

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-37728

Donnelley Financial Solutions, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

391 Steel Way,
Lancaster, Pennsylvania
(Address of principal executive offices)

36-4829638
(I.R.S. Employer
Identification No.)

17601
(Zip code)

(800) 823-5304
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock (Par Value \$0.01)	DFIN	NYSE

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

Yes No

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

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-Accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Yes No

As of October 25, 2024, 28,858,237 shares of common stock were outstanding.

DONNELLEY FINANCIAL SOLUTIONS, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2024

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Donnelley Financial Solutions, Inc. and subsidiaries (“DFIN” or the “Company”) has made forward-looking statements in this Quarterly Report on Form 10-Q (the “Quarterly Report”) within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. These statements are based on the beliefs and assumptions of the Company. Generally, forward-looking statements include information concerning possible or assumed future actions, events, or results of operations of the Company. These statements may include words such as “anticipates,” “estimates,” “expects,” “projects,” “forecasts,” “intends,” “plans,” “continues,” “believes,” “may,” “will,” “goals” and variations of such words and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. These forward-looking statements are subject to a number of important factors, including those factors discussed in detail in Part I, Item 1A. *Risk Factors* of the Company’s Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on February 20, 2024 (the “Annual Report”), in addition to those discussed elsewhere in this Quarterly Report, that could cause the Company’s actual results to differ materially from those indicated in any such forward-looking statements. These factors include, but are not limited to:

- the volatility of the global economy and financial markets, and its impact on transactional volume;
- failure to offer high quality customer support and services;
- the retention of existing, and continued attraction of additional clients;
- failure to maintain the confidentiality, integrity and availability of systems, software and solutions as a result of a material breach of security or other performance issues;
- the growth of new technologies and changes in client demands, to which the Company may not be able to adequately adapt;
- the Company’s inability to maintain client referrals;
- the competitive market for the Company’s products, clients’ budgetary constraints and industry fragmentation affecting prices;
- the ability to gain client acceptance of the Company’s new products and technologies;
- failure of disaster recovery and business continuity plans to adequately respond to a material disruptive event;
- undetected errors or failures found in the Company’s services and products could tie-up customer support resources or delay market acceptance of the Company’s services and products;
- the retention of existing, and continued attraction of key employees, including management;
- failure to properly use and protect client and employee information and data;
- the effect of availability, quality, security or other performance issues of any of the Company’s or third-party systems or services;
- factors that affect client demand, including changes in economic conditions and national or international regulations;
- the Company’s ability to access debt and the capital markets due to adverse credit market conditions;
- the effect of increasing costs of providing healthcare and other benefits to employees;
- changes in the availability or costs of key materials (such as ink and paper);
- failure to protect the Company’s proprietary technology;
- ability to maintain the Company’s brands and reputation;
- funding obligations arising from multiemployer pension plans obligations of the Company’s former affiliates;
- the effects of operating in international markets, including fluctuations in currency exchange rates;
- the effect of economic and political conditions, including global health crises and geopolitical instability, on a regional, national or international basis.

Because forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Undue reliance should not be placed on such statements, which speak only as of the date of this document or the date of any document that may be incorporated by reference into this document.

Consequently, readers of the Quarterly Report should consider these forward-looking statements only as the Company’s current plans, estimates and beliefs. Except to the extent required by law, the Company does not undertake 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 statements or to reflect the occurrence of anticipated or unanticipated events. The Company undertakes no obligation to update or revise any forward-looking statements in this Quarterly Report to reflect any new events or any change in conditions or circumstances other than to the extent required by law.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net sales				
Tech-enabled services	\$ 75.2	\$ 80.4	\$ 260.3	\$ 263.3
Software solutions	82.2	73.2	248.1	219.0
Print and distribution	22.1	26.4	117.2	138.4
Total net sales	179.5	180.0	625.6	620.7
Cost of sales ^(a)				
Tech-enabled services	29.2	29.3	93.7	99.6
Software solutions	27.6	25.9	80.3	81.2
Print and distribution	11.9	15.7	61.3	78.6
Total cost of sales	68.7	70.9	235.3	259.4
Selling, general and administrative expenses ^(a)	74.0	65.4	222.9	212.1
Depreciation and amortization	17.2	14.4	45.4	41.2
Restructuring, impairment and other charges, net	1.4	(0.3)	4.5	8.4
Other operating income, net	—	(0.2)	(9.8)	(0.6)
Income from operations	18.2	29.8	127.3	100.2
Interest expense, net	3.1	4.1	10.4	12.2
Investment and other income, net	(0.3)	(0.1)	(1.1)	(7.3)
Earnings before income taxes	15.4	25.8	118.0	95.3
Income tax expense	6.7	7.7	31.9	23.7
Net earnings	\$ 8.7	\$ 18.1	\$ 86.1	\$ 71.6
Net earnings per share:				
Basic	\$ 0.30	\$ 0.62	\$ 2.94	\$ 2.44
Diluted	\$ 0.29	\$ 0.60	\$ 2.86	\$ 2.36
Weighted average number of common shares outstanding:				
Basic	29.1	29.4	29.3	29.4
Diluted	29.9	30.3	30.1	30.4

(a) Exclusive of depreciation and amortization

See Notes to the Unaudited Condensed Consolidated Financial Statements

Donnelley Financial Solutions, Inc. and Subsidiaries (“DFIN”)
Condensed Consolidated Statements of Comprehensive Income
(in millions)
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net earnings	\$ 8.7	\$ 18.1	\$ 86.1	\$ 71.6
Other comprehensive income (loss), net of tax:				
Translation adjustments	0.8	(1.0)	0.2	—
Adjustment for net periodic pension and other postretirement benefits plans	0.4	0.1	0.8	0.5
Other comprehensive income (loss), net of tax	<u>1.2</u>	<u>(0.9)</u>	<u>1.0</u>	<u>0.5</u>
Comprehensive income	<u>\$ 9.9</u>	<u>\$ 17.2</u>	<u>\$ 87.1</u>	<u>\$ 72.1</u>

See Notes to the Unaudited Condensed Consolidated Financial Statements

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

	September 30, 2024	December 31, 2023
ASSETS		
Cash and cash equivalents	\$ 33.6	\$ 23.1
Receivables, less allowances for expected losses of \$24.4 in 2024 (2023 - \$18.9)	178.0	151.8
Prepaid expenses and other current assets	25.7	31.0
Assets held for sale	—	2.6
Total current assets	<u>237.3</u>	<u>208.5</u>
Property, plant and equipment, net	11.5	13.5
Operating lease right-of-use assets	11.8	16.4
Software, net	95.0	87.6
Goodwill	405.9	405.8
Deferred income taxes, net	51.2	45.8
Other noncurrent assets	30.9	29.3
Total assets	<u>\$ 843.6</u>	<u>\$ 806.9</u>
LIABILITIES		
Accounts payable	\$ 33.8	\$ 33.9
Operating lease liabilities	11.2	14.0
Accrued liabilities	162.1	153.7
Total current liabilities	<u>207.1</u>	<u>201.6</u>
Long-term debt	124.6	124.5
Deferred compensation liabilities	13.9	13.1
Pension and other postretirement benefits plans liabilities	31.2	34.4
Noncurrent operating lease liabilities	6.3	12.1
Other noncurrent liabilities	16.0	19.0
Total liabilities	<u>399.1</u>	<u>404.7</u>
Commitments and Contingencies (Note 7)		
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: 38.8 shares and 28.9 shares in 2024 (2023 - 38.0 shares and 29.1 shares)	0.4	0.4
Treasury stock, at cost: 9.9 shares in 2024 (2023 - 8.9 shares)	(326.6)	(262.1)
Additional paid-in capital	325.4	305.7
Retained earnings	522.2	436.1
Accumulated other comprehensive loss	(76.9)	(77.9)
Total equity	<u>444.5</u>	<u>402.2</u>
Total liabilities and equity	<u>\$ 843.6</u>	<u>\$ 806.9</u>

See Notes to the Unaudited Condensed Consolidated Financial Statements

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

	Nine Months Ended September 30,	
	2024	2023
OPERATING ACTIVITIES		
Net earnings	\$ 86.1	\$ 71.6
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	45.4	41.2
Provision for expected losses on accounts receivable	14.3	10.8
Share-based compensation expense	19.2	17.1
Deferred income taxes	(5.7)	(10.2)
Net pension plan income	(0.8)	(0.5)
Gain on sale of long-lived assets	(9.8)	(0.6)
Gain on sale of investments in equity securities	(0.2)	(6.9)
Amortization of operating lease right-of-use assets	6.9	9.5
Other	1.6	0.7
Changes in operating assets and liabilities:		
Receivables, net	(40.2)	(37.0)
Prepaid expenses and other current assets	0.4	1.8
Accounts payable	—	(13.8)
Income taxes payable and receivable	4.0	1.3
Accrued liabilities and other	5.5	(22.1)
Operating lease liabilities	(10.6)	(12.3)
Pension and other postretirement benefits plans contributions	(1.4)	(1.4)
Net cash provided by operating activities	<u>114.7</u>	<u>49.2</u>
INVESTING ACTIVITIES		
Capital expenditures	(50.8)	(43.0)
Proceeds from sale of long-lived assets	12.4	—
Proceeds from sales of investments in equity securities	0.2	9.9
Net cash used in investing activities	<u>(38.2)</u>	<u>(33.1)</u>
FINANCING ACTIVITIES		
Revolving facility borrowings	159.5	218.0
Payments on revolving facility borrowings	(159.5)	(221.5)
Treasury share repurchases	(64.4)	(35.4)
Cash received for common stock issuances	0.6	1.9
Finance lease payments	(2.1)	(1.7)
Net cash used in financing activities	<u>(65.9)</u>	<u>(38.7)</u>
Effect of exchange rate on cash and cash equivalents	(0.1)	0.1
Net increase (decrease) in cash and cash equivalents	<u>10.5</u>	<u>(22.5)</u>
Cash and cash equivalents at beginning of year	23.1	34.2
Cash and cash equivalents at end of period	<u>\$ 33.6</u>	<u>\$ 11.7</u>
Supplemental cash flow information:		
Income taxes paid (net of refunds)	\$ 33.5	\$ 32.4
Interest paid	\$ 10.7	\$ 12.8
Non-cash investing activities:		
Capitalized software included in accounts payable	\$ 0.1	\$ 1.7
Non-cash consideration from sale of investment in an equity security (Note 1)	\$ —	\$ 2.9

See Notes to the Unaudited Condensed Consolidated Financial Statements

Donnelley Financial Solutions, Inc. and Subsidiaries (“DFIN”)
Condensed Consolidated Statements of Changes in Stockholders’ Equity
For the Three Months Ended September 30, 2024 and 2023
(in millions)
(UNAUDITED)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
	Shares	Amount	Shares	Amount				
Balance at June 30, 2024	38.8	\$ 0.4	9.7	\$ (313.0)	\$ 318.7	\$ 513.5	\$ (78.1)	\$ 441.5
Net earnings	—	—	—	—	—	8.7	—	8.7
Other comprehensive income	—	—	—	—	—	—	1.2	1.2
Share-based compensation expense	—	—	—	—	6.7	—	—	6.7
Common stock repurchases	—	—	0.2	(13.4)	—	—	—	(13.4)
Issuance of share-based awards, net of withholdings and other	—	—	—	(0.2)	—	—	—	(0.2)
Balance at September 30, 2024	38.8	\$ 0.4	9.9	\$ (326.6)	\$ 325.4	\$ 522.2	\$ (76.9)	\$ 444.5

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
	Shares	Amount	Shares	Amount				
Balance at June 30, 2023	37.9	\$ 0.4	8.5	\$ (242.3)	\$ 292.3	\$ 407.4	\$ (81.8)	\$ 376.0
Net earnings	—	—	—	—	—	18.1	—	18.1
Other comprehensive loss	—	—	—	—	—	—	(0.9)	(0.9)
Share-based compensation expense	—	—	—	—	6.1	—	—	6.1
Common stock repurchases	—	—	0.3	(14.8)	—	—	—	(14.8)
Issuance of share-based awards, net of withholdings and other	—	—	—	(0.1)	0.9	—	—	0.8
Balance at September 30, 2023	37.9	\$ 0.4	8.8	\$ (257.2)	\$ 299.3	\$ 425.5	\$ (82.7)	\$ 385.3

Donnelley Financial Solutions, Inc. and Subsidiaries (“DFIN”)
Condensed Consolidated Statements of Changes in Stockholders’ Equity
For the Nine Months Ended September 30, 2024 and 2023
(in millions)
(UNAUDITED)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2023	38.0	\$ 0.4	8.9	\$ (262.1)	\$ 305.7	\$ 436.1	\$ (77.9)	\$ 402.2
Net earnings	—	—	—	—	—	86.1	—	86.1
Other comprehensive income	—	—	—	—	—	—	1.0	1.0
Share-based compensation expense	—	—	—	—	19.2	—	—	19.2
Common stock repurchases	—	—	0.6	(41.4)	—	—	—	(41.4)
Issuance of share-based awards, net of withholdings and other	0.8	—	0.4	(23.1)	0.5	—	—	(22.6)
Balance at September 30, 2024	<u>38.8</u>	<u>\$ 0.4</u>	<u>9.9</u>	<u>\$ (326.6)</u>	<u>\$ 325.4</u>	<u>\$ 522.2</u>	<u>\$ (76.9)</u>	<u>\$ 444.5</u>

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2022	36.9	\$ 0.4	8.0	\$ (221.8)	\$ 280.2	\$ 353.9	\$ (83.2)	\$ 329.5
Net earnings	—	—	—	—	—	71.6	—	71.6
Other comprehensive income	—	—	—	—	—	—	0.5	0.5
Share-based compensation expense	—	—	—	—	17.1	—	—	17.1
Common stock repurchases	—	—	0.4	(18.0)	—	—	—	(18.0)
Issuance of share-based awards, net of withholdings and other	1.0	—	0.4	(17.4)	2.0	—	—	(15.4)
Balance at September 30, 2023	<u>37.9</u>	<u>\$ 0.4</u>	<u>8.8</u>	<u>\$ (257.2)</u>	<u>\$ 299.3</u>	<u>\$ 425.5</u>	<u>\$ (82.7)</u>	<u>\$ 385.3</u>

See Notes to the Unaudited Condensed Consolidated Financial Statements

Donnelley Financial Solutions, Inc. and Subsidiaries (“DFIN”)
Notes to the Unaudited Condensed Consolidated Financial Statements
(in millions, except per share data, unless otherwise indicated)

Note 1. Overview, Basis of Presentation and Significant Accounting Policies

Description of Business

DFIN is a leading global provider of innovative software and technology-enabled financial regulatory and compliance solutions. The Company provides regulatory filing and deal solutions via its software, technology-enabled services and print and distribution solutions to public and private companies, mutual funds and other regulated investment firms, to serve its clients’ regulatory and compliance needs. DFIN helps its clients comply with applicable regulations where and how they want to work in a digital world, providing numerous solutions tailored to each client’s precise needs. The prevailing trend is toward clients choosing to utilize the Company’s software solutions, in conjunction with its tech-enabled services, to meet their document and filing needs, while at the same time shifting away from physical print and distribution of documents, except for when it is still regulatorily required or requested by investors.

The Company serves its clients’ regulatory and compliance needs throughout their respective life cycles. For its capital markets clients, the Company offers solutions that allow companies to comply with U.S. Securities and Exchange Commission (“SEC”) regulations and support their corporate financial transactions and regulatory/financial reporting through the use of digital document creation and online content management tools; filing agent services, where applicable; solutions to facilitate clients’ communications with their investors; and virtual data rooms and other deal management solutions. For investment companies, including mutual fund, insurance-investment and alternative investment companies, the Company provides solutions for creating, compiling and filing regulatory communications as well as solutions for investors designed to improve the access to and accuracy of their investment information.

Services and Products

The Company separately reports its net sales and related cost of sales for its software solutions, tech-enabled services and print and distribution offerings. The Company’s software solutions consist of ActiveDisclosure® (“ActiveDisclosure”), the Arc Suite® software platform (“Arc Suite”) and Venue® Virtual Data Room (“Venue”). The Company’s tech-enabled services offerings consist of document composition, compliance-related SEC Electronic Data Gathering, Analysis, and Retrieval (“EDGAR”) filing services and transactional solutions. The Company’s print and distribution offerings primarily consist of conventional and digital printed products and related shipping.

Basis of Presentation

The accompanying Unaudited Condensed Consolidated Financial Statements include the accounts of DFIN and all majority-owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and in accordance with the rules and regulations of the SEC. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The financial data presented herein should be read in conjunction with the audited Consolidated Financial Statements and accompanying notes included in the Company’s latest Annual Report. In the opinion of management, the financial data presented includes all adjustments necessary to present fairly the results of operations, financial position and cash flows for the interim periods presented. Results of interim periods should not be considered indicative of the results for the full year.

Significant Accounting Policies

Use of Estimates—The preparation of financial statements in conformity with GAAP requires the extensive use of management’s estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates. The Company’s significant accounting policies and critical accounting estimates are disclosed in the Annual Report.

Allowances for Expected Losses—Transactions affecting the current expected credit loss (“CECL”) reserve during the nine months ended September 30, 2024 and 2023 were as follows:

	September 30,	
	2024	2023
Balance, beginning of year	\$ 18.9	\$ 17.1
Provisions charged to expense	14.3	10.8
Write-offs, reclassifications and other	(8.8)	(8.6)
Balance, end of period	<u>\$ 24.4</u>	<u>\$ 19.3</u>

Donnelley Financial Solutions, Inc. and Subsidiaries (“DFIN”)
Notes to the Unaudited Condensed Consolidated Financial Statements (continued)
(in millions, except per share data, unless otherwise indicated)

The components of the CECL reserve balance at September 30, 2024 and December 31, 2023 were as follows:

	September 30, 2024	December 31, 2023
Provision for accounts receivable	\$ 23.9	\$ 18.5
Provision for unbilled receivables and contract assets	0.5	0.4
Total	\$ 24.4	\$ 18.9

Assets Held for Sale—As of December 31, 2023, the Company had land held for sale with a carrying value of \$2.6 million. On March 29, 2024, the Company sold the land for net proceeds of \$13.2 million, of which \$12.4 million was received in the first quarter of 2024 and \$0.8 million of non-refundable fees were received in 2023. The Company recognized a net pre-tax gain of \$10.6 million related to the sale, of which \$9.8 million was recorded during the nine months ended September 30, 2024 and \$0.8 million was recognized during the year ended December 31, 2023. The net pre-tax gain was recorded in other operating income, net on the Unaudited Condensed Consolidated Statements of Operations within the Capital Markets - Compliance and Communications Management operating segment.

Property, Plant and Equipment, net—The components of the Company’s property, plant and equipment, net at September 30, 2024 and December 31, 2023 were as follows:

	September 30, 2024	December 31, 2023
Land	\$ 0.3	\$ 0.3
Buildings	17.0	17.8
Machinery and equipment	69.0	68.0
	86.3	86.1
Less: Accumulated depreciation	(74.8)	(72.6)
Total	\$ 11.5	\$ 13.5

Depreciation expense was \$1.6 million and \$2.0 million for the three months ended September 30, 2024 and 2023, respectively, and \$4.9 million and \$5.8 million for the nine months ended September 30, 2024 and 2023, respectively.

Software, net—Capitalized software development costs are amortized over their estimated useful life using the straight-line method, up to a maximum of three years. Amortization expense related to internally-developed software, excluding amortization expense related to other intangible assets, was \$15.6 million and \$11.4 million for the three months ended September 30, 2024 and 2023, respectively, and \$40.5 million and \$33.2 million for the nine months ended September 30, 2024 and 2023, respectively.

Investments—The carrying value of the Company’s investments in equity securities was \$5.8 million and \$5.5 million at September 30, 2024 and December 31, 2023, respectively. The Company measures its equity securities that do not have a readily determinable fair value at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Company performs an assessment on a quarterly basis to determine whether triggering events for impairment exist and to identify any observable price changes.

In March 2023, the Company sold an investment in an equity security. As a result of the sale, for the nine months ended September 30, 2023, the Company received proceeds of \$11.9 million, including \$9.0 million of cash and common stock of the acquiror. In May 2023, the Company sold another investment in an equity security and received proceeds of \$0.9 million in cash, which approximated its carrying value. The sales resulted in a net realized gain of \$6.9 million for the nine months ended September 30, 2023, which is included in investment and other income, net, on the Unaudited Condensed Consolidated Statements of Operations within Corporate.

Donnelley Financial Solutions, Inc. and Subsidiaries (“DFIN”)
Notes to the Unaudited Condensed Consolidated Financial Statements (continued)
(in millions, except per share data, unless otherwise indicated)

Recently Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures,” which requires that an entity disclose consistent categories and greater disaggregation of significant expenses by reportable segment, information regarding the chief operating decision maker (“CODM”) and how the CODM uses the reported measures in assessing segment performance and deciding how to allocate resources, among other amendments that expand segment reporting disclosures. ASU 2023-07 also requires that an entity disclose all information about a reportable segment’s profit or loss and assets currently required annually by FASB Accounting Standards Codification (“ASC”) Topic 280, Segment Reporting, in interim periods. The standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of the adoption of this standard on its disclosures to the Unaudited Condensed Consolidated Financial Statements.

In December 2023, the FASB issued ASU No. 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures,” which requires that an entity disclose consistent categories and greater disaggregation of information in the income tax rate reconciliation, income taxes paid disaggregated by jurisdiction, among other amendments that expand income tax disclosures. The standard is effective for fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of the adoption of this standard on its disclosures to the Unaudited Condensed Consolidated Financial Statements.

Note 2. Revenue

Revenue Recognition

The Company manages highly-customized data and materials to enable filings with the SEC on behalf of its customers as well as performs tagging of documents using Inline eXtensible Business Reporting Language (“iXBRL”) and other services. Clients are provided with EDGAR filing services, iXBRL compliance services and translation, editing, interpreting, proof-reading and multilingual typesetting services, among other services. The Company provides software solutions to public and private companies, mutual funds and other regulated investment firms to serve their regulatory and compliance needs, including ActiveDisclosure, Arc Suite and Venue, and provides digital document creation, online content management and print and distribution solutions.

Revenue is recognized upon transfer of control of promised services or products to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services or products. The Company’s services include software solutions and tech-enabled services whereas the Company’s products are comprised of print and distribution offerings. The Company’s arrangements with customers often include promises to transfer multiple services or products to a customer. Determining whether services and products are considered distinct performance obligations that should be accounted for separately requires significant judgment. Certain customer arrangements have multiple performance obligations as certain promises are both capable of being distinct and are distinct within the context of the contract. Other customer arrangements have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts, and therefore is not distinct. Revenue for the Company’s tech-enabled services, software solutions and print and distribution offerings is recognized either over time or at a point in time, as further disclosed in the Annual Report.

Donnelley Financial Solutions, Inc. and Subsidiaries (“DFIN”)
Notes to the Unaudited Condensed Consolidated Financial Statements (continued)
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Disaggregation of Revenue

The following tables disaggregate revenue between tech-enabled services, software solutions and print and distribution by reportable segment:

	Three Months Ended September 30,							
	2024				2023			
	Tech-enabled Services	Software Solutions	Print and Distribution	Total	Tech-enabled Services	Software Solutions	Print and Distribution	Total
Capital Markets - Software Solutions	\$ —	\$ 53.3	\$ —	\$ 53.3	\$ —	\$ 46.5	\$ —	\$ 46.5
Capital Markets - Compliance and Communications Management	55.6	—	7.9	63.5	60.7	—	9.4	70.1
Investment Companies - Software Solutions	—	28.9	—	28.9	—	26.7	—	26.7
Investment Companies - Compliance and Communications Management	19.6	—	14.2	33.8	19.7	—	17.0	36.7
Total net sales	\$ 75.2	\$ 82.2	\$ 22.1	\$ 179.5	\$ 80.4	\$ 73.2	\$ 26.4	\$ 180.0

	Nine Months Ended September 30,							
	2024				2023			
	Tech-enabled Services	Software Solutions	Print and Distribution	Total	Tech-enabled Services	Software Solutions	Print and Distribution	Total
Capital Markets - Software Solutions	\$ —	\$ 163.6	\$ —	\$ 163.6	\$ —	\$ 137.9	\$ —	\$ 137.9
Capital Markets - Compliance and Communications Management	202.9	—	65.5	268.4	205.4	—	81.7	287.1
Investment Companies - Software Solutions	—	84.5	—	84.5	—	81.1	—	81.1
Investment Companies - Compliance and Communications Management	57.4	—	51.7	109.1	57.9	—	56.7	114.6
Total net sales	\$ 260.3	\$ 248.1	\$ 117.2	\$ 625.6	\$ 263.3	\$ 219.0	\$ 138.4	\$ 620.7

Unbilled Receivables and Contract Balances

The timing of revenue recognition may differ from the timing of invoicing to customers and these timing differences result in contract assets, unbilled receivables or contract liabilities. Contract assets represent revenue recognized for performance obligations completed before an unconditional right to payment exists and therefore invoicing has not yet occurred. The Company generally estimates contract assets based on the historical selling price adjusted for its current experience and expected resolution of the variable consideration of the completed performance obligation. When the Company’s contracts contain variable consideration, the variable consideration is recognized only to the extent that it is probable that a significant revenue reversal will not occur in a future period. As a result, the estimated revenue and contract assets may be constrained until the uncertainty associated with the variable consideration is resolved, which generally occurs in less than one year. Determining whether there will be a significant revenue reversal in the future and the determination of the amount of the constraint requires significant judgment.

Donnelley Financial Solutions, Inc. and Subsidiaries (“DFIN”)
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Contract assets were \$16.6 million and \$16.3 million at September 30, 2024 and December 31, 2023, respectively. Generally, the contract assets balance is impacted by the recognition of additional revenue, amounts invoiced to customers and changes in the level of constraint applied to variable consideration. Amounts recognized as revenue exceeded the estimates for performance obligations satisfied in previous periods by approximately \$7.6 million and \$6.5 million for the three months ended September 30, 2024 and 2023, respectively, and \$18.4 million and \$20.2 million for the nine months ended September 30, 2024 and 2023, respectively, primarily due to changes in the Company’s estimate of variable consideration and the application of the constraint.

Unbilled receivables are recorded when there is an unconditional right to payment and invoicing has not yet occurred. The Company estimates the value of unbilled receivables based on a combination of historical customer selling price and management’s assessment of realizable selling price. Unbilled receivables were \$33.4 million and \$21.6 million at September 30, 2024 and December 31, 2023, respectively. Unbilled receivables and contract assets are included in receivables, less allowances for expected losses on the Unaudited Condensed Consolidated Balance Sheets.

Contract liabilities consist of deferred revenue and progress billings, which are included in accrued liabilities on the Unaudited Condensed Consolidated Balance Sheets. The Company recognized \$7.6 million and \$6.3 million of revenue during the three months ended September 30, 2024 and 2023, respectively, that was included in the deferred revenue balances at the beginning of the respective periods. The Company recognized \$35.9 million and \$38.0 million of revenue during the nine months ended September 30, 2024 and 2023, respectively, that was included in the deferred revenue balances at the beginning of the respective periods. Changes in contract liabilities were as follows:

	September 30,	
	2024	2023
Balance, beginning of year	\$ 46.8	\$ 46.1
Deferral of revenue	154.5	121.3
Revenue recognized	(144.6)	(113.2)
Balance, end of period	<u>\$ 56.7</u>	<u>\$ 54.2</u>

Most of the Company’s contracts with significant remaining performance obligations have an initial expected duration of one year or less. As of September 30, 2024, the future estimated revenue related to unsatisfied or partially satisfied performance obligations under contracts with an original contractual term in excess of one year was approximately \$111 million, of which approximately 59% is expected to be recognized as revenue over the succeeding twelve months, and the remainder recognized thereafter.

Note 3. Goodwill

The goodwill balances by reportable segment were as follows:

	Gross book value at December 31, 2023	Accumulated impairment charges at December 31, 2023	Net book value at December 31, 2023	Foreign exchange and other adjustments	Net book value at September 30, 2024
Capital Markets - Software Solutions	\$ 100.0	\$ —	\$ 100.0	\$ —	\$ 100.0
Capital Markets - Compliance and Communications Management	252.8	—	252.8	—	252.8
Investment Companies - Software Solutions	53.0	—	53.0	0.1	53.1
Investment Companies - Compliance and Communications Management	40.6	(40.6)	—	—	—
Total	<u>\$ 446.4</u>	<u>\$ (40.6)</u>	<u>\$ 405.8</u>	<u>\$ 0.1</u>	<u>\$ 405.9</u>

Donnelley Financial Solutions, Inc. and Subsidiaries (“DFIN”)
Notes to the Unaudited Condensed Consolidated Financial Statements (continued)
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Note 4. Leases

The Company has operating leases for certain service centers, office space and equipment as well as finance leases, substantially all related to information technology equipment. The Company’s payments related to its operating and finance lease liabilities for the three and nine months ended September 30, 2024 and 2023 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cash paid related to operating leases	\$ 3.6	\$ 4.4	\$ 11.3	\$ 13.3
Cash paid related to finance leases	\$ 0.7	\$ 0.5	\$ 2.1	\$ 1.7

The components of lease expense for the three and nine months ended September 30, 2024 and 2023 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating lease expense:				
Operating lease expense	\$ 2.4	\$ 3.0	\$ 7.3	\$ 10.2
Sublease income	(1.2)	(1.1)	(3.4)	(3.2)
Net operating lease expense	<u>\$ 1.2</u>	<u>\$ 1.9</u>	<u>\$ 3.9</u>	<u>\$ 7.0</u>
Finance lease expense:				
Amortization of right-of-use assets	\$ 0.8	\$ 0.5	\$ 2.1	\$ 1.7
Interest on lease liabilities	0.1	0.1	0.2	0.2
Total finance lease expense	<u>\$ 0.9</u>	<u>\$ 0.6</u>	<u>\$ 2.3</u>	<u>\$ 1.9</u>

The Company’s finance leases as of September 30, 2024 and December 31, 2023 are presented on the Company’s Unaudited Condensed Consolidated Balance Sheets as follows:

	September 30, 2024	December 31, 2023
Property, plant and equipment, net	\$ 5.6	\$ 7.0
Accrued liabilities	\$ 3.0	\$ 2.5
Other noncurrent liabilities	2.8	4.7
Total	<u>\$ 5.8</u>	<u>\$ 7.2</u>

Other information related to finance leases for the nine months ended September 30, 2024 and 2023 was as follows:

	Nine Months Ended September 30,	
	2024	2023
Non-cash disclosure:		
Increase in finance lease liabilities due to new right-of-use assets	\$ 0.8	\$ 2.5

Note 5. Restructuring, Impairment and Other Charges, net

Restructuring, Impairment and Other Charges, net recognized in Results of Operations

The Company records restructuring charges associated with management-approved restructuring plans, which could include the elimination of job functions, closure or relocation of facilities, reorganization of operations, changes in management structure, workforce reductions or other actions. Restructuring charges may include ongoing and enhanced termination benefits related to employee separations, contract termination costs and other related costs associated with exit or disposal activities. Restructuring charges for employee terminations include management’s estimate as to the timing and amount of severance and actual results could differ from estimates.

Donnelley Financial Solutions, Inc. and Subsidiaries (“DFIN”)
Notes to the Unaudited Condensed Consolidated Financial Statements (continued)
(in millions, except per share data, unless otherwise indicated)

For the three months ended September 30, 2024 and 2023, the Company recorded the following restructuring, impairment and other charges, net by reportable segment:

	Employee Terminations	Impairment Charges	Other Charges	Total
Three Months Ended September 30, 2024				
Capital Markets - Compliance and Communications Management	\$ 0.3	\$ 0.6	\$ 0.1	\$ 1.0
Investment Companies - Software Solutions	0.3	—	—	0.3
Corporate	0.1	—	—	0.1
Total	\$ 0.7	\$ 0.6	\$ 0.1	\$ 1.4

	Employee Terminations	Other Restructuring Charges	Impairment Charges	Other Charges	Total
Three Months Ended September 30, 2023					
Capital Markets - Software Solutions	\$ (0.5)	\$ —	\$ —	\$ —	\$ (0.5)
Capital Markets - Compliance and Communications Management	(0.2)	0.1	0.1	0.1	0.1
Investment Companies - Software Solutions	(0.1)	—	—	—	(0.1)
Investment Companies - Compliance and Communications Management	0.1	—	—	—	0.1
Corporate	0.1	—	—	—	0.1
Total	\$ (0.6)	\$ 0.1	\$ 0.1	\$ 0.1	\$ (0.3)

For the nine months ended September 30, 2024 and 2023, the Company recorded the following restructuring, impairment and other charges, net by reportable segment:

	Employee Terminations	Impairment Charges	Other Charges	Total
Nine Months Ended September 30, 2024				
Capital Markets - Software Solutions	\$ 0.3	\$ —	\$ —	\$ 0.3
Capital Markets - Compliance and Communications Management	1.6	0.6	0.2	2.4
Investment Companies - Software Solutions	0.4	—	—	0.4
Investment Companies - Compliance and Communications Management	0.1	—	—	0.1
Corporate	1.2	—	0.1	1.3
Total	\$ 3.6	\$ 0.6	\$ 0.3	\$ 4.5

	Employee Terminations	Other Restructuring Charges	Impairment Charges	Other Charges	Total
Nine Months Ended September 30, 2023					
Capital Markets - Software Solutions	\$ 2.5	\$ —	\$ —	\$ —	\$ 2.5
Capital Markets - Compliance and Communications Management	4.0	0.1	0.1	0.2	4.4
Investment Companies - Software Solutions	0.5	—	—	—	0.5
Investment Companies - Compliance and Communications Management	0.1	—	—	—	0.1
Corporate	0.8	—	—	0.1	0.9
Total	\$ 7.9	\$ 0.1	\$ 0.1	\$ 0.3	\$ 8.4

Donnelley Financial Solutions, Inc. and Subsidiaries (“DFIN”)
Notes to the Unaudited Condensed Consolidated Financial Statements (continued)
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For the three months ended September 30, 2024, the Company recorded net restructuring charges of \$0.7 million related to employee termination costs for approximately 10 employees, substantially all of whom will be terminated by December 31, 2024. For the nine months ended September 30, 2024, the Company recorded net restructuring charges of \$3.6 million related to employee termination costs for approximately 40 employees, substantially all of whom will be terminated by December 31, 2024. The restructuring actions were primarily related to the reorganization of certain capital markets operations and certain changes in management structure. The three and nine months ended September 30, 2024 also included \$0.6 million of impairment charges.

For the nine months ended September 30, 2023, the Company recorded restructuring charges of \$7.9 million related to employee termination costs for approximately 150 employees, substantially all of whom were terminated as of December 31, 2023. The restructuring actions were primarily related to the reorganization of certain capital markets operations.

Restructuring Reserve – Employee Terminations

The Company’s employee terminations liability is included in accrued liabilities on the Company’s Unaudited Condensed Consolidated Balance Sheets. Changes in the accrual for employee terminations during the nine months ended September 30, 2024 were as follows:

	Employee Terminations
Balance at December 31, 2023	\$ 2.1
Restructuring charges, net	3.6
Cash paid	(4.5)
Balance at September 30, 2024	\$ 1.2

Note 6. Retirement Plans

The components of estimated net pension plan income for the three and nine months ended September 30, 2024 and 2023 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest cost	\$ 2.8	\$ 2.9	\$ 8.3	\$ 8.7
Expected return on assets	(3.4)	(3.3)	(10.1)	(9.9)
Amortization, net	0.4	0.2	1.0	0.7
Net pension plan income	\$ (0.2)	\$ (0.2)	\$ (0.8)	\$ (0.5)

Pension Plan Termination

In August 2024, the Company executed an amendment to allow for the termination of the Company’s frozen primary defined benefit plan (the “Plan”). The Plan’s benefit obligation is expected to be settled by offering lump sum distributions to participants, followed by the purchase of annuity contracts to transfer the Plan’s remaining obligation to a third party. As settlement of the obligation will be funded with Plan assets, the Company expects to make a cash contribution to fully fund the Plan in 2025. The cash contribution amount will depend upon the nature and timing of participant lump sum settlements and prevailing market conditions. Pension settlement charges related to the Plan termination, which include the recognition of Plan losses recorded within accumulated other comprehensive loss on the Company’s Unaudited Condensed Consolidated Balance Sheets, are currently expected to occur in the second half of 2025. The Plan termination is subject to certain conditions, including regulatory review, and the Company has the ability to change the effective date of the termination or revoke the decision to terminate the Plan.

Note 7. Commitments and Contingencies

Litigation

From time to time, the Company’s customers and other counterparties file voluntary petitions for reorganization under United States bankruptcy laws. In such cases, certain pre-petition payments received by the Company from these parties could be considered preference items and subject to return. In addition, the Company may be party to certain litigation arising in the ordinary course of business. Management believes that the final resolution of these preference items and litigation will not have a material effect on the Company’s consolidated results of operations, financial position or cash flows.

Donnelley Financial Solutions, Inc. and Subsidiaries (“DFIN”)
Notes to the Unaudited Condensed Consolidated Financial Statements (continued)
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Note 8. Debt

The Company’s debt as of September 30, 2024 and December 31, 2023 consisted of the following:

	September 30, 2024	December 31, 2023
Term Loan A Facility	\$ 125.0	\$ 125.0
Unamortized debt issuance costs	(0.4)	(0.5)
Total long-term debt	<u>\$ 124.6</u>	<u>\$ 124.5</u>

Credit Agreement—On May 27, 2021, the Company amended and restated its credit agreement dated as of September 30, 2016 (as in effect prior to such amendment and restatement, the “Credit Agreement,” and the Credit Agreement, as so amended and restated, the “Amended and Restated Credit Agreement”), by and among the Company, the lenders party thereto from time to time and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, to, among other things, provide for a \$200.0 million delayed-draw term loan A facility (the “Term Loan A Facility”) (bearing interest at a rate equal to the sum of the London Interbank Offered Rate (“LIBOR”) plus a margin ranging from 2.00% to 2.50% based upon the Company’s Consolidated Net Leverage Ratio), extend the maturity of the \$300.0 million revolving credit facility (the “Revolving Facility”) to May 27, 2026 and modify the financial maintenance and negative covenants in the Credit Agreement.

On May 11, 2023, the Company entered into the first amendment to the Amended and Restated Credit Agreement to change the reference rate from LIBOR, which ceased being published on June 30, 2023, to the Secured Overnight Financing Rate (“SOFR”) for both the Term Loan A Facility and the Revolving Facility. The SOFR interest rate was effective for the Revolving Facility and the Term Loan A on May 30, 2023 and June 12, 2023, respectively. No other significant terms of the Amended and Restated Credit Agreement were amended. The Amended and Restated Credit Agreement contains a number of covenants, including a minimum Interest Coverage Ratio and the Consolidated Net Leverage Ratio, as defined in and calculated pursuant to the Credit Agreement, that, in part, restrict the Company’s ability to incur additional indebtedness, create liens, engage in mergers and consolidations, make restricted payments and dispose of certain assets. The Credit Agreement generally allows annual dividend payments of up to \$20.0 million in the aggregate.

Term Loan A Facility—The unpaid principal amount of the Term Loan A Facility is due and payable in full on May 27, 2026. Voluntary prepayments of the Term Loan A Facility are permitted at any time without premium or penalty. The weighted-average interest rate on borrowings under the Term Loan A Facility was 7.4% and 6.8% for the nine months ended September 30, 2024 and 2023, respectively. The fair value of the Term Loan A Facility was \$124.2 million and \$124.1 million as of September 30, 2024 and December 31, 2023, respectively, and was determined to be Level 2 under the fair value hierarchy.

Revolving Facility—As of September 30, 2024 and December 31, 2023, there were no borrowings outstanding under the Revolving Facility. The weighted average interest rate on borrowings under the Revolving Facility was 7.7% and 7.2% for the nine months ended September 30, 2024 and 2023, respectively.

The following table summarizes interest expense, net included on the Unaudited Condensed Consolidated Statements of Operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest incurred	\$ 3.5	\$ 4.7	\$ 12.1	\$ 13.7
Interest income	(0.4)	(0.6)	(1.7)	(1.5)
Interest expense, net	<u>\$ 3.1</u>	<u>\$ 4.1</u>	<u>\$ 10.4</u>	<u>\$ 12.2</u>

Donnelley Financial Solutions, Inc. and Subsidiaries (“DFIN”)
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Note 9. Earnings per Share

Net earnings per basic share is calculated by dividing net earnings by the weighted average number of common shares outstanding for the period. Net earnings per diluted share is computed using the weighted average number of common and potentially dilutive shares outstanding during the period, including stock options, restricted stock units (“RSUs”), performance share units (“PSUs”) and restricted stock, using the treasury stock method.

The reconciliation of the numerator and denominator of the net earnings per basic and diluted share calculations for the three and nine months ended September 30, 2024 and 2023 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net earnings per share:				
Basic	\$ 0.30	\$ 0.62	\$ 2.94	\$ 2.44
Diluted	\$ 0.29	\$ 0.60	\$ 2.86	\$ 2.36
Numerator:				
Net earnings	\$ 8.7	\$ 18.1	\$ 86.1	\$ 71.6
Denominator:				
Weighted average number of common shares outstanding	29.1	29.4	29.3	29.4
Dilutive awards	0.8	0.9	0.8	1.0
Diluted weighted average number of common shares outstanding	29.9	30.3	30.1	30.4

Note 10. Capital Stock

The Company has authorized for issuance 65 million shares of \$0.01 par value common stock and one million shares of \$0.01 par value preferred stock. The Board may divide the preferred stock into one or more series and fix the redemption, dividend, voting, conversion, sinking fund, liquidation and other rights. The Company has no present plans to issue any preferred stock.

Common Stock Repurchases

On August 17, 2022, the Board authorized an increase to the stock repurchase program previously approved in February 2022 to bring the total remaining available repurchase authorization for shares on or after August 17, 2022 to \$150 million, which expired on December 31, 2023. On November 14, 2023, the Board authorized the repurchase of up to \$150 million of the Company’s outstanding common stock commencing on January 1, 2024, with an expiration date of December 31, 2025. As of September 30, 2024, the remaining authorized amount was \$108.7 million.

The stock repurchase program may be suspended or discontinued at any time. The timing and amount of any shares repurchased are determined by the Company based on its evaluation of market conditions and other factors and may be completed from time to time in one or more transactions on the open market or in privately negotiated purchases in accordance with all applicable securities laws and regulations and all repurchases in the open market will be made in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Repurchases may also be made under a Rule 10b5-1 plan, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so.

The Company’s stock repurchases for the three and nine months ended September 30, 2024 and 2023 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Common stock repurchases	\$ 13.3	\$ 14.8	\$ 41.3	\$ 18.0
Number of shares repurchased	208,254	310,365	665,535	386,920
Average price paid per share	\$ 63.96	\$ 47.77	\$ 62.10	\$ 46.53

Donnelley Financial Solutions, Inc. and Subsidiaries (“DFIN”)
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Note 11. Comprehensive Income

The components of other comprehensive income (loss) and income tax expense allocated to each component for the three and nine months ended September 30, 2024 and 2023 were as follows:

	Three Months Ended September 30, 2024			Nine Months Ended September 30, 2024		
	Before Tax	Income Tax	Net of Tax	Before Tax	Income Tax	Net of Tax
Translation adjustments	\$ 0.8	\$ —	\$ 0.8	\$ 0.2	\$ —	\$ 0.2
Adjustment for net periodic pension and other postretirement benefits plans	0.4	—	0.4	1.0	0.2	0.8
Other comprehensive income	<u>\$ 1.2</u>	<u>\$ —</u>	<u>\$ 1.2</u>	<u>\$ 1.2</u>	<u>\$ 0.2</u>	<u>\$ 1.0</u>

	Three Months Ended September 30, 2023			Nine Months Ended September 30, 2023		
	Before Tax	Income Tax	Net of Tax	Before Tax	Income Tax	Net of Tax
Translation adjustments	\$ (1.0)	\$ —	\$ (1.0)	\$ —	\$ —	\$ —
Adjustment for net periodic pension and other postretirement benefits plans	0.2	0.1	0.1	0.7	0.2	0.5
Other comprehensive (loss) income	<u>\$ (0.8)</u>	<u>\$ 0.1</u>	<u>\$ (0.9)</u>	<u>\$ 0.7</u>	<u>\$ 0.2</u>	<u>\$ 0.5</u>

The following table summarizes changes in accumulated other comprehensive loss by component for the nine months ended September 30, 2024:

	Pension and Other Postretirement Benefits Plans Cost	Translation Adjustments	Total
Balance at December 31, 2023	\$ (63.7)	\$ (14.2)	\$ (77.9)
Other comprehensive loss before reclassifications	—	(0.2)	(0.2)
Amounts reclassified from accumulated other comprehensive loss	0.8	0.4	1.2
Net change in accumulated other comprehensive loss	0.8	0.2	1.0
Balance at September 30, 2024	<u>\$ (62.9)</u>	<u>\$ (14.0)</u>	<u>\$ (76.9)</u>

The following table summarizes changes in accumulated other comprehensive loss by component for the nine months ended September 30, 2023:

	Pension and Other Postretirement Benefits Plans Cost	Translation Adjustments	Total
Balance at December 31, 2022	\$ (67.9)	\$ (15.3)	\$ (83.2)
Other comprehensive income before reclassifications	—	—	—
Amounts reclassified from accumulated other comprehensive loss	0.5	—	0.5
Net change in accumulated other comprehensive loss	0.5	—	0.5
Balance at September 30, 2023	<u>\$ (67.4)</u>	<u>\$ (15.3)</u>	<u>\$ (82.7)</u>

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Reclassifications from accumulated other comprehensive loss for the three and nine months ended September 30, 2024 and 2023 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Amortization of pension and other postretirement benefits plans cost:				
Net actuarial loss ^(a)	\$ 0.4	\$ 0.2	\$ 1.0	\$ 0.7
Reclassification of translation adjustment ^(b)	—	—	0.5	—
Reclassifications before tax	0.4	0.2	1.5	0.7
Income tax expense	—	0.1	0.3	0.2
Reclassifications, net of tax	\$ 0.4	\$ 0.1	\$ 1.2	\$ 0.5

(a) These accumulated other comprehensive loss components are included in the calculation of net periodic pension and other postretirement benefits plans income recognized in investment and other income, net on the Unaudited Condensed Consolidated Statements of Operations (see Note 6, *Retirement Plans*).

(b) Translation adjustment reclassification resulting from the liquidation of a foreign subsidiary is included in investment and other income, net on the Unaudited Condensed Consolidated Statements of Operations.

Note 12. Segment Information

The Company operates its business through four operating and reportable segments: Capital Markets – Software Solutions, Capital Markets – Compliance and Communications Management, Investment Companies – Software Solutions and Investment Companies – Compliance and Communications Management. Corporate is not an operating segment and consists primarily of unallocated selling, general and administrative (“SG&A”) activities and associated expenses including, in part, executive, legal, finance and certain facility costs. In addition, certain costs and earnings of employee benefits plans, such as pension and other postretirement benefits plans expense (income) as well as share-based compensation expense, are included in Corporate and not allocated to the operating segments.

Capital Markets

The Company provides software solutions, tech-enabled services and print and distribution solutions to public and private companies for deal solutions and compliance to companies that are, or are preparing to become, subject to the filing and reporting requirements of the Securities Act of 1933, as amended (the “Securities Act”), and the Exchange Act. Capital markets clients leverage the Company’s software offerings, proprietary technology, deep industry expertise and experience to successfully navigate the SEC’s specified file formats when submitting compliance documents through the SEC’s EDGAR system for their transactional and ongoing compliance needs. The Company assists its capital markets clients throughout the course of initial public offerings, secondary offerings, mergers and acquisitions, public and private debt offerings, leveraged buyouts, spinouts, special purpose acquisition company (“SPAC”) and de-SPAC transactions and other similar transactions. In addition, the Company provides clients with compliance solutions to prepare their ongoing required Exchange Act filings that are compatible with the SEC’s EDGAR system, most notably Form 10-K, Form 10-Q, Form 8-K and proxy filings. The Company’s operating segments associated with its capital markets services and product offerings are as follows:

Capital Markets – Software Solutions—The Company provides Venue and ActiveDisclosure to public and private companies to help manage public and private transactional and compliance processes; collaborate; and tag, validate and file SEC documents.

Capital Markets – Compliance & Communications Management—The Company provides tech-enabled services and print and distribution solutions to public and private companies for deal solutions and SEC compliance requirements.

Donnelley Financial Solutions, Inc. and Subsidiaries (“DFIN”)
Notes to the Unaudited Condensed Consolidated Financial Statements (continued)
(in millions, except per share data, unless otherwise indicated)

Investment Companies

The Company provides software solutions, tech-enabled services and print, distribution and fulfillment solutions to its investment companies clients, which are primarily mutual fund companies, alternative investment companies, insurance companies and third-party fund administrators, that are subject to the filing and reporting requirements of the Investment Company Act of 1940, as amended (the “Investment Company Act”) as well as European and Canadian regulations. The Company’s suite of solutions enables its investment companies clients to comply with applicable ongoing SEC regulations, as well as to create, manage and deliver accurate and timely financial communications to investors and regulators. Investment companies clients leverage the Company’s proprietary technology, deep industry expertise and experience to successfully navigate the SEC’s specified file formats when submitting compliance documents through the SEC’s EDGAR system. The Company’s operating segments associated with its investment companies services and products offerings are as follows:

Investment Companies – Software Solutions—The Company provides clients with the Arc Suite platform that contains a comprehensive suite of cloud-based solutions, including ArcDigital, ArcReporting, ArcPro and ArcRegulatory, as well as services that enable storage and management of compliance and regulatory information in a self-service, central repository so that documents can be easily accessed, assembled, edited, tagged, translated, rendered and submitted to regulators and investors.

Investment Companies – Compliance & Communications Management—The Company provides its investment companies clients tech-enabled services to prepare, file, tag and distribute registration forms, as well as iXBRL-formatted filings pursuant to the Investment Company Act, through the SEC’s EDGAR system. In addition, the Company provides print and distribution solutions for its clients to communicate with their investors.

Information by Segment

The Company has disclosed income (loss) from operations as the primary measure of segment earnings (loss). This is the measure of profitability used by the Company’s CODM and is most consistent with the presentation of profitability reported within the Unaudited Condensed Consolidated Financial Statements.

	Net Sales	Income (Loss) from Operations	Depreciation and Amortization	Capital Expenditures
Three Months Ended September 30, 2024				
Capital Markets - Software Solutions	\$ 53.3	\$ 6.2	\$ 7.1	\$ 9.9
Capital Markets - Compliance and Communications Management	63.5	14.8	4.3	2.1
Investment Companies - Software Solutions	28.9	4.2	4.5	6.0
Investment Companies - Compliance and Communications Management	33.8	9.1	1.2	0.5
Total operating segments	179.5	34.3	17.1	18.5
Corporate	—	(16.1)	0.1	0.6
Total	<u>\$ 179.5</u>	<u>\$ 18.2</u>	<u>\$ 17.2</u>	<u>\$ 19.1</u>
Three Months Ended September 30, 2023				
Capital Markets - Software Solutions	\$ 46.5	\$ 4.9	\$ 7.7	\$ 11.6
Capital Markets - Compliance and Communications Management	70.1	24.9	1.9	1.8
Investment Companies - Software Solutions	26.7	6.6	3.5	5.0
Investment Companies - Compliance and Communications Management	36.7	11.2	1.2	0.4
Total operating segments	180.0	47.6	14.3	18.8
Corporate	—	(17.8)	0.1	0.4
Total	<u>\$ 180.0</u>	<u>\$ 29.8</u>	<u>\$ 14.4</u>	<u>\$ 19.2</u>

Donnelley Financial Solutions, Inc. and Subsidiaries (“DFIN”)
Notes to the Unaudited Condensed Consolidated Financial Statements (continued)
(in millions, except per share data, unless otherwise indicated)

	Net Sales	Income (Loss) from Operations	Assets ^(a)	Depreciation and Amortization	Capital Expenditures
<i>Nine Months Ended September 30, 2024</i>					
Capital Markets - Software Solutions	\$ 163.6	\$ 30.1	\$ 201.6	\$ 20.3	\$ 24.3
Capital Markets - Compliance and Communications Management	268.4	96.4	352.3	8.4	5.9
Investment Companies - Software Solutions	84.5	14.8	111.8	13.1	17.0
Investment Companies - Compliance and Communications Management	109.1	33.2	46.7	3.5	2.3
Total operating segments	<u>625.6</u>	<u>174.5</u>	<u>712.4</u>	<u>45.3</u>	<u>49.5</u>
Corporate	—	(47.2)	131.2	0.1	1.3
Total	<u>\$ 625.6</u>	<u>\$ 127.3</u>	<u>\$ 843.6</u>	<u>\$ 45.4</u>	<u>\$ 50.8</u>
<i>Nine Months Ended September 30, 2023</i>					
Capital Markets - Software Solutions	\$ 137.9	\$ 8.7	\$ 198.4	\$ 21.8	\$ 23.4
Capital Markets - Compliance and Communications Management	287.1	88.5	387.0	5.6	4.8
Investment Companies - Software Solutions	81.1	18.3	105.3	10.2	12.3
Investment Companies - Compliance and Communications Management	114.6	35.4	43.9	3.5	1.4
Total operating segments	<u>620.7</u>	<u>150.9</u>	<u>734.6</u>	<u>41.1</u>	<u>41.9</u>
Corporate	—	(50.7)	104.7	0.1	1.1
Total	<u>\$ 620.7</u>	<u>\$ 100.2</u>	<u>\$ 839.3</u>	<u>\$ 41.2</u>	<u>\$ 43.0</u>

(a) Certain assets are recorded within a segment based on predominant usage, however, as they benefit more than one segment, the related operating expenses are allocated between segments.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

As used in this Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”), unless otherwise specified or the context otherwise requires, the “Company” or “DFIN” refer to Donnelley Financial Solutions, Inc. and its consolidated subsidiaries. MD&A should be read together with the Company’s Unaudited Condensed Consolidated Financial Statements and the related notes thereto, as well as the Company’s audited Consolidated Financial Statements and the related notes thereto within its Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 20, 2024 (the “Annual Report”).

Company Overview

DFIN is a leading global provider of innovative software and technology-enabled financial regulatory and compliance solutions. The Company provides regulatory filing and deal solutions via its software, technology-enabled services and print and distribution solutions to public and private companies, mutual funds and other regulated investment firms, to serve its clients’ regulatory and compliance needs. DFIN helps its clients comply with applicable regulations where and how they want to work in a digital world, providing numerous solutions tailored to each client’s precise needs. The prevailing trend is toward clients choosing to utilize the Company’s software solutions, in conjunction with its tech-enabled services, to meet their document and filing needs, while at the same time shifting away from physical print and distribution of documents, except for when it is still regulatorily required or requested by investors.

The Company serves its clients’ regulatory and compliance needs throughout their respective life cycles. For its capital markets clients, the Company offers solutions that allow companies to comply with U.S. Securities and Exchange Commission (“SEC”) regulations and support their corporate financial transactions and regulatory/financial reporting through the use of digital document creation and online content management tools; filing agent services, where applicable; solutions to facilitate clients’ communications with their investors; and virtual data rooms and other deal management solutions. For investment companies, including mutual fund, insurance-investment and alternative investment companies, the Company provides solutions for creating, compiling and filing regulatory communications as well as solutions for investors designed to improve the access to and accuracy of their investment information.

Technological advancements, regulatory changes, and evolving workflow preferences have led to the Company’s clients managing more of the financial disclosure process themselves, changing the marketplace for the Company’s services and products. DFIN’s strategy in its Software Solutions segments (CM-SS and IC-SS, as defined below) aligns with the changing marketplace by focusing the Company’s investments and resources in its advanced software solutions, primarily ActiveDisclosure® (“ActiveDisclosure”), Arc Suite® software platform (“Arc Suite”) and Venue® Virtual Data Room (“Venue”), while making targeted investments to further enhance product features. In its Compliance & Communications Management segments (CM-CCM and IC-CCM, as defined below), the Company’s strategy focuses on maintaining its market-leading position by offering a high-touch, service-oriented experience, using its unique combination of tech-enabled services and print and distribution capabilities.

Market Volatility/Cyclicality and Seasonality

The Company’s Capital Markets segments (CM-SS and CM-CCM), in particular, are subject to market volatility, as the demand for the transactional and Venue offerings is largely dependent on the global market for initial public offerings (“IPOs”), secondary offerings, mergers and acquisitions (“M&A”), public and private debt offerings, leveraged buyouts, spinouts, special purpose acquisition company (“SPAC”) and de-SPAC transactions and other similar transactions. A variety of factors impact the global markets for transactions, including economic activity levels, interest rates, market volatility, the regulatory and political environment, geopolitical and civil unrest and global pandemics, among others. Due to the significant net sales and profitability derived from transactional and Venue offerings, market volatility can lead to uneven financial performance when comparing to previous periods. U.S. IPOs, M&A transactions and public debt offerings were also previously disrupted by U.S. federal government shutdowns, and any future government shutdowns could result in additional volatility. The Company’s compliance offerings, supporting the quarterly and annual public company reporting processes through its filing services and ActiveDisclosure, as well as its Investment Companies segments (IC-SS and IC-CCM) regulatory and stockholder communications offerings, including Arc Suite, are less impacted by market volatility. The Company’s overall risk profile is balanced by offering services in higher demand during a down market, such as document management tools for the bankruptcy/restructuring process and by moving upstream in the filing process with products like Venue.

The quarterly/annual public company reporting cycle subjects the Company to filing seasonality which peaks shortly after the end of each fiscal quarter. Additionally, investment companies clients' financial and regulatory reporting requirements include filings for mutual funds on a semi-annual basis as well as annual prospectus filings, which peaks during the second fiscal quarter. The seasonality and associated operational implications include the need to increase staff during peak periods through a combined strategy of hiring temporary personnel, increasing the premium time of existing staff and outsourcing production for a number of services. ActiveDisclosure and Arc Suite provide clients and their financial advisors software solutions which allow them to autonomously file and distribute compliance documents with regulatory agencies reducing the need for additional service support during peak periods. The Company remains focused on driving annual recurring revenue to mitigate the impact of market volatility on its financial results.

Services and Products

The Company separately reports its net sales and related cost of sales for its software solutions, tech-enabled services and print and distribution offerings. The Company's software solutions consist of ActiveDisclosure, Arc Suite and Venue. The Company's tech-enabled services offerings consist of document composition, compliance-related SEC Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") filing services and transactional solutions. The Company's print and distribution offerings primarily consist of conventional and digital printed products and related shipping.

Government Regulations and Regulatory Impact

The SEC is adopting new as well as amending existing rules and forms to enhance the security and modernize the reporting and disclosure of information under the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the Investment Company Act of 1940, as amended (the "Investment Company Act"). As the scope and complexity of the regulatory environment continues to increase, regulators are also demanding a greater use of structured, machine-readable data in companies' disclosures, more summary documents and layered website disclosures. These actions are driving significant changes which impact the Company's customers, and have enabled the Company to offer new value-added functionality and services and accelerate its transition from print and distribution to software solutions.

Segments

The Company's four operating and reportable segments are: Capital Markets – Software Solutions ("CM-SS"), Capital Markets – Compliance and Communications Management ("CM-CCM"), Investment Companies – Software Solutions ("IC-SS") and Investment Companies – Compliance and Communications Management ("IC-CCM"). Corporate is not an operating segment and consists primarily of unallocated selling, general and administrative ("SG&A") activities and associated expenses including, in part, executive, legal, finance and certain facility costs. In addition, certain costs and earnings of employee benefits plans, such as pension and other postretirement benefits plans expense (income) as well as share-based compensation expense, are included in Corporate and not allocated to the operating segments.

Capital Markets

The Company provides software solutions, tech-enabled services and print and distribution solutions to public and private companies for deal solutions and compliance to companies that are, or are preparing to become, subject to the filing and reporting requirements of the Securities Act and the Exchange Act. The Company's operating segments associated with its capital markets services and products offerings are as follows:

Capital Markets – Software Solutions—The CM-SS segment provides Venue and ActiveDisclosure to public and private companies to help manage public and private transactional and compliance processes; collaborate; and tag, validate and file SEC documents.

Capital Markets – Compliance & Communications Management—The CM-CCM segment provides tech-enabled services and print and distribution solutions to public and private companies for deal solutions and SEC compliance requirements. The Company's private conference facilities offer around-the-clock services to support the transaction process, production platform and service delivery model for a fully-virtual experience while replicating the in-person experience. The Company has seen clients utilizing the range of options available to them, including a hybrid approach with working group members participating both virtually and in-person during drafting sessions for their transactions.

Investment Companies

The Company provides software solutions, tech-enabled services and print, distribution and fulfillment solutions to its investment companies clients, which are primarily mutual fund companies, alternative investment companies, insurance companies and third-party fund administrators, that are subject to the filing and reporting requirements of the Investment Company Act as well as European and Canadian regulations. The Company's operating segments associated with its investment companies services and products offerings are as follows:

Investment Companies – Software Solutions—The IC-SS segment provides clients with the Arc Suite platform that contains a comprehensive suite of cloud-based solutions, including ArcDigital, ArcReporting, ArcPro and ArcRegulatory as well as services that enable storage and management of compliance and regulatory information in a self-service, central repository so that documents can be easily accessed, assembled, edited, tagged, translated, rendered and submitted to regulators and investors.

Investment Companies – Compliance & Communications Management—The IC-CCM segment provides clients with tech-enabled solutions for creating, filing and distributing regulatory communications and solutions for investor communications, as well as iXBRL-formatted filings pursuant to the Investment Company Act, through the SEC's EDGAR system. The IC-CCM segment also provides turnkey proxy services, including discovery, planning and implementation, print and mail management, solicitation, tabulation services, stockholder meeting review and expert support.

Executive Overview

Third Quarter Overview

Net sales for the three months ended September 30, 2024 decreased by \$0.5 million, or 0.3%, to \$179.5 million from \$180.0 million for the three months ended September 30, 2023, including a \$1.0 million, or 0.6%, decrease due to the disposition of the eBrevia business in the fourth quarter of 2023, and a \$0.1 million, or 0.1%, increase due to changes in foreign currency exchange rates. Net sales decreased primarily due to lower capital markets and investment companies compliance and transactional volumes, partially offset by higher Venue volumes and price increases and higher Arc Suite volumes as a result of the Company's Tailored Shareholder Reports ("TSR") offering.

Income from operations for the three months ended September 30, 2024 decreased by \$11.6 million, or 38.9%, to \$18.2 million from \$29.8 million for the three months ended September 30, 2023, primarily due to higher selling expense as a result of the increase in software solutions net sales, higher incentive compensation expense and higher depreciation and amortization expense, partially offset by lower consulting expense, cost control initiatives and a favorable sales mix.

Year-to-Date Overview

Net sales for the nine months ended September 30, 2024 increased by \$4.9 million, or 0.8%, to \$625.6 million from \$620.7 million for the nine months ended September 30, 2023, including a \$3.1 million, or 0.5%, decrease due to the disposition of the eBrevia business and a \$0.2 million increase due to changes in foreign currency exchange rates. Net sales increased primarily due to higher Venue volumes, software price increases and higher capital markets and investment companies transactional volumes, partially offset by lower capital markets and investment companies compliance volumes.

Income from operations for the nine months ended September 30, 2024 increased by \$27.1 million, or 27.0%, to \$127.3 million from \$100.2 million for the nine months ended September 30, 2023, primarily due to higher software solutions net sales, a favorable sales mix, cost control initiatives, a net gain on the sale of land, lower consulting expense and lower restructuring impairment, and other charges, net, partially offset by lower compliance volumes, higher selling expense as a result of the increase in software solutions net sales, higher incentive compensation expense, higher depreciation and amortization expense and higher bad debt expense.

Financial Review

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires the extensive use of management's estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates. The Company's significant accounting policies and critical estimates are disclosed in the Annual Report.

In the financial review that follows, the Company discusses its unaudited condensed consolidated results of operations, financial position, cash flows and certain other information. This discussion should be read in conjunction with the Company's Unaudited Condensed Consolidated Financial Statements and the related notes thereto.

Results of Operations for the Three and Nine Months Ended September 30, 2024 as Compared to the Three and Nine Months Ended September 30, 2023

The following table shows the results of operations for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
(in millions, except percentages)								
Net sales								
Tech-enabled services	\$ 75.2	\$ 80.4	\$ (5.2)	(6.5 %)	\$ 260.3	\$ 263.3	\$ (3.0)	(1.1 %)
Software solutions	82.2	73.2	9.0	12.3 %	248.1	219.0	29.1	13.3 %
Print and distribution	22.1	26.4	(4.3)	(16.3 %)	117.2	138.4	(21.2)	(15.3 %)
Total net sales	179.5	180.0	(0.5)	(0.3 %)	625.6	620.7	4.9	0.8 %
Cost of sales ^(a)								
Tech-enabled services	29.2	29.3	(0.1)	(0.3 %)	93.7	99.6	(5.9)	(5.9 %)
Software solutions	27.6	25.9	1.7	6.6 %	80.3	81.2	(0.9)	(1.1 %)
Print and distribution	11.9	15.7	(3.8)	(24.2 %)	61.3	78.6	(17.3)	(22.0 %)
Total cost of sales	68.7	70.9	(2.2)	(3.1 %)	235.3	259.4	(24.1)	(9.3 %)
Selling, general and administrative expenses ^(a)	74.0	65.4	8.6	13.1 %	222.9	212.1	10.8	5.1 %
Depreciation and amortization	17.2	14.4	2.8	19.4 %	45.4	41.2	4.2	10.2 %
Restructuring, impairment and other charges, net	1.4	(0.3)	1.7	nm	4.5	8.4	(3.9)	(46.4 %)
Other operating income, net	—	(0.2)	0.2	(100.0 %)	(9.8)	(0.6)	(9.2)	nm
Income from operations	18.2	29.8	(11.6)	(38.9 %)	127.3	100.2	27.1	27.0 %
Interest expense, net	3.1	4.1	(1.0)	(24.4 %)	10.4	12.2	(1.8)	(14.8 %)
Investment and other income, net	(0.3)	(0.1)	(0.2)	nm	(1.1)	(7.3)	6.2	(84.9 %)
Earnings before income taxes	15.4	25.8	(10.4)	(40.3 %)	118.0	95.3	22.7	23.8 %
Income tax expense	6.7	7.7	(1.0)	(13.0 %)	31.9	23.7	8.2	34.6 %
Net earnings	\$ 8.7	\$ 18.1	\$ (9.4)	(51.9 %)	\$ 86.1	\$ 71.6	\$ 14.5	20.3 %

(a) Exclusive of depreciation and amortization

nm – Not meaningful

Consolidated

Three Months Ended September 30, 2024 compared to the Three Months Ended September 30, 2023

Net sales of tech-enabled services of \$75.2 million for the three months ended September 30, 2024 decreased \$5.2 million, or 6.5%, as compared to the three months ended September 30, 2023. Net sales of tech-enabled services decreased primarily due to lower capital markets transactional and compliance volumes.

Net sales of software solutions of \$82.2 million for the three months ended September 30, 2024 increased \$9.0 million, or 12.3%, as compared to the three months ended September 30, 2023. Net sales of software solutions increased primarily due to higher Venue volumes and price increases and higher Arc Suite volumes as a result of the Company's TSR offering, partially offset by the disposition of the eBrevia business.

Net sales of print and distribution of \$22.1 million for the three months ended September 30, 2024 decreased \$4.3 million, or 16.3%, as compared to the three months ended September 30, 2023. Net sales of print and distribution decreased primarily due to lower investment companies and capital markets compliance volumes.

Tech-enabled services cost of sales of \$29.2 million for the three months ended September 30, 2024 decreased \$0.1 million, or 0.3%, as compared to the three months ended September 30, 2023. Tech-enabled services cost of sales decreased primarily due to lower sales volumes and cost control initiatives, partially offset by an unfavorable sales mix. As a percentage of tech-enabled services net sales, tech-enabled services cost of sales increased 2.4%, primarily driven by an unfavorable sales mix, partially offset by cost control initiatives.

Software solutions cost of sales of \$27.6 million for the three months ended September 30, 2024 increased \$1.7 million, or 6.6%, as compared to the three months ended September 30, 2023. Software solutions cost of sales increased primarily due to higher sales volumes, partially offset by a favorable sales mix. As a percentage of software solutions net sales, software solutions cost of sales decreased 1.8%, primarily driven by a favorable sales mix.

Print and distribution cost of sales of \$11.9 million for the three months ended September 30, 2024 decreased \$3.8 million, or 24.2%, as compared to the three months ended September 30, 2023. Print and distribution cost of sales decreased primarily due to lower sales volumes and cost control initiatives. As a percentage of print and distribution net sales, print and distribution cost of sales decreased 5.7%, primarily driven by cost control initiatives.

SG&A expenses of \$74.0 million for the three months ended September 30, 2024 increased \$8.6 million, or 13.1%, as compared to the three months ended September 30, 2023. SG&A expenses increased primarily due to higher selling expense as a result of the increase in software solutions net sales, higher incentive compensation expense and higher bad debt expense, partially offset by lower consulting expense and cost control initiatives. As a percentage of net sales, SG&A expenses increased to 41.2% for the three months ended September 30, 2024 from 36.3% for the three months ended September 30, 2023, primarily due to higher selling expense, higher incentive compensation expense and higher bad debt expense, partially offset by lower consulting expense and cost control initiatives.

Depreciation and amortization of \$17.2 million for the three months ended September 30, 2024 increased \$2.8 million, or 19.4%, as compared to the three months ended September 30, 2023, as a result of \$2.8 million of accelerated amortization expense related to discontinued software.

Restructuring, impairment and other charges, net of \$1.4 million for the three months ended September 30, 2024 increased \$1.7 million, as compared to the three months ended September 30, 2023.

Income from operations of \$18.2 million for the three months ended September 30, 2024 decreased \$11.6 million, or 38.9%, as compared to the three months ended September 30, 2023. Income from operations decreased primarily due to higher selling expense as a result of the increase in software solutions net sales, higher incentive compensation expense and higher depreciation and amortization expense, partially offset by lower consulting expense, cost control initiatives and a favorable sales mix.

Interest expense, net of \$3.1 million for the three months ended September 30, 2024 decreased \$1.0 million, or 24.4%, as compared to the three months ended September 30, 2023. Interest expense, net decreased primarily due to lower average Revolving Facility (as defined below) borrowings during the three months ended September 30, 2024 compared to the three months ended September 30, 2023.

The effective income tax rate was 43.5% for the three months ended September 30, 2024 as compared to 29.8% for the three months ended September 30, 2023. The increase in the effective income tax rate was primarily driven by increases in both non-recognizable losses and net unfavorable discrete adjustments, combined with the impact of lower pre-tax earnings, partially offset by a decrease in the forecasted annual effective tax.

Nine Months Ended September 30, 2024 compared to the Nine Months Ended September 30, 2023

Net sales of tech-enabled services of \$260.3 million for the nine months ended September 30, 2024 decreased \$3.0 million, or 1.1%, as compared to the nine months ended September 30, 2023. Net sales of tech-enabled services decreased primarily due to lower capital markets and investment companies compliance volumes.

Net sales of software solutions of \$248.1 million for the nine months ended September 30, 2024 increased \$29.1 million, or 13.3%, as compared to the nine months ended September 30, 2023. Net sales of software solutions increased primarily due to higher Venue volumes and price increases and the Company's TSR offering, partially offset by the disposition of the eBrevia business and lower ArcRegulatory volumes.

Net sales of print and distribution of \$117.2 million for the nine months ended September 30, 2024 decreased \$21.2 million, or 15.3%, as compared to the nine months ended September 30, 2023. Net sales of print and distribution decreased primarily due to lower capital markets and investment companies compliance volumes.

Tech-enabled services cost of sales of \$93.7 million for the nine months ended September 30, 2024 decreased \$5.9 million, or 5.9%, as compared to the nine months ended September 30, 2023. Tech-enabled services cost of sales decreased primarily due to lower sales volumes, cost control initiatives and a favorable sales mix. As a percentage of tech-enabled services net sales, tech-enabled services cost of sales decreased 1.8%, primarily driven by cost control initiatives and a favorable sales mix.

Software solutions cost of sales of \$80.3 million for the nine months ended September 30, 2024 decreased \$0.9 million, or 1.1%, as compared to the nine months ended September 30, 2023. Software solutions cost of sales decreased primarily due to a favorable sales mix and cost control initiatives, partially offset by higher sales volumes. As a percentage of software solutions net sales, software solutions cost of sales decreased 4.7%, primarily driven by a favorable sales mix and cost control initiatives.

Print and distribution cost of sales of \$61.3 million for the nine months ended September 30, 2024 decreased \$17.3 million, or 22.0%, as compared to the nine months ended September 30, 2023. Print and distribution cost of sales decreased primarily due to lower sales volumes and cost control initiatives. As a percentage of print and distribution net sales, print and distribution cost of sales decreased 4.5%, primarily driven by cost control initiatives.

SG&A expenses of \$222.9 million for the nine months ended September 30, 2024 increased \$10.8 million, or 5.1%, as compared to the nine months ended September 30, 2023. SG&A expenses increased primarily due to higher selling expense as a result of the increase in software solutions net sales, higher incentive compensation expense, higher bad debt expense, and higher share-based compensation expense, partially offset by lower consulting expense and cost control initiatives. As a percentage of net sales, SG&A expenses increased to 35.6% for the nine months ended September 30, 2024 from 34.2% for the nine months ended September 30, 2023, primarily driven by higher selling expense, higher incentive compensation expense, higher bad debt expense and higher share-based compensation expense, partially offset by lower consulting expense and cost control initiatives.

Depreciation and amortization of \$45.4 million for the nine months ended September 30, 2024 increased \$4.2 million, or 10.2%, as compared to the nine months ended September 30, 2023, primarily due to higher software amortization expense driven by \$2.8 million of accelerated amortization expense related to discontinued software, partially offset by a decrease in other intangible asset amortization expense.

Restructuring, impairment and other charges, net of \$4.5 million for the nine months ended September 30, 2024 decreased \$3.9 million, or 46.4%, as compared to the nine months ended September 30, 2023. For the nine months ended September 30, 2024, these charges included \$3.6 million of employee termination costs for approximately 40 employees. For the nine months ended September 30, 2023, these charges included \$7.9 million of employee termination costs for approximately 150 employees.

Other operating income, net of \$9.8 million for the nine months ended September 30, 2024 included a net gain of \$9.8 million on the sale of land.

Income from operations of \$127.3 million for the nine months ended September 30, 2024 increased \$27.1 million, or 27.0%, as compared to the nine months ended September 30, 2023. Income from operations increased primarily due to higher software solutions net sales, a favorable sales mix, cost control initiatives, a net gain on the sale of land, lower consulting expense and lower restructuring impairment, and other charges, net, partially offset by lower compliance volumes, higher selling expense as a result of the increase in software solutions net sales, higher incentive compensation expense, higher depreciation and amortization expense and higher bad debt expense.

Interest expense, net of \$10.4 million for the nine months ended September 30, 2024 decreased \$1.8 million, or 14.8%, as compared to the nine months ended September 30, 2023. Interest expense, net decreased primarily due to lower average Revolving Facility (as defined below) borrowings during the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023, partially offset by a higher variable interest rate on the Company's outstanding debt facilities.

Investment and other income, net of \$1.1 million for the nine months ended September 30, 2024 decreased \$6.2 million, or 84.9%, as compared to the nine months ended September 30, 2023. Investment and other income, net decreased primarily due to a net realized gain of \$6.9 million from the sales of investments in equity securities during the nine months ended September 30, 2023.

The effective income tax rate was 27.0% for the nine months ended September 30, 2024, as compared to 24.9% for the nine months ended September 30, 2023. The increase in the effective income tax rate was primarily driven by a decrease in the net favorable impact of discrete adjustments and an increase in non-recognizable losses, partially offset by a decrease in the forecasted annual effective tax rate.

Information by Segment

The following tables summarize net sales, income from operations, operating margin and certain items impacting comparability within each of the operating segments for the three and nine months ended September 30, 2024 and 2023:

Capital Markets – Software Solutions

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
	(in millions, except percentages)							
Net sales	\$ 53.3	\$ 46.5	\$ 6.8	14.6%	\$ 163.6	\$ 137.9	\$ 25.7	18.6%
Income from operations	6.2	4.9	1.3	26.5%	30.1	8.7	21.4	nm
Operating margin	11.6%	10.5%			18.4%	6.3%		
<i>Items impacting comparability</i>								
Restructuring, impairment and other charges, net	—	(0.5)	0.5	(100.0%)	0.3	2.5	(2.2)	(88.0%)
Non-income tax, net	(0.1)	(0.2)	0.1	(50.0%)	(0.5)	(0.5)	—	—
Depreciation and amortization	7.1	7.7	(0.6)	(7.8%)	20.3	21.8	(1.5)	(6.9%)

nm – Not meaningful

Three Months Ended September 30, 2024 compared to the Three Months Ended September 30, 2023

Net sales of \$53.3 million for the three months ended September 30, 2024 increased \$6.8 million, or 14.6%, as compared to the three months ended September 30, 2023, primarily due to higher Venue volumes and price increases, partially offset by a \$1.0 million decrease due to the disposition of the eBrevia business in the fourth quarter of 2023.

Income from operations of \$6.2 million for the three months ended September 30, 2024 increased \$1.3 million, or 26.5%, as compared to the three months ended September 30, 2023, primarily due to higher sales volumes, a favorable sales mix and price increases, partially offset by higher selling expense, higher bad debt expense and higher incentive compensation expense.

Operating margin increased from 10.5% for the three months ended September 30, 2023 to 11.6% for the three months ended September 30, 2024, primarily due to a favorable sales mix and price increases, partially offset by higher selling expense, higher bad debt expense and higher incentive compensation expense.

Nine Months Ended September 30, 2024 compared to the Nine Months Ended September 30, 2023

Net sales of \$163.6 million for the nine months ended September 30, 2024 increased \$25.7 million, or 18.6%, as compared to the nine months ended September 30, 2023, primarily due to higher Venue volumes and price increases, partially offset by a \$3.1 million decrease due to the disposition of the eBrevia business.

Income from operations of \$30.1 million for the nine months ended September 30, 2024 increased \$21.4 million, as compared to the nine months ended September 30, 2023, primarily due to higher sales volumes, price increases, a favorable sales mix, cost control initiatives, lower restructuring, impairment, and other charges, net and lower depreciation and amortization expense, partially offset by higher selling expense and higher bad debt expense.

Operating margin increased from 6.3% for the nine months ended September 30, 2023 to 18.4% for the nine months ended September 30, 2024, primarily due to price increases, a favorable sales mix, cost control initiatives, lower restructuring, impairment, and other charges, net and lower depreciation and amortization expense, partially offset by higher selling expense and higher bad debt expense.

Capital Markets – Compliance and Communications Management

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
	(in millions, except percentages)							
Net sales	\$ 63.5	\$ 70.1	\$ (6.6)	(9.4%)	\$ 268.4	\$ 287.1	\$ (18.7)	(6.5%)
Income from operations	14.8	24.9	(10.1)	(40.6%)	96.4	88.5	7.9	8.9%
Operating margin	23.3%	35.5%			35.9%	30.8%		
<i>Items impacting comparability</i>								
Restructuring, impairment and other charges, net	1.0	0.1	0.9	nm	2.4	4.4	(2.0)	(45.5%)
Gain on sale of long-lived assets	—	(0.2)	0.2	(100.0%)	(9.8)	(0.6)	(9.2)	nm
Non-income tax, net	—	(0.1)	0.1	(100.0%)	(0.1)	(0.1)	—	—
Accelerated rent expense	—	—	—	—	—	0.6	(0.6)	(100.0%)
Depreciation and amortization	4.3	1.9	2.4	nm	8.4	5.6	2.8	50.0%

nm – Not meaningful

Three Months Ended September 30, 2024 compared to the Three Months Ended September 30, 2023

Net sales of \$63.5 million for the three months ended September 30, 2024 decreased \$6.6 million, or 9.4%, as compared to the three months ended September 30, 2023, primarily due to lower transactional and compliance volumes.

Income from operations of \$14.8 million for the three months ended September 30, 2024 decreased \$10.1 million, or 40.6%, as compared to the three months ended September 30, 2023, primarily due to lower sales volumes, higher selling expense and higher depreciation and amortization expense as a result of \$2.8 million of accelerated amortization expense related to discontinued software, partially offset by cost control initiatives and a lower allocation of overhead costs.

Operating margin decreased from 35.5% for three months ended September 30, 2023 to 23.3% for the three months ended September 30, 2024, respectively, primarily due to higher selling expense and higher depreciation and amortization expense, partially offset by cost control initiatives and a lower allocation of overhead costs.

Nine Months Ended September 30, 2024 compared to the Nine Months Ended September 30, 2023

Net sales of \$268.4 million for the nine months ended September 30, 2024 decreased \$18.7 million, or 6.5%, as compared to the nine months ended September 30, 2023. Net sales decreased primarily due to lower compliance volumes, partially offset by price increases and higher transactional volumes.

Income from operations of \$96.4 million for the nine months ended September 30, 2024 increased \$7.9 million, or 8.9%, as compared to the nine months ended September 30, 2023, primarily due to a net gain on the sale of land, cost control initiatives, price increases, a lower allocation of overhead costs and lower restructuring, impairment and other charges, net, partially offset by lower sales volumes, higher depreciation and amortization expense as a result of \$2.8 million of accelerated amortization expense related to discontinued software, higher incentive compensation expense and higher bad debt expense.

Operating margin increased from 30.8% for the nine months ended September 30, 2023 to 35.9% for the nine months ended September 30, 2024, primarily due to a net gain on the sale of land, cost control initiatives, price increases, a lower allocation of overhead costs and lower restructuring, impairment and other charges, net, partially offset by higher depreciation and amortization expense, higher incentive compensation expense and higher bad debt expense.

Investment Companies – Software Solutions

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
	(in millions, except percentages)							
Net sales	\$ 28.9	\$ 26.7	\$ 2.2	8.2%	\$ 84.5	\$ 81.1	\$ 3.4	4.2%
Income from operations	4.2	6.6	(2.4)	(36.4%)	14.8	18.3	(3.5)	(19.1%)
Operating margin	14.5%	24.7%			17.5%	22.6%		
<i>Items impacting comparability</i>								
Restructuring, impairment and other charges, net	0.3	(0.1)	0.4	nm	0.4	0.5	(0.1)	(20.0%)
Non-income tax, net	(0.1)	(0.1)	—	—	(0.3)	(0.2)	(0.1)	50.0%
Depreciation and amortization	4.5	3.5	1.0	28.6%	13.1	10.2	2.9	28.4%

nm – Not meaningful

Three Months Ended September 30, 2024 compared to the Three Months Ended September 30, 2023

Net sales of \$28.9 million for the three months ended September 30, 2024 increased \$2.2 million, or 8.2%, as compared to the three months ended September 30, 2023, primarily due to the Company's TSR offering, impacting ArcReporting and ArcDigital, partially offset by lower ArcRegulatory volumes.

Income from operations of \$4.2 million for the three months ended September 30, 2024 decreased \$2.4 million, or 36.4%, as compared to the three months ended September 30, 2023, primarily due to higher depreciation and amortization expense, higher incentive compensation expense and a higher allocation of overhead costs, partially offset by higher sales volumes.

Operating margin decreased from 24.7% for the three months ended September 30, 2023 to 14.5% for the three months ended September 30, 2024, primarily due to higher depreciation and amortization expense, higher incentive compensation expense and a higher allocation of overhead costs.

Nine Months Ended September 30, 2024 compared to the Nine Months Ended September 30, 2023

Net sales of \$84.5 million for the nine months ended September 30, 2024 increased \$3.4 million, or 4.2%, as compared to the nine months ended September 30, 2023. Net sales increased primarily due to the Company's TSR offering, impacting ArcReporting and ArcDigital, as well as Arc Suite price increases, partially offset by lower ArcRegulatory volumes.

Income from operations of \$14.8 million for the nine months ended September 30, 2024 decreased \$3.5 million, or 19.1%, as compared to the nine months ended September 30, 2023, primarily due to higher depreciation and amortization expense and a higher allocation of overhead costs, partially offset by price increases.

Operating margin decreased from 22.6% for the nine months ended September 30, 2023 to 17.5% for the nine months ended September 30, 2024, primarily due to higher depreciation and amortization expense and a higher allocation of overhead costs, partially offset by price increases.

Investment Companies – Compliance and Communications Management

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
	(in millions, except percentages)							
Net sales	\$ 33.8	\$ 36.7	\$ (2.9)	(7.9%)	\$ 109.1	\$ 114.6	\$ (5.5)	(4.8%)
Income from operations	9.1	11.2	(2.1)	(18.8%)	33.2	35.4	(2.2)	(6.2%)
Operating margin	26.9%	30.5%			30.4%	30.9%		
<i>Items impacting comparability</i>								
Restructuring, impairment and other charges, net	—	0.1	(0.1)	(100.0%)	0.1	0.1	—	—
Non-income tax, net	(0.1)	—	(0.1)	nm	(0.1)	—	(0.1)	nm
Depreciation and amortization	1.2	1.2	—	—	3.5	3.5	—	—

nm – Not meaningful

Three Months Ended September 30, 2024 compared to the Three Months Ended September 30, 2023

Net sales of \$33.8 million for the three months ended September 30, 2024 decreased \$2.9 million, or 7.9%, as compared to the three months ended September 30, 2023, primarily due to lower compliance volumes.

Income from operations of \$9.1 million for the three months ended September 30, 2024 decreased \$2.1 million, or 18.8%, as compared to the three months ended September 30, 2023, primarily due to lower sales volumes and a higher allocation of overhead costs, partially offset by a favorable sales mix.

Operating margin decreased from 30.5% for the three months ended September 30, 2023 to 26.9% for the three months ended September 30, 2024, primarily due to a higher allocation of overhead costs, partially offset by a favorable sales mix.

Nine Months Ended September 30, 2024 compared to the Nine Months Ended September 30, 2023

Net sales of \$109.1 million for the nine months ended September 30, 2024 decreased \$5.5 million, or 4.8%, as compared to the nine months ended September 30, 2023. Net sales decreased primarily due to lower compliance volumes, partially offset by higher transactional volumes.

Income from operations of \$33.2 million for the nine months ended September 30, 2024 decreased \$2.2 million, or 6.2%, as compared to the nine months ended September 30, 2023, primarily due to lower sales volumes and a higher allocation of overhead costs, partially offset by a favorable sales mix.

Operating margin decreased from 30.9% for the nine months ended September 30, 2023 to 30.4% for the nine months ended September 30, 2024, primarily due to a higher allocation of overhead costs, partially offset by a favorable sales mix.

Corporate

The following table summarizes unallocated operating expenses and certain items impacting comparability within the activities presented as Corporate for the three and nine months ended September 30, 2024 and 2023:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
			(in millions)	
Operating expenses	\$ 16.1	\$ 17.8	\$ 47.2	\$ 50.7
<i>Items impacting comparability</i>				
Share-based compensation expense	6.7	6.1	19.2	17.1
Restructuring, impairment and other charges, net	0.1	0.1	1.3	0.9
Depreciation and amortization	0.1	0.1	0.1	0.1

Three Months Ended September 30, 2024 compared to the Three Months Ended September 30, 2023

Corporate operating expenses of \$16.1 million for the three months ended September 30, 2024 decreased \$1.7 million, or 9.6%, as compared to the three months ended September 30, 2023, primarily due to lower consulting expense, partially offset by higher incentive compensation expense.

Nine Months Ended September 30, 2024 compared to the Nine Months Ended September 30, 2023

Corporate operating expenses of \$47.2 million for the nine months ended September 30, 2024 decreased \$3.5 million, or 6.9%, as compared to the nine months ended September 30, 2023, primarily due to lower consulting expense, partially offset by higher share-based compensation expense and higher incentive compensation expense.

Non-GAAP Measures

The Company believes that certain non-GAAP measures, such as non-GAAP adjusted EBITDA (“Adjusted EBITDA”), provide useful information about the Company’s operating results and enhance the overall ability to assess the Company’s financial performance. The Company uses these measures, together with other measures of performance prepared in accordance with GAAP, to compare the relative performance of operations in planning, budgeting and reviewing the performance of its business. Adjusted EBITDA allows investors to make a more meaningful comparison between the Company’s core business operating results over different periods of time. The Company believes that Adjusted EBITDA, 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 historic cost and age of assets, restructuring, impairment and other charges, net, non-income tax, net, gain on investments in equity securities as well as other items, as described below, the Company believes that Adjusted EBITDA can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated.

Adjusted EBITDA is not presented in accordance with GAAP and has important limitations as an analytical tool. These measures should not be considered as a substitute for analysis of the Company’s results as reported under GAAP. In addition, these measures are defined differently by different companies and, accordingly, such measures may not be comparable to similarly-titled measures of other companies. In addition to the factors listed above, share-based compensation expense is excluded from Adjusted EBITDA. Although share-based compensation is a key incentive offered to certain of the Company’s employees, business performance is evaluated excluding share-based compensation expense. Depending upon the size, timing and the terms of grants, share-based compensation expense may vary but will recur in future periods.

The following table reconciles net earnings to Adjusted EBITDA for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in millions)			
Net earnings	\$ 8.7	\$ 18.1	\$ 86.1	\$ 71.6
Restructuring, impairment and other charges, net	1.4	(0.3)	4.5	8.4
Share-based compensation expense	6.7	6.1	19.2	17.1
Non-income tax, net	(0.3)	(0.4)	(1.0)	(0.8)
Gain on sale of long-lived assets	—	(0.2)	(9.8)	(0.6)
Gain on investments in equity securities	—	—	(0.4)	(6.9)
Accelerated rent expense	—	—	—	0.6
Depreciation and amortization	17.2	14.4	45.4	41.2
Interest expense, net	3.1	4.1	10.4	12.2
Investment and other income, net	(0.3)	(0.1)	(0.7)	(0.4)
Income tax expense	6.7	7.7	31.9	23.7
Adjusted EBITDA	<u>\$ 43.2</u>	<u>\$ 49.4</u>	<u>\$ 185.6</u>	<u>\$ 166.1</u>

Restructuring, impairment and other charges, net—The three and nine months ended September 30, 2024 included employee termination costs of \$0.7 million and \$3.6 million, respectively. The three months ended September 30, 2023 included a net credit for employee termination costs of \$0.6 million. The nine months ended September 30, 2023 included employee termination costs of \$7.9 million. Refer to Note 5, *Restructuring, Impairment and Other Charges, net*, to the Unaudited Condensed Consolidated Financial Statements for additional information.

Share-based compensation expense—Included charges of \$6.7 million and \$19.2 million for the three and nine months ended September 30, 2024, respectively, and \$6.1 million and \$17.1 million for the three and nine months ended September 30, 2023, respectively.

Non-income tax, net—Included income of \$0.3 million and \$1.0 million for the three and nine months ended September 30, 2024, respectively, and \$0.4 million and \$0.8 million for the three and nine months ended September 30, 2023, respectively, related to certain estimated non-income tax exposures previously accrued by the Company.

Gain on sale of long-lived assets—Included a net gain of \$9.8 million for the nine months ended September 30, 2024 related to the sale of land and a gain of \$0.2 million and \$0.6 million for the three and nine months ended September 30, 2023, respectively, related to non-refundable fees on the sale of land. Refer to Note 1, *Overview, Basis of Presentation and Significant Accounting Policies*, to the Unaudited Condensed Consolidated Financial Statements for additional information.

Gain on investments in equity securities—The nine months ended September 30, 2024 included a gain of \$0.4 million. The nine months ended September 30, 2023 included a net realized gain of \$6.9 million related to the sales of investments in equity securities. Refer to Note 1, *Overview, Basis of Presentation and Significant Accounting Policies*, to the Unaudited Condensed Consolidated Financial Statements for additional information.

Accelerated rent expense—Included charges of \$0.6 million for the nine months ended September 30, 2023 related to the acceleration of rent expense associated with abandoned operating leases.

Liquidity and Capital Resources

The Company believes it has sufficient liquidity to support its ongoing operations and to invest in future growth to create value for its investors. Cash and cash equivalents on hand, operating cash flows and the Company’s Revolving Facility are the primary sources of liquidity and are expected to be used for, among other things, payment of interest and principal on the Company’s debt obligations, capital expenditures necessary to support productivity improvement and growth, share repurchases and continuous operational improvements.

The Company maintains cash pooling structures that enable participating international locations to draw on the pools’ cash resources to meet local liquidity needs. Foreign cash balances may be loaned from certain cash pools to U.S. operating entities on a temporary basis in order to reduce the Company’s short-term borrowing costs or for other purposes. The Company has the ability to repatriate foreign cash, associated with foreign earnings previously subjected to U.S. tax, with minimal additional tax consequences. The Company maintains its assertion of indefinite reinvestment on all foreign earnings and other outside basis differences to indicate that the Company remains indefinitely reinvested in operations outside of the U.S., with the exception of the previously taxed foreign earnings already subject to U.S. tax. The Company repatriated excess cash at its foreign subsidiaries to the U.S. during the nine months ended September 30, 2024. The Company did not repatriate excess cash at its foreign subsidiaries to the U.S. during the year ended December 31, 2023. The Company is evaluating whether to make any cash repatriations in the future.

The Organization for Economic Co-operation and Development’s (“OECD”) current project, widely known as Anti-Base Erosion and Profit Shifting, seeks to address tax challenges arising in the global economy by introducing a global minimum corporate tax of 15%, referred to as Pillar Two, and several mechanisms to ensure tax is paid (the “GloBE Model Rules”). Policymakers across jurisdictions have begun adopting the GloBE Model Rules to implement a global minimum corporate tax rate of 15%. The OECD continues to release administrative guidance and many countries in which the Company operates have adopted or have proposed legislation to adopt Pillar Two. Many aspects of the minimum tax directive became effective beginning in 2024, with certain additional impacts coming into effect beginning in 2025 and beyond. The Company is monitoring enacted legislation and effective dates in its jurisdictions of operations. The Pillar Two framework did not have a material impact on the Company’s Unaudited Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2024 and the Company does not expect enacted legislation to have a material impact in future periods.

Cash and cash equivalents were \$33.6 million at September 30, 2024, which included \$3.1 million in the U.S. and \$30.5 million at international locations.

The following table describes the Company’s cash flows for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30,	
	2024	2023
	(in millions)	
Net cash provided by operating activities	\$ 114.7	\$ 49.2
Net cash used in investing activities	(38.2)	(33.1)
Net cash used in financing activities	(65.9)	(38.7)
Effect of exchange rate on cash and cash equivalents	(0.1)	0.1
Net increase (decrease) in cash and cash equivalents	<u>\$ 10.5</u>	<u>\$ (22.5)</u>

Cash Flows Provided by Operating Activities

Operating cash inflows and outflows are largely attributable to sales of the Company's services and products as well as recurring expenditures for labor, rent and other operating activities.

Net cash provided by operating activities was \$114.7 million for the nine months ended September 30, 2024 as compared to \$49.2 million for the nine months ended September 30, 2023. The change in cash provided by operating activities was primarily due to a favorable change to accrued liabilities and other, an increase in net earnings and a favorable change to accounts payable. Accrued liabilities and other increased operating cash flows by \$5.5 million for the nine months ended September 30, 2024, as compared to decreasing operating cash flows by \$22.1 million for the nine months ended September 30, 2023, primarily due to an increase in estimated commission payments as a result of higher 2024 software solutions net sales, lower consulting costs associated with Company process improvements and higher expected incentive compensation payments. Accounts payable had no impact to operating cash flows for the nine months ended September 30, 2024, as compared to decreasing operating cash flows by \$13.8 million for the nine months ended September 30, 2023, primarily due to the timing of supplier payments.

Cash Flows Used in Investing Activities

Net cash used in investing activities was \$38.2 million for the nine months ended September 30, 2024, which primarily consisted of \$50.8 million of capital expenditures, substantially all related to investments in software development, partially offset by \$12.4 million of proceeds from the sale of land. The Company currently expects capital expenditures to be approximately \$65 million to \$70 million for the year ending December 31, 2024.

Net cash used in investing activities was \$33.1 million for the nine months ended September 30, 2023, which consisted of \$43.0 million of capital expenditures, substantially all related to investments in software development, partially offset by \$9.9 million of proceeds from the sales of investments in equity securities.

Cash Flows Used in Financing Activities

Net cash used in financing activities was \$65.9 million for the nine months ended September 30, 2024. During the nine months ended September 30, 2024, the Company received \$159.5 million of proceeds from the Revolving Facility borrowings, offset by \$159.5 million of payments on the Revolving Facility borrowings. The Company's common stock repurchases for the nine months ended September 30, 2024 totaled \$64.4 million, which included \$41.3 million of repurchases under the stock repurchase program and \$23.1 million associated with vesting of the Company's equity awards.

Net cash used in financing activities was \$38.7 million for the nine months ended September 30, 2023. During the nine months ended September 30, 2023, the Company made payments of \$221.5 million on the Revolving Facility borrowings, partially offset by \$218.0 million of proceeds from the Revolving Facility borrowings. The Company's common stock repurchases for the nine months ended September 30, 2023 totaled \$35.4 million, which included \$18.0 million of repurchases under the stock repurchase program and \$17.4 million associated with vesting of the Company's employees' equity awards.

Debt

The Company's debt as of September 30, 2024 and December 31, 2023 consisted of the following (in millions):

	September 30, 2024	December 31, 2023
Term Loan A Facility	\$ 125.0	\$ 125.0
Unamortized debt issuance costs	(0.4)	(0.5)
Total long-term debt	<u>\$ 124.6</u>	<u>\$ 124.5</u>

Credit Agreement—On May 27, 2021, the Company amended and restated its credit agreement dated as of September 30, 2016 (as in effect prior to such amendment and restatement, the "Credit Agreement," and the Credit Agreement, as so amended and restated, the "Amended and Restated Credit Agreement"), by and among the Company, the lenders party thereto from time to time and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, to, among other things, provide for a \$200.0 million delayed-draw term loan A facility (the "Term Loan A Facility") (bearing interest at a rate equal to the sum of the London Interbank Offered Rate ("LIBOR") plus a margin ranging from 2.00% to 2.50% based upon the Company's Consolidated Net Leverage Ratio), extend the maturity of the \$300.0 million revolving credit facility (the "Revolving Facility") to May 27, 2026 and modify the financial maintenance and negative covenants in the Credit Agreement.

On May 11, 2023, the Company entered into the first amendment to the Amended and Restated Credit Agreement to change the reference rate from LIBOR, which ceased being published on June 30, 2023, to the Secured Overnight Financing Rate (“SOFR”) for both the Term Loan A Facility and the Revolving Facility. The SOFR interest rate was effective for the Revolving Facility and the Term Loan A on May 30, 2023 and June 12, 2023, respectively. No other significant terms of the Amended and Restated Credit Agreement were amended. The Amended and Restated Credit Agreement contains a number of covenants, including a minimum Interest Coverage Ratio and the Consolidated Net Leverage Ratio, as defined in and calculated pursuant to the Credit Agreement, that, in part, restrict the Company’s ability to incur additional indebtedness, create liens, engage in mergers and consolidations, make restricted payments and dispose of certain assets. The Credit Agreement generally allows annual dividend payments of up to \$20.0 million in the aggregate, though additional dividends may be allowed subject to certain conditions. Each of these covenants is subject to important exceptions and qualifications. The unpaid principal amount of the Term Loan A Facility is due and payable in full on May 27, 2026. Voluntary prepayments of the Term Loan A Facility are permitted at any time without premium or penalty.

As of September 30, 2024, there were no borrowings outstanding under the Revolving Facility, however, the Company had \$2.5 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 September 30, 2024 and existing debt, the Company would have had the ability to utilize the remaining \$299.0 million of the Revolving Facility and not have been in violation of the terms of the agreement.

The current availability under the Revolving Facility and net available liquidity as of September 30, 2024 are shown in the table below:

	September 30, 2024	
	(in millions)	
Availability		
Revolving Facility	\$	300.0
Availability reduction from covenants		—
	\$	<u>300.0</u>
Usage		
Impact on availability related to outstanding letters of credit		1.0
	\$	<u>1.0</u>
Current availability	\$	299.0
Cash and cash equivalents		33.6
Net Available Liquidity	\$	<u><u>332.6</u></u>

The Company was in compliance with its debt covenants as of September 30, 2024, and expects to remain in compliance based on management’s estimates of operating and financial results for fiscal year 2024 and the foreseeable future. However, declines in market and economic conditions or demand for certain of the Company’s services and products could impact the Company’s ability to remain in compliance with its debt covenants in future periods.

The failure of a financial institution supporting the Revolving Facility would reduce the size of the Company’s committed facility unless a replacement institution was added. As of September 30, 2024, the Revolving Facility is supported by fifteen U.S. and international financial institutions.

As of September 30, 2024, the Company met all the conditions required to borrow under the Revolving Facility, and management expects the Company to continue to meet the applicable borrowing conditions.

OTHER INFORMATION

Litigation and Contingent Liabilities

For a discussion of certain litigation involving the Company, see Note 7, *Commitments and Contingencies*, to the Unaudited Condensed Consolidated Financial Statements.

Critical Accounting Estimates

There were no changes to critical accounting estimates from those disclosed in the Annual Report.

New Accounting Pronouncements

Recently issued accounting standards and their estimated effect on the Company's Unaudited Condensed Consolidated Financial Statements are described in Note 1, *Overview, Basis of Presentation and Significant Accounting Policies*, to the Unaudited Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes to the Company's market risk disclosed in the Annual Report.

Item 4. Controls and Procedures

(a) Disclosure controls and procedures.

Management, together with the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(b) and Rule 15d-15(e) of the Exchange Act) as of September 30, 2024. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2024.

(b) Changes in internal control over financial reporting.

The Company is implementing a new quote-to-cash process, which included the implementation of new systems, for certain of its software services ("QTC Process"). This project improves the efficiency and effectiveness of certain business transactions, invoicing and reporting processes, as well as the underlying systems environment. The new QTC Process is a significant component of the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of certain litigation involving the Company, see Note 7, *Commitments and Contingencies*, to the Unaudited Condensed Consolidated Financial Statements.

Item 1A. Risk Factors

There were no material changes during the three months ended September 30, 2024 to the risk factors identified in the Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs ^(a)
July 1, 2024 - July 31, 2024	87,731	\$ 62.33	87,731	\$ 116,522,590
August 1, 2024 - August 31, 2024	72,648	63.91	70,922	111,991,454
September 1, 2024 - September 30, 2024 ^(b)	50,285	66.95	49,601	\$ 108,671,948
Total	210,664	\$ 63.98	208,254	

(a) As further described in Note 10, *Capital Stock*, to the Unaudited Condensed Consolidated Financial Statements, on November 14, 2023, the Board authorized the repurchase of up to \$150 million of the Company's outstanding common stock commencing on January 1, 2024, with an expiration date of December 31, 2025. The stock repurchase program may be suspended or discontinued at any time. The timing and amount of any shares repurchased are determined by the Company based on its evaluation of market conditions and other factors and may be completed from time to time in one or more transactions on the open market or in privately negotiated purchases in accordance with all applicable securities laws and regulations and all repurchases in the open market will be made in compliance with Rule 10b-18 under the Exchange Act. Repurchases may also be made under a Rule 10b5-1 plan, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so.

(b) Includes 2,500 shares, valued at \$0.2 million, for which the Company placed orders prior to September 30, 2024 that were not settled until the fourth quarter of 2024.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Director or Officer Adoption or Termination of Trading Agreements

On September 19, 2024, Daniel Leib, the Company's President and Chief Executive Officer, adopted a trading plan with respect to the exercise of 50,000 vested stock options granted to Mr. Leib as equity incentive compensation and subsequent sale of the underlying common stock (the "Leib Plan"). The Leib Plan is intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act. Pursuant to the Leib Plan, if the market price of the Company's common stock is within a specified price range during a trading window between February 24, 2025 and March 31, 2025, up to 50,000 stock options will be exercised and the underlying shares of common stock will be sold at market prices.

Item 6. Exhibits

- 3.1 [Amended and Restated Certificate of Incorporation of Donnelley Financial Solutions, Inc. \(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated September 30, 2016, filed on October 3, 2016\)](#)
- 3.2 [Certificate of Amendment to Amended and Restated Certificate of Incorporation of Donnelley Financial Solutions, Inc., as filed on May 19, 2023 with the Secretary of State of Delaware \(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on May 19, 2023\)](#)
- 3.3 [Amended and Restated By-laws of Donnelley Financial Solutions, Inc. \(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated November 14, 2023, filed on November 16, 2023\)](#)
- 31.1 [Certification by Daniel N. Leib, President and Chief Executive Officer, required by Rule 13a-14\(a\) and Rule 15d-14\(a\) of the Securities Exchange Act of 1934 \(filed herewith\)](#)
- 31.2 [Certification by David A. Gardella, Executive Vice President and Chief Financial Officer, required by Rule 13a-14\(a\) and Rule 15d-14\(a\) of the Securities Exchange Act of 1934 \(filed herewith\)](#)
- 32.1 [Certification by Daniel N. Leib, President and Chief Executive Officer, required by Rule 13a-14\(b\) or Rule 15d-14\(b\) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code \(filed herewith\)](#)
- 32.2 [Certification by David A. Gardella, Executive Vice President and Chief Financial Officer, required by Rule 13a-14\(b\) or Rule 15d-14\(b\) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code \(filed herewith\)](#)
- 101.INS Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
- 101.SCH Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
- 104 The cover page for the Company's Quarterly Report on Form 10-Q has been formatted in Inline XBRL and contained in Exhibit 101

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DONNELLEY FINANCIAL SOLUTIONS, INC.

By: /s/ DAVID A. GARDELLA
David A. Gardella
Executive Vice President and Chief Financial Officer

Date: October 31, 2024

**Certification Pursuant to Rule 13a-14(a) and Rule 15d-14(a)
of the Securities Exchange Act of 1934**

I, Daniel N. Leib, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Donnelley Financial Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2024

/s/ DANIEL N. LEIB

Daniel N. Leib
President and Chief Executive Officer

**Certification Pursuant to Rule 13a-14(a) and Rule 15d-14(a)
of the Securities Exchange Act of 1934**

I, David A. Gardella, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Donnelley Financial Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2024

/s/ DAVID A. GARDELLA

David A. Gardella
Executive Vice President and Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
CERTIFICATION PURSUANT TO RULE 13a-14(b) OR RULE 15d-14(b)
AND SECTION 1350 OF CHAPTER 63 OF TITLE 18
OF THE UNITED STATES CODE (18 U.S.C. 1350),
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Donnelley Financial Solutions, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel N. Leib, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 31, 2024

/s/ DANIEL N. LEIB

Daniel N. Leib
President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER
CERTIFICATION PURSUANT TO RULE 13a-14(b) OR RULE 15d-14(b)
AND SECTION 1350 OF CHAPTER 63 OF TITLE 18
OF THE UNITED STATES CODE (18 U.S.C. 1350),
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Donnelley Financial Solutions, Inc. (the “Company”) on Form 10-Q for the period ending September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David A. Gardella, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 31, 2024

/s/ DAVID A. GARDELLA

David A. Gardella
Executive Vice President and Chief Financial Officer