

RR Donnelley & Sons Co
Form 10-Q
August 04, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2010

OR

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

Commission File Number 1-4694

R.R. DONNELLEY & SONS COMPANY

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	36-1004130 (I.R.S. Employer Identification No.)
111 South Wacker Drive, Chicago, Illinois (Address of principal executive offices)	60606 (Zip code)
(312) 326-8000 (Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Sections 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 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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 definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated filer Non-Accelerated Filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of July 30, 2010, 206.3 million shares of common stock were outstanding.

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R.R. DONNELLEY & SONS COMPANY
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2010

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements****R.R. DONNELLEY & SONS COMPANY AND SUBSIDIARIES (RR DONNELLEY)****CONDENSED CONSOLIDATED BALANCE SHEETS****(in millions, except per share data)****(UNAUDITED)**

	June 30, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	\$ 615.8	\$ 499.2
Restricted cash equivalents	45.9	
Receivables, less allowance for doubtful accounts of \$67.9 in 2010 (2009 \$70.3)	1,686.1	1,675.9
Income taxes receivable	36.4	63.2
Inventories (Note 3)	535.0	561.8
Prepaid expenses and other current assets	166.6	160.8
 Total current assets	 3,085.8	 2,960.9
Property, plant and equipment net (Note 4)	2,110.8	2,271.4
Goodwill (Note 5)	2,309.7	2,333.3
Other intangible assets net (Note 5)	684.8	747.4
Other noncurrent assets	414.7	434.6
 Total assets	 \$ 8,605.8	 \$ 8,747.6
LIABILITIES		
Accounts payable	\$ 821.3	\$ 886.4
Accrued liabilities	784.4	813.4
Short-term and current portion of long-term debt (Note 14)	9.9	339.9
 Total current liabilities	 1,615.6	 2,039.7
Long-term debt (Note 14)	3,396.0	2,982.5
Pension liability	503.0	509.8
Postretirement benefits	330.4	324.5
Deferred income taxes	169.7	205.5
Other noncurrent liabilities	453.4	524.6
 Total liabilities	 6,468.1	 6,586.6
Commitments and Contingencies (Note 13)		
EQUITY (Note 11)		
RR Donnelley shareholders equity		
Preferred stock, \$1.00 par value		
Authorized: 2.0 shares; Issued: None		
Common stock, \$1.25 par value		
Authorized: 500.0 shares;		

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Issued: 243.0 shares in 2010 and 2009	303.7	303.7
Additional paid-in capital	2,894.5	2,906.2
Retained earnings	697.2	662.9
Accumulated other comprehensive loss	(611.8)	(545.0)
Treasury stock, at cost, 36.4 shares in 2010 (2009 37.3 shares)	(1,168.0)	(1,193.8)
Total RR Donnelley shareholders' equity	2,115.6	2,134.0
Noncontrolling interests	22.1	27.0
Total equity	2,137.7	2,161.0
 Total liabilities and equity	 \$ 8,605.8	 \$ 8,747.6

(See Notes to Condensed Consolidated Financial Statements)

Table of Contents**R.R. DONNELLEY & SONS COMPANY AND SUBSIDIARIES (RR DONNELLEY)****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in millions, except per share data)

(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net sales	\$ 2,408.6	\$ 2,355.6	\$ 4,823.7	\$ 4,811.2
Cost of sales (exclusive of depreciation and amortization shown below)	1,819.6	1,756.3	3,661.3	3,639.1
Selling, general and administrative expenses (exclusive of depreciation and amortization shown below)	268.2	272.4	541.7	555.6
Restructuring and impairment charges net (Note 6)	10.7	48.2	26.2	102.4
Depreciation and amortization	134.8	143.7	273.4	291.7
Total operating expenses	2,233.3	2,220.6	4,502.6	4,588.8
Income from operations	175.3	135.0	321.1	222.4
Interest expense net	52.8	60.0	108.5	119.1
Investment and other expense	(0.8)	(1.0)	(9.8)	(1.3)
Earnings before income taxes	121.7	74.0	202.8	102.0
Income tax expense	32.2	47.8	64.6	59.4
Net earnings	89.5	26.2	138.2	42.6
Less: Income (loss) attributable to noncontrolling interests	0.7	1.0	(3.2)	3.5
Net earnings attributable to RR Donnelley common shareholders	\$ 88.8	\$ 25.2	\$ 141.4	\$ 39.1
Earnings per share attributable to RR Donnelley common shareholders (Note 9):				
Basic net earnings per share	\$ 0.43	\$ 0.12	\$ 0.69	\$ 0.19
Diluted net earnings per share	\$ 0.42	\$ 0.12	\$ 0.68	\$ 0.19
Dividends declared per common share	\$ 0.26	\$ 0.26	\$ 0.52	\$ 0.52
Weighted average number of common shares outstanding (Note 9):				
Basic	206.3	205.2	206.0	205.2
Diluted	209.9	207.7	209.4	207.2

(See Notes to Condensed Consolidated Financial Statements)

Table of Contents**R.R. DONNELLEY & SONS COMPANY AND SUBSIDIARIES (RR DONNELLEY)****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in millions)****(UNAUDITED)**

	Six Months Ended June 30,	
	2010	2009
OPERATING ACTIVITIES		
Net earnings	\$ 138.2	\$ 42.6
Adjustments to reconcile net earnings to cash provided by operating activities:		
Impairment charges	2.5	20.9
Depreciation and amortization	273.4	291.7
Provision for doubtful accounts receivable	4.7	16.7
Share-based compensation	16.0	13.8
Deferred taxes	(38.6)	3.8
(Gain) loss on sale of property, plant and equipment	(0.6)	1.5
Loss related to Venezuela currency devaluation	8.9	
Other	19.3	19.1
Changes in operating assets and liabilities net of acquisitions:		
Accounts receivable net	(56.2)	211.3
Inventories	13.9	175.2
Prepaid expenses and other current assets	(5.6)	18.1
Accounts payable	(34.2)	(13.9)
Income taxes payable and receivable	20.9	136.1
Accrued liabilities and other	(93.5)	(86.2)
Net cash provided by operating activities	269.1	850.7
INVESTING ACTIVITIES		
Capital expenditures	(94.5)	(92.1)
Acquisition of businesses, net of cash acquired	1.8	(26.6)
Proceeds from return of capital and sale of investments and other assets	14.3	0.3
Purchases of investments	(23.7)	
Transfers from restricted cash	0.1	6.0
Net cash used in investing activities	(102.0)	(112.4)
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	400.0	400.0
Net change in short-term debt	(4.0)	(303.5)
Payments of current maturities and long-term debt	(326.6)	(400.7)
Payments on credit facility borrowings		(600.0)
Proceeds from credit facility borrowings		400.0
Debt issuance costs	(2.6)	03/18/10

IMPORTANT

Tell your Board what you think! Your vote is important. No matter how many Shares you own, please give the Committee your proxy FOR the election of its Nominees by taking three steps:

- SIGNING the enclosed GOLD proxy card,
- DATING the enclosed GOLD proxy card, and
- MAILING the enclosed GOLD proxy card TODAY in the envelope provided (no postage is required if mailed in the United States).

If any of your Shares are held in the name of a brokerage firm, bank, bank nominee or other institution, only it can vote such Shares and only upon receipt of your specific instructions. Depending upon your broker or custodian, you may be able to vote either by toll-free telephone or by the Internet. Please refer to the enclosed voting form for instructions on how to vote electronically. You may also vote by signing, dating and returning the enclosed GOLD voting form.

If you have any questions or require any additional information concerning the Committee's Proxy Statement, please contact MacKenzie Partners, Inc. at the address set forth below.

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