

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: April 28, 2009

Commission file number 1-10948

**OFFICE DEPOT, INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

59-2663954

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

6600 North Military Trail, Boca Raton, Florida

(Address of principal executive offices)

33496

(Zip Code)

(561) 438-4800

(Registrant's telephone number, including area code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Attached hereto as Exhibit 99.1.1 and incorporated by reference herein is Office Depot, Inc.'s news release dated April 28, 2009, announcing its financial results for its fiscal first quarter 2009. This release also contains forward-looking statements relating to Office Depot's fiscal year 2009.

This information is furnished pursuant to Item 2.02 of Form 8-K. The information in this report shall not be treated as filed for purposes of the Securities Exchange Act of 1934, as amended.

ITEM 7.01 REGULATION FD DISCLOSURE

The latest Investor Relations presentation that management of Office Depot, Inc. (the "Company") intends to cover in any meetings with shareholders during the quarter is attached to this Current Report on Form 8-K as Exhibit 99.1.2. The presentation provides an overview of the Company, perspective on the office supply market and the Company's operating results for the quarter ended April 28, 2009. In addition, the presentation provides information on strategy, action plans and outlook. The Company will also post the attached materials on its web site ([www.OfficeDepot.com](http://www.OfficeDepot.com)) located in the Investor Relations section of that site.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

Exhibit 99.1.1 News release of Office Depot, Inc. issued on April 28, 2009.

Exhibit 99.1.2 Presentation Materials for Investor Relations Conferences for Office Depot, Inc.

**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: April 28, 2009

By: /s/ ELISA D. GARCIA C.

Elisa D. Garcia C.  
Executive Vice President, General Counsel  
and Corporate Secretary

# Office DEPOT.

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## CONTACTS:

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## OFFICE DEPOT ANNOUNCES FIRST QUARTER 2009 RESULTS

**Boca Raton, Fla., April 28, 2009** — Office Depot, Inc. (NYSE: ODP), a leading global provider of office products and services, today announced results for the fiscal quarter ending March 28, 2009.

### **FIRST QUARTER RESULTS <sup>1</sup>**

Total Company sales for the first quarter decreased 19% to \$3.2 billion. Total Company operating expenses, adjusted for Charges, decreased by \$192 million from the first quarter of 2008. EBIT, adjusted for Charges, was \$57 million in the first quarter of 2009 or 1.8% as a percentage of sales, compared to \$124 million or 3.1% as a percentage of sales in the prior-year period.

The Company reported a net loss of \$55 million in the first quarter of 2009, compared to earnings of \$69 million in the same period of 2008. The loss per share on a diluted basis was \$0.20 for the quarter, versus earnings per share of \$0.25 in the first quarter of 2008. Adjusted for Charges, the Company reported earnings of \$27 million and earnings per share on a diluted basis of \$0.10 for the first quarter of 2009, versus earnings of \$78 million and earnings per share of \$0.29 in the same period one year ago.

In the first quarter of 2009, the Company's cash flow from operations was \$98 million and cash flow before financing activities was \$160 million.

### **FIRST QUARTER DIVISION RESULTS**

#### **North American Retail Division**

First quarter 2009 sales in the North American Retail Division were \$1.4 billion, down 16% compared to the same period last year. Comparable store sales in the 1,138 stores in the U.S. and Canada that have been open for more than one year decreased 17% for the first quarter. While most of the decline can be attributed to macroeconomic factors as consumers and small business customers reduced their spending, especially on large ticket items like furniture and computers, the decision to be less aggressive with advertising promotions in certain categories also contributed to the sales decrease.

The North American Retail Division had an operating profit of \$81 million for the first quarter, basically flat with the operating profit of \$82 million reported in the same period of the prior year. The benefit to operating profit from higher product margins, lower charges for shrink and inventory valuation, unprofitable store closures and expense reduction, was offset by the flow through impact from the sales volume decline in the first quarter.

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<sup>1</sup> Includes non-GAAP information. First quarter results include impacts of previously announced programs ("Charges"). Additional information is provided in our Form 10-Q filing. Reconciliations from GAAP to non-GAAP financial measures can be found in this release, as well as on the corporate web site, [www.officedepot.com](http://www.officedepot.com), under the category Investor Relations.

During the first quarter, Office Depot closed 107 stores and relocated one store, bringing the total store count to 1,160 as of March 28, 2009.

Inventory per store was approximately \$635 thousand at the end of the first quarter of 2009, down about 27% from the prior year. This decrease is primarily due to improved inventory management and reduced exposure to big ticket inventory items.

#### **North American Business Solutions Division**

First quarter 2009 sales in the North American Business Solutions Division were \$914 million, down 17% compared to the same period last year, driven by continued significant spending cuts by the Division's customers in all segments.

The North American Business Solutions Division reported an operating profit of \$33 million for the first quarter of 2009 compared to \$60 million for the same period of the prior year. The decrease in operating profit during the first quarter of 2009 primarily relates to the flow through impact from the sales volume decline, the negative impact of product margins, including a less profitable mix, cost increases that were not fully passed on to customers and increased promotional activity in the Direct channel. These impacts more than offset reduced selling expenses, lowered general and administrative costs, and increased vendor program funds.

#### **International Division**

The International Division reported sales of \$875 million in the first quarter of 2009, a decrease of 24% compared with the same period last year, while sales in local currency decreased by 9%.

Division operating profit was \$19 million in the first quarter of 2009 compared to \$60 million in the same period of the prior year. The decrease in operating profit was driven by the flow through impact from the sales volume declines, an increase in promotional activity, cost increases that could not fully be passed on to the customer and unfavorable foreign exchange rates that more than offset an improvement in operating expenses.

#### **Other Matters**

The Company recognized about \$120 million of pre-tax Charges related to the strategic business review actions taken in the first quarter of 2009. The Charges related primarily to lease accruals, severance expenses and inventory write downs related to facilities that closed during the period. During the balance of 2009, the Company expects to recognize approximately \$110 million in additional Charges related to actions covered by both the strategic review and legacy 2005 initiatives. The actions taken as part of the strategic business review should benefit full year 2009 EBIT and cash flow by approximately \$130 million and \$85 million, respectively.

In addition to the cash flow benefits provided by the actions taken as part of the strategic business review, the Company continues to pursue other internal sources of liquidity. In the first quarter of 2009, Office Depot realized approximately \$160 million in cash from these initiatives, including sale leasebacks of owned properties in the U.S. and Europe, dividends received from a joint venture, tax refunds and the benefit from reduced capital spending.

At the end of March 2009, the Company had nothing drawn on its asset-based loan (ABL) facility, and had \$160 million in outstanding letters of credit against the facility, leaving it with \$630 million of availability. With \$630 million of ABL availability and \$176 million in cash on hand at the end of March, Office Depot exited the first quarter of 2009 with \$806 million in total available liquidity. The Company expects the ABL availability to increase by \$100 million to \$150 million in the second quarter as inventories ramp up to support the third quarter Back to School season.

More information on the strategic business review is available in our Form 8-K's filed with the Securities and Exchange Commission on December 10, 2008 and March 10, 2009, and our Form 10-K filed with the Securities and Exchange Commission on February 24, 2009.

Additional information on the Company's strategic business review and first quarter results can be found in our Form 10-Q filed with the Securities and Exchange Commission on April 28, 2009.

#### **Non-GAAP Reconciliation**

A reconciliation of GAAP results to non-GAAP results excluding certain items is presented in this release and also may be accessed on the corporate website, [www.officedepot.com](http://www.officedepot.com), under the category Company Info.

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#### **Conference Call Information**

Office Depot will hold a conference call for investors and analysts at 9 a.m. (Eastern Daylight Time) today. The conference call will be available to all investors via Web cast at <http://investor.officedepot.com>. Interested parties may contact Investor Relations at 561-438-7893 for further information.

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#### **About Office Depot**

Every day, Office Depot is Taking Care of Business for millions of customers around the globe. For the local corner store as well as Fortune 500 companies, Office Depot provides products and services to its customers through 1,604 worldwide retail stores, a dedicated sales force, top-rated catalogs and a \$4.6 billion e-commerce operation. Office Depot has annual sales of approximately \$14.5 billion, and employs about 42,000 associates around the world. The Company provides more office products and services to more customers in more countries than any other company, and currently sells to customers directly or through affiliates in 48 countries.

Office Depot's common stock is listed on the New York Stock Exchange under the symbol ODP and is included in the S&P 500 Index. Additional press information can be found at: <http://mediarelations.officedepot.com>.

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS: 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. We want to take advantage of the "safe harbor" provisions of the Act. Certain statements made in this press release are 'forward-looking' statements under the Act. Except for historical financial and business performance information, statements made in this press release should be considered 'forward-looking' as referred to in the Act. Much of the information that looks towards future performance of our company is based on various factors and important assumptions about future events that may or may not actually come true. As a result, our operations and financial results in the future could differ materially and substantially from those we have discussed in the forward-looking statements made in this press release. Certain risks and uncertainties are detailed from time to time in our 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 [www.freeEDGAR.com](http://www.freeEDGAR.com), as well as on a number of other commercial web sites.**

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

	As of March 28, 2009	As of December 27, 2008	As of March 29, 2008
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 175,957	\$ 155,745	\$ 181,524
Receivables, net	1,174,176	1,255,735	1,573,663
Inventories	1,128,061	1,331,593	1,644,090
Deferred income taxes	212,744	196,192	110,903
Prepaid expenses and other current assets	182,825	183,122	155,942
Total current assets	2,873,763	3,122,387	3,666,122
Property and equipment, net	1,416,996	1,557,301	1,669,078
Goodwill	19,431	19,431	1,329,554
Other intangible assets	27,195	28,311	110,395
Other assets	514,110	540,796	577,903
Total assets	<u>\$4,851,495</u>	<u>\$ 5,268,226</u>	<u>\$ 7,353,052</u>
<b>Liabilities and stockholders' equity</b>			
Current liabilities:			
Trade accounts payable	\$1,098,977	\$ 1,251,808	\$ 1,540,042
Accrued expenses and other current liabilities	1,099,310	1,173,201	1,213,248
Income taxes payable	8,631	8,803	10,283
Short-term borrowings and current maturities of long-term debt	54,687	191,932	125,597
Total current liabilities	2,261,605	2,625,744	2,889,170
Deferred income taxes and other long-term liabilities	646,211	585,861	572,577
Long-term debt, net of current maturities	674,888	688,788	623,246
Total liabilities	<u>3,582,704</u>	<u>3,900,393</u>	<u>4,084,993</u>
Commitments and contingencies			
Stockholders' equity:			
Office Depot, Inc. stockholders' equity:			
Common stock — authorized 800,000,000 shares of \$.01 par value; issued and outstanding shares — 280,628,656 in 2009, 280,800,135 in December 2008 and 428,993,252 in March 2008	2,806	2,808	4,290
Additional paid-in capital	1,197,372	1,194,622	1,795,905
Accumulated other comprehensive income	170,719	217,197	584,225
Retained earnings (accumulated deficit)	(48,469)	6,270	3,852,578
Treasury stock, at cost — 5,926,763 shares in 2009, 5,938,059 shares in December 2008 and 155,889,488 shares in March 2008	(57,812)	(57,947)	(2,985,217)
Total Office Depot, Inc. stockholders' equity	1,264,616	1,362,950	3,251,781
Noncontrolling interest	4,175	4,883	16,278
Total stockholders' equity	1,268,791	1,367,833	3,268,059
Total liabilities and stockholders' equity	<u>\$4,851,495</u>	<u>\$ 5,268,226</u>	<u>\$ 7,353,052</u>

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

	13 Weeks Ended	
	March 28, 2009	March 29, 2008
Sales	\$3,225,264	\$3,962,017
Cost of goods sold and occupancy costs	<u>2,315,002</u>	<u>2,793,337</u>
Gross profit	910,262	1,168,680
Store and warehouse operating and selling expenses	794,320	866,806
General and administrative expenses	176,399	198,550
Amortization of deferred gain on building sale	<u>—</u>	<u>(1,873)</u>
Operating profit (loss)	(60,457)	105,197
Other income (expense):		
Interest income	1,194	905
Interest expense	(17,918)	(14,820)
Miscellaneous income (expense), net	<u>(3,559)</u>	<u>8,301</u>
Earnings (loss) before income taxes	(80,740)	99,583
Income tax expense (benefit)	<u>(25,408)</u>	<u>30,950</u>
Net earnings (loss)	(55,332)	68,633
Less: Net earnings (loss) attributable to the noncontrolling interest	<u>(593)</u>	<u>(140)</u>
Net earnings (loss) attributable to Office Depot, Inc.	<u>\$ (54,739)</u>	<u>\$ 68,773</u>
Net earnings (loss) attributable to Office Depot, Inc. per common share:		
Basic	\$ (0.20)	\$ 0.25
Diluted	(0.20)	0.25
Weighted average number of common shares outstanding:		
Basic	273,179	272,394
Diluted	273,179	272,840



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

	13 Weeks Ended	
	March 28, 2009	March 29, 2008
<b>Cash flows from operating activities:</b>		
Net earnings (loss) attributable to Office Depot, Inc.	\$ (54,739)	\$ 68,773
Adjustments to reconcile net earnings (loss) attributable to Office Depot, Inc. to net cash provided by operating activities:		
Depreciation and amortization	53,662	63,567
Charges for losses on inventories and receivables	23,671	27,569
Changes in working capital and other	75,158	(32,780)
Net cash provided by operating activities	<u>97,752</u>	<u>127,129</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(30,860)	(105,853)
Acquisition related payments	—	(270)
Release of restricted cash	—	18,100
Purchase of assets subsequently sold	—	(25,668)
Proceeds from assets sold	98,209	33,756
Net cash provided by (used in) investing activities	<u>67,349</u>	<u>(79,935)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from exercise of stock options and sale of stock under employee stock purchase plans	18	54
Treasury stock additions from employee related plans	—	(880)
Net payments on borrowings	(140,008)	(90,764)
Net cash used in financing activities	<u>(139,990)</u>	<u>(91,590)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(4,899)</u>	<u>2,966</u>
Net increase (decrease) in cash and cash equivalents	20,212	(41,430)
Cash and cash equivalents at beginning of period	155,745	222,954
Cash and cash equivalents at end of period	<u>\$ 175,957</u>	<u>\$ 181,524</u>

**OFFICE DEPOT, INC.**  
**GAAP to Non-GAAP Reconciliations**

A reconciliation of GAAP financial measures to non-GAAP financial measures and the limitations on their use may be accessed on the corporate website, [www.officedepot.com](http://www.officedepot.com), under the category Company Info. Certain portions of those reconciliations are provided in the following tables. (\$ in millions, except per share amounts)

<b>Q1 2009</b>	<b>GAAP</b>	<b>% of Sales</b>	<b>Charges</b>	<b>Non-GAAP</b>	<b>% of Sales</b>
Gross profit	\$ 910.3	28.2%	\$ 9.9	\$ 920.2	28.5%
Operating expenses	\$ 970.7	30.1%	\$ (110.1)	\$ 860.6	26.7%
Operating profit (loss)	\$ (60.4)	(1.9)%	\$ 120.0	\$ 59.6	1.8%
Net earnings (loss) attributable to Office Depot, Inc.	\$ (54.7)	(1.7)%	\$ 82.0	\$ 27.3	0.8%
Earnings (loss) attributable to Office Depot, Inc. per diluted share	\$ (0.20)		\$ 0.30	\$ 0.10	

<b>Q1 2008</b>	<b>GAAP</b>	<b>% of Sales</b>	<b>Charges</b>	<b>Non-GAAP</b>	<b>% of Sales</b>
Gross profit	\$1,168.7	29.5%	\$ —	\$ 1,168.7	29.5%
Operating expenses	\$1,063.5	26.8%	\$ (10.7)	\$ 1,052.8	26.6%
Operating profit	\$ 105.2	2.7%	\$ 10.7	\$ 115.9	2.9%
Net earnings attributable to Office Depot, Inc.	\$ 68.8	1.7%	\$ 9.3	\$ 78.1	2.0%
Earnings attributable to Office Depot, Inc. per diluted share	\$ 0.25		\$ 0.04	\$ 0.29	

**OFFICE DEPOT, INC.**  
**GAAP to Non-GAAP Reconciliations (Continued)**

	<u>Q1 2009</u>	<u>Q1 2008</u>
<b>Cash Flow Summary</b>		
Net cash provided by (used in) operating activities	\$ 97.8	\$ 127.1
Net cash provided by (used in) investing activities	67.3	(79.9)
Net cash provided by (used in) financing activities	(140.0)	(91.6)
Effect of exchange rate changes on cash and cash equivalents	(4.9)	3.0
Net increase (decrease) in cash and cash equivalents	<u>\$ 20.2</u>	<u>\$ (41.4)</u>
<b>Free Cash Flow</b>		
Net cash provided by (used in) operating activities	\$ 97.8	\$ 127.1
Less: Capital expenditures	<u>30.9</u>	<u>105.8</u>
Free Cash Flow	<u>\$ 66.9</u>	<u>\$ 21.3</u>
<b>Cash Flow Before Financing Activities</b>		
Net increase (decrease) in cash and cash equivalents	\$ 20.2	\$ (41.4)
Less: Net cash provided by (used in) financing activities	<u>(140.0)</u>	<u>(91.6)</u>
Cash Flow Before Financing Activities	<u>\$ 160.2</u>	<u>\$ 50.2</u>

\* Free cash flow is calculated as net cash provided by (used in) operating activities less capital expenditures.

\*\* Cash flow before financing activities is calculated as the net increase (decrease) in cash and cash equivalents less net cash provided by (used in) financing activities.

**Office Depot, Inc.**  
**DIVISION INFORMATION**  
**(Unaudited)**

**North American Retail Division**

<i>(Dollars in millions)</i>	First Quarter	
	2009	2008
	\$1,436.4	\$1,713.5
Sales	1,713.5	1,713.5
% change	(16)%	(7)%
Division operating profit	\$ 81.3	\$ 82.5
% of sales	5.7%	4.8%

**North American Business Solutions Division**

<i>(Dollars in millions)</i>	First Quarter	
	2009	2008
Sales	\$ 914.1	\$1,104.0
% change	(17)%	(5)%
Division operating profit	\$ 33.1	\$ 59.6
% of sales	3.6%	5.4%

**International Division**

<i>(Dollars in millions)</i>	First Quarter	
	2009	2008
Sales	\$ 874.7	\$1,144.5
% change	(24)%	6%
% change in local currency sales	(9)%	(4)%
Division operating profit	\$ 18.5	\$ 60.2
% of sales	2.1%	5.3%

Division operating profit excludes Charges from the Division performance, as those Charges are evaluated at a corporate level.

**Office Depot, Inc.**  
**SELECTED FINANCIAL AND OPERATING DATA**  
**(Unaudited)**

**Selected Operating Highlights**

	<b>13 Weeks Ended March 28, 2009</b>	<b>13 Weeks Ended March 29, 2008</b>
<b>Store Statistics</b>		
<b>United States and Canada:</b>		
<b>Store count:</b>		
Stores opened	—	45
Stores closed	107	—
Stores relocated	1	1
<b>Total U.S. and Canada stores</b>	<b>1,160</b>	<b>1,267</b>
North American Retail Division square footage:	28,347,697	30,744,621
Average square footage per NAR store	24,438	24,266
Inventory per store (end of period)	\$ 635,000	\$ 864,000
<b>International Division company-owned:</b>		
<b>Store count:</b>		
Stores opened	2	1
Stores closed	5	1
<b>Total International company-owned stores</b>	<b>159</b>	<b>148</b>



Supplemental Investor Presentation  
First Quarter 2009

April 2009

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## Safe Harbor Statement

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The Private Securities Litigation Reform Act of 1995 (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. We want 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 our company is based on various factors and important assumptions about future events that may or may not actually come true. As a result, our operations and financial results in the future could differ materially and substantially from those we have discussed in the forward-looking statements made during this presentation. Certain risks and uncertainties are detailed from time to time in our 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. During portions of today’s presentation, we may refer to results which are not GAAP numbers. A reconciliation of non-GAAP numbers to GAAP results is available on our web site at [www.investor.officedepot.com](http://www.investor.officedepot.com).

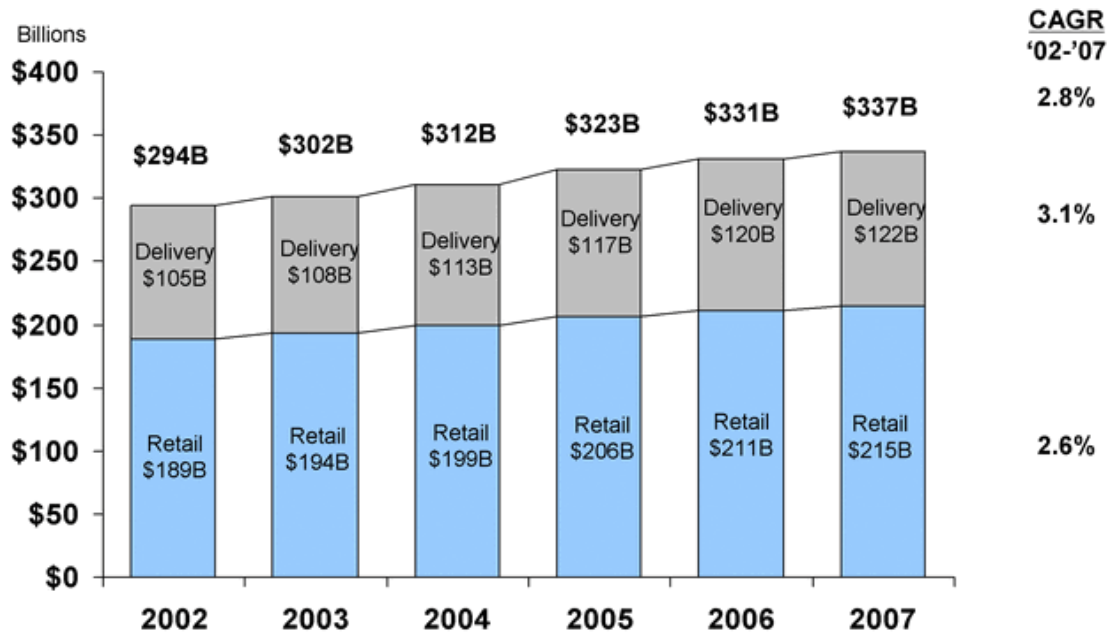
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## Industry Perspective



## U.S. Office Products Industry

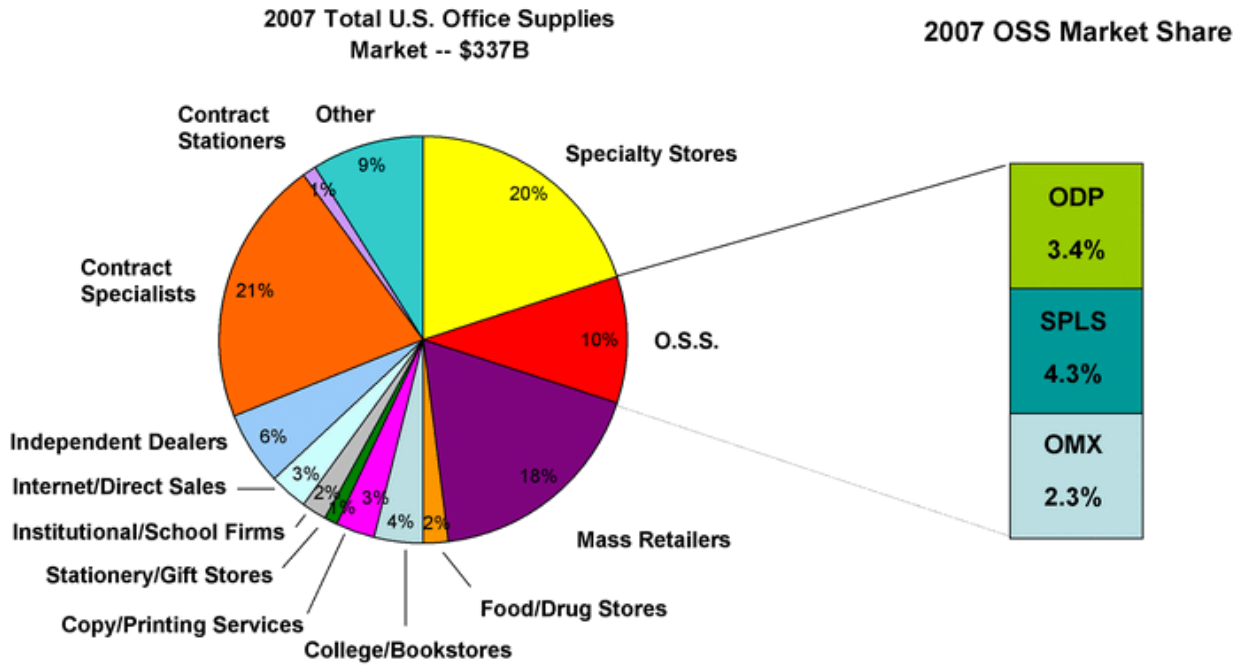
*We began to see some cyclicalty from a weakening macroeconomic environment beginning in early 2007.*



Source: School and Office Products Network – State of the Industry Report 2008 / Office Depot Estimates

# U.S. Office Products Industry

*OSS comprise a small portion of the overall U.S. office supply industry*



Source: School and Office Products Network – State of the Industry Report 2008 / Office Depot Estimates  
 Note: Figures may not add to 100% due to rounding

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# Office Depot Overview

## Office Depot – Business Overview

# Office DEPOT.

- Office Depot is a leading global provider of office products and services
- 2008 sales of \$14.5 billion
  - Supplies: 61% of sales
  - Technology: 25% of sales
  - Furniture and Other: 14% of Sales
- Multi-channel – stores, catalog, Internet and contract serve business customers of any size, from small home office to Fortune 500 accounts
  - 58% of 2008 sales were not in North American Retail
  - One of the world's largest e-commerce retailers – \$4.8 billion in sales in 2008

**North American Retail**  
(42% of 2008 Sales)

- Over 1,100 stores\* in U.S. and Canada
- Largest concentration of stores in California, Florida and Texas

**N.A. Business Solutions**  
(29% of 2008 Sales)

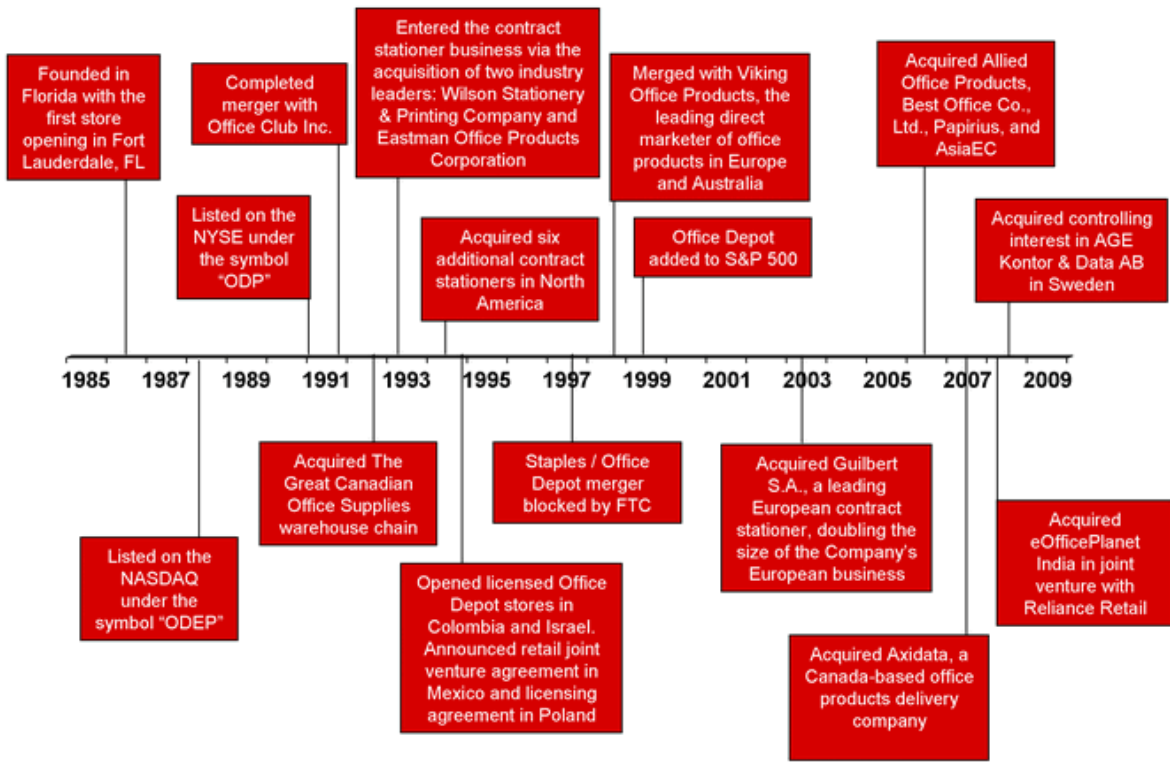
- Catalog, contract and e-commerce
- Dedicated sales force works with medium sized to Fortune 100 customers
- Orders serviced through 16 distribution centers\*

**International**  
(29% of 2008 Sales)

- Catalog, contract, e-commerce and retail
- Sells to customer directly and through affiliates in 45 countries outside of North America
- 35+ websites and over 400 stores

\*As of March 28<sup>th</sup>, 2009

# Office Depot Timeline



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# Strategic Priorities

## Strategic Priorities – Taking Care of Business

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### Cash Management



- Reducing capital expenditures
- Inventory management
- Exiting businesses with negative cash flows

### North American Retail



- Continuing product assortment reviews
- Increasing high margin services
- Manage inventory tightly
- Reduce new store openings

### North American Business Solutions



- Reorganized sales force to become regionally focused
- Improve telephone account management program
- Retail and BSD organizations aligning their efforts
- Optimize Direct pricing and promotional strategy

### International



- Shifting from channel approach to customer segment approach in Europe
- Harmonizing and rationalizing SKU assortment
- Expanding presence in new markets

## Strategic Business Review Update

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- Strategic business review actions should benefit EBIT by \$130 million and cash flow by \$85 million in 2009
- Recognized \$120 million of pre-tax Charges in Q1 2009
- First quarter actions included:
  - Closed 106 underperforming North American Retail stores
  - Closed five North American distribution facilities
  - Streamlined European organizational structure
  - Began rationalizing Japanese retail business
  - Reduced North American headquarters staffing levels
- Expect additional Charges of \$110 million Q2 – Q4 2009
  - Cash usage estimated to be about \$90 million
  - Should benefit EBIT by about \$105 million and cash flow by \$60 million



## N. A. Retail – Taking Care of Business Update

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### North American Retail



- **Product assortment line reviews going well**
  - Improved pricing and more exciting product presentations for customer
- **Continue to upgrade high-margin services critical to micro-business customers**
  - Including Design, Print & Ship and Tech Depot Services
- **Managing inventory very tightly**
  - Reduced end of period inventory per store by 27% in first quarter versus prior year but maintained high "in stock" levels
- **Reducing new store openings**
  - Fewer than 12 new store openings planned for 2009
- **Committed to providing strong customer service**
  - Very high customer satisfaction scores

## N.A. Business Solutions – Taking Care of Business Update

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### North American Business Solutions



- Reorganized sales force to become more regionally focused
  - Territory Account Managers are responsible for retaining as well as growing the business
- Improving the telephone account management (TAM) program
  - Expanded responsibilities to include handling orders and prospecting
- North American Retail and Business Solutions organizations aligning their efforts
  - Collaborating more closely to meet customers' needs
- Continue to optimize Direct pricing and promotional strategy
  - Launched new pricing strategy
- Pursuing new business opportunities and vertical product offerings

## International – Taking Care of Business Update

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International



- Shifting from channel approach to customer segment approach in Europe
  - Accomplished by monitoring the purchasing behaviors of customers
  - Identifies prospective customers
- Harmonizing and rationalizing SKU assortment
  - Simplify inventory management
  - Reducing costs and inventory levels
  - Initial results are encouraging
- Expanding presence in new markets
  - Using strategic alliances, franchise arrangements and partnerships
  - Expect to open two new franchise stores in Kuwait in the second half of 2009

## Private Brand/Global Sourcing Initiative

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### Private Brand/Global Sourcing

- Private brand penetration percentage is currently in the high 20's
- Private Brand Penetration/Global Sourcing to improve margin
  - Opened Office Depot sourcing office in Shenzhen, China in 2007
  - Supplemented with third-party sourcing resources
  - Expanding categories of products sourced and countries utilized
  - Independent audits of all factories and chain of custody of goods for environmental, social, and quality issues
  - All Private Brand meets or exceeds industry testing requirements

# Private Brands

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 FORAY™



realspace™



**Office DEPOT.**



**Office DEPOT.**  
green



tug™



niceday™



ativa™



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## Centralization

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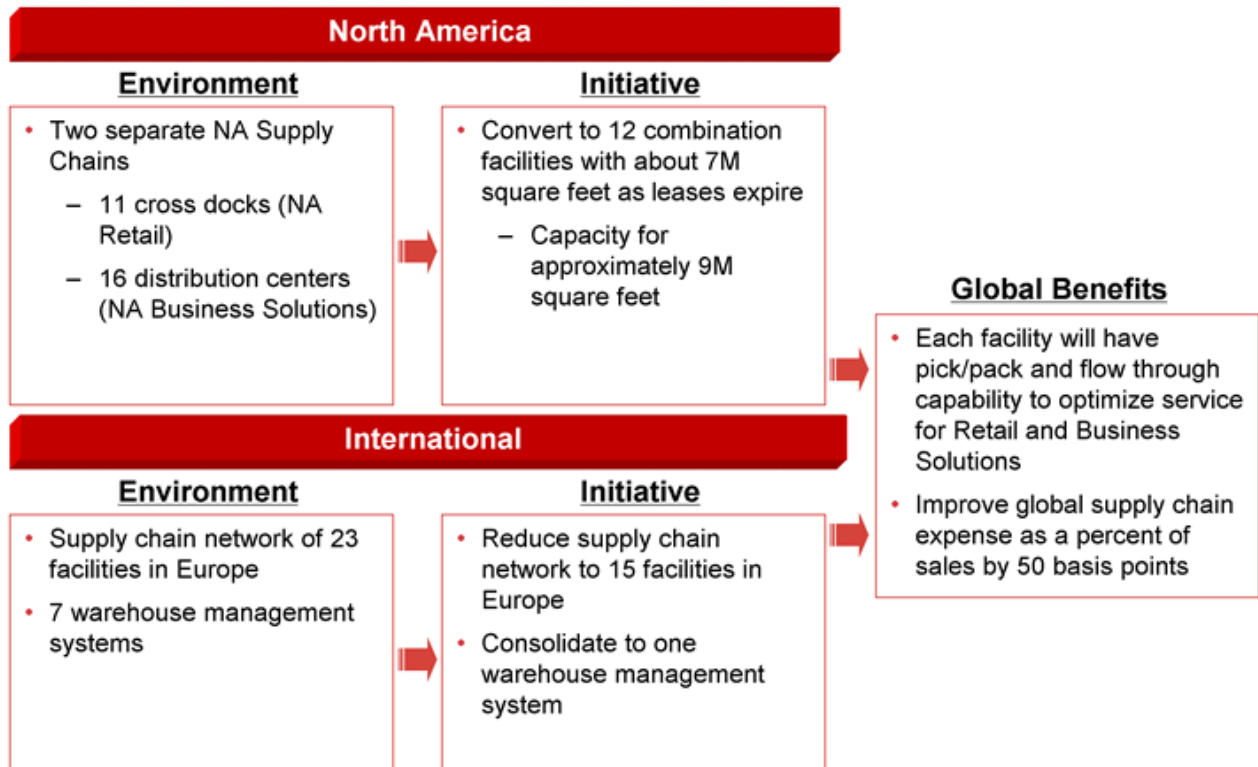
### Financial Back Office

- North America—Utilize third parties for a number of financial functions
  - Some in North America, some offshore
  - Assign credit
  - Collections and cash application
- International—Completed transition of financial functions to Eastern Europe
  - Credit, collections, cash applications

### Call Center

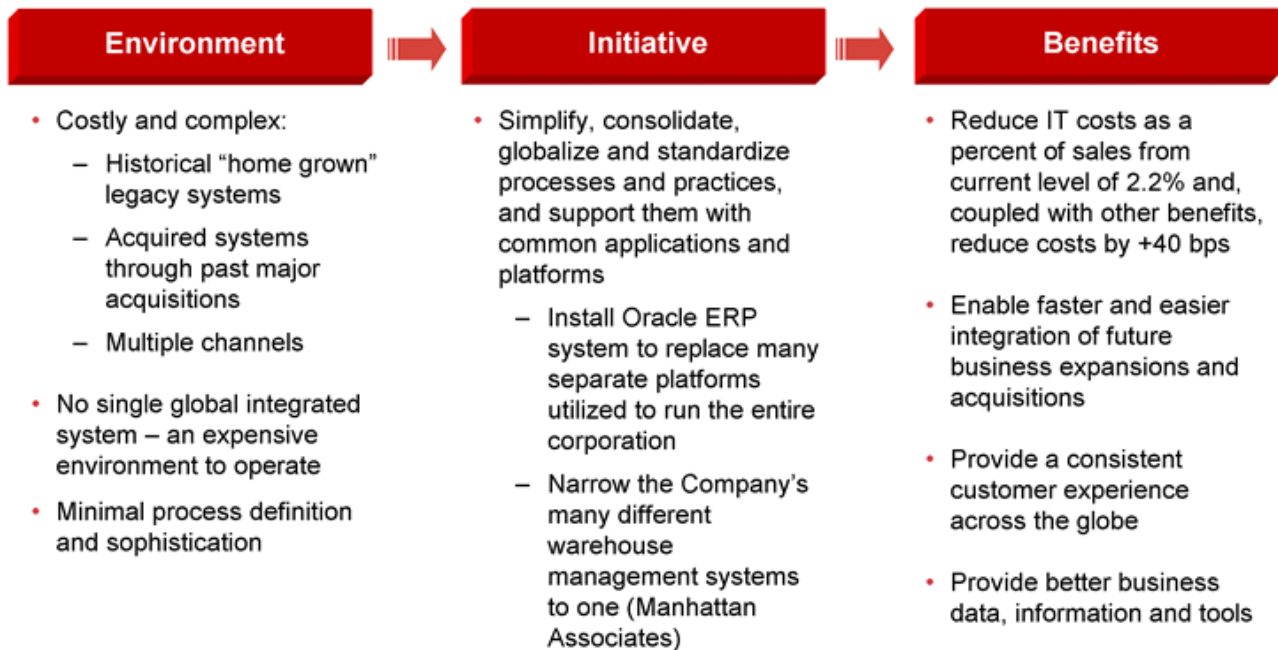
- North America—Global Accounts, Executive Customer Service, E-Commerce handled in 2 centers in U.S.
  - Balance of inbound calls near shore and offshore
- International—In the process of consolidating E.U. call centers

# Global Supply Chain Initiative



# Global Information Technology Initiative

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# First Quarter 2009 Results

## First Quarter 2009 Summary

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- Total Company sales of \$3.2 billion, a decline of approximately 19% versus first quarter of 2008
- GAAP loss of \$55 million or \$0.20 per share on a diluted basis
- Adjusted for Charges<sup>(1)</sup>, earnings of \$27 million or \$0.10 per share on a diluted basis
- Pre-tax Charges of \$120 million or \$0.30 per share for actions taken as part of the strategic business review
- Company had Cash Flow Before Financing Activities<sup>(1)(2)</sup> of \$160 million and Free Cash Flow<sup>(1)(3)</sup> of \$67 million in the first quarter of 2009

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<sup>1</sup>Non-GAAP numbers. A reconciliation of GAAP to non-GAAP numbers can be found on the Office Depot web site [www.officedepot.com](http://www.officedepot.com).  
<sup>2</sup>Cash Flow Before Financing Activities equals total change in cash less cash flow from financing activities.  
<sup>3</sup>Free Cash Flow equals net cash provided by operating activities less capital expenditures.

## Consolidated Financials – First Quarter 2009

*in millions, except ratios,  
returns and per share data*

	Q1 2009		Q1 2008	
	Amount	% Sales	Amount	% Sales
Sales	\$ 3,225	--	\$ 3,962	--
Operating Expenses <sup>(1)</sup>	\$ 861	26.7%	\$ 1,053	26.6%
EBIT <sup>(1)</sup>	\$ 57	1.8%	\$ 124	3.1%
Net Earnings <sup>(1)</sup>	\$ 27	0.8%	\$ 78	2.0%
Net Earnings (Loss) - GAAP	\$ (55)	-1.7%	\$ 69	1.7%
Diluted Shares	273.2	--	272.8	--
EPS - GAAP	\$ (0.20)	--	\$ 0.25	--
EPS <sup>(1)</sup>	\$ 0.10	--	\$ 0.29	--

<sup>1</sup>Non-GAAP numbers, adjusted for Charges. A reconciliation of GAAP to non-GAAP numbers can be found on the Office Depot web site at [www.officedepot.com](http://www.officedepot.com).

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## North American Retail – Results

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<i>in millions, except ratios and statistics</i>	<u>Q1 2009</u>	<u>Q1 2008</u>
Sales	\$ 1,436	\$ 1,713
Comparable Sales	-17%	-9%
Division Operating Profit	\$ 81	\$ 82
Division Operating Margin	5.7%	4.8%

## North American Retail – Results & Variance Analysis

- Sales down 16%; comparable store sales 17% lower in the first quarter of 2009
  - AOV lower as customers reduced spending on discretionary items
  - Less aggressive with promotions
- Operating profit of \$81 million versus \$82 million one year ago
- Key components of the operating profit change include:
  - Higher product margins than year ago
  - Lower charges for shrink and inventory valuation
  - Closure of unprofitable stores
  - Expense reduction, including lower advertising and pre-opening expenses
  - Flow through impact from sales volume decline

	Operating Profit (in millions)
Q1 2008	\$ 82
Product margin improvement	27
Lower charges for shrink and inventory valuation	15
Store closures	15
Expense reduction	13
Flow through impact from sales volume decline	(71)
Q1 2009	\$ 81

## North American Business Solutions – Results

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<i>in millions, except ratios and statistics</i>	<u>Q1 2009</u>	<u>Q1 2008</u>
Sales	\$ 914	\$ 1,104
Division Operating Profit	\$ 33	\$ 60
Division Operating Margin	3.6%	5.4%

## N.A. Business Solutions – Results & Variance Analysis

- Sales down 17% in the first quarter of 2009
  - Continued significant spending cuts in all customer segments
  - Further deterioration in sales to small- to medium-sized customers and large, national account customers
- Operating profit of \$33 million versus \$60 million one year ago
- Factors driving the operating profit change included:
  - Flow through impact from weaker sales volume
  - Less profitable mix, cost increases unable to pass on to our customers and increased promotions, partially offset by increased vendor program funds
  - Partially offset by reduced selling and G&A expenses

	Operating Profit (in millions)
Q1 2008	\$ 60
Flow through impact from sales volume decline	(36)
Less profitable mix, cost increases and increased promotions	(13)
Benefit from reduced selling and G&A expenses	22
Q1 2009	\$ 33

## International – Results

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<i>In millions, except ratios and statistics</i>	<u>Q1 2009</u>	<u>Q1 2008</u>
Sales	\$ 875	\$ 1,145
Change in Local Currency Sales	-9%	-4%
Division Operating Profit	\$ 19	\$ 60
Division Operating Margin	2.1%	5.3%



## International – Results & Variance Analysis

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- Sales down 24% in the first quarter of 2009
  - Local currency sales down 9%
  - Difficult conditions abroad
- Operating profit was \$19 million versus \$60 million one year ago
- Factors driving the operating profit change included:
  - Benefit from reduced selling and distribution costs
  - Flow through impact from sales decline
  - Increased promotional activity and cost increases that could not full be passed to the customer
  - Impact of stronger U.S. dollar on foreign exchange rates

	Operating Profit (in millions)
Q1 2008	\$ 60
Reduced selling and distribution costs	21
Flow through impact from sales volume decline	(42)
Increase in promotional activity and higher costs	(13)
Foreign exchange impact	(7)
Q1 2009	\$ 19

## Summary and Outlook

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- Operating results exceeded our expectations in the first quarter
- Second quarter EBIT<sup>(1)</sup> loss likely as we experience a seasonal sequential decline in EBIT<sup>(1)</sup> from Q1 to Q2
- May use some cash in the second quarter, due primarily to the normal back to school inventory build
- EBIT<sup>(1)</sup> could be slightly negative in the second half of 2009
- Expect Free Cash Flow<sup>(1)(2)</sup> to be \$50 - \$100 million in 2009 and Cash Flow Before Financing<sup>(1)(3)</sup> to be in the \$275 - \$325 million range
- Continue to take conservative approach to liquidity for near and long term
- Committed to managing the Company through these challenging times

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<sup>1</sup>Non-GAAP numbers, adjusted for Charges. A reconciliation of GAAP to non-GAAP numbers can be found on the Office Depot web site at [www.officedepot.com](http://www.officedepot.com).

<sup>2</sup>Free Cash Flow equals net cash provided by operating activities less capital expenditures.

<sup>3</sup>Cash Flow Before Financing Activities equals total change in cash less cash flow from financing activities.

## Charges

<i>in millions</i>	<b>Q1</b>		<b>Projected<sup>(1)</sup></b>
	<b>2009</b>	<b>2008</b>	<b>Q2 – Q4 2009</b>
N.A. Retail & Supply Chain Initiatives	\$ 87	\$ -	\$ 25
Other Initiatives & Headcount Reductions	26	-	65
Asset Write Downs	7	-	-
2005 Initiatives	-	11	20
<b>Total Charges</b>	<b>\$ 120</b>	<b>\$ 11</b>	<b>\$ 110</b>
Cash Usage	\$ 28	\$ 7	\$ 90

<sup>(1)</sup> Future amounts may be impacted by charges as plans are implemented and changes in currency exchange rates.

## Cash Flow Highlights

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<i>in millions</i>	<b>Q1 2009</b>	<b>Q1 2008</b>
Net Earnings (Loss)	\$ (55)	\$ 69
Depreciation & Amortization	\$ 54	\$ 64
Other Operating and Non-Cash Items	\$ 99	\$ (6)
Capital Expenditures	\$ (31)	\$ (106)
Free Cash Flow <sup>(1)(2)</sup>	\$ 67	\$ 21
Other Investing Activities & FX Impact on Cash	\$ 93	\$ 29
Cash Flow Before Financing Activities <sup>(1)(3)</sup>	\$ 160	\$ 50

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<sup>3</sup>Cash Flow Before Financing Activities equals total change in cash less cash flow from financing activities.

## Liquidity Update

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- At the end of the first quarter, Office Depot had \$806 million in total available liquidity
- Excellent cash flow in the quarter resulted in no ABL borrowings at quarter end
- Expect ABL availability to increase \$100 – \$150 million in the second quarter as Office Depot ramps up inventories for third quarter Back to School season
- Expect to be Free Cash Flow<sup>(1)(2)</sup> positive in 2009
- Expect Cash Flow Before Financing Activities<sup>(1)(3)</sup> to be in \$275 – \$325 million range for 2009
- Liquidity initiatives completed in the first quarter contributed \$160 million in cash
- Assuming second quarter is seasonally weak and slight EBIT loss in the second half of year, Office Depot should expect minimal or no ABL borrowings at quarters end for the balance of 2009

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<sup>2</sup>Free Cash Flow equals net cash provided by operating activities less capital expenditures.  
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## Balance Sheet Highlights

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<i>in millions, except ratios and returns</i>	<u>Q1 2009</u>	<u>Q1 2008</u>
Cash and Cash Equivalents	\$ 176	\$ 182
NAR Inventory Per Store (end of period)	\$ 0.635	\$ 0.864
Inventories	\$ 1,128	\$ 1,644
Working Capital <sup>(1)</sup>	\$ 491	\$ 721
Working Capital as a % of Sales <sup>(2)</sup>	4.4%	3.8%
Net Debt (end of period)	\$ 554	\$ 567

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<sup>1</sup>Working Capital = (current assets – cash and short-term investments) – (current liabilities – current maturities of long-term debt)

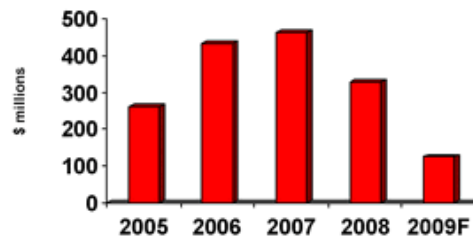
<sup>2</sup>Working Capital as % of Sales = (WC Q1 current year + WC Q1 prior year) / 2 / Trailing four quarter sales

## Capital Expenditures

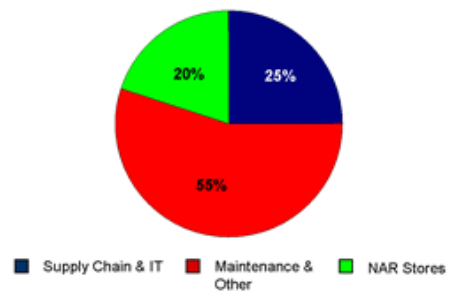
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- Continue to be careful with capital spending and will make adjustments as necessary in regard to new store openings, store remodels, IT and supply chain spending for the balance of this year
- Q1 2009 capital spending was \$31 million
- FY 2009 is targeted at \$125 million, which is about 50% of projected depreciation and amortization

Annual Capex



2009 Capex by Category



## Asset-Based Loan Summary

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- Successfully closed five year, \$1.25 billion asset-based loan (ABL) facility in the third quarter of 2008
- ABL replaces previous \$1.0 billion bank revolver
- ABL is designed to provide liquidity to support global operations
- Bank syndication includes JPMorgan, Citibank, Bank of America, Wachovia, Wells Fargo and GE Capital, among others
- The ABL facility is secured by the company's current assets including accounts receivable, inventory, and cash and depository accounts
- The ABL facility contains incurrence financial covenants
  - Incurrence-based financial covenants provide greater operating flexibility
  - No fixed-charge coverage ratio test as long as availability on the line is over \$187 million
- At the end of March, the Company had nothing drawn on its asset-based loan (ABL) facility, and had \$160 million in outstanding letters of credit against the facility, leaving it with \$630 million of availability

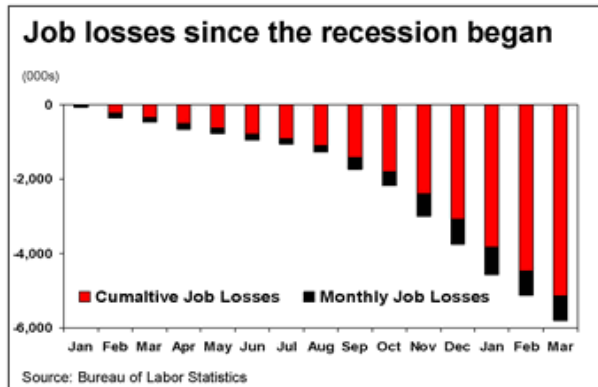


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# Macroeconomic Environment

# Challenging Business Environment

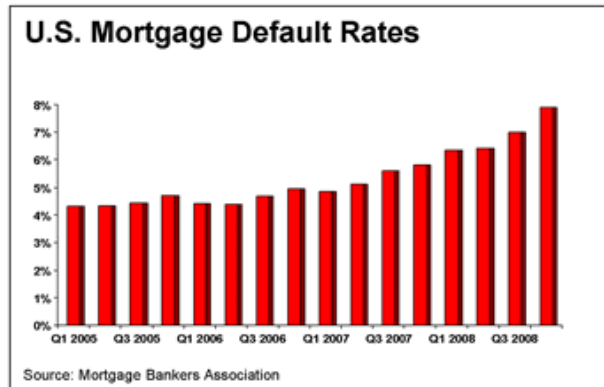
## U.S. Recession Job Losses Top 5 Million in March



*“The U.S. shed 663,000 jobs in March, pushing total losses since the recession started 16 months ago past five million. The jobless rate rose to 8.5%.”*

*Wall Street Journal, April 3, 2009*

## U.S. Housing Crisis Driving Mortgage Default Rates



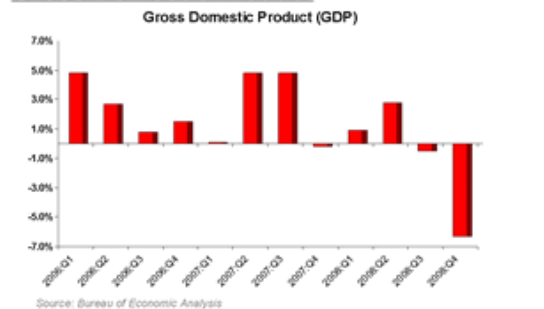
*“The U.S. mortgage quarterly default rate has increased by about 210 basis points from one year ago.”*

*Mortgage Banker's Association of America*

Note: Permission to quote was neither sought nor obtained.

# U.S. GDP / The Consumer

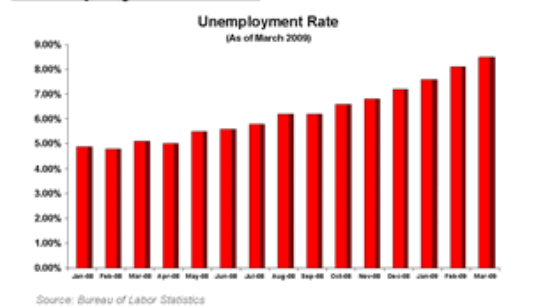
## Gross Domestic Product



## Consumer Confidence

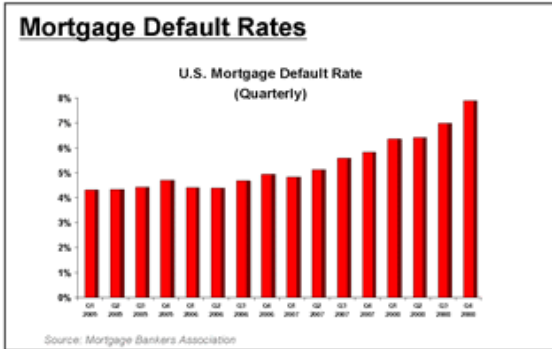


## Unemployment Rate



- U.S. economy shrank 6.2% in Q4'08, exceeding earlier forecasts due to a downturn in exports and a much larger decrease in equipment and software
- U.S. consumer confidence, which had decreased moderately in January, declined in February, reaching yet another all-time low
- U.S. unemployment rose to 8.5% in March 2009. Job losses were large and widespread across nearly all major industry sectors

# Small Business / Home Sales



- The number of months leading indicator shows continued increases are expected. Delinquency rates increased significantly from 5.1 in Q3'08 to 6.9 in Q4'08
- The number of months that an existing home is on the market has steadily increased over the last twelve months and is more than twice the length of time it was in 2004
- The U.S. mortgage quarterly default rate has increased by 89 basis points since Q3'08, and up 206 basis points from one year ago

# **Office DEPOT®**

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## **Taking Care of Business**

April 2009