

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report July 19, 2001

Commission file number 1-10948

OFFICE DEPOT, INC.

(Exact name of registrant as specified in its charter)

Delaware

59-2663954

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

2200 Old Germantown Road, Delray Beach, Florida 33445

(Address of principal executive offices) (Zip Code)

(561) 438-4800

(Registrant's telephone number, including area code)

Former name or former address, if changed since last report: N/A

ITEM 5. OTHER EVENTS

On July 19, 2001, Office Depot, Inc. issued a press release, with earnings information for its second fiscal quarter, ended June 30, 2001. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

99.1 Press release dated July 19, 2001, announcing financial results for the Company's second fiscal quarter, ended June 30, 2001.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OFFICE DEPOT, INC.

Date: July 19, 2001

By: /S/ DAVID C. FANNIN

David C. Fannin
Executive Vice President and
General Counsel

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OFFICE DEPOT ANNOUNCES SECOND QUARTER 2001 RESULTS

- o EPS Below Prior Year, But Exceed Consensus Estimates by \$0.02
- o Completed Major Retail Re-Merchandising Program
- o Continued Improvements on Key Operating Initiatives
- o E-Commerce Sales up 64% in Q2; Almost 75% Year to Date

(DELRAY BEACH, FL) July 19, 2001 - OFFICE DEPOT, INC. (NYSE:ODP), the world's largest seller of office products, today announced second quarter results for the period ended June 30, 2001.

Total sales for the second quarter decreased 3% to \$2.6 billion compared to the second quarter of 2000. Sales for the first six months of 2001 decreased 2% to \$5.6 billion compared to the first half of 2000. Comparable worldwide sales in the 814 stores and 41 delivery centers that have been open for more than one year decreased 2% for the second quarter and 1% for the first half of 2001. Continued economic weakness was a primary contributor to the decline in North American sales and a strong U.S. dollar continued to impact translated results in the Company's International Division.

The Company recorded net income of \$42.0 million (or \$0.14 per share) for the second quarter as compared to \$57.9 million (or \$0.18 per share) for the same period in 2000. Included in the second quarter results for 2001 were net charges primarily related to the non-cash write-downs of investments in certain Office Depot Internet marketing partners totaling \$5.9 million (\$3.7 million net of taxes, or \$0.01 per share). Included in the second quarter results for 2000 were charges of \$8.4 million (\$5.2 million net of taxes, or \$0.02 per share). On a year to date basis, the Company recorded net income of \$98.3 million (or \$0.33 per share) for the first six months of 2001 as compared to \$167.0 million (or \$0.50 per share) for the same period in 2000. Included in the results for the first six months of 2001 were net charges primarily related to write-downs of investments in certain Office Depot Internet marketing partners totaling \$6.3 million (\$4.0 million net of taxes, or \$0.01 per share). Included in the results for the first six months of 2000 were \$9.4 million (\$6.0 million net of taxes, or \$0.02 per share) of charges, and a gain on the sale of an investment of \$19.0 million (\$11.9 million net of taxes, or \$0.03 per share).

Bruce Nelson, Office Depot's CEO, commented, "The continued weakness in the North America economy and the strengthening U.S. dollar overseas are `masking' otherwise significant improvements in Office Depot's operating results, and our progress towards making Office Depot a more compelling place to work, shop and invest.

"Our North American Retail Division gross margin percentage in this quarter was the highest since the second quarter of 1999. Our retail merchandise in stock position improved, retail customer service complaints were down 22%, and the overall retail customer service index levels improved 180 basis points during the quarter. These improved results were overshadowed by continued softness in computer hardware and software sales. Overall, comparable sales growth in these categories declined 27% in the second quarter.

"But, by far, the most significant accomplishment in retail was the completion of our entire chain-wide re-merchandising program. This new comprehensive re-merchandising and product layout in all U.S. stores was completed on time, on budget, and with little disruption to store operations. We executed the new plan-o-grams during evening hours in order to minimize their impact on customers' shopping experience, and tracked each store's progress daily via the Company Intranet. The store changes include significant improvements in product adjacencies; new, vibrant and informative signage; increased availability of

private label merchandise; and new customer friendly reference charts on technology products. The end result is a more compelling, customer friendly and informative shopping experience. While it is still too early to call, we are beginning to see signs of improved retail gross margins and slightly higher market basket transactions since the completion of this rollout.

"For the second consecutive quarter, total operating costs in our Business Services Group declined as a percentage of sales. At the same time, virtually all of our customer service and quality metrics improved. We have now completed 16 of the 17 planned consolidations of Office Depot call centers, which has resulted in lower operating costs and vastly improved service for our customers.

"Our operating profit margin in our International Division reached 14%, higher than any quarter in fiscal year 2000, although slightly less than first quarter, primarily as a result of the negative U.S. dollar currency translation. During the quarter we launched our European Business Services Division into Ireland and The Netherlands. This new sales channel leverages the Company's already highly efficient merchandising, administrative, financial and logistics infrastructure in each of those countries and positions Office Depot for even higher future growth rates in these countries."

OTHER SECOND QUARTER HIGHLIGHTS INCLUDE:

- o Worldwide e-commerce sales grew 64% to \$360.2 million during the quarter, as compared to \$220.3 million for the second quarter of 2000. Worldwide e-commerce sales grew for the first six months of 2001 by 74% to \$719.6 million, as compared to \$412.9 million in 2000. These e-commerce sales include all worldwide online sales, including those from our domestic public Web sites - <http://www.officedepot.com> and <http://www.vikingop.com> -- and Office Depot's contract business-to-business sites, as well as the Company's nine international Web sites. For business segment reporting purposes, these sales are reported separately in the appropriate business segment.
- o Acquired the leading contract stationer in Western Australia, Sands & McDougall. This acquisition positions Office Depot to enter the medium and large customer segments in that part of Australia and provides the Company with a warehouse in Perth that will dramatically improve Viking's service in Western Australia.
- o Acquired the key assets of Officesupplies.com, a leading online supplier of office products. This acquisition in the online office supplies space adds new incremental business customers while leveraging our existing infrastructure in ordering, fulfillment and customer service.
- o Sold through private placement \$250 million in senior subordinated notes that mature on July 15, 2008. The notes have a 10% coupon rate and are rated Ba1 by Moody's and BB+ by Standard & Poor's rating agencies. Proceeds will be used to repay short-term debt and to support current working capital needs and enhance the Company's financial flexibility.
- o Announced "Free Supplies for Your School" Program in the U.S. and Canada. For the second year in a row, Office Depot will credit 5% of all qualifying school product purchases toward designated schools,

selected at the time of purchase, beginning July 22 and running through September 30, 2001.

2001 SECOND HALF OUTLOOK:

In discussing the Company's outlook for the second half of the year, Mr. Nelson commented, "The overall softness in the U.S. economy, and the uncertainty regarding short-term prospects for recovery will continue to be important factors in our second half performance. As we look forward, until the demand for technology shows some signs of improvement, we continue to expect negative comps in our North American Retail Division. Sales in our small business customer segments continue to be soft, and we began to see weakness in our medium to large accounts in the month of May, that continued throughout the month of June. As a result, we now expect this business segment to remain soft for the balance of the year.

"On the international front, the month of May was soft, but we experienced some improvement in June. So far, Germany and France seem to be the countries most impacted by slowing economies, but we remain confident that in local currencies our overall international operating profit will not be negatively affected. Given the current strength, and uncertain direction, of the U.S. dollar, we believe currency translation could continue to negatively impact our reported U.S. dollar results during the third and fourth quarters of 2001.

"Based on all of these factors, we do see some potential risk to our top line results in the second half of 2001. But we are seeing improvements in gross margins and we continue to aggressively manage our costs. We are maintaining tight controls on capital spending, and are seeing continued improvements in workflow and processes; and productivity is increasing. In addition, we continue to identify new ways to manage and drive accountability across our organization. Therefore, at this point in time we see no reason to change our earnings guidance for 2001. We will issue a mid-quarter status report, as is our customary practice, during mid to late August to update changes, if any, to our expectations.

"Our goal is simple: to make Office Depot the most compelling place to work, shop and invest. We are making great strides in accomplishing that mission. Our employee retention rates are increasing, our customer loyalty rates are growing, and as we demonstrate our ability to execute, we are gaining the confidence of our shareholders."

Segment Results

North American Retail Division

	Second Quarter		Year-to-Date	
(In millions of dollars)	2001	2000	2001	2000
-----	-----	-----	-----	-----
Sales	\$ 1,284.3	\$ 1,416.0	\$ 2,895.5	\$ 3,211.7
COGS and Occupancy Costs	978.7	1,085.0	2,249.2	2,472.0
	-----	-----	-----	-----
Gross Profit	305.6	331.0	646.3	739.7
Operating and Selling Expenses	230.5	228.0	486.7	479.9
	-----	-----	-----	-----
Operating Profit	75.1	103.0	159.6	259.8

Sales in the North American Retail Division declined 9% to \$1.3 billion for the second quarter of 2001, as compared with \$1.4 billion for the second quarter of 2000. Sales declined 10% to \$2.9 billion during the first six months of 2001, as compared with \$3.2 billion during the first six months of 2000. Comparable store sales in the 781 stores in the U.S. and Canada that have been open for more than one year decreased by 9% and 10% in comparison to the second quarter and first half of 2000, respectively. Store operating profit was \$75.1 million in the second quarter and \$159.6 million for the first six months of 2001, as compared with \$103.0 million in the second quarter and \$259.8 million for the first six months of 2000. Gross margins primarily benefited from changes in product mix away from lower margin technology products and other merchandising initiatives. Operating costs were negatively impacted by the payroll costs associated with the chain-wide re-merchandising program. Negative comparable sales growth, primarily the result of lower technology sales and the related market basket of items, and the historical low sales volume in the second quarter, caused a negative impact on operating profit due to a lack of leverage on fixed costs.

During the second quarter, we opened five new office supply superstores, net of closures, in four states. At the end of the quarter, Office Depot operated a total of 829 office product superstores throughout the United States and Canada.

BUSINESS SERVICES GROUP

(In millions of dollars)	Second Quarter		Year-to-Date	
	2001	2000	2001	2000
-----	-----	-----	-----	-----
Sales	\$ 913.8	\$ 870.7	\$ 1,894.8	\$ 1,754.6
COGS and Occupancy Costs	623.1	587.9	1,307.3	1,196.1
	-----	-----	-----	-----
Gross Profit	290.7	282.8	587.5	558.5
Operating and Selling Expenses	216.7	211.3	453.1	427.8
	-----	-----	-----	-----
Operating Profit	74.0	71.5	134.4	130.7

Sales in the Business Services Group increased 5% to \$913.8 million in the second quarter of 2001, as compared with \$870.7 million for the comparable period of 2000. For the first six months of 2001, sales increased 8% to \$1.9 billion, as compared to \$1.8 billion in the first six months of 2000. Warehouse operating profit was \$74.0 million in the second quarter and \$134.4 million in the first six months of 2001, as compared with \$71.5 million in the second quarter and \$130.7 million in the first six months of 2000. Overall gross profit margins declined by 68 basis points, for the quarter, and are primarily attributable to weakness in our catalog business that offset margin improvement in our contract business. Warehouse operating and selling expenses declined by 56 basis points as a result of reductions in warehouse operating costs and lower selling costs.

INTERNATIONAL DIVISION

(In millions of dollars)	Second Quarter		Year-to-Date	
	2001	2000	2001	2000
-----	-----	-----	-----	-----
Sales	\$ 356.0	\$ 347.0	\$ 782.7	\$ 734.0
COGS and Occupancy Costs	213.4	208.9	470.2	442.3
	-----	-----	-----	-----
Gross Profit	142.6	138.1	312.5	291.7
Operating and Selling Expenses	93.0	95.0	199.6	198.7
	-----	-----	-----	-----
Operating Profit	49.6	43.1	112.9	93.0

Sales in the International Division increased 3% (11% in local currencies) to \$356.0 million in the second quarter of 2001, as compared with \$347.0 million in the comparable period of 2000. Included in second quarter results were same store sales in our French retail business that grew by more than 12% in local currencies. International sales increased 7% (16% in local currencies) to \$782.7 million in the first six months of 2001, as compared with \$734.0 million in the comparable 2000 period. Unfavorable exchange rates continue to impact reported sales by approximately \$30.2 million for the quarter and \$68.6 million for the first six months of the year.

Store and warehouse operating profit in the International Division improved 15% (23% in local currencies) to \$49.6 million for the second quarter and improved 21% (31% in local currencies) to \$112.9 million for the first six months of 2001, as compared with \$43.1 million and \$93.0 million for the respective 2000 periods. International operating margins were slightly impacted by the early start-up costs of our new European Business Services Division in the U.K., Ireland and The Netherlands. Operating profit continues to be negatively impacted by unfavorable exchange rates by approximately \$3.6 million in the second quarter and \$9.3 million in the first six months of 2001.

Office Depot retail stores operate in the following countries, through a combination of wholly owned operations, joint ventures and international licensing agreements:

Number of Stores	Second Quarter Activity		Open at Quarter End	
	Opened	Closed	2001	2000
Mexico (Joint Venture)	1	--	55	44
France (*)	--	1	27	27
Israel (Joint Venture & License)	--	--	22	22
Poland (License)	--	--	16	16
Japan (*)	--	--	7	7
Hungary (License)	--	--	3	3
Thailand (License)	--	--	2	2
Colombia (Operations have been terminated)	--	--	--	2
Total	1	1	132	123

(*) Office Depot wholly owned stores

Along with its retail stores, the Company also has delivery and catalog operations in 14 countries outside of the United States and Canada.

 Conference Call Information Office Depot will hold a conference call for investors and analysts at 8:00 a.m. (Eastern Time) on today's date. The conference call will be available to all investors via Webcast at <http://www.officedepot.com/companyinfo> under Investor Relations. Interested parties may contact Investor Relations at 561-438-1680 for further information on the conference call.

As of June 30, 2001 Office Depot operated 829 office supply superstores in the United States and Canada, in addition to a national business-to-business delivery network supported by 25 delivery centers, more than 60 local sales offices and eight regional call centers. Furthermore, the Company had operations in 16 countries outside of the United States and Canada, including 27 office supply stores in France and seven in Japan that are owned and operated by the Company; and 98 additional office supply stores under joint venture and licensing agreements operating under the Office Depot(R) name in five foreign countries. The Company also operates an award-winning U.S. Office Depot(R) brand Web site at <http://www.officedepot.com> where customers can access Office Depot's low competitive prices seven days a week, twenty-four hours a day, and it operates <http://www.officedepot.co.jp> in Japan and <http://www.officedepot.fr> in France as well as Viking(R) brand Web sites at <http://www.vikingop.com> in the United States, <http://www.viking-direct.co.uk> in the United Kingdom, <http://www.viking.de> in Germany, <http://www.vikingdirect.nl> in The Netherlands, <http://www.vikingop.it> in Italy, <http://www.vikingop.com.au> in Australia, <http://www.vikingop.co.jp> in Japan and <http://www.vikingdirect.fr> in France. Office Depot's common stock is traded on the New York Stock Exchange under the symbol ODP and is included in the S&P 500 Index.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS: Except for historical information, the matters discussed in this press release are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements, including without limitation all of the projections and anticipated levels of future performance, involve risks and uncertainties which may cause actual results to differ materially from those discussed herein. These risks and uncertainties are detailed from time to time by Office Depot in its filings with the United States Securities and Exchange Commission ("SEC"), including without limitation its most recent filing on Form 10-K, filed on March 27, 2001 and all subsequent filings with the 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 <http://www.sec.gov>, <http://www.10kwizard.com> and at <http://www.freeEDGAR.com>, as well as on a number of other commercial Web sites.

OFFICE DEPOT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share amounts)
(Unaudited)

	13 Weeks Ended June 30, 2001 -----	13 Weeks Ended June 24, 2000 -----	26 Weeks Ended June 30, 2001 -----	26 Weeks Ended June 24, 2000 -----
Sales	\$2,553,503	\$2,632,850	\$5,571,417	\$5,698,507
Cost of goods sold and occupancy costs	1,814,850	1,881,337	4,025,848	4,109,348
	-----	-----	-----	-----
Gross profit	738,653	751,513	1,545,569	1,589,159
Store and warehouse operating and selling expenses	539,957	533,955	1,138,784	1,105,740
Pre-opening expenses	1,464	3,157	2,600	5,807
General and administrative expenses	119,303	115,053	228,905	221,402
Merger and restructuring costs	580	3,352	1,013	4,381
Facility closure costs	(3,164)	-	(3,164)	-
	-----	-----	-----	-----
	658,140	655,517	1,368,138	1,337,330
Operating profit	80,513	95,996	177,431	251,829
Other income (expense):				
Interest income	2,217	3,521	3,824	6,885
Interest expense	(8,515)	(7,070)	(18,796)	(14,266)
Miscellaneous income (expense), net	(7,589)	(483)	(6,426)	20,589
	-----	-----	-----	-----
Earnings before income taxes	66,626	91,964	156,033	265,037
Income taxes	24,652	34,027	57,730	98,064
	-----	-----	-----	-----
Net earnings	\$41,974	\$57,937	\$98,303	\$166,973
	=====	=====	=====	=====
Earnings per common share:				
Basic	\$0.14	\$0.18	\$0.33	\$0.52
Diluted	0.14	0.18	0.33	0.50
Weighted average number of common shares outstanding:				
Basic	297,085	313,696	296,590	318,651
Diluted	313,480	340,567	313,010	345,956

OFFICE DEPOT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

	As of June 30, 2001 -----	As of December 30, 2000 -----
Assets		
Current assets:		
Cash and cash equivalents	\$ 189,609	\$ 151,482
Receivables, net	783,614	896,333
Merchandise inventories, net	1,114,054	1,420,825
Deferred income taxes and other assets	176,274	230,449
	-----	-----
Total current assets	2,263,551	2,699,089
Property and equipment, net	1,092,862	1,119,306
Goodwill, net	221,872	219,971
Other assets	150,761	157,968
	-----	-----
	\$ 3,729,046	\$ 4,196,334
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 918,707	\$ 1,136,994
Accrued expenses and other liabilities	542,568	580,966
Income taxes payable	64,593	37,118
Current maturities of long-term debt	7,925	153,259
	-----	-----
Total current liabilities	1,533,793	1,908,337
Deferred income taxes and other credits	50,557	88,247
Long-term debt, net of current maturities	229,718	374,061
Zero coupon, convertible subordinated notes	230,023	224,438
Commitments and Contingencies		
Stockholders' Equity		
Common stock - authorized 800,000,000 shares of \$0.01 par value; issued 380,686,294 in 2001 and 378,688,359 in 2000	3,807	3,787
Additional paid-in capital	953,459	939,214
Unamortized value of long-term incentive stock grant	(2,770)	(2,793)
Accumulated other comprehensive income	(82,377)	(53,490)
Retained earnings	1,614,994	1,516,691
Treasury stock, at cost - 82,190,548 shares in 2001 and 2000	(802,158)	(802,158)
	-----	-----
	1,684,955	1,601,251
	-----	-----
	\$ 3,729,046	\$ 4,196,334
	=====	=====

OFFICE DEPOT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	26 Weeks Ended June 30, 2001 -----	26 Weeks Ended June 24, 2000 -----
Cash flows from operating activities:		
Net earnings	\$ 98,303	\$ 166,973
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	97,744	96,179
Provision for losses on inventories and receivables	61,085	47,630
Changes in working capital	135,532	18,585
Loss (gain) on investment securities	8,500	(18,960)
Other operating activities, net	22,028	8,759
	-----	-----
Net cash provided by operating activities	423,192	319,166
	-----	-----
Cash flows from investing activities:		
Proceeds from maturities or sales of investment securities	--	18,960
Purchases of investments and other assets	(6,842)	(21,612)
Capital expenditures, net of proceeds from sales	(71,546)	(126,370)
	-----	-----
Net cash used in investing activities	(78,388)	(129,022)
	-----	-----
Cash flows from financing activities:		
Proceeds from exercise of stock options and sale of stock under employee stock purchase plans	8,851	7,431
Acquisition of treasury stock	--	(200,457)
Proceeds from issuance of long-term debt	4,851	8,421
Payments on long- and short-term borrowings	(297,416)	(3,321)
	-----	-----
Net cash used in financing activities	(283,714)	(187,926)
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	(22,963)	(7,879)
	-----	-----
Net increase (decrease) in cash and cash equivalents	38,127	(5,661)
Cash and cash equivalents at beginning of period	151,482	218,784
	-----	-----
Cash and cash equivalents at end of period	\$ 189,609	\$ 213,123
	=====	=====