

A nighttime photograph of a city skyline, likely Atlanta, Georgia, with several prominent skyscrapers illuminated against a dark blue sky. In the foreground, a multi-lane highway is shown with long-exposure light trails from cars, creating a sense of motion. The overall scene is a blend of urban architecture and transportation infrastructure.

**HD SUPPLY®**

**Goldman Sachs  
2015 Industrial Conference**

**November 4<sup>th</sup>, 2015**

## **Forward-Looking Statements**

*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 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 herein is not a guarantee of future events, and that actual events 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 factors discussed in our filings with the U.S. Securities & Exchange Commission (the “SEC”), including our annual report on Form 10-K, for the year ended February 1, 2015, which can be found at the SEC’s website [www.sec.gov](http://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.*

## **Non-GAAP Financial Measures**

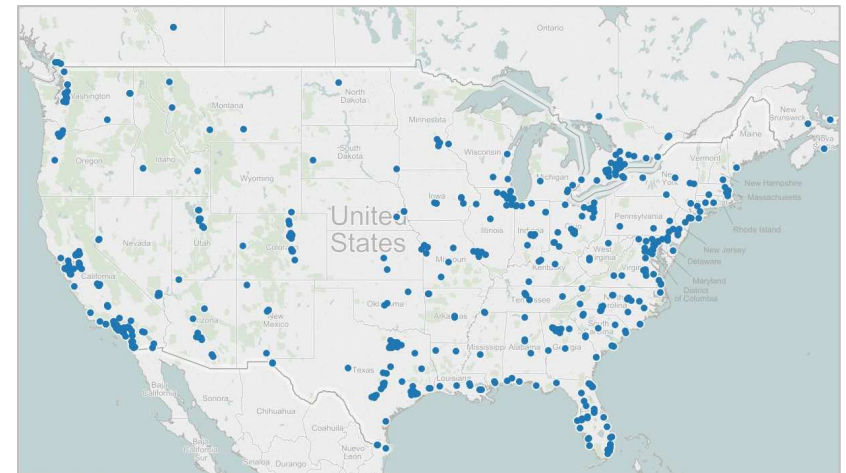
*HD Supply supplements its reporting net income (loss) with non-GAAP measurements, including Adjusted EBITDA, Adjusted net income (loss) and Adjusted net income (loss) per share. This supplemental information should not be considered in isolation or as a substitute for the GAAP measurements. Additional information regarding Adjusted EBITDA, Adjusted net income (loss) and Adjusted net income (loss) per share referred to in this presentation is included at the end of this presentation under “Reconciliation of Non-GAAP Measures.”*

# Company Overview

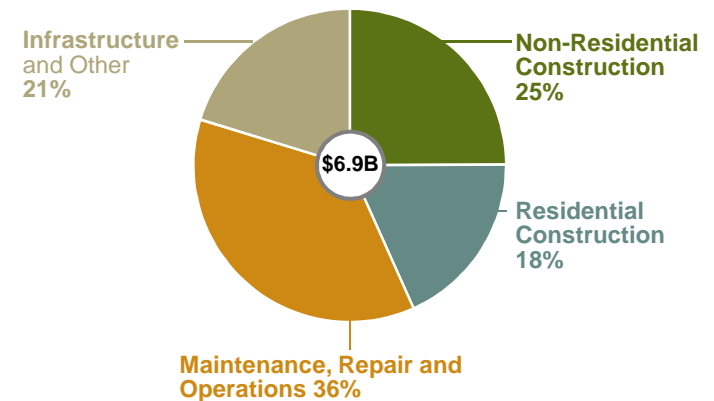


- **\$7.2 Billion of LTM Q2'15 Net Sales;**  
**\$831 Million of LTM Q2'15 Adjusted EBITDA**  
**(11.6% of Net Sales)**
- **Leading Industrial Distributor With #1 Positions<sup>1</sup> in Large, Fragmented Markets**
- **Specialized Business Units Providing Diversity in Products, Customers, and Vendor Relationships**
  - ~800,000 SKUs
  - ~500,000 Customers
- **Scale, National Presence and Local Market Expertise Drive Competitive Advantage**
  - ~550 Locations, 48 U.S. States and 6 Canadian Provinces<sup>2</sup>
  - Combination of **Distribution Center** and **Branch-Based** Operating Models
- **Talent with Deep, Relevant Experience Driving Speed and Precision**

## National Footprint



## Net Sales by End Market<sup>3</sup>



<sup>1</sup> Management Estimates Based on Market Data and Industry Knowledge

<sup>2</sup> As of Fiscal 2014

<sup>3</sup> For 2014; Excludes Canada

**Leading Industrial Distributor Specializing in MRO, Infrastructure and Construction**



# Business Unit Overview



(\$ in billions)

HDSUPPLY	LTM Q2'15 Net Sales (Adj. EBITDA%)	Customer Profile	Go-to-Market Channels	Market Size <sup>1</sup>	Product Offering
<b>HDSUPPLY</b> FACILITIES MAINTENANCE <i>"MRO for Multifamily, Hospitality and Assisted Living Facilities"</i>	<b>\$2.6B</b> (20%)	<ul style="list-style-type: none"> <li>Maintenance Professional Fixing Problems in Apartment Units, Hotel/Motels, Healthcare and Senior Care Living Facilities,</li> </ul>	<ul style="list-style-type: none"> <li><b>DC-based Model</b> (No Branch-based Sales)</li> <li><b>Outside and Inside Sales Representatives</b></li> <li><b>Catalog and Call Center Order Taking</b></li> <li><b>Online Ordering</b> (~50% of Sales) – hdsupplysolutions.com</li> </ul>	5% Share 	<ul style="list-style-type: none"> <li>Plumbing, HVAC, Electrical, Lighting, Conduit, Wire, Appliances, Hardware, Janitorial / Cleaning, Floor and Window Coverings, Millwork, Tools, Safety and Signage, Paint and Sundries</li> </ul>
<b>HDSUPPLY</b> WATERWORKS <i>"Water Infrastructure"</i>	<b>\$2.5B</b> (9%)	<ul style="list-style-type: none"> <li>Professional Contractors Specializing in Underground Water and Wastewater System Configuration Performing Work on Behalf of Municipalities, Non-residential and Residential Builder/Developers</li> <li>Fire Protection Contractors</li> </ul>	<ul style="list-style-type: none"> <li><b>Branch-based Sales</b> (i.e. Nationally)</li> <li><b>Outside Sales Representatives</b></li> <li><b>Inside Sales Representatives</b></li> </ul>	21% Share 	<ul style="list-style-type: none"> <li>Pipe, Valves, Hydrants, Fittings, Restraints, Automated Metering Systems, Backflow Devices, Fire protection Products, Storm Water Retention, Treatment Plant Service, Tools and Equipment, Wire and Conduit</li> </ul>
<b>HDSUPPLY</b> CONSTRUCTION & INDUSTRIAL <i>"Specialty Construction"</i>	<b>\$1.6B</b> (8%)	<ul style="list-style-type: none"> <li>Specialty Contractors Buying Product for Use in Non-residential and Residential New Construction</li> </ul>	<ul style="list-style-type: none"> <li><b>Branch-based Sales</b> (i.e., "Walk In" Sales, Nationally)</li> <li><b>Outside and Inside Sales Representatives</b></li> <li><b>Catalog Ordering</b></li> <li><b>Online Ordering</b> (~1% of Sales) – whitecap.com</li> <li><b>Mobile Application</b> (&lt;1% of Sales) – "Speed Build"</li> </ul>	7% Share 	<ul style="list-style-type: none"> <li>Fasteners and Fastening Systems, Building Materials, Tools, Jobsite Supplies, Safety, Equipment, Measuring/Marking, Hand Tools, Concrete Forming, Chemicals, Waterproofing, Pipes/Drains, and Wire</li> </ul>

<sup>1</sup> Management estimates based on Market Data and Industry Knowledge; Market Size for 2014

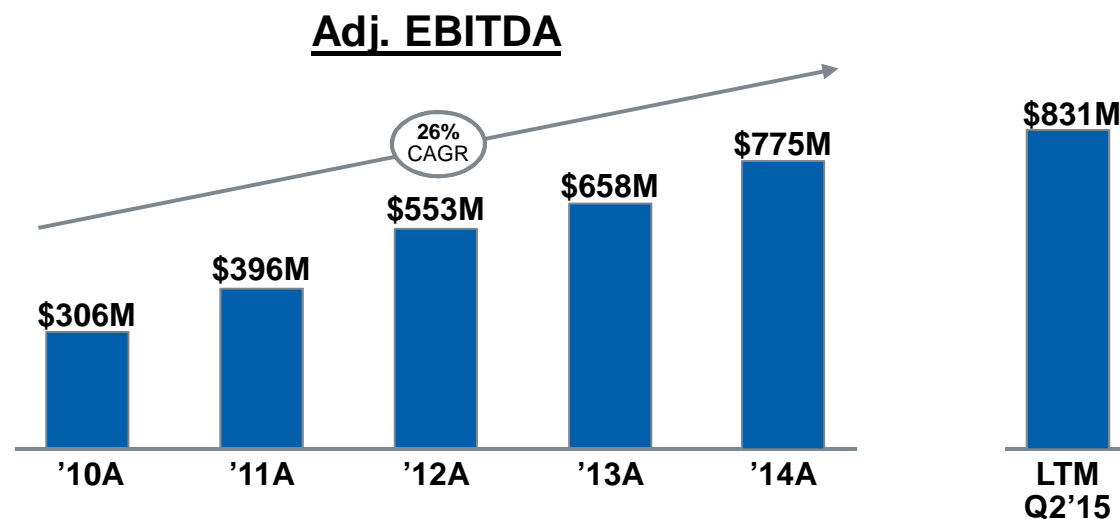
**Leading Industrial Distributor Specializing in MRO, Infrastructure and Construction**



# Historical Financial Performance



(\$ in millions)



<b>Adj. EBITDA</b>						
VPY % <sup>1</sup>	n/a	29%	37%	22%	18%	16%
<b>Net Sales</b>	<b>\$4,605</b>	<b>\$5,038</b>	<b>\$5,861</b>	<b>\$6,387</b>	<b>\$6,970</b>	<b>\$7,185</b>
VPY % <sup>1</sup>	n/a	9%	14%	11%	9%	8%
GM %	31.5%	31.8%	32.1%	32.6%	32.5%	32.9%
Adj. EBITDA %	6.6%	7.9%	9.4%	10.3%	11.1%	11.6%
Op. Leverage <sup>1</sup>	n/a	3.1x	2.6x	2.0x	2.0x	2.1x

<sup>1</sup> Sales, Adj. EBITDA Growth and Operating Leverage Excludes the Impact of the 53<sup>rd</sup> Week in 2012  
 Note: All Periods Adjusted for Sale of Discontinued Operations. VPY = Versus Prior Year.

**Strong Growth, Operating Leverage**



# Topics of Recent Interest



## 1 End Market Outlook<sup>1</sup>

- **End Market Growth** Estimate of ~3% to 4% per September 9<sup>th</sup> Earnings Call
  - Non-Residential – Solid Activity
  - Residential – Prolonged Recovery
  - Water Infrastructure – Sluggish
  - Facilities Maintenance MRO – Stable

## 2 Business Transformation

- **Focused on Business Units with #1 Market Position with Path to Distant #1... One (1) Distribution-Based BU (FM) and Two (2) Branch-Based BUs (WW and C&I)**
- **Best-of-the-Best Talent Focused on Highest Value Accretive Activities... Re-alignment Driven by Business Mix Transformation to Continuously Get Better and Faster**

## 3 Debt Reduction

- **Disciplined Recent Execution to Reduce Debt and Cost of Capital**
  - ✓ Paid Down \$675M of 11% Secured Second Lien Notes in Q3'15 with Proceeds from Power Solutions Sale
  - ✓ Refinanced Secured Term Loan in Q3'15; Reduced Principal Amount by ~\$100M, Reduced Interest Rate by 25 Basis Points and Extended Maturity by 3 Years
- **Continue to Evaluate Opportunities... 11.5% and 7.5% Unsecured Senior Notes Due 2020 with Oct. '16 Call Dates**

## 4 Cycle Performance

- **Facilities Maintenance Grew Adjusted EBITDA by ~8% from FY'08 to FY'09 and had a ~3% Decline in Sales During the Same Period; MRO Market Stability Driven by Break/Fix Demand Function**
- **\$1.8B of Unlevered, Pre-Tax Free Cash Flow<sup>2</sup> Generated from '08 – '10**

## 5 Cash Flow Characteristics

- **Change in Net Working Capital Approximately 15% of Annual Sales Growth**
- **Capex Approximately 1.4% - 1.5% of Sales**
- **Cash Interest of ~\$400M Estimated for FY'15 and ~\$325M for FY'16**
- **Cash Taxes of \$15M – \$25M Estimated for FY'15**

<sup>1</sup> Management estimates

<sup>2</sup> Free Cash Flow Defined as Cash Flow from Operating Activities less Capital Expenditures and Excluding Interest and Net Tax Impact

**Focused on Controllable Execution to Drive Profitable Growth in Excess of Market**



# Q3'15 Updated Guidance



(\$ in millions, except per share amounts)

## Net Sales

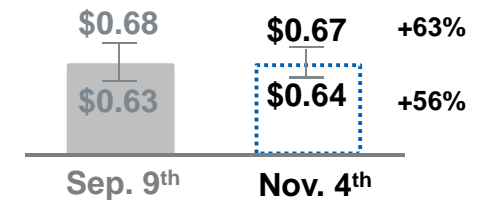
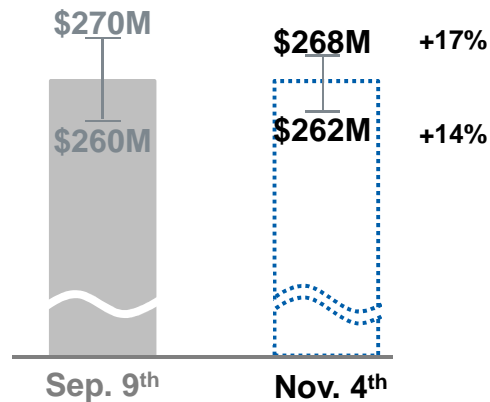
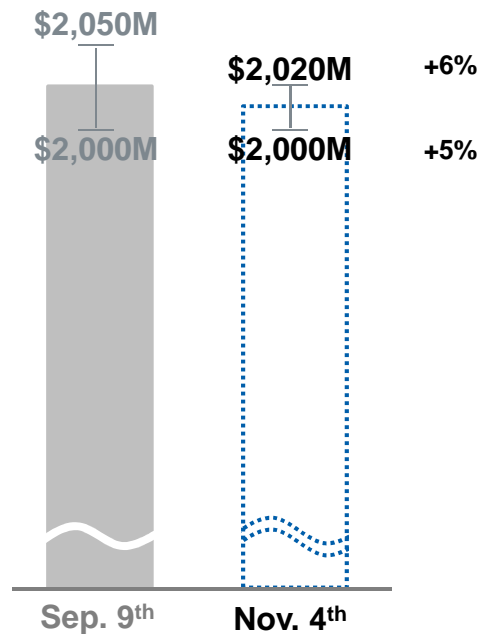
## Adj. EBITDA

## Adj. Net Income Per Diluted Share<sup>1</sup>

VPY

VPY

VPY



Revised Midpoint

\$2,010M

+5%

\$265M

+15%

\$0.65

+59%

<sup>1</sup> Q3'15 Adjusted Net Income per Share range assumes a fully diluted weighted average share count of 202 million  
 Note: "VPY" denotes Versus Prior Year

**Updated Guidance Range  
 Versus September 9<sup>th</sup> Q2'15 Earnings Call**



# Key Messages



- ✓ #1 Positions in Large, Fragmented North American Markets... Paths to Distant #1 Driven by Defined Growth Initiatives
- ✓ Intense Focus on Controllable Execution... +300 BPs Sales Growth in Excess of Market, 1.5x – 2.0x Operating Leverage and Cash Flow Conversion
- ✓ Significant Business Transformation with Sale of Power Solutions... Talent Realignment to Fuel Growth and Get Better and Faster
- ✓ Executed Capital Structure Enhancements to Reduce Debt and Continuously Evaluating Opportunities
- ✓ Uniqueness of HD Supply Facilities Maintenance Value Proposition and Distributors' Cash Flow Characteristics

## Company Overview

▪ \$7.2 Billion of LTM Q2'15 Net Sales; \$831 Million of LTM Q2'15 Adjusted EBITDA (11.6% of Net Sales)  
 ▪ Leading Industries: Large, Fragmented  
 ▪ Specialized Business: Products, Customers  
 - ~800,000 SKUs  
 - ~500,000 Customers  
 ▪ Scale, National Expertise Drives Growth  
 - ~500 Locations in 30 Provinces  
 - Combination of Operating Models  
 ▪ Talent with Deep Experience and Proven Speed and Precision

## Business Unit Overview

LTM Q2'15 Net Sales: Customer Profile, Go-to-Market Channels, Market Size, Product Offering  
 \*MRO for Multi-Family, Hospitality and Assoc Living Facilities  
 \*Water Infrastructure  
 \*Specialty Construction

## Historical Financial Performance

Adj. EBITDA

## Topics of Recent Interest

1. End Market Outlook: End Market Growth Estimate of ~3% to 4% per September 9<sup>th</sup> Earnings Call  
 - Non-Residential – Solid Activity  
 2. Business Transformation  
 3. Debt Reduction  
 4. Cycle Performance  
 5. Cash Flow Characteristics  
 Focused on Controllable Execution to Drive Profitable Growth

## Q3'15 Updated Guidance

(\$ in millions, except per share amounts)

	Sep. 9 <sup>th</sup>	Nov. 4 <sup>th</sup>	Change
<b>Net Sales</b>	\$2,000M	\$2,020M	+6%
<b>Adj. EBITDA</b>	\$270M	\$268M	+17%
<b>Adj. Net Income Per Diluted Share<sup>1</sup></b>	\$0.68	\$0.67	+53%
<b>Revised Midpoint</b>	\$2,010M	\$265M	+15%

1. Q3'15 Adjusted Net Income per Share range assumes a fully-diluted weighted average share count of 202 million. <sup>2</sup> Sep. 9<sup>th</sup> Earnings Call  
 Updated Guidance Range Versus September 9<sup>th</sup> Q2'15 Earnings Call

**Focused on Controllable Execution to Drive Profitable Growth in Excess of Market**







## Appendix

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# Liquidity and Capital Structure



(\$ in millions, unless otherwise noted)

- **\$5.1B Net Debt at the End of Q2'15**
  - Recent Rating Agencies Upgrades
- **Favorable Tax Asset with Significant Gross Federal Net Operating Loss Carryforwards of \$2.1B**
  - ~\$900M Tax-affected Amount of Federal and State NOLs<sup>1</sup>
- **Cash Taxes:**
  - \$6M in Q2'15
  - ~\$5M Estimated for Q3'15
  - \$15M – \$25M Estimated for FY'15
- **GAAP Taxes:**
  - \$13M in Q2'15
  - ~\$10M Estimated for Q3'15<sup>2</sup>
  - \$35M – \$40M Estimated for FY'15<sup>2</sup>
- **\$19M of Capital Expenditures in Q2'15**

## Q2'15 Debt Balances

Facility	Balance <sup>3</sup>	Interest Rate <sup>4</sup>	Maturity	Soft Call Date <sup>5</sup>
Sec. ABL	\$132	1.69%	6/28/18	n/a
Sec. Term Loan <sup>6</sup>	<del>947</del> <b>\$850</b>	<del>4.00%</del> <b>3.75%</b>	<del>6/28/18</del> <b>08/13/21</b>	<del>now</del> <b>2/13/16</b>
Sec. 1 <sup>st</sup> Lien Notes	1,250	5.25%	12/15/21	12/15/17
Sec. 2 <sup>nd</sup> Lien Notes	<del>675</del>	<del>11.0%</del>	<del>4/15/20</del>	<del>4/15/16</del>
Unsec. Sr. Notes	1,000	11.5%	7/15/20	10/15/16
Unsec. Sr. Notes	1,275	7.5%	7/15/20	10/15/16
<b>Gross Debt</b>	<del>\$5,279</del> <b>\$4,507</b>			
Less Cash	169			
<b>Net Debt</b>	<del>\$5,110</del> <b>\$4,338</b>			

<sup>1</sup> In 2014, we experienced an "ownership change" as defined in Section 382 of the Internal Revenue Code of 1985, as amended. For a discussion of the risk of a change of control on our tax net operating losses, see the risk factor entitled "Our NOL carryforwards could be limited if we experience an ownership change as defined in the Internal Revenue Code" in our Form 10-K for the fiscal year ended February 1, 2015

<sup>2</sup> Excludes a tax gain of \$189 million related to the February 19, 2015 approval and finalization of the IRS audit of fiscal years 2007 and 2008

<sup>3</sup> Net of original issue discount

<sup>4</sup> Represents the stated rate of interest, without including the effect of discounts or premiums

<sup>5</sup> Subject to applicable redemption price terms

<sup>6</sup> Term Loan Amendment effective August 13, 2015

**Enhance Capital Structure Opportunistically to Drive Free Cash Flow Momentum**



# Illustrative Adjusted EPS Calculation



(\$ in millions, except per share items)

Illustrative

	Actual			Estimates		
	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	FY'15
<b>Adjusted EBITDA</b>	\$155M	\$188M	\$258M	TBD	TBD	TBD
<b>( - ) Depreciation and Amortization<sup>1</sup></b>	(\$30M)	(29)	(30)	(~30)	(~30)	(\$110M – \$120M)
<b>( + ) Amortization of Acquired Intangibles</b>	\$4M	4	3	~4	~4	~\$15M
<b>( - ) Interest Expense (GAAP)</b>	(\$115M)	(106)	(106)	(~100)	(~85)	~(\$397M)
<b>( - ) Cash Income Taxes</b>	(\$2M)	(3)	(6)	(~5)	(~5)	(\$15M – \$25M)
<b>( - ) Stock-based Compensation</b>	(\$5M)	(5)	(5)	(~4)	(~4)	(~\$18M)
<b>= Adjusted Net Income</b>	\$7M	\$50M	\$113M	TBD	TBD	TBD
<b>÷ Diluted Shares Outstanding<sup>2</sup></b>	~200M	~201	~202	~202	~202	~202M
<b>= Adjusted Net Income per Diluted Share</b>	\$0.03	\$0.25	\$0.56	TBD	TBD	TBD

<sup>1</sup> Includes Amounts Recorded Within Cost of Sales

<sup>2</sup> Assumes Paydown of 11% Senior Secured 2<sup>nd</sup> Lien Notes

<sup>3</sup> Excludes taxes due on Power Solutions Sale

<sup>4</sup> Weighted Average Diluted Shares Outstanding Based on Management Estimates

Note: These objectives are forward-looking, are subject to significant business, economic, regulatory and competitive uncertainties and contingencies, many of which are beyond the control of the Company and its management, and are based upon assumptions with respect to future decisions, which are subject to change. Actual results will vary and those variations may be material. For discussion of some of the important factors that could cause these variations, please consult the "Risk Factors" section of our Form 10-K for the year ended February 1, 2015. Nothing in this presentation should be regarded as a representation by any person that these objectives will be achieved and the Company undertakes no duty to update its objectives.

# Reconciliation of Non-GAAP Measures: Net Income to Adj EBITDA



(\$ in millions)

	Fiscal Year Ended				LTM Ended
	January 29, 2012	February 3, 2013	February 2, 2014	February 1, 2015	August 2, 2015
<b>Net income (loss)</b>	<b>(\$543)</b>	<b>(\$1,179)</b>	<b>(\$218)</b>	<b>\$3</b>	<b>\$318</b>
Less: Income (loss) from discontinued operations, net of tax	64	(34)	34	45	46
Income (loss) from continuing operations	(607)	(1,145)	(252)	(42)	272
Interest expense	639	658	528	462	442
Provision (benefit) for income taxes	67	26	44	42	(141)
Depreciation and amortization <sup>1</sup>	274	284	207	186	137
Loss on extinguishment and modification of debt <sup>2</sup>	—	709	87	108	106
Restructuring charge	—	—	6	6	—
Stock-based compensation <sup>3</sup>	20	16	16	17	18
Management fee & related expenses paid to Equity Sponsors <sup>4</sup>	5	5	2	—	—
Costs related to public offerings <sup>5</sup>	—	—	20	2	1
Other	(2)	—	—	(6)	(4)
<b>Adjusted EBITDA</b>	<b>\$396</b>	<b>\$553</b>	<b>\$658</b>	<b>\$775</b>	<b>\$831</b>

<sup>1</sup> Depreciation and amortization includes amounts recorded within Cost of sales.

<sup>2</sup> Represents the loss on extinguishment and modification of debt including the premium/(discount) paid to repurchase or call the debt as well as the write-off of unamortized deferred financing costs and other assets associated with such debt.

<sup>3</sup> Represents the non-cash costs for stock-based compensation

Represents the costs incurred for employee reductions and branch closures or consolidations. These costs include occupancy costs, severance, and other costs incurred to exit a location.

<sup>4</sup> HD Supply entered into consulting agreements with certain of its Pre-IPO Equity Sponsors whereby HD Supply paid such Equity Sponsors a \$5 million annual aggregate management fee and related expenses. These consulting agreements were terminated in conjunction with HD Supply's IPO in the second quarter of fiscal 2013.

<sup>5</sup> Represents the costs expensed in connection with the company's IPO and subsequent secondary offerings, including approximately \$18 million paid to the Equity Sponsors for termination of the consulting agreements.

