ACCO Brands Corporation Reports Third Quarter 2013 Results

October 30, 2013

LAKE ZURICH, Ill., Oct. 30, 2013 /PRNewswire/ -- ACCO Brands Corporation (NYSE: ACCO), a world leader in branded office products, today reported its third quarter results for the period ended September 30, 2013.

(Logo: http://photos.prnewswire.com/prnh/20130114/CG41611LOGO-b)

"Despite improvements in the International segment, strong cash generation and delivering on our merger-related cost synergies, our overall results were weaker than expected," said Boris Elisman, President and Chief Executive Officer, ACCO Brands Corporation. "We remain confident in our free cash flow target of $150 million for the year and will continue to lower debt to ultimately improve shareholder return. In addition, given the challenging environment, we will accelerate our cost reduction initiatives in the near term."

Third Quarter Results

Net sales decreased 6% to $469.2 million, compared to $501.2 million in the prior-year quarter. On a constant currency basis, sales declined 4% driven primarily by lower volume/mix. Income from continuing operations was $26.4 million, or $0.23 per share, including pre-tax charges of $3.7 million primarily for restructuring and IT integration costs. This compared to income of $55.2 million, or $0.48 per share, in the prior-year quarter, which benefited from a significant tax adjustment. Adjusted income from continuing operations in the current quarter decreased 12% to $29.1 million, or $0.25 per share, which compared to $33.2 million, or $0.29 per share, in the prior-year quarter. The decline was driven by lower sales.

Business Segment Highlights

ACCO Brands North America - Sales decreased 8% to $295.9 million from $321.4 million in the prior-year quarter. On a constant currency basis, sales decreased 7% driven by a decline in volume/mix, in part due to the exit from unprofitable sales. The underlying decline was due to soft demand, unfavorable sales mix during back to school and lost placements. North America reported operating income, including charges, was $36.1 million compared to $40.0 million in the prior-year quarter. North America adjusted operating income decreased 9% to $38.7 million in the current quarter from $42.6 million in the prior-year quarter, and adjusted operating margin decreased to 13.1% from 13.3% in the prior-year quarter The decreases in adjusted operating income and margin were due to lower sales and unfavorable product mix, partially offset by cost synergies and productivity improvements.

ACCO Brands International - Sales decreased 2% to $136.0 million from $139.4 million in the prior-year quarter. On a constant currency basis, sales increased 5% due to higher prices, primarily in Latin America. International reported operating income, including charges, was $17.8 million compared to $14.7 million in the prior-year quarter. International adjusted operating income increased 20% to $18.7 million, compared to adjusted operating income of $15.6 million in the prior-year quarter, and adjusted operating margin increased to 13.8% from 11.2% in the prior-year quarter. The increases in adjusted operating income and margin were due to sales growth as well as productivity savings and lower pension costs.

Computer Products - Computer Products net sales decreased 8% to $37.3 million, from $40.4 million in the prior-year quarter, due to lower volume/mix and price. Volume declines were driven by increased competition in the tablet and smart phone accessory space and the timing of new mobile device launches from manufacturers, as well as continued declines in laptop shipments, which impacted demand for security and PC accessories. Adjusted operating income was $3.4 million, compared to $8.0 million in the prior-year quarter, and adjusted operating margin decreased to 9.1% from 19.8% in the prior-year quarter. The decreases in adjusted operating income and margin were primarily due to lower sales and reduced prices on older model products.

Nine Month Results

Net sales increased 3% to $1,261.4 million, compared to $1,228.8 million in the prior-year nine-month period, due to the merger with MeadWestvaco's Consumer & Office Products business ("Mead C&OP"). Income from continuing operations was $27.0 million, or $0.23 per share, including pre-tax charges of $32.5 million for restructuring costs, debt refinancing and IT integration costs. This compared to income of $132.1 million, or $1.47 per share, in the prior-year period, including a significant tax benefit which was only partially offset by refinancing, merger-related costs and restructuring charges.

On a pro forma basis, including the results of Mead C&OP for the complete nine month period in 2012, sales decreased 8%, or 6% on a constant currency basis. The underlying decline was driven primarily by lower volume/mix. Adjusted income from continuing operations was $43.0 million, or $0.37 per share, compared to adjusted pro forma income from continuing operations in the prior-year period of $51.4 million, or $0.45 per share. The decline in income was primarily driven by lower sales, partially offset by cost synergies and productivity improvements.

Business Outlook

The company continues to expect strong free cash flow for the year of approximately $150 million. However, as a result of a challenging industry and macro environment factors, the company now expects full-year sales to decline at a rate of mid- to high-single-digits. The company expects full-year adjusted EPS of $0.78-to-$0.81, excluding currency.

Webcast

At 8:30 a.m. Eastern Time today, ACCO Brands Corporation will host a conference call to discuss the company's results. The call will be broadcast live via webcast. The webcast can be accessed through the Investor Relations section of www.accobrands.com. The webcast will be in listen-only mode and will be available for replay for one month following the event.

Non-GAAP Financial Measures

To supplement our consolidated financial statements presented on a GAAP basis in this earnings release, we provide investors with certain non-GAAP measures, including "adjusted," "adjusted pro forma," and "adjusted supplemental EBITDA" financial measures. See our Reconciliations of Adjusted Results and Adjusted Reported and Pro Forma Results, Reconciliations of Operating Income to Adjusted Supplemental EBITDA from Continuing Operations and Pro Forma Operating Income to Adjusted Supplemental EBITDA from Continuing Operations and our Reported and Pro Forma Supplemental Business Segment Information and Reconciliation for a description of each of these non-GAAP financial measures and a reconciliation to the comparable GAAP financial measure for each of the periods presented herein. We believe these non-GAAP financial measures are appropriate to enhance an overall understanding of our past financial performance and also our prospects for the future, as well as to facilitate comparisons with our historical operating results. These adjustments to our GAAP results are made with the intent of providing both management and investors a more complete understanding of our underlying operational results and trends. For example, the non-GAAP results are an indication of our baseline performance before gains, losses or other charges that are considered by management to be outside our core operating results. In addition, these non-GAAP financial measures are among the primary indicators management uses as a basis for our planning and forecasting of future periods.

There are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with generally accepted accounting principles and may be different from non-GAAP financial measures used by other companies. The non-GAAP financial measures are limited in value because they exclude certain items that may have a material impact upon our reported financial results. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with generally accepted accounting principles in the United States. Investors should review the reconciliation of the non-GAAP financial measures to their most directly comparable GAAP financial measures as provided in the tables accompanying this press release.

About ACCO Brands Corporation

ACCO Brands Corporation is one of the world's largest suppliers of branded office and consumer products and print finishing solutions. Our widely recognized brands include AT-A-GLANCE®, Day-Timer®, Five Star®, GBC®, Hilroy®, Kensington®, Marbig, Mead®, NOBO, Quartet®, Rexel, Swingline®, Tilibra®, Wilson Jones® and many others. We design, market and sell products in more than 100 countries around the world. More information about ACCO Brands can be found at www.accobrands.com.

Forward-Looking Statements

This press release contains statements which may be "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are subject to certain risks and uncertainties, are made as of the date hereof and we undertake no obligation to update them. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Because actual results may differ from those predicted by such forward-looking statements, you should not place undue reliance on them when deciding whether to buy, sell or hold the Company's securities.

Among the factors that could affect our results or cause our plans, actions and results to differ materially from current expectations are: the concentration of our business with a relatively limited number of customers, and the impact of a loss or bankruptcy of a major customer or a substantial reduction in sales to a major customer; the further consolidation of the office products industry and further consolidation of our customers, including the anticipated merger of Office Depot and Office Max; decisions made by our large and sophisticated customers, including decisions to expand the sourcing of their own private label products or otherwise change their merchandising strategies; decisions by our competitors, including taking advantage of low entry barriers to expand their introduction and production of competing products; decisions made by end-users of our products, such as whether to purchase lowered-priced, substitute or alternative products, including electronic versions of our time management and planning products or private label products; our ability to meet the competitive challenges faced by our Computer Products business which is characterized by rapid change, including changes in technology and short product life cycles and is dependent on the introduction of third party manufacturers of new equipment to drive demand in its tablet, smartphone and PC accessory businesses; commercial and consumer spending decisions during periods of economic uncertainty; the continued integration of Mead C&OP with our business, operations and culture, and the ability to realize cost synergies, growth opportunities and other potential benefits of the merger; our ability to successfully expand our business in new, developing and emerging markets and sales channels; litigation or legal proceedings; the risks associated with outsourcing production of certain of our products to suppliers in China and other Asia-Pacific countries; the development, introduction and acceptance of new products in the office and school products markets, and the decline in the use of paper-based dated time management and productivity tools; material disruptions at one of our or our suppliers' major manufacturing or distribution facilities; material failure, inadequacy or interruption of our information technology systems; the risks associated with seasonality, and foreign currency, interest rate and commodity and labor cost fluctuations; any impairment of our goodwill or other intangible assets; our ability to secure, protect and maintain rights to intellectual property; our ability to retain key employees; risks associated with our substantial indebtedness; and other risks and uncertainties described in "Part I, Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2012, as updated in "Part II, Item 1A. Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 and in "Part I, Items 1A, Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, and in other reports we file with the SEC.

ACCO Brands Corporation and Subsidiaries
Condensed Consolidated Balance Sheets

(in millions of dollars)	September 30, 2013 (unaudited)	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 70.8	$ 50.0
Accounts receivable, net	394.5	498.7
Inventories	291.0	265.5
Deferred income taxes	30.7	31.1
Other current assets	32.2	29.0
Total current assets	819.2	874.3
Total property, plant and equipment	550.7	591.4
Less accumulated depreciation	(292.3)	(317.8)
Property, plant and equipment, net	258.4	273.6
Deferred income taxes	41.4	36.4
Goodwill	575.5	589.4
Identifiable intangibles, net	616.9	646.6
Other non-current assets	78.2	87.4
Total assets	$ 2,389.6	$ 2,507.7
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable to banks	$ 1.8	$ 1.2
Current portion of long-term debt	7.8	0.1
Accounts payable	169.5	152.4
Accrued compensation	30.8	38.0
Accrued customer program liabilities	100.5	119.0
Accrued interest	15.4	6.3
Other current liabilities	86.3	112.4
Total current liabilities	412.1	429.4
Long-term debt	991.1	1,070.8
Deferred income taxes	159.1	165.0
Pension and post-retirement benefit obligations	103.7	119.8
Other non-current liabilities	85.4	83.5
Total liabilities	1,751.4	1,868.5

Stockholders' equity:		
Common stock	1.1	1.1
Treasury stock	(3.5)	(2.5)
Paid-in capital	2,030.6	2,018.5
Accumulated other comprehensive loss	(195.1)	(156.1)
Accumulated deficit	(1,194.9)	(1,221.8)
Total stockholders' equity	638.2	639.2
Total liabilities and stockholders' equity	$ 2,389.6	$ 2,507.7

ACCO Brands Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
(in millions of dollars)	**2013**	**2012**
Operating activities		
Net income	$ 26.9	$ 132.0
Amortization of inventory step-up	—	13.3
(Gain) loss on disposal of assets	(2.3)	0.1
Release of tax valuation allowance	(7.0)	(130.9)
Depreciation	30.4	24.6
Other non-cash charges	0.9	—
Amortization of debt issuance costs and bond discount	4.3	5.2
Amortization of intangibles	18.7	13.5
Stock-based compensation	11.7	5.5
Loss on debt extinguishment	9.4	15.5
Changes in balance sheet items:		
Accounts receivable	85.5	(66.0)
Inventories	(30.9)	(0.1)
Other assets	(5.8)	(1.9)
Accounts payable	20.7	(16.9)
Accrued expenses and other liabilities	(27.3)	0.5
Accrued income taxes	(9.1)	(79.7)
Equity in earnings of joint ventures, net of dividends received	(0.9)	5.0
Net cash provided (used) by operating activities	125.2	(80.3)
Investing activities		
Additions to property, plant and equipment	(30.2)	(18.0)
(Payments) proceeds related to the sale of discontinued operations	(1.4)	2.1
Proceeds from the disposition of assets	4.2	3.0
Cost of acquisition, net of cash acquired	—	(401.4)
Net cash used by investing activities	(27.4)	(414.3)
Financing activities		
Proceeds from long-term borrowings	530.0	1,270.0
Repayments of long-term debt	(601.5)	(733.9)
Borrowings of short-term debt, net	1.1	0.9
Payments for debt issuance costs	(4.3)	(37.9)
Other	(0.6)	(0.4)
Net cash (used) provided by financing activities	(75.3)	498.7
Effect of foreign exchange rate changes on cash	(1.7)	(0.3)
Net increase in cash and cash equivalents	20.8	3.8
Cash and cash equivalents		
Beginning of period	50.0	121.2
End of period	$ 70.8	$ 125.0

ACCO Brands Corporation
Consolidated Statements of Operations and Reconciliation of Adjusted Results (Unaudited)
(In millions of dollars, except per share data)

	Three Months Ended September 30, 2013			Three Months Ended September 30, 2012			% Change	
	Reported	**Adjusted Items (A)**	**Adjusted**	**Reported**	**Adjusted Items (A)**	**Adjusted**	**Reported**	**Adjusted**
Net sales	**$ 469.2**	$ —	$ 469.2	**$ 501.2**	$ —	$ 501.2	(6) %	(6) %
Cost of products sold	**328.1**	—	328.1	**350.0**	(2.5)(A.1)	347.5	(6) %	(6) %
Gross profit	**141.1**	—	141.1	**151.2**	2.5	153.7	(7) %	(8) %
Operating costs and expenses:								
Advertising, selling, general and administrative expenses	**82.6**	(1.3)(A.2)	81.3	**87.1**	(2.1)(A.2)	85.0	(5) %	(4) %
Amortization of intangibles	**5.9**	—	5.9	**6.9**	—	6.9	(14) %	(14) %
Restructuring charges	**2.3**	(2.3)(A.3)	—	**0.8**	(0.8)(A.3)	—	188 %	NM
Total operating costs and expenses	**90.8**	(3.6)	87.2	**94.8**	(2.9)	91.9	(4) %	(5) %
Operating income	**50.3**	3.6	53.9	**56.4**	5.4	61.8	(11) %	(13) %
Non-operating expense (income):								
Interest expense, net	**12.5**	(0.1)(A.4)	12.4	**18.1**	(0.4)(A.4)	17.7	(31) %	(30) %
Equity in earnings of joint ventures	**(3.3)**	—	(3.3)	**(3.6)**	—	(3.6)	(8) %	(8) %
Other expense, net	**0.1**	—	0.1	**0.3**	—	0.3	(67) %	NM

Income from continuing operations before income tax	**41.0**	3.7	44.7	**41.6**	5.8	47.4	NM	(6) %	
Income tax expense (benefit)	**14.6**	1.0(A.6)	15.6	**(13.6)**	27.8(A.6)	14.2	NM	10 %	
Income from continuing operations	**$ 26.4**	$ 2.7	$ 29.1	**$ 55.2**	$ (22.0)	$ 33.2	(52) %	(12) %	
Loss from discontinued operations, net of income taxes	**—**	—	—	—	—	—	NM	NM	
Net income	**$ 26.4**	$ 2.7	$ 29.1	**$ 55.2**	$ (22.0)	$ 33.2	(52) %	(12) %	
Per share:									
Basic income per share:									
Income from continuing operations	**$ 0.23**		**$ 0.26**	**$ 0.49**		$ 0.29	(53) %	(10) %	
Loss from discontinued operations	**—**		**—**	**—**		—	NM	NM	
Basic income per share	**$ 0.23**		**$ 0.26**	**$ 0.49**		0.29	(53) %	(10) %	
Diluted income per share:									
Income from continuing operations	**$ 0.23**		**$ 0.25**	**$ 0.48**		$ 0.29	(52) %	(14) %	
Loss from discontinued operations	**—**		**—**	**—**		$ —	NM	NM	
Diluted income per share	**$ 0.23**		**$ 0.25**	**$ 0.48**		$ 0.29	(52) %	(14) %	
Weighted average number of shares outstanding:									
Basic	**113.6**		**113.6**	**113.1**		113.1			
Diluted	**115.8**		**115.8**	**115.0**		115.0			

Statistics (as a % of Net sales, except Income tax rate)				
	Three Months Ended September 30, 2013		**Three Months Ended September 30, 2012**	
	Reported	**Adjusted**	**Reported**	**Adjusted**
Gross profit (Net sales, less Cost of products sold)	30.1%		30.2%	30.7%
Advertising, selling, general and administrative	17.6%	17.3%	17.4%	17.0%
Operating income	10.7%	11.5%	11.3%	12.3%
Income from continuing operations before income tax	8.7%	9.5%	8.3%	9.5%
Income from continuing operations	5.6%	6.2%	11.0%	6.6%
Income tax rate	35.6%	35.0%	(32.7)%	30.0%

Reconciliation of Operating Income to Adjusted Supplemental EBITDA from Continuing Operations
(Unaudited)
(In millions of dollars)

"Adjusted Supplemental EBITDA" represents adjusted operating income after adding back depreciation, amortization of intangibles, stock-based compensation expense, and joint venture income. The following table sets forth a reconciliation of operating income in accordance with GAAP to Adjusted Supplemental EBITDA.

	Three Months Ended September 30,		
	2013	**2012**	**% Change**
Operating income	$ 50.3	$ 56.4	(11)%
Inventory step-up amortization	—	2.5	(100)%
Integration charges	1.3	2.1	(38)%
Restructuring charges	2.3	0.8	188%
Adjusted operating income from continuing operations	53.9	61.8	(13)%
Depreciation	9.8	9.8	—%
Amortization of intangibles	5.9	6.9	(14)%
Stock-based compensation expense	4.3	1.4	207%
Joint venture income	3.3	3.6	(8)%
Adjusted supplemental EBITDA from continuing operations	$ 77.2	$ 83.5	(8)%
Adjusted supplemental EBITDA from continuing operations as a % of Net Sales	16.5%	16.7%	

ACCO Brands Corporation
Reported and Pro Forma Consolidated Statements of Operations and Reconciliation of Adjusted Reported and Pro Forma Results (Unaudited)
(In millions of dollars, except per share data)

	Nine Months Ended September 30, 2013			**Nine Months Ended September 30, 2012**					
		Adjusted			**Pro Forma**	**Adjusted**		**% Change**	**% Change**
	Reported	**Items (A)**	**Adjusted**	**Reported**	**(B)**	**Items (A)**	**Adjusted**	**Reported**	**Adjusted**
Net sales	**$ 1,261.4**	$ —	$ 1,261.4	**$ 1,228.8**	$ 1,365.3	$ —	$ 1,365.3	3 %	(8) %
Cost of products sold	**886.5**	—	886.5	**873.5**	961.4	(2.5)(A.1)	958.9	1 %	(8) %
Gross profit	**374.9**	—	374.9	**355.3**	403.9	2.5	406.4	6 %	(8) %
Operating costs and expenses:									
Advertising, selling, general and administrative expenses	**259.3**	(4.4)(A.2)	254.9	**248.2**	275.6	(9.1)(A.2)	266.5	4 %	(4) %
Amortization of intangibles	**18.7**	—	18.7	**13.5**	20.2	—	20.2	39 %	(7) %
Restructuring charges	**17.9**	(17.9)(A.3)	—	**21.6**	22.1	(22.1)(A.3)	—	(17) %	NM
Total operating costs and expenses	**295.9**	(22.3)	273.6	**283.3**	317.9	(31.2)	286.7	4 %	(5) %
Operating income	**79.0**	22.3	101.3	**72.0**	86.0	33.7	119.7	10 %	(15) %
Non-operating expense (income):									
Interest expense, net	**41.7**	(0.8)(A.4)	40.9	**70.0**	56.0	(3.5)(A.4)	52.5	(40) %	(22) %

Equity in earnings of joint ventures	**(5.9)**	—	(5.9)	**(6.3)**	(6.3)	—	(6.3)	(6) %	(6) %
Other expense, net	**9.6**	(9.4)(A.5)	0.2	**61.4**	—	—	—	(84) %	NM
Income (loss) from continuing operations before income tax	**33.6**	32.5	66.1	**(53.1)**	36.3	37.2	73.5	163 %	(10) %
Income tax expense (benefit)	**6.6**	16.5(A.6)	23.1	**(185.2)**	(46.3)	68.4(A.6)	22.1	(104) %	5 %
Income from continuing operations	**$ 27.0**	$ 16.0	$ 43.0	**$ 132.1**	$ 82.6	$ (31.2)	$ 51.4	(80) %	(16) %
Loss from discontinued operations, net of income taxes	**(0.1)**			**(0.1)**				—%	
Net income	**$ 26.9**			**$ 132.0**				(80) %	
Per share:									
Basic income per share:									
Income from continuing operations	**$ 0.24**		$ 0.38	**$ 1.51**	$ 0.73		$ 0.46	(84) %	(17) %
Loss from discontinued operations	**—**			**—**				NM	
Basic income per share	**$ 0.24**			**$ 1.51**				(84) %	
Diluted income per share:									
Income from continuing operations	**$ 0.23**		$ 0.37	**$ 1.47**	$ 0.72		$ 0.45	(84) %	(18) %
Loss from discontinued operations	**—**			**—**				NM	
Diluted income per share	**$ 0.23**			**$ 1.47**				(84) %	
Weighted average number of shares outstanding:									
Basic	**113.5**		113.5	**87.7**	112.7		112.7		
Diluted	**115.6**		115.6	**89.8**	114.8		114.8		

Statistics (as a % of Net sales, except Income tax rate)					
	Nine Months Ended September 30, 2013		**Nine Months Ended September 30, 2012**		
	Reported	**Adjusted**	**Reported**	**Pro Forma**	**Adjusted**
Gross profit (Net sales, less Cost of products sold)	29.7%		28.9 %	29.6 %	29.8 %
Advertising, selling, general and administrative	20.6%	20.2 %	20.2 %	20.2 %	19.5 %
Operating income	6.3%	8.0 %	5.9 %	6.3 %	8.8 %
Income (loss) from continuing operations before income tax	2.7%	5.2 %	(4.3) %	2.7 %	5.4 %
Income from continuing operations	2.1%	3.4 %	10.8 %	6.0 %	3.8 %
Income tax rate	19.6%	35.0 %	NM	NM	30.0 %

Reconciliation of Pro Forma Operating Income to Adjusted Supplemental EBITDA from Continuing Operations
(Unaudited)
(In millions of dollars)

"Adjusted Supplemental EBITDA" represents adjusted pro forma operating income after adding back depreciation, amortization of intangibles, stock-based compensation expense, and joint venture income. The following table sets forth a reconciliation of reported operating income in accordance with GAAP to Adjusted Supplemental EBITDA.

	Nine Months Ended September 30,		
	Reported	**Pro Forma**	
	2013	**2012**	**% Change**
Reported operating income	$ 79.0	$ 72.0	10 %
Mead C&OP pre-acquisition operating loss (C)	—	(8.5)	100 %
Pro forma adjustments (C)	—	22.5	(100) %
Pro forma operating income	79.0	86.0	(8) %
Inventory step-up amortization	—	2.5	(100) %
Mead C&OP parent allocation expenses, net	—	6.3	(100) %
Integration charges	4.4	2.8	57 %
Restructuring charges	17.9	22.1	(19) %
Adjusted operating income from continuing operations	101.3	119.7	(15) %
Depreciation	30.4	30.2	1 %
Amortization of intangibles	18.7	20.2	(7) %
Stock-based compensation expense	11.7	6.6	77 %
Adjusted joint venture income	5.9	6.3	(6) %
Adjusted supplemental EBITDA from continuing operations	$ 168.0	$ 183.0	(8) %
Adjusted supplemental EBITDA from continuing operations as a % of Net Sales	13.3%	13.4%	

Notes for Reported and Pro Forma Consolidated Statements of Continuing Operations and Reconciliation of Adjusted Reported and Pro Forma Results

A. "Adjusted" results exclude all unusual tax items, restructuring, integration charges and Mead C&OP parent allocations, net, which will not continue as part of the combined Company in order to provide a comparison of underlying results of operations and taxes have been recalculated at normalized tax rates.

1. Represents the adjustment related to the amortization of step-up in value of finished goods inventory.
2. Represents the adjustment related to Mead C&OP parent allocations, in the first half of 2012 and integration charges in both periods. In addition following the acquisition of Mead C&OP, the Company decided to outsource its information technology support environment.
3. Represents restructuring costs.
4. Represents the adjustments related to accelerated debt origination amortization costs resulting from bank debt repayments.
5. Represents the reversal of the loss on debt extinguishment and other costs associated with the Company's refinancing.
6. The company had incurred significant operating losses in several jurisdictions in prior periods. In accordance with GAAP, tax valuation allowances had been recorded on certain of the company's deferred tax assets. As a result, the operating results in these locations have recorded no tax benefit or expense, which results in a high effective tax rate for the prior-year period. Assuming all the locations become profitable in the future and valuation allowances were reversed, the Company's effective tax rate would approximate 30% in 2012 and 35% in 2013. This estimated long-term rate will be subject to variations from the mix of

earnings in the Company's operating jurisdictions.

B. The unaudited pro forma financial information presents the combined results of the Company and Mead C&OP for the periods presented as though the companies had been combined as of January 1, 2011, but the Company cautions that the unaudited pro forma financial information is not indicative of the actual results of operations that would have been achieved if the transaction had taken place at the beginning of 2011 and do not purport to project the future operating results of the combined company. Refer to the 8-K furnished to the SEC on August 9, 2012 for a reconciliation of pro forma results to GAAP for the periods of January 1, 2012 through June 30, 2012.

C. Refer to the Form 8-K furnished to the SEC on August 9, 2012 for details on Mead C&OP pre-acquisition operating income and pro forma adjustments for the periods of January 1, 2012 through June 30, 2012.

ACCO Brands Corporation
Reported and Pro Forma Supplemental Business Segment Information and Reconciliation (Unaudited)
(In millions of dollars)

	2013					2012 (A)							Changes (Pro Forma)				
	Net Sales	Reported Operating Income	Adjusted Charges	Adjusted Operating Income (A)	Adjusted Operating Income Margin (A)	Net Sales	Reported Operating Income	Pro Forma Net Sales	Pro Forma Operating Income	Adjusted Charges	Pro Forma Adjusted Operating Income (A)	Pro Forma Adjusted Operating Income Margin (A)	Net Sales $	Net Sales %	Adjusted Operating Income $	Adjusted Operating Income %	Margin Points
Q1:																	
ACCO Brands North America	$ 189.0	$ (8.2)	$ 5.7	$ (2.5)	(1.3)%	$ 136.7	$ (3.5)	$ 215.5	$ (2.1)	$ 3.8	$ 1.7	0.8%	$ (26.5)	(12)%	$ (4.2)	NM	(210)
ACCO Brands International	126.2	4.0	4.6	8.6	6.8%	110.6	8.2	140.1	7.4	2.8	10.2	7.3%	(13.9)	(10)%	(1.6)	(16)%	(50)
Computer Products	36.8	2.8	0.6	3.4	9.2%	41.6	7.5	41.6	7.5	—	7.5	18.0%	(4.8)	(12)%	(4.1)	(55)%	(880)
Corporate	—	(7.8)	—	(7.8)		—	(8.2)	—	(11.6)	4.7	(6.9)		—		(0.9)		
Total	$ 352.0	$ (9.2)	$ 10.9	$ 1.7	0.5%	$ 288.9	$ 4.0	$ 397.2	$ 1.2	$ 11.3	$ 12.5	3.1%	$ (45.2)	(11)%	$ (10.8)	(86)%	(260)
Q2:																	
ACCO Brands North America	$ 286.9	$ 33.7	$ 7.1	$ 40.8	14.2%	$ 279.8	$ 13.6	$ 303.7	$ 19.9	$ 14.8	$ 34.7	11.4%	$ (16.8)	(6)%	$ 6.1	18%	280
ACCO Brands International	116.1	10.5	(0.2)	10.3	8.9%	113.9	9.0	118.2	7.4	0.6	8.0	6.8%	(2.1)	(2)%	2.3	29%	210
Computer Products	37.2	2.9	0.7	3.6	9.7%	45.0	10.0	45.0	10.0	—	10.0	22.2%	(7.8)	(17)%	(6.4)	(64)%	(1,250)
Corporate	—	(9.2)	0.2	(9.0)		—	(21.0)	—	(8.9)	1.6	(7.3)		—		(1.7)		
Total	$ 440.2	$ 37.9	$ 7.8	$ 45.7	10.4%	$ 438.7	$ 11.6	$ 466.9	$ 28.4	$ 17.0	$ 45.4	9.7%	$ (26.7)	(6)%	$ 0.3	1%	70
Q3:																	
ACCO Brands North America	$ 295.9	$ 36.1	$ 2.6	$ 38.7	13.1%	$ 321.4	$ 40.0	$ 321.4	$ 40.0	$ 2.6	$ 42.6	13.3%	$ (25.5)	(8)%	$ (3.9)	(9)%	(20)
ACCO Brands International	136.0	17.8	0.9	18.7	13.8%	139.4	14.7	139.4	14.7	0.9	15.6	11.2%	(3.4)	(2)%	3.1	20%	260
Computer Products	37.3	3.4	—	3.4	9.1%	40.4	7.7	40.4	7.7	0.3	8.0	19.8%	(3.1)	(8)%	(4.6)	(58)%	(1,070)
Corporate	—	(7.0)	0.1	(6.9)		—	(6.0)	—	(6.0)	1.6	(4.4)		—		(2.5)		
Total	$ 469.2	$ 50.3	$ 3.6	$ 53.9	11.5%	$ 501.2	$ 56.4	$ 501.2	$ 56.4	$ 5.4	$ 61.8	12.3%	$ (32.0)	(6)%	$ (7.9)	(13)%	(80)
Q4:																	
ACCO Brands North America						$ 290.3	$ 36.1	$ 290.3	$ 36.1	$ 6.1	$ 42.2	14.5%					
ACCO Brands International						187.3	30.1	187.3	30.1	0.1	30.2	16.1%					
Computer Products						52.1	10.7	52.1	10.7	—	10.7	20.5%					

Corporate							—	(9.6)	—	(9.6)	1.0	(8.6)	
Total							$ 529.7	$ 67.3	$ 529.7	$ 67.3	$ 7.2	$ 74.5	14.1%
Full Year:													
ACCO Brands North America	$ 771.8	$ 61.6	$ 15.4	$ 77.0	10.0%	$1,028.2	$ 86.2	$1,130.9	$ 93.9	$ 27.3	$ 121.2	10.7%
ACCO Brands International	378.3	32.3	5.3	37.6	9.9%	551.2	62.0	585.0	59.6	4.4	64.0	10.9%
Computer Products	111.3	9.1	1.3	10.4	9.3%	179.1	35.9	179.1	35.9	0.3	36.2	20.2%
Corporate	—	(24.0)	0.3	(23.7)		—	(44.8)	—	(36.1)	8.9	(27.2)	
Total	$1,261.4	$ 79.0	$ 22.3	$ 101.3	8.0%	$1,758.5	$ 139.3	$1,895.0	$ 153.3	$ 40.9	$ 194.2	10.2%

(A) Adjusted results exclude restructuring and integration charges and MeadWestvaco Corporation parent allocations (which will not continue in the ongoing entity) of corporate costs.

ACCO Brands Corporation
Pro Forma Supplemental Net Sales Growth Analysis
(Unaudited)

	Percent Change - Sales				
	Net Sales Growth	Currency Translation	Comparable Sales Growth	Price	$ Volume/Mix
Q1 2013:					
ACCO Brands North America	(12.3)%	(0.1)%	(12.2)%	1.2%	(13.4)%
ACCO Brands International	(9.9)%	(4.1)%	(5.8)%	0.5%	(6.3)%
Computer Products	(11.5)%	— %	(11.5)%	(3.6)%	(7.9)%
Total	(11.4)%	(1.5)%	(9.9)%	0.5%	(10.4)%
Q2 2013:					
ACCO Brands North America	(5.5)%	(0.2)%	(5.3)%	(0.7)%	(4.6)%
ACCO Brands International	(1.8)%	(1.4)%	(0.4)%	2.9%	(3.3)%
Computer Products	(17.3)%	— %	(17.3)%	(3.1)%	(14.2)%
Total	(5.7)%	(0.4)%	(5.3)%	(0.1)%	(5.2)%
Q3 2013:					
ACCO Brands North America	(7.9)%	(0.5)%	(7.4)%	— %	(7.4)%
ACCO Brands International	(2.4)%	(6.9)%	4.5%	5.1%	(0.6)%
Computer Products	(7.7)%	0.2%	(7.9)%	(1.2)%	(6.7)%
Total	(6.4)%	(2.2)%	(4.2)%	1.3%	(5.5)%
2013 YTD:					
ACCO Brands North America	(8.2)%	(0.3)%	(7.9)%	— %	(7.9)%
ACCO Brands International	(4.9)%	(4.3)%	(0.6)%	2.8%	(3.4)%
Computer Products	(12.4)%	0.1%	(12.5)%	(2.7)%	(9.8)%
Total	(7.6)%	(1.4)%	(6.2)%	0.6%	(6.8)%

SOURCE ACCO Brands Corporation

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