November 10, 2017

Ingram Micro Reports Third Quarter Financial Results

IRVINE, Calif.--(BUSINESS WIRE)-- Ingram Micro Inc. today announced financial results for the third quarter ended Sept. 30, 2017.

Third Quarter Results of Operations

Ingram Micro experienced strong global demand, led by strength in technology solutions and mobility distribution. Worldwide 2017 third quarter sales were $11.66 billion, an increase of 14 percent in USD, with gross margin of 6.23 percent. This compares to sales of $10.23 billion and gross margin of 7.00 percent in the 2016 third quarter. The translation of foreign currencies versus last year had a positive impact of 2 percentage points on worldwide sales. 2017 third quarter non-GAAP operating income was $147 million, or 1.26 percent of revenue, and non-GAAP net income was $87 million. This compares to 2016 third quarter non-GAAP operating income of $177 million, or 1.73 percent of revenue, and non-GAAP net income of $107 million.

2017 third 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 third quarter GAAP operating income and net income was $105 million, or 0.90 percent of revenue, and $61 million, respectively, including:

- The pre-tax negative impact of approximately $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 third quarter GAAP operating income and net income of $137 million, or 1.34 percent of revenue, and $79 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 third quarter and the nine months ended September 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 affiliate and a gain related to a legal settlement in the 2016

second quarter. 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. 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.

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)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 431,895	$ 796,164
Restricted cash	13,895	64,916
Trade accounts receivable, net	6,300,198	6,354,905
Inventory	4,480,065	3,902,626
Other current assets	698,231	691,253
Total current assets	11,924,284	11,809,864
Property and equipment, net	397,239	381,876
Goodwill	937,708	904,920
Intangible assets, net	406,073	445,646
Other assets	245,757	176,643
Total assets	$ 13,911,061	$ 13,718,949
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	$ 6,571,889	$ 7,174,946
Accrued expenses	749,930	856,627
Short-term debt and current maturities of long-term debt	216,794	559,773
Total current liabilities	7,538,613	8,591,346
Long-term debt, less current maturities	1,747,942	832,459
Other liabilities	255,093	181,393
Total liabilities	9,541,648	9,605,198
Stockholder's equity	4,369,413	4,113,751
Total liabilities and stockholder's equity	$ 13,911,061	$ 13,718,949

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

	Thirteen Weeks Ended	
	September 30, 2017	**October 1, 2016**
Net sales	$ 11,660,547	$ 10,226,826
Cost of sales	10,933,761	9,511,447
Gross profit	726,786	715,379
Operating expenses:		
Selling, general and administrative	584,242	548,373
Amortization of intangible assets	23,211	20,574
Reorganization costs	2,071	7,471
Merger related costs	12,456	1,897
	621,980	578,315
Income from operations	104,806	137,064
Other expense (income):		
Interest income	(3,608)	(1,956)
Interest expense	25,806	19,640
Net foreign currency exchange (gain) loss	(8,816)	3,728
Other	4,790	3,020
	18,172	24,432
Income before income taxes	86,634	112,632
Provision for income taxes	25,679	34,109
Net income	$ 60,955	$ 78,523

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

	Thirty-nine Weeks Ended	
	September 30, 2017	**October 1, 2016**
Net sales	$ 32,890,193	$ 29,686,033
Cost of sales	30,796,393	27,620,012
Gross profit	2,093,800	2,066,021
Operating expenses:		
Selling, general and administrative	1,700,548	1,658,674
Amortization of intangible assets	68,477	73,220
Reorganization costs	11,421	31,727
Loss on sale of affiliate	-	14,878
Merger related costs	76,913	14,605
	1,857,359	1,793,104
Income from operations	236,441	272,917
Other expense (income):		
Interest income	(8,943)	(5,214)
Interest expense	77,206	58,264
Net foreign currency exchange (gain) loss	(10,373)	12,842
Other	14,216	10,218
	72,106	76,110
Income before income taxes	164,335	196,807
Provision for income taxes	20,970	61,733
Net income	$ 143,365	$ 135,074

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

	Thirty-nine Weeks Ended	
	September 30, 2017	**October 1, 2016**
Cash flows from operating activities:		
Net income	$ 143,365	$ 135,074
Adjustments to reconcile net income to cash used by operating activities:		
Depreciation and amortization	150,931	151,374
Stock-based compensation	20,517	29,564
Unpaid merger related costs	44,540	4,130
Excess tax benefit from stock-based compensation	-	(8,437)
Gain on marketable securities, net	(5,318)	-
Gain on sale of property and equipment	(2,930)	(1,606)
Loss on sale of affiliate	1,739	14,878
Noncash charges for interest and bond discount amortization	3,283	2,500
Deferred income taxes	(43,430)	(1,152)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Trade accounts receivable	322,006	529,205
Inventory	(424,014)	(355,948)
Other current assets	(15,476)	(63,572)
Accounts payable	(893,984)	(400,839)
Change in book overdrafts	(33,480)	(61,653)
Accrued expenses	(94,554)	(110,418)
Cash used by operating activities	(826,805)	(136,900)
Cash flows from investing activities:		
Capital expenditures	(94,544)	(80,229)
Movements from restricted cash	51,021	-
Sale of marketable securities, net	-	4,700
Proceeds from sale of property and equipment	3,197	1,237
Proceeds from sale of affiliate	9,825	27,847
Acquisitions, net of cash acquired	(20,771)	(173,311)
Cash used by investing activities	(51,272)	(219,756)
Cash flows from financing activities:		
Proceeds from exercise of stock options	-	3,296
Excess tax benefit from stock-based compensation	-	8,437
Equity contribution from Parent	37,500	-
Settlement of stock-based awards due to Merger	(48,177)	-
Other consideration for acquisitions	(15,100)	(2,091)
Net proceeds from revolving and other credit facilities	545,482	87,160
Cash provided by financing activities	519,705	96,802
Effect of exchange rate changes on cash and cash equivalents	(5,897)	13,663
Decrease in cash and cash equivalents	(364,269)	(246,191)
Cash and cash equivalents, beginning of period	796,164	935,267
Cash and cash equivalents, end of period	$ 431,895	$ 689,076

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

	Thirteen Weeks Ended	
	September 30, 2017	**October 1, 2016**
Net Sales	$ 11,660.5	$ 10,226.8
GAAP Operating Income	$ 104.8	$ 137.1
Reorganization, integration and transition costs	6.8	17.0
Amortization of intangible assets	23.2	20.6
Merger related costs	12.5	1.9
Non-GAAP Operating Income	$ 147.3	$ 176.6
GAAP Operating Margin	0.90%	1.34%
Non-GAAP Operating Margin	1.26%	1.73%

	Thirty-nine Weeks Ended	
	September 30, 2017	**October 1, 2016**
Net Sales	$ 32,890.2	$ 29,686.0
GAAP Operating Income	$ 236.4	$ 272.9
Reorganization, integration and transition costs	23.8	63.2
Amortization of intangible assets	68.5	73.3
Merger related costs	76.9	14.6
Loss on sale of affiliate	-	14.9
Settlement of a class action lawsuit	-	(3.8)
Non-GAAP Operating Income	$ 405.6	$ 435.1
GAAP Operating Margin	0.72%	0.92%
Non-GAAP Operating Margin	1.23%	1.47%

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

	Thirteen Weeks Ended	
	September 30, 2017	**October 1, 2016**
	Net Income	**Net Income**
As Reported Under GAAP	$ 61.0	$ 78.5
Reorganization, integration and transition costs	4.7	12.1
Amortization of intangible assets	16.0	14.6
Merger related costs	8.6	1.3
Pan-Europe foreign currency exchange (gain) loss	(3.1)	0.9
Non-GAAP Financial Measure	$ 87.2	$ 107.4

	Thirty-nine Weeks Ended	
	September 30, 2017	**October 1, 2016**
	Net Income	**Net Income**
As Reported Under GAAP	$ 143.4	$ 135.1
Reorganization, integration and transition costs	16.8	45.4
Amortization of intangible assets	48.7	52.3
Merger related costs	55.1	10.6
Loss on sale of affiliate	-	10.2
Settlement of a class action lawsuit	-	(2.6)
Pan-Europe foreign currency exchange loss	2.6	1.1
Reversal of a valuation allowance against certain deferred tax assets in Australia	(30.6)	-
Non-GAAP Financial Measure	$ 236.0	$ 252.1

Note: Amounts above are net of applicable income taxes.

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