



DONNELLEY FINANCIAL REPORTS THIRD-QUARTER 2018 RESULTS

Chicago, November 7, 2018 – Donnelley Financial Solutions (NYSE: DFIN) today reported financial results for the third quarter 2018.

Highlights:

- Completed the sale of Language Solutions business on July 22, 2018 for \$77.5 million in cash
- Third-quarter net sales of \$216.9 million decreased 2.6% from the third quarter of 2017
 - Excluding the impact of the sale of Language Solutions, the adoption of the new revenue recognition standard⁽¹⁾ and changes in foreign exchange rates, organic sales increased 5.1% from the third quarter of 2017
 - SaaS sales increased by 14.9% from the third quarter of 2017
- Third-quarter GAAP net earnings of \$48.0 million, or \$1.40 per diluted share, compared to GAAP net earnings in the third quarter of 2017 of \$5.3 million, or \$0.16 per diluted share
 - Third-quarter 2018 includes gain on the sale of Language Solutions and gain on an equity investment
- Third-quarter non-GAAP net earnings⁽²⁾ of \$9.4 million, or \$0.27 per diluted share, compared to non-GAAP net earnings in the third quarter of 2017 of \$6.9 million, or \$0.20 per diluted share
- Non-GAAP adjusted EBITDA⁽²⁾ in the quarter of \$31.3 million, or 14.4% of net sales, compared to non-GAAP adjusted EBITDA in the third quarter of 2017 of \$31.5 million, or 14.2% of net sales
- Company reaffirms full-year 2018 guidance for net sales, non-GAAP adjusted EBITDA and free cash flow

“We are pleased with our third-quarter results, which reflect continued strength in our Capital Markets business, as well as the improving trend in Investment Markets that we expected to see coming into the quarter, resulting in organic revenue growth of 5.1%,” said Daniel N. Leib, Donnelley Financial’s president and chief executive officer. “Importantly, we continued to execute against our strategic priorities, achieving 14.9% growth in our SaaS offerings, which represented 19.5% of third-quarter sales.”

Leib added, “Also consistent with our strategy, we sold our Language Solutions business in the third quarter, providing additional financial flexibility to focus on our core regulatory and compliance offerings. We ended the third quarter with \$341.0 million of net debt, representing net leverage of 2.0x, a reduction of 0.8x from the third quarter of 2017.”

Net Sales

Net sales in the third quarter of 2018 were \$216.9 million, a decrease of \$5.7 million, or 2.6%, from the third quarter of 2017 driven by the disposition of the Language Solutions business. After adjusting for the sale of Language Solutions, the impact of the adoption of the new revenue recognition standard and changes in foreign exchange rates, organic sales increased 5.1% from the third quarter of 2017. This increase was primarily driven by higher transactional volume in U.S. and International Capital Markets and growth in SaaS offerings across our operating segments, partially offset by lower compliance volume in U.S. Capital Markets and lower healthcare and commercial print volume in U.S. Investment Markets.

- (1) On January 1, 2018, the Company adopted the Accounting Standards Update No. 2014-09 "Revenue from Contracts with Customers (Topic 606)" ("the new revenue recognition standard") using the modified retrospective approach applied to contracts that were not completed as of January 1, 2018.
- (2) Non-GAAP net earnings and non-GAAP adjusted EBITDA are non-GAAP measures that exclude the impact of items noted in the reconciliation tables below. See the tables below for amounts and reconciliations to the most comparable GAAP measures

GAAP Earnings

Third-quarter 2018 net earnings were \$48.0 million, or \$1.40 per diluted share, compared to net earnings of \$5.3 million, or \$0.16 per diluted share, in the third quarter of 2017. Third-quarter 2018 includes an after-tax gain of \$38.4 million, or \$1.13 per diluted share, related to the gain on the sale of Language Solutions, an after-tax gain of \$8.5 million, or \$0.25 per diluted share, related to the gain on an equity investment and after-tax charges of \$8.3 million, or \$0.25 per diluted share, all of which are excluded from the presentation of non-GAAP earnings. Third-quarter 2017 includes after-tax charges of \$1.6 million, or \$0.04 per diluted share, which are excluded from the presentation of non-GAAP net earnings.

Non-GAAP Adjusted EBITDA and Net Earnings

Non-GAAP adjusted EBITDA in the third quarter of 2018 was \$31.3 million, compared to \$31.5 million in the third quarter of 2017. Non-GAAP adjusted EBITDA margin in the third quarter of 2018 was 14.4%, 20 basis points higher than in the third quarter of 2017. Higher volume in transactional Capital Markets more than offset lower volume in Capital Markets compliance and Investment Markets healthcare and commercial print.

Non-GAAP net earnings totaled \$9.4 million, or \$0.27 per diluted share, in the third quarter of 2018 compared to non-GAAP net earnings of \$6.9 million, or \$0.20 per diluted share, in the third quarter of 2017. Reconciliations of net earnings to non-GAAP adjusted EBITDA and non-GAAP net earnings, as well as non-GAAP adjusted EBITDA margin, are presented in the attached schedules.

2018 Guidance

The Company provides the following updated full-year guidance for 2018.

	<u>Current Guidance</u>	<u>Previous Guidance</u>
Net sales	\$970 to \$990 million	\$970 to \$990 million
Non-GAAP adjusted EBITDA ⁽¹⁾	\$160 to \$170 million	\$160 to \$170 million
Depreciation and amortization	Approximately \$45 million	Approximately \$48 million
Interest expense	Approximately \$36 million	Approximately \$35 million
Non-GAAP effective tax rate	30% to 31%	29% to 31%
Diluted share count	Approximately 34 million	Approximately 34 million
Capital expenditures	\$35 to \$40 million	\$40 to \$45 million
Free cash flow ⁽²⁾	\$35 to \$40 million	\$35 to \$40 million

(1) Pension income excluded from non-GAAP adjusted EBITDA beginning in 2018; prior periods have also been restated in the tables below

(2) Defined as operating cash flow less capital expenditures. 2018 free cash flow guidance includes approximately \$15 million for spinoff-related transition expenses and approximately \$17.5 million for one-time tax payments and transaction fees related to the sale of Language Solutions, all of which negatively affect free cash flow

Certain components of the guidance given above are provided on a non-GAAP basis only, without providing a reconciliation to guidance provided on a GAAP basis. Information is presented in this manner, consistent with SEC rules, because the preparation of such a reconciliation could not be accomplished without “unreasonable efforts.” The Company does not have access to certain information that would be necessary to provide such a reconciliation, including non-recurring items that are not indicative of the Company’s ongoing operations. Such items include, but are not limited to, restructuring charges, impairment charges, spinoff-related transaction expenses, acquisition-related expenses, gains or losses on investments and business disposals and other similar gains or losses not reflective of the Company’s ongoing operations. The Company does not believe that this information is likely to be significant to an assessment of the Company’s ongoing operations, given that it is not an indicator of business performance.

Conference Call

Donnelley Financial will host a conference call and simultaneous webcast to discuss its third-quarter results today, Wednesday, November 7, at 9:00 a.m. Eastern time (8:00 a.m. Central time). The live webcast will be accessible on Donnelley Financial’s web site at www.dfsc.com. Individuals wishing to participate on the call **must register in advance** at <http://www.meetme.net/DFIN>. After registering, participants will receive dial-in numbers, a passcode, and a personal

identification number (PIN) that is used to uniquely identify their presence and automatically join them into the audio conference. A webcast replay will be archived on the Company's web site for 30 days after the call. In addition, a telephonic replay of the call will be available for seven days at 630.652.3042, passcode 7739939#.

About Donnelley Financial

With the right solutions in moments that matter, Donnelley Financial Solutions (NYSE: DFIN) delivers risk and compliance solutions that fuse deep industry experience, unparalleled service, and elegant technologies to provide our clients with insights that power their decisions and shape global markets. The company has 3,100 employees in 59 locations across 17 countries, serving thousands of clients globally. For more information about Donnelley Financial Solutions, visit www.dfsco.com or follow us on Twitter @DonnelleyFin or on LinkedIn.

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Use of non-GAAP Information

This news release contains certain non-GAAP measures, including non-GAAP SG&A, non-GAAP SG&A as % of total net sales, non-GAAP income from operations, non-GAAP operating margin, non-GAAP adjusted EBITDA, non-GAAP adjusted EBITDA margin, non-GAAP effective tax rate, non-GAAP net earnings, non-GAAP diluted earnings per share, free cash flow and organic net sales. The Company believes that these non-GAAP measures, when presented in conjunction with comparable GAAP measures, provide useful information about the Company's operating results and liquidity and enhance the overall ability to assess the Company's financial performance. The Company uses these measures, together with other measures of performance under GAAP, to compare the relative performance of operations in planning, budgeting and reviewing the performance of its business.

Our non-GAAP statement of operations measures, non-GAAP SG&A, non-GAAP SG&A as % of total net sales, non-GAAP income from operations, non-GAAP operating margin, non-GAAP adjusted EBITDA, non-GAAP adjusted EBITDA margin, non-GAAP effective tax rate, non-GAAP net earnings and non-GAAP diluted earnings per share, are adjusted to exclude the impact of certain costs, expenses, gains and losses and other specified items that management believes are not indicative of our ongoing operations. These adjusted measures exclude the impact of expenses associated with the Company's acquisition activities, spin-off related expenses, share-based compensation and eliminate potential differences in results of operations between periods caused by factors such as depreciation and amortization methods, historic cost and age of assets, financing and capital structures, taxation positions or regimes, restructuring, impairment and other charges and gain or loss on certain equity investments and asset sales.

Free cash flow is a non-GAAP financial measure and is defined by the Company as net cash flow provided by operating activities less capital expenditures. By adjusting for the level of capital investment in operations, the Company believes that free cash flow can provide useful additional basis for understanding the Company's ability to generate cash after capital investment and provides a comparison to peers with differing capital intensity.

Organic net sales is a non-GAAP financial measure and is defined by the Company as reported net sales adjusted for the impact of changes in foreign exchange rates and acquired and disposed businesses.

These non-GAAP measures should be considered in addition to, not a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. In addition, these measures are defined differently by different companies in our industry and, accordingly, such measures may not be comparable to similarly-titled measures of other companies.

Use of Forward-Looking Statements

This news release includes certain "forward-looking statements" within the meaning of, and subject to the safe harbor created by, Section 21E of the Securities Exchange Act of 1934, as amended, with respect to the business, strategy and plans of Donnelley Financial and its expectations relating to future financial condition and performance. Statements that are not historical facts, including statements about Donnelley Financial management's beliefs and expectations, are forward-looking statements. Words such as "believes," "anticipates," "estimates," "expects," "intends," "aims," "potential," "will," "would," "could," "considered," "likely," "estimate" and variations of these words and similar future or conditional expressions are

intended to identify forward-looking statements but are not the exclusive means of identifying such statements. While Donnelley Financial believes these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond Donnelley Financial's control. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon future circumstances that may or may not occur. Actual results may differ materially from Donnelley Financial's current expectations depending upon a number of factors affecting the business and risks associated with the performance of the business. These factors include such risks and uncertainties detailed in Donnelley Financial's periodic public filings with the SEC, including but not limited to those discussed under "Risk Factors" in Donnelley Financial's Form 10-K for the fiscal year ended December 31, 2017, those discussed under "Cautionary Statement" in Donnelley Financial's quarterly Form 10-Q filings, and in other investor communications of Donnelley Financial's from time to time. Donnelley Financial does not undertake to and specifically declines any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect future events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events.

Donnelley Financial Solutions, Inc.
Condensed Consolidated Balance Sheets
As of September 30, 2018 and December 31, 2017
(UNAUDITED)
(in millions, except per share data)

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Assets		
Cash and cash equivalents	\$ 56.2	\$ 52.0
Receivables, less allowances for doubtful accounts of \$8.7 in 2018 (2017 - \$7.3)	221.5	165.2
Inventories	13.8	23.3
Prepaid expenses and other current assets	16.4	29.6
Total Current Assets	307.9	270.1
Property, plant and equipment - net	31.7	34.7
Goodwill	437.5	447.4
Other intangible assets - net	29.3	39.9
Software - net	46.4	41.1
Deferred income taxes	14.0	22.2
Other noncurrent assets	46.6	38.1
Total Assets	\$ 913.4	\$ 893.5
Liabilities		
Accounts payable	\$ 67.5	\$ 67.8
Accrued liabilities	137.3	119.2
Total Current Liabilities	204.8	187.0
Long-term debt	397.2	458.3
Deferred compensation liabilities	21.7	22.8
Pension and other postretirement benefits plan liabilities	47.7	52.5
Other noncurrent liabilities	10.3	23.5
Total Liabilities	681.7	744.1
Equity		
Common stock, \$0.01 par value		
Authorized: 65.0 shares;		
Issued: 34.1 shares in 2018 (2017 - 33.8 shares)	0.3	0.3
Treasury stock, at cost: 0.1 shares in 2018 (2017 - less than 0.1 shares)	(1.7)	(0.9)
Additional paid-in capital	214.2	205.7
Retained earnings	84.4	8.9
Accumulated other comprehensive loss	(65.5)	(64.6)
Total Equity	231.7	149.4
Total Liabilities and Equity	\$ 913.4	\$ 893.5

Donnelley Financial Solutions, Inc.
Condensed Consolidated Statements of Operations
For the Three and Nine Months Ended September 30, 2018 and 2017
(UNAUDITED)
(in millions, except per share data)

	For the Three Months Ended September 30,						For the Nine Months Ended September 30,					
	2018 GAAP	ADJUSTMENTS TO NON-GAAP	2018 NON- GAAP	2017 GAAP	ADJUSTMENTS TO NON-GAAP	2017 NON- GAAP	2018 GAAP	ADJUSTMENTS TO NON-GAAP	2018 NON- GAAP	2017 GAAP	ADJUSTMENTS TO NON-GAAP	2017 NON- GAAP
Services net sales	\$ 138.5	\$ —	\$ 138.5	\$ 140.3	\$ —	\$ 140.3	\$ 485.9	\$ —	\$ 485.9	\$ 471.4	\$ —	\$ 471.4
Products net sales	78.4	—	78.4	82.3	—	82.3	276.8	—	276.8	308.7	—	308.7
Total net sales	216.9	—	216.9	222.6	—	222.6	762.7	—	762.7	780.1	—	780.1
Services cost of sales (1)	75.5	—	75.5	81.7	—	81.7	253.4	—	253.4	240.2	—	240.2
Services cost of sales with R.R. Donnelley affiliates (1) (2)	—	—	—	—	—	—	—	—	—	19.5	—	19.5
Products cost of sales (1)	57.8	—	57.8	58.9	—	58.9	204.1	—	204.1	190.7	—	190.7
Products cost of sales with R.R. Donnelley affiliates (1) (2)	—	—	—	—	—	—	—	—	—	32.3	—	32.3
Total cost of sales (1)	133.3	—	133.3	140.6	—	140.6	457.5	—	457.5	482.7	—	482.7
Selling, general and administrative expenses (SG&A) (1) (3)	62.6	(10.3)	52.3	54.8	(4.3)	50.5	203.8	(34.1)	169.7	173.7	(15.0)	158.7
Restructuring, impairment and other charges - net	0.8	(0.8)	—	(0.6)	0.6	—	4.1	(4.1)	—	6.4	(6.4)	—
Depreciation and amortization	11.6	—	11.6	10.6	—	10.6	33.1	—	33.1	31.7	—	31.7
Other operating income (4)	(53.5)	53.5	—	—	—	—	(53.5)	53.5	—	—	—	—
Income from operations	62.1	(42.4)	19.7	17.2	3.7	20.9	117.7	(15.3)	102.4	85.6	21.4	107.0
Interest expense - net	8.4	—	8.4	10.6	—	10.6	27.2	—	27.2	32.7	—	32.7
Investment and other income - net (3) (5)	(14.0)	11.8	(2.2)	(0.8)	—	(0.8)	(15.6)	11.8	(3.8)	(2.5)	—	(2.5)
Earnings before income taxes	67.7	(54.2)	13.5	7.4	3.7	11.1	106.1	(27.1)	79.0	55.4	21.4	76.8
Income tax expense	19.7	(15.6)	4.1	2.1	2.1	4.2	31.5	(8.0)	23.5	22.0	9.1	31.1
Net earnings	\$ 48.0	\$ (38.6)	\$ 9.4	\$ 5.3	\$ 1.6	\$ 6.9	\$ 74.6	\$ (19.1)	\$ 55.5	\$ 33.4	\$ 12.3	\$ 45.7
Net earnings per share:												
Basic net earnings per share	\$ 1.42		\$ 0.28	\$ 0.16		\$ 0.21	\$ 2.21		\$ 1.64	\$ 1.01		\$ 1.38
Diluted net earnings per share	\$ 1.40		\$ 0.27	\$ 0.16		\$ 0.20	\$ 2.19		\$ 1.63	\$ 1.01		\$ 1.38
Weighted average number of common shares outstanding (2):												
Basic	33.9		33.9	33.6		33.6	33.8		33.8	33.0		33.0
Diluted	34.2		34.2	33.8		33.8	34.0		34.0	33.2		33.2
Additional information:												
Gross margin (1)	38.5%		38.5%	36.8%		36.8%	40.0%		40.0%	38.1%		38.1%
SG&A as a % of total net sales (1)	28.9%		24.1%	24.6%		22.7%	26.7%		22.2%	22.3%		20.3%
Operating margin	28.6%		9.1%	7.7%		9.4%	15.4%		13.4%	11.0%		13.7%
Effective tax rate	29.1%		30.4%	28.4%		37.8%	29.7%		29.7%	39.7%		40.5%

- (1) Exclusive of depreciation and amortization
- (2) Beginning in the quarter ended June 30, 2017, LSC Communications, Inc. ("LSC") no longer qualified as a related party, therefore the amounts disclosed related to LSC are presented through March 31, 2017 only. Beginning in the quarter ended September 30, 2017, R.R. Donnelley & Sons Company ("RRD") no longer qualified as a related party, therefore the amounts disclosed related to RRD are presented through June 30, 2017 only.
- (3) During the first quarter of 2018, the Company adopted Accounting Standards Update No. 2017-07 "Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" ("ASU 2017-07"), which resulted in the presentation of net pension income within investment and other income in the condensed consolidated statement of operations instead of selling, general and administrative expenses. Prior period net pension income was also reclassified.
- (4) Gain on sale of Language Solutions business
- (5) Includes gain on equity investment for the three and nine months ended September 30, 2018

The Company believes that certain non-GAAP measures, when presented in conjunction with comparable GAAP measures, are useful because that information is an appropriate measure for evaluating the Company's operating performance. Internally, the Company uses this non-GAAP information as an indicator of business performance, and evaluates management's effectiveness with specific reference to this indicator. These measures should be considered in addition to, not a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP.

Donnelley Financial Solutions, Inc.
Reconciliation of GAAP to Non-GAAP Measures
For the Three and Nine Months Ended September 30, 2018 and 2017
(UNAUDITED)
(in millions, except per share data)

	For the Three Months Ended September 30, 2018					For the Nine Months Ended September 30, 2018				
	SG&A	Income from operations	Operating margin	Net earnings	Net earnings per diluted share	SG&A	Income from operations	Operating margin	Net earnings	Net earnings per diluted share
GAAP basis measures	\$ 62.6	\$ 62.1	28.6%	\$ 48.0	\$ 1.40	\$ 203.8	\$ 117.7	15.4%	\$ 74.6	\$ 2.19
Non-GAAP adjustments:										
Gain on sale of business	—	(53.5)	(24.7%)	(38.4)	(1.13)	—	(53.5)	(7.0%)	(38.4)	(1.13)
Gain on equity investment	—	—	—	(8.5)	(0.25)	—	—	—	(8.5)	(0.26)
Restructuring, impairment and other charges - net	—	0.8	0.4%	0.6	0.02	—	4.1	0.5%	3.0	0.09
Spin-off related transaction expenses	(3.7)	3.7	1.7%	2.9	0.09	(19.9)	19.9	2.6%	14.5	0.43
Share-based compensation expense	(2.1)	2.1	1.0%	1.6	0.05	(7.2)	7.2	0.9%	5.3	0.16
Disposition-related expenses	(4.5)	4.5	2.1%	3.2	0.09	(6.5)	6.5	0.9%	4.7	0.14
Acquisition-related expenses	—	—	—	—	—	(0.5)	0.5	0.1%	0.3	0.01
Total Non-GAAP adjustments	(10.3)	(42.4)	(19.5%)	(38.6)	(1.13)	(34.1)	(15.3)	(2.0%)	(19.1)	(0.56)
Non-GAAP measures	\$ 52.3	\$ 19.7	9.1%	\$ 9.4	\$ 0.27	\$ 169.7	\$ 102.4	13.4%	\$ 55.5	\$ 1.63
	For the Three Months Ended September 30, 2017					For the Nine Months Ended September 30, 2017				
	SG&A	Income from operations	Operating margin	Net earnings	Net earnings per diluted share	SG&A	Income from operations	Operating margin	Net earnings	Net earnings per diluted share
GAAP basis measures	\$ 54.8	\$ 17.2	7.7%	\$ 5.3	\$ 0.16	\$ 173.7	\$ 85.6	11.0%	\$ 33.4	\$ 1.01
Non-GAAP adjustments:										
Restructuring, impairment and other charges - net	—	(0.6)	(0.3%)	(0.4)	(0.01)	—	6.4	0.8%	3.9	0.12
Spin-off related transaction expenses	(2.6)	2.6	1.2%	1.2	0.04	(9.8)	9.8	1.2%	5.5	0.16
Share-based compensation expense	(1.7)	1.7	0.8%	0.8	0.01	(5.2)	5.2	0.7%	2.9	0.09
Total Non-GAAP adjustments	(4.3)	3.7	1.7%	1.6	0.04	(15.0)	21.4	2.7%	12.3	0.37
Non-GAAP measures	\$ 50.5	\$ 20.9	9.4%	\$ 6.9	\$ 0.20	\$ 158.7	\$ 107.0	13.7%	\$ 45.7	\$ 1.38

Donnelley Financial Solutions, Inc.

Segment GAAP to Non-GAAP Operating Income and Non-GAAP Adjusted EBITDA and Margin Reconciliation
For the Three Months Ended September 30, 2018 and 2017
(UNAUDITED)
(in millions)

	U.S.	International	Corporate	Consolidated
<u>For the Three Months Ended September 30, 2018</u>				
Net sales	\$ 185.5	\$ 31.4	\$ —	\$ 216.9
Income (loss) from operations	48.4	27.0	(13.3)	62.1
Operating margin %	26.1%	86.0%	nm	28.6%
<u>Non-GAAP Adjustments</u>				
Gain on sale of business	(26.6)	(26.9)	—	(53.5)
Restructuring, impairment and other charges - net	0.6	0.1	0.1	0.8
Spin-off related transaction expenses	1.6	—	2.1	3.7
Share-based compensation expense	—	—	2.1	2.1
Disposition-related expenses	—	1.2	3.3	4.5
Total Non-GAAP adjustments	(24.4)	(25.6)	7.6	(42.4)
Non-GAAP income (loss) from operations	\$ 24.0	\$ 1.4	\$ (5.7)	\$ 19.7
Non-GAAP operating margin %	12.9%	4.5%	nm	9.1%
Depreciation and amortization	10.3	1.2	0.1	11.6
Non-GAAP Adjusted EBITDA	\$ 34.3	\$ 2.6	\$ (5.6)	\$ 31.3
Non-GAAP Adjusted EBITDA margin %	18.5%	8.3%	nm	14.4%
<u>For the Three Months Ended September 30, 2017</u>				
Net sales	\$ 186.1	\$ 36.5	\$ —	\$ 222.6
Income (loss) from operations	22.4	1.5	(6.7)	17.2
Operating margin %	12.0%	4.1%	nm	7.7%
<u>Non-GAAP Adjustments</u>				
Restructuring, impairment and other charges - net	(0.8)	0.1	0.1	(0.6)
Spin-off related transaction expenses	2.2	—	0.4	2.6
Share-based compensation expense	—	—	1.7	1.7
Total Non-GAAP adjustments	1.4	0.1	2.2	3.7
Non-GAAP income (loss) from operations	\$ 23.8	\$ 1.6	\$ (4.5)	\$ 20.9
Non-GAAP operating margin %	12.8%	4.4%	nm	9.4%
Depreciation and amortization	9.2	1.4	—	10.6
Non-GAAP Adjusted EBITDA	\$ 33.0	\$ 3.0	\$ (4.5)	\$ 31.5
Non-GAAP Adjusted EBITDA margin %	17.7%	8.2%	nm	14.2%

Donnelley Financial Solutions, Inc.

Segment GAAP to Non-GAAP Operating Income and Non-GAAP Adjusted EBITDA and Margin Reconciliation
For the Nine Months Ended September 30, 2018 and 2017

(UNAUDITED)

(in millions)

	U.S.	International	Corporate	Consolidated
<u>For the Nine Months Ended September 30, 2018</u>				
Net sales	\$ 641.1	\$ 121.6	\$ —	\$ 762.7
Income (loss) from operations	121.7	31.1	(35.1)	117.7
Operating margin %	19.0%	25.6%	nm	15.4%
<u>Non-GAAP Adjustments</u>				
Gain on sale of business	(26.6)	(26.9)	—	(53.5)
Restructuring, impairment and other charges - net	1.9	1.9	0.3	4.1
Spin-off related transaction expenses	15.6	—	4.3	19.9
Share-based compensation expense	—	—	7.2	7.2
Disposition-related expenses	—	1.2	5.3	6.5
Acquisition-related expenses	—	—	0.5	0.5
Total Non-GAAP adjustments	(9.1)	(23.8)	17.6	(15.3)
Non-GAAP income (loss) from operations	\$ 112.6	\$ 7.3	\$ (17.5)	\$ 102.4
Non-GAAP operating margin %	17.6%	6.0%	nm	13.4%
Depreciation and amortization	28.7	4.0	0.4	33.1
Non-GAAP Adjusted EBITDA	\$ 141.3	\$ 11.3	\$ (17.1)	\$ 135.5
Non-GAAP Adjusted EBITDA margin %	22.0%	9.3%	nm	17.8%
<u>For the Nine Months Ended September 30, 2017</u>				
Net sales	\$ 658.2	\$ 121.9	\$ —	\$ 780.1
Income (loss) from operations	107.5	7.6	(29.5)	85.6
Operating margin %	16.3%	6.2%	nm	11.0%
<u>Non-GAAP Adjustments</u>				
Restructuring, impairment and other charges - net	4.4	1.3	0.7	6.4
Spin-off related transaction expenses	4.0	—	5.8	9.8
Share-based compensation expense	—	—	5.2	5.2
Total Non-GAAP adjustments	8.4	1.3	11.7	21.4
Non-GAAP income (loss) from operations	\$ 115.9	\$ 8.9	\$ (17.8)	\$ 107.0
Non-GAAP operating margin %	17.6%	7.3%	nm	13.7%
Depreciation and amortization	27.5	4.2	—	31.7
Non-GAAP Adjusted EBITDA	\$ 143.4	\$ 13.1	\$ (17.8)	\$ 138.7
Non-GAAP Adjusted EBITDA margin %	21.8%	10.7%	nm	17.8%

Donnelley Financial Solutions, Inc.
Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2018 and 2017
(UNAUDITED)
(in millions)

	For the Nine Months Ended September 30,	
	2018	2017
Net earnings	\$ 74.6	\$ 33.4
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Impairment charges	—	0.2
Depreciation and amortization	33.1	31.7
Provision for doubtful accounts receivable	4.5	4.3
Share-based compensation	7.2	5.2
Deferred income taxes	6.4	(2.7)
Changes in uncertain tax positions	(0.2)	(0.2)
Net pension plan income	(2.4)	(2.5)
Gain on change in fair value of investment	(11.8)	—
Gain on disposition	(53.5)	—
Other	0.6	1.7
Changes in operating assets and liabilities - net of acquisitions:		
Accounts receivable - net	(70.8)	(36.6)
Inventories	(2.7)	0.6
Prepaid expenses and other current assets	2.5	(2.0)
Accounts payable	3.4	(11.7)
Income taxes payable and receivable	17.2	3.7
Accrued liabilities and other	4.0	10.3
Pension and other postretirement benefits plan contributions	(1.7)	(1.7)
Net cash provided by operating activities	\$ 10.4	\$ 33.7
Capital expenditures	(22.8)	(20.0)
Sale (purchase) of investment	3.1	(3.4)
Proceeds from disposition	77.1	—
Other investing activities	—	0.3
Net cash provided by (used in) investing activities	\$ 57.4	\$ (23.1)
Revolving facility borrowings	255.0	230.0
Payments on revolving facility borrowings	(255.0)	(230.0)
Payments on long-term debt	(62.5)	(100.0)
Proceeds from issuance of common stock	1.2	18.8
Treasury share repurchases	(0.8)	(0.9)
Debt issuance costs	—	(1.5)
Separation-related payment from R.R. Donnelley	—	68.0
Other financing activities	—	0.4
Net cash used in financing activities	\$ (62.1)	\$ (15.2)
Effect of exchange rate on cash and cash equivalents	(1.5)	0.6
Net increase (decrease) in cash and cash equivalents	4.2	(4.0)
Cash and cash equivalents at beginning of year	52.0	36.2
Cash and cash equivalents at end of period	\$ 56.2	\$ 32.2

Additional Information:

	2018	2017
<i>For the Nine Months Ended September 30:</i>		
Net cash provided by operating activities	\$ 10.4	\$ 33.7
Less: capital expenditures	22.8	20.0
Free cash flow	\$ (12.4)	\$ 13.7

	2018	2017
<i>For the Six Months Ended June 30:</i>		
Net cash used in operating activities	\$ (50.2)	\$ (39.4)
Less: capital expenditures	15.6	12.0
Free cash flow	\$ (65.8)	\$ (51.4)

	2018	2017
<i>For the Three Months Ended September 30:</i>		
Net cash provided by operating activities	\$ 60.6	\$ 73.1
Less: capital expenditures	7.2	8.0
Free cash flow	\$ 53.4	\$ 65.1

Donnelley Financial Solutions, Inc.
Reconciliation of Reported to Organic Net Sales
For the Three and Nine Months Ended September 30, 2018 and 2017
(UNAUDITED)
(in millions)

	U.S.					
	Capital Markets	Investment Markets	Language Solutions	Total U.S.	International	Consolidated
Reported Net Sales:						
For the Three Months Ended September 30, 2018	\$ 102.5	\$ 81.8	\$ 1.2	\$ 185.5	\$ 31.4	\$ 216.9
For the Three Months Ended September 30, 2017 ⁽¹⁾	93.8	87.5	4.8	186.1	36.5	222.6
Net sales change	9.3%	(6.5%)	(75.0%)	(0.3%)	(14.0%)	(2.6%)
Supplementary non-GAAP information:						
Year-over-year impact of changes in foreign exchange (FX) rates	—%	—%	—%	—%	(1.9%)	(0.3%)
Year-over-year impact of the adoption of the new revenue recognition standard	—%	(2.9%)	—%	(1.3%)	—%	(1.1%)
Year-over-year impact of the Language Solutions disposition	—%	—%	(83.3%)	(2.2%)	(26.9%)	(6.3%)
Net organic sales change ⁽²⁾	9.3%	(3.6%)	8.3%	3.2%	14.8%	5.1%

	U.S.					
	Capital Markets	Investment Markets	Language Solutions	Total U.S.	International	Consolidated
Reported Net Sales:						
For the Nine Months Ended September 30, 2018	\$ 364.6	\$ 262.8	\$ 13.7	\$ 641.1	\$ 121.6	\$ 762.7
For the Nine Months Ended September 30, 2017 ⁽¹⁾	349.8	291.9	16.5	658.2	121.9	780.1
Net sales change	4.2%	(10.0%)	(17.0%)	(2.6%)	(0.2%)	(2.2%)
Supplementary non-GAAP information:						
Year-over-year impact of changes in foreign exchange (FX) rates	—%	—%	—%	—%	3.0%	0.5%
Year-over-year impact of the adoption of the new revenue recognition standard	0.2%	(0.6%)	—%	(0.2%)	0.2%	(0.1%)
Year-over-year impact of the Language Solutions disposition	—%	—%	(24.3%)	(0.6%)	(8.1%)	(1.8%)
Net organic sales change ⁽²⁾	4.0%	(9.4%)	7.3%	(1.8%)	4.7%	(0.8%)

(1) Certain prior year amounts were restated to conform to the Company's current reporting unit structure.

(2) Adjusted for the impact of changes in FX rates, the adoption of the new revenue recognition standard and the Language Solutions disposition.

Donnelley Financial Solutions, Inc.
Reconciliation of GAAP Net Earnings (Loss) to Non-GAAP Adjusted EBITDA
For the Three and Twelve Months Ended September 30, 2018 and 2017
(UNAUDITED)
(in millions)

	For the Twelve	For the Three Months Ended			
	Months Ended	September 30,	June 30,	March 31,	December 31,
	September 30,	2018	2018	2018	2017
	2018	2018	2018	2018	2017
GAAP net earnings (loss)	\$ 50.9	\$ 48.0	\$ 18.9	\$ 7.7	\$ (23.7)
Adjustments					
Income tax expense	56.0	19.7	8.3	3.5	24.5
Interest expense-net	37.4	8.4	9.8	9.0	10.2
Investment and other income-net ⁽¹⁾	(16.5)	(14.0)	(0.8)	(0.8)	(0.9)
Depreciation and amortization	45.9	11.6	11.1	10.4	12.8
Restructuring, impairment and other charges-net	4.8	0.8	2.6	0.7	0.7
Share-based compensation expense	8.8	2.1	3.3	1.8	1.6
Spin-off related transaction expenses	26.6	3.7	8.4	7.8	6.7
Gain on sale of business	(53.5)	(53.5)	—	—	—
Disposition-related expenses ⁽²⁾	6.5	4.5	1.5	0.5	—
Acquisition-related expenses	0.7	—	0.3	0.2	0.2
Total Non-GAAP adjustments	116.7	(16.7)	44.5	33.1	55.8
Non-GAAP adjusted EBITDA	\$ 167.6	\$ 31.3	\$ 63.4	\$ 40.8	\$ 32.1
Net sales	\$ 987.5	\$ 216.9	\$ 290.6	\$ 255.2	\$ 224.8
Non-GAAP adjusted EBITDA margin %	17.0%	14.4%	21.8%	16.0%	14.3%

	For the Twelve	For the Three Months Ended			
	Months Ended	September 30,	June 30,	March 31,	December 31,
	September 30,	2017	2017	2017	2016
	2017	2017	2017	2017	2016
GAAP net earnings (loss)	\$ 32.6	\$ 5.3	\$ 18.8	\$ 9.3	\$ (0.8)
Adjustments					
Income tax expense (benefit)	17.9	2.1	13.1	6.8	(4.1)
Interest expense-net	44.1	10.6	11.0	11.1	11.4
Investment and other income-net ⁽¹⁾	(3.1)	(0.8)	(0.9)	(0.8)	(0.6)
Depreciation and amortization	44.9	10.6	10.9	10.2	13.2
Restructuring, impairment and other charges-net	8.2	(0.6)	3.2	3.8	1.8
Share-based compensation expense	6.5	1.7	2.4	1.1	1.3
Spin-off related transaction expenses	14.7	2.6	4.5	2.7	4.9
Total Non-GAAP adjustments	133.2	26.2	44.2	34.9	27.9
Non-GAAP adjusted EBITDA	\$ 165.8	\$ 31.5	\$ 63.0	\$ 44.2	\$ 27.1
Net sales	\$ 1,001.1	\$ 222.6	\$ 290.2	\$ 267.3	\$ 221.0
Non-GAAP adjusted EBITDA margin %	16.6%	14.2%	21.7%	16.5%	12.3%

- (1) During the first quarter of 2018, the Company adopted ASU 2017-07, which resulted in the presentation of net pension income within investment and other income in the condensed consolidated statement of operations instead of selling, general and administrative expenses. Prior period net pension income was also reclassified.
- (2) Expenses incurred related to the disposition of the Company's Language Solutions business. Prior periods have been revised to reflect this adjustment.

Donnelley Financial Solutions, Inc.
Debt and Liquidity Summary
As of September 30, 2018 and 2017 and December 31, 2017
(UNAUDITED)
(in millions)

Total Liquidity	September 30, 2018	December 31, 2017	September 30, 2017
Availability			
Stated amount of the Revolving Facility ⁽¹⁾	\$ 300.0	\$ 300.0	\$ 300.0
Less: availability reduction from covenants	90.9	—	39.0
Amount available under the Revolving Facility	209.1	300.0	261.0
Usage			
Borrowings under the Revolving Facility	—	—	—
Impact on availability related to outstanding letters of credit	—	—	—
Amount used under the Revolving Facility	—	—	—
Availability under the Revolving Facility	209.1	300.0	261.0
Cash ⁽²⁾	56.2	52.0	32.2
Net Available Liquidity	<u>\$ 265.3</u>	<u>\$ 352.0</u>	<u>\$ 293.2</u>
Debt			
Short-term debt	\$ —	\$ —	\$ —
Long-term debt	397.2	458.3	488.4
Total debt	<u>\$ 397.2</u>	<u>\$ 458.3</u>	<u>\$ 488.4</u>
Non-GAAP adjusted EBITDA for the twelve months ended September 30, 2018 and 2017, and the year ended December 31, 2017	\$ 167.6	\$ 170.8	\$ 165.8
Non-GAAP Gross Leverage (defined as total debt divided by non-GAAP adjusted EBITDA)	2.4x	2.7x	2.9x
Non-GAAP Net Debt (defined as total debt less cash)	\$ 341.0	\$ 406.3	\$ 456.2
Non-GAAP Net Leverage (defined as non-GAAP Net Debt divided by non-GAAP adjusted EBITDA)	2.0x	2.4x	2.8x

- (1) The Company has a \$300.0 million senior secured revolving credit facility (the "Revolving Facility"). The Revolving Facility is subject to a number of covenants, including a minimum Interest Coverage Ratio and a maximum Leverage Ratio, both as defined and calculated in the Credit Agreement. There were no outstanding borrowings under the Revolving Facility as of September 30, 2018. Based on the Company's results of operations for the twelve months ended September 30, 2018 and existing debt, the Company would have had the ability to utilize an incremental \$209.1 million of the \$300.0 million Revolving Facility and not have been in violation of the terms of the agreement.
- (2) Approximately 54% of cash as of September 30, 2018, 30% of cash as of December 31, 2017 and 33% of cash as of September 30, 2017 was located outside of the U.S. Certain cash balances of foreign subsidiaries may be subject to U.S. or local country taxes if repatriated to the U.S. In addition, repatriation of some foreign cash balances is further restricted by local laws.