

Quad/Graphics, Inc.
Form 10-K
February 29, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the fiscal year ended December 31, 2011

or

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

For the transition period from to
Commission File Number 001-34806

QUAD/GRAPHICS, INC.

(Exact name of registrant as specified in its charter)

Wisconsin

39-1152983

(State or other jurisdiction of incorporation or
organization)

(I.R.S. Employer Identification No.)

N61 W23044 Harry's Way, Sussex, Wisconsin
53089-3995

(414) 566-6000

(Address of principal executive offices) (Zip Code)

(Registrant's telephone number, including area code)

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

Title of Class

Name of Each Exchange on Which Registered

Class A Common Stock, par value \$0.025 per share

The New York Stock Exchange, LLC

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

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

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 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 No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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(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
The aggregate market value of the class A common stock (based on the closing price of \$38.86 per share on the New York Stock Exchange, LLC) on June 30, 2011, the last business day of the registrant's most recently completed second fiscal quarter, held by non-affiliates was \$1,211,152,845. Neither of the registrant's class B common stock or class C common stock is listed on a national securities exchange or traded in an organized over-the-counter market, but each share of the registrant's class B common stock and class C common stock is convertible into one share of the registrant's class A common stock.

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class	Outstanding as of February 24, 2012
Class A Common Stock	32,725,759
Class B Common Stock	14,198,464
Class C Common Stock	245,353

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the registrant's 2012 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

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Forward-Looking Statements

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

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

- The impact of significant overcapacity in the highly competitive commercial printing industry, which creates downward pricing pressure and fluctuating demand for printing services;
- The inability of the Company to reduce costs and improve operating efficiency rapidly enough to meet market conditions;
- The impact of electronic media and similar technological changes;
- The impact of changing future economic conditions;
- The failure to renew long-term contracts with customers, the renewal of those contracts under different terms, or customer nonperformance in accordance with the terms and for the duration of long-term contracts;
- Significant capital expenditures may be needed to maintain the Company's platform and processes and to remain technologically and economically competitive;
- The impact of fluctuations in costs (including labor-related costs, energy costs, freight rates and raw materials) and the impact of fluctuations in the availability of raw materials;
- The impact of regulatory matters and legislative developments or changes in laws, including changes in environmental and privacy laws and postal rates, regulations and services;
- The impact on Quad/Graphics class A common shareholders of a limited active market for Quad/Graphics common stock and the inability to independently elect directors or control decisions due to the class B common stock voting rights;
- An other than temporary decline in operating results and enterprise value could lead to non-cash impairment charges due to the impairment of goodwill, other intangible assets and property, plant and equipment;
- The liabilities of World Color Press Inc. ("World Color Press") with respect to pension and postretirement benefits could grow in the future and create additional costs;
- Restrictions imposed by various covenants in the Company's debt facilities may affect the Company's ability to operate its business;
- Failure to successfully integrate the operations of Quad/Graphics and World Color Press;
- Risks associated with the Company's operations outside of the United States;
- The inability to retain and attract additional, key employees, or the adverse effects of any strikes or other labor protests.

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

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

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PART I

Item 1. Business

Overview

Quad/Graphics is a leading global provider of print and related products and services that are designed to provide integrated multichannel solutions to marketers and publishers in North America, Latin America and Europe. The Company's products and services primarily include:

• **Print Solutions:** including catalogs, consumer magazines, special interest publications, direct mail, packaging and other commercial and specialty printed products, retail inserts, books and directories.

• **Media Solutions:** including creative, digital imaging, video, photography, workflow solutions, interactive technology including mobile and social media, and response data analytics services.

• **Logistics Services:** including mailing, distribution, logistics and data optimization and hygiene services.

Founded in Pewaukee, Wisconsin, as a Wisconsin corporation in 1971 by the late Harry V. Quadracci, Quad/Graphics has approximately 24,300 employees in North America, Latin America, and Europe, and serves a diverse base of more than 7,200 customers from 130 facilities located in 21 countries.

Quad/Graphics has contractual relationships with leading magazine publishers, including Condé Nast, Hearst Magazines, Meredith Corporation, The National Geographic Society, Rodale Inc., The Reader's Digest Association Ltd., Source Interlink Media, LLC, Time Inc., and Wenner Media LLC. Quad/Graphics prints retail newspaper inserts for major retailers such as Bass Pro Shops, The Bon-Ton Stores, Inc., J.C. Penney Company, Inc., Shopko Stores Operating Co., LLC, and Target Corporation; catalogs for industry-leading marketers such as Cabela's Incorporated, J.Crew Group, Inc., L.L. Bean, Limited Brands Inc. (Victoria's Secret), The Orvis Company, Redcats USA, and Williams-Sonoma Inc.; and direct mail products for companies such as Charter Communications, American Family Insurance, American Eagle Outfitters, Publishers Clearing House, Inc., and Weight Watchers International, Inc. Quad/Graphics prints books for publishers such as Harlequin Enterprises Limited, The McGraw-Hill Companies, Inc., Simon & Schuster, Inc., and Thomas Nelson, Inc.; and directories for publishers such as Yellow Book USA, Inc. and Yellow Pages Group Limited.

The Company creates customer value in two main ways:

• **Maximize the revenue customers derive from their print spend.** Using a customer-centric approach, Quad/Graphics helps marketers and publishers take maximum advantage of Quad/Graphics' full range of integrated solutions to help them better engage end users and drive improved response from print and print-related solutions.

• **Minimize customers' total cost of print production.** Quad/Graphics continually strives to increase its own productivity and to reduce its customers' mailing and distribution costs through the integration of data analytics, finishing technology and logistics solutions, such as its industry leading co-mail solutions.

Over the last 15 years, Quad/Graphics has created what it believes to be one of the most modern and efficient manufacturing platforms in the industry. Quad/Graphics also has made substantial investments in research and development, and technological innovation. The Company has developed multiple manufacturing process improvements, including innovative press and finishing control systems and material-handling equipment for use in Quad/Graphics' own operations, as well as for sale to other printers worldwide. Quad/Graphics believes that its

innovation and its modern manufacturing platform, together with its focus on customer service and distribution capabilities, have resulted in the Company being one of the most profitable commercial printing companies in the markets in which it competes, as measured by Adjusted EBITDA margin (defined as EBITDA before restructuring, impairment and transaction-related charges, loss on debt extinguishment and loss from discontinued operations as a percentage of net sales). EBITDA is defined as net earnings (loss) attributable to the Company's common shareholders plus interest expense, income tax expense and depreciation and amortization. EBITDA is a financial measure not prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") that is reconciled to net earnings (loss) in the Results of Operations for the Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010, and for the Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009, included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of this Annual Report on Form 10-K. EBITDA is an important measure by which the Company gauges the profitability and assesses the performance of its business. It should not be considered an alternative to net earnings (loss) as a

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measure of operating performance or to cash flows provided by operating activities as a measure of liquidity.

The manufacturing platform and innovative technology that Quad/Graphics enjoys are further reinforced by the quality of its workforce. The Company believes that its distinct corporate culture encourages an organization-wide entrepreneurial spirit and an opportunistic mentality, where employees embrace responsibility, take ownership of projects and are encouraged to drive results. Quad/Graphics further believes the experience and stability of senior management, paired with next-generation entrepreneurially minded employees, contributes to its long-term success.

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

Industry

The global printing industry encompasses a wide range of sectors, including general commercial printing, newspapers and newspaper inserts, directories, books, direct mail, packaging, financial printing, business forms, greeting cards, and label and wrapper printing. Printing is one of the largest industries in the United States, with more than 800,000 employees and approximately 29,000 companies generating an estimated \$133 billion in annual sales, according to the Printing Industries of America/Graphic Arts Technical Foundation ("PIA/GATF") 2010 Print Market Atlas ("Print Market Atlas"). Quad/Graphics operates primarily in the commercial print portion of the printing industry. The PIA/GATF defines this portion to include advertising printing such as direct mail, circulars, brochures, displays, inserts and pamphlets; business cards; stationery; catalogs; directories; newspapers; magazines and books. According to the Print Market Atlas, the United States commercial printing sector, excluding newspapers, is estimated to generate approximately \$66 billion in sales annually. The printing industry (excluding newspaper printing) is also highly fragmented and competitive, with the largest 400 printers representing less than 41% of the overall United States and Canadian market, based on the 2010 Printing Impressions PI400 and Print Market Atlas.

Demand for printed products and related services is impacted by real gross domestic product growth, as economic activity and advertising spending are key drivers of customer demand. In times of global economic uncertainty, advertisers reduce spending. Magazine publishers, facing diminished advertising pages, reduce total page counts; catalog marketers reduce page counts, circulation and the frequency of print campaigns; retailers curb investments in store inventory and cut back advertising; and other advertisers reduce their direct mail campaigns, particularly in the banking, insurance, credit card, real estate and nonprofit industries. In addition to the negative impact on print volumes from global economic uncertainty, increases in postage expenses (which significantly outpaced inflation over the last 10 years) and the increase in the use of alternative marketing technologies have led many printing businesses to fail and the industry to undergo ongoing consolidation.

Competition in the highly fragmented printing industry remains intense. The industry has excess manufacturing capacity created by declines in industry volumes during the past recession, which in turn has created continued downward pricing pressures. In addition, electronic delivery of documents and data, including the online distribution and hosting of media content, offer alternatives to traditional delivery of printed documents. Increasing consumer acceptance of electronic delivery has resulted in marketers and publishers allocating their marketing and advertising spend across the expanding selection of electronic delivery options, which further reduces demand and contributes to industry overcapacity.

Quad/Graphics believes that traditional business users of print and print-related services are focused on generating and tracking the highest returns on their marketing dollars. The Company believes that marketers, publishers and other traditional users of print find that they receive the greatest return on their marketing and advertising dollars when they effectively utilize data to target the appropriate customers and combine digital alternatives with customized print products in a targeted, multichannel marketing campaign driven by an overall marketing strategy. In addition, the Company believes the commercial print industry has moved toward shorter print runs and increased production efficiency of products with lower page counts and increasing complexity. Finally, the Company believes that successful commercial printing companies will invest in mailing and logistics capabilities because, for many customers, mailing and distribution represent their largest cost - typically two to three times the cost of their print expense. Therefore, Quad/Graphics believes a printer's ability to impact mailing and distribution expenses through data hygiene and sophisticated, automated printing, finishing and distribution equipment creates value for customers by minimizing their total manufacturing and distribution cost.

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Seasonality

The Company is subject to seasonality in its quarterly results as net sales are typically higher in the third and fourth quarters of the calendar year as compared to the first and second quarters. Seasonality is driven by increased magazine advertising page counts, retail inserts, catalogs and books due primarily to back-to-school and holiday related advertising and promotions. Quad/Graphics expects the seasonality impact in future years to continue to track with historical patterns.

Competitive Advantages

Quad/Graphics believes its success has been fueled by a number of key competitive advantages, including: an efficient and modern manufacturing platform; integrated mailing and distribution capabilities; a commitment to ongoing innovation, rapid adoption of technology and integration of new media; a customer-centric approach; a disciplined financial approach; and a distinct corporate culture that empowers and engages employees to think and act like owners to drive business results. Quad/Graphics believes that these competitive advantages have resulted in it being one of the most profitable commercial printing companies in the markets in which it competes, as measured by Adjusted EBITDA margin. This profitability, in turn, has fueled Quad/Graphics' investment in equipment, research and development, automation and other technological innovations, which helps minimize a customer's total cost of print production and increase its customers' revenues. See "Overview" above for a discussion of Adjusted EBITDA.

Efficient and Modern Manufacturing Platform

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

Another key aspect of the Company's modern manufacturing platform is the combination of its footprint of megaplants (plants having an average size greater than 1.0 million square feet) and smaller strategically located facilities. Quad/Graphics believes that the large plant size of certain of its key printing facilities allows the Company to drive savings in certain product lines (such as magazines and catalogs) due to efficiencies of scale and from investments in automation and technology. Complementing its megaplants are smaller facilities, strategically located nearer to final distribution points for expedited delivery. This allows customers greater deadline flexibility for adjusting content or marketing strategy, especially for direct mail pieces and retail inserts. Redundancy of major equipment across its platform provides the Company with the flexibility to meet complex customer service requirements, such as quick turns for time-sensitive material or when weather patterns threaten production or delivery in a specific area of the country.

Quad/Graphics has also focused on investments in automation designed to reduce headcount and labor costs. Capital investments in advanced applications of robotics and automation and manufacturing process improvements have allowed the Company to lower personnel costs through attrition, reduction of overtime and temporary labor, and workforce reductions.

Quad/Graphics' continued investment in its mail preparation and distribution capabilities focuses on increasing the customer's return on print spend by lowering overall distribution costs. As discussed below, the Company believes

that it achieves these goals through its integrated data, finishing, distribution and logistics operations.

Finally, Quad/Graphics has invested in vertically-integrated, non-print capabilities to assist it in delivering lower costs for its clients, enhancing customer service levels, increasing flexibility and providing more aggregate services to each customer. Such capabilities include data management, imaging, logistics and distribution, ink manufacturing, and equipment research and design. This vertical integration allows substantial control over critical links in the overall print supply chain, such as the Company's ink manufacturing capabilities, that help it control the quality, cost and availability of a key input in the printing process.

Leading Distribution Capabilities

Quad/Graphics creates targeted and personalized printed materials for its customers, which increase consumer response rates, maximize a customer's return on print spending, and reduce overall costs for the customer.

Quad/Graphics uses its in-house list services bureau to analyze mail list data, demographics data, consumer transaction data and other consumer-

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specific data to help its customers target consumers through personalized printed materials. Personalization and targeting create the opportunity to reach the right recipients with the right (or relevant) message at the right time. The Company believes that integrating its analysis of mail list data and newsstand galleys with its logistics services allows it to reduce customer freight costs for shipments to newsstands and postal centers, while providing a high level of dependability and rapid response times that are crucial to the delivery of time-sensitive materials. Utilizing a mix of Company-owned tractor-trailers, as well as external carriers, in conjunction with a national consolidation network to combine freight, the Company ensures that it will be able to meet customer distribution capacity requirements with great reliability and cost-effectiveness.

Postal rates are a significant component of many customers' cost structures and Quad/Graphics believes that postal costs influence the number of pieces that its customers print and mail. Through its logistics operations, finishing technology and data analytics, the Company manages the mail preparation and distribution of most of its customers' products to maximize efficiency and reduce these costs. The Company helps its U.S. customers reduce their overall postage costs through what it believes, based on information published by or otherwise made available from its competitors, is the industry's largest co-mail program. The Company's co-mail program involves the sorting and bundling of printed products to be mailed to consumers, in order to facilitate better integration with the United States Postal Service. The United States Postal Service offers significant work-sharing discounts for this sorting, bundling and drop-shipping to postal processing centers as it reduces handling by the United States Postal Service. By combining the products of multiple customers in the mail stream, the Company leverages the volume from all of its customers, regardless of the production facility, to achieve greater savings. The Company has four strategically placed regional co-mail hubs to better service the catalog market. These hubs complement the Company's existing co-mail capabilities located in a number of its plants and allow the Company to offer an industry leading logistics solution that incorporates pre-sort optimization with distributed co-mail throughout the United States. In 2011, Quad/Graphics co-mailed more than 4.8 billion magazines and catalogs, earning significant discounts from the United States Postal Service on behalf of its customers.

Quad/Graphics is also able to leverage the volume of products running through its large plants for further customer distribution savings by creating full truckloads that are routed directly to United States Postal Service facilities. In addition, each major United States metropolitan area is within one day's drive of at least one of the Company's strategically located facilities, providing its customers the flexibility to print closest to their ultimate consumers.

Commitment to Ongoing Innovation, Rapid Adoption of Technology and Integration of New Media

Quad/Graphics has had a continued commitment to research and development, manufacturing process improvements and the rapid adoption of technological innovations and integration of new media.

The Company's engineers, designers and computer experts, working closely with its press and finishing operators, have developed a range of advancements that enhance the Company's manufacturing platform. The value of Quad/Graphics' innovations to the industry is supported by the fact that it generates revenue by supplying some of these technology solutions and consulting services to other printers. In particular, the Company believes it is an internationally known, leading manufacturer of electronic process control systems and maintains offices in the Netherlands, India, Singapore, Japan and China to sell and service these products to equipment manufacturers and other printers.

Another example of Quad/Graphics' innovative approach is the integration of its imaging, manufacturing and distribution networks into a single platform using a networked information technology ("IT") infrastructure. This single platform—present in many Quad/Graphics' larger facilities—provides seamless information flow across sales and estimating, production planning, scheduling, manufacturing, warehousing, logistics, invoicing, reporting and customer service.

The Company intends to leverage these IT tools and capabilities by extending their integration into certain operations. The Company presently intends to integrate the networked IT in each of these facilities with respect to the sales and marketing, supply chain, finance, human resources and distribution functions that support the magazine, catalog, retail and direct mail manufacturing operations. Recognizing the differences in operational needs and processes, the Company presently intends to predominantly retain the current technology platforms for its book and directory manufacturing operations, which the Company believes is sufficient to support these operations.

From a client-facing perspective, Quad/Graphics has focused on integrating new media to redefine print for its customers. The Company's Media Solutions group is dedicated to delivering innovative solutions across multiple media channels. Media Solutions' core building blocks include creative, digital imaging, video, photography, workflow solutions, interactive technology including mobile and social media, and response data analytics services. These building blocks are seamlessly integrated to help clients optimize content and create experiences that connect with customers and subscribers across multiple channels including print, web, mobile, e-mail, e-book, tablet and in-store.

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Customer-Centric Approach

Throughout its history, Quad/Graphics has focused its attention on customers and their needs. By empowering employees to enact customer solutions, the Company provides its clients with a tremendous amount of flexibility, allowing them to be more nimble and responsive to the needs of the marketplace. Quad/Graphics' "high tech/high touch" approach has led to what the Company believes is an excellent customer service reputation. While transacting a high level of detail on a day-to-day basis, the Company's rapid adaptation and use of technology allows the customer relationship to evolve into a more consultancy-oriented exchange, and the service team is positioned to offer more strategic value rather than just manage operational details.

In an ongoing effort to better serve the diverse needs of marketers and publishers, Quad/Graphics restructured its U.S. Sales team into two main groups in late 2011. These groups—Marketing Solutions and Publishing Solutions—use a customer-centric approach to help marketers and publishers take maximum advantage of the Company's full range of integrated multichannel solutions to help them better engage end users and drive improved response from print and print-related solutions. The Marketing Solutions team sells the Company's complete continuum of integrated solutions for those customers who use catalogs, direct mail, retail inserts and in-store marketing to promote products and services. This includes utilizing its digital media, integrated data analytics, finishing technology and logistics operations to create and deliver targeted and personalized printed materials that increase consumer response rates and maximize a customer's return on print spending. The Publishing Solutions team sells the Company's complete continuum of integrated solutions for those customers who sell content and advertising via consumer magazines, special interest publications, books and directories. The Marketing Solutions and Publishing Solutions teams are augmented by Enterprise Solutions resources focused on providing end-to-end solutions to all clients with a focus toward expansion into new markets.

Recognizing that technology is not a substitute for face-to-face relationships, but rather a way to enhance them, the Company uses Smartools™—real-time information management tools—to better connect customers with employees and employees with each other. Smartools™ link the Company's people and equipment throughout a singular facility and with numerous other facilities in the Company's network of plants, automating the exchange of information and streamlining the entire printing process from creation and imaging through to press, finishing and distribution. Smartools™ extend to the Company's clients as well, providing 24/7 access to the very same up-to-the-minute information used by the Company's production, customer service and sales representatives, and allowing them to better manage current projects and plan future work.

Disciplined Financial Approach

Quad/Graphics believes that its disciplined financial approach of focusing on maximizing free cash flow, maintaining a strong balance sheet and maximizing Adjusted EBITDA provides a competitive advantage. Continuous Improvement and Lean Manufacturing methodologies are among the tools that Quad/Graphics uses to improve manufacturing productivity and to ultimately maximize operating margins. Additionally, Quad/Graphics has a culture of continuous cost reduction, which includes minimizing waste, increasing efficiencies and throughput, and simplifying and streamlining processes. The Company has been working diligently to lower its cost structure by consolidating its manufacturing platform into its most efficient facilities, as well as realizing purchasing, mailing and logistics efficiencies by centralizing and consolidating print manufacturing volumes and eliminating redundancies in its administrative and corporate operations. Quad/Graphics believes that its focused efforts to be the low cost producer generates increased free cash flow and allows the Company to focus on maintaining a strong balance sheet through debt and pension reductions. The Company's disciplined financial approach has resulted in strong credit metrics and has allowed the Company to structure its debt agreements to maintain high liquidity as well as to avoid refinancing risk, with the nearest significant maturity not until July 2016.

Distinct Corporate Culture

Quad/Graphics believes that its distinct corporate culture, which evolved from a core set of values conceived by the late founder Harry V. Quadracci, promotes an organization-wide entrepreneurial spirit and opportunistic mentality that has contributed to its success over the past 40-plus years. The Company fosters an entrepreneurial environment by inspiring and empowering employees to own projects and enact solutions within what it believes is a flat hierarchical structure. Employees in the United States who have been employed for at least one full calendar year also have a beneficial ownership in the Company through Company stock held in an employee stock ownership plan, enhancing their sense of ownership. The Company believes that the empowerment, engagement and development of its employee owners fosters a strong partnership approach within the business that delivers results.

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

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

Strategy

Quad/Graphics is focused on the following strategic goals:

Redefine Print as the Foundation of Integrated Multichannel Solutions

The Company believes that print remains the core element of an effective multichannel marketing campaign for both marketers and publishers. The Company seeks to facilitate coordinated multichannel marketing campaigns utilizing print, e-mail and personalized websites to engage consumers, drive higher response rates and, thereby, returns for advertisers on their marketing dollars. According to a 2011 study by InfoTrends, marketers report an average improvement of 25% for multichannel campaigns (using print, e-mail, and web landing pages) over single channel print-only campaigns. In addition, more than 50% of marketers are utilizing three or more forms of media in their direct marketing campaigns, according to a 2010 InfoTrends study. Equally important, the Art Technology Group found that nearly one-third of consumers say they rely on three or more different channels (such as print catalogs, online, in-store, mobile devices, customer service representatives) from the time they start researching products and services to when they complete their purchase. The Company intends to continue to redefine print communications as the foundation of integrated multichannel solutions by:

- consulting with customers on marketing strategies to integrate personalized, targeted print communications with other media channels including video, mobile, social, e-mail and Web-based media to drive higher response rates;

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

- deploying its interactive media capabilities, including planning, executing and monitoring interactive print campaigns, e-mail, personalized URLs and digital editions, and creating and maintaining microsites, in support of effective, print-focused marketing campaigns; and

- investing in new technologies and capabilities to ensure it can provide the most desirable and effective multichannel solutions to marketers and publishers.

Utilize an Efficient and Innovative Distribution Network to Provide Enhanced Value to Customers

Quad/Graphics has made strategic capital expenditure investments to build what it believes is one of the most efficient and innovative distribution networks in the commercial printing industry. The Company's goal is to maintain a fully-integrated, national distribution network that includes:

technology and processes to reduce postage expenses for its U.S. customers, typically their largest expense, including an extensive distributive co-mail program that combines and drop ships numerous clients' mailpieces together to capture sorting and handling discounts from the United States Postal Service;

unique software to merge mail streams on a large scale and leverage the mailing platform to provide even greater

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co-mailing cost and efficiency benefits to its customers;

in-house transportation and logistics services, including a fleet of Company-owned tractor-trailers that enable rapid deployment of products; and

advanced finishing capabilities that enable enhanced co-mailing efficiencies.

Quad/Graphics intends to continue to invest in new distribution equipment, technology and services to deploy value-added distribution solutions for its customers.

Maximize Operational and Technological Excellence

Quad/Graphics utilizes a disciplined return on capital framework to make significant investments in its print manufacturing platform and data management capabilities, resulting in what it believes is one of the most integrated, automated, efficient and modern manufacturing platforms in the industry. In addition, a commitment to Lean manufacturing and a culture of continuous process improvement is a high priority throughout the Company and supports its goal of being the low cost producer in its industry. For example, the Company's in-house research and development division has been instrumental in developing and deploying what the Company believes are industry-leading manufacturing solutions, which has allowed the Company to continually reduce its cost structure.

Empower, Engage and Develop our Employees

In keeping with its culture of employee empowerment, Quad/Graphics encourages all of its employees to act as entrepreneurs by taking ownership of their work and driving business results. The Company helps employees keep current on skills through education and training programs offered on the job and in the classroom. Much of this education is developed specifically for its workforce by its in-house education division, QuadEducation, in cooperation with its Continuous Improvement and Safety business units. As a result, the Company has been successful at developing leaders with a deep understanding of the business and the industry while also being able to attract new employees eager to contribute to its strategic goals. The Company demonstrates its care for employees through innovative benefits such as QuadMed, which focuses on prevention and wellness delivered through onsite clinics and advanced telehealth systems. The Company also offers affordable, education-based child care services onsite at select locations through QuadCare.

Segment Description

Quad/Graphics operates primarily in the commercial print portion of the printing industry, with related product and service offerings designed to offer customers complete solutions for communicating their message to target audiences. The Company's operating and reportable segments are aligned with how the chief operating decision maker of the Company currently manages the business. The Company has three reportable and operating segments: North America Print and Related Services, International and Corporate.

North America Print and Related Services

The North America Print and Related Services segment includes the Company's United States printing operations, as well as the Canadian printing operations in Vancouver, British Columbia that will be retained after the sale of the Company's Canadian operations to Transcontinental Inc. ("Transcontinental"). This segment is managed as one integrated platform and its products include catalogs, magazines, retail inserts, books, directories, special interest publications and direct marketing materials. The related service offerings include digital photography, digital imaging, binding, mailing and distribution, and data optimization and analytics services. This segment also includes the design,

development, manufacture and service of printing-related auxiliary equipment, as well as the manufacture of ink. This segment accounted for approximately 88%, 89% and 87% of Quad/Graphics' consolidated net sales in 2011, 2010 and 2009, respectively.

International

The International segment consists of Quad/Graphics' printing operations in Europe and Latin America, including operations in Poland, Argentina, Brazil, Colombia, Peru, Chile, and Mexico, which includes the newly acquired Transcontinental Mexican operations. This segment provides printed products and related services consistent with the North America Print and Related Services segment, with the exception of printing-related auxiliary equipment, which is included in the North America Print and Related Services segment. The International segment accounted for approximately 12%, 11% and 13% of the Company's consolidated net sales in 2011, 2010 and 2009, respectively.

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Corporate

The Corporate segment consists of unallocated general and administrative activities and associated expenses including, in part, executive, legal, finance, information technology and human resources.

For additional financial information by segment and geographic area, see Note 24, "Segment Information," and Note 25, "Geographic Area and Product Information," to the consolidated financial statements, respectively, in Item 8 of this Annual Report on Form 10-K.

Competition

The printing industry, with approximately 29,000 companies in the United States, is highly fragmented and competitive. Although there has been industry consolidation, particularly in the past decade, the largest 400 printers in the printing industry (excluding newspaper printing) still represent less than 41% of the United States and Canadian market, according to the 2010 Printing Impressions PI400 and the Print Market Atlas. According to the December 2010 Printing Impressions PI400, Quad/Graphics was the second largest commercial printer in the United States as measured by revenue. In addition to being in a highly fragmented industry, the Company also faces competition due to the increased accessibility and quality of electronic alternatives to traditional delivery of printed documents through the online distribution and hosting of media content and the electronic distribution of documents and data.

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

- total price of printing, materials and distribution;
- quality;
- range of services offered, including the ability to provide multichannel marketing campaigns;
- distribution capabilities;
- customer service;
- availability to schedule work on appropriate equipment;
- on-time production and delivery; and
- state-of-the-art technology to meet a client's business objectives.

Customers

Quad/Graphics enjoys long-standing relationships with a diverse base of clients, which includes both national and regional corporations in North America, Latin America and Europe. The Company's customers include industry leading blue-chip companies that operate in a wide range of industries and serve both businesses and consumers, including retailers, publishers and direct marketers. The Company's relationships with its ten largest customers average more than 25 years in duration and Quad/Graphics typically signs multi-year print agreements with these customers.

In 2011, Quad/Graphics served more than 7,200 customers, and its ten largest customers accounted for approximately 19% of net sales, with none representing more than 5% individually. The Company believes that its large and diverse customer base, broad geographic coverage and extensive range of printing and print-related capabilities are competitive strengths.

Patents, Trademarks and Trade Names

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

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

Raw Materials

The primary raw materials Quad/Graphics uses in its print business are paper, ink and energy.

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

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

Quad/Graphics generally cannot pass on to customers the impact of higher electric and natural gas energy prices on its manufacturing costs, and increases in energy prices result in higher manufacturing costs for certain of its operations. The Company mitigates its risk through natural gas hedges when appropriate. In its logistic operations, however, the Company is able to pass a substantial portion of any increase in fuel prices directly to its customers.

Environmental Stewardship

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

Quad/Graphics strives to be the leader in the printing industry in adopting new technologies and processes to protect the environment. The Company believes it has long been known for its environmental stewardship. In the past decade alone, the Company has been awarded more than 25 major environmental achievement honors, both on a state and national level, including becoming the first major manufacturer of any kind to achieve a Leadership in Energy and Environmental Design-Existing Building (LEED-EB) certification for an existing manufacturing site (its Sussex, Wisconsin facility in 2009, followed by its Hartford, Wisconsin facility in 2010). Quad/Graphics' proactive approach to incorporate environmentally-friendly practices has also positively impacted operating costs through the reduction of waste, energy use, emissions and labor, as well as through the implementation of water conservation solutions. The Company has also undertaken steps to reduce greenhouse gas emissions from its manufacturing processes and to improve fuel efficiency and reduce emissions in its fleet of Company-owned tractor trailers.

Employees

As of December 31, 2011, Quad/Graphics had approximately 24,300 employees in North America, Latin America and Europe. Within the United States, there were approximately 17,900 employees of which approximately 1,700 were covered by a collective bargaining agreement. Outside of the United States, there were approximately 6,400 employees of which approximately 1,950 were either governed by agreements that apply industry-wide, by a collective bargaining agreement or through works councils or similar agreements. Quad/Graphics believes that its employee relations are good and that the Company maintains an employee-centric culture.

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Business Acquisitions

On July 12, 2011, Quad/Graphics entered into a definitive agreement with Transcontinental whereby Quad/Graphics agreed to acquire Transcontinental's Mexican operations in exchange for the Quad/Graphics' Canadian operations (with the exception of the Company's Vancouver, British Columbia facility). Quad/Graphics employs approximately 1,500 people among its seven facilities being sold to Transcontinental, which are located in Aurora, Concord and Markham, Ontario; LaSalle and Montreal, Quebec; Edmonton, Alberta and Dartmouth, Nova Scotia.

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 Company completed the acquisition of Transcontinental's Mexican operations on September 8, 2011. On February 7, 2012, the Company announced that it has been authorized by Canada's Competition Bureau to complete the sale of its Canadian operations to Transcontinental. The Company expects the sale to be completed before March 31, 2012.

On July 2, 2010, the Company acquired World Color Press, a provider of comprehensive print, digital and related services to retailers, catalogers, publishers, branded-goods companies and other businesses in North America and Latin American countries. World Color Press' products include advertising inserts, circulars, catalogs, direct mail products, magazines, books, directories, digital pre-media, logistics, and mail list technologies. World Color Press' results of operations and account balances have been included in the Company's consolidated financial statements prospectively from the July 2, 2010 transaction date.

Executive Officers of Quad/Graphics

The following table sets forth the names, ages (as of February 29, 2012) and positions of Quad/Graphics' executive officers.

Name	Age	Position
J. Joel Quadracci	43	Chairman, President and Chief Executive Officer
David A. Blais	49	Executive Vice President of Sales and Client Services
Gregg A. Bolt	52	Executive Vice President of Human Resources and Administration
John C. Fowler	61	Executive Vice President and Chief Financial Officer
Thomas J. Frankowski	51	Executive Vice President of Manufacturing & Operations and President of Europe
Steven D. Jaeger	47	President of Quad/Direct and Vice-President of Information Systems & Infrastructure
David K. Riebe	50	President of Logistics & Distribution
Tony Scaringi	44	President and General Manager of Latin America
David J. Honan	43	Vice President, Corporate Controller & Chief Accounting Officer
Maura D. Packham	43	Vice President of Marketing & Communications
Andrew R. Schiesl	40	Vice President & General Counsel
Kelly A. Vanderboom	37	Vice President & Treasurer

Mr. Quadracci has been a director of Quad/Graphics since 2003, its President since January 2005, its President and Chief Executive Officer since July 2006, and its Chairman, President and Chief Executive Officer since January 2010. Mr. Quadracci joined Quad/Graphics in 1991 and, prior to becoming President and Chief Executive Officer, served in various capacities, including Sales Manager, Regional Sales Strategy Director, Vice President of Print Sales, Senior Vice President of Sales & Administration, and President and Chief Operating Officer. Mr. Quadracci is the son of Betty Ewens Quadracci, a director and employee of Quad/Graphics, and the brother-in-law of Christopher B. Harned, a director of Quad/Graphics.

Mr. Blais is Executive Vice President of Sales and Client Services. Prior thereto, Mr. Blais was Executive Vice President and President of Magazines and Catalogs from July 2010 to December 2011, Senior Vice President of Sales & Administration from May 2005 to July 2010, Quad/Graphics' Vice President of Operations from 1999 to May 2005 and in various other capacities since he joined the Company in 1984.

Mr. Bolt joined Quad/Graphics in March 2009 as its Vice President of Employee Services, became Vice President of Human Resources in July 2010, and became Executive Vice President of Human Resources and Administration in December 2011. Prior to joining Quad/Graphics, Mr. Bolt had worked for 10 years in various capacities for Johnson Controls, Inc., a provider of automotive interiors, products and services for buildings, and batteries for automobiles and hybrid electric vehicles,

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along with systems engineering and service expertise. Most recently, Mr. Bolt was Vice President of Human Resources for Johnson Controls, Inc.'s Building Efficiency division from January 2007 until March 2009, Vice President of Human Resources for the Power Solutions division from 2005 until 2007 and Director of Human Resources for the Automotive Interiors division from 1999 until 2005.

Mr. Fowler joined Quad/Graphics in 1980 as its Vice President and Controller, became Senior Vice President and Chief Financial Officer in May 2005, and became Executive Vice President and Chief Financial Officer in July 2010. Prior to joining Quad/Graphics, Mr. Fowler worked for Arthur Andersen LLP for six years.

Mr. Frankowski has been Executive Vice President of Manufacturing & Operations and President of Europe since July 2010. Prior thereto, Mr. Frankowski was Senior Vice President of Manufacturing from 2004 to July 2010, President of QuadWinkowski, Quad/Graphics' Polish subsidiary, from 2008 to July 2010 and he served in various other capacities since he joined Quad/Graphics in 1979.

Mr. Jaeger has served as President of QuadDirect since August 2007 and as Vice President of Information Systems & Infrastructure for Quad/Graphics since 2006. Prior thereto, Mr. Jaeger had been Quad/Graphics' Vice President of Information Systems from 1998 to 2006 and had worked in various other capacities since he joined the Company in 1994. Prior to joining Quad/Graphics, Mr. Jaeger worked for Andersen Consulting for eight years.

Mr. Riebe has served as Quad/Graphics' President of Logistics & Distribution since July 2010. Prior thereto, Mr. Riebe was Vice President of Distribution from 1999 to July 2010 and served as Corporate Director of Distribution from 1987 to 1999. He joined Quad/Graphics in 1984. Mr. Riebe serves on the board of directors of IDEAlliance, an industry organization.

Mr. Scaringi joined Quad/Graphics in July 2010 as its Chief Financial Officer of Latin America, and became President and General Manager of Latin America in August 2011. Prior to joining Quad/Graphics, Mr. Scaringi served as Vice President of Finance and Administration of World Color Press Latin America from 2002 to July 2010. He joined Quebecor Printing, predecessor to World Color Press, in 1993 as an Internal Auditor.

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

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

Mr. Schiesl has served as Quad/Graphics' Vice President & General Counsel since December 2006 and as its General Counsel since he joined the Company in August 2003. Prior to joining Quad/Graphics, Mr. Schiesl was Senior Counsel at Harley-Davidson, Inc., the parent company for the group of companies doing business as Harley-Davidson Motor Company and Harley-Davidson Financial Services, among others. Prior to joining Harley-Davidson, Inc., Mr. Schiesl practiced law at Foley & Lardner LLP, a Milwaukee-based law firm.

Mr. Vanderboom has served as Quad/Graphics' Treasurer since 2007 and as its Vice President & Treasurer since 2008. Prior to becoming Quad/Graphics' Vice President & Treasurer, Mr. Vanderboom served as Director of Treasury, Risk & Planning from 2006 until 2007, as Controller of Quad/Graphics' Distribution and Facilities departments from 2004 until 2006, and as Controller of Quad/Graphics' Parcel Direct subsidiary.

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

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Item 1A. Risk Factors

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

Quad/Graphics operates in a highly competitive industry.

The industry in which the Company operates is highly competitive. The printing industry, with approximately 29,000 companies in the United States, is highly fragmented. Although there has been industry consolidation, particularly in the past decade, the largest 400 printers in the printing industry (excluding newspaper printing) still represent less than 41% of the United States and Canadian markets, according to the 2010 Printing Impressions PI400 and the PIA/GATF 2010 Print Market Atlas. The Company competes for commercial business not only with large and mid-sized printers, but also with smaller regional printers. In certain circumstances, due primarily to factors such as freight rates and customer preference for local services, printers with better access to certain regions of a given country may be preferred by customers in such regions. Quad/Graphics also faces competition from alternative sources of communication, including e-mail, the Internet, electronic readers, interactive television and electronic retailing.

In recent years, the printing industry has experienced a reduction in demand for printed materials and overcapacity. The impacts of overcapacity and intense competition have led to continued downward pricing pressures. Printing industry revenues may continue to decrease in the future. Some of the industries that the Company services have been subject to consolidation efforts, leading to a smaller number of potential customers. Furthermore, if the smaller customers of Quad/Graphics are consolidated with larger companies using other printing companies, the Company could lose its customers to competing printing companies.

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

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

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

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

Because the markets in which the Company competes are highly competitive, Quad/Graphics will need to continue to improve its operating efficiency in order to maintain or improve its profitability. There is no assurance that the Company will be able to do so in the future. In addition, the need to reduce ongoing operating costs have and, in the future, may continue to result in significant up-front costs to reduce workforce, close or consolidate facilities, or upgrade equipment and technology.

Technological changes continue to increase the accessibility and quality of electronic alternatives to traditional delivery of printed documents and may decrease the demand for the Company's printed products.

Technological changes continue to increase the accessibility and quality of electronic alternatives to traditional delivery of printed documents through the online distribution and hosting of media content and the electronic distribution of documents and data. The acceleration of consumer acceptance of such electronic media, as an alternative to print materials, may decrease the demand for the Company's printed products or result in reduced pricing for its printing services.

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

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

A significant portion of Quad/Graphics' revenues are derived from long-term contracts with customers, which may not be renewed on similar terms and conditions, may not be renewed at all or customers may not perform under those contracts for their duration. The failure to renew, be awarded or for customers to perform in accordance with such contracts could materially adversely affect Quad/Graphics' results of operations, financial condition and cash flows.

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

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

Changes in postal rates, postal regulations and postal services may adversely impact demand for Quad/Graphics' products and services.

Postal costs are a significant component of the cost structures of many of the Company's customers, and potential customers, and postal rate changes can influence the number of pieces that these customers will be willing to mail. Any resulting decline in print volumes mailed could have an adverse effect on the Company's business. In addition, integrated distribution with the postal service is an important component of the Company's business. Any change in the current service levels provided by the postal service could impact the demand that customers have for print services. The United States Postal Service has reported net losses in the last five fiscal years and has estimated a net loss for its current fiscal year and, as a result, may come under increased pressure to adjust its postal rates and service levels.

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

The Company may need to make significant capital expenditures as it develops and continues to maintain its platform and processes. Quad/Graphics also may be required to make capital expenditures to develop and integrate new technologies to remain technologically and economically competitive. In order to accomplish this effectively, the Company will need to deploy its resources efficiently, maintain effective cost controls and bear potentially significant market and raw material risks. If the Company's revenues decline, it may impact the Company's ability to expend the capital necessary to develop and implement new technology and be economically competitive. Debt or equity financing, or cash generated from operations, may not be available or sufficient for these requirements or for other corporate purposes or, if debt or equity financing is available, it may not be on terms favorable to the Company. To the extent that the Company does not respond adequately to the need to develop and integrate changing technologies in a timely manner, its results of operations, financial condition or cash flows may be adversely affected.

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

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

In general, the Company has been able to pass along increases in the cost of paper to many of its customers. If the Company is unable to continue to pass along increases in the cost of paper to its customers, future increases in paper costs would adversely affect its margins and profits. If Quad/Graphics passes along increases in the cost of paper and the price of the Company's products and services increases as a result, customer demand could be adversely affected and thereby negatively impact Quad/Graphics' financial performance.

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

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

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

Labor represents a significant component of the cost structure of Quad/Graphics. Increases in wages, salaries and benefits, such as medical, dental, pension and other post-retirement benefits, may impact the Company's financial performance. Changes in interest rates, investment returns or the regulatory environment may impact the amounts the Company will be required to contribute to the pension plans that it sponsors and may affect the solvency of these pension plans.

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

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

The Company's class A common stock has been traded on The New York Stock Exchange, LLC ("NYSE") under the symbol "QUAD" since July 6, 2010. However, the Company has not sold its class A common stock to the public in any traditional type of offering (the only Quad/Graphics stock issued publicly was the class A common stock issued to

the former shareholders of World Color Press in the acquisition of World Color Press) and, therefore, there is currently a limited active market for the class A common shares. The Company cannot predict the extent to which investor interest in the Company will lead to the development of an active trading market for its class A common stock on the NYSE or how liquid that market will become. If a more active trading market does not develop, shareholders may have difficulty selling any class A common stock without negatively affecting the stock price and thereby losing a significant portion of their investment.

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

The Company has a material amount of goodwill, other intangible assets and property, plant and equipment on its balance sheet, due in part to acquisitions. As of December 31, 2011, the Company had the following long-lived assets on its December 31, 2011 balance sheet:

- Goodwill, representing the excess of the total purchase price for its acquisitions over the fair value of the net assets acquired, of \$787.1 million;

- Other intangible assets, primarily representing the fair value of customer relationships acquired, of \$295.6 million; and

- Property, plant and equipment of \$2,123.3 million.

As of December 31, 2011, these assets represented approximately 68% of the Company's total assets. The Company evaluates goodwill for impairment on an annual basis or more frequently if impairment indicators are present based on the estimated fair value of each reporting unit. The Company assesses impairment of other intangible assets and property, plant and equipment based upon the expected future cash flows of the respective assets. These valuations include management's estimates of sales, profitability, cash flow generation, capital structure, cost of debt, interest rates, capital expenditures and other assumptions. A decline in expected profitability, significant negative industry or economic trends, inability to effectively integrate acquired businesses, unexpected significant changes or planned changes in use of the assets or in entity structure, and divestitures may adversely impact the assumptions used in the valuations. As a result, the recoverability of these assets could be called into question and the Company could be required to write down or write off these assets. Such an occurrence could have a material adverse effect on the Company's results of operations and financial position and could result in the Company being in non-compliance with certain of its debt facility covenants (see "Quad/Graphics' debt facilities include various covenants imposing restrictions that may affect the Company's ability to operate its business" below).

Through the acquisition of World Color Press, the Company has significant liabilities with respect to defined benefit pension plans and other postretirement benefits that could grow in the future and cause the Company to incur additional costs.

As a result of the acquisition of World Color Press, the Company sponsors defined benefit pension plans for certain of its employees in the United States. The majority of the plans' assets are held in North American and global equities and fixed income or debt securities. The asset allocation as of December 31, 2011 was approximately 64% equities, 35% debt securities and 1% other. As a result of the acquisition of World Color Press, the Company also maintains postretirement medical benefits plans for certain of its employees. These postretirement medical benefit plans are not funded.

As of December 31, 2011, the Company had underfunded pension and other postretirement benefit liabilities of approximately \$308 million for defined benefit plans and other postretirement benefits plans in the United States. Under current United States pension law, pension funding deficits are generally required to be funded over a seven-year period. In 2012, under current pension law, the contributions required to such plans are expected to total approximately \$52 million (not including benefit payments). These pension deficits may increase or decrease depending on changes in the levels of interest rates, pension plan investment performance, pension legislation and other factors. Declines in global, and in particular North American, equity markets would increase the Company's potential pension funding obligations. Any significant increase in the Company's required contributions could have a material adverse impact on its business, financial condition, results of operations and cash flows.

In addition to the single employer defined benefit plans described above, the Company, as a result of the World Color Press acquisition, began participating in multiemployer pension plans in the United States. Prior to the acquisition by Quad/Graphics, World Color Press received notice that certain plans in which it participated were in critical status, as defined in Section 432 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). As a result, the Company could have been subject to increased contribution rates associated with these plans or other multiemployer pension plans suffering from declines in their funding levels.

Due to the significantly underfunded status of the United States multiemployer plans and the potential increased contribution rates, the Company began the process to withdraw from participation in these multiemployer plans and has replaced these pension benefits with a Company-sponsored "pay as you go" defined contribution plan, which is historically the form of retirement benefit provided to the Company's employees.

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The Company estimates and has recorded in its financial statements a pre-tax withdrawal liability for all United States multiemployer plans of approximately \$84 million in the aggregate. Until discussions with the multiemployer plans' trustees are concluded, the exact amount of the withdrawal liability will not be known, and, as such, a difference from the recorded estimate could have a material adverse effect on the Company's results of operations, financial position and cash flows. Further, if there was a mass withdrawal from any of the multiemployer plans over the next three years, the Company may be subject to additional withdrawal liabilities with respect to that plan under applicable law.

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

On September 1, 1995, and as last amended on January 26, 2006, Quad/Graphics entered into a Senior Secured Note Agreement (the "Master Note and Security Agreement") pursuant to which the Company has issued over time senior notes in an aggregate principal amount of \$1.13 billion in various tranches. As of December 31, 2011, the borrowings outstanding under the Master Note and Security Agreement were \$616.0 million. On July 26, 2011, the Company entered into a \$1.5 billion debt financing agreement with certain lenders. The \$1.5 billion debt financing agreement includes three different loan facilities. This first is a revolving facility in the amount of \$850.0 million with a term of five years maturing on July 25, 2016. The second facility is a Term Loan A in the aggregate amount of \$450.0 million with a term of five years maturing on July 25, 2016. The third facility is a Term Loan B in the amount of \$200.0 million with a term of seven years maturing on July 25, 2018.

As of December 31, 2011, the Company's various lending arrangements included certain financial covenants. In addition to the financial covenants, the debt facilities also include certain limitations on acquisitions, indebtedness, liens, dividends and repurchases of capital stock. If the Company's total leverage ratio is greater than 3.00 to 1.00 (total leverage ratio as defined in the debt financing agreement), the Company is prohibited from making greater than \$120.0 million of annual dividend payments, capital stock repurchases and certain other payments. If the total leverage ratio is less than 3.00 to 1.00, there are no such restrictions.

As of and for the twelve-month period ended December 31, 2011, the Company was in compliance with all financial covenants in its debt agreements. While the Company currently expects to be in compliance in future periods with all of the financial covenants, there can be no assurance that these covenants will continue to be met. The Company's failure to maintain compliance with the covenants could prevent the Company from borrowing additional amounts and could result in a default under any of the debt agreements. Such default could cause the outstanding indebtedness to become immediately due and payable, by virtue of cross-acceleration or cross-default provisions.

Quad/Graphics and its facilities are subject to various laws and regulations, including environmental and privacy laws and regulations, and will become subject to additional laws and regulations in the future, which may subject the Company to material liability, require it to incur material costs or otherwise adversely affect its results of operations.

The Company uses various materials in its operations that contain constituents considered hazardous or toxic under environmental laws and regulations. In addition, the Company's operations are subject to a variety of environmental laws and regulations relating to, among other things, air emissions, wastewater discharges and the generation, handling, storage, transportation and disposal of solid waste. Further, the Company is subject to laws and regulations designed to reduce the probability of spills and leaks and, in the event of a release, requiring an appropriate response to such an event. Permits are required for the operation of certain parts of the Company's business, and these permits are subject to renewal, modification and, in some circumstances, revocation.

The Company's operations generate wastes that are disposed of off-site. Under certain environmental laws, the Company may be liable for cleanup costs and damages relating to any contamination at these off-site disposal

locations, or at the Company's existing or former facilities, whether or not the Company knows of, or was responsible for, the presence of such contamination. The remediation costs and other costs required to clean up or treat contaminated sites can be substantial. Contamination on and from such current or former locations may subject the Company to liability to third parties or governmental authorities for injuries to persons, property or natural resources and may adversely affect its ability to sell or rent its properties or to borrow money using such properties as collateral.

The Company incurs ongoing capital and operating costs to maintain compliance with environmental laws, including monitoring its facilities for environmental conditions. The Company has taken, and, in the future, is expected to take, reserves on its financial statements to cover potential environmental remediation and compliance costs as it considers appropriate. There can be no assurance, however, that the liabilities for which reserves have been taken are the only environmental liabilities

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relating to the Company's current or former locations, that material environmental conditions not known to the Company do not exist, that future laws or regulations will not impose material environmental liability on the Company, or cause the Company to incur significant capital and operating expenditures, or that the actual environmental liabilities will not exceed reserves taken. In addition, failure to comply with any environmental regulations or an increase in regulations could adversely affect the Company's results of operations and financial condition.

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

Quad/Graphics and its customers may be subject to various United States and foreign consumer protection, data privacy and "do not mail" requirements at the federal, state, provincial and local levels. To the extent that the Company or its customers become subject to additional or more stringent consumer protection and data privacy and similar requirements, their demand for the Company's services may decrease, which could adversely affect the Company's results of operations.

In addition, Quad/Graphics is subject to requirements of United States and foreign occupational health and safety laws and regulations at the federal, state, provincial and local levels. These requirements are complex, constantly changing and have tended to become more stringent over time. It is possible that these requirements may change or liabilities may arise in the future in a manner that could have a material adverse effect on the financial condition or results of operations of the Company. There can be no assurance that the Company has been, or that the Company will be, at all times in