Third Quarter 2016 Results
November 2, 2016
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Steve Hare
Executive Vice President and Chief Financial Officer
## Third Quarter 2016 Summary

<table>
<thead>
<tr>
<th>($ in millions, except per share amounts)</th>
<th>3Q16 GAAP</th>
<th>3Q16 Non-GAAP*</th>
<th>3Q15 GAAP</th>
<th>3Q15 Non-GAAP*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>$117</td>
<td>$158</td>
<td>$81</td>
<td>$161</td>
</tr>
<tr>
<td>Income Tax Expense (Benefit)</td>
<td>$(240)</td>
<td>$57</td>
<td>$21</td>
<td>$52</td>
</tr>
<tr>
<td>Net Income from Continuing Operations</td>
<td>$330</td>
<td>$89</td>
<td>$42</td>
<td>$92</td>
</tr>
<tr>
<td>Discontinued Operations, Net of Tax</td>
<td>$(286)</td>
<td>--</td>
<td>$(36)</td>
<td>--</td>
</tr>
<tr>
<td>Net Income</td>
<td>$44</td>
<td>$89</td>
<td>$6</td>
<td>$92</td>
</tr>
<tr>
<td>Earnings per Share from Continuing Operations</td>
<td>$0.61</td>
<td>$0.16</td>
<td>$0.08</td>
<td>$0.17</td>
</tr>
<tr>
<td>Earnings per Share from Discontinued Operations</td>
<td>$(0.54)</td>
<td>--</td>
<td>$(0.07)</td>
<td>--</td>
</tr>
<tr>
<td>Earnings per Share</td>
<td>$0.08</td>
<td>$0.16</td>
<td>$0.01</td>
<td>$0.17</td>
</tr>
</tbody>
</table>

• Total company sales declined 7% compared to Q3 2015
  ✓ Down 4% adjusted for planned U.S. store closures*
  ✓ Impacted by customer attrition and fewer customer additions in prior periods

• 3Q16 Adjusted operating income of $158 million, essentially flat to 3Q15
  ✓ Excludes $40 million in acquisition, integration, restructuring and asset impairment charges
  ✓ YTD Adjusted operating income* of $360 million, up versus prior year

• 3Q16 Adjusted EPS from continuing operations of $0.16, essentially flat to 3Q15
  ✓ Excludes after-tax impact of $15 million loss on extinguishment of debt
  ✓ Excludes impact from reversal of U.S. valuation allowance and loss on discontinued operations

* Non-GAAP measure. A reconciliation of GAAP to non-GAAP measures can be found at investor.officedepot.com.
Sale of International Operations

• Entered into deal to sell the European business to the AURELIUS group

• Optimistic transaction can close by end of 2016

• Remaining international businesses generate approximately $600 million in annual sales

• Actively marketing for sale the international businesses located in:
  - Australia
  - New Zealand
  - South Korea
  - Mainland China

• Currently intend to retain the sourcing and trading operations in Asia
North American Retail – 3Q16

- 3Q16 comparable sales decreased 2%; total sales decreased 8% mainly driven by planned store closures
  - Transaction counts decreased with average order value down slightly
  - Sales up in cleaning/breakroom, furniture and copy and print
  - Sales down in technology (ink, toner and computers)

- 3Q16 division income decreased $15 million compared to 3Q15
  - Negative flow-through impact from lower sales and lower gross margin rate
  - $7 million of favorable legal settlements recorded in 3Q15
  - Partially offset by lower occupancy and SG&A expenses including payroll
Business Solutions – 3Q16

- 3Q16 sales decreased 6% versus 3Q15 in constant currency
  - Contract channel sales declined driven by customer attrition originating during the period of business disruption, though current pipeline showing improvement
  - Direct channel sales decreased due to continued softness in catalog sales and higher buy online, pick-up in store purchases recorded in the Retail division
  - Sales declined across most product categories but increased in copy and print, cleaning/breakroom and with our K-12 education customers

- 3Q16 division income increased $15 million compared to 3Q15
  - Lower SG&A expenses including payroll and synergies, coupled with a flat gross margin rate, more than offset the negative flow-through impact of lower sales
### Balance Sheet / Cash Flow Highlights

#### Net Cash Position (of Continuing Operations)
- Total liquidity of approximately $1.9 billion at end of 3Q16
  - $0.8 billion of cash & equivalents
  - $1.1 billion available on asset-based lending facility
- Retired 9.75% senior secured notes due 2019
- Debt of $388 million at end of 3Q16, excluding non-recourse timber notes

#### Operating Cash Flow (of Continuing Operations)
- Operating cash provided $199 million in 3Q16, including:
  - $25 million in OfficeMax merger integration costs
  - $14 million in Staples acquisition-related costs
  - $8 million in restructuring activities

#### Capex
- Capex of $26 million in 3Q16
  - Includes merger integration capex of $8 million

#### Shareholder Return
- Repurchased 16 million shares for $55 million in 3Q16
- Paid cash dividend of $0.025 per share or approximately $13 million in 3Q16
2016 Outlook Summary

• Fourth quarter total company sales expected to be lower compared to 2015 primarily as a result of:
  ✓ Previous customer losses, though expect the rate of decline to improve sequentially as Contract channel sales pipeline strengthens
  ✓ Accelerating U.S. retail store closures with approximately 65 in 4Q16

• The company continues to expect to generate between $450 million and $470 million in adjusted operating income* in 2016
  ✓ Compares to adjusted operating income* of $438 million in 2015

• Free cash flow of continuing operations* in excess of $375 million in 2016
  ✓ Capital expenditures from continuing operations estimated at $120 million
  ✓ Approximately $190 million of depreciation & amortization expense

• Estimated annual non-GAAP effective tax rate of approximately 40% for fiscal 2016, with a cash tax rate of between 10% and 15%

* Non-GAAP measure. A reconciliation of GAAP to non-GAAP measures can be found at investor.officedepot.com.
Roland Smith
*Chairman and Chief Executive Officer*
3-Year Strategic Plan

Company focus is to grow profitably and provide shareholder value

Accelerate Contract
- Rebuild new business pipeline
- Expand into adjacent categories
- Optimize sales coverage model

Optimize and Reinvent Retail
- Expand store closure program
- Streamline operating model
- Test Store of the Future model

Cost Saving Programs
- Operating model efficiencies
- Indirect procurement
- Lower overall G&A costs

Shareholder Return
- Reduce interest expense
- Ongoing share repurchases
- Quarterly cash dividend
Accelerate Contract and Initiatives for Growth

Contract Sales Pipeline Improving
(Dollar Value of New Customer Commitments*)

Customer Commitments at 2 Year High

Period of Staples Disruption

<table>
<thead>
<tr>
<th>Quarterly Average</th>
<th>Quarterly Average</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
</tr>
</thead>
</table>

* Includes large and enterprise customers

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• Migration of legacy OfficeMax customers proceeding ahead of our current schedule

• Target to have all distribution centers on a common platform by end of Q1 2017

• Initiatives underway to reduce inventory levels and harmonize SKU assortment

• Focus on building capabilities to support expansion into adjacent categories

• Continuing to test new “Business Select” initiative with improved value proposition for small business customers

Accelerate Contract and Initiatives for Growth

Office Products

Education / K-12

Jan San

Other Facilities

Enterprise / Large

Public

Small Business

Other Facilities

Jan San

Office Products

Education / K-12

Enterprise / Large

Public

Small Business
• Launched phase 2 of store closure program to include approximately 300 store closures over the next three years

• Closed 7 stores in Q3 and now accelerating closures to approximately 65 stores in Q4

• Reduction of about 2.8 million sq.ft. of real estate in 2016

• Sales transfer rates continue to exceed expectations

• Rolling out new workforce management tool in Q4 to more effectively manage labor costs

• Streamlining store tasks to allow more customer-facing interaction
• Converted a total of 15 new 15,000 sq.ft. store of the future formats so far in 2016

• New format benefits include:
  ✓ Changed one-third of SKUs; removed slow-moving and lower margin and added higher quality
  ✓ Curated assortment of products
  ✓ Better product adjacencies
  ✓ Easier navigation and signage
  ✓ Increased space dedicated to expanded key service offerings

• Customer feedback remains very positive

• Targeting a total of 25 stores in 2016 and 100 stores in 2017

Visit investor.officedepot.com for a complete listing of new stores!

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• OfficeMax integration remains on track to achieve more than $750 million in synergies

• Phase 2 of store closure program underway

• Executing initiatives to streamline operations and reduce general and administrative costs

• Realigned company for a more omni-channel focus

• Engaged Bain to assist with reducing indirect procurement spend

• Expect to deliver over $250 million of annual cost reductions by end of 2018
Capital Structure and Shareholder Return

- Retired 9.75% senior secured notes for $262 million, resulting in $24 million in future annual cash interest savings
- Paid cash dividend of $0.025 per share in Q3 and declared next dividend to be paid on December 15th
- Repurchased approximately 23 million shares for $81 million since inception of the program in May through end of Q3 2016
- Approximately $170 million remaining on current authorization
- Utilized over $350 million or 95% of year-to-date free cash flow to improving shareholder returns

Commitment to Shareholder Return

- Share Repurchase
- Ongoing Dividend
- Debt Retirement
2017 Preliminary Outlook

• Total company sales anticipated to be lower compared to 2016
• Adjusted operating income* of approximately $500 million
• Capital expenditures expected to be approximately $200 million
• Free cash flow of continuing operations* anticipated to be in excess of $300 million

* Non-GAAP measure. A reconciliation of GAAP to non-GAAP measures can be found at investor.officedepot.com.
Conclusion

• Detailed strategic plan focused on profitable growth and providing shareholder value
• Winning new business and rebuilding sales pipeline
• Aggressively pursuing several attractive growth initiatives
• Expect to deliver substantial incremental cost savings
• Solid liquidity position and ability to generate future cash flows
• Commitment to enhance shareholder return
Q & A