

INGRAM MICRO INC
Form 10-Q
May 07, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 30, 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)

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Delaware **62-1644402**
(State or other jurisdiction of **(I.R.S. Employer**
incorporation or organization) **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 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 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 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

The Registrant had 152,334,909 shares of Class A Common Stock, par value \$0.01 per share, outstanding at March 30, 2013.

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

	March 30, 2013	December 29, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 562,630	\$ 595,147
Trade accounts receivable (less allowances of \$75,544 and \$78,034)	4,509,372	5,457,299
Inventory	3,809,463	3,591,543
Other current assets	488,973	522,390
Total current assets	9,370,438	10,166,379
Property and equipment, net	477,172	481,324
Goodwill	428,401	428,401
Intangible assets, net	359,082	372,482
Other assets	22,266	31,862
Total assets	\$ 10,657,359	\$ 11,480,448
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 5,119,289	\$ 6,065,159
Accrued expenses	552,013	585,404
Short-term debt and current maturities of long-term debt	158,640	111,268
Total current liabilities	5,829,942	6,761,831
Long-term debt, less current maturities	1,043,315	943,275
Other liabilities	134,188	164,089
Total liabilities	7,007,445	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; 190,062 and 188,349 shares issued and 152,335 and 150,320 shares outstanding in 2013 and 2012, respectively	1,901	1,883
Class B Common Stock, \$0.01 par value, 135,000 shares authorized; no shares issued and outstanding		
Additional paid-in capital	1,363,987	1,361,650
Treasury stock, 37,727 and 38,029 shares in 2013 and 2012, respectively	(642,858)	(648,066)
Retained earnings	2,800,663	2,750,904
Accumulated other comprehensive income	126,221	144,882

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Total stockholders' equity	3,649,914	3,611,253
Total liabilities and stockholders' equity	\$ 10,657,359	\$ 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	
	March 30, 2013	March 31, 2012
Net sales	\$ 10,262,444	\$ 8,635,381
Cost of sales	9,677,139	8,167,824
Gross profit	585,305	467,557
Operating expenses:		
Selling, general and administrative	474,078	360,024
Amortization of intangible assets	11,765	2,925
Reorganization costs	8,666	557
	494,509	363,506
Income from operations	90,796	104,051
Other expense (income):		
Interest income	(1,829)	(3,766)
Interest expense	15,638	11,729
Net foreign exchange loss (gain)	(1,934)	5,566
Other	2,869	1,932
	14,744	15,461
Income before income taxes	76,052	88,590
Provision for (benefit from) income taxes	26,293	(1,383)
Net income	\$ 49,759	\$ 89,973
Basic earnings per share	\$ 0.33	\$ 0.60
Diluted earnings per share	\$ 0.32	\$ 0.58

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	
	March 30, 2013	March 31, 2012
Net income	\$ 49,759	\$ 89,973
Other comprehensive income, net of tax		
Foreign currency translation adjustment	(19,083)	49,347
Net unrealized gain (loss) on foreign currency forward contracts designated as cash flow hedges	422	(158)
Other comprehensive income, net of tax	(18,661)	49,189
Comprehensive income	\$ 31,098	\$ 139,162

See accompanying notes to these consolidated financial statements.

Table of Contents**INGRAM MICRO INC.****CONSOLIDATED STATEMENT OF CASH FLOWS****(In 000s)****(Unaudited)**

	Thirteen Weeks Ended March 30, 2013	March 31, 2012
Cash flows from operating activities:		
Net income	\$ 49,759	\$ 89,973
Adjustments to reconcile net income to cash provided (used) by operating activities:		
Depreciation and amortization	29,992	14,419
Stock-based compensation	7,416	9,446
Excess tax benefit from stock-based compensation	(748)	(5,108)
Noncash charges for interest	608	458
Deferred income taxes	19,586	20,795
Changes in operating assets and liabilities:		
Trade accounts receivable	926,539	645,321
Inventory	(232,082)	(198,011)
Other current assets	(9,365)	(11,369)
Accounts payable	(867,171)	(298,631)
Change in book overdrafts	(65,713)	(30,485)
Accrued expenses	(40,622)	(145,467)
Cash provided (used) by operating activities	(181,801)	91,341
Cash flows from investing activities:		
Capital expenditures	(15,431)	(24,760)
Sales of marketable trading securities, net	650	270
Acquisition earn-out payment		(333)
Cash used by investing activities	(14,781)	(24,823)
Cash flows from financing activities:		
Proceeds from exercise of stock options	11,718	20,252
Excess tax benefit from stock-based compensation	748	5,108
Net proceeds from (repayments of) revolving credit facilities	147,795	(6,322)
Cash provided by financing activities	160,261	19,038
Effect of exchange rate changes on cash and cash equivalents	3,804	14,200
Increase (decrease) in cash and cash equivalents	(32,517)	99,756
Cash and cash equivalents, beginning of period	595,147	891,403
Cash and cash equivalents, end of period	\$ 562,630	\$ 991,159

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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 and supply chain and mobile device lifecycle services worldwide. Ingram Micro Inc. and its subsidiaries operate in North America, Europe, Asia-Pacific, Middle East and Africa (Asia-Pacific), and Latin America. In 2012, we added a reporting segment for mobility which reflects our 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 March 30, 2013, and our consolidated results of operations, comprehensive income and cash flows for the thirteen weeks ended March 30, 2013 and March 31, 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 weeks ended March 30, 2013 may not be indicative of the consolidated results of operations that can be expected for the full year.

Comprehensive Income

Comprehensive income consisted primarily of our net income, foreign currency translation adjustments and unrealized gains and losses from our foreign currency forward contracts designated as cash flow hedges.

Book Overdrafts

Book overdrafts of \$349,494 and \$415,207 as of March 30, 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 March 30, 2013 and December 29, 2012, or any balance on any given date.

Trade Accounts Receivable Factoring Programs

We have two uncommitted factoring programs, one in North America and one 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 March 30, 2013 and December 29, 2012, we had a total of \$141,791 and \$242,626, respectively, of trade accounts receivable sold to and held by financial institutions under these programs. Factoring fees of \$532 and \$1,304 incurred for the thirteen weeks ended March 30, 2013 and March 31, 2012, respectively, related to the sale of trade accounts receivable under both facilities are included in other in the other expense (income) section of our consolidated statement of income.

Table of Contents**INGRAM MICRO INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(In 000s, except per share data)****(Unaudited)****Note 2 Share Repurchase Program**

In October 2010, our Board of Directors authorized a three-year, \$400,000 share repurchase program, of which \$124,095 is remaining for repurchase at March 30, 2013. Under the 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 (see Note 4). We did not repurchase shares during the thirteen weeks ended March 30, 2013 and March 31, 2012. Our stock issuance activity for the thirteen weeks ended March 30, 2013 and March 31, 2012 is summarized in the table below:

	Shares	Weighted Average Price Per Share	Amount
Cumulative balance at December 29, 2012	38,029	\$ 17.04	\$ 648,066
Issuance of Class A Common Stock	(302)	17.24	(5,208)
Cumulative balance at March 30, 2013	37,727	17.04	\$ 642,858
Cumulative balance at December 31, 2011	35,643	\$ 16.96	\$ 604,331
Issuance of Class A Common Stock	(293)	18.45	(5,397)
Cumulative balance at March 31, 2012	35,350	16.94	\$ 598,934

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	
	March 30, 2013	March 31, 2012
Net income	\$ 49,759	\$ 89,973
Weighted average shares	151,084	150,789

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Basic EPS	\$ 0.33	\$ 0.60
Weighted average shares, including the dilutive effect of stock-based awards (3,473 and 3,795 for the thirteen weeks ended March 30, 2013 and March 31, 2012, respectively)	154,557	154,584
Diluted EPS	\$ 0.32	\$ 0.58

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

There were approximately 1,708 and 1,386 stock-based awards for the thirteen weeks ended March 30, 2013 and March 31, 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 (the 2011 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. 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 and income before tax.

Stock options granted during the thirteen weeks ended March 30, 2013 and March 31, 2012 were 52 and 51, respectively, and restricted stock and restricted stock units granted were 962 and 136, respectively. As of March 30, 2013, approximately 9,800 shares were available for grant under the 2011 Plan, taking into account granted options, time-vested restricted stock units/awards and performance-vested restricted stock units assuming maximum achievement. Stock-based compensation expense for the thirteen weeks ended March 30, 2013 and March 31, 2012 was \$7,416 and \$9,446, respectively, and the related income tax benefit was \$2,209 and \$3,012, respectively.

During the thirteen weeks ended March 30, 2013 and March 31, 2012, a total of 754 and 1,346 stock options, respectively, were exercised, and 1,878 and 1,745 restricted stock and/or restricted stock units vested, respectively. These restricted stock and/or restricted stock units included 1,535 and 1,152 shares, respectively, issued based on performance-based grants previously approved by the Human Resources Committee of the Board of Directors.

Note 5 Derivative Financial Instruments

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

	Notional Amounts (1)		Fair Value	
	March 30, 2013	December 29, 2012	March 30, 2013	December 29, 2012
Derivatives designated as hedging instruments recorded in:				
Other current assets				
Foreign exchange contracts	\$ 17,866	\$	\$ 724	\$
Accrued expenses				
Foreign exchange contracts	13,068		(326)	
	30,934		398	
Derivatives not receiving hedge accounting treatment recorded in:				
Other current assets				
Foreign exchange contracts	1,014,521	817,172	7,488	2,897

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Accrued expenses				
Foreign exchange contracts	881,309	607,836	(4,537)	(3,776)
	1,895,830	1,425,008	2,951	(879)
Total	\$ 1,926,764	\$ 1,425,008	\$ 3,349	\$ (879)

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INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In 000s, except per share data)

(Unaudited)

(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, including ineffectiveness, was a net gain (loss) of \$19,094 and \$(20,518) for the thirteen weeks ended March 30, 2013 and March 31, 2012, respectively, which was largely offset by the change in the fair value of the underlying hedged assets or liabilities. The gains or losses on derivative instruments are classified in our consolidated statement of income on a consistent basis with the classification of the change in fair value of the underlying hedged assets or liabilities. The unrealized gains (losses) associated with our cash flow hedging transactions, net of taxes, are reflected in our consolidated statement of comprehensive income for the thirteen weeks ended March 30, 2013 and March 31, 2012.

Cash Flow and Other Hedges

Our designated hedges have consisted primarily of foreign currency forward contracts to hedge certain foreign currency-denominated intercompany management fees. There were no such designated hedges outstanding as of December 29, 2012. 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.

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.

At March 30, 2013 and December 29, 2012, our assets and liabilities measured at fair value on a recurring basis included cash equivalents, consisting primarily of money market accounts and short-term certificates of deposit, of \$12,403 and \$189,381, respectively, and marketable trading securities (included in other current assets in our consolidated balance sheet) of \$49,542 and \$46,938, respectively, both determined based on Level 1 criteria, as defined above, and derivative assets of \$8,212 and \$2,897, respectively, and derivative liabilities of \$4,863 and \$3,776, respectively, determined based on Level 2 criteria. The change in the fair value of all derivative instruments was a net unrealized gain (loss) of \$4,228 and \$(8,593) for the thirteen weeks ended March 30, 2013 and March 31, 2012, respectively. 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 value were determined based on Level 2 criteria above. Our senior unsecured notes due in August 2022 had a fair value of approximately \$324,000 and \$307,000 at March 30, 2013 and December 29, 2012, respectively, while our senior unsecured notes due in August 2017 had a fair value of approximately \$318,000 and \$326,000 at March 30, 2013 and December 29, 2012, respectively (see Note 9).

Note 7 Acquisitions, Goodwill and Intangible Assets

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.

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The following table summarizes the preliminary 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	418,895
Identifiable intangible assets	309,000
Liabilities (includes accounts payable, accrued expenses and other liabilities)	(1,015,778)
	\$ 868,192

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 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 weeks ended March 31, 2012 as if BrightPoint had been included in our consolidated statements of operations as of the first date of fiscal year 2012 and include 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 Weeks Ended March 31, 2012
Net sales	\$ 10,005,469
Net income	\$ 90,845

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Earnings per share		
Basic	\$	0.60
Diluted		
	\$	0.59

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.

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On September 30, 2012, we acquired certain IT distribution businesses of Aptec Holdings Ltd. (Aptec), a Dubai-based value-added distributor in the Middle East and Africa, with products and solutions covering data center, storage, security, networking and software categories, including technical services. In addition, we acquired the Turkey business of Aptec on November 30, 2012. Excluding its Saudi Arabia business, we acquired Aptec for a cash price of approximately \$16,302. The acquisition of the Saudi Arabia business is expected to close during the second half of 2013. This acquisition broadens our reach into the Middle East and Africa, while also building our portfolio of higher margin value-added distribution businesses. The purchase price has been preliminarily allocated to the assets acquired and liabilities assumed based on their estimated fair values on the transaction date, resulting in the recording of identifiable intangible assets of \$1,834, primarily related to vendor and customer relationships and trademarks with estimated useful lives of 10 and 3 years, respectively, and goodwill of \$4,951.

On November 30, 2012, we acquired all of the outstanding shares of Promark Technology Inc. (Promark), a value-added distributor in the U.S. with a core technology focus on data storage, data management and electronic document imaging products and services. This acquisition further strengthens our position in higher value products and solutions and extends our reach within the public sector in the U.S. We acquired Promark for an initial cash payment of \$7,707; payment of its outstanding debt of \$4,675; a hold-back amount of \$2,250, which will be released upon settlement of certain closing matters; and a maximum potential earn-out of \$1,000 to be paid out by the first quarter of 2015 based upon the achievement of certain pre-defined targets. We have recorded an earn-out obligation of \$800, which reflects the estimated fair value of the payout to be achieved. The aggregate purchase price of \$15,432 has been preliminarily allocated to the assets acquired and liabilities assumed based on their estimated fair values on the transaction date, resulting in the recording of identifiable intangible assets of \$8,526, primarily related to U.S. General Services Administration IT schedule and vendor and customer relationships with estimated useful lives of 20 and 10 years, respectively, and goodwill of \$4,555.

In the first quarter of 2012, we paid one of the annual earn-out payments related to a prior period acquisition totaling \$333, which was previously accrued at the time of the acquisition.

All acquisitions for the periods presented above, with the exception of BrightPoint, were not material, individually or in aggregate, to us as a whole and therefore, pro forma financial information has not been presented.

The changes in the carrying amount of goodwill for the year ended December 29, 2012 and the thirteen weeks ended March 30, 2013 are as follows:

	North America	Asia- Pacific	BrightPoint	Total
Balance at December 31, 2011	\$	\$	\$	\$
Acquisitions	4,555	4,951	418,895	428,401
Balance at December 29, 2012	\$ 4,555	\$ 4,951	\$ 418,895	\$ 428,401
Balance at December 29, 2012	\$ 4,555	\$ 4,951	\$ 418,895	\$ 428,401
Acquisitions				
Balance at March 30, 2013	\$ 4,555	\$ 4,951	\$ 418,895	\$ 428,401

The gross carrying amounts of finite-lived identifiable intangible assets of \$443,309 and \$445,385 at March 30, 2013 and December 29, 2012, respectively, are amortized over their remaining estimated lives ranging up to 20 years. The net carrying amount was \$359,082 and \$372,482 at

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March 30, 2013 and December 29, 2012, respectively. Amortization expense was \$11,765 and \$2,925 for the thirteen weeks ended March 30, 2013 and March 31, 2012, respectively.

Table of Contents**INGRAM MICRO INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(In 000s, except per share data)****(Unaudited)****Note 8 Reorganization and Expense-Reduction Program Costs**

During the first quarter of 2013, we began integrating certain BrightPoint operations into Ingram Micro, resulting in headcount reductions. We also continued to move certain transactions-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 of \$8,841 (\$3,298, \$2,699, \$2,679 and \$165 in Asia-Pacific, BrightPoint, Europe and North America, respectively) primarily related to \$5,564 of employee termination benefits for workforce reductions of approximately 120 associates in connection with the integration of our acquisitions and transition of some functions to shared services centers and \$3,277 of facility exit costs in one of our offices in Asia-Pacific. The remaining liabilities and 2013 activities associated with these actions are summarized in the table below:

	Reorganization Costs	Amounts Paid and Charged Against the Liability	Adjustments	Remaining Liability at March 30, 2013
Employee termination benefits	\$ 5,564	\$ (1,839)	\$ (31)	\$ 3,694
Facility costs	3,277	(337)	27	2,967
Total	\$ 8,841	\$ (2,176)	\$ (4)	\$ 6,661

Adjustments in the table above reflect the net foreign currency impact on the U.S. dollar liability. We expect the remaining liabilities to be substantially utilized by the end of 2016.

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 will service this market through our export operations in Miami. Associated with these actions, we incurred net reorganization costs of \$557 (\$301, \$224 and \$32 in Asia-Pacific, Latin America and North America, respectively) primarily related to employee termination benefits for workforce reductions for 79 employees during the thirteen weeks ended March 31, 2012. The remaining liabilities and 2013 activities associated with these actions are summarized in the table below:

	Remaining Liability at December 29, 2012	Amounts Paid and Charged Against the Liability	Adjustments	Remaining Liability at March 30, 2013
Employee termination benefits	\$ 1,826	\$ (442)	\$ (211)	\$ 1,173

Adjustments in the table above reflect the a reduction of \$175 to reorganization liabilities recorded in prior years for these actions for lower than expected employee termination benefits, as well as the net foreign currency impact that decreased the U.S. dollar liability. We expect the

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remaining liabilities to be substantially utilized by the end of 2014.

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 as a result of the system-implementation complications and loss of market share in that country. We also implemented headcount reductions in certain operations in North America, Europe and Latin America. The remaining liabilities and 2013 activities associated with these actions are summarized in the table below:

	Remaining Liability at December 29, 2012	Amounts Paid and Charged Against the Liability	Adjustments	Remaining Liability at March 30, 2013
Employee termination benefits	\$ 79	\$ (79)	\$ -	\$ -

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

In 2009 and earlier, we incurred costs to integrate past acquisitions, as well as launching 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. The remaining liabilities and 2013 activities associated with these actions are summarized in the table below:

	Remaining Liability at December 29, 2012	Amounts Paid and Charged Against the Liability	Adjustments	Remaining Liability at March 30, 2013
Facility costs	\$ 6,214	\$ (768)	\$ (179)	\$ 5,267

Adjustments in the table above reflect the net foreign currency impact on the U.S. dollar liability. We expect the remaining liabilities, all of which are associated with facility costs, to be fully utilized by the end of 2015.

Note 9 Debt

The carrying value of our outstanding debt consists of the following:

	March 30, 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 \$1,680 and \$1,725, respectively	298,320	298,275
North America revolving trade accounts receivable-backed financing program	444,995	345,000
Lines of credit and other debt	158,640	111,268
	1,201,955	1,054,543
Short-term debt and current maturities of long-term debt	(158,640)	(111,268)
	\$ 1,043,315	\$ 943,275

Note 10 Income Taxes

Our effective tax rate for the thirteen weeks ended March 30, 2013 was a tax provision of 34.6% compared to a tax benefit of 1.6% for the thirteen weeks ended March 31, 2012. 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 our deferred tax assets. The thirteen weeks ended March 30, 2013 included a net discrete benefit of approximately \$1,184, or 1.6

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percentage points of the effective tax rate, while the thirteen weeks ended March 31, 2012 included a net discrete benefit of approximately \$28,532, or 32.2 percentage points of the effective tax rate. 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.

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INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In 000s, except per share data)

(Unaudited)

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; and b) changes in the valuation allowance on deferred tax assets.

At March 30, 2013, we had gross unrecognized tax benefits of \$39,399 compared to \$38,790 at December 29, 2012, representing a net increase of \$609 during the thirteen weeks ended March 30, 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 \$8,286 and \$7,889 at March 30, 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 U.S. Internal Revenue Service (IRS) and other tax authorities. In 2010, the IRS initiated an examination of tax years 2007 to 2009, which was concluded during the second quarter of 2012. As the statute of limitations has been extended for the periods 2008 to 2009, it is possible that the IRS may reopen audits for these periods. During the thirteen weeks ended March 30, 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

We operate predominantly in a single industry segment as a distributor of IT products and supply chain solutions worldwide. Our IT distribution reporting segments are based on geographic location, and the measure of segment profit is income from operations. We do not allocate stock-based compensation recognized (see Note 4) to our operating units; therefore, we are reporting this as a separate amount.

Geographic areas in which we operated 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).

As discussed in Note 7, our acquisition of BrightPoint in October 2012 expanded our product and service offerings to mobile device lifecycle services and logistics solution worldwide and has been added as a reporting segment. BrightPoint 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.

Table of Contents**INGRAM MICRO INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(In 000s, except per share data)

(Unaudited)

Financial information by reporting segment is as follows:

	Thirteen Weeks Ended	
	March 30, 2013	March 31, 2012
Net sales		
IT Distribution:		
North America	\$ 3,867,819	\$ 3,606,947
Europe	2,668,995	2,647,056
Asia-Pacific	2,194,507	1,949,752
Latin America	461,958	431,626
BrightPoint	1,069,165	
Total	\$ 10,262,444	\$ 8,635,381
Income from operations		
IT Distribution:		
North America	\$ 55,575	\$ 69,649
Europe	13,944	22,000
Asia-Pacific	13,835	14,420
Latin America	5,551	7,428
BrightPoint	9,307	
Stock-based compensation expense	(7,416)	(9,446)
Total	\$ 90,796	\$ 104,051
Capital expenditures		
IT Distribution:		
North America	\$ 11,026	\$ 15,298
Europe	806	758
Asia-Pacific	1,126	8,556
Latin America	316	148
BrightPoint	2,157	
Total	\$ 15,431	\$ 24,760
Depreciation		
IT Distribution:		
North America	\$ 7,119	\$ 7,026
Europe	2,536	2,591
Asia-Pacific	1,845	1,554
Latin America	329	323
BrightPoint	6,398	

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Total	\$	18,227	\$	11,494
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(In 000s, except per share data)

(Unaudited)

	Thirteen Weeks Ended	
	March 30, 2013	March 31, 2012
Amortization of intangible assets		
IT Distribution:		
North America	\$ 1,785	\$ 1,690
Europe	498	550
Asia-Pacific	212	460
Latin America	222	225
BrightPoint	9,048	
 Total	 \$ 11,765	 \$ 2,925

Income from operations for the thirteen weeks ended March 30, 2013 included an aggregate of \$13,244 in charges comprised of: (a) \$8,666 in reorganization costs, as discussed in Note 8, and (b) \$4,578 primarily for legal, consulting and other costs associated with the integration of BrightPoint and transition costs incurred for certain executives, charged to SG&A expenses, (\$2,475, \$2,592, \$3,295 and \$4,882 of net charges in North America, Europe, Asia-Pacific and BrightPoint, respectively). Income from operations for the thirteen weeks ended March 31, 2012 included an aggregate of \$3,057 in charges comprised of reorganization costs of \$557 (\$32, \$301 and \$224 of net charges in North America, Asia-Pacific and Latin America, respectively) and costs of \$2,500 associated with the transition of our former chief executive officer, charged to SG&A expenses in North America.

	As of	
	March 30, 2013	December 29, 2012
Identifiable assets		
IT Distribution:		
North America	\$ 3,765,128	\$ 4,103,657
Europe	2,474,931	2,883,678
Asia-Pacific	1,850,492	1,880,431
Latin America	516,247	652,552
BrightPoint	2,050,561	1,960,130
 Total	 \$ 10,657,359	 \$ 11,480,448
Long-lived assets		
IT Distribution:		
North America	\$ 332,371	\$ 329,175
Europe	45,812	50,498
Asia-Pacific	44,976	45,898
Latin America	9,512	9,415
BrightPoint	403,583	418,820
 Total	 \$ 836,254	 \$ 853,806

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Net sales for the United States, which is our country of domicile, were \$3,657,340 and \$3,138,448 for the thirteen weeks ended March 30, 2013 and March 31, 2012, respectively. Long-lived assets located in the United States were \$593,281 and \$595,949 as of March 30, 2013 and December 29, 2012, respectively.

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INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In 000s, except per share data)

(Unaudited)

Note 12 Commitments and Contingencies

Our Brazilian subsidiary has received a number of tax assessments including: (1) a 2005 Federal import tax assessment claiming certain commercial taxes totaling Brazilian Reais 12,714 (\$6,421 at March 30, 2013 exchange rates) were due on the import of software acquired from international vendors for the period January through September of 2002; (2) a 2007 Sao Paulo Municipal tax assessment claiming Brazilian Reais 29,111 (\$14,702 at March 30, 2013 exchange rates) of service taxes were due on the resale of acquired software covering years 2002 through 2006, plus Brazilian Reais 25,972 (\$13,116 at March 30, 2013 exchange rates) of associated penalties; and (3) a 2011 Federal income tax assessment, a portion of which claims statutory penalties totaling Brazilian Reais 15,900 (\$8,030 at March 30, 2013 exchange rates) for delays in providing certain electronic files during the audit of tax years 2008 and 2009, which was conducted through the course of 2011. After working with our advisors, we believe the matters raised in the various assessments, other than the three assessments noted above, represent a remote risk of loss.

In addition to the amounts assessed, it is possible that we could also be assessed up to Brazilian Reais 39,495 (\$19,947 at March 30, 2013 exchange rates) for penalties and interest on the 2005 assessment and up to Brazilian Reais 127,026 (\$64,155 at March 30, 2013 exchange rates) for interest and inflationary adjustments on the 2007 assessment. After working with our advisors on these matters, we believe we have good defenses against each matter and do not believe it is probable that we will suffer a material loss for amounts in the 2007 and the 2011 assessments or any other unassessed amounts noted above. While we will continue to vigorously pursue administrative and, if applicable, judicial action in defending against the 2005 Federal import tax assessment, we continue to maintain a reserve for the full amount assessed at March 30, 2013.

There are various other claims, lawsuits and pending actions against us incidental to our operations. It is the opinion of management that the ultimate resolution of these matters will not have a material adverse effect on our consolidated financial position, results of operations or cash flows. However, we can make no assurances that we will ultimately be successful in our defense of any of these matters.

As is customary in the IT distribution industry, we have arrangements with certain finance companies that provide inventory-financing facilities for their customers. In conjunction with certain of these arrangements, we have agreements with the finance companies that would require us to repurchase certain inventory, which might be repossessed from the customers by the finance companies. Due to various reasons, including among other factors, the lack of information regarding the amount of saleable inventory purchased from us still on hand with the customer at any point in time, repurchase obligations relating to inventory cannot be reasonably estimated. Repurchases of inventory by us under these arrangements have been insignificant to date.

Note 13 New Accounting Standards

In December 2011, the FASB issued a new accounting standard related to enhanced disclosures on offsetting (netting) of assets and liabilities in the financial statements. This standard requires improved information about financial instruments and derivative instruments that are either allowed to be offset in accordance with another accounting standard or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with another accounting standard. Under this standard, financial statements should disclose the gross amounts of those recognized assets and liabilities and the amounts offset, whether permitted by another accounting standard or subject to master netting arrangement, to determine the net amounts presented in the statement of financial position. This standard was effective for us beginning December 30, 2012 and did not have a material impact on our consolidated financial position.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Unless otherwise stated, all currency amounts, other than per share information, contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations are stated in thousands.

The following discussion contains forward-looking statements, including, but not limited to, management's expectations of competition; market share; revenues, margin, expenses and other operating results and ratios; economic conditions; vendor terms and conditions; deployment of enterprise systems; process and efficiency enhancements; cost-savings; cash flows; inventory levels; working capital days; capital expenditures; liquidity; capital requirements; acquisitions and integration costs; operating models; exchange rate fluctuations and related currency gains or losses; resolution of contingencies; seasonality; interest rates and expenses; and rates of return. In evaluating our business, readers should carefully consider the important factors included in Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 29, 2012, as filed with the Securities and Exchange Commission. We disclaim any duty to update any forward-looking statements.

Overview of Our Business

We are the largest wholesale technology distributor and a global leader in IT supply-chain and mobile device lifecycle services worldwide based on revenues. We offer a broad range of IT products and supply chain solutions and help generate demand and create efficiencies for our customers and suppliers around the world. Our acquisition of BrightPoint in October 2012 expanded our product and service offerings to mobile device lifecycle services and logistics solutions worldwide. Our results of operations have been, and will continue to be, directly affected by the conditions in the economy in general. The IT distribution industry in which we operate is characterized by narrow gross profit as a percentage of net sales, or gross margin, and narrow income from operations as a percentage of net sales, or operating margin. Historically, our margins have also been impacted by pressures from price competition and declining average selling prices, as well as changes in vendor terms and conditions, including, but not limited to, variations in vendor rebates and incentives, our ability to return inventory to vendors, and time periods qualifying for price protection. We expect competitive pricing pressures and restrictive vendor terms and conditions to continue in the foreseeable future. In addition, our margins have and may continue to be impacted by our inventory levels, which are based on projections of future demand, product availability, product acceptance and marketability, and market conditions. Any sudden decline in demand and/or rapid technological changes in products could cause us to have a charge for excess and/or obsolete inventory. To mitigate these factors, we have implemented changes to and continue to refine our pricing strategies, inventory management processes and vendor program processes. In addition, we continuously monitor and work to change, as appropriate, certain terms, conditions and credit offered to our customers to reflect those being imposed by our vendors, to recover costs and/or to facilitate sales opportunities. We have also strived to improve our profitability through diversification of product offerings, including our presence in adjacent product categories, such as automatic identification/data capture and point-of-sale, or AIDC/POS, enterprise computing and data center, cloud computing, consumer electronics, fee-for-service logistics offerings and expansion into mobile device lifecycle services and logistics solutions. Our business also requires significant levels of working capital primarily to finance trade accounts receivable and inventory. We have historically relied on, and continue to rely heavily on, trade credit from vendors, available cash, debt and factoring of trade accounts receivable for our working capital needs.

Over the past few years, we have complemented our internal growth initiatives with strategic business acquisitions including Promark in North America, Eurequat SA, Intertrade A.F. AG, Paradigm Distribution Ltd., Symtech Nordic AS, Computacenter Distribution, Alhora Soluciones SL, interAct BVBA and Aretê Sistemas S.A., or Aretê in Europe, and Aptec, Vantex Technology Distribution Limited, Value Added Distributors Limited, Asiasoft Hong Kong Limited and the Cantechs Group in Asia-Pacific. These acquisitions have expanded our geographic reach as well as our presence in value-added distribution of mobile data and AIDC/POS solutions and in the mid-range enterprise market.

We manage our business through continuous cost controls and process and efficiency enhancements. This may also include, from time to time, reorganization actions to further enhance productivity and profitability and could result in the recognition of reorganization costs or impairment of assets.

Table of Contents**Management's Discussion and Analysis Continued**

We are in the process of migrating our operations from our legacy proprietary system that was developed in the late-1980s to SAP in a phased, country-by-country approach over the next several years. We have deployed SAP in several operations globally beginning in 2009. In February 2011, we also deployed the new SAP system in Australia, one of our largest operations. This deployment was somewhat unique in that Australia had operated on a different legacy enterprise system than most of our other operations and had recently implemented Ingram Micro's warehouse management system, designed for our largest, most sophisticated distribution centers. This deployment revealed connectivity issues with our warehouse management system and certain web-based tools, resulting in order delays that diminished sales and margins. Although these system connectivity issues have been resolved, the customer experience with our new system was also not as robust as that which we had provided with our legacy systems thereby also impacting sales. Throughout 2012, we addressed the customer-service and order management functionality of the new SAP system to better meet our customers' needs, which we expect to yield improved operating results in 2013.

Operations

The following tables set forth our net sales by reporting segment, excluding intercompany sales, and the percentage of total net sales represented thereby, as well as operating income and operating margin by reporting segment, for each of the thirteen week periods indicated:

	Thirteen Weeks Ended			
	March 30, 2013		March 31, 2012	
Net sales by reporting segment				
IT Distribution:				
North America	\$ 3,867,819	37.7%	\$ 3,606,947	41.8%
Europe	2,668,995	26.0	2,647,056	30.6
Asia-Pacific	2,194,507	21.4	1,949,752	22.6
Latin America	461,958	4.5	431,626	5.0
BrightPoint	1,069,165	10.4		
Total	\$ 10,262,444	100.0%	\$ 8,635,381	100.0%

	Thirteen Weeks Ended			
	March 30, 2013		March 31, 2012	
Operating income and operating margin by reporting segment				
IT Distribution:				
North America	\$ 55,575	1.44%	\$ 69,649	1.93%
Europe	13,944	0.52	22,000	0.83
Asia-Pacific	13,835	0.63	14,420	0.74
Latin America	5,551	1.20	7,428	1.72
BrightPoint	9,307	0.87		
Stock-based compensation expense	(7,416)		(9,446)	
Total	\$ 90,796	0.88%	\$ 104,051	1.20%

We sell finished products purchased from many vendors but generated approximately 16% and 10% of our consolidated net sales for the thirteen weeks ended March 30, 2013 from products purchased from Hewlett-Packard Company and Apple Inc., respectively, and 20% for the thirteen weeks ended March 31, 2012 from products purchased from Hewlett-Packard Company. There were no other vendors or any customers that represented 10% or more of our consolidated net sales in either of the periods presented.

The following table sets forth certain items from our consolidated statement of income as a percentage of net sales, for each of the periods indicated (percentages below may not total due to rounding).

Table of Contents**Management's Discussion and Analysis Continued**

	Thirteen Weeks Ended	
	March 30, 2013	March 31, 2012
Net sales	100.00%	100.00%
Cost of sales	94.30	94.59
Gross profit	5.70	5.41
Operating expenses:		
Selling, general and administrative	4.63	4.17
Amortization of intangible assets	0.11	0.03
Reorganization costs	0.08	0.01
Income from operations	0.88	1.20
Other expense, net	0.14	0.18
Income before income taxes	0.74	1.03
Provision for (benefit from) income taxes	0.26	(0.02)
Net income	0.48%	1.04%

Results of Operations for the Thirteen Weeks Ended March 30, 2013 Compared to the Thirteen Weeks Ended March 31, 2012

Our consolidated net sales increased 18.8% for the thirteen weeks ended March 30, 2013, or first quarter of 2013, compared to the thirteen weeks ended March 31, 2012, or first quarter of 2012. Regionally, net sales from our North American, Europe, Asia-Pacific and Latin American operations increased by 7.2%, 0.8%, 12.6% and 7.0%, respectively, in the first quarter of 2013 compared to the first quarter of 2012. Net sales from our BrightPoint, Aptec and Promark operations during the first quarter of 2013 accounted for approximately 14 percentage points of our growth in consolidated revenues. The translation impact of foreign currencies relative to the U.S. dollar did not have a material impact on our regional and consolidated net sales.

The increase in North America net sales reflects year-over-year sales growth in all U.S. divisions, including solid growth in advanced computing and advanced technology, particularly in networking and infrastructure product lines, partially offset by lower sales in Canada due to weak government spending.

Our European net sales were relatively flat with the prior year. While our key small to medium business market continued to demonstrate relative strength in most countries, the challenging economic climate and competitive marketplace remained apparent especially in certain areas of the retail business.

The increase in Asia-Pacific net sales reflects robust growth in India led by continued strength in large format retail and mobility and continued growth in China, but at a lower growth rate compar