

August 29, 2019

John C. Pope
Chairman
R. R. Donnelley & Sons Company
35 West Wacker Drive
Chicago IL, 60601

Dear Mr. Pope:

NuOrion Advisors, LLC (“NuOrion”) is a shareholder of R. R. Donnelley & Sons Company (“Donnelley” or “Company”). We recently met with Dan Knotts, Terry Peterson and Brian Feeney. We have discussed the contents of this letter with them during that meeting.

Donnelley is materially undervalued and requires urgent action from the Board of Directors to unlock value. We are advocating that the Board immediately increases the dividend to \$0.85 per annum, a 38% dividend yield at the current share price of \$2.23. With this change in dividend policy, we believe that the shares will trade at between \$7-10 per share, based on an expected dividend yield of 8-12%. We further believe that our proposed dividend can be increased in the coming years as the management team continues to improve operations and shed non-core assets.

While an increase in dividend from \$0.12 per share to \$0.85 per share may seem aggressive, it is not. In the last conference call and earnings release, management indicated the following: i) Donnelley has \$618 million of available liquidity, ii) they have reduced debt by \$134 million in the past year and iii) they expect to repatriate \$200-250 million of cash from foreign sources this year. In addition, the Company will receive incremental cash in the next 18-months of at least \$100 million from the sale of the China property. While we fully applaud management’s progress, we note that shareholders are, at present, ONLY receiving \$8 million in annual dividends. We are proposing an increase in the annual dividend to \$60 million, the maximum that is currently permitted under the asset backed credit facility without an amendment.

Donnelley is very cheap, particularly given the size of its asset base and the strength of its debt structure. The Company currently trades at a 2019 p/e multiple of 3.7x (based on the lower end of Management’s guidance).

More astonishingly, the Company's equity value as a % of enterprise value is 7%, among the worst of any industrial company in the S&P 1000. We would expect a Company with Donnelley's characteristics to trade at an equity value as a % of enterprise value of more than 20% or at least \$7 per share.

While Donnelley may have a levered balance sheet, it is stable with significant liquidity, no financial covenants and a longer dated maturity profile. Our proposed change in dividend policy is very positive to shareholders without having a material negative impact on debt holders (the incremental dividend is only 0.1x debt/EBITDA).

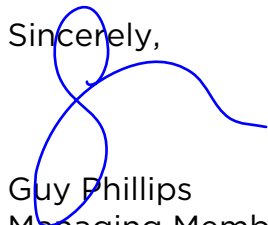
Management needs to turn Donnelley into a free cash flow machine that prioritizes returning capital to shareholders, a strategy that is typically associated with successful private equity investors. The Board's decision in August 2018 to reduce the dividend from \$0.56 per annum to \$0.12 per annum (a 79% decline) was mis-guided and directly resulted in a significant decline in the value of Donnelley. We believe that every company needs to give shareholders a clear reason to own its shares. In the case of Donnelley, the reason to own the shares should be to meaningfully participate in the cash generation of the Company, particularly since "growth" will be difficult to attain.

We would like to discuss our viewpoint with the full Board of Directors as soon as it can be arranged.

Lastly, the following quote summarizes our position (and likely most of your shareholders):

"Do you know the only thing that gives me pleasure? It's to see my dividends coming in." John D. Rockefeller

Sincerely,



Guy Phillips
Managing Member
NuOrion Advisors, LLC

Cc: Dan Knotts, Terry Peterson and Brian Feeney

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