UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

(Mark One)

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 26, 1994

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________________to_______________________

Commission file number 1-10948

OFFICE DEPOT, INC.
(Exact name of registrant as specified in its charter)

Delaware	59-2663954
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2200 Old Germantown Road, Delray Beach, Florida	33445
(Address of principal executive offices)	Zip Code)

(407) 278-4800
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirement for the past 90 days.

Yes X No

The registrant had 96,375,636 shares of common stock outstanding as of May 4, 1994.

OFFICE DEPOT, INC.

INDEX

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

	13 Weeks Ended March 26, 1994	13 Weeks Ended March 27, 1993
Sales	$ 994,845	$ 582,115
Cost of goods sold and occupancy costs	762,725	448,483
Gross profit	232,120	133,632
Store and warehouse operating and selling expenses	159,261	92,544
Pre-opening expenses	1,259	1,605
General and administrative expenses	27,611	15,610
Amortization of goodwill	1,269	15
	189,400	109,774
Operating profit	42,720	23,858
Interest expense (income), net	3,242	681
Earnings before income taxes	39,478	23,177
Income taxes	16,556	9,039
Net earnings	$ 22,922	$ 14,138
Earnings per common and common equivalent share	$ 0.23	$ 0.15
Average common and common equivalent shares	99,343	92,831

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

	March 26, 1994 (Unaudited)	December 25, 1993
ASSETS		
Current Assets		
Cash and cash equivalents	$ 98,875	$ 140,219
Receivables, net of allowances	174,732	177,008
Merchandise inventories	705,400	649,786
Deferred income taxes	26,185	26,024
Prepaid expenses and refundable income taxes	6,534	4,951
Total current assets	1,011,726	997,988
Property and Equipment	384,645	344,621
Less accumulated depreciation and amortization	89,893	80,691
	294,752	263,930
Goodwill, net of amortization	199,155	200,462
Other Assets	24,604	23,618
	$1,530,237	$1,485,998
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 414,596	$ 399,766
Accrued expenses	120,098	129,233
Income Taxes	20,728	13,036
Current maturities of long-term debt	2,922	4,372
Total current liabilities	558,344	546,407
Long-Term Debt, less current maturities	15,566	16,636
Deferred Taxes and Other Credits	6,114	5,478
Zero Coupon, Convertible, Subordinated Notes	354,177	350,298
Common Stockholders' Equity		
Common stock - authorized 200,000,000 shares of $.01 par value; issued 97,558,621 in 1994 and 95,609,233 in 1993	976	997
Additional paid-in capital	433,142	427,360
Foreign currency translation adjustment	557	383
Retained earnings	163,111	140,189
Less: 1,442,298 shares of treasury stock	(1,750)	(1,750)
	596,036	567,179
	$1,530,237	$1,485,998

OFFICE DEPOT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents
(In thousands)
(Unaudited)

	13 Weeks Ended March 26, 1994	13 Weeks Ended March 27, 1993
Cash flows from operating activities		
Cash received from customers	$ 996,188	$ 589,420
Cash paid for inventory	(797,149)	(397,234)
Cash paid for store and warehouse operating, selling and general administrative expenses	(189,818)	(122,680)
Interest received	1,261	1,427
Interest paid	(624)	(224)
Taxes paid	(10,902)	(122)
Net cash provided (used) by operating activities	(1,044)	70,587
Cash flows from investing activities		
Capital expenditures-net	(41,619)	(17,290)
Cash acquired	1,721	-
Net cash used in investing activities	(39,898)	(17,290)
Cash flows from financing activities		
Proceeds from exercise of stock options	3,665	2,423
Foreign currency translation adjustment	174	(48)
Proceeds from long- and short-term borrowing	56	-
Payments on long- and short-term debt	(2,576)	(606)
Net cash provided by financing activities	1,319	1,769
Net increase (decrease) in cash and cash equivalents	(39,623)	55,066
Cash and equivalents at beginning of period	138,498	130,192
Cash and equivalents at end of period	$ 98,875	$ 185,258
Reconciliation of net earnings to net cash provided (used) by operating activities		
Net earnings	$ 22,922	$ 14,138
Adjustments to reconcile net earnings to net cash provided (used) by operating activities		
Depreciation and amortization	10,829	6,024
Changes in assets and liabilities		
Decrease in accounts receivable	2,276	20,906
Decrease (increase) in inventory	(55,614)	54,645
Decrease (increase) in prepaid expenses and other assets	(1,423)	3,362
Increase (decrease) in accounts payable and other liabilities	19,966	(28,488)
Total adjustments	(23,966)	56,449
Net cash provided (used) by operating activities	$ (1,044)	$ 70,587

OFFICE DEPOT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The interim financial statements as of March 26, 1994 and for the 13 week periods ended March 26, 1994 and March 27, 1993 are unaudited; however, such interim statements reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial position and the results of operations for the interim periods presented. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the full year. The interim financial statements should be read in conjunction with the audited financial statements for the year ended December 25, 1993.

2. Average common and common equivalent shares utilized in computing first quarter earnings per share include approximately 3,423,000 and 3,191,000 shares in 1994 and 1993, respectively, as a result of applying the treasury stock method to outstanding stock options.

3. In February 1994, the Company completed the acquisitions of L. E. Muran Co., Inc., a Boston-based contract stationer, and Yorkship Press, Inc., a contract stationer servicing Philadelphia and southern New Jersey. The Company issued 1,557,164 shares of common stock in connection with these acquisitions. These acquisitions were accounted for on a "pooling of interests" basis. The Consolidated Balance Sheet as of December 26, 1993 has been restated to include the financial position of the combined companies. Results of operations for the 13 weeks ended March 26, 1994 includes the results of operations of the combined companies. Results of operations and financial position prior to December 26, 1993 have not been adjusted due to immateriality. An adjustment to increase retained earnings as of December 26, 1993 in the amount of $12,414,000 has been made.

4. The Consolidated Statements of Cash Flows for the 13 weeks ended March 26, 1994 and March 27, 1993 do not include noncash financing transactions of $2,096,000 and $2,119,000, respectively, relating to additional paid-in-capital associated with tax benefits of stock options exercised. In addition, the Consolidated Statements of Cash Flows for the 13 weeks ended March 26, 1994 and March 27, 1993 do not include noncash financing transactions of $3,879,000 and $1,884,000, respectively, associated with accreted interest on convertible, subordinated notes.

Item 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Sales increased 71% from $582,115,000 in the first quarter of 1993 to $994,845,000 in the first quarter of 1994. Comparable store sales increased 34% for the first quarter of 1994. The balance of the sales increase was attributable to the 66 new stores and the 12 contract stationer warehouses acquired subsequent to the first quarter of 1993. The Company opened eleven stores in the first quarter of 1994, bringing the total number of stores open at the end of the first quarter to 362, compared with 297 stores at the end of the first quarter of 1993. The Company also operated 5 delivery centers and 12 contract stationer warehouses at the end of the first quarter of 1994 compared to 5 delivery centers at the end of the first quarter of 1993. The Company expects to combine its contract stationer warehouses and delivery centers in the future. All of the contract stationer warehouses were acquired subsequent to the first quarter of 1993. Comparable store sales in the future may be affected by competition from other stores, the opening of additional stores, or expansion of contract stationer business in existing markets, and economic conditions.

Gross profit as a percentage of sales was 23.3% during the first quarter of 1994, and 23.0% during the comparable quarter in 1993. The increase was primarily a result of purchasing efficiencies gained through vendor volume discount programs that increased as purchasing levels continued to increase. Additionally, the Company benefited from leveraging occupancy costs through higher average sales per store. These gains were partially offset by lower gross margins resulting from an increase in sales of lower margin business machines and computers. Gross profit as a percentage of sales is higher in the contract stationer portion of the business than the retail store portion as a result of significantly fewer business machines and computers being sold through the contract stationer portion.

Store and warehouse operating and selling expenses as a percentage of sales were 16.0% in the first quarter of 1994, compared with 15.9% in the comparable period in 1993. Store and warehouse operating expenses, consisting primarily of payroll and advertising expenses, have increased in the aggregate due to the Company's expansion program and due to selling expenses incurred by contract stationers as well as somewhat higher operating expenses incurred by contract stationers. While the majority of these expenses vary proportionately with sales, there is a fixed cost component to these expenses such that, as sales increase within a given market area, store and warehouse operating and selling expenses should decrease as a percentage of sales. This benefit may not be fully realized, however, during periods when a large number of new stores are being opened, as new stores typically generate lower sales than the average mature store, resulting in higher operating and selling expenses as a percentage of sales for new stores. This percentage is also affected when the Company enters large metropolitan market areas where the advertising costs for the full market must be absorbed by the small number of stores initially opened. As additional stores in these large markets are opened, advertising costs, which are substantially a fixed expense for a market area, should decrease as a percentage of sales. The Company has also continued a strategy of opening stores in existing markets. While increasing the number of stores increases operating results in absolute dollars, this may have the effect of increasing expenses as a percentage of sales since the sales of certain existing stores in the market may initially be adversely affected.

Pre-opening expenses decreased from $1,605,000 in the first quarter of 1993 to $1,259,000 in the comparable period in 1994. Pre-opening expenses currently are approximately $125,000 per store and are predominately incurred during a six-week period prior to the store opening. These expenses consist principally of amounts paid for salaries and supplies. Since the Company's policy is to expense these items during the period in which they occur, the amount of pre-opening expenses in each quarter is generally proportional to the number of new stores opened.

General and administrative expenses have increased as a percentage of sales from 2.7% in the first quarter of 1993 to 2.8% in the comparable period in 1994. General and administrative expenses include, among other costs, site selection expenses and store management training expenses, and therefore vary with the number of new store openings in that quarter and the next quarter. The Company's commitment to improving the efficiency of its computer systems resulted in an increase in general and administrative expenses in the first quarter of 1994; however, the Company believes the systems investment will provide benefits in late 1994 and beyond. General and administrative expenses also increased with the acquisitions of the contract stationers, as this portion of the office products industry typically has a higher expense component than retail stores. Additionally, there are some duplicative expenses incurred as a result of the acquisitions. These increases have been partially offset by a decrease in general and administrative expenses as a percentage of sales for the Company's retail store operations, primarily as a result of the Company's ability to increase sales without a proportionate increase in corporate expenditures.

The Company incurred net interest expense of $3,242,000 in the first quarter of 1994, as compared to $681,000 in the first quarter of 1993 primarily due to $185,000,000 raised in November 1993 via a public offering of zero coupon, convertible, subordinated notes.

The Company recorded goodwill amortization of $1,269,000 in the first quarter of 1994 as compared to $15,000 in the 1993 comparable quarter. The increase in goodwill amortization was attributable to the contract stationer acquisitions which occurred subsequent to the first quarter of 1993. The increase in the effective income tax rate for 1994 was due to nondeductible goodwill amortization.

LIQUIDITY AND CAPITAL RESOURCES

Since the Company's store sales are substantially on a cash and carry basis, cash flow generated from operating stores provides a source of liquidity to the Company. Working capital requirements are reduced by vendor credit terms, which allow the Company to finance a portion of its inventory. The Company utilizes private label credit card programs. This allows the Company to expand its retail sales without the burden of additional receivables since the programs are administered and financed by financial services companies.

Sales made from the contract stationer warehouses are made under regular commercial credit terms, where the Company carries its own receivables. As the Company expands into servicing additional large companies in the contract stationer portion of its business, it is expected that a greater portion of the Company's receivables will be carried.

In the first quarter of 1994, the Company added 11 stores as compared to 13 stores for the comparable 1993 period. As stores mature and become more profitable, and as the number of new stores opened in a year becomes a smaller percentage of the existing store base, cash generated from operations will provide a greater portion of funds required for new store fixed assets, inventories and other working capital requirements. Cash generated from operations will be affected by an increase in receivables carried without outside financing, and an increase in inventory at the stores and warehouses as the Company continues to expand its efforts in computers and business machines. This has resulted in net cash provided (used) in operating activities of $(1,044,000) and $70,587,000 in the first quarter of 1994 and 1993, respectively. Capital expenditures are also affected by the number of stores and warehouses opened or acquired each year and the increase in computer and other equipment at the corporate office required to support such expansion. Cash utilized for capital expenditures was $41,619,000 and $17,290,000 in the first quarter of 1994 and 1993, respectively.

During the three months ended March 26, 1994, the Company's cash balance decreased approximately $39,623,000 and long- and short-term debt increased by approximately $1,359,000. The decrease in cash was primarily attributable to payments for fixed assets and inventories for new stores as well as payments for inventory mix changes resulting from an increase in business machines and computer sales.

The Company plans to open a total of approximately 55 to 60 additional stores during the remainder of 1994. Management estimates that the Company's cash requirements, exclusive of pre-opening expenses, will be approximately $1,200,000 for each additional store. In addition, management estimates that each new store will require pre-opening expenses of approximately $125,000.

The Company has a credit agreement with its principal bank and a syndicate of commercial banks to provide for a working capital line of $200,000,000. The credit agreement provides that funds borrowed will bear interest, at the Company's option, at either 3/4% over the LIBOR rate or at a base rate linked to the prime rate. The Company must also pay a fee of 1/4% per annum on the unused portion of the credit facility. The credit facility expires in September 1996. In addition to the credit facility, the bank has provided a lease facility to the Company under which the bank has agreed to purchase up to $15,000,000 of equipment from the Company and lease such equipment back to the Company. As of March 26, 1994, there were no borrowings outstanding under the working capital line and the Company has utilized approximately $7,711,000 of this lease facility.

The Company's management is continually reviewing its financing options. Although the Company has the ability to finance its planned expansion through 1994 from cash on hand, funds received from the LYONS debt offering in November 1993, funds generated from operations, and funds borrowed under the Company's credit facilities, the Company will also consider alternative financing, such as the issuance of equity, debt or convertible debt, if market conditions make them financially attractive alternatives for funding the Company's short-term or long-term expansion. The Company has acquired its contract stationer businesses with cash and the issuance of common stock. The Company's financing requirements in the future will be affected by the number of new stores, delivery centers and contract stationer warehouses opened or acquired.

PART II. OTHER INFORMATION

Items 1 - 6 Not applicable.

SIGNATURES

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.
(Registrant)

Date: May 9, 1993

By: /s/Barry J. Goldstein

Barry J. Goldstein
Executive Vice President-Finance
and Chief Financial Officer