

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 OCTOBER 14, 1999

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 October 14, 1999, Office Depot, Inc. issued a press release announcing third quarter 1999 results and certain management changes. 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 October 14, 1999

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: October 14, 1999

By: /S/ DAVID C. FANNIN

David C. Fannin  
Senior Vice President and  
General Counsel

## OFFICE DEPOT ANNOUNCES THIRD QUARTER 1999 RESULTS

COMPANY REPORTS EPS OF \$0.19, EXCLUSIVE OF MERGER AND RESTRUCTURING AND OTHER NON-RECURRING CHARGES

COMPANY ANNOUNCES RESIGNATION OF JOHN C. MACATEE AS PRESIDENT AND COO; REORGANIZES MANAGEMENT STRUCTURE

DELRAY BEACH, Fla.--(BUSINESS WIRE)--Oct. 14, 1999-- Office Depot, Inc. (NYSE:ODP - news), the world's largest seller of office products, today made the following announcements:

- 1) The Company earned \$0.19 per share for the third quarter ended September 25, 1999, excluding merger and restructuring costs and other non-recurring charges, in line with Wall Street expectations.
- 2) John C. Macatee has resigned as President and Chief Operating Officer of the Company in order to pursue other opportunities. His resignation is effective today. Mr. Macatee also resigned as a Director of the Company. In connection with Mr. Macatee's resignation, the Company also announced a reorganization of its senior management structure.
- 3) The Company has completed 98% of its previously announced stock repurchase program.

### Details on Quarterly Results

Total sales for the quarter rose 15% to \$2.579 billion from \$2.235 billion in the third quarter of 1998. Comparable sales in the 633 stores and 39 delivery centers that have been open for more than one year increased 7% for the third quarter of 1999.

Additional third quarter highlights include:

- -- The Company continued to move aggressively on its real estate program in the third quarter, opening 33 new stores and closing 3 stores in the United States and Canada during the period. Looking ahead, the Company remains on track to add 125 new stores, net of closures, in the United States and Canada in 1999.
- -- Office Depot's Internet business continued to grow significantly in the third quarter. Sales from the Company's public and business-to-business Web sites increased 421% to \$98.92 million in the third quarter of 1999, as compared to \$18.99 million in the third quarter of 1998. Year-to-date, Internet sales are \$219.44 million or 492% above the comparable 1998 period.
- -- The Company continued to benefit from its supply chain management programs during the first three quarters of 1999. Before considering the write-down for slow-moving inventories, inventory levels increased only 1% with a 13% sales increase year-to-date.

In the third quarter, the Company recorded non-recurring charges totaling \$111.49 million (\$73.33 million after tax benefits). In addition to merger and restructuring costs related to the merger with Viking Office Products, which totaled \$8.96 million, these previously announced charges reflect management's decision to accelerate its store relocation and closing program for older and under-performing stores, and to write-down slow moving inventories in its stores and warehouses. The charge for store relocations and closures was \$46.44 million, and the inventory write-down, which is included in cost of goods sold, totaled \$56.10 million.

### Results Reported by Segment

The following discussion of segment results excludes the non-recurring charges for inventory write-downs previously discussed. Inventory write-down charges totaled \$39.20 million in the Stores Division, \$15.50 million in the Business Services Group and \$1.40 million in the International Division. These charges are included in cost of goods sold in the Company's attached Statements of Earnings.

#### Stores Division

Sales in the Stores Division rose 17% to \$1.46 billion in the third quarter of 1999 as compared with \$1.25 billion in the third quarter of 1998. Comparable store sales in the 633 stores in the United States and Canada that have been open for more than one year rose 3% in the third quarter. Store operating profit was \$119.82 million in the third quarter of 1999, as compared with \$124.91 million in the third quarter of 1998, reflecting higher expenses associated with

the 85 new stores added year-to-date.

During the third quarter, Office Depot continued to expand its store base, adding 30 new stores, net of closures. At quarter's end, Office Depot operated a total of 787 office superstores throughout the United States and Canada.

#### Business Services Group

Sales in the Business Services Group rose 9% to \$803.48 million in the third quarter of 1999, as compared with \$736.66 million in the third quarter of 1998. Warehouse operating profit increased 22% to \$69.79 million in the third quarter of 1999, as compared with \$57.28 million in the third quarter of 1998, as the Company realized purchasing synergies arising from the Viking merger and lowered its warehouse operating expenses.

#### International Division

Sales in the International Division rose 25% to \$313.49 million in the third quarter of 1999, as compared with \$251.43 million in the third quarter of 1998. Store and warehouse operating profit decreased to \$34.61 million in the third quarter of 1999 from \$37.24 million in the third quarter of 1998. This decline is attributable to previously announced losses associated with the start-up of the Company's direct mail and retail operations in Japan.

During the period, the Company also expanded its international store base by ten stores. At the end of the quarter, Office Depot operated 24 stores in France and five stores in Japan. In addition, through joint ventures and licensing agreements, there were 76 stores operating under the Office Depot name in six countries outside of the United States and Canada at the end of the third quarter, including 37 in Mexico, 20 in Israel, 11 in Poland, four in Hungary, two in Colombia, and two in Thailand.

In addition, the Company's licensee, Retail Investment Concepts, Inc., which owns and operates retail stores in Central Europe under the Office Depot name, has acquired the chain of six Office Centre superstores in Poland previously owned by the German retailer METRO AG.

#### Company Announces New Senior Management Structure

David I. Fuente, Office Depot's Chairman and CEO, provided the following details regarding the Company's new senior management structure: "With today's announcements, there will be several changes in our management reporting structure. Shawn McGhee is today being named to the position of President, Merchandising Group and will report directly to me. In addition to merchandising and marketing, Shawn McGhee's areas of responsibility will now include our retail stores, catalog sales and Internet sales."

Mr. Fuente added, "Other executives who formerly reported to the Chief Operating Officer - Bob Keller, EVP of our Business Services Division, and Ron Weissman, EVP of Sales Support - also will now report directly to me. Kevin Phillips, EVP and head of our retail stores group, will report to Shawn McGhee, as will Gayle Aertker, Senior Vice President of our real estate department. All of these changes are effective immediately."

Fuente continued, "In our reorganized reporting structure, Bruce Nelson will take a more active role in the operations of Viking domestic, while continuing to serve as President, International. We have many talented executives in our management structure, who we believe can, and will, provide the strong leadership to pursue our long term growth objectives."

#### Stock Repurchase Program

Mr. Fuente also commented on the Company's stock repurchase program, stating, "On August 30 of this year, we announced that our Board had authorized a repurchase of up to \$500 million in market value of our stock through open market purchases and block transactions. I am pleased to report that as of the end of our fiscal third quarter, we had acquired 36,294,500 shares of our stock in the open market at a total cost of \$390,174,431 plus commissions. Subsequently, in the month of October, we have acquired an additional 9,397,300 shares, bringing the total shares acquired to 45,691,800, at an average share price of \$10.69 per share and at a total cost of \$488,419,750 plus commissions. We are close to our goal and believe this is a solid investment in the future of our Company."

As of September 25, 1999, the Company operated 787 office supply superstores in the United States and Canada, in addition to a national business-to-business delivery network supported by 30 delivery centers, more than 60 local sales offices and seven regional call centers. Furthermore, the Company owned and operated 24 office supply stores in France and five stores in Japan; had mail order and delivery operations in 11 countries outside of the United States and Canada; and under joint venture and licensing agreements, had 76 additional

stores under the Office Depot name in six foreign countries. The Company also operates an award-winning U.S. Internet business at [www.officedepot.com](http://www.officedepot.com) where customers can access Office Depot's low competitive prices seven days a week, twenty-four hours a day. 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 projections and anticipated levels of 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 the Company's 1998 Annual Report on Form 10-K filed during the first quarter. Certain other risks and uncertainties were contained in the Company's press release issued on August 30, 1999 and filed with the SEC on Form 8-K on the same date. You are urged to review such filings, which are incorporated by reference herein, for a more detailed discussion of such risks and uncertainties.

OFFICE DEPOT, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS  
(In thousands, except per share amounts)  
(UNAUDITED)

	13 Weeks Ended September 25, 1999	13 Weeks Ended September 26, 1998	39 Weeks Ended September 25, 1999	39 Weeks Ended September 26, 1998
Sales	\$ 2,578,500	\$ 2,234,900	\$ 7,544,387	\$ 6,702,135
Cost of goods sold and occupancy costs	1,872,408	1,612,864	5,431,212	4,875,956
Inventory write-down	56,100	--	56,100	--
Gross profit	649,992	622,036	2,057,075	1,826,179
Store and warehouse operating and selling expenses	481,954	402,737	1,406,833	1,206,704
Pre-opening expenses	5,007	3,663	16,709	7,676
General and administrative expenses	106,129	83,772	285,559	233,065
Merger and restructuring costs	8,955	87,815	24,434	87,815
Store closure costs	46,438	--	46,438	--
	648,483	577,987	1,779,973	1,535,260
Operating profit	1,509	44,049	277,102	290,919
Other income (expense)				
Interest income	8,654	6,760	27,076	16,807
Interest expense	(6,505)	(5,697)	(19,556)	(16,777)
Miscellaneous income (expense), net	(461)	(2,246)	(4,106)	(13,359)
Earnings before income taxes	3,197	42,866	280,516	277,590
Income taxes	4,270	27,118	106,897	113,072
Net earnings (loss)	\$ (1,073)	\$ 15,748	\$ 173,619	\$ 164,518

Earnings per common share:					
Basic	\$	0.00	\$	0.04	\$ 0.47
Diluted		0.00		0.04	0.45

Weighted average number of common shares outstanding:					
Basic		368,878	367,706	371,989	366,401
Diluted		374,673(a)	378,549(a)	405,859	402,000

(a) Weighted average shares exclude 24,743,000 shares in the quarter ended September 25, 1999 and 24,800,000 shares in the quarter ended September 26, 1998 attributable to convertible debt, as the assumed conversion of these shares has an anti-dilutive effect on earnings per share.

OFFICE DEPOT, INC AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(in thousands, except share and per share amounts)

	AS OF SEPTEMBER 25, 1999 ----- (UNAUDITED)	AS OF DECEMBER 26, 1998 -----
<b>ASSETS</b>		
<b>Current assets</b>		
Cash & cash equivalents	\$ 503,340	\$ 704,541
Short-term investment	72,013	10,424
Receivables, net of allowances	810,212	721,446
Merchandise inventories	1,215,943	1,258,355
Deferred income taxes	75,119	52,422
Prepaid expenses	45,853	33,247
Total current assets	2,722,480	2,780,435
<b>Fixed assets</b>		
Property & equipment, at cost	1,695,178	1,434,863
Less accumulated depreciation & amortization	558,962	499,456
Net fixed assets	1,136,216	935,407
Goodwill, net of amortization	246,170	227,964
Other assets	135,403	125,413
<b>TOTAL ASSETS</b>	<b>\$ 4,240,269</b>	<b>\$ 4,069,219</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 1,174,785	\$ 1,027,591
Accrued expenses	507,677	430,666
Income taxes	33,543	69,910
Short term borrowings & current maturities of long-term debt	7,858	2,834
Total current liabilities	1,723,863	1,531,001
Long term debt, less current maturities	83,369	35,490
Deferred taxes and other credits	50,850	38,628
Zero coupon, convertible subordinated notes	449,465	435,221
<b>TOTAL LIABILITIES</b>	<b>2,307,547</b>	<b>2,040,340</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock - authorized 800,000,000 shares of \$.01 par value; issued 378,443,292 in 1999 and 373,817,704 in 1998	3,784	3,738
Additional paid-in capital	909,476	838,122
Accumulated other comprehensive income	(29,135)	(18,078)
Unamortized value of long-term incentive stock grant	(2,205)	(2,874)
Retained earnings	1,383,340	1,209,721

Treasury stock, at cost - 39,539,670 shares in 1999 and 3,245,170 shares in 1998	(332,538)	(1,750)
TOTAL STOCKHOLDERS' EQUITY	1,932,722	2,028,879
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 4,240,269	\$ 4,069,219

Office Depot, Inc. and Subsidiaries  
Statements of Operating Profit by Segment  
(UNAUDITED)  
(In thousands)

	BSG	Stores	International	Other	TOTAL
3rd Quarter 1999					
Sales	\$ 803,484	\$1,462,416	\$ 313,489	\$ (889)	\$2,578,500
Cost of goods sold & occupancy costs	552,125	1,130,345	190,460	(522)	1,872,408
Inventory write-down	15,500	39,200	1,400	--	56,100
Gross profit	235,859	292,871	121,629	(367)	649,992
Store and warehouse operating and selling expenses	181,572	212,248	88,416	(282)	481,954
Store and warehouse operating profit	\$ 54,287	\$ 80,623	\$ 33,213	\$ (85)	\$ 168,038
Store and warehouse operating profit, excluding inventory write-down	\$ 69,787	\$ 119,823	\$ 34,613	\$ (85)	\$ 224,138
Year-to-date September 1999					
Sales	\$2,337,771	\$4,264,756	\$ 944,926	\$ (3,066)	\$7,544,387
Cost of goods sold & occupancy costs	1,599,038	3,270,759	563,250	(1,835)	5,431,212
Inventory write-down	15,500	39,200	1,400	--	56,100
Gross profit	723,233	954,797	380,276	(1,231)	2,057,075
Store and warehouse operating and selling expenses	538,564	605,747	263,574	(1,052)	1,406,833
Store and warehouse operating profit	\$ 184,669	\$ 349,050	\$ 116,702	\$ (179)	\$ 650,242
Store and warehouse operating					



profit, excluding inventory write -down	\$ 200,169	\$ 388,250	\$ 118,102	\$ (179)	\$ 706,342
3rd Quarter 1998(b)					
Sales	\$ 736,663	\$1,247,700	\$ 251,426	\$ (889)	\$2,234,900
Cost of goods sold & occupancy costs	511,145	954,821	147,525	(627)	1,612,864
Inventory write-down	--	--	--	--	--
Gross profit	225,518	292,879	103,901	(262)	622,036
Store and warehouse operating and selling expenses	168,234	167,969	66,666	(132)	402,737
Store and warehouse operating profit	\$ 57,284	\$ 124,910	\$ 37,235	\$ (130)	\$ 219,299
Store and warehouse operating profit, excluding inventory write -down	\$ 57,284	\$ 124,910	\$ 37,235	\$ (130)	\$ 219,299
Year-to-date September 1998(b)					
Sales	\$2,189,269	\$3,747,203	\$ 768,323	\$ (2,660)	\$6,702,135
Cost of goods sold & occupancy costs	1,534,711	2,889,483	453,539	(1,777)	4,875,956
Inventory write-down	--	--	--	--	--
Gross profit	654,558	857,720	314,784	(883)	1,826,179
Store and warehouse operating and selling expenses	504,819	498,158	204,239	(512)	1,206,704
Store and warehouse operating profit	\$ 149,739	\$ 359,562	\$ 110,545	\$ (371)	\$ 619,475
Store and warehouse operating profit, excluding inventory write -down	\$ 149,739	\$ 359,562	\$ 110,545	\$ (371)	\$ 619,475

(b) Restated to conform to current year segment definitions.

Contact:

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