



Depot.Different!

**Office Depot, Inc.**

Baird 2019  
Global Consumer,  
Technology & Services  
Conference

**Joe Lower – EVP & CFO**

**June 5, 2019**

# Safe Harbor Statement

The Private Securities Litigation Reform Act of 1995, as amended, (the “Act”) provides protection from liability in private lawsuits for “forward-looking” statements made by public companies under certain circumstances, provided that the public company discloses with specificity the risk factors that may impact its future results. The company wants to take advantage of the “safe harbor” provisions of the Act. Certain statements made during this presentation are forward-looking statements under the Act. Except for historical financial and business performance information, statements made during this presentation should be considered forward-looking as referred to in the Act. Much of the information that looks towards future performance of the company is based on various factors and important assumptions about future events that may or may not actually come true. As a result, operations and financial results in the future could differ materially and substantially from those discussed in the forward-looking statements made during this presentation. Certain risks and uncertainties are detailed from time to time in the company’s filings with the United States Securities and Exchange Commission (“SEC”). 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 available at no charge at [www.sec.gov](http://www.sec.gov) and at the company’s website at [investor.officedepot.com](http://investor.officedepot.com).

During portions of today’s presentation, the company may refer to results which are not GAAP numbers. A reconciliation of GAAP to non-GAAP measures is available on the Office Depot website at [investor.officedepot.com](http://investor.officedepot.com). The company’s outlook for 2019 includes non-GAAP measures, such as adjusted EBITDA, adjusted operating income, and Free Cash Flow which excludes charges or credits not indicative of core operations, which may include but not be limited to merger integration expenses, restructuring charges, acquisition-related costs, asset impairments, and other significant items that currently cannot be predicted. The exact amount of these charges or credits are not currently determinable, but may be significant. Accordingly, the company is unable to provide equivalent reconciliations from GAAP to non-GAAP for these financial measures. Guidance and outlook statements related to 2019 guidance is as of May 8, 2019. Guidance has not been updated to reflect any information subsequent to that date and the company is not currently reaffirming the earlier guidance.

# Office Depot

**Leading B2B Integrated Distribution Company Providing Business Services and Supplies, Products & Technology Solutions**

- ✓ **Valuable Asset Base and Extensive Market Reach**
- ✓ **Transforming Business and Driving Improvements in Core Operations**
  - Leveraging proven distribution assets to deliver business services and products
  - Growing B2B business
- ✓ **Strong Balance Sheet; Low Leverage; Strong Cash Flow Profile**
- ✓ **Executing Upon Business Acceleration Program**
  - Operational improvements; cost savings; additional fuel for growth

**POSITIONED TO DRIVE SHAREHOLDER VALUE**

# Strong Market Presence & Reach

## [ ASSETS ]

**20<sup>TH</sup> LARGEST**



SUPPLY CHAIN IN NORTH AMERICA

**BALANCE SHEET**



\$121M NET DEBT  
\$1.5B AVAILABLE LIQUIDITY

**COMPELLING**

**TÜL**

PRIVATE LABEL BRANDS

**45,000+**



DEDICATED EMPLOYEES

## [ CUSTOMERS ]

**~ 29 M**



ANNUAL ACTIVE CUSTOMERS

**~10 MILLION**



SMALL & MEDIUM SIZED BUSINESSES

**200K+**



ENTERPRISE ACCOUNTS

**50+%**



OF SCHOOL DISTRICTS IN USA

## [ REACH ]

**1,800+**



SALES PROFESSIONALS

**~ 6 MILLION**



SMALL & MEDIUM  
BUSINESSES ARE WITHIN  
3 MILES OF OUR STORES

DELIVER TO  
**98.5%**



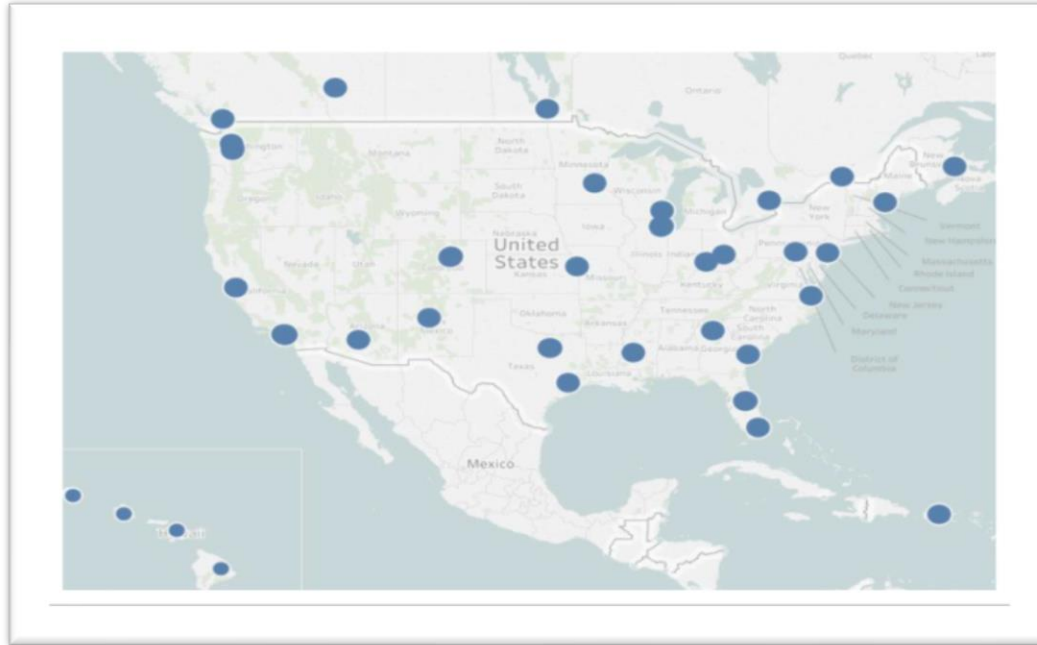
OF US POPULATION NEXT-DAY

**~1,350 RETAIL**



LOCATIONS IN NORTH AMERICA

# Unique Supply Chain and Distribution Network



- ✓ ~20<sup>th</sup> largest in U.S.
- ✓ 98.5% -- US population delivered next day
- ✓ Desktop delivery capability
- ✓ Over 50 distribution centers
- ✓ Over 9 million sq. ft. of space
- ✓ Dedicated fleet of over 1000 vehicles

## Investments

- ✓ New tools, visibility & optimization
- ✓ Expanded distribution reach
- ✓ Non-traditional use opportunities

# Recent Progress

## ✓ Recaptured Top-Line Sales Growth and Strengthened Business

- Consolidated revenue growth of over 5% over past 12 months
  - CompuCom inclusion and strong BSD divisional performance primary drivers

## ✓ Transformation Efforts Progress Underway

- Total service revenues 15% of total including CompuCom
- Service revenue in BSD and Retail divisions growing – Up 13% and 16% respectively vs. 1Q18
- Steady progress on supply chain as a service, collaboration efforts, expanded offerings

## ✓ Divisional Performance Improvement Led by BSD Division

- BSD regained top-line growth; Rebuilt sales funnel; Driving adjacency sales
- Retail driving greater customer experience; Buy on-line pick-up in store; Coworking; Store with-in a store
- CompuCom value-added services and cross selling; Operational improvement plan in-place

## ✓ Invested in Services Platform, Technology, and Demand Generation

## ✓ Balance Sheet Remains Strong and Returned Value to Shareholders

- Net debt of \$121 million
- Dividends and share repurchases

## ✓ Implementing Company-Wide Business Acceleration Program

- At least \$40 million in cost savings expected in second half of 2019; at least \$100 million annual run-rate cost savings expected thereafter

# Business Acceleration Program

- ✓ **Company-Wide, Multi-Year, Profit Improvement Plan**
  - Leaner/more competitive enterprise; Cost discipline; Future growth
- ✓ **Improves Position to Deliver Long-Term Profitable Growth**
  - Drive cost efficiencies; Enhance service delivery; Enable investment for future growth
- ✓ **Leverages Use of Technology and Automation**
- ✓ **Organizational Realignments**
  - Sales & field force; Operating structure, Centralization
- ✓ **Footprint Optimization**
  - Potential closure of underperforming retail stores and other facilities
- ✓ **Significant Cost Savings Repositions Enterprise for Future Growth**
  - Expected cost savings of at least \$40 million in 2019 (2<sup>nd</sup> half)
  - Expected annual run-rate cost savings of at least \$100 million at maturity

# Strong Balance Sheet & Cash Flow Generation<sup>(1)</sup>

<b>Strong Liquidity &amp; Low Leverage</b>	<ul style="list-style-type: none"><li>• Total available liquidity of approximately \$1.5 billion at end of 1Q19<ul style="list-style-type: none"><li>✓ \$604 million in cash and cash equivalents</li><li>✓ \$943 million available credit under asset-based lending facility</li></ul></li><li>• Total debt of \$725 million at end of 1Q19, excluding non-recourse Timber Notes<ul style="list-style-type: none"><li>✓ Net debt of \$121 million</li></ul></li></ul>
<b>Generating Strong Operating and Free Cash Flow</b>	<ul style="list-style-type: none"><li>• Generated \$616 million of operating cash flow in fiscal year 2018</li><li>• Generated \$429 million of free cash flow in fiscal year 2018</li><li>• FY2019 free cash flow guidance of \$300 - \$325 million<sup>(2)</sup></li></ul>
<b>Capital Expenditures</b>	<ul style="list-style-type: none"><li>• Capital expenditures of \$187 million in 2018</li><li>• Investments in growth platform and infrastructure improvements</li></ul>



# 2019 Priorities to Drive Long-Term Value



## Leverage Valuable Asset Base

Distribution and supply chain network

Large customer base

Sales force

eCommerce platform



## Continued Investment in Business Platform



## Driving Profitable Growth

**DRIVE TO CREATE SHAREHOLDER VALUE**