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 x 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

x 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)

Payment of Filing Fee (Check the appropriate box):

x No fee required

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(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:

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(1) Amount Previously Paid:

(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 A concerning Office Depot, the merger and other transactions contemplated by the merger agreement, Office Depot s long-term its revenues and operating earnings. These statements or disclosures may discuss goals, intentions and expectations as to futur plans, events, results of operations or financial condition, or state other information relating to Office Depot, based on current l management as well as assumptions made by, and information currently available to, management. Forward-looking statemen 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 un such statements. Factors that could cause actual results to differ materially from those in the forward-looking statements inclu regulatory decisions; failure to satisfy other closing conditions with respect to the merger; the risks that the new businesses wil integrated successfully or that Office Depot will not realize estimated cost savings and synergies; Office Depot s ability to ma 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 co 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 gov regulations. The foregoing list of factors is not exhaustive. Investors and shareholders should carefully consider the foregoing other risks and uncertainties that affect Office Depot s business described in its Annual Report on Form 10-K, Quarterly Repo Current Reports on Form 8-K and other documents filed from time to time with the SEC. Office Depot does not assume any o 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 imp information about Office Depot and the 2013 Annual Meeting. Office Depot and its directors, executive officers and certain en deemed to be participants in the solicitation of proxies from Office Depot shareholders in connection with the election of direc matters to be proposed at the 2013 Annual Meeting. Information regarding the interests, if any, of these directors, executive of specified employees is included in the definitive proxy statement and other materials filed by Office Depot with the SEC.

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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

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 Pee

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 s
accounting principle of presenting such expenses. Gross profit for the years 2007, 2008, 2009, 2010, 2011 and 2012 include sh
$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.officed

(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

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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 a **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

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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 alrea 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 pubic 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

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

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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

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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

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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

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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.
42
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