



Fourth Quarter and Full Year  
**2020** Enhanced  
Earnings Report

# Safe Harbor Statement

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, including the impacts on our business due to the unknown severity and duration of the COVID-19 outbreak. 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 available at no charge at [www.sec.gov](http://www.sec.gov) and at the Company’s website at [investor.theodpcorp.com](http://investor.theodpcorp.com).

During portions of today’s presentation, the Company may refer to results which are non-GAAP financial measures. A reconciliation of GAAP to non-GAAP financial measures is available on the Company’s website at [investor.theodpcorp.com](http://investor.theodpcorp.com). These measures exclude charges or credits not indicative of core operations and the tax effects of these items, which may include but not be limited to merger integration, restructuring, acquisition costs, asset impairments, loss on extinguishment of modification of debt and executive transition costs. The exact amount of these charges or credits are not currently determinable but may be significant. Accordingly, the Company is unable to provide GAAP measures or equivalent reconciliations from GAAP to non-GAAP for these financial measures.

# Update on Staples Proposed Offer

David Bleisch, EVP and Chief Legal & Administrative Officer



# Gerry Smith

Chief Executive Officer



# Rising to the Challenges of 2020

**COVID environment  
posed challenges**

Local restrictions

Business shutdowns/paused operations

Work environment changes

Evolving customer needs

Distributed workforces



**Through it all, we remained true to our core tenets,  
lived our 5C Culture, and continued to execute**

**Delivered  
solid operating  
results**

**Made significant progress on  
our B2B pivot and digital  
transformation**

# Corporate Responsibility

Setting higher standards  
for working, investing,  
and giving back

depot  
difference  
.com  
Office Depot

## Winning Culture



Customer Commitment  
Change Caring Creativity

## ESG Matters

**Environmental** Reduced GHG emissions

**Social** Focused on diversity and inclusion

**Governance** Independent Directors and Pay for Performance

## Community Investment



#depotdifference

# ODP's Strategic Tenets

1

## Drive Low-Cost Model

Lower fixed cost, scalable model

2

## Transition to Higher Growth Opportunities

Expanding our value proposition;  
grow adjacency categories

3

## Evolving into Higher Value Businesses

New growth engines, digital  
transformation, leveraging B2B assets

4

## Embed 5C Culture

Creating Long-Term Shareholder Value

# 2020 Significant Accomplishments

Implemented and Maintained Safety Measures for Associates and Customers

**1** Drove Solid Operating Results & Free Cash Flow

**2** Expanded Our Value Proposition

**3** Made Significant Progress on B2B Evolution and Digital Transformation

**4** Further Strengthened Balance Sheet



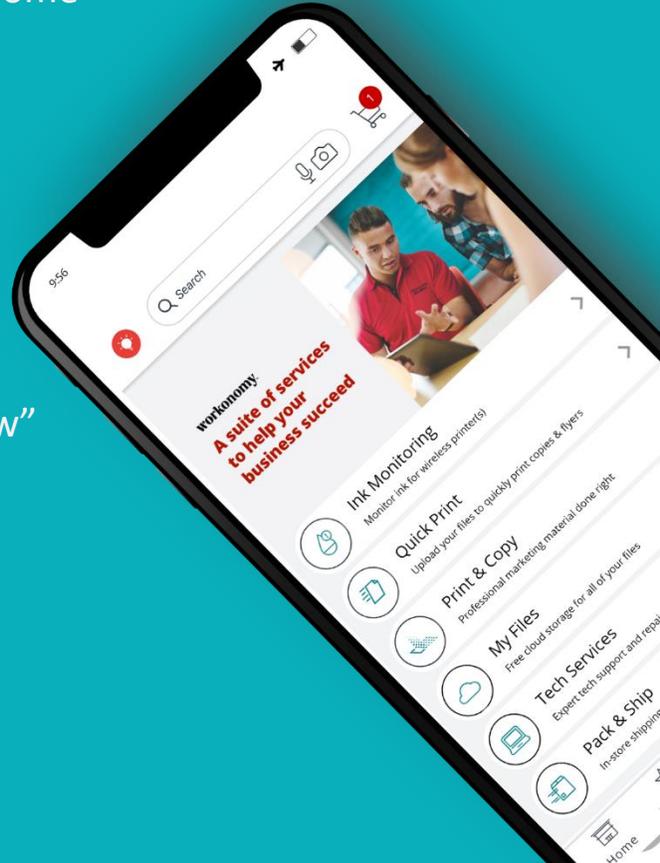
THE ODP CORPORATION

Office DEPOT OfficeMax CompuCom. GRAND&TOY.



# Addressed the Evolving Needs of Customers

- Working & learning from home
- Staying connected
- Home office products, services and support
- PPE needs
- Reliability and “need it now”
- Cost management



## Global Sourcing & Supply Chain Ecosystem



Global Sourcing  
& Supply Chain



Multiple Routes  
to Market



Broad Products  
& Services



Go-to-Market  
Engine

# Diverse Routes to Market

Retail and eCommerce Partially Offset COVID Impact in Contract and CompuCom

## Retail & Omni

Omni

Retail Sales



“BOPIS; curb-side pick-up”

## Digital Channels

eCommerce



“Shift to on-line”  
“Reliable Supply Chain”

## Contract & Services

Enterprise/Contract  
Disruption

Services Volume



“Business disruption in education  
and enterprises”

# Strong eCommerce and Omni Demand

Growing digital presence helped offset COVID impacts



**15%\***

Increase in BSD eCommerce Demand



**27%\***

Increase in Total Omni Demand



Office DEPOT OfficeMax CompuCom. GRAND&TOY.

\*Year-Over-Year

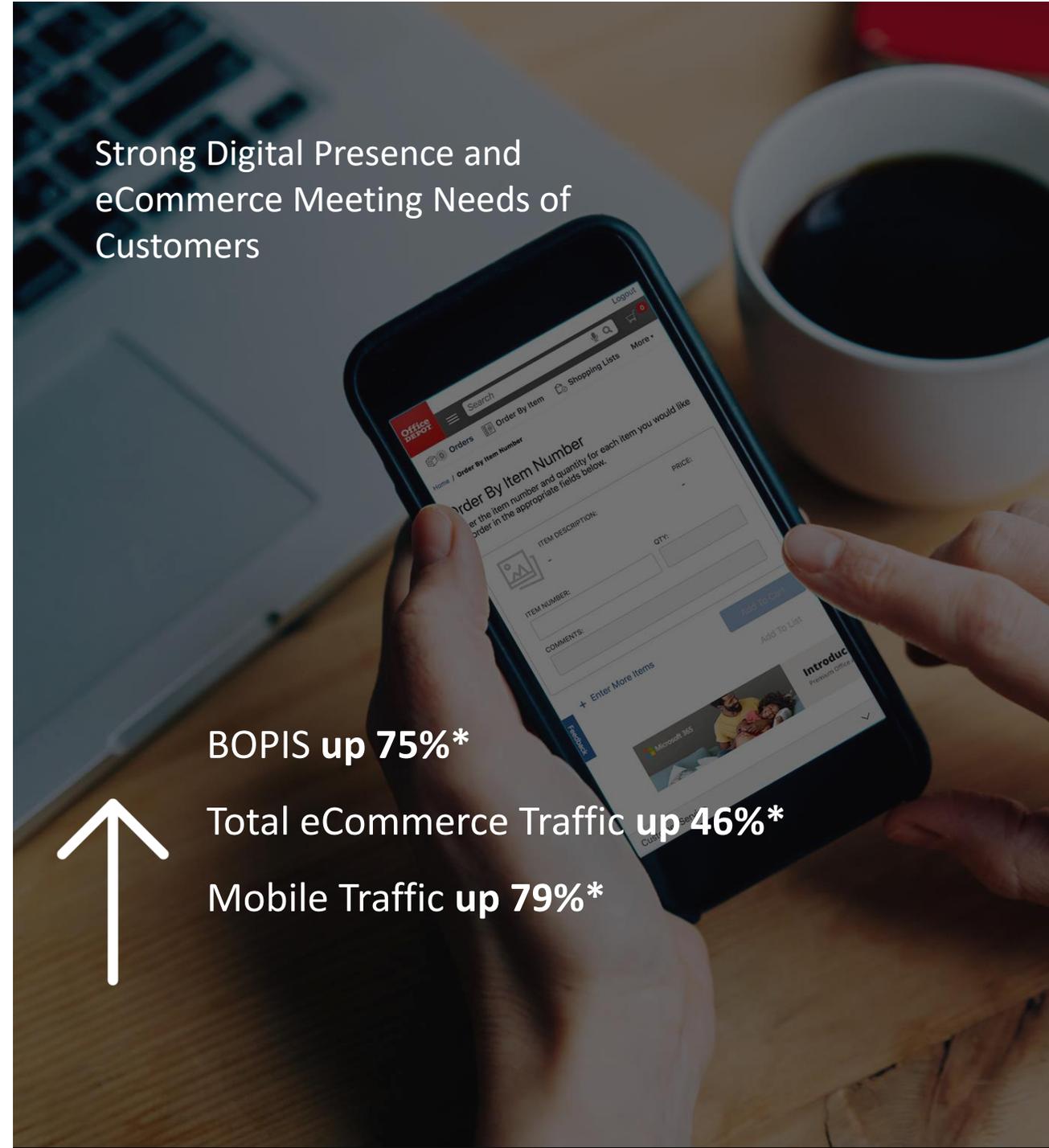
Strong Digital Presence and eCommerce Meeting Needs of Customers



BOPIS up 75%\*

Total eCommerce Traffic up 46%\*

Mobile Traffic up 79%\*



# Expanded Product Portfolio to Meet Customer Needs



**21%**

Cleaning  
& Breakroom\*

\*Includes impact of strong  
increase in PPE sales in 2020

Total Adjacencies Sales

**45%**

As a percentage of total  
BSD sales



**8%**

Workspaces  
& Furniture



**18%**

Technology

# Drove Solid Operating Results & Free Cash Flow

Balanced ecosystem and low-cost model drove performance!

- Balanced ecosystem and low-cost model helped to offset COVID impacts
- Broader offering of products and services met evolving customer needs
- Low-cost business model drove efficiencies

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Office DEPOT OfficeMax CompuCom. GRAND&TOY.



\$300M

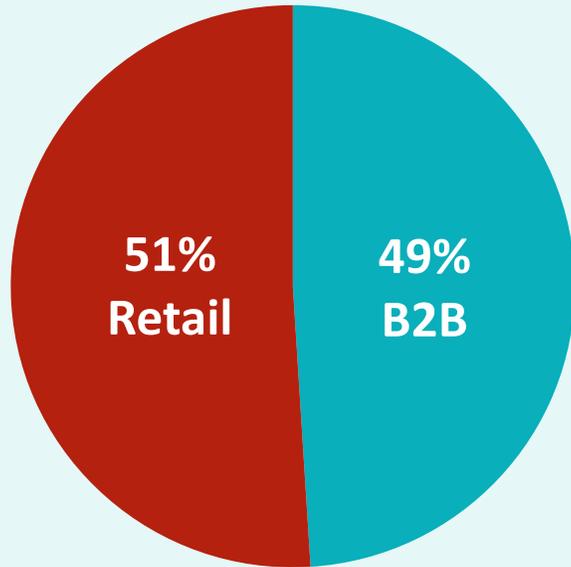
Adjusted Operating Income FY 2020<sup>(1)</sup>

\$474M

Adjusted Free Cash Flow FY 2020<sup>(2)</sup>

# B2B and Low-Cost Focus Transforming the Business Model

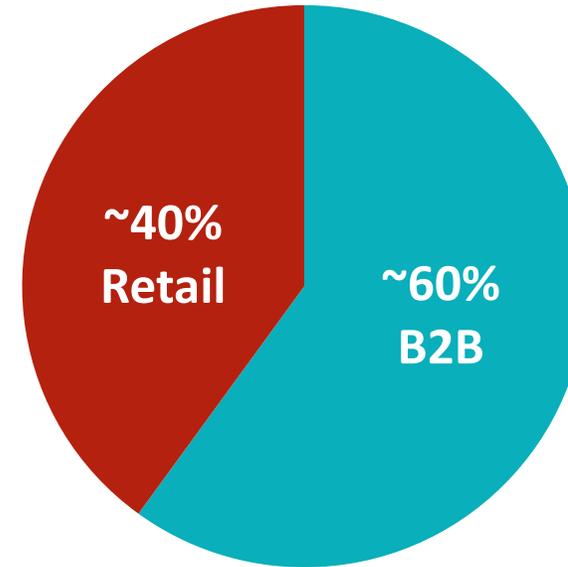
2017



Adjacency % of Revenue ~30%

SG&A % of Revenue > 20%

2019-20



Adjacency % of Revenue ~45%

SG&A % of Revenue < 20%

# Recent Progress on B2B Pivot and Digital Transformation

**Initiated  
“Maximize B2B”**

**B2B-Focused  
Corporate Actions**

**Enhanced  
Senior Team**

**Advanced Digital  
Transformation**

## 2021 Pivotal Year in Our Transformation

Combining the power of ODP's B2B assets and digital presence to meet the expanding integrated platform needs for buyers and suppliers



# 2021 Areas of Focus

## Accelerating our B2B Pivot



Execute “Maximize B2B”  
& Invest in B2B  
Revenue Growth

- BSD
- Supply Chain
- Digital

Build Supply Chain  
as a Service and  
Enhance Capabilities

Drive Digital  
Transformation

Optimize  
CompuCom

Create and Drive Shareholder Value

# Growing BSD

## Execution Priorities

### Market Expansion

- Growth plan by segment, vertical, and LOB
- Expand coverage into new growth opportunities
- M&A targets based on strategic alignment

### Customer Focused

- Superior account service and prioritize **sales** based on individual customer needs
- Account plans to drive increased value, alignment, and solution set
- Digital enhancements

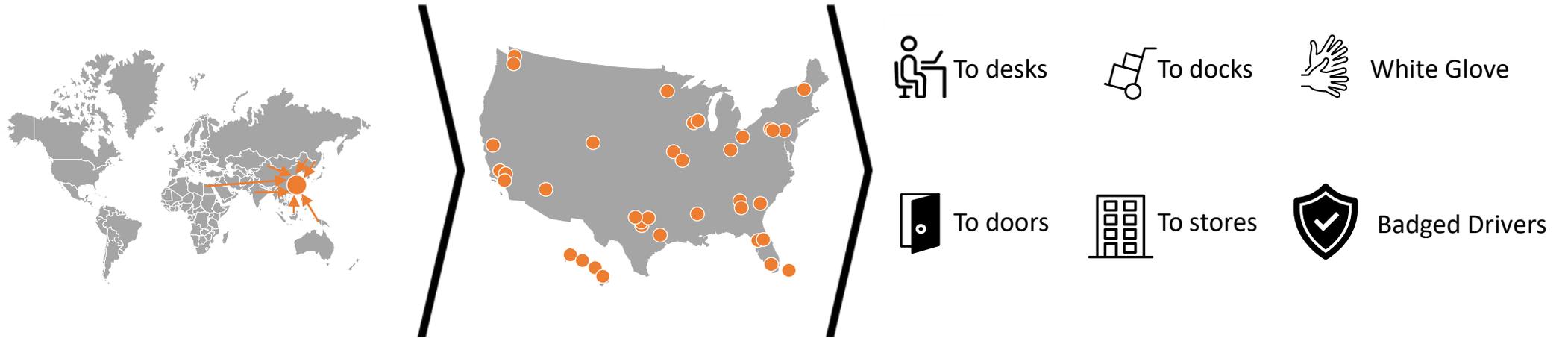
### Coverage & Capacity

- Increase “*Virtual Selling*”
- Sales capacity plan aligned to growth objectives
- Enhanced training tools

### Profitable Growth

- Drive margin expansion and commitment to low-cost business model
- Increased share-of-wallet within account base
- Full benefits of the ***Targeted Growth System***

# Our Supply Chain Sources Globally, Fulfills Millions of Orders, and Efficiently Delivers to Destinations Across the US for ODP Customers and SC Services Clients



## MENU OF SUPPLY CHAIN SERVICES MADE AVAILABLE TO EXTERNAL CLIENTS

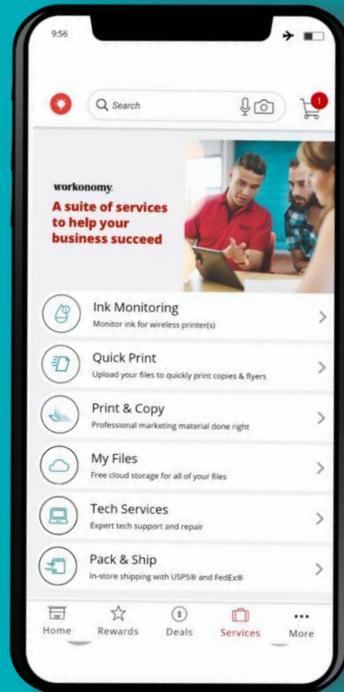
*Global sourcing in China  
reaching 350 factories in 14  
countries*

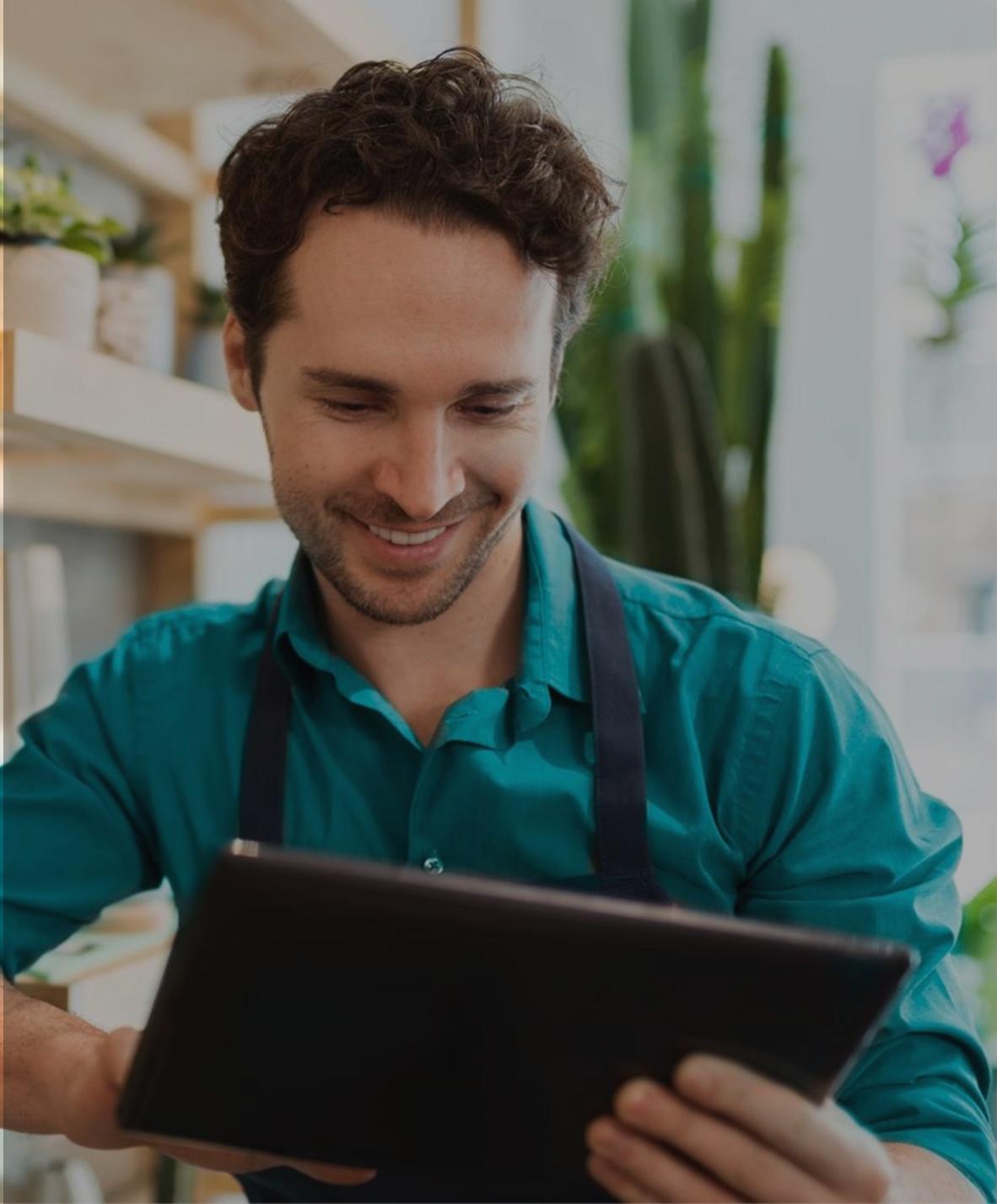
*~10M SMB and Enterprise B2B  
Customers  
35+ distribution locations and  
strategic direct import centers  
and 1,000+ retail operations*

*Last mile delivery fleet that  
reaches 98.5% of population  
with 99% on-time delivery*

# Our Digital Transformation

Better customer experience and positively disrupting the B2B Commerce market





# Creating and Driving the Next-Gen Digital Business Platform

Integrated source-to-settle digital business platform utilizing ODP's comprehensive B2B ecosystem combined with proven technology and business expertise

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Meeting customers' demand for end-to-end digital solutions leveraging supply chain, distribution, and P2P capabilities

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Natural evolution of our business leveraging our strong B2B platform and ecosystem

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Curated, modern and value-added experience for customers, attracting third party suppliers

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Modern source-to-settle business platform in the \$8 trillion B2B commerce marketplace, currently less than 20% on-line

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Experienced team and technology partners in place

---

Investment requirements within capex budget

# Digital Transformation Progress

1

Key hires enhancing team with deep B2B technology and industry expertise



2

Accelerated our technology development with the acquisition of BuyerQuest

3

Microsoft Collaboration: strong validation of platform



# Enhanced Senior Team Talent with Deep B2B Expertise



**Prentis Wilson**

President of Digital Transformation  
Former head of Amazon Business



**Terry Leeper**

Chief Technology Officer  
Former technology lead at Amazon Business

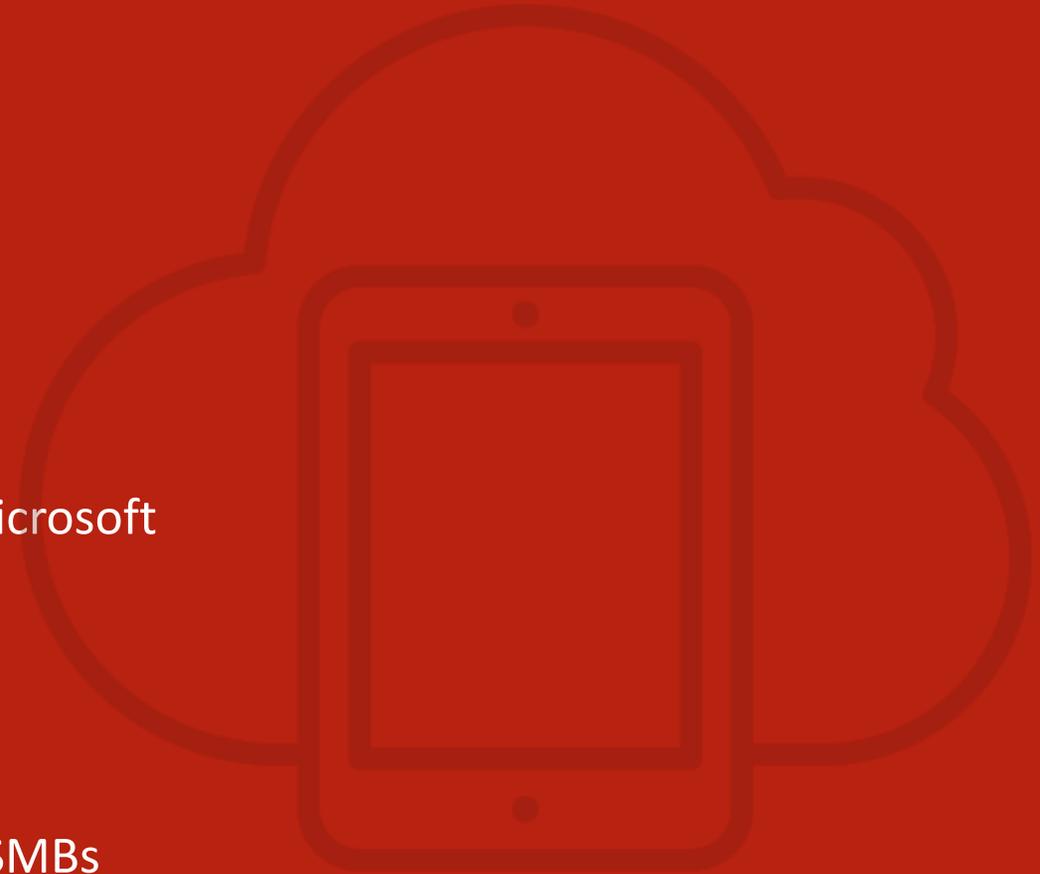
# BuyerQuest Accelerates Technical Development



- Leading Procure-to-Pay software platform in the Source-to-Settle market
- Top industry rankings
- Advanced software platform with “blue-chip” customer base handling \$ billions of transactions
- Acquisition accelerates ODP’s technology development and launch plan
- Positions ODP to participate immediately in the \$50+ Billion P2P marketplace while we add to our capabilities
- Key asset in our digital transformation journey to pursue growth in the \$8 trillion business transaction market

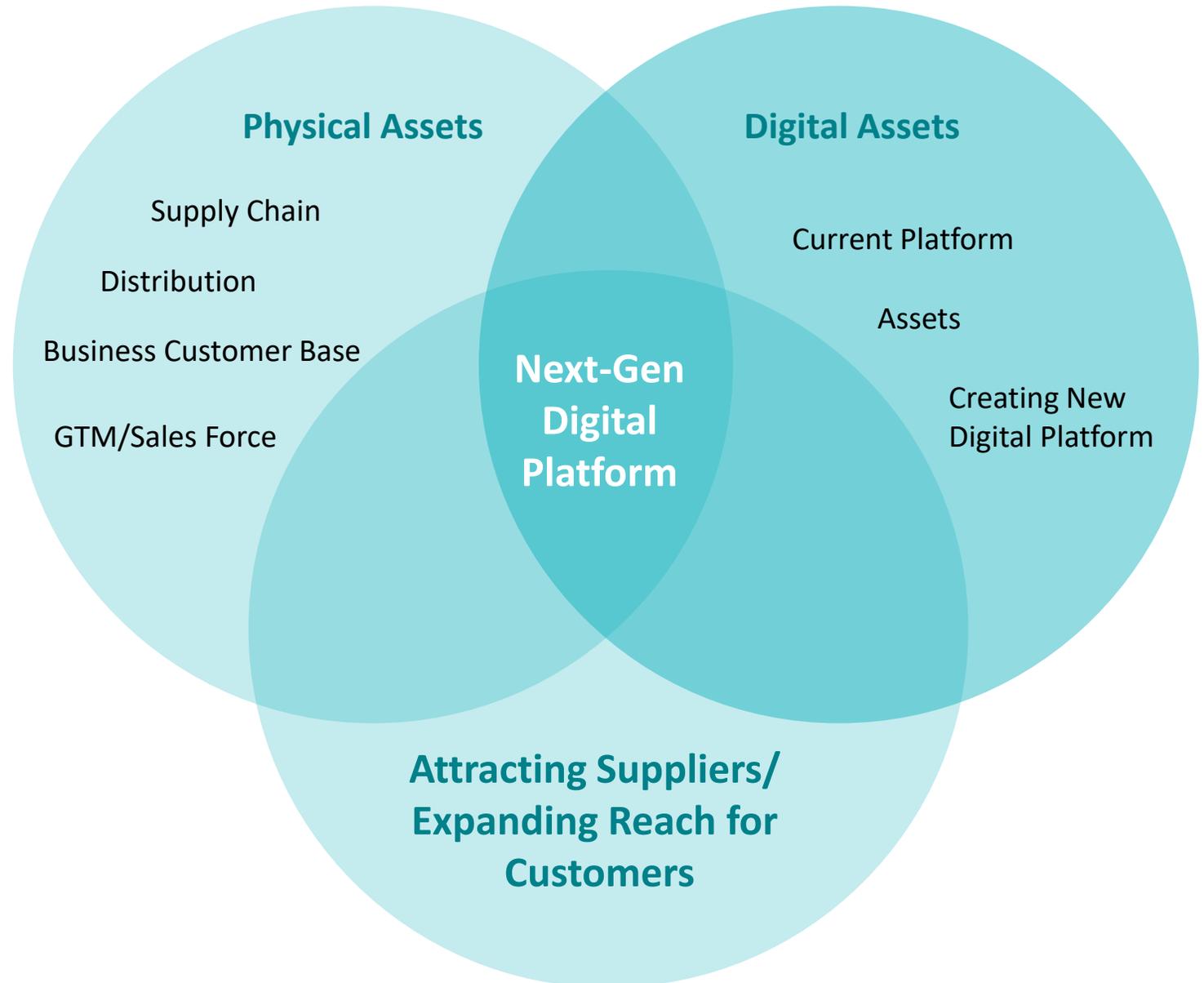
# Technology Collaboration with Microsoft

- Strong validation of our strategy and technology development
- Working to bring digital procurement platform to Microsoft Dynamics 365 Business Central Customers
- Azure cloud agreement
- Enables us to reach large market – enterprises and SMBs



# Why ODP – Right to Win!

The "right" assets, technology, digital platform and team in-place!



# 2020 Financial Overview

Anthony Scaglione, EVP & Chief Financial Officer



# Fourth Quarter 2020 Summary

Fourth Quarter		
(\$ in millions, except per share amounts)	2020	2019
Sales	\$2,288	\$2,508
Operating Income	\$21	\$74
Adjusted Operating Income <sup>(1)</sup>	\$44	\$92
Net Income	\$18	\$55
Diluted Earnings Per Share <sup>(2)</sup>	\$0.34	\$1.00
Adjusted Earnings per share (diluted) <sup>(1)(2)</sup>	\$0.55	\$1.24
Adjusted EBITDA <sup>(1)</sup>	\$89	\$156
Operating Cash Flow	\$(4)	\$152
Free Cash Flow <sup>(3)</sup>	\$(18)	\$125
Adjusted Free Cash Flow <sup>(4)</sup>	\$(4)	\$135

- COVID-19 challenges continued in 4Q20 impacting revenue and operating performance
- Closed 90 store locations in 4Q
- Met internal plan for free cash flow generation
- Balanced channels to market and work/learn from home and essential products demand partially offset COVID impacts

(1) Non-GAAP financial measure. A reconciliation of GAAP to non-GAAP financial measures can be found at [investor.theodpcorp.com](http://investor.theodpcorp.com).

(2) After obtaining shareholder approval on May 11, 2020, the Company's Board of Directors determined to set a reverse stock split ratio of 1-for-10 for a reverse stock split of the Company's outstanding shares of common stock, and a reduction in the number of authorized shares of the Company's common stock by a corresponding ratio. The reverse stock split was effective on June 30, 2020. All share and per share amounts in this presentation have been retroactively adjusted for the prior period presented to give effect to this reverse stock split.

(3) As used in this presentation, Free Cash Flow is defined as cash flow from operating activities less capital expenditures. Free cash flow is a non-GAAP financial measure. A reconciliation of GAAP to non-GAAP financial measures can be found at [investor.theodpcorp.com](http://investor.theodpcorp.com).

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# Full Year 2020 Summary

Full Year		
(\$ in millions, except per share amounts)	2020	2019
Sales	\$9,710	\$10,647
Operating Income (Loss)	\$(252)	\$191
Adjusted Operating Income <sup>(1)</sup>	\$300	\$367
Net Income (Loss)	\$(319)	\$99
Diluted Earnings (Loss) Per Share <sup>(2)</sup>	\$(6.05)	\$1.80
Adjusted Earnings per share (diluted) <sup>(1)(2)</sup>	\$3.50	\$4.13
Adjusted EBITDA <sup>(1)</sup>	\$491	\$590
Operating Cash Flow	\$485	\$366
Free Cash Flow <sup>(3)</sup>	\$417	\$216
Adjusted Free Cash Flow <sup>(4)</sup>	\$474	\$310

- Drove solid operational results in 2020 despite the challenges posed by COVID-19
- \$300 million in adjusted operating income<sup>(1)</sup> and \$474 million in adjusted free cash flow<sup>(4)</sup>
- Balanced channels to market and work/learn from home and essential products demand partially offset COVID impacts
- eCommerce and omni channel growth helped to balance impact in contract channel from COVID-19
- Low-cost model approach drove SG&A improvements helping to partially offset flow through impact of lower revenue
- GAAP results include non-cash charges of \$363 million related to the impairment of goodwill and other intangible assets recorded in the second quarter of 2020

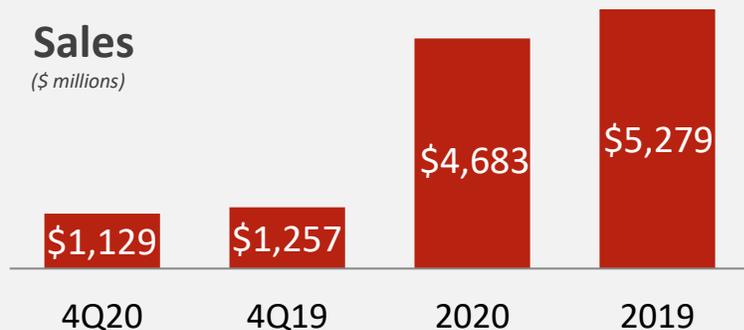
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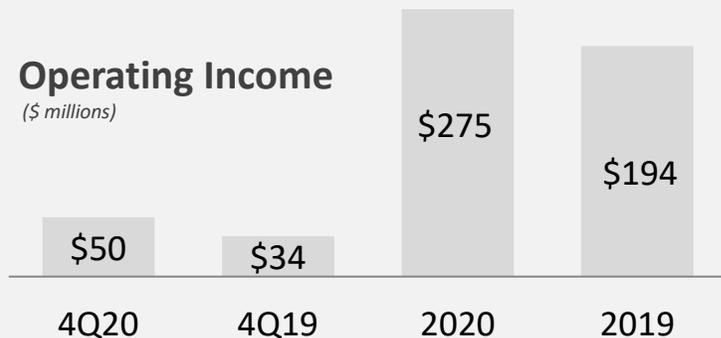
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# Business Solutions Division



- **Sales were impacted in quarter and year over year by conditions caused by COVID-19 outbreak**
  - 4Q20 reported total sales of \$1.1 billion, down 10% versus 4Q19; 2020 reported total sales down 11%
  - Contract channel demand impacted by school/business closures due to pandemic; Partially offset by 15% increase in demand in eCommerce channel
- **Growth in adjacency categories**
  - Adjacency categories grew and account for 45% of total BSD revenue for the year
- **4Q20 operating income of \$18 million versus \$69 million in 4Q19; 2020 operating income of \$116 million**
  - Margins impacted by flow through impact of lower sales and product mix
  - Lower SG&A from cost efficiency programs
  - Distribution costs slightly elevated due to conditions caused by COVID

# Retail Division



- **4Q20 reported sales declined 6% versus 4Q19; 2020 reported sales down 4% versus 2019**
  - Sales decline related to planned store closures; 90 store closures in 4Q20, leading to 153 fewer stores in service YOY
  - Strong omni sales; BOPIS up 50% in quarter versus last year; strong demand for curbside pick-up; Higher sales per shopper
- **4Q20 operating income of \$50 million versus \$34 million in prior year period; 2020 operating income up 42% versus 2019**
  - 190 bps margin improvement as a percentage of sales in quarter
  - Lower SG&A; lower operating lease costs; improvement in distribution and inventory management costs

# CompuCom Division

**Sales**  
(\$ millions)



**Operating Income (Loss)**

(\$ millions)



- **4Q20 reported sales of \$207 million versus \$237 million in prior year period; 2020 sales of \$854 million**
  - COVID-19 impacts; Lower product sales; lower services volume; lower project-related sales
- **4Q20 operating income of \$4 million versus \$9 million in 4Q19**
  - Flow through impact related to lower sales due to COVID-19 outbreak
  - BAP cost efficiency measures and other cost reduction efforts helping to partially offset
- **Improvement plan and evaluating strategic options**
  - Refocused strategy leveraging core strengths
  - Strong new logo wins improving pipeline of new business
  - Evaluating strategic options including potential sale of business

# Balance Sheet / Cash Flow Highlights\*

## Strong Available Liquidity

Total available liquidity of approximately \$1.7 billion at end of 4Q20

- \$934 billion available credit under asset-based lending facility
- \$729 million in cash and cash equivalents

## Operating Cash Flow

Operating cash flow use of \$(4) million in 4Q20 and included cash outflows related to:

- \$14 million in restructuring costs
- \$1 million in acquisition and integration-related costs

## Capital Expenditures & Other

- Capital expenditures of \$14 million in 4Q20
- Lower investment in retail operations; continued investments in B2B platform, distribution network, eCommerce

## Adjusted Free Cash Flow\*

- Adjusted Free Cash Flow<sup>(\*)</sup> of \$(4) million in 4Q20 and \$474 million for 2020

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# Maximize B2B Restructuring Plan

Fuel for growth; low-cost driver; reduced liabilities



**Rationalizing retail to maximize cash** Optimize our store footprint to help fund our priorities and reduce liabilities



**Investing in our B2B ecosystem & expand offerings**

Continue investing in **our capabilities:**

- Robust supply chain
- Customer & vendor relationships
- Go-to-Market Engine
- Expanded products/services



**Investing in new growth engines**

Grow ODP's B2B business by investing in **new growth engines**

Digital transformation & supply chain services



**Maximizing shareholder value**

Drive value and **deliver returns** to shareholders through growth and capital return to shareholders

# Maximize B2B Objectives

Unlocking underperforming assets in Retail and redeploying in higher return B2B business

## Benefits

- Eliminates underperforming retail assets
- Generates substantial cash flow to help support B2B pivot and creates opportunities to enhance capital returns
- Reduces retail lease liabilities and supporting cost structure
- Provides greater flexibility in business model
- Creates more profitable retail footprint that supports businesses and consumers

## Evaluation Criteria

- Maximizing cash flow
  - Unlocks trapped working capital (inventory)
  - Captures strong transfer rate to adjacent stores
  - Reduced support cost
- Reducing lease exposure
- Flexibility on lease terms (landlords) may affect pace and number of store closures

## Key Long-term KPI's

- Overall lease liabilities
- Duration of leases
- Cash flow expectations

**Q&A**