

OFFICE DEPOT INC
Form DEFA14A
August 02, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

OFFICE DEPOT, INC.

(Exact Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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No fee required

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(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

The following presentation was prepared by Office Depot, Inc. on August 2, 2013.

Investor
Investor
Presentation
Presentation
August 2013
August 2013
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OFFICE DEPOT SAFE HARBOR STATEMENT

This communication may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 concerning Office Depot, the merger and other transactions contemplated by the merger agreement, Office Depot's long-term strategy, its revenues and operating earnings. These statements or disclosures may discuss goals, intentions and expectations as to future performance, plans, events, results of operations or financial condition, or state other information relating to Office Depot, based on current information known to management as well as assumptions made by, and information currently available to, management. Forward-looking statements should be accompanied by words such as anticipate,

- believe,
- plan,
- could,
- estimate,
- expect,
- forecast,

guidance,
intend,
may,
possible,
potential,
predict,
project

or other similar words, phrases or expressions. These forward-looking statements are subject to various risks and uncertainties, many of which are outside of Office Depot's control. Therefore, investors and shareholders should not place undue reliance on such statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include: changes in regulatory decisions; failure to satisfy other closing conditions with respect to the merger; the risks that the new businesses will not be integrated successfully or that Office Depot will not realize estimated cost savings and synergies; Office Depot's ability to manage

long-term
credit
rating;
unanticipated
changes
in
the
markets
for
its
business
segments;
unanticipated
downturns
in
business
relationships
with

customers or their purchases from Office Depot; competitive pressures on Office Depot's sales and pricing; increases in the cost of energy

and
other
production
costs,
or
unexpected
costs
that
cannot
be
recouped
in
product
pricing;
the
introduction
of
competing

technologies; unexpected technical or marketing difficulties; unexpected claims, charges, litigation or dispute resolutions; new laws and government regulations. The foregoing list of factors is not exhaustive. Investors and shareholders should carefully consider the foregoing and other risks and uncertainties that affect Office Depot's business described in its Annual Report on Form 10-K, Quarterly Reports on Form 8-K and other documents filed from time to time with the SEC. Office Depot does not assume any obligation to update these forward-looking statements.

ADDITIONAL INFORMATION

In connection with the solicitation of proxies, Office Depot has filed with the Securities and Exchange Commission, a definitive proxy statement concerning the proposals to be presented at Office Depot's Annual Meeting of Stockholders. The proxy statement contains important information about Office Depot and the 2013 Annual Meeting. Office Depot and its directors, executive officers and certain employees are deemed to be participants in the solicitation of proxies from Office Depot shareholders in connection with the election of directors and other matters to be proposed at the 2013 Annual Meeting. Information regarding the interests, if any, of these directors, executive officers and specified employees is included in the definitive proxy statement and other materials filed by Office Depot with the SEC.

1.	Executive Summary
2.	Steering the Company Through Industry and Macro-Economic Headwinds
3.	Pursuing Actions to Deliver Shareholder Value
4.	Why We Believe Adding Starboard Nominees is Unnecessary and Harmful
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Successful Navigation of Headwinds with Long-Term Plan in Place

4

The Office Depot Board Has Successfully Led the Company through Significant Industry and Macro-Economic Headwinds, Executing on a Detailed Strategic Plan to Improve Operations Unprecedented Combination of Secular and Cyclical Challenges Over the Last Six Years

Increased competition from non-traditional office supply retailers, web-based competitors and an overall reduction in paper products consumption

Macroeconomic recession in the U.S. and Europe, which significantly impacted small-and medium-sized businesses and

resulted
in
reduced
office
supply
usage
and
costs

Capital markets volatility impacted the OSS sector and created collateral damage as several specialty retailers failed (e.g. Circuit City)

These challenges required a shift in focus by the Board to address and preempt the impact of these issues

2008

2009:

Focus on restoring liquidity and maintaining customer, vendor, rating agency and debt market confidence in the Company, raised \$350 million from BC Partners

2010:

New CEO announced and new strategic plan developed

2011

2012:

Implementation of aggressive business improvement plan and pursuit of strategic opportunities to unlock meaningful value

2013+:

Continued focus on improving operations, while planning for merger integration, synergy realization and continued business transformation

Sustained Focus on Shareholder Value is Achieving Results

The Board of Directors is Experienced, Engaged and Best-Qualified to Deliver Shareholder Value Through its Internal Strategic Plan and Managing the Ongoing Integration Efforts with OfficeMax

The Board has maintained a fresh perspective to address new challenges, adding six new directors in the last six years with a combination of retail experience and equity holder perspective

Continuing Successful Implementation of Multi-Year Business Improvement Plan

The strategy has resulted in over \$1 billion in benefits since 2007, including approximately \$200 million in 2012 and an estimated \$120 million in additional benefits expected in 2013

Recently Executed Two of the Company's Largest Value Creation Opportunities

Sold Office Depot's JV stake in Mexico for approximately \$680 million, an 11.6x EBITDA multiple, significantly increasing the Company's liquidity and financial flexibility

Signed merger agreement with OfficeMax in February 2013, creating the opportunity for Office Depot shareholders to benefit from an estimated \$400-\$600 million in annual synergies

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Both initiatives were started in late 2011 / early 2012, well before Starboard's ownership
Inserting Starboard Nominees on the Board of Directors is Unnecessary, Could Jeopardize the
Progress Made to Date and Hinder Future Decision Making
Imperative to continue momentum on integration planning, including the CEO search and
development of the integration plan, in order to deliver the projected synergies for shareholders
Each
month
of
delay
represents
approximately
\$12
million
in
lost
potential
synergies
for
Newco
5

Not Your Typical Situation, Merger-of-Equals in Process

6
Current
Initiatives
to
Unlock
Shareholder
Value
Are
Years
in
the
Making

A combination with OfficeMax was discussed on many occasions over the past several years but the two sides were never able to reach agreement, despite very compelling strategic and economic benefits

THIS Board Made It Happen

The Boards of OfficeMax and Office Depot thoughtfully put together a merger-of-equals (MOE) that will have a combined Board of 10 of the best directors to lead the combined company

The MOE structure requires joint decision-making and trust from both companies; the Board and management team have established relationships as well as lines of communication that would take significant time to recreate

The
Boards
have
formed
a
CEO
selection
committee

to
ensure
there

is
no
management

entrenchment and have cast a wide external net, as well as considering the existing CEOs
Single Biggest Value Creator for Shareholders is Completion of the OfficeMax Merger and
Delivery of Synergies in the Most Expeditious and Complete Manner Possible

Turnover on the Board and management team could derail a smooth integration process and delay realization of the merger benefits for shareholders, employees, customers and vendors

Starboard's involvement in the CEO selection committee would likely disrupt and potentially force us to restart a process that has made significant progress

Reconciling Starboard's outside-in synergy plan will delay synergy implementation
Now is NOT the Time for Change to a Board that Has Repeatedly Demonstrated Its
Commitment to Pursuing the Long-Term Best Interests of Office Depot Shareholders

CEO Selection Efforts Well Underway

*CEO Selection Committee Co-Chair

7

Nigel Travis *

CEO/Chairman, Dunkin

Brands;

Former President/CEO, Papa John's

Thomas Colligan

Director, ADT Corp and CNH Global;

Former Vice Chairman, PriceWaterhouseCoopers

Marsha Evans

Rear Admiral (Ret.), US Navy;

Director, Weight Watchers Int'l;

Former CEO American Red Cross and Girl Scouts USA;

Former Director May Dept. Stores and Autozone

Office Depot

V. James Marino *

Director, PVH Corp;

Former President/CEO, Alberto-Culver

Rakesh Gangwal

Non-Exec. Chairman, OfficeMax;

Director, CarMax and Petsmart;

Former Chairman/President/CEO Worldspan Technologies,

Former President/CEO US Airways Group

Francesca Ruiz de Luzuriaga

Director, SCAN Health;

Former COO, Mattel Interactive

OfficeMax

Korn/Ferry has commenced an exhaustive search process and contacted over 100 candidates, several qualified individuals currently under consideration and actively interviewing

Committee has held two extensive in-person meetings to review position profile, meet weekly to review search progress

Office Depot and OfficeMax have jointly developed criteria to guide the search process which includes:

Ideally a public company CEO with Wall Street credibility and a global perspective, strong executive from

Fortune 100 organization could also be considered

High integrity, team building, transformational leader with a proven track record

Experienced business integrator who has achieved synergy and value creation

Starboard has been asked to submit qualified candidates to the selection process, and the Committee has reviewed

one of Starboard's prior director nominees already

Joint CEO Selection Committee

In our experience, candidates express reluctance to pursue an opportunity when the Board composition is unclear; the current proxy fight has the potential to be disruptive to both the process and candidate interest in the CEO search assignment for the combined Office Depot / OfficeMax merger.

Korn/Ferry

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\$4.5 billion in 2012 sales

1,109

stores

averaging

22,773

sq. ft.

(2)

Highest concentration in Sunbelt
region, particularly Florida,

California and Texas

Stores also offer Copy & Print

Depot and Tech Depot Services

Pursue smaller footprint stores as

go-forward model
North American Retail
North American Retail
Division
Division
North American Business
North American Business
Solution Division
Solution Division
International
International
Division
Division
Sales of \$3.2 billion in 2012
One of the world's largest e-commerce retailers with over \$4 billion in global sales in 2012
Direct business serves small to medium-sized customers using web sites and catalog
Contract business employs a dedicated sales force to serve medium-sized to large customers
\$3.0 billion in 2012 sales
Direct channel has catalog offerings in 15 countries and operates more than 40 separate web sites
(2)
Contract business employs a dedicated sales force that services medium-sized to large customers in Europe and Asia
124 retail stores and another 393 stores as part of joint venture, licensee and franchise agreements
(1)
Reflects full-year 2012 results
(2)
As of March 31, 2013
Office Depot Overview
9
Office
Depot
is
a
\$10.7
(1)
billion
leading
global

provider
of
office
products
and
services
with
1,614
worldwide retail stores, a field sales force, global e-commerce operations and top-rated catalogs
North
American
Retail
42%
North
American
BSD
30%
International
28%
%
of
Sales
by
Division
(2012)
%
of
Sales
by
Category
(2012)
Supplies
65%
Furniture &
Other
14%
Technology
21%
(2)

Fresh Perspective Through Recent Changes in Board Composition

10

2013 Board of Directors

Neil Austrian (Chairman)

Justin Bateman

Thomas Colligan

Marsha Evans

Eugene Fife

Scott Hedrick

Kathleen Mason

Michael

Massey

(1)

Raymond Svider

Nigel Travis

(1)

Nominated to replace outgoing director Brenda Gaines

The Board Has Evolved Significantly to Maintain a Fresh, Knowledgeable and Shareholder Oriented Perspective

The Board Has Added Six Highly-Qualified Directors Over the Last Six Years

Justin

Bateman

June

2009

Senior Partner, BC Partners

Director: Intelsat (Audit Committee), Multiplan, and Cequel Communications

Thomas

Colligan

January

2010

Former Vice Chairman, PriceWaterhouseCoopers

Director: ADT Corp., CNH Global (Audit Committee), and Targus Group Intl.

Former Director: Schering-Plough, Anesiva, Educational Management

Eugene

Fife

July

2012

Sr. Advisor, BC Partners; former Partner, Goldman Sachs

Former Director: Eclipsys (Non-Exec. Chairman), Allscripts, Caterpillar (Audit and Nominating / Governance Committees)

Michael

Massey

(1)

2013

Nominee

Fmr. President/CEO, Collective Brands;

Former President, Payless ShoeSource Intl. JVs

Raymond

Svider

June

2009

Managing Partner, BC Partners

Director:

Intelsat

(Audit

and

Compensation

Committees),
Accudyne
(Chairman),
Cequel Communications (Compensation Committee), MultiPlan
Nigel
Travis

March
2012
CEO
&
Chairman,
Dunkin
Brands
Former President/CEO, Papa John's
Former Director: Lorillard, Papa John's, Bombay Company, Limelight Group

Increased Competition from Online Providers (e.g. Amazon) and Low-Cost Superstores (e.g. Wal-Mart)
History of Managing and Creating Value through Change

11
2009

Closed over 120
stores in North
America

BC Partners
investment secured,
adding \$350M of
crucial liquidity

Sold of over \$300M
of non-core assets
around the world
2010

Established Business
Transformation
Group for cost and
margin initiatives

Separation of former
CEO

Appointed Neil
Austrian interim CEO

Exited Japan
business

Divested Office
Depot Israel
2011

Launched
Continuous Process
Improvement
internationally

After search process,
appointed Austrian
CEO

Launched small store
format

Board launched
strategic review of
OfficeMax
combination and
attempt to engage
2012

April: Started
discussions with
OfficeMax

Spring: Commenced
strategic review of
Mexico; more detail on

JV provided publicly

June: Launched retail strategy with smaller-store format

Summer: Began discussions on monetization of Mexico 2013

February: Signed merger agreement with OfficeMax

July: Sold stake in Office Depot de Mexico

July: Shareholders vote to approve merger with OfficeMax Board and Management Actions to Mitigate Impact and Unlock Value Industry-Wide Challenges Exacerbated by Existing Company-Specific Dynamics

Rapid Adoption of Mobile Devices Including Smartphones and Tablets

Disproportionate Exposure of Footprint in Hard-Hit Geographies (e.g. FL, CA, TX)

Existing Focus on Technology Products

Starboard Investment in ODP

Credit Crisis / Retailer Bankruptcies / Housing Market and SMB Distress with Significant Sales Deleveraging Across OSS Pe

Launched New Strategic Plan in 2010 with Actions to Improve Operations

Made changes in several areas of the top management team (HR, Intl, Retail)

Recruited Chief Marketing Officer and new head of marketing and merchandising

Changed
pricing
and
promotion
strategy

-

began

using
DemandTech
tools

Opened inside sales office in Austin to focus on small to medium-sized businesses

Changed store associate focus from operations to customer engagement with In Store Customer Experience (ISCE), concentrate on selling skills & conversion

Installed store traffic counters to provide measurable traffic and conversion metrics

Launched one-hour, in-store pickup for online purchases and mobile hand-held devices to provide product information, availability, customer reviews and in-aisle checkout

Established
new
product
development
initiative
to
introduce
more
relevant
new
products and offset declining categories

Hired new advertising agency and launched marketing programs to create customer interest and engagement (smallbizclub, Real Change, One Direction, Loyalty Program)

Invested in critical areas
e-commerce; data knowledge of customers; marketing
intelligence
12

\$551
\$131
(\$1,200)
(\$1,000)
(\$800)
(\$600)
(\$400)
(\$200)
\$0
\$200
\$400
\$600
\$800

2007 Adjusted

EBIT

Sales Volume

Occupancy

Costs

Distribution

Costs

Selling

Expenses

Gross Profit

Improvement

2012 Adjusted

EBIT

Over

\$1.1

billion

of

adjusted

EBIT

(1)

benefits

from cost initiatives and margin improvement

Nearly \$5 billion of sales deleveraging

at ~30% gross margin rate

(\$ millions)

(1)

Adjusted

EBIT

excludes

charges

for

restructuring

actions

and

activities

to

improve

future

operating

performance.

The

measure

is

presented

to

provide

management

and

investors

an

opportunity
to
make
meaningful
assessments
and
comparisons
of
results
from
total
operations,
charges
related
to
restructuring
and
efficiency-related
actions,
and
the
results
after
isolating
those
Charges.
The
presentation
of
such
non-GAAP
information
is
not
intended
to
suggest
that
such
information
is
superior
to
the
presentation
of
GAAP
information,
but
only

to
clarify
some
information
and
assist
the
reader.

A
reconciliation
of
GAAP
to
non-GAAP
numbers
can
be
found
on
the
Office
Depot
web
site
at
www.officedepot.com.

Strategy Has Delivered Results Despite Headwinds

13

(1)

(1)

14

Executing Reductions Across the Entire Cost Structure

Occupancy Costs

Distribution

Expenses

Store & Selling Expenses

General & Administrative

Expenses

Lowered occupancy costs by \$50 million over 2011 and 2012 through downsizes, closures and rent reductions

Shifted network costs to 80% variable in N. America

Reduced N. American distribution facilities from 32 to 15 and consolidated Northeast network

Rationalized European network

Since 2007 reduced expenses in N. America by \$440 million and in International by \$140 million

Since 2007, reduced advertising by \$160 million or ~30%; normalized N. American Ad spend in line with peers

\$58 million in reductions since 2007 in outsourcing of Finance and IT functions, reduction in support costs and benefits of indirect sourcing initiative

Any comparison since 2007 must account for changes in fixed headquarters costs and ERP costs

Gross Margins

220 bps improvement in gross margins over the last four years

through

sales

and

margin

initiatives

(1)

Other

Exited non-strategic markets in International in 2011

producing \$17 million of EBIT benefits

(1)

For purposes of comparability, gross margin for the years 2007, 2008, and 2009 have been adjusted retrospectively to include the accounting principle of presenting such expenses. Gross profit for the years 2007, 2008, 2009, 2010, 2011 and 2012 include sales of \$0.8 billion, \$0.7 billion, \$0.7 billion, and \$0.7 billion, respectively.

(3)

(1)

(1)

15

Italicized figures denote

Adjusted EBIT including

Mexico contribution

Gross Profit

Adj. Operating Expense & Operating Margin

Adjusted EBIT

(3)

Advertising Expense

(1)(2)

(2)
Improvement
in
Key
Metrics
is
Driving
Adjusted
EBIT

(3)
Growth

For purposes of comparability, gross profit and gross profit percentages for the years 2007, 2008, and 2009 have been adjusted profit for the years 2007, 2008, 2009, 2010, 2011 and 2012 include shipping and handling expenses amounting to \$1.0 billion, which previously included the impact of shipping and handling

Adjusted Operating Expense excludes charges for restructuring actions and activities to improve future operating performance. Adjusted EBIT excludes charges for restructuring actions and activities to improve future operating performance. The measure related to restructuring and efficiency-related actions, and the results after isolating those charges. The presentation of such no assist the reader. A reconciliation of GAAP to non-GAAP numbers can be found on the Office Depot web site at www.officedepot.com

(1)
(2)
(3)

Maintaining Positive Cash Flow and Strong Liquidity Position

(\$ million)

Positive

Free

Cash

Flow

(1)

since

2008

through

successful working capital management

Sustained liquidity above \$1.3 billion since 2009

with no current ABL borrowings

\$912

\$868

\$1,386

\$1,301

\$1,305

\$1,370

(1)

Free

Cash

Flow

is

a

non-GAAP

financial

measure,

and

equals

net

cash

provided

by

operating

activities

less

capital

expenditures.

The

measure

is

presented

to

provide

management

and

investors

an

opportunity

to

make meaningful assessments and comparisons of financial results. The presentation of such non-GAAP information is not in

information,

but

only

to

clarify

some

information

and

assist

the

reader.

A reconciliation of GAAP to non-GAAP numbers can be found on the Office Depot web site at www.officedepot.com.

(2)
2012 free cash flow of \$117 million has been adjusted to exclude a \$58 million negative impact related to a first quarter pension settlement. The settlement impact on cash flow from

operating activities

was offset by a positive impact to cash flow from investing activities of the same amount, with the net result of having no total

(\$ million)

(2)

(1)

\$1,548

6/29/13PF reflects

cash balance of \$472

million plus \$550

million in after-tax

proceeds from sale

of Mexico JV less

50% redemption for

BC Partners (\$216

million)

16

Stock Price Has Outperformed Peers in a Difficult Market

17

Since the appointment of Neil Austrian as CEO in November 2010, Office Depot's stock price has outperformed its peers despite continued sector headwinds

(100.0%)

(75.0%)

(50.0%)

(25.0%)

0.0%

25.0%

50.0%

11/1/10

3/24/11

8/15/11

1/5/12

5/29/12

10/17/12

3/14/13

Office Depot

OfficeMax

Staples

7/26/13

We believe that market fears about the sustainability of the office supply business are overblown [and] believe that improving industry trends as well as ODPs aggressive push to reduce store size/costs and improve profitability provide upside to shares over time.

-

Morgan Stanley, May 23, 2012

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Creating
Shareholder
Value

-

Office
Depot

/

OfficeMax
Merger
Highlights

Office Depot Board initiated review of proposed combination in 2011, and was actively

engaged
in
discussions
with
OfficeMax
well
before
Starboard's
investment

OfficeMax
and
Office
Depot
announced
merger
of
equals
to
create
\$18
billion
(1)
office solutions company in February 2013

Two leading companies combined to build a stronger, more efficient competitor able to meet the growing challenges of a rapidly changing industry

Customers will benefit from unique, innovative products, services and solutions available through a global, multichannel network

Well-positioned to optimize sales platform and distribution network, and to expand multichannel capabilities to better serve customers and compete against larger players (e.g., Wal-Mart, Amazon, Costco, Target)

Size, scale and global reach will strengthen the portfolio of products, services and solutions to customers worldwide

Long-term value creation through realization of annual synergies as well as enhanced cash generation and liquidity to fund internal and external opportunities

(1) Pro forma combined sales for the 12 months ended December 29, 2012

19

Creating
Shareholder
Value

-

Broad
Support
for
OfficeMax
Merger

We believe the merger is being undervalued by the market as the potential capacity reduction and operating synergies should be significant for the remaining players.

-

Credit Suisse, May 1, 2013

Consolidation seems logical given headwinds in the industry. A merger between **Office Depot and OfficeMax** is a logical response to industry dynamics and could unlock significant value for shareholders.

The office superstore (OSS) channel is feeling pressures on multiple fronts with macro employment trends lackluster and the effects of increased digitization in the workplace (i.e. a trend toward a paperless office) [h]ighly accretive merger economics benefit shareholders. **A merger between ODP and OMX would accelerate store closings, increase purchasing power, leverage corporate overhead and SG&A costs, and allow for distribution rationalization.**

-
Jefferies, February 20, 2013

We continue to view ODP-OMX as the most compelling value / special situation stocks in our coverage universe, supported by **our belief that the deal will close successfully, synergies will be significant, NOLs and other balance sheet opportunities can provide further upside potential, and valuation is supportive.**

-
KeyBanc Capital Markets, April 30, 2013

Merger overwhelmingly approved by shareholders in July 2013, over 98% of the shares voted from each company were voted FOR the merger

20

Approximately \$8 billion in combined North American spend
SKU harmonization and vendor optimization

Estimated synergy potential of \$130 -
\$200 million

Purchasing
Efficiencies

Supply
Chain

Approximately \$1 billion in combined North American spend
Network optimization, transportation and delivery efficiencies

Estimated synergy potential of \$70 -
\$100 million

Advertising &

Marketing

Approximately \$0.5 billion in combined North American spend

Efficiencies in weekly inserts, media and catalogs

Estimated synergy potential of \$70 -

\$100 million

Selling, General &

Administrative

Approximately \$1.5 billion in combined North American spend

Sales and support function efficiencies and standardization of processes

Estimated synergy potential of \$130 -

\$200 million

Creating

Shareholder

Value

-

Substantial

Synergy

Potential

Total annual run-rate cost synergies following integration of approximately \$400-\$600 million

Target to realize one-third of synergies in Year 1, with majority of synergies expected to be achieved by Year 3

Approximately \$350-\$450 million in one-time costs

(2)

and \$200 million in capital investment to achieve synergies

21

Approximately \$18 billion in Sales

(1)

and \$11 billion in North American Costs

(1)

Sales based on 2012 pro-forma figures.

(2)

Includes transaction costs.

Creating
Shareholder
Value

-

Strong
Leadership
on
Integration
Planning

After extensive involvement in merger negotiations, the Board has continued to provide close oversight of integration and planning

22

Steering Committee

Neil Austrian
Mike Newman*
Michael Allison
Elisa Garcia
Ravi Saligram
Steve Parsons*
Matt Broad
Deb O Connor
Merchandising/COGS
ODP
OMX
Indirect Procurement
ODP
OMX
HR
ODP
OMX
Legal
ODP
OMX
IT
ODP
OMX
E-Commerce
Communication/PR
ODP
OMX
Finance / Accounting
ODP
OMX
Supply Chain
ODP
OMX
B2B Ops
ODP
OMX
Marketing
ODP
OMX
Retail Ops Mgmt
ODP
OMX
Integration Management Office (IMO)
* Integration Planning
Leaders
ODP
OMX
ODP
OMX
Platform Teams

Project management

Baselines and synergies

Communications

Culture and change

Talent management

Vince Pierce

Paul Hoelscher

Boston Consulting Group actively engaged as external integration advisor

Established Integration Management Office (IMO) and planning teams with joint representation from

Office Depot and OfficeMax in IMO and all integration tracks

Development of detailed integration strategy and Day 1 operating plan well under way

Extensive collaboration with frequent face-to-face Steering Committee meetings

Unlocking
Shareholder
Value

-

Office
Depot
de
Mexico
Sale

Highlights

Formed in 1994 as joint venture with
Grupo Gigante; 2012 sales of
approximately \$1.1 billion

50% ownership interest and equity
method of accounting

Began initiative to illuminate value of
business in Q1 of 2012, well before
Starboard involvement

Transaction closed in July 2013
Total transaction value of approximately
\$680 million represents 11.6x 2012
EBITDA (high-end of Starboard's
estimated value)

(1)
After-tax proceeds of approximately \$550
million, enhancing liquidity going into the
merger

Represents significant value creation for
shareholders

Latin American Geographic Presence

257* retail locations and
distribution facilities in

Latin America

Mexico

Colombia

Costa Rica

El Salvador

Guatemala

Honduras

Panama

\$31

\$31

\$34

\$32

2009

2010

2011

2012

Miscellaneous

Income

Recorded

at

Office

Depot

Mexico

JV

(\$ in millions)

* At end of 2012

23

(1)

Range

of

\$500

-

\$700

million

for

value

of

unconsolidated

Office

Depot

de

Mexico

presented

in

Starboard s

September

17,

2012

letter

Unlocking
Shareholder
Value

-

Broad
Support
for
Mexico
Transaction

We
are
encouraged
by

the
Office
Depot
de
Mexico
sale,
which
will
provide
Office
Depot
funding
to
buy
back
a
significant
portion
of
BC
Partners
stake
and
deliver
its
balance
sheet,
both
of
which
we
view
as
positives
given
the
pending
OfficeMax
merger.
In
addition,
we
do
not
believe
the
market
was
giving
Office

Depot
much
credit
for
the
JV s
value,
so
we
are
happy
to
see
management
monetize
this
investment
at
an
attractive
valuation.

-
BB&T
Capital
Markets,
June
4,
2013

This
sale
price
is
higher
than
our
initial
estimates
of
\$450

500
million
and
reflects
a
21

22x
multiple
on

2012
earnings [t]his
transaction
strengthens
[Office
Depot s]
balance
sheet
and
financial
position,
and
will
simplify
the
integration
of
ODP
and
OMX.

-
Janney,
June
4,
2013
24

We
are
pleased
that
the
Company
has
announced
that
on
July
9,
2013,
it
has
consummated
the
sale
of
its
valuable
50/50
joint
venture

interest
in
Office
Depot
de
Mexico
to
its
joint
venture
partner.

-
Starboard
Value,
July
23,
2013

In our view, the deal is **positive for Office Depot for several reasons.**

First, it would **allow a combined ODP-**

OMX
(assuming
the
merger
is
approved)
to
focus
on
integrating
the
U.S.
office
supply
retail
business

which

has faced ever-increasing challenges in recent quarters. Second, it **enables ODP to reduce its leverage and**
simplify its ownership

structure. Third, we believe the deal is **highly attractive for Office Depot from a**
valuation standpoint,

given that it effectively values its stake in the Mexico JV at over 20x trailing PE.

-
Barclays, June 4, 2013

Until the merger with OfficeMax is completed, the two companies continue to operate independently as competitors in the marketplace

To drive sales and profitability improvements, we remain highly focused on our key standalone operating initiatives to deliver our 2013 plan:

Executing the North American Retail strategy

Improving the web experience and making omni-channel a reality

Growing services and solutions

Increasing own brand and direct import penetration

Driving small-and medium-size business customer growth

Improving the International Division cost structure

Working with vendors to decrease cost of goods sold

Reducing expenses

Continued Improvement of Operations Regardless of Merger Outcome

1.	Executive Summary
2.	Steering the Company Through Industry and Macro-Economic Headwinds
3.	Pursuing Actions to Deliver Shareholder Value
4.	Why We Believe Adding Starboard Nominees is Unnecessary and Harmful
26	Table of Contents

The Board Is Committed to Open Dialogue with All Shareholders

Since Starboard filed its 13D, the Board and management have held six face-to-face discussions and multiple phone conversations over 11 months with Starboard on a variety of topics

The Board has welcomed any new ideas Starboard has regarding Office Depot's operations

The Board has repeatedly requested the restructuring plan that Starboard claims to have developed, but has yet to receive it

Starboard Value has said it plans to release its detailed plan within the next two weeks, which appears to be timed for maximum shock value ahead of the annual meeting, rather than a genuine attempt to cooperatively and effectively work toward delivering shareholder value

Any names Starboard Value puts forth to the CEO Selection Committee will (and have) receive full vetting and consideration, as has been offered previously

The Board has also been accommodating in timing its Annual Meeting to permit Starboard, at their request, to conduct its work according to a reasonable timeline and provide full and fair opportunity to be heard

The Board has engaged with Starboard subject to the limitations on information it can share with individual investors, especially considering the Company's strategic activity

Starboard declined the opportunity to receive more information under a confidentiality agreement

27

The Office Depot Board Has Shown a Cooperative and Flexible Approach to Understanding Starboard's Concerns

Starboard's Analysis of Office Depot is Simplistic and Flawed

Despite
extensive
due
diligence
on
the
Company
and
detailed
research
and

analysis
over
the
past
year,

Starboard's current analysis is virtually identical to its initial 2012 letter, with no detail on specific initiatives

Starboard's peer comparison focuses primarily on one metric (operating margins) and ignores important differences

Excludes the impact of Office Depot's high-margin 50/50 Mexico JV from operating income but uses OfficeMax figures that fully consolidate OfficeMax's 51/49 Mexico JV

Fully consolidating the 50/50 Mexico JV would increase adjusted operating income margins for Office Depot by nearly a full percentage point

Other relevant metrics that Starboard has ignored show Office Depot in line with peer performance (e.g., adj. EBITDA margins of 3.1% [3.6% fully consolidating Mexico] in line with OfficeMax at 3.0%)

Since 2007, the existing Board and management team have generated over \$1 billion in adjusted EBIT benefits through cost initiatives and margin improvement across the full cost structure, not just Starboard's focus areas of G&A and advertising spend (only ~30% of total costs, excluding COGS)

In Q1 2013, the Company reallocated certain corporate G&A expenses to its Divisions and reclassified shipping & handling expenses as COGS in order to improve transparency and comparability both internally and externally with peers

Have further reduced Adjusted Operating Expenses by \$51 million through the first half of 2013
28

Superficial Analysis of Office Depot's Operating Performance Done on the Basis of a Limited, and Not Readily Comparable, Universe of Peers

Starboard Value is Restating the Company's Existing Plan
ODP Initiatives

Executing the North American Retail strategy

First Discussed on Q1 2012 Earnings Call

Improving web experience and making omni-channel a reality

First Discussed on Q3 2012 Earnings Call

Growing services and solutions

First Discussed on Q2 2011 Earnings Call

Increasing own brand and direct import penetration

First Discussed on Q3 2011 Earnings Call

Driving SMB customer growth

First Discussed on Q1 2011 Earnings Call

Improving the International Division cost structure

First Discussed on Q1 2011 Earnings Call
Working with vendors to decrease cost of goods sold
First Discussed on Q1 2009 Earnings Call
Reducing expenses
Began in Q4 2009 Earnings Call and Every Earnings Call Since
Starboard Initiatives
Increasing higher-margin services
mix
Increasing private label and direct-sourced penetration
Downsize to smaller-store formats
Increasing the mix of higher-margin
SMB customers
Reducing G&A / Advertising expenses

29
Starboard s
lengthy
list
of
recommended
operational
improvements
is
largely
consistent
with
existing
themes

Hence,
we
are
more
inclined
to
view
[many of] these initiatives as already reflected in the company s run rate and investor expectations. We note that ODP is already
of margin
benefits
from
its
various
initiatives

but
this
has
largely
been
offset

by
deleverage
from
declining
revenues.

-

Bernstein,
October
15,
2012

Starboard Value Agrees with the Company's Strategic Actions
ODP Strategic Actions
Merger-of-Equals with OfficeMax
Starboard Reactions
Merger-of-Equals with OfficeMax

Began strategic evaluation in 2011 and
initiated discussions in April 2012 to
explore range of potential transactions

Significant scale benefits with notable
growth opportunities

\$400 -
\$600 million of potential cost
synergies

Stronger financial profile
Sale of Mexico JV

Internal strategic review commenced in
early 2012 to determine best course for
asset

\$680 million sale at 11.6x EBITDA

Successfully negotiated transaction
concurrent with pending OMX merger
despite complexities

Opportunity not identified initially by
Starboard, but they have expressed
support for the transaction post-
announcement

Subsequent Starboard synergy
estimates comparable to those
presented at announcement by Office
Depot
and
OfficeMax
(1)
Sale of Mexico JV

Advocated for transaction after Office
Depot internal strategic review already
well progressed and discussions with
Grupo Gigante underway

Value realized by ODP represents high
end of the estimated Starboard value
range
for
Mexico
JV
(\$500
-
\$700
million)
(2)
30
(1)
Estimated

synergies
excluding
store
closures
presented
as
\$500
-
\$700
million
in
Starboard s
April
22,
2013
investor
presentation
(2)
Range
of
\$500
-
\$700
million
for
value
of
unconsolidated
Office
Depot
de
Mexico
presented
in
Starboard s
September
17,
2012
letter

The Board is Focused on Shareholder Value

The Board's
strategic
actions
this
year
(OfficeMax
merger
and
Office
Depot
de

Mexico
sale)
were
well
underway
when

Starboard showed up and are clear evidence of the pursuit of shareholder interests

A merger-of-equals transaction where the combined company's board, HQ, branding, CEO and management team are to be determined jointly and objectively based on merit, demonstrates that this Board is solely focused on shareholder value

Starboard's involvement with the selection committee now would be extremely disruptive and impact the work done to date, including interviews of potential CEOs already conducted

There
has
been
active
equity
investor
participation
on
the
Board
with
the
inclusion
of
BC
Partners,
a
holder
of
22%
of
the common stock through its preferred stock investment

Office Depot adopted a one-year Rights Plan (which the Board announced will expire in October 2013) to prevent an investor from amassing control of the Company without paying a fair price, at a time the Board was negotiating transactions that would unlock substantial value

Starboard has repeatedly cited the Company's theoretical ability to increase BC Partner's ownership stake in an effort to increase the votes of a supportive shareholder and thus usurp voting control. The Company has paid only cash dividends to BC Partners since Q3 2012 and voting shares have not increased

Annual election of all directors and the ability to act by written consent both exist, and have been utilized by Starboard in its current campaign

The Board plans to hold the next Annual Shareholders Meeting to elect directors in April of 2014

31

The Current

Board

Members

Have

Consistently

Acted

in

the

Best

Long-Term

Interests

of

all the Company's Stockholders, and Consistent with Their Fiduciary Duties

Independent & Highly Qualified Board

Nine of 10 Board members are independent of the Company

Appointed six new directors in the past six years, with a new director nominee in 2013

Lead independent director charged with clearly-defined responsibilities

Key committees comprised of solely independent directors

Board Independence

Breadth of Experience

Forward-Looking, Strong Oversight

Industry and operational experience includes years of service as directors, CEOs and presidents

Financial expertise derives from former public company and private equity leadership

Diversity of retail industry and governance experience supports long-term shareholder interests

Focused implementation of ongoing strategic plan, regardless of OfficeMax merger

Actively pursuing transformative initiatives for the benefit of shareholders:

Proposed Merger with OfficeMax

Sale of the JV interest in Office Depot de Mexico

Office Depot's Board is focused on good governance and pursuing transformative strategies to drive long-term shareholder value creation

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Office Depot is a global company with major non-retail businesses (in addition to retail) and requires a board with a diverse set of experiences

Starboard's Claims Do Not Warrant Election of its Nominees

Office Depot is a global company with major non-retail businesses (in addition to retail), and requires a board with a diverse set of experiences, including international sales force management and e-commerce, not just retail operators

Office Depot has nominated Michael Massey, the former CEO and President of Collective Brands, to the Board; there are ample directors with excellent retail operating experience to serve on the combined company's board

Starboard
has
repeatedly
emphasized
the

turnaround
expertise
of
its
nominees
without
providing
any
examples
of
its
nominees
leading
the
integration
of,
or
even
participating
in,
a
major
merger-of-equals
transaction

As a sign of constructive dialogue with Starboard, Office Depot extended an offer to invite Joseph Vassalluzzo (a Starboard nominee) to join its Board of Directors, which was declined

Important decisions regarding a merger, especially a merger-of-equals, require collaboration and compromise. Starboard's public agitation to date illustrates that their direct involvement would hinder rather than help ongoing integration discussions, with each month of delay in integration costing \$12 million in foregone cost savings.

The CEO selection committee is set, has hired a leading executive recruiting firm in Korn/Ferry, and is making good progress towards identifying and reviewing top candidates

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Office Depot's contribution to the selection committee includes a director whose retail operating experience Starboard has consistently acknowledged (Travis), a director with extensive HR / recruiting experience and as a public company director in the consumer/retail sector (Evans), and the former Vice Chairman of PWC (Colligan)

Any CEO candidates Starboard submits to the selection committee will be considered in the same fashion as all other candidates

Starboard candidates do not offer expertise that is not currently represented on the Board
33

Additional Director Candidates are NOT Needed for the Combined Company Board and
Disproportionate Influence from Starboard Could Harm the Merger Process

Recognition of Starboard's Disruptive Effect on Integration

34

We see this proxy context as more of an incremental distraction to an already complicated situation. We are not convinced that bringing in a new set of managers or directors at this juncture would lead to a superior outcome. The success

or
failure
of
the
combined
entity
will
be
determined by willingness and prudence to make short-term sacrifices for the good of the long-term benefits.

-
UBS, July 31, 2013

One
issue
that
continues
to
remain
a
question
mark
on
the
merger
is
the
role
of
Starboard.

They
are the activist investor that has been aggressively pushing their agenda at ODP. They are actively pursuing for four board seats and we believe are trying to be active in choosing the CEO. **Our concern with Starboard,**
and
their
potential
influence,
is
that
they
will
have
a
somewhat
different
agenda
than
the
company
itself.
Mergers
of

this
magnitude
can
take
time,
perhaps
a
long
time
to
work.
There
will
be
set
backs,
some
synergies
will
prove
to
optimistic
and
others
a
much
bigger
opportunity
than
anticipated.
However,
one
thing that we regularly have heard from companies involved in mergers like this, is that **going slow may**
frustrate some stakeholders, but ultimately going too fast can frustrate customers, the ultimate
stakeholder
in
long
term
success.
We
hope
that
the
combined
company
works
along
an
appropriate
timeline that does not alienate customers.

-
Janney Capital Markets, July 30, 2013

Office Depot Board Best-Qualified to Complete Value Creation Initiatives

The Office Depot Board of Directors has demonstrated its commitment to sustained value creation

Secured investment from BC Partners in 2009 to solidify liquidity position

Ongoing input and oversight on development and execution of key operating initiatives through industry and macro-economic headwinds

Negotiated merger with OfficeMax, creating opportunity for Office Depot shareholders to benefit from an estimated \$400-\$600 million in annual synergies

Unlocked
value
for
shareholders
by
proactively
monetizing
Office
Depot s
Mexico JV

The highly-qualified Board and management team have been instrumental in the progress made to date on the OfficeMax and Office Depot de Mexico transactions

Important relationships have been built with OfficeMax in multiple functional areas

Key leaders from both companies are actively engaged in merger integration planning for the successful integration of the two companies and realization of potential synergies

The CEO Selection Committee has launched a search process that is well underway

We strongly believe inserting new parties at the table at this point will be harmful to the merger process and not in our shareholders best interests

35

Please Vote the WHITE PROXY Card in Support of the Office Depot Nominees

DIRECTOR BIOGRAPHIES

37

Director Biography
Neil Austrian

Director since 1998

Chairman & CEO since May 2011, Interim
Chairman & CEO since November 2010

Former President & COO of the National
Football League

Former Managing Director at Dillon Read & Co.

Former CEO and CFO of Doyle Bernbach
Advertising

Former CEO of Showtime / The Movie Channel

In-depth insights into the Company's operations
and management coupled with background in
finance, investment banking and deal
negotiation uniquely qualifies him for serving on
the Board

Significant expertise in management, finance,
marketing and strategic planning

Chairman of Nominating and
Corporate Governance
Committee

Compensation Committee
DirecTV

Director
Viking Office Products
Merged with Office Depot
Former Director
Active Director

Chairman
Office Depot

Governance Committee
Bankers Trust Company

38

Director Biography
Justin Bateman

Director since 2009

Senior Partner with BC Partners, a leading
global private equity firm with advised funds of
12.6Bn

Former PricewaterhouseCoopers professional
and Chartered Accountant

Non-voting observer on the Audit Committee

Experience as a chartered accountant and understanding of accounting issues is helpful in fulfilling the Audit Committee's oversight responsibilities; participation in portfolio company oversight provides him with the skills necessary to assist the Company with its strategic planning process

Education and experience in business and finance provides the Board with significant managerial, strategic, financial and compliance-based expertise

Director
Intelsat SA

Director
General Healthcare Group
Acquired by Netcare
Former Director
Active Director

Director
Baxi Holdings
Merged with Remeha

Director
Regency Entertainment

Director
MultiPlan

Director
Cequel Communications

Finance Committee
Office Depot

39

Director Biography
Thomas Colligan

Director since January 2010

Former Vice Dean of The Wharton School's Aresty
Institute of Executive Education

Former managing director at Duke Corporate
Education, a corporation that provides custom
executive education affiliated with Duke University's
Fuqua School of Business

Former Vice Chair of PricewaterhouseCoopers LLP

Served on the Coopers & Lybrand / PriceWaterhouse integration committee responsible for harmonizing audit approaches and market strategy

Former Chair of the Transaction Committee at Schering-Plough in its \$40 billion merger with Merck

Broad-based understanding of new and developing business strategies that are helpful to the Board, in addition to deep accounting experience

As Chair of CNH Global special committee, oversaw the negotiation of the recently-announced merger of CNH and Fiat Industrial SpA

Audit Committee Chair

Nominating Committee
ADT

Audit Committee Chair

Transaction Committee
Educational Management
Sold to Goldman Sachs

Non-Executive Chairman

Audit Committee Chair

Transaction Committee
Schering Plough
Sold to Merck

Audit Committee Chair
Targus

Special Committee Chair

Audit Committee
CNH Global
Former Director
Active Director

Chair of Audit Committee
Office Depot

40

Director Biography
Marsha Evans

Director since 2006

Retired from the U.S. Navy with the rank of Rear
Admiral

Held a number of senior positions in the U.S. Navy
including heading the Navy's worldwide recruitment
organization

Former Acting Commissioner of the Ladies
Professional Golf Association

Former President and Chief Executive Officer of
the American Red Cross

Former National Executive Director (CEO) of Girl
Scouts of the USA

Former Director of May Department Stores through
its merger-of-equals with Federated Department
Stores

Extensive human resources and governance
experience including retail companies May
Department Stores, AutoZone and Weight
Watchers International

Audit Committee
Weight Watchers International

Compensation Committee
AutoZone

Finance and Audit Committee
May Department Stores
Sold to Federated

Chair of the Nominating and
Governance Committee

Compensation Committee
North Highland Company
Former Director
Active Director

Chair of Compensation
Committee

Corporate Governance and
Nominating Committee
Office Depot

Nominating and Corporate
Governance Committee
Huntsman Corporation

41

Director Biography

Eugene Fife

Former Director

Active Director

Director since 2012

Founder and Managing Principal of Vawter Capital
and Senior Director at Goldman Sachs

Former Interim President & CEO of Eclipsys

Former Partner at Goldman Sachs, member of the Management Committee and Chairman of Goldman Sachs International; advised companies and boards on numerous merger situations, including dozens of mergers-of-equals transactions

Former Presiding Director of the Caterpillar Board

Previously designated to the Board by BC Partners, a leading global private equity firm with advised funds of \$12.6Bn, before nomination as an Independent Director

Financial expertise and experience as a CEO and director of large, publicly-traded multinational corporations provides meaningful support

Non-Executive Chairman
Eclipsys
Sold to Allscripts

Director
Allscripts

Presiding Director

Chair of Nominating and
Governance Committee

Chair of Audit Committee
Caterpillar

Director
Accudyne Industries

Chair of Audit Committee
Cequel Communications

Corporate Governance and
Nominating Committee
Office Depot

Audit Committee
Capital Research & Mgmt.

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Director Biography

Scott Hedrick

Former Director

Active Director

Director since 1991 and Lead Director since 2011

Founding investor and Director of Office Club from
inception until acquisition by Office Depot

Served on boards of dozens of start-up companies as a founder and general partner of Interwest Partners, a venture capital firm with \$2.8 billion under management:

Noodles & Company: Director until sold to Catterton in 2011; recently had successful IPO

Tetra Technologies: Founding investor and Director; now a NYSE company

Hot Topic: Head of Compensation Committee until successful acquisition in early 2013

Corporate Express: Early investor and Director through IPO

Former Director, National Venture Capital Association

Institutional knowledge of Office Depot, deep financial expertise and other board service provide significant perspective on retail operations

Director
The Office Club
Sold to Office Depot

Compensation Committee
Hot Topic
Sold to Private Investor

Chair of Corporate
Governance and Nominating
Committee

Compensation Committee
Office Depot

Compensation Committee

Audit Committee

Genesco

43

Director Biography

Kathleen Mason

Former Director

Active Director

Director since 2006

Former President & CEO of Tuesday Morning Corporation

Former President of Filene's Basement

Former President of HomeGoods

Former Chair & CEO of Cherry & Webb

Senior executive positions at various large national retail companies provides experience to critically review the various business considerations necessary to run a successful consumer-driven business such as Office Depot's North American Retail Division

Broad exposure to numerous retailers and extensive retail knowledge offers insight into the business and financial strategies necessary to address evolving complex audit issues

Extensive international sourcing and business expertise provide important perspective

Director
Hot Topic
Sold to Private Investor

Director
Tuesday Morning Corporation

Director
The Men's Wearhouse

Finance Committee
Office Depot

44

Director Biography

Michael J. Massey

Former Director

Active Director

Nominee

Office Depot

Nominated in 2013

Former President & CEO of Collective Brands, Inc.

Former President of Payless ShoeSource's international joint ventures, which included a total of over 200 stores; previously at The May Department Stores Company

Oversaw transformational mergers in 2007 of Collective Licensing International and The Stride Rite Corporation as senior executive and was a key player in merger integration of both acquisitions

As a former CEO of a retailer and brand wholesaler, provides valuable retail experience and meaningful insight to address issues affecting retailers, as well as perspectives on B2B sales

Additional international experience driving Payless, Sperry Top-Sider, Keds and Stride Rite into broad range of international markets (both at retail and wholesale) offers global insights on issues affecting Office Depot's overseas business

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Director Biography
Raymond Svider

Director since June 2009

Co-Chairman and Managing Partner of BC
Partners, a leading global private equity firm with
advised funds of \$12.6Bn

Has participated in or led a variety of investments
including Tubesca, Nutreco, UTL, Neopost,
Polyconcept, Neuf Telecom, Unity Media/Tele

Columbus, Intelsat S.A., Multiplan, Suddenlink and
Accudyne (formerly Hamilton Sundstrand)

Former investment banker at Wasserstein Perella

Significant leadership abilities and extensive
knowledge of complex financial and operational
issues facing large organizations

Expertise in international operations and financial
strategy as well as in developing various strategies
to motivate and compensate executives provides
significant Board support

Audit Committee

Compensation Committee
Intelsat SA
Former Director
Active Director

Compensation Committee
MultiPlan

Compensation Committee
Cequel Communications

Compensation Committee

Chair of Finance Committee
Office Depot

Chairman

Compensation Committee
Accudyne

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Director Biography
Nigel Travis

Director since March 2012

Chairman,
President
&
CEO
of
Dunkin
Brands

Group Inc.

Former President & CEO of Papa John's International, Inc.

Former executive in Europe, International and Retail divisions of Blockbuster, Inc., culminating with the role of President & COO

Former executive with Grand Metropolitan PLC, including Managing Director, EMEA and SVP Human Resources for Burger King

Significant international, retail, human resources and operations expertise

Experience as a public company CEO provides differentiated perspectives on leadership and strategy

Chairman
Dunkin
Brands
Former Director
Active Director

Compensation Committee
Office Depot

Director
Lorillard

Director
Bombay Company

Director
Limelight Group

APPENDIX
SUPPLEMENTAL
MATERIALS

/

Costs

Comments

(\$ million)

2007

2012

(B)/W

Occupancy Costs

646

602

(44)

Driven by occupancy reductions and store closures

Cost of Goods Sold (COGS)

10,378

6,846
(3,532)
Distribution Expenses
964
712
(252)
In North America, shifted network costs to 80%
variable, reduced distribution facilities from 32
to 15 and consolidated Northeast network.
Rationalized European network
Adjusted Other Selling
Expenses
(1)
2,383
1,801
(582)
Reduced North America expense by \$441 million
and International by \$141 million
Adjusted G&A Expenses
(1)
633
639
6
Adjustments
S-T Compensation
38
17
(21)
Facilities
(12)
(12)
Incremental headquarters costs
IT Depreciation
(31)
(31)
Incremental enterprise resource planning costs
G&A Expenses (pro forma)
671
613
(58)
Outsourcing of Finance and IT functions reduction
in support costs, benefits of indirect sourcing
initiative
Total Costs
15,042
10,574
(4,468)
Total Costs (excl.COGS)
4,664
3,728

(936)

48

Cost

Structure

Reductions

2007

-

2012

(1)

Adjusted Other Selling and G&A expenses are non-GAAP financial measures. The measures are presented to provide management comparisons of results from total operations, charges related to restructuring and efficiency-related actions, and the results is not intended to suggest that such information is superior to the presentation of GAAP information, but only to clarify so numbers can be found on the Office Depot web site at www.officedepot.com.

Reduced total Company operating
expense, adjusted for charges, by
\$51 million in the first half of 2013
versus prior year
Adj. Operating Expense
(1)(2)
\$1,237
\$1,186
1,000
1,100
1,200
1,300
1H 2012

2H 2013

Adj. Operating Expense

(1)(2)

\$3,187

\$2,440

2,000

2,500

3,000

3,500

2008

2012

Reduced total Company

operating expense, adjusted for

charges, by \$747 million between

2008 and 2012

(\$ millions)

(\$ millions)

49

Successfully Reducing Operating Expenses

(1)

(2)

Adjusted operating expense is a non-GAAP financial measure. The measure is presented to provide management and investors with information on operating charges related to restructuring and efficiency-related actions, and the results after isolating those Charges. The presentation of adjusted operating expense is not a presentation of GAAP information, but only to clarify some information and assist the reader. A reconciliation of GAAP to non-GAAP information is provided in the accompanying notes to the financial statements. For purposes of comparability, gross profit and gross profit percentages for the years 2007, 2008, and 2009 have been adjusted to reflect the accounting principle of presenting such expenses. Gross profit for the years 2007, 2008, 2009, 2010, 2011 and 2012 include \$1.1 billion, \$1.1 billion, \$1.1 billion, \$1.1 billion, \$1.1 billion, and \$0.7 billion, respectively. This also results in a reduction to Operating Expenses for the same period, which previously was \$1.1 billion, \$1.1 billion, \$1.1 billion, \$1.1 billion, \$1.1 billion, and \$0.7 billion, respectively.

50

Costs In-Line with Peers and Potential Additional Gross Margin Opportunity

(\$ millions)

Office Depot

Office Max

Staples

2010

2011

2012

2010

2011

2012

2010

2011
2012
Revenue
\$11,633
\$11,490
\$10,696
\$7,150
\$7,121
\$6,920
\$24,135
\$24,665
\$24,381
Gross Profit
\$2,610
\$2,707
\$2,536
\$1,850
\$1,809
\$1,784
\$6,535
\$6,690
\$6,491
% Sales
22.4%
23.6%
23.7%
25.9%
25.4%
25.8%
27.1%
27.1%
26.6%
SG&A
\$2,560
\$2,616
\$2,439
\$1,689
\$1,691
\$1,645
\$4,894
\$5,056
\$4,963
% Sales
22.0%
22.8%
22.8%
23.6%
23.7%
23.8%
20.3%

20.5%

20.4%

Adjusted Operating Income

(1)

\$50

\$91

\$97

\$161

\$118

\$139

\$1,641

\$1,634

\$1,528

% Sales

0.4%

0.8%

0.9%

2.2%

1.7%

2.0%

6.8%

6.6%

6.3%

Adjusted EBIT

(1)

\$84

\$122

\$131

\$153

\$110

\$131

\$1,641

\$1,634

\$1,548

% Sales

0.7%

1.1%

1.2%

2.1%

1.6%

1.9%

6.8%

6.6%

6.3%

Adjusted EBITDA

(1)

\$291

\$331

\$333

\$254

\$195

\$205

\$2,140

\$2,116

\$2,015

% Sales

2.5%

2.9%

3.1%

3.6%

2.7%

3.0%

8.9%

8.6%

8.3%

100% Consolidation of Mexico

(2)

Adj. EBIT

(1)

\$145

\$186

\$200

% Sales

1.2%

1.5%

1.7%

Adj. EBITDA

(1)

\$373

\$418

\$426

% Sales

3.0%

3.3%

3.6%

Adjusted Operating Income, EBIT and EBITDA are non-GAAP financial measures. The measures are presented to provide meaningful comparisons of results from total operations, charges related to restructuring and efficiency-related actions, and the results after such charges. This information is not intended to suggest that such information is superior to the presentation of GAAP information, but only to clarify some items. For more information, you can be found on the Office Depot web site at www.officedepot.com.

Assumes conversion to U.S. dollars at average exchange rate for each of the periods shown based on figures as presented in Office Depot's financial statements.

(1)

(2)

0
100
200
300
400
500
2010
2011
2012
North America
International
NASCAR

Redirecting advertising expense
into more effective e-commerce
marketing strategies

Total Company 2012 advertising
expense as a percent of sales was
about 3.8%

2012 North American advertising
expense as a percent of sales was
about 3.6%

Excluding the NASCAR
sponsorship that ended in 2012,
2012 North American advertising
expenses as a percent of sales
would have been about 3.3%, a
rate comparable to other office
supply superstore players

51

Increasing Advertising Effectiveness

52

*

NPD

Group

includes

ink,

toner

and

paper

in

technology,

not

in

supplies

NPD Group

Regaining Market Share in Key Categories

Office Supply Superstores (OSS) include Office Depot, OfficeMax and Staples

SUPPLIES * (\$M)

Retail Store Sales

SPLS Total

All Other Total

ODP & OMX OSS

Retail All ODPMKT

OSS MKT

Time Period

Stores

Stores

Stores

Stores

Stores

Share

Share

2010

\$917	\$2,277	\$3,194
-------	---------	---------

\$5,812	\$9,006	10.2%
---------	---------	-------

35.5%

2011

\$925	\$2,307	\$3,232
-------	---------	---------

\$6,047	\$9,280	10.0%
---------	---------	-------

34.8%

2012

\$896	\$2,300	\$3,196
-------	---------	---------

\$6,245	\$9,441	9.5%
---------	---------	------

33.9%

YTD

June 2013

\$412	\$1,007	\$1,419
-------	---------	---------

\$2,497	\$3,916	10.5%
---------	---------	-------

29.1%

36.2%

TECHNOLOGY * (\$M)

Retail Sales (Stores + Web)

Total All Other

ODP MKT

Time Period

ODP

Retail

Share

2010

\$3,449

\$87,398

3.8%

2011

\$3,275
\$85,860
3.7%
2012
\$3,021
\$81,676
3.6%
YTD
June 2013
\$1,465
\$36,893
3.8%
28.7%
28.6%
28.0%
OSS
ODP
Share

53

NPD Group

Channel Partner Peer Group

Retail Tracking Service

Office Supplies

Office Superstores

Office Depot, OfficeMax, Staples

Other Retail*

AAFES, Best Buy, BJ's Wholesale Club, Dollar General, ALCO Stores, Family Dollar Stores, Fred Meyer, Kmart, Meijer, NA
Club, Shopko, Target, Walgreens, Walmart

Ecommerce

TechDepot.com, AAFES.com, Amazon.com, Bestbuy.com, Kmart.com, Meijer.com, NavyExchange.com, Newegg.com, Office Depot.com, OfficeMax.com, Overstock.com, QVC.com, Rakuten.com, Reliable.com, Sam's Club.com, Shopko.com, Staples.com, Target.com, Walmart.com

Retail Tracking Service

Technology

AV Specialty/ Electronic Specialty/ Mass Merchant/Ecommerce

4Sure.com, AAFES, AAFES.com, ABC Warehouse, ABC Warehouse.com, Abt Electronics, Abt Electronics.com, Amazon.com, Apple Store, Apple.com, Bernie's

8

, Best Buy, Best Buy.com, Bjorn's, BJ's Wholesale Club, Blockbuster Video, Bloomingdale's, Bob & Ron's Worldwide Stereo, Bob

&

Ron's

Worldwide

Stereo.com,

Boscov's,

Boscovs.com,

Rakuten.com,

Calumet.com,

Car

Toys.com,

Circuit

City.com

1

,

CompUSA.com,

CompUSA/Tiger

Direct

4

, Conns Appliance, Conns Appliance.com, Cowboy Maloney's, Crutchfield, Crutchfield.com, Dell.com, Dillard's, Dollar General, Sports, eCost.com, Electronics Expo, Electronics Expo.com, Electronics Express, Electronics Express.com, Family Dollar Store

GameStop,

GameStop.com,

Hastings,

hhgregg,

hhgregg.com,

Hunts

Photo

&

Video.com,

Huppins,

JCPenney

Company,

JCPenney.com,

Ken

Crane's

10

,

Kmart,

Kmart.com, Kohl's, Kohl's.com, La Curacao, La Curacao.com, Listen Up, Listen Up.com, Macy's East, Macy's.com, Magnolia
Camera.com,
Myer
Emco
9
,
National
Camera
Exchange.com,
Navy
Exchange,
NavyExchange.com,
Nebraska
Furniture
Mart,
NewEgg.com,
Office
Depot,
Office
Depot.com, OfficeMax, OfficeMax.com, OneCall.com, Ovation Audio/Video Specialists
14
, Overstock.com, P.C. Richard & Son, P.C. Richard & Son.com, Pamida,
Panasonic.com,
Paradyme,
Paul's
TV,
Paul's
TV.com,
PC
Connection
Express,
Queen
City
Appliance,
QVC,
QVC.com,
R.C.
Willey,
R.C.
Willey.com,
RadioShack,
RadioShack.com,
Reliable.com,
Ritz
Camera.com,
Sam's
Club,
SamsClub.com,
Sears,
Sears.com,

Shopko,
Shopko.com,
Sixth
Avenue
Electronics

14
, Sixth Avenue Electronics.com

14
, Sprint Store, Staples, Staples.com, Target, Target.com, The Bon Ton, TigerDirect.com, Toys R Us, Toys R Us.com,
Ultimate Electronics

12
, Vann's, Vann's.com, Video Only, Walgreens, Walmart, Walmart.com

Photo Specialty

Adorama Camera, Adorama.com, Bedford Camera & Video, Bel Air Camera, Bergen County Camera, Biggs Camera, Calume
Cameta

Camera,
Cameta.com,
Columbia

Photo
15

,
Cord
Camera,
Creve
Coeur
Camera,
Crown
Camera,
Dan's
Camera
City,
Dodd
Camera,
DoddCamera.com,

Fort
Worth
Camera,
Harold's
Photo
Centers,

Helix
Camera
15

,
Highland/Rowe
Photo,
Hooper
Camera
&

Imaging,
Hunts
Photo
&
Video,
Hunts
Photo
&
Video.com,
Jack's
Camera,
Keeble
&
Shuchat
Photography,
Kenmore
Camera,
Kenmore
Camera.com,
Lakeside
Camera,
Larmon
Camera,
Lawrence
Photo,
Mike's
Camera,
Mike's
Camera.com,
Murphy's
Camera,
National
Camera
Exchange,
National
Camera
Exchange.com

,
Noble's
Camera
Shops,
Penn
Camera
16

,
Photomark
14

,
PJ's Camera, Precision Camera & Video, Ritz Camera, Ritz Camera.com, Rockbrook Camera & Video, Samy's Camera, Sarbe
Wolfe's Camera, Woodward Camera, Worldwide Camera

Mobile Electronics

Al & Ed's Autosound, Audio Express, Audiotronics, Breakers Mobile Electronics, Car Concepts SLC, Car Toys, Custom Sound Stereo & Video, Hawk Electronics, Mobile One AutoSound, Rhodes Complete Auto Radio, Sound of Tri-State, The Specialist Office Supplies -

*The Other Retail channel includes all categories within office supplies, except the paint & painting supplies category and the within the Other Retail channel, we are also projecting for Dollar Tree and the 99 Cent Store.

Technology

-
Historical
data
only
available
through

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1
2/09
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2
3/09
,
3
6/09,
4
8/09,
5
09/09,
6
10/09,
7
11/09,
8
1/10,
9
2/10,
10
10/10,
11
12/10,
12
04/11,
13
06/11,
14
7/11,
15
7/10,
16
2/12