

**OFFICE DEPOT, INC.**  
**RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES**

We report our results in accordance with accounting principles generally accepted in the United States (“GAAP”). We also review certain financial measures excluding impacts of transactions that are not related to our core operations (“non-GAAP”). Management believes that the presentation of these non-GAAP financial measures enhances the ability of its investors to analyze trends in its business and provides a means to compare periods that may be affected by various items that might obscure trends or developments in its business. Management uses both GAAP and non-GAAP measures to assist in making business decisions and assessing overall performance. Non-GAAP measures help to evaluate programs and activities that are intended to attract and satisfy customers, separate from expenses and credits directly associated with Merger, restructuring, and certain similar items. Certain non-GAAP measures are also used for short and long-term incentive programs.

Our measurement of these non-GAAP financial measures may be different from similarly titled financial measures used by others and therefore may not be comparable. These non-GAAP financial measures should not be considered superior to the GAAP measures, but only to clarify some information and assist the reader. We have included reconciliations of this information to the most comparable GAAP measures in the tables included within this material.

Related to the global business disruption and uncertainty caused by the COVID-19 pandemic, the Company is withdrawing its previously issued guidance for 2020. The Company experienced strong demand for essential products and services during the first quarter of 2020, which helped drive strong operating results and cash flow generation. However, considering recent supply constraints for essential products and operational disruptions occurring in businesses throughout North America, the Company expects to experience lower revenue in the near term. Due to the uncertainty of the severity and duration of the impacts of the COVID-19 outbreak, the Company is unable to estimate the magnitude by which sales of products and services in our business will be affected in the future quarters of 2020.

Free cash flow is a non-GAAP measure, which we define as cash flows from operating activities less capital expenditures. We believe that free cash flow is an important indicator that provides additional perspective on our ability to generate cash to fund our strategy and expand our distribution network.

**OFFICE DEPOT, INC.**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**  
**NET INCOME**  
(Dollars in millions, except per share amounts) \*

	13 Weeks Ended	
	March 28, 2020	March 30, 2019
<b>Net Income</b>		
Net income	\$ 45	\$ 8
Add (Less):		
Charges and credits, after tax	21	31
Adjusted net income	<u>\$ 66</u>	<u>\$ 39</u>
EPS (most dilutive) - GAAP	\$ 0.08	\$ 0.01
Charges and credits, after tax	(0.04)	(0.06)
Adjusted EPS (most dilutive)	<u>\$ 0.12</u>	<u>\$ 0.07</u>
Weighted average shares used:		
Basic	529	543
Diluted	542	561
<u>Charges/Credits</u>		
Merger and transaction related expenses, net		
Severance and retention	\$ -	\$ 1
Transaction and integration	7	7
Total Merger and transaction related expenses, net	<u>7</u>	<u>8</u>
Restructuring expenses		
Professional fees	6	3
Facility closure, contract termination, and other expenses, net	3	3
Total Restructuring expenses	<u>9</u>	<u>6</u>
Total Merger and restructuring expenses, net	16	14
Asset impairments	12	29
Charges and credits, pretax	28	43
Income tax effect of charges and credits	7	12
Charges and credits, after tax	<u>\$ 21</u>	<u>\$ 31</u>

\* Amounts may not foot due to rounding.

**OFFICE DEPOT, INC.**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**  
**OPERATING INCOME**  
(Dollars in millions)\*

	13 Weeks Ended	
	March 28, 2020	March 30, 2019
<b>Operating Income</b>		
Operating income	\$ 80	\$ 24
Add:		
Charges and credits, pretax	28	43
Adjusted operating income	<u>\$ 108</u>	<u>\$ 67</u>
Sales	\$ 2,725	\$ 2,769
Operating income margin	2.9%	0.9%
Adjusted operating income margin	4.0%	2.4%

\* Amounts may not foot due to rounding.

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**OFFICE DEPOT, INC.**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**  
**ADJUSTED EBITDA**  
**(Dollars in millions)\***

	13 Weeks Ended	
	March 28, 2020	March 30, 2019
<b>Adjusted EBITDA</b>		
Net income	45	8
Income tax expense	21	1
Income before income taxes	66	9
Add (subtract):		
Interest income	(3)	(6)
Interest expense	18	23
Adjusted depreciation and amortization**	49	48
Charges and credits, pretax	28	43
Adjusted EBITDA	<u>157</u>	<u>118</u>
<u>Depreciation and amortization**</u>		
Reported (GAAP)	\$ 49	\$ 49
Less: Accelerated depreciation	-	1
Adjusted (non-GAAP)	<u>\$ 49</u>	<u>\$ 48</u>

\*Amounts may not foot due to rounding.

\*\*Adjusted depreciation and amortization represents a non-GAAP measure and excludes accelerated depreciation caused by updating the salvage value and shortening the useful life of depreciable fixed assets to coincide with the planned store closures under an approved restructuring plan, but only if impairment is not present.

**OFFICE DEPOT, INC.**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**  
**FREE CASH FLOW**  
(Dollars in millions)\*

We define free cash flow as net cash provided by (used in) operating activities less capital expenditures. We believe that reporting free cash flow is useful to management and investors because it relates operating cash flow to the capital that is spent to continue and improve our existing businesses. Further, free cash flow facilitates management's ability to strengthen our balance sheet, repay our debt obligations and consider investment alternatives. Free cash flow is not a measure of financial performance under generally accepted accounting principles in the U.S. and may not be defined and calculated by other companies in the same manner. Free cash flow does not represent the residual cash flow available for discretionary expenditures as it does not incorporate certain cash payments, including payments made on capital lease obligations, scheduled debt repayments or other firm commitments and payments. Free cash flow should not be considered in isolation or as an alternative to cash flow provided by operating activities as an indicator of performance.

	<b>13 Weeks Ended</b>	
	<b>March 28, 2020</b>	<b>March 30, 2019</b>
<b>Cash Flow Summary (As Reported)</b>		
Net cash provided by operating activities	\$ 188	\$ 60
Net cash provided by (used in) investing activities	776	(52)
Net cash used in financing activities	(808)	(64)
Effect of exchange rate changes on cash and cash equivalents	(12)	2
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>\$ 144</u>	<u>\$ (54)</u>
<b>Free Cash Flow</b>		
Net cash provided by operating activities	\$ 188	\$ 60
Less: Capital expenditures	(25)	(46)
Free Cash Flow**	<u>\$ 163</u>	<u>\$ 14</u>

\*Amounts may not foot due to rounding.

\*\*Free Cash Flow includes the impact of cash charges associated with the Company's Business Acceleration Program of \$10 million in the first quarter of 2020. Accordingly, adjusting for this item, Free Cash Flow on an adjusted basis was \$173 million in the first quarter of 2020.