For the year ended December 31, 2014	$141.3	2.9 %	$18.6	$ 0.38

(1) Restructuring, impairment and transaction-related charges of $67.3 million incurred during the year ended December 31, 2014, included:

a. $30.6 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs;

b. $14.4 million of impairment charges including: (1) $8.0 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Atlanta, Georgia; Dickson, Tennessee; Mexico City, Mexico; Pomona, California; and St. Cloud, Minnesota, as well as other capacity reduction restructuring initiatives; and (2) $6.4 million of land and building impairment charges primarily related to the Bristol, Pennsylvania and Dickson, Tennessee plant closures;

c. $2.6 million of transaction-related charges consisting of professional service fees for business acquisition and divestiture activities, which primarily includes professional service fees for the acquisitions of Brown Printing and UniGraphic;

d. $11.2 million of acquisition-related integration costs primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies; and

e. $8.5 million of other restructuring charges, including costs to maintain and exit closed facilities, as well as lease exit charges, presented net of a $4.9 million gain from the termination of the postretirement medical benefit plan.

The Company expects to incur additional restructuring and integration costs in future reporting periods in connection with eliminating excess manufacturing capacity and properly aligning its cost structure in conjunction with the Company's acquisitions and strategic investments, and other cost reduction programs.

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(2) Restructuring, impairment and transaction-related charges of $95.3 million incurred during the year ended December 31, 2013, included:

a. $15.7 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs;

b. $21.8 million of impairment charges including: (1) $11.7 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Dubuque, Iowa; Jonesboro, Arkansas; Pittsburg, California and Vancouver, British Columbia, Canada, as well as other capacity reduction restructuring initiatives; and (2) $10.1 million of land and building impairment charges primarily related to the Corinth, Mississippi; Marengo, Iowa and Mexico City, Mexico plant closures;

c. $4.0 million of transaction-related charges consisting of professional service fees for business acquisition and divestiture activities, which primarily includes professional service fees for the acquisitions of Vertis, Proteus and Transpak;

d. $25.2 million of acquisition-related integration costs primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies; and

e. $28.6 million of other restructuring charges, including costs to maintain and exit closed facilities, as well as lease exit charges, presented net of a $2.1 million pension plan settlement gain.

(3) Interest expense increased $7.4 million ($4.4 million, net of tax) during the year ended December 31, 2014, to $92.9 million. This change was due to a higher weighted average interest rate on borrowings due to the debt financing arrangements completed on April 28, 2014, and increased debt levels in 2014 as compared to 2013, primarily related to acquisitions.

(4) A non-recurring $7.2 million loss on debt extinguishment ($4.3 million, net of tax) was recognized during the year ended December 31, 2014, primarily related to the $1.9 billion debt financing arrangements completed on April 28, 2014. The $7.2 million represents certain debt issuance costs that were expensed.

(5) The incremental income tax expense of $3.1 million above the normalized amount as calculated in the following table is primarily due to the following: (1) $6.8 million of income tax expense recorded in 2014 to establish a valuation allowance for certain operations in Mexico; (2) a $5.2 million decrease in domestic deductions; and (3) $1.6 million of one-time foreign benefits in 2013, partially offset by (4) a $10.5 million tax benefit from reversal of reserves for unrecognized tax benefits related to audit settlements or the expiration of the applicable statutes of limitations.

	Year Ended December 31,		
	2014	2013	$ Change
Earnings before income taxes and equity in loss of unconsolidated entities	$41.2	$56.7	$(15.5)
40% normalized tax rate	40.0 %	40.0 %	40.0 %
Income tax expense at 40% normalized tax rate	16.5	22.7	(6.2)
Income tax expense from the consolidated statements of operations	20.2	23.3	3.1

Incremental income tax expense above normalized amount	$(3.7)	$(0.6)	$(3.1)

(6) The decrease attributable to investments in unconsolidated entities and noncontrolling interests, net of tax, of $1.5 million during the year ended December 31, 2014, was primarily due to a decrease of $1.3 million of excluded noncontrolling interest loss in the Company's consolidated statements of operations related to the Company's ownership in Argentina due to the Company increasing its ownership share from 85% to 100%.

(7) Operating income, excluding restructuring, impairment and transaction-related charges, decreased $28.9 million ($17.4 million, net of tax) primarily due to a decline in earnings from ongoing industry volume and pricing pressures, as well as $9.5 million in net gains in 2013 that did not repeat in 2014 related to favorable legal, environmental and bankruptcy related settlements and a gain on the sale of Quad/Graphics' Brazilian operations in January 2013 to the Company's existing Brazilian joint venture with

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Plural. These declines were partially offset by the operating results from the acquisition of Brown Printing and lower employee related costs, including labor productivity improvements. The following discussion provides additional details.

Operating Results

The following table sets forth certain information from the Company's consolidated statements of operations on an absolute dollar basis and as a relative percentage of total net sales for each noted period, together with the relative percentage change in such information between the periods set forth below:

	Year Ended December 31,									
	2014			2013						
	(dollars in millions)									
	Amount	% of Sales		Amount	% of Sales		$ Change		% Change	
Net sales:										
Products	$4,197.5	86.3	%	$4,186.6	87.3	%	$10.9		0.3	%
Services	664.9	13.7	%	609.3	12.7	%	55.6		9.1	%
Total net sales	4,862.4	100.0	%	4,795.9	100.0	%	66.5		1.4	%
Cost of sales:										
Products	3,421.4	70.3	%	3,360.1	70.1	%	61.3		1.8	%
Services	470.5	9.7	%	441.8	9.2	%	28.7		6.5	%
Total cost of sales	3,891.9	80.0	%	3,801.9	79.3	%	90.0		2.4	%
Selling, general & administrative expenses	425.5	8.8	%	416.0	8.6	%	9.5		2.3	%
Depreciation and amortization	336.4	6.9	%	340.5	7.1	%	(4.1	)	(1.2	)%
Restructuring, impairment and transaction-related charges	67.3	1.4	%	95.3	2.0	%	(28.0	)	(29.4	)%
Total operating expenses	4,721.1	97.1	%	4,653.7	97.0	%	67.4		1.4	%
Operating income from continuing operations	$141.3	2.9	%	$142.2	3.0	%	$(0.9	)	(0.6	)%

Net Sales

Product sales increased $10.9 million, or 0.3%, for the year ended December 31, 2014, compared to the year ended December 31, 2013, primarily due to a $253.7 million increase from acquisitions, primarily the Brown Printing acquisition completed on May 30, 2014. This increase was partially offset by a $181.2 million decrease in product sales in the Company's United States core print and specialty print product lines due to ongoing volume and pricing pressures, $33.9 million in lower paper sales and $22.5 million in foreign exchange losses.

Service sales, which primarily consist of imaging, logistics and distribution services, increased $55.6 million, or 9.1%, for the year ended December 31, 2014, compared to the year ended December 31, 2013, primarily due to $33.3 million in increased sales of QuadMed medical services and $22.3 million in increased logistics and imaging sales primarily resulting from acquisitions.

Cost of Sales

Cost of product sales increased $61.3 million, or 1.8%, for the year ended December 31, 2014, compared with the year ended December 31, 2013, primarily due to a $217.7 million increase from cost of product sales resulting from acquisitions, partially offset by lower print and paper volumes and lower employee-related costs in product lines owned more than a year.

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Cost of product sales as a percentage of net sales increased to 70.3% for the year ended December 31, 2014, from 70.1% for the year ended December 31, 2013, primarily due to the Brown Printing acquisition, which operates with lower gross margins than the Company's historical gross margins.

Cost of service sales increased $28.7 million, or 6.5%, for the year ended December 31, 2014, compared with the year ended December 31, 2013, primarily due to $22.6 million in additional cost of service sales resulting from sales generated by the QuadMed medical services and a $9.5 million increase in freight costs, partially offset by a $5.1 million reduction in costs of service sales related to imaging.

Cost of service sales as a percentage of net sales increased to 9.7% for the year ended December 31, 2014, from 9.2% for the year ended December 31, 2013, primarily due to increased costs of QuadMed medical services and increased freight costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $9.5 million, or 2.3%, for the year ended December 31, 2014, compared with the year ended December 31, 2013, primarily due to an $8.8 million increase in employee-related costs attributable to acquisitions (predominantly from the Brown Printing acquisition) and $7.7 million of net gains recorded in 2013 that did not repeat in 2014 or at the same level in 2014, including legal, environmental and bankruptcy related expenses as well as a $2.8 million gain on the sale of Quad/Graphics' Brazilian operations in January 2013 to the Company's existing Brazilian joint venture with Plural. These increases were partially offset by a $3.4 million decrease in general administrative and professional fees and a $3.1 million reduction in sales promotion expense. Selling, general and administrative expenses as a percentage of net sales increased from 8.6% to 8.8% between years due to the items discussed in the preceding sentence.

Depreciation and Amortization

Depreciation and amortization decreased $4.1 million, or 1.2%, for the year ended December 31, 2014, compared with the year ended December 31, 2013, primarily due to a $9.7 million decrease in depreciation expense. The decreased depreciation expense is a result of property, plant and equipment becoming fully depreciated over the past year, partially offset by depreciation of property, plant and equipment purchased in the Brown acquisition. The decrease in depreciation expense was partially offset by a $5.6 million increase in amortization expense, primarily due to amortization of customer relationship intangible assets from the companies acquired during 2013 and 2014.

Restructuring, Impairment and Transaction-Related Charges

Restructuring, impairment and transaction-related charges decreased $28.0 million, or 29.4%, for the year ended December 31, 2014, compared with the year ended December 31, 2013, primarily due to a $20.1 million decrease in other restructuring charges, a $14.0 million decrease in acquisition-related integration costs, a $7.4 million decrease in impairment charges and a $1.4 million decrease in transaction-related charges, partially offset by a $14.9 million increase in employee termination charges.

Restructuring, impairment and transaction-related charges of $67.3 million incurred in the year ended December 31, 2014, included: (1) $30.6 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs; (2) $14.4 million of impairment charges, including $8.0 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Atlanta, Georgia; Dickson, Tennessee; Mexico City, Mexico; Pomona, California; and St. Cloud, Minnesota, as well as other capacity reduction restructuring initiatives; and $6.4 million of land and building impairment charges primarily related to the Bristol, Pennsylvania and Dickson, Tennessee plant closures;

(3) $2.6 million of transaction-related charges consisting of professional service fees for business acquisition and divestiture activities, which primarily includes professional service fees for the acquisitions of Brown Printing and UniGraphic; (4) $11.2 million of acquisition-related integration costs primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies; and (5) $8.5 million of other restructuring charges, including costs to maintain

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and exit closed facilities, as well as lease exit charges, presented net of a $4.9 million gain from the termination of the postretirement medical benefit plan.

Restructuring, impairment and transaction-related charges of $95.3 million incurred in the year ended December 31, 2013, included: (1) $15.7 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs; (2) $21.8 million of impairment charges, including $11.7 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Dubuque, Iowa; Jonesboro, Arkansas; Pittsburg, California; and Vancouver, British Columbia, Canada, as well as other capacity reduction restructuring initiatives; and $10.1 million of land and building impairment charges primarily related to the Corinth, Mississippi; Marengo, Iowa; and Mexico City, Mexico plant closures; (3) $4.0 million of transaction-related charges consisting of professional service fees for business acquisition and divestiture activities, which primarily includes professional service fees for the acquisitions of Vertis, Proteus and Transpak; (4) $25.2 million of acquisition-related integration costs primarily related to preparing existing facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies; and (5) $28.6 million of other restructuring charges, including costs to maintain and exit closed facilities, as well as lease exit charges, presented net of a $2.1 million pension plan settlement gain.

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EBITDA and EBITDA Margin—Consolidated

EBITDA and EBITDA margin for the year ended December 31, 2014, compared to the year ended December 31, 2013, were as follows:

	Year Ended December 31,					
	2014			2013		
	Amount	% of Net Sales		Amount	% of Net Sales	
	(dollars in millions)					
EBITDA and EBITDA margin	$468.1	9.6	%	$481.8	10.0	%

EBITDA decreased $13.7 million for the year ended December 31, 2014, compared to the year ended December 31, 2013, primarily due to: (1) ongoing volume and pricing pressures from excess capacity in the printing industry; (2) $11.3 million in net favorable gains in 2013 that did not repeat at the same level in 2014; (3) $9.5 million of increased selling, general and administrative expenses primarily from the Brown Printing acquisition; and (4) the $7.2 million loss on debt extinguishment recorded in 2014. These impacts were partially offset by $28.0 million of decreased restructuring, impairment and transaction-related charges and the additional earnings on sales generated from acquisitions. The EBITDA margin decreased from 10.0% for the year ended December 31, 2013, to 9.6% for the year ended December 31, 2014, primarily due to the margin impact from lower print pricing in product lines owned more than a year and the acquired Brown Printing operations, which operate with lower margins than the Company's historical margins.

EBITDA represents net earnings attributable to Quad/Graphics common shareholders, plus (i) interest expense, (ii) income tax expense (if applicable) and (iii) depreciation and amortization, and less income tax benefit (if applicable). EBITDA margin represents EBITDA as a percentage of net sales. EBITDA and EBITDA margin are presented to provide additional information regarding Quad/Graphics' performance and because both are important measures by which Quad/Graphics gauges the profitability and assesses the performance of its business. EBITDA and EBITDA margin are not measures of financial performance in accordance with GAAP. EBITDA and EBITDA margin should not be considered alternatives to net earnings as a measure of operating performance or to cash flows provided by operating activities as a measure of liquidity. Quad/Graphics' calculation of EBITDA and EBITDA margin may be different from the calculations used by other companies, and therefore, comparability may be limited. A reconciliation of EBITDA to net earnings attributable to Quad/Graphics common shareholders follows:

	Year Ended December 31,	
	2014	2013
	(dollars in millions)	
Net earnings attributable to Quad/Graphics common shareholders[1]	$18.6	$32.5
Interest expense	92.9	85.5
Income tax expense	20.2	23.3
Depreciation and amortization	336.4	340.5
EBITDA	$468.1	$481.8

(1) Net earnings attributable to Quad/Graphics common shareholders includes the following effects:

a. Restructuring, impairment and transaction-related charges of $67.3 million and $95.3 million for the years ended December 31, 2014, and 2013, respectively; and

b. Loss on debt extinguishment of $7.2 million for the year ended December 31, 2014.

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United States Print and Related Services

The following table summarizes net sales, operating income, operating margin and certain items impacting comparability within the United States Print and Related Services segment:

	Year Ended December 31, 2014 Amount	2013 Amount	$ Change	% Change
	(dollars in millions)			
Net sales:				
Products	$3,760.6	$3,746.2	$14.4	0.4 %
Services	645.2	593.5	51.7	8.7 %
Operating income (including restructuring, impairment and transaction-related charges)	197.9	230.7	(32.8)	(14.2)%
Operating margin	4.5 %	5.3 %	N/A	N/A
Restructuring, impairment and transaction-related charges	$52.1	$52.3	$(0.2)	(0.4)%

Net Sales

Product sales for the United States Print and Related Services segment increased $14.4 million, or 0.4%, for the year ended December 31, 2014, compared to the year ended December 31, 2013, primarily due to a $253.7 million increase from acquisitions. This increase was partially offset by a $181.2 million decrease in product sales in the Company's core print and specialty print product lines owned more than a year due to ongoing volume and pricing pressures and a $45.6 million decrease in paper sales.

Service sales for the United States Print and Related Services segment increased $51.7 million, or 8.7%, for the year ended December 31, 2014, compared to the year ended December 31, 2013, primarily due to $33.3 million in increased sales of QuadMed medical services and $18.4 million in increased logistics and imaging sales primarily resulting from acquisitions.

Operating Income

Operating income for the United States Print and Related Services segment decreased $32.8 million, or 14.2%, for the year ended December 31, 2014, compared to the year ended December 31, 2013, primarily due to the ongoing volume and pricing pressures from excess capacity in the printing industry. This decrease in operating income was partially offset by $30.1 million lower employee-related costs, including labor productivity improvements, and increased operating profit from acquisitions.

Operating margin for the United States Print and Related Services segment decreased to 4.5% for the year ended December 31, 2014, from 5.3% for the year ended December 31, 2013, primarily due to lower print volumes and pricing and the Brown Printing acquisition, which operates with lower margins than the Company's historical margins.

Restructuring, Impairment and Transaction-Related Charges

Restructuring, impairment and transaction-related charges for the United States Print and Related Services segment for the year ended December 31, 2014, were $52.1 million, consisting of: (1) $19.9 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs; (2) $12.7 million of impairment charges, including $7.0 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Atlanta, Georgia; Dickson, Tennessee; Pomona, California; and St. Cloud, Minnesota, as well as other capacity reduction restructuring initiatives and $5.7 million of land and building impairment charges primarily related to the Bristol, Pennsylvania and Dickson, Tennessee plant closures; (3) $8.8 million of acquisition-related integration costs primarily related to preparing existing

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facilities to meet new production requirements resulting from work transferring from closed plants, as well as other costs related to the integration of the acquired companies; and (4) $10.7 million of other restructuring charges, including costs to maintain and exit closed facilities, as well as lease exit charges.

Restructuring, impairment and transaction-related charges for the United States Print and Related Services segment for the year ended December 31, 2013, were $52.3 million, consisting of: (1) $10.0 million of employee termination charges related to workforce reductions through facility consolidations and involuntary separation programs; (2) $15.6 million of impairment charges, including $10.3 million of impairment charges for machinery and equipment no longer being utilized in production as a result of facility consolidations including Dubuque, Iowa; Jonesboro, Arkansas; Pittsburg, California; and Vancouver, British Columbia, Canada, as well as other capacity reduction restructuring initiatives; and $5.3 million of land and building impairment charges primarily related to the Corinth, Mississippi and Marengo, Iowa plant closures; and (3) $26.7 million of other restructuring charges, including costs to maintain and exit closed facilities, as well as lease exit charges, presented net of a $2.1 million pension plan settlement gain.

International

The following table summarizes net sales, operating loss, operating margin, certain items impacting comparability and equity in loss of unconsolidated entities within the International segment:

	Year Ended December 31,			
	2014	2013		
	(dollars in millions)			
	Amount	Amount	$ Change	% Change
Net sales:				
Products	$436.9	$440.4	$(3.5)	(0.8)%
Services	19.7	15.8	3.9	24.7%
Operating loss (including restructuring, impairment and transaction-related charges)	(11.2)	(7.7)	(3.5)	(45.5)%
Operating margin	(2.5)%	(1.7)%	N/A	N/A
Restructuring, impairment and transaction-related charges				