

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 2019 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. 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 2019.

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
(Dollars in millions, except per share amounts) *

	13 Weeks Ended		52 Weeks Ended	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
Net Income				
Net income (loss)	\$ (14)	\$ (52)	\$ 104	\$ 181
Discontinued operations, net of tax	-	(4)	5	35
Net income (loss) from continuing operations	(14)	(48)	99	146
Add (Less):				
Charges and credits, after tax	66	92	101	96
Adjusted net income from continuing operations	<u>\$ 52</u>	<u>\$ 45</u>	<u>\$ 199</u>	<u>\$ 241</u>
EPS from continuing operations (most dilutive) - GAAP	\$ (0.02)	\$ (0.09)	\$ 0.18	\$ 0.27
Charges and credits, after tax	(0.11)	(0.17)	(0.17)	(0.18)
Adjusted EPS from continuing operations (most dilutive)	<u>\$ 0.09</u>	<u>\$ 0.08</u>	<u>\$ 0.35</u>	<u>\$ 0.45</u>
Weighted average shares used:				
Basic	546	537	553	522
Diluted	562	545	564	535
Charges/Credits				
Merger and transaction related expenses, net				
Severance and retention	\$ 2	\$ -	\$ 11	\$ -
Transaction and integration	19	21	35	37
Facility closure, contract termination, and other expenses, net	-	1	10	5
Total Merger and transaction related expenses, net	<u>21</u>	<u>22</u>	<u>56</u>	<u>42</u>
Restructuring expenses				
Severance	-	2	-	28
Facility closure, contract termination, professional fees and other expenses, net	6	8	16	24
Total Restructuring expenses	<u>6</u>	<u>10</u>	<u>16</u>	<u>52</u>
Total Merger and restructuring expenses (income), net	<u>27</u>	<u>32</u>	<u>72</u>	<u>94</u>
Selling, general, and administrative expenses - Executive transition costs	1	1	2	8
Asset impairments	7	3	7	4
Legal expense accrual	25	-	25	-
Loss on modification of debt	15	-	15	-
Charges and credits, pretax	<u>75</u>	<u>36</u>	<u>121</u>	<u>106</u>
Tax expense (benefit)	(9)	56	(20)	(10)
Charges and credits, after tax	<u>\$ 66</u>	<u>\$ 92</u>	<u>\$ 101</u>	<u>\$ 96</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 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
Operating income				
Operating income	\$ 24	\$ 56	\$ 254	\$ 327
Add:				
Charges and credits, pretax	60	36	106	106
Adjusted operating income	<u>\$ 84</u>	<u>\$ 92</u>	<u>\$ 360</u>	<u>\$ 432</u>
Sales	\$ 2,670	\$ 2,581	\$ 11,015	\$ 10,240
Operating income margin	0.9%	2.2%	2.3%	3.2%
Adjusted operating income margin	3.1%	3.6%	3.3%	4.2%

Note: Prior period amounts have been recast to reflect the adoption of the accounting standard update over the presentation of defined benefit plan expense.

* Amounts may not foot due to rounding.

The Company's outlook for 2019 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. 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 2019.

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

	13 Weeks Ended		52 Weeks Ended	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
Adjusted EBITDA				
Net Income	(14)	(52)	104	181
Discontinued operations, net of tax	-	(4)	5	35
Net income from continuing operations	(14)	(48)	99	146
Income tax expense	3	89	59	153
Income from continuing operations before income taxes	(11)	41	158	299
Add (subtract):				
Interest income	(6)	(5)	(25)	(22)
Interest expense	30	23	121	62
Depreciation and amortization	50	43	192	159
Charges and credits, pretax	75	36	121	106
Adjusted EBITDA	<u>138</u>	<u>138</u>	<u>567</u>	<u>603</u>

*Amounts may not foot due to rounding.

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 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
Cash Flow Summary (As Reported)				
Net cash provided by operating activities of continuing operations	\$ 61	\$ 59	\$ 616	\$ 467
Net cash used in investing activities of continuing operations	(68)	(904)	(249)	(1,030)
Net cash used in financing activities of continuing operations	(255)	672	(414)	473
Net cash provided by (used in) operating activities of discontinued operations	-	(19)	11	(9)
Net cash provided by (used in) investing activities of discontinued operations	-	8	66	(68)
Net cash provided by (used in) financing activities of discontinued operations	-	-	-	(8)
Effect of exchange rate changes on cash and cash equivalents	(5)	(1)	(9)	7
Net increase (decrease) in cash and cash equivalents	<u>\$ (267)</u>	<u>\$ (185)</u>	<u>\$ 21</u>	<u>\$ (168)</u>
Free Cash Flow				
Net cash provided by operating activities of continuing operations	\$ 61	\$ 59	\$ 616	\$ 467
Less: Capital expenditures	(66)	(49)	(187)	(141)
Free Cash Flow of continuing operations	<u>\$ (5)</u>	<u>\$ 10</u>	<u>\$ 429</u>	<u>\$ 326</u>

*Amounts may not foot due to rounding.