

OFFICE DEPOT INC  
Form 10-Q  
November 02, 2016  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, DC 20549**  
**FORM 10-Q**

**(Mark One)**

**Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934  
For the quarterly period ended September 24, 2016**

**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**  
**(State or other jurisdiction of**  
**incorporation or organization)**

**59-2663954**  
**(I.R.S. Employer**  
**Identification No.)**

**6600 North Military Trail; Boca Raton, Florida**  
**(Address of principal executive offices)**

**33496**  
**(Zip Code)**

**(561) 438-4800**

**(Registrant's telephone number, including area code)**

**(Former name, former address and former fiscal year, if changed since last report)**

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 requirements for the past 90 days. Yes  No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.:

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of the registrant's common stock, as of the latest practicable date: At September 24, 2016, there were 528,383,116 outstanding shares of Office Depot, Inc. Common Stock, \$0.01 par value.

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	<b>13 Weeks Ended</b>		<b>39 Weeks Ended</b>	
	<b>September 26,</b>	<b>September 26,</b>	<b>September 26,</b>	<b>September 26,</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Sales	\$ 2,836	\$ 3,046	\$ 8,295	\$ 8,961
Cost of goods sold and occupancy costs	2,110	2,259	6,241	6,754
Gross profit	726	787	2,054	2,207
Selling, general and administrative expenses	569	626	1,694	1,852
Asset impairments	9	1	9	10
Merger, restructuring, and other operating (income) expenses, net	31	79	(122)	204
Operating income	117	81	473	141
Other income (expense):				
Interest income	6	5	17	16
Interest expense	(19)	(22)	(63)	(69)
Loss on extinguishment of debt	(15)		(15)	
Other income (expense), net	1	(1)	1	
Income from continuing operations before income taxes	90	63	413	88
Income tax expense (benefit)	(240)	21	(211)	28
Net income from continuing operations	330	42	624	60
Discontinued operations, net of tax	(286)	(36)	(324)	(67)
Net income (loss)	\$ 44	\$ 6	\$ 300	\$ (7)
Basic earnings (loss) per share				
Continuing operations	\$ 0.62	\$ 0.08	\$ 1.15	\$ 0.11
Discontinued operations	(0.54)	(0.07)	(0.60)	(0.12)
Net earnings (loss) per share	\$ 0.08	\$ 0.01	\$ 0.55	\$ (0.01)
Diluted earnings (loss) per share				
Continuing operations	\$ 0.61	\$ 0.08	\$ 1.13	\$ 0.11
Discontinued operations	(0.54)	(0.07)	(0.60)	(0.12)
Net earnings (loss) per share	\$ 0.08	\$ 0.01	\$ 0.54	\$ (0.01)

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Dividends per common share

\$0.025 \$

\$0.025 \$

*This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements herein and the Notes to Consolidated Financial Statements in the Office Depot, Inc. Form 10-K filed February 23, 2016 (the 2015 Form 10-K ).*

Table of Contents**OFFICE DEPOT, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(In millions)****(Unaudited)**

	<b>13 Weeks Ended</b>		<b>39 Weeks Ended</b>	
	<b>September 26,</b>	<b>September 26,</b>	<b>September 26,</b>	<b>September 26,</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net income (loss)	\$ 44	\$ 6	\$ 300	\$ (7)
Other comprehensive income (loss), net of tax where applicable:				
Foreign currency translation adjustments	2	(22)	14	(73)
Other	1		(1)	
Total other comprehensive income (loss), net of tax, where applicable	3	(22)	13	(73)
Comprehensive income (loss)	\$ 47	\$ (16)	\$ 313	\$ (80)

*This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements herein and the Notes to Consolidated Financial Statements in the 2015 Form 10-K.*

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**OFFICE DEPOT, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In millions, except share and per share amounts)

(Unaudited)

	September 24, 2016	December 26, 2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 801	\$ 860
Receivables, net	718	746
Inventories	1,216	1,406
Prepaid expenses and other current assets	85	92
Current assets of discontinued operations	580	956
Total current assets	3,400	4,060
Property and equipment, net	601	665
Goodwill	363	363
Other intangible assets, net	38	53
Timber notes receivable	890	905
Deferred income taxes	377	11
Other assets	212	212
Non-current assets of discontinued operations		173
Total assets	\$ 5,881	\$ 6,442
<b>Liabilities and stockholders equity</b>		
Current liabilities:		
Trade accounts payable	\$ 886	\$ 987
Accrued expenses and other current liabilities	889	1,074
Income taxes payable		9
Short-term borrowings and current maturities of long-term debt	28	51
Current liabilities of discontinued operations	519	622
Total current liabilities	2,322	2,743
Deferred income taxes and other long-term liabilities	368	421
Pension and postretirement obligations, net	179	182
Long-term debt, net of current maturities	360	628
Non-recourse debt	803	819
Non-current liabilities of discontinued operations		46
Total liabilities	4,032	4,839

Commitments and contingencies			
Stockholders' equity:			
Common stock	authorized 800,000,000 shares of \$.01 par value; issued shares		
	557,523,542 in September 2016 and 554,835,306 in December 2015	6	6
	Additional paid-in capital	2,621	2,607
	Accumulated other comprehensive income	43	30
	Accumulated deficit	(682)	(982)
	Treasury stock, at cost 29,140,426 shares in 2016 and 5,915,268 shares in 2015	(139)	(58)
	Total equity	1,849	1,603
	Total liabilities and stockholders' equity	\$ 5,881	\$ 6,442

*This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements herein and the Notes to Consolidated Financial Statements in the 2015 Form 10-K.*

Table of Contents**OFFICE DEPOT, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In millions)****(Unaudited)**

	<b>39 Weeks Ended</b>	
	<b>September 24, 2016</b>	<b>September 26, 2015</b>
<b>Cash flows from operating activities of continuing operations:</b>		
Net income (loss)	\$ 300	\$ (7)
Loss from discontinued operations, net of tax	(324)	(67)
Net income from continuing operations	624	60
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	140	197
Charges for losses on inventories and receivables	49	41
Deferred income taxes	(235)	
Loss on extinguishment of debt	15	
Asset impairments	9	10
Changes in working capital and other	(155)	(247)
Net cash provided by operating activities of continuing operations	447	61
<b>Cash flows from investing activities of continuing operations:</b>		
Capital expenditures	(71)	(109)
Acquisition, net of cash acquired		(9)
Proceeds from disposition of assets and other	14	63
Net cash used in investing activities of continuing operations	(57)	(55)
<b>Cash flows from financing activities of continuing operations:</b>		
Net proceeds on employee share-based transactions		7
Net payments on long and short-term borrowings	(42)	(24)
Loss on extinguishment of debt	(12)	
Cash dividends on common stock	(13)	
Debt retirement	(250)	
Debt related fees	(6)	(1)
Repurchase of common stock for treasury	(81)	
Net cash used in financing activities of continuing operations	(404)	(18)

<b>Cash flows from discontinued operations:</b>		
Operating activities of discontinued operations	(113)	(61)
Investing activities of discontinued operations	(4)	(12)
Financing activities of discontinued operations	3	1
Net cash used in discontinued operations	(114)	(72)
<b>Effect of exchange rate changes on cash and cash equivalents</b>		
Net decrease in cash and cash equivalents	2	(29)
	(126)	(113)
Cash and cash equivalents at beginning of period	1,069	1,071
Cash and cash equivalents at end of period-total	943	958
Cash and cash equivalents of discontinued operations	(142)	(141)