

# LSC COMMUNICATIONS 2018 INVESTOR MEETING

March 6, 2018



# Safe Harbor and Non-GAAP Information

## LSC COMMUNICATIONS CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This presentation includes certain "forward-looking statements" within the meaning of, and subject to the safe harbor created by, Section 21E of the Securities Exchange Act of 1934, as amended, with respect to the business, strategy and plans of LSC Communications and its expectations relating to future financial condition and performance. Statements that are not historical facts, including statements about LSC Communications management's beliefs and expectations, are forward-looking statements. Words such as "believes," "anticipates," "estimates," "expects," "intends," "aims," "potential," "will," "would," "could," "considered," "likely," "estimate" and variations of these words and similar future or conditional expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. While LSC Communications believes these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond LSC Communications' control. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon future circumstances that may or may not occur. Actual results may differ materially from LSC Communications' current expectations depending upon a number of factors affecting the business and risks associated with the performance of the business. These factors include such risks and uncertainties detailed in LSC Communications' Form 10-K filed on February 22, 2018 and LSC Communications' periodic filings with the SEC. LSC Communications does not undertake to and specifically declines any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect future events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events.

## NON-GAAP FINANCIAL INFORMATION

This presentation contains certain non-GAAP measures. The Company believes that these non-GAAP measures, such as non-GAAP adjusted EBITDA and free cash flow, when presented in conjunction with comparable GAAP measures, provide useful information about the Company's operating results and liquidity and enhance the overall ability to assess the Company's financial performance. The Company uses these measures, together with other measures of performance under GAAP, to compare the relative performance of operations in planning, budgeting and reviewing the performance of its business. Non-GAAP adjusted EBITDA, non-GAAP net income and free cash flow allow investors to make a more meaningful comparison between the Company's core business operating results over different periods of time. The Company believes that non-GAAP adjusted EBITDA, non-GAAP net income and free cash flow, when viewed with the Company's results under GAAP and the accompanying reconciliations, provides useful information about the Company's business without regard to potential distortions. By eliminating potential differences in results of operations between periods caused by factors such as depreciation and amortization methods, historic cost and age of assets, financing and capital structures, taxation positions or regimes, restructuring, impairment and other charges and gain or loss on certain equity investments and asset sales, the Company believes that non-GAAP adjusted EBITDA and non-GAAP net income can provide useful additional basis for comparing the current performance of the underlying operations being evaluated. By adjusting for the level of capital investment in operations, the Company believes that free cash flow can provide useful additional basis for understanding the Company's ability to generate cash after capital investment and provides a comparison to peers with differing capital intensity.



# Investor Meeting Agenda

## WELCOME AND INTRODUCTION



**Thomas Quinlan**

*Chairman & Chief Executive Officer*

INDUSTRY OVERVIEW AND LSC STRATEGY

**Rick Lane**

*Chief Strategy and Supply Chain Officer*

BOOK

**Dave McCree**

*President – Book/Directory*

**Rajeev Balakrishna**

*President – Publishing Group*

INNOVATION AND TECHNOLOGY

**Dave Houck**

*Chief Information Officer*

**Bob Nelson**

*EVP Publisher Services*

**Michael Shea**

*SVP – Sales*

MAGAZINE

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**John Coyle**

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LOGISTICS AND CO-MAIL

**George Zengo**

*President – Logistics*

**Jonathan Williams**

*VP – Operations*

OFFICE PRODUCTS

**Jim Ellward**

*President – Office Products*

FINANCIAL REVIEW

**Andrew Coxhead**

*Chief Financial Officer*

CLOSING REMARKS AND Q&A

**Thomas Quinlan**

*Chairman & Chief Executive Officer*



# Strategy Execution

## COMMITMENTS MADE

Disciplined M&A

Invest in growth areas

Develop new technology

Pay sustainable dividend with ability to increase



## COMMITMENTS MET

+ Acquired eight companies - increasing capabilities and breadth of product offering

+ Purchased additional co-mail lines and digital presses to drive growth

+ Developed and commercialized innovations to help solve customer problems

+ Increased dividend 4%<sup>(1)</sup>

+ Maintained targeted leverage ratio<sup>(2)</sup>

(1) On February 15, 2018, The Board of Directors approved a \$0.26 dividend per share of common stock, which represents a 4% increase from the \$0.25 dividend paid since October, 2016

(2) Leverage ratio assumes pro forma impact from acquisitions made throughout the year

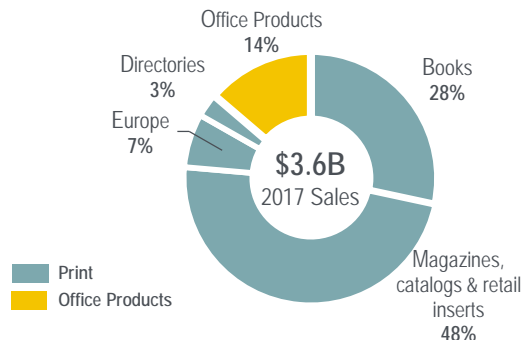


# LSC Communications: A Global Leader

## LSC AT A GLANCE

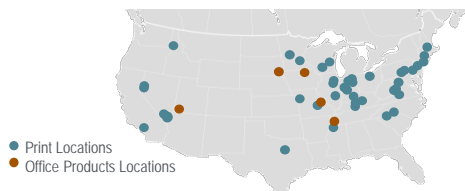
- + Global leader in traditional and digital print, print-related services and office products
- + Serves the needs of publishers, merchandisers and retailers
- + Service offering includes logistics, warehousing, fulfillment, supply chain management and e-services
- + Serves over 3,000 clients
- + Strategically located operations with 54 production and manufacturing facilities in the U.S., Poland and Mexico
- + 8 acquisitions completed since spin off
- + \$3.60B of revenues with \$328MM of non-GAAP adjusted EBITDA<sup>(1)</sup> in 2017

## EXTENSIVE PRODUCTS & SERVICE CAPABILITIES



## GLOBAL PLATFORM WITH SIGNIFICANT SCALE

### UNITED STATES



45  
Production Facilities  
in the U.S.

### MEXICO



9  
International  
Manufacturing Facilities

### POLAND

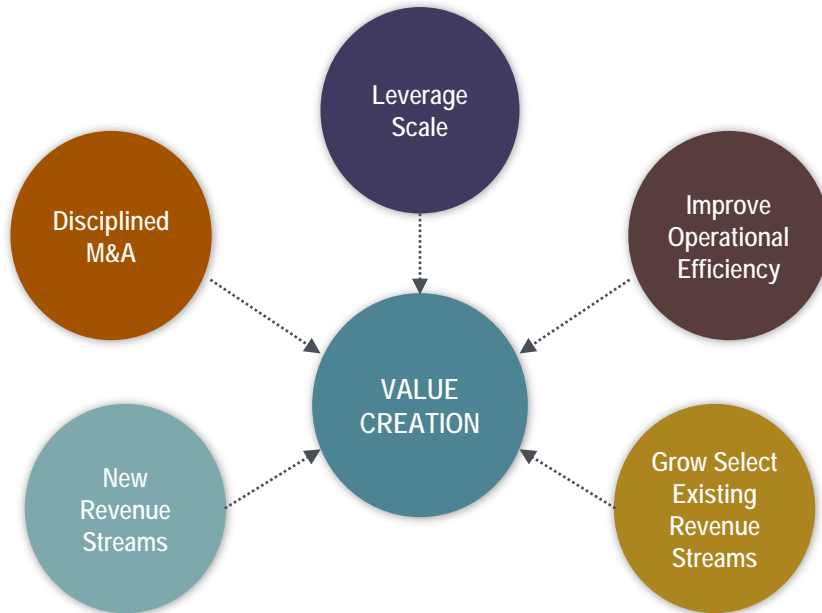


~19 million  
Square Feet of  
Owned Facility Space



<sup>(1)</sup> See reconciliation of non-GAAP financials in appendix

# Value Creation Strategy



LSC IS WELL-POSITIONED WITH A CLEAR STRATEGY FOR DELIVERING  
SIGNIFICANT VALUE TO ITS SHAREHOLDERS IN A DYNAMIC MARKET ENVIRONMENT

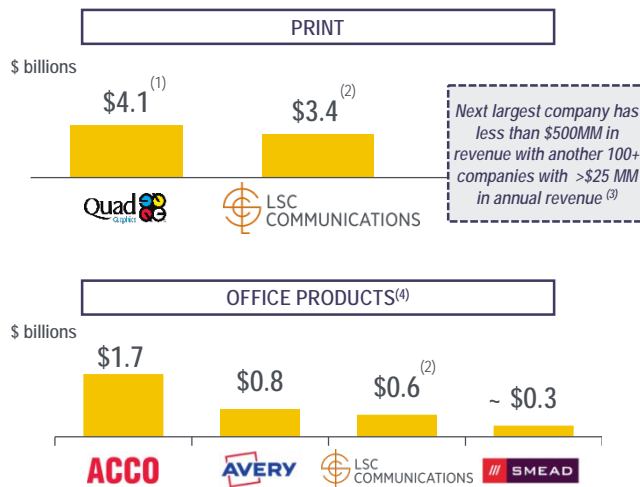


# Drive Lower Total Cost and Wider Breadth of Service

## CUSTOMERS DEMAND FULL SERVICE AND LOWEST TOTAL DELIVERED COST

- + Scale drives procurement and distribution savings
  - National footprint for efficient distribution
  - Large co-operative mailing program drives significant postage savings
  - Paper and other materials are a significant component of customer costs
- + End-to-end service offerings not matched by smaller players
  - Supply Chain Services bring scale benefits to warehousing, inventory management, and fulfillment

## LARGEST PLAYERS BY REVENUES IN CORE LSC MARKETS



## SCALE AND END-TO-END SERVICE OFFERING DRIVES LOWEST DELIVERED COST

Source: LSC Communications management estimates and company filings

(1) Represents latest fiscal year reported revenue. Sales reflect revenues from the entirety of Quad Graphics

(2) LSC Communications sales reflect pro forma 2017 revenues for acquisitions

(3) Printing Impressions, "Printing Impressions 400," December 2017

(4) Represents latest fiscal year reported revenue. Sales reflect the entirety of ACCO Brands and Avery (as a segment of CCL Industries) and company estimates

# Continuous Improvement and Cost Reduction

## BEST-IN-CLASS SAFETY METRICS

- + Injury rate 27% below the industry average
- + 12 facilities with 1+ years/1million work hours without a Days Away Case

## PLANT RATIONALIZATION AND CONTINUOUS IMPROVEMENT

- + Match capacity with demand
- + Invest to drive increased productivity and automation



PRODUCTIVITY EXPECTED TO DRIVE STABLE MARGINS OVER TIME





# Focused Investment in Growth Drivers

## INVESTMENT FOCUSED ON GROWTH AREAS WITHIN AND ADJACENT TO CORE OFFERINGS

- + Book digital print
- + Supply chain management services
- + Co-mail services and logistics
- + Office Products e-commerce channel



GROWING REVENUE STREAMS EXPECTED TO MODERATE ONGOING SECULAR PRESSURES



# Innovation Drives New Growth Areas

## ADJACENT SERVICE OFFERINGS BRING INCREASED OPPORTUNITY

- + Book Order-to-Cash services
- + Reverse logistics solutions for magazine and book retailers



## TECHNOLOGY FOCUS HAS TRACTION TO DRIVE FURTHER GROWTH

- + Physical re-targeting to drive consumer response
- + IntercepTag<sup>SM</sup> - anti-piracy solution for book publishers
- + HarvestView<sup>SM</sup> - comprehensive e-book workflow solutions
- + StoryFit<sup>TM</sup> – artificial intelligence for content analytics and e-commerce keyword optimization

LSC INNOVATIONS EXPECTED TO DRIVE THE FUTURE FOR PUBLISHERS AND RETAILERS



# Expand Capabilities and Drive Synergies

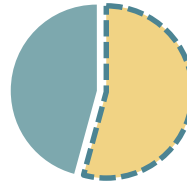
## M&A CRITERIA

- + Enhance existing product offerings
- + Expand technological capabilities
- + Provide synergy opportunities
- + Attractive financial return on investment

## SIGNIFICANT TARGET MARKET THAT FITS CRITERIA

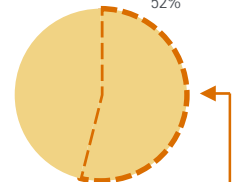
Top 400 Largest Printing Companies  
by 2017E Revenue<sup>(1)</sup>

Companies in  
Relevant Target  
Segments<sup>(2)</sup>  
53%



Breakdown by Revenue Size

>\$25MM+  
52%



*Over 105 companies in relevant target sectors  
with more than \$25MM in annual revenues*

*Similar opportunity in Office Products*

COMPLETED ACQUISITIONS IN BOTH PRINT AND OFFICE PRODUCTS  
CREATE A FOUNDATION FOR GROWTH AND MARGIN IMPROVEMENT

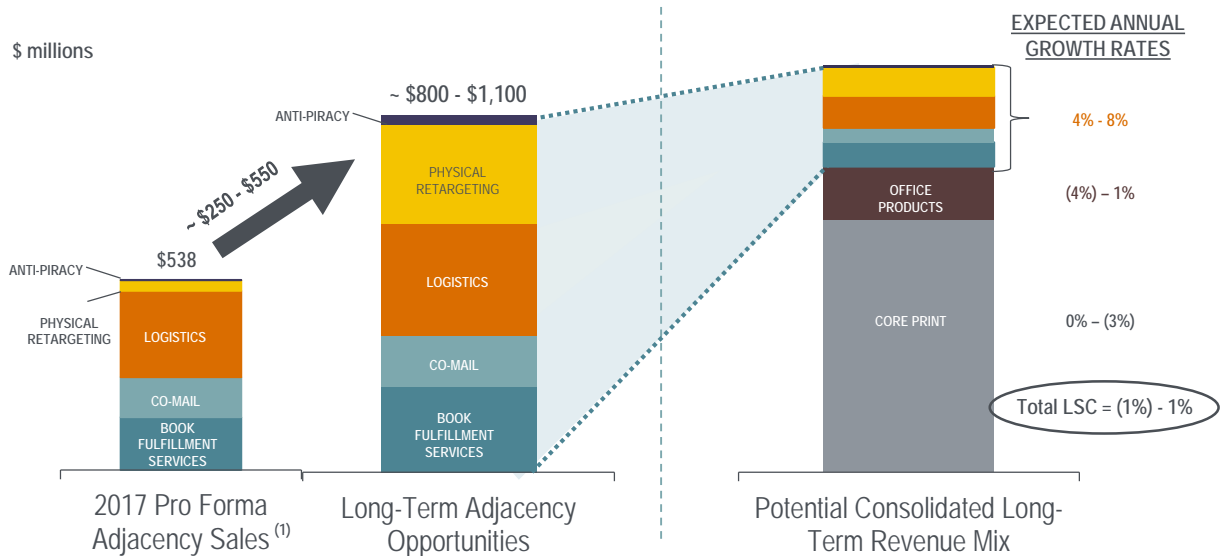
(1) *Printing Impressions, "Printing Impressions 400," December 2017*

(2) *Includes companies with primary specialties in book manufacturing, catalogs, directories, inserts and/or publications and periodicals*



# LSC Agencies Growth Strategy

## FULFILLMENT, LOGISTICS, CO-MAIL, AND PERSONALIZATION DRIVE EXPECTED GROWTH



## ADJAGENCY OPPORTUNITIES ALLOW FOR LONG-TERM GROWTH

(1) 2017 sales are pro forma for the impact of acquisitions



# LSC Communications Strategic Vision

## VALUE CREATION DRIVERS

- + Maintain and invest in solid core businesses
- + Leverage supply chain management, logistics and cooperative mailing capabilities to grow share with existing clients
- + Build on capabilities to personalize print and drive growth in physical retargeting
- + Continue to innovate and explore opportunities beyond the core to drive long-term growth and to diversify client base



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*Chairman & Chief Executive Officer*

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**Rick Lane**  
*Chief Strategy and Supply Chain Officer*

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*Chief Information Officer      EVP Publisher Services      SVP – Sales*

MAGAZINE

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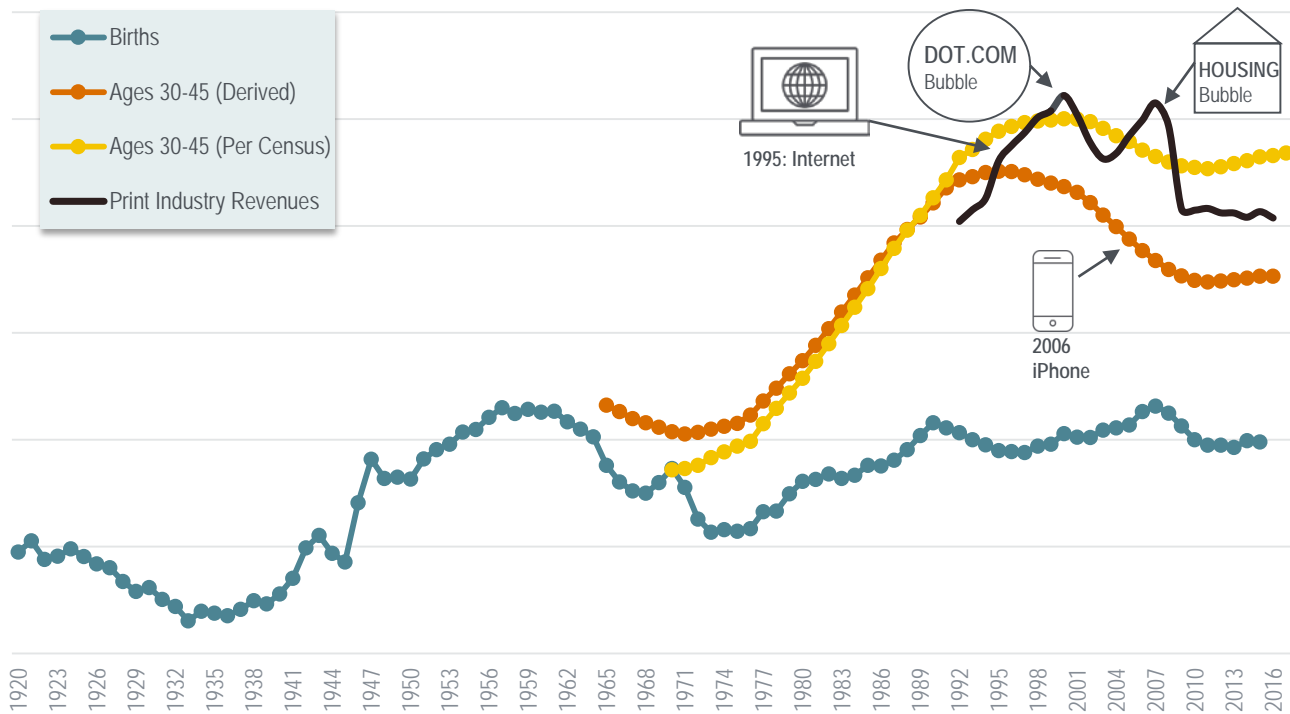
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*Chief Financial Officer*

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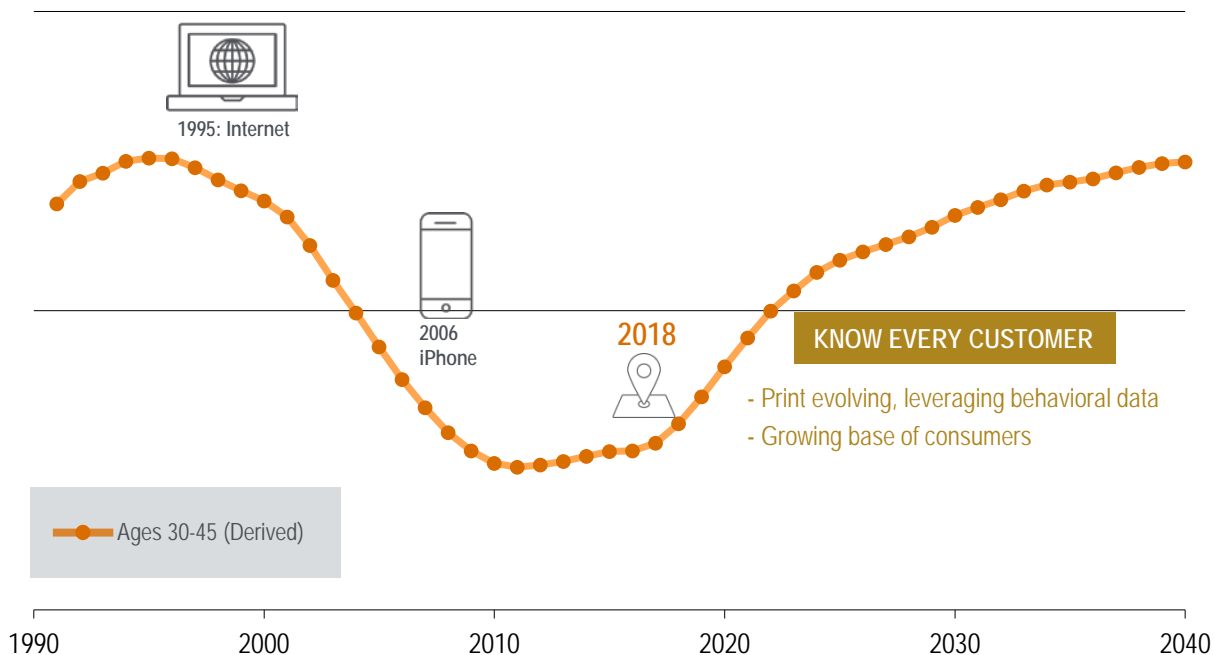
Thomas Quinlan  
*Chairman & Chief Executive Officer*



# Where We Have Been...



# Where We Are Going...





# Data and Processing Power Drive Change in Consumer Behavior and 360 Degree Marketing Strategies



**TC TechCrunch**

U.S. consumers now spend 5 hours per day on mobile devices

**The Miami Herald**

People still prefer print books over e-readers, tablets, and smartphones



**Forbes**

Hyper-Personalization Is About To Disrupt Three Major Industries

**PRINTING IMPRESSIONS**

Mass-Customized Magazines Now Possible Thanks to Inkjet Presses



**Forbes**

53% Of Companies Are Adopting Big Data Analytics



**WIRED**

Why the Internet of Things will Disrupt Everything



**ADWEEK**

Machine Learning will Help Publishers Drive Subscriptions & Understand Audience



**TC TechCrunch**

Augmented & Virtual Reality Market to Hit \$150B, Disrupting Mobile by 2020



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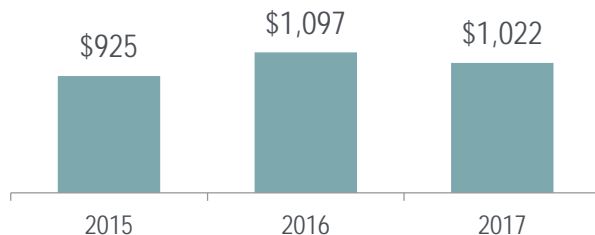


# Largest Book Producer and Service Provider in US

## DESCRIPTION

- + Book represents 33% of print segment sales and 28% of total sales in 2017
- + Clients include book publishers in the education, trade, religious and testing sectors
- + LSC prints for **all 10 of the top US book publishers** and 8 of the top 10 largest worldwide book publishers<sup>(1)</sup>
- + Well positioned to meet our book customers' specific needs, in terms of colors, page counts, trim size, binding styles and quantities
  - Consumer trade books are typically produced using either offset or digital printing processes, and are bound in a variety of formats
  - Educational books include softcover and traditional casebound textbooks utilized by primary and secondary school and college students, as well as workbooks, teachers' editions, and other formats
- + **Supply chain management offering** expected to continue to provide growth within Book platform

## NET SALES (\$MM)



## KEY CUSTOMERS



LSC PLATFORM PROVIDES SCALE AND COST SAVINGS FOR CUSTOMERS

<sup>(1)</sup> Source: "Publishers' Weekly" – February 2017

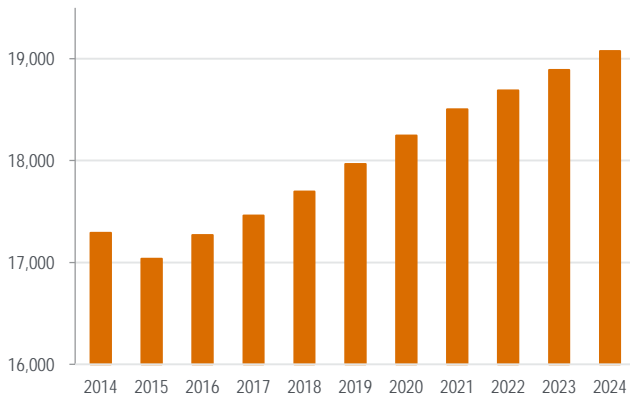


# Higher Ed Publisher Expectations

DIGITAL PRINT CAPABILITIES ABLE TO MATCH COSTS TO DEMAND IN HIGHER EDUCATION

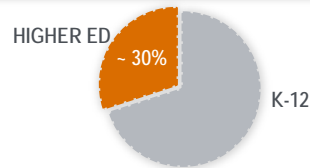
## HIGHER EDUCATION ENROLLMENT

Thousands of US students



Source: National Center for Education Statistics

## EDUCATIONAL BOOK MARKET<sup>(1)</sup>



## MARKET DRIVERS IMPACTING BOOK DEMAND

- + Student enrollment is **expected to grow 7%** between 2017-2022
- + Primarily e-formats but print remains an important complement
- + Focus on inventory management offers growth for short run digital print
- + Aggressive actions by publishers expected to reduce piracy impact – complements IntercepTag offering

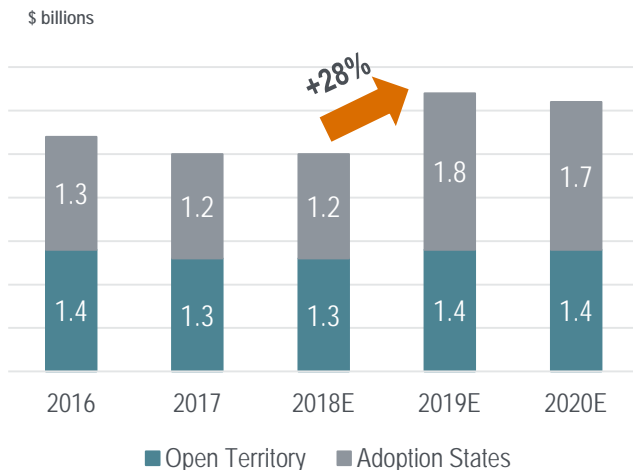
(1) LSC Communications management estimates



# K-12 Educational Publisher Expectations

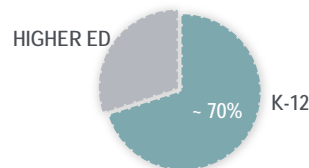
## K-12 BASAL UNDERLYING DEMAND EXPECTED TO GROW IN 2019

### EDUCATIONAL PUBLISHER REVENUE



Source: Houghton Mifflin Harcourt Q4 2017 Earnings Call (February 22, 2018)

### EDUCATIONAL BOOK MARKET<sup>(1)</sup>



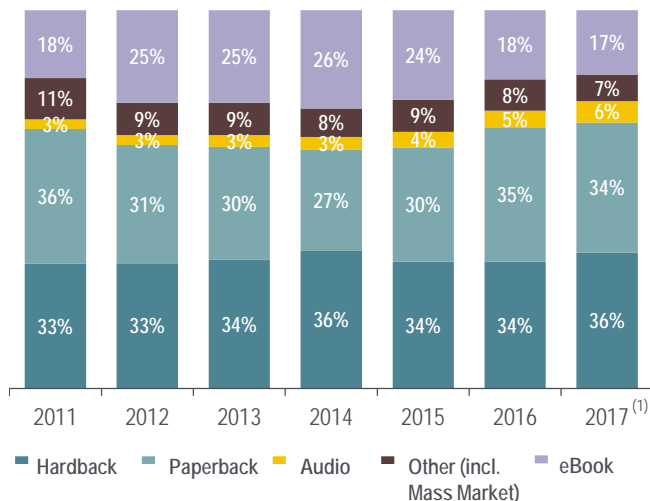
### MARKET DRIVERS IMPACTING BOOK DEMAND

- + Adoption States<sup>(2)</sup> Expectations
  - 2018: FL – Science (K-12)  
CA – Social Studies (K-8)
  - 2019: TX – English Language Arts (K-8)  
FL – Math (K-12)  
CA – Science and Social Studies (K-8)
  - 2020: TX – English Language Arts (K-8)  
FL – Math (K-12)  
CA – Science and Social Studies (K-8)
- + Open Territory<sup>(3)</sup>
  - State education expenditures expected to grow
  - Common Core program replacement approaching

(1) LSC Communications management estimates  
 (2) Adoption states = states in which school districts must purchase educational materials that have been "adopted" at the state level in order to qualify for state funding  
 (3) Open territories = states in which schools purchase educational materials independently

# Growing Print Trade Book Volume

## PUBLISHER TRADE BOOK REVENUE BY FORMAT



Source: Association of American Publishers, PIRA, PwC  
 (1) Represents market share for trade books as of 1H 2017

## KEY MARKET TRENDS

- + Hardback and Paperback segments both grew in 2017
- + eBook sales have plateaued and not expected to rise above 20% of total trade book revenues
- + Amazon is largest seller but resurgence of independent stores is helping to drive sales
- + LSC manufacturing platform is well suited to manage large runs of best sellers on offset equipment and short runs for inventory management on digital equipment
- + LSC services allows small and mid-size publishers variabilize their cost platform to manage volume swings
- + Dover Publishing (13<sup>th</sup> largest US publisher by units) is part of LSC allowing unique understanding of trade book market, customer needs and trends

*Trade book market expected to grow slightly faster than historic norms of + 1% <sup>(2)</sup>*

(2) LSC Communications management estimates

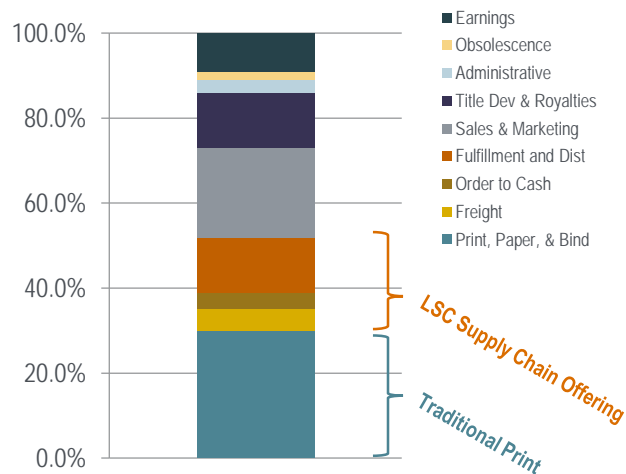


# Growth Opportunity: Supply Chain Services

## SUPPLY CHAIN SERVICES OFFERING

- + LSC has successfully operated its supply chain services offering for two years
- + Book fulfillment and other services currently being provided to over 50% of LSC's top book publisher clients
- + Traditional print platform represents ~ 30% of a publisher's typical cost structure<sup>(1)</sup>
- + By offering freight, order to cash, fulfillment, and distribution services, LSC is expanding its potential revenue streams
- + Book services represents ~ 15% of total LSC Book revenues

## ESTIMATED BOOK PUBLISHERS' COST STRUCTURE <sup>(1)</sup>



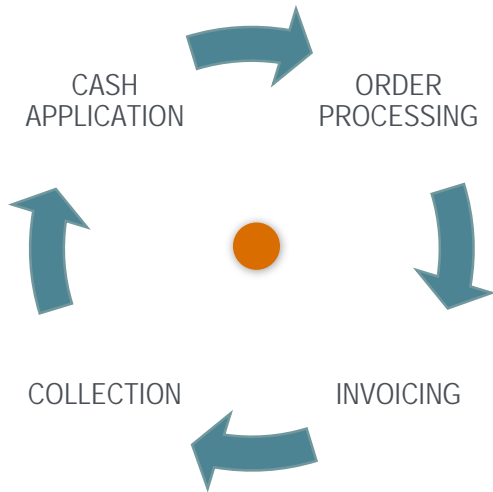
SUPPLY CHAIN SERVICES PROVIDE LSC THE OPPORTUNITY TO GROW WITH NEW AND EXISTING CLIENTS

<sup>(1)</sup> LSC Communications management estimates



# Growth Opportunity Example: Order to Cash

## WHAT IS ORDER TO CASH ?



## CLIENT BENEFITS

- + Allows publishers to convert fixed costs into variable costs
- + Permits publishers to focus more on their core business
- + Provides publishers access to state-of-the-art technology platform
- + Leverages existing LSC capabilities and expertise to create a scalable solution
- + Embeds LSC in clients' business operations





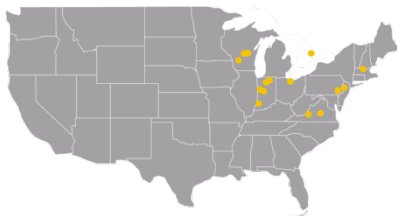
# Providing the Complete Range of Book Publisher Solutions

ALLOWS LSC TO PROVIDE UNIQUE SOLUTIONS THAT MORE NARROW COMPETITORS CANNOT EASILY DUPLICATE

## END-TO-END PRINT & SUPPLY CHAIN SERVICES



### SERVICE OFFERING SCALE



### TRADITIONAL BOOK PRODUCTION SCALE

- + 95 offset printing presses
- + 15 sheet-fed presses
- + 80 binding lines
- + Extensive component, finishing, packaging and logistics capabilities

### DIGITAL PRINT PLATFORM

- + Largest U.S. digital print platform for printing books
- + ~13 billion pages of capacity
- + Growing platform for quick-turn production
- + Platform for short-run markets (self-publishing)

### WAREHOUSING & FULFILLMENT

- + 4.1 million square ft. of warehouses
- + Full service offering includes:
  - High volume storage
  - Returns
  - Kitting

### CLIENT BENEFITS

- + Significant savings on paper and procurement costs
- + Cash flow improvements
- + Quicker fulfillment rates to customers
- + Increase in titles available for sale
- + Reduce total payroll costs
- + Fewer "out-of-stock" products
- + Less inventory obsolescence
- + Reduction in warehouse space



# Continue to Innovate New and Growing Existing Services

## VALUE CREATION STRATEGY

1

### LEVERAGE SCALE

- + Leverage scale as largest book printer and digital printing platform to create best in class quality and service model
- + Continue to consolidate the industry by pursuing acquisitions

2

### GROW REVENUE STREAMS

- + Expand services offering across book clients; primarily within fulfillment and distribution channels

3

### NEW REVENUE STREAMS

- + Grow Order to Cash offering and allow clients to focus on sales/marketing, acquisition, and editorial businesses
- + Continue to focus on technology innovations such as IntercepTag

4

### IMPROVE OPERATIONAL EFFICIENCY

- + Ongoing focus on plant rationalization process to keep capacity in line with demand
- + Leverage digital printing technology improvements to reduce cycle times and inventory
- + Continue to invest in state-of-the-art offset and digital equipment



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# Well Positioned to Drive Value for Clients Through Technology and Innovation

## LSC INNOVATION VALUE CREATION

### CLIENT CHALLENGES

DIGITAL MIGRATION

DATA VISIBILITY

VOLUME / COST PRESSURE

TECHNOLOGY ADOPTION



### LSC'S ADVANTAGE

- + Existing client base that includes largest publishers/retailers in their respective markets
- + Uniquely positioned to support both the digital and physical content supply chain
- + Scale that enables value-added and cost efficient innovation and solutions
- + Reputation as an industry leader for quality and innovation
- + Ability to attract partners to support bringing new solutions to the market

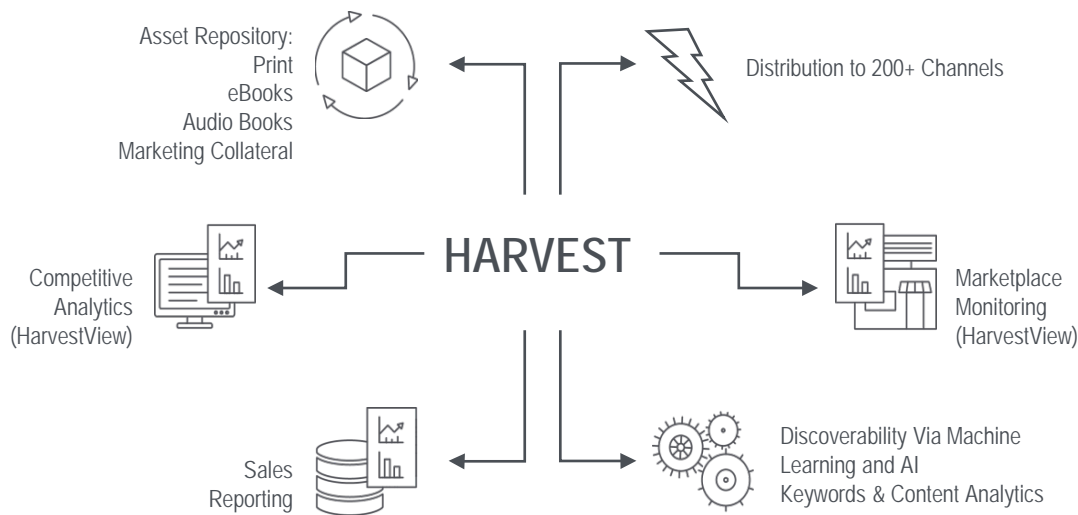
### INNOVATION EXAMPLES

- + Harvest / HarvestView
- + Keywords / AI
- + IntercepTag



# Harvest Product Suite: One Dashboard, All Publisher Activity

LSC UNIFIED PLATFORMS: ASSETS, DISTRIBUTION, AND ANALYTICS IN ONE VIEW



# HarvestView: Helping Publishers React in Real-Time

## MARKETPLACE MONITORING: DATA AGGREGATION FOR ACTIONABLE INTELLIGENCE

### COMPLIANCE

- + On sale compliance
- + Price compliance
- + Cover matching
- + Auto-correct compliance issues found in the market

### PREVENT LOST SALES

- + Be proactive – keep authors happy
- + Auto-correct issues

### ENGAGEMENT

- + Consumer engagement data
- + Trends and analytics
- + Download reports
- + Include sales data for business intelligence

### SAVE TIME

- + Track compliance and consumer engagement simultaneously

### COMPETITION

- + Aggregated market data for competitive analytics
- + Track pricing and engagement on similar books
- + Get recommended comps

### ACTIONABLE INTELLIGENCE

- + Sell and market smarter with aggregated data across the competitive landscape



# Helping Publishers Make Data-Informed Decisions



StoryFit<sup>(1)</sup>

## MACHINE LEARNING AND CONTENT ANALYTICS

- + Assists publishers to make smarter, data-informed decisions
- + Uses augmented intelligence and content analytics to rank keywords, then monitor and refine results
  - Drives increased discoverability
  - Applicable to both front and back list titles
- + The higher quality the metadata, the higher titles rank in consumer searches

(1) LSC Communications owns a minority interest in StoryFit and has a reseller agreement



# Machine Learning and AI for Keywords

## HOW IT WORKS

New Manuscript



Feature Analysis

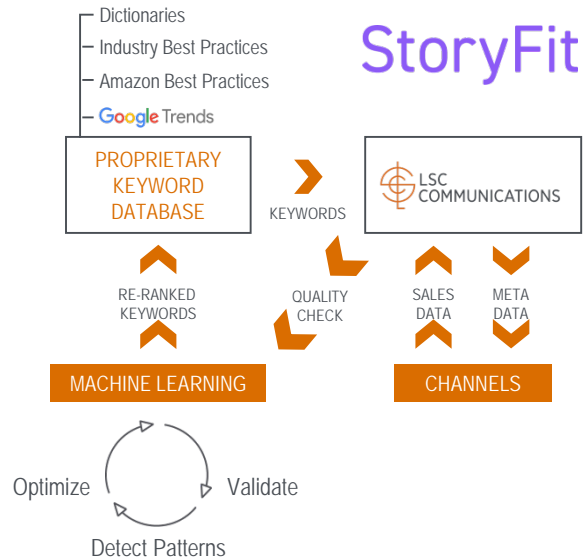


Feature examples:

- + N-grams (continuous sequences)
- + Sentiment values across the story
- + Readability score

## KEYWORD REFINEMENT

DELIVERED TO AMAZON – sci-fi fantasy, fantasy, action adventure, phenomenon, spaceships, outer space, planetary exploration, science fiction



HIGHER QUALITY METADATA



HIGHER THE TITLES RANK IN SEARCHES





# 71% of Titles Improved After 2 Months<sup>(1)</sup>

## Keywords Case Study

### SCENARIO

- + 100 Books – mostly published since 2013
- + Mixed genre fiction and narrative non-fiction
- + Data from 2 months of keywords
- + Most books had medium to strong sales the previous 2 months

### RESULTS

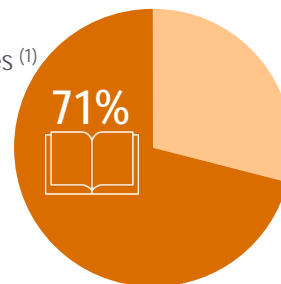
2017 Lift Due To Keywords:

- + Pre-keyword average weekly sales for 2017: \$44,713/week
- + Post-keyword average weekly sales for 2017: \$90,098/week



## 101% Increase in Sales Due to Keywords

Titles with improved sales <sup>(1)</sup>



StoryFit

OPPORTUNITY FOR PUBLISHERS TO MONETIZE TITLES - UNIVERSE OF 40 MILLION BACKLIST TITLES

<sup>(1)</sup> LSC Communications management estimates



# Creating Additional Data Streams to Address Publisher Challenges

## INTERCEPTAG: ANTI-PIRACY AND ANALYTICS PLATFORM

### VALUE PROPOSITION

- ▶ Addresses publisher's piracy challenges
  - + Books are easy to counterfeit
  - + Counterfeit product is easy to sell
  - + Consumer is indifferent to product authenticity
- ▶ IntercepTag is an industry-wide solution
  - + Books are assigned a unique Identifier
  - + Partnership with HP to leverage their success
  - + Open platform to unify the supply chain
- ▶ IntercepTag introduces the book to the Internet of Things
  - + Direct to reader engagement
  - + Seamlessly connect to digital companions

### INTERCEPTAG ECOSYSTEM



# IntercepTag Creates Mobility & Robust Data Analytics

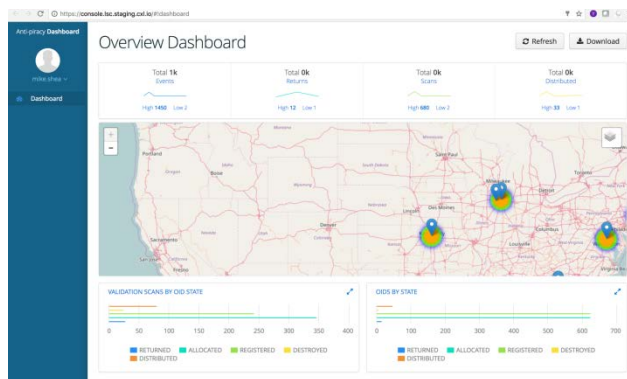
## MOBILE AUTHENTICATION

- + Mobile application (iOS and Android) enables scan authentication
- + Scan activity validates IntercepTag, analyzes tag features, calculates authenticity probability and delivers response
- + Response is based on image analysis of IntercepTag, not a simple pattern or ID match
- + Geo-location of scan captured for analytics – future roadmap to develop additional use case
- + Industrial, fixture based “validation station” developed for high volume return center authentication



## DASHBOARD / ANALYTICS

- + Units Registered
- + IntercepTag Scan activity
- + Distribution Events
- + Piracy Hot spots



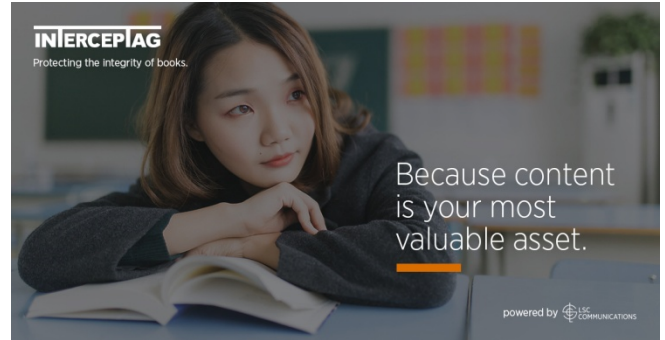
CREATES THE FOUNDATION FOR “KNOW YOUR CUSTOMER” ANALYTICS PLATFORM



# IntercepTag Leverages the LSC Platform

## LSC INTERCEPTAG AT SCALE

- + Volume growth – over 6 times YOY
  - 3 million units labeled to date
  - 20 million expected units by end of 2018
- + Capacity at scale
  - 10 Manufacturing plants
  - 2 Distribution warehouses
  - 60 million labels
- + Next steps
  - Channel partner engagement
  - Wholesalers, distributors, retailers



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*Chairman & Chief Executive Officer*

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**MAGAZINE**



**Rose James**  
*VP – Sales*

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John Coyle  
*Group President – Sales*

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*President – Logistics      VP – Operations*

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*Chief Financial Officer*

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Thomas Quinlan  
*Chairman & Chief Executive Officer*



# 75% of Magazine Brand Revenues are from Print Editions

## LSC MAGAZINE PLATFORM

- + 10 plants and numerous postal optimization centers
- + Long-run, short-run, digital, and commercial capabilities
- + Over 1,500 magazine clients
- + LSC prints over 5.3 billion magazines per year
- + ~ 5,000 employees



## MAGAZINE INDUSTRY STATISTICS

- + ~7,200 magazines circulated in the US<sup>(1)</sup>
  - Over 200 new magazines launched in 2017<sup>(1)</sup>
  - Approximately 35 magazines shut down in 2017<sup>(1)</sup>
- + ~221 million magazine readers in US<sup>(1)</sup>
  - 51.7 minutes: average time reader spends with print copy<sup>(2)</sup>
- + ~370 million retail unit sales<sup>(3)</sup> in 2016 = ~\$2B in revenue<sup>(3)</sup>
- + ~\$10 billion in US periodicals sub and sales revenue 2017<sup>(3)</sup>
- + Over 70% of Luxury Brand advertising is spent in print<sup>(4)</sup>
- + ~ \$30 billion in projected magazine publishing industry revenue 2018<sup>(1)</sup>
  - ~ \$15 billion in forecasted print magazine ad spend<sup>(1)</sup>
  - ~ \$5 billion in forecasted digital magazine ad spend<sup>(1)</sup>



- (1) The Statistics Portal – “Magazine Industry in the US”  
(2) Blueline by Domtar – “5 Stats on How Magazines Are Growing in 2017”  
(3) Folio – “Newsstand Sales Drop Another 12.4 Percent in 2016”  
(4) CNBC – “While the Advertising World Goes Digital, Some Brands are Still Sticking to Analogue Ads”

# From Consumer to Special Interest Titles

*LSC Serves The Complete Range of Magazines*

CONSUMER	LIFESTYLE/ ENTHUSIAST	FSI (FREE STANDING INSERT)	ASSOCIATION /JOURNALS	TRADE/B2B	CITY & REGIONAL
     	   	 	   	   	   

CLIENTS DEMAND SPEED AND COST EFFECTIVE DISTRIBUTION

LSC SCALE PROVIDES EFFICIENCIES AND NATIONAL PRESENCE

CLIENTS DEMAND BOUTIQUE ACCOMODATIONS AND FLEXIBILITY

LSC PROVIDES PERSONALIZATION AND LEVERAGE OF INDUSTRY

OFFSET / GRAVURE

- + Long Run production
- + Runs of 150k+



OFFSET

- + Short Run production
- + Runs of 30- 150k



OFFSET / DIGITAL

- + Ultrashort Run production
- + Runs less than 1k to 30k



# LSC is Aligned with the Future Path of Magazine Brands

## ROLE OF PRINT IN MAGAZINES FUTURE

- + Print still drives a large percentage of publishers' margins
- + Print brings credibility to content and advertisers
- + Programmatic Advertising causing concerns
- + New titles launch and find an ideal fit within the LSC Magazine platform.



## BRANDING / A FULL MEDIA PRESENCE

### New launches centered around the total community

- + Meredith partners with HGTV on new launch of The Magnolia Journal
- + Airbnbmag launches in 2017 based on on-line searches for hot destinations (Hearst/AirBnB)
- + The Pioneer Woman TV show launches magazine (Hearst/Food Network/Ree Drummond) in 2017, sells out first issue 150,000 copies, Spring of 2018 goes to 500,00 copies
- + After Disney, Meredith Corp is the No. 2 global brand licensor with a reported \$22.8 billion in revenue<sup>(1)</sup> under its exclusive licensing programs with Better Homes and Gardens real estate agencies, Walmart, and FTD

(1) Source: Licensing Magazine

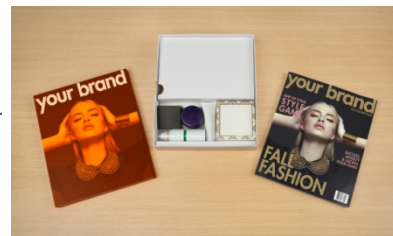




# Adding Value to Magazine Brands

## VALUE CREATION STRATEGY

- 1 **LEVERAGE SCALE**
  - + Increase focus within core magazine segment through acquisitions and strategic investment
  - + 2017 acquisitions added ~ 700 new magazine clients
- 2 **GROW REVENUE STREAMS**
  - + Expand products/services for publishers
    - Distribution: enhance mail co-services and newsstand distribution process
  - + Invest in distribution
    - Acquisition of Fairrington and The Clark Group
- 3 **ADD NEW REVENUE STREAMS**
  - + New and differentiated products/services for publishers
    - SubBoxes: \$40B industry 2017<sup>(1)</sup> (2,300 SubBox programs)
    - Premedia: cultivate services
    - Continuum: migrate sourced work, grow full-service client approach
    - E-commerce, event, and promotional products
- 4 **IMPROVE OPERATIONAL EFFICIENCY**
  - + Strive for perfect safety record
  - + Invest to drive automation and productivity improvement
  - + Ongoing focus on plant rationalization process to keep capacity in line with demand



LSC IS A LEADING TURNKEY SUBSCRIPTION BOX & KITTING SUPPLIER IN THE INDUSTRY



(1) 2017 Subscription Summit Press Release – February 28, 2017

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# LSC Provides Leading Catalog Solutions for Top Direct Marketing Companies

## LSC CATALOG PLATFORM

- + Produces catalogs for **8 out of the top 10** largest direct marketing catalog companies
- + 350+ clients with 80% under multi-year contracts
- + Largest client \$30mm+ annual sales which is < 5% portfolio
- + Six dedicated catalog plants and several consolidation facilities strategically located for speed to market and lower distribution costs

## SELECT CLIENTS



WILLIAMS  
SONOMA

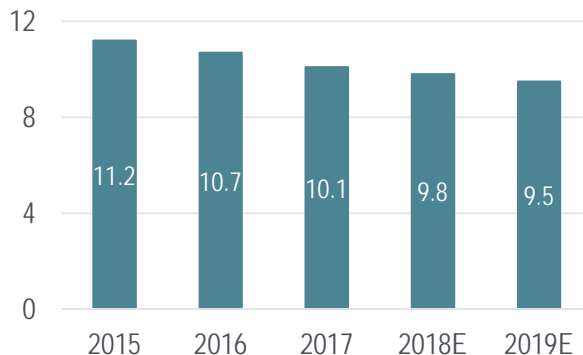


RH



## CATALOGS MAILED IN UNITED STATES <sup>(1)</sup>

Billions of catalogs



1. Source : 2018 RISI Inc. "Printing and Writing Paper End-Use Market Indicators"

"I don't see catalogs going away. it's still a core anchor of our brands. we believe in beautiful imagery and a tactile experience of turning pages."

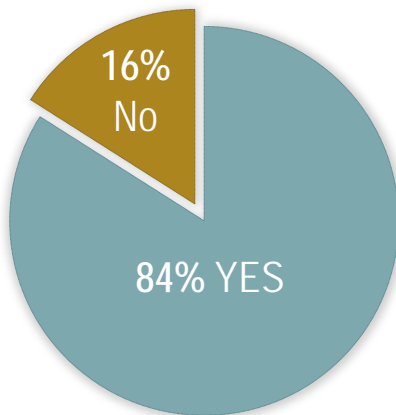
Felix Carbullido, CMO  
William Sonoma 12/17

"The catalog is alive and well in the digital age"

Multichannel Merchant,  
February 2018

# A Large Majority of Retailers Use Catalogs in Their Marketing Mix

## % of RETAILERS WHO USE CATALOGS



Source: Multichannel Merchant, February 2018

## LSC CLIENT INSIGHTS

"... the print catalog continues to serve as an important vehicle in its omnichannel marketing program"

- Harry and David, February 2018

"Our primary objective with the catalog is to drive customers to the site by providing inspirational and visual interest, communicating broad selection and great value."

- Monica Griffin, Senior Manager – Wayfair

"One of my clients sells to a young digitally-savvy demographic that is active on social media. We have experienced a lot of success acquiring new customers via the catalog. We plan to increase our catalog frequency and prospecting circulation in 2018."

- Tonya Hansel, Founder– Hansel Group Marketing, Inc.

"90% of the consumers surveyed use catalogs as tools to learn and get ideas about things that interest them."

- "What They Think," February 2016



# A Significant Incremental Sales Opportunity

## LSC Retargeting Capabilities

### PERSONALIZED PRINT PRODUCTION OVERVIEW

#### WHERE WE'VE BEEN ...

##### VERSIONING

100's of versions

- + Different versions by region, gender, and season
- + Custom promotions to test customers' response (~95% identical content, ~5% custom)
- + Cover with simple, targeted inkjet message; may include store location, page of interest, sales
- + LSC core offering for ~ 40 years



#### WHERE WE'RE GOING...

##### PHYSICAL RETARGETING

1000's of versions

- + Use shopper history to send fast follow-ups to increase conversion
- + Emerging use but growing appetite; also done as direct mail

##### VARIABLE PRINTING

1000's of versions

- + Use data-driven behavioral targeting for highly customized content
- + Limited use due to lack of sophisticated analytics, high cost but significant ROI

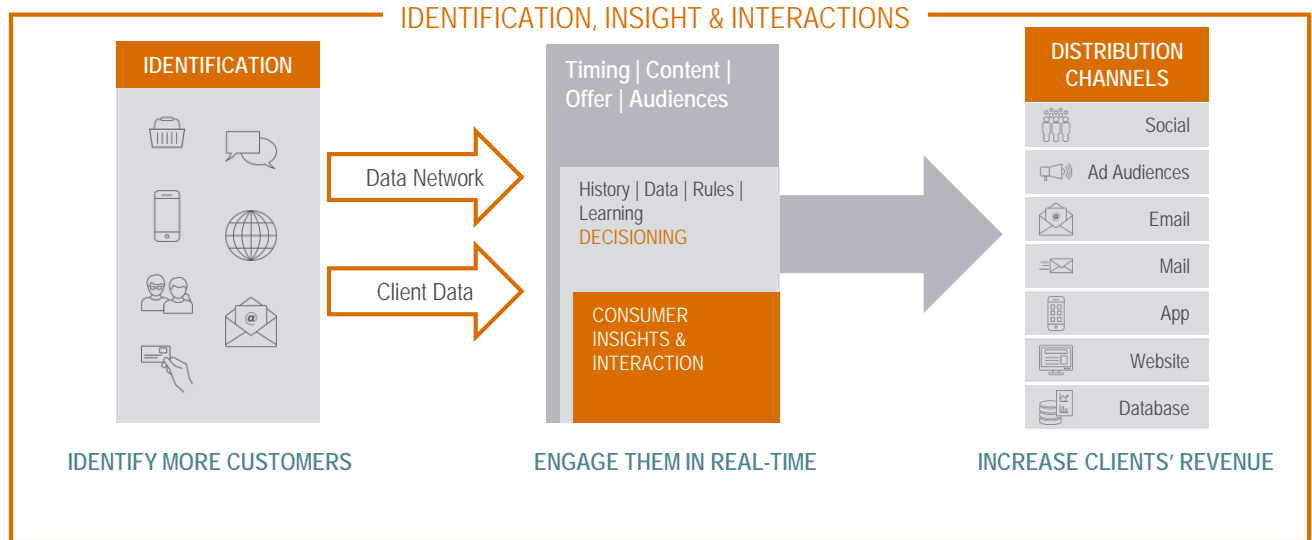
**SIGNIFICANT INCREMENTAL SALES OPPORTUNITY**

Less individualized

Completely individualized



# LSC Retargeting Capabilities Workflow



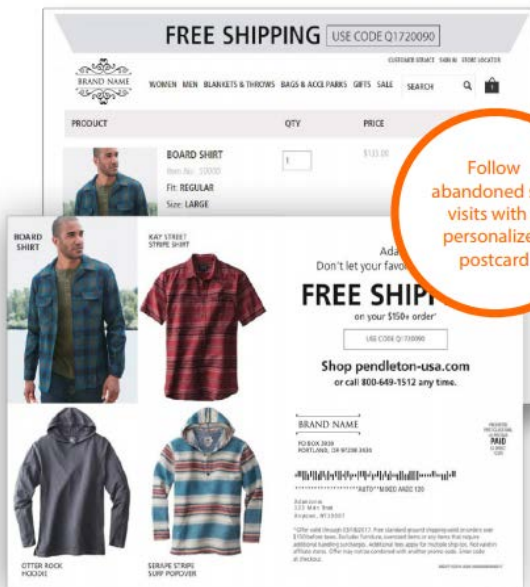
WEB BROWSING HISTORY AND ABANDONED SHOPPING DATA TO DRIVE PRINT AND MULTI-CHANNEL MARKETING CAMPAIGNS



# Turning Abandoned Shopping Cart Into Sales Results

## LSC Retargeting Technology

DRIVE CONSUMER BEHAVIOR



Follow abandoned site visits with a personalized postcard



TRACK SALES RESULTS



# Driving Growth Through Scale and New Technology

## VALUE CREATION STRATEGY

- |   |                                |   |
|---|--------------------------------|---|
| 1 | LEVERAGE SCALE                 | <ul style="list-style-type: none"><li>+ Strong client base with over 350 clients</li><li>+ Procurement advantage drives savings for clients</li><li>+ Redundancy, compliance, and disaster recovery provides clients reliable distribution channels</li></ul> |
| 2 | GROW REVENUE STREAMS           | <ul style="list-style-type: none"><li>+ Co-mail offering brings unique, best-in-class and significant cost savings to clients</li></ul>   |
| 3 | NEW REVENUE STREAMS            | <ul style="list-style-type: none"><li>+ Retargeting opportunity brings significant upside potential across Catalog platform</li><li>+ Voice recognition / AI platform builds personalization in catalog advertising channel</li></ul>                         |
| 4 | IMPROVE OPERATIONAL EFFICIENCY | <ul style="list-style-type: none"><li>+ Strive for perfect safety record</li><li>+ Invest to drive automation and productivity improvement</li><li>+ Ongoing focus on plant rationalization process to keep capacity in line with demand</li></ul>            |





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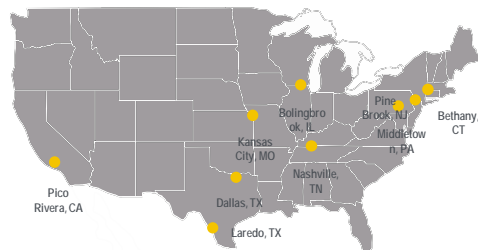


# Logistics Provides Key Value for LSC Print Clients

## LSC LOGISTICS BUSINESS <sup>(1)</sup>

- + Leading full-service logistics provider of value-added distribution, consolidation, transportation management, and international freight forwarding services to the print, publishing, and retail sectors
- + Network of distribution warehouses strategically situated to serve both national and regional customers throughout the US and internationally
- + Providing value to clients by consolidating freight and leveraging scale to significantly reduce costs
- + Leveraging existing infrastructure to support new avenues of growth including reverse logistics, small parcel business, pick pack and warehousing, and distribution for non-print clients
- + Offering logistics solutions by evaluating clients' supply chain inefficiencies and offering alternatives to reduce cost and improve delivery cycle time

## STRATEGICALLY LOCATED CONSOLIDATION CENTERS



- + *LSC is able to cost effectively reach 96% of the population within 2 days*
- + *All consolidation centers are within an 8 hour drive of an LSC print plant*

## STRATEGIC ADVANTAGES

- + Scalable platform provides significant opportunity for growth
- + Strategic acquisitions provide substantial synergy opportunities
- + Industry-leading on-time delivery performance
- + Experienced management teams with state-of-the-art systems to drive growth across a broad array of customer logistics requirements

<sup>(1)</sup> Logistics Services offering sales are reported within the Catalogs, Magazines, and Retail Inserts platform



# Full-Service Logistics Offering

LSC COMMUNICATIONS PROVIDES A COMPREHENSIVE SUITE OF VALUE-ADDED LOGISTICS SERVICES

## MAGAZINE AND BOOK RETAIL DISTRIBUTION

---

- + Newsstand distribution
- + End-to-end services
- + Direct entry
- + International freight forwarding
- + Book importation
- + Book distribution and return services

## REVERSE LOGISTICS

---

- + Retail store pickup
- + Carton and unit level sortation
- + Delivery consolidation
- + Inventory management
- + Track and Trace web portal from retail to final consignee



## CATALOG AND MAGAZINE MAIL DISTRIBUTION

---

- + Analytics and data processing
- + Consolidation
- + Direct USPS entry
- + Narrow time coordination delivery windows
- + Complete management and distribution for newspaper, magazine, and package inserts

## INTERNATIONAL SERVICES

---

- + Global freight forwarding
- + TSA approved indirect air carrier/certified screening center
- + Manage import and export processes



# Reverse Logistics Demand is Large and Growing

## REVERSE LOGISTICS INDUSTRY OVERVIEW

- + Retail sales in the U.S. totaled nearly \$4.7 trillion in 2015 with a median return rate of 8%, over \$375 billion of merchandise is returned annually <sup>(1)</sup>
- + An estimated 30%+ of goods purchased online are returned <sup>(1)</sup>; the explosive growth in e-commerce will force companies to develop solutions to allow customers to return merchandise efficiently

## LSC's INITIAL REVERSE LOGISTICS SOLUTION FOCUSES ON BOOK RETURNS

- + Regionally focused national supply chain solution for book distributors and retailers that streamlines the product return process back to original owner and reduces overall costs
- + Manage book returns to over 280 consignees from 6 regional distribution centers.
- + Processed more than 103 million pounds of book returns in 2017



LEVERAGE LSC INFRASTRUCTURE, DC NETWORK, AND EXPERTISE TO OFFER EFFICIENT REVERSE LOGISTICS SOLUTIONS FOR E-COMMERCE AND OTHER NON-PRINT COMMODITIES



# Co-Mail Service Offering Value Creation

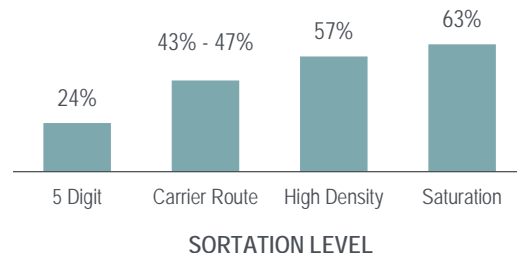
LSC'S SCALE ENABLES ITS CO-MAIL SERVICES OFFERING, WHICH COMBINES THE DISTRIBUTION OF PRINTED PUBLICATIONS IN AN EFFICIENT MANNER TO PROVIDE POSTAL SAVINGS

## Illustrative Cost Breakdown for Catalogers and Magazine Publishing Clients



Significant opportunity  
for savings through  
co-mail

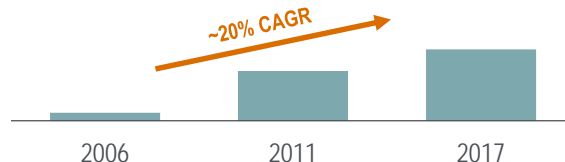
## Postal Savings Based on Sortation Level<sup>(2)</sup>



## LSC MAKES CONTINUED INVESTMENTS TO LOWER TOTAL COSTS TO CLIENTS

- + Continuing investments to grow capability and capacity in co-mail services to support future growth
- + Continued enhancement of mail-list optimization software
- + Investments in materials and distribution to enable customer efficiencies

## LSC's Growing Co-services Business<sup>(3)</sup>



Source: United States Postal Service

(1) Includes costs for paper, print & bind, and pre-media

(2) Cumulative savings versus piece rate cost for 3-Digit/SCF level. Based on postal rates for barcoded machinable flats for periodicals outside county

(3) Represents LSC's co-mail and co-bind units



# Co-Services Achieves The Best Postal Rates

USPS® Operations

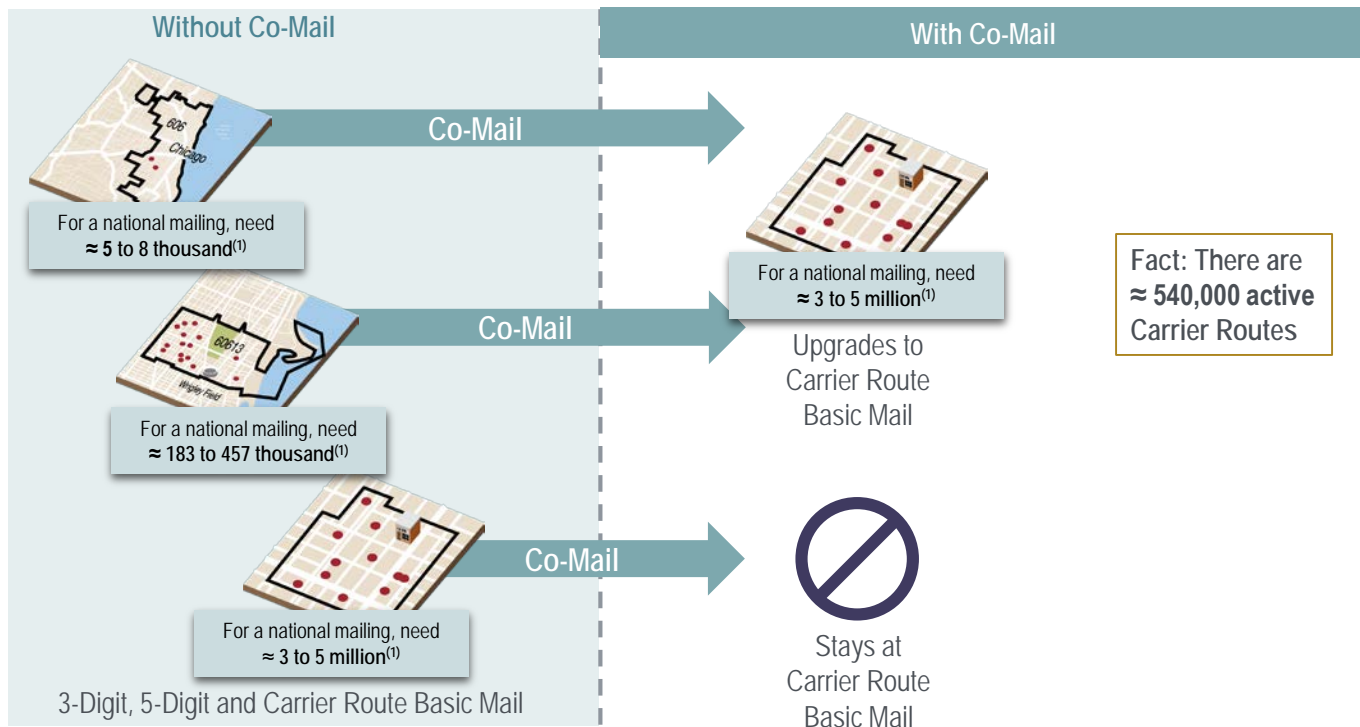
Sortation Level	3-Digit	5-Digit	Carrier Route Basic	Carrier Route High Density	Carrier Route Saturation
Mail Piece Address Representation					
Visual of Mail Density After Preparation By Mailer					
Minimum Required Density	6-10 People In Area	6-15 People In Area	6-10 People Within Carrier Route	≥ 125 People Within Carrier Route	75% of People Within Carrier Route
Postage Savings <sup>(1)</sup>	<div> <div>Worse Rates</div> <div>24%</div> <div>43% – 47%</div> <div>57%</div> <div>63%</div> <div>Better Rates</div> </div>				
Bundle Sortation	Always	Always	Sometimes	Sometimes	Sometimes
Piece Sortation	Always	Always	Never	Never	Never
Post Office Casing Mail	Never	Never	Never	Never	Never
	Always	Always	Always	Never	Never
Carrier Delivery					
Visual of Mail Within Carrier Routes After USPS Operations					



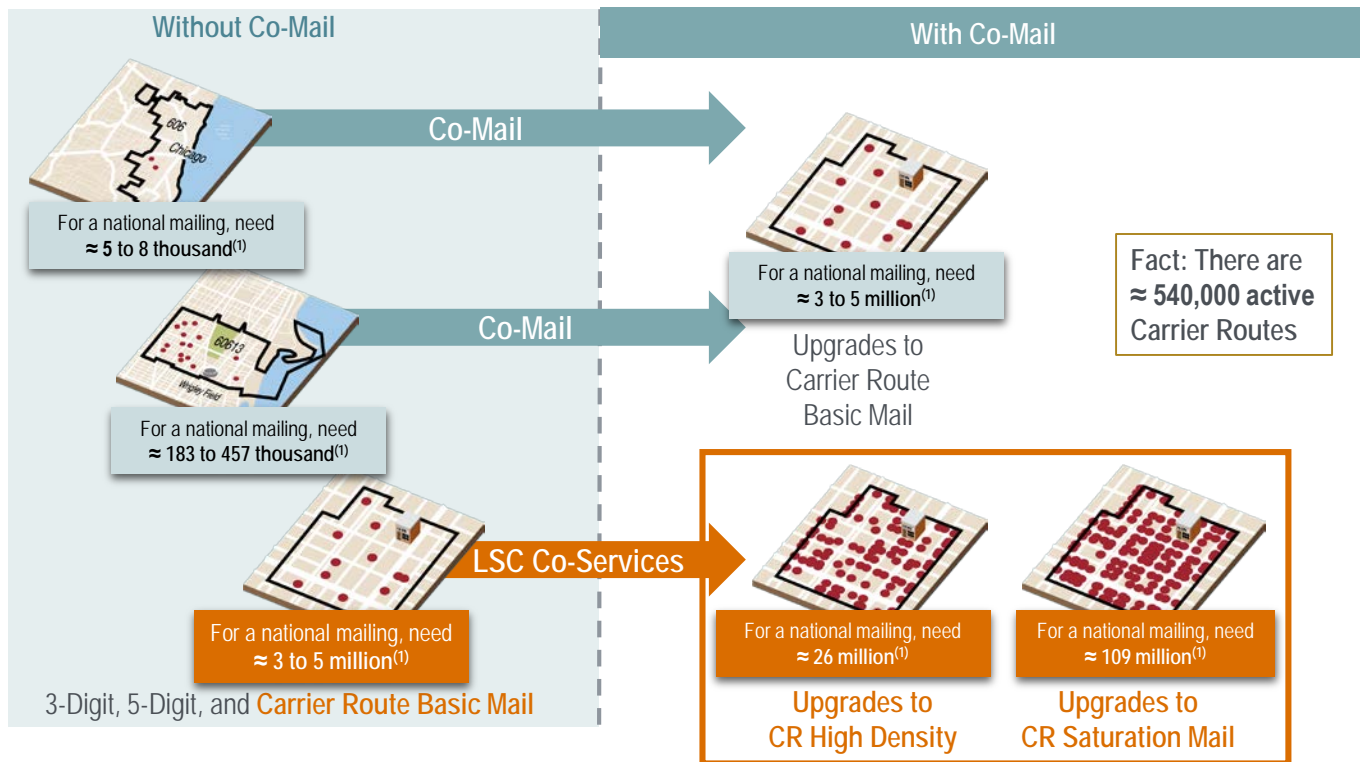
Source: United States Postal Service.

(1) Savings based on sortation level. Represents cumulative savings versus piece rate cost for 3-Digit/SCF level. Based on postal rates for Marketing Mail barcoded machinable flats < 4.0 oz.

# Traditional Co-Mail Solution



# LSC's Co-Services Solution Yields Higher Savings



Source: United States Postal Service

(1) Calculated using USPS February 2018 Labeling List and Delivery Statistics



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# Office Products Segment Overview

## SEGMENT SNAPSHOT

- + Office Products segment (14% of total revenues), produces a wide range of branded and private label products in five core categories: filing products, note-taking products, binder products, forms and envelopes
- + Customers include office superstores, office supply wholesalers, independent contract stationers, mass merchandisers and retailers and e-commerce resellers
- + Expanded offering with the acquisition of Quality Park in 2017 and Ampad, Oxford and Pendaflex brands through the acquisition of Esselte's North American operations in 2014

## KEY BRANDS & OFFERINGS

Filing Products	 Private Label
Envelopes	  Private Label
Note-taking Products	   Private Label
Binder Products	  Private Label
Forms	 Private Label

(1) See reconciliation of non-GAAP financials in appendix



## HISTORICAL FINANCIAL PERFORMANCE <sup>(1)</sup>



## SELECT CUSTOMERS

**STAPLES**

**ESSENDANT**  
BEYOND ESSENTIAL

**Walmart**  
Save money. Live better.

- Product placement at **8** of the top **10** retailers
- Services **4** of the top **10** eCommerce retailers
- **Top 5** supplies-vendor at both of the office supply superstores

# Expanding The Platform

## PROVEN TRACK RECORD

Office Products has a proven track record of:

- + Meeting and/or exceeding synergy targets
- + Leveraging scale and driving supply chain efficiencies
- + Consolidating manufacturing and distribution platforms
- + Expanding reach with customers and growing share

## NORTH AMERICAN OPERATING PLATFORM



## ACQUISITION HISTORY

- + 2008 Cardinal Brands
- + 2014 Esselte NA Operations
- + 2017 Quality Park
  - Background: leading producer of high quality envelopes, mailing supplies, and assorted packaging
  - Purchase Price: \$41 million
  - Approximate Annual Sales: \$110 million<sup>(1)</sup>
  - Strategic Rationale: Enhanced product portfolio growing overall share of wallet with key customers in addition to significant synergy opportunities



<sup>(1)</sup> Approximate annual sales represent 2017 pro forma sales for Quality Park

# Industry Market Trends & The LSC Advantage

## MARKET TRENDS

- + Margin compression – continued fallout from the E-commerce evolution
- + Electronic substitution – “Rise of the Virtual Office”

### Client Response Initiatives

	<u>Office Superstores</u>	<u>Wholesalers</u>	<u>Mass Merchandisers</u>	<u>E-Commerce</u>
Reduce inventory/increase turns	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Redefine the retail space	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Optimize product assortment (branded vs. private label)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Compete effectively in B2C E-commerce	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

## LSC'S ADVANTAGE

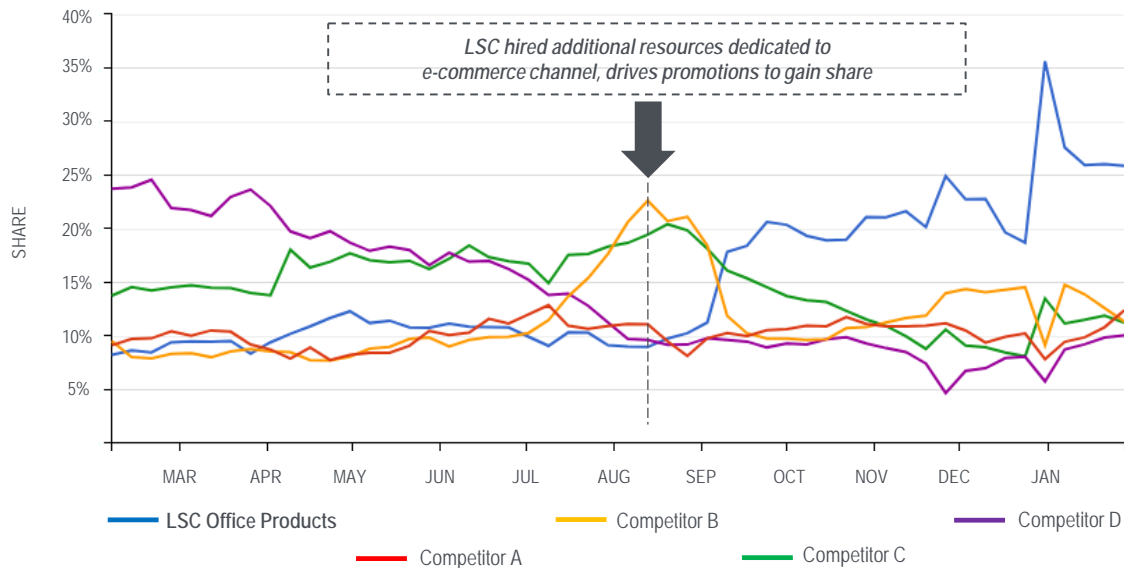
- + North American manufacturing and distribution platform providing **short product lead times** enabling greater inventory flexibility for our customers
- + **Low cost manufacturing** with robust branded and private label assortments to maximize resellers' margins
- + Investments in **new product development** and **acquisitions** allow opportunities for expansion across our categories and our customers' assortments



# LSC Office Products Gaining Share

## E-Commerce Case Study

### MARKET SHARE – LSC OFFICE PRODUCTS RELATED CATEGORIES (2017-2018)



AS CONTINUED DEMAND MIGRATES TO E-COMMERCE, LSC IS POSITIONING THE BUSINESS TO SUCCEED



(1) LSC Communications management estimates

# Creating Value Through Growth

## VALUE CREATION STRATEGY

1

LEVERAGE SCALE /  
DISCIPLINED M&A

- + Continue to benefit from economies of scale in production, materials procurement, logistics and distribution, and product design in both branded and private label offerings
- + Leverage scale and breadth of offerings to increase the quality of dialogue and level of contact at key customers

2

GROW SELECT  
EXISTING  
REVENUE STREAMS

- + Strategic acquisitions to expand scale and deepen penetration of segment
- + Focus on and grow offerings via online channels

3

NEW REVENUE  
STREAMS

- + Invest in new product development and make acquisitions to expand portfolio

4

IMPROVE OPERATIONAL  
EFFICIENCY

- + Continued materials innovation to reduce cost and improve performance of existing products
- + Focus on margin improvement through growth of branded products and enhancing premium brands



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INDUSTRY OVERVIEW AND LSC STRATEGY

Rick Lane

*Chief Strategy and Supply Chain Officer*

BOOK

Dave McCree

*President – Book/Directory*

Rajeev Balakrishna

*President – Publishing Group*

INNOVATION AND TECHNOLOGY

Dave Houck

*Chief Information Officer*

Bob Nelson

*EVP Publisher Services*

Michael Shea

*SVP – Sales*

MAGAZINE

Rose James

*VP – Sales*

CATALOG

John Coyle

*Group President – Sales*

LOGISTICS AND CO-MAIL

George Zengo

*President – Logistics*

Jonathan Williams

*VP – Operations*

OFFICE PRODUCTS

Jim Ellward

*President – Office Products*

**FINANCIAL REVIEW**



**Andrew Coxhead**

*Chief Financial Officer*

CLOSING REMARKS AND Q&A

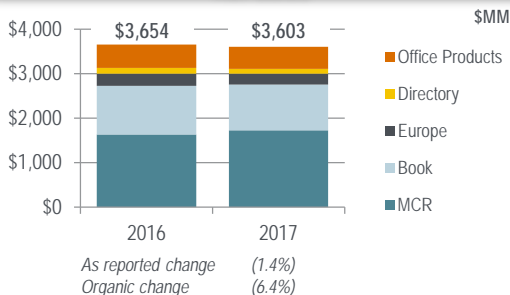
Thomas Quinlan

*Chairman & Chief Executive Officer*

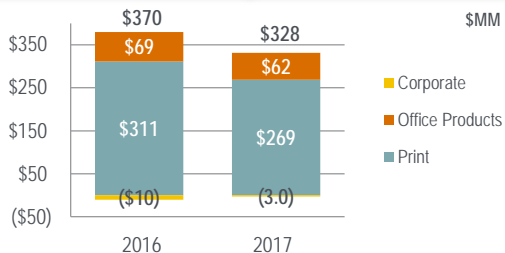


# 2017 Recap

## Net Sales



## Non-GAAP Adjusted EBITDA<sup>(1)</sup>



## 2017 DRIVERS

- + Education book sales significantly worse than expected with related impact on margin
- + Negative impact from retail store consolidation impacting Office Products and Retail Inserts sales
- + Partially offset by significant productivity and cost reduction efforts

## STRATEGIC ACTIONS

### Eight Acquisitions Since Spin-Off

- + Broaden service capabilities
  - Continuum, Hudson Yards, Fairrington, The Clark Group
- + Strengthen product offering
  - Publishers Press, NECI, Creel, Quality Park

### Investments

- + Co-mail capacity to meet customer demand for postal savings
- + Digital press capacity to address customer demand for shorter runs and quick turnaround to better manage inventory levels

### Innovation

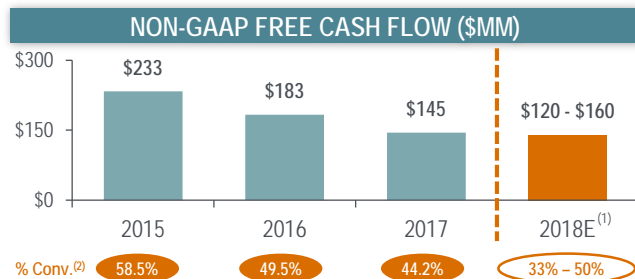
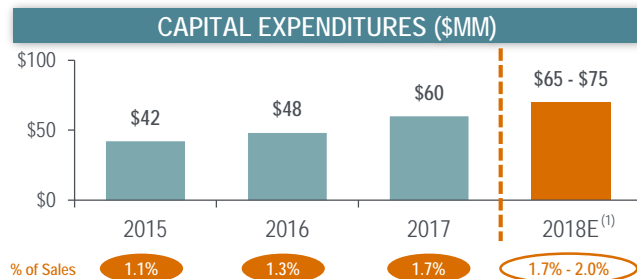
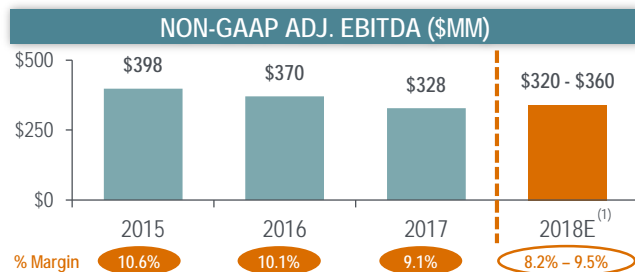
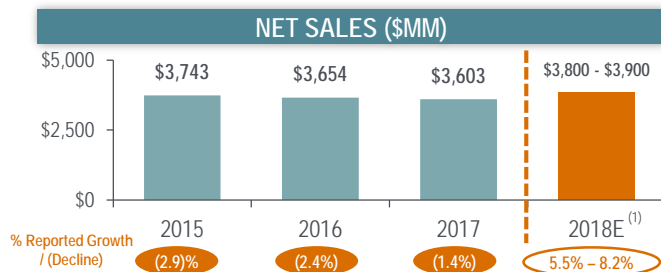
- + Developed and commercialized innovations to help solve customer problems
  - InterceptTag, book reverse logistics, physical retargeting

(1) Please refer to the Appendix for reconciliation of non-GAAP measures





# Financial Performance 2018 Expectations



Note: Historical cash flows do not reflect interest payments, standalone costs and includes allocation of pension income. 2015 net sales included \$184mm from the acquisition of Courier, representing net sales from close date of 6/8/2015 to 12/31/2015. See reconciliation of non-GAAP financials in appendix.

(1) Full year guidance as of Q4 2017 Earnings Call on February 22, 2018 and is not being reaffirmed here

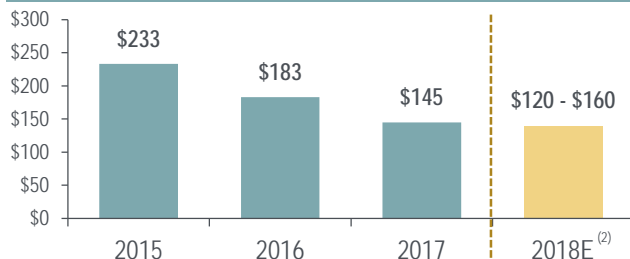
(2) Represents free cash flow as a percent of Non-GAAP Adj. EBITDA



# Strong Free Cash Flow Generation

## NON-GAAP FREE CASH FLOW<sup>(1)</sup> (\$MM)

2018 Guidance of \$120 - \$160 MM<sup>(2)</sup>



### Select Line Items:

Capex	(\$42)	(\$48)	(\$60)	(\$60 - \$65)
Interest <sup>(3)</sup>	\$1	(\$7)	(\$72)	(\$68 - \$72)
Carve-Out				
Pension Income <sup>(4)</sup>	\$22	\$28	\$ -	\$ -

## CASH FLOW HIGHLIGHTS

- + Disciplined approach to capital expenditures and cost management
- + Focus on capital efficiency driving strong cash flow conversion
- + Ability to pursue M&A transactions within targeted leverage range of 1.75x to 2.25x
- + Stable cash flows enable deleveraging to complement M&A strategy

## DIVIDEND HIGHLIGHTS

- + Current quarterly dividend of \$0.26 per share
- + 6.9% dividend yield<sup>(5)</sup>
- + Board of Directors approved share repurchase authorization of up to \$20 million of LSC common stock<sup>(6)</sup>

(1) Represents operating cash flow less capital expenditures

(2) Full year guidance as of 4Q 2017 Earnings Call on February 22, 2018 and is not being reaffirmed here

(3) Historical financials represent interest received, net of interest paid. 2018E reflects LSC guidance for net interest expense to flow through Income Statement

(4) For periods prior to 10/1/2016, represents only the portion of pension income that was allocated to LSC in carve out accounting as a result of the spin-off

(5) Dividend yield is calculated as the last quarter annualized dividend (\$1.04) per share divided by the closing LKSD stock price as of March 2, 2018

(6) On February 14, 2018 The Board of Directors approved an initial share repurchase authorization of up to \$20 million of common stock under which the Company may buy back LSC Communications' shares at its discretion from February 15, 2018 through August 15, 2019



# Sharp Focus on Cost Structure and Efficiency Improvement

## EXPERIENCED TEAM PROACTIVELY MANAGING FACILITY COSTS AND RATIONALIZATION PROCESS

### 2018 PRIORITIES

- + Focus on realization of acquisition synergies
- + Investment in automation
- + Focus on direct variable costs
- + Investment in information technology solutions
- + Streamlined administrative and overhead functions

### LSC'S FACILITY RATIONALIZATION PROCESS

#### Rationalization Considerations:

- + Evaluation of new business wins and upcoming RFPs
- + Utilize proven facility rationalization model to understand annual P&L savings
- + Real estate value as an offset to restructuring cost
- + Work to minimize customer disruption and need to move large presses / binding lines
- + Impact on distribution timing and cost
- + Time of year for potential closing
- + 14 facilities rationalized over last 6 years



# Capitalization

## DEBT AND LEVERAGE (\$MM) as of 12/31/2017

### Capitalization

Cash & Cash Equivalents	\$34
Term Loan Facility due Sept. 2022	\$306
8.75% Senior Secured Notes due Oct. 2023	450
Borrowings under Revolving Credit Facility	75
Capital Lease Obligations	3
Unamortized Debt Issuance Costs	(12)
<b>Total Debt</b>	<b>\$822</b>
Less: Current Portion	(123)
Total Long-Term Debt	699
<b>Net Debt</b>	<b>\$788</b>
Q4 2017 LTM Adj. EBITDA	\$328
Gross Leverage Ratio <sup>(1)</sup>	2.51x

Note: See reconciliation of non-GAAP financials in appendix

(1) In the twelve months ended December 31, 2017, the Company acquired The Clark Group (acquired November 28, 2017), Quality Park (acquired November 8, 2017), Publishers Press (acquired September 7, 2017), NECL, LLC (acquired August 21, 2017), CREEL (acquired August 17, 2017), Fairington (acquired July 28, 2017), and HudsonYards (acquired March 1, 2017). The leverage ratio calculation includes non-GAAP Adjusted EBITDA since the respective closing date of each acquisition, so does not include a full 12 months of non-GAAP Adjusted EBITDA

## TOTAL LIQUIDITY (\$MM) as of 12/31/2017

### Total Liquidity

Cash	\$34
Stated Amount of Revolving Credit Facility	\$400
Less: Availability Reduction from Covenants	-
Amount Available Under the Revolving Credit Facility	\$400
<b>Usage</b>	
Borrowings Under the Credit Agreement	75
Impact on Availability Related to Outstanding LoC	53
<b>Net Available Liquidity</b>	<b>\$306</b>

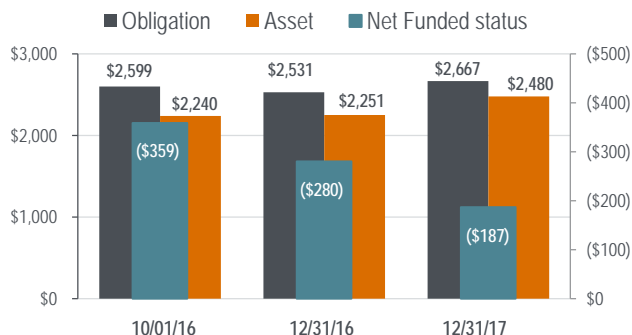
## PENSION PLANS (\$MM) as of 12/31/2017

	Qualified	Non-Qualified	Total
Benefit Obligation	\$2,572	\$95	\$2,667
Fair Value of Plan Assets	2,478	2	\$2,480
<b>Unfunded Status</b>	<b>(\$94)</b>	<b>(\$93)</b>	<b>(\$187)</b>



# Pension Plans Overview

## QUALIFIED & NON QUALIFIED PENSION PLANS (\$MM)



### Select Line Items:

Qualified Plan  
Funded Ratio<sup>(1)</sup>

89.5%

92.2%

96.3%

Cash  
Contribution

\$5

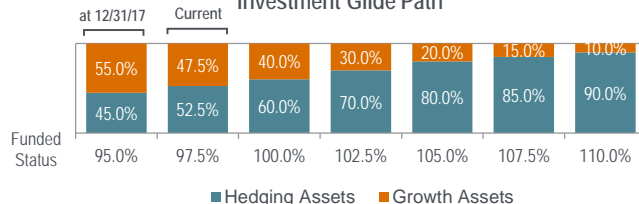
\$5

\$6

## DE-RISKING STRATEGY

- + US pension plans closed and frozen
- + Investment objective
  - Reduce funded status volatility
  - Growth assets being utilized to improve funded status
  - Continue de-risking until a full transfer of the obligation can be achieved
- + Investment philosophy
  - Qualified Plan obligation sensitive to changes in interest rates;
    - 100 bps increase in the discount rate decreases the obligation by \$290 million
    - 100 bps decrease in the discount rate increases the obligation by \$356 million
  - Manage assets with a liability driven investment structure to better match asset and liability performance

### Investment Glide Path



(1) Represents fair value of plan assets divided by benefit obligation for the qualified plans



# Financial Policy

LEVERAGE & LIQUIDITY	<ul style="list-style-type: none"> <li>+ Continuing to target 1.75x to 2.25x gross leverage<sup>(1)</sup></li> <li>+ Strong free cash flow<sup>(2)</sup> generation supports commitment to leverage target</li> <li>+ Combination of pre-payable and long term debt provides ability to efficiently pay down debt</li> </ul>
PENSION PLANS	<ul style="list-style-type: none"> <li>+ US pension plans closed and frozen</li> <li>+ De-risking actions and liability driven investment structure reduces funded status volatility while minimizing required contributions</li> </ul>
CAPITAL EXPENDITURES	<ul style="list-style-type: none"> <li>+ Approximately 1.5% to 2.0% of net sales</li> </ul>
MERGERS & ACQUISITIONS	<ul style="list-style-type: none"> <li>+ Selectively pursue strategic acquisitions</li> <li>+ Strategy governed by target leverage</li> </ul>
DIVIDEND POLICY	<ul style="list-style-type: none"> <li>+ Current quarterly dividend of \$0.26 per share</li> <li>+ Board of Directors to review dividend quarterly</li> </ul>

(1) Gross leverage defined as total debt / LTM non-GAAP adjusted EBITDA

(2) Free cash flow defined as net cash provided by operating activities less capital expenditures



# Full Year 2018 Guidance

	2018 Guidance <sup>(1)</sup>	2017 Actual <sup>(5)</sup>
Net Sales	\$3.8 - \$3.9 billion	\$3.6 billion
Non-GAAP Adjusted EBITDA <sup>(2)</sup>	\$320 - \$360 million	\$328 million
Depreciation and Amortization	\$135 - \$145 million	\$160 million
Interest Expense- Net	\$72 - \$76 million	\$72 million
Non-GAAP Effective Tax Rate	25% - 29%	30.4%
Capital Expenditures	\$65 - \$75 million	\$60 million
Free Cash Flow <sup>(3)</sup>	\$120 - \$160 million	\$145 million
Diluted Share Count <sup>(4)</sup>	Approximately 35 million	34.6 million

(1) Full year 2018 guidance as of Q4 2017 Earnings Call on February 22, 2018 and is not being reaffirmed here

(2) Consistent with historical guidance and presentation, non-GAAP adjusted EBITDA includes net pension income. Beginning in 2018, Accounting Standards Update No. 2017-07 requires companies to disaggregate the service cost component of net benefit cost from other components of net benefit cost and present the service cost component with other employee compensation costs. All other components of net benefit cost will need to be presented outside of income from operations. As a result, the Company expects to reclassify approximately \$49 million, \$46 million and \$45 million of net pension income for years ended 2018, 2017 and 2016, respectively, out of income from operations to a line item outside of income from operations, resulting in no impact to net income or non-GAAP adjusted EBITDA

(3) Free cash flow is defined as net cash provided by operating activities less capital expenditures

(4) This guidance assumes no shares are repurchased under the authorization approved by the Company's Board of Directors on February 15, 2018




(5) Please refer to the Appendix for reconciliation of non-GAAP measures

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



# Long-Term Revenue Outlook: Next 5 Years

## CORE OUTLOOK REFLECTS INDUSTRY DYNAMICS AND LSC COMPETITIVE POSITIONING

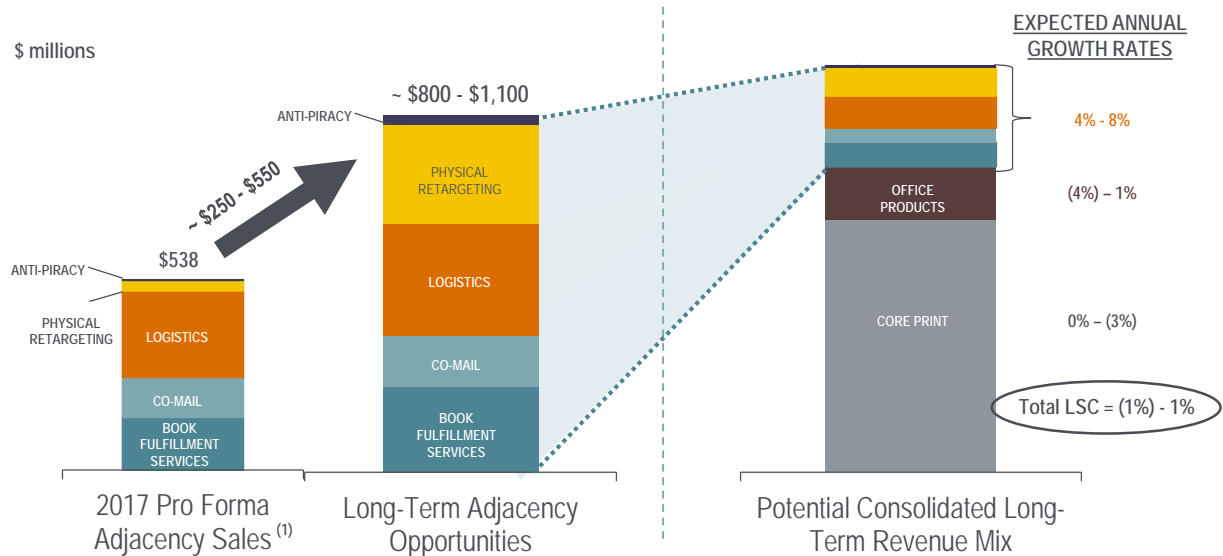
	% of 2017 Pro Forma Net Sales	Organic Growth Outlook	Commentary
Magazine, Catalog, Retail		■ (6%) to (1%)	<ul style="list-style-type: none"> <li>+ Ongoing shift in advertiser spend from print to electronic media</li> <li>+ Offset by growth from investment in co-mail, sourcing, and premedia</li> <li>+ Catalog demand is expected to decline less rapidly than retail inserts and magazine volume</li> </ul>
Books		■ (2%) to 3%	<ul style="list-style-type: none"> <li>+ Modest declines from ongoing electronic substitution</li> <li>+ Offset by growth from supply chain services</li> <li>+ Upside from innovation initiatives including Anti-Piracy and Channel Management</li> </ul>
Europe		■ (4%) to 1%	<ul style="list-style-type: none"> <li>+ Based on the mix of catalog, magazine, retail, and directory products along with premedia services</li> </ul>
Directory		■ (15%) to (10%)	<ul style="list-style-type: none"> <li>+ Rapid electronic substitution for these products is expected to continue</li> <li>+ Continuing to look for new revenue streams to offset decline</li> </ul>
Total Print Segment		■ (4%) to (1%)	
Office Products		■ (4%) to 1%	<ul style="list-style-type: none"> <li>+ Modest declines in demand for select office products</li> <li>+ Offset by growth in private label volume</li> <li>+ Ongoing inventory reduction</li> </ul>
Blended LSC Outlook:		■ (3%) to 0%	





# LSC Agencies Growth Strategy

## FULFILLMENT, LOGISTICS, CO-MAIL, AND PERSONALIZATION DRIVE EXPECTED GROWTH



## ADJAGENCY OPPORTUNITIES ALLOW FOR LONG-TERM GROWTH

(1) 2017 sales are pro forma for the impact of acquisitions



# Investor Meeting Agenda

WELCOME AND INTRODUCTION

INDUSTRY OVERVIEW AND LSC STRATEGY

BOOK

INNOVATION AND TECHNOLOGY

MAGAZINE

CATALOG

LOGISTICS AND CO-MAIL

OFFICE PRODUCTS

FINANCIAL REVIEW

Thomas Quinlan

*Chairman & Chief Executive Officer*

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*SVP – Sales*

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John Coyle

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Andrew Coxhead

*Chief Financial Officer*

CLOSING REMARKS AND Q&A



Thomas Quinlan

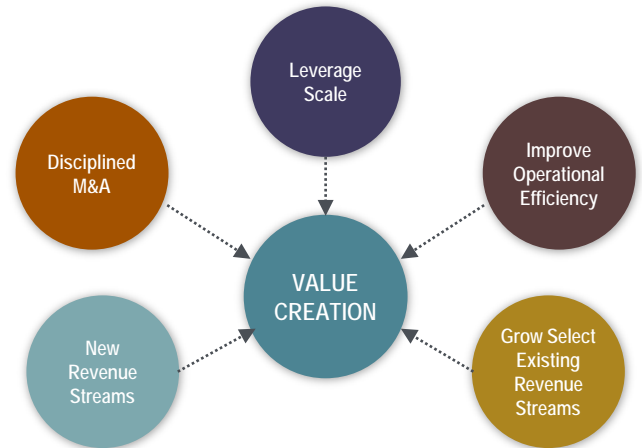
*Chairman & Chief Executive Officer*



# Our Value Creation is Our Competitive Advantage

## SHAREHOLDER VALUE CREATION STRATEGY

- + Maintain and invest in solid core businesses
- + Leverage supply chain management, logistics and cooperative mailing capabilities to grow share with existing clients
- + Build on capabilities to personalize print and drive growth in physical retargeting
- + Continue to innovate and explore opportunities beyond the core to drive long-term growth and to diversify client base



# Q & A

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# Appendix

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# NON-GAAP FINANCIAL MEASURES

(\$ millions)

## Total LSC Communications

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	FY 2017	FY 2016	FY 2015
Net sales	\$999	\$935	\$848	\$821	\$919	\$3,603	\$3,654	\$3,743
GAAP Net income (loss)	(58)	(3)	5	(1)	9	(57)	106	74
Restructuring, impairment and other charges, net	42	60	21	6	7	129	18	57
Separation-related transaction expenses	-	1	2	1	4	4	5	-
Pension settlement charge	-	-	-	-	-	-	1	-
Acquisition-related expenses	2	2	1	-	-	5	-	14
Purchase accounting inventory adj.	(2)	1	-	-	-	(1)	-	11
Loss on debt extinguishment	3	-	-	-	-	3	-	-
Depreciation and amortization	42	39	39	40	41	160	171	181
Interest expense / (income)-net	20	19	16	17	18	72	18	(3)
Income tax expense (benefit)	36	(23)	(2)	2	1	13	51	64
<b>Non-GAAP Adjusted EBITDA</b>	<b>\$85</b>	<b>\$96</b>	<b>\$82</b>	<b>\$65</b>	<b>\$80</b>	<b>\$328</b>	<b>\$370</b>	<b>\$398</b>
Non-GAAP Adjusted EBITDA margin	8.5%	10.3%	9.7%	7.9%	8.7%	9.1%	10.1%	10.6%
Net cash provided by operating activities	\$147	(\$20)	\$14	\$64	\$95	\$205	\$231	\$275
Capital expenditures	(9)	(15)	(15)	(21)	(13)	(60)	(48)	(42)
<b>Free cash flow</b>	<b>\$138</b>	<b>(\$35)</b>	<b>(\$1)</b>	<b>\$43</b>	<b>\$82</b>	<b>\$145</b>	<b>\$183</b>	<b>\$233</b>



# NON-GAAP FINANCIAL MEASURES (Cont'd)

(\$ millions)

## Print Segment

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	FY 2017	FY 2016	FY 2015
Magazines, catalogs and retail inserts	\$521	\$448	\$378	\$383	\$441	\$1,730	\$1,632	\$1,807
Book	245	276	262	239	256	1,022	1,097	925
Europe	67	68	56	56	63	247	272	305
Directories	23	27	27	32	29	109	126	144
<b>Net sales</b>	<b>\$856</b>	<b>\$819</b>	<b>\$723</b>	<b>\$710</b>	<b>\$789</b>	<b>\$3,108</b>	<b>\$3,127</b>	<b>\$3,181</b>
Income from operations	(7)	(10)	22	12	27	17	141	96
Depreciation and amortization	37	35	36	35	37	143	155	164
Restructuring, impairment and other charges, net	39	58	6	5	6	108	15	53
Purchase accounting inventory adjustments, net	-	1	-	-	-	1	-	11
<b>Non-GAAP Adjusted EBITDA</b>	<b>\$69</b>	<b>\$84</b>	<b>\$64</b>	<b>\$52</b>	<b>\$70</b>	<b>\$269</b>	<b>\$311</b>	<b>\$324</b>
Non-GAAP Adjusted EBITDA margin	8.1%	10.3%	8.9%	7.3%	8.9%	8.7%	9.9%	10.2%

## Office Products Segment

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	FY 2017	FY 2016	FY 2015
<b>Net sales</b>	<b>\$143</b>	<b>\$116</b>	<b>\$125</b>	<b>\$111</b>	<b>\$130</b>	<b>\$495</b>	<b>\$527</b>	<b>\$562</b>
Income from operations	10	11	12	9	16	42	54	47
Depreciation and amortization	4	4	3	4	3	15	15	16
Restructuring, impairment and other charges, net	3	-	-	1	-	4	-	4
Purchase accounting inventory adjustments, net	1	-	-	-	-	1	-	-
<b>Non-GAAP Adjusted EBITDA</b>	<b>\$18</b>	<b>\$15</b>	<b>\$15</b>	<b>\$14</b>	<b>\$19</b>	<b>\$62</b>	<b>\$69</b>	<b>\$67</b>
Non-GAAP Adjusted EBITDA margin	12.6%	12.9%	12.0%	12.6%	14.6%	12.5%	13.1%	11.9%



# ORGANIC GROWTH RATES

(\$ millions)	Magazines, Catalogs, and Retail Inserts	Books	Europe	Directories	Total Print	Total Office Products	Total LSC
<b>Q4 2016 Net Sales as Reported</b>	\$ 441	\$ 256	\$ 63	\$ 29	\$ 789	\$ 130	\$ 919
<b>Adjustments<sup>(1)</sup></b>	109	-	-	-	109	32	141
<b>Q4 2016 Net Sales Pro Forma</b>	\$ 550	\$ 256	\$ 63	\$ 29	\$ 898	\$ 162	\$ 1,060
<b>Q4 2017 Net Sales as Reported</b>	\$ 521	\$ 245	\$ 67	\$ 23	\$ 856	\$ 143	\$ 999
<b>Adjustments<sup>(1)</sup></b>	8	-	-	-	8	9	17
<b>Q4 2017 Net Sales Pro Forma</b>	\$ 529	\$ 245	\$ 67	\$ 23	\$ 864	\$ 152	\$ 1,016
<i>As Reported % Change</i>	18.1%	-4.3%	6.3%	-20.7%	8.5%	10.0%	8.7%
<i>Pro Forma % Change</i>	-3.8%	-4.3%	6.3%	-20.7%	-3.8%	-6.2%	-4.2%
<b>Non-GAAP Adjustments:</b>							
Impact of pass-through paper sales	0.2%	-0.8%	0.0%	-10.3%	-0.4%	0.0%	-0.4%
Impact of changes in foreign exchange rates	0.4%	0.0%	11.1%	0.0%	1.0%	0.0%	0.8%
<b>Q4 2017 Organic % Change<sup>(3)</sup></b>	<b>-4.4%</b>	<b>-3.5%</b>	<b>-4.8%</b>	<b>-10.4%</b>	<b>-4.4%</b>	<b>-6.2%</b>	<b>-4.6%</b>
<b>FY 2016 Net Sales as Reported</b>	\$ 1,632	\$ 1,097	\$ 272	\$ 126	\$ 3,127	\$ 527	\$ 3,654
<b>Adjustments<sup>(2)</sup></b>	444	-	-	-	444	137	581
<b>FY 2016 Net Sales Pro Forma</b>	\$ 2,076	\$ 1,097	\$ 272	\$ 126	\$ 3,571	\$ 664	\$ 4,235
<b>FY 2017 Net Sales as Reported</b>	\$ 1,730	\$ 1,022	\$ 247	\$ 109	\$ 3,108	\$ 495	\$ 3,603
<b>Adjustments<sup>(2)</sup></b>	243	-	-	-	243	95	338
<b>FY 2017 Net Sales Pro Forma</b>	\$ 1,973	\$ 1,022	\$ 247	\$ 109	\$ 3,351	\$ 590	\$ 3,941
<i>As Reported % Change</i>	6.0%	-6.8%	-9.2%	-13.5%	-0.6%	-6.1%	-1.4%
<i>Pro Forma % Change</i>	-5.0%	-6.8%	-9.2%	-13.5%	-6.2%	-11.1%	-6.9%
<b>Non-GAAP Adjustments:</b>							
Impact of pass-through paper sales	0.1%	-1.9%	0.0%	-7.1%	-0.8%	0.0%	-0.7%
Impact of changes in foreign exchange rates	0.0%	0.0%	4.0%	0.0%	0.3%	0.0%	0.2%
<b>FY 2017 Organic % Change<sup>(3)</sup></b>	<b>-5.1%</b>	<b>-4.9%</b>	<b>-13.2%</b>	<b>-6.4%</b>	<b>-5.7%</b>	<b>-11.1%</b>	<b>-6.4%</b>

<sup>(1)</sup> Adjusted for net sales of acquired businesses: For the three months ended December 31, 2017, the adjustments for net sales of acquired businesses reflect the net sales of The Clark Group ("Clark Group") (acquired November 29, 2017) and Quality Park (acquired November 9, 2017). For the three months ended December 31, 2016, the adjustments for net sales of acquired businesses reflect the net sales of Publishers Press (acquired September 7, 2017), NECI, LLC ("NECI") (acquired August 21, 2017), CREEL Printing ("CREEL") (acquired August 17, 2017), and Fairrington Transportation Corp., F.T.C. Transport, Inc. and F.T.C. Services, Inc. ("Fairrington") (acquired July 28, 2017), HudsonYards Studios ("HudsonYards") (acquired March 1, 2017) and Continuum

<sup>(2)</sup> Adjusted for net sales of acquired businesses: For the twelve months ended December 31, 2017, the adjustments for net sales of acquired businesses reflect the net sales of Clark Group (acquired November 29, 2017), Quality Park (acquired November 9, 2017), Publishers Press (acquired September 7, 2017), NECI (acquired August 21, 2017), CREEL (acquired August 17, 2017), Fairrington (acquired July 28, 2017), and HudsonYards (acquired March 1, 2017). For the twelve months ended December 31, 2017, the adjustments for net sales of acquired businesses reflect the net sales of Continuum (acquired December 2, 2016), in addition to the acquisitions noted above.

<sup>(3)</sup> Adjusted for net sales of acquired businesses, the impact of changes in FX rates and pass-through paper sales.





