

Ingram Micro Reports 2020 Fiscal Third Quarter Financial Results

IRVINE, Calif.--(BUSINESS WIRE)-- Ingram Micro Inc. today announced financial results for the 2020 fiscal third quarter ended Sept. 26, 2020. Ingram Micro continued to deliver solid financial results with a strong increase in profitability led by double-digit, year-over-year improvement across all lines of business. Worldwide 2020 third quarter net sales increased modestly over last year by 2.1 percent to \$12.12 billion, with gross profit of \$883 million, or 7.29 percent of sales. The company continued to generate stronger year-over-year profitability based on a better mix of higher margin sales, including for offerings supporting ongoing requirements for learn- and work-from-home IT needs, robust delivery of ecommerce logistics services, and increasing demand for the company's leading Cloud solutions. These combined line of business improvements led to meaningful gross margin expansion – up 56 basis points – over the 2019 third quarter. The translation of foreign currencies compared to last year had a positive impact of approximately 0.5 percent on 2020 third quarter net sales. These financial results compare to net sales of \$11.87 billion, gross profit of \$799 million and gross margin of 6.73 percent for the 2019 third quarter. 2020 third quarter non-GAAP operating income was \$265 million, or 2.19 percent of sales, a 62 basis-point increase over last year, with non-GAAP net income for the 2020 third quarter of \$185 million. This compares to 2019 third quarter non-GAAP operating income of \$186 million, or 1.57 percent of sales, and non-GAAP net income of \$116 million. 2020 third quarter GAAP operating income was \$248 million, or 2.05 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 \$185 million. This compares to 2019 third quarter GAAP operating income of \$160 million, or 1.35 percent of sales, and GAAP net income of \$102 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 third quarter related to the COVID-19 pandemic was offset by strength in Technology Solutions and ecommerce and Cloud 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 nine months 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 third quarter and nine months ended Sept. 26, 2020 and Sept. 28, 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 for the nine months ended in 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 nine months ended non-GAAP net income also excludes the non-cash tax benefit of a research and development credit, reversal of a Spain reserve for an uncertain tax position 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.

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

September 26, 2020	December 28, 2019
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ASSETS

Current assets:

Cash and cash equivalents	\$ 1,365,994	\$ 671,821
Trade accounts receivable, net	7,021,394	7,903,900
Inventory	4,341,810	4,193,232
Other current assets	580,920	688,627
Total current assets	13,310,118	13,457,580
Property and equipment, net	457,646	455,440
Goodwill	952,231	946,953
Intangible assets, net	219,040	253,179
Other assets	338,638	360,296
Total assets	\$ 15,277,673	\$ 15,473,448

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:

Accounts payable	\$ 7,943,183	\$ 8,088,974
Accrued expenses	943,747	1,065,307
Short-term debt and current maturities of long-term debt	84,298	142,437
Total current liabilities	8,971,228	9,296,718
Long-term debt, less current maturities	1,391,456	1,337,788
Other liabilities	168,283	169,289
Total liabilities	10,530,967	10,803,795
	4,746,706	4,669,653
Stockholder's equity		
Total liabilities and stockholder's equity	\$ 15,277,673	\$ 15,473,448

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

	Thirteen Weeks Ended	
	September 26, 2020	September 28, 2019
Net sales	\$ 12,116,740	\$ 11,869,975
Cost of sales	11,233,346	11,070,711

Gross profit	883,394	799,264
Operating expenses:		
Selling, general and administrative	619,454	620,152
Amortization of intangible assets	15,852	18,732
	635,306	638,884
Income from operations	248,088	160,380
Other (income) expense:		
Interest income	(5,643)	(3,765)
Interest expense	19,892	26,601
Net foreign currency exchange gain	(4,413)	(5,347)
Other	(1,682)	5,246
	8,154	22,735
Income before income taxes	239,934	137,645
Provision for income taxes	55,212	35,814
Net income	\$ 184,722	\$ 101,831

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

	Thirty-nine Weeks Ended	
	September 26, 2020	September 28, 2019
Net sales	\$ 33,557,147	\$ 34,983,036
Cost of sales	31,057,123	32,602,494
Gross profit	2,500,024	2,380,542
Operating expenses:		
Selling, general and administrative	1,857,447	1,878,129
Amortization of intangible assets	47,062	56,283
Reorganization costs	1,016	4,114
	1,905,525	1,938,526
Income from operations	594,499	442,016

Other (income) expense:		
Interest income	(15,347)	(6,756)
Interest expense	67,026	80,489
Net foreign currency exchange gain	(9,176)	(22,357)
Other	3,928	16,579
	<u>46,431</u>	<u>67,955</u>
Income before income taxes	548,068	374,061
Provision for income taxes	<u>129,901</u>	<u>99,076</u>
Net income	<u>\$ 418,167</u>	<u>\$ 274,985</u>

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

Thirty-nine Weeks Ended
September 26, 2020 September 28, 2019

Cash flows from operating activities:

Net income	\$ 418,167	\$ 274,985
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	142,362	148,078
Gain on marketable securities, net	(306)	(7,413)
Gain on sale of property and equipment	(1,309)	(950)
Revaluation of other consideration for acquisitions	224	(449)
Noncash charges for interest and bond discount amortization	1,984	1,465
Deferred income taxes	19,171	(1,106)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Trade accounts receivable	823,546	864,322
Inventory	(181,476)	74,048
Other assets	81,751	(39,189)
Accounts payable	30,146	(1,057,097)
Change in book overdrafts	(140,251)	(66,890)
Accrued expenses	<u>(122,888)</u>	<u>(34,841)</u>

Cash provided by operating activities	1,071,121	154,963
Cash flows from investing activities:		
Capital expenditures	(100,283)	(125,558)
Sale (purchase) of marketable securities, net	630	(2,174)
Proceeds from sale of property and equipment	1,498	2,996
Acquisitions, net of cash acquired	(24,880)	(9,038)
Cash used by investing activities	(123,035)	(133,774)
Cash flows from financing activities:		
Other consideration for acquisitions	(124)	(1,967)
Dividends paid to shareholders	(259,656)	(188,512)
Net proceeds from revolving and other credit facilities	457	58,115
Cash used by financing activities	(259,323)	(132,364)
Effect of exchange rate changes on cash and cash equivalents	5,410	(8,313)
Increase (decrease) in cash and cash equivalents	694,173	(119,488)
Cash and cash equivalents, beginning of period	671,821	533,949
Cash and cash equivalents, end of period	\$ 1,365,994	\$ 414,461

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

	Thirteen Weeks Ended	
	September 26, 2020	September 28, 2019
Net Sales	\$ 12,116.7	\$ 11,870.0
GAAP Operating Income	\$ 248.1	\$ 160.4
Reorganization, integration and transition costs	1.1	7.1
Amortization of intangible assets	15.9	18.7
Non-GAAP Operating Income	\$ 265.1	\$ 186.2

GAAP Operating Margin	2.05%	1.35%
Non-GAAP Operating Margin	2.19%	1.57%

	Thirty-nine Weeks Ended	
	September 26, 2020	September 28, 2019
Net Sales	\$ 33,557.1	\$ 34,983.0
GAAP Operating Income	\$ 594.5	\$ 442.0
Reorganization, integration and transition costs	4.7	29.6
Amortization of intangible assets	47.1	56.3
Settlement of a class action lawsuit	-	(4.2)
Non-GAAP Operating Income	\$ 646.3	\$ 523.7

GAAP Operating Margin	1.77%	1.26%
Non-GAAP Operating Margin	1.93%	1.50%

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

	Thirteen Weeks Ended	
	September 26, 2020	September 28, 2019
	Net Income	Net Income
As Reported Under GAAP	\$ 184.7	\$ 101.8
Reorganization, integration and transition costs	0.8	4.7
Amortization of intangible assets	11.5	12.5
Pan-Europe foreign currency exchange gain	(2.4)	(3.3)
Tax benefit on research and development credit	(1.5)	-

Tax benefit on Spain UTP reversal, non-deductible meal and entertainment expenses and foreign tax credit utilization	(8.0)	-
Non-GAAP Financial Measure	\$ 185.1	\$ 115.7

Thirty-nine Weeks Ended
September 26, 2020 **September 28, 2019**

	Net Income	Net Income
As Reported Under GAAP	\$ 418.2	\$ 275.0
Reorganization, integration and transition costs	3.1	20.8
Amortization of intangible assets	31.3	39.7
Settlement of a class action lawsuit	-	(2.9)
Pan-Europe foreign currency exchange gain	(2.1)	(2.6)
Tax benefit on research and development credit	(3.2)	-
Tax benefit on Spain UTP reversal, non-deductible meal and entertainment expenses and foreign tax credit utilization	(11.4)	-
Non-GAAP Financial Measure	\$ 435.9	\$ 330.0

Note: Amounts above are net of applicable income taxes.

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