

# Ingram Micro Reports Fourth Quarter Financial Results

IRVINE, Calif.--(BUSINESS WIRE)-- Ingram Micro Inc. today announced financial results for the fourth quarter ended Dec. 30, 2017. Ingram Micro experienced strong global demand, led by double-digit growth in all business lines, including technology solutions, commerce and lifecycle services and cloud. Worldwide 2017 fourth quarter sales were \$13.78 billion, an increase of 13 percent in USD, with gross margin of 6.21 percent. This compares to sales of \$12.24 billion and gross margin of 6.48 percent in the 2016 fourth quarter. The translation of foreign currencies versus last year had a positive impact of approximately 4 percentage points on worldwide sales. 2017 fourth quarter non-GAAP operating income was \$217 million, or 1.57 percent of revenue, and non-GAAP net income was \$141 million. This compares to 2016 fourth quarter non-GAAP operating income of \$206 million, or 1.68 percent of revenue, and non-GAAP net income of \$121 million. 2017 fourth quarter gross margin, non-GAAP operating income and non-GAAP net income were impacted by a higher mix of sales of lower margin, consumer focused product lines globally, lower profit contribution from the company's U.S. mobility business, and continued strategic investments in the company's cloud and commerce and fulfillment businesses. 2017 fourth quarter GAAP operating income and net income was \$172 million, or 1.25 percent of revenue, and \$56 million, respectively, including: The pre-tax negative impact of \$19 million in restructuring, merger, acquisition and transition costs primarily related to retention payments and the vesting of restricted shares and stock options due to HNA Group's acquisition of Ingram Micro; and the pre-tax negative impact of \$23 million in amortization expense. This compares to 2016 fourth quarter GAAP operating income and net loss of \$5 million, or 0.04 percent of revenue, and loss of \$35 million, respectively.

## **Non-GAAP Disclosures**

In addition to GAAP results, Ingram Micro is reporting non-GAAP operating income, non-GAAP operating margin and non-GAAP net income for the 2017 fourth quarter and the fiscal year ended December 30, 2017. These non-GAAP measures exclude charges associated with reorganization, merger, acquisitions, integration and transition costs, including those associated with the company's previously announced cost savings programs, and the amortization of intangible assets. These non-GAAP financial measures also exclude a loss on the sale of affiliates. Non-GAAP net income also excludes the impact of foreign exchange gains or losses related to the translation effect on Euro-based inventory purchases in Ingram Micro's pan-European entity and an additional tax expense related to the impact of the US tax reform. 2017 year-to-date non-GAAP net income also excludes a non-cash tax benefit primarily related to the reversal of a valuation allowance against certain deferred tax assets in Australia. 2016 year-to-date non-GAAP net income excludes a loss on the sale of an affiliate and a gain related to a legal settlement. The non-GAAP measures noted above are primary indicators that Ingram Micro's management uses internally to conduct and measure its business and evaluate the performance of its consolidated operations and operating segments. Ingram Micro's management believes these non-GAAP

financial measures are useful because they provide meaningful comparisons to prior periods and an alternate view of the impact of acquired businesses. These non-GAAP financial measures are used in addition to and in conjunction with results presented in accordance with GAAP. These non-GAAP financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, provide a more complete understanding of factors and trends affecting Ingram Micro's business. A material limitation associated with these non-GAAP measures as compared to the GAAP measures is that they may not be comparable to other companies with similarly titled items that present related measures differently. The non-GAAP measures should be considered as a supplement to, and not as a substitute for or superior to, the corresponding measures calculated in accordance with GAAP. A reconciliation of GAAP to non-GAAP financial measures for the periods presented is attached to this press release.

### **About Ingram Micro Inc.**

Ingram Micro helps businesses realize the promise of technology™. It delivers a full spectrum of global technology and supply chain services to businesses around the world. Deep expertise in technology solutions, mobility, cloud, and supply chain solutions enables its business partners to operate efficiently and successfully in the markets they serve. More at [www.ingrammicro.com](http://www.ingrammicro.com).

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### **Ingram Micro Inc. Consolidated Balance Sheet (Amounts in 000s) (Unaudited)**

|                                | <b>December 30,<br/>2017</b> | <b>December 31,<br/>2016</b> |
|--------------------------------|------------------------------|------------------------------|
| <b>ASSETS</b>                  |                              |                              |
| Current assets:                |                              |                              |
| Cash and cash equivalents      | \$ 549,558                   | \$ 796,164                   |
| Restricted cash                | 14,379                       | 64,916                       |
| Trade accounts receivable, net | 7,626,191                    | 6,354,905                    |
| Inventory                      | 4,471,440                    | 3,902,626                    |
| Other current assets           | 618,733                      | 691,253                      |
|                                | <hr/>                        | <hr/>                        |
| Total current assets           | 13,280,301                   | 11,809,864                   |
| Property and equipment, net    | 417,439                      | 381,876                      |

|                        |                      |                      |
|------------------------|----------------------|----------------------|
| Goodwill               | 990,372              | 904,920              |
| Intangible assets, net | 385,152              | 445,646              |
| Other assets           | <u>299,879</u>       | <u>176,643</u>       |
| Total assets           | <u>\$ 15,373,143</u> | <u>\$ 13,718,949</u> |

## LIABILITIES AND STOCKHOLDER'S EQUITY

### Current liabilities:

|                                                          |                |                |
|----------------------------------------------------------|----------------|----------------|
| Accounts payable                                         | \$ 7,760,380   | \$ 7,174,946   |
| Accrued expenses                                         | 881,672        | 856,627        |
| Short-term debt and current maturities of long-term debt | <u>127,512</u> | <u>559,773</u> |

|                           |           |           |
|---------------------------|-----------|-----------|
| Total current liabilities | 8,769,564 | 8,591,346 |
|---------------------------|-----------|-----------|

|                                         |                |                |
|-----------------------------------------|----------------|----------------|
| Long-term debt, less current maturities | 1,982,118      | 832,459        |
| Other liabilities                       | <u>298,904</u> | <u>181,393</u> |

|                   |            |           |
|-------------------|------------|-----------|
| Total liabilities | 11,050,586 | 9,605,198 |
|-------------------|------------|-----------|

|                      |                  |                  |
|----------------------|------------------|------------------|
| Stockholder's equity | <u>4,322,557</u> | <u>4,113,751</u> |
|----------------------|------------------|------------------|

|                                            |                      |                      |
|--------------------------------------------|----------------------|----------------------|
| Total liabilities and stockholder's equity | <u>\$ 15,373,143</u> | <u>\$ 13,718,949</u> |
|--------------------------------------------|----------------------|----------------------|

**Ingram Micro Inc.**  
**Consolidated Statement of Income**  
**(Amounts in 000s)**  
**(Unaudited)**

|                                     | <b>Thirteen Weeks Ended</b> |                          |
|-------------------------------------|-----------------------------|--------------------------|
|                                     | <b>December 30, 2017</b>    | <b>December 31, 2016</b> |
| Net sales                           | \$ 13,784,599               | \$ 12,242,766            |
| Cost of sales                       | <u>12,929,159</u>           | <u>11,449,573</u>        |
| Gross profit                        | <u>855,440</u>              | <u>793,193</u>           |
| Operating expenses:                 |                             |                          |
| Selling, general and administrative | 640,935                     | 600,279                  |
| Amortization of intangible assets   | 22,676                      | 25,277                   |
| Reorganization costs                | 3,709                       | 4,141                    |

|                                           |                  |                    |
|-------------------------------------------|------------------|--------------------|
| Merger related costs                      | 12,872           | 155,795            |
| Loss on sale of affiliates                | 3,028            | 2,880              |
|                                           | <u>683,220</u>   | <u>788,372</u>     |
| Income from operations                    | <u>172,220</u>   | <u>4,821</u>       |
| Other expense (income):                   |                  |                    |
| Interest income                           | (8,394)          | (2,347)            |
| Interest expense                          | 25,730           | 21,647             |
| Net foreign currency exchange (gain) loss | (7,489)          | 3,171              |
| Other                                     | 5,615            | 8,448              |
|                                           | <u>15,462</u>    | <u>30,919</u>      |
| Income (loss) before income taxes         | 156,758          | (26,098)           |
| Provision for income taxes                | <u>101,165</u>   | <u>8,550</u>       |
| Net income (loss)                         | <u>\$ 55,593</u> | <u>\$ (34,648)</u> |

**Ingram Micro Inc.**  
**Consolidated Statement of Income**  
**(Amounts in 000s)**  
**(Unaudited)**

|                                     | <b>Fifty-two Weeks Ended</b>    |                                 |
|-------------------------------------|---------------------------------|---------------------------------|
|                                     | <b><u>December 30, 2017</u></b> | <b><u>December 31, 2016</u></b> |
| Net sales                           | \$ 46,674,792                   | \$ 41,928,799                   |
| Cost of sales                       | <u>43,725,552</u>               | <u>39,069,585</u>               |
| Gross profit                        | <u>2,949,240</u>                | <u>2,859,214</u>                |
| Operating expenses:                 |                                 |                                 |
| Selling, general and administrative | 2,341,483                       | 2,258,953                       |
| Amortization of intangible assets   | 91,153                          | 98,497                          |
| Reorganization costs                | 15,130                          | 35,868                          |
| Merger related costs                | 89,785                          | 170,400                         |
| Loss on sale of affiliates          | 3,028                           | 17,758                          |
|                                     | <u>2,540,579</u>                | <u>2,581,476</u>                |
| Income from operations              | <u>408,661</u>                  | <u>277,738</u>                  |

|                                           |                   |                   |
|-------------------------------------------|-------------------|-------------------|
| Other expense (income):                   |                   |                   |
| Interest income                           | (17,337)          | (7,561)           |
| Interest expense                          | 102,936           | 79,911            |
| Net foreign currency exchange (gain) loss | (17,862)          | 16,013            |
| Other                                     | 19,831            | 18,666            |
|                                           | <u>87,568</u>     | <u>107,029</u>    |
| Income before income taxes                | 321,093           | 170,709           |
| Provision for income taxes                | <u>122,135</u>    | <u>70,283</u>     |
| Net income                                | <u>\$ 198,958</u> | <u>\$ 100,426</u> |

**Ingram Micro Inc.**  
**Consolidated Statement of Cash Flows**  
**(Amounts in 000s)**  
**(Unaudited)**

|                                                                              | <b>Fifty-two Weeks Ended</b>    |                                 |
|------------------------------------------------------------------------------|---------------------------------|---------------------------------|
|                                                                              | <b><u>December 30, 2017</u></b> | <b><u>December 31, 2016</u></b> |
| <b>Cash flows from operating activities:</b>                                 |                                 |                                 |
| Net income                                                                   | \$ 198,958                      | \$ 100,426                      |
| Adjustments to reconcile net income to cash used by operating activities:    |                                 |                                 |
| Depreciation and amortization                                                | 202,926                         | 203,708                         |
| Share-based compensation                                                     | 28,056                          | 27,626                          |
| Unpaid merger related costs                                                  | 54,262                          | 129,022                         |
| Excess tax benefit from stock-based compensation                             | -                               | (9,267)                         |
| Gain on marketable securities, net                                           | (8,215)                         | (2,890)                         |
| Gain on sale of property and equipment                                       | (3,244)                         | (2,158)                         |
| Loss on sale of affiliates                                                   | 3,028                           | 17,758                          |
| Noncash charges for interest and bond discount amortization                  | 4,223                           | 2,818                           |
| Deferred income taxes                                                        | (44,177)                        | (7,981)                         |
| Changes in operating assets and liabilities, net of effects of acquisitions: |                                 |                                 |
| Trade accounts receivable                                                    | (915,120)                       | (692,491)                       |
| Inventory                                                                    | (388,553)                       | (498,706)                       |

|                                                              |                   |                   |
|--------------------------------------------------------------|-------------------|-------------------|
| Other current assets                                         | 2,435             | (239,822)         |
| Accounts payable                                             | 257,586           | 869,194           |
| Change in book overdrafts                                    | (91,398)          | 9,844             |
| Accrued expenses                                             | 59,838            | 30,783            |
| Cash used by operating activities                            | <u>(639,395)</u>  | <u>(62,136)</u>   |
| <b>Cash flows from investing activities:</b>                 |                   |                   |
| Capital expenditures                                         | (139,647)         | (110,579)         |
| Movements from (to) restricted cash                          | 50,537            | (64,916)          |
| Sale of marketable securities, net                           | 1,280             | 5,397             |
| Realized gain on marketable securities, net                  | -                 | (1,415)           |
| Proceeds from sale of property and equipment                 | 3,654             | 2,377             |
| Proceeds from sale of affiliates                             | 10,025            | 23,307            |
| Return of investment                                         | 4,350             | -                 |
| Acquisitions, net of cash acquired                           | (82,748)          | (174,972)         |
| Cash used by investing activities                            | <u>(152,549)</u>  | <u>(320,801)</u>  |
| <b>Cash flows from financing activities:</b>                 |                   |                   |
| Proceeds from exercise of stock options                      | -                 | 7,828             |
| Excess tax benefit from stock-based compensation             | -                 | 9,267             |
| Redemption of senior unsecured notes                         | (300,000)         | -                 |
| Equity contribution from Parent                              | 37,500            | 149,324           |
| Settlement of stock-based awards due to Merger               | (48,997)          | (84,408)          |
| Other consideration for acquisitions                         | (20,138)          | (2,091)           |
| Dividends paid to shareholder                                | (105,758)         | -                 |
| Net proceeds from revolving credit facilities                | 983,376           | 160,986           |
| Cash provided by financing activities                        | <u>545,983</u>    | <u>240,906</u>    |
| Effect of exchange rate changes on cash and cash equivalents | <u>(645)</u>      | <u>2,928</u>      |
| Decrease in cash and cash equivalents                        | (246,606)         | (139,103)         |
| Cash and cash equivalents, beginning of year                 | <u>796,164</u>    | <u>935,267</u>    |
| Cash and cash equivalents, end of year                       | <u>\$ 549,558</u> | <u>\$ 796,164</u> |

# Income from Operations - Reconciliation of GAAP to Non-GAAP Information

(Amounts in Millions)  
(Unaudited)

|                                                  | Thirteen Weeks Ended |                   |
|--------------------------------------------------|----------------------|-------------------|
|                                                  | December 30, 2017    | December 31, 2016 |
| Net Sales                                        | \$ 13,784.6          | \$ 12,242.8       |
| GAAP Operating Income                            | \$ 172.2             | \$ 4.8            |
| Reorganization, integration and transition costs | 6.0                  | 16.9              |
| Amortization of intangible assets                | 22.7                 | 25.2              |
| Merger related costs                             | 12.9                 | 155.8             |
| Loss on sale of affiliates                       | 3.0                  | 2.9               |
| Non-GAAP Operating Income                        | \$ 216.8             | \$ 205.6          |
| GAAP Operating Margin                            | 1.25%                | 0.04%             |
| Non-GAAP Operating Margin                        | 1.57%                | 1.68%             |

|                                                  | Fifty-two Weeks Ended |                   |
|--------------------------------------------------|-----------------------|-------------------|
|                                                  | December 30, 2017     | December 31, 2016 |
| Net Sales                                        | \$ 46,674.8           | \$ 41,928.8       |
| GAAP Operating Income                            | \$ 408.7              | \$ 277.7          |
| Reorganization, integration and transition costs | 29.7                  | 80.1              |
| Amortization of intangible assets                | 91.2                  | 98.5              |
| Merger related costs                             | 89.8                  | 170.4             |
| Loss on sale of affiliates                       | 3.0                   | 17.8              |
| Settlement of a class action lawsuit             | -                     | (3.8)             |
| Non-GAAP Operating Income                        | \$ 622.4              | \$ 640.7          |
| GAAP Operating Margin                            | 0.88%                 | 0.66%             |
| Non-GAAP Operating Margin                        | 1.33%                 | 1.53%             |

**Ingram Micro Inc.**  
**Supplementary Information**  
**Reconciliation of GAAP to Non-GAAP Financial Measures**  
**(Amounts in Millions)**  
**(Unaudited)**

|                                                  | <b>Thirteen Weeks Ended</b> |                          |
|--------------------------------------------------|-----------------------------|--------------------------|
|                                                  | <b>December 30, 2017</b>    | <b>December 31, 2016</b> |
|                                                  | <b>Net Income</b>           | <b>Net Income (Loss)</b> |
| As Reported Under GAAP                           | \$ 55.6                     | \$ (34.6)                |
| Reorganization, integration and transition costs | 4.0                         | 13.2                     |
| Amortization of intangible assets                | 15.1                        | 19.8                     |
| Merger related costs                             | 8.6                         | 121.9                    |
| Loss on sale of affiliates                       | 2.0                         | 2.2                      |
| Pan-Europe foreign currency exchange gain        | (0.3)                       | (1.9)                    |
| Impact of US tax reform                          | 55.6                        | -                        |
| Non-GAAP Financial Measure                       | <u>\$ 140.6</u>             | <u>\$ 120.6</u>          |

|                                                                                    | <b>Fifty-two Weeks Ended</b> |                          |
|------------------------------------------------------------------------------------|------------------------------|--------------------------|
|                                                                                    | <b>December 30, 2017</b>     | <b>December 31, 2016</b> |
|                                                                                    | <b>Net Income</b>            | <b>Net Income</b>        |
| As Reported Under GAAP                                                             | \$ 199.0                     | \$ 100.4                 |
| Reorganization, integration and transition costs                                   | 20.8                         | 58.6                     |
| Amortization of intangible assets                                                  | 63.7                         | 72.0                     |
| Merger related costs                                                               | 63.7                         | 132.6                    |
| Loss on sale of affiliates                                                         | 2.0                          | 12.4                     |
| Settlement of a class action lawsuit                                               | -                            | (2.6)                    |
| Pan-Europe foreign currency exchange loss (gain)                                   | 2.4                          | (0.7)                    |
| Reversal of a valuation allowance against certain deferred tax assets in Australia | (30.6)                       | -                        |
| Impact of US tax reform                                                            | 55.6                         | -                        |
| Non-GAAP Financial Measure                                                         | <u>\$ 376.6</u>              | <u>\$ 372.7</u>          |

Note: Amounts above are net of applicable income taxes.



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