

August 31, 2020



# Ingram Micro Reports 2020 Fiscal Second Quarter Financial Results

IRVINE, Calif.--(BUSINESS WIRE)-- Ingram Micro Inc. today announced financial results for the 2020 fiscal second quarter ended June 27, 2020. Ingram Micro delivered solid results with a strong increase in profitability led by robust performance in Technology Solutions and Commerce & Lifecycle Services. Worldwide 2020 second quarter sales were \$10.49 billion, with gross profit of \$821 million, or 7.83 percent of sales. The company continued to deliver stronger profitability based on a better mix of higher margin sales, including solutions addressing requirements for work-from-home IT needs, which led to continued gross margin expansion – up 81 basis points over the 2019 second quarter – despite a year-over-year decrease in second quarter sales of 9 percent in USD. The translation of foreign currencies compared to last year had a negative impact of approximately 2.4 percent on 2020 second quarter sales. This compares to sales of \$11.53 billion, gross profit of \$810 million and gross margin of 7.02 percent for the 2019 second quarter. 2020 second quarter non-GAAP operating income was \$223 million, or 2.12 percent of sales, a 53 basis-point increase over last year, with non-GAAP net income for the 2020 second quarter of \$150 million. This compares to 2019 second quarter non-GAAP operating income of \$184 million, or 1.59 percent of sales, and non-GAAP net income of \$119 million. 2020 second quarter GAAP operating income was \$206 million, or 1.96 percent of sales (with the primary GAAP to non-GAAP difference made up of pre-tax amortization expense of \$16 million), and GAAP net income was \$142 million. This compares to 2019 second quarter GAAP operating income of \$156 million, or 1.35 percent of sales, and GAAP net income of \$97 million.

## **Impact of COVID-19**

The company has benefited from its broad portfolio of products and solutions as a decrease in demand for certain services and Advanced Solutions offerings during the second quarter related to the COVID-19 pandemic, was offset by strength in Technology Solutions and ecommerce solutions demand across multiple categories and geographies as businesses and consumers shifted spending patterns in the work-from-home and shelter-in-place environment. While profitability has been strong during the first half of fiscal 2020, the shutdown of many businesses around the world could have a negative impact on the company's financial performance through the remainder of the fiscal year.

## **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 second quarter and six months ended June 27, 2020 and June 29, 2019 as covered in this release. These non-GAAP measures exclude charges associated with reorganization, acquisitions, integration and transition costs, including those associated with the company's cost savings programs, and the amortization of intangible assets. These non-GAAP financial measures also exclude a benefit in the second quarter of 2019 related to the receipt of an LCD flat panel class action

settlement. 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. 2020 six months ended non-GAAP net income also excludes the non-cash tax benefit of a research and development credit, reversal of a Spain UTP reserve upon a favorable court ruling, less non-deductible meal and entertainment in the US, and reduced US tax expense as a result of higher expected foreign tax credit utilization. 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 Sheets (Amounts in 000s) (Unaudited)**

	<b>June 27, 2020</b>	<b>December 28, 2019</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 697,716	\$ 671,821
Trade accounts receivable, net	7,141,696	7,903,900
Inventory	4,693,040	4,193,232
Other current assets	626,428	688,627

Total current assets	13,158,880	13,457,580
Property and equipment, net	455,753	455,440
Goodwill	945,009	946,953
Intangible assets, net	231,517	253,179
Other assets	328,288	360,296
Total assets	<u>\$15,119,447</u>	<u>\$ 15,473,448</u>

## LIABILITIES AND STOCKHOLDER'S EQUITY

### Current liabilities:

Accounts payable	\$ 7,610,188	\$ 8,088,974
Accrued expenses	884,839	1,065,307
Short-term debt and current maturities of long-term debt	95,837	142,437

Total current liabilities	8,590,864	9,296,718
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Long-term debt, less current maturities	1,768,671	1,337,788
Other liabilities	160,743	169,289

Total liabilities	10,520,278	10,803,795
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Stockholder's equity	4,599,169	4,669,653
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Total liabilities and stockholder's equity	<u>\$15,119,447</u>	<u>\$ 15,473,448</u>
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**Ingram Micro Inc.**  
**Consolidated Statements of Income**  
**(Amounts in 000s)**  
**(Unaudited)**

**Thirteen Weeks Ended**  
**June 27, 2020 June 29, 2019**

Net sales	\$ 10,488,959	\$ 11,537,545
Cost of sales	9,667,730	10,727,728
Gross profit	821,229	809,817
Operating expenses:		
Selling, general and administrative	599,532	631,931
Amortization of intangible assets	15,747	17,843
Reorganization costs	-	3,931

	615,279	653,705
Income from operations	205,950	156,112
Other (income) expense:		
Interest income	(5,262)	(638)
Interest expense	22,491	26,850
Net foreign currency exchange loss (gain)	2,651	(5,940)
Other	(1,149)	4,964
	18,731	25,236
Income before income taxes	187,219	130,876
Provision for income taxes	45,103	34,257
Net income	\$ 142,116	\$ 96,619

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

	<b>Twenty-six Weeks Ended</b>	
	<b>June 27, 2020</b>	<b>June 29, 2019</b>
Net sales	\$ 21,440,407	\$ 23,113,061
Cost of sales	19,823,777	21,531,783
Gross profit	1,616,630	1,581,278
Operating expenses:		
Selling, general and administrative	1,239,009	1,257,857
Amortization of intangible assets	31,210	37,551
Reorganization costs	-	4,234
	1,270,219	1,299,642
Income from operations	346,411	281,636
Other (income) expense:		
Interest income	(9,704)	(2,991)
Interest expense	47,134	53,888
Net foreign currency exchange gain	(4,763)	(17,010)
Other	5,610	11,333
	38,277	45,220

Income before income taxes	308,134	236,416
Provision for income taxes	<u>74,689</u>	<u>63,262</u>
Net income	<u>\$ 233,445</u>	<u>\$ 173,154</u>

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

**Twenty-six Weeks Ended**  
**June 27, 2020** **June 29, 2019**

**Cash flows from operating activities:**

Net income	\$ 233,445	\$ 173,154
Adjustments to reconcile net income to cash used by operating activities:		
Depreciation and amortization	93,598	97,668
Loss (gain) on marketable securities, net	2,375	(7,210)
Gain on sale of property and equipment	(887)	(439)
Revaluation of other consideration for acquisitions	224	-
Noncash charges for interest and bond discount amortization	1,322	1,178
Deferred income taxes	22,710	583
Changes in operating assets and liabilities, net of effects of acquisitions:		
Trade accounts receivable	616,782	1,168,517
Inventory	(578,757)	(58,345)
Other current assets	38,671	(26,019)
Accounts payable	(103,562)	(1,162,919)
Change in book overdrafts	(223,252)	(131,991)
Accrued expenses	(178,472)	(58,321)
Cash used by operating activities	<u>(75,803)</u>	<u>(4,144)</u>

**Cash flows from investing activities:**

Capital expenditures	(68,375)	(80,773)
Sale (purchase) of marketable securities, net	489	(2,586)
Proceeds from sale of property and equipment	643	1,084
Acquisitions, net of cash acquired	(23,366)	(1,381)
Cash used by investing activities	<u>(90,609)</u>	<u>(83,656)</u>

**Cash flows from financing activities:**

Other consideration for acquisitions	(124)	(1,967)
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Dividends paid to shareholders	(178,192)	(131,067)
Net proceeds from revolving and other credit facilities	395,536	152,680
Cash provided by financing activities	217,220	19,646
Effect of exchange rate changes on cash and cash equivalents	(24,913)	3,203
Increase (decrease) in cash and cash equivalents	25,895	(64,951)
Cash and cash equivalents, beginning of period	671,821	533,949
Cash and cash equivalents, end of period	\$ 697,716	\$ 468,998

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

	<b>Thirteen Weeks Ended</b>	
	<b>June 27, 2020</b>	<b>June 29, 2019</b>
Net Sales	\$ 10,489.0	\$ 11,537.5
GAAP Operating Income	\$ 206.0	\$ 156.1
Reorganization, integration and transition costs	1.1	14.1
Amortization of intangible assets	15.7	17.8
Settlement of a class action lawsuit	-	(4.2)
Non-GAAP Operating Income	\$ 222.8	\$ 183.8
GAAP Operating Margin	1.96%	1.35%
Non-GAAP Operating Margin	2.12%	1.59%

	<b>Twenty-six Weeks Ended</b>	
	<b>June 27, 2020</b>	<b>June 29, 2019</b>
Net Sales	\$ 21,440.4	\$ 23,113.1
GAAP Operating Income	\$ 346.4	\$ 281.6

Reorganization, integration and transition costs	3.5	22.4
Amortization of intangible assets	31.2	37.6
Settlement of a class action lawsuit	-	(4.2)
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Non-GAAP Operating Income	\$ 381.1	\$ 337.4
	<hr/>	<hr/>

GAAP Operating Margin	1.62%	1.22%
Non-GAAP Operating Margin	1.78%	1.46%

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

	<b>Thirteen Weeks Ended</b>	
	<b>June 27, 2020</b>	<b>June 29, 2019</b>
	<b>Net Income</b>	<b>Net Income</b>
	<hr/>	<hr/>
As Reported Under GAAP	\$ 142.1	\$ 96.6
Reorganization, integration and transition costs	0.7	9.7
Amortization of intangible assets	9.7	12.5
Settlement of a class action lawsuit	-	(2.9)
Pan-Europe foreign currency exchange loss	0.5	3.2
Tax benefit on Spain UTP reversal, non-deductible meal and entertainment expenses and foreign tax credit utilization	(3.4)	-
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Non-GAAP Financial Measure	\$ 149.6	\$ 119.1
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	<b>Twenty-six Weeks Ended</b>	
	<b>June 27, 2020</b>	<b>June 29, 2019</b>
	<b>Net Income</b>	<b>Net Income</b>
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As Reported Under GAAP	\$ 233.4	\$ 173.2
Reorganization, integration and transition costs	2.3	16.1
Amortization of intangible assets	19.8	27.2
Settlement of a class action lawsuit	-	(2.9)
Pan-Europe foreign currency exchange gain	0.3	0.6
Tax benefit on research and development credit	(1.7)	-

Tax benefit on Spain UTP reversal, non-deductible meal  
and entertainment expenses and foreign tax credit  
utilization

(3.4)

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Non-GAAP Financial Measure

\$ 250.7 \$ 214.2

Note: Amounts above are net of applicable income taxes.

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