



HD SUPPLY®



FINANCIAL RESULTS AND COMPANY OVERVIEW

2017 Third-Quarter Performance

December 5th, 2017

Forward-Looking Statements and Preliminary Results

This presentation includes “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements are based on management’s beliefs and assumptions and information currently available to management and are subject to known and unknown risks and uncertainties, many of which may be beyond our control. We caution you that the forward-looking information presented in this presentation is not a guarantee of future results, and that actual results may differ materially from those made in or suggested by the forward-looking information contained in this presentation. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “plan,” “seek,” “comfortable with,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe” or “continue” or the negative thereof or variations thereon or similar terminology. A number of important factors could cause actual events to differ materially from those contained in or implied by the forward-looking statements, including those “Risk factors” in our annual report on Form 10-K, for the fiscal year ended January 29, 2017, filed on March 14, 2017, our quarterly report on Form 10-Q, for the fiscal year ended October 29, 2017, filed on December 5, 2017 and those described from time to time in our, and HD Supply, Inc.’s, other filings with the U.S. Securities and Exchange Commission, which can be found at the SEC’s website www.sec.gov. Any forward-looking information presented herein is made only as of the date of this presentation, and we do not undertake any obligation to update or revise any forward-looking information to reflect changes in assumptions, the occurrence of unanticipated events, or otherwise.

Estimates for Net sales, Adjusted EBITDA and Adjusted Net income per diluted share are preliminary estimates and are subject to risks and uncertainties, including, among others, changes in connection with quarter-end adjustments. Any variation between HD Supply’s actual results and the preliminary financial data set forth herein may be material.

Non-GAAP Financial Measures

HD Supply supplements its financial results that are determined in accordance with accounting principles generally accepted in the United States of America (“GAAP”) with non-GAAP measurements, including Adjusted EBITDA, Adjusted net income, Adjusted net income per diluted share, Net Debt and Free Cash Flow. This supplemental information should not be considered in isolation or as a substitute for the GAAP measurements. Additional information regarding Adjusted EBITDA, Adjusted net income and Adjusted net income per diluted share referred to in this presentation is included at the end of this presentation under “Reconciliation of Non-GAAP Measures.”

Q3'17 Execution Highlights



- ✓ **+7% Net Sales Growth** Versus Prior Year (“VPY”)
- ✓ **+14% Operating Income Growth** VPY
- ✓ **+130% Net Income from Continuing Operations** VPY
- ✓ **+14% Adjusted EBITDA¹ Growth** VPY
 - ✓ Operating Leverage² of 1.8x
- ✓ **+70% Adjusted Net Income per Diluted Share¹ Growth** VPY
- ✓ **\$442M LTM Free Cash Flow³**
- ✓ **Talent and One Team Culture**

¹ See appendix slides 20 and 21 for a reconciliation of Adjusted EBITDA, Adjusted Net Income and Adjusted Net Income per Diluted Share to Net Income and Net Income per Diluted Share

² Operating Leverage is defined as Adjusted EBITDA growth divided by total Net sales growth

³ Free Cash Flow is defined as Operating Cash Flow \$529M, Less Capital Expenditures \$87M (including Cash Flow from Discontinued Operations)

Note: “VPY” denotes Versus Prior Year, “LTM” denotes Last Twelve Months

Topics of Recent Investor Interest



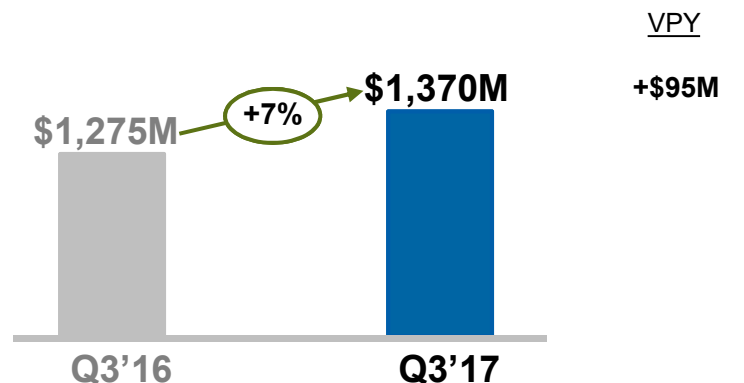
Topic	Consideration
1. Hurricane Impact	(\$3M) Impact in FM, +\$1M Impact in C&I
2. Rebar Pricing	Increased Rebar Costs Expected into 2018
3. Non-Residential End Market	No Change to Guidance, Third-Party Data Caution
4. Share Repurchases	Continue to Purchase Through 10b5-1 Plan
5. Acquisitions	Enhance Leading Market Positions
6. Restructuring Costs	Expected \$10-15M to Restructure Support Functions
7. Taxes	Full Tax Payer around the End of Fiscal 2018

Q3'17 Financial Results



(\$ in millions, except per share data)

Net Sales



Gross Profit	\$512M	\$542M	+6%
<i>Gross Margin %</i>	40.2%	39.6%	-60 BPs
Operating Income	\$159M	\$182M	+14%
<i>Op. Income %</i>	12.5%	13.3%	+80 BPs
Net Income¹	\$60M	\$452M	+\$392M
Per Diluted Share ¹	\$0.30	\$2.42	+\$2.12
Adj. EBITDA²	\$188M	\$214M	+\$26M
<i>Adj. EBITDA %</i>	14.7%	15.6%	+90 BPs
Adj. Net Income²	\$94M	\$149M	+59%
Per Diluted Share ²	\$0.47	\$0.80	+70%

¹ The increase in Net income and Net income per Diluted share was primarily due to the Completion of the Sale of the Waterworks business

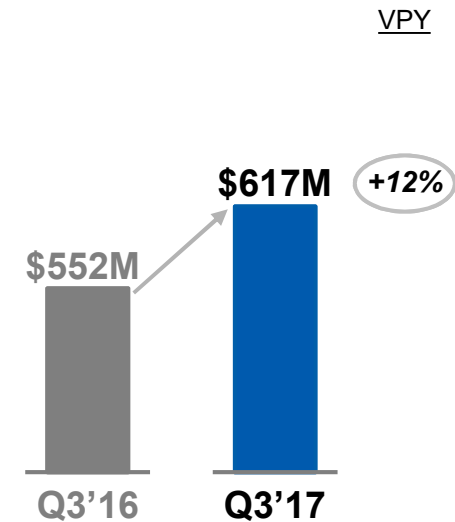
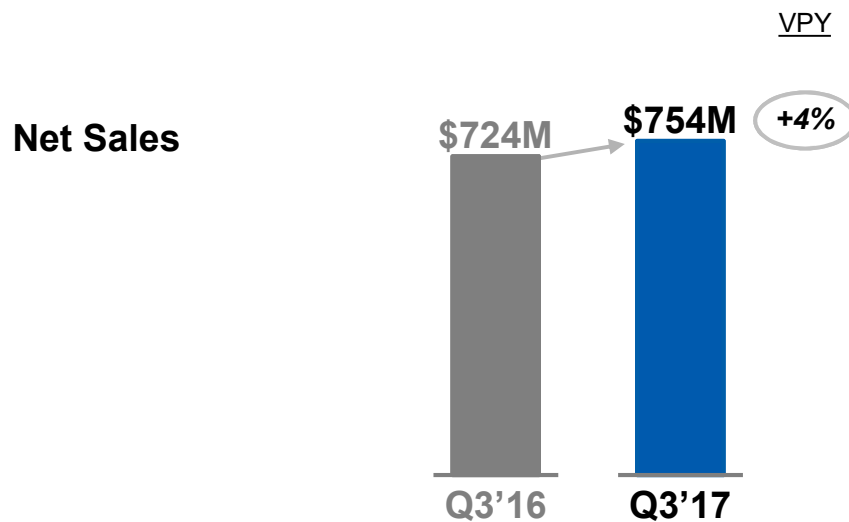
² See appendix slides 20 and 21 for a reconciliation of Adjusted EBITDA, Adjusted Net Income and Adjusted Net Income per Diluted Share to Net Income and Net Income per Diluted Share

+7.5% Sales Growth VPY

Q3'17 Segment Performance



(\$ in millions)



Organic Growth Across Business Units

Taxes

- **Favorable Tax Asset with Significant Gross Federal Net Operating Loss Carryforwards of Approximately \$780 Million**
 - ~\$338M Tax-affected Amount of Federal and State NOLs
- **Cash Taxes**
 - \$17M in Q3'17 (Including \$13M Related to the sale of Waterworks)
 - \$3M Estimated in Q4'17
 - \$30M Estimated for FY'17 **GAAP Taxes** (Including \$13M Related to the sale of Waterworks)
- **Effective Rate**
 - ~33% for Q3'17
 - Expected to be ~34% to 35% for FY'17 for Continuing Operations

Cash Flow

- **\$1.7B Net Debt¹ at the End of Q3'17**
 - 2.4x Net Debt to Adj. EBITDA
- **\$442M LTM Free Cash Flow³**
- **\$22M of Capital Expenditures in Q3'17**

Note: Contains forward-looking information; please see Disclaimer on slide 2

¹ Reconciled on slide 16

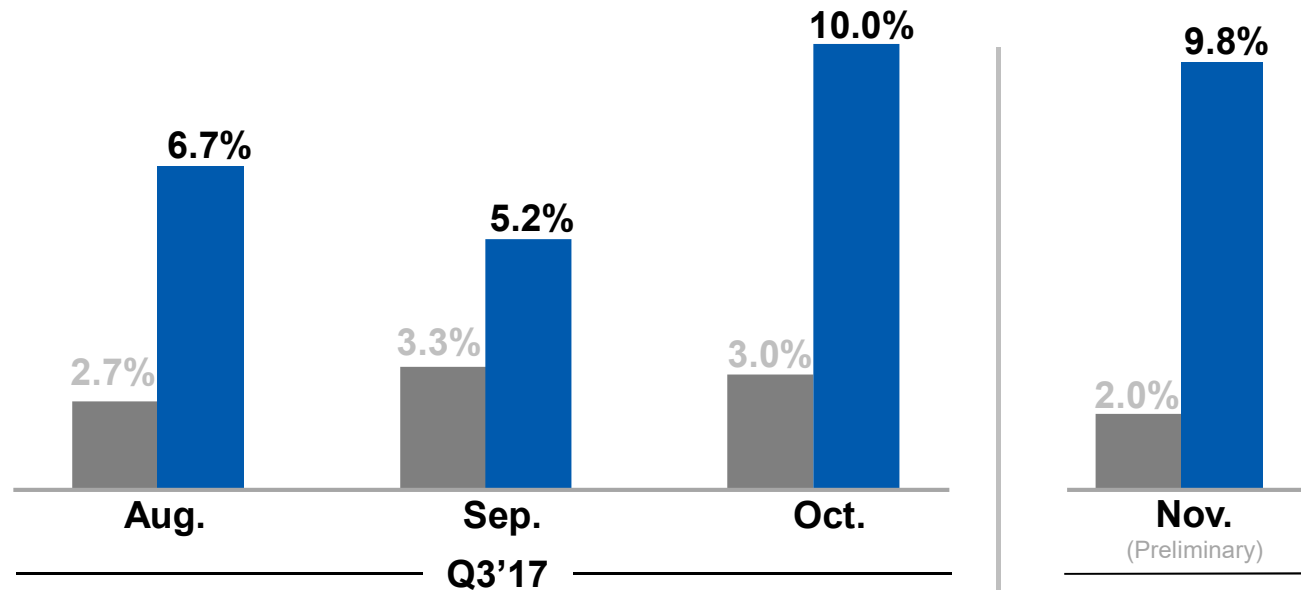
² Free Cash Flow is defined as Operating Cash Flow \$529M, Less Capital Expenditures \$87M (including Cash Flow from Discontinued Operations)

Q3'17 Monthly Average Daily Sales (%)



■ Prior Year
■ Current Year

HD Supply Average Daily Sales Growth VPY



	Aug.		Sep.		Oct.		Nov. (Preliminary)	
Facilities Maintenance	0.2%	4.3%	2.4%	1.3%	1.0%	6.1%	0.9%	4.3%
Construction & Industrial	6.2%	9.8%	4.4%	10.3%	5.7%	14.5%	3.4%	16.4%
HD Supply Net Sales	\$408M	\$436M	\$384M	\$403M	\$483M	\$531M	\$338M	\$372M

'17 Selling Days	20	19	25	18
'16 Selling Days	20	19	25	18
'15 Selling Days	20	19	25	18

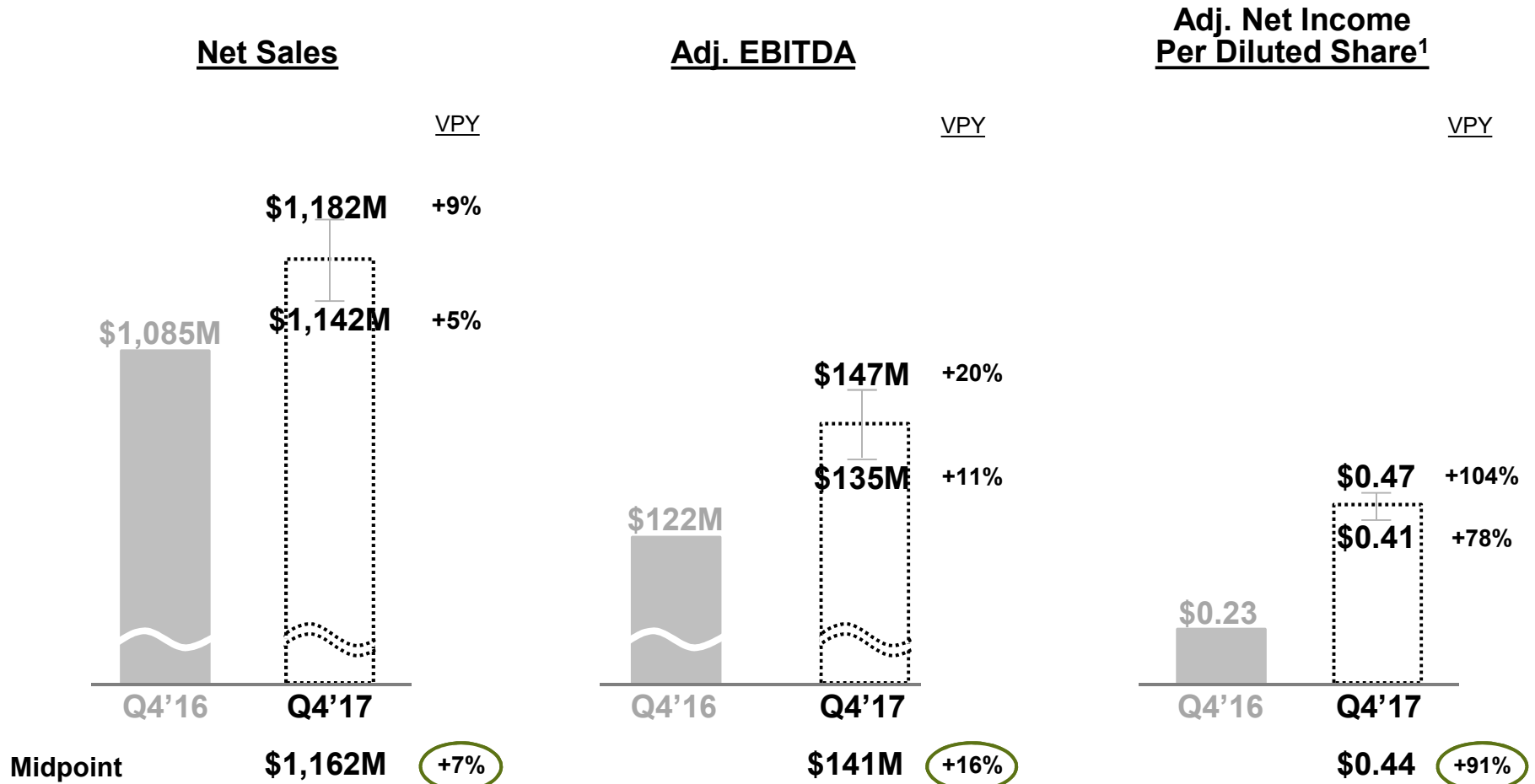
Note: Contains forward-looking information; please see Disclaimer on slide 2

+7.5% Q3'17 Average Daily Sales Growth

Q4'17 Guidance



(\$ in millions, except per share amounts)



¹ Q4'17 Adjusted Net Income per Diluted Share range assumes a fully diluted weighted average share count of ~186 million
 Note: Contains forward looking information; please see Disclaimer on slide 2. No reconciliation of the forecasted range for Adjusted EBITDA to Net income or Income from Continuing Operations for the fourth quarter of fiscal 2017 is included in this presentation because we are unable to quantify certain amounts that would be required to be included in the GAAP measure without unreasonable efforts. In addition, the company believes such reconciliations would imply a degree of precision that would be confusing or misleading to investors

+7% Sales Growth VPY at Midpoint

FY'18 End Market Preliminary Outlook



— FY'18 End Market Estimates¹ —

Primary End Market



Current View
as of December '17

Residential
Construction



↑ Mid-Single Digit

Non-Residential
Construction



↑ Low Single Digits to
Mid-Single Digit

“Living Space”
MRO



↑ 1% to 2%



↑ ~2 to 3%

¹ Management estimate; market estimate is management estimate of the growth of our end markets based on multiple quantitative and qualitative inputs
Note: Contains forward looking information; please see Disclaimer on slide 2

~2 to 3% End Market Growth for FY'18

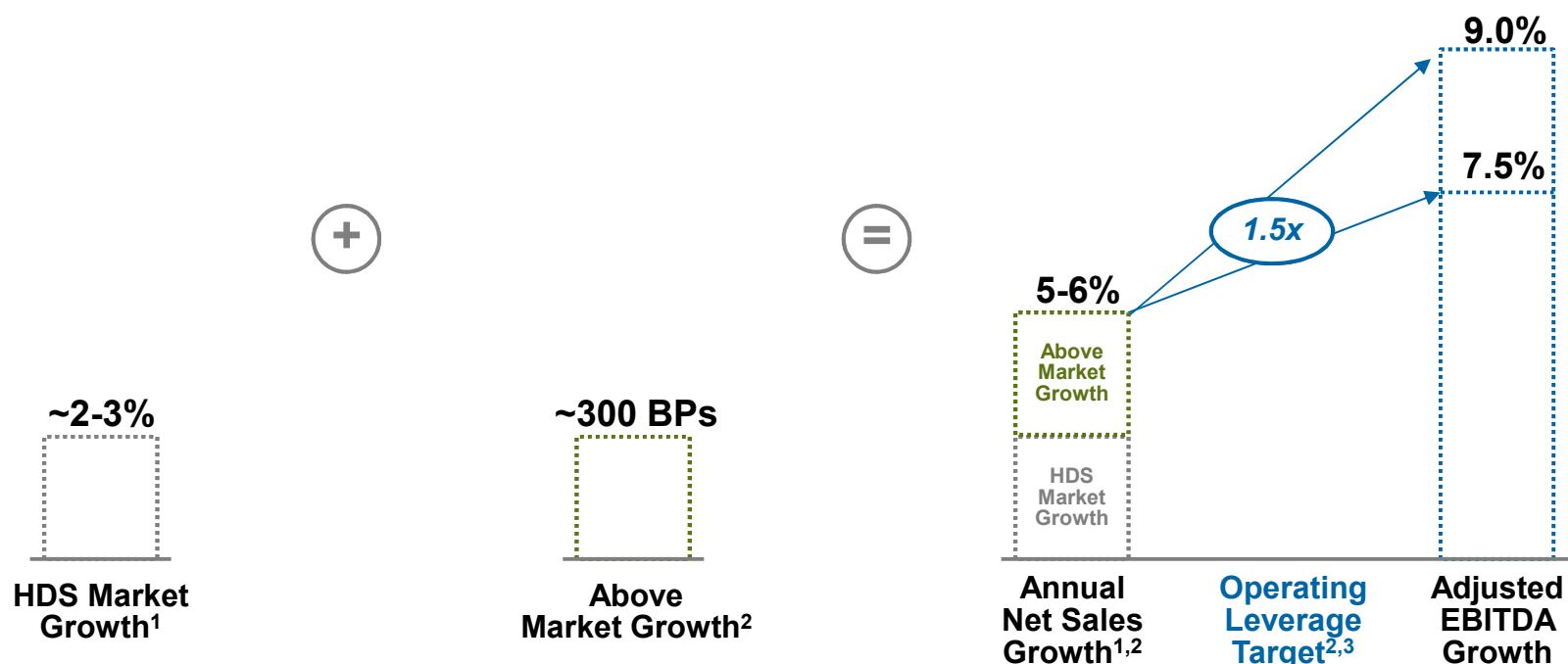
FY'18 Operating Leverage Framework



End Market Growth

Controllable Execution

Illustrative Adj. EBITDA Growth



¹ Management estimate; market estimate is management estimate of the growth of our markets based on multiple quantitative and qualitative inputs

² Long-term average growth target based on management estimates and projections

³ Operating Leverage is defined as Adjusted EBITDA growth divided by Total Net sales growth; target based on management estimates and projections.

Note: Contains forward looking information; please see Disclaimer on slide 2. No reconciliation of the forecasted range for Adjusted EBITDA to Net income or Income from Continuing Operations and Adjusted Net Income per Diluted Share to Net income per diluted share or Income from Continuing Operations per Diluted Share for the full year of fiscal 2018 is included in this presentation because we are unable to quantify certain amounts that would be required to be included in the GAAP measure without unreasonable efforts. In addition, the company believes such reconciliations would imply a degree of precision that would be confusing or misleading to investors.

300 Basis Points Above Market Growth and 1.5x Operating Leverage Target in 2018

HD Supply Current Outlook Summary



Q4'17

- **+7% Net Sales VPY at Midpoint**
 - \$1,142M to \$1,182M Net Sales
- **+16% Adj. EBITDA VPY at Midpoint**
 - \$135M to \$147M Adj. EBITDA
- **+91% Adj. Net Income per Diluted Share Increase VPY at Midpoint**
 - \$0.41 to \$0.47 Adj. Net Income per Diluted Share
- **Assumes ~186M Diluted Share Count**

FY'17

- **+2% to +3% End Market VPY¹**
- **+5% to +6% Net Sales VPY**
 - \$5,080M to \$5,120M Net Sales
- **+5% to +7% Adj. EBITDA VPY**
 - \$714M to \$726M Adj. EBITDA
- **+49% to +53% Adj. Net Income per Diluted Share VPY**
 - \$2.23 to \$2.29 Adj. Net Income per Diluted Share
- **Assumes ~194M Diluted Share Count**

Note: Contains forward looking information; please see Disclaimer on slide 2. No reconciliation of the forecasted range for Adjusted EBITDA to Net income or Income from Continuing Operations and Adjusted net income per diluted share to Net income per diluted share or Income from Continuing Operations per diluted share for the fourth quarter of fiscal 2017 and full year fiscal 2017 is included in this presentation because we are unable to quantify certain amounts that would be required to be included in the GAAP measure without unreasonable efforts. In addition, the company believes such reconciliations would imply a degree of precision that would be confusing or misleading to investors.

¹ Management estimate; market estimate is management estimate of the growth of our markets based on multiple quantitative and long-term average growth target based on management estimates and projections

The image features a black and white photograph of a city skyline at night, with numerous skyscrapers and illuminated streets. The HD Supply logo is overlaid in the top left corner. The logo consists of the letters 'HD' in a bold, yellow, sans-serif font, followed by 'SUPPLY' in a white, bold, sans-serif font. A registered trademark symbol (®) is located at the end of the word 'SUPPLY'.

HD SUPPLY®

Q&A

- **Continual Operational Improvement**
 - **+7% Net Sales Growth** in Q3'17 VPY
 - **+14% Adjusted EBITDA Growth** in Q3'17 VPY
 - **1.8x Operating Leverage**¹
 - **+70% Adjusted Net Income per Diluted Share Growth** in Q3'17 VPY

- **Enabling Focus, Growth Investment and Innovation**

- **Disciplined People, Thought and Action**

¹ Operating Leverage is defined as Adjusted EBITDA growth divided by total Net sales growth
Note: "VPY" denotes Versus Prior Year, "LTM" denotes Last Twelve Months



HD SUPPLY®

APPENDIX

Capital Structure Overview



(\$ in millions, unless otherwise noted)

	Q3'17 Debt Balances			
	Balance	Interest Rate ¹	Maturity	Soft Call Date ²
Sec. ABL	\$57	2.57%	4/5/22	n/a
Sec. Term B-3	535	3.58%	8/13/21	3/2/18
Sec. Term B-4	546	3.83%	10/17/23	3/2/18
Sr. Unsecured Notes	1,000	5.75%	4/15/24	4/15/19
Outstanding Debt³	\$2,138			
Plus Letters of Credit	27			
Less Cash and Cash Equivalents	(461)			
Net Debt	\$1,704			

¹ Represents the stated rate of interest, without including the effect of discounts or premiums

² Subject to applicable redemption price terms

³ Excludes Unamortized Discounts of \$6M and Unamortized Deferred Financing costs of \$34M

~\$1.7B Net Debt

Illustrative Adjusted EPS Calculation



(\$ in millions, except per share data)

Illustrative

	Actual				Estimates	
	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	FY'17
Adjusted EBITDA	\$122M	\$157M	\$208M	\$214M	TBD	TBD
(-) Depreciation and Amortization¹	(\$22M)	(\$22M)	(\$22M)	(\$22M)	(~\$23M)	(~\$89M)
(+) Amortization of Acquired Intangibles	\$3M	\$3M	\$3M	\$3M	~\$3M	~\$12M
(-) Interest Expense, Net (GAAP)	(\$50M)	(\$49M)	(\$49M)	(\$35M)	(~\$31M)	(~\$164M)
(-) Cash Income Taxes³	(\$1M)	(\$3M)	(\$7M)	(\$4M)	(~\$3M)	(~\$17M)
(-) Stock-based Compensation	(\$5M)	(\$6M)	(\$6M)	(\$7M)	(~\$7M)	(~\$26M)
= Adjusted Net Income²	\$47M	\$80M	\$127M	\$149M	TBD	TBD
÷ Diluted Shares Outstanding	~203M	~203M	~199M	~187M	~186M	~194M
= Adjusted Net Income per Diluted Share	\$0.23	\$0.39	\$0.64	\$0.80	TBD	TBD

¹ Includes Amounts Recorded within Cost of Sales

² May not foot due to rounding

³ Q3'17 and FY'17 exclude \$13 million of taxes paid in relation to the sale of Waterworks

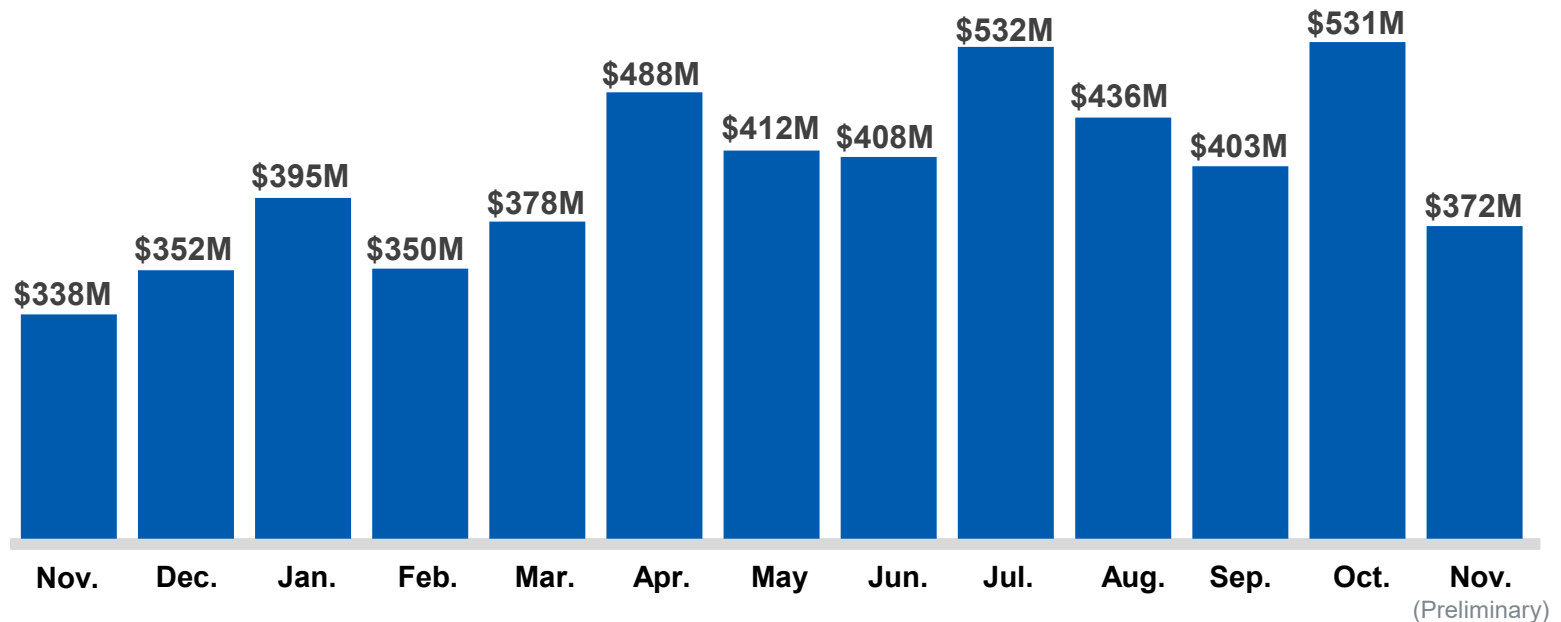
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Monthly Net Sales (\$)



(\$ in millions)

HD Supply Net Sales



	FY'16					FY'17							
Facil. Maint.	\$189	\$198	\$233	\$198	\$212	\$272	\$232	\$231	\$306	\$248	\$223	\$283	\$197
Const. & Ind.	\$150	\$153	\$163	\$153	\$166	\$217	\$180	\$178	\$226	\$188	\$180	\$249	\$175
'17 Selling Days	18	20	23	20	20	25	20	19	24	20	19	25	18
'16 Selling Days	18	20	23	20	20	25	20	19	24	20	19	25	18

Note: Contains forward-looking information; please see Disclaimer on slide 2

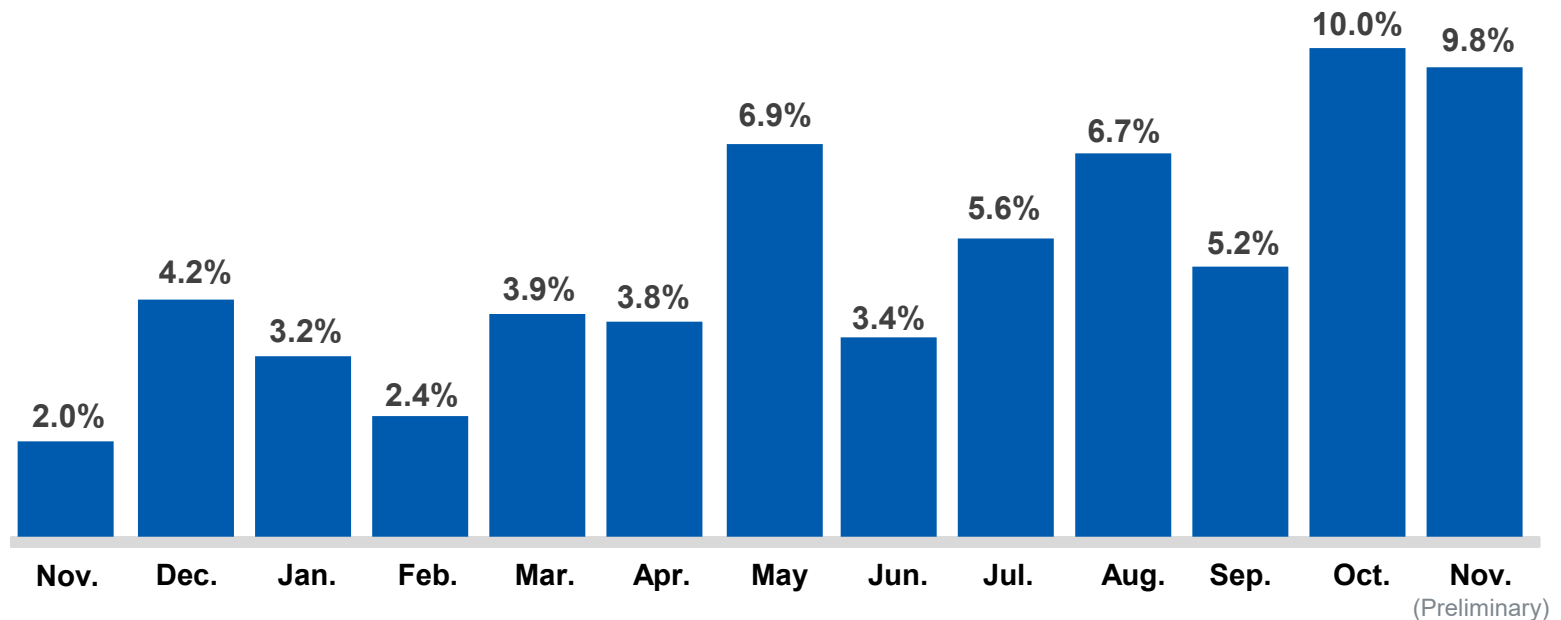
\$372M Preliminary November Sales

Average Daily Sales – Organic¹ (VPY%)



(VPY%)

HD Supply Organic Average Daily Sales Growth VPY¹



	FY'16						FY'17						
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
Facil. Maint.	0.9%	2.5%	2.8%	0.2%	1.1%	0.8%	5.2%	2.6%	3.7%	4.3%	1.3%	6.1%	4.3%
Const. & Ind.	3.4%	6.4%	3.7%	5.3%	7.9%	7.7%	9.3%	4.5%	8.2%	9.8%	10.3%	14.5%	16.4%

	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
'17 Selling Days	18	20	23	20	20	25	20	19	24	20	19	25	18
'16 Selling Days	18	20	23	20	20	25	20	19	24	20	19	25	18
'15 Selling Days	18	19	24	20	20	25	19	20	24	20	19	25	18

¹ Adjusted for Acquisitions, Divestitures, and Selling Days
 Note: "VPY" denotes Versus Prior Year; Contains forward-looking information; please see Disclaimer on slide 2

+9.8% Preliminary Average Daily Sales Growth in November

Reconciliation of Non-GAAP Measures: Net Income to Adjusted EBITDA



(\$ in millions)

	Three Months Ended		Nine Months Ended	
	October 29, 2017	October 30, 2016	October 29, 2017	October 30, 2016
Net income	\$452	\$ 60	\$979	\$ 144
Less income from discontinued operations, net of tax	406	40	794	104
Income from continuing operations	46	20	185	40
Interest expense, net	35	65	133	219
Provision for income taxes	23	15	92	30
Depreciation and amortization ¹	22	22	66	66
Loss on extinguishment & modification of debt ²	78	59	81	174
Restructuring charges ³	3	3	3	14
Stock-based compensation	7	4	19	15
Adjusted EBITDA	\$ 214	\$ 188	\$ 579	\$ 558

¹ Depreciation and amortization includes amounts recorded within Cost of sales in the Consolidated Statements of Operations

² Represents the loss on extinguishment of debt including the write-off of unamortized deferred financing costs, original issue discount, and other assets or liabilities associated with such debt. Also includes the cost of debt modification.

³ Represents the costs incurred for strategic alignment of our workforce. These costs include severance, relocation costs and other related costs

Reconciliation of Non-GAAP Measures: Net Income to Adjusted Net Income and Adjusted Net Income Per Share



(\$ in millions, except share and per share amounts)

	Three Months Ended		Nine Months Ended	
	October 29, 2017	October 30, 2016	October 29, 2017	October 30, 2016
Net income	\$ 452	\$ 60	\$ 979	\$ 144
Less income from discontinued operations, net of tax	<u>406</u>	<u>40</u>	<u>794</u>	<u>104</u>
Income from continuing operations	46	20	185	40
Provision for income taxes	23	15	92	30
Cash paid for income taxes ¹	(4)	(6)	(14)	(12)
Amortization of acquisition related intangible assets (other than software)	3	3	9	9
Loss on extinguishment & modification of debt ²	78	59	81	174
Restructuring charges ³	3	3	3	14
Adjusted Net Income	<u>\$ 149</u>	<u>\$ 94</u>	<u>\$ 356</u>	<u>\$ 255</u>
Weighted average common shares outstanding (in thousands)				
Basic	185,651	199,593	194,704	199,217
Diluted	186,652	202,007	196,258	201,786
Adjusted Net Income Per Share - Basic	\$0.80	\$0.47	\$1.83	\$1.28
Adjusted Net Income Per Share - Diluted	\$0.80	\$0.47	\$1.81	\$1.26

¹ Cash paid for income taxes for the three and nine months ended October 29, 2017 excludes \$13 million in payments related to the sale of the Waterworks business unit.

² Represents the loss on extinguishment of debt including the write-off of unamortized deferred financing costs, original issue discount, and other assets or liabilities associated with such debt. Also includes the cost of debt modification.

³ Represents the costs incurred for strategic alignment of our workforce. These costs include severance, relocation costs and other related costs