



# Second Quarter **2022** Financial Results

# Safe Harbor Statement

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During portions of today’s presentation, the Company may refer to results which are non-GAAP financial measures. A reconciliation of GAAP to non-GAAP financial measures is available on the Company’s website at [investor.theodpcorp.com](http://investor.theodpcorp.com). These measures exclude charges or credits not indicative of core operations and the tax effects of these items, which may include but not be limited to merger integration, restructuring, acquisition costs, and asset impairments.

# Gerry Smith

Chief Executive Officer



# ODP: Rising to the Challenge & Driving Solid Performance

## Market Challenges

Macroeconomic backdrop

Inflation, supply chain/sourcing,  
higher fuel costs

Continued effects of COVID

Work environment/distributed workforces

Evolving customer needs

## Focus on Key Tenets

1

**Drive Low-Cost Model**

Lower fixed cost, scalable model

2

**Transition to Higher  
Growth Opportunities**

Expanding our value proposition

3

**Evolving into Higher  
Value Businesses**

New B2B growth engines

## 2Q22 Results

✓ Delivered strong operating results

✓ Made significant progress  
on strategic initiatives

✓ Continued to advance  
digital platform business  
and supply chain capabilities

**Creating Long-Term Shareholder Value**

# 2Q22: Summary of Significant Accomplishments

- 1 Delivered strong operating results in a challenging macroeconomic environment
- 2 Continued progress on operational separation and aligning assets to support our four-business unit structure
- 3 Advanced digital platform business (Varis) and supply chain/sourcing business (Veyer)
- 4 Enhanced returns to shareholders

**Building a More Valuable Enterprise**

# Low-Cost Model and Flexible Ecosystem Drove Operating Results

Delivered solid performance despite market-wide challenges

- Operational excellence and supply chain flexibility positioned ODP to deliver solid performance
- Consolidated revenue results slightly lower partially due to fewer retail stores in service
- Improved back-to-office trends drove stronger performance in ODP Business Solutions; better traction in contract channel
- Retail division continued to deliver solid results, driving strong margins on lower revenue
- Private fleet, distribution assets, and flexible pricing strategies helped mitigate some of the supply chain and inflationary cost pressures
- Low-cost model helped drive \$54 million in adjusted operating income

**\$54  
Million\***

Adjusted Operating Income

\*Non-GAAP financial measure. A reconciliation of GAAP to non-GAAP financial measures can be found at [investor.theodpcorp.com](http://investor.theodpcorp.com).

# ODP Business Solutions: Strong Value Proposition

Valuable partner for the evolving needs of business

## Continued improvement in back-to-office trends

- Enterprise sector continuing to recover
- Contract channel sales up, offset by lower eCommerce sales

## Stronger sales across majority of offerings; adjacency categories remained at ~44% of sales

- Increase in core supplies, copy & print, and cleaning and breakroom categories
- Lower technology sales
- Adjacencies ~44% of total ODP Business Solutions revenue

## Strong renewal win rate & net customer wins

## Pricing flexibility and prior investments helping to mitigate supply chain/inflationary pressures

- Private fleet; 3PL relationships
- Experiencing pressure on transportation costs (containers and fuel)
- Flexible sourcing & supply network; pricing flexibility
- Operating income up ~45% versus last year





# Retail: Delivering Value in 2Q22

Strong support for schools, hybrid workers & small businesses

- Support for schools and hybrid workers; continued home office supply headquarters source for small businesses
- Planned store reductions and lower store traffic resulted in lower sales year over year
- Strong sales-per-shopper and omni-channel sales supported by our 20-minute pick-up guarantee
- Lower retail store traffic trends compared to last year's strong demand during the pandemic
- Increase in demand for copy and print services and certain supply categories; offset by lower sales of cleaning and PPE; technology and PC products impacted by supply chain and sourcing
- Lower SG&A and efficient operating model driving continued strong operating margins



# ODP: Building a More Valuable Business



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**Aligning Assets to Support our Business**

# Varis: Continued Progress in 2Q22

Garnering positive feedback from private launch on MSFT platform

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## Attracting new build partners; customers & suppliers

Working with new build partners; incorporating feedback

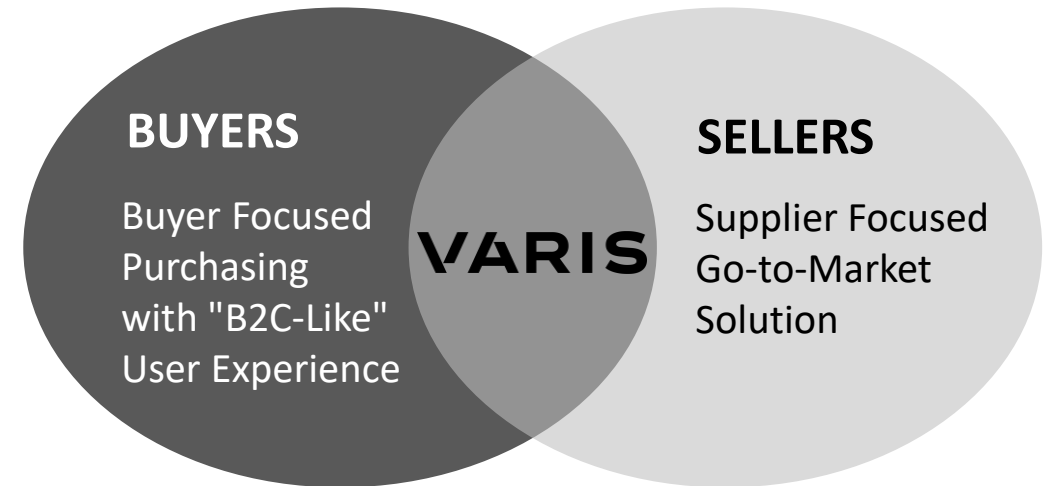
Adding new customers , partners and suppliers

Continuing to incorporate customer feedback & continued development of the technology and capabilities

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Receiving positive feedback from customers

**VARIS**



**Innovative Platform for Buyers & Suppliers**

# 2Q22 Financial Overview

Anthony Scaglione, EVP & Chief Financial Officer



# Second Quarter 2022 Summary

Second Quarter		
(\$ in millions, except per share amounts) <sup>(1)</sup>	2022	2021
Sales	\$2,034	\$2,070
Operating Income	\$28	\$30
Adjusted Operating Income <sup>(2)</sup>	\$54	\$43
Net Income From Continuing Operations	\$20	\$20
Diluted Earnings Per Share From Continuing Operations	\$0.39	\$0.35
Adjusted Net Income From Continuing Operations <sup>(2)</sup>	\$39	\$33
Adjusted Earnings Per Share From Continuing Operations (Most Diluted) <sup>(2)</sup>	\$0.79	\$0.58
Adjusted EBITDA <sup>(2)</sup>	\$91	\$84
Operating Cash Flow From Continuing Operations	\$(114)	\$32
Free Cash Flow <sup>(3)</sup>	\$(135)	\$16
Adjusted Free Cash Flow <sup>(4)</sup>	\$(121)	\$29

- Inflation and global supply chain dynamics continuing to create industry challenges and increased costs
- Revenue results down 2% YOY driven by lower retail sales due to reduced store footprint and traffic, partially offset by stronger sales in ODP Business Solutions
- Improving back-to-office trends driving ODP Business Solutions performance
- Low-cost model, flexible supply chain and pricing strategies helped drive operating income
  - Adjusted operating income <sup>(2)</sup> of \$54 million
  - Adjusted EBITDA <sup>(2)</sup> of \$91 million

(1) Reflects reclassification of financial results of the CompuCom Division to Discontinued operations, net of tax in the Consolidated Statements of Operations for all periods presented. The Company also reclassified the related assets and liabilities as assets and liabilities held for sale on the accompanying Consolidated Balance Sheets as of December 25, 2021. Cash flows from the Company's discontinued operations are presented in the Consolidated Statements of Cash Flows for all periods.

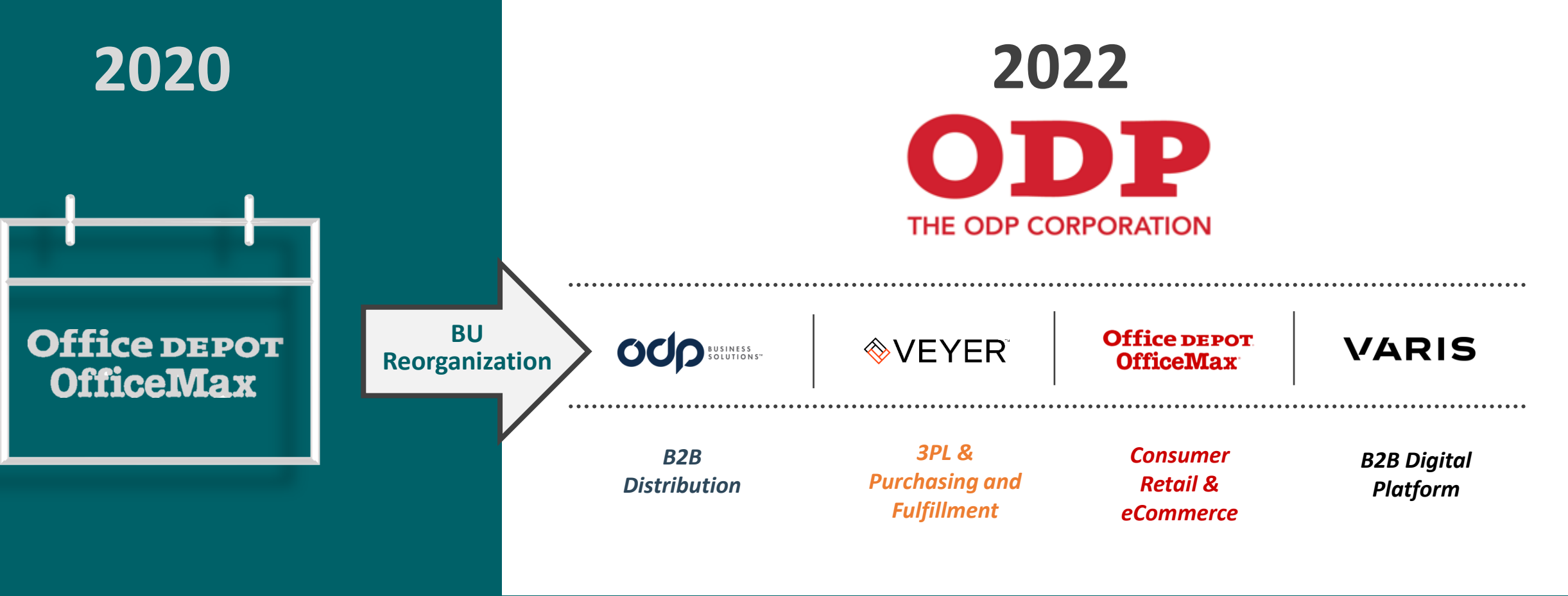
(2) Non-GAAP financial measure. A reconciliation of GAAP to non-GAAP financial measures can be found at investor.theodpcorp.com.

(3) As used in this presentation, Free Cash Flow is defined as cash flow from operating activities less capital expenditures. Free cash flow is a non-GAAP financial measure. A reconciliation of GAAP to non-GAAP financial measures can be found at investor.theodpcorp.com.

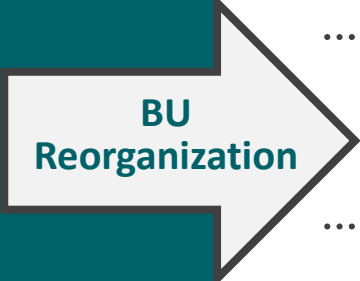
(4) As used in this presentation, Adjusted Free Cash Flow is defined as free cash flow excluding cash charges associated with the Company's Maximize B2B Restructuring Plan, the Business Acceleration Program, and the expenses incurred in connection with the previously planned separation of the consumer business. Adjusted Free Cash Flow is a non-GAAP financial measure and reconciliations from GAAP financial measures can be found at the Company's investor relations website at investor.theodpcorp.com.

# Future Business Unit Reporting Structure

Four Synergistic BUs with Standalone P&Ls and Capital Structures



2020



2022

**ODP**  
THE ODP CORPORATION

**odp** BUSINESS SOLUTIONS™

*B2B  
Distribution*

**VEYER™**

*3PL &  
Purchasing and  
Fulfillment*

**Office DEPOT  
OfficeMax™**

*Consumer  
Retail &  
eCommerce*

**VARIS**

*B2B Digital  
Platform*

# ODP Business Solutions Division – 2Q22

## Sales

(\$ millions)



## Operating Income

(\$ millions)

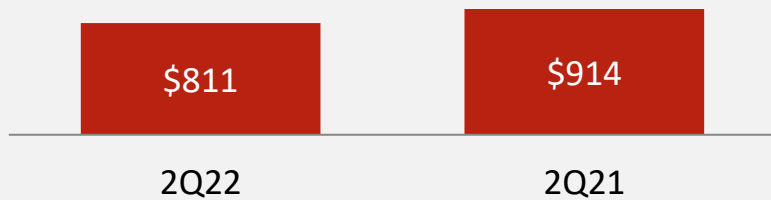


- **Sales increased 6% versus 2Q21**
  - Improved back-to-office trends driving stronger traction in contract channel YOY
  - Lower eCommerce sales YOY as Covid recovery continues
  - Leveraging supply chain capabilities and pricing flexibility
- **Increased demand for core supplies, cleaning & breakroom offset by lower technology sales**
  - Core supplies, workspaces, copy and print, and cleaning and breakroom categories increased as businesses continued to return to the office
  - Sourcing challenges persist for certain categories
  - Adjacency categories remained at 44% of total ODP Business Solutions revenue
- **Operating income of \$45 million versus \$31 million in 2Q21**
  - Higher sales volume and lower SG&A expenses offset increased supply chain costs
- **Strong retention and net new wins**

# Retail Division – 2Q22

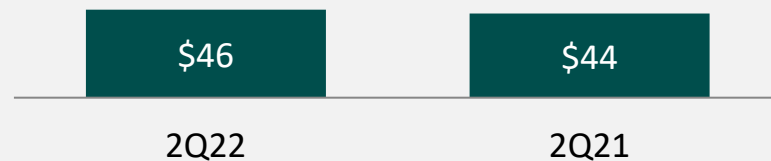
## Sales

(\$ millions)



## Operating Income

(\$ millions)



- **Sales decreased 11% versus 2Q21**
  - Driven by 71 fewer stores in service YOY, including 12 store reductions during the quarter, and lower traffic
  - Stronger YOY demand for copy and print services, offset by lower sales in PPE, cleaning, supplies, and technology products
  - Supply chain sourcing challenges in technology and ink
- **Lower traffic trends partially offset by stronger sales-per-shopper and solid omni-channel sales**
- **2Q22 operating income of \$46 million; 5.7% operating margin**
  - Product mix and low-cost model approach drove operating performance offsetting cost pressures

# Balance Sheet / Cash Flow Highlights

<b>Strong Available Liquidity</b>	<p>Total available liquidity of approximately \$1.4 billion at end of 2Q22</p> <ul style="list-style-type: none"><li>• \$417 million in cash and cash equivalents</li><li>• \$953 million available credit under asset-based lending facility</li><li>• \$194 million in total debt</li></ul>
<b>Operating Cash Flow</b>	<p>Operating cash use of \$114 million in 2Q22</p> <ul style="list-style-type: none"><li>• Included \$14 million of restructuring and other costs</li><li>• Timing of working capital items and higher transportation costs drove lower operating cash flow in quarter</li></ul>
<b>Capital Expenditures &amp; Other</b>	<p>Capital expenditures of \$21 million in 2Q22</p> <p>Continued investments in digital platform business (Varis), distribution network, and eCommerce capabilities; Lower investment requirements for retail operations</p>
<b>Adjusted Free Cash Flow*</b>	<p>Adjusted Free Cash Use of \$121 million in 2Q22</p>
<b>Share Repurchase</b>	<p>\$600 million share repurchase authorization available through June 30, 2024; Commenced \$300 million Dutch auction tender offer</p>

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# Full Year 2022 Guidance

<b>Sales</b>	<b>\$8.45 - \$8.60 billion</b>
<b>Adjusted EBITDA</b>	<b>\$430 - \$460 million</b>
<b>Adjusted Operating Income</b>	<b>\$285 - \$315 million</b>
<b>Adjusted Earnings per Share <sup>(1)</sup></b>	<b>\$4.10 - \$4.50</b>
<b>Adjusted Free Cash Flow <sup>(2)</sup></b>	<b>\$200 - \$225 million</b>

(1) The Company's outlook for 2022 Adjusted Earnings per Share does not include potential impact from the tender offer.

(2) Free Cash Flow is a non-GAAP financial measure and is defined as cash flows from operating activities less capital expenditures. As used in this presentation, Adjusted Free Cash Flow is defined as free cash flow excluding cash charges associated with the Company's Maximize B2B Restructuring Plan, the Business Acceleration Program, and the expenses incurred with the previously planned separation of the consumer business. Adjusted Free Cash Flow is a non-GAAP financial measure and reconciliations from GAAP financial measures can be found at the Company's investor relations website at [investor.theodpcorp.com](http://investor.theodpcorp.com).

Q&A