

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.

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

	December 30, 2017	December 31, 2016
ASSETS		
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
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	299,879	176,643
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	127,512	559,773
Total current liabilities	8,769,564	8,591,346
Long-term debt, less current maturities	1,982,118	832,459
Other liabilities	298,904	181,393
Total liabilities	11,050,586	9,605,198
Stockholder's equity	4,322,557	4,113,751
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)

	Thirteen Weeks Ended	
	December 30, 2017	December 31, 2016
Net sales	\$ 13,784,599	\$ 12,242,766
Cost of sales	12,929,159	11,449,573
Gross profit	855,440	793,193
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
	683,220	788,372
Income from operations	172,220	4,821
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
	15,462	30,919
Income (loss) before income taxes	156,758	(26,098)
Provision for income taxes	101,165	8,550
Net income (loss)	\$ 55,593	\$ (34,648)

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

	Fifty-two Weeks Ended	
	December 30, 2017	December 31, 2016
Net sales	\$ 46,674,792	\$ 41,928,799
Cost of sales	43,725,552	39,069,585
Gross profit	2,949,240	2,859,214
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
	2,540,579	2,581,476
Income from operations	408,661	277,738
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
	87,568	107,029
Income before income taxes	321,093	170,709
Provision for income taxes	122,135	70,283
Net income	\$ 198,958	\$ 100,426

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

	Fifty-two Weeks Ended	
	December 30, 2017	December 31, 2016
Cash flows from operating activities:		
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>
Cash flows from investing activities:		
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	<u>(82,748)</u>	<u>(174,972)</u>
Cash used by investing activities	<u>(152,549)</u>	<u>(320,801)</u>
Cash flows from financing activities:		
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>

Ingram Micro Inc.
Supplementary Information
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)

	Thirteen Weeks Ended	
	December 30, 2017	December 31, 2016
	Net Income	Net Income (Loss)
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>

	Fifty-two Weeks Ended	
	December 30, 2017	December 31, 2016
	Net Income	Net Income
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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