

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: February 20, 2008

Commission file number 1-10948

**OFFICE DEPOT, INC.**

(Exact name of registrant as specified in its charter)

Delaware

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(State or other jurisdiction of  
incorporation or organization)

2200 Old Germantown Road, Delray Beach, Florida  
(Address of principal executive offices)

59-2663954

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

33445  
(Zip Code)

(561) 438-4800

(Registrant's telephone number, including area code)

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

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**ITEM 5.02. DEPARTURE OF DIRECTORS OR CERTAIN OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF CERTAIN OFFICERS; COMPENSATORY ARRANGEMENTS OF CERTAIN OFFICERS.**

On February 26, 2008, Office Depot, Inc. (the "Company") announced the resignation of its Executive Vice President and Chief Financial Officer, Ms. Patricia A. McKay. Ms. McKay's employment will terminate effective March 1, 2008. Consistent with the terms of her original employment offer, Ms. McKay will receive the following severance benefits: (a) \$840,000, which equates to 18 months of Ms. McKay's annual base salary; (b) \$19,453.74, which equates to 18 months of the current monthly COBRA premium in excess of applicable active employee co-premiums for the type of coverage she had under the Company's group health plan as of the Termination Date; and (c) \$588,000, which equates to 1.5 times Ms. McKay's annual bonus at target. In addition, Office Depot agrees to pay Ms. McKay \$482,484.60. These payments will be paid in equal installments during normal pay periods over a 24-month period, less applicable taxes and other deductions required by law. A condition to receiving these severance payments is Ms. McKay's agreement to execute a customary separation agreement and release.

Charles E. Brown (age 54), President, International, has agreed to assume the role of acting Chief Financial Officer of the Company effective March 1, 2008. Mr. Brown was the Company's Executive Vice President and Chief Financial Officer from 2001 to 2005. The Company plans to begin its search for a permanent Chief Financial Officer immediately and will announce a successor when this process is completed.

**ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS**

Exhibit 99.1                      News release of Office Depot, Inc. issued on February 26, 2008.

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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: February 26, 2008

By: /s/ Elisa Garcia  
Executive Vice President, General Counsel and  
Corporate Secretary

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## CONTACTS:

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## OFFICE DEPOT ANNOUNCES FOURTH QUARTER RESULTS

**Delray Beach, Fla., February 26, 2008**--Office Depot, Inc. (NYSE: ODP), a leading global provider of office products and services, today announced fourth quarter and full year results for the fiscal period ended December 29, 2007.

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

Total Company sales for the fourth quarter increased 1% to \$3.9 billion. Sales in the North American Retail Division were down 3% with comparable store sales down 7% for the quarter. The North American Business Solutions Division reported a 4% sales decline in the quarter while International Division sales increased 12% in U.S. dollars and 2% in local currencies.

Net earnings were \$19 million compared to earnings of \$127 million in the same period of 2006. Earnings per share on a diluted basis were \$0.07 for the quarter, versus \$0.45 in the fourth quarter of 2006. On an adjusted basis, diluted earnings per share were \$0.10 for the quarter, versus \$0.51 in the same period one year ago.

Total Company operating expenses, as adjusted, represented 26.3% of sales, an increase of 40 basis points over the fourth quarter of 2006. EBIT, as adjusted, was \$6 million in the fourth quarter of 2007 or 0.2% as expressed as a percentage of sales, compared to \$201 million or 5.2% in the prior-year period.

Results for the quarter included an as adjusted tax benefit of \$30 million. The fourth quarter 2007 tax benefit was primarily due to lower North American income and a late quarter tax law change.

Return on Invested Capital for the trailing 4 quarters, adjusted for Charges and Credits, was 11.3%. The Return on Equity adjusted for Charges and Credits for the trailing four quarters was 15.2%.

### **FOURTH QUARTER DIVISION RESULTS**

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

Fourth quarter sales in the North American Retail Division were down 3% at \$1.7 billion. Comparable store sales in the 1,158 stores in the U.S. and Canada that have been open for more than one year decreased 7% for the fourth quarter. Results continue to be negatively impacted by difficult housing-related economic conditions in key markets, particularly Florida and California. Combined, these two states represented 26% of total store sales and about 40% of the total comparable sales decrease in the fourth quarter. This economic weakness has spread to other U.S. retail markets with housing issues, creating additional pressure on sales and margins.

Sales in the Northeast moderated slightly versus the previous quarter, but continued to be the Division's best performing region in North America despite a limited retail presence in that market. Other drivers negatively impacting comparable sales included cannibalization from the new store build out, competitive intrusion and private brand penetration. The Design, Print and Ship business continued to perform well in the fourth quarter, slightly offsetting the negative drivers.

Operating profit in the North American Retail Division was \$23 million for the fourth quarter, a decline from \$109 million in the same period of the prior year. Although costs were managed effectively in the fourth quarter, broader economic factors continued to pressure profit margins, which decreased 490 basis points versus the fourth quarter 2006. A number of factors contributed to the operating margin decline, including lower than expected vendor program funding, lower product margins, a de-leveraging of fixed property costs, and higher shrink. Partially offsetting some of the decline was the impact of lower operational expenses.

Comparable average sales per square foot in the fourth quarter decreased to \$231 and average order value was up about 2.3% in the fourth quarter.

During the fourth quarter, Office Depot opened 12 new stores and closed 2 stores, bringing the total store count to 1,222. The Company also remodeled 12 stores, bringing the yearly total to 177. As of year end, more than half of the chain was operating under the M2 format.

Inventory per store was \$960 thousand as of the end of the fourth quarter of 2007, 3% greater than the same period last year. Average inventory per store during the quarter was \$1,030 thousand for the fourth quarter of 2007, flat versus the same period last year.

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

Total sales in the North American Business Solutions Division were \$1.1 billion, down 4% compared to the fourth quarter of last year. Sales to small- to mid-sized customers were down 13%. This decrease overshadowed solid sales growth of 5% among large, national account customers and 10% sales growth to the

public sector in the fourth quarter. Growth in state government and the K-12 educational sectors have been driving the results in the public sector, both delivering double-digit increases for all four quarters of 2007.

The North American Business Solutions Division had an operating profit of \$1 million for the fourth quarter of 2007 compared to \$72 million for the same period of the prior year. Operating margins declined by 640 basis points versus the fourth quarter 2006. Contributing factors to the margin decline included a less-favorable customer mix, lower vendor program funding, higher reserves for inventory clearance and returned product, and product cost increases that could not be fully passed through in higher prices.

#### **International Division**

The International Division reported a sales increase of 12% in the fourth quarter compared with the same period last year and organic sales in local currency increased by 2%. This marks the eighth consecutive quarter the division has grown the top-line in local currency. In particular, the Contract channel continued its strong performance, growing sales in local currency by 8% in the quarter. This is a reflection of the strength of Office Depot's global brand with an increasingly global customer base.

Division operating profit was \$60 million in the fourth quarter compared to \$77 million in the prior year's fourth quarter. Operating profit margin declined by 230 basis points to 5.3%, from 7.6% in the prior year, as the U.K. business continued to struggle.

Continued overall weakness in the U.K. business accounted for much of the profit decline and operating margin compression. Continued investment, including establishing regional offices in Asia and Latin America, centralization of certain support functions in Europe, green-field business expansion in Poland, and consolidation of warehouse facilities to better support the multi-channel business portfolio in Europe, accounted for the remainder of the margin decline. Growth in the large customer segment, which has a lower margin rate than the small- to medium-sized customer segments, drove an unfavorable customer mix and compressed overall operating margins as well.

#### **FULLYEAR RESULTS<sup>2</sup>**

For the full year, sales increased 3% to \$15.5 billion. Net earnings for fiscal 2007 were \$396 million compared to earnings of \$503 million in the same period of 2006. Earnings per share on a diluted basis were \$1.43 in 2007, compared to \$1.75 in the prior year. The as adjusted diluted earnings per share for fiscal 2007 were \$1.54 versus, \$1.90 in 2006.

For the full year, EBIT, as adjusted, decreased 31% from the prior year and EBIT margins compressed by 180 basis points to 3.5%. The as adjusted effective tax rate for the full year was 15%.

Capital expenditures for 2007 were \$461 million. Capital expenditure estimates for 2008 are expected to be around \$375 million, reflecting a reduction in the number of planned new store openings from 150 to about 75, approximately 100 M2 store remodels, and investments in the Company's global supply chain and IT initiatives. The Company will continue to evaluate spending in accordance with operating performance and financial guidelines, and the overall business environment.

In 2007, the Company repurchased approximately 5.7 million shares of its common stock for \$200 million. The Company also previously announced that its Board has authorized the repurchase of an additional \$500 million of its common stock. Current plans are to repurchase common stock if cash flow permits. Over the past three years, the Company has returned to shareholders about 140% of as adjusted after-tax earnings, 106% of operating cash flow and 140% of net cash flow, excluding share repurchases.

#### **Other Matters**

Office Depot is announcing that its Executive Vice President and Chief Financial Officer, Patricia A. McKay, is leaving the Company effective March 1, 2008. Charles E. Brown, the Company's President, International, has agreed to assume the role of acting Chief Financial Officer following McKay's departure. Brown was Office Depot's Executive Vice President and Chief Financial Officer from 2001 to 2005. Office Depot plans to begin its search for a permanent Chief Financial Officer immediately and will announce a successor when this process is completed.

Commenting on McKay's departure, Steve Odland, Office Depot's Chief Executive Officer, said: "Pat has made valuable contributions to the Company since joining the management team in 2005. We thank her for her tireless work and dedication to the Company. We also wish her all the best in her future endeavors."

Additionally, Kim Maguire, Executive Vice President, Merchandising, is leaving at the end of the month for personal reasons. The Company hopes to fill this role quickly.

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

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

#### **About Office Depot**

Every day, Office Depot is Taking Care of Business for millions of customers around the globe. For the local corner store as well as Fortune 500 companies, Office Depot provides products and services to its customers through more than 1,600 worldwide retail stores, a dedicated sales force, top-rated catalogs and a \$4.9 billion e-commerce operation. Office Depot has annual sales of approximately \$15.5 billion, and employs about 49,000 associates around the world. The Company provides more office products and services to more customers in more countries than any other company, and currently sells to customers directly or through affiliates in 43 countries.

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

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS: The Private Securities Litigation Reform Act of 1995, as amended (the "Act") provides protection from liability in private lawsuits for "forward-looking" statements made by public companies under**

certain circumstances, provided that the public company discloses with specificity the risk factors that may impact its future results. We want to take advantage of the “safe harbor” provisions of the Act. Certain statements made in this press release are ‘forward-looking’ statements under the Act. Except for historical financial and business performance information, statements made in this press release should be considered ‘forward-looking’ as referred to in the Act. Much of the information that looks towards future performance of our company is based on various factors and important assumptions about future events that may or may not actually come true. As a result, our operations and financial results in the future could differ materially and substantially from those we have discussed in the forward-looking statements made in this press release. Certain risks and uncertainties are detailed from time to time in our filings with the United States Securities and Exchange Commission (“SEC”). You are strongly urged to review all such filings for a more detailed discussion of such risks and uncertainties. The Company’s SEC filings are readily obtainable at no charge at [www.sec.gov](http://www.sec.gov) and at [www.freeEDGAR.com](http://www.freeEDGAR.com), as well as on a number of other commercial web sites.

<sup>1</sup>Includes non-GAAP information. Fourth quarter results include impacts of previously announced programs, a legal settlement and a 2006 gain on building sale (“Charges” or “Charges and Credits”). Additional information is provided in our Form 10-K filing. Reconciliations from GAAP to non-GAAP financial measures can be found in this release, as well as on the corporate web site, [www.officedepot.com](http://www.officedepot.com), under the category Investor Relations.

<sup>2</sup>Includes non-GAAP information. Full year results include impacts of previously announced programs, a legal settlement and a 2006 gain on building sale (“Charges” or “Charges and Credits”). Additional information is provided in our Form 10-K filing. Reconciliations from GAAP to non-GAAP financial measures can be found in this release, as well as on the corporate web site, [www.officedepot.com](http://www.officedepot.com), under the category Investor Relations.