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# Investor Presentation

September 2016

# Forward-Looking Statements

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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: Essendant's reliance on key customers, and the risks inherent in continuing or increased customer concentration and consolidations; end-user demand for products in the office, technology, and furniture product categories may continue to decline; the impact of Essendant's repositioning activities on Essendant's customers, suppliers, and operations; Essendant'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; prevailing economic conditions and changes affecting the business products industry and the general economy; Essendant's ability to maintain its existing information technology systems and to successfully procure, develop and implement new systems and services without business disruption or other unanticipated difficulties or costs; the impact of price transparency, customer consolidation, and changes in product sales mix on Essendant's margins; the impact on the company's reputation and relationships of a breach of the company's information technology systems; the risks and expense associated with Essendant's obligations to maintain the security of private information provided by Essendant's customers; Essendant's reliance on supplier allowances and promotional incentives; the creditworthiness of Essendant's customers; continuing or increasing competitive activity and pricing pressures within existing or expanded product categories, including competition from product manufacturers who sell directly to Essendant's customers; the impact of supply chain disruptions or changes in key suppliers' distribution strategies; Essendant's ability to manage inventory in order to maximize sales and supplier allowances while minimizing excess and obsolete inventory; Essendant's success in effectively identifying, consummating and integrating acquisitions; the costs and risks related to compliance with laws, regulations and industry standards affecting Essendant's business; the availability of financing sources to meet Essendant's business needs; Essendant'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.

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# ESND: A Value-Adding Wholesale Distributor



Our goal is to be the fastest, most convenient solution for Office, JanSan, Industrial & Automotive products



**ESSENDANT™**  
BEYOND ESSENTIAL

On June 1, 2015 we combined our family of brands to become  
**ESSENDANT**  
(NASDAQ: ESND)

**ESSENDANT™**

# Essendant at a Glance

## Office Products & Furniture



## Industrial Tools & Supplies



Each Category is a Large, Fragmented Market Offering Potential to Consolidate Share

## JanSan & Foodservice

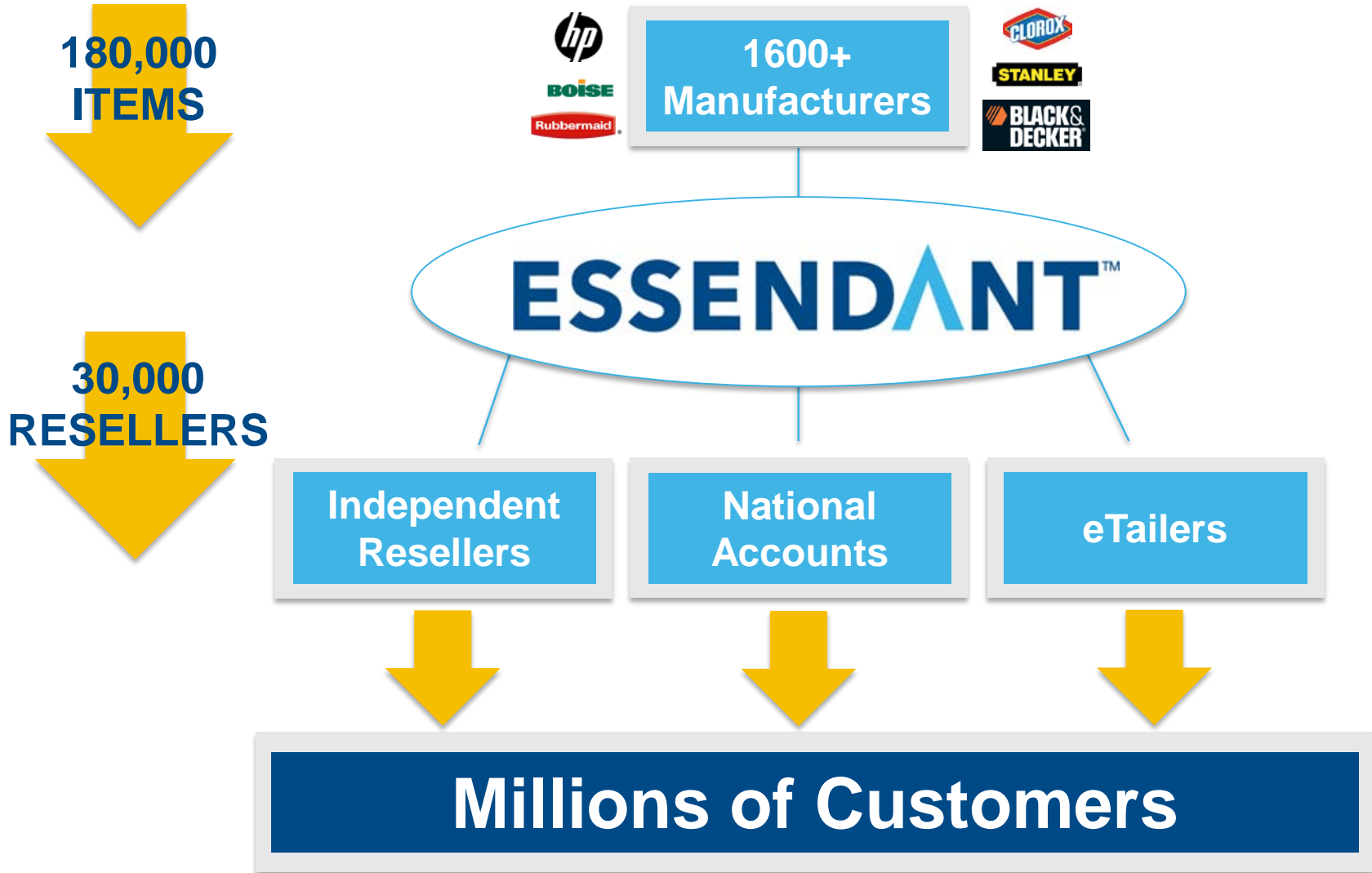


## Automotive Tools & Supplies



**ESSENDANT™**

# Drive Profit by Enabling a Full Range of Resellers



# Our Three Channels Well-Positioned to Benefit From Shifting Consumer Demand

## ESSENDANT™

### Independent Resellers

Key value drivers for channel:

- Enhanced digital services
- Broad assortment & geographic reach
- Operating excellence



### National Accounts

- Category breadth including non-core items
- Supplemental sourcing
- Support contract business: limited exposure to retail
- Highly integrated operating model

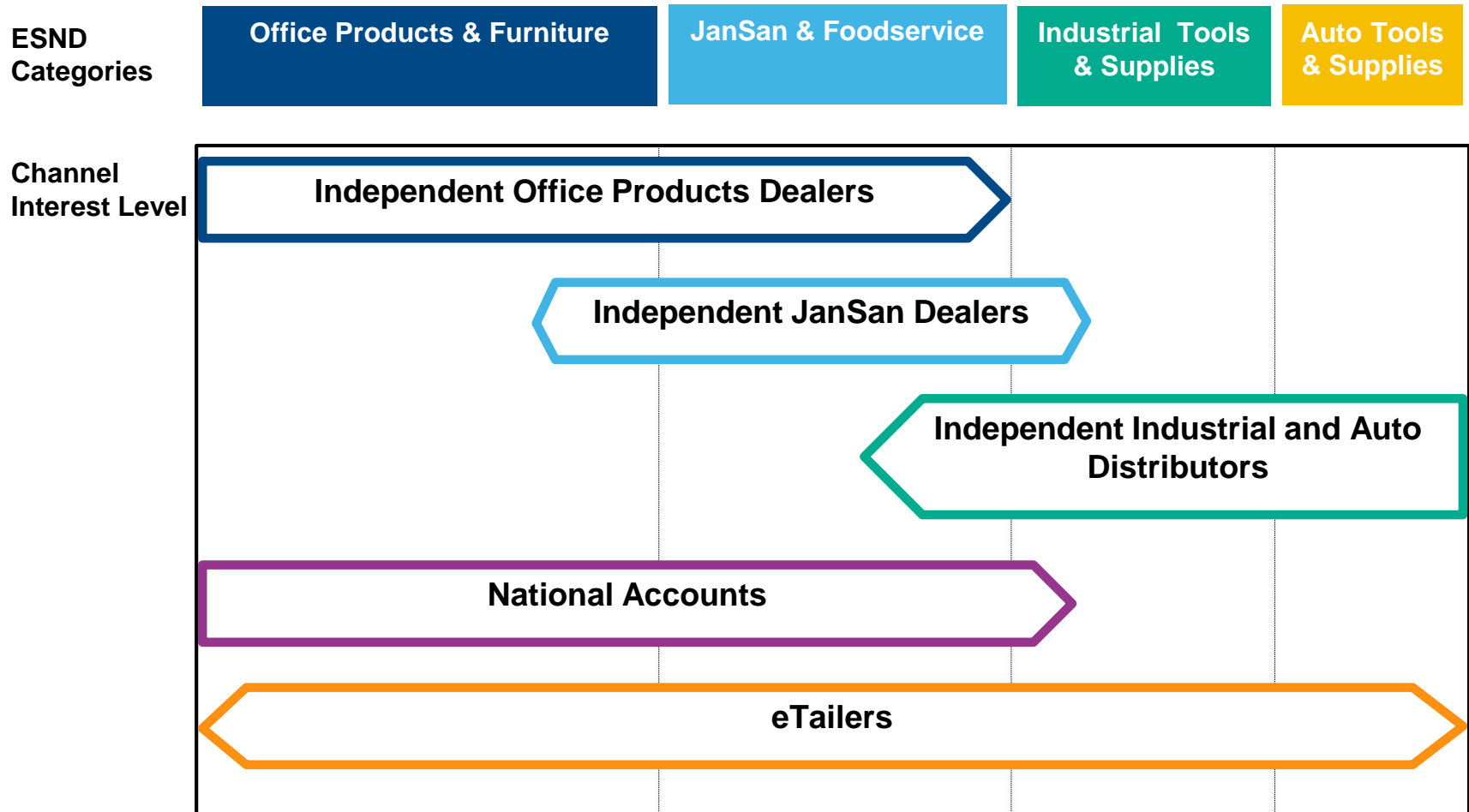


### eTailers

- Ease of market entry
- Broad assortment in one shipment
- Rich item content
- Operating excellence under their brand

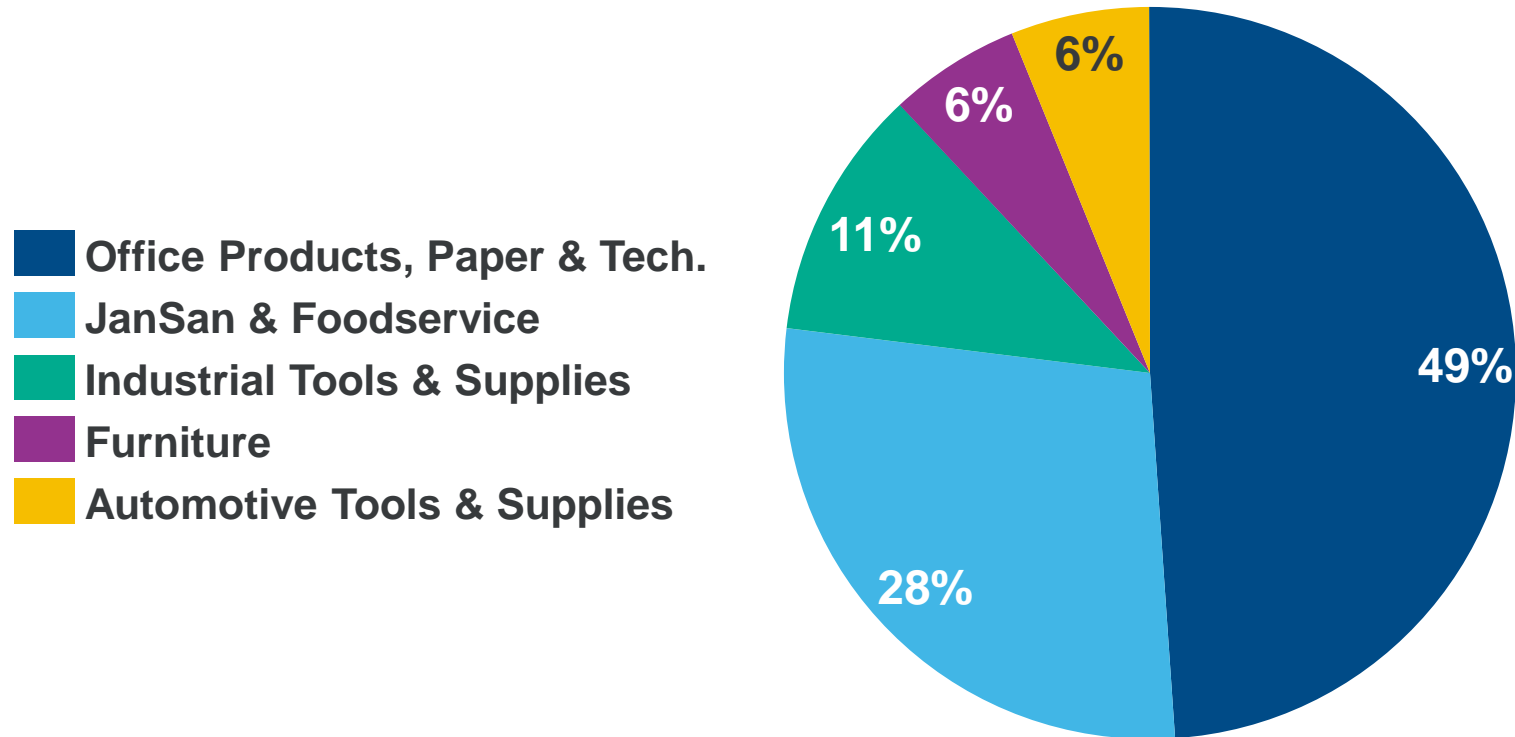


# Resellers Extending Category Range



# Broad Category Mix Supports Reseller Strategies

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# Office Products, Paper & Tech: Opportunity Under the Surface as Sub-Categories Have Differing Growth Rates and Margin

## Office Products, Paper & Technology



### At Essendant:

- Approx. FY15 Revenue (% of Total Sales):
  - Traditional Office Products – \$875M (~16%)
  - Paper – \$350M (~6%)
  - Technology – \$1,375M (~27%)

### Estimated Category Growth:

- Traditional Office Products – declining 1-2% per year
- Paper & Technology – declining 5%+ per year

### Industry Trend:

- Consolidating market—large independents buying and taking share from smaller dealers and “mom and pops”

### OUR STRATEGY:

- Align with large dealers and grow our share/sales with them as they consolidate space
- Focus on Traditional Office Products—slower category decline and highest margin

# Furniture: Growing Category with Attractive Margins

## Furniture



### At Essendant:

- Approx. FY15 Revenue: \$325M
- % of Total Sales: ~6%

### Estimated Category Growth:

- GDP

### Industry Trend:

- Sensitive to macro-economic environment

### OUR STRATEGY:

- Leverage inventory investment and quick-ship capabilities to be the leading distributor for mid-market furniture sales

# JanSan: Impressive Historical Growth With Long Runway

## JanSan & Foodservice



### At Essendant:

- Approx. FY15 Revenue: \$1.5B
- % of Total Sales: ~28%

### Estimated Category Growth:

- Approximately GDP

### Industry Trend:

- Fragmented market likely to coalesce around best players from digital and convenience perspective

### OUR STRATEGY:

- Enhance customer value through “Common Platform”—cross-sell to OP, eTail and National Accounts

# Industrial Tools & Supplies: Opportunity to Benefit From Leveraging Core Business

## Industrial



### At Essendant:

- Approx. FY15 Revenue: \$600M
- % of Total Sales: ~11%

### Estimated Category Growth:

- GDP with cyclical characteristics

### Industry Trend:

- Highly fragmented market facing headwinds that have impacted results and near-term expectations

### OUR STRATEGY:

- Expand distributor customer set beyond energy, grow in eTail and government, optimize product assortment and advance digital capabilities

# Automotive Tools & Supplies: Industry Tailwinds Expected to Drive Long-Term Growth

## Automotive



### At Essendant:

- Approx. FY15 Revenue: \$300M
- % of Total Sales: ~6%

### Estimated Category Growth:

- GDP+

### Industry Trend:

- Higher average vehicle age, complexity and miles driven driving demand trends

### OUR STRATEGY:

- Focus on niche reseller segments supported by common inventories—leverage expertise and optimize merchandising mix for customers

# Core Capabilities Provide Solid Platform

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**Category & Item  
Breadth**



**National Reach &  
Infrastructure**



**Operational  
Excellence**



**Core capabilities well-known in industry and highly valued by  
both long-term and new customers**

# Differentiated Capabilities to Drive Growth

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Digital Services



Deep Category  
Expertise

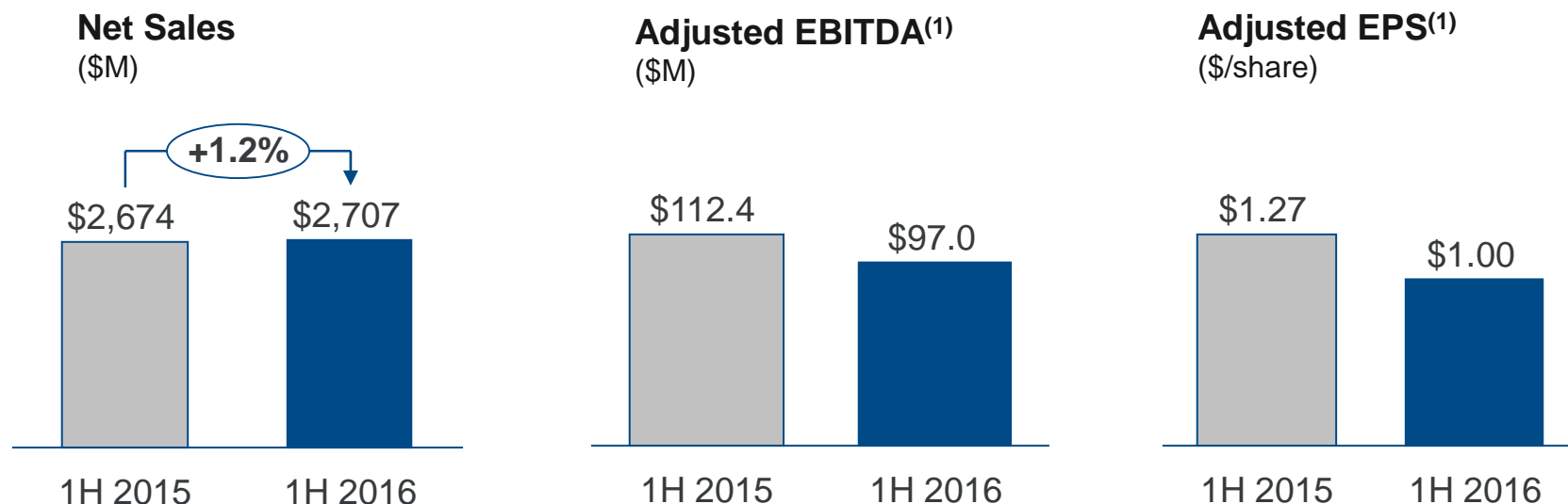


Tailored Channel  
Strategies



**Differentiated offering supports customers in expanding their business**

# Challenging 1H 2016 Reflected in Stock Price



- Organic sales increase driven by recent customer wins
- Adjusted EBITDA and EPS affected by gross margin decline
  - Increased sales of less profitable items
  - Shift to larger, less profitable customers
  - Disruptions in JanSan channel



# Near-Term Objectives



## 1) Stabilize and return JanSan channel to profitable growth

- Potential to be outsized driver of profit improvement



## 2) Align pricing with cost to serve

- Obtain rates commensurate with value we bring
- Reduce ongoing freight costs



## 3) Pursue merchandising excellence

- Focus volume with key suppliers to shift share and reduce cost of goods sold
- Expand private brand portfolio



## 4) Pursue additional cost reduction activities

- Reduce distribution center footprint
- Further simplify organization

## 5) Reduce inventory purchases \$100M by year-end

- Drive free cash flow of \$150M in 2H 2016



## Appendix



# Non-GAAP Reconciliations

## Adjusted Operating Income, Net Income and Earnings Per Share

	For the Years Ended December 31,											
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net Sales	\$ 5,363,046	\$ 5,327,205	\$ 5,085,293	\$ 5,080,106	\$ 5,005,501	\$ 4,832,237	\$ 4,710,291	\$ 4,986,879	\$ 4,646,399	\$ 4,546,914	\$ 4,279,089	\$ 3,838,701
Gross profit	\$ 836,495	\$ 802,529	\$ 787,340	\$ 776,328	\$ 732,889	\$ 730,555	\$ 690,641	\$ 740,679	\$ 706,715	\$ 754,081	\$ 642,024	\$ 584,532
ORs Industrial inventory obsolescence reserve	4,887	-	-	-	-	-	-	-	-	-	-	-
Adjusted gross profit	841,382	802,529	787,340	776,328	732,889	730,555	690,641	740,679	706,715	754,081	642,024	584,532
Operating expenses	\$ 806,712	\$ 603,907	\$ 580,141	\$ 573,645	\$ 543,168	\$ 520,754	\$ 503,013	\$ 548,249	\$ 504,188	\$ 518,175	\$ 469,862	\$ 422,595
Impairment of ORs Industrial goodwill and intangible assets	(115,825)	-	-	-	-	-	-	-	-	-	-	-
Workforce reduction and facility closure charge	(18,575)	-	(12,975)	(6,247)	-	-	-	-	-	(1,941)	1,331	-
Intangible asset impairment charge and accelerated amortization related to rebranding	(11,981)	-	-	-	-	-	-	-	-	-	-	-
Notes receivable impairment	(10,738)	-	-	-	-	-	-	-	-	-	-	-
Asset impairment charge	-	-	(1,183)	-	(1,635)	-	-	(6,700)	-	-	-	-
Vacation pay policy change	-	-	-	-	-	11,871	-	-	-	-	-	-
Early retirement/workforce realignment	-	-	-	-	723	(9,116)	-	-	-	-	-	-
Equity compensation charge	-	-	-	-	(4,409)	-	-	-	-	-	-	-
Retiree medical plan termination	-	-	-	-	-	8,856	-	-	-	-	-	-
Negotiated settlement with a service supplier	-	-	-	-	-	-	14,000	-	-	-	-	-
Severance charge	-	-	-	-	-	-	(3,400)	-	-	-	-	-
Gain on the sale of distribution centers	-	-	-	-	-	-	-	5,100	-	-	-	-
Gain on sale of former corporate headquarters	-	-	-	-	-	-	-	4,700	-	-	-	-
Restructuring charge	-	-	-	-	-	-	-	-	(1,378)	-	-	-
Product content syndication and marketing program changes	-	-	-	-	-	-	-	-	-	60,600	-	-
Loss on disposition of business	(16,999)	(8,234)	-	-	-	-	-	-	-	-	-	-
Adjusted operating expenses	\$ 632,594	\$ 595,673	\$ 565,983	\$ 567,398	\$ 537,847	\$ 532,365	\$ 513,613	\$ 551,349	\$ 502,810	\$ 576,834	\$ 471,193	\$ 422,595
Operating income	\$ 29,783	\$ 198,622	\$ 207,200	\$ 202,683	\$ 189,722	\$ 209,801	\$ 187,628	\$ 192,430	\$ 202,526	\$ 235,906	\$ 172,162	\$ 161,937
Gross profit and operating expense items noted above	179,005	8,234	14,158	6,247	5,321	(11,611)	(10,600)	(3,100)	1,378	(58,659)	(1,331)	-
Adjusted operating income	\$ 208,788	\$ 206,856	\$ 221,358	\$ 208,930	\$ 195,043	\$ 198,190	\$ 177,028	\$ 189,330	\$ 203,904	\$ 177,247	\$ 170,831	\$ 161,937
Net income	\$ (44,342)	\$ 112,117	\$ 122,053	\$ 112,881	\$ 103,696	\$ 112,757	\$ 100,984	\$ 98,413	\$ 107,195	\$ 132,213	\$ 97,501	\$ 89,971
Gross profit and operating expense items noted above, net of tax	160,727	8,234	9,227	3,873	3,920	(7,158)	(6,700)	(3,100)	1,378	(36,454)	-	-
Adjusted net income	\$ 116,385	\$ 120,351	\$ 131,280	\$ 116,754	\$ 107,616	\$ 105,599	\$ 94,284	\$ 95,313	\$ 108,573	\$ 95,759	\$ 97,501	\$ 89,971
Diluted earnings per share	\$ (1.17)	\$ 2.87	\$ 3.03	\$ 2.75	\$ 2.30	\$ 2.34	\$ 2.10	\$ 2.06	\$ 1.92	\$ 2.11	\$ 1.45	\$ 1.32
Per share gross profit and operating expense items noted above	4.25	0.21	0.23	0.09	0.09	(0.15)	(0.14)	(0.06)	0.02	(0.58)	-	-
Adjusted diluted earnings per share	\$ 3.08	\$ 3.08	\$ 3.26	\$ 2.85	\$ 2.39	\$ 2.19	\$ 1.96	\$ 2.00	\$ 1.94	\$ 1.53	\$ 1.45	\$ 1.32
Weighted average number of common shares - diluted	37,826	39,130	40,236	40,991	45,014	48,286	48,192	47,694	55,952	62,742	67,224	67,970