INGRAM MICRO INC
Form 10-Q
October 25, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 28, 2013

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 1-12203

Ingram Micro Inc.
(Exact name of Registrant as specified in its charter)

Delaware	62-1644402
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1600 E. St. Andrew Place, Santa Ana, California 92705-4926
(Address, including zip code, of principal executive offices)
(714) 566-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant had submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	x	Accelerated Filer	¨
Non-Accelerated Filer	¨ (Do not check if a smaller reporting company)	Smaller Reporting Company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The Registrant had 154,145,192 shares of Class A Common Stock, par value $0.01 per share, outstanding at September 28, 2013.

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Part I. Financial Information

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Part I. Financial Information
Item 1. Financial Statements
INGRAM MICRO INC.
CONSOLIDATED BALANCE SHEET
(In 000s, except par value)
(Unaudited)

	September 28, 2013	December 29, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$501,626	$595,147
Trade accounts receivable (less allowances of $72,695 and $78,034)	4,385,030	5,457,299
Inventory	3,766,749	3,591,543
Other current assets	535,242	522,390
Total current assets	9,188,647	10,166,379
Property and equipment, net	480,406	481,324
Goodwill	439,866	428,401
Intangible assets, net	350,169	372,482
Other assets	22,591	31,862
Total assets	$10,481,679	$11,480,448
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$5,060,364	$6,065,159
Accrued expenses	569,031	585,404
Short-term debt and current maturities of long-term debt	77,161	111,268
Total current liabilities	5,706,556	6,761,831
Long-term debt, less current maturities	813,403	943,275
Other liabilities	140,936	164,089
Total liabilities	6,660,895	7,869,195
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred Stock, $0.01 par value, 25,000 shares authorized; no shares issued and outstanding	—	—
Class A Common Stock, $0.01 par value, 500,000 shares authorized; 191,708 and 188,349 shares issued and 154,145 and 150,320 shares outstanding in 2013 and 2012, respectively	1,917	1,883
Class B Common Stock, $0.01 par value, 135,000 shares authorized; no shares issued and outstanding	—	—
Additional paid-in capital	1,402,224	1,361,650
Treasury stock, 37,563 and 38,029 shares in 2013 and 2012, respectively	(640,034)	(648,066)
Retained earnings	2,949,285	2,750,904
Accumulated other comprehensive income	107,392	144,882
Total stockholders' equity	3,820,784	3,611,253
Total liabilities and stockholders' equity	$10,481,679	$11,480,448

See accompanying notes to these consolidated financial statements.

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INGRAM MICRO INC.
CONSOLIDATED STATEMENT OF INCOME
(In 000s, except per share data)
(Unaudited)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Net sales	$10,150,615	$9,034,141	$30,721,074	$26,447,417
Cost of sales	9,551,782	8,580,249	28,941,182	25,073,238
Gross profit	598,833	453,892	1,779,892	1,374,179
Operating expenses:				
Selling, general and administrative	442,756	353,429	1,382,159	1,064,853
Amortization of intangible assets	11,638	2,546	35,400	8,177
Reorganization costs	6,748	5,268	20,050	6,664
	461,142	361,243	1,437,609	1,079,694
Income from operations	137,691	92,649	342,283	294,485
Other expense (income):				
Interest income	(2,031)	(1,445)	(5,886)	(7,411)
Interest expense	16,032	14,946	45,973	38,252
Net foreign exchange loss	8,117	2,204	9,865	9,564
Other	2,070	1,918	9,150	7,006
	24,188	17,623	59,102	47,411
Income before income taxes	113,503	75,026	283,181	247,074
Provision for income taxes	34,565	21,715	84,798	42,516
Net income	$78,938	$53,311	$198,383	$204,558
Basic earnings per share	$0.51	$0.36	$1.30	$1.36
Diluted earnings per share	$0.50	$0.35	$1.27	$1.33

See accompanying notes to these consolidated financial statements.

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INGRAM MICRO INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(In 000s)
(Unaudited)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Net income	$78,938	$53,311	$198,383	$204,558
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	28,392	48,486	(37,588)	16,848
Net unrealized gain (loss) on foreign currency forward contracts designated as cash flow hedges	(206)	(184)	98	(115)
Other comprehensive income (loss), net of tax	28,186	48,302	(37,490)	16,733
Comprehensive income	$107,124	$101,613	$160,893	$221,291

See accompanying notes to these consolidated financial statements.

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INGRAM MICRO INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(In 000s)
(Unaudited)

	Thirty-nine Weeks Ended	
	September 28, 2013	September 29, 2012
Cash flows from operating activities:		
Net income	$198,383	$204,558
Adjustments to reconcile net income to cash provided (used) by operating activities:		
Depreciation and amortization	94,359	41,791
Stock-based compensation	21,649	21,815
Excess tax benefit from stock-based compensation	(1,787)	(5,197)
Loss on disposal of property and equipment	5,875	—
Gain on sale of land and building	(1,045)	—
Noncash charges for interest and bond discount amortization	1,842	1,449
Deferred income taxes	10,154	18,648
Changes in operating assets and liabilities:		
Trade accounts receivable	1,010,692	704,089
Inventory	(199,279)	(386,598)
Other current assets	(42,667)	(42,729)
Accounts payable	(1,005,513)	(516,019)
Change in book overdrafts	53,840	17,233
Accrued expenses	(33,102)	(93,956)
Cash provided (used) by operating activities	113,401	(34,916)
Cash flows from investing activities:		
Capital expenditures	(66,423)	(64,606)
Sales of marketable trading securities, net	542	935
Proceeds from sale of land and building	1,169	—
Acquisition and earn-out payments, net of cash acquired	(14,408)	(338)
Cash used by investing activities	(79,120)	(64,009)
Cash flows from financing activities:		
Proceeds from exercise of stock options	39,517	29,331
Repurchase of Class A Common Stock	—	(50,000)
Excess tax benefit from stock-based compensation	1,787	5,197
Net proceeds from issuance of senior unsecured notes	—	296,256
Fees associated with the amendment and extension of credit facilities	(1,086)	—
Net proceeds from (repayments of) revolving credit facilities	(155,272)	79,561
Cash provided (used) by financing activities	(115,054)	360,345
Effect of exchange rate changes on cash and cash equivalents	(12,748)	3,253
Increase (decrease) in cash and cash equivalents	(93,521)	264,673
Cash and cash equivalents, beginning of period	595,147	891,403
Cash and cash equivalents, end of period	$501,626	$1,156,076

See accompanying notes to these consolidated financial statements.

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INGRAM MICRO INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In 000s, except per share data)
(Unaudited)

Note 1 – Organization and Basis of Presentation

Ingram Micro Inc. and its subsidiaries are primarily engaged in the distribution of information technology ("IT") products, supply chain services and mobile device lifecycle services worldwide. Ingram Micro Inc. and its subsidiaries operate in North America; Europe; Asia-Pacific, Middle East and Africa; and Latin America. In 2012, we added a reporting segment for mobility which reflects our October 2012 acquisition of Brightpoint, Inc. ("BrightPoint").

The consolidated financial statements include the accounts of Ingram Micro Inc. and its subsidiaries. Unless the context otherwise requires, the use of the terms "Ingram Micro," "we," "us" and "our" in these notes to the consolidated financial statements refers to Ingram Micro Inc. and its subsidiaries. These consolidated financial statements have been prepared by us, without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "SEC"). In the opinion of management, the accompanying unaudited consolidated financial statements contain all material adjustments (consisting of only normal, recurring adjustments) necessary to fairly state our consolidated financial position as of September 28, 2013, our consolidated results of operations and comprehensive income for the thirteen and thirty-nine weeks ended September 28, 2013 and September 29, 2012 and our consolidated cash flows for the thirty-nine weeks ended September 28, 2013 and September 29, 2012. All significant intercompany accounts and transactions have been eliminated in consolidation. As permitted under the applicable rules and regulations of the SEC, these consolidated financial statements do not include all disclosures and footnotes normally included with annual consolidated financial statements and, accordingly, should be read in conjunction with the consolidated financial statements and the notes thereto, included in our Annual Report on Form 10-K filed with the SEC for the year ended December 29, 2012. The consolidated results of operations for the thirteen and thirty-nine weeks ended September 28, 2013 may not be indicative of the consolidated results of operations that can be expected for the full year.

Book Overdrafts

Book overdrafts of $469,047 and $415,207 as of September 28, 2013 and December 29, 2012, respectively, represent checks issued on disbursement bank accounts but not yet paid by such banks. These amounts are classified as accounts payable in our consolidated balance sheet. We typically fund these overdrafts through normal collections of funds or transfers from other bank balances at other financial institutions. Under the terms of our facilities with the banks, the respective financial institutions are not legally obligated to honor the book overdraft balances as of September 28, 2013 and December 29, 2012, or any balance on any given date.

Trade Accounts Receivable Factoring Programs

We have three uncommitted factoring programs, one in North America and two in Europe, under which trade accounts receivable of two large customers may be sold, without recourse, to financial institutions. Available capacity under these programs is dependent on the amount of trade accounts receivable already sold to and held by the financial institutions, the level of our trade accounts receivable eligible to be sold into these programs and the financial institutions' willingness to purchase such receivables. At September 28, 2013 and December 29, 2012, we had a total of $329,865 and $242,626, respectively, of trade accounts receivable sold to and held by financial institutions under these programs. Factoring fees of $833 and $553 incurred for the thirteen weeks ended September 28, 2013 and September 29, 2012, respectively, and $1,841 and $2,515 for the thirty-nine weeks ended September 28, 2013 and September 29, 2012, respectively, related to the sale of trade accounts receivable under these facilities are included in "other" in the other expense (income) section of our consolidated statement of income.

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(In 000s, except per share data)

Note 2 – Share Repurchase Program

In October 2010, our Board of Directors authorized a $400,000 share repurchase program, which originally was set to expire on October 26, 2013, and was subsequently extended through October 27, 2015. At September 28, 2013, $124,095 remained available for repurchase. Under this program, we may repurchase shares in the open market and through privately negotiated transactions. Our repurchases are funded with available borrowing capacity and cash. The timing and amount of specific repurchase transactions will depend upon market conditions, corporate considerations and applicable legal and regulatory requirements. We account for repurchased shares of common stock as treasury stock. Treasury shares are recorded at cost and are included as a component of stockholders' equity in our consolidated balance sheet. We have issued shares of common stock out of our cumulative balance of treasury shares. Such shares are issued to certain of our associates upon the exercise of their options or vesting of their equity awards under the Ingram Micro Inc. 2011 Incentive Plan, as amended (see Note 4). We did not repurchase shares during the thirty-nine weeks ended September 28, 2013. Our stock issuance activity for the thirty-nine weeks ended September 28, 2013 is summarized in the table below:

	Shares	Weighted Average Price Per Share	Amount
Cumulative balance of treasury stock at December 29, 2012	38,029	$17.04	$648,066
Issuance of Class A Common Stock	(466)	17.24	(8,032)
Cumulative balance of treasury stock at September 28, 2013	37,563	17.04	$640,034

Note 3 – Earnings Per Share

We report a dual presentation of Basic Earnings per Share ("Basic EPS") and Diluted Earnings per Share ("Diluted EPS"). Basic EPS excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding during the reported period. Diluted EPS uses the treasury stock method to compute the potential dilution that could occur if stock-based awards and other commitments to issue common stock were exercised.
The computation of Basic EPS and Diluted EPS is as follows:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Net income	$78,938	$53,311	$198,383	$204,558
Weighted average shares	153,710	150,150	152,439	150,793
Basic EPS	$0.51	$0.36	$1.30	$1.36
Weighted average shares, including the dilutive effect of stock-based awards (3,434 and 2,666 for the thirteen weeks ended September 28, 2013 and September 29, 2012, respectively, and 3,190 and 3,078 for the thirty-nine weeks ended September 28, 2013 and September 29, 2012, respectively)	157,144	152,816	155,629	153,871
Diluted EPS	$0.50	$0.35	$1.27	$1.33

There were approximately 79 and 4,214 stock-based awards for the thirteen weeks ended September 28, 2013 and September 29, 2012, respectively, and 657 and 3,485 stock-based awards for the thirty-nine weeks ended September 28, 2013 and September 29, 2012, respectively, that were not included in the computation of Diluted EPS because the exercise price was greater than the average market price of the Class A Common Stock during the respective periods, thereby having an antidilutive effect.

Note 4 – Stock-Based Compensation

We currently have a single stock incentive plan, the Ingram Micro Inc. 2011 Incentive Plan, for the granting of equity-based incentive awards including incentive stock options, non-qualified stock options, restricted stock, restricted stock units and stock appreciation rights, among others, to key employees and members of our Board of Directors. During the second quarter of 2013, our stockholders approved an amendment of the Ingram Micro Inc. 2011 Incentive Plan (the “2011 Amended Plan”), which

(In 000s, except per share data)

increased the number of shares that we may issue by 12,000. The authorized pool of shares available for grant is a fungible pool. The authorized share limit is reduced by one share for every share subject to a stock option or stock appreciation right granted and 2.37 shares for every share granted after June 8, 2011 (2.29 shares after June 7, 2013) under any award other than an option or stock appreciation right for awards.
We grant time- and/or performance-vested restricted stock and/or restricted stock units, in addition to stock options, to key employees and members of our Board of Directors. The performance measures for vesting of restricted stock and restricted stock units for grants to management for the periods presented are based on earnings growth, return on invested capital, total shareholder return, income from operations as a percent of revenue and income before tax.
Awards granted under the 2011 Amended Plan were as follows:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Stock options granted (a)	—	—	52	51
Restricted stock and restricted stock units granted (a)	146	108	3,782	2,740
Stock-based compensation expense	$7,693	$7,240	$21,649	$21,815
Related income tax benefit	$1,792	$2,427	$5,885	$6,768
Exercised stock options	1,372	21	2,420	1,955
Vested restricted stock and/or restricted stock units (b)	27	19	2,086	2,122

(a) As of September 28, 2013, approximately 15,800 shares were available for grant under the 2011 Amended Plan, taking into account granted options, time-vested restricted stock units/awards and performance-vested restricted stock units assuming maximum achievement.

(b) Includes 0 and 0 shares, for the thirteen weeks ended September 28, 2013 and September 29, 2012, respectively, and 1,535 and 1,495 shares, for the thirty-nine weeks ended September 28, 2013 and September 29, 2012, respectively, which were issued based on performance-based grants previously approved by the Human Resources Committee of the Board of Directors.

Note 5 – Derivative Financial Instruments

Our derivatives designated as hedging instruments have consisted primarily of foreign currency forward contracts to hedge certain foreign currency-denominated intercompany management fees. We also use foreign currency forward contracts that are not designated as hedges primarily to manage currency risk associated with foreign currency-denominated trade accounts receivable, accounts payable and intercompany loans.

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The notional amounts and fair values of derivative instruments in our consolidated balance sheet were as follows:

	Notional Amounts (1)		Fair Value	
	September 28, 2013	December 29, 2012	September 28, 2013	December 29, 2012
Derivatives designated as hedging instruments recorded in:				
Other current assets				
Foreign exchange contracts	$1,320	$—	$24	$—
Accrued expenses				
Foreign exchange contracts	9,224	—	(197)	—
	10,544	—	(173)	—
Derivatives not receiving hedge accounting treatment recorded in:				
Other current assets				
Foreign exchange contracts	333,846	817,172	3,136	2,897
Accrued expenses				
Foreign exchange contracts	854,903	607,836	(8,358)	(3,776)
	1,188,749	1,425,008	(5,222)	(879)
Total	$1,199,293	$1,425,008	$(5,395)	$(879)

(1) Notional amounts represent the gross amount of foreign currency bought or sold at maturity for foreign exchange contracts.

The amount recognized in earnings from our derivative instruments not receiving hedge accounting treatment, including ineffectiveness, is recorded in foreign currency exchange loss as follows and was largely offset by the change in fair value of the underlying hedged assets or liabilities:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Net loss recognized in earnings	$(30,789)	$(23,474)	$(1,428)	$(31,582)

The unrealized gains or losses associated with our derivatives designated as hedging instruments, net of taxes, are reflected in our consolidated statement of comprehensive income (loss) for the thirteen and thirty-nine weeks ended September 28, 2013 and September 29, 2012.

Note 6 – Fair Value Measurements

Our assets and liabilities carried at fair value are classified and disclosed in one of the following three categories: Level 1 – quoted market prices in active markets for identical assets and liabilities; Level 2 – observable market-based inputs or unobservable inputs that are corroborated by market data; and Level 3 – unobservable inputs that are not corroborated by market data.

As of September 28, 2013, our assets and liabilities measured at fair value on a recurring basis are categorized in the table below:

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(In 000s, except per share data)

	September 28, 2013			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents, consisting primarily of money market accounts and short-term certificates of deposit	$79,602	$79,602	$—	$—
Marketable trading securities [(a)]	52,466	52,466	—	—
Derivative assets	3,160	—	3,160	—
Total assets at fair value	$135,228	$132,068	$3,160	$—
Liabilities:				
Derivative liabilities	$8,555	$—	$8,555	$—
Total liabilities at fair value	$8,555	$—	$8,555	$—

(a) Included in other current assets in our consolidated balance sheet.

As of December 29, 2012, our assets and liabilities measured at fair value on a recurring basis are categorized in the table below:

	December 29, 2012			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents, consisting primarily of money market accounts and short-term certificates of deposit	$189,381	$189,381	$—	$—
Marketable trading securities [(a)]	46,938	46,938	—	—
Derivative assets	2,897	—	2,897	—
Total assets at fair value	$239,216	$236,319	$2,897	$—
Liabilities:				
Derivative liabilities	$3,776	$—	$3,776	$—
Total liabilities at fair value	$3,776	$—	$3,776	$—

(a) Included in other current assets in our consolidated balance sheet.

The fair value of the cash equivalents approximated cost and the gain or loss on the marketable trading securities was recognized in the consolidated statement of income to reflect these investments at fair value.

Our senior unsecured notes due in 2022 and 2017 are stated at amortized cost, and their respective fair values were determined based on Level 2 criteria. The fair values and carrying values of these notes are shown in the table below:

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INGRAM MICRO INC.
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(In 000s, except per share data)

	September 28, 2013 Fair Value				
	Total	Level 1	Level 2	Level 3	Carrying Value
Liabilities:					
Senior unsecured notes, 5.25% due 2017	$320,000	$—	$320,000	$—	$300,000
Senior unsecured notes, 5.00% due 2022	301,000	—	301,000	—	298,410
	$621,000	$—	$621,000	$—	$598,410
	December 29, 2012 Fair Value				
	Total	Level 1	Level 2	Level 3	Carrying Value
Liabilities:					
Senior unsecured notes, 5.25% due 2017	$326,000	$—	$326,000	$—	$300,000
Senior unsecured notes, 5.00% due 2022	307,000	$—	307,000	—	298,275
	$633,000	$—	$633,000	$—	$598,275

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INGRAM MICRO INC.
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(In 000s, except per share data)

Note 7 – Acquisitions, Goodwill and Intangible Assets
On September 12, 2013, we acquired all of the outstanding shares of Canada-based SoftCom Inc., a leading cloud marketplace and global service provider, for cash of $12,000 and payment of outstanding debt of $3,000. In addition, the purchase price includes a deferred payment of $5,000, payable over three years and a $3,650 three-year performance-based earn-out. We have preliminarily allocated the purchase price to the identifiable assets acquired and liabilities assumed at their estimated fair values with approximately $9,000 recorded as goodwill. This acquisition will enhance our cloud offerings road map and aggregation platform.
On October 15, 2012, we completed the acquisition of BrightPoint, a U.S. publicly traded company and a global leader in providing device lifecycle services to the wireless industry, for cash and the assumption of its debt. The results of operations of BrightPoint are included in our consolidated financial statements from the date of the merger. The consideration paid was $868,192, net of cash acquired, primarily comprised of $9.00 cash per share of BrightPoint's outstanding common stock (including common stock underlying restricted stock units and shares issued pursuant to restricted stock awards accelerated upon closing of the transaction) and payment of BrightPoint's outstanding debt of $260,257 as of October 15, 2012.
We expect to realize operational benefits by leveraging existing channel relationships and utilizing the assembled workforce. We also expect the combined entity to achieve significant savings in corporate and operational overhead costs. We anticipate opportunities for growth through our entry into the global wireless industry, expansion of our geographic reach and customer segment diversity, and the ability to leverage additional products and capabilities. These factors, among others, contributed to a purchase price in excess of the estimated fair value of BrightPoint's net identifiable assets acquired, and, as a result, we have recorded goodwill in connection with this transaction.
The following table summarizes the allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed on the closing date of October 15, 2012:

Tangible assets (includes trade accounts receivable, inventory, property and equipment and other assets)	$1,156,075
Goodwill	420,065
Identifiable intangible assets	309,000
Liabilities (includes accounts payable, accrued expenses and other liabilities)	(1,016,948)
	$868,192

The components of identifiable intangible assets acquired in connection with the BrightPoint acquisition were as follows:

	Fair Value	Estimated Useful Life
Logistics customer relationships	$237,000	10 years
Distribution customer relationships	59,000	7 years
Trade name	13,000	3 years
Total identifiable intangible assets	$309,000	

The following represents pro forma operating results for the thirteen and thirty-nine weeks ended September 29, 2012 as if BrightPoint had been included in our consolidated statement of income as of the first day of fiscal year 2012 and includes business combination accounting effects from our acquisition including amortization of acquired intangible assets and increase in interest expense associated with the issuance of our senior unsecured notes due in 2022 and additional borrowings from our revolving senior unsecured credit facility debt to fund the acquisition.

	Thirteen	Thirty-nine

	Weeks Ended September 29, 2012	Weeks Ended September 29, 2012
Net sales	$10,178,755	$30,228,437
Net income	$41,289	$192,838
Earnings per share		
Basic	$0.27	$1.28
Diluted	$0.27	$1.25

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INGRAM MICRO INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In 000s, except per share data)

The above unaudited pro forma results have been prepared for informational purposes only and do not purport to represent what the results of operations would have been had the acquisition occurred as of those dates, nor of future results of operations.

In the first nine months of 2013 and 2012, we paid one of the annual earn-out payments related to a prior period acquisition totaling $325 and $338, respectively, which was previously accrued at the time of the acquisition.

Finite-lived identifiable intangible assets are amortized over their remaining useful lives ranging up to 20 years. The gross and net carrying amounts of finite-lived identifiable intangible assets are as follows:

	September 28, 2013	December 29, 2012
Gross carrying amount of finite-lived intangible assets	$458,443	$445,385
Net carrying amount of finite-lived intangible assets	$350,169	$372,482

Note 8 – Reorganization Costs

2013 Actions

During the third quarter, we announced a plan to reduce headcount in Germany to respond to the current market environment resulting in reorganization charges primarily related to employee termination benefits. In addition, we exited a BrightPoint facility in the U.S. resulting in reorganization charges primarily related to facility exit costs and employee termination benefits.

Earlier in 2013, we began integrating certain BrightPoint operations into Ingram Micro, resulting in headcount reductions and facility exit costs. We continued to move certain transaction-oriented service and support functions in Europe to our European shared services center and exited a portion of one of our Australian offices in Asia-Pacific. Associated with these actions, we incurred reorganization costs primarily related to employee termination benefits throughout our regions and facility exit costs in Australia.

2012 Actions

In 2012, we implemented headcount reductions primarily in Australia and New Zealand to better align our operating expenses with each country’s lower sales volumes. Additionally, we moved certain transactions-oriented service and support functions to shared service centers in Asia-Pacific and Europe. We closed our in-country Argentina operations in Latin America and are now servicing this market through our export operations in Miami. Associated with these actions, we incurred net reorganization costs related to employee termination benefits.

2011 and Prior Actions

In the second half of 2011, we implemented a cost-reduction program related to our Australian operations in Asia-Pacific primarily to align our level of operating expenses with declines in sales volume and the loss of market share in that country. We also implemented headcount reductions in certain operations in North America, Europe and Latin America.

In 2009 and earlier, we incurred costs to integrate past acquisitions, and launch various other outsourcing and optimization plans, to improve operating efficiencies and better align our level of operating expenses with the decline in sales volumes resulting from the economic downturn in that period.

While these reorganization actions were completed prior to the periods included herein, future cash outlays are required for future lease payments related to exited facilities.

(In 000s, except per share data)

A summary of the reorganization and expense-reduction program costs incurred in the thirteen weeks ended September 28, 2013 and September 29, 2012 and thirty-nine weeks ended September 28, 2013 and September 29, 2012, are as follows:

	Reorganization Costs					
	Headcount Reduction	Employee Termination Benefits	Facility Costs	Total Reorganization Costs	Adjustments to Prior Year Costs	Total Costs
Thirteen weeks ended September 28, 2013						
IT Distribution:						
North America		$235	$—	$ 235	$—	$235
Europe		3,357	—	3,357	—	3,357
Asia-Pacific		115	—	115	—	115
Latin America		—	—	—	—	—
BrightPoint		529	2,512	3,041	—	3,041
Total	51	$4,236	$2,512	$ 6,748	$—	$6,748
Thirteen weeks ended September 29, 2012						
IT Distribution:						
North America		$—	$—	$ —	$(100)	$(100)
Europe		1,582	—	1,582	(32)	1,550
Asia-Pacific		3,832	—	3,832	—	3,832
Latin America		—	—	—	(14)	(14)
BrightPoint		—	—	—	—	—
Total	212	$5,414	$—	$ 5,414	$(146)	$5,268

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	Reorganization Costs					
	Headcount Reduction	Employee Termination Benefits	Facility Costs	Total Reorganization Costs	Adjustments to Prior Year Costs	Total Costs
Thirty-nine weeks ended September 28, 2013						
IT Distribution:						
North America		$1,190	$—	$ 1,190	$—	$1,190
Europe		6,267	—	6,267	(188)	6,079
Asia-Pacific		175	3,277	3,452	(12)	3,440
Latin America		—	—	—	—	—
BrightPoint		5,069	4,272	9,341	—	9,341
Total	269	$12,701	$7,549	$ 20,250	$(200)	$20,050
Thirty-nine weeks ended September 29, 2012						
IT Distribution:						
North America		$34	$—	$ 34	$(255)	$(221)
Europe		2,245	—	2,245	(32)	2,213
Asia-Pacific		4,370	—	4,370	(115)	4,255
Latin America		431	—	431	(14)	417
BrightPoint		—	—	—	—	—
Total	316	$7,080	$—	$ 7,080	$(416)	$6,664

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The remaining liabilities and 2013 activities associated with the aforementioned actions are summarized in the table below:

	Reorganization Liability Remaining Liability at December 29, 2012	Expenses (Income), Net	Amounts Paid and Charged Against the Liability	Foreign Currency Translation (b)	Remaining Liability at September 28, 2013	
2013 Reorganization actions						
Employee termination benefits	$—	$12,701	$(7,833)	$101	$4,969	
Facility Costs	—	7,549	(2,679)	(276)	4,594	
Subtotal	—	20,250	(10,512)	(175)	9,563	(c)
2012 Reorganization actions						
Employee termination benefits	1,826	(200) (a)	(604)	19	1,041	(d)
2011 Reorganization actions						
Employee termination benefits	79	—	(79)	—	—	
2009 and prior reorganization actions						
Facility Costs	6,214	—	(2,338)	(187)	3,689	(e)
	$8,119	$20,050	$(13,533)	$(343)	$14,293	

(a) Adjustments reflected in the table above include a reduction of $188 and $12 to reorganization liabilities recorded in prior years in Europe and Asia-Pacific, respectively, for lower than expected employee termination benefits.
(b) Reflects the net foreign currency impact on the U.S. dollar liability.
(c) We expect the remaining liabilities to be substantially utilized by the end of 2016.
(d) We expect the remaining liabilities to be substantially utilized by the end of 2014.
(e) We expect the remaining liabilities to be fully utilized by the end of 2015.

Note 9 – Debt
The carrying value of our outstanding debt consists of the following:

	September 28, 2013	December 29, 2012
Senior unsecured notes, 5.25% due 2017	$300,000	$300,000
Senior unsecured notes, 5.00% due 2022, net of unamortized discount of $1,590 and $1,725, respectively	298,410	298,275
North America revolving trade accounts receivable-backed financing program	214,993	345,000
Lines of credit and other debt	77,161	111,268
	890,564	1,054,543
Short-term debt and current maturities of long-term debt	(77,161)	(111,268)

	$813,403	$943,275

We have a $940,000 revolving senior unsecured credit facility from a syndicate of multinational banks which was scheduled to mature in September 2016. In August 2013, we entered into an amendment of this facility to extend its maturity to September 2018. In addition, the amendment provides an option to increase the total commitment by $310,000, subject to certain conditions. The interest rate on this facility is based on LIBOR plus a predetermined margin that is based on our debt ratings and leverage ratio. We had no borrowings at September 28, 2013 or December 29, 2012 under this revolving senior unsecured credit facility. This credit facility may also be used to issue letters of credit. At September 28, 2013 and December 29, 2012, letters of credit of

$14,608 and $4,491, respectively, were issued to certain vendors and financial institutions to support purchases by our subsidiaries, payment of insurance premiums and flooring arrangements. Our available capacity under the agreement is reduced by the amount of any outstanding letters of credit.

Note 10 – Income Taxes

Our effective tax rate for the thirteen weeks ended September 28, 2013 was 30.5% compared to 28.9% for the thirteen weeks ended September 29, 2012. For the thirty-nine weeks ended September 28, 2013 and September 29, 2012, our effective tax rate was 29.9% and 17.2%, respectively. Under U.S. accounting rules for income taxes, quarterly effective tax rates may vary significantly depending on the actual operating results in the various tax jurisdictions, as well as changes in the valuation allowance related to the expected recovery of deferred tax assets.

The thirteen weeks ended September 28, 2013 included net discrete benefits of approximately $4,570, or 4.0 percentage points of the effective tax rate driven primarily by the release of a previously recorded reserve against the deferred tax assets of one of our foreign operating units. The thirteen weeks ended September 29, 2012 included net discrete benefits of approximately $1,658, or 2.2 percentage points of the effective tax rate, which primarily reflected the positive adjustments agreed with the U.S. Internal Revenue Service ("IRS") during that period. The remaining year-over-year change in our effective tax rate reflects the change in mix of profit among different tax jurisdictions and losses in certain tax jurisdictions in which we are not able to record a tax benefit.

The thirty-nine weeks ended September 28, 2013 included net discrete tax benefits of approximately $11,521, or 4.1 percentage points of the effective tax rate, which includes the discrete items noted for the quarter as well as net discrete benefits of $5,766 recorded last quarter primarily due to a change in estimate of the amount of BrightPoint acquisition costs deductible for tax purposes. In addition, there were net discrete benefits of $1,185 recorded in the first quarter of 2013, primarily due to the release of valuation allowance on U.S. state net operating losses.

The thirty-nine weeks ended September 29, 2012 included net discrete tax benefits of approximately $34,600, or 14.0 percentage points of the effective tax rate, which included the third quarter 2012 net discrete benefit of $1,658 as discussed above, and a benefit of $32,942, which was primarily the result of the write-off of the historical tax basis of the investment we had maintained in one of our Latin American subsidiary holdings companies, realized during the first quarter of 2012.

Our effective tax rate differed from the U.S. federal statutory rate of 35% during these periods primarily due to the discrete items noted above, as well as the relative mix of earnings or losses within the tax jurisdictions in which we operate, such as: (a) earnings in lower-tax jurisdictions for which no U.S. taxes have been provided because such earnings are planned to be reinvested indefinitely outside the United States; (b) losses in certain jurisdictions in which we are not able to record a tax benefit; and (c) changes in the valuation allowance on deferred tax assets.

At September 28, 2013, we had gross unrecognized tax benefits of $39,964 compared to $38,790 at December 29, 2012, representing a net increase of $1,174 during the thirty-nine weeks ended September 28, 2013. Substantially all of the gross unrecognized tax benefits, if recognized, would impact our effective tax rate in the period of recognition. We recognize interest and penalties related to unrecognized tax benefits in income tax expense. In addition to the gross unrecognized tax benefits identified above, the interest and penalties recorded to date by us totaled $8,380 and $7,889 at September 28, 2013 and December 29, 2012, respectively.

Our future effective tax rate will continue to be affected by changes in the relative mix of taxable income and losses in the tax jurisdictions in which we operate, changes in the valuation of deferred tax assets, or changes in tax laws or interpretations thereof. In addition, our income tax returns are subject to continuous examination by the IRS and other tax authorities. The IRS has concluded its examinations of tax years prior to tax year 2010. In 2013, the IRS initiated its examination of tax years 2010 to 2011. It is possible that within the next twelve months, ongoing tax examinations in the U.S. states and several of our foreign jurisdictions may be resolved, that new tax exams may commence and that other issues may be effectively settled. However, we do not expect our assessment of unrecognized tax benefits to change significantly over that time.

Note 11 – Segment Information

Subsequent to our acquisition of BrightPoint, we have operated predominantly in the following industry segments: (1) distribution of IT products and supply chain solutions worldwide and (2) distribution of mobile devices as well as device lifecycle services and logistics solutions. Our IT distribution reporting segments are based on geographic location, and the measure of segment profit is income from operations.

Geographic areas in which we operated our IT distribution reporting segments during 2013 include North America (the United States and Canada), Europe (Austria, Belgium, France, Germany, Hungary, Italy, the Netherlands, Spain, Sweden, Switzerland and the United Kingdom), Asia-Pacific (Australia, the People's Republic of China including Hong Kong, India, Indonesia, Malaysia, New Zealand, Singapore, Thailand, Lebanon, United Arab Emirates, Turkey, Egypt and South Africa), and Latin America (Brazil, Chile, Colombia, Mexico, Peru, and our Latin American export operations in Miami).

Our BrightPoint reporting segment has operations in the following geographic areas: the United States, Finland, Germany, Norway, Poland, Portugal, Senegal, Slovakia, South Africa, Spain, Sweden, Switzerland, the United Arab Emirates, the United Kingdom, Australia, Hong Kong, India, Malaysia, New Zealand and Singapore.

We do not allocate stock-based compensation recognized (see Note 4) to our operating units; therefore, we are reporting this as a separate amount.

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Financial information by reporting segment is as follows:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Net sales				
IT Distribution:				
North America	$4,061,763	$3,972,208	$11,968,647	$11,416,399
Europe	2,428,292	2,420,425	7,527,658	7,527,622
Asia-Pacific	2,150,237	2,174,409	6,475,403	6,162,273
Latin America	448,642	467,099	1,370,427	1,341,123
BrightPoint	1,061,681	—	3,378,939	—
Total	$10,150,615	$9,034,141	$30,721,074	$26,447,417
Income from operations				