
Earnings Presentation

Third Quarter 2015

October 21, 2015

ESSENDANT[™]
BEYOND ESSENTIAL

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Q3 2015 Overview

- **Solid financial performance**
 - \$1.00 Adjusted EPS⁽¹⁾ vs. \$1.03⁽²⁾ last year
 - \$183.7M operating cash flow YTD—up from \$93.7M prior year
- **Acquisitions delivering as expected**
 - Over \$81M incremental sales in Q3 YOY
- **Completed activities outlined in Q1 2015**
 - Sold Mexican subsidiary, a non-strategic business
 - Workforce & Facility Actions: on track to deliver \$6M in savings this year
 - Successfully transitioned two facilities to common operating platform in the qtr.
- **Making refinements to strategy under new CEO**
 - Focus on increasing operating leverage, accelerating revenue growth and expanding earnings
 - Recognize potential in core categories: Office Products, JanSan & Breakroom
 - Management de-layering and organizational alignment in Q4 '15

1) For a definition and reconciliation of Adjusted EPS, please see appendix.

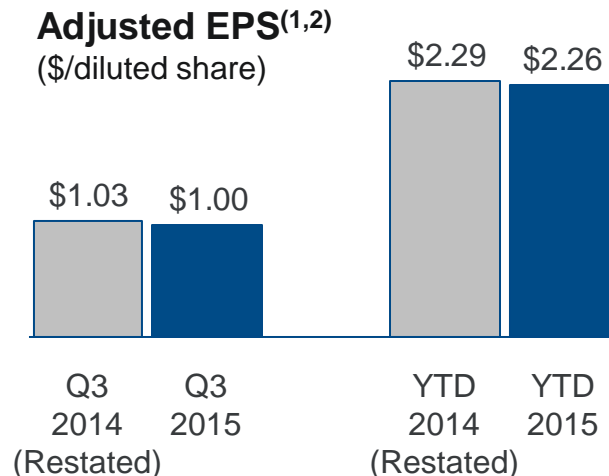
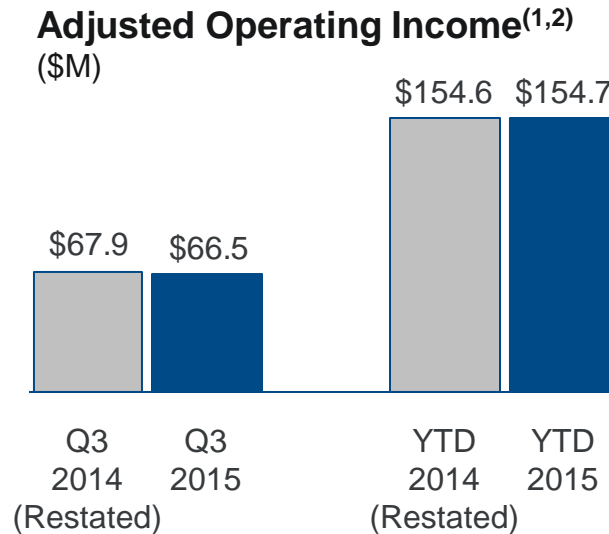
2) Prior year values include impact of change in accounting principle related to inventory accounting. See Reconciliation of Restated Financial Statements in the Q3 2015 Earnings Release.

Q3 2015 & YTD Financial Results

- Adjusted Operating Income⁽¹⁾ declined 2.1% on 2.0% lower sales
 - Driven by organic sales decline of 7.7%; partly offset by acquisitions +5.7%
 - Organic Adjusted Operating Expense⁽¹⁾ (excluding acquisitions) declined by \$1.7M, or 1.1%

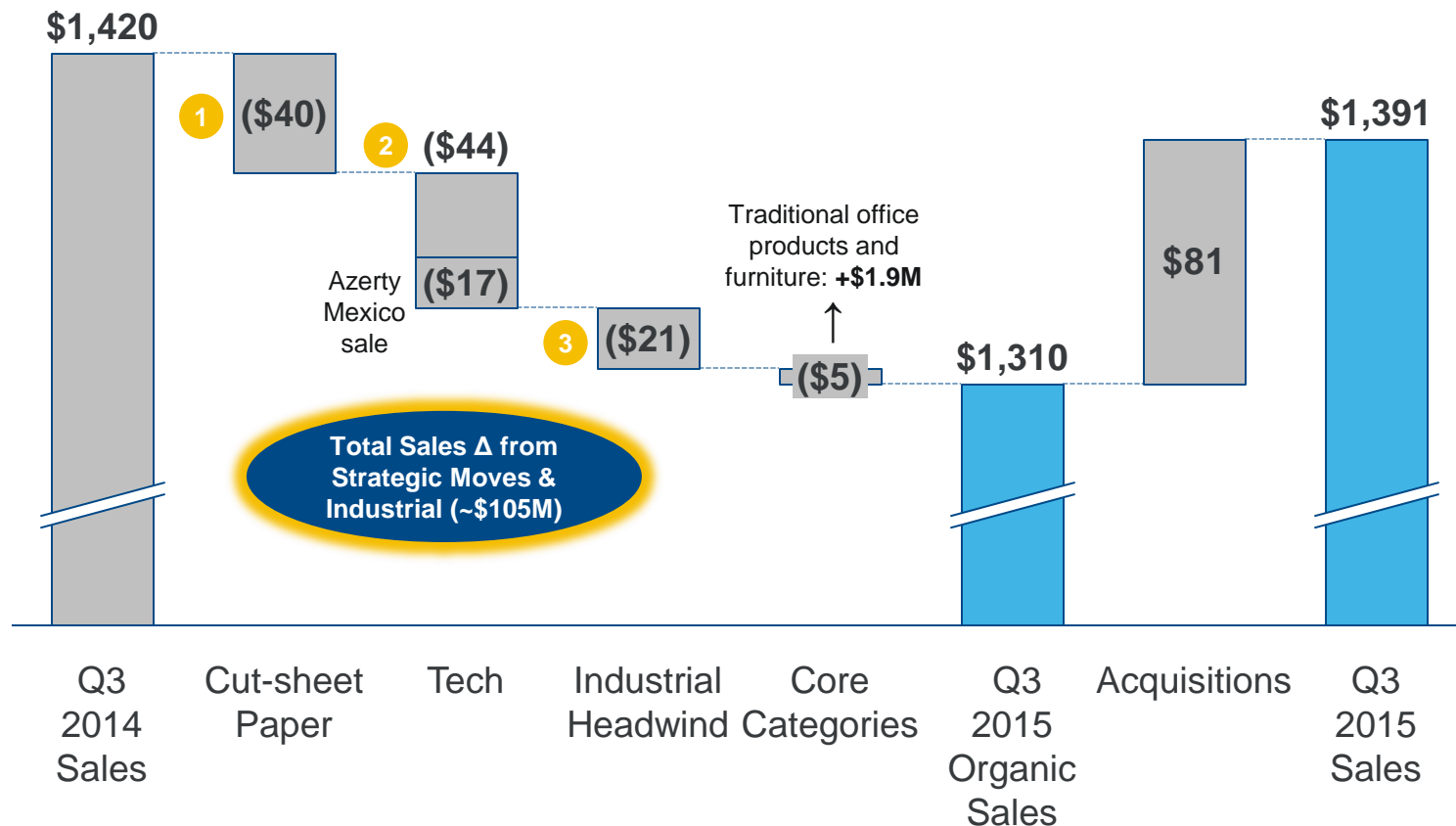
- Adjusted EPS⁽¹⁾ down 3 cents YOY
 - LIFO re-statement increased prior year by \$0.05 to \$1.03

- \$90M YTD increase in Operating Cash Flow driven by focus on working capital



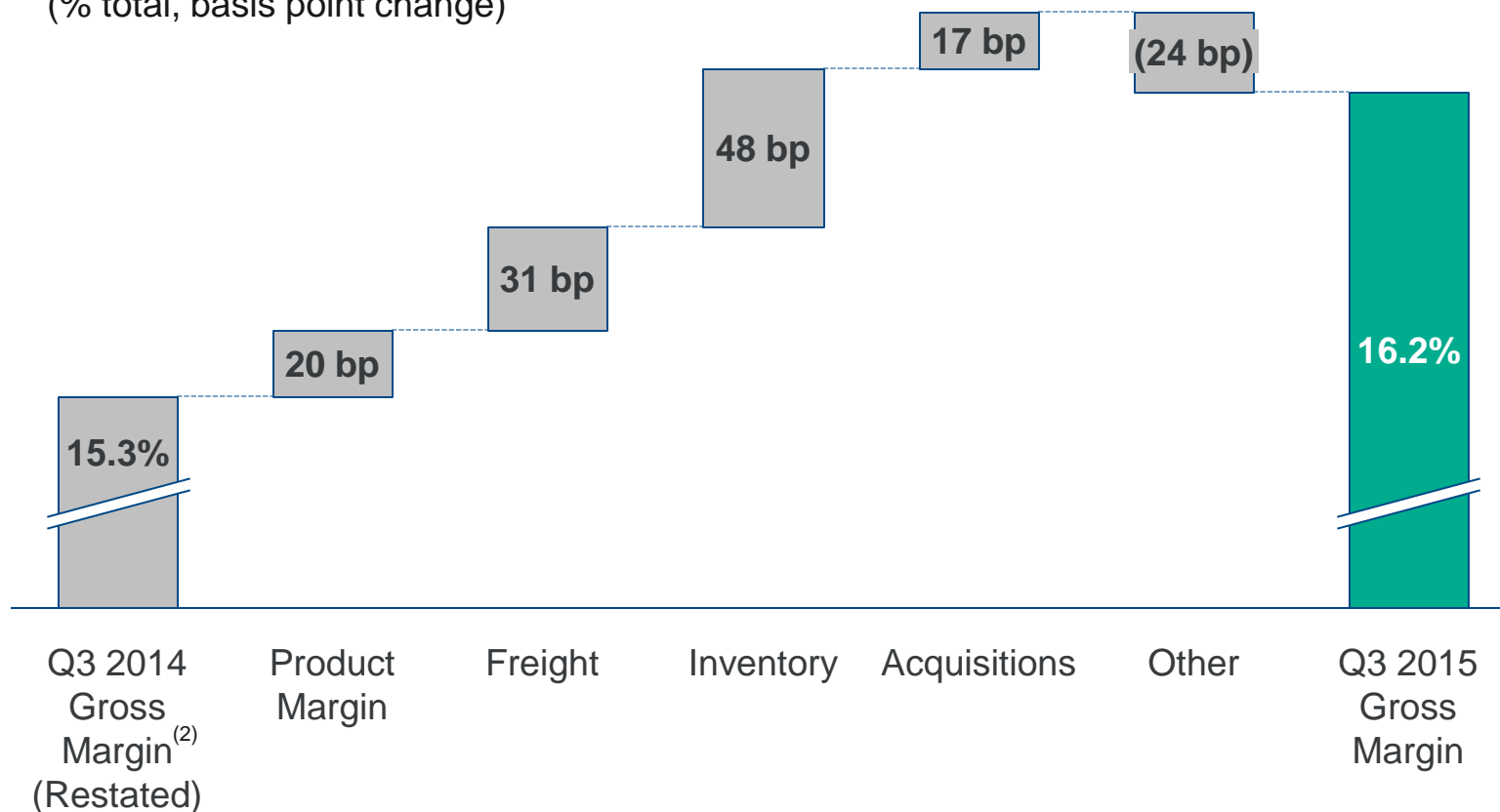
Q3 Sales Decline Driven by Strategic Decisions and Industrial Headwinds, Partly Offset by Acquisitions

Q3 2015 Sales Bridge
(\$M)



Q3 Gross Margin Improvement Driven by Favorable Product Margin, Freight Expense and Acquisitions

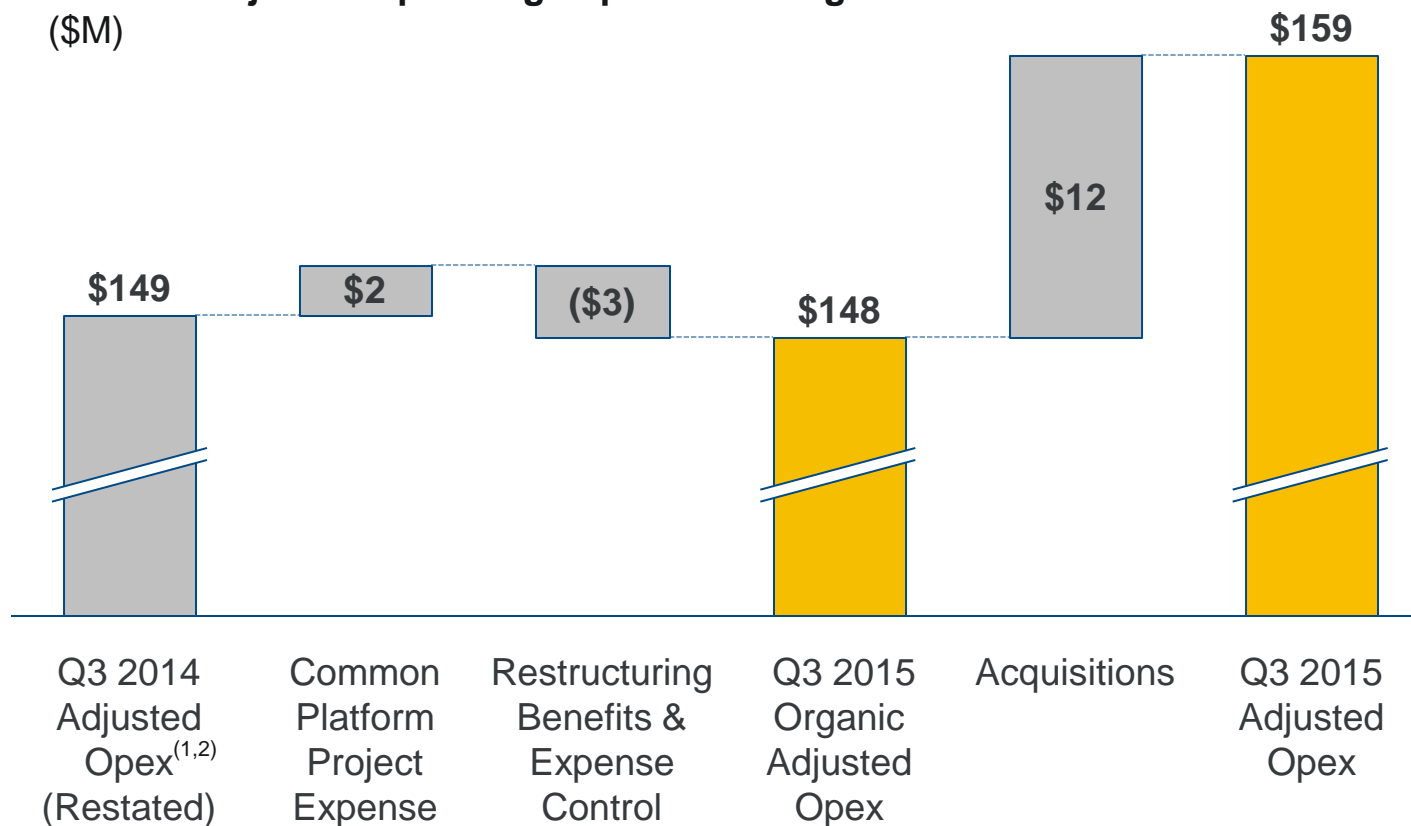
Q3 2015 Gross Margin Rate Bridge
(% total, basis point change)



2) Prior year values include impact of change in accounting principle related to inventory accounting. See Reconciliation of Restated Financial Statements in Q3 2015 Earnings Release.

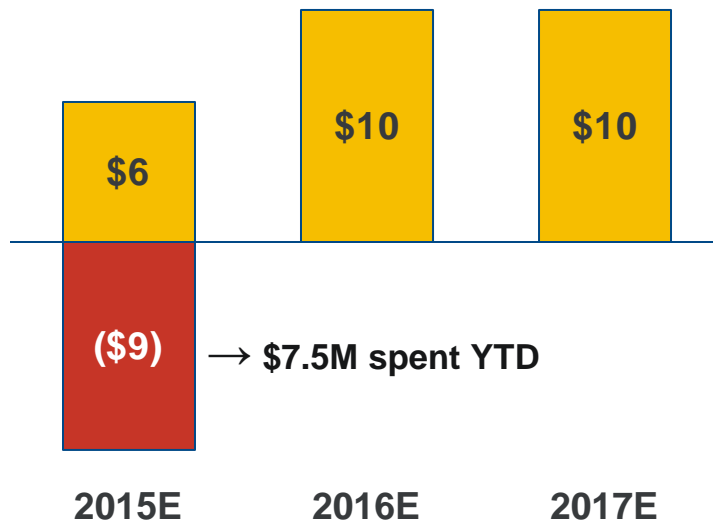
Q3 Organic Adjusted Operating Expense⁽¹⁾ Declined Despite Investment in Common Platform

Q3 2015 Adjusted Operating Expense⁽¹⁾ Bridge
(\$M)



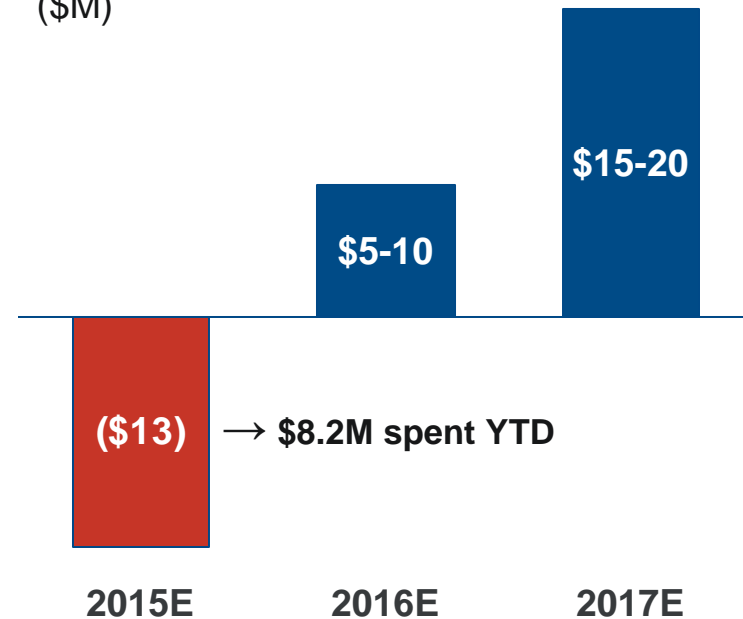
2015 Initiatives Update

Expected Benefits from Restructuring (\$M)



■ Restructuring Charge
■ Expected Restructuring Savings

Expected Benefits from Common Operating Platform (\$M)



■ Common Platform Implementation Cost
■ Expected Benefit from Common Platform

Strategy Overview

Strategic Pillars

**Grow Share in
Core Office
Products and
JanSan
Businesses**

**Win the Shift to
Online**

**Diversify
into Channels
and Categories
that Leverage
our Common
Platform**

**Committed
to strategy,
with two key
refinements**

1 *Accelerate organic sales growth in core by using scale and distribution capability to grow share, control cost and expand earnings dollars*

2 *Focus M&A on opportunities that leverage common platform---not only IT system but distribution, data infrastructure, digital expertise and functional capabilities in merchandising, sales and operations*

Near-Term Objectives



1) Move all businesses onto common platform

- Beginning with Office Products, JanSan and Breakroom
- CPO and Automotive to follow



2) Generate profitable sales growth

- Aligning with customers who are taking share in each channel we serve



3) Simplify business and continue to lower costs

- Gain operating leverage and reduce overhead by fully integrating recently acquired businesses



4) Pursue merchandising excellence

- Optimize assortment and create additional value for business and customers

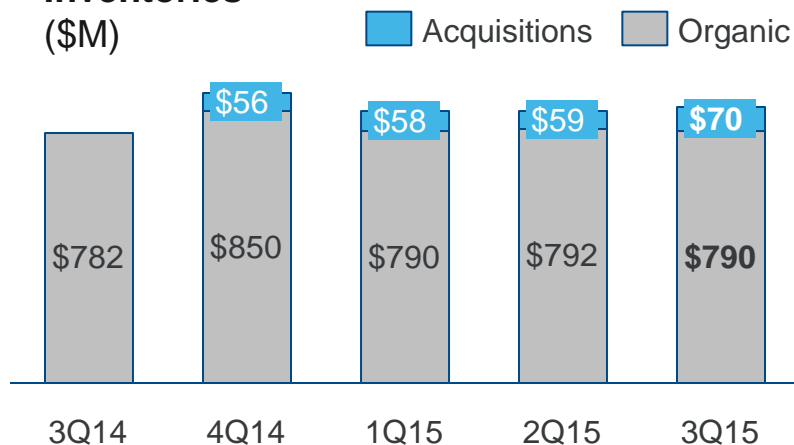


Appendix

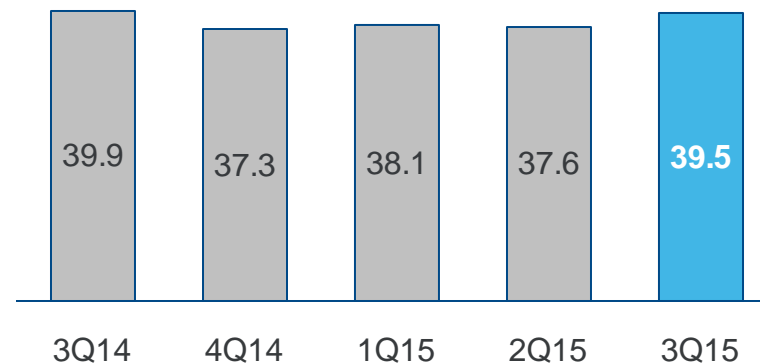


Q3 2015 Operational Performance

Inventories (\$M)

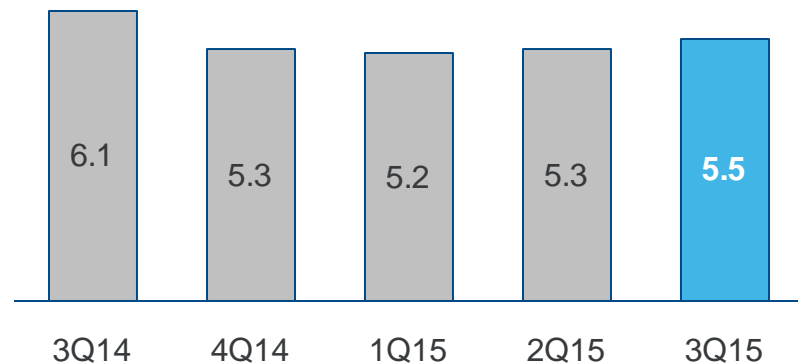


Days Sales Outstanding (DSO)



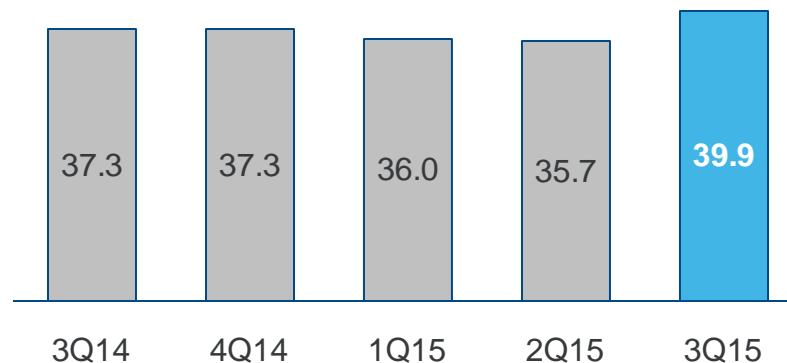
DSO = Net Trade Receivables / (trailing 3 months net financial sales/91 days)

Inventory Turns



Inventory Turns = Annualized trailing 3 months Cost of Goods Sold / Average Inventory

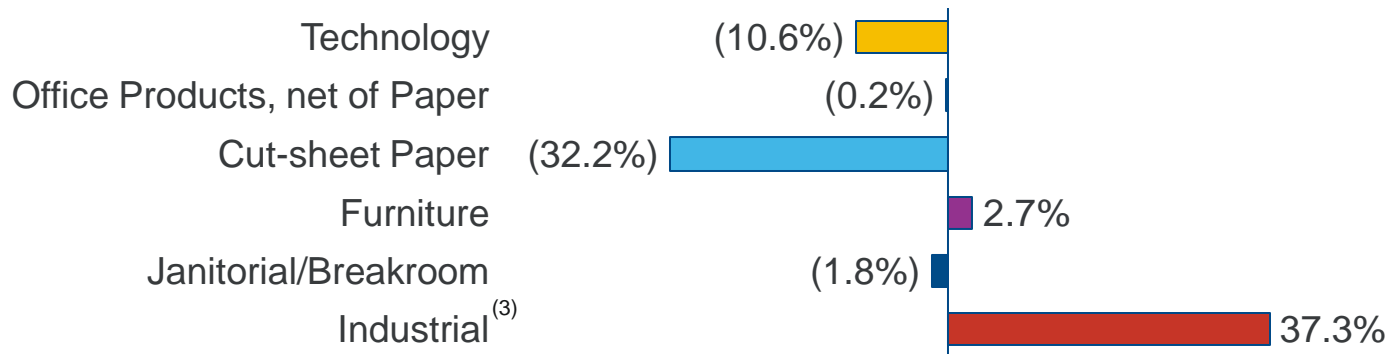
Days Payable Outstanding (DPO)



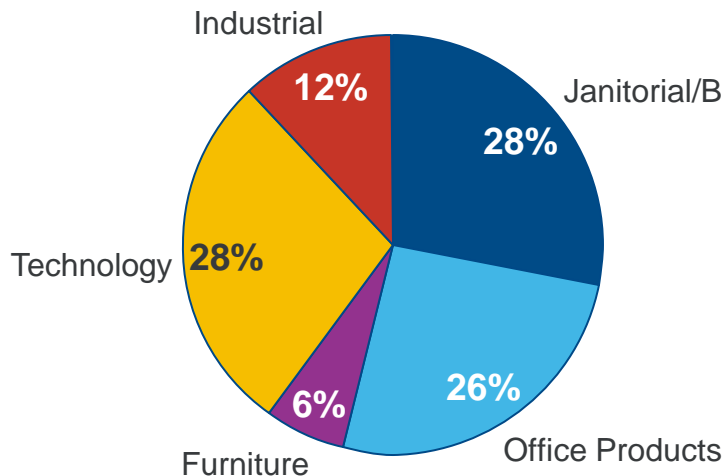
DPO = Total Accounts Payable / (trailing 3 months Cost of Goods Sold/91 days)

Q3 2015 Product Category Sales Change & Mix

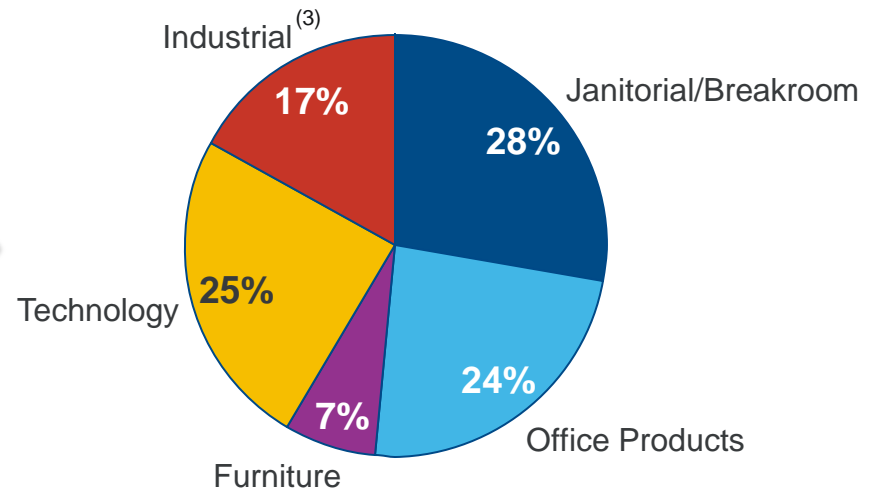
Q3 2015 YOY Category Sales Change



Q3 2014 Sales Mix



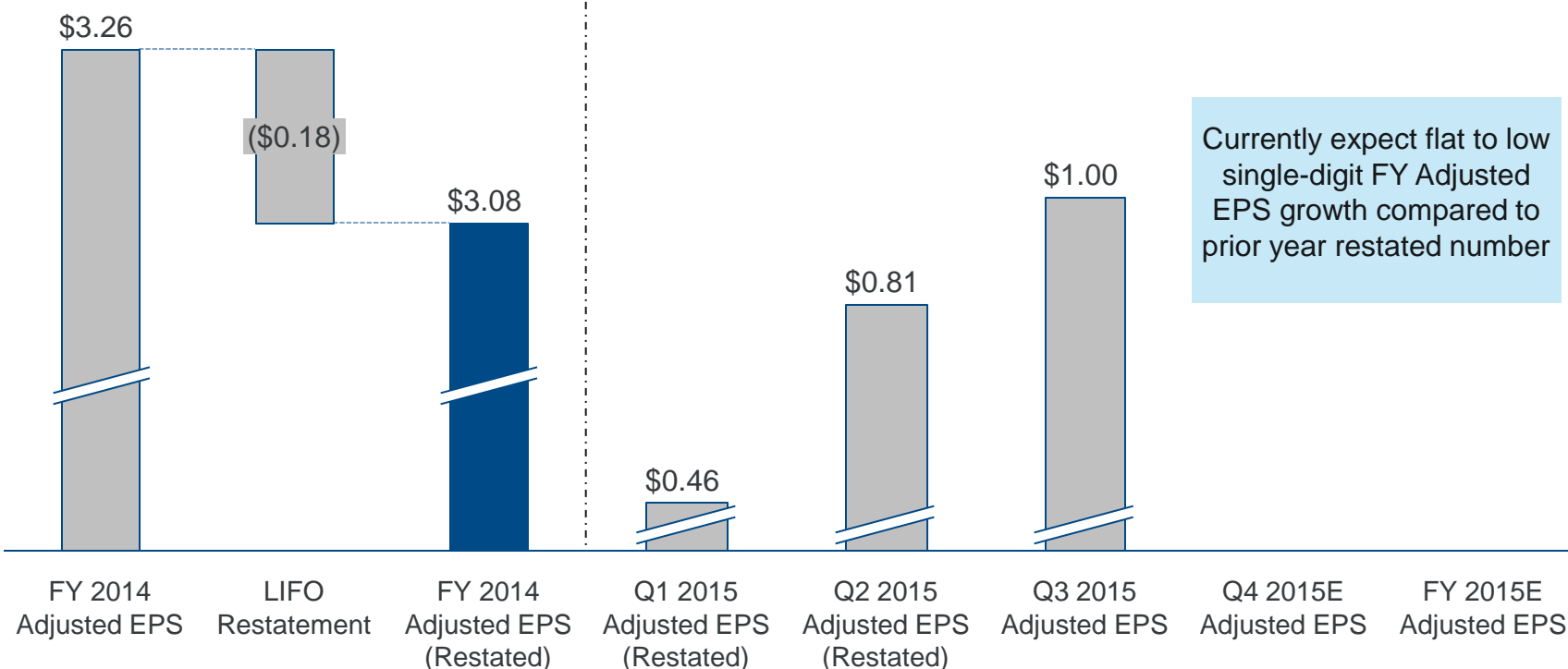
Q3 2015 Sales Mix



Expect to deliver flat to low single-digit Adjusted EPS growth in FY 2015

FY2014 Adjusted EPS⁽¹⁾ Bridge
(\$)

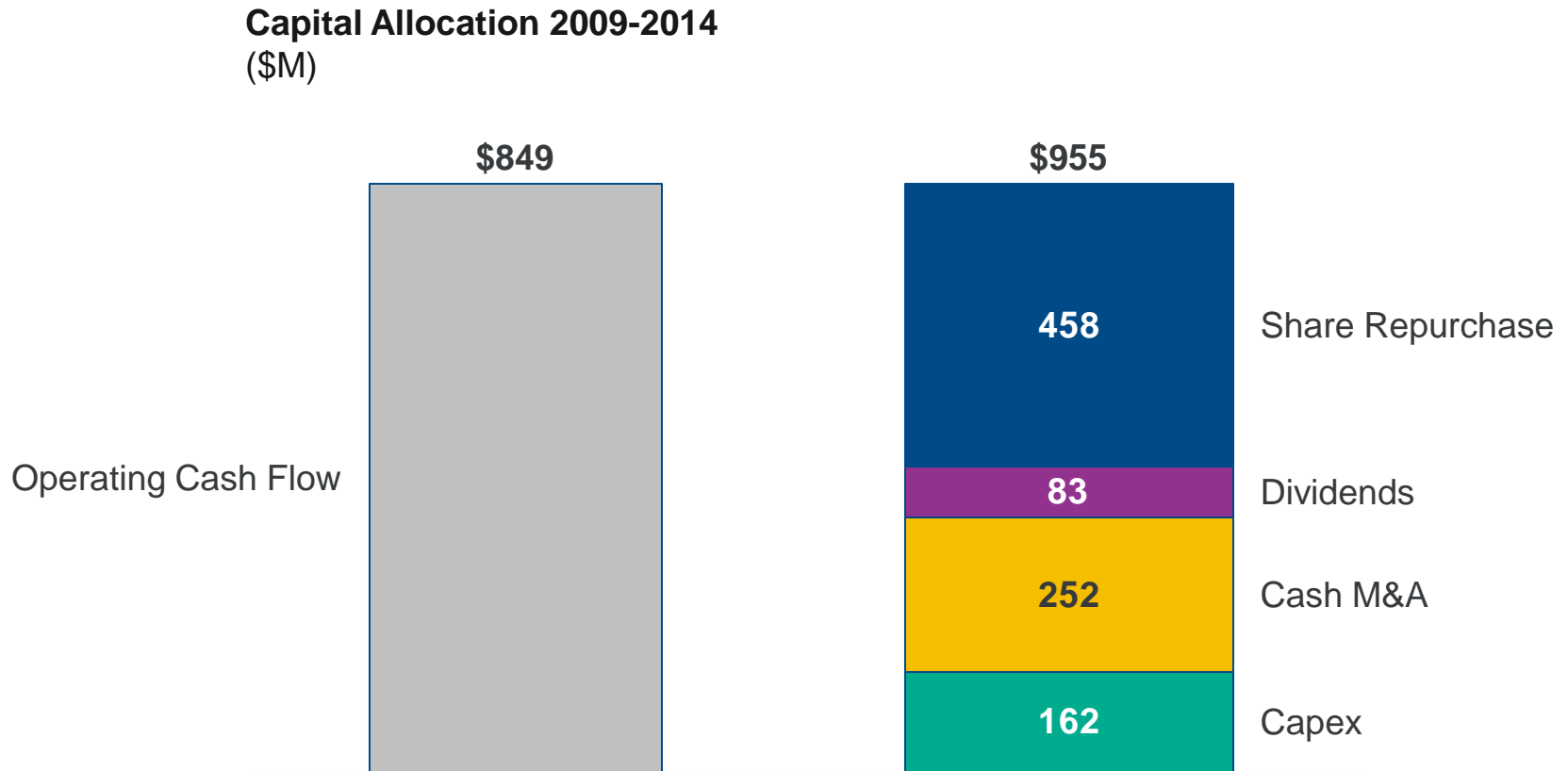
2015 Adjusted EPS⁽¹⁾ Results & Outlook
(\$)



Liquidity & Capitalization

(\$M, except ratios)	QTD Q3 2014	QTD Q4 2014	QTD Q1 2015	QTD Q2 2015	QTD Q3 2015
Cash	\$25	\$21	\$24	\$30	\$28
Debt	\$546	\$714	\$684	\$661	\$669
Equity	\$855	\$840	\$814	\$825	\$833
Total Capitalization	\$1,401	\$1,554	\$1,498	\$1,486	\$1,502
Debt-to-EBITDA	2.0x	2.5x	2.4x	2.4x	2.6x

Historical Capital Allocation



Note: Dividend initiated in Q1 2011; current dividend pays \$0.14/share per quarter

Non-GAAP Reconciliations

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2015		2014 (Revised)		2015		2014 (Revised)	
	Amount	% to Net Sales	Amount	% to Net Sales	Amount	% to Net Sales	Amount	% to Net Sales
Net Sales	\$ 1,391,545	100.0%	\$ 1,419,947	100.0%	\$ 4,065,719	100.0%	\$ 3,994,123	100.0%
Gross profit	\$ 225,143	16.2%	\$ 216,701	15.3%	\$ 635,657	15.6%	\$ 593,131	14.9%
Operating expenses	\$ 172,159	12.4%	\$ 148,831	10.5%	\$ 526,653	13.0%	\$ 438,538	11.0%
Workforce reduction and facility consolidation charge	(200)	-	-	-	(6,495)	(0.2%)	-	-
Rebranding - intangible asset impairment and amortization	(511)	-	-	-	(11,485)	(0.3%)	-	-
Notes receivable impairment	(10,738)	(0.8%)	-	-	(10,738)	(0.3%)	-	-
Loss on sale of business and related costs	(2,072)	(0.1%)	-	-	(16,999)	(0.4%)	-	-
Adjusted operating expenses	\$ 158,638	11.4%	\$ 148,831	10.5%	\$ 480,936	11.8%	\$ 438,538	11.0%
Operating income	\$ 52,984	3.8%	\$ 67,870	4.8%	\$ 109,004	2.7%	\$ 154,593	3.9%
Operating expense items noted above	13,521	1.0%	-	-	45,717	1.1%	-	-
Adjusted operating income	\$ 66,505	4.8%	\$ 67,870	4.8%	\$ 154,721	3.8%	\$ 154,593	3.9%
Net income	\$ 27,667		\$ 40,231		\$ 51,492		\$ 90,045	
Operating expense items noted above, net of tax	10,017		-		34,854		-	
Adjusted net income	\$ 37,684		\$ 40,231		\$ 86,346		\$ 90,045	
Diluted earnings per share	\$ 0.74		\$ 1.03		\$ 1.35		\$ 2.29	
Per share operating expense items noted above	0.26		-		0.91		-	
Adjusted diluted earnings per share	\$ 1.00		\$ 1.03		\$ 2.26		\$ 2.29	
Adjusted diluted earnings per share - change over the prior year period	(2.9%)				(1.3%)			
Weighted average number of common shares - diluted	37,608		38,884		38,109		39,244	

Note: Adjusted Operating Expenses, Adjusted Operating Income, Adjusted Net Income and Adjusted Earnings Per Share in the three and nine month periods ended September 30, 2015 exclude the effects of a workforce reduction and facility consolidation, an intangible asset charge and accelerated amortization related to rebranding, an impairment of certain notes receivable relating to the company's prior year sale of its software service subsidiary, and a charge attributable to a sale of a business and the related costs to sell. Generally Accepted Accounting Principles require that the effects of these items be included in the Condensed Consolidated Statements of Income. Management believes that excluding these items is an appropriate comparison of its ongoing operating results and to the results of the prior year. It is helpful to provide readers of its financial statements with a reconciliation of these items to its Condensed Consolidated Statements of Income reported in accordance with Generally Accepted Accounting Principles.