



Ingram Micro Reports 2019 Fiscal Year Financial Results

Strategic Focus on High-Value Services and Solutions Results in Record Profitability; FY19 Worldwide Non-GAAP Operating Margin Hits 1.73%

IRVINE, Calif.--(BUSINESS WIRE)-- Ingram Micro Inc. today announced financial results for the 2019 fiscal year ended Dec. 28, 2019. Ingram Micro delivered robust revenues and record profits for the year, including double-digit increases in Cloud and Commerce & Lifecycle Services revenues and profitability, as the company benefited from a strategic focus on growing high-value services and solutions. Worldwide 2019 fiscal year sales were \$47.2 billion, a decrease of \$3.2 billion, or 6 percent in USD, as the company focused on delivering a better mix of higher margin sales. The translation of foreign currencies compared to last year had a negative impact of approximately \$1.2 billion, or nearly 2.5%, on 2019 fiscal year sales. The company also said that the adoption of ASC 606, related to changes in the reporting of certain software revenue transactions from a gross to a net basis, had a negative impact to fiscal 2019 annual sales of approximately \$1.5 billion, or 3%, when compared to fiscal 2018 annual sales. 2019 fiscal year gross profit increased by \$170 million to \$3.3 billion, with gross margin growing by 79 basis points to 7.09 percent. This compares to sales of \$50.4 billion, gross profit of \$3.2 billion and gross margin of 6.30 percent for the 2018 fiscal year. 2019 fiscal year non-GAAP operating income increased by more than \$80 million to \$820 million, or 1.73 percent of revenue, a 27 basis-point increase over last year, with non-GAAP net income for the 2019 fiscal year up \$70 million to \$530 million. This compares to 2018 fiscal year non-GAAP operating income of \$730 million, or 1.46 percent of revenue, and non-GAAP net income of \$460 million. 2019 fiscal year GAAP operating income and net income were \$700 million, or 1.48 percent of revenue, and \$505 million, respectively, including: the pre-tax negative impact of \$73 million in amortization expense and \$48 million in restructuring, acquisition and transition costs, partially offset by the pre-tax positive impact of the receipt of an LCD flat panel class action settlement of \$4 million and the \$58 million tax benefit related to a worthless stock deduction. This compares to 2018 fiscal year GAAP operating income and net income of \$550 million, or 1.09 percent of revenue, and \$350 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 two years 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 to the receipt of an LCD flat panel class action settlement, as well as a tax benefit related to a worthless stock deduction. 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. 2018 fiscal year non-GAAP operating and net income also excludes the gain on the sale of affiliates, non-cash tax benefits primarily related to the intercompany sale of certain intangible assets and the impact on U.S. tax reform repatriation tax and additional tax expense on the write-off of net operating loss carryforward of a subsidiary and related to the foreign currency exchange gain of another 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 Sheets
(Amounts in 000s)
(Unaudited)

| | December 28, | December 29, |
|--------------------------------|----------------------|----------------------|
| | 2019 | 2018 |
| | <hr/> | <hr/> |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 671,821 | \$ 533,949 |
| Trade accounts receivable, net | 7,903,900 | 7,756,983 |
| Inventory | 4,193,232 | 4,509,474 |
| Other current assets | 688,627 | 669,044 |
| | <hr/> | <hr/> |
| Total current assets | 13,457,580 | 13,469,450 |
| Property and equipment, net | 455,440 | 421,008 |
| Goodwill | 946,953 | 938,407 |
| Intangible assets, net | 253,179 | 316,597 |
| Other assets | 360,296 | 317,318 |
| | <hr/> | <hr/> |
| Total assets | <u>\$ 15,473,448</u> | <u>\$ 15,462,780</u> |

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:

| | | |
|--|--------------|--------------|
| Accounts payable | \$ 8,088,974 | \$ 8,578,895 |
| Accrued expenses | 1,065,307 | 835,474 |
| Short-term debt and current maturities of long-term debt | 142,437 | 175,215 |
| | <hr/> | <hr/> |

| | | |
|--|-----------------------------|-----------------------------|
| Total current liabilities | 9,296,718 | 9,589,584 |
| Long-term debt, less current maturities | 1,337,788 | 1,313,287 |
| Other liabilities | 169,289 | 163,806 |
| | <u> </u> | <u> </u> |
| Total liabilities | 10,803,795 | 11,066,677 |
| Stockholder's equity | 4,669,653 | 4,396,103 |
| | <u> </u> | <u> </u> |
| Total liabilities and stockholder's equity | <u>\$ 15,473,448</u> | <u>\$ 15,462,780</u> |

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

| | Thirteen Weeks Ended | |
|-------------------------------------|-----------------------------|--------------------------|
| | <u>December 28, 2019</u> | <u>December 29, 2018</u> |
| Net sales | \$ 12,213,912 | \$ 14,830,668 |
| Cost of sales | 11,248,182 | 13,931,976 |
| Gross profit | <u>965,730</u> | <u>898,692</u> |
| Operating expenses: | | |
| Selling, general and administrative | 688,574 | 660,327 |
| Amortization of intangible assets | 16,577 | 21,708 |
| Reorganization costs | 2,792 | 2,913 |
| | <u>707,943</u> | <u>684,948</u> |
| Income from operations | <u>257,787</u> | <u>213,744</u> |
| Other (income) expense: | | |
| Interest income | (5,190) | (3,584) |
| Interest expense | 26,998 | 27,652 |
| Net foreign currency exchange gain | (1,900) | (533) |
| Other | 4,581 | 5,014 |
| | <u>24,489</u> | <u>28,549</u> |
| Income before income taxes | 233,298 | 185,195 |

| | | |
|----------------------------|------------|------------|
| Provision for income taxes | 3,144 | 40,819 |
| Net income | \$ 230,154 | \$ 144,376 |

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

| | Fifty-two Weeks Ended | |
|-------------------------------------|------------------------------|--------------------------|
| | December 28, 2019 | December 29, 2018 |
| Net sales | \$ 47,196,948 | \$ 50,436,670 |
| Cost of sales | 43,850,676 | 47,258,304 |
| Gross profit | 3,346,272 | 3,178,366 |
| Operating expenses: | | |
| Selling, general and administrative | 2,566,703 | 2,489,257 |
| Amortization of intangible assets | 72,860 | 92,566 |
| Reorganization costs | 6,906 | 47,897 |
| Gain on sale of affiliates | - | (1,940) |
| | 2,646,469 | 2,627,780 |
| Income from operations | 699,803 | 550,586 |
| Other (income) expense: | | |
| Interest income | (11,946) | (19,599) |
| Interest expense | 107,487 | 106,360 |
| Net foreign currency exchange gain | (24,257) | (7,906) |
| Other | 21,160 | 20,861 |
| | 92,444 | 99,716 |
| Income before income taxes | 607,359 | 450,870 |
| Provision for income taxes | 102,220 | 98,684 |
| Net income | \$ 505,139 | \$ 352,186 |

Ingram Micro Inc.
Consolidated Statements of Cash Flows

(Amounts in 000s)

(Unaudited)

| | Fifty-two Weeks Ended | |
|---|------------------------------|------------------------------|
| | December 28, 2019 | December 29, 2018 |
| Cash flows from operating activities: | | |
| Net income | \$ 505,139 | \$ 352,186 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation and amortization | 194,731 | 208,983 |
| (Gain) loss on marketable securities, net | (11,734) | 2,737 |
| Gain on sale of property and equipment | (788) | (1,831) |
| Gain on sale of affiliates | - | (1,940) |
| Impairment of property and equipment | - | 1,802 |
| Revaluation of other consideration for acquisitions | (2,775) | 1,930 |
| Noncash charges for interest and bond discount amortization | 2,123 | 3,783 |
| Deferred income taxes | (14,459) | (26,361) |
| Changes in operating assets and liabilities, net of effects of acquisitions: | | |
| Trade accounts receivable | 56,629 | (380,866) |
| Inventory | 225,398 | (179,745) |
| Other assets | (40,248) | (100,016) |
| Accounts payable | (398,086) | 1,214,136 |
| Change in book overdrafts | (63,570) | (98,738) |
| Accrued expenses | 109,315 | (91,296) |
| Cash provided by operating activities | <u>561,675</u> | <u>904,764</u> |
| Cash flows from investing activities: | | |
| Capital expenditures | (168,782) | (136,853) |
| Movements from restricted cash | - | 14,379 |
| (Purchase) sale of marketable securities, net | (2,250) | 3,442 |
| Proceeds from sale of property and equipment | 3,333 | 711 |
| Proceeds from sale of affiliates | - | 1,318 |
| Return of investment | - | 2,361 |
| Acquisitions, net of cash acquired | (5,701) | (3,424) |
| Cash used by investing activities | <u>(173,400)</u> | <u>(118,066)</u> |

Cash flows from financing activities:

| | | |
|--|-------------------|-------------------|
| Settlement of stock-based awards due to Merger | - | (13,520) |
| Other consideration for acquisitions | (2,582) | (7,479) |
| Dividends paid to shareholders | (248,665) | (182,505) |
| Net repayments of revolving and other credit facilities | (1,178) | (584,966) |
| Cash used by financing activities | <u>(252,425)</u> | <u>(788,470)</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>2,022</u> | <u>(13,837)</u> |
| Increase (decrease) in cash and cash equivalents | 137,872 | (15,609) |
| Cash and cash equivalents, beginning of year | <u>533,949</u> | <u>549,558</u> |
| Cash and cash equivalents, end of year | <u>\$ 671,821</u> | <u>\$ 533,949</u> |

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

| | Thirteen Weeks Ended | |
|--|-----------------------------|--------------------------|
| | December 28, 2019 | December 29, 2018 |
| Net Sales | <u>\$ 12,213.9</u> | <u>\$ 14,830.7</u> |
| GAAP Operating Income | \$ 257.8 | \$ 213.7 |
| Reorganization, integration and transition costs | 18.0 | 23.5 |
| Amortization of intangible assets | <u>16.6</u> | <u>21.7</u> |
| Non-GAAP Operating Income | <u>\$ 292.4</u> | <u>\$ 258.9</u> |
| GAAP Operating Margin | 2.11% | 1.44% |
| Non-GAAP Operating Margin | 2.39% | 1.75% |

Fifty-two Weeks Ended

| | December 28, 2019 | December 29, 2018 |
|--|--------------------------|--------------------------|
|--|--------------------------|--------------------------|

| | | |
|--|-------------|-------------|
| Net Sales | \$ 47,196.9 | \$ 50,436.7 |
| GAAP Operating Income | \$ 699.8 | \$ 550.6 |
| Reorganization, integration and transition costs | 47.5 | 93.3 |
| Amortization of intangible assets | 72.9 | 92.6 |
| Settlement of a class action lawsuit | (4.2) | - |
| Gain on sale of affiliates | - | (1.9) |
| Non-GAAP Operating Income | \$ 816.0 | \$ 734.6 |
| GAAP Operating Margin | 1.48% | 1.09% |
| Non-GAAP Operating Margin | 1.73% | 1.46% |

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

| | Thirteen Weeks Ended | |
|--|------------------------------|------------------------------|
| | December 28, 2019 | December 29, 2018 |
| | Net Income | Net Income |
| As Reported Under GAAP | \$ 230.2 | \$ 144.4 |
| Reorganization, integration and transition costs | 12.2 | 18.3 |
| Amortization of intangible assets | 11.3 | 17.0 |
| Pan-Europe foreign currency exchange loss | 3.5 | 2.0 |
| Tax benefit on worthless stock deduction | (57.9) | - |
| Tax impact on US tax reform repatriation tax | - | (8.5) |
| Tax impact on intercompany sale of certain intangible assets | - | (11.3) |
| Tax impact on the write-off of net operating net loss carryforward of a subsidiary | - | 2.8 |
| Tax impact on a subsidiary's foreign currency exchange gain | - | 3.1 |
| Non-GAAP Financial Measure | \$ 199.3 | \$ 167.8 |

| | Fifty-two Weeks Ended | |
|--|-----------------------|----------------------|
| | December 28, 2019 | December 29, 2018 |
| | Net Income | Net Income |
| As Reported Under GAAP | \$ 505.1 | \$ 352.2 |
| Reorganization, integration and transition costs | 33.1 | 70.1 |
| Amortization of intangible assets | 51.0 | 69.5 |
| Settlement of a class action lawsuit | (2.9) | - |
| Gain on sale of affiliates | - | (1.5) |
| Pan-Europe foreign currency exchange loss | 0.8 | 0.7 |
| Tax benefit on worthless stock deduction | (57.9) | - |
| Tax impact on US tax reform repatriation tax | - | (12.5) |
| Tax impact on intercompany sale of certain intangible assets | - | (26.6) |
| Tax impact on the write-off of net operating loss carryforward of a subsidiary | - | 2.8 |
| Tax impact on a subsidiary's foreign currency exchange gain | - | 3.1 |
| Non-GAAP Financial Measure | \$ 529.2 | \$ 457.8 |

Note: Amounts above are net of applicable income taxes.

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Source: Ingram Micro Inc.