



Depot.Different!

Office Depot, Inc.

Third Quarter 2019
Financial Results

November 6, 2019

Safe Harbor Statement

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During portions of today’s presentation, the company may refer to results which are non-GAAP numbers. A reconciliation of GAAP to non-GAAP measures is available on the Office Depot website at 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.



Gerry Smith
Chief Executive Officer

Progress on Transformation/Focus on Profitability

3Q19 Drivers and Accomplishments

- **Drove Improved Operating Results and Strong Cash Flow Generation**
 - ✓ Profitability up in all divisions
 - ✓ Business Acceleration Program (BAP) delivering cost savings
- **Transforming Platform for Future Growth**
 - ✓ Refining sales operations; improving value proposition; refocusing strategy at CompuCom
 - ✓ Targeted actions to improve profitability
 - ✓ Enhancing platform to drive top-line growth
- **Strong Balance Sheet and Focus on Shareholder Value**
 - ✓ Aligned maturity of non-recourse debt and Timber Note receivable
 - Net pretax cash inflow of approximately \$82 million expected in January 2020
 - ✓ Stock repurchase authorization increased to \$200 million for current program
 - Program extended through end of 2021

Third Quarter 2019 Highlights

- **Generated \$2.8 billion in Revenue**
 - ✓ Down 4% versus prior year period
 - ✓ Retail Division revenue down 6%; same store sales down 3.6%
 - ✓ CompuCom Division revenue down 6%
 - ✓ BSD Division revenue down 1%; includes impacts related to profitability improvement measures
- **Drove Improvement in Operating Performance versus Prior Year**
 - ✓ GAAP results: operating income of \$108 million; net income of \$60 million; diluted earning per share of \$0.11
 - ✓ Adjusted EBITDA⁽¹⁾ of \$191 million, up 11% year-over-year
 - ✓ Adjusted operating income⁽¹⁾ of \$137 million, up 14% year-over-year; Adjusted EPS⁽¹⁾ of \$0.15
- **Fundamentals of Transformation Continued to Make Progress**
 - ✓ Building stronger platform to drive growth and profitability
 - ✓ Supply chain efficiency improvements; supply chain as a service, collaboration efforts
 - ✓ Service revenue 15% of total revenue; up 10% in Retail Division on same store basis
- **Balance Sheet Continues to Improve**
 - ✓ Adjusted free cash flow of \$209 million ⁽¹⁾⁽²⁾
 - ✓ Approximately \$1.5 billion of total available liquidity
 - ✓ Non recourse debt and Timber Note receivable maturity to result in net positive cash inflow

(1) A non-GAAP measure which excludes charges and 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, asset impairments, and executive transition costs. Non-GAAP measure. A reconciliation of GAAP to non-GAAP measures can be found at investor.officedepot.com.

(2) Balance sheet and cash flow financial measures are for continuing operations only; Free Cash Flow is a non-GAAP measure and is defined as operating cash flow from continuing operations less capital expenditures. A reconciliation of GAAP to non-GAAP measures can be found at investor.officedepot.com. Adjusted Free cash flow excludes cash charges of associated with the Company's Business Acceleration Program of \$29 million in the third quarter of 2019.

BSD: Improving Platform for Future Growth

3Q19 Results

Revenue declined 1% versus prior year

- Targeted actions to improve profitability

Operating income up 6% versus prior year

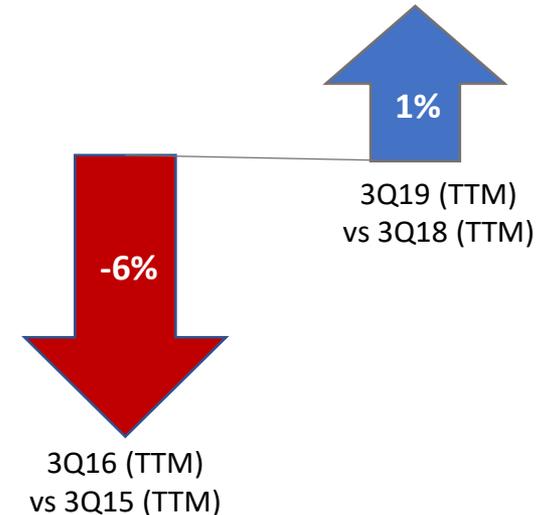
- Sales margins improved by ~40 basis points
- Mitigate cost increases, tariffs

Adjacencies 37% of total BSD revenue

- Cleaning & Breakroom up nearly 10% YOY

Prior Initiatives Improved BSD's Trajectory

(Revenue, trailing twelve months (TTM))



Driving Next Phase of Growth

- ✓ Improve sales efficiency and enhance value proposition
- ✓ Expand adjacency categories for greater share of wallet
- ✓ Leverage cross-selling opportunities with CompuCom
- ✓ Expand distribution reach and increase customer base



Mick Slattery
President, CompuCom

CompuCom Overview

8,200
TOTAL EMPLOYEES

200+
ENTERPRISE MANAGED SERVICES
CLIENTS SPANNING RETAIL, BANKING,
INSURANCE, HEALTHCARE, AND
TECHNOLOGY INDUSTRIES.


4.5 OUT OF 5
MANAGED WORKPLACE SERVICES,
NORTH AMERICA
Rating as of 10.18.2019 

6,800+
TECHNICIANS
SUPPORTING
NORTH AMERICA

5 OF TOP 10
FORTUNE 500

2019 LEADER
GARTNER MAGIC QUADRANT
MANAGED WORKPLACE SERVICES,
NORTH AMERICA¹

5.1M
END USERS SUPPORTED

16 YEARS
IN A ROW OF FORMAL
INDUSTRY RECOGNITION

82,000+
CERTIFICATIONS

7.5M
DEVICES SUPPORTED

RANKED #2 OF 21
END USER DEVICE MANAGED SERVICES
COMPARED TO 21 COMPANIES IN
GARTNER CRITICAL CAPABILITIES FOR
MANAGED WORKPLACE SERVICES,
NORTH AMERICA, MARCH 2019²

1: Gartner "Magic Quadrant for Managed Workplace Services, North America" by Daniel Barros, Mark Ray, January 14, 2019.
2: Gartner "Critical Capabilities for Managed Workplace Services, North America" by Daniel Barros, Mark Ray, March 25, 2019

10.31.19

The Evolving Digital Workplace



Diverse Workforce
Demographics

Changing
Nature of Work



Digital & Cloud
Technology Demands

Privacy & Security
Requirements



CompuCom.



Device Lifecycle
Management



End-User
Support



Monitoring &
Security



Diagnostics &
Automation



Field
Technicians



End-User
Collaboration

CompuCom Vision & Ambitions

Connecting people, technology, and the edge
with a seamless experience

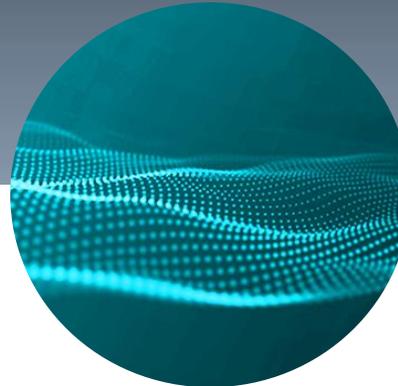
Enable a Ready-Now
Experience



Deliver Concierge
Outcome



Strive for a
Zero Dispatch Edge



Live Green



*Our ambitions frame our vision for the future shaping
our direction and customer experience.*

Retail: Improving Customer Experience & Growing Services



- ✓ Same store sales trends improved versus last year
- ✓ Higher conversion rate, average order volume and average sales per shopper
- ✓ 20% increase in operating income versus prior period
- ✓ 10% increase in service revenue on comparable basis
- ✓ 6% growth YOY from Buy On-Line Pick-Up in Store (BOPIS)
- ✓ Loyalty customers continue to grow
- ✓ Expanding service offerings through partnerships (Lenovo; Telos)



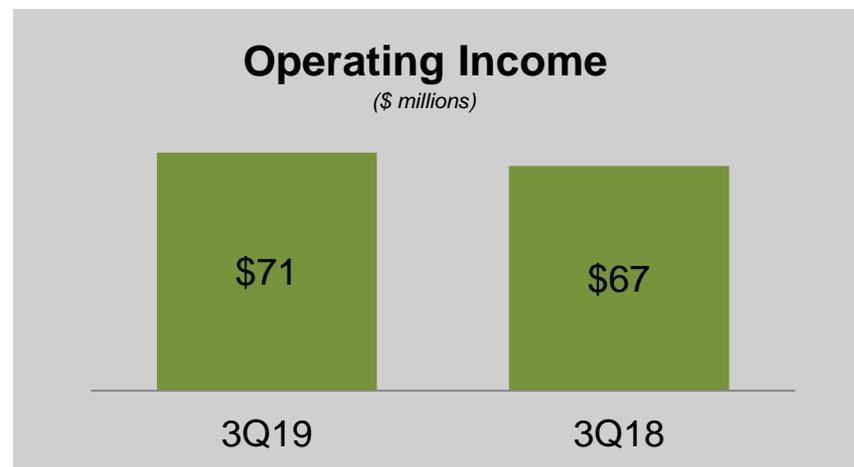
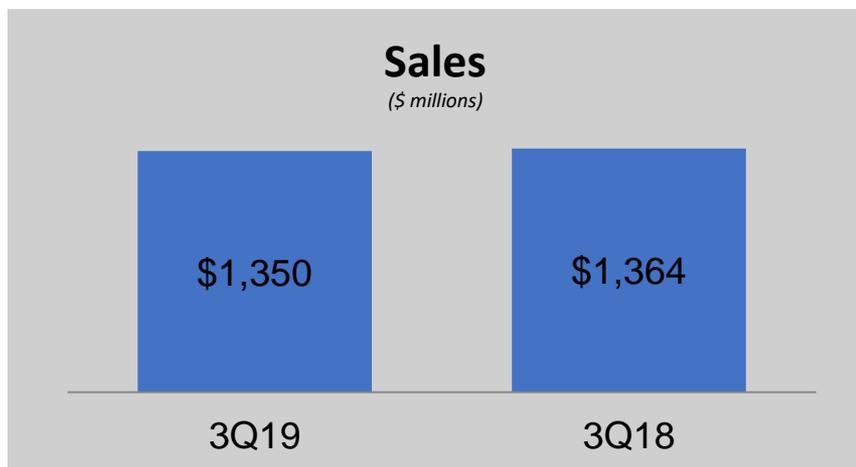
Joe Lower
Chief Financial Officer

Third Quarter 2019 Summary

	Third Quarter	
	2019	2018
(\$ in millions, except per share amounts)		
Sales	\$2,782	\$2,887
Operating Income (GAAP)	\$108	\$105
Adjusted Operating Income ⁽¹⁾	\$137	\$120
Net Income from Continuing Operations	\$60	\$60
Earnings Per Share from Continuing Operations (GAAP)	\$0.11	\$0.11
Adjusted Diluted EPS from Continuing Operations ⁽¹⁾	\$0.15	\$0.13
Adjusted EBITDA ⁽¹⁾	\$191	\$172
Operating Cash Flow from Continuing Operations (GAAP)	\$212	\$304
Free Cash Flow from Continuing Operations ⁽¹⁾⁽²⁾	\$180	\$257
Adjusted Free Cash Flow ⁽¹⁾	\$209	\$257

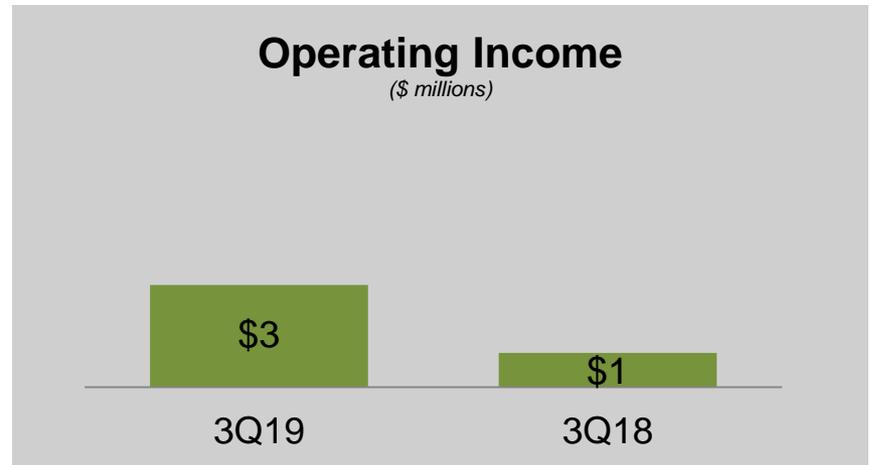
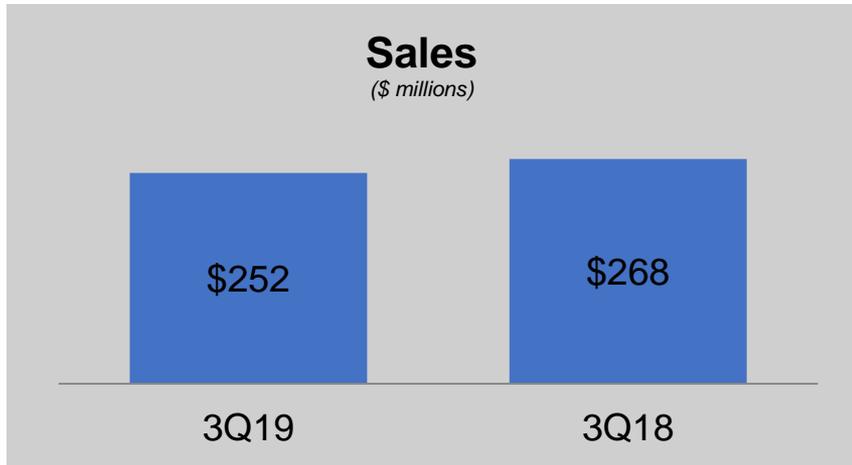
- Total reported sales decreased 4% compared to 3Q18
 - ✓ Retail Division sales down 6%; down 3.6% on same store sales comparable basis
 - ✓ CompuCom Division sales down 6%
 - ✓ BSD Division sales down 1%
- 3Q19 Adjusted EBITDA⁽¹⁾ of \$191 million, up 11% versus \$172 million in 3Q18
 - ✓ Adjusted Operating Income⁽¹⁾ of \$137 million, up 14% versus \$120 million in 3Q18
- 3Q19 Adjusted Free Cash Flow ⁽¹⁾ of \$209 million versus \$257 million in 3Q18
 - ✓ Excludes cash expenditures of \$29 million related to the Business Acceleration Program

Business Solutions Division – 3Q19



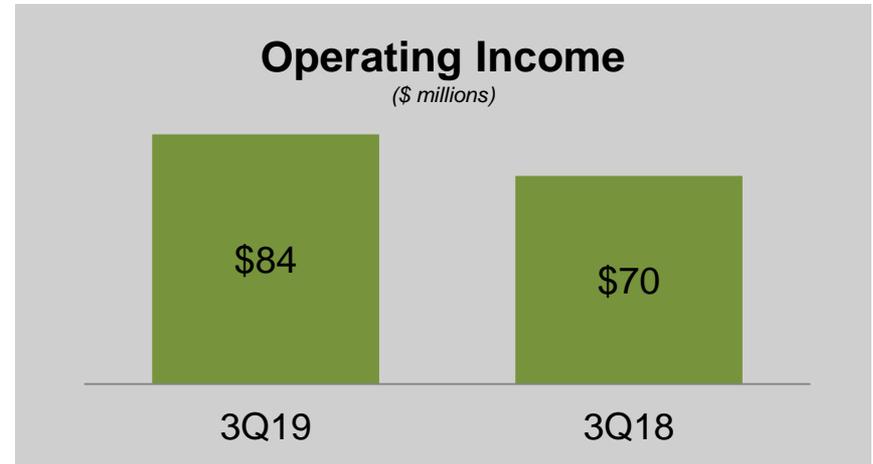
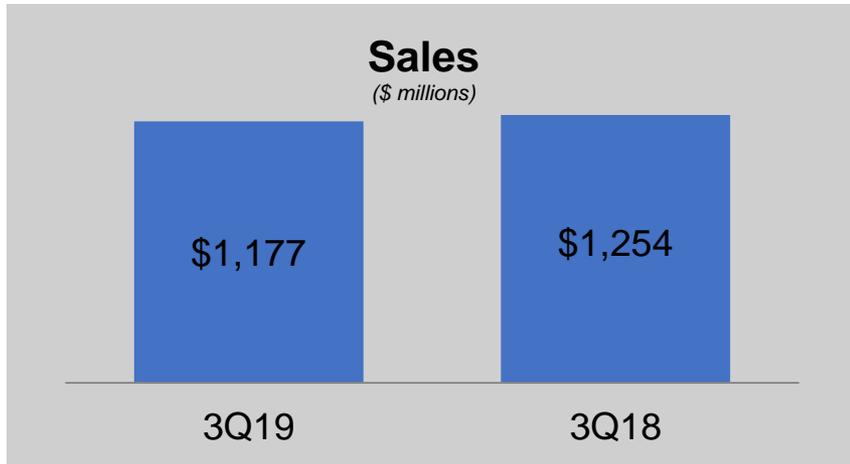
- 3Q19 reported sales decreased 1% versus 3Q18
 - ✓ Includes impact from prior customer tuck-in acquisitions and distribution expansion
 - ✓ Targeted actions to improve profitability had negative impact to sales but necessary for future growth
- Growth in adjacency categories
 - ✓ Adjacency categories grew and account for 37% of total BSD revenue
 - ✓ Cleaning & Breakroom category up nearly 10% versus last year
- Operating income increased 6% versus 3Q18
 - ✓ Sales margins improved nearly 40 basis points
 - ✓ Improved gross margins from cost increase mitigation efforts including tariffs
 - ✓ Lower SG&A from Business Acceleration Program cost efficiencies
 - ✓ More efficient distribution costs

CompuCom Division – 3Q19



- 3Q19 reported sales decreased 6% versus 3Q18
 - ✓ Lower sales from project-related revenue in existing accounts; lower service volume
 - ✓ Partially offset by an increase in product sales
- 3Q19 operating income of \$3 million versus \$1 million 3Q18
 - ✓ Sequential improvement versus 1Q19 and 2Q19
 - ✓ Cost efficiencies related to Business Acceleration Program drove operating improvement versus 3Q18
- Executing plan to improve performance
 - ✓ Refocused strategy under new leadership
 - ✓ Increased use of automation and technology to improve efficiencies; simplifying operating structure
 - ✓ Pipeline of new business is growing
 - ✓ Aggressively pursuing cross-selling opportunities

Retail Division – 3Q19



- 3Q19 reported sales declined 6% versus 3Q18; same-store-sales down 3.6% versus 3Q18
 - ✓ Lower same store sales; 55 fewer retail outlets as compared to the prior year
 - ✓ Higher conversion rates and average order volume; 6% increase in Buy On-Line Pick-up In Store (BOPIS)
- Product sales down 8%, service revenue increased 7% as compared to prior year
 - ✓ Service revenue increased 10% on same store basis
 - ✓ Copy and Print and subscriptions driving growth
- 3Q19 operating income of \$84 million, up 20% versus \$70 million in 3Q18
 - ✓ Higher product gross margins, 150 bps margin improvement as a percentage of sales
 - ✓ Lower SG&A; higher services sales; improvement in distribution and inventory management costs
 - ✓ Investments in services platform, sales training and customer oriented initiatives

Balance Sheet / Cash Flow Highlights*

Net Cash Position	<ul style="list-style-type: none"> Total available liquidity of approximately \$1.5 billion at end of 3Q19 ✓ \$588 million in cash and cash equivalents ✓ \$962 million available credit under asset-based lending facility Total debt of \$698 million, excluding \$737 million of non-recourse debt supported by the associated Timber Notes receivable Net debt of \$110 million
Operating Cash Flow	<ul style="list-style-type: none"> Operating cash flow of \$212 million in 3Q19 and included cash outflows related to: <ul style="list-style-type: none"> ✓ \$30 million in restructuring costs, primarily associated with the BAP ✓ \$3 million in acquisition and integration-related costs
Capital Expenditures & Other	<ul style="list-style-type: none"> Capital expenditures of \$32 million in 3Q19 versus \$47 million in 3Q18 Investments in services platform, distribution network, eCommerce Business Acceleration Program cash expenditures of \$29 million
Adjusted Free Cash Flow*	<ul style="list-style-type: none"> Adjusted Free Cash Flow of \$209 million

Balanced Capital Allocation

Capital Deployment 3Q19

Capital Expenditures
\$32 Million

Shareholder Dividends
\$14 Million

Debt Pay Down
\$19 Million

Business Acceleration Program
\$29 Million

Investing for Growth and Returning Capital to Stakeholders

Office Depot: Transforming Business to Drive Growth

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

- **Transforming Business and Driving Improvements in Core Operations**
 - ✓ Leveraging proven distribution assets to deliver business services and products
 - ✓ Growing B2B business
 - ✓ Creating valuable asset base and with extensive market reach
- **Enhancing platform for next phase of growth**
- **Strong Balance Sheet; Low Leverage; Strong Cash Flow Profile**
- **Focused on Creating Shareholder Value**
 - ✓ Improving operations and investing in future growth
 - ✓ Increasing and extending stock repurchase authorization
 - ✓ Evaluating holding company reorganization

POSITIONED TO DRIVE SHAREHOLDER VALUE

Q & A