



NEWS RELEASE

CEO of ARC Document Solutions Offers 2015 Year-End Perspective

12/17/2015

WALNUT CREEK, CA -- (Marketwired) -- 12/18/15 -- ARC Document Solutions, Inc. (NYSE: ARC), the nation's leading document solutions provider for the construction industry, today released an open letter from K. "Suri" Suriyakumar, the Company's Chairman, President and CEO, offering a forward-looking perspective on the company's transformation. The letter is available on the Company's investor relations website at ir.e-arc.com.

The contents of the letter follow.

To Our Shareholders:

Here at the end of the year, I'm writing to keep our shareholders abreast of the developments at ARC Document Solutions. As we all know, ARC is going through a transformation -- a transformation that is difficult and complex, and thus I believe it is only appropriate that we report on our progress.

ARC is evolving from an analog, print-based and transactional business, to a cloud-based technology services organization that we believe is far more valuable in the long term. The current disconnect in our stock price is obvious, but one could argue that it is to be expected considering the nature of the changes occurring in our business and the variety of perspectives that guide the investments of our stockholders. Yet what some of the Company's observers might find daunting, we find encouraging and exciting. To us, the progress of our new initiatives indicates that the value we are creating for our customers, employees, and stockholders is substantially greater than the value we have delivered in the past as a simple print provider.

SKYSITE™, one of the most exciting technology solutions we've ever produced, has literally put our customers' plans back in their hands via the cloud and mobile device usage. Instead of referring to files on a desktop computer and ordering prints, with SKYSITE and a tablet, our customers can access and collaborate on any document, anywhere, at any time on jobsites across the country. Just 10 months since its release, more than 400 customers are currently subscribed with licenses for 10 users or more, and we expect significant growth to continue in 2016.

Even more dramatic results were seen in Archiving and Information Management which grew more than 15 percent year-over-year in the second quarter, and 44 percent in the third quarter. Construction customers and facility managers are increasingly frustrated at the lack of real-time access to vital legacy documents because they are locked up in boxes deep inside a distant warehouse. With legacy data storage systems, the process is inefficient and time consuming. Our ability to provide instant search-and-retrieval capabilities, including mobile access to large-format construction documents, allows us to capture a unique and sizable market segment that has not existed previously. The more we demonstrate the power of this solution to our clients, the more ways they are finding to use it.

As for the new solutions we offer on the Technology Services front, both BIM services (Building Information Modeling) and Hyperlinking services have been providing tremendous value to our customers, significantly reducing costs and increasing efficiency in their construction document workflows. Together SKYSITE, BIM and Hyperlinking are on track to generate more than \$1 million in new sales this year, a 100% improvement from 2014. We expect the very healthy growth in 2015 to continue into 2016 and beyond.

As we have described previously, all of the products and services we sell are categorized as three primary solutions to our customers -- Construction Document and Information Management (CDIM), Managed Print Services (MPS), and Archiving and Information Management (AIM).

As ARC continues to transform, new revenue growth is generated by products and services driven by technology. As a result, we have a traditional segment of the business, driven by print, that is larger in size and slowly shrinking, while a new segment of the business, driven by technology, is smaller in size but growing aggressively.

If we closely analyze the revenues generated by technology-driven products and services, two components emerge. The first component is the software side of the business which includes SKYSITE, PlanWell Archive, and Abacus. The second component is the professional services side of the business where we deliver key solutions such as BIM and Hyperlinking.

Both of these new components point to the potential of our future and demonstrate the significantly increased value of our business as it evolves.

With everything that is new and exciting about our business, our legacy operations continue to generate sizable revenue, good margins, and impressive cash flow from operations, allowing us to fund the development of new software solutions that are critical for us to compete in today's market. Even with the five percent revenue erosion we experienced in traditional reprographics over the past two quarters, our color imaging sales more than offset those losses on dollar-for-dollar basis. MPS, while affected by the delay in several national contract implementations this year, still secured three large contract renewals, each of which provide more than \$1 million in annualized revenue, and experienced significant growth in regional sales.

What is critical at this stage is the company's ability to compete in today's market, demonstrate growth, and comfortably meet all of its financial obligations. On this front there is no question of our success. **The Company is on track to generate more than 10 percent growth in both cash flow from operations and in free cash flow in 2015, and we will have paid down nearly \$30 million of our senior debt by the end of the year.**

ARC has a unique story that takes some time and effort to understand, but we believe the payoff for looking forward with us will be great; the new business we are creating has enormous potential.

Having said all that, challenges remain both for us and our customers in the design, engineering, and construction industries. Much of this has to do with the fragmented approach to using technology in the field. Some of it has to do with timing -- no one wants to start using a new product or service in the middle of an 18-month construction job. And some of it has to do with how we sell it -- we're still learning.

Even in our legacy business we face disruptive changes. A hybrid environment where both technology and paper are in heavy use creates both operational and logistical challenges for our people in the field. The use of color printing is growing, but competition remains strong. We continue to challenge customers with new ways of thinking about the use of their documents and their printing environments, and we are not always successful. Sometimes even existing customers can slide backwards.

After a recent merger, one of our largest customers decided to revert to a decentralized purchasing model for office print services instead of using an integrated MPS solution to reduce the total cost of print ownership. Representing annual revenue of more than \$10mm, the loss of this customer will have an impact on our forecast next year, but just as importantly, it is an example that demonstrates the diversity of needs, level of understanding, and changing priorities of our evolving market.

While these challenges require our attention to address in a responsible and proactive manner, we cannot -- and we will not -- be distracted by them. The value of the future we are building far outweighs the temporary setbacks we might encounter along the way. In the meantime we will learn from both our wins and our losses. We have never tried to kid ourselves into thinking that changing the industry we serve would be easy!

As we wrap up 2015, the fundamentals of the company remain sound. As such, I am re-affirming our guidance for the year.*

Our financial health is excellent, and while we expect only modest growth this year, what we've learned as this transformation progresses is incredibly valuable. Our capital structure provides a rock-solid foundation, and our cash generation in the business is the fuel for change and greater value in the future. We invite our investors and other stakeholders to join us in creating this vision in the years ahead.

K. Suriyakumar

Chairman, President and Chief Executive Officer

*** Outlook**

For 2015, the Company's diluted annual adjusted earnings per share outlook is expected to be in the range of \$0.33 to \$0.36. The outlook for annual adjusted cash provided by operating activities is expected to be in the range of \$58 to \$61 million. Annual adjusted EBITDA is expected to be in the range of \$70 million to \$73 million.

Forward Looking Statements

This documents contains forward-looking statements that are based on current opinions, estimates and assumptions of management regarding future events and the future financial performance of the Company. Words such as "progress of our new initiatives," "expect," "forecast," "potential," and similar expressions identify forward-looking statements and all statements other than statements of historical fact, including, but not limited to, any projections regarding earnings, revenues and financial performance of the Company, could be deemed forward-looking statements. We caution you that such statements are only predictions and are subject to certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements. Factors that could cause actual results to differ from expectations stated in forward-looking statements include, among others, the factors described in the caption entitled "Risk Factors" in Item 1A in ARC Document Solution's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, Quarterly Reports on Form 10-Q, and other periodic filings and prospectuses. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

Contact Information:

David Stickney

VP Corporate Communications and Investor Relations

925-949-5114

Source: ARC Document Solutions, Inc.