



**Office DEPOT.**  
**OfficeMax®**  
Taking care of business

# Third Quarter 2017 Results

November 9, 2017

# 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 readily obtainable 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 2017 adjusted operating income excludes charges or credits not indicative of core operations, which may include but not be limited to merger integration expenses, restructuring charges, 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 a reconciliation to an equivalent operating income outlook for 2017.



**Gerry Smith**  
*Chief Executive Officer*

# Third Quarter 2017 Financial Summary

- Sales of \$2.6 billion down 8%; 6% adjusted for planned store closures
- Operating income of \$108 million and diluted EPS from continuing operations of \$0.19
  - ✓ Adjusted operating income\* of \$131 million compared to \$158 million in the prior year
  - ✓ Adjusted diluted EPS\* from continuing operations of \$0.14 versus \$0.16 in the prior year
  - ✓ YTD adjusted operating income\* of \$351 million versus \$360 million in 2016 and adjusted diluted EPS\* from continuing operations of \$0.37 compared to \$0.35 in the prior year period
- Generated \$316 million of YTD free cash flow\* from continuing operations
- Maintains solid liquidity position with cash and undrawn ABL credit facility

\* Non-GAAP measure. A reconciliation of GAAP to non-GAAP measures can be found at [investor.officedepot.com](http://investor.officedepot.com).

# Pivoting to a Services-Driven Company

Transforming from tactical product-based transactions company to services-driven SMB / Enterprise relationship business

- Tech services is the largest market and most critical SMB customer need
- Offering these services opens doors for us to offer additional services
- Critical to an effective service portfolio
- Builds on omnichannel platform

CompuCom®



Key Growth Initiatives



CENTRIQ

Same Day Delivery



Core Product and Service Offerings

Office Supplies & Technology Items

Cleaning & Breakroom

Furniture & Design Services

Copy & Print Services

Omnichannel Platform with Stores, Salesforce and Online Presence

Nationwide Same Day / Next Day Supply Chain Capabilities

# Strategic Overview

<b>Mission</b>	Help our customers take care of business, in the office, in the classroom, and on the go		
<b>Strategy</b>	Deliver customer focused value through the integration of business services and products via an omnichannel platform that leverages our unique competencies and assets		
<b>Strategic Pillars</b>	<b>Transform</b> <i>(our business)</i>	<b>Disrupt</b> <i>(for our future)</i>	<b>Strengthen</b> <i>(our core)</i>
<b>Strategic Focus</b>	<ul style="list-style-type: none"> <li>• Acquisition of CompuCom             <ul style="list-style-type: none"> <li>○ Immediate cross-selling opportunities</li> <li>○ Launch Tech-Zone in select nationwide markets</li> <li>○ Targeted SMB model</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• BizBox services platform             <ul style="list-style-type: none"> <li>○ Leverage CompuCom</li> <li>○ Front end services</li> <li>○ Back end services</li> </ul> </li> <li>• Centriq Technology for B2B asset management and servicing opportunities</li> <li>• Integration of technology service offerings with current retail presence</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on customer experience and drive demand generation</li> <li>• Expand adjacencies in Copy and Print, Furniture and Cleaning and Breakroom</li> <li>• Core acquisitions</li> <li>• Enhance supply chain</li> <li>• Continue to leverage our SMB customer base</li> </ul>

# Who is CompuCom?

## What do they do

- Market-leading provider of award-winning managed IT services, products and solutions
- End-to-end managed technology services from enterprise to SMB
- IT support services from help-desk to data center to on-site support
- Technology consulting services for businesses of all sizes

## Who do they serve

Hundreds of relationships with enterprise, mid-size and small business customers including:


- 7** of the top 10 retailers in North America
- 6** of the top 10 financial services firms in North America
- 6** of the top 10 Fortune 500 companies

## How do they deliver

 **6000+**  
Technicians **the largest certified field technician workforce in North America**

 **100k+**  
Certifications

 Nationwide call centers

 Top-tier cloud and data centers

## Significant Scale

 **5.1M**  
Unique End Users

 **2.6M**  
Desktops & Laptops

**~ \$1.1 billion**  
of revenue in 2016

 **1.0M**  
Mobile Devices

 **6.4M**  
Devices & IoT Nodes

 **57,000**  
Fully served retail locations for national brands and local SMBs

# Creating a Compelling Opportunity

## Broad Set of World-Class Services

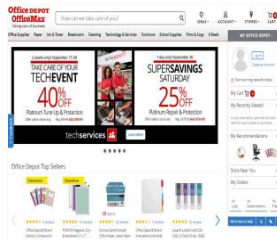


Largest employee field workforce in North America with 6,000 licensed technicians

## Access to Millions of Customers



1,400 stores with access to nearly **6 million** SMBs within three miles



Distinct web capabilities; leading online presence



1,500 sales professionals and hundreds of thousands of contract customers

## SERVICES RICH + CUSTOMER RICH

CompuCom will be Office Depot's technology **services platform nationwide**

**CompuCom can scale its existing Tech-Zone offering in stores** while also driving traffic

Minimal customer overlap enables immediate **cross-selling of a full suite of products and services**, with an incentive structure focused on driving services revenue

**Purchasing power** of combined entities provides increased scale to benefit customers



# CompuCom Go To Market Channel Strategy

<b>B2B</b>	<ul style="list-style-type: none"><li>• Inside and field sales teams to immediately begin cross-selling</li><li>• Leverage new and existing strategic partnerships</li><li>• Launch outbound calling campaign</li></ul>
<b>Retail Footprint</b>	<ul style="list-style-type: none"><li>• Tech-Zone offered in retail stores providing break/fix solutions, tech on demand and warranty support while expanding brand awareness to SMB marketplace</li><li>• In-store tech sale and service appointment setting</li><li>• Utilize Tech-Zone for BizBox tech-related services</li></ul>
<b>Online</b>	<ul style="list-style-type: none"><li>• Call, chat and video capabilities</li><li>• Online self-serve and tech service appointment setting</li><li>• BizBox pro advisors and service support</li><li>• Alerts for service &amp; maintenance in partnership with Centriq</li><li>• Associate referral program (initiated online but POS through any channel)</li></ul>
<b>Indirect Channel</b>	<ul style="list-style-type: none"><li>• Feet on the Street using incentive structure to drive services revenue</li><li>• Nationwide indirect agent network and locations</li><li>• Other partnerships targeting SMB businesses</li><li>• Bring on proven talent to increase expertise</li></ul>

# CompuCom Initial Managed Services Bundles

Micro	Small Business	Medium Business	Enterprise
<ul style="list-style-type: none"> <li>• 1 to 9 Employees</li> <li>• New Device Set Up</li> <li>• Virus Removal and Cyber Security Monitoring</li> <li>• Proactive Performance Monitoring and Device Health Check (excluding phone)</li> <li>• Cyber Defense Device (discounted pricing)</li> <li>• Mobile App Self Service Knowledge – Purchase Tech Dispatch Service</li> </ul>	<ul style="list-style-type: none"> <li>• 10 to 100 Employees</li> <li>• Virus Removal and Cyber Security Monitoring</li> <li>• Proactive Performance Monitoring and Device Health Check (excluding phone)</li> <li>• Virtual CIO</li> <li>• Onsite Tech Assessment</li> <li>• Centriq Asset Tracker</li> <li>• Small Business Cloud Services</li> <li>• Small Business Cloud Migration</li> <li>• Mobile App Self Service Knowledge – Purchase Tech Dispatch Service</li> <li>• Cyber Defense Device (discounted pricing)</li> <li>• Tiered Discount on Office Depot products</li> </ul>	<ul style="list-style-type: none"> <li>• 100 to 999 Employees</li> <li>• Onsite Tech Assessment (Sales consult)</li> <li>• Customized Managed Service Offers Designed for Individual/Vertical Business Needs                             <ul style="list-style-type: none"> <li>- Chat Service Desk</li> <li>- Life Cycle Management</li> <li>- Cyber Security Backup/Recovery</li> <li>- Cloud Services</li> <li>- Cloud Migration</li> </ul> </li> <li>• Centriq Asset Tracker</li> <li>• Custom IT Project Work</li> <li>• Office Depot Discounts/Contracted Rates</li> </ul>	<ul style="list-style-type: none"> <li>• 1,000 + Employees</li> <li>• RFP, Third Party Advisors</li> <li>• Unsolicited Proposals</li> <li>• Referrals</li> <li>• Customized Managed Service Offers Designed for Individual/Vertical Business Needs                             <ul style="list-style-type: none"> <li>- Service Desk</li> <li>- IT SVC Management</li> <li>- End User Device Support</li> <li>- NOC/SOC Monitoring</li> <li>- Project Services</li> <li>- Life Cycle Management</li> <li>- IoT</li> <li>- Cyber Security</li> <li>- Backup/Recovery</li> <li>- Disaster Recovery</li> <li>- Cloud Services</li> <li>- Cloud Migration</li> <li>- Solution Café Programs</li> </ul> </li> <li>• Contracted rates on Office Depot products</li> </ul>

First Company to Offer Customers Technology Solutions and Enterprise-Level Services with National Scale and Local Support Across an Omnichannel Platform

# Creating a Services-Driven Store Experience



- New service desks are more customer friendly with convenient appointment scheduling and increased access to trusted tech support advisors
- Expect 28 Tech-Zone service desks to be completed by end of 2017
  - ✓ Austin – 14
  - ✓ Orlando/Tampa – 12
  - ✓ South Florida – 2
- Developing 2018 roll-out strategy for additional markets across the country

# BizBox - SMB Business Services Platform

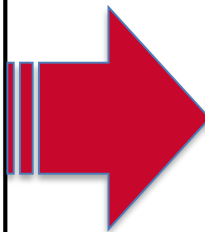
Launched Nov. 7<sup>th</sup> new digital business services platform inspired by customer needs

Provides small business owners with access to core services to start-up and grow their businesses

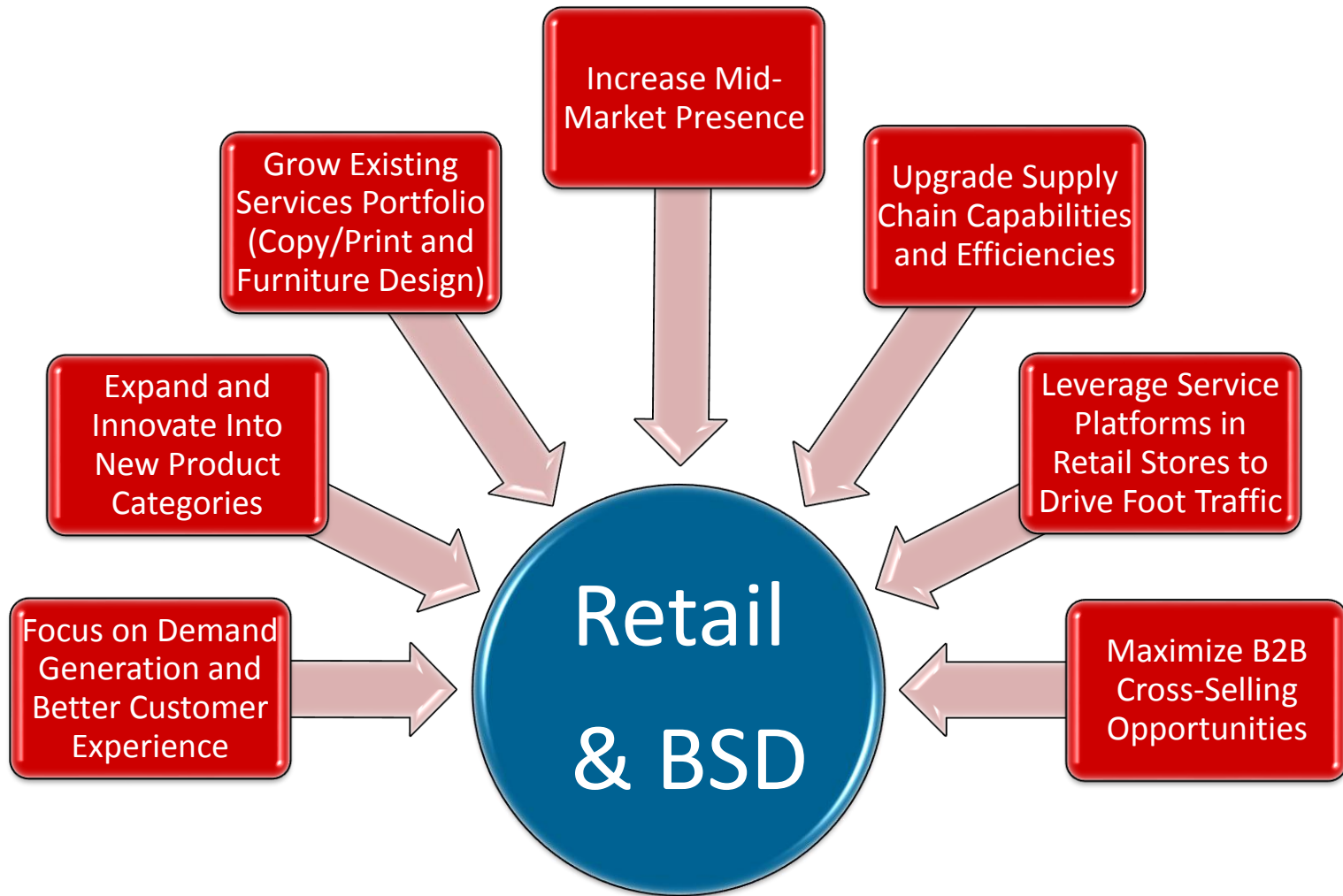
CompuCom opens the door to offer additional services through BizBox platform

Simplifies business decision-making and logistics through a seamless, integrated online platform

Convenient monthly subscription which builds upon new focus towards a recurring revenue model

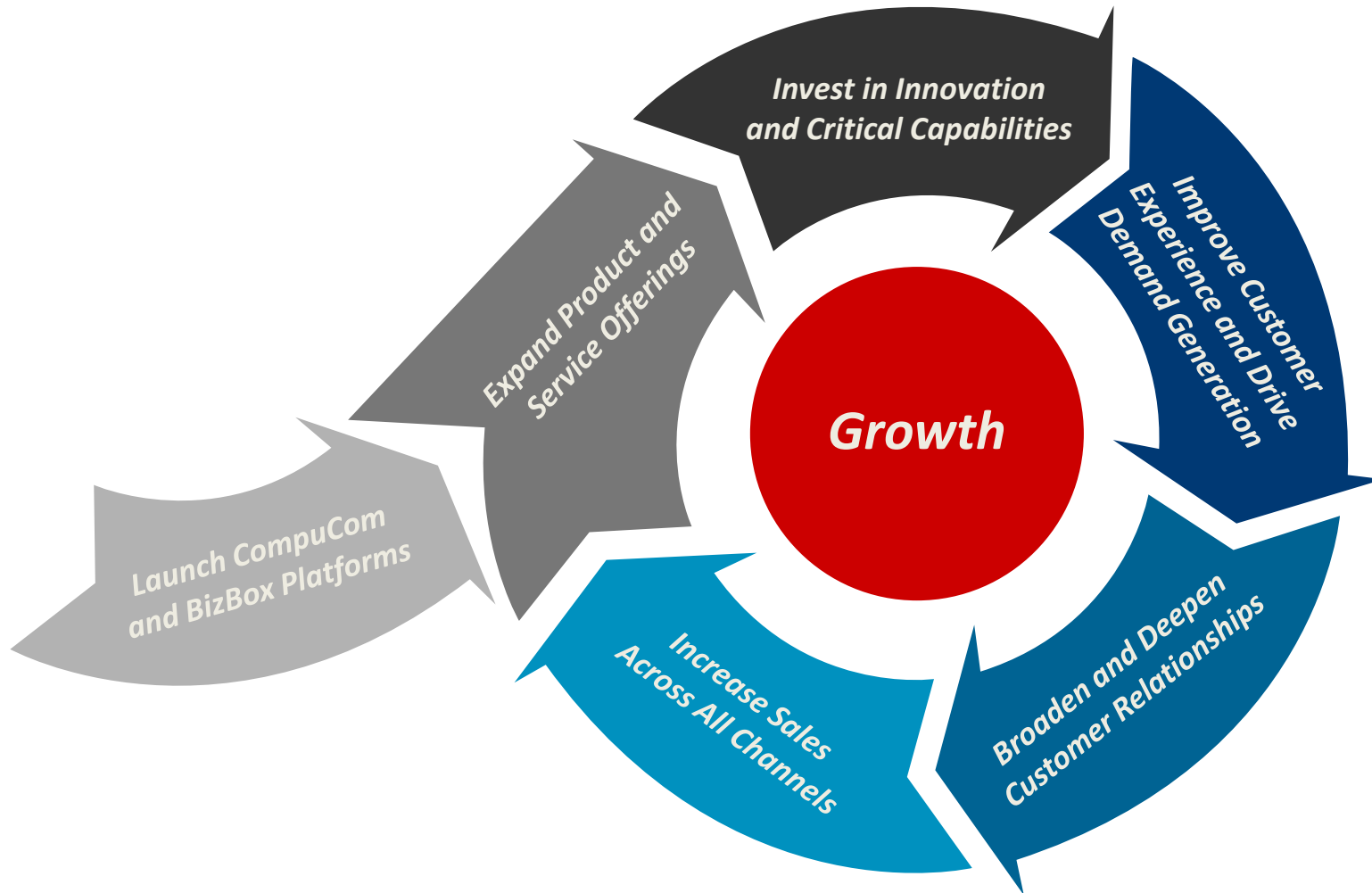


# Strengthening Our Core



# Building a Path to Sustainable Growth

Taking Care of Customers' Business is Our Service Business





**Steve Hare**  
*Executive Vice President and  
Chief Financial Officer*

# Third Quarter and YTD 2017 Summary

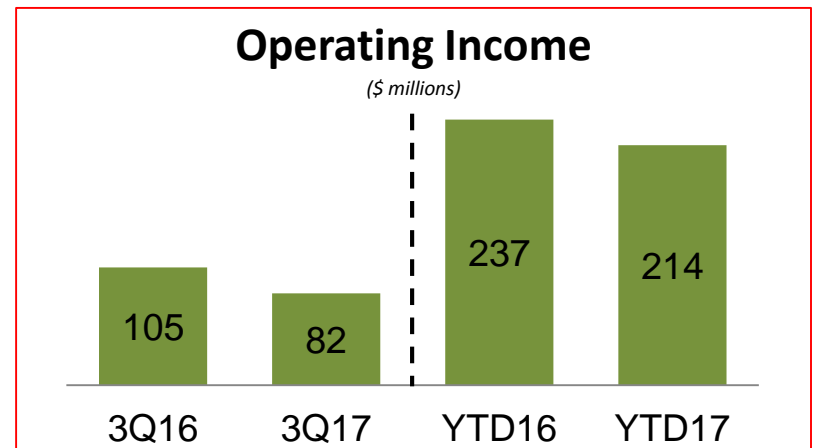
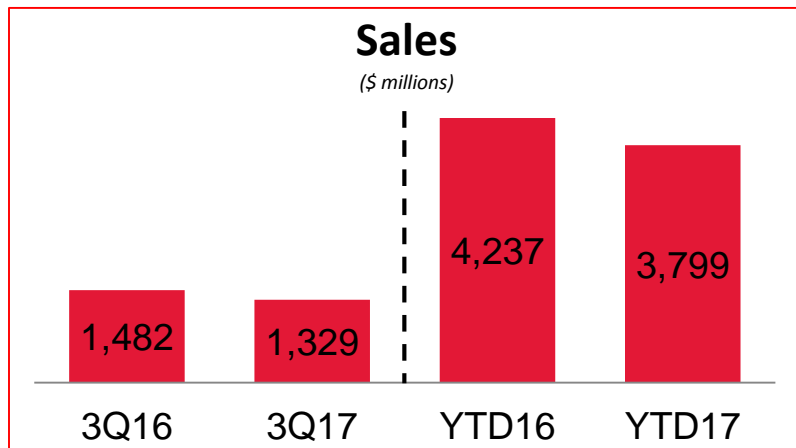
(\$ in millions, except per share amounts)	<u>Third Quarter</u>		<u>Year-to-Date</u>	
	2017	2016	2017	2016
Operating Income (GAAP)	\$108	\$117	\$282	\$473
Adjusted Operating Income*	\$131	\$158	\$351	\$360
Net Income from Continuing Operations (GAAP)	\$98	\$330	\$195	\$624
Adjusted Net Income from Continuing Operations*	\$74	\$89	\$196	\$192
EPS from Continuing Operations (GAAP-diluted)	\$0.19	\$0.61	\$0.37	\$1.13
Adjusted EPS from Continuing Operations* (diluted)	\$0.14	\$0.16	\$0.37	\$0.35

- Total company sales declined 8% compared to Q3 2016
  - ✓ Down 6% adjusted for planned U.S. store closures and foreign currency
  - ✓ Impacted by prior period customer losses, lower store traffic and hurricane disruptions
- 3Q17 adjusted operating income\* of \$131 million, down \$27 million to 3Q16
  - ✓ Excludes \$23 million in merger, restructuring, executive transition and acquisition costs
- YTD adjusted operating income\* down \$9 million vs. 2016, with margins up 25 bps to 4.6%
- 3Q17 adjusted EPS\* from continuing operations of \$0.14, down \$0.02 vs. 3Q16
- YTD adjusted EPS\* from continuing operations of \$0.37, up 6% over 2016

\* Non-GAAP measure. A reconciliation of GAAP to non-GAAP measures can be found at [investor.officedepot.com](http://investor.officedepot.com).

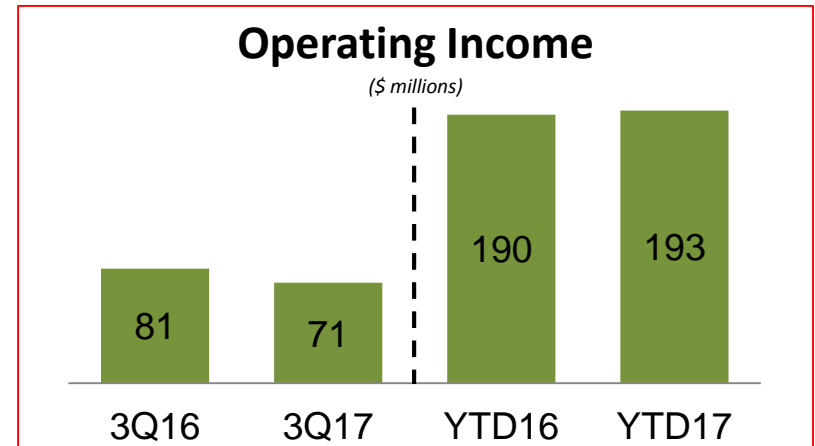
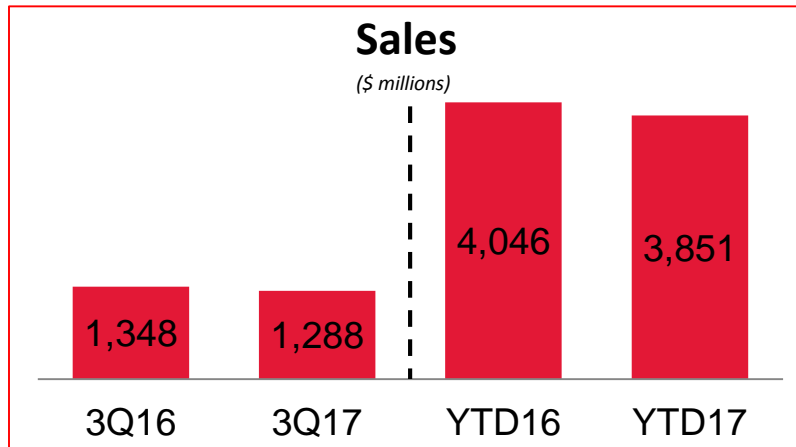


# Retail Division - 3Q17



- 3Q17 total sales decreased 10% due to comparable store sales decrease of 5% and impact of planned store closures
  - ✓ Lower transaction counts and average order value during back-to-school
  - ✓ Sales declined across most product categories but increased double digits in cleaning/breakroom
- 3Q17 division operating income decreased \$23 million compared to prior year
  - ✓ Negative flow-through impact from lower sales and lower gross margin rate more than offset lower SG&A expenses including payroll

# Business Solutions Division – 3Q17



- 3Q17 sales decreased 4% versus 3Q16, up sequentially over 2Q17
  - ✓ Sales decline primarily driven by prior period losses in the contract channel, continued competitive pressures and impact of sales from omnichannel programs recorded in Retail division
  - ✓ Sales declined in supplies and technology categories, flat in copy and print and increased in cleaning/breakroom and furniture
- 3Q17 division operating income decreased \$10 million compared to prior year
  - ✓ Negative flow-through impact from lower sales and lower gross margin rate more than offset lower SG&A expenses

# Balance Sheet / Cash Flow Highlights

<b>Net Cash Position</b> (of Continuing Operations)	<ul style="list-style-type: none"><li>• Total liquidity of approximately \$1.8 billion at end of 3Q17<ul style="list-style-type: none"><li>✓ \$0.8 billion of cash &amp; equivalents</li><li>✓ \$1.0 billion available on asset-based lending facility</li></ul></li><li>• Debt of \$282 million at end of 3Q17, excluding non-recourse timber notes</li></ul>
<b>Operating Cash Flow</b> (of Continuing Operations)	<ul style="list-style-type: none"><li>• Operating cash flow provided \$293 million in 3Q17, including cash outflows of:<ul style="list-style-type: none"><li>✓ \$16 million in restructuring activities</li><li>✓ \$12 million in OfficeMax merger integration costs</li></ul></li></ul>
<b>Capex</b>	<ul style="list-style-type: none"><li>• Capex of \$37 million in 3Q17<ul style="list-style-type: none"><li>✓ Includes merger integration capex of \$3 million</li></ul></li></ul>
<b>Free Cash Flow</b> (of Continuing Operations)	<ul style="list-style-type: none"><li>• Generated free cash flow of \$256 million in 3Q17<ul style="list-style-type: none"><li>✓ YTD free cash flow of \$316 million</li></ul></li></ul>
<b>Shareholder Return</b>	<ul style="list-style-type: none"><li>• Repurchased 4 million shares for \$17 million in 3Q17</li><li>• Paid cash dividend of \$0.025 per share or approximately \$13 million in 3Q17</li></ul>

# CompuCom Funding Summary

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- Completed acquisition of CompuCom for approximately \$940 million funded by:
  - ✓ New \$750 million 5-year senior secured term loan to refinance existing CompuCom debt
  - ✓ Issued approximately 44 million shares of common stock to seller
  - ✓ Approximately \$55 million of cash on hand
- Continue to maintain low balance sheet leverage and substantial financial flexibility available for:
  - ✓ Debt repayments
  - ✓ Capital returns to shareholders
  - ✓ Growth initiatives

# 2017 Outlook

- Comparable total company sales in 2017 expected to be lower than 2016 primarily as a result of:
  - ✓ Impact of planned U.S. retail store closures
  - ✓ Lower store traffic during this year's Back-to-School season
  - ✓ Ongoing competitive pressures
  - ✓ Business disruption from three hurricanes
- The company expects adjusted operating income\* in fiscal 2017 to be between \$400 million and \$425 million
- Estimated non-GAAP annual effective tax rate of approximately 41%
- Free cash flow\* from continuing operations of more than \$300 million
  - ✓ Capital expenditures from continuing operations estimated at \$125 million
  - ✓ Approximately \$150 million of depreciation and amortization expense
  - ✓ Cash tax rate of approximately 15%

\* Non-GAAP measure. A reconciliation of GAAP to non-GAAP measures can be found at [investor.officedepot.com](http://investor.officedepot.com).

