



Depot.Different!

Office Depot, Inc.

First Quarter 2020
Financial Results

May 6, 2020

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 financial measures is available on the Office Depot website at investor.officedepot.com. These measures exclude charges or 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. The exact amount of these charges or credits are not currently determinable but may be significant. Accordingly, the company is unable to provide GAAP measures or equivalent reconciliations from GAAP to non-GAAP for these financial measures.



Gerry Smith
Chief Executive Officer

ODP: Strong Position Amid COVID-19 Pandemic

Safety is Priority #1 - Enacted Safety Measures to Help Protect Associates and Customers



“Essential Provider” of Critical Products and Services

- Open for business and serving our customers
- Cleaning and breakroom, technology, furniture, work/learn-from-home support



Strong Financial Position & Uniquely Positioned to Serve Customers

- Significant cash and available liquidity; Net cash position
- Low cost business model focus
- Global sourcing and supply chain for essential products; PPE
- Ability to support work-from-home and virtual learning



Opportunity to Accelerate B2B Pivot

- Global sourcing and supply of broader set of products and services
- Ability to fulfill customers expanded needs
- Essential technology and field support
- Building awareness

COVID-19 Impact Mixed; Delivered Strong 1Q Results

COVID-19 Impact Mixed

- Strong B2B business demand heading into 1Q20
- Increased demand for essential products in Retail Division and eCommerce channel
- Select business closures and transition to work from home negative impact to BSD Division
- Increased tech support for CompuCom customers; Select project-related work delays

Strong Operating Performance and Free Cash Flow in 1Q

- Revenue of \$2.7 billion, down 2% YOY
- Operating income of \$80 million, up 233% YOY; Net Income of \$45 million, up 463% YOY
- EPS of \$0.08, up \$0.07 from prior year period
- Adjusted EBITDA⁽¹⁾ of \$157 million, up 33% YOY
- Adjusted operating income⁽¹⁾ of \$108 million, up 61% YOY
- Adjusted EPS⁽¹⁾ of \$0.12, up \$0.05 from prior year period

Strong Cash Flow Generation





- Operating Cash Flow of \$188 million
- Adjusted Free Cash Flow⁽¹⁾⁽²⁾ of \$173 million

Financial Update for 2020

- Withdrawing 2020 guidance due to impacts/uncertainty related to COVID-19
- Currently experiencing lower revenue trends in 2Q20



ODP is Well Positioned to Navigate Crisis

<p>Strong Balance Sheet</p>	 <p>\$1.7 B Available Liquidity</p>	 <p>\$842 M in Cash</p>	 <p>~\$200M Net Cash</p>	 <p>Credit Facility Extended to 2025</p>
<p>Low Cost Business Model/ Conserve Cash</p>	<ul style="list-style-type: none"> • Term loan paydown expected to result in ~\$90 million in annual savings • Low cost business model approach/variable cost model • Temporarily suspending share buybacks and quarterly dividend 			
<p>Pursue Growth Opportunities</p>	<ul style="list-style-type: none"> • Global sourcing/supply chain: essential products; PPE • Support work-from-home and learn-from-home opportunities • CompuCom well positioned to support distributed work forces • Expand value proposition to customers 			
<p>Strategic Plan On-Track</p>	<ul style="list-style-type: none"> • Continued focus on growing B2B; wider range of products; services • Board approved holding company reorganization 			

BSD: Serving B2B Customers/Expanding Value Proposition

COVID-19 Impact

- Temporary pause of customer operations/transfer to work-from-home impacting contract channel
- Ecommerce channel increase demand
- Revenue down 1% vs prior year period

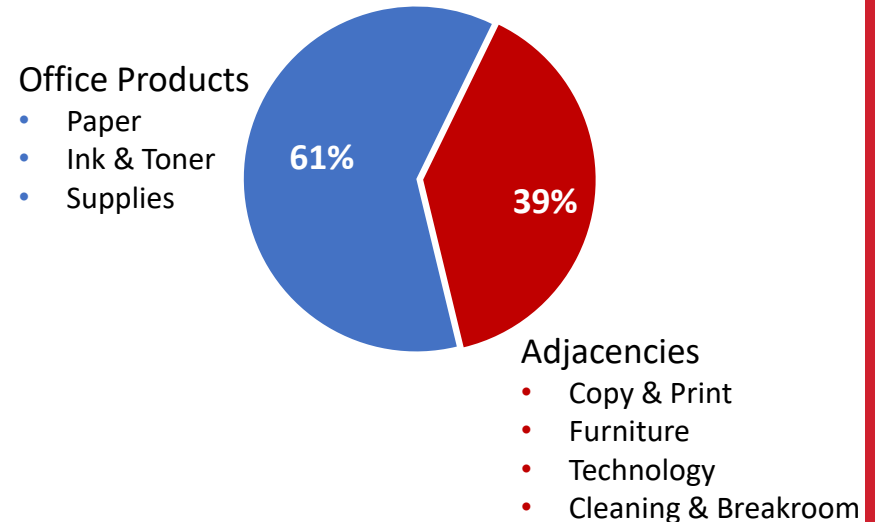
Continued Support of Customers Operations

- Supporting work and learn from home initiatives
- Adjacency growth: 39% of total BSD revenue
- Net new customer wins

Targeted Growth/Expanding Value Proposition

- Valued source of a broader array of products
- Trusted supply chain partner
- Preparing for “return to office”

1Q20 Expanding Beyond Traditional Office Products



Driving Next Phase of Growth

- ✓ Value proposition for customers evolving; Adjacency growth; PPE
- ✓ Targeted growth approach to improve sales efficiency and enhance value proposition
- ✓ Expand distribution presence and increase business customer base
- ✓ Leverage powerful combination with CompuCom

CompuCom: Technology Support/Increasing Opportunities

Critical Support for Customers During Pandemic

- Strong support for enterprises transitioning to work-from-home
- Expanding credibility with customers and partners

Executing Refocused Strategy

- Large and growing market opportunity
- Delivering improved customer experience
- Stronger message of value proposition

Positioning for Opportunities

- End user support; technology lifecycle management
- Managed workplace
- Enterprise and SMB
- Well positioned in distributed work environment



Refocused Strategy Capitalizing on Core Strengths and Competencies
Connecting people, Technology, and the Edge in a Seamless Experience

Retail: Safely Serving Customers with Essential Products and Services



- ✓ Strong revenue and operating performance; Same store sales up 2%
- ✓ Instituted safety measures for associates and customers
- ✓ Traffic and average order volumes increased as result of pandemic
- ✓ Buy On-Line Pick-Up in Store (BOPIS) grew 26% for year
- ✓ Operating income up 30% in quarter versus prior year period
- ✓ Net promoter scores increased
- ✓ Reduced traffic and lower revenue expected in 2Q

Financial Discussion

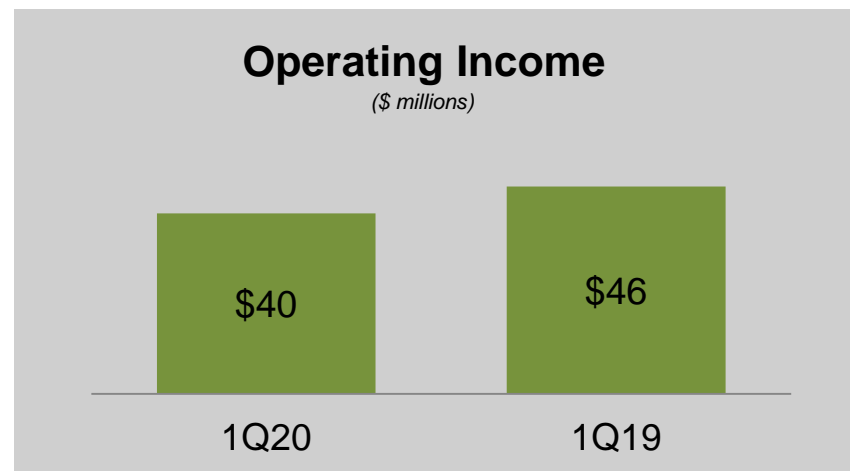
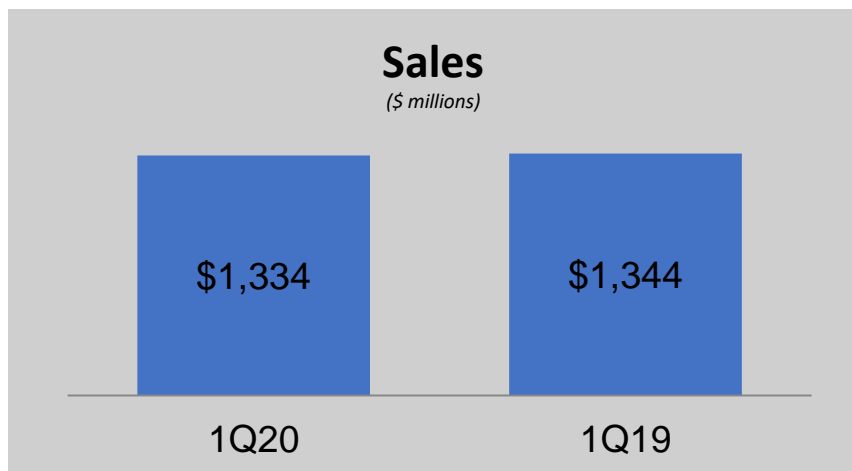
David Centrella

First Quarter 2020 Summary

	First Quarter	
(\$ in millions, except per share amounts)	2020	2019
Sales	\$2,725	\$2,769
Operating Income	\$80	\$24
Adjusted Operating Income ⁽¹⁾	\$108	\$67
Net Income	\$45	\$8
Earnings Per Share	\$0.08	\$0.01
Adjusted Diluted EPS ⁽¹⁾	\$0.12	\$0.07
Adjusted EBITDA ⁽¹⁾	\$157	\$118
Operating Cash Flow	\$188	\$60
Free Cash Flow ⁽¹⁾⁽²⁾	\$163	\$14
Adjusted Free Cash Flow ⁽¹⁾⁽³⁾	\$173	\$14

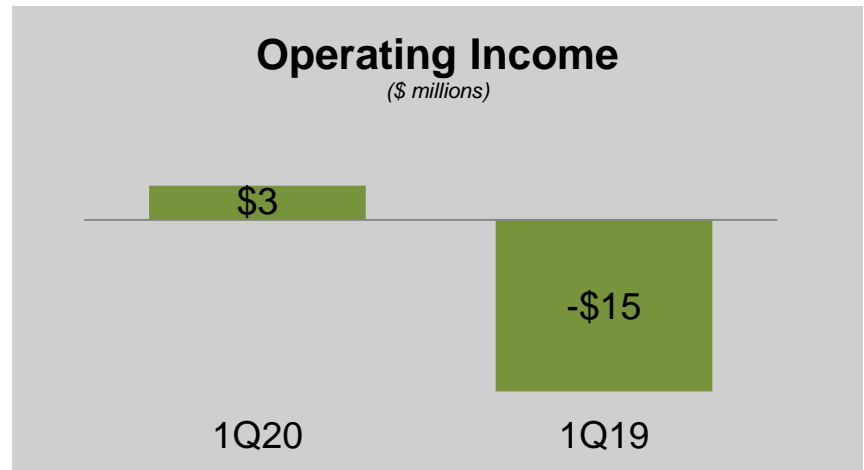
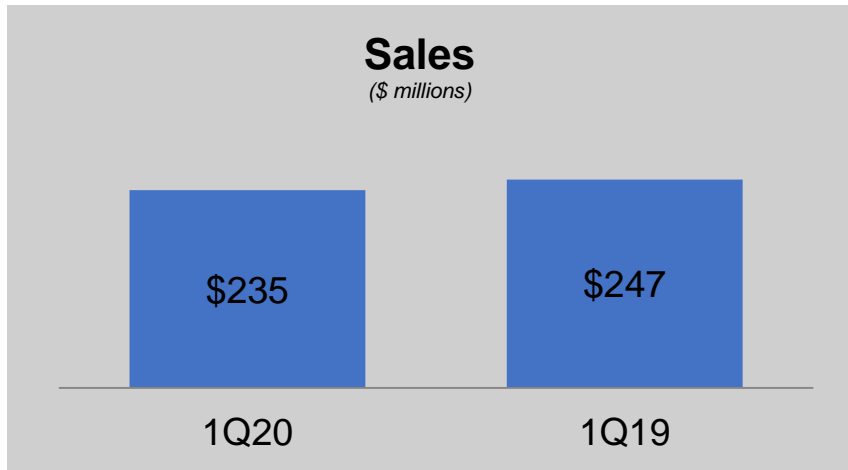
- Total reported Company sales decreased 2% compared to 1Q19
- Company delivered improved margin performance in CompuCom and Retail divisions
- Operating Income of \$80 million and Net Income of \$45 million
- Adjusted EBITDA⁽¹⁾ of \$157 million, versus \$118 million in 1Q19, up 33% YOY
 - ✓ 1Q20 adjusted operating income⁽¹⁾ of \$108 million vs. \$67 million in 1Q19
- 1Q20 Adjusted Free Cash Flow⁽¹⁾⁽³⁾ of \$173 million versus \$14 million in 1Q19

Business Solutions Division – 1Q20



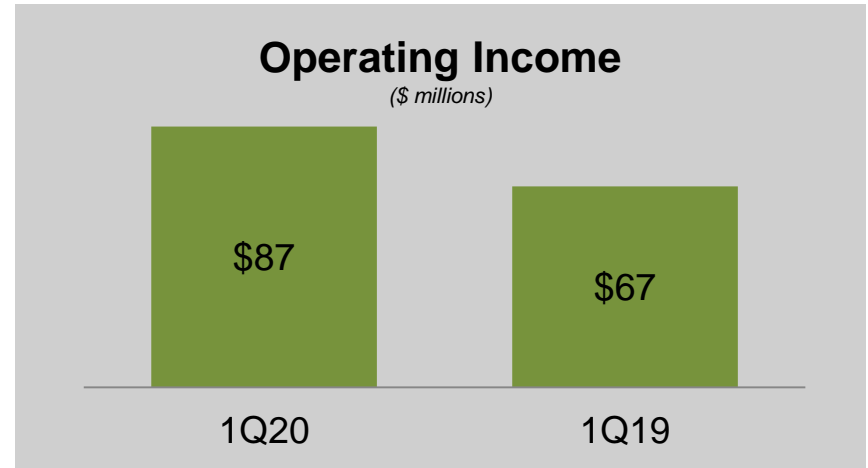
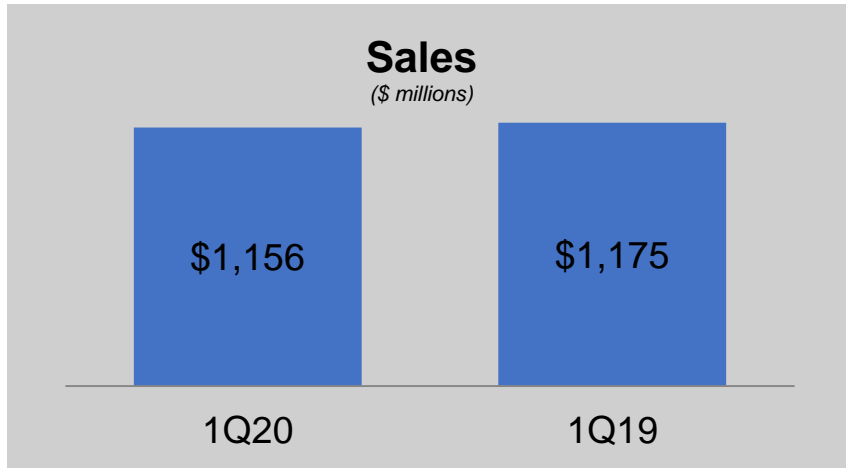
- 1Q20 reported sales decreased 1% versus 1Q19
 - ✓ Includes impact from prior customer acquisitions and growth in adjacency categories offset by lower demand in certain product categories and B2B customers affected by COVID-19
 - ✓ Lower sales contract channel partially offset by higher sales in eCommerce channel
 - ✓ Product sales decreased 2%, service revenue increased 14%
- Growth in adjacency categories
 - ✓ Adjacency categories grew and account for 39% of total BSD revenue
 - ✓ Cleaning & Breakroom category up nearly 25% and Technology category up 10% versus last year
- 1Q20 operating income of \$40 million versus \$46 million 1Q19
 - ✓ Sales margins flat
 - ✓ Lower sales, product mix and higher distribution costs related to COVID-19

CompuCom Division – 1Q20



- 1Q20 reported sales decreased 5% versus 1Q19
 - ✓ Lower sales from project-related revenue in existing accounts; lower service volume
 - ✓ Partially offset by an increase in product sales
- 1Q20 operating income of \$3 million versus a \$15 million in operating loss in 1Q19
 - ✓ Cost efficiencies related to Business Acceleration Program drove operating improvement versus 1Q19
 - ✓ Sequentially lower due to costs incurred in anticipation of new service contracts and project related work
- Executing plan to drive performance
 - ✓ Refocused strategy under new leadership
 - ✓ Support for distributed nature of work
 - ✓ Increased use of automation and technology to improve efficiencies; simplifying operating structure
 - ✓ Aggressively pursuing cross-selling opportunities

Retail Division – 1Q20



- 1Q20 reported sales declined 2% versus 1Q19; same-store-sales up 2% versus last year
 - ✓ 64 fewer retail outlets as compared to the prior year; Higher same store sales;
 - ✓ Higher average order volume and sales per shopper; 26% increase in Buy On-Line Pick-up In Store (BOPIS)
- Product sales flat, service revenue down 11% as compared to prior year
 - ✓ Product sales flat due to due to increased demand for essential products
 - ✓ Service revenue down due to the effects of COVID-19
- 1Q20 operating income of \$87 million, up 30% versus \$67 million in 1Q19
 - ✓ Higher product gross margins, 180 bps margin improvement as a percentage of sales
 - ✓ Lower SG&A; improvement in distribution and inventory management costs; lower operating lease costs

Balance Sheet / Cash Flow Highlights*

Net Cash Position	<ul style="list-style-type: none"> Total available liquidity of approximately \$1.7 billion at end of 1Q20 ✓ \$842 million in cash and cash equivalents ✓ \$851 million available credit under asset-based lending facility Total debt of \$652 million
Refinanced ABL Subsequent to Quarter	<ul style="list-style-type: none"> New \$1.3 billion asset-based credit facility matures April 2025 Retired the Term Loan Credit Agreement due 2022 (“term loan”) Expected savings of approximately \$14 million in annual cash interest expense and \$75 million in required annual amortization payments
Operating Cash Flow	<ul style="list-style-type: none"> Operating cash flow of \$188 million in 1Q20 and included cash outflows related to: <ul style="list-style-type: none"> ✓ \$10 million in restructuring costs, primarily associated with the BAP ✓ \$4 million in acquisition and integration-related costs
Capital Expenditures & Other	<ul style="list-style-type: none"> Capital expenditures of \$25 million in 1Q20 Investments in services platform, distribution network, eCommerce Business Acceleration Program cash expenditures of \$10 million
Adjusted Free Cash Flow*	<ul style="list-style-type: none"> Adjusted Free Cash Flow of \$173 million

* Balance sheet and cash flow financial measures are for continuing operations only; Free Cash Flow is a non-GAAP measure and is defined as cash flows from operating activities less capital expenditures. A reconciliation of GAAP to non-GAAP financial measures can be found at investor.officedepot.com. Adjusted Free Cash Flow excludes cash changes associated with the Company’s Business Acceleration Program of \$10 million in the first quarter of 2020.

Balanced Capital Allocation

Capital Deployment 1Q20

Stock Repurchases
\$30 Million

Shareholder Dividends
\$13 Million

Debt Pay Down
\$19 Million

Distribution Expansion
\$18 Million

Cash Conservation Focused During COVID-19 Pandemic
Temporarily Suspended Stock Buy Backs & Quarterly Dividend Beginning 2Q20

Q & A