



FINANCIAL RESULTS AND COMPANY OVERVIEW

2018 First-Quarter Performance

June 5th, 2018

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 28, 2018, filed on March 13, 2018 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, Adjusted net income per diluted share and Net Debt referred to in this presentation is included at the end of this presentation under “Reconciliation of Non-GAAP Measures and Capital Structure Overview.”

Q1'18 Execution Highlights



- ✓ **+14% Net Sales Growth Versus Prior Year (“VPY”)**
 - ✓ +10% Organic Sales Growth VPY
- ✓ **+17% Operating Income Growth VPY**
- ✓ **+53% Income from Continuing Operations VPY**
- ✓ **+5% Net Income Growth VPY**
- ✓ **+21% Adjusted EBITDA¹ Growth VPY**
 - ✓ Operating Leverage² of 1.5x
- ✓ **+79% Adjusted Net Income per Diluted Share¹ Growth VPY**
- ✓ **\$380M LTM Free Cash Flow³**

¹ See appendix slides 19 and 20 for a reconciliation of Adjusted EBITDA, Adjusted Net Income and Adjusted Net Income per Diluted Share to Net Income and Income from Continuing Operations

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

³ Free Cash Flow is defined as LTM Operating Cash Flow \$469M, Less Capital Expenditures \$89M (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. Weather	Milder February Offset by March Storms and Cool April
2. Freight Costs	Rising Freight Costs Mitigated
3. Labor Inflation	Modest Increase in Labor Costs
4. Tariff Impacts	Rebar Represents Approximately 5% of Total Sales
5. Non-residential End Market	Demand Remains Strong
6. Tax Reform	Full Tax Payer by Mid-2019

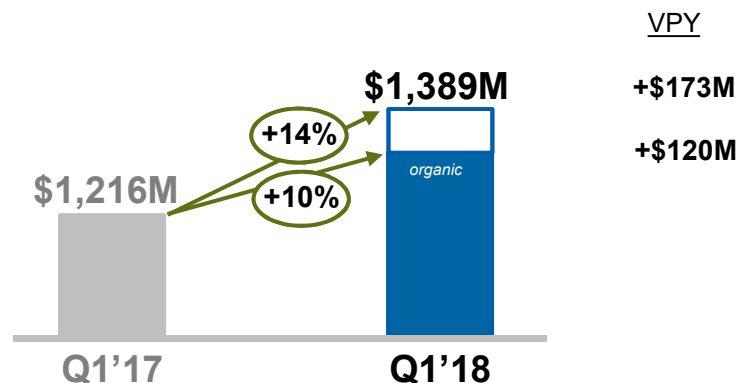
Focused on Shareholder Value

Q1'18 Financial Results



(\$ in millions, except per share data)

Net Sales



	Q1'17	Q1'18	Change
Gross Profit	\$484M	\$552M	+14%
<i>Gross Margin %</i>	39.8%	39.7%	-10 BPs
Operating Income	\$129M	\$151M	+17%
<i>Op. Income %</i>	10.6%	10.9%	+30 BPs
Net Income	\$85M	\$89M	+5%
Per Diluted Share	\$0.42	\$0.48	+\$0.06
Adj. EBITDA¹	\$157M	\$190M	+21%
<i>Adj. EBITDA %</i>	12.9%	13.7%	+80 BPs
Adj. Net Income¹	\$80M	\$130M	+63%
Per Diluted Share ¹	\$0.39	\$0.70	+79%

¹ See appendix slides 19 and 20 for a reconciliation of Adjusted EBITDA, Adjusted Net Income and Adjusted Net Income per Diluted Share to Net Income and Income from Continuing Operations

+14.2% Net Sales Growth VPY

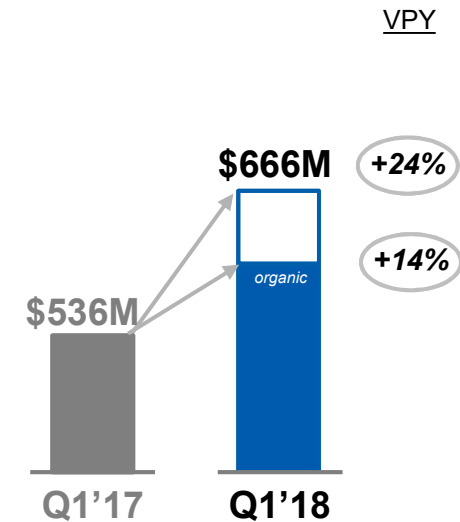
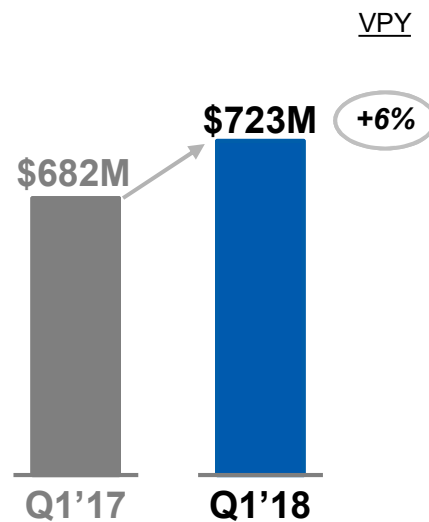
Q1'18 Segment Performance



(\$ in millions)



Net Sales



Adj. EBITDA



Operating Leverage

2.3x

1.5x

Organic Growth in Both Business Units

Taxes

- **Favorable Tax Asset with Significant Gross Federal Net Operating Loss (“NOL”) Carryforwards of Approximately \$675 Million**
 - ~\$205M Tax-affected Amount of Federal and State NOLs
- **Cash Taxes**
 - \$2M in Q1'18
 - \$2-4M Estimated in Q2'18
 - \$10-12M Estimated in FY'18
- **Effective Rate**
 - ~25% for Q1'18
 - Expected 25-26% for FY'18

Cash Flow

- **\$2.1B Net Debt¹ at the End of Q1'18**
 - 2.6x Net Debt to Adj. EBITDA
- **\$380M Q1'18 LTM Free Cash Flow²**
- **\$19M of Capital Expenditures in Q1'18**

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

¹ Reconciled on slide 15

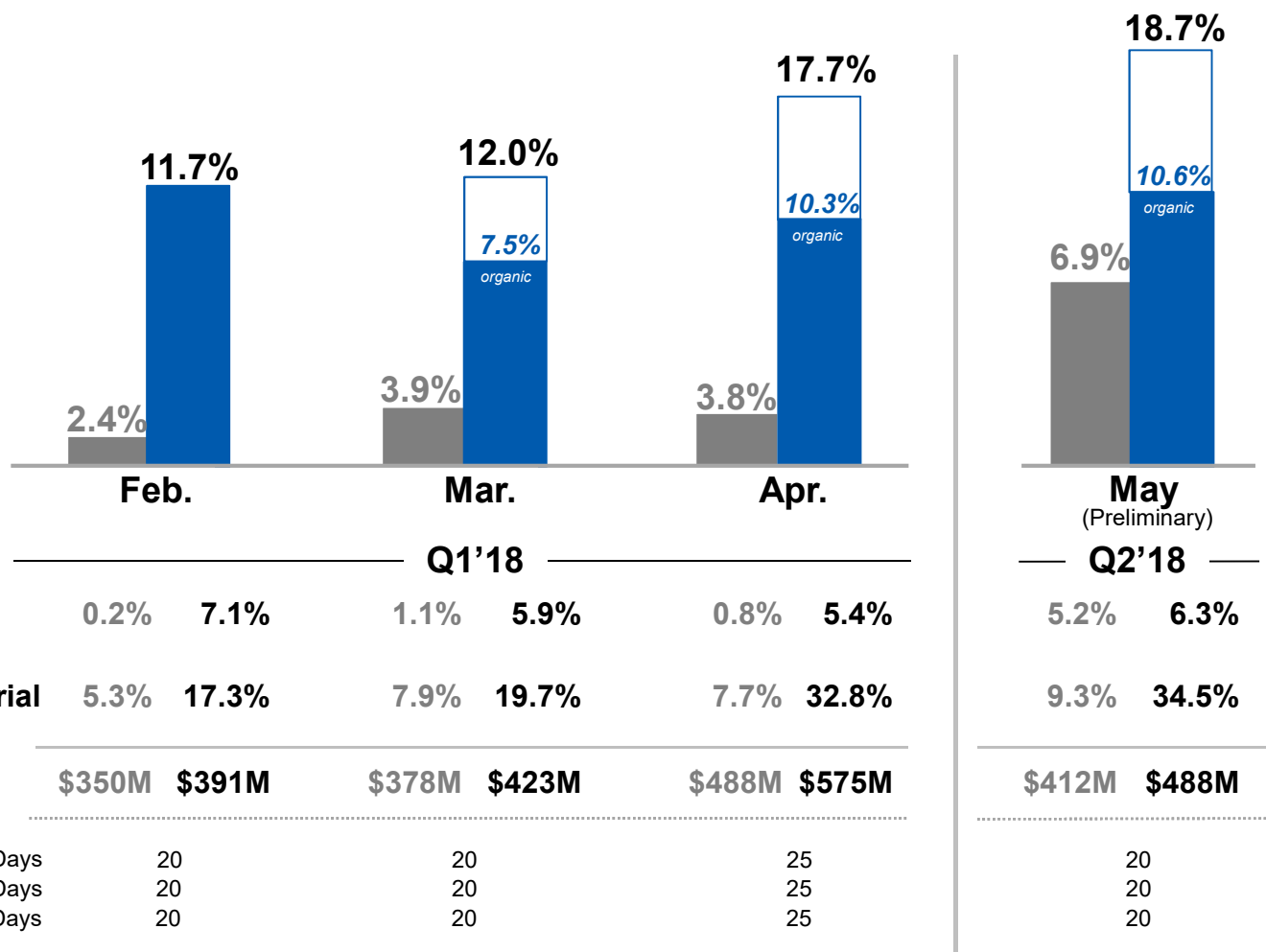
² Free Cash Flow is defined as Operating Cash Flow of \$469M, Less Capital Expenditures of \$89M (including Cash Flow from Discontinued Operations)

Q1'18 Monthly Average Daily Sales (%)



■ Prior Year
■ Current Year

HD Supply Average Daily Sales Growth VPY



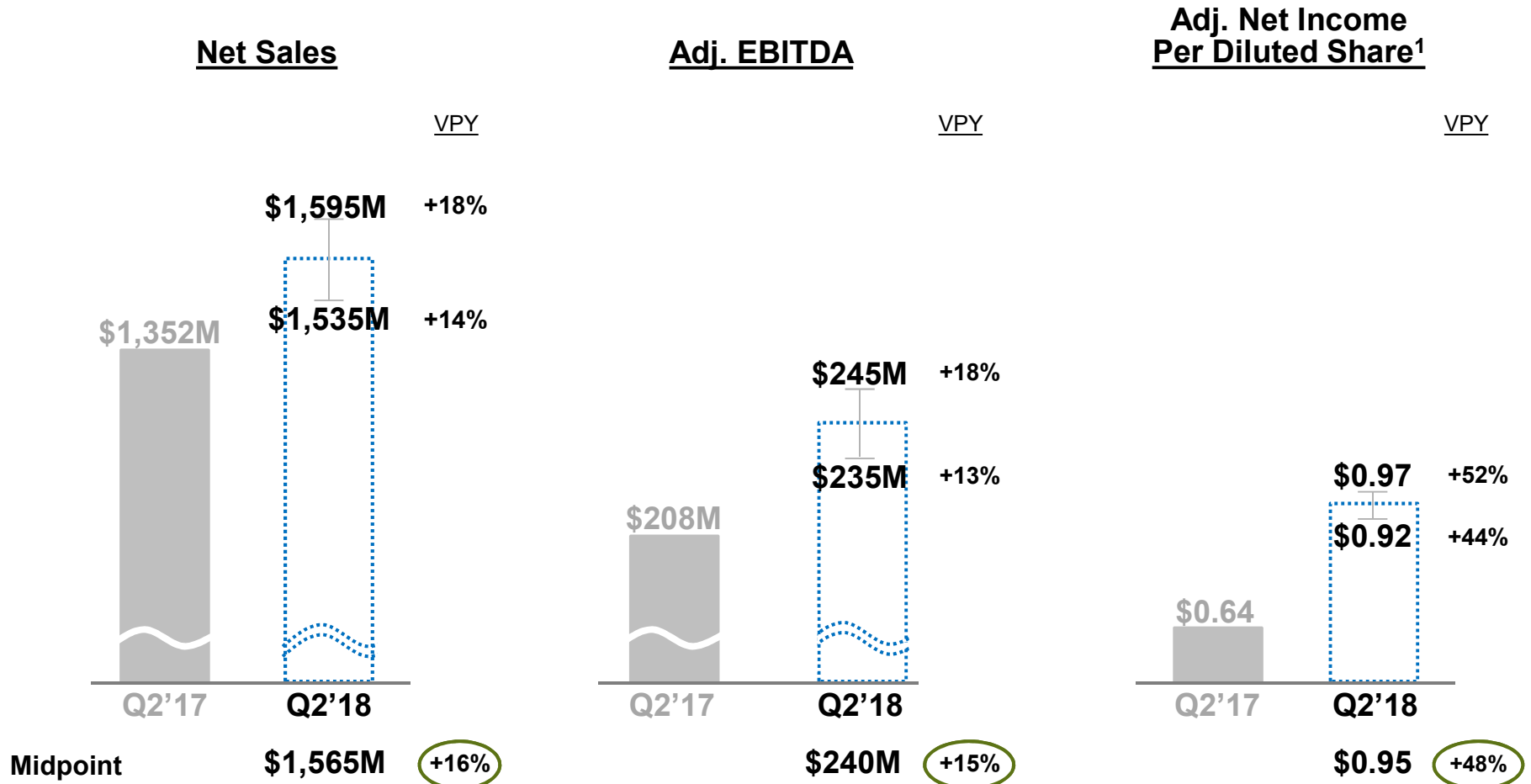
Note: Contains forward-looking information; please see Disclaimer on slide 2

+14.2% Q1'18 Average Daily Sales Growth

Q2'18 Guidance



(\$ in millions, except per share amounts)



¹ Q2'18 Adjusted Net Income per Diluted Share range assumes a fully diluted weighted average share count of ~185 million
 Note: Contains forward looking information; please see Disclaimer on slide 2. No reconciliation of the forecasted range for Adjusted EBITDA to Net income and Adjusted net income per diluted share to Net income per diluted share for the second quarter 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.

+16% Net Sales Growth VPY at Midpoint

FY'18 End Market Preliminary Outlook



— FY'18 End Market Estimates¹ —

Current View
as of June '18

Primary End Market



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; end market growth 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

Q2'18

- **+16% Net Sales VPY at Midpoint**
 - \$1,535M to \$1,595M Net Sales
- **+15% Adj. EBITDA VPY at Midpoint**
 - \$235M to \$245M Adj. EBITDA
- **+48% Adj. Net Income per Diluted Share VPY at Midpoint**
 - \$0.92 to \$0.97 Adj. Net Income per Diluted Share
- **Assumes ~185M Diluted Share Count²**

FY'18

- **+2% to +3% End Market VPY¹**
- **+15% Net Sales VPY at Midpoint**
 - \$5,820M to \$5,940M Net Sales
- **+16% Adj. EBITDA VPY at Midpoint**
 - \$832M to \$862M Adj. EBITDA
- **+38% Adj. Net Income per Diluted Share VPY at Midpoint**
 - \$3.11 to \$3.27 Adj. Net Income per Diluted Share
- **Assumes ~185M Diluted Share Count²**

¹Management estimate; end market growth based on multiple quantitative and qualitative inputs

²Assumes No Additional Share Repurchases

Note: Contains forward looking information; please see Disclaimer on slide 2. No reconciliation of the forecasted range for Adjusted EBITDA to Net income and Adjusted net income per diluted share to Net income per diluted share for the second quarter of fiscal 2018 and full-year 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

The image features a black and white photograph of a city skyline at night, with numerous skyscrapers and a complex highway interchange. 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**
 - **+14% Net Sales Growth** in Q1'18 VPY
 - **+21% Adjusted EBITDA¹ Growth** in Q1'18 VPY
 - **1.5x Operating Leverage**
 - **+79% Adjusted Net Income per Diluted Share Growth¹** in Q1'18 VPY

- **Strong Start to 2018**

- **First Investor Day:** June 21st, 2018, Atlanta Leadership Development Center

¹ See appendix slides 19 and 20 for a reconciliation of Adjusted EBITDA, Adjusted Net Income and Adjusted Net Income per Diluted Share to Net Income and Income from Continuing Operations
Note: "VPY" denotes Versus Prior Year.



HD SUPPLY®

APPENDIX

Capital Structure Overview



(\$ in millions)

	Q1'18 Debt Balances			
	Balance	Interest Rate ¹	Maturity	Soft Call Date ²
Senior ABL Facility	\$52	2.91%	4/5/22	n/a
Term B-3 Loans	533	4.55%	8/13/21	Now
Term B-4 Loans	543	4.80%	10/17/23	Now
April 2016 Senior Unsecured Notes	1,000	5.75%	4/15/24	4/15/19
Outstanding Debt³	\$2,128			
Plus: Letters of Credit	27			
Less: Cash and Cash Equivalents	(150)			
Plus: Capital Lease	87			
Net Debt	\$2,092			

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 \$24M

Illustrative Adjusted EPS Calculation



(\$ in millions, except per share data)

Illustrative

	Actual				Estimates	
	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	FY'18
Adjusted EBITDA	\$208M	\$214M	\$152M	\$190M	TBD	TBD
(-) Depreciation and Amortization ¹	(\$22M)	(\$22M)	(\$24M)	(\$24M)	(~\$27M)	(~\$104M)
(+) Amortization of Acquired Intangibles	\$3M	\$3M	\$3M	\$5M	~\$6M	~\$22M
(-) Interest Expense, Net (GAAP)	(\$49M)	(\$35M)	(\$31M)	(\$33M)	(~\$35M)	(~\$140M)
(-) Cash Income Taxes ²	(\$7M)	(\$4M)	(\$2M)	(\$2M)	(~\$3M)	(~\$11M)
(-) Stock-based Compensation	(\$6M)	(\$7M)	(\$7M)	(\$6M)	(~\$6M)	(~\$24M)
= Adjusted Net Income	\$127M	\$149M	\$91M	\$130M	TBD	TBD
÷ Diluted Shares Outstanding	~199M	~187M	~186M	~185M	~185M	~185M
= Adjusted Net Income per Diluted Share	\$0.64	\$0.80	\$0.49	\$0.70	TBD	TBD

¹ Includes Amounts Recorded within Cost of Sales

² Q3'17 excludes \$13 million of taxes paid in relation to the sale of the Waterworks Business Unit

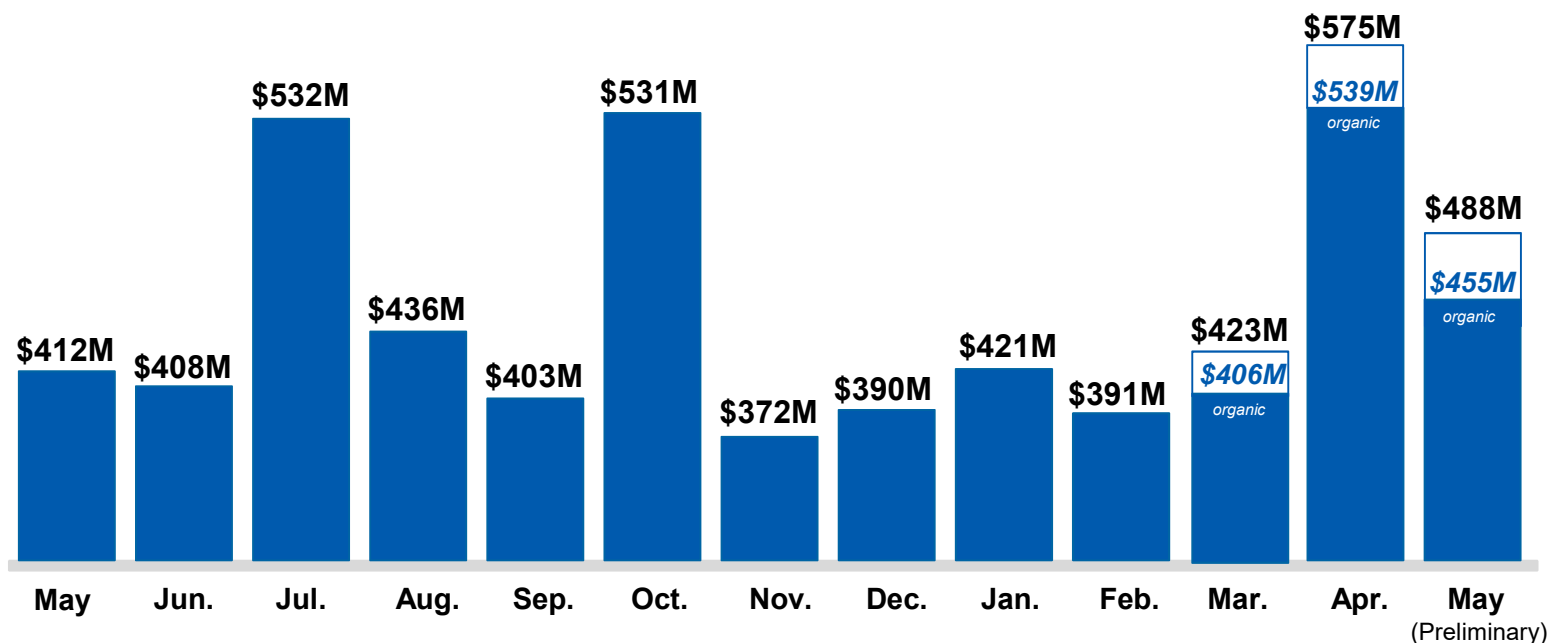
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Monthly Net Sales (\$)



(\$ in millions)

HD Supply Net Sales



	FY'17						FY'18						
	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
Facil. Maint.	\$232	\$231	\$306	\$248	\$223	\$283	\$197	\$208	\$237	\$212	\$224	\$287	\$246
Const. & Ind.	\$180	\$178	\$226	\$188	\$180	\$249	\$175	\$182	\$185	\$179	\$199	\$288	\$243
'18 Selling Days	20	19	24	20	19	25	18	20	28 ¹	20	20	25	20
'17 Selling Days	20	19	24	20	19	25	18	20	23	20	20	25	20
'16 Selling Days	20	19	24	20	19	25	18	20	23	20	20	25	20

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

¹ Contains an extra selling week as compared with other years. Fiscal 2018 contains 53 weeks

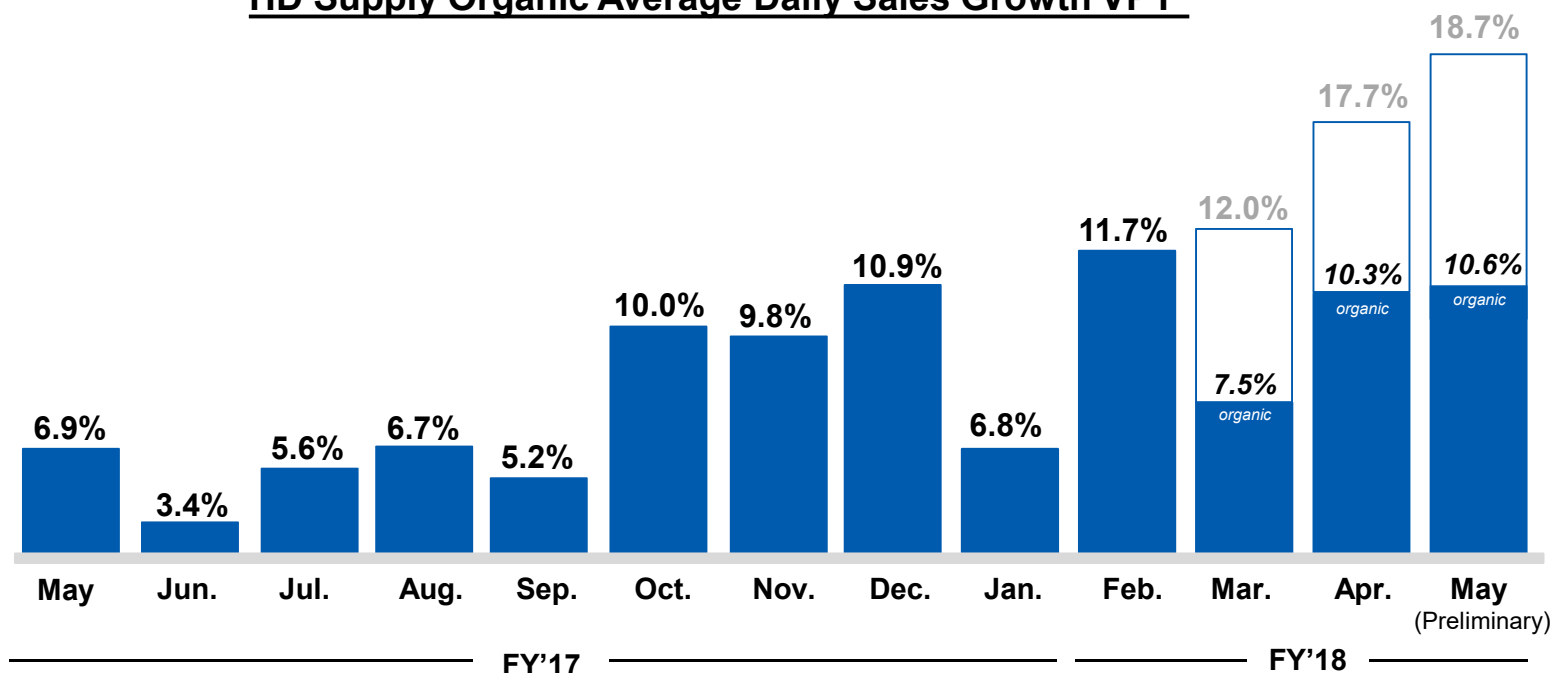
\$488M Preliminary May Sales

Average Daily Sales – Organic¹ (VPY%)



(VPY%)

HD Supply Organic Average Daily Sales Growth VPY¹



	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May (Preliminary)
Facil. Maint.	5.2%	2.6%	3.7%	4.3%	1.3%	6.1%	4.3%	4.9%	2.2%	7.1%	5.9%	5.4%	6.3%
Const. & Ind.	9.3%	4.5%	8.2%	9.8%	10.3%	14.5%	16.4%	18.6%	13.3%	17.3%	9.4%	16.3%	16.0%

'18 Selling Days	20	19	24	20	19	25	18	20	28 ²	20	20	25	20
'17 Selling Days	20	19	24	20	19	25	18	20	23	20	20	25	20
'16 Selling Days	20	19	24	20	19	25	18	20	23	20	20	25	20

¹ Adjusted for Acquisitions, Divestitures, and Selling Days

² Contains an extra selling week as compared with other years. Fiscal 2018 contains 53 weeks

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

+10.6% Organic Preliminary Average Daily Sales Growth in May

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



(\$ in millions)

	<u>Q1'18</u>	<u>Q1'17</u>
Net income	\$89	\$ 85
Less income from discontinued operations, net of tax	-	27
Income from continuing operations	89	58
Interest expense, net	33	49
Provision for income taxes	29	19
Depreciation and amortization ¹	24	22
Loss on extinguishment of debt ²	-	3
Restructuring charges ³	7	-
Stock-based compensation	6	6
Acquisition and integration costs ⁴	2	-
Adjusted EBITDA	<u>\$ 190</u>	<u>\$ 157</u>

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

³ Represents the costs related to exiting the Company's previous corporate headquarters and the costs incurred for strategic alignment of our workforce. These costs include severance, relocation costs and other related costs

⁴ Represents the costs incurred in the acquisition and integration of A.H. Harris Construction Supplies, purchased on March 5, 2018

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)

	<u>Q1'18</u>	<u>Q1'17</u>
Net income	\$89	\$ 85
Less income from discontinued operations, net of tax	-	<u>27</u>
Income from continuing operations	<u>89</u>	<u>58</u>
Provision for income taxes	29	19
Cash paid for income taxes	(2)	(3)
Amortization of acquisition related intangible assets (other than software)	5	3
Loss on extinguishment of debt ¹	-	3
Restructuring charges ²	7	-
Acquisition and integration costs ³	2	-
Adjusted Net Income	<u><u>\$ 130</u></u>	<u><u>\$ 80</u></u>
Weighted average common shares outstanding (in thousands)		
Basic	184,326	200,708
Diluted	185,155	203,017
Adjusted Net Income Per Share - Basic	\$0.71	\$0.40
Adjusted Net Income Per Share - Diluted	\$0.70	\$0.39

¹ 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

² Represents the costs related to exiting the Company's previous corporate headquarters and the costs incurred for strategic alignment of our workforce. These costs include severance, relocation costs and other related costs

³ Represents the costs incurred in the acquisition and integration of A.H. Harris Construction Supplies, purchased on March 5, 2018