

April 3, 2014

SN VALUATION [Stocks, Real Estate, Bonds]

Quad/Graphics (QUAD)

Price:	\$23.61
Shares Outstanding:	48,010,000
Market Cap:	\$1,133,516,100
Cash:	\$13,100,000
Debt:	\$1,431,100,000
Net Cash:	-\$1,418,000,000
Enterprise Value:	\$2,551,516,100

Net Tang. Bk Value Incl. Cash, Excl.	\$457,400,000.00
Goodwill (NTBVIC):	
NTBVIC/Market Downside Recovery:	40.35%
Op. Cash Flow:	\$317,294,000
Implied Years to Fill Gap:	2.13
Today's Equity if 5x Op. CF:	\$1,409,282,000

Net Tang. Book Yr. 5 (Inc. Cash):	\$341,370,000.00
Avg. Year Op. Cash:	\$317,294,000.00
Year 5 Disposition FCF Multiple:	3.0
Year 5 Disposition Price:	\$1,293,252,000.00

Net Tang. Book+ Gain Disposition:	\$1,293,252,000.00
IRR:	2.67%

Price:	\$26.94
Target Market Cap:	\$1,293,252,000
Target Enterprise Value:	\$2,711,252,000

\* Our future intrinsic value measures the total return, which includes both capital appreciation and dividend income.

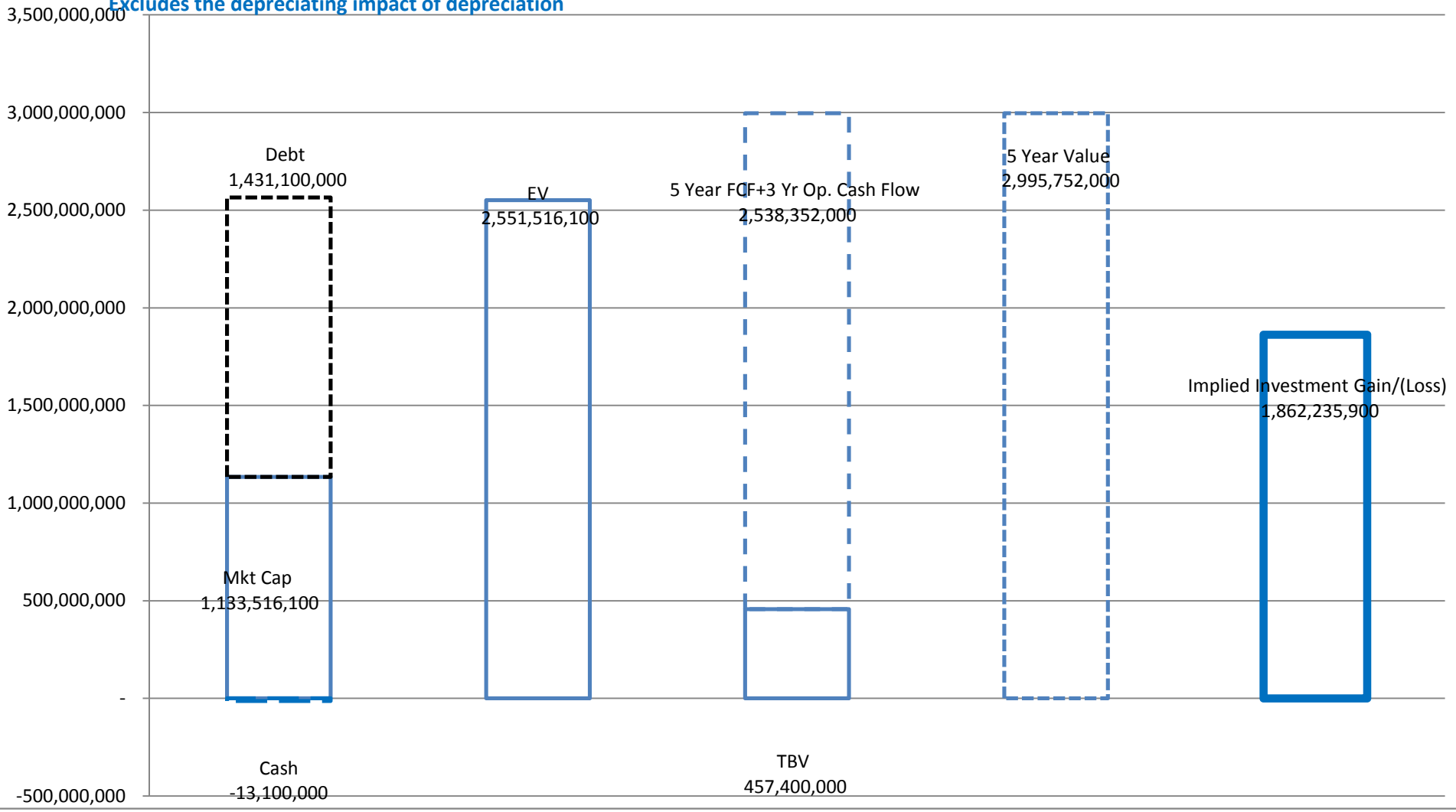
The 2nd largest printer in the Western hemisphere. The co. prints for magazines, newspaper circulations, inserts, books. Although the long term concern of obsolescence is the elephant in the room, it will take several years for the entire industry to die out. At the current pricing, the stock offers a respectable total return, with dividend at 5% and we anticipate single digit growth in value growth driven by the strong free cash flow.

The Co. sits on a lot of assets, namely printing factories located all over the Northeast US, and other international locations.

It is a Hold rating in our opinion though. The valuation is not very attractive. However, we like the Co's FCF generation.

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Excludes the depreciating impact of depreciation



Quad/Graphics, Inc. Was founded in 1971. It is a printer and media channel integrator company. The Company offers services for consumer magazines, special interest publications, catalogs, retail inserts/circulars, direct mail, directories, and commercial and specialty products with 50-plus print-production facilities on three continents. The Company's print and related products and services in North America, Latin America and Europe primarily include: Print Solutions. Includes consumer magazines, catalogs, retail inserts, special interest publications, journals, direct mail, books, directories, in-store marketing, packaging, and other commercial and specialty printed products; Media Solutions. Includes marketing strategy, media planning and placement, data insights, response analytics services, creative services, videography, photography, workflow solutions, digital imaging, facilities management services, digital publishing, and interactive print solutions including image recognition and near field communication technology; Logistics Services. Includes mailing, distribution, logistics, and data optimization and hygiene services. Quad/Graphics has contractual relationships with magazine publishers, including Condé Nast, Hearst Magazines, Meredith Corporation, The National Geographic Society, Rodale Inc., Source Interlink Media, LLC, Time Ton Stores, Inc., J.C. Penney Company, Inc., Shopko Stores Operating Co., LLC and Target Corporation; catalogs for industry-leading marketers such as American Girl, W.W. Grainger, Bluestem Brands, Colony Brands and OSP Group; and direct mail products for companies such as Charter Communications, American Eagle Outfitters, Publishers Clearing House, Inc. and Weight Watchers International, Inc. Quad/Graphics prints books for publishers such as Harlequin Enterprises Limited, The Companies, Inc. and Simon & Schuster, Inc.; and directories for publishers such as hibu plc and Yellow Media Limited.

<b>Company Name:</b> Quad/Graphics		Market Capitalization:	\$1,133,516,100.00	<b>Income Statement</b>	
Ticker Symbol:	QUAD	Total Debt:	\$1,431,100,000.00	Revenue:	\$4,800,000,000.00 100.0%
<b>Last Price:</b>	<b>\$23.61</b>	RCH Total Cash:	\$13,100,000.00	Cost of Goods Sold:	\$3,806,000,000.00 79.3%
Net Cash/Share:	-\$29.54	Net Cash/(Debt):	-\$1,418,000,000.00	Gross Profit:	\$994,000,000.00 20.7%
Net Cash to Last Price:	-125.10%	Enterprise Value:	\$2,551,516,100.00	EBITDA:	\$578,000,000.00 12.0%
Shares Outstanding:	48,010,000	RCH Current EV/Share:	\$53.15	Net Income:	\$31,400,000.00 0.7%
Industry:	Business Services	EBITDA:	\$823,200,000.00	<b>Balance Sheet</b>	
Sector:	Industrials	EV/EBITDA Multiple:	3.10	Cash:	\$13,100,000.00
Institutional Ownership:	62.02%	EV/EBITDA Multiple Average Year 1-5:	5.92	Short Term Investment:	\$0.00
Mutual Fund Ownership:	25.91%	EV/FCF Multiple (excluding acquisition):	8.75	A/R:	\$698,000,000.00
Insider Ownership:	2.02%			PP&E:	\$1,990,000,000.00
Float:	56.00%			Assets:	\$4,232,400,000.00
<b>Upper Range</b>					
<b>DCF: EV/EBITDA Terminal Value</b>					
<b>Technicals</b>		Implied TV from 3 X EV/EBITDA Multiple	\$1,294,893,000.00	A/P:	\$402,000,000.00
52 week low:	\$19.60	Enterprise Value	\$1,294,893,000.00	Deferred Tax:	\$395,200,000.00
Today from 52 week low:	20.46%	Cash at Year 5:	\$849,570,000.00	Other Liabilities:	\$648,500,000.00
52 week high:	\$36.89	Debt at Year 5:	\$1,431,100,000.00	Short term Debt:	\$134,600,000.00
Today from 52 week high:	56.25%	Equity Value Year 5:	\$713,363,000.00	Long Term Debt:	\$1,296,500,000.00
<b>Analyst/Consensus</b>		<b>Equity/Share at Year 5:</b>	<b>\$14.86</b>	Liabilities:	\$2,876,800,000.00
Analyst Sales Growth FY1:	-1.30%	Annualized Return:	-8.85%	Retained Earnings:	\$558,000,000.00
Analyst Sales Growth FY2:	-2.60%	<b>Lower Range</b>			
SN Valuation Estimate FY1:	0.00%	<b>DCF: Net Tangible Asset excluding Cash/Debt Terminal Value</b>			
SN Valuation Estimate FY2:	0.00%	Year 5 Net Tangible Assets excluding cash and debt	-\$219,800,000.00	Paid-In Capital:	\$984,400,000.00
Analyst Earnings Estimate FY1:	\$1.46	Enterprise Value	-\$219,800,000.00	Treasury Stock:	-\$250,000,000.00
Analyst Earnings Estimate FY2:	\$1.72	Cash at Year 5:	\$849,570,000.00	Stockholder's Equity:	\$1,232,400,000.00
SN Valuation Earnings Est. FY1:	-\$0.49	Debt at Year 5:	\$1,431,100,000.00	<b>Cash Flow</b>	
SN Valuation Earnings Est. FY2:	-\$0.50	Equity Value Year 5:	-\$801,330,000.00	Net Income:	30,900,000.00
<b>Multiples</b>		<b>Equity/Share at Year 5:</b>	<b>-\$16.69</b>	Depreciation/Amortization:	340,500,000.00
<b>Market Value to Book:</b>	<b>0.92</b>	Annualized Return:	-193.30%	Change in Working capital:	31,700,000.00
EV to Book:	2.07	<b>EVA</b>			
Market Value to Tangible Net Assets:	-0.69	EVA today:	\$1,324,626,635.32	Cash from Operating Activities:	441,100,000.00
P/E Ratio:	36.10	EVA in 5 Years:	\$3,109,798,453.50	Capital Expenditures:	-149,500,000.00
Trailing P/E Ratio:	36.32	EVA/Share:	\$64.77	Cash from Investing Activities:	-430,000,000.00
Forward P/E Ratio:	13.73	Cash at Year 5:	\$849,570,000.00	Total Cash Dividends Paid:	-56,400,000.00
Beta:	1.62	Debt at Year 5:	\$1,431,100,000.00	Issuance (Retirement) of Stock:	7,200,000.00
Dividend:	1.20	Equity Value Year 5:	\$2,528,268,453.50	Issuance (Retirement) of Debt:	41,300,000.00
<b>Dividend Yield:</b>	<b>5.08%</b>	<b>Equity/Share at Year 5:</b>	<b>\$52.66</b>	Cash from Financing Activities:	-10,200,000.00
Dividend Date:	Mar 21, 2014	Annualized return:	<b>18.61%</b>	<b>Profitability Margins</b>	
Ex-Dividend Date:	Mar 10, 2014	<b>Current Net Tangible Asset</b>			
<b>Competitors</b>		<b>Net Tangible Asset/Share:</b>	<b>\$7.45</b>	Debt to Equity:	116.12%
Average EV to EBITDA:	N/A	<b>Net Tangible Asset/Share in Year 5:</b>	<b>\$5.03</b>	Return on Assets:	0.77%
Company EV to EBITDA:	3.10	Annualized return:	-7.55%	Return on Capital:	1.22%
Average EV to EBIT:	N/A	Current Equity Price:	\$23.61	Return on Equity:	2.64%
Company EV to EBITA:	17.94	Selling at Discount?	Premium		
		Appreciation Potential:	-68.45%		

SN VALUATION

LBO Pro Forma Income Statement

Name:

Quad/Graphics

Ticker:

QUAD

	Historical				Forecasted				
	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	12 months ending 2013-12-31	2013	2014	2015	2016	2017
Revenue	3,185.80	4,324.60	4,094.00	4,795.90	4,795.90	4,795.90	4,795.90	4,795.90	4,795.90
COGS	2,406.30	3,302.10	3,183.50	3,801.90	3,836.72	3,836.72	3,836.72	3,836.72	3,836.72
Gross margin	779.50	1,022.50	910.50	994.00	959.18	959.18	959.18	959.18	959.18
SG&A	303.00	407.00	347.10	416.00	431.63	431.63	431.63	431.63	431.63
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	147.50	148.00	118.30	95.30	95.92	95.92	95.92	95.92	95.92
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Excluded from COGS					341.00	341.00	341.00	341.00	341.00
Operating Income (EBITA)	329.00	467.50	445.10	482.70	90.63	90.63	90.63	90.63	90.63
Interest income/(expense)	-92.90	-108.00	-84.00	-85.50	-113.84	-113.84	-113.84	-113.84	-113.84
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income before tax	-31.30	14.90	22.50	56.70	-23.21	-23.21	-23.21	-23.21	-23.21
Tax	223.20	26.00	-31.50	23.30	0.00	0.00	0.00	0.00	0.00
Income after tax	-254.50	-11.10	54.00	33.40	-23.21	-23.21	-23.21	-23.21	-23.21
Minority Interest	-0.10	-0.30	0.30	1.60	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	9.10	3.10	2.30	-2.50	-0.35	-0.69	-0.77	-0.70	-0.72
Net income	-245.50	-8.30	56.60	32.50	-23.55	-23.90	-23.97	-23.91	-23.93
* Figures are in millions (\$)									
EPS (based off today's share count)	-\$5.11	-\$0.17	\$1.18	\$0.68	-\$0.49	-\$0.50	-\$0.50	-\$0.50	-\$0.50
P/E (historical today's price; forecasted intrinsic price)	-4.62	-136.57	20.03	34.88	-49.41	-50.01	-51.17	-52.68	-54.05
Revenue Growth	N/A	35.75%	-5.33%	17.14%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	-713.10%	174.50%	-140.00%	41.03%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-5.70%	-7.16%	-6.11%	-6.00%	-8.82%	-8.82%	-8.82%	-8.82%	-8.82%
Margins									
COGS	75.53%	76.36%	77.76%	79.27%	80.00%	80.00%	80.00%	80.00%	80.00%
Gross margin	24.47%	23.64%	22.24%	20.73%	20.00%	20.00%	20.00%	20.00%	20.00%
SG&A	9.51%	9.41%	8.48%	8.67%	9.00%	9.00%	9.00%	9.00%	9.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	4.63%	3.42%	2.89%	1.99%	2.00%	2.00%	2.00%	2.00%	2.00%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Excluded from COGS					7.11%	7.11%	7.11%	7.11%	7.11%
Operating Income (EBITA)	10.33%	10.81%	10.87%	10.06%	1.89%	1.89%	1.89%	1.89%	1.89%
Interest income/(expense)	-2.92%	-2.50%	-2.05%	-1.78%	-2.37%	-2.37%	-2.37%	-2.37%	-2.37%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	-0.98%	0.34%	0.55%	1.18%	-0.48%	-0.48%	-0.48%	-0.48%	-0.48%
Tax	7.01%	0.60%	-0.77%	0.49%	0.00%	0.00%	0.00%	0.00%	0.00%
Income after tax	-7.99%	-0.26%	1.32%	0.70%	-0.48%	-0.48%	-0.48%	-0.48%	-0.48%
Minority Interest	0.00%	-0.01%	0.01%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.29%	0.07%	0.06%	-0.05%	-0.01%	-0.01%	-0.02%	-0.01%	-0.02%
Net income	-7.71%	-0.19%	1.38%	0.69%	-0.49%	-0.50%	-0.50%	-0.50%	-0.50%

						Adjustment		Adjusted Proforma	2014	2015	2016	2017	2018
	As of 2010-12-31	As of 2011-12-31	As of 2012-12-31	As of 2013-12-31	As of 2013-12-31	+	-						
Cash	20.50	25.60	16.90	13.10	13.10			13.10	180.394	347.69	514.98	682.28	849.57
Short term investment	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Cash and Short term</b>	<b>20.50</b>	<b>25.60</b>	<b>16.90</b>	<b>13.10</b>	<b>13.10</b>			<b>13.10</b>	<b>180.39</b>	<b>347.69</b>	<b>514.98</b>	<b>682.28</b>	<b>849.57</b>
Accounts Receivable	786.40	656.10	585.10	698.90	698.90			698.00	698.00	698.00	698.00	698.00	698.00
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Receivables</b>	<b>786.40</b>	<b>656.10</b>	<b>585.10</b>	<b>698.90</b>	<b>698.90</b>			<b>698.00</b>	<b>698.00</b>	<b>698.00</b>	<b>698.00</b>	<b>698.00</b>	<b>698.00</b>
Total Inventory	247.40	249.50	242.90	272.50	272.50			272.50	272.50	272.50	272.50	272.50	272.50
Prepaid Expenses	64.30	142.30	74.60	37.20	37.20			37.20	37.20	37.20	37.20	37.20	37.20
Other Current Assets	92.80	167.80	70.50	52.60	52.60			52.60	52.60	52.60	52.60	52.60	52.60
<b>Current Assets</b>	<b>1,211.40</b>	<b>1,241.30</b>	<b>990.00</b>	<b>1,074.30</b>	<b>1,073.40</b>	<b>0.00</b>	<b>0.00</b>	<b>1,073.40</b>	<b>1,240.694</b>	<b>1,407.99</b>	<b>1,575.28</b>	<b>1,742.58</b>	<b>1,909.87</b>
PP&E, Gross	4,627.10	4,693.90	4,856.50	0.00	4,900.00			4,900.00	5,050.00	5,200.00	5,350.00	5,500.00	5,650.00
Change in Depreciation	274.50	353.00	338.60	340.50	340.50			340.50	340.50	340.50	340.50	340.50	340.50
Accumulated Depreciation	2,309.30	2,570.60	2,910.00	0.00	2,910.00			2,910.00	3,250.50	3,591.00	3,931.50	4,272.00	4,612.50
<b>PP&amp;E, Net</b>	<b>2,317.80</b>	<b>2,123.30</b>	<b>1,946.50</b>	<b>0.00</b>	<b>1,990.00</b>			<b>1,990.00</b>	<b>1,799.50</b>	<b>1,609.00</b>	<b>1,418.50</b>	<b>1,228.00</b>	<b>1,037.50</b>
Goodwill	814.70	787.10	768.60	773.10	775.00	0.00		775.00	775.00	775.00	775.00	775.00	775.00
Intangibles	368.30	295.60	229.90	221.80	223.00			223.00	223.00	223.00	223.00	223.00	223.00
Long term investments	82.50	69.40	72.00	57.10	57.10			57.10	57.10	57.10	57.10	57.10	57.10
Other long term assets	152.30	218.50	112.00	113.90	113.90			113.90	113.90	113.90	113.90	113.90	113.90
<b>Long Term Assets</b>	<b>3,735.60</b>	<b>3,493.90</b>	<b>3,129.00</b>	<b>1,165.90</b>	<b>3,159.00</b>			<b>3,159.00</b>	<b>2,968.50</b>	<b>2,778.00</b>	<b>2,587.50</b>	<b>2,397.00</b>	<b>2,206.50</b>
<b>Total Assets</b>	<b>4,947.00</b>	<b>4,735.20</b>	<b>4,119.00</b>	<b>2,240.20</b>	<b>4,232.40</b>	<b>0.00</b>	<b>0.00</b>	<b>4,232.40</b>	<b>4,209.19</b>	<b>4,185.99</b>	<b>4,162.78</b>	<b>4,139.58</b>	<b>4,116.37</b>
Accounts Payable	332.40	301.90	285.80	401.00	402.00			402.00	402.00	402.00	402.00	402.00	402.00
Accrued Expense	305.00	393.90	334.00	350.70	351.00			351.00	351.00	351.00	351.00	351.00	351.00
Other current Liabilities	148.20	130.30	9.30	2.50	2.50			2.50	2.50	2.50	2.50	2.50	2.50
<b>Total Current Liabilities</b>	<b>785.60</b>	<b>826.10</b>	<b>629.10</b>	<b>754.20</b>	<b>755.50</b>	<b>0.00</b>	<b>0.00</b>	<b>755.50</b>	<b>755.50</b>	<b>755.50</b>	<b>755.50</b>	<b>755.50</b>	<b>755.50</b>
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	117.10	102.80	123.70	134.60	134.60			134.60	134.60	134.60	134.60	134.60	134.60
Long term Debt	1,470.90	1,381.50	1,235.50	1,283.70	1,290.00	0.00	0.00	1,290.00	1,290.00	1,290.00	1,290.00	1,290.00	1,290.00
Capital Lease Obligations	43.20	24.90	15.30	6.50	6.50			6.50	6.50	6.50	6.50	6.50	6.50
<b>Total Interest Earning Debt</b>	<b>1,631.20</b>	<b>1,509.20</b>	<b>1,374.50</b>	<b>1,424.80</b>	<b>1,431.10</b>	<b>0.00</b>	<b>0.00</b>	<b>1,431.10</b>	<b>1,431.10</b>	<b>1,431.10</b>	<b>1,431.10</b>	<b>1,431.10</b>	<b>1,431.10</b>
Deferred Income tax	433.80	471.90	363.90	395.20	395.20			395.20	395.20	395.20	395.20	395.20	395.20
Minority Interest	0.70	0.70	0.30	-1.30	-1.30			-1.30	-1.30	-1.30	-1.30	-1.30	-1.30
Other liabilities	614.40	624.60	495.70	303.90	296.30			296.30	296.30	296.30	296.30	296.30	296.30
<b>Total Liabilities</b>	<b>3,465.70</b>	<b>3,432.50</b>	<b>2,863.50</b>	<b>2,876.80</b>	<b>2,876.80</b>	<b>0.00</b>	<b>0.00</b>	<b>2,876.80</b>	<b>2,876.80</b>	<b>2,876.80</b>	<b>2,876.80</b>	<b>2,876.80</b>	<b>2,876.80</b>
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	1.40	1.40	1.40	1.40	1.40		0.00	1.40	1.40	1.40	1.40	1.40	1.40
Additional Paid-in capital	1,002.00	984.20	985.60	983.10	983.00	0.00	0.00	983.00	983.00	983.00	983.00	983.00	983.00
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	720.90	650.20	588.10	558.80	558.00			558.00	534.79	511.59	488.38	465.18	441.97
Treasury Stock	-295.70	-295.40	-279.30	-248.80	-250.00		0.00	-250.00	-250.00	-250.00	-250.00	-250.00	-250.00
Other Equity	52.70	-37.70	-60.40	-60.40	-60.00		0.00	-60.00	-60.00	-60.00	-60.00	-60.00	-60.00
<b>Total Equity</b>	<b>1,481.30</b>	<b>1,302.70</b>	<b>1,235.40</b>	<b>1,288.90</b>	<b>1,232.40</b>	<b>0.00</b>	<b>0.00</b>	<b>1,232.40</b>	<b>1,209.19</b>	<b>1,185.99</b>	<b>1,162.78</b>	<b>1,139.58</b>	<b>1,116.37</b>
<b>Liability + Equity</b>	<b>4,947.00</b>	<b>4,735.20</b>	<b>4,098.90</b>	<b>4,165.70</b>	<b>4,109.20</b>	<b>0.00</b>	<b>0.00</b>	<b>4,109.20</b>	<b>4,085.99</b>	<b>4,062.79</b>	<b>4,039.58</b>	<b>4,016.38</b>	<b>3,993.17</b>
<b>Variance</b>	0.00	0.00	20.10	-1,925.50	123.20			123.20	123.20	123.20	123.20	123.20	123.20
<b>Debt/Equity</b>	1.10	1.16	1.11	1.11	1.16			1.16	1.18	1.21	1.23	1.26	1.28
Inventory Turnover	12.88	17.33	16.85	17.60	17.60			17.60	17.60	17.60	17.60	17.60	17.60
Inventory Turnover Days	28.34	21.06	21.66	20.74	20.74			20.74	20.74	20.74	20.74	20.74	20.74
Days Inventory Outstanding	37.53	27.58	27.85	26.16	25.92			26.16	25.92	25.92	25.92	25.92	25.92
Accounts Receivable Turnover	4.05	6.59	7.00	6.86	6.87			6.87	6.87	6.87	6.87	6.87	6.87
Accounts Receivable Turnover Days	90.10	55.38	52.16	53.19	53.12			53.12	53.12	53.12	53.12	53.12	53.12
Days Payable Outstanding	50.42	33.37	32.77	38.50	38.24			38.59	38.24	38.24	38.24	38.24	38.24
Days Sales Outstanding	90.10	55.38	52.16	53.19	53.12			53.19	53.12	53.12	53.12	53.12	53.12
Cash Conversion Cycle	77.21	49.58	47.25	40.85	40.80			40.76	40.80	40.80	40.80	40.80	40.80
Net tangible assets/share	\$6.21	\$4.58	\$4.93	\$6.12	\$4.88				\$4.40	\$3.92	\$3.43	\$2.95	\$2.47

	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	12 months ending 2013-12-31	2014	2015	2016	2017	2018
Net Income	-250.00	-46.60	87.10	30.90	-23.21	-23.21	-23.21	-23.21	-23.21
Depreciation	274.50	353.00	338.60	340.50	340.50	340.50	340.50	340.50	340.50
<b>Net Income + Depreciation</b>	<b>24.50</b>	<b>306.40</b>	<b>425.70</b>	<b>371.40</b>	<b>317.29</b>	<b>317.29</b>	<b>317.29</b>	<b>317.29</b>	<b>317.29</b>
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	192.60	36.50	-13.60	-11.10	0.00	0.00	0.00	0.00	0.00
Non Cash Items	44.40	88.90	-8.20	49.10	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-108.70	-60.70	-49.70	31.70	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	130.30	71.00	-113.80	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	-2.10	6.60	-29.60	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-78.00	67.70	37.40	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-30.50	-16.10	115.20	0.00	0.00	0.00	0.00	0.00
<b>Cash from Operating Activities</b>	<b>152.80</b>	<b>371.10</b>	<b>354.20</b>	<b>441.10</b>	<b>317.29</b>	<b>317.29</b>	<b>317.29</b>	<b>317.29</b>	<b>317.29</b>
Capital Expenditures Expenditures	-112.60	-168.30	-103.50	-149.50	-150.00	-150.00	-150.00	-150.00	-150.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-5.50	-16.00	33.40	-281.10	0.00	0.00	0.00	0.00	0.00
<b>Cash from Investing Activities</b>	<b>-118.10</b>	<b>-184.30</b>	<b>-70.10</b>	<b>-430.60</b>	<b>-150.00</b>	<b>-150.00</b>	<b>-150.00</b>	<b>-150.00</b>	<b>-150.00</b>
Financing Cash flow items	0.00	-12.90	-10.80	-2.30	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-154.00	-28.20	-151.80	-56.40	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	1.10	-6.60	0.10	7.20	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	122.80	-125.80	-123.10	41.30	0.00	0.00	0.00	0.00	0.00
<b>Cash from Financing Activities</b>	<b>-30.10</b>	<b>-173.50</b>	<b>-285.60</b>	<b>-10.20</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Foreign Exchange effect	7.00	-8.20	-7.20	-4.10	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	8.90	20.50	25.60	16.90	13.10	180.39	347.69	514.98	682.28
<b>Net Change in Cash</b>	<b>11.60</b>	<b>5.10</b>	<b>-8.70</b>	<b>-3.80</b>	<b>167.29</b>	<b>167.29</b>	<b>167.29</b>	<b>167.29</b>	<b>167.29</b>
Ending Cash Balance	20.50	25.60	16.90	13.10	180.39	347.69	514.98	682.28	849.57
Capex to Revenue	3.53%	3.89%	2.53%	3.12%	3.13%	3.13%	3.13%	3.13%	3.13%
Depreciation to Sales	8.62%	8.16%	8.27%	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	24.68%	15.17%	14.29%	14.57%	14.57%	14.57%	14.57%	14.57%	14.57%
Distributable FCF/EV Yield	1.36%	7.32%	11.13%	0.41%	6.56%	6.56%	6.56%	6.56%	6.56%
Dividend Yield	-13.59%	-2.49%	-13.39%	-4.98%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	<b>194.20</b>	<b>231.00</b>	<b>402.50</b>	<b>348.00</b>	<b>167.29</b>	<b>167.29</b>	<b>167.29</b>	<b>167.29</b>	<b>167.29</b>

# SN VALUATION

# LBO Debt Schedule

Ticker:

QUAD

	Proforma	2013	2014	2015	2016	2017
<b>Net Change in Cash</b>	<b>-3.80</b>	<b>167.29</b>	<b>167.29</b>	<b>167.29</b>	<b>167.29</b>	<b>167.29</b>
Current Portion Debt Repayment						
Long Term Debt Repayment						
<b>Outstanding Debt</b>	<b>1,424.60</b>	<b>1,424.60</b>	<b>1,424.60</b>	<b>1,424.60</b>	<b>1,424.60</b>	<b>1,424.60</b>
Current Portion Debt Balance	134.60	134.60	134.60	134.60	134.60	134.60
Long Term Debt Balance	1,290.00	1,290.00	1,290.00	1,290.00	1,290.00	1,290.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		5.00%	5.00%	5.00%	5.00%	5.00%
<b>Interest Rate</b>		<b>8.00%</b>	<b>8.00%</b>	<b>8.00%</b>	<b>8.00%</b>	<b>8.00%</b>
<b>Interest Expense</b>		<b>113.97</b>	<b>113.97</b>	<b>113.97</b>	<b>113.97</b>	<b>113.97</b>
Cash Balance		13.10				
Interest @ 1.0%		0.13	0.13	0.13	0.13	0.13
<b>Net Interest Expense/(Income)</b>		<b>113.84</b>	<b>113.84</b>	<b>113.84</b>	<b>113.84</b>	<b>113.84</b>
<b>Net Interest Rate</b>		<b>8.82%</b>	<b>8.82%</b>	<b>8.82%</b>	<b>8.82%</b>	<b>8.82%</b>
EBITDA		90.63	90.63	90.63	90.63	90.63
<b>EBITDA/Interest Expense Coverage</b>		<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>

Interest Rate Coverage Table

Debt Rating					
AAA					
AA					
A+					
A					
A-					
BBB					
BB+					
BB					
B+					
B					
B-					
CCC					
CC					
C	C	C	C	C	C
D					

\*Source: NYU; Professor Damodaran

# SN VALUATION

## Altman Z Score

Company Name:

Quad/Graphics

Ticker:

QUAD

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	425.80	415.20	360.90	317.90	485.19	652.49	819.78	987.08	1,154.37
Total Assets	4,947.00	4,735.20	4,119.00	4,232.40	4,209.19	4,185.99	4,162.78	4,139.58	4,116.37
<b>X1</b>	<b>0.09</b>	<b>0.09</b>	<b>0.09</b>	<b>0.08</b>	<b>0.12</b>	<b>0.16</b>	<b>0.20</b>	<b>0.24</b>	<b>0.28</b>
Retained Earnings	720.90	650.20	588.10	558.00	534.79	511.59	488.38	465.18	441.97
Total Assets	4,947.00	4,735.20	4,119.00	4,232.40	4,209.19	4,185.99	4,162.78	4,139.58	4,116.37
<b>X2</b>	<b>0.15</b>	<b>0.14</b>	<b>0.14</b>	<b>0.13</b>	<b>0.13</b>	<b>0.12</b>	<b>0.12</b>	<b>0.11</b>	<b>0.11</b>
EBITDA	329.00	467.50	445.10	482.70	431.63	431.63	431.63	431.63	431.63
Total Assets	4,947.00	4,735.20	4,119.00	4,232.40	4,209.19	4,185.99	4,162.78	4,139.58	4,116.37
<b>X3</b>	<b>0.07</b>	<b>0.10</b>	<b>0.11</b>	<b>0.11</b>	<b>0.10</b>	<b>0.10</b>	<b>0.10</b>	<b>0.10</b>	<b>0.10</b>
Market Value of Equity	1,133.52	1,133.52	1,133.52	1,133.52	1,163.80	1,194.90	1,226.82	1,259.60	1,293.25
Total Liabilities	3,465.70	3,432.50	2,863.50	2,876.80	2,876.80	2,876.80	2,876.80	2,876.80	2,876.80
<b>X4</b>	<b>0.33</b>	<b>0.33</b>	<b>0.40</b>	<b>0.39</b>	<b>0.40</b>	<b>0.42</b>	<b>0.43</b>	<b>0.44</b>	<b>0.45</b>
Net Sales	3,185.80	4,324.60	4,094.00	4,795.90	4,795.90	4,795.90	4,795.90	4,795.90	4,795.90
Total Assets	4,947.00	4,735.20	4,119.00	4,232.40	4,209.19	4,185.99	4,162.78	4,139.58	4,116.37
<b>X5</b>	<b>0.64</b>	<b>0.91</b>	<b>0.99</b>	<b>1.13</b>	<b>1.14</b>	<b>1.15</b>	<b>1.15</b>	<b>1.16</b>	<b>1.17</b>
<b>Altman Z Score</b>	<b>1.37</b>	<b>1.73</b>	<b>1.89</b>	<b>2.02</b>	<b>2.04</b>	<b>2.09</b>	<b>2.15</b>	<b>2.21</b>	<b>2.27</b>

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red



Year	Present Value	Holding Period					Terminal Value			Sale Price
	0	1	2	3	4	5	6	7	8	TBV at Year 5 + 3 Years FCF
<b>Tangible Book Value</b>	457.40	434.19	410.99	387.78	364.58	341.37				341.37
Annual Change		(23.21)	(23.21)	(23.21)	(23.21)	(23.21)				
<b>Annual FCF</b>	291.60	167.29	167.29	167.29	167.29	167.29	167.29	167.29	167.29	501.88
Annual Op. Cash Flow	441.10	317.29	317.29	317.29	317.29	317.29	317.29	317.29	317.29	
Annual PP&E Investment	(149.50)	(150.00)	(150.00)	(150.00)	(150.00)	(150.00)	(150.00)	(150.00)	(150.00)	
<b>Today's Tangible Book Value</b>	457.40	431.40	406.88	383.75	361.94	341.37				843.25
Intrinsic Value IRR	-5.68%									
<b>Market Price</b>	1,133.52	1,068.40	1,007.02	949.17	894.65	843.25				843.25
Market Price IRR	-5.74%									

Debt	50.00%	566.76
Equity	50.00%	566.76
<b>Total</b>	<b>100.00%</b>	<b>1,133.52</b>

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5			
Book Equity	1232.4	566.76	508.85	450.94	393.03	335.12	277.21			
Goodwill	775	676.12	676.12	676.12	676.12	676.12	676.12			
Debt	1290	1,856.76	1,856.76	1,856.76	1,856.76	1,856.76	1,856.76			
Debt Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%	8.00%			
Additional Interest Expense		34.70	34.70	34.70	34.70	34.70				
<b>Tangible Book Value</b>	457.4	-109.36	-167.27	-225.18	-283.09	-341.00	-398.91			-398.91
Annual Change			-57.91	-57.91	-57.91	-57.91	-57.91			
<b>Annual FCF</b>	291.60	132.59	132.59	132.59	132.59	132.59	132.59	132.59	132.59	397.77
Annual Net Income	32.50		(57.91)	(57.91)	(57.91)	(57.91)	(57.91)	(57.91)	(57.91)	
<b>Annual Op. Cash Flow</b>	441.10	282.59	282.59	282.59	282.59	282.59	282.59	282.59	282.59	
Dividend Payments										
Annual PP&E Investment	(149.50)		(150.00)	(150.00)	(150.00)	(150.00)	(150.00)	(150.00)	(150.00)	
Debt Paydown	0.00						0.00	0.00	0.00	

Sale Price in Year 5 (1.14)

Capital Left for Equity Investor (1.14)  
 Dividend Payments 0.00  
 Total Cash In Flow (1.14)

Invested Equity 566.76  
 IRR -128.86%

Value Creation  
 TBV Growth (equals sum of NI Year 1-5) -289.55  
 Cash Flow (Year 6-8) 397.77  
**108.22**

Value Dilution  
 Debt 566.76  
 Goodwill -98.88  
 Additional Interest 173.52  
**641.39**