

# United Stationers Inc.

Earnings Presentation  
Fourth Quarter 2013

# 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: United's reliance on key customers, and the risks inherent in continuing or increased customer concentration; end-user demand for products in the office, technology and furniture product categories may continue to decline; 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 supplier allowances and promotional incentives; 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 supply chain disruptions or changes in key suppliers' distribution strategies; 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 presentation 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.

## Headlines For the Three Months Ended December 31, 2013



- ◆ Sales were down 1.6% to \$1.2 billion compared with Q4 2012.
- ◆ Adjusted earnings per diluted share were \$0.86\*, up 5% compared with Q4 2012 EPS of \$0.81.
- ◆ Gross margin of \$195.5 million, or 16.0% of sales, was down from \$201.7 million, or 16.2% of sales, in the prior-year quarter.
- ◆ Adjusted operating expenses in Q4 2013 were \$137.9 million\*, or 11.3%\* of sales, compared with \$146.3 million, or 11.8% of sales, in Q4 2012.
- ◆ Adjusted operating income was up 4% to \$57.5 million\*, or 4.7%\* of sales, compared to \$55.4 million, or 4.4% of sales, in the prior-year quarter.
- ◆ Adjusted net income in the current quarter was \$34.5 million\*, up 5% compared with \$32.9 million in Q4 2012.

# Consolidated Statement of Income

## For the Three Months Ended December 31, 2013 and 2012



\$ thousands (except EPS)	\$		% to Sales		\$ change Fav (Unfav)	% change Fav (Unfav)	% to sales change Fav (Unfav) basis points
	QTD Q4 2013	QTD Q4 2013	QTD Q4 2012	QTD Q4 2012			
Net Sales	\$ 1,223,638		\$ 1,244,074		\$ (20,436)	(1.6%)	
Gross Margin	195,456	15.97%	201,658	16.20%	(6,202)	(3.1%)	(23)
Operating Expense	137,870	11.27%	146,304	11.76%	8,434	5.8%	49
Operating Income	57,586	4.70%	55,354	4.44%	2,232	4.0%	26
Interest & Other	2,937		4,332		1,395		
Taxes	20,524		18,097		(2,427)		
Net Income	\$ 34,125		\$ 32,925		\$ 1,200		
Diluted Shares (000s)	39,915		40,406		491	1.2%	
Diluted EPS	\$ 0.85		\$ 0.81		\$ 0.04	4.9%	
<b>Adjusted to exclude non-operating items *</b>							
Adjusted Operating Expense	\$ 137,946	11.27%	\$ 146,304	11.76%	\$ 8,358	5.7%	49
Adjusted Operating Income	57,510	4.70%	55,354	4.44%	2,156	3.9%	26
Adjusted Net Income	34,527		32,925		1,602	4.9%	
Adjusted Diluted EPS	\$ 0.86		\$ 0.81		\$ 0.05	6.2%	

## Headlines For the 12 Months Ended December 31, 2013

- ◆ Sales were flat with the prior year at \$5.1 billion.
- ◆ Adjusted earnings per diluted share increased 17% to \$3.29\*, compared with an adjusted 2012 EPS of \$2.82\*.
- ◆ Gross margin rate of 15.5% was up from 15.2% last year.
- ◆ Adjusted operating expenses were \$566.3 million\*, or 11.1%\* of sales, compared with an adjusted \$567.4 million\*, or 11.2%\* of sales, in 2012.
- ◆ Adjusted operating income was \$223.3 million\*, or 4.4%\* of sales, up from an adjusted \$207.2 million\*, or 4.1%\* of sales, in the prior-year period.
- ◆ Adjusted net income was \$132.4 million\*, compared with an adjusted \$115.7 million\* in the same period last year.
- ◆ Net cash provided by operating activities was \$74.7 million versus \$189.8 million in the prior-year period.
- ◆ During the year, the Company repurchased 1.7 million shares for \$62.1 million and paid cash dividends of \$22.3 million to common shareholders.

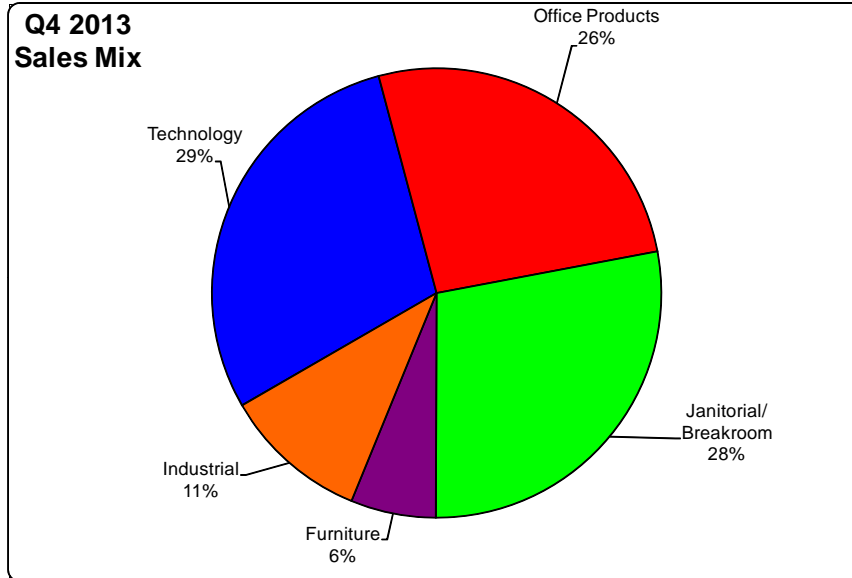
# Consolidated Statement of Income

## For the 12 Months Ended December 31, 2013 and 2012



\$ thousands (except EPS)	\$		\$		\$ change Fav (Unfav)	% change Fav (Unfav)	% to sales change Fav (Unfav) basis points
	YTD Q4 2013	% to Sales YTD Q4 2013	YTD Q4 2012	% to Sales YTD Q4 2012			
Net Sales	\$ 5,085,293		\$ 5,080,106		\$ 5,187	0.1%	
Gross Margin	789,578	15.52%	774,604	15.24%	14,974	1.9%	28
Operating Expense	580,428	11.41%	573,693	11.28%	(6,735)	(1.2%)	(13)
Operating Income	209,150	4.11%	200,911	3.96%	8,239	4.1%	15
Interest & Other	11,640		23,276		11,636		
Taxes	74,340		65,805		(8,535)		
Net Income	\$ 123,170		\$ 111,830		\$ 11,340		
Diluted Shares (000s)	40,236		40,991		755	1.8%	
Diluted EPS	\$ 3.06		\$ 2.73		\$ 0.33	12.1%	
<b>Adjusted to exclude non-operating items *</b>							
Adjusted Operating Expense	\$ 566,270	11.13%	\$ 567,446	11.16%	\$ 1,176	0.2%	3
Adjusted Operating Income	223,308	4.39%	207,158	4.08%	16,150	7.8%	31
Adjusted Net Income	132,397		115,703		16,694	14.4%	
Adjusted Diluted EPS	\$ 3.29		\$ 2.82		\$ 0.47	16.7%	

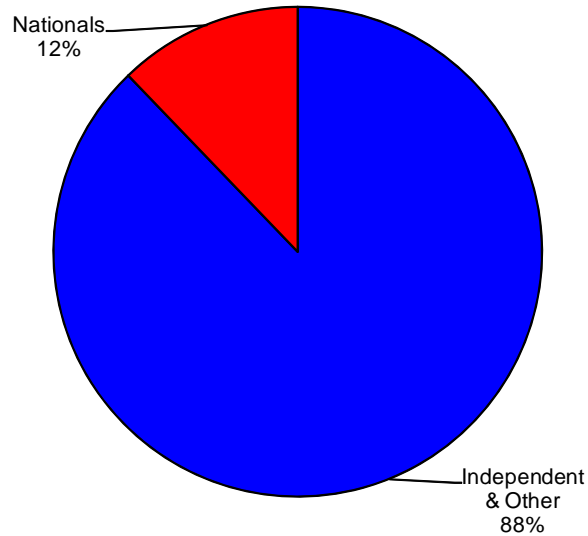
# Sales by Product Category – Q4 2013



Category	Sales growth (decline) Q4 2013 vs Q4 2012	Sales growth (decline) Q3 2013 vs Q3 2012	Sales growth (decline) Q2 2013 vs Q2 2012	Sales growth (decline) Q1 2013 vs Q1 2012	Sales growth (decline) Q4 2012 vs Q4 2011
Technology	(11.1%)	(1.6%)	(6.3%)	(5.9%)	(0.1%)
Office Products	(2.6%)	(3.3%)	(4.0%)	(6.5%)	1.2%
Janitorial/Breakroom	7.1%	3.8%	2.6%	3.0%	1.9%
Industrial	10.8%	30.4%	31.5%	35.7%	30.3%
Furniture	(4.5%)	(2.8%)	(5.0%)	(3.1%)	3.9%

# Sales by Channel – Q4 2013

**Q4 2013**



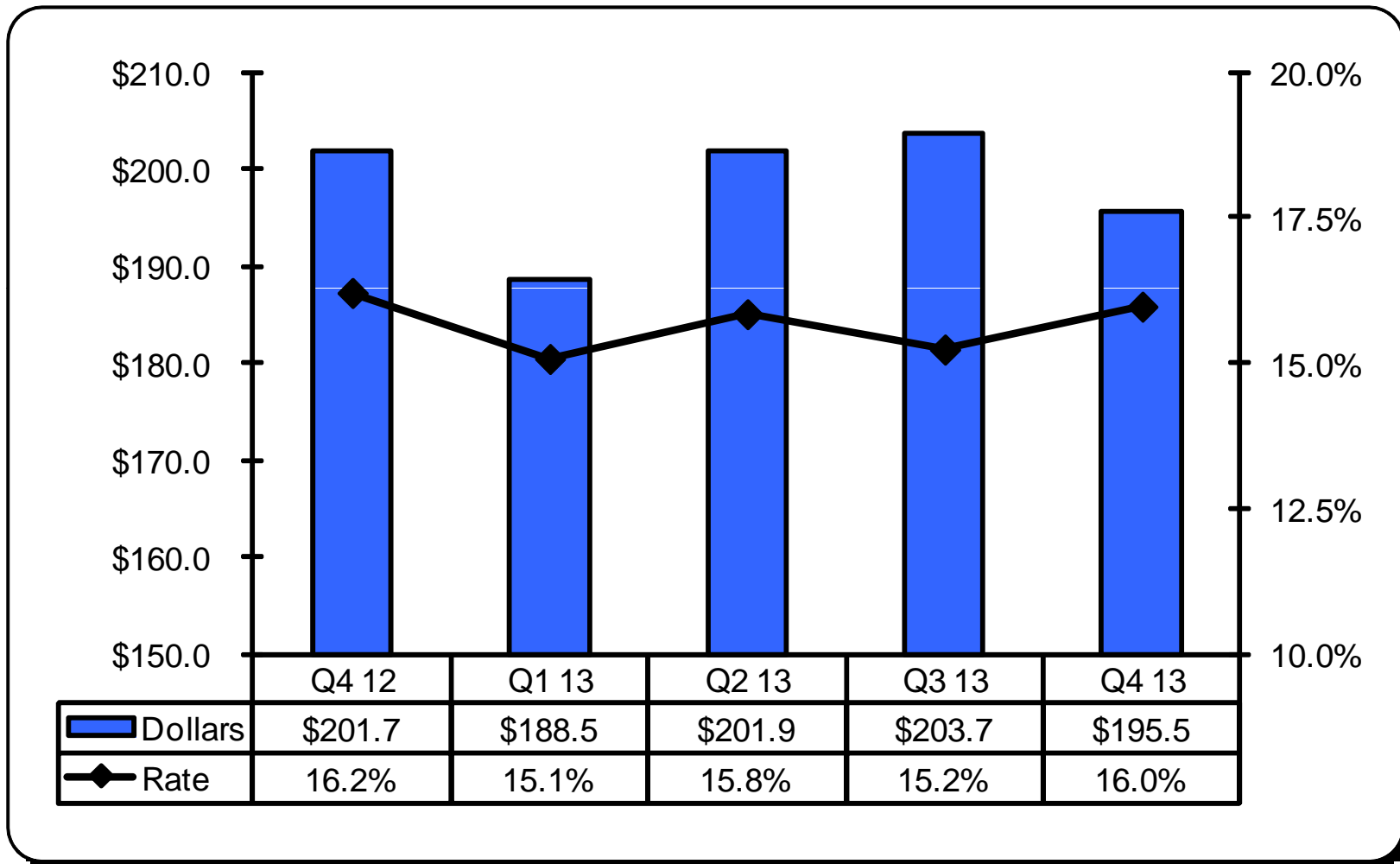
Channel	Sales growth (decline) Q4 2013 vs Q4 2012	Sales growth (decline) Q3 2013 vs Q3 2012	Sales growth (decline) Q2 2013 vs Q2 2012	Sales growth (decline) Q1 2013 vs Q1 2012	Sales growth (decline) Q4 2012 vs Q4 2011
Independent & Other	(1.6%)	2.8%	0.0%	0.1%	3.8%
Nationals	(1.9%)	(3.3%)	(0.9%)	(1.3%)	1.7%



# Gross Margin



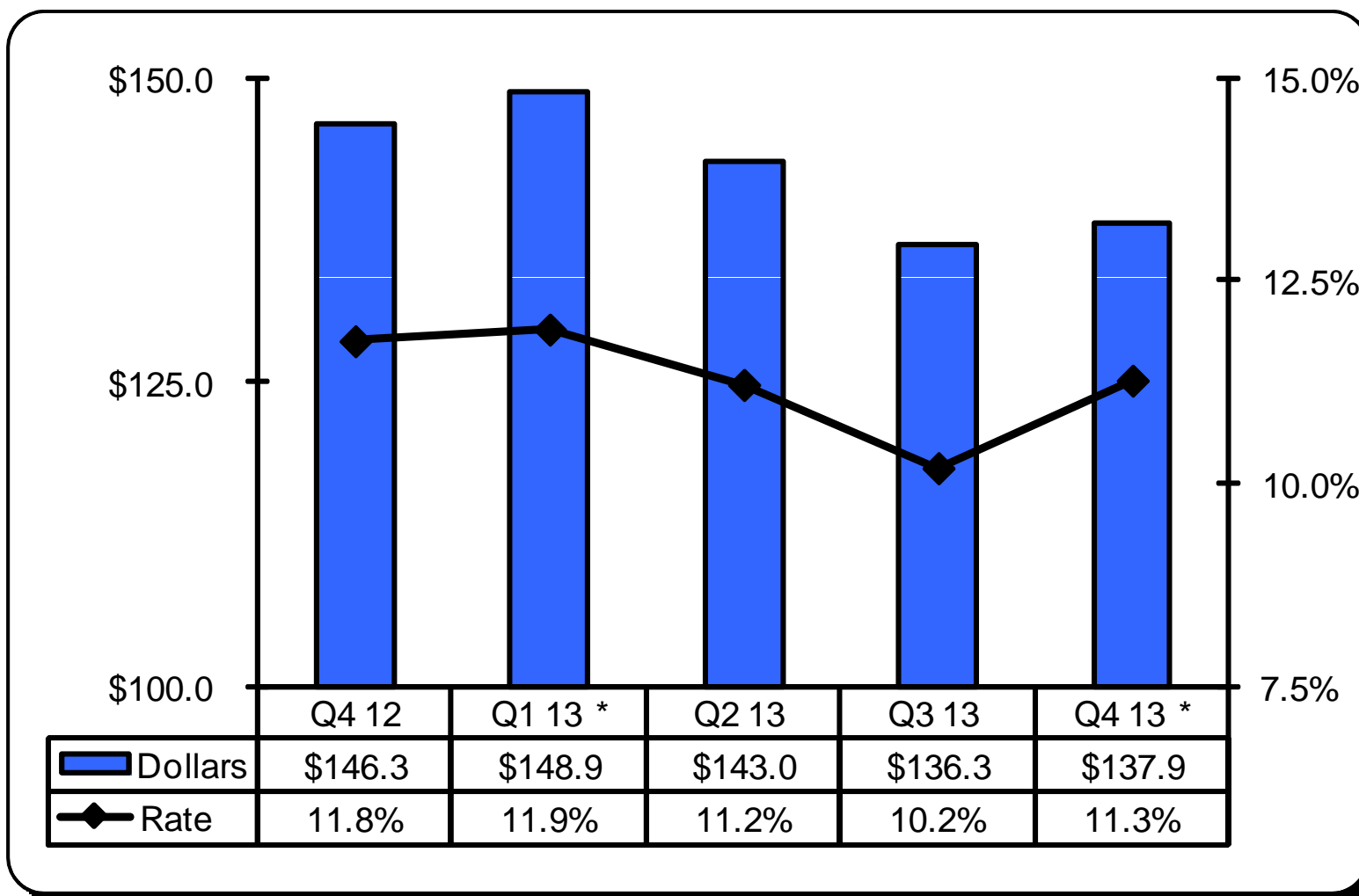
dollars in millions



# Adjusted Operating Expense\*



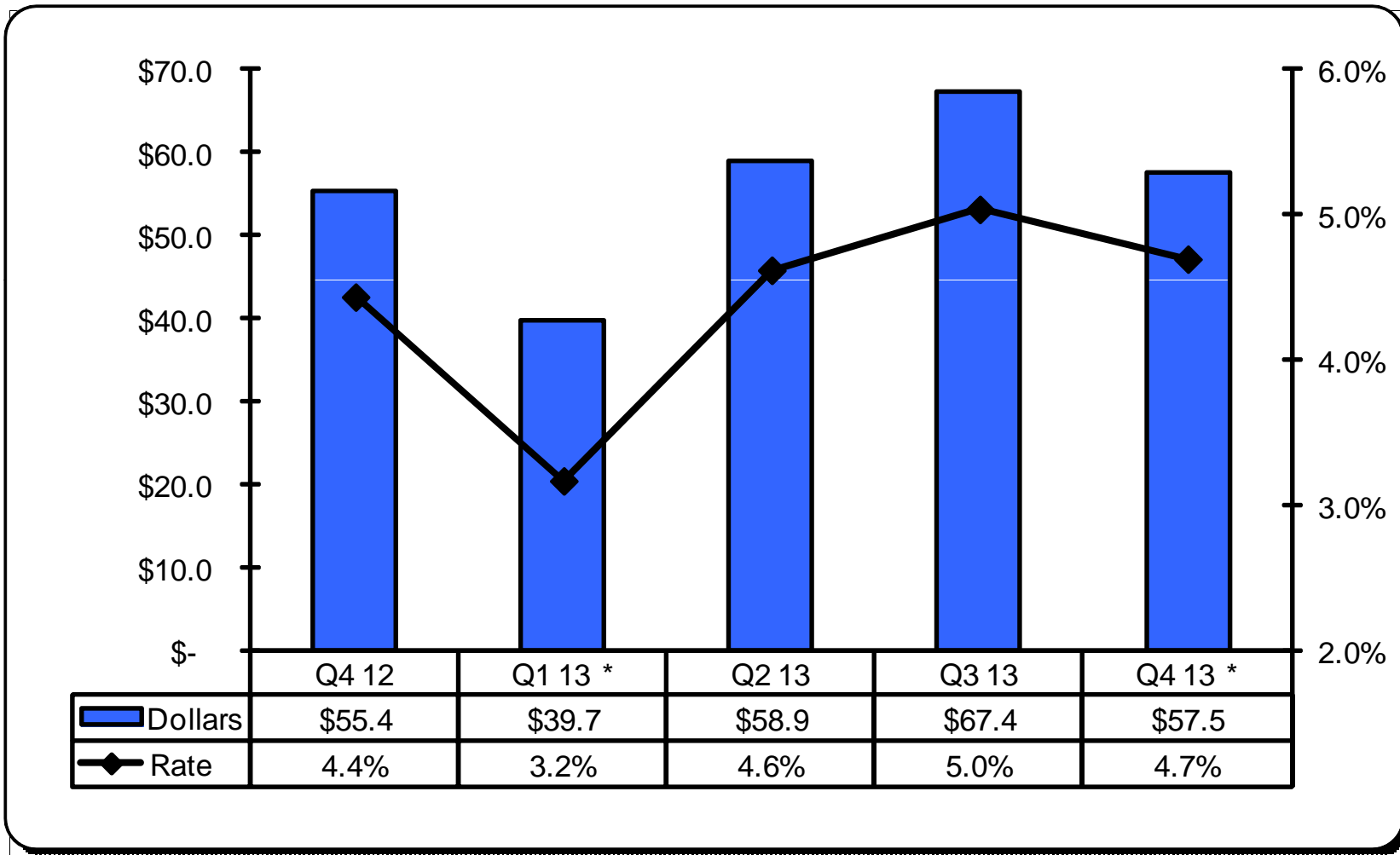
dollars in millions



# Adjusted Operating Income\*



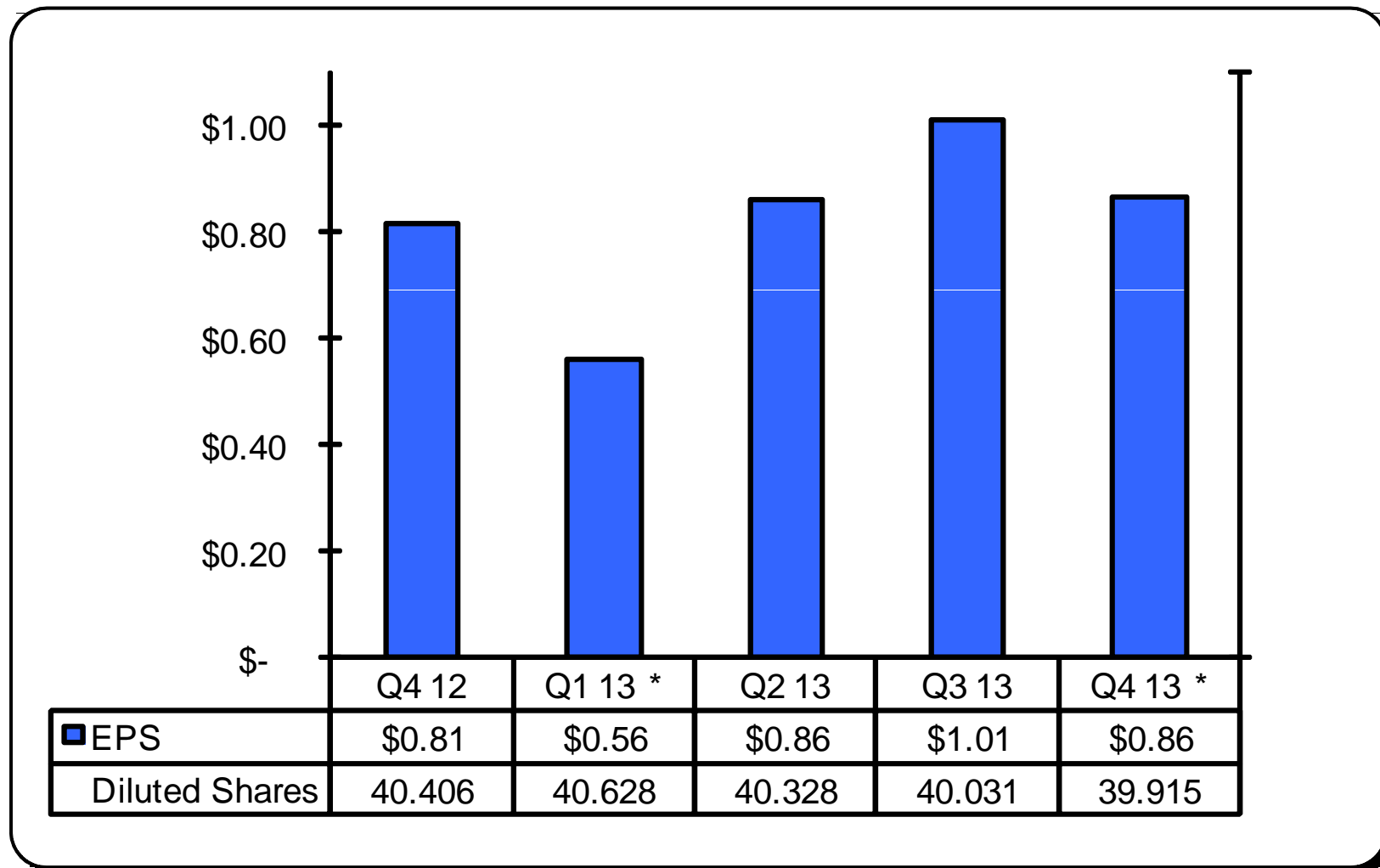
dollars in millions



# Adjusted Earnings per Share\*



shares in millions



# Working Capital Summary



\$ Millions	3/31/2012	6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013	9/30/2013	12/31/2013
Accounts Receivable	\$ 642.0	\$ 655.0	\$ 669.0	\$ 658.8	\$ 632.2	\$ 662.2	\$ 695.0	\$ 643.4
Inventories (LIFO)	672.3	692.9	643.6	767.2	726.2	732.2	722.8	830.3
Accounts Payable	433.7	446.6	443.0	495.3	431.9	475.2	469.9	476.1
	<b>Q1 12</b>	<b>Q2 12</b>	<b>Q3 12</b>	<b>Q4 12</b>	<b>Q1 13</b>	<b>Q2 2013</b>	<b>Q3 2013</b>	<b>Q4 2013</b>
Net Trade A/R DSO	40	40	40	40	39	39	39	38
Inventory Turns	6.2	6.4	6.5	5.9	5.7	5.9	6.2	5.3
A/P as % Inventory (LIFO)	65%	64%	69%	65%	59%	65%	65%	57%
A/P as % Inventory (FIFO)	56%	56%	59%	57%	52%	56%	56%	51%

# Cash Flows



\$ Millions	QTD	QTD	QTD	QTD	2012	QTD	QTD	QTD	QTD	2013
	Q1 12	Q2 12	Q3 12	Q4 12	YTD	Q1 13	Q2 13	Q3 13	Q4 13	YTD
Net Income	\$ 15.1	\$ 27.0	\$ 36.8	\$ 32.9	\$ 111.8	\$ 13.8	\$ 34.7	\$ 40.5	\$ 34.2	\$ 123.2
Depreciation & Amortization	8.8	9.0	9.2	10.1	37.1	9.7	10.1	10.1	10.3	40.2
Share-based compensation	1.9	1.3	2.0	3.5	8.7	2.4	3.1	2.0	3.3	10.8
Change in Accounts Receivable	17.6	(13.2)	(13.7)	31.1	21.8	26.3	(30.3)	(32.9)	51.6	14.7
Change in Inventory	70.0	(21.1)	49.7	(88.2)	10.4	40.8	(9.2)	9.3	(107.5)	(66.6)
Change in Accounts Payable	(65.3)	12.8	(3.5)	40.3	(15.7)	(63.2)	43.1	(5.4)	6.2	(19.3)
Change in Other Working Capital	(2.4)	5.4	19.4	(0.5)	21.9	(30.6)	11.8	13.7	0.9	(4.2)
Change in Working Capital	19.9	(16.1)	51.9	(17.3)	38.4	(26.7)	15.4	(15.3)	(48.8)	\$ (75.4)
Other	(17.8)	(0.8)	7.5	4.9	(6.2)	(12.6)	(4.6)	(3.2)	(3.7)	(24.1)
Cash provided by operating activities	27.9	20.4	107.4	34.1	189.8	(13.4)	58.7	34.1	(4.7)	74.7
Capital Expenditures	(4.5)	(5.8)	(10.0)	(12.5)	(32.8)	(9.1)	(7.9)	(5.8)	(11.0)	(33.8)
Proceeds from disposition of fixed assets	0.1	0.0	0.1	0.6	0.8	0.1	3.4	-	-	3.5
Net cash used for capital expenditures *	(4.4)	(5.8)	(9.9)	(11.9)	(32.0)	(9.0)	(4.5)	(5.8)	(11.0)	(30.3)
Free Cash Flow *	\$ 23.5	\$ 14.6	\$ 97.5	\$ 22.2	\$ 157.8	\$ (22.4)	\$ 54.2	\$ 28.3	\$ (15.7)	\$ 44.4

# Debt and Capitalization



\$ Millions	3/31/2012	6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013	9/30/2013	12/31/2013
Debt	\$ 512.2	\$ 527.1	\$ 455.0	\$ 524.4	\$ 537.0	\$ 518.5	\$ 507.5	\$ 533.7
Equity	682.6	689.2	710.8	738.1	755.1	760.5	796.2	825.5
Total capitalization	\$ 1,194.8	\$ 1,216.3	\$ 1,165.8	\$ 1,262.5	\$ 1,292.1	\$ 1,279.0	\$ 1,303.7	\$ 1,359.2
Debt-to-total capitalization	42.9%	43.3%	39.0%	41.5%	41.6%	40.5%	38.9%	39.3%