

Depot.Different!

**OFFICE DEPOT, INC.**

**BAIRD GLOBAL CONSUMER, TECHNOLOGY AND  
SERVICES CONFERENCE**

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**June 5, 2018**

**Joe Lower – EVP & CFO**

**Office DEPOT. OfficeMax® CompuCom.**

## **SAFE HARBOR**

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. 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 readily obtainable at no charge at [www.sec.gov](http://www.sec.gov) and at the company’s website at [investor.officedepot.com](http://investor.officedepot.com).

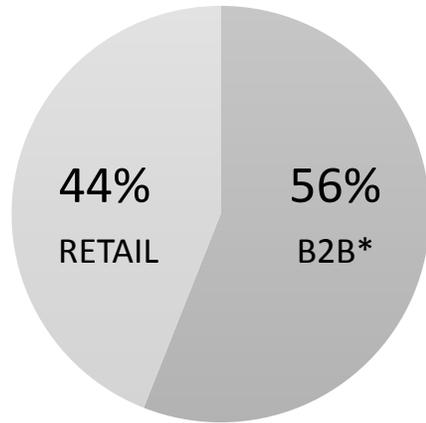
During portions of today’s presentation, the company may refer to results which are not GAAP numbers. A reconciliation of GAAP to non-GAAP measures is available on the Office Depot website at [investor.officedepot.com](http://investor.officedepot.com). The company’s outlook for 2018 includes non-GAAP measures, such as adjusted operating income and adjusted diluted earnings per share, which excludes charges or credits not indicative of core operations, which may include but not be limited to merger integration expenses, restructuring charges, acquisition-related costs, asset impairments, and other significant items that currently cannot be predicted. The exact amount of these charges or credits are not currently determinable, but may be significant. Accordingly, the company is unable to provide equivalent reconciliations from GAAP to non-GAAP for these financial measures.

## **GUIDANCE AND OUTLOOK**

Statements related to 2018 guidance and outlook for 2019 and 2020 are as of May 16, 2018. Guidance has not been updated to reflect any information subsequent to that date.

# Significant Assets, Customers, Reach

2018 Q1



Services 14%

● Retail ● B2B (BSD & CompuCom)

\*NOTE: Does not include additional B2B sales that are captured in Retail

450M+



OMNI-CHANNEL  
CUSTOMER IMPRESSIONS

~ 5.9 MILLION



SMBs WITHIN  
3 MILES OF OUR STORES

28.6M



ANNUAL ACTIVE CUSTOMERS

50,000+



DEDICATED EMPLOYEES

6,000+



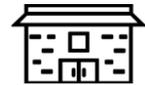
EMPLOYEE TECHNICIANS

1,800+



SALES PROFESSIONALS

~1,400 RETAIL



LOCATIONS IN NORTH AMERICA

DELIVER TO  
98.5%



OF US POPULATION NEXT-DAY

COMPELLING

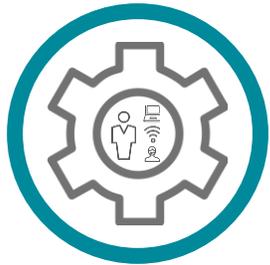
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PRIVATE LABEL BRANDS

# WHERE WE WERE ONE YEAR AGO

**5 Years Declining Revenue / Unsustainable Profitability**

## Core Products



- BSD in decline
- Declining store traffic
- Lack of customer focus

## Business Services



- ~7% of revenue
- No strategic focus
- Limited expertise

## Operations



- No management system
- Neglected infrastructure
- No focus on COGS/FCF

## Demand Generation



- Analog marketing -1980s
- Not customer centric
- Lack of ROI discipline

# OUR HISTORICAL CHALLENGE

OMX merger led to **closing unprofitable & overlapping stores**, boosting operating income and comp sales

However, **the effect isn't sustainable** as both operating income and comp sales have declined the past two years

Since the merger, **ODP closed 500+ stores and lost \$1.5B in retail sales**



# [ DIFFERENTIATED STRATEGY ]

Deliver customer focused value through the integration of business services and products via an omni-channel platform

## TRANSFORM

our business

Acquisition of CompuCom

Digital demand generation

Retail transformation

## STRENGTHEN

our core

Superior customer experience

Low cost business model

Product innovation

## DISRUPT

for our future

E2E Business Services Platform

New routes to market

Analytics Excellence / AI

UNIQUE OMNI-CHANNEL PLATFORM

# THE OMNI-CHANNEL ADVANTAGE

- Increased personalization and digital marketing driving growth in eCommerce
- Consultative sales approach
- Customized pricing and product assortment
- 98.5% of the US population covered next day through 50+ Distribution Centers & Ship from Store.
- Same day service through Buy Online Pick up in Store and Same Day Delivery in select markets



# ACTIONS WE ARE TAKING

## Core Products



- Focused Assortment/ SKU Reduction
- Variable Compensation
- Private Label & Partnership
- Move to Adjacencies

## Business Services



- Focus & Aligned Strategy
- Subscriptions Sales
- Cross-Selling Services & Products
- CompuCom

## Operations



- Robust Management System
- Investment in Infrastructure
- Supply Chain Investments
- Cash & Cost Focus

## Demand Generation



- Analytics COE / AI
- Customer Segmentation
- Digital Media
- Higher ROI Vehicles

# WINNING EVERY DAY!

# TRAFFIC IMPROVING

STARTING Q4 2017



Doubled-down on targeting Businesses and Omni-channel customers



Concentrated on Demand Generation!  
Target message to target audience



Shifted spend to digital



Reignited eCommerce



Encouraged a test and learn environment



Empowered data

## Online Traffic

|  | 2017  | 2017   | 2018  |
|--|-------|--------|-------|
|  | Q1-Q3 | Q4     | Q1    |
|  | -1.5% | +18.4% | +9.0% |

DEMAND GENERATION IS REVVED UP!

# SERVICE OFFERINGS 2017 AND ROADMAP

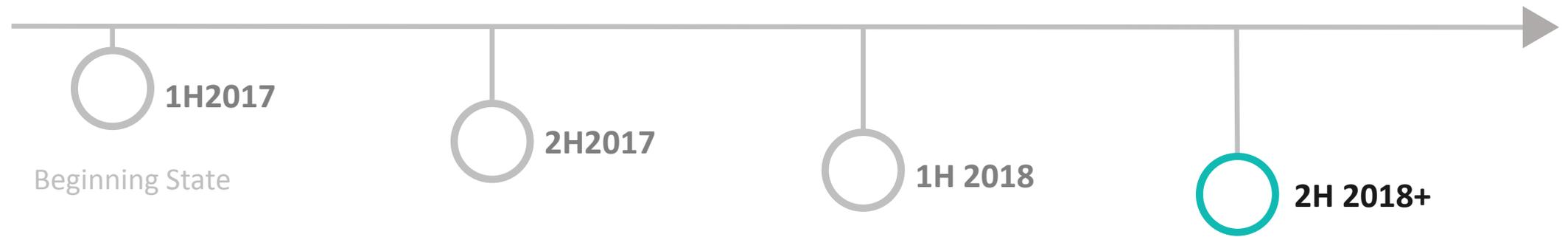
- Basic Print Services
- Outsourced Tech Services
- Mail & Ship
- Product Protection Plans

- Hired Top Tech Talent
- Leveraged CompuCom Services in SMB
- Fully Deployed Large Format Printers
- Introduced Packing Services

- Rolled Out New Capabilities
  - Subscription Platform
  - Device as a Service
  - IT as a Service
  - Device Managed Services
  - 3D Printing
- Autopay Experience on Self Service Copy & Print
- Optimized Tech Services Assortment
- Co-Working Test
- Nationwide Cell Phone Repair

## Workonomy

- Fully Integrated Business Services and Product offerings
- One stop shop for all Business Services
- Expanded Business Services offerings
  - Business & Health Insurance
  - Customer Service as a Service
  - Hiring Services
  - Business Coaching
  - Tax Services



# WHY COMPUCOM

## Snapshot 2018

CompuCom.

CompuCom is a part of Office Depot

**\$10.8B**  
revenue



**11,000**  
CompuCom  
associates



**100,000+**  
certifications

We modernize with  
**AUTOMATION**

and have more than  
**6000**  
employee  
technicians



Together, we resolve  
more than **90%**  
of service requests on the  
**FIRST CONTACT**

15

consecutive years that  
CompuCom has earned  
significant analyst accolades

- ★ **2018 LEADER**  
Gartner Magic Quadrant  
Managed Workplace Services,  
North America<sup>1</sup>
- ★ **2018 #1 End-User Device**  
Gartner Critical Capabilities,  
Managed Workplace Services,  
North America<sup>2</sup>
- ★ **2018 TOP 50 BEST WORKPLACE**  
Silicon Review - Top 50 Best  
Workplaces of the Year

### Our Clients

**6 of the top 10**  
financial services firms  
in North America

**7 of the top 10**  
retailers in  
North America



of our clients have worked  
with us for more than five years



of our revenue comes  
from repeat clients

**4.80** out of **5**  
client satisfaction  
(industry average: 4.77)

**6 of the top 10**  
Fortune 500  
companies



of IT service revenue is  
recurring annuity clients



average client  
relationship

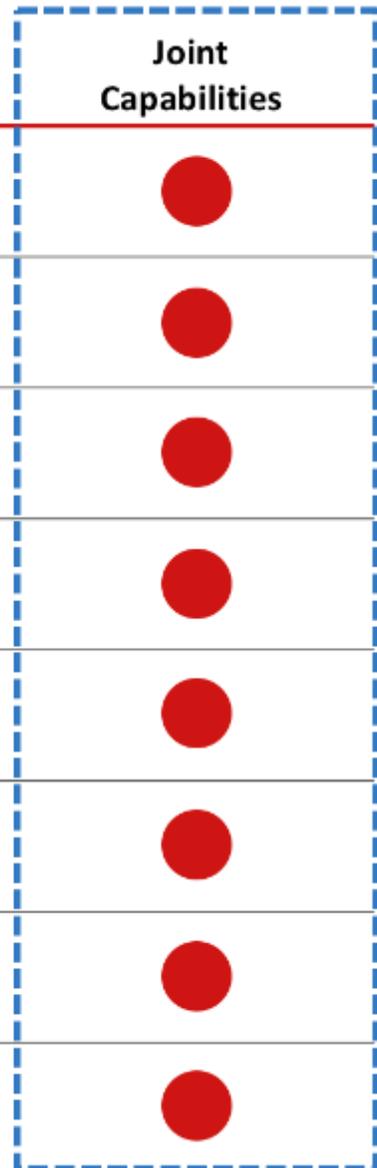
© 2018 CompuCom

1: Gartner "Magic Quadrant for Managed Workplace Services, North America" by Daniel Barros, Helen Hurdley, Karen A. Hobert, January 23, 2018.  
2: Gartner "Critical Capabilities for Managed Workplace Services, North America" by Daniel Barros, David Greenwood, February 9, 2018

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**OFFICE DEPOT  
WITH COMPUCOM  
WILL ENHANCE ITS  
TECH SERVICES  
CAPABILITIES**

|  | Office Depot<br>Capabilities | CompuCom<br>Capabilities | Joint<br>Capabilities |
|--|------------------------------|--------------------------|-----------------------|
| Hardware Sales                                 |                              |                          |                       |
| Nationwide Distribution<br>Footprint           |                              |                          |                       |
| Technology Services<br>Capabilities            |                              |                          |                       |
| Dispatch Field Services                        |                              |                          |                       |
| Managed Print Services                         |                              |                          |                       |
| Cloud Related Services /<br>IOT                |                              |                          |                       |
| IT Professional Services                       |                              |                          |                       |
| Large Customer Base /<br>Omni-channel Platform |                              |                          |                       |



# TRANSMISSION OF STRATEGY TO RESULTS



\* The Company's outlook for 2018 included in this presentation is for continuing operations only and includes non-GAAP measures, such as adjusted operating income, which excludes charges or credits not indicative of core operations, which may include but not be limited to merger integration expenses, restructuring charges, acquisition-related costs, executive transition costs, asset impairments and other significant items that currently cannot be predicted. The exact amount of these charges or credits are not currently determinable, but may be significant. Accordingly, the Company is unable to provide equivalent reconciliations from GAAP to non-GAAP for these financial measures.

# [ SUBSTANTIAL LIQUIDITY ]

**Cash Balance  
Q1 2018**

\$737M

**ABL Availability**

~\$900M

**2018 Cash Generation  
Outlook\***

~\$450M

LIQUIDITY TO FUND OPERATIONS, FUEL GROWTH & RETURN CAPITAL

\*Cash generation includes approximately \$100 million of proceeds from sale of international operations completed in 2018.

# OUTLOOK FOR 2019 AND 2020\*

|                                | 2018 Outlook | 2019 & 2020 Outlook |
|--------------------------------|--------------|---------------------|
| Sales                          | ~\$10.8 B    | 0% to 2% CAGR       |
| Services (as % of total sales) | ~15%         | ~20%                |
| Adjusted Operating Income*     | ~\$360 M     | 3% to 5% CAGR       |
| Free Cash Flow                 | ~\$350 M     | ~\$350 M            |

## IMPROVING PERFORMANCE WITH POSITIVE OUTLOOK

\* The Company's outlook for 2018, 2019 & 2020 included in this presentation is for continuing operations only and includes non-GAAP measures, such as adjusted operating income, which excludes charges or credits not indicative of core operations, which may include but not be limited to merger integration expenses, restructuring charges, acquisition-related costs, executive transition costs, asset impairments and other significant items that currently cannot be predicted. The exact amount of these charges or credits are not currently determinable, but may be significant. Accordingly, the Company is unable to provide equivalent reconciliations from GAAP to non-GAAP for these financial measures.

# CAPITAL ALLOCATION PRIORITIES

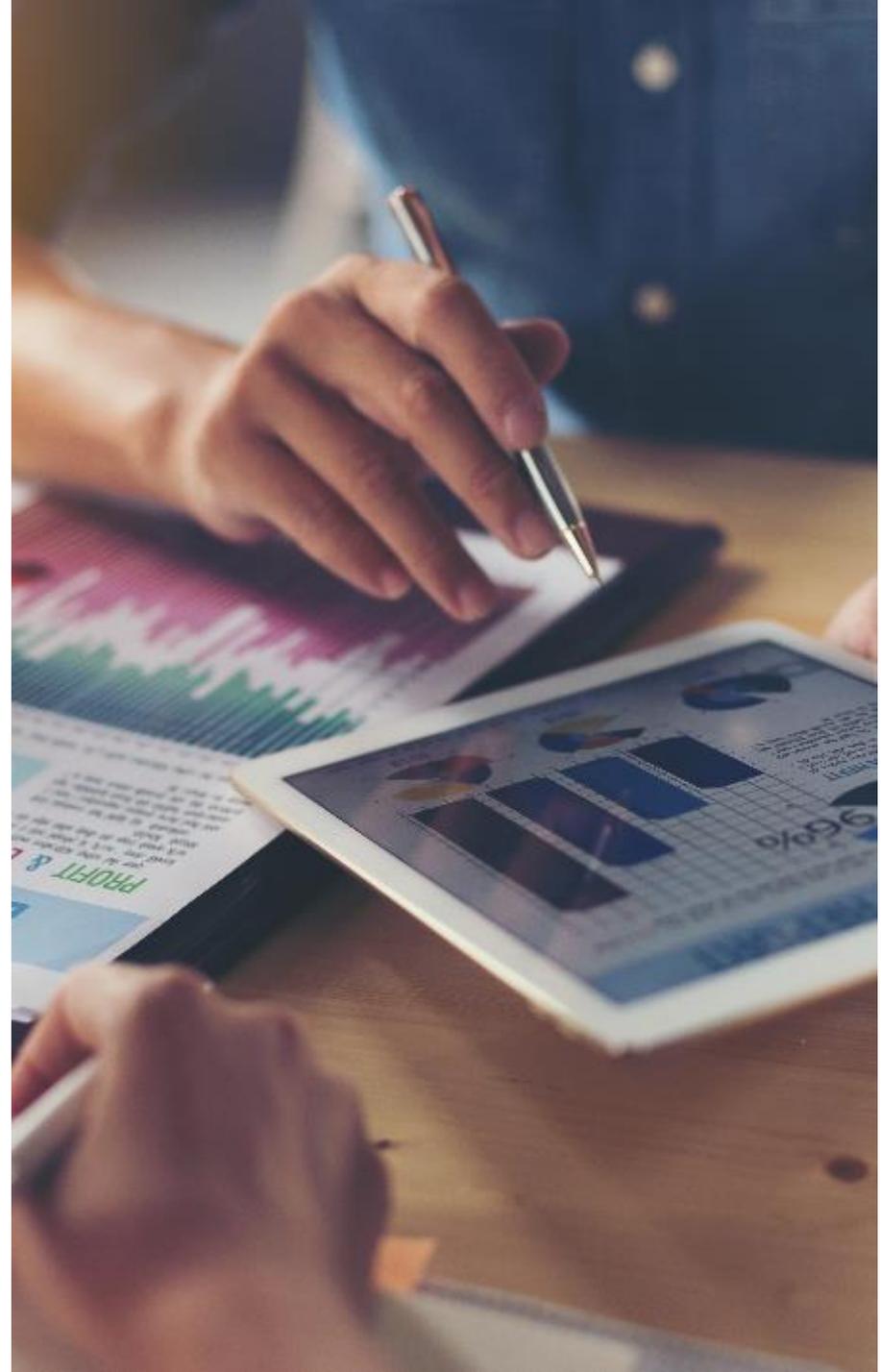
|                                    | Outlook 2018     | Outlook 2019 & 2020 |
|------------------------------------|------------------|---------------------|
| Cash Generation to Deploy*         | ~\$450 M         | ~\$350 M            |
| Mandatory Debt Repayments*         | <u>(~\$75 M)</u> | <u>(~\$75 M)</u>    |
| Shareholder Dividends*             | <u>(~\$58 M)</u> | <u>(~\$58 M)</u>    |
| Remaining Cash Available to Deploy | ~\$315 M         | ~\$215 M            |

\* Cash generation in 2018 includes approximately \$100 million of proceeds from sale of international operations completed in 2018. Future shareholder dividends are expected. Current Term Loan agreement governs debt repayment, dividend and share repurchase ability

## BALANCED CAPITAL DEPLOYMENT STRATEGY

# KEY TAKEAWAYS

- ✓ Generating demand to improve business trajectory
- ✓ Transforming to higher margin, defensible businesses
- ✓ Significant liquidity and strong cash generation engine
- ✓ Adequate capital to fund growth and return to stakeholders (debt & equity)
- ✓ Improving performance with positive long-term outlook



# [ Q & A ] SESSION