



DFIN Reports Second-Quarter 2023 Results

CHICAGO – August 2, 2023 – Donnelley Financial Solutions, Inc. (NYSE: DFIN) (the “Company” or “DFIN”) today reported financial results for the second quarter of 2023.

Highlights:

- Total net sales of \$242.1 million and net earnings of \$37.7 million, or \$1.24 per diluted share.
- Record quarterly software solutions net sales of \$75.7 million, an increase of 5.7%, or 7.9% on an organic basis^(a), from the second quarter of 2022.
- Adjusted EBITDA^(a) of \$74.3 million and Adjusted EBITDA margin^(a) of 30.7%, down 30 basis points from the second quarter of 2022.
- Non-GAAP gross leverage of 1.1x and non-GAAP net leverage of 1.0x.
- During the second quarter, the Company repurchased 42,987 shares for \$1.9 million at an average price of \$43.59 per share. As of June 30, 2023, the remaining share repurchase authorization was \$121.1 million.

(a) Organic net sales, Adjusted EBITDA, and Adjusted EBITDA margin are non-GAAP financial measures that exclude the impact of certain items noted in the reconciliation tables below. The tables below provide reconciliations to the most comparable GAAP measures.

“We are pleased with our second-quarter results, including the acceleration of software solutions net sales, which resulted in record quarterly net sales in software solutions. Total software solutions net sales increased 5.7%, or 7.9% on an organic basis, compared to the second quarter of 2022, with growth in both our recurring compliance and transactional software offerings exceeding the trend from the last several quarters. Recurring compliance software featuring ActiveDisclosure and Arc Suite delivered net sales growth of approximately 9% in aggregate. Venue net sales grew nearly 9% in the second quarter, significantly outpacing the market for its primary use case, mergers and acquisitions. Additionally, the demand for our capital markets traditional compliance offering remained robust during this year’s peak filing season, enabling us to exceed last year’s very strong second-quarter compliance sales,” said Daniel N. Leib, DFIN’s president and chief executive officer.

Leib continued, “Our results in the second quarter further demonstrate our ability to sustainably operate at a higher level of profitability in challenging market conditions. We delivered an Adjusted EBITDA margin of 30.7% in the second quarter, despite a nearly 40% reduction in transactional revenue driven by the ongoing weakness in the capital markets transactions environment. Our strong margin performance in the quarter reflects the combination of our ongoing migration to a more favorable sales mix, permanent reductions to our cost structure, and operating efficiencies, while also investing to drive recurring revenue growth.”

“As we enter the second half of the year, we are pleased with the momentum in our software solutions net sales and believe we are well positioned for future growth. Further, we are encouraged by the level of capital markets transactional activity so far in the third quarter, a continuation of the improvement we saw in June.” Leib concluded.

Net Sales

Net sales in the second quarter of 2023 were \$242.1 million, a decrease of \$24.1 million, or 9.1% (a decrease of 8.3% on an organic basis), from the second quarter of 2022. Net sales decreased primarily due to lower capital markets transactional volumes, which decreased approximately \$28.1 million year-over-year, and the impact of the EdgarOnline disposition, partially offset by higher software solutions net sales in Arc Suite, Venue, and ActiveDisclosure.

Net Earnings

For the second quarter of 2023, net earnings were \$37.7 million, or \$1.24 per diluted share, as compared to \$46.0 million, or \$1.42 per diluted share, in the second quarter of 2022. Net earnings in the second quarter of 2023 included after-tax charges of \$2.9 million, or \$0.10 per diluted share, primarily related to share-based compensation expense, partially offset by a credit in restructuring, impairment and other charges, net. Net earnings in the second quarter of 2022 included after-tax charges of \$3.9 million, or \$0.12 per diluted share, primarily related to share-based compensation expense.

Adjusted EBITDA and Non-GAAP Net Earnings

For the second quarter of 2023, Adjusted EBITDA was \$74.3 million, a decrease of \$8.3 million as compared to the second quarter of 2022. Adjusted EBITDA margin was 30.7%, a decrease of approximately 30 basis points as compared to the second quarter of 2022.

For the second quarter of 2023, non-GAAP net earnings were \$40.6 million, or \$1.34 per diluted share, as compared to \$49.9 million, or \$1.54 per diluted share, in the second quarter of 2022.

Reconciliations of net earnings to Adjusted EBITDA, Adjusted EBITDA margin and non-GAAP net earnings are presented in the tables.

Company Results and Conference Call

DFIN's earnings press release for the second quarter of 2023, which is included as Exhibit 99.1 to the Company's Current Report on Form 8-K that has been furnished to the SEC on August 2, 2023, is available on the Company's investor relations website at investor.dfinsolutions.com. A supplemental trending schedule of historical results, including additional breakouts of segment-level net sales, is also available on the Company's investor relations website.

DFIN will hold a conference call and webcast on August 2, 2023, at 9:00 a.m. Eastern time to discuss financial results for the second quarter of 2023, provide a general business update and respond to analyst questions.

A live webcast of the call will also be available on the Company's investor relations website. Please visit investor.dfinsolutions.com at least fifteen minutes prior to the start of the event to register, download and install any necessary audio software.

If you are unable to participate live, a replay of the webcast will be available following the conference call on the Company's investor relations website, along with the earnings press release, and related financial tables.

About DFIN

DFIN is a leading global risk and compliance solutions company. We provide domain expertise, enterprise software, and data analytics for every stage of our clients' business and investment lifecycles. Markets fluctuate, regulations evolve, technology advances, and through it all, DFIN delivers confidence with the right solutions in moments that matter. Learn about DFIN's end-to-end risk and compliance solutions online at DFINsolutions.com or you can also follow us on Twitter @DFINSolutions or on LinkedIn.

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Use of Non-GAAP Information

This news release contains certain non-GAAP financial measures, including non-GAAP gross profit, adjusted non-GAAP gross profit, non-GAAP gross margin, adjusted non-GAAP selling, general, and administrative expenses (“SG&A”), adjusted non-GAAP income from operations, adjusted non-GAAP operating margin, Adjusted EBITDA, Adjusted EBITDA margin, non-GAAP effective tax rate, adjusted non-GAAP net earnings, adjusted non-GAAP diluted earnings per share, Free Cash Flow and organic net sales. The Company believes that these non-GAAP financial measures, when presented in conjunction with comparable GAAP measures, provide useful information about the Company’s operating results and liquidity and enhance the overall ability to assess the Company’s financial performance. The Company uses these measures, together with other measures of performance under GAAP, to compare the relative performance of operations in planning, budgeting and reviewing the performance of its business.

The Company’s non-GAAP statement of operations measures, which include non-GAAP gross profit, adjusted non-GAAP gross profit, non-GAAP gross margin, adjusted non-GAAP SG&A, adjusted non-GAAP income from operations, adjusted non-GAAP operating margin, Adjusted EBITDA, Adjusted EBITDA margin, non-GAAP effective tax rate, adjusted non-GAAP net earnings and adjusted non-GAAP diluted earnings per share, are adjusted to exclude the impact of certain costs, expenses, gains and losses and other specified items that management believes are not indicative of our ongoing operations. These adjusted measures exclude the impact of expenses associated with the Company’s non-income tax, net, accelerated rent expense, share-based compensation and eliminate potential differences in results of operations between periods caused by factors such as historic cost and age of assets, financing and capital structures, taxation positions or regimes, restructuring, impairment and other charges, net and gain or loss on certain investments, business sales and asset sales.

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

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

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

Use of Forward-Looking Statements

This news release includes certain "forward-looking statements" within the meaning of, and subject to the safe harbor created by, Section 21E of the Securities Exchange Act of 1934, as amended, with respect to the business, strategy and plans of DFIN and its expectations relating to future financial condition and performance. Statements that are not historical facts, including statements about DFIN 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 DFIN 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 DFIN’s control. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon future circumstances that may or may not occur. Actual results may differ materially from DFIN’s current expectations depending upon a number of factors affecting the business and risks associated with the performance of the business. These factors include such risks and uncertainties detailed in DFIN periodic public filings with the SEC, including but not limited to those discussed under "Special Note Regarding Forward-Looking Statements" and in Part I, Item 1A. *Risk Factors* of DFIN’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022, those discussed under “Special Note Regarding Forward-Looking Statements” in DFIN’s Quarterly Reports on Form 10-Q, and in other investor communications of DFIN’s from time to time. DFIN does not undertake to and specifically declines any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect future events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events.

Donnelley Financial Solutions, Inc. and Subsidiaries ("DFIN")
Condensed Consolidated Balance Sheets
(UNAUDITED)
(in millions, except per share data)

	June 30, 2023	December 31, 2022
Assets		
Cash and cash equivalents	\$ 19.4	\$ 34.2
Receivables, less allowances for expected losses of \$17.8 in 2023 (2022 - \$17.1)	243.1	163.5
Prepaid expenses and other current assets	30.9	28.1
Assets held for sale	2.6	2.6
Total current assets	296.0	228.4
Property, plant and equipment, net	16.4	17.6
Operating lease right-of-use assets	26.7	33.3
Software, net	82.6	75.6
Goodwill	406.0	405.8
Other intangible assets, net	6.6	7.8
Deferred income taxes, net	38.7	33.4
Other noncurrent assets	29.2	26.4
Total assets	\$ 902.2	\$ 828.3
Liabilities		
Accounts payable	\$ 51.6	\$ 49.2
Operating lease liabilities	15.1	16.3
Accrued liabilities	142.4	159.3
Total current liabilities	209.1	224.8
Long-term debt	219.8	169.2
Deferred compensation liabilities	14.4	13.6
Pension and other postretirement benefits plans liabilities	41.3	42.9
Noncurrent operating lease liabilities	21.2	28.4
Other noncurrent liabilities	20.4	19.9
Total liabilities	526.2	498.8
Equity		
Preferred stock, \$0.01 par value		
Authorized: 1.0 shares; Issued: None	—	—
Common stock, \$0.01 par value		
Authorized: 65.0 shares;		
Issued and outstanding: 37.9 shares and 29.4 shares in 2023 (2022 - 36.9 shares and 28.9 shares)	0.4	0.4
Treasury stock, at cost: 8.5 shares in 2023 (2022 - 8.0 shares)	(242.3)	(221.8)
Additional paid-in capital	292.3	280.2
Retained earnings	407.4	353.9
Accumulated other comprehensive loss	(81.8)	(83.2)
Total equity	376.0	329.5
Total liabilities and equity	\$ 902.2	\$ 828.3

Donnelley Financial Solutions, Inc. and Subsidiaries ("DFIN")
Condensed Consolidated Statements of Operations
(UNAUDITED)
(in millions, except per share data)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net sales				
Tech-enabled services	\$ 104.5	\$ 133.3	\$ 182.9	\$ 225.0
Software solutions	75.7	71.6	145.8	141.4
Print and distribution	61.9	61.3	112.0	110.8
Total net sales	242.1	266.2	440.7	477.2
Cost of sales ^(a)				
Tech-enabled services	37.0	40.2	70.3	77.9
Software solutions	26.9	28.6	55.3	56.1
Print and distribution	34.3	42.9	62.9	76.6
Total cost of sales	98.2	111.7	188.5	210.6
Selling, general and administrative expenses ^(a)	76.2	77.4	146.7	141.7
Depreciation and amortization	14.4	11.2	26.8	21.9
Restructuring, impairment and other charges, net	(2.2)	0.2	8.7	2.0
Other operating income, net	(0.1)	(0.2)	(0.4)	(0.2)
Income from operations	55.6	65.9	70.4	101.2
Interest expense, net	4.6	2.1	8.1	3.6
Investment and other income, net	(0.3)	(0.3)	(7.2)	(0.5)
Earnings before income taxes	51.3	64.1	69.5	98.1
Income tax expense	13.6	18.1	16.0	25.7
Net earnings	\$ 37.7	\$ 46.0	\$ 53.5	\$ 72.4
Net earnings per share:				
Basic	\$ 1.28	\$ 1.46	\$ 1.83	\$ 2.25
Diluted	\$ 1.24	\$ 1.42	\$ 1.76	\$ 2.17
Weighted average number of common shares outstanding:				
Basic	29.5	31.5	29.3	32.2
Diluted	30.4	32.4	30.4	33.4

(a) Exclusive of depreciation and amortization

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Components of depreciation and amortization:				
Cost of sales	\$ 12.8	\$ 10.4	\$ 24.3	\$ 20.4
Selling, general and administrative expenses	1.6	0.8	2.5	1.5
Total depreciation and amortization	\$ 14.4	\$ 11.2	\$ 26.8	\$ 21.9
Additional information:				
Gross profit ^(b)	\$ 131.1	\$ 144.1	\$ 227.9	\$ 246.2
Exclude: Depreciation and amortization	12.8	10.4	24.3	20.4
Non-GAAP gross profit	\$ 143.9	\$ 154.5	\$ 252.2	\$ 266.6
Gross margin ^(b)	54.2%	54.1%	51.7%	51.6%
Non-GAAP gross margin	59.4%	58.0%	57.2%	55.9%
SG&A as a % of total net sales ^(a)	31.5%	29.1%	33.3%	29.7%
Operating margin	23.0%	24.8%	16.0%	21.2%
Effective tax rate	26.5%	28.2%	23.0%	26.2%

(b) Inclusive of depreciation and amortization

Donnelley Financial Solutions, Inc. and Subsidiaries ("DFIN")

Reconciliation of GAAP to Non-GAAP Measures

For the Three and Six Months Ended June 30, 2023

(UNAUDITED)

(in millions, except per share data)

For the Three Months Ended June 30, 2023						
	Gross profit	SG&A ^(a)	Income (loss) from operations	Operating margin	Net earnings (loss)	Net earnings (loss) per diluted share
GAAP basis measures	\$ 131.1	\$ 76.2	\$ 55.6	23.0%	\$ 37.7	\$ 1.24
Exclude: Depreciation and amortization	12.8					
Non-GAAP measures	143.9					
Non-GAAP % of total net sales	59.4%					
Non-GAAP adjustments:						
Restructuring, impairment and other charges, net	—	—	(2.2)	(0.9%)	(1.4)	(0.04)
Share-based compensation expense	—	(6.7)	6.7	2.8%	4.7	0.15
Accelerated rent expense	0.1	—	0.1	—	0.1	—
Non-income tax, net	—	0.2	(0.2)	(0.1%)	(0.2)	(0.01)
Gain on sale of long-lived assets	—	—	(0.1)	—	(0.1)	—
Gain on investments in equity securities ^(c)	—	—	—	—	(0.2)	(0.01)
Total Non-GAAP adjustments ^(b)	0.1	(6.5)	4.3	1.8%	2.9	0.10
Adjusted Non-GAAP measures ^(b)	<u>\$ 144.0</u>	<u>\$ 69.7</u>	<u>\$ 59.9</u>	<u>24.7%</u>	<u>\$ 40.6</u>	<u>\$ 1.34</u>

For the Six Months Ended June 30, 2023						
	Gross profit	SG&A ^(a)	Income (loss) from operations	Operating margin	Net earnings (loss)	Net earnings (loss) per diluted share
GAAP basis measures	\$ 227.9	\$ 146.7	\$ 70.4	16.0%	\$ 53.5	\$ 1.76
Exclude: Depreciation and amortization	24.3					
Non-GAAP measures	252.2					
Non-GAAP % of total net sales	57.2%					
Non-GAAP adjustments:						
Restructuring, impairment and other charges, net	—	—	8.7	2.0%	6.4	0.21
Share-based compensation expense	—	(11.0)	11.0	2.5%	4.9	0.16
Accelerated rent expense	0.5	(0.1)	0.6	0.1%	0.4	0.01
Gain on sale of long-lived assets	—	—	(0.4)	(0.1%)	(0.3)	(0.01)
Non-income tax, net	—	0.4	(0.4)	(0.1%)	(0.3)	(0.01)
Gain on investments in equity securities ^(c)	—	—	—	—	(5.0)	(0.16)
Total non-GAAP adjustments ^(b)	0.5	(10.7)	19.5	4.4%	6.1	0.20
Adjusted non-GAAP measures ^(b)	<u>\$ 252.7</u>	<u>\$ 136.0</u>	<u>\$ 89.9</u>	<u>20.4%</u>	<u>\$ 59.6</u>	<u>\$ 1.96</u>

(a) Exclusive of depreciation and amortization.

(b) Totals may not foot due to rounding.

(c) Gain on investments in equity securities is recorded within investment and other income, net on the Company's Unaudited Condensed Consolidated Statements of Operations.

Donnelley Financial Solutions, Inc. and Subsidiaries ("DFIN")

Reconciliation of GAAP to Non-GAAP Measures

For the Three and Six Months Ended June 30, 2022

(UNAUDITED)

(in millions, except per share data)

For the Three Months Ended June 30, 2022						
	Gross profit	SG&A ^(a)	Income (loss) from operations	Operating margin	Net earnings (loss)	Net earnings (loss) per diluted share
GAAP basis measures	\$ 144.1	\$ 77.4	\$ 65.9	24.8%	\$ 46.0	\$ 1.42
Exclude: Depreciation and amortization	10.4					
Non-GAAP measures	154.5					
Non-GAAP % of total net sales	58.0%					
Non-GAAP adjustments:						
Restructuring, impairment and other charges, net	—	—	0.2	0.1%	0.1	—
Share-based compensation expense	—	(5.9)	5.9	2.2%	4.2	0.13
COVID-19 related recoveries	(0.1)	0.1	(0.2)	(0.1%)	(0.1)	—
Gain on sale of long-lived assets	—	—	(0.2)	(0.1%)	(0.2)	(0.01)
Non-income tax, net	—	0.2	(0.2)	(0.1%)	(0.1)	—
Total Non-GAAP adjustments ^(b)	(0.1)	(5.6)	5.5	2.1%	3.9	0.12
Adjusted Non-GAAP measures ^(b)	<u>\$ 154.4</u>	<u>\$ 71.8</u>	<u>\$ 71.4</u>	<u>26.8%</u>	<u>\$ 49.9</u>	<u>\$ 1.54</u>

For the Six Months Ended June 30, 2022						
	Gross profit	SG&A ^(a)	Income (loss) from operations	Operating margin	Net earnings (loss)	Net earnings (loss) per diluted share
GAAP basis measures	\$ 246.2	\$ 141.7	\$ 101.2	21.2%	\$ 72.4	\$ 2.17
Exclude: Depreciation and amortization	20.4					
Non-GAAP measures	266.6					
Non-GAAP % of total net sales	55.9%					
Non-GAAP adjustments:						
Restructuring, impairment and other charges, net	—	—	2.0	0.4%	1.4	0.04
Share-based compensation expense	—	(9.5)	9.5	2.0%	5.0	0.15
COVID-19 related recoveries	(0.1)	0.1	(0.2)	—	(0.1)	—
Gain on sale of long-lived assets	—	—	(0.2)	—	(0.2)	(0.01)
Non-income tax, net	—	0.5	(0.5)	(0.1%)	(0.3)	(0.01)
Total non-GAAP adjustments ^(b)	(0.1)	(8.9)	10.6	2.2%	5.8	0.17
Adjusted non-GAAP measures ^(b)	<u>\$ 266.5</u>	<u>\$ 132.8</u>	<u>\$ 111.8</u>	<u>23.4%</u>	<u>\$ 78.2</u>	<u>\$ 2.34</u>

(a) Exclusive of depreciation and amortization.

(b) Totals may not foot due to rounding.

Donnelley Financial Solutions, Inc. and Subsidiaries ("DFIN")
Segment GAAP to Non-GAAP Reconciliation and Supplementary Information
For the Three Months Ended June 30, 2023 and 2022
(UNAUDITED)
(in millions)

	Capital Markets - Software Solutions	Capital Markets - Compliance and Communications Management	Investment Companies - Software Solutions	Investment Companies - Compliance and Communications Management	Corporate	Consolidated
For the Three Months Ended June 30, 2023						
Net sales	\$ 47.7	\$ 122.9	\$ 28.0	\$ 43.5	\$ —	\$ 242.1
Income (loss) from operations	4.4	47.0	6.7	16.1	(18.6)	55.6
Operating margin %	9.2%	38.2%	23.9%	37.0%	nm	23.0%
Non-GAAP Adjustments						
Restructuring, impairment and other charges, net	1.0	(4.0)	0.7	(0.2)	0.3	(2.2)
Share-based compensation expense	—	—	—	—	6.7	6.7
Accelerated rent expense	—	0.1	—	—	—	0.1
Gain on sale of long-lived assets	—	(0.1)	—	—	—	(0.1)
Non-income tax, net	(0.1)	—	(0.1)	—	—	(0.2)
Total Non-GAAP adjustments	0.9	(4.0)	0.6	(0.2)	7.0	4.3
Non-GAAP income (loss) from operations	\$ 5.3	\$ 43.0	\$ 7.3	\$ 15.9	\$ (11.6)	\$ 59.9
Non-GAAP operating margin %	11.1%	35.0%	26.1%	36.6%	nm	24.7%
Depreciation and amortization	7.9	1.9	3.4	1.2	—	14.4
Adjusted EBITDA	\$ 13.2	\$ 44.9	\$ 10.7	\$ 17.1	\$ (11.6)	\$ 74.3
Adjusted EBITDA margin %	27.7%	36.5%	38.2%	39.3%	nm	30.7%
Capital expenditures	\$ 6.3	\$ 1.9	\$ 3.8	\$ 0.7	\$ 0.5	\$ 13.2
For the Three Months Ended June 30, 2022						
Net sales	\$ 46.3	\$ 150.0	\$ 25.3	\$ 44.6	\$ —	\$ 266.2
Income (loss) from operations	3.1	60.5	5.9	13.7	(17.3)	65.9
Operating margin %	6.7%	40.3%	23.3%	30.7%	nm	24.8%
Non-GAAP Adjustments						
Restructuring, impairment and other charges, net	0.2	—	—	(0.2)	0.2	0.2
Share-based compensation expense	—	—	—	—	5.9	5.9
COVID-19 related recoveries	—	(0.2)	—	—	—	(0.2)
Gain on sale of long-lived assets	—	(0.2)	—	—	—	(0.2)
Non-income tax, net	(0.1)	—	(0.1)	—	—	(0.2)
Total Non-GAAP adjustments	0.1	(0.4)	(0.1)	(0.2)	6.1	5.5
Non-GAAP income (loss) from operations	\$ 3.2	\$ 60.1	\$ 5.8	\$ 13.5	\$ (11.2)	\$ 71.4
Non-GAAP operating margin %	6.9%	40.1%	22.9%	30.3%	nm	26.8%
Depreciation and amortization	5.6	1.7	2.8	1.1	—	11.2
Adjusted EBITDA	\$ 8.8	\$ 61.8	\$ 8.6	\$ 14.6	\$ (11.2)	\$ 82.6
Adjusted EBITDA margin %	19.0%	41.2%	34.0%	32.7%	nm	31.0%
Capital expenditures	\$ 7.5	\$ 2.0	\$ 4.2	\$ 0.7	\$ 0.5	\$ 14.9

nm - Not meaningful

Donnelley Financial Solutions, Inc. and Subsidiaries ("DFIN")
Segment GAAP to Non-GAAP Reconciliation and Supplementary Information
For the Six Months Ended June 30, 2023 and 2022
(UNAUDITED)
(in millions)

	Capital Markets - Software Solutions	Capital Markets - Compliance and Communications Management	Investment Companies - Software Solutions	Investment Companies - Compliance and Communications Management	Corporate	Consolidated
For the Six Months Ended June 30, 2023						
Net sales	\$ 91.4	\$ 217.0	\$ 54.4	\$ 77.9	\$ —	\$ 440.7
Income (loss) from operations	3.8	63.6	11.7	24.2	(32.9)	70.4
Operating margin %	4.2%	29.3%	21.5%	31.1%	nm	16.0%
Non-GAAP Adjustments						
Restructuring, impairment and other charges, net	3.0	4.3	0.6	—	0.8	8.7
Share-based compensation expense	—	—	—	—	11.0	11.0
Accelerated rent expense	—	0.6	—	—	—	0.6
Gain on sale of long-lived assets	—	(0.4)	—	—	—	(0.4)
Non-income tax, net	(0.3)	—	(0.1)	—	—	(0.4)
Total Non-GAAP adjustments	2.7	4.5	0.5	—	11.8	19.5
Non-GAAP income (loss) from operations	\$ 6.5	\$ 68.1	\$ 12.2	\$ 24.2	\$ (21.1)	\$ 89.9
Non-GAAP operating margin %	7.1%	31.4%	22.4%	31.1%	nm	20.4%
Depreciation and amortization	14.1	3.7	6.7	2.3	—	26.8
Adjusted EBITDA	\$ 20.6	\$ 71.8	\$ 18.9	\$ 26.5	\$ (21.1)	\$ 116.7
Adjusted EBITDA margin %	22.5%	33.1%	34.7%	34.0%	nm	26.5%
Capital expenditures	\$ 11.8	\$ 3.0	\$ 7.3	\$ 1.0	\$ 0.7	\$ 23.8
For the Six Months Ended June 30, 2022						
Net sales	\$ 91.0	\$ 253.6	\$ 50.4	\$ 82.2	\$ —	\$ 477.2
Income (loss) from operations	7.4	89.4	12.1	21.8	(29.5)	101.2
Operating margin %	8.1%	35.3%	24.0%	26.5%	nm	21.2%
Non-GAAP Adjustments						
Restructuring, impairment and other charges, net	1.0	0.4	0.1	0.2	0.3	2.0
Share-based compensation expense	—	—	—	—	9.5	9.5
COVID-19 related recoveries	—	(0.2)	—	—	—	(0.2)
Gain on sale of long-lived assets	—	(0.2)	—	—	—	(0.2)
Non-income tax, net	(0.3)	(0.1)	(0.1)	—	—	(0.5)
Total Non-GAAP adjustments	0.7	(0.1)	—	0.2	9.8	10.6
Non-GAAP income (loss) from operations	\$ 8.1	\$ 89.3	\$ 12.1	\$ 22.0	\$ (19.7)	\$ 111.8
Non-GAAP operating margin %	8.9%	35.2%	24.0%	26.8%	nm	23.4%
Depreciation and amortization	10.7	3.2	5.7	2.2	0.1	21.9
Adjusted EBITDA	\$ 18.8	\$ 92.5	\$ 17.8	\$ 24.2	\$ (19.6)	\$ 133.7
Adjusted EBITDA margin %	20.7%	36.5%	35.3%	29.4%	nm	28.0%
Capital expenditures	\$ 12.8	\$ 2.7	\$ 7.2	\$ 1.3	\$ 0.8	\$ 24.8

nm - Not meaningful

Donnelley Financial Solutions, Inc. and Subsidiaries ("DFIN")
Condensed Consolidated Statements of Cash Flows
(UNAUDITED)
(in millions)

	For the Six Months Ended June 30,	
	2023	2022
Operating Activities		
Net earnings	\$ 53.5	\$ 72.4
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	26.8	21.9
Provision for expected losses on accounts receivable	7.7	4.2
Share-based compensation expense	11.0	9.5
Deferred income taxes	(5.5)	(1.0)
Net pension plan income	(0.3)	(0.5)
Gain on investments in equity securities	(6.9)	—
Amortization of right-of-use assets	6.7	8.0
Other	0.3	0.5
Changes in operating assets and liabilities:		
Accounts receivable, net	(86.7)	(79.8)
Prepaid expenses and other current assets	(2.9)	(5.9)
Accounts payable	(2.9)	22.9
Income taxes payable and receivable	0.6	4.1
Accrued liabilities and other	(23.6)	(52.3)
Operating lease liabilities	(8.2)	(9.7)
Pension and other postretirement benefits plans contributions	(0.9)	(0.7)
Net cash used in operating activities	(31.3)	(6.4)
Investing Activities		
Capital expenditures	(23.8)	(24.8)
Proceeds from sales of investments in equity securities	9.9	—
Net cash used in investing activities	(13.9)	(24.8)
Financing Activities		
Revolving facility borrowings	169.0	209.0
Payments on revolving facility borrowings	(118.5)	(99.0)
Treasury share repurchases	(20.6)	(116.6)
Proceeds from exercise of stock options	1.3	0.3
Finance lease payments	(1.2)	(0.9)
Net cash provided by (used in) financing activities	30.0	(7.2)
Effect of exchange rate on cash and cash equivalents	0.4	1.7
Net decrease in cash and cash equivalents	(14.8)	(36.7)
Cash and cash equivalents at beginning of year	34.2	54.5
Cash and cash equivalents at end of period	\$ 19.4	\$ 17.8
Supplemental cash flow information:		
Income taxes paid (net of refunds)	\$ 20.8	\$ 22.0
Interest paid	\$ 8.7	\$ 2.8
Non-cash investing activities:		
Capitalized software included in accounts payable	\$ 5.1	\$ 1.7
Non-cash consideration from sale of investment in an equity security	\$ 2.9	\$ —

Additional Information:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Net cash provided by (used in) operating activities	\$ 20.2	\$ 45.8	\$ (31.3)	\$ (6.4)
Less: capital expenditures	13.2	14.9	23.8	24.8
Free Cash Flow	\$ 7.0	\$ 30.9	\$ (55.1)	\$ (31.2)

Donnelley Financial Solutions, Inc. and Subsidiaries ("DFIN")
Reconciliation of Reported to Organic Net Sales - By Segment
(UNAUDITED)
(in millions)

	Capital Markets - Software Solutions	Capital Markets - Compliance and Communications Management	Investment Companies - Software Solutions	Investment Companies - Compliance and Communications Management	Consolidated
Reported Net Sales:					
For the Three Months Ended June 30, 2023	\$ 47.7	\$ 122.9	\$ 28.0	\$ 43.5	\$ 242.1
For the Three Months Ended June 30, 2022	\$ 46.3	\$ 150.0	\$ 25.3	\$ 44.6	\$ 266.2
Net sales change	3.0%	(18.1%)	10.7%	(2.5%)	(9.1%)
Supplementary non-GAAP information:					
Year-over-year impact of changes in foreign exchange rates	—	(0.3%)	—	(0.2%)	(0.2%)
Year-over-year impact of the EOL disposition	(3.5%)	—	—	—	(0.6%)
Net organic sales change	6.5%	(17.8%)	10.7%	(2.3%)	(8.3%)

	Capital Markets - Software Solutions	Capital Markets - Compliance and Communications Management	Investment Companies - Software Solutions	Investment Companies - Compliance and Communications Management	Consolidated
Reported Net Sales:					
For the Six Months Ended June 30, 2023	\$ 91.4	\$ 217.0	\$ 54.4	\$ 77.9	\$ 440.7
For the Six Months Ended June 30, 2022	\$ 91.0	\$ 253.6	\$ 50.4	\$ 82.2	\$ 477.2
Net sales change	0.4%	(14.4%)	7.9%	(5.2%)	(7.6%)
Supplementary non-GAAP information:					
Year-over-year impact of changes in foreign exchange rates	(0.4%)	(0.5%)	(0.6%)	(0.1%)	(0.4%)
Year-over-year impact of the EOL disposition	(3.5%)	—	—	—	(0.7%)
Net organic sales change	4.3%	(13.9%)	8.5%	(5.1%)	(6.5%)

Donnelley Financial Solutions, Inc. and Subsidiaries ("DFIN")
Reconciliation of Reported to Organic Net Sales - By Services and Products
(UNAUDITED)
(in millions)

	<u>Tech-enabled Services</u>	<u>Software Solutions</u>	<u>Print and Distribution</u>	<u>Consolidated</u>
Reported Net Sales:				
For the Three Months Ended June 30, 2023	\$ 104.5	\$ 75.7	\$ 61.9	\$ 242.1
For the Three Months Ended June 30, 2022	\$ 133.3	\$ 71.6	\$ 61.3	\$ 266.2
Net sales change	(21.6%)	5.7%	1.0%	(9.1%)

Supplementary non-GAAP information:

Year-over-year impact of changes in foreign exchange rates	(0.2%)	—	(0.5%)	(0.2%)
Year-over-year impact of the EOL disposition	—	(2.2%)	—	(0.6%)
Net organic sales change	(21.4%)	7.9%	1.5%	(8.3%)

	<u>Tech-enabled Services</u>	<u>Software Solutions</u>	<u>Print and Distribution</u>	<u>Consolidated</u>
Reported Net Sales:				
For the Six Months Ended June 30, 2023	\$ 182.9	\$ 145.8	\$ 112.0	\$ 440.7
For the Six Months Ended June 30, 2022	\$ 225.0	\$ 141.4	\$ 110.8	\$ 477.2
Net sales change	(18.7%)	3.1%	1.1%	(7.6%)

Supplementary non-GAAP information:

Year-over-year impact of changes in foreign exchange rates	(0.4%)	(0.5%)	(0.5%)	(0.4%)
Year-over-year impact of the EOL disposition	—	(2.3%)	—	(0.7%)
Net organic sales change	(18.3%)	5.9%	1.6%	(6.5%)

Donnelley Financial Solutions, Inc. and Subsidiaries ("DFIN")
Reconciliation of Net Earnings to Adjusted EBITDA
(UNAUDITED)
(in millions)

	For the Twelve Months Ended		For the Three Months Ended							
	June 30, 2023	83.6	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022				
Net earnings	\$	83.6	\$	37.7	\$	15.8	\$	10.9	\$	19.2
Adjustments										
Restructuring, impairment and other charges, net		14.4		(2.2)		10.9		3.1		2.6
Share-based compensation expense		20.8		6.7		4.3		5.4		4.4
Accelerated rent expense		1.4		0.1		0.5		0.6		0.2
Loss on sale of a business		0.7		—		—		0.7		—
Disposition-related expenses		0.1		—		—		0.1		—
Gain on investments in equity securities		(7.4)		(0.2)		(6.7)		—		(0.5)
Non-income tax, net		(0.8)		(0.2)		(0.2)		(0.2)		(0.2)
Gain on sale of long-lived assets		(0.4)		(0.1)		(0.3)		—		—
COVID-19 related recoveries		(0.3)		—		—		(0.2)		(0.1)
Depreciation and amortization		51.2		14.4		12.4		12.7		11.7
Interest expense, net		13.7		4.6		3.5		3.3		2.3
Investment and other income, net		(2.8)		(0.1)		(0.2)		(0.2)		(2.3)
Income tax expense		27.1		13.6		2.4		3.1		8.0
Total Non-GAAP adjustments		117.7		36.6		26.6		28.4		26.1
Adjusted EBITDA	\$	201.3	\$	74.3	\$	42.4	\$	39.3	\$	45.3
Tech-enabled services	\$	338.8	\$	104.5	\$	78.4	\$	68.5	\$	87.4
Software solutions		284.0		75.7		70.1		68.7		69.5
Print and distribution		174.3		61.9		50.1		30.5		31.8
Total net sales	\$	797.1	\$	242.1	\$	198.6	\$	167.7	\$	188.7
Adjusted EBITDA margin %		25.3%		30.7%		21.3%		23.4%		24.0%

Donnelley Financial Solutions, Inc. and Subsidiaries ("DFIN")
Reconciliation of Net Earnings to Adjusted EBITDA
(UNAUDITED)
(in millions)

	For the Twelve Months Ended	For the Three Months Ended			
	June 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Net earnings	\$ 140.2	\$ 46.0	\$ 26.4	\$ 25.6	\$ 42.2
Adjustments					
Restructuring, impairment and other charges, net	12.0	0.2	1.8	6.7	3.3
Share-based compensation expense	20.0	5.9	3.6	5.3	5.2
Non-income tax, net	(1.2)	(0.2)	(0.3)	(0.2)	(0.5)
LSC multiemployer pension plans obligations	(2.1)	—	—	(2.3)	0.2
Gain on sale of long-lived assets, net	(0.9)	(0.2)	—	—	(0.7)
Gain on investment in an equity security	(0.6)	—	—	—	(0.6)
COVID-19 related recoveries	(0.2)	(0.2)	—	—	—
Depreciation and amortization	42.3	11.2	10.7	10.4	10.0
Interest expense, net	19.0	2.1	1.5	9.5	5.9
Investment and other income, net	(2.7)	(0.3)	(0.2)	(1.1)	(1.1)
Income tax expense	51.7	18.1	7.6	7.4	18.6
Total Non-GAAP adjustments	137.3	36.6	24.7	35.7	40.3
Adjusted EBITDA	\$ 277.5	\$ 82.6	\$ 51.1	\$ 61.3	\$ 82.5
Tech-enabled services	\$ 492.0	\$ 133.3	\$ 91.7	\$ 124.9	\$ 142.1
Software solutions	284.5	71.6	69.8	73.8	69.3
Print and distribution	181.2	61.3	49.5	34.1	36.3
Total net sales	\$ 957.7	\$ 266.2	\$ 211.0	\$ 232.8	\$ 247.7
Adjusted EBITDA margin %	29.0%	31.0%	24.2%	26.3%	33.3%

Donnelley Financial Solutions, Inc. and Subsidiaries ("DFIN")

Debt and Liquidity Summary

(UNAUDITED)

(in millions)

Total Liquidity	June 30, 2023	December 31, 2022	June 30, 2022
Availability			
Stated amount of the Revolving Facility ^(a)	\$ 300.0	\$ 300.0	\$ 300.0
Less: availability reduction from covenants	—	—	—
Amount available under the Revolving Facility	300.0	300.0	300.0
Usage			
Borrowings under the Revolving Facility	95.5	45.0	110.0
Impact on availability related to outstanding letters of credit	1.0	—	—
Amount used under the Revolving Facility	96.5	45.0	110.0
Availability under the Revolving Facility	203.5	255.0	190.0
Cash and cash equivalents	19.4	34.2	17.8
Net Available Liquidity	<u>\$ 222.9</u>	<u>\$ 289.2</u>	<u>\$ 207.8</u>
Term Loan A Facility	\$ 125.0	\$ 125.0	\$ 125.0
Borrowings under the Revolving Facility	95.5	45.0	110.0
Unamortized debt issuance costs	(0.7)	(0.8)	(0.9)
Total debt	<u>\$ 219.8</u>	<u>\$ 169.2</u>	<u>\$ 234.1</u>
Adjusted EBITDA for the twelve months ended June 30, 2023 and 2022, and the year ended December 31, 2022	\$ 201.3	\$ 218.3	\$ 277.5
Non-GAAP Gross Leverage (defined as total debt divided by Adjusted EBITDA)	1.1x	0.8x	0.8x
Non-GAAP Net Debt (defined as total debt less cash and cash equivalents)	200.4	135.0	216.3
Non-GAAP Net Leverage (defined as non-GAAP Net Debt divided by Adjusted EBITDA)	1.0x	0.6x	0.8x

- (a) The Company has a \$300.0 million senior secured revolving credit facility (the "Revolving Facility"). The Revolving Facility is subject to a number of covenants, including a minimum Interest Coverage Ratio and a maximum Consolidated Net Leverage Ratio, both as defined and calculated in the credit agreement. As of June 30, 2023, there were \$95.5 million of borrowings outstanding under the Revolving Facility as well as \$2.6 million in outstanding letters of credit and bank guarantees, of which \$1.0 million of the outstanding letters of credit reduced the availability under the Revolving Facility. Based on the Company's results of operations for the twelve months ended June 30, 2023 and existing debt, the Company would have had the ability to utilize the remaining \$203.5 million of the \$300.0 million Revolving Facility and not have been in violation of the terms of the Revolving Facility agreement.