



2013 Second-Quarter Performance
Financial Results and Company Highlights

September 10, 2013

Disclaimers



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’s (the “SEC”), including our Registration Statement on Form S-1, as amended (File No. 333-187872), 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.

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.”

- **Trusted Local Execution, Market and Product Knowledge, Customer Relationships Based on Reliability of Service, and Supplier Alignment Based on Performance**
- **#1 Positions with 7% Share in ~\$110 Billion Fragmented Market**
- **MRO, Infrastructure and Construction End Market Exposure with Sequential, Overlapping Growth**
- **Strategic High Return Growth Investments Deliver Growth in Excess of Estimated Market Growth**
- **Focused on Getting Better and Faster Through Team Work, Process Excellence and Trusted Relationships**

2Q'13 Performance Highlights



- **+10% Sales and +14% EBITDA Growth VPY**
 - \$2.3B Sales, \$218M Adjusted EBITDA

- **Sales Growth in Excess of Estimated Market Growth in all Primary Business Units:**
 - Facilities Maintenance +12%
 - Waterworks +14%
 - Power Solutions +4%
 - White Cap +9%

- **End Market and Weather Impact**

Growth in Excess of Estimated Market Growth



Key Growth Strategies



- 1. Sell More to Existing Customers (i.e. Share of Wallet)**
- 2. Introduce New Products and Services**
- 3. Acquire New Customers**
- 4. Expand the Channels to Reach Our Customers (e.g. Internet, Catalog)**
- 5. Enter New Geographies (i.e. Open New Locations)**

Market Commentary



					'13 Outlook ¹
Primary End Market					
Residential	✓	✓	✓	✓	Mixed
Non-Residential	✓	✓	✓	✓	Delayed
Infrastructure & Other	✓	✓	✓	✓	Delayed
Municipal	✓				
Power			✓		
MRO	✓				As Expected

¹ Management Estimate Based on 3rd Party Data

Delayed Recoveries in Non-Residential Construction and Municipal Spending



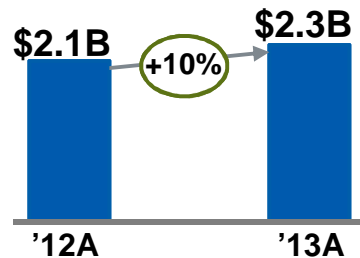
Q2'13 Financial Results



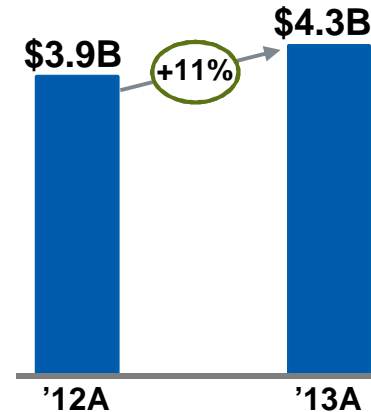
(\$ in millions, unless otherwise noted)

Sales

2nd Qtr.



1st Half



Gross Profit
Gross Margin %

	'12A	'13A	VPY
Gross Profit	\$594M	\$661M	+11%
Gross Margin %	28.8%	29.3%	+50BPs

	'12A	'13A	VPY
Gross Profit	\$1,117M	\$1,259M	+13%
Gross Margin %	28.7%	29.1%	+40BPs

Operating Income
Op. Income %

	'12A	'13A	VPY
Operating Income	\$103	\$150	+46%
Op. Income %	5.0%	6.6%	+160BPs

	'12A	'13A	VPY
Operating Income	\$146	\$250	+71%
Op. Income %	3.7%	5.8%	+210BPs

Adj. EBITDA
Adj. EBITDA %

	'12A	'13A	VPY
Adj. EBITDA	\$192M	\$218M	+14%
Adj. EBITDA %	9.3%	9.7%	+40BPs

	'12A	'13A	VPY
Adj. EBITDA	\$325M	\$382M	+18%
Adj. EBITDA %	8.3%	8.8%	+50BPs

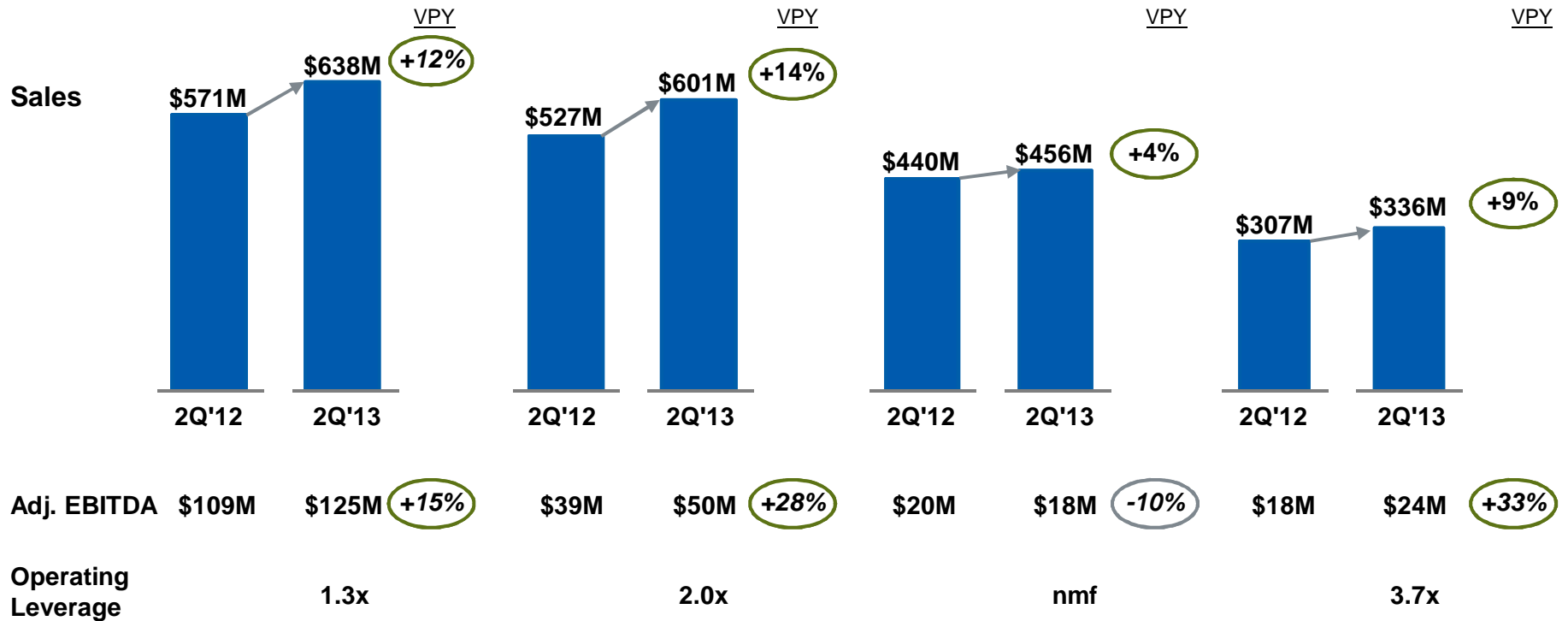
+10% Sales Growth; +14% Adjusted EBITDA Growth in Q2



Q2 Segment Performance



(\$ in millions)



Strong Sales Growth and Operating Leverage



Liquidity and Capital



(\$ in millions, unless otherwise noted)

- **\$32M Capital Expenditures During Q2'13**
- **\$946M Liquidity at the End of Q2'13**
- **No Material Bank Debt Maturities Until 2017 and No Note Maturities Until 2019**
 - **IPO Proceeds of \$1B Used to Redeem 10.5% Senior Subordinated Notes Saving Approximately \$100M Annual Interest Expense**
- **Customer Relationship Intangible Asset Amortization Expense Reduction Through '15**
- **Favorable Tax Asset with Significant Gross Federal Net Operating Loss Carryforwards of \$2.3B**

Q2'13 Debt Balances

<u>Facility</u>	<u>Balance</u> ¹	<u>Maturity</u>
Sec. ABL	\$500	10/12/17
Sec. Term Loan	969	10/12/17
Sec. 1 st Lien Notes	1,269	4/15/19
Sec. 2 nd Lien Notes	675	4/15/20
Unsec. Sr. Notes @ 11.5%	1,000	7/15/20
Unsec. Sr. Notes @ 7.5%	1,275	7/15/20
Gross Debt	\$5,688	
Cash	109	
Net Debt	\$5,579	

¹ Net of Original Issue Discount and Premium

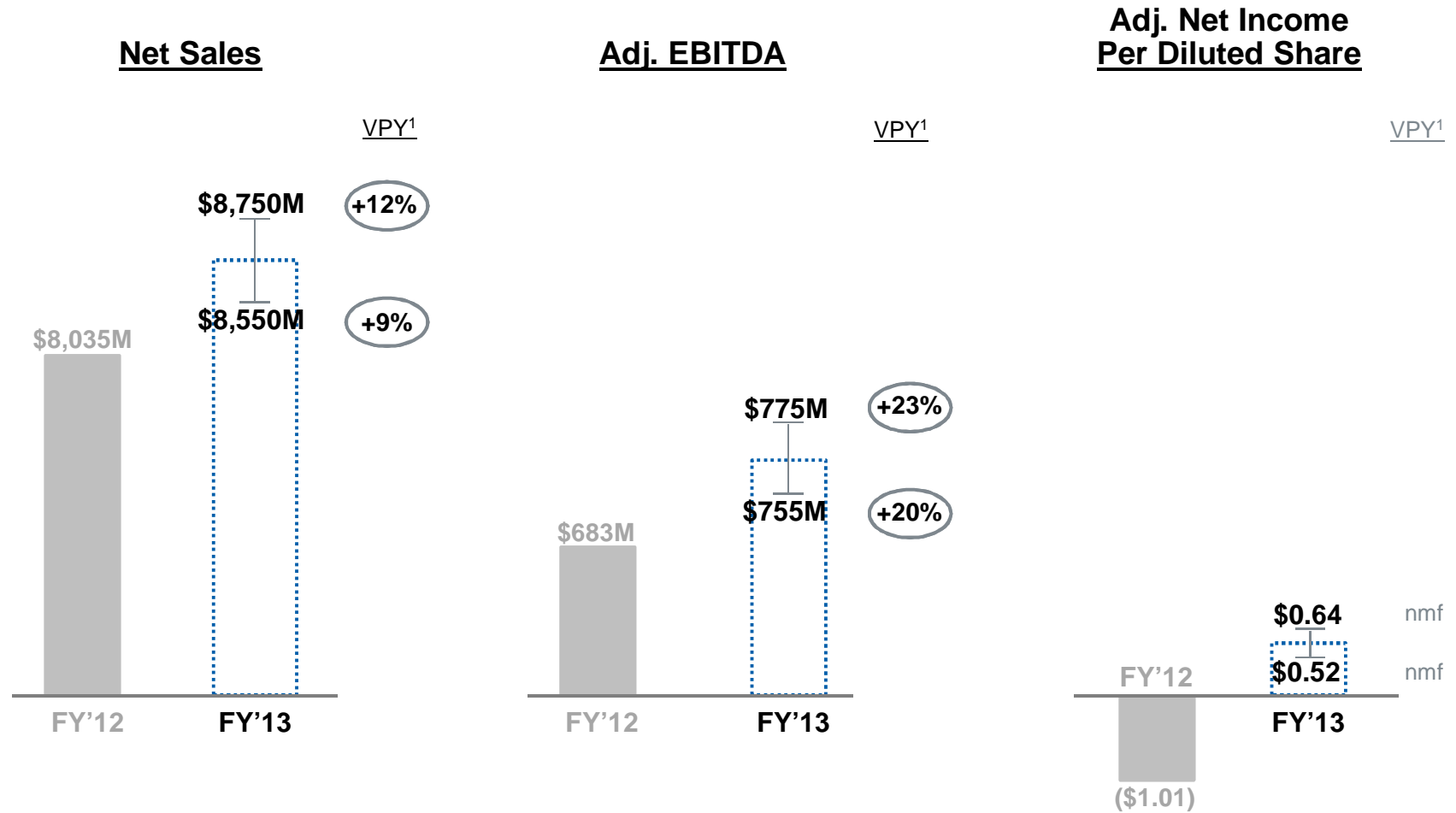
**\$946M Liquidity with No Near Term Debt Maturities...
Positioned for Growth**



FY'13 Outlook



(\$ in millions, except per share amounts)



¹ Adjusted for 53rd Week and Impact of CB Extension

Controllable Execution to Offset Non-Residential and Municipal Recovery Delays



Concluding Remarks



- **Growth in Excess of Estimated Market Growth... Double-Digit Sales and EBITDA Growth**
- **Delays in Non-Residential Construction and Municipal Spending Recovery**
- **Well-Positioned in Large, Fragmented Markets**
- **Intensely Focused on Controllable Execution... Investing for Growth with High Return Growth Initiatives**
- **In Early Innings of Full Potential... Getting Better and Faster**

Strong Q2 Performance



A nighttime photograph of a city skyline, likely Atlanta, Georgia, featuring several prominent skyscrapers illuminated against a dark blue sky. In the foreground, a multi-lane highway is visible with light trails from traffic. The HD Supply logo is overlaid in the center of the image.

HD SUPPLY®

Q&A

***We Supply the Products and Services to Build
Your City and Keep it Running***



Appendix

Reconciliation to Non-GAAP Measures: Adjusted EBITDA



(\$ in millions)

	Three Months Ended		Six Months Ended		Full Year
	August 4, 2013	July 29, 2012	August 4, 2013	July 29, 2012	Fiscal 2012
Net income (loss)	\$ (72)	\$(56)	\$ (203)	\$(416)	\$(1,179)
Less income (loss) from discontinued operations, net of tax	–	–	–	16	20
Income (loss) from continuing operations	(72)	(56)	(203)	(432)	(1,199)
Interest expense, net	144	158	291	324	658
Provision (benefit) from income taxes	12	1	55	34	3
Depreciation and amortization (i)	62	84	122	167	339
Loss on extinguishment & modification of debt (ii)	46	–	87	220	709
Stock -based compensation (iii)	5	5	8	10	16
Management fee & related expenses paid to Equity Sponsors (iv)	1	2	2	3	5
Costs related to the initial public offering (v)	20	–	20	–	–
Goodwill and other intangible asset impairment (vi)	–	–	–	–	152
Other	–	(2)	–	(1)	–
Adjusted EBITDA	\$ 218	\$ 192	\$ 382	\$ 325	\$ 683

(i) Depreciation and amortization includes amounts recorded within Cost of sales in the Consolidated Statements of Operations.

(ii) Represents the loss on extinguishment of debt including the premium paid to repurchase or call the debt as well as the write-off of unamortized deferred financing costs and other assets or liabilities associated with such debt. Also includes the costs of debt modification.

(iii) Represents the non-cash costs for stock-based compensation.

(iv) The Company entered into consulting agreements with the Equity Sponsors whereby the Company paid the Equity Sponsors a \$5 million annual aggregate management fee and related expenses. These consulting agreements were terminated in conjunction with the Company's initial public offering in the second quarter of fiscal 2013.

(v) Represents the costs expensed in connection with the initial public offering, including approximately \$18 million paid to the Equity Sponsors for termination of the consulting agreements.

(vi) Represents the non-cash impairment charge of goodwill and an intangible asset recognized in accordance with Accounting Standards Codification 350, Intangibles – Goodwill and Other.

Reconciliation to GAAP



Reconciliation to Non-GAAP Measures: Adjusted Net Income



(\$ in millions, except per share amounts)

	Three Months Ended		Six Months Ended		Full Year
	August 4, 2013	July 29, 2012	August 4, 2013	July 29, 2012	Fiscal 2012
Net income (loss)	\$ (72)	\$(56)	\$ (203)	\$(416)	\$(1,179)
Less income (loss) from discontinued operations, net of tax	–	–	–	16	20
Income (loss) from continuing operations	(72)	(56)	(203)	(432)	(1,199)
Plus: Provision (benefit) from income taxes	12	1	55	34	3
Less: Cash income taxes	(3)	(2)	(5)	(2)	(1)
Plus: Amortization of acquisition-related intangible assets (other than software)	33	60	67	120	243
Plus: Loss on extinguishment & modification of debt (i)	46	–	87	220	709
Plus: Costs related to the initial public offering (ii)	20	–	20	–	–
Plus: Goodwill & other intangible asset impairment (iii)	–	–	–	–	113
Adjusted net income (loss)	\$ 36	\$ 3	\$ 21	\$ (60)	\$ (132)
Weighted average common shares outstanding – diluted (in thousands)	157,751	134,094	146,216	130,555	130,561
Adjusted net income (loss) per share – diluted	\$ 0.23	\$ 0.02	\$ 0.14	\$ (0.46)	\$ (1.01)

(i) Represents the loss on extinguishment of debt including the premium paid to repurchase or call the debt as well as the write-off of unamortized deferred financing costs and other assets or liabilities associated with such debt. Also includes the costs of debt modifications.

(ii) Represents the costs expensed in connection with the initial public offering, including approximately \$18 million paid to the Equity Sponsors for termination of consulting agreements.

(iii) Represents the non-cash impairment charge of goodwill and an intangible asset recognized in accordance with Accounting Standards Codification 350, Intangibles – Goodwill and Other.

Reconciliation to GAAP



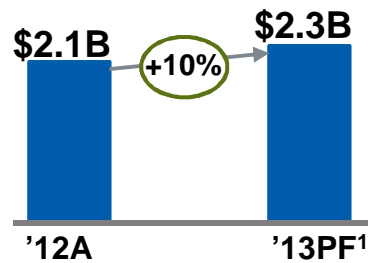
Q2'13 Adjusted for Crown Bolt Impact



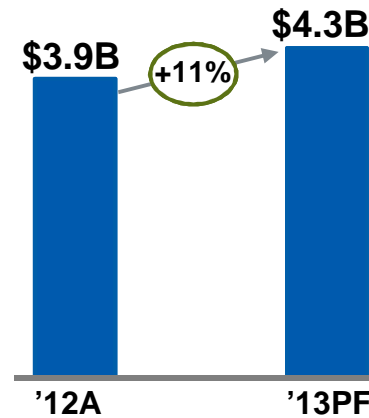
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Sales

2nd Qtr.



1st Half



Gross Profit
Gross Margin %

	'12A	'13PF ¹	VPY
Gross Profit	\$594M	\$667M	+12%
Gross Margin %	28.8%	29.5%	+70BPs

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Gross Profit	\$1,117M	\$1,271M	+14%
Gross Margin %	28.7%	29.3%	+60BPs

Operating Income
Op. Income %

	'12A	'13PF ¹	VPY
Operating Income	\$103	\$156	+51%
Op. Income %	5.0%	6.9%	+190BPs

	'12A	'13PF ¹	VPY
Operating Income	\$146	\$262	+79%
Op. Income %	3.7%	6.0%	+230BPs

Adj. EBITDA
Adj. EBITDA %

	'12A	'13PF ¹	VPY
Adj. EBITDA	\$192M	\$224M	+17%
Adj. EBITDA %	9.3%	9.9%	+60BPs

	'12A	'13PF ¹	VPY
Adj. EBITDA	\$325M	\$394M	+21%
Adj. EBITDA %	8.3%	9.1%	+80BPs

¹ '13PF Represents Consolidated Financials (10-Q p5 & p22) Adjusted by Adding \$6M and \$12M for Q2'13 and H1'13, Respectively (10-Q p37) to Sales with 100% Pass Through to Operating Income

+10% Sales Growth; +17% Adjusted EBITDA Growth in Q2

