

United Stationers Inc.

Earnings Presentation
Third Quarter 2014

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 e-commerce 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 news release 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.

Information marked with an asterisk (*) 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) 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 September 30, 2014



- ◆ Sales were \$1.4 billion, up 6.2% from \$1.3 billion in Q3 2013.
- ◆ Earnings per diluted share were \$0.98 compared with \$1.01 in Q3 2013.
- ◆ Gross margin of \$211.0 million, or 14.9% of sales, was up from \$203.7 million, or 15.2% of sales, in the prior-year quarter.
- ◆ Operating expenses in Q3 2014 were \$146.6 million, or 10.3% of sales, compared with operating expenses of \$136.3 million, or 10.2% of sales, in Q3 2013.
- ◆ Operating income was \$64.5 million, or 4.5% of sales, compared to operating income of \$67.4 million, or 5.0% of sales, in the prior-year quarter.
- ◆ Net income in the current quarter was \$38.2 million compared with net income of \$40.5 million in Q3 2013.
- ◆ During the current quarter, the Company repurchased 0.3 million shares for \$11.9 million and paid cash dividends of \$5.4 million to common shareholders.

Headlines For the Nine Months Ended September 30, 2014

- ◆ Sales were \$4.0 billion, up 3.4% from \$3.9 billion in the first nine months of 2013.
- ◆ Earnings per diluted share were \$2.38, compared to adjusted EPS of \$2.43* in the first nine months of 2013.
- ◆ Gross margin of \$597.6 million, or 15.0% of sales, was up from \$594.1 million, or 15.4% of sales, in the prior-year period.
- ◆ Operating expenses in first nine months of 2014 were \$437.6 million, or 11.0% of sales, compared with adjusted operating expenses of \$428.1 million*, or 11.1%* of sales in the prior-year period.
- ◆ Operating income was \$160.0 million, or 4.0% of sales, compared to adjusted operating income of \$166.0 million*, or 4.3%* of sales, in the prior-year period.
- ◆ Net income in the first nine months of 2014 was \$93.4 million compared with adjusted net income of \$98.0 million* in the first nine months of 2013.
- ◆ During the year, the Company repurchased 1.1 million shares for \$43.0 million and paid cash dividends of \$16.4 million to common shareholders.

Consolidated Statement of Income

For the Three Months Ended September 30, 2014 and 2013



\$ thousands (except EPS)	\$		\$		\$ change Fav (Unfav)	% change Fav (Unfav)	% to sales change Fav (Unfav) basis points
	QTD Q3 2014	% to Sales QTD Q3 2014	QTD Q3 2013	% to Sales QTD Q3 2013			
Net Sales	<u>\$ 1,419,947</u>		<u>\$ 1,336,676</u>		<u>\$ 83,271</u>	6.2%	
Gross Margin	211,028	14.9%	203,661	15.2%	7,367	3.6%	(37)
Operating Expense	146,560	10.3%	136,265	10.2%	(10,295)	(7.6%)	(13)
Operating Income	64,468	4.5%	67,396	5.0%	(2,928)	(4.3%)	(50)
Interest & Other	3,992		2,734		(1,258)		
Taxes	22,307		24,161		1,854		
Net Income	<u>\$ 38,169</u>		<u>\$ 40,501</u>		<u>\$ (2,332)</u>		
Diluted Shares (000s)	38,884		40,031		1,147	2.9%	
Diluted EPS	\$ 0.98		\$ 1.01		\$ (0.03)	(3.0%)	

Consolidated Statement of Income

For the Nine Months Ended September 30, 2014 and 2013

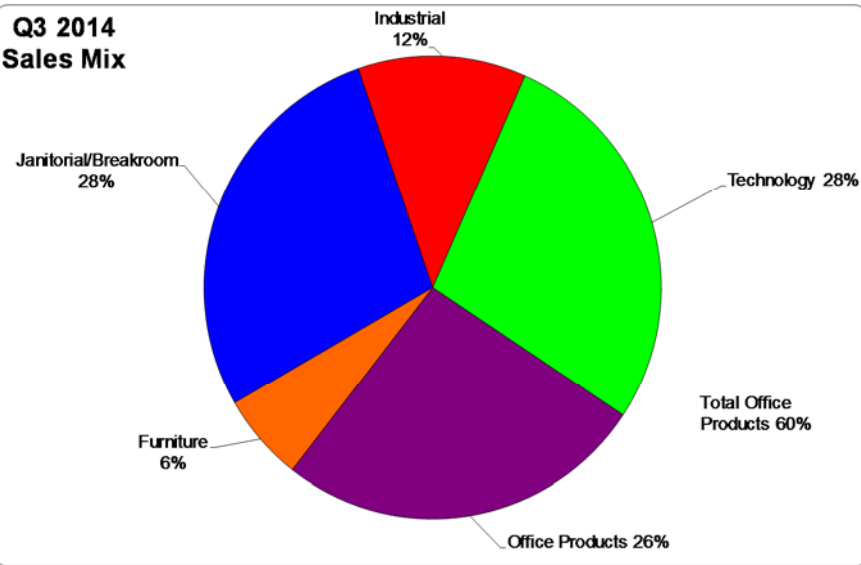


\$ thousands (except EPS)	\$		\$		\$ change Fav (Unfav)	% change Fav (Unfav)	% to sales change Fav (Unfav) basis points
	YTD Q3 2014	% to Sales YTD Q3 2014	YTD Q3 2013	% to Sales YTD Q3 2013			
Net Sales	<u>\$ 3,994,123</u>		<u>\$ 3,861,655</u>		<u>\$ 132,468</u>	3.4%	
Gross Margin	597,571	15.0%	594,122	15.4%	3,449	0.6%	(42)
Operating Expense	437,595	11.0%	442,558	11.5%	4,963	1.1%	50
Operating Income	159,976	4.0%	151,564	3.9%	8,412	5.6%	8
Interest & Other	11,199		8,703		(2,496)		
Taxes	55,420		53,816		(1,604)		
Net Income	<u>\$ 93,357</u>		<u>\$ 89,045</u>		<u>\$ 4,312</u>		
Diluted Shares (000s)	39,244		40,331		1,087	2.7%	
Diluted EPS	\$ 2.38		\$ 2.21		\$ 0.17	7.7%	
Adjusted to exclude non-operating items *							
Adjusted Operating Expense	\$ 437,595	11.0%	\$ 428,126	11.1%	\$ (9,469)	(2.2%)	10
Adjusted Operating Income	159,976	4.0%	165,996	4.3%	(6,020)	(3.6%)	(30)
Adjusted Net Income	93,357		97,993		(4,636)	(4.7%)	
Adjusted Diluted EPS	\$ 2.38		\$ 2.43		\$ (0.05)	(2.1%)	

Sales by Product Category – Q3 2014



**Q3 2014
Sales Mix**

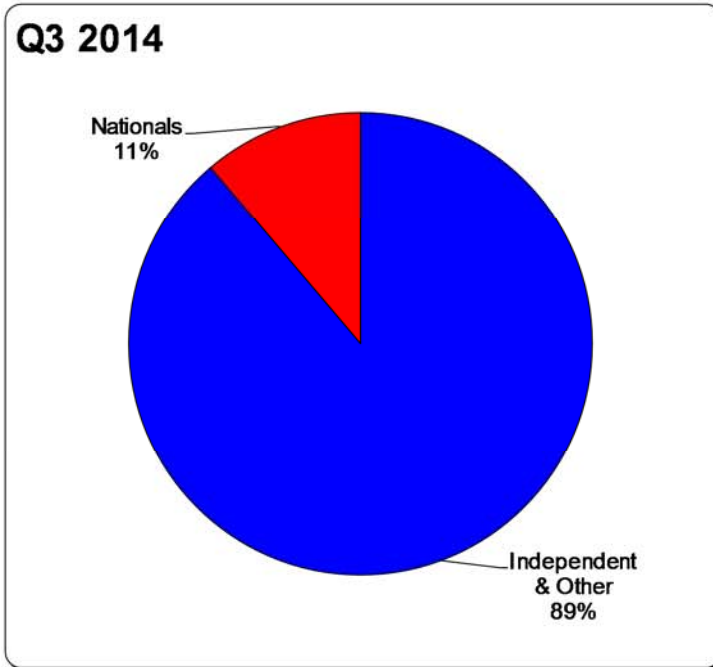


Category	Sales growth (decline) Q3 2014** vs Q3 2013**	Sales growth (decline) Q2 2014** vs Q2 2013**	Sales growth (decline) Q1 2014 vs Q1 2013	Sales growth (decline) Q4 2013*** vs Q4 2012***	Sales growth (decline) Q3 2013*** vs Q3 2012
Technology	(0.1%)	(1.9%)	(3.0%)	(11.1%)	(1.6%)
Office Products	1.4%	2.1%	1.6%	(2.6%)	(3.3%)
Furniture	(0.7%)	2.2%	(3.8%)	(4.5%)	(2.8%)
Janitorial/ Breakroom	12.1%	7.5%	2.3%	7.1%	3.8%
Industrial	24.4%	10.8%	1.4%	10.8%	30.4%

**Industrial sales includes the impact of the acquisition of CPO Commerce, Inc. on May 30, 2014

*** Industrial sales includes the impact of the acquisition of OKI Supply Co. on November 1, 2012

Sales by Channel – Q3 2014

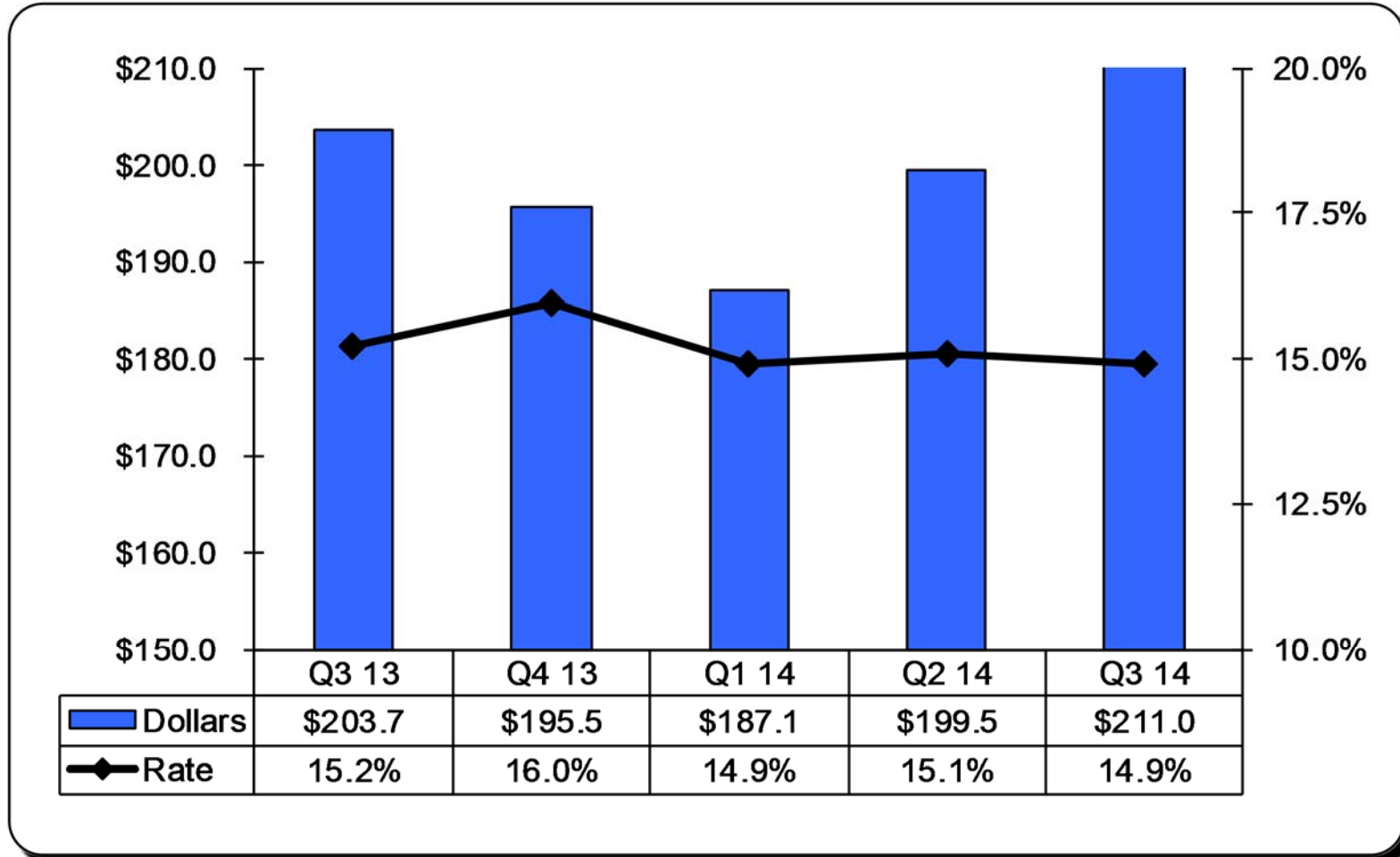


Channel	Sales growth (decline) Q3 2014 vs Q3 2013	Sales growth (decline) Q2 2014 vs Q2 2013	Sales growth (decline) Q1 2014 vs Q1 2013	Sales growth (decline) Q4 2013 vs Q4 2012	Sales growth (decline) Q3 2013 vs Q3 2012
Independent & Other	6.0%	2.7%	0.9%	(1.6%)	2.8%
Nationals	8.4%	10.0%	(3.7%)	(1.9%)	(3.3%)

Gross Margin



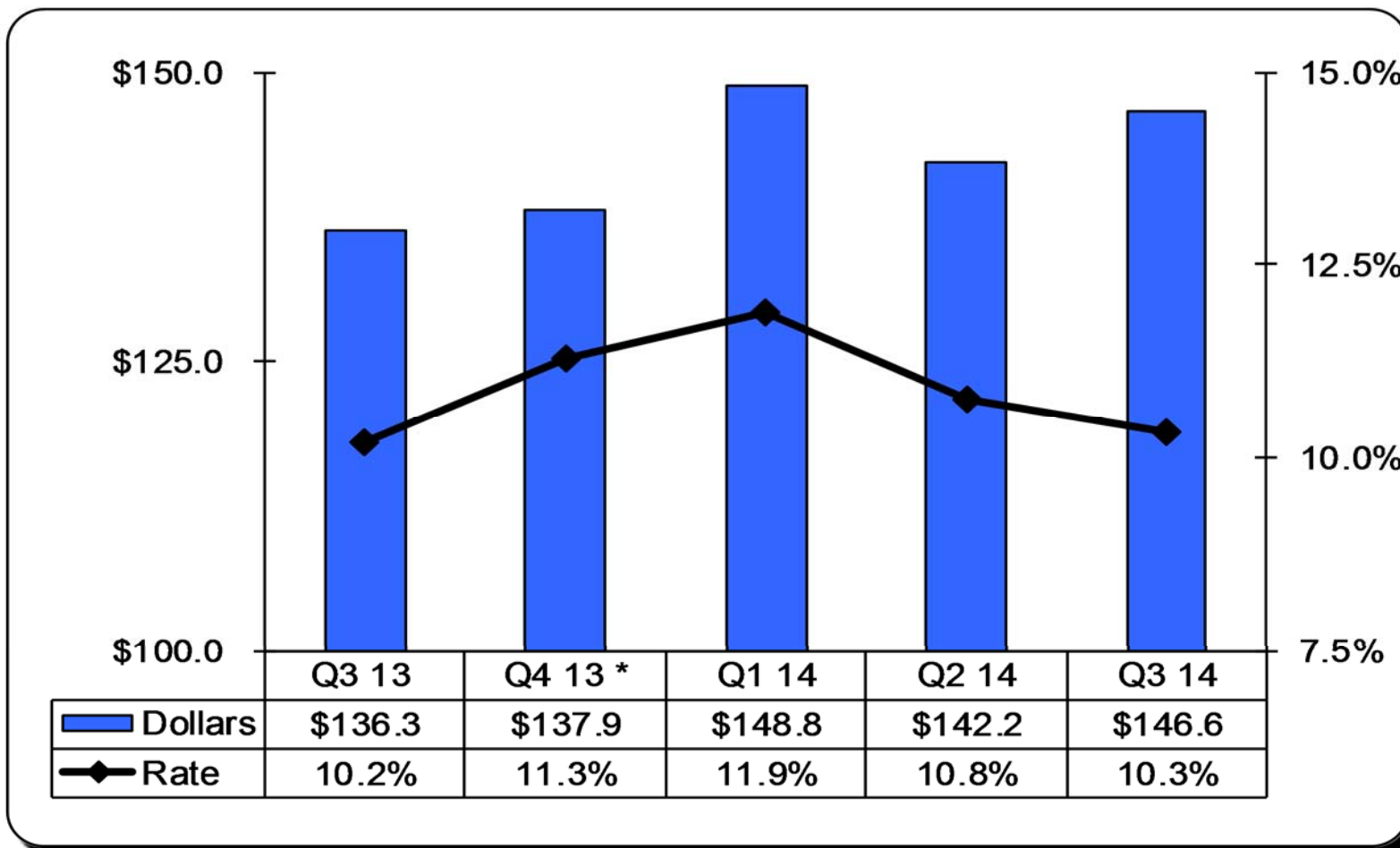
dollars in millions



Adjusted Operating Expense*



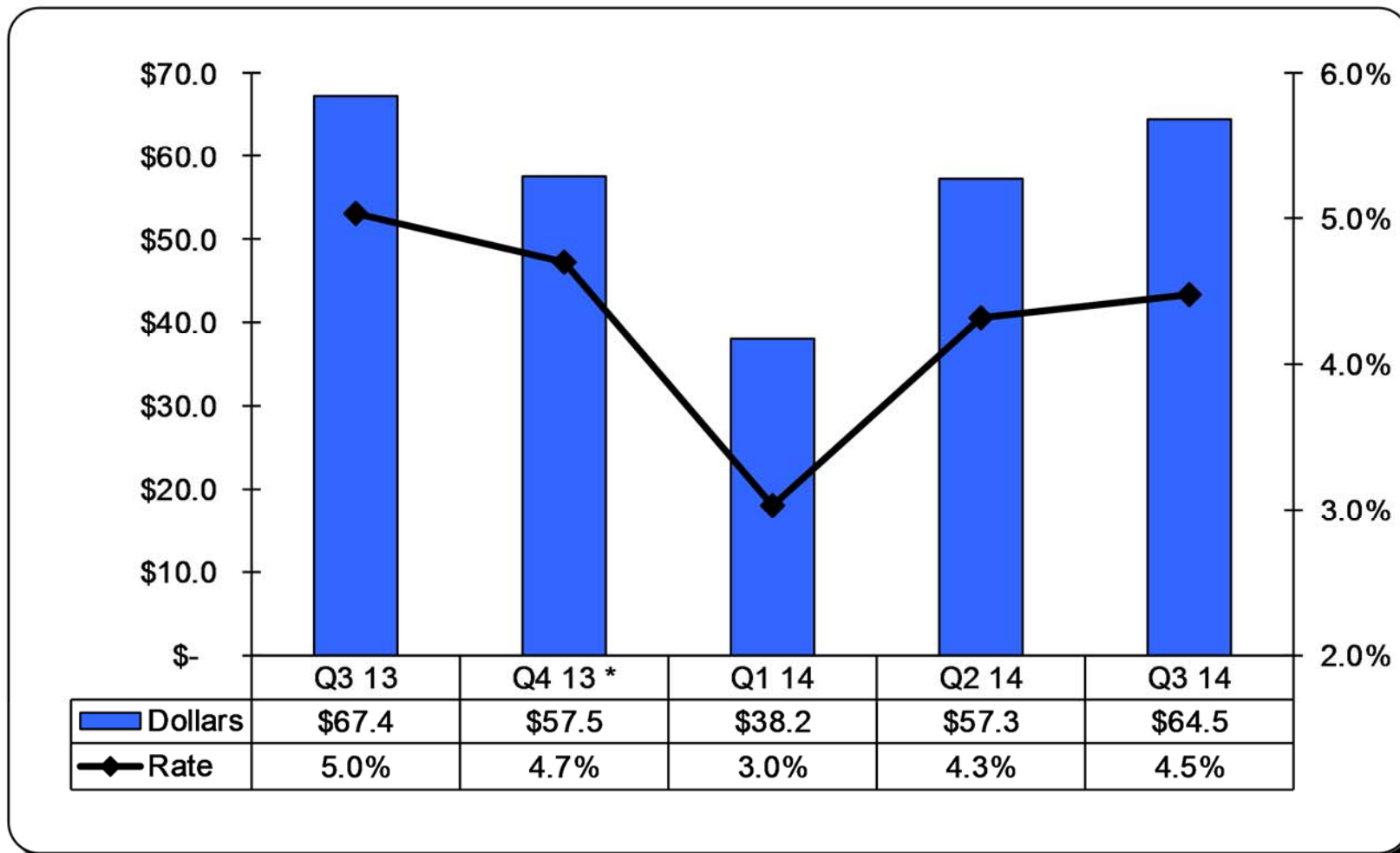
dollars in millions



Adjusted Operating Income*



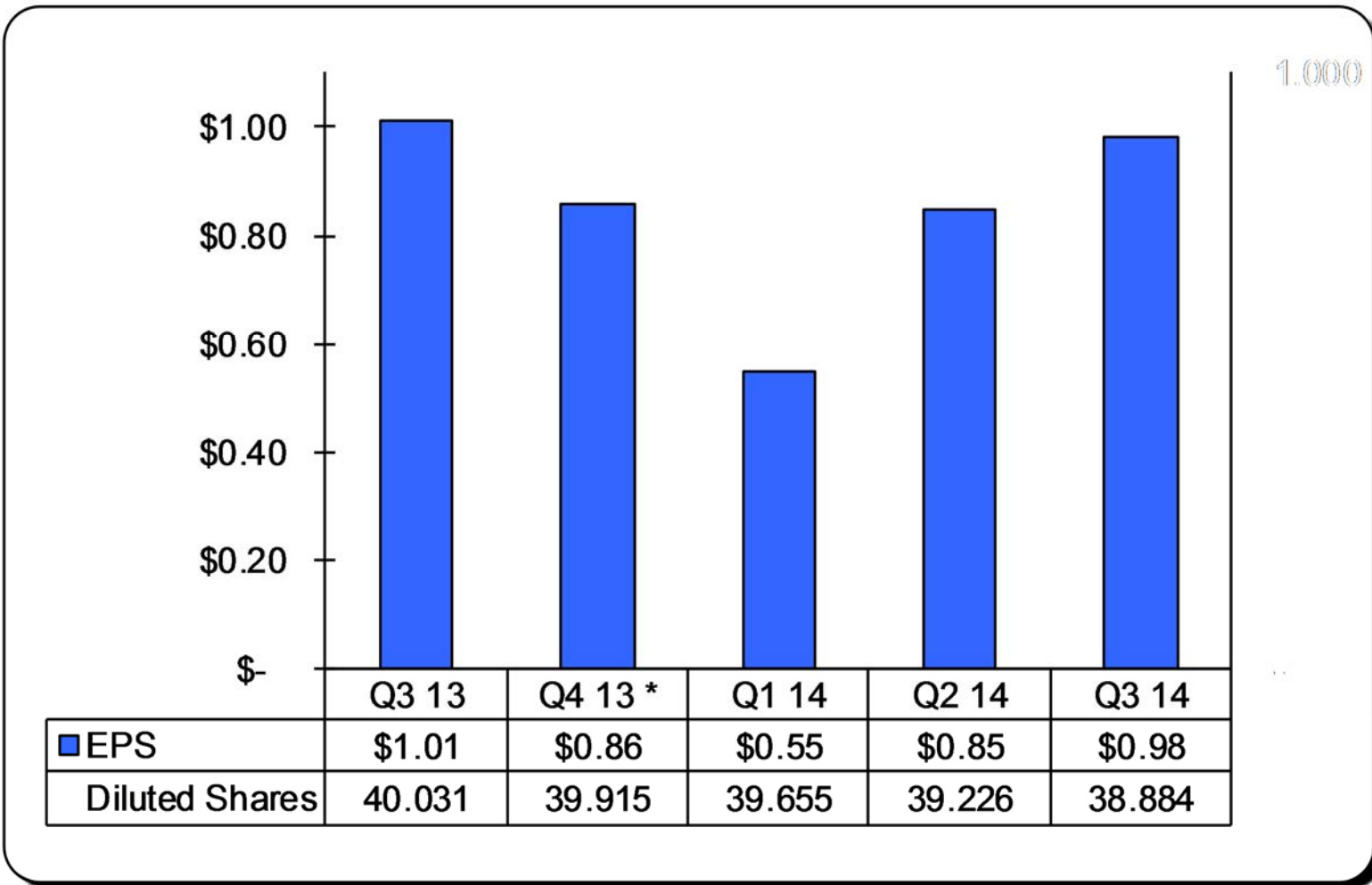
dollars in millions



Adjusted Earnings per Share*



shares in millions



Working Capital Summary



\$ Millions	3/31/2013	6/30/2013	9/30/2013	12/31/2013	3/31/2014	6/30/2014	9/30/2014
Accounts Receivable	\$ 632.2	\$ 662.2	\$ 695.0	\$ 643.4	\$ 658.4	\$ 662.8	\$ 749.4
Inventories (LIFO)	726.2	732.2	722.8	830.3	748.5	804.4	796.3
Accounts Payable	431.9	475.2	469.9	476.1	397.2	486.6	515.4
	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Net Trade A/R DSO	39	39	39	38	40	38	40
Inventory Turns	5.7	5.9	6.2	5.3	5.4	5.8	6.0
A/P as % Inventory (LIFO)	59%	65%	65%	57%	53%	60%	65%
A/P as % Inventory (FIFO)	52%	56%	56%	51%	46%	53%	56%

Cash Flows



\$ Millions	QTD Q1 13	QTD Q2 13	QTD Q3 13	QTD Q4 13	2013 YTD	QTD Q1 14	QTD Q2 14	QTD Q3 14	2014 YTD
Net Income	\$ 13.8	\$ 34.7	\$ 40.5	\$ 34.2	\$ 123.2	\$ 21.9	\$ 33.3	\$ 38.2	\$ 93.4
Depreciation & Amortization	9.7	10.1	10.1	10.3	40.2	9.5	10.4	10.6	30.5
Share-based compensation	2.4	3.1	2.0	3.3	10.8	3.2	1.1	1.6	5.9
Change in Accounts Receivable	26.3	(30.3)	(32.9)	51.6	14.7	(15.6)	(2.1)	(86.8)	(104.5)
Change in Inventory	40.8	(9.2)	9.3	(107.5)	(66.6)	81.7	(42.4)	7.3	46.6
Change in Accounts Payable	(63.2)	43.1	(5.4)	6.2	(19.3)	(78.9)	72.3	28.6	22.0
Change in Other Working Capital	(30.6)	11.8	13.7	0.9	(4.2)	(13.2)	10.4	15.6	12.8
Change in Working Capital	(26.7)	15.4	(15.3)	(48.8)	(75.4)	(26.0)	38.2	(35.3)	\$ (23.1)
Other	(12.6)	(4.6)	(3.2)	(3.7)	(24.1)	(7.1)	(5.6)	(0.3)	(13.0)
Cash provided by operating activities	(13.4)	58.7	34.1	(4.7)	74.7	1.5	77.4	14.8	93.7
Capital Expenditures	(9.1)	(7.9)	(5.8)	(11.0)	(33.8)	(6.4)	(3.9)	(5.1)	(15.4)
Proceeds from disposition of fixed assets	0.1	3.4	-	-	3.5	0.5	0.4	-	0.9
Net cash used for capital expenditures *	(9.0)	(4.5)	(5.8)	(11.0)	(30.3)	(5.9)	(3.5)	(5.1)	(14.5)
Free Cash Flow *	\$ (22.4)	\$ 54.2	\$ 28.3	\$ (15.7)	\$ 44.4	\$ (4.4)	\$ 73.9	\$ 9.7	\$ 79.2

Debt and Capitalization



\$ Millions	3/31/2013	6/30/2013	9/30/2013	12/31/2013	3/31/2014	6/30/2014	9/30/2014
Debt	\$ 537.0	\$ 518.5	\$ 507.5	\$ 533.7	\$ 562.5	\$ 543.5	\$ 545.9
Equity	755.1	760.5	796.2	825.5	830.0	841.7	863.6
Total capitalization	\$ 1,292.1	\$ 1,279.0	\$ 1,303.7	\$ 1,359.2	\$ 1,392.5	\$ 1,385.2	\$ 1,409.5
Debt-to-total capitalization	41.6%	40.5%	38.9%	39.3%	40.4%	39.2%	38.7%