April 25, 2017

Ingram Micro Reports Fourth Quarter Financial Results

IRVINE, Calif.--(BUSINESS WIRE)-- Ingram Micro Inc. today announced financial results for the fourth quarter ended Dec. 31, 2016.

Fourth Quarter Results of Operations

Worldwide 2016 fourth quarter sales of $12.2 billion increased 8 percent in USD, with gross margin of 6.48 percent. This compares to sales of $11.3 billion with gross margin of 6.84 percent in the 2015 fourth quarter. The translation of foreign currencies versus last year had a negative impact of 2 percentage points on worldwide sales. Recent acquisitions contributed approximately 2 percentage points of growth to 2016 fourth quarter worldwide sales. 2016 fourth quarter non-GAAP operating income was $206 million, or 1.68 percent of revenue, and non-GAAP net income was $121 million. This compares to 2015 fourth quarter non-GAAP operating income of $239 million, or 2.11 percent of revenue, and non-GAAP net income of $153 million.

2016 fourth quarter gross margin, non-GAAP operating income and non-GAAP net income were impacted by a higher mix of sales of consumer focused product lines, particularly smartphones in international markets, as well as by underperformance in some European countries and in the company's U.S. mobility business.

2016 fourth quarter GAAP operating income and net income – which includes the negative impact of approximately $175 million in restructuring, merger and transition costs primarily related to the finalization of HNA Group's acquisition of Ingram Micro in December 2016, and $25 million in amortization expense – was $5 million, or 0.04 percent of revenue, and a loss of $35 million, or -0.28 percent of revenue, respectively. This compares to 2015 fourth quarter GAAP operating income and net income of $196 million, or 1.73 percent of revenue, and $141 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. These non-GAAP measures exclude charges associated with reorganization, 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 affiliate in the fourth quarter of 2016 and a charge in the 2015 fourth quarter related to an impairment of internally developed software resulting from the company's decision to stop its global ERP deployment. 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. In 2015, non-GAAP net income also excludes the non-cash benefit related to the release of valuation allowance in the company's Brazilian subsidiary.

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.

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

	December 31, 2016	January 2, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 796,164	$ 935,267
Restricted cash	64,916	-
Trade accounts receivable, net	6,354,905	5,663,754
Inventory	3,902,626	3,457,016
Other current assets	691,253	475,813
Total current assets	11,809,864	10,531,850
Property and equipment, net	381,876	381,414
Goodwill	904,920	843,001
Intangible assets, net	445,646	374,674
Other assets	176,643	169,750
Total assets	$ 13,718,949	$12,300,689
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,174,946	$ 6,353,511
Accrued expenses	856,627	620,501
Short-term debt and current maturities of long-term debt	559,773	134,103
Total current liabilities	8,591,346	7,108,115
Long-term debt, less current maturities	832,459	1,090,702
Other liabilities	181,393	134,086
Total liabilities	9,605,198	8,332,903
Stockholders' equity	4,113,751	3,967,786
Total liabilities and stockholders' equity	$ 13,718,949	$12,300,689

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

	Thirteen Weeks Ended	
	December 31, 2016	**January 2, 2016**
Net sales	$ 12,242,766	$ 11,312,268
Cost of sales	11,449,573	10,538,845
Gross profit	793,193	773,423
Operating expenses:		
Selling, general and administrative	600,279	550,188
Amortization of intangible assets	25,277	14,912
Reorganization costs	4,141	7,075
Merger related costs	155,795	-
Impairment of internally developed software	-	5,145
Loss on sale of affiliate	2,880	-
	788,372	577,320
Income from operations	4,821	196,103
Other expense (income):		
Interest income	(2,347)	(479)
Interest expense	21,647	20,067
Net foreign currency exchange loss	3,171	590
Other	8,448	5,767
	30,919	25,945
Income before income taxes	(26,098)	170,158
Provision for income taxes	8,550	28,957
Net income	$ (34,648)	$ 141,201

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

	Fifty-two Weeks Ended	
	December 31, 2016	**January 2, 2016**
Net sales	$ 41,928,799	$ 43,025,852
Cost of sales	39,069,585	40,314,560
Gross profit	2,859,214	2,711,292
Operating expenses:		
Selling, general and administrative	2,258,953	2,076,528
Amortization of intangible assets	98,497	62,138
Reorganization costs	35,868	36,309
Merger related costs	170,400	-
Impairment of internally developed software	-	121,001
Loss on sale of affiliate	17,758	-
	2,581,476	2,295,976
Income from operations	277,738	415,316
Other expense (income):		
Interest income	(7,561)	(3,129)
Interest expense	79,911	81,866
Net foreign currency exchange loss	16,013	27,130
Other	18,666	13,023
	107,029	118,890
Income before income taxes	170,709	296,426
Provision for income taxes	70,283	81,321
Net income	$ 100,426	$ 215,105

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

	Fifty-two Weeks Ended	
	December 31, 2016	**January 2, 2016**
Cash flows from operating activities:		
Net income	$ 100,426	$ 215,105
Adjustments to reconcile net income to cash (used) provided by operating activities:		
Depreciation and amortization	203,708	153,144
Stock-based compensation	27,626	39,893
Unpaid Merger related costs	129,022	-
Excess tax benefit from stock-based compensation	(9,267)	(5,154)
Unrealized gain on marketable securities, net	(2,890)	-
Gain on sale of property and equipment	(2,158)	(2,222)
Loss on sale of affiliate	17,758	-
Impairment of internally developed software	-	121,001
Noncash charges for interest and bond discount amortization	2,818	2,917
Deferred income taxes	(7,981)	(29,158)

Changes in operating assets and liabilities, net of effects of acquisitions:		
Trade accounts receivable	(692,491)	399,538
Inventory	(498,706)	596,493
Other current assets	(239,822)	(40,879)
Accounts payable	869,194	3,950
Change in book overdrafts	9,844	(28,305)
Accrued expenses	30,783	29,630
Cash provided (used) provided by operating activities	(62,136)	1,455,953
Cash flows from investing activities:		
Capital expenditures	(110,579)	(122,918)
Movements to restricted cash	(64,916)	-
Sale of marketable securities, net	5,397	5,000
Realized gain on marketable securities, net	(1,415)	-
Proceeds from sale of property and equipment	2,377	1,223
Proceeds from sale of affiliate	23,307	-
Acquisitions, net of cash acquired	(174,972)	(479,348)
Cash used by investing activities	(320,801)	(596,043)
Cash flows from financing activities:		
Proceeds from exercise of stock options	7,828	17,115
Repurchase of Class A Common Stock	-	(259,027)
Excess tax benefit from stock-based compensation	9,267	5,154
Equity contribution from Parent	149,324	-
Settlement of stock-based awards due to Merger	(84,408)	-
Other consideration for acquisitions	(2,091)	(2,358)
Dividends paid to shareholders	-	(30,182)
Net proceeds from (repayments of) revolving and other credit facilities	160,986	(307,886)
Cash provided (used) by financing activities	240,906	(577,184)
Effect of exchange rate changes on cash and cash equivalents	2,928	(40,236)
Increase (decrease) in cash and cash equivalents	(139,103)	242,490
Cash and cash equivalents, beginning of year	935,267	692,777
Cash and cash equivalents, end of year	$ 796,164	$ 935,267

Ingram Micro Inc.
Supplementary Information
Income from Operations - Reconciliation of GAAP to Non-GAAP Information
(Amounts in Millions)
(Unaudited)

	Thirteen Weeks Ended December 31, 2016					
	North America	Europe	Asia-Pacific	Latin America	Stock-based Compensation	Loss on Sale of Affiliate
Net Sales	$ 4,842.1	$3,619.9	$ 3,012.5	$ 768.3	$ -	$ -
GAAP Operating Income (Loss)	$ (34.6)	$ 17.5	$ 37.8	$ 17.5	$ (30.5)	$ (2.9)
Reorganization, integration and transition costs	9.2	5.9	(0.1)	1.9	-	-

Amortization of intangible assets	9.5	13.4	1.8	0.5	-	-
Merger related costs	113.1	6.2	3.1	1.0	32.4	-
Loss on sale of affiliate	-	-	-	-	-	2.9
Non-GAAP Operating Income	$ 97.2	$ 43.0	$ 42.6	$ 20.9	$ 1.9	$ -
GAAP Operating Margin	(0.71%)	0.48%	1.25%	2.28%		
Non-GAAP Operating Margin	2.01%	1.19%	1.41%	2.72%		

	Thirteen Weeks Ended January 2, 2016					
	North America	**Europe**	**Asia-Pacific**	**Latin America**	**Stock-based Compensation**	**Impairment of Internally Developed Software**
Net Sales	$ 4,663.5	$3,378.7	$ 2,512.2	$ 757.9	$ -	$ -
GAAP Operating Income	$ 99.7	$ 44.8	$ 50.4	$ 17.9	$ (11.6)	$ (5.1)
Reorganization, integration and transition costs	14.3	4.7	2.9	1.2	-	-
Amortization of intangible assets	8.4	4.0	2.0	0.5	-	-
Impairment of internally developed software	-	-	-	-	-	5.1
Non-GAAP Operating Income	$ 122.4	$ 53.5	$ 55.3	$ 19.6	$ (11.6)	$ -
GAAP Operating Margin	2.14%	1.33%	2.01%	2.36%		
Non-GAAP Operating Margin	2.62%	1.58%	2.20%	2.58%		

Ingram Micro Inc.
Supplementary Information
Income from Operations - Reconciliation of GAAP to Non-GAAP Information
(Amounts in Millions)
(Unaudited)

	Fifty-two Weeks Ended December 31, 2016	
	Stock-based	**Loss on Sa**

	North America	Europe	Asia-Pacific	Latin America	Compensation	of Affiliate
Net Sales	$ 17,679.8	$11,809.4	$ 9,782.2	$ 2,657.4	$ -	$ -
GAAP Operating Income (Loss)	$ 184.5	$ (3.7)	$ 132.7	$ 42.1	$ (60.1)	$ (17.8
Reorganization, integration and transition costs	40.3	32.6	1.1	6.1	-	-
Amortization of intangible assets	45.4	41.4	7.6	4.1	-	-
Merger related costs	127.7	6.2	3.1	1.0	32.4	-
Loss on sale of affiliate	-	-	-	-	-	17.8
Settlement of a class action lawsuit	(3.8)	-	-	-	-	-
Non-GAAP Operating Income	$ 394.1	$ 76.5	$ 144.5	$ 53.3	$ (27.7)	$ -
GAAP Operating Margin	1.04%	(0.03%)	1.36%	1.58%		
Non-GAAP Operating Margin	2.23%	0.65%	1.48%	2.01%		

	Fifty-two Weeks Ended January 2, 2016					
	North America	Europe	Asia-Pacific	Latin America	Stock-based Compensation	Impairment of Internally Developed Software
Net Sales	$ 18,200.7	$12,236.5	$ 10,066.1	$ 2,522.6	$ -	$ -
GAAP Operating Income	$ 323.3	$ 65.7	$ 144.8	$ 42.4	$ (39.9)	$ (121.0)
Reorganization, integration and transition costs	42.9	20.6	12.2	4.7	-	-
Amortization of intangible assets	37.3	15.3	7.7	1.8	-	-
Impairment of internally developed software	-	-	-	-	-	121.0
Estimated settlement of employee related taxes	-	4.7	-	-	-	-
Non-GAAP Operating Income	$ 403.5	$ 106.3	$ 164.7	$ 48.9	$ (39.9)	$ -

GAAP Operating Margin	1.78%	0.54%	1.44%	1.68%
Non-GAAP Operating Margin	2.22%	0.87%	1.64%	1.94%

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

	Thirteen Weeks Ended December 31, 2016	
	Net Income	
As Reported Under GAAP	$	(34.6)
Reorganization, integration and transition costs		13.2
Amortization of intangible assets		19.8
Merger related costs		121.9
Loss on sale of affiliate		2.2
Pan-Europe foreign currency exchange gain		(1.9)
Non-GAAP Financial Measure	$	120.6

	Thirteen Weeks Ended January 2, 2016	
	Net Income	
As Reported Under GAAP	$	141.2
Reorganization, integration and transition costs		13.1
Amortization of intangible assets		11.1
Impairment of internally developed software		3.1
Pan-Europe foreign currency exchange gain		(1.5)
Release of Brazil valuation allowance		(14.3)
Non-GAAP Financial Measure	$	152.7

Note: Amounts above are net of applicable income taxes.

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

	Fifty-two Weeks Ended December 31, 2016 Net Income
As Reported Under GAAP	$ 100.4
Reorganization, integration and transition costs	58.6
Amortization of intangible assets	72.0
Merger related costs	132.6
Loss on sale of affiliate	12.4
Settlement of a class action lawsuit	(2.6)
Pan-Europe foreign currency exchange gain	(0.7)
Non-GAAP Financial Measure	$ 372.7

	Fifty-two Weeks Ended January 2, 2016 Net Income
As Reported Under GAAP	$ 215.1
Reorganization, integration and transition costs	55.2
Amortization of intangible assets	45.5
Impairment of internally developed software	102.8
Estimated settlement of employee related taxes	3.5
Pan-Europe foreign currency exchange loss	3.7
Release of Brazil valuation allowance	(14.3)
Non-GAAP Financial Measure	$ 411.5

Note: Amounts above are net of applicable income taxes.

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Ingram Micro
Damon Wright, (714) 382-5013
damon.wright@ingrammicro.com

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