

# United Stationers Inc.

Earnings Presentation  
Fourth Quarter 2012

# Forward Looking Statements and Non-GAAP Measures



This presentation contains forward-looking statements, including references to goals, plans, strategies, objectives, projected costs or savings, anticipated future performance, results or events and other statements that are not strictly historical in nature. These statements are based on management's current expectations, forecasts and assumptions. This means they involve a number of risks and uncertainties that could cause actual results to differ materially from those expressed or implied here. These risks and uncertainties include, but are not limited to the following: prevailing economic conditions and changes affecting the business products industry and the general economy; United's ability to effectively manage its operations and to implement growth, cost-reduction and margin-enhancement initiatives; United's reliance on key customers, and the risks inherent in continuing or increased customer concentration; United's reliance on key suppliers and the supplier allowances and promotional incentives they offer; United's reliance on independent resellers for a significant percentage of its net sales and, therefore, the importance of the continued independence, viability and success of these resellers; continuing or increasing competitive activity and pricing pressures within existing or expanded product categories, including competition from product manufacturers who sell directly to United's customers; the impact of a loss of, or substantial decrease in, the availability of products or service from key vendors at competitive prices; United's ability to maintain its existing information technology systems and the systems and eCommerce services that it provides to customers, and to successfully procure, develop and implement new systems and services without business disruption or other unanticipated difficulties or costs; the creditworthiness of United's customers; United's ability to manage inventory in order to maximize sales and supplier allowances while minimizing excess and obsolete inventory; United's success in effectively identifying, consummating and integrating acquisitions; the risks and expense associated with United's obligations to maintain the security of private information provided by United's customers; the costs and risks related to compliance with laws, regulations and industry standards affecting United's business; the availability of financing sources to meet United's business needs; United's reliance on key management personnel, both in day-to-day operations and in execution of new business initiatives; and the effects of hurricanes, acts of terrorism and other natural or man-made disruptions.

Shareholders, potential investors and other readers are urged to consider these risks and uncertainties in evaluating forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. For additional information about risks and uncertainties that could materially affect United's results, please see the company's Securities and Exchange Commission filings. The forward-looking information in this presentation is made as of this date only, and the company does not undertake to update any forward-looking statement. Investors are advised to consult any further disclosure by United regarding the matters discussed in this release in its filings with the Securities and Exchange Commission and in other written statements it makes from time to time. It is not possible to anticipate or foresee all risks and uncertainties, and investors should not consider any list of risks and uncertainties to be exhaustive or complete.

\* This is non-GAAP information. A reconciliation of these items to the most comparable GAAP measures is presented on the company's Website ([www.unitedstationers.com](http://www.unitedstationers.com)) under the Investor Information section. Except as noted, all references within this presentation to financial results are presented in accordance with U.S. Generally Accepted Accounting Principles.

Certain prior-period amounts have been reclassified to conform to the current presentation.

## Q4 2012 Headlines



- ◆ Sales were up 3.6%, compared to Q4 2011 at \$1.24 billion.
- ◆ Earnings per diluted share were \$0.81, compared to Q4 2011 EPS of \$0.65.
- ◆ Gross margin rate of 16.2% was up from 14.5% last year.
- ◆ Operating expenses in Q4 2012 were \$146.3 million or 11.8% of sales, compared to \$127.8 million or 10.6% of sales in the prior-year quarter.
- ◆ Operating income as a percent of sales was 4.4%, up from 3.8% in the prior-year quarter.
- ◆ Net income was \$32.9 million, compared to \$27.9 million in Q4 2011.
- ◆ Net cash provided by operating activities was \$34.1 million QTD December 2012.
- ◆ During the quarter, the Company repurchased 0.1 million shares for \$2.4 million and paid a cash dividend of \$5.2 million to common shareholders.

# Fourth Quarter 2012 P&L



\$ thousands (except EPS)	\$		% to Sales		\$ change Fav (Unfav)	% change Fav (Unfav)	% to sales change Fav (Unfav) basis points
	QTD Q4 2012	QTD Q4 2012	QTD Q4 2011	QTD Q4 2011			
Net Sales	<u>\$ 1,244,074</u>		<u>\$ 1,201,391</u>		<u>\$ 42,683</u>	3.6%	
Gross Margin	201,658	16.20%	173,717	14.46%	27,941	16.1%	174
Operating Expense	146,304	11.76%	127,835	10.64%	(18,469)	(14.4%)	(112)
Operating Income	55,354	4.44%	45,882	3.82%	9,472	20.6%	62
Interest & Other	4,332		4,947		615		
Taxes	18,097		13,001		(5,096)		
Net Income	<u>\$ 32,925</u>		<u>\$ 27,934</u>		<u>\$ 4,991</u>		
Diluted Shares (000s)	40,406		43,010		(2,604)	(6.1%)	
Diluted EPS	\$ 0.81		\$ 0.65		\$ 0.16	24.6%	
Effective Tax Rate	35.5%		31.8%				

## YTD 2012 Headlines



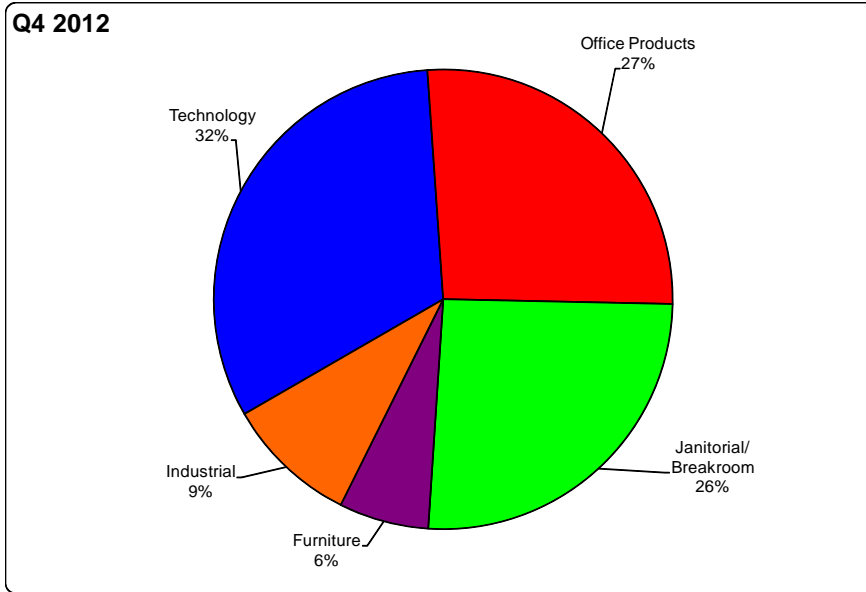
- ◆ Sales increased 1.9%, workday adjusted, from YTD December 2011 to \$5.1 billion.
- ◆ Adjusted earnings per diluted share were \$2.82\*, compared to YTD December 2011 of \$2.51\*.
- ◆ Gross margin rate of 15.2% was up from 14.8% last year.
- ◆ Adjusted operating expenses YTD December 2012 were \$567.4\* million or 11.2% of sales, compared to \$536.4\* million or 10.7% of sales in the prior-year period.
- ◆ Adjusted operating income as a percent of sales was 4.1%, flat compared to the prior-year period.
- ◆ Adjusted net income was \$115.7\* million, compared to an adjusted \$112.9\* million in YTD December 2011.
- ◆ Net cash provided by operating activities was \$189.8 million YTD December 2012.
- ◆ During the year, the Company repurchased 2.5 million shares for \$69.9 million and paid a cash dividend of \$21.3 million to common shareholders.

# YTD 2012 P&L



\$ thousands (except EPS)	\$		\$		\$ change Fav (Unfav)	% to sales change	
	YTD Q4 2012	% to Sales YTD Q4 2012	YTD Q4 2011	% to Sales YTD Q4 2011		% change Fav (Unfav)	Fav (Unfav) basis points
Net Sales	\$ 5,080,106		\$ 5,005,501		\$ 74,605	1.5%	
Workday Adjusted Sales Growth						1.9%	
Gross Margin	774,604	15.24%	740,079	14.78%	34,525	4.7%	46
Operating Expense	573,693	11.28%	541,752	10.82%	(31,941)	(5.9%)	(46)
Operating Income	200,911	3.96%	198,327	3.96%	2,584	1.3%	-
Interest & Other	23,276		25,451		2,175		
Taxes	65,805		63,880		(1,925)		
Net Income	\$ 111,830		\$ 108,996		\$ 2,834		
Diluted Shares (000s)	40,991		45,014		(4,023)	(8.9%)	
Diluted EPS	\$ 2.73		\$ 2.42		\$ 0.31	12.8%	
Effective Tax Rate	37.0%		37.0%				
<b>Adjusted to exclude non-operating items *</b>							
Adjusted Operating Expense	\$ 567,446	11.16%	\$ 536,431	10.71%	\$ (31,015)	(5.8%)	(45)
Adjusted Operating Income	207,158	4.08%	203,648	4.07%	3,510	1.7%	1
Adjusted Net Income	115,703		112,916		2,787	2.5%	
Adjusted Diluted EPS	\$ 2.82		\$ 2.51		\$ 0.31	12.5%	

# Sales by Product Category – Q4 2012

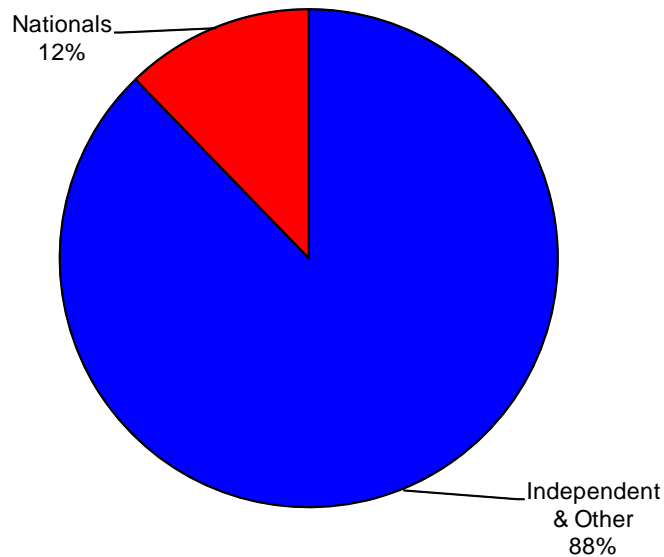


Category	Sales growth (decline) Q4 2012 vs Q4 2011	Sales growth (decline) Q3 2012 vs Q3 2011	Sales growth (decline) Q2 2012 vs Q2 2011	Sales growth (decline) Q1 2012 vs Q1 2011	Sales growth (decline) Q4 2011 vs Q4 2010
Technology	(0.1%)	(4.5%)	(2.8%)	(6.2%)	(4.9%)
Office Products	1.2%	1.3%	(0.8%)	1.8%	(1.0%)
Janitorial/Breakroom	1.9%	2.3%	5.9%	12.0%	10.8%
Industrial	30.4%	7.0%	13.2%	21.3%	23.4%
Furniture	3.9%	(2.9%)	0.3%	0.8%	(11.3%)

# Sales by Channel – Q4 2012



**Q4 2012**



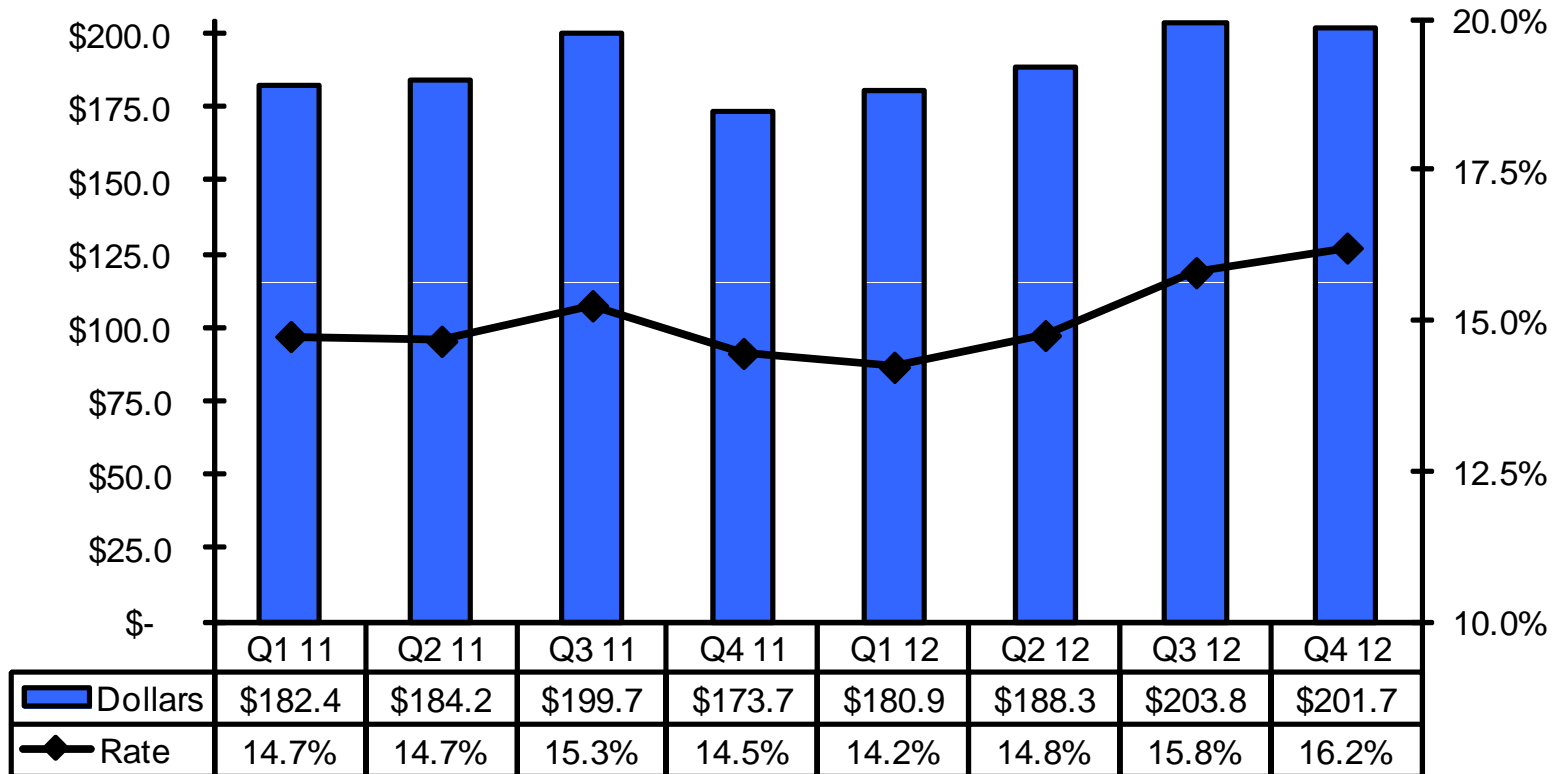
Channel	Sales growth (decline) Q4 2012 vs Q4 2011	Sales growth (decline) Q3 2012 vs Q3 2011	Sales growth (decline) Q2 2012 vs Q2 2011	Sales growth (decline) Q1 2012 vs Q1 2011	Sales growth (decline) Q4 2011 vs Q4 2010
Independent & Other	3.8%	1.0%	3.6%	6.0%	4.6%
Nationals	1.9%	(7.4%)	(12.2%)	(14.9%)	(17.5%)



# Gross Margin



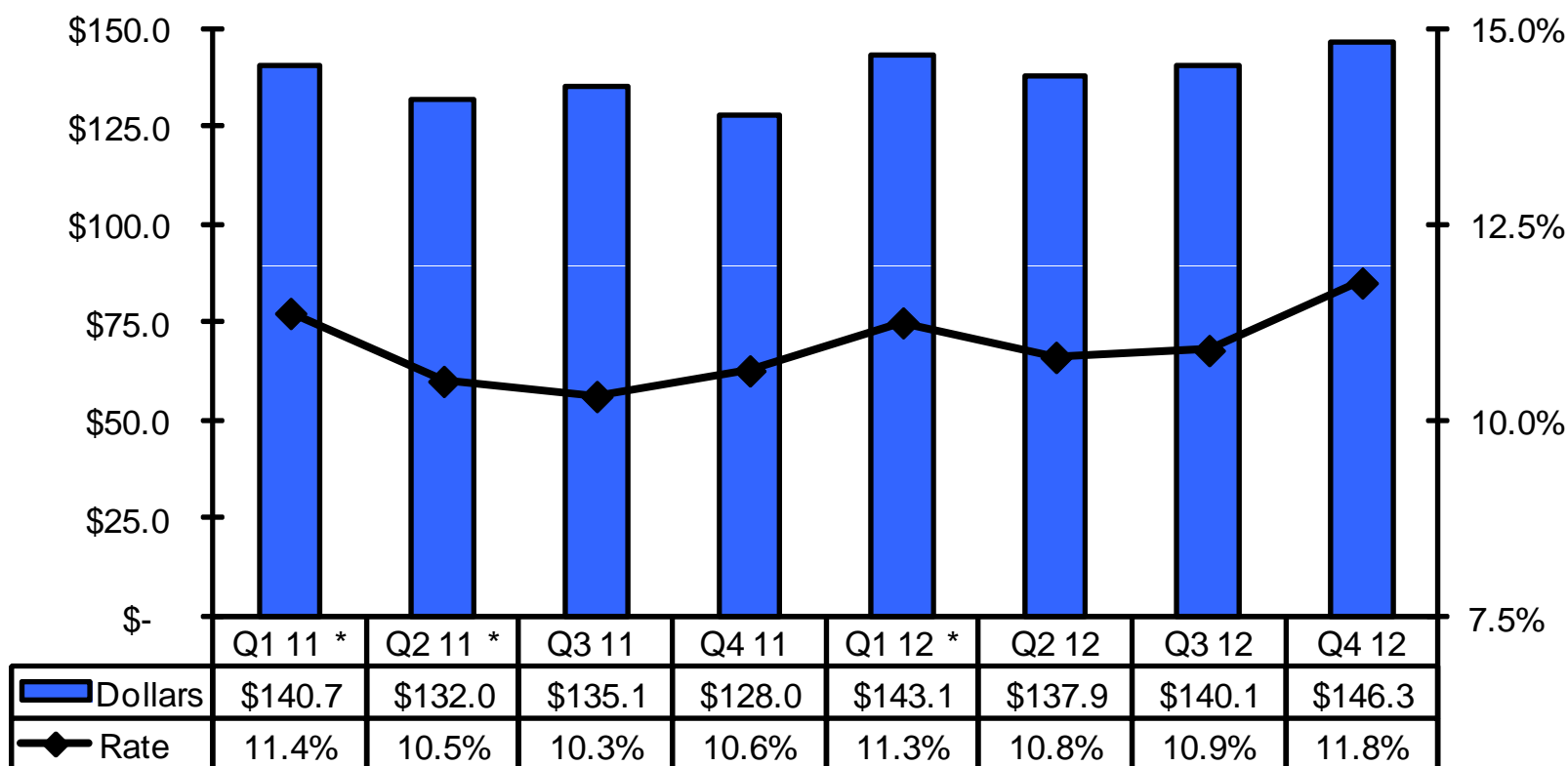
dollars in millions



# Adjusted Operating Expense\*



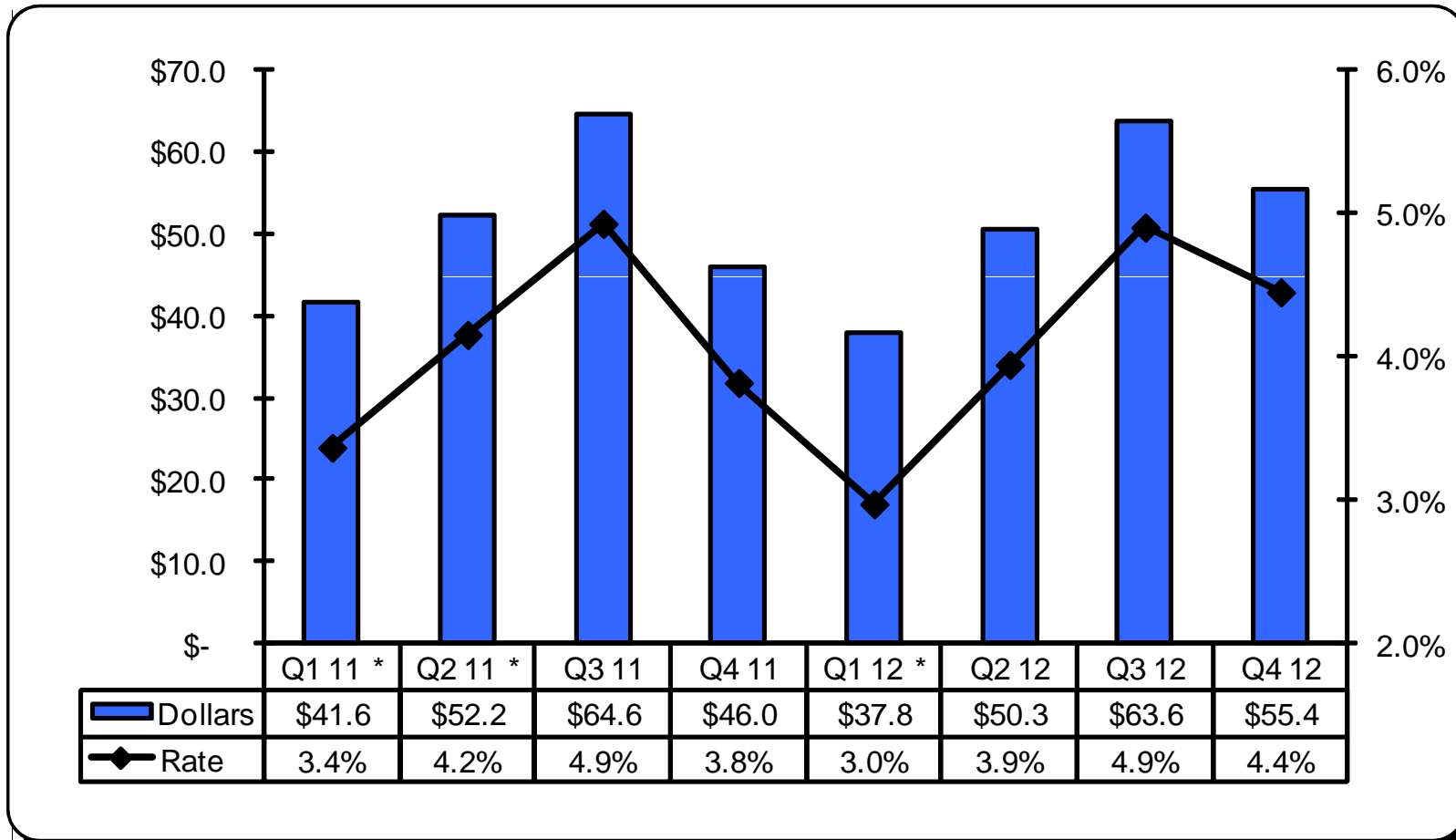
dollars in millions



# Adjusted Operating Income\*



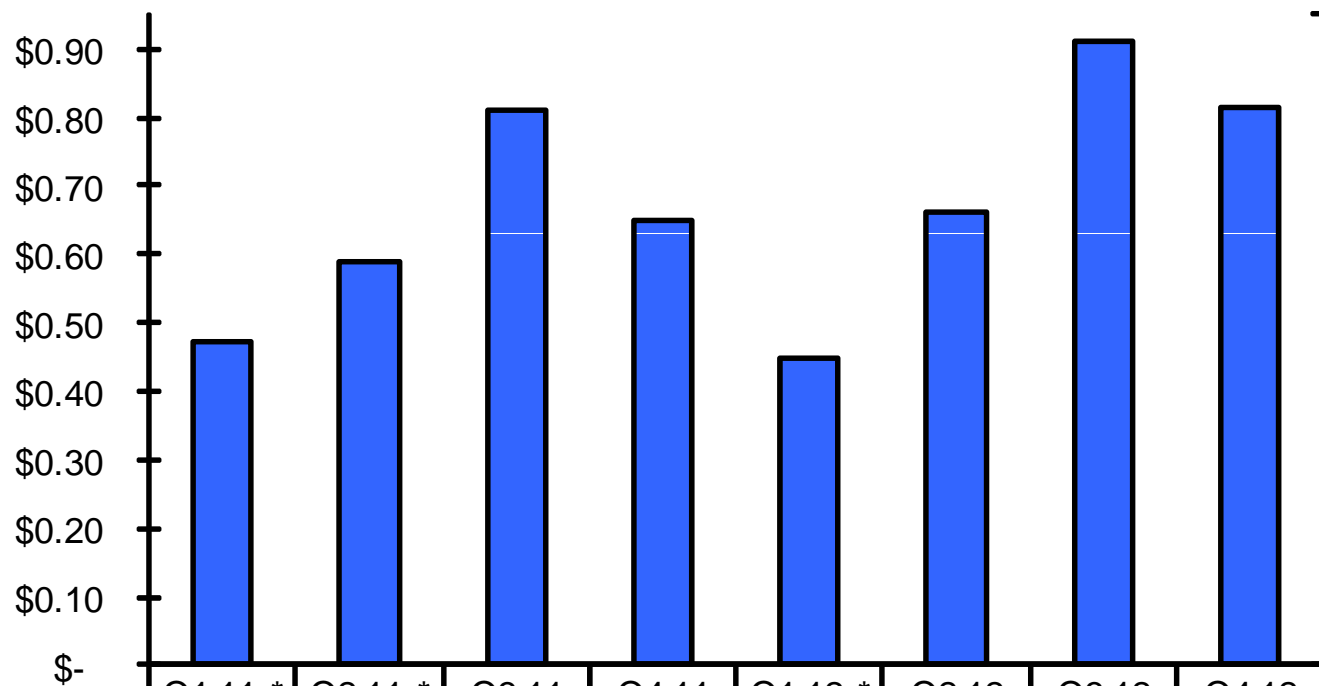
dollars in millions



# Adjusted Earnings per Share\*



shares in millions



	Q1 11 *	Q2 11 *	Q3 11	Q4 11	Q1 12 *	Q2 12	Q3 12	Q4 12
■ EPS	\$0.47	\$0.59	\$0.81	\$0.65	\$0.45	\$0.66	\$0.91	\$0.81
Diluted Shares	46.656	46.340	44.202	43.010	42.420	40.887	40.530	40.406

# Working Capital Summary



\$ Millions	3/31/2011	6/30/2011	9/30/2011	12/31/2011	3/31/2012	6/30/2012	9/30/2012	12/31/2012
Accounts Receivable	\$ 648.1	\$ 669.5	\$ 699.2	\$ 659.2	\$ 642.0	\$ 655.0	\$ 669.0	\$ 658.8
Inventories (LIFO)	636.2	632.1	615.5	741.5	672.3	692.9	643.6	767.2
Accounts Payable	422.4	443.5	410.8	499.3	433.7	446.6	443.0	495.3
	<b>Q1 11</b>	<b>Q2 11</b>	<b>Q3 11</b>	<b>Q4 11</b>	<b>Q1 12</b>	<b>Q2 12</b>	<b>Q3 12</b>	<b>Q4 12</b>
Net Trade A/R DSO	41	41	42	42	40	40	40	40
Inventory Turns	6.4	6.8	7.1	6.1	6.2	6.4	6.5	5.9
A/P as % Inventory (LIFO)	66%	70%	67%	67%	65%	64%	69%	65%
A/P as % Inventory (FIFO)	58%	61%	58%	60%	56%	56%	59%	57%

# Cash Flows



\$ Millions	QTD	QTD	QTD	QTD	2011	QTD	QTD	QTD	QTD	2012 YTD
	Q1 11	Q2 11	Q3 11	Q4 11		Q1 12	Q2 12	Q3 12	Q4 12	
Net Income	\$ 20.4	\$ 24.9	\$ 35.8	\$ 27.9	\$ 109.0	\$ 15.1	\$ 27.0	\$ 36.8	\$ 32.9	\$ 111.8
Depreciation & Amortization	9.0	8.9	8.7	8.4	35.0	8.8	9.0	9.2	10.1	37.1
Share-based compensation	3.7	6.7	2.7	2.6	15.7	1.9	1.3	2.0	3.5	8.7
Writedown on impaired assets	1.6	-	-	-	1.6	-	-	-	-	-
Change in Accounts Receivable	(19.8)	(21.3)	(30.6)	40.0	(31.7)	17.6	(13.2)	(13.7)	31.1	21.8
Change in Inventory	48.2	4.3	15.2	(126.1)	(58.4)	70.0	(21.1)	49.7	(88.2)	10.4
Change in Accounts Payable	1.0	21.0	(33.1)	88.5	77.4	(65.3)	12.8	(3.5)	40.3	(15.7)
Change in Other Working Capital	(18.7)	(3.3)	21.7	(17.0)	(17.3)	(2.4)	5.4	19.4	(0.5)	21.9
Change in Working Capital	10.7	0.7	(26.8)	(14.6)	(30.0)	19.9	(16.1)	51.9	(17.3)	38.4
Other	(4.4)	(8.9)	5.8	6.6	(0.9)	(17.8)	(0.8)	7.5	4.9	(6.2)
Adjusted cash provided by operating activities	41.0	32.3	26.2	30.9	130.4	27.9	20.4	107.4	34.1	189.8
Capital Expenditures	(9.8)	(6.4)	(4.6)	(7.2)	(28.0)	(4.5)	(5.8)	(10.0)	(12.5)	(32.8)
Proceeds from disposition of fixed assets	-	-	0.1	-	0.1	0.1	0.0	0.1	0.6	0.8
Net cash used for capital expenditures *	(9.8)	(6.4)	(4.5)	(7.2)	(27.9)	(4.4)	(5.8)	(9.9)	(11.9)	(32.0)
Free Cash Flow *	\$ 31.2	\$ 25.9	\$ 21.7	\$ 23.7	\$ 102.5	\$ 23.5	\$ 14.6	\$ 97.5	\$ 22.2	\$ 157.8

# Debt and Capitalization



\$ Millions	3/31/2011	6/30/2011	9/30/2011	12/31/2011	3/31/2012	6/30/2012	9/30/2012	12/31/2012
Debt	\$ 441.8	\$ 441.8	\$ 489.7	\$ 496.8	\$ 512.2	\$ 527.1	\$ 455.0	\$ 524.4
Equity	769.7	752.7	721.2	704.7	682.6	689.2	710.8	738.1
Total capitalization	\$ 1,211.5	\$ 1,194.5	\$ 1,210.9	\$ 1,201.5	\$ 1,194.8	\$ 1,216.3	\$ 1,165.8	\$ 1,262.5
Debt-to-total capitalization	36.5%	37.0%	40.4%	41.3%	42.9%	43.3%	39.0%	41.5%