| $S$ |  | $1$ | $J_{1}$ | $Q-S$ |  |  |  | $\overline{\text { ENT }}$ | $2$ | P／E RATIO |  | $\left(\begin{array}{l} \text { Trai } \\ \mathrm{Mec} \end{array}\right.$ | $\begin{aligned} & \text { g: } 9.2 \\ & \text { n: } 17.0 \end{aligned}$ | $\begin{aligned} & \text { RELATII } \\ & \text { P/E RA } \end{aligned}$ | $0,$ | $\begin{array}{\|l} \hline \text { DIV'D } \\ \text { YLD } \end{array}$ |  |  | ALUE LINE |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| TIMELIN | $\text { JESS } 3$ | Lowered | 5／25／12 | High： Low： | $\begin{array}{r}13.0 \\ 7.3 \\ \hline\end{array}$ | $\begin{array}{r} 15.0 \\ 7.8 \\ \hline \end{array}$ | 18.6 10.5 | $\begin{aligned} & \hline 22.6 \\ & 15.8 \end{aligned}$ | $\begin{aligned} & 24.1 \\ & 18.6 \end{aligned}$ | $\begin{aligned} & 28.0 \\ & 21.1 \end{aligned}$ | $\begin{aligned} & 27.7 \\ & 19.7 \end{aligned}$ | $\begin{aligned} & 26.6 \\ & 13.6 \end{aligned}$ | $\begin{aligned} & 25.1 \\ & 14.4 \end{aligned}$ | $\begin{aligned} & \hline 26.0 \\ & 17.5 \end{aligned}$ | $\begin{aligned} & \hline 23.8 \\ & 11.9 \end{aligned}$ | $\begin{aligned} & 16.9 \\ & 12.2 \end{aligned}$ |  |  | Target Price $2015 \mid 2016$ | Range 2017 |
| SAFET | CAL | Raised 1 <br> Raised 6 | ／11／08 | $\begin{array}{\|c\|} \hline \text { LEGEN } \\ \hline \ldots .12 . \mid \\ \hline \text { Rel } \end{array}$ | $\begin{aligned} & \text { NDS } \\ & \text { OX "Cash } \\ & \text { Blative Price } \end{aligned}$ | Flow＂p Strength |  |  |  |  |  |  |  |  |  |  |  |  |  | $-80$ |
| BETA | $.05 \quad(1.00$ | Raised 6 <br> Market） |  |  | $1 / 99$ $4 / 05$ | trengn |  |  |  |  |  |  |  |  |  |  |  |  |  | 60 |
|  | 17 P | ECTIO |  | Options： Shaded | Yes | recess |  |  |  |  |  |  |  |  |  |  |  |  |  | 50 |
|  |  | － | ＇1 Total | Shaded | eas indic | recess |  |  | 3 － |  |  |  |  |  |  |  |  |  |  | 40 |
|  | 5 | ain | turn |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | －30 |
| High Low | $\left.45\}_{3}\right\}_{+1}^{+2}$ | 35\%) | $\begin{aligned} & 37 \% \\ & 29 \% \end{aligned}$ |  |  |  |  |  | 光 | Il｜${ }^{\text {III }}$ |  | ， |  |  |  |  |  |  |  | －25 |
| Insider | Decisi | ons |  |  |  |  |  | IIIII |  |  |  |  |  |  |  |  |  |  |  | 15 |
| to Buy | $\begin{array}{lll} A & S & 0 \\ 0 & 0 & 0 \end{array}$ | $\begin{array}{ccc} N & D & J \\ 0 & 0 & 0 \end{array}$ | $\begin{array}{lcc} \text { F M A } \\ 0 & 0 & 0 \end{array}$ |  |  | 1 | 开 |  |  |  |  |  |  |  |  | － |  |  |  | －10 |
| $\begin{aligned} & 10 \text { Buy } \\ & \text { Options } \end{aligned}$ | $\begin{array}{lll}0 & 0 & 0 \\ 0 & 1 & 0\end{array}$ | $\begin{array}{lll}0 & 0 & 0 \\ 0 & 1 & 0 \\ 0 & \end{array}$ | O 70 | 冉 |  | ｜｜ |  |  |  |  |  |  | － |  |  |  |  |  |  |  |
| Institut | tional D | 0 210 | 06 60 | － |  |  |  |  |  |  |  |  |  |  |  |  |  | \％TO | RETURN 5／12 |  |
|  | 302011 | 402011 | 102012 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | THIS VLARITH． <br> STOCK  <br> INDEX  |  |
| to Buy | 235 | 245 | 302 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{array}{ll}-19.7 & -9.6 \\ -32.1 & 64.7\end{array}$ |  |
|  | 622805 | 610871 278 | 249 631731 | traded |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{array}{ll}-43.5 & 64.7 \\ -43.3\end{array}$ |  |
| 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | $\bigcirc$ | E LINE PUB．LLC | 15－17 |
| 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 | sh ${ }^{\text {A }}$ | 43.20 |
| ． 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 F | ow＂per sh | 3.05 |
| ． 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 | Earning | per sh ${ }^{\text {B }}$ | 2.40 |
|  | ．． |  |  |  |  |  |  | ． 13 | ． 17 | ． 22 | ． 29 | ． 33 | ． 33 | ． 36 | ． 40 | ． 44 | ． 48 | Div＇ds D | cl＇d per sh ${ }^{\text {c }}$ | ． 60 |
| 1.39 | 1.71 | 2.40 | 2.67 | 2.59 | 2.95 | 3.75 | 4.89 | 5.53 | 6.06 | 6.99 | 8.16 | 7.78 | 9.29 | 9.63 | 10.08 | 11.25 | 12.60 | Book Val | ue per sh | 18.35 |
| 547.55 | 567.25 | 691.57 | 685.63 | 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 | Comm | Shs Outst＇g D | 655.00 |
| 30.1 | 28.0 | 37.7 | 39.1 | 28.3 | 24.1 | 20.0 | 19.5 | 20.6 | 19.5 | 19.4 | 17.3 | 16.5 | 19.1 | 17.9 | 12.1 | Bold fig | res are | Avg An | IP／E Ratio | 17.0 |
| 1.89 | 1.61 | 1.96 | 2.23 | 1.84 | 1.24 | 1.09 | 1.11 | 1.09 | 1.04 | 1.05 | ． 92 | ． 99 | 1.27 | 1.14 | ． 76 |  |  | Relativ | P／E Ratio | 1.15 |
|  |  |  |  |  |  |  |  | ．7\％ | ．8\％ | ．9\％ | 1．2\％ | 1．6\％ | 1．6\％ | 1．7\％ | 2．4\％ |  |  | Avg Ann | I Div＇d Yield | 1．6\％ |
| CAPITAL STRUCTURE as of 4／28／12 <br> 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） <br> （ $18 \%$ of Cap＇） |  |  |  |  |  | 11596 | 13181 | 14448 | 16079 | 18161 | 19373 | 23084 | 24275 | 24545 | 25022 | 25400 | 25780 | Sales | nill）${ }^{\text {A }}$ | 28300 |
|  |  |  |  |  |  | 27．7\％ | 30．3\％ | 30．3\％ | 30．3\％ | 30．4\％ | 30．7\％ | 30．2\％ | 28．5\％ | 28．7\％ | 28．9\％ | 29．0\％ | 29．0\％ | Gross M | argin | 30．0\％ |
|  |  |  |  |  |  | 8．2\％ | 8．9\％ | 9．7\％ | 10．1\％ | 10．0\％ | 10．0\％ | 10．1\％ | 8．3\％ | 8．4\％ | 8．3\％ | 8．5\％ | 9．0\％ | Operatin | Margin | 11．0\％ |
|  |  |  |  |  |  | 1488 | 1559 | 1680 | 1780 | 1884 | 2038 | 2218 | 2243 | 1900 | 1917 | 1915 | 1925 | Number | of Stores | 2000 |
|  |  |  |  |  |  | 417.1 | 551.9 | 708.4 | 834.4 | 948.2 | 995.7 | 923.8 | 793.9 | 881.9 | 963.9 | 1040 | 1135 | Net Pro | （\＄mill） | 1600 |
| Leases，Uncapitalized Annual rentals $\$ 840$ mill． No Defined Benefit Pension Plan |  |  |  |  |  | 37．0\％ | 37．0\％ | 36．5\％ | 36．5\％ | 35．9\％ | 36．0\％ | 34．3\％ | 34．5\％ | 34．5\％ | 32．5\％ | 32．5\％ | 33．0\％ | Income | Tax Rate | 35．0\％ |
|  |  |  |  |  |  | 3．6\％ | 4．2\％ | 4．9\％ | 5．2\％ | 5．2\％ | 5．1\％ | 4．0\％ | 3．3\％ | 3．6\％ | 3．9\％ | 4．1\％ | 4．4\％ | Net Prof | Margin | 5．7\％ |
| Preferred Stock None <br> Common Stock 689，174，382 shares． <br> as of $5 / 14 / 12$ |  |  |  |  |  | 542.2 | 1355.7 | 1584.7 | 1664.6 | 1643.0 | 1945.5 | 951.7 | 2392.5 | 2174.6 | 2216.5 | 2500 | 2660 | Workin | Cap＇I（\＄mill） | 3700 |
|  |  |  |  |  |  | 732.0 | 567.4 | 557.9 | 527.6 | 316.5 | 342.2 | 1968.9 | 2500.3 | 2014.4 | 1599.0 | 1500 | 1400 | Long－Te | m Debt（\＄mill） | 1000 |
|  |  |  |  |  |  | 2658.9 | 3662.9 | 4115.2 | 4425.5 | 5021.7 | 5718.0 | 5564.2 | 6771.9 | 6943.7 | 7015.2 | 7780 | 8645 | Shr．Eq | ity（\＄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\％ | Return | 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\％ | Return | Shr．Equity | 13．5\％ |
| CURRENT POSITION $2010 \quad 2011 \quad 4 / 28 / 12$ （\＄MILL．） |  |  |  |  |  | $15.7 \%$ | 15．1\％ | 14．8\％ | 16．1\％ | 15．7\％ | 13．8\％ | 12．4\％ | 8．2\％ | 9．0\％ | 9．8\％ | 10．0\％ | 10．0\％ | Retained | to Com Eq | 11．0\％ |
|  |  |  |  |  |  | ．－ | 14\％ | 15\％ | 17\％ | 21\％ | 25\％ | 30\％ | 29\％ | 29\％ | 26\％ | 24\％ | All Div＇d | to Net Prof | 16\％ |


| Cash Assets | 1461.3 | 1264.1 | 1204.5 |
| :---: | :---: | :---: | :---: |
| Receivables | 1954.1 | 2033.7 | 1953.5 |
| Inventory（Avg Cst） | 2432.3 | 2431.8 | 2502.8 |
| Other | 620.5 | 561.2 | 584.9 |
| Current Assets | 6468.2 | 6290.8 | 6245.7 |
| Accts Payable | 2208.4 | 2220.4 | 2194.4 |
| Debt Due | 587.3 | 439.1 | 438.1 |
| Other | 1497.9 | 1414.8 | 1274.7 |
| Current Liab． | 4293.6 | 4074.3 | 3907.2 |


| ANNUAL RATES <br> of change（per sh） Sales <br> ＂Cash Flow＂ <br> Earnings <br> Dividends <br> Book Value |  | Past P <br> 10 Yrs． $\mathbf{5}$ <br> $9.0 \%$  <br> $10.0 \%$  <br> $11.0 \%$  <br> $\mathbf{1 3 . 5 \%}$ 1 |  | Past Est＇d＇09－＇11 <br> Yrs． to＇15＇17 <br> $9.0 \%$ $3.5 \%$ <br> $4.5 \%$ $8.0 \%$ <br> $2.0 \%$ $10.5 \%$ <br> $6.0 \%$ $8.5 \%$ <br> $9.5 \%$ $9.0 \%$ |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| $\begin{gathered} \text { Fiscal } \\ \text { Year } \\ \text { Begins } \end{gathered}$ | QUARTERLY SALES（\＄mill．）A Apr．Per Jul．Per Oct．Per Jan．Per |  |  |  | $\begin{aligned} & \text { Full } \\ & \text { Fiscal } \\ & \text { Year } \end{aligned}$ |
|  |  |  |  |  |  |  |  |  |  |
| $\begin{aligned} & \hline 2009 \\ & 2010 \\ & 2011 \\ & 2012 \\ & 2013 \end{aligned}$ | $\begin{aligned} & 5818 \\ & 6058 \\ & 6173 \\ & 6105 \\ & 6305 \\ & \hline \end{aligned}$ | 5533 <br> 5534 <br> 5819 <br> 5850 <br> 5950 | 65186406 |  | 24275 |
|  |  |  | 6538 | 6415 | 24545 |
|  |  |  | 6570 | 6460 | 25022 |
|  |  |  | 6770 | 6675 | 25400 |
|  |  |  | 6775 | 6750 | 25780 |
| FiscalYear Begins | EARNINGS PER SHAREAB Apr．Per Jul．Per Oct．Per Jan．Per |  |  |  | $\begin{aligned} & \hline \text { Full } \\ & \text { Fiscal } \\ & \text { Year } \end{aligned}$ |
|  |  |  |  |  |  |  |  |  |
| 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 | QUARTERLY DIVIDENDS PAID C |  |  |  | Full <br> Year |
|  | Mar． 31 | Jun． 30 | Sep． 30 | Dec． 31 |  |
| 2008 |  | ． 33 |  |  | ． 33 |
| 2009 | －－ | ． 08 | ． 08 | ． 08 | ． 24 |
| 2010 | ． 09 | ． 09 | ． 09 | ． 09 | ． 36 |
| 2011 | ． 10 | ． 10 | ． 10 | ． 10 | ． 40 |
| 2012 | ． 11 | 11 |  |  |  |

BUSINESS：Staples，Inc．is one of the largest office supply super－ store 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：
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．I ndeed，Staples is struggling in the euro zone，which accounts for about $75 \%$ of the company＇s international sales． Revenues and earnings came under pres－ sure in the April period，due to bearish for－ eign markets and reduced product mar－ gins 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．N orth 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．
office supplies \＆services（ $50 \%$ ），business machines（ $30 \%$ ），com－ puters 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
crisis are not detering Staples．
Management is focusing on strengthening its margins through expense cuts and se－ lective store closings，essentially steering Staples toward greater operating ef－ ficiency．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 re－ turns 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 pro－ gram 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．Conse－ quently，this equity offers a solid annual dividend yield of $3.5 \%$ and the likelihood of profit growth as cost synergies are real－ ized．
Oriatal J．Haiby
Company＇s Financial Strength Stock＇s Price Stability Price Growth Persistence Earnings Predictability
（A）Fiscal year ends on Sat．
31st of the following cal．year．
（B）Diluted earnings starting in
（B）Diluted earnings starting in＇96．Excl．non－
＇99，（9¢）；＇00，（44¢）；01，（8¢）；＇02，5¢；＇03，
（C）Div＇d changed to quarterly payments start－
（13¢）；＇ $06,4 ¢$ ；＇ 08, （16¢）；； 09 （8¢）；＇11 3c．May
ing April＇09．Paid in mid－January，April，July not sum due to rounding．Next egs．report due and October． not sum d
mid－Aug．

