

OFFICE DEPOT INC
Form 10-Q
November 05, 2013
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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 28, 2013**

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)

59-2661354
(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

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 28, 2013 there were 289,076,315 outstanding shares of Office Depot, Inc. Common Stock, \$0.01 par value.

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	September 28, 2013	December 29, 2012	September 29, 2012
Assets			
Current assets:			
Cash and cash equivalents	\$ 724,741	\$ 670,811	\$ 619,532
Receivables, net	798,147	803,944	833,895
Inventories	1,034,313	1,050,625	1,004,925
Prepaid expenses and other current assets	136,578	170,810	141,146
Total current assets	2,693,779	2,696,190	2,599,498
Property and equipment, net	796,058	856,341	871,153
Goodwill	19,431	64,312	63,983
Other intangible assets, net	15,010	16,789	17,272
Deferred income taxes	28,582	33,421	39,923
Other assets	98,912	343,726	358,021
Total assets	\$ 3,651,772	\$ 4,010,779	\$ 3,949,850
Liabilities and stockholders equity			
Current liabilities:			
Trade accounts payable	\$ 841,293	\$ 934,892	\$ 867,249
Accrued expenses and other current liabilities	944,137	931,618	960,113
Income taxes payable	10,600	5,310	7,088
Short-term borrowings and current maturities of long-term debt	23,916	174,148	185,075
Total current liabilities	1,819,946	2,045,968	2,019,525
Deferred income taxes and other long-term liabilities	390,133	431,531	380,852
Long-term debt, net of current maturities	471,259	485,331	486,039
Total liabilities	2,681,338	2,962,830	2,886,416
Commitments and contingencies			
	193,201	386,401	386,401

Redeemable preferred stock, net (liquidation preference \$203,386 in September 2013, \$406,773 in December 2012, and September 2012)

Stockholders' equity:

Office Depot, Inc. stockholders' equity:

Common stock - authorized 800,000,000 shares of \$.01 par value; issued shares 294,991,583 in September 2013,

291,734,027 in December 2012 and 291,146,086 in

September 2012	2,950	2,917	2,911
Additional paid-in capital	1,088,595	1,119,775	1,126,787
Accumulated other comprehensive income	259,617	212,717	213,892
Accumulated deficit	(516,196)	(616,235)	(608,919)
Treasury stock, at cost 5,915,268 shares in 2013 and 2012	(57,733)	(57,733)	(57,733)

Total Office Depot, Inc. stockholders' equity	777,233	661,441	676,938
Noncontrolling interests		107	95

Total equity	777,233	661,548	677,033
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Total liabilities and equity	\$ 3,651,772	\$ 4,010,779	\$ 3,949,850
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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 20, 2013, as updated with subsequent current reports in 2013 (the 2012 Form 10-K).

Table of Contents**OFFICE DEPOT, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share amounts)****(Unaudited)**

	13 Weeks Ended		39 Weeks Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Sales	\$ 2,619,448	\$ 2,692,933	\$ 7,756,327	\$ 8,072,892
Cost of goods sold and occupancy costs	1,986,705	2,030,261	5,917,618	6,143,621
Gross profit	632,743	662,672	1,838,709	1,929,271
Operating and selling expenses	451,760	464,709	1,341,504	1,393,617
Recovery of purchase price				(68,314)
Asset impairments	48,719	87,998	58,381	129,753
General and administrative expenses	144,847	165,065	455,070	510,272
Merger and certain shareholder-related expenses	39,740		71,564	
Operating loss	(52,323)	(55,100)	(87,810)	(36,057)
Other income (expense):				
Interest income	1,012	482	1,422	1,804
Interest expense	(15,359)	(16,947)	(48,471)	(49,128)
Loss on extinguishment of debt				(12,110)
Gain on disposition of joint venture	380,813		381,541	
Miscellaneous income, net	1,318	13,073	14,192	26,019
Earnings (loss) before income taxes	315,461	(58,492)	260,874	(69,472)
Income tax expense	154,561	3,433	160,823	341
Net earnings (loss)	160,900	(61,925)	100,051	(69,813)
Less: Net earnings (loss) attributable to the noncontrolling interests		(9)	12	(18)
Net earnings (loss) attributable to Office Depot, Inc.	160,900	(61,916)	100,039	(69,795)
Preferred stock dividends	28,039	7,650	48,378	22,765
Net earnings (loss) available to common stockholders	\$ 132,861	\$ (69,566)	\$ 51,661	\$ (92,560)
Net earnings (loss) per share:				
Basic	\$ 0.42	\$ (0.25)	\$ 0.18	\$ (0.33)

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Diluted	\$	0.41	\$	(0.25)	\$	0.18	\$	(0.33)
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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 2012 Form 10-K.

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

	13 Weeks Ended		39 Weeks Ended	
	September 28,	September 29,	September 28,	September 29,
	2013	2012	2013	2012
Net earnings (loss)	\$ 160,900	\$ (61,925)	\$ 100,051	\$ (69,813)
Other comprehensive income (loss), net of tax where applicable:				
Foreign currency translation adjustments	66,154	19,250	48,138	22,502
Amortization of gain on cash flow hedge	(79)	(155)	(390)	(2,152)
Change in deferred pension	(222)	(35)	4	(312)
Change in deferred cash flow hedge	(665)	12	(856)	(669)
Total other comprehensive income , net of tax, where applicable	65,188	19,072	46,896	19,369
Comprehensive income (loss)	226,088	(42,853)	146,947	(50,444)
Comprehensive income (loss) attributable to the noncontrolling interests		(5)	8	(12)
Comprehensive income (loss) attributable to Office Depot, Inc.	\$ 226,088	\$ (42,848)	\$ 146,939	\$ (50,432)

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 2012 Form 10-K.

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OFFICE DEPOT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	39 Weeks Ended	
	September 28, 2013	September 29, 2012
Cash flows from operating activities:		
Net earnings (loss)	\$ 100,051	\$ (69,813)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	144,520	151,074
Charges for losses on inventories and receivables	41,964	48,814
Loss on extinguishment of debt		13,377
Recovery of purchase price		(58,049)
Pension plan funding		(58,030)
Asset impairments	58,381	129,753
Gain on disposition of joint venture	(381,541)	
Changes in working capital and other	(83,172)	(73,033)
Net cash provided by (used in) operating activities	(119,797)	84,093
Cash flows from investing activities:		
Capital expenditures	(94,315)	(88,716)
Recovery of purchase price		49,841
Restricted cash	(789)	
Release of restricted cash		8,570
Proceeds from the sale of joint venture, net	674,826	
Proceeds from assets sold and other	1,721	31,373
Net cash provided by investing activities	581,443	1,068
Cash flows from financing activities:		
Proceeds from exercise of stock options	1,079	1,379
Tax benefit from employee share-based exercises	6,420	
Share transactions under employee related plans	(2,810)	(218)
Redemption of redeemable preferred stock	(203,386)	
Preferred stock dividends	(43,277)	
Payment for noncontrolling interests	(597)	(551)
Loss on extinguishment of debt		(13,377)
Debt related fees		(8,012)
Debt retirement	(150,000)	(250,000)

