RR Donnelley & Sons Co
Form 10-Q
November 02, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 1-4694

R.R. DONNELLEY & SONS COMPANY

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	36-1004130 (I.R.S. Employer Identification No.)
35 West Wacker Drive, Chicago, Illinois (Address of principal executive offices)	60601 (Zip code)

(312) 326-8000

(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or 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	(Do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of October 31, 2016, 69.8 million shares of common stock were outstanding.

R.R. DONNELLEY & SONS COMPANY

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2016

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Item 1. Condensed Consolidated Financial Statements

R.R. DONNELLEY & SONS COMPANY AND SUBSIDIARIES (“RR DONNELLEY”)

CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except per share data)

(UNAUDITED)

	September 30, 2016	December 31, 2015
ASSETS		
Cash and cash equivalents	$ 411.8	$ 389.6
Receivables, less allowances for doubtful accounts of $53.6 in 2016 (2015 - $41.5)	2,109.3	2,000.4
Inventories (Note 3)	651.1	592.0
Prepaid expenses and other current assets	140.3	119.7
Total current assets	3,312.5	3,101.7
Property, plant and equipment-net (Note 4)	1,342.3	1,448.1
Goodwill (Note 5)	1,787.3	1,743.6
Other intangible assets-net (Note 5)	403.3	438.0
Deferred income taxes	211.1	178.2
Other noncurrent assets	416.0	369.7
Total assets	$ 7,472.5	$ 7,279.3
LIABILITIES		
Accounts payable	$ 1,172.7	$ 1,322.3
Accrued liabilities	793.3	780.4
Short-term and current portion of long-term debt (Note 13)	255.6	234.6
Total current liabilities	2,221.6	2,337.3
Long-term debt (Note 13)	3,635.3	3,188.3
Pension liabilities	554.7	514.4
Other postretirement benefits plan liabilities	163.3	168.8
Other noncurrent liabilities	359.2	373.9
Total liabilities	6,934.1	6,582.7
Commitments and Contingencies (Note 12)		
EQUITY (Note 8)		
RR Donnelley stockholders' equity		
Preferred stock, $1.00 par value		
Authorized: 2.0 shares; Issued: None	—	—
Common stock, $0.01 par value in 2016 (2015 - $1.25)		
Authorized: 165.0 shares;		
Issued: 89.0 shares in 2016 and 2015	0.9	111.2
Additional paid-in-capital	3,473.8	3,386.8
Accumulated deficit	(765.6)	(620.6)
Accumulated other comprehensive loss	(815.7)	(793.2)

Treasury stock, at cost, 19.2 shares in 2016 (2015 - 19.4 shares)	(1,369.0)	(1,401.5)
Total RR Donnelley stockholders' equity	524.4	682.7
Noncontrolling interests	14.0	13.9
Total equity	538.4	696.6
Total liabilities and equity	$ 7,472.5	$ 7,279.3

(See Notes to Condensed Consolidated Financial Statements)

R.R. DONNELLEY & SONS COMPANY AND SUBSIDIARIES (“RR DONNELLEY”)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share data)

(UNAUDITED)

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Products net sales	$2,281.6	$2,359.0	$6,706.3	$6,883.8
Services net sales	490.8	469.0	1,447.2	1,438.4
Total net sales	2,772.4	2,828.0	8,153.5	8,322.2
Products cost of sales (exclusive of depreciation and amortization)	1,780.5	1,844.8	5,237.2	5,386.5
Services cost of sales (exclusive of depreciation and amortization)	384.2	363.3	1,134.4	1,120.3
Total cost of sales	2,164.7	2,208.1	6,371.6	6,506.8
Products gross profit	501.1	514.2	1,469.1	1,497.3
Services gross profit	106.6	105.7	312.8	318.1
Total gross profit	607.7	619.9	1,781.9	1,815.4
Selling, general and administrative expenses (exclusive of depreciation and amortization)	333.4	328.4	1,099.9	972.4
Restructuring, impairment and other charges-net (Note 6)	15.0	52.9	38.4	104.9
Depreciation and amortization	101.5	115.3	312.5	341.5
Other operating expense (income)	0.3	—	(12.0)	—
Income from operations	157.5	123.3	343.1	396.6
Interest expense-net	67.1	69.0	204.1	207.2
Investment and other (income) expense-net	(0.6)	3.0	0.4	43.2
Loss on debt extinguishments	85.3	—	85.3	—
Earnings before income taxes	5.7	51.3	53.3	146.2
Income tax expense	12.5	39.7	34.3	79.1
Net (loss) earnings	(6.8)	11.6	19.0	67.1
Less: Income (loss) attributable to noncontrolling interests	0.3	(2.7)	0.8	(13.0)
Net (loss) earnings attributable to RR Donnelley common stockholders	$(7.1)	$14.3	$18.2	$80.1
Net (loss) earnings per share attributable to RR Donnelley common stockholders (Note 9):				
Basic net (loss) earnings per share[(1)]	$(0.10)	$0.21	$0.26	$1.18
Diluted net (loss) earnings per share[(1)]	$(0.10)	$0.20	$0.26	$1.17
Dividends declared per common share[(1)]	$0.78	$0.78	$2.34	$2.34
Weighted average number of common shares outstanding:				
Basic[(1)]	70.0	69.7	70.0	68.1
Diluted[(1)]	70.0	70.1	70.5	68.5

(1) Earnings per share amounts, dividends declared per share amounts and adjusted weighted average common shares outstanding for all periods reflect RR Donnelley's 1-for-3 reverse stock split, which was effective October 1, 2016.

(See Notes to Condensed Consolidated Financial Statements)

R.R. DONNELLEY & SONS COMPANY AND SUBSIDIARIES (“RR DONNELLEY”)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net (loss) earnings	$(6.8)	$11.6	$19.0	$67.1
Other comprehensive (loss) income, net of tax (Note 10):				
Translation adjustments	(4.4)	(37.5)	(9.0)	(42.5)
Adjustment for net periodic pension and postretirement benefits plan cost	(19.4)	2.2	(13.3)	10.4
Change in fair value of derivatives	—	0.1	—	0.1
Other comprehensive loss	(23.8)	(35.2)	(22.3)	(32.0)
Comprehensive (loss) income	(30.6)	(23.6)	(3.3)	35.1
Less: comprehensive income (loss) attributable to noncontrolling interests	0.3	(3.7)	1.0	(14.0)
Comprehensive (loss) income attributable to RR Donnelley common stockholders	$(30.9)	$(19.9)	$(4.3)	$49.1

(See Notes to Condensed Consolidated Financial Statements)

R.R. DONNELLEY & SONS COMPANY AND SUBSIDIARIES (“RR DONNELLEY”)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

(UNAUDITED)

	Nine Months Ended September 30, 2016	2015
OPERATING ACTIVITIES		
Net earnings	$19.0	$67.1
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Impairment charges	0.8	29.4
Depreciation and amortization	312.5	341.5
Provision for doubtful accounts receivable	20.4	12.5
Share-based compensation	13.4	13.6
Deferred income taxes	(33.5)	(43.0)
Changes in uncertain tax positions	(0.4)	9.4
(Gain) loss on investments and other assets - net	(13.0)	13.1
Loss related to Venezuela currency remeasurement-net	—	30.3
Net pension and other postretirement benefits plan income	(55.1)	(33.2)
Net loss on pension and other postretirement benefits plan settlements and curtailments (Note 7)	78.8	—
Loss on debt extinguishments	85.3	—
Other	9.6	20.8
Changes in operating assets and liabilities - net of acquisitions:		
Accounts receivable - net	(126.0)	(54.9)
Inventories	(57.6)	(29.1)
Prepaid expenses and other current assets	(9.2)	5.5
Accounts payable	(159.6)	(72.3)
Income taxes payable and receivable	(35.6)	18.8
Accrued liabilities and other	(23.4)	(105.5)
Pension and other postretirement benefits plan contributions	(18.6)	(19.8)
Net cash provided by operating activities	7.8	204.2
INVESTING ACTIVITIES		
Capital expenditures	(147.9)	(152.8)
Acquisitions of businesses, net of cash acquired	(47.5)	(118.3)
Dispositions of businesses	13.7	0.6
Proceeds from sales of investments and other assets	3.7	17.4
Transfers from restricted cash	13.7	—
Other investing activities	(3.6)	(7.9)
Net cash used in investing activities	(167.9)	(261.0)
FINANCING ACTIVITIES		
Net change in short-term debt	5.7	12.9
Payments of current maturities and long-term debt	(786.6)	(271.8)
Proceeds from issuance of long-term debt	1,164.0	—
Net proceeds from credit facility borrowings	—	225.0

Proceeds from termination of interest rate swaps	2.5	—
Debt issuance costs	(37.5)	—
Dividends paid	(163.2)	(158.4)
Other financing activities	2.5	3.5
Net cash provided by (used in) financing activities	187.4	(188.8)
Effect of exchange rate on cash and cash equivalents	(5.1)	(25.0)
Net decrease in cash and cash equivalents	22.2	(270.6)
Cash and cash equivalents at beginning of year	389.6	527.9
Cash and cash equivalents at end of period	$411.8	$257.3
Supplemental non-cash disclosure:		
Assumption of warehousing equipment related to customer contract	$8.8	$—
Debt-for-debt exchange, including debt issuance costs of $5.5 million	$300.0	$—
Issuance of 2.7 million shares of RR Donnelley stock for acquisition of business	$—	$154.2

(See Notes to Condensed Consolidated Financial Statements)

R.R. DONNELLEY & SONS COMPANY AND SUBSIDIARIES (“RR DONNELLEY”)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in millions, except per share data, unless otherwise indicated)

1. Basis of Presentation

The accompanying unaudited condensed consolidated interim financial statements include the accounts of R.R. Donnelley & Sons Company and its subsidiaries (the “Company” or “RR Donnelley”) and have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and in accordance with the rules and regulations of the United States Securities and Exchange Commission (the “SEC”). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. These unaudited condensed consolidated interim financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods and should be read in conjunction with the consolidated financial statements and the related notes thereto included in the Company’s latest Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC on February 25, 2016. Operating results for the nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2016. All significant intercompany transactions have been eliminated in consolidation. These unaudited condensed consolidated interim financial statements include estimates and assumptions of management that affect the amounts reported in the condensed consolidated financial statements. Actual results could differ from these estimates.

Spinoff Transactions

On October 1, 2016, the Company completed the previously announced separation of its financial communications and data services business (“Donnelley Financial Solutions, Inc.” or “Donnelley Financial”) and the publishing and retail-centric print services and office products business (“LSC Communications, Inc.” or “LSC”) into two separate publicly-traded companies (the "Separation"). The Company completed the tax free distribution of approximately 26.2 million shares, or 80.75%, of the outstanding common stock of Donnelley Financial and 26.2 million shares, or 80.75%, of the outstanding common stock of LSC, to the Company’s stockholders (the “Distribution”). The Distribution was made to the Company’s stockholders of record as of the close of business on September 23, 2016, who received one share of Donnelley Financial common stock and one share of LSC common stock for every eight shares of RR Donnelley common stock held as of the record date. As a result of the Distribution, Donnelley Financial and LSC are now independent public companies trading under the symbols “DFIN” and “LKSD”, respectively, on the New York Stock Exchange. Immediately following the Distribution, the Company held 6.2 million shares of Donnelley Financial Solutions common stock and 6.2 million shares of LSC common stock. The Company will account for these investments as available-for-sale equity securities. The value of the Company’s investment in Donnelley Financial and LSC was approximately $350.1 million, calculated using the mid-point stock price for each company’s common stock on October 3, 2016.

The accompanying unaudited condensed consolidated interim financial statements include the historical results of Donnelley Financial and LSC, as the Separation did not take place until October 1, 2016. In future filings, the historical results of Donnelley Financial and LSC will be presented as discontinued operations. As a result of the Separation, the accompanying unaudited interim condensed consolidated interim financial statements are not indicative of the Company's future financial position, results of operations or cash flows.

In conjunction with the Separation, the Company entered into certain agreements with Donnelley Financial and LSC, to implement the legal and structural separation from Donnelley Financial and LSC, govern the relationship between the Company, Donnelley Financial and LSC up to and after the completion of the Separation, and allocate between the Company, Donnelley Financial and LSC various assets, liabilities and obligations, including, among other things, employee benefits, intellectual property and tax-related assets and liabilities. These agreements included the Separation and Distribution Agreement, Transition Services Agreement, Tax Disaffiliation Agreement, Patent Assignment and License Agreement, Trademark Assignment and License Agreement, Data Assignment and License Agreement, Software, Copyright and Trade Secret Assignment and License Agreement, Stockholder and Registration Rights Agreement and commercial and other arrangements and agreements.

Reverse Stock Split

Immediately following the Distribution on October 1, 2016, the Company effected a one for three reverse stock split for RR Donnelley common stock (the “Reverse Stock Split”). The Reverse Stock Split was approved by the Company’s Board of Directors on September 14, 2016 and previously approved by the Company’s stockholders at the annual meeting on May 19, 2016.

As a result of the Reverse Stock Split, the number of issued and outstanding and treasury shares of the Company’s common stock will be reduced proportionally based on the Reverse Stock Split ratio of one share for every three shares of common stock held before the Reverse Stock Split. No fractional shares of RR Donnelley common stock were distributed to stockholders in connection

R.R. DONNELLEY & SONS COMPANY AND SUBSIDIARIES (“RR DONNELLEY”)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in millions, except per share data, unless otherwise indicated)

with the Reverse Stock Split, but instead, all fractional shares were aggregated by the Company’s transfer agent and sold at the prevailing price in the open-market on October 6, 2016. The total number of aggregated shares of the Company’s common stock of 3,088 shares was sold for total net cash proceeds of less than $0.1 million which was then paid to stockholders in an amount equal to their respective pro rata share of the total net cash proceeds. All references in these unaudited condensed consolidated interim financial statements to the number of shares of common stock and per share amounts have been retroactively adjusted to give effect to the Reverse Stock Split.

2. Acquisitions and Dispositions

2016 Acquisitions

On August 4, 2016, the Company acquired Precision Dialogue Holdings, LLC (“Precision Dialogue”), a provider of email marketing, direct mail marketing and other services with operations in the United States for a purchase price, net of cash acquired, of approximately $58.6 million. The acquisition expanded the Company’s ability to help its customers measure communications effectiveness and audience engagement. Precision Dialogue contributed $8.2 million in sales and a loss before income taxes of $1.1 million during the three and nine months ended September 30, 2016 and is included within the operating results of the Variable Print segment.

The Precision Dialogue acquisition was recorded by allocating the cost of the acquisition to the assets acquired, including other intangible assets, based on their estimated fair values at the acquisition date. The excess of the cost over the net amounts assigned to the fair value of the assets acquired was recorded as goodwill. The goodwill associated with this acquisition is primarily attributable to the synergies expected to arise as a result of the acquisition. The total tax deductible goodwill related to the Precision Dialogue acquisition was $8.8 million.

Based on the valuation, the preliminary purchase price allocation for the Precision Dialogue acquisition was as follows:

Accounts receivable	$11.8
Inventories	0.4
Prepaid expenses and other current assets	1.0
Property, plant and equipment	6.9
Other intangible assets	14.7
Other noncurrent assets	1.2
Goodwill	41.0
Accounts payable and accrued liabilities	(11.1)
Deferred taxes--net	(7.3)
Total purchase price-net of cash acquired	58.6
Less: debt assumed	11.1
Net cash paid	$47.5

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R.R. DONNELLEY & SONS COMPANY AND SUBSIDIARIES ("RR DONNELLEY")

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in millions, except per share data, unless otherwise indicated)

The purchase price allocation is preliminary as the Company is still in the process of obtaining data to finalize the estimated fair values of certain intangible assets.

The fair values of other intangible assets, technology and goodwill associated with the Precision Dialogue acquisition were determined to be Level 3 under the fair value hierarchy. The following table presents the fair value, valuation techniques and related unobservable inputs for these Level 3 measurements:

	Fair Value	Valuation Technique	Unobservable Input	Range
Customer relationships	$ 11.6	Excess earnings	Discount rate	16.0%
			Attrition rate	7.0% - 8.0%
Trade names	1.4	Relief-from-royalty method	Discount rate	16.0%
			Royalty rate (pre-tax)	0.75% - 1.25%
Technology	0.6	Relief-from-royalty method	Discount rate	16.0%
			Royalty rate (pre-tax)	15.0%
			Obsolescence factor	0.0% - 40.0%
Non-compete agreements	1.7	With and without method	Discount rate	16.0%

The fair values of property, plant and equipment associated with the 2016 acquisitions were determined to be Level 3 under the fair value hierarchy and were estimated using either the market approach, if a secondhand market existed, or the cost approach.

For the three and nine months ended September 30, 2016, the Company recorded $0.7 million and $2.7 million of acquisition-related expenses, respectively, associated with completed or contemplated acquisitions within selling, general and administrative expenses in the Condensed Consolidated Statements of Operations.

2016 Dispositions

On January 11, 2016, the Company sold two entities within the business process outsourcing reporting unit for net proceeds of $13.4 million, all of which was received as of September 30, 2016. Additionally, during the three months ended September 30, 2016 the Company sold three immaterial entities for proceeds of $0.3 million. The dispositions of these entities resulted in a loss of $0.3 million and a net gain of $12.0 million during the three and nine month periods ended September 30, 2016, respectively, which were recorded in other operating income in the Condensed Consolidated Statements of Operations. The operations of these entities were included in the International segment.

2015 Acquisitions

On June 8, 2015, the Company acquired Courier Corporation ("Courier"), a leader in digital printing and publishing primarily in the United States, specializing in educational, religious and trade books. The acquisition expanded the Company's digital printing and content management capabilities. The purchase price for Courier was $137.3 million in cash and 2.7 million shares of RR Donnelley common stock, or a total transaction value of $291.5 million based on the Company's closing share price on June 5, 2015, plus the assumption of Courier's debt of $78.2 million. Courier had $20.9 million of cash as of the date of acquisition. Immediately following the acquisition, the Company repaid substantially all of the debt assumed. Courier's book manufacturing operations are included in the Publishing and Retail Services segment, publishing operations are included in the Strategic Services segment and Brazilian operations are included in the International segment.

For the three and nine months ended September 30, 2015, the Company recorded $0.3 million and $14.1 million of acquisition-related expenses, respectively, associated with acquisitions completed or contemplated, within selling, general and administrative expenses in the Condensed Consolidated Statements of Operations.

The Courier acquisition was recorded by allocating the cost of the acquisition to the assets acquired, including other intangible assets, based on their estimated fair values at the acquisition date. The excess of the cost over the net amounts assigned to the fair value of the assets acquired was recorded as goodwill. The goodwill associated with this acquisition is primarily attributable to the synergies expected to arise as a result of the acquisition.

R.R. DONNELLEY & SONS COMPANY AND SUBSIDIARIES ("RR DONNELLEY")

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in millions, except per share data, unless otherwise indicated)

In addition to the acquisition of Courier, the Company completed three insignificant acquisitions in 2015, one of which included the settlement of accounts receivable in exchange for the acquisition of the business.

The tax deductible goodwill related to 2015 acquisitions was $15.0 million.

Based on the valuations, the final purchase price allocation for the 2015 acquisitions was as follows:

Accounts receivable	$36.2
Inventories	59.0
Prepaid expenses and other current assets	38.8
Property, plant and equipment	163.8
Other intangible assets	108.8
Other noncurrent assets	7.9
Goodwill	66.3
Accounts payable and accrued liabilities	(24.6)
Other noncurrent liabilities	(10.5)
Deferred taxes--net	(83.7)
Total purchase price-net of cash acquired	362.0
Less: debt assumed	80.2
Less: settlement of accounts receivable for acquisition of a business	8.6
Less: value of common stock issued	155.2
Net cash paid	$118.0

The fair values of other intangible assets, technology and goodwill associated with the acquisition of Courier were determined to be Level 3 under the fair value hierarchy. The following table presents the fair value, valuation techniques and related unobservable inputs for these Level 3 measurements:

	Fair Value	Valuation Technique	Unobservable Input	Range
Customer relationships	$98.4	Excess earnings	Discount rate Attrition rate	14.0% - 17.0% 0.0% - 7.5%
Trade names	10.1	Relief-from-royalty method	Discount rate	12.0%

			Royalty rate (pre-tax)	0.3% - 1.0%
			Discount rate	11.0%
Technology	1.6	Relief-from-royalty method	Royalty rate (pre-tax)	15.0%
Non-compete agreement	0.3	Excess earnings	Discount rate	17.0%

The fair values of property, plant and equipment associated with the Courier acquisition were determined to be Level 3 under the fair value hierarchy and were estimated using either the market approach, if a secondhand market existed, or the cost approach.

2015 Disposition

On April 29, 2015, the Company sold its 50.1% interest in its Venezuelan operating entity. The proceeds were de minimis, and the sale resulted in a net loss of $14.7 million, which was recognized in net investment and other expense in the Consolidated Statement of Operations for the year ended December 31, 2015. The Company's Venezuelan operations had net sales of $16.3 million and a loss before income taxes of $38.4 million, including the net loss as a result of the sale, for the nine months ended September 30, 2015.

R.R. DONNELLEY & SONS COMPANY AND SUBSIDIARIES (“RR DONNELLEY”)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in millions, except per share data, unless otherwise indicated)

Pro forma results

The following unaudited pro forma financial information for the three and nine months ended September 30, 2015 presents the combined results of operations of the Company and the 2015 acquisitions described above, as if the acquisitions had occurred as of January 1 of the year prior to acquisition.

The unaudited pro forma financial information is not intended to represent or be indicative of the Company’s consolidated results of operations or financial condition that would have been reported had these acquisitions been completed as of the beginning of the period presented and should not be taken as indicative of the Company’s future consolidated results of operations or financial condition. Pro forma adjustments are tax-effected at the applicable statutory tax rates.

	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Net sales	$ 2,828.0	$ 8,445.5
Net earnings attributable to RR Donnelley common stockholders	22.5	118.0
Net earnings per share attributable to RR Donnelley common stockholders:		
Basic	$ 0.32	$ 1.69
Diluted	$ 0.32	$ 1.68

The following table outlines unaudited pro forma financial information for the three and nine months ended September 30, 2015:

	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Amortization of purchased intangibles	$ 20.4	$ 63.0
Restructuring, impairment and other charges	48.4	76.7

Additionally, the pro forma adjustments affecting net earnings attributable to RR Donnelley common stockholders for the three and nine months ended September 30, 2015 were as follows:

	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Depreciation and amortization of purchased assets, pre-tax	$ 2.0	$ 2.4
Acquisition-related expenses, pre-tax	0.2	18.8
Restructuring, impairment and other charges, pre-tax	4.5	28.6
Inventory fair value adjustment, pre-tax	6.7	9.9
Other pro forma adjustments, pre-tax	—	1.2
Income taxes	(4.8)	(15.0)

R.R. DONNELLEY & SONS COMPANY AND SUBSIDIARIES (“RR DONNELLEY”)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in millions, except per share data, unless otherwise indicated)

3. Inventories

The components of the Company’s inventories, net of excess and obsolescence reserves for raw materials and finished goods, at September 30, 2016 and December 31, 2015 were as follows:

	September 30, 2016	December 31, 2015
Raw materials and manufacturing supplies	$ 250.4	$ 247.2
Work in process	202.6	156.1
Finished goods	281.1	275.2
LIFO reserve	(83.0)	(86.5)
Total	$ 651.1	$ 592.0

4. Property, Plant and Equipment

The components of the Company’s property, plant and equipment at September 30, 2016 and December 31, 2015 were as follows:

	September 30, 2016	December 31, 2015
Land	$ 111.4	$ 113.6
Buildings	1,215.2	1,224.7
Machinery and equipment	6,148.1	6,160.3
	7,474.7	7,498.6
Less: Accumulated depreciation	(6,132.4)	(6,050.5)
Total	$ 1,342.3	$ 1,448.1

During the three and nine months ended September 30, 2016, depreciation expense was $74.9 million and $230.6 million, respectively. During the three and nine months ended September 30, 2015, depreciation expense was $84.3 million and $249.7 million, respectively.

5. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill by segment for the nine months ended September 30, 2016 were as follows:

	Publishing and Retail Services	Variable Print	Strategic Services	International	Total
Net book value as of December 31, 2015					
Goodwill	$ 739.2	$ 1,914.0	$ 991.5	$ 1,123.6	$ 4,768.3
Accumulated impairment losses	(688.0)	(1,105.2)	(219.7)	(1,011.8)	(3,024.7)
Total	51.2	808.8	771.8	111.8	1,743.6
Acquisitions	—	41.0	—	—	41.0
Foreign exchange and other adjustments	—	0.6	0.3	1.8	2.7
Net book value as of September 30, 2016					
Goodwill	739.2	1,955.6	990.8	1,083.9	4,769.5
Accumulated impairment losses	(688.0)	(1,105.2)	(218.7)	(970.3)	(2,982.2)
Total	$ 51.2	$ 850.4	$ 772.1	$ 113.6	$ 1,787.3

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The components of other intangible assets at September 30, 2016 and December 31, 2015 were as follows:

	September 30, 2016			December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer relationships	$935.2	$ (593.0)	$342.2	$932.1	$ (555.3)	$ 376.8
Patents	2.0	(2.0)	—	98.3	(98.3)	—
Trademarks, licenses and agreements	29.4	(27.3)	2.1	30.6	(29.9)	0.7
Trade names	47.8	(20.9)	26.9	47.5	(19.1)	28.4
Total amortizable other intangible assets	1,014.4	(643.2)	371.2	1,108.5	(702.6)	405.9
Indefinite-lived trade names	32.1	—	32.1	32.1	—	32.1
Total other intangible assets	$1,046.5	$ (643.2)	$403.3	$1,140.6	$ (702.6)	$ 438.0

During the nine months ended September 30, 2016 the Company recorded additions to other intangible assets of which the components and the related weighted average amortization periods are as follows:

	September 30, 2016	
	Amount	Weighted Average Amortization Period
Customer relationships	$ 11.6	10.5
Trade names	1.4	4.7
Non-compete agreements	1.7	3.3
Total additions	$ 14.7	

Amortization expense for other intangible assets was $15.6 million and $20.4 million for the three months ended September 30, 2016 and 2015, respectively, and $49.6 million and $58.6 million for the nine months ended September 30, 2016 and 2015, respectively.

The following table outlines the estimated annual amortization expense related to other intangible assets as of September 30, 2016:

For the year ending December 31,	Amount

2016	$ 65.4
2017	60.7
2018	54.7
2019	50.4
2020	46.5
2021 and thereafter	143.1
Total	$ 420.8

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6. Restructuring, Impairment and Other Charges

Restructuring, Impairment and Other Charges Recognized in Results of Operations

For the three months ended September 30, 2016 and 2015, the Company recorded the following net restructuring, impairment and other charges:

Three Months Ended September 30, 2016	Employee Terminations	Other Restructuring Charges	Total Restructuring Charges	Impairment	Other Charges	Total
Publishing and Retail Services	$ —	$ 1.2	$ 1.2	$ —	$ 0.8	$2.0
Variable Print	1.2	0.3	1.5	—	0.6	2.1
Strategic Services	2.6	0.4	3.0	—	0.1	3.1
International	0.9	0.3	1.2	—	—	1.2
Corporate	6.5	0.1	6.6	—	—	6.6
Total	$ 11.2	$ 2.3	$ 13.5	$ —	$ 1.5	$15.0

Three Months Ended September 30, 2015	Employee Terminations	Other Restructuring Charges	Total Restructuring Charges	Impairment	Other Charges	Total
Publishing and Retail Services	$ 2.1	$ 1.0	$ 3.1	$ 2.0	$ 0.7	$5.8
Variable Print	0.5	2.1	2.6	(0.1)	0.4	2.9
Strategic Services	1.9	0.5	2.4	0.9	0.2	3.5
International	13.1	0.8	13.9	25.4	—	39.3
Corporate	1.2	0.2	1.4	—	—	1.4
Total	$ 18.8	$ 4.6	$ 23.4	$ 28.2	$ 1.3	$52.9

For the nine months ended September 30, 2016 and 2015, the Company recorded the following net restructuring, impairment and other charges:

Nine Months Ended September 30, 2016	Employee Terminations	Other Restructuring Charges	Total Restructuring Charges	Impairment	Other Charges	Total
Publishing and Retail Services	$ 2.1	$ 2.8	$ 4.9	$ 1.1	$ 2.4	$8.4

Variable Print	1.5	1.8	3.3	0.1	1.5	4.9
Strategic Services	4.1	1.1	5.2	0.6	0.4	6.2
International	7.0	2.9	9.9	(2.5)	—	7.4
Corporate	10.2	0.1	10.3	1.2	—	11.5
Total	$ 24.9	$ 8.7	$ 33.6	$ 0.5	$ 4.3	$38.4

Nine Months Ended September 30, 2015	Employee Terminations	Other Restructuring Charges	Total Restructuring Charges	Impairment	Other Charges	Total
Publishing and Retail Services	$ 5.3	$ 2.5	$ 7.8	$ 1.5	$ 18.5	$27.8
Variable Print	3.6	5.4	9.0	1.6	1.3	11.9
Strategic Services	5.7	1.6	7.3	0.9	3.3	11.5
International	22.3	2.5	24.8	25.0	—	49.8
Corporate	2.9	1.0	3.9	—	—	3.9
Total	$ 39.8	$ 13.0	$ 52.8	$ 29.0	$ 23.1	$104.9

Restructuring and Impairment Charges

For the three and nine months ended September 30, 2016, the Company recorded net restructuring charges of $11.2 million and $24.9 million, respectively, for employee termination costs for an aggregate of 870 employees, of whom 843 were terminated as of September 30, 2016. These charges primarily related to the reorganization of certain administrative functions and operations, two facility closures in the International segment and one facility closure in the Publishing and Retail Services segment. Additionally, the Company incurred lease termination and other restructuring charges of $2.3 million and $8.7 million, respectively, for the three and nine months ended September 30, 2016. For the nine months ended September 30, 2016 the Company also recorded $0.5 million of net impairment charges primarily related to buildings and machinery and equipment associated with facility closures, as well as gains on the sale of previously impaired assets.

For the three and nine months ended September 30, 2015, the Company recorded net restructuring charges of $18.8 million and $39.8 million, respectively, for employee termination costs for 1,829 employees, all of whom were terminated as of September 30, 2016. These charges primarily related to two facility closures, both in the International segment, one facility closure in the Variable Print segment and the reorganization of certain operations. Additionally, the Company incurred lease termination and other restructuring charges of $4.6 million and $13.0 million, respectively, for the three and nine months ended September 30, 2015. For the three and nine months ended September 30, 2015, the Company also recorded $7.9 million and $8.7 million, respectively, of net impairment charges primarily related to buildings and machinery and equipment associated with facility closures. The fair values of the buildings and machinery and equipment were determined to be Level 3 under the fair value hierarchy and were estimated based on discussions with real estate brokers, review of comparable properties, if available, discussions with machinery and equipment brokers, dealer quotes and internal expertise related to the current marketplace conditions.

As the result of the Company’s interim goodwill impairment review, the Company recorded non-cash charges of $13.7 million and $4.3 million for the three and nine months ended September 30, 2015 to recognize the impairment of goodwill in the Europe and Latin America reporting units, respectively, both of which are within the International segment. The goodwill impairment charge in the Europe reporting unit was due to the announced reorganization of certain operations which resulted in a reduction in the estimated fair value of the reporting unit based on lower expectations of future revenue, profitability and cash flows as compared to the expectations as of the October 31, 2014 annual goodwill impairment test. As of September 30, 2015, the Europe and Latin America reporting units had no remaining goodwill. The goodwill impairment charges were determined using Level 3 inputs, including discounted cash flow analyses, comparable marketplace fair value data and management’s assumptions in valuing the significant tangible and intangible assets. Additionally, for the three and nine months ended September 30, 2015, the Company recorded $2.3 million for the impairment of intangible assets, substantially all of which related to the impairment of acquired customer relationship intangible assets and trade names in the Latin America reporting unit within the International segment.

Other Charges

For the three and nine months ended September 30, 2016, the Company recorded other charges of $1.5 million and $4.3 million, respectively, for multi-employer withdrawal pension plan obligations unrelated to facility closures. The total liabilities for the withdrawal obligations associated with the Company's decision to withdraw from multi-employer pension plans included in accrued liabilities and other noncurrent liabilities are $11.0 million and $78.4 million, respectively, as of September 30, 2016.

For the three and nine months ended September 30, 2015, the Company recorded other charges of $1.3 million and $23.1 million, respectively, including integration charges of $19.1 million for payments made to certain Courier employees upon the termination of Courier's executive severance plan, immediately prior to the acquisition.

The Company's multi-employer pension plan withdrawal liabilities could be affected by the financial stability of other employers participating in the plans and any decisions by those employers to withdraw from the plans in the future. While it is not possible to quantify the potential impact of future events or circumstances, reductions in other employers' participation in multi-employer pension plans, including certain plans from which the Company has previously withdrawn, could have a material impact on the Company's previously estimated withdrawal liabilities, consolidated results of operations, financial position or cash flows.

As a result of the acquisition of Courier, the Company participates in two multi-employer pension plans, in one of which the Company's contributions account for approximately 85% of the total plan contributions. Both plans are estimated to be underfunded and have a Pension Protection Act zone status of critical ("red"). Red status identifies plans that are less than 65% funded.

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Restructuring Reserve

The restructuring reserve as of December 31, 2015 and September 30, 2016, and changes during the nine months ended September 30, 2016, were as follows:

	December 31, 2015	Restructuring Charges	Foreign Exchange and Other	Cash Paid	September 30, 2016
Employee terminations	$ 20.2	$ 24.9	$ 0.3	$(27.6)	$ 17.8
Multi-employer pension withdrawal obligations	32.9	1.6	—	(3.6)	30.9
Lease terminations and other	10.6	7.1	(0.1)	(9.9)	7.7
Total	$ 63.7	$ 33.6	$ 0.2	$(41.1)	$ 56.4

The current portion of restructuring reserves of $22.9 million at September 30, 2016 was included in accrued liabilities, while the long-term portion of $33.5 million, primarily related to multi-employer pension plan withdrawal obligations related to facility closures and lease termination costs, was included in other noncurrent liabilities at September 30, 2016.

The Company anticipates that payments associated with the employee terminations reflected in the above table will be substantially completed by September 2017.

Payments on all of the Company’s multi-employer pension plan withdrawal obligations are scheduled to be completed by 2034. Changes based on uncertainties in these estimated withdrawal obligations could affect the ultimate charges related to multi-employer pension plan withdrawals.

The restructuring liabilities classified as “lease terminations and other” consisted of lease terminations and other facility closing costs. Payments on certain of the lease obligations are scheduled to continue until 2026. Market conditions and the Company’s ability to sublease these properties could affect the ultimate charges related to the lease obligations. Any potential recoveries or additional charges could affect amounts reported in the Company’s financial statements.

7. Employee Benefits

The components of the estimated net pension and other postretirement benefits plan expense (income) for the three and nine months ended September 30, 2016 and 2015 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Pension expense (income)				
Service cost	$0.3	$0.5	$0.9	$1.6
Interest cost	36.8	44.5	110.5	133.9
Expected return on plan assets	(58.6)	(61.4)	(180.0)	(184.7)
Amortization, net	7.8	10.1	23.5	30.5
Settlements	1.6	—	98.5	—
Net pension (income) expense	$(12.1)	$(6.3)	$53.4	$(18.7)
Other postretirement benefits plan expense (income)				
Service cost	$1.0	$1.1	$3.0	$3.5
Interest cost	3.1	4.0	9.2	12.0
Expected return on plan assets	(3.4)	(3.3)	(10.2)	(9.8)
Amortization, net	(4.0)	(6.7)	(12.0)	(20.2)
Curtailments	(19.7)	—	(19.7)	—
Net other postretirement benefits plan income	$(23.0)	$(4.9)	$(29.7)	$(14.5)

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In the fourth quarter of 2015, the Company communicated to certain former employees the option to receive a lump-sum pension payment or annuity with payments computed in accordance with statutory requirements, beginning in the second quarter of 2016. Payments to eligible participants who elected to receive a lump-sum pension payment or annuity were funded from existing pension plan assets and constituted a complete settlement of the Company’s pension liabilities with respect to these participants. The Company’s pension assets and liabilities were remeasured as of the payout date. The discount rates and actuarial assumptions used to calculate the payouts were determined in accordance with federal regulations. As of the remeasurement date, the reduction in the reported pension obligation for these participants was $354.8 million, compared to payout amounts of approximately $328.4 million. The Company recorded non-cash settlement charges of $1.6 million and $98.5 million in selling, general and administrative expenses during the three and nine months ended September 30, 2016, respectively, in connection with the settlement payments. These charges resulted from the recognition in earnings of a portion of the actuarial losses recorded in accumulated other comprehensive loss based on the proportion of the obligation settled.

During the fourth quarter of 2015, the Company changed the method used to estimate the interest cost components of net pension and other postretirement benefits plan expense for its defined benefit pension and other postretirement benefit plans. Historically, the interest cost components were estimated using a single weighted-average discount rate derived from the yield curve used to measure the projected benefit obligation at the beginning of the period. Beginning in the first quarter of 2016, the Company has elected to use a full yield curve approach in the estimation of these interest components of net pension and other postretirement benefits plan expense by applying the specific spot rates along the yield curve used in the determination of the projected benefit obligation to the relevant projected cash flows. The Company made this change to improve the correlation between projected benefit cash flows and the corresponding yield curve spot rates and to provide a more precise measurement of interest costs. This change does not affect the measurement and calculation of the Company’s total benefit obligations. The Company has accounted for this change prospectively as a change in estimate.

During the third quarter of 2016, the Company announced the discontinuation of retiree medical, prescription drug and life insurance benefits for individuals retiring on or after October 1, 2016. This change was accounted for as a significant plan amendment and the other postemployment benefit plan obligations were remeasured as of September 30, 2016. This remeasurement resulted in a reduction to the other postemployment benefit plan obligations of $35.0 million and a curtailment gain of $16.4 million within cost of sales and $3.3 million in selling, general and administrative expenses during the three and nine months ended September 30, 2016.

8. Equity

The Company’s equity as of December 31, 2015 and September 30, 2016, and changes during the nine months ended September 30, 2016, were as follows:

	RR Donnelley Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2015	$ 682.7	$ 13.9	$ 696.6
Net earnings	18.2	0.8	19.0
Other comprehensive (loss) income	(22.5)	0.2	(22.3)
Share-based compensation	13.4	—	13.4
Issuance of share-based awards, net of withholdings and other	(4.2)	—	(4.2)
Cash dividends paid	(163.2)	—	(163.2)
Distributions to noncontrolling interests	—	(0.9)	(0.9)
Balance at September 30, 2016	$ 524.4	$ 14.0	$ 538.4

On May 31, 2016, the Company reduced the par value of the authorized shares of RR Donnelley's common stock from $1.25 per share to $0.01 per share.

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The Company's equity as of December 31, 2014 and September 30, 2015, and changes during the nine months ended September 30, 2015, were as follows:

	RR Donnelley Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2014	$ 593.8	$ 26.6	$620.4
Net earnings (loss)	80.1	(13.0)	67.1
Other comprehensive loss	(31.0)	(1.0)	(32.0)
Share-based compensation	13.6	—	13.6
Issuance of common stock	154.2	—	154.2
Issuance of share-based awards, net of withholdings and other	(3.4)	—	(3.4)
Cash dividends paid	(158.4)	—	(158.4)
Noncontrolling interests in acquired business	—	4.6	4.6
Noncontrolling interests in disposed businesses	—	(2.4)	(2.4)
Distributions to noncontrolling interests	—	(1.0)	(1.0)
Balance at September 30, 2015	$ 648.9	$ 13.8	$662.7

During the three months ended June 30, 2015, the Company issued stock in conjunction with the Courier acquisition with a closing date value of $154.2 million.

9. Earnings per Share

Basic earnings per share is calculated by dividing net earnings attributable to RR Donnelley common stockholders by the weighted average number of common shares outstanding for the period. In computing diluted earnings per share, basic earnings per share is adjusted for the assumed issuance of all potentially dilutive share-based awards, including stock options, restricted stock units and performance share units. Performance share units are considered anti-dilutive and excluded if the performance targets upon which the issuance of the shares is contingent have not been achieved and the respective performance period has not been completed as of the end of the current period. Additionally, stock options are considered anti-dilutive when the exercise price exceeds the average of the Company's stock price during the applicable period.

During the nine months ended September 30, 2016 and 2015, no shares of common stock were purchased by the Company; however, shares were withheld for tax liabilities upon the vesting of equity awards. During the nine months ended September 30, 2015, the Company issued 2.7 million shares of stock in conjunction with the Courier acquisition.

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The reconciliation of the numerator and denominator of the basic and diluted earnings per share calculation and the anti-dilutive share-based awards for the three and nine months ended September 30, 2016 and 2015 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016 (1)	2015 (1)	2016 (1)	2015 (1)
Net (loss) earnings per share attributable to RR Donnelley common stockholders:				
Basic	$(0.10)	$0.21	$0.26	$1.18
Diluted	$(0.10)	$0.20	$0.26	$1.17
Dividends declared per common share	$0.78	$0.78	$2.34	$2.34
Numerator:				
Net (loss) earnings attributable to RR Donnelley common stockholders	$(7.1)	$14.3	$18.2	$80.1
Denominator:				
Weighted average number of common shares outstanding	70.0	69.7	70.0	68.1
Dilutive options and awards	—	0.4	0.5	0.4
Diluted weighted average number of common shares outstanding	70.0	70.1	70.5	68.5
Weighted average number of anti-dilutive share-based awards:				
Stock options	0.8	0.7	0.7	0.7
Performance share units	0.2	0.4	0.2	0.4
Restricted stock units	0.3	—	—	—
Total	1.3	1.1	0.9	1.1

(1) Earnings per share amounts, dividends declared per common share and adjusted weighted average common shares outstanding for all periods reflect RR Donnelley's 1-for-3 reverse stock split, which was effective October 1, 2016.

10. Comprehensive Income

The components of other comprehensive loss and income tax (benefit) expense allocated to each component for the three and nine months ended September 30, 2016 and 2015 were as follows:

	Three Months Ended September 30, 2016			Nine Months Ended September 30, 2016		
	Before Tax	Income Tax	Net of Tax	Before Tax	Income Tax	Net of Tax

	Amount	Expense	Amount	Amount	Expense	Amount
Translation adjustments	$(4.4)	$—	$(4.4)	$(9.0)	$—	$(9.0)
Adjustment for net periodic pension and other postretirement benefits plan cost	(32.4)	(13.0)	(19.4)	(16.3)	(3.0)	(13.3)
Other comprehensive loss	$(36.8)	$(13.0)	$(23.8)	$(25.3)	$(3.0)	$(22.3)

During the nine months ended September 30, 2016, translation adjustments and income tax expense on pension and other postretirement benefits plan cost were adjusted to reflect previously recorded deferred taxes at their historical exchange rates.

	Three Months Ended September 30, 2015			Nine Months Ended September 30, 2015		
	Before Tax Amount	Income Tax Expense	Net of Tax Amount	Before Tax Amount	Income Tax Expense	Net of Tax Amount
Translation adjustments	$(37.5)	$—	$(37.5)	$(42.5)	$—	$(42.5)
Adjustment for net periodic pension and other postretirement benefits plan cost	3.4	1.2	2.2	16.1	5.7	10.4
Change in fair value of derivatives	—	(0.1)	0.1	0.1	—	0.1
Other comprehensive (loss) income	$(34.1)	$1.1	$(35.2)	$(26.3)	$5.7	$(32.0)

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Accumulated other comprehensive loss by component as of December 31, 2015 and September 30, 2016, and changes during the nine months ended September 30, 2016, were as follows:

	Pension and Other Postretirement Benefits Plan Cost	Translation Adjustments	Total
Balance at December 31, 2015	$ (727.5)	$ (65.7)	$ (793.2)
Other comprehensive loss before reclassifications	(69.7)	(8.5)	(78.2)
Amounts reclassified from accumulated other comprehensive loss	55.2	—	55.2
Amounts reclassified due to the disposition of businesses	1.2	(0.7)	0.5
Net change in accumulated other comprehensive loss	(13.3)	(9.2)	(22.5)
Balance at September 30, 2016	$ (740.8)	$ (74.9)	$ (815.7)

Accumulated other comprehensive loss by component as of December 31, 2014 and September 30, 2015, and changes during the nine months ended September 30, 2015, were as follows:

	Changes in the Fair Value of Derivatives	Pension and Other Postretirement Benefits Plan Cost	Translation Adjustments	Total
Balance at December 31, 2014	$ (0.1)	$ (762.3)	$ (11.2)	$ (773.6)
Other comprehensive loss before reclassifications	—	—	(54.6)	(54.6)
Amounts reclassified from accumulated other comprehensive loss	0.1	6.6	—	6.7
Amounts reclassified due to disposition of a business	—	3.8	13.1	16.9
Net change in accumulated other comprehensive loss	0.1	10.4	(41.5)	(31.0)
Balance at September 30, 2015	$ —	$ (751.9)	$ (52.7)	$ (804.6)

Reclassifications from accumulated other comprehensive loss for the three and nine months ended September 30, 2016 and 2015 were as follows:

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015	Classification in the Condensed Consolidated Statements of Operations
Amortization of pension and other postretirement benefits plan cost:					
Net actuarial loss	$7.8	$10.1	$23.5	$30.5	(a)
Net prior service credit	(4.0)	(6.7)	(12.0)	(20.2)	(a)
Curtailments	(19.7)	—	(19.7)	—	(a)
Settlements	1.6	—	98.5	—	(a)
Reclassifications before tax	(14.3)	3.4	90.3	10.3	
Income tax (benefit) expense	(7.9)	1.2	35.1	3.7	
Reclassifications, net of tax	$(6.4)	$2.2	$55.2	$6.6	

(a) These accumulated other comprehensive income (loss) components are included in the calculation of net periodic pension and other postretirement benefits plan income recognized in cost of sales and selling, general and administrative expenses in the Condensed Consolidated Statements of Operations (see Note 7, Employee Benefits).

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11. Segment Information

The Company’s segments and their product and service offerings are summarized below:

Publishing and Retail Services

The Publishing and Retail Services segment’s primary product offerings include magazines, catalogs, retail inserts, books, directories and packaging.

Variable Print

The Variable Print segment includes the Company’s U.S. short-run and transactional printing operations. This segment’s primary product offerings include commercial and digital print, direct mail, office products, labels, statement printing, forms and packaging.

Strategic Services

The Strategic Services segment includes the Company’s logistics services, financial print products and related services, print management offerings, digital and creative solutions and book publishing.

International

The International segment includes the Company’s non-U.S. printing operations in Asia, Europe, Latin America and Canada. This segment’s primary product and service offerings include magazines, catalogs, retail inserts, books, directories, direct mail, packaging, forms, labels, manuals, statement printing, commercial and digital print, logistics services and digital and creative solutions. Additionally, this segment includes the Company’s business process outsourcing and Global Turnkey Solutions operations. Business process outsourcing provides transactional print and outsourcing services, statement printing, direct mail and print management offerings through its operations in Europe, Asia and North America. Global Turnkey Solutions provides outsourcing capabilities, including product configuration, customized kitting and order fulfillment for technology, medical device and other companies around the world through its operations in Europe, North America and Asia.

Corporate

Corporate consists of unallocated selling, general and administrative activities and associated expenses including, in part, executive, legal, finance, communications, certain facility costs and LIFO inventory provisions. In addition, certain costs and earnings of employee benefit plans, such as pension and other postretirement benefits plan expense (income) and share-based compensation, are included in Corporate and not allocated to the operating segments. Corporate also manages the Company’s cash pooling structures, which enable participating international locations to draw on the Company’s overseas cash resources to meet local liquidity needs.

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Information by Segment

The Company has disclosed income (loss) from operations as the primary measure of segment earnings (loss). This is the measure of profitability used by the Company's chief operating decision-maker and is most consistent with the presentation of profitability reported within the Condensed Consolidated Financial Statements.

Total	Intersegment	Income (Loss)	Depreciation