

Staples Proposes Merger with Office Depot: Merging the 3 Largest Office Supply Retailers

By Dennise Martinez, J.D. Candidate 2016 | February 17, 2015

In an effort to compete with giants like Wal-Mart and Amazon, Staples announced its plan to purchase Office Depot in a [\\$6.3 billion dollar deal](#). Staples is currently the world's largest office supply chain store, posting annual revenues of \$23.1 billion in 2013 [[read performance summary here](#)]. Office Depot posted revenues of \$11.24 billion in the same year. Together, Staples and Office Depot control [more than 70 percent](#) of the office supply market.

Staples' and Office Depot's [previous attempt](#) at consolidating its operations was opposed by the FTC in 1996. The Commission felt that the merger would substantially lessen competition and lead to higher prices for consumers. However, the FTC's approval of the [Office Depot and OfficeMax merger](#) in 2013 might reveal a changing market dynamic.

Nonetheless, merging Staples and Office Depot is a much greater endeavor. The merger between Office Depot and OfficeMax created a new company with [combined revenue of \\$18 billion and over 2,500 stores](#). In large contrast, the Staples-Office Depot deal will create a company nearly twice as large, with [combined revenue of \\$34 billion and approximately 4,400 stores](#).

However, Staples and Office Depot [maintain](#) that the proposed merger between these two giants is necessary to compete in the evolving retail landscape. They claim that bigger store chains and online competitors, like Amazon, have provided more competition and reduced prices for consumers. Indeed, annual revenue at Office Depot has [fallen 36 percent](#) from 2007 to 2013. Under the [terms](#) of the transaction, Staples will pay \$7.25 in cash and 0.2188 of a share in Staples stock for each share of Office Depot. [Total consideration](#) for the deal is valued at \$11.41 per Office Depot share. Moreover, Staples will [increase the size of its board](#) to 13 from 11 by adding two existing Office Depot directors, and Ron Sargent will [remain Staples' Chairman and CEO](#).

The [deal is subject to customary closing conditions](#), such as antitrust regulatory approval and Office Depot shareholder approval. According to the agreement, if the deal is not approved Staples is required to pay Office Depot a [\\$250 million termination fee](#).

The deal is expected to close by the [end of 2015](#).