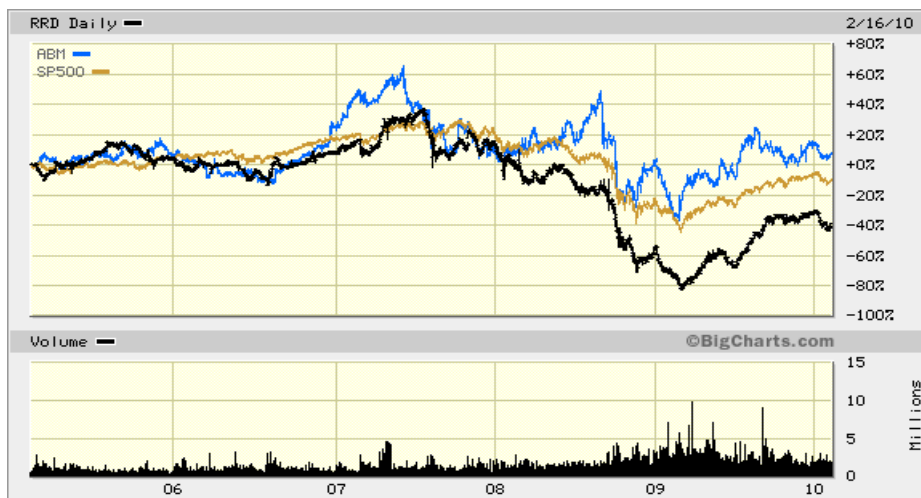


## R.R. Donnelley & Sons Company (RRD) 2/16/10

RRD operates as a print outsourcer and print services provider, which includes; printing ads, mail, labels, books, catalogues, etc. The company also offers business services such as call centers and logistics. RRD was founded in 1864 and is headquartered in Chicago, Illinois.

Current Price	\$20.03
52 Week High	\$23.20
52 Week Low	\$5.54
One Yr Target	\$28.00
Market Cap (in billions)	\$4.11
P/E (Trailing)	n/a
P/E(1 Yr Forward)	12.60
P/E/G	1.62
ROA	-6.01%
ROE	-20.15%
EPS	n/a
Beta	1.35
Annualized Dividend	\$1.04
Dividend Yield	5.19%
Analyst Consensus	1.70
Debt to Equity	2.87



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**Annual EPS**

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2006	\$0.63	
2007	\$1.83	190.46%
2008	-\$0.23	-112.37%
2009	-\$0.92	-307.40%
ttm	n/a	n/a

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**Annual Revenue (in millions)**

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2006	\$8,430.20	
2007	\$9,316.60	10.51%
2008	\$11,587.10	24.37%
2009	\$11,581.60	-0.05%

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**Annual Net Income (in millions)**

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2006	\$137.10	
2007	\$400.60	192.20%
2008	-\$48.90	-112.21%
2009	-\$189.90	-288.34%

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**Free Cash Flows (in millions)**

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2006	\$476.50	
2007	\$529.20	11.06%
2008	\$694.10	31.16%
2009	\$693.00	-0.16%

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**Required Rate of Return**

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12.78%

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**Dividend Growth Model**

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Present Value of 2015 Price	\$28.90
Holding Period Return (5 years)	21.90%

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**Expected Annualized Return Model**

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Present Value of 2015 Price	\$11.42
Holding Period Return (5 years)	-9.12%

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**Residual Income Model**

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Intrinsic Stock Price	\$59.13
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# Analysis

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## Positives

Company is well liked by analysts

## Negatives

Poor financial ratios, as evident by negative earnings, ROA, and ROE

## Financial Statements

Income Statement is ok, Revenues are growing but Net Income is not, poor margins

Balance Sheet is poor, Debt is growing as Retained Earnings slipping

Cash Flows are ok with Operating Cash growing, have been trading Equity for Debt

## Industry Analysis

The Print and Services Industry's growth doesn't look as robust as others

RRD is one of the largest players in a crowded and competitive industry

## Summary

RRD doesn't appear to operate with any competitive advantage and is a questionable stock pick. Its fundamentals and financial statements are down over the past several years, as is the broader economy. Yet RRD's business and clients in the printing industry don't have a good outlook to rebound on. Many books and papers are going digital with e-readers and internet newspapers, as well as other printed services. RRD's growth over the past several years has been due to acquisitions, which may or may not pay off. Analysts have a high outlook of RRD but don't give it a good growth outlook, a scenario leads one to believe that analyst downgrades are in the future. RRD's current stock price is down which means it should see short-term gains, but the long-term outlook for RRD is a definite don't buy.