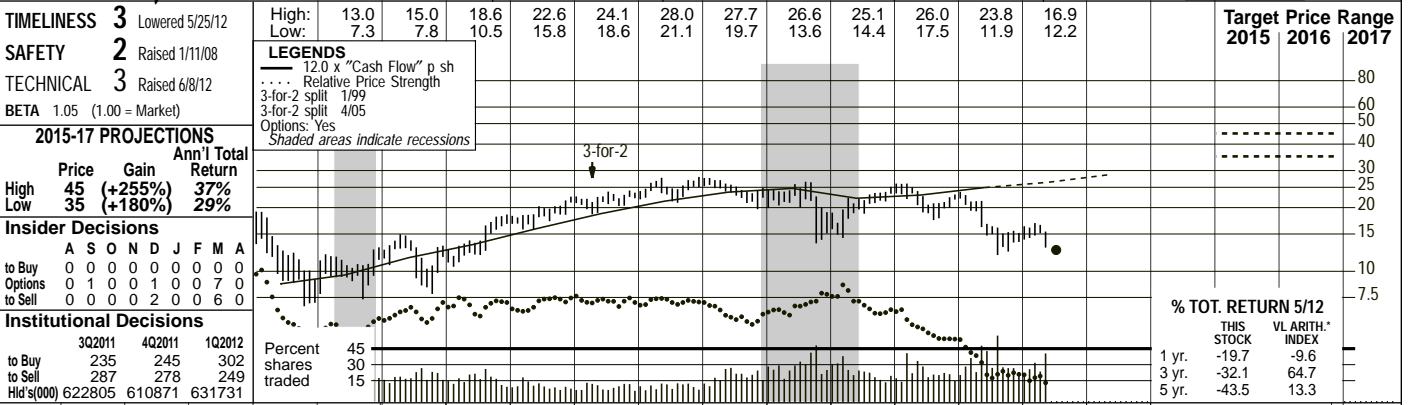


STAPLES, INC. NDQ-SPLS

RECENT PRICE **12.60** P/E RATIO **8.4** (Trailing: 9.2; Median: 17.0) RELATIVE P/E RATIO **0.60** DIV'D YLD **3.5%**

VALUE LINE



Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	15-17		
Price	7.25	9.13	10.30	13.03	15.66	15.44	16.34	17.60	19.41	22.01	25.27	27.64	32.29	33.32	34.05	35.96	36.80	37.65	Sales per sh ^A	43.20	
Gain	.30	.41	.49	.71	.73	.80	.96	1.11	1.33	1.56	1.79	1.98	2.06	1.85	1.92	2.08	2.15	2.30	"Cash Flow"/per sh	3.05	
Return	.19	.26	.35	.45	.39	.44	.59	.75	.93	1.12	1.28	1.38	1.29	1.10	1.21	1.37	1.50	1.65	Earnings per sh ^B	2.40	
Options to Buy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Div'ds Decl'd per sh ^C	.60
Options to Sell	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Book Value per sh	18.35
Hld's(000)	622805	610871	610871	631731	681.49	695.99	709.66	748.79	744.50	730.44	718.73	700.98	714.86	728.67	720.91	695.74	690.00	685.00	Common Shs Outst'g ^D	655.00	
3Q2011	235	245	302	302	302	302	302	302	302	302	302	302	302	302	302	302	302	302	302	Avg Ann'l P/E Ratio	17.0
4Q2011	245	245	302	302	302	302	302	302	302	302	302	302	302	302	302	302	302	302	302	Relative P/E Ratio	1.15
1Q2012	245	245	302	302	302	302	302	302	302	302	302	302	302	302	302	302	302	302	302	Avg Ann'l Div'd Yield	1.6%

Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	15-17		
Total Debt	\$2034	\$2034	\$2034	\$2034	\$2034	\$2034	\$2034	\$2034	\$2034	\$2034	\$2034	\$2034	\$2034	\$2034	\$2034	\$2034	\$2034	\$2034	\$2034	Sales (\$mill) ^A	28300
LT Debt	\$1595.9	\$1595.9	\$1595.9	\$1595.9	\$1595.9	\$1595.9	\$1595.9	\$1595.9	\$1595.9	\$1595.9	\$1595.9	\$1595.9	\$1595.9	\$1595.9	\$1595.9	\$1595.9	\$1595.9	\$1595.9	\$1595.9	Gross Margin	30.0%
LT Interest	\$75.0	\$75.0	\$75.0	\$75.0	\$75.0	\$75.0	\$75.0	\$75.0	\$75.0	\$75.0	\$75.0	\$75.0	\$75.0	\$75.0	\$75.0	\$75.0	\$75.0	\$75.0	\$75.0	Operating Margin	11.0%
(Total int. coverage 10.8x)	1488	1559	1680	1780	1884	2038	2218	2443	2643	2917	3218	3543	3903	4293	4723	5193	5703	6253	6843	Number of Stores	2000
(18% of Cap'l)	417.1	551.9	708.4	834.4	948.2	995.7	923.8	793.9	881.9	963.9	1040	1135	1135	1135	1135	1135	1135	1135	1135	Net Profit (\$mill)	1600
Leases, Uncapitalized	37.0%	37.0%	36.5%	36.5%	35.9%	35.9%	34.3%	34.5%	34.5%	34.5%	34.5%	34.5%	34.5%	34.5%	34.5%	34.5%	34.5%	34.5%	34.5%	Income Tax Rate	35.0%
Annual rentals \$840 mill.	3.6%	4.2%	4.9%	5.2%	5.2%	5.1%	4.0%	3.3%	3.6%	3.9%	4.1%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	Net Profit Margin	5.7%
No Defined Benefit Pension Plan	542.2	1355.7	1584.7	1664.6	1643.0	1945.5	951.7	2392.5	2174.6	2216.5	2500	2660	2660	2660	2660	2660	2660	2660	2660	Working Cap'l (\$mill)	3700
Preferred Stock None	732.0	567.4	557.9	527.6	316.5	342.2	1968.9	2500.3	2014.4	1599.0	1500	1400	1400	1400	1400	1400	1400	1400	1400	Long-Term Debt (\$mill)	1000
Common Stock 689,174,382 shares as of 5/14/12	2658.9	3662.9	4115.2	4425.5	5021.7	5718.0	5564.2	6771.9	6943.7	7015.2	7780	8645	8645	8645	8645	8645	8645	8645	8645	Shr. Equity (\$mill)	12020
MARKET CAP: \$8.7 billion (Large Cap)	12.6%	13.4%	15.6%	17.4%	18.1%	16.7%	12.7%	9.8%	11.0%	12.2%	11.0%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	Return on Total Cap'l	12.5%
	15.7%	15.1%	17.2%	18.9%	18.9%	17.4%	16.6%	11.7%	12.7%	13.7%	13.5%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	Return on Shr. Equity	13.5%
	--	--	14%	15%	17%	21%	25%	30%	29%	29%	26%	24%	24%	24%	24%	24%	24%	24%	24%	Retained to Com Eq	11.0%
	--	--	14%	15%	17%	21%	25%	30%	29%	29%	26%	24%	24%	24%	24%	24%	24%	24%	24%	All Div'ds to Net Prof	16%

CAPITAL STRUCTURE as of 4/28/12
 Total Debt \$2034 mill. Due in 5 Yrs \$2038.2 mill.
 LT Debt \$1595.9 mill. LT Interest \$75.0 mill.
 (Total int. coverage 10.8x)

Leases, Uncapitalized Annual rentals \$840 mill.
No Defined Benefit Pension Plan

Preferred Stock None
Common Stock 689,174,382 shares as of 5/14/12

MARKET CAP: \$8.7 billion (Large Cap)

BUSINESS: Staples, Inc. is one of the largest office supply superstore chains in the U.S. It operated 2,295 leased stores in North America, Europe, Asia and South America as of 1/28/12. Sells Staples-branded products in over 2,400 grocery stores (mainly Safeway) in the U.S. Acquired. Quill in 5/98, a European mail-order operation in 10/92 and Corporate Express in 7/08. Sales mix in '11: office supplies & services (50%), business machines (30%), computers and access (15%), furniture (5%). Has 87,782 empl. Off./dir. own 2.2% of stock; BlackRock, Inc., 5.2% (4/12 Proxy). Chairman & CEO: Ronald L. Sargent. Inc.: DE. Address: 500 Staples Dr, Framingham, MA 01702. Telephone: 508-253-5000. Internet: www.staples.com.

Year	2009	2010	2011	2012	2013
ANNUAL RATES of change (per sh)	10 Yrs.	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11	'15-'17
Sales	9.0%	10.0%	9.0%	3.5%	8.0%
"Cash Flow"	11.0%	10.0%	2.0%	10.5%	8.5%
Earnings	11.0%	10.0%	16.0%	8.5%	9.0%
Dividends	13.5%	13.5%	9.5%	9.0%	9.0%
Book Value	13.5%	13.5%	9.5%	9.0%	9.0%
Fiscal Year Begins	Apr.Per	Jul.Per	Oct.Per	Jan.Per	Full Fiscal Year
2009	5818	5533	6518	6406	24275
2010	6058	5534	6538	6415	24545
2011	6173	5819	6570	6460	25022
2012	6105	5850	6770	6675	25400
2013	6305	5950	6775	6750	25780
Fiscal Year Begins	Apr.Per	Jul.Per	Oct.Per	Jan.Per	Full Fiscal Year
2009	.22	.16	.39	.33	1.10
2010	.26	.18	.40	.38	1.21
2011	.28	.22	.47	.41	1.37
2012	.30	.23	.50	.47	1.50
2013	.34	.28	.53	.50	1.65
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	--	.33	--	--	.33
2009	--	.08	.08	.08	.24
2010	.09	.09	.09	.09	.36
2011	.10	.10	.10	.10	.40
2012	.11	.11	.11	.11	.40

International markets have become a sore spot for Staples, but there has been some relief on the domestic front. Trends in global markets, especially in Europe, are still very challenging for the company. Indeed, Staples is struggling in the euro zone, which accounts for about 75% of the company's international sales. Revenues and earnings came under pressure in the April period, due to bearish foreign markets and reduced product margins domestically. Also, a stronger U.S. dollar hurt the company's sales growth as a whole, leaving it largely dependent on domestic operations.

Staples Advantage, which focuses on business customers, is one of the bright spots. North American delivery is up 2% from the prior period, revealing firm sales growth in its Internet business, as it shifts to online mediums in order to increase product availability. On the retail front, positive tablet performance is being offset by a continued decline in desktops and computer software. Thus, profits were flat even though solid sales growth was achieved.

Headwinds from the euro zone debt crisis are not deterring Staples. Management is focusing on strengthening its margins through expense cuts and selective store closings, essentially steering Staples toward greater operating efficiency. There are no talks of opening new stores in 2012, although a repositioning of the portfolio is possible. Finally, foreign markets are expected to recover, especially as productivity strategies will take hold. **Staples expects to generate solid returns on growth investments made over the last couple of years.** Things are looking better for the second half of the fiscal year, considering seasonality and back-to-school business. Notwithstanding, it is also looking to increase computer and software sales, as the new Windows 8 program will be released in the latter half of 2012.

This stock is neutrally ranked for Timeliness, but offers good 3- to 5-year total return potential. Consequently, this equity offers a solid annual dividend yield of 3.5% and the likelihood of profit growth as cost synergies are realized.

Oriatal J. Haiby July 6, 2012