



Depot.Different!

Office Depot, Inc.

Third Quarter 2018
Financial Results

November 7, 2018

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 and at the company’s website at 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. The company’s outlook for 2018 and 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

Third Quarter 2018 Highlights

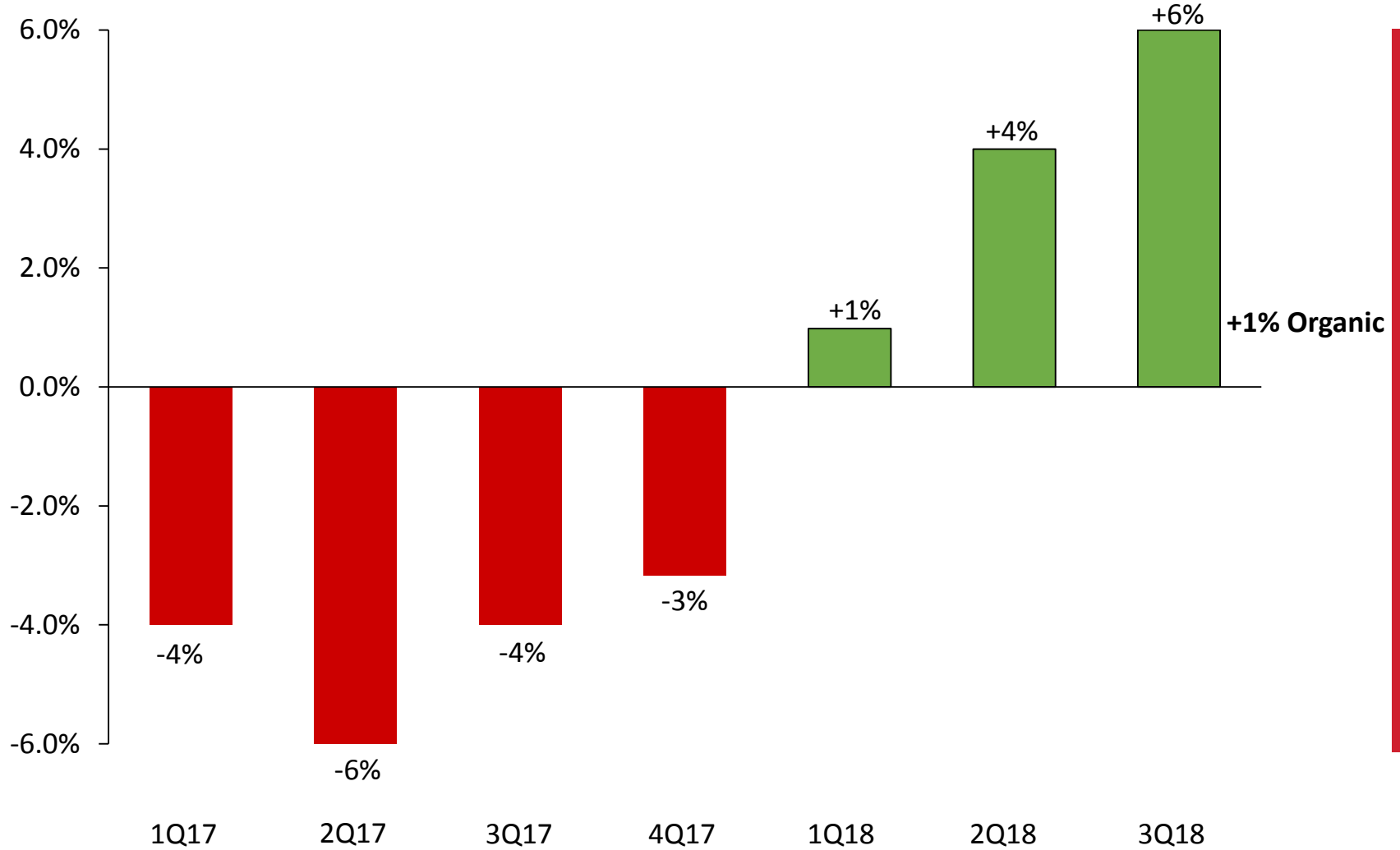
- **Driving Top Line Growth:** Sales of \$2.9 billion, up 10% versus 3Q17
 - ✓ BSD sales up 6% and up 1% organically
- **Growing Services Revenue:** Total service revenues doubled from last year
 - ✓ BSD services up 28%
 - ✓ Retail division services up 11%⁽¹⁾
 - ✓ Subscriptions approximately 700,000
- **Delivering Solid Operating Results:** Operating income of \$105 million; diluted EPS from continuing operations of \$0.11
 - ✓ Adjusted EBITDA⁽²⁾ of \$172 million
 - ✓ Adjusted operating income (AOI)⁽²⁾ of \$120 million
- **Generating Significant Free Cash Flow⁽²⁾⁽³⁾:** Generated \$257 million of free cash flow; \$434 million year-to-date in 2018; cash balance of \$925 million
- **Raising Guidance:** Increasing 2018 guidance and issuing guidance for 2019

(1) Excludes impact of the adoption of the new revenue recognition standard.

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

(3) Free Cash Flow is a non-GAAP measure and is defined as cash flows from operating activities of continuing operations less capital expenditures.

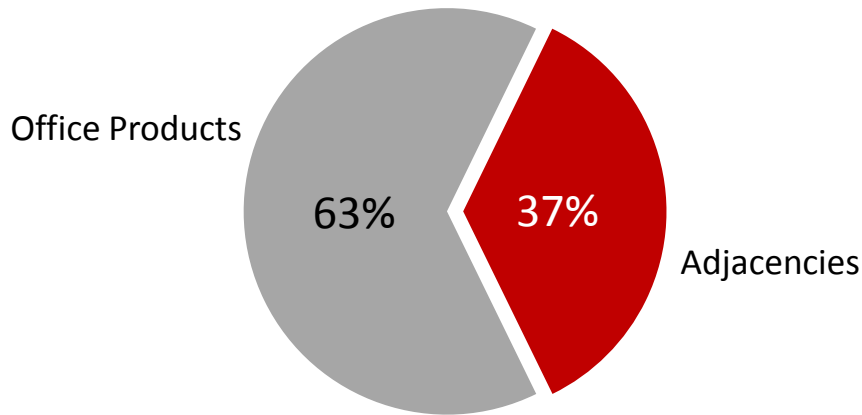
BSD Delivering Growth



Expanding Growth in BSD

- ✓ Realigned the sales organization and rebuilt sales funnel
- ✓ Invested in demand generation, eCommerce presence, services platform
- ✓ Capturing cross-selling opportunities with CompuCom

All adjacency categories growing



Adjacency categories grew 13% vs. last year



Cleaning & Breakroom



Copy & Print



Furniture



Technology

Services Continue to Grow in Core Channels

Copy & Print

- ✓ Print Marketing Services
- ✓ Documents and Finishing
- ✓ Pack and Ship
- ✓ Storage
- ✓ Shredding



Subscriptions ~700K

- ✓ Ink & Toner; Paper
- ✓ Software
- ✓ Technology Services



3Q 2018

Retail ↑ 11%*

BSD ↑ 28%

Subscriptions ~700K



- ✓ Device Management Services
- ✓ Remote and Onsite Installation
- ✓ Diagnostics and Repair
- ✓ Managed IT as a Service (MITaaS)

Tech Services



- ✓ Brand for Expanded SMB Service Offerings
- ✓ Improving Capabilities and Engaging Customers
- ✓ Workonomy rollout in November 2018

Workonomy

Improving Customer Experience and Demand in Retail

Investing/ Customer Experience

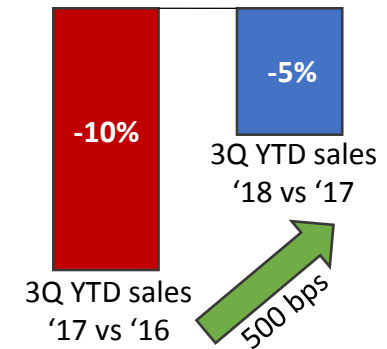
Training
Technology
Services Platform
In-store Experience



Improving Customer Trends

CSAT up
Loyalty up 8%
Omni Customers up 67%

YTD Retail Trends Improving*



Driving Omni-Channel



25+%**
Buy on-line/
Pickup in Store

CompuCom Creates Platform for Future Growth

CompuCom.



**Access to MILLIONS
of customers via:**

- Retail
- Online
- Workonomy
- Field Sales
- Inside Sales



**Cross-Selling
FULL SUITE**
of Products & Services

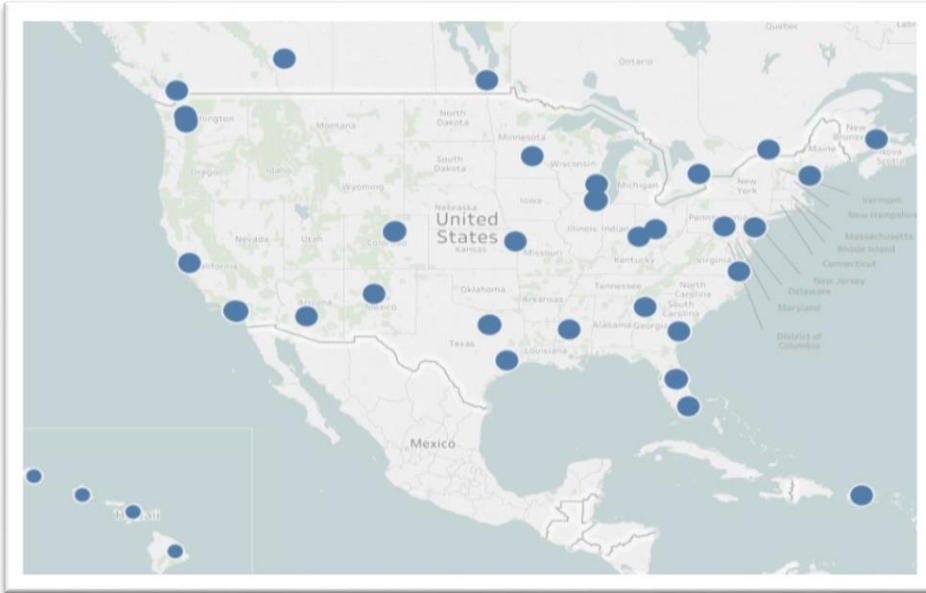


**Scale
Tech Services**
in Retail **SMB**



Partnership Opportunities

World-Class Supply Chain and Distribution Network



- ~20th largest in U.S.
- 98.5% of 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

- ✓ Supply chain assets critical to driving value through omni-channel
- ✓ Investing in new tools to provide visibility and margin improvement
- ✓ Expanding distribution reach acquiring 7 distribution assets
- ✓ Opportunities to utilize beyond traditional business



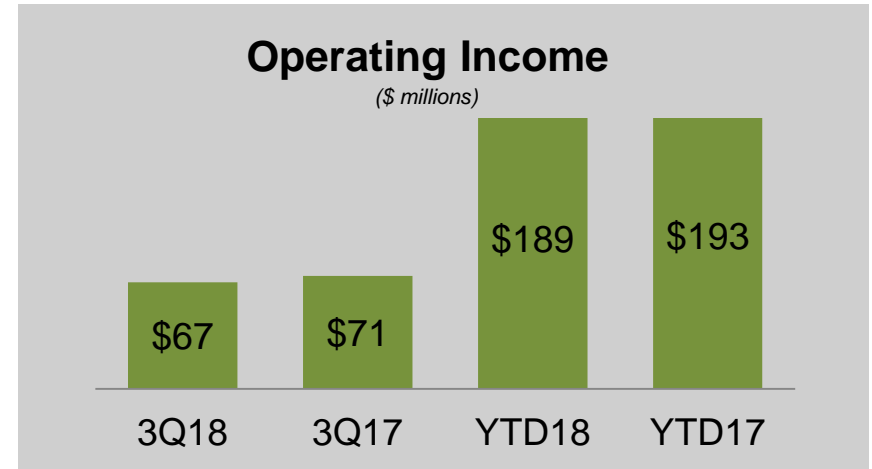
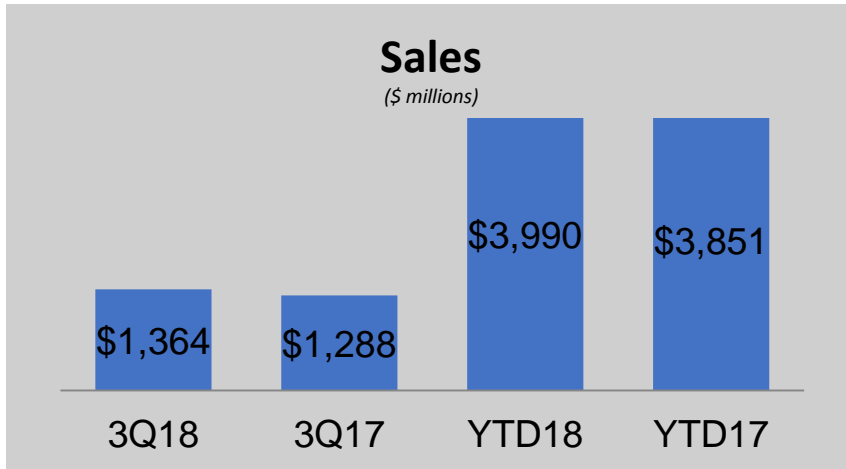
Joe Lower
Chief Financial Officer

Third Quarter 2018 Summary

	Third Quarter		Year-to-Date	
(\$ in millions, except per share amounts)	2018	2017	2018	2017
Sales	\$2,887	\$2,620	\$8,345	\$7,659
Operating Income (GAAP)	\$105	\$105	\$230	\$272
Adjusted Operating Income ⁽¹⁾	\$120	\$128	\$276	\$341
Earnings Per Share from Continuing Operations (GAAP)	\$0.11	\$0.19	\$0.20	\$0.37
Adjusted Diluted EPS from Continuing Operations ⁽¹⁾	\$0.13	\$0.14	\$0.26	\$0.37
Adjusted EBITDA ⁽¹⁾	\$172	\$167	\$429	\$465
Operating Cash Flow from Continuing Operations	\$304	\$293	\$555	\$408
Free Cash Flow from Continuing Operations ⁽¹⁾⁽²⁾	\$257	\$256	\$434	\$316

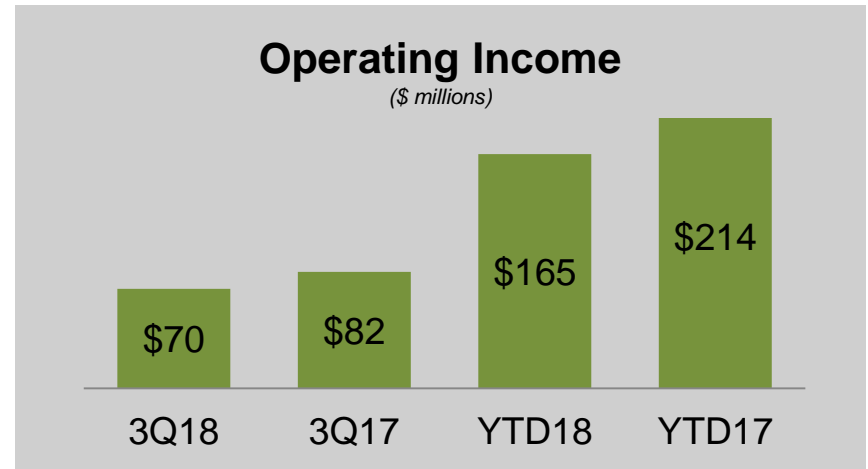
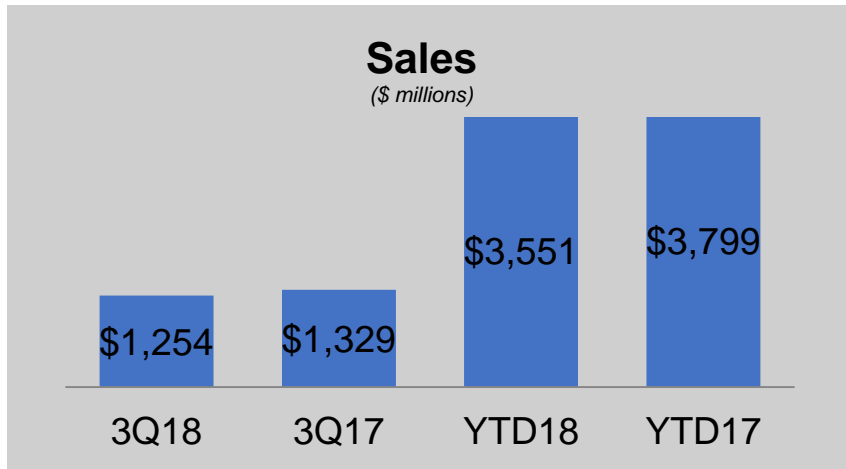
- Total reported Company sales increased 10% compared to 3Q17
 - ✓ Addition of CompuCom's 3Q18 results which were not part of company in 3Q17
 - ✓ Growth in BSD's contract and eCommerce channels
- Adjusted EBITDA⁽¹⁾ of \$172 million, up 3% versus 3Q17
 - ✓ 3Q18 adjusted operating income⁽¹⁾ of \$120 million vs. \$128 million in prior year
 - ✓ Excludes \$14 million in merger, acquisition, integration-related and restructuring charges
- 3Q18 Free Cash Flow⁽¹⁾⁽²⁾ of \$257 million and \$434 million in YTD18

Business Solutions Division – 3Q18



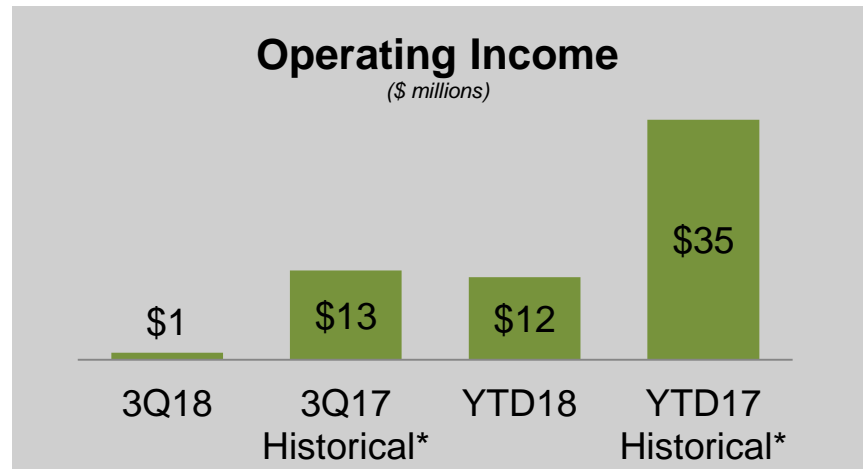
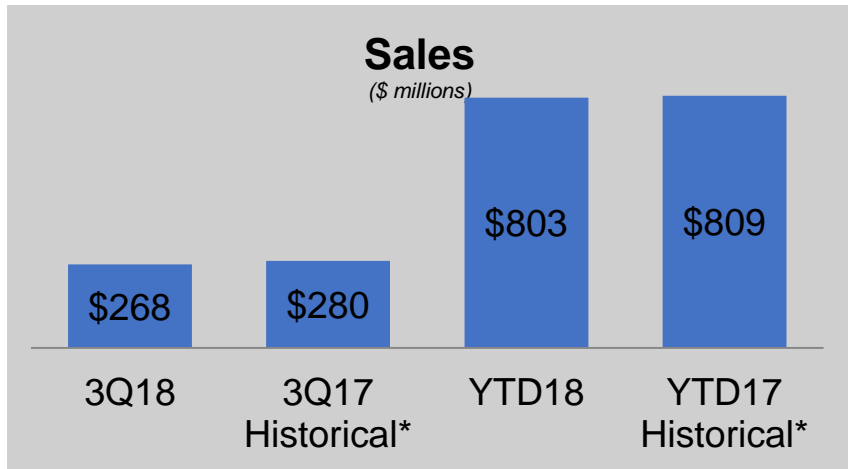
- 3Q18 reported sales increased 6% versus 3Q17
 - ✓ Organic sales growth of 1%
 - ✓ Sequential improvement of 200bps over 2Q18
- Strong services growth of 28%; product growth of 5%
 - ✓ Growth in adjacency categories, eCommerce, contract and services
- 3Q18 operating income decreased \$4 million compared to prior year
 - ✓ Investments in services platform, eCommerce, and demand generation

Retail Division – 3Q18



- 3Q18 total reported sales declined 6%; down 5% excluding revenue recognition impact
 - ✓ Lower store count & fewer transactions offset by increases in order volume
 - ✓ 500 bps improvement in YTD sales trend (-5% YTD 3Q18 vs. -10% YTD 3Q17)
- Product sales down 7%, Services up 11% (excluding revenue recognition change)
- 3Q18 operating income decreased \$12 million compared to prior year
 - ✓ Increased investments in services platform, demand generation and training
 - ✓ Deleveraging due to store closures

CompuCom Division – 3Q18



- 3Q18 sales decreased 4% versus historical sales in prior year
 - ✓ Lower sales volume from large customer experiencing reorganization of its business
- Strong growth in new services contract wins
 - ✓ Up 57% and fifth consecutive quarter of year-over-year growth in service orders
- 3Q18 operating income down versus adjusted historical prior year results
 - ✓ Impact from large customer experiencing reorganization of its business, lower gross margin on product sales mix, investment expenses to support growth initiatives, partially offset by cost reduction initiatives

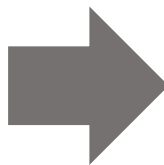
Balance Sheet / Cash Flow Highlights*

Net Cash Position	<ul style="list-style-type: none"> • Total liquidity of approximately \$1.9 billion at end of 3Q18 ✓ \$925 million of cash & equivalents ✓ \$990 million available under asset-based lending facility • Debt of \$979 million at end of 3Q18, excluding non-recourse timber notes
Operating Cash Flow	<ul style="list-style-type: none"> • Operating cash flow of \$304 million in 3Q18, driven by working capital improvements and included cash outflows related to: <ul style="list-style-type: none"> ✓ \$2 million in OfficeMax merger costs ✓ \$11 million in acquisition and integration-related costs ✓ \$5 million in restructuring costs
Capital Expenditures	<ul style="list-style-type: none"> • Capital expenditures of \$47 million in 3Q18 • Capital expenditures of \$121 million YTD18
Free Cash Flow*	<ul style="list-style-type: none"> • Free Cash Flow of \$257 million 3Q18 • Free Cash Flow of \$434 million YTD18

Balanced Capital Allocation

YTD 3Q18

Operating Cash Flow	\$555M
+ Cash from Divestitures	\$113M
- Capital Expenditures	\$121M
<hr/>	
Cash Available to Redeploy	\$547M



Capital Deployment
YTD 3Q18

Shareholder Dividends
\$42M

Debt Pay Down
\$74M

Distribution Acquisitions
\$64M

Stock Repurchases
\$22M

3Q'18 ending Cash Balance \$925M; Up \$303M YTD

Guidance - Raising 2018 Full-Year & Issuing 2019*

	Previous FY2018 Guidance	Revised FY2018 Guidance	FY2019 Guidance
Sales	~ \$10.8 billion	~\$11.0 billion	~\$11.1 billion
Adjusted EBITDA	N/A	~\$560 million	~\$575 million
Adjusted Operating Income	~ \$360 million	~\$360 million	~\$375 million
Free Cash Flow	~ \$350 million	~\$450 million	~\$350 million

2018 Pivot to Drive Long-Term Value



Recapturing Top-Line Growth



Shift to Recurring / Service Based Model



Significant Free Cash Flow Generation



Enhancing Service Capabilities & Distribution Reach

Creating a unique omni-channel business services platform to drive long-term sustainable growth and shareholder value

Q & A