



FINANCIAL RESULTS AND COMPANY OVERVIEW

2017 First-Quarter Performance

June 6, 2017

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 risks related to whether and when we are able to satisfy the conditions to the completion of the sale of the Waterworks business, including the receipt of required regulatory approvals, our ability to complete the sale of the Waterworks business generally and those “Risk factors” in our annual report on Form 10-K, for the fiscal year ended January 29, 2017, filed on March 14, 2017 our quarterly report on Form 10-Q, for the fiscal quarter ended April 30, 2017, filed on June 6, 2017 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 (loss), Adjusted net income (loss) 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 (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.”

Transaction Overview

- Entered Into **Definitive Agreement to Sell HD Supply Waterworks** for **~\$2.5B in Cash**
 - ~\$2.4B After-tax Net Proceeds
- Expected to **Close Q3'17** After **Customary Regulatory Approvals**
- Use of Proceeds to **Repay Debt, Invest in Next-Generation Growth and Innovation** and Enables **Return of Cash to Shareholders** via **\$500M Share Repurchase Program**

Strategic Rationale

- ✓ **Simplifies Business Mix and Focuses Execution**
- ✓ **Accelerates Debt Reduction**
- ✓ **Enables Capital Return Program**
- ✓ **Accelerates Next-Generation Growth and Innovation Investment**
- ✓ **Improves Profitability Profile**
- ✓ **Reduces Cyclicity**

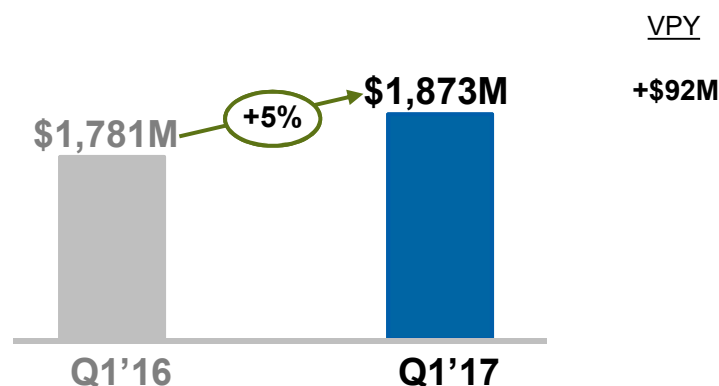
- **Early Innings of Evolution with Clarity of Mission to Improve the Customer Experience**
- **Differentiated Untapped Potential**
 1. **Extend Customer-Centricity and One Team Culture**
 2. **Evolve Service Excellence Across Diverse Channels**
 3. **Listen, Prioritize and Act to Enhance Customer Experience**
 4. **Infuse and Develop Next-Generation Talent**
 5. **Reinvest Cash Flow to Accelerate Strategic Growth and Innovation**

Q1'17 Financial Results



(\$ in millions, except per share data)

Net Sales



	Q1'16	Q1'17	Change
Gross Profit	\$609M	\$631M	+4%
<i>Gross Margin %</i>	34.2%	33.7%	-50 BPs
Operating Income	\$178M	\$176M	-1%
<i>Op. Income %</i>	10.0%	9.4%	-60 BPs
Net Income (Loss)	(\$14M)	\$85M	+\$99M
<i>Per Diluted Share</i>	(\$0.07)	\$0.42	+\$0.49
Adj. EBITDA¹	\$215M	\$207M	-\$8M
<i>Adj. EBITDA %</i>	12.1%	11.1%	-100 BPs
Adj. Net Income¹	\$103M	\$127M	+23%
<i>Per Diluted Share</i>	\$0.51	\$0.63	+\$0.12

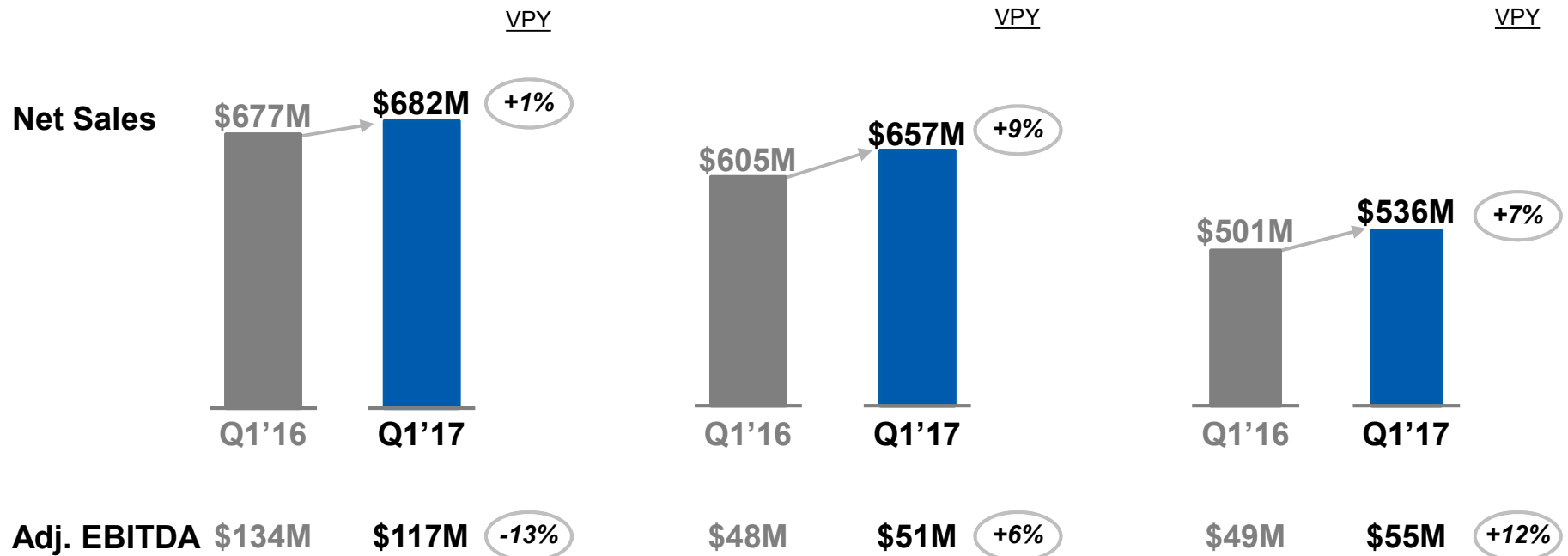
¹ See appendix slides 19 and 20 for a reconciliation of Adjusted EBITDA, Adjusted Net Income and Adjusted Net Income per Diluted Share to Net Income (Loss) and Net Income (Loss) per Diluted Share

5.2% Sales Growth VPY

Q1'17 Segment Performance



(\$ in millions)



Organic Growth Across Business Units

Taxes

- **Favorable Tax Asset with Significant Gross Federal Net Operating Loss Carryforwards of Approximately \$1.7 Billion**
 - ~\$700M Tax-affected Amount of Federal and State NOLs
- **Cash Taxes**
 - \$3M in Q1'17
 - \$5M – \$6M Estimated for Q2'17
 - \$30M – \$40M Estimated for FY'17 (Inclusive of Expected Cash Taxes on the Sale of HD Supply Waterworks)
- **GAAP Taxes**
 - ~30% for Q1'17
 - Expected to be ~37% for FY'17

Cash Flow

- **\$3.7B¹ Net Debt at the End of Q1'17**
 - 4.0x Net Debt to LTM Adjusted EBITDA
- **Extended ABL Maturity** until April 5, 2022
- **Repaid \$100M Term B-1 Loans**
- **\$24M of Capital Expenditures in Q1'17**

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

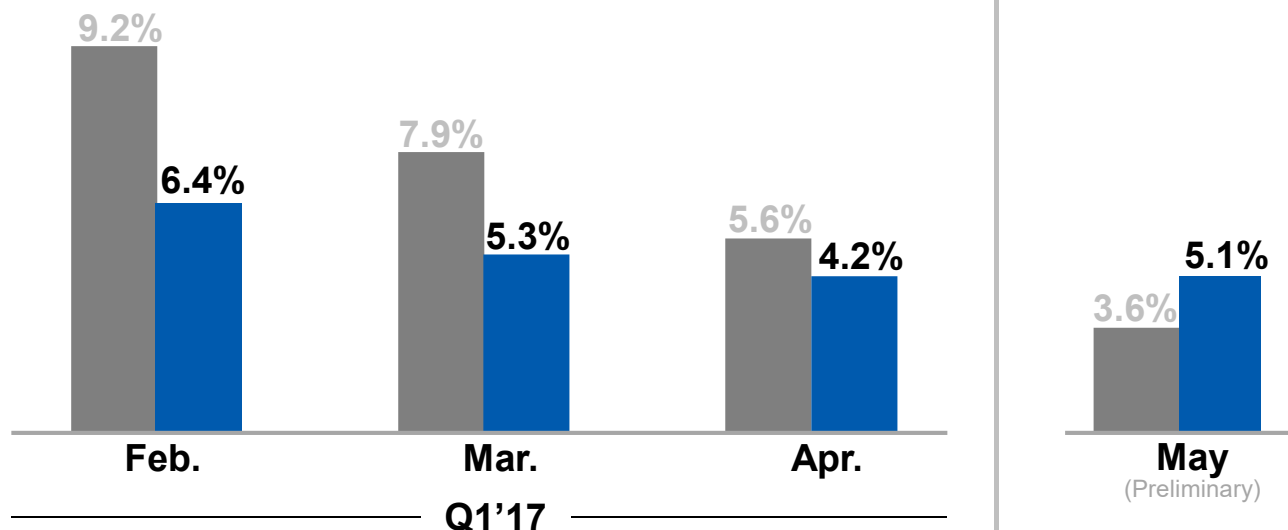
¹ Net Debt is Defined as Total of Long Term Debt and Current Installments of Long Term Debt, Less Cash and Cash Equivalents and is reconciled on slide 16

Q1'17 Monthly Average Daily Sales (%)



■ Prior Year
■ Current Year

HD Supply Average Daily Sales Growth VPY¹



	Feb.		Mar.		Apr.		May (Preliminary)	
Facilities Maintenance	9.5%	0.2%	5.7%	1.1%	5.4%	0.8%	0.4%	5.2%
Waterworks	6.4%	15.0%	8.5%	8.1%	4.2%	5.0%	4.6%	2.1%
Construction & Industrial	11.9%	5.3%	10.2%	7.9%	7.5%	7.7%	6.6%	9.3%
HD Supply Net Sales	\$502M	\$535M	\$550M	\$579M	\$729M	\$759M	\$609M	\$641M
'17 Selling Days	20		20		25		20	
'16 Selling Days	20		20		25		20	
'15 Selling Days	20		20		25		19	

¹ Adjusted to eliminate the effect of Acquisitions and Divestitures; Note: "VPY" denotes Versus Prior Year

+5.2% Q1'17 Average Daily Sales Growth

Waterworks Expected Use of Proceeds



(\$ in millions)

Sources		Uses	
▪ Gross Proceeds	\$2,500M	▪ Redeem First Lien	\$1,250M
▪ Taxes and Transaction Costs	(<\$100M)	▪ Pay First Lien Make Whole and Accrued Interest	\$80M
		▪ Redeem Term B-1 Loan	\$533M
		▪ Available Cash	\$537M
▪ Total Sources	<u>\$2,400M</u>	▪ Total Uses	<u>\$2,400M</u>

Expected \$2.4B Net Proceeds

FY'17 End Market Preliminary Outlook



— FY'17 End Market Estimates¹ —

Primary End Market



Current View
as of June'17

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; market estimate is management estimate of the growth of our end markets based on multiple quantitative and qualitative inputs; outlook does not reflect any potential future impact of Infrastructure spend under a new administration

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

~2 to 3% End Market Growth for FY'17

Q2'17 and FY'17 Outlook Reconciliation



(\$ in millions)

		<u>HDS Including Waterworks</u>	⊖	<u>Waterworks</u>	⊕	<u>HDS Excluding Waterworks</u>
Net Sales	Q2'17:	\$2,095 – \$2,135	-	~\$770	=	\$1,325 – \$1,365
	FY'17:	\$7,800 – \$7,900	-	~\$2,800	=	\$5,000 – \$5,100
Adjusted EBITDA	Q2'17:	\$275 – \$285	-	~\$75	=	\$200 – \$210
	FY'17:	\$950 – \$980	-	~\$250	=	\$700 – \$730

HD Supply Current Outlook Summary



Q2'17

- **+4.8% Net Sales VPY at Midpoint**
 - \$1,325M to \$1,365M Net Sales
- **Flat Adj. EBITDA VPY at Midpoint**
 - \$200M to \$210M Adj. EBITDA
- **+19.3% Adj. Net Income per Diluted Share Increase VPY at Midpoint**
 - \$0.60 to \$0.65 Adj. Net Income per Diluted Share
- **Assumes ~203M Diluted Share Count**

FY'17

- **+2% to +3% End Market VPY¹**
- **+3.8% to +5.8% Net Sales VPY**
 - \$5,000M to \$5,100M Net Sales
- **+2.9% to +7.4% Adj. EBITDA VPY**
 - \$700M to \$730M Adj. EBITDA
- **+34.7% to +44.7% Adj. Net Income per Diluted Share VPY**
 - \$2.02 to \$2.17 Adj. Net Income per Diluted Share
- **Assumes ~203M Diluted Share Count**

¹ Management estimate; market estimate is management estimate of the growth of our markets based on multiple quantitative and long-term average growth target based on management estimates and projections

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'.

HDSUPPLY®

Q&A

- ✓ **Significant Moment in Time for HD Supply**
- ✓ **Leap Forward to Extend Customer-Centric Differentiation**
- ✓ **Enables Focus, Growth Investment and Innovation**
- ✓ **Success is Earned with Hard Work and Team Performance**



HD SUPPLY®

APPENDIX

Capital Structure Overview



(\$ in millions, unless otherwise noted)

	Q1'17 Debt Balances			
	Balance	Interest Rate ¹	Maturity	Soft Call Date ²
Sec. ABL	\$439	2.65%	4/5/22	n/a
Sec. Term B-1	537	3.90%	8/13/21	now
Sec. Term B-2	547	3.90%	10/17/23	now
Sec. 1 st Lien Notes	1,250	5.25%	12/15/21	12/15/17
Sr. Unsecured Notes	1,000	5.75%	4/15/24	4/15/19
Outstanding Debt	\$3,773			
Less Discount ³	(8)			
Less Deferred Financing Costs ³	(35)			
Gross Debt	\$3,730			
Less Cash and Cash Equivalents	(70)			
Net Debt	\$3,660			

¹ Represents the stated rate of interest, without including the effect of discounts or premiums

² Subject to applicable redemption price terms

³ Represents the unamortized portion of discounts and deferred financing costs

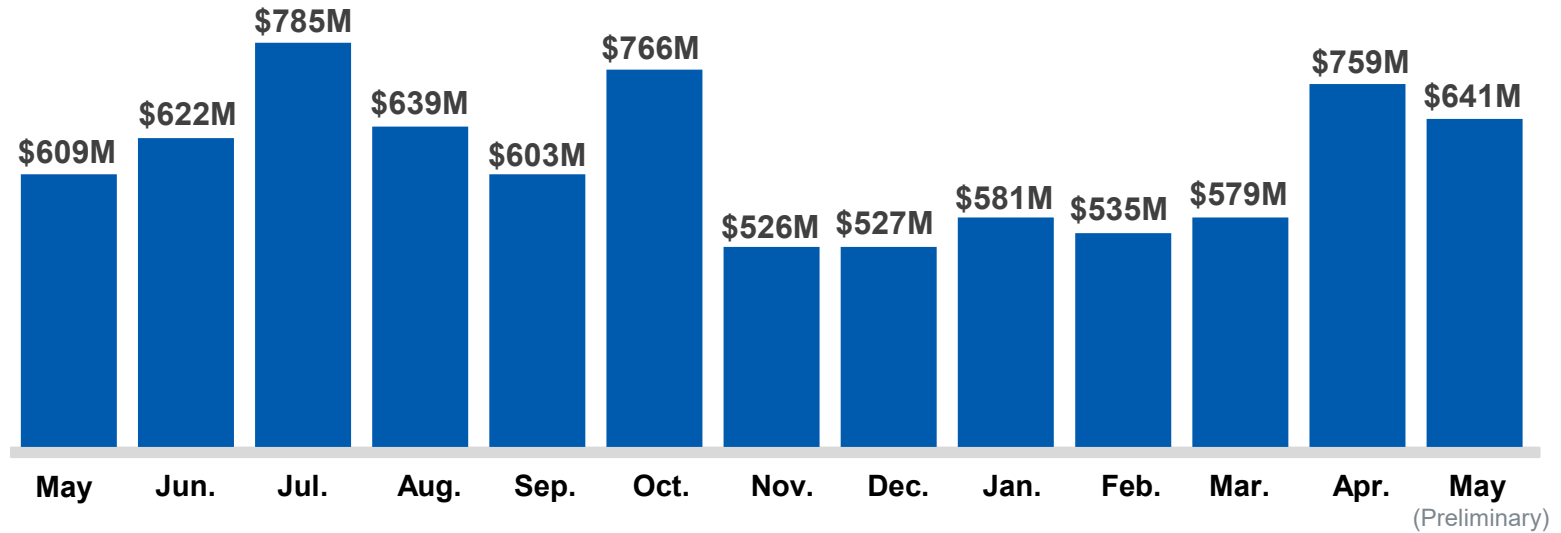
~\$3.7B Net Debt

Monthly Net Sales (\$)



(\$ in millions)

HD Supply Net Sales



	FY'16					FY'17							
	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
Facil. Maint.	\$220	\$226	\$295	\$237	\$221	\$266	\$189	\$198	\$233	\$198	\$212	\$272	\$232
Waterworks	\$225	\$226	\$282	\$231	\$220	\$282	\$187	\$177	\$187	\$184	\$202	\$271	\$230
Const. & Ind.	\$165	\$170	\$209	\$171	\$163	\$218	\$150	\$153	\$163	\$153	\$166	\$217	\$180
'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

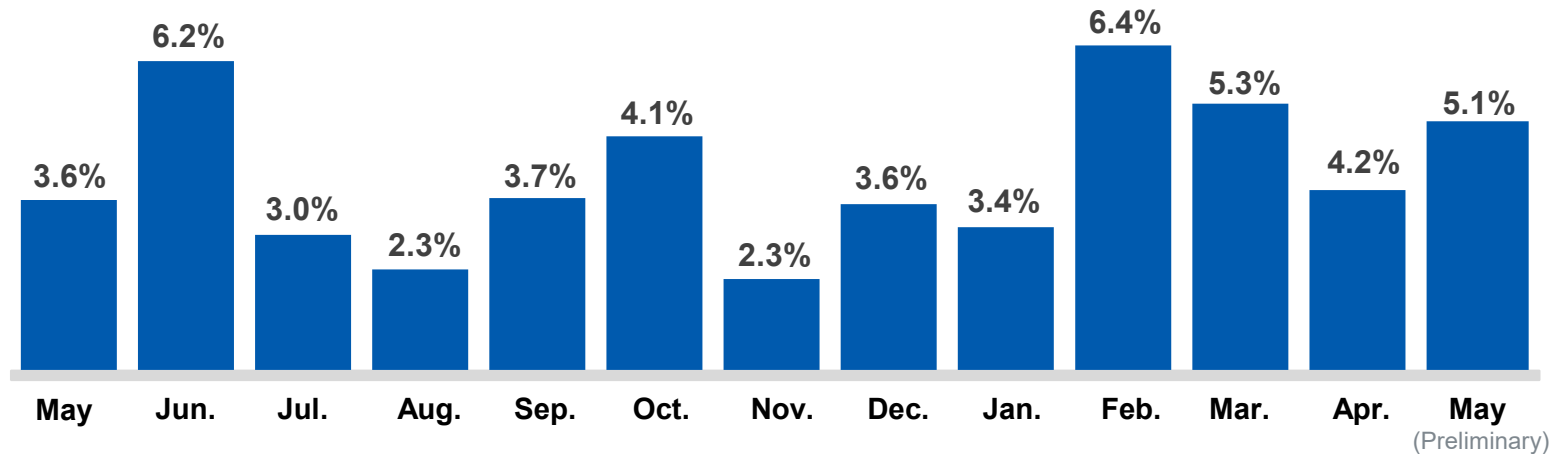
\$641M Preliminary May Sales

Average Daily Sales – Organic¹ (VPY%)



(VPY%)

HD Supply Organic Average Daily Sales Growth VPY¹



	FY'16						FY'17						
	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
Facil. Maint.	0.4%	1.7%	1.4%	0.2%	2.4%	1.0%	0.9%	2.5%	2.8%	0.2%	1.1%	0.8%	5.2%
Waterworks	4.6%	7.9%	1.9%	1.5%	4.4%	6.0%	2.9%	2.4%	3.9%	15.0%	8.1%	5.0%	2.1%
Const. & Ind.	6.6%	10.2%	6.7%	6.2%	4.4%	5.7%	3.4%	6.4%	3.7%	5.3%	7.9%	7.7%	9.3%

'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
'15 Selling Days	19	20	24	20	19	25	18	19	24	20	20	25	19

¹ Adjusted for Acquisitions, Divestitures, and Selling Days
 Note: "VPY" denotes Versus Prior Year; Contains forward-looking information; please see Disclaimer on slide 2

+5.1% Preliminary Average Daily Sales Growth in May

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



(\$ in millions)

	Reconciliation (ex Waterworks)		Reconciliation	
	Q1'17	Q1'16	Q1'17	Q1'16
Net income (loss)	\$85	\$ (14)	\$85	\$ (14)
Less income (loss) from discontinued operations, net of tax	27	27	—	—
Income from continuing operations	58	(41)	85	(14)
Interest expense, net	49	85	49	85
Provision (benefit) for income taxes	19	(26)	37	(8)
Depreciation and amortization ¹	22	21	25	25
Loss on extinguishment of debt ²	3	115	3	115
Restructuring charges ³	—	7	—	7
Stock-based compensation	6	6	6	6
Other	—	—	2	(1)
Adjusted EBITDA	\$ 157	\$ 167	\$ 207	\$ 215

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 premium paid to redeem the debt as well as the write-off of unamortized deferred financing costs, original issue discount and other assets or liabilities associated with such debt.

Also includes the costs of debt modification

³ Represents the costs incurred for strategic alignment of our workforce. These costs include severance, relocation costs and other related costs

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)

	Reconciliation (ex Waterworks)		Reconciliation	
	Q1'17	Q1'16	Q1'17	Q1'16
Net income (loss)	\$ 85	\$ (14)	\$ 85	\$ (14)
Less income (loss) from discontinued operations, net of tax	<u>27</u>	<u>27</u>	<u>—</u>	<u>—</u>
Income (loss) from continuing operations	<u>58</u>	<u>(41)</u>	<u>85</u>	<u>(14)</u>
Provision (benefit) for income taxes	19	(26)	37	(8)
Cash paid for income taxes	(3)	(1)	(3)	(1)
Amortization of acquisition related intangible assets (other than software)	3	3	3	4
Loss on extinguishment of debt ¹	3	115	3	115
Restructuring charges ²	—	7	—	7
Other	—	—	2	—
Adjusted net income	<u>\$ 80</u>	<u>\$ 57</u>	<u>\$ 127</u>	<u>\$ 103</u>
Weighted average common shares outstanding (in thousands)				
Basic	200,708	198,808	200,708	198,808
Diluted	203,017	201,231	203,017	201,231
Adjusted Net Income Per Share - Basic	\$0.40	\$0.22	\$0.63	\$0.52
Adjusted Net Income Per Share - Diluted	\$0.39	\$0.28	\$0.63	\$0.51

¹ Represents the loss on extinguishment of debt including the premium paid to redeem the debt as well as the write-off of unamortized deferred financing costs, original issue discount and other assets or liabilities associated with such debt. Also includes the costs of debt modification

² Represents the costs incurred for strategic alignment of our workforce. These costs include severance, relocation costs and other related costs