

Orchard

est.  1931

SUPPLY HARDWARE™

NASDAQ: OSH

January 2012

Safe Harbor Statement

This presentation (including information incorporated or deemed incorporated by reference herein) contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are those involving future events and future results that are based on current expectations, estimates, forecasts, and projects as well as the current beliefs and assumptions of our management. Words such as “outlook”, “believes”, “expects”, “appears”, “may”, “will”, “should”, “intend”, “target”, “projects”, “estimates”, “plans”, “forecast”, “is likely to”, “anticipates”, or the negative thereof or comparable terminology, are intended to identify such forward looking statements. Any statement that is not a historical fact, including estimates, projections, future trends and the outcome of events that have not yet occurred, is a forward-looking statement. Forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore actual results may differ materially and adversely from those expressed in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed under the section entitled “Risk Factors” in our reports filed with the Securities and Exchange Commission. Many of such factors relate to events and circumstances that are beyond our control. You should not place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date they are made. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.



About Orchard

- Strong brand heritage and 80 year history
- Uniquely positioned between big boxes and small independent hardware stores
- Differentiated operating model focuses on high margin categories
- A new, experienced management team is in place and focused on five key priorities:
 - Project a consistent and compelling brand identity
 - Drive sales through merchandising and marketing initiatives
 - Improve operational efficiencies
 - Align resources and talent
 - Strengthen the Company's financial position
- 2012 plans call for up to 3 new stores, renovations of up to 6 existing stores and continued positive comps; Approximately 15% of Orchard stores are expected to be in our new format by the end of fiscal 2012



Strong Brand Heritage – Serving Customers for 80 Years



Orchard History

1931

Founded as a
Farmer's Purchasing
Cooperative

1979

W.R. Grace
acquires Orchard

1986

Wickes acquires
Orchard from
W.R. Grace

1989

Freeman Spogli
acquires Orchard
from Wickes

34 stores

1993

Orchard IPO

43 stores



1996

Sears acquires
Orchard

65 stores

2005

Ares acquires 20%
stake

85 stores

2009/10

Opened new stores
and launched
e-commerce

89 stores

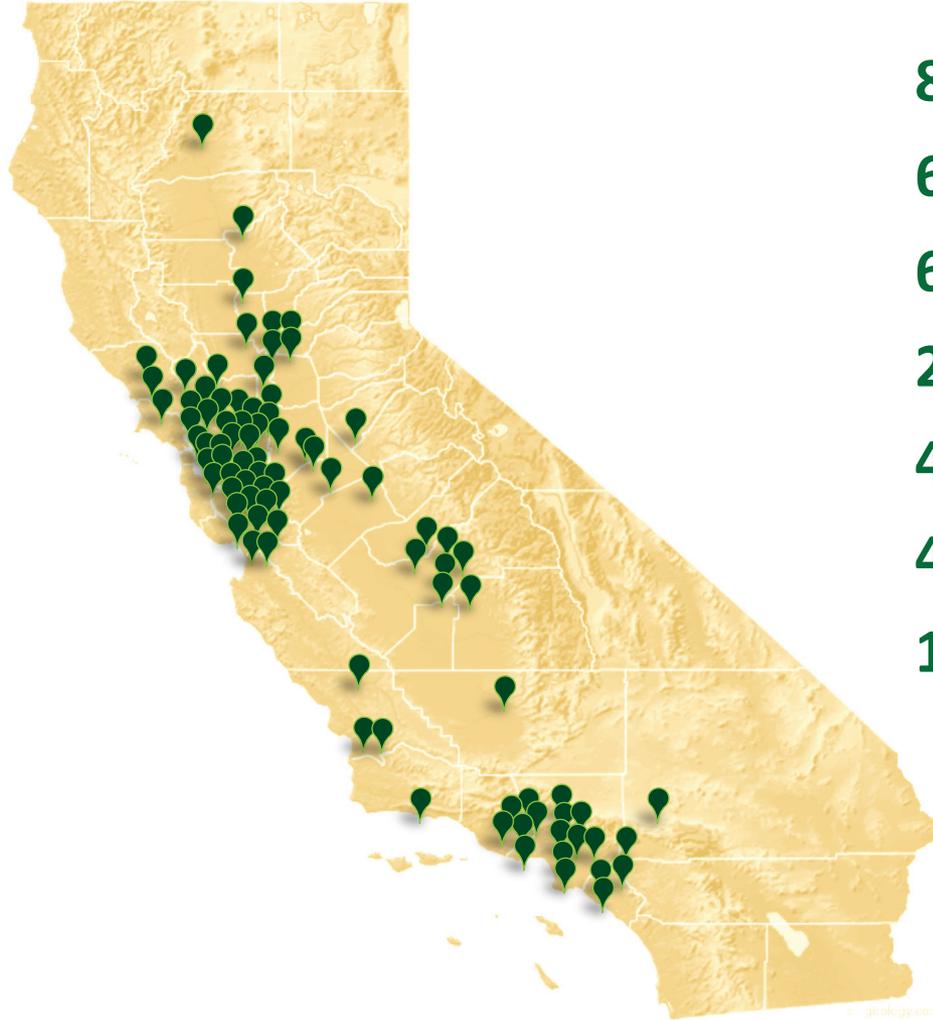
2011

New management team, transition to stand-
alone public company, new store prototype

87 stores



Orchard geographic footprint (as of January 5, 2012)



87 locations in California

63 leased; 16 Company-owned

64 in Northern California

23 in Southern California

42,000 – 75,000 gross sq. ft.

45,000 SKUs

1 Distribution Center (458,000 square feet in Tracy, CA)

Orchard has a Powerful Operating Model

Service

- Knowledgeable and experienced associates
- Genuine customer hospitality
- Engaging shopping environment

Selection

- Extensive selection of national brands
- Large assortment in recurring maintenance & repair items
- High in-stock levels
- Unique assortments tailored to customer segments and geographic location

Convenience

- Prime locations in densely populated areas
- Easy in-and-out
- Easy-to-shop format
- Efficient checkout and customer pick-up across all channels

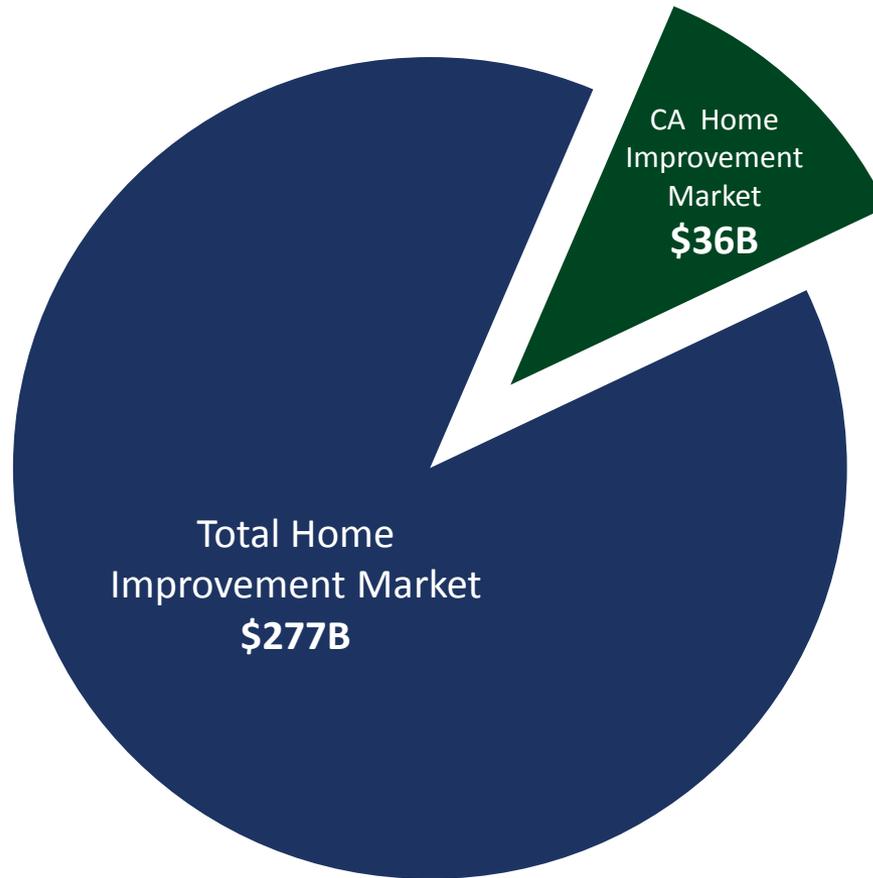


Our Operating Model Is Aligned with Industry Forces



- Meeting the need for smaller, personalized spaces to shop
- Combining global market savvy and sourcing with local market delivery and know how
- Leveraging the retail evolution – going back to specialty retailing’s roots and getting closer to the customer

Orchard Competes in a \$36 Billion Home Improvement Market



Source: HIRI and California GDP data



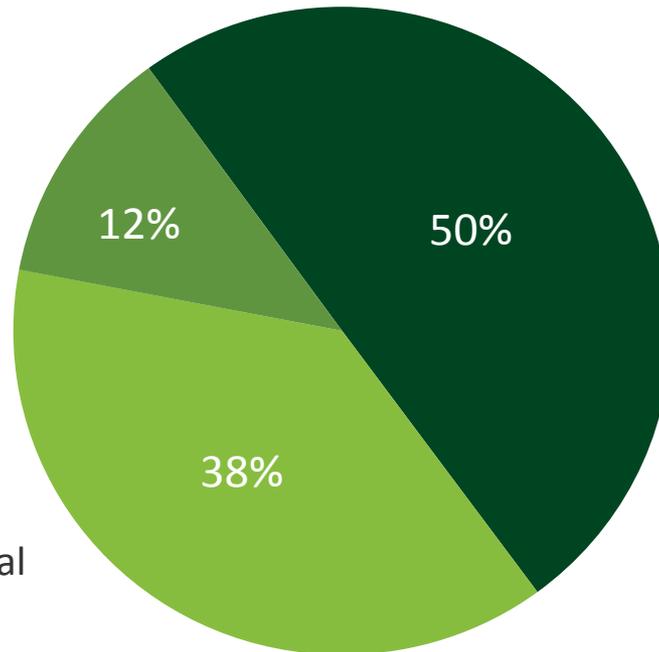
We are Focused on High Margin Categories

% of Fiscal 2010 Revenue

Lawn & Garden

In Home

- Paint & home décor
- Housewares & seasonal



Repair and Maintenance

- Hardware
- Plumbing
- Electrical & industrial
- Hand & power tools

*Lumber and building materials do not represent a significant portion of revenue



A New High Performance Management Team is in Place

Home Improvement and Retail Expertise

	Hire Date	Years in Retail	Prior Experience		
Mark Baker Chief Executive Officer, President and Director	March 2011	31 years	 	 Scotty's Home Improvement Centers	 Knox Hardware And Lumber
Chris Newman Executive Vice President, Chief Financial Officer	October 2011	12 years		Limited brands	
Steven L. Mahurin Executive Vice President, Merchandising	May 2011	30 years	 	 	 
Mark A. Bussard Senior Vice President, Operations	June 2011	22 years			
Thomas J. Carey Senior Vice President, Chief Marketing Officer	July 2007	17 years	 	 	
David I. Bogage Senior Vice President, Human Resources	April 2011	17 years			
Stephen W. Olsen Senior Vice President, Supply Chain, IT and Chief Strategy Officer	June 2010	15 years	 <i>Taking Care of Business</i>		
Michael Fox Senior Vice President, General Counsel	October 2011	6 years			



We're Focused on Five Key Priorities



1. Project a consistent and compelling brand identity
2. Drive sales through merchandising and marketing initiatives
3. Improve operational efficiencies
4. Align resources and talent
5. Strengthen the Company's financial position

Emphasizing High Impact Categories

Repair & Maintenance



- Differentiated through service
- Rationalized and localized assortments
- Provides solutions
- Neighborhood convenience

Backyard



- High repeat shopping in garden category drives traffic
- Quick in-and-out

Paint



- Key home improvement do-it-yourself category

New Brand Identity

New Brand (logo, colors, look/feel)



Old Brand



Orchard Supply Hardware



New Paint Area



Old Paint Area



New Nursery and Garden Center



Old Nursery and Garden Center



New Tools Area



Old Tools Area



New Workbench Area



Sales will be Driven by New Merchandising and Marketing Strategies

- Implementing product line reviews designed to strengthen product assortments and drive margin growth
- Further improving inventory in-stock levels
- Emphasizing three key categories: repair & maintenance, backyard and paint



We're Reaching New and Existing Customers to Drive Traffic and Conversion

1. Targeting New Customers

- Radio program & local television throughout California
 - Unique campaign with “cult” following; fun, quirky and informative
- Digital media – reaching a younger audience
- Mobile billboards – vendor partnerships advertise Orchard/brands on trucks across the state

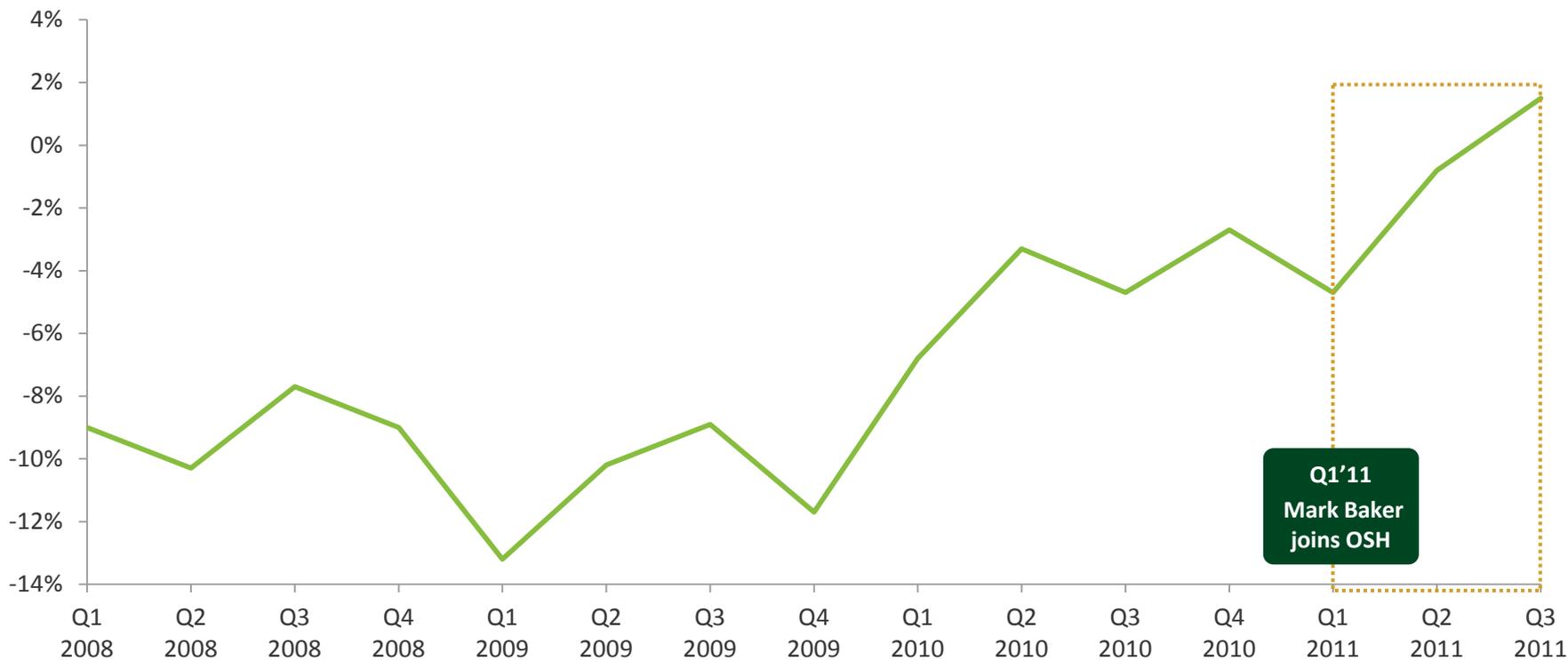
2. Driving Increased Purchasing Among Existing Customers

- New Loyalty Program
- Print programs emphasize project help and “how-to”
- Strategic shift away from being promotionally-based to being advice-oriented



New Strategies Are Generating Positive Comparable Store Sales Momentum

Comparable Store Sales* Growth by Quarter



*Comparable store sales are calculated using sales of stores open at least twelve months and exclude e-commerce.



Operational Efficiency is Improving

Key Accomplishments:

- Improved inventory in-stock levels
- Enhanced customer service and store support
 - New floor zone coverage
 - 2-way radios
- Increased effectiveness of promotional dollars
- Better managed store and regional leadership
- Increased average ticket
- Developed new, productive store format
- Reinforced sales and service culture

We are Aligning and Better Managing Resources and Talent

- Reorganized regional leadership team
 - Moved from 8 districts to 4 regions
 - Home improvement and specialty retail experience includes Home Depot, Whole Foods, Office Depot, Safeway, Gander Mountain and Macy's
- Set higher expectations for store management
- New playbook of standards across the store network
- Migrating from operations to sales and service focus for store teams



The Company Lowered its Debt

- Took actions to deleverage the Company through recent sale-leaseback transactions on 5 properties
 - Generated gross proceeds of \$57.8 million
 - Paid down Real Estate Term Loan by \$21.6 million
 - Paid down Senior Secured Term Loan by \$34.4 million
- Renegotiated Financing Arrangements in December 2011
 - Goal of enhancing operating flexibility and extending term
- Reduced total outstanding debt, including capital leases

Fiscal 2012 Growth Plans



- Roll-out new, store format
 - Open up to 3 new stores
 - Remodel up to 6 locations
 - Approximately 15% of fleet in new format by end of fiscal 2012
- Continue to drive comp store sales through new merchandising and marketing initiatives
- Leverage e-commerce platform (launched November 2010)