

Quad/Graphics, Inc.  
 Form 10-Q  
 August 08, 2012  
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UNITED STATES  
 SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549  
 FORM 10-Q

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

For the quarterly period ended June 30, 2012

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)

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 T 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 T No "

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

Large accelerated filer T

Accelerated filer o

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 T  
 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 August 6, 2012

Class A Common Stock

32,678,480

Class B Common Stock

14,198,464

Class C Common Stock 245,353

QUAD/GRAPHICS, INC.  
FORM 10-Q INDEX  
For the Quarter Ended June 30, 2012

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## PART I — FINANCIAL INFORMATION

## ITEM 1. Condensed Consolidated Financial Statements (Unaudited)

## QUAD/GRAPHICS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share data)

(UNAUDITED)

	Three Months Ended June		Six Months Ended June 30,	
	30, 2012	2011	2012	2011
Net sales				
Products	\$824.4	\$863.1	\$1,699.6	\$1,768.1
Services	109.8	114.1	224.2	231.5
Total net sales	934.2	977.2	1,923.8	1,999.6
Cost of sales				
Products	656.4	665.2	1,343.1	1,362.2
Services	84.4	91.4	170.6	178.1
Total cost of sales	740.8	756.6	1,513.7	1,540.3
Selling, general and administrative expenses	80.6	104.6	172.6	202.5
Depreciation and amortization	84.7	83.5	169.3	170.8
Restructuring, impairment and transaction-related charges	37.7	21.6	75.9	50.3
Total operating expenses	943.8	966.3	1,931.5	1,963.9
Operating income (loss) from continuing operations	(9.6	) 10.9	(7.7	) 35.7
Interest expense	20.7	29.3	42.1	59.1
Loss from continuing operations before income taxes and equity in earnings (loss) of unconsolidated entities	(30.3	) (18.4	) (49.8	) (23.4
Income tax benefit	(10.3	) (3.7	) (44.1	) (10.9
Loss from continuing operations before equity in earnings (loss) of unconsolidated entities	(20.0	) (14.7	) (5.7	) (12.5
Equity in earnings (loss) of unconsolidated entities	(0.8	) 0.3	0.3	1.1
Net loss from continuing operations	\$(20.8	) \$(14.4	) \$(5.4	) \$(11.4
Earnings (loss) from discontinued operations, net of tax	—	4.2	(3.2	) (6.1
Gain on disposal of discontinued operations, net of tax	—	—	35.3	—
Net earnings (loss)	\$(20.8	) \$(10.2	) \$26.7	\$(17.5
Net earnings attributable to noncontrolling interests	—	(0.1	) (0.1	) (0.1

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Net earnings (loss) attributable to Quad/Graphics common shareholders      \$(20.8      ) \$(10.3      ) \$26.6      \$(17.6      )

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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## QUAD/GRAPHICS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (continued)

(in millions, except per share data)

(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Earnings (loss) per share attributable to Quad/Graphics common shareholders:				
Basic and diluted:				
Continuing operations	\$ (0.44 )	\$ (0.31 )	\$ (0.12 )	\$ (0.24 )
Discontinued operations	—	0.09	0.69	(0.13 )
Earnings (loss) per share attributable to Quad/Graphics common shareholders	\$ (0.44 )	\$ (0.22 )	\$ 0.57	\$ (0.37 )
Weighted average number of common shares outstanding:				
Basic and diluted	46.8	47.3	46.8	47.3
Amounts attributable to Quad/Graphics common shareholders:				
Net loss from continuing operations	\$ (20.8 )	\$ (14.4 )	\$ (5.4 )	\$ (11.4 )
Net earnings attributable to noncontrolling interests	—	(0.1 )	(0.1 )	(0.1 )
Net loss from continuing operations attributable to Quad/Graphics common shareholders	\$ (20.8 )	\$ (14.5 )	\$ (5.5 )	\$ (11.5 )
Earnings (loss) from discontinued operations, net of tax	\$ —	\$ 4.2	\$ (3.2 )	\$ (6.1 )
Gain on disposal of discontinued operations, net of tax	—	—	35.3	—
Net gain (loss) from discontinued operations, net of tax	\$ —	\$ 4.2	\$ 32.1	\$ (6.1 )
Net earnings (loss) attributable to Quad/Graphics common shareholders	\$ (20.8 )	\$ (10.3 )	\$ 26.6	\$ (17.6 )

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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## QUAD/GRAPHICS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in millions)

(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,		
	2012	2011	2012	2011	
Net earnings (loss)	\$ (20.8	) \$ (10.2	) \$ 26.7	\$ (17.5	)
Other comprehensive income (loss)					
Foreign currency translation adjustments	(15.2	) 15.0	(2.2	) 27.8	
Postretirement benefit plan amendment, net of tax	4.5	—	4.5	—	
Pension and other postretirement benefit amortization, net of tax	(0.3	) (0.5	) (0.6	) (1.0	)
Total other comprehensive income (loss)	(11.0	) 14.5	1.7	26.8	
Total comprehensive income (loss)	(31.8	) 4.3	28.4	9.3	
Less: comprehensive income attributable to noncontrolling interests	—	(0.1	) (0.1	) (0.1	)
Comprehensive income (loss) attributable to Quad/Graphics common shareholders	\$ (31.8	) \$ 4.2	\$ 28.3	\$ 9.2	

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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## QUAD/GRAPHICS, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions)

(UNAUDITED)

	June 30, 2012	December 31, 2011
<b>ASSETS</b>		
Cash and cash equivalents	\$ 17.6	\$ 25.6
Receivables, less allowances for doubtful accounts of \$68.3 at June 30, 2012 and \$73.7 at December 31, 2011	531.9	656.1
Inventories	252.5	249.5
Prepaid expenses and other current assets	75.7	142.3
Deferred income taxes	70.6	86.7
Short-term restricted cash	17.2	8.5
Current assets of discontinued operations (Note 4)	—	72.6
<b>Total current assets</b>	<b>965.5</b>	<b>1,241.3</b>
Property, plant and equipment—net	2,023.2	2,123.3
Goodwill	787.3	787.1
Other intangible assets—net	262.1	295.6
Long-term restricted cash	47.3	67.4
Equity method investments in unconsolidated entities	68.2	69.4
Other long-term assets	49.0	46.2
Long-term assets of discontinued operations (Note 4)	—	104.9
<b>Total assets</b>	<b>\$4,202.6</b>	<b>\$4,735.2</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Accounts payable	\$ 266.2	\$ 301.9
Amounts owing in satisfaction of bankruptcy claims	10.4	19.5
Accrued liabilities	341.0	393.9
Purchase price payable on business exchange transaction (Note 3)	—	62.4
Short-term debt and current portion of long-term debt	98.7	82.1
Current portion of capital lease obligations	10.3	20.7
Current liabilities of discontinued operations (Note 4)	—	48.4
<b>Total current liabilities</b>	<b>726.6</b>	<b>928.9</b>
Long-term debt	1,208.7	1,342.8
Unsecured notes to be issued	27.6	38.7
Capital lease obligations	20.5	24.9
Deferred income taxes	432.4	471.9
Other long-term liabilities	470.9	521.5
Long-term liabilities of discontinued operations (Note 4)	—	99.6
<b>Total liabilities</b>	<b>2,886.7</b>	<b>3,428.3</b>
Commitments and contingencies (Note 11)		

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Redeemable equity (Note 20)	3.5	3.5
Quad/Graphics common stock and other equity (Note 20)		
Preferred stock	—	—
Common stock, Class A	1.0	1.0
Common stock, Class B	0.4	0.4
Common stock, Class C	—	—
Additional paid-in capital	979.4	984.2
Treasury stock, at cost	(283.7	) (295.4
Retained earnings	650.6	650.2
Accumulated other comprehensive loss	(36.0	) (37.7
Quad/Graphics common stock and other equity	1,311.7	1,302.7
Noncontrolling interests	0.7	0.7
Total common stock and other equity and noncontrolling interests	1,312.4	1,303.4
Total liabilities and shareholders' equity	\$4,202.6	\$4,735.2
See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).		



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## QUAD/GRAPHICS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

(UNAUDITED)

	Six Months Ended June 30,	
	2012	2011
<b>OPERATING ACTIVITIES</b>		
Net earnings (loss)	\$26.7	\$(17.5)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	169.3	178.2
Impairment charges	14.1	—
Amortization of debt issuance costs	2.3	5.6
Stock-based compensation charges	6.9	4.6
Gain on disposal of discontinued operations, net of tax	(35.3)	) —
(Gain) loss on sales or disposal of property, plant and equipment	0.1	(0.2)
Deferred income taxes	(25.5)	) 9.4
Equity in earnings of unconsolidated entities	(0.3)	) (1.1)
Dividends from unconsolidated entities	—	1.6
Changes in operating assets and liabilities—net of acquisitions	12.2	(63.9)
Net cash provided by operating activities	170.5	116.7
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(54.2)	) (98.5)
Investment in ManipalTech (Note 3)	(18.1)	) —
Proceeds from the sale of property, plant and equipment	10.0	8.2
Transfers from restricted cash	11.4	17.3
Deposit refunded related to business exchange transaction (Note 3)	50.0	—
Purchase price payments on business exchange transaction (Note 3)	(4.2)	) —
Acquisition of business—net of cash acquired	(6.6)	) —
Net cash used in investing activities	(11.7)	) (73.0)
<b>FINANCING ACTIVITIES</b>		
Payments of long-term debt	(35.9)	) (43.6)
Payments of capital lease obligations	(15.9)	) (8.8)
Borrowings on revolving credit facilities	65.1	389.5
Payments on revolving credit facilities	(142.6)	) (360.9)
Bankruptcy claim payments on unsecured notes to be issued	(11.1)	) (8.0)
Proceeds from issuance of common stock	—	1.6
Tax benefit on exercise of stock options	—	0.8
Payment of cash dividends	(23.4)	) (9.4)
Payment of tax distributions	—	(4.2)
Net cash used in financing activities	(163.8)	) (43.0)
Effect of exchange rates on cash and cash equivalents	(3.0)	) (4.6)

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Net decrease in cash and cash equivalents	(8.0	) (3.9	)
Cash and cash equivalents at beginning of period	25.6	20.5	
Cash and cash equivalents at end of period	\$17.6	\$16.6	

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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QUAD/GRAPHICS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012

(In millions, except share and per share data and unless otherwise indicated)

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements for Quad/Graphics, Inc. and its subsidiaries (the "Company" or "Quad/Graphics") have been prepared by the Company pursuant to the rules and regulations for interim financial information of the United States Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted pursuant to such SEC rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated annual financial statements as of and for the year ended December 31, 2011, and notes thereto included in the Company's latest Annual Report on Form 10-K filed with the SEC on February 29, 2012.

The Company's business is seasonal, with the majority of historical net sales and operating income recognized in the second half of the fiscal year. Seasonality is driven by increased magazine advertising page counts and retail inserts and catalogs primarily due to back-to-school and holiday related advertising and promotions. Within any year, seasonality could adversely impact the Company's cash flow and results of operations on a quarterly basis.

The financial information contained herein reflects all adjustments, in the opinion of management, necessary for a fair presentation of the Company's results of operations for the three and six months ended June 30, 2012 and 2011. All significant intercompany transactions have been eliminated in consolidation. These unaudited condensed consolidated financial statements include estimates and assumptions of management that affect the amounts reported in the condensed consolidated financial statements. Actual results could differ from these estimates.

The results of operations of the Company's Canadian operations have been reported as discontinued operations for all periods presented. As the sale of the Canadian operations was completed on March 1, 2012, the corresponding Canadian assets and liabilities are no longer included in the condensed consolidated balance sheet at June 30, 2012. At December 31, 2011, the Canadian assets and liabilities were presented in accordance with the authoritative literature on assets held for sale. In accordance with the authoritative literature, the Company has elected to not separately disclose the cash flows related to the Canadian discontinued operations. See Note 4 for information about the Company's sale of the Canadian operations.

Note 2. Recent Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board ("FASB") issued new guidance on testing goodwill for impairment. This new guidance gives entities, subject to certain conditions, the option of first performing a qualitative assessment to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of the reporting unit is less than its carrying amount. The Company adopted this guidance effective January 1, 2012. Annual impairment tests of goodwill are performed in the fourth quarter of each year. The adoption of this guidance is not expected to have a material impact on the Company's condensed consolidated financial position, results of operations or cash flows.

In May 2011, the FASB issued new guidance on fair value measurements. This new guidance amends the definition of fair value measurement principles and disclosure requirements to eliminate differences between GAAP and International Financial Reporting Standards. This new guidance requires new quantitative and qualitative disclosures about the sensitivity of recurring Level 3 measurement disclosures, as well as transfers between Level 1 and Level 2

of the fair value hierarchy. The Company adopted this guidance effective January 1, 2012. The adoption of this guidance impacted the Company's disclosures and had no impact on the Company's condensed consolidated financial position, results of operations or cash flows.

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QUAD/GRAPHICS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012

(In millions, except share and per share data and unless otherwise indicated)

Note 3. Acquisitions and Strategic Investments

2012 Acquisitions and Strategic Investments

On March 28, 2012, the Company entered into a strategic partnership with India-based Manipal Technologies Limited ("ManipalTech") whereby Quad/Graphics paid \$18.1 million for a minority equity ownership interest in ManipalTech. ManipalTech is one of India's largest providers of printing services and supports clients' marketing, branding and communication needs through print services and technology solutions. The Company's investment in ManipalTech is accounted for as a cost method investment and is recorded within other long-term assets in the condensed consolidated balance sheet.

2011 Acquisitions and Strategic Investments

On July 12, 2011, the Company and Transcontinental Inc. ("Transcontinental") entered into a definitive agreement whereby Quad/Graphics acquired 100% of Transcontinental's Mexican operations in exchange for the Company's Canadian operations. Transcontinental's Mexican operations printed magazines, catalogs, retail inserts, books and other printed materials, and employed approximately 900 people among its three facilities in Azcapotzalco, Toluca and Xochimilco, Mexico. The Transcontinental Mexican operations are included within the International segment.

The Company completed the acquisition of Transcontinental's Mexican operations on September 8, 2011, and completed the sale of the Company's Canadian operations on March 1, 2012. See Note 4 for further discussion of the sale of the Canadian discontinued operations.

In connection with the acquisition of Transcontinental's Mexican operations, the definitive agreement required the Company to deposit 50.0 million Canadian dollars with Transcontinental until the Canadian operations sale was completed. The Company elected to hedge the foreign currency exchange rate exposure related to the 50.0 million Canadian dollar deposit by entering into short-term foreign currency forward exchange contracts. The Company hedged this foreign currency exposure until the March 1, 2012 sale of the Canadian net assets and refund of the 50.0 million Canadian dollar deposit occurred. During the six months ended June 30, 2012, \$1.6 million of realized mark-to-market losses on the derivative contracts were offset by \$1.6 million of transaction gains on translation of the foreign currency denominated deposit within selling, general and administrative expenses. The fair value determination of the foreign currency forward exchange contracts was categorized as Level 2 in the fair value hierarchy (see Note 15 for the definition of Level 2 inputs).

The Company's determination of the Mexican acquired operations' fair value was \$63.6 million. Of the \$63.6 million purchase price, \$5.4 million was paid in cash (\$1.2 million was paid in 2011 and \$4.2 million was paid in 2012). The remaining purchase price of \$58.2 million was satisfied by the exchange transaction of the Company's Canadian business.

This acquisition was accounted for using the acquisition method of accounting. The Company recorded the allocation of the purchase price to the acquired tangible and identifiable intangible assets and liabilities assumed based on their fair values as of the acquisition date. Goodwill has been recorded based on the amount by which the purchase price exceeds the fair value of the net assets acquired. The final purchase price allocation is as follows:

	Purchase Price Allocation	
Accounts receivable	\$15.3	
Other current assets	11.9	
Property, plant and equipment	35.7	
Identifiable intangible assets	4.6	
Other long-term assets	0.5	
Accounts payable and accrued liabilities	(14.9	)
Other long-term liabilities	(0.6	)
Goodwill	11.1	
Purchase price	\$63.6	

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QUAD/GRAPHICS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012

(In millions, except share and per share data and unless otherwise indicated)

The purchase price allocation is based on valuations performed to determine the fair value of the net assets as of the acquisition date. The purchase price of \$63.6 million was estimated by utilizing a discounted cash flow model, following an income approach that incorporates various assumptions including expected future revenue trends, profit margins, capital expenditures, working capital levels and a weighted-average cost of capital. The nonrecurring fair value measurement was classified as Level 3 in the valuation hierarchy (see Note 15 for the definition of Level 3 inputs). Purchased identifiable intangible assets will be amortized on a straight-line basis over six years. The results of operations of the acquired business have been included since the respective dates of acquisition in the accompanying condensed consolidated financial statements. Pro forma information related to the acquisition is not included because the impact on the Company's condensed consolidated results of operations is considered to be immaterial.

## Note 4. Discontinued Operations

On March 1, 2012, the Company completed the sale of its Canadian operations to Transcontinental (see Note 3 for a description of the business exchange transaction). The gain on disposal of discontinued operations, net of tax, was determined as follows:

	As of March 1, 2012	
Fair value of the acquired Transcontinental Mexican operations	\$63.6	
Cash paid to Transcontinental	(5.4)	)
Net proceeds	\$58.2	
Net assets of discontinued operations	(26.3)	)
Cumulative translation adjustment of discontinued operations	3.4	
Gain on disposal of discontinued operations, net of tax <sup>(1)</sup>	\$35.3	

For tax purposes the disposal of discontinued operations resulted in a long-term capital loss, for which a deferred (1)tax asset was recorded. An offsetting valuation allowance against the deferred tax asset was recorded to reflect the expected value at which the asset will be recovered.

The results of operations of the Canadian operations have been reflected as discontinued operations in the condensed consolidated financial statements for all periods presented. The following table summarizes the results of operations of the Canadian operations, which are included in the earnings (loss) from discontinued operations, net of tax in the condensed consolidated statements of operations for the three and six months ended June 30, 2012 and 2011:

	Three Months Ended June		Six Months Ended June 30,	
	2012	2011	2012	2011
Total net sales	\$—	\$93.3	\$32.2	\$173.2
Earnings (loss) from discontinued operations before income taxes	—	4.3	(3.2)	(6.0)
Income tax expense	—	0.1	—	0.1
Earnings (loss) from discontinued operations, net of tax	\$—	\$4.2	\$(3.2)	\$(6.1)





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QUAD/GRAPHICS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012

(In millions, except share and per share data and unless otherwise indicated)

As a result of the March 1, 2012 sale of the Canadian operations, there were no net assets of discontinued operations at June 30, 2012. The following table summarizes the current and non-current assets and liabilities held for sale of the discontinued Canadian operations included in the condensed consolidated balance sheet at December 31, 2011:

	December 31, 2011
Receivables—net	\$64.1
Inventories	7.5
Prepaid expenses and other current assets	1.0
Current assets of discontinued operations	72.6
Property, plant and equipment—net	71.8
Goodwill	20.9
Other intangible assets—net	12.2
Long-term assets of discontinued operations	104.9
<b>Total assets</b>	<b>\$177.5</b>
Accounts payable	\$15.0
Accrued liabilities	33.4
Current liabilities of discontinued operations	48.4
Other long-term liabilities	99.6
Long-term liabilities of discontinued operations	99.6
<b>Total liabilities</b>	<b>\$148.0</b>
<b>Net assets of discontinued operations</b>	<b>\$29.5</b>

## Note 5. Restructuring, Impairment and Transaction-Related Charges

The Company recorded restructuring, impairment and transaction-related charges for the three and six months ended June 30, 2012 and 2011, as follows:

	Three Months Ended June		Six Months Ended June 30,	
	30, 2012	2011	2012	2011
Employee termination charges	\$10.2	\$4.8	\$20.6	\$15.8
Impairment charges	5.7	—	14.1	—
Transaction-related charges	0.8	1.0	2.3	1.0
Integration costs	11.2	8.9	23.1	15.3
Other restructuring charges	9.8	6.9	15.8	18.2
<b>Total</b>	<b>\$37.7</b>	<b>\$21.6</b>	<b>\$75.9</b>	<b>\$50.3</b>

The costs related to these activities have been recorded on the condensed consolidated statements of operations as restructuring, impairment and transaction-related charges. See Note 21 for restructuring, impairment and

transaction-related charges by segment.

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QUAD/GRAPHICS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012

(In millions, except share and per share data and unless otherwise indicated)

Restructuring Charges

The Company began a restructuring