



Depot.Different!

Office Depot, Inc.

Fourth Quarter &
Full Year 2018
Financial Results

February 27, 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 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 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

FY 2018 Highlights

✓ Recaptured Top-Line Sales Growth and Strengthened Business

- Sales of \$11.0 billion, up 8% versus FY 2017
 - BSD division sales up 3% versus FY 2017
 - Retail sales down 6%; year over year trends improved 500 BPS
 - CompuCom sales up 1% versus FY 2017 on full year adjusted basis

✓ Grew Services Business⁽¹⁾

- Up 90% including CompuCom; BSD and Retail combined up 13% YOY
- Total services 16% of Company revenue – double from beginning of 2017

✓ Delivered Solid Operating Results and Invested in Business

- Invested in supply chain; services platform; eComm; demand generation; technology
- GAAP operating income of \$254 million; GAAP diluted EPS of \$0.18
- Adjusted EBITDA of \$567 million⁽²⁾
- Adjusted operating income of \$360 million⁽²⁾ and Adjusted EPS of \$0.35⁽²⁾

✓ Generated Strong Cash Flow⁽³⁾

- Generated \$616 million in operating cash flow; \$429 million free cash flow⁽²⁾

✓ Strengthened Balance Sheet and Returned Value to Shareholders

- Debt refinance and paydown; dividends; share repurchases

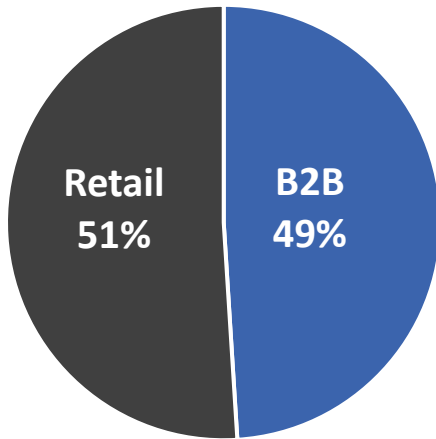
(1) Excludes impact of the adoption of the new revenue recognition standard.

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

(3) Free Cash Flow is defined as cash flow from operating activities of continuing operations less capital expenditures.

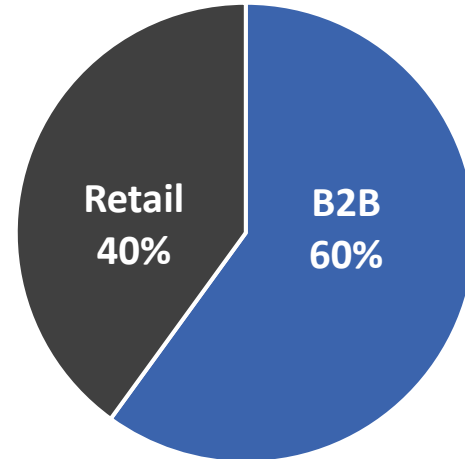
B2B Business Drives ~60% of Revenues

1Q 2017



Services ~8%

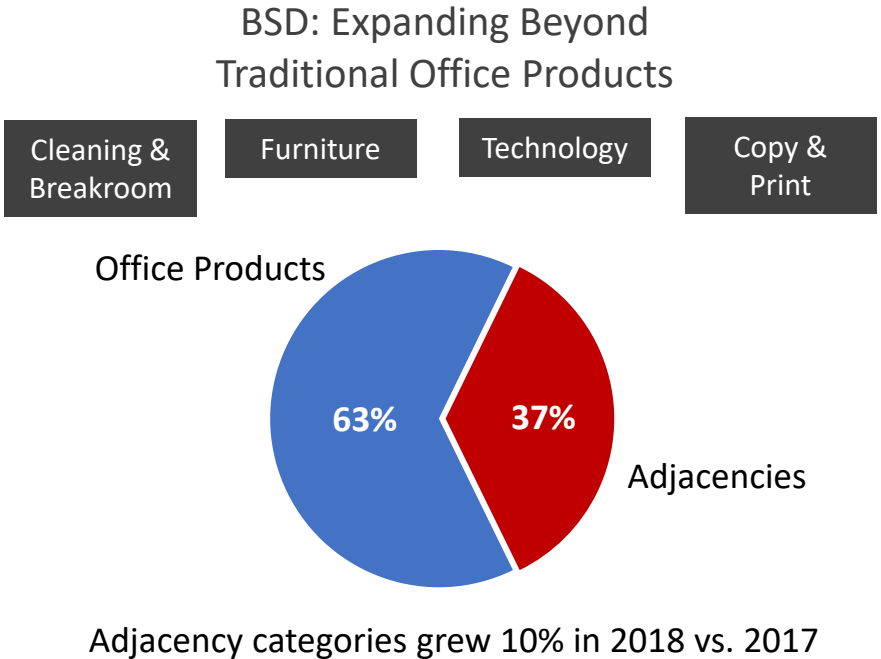
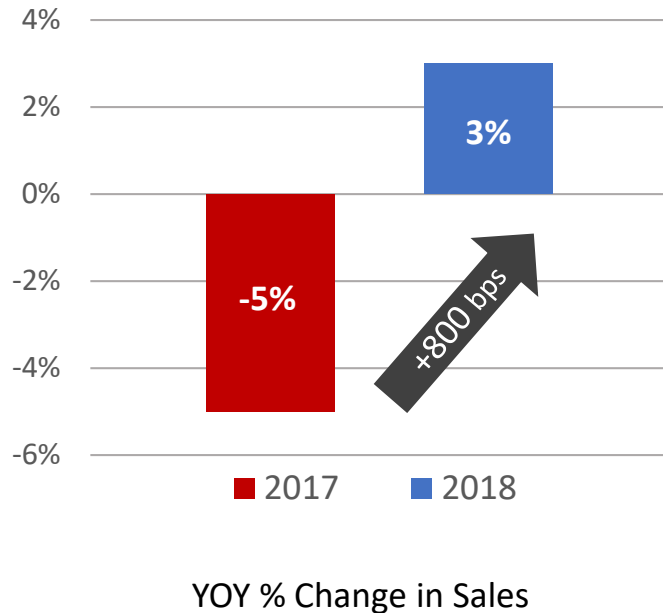
4Q 2018



Services ~16%

● Retail ● B2B (BSD and CompuCom)

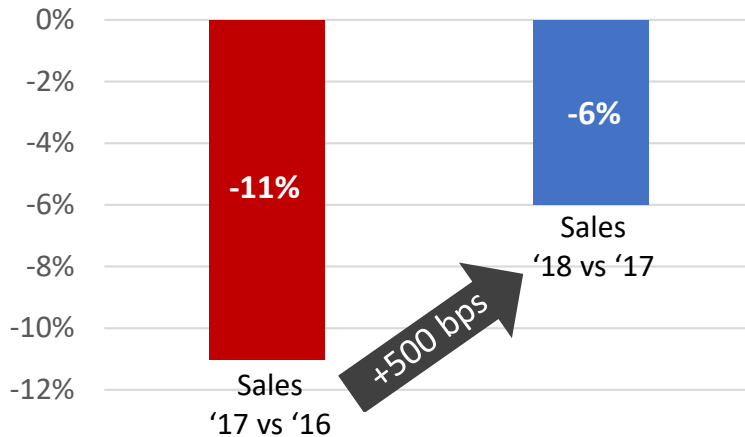
BSD: B2B Distribution Platform Drives Core Growth



- ✓ Invested in demand generation, eCommerce & services platform
 - ✓ Realigned sales force and rebuilt sales funnel
 - ✓ Key customer relationships
 - ✓ Cross-selling opportunities

Investing in Customer Experience and Demand in Retail

YTD Retail Trends Improving*



Investing/Customer Experience

Training 
Technology
Services Platform
In-store Experience

Improving Customer Trends

CSAT up 
Loyalty Customers up
Retail Channel ~30% SMBs
Omni Customers up 15%

Driving Omni-Channel



24% Growth YOY
Buy on-line/
Pick-up in Store

Services Grew in Core Channels

Copy & Print

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

Tech Services

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

Subscriptions > 1 Million

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

Workonomy

- ✓ Brand for Expanded SMB Service Offerings
- ✓ Improving Capabilities and Engaging Customers



CompuCom Creates Platform for Future Growth



Grew revenue 1% vs. last year despite revenue challenge from large customer



Service contract “wins” up over 2017
~\$100M in cross-selling opportunities*



Invested in new technology
self-healing networks & automation



Established new partnerships



Realigned and re-incentivized
sales force



Improved organization structure to
better align with customer needs

CompuCom.

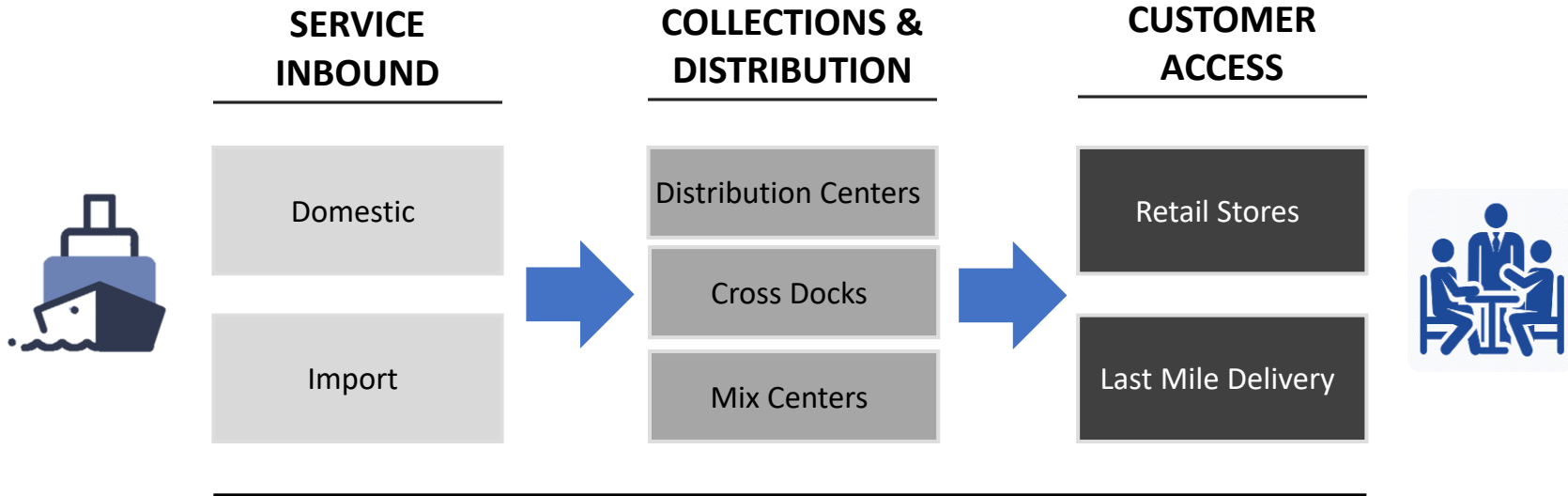
2019 Gartner Magic
Quadrant Leader



Access to **MILLIONS**
of customers via:

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

World-Class Supply Chain and Distribution Network



- ✓ ~20th 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



Joe Lower
Chief Financial Officer

Full Year 2018 Summary

	Full Year	
	2018	2017
(\$ in millions, except per share amounts)		
Sales	\$11,015	\$10,240
Operating Income (GAAP)	\$254	\$327
Adjusted Operating Income ⁽¹⁾	\$360	\$432
Earnings Per Share from Continuing Operations (GAAP)	\$0.18	\$0.27
Adjusted Diluted EPS from Continuing Operations ⁽¹⁾	\$0.35	\$0.45
Adjusted EBITDA ⁽¹⁾	\$567	\$603
Operating Cash Flow from Continuing Operations	\$616	\$467
Free Cash Flow from Continuing Operations ⁽¹⁾⁽²⁾	\$429	\$326

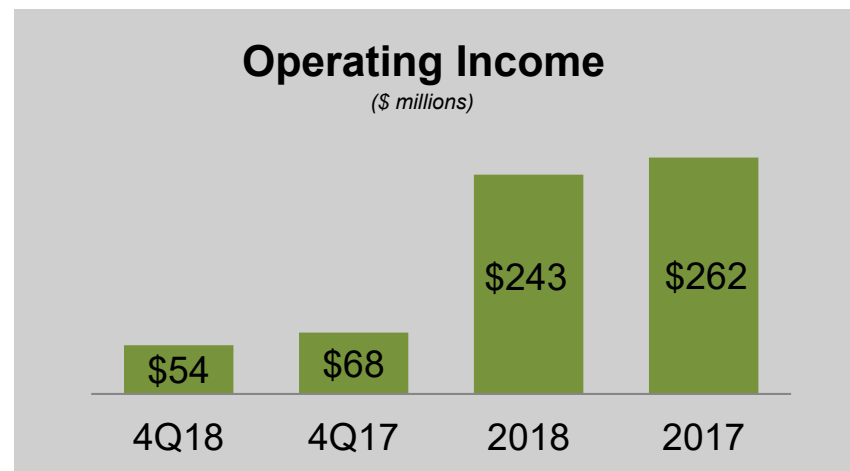
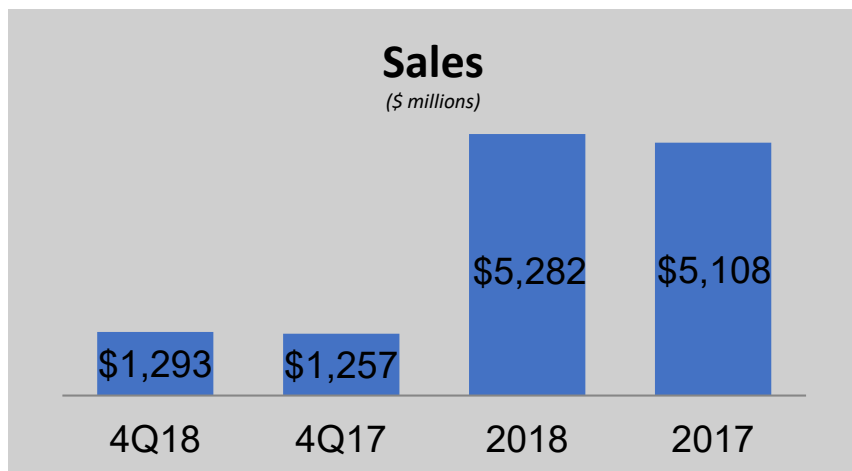
- Total reported Company sales increased 8% compared to 2017
 - ✓ Addition of CompuCom's results which were not part of company for the majority of 2017
 - ✓ BSD sales up 3%; combined BSD and Retail services growth of 13%
- Adjusted EBITDA⁽¹⁾ of \$567 million, versus \$603 million in 2017
 - ✓ 4Q18 adjusted operating income⁽¹⁾ of \$360 million
 - ✓ Excludes \$106 million in merger, acquisition, integration, restructuring and legal-related charges
- 2018 Free Cash Flow⁽¹⁾⁽²⁾ of \$429 million, versus \$326 million in 2017

Fourth Quarter 2018 Summary

(\$ in millions, except per share amounts)	Fourth Quarter	
	2018	2017
Sales	\$2,670	\$2,581
Operating Income (GAAP)	\$24	\$56
Adjusted Operating Income ⁽¹⁾	\$84	\$92
Earnings Per Share from Continuing Operations (GAAP)	\$(0.02)	\$(0.09)
Adjusted Diluted EPS from Continuing Operations ⁽¹⁾	\$0.09	\$0.08
Adjusted EBITDA ⁽¹⁾	\$138	\$138
Operating Cash Flow from Continuing Operations	\$61	\$59
Free Cash Flow from Continuing Operations ⁽¹⁾⁽²⁾	\$(5)	\$10

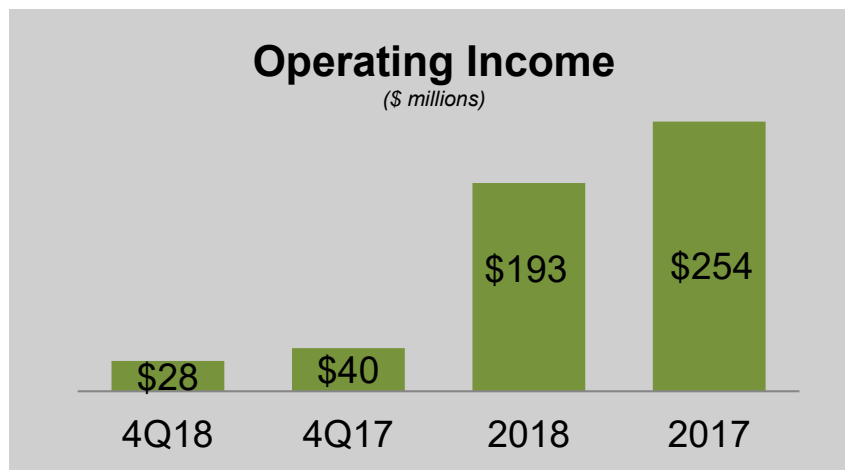
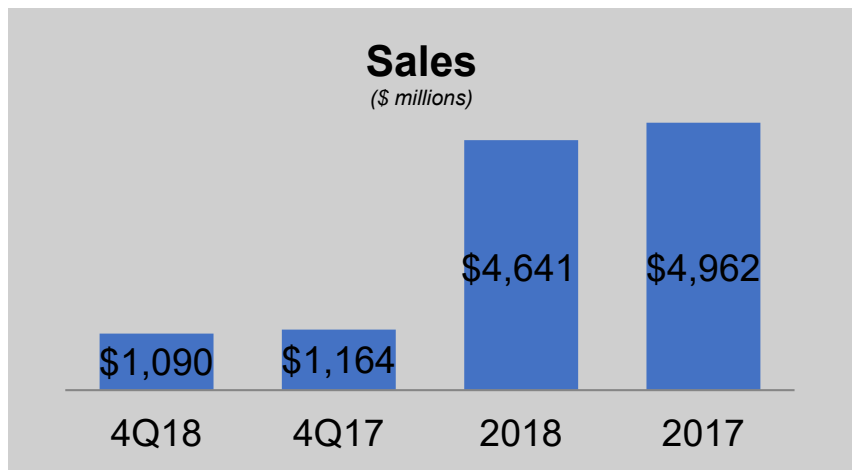
- Total reported Company sales increased 3% compared to 4Q17
 - ✓ Addition of CompuCom's 4Q18 results which were only part of company from November 8 , 2017
 - ✓ BSD sales up 3%; combined BSD and Retail services growth of 13%
- Adjusted EBITDA⁽¹⁾ of \$138 million, flat versus 4Q17
 - ✓ 4Q18 adjusted operating income⁽¹⁾ of \$84 million vs. \$92 million in prior year
 - ✓ Excludes \$60 million in charges and credits, including \$25 million in legal expense accruals for FTC matter
- 4Q18 Free Cash Flow⁽¹⁾⁽²⁾ of \$(5) million versus \$10 million in 4Q17
 - ✓ \$17 million additional capital investments year-over-year in business platform and services

Business Solutions Division – 4Q18



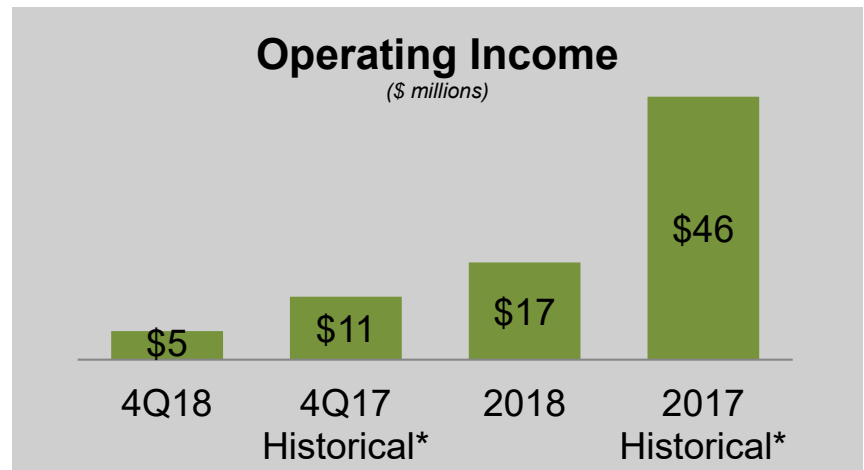
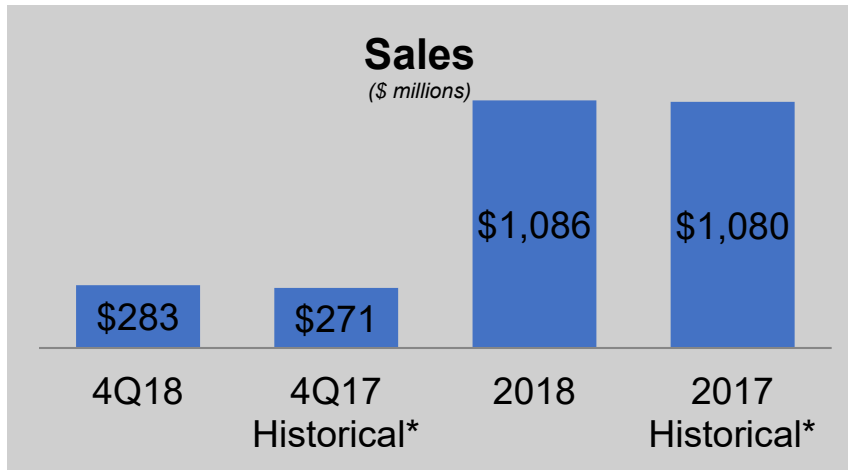
- 4Q18 reported sales increased 3% versus 4Q17
 - ✓ Organic sales growth approximately flat with prior year
 - ✓ Acquisitions fueled growth
- Growth in adjacency categories and service revenue in 4Q18
 - ✓ Adjacency categories account for 37% of BSD revenue; up 10% in 4Q18; all categories grew
 - ✓ Services revenue up 20%; Product revenue grew 2%
- Operating income decrease due to customer migration costs and investments
 - ✓ Post merger platform migration costs; paper cost increases before price mitigation benefits
 - ✓ Investments in services and eCommerce platform; demand generation

Retail Division – 4Q18



- 4Q18 total reported sales declined 6%; down 5% excluding revenue recognition impact
 - ✓ Same store sales down 5% excluding revenue recognition impact
 - ✓ 500 bps improvement in sales trend (-6% 2018 vs. -11% 2017)
- Product sales down 8%, Services up 18% excluding revenue recognition impact
- 4Q18 operating income decreased \$12 million compared to prior year
 - ✓ Investments in services platform, technology, demand generation and training
 - ✓ Deleveraging due to lower volume on relatively fixed cost structure

CompuCom Division – 4Q18



- 4Q18 sales increased 4% versus historical sales in prior year
 - ✓ Achieved despite lower sales from large customer reorganizing its business
- 4Q18 operating income recovered from 3Q18, however down from prior year
 - ✓ Lower gross margin on product sales mix, investments to support growth initiatives including automation, partially offset by cost reduction initiatives and consolidation synergies
 - ✓ Implemented initiatives to improve future profitability
- Recognized by Gartner as a 2019 Magic Quadrant leader
 - ✓ Strong external endorsement of the quality of CompuCom’s services

Balance Sheet / Cash Flow Highlights*

Net Cash Position	<ul style="list-style-type: none"> • Total liquidity of approximately \$1.6 billion at end of 4Q18 <ul style="list-style-type: none"> ✓ \$658 million of cash & equivalents ✓ \$947 million available under asset-based lending facility • Debt of \$785 million at end of 4Q18, excluding non-recourse Timber Notes
Operating Cash Flow	<ul style="list-style-type: none"> • Operating cash flow of \$616 million in 2018, driven by working capital improvements and included cash outflows related to: <ul style="list-style-type: none"> ✓ \$22 million in OfficeMax merger costs ✓ \$47 million in acquisition and integration-related costs ✓ \$18 million in restructuring costs
Capital Expenditures	<ul style="list-style-type: none"> • Capital expenditures of \$187 million in 2018 • Investments in growth platform and infrastructure improvements
Free Cash Flow*	<ul style="list-style-type: none"> • Free Cash Flow of \$429 million 2018 • Significantly higher free cash flow despite increased investment

Balanced Capital Allocation

2018

Operating Cash Flow	\$616M
+ Cash from Divestitures	\$113M
- Capital Expenditures	\$187M
<hr/>	
Cash Available to Redeploy	\$542M

Capital Deployment 2018

Shareholder Dividends
\$55M

Debt Pay Down
\$299M

Distribution Acquisitions
\$98M

Stock Repurchases
\$39M

Significant Capital Returned and Reinvested in Business

Previously Issued 2019 Guidance

FY2019 Guidance

Sales	~\$11.1 billion
Adjusted EBITDA	~\$575 million
Adjusted Operating Income	~\$375 million
Free Cash Flow	~\$350 million

2019 Priorities to Drive Long-Term Value



Driving Profitable Growth



Leverage Valuable Asset Base

Distribution and supply chain network

Large customer base

Sales force

eCommerce platform



Continued Investment in Business Platform



Drive Shareholder Value

Enhancing our position as a leading integrated B2B distribution platform providing business services, supplies, products and technology solutions

Q & A