

THE ODP CORPORATION
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, on May 6, 2020, the Company withdrew its previously issued 2020 guidance. Due to the continued uncertainty of the severity and duration of the impacts related to the COVID-19 outbreak, the Company’s 2020 guidance remains withdrawn.

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. Adjusted Free Cash Flow is also a non-GAAP measure, which we define as free cash flow less the Federal Trade Commission cash settlement and cash charges associated with the Company’s Business Acceleration Program and its Maximize B2B Restructuring Plan.

THE ODP CORPORATION
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
NET INCOME (LOSS)
(Dollars in millions, except per share amounts) *

	13 Weeks Ended		39 Weeks Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Net Income (Loss)				
Net Income (Loss)	\$ 57	\$ 60	\$ (337)	\$ 44
Add (Less):				
Charges and credits, after tax	40	23	496	115
Adjusted net income	<u>\$ 97</u>	<u>\$ 84</u>	<u>\$ 159</u>	<u>\$ 160</u>
EPS (most dilutive) - GAAP	\$ 1.04	\$ 1.09	\$ (6.40)	\$ 0.79
Charges and credits, after tax	(0.76)	(0.44)	(9.35)	(2.10)
Adjusted EPS (most dilutive)	<u>\$ 1.80</u>	<u>\$ 1.53</u>	<u>\$ 2.95</u>	<u>\$ 2.89</u>
Weighted-average shares used:				
Basic	53	55	53	54
Diluted	54	55	54	55
Charges/Credits				
Merger and transaction related expenses, net				
Severance and retention	\$ -	\$ -	\$ -	\$ 1
Transaction and integration	3	6	17	18
Total Merger and transaction related expenses, net	<u>3</u>	<u>6</u>	<u>17</u>	<u>19</u>
Restructuring expenses				
Severance	1	-	43	40
Professional fees	10	12	21	31
Facility closure, contract termination, and other expenses, net	12	4	26	15
Total Restructuring expenses	<u>23</u>	<u>16</u>	<u>90</u>	<u>86</u>
Total Merger and restructuring expenses, net	<u>26</u>	<u>22</u>	<u>107</u>	<u>105</u>
Selling, general, and administrative expenses - Executive transition costs and other	-	2	-	3
Asset impairments	10	5	423	50
Loss on extinguishment and modification of debt	-	-	12	-
Other income, net - Indemnification asset adjustments	-	-	(2)	-
Charges and credits, pretax	<u>36</u>	<u>29</u>	<u>540</u>	<u>158</u>
Income tax effect of charges and credits	(4)	6	44	43
Charges and credits, after tax	<u>\$ 40</u>	<u>\$ 23</u>	<u>\$ 496</u>	<u>\$ 115</u>

* Amounts may not foot due to rounding. The sum of the quarterly amounts may not equal the reported amounts for the year due to rounding.

THE ODP CORPORATION
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OPERATING INCOME (LOSS)
(Dollars in millions)*

	13 Weeks Ended		39 Weeks Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Operating income (Loss)				
Operating income (loss)	\$ 102	\$ 108	\$ (273)	\$ 117
Add:				
Charges and credits, pretax	36	29	530	158
Adjusted operating income	<u>\$ 138</u>	<u>\$ 137</u>	<u>\$ 257</u>	<u>\$ 275</u>
Sales	\$ 2,539	\$ 2,782	\$ 7,422	\$ 8,139
Operating income (loss) margin	4.0%	3.9%	-3.7%	1.4%
Adjusted operating income margin	5.4%	4.9%	3.5%	3.4%

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THE ODP CORPORATION
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
ADJUSTED EBITDA
(Dollars in millions)*

	13 Weeks Ended		39 Weeks Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Adjusted EBITDA				
Net income (loss)	57	60	(337)	44
Income tax expense	42	33	27	28
Income (loss) before income taxes	99	93	(310)	72
Add (subtract):				
Interest income	-	(5)	(3)	(16)
Interest expense	6	22	35	68
Adjusted depreciation and amortization**	45	51	140	152
Charges and credits, pretax	36	29	540	158
Adjusted EBITDA	<u>186</u>	<u>191</u>	<u>402</u>	<u>434</u>
<u>Depreciation and amortization**</u>				
Reported (GAAP)	\$ 46	\$ 51	\$ 143	\$ 154
Less: Accelerated depreciation	1	-	3	2
Adjusted (non-GAAP)	<u>\$ 45</u>	<u>\$ 51</u>	<u>\$ 140</u>	<u>\$ 152</u>

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**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.

THE ODP CORPORATION
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.

	13 Weeks Ended		39 Weeks Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Cash Flow Summary (As Reported)				
Net cash provided by operating activities	\$ 309	\$ 212	\$ 489	\$ 214
Net cash provided by (used in) investing activities	(16)	(29)	746	(142)
Net cash used in financing activities	(316)	(38)	(1,188)	(145)
Effect of exchange rate changes on cash and cash equivalents	2	(1)	(4)	3
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>\$ (21)</u>	<u>\$ 144</u>	<u>\$ 43</u>	<u>\$ (70)</u>
Free Cash Flow				
Net cash provided by operating activities	\$ 309	\$ 212	\$ 489	\$ 214
Less: Capital expenditures	(14)	(32)	(54)	(123)
Free Cash Flow**	<u>\$ 295</u>	<u>\$ 180</u>	<u>\$ 435</u>	<u>\$ 91</u>

*Amounts may not foot due to rounding. The sum of the quarterly amounts may not equal the reported amounts for the year due to rounding.

**In the third quarter of 2020, Free Cash Flow includes the impact of cash charges associated with the Company's Business Acceleration Program of \$4 million and its Maximize B2B Restructuring Plan of \$13 million. In year-to-date 2020, Free Cash Flow includes the impact of cash charges associated with the Company's Business Acceleration Program of \$27 million and its Maximize B2B Restructuring Plan of \$16 million. Accordingly, adjusting for these items, Free Cash Flow on an adjusted basis was \$312 million and \$478 million, respectively, in the third quarter and year-to-date 2020. Free Cash Flow includes the impact of the Federal Trade Commission cash settlement of \$25 million in year-to-date 2019 and cash charges associated with the Company's Business Acceleration Program of \$29 million and \$59 million in the third quarter and year-to-date 2019, respectively. Accordingly, adjusting for these items, Free Cash Flow on an adjusted basis was \$209 million and \$175 million in the third quarter and year-to-date 2019, respectively.