



# Second Quarter 2024 Financial Results

# 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, including the risk that the Company will not be able to achieve the expected benefits of its strategic plans, including a potential sale of Varis on the terms proposed or at all and the benefits related to Project Core. 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](http://www.sec.gov) and on the Company’s website at [investor.theodpcorp.com](http://investor.theodpcorp.com).

During portions of today’s presentation, the Company may refer to results which are non-GAAP financial measures. A reconciliation of GAAP to non-GAAP financial measures is available on the Company’s website at [investor.theodpcorp.com](http://investor.theodpcorp.com). These measures exclude charges or credits not indicative of core operations and the tax effects of these items, which may include but not limited to merger integration, restructuring, acquisition costs, and asset impairments.

The Company’s full year guidance in 2024 included in this presentation includes non-GAAP measures, such as adjusted EBITDA, adjusted Operating Income, adjusted Earnings Per Share (EPS) and adjusted Free Cash Flow. These measures exclude charges or credits not indicative of core operations, which may include but not be limited to restructuring charges, capital expenditures, acquisition-related costs, executive transition costs, asset impairments and other significant items that currently cannot be predicted without unreasonable efforts. The exact amount of these charges or credits are not currently determinable but may be significant. Accordingly, the Company is unable to provide equivalent GAAP measures or reconciliations from GAAP to non-GAAP for these financial measures.

# Gerry Smith

Chief Executive Officer



# Second Quarter 2024 Performance

1

## Challenging macroeconomic environment and business conditions in the quarter

- Executing several initiatives to improve performance

2

## Executing shareholder-focused capital allocation plan

- Repurchased approximately \$191 million since beginning of year, including over \$168 million since inception of the new plan

3

## Progress on Project Core to drive increased enterprise-wide operational efficiencies

- Driving cost efficiency measures throughout the business including all routes to market
- Expected to generate annualized run-rate cost savings of over \$100 million when fully implemented

4

## Entered into non-binding term sheet agreement for sale of Varis

5

## Updating 2024 full year guidance



## Valuable Partner for the Evolving Needs of Business

**B2B distribution business serving large enterprises, and medium and small businesses**

**Sales efforts impacted by challenging macroeconomic and business conditions, enterprise-level spending constraints, slower customer on-boarding, and fewer transactions**

**Lower sales in supplies, furniture and technology**

**Adjacency sales 43% of division revenue**

**Executing on initiatives to improve performance**

- Redesigned go-to-market strategy
- Weekly pipeline reviews
- Targeted incentives & training; Pursuing opportunities that leverage high-touch service model capabilities
- Product category expansion
- “Power of 1” sales focus

**Evaluating significant new business opportunities**





# Office DEPOT<sup>®</sup> OfficeMax<sup>®</sup>

## Strong Value Proposition to Small Business, Education & Home Office Customers

**Customer first mindset: industry leading net promoter score – 70%+; adding business intelligence capabilities**

**Challenging YOY results**

**Continued optimization of store footprint**

**Macroeconomic conditions impacting consumer spending; fewer stores in service**

**Lower sales of supplies, furniture, and printing services; expecting PC refresh cycle to positively impact sales in second half of year**

**Prepared for back-to-school season**

**Enhancing value proposition through expanding product and services portfolio**

- Education 365; Convenience tools for students/teachers
- TSA Precheck services; Passport photos
- Greeting cards; Dorm room accessories; Celebrations
- Partnerships
- Loyalty Program



## Veyer Supply Chain & Logistics

### Nationwide supply chain services and global sourcing

- Core competencies in distribution, fulfillment, transportation, global sourcing and purchasing
- 8 million square feet of facilities, distribution centers and cross-docks
- Global sourcing operations in Asia

### Delivering best in class service

- Next business day delivery to over 98% of the US population
- Servicing ODP's internal customers at a low cost
- Leveraging existing capacity to provide services to 3<sup>rd</sup> party customers

### Driving growth with 3<sup>rd</sup> party customers

- 3<sup>rd</sup> party EBITDA up by 17% YOY

### Building the pipeline for future business

- Adding new 3<sup>rd</sup> party, nationally-branded, customer logos
- Evaluating significant new business opportunities

### Modernization roadmap progress

- Deploying Gartner Magic Quadrant-level tech stack
- Implemented Veyer Kinetic and deploying new warehouse management systems



# Wrap-up Commentary

Gerry Smith, Chief Executive Officer





# 2Q24 Financial Overview

Anthony Scaglione, EVP & Chief Financial Officer



# Second Quarter 2024 Summary

Second Quarter		
(\$ in millions, except per share amounts) <sup>(1)</sup>	2024	2023
Sales	\$1,717	\$1,907
Operating Income	\$0.4	\$60
Adjusted Operating Income <sup>(1)</sup>	\$33	\$67
Net Income (Loss) From Continuing Operations	\$(4)	\$43
Diluted Earnings (Loss) Per Share From Continuing Operations	\$(0.12)	\$1.09
Adjusted Net Income From Continuing Operations <sup>(1)</sup>	\$20	\$48
Adjusted Earnings Per Share From Continuing Operations (Fully Diluted) <sup>(1)</sup>	\$0.56	\$1.22
Adjusted EBITDA <sup>(1)</sup>	\$57	\$95
Operating Cash Flow From Continuing Operations	\$(1)	\$(8)
Free Cash Flow <sup>(2)</sup>	\$(20)	\$(25)
Adjusted Free Cash Flow <sup>(1)(3)</sup>	\$5	\$(24)

(1) As presented throughout this presentation, adjusted results represent non-GAAP financial measures and exclude charges or credits not indicative of core operations and the tax effect of these items, which may include but not be limited to restructuring charges, capital expenditures, acquisition-related costs, executive transition costs, asset impairments and other significant items that currently cannot be predicted without unreasonable efforts. Reconciliations from GAAP to non-GAAP financial measures on the Company's Investor Relations website at investor.theodpcorp.com.

(2) As used in this presentation, Free Cash Flow is defined as cash flows from operating activities less capital expenditures. Free Cash Flow is a non-GAAP financial measure and reconciliations from GAAP financial measures can be found on the Company's Investor Relations website at investor.theodpcorp.com.

(3) As used in this presentation, Adjusted Free Cash Flow is defined as Free Cash Flow excluding cash charges associated with the Company's Project Core Restructuring, and related expenses. Adjusted Free Cash Flow is a non-GAAP financial measure and reconciliations from GAAP financial measures on the Company's Investor Relations website at investor.theodpcorp.com.

**Continued challenging macroeconomic and business conditions**

**Revenue results primarily driven by lower sales in Office Depot, partially related to 58 fewer stores in service YOY and fewer transactions; lower sales at ODP Business Solutions**

**Adjusted operating results included:**

- Adjusted operating income <sup>(1)</sup> of \$33 million
- Adjusted EBITDA <sup>(1)</sup> of \$57 million
- Adjusted EPS from continuing operations <sup>(1)</sup> of \$0.56 per share (fully diluted)
- Adjusted free cash flow <sup>(1)(3)</sup> of \$5 million

**Executing on initiatives to improve results**



## Valuable Partner for the Evolving Needs of Business

### Challenging macroeconomic and business environment impacted top-line results

- Macroeconomic factors causing enterprise spending constraints
- Ongoing challenges in large customer on-boarding
- Lower sales of supplies, furniture and technology
- Flat return to office trends

Adjacency categories 43% of total division revenue

Operating income was \$29 million in 2Q24 versus \$45 million in prior year period

EBITDA margins approximately 4% in quarter

Executing several initiatives to improve performance

### Sales *(\$ millions)*



### Operating Income *(\$ millions)*

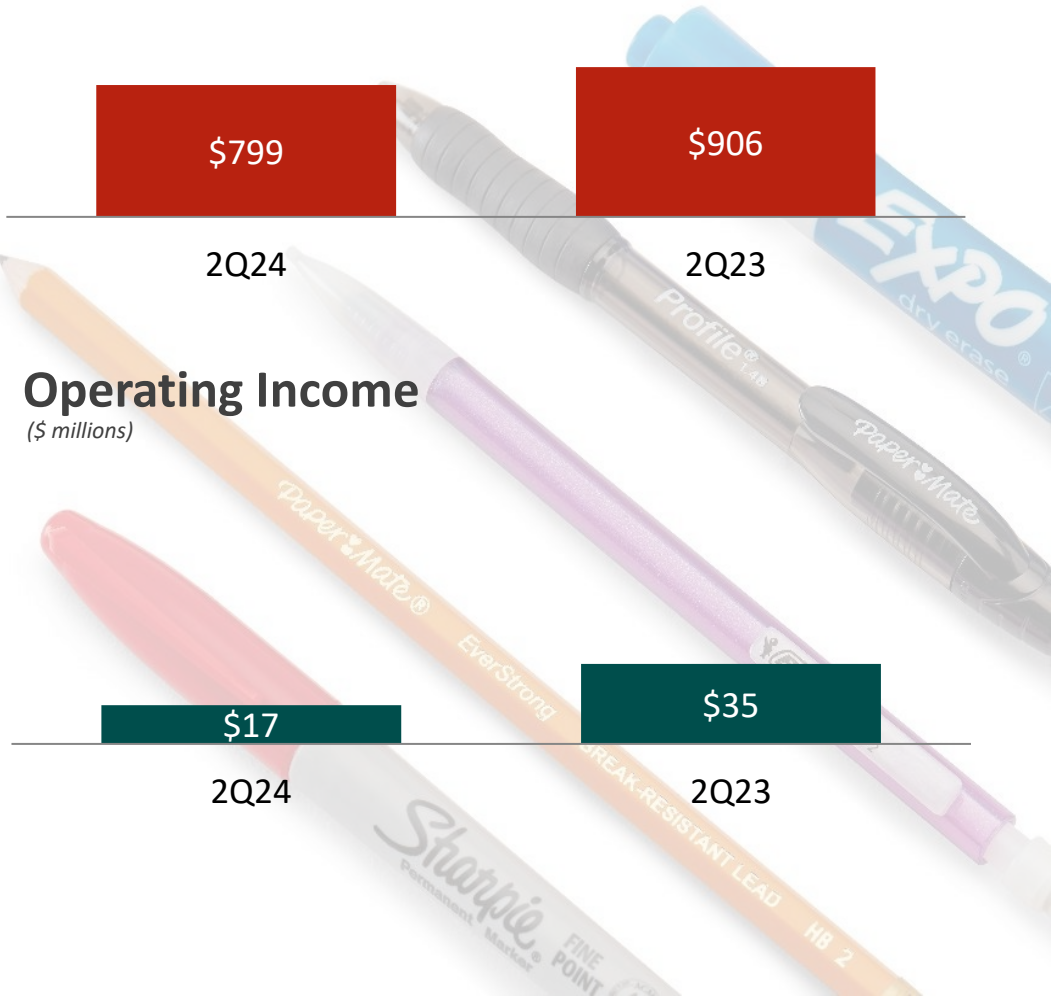


# Office DEPOT OfficeMax<sup>®</sup>

**Strong Value Proposition to Small Businesses,  
Education & Home Office Customers**

## Sales

(\$ millions)



## Operating Income

(\$ millions)



**Industry leading net promotor score (NPS) of over 70%**

**Sales challenged by weaker macroeconomic conditions, fewer transactions, and fewer stores in service YOY**

- More cautious consumer spending & 58 fewer stores in service YOY; closed 9 stores in quarter
- Lower demand in supplies, technology and printing services
- Same store sales comp down 6.6%

**Operating income of \$17 million in 2Q24 versus \$35 million in prior year period**

**Executing initiatives to improve traction**

**Expanded product and services offerings showing promise**

- Education 365 – year-round coordinated approach to education market
- Launching new convenience tools for teachers and students
- Expanding TSA Precheck services & launching passport photos
- Celebrations, greeting cards, and dorm room accessories
- New marketing efforts and partnerships



## Veyer Supply Chain & Logistics

### Nationwide supply chain services and global sourcing

- Core competencies in distribution, fulfillment, transportation, global sourcing and purchasing; Global sourcing presence in Asia

### Delivering best-in-class service

- Next business day delivery to over 98% of the US population
- Servicing ODP Business Solutions and Office Depot at a low cost
- Gaining momentum providing services using existing capacity to 3<sup>rd</sup> party customers

### Gaining traction with 3<sup>rd</sup> party customers

- Adding new nationally-branded customers
- EBITDA generated from 3<sup>rd</sup> party services up 17% YOY
- Evaluating significant new business opportunities

### Making progress with tech stack modernization

- Improving capabilities for the future
- Deploying Gartner Magic Quadrant-level tech stack
- Successfully implemented “Veyer Kinetic”
- Deploying new warehouse management systems



# Balance Sheet / Cash Flow Highlights

<b>Strong Available Liquidity</b>	<p>Total available liquidity of approximately \$831 million at end of 2Q24</p> <ul style="list-style-type: none"><li>• \$190 million in cash and cash equivalents, of which \$10 million is presented as current assets held for sale related to the Varis Division</li><li>• \$641 million available credit under the Third Amended Credit Agreement</li><li>• \$183 million in total debt</li><li>• Amended and extended new ABL facility</li></ul>
<b>Operating Cash Flow</b>	<p>Operating cash use of \$1 million in 2Q24</p> <ul style="list-style-type: none"><li>• Included \$25 million of restructuring spend</li><li>• Building inventory for back-to-school season</li></ul>
<b>Capital Expenditures &amp; Other</b>	<p>Capital expenditures of \$19 million in 2Q24</p> <p>Continued investments in the Company's digital capabilities, supply chain and distribution network, and eCommerce capabilities</p>
<b>Adjusted Free Cash Flow*</b>	<p>Adjusted Free Cash flow of \$5 million in 2Q24</p>
<b>Share Repurchase</b>	<p>Repurchased \$191 million of our stock since beginning of year; includes over \$168 million in repurchases since initiation of new authorization</p>

\* Free Cash Flow is a non-GAAP financial measure and is defined as cash flows from operating activities less capital expenditures. As used in this presentation, Adjusted Free Cash Flow is defined as free cash flow excluding cash charges associated with the Company's Project Core and Maximize B2B restructuring plans and related expenses. Free Cash Flow and Adjusted Free Cash Flow are non-GAAP financial measures and reconciliations from GAAP financial measures can be found at the Company's Investor Relations website at [investor.theodpcorp.com](http://investor.theodpcorp.com).

# Updated Full Year 2024 Guidance

<b>Sales</b>
<b>Adjusted EBITDA <sup>(1)</sup></b>
<b>Adjusted Operating Income <sup>(1)</sup></b>
<b>Adjusted Earnings per Share (fully diluted) <sup>(*) (1)</sup></b>
<b>Adjusted Free Cash Flow <sup>(1) (2)</sup></b>

<b>Updated Full Year 2024</b>
<b>At least \$7 billion</b>
<b>\$310 million - \$350 million</b>
<b>\$200 million - \$240 million</b>
<b>\$4.25 - \$5.00 per share</b>
<b>Approximately \$200 million</b>

\*Adjusted Earnings per Share (EPS) guidance (fully diluted) for 2024 excludes potential discrete (tax) items that may affect quarter to quarter fluctuations and includes expected impact from share repurchases.

(1) The Company's guidance for full year 2024 includes adjusted results representing non-GAAP financial measures that exclude charges or credits not indicative of core operations, and the tax effect of these items, which may include but not be limited to restructuring charges, capital expenditures, acquisition-related costs, executive transition costs, asset impairments and other significant items that currently cannot be predicted without unreasonable efforts. Reconciliations from GAAP to non-GAAP financial measures can be found at the Company's Investor Relations website at [investor.theodpcorp.com](http://investor.theodpcorp.com).

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Q&A