

OFFICE DEPOT INC
Form 10-Q
April 30, 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 March 30, 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)

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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 March 30, 2013 there were 286,084,034 outstanding shares of Office Depot, Inc. Common Stock, \$0.01 par value.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.****OFFICE DEPOT, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except share and per share amounts)****(Unaudited)**

	March 30, 2013	December 29, 2012	March 31, 2012
Assets			
Current assets:			
Cash and cash equivalents	\$ 549,263	\$ 670,811	\$ 488,774
Receivables, net	763,200	803,944	872,839
Inventories	1,014,349	1,050,625	1,113,128
Prepaid expenses and other current assets	170,298	170,810	153,700
Total current assets	2,497,110	2,696,190	2,628,441
Property and equipment, net	821,053	856,341	1,021,402
Goodwill	64,235	64,312	63,650
Other intangible assets, net	15,982	16,789	34,585
Deferred income taxes	31,215	33,421	44,776
Other assets	362,052	343,726	332,295
Total assets	\$ 3,791,647	\$ 4,010,779	\$ 4,125,149
Liabilities and stockholders equity			
Current liabilities:			
Trade accounts payable	\$ 833,439	\$ 934,892	\$ 952,812
Accrued expenses and other current liabilities	844,973	931,618	890,908
Income taxes payable	7,164	5,310	12,411
Short-term borrowings and current maturities of long-term debt	173,752	174,148	35,770
Total current liabilities	1,859,328	2,045,968	1,891,901
Deferred income taxes and other long-term liabilities	430,479	431,531	402,920
Long-term debt, net of current maturities	479,820	485,331	642,513
Total liabilities	2,769,627	2,962,830	2,937,334
Commitments and contingencies			
Redeemable preferred stock, net (liquidation preference \$406,773 in March 2013 and December 2012, and \$387,172 in March 2012)	386,401	386,401	371,851
Stockholders equity:			
Office Depot, Inc. stockholders equity:			
Common stock authorized 800,000,000 shares of \$.01 par value; issued shares 291,999,302 in March 2013, 291,734,027 in December 2012 and 289,739,448 in March 2012	2,920	2,917	2,897
Additional paid-in capital	1,112,861	1,119,775	1,133,357
Accumulated other comprehensive income	200,346	212,717	226,851

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Accumulated deficit	(622,890)	(616,235)	(489,621)
Treasury stock, at cost 5,915,268 shares in 2013 and 2012	(57,733)	(57,733)	(57,733)
Total Office Depot, Inc. stockholders equity	635,504	661,441	815,751
Noncontrolling interests	115	107	213
Total equity	635,619	661,548	815,964
Total liabilities and equity	\$ 3,791,647	\$ 4,010,779	\$ 4,125,149

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	
	March 30, 2013	March 31, 2012
Sales	\$ 2,718,260	\$ 2,872,809
Cost of goods sold and occupancy costs	2,058,563	2,178,406
Gross profit	659,697	694,403
Operating and selling expenses	470,717	489,239
Recovery of purchase price		(68,314)
Asset impairments	5,244	17,894
General and administrative expenses	158,907	177,894
Merger and other expenses	15,184	
Operating income	9,645	77,690
Other income (expense):		
Interest income	410	367
Interest expense	(16,395)	(14,478)
Loss on extinguishment of debt		(12,069)
Miscellaneous income, net	6,357	8,979
Earnings before income taxes	17	60,489
Income tax expense	6,660	10,990
Net earnings (loss)	(6,643)	49,499
Less: Net earnings (loss) attributable to noncontrolling interests	12	(4)
Net earnings (loss) attributable to Office Depot, Inc.	(6,655)	49,503
Preferred stock dividends	10,169	8,216
Net earnings (loss) attributable to common stockholders	\$ (16,824)	\$ 41,287
Earnings (loss) per share:		
Basic	\$ (0.06)	\$ 0.14
Diluted	(0.06)	0.14

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	
	March 30, 2013	March 31, 2012
Net earnings (loss)	\$ (6,643)	\$ 49,499
Other comprehensive income (loss), net of tax, where applicable:		
Foreign currency translation adjustments	(12,981)	35,168
Amortization of gain on cash flow hedge	(156)	(1,841)
Change in deferred pension	229	(300)
Change in deferred cash flow hedge	533	(695)
Total other comprehensive income (loss), net of tax, where applicable	(12,375)	32,332
Comprehensive income (loss)	(19,018)	81,831
Less: Comprehensive income (loss) attributable to noncontrolling interests	8	(1)
Comprehensive income (loss) attributable to Office Depot, Inc. stockholders	\$ (19,026)	\$ 81,832

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 CASH FLOWS****(In thousands)****(Unaudited)**

	13 Weeks Ended	
	March 30, 2013	March 31, 2012
Cash flows from operating activities:		
Net earnings (loss)	\$ (6,643)	\$ 49,499
Adjustments to reconcile net earnings (loss) to net cash used in operating activities:		
Depreciation and amortization	48,577	50,902
Charges for losses on inventories and receivables	14,746	17,558
Loss on extinguishment of debt		13,141
Recovery of purchase price		(58,049)
Pension plan funding		(58,030)
Asset impairments	5,244	17,894
Changes in working capital and other	(155,857)	(126,280)
Net cash used in operating activities	(93,933)	(93,365)
Cash flows from investing activities:		
Capital expenditures	(28,649)	(34,638)
Recovery of purchase price		49,841