

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

FORM 8-K

CURRENT REPORT

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

Date of Report May 1, 2001

Commission file number 1-10948

OFFICE DEPOT, INC.

(Exact name of registrant as specified in its charter)

Delaware

59-2663954

-----  
(State or other jurisdiction of  
incorporation or organization)

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

2200 Old Germantown Road, Delray Beach, Florida 33445

(Address of principal executive offices) (Zip Code)

(561) 438-4800

(Registrant's telephone number, including area code)

Former name or former address, if changed since last report: N/A

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

99.1 Press Release dated April 19, 2001

ITEM 9. INFORMATION FURNISHED PURSUANT TO REGULATION FD

On April 19, 2001, Office Depot, Inc. issued a press release announcing its results for the first quarter of 2001, ended March 31, 2001. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

SIGNATURE

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

OFFICE DEPOT, INC.

Date: May 1, 2001

By: /S/ DAVID C. FANNIN

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Executive Vice President and  
General Counsel

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OFFICE DEPOT ANNOUNCES FIRST QUARTER 2001 RESULTS

- o \$0.19 EPS - In Line with Company Guidance
- o Worldwide E-Commerce Sales Up 87% to \$359 Million
- o International Operating Profit Increased 27% over  
Comparable 2000 Period - to a Record \$63 Million
- o Strong Cash Flow; Debt Reduced to \$55 Million from  
\$390 Million at Fiscal 2000 Year-End
- o Performance and Customer Satisfaction Initiatives on Track

(Delray Beach, FL) April 19, 2001 -- OFFICE DEPOT, INC. (NYSE: ODP), the world's largest seller of office products, today announced results for its first quarter, ended March 31, 2001.

Total sales for the first quarter of 2001 were \$3.0 billion, down 2% from \$3.1 billion reported for the same period in 2000. Worldwide comparable sales in the 798 stores and 40 delivery centers that have been open for more than one year decreased less than one percent for the quarter. Strong international and e-commerce sales, up 20% in local currencies and 87%, respectively, helped to partially offset a soft North American retail market.

The Company recorded net income of \$56.3 million (or \$0.19 per share) for the first quarter, in line with guidance provided on February 15, 2001, and down 48% from net income of \$109.0 million (or \$0.32 per share) reported for the same period in 2000. The decline was due principally to weak North American Retail comparable store sales and lower gross margins on planned SKU reductions. Included in the results for the first quarter of 2000 was a gain on the sale of an investment of \$19.0 million (\$11.9 million net of taxes, or \$0.03 per share).

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In reviewing the Company's results for the first quarter of 2001, Bruce Nelson, CEO, commented: "During the quarter we continued to experience a weak retail environment particularly in technology, furniture and other related market basket items. Computer hardware and software comparable sales declined more than 28% during the quarter. Overall, comparable retail transactions actually increased during the quarter. However, in technology, declining unit sales coupled with lower average selling prices more than offset the traffic gains.

"We substantially completed our SKU reduction program, but used more promotional pricing than planned to expedite the process. As a result, retail gross margins were negatively impacted. All 824 of our North American Retail stores will be re-plan-o-gramed during the second quarter of this year to adjust our retail stores for the change in SKU assortment.

"Our International results continued to be impressive. Sales in local currencies grew 20% while operating income grew 38%. Operating profit in our International businesses for the quarter was a record \$63.3 million in U.S. dollars. Seven of our nine European countries had sales increases at high double-digit rates in local currencies. Comparable retail sales in Japan and France grew more than 20% in local currencies, and our International Division continues to be our fastest growing segment, with the largest opportunity for future growth.

"Although we continue to face external economic challenges in our North American retail business, we have made solid progress in better managing our costs, particularly in our North American warehouses, where we improved our line-fill rates, our on-time delivery performance and our quality levels. During the quarter, we closed 70 under-performing stores that were identified during the business review, completed the exit of four markets, substantially completed the SKU reductions in our retail stores, and continued working with our larger contract customers to improve account profitability in our BSG business.

"As we look towards the balance of the first half of this year, we believe that the overall retail environment will continue to be soft, and we are managing our business with that belief in mind. We are aggressively moving forward in executing the plans we outlined during our 2000 business review, reducing complexity in our business and creating a more compelling place for our employees to work and our customers to shop."

\* \* \* \*

Highlights of the Company's performance during the first quarter included:

- o Successfully completed the closing of the 70 stores identified during the Company's 2000 Business Review and substantially completed the SKU reductions across all North American Retail stores.
- o Named Jerry Colley as our President of North American Stores. A significant portion of Jerry's focus is to improve customer satisfaction, retention and loyalty in our 824 stores in the U.S. and Canada.

- o Worldwide e-commerce sales grew 87% to \$359.4 million during the quarter, as compared to \$192.6 million in the comparable period in 2000. These e-commerce sales include all worldwide online sales, including those from our domestic public Web sites -- www.officedepot.com and www.vikingop.com -- and Office Depot's contract business-to-business sites as well as the Company's 9 international Web sites. For business segment reporting purposes, these sales are reported separately in the appropriate business segment.
- o Launched Microsoft bCentral small-business services on our officedepot.com Web site. These services are designed to allow small businesses to utilize information across a shared platform with clients and co-workers.
- o Borrowings under the Company's current bank facilities were significantly reduced during the quarter, reflecting strong cash flows and excellent cash management. Outstanding debt under the existing bank facilities was \$54.8 million at the end of the quarter, down from \$389.6 million at the end of fiscal year 2000.
- o The Company increased inventory turns and managed inventory levels more aggressively in the warehouses during the quarter, while improving line-fill rates at the same time. Total inventory levels dropped \$306.4 million from \$1.4 billion at year-end.
- o Selected BBDO as our new advertising agency. BBDO will help us communicate our brand message across all of our business channels around the world.

\* \* \* \*

Segment Results

North American Retail Division

	First Quarter	
(In millions of dollars)	2001	2000
Sales	\$1,611.2	\$1,795.7
COGS and Occupancy Costs	1,270.6	1,387.0
Gross Profit	340.6	408.7
Operating and Selling Expenses	256.1	251.9
Operating Profit	84.5	156.8

Sales in the North American Retail Division decreased 10% in the first quarter of 2001 to \$1.6 billion as compared with \$1.8 billion for the same period in 2000. Comparable

sales in the 767 stores that have been open for more than one year decreased 10% for the first quarter. Store operating profit in the first quarter was \$84.5 million as compared with \$156.8 million in the comparable 2000 period. Gross margins were negatively affected by the SKU rationalization program currently in place in our retail stores, price reductions in paper, ink and toner, and the lack of leverage on payroll, property and other costs due to lower sales during the quarter.

During the first three months of 2001, we opened six new office supply superstores in four states. At the end of the quarter, Office Depot operated a total of 824 office product superstores throughout the United States and Canada.

Business Services Group

First Quarter

(In millions of dollars)	2001	2000
Sales	\$981.0	\$883.9
COGS and Occupancy Costs	684.1	608.2
Gross Profit	296.9	275.7
Operating and Selling Expenses	236.5	216.5
Operating Profit	60.4	59.2

Business Services Group sales in the first quarter of 2001 increased 11% to \$981.0 million as compared with \$883.9 million for the comparable period in 2000. Warehouse operating profit in the quarter was \$60.4 million as compared with \$59.2 million for the comparable period in 2000. Margin improvements resulted from more disciplined pricing in our contract accounts and better leverage in our selling and warehouse expenses, offset by weaknesses in both our Office Depot and Viking domestic catalog operations.

During the quarter BSG implemented a number of new technologies in North American warehouses to improve productivity levels as well as enhance customer service. Recently installed voice activated customer response systems enable the Company to communicate with its delivery customers. We also launched a wireless delivery tracking system for our own delivery trucks for better tracking of the progress of customer orders. These new technologies will allow our North American warehouses to provide "fanatical customer service" by ensuring that customers get the products they ordered as expected and offer an improved flow of information to them when required.

## International Division

## First Quarter

(In millions of dollars)	2001	2000
Sales	\$426.6	\$387.0
COGS and Occupancy Costs	256.7	233.4
Gross Profit	169.9	153.6
Operating and Selling Expenses	106.6	103.7
Operating Profit	63.3	49.9

Sales in the International Division for the first quarter of 2001 increased 10% in U.S. dollars to \$426.6 million as compared with \$387.0 million for the comparable 2000 period. In local currencies, sales rose 20% for the first quarter. Store and warehouse operating profit in the International Division in the quarter improved 27% to \$63.3 million as compared with \$49.9 million for the comparable 2000 period. First quarter operating profit in local currencies improved by 38% from last year. This improvement resulted from continued growth in sales and better management of costs. Sales and operating profit continue to be pressured by unfavorable exchange rates by approximately \$38.4 million and \$5.7 million in sales and store and warehouse operating profit, respectively, in the first quarter.

Office Depot has retail stores, through a combination of wholly owned operations, joint ventures and international licensing agreements, in the following countries:

	First Quarter Activity		Open at Quarter End	
	Opened	Closed	2001	2000
Mexico (Joint Venture)	1	1	54	43
France *	-	-	28	26
Israel (Joint Venture & License)	1	1	22	22
Poland (License)	-	-	16	16
Japan *	-	-	7	6
Hungary (License)	-	-	3	4
Thailand (License)	-	-	2	2
Colombia (Operations have been terminated)	-	-	-	2
Total	2	2	132	121

\* Office Depot wholly owned stores

Along with its retail stores, the Company also has delivery and catalog operations in 14 countries outside of the United States and Canada.

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Conference Call Information

Office Depot will hold a conference call for investors and analysts at 8:00 a.m. (Eastern Time) on today's date. The conference call will be available to all investors via Webcast at [www.officedepot.com](http://www.officedepot.com) under Company Info/Investor Relations. Interested parties may contact Investor Relations at 561-438-1680 for further information on the conference call.

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As of March 31, 2001 Office Depot operated 824 office supply superstores in the United States and Canada, in addition to a national business-to-business delivery network supported by 25 delivery centers, more than 60 local sales offices and eight regional call centers. Furthermore, the Company had operations in 16 countries outside of the United States and Canada, including 23 office supply stores in France, not including store closings announced on January 3, 2001, and seven in Japan that are owned and operated by the Company; and 97 additional office supply stores under joint venture and licensing agreements operating under the Office Depot(R) name in five foreign countries. The Company also operates an award-winning U.S. Office Depot(R) brand Web site at [www.officedepot.com](http://www.officedepot.com) where customers can access Office Depot's low competitive prices seven days a week, twenty-four hours a day, and it operates [www.officedepot.co.jp](http://www.officedepot.co.jp) in Japan and [www.officedepot.fr](http://www.officedepot.fr) in France as well as Viking(R) brand Web sites at [www.vikingop.com](http://www.vikingop.com) in the United States, [www.viking-direct.co.uk](http://www.viking-direct.co.uk) in the United Kingdom, [www.viking.de](http://www.viking.de) in Germany, [www.vikingdirect.nl](http://www.vikingdirect.nl) in The Netherlands, [www.vikingop.it](http://www.vikingop.it) in Italy, [www.vikingop.com.au](http://www.vikingop.com.au) in Australia, [www.vikingop.co.jp](http://www.vikingop.co.jp) in Japan and [www.vikingdirect.fr](http://www.vikingdirect.fr) in France. Office Depot's common stock is traded on the New York Stock Exchange under the symbol ODP and is included in the S&P 500 Index.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS: Except for historical information, the matters discussed in this press release are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements, including without limitation all of the projections and anticipated levels of future performance, involve risks and uncertainties which may cause actual results to differ materially from those discussed herein. These risks and uncertainties are detailed from time to time by Office Depot in its filings with the United States Securities and Exchange Commission ("SEC"), including without limitation its most recent filing on Form 10-K, filed on March 27, 2001. You are strongly urged to review all such filings for a more detailed discussion of such risks and uncertainties. The Company's SEC filings are readily obtainable at no charge at [www.sec.gov](http://www.sec.gov), [www.10kwizard.com](http://www.10kwizard.com) and at [www.freeEDGAR.com](http://www.freeEDGAR.com), as well as on a number of other commercial Web sites

OFFICE DEPOT, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS  
(In thousands, except per share amounts)  
(Unaudited)

	13 Weeks Ended March 31, 2001	13 Weeks Ended March 25, 2000
	-----	-----
Sales	\$3,017,914	\$3,065,657
Cost of goods sold and occupancy costs	2,210,998	2,228,011
	-----	-----
Gross profit	806,916	837,646
	-----	-----
Store and warehouse operating and selling expenses	598,827	571,785
Pre-opening expenses	1,136	2,650
General and administrative expenses	109,602	106,349
Merger and restructuring costs	433	1,029
	-----	-----
	709,998	681,813
	-----	-----
Operating profit	96,918	155,833
Other income (expense):		
Interest income	1,607	3,364
Interest expense	(10,281)	(7,196)
Miscellaneous income, net	1,163	21,072
	-----	-----
Earnings before income taxes	89,407	173,073
Income taxes	33,078	64,037
	-----	-----
Net earnings	\$56,329	\$109,036
	=====	=====
Earnings per common share:		
Basic	\$0.19	\$0.34
Diluted	0.19	0.32
Weighted average number of common shares outstanding:		
Basic	296,095	323,605
Diluted	312,539	351,344

OFFICE DEPOT, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands, except share and per share amounts)

	As of March 31, 2001 ----- (Unaudited)	As of December 30, 2000 -----
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$134,386	\$151,482
Receivables, net	796,842	896,333
Merchandise inventories, net	1,114,403	1,420,825
Deferred income taxes and other assets	216,077	230,449
	-----	-----
Total current assets	2,261,708	2,699,089
Property and equipment, net	1,098,445	1,119,306
Goodwill, net	216,742	219,971
Other assets	160,654	157,968
	-----	-----
	\$3,737,549	\$4,196,334
	=====	=====
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$1,009,378	\$1,136,994
Accrued expenses and other liabilities	515,085	580,966
Income taxes payable	60,333	37,118
Current maturities of long-term debt	7,699	153,259
	-----	-----
Total current liabilities	1,592,495	1,908,337
Deferred income taxes and other credits	92,384	88,247
Long-term debt, net of current maturities	184,886	374,061
Zero coupon, convertible subordinated notes	227,223	224,438
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock - authorized 800,000,000 shares of \$.01 par value; issued 379,416,355 in 2001 and 378,688,359 in 2000	3,794	3,787
Additional paid-in capital	944,330	939,214
Unamortized value of long-term incentive stock grant	(2,590)	(2,793)
Accumulated other comprehensive income	(75,835)	(53,490)
Retained earnings	1,573,020	1,516,691
Treasury stock, at cost - 82,190,548 shares in 2001 and in 2000	(802,158)	(802,158)
	-----	-----
	1,640,561	1,601,251
	-----	-----
	\$3,737,549	\$4,196,334
	=====	=====

OFFICE DEPOT, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands)  
(Unaudited)

	13 Weeks Ended March 31, 2001	13 Weeks Ended March 25, 2000
	-----	-----
Cash flows from operating activities:		
Net earnings	\$56,329	\$109,036
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	48,280	46,988
Provision for losses on inventories and receivables	35,565	29,973
Gain on sale of investment securities	-	(18,960)
Changes in assets and liabilities	206,240	115,098
Other operating activities, net	16,580	5,489
Net cash provided by operating activities	----- 362,994	----- 287,624
Cash flows from investing activities:		
Proceeds from maturities or sales of investment securities	-	18,960
Purchases of investment securities	-	(5,740)
Capital expenditures, net of proceeds from sales	(27,495)	(51,585)
Net cash used in investing activities	----- (27,495)	----- (38,365)
Cash flows from financing activities:		
Proceeds from exercise of stock options and sale of stock under employee stock purchase plans	3,400	4,116
Acquisition of treasury stock	-	(144,325)
Proceeds from issuance of long-term debt	-	8,421
Payments on long- and short-term borrowings	(336,146)	(1,554)
Net cash used in financing activities	----- (332,746)	----- (133,342)
Effect of exchange rate changes on cash and cash equivalents	(19,849)	9,334
	-----	-----
Net increase (decrease) in cash and cash equivalents	(17,096)	125,251
Cash and cash equivalents at beginning of period	151,482	218,784
Cash and cash equivalents at end of period	----- \$134,386	----- \$344,035
	=====	=====