

OFFICE DEPOT, INC.
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES

We report our results in accordance with accounting principles generally accepted in the United States (“GAAP”). We also review certain financial measures excluding impacts of transactions that are not related to our core operations (“non-GAAP”). Management believes that the presentation of these non-GAAP financial measures enhances the ability of its investors to analyze trends in its business and provides a means to compare periods that may be affected by various items that might obscure trends or developments in its business. Management uses both GAAP and non-GAAP measures to assist in making business decisions and assessing overall performance. Non-GAAP measures help to evaluate programs and activities that are intended to attract and satisfy customers, separate from expenses and credits directly associated with Merger, restructuring, and certain similar items. Certain non-GAAP measures are also used for short and long-term incentive programs.

Our measurement of these non-GAAP financial measures may be different from similarly titled financial measures used by others and therefore may not be comparable. These non-GAAP financial measures should not be considered superior to the GAAP measures, but only to clarify some information and assist the reader. We have included reconciliations of this information to the most comparable GAAP measures in the tables included within this material.

The Company’s outlook for 2020 includes adjusted EBITDA, adjusted operating income, and free cash flow. These measures exclude charges or credits not indicative of our core operations, which may include but not be limited to merger integration expenses, restructuring charges, asset impairments, and other significant items that currently cannot be predicted without unreasonable effort. The exact amount of these charges or credits are not currently determinable, but may be significant. Accordingly, the Company is unable to provide a reconciliation to an equivalent net income, operating income or operating cash flow outlook for 2020.

Free cash flow is a non-GAAP measure, which we define as cash flows from operating activities of continuing operations less capital expenditures. We believe that free cash flow is an important indicator that provides additional perspective on our ability to generate cash to fund our strategy and expand our distribution network.

OFFICE DEPOT, INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
NET INCOME (LOSS)
(Dollars in millions, except per share amounts) *

	13 Weeks Ended		52 Weeks Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Net Income				
Net income (loss)	\$ 55	\$ (14)	\$ 99	\$ 104
Discontinued operations, net of tax	-	-	-	5
Net income (loss) from continuing operations	<u>55</u>	<u>(14)</u>	<u>99</u>	<u>99</u>
Add (Less):				
Charges and credits, after tax	14	66	129	101
Adjusted net income from continuing operations	<u>\$ 68</u>	<u>\$ 52</u>	<u>\$ 228</u>	<u>\$ 199</u>
EPS from continuing operations (most dilutive) - GAAP	\$ 0.10	\$ (0.02)	\$ 0.18	\$ 0.18
Charges and credits, after tax	(0.02)	(0.11)	(0.23)	(0.17)
Adjusted EPS from continuing operations (most dilutive)	<u>\$ 0.12</u>	<u>\$ 0.09</u>	<u>\$ 0.41</u>	<u>\$ 0.35</u>
Weighted average shares used:				
Basic	545	546	545	553
Diluted	551	562	553	564
Charges/Credits				
Merger and transaction related expenses, net				
Severance and retention	\$ -	\$ 2	\$ 1	\$ 11
Transaction and integration	5	19	23	35
Facility closure, contract termination, and other expenses, net	-	-	-	10
Total Merger and transaction related expenses, net	<u>5</u>	<u>21</u>	<u>24</u>	<u>56</u>
Restructuring expenses				
Severance	-	-	40	-
Professional fees	10	2	41	11
Facility closure, contract termination, and other expenses, net	(4)	4	11	5
Total Restructuring expenses	<u>6</u>	<u>6</u>	<u>92</u>	<u>16</u>
Total Merger and restructuring expenses, net	<u>11</u>	<u>27</u>	<u>116</u>	<u>72</u>
Selling, general, and administrative expenses - Executive transition costs and other	1	1	3	2
Asset impairments	6	7	56	7
Legal expense accrual	-	25	-	25
Loss on modification of debt	-	15	-	15
Charges and credits, pretax	<u>18</u>	<u>75</u>	<u>175</u>	<u>121</u>
Income tax effect of charges and credits	4	9	46	20
Charges and credits, after tax	<u>\$ 14</u>	<u>\$ 66</u>	<u>\$ 129</u>	<u>\$ 101</u>

* Amounts may not foot due to rounding.

OFFICE DEPOT, INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
OPERATING INCOME
(Dollars in millions)*

	13 Weeks Ended		52 Weeks Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Operating Income				
Operating income	\$ 74	\$ 24	\$ 191	\$ 254
Add:				
Charges and credits, pretax	18	60	175	106
Adjusted operating income	<u>\$ 92</u>	<u>\$ 84</u>	<u>\$ 367</u>	<u>\$ 360</u>
Sales	\$ 2,508	\$ 2,670	\$ 10,647	\$ 11,015
Operating income margin	3.0%	0.9%	1.8%	2.3%
Adjusted operating income margin	3.7%	3.1%	3.4%	3.3%

* Amounts may not foot due to rounding.

The Company's outlook for 2020 adjusted operating income excludes charges or credits not indicative of our core operations, which may include but not be limited to merger integration expenses, restructuring charges, asset impairments, and other significant items that currently cannot be predicted without unreasonable effort. The exact amount of these charges or credits are not currently determinable, but may be significant. Accordingly, the Company is unable to provide a reconciliation to an equivalent operating income outlook for 2020.

OFFICE DEPOT, INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
ADJUSTED EBITDA
(Dollars in millions)*

	13 Weeks Ended		52 Weeks Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Adjusted EBITDA				
Net income (loss)	55	(14)	99	104
Discontinued operations, net of tax	-	-	-	5
Net income (loss) from continuing operations	55	(14)	99	99
Income tax expense	18	3	47	59
Income (loss) from continuing operations before income taxes	73	(11)	146	158
Add (subtract):				
Interest income	(6)	(6)	(23)	(25)
Interest expense	21	30	89	121
Adjusted depreciation and amortization**	50	50	202	192
Charges and credits, pretax	18	75	175	121
Adjusted EBITDA	<u>156</u>	<u>138</u>	<u>590</u>	<u>567</u>
<u>Depreciation and amortization**</u>				
Reported (GAAP)	\$ 50	\$ 50	\$ 204	\$ 192
Less: Accelerated depreciation	-	-	2	-
Adjusted (non-GAAP)	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 202</u>	<u>\$ 192</u>

*Amounts may not foot due to rounding.

**Adjusted depreciation and amortization represents a non-GAAP measure and excludes accelerated depreciation caused by updating the salvage value and shortening the useful life of depreciable fixed assets to coincide with the planned store closures under an approved restructuring plan, but only if impairment is not present.

OFFICE DEPOT, INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
FREE CASH FLOW
(Dollars in millions)*

We define free cash flow as net cash provided by (used in) operating activities less capital expenditures. We believe that reporting free cash flow is useful to management and investors because it relates operating cash flow to the capital that is spent to continue and improve our existing businesses. Further, free cash flow facilitates management's ability to strengthen our balance sheet, repay our debt obligations and consider investment alternatives. Free cash flow is not a measure of financial performance under generally accepted accounting principles in the U.S. and may not be defined and calculated by other companies in the same manner. Free cash flow does not represent the residual cash flow available for discretionary expenditures as it does not incorporate certain cash payments, including payments made on capital lease obligations, scheduled debt repayments or other firm commitments and payments. Free cash flow should not be considered in isolation or as an alternative to cash flow provided by operating activities as an indicator of performance.

	13 Weeks Ended		52 Weeks Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Cash Flow Summary (As Reported)				
Net cash provided by operating activities of continuing operations	\$ 152	\$ 61	\$ 366	\$ 616
Net cash used in investing activities of continuing operations	23	(68)	(119)	(249)
Net cash used in financing activities of continuing operations	(67)	(255)	(212)	(414)
Net cash provided by operating activities of discontinued operations	-	-	-	11
Net cash provided by investing activities of discontinued operations	-	-	-	66
Effect of exchange rate changes on cash and cash equivalents	2	(5)	5	(9)
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>\$ 110</u>	<u>\$ (267)</u>	<u>\$ 40</u>	<u>\$ 21</u>
Free Cash Flow				
Net cash provided by operating activities of continuing operations	\$ 152	\$ 61	\$ 366	\$ 616
Less: Capital expenditures	(27)	(66)	(150)	(187)
Free Cash Flow of continuing operations**	<u>\$ 125</u>	<u>\$ (5)</u>	<u>\$ 216</u>	<u>\$ 429</u>

*Amounts may not foot due to rounding.

**Free Cash Flow includes the impact of the Federal Trade Commission cash settlement of \$25 million in year-to-date 2019 and cash charges associated with the Company's Business Acceleration Program of \$10 million and \$69 million in the fourth quarter and year-to-date 2019, respectively. Accordingly, adjusting for these items, Free Cash Flow from continuing operations on an adjusted basis was \$135 million and \$310 million in the fourth quarter and year-to-date 2019, respectively.