

INGRAM MICRO INC  
Form 10-K  
February 27, 2015  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Form 10-K  
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

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(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended January 3, 2015  
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

(I.R.S. Employer

Incorporation or Organization)

Identification No.)

1600 E. ST. ANDREW PLACE, SANTA ANA, CALIFORNIA 92705

(Address, including Zip Code, of Principal Executive Offices)

(714) 566-1000

(Registrant's telephone number, including area code)

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SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class:

Name of Each Exchange on Which Registered:

Class A Common Stock,

New York Stock Exchange

Par Value \$.01 Per Share

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SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 registrant has 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.101 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or

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information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. "

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 the 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  Smaller Reporting Company

(Do not check if a smaller reporting company)

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter, at June 28, 2014, was \$4,367,787,552 based on the closing sale price on such last business day of \$28.80 per share.

The registrant had 156,242,802 shares of Class A Common Stock, par value \$0.01 per share, outstanding at January 31, 2015.

**DOCUMENTS INCORPORATED BY REFERENCE:**

Portions of the Proxy Statement for the registrant's Annual Meeting of Shareholders to be held June 3, 2015 are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PART I

ITEM 1. BUSINESS

The following discussion includes forward-looking statements, including but not limited to, management's expectations of competition; market share; revenues, margin, expenses and other operating results or ratios; economic conditions; vendor terms and conditions; deployment of enterprise systems; pricing strategies and customer terms and conditions; organizational effectiveness program and related restructuring activities, integration and other reorganization costs; process and efficiency enhancements; cost savings; cash flows; working capital levels and days; capital expenditures; liquidity; capital requirements; acquisitions and integration costs; operating models; exchange rate fluctuations and related currency gains and losses; resolution of contingencies; seasonality; interest rates and expenses; and rates of return. In evaluating our business, readers should carefully consider those factors discussed under "Risk Factors." We disclaim any duty to update any forward-looking statements. Unless otherwise stated, all currency amounts, other than per share information, contained in Parts I and II are stated in thousands.

Our Background

Ingram Micro Inc., a Fortune 100 company, helps businesses realize the promise of technology by delivering a full spectrum of global technology and supply chain services to businesses around the world. Our global infrastructure and deep expertise in technology solutions, mobility, supply chain services and cloud services help to enable our business partners to operate efficiently and successfully in the markets they serve. We are the largest wholesale technology distributor based on revenues and a global leader in supply chain management and mobile device lifecycle services. We distribute and market a large variety of technology and mobility products from leading companies, such as Acer, Apple, Cisco, Citrix, Hewlett-Packard ("HP"), IBM, Lenovo, Microsoft, Samsung, Symantec, VMware and many others. As a vital link in the technology value chain, we create sales and profitability opportunities for vendors, resellers, mobile network operators and other customers through unique marketing programs; outsourced logistics and mobile device lifecycle solutions; technical support; financial services; product aggregation and distribution; solutions creation and cloud service models.

We began business in 1979, operating as Micro D Inc., a California corporation. Through a series of acquisitions, mergers and organic growth, we have expanded and strengthened our global footprint, product breadth and service capabilities. In recent years, we have made major strides in expanding our presence in areas of strategic focus: technology solutions, mobility, supply chain services and cloud services. In 2013 we completed acquisitions that strengthen our capabilities in supply chain services and cloud-based solutions, including: Shipwire, Inc. ("Shipwire"), a leading provider of e-commerce fulfillment services for small-to-medium-sized businesses ("SMB"), CloudBlue Technologies, Inc. ("CloudBlue"), a global leader in enterprise information technology asset disposition ("ITAD"), onsite data destruction and e-waste recycling services and SoftCom, Inc. ("SoftCom"), a leading cloud marketplace and global service provider offering domain name management, web hosting and cloud infrastructure. During 2014 we enhanced our access and reach into Turkey's fast-growing technology industry by acquiring a majority interest in Turkish value-added distributor Armada. Three of our other 2014 acquisitions helped us build additional capabilities in the repair, refurbish and reverse logistics market: Pinnacle Service Solutions provides after-sales support to consumer electronics ("CE") manufacturers across the U.S., and Global Mobility Products ("GMP") and DAT Repair GMBH ("DRG") extend our reach into the mobile reverse logistics, repair and asset recovery markets in Canada and Europe, respectively. We enhanced our professional services capabilities in North America with the acquisition of Rollouts, an information technology ("IT") services company providing on-demand field technicians and rapidly deployable workforces to businesses and IT solution providers in North America. We augmented our cloud services capabilities with the acquisition of cloud service provider SofCloudIT. Our focus is on profitably growing and optimizing our core technology solutions business, expanding the reach of our acquired operations, building upon our established services business and continuing to make strategic investments in higher-margin services and solutions.

Where We Are

We have operations in 38 countries, spanning all global regions: North America (United States and Canada), Europe (Austria, Belgium, Denmark, France, Finland, Germany, Hungary, Italy, the Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland and the United Kingdom), Asia-Pacific (which includes Middle East and Africa ("MEA")) (Australia, the People's Republic of China (including Hong Kong), Egypt, India, Indonesia, Israel, Lebanon,

Malaysia, New Zealand, Singapore, South Africa, Thailand, Turkey and United Arab Emirates) and Latin America (Brazil, Chile, Colombia, Mexico and Peru). We also operate support centers in Argentina, Bulgaria, Costa Rica, India, Philippines and Puerto Rico. Additionally, we serve many other markets where we do not have an in-country presence through our various export sales offices, including our general telesales operations in numerous markets. We sell our products and services to a global customer base of more than 200,000 customers in more than 160 countries. Based on currently available data, we believe that we are the market share leader in technology distribution, by net sales, in North America and Latin America, and number two in Europe and Asia-Pacific.

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### Our Strengths

We believe that the current technology industry generally favors large, financially-sound distributors that have broad product portfolios, economies of scale, strong business partner relationships and wide geographic reach. We offer the largest breadth of products in our industry, providing a true "one-stop-shop" for our customers and we believe that we are the only global broad-based technology distributor with distribution operations in every region. Our extensive global coverage, breadth of product and solution offerings and wide range of business partners reduce the risks from volatility and demand fluctuations in a single market, vendor or product segment. These attributes also provide the foundation for expansion in higher margin service-oriented businesses, enabling us to take advantage of key market trends, such as global e-commerce growth, pervasive access to data from any device, big data analytics and the rise of the omni-channel. We believe there is a growing demand for additional services and solutions from companies that already have an established global presence and existing infrastructure, which is why we are strategically focused on increasing our capabilities in these areas. Our diversification strategy continues to provide us with new growth opportunities while reducing our dependence on our core set of partners and markets.

Our conservative approach to working capital management, as well as our diversified portfolio of capital resources, serves us well. Our financial strength enables us to provide valuable credit to our customers, while employing a disciplined approach to managing accounts and determining creditworthiness. Our financial position provides us with a competitive advantage as a reliable, long-term business partner for our suppliers, resellers and other customers. Our value is in enabling these partners to become more efficient, knowledgeable and profitable.

### What We Do

**Technology Solutions** — We buy, hold title to, and sell technology products and services to resellers who, in turn, typically sell directly to end-users or other resellers. Resellers build efficiencies and reduce costs by relying on Ingram Micro for product availability, marketing, credit, training and enablement, technical support and inventory management. Our distribution services are tailored to meet the needs of resellers serving a wide range of end-users, including consumers, SMBs, public sector entities and large enterprises. We offer programs and services designed to support value-added resellers ("VARs") that serve as technology sources for the SMB market. The SMB end-user segment is generally one of the largest segments of the IT market in terms of number of customers and total dollars spent annually, and typically provides higher gross margins for distributors as it is more challenging for suppliers to penetrate directly. We support Internet-based resellers through expanded line card offerings and customized, personalized delivery directly to their end-user customers. We are advancing our presence in the higher-value segment of the IT market and we have added products, services and capabilities, as well as associates with the requisite technical skills to broaden our portfolio of higher-value technology solutions. Our expanded capabilities and portfolio enable our resellers to capture opportunities in areas such as the data center market, enterprise computing, storage solutions, virtualization, enterprise software, unified communications, networking and security. By strengthening our position in higher-value product categories, our resellers are able to provide end-users with more complete solutions, augmenting IT products with other categories such as automatic identification and data capture ("AIDC"), point-of-sale ("POS"), physical security, CE, professional audio visual, digital signage products and energy-saving technologies.

**Mobility** — Our end-to-end mobile device lifecycle capabilities utilize multi-disciplinary expertise to solve the challenges of many of the world's leading mobile technology manufacturers, mobile network operators, retailers and VARs. We create value for our customers through portfolio management, credit management, channel development and marketing with personalized attention to account management. The portfolio of products we offer includes smartphones, tablets, machine-to-machine, companion products and accessories. The mobility lifecycle solutions we offer include handset distribution, forward and reverse logistics, subscriber identity module (or SIM) kitting, customization services (device configuration, software/application loading, customized packaging and flashing), eBusiness (e-commerce platform, IT integration and hosted web stores on demand), airtime activation, managed financial services, advanced planning and trade-in programs. Recent acquisitions have expanded our capabilities in mobility repair, refurbishment and asset recovery. Our mobile device lifecycle services are designed to create solutions that lower transportation costs, extend market reach, maximize value recovered from returned devices and provide complete visibility of products as they move through the supply chain. Customers include network operators, mobile virtual network operators ("MVNOs"), manufacturers, retailers, etailers, and VARs.

Supply Chain Solutions — Our expertise in logistics enables us to extend our business beyond traditional distribution and technology products. We offer fee-based supply chain services, encompassing the end-to-end functions of the supply chain to vendors choosing to sell direct. Likewise, we offer fee-based services to retailers and Internet resellers seeking fulfillment services, inventory management, reverse logistics and other supply chain services. Our supply chain services are designed to enable our customers to better compete by reducing their costs, improving their asset efficiency and increasing the quality of service to their customers. During 2014 we made strides in expanding the impact of Shipwire, our e-commerce fulfillment company, and CloudBlue, our ITAD services company, which were acquired in 2013. We have nearly doubled CloudBlue's operating facilities and are expanding into India and China. We have expanded Shipwire's international presence and we have integrated its web-based logistics platform into eight of our distribution centers.



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Cloud — We have aggregated 224 cloud solutions from 74 vendors on a global basis, spanning virtually every solution category. Our resellers in certain geographic markets can access our catalog of cloud solutions and tailor cloud offerings to fit the business needs of their end-user customers. During 2014, we transitioned to a global cloud organization and launched a more robust version of our Cloud Marketplace, through which channel partners and IT professionals can browse, buy, deploy and manage a suite of cloud services with ease and efficiency directly from us. Our Cloud Marketplace is live in the U.S., Canada and Mexico and is in the process of launching in the United Kingdom, the Netherlands, France, Germany and Australia. In addition, we have added three new Ingram-branded cloud services to our portfolio: Hosted Exchange, Virtual Private Server and Web Hosting. New cloud solutions are assessed to ensure quality and reliability before becoming part of our cloud services portfolio, as we seek to broaden our cloud services portfolio in line with market demand. By leveraging our cloud services offerings, resellers avoid the investments necessary for independent service deployment while enjoying a recurring revenue stream.

### Who Our Customers Are

We conduct business with most of the leading resellers of IT products and services around the world and with many of the world's leading mobility companies. Our four lines of business serve a customer base, which is divided into categories including VARs, corporate resellers, retailers, custom installers, systems integrators, mobile network operators, MVNOs, direct marketers, Internet-based resellers, independent dealers, product category specialists, reseller purchasing associations, managed service providers, cloud providers, PC assemblers, independent agents and dealers, IT and mobile device manufacturers and other distributors. Many of our customers are heavily dependent on partners with the necessary systems, capital, inventory availability, and distribution facilities in place to provide fulfillment and other services. We try to reduce our exposure to the impact of business fluctuations by maintaining a balance in the customer categories we serve.

In most cases we conduct business with our customers under our general terms and conditions, without minimum purchase requirements. We also have resale contracts with our reseller customers that are terminable at will after a reasonable notice period and have no minimum purchase requirements. Products are typically sold pursuant to customer purchase orders, and we normally ship products on the same day orders are accepted from the customer. Unless otherwise requested, substantially all of our products are delivered by common freight carriers. Backlog is usually not material to our business because orders are generally filled shortly after acceptance. We have specific agreements in place with certain manufacturers and resellers in which we provide supply chain management services such as order management, technical support, call center services, logistics management, configuration management, and procurement management services. These agreements generally may be terminated by either party without cause following reasonable notice. The service offerings we provide to our customers are discussed further below under "What Services We Provide." Our mobility supply chain services are typically provided pursuant to agreements with terms between one and three years and generally may be terminated by either party subject to a short notice period. Our business is not substantially dependent on any of these distribution or supply chain services contracts. No single customer accounted for more than 10% of our total revenue in fiscal 2014.

### How We Sell and Market

We employ sales representatives and technical specialists worldwide, both in the field and on our campuses, who assist resellers with product specifications and solution design, system configuration, new product/service introductions, pricing, and availability. In addition, our sales representatives regularly introduce our reseller partners to new technologies and markets in order to assist them in expanding their business. Resellers access and order cloud services from our Cloud Marketplace, a transactional online marketplace for channel partners and IT professionals. Our product management and marketing groups help create demand for our suppliers' products and services, enable the launch of new products, and facilitate customer contact. Our marketing programs are tailored to meet specific supplier and reseller customer needs. These needs are met through a wide offering of services by our in-house marketing organizations, including advertising, direct mail campaigns, market research, online marketing, retail programs, sales promotions, training, solutions marketing, and assistance with trade shows and other events. We also provide marketing programs for specific industries and vertical markets, including healthcare and government. In addition, we also create and utilize specialized channel marketing communities to deliver focused resources and business building support to solution providers.

During 2014, we implemented a broad organizational effectiveness program to align our structure with our strategic areas of focus and create a more nimble, responsive organization. By delayering and simplifying the company, we believe we can get closer to our customers and be a more effective business partner.

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What Products We Distribute and Market

We distribute and market hundreds of thousands of technology products worldwide from the industry’s premier computer hardware suppliers, mobility hardware suppliers, networking equipment suppliers, software publishers, and other suppliers of computer peripherals, CE, unified communication and collaboration, AIDC/POS and physical security products. Based on publicly available information, we believe we offer the largest breadth of products in our industry. Product assortments vary by market, and the suppliers’ relative contribution to our sales also varies from country to country. We are focused on building our presence in those product categories and solutions that will benefit from key growth trends, such as the continuing technology shift to mobile devices and the need for enterprise computing solutions to handle the growing data center market.

Over the past several years, our distribution product category revenues on a consolidated basis have generally been within the following ranges:

- IT Peripherals: 30-40%
- Systems: 30-35%
- Software: 11-17%
- Networking: 13-17%
- Mobility: 0-15%

IT Peripherals. We offer a variety of products within the peripherals category that fall within several sub-categories:

- traditional IT peripherals such as printers, scanners, displays, projectors, monitors, panels, mass storage, and tape;
- digital signage products such as large format liquid-crystal and plasma displays, enclosures, mounts, media players, content software, content creation, content hosting, and installation services;

- CE products such as digital cameras, digital video disc players, game consoles, televisions, audio, small appliances, media management and home control;

- AIDC/POS products such as barcode/card printers, AIDC scanners, AIDC software, and wireless infrastructure products;

- physical security products such as Internet protocol video surveillance, security alarm systems, fire alarm systems, access control smart cards and printers;

- services provided by third parties and resold by Ingram Micro such as engineering contract-labor services and extended coverage warranties;

- component products such as processors, motherboards, hard drives, and memory; and

- supplies and accessories such as ink and toner supplies, paper, carrying cases, and anti-glare screens.

Systems. We define our systems category as self-standing computer systems capable of functioning independently. We offer a variety of systems, such as rack, tower and blade servers; desktops; and portable personal computers and tablets.

Software. We define our software category as a broad variety of applications containing computer instructions or data that can be stored electronically. We offer a variety of software products, such as business application software, operating system software, entertainment software, middleware, developer software tools, security software (firewalls, intrusion detection, and encryption), storage software and virtualization software.

Networking. Our networking category includes networking hardware, communication products and network security hardware. Networking hardware includes switches, hubs, routers, wireless local area networks, wireless wide area networks, network interface cards, cellular data cards, network-attached storage and storage area networks.

Communication products incorporate Voice over Internet Protocol (or VoIP), communications, modems, phone systems and video/audio conferencing. Network security hardware includes firewalls, Virtual Private Networks (or VPNs), intrusion detection, and authentication devices and appliances.

Mobility. Our mobility category includes mobile handsets, tablets, navigation devices, aircards, SIM cards, flash memory, and other mobile companion products, including health and fitness bands, wearables, app-cessories and services.



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### What Services We Provide

We offer a variety of services to our customers and suppliers, and, in some instances, to end-users on behalf of our customers. Our services may be purchased individually or in combination with other services, or they may be provided along with our product sales. Our services include:

supply chain services (product procurement, inventory management, order management and fulfillment, postponement, reverse logistics, retail fulfillment/requirement handling, transportation management, call center and customer care, credit and collection management services, enterprise IT asset disposition, data destruction and e-waste recycling services);

bid and inventory management services (technical and selective narrative support of customers in their response to Government-wide Acquisition Contracts; simplified inventory allocation resources; contractually supported physical and electronic separation of customer-owned goods at Ingram Micro Advanced Logistic Centers);

integration services (compatibility assurance, order configuration, drop ship to end-users);

technical support (real-time, multi-vendor support; certified technical expertise; technology help desks; pre-sales consultative support);

training services (manufacturer-certified, self-study and instructor-led, virtual and hybrid, and on-demand training courses for resellers and end-users);

financial and credit services (credit lines extended to resellers and to end-users on behalf of resellers, end-user leasing programs);

marketing services (targeted marketing activities including direct mail, external media advertising, telemarketing campaigns, national and regional trade shows, web-based marketing);

marketing agency services (full-service advertising, branding, content and digital marketing services, event services and integrated marketing campaign consulting to our customers and vendors, as well as other companies doing business within technology and CE sales channels);

business intelligence and analytics services (customizable programs and services around predictive lead scoring, targeted propensity lists, intelligent data appending and reporting, primary marketing research, and marketing performance analysis, powered by predictive and prescriptive analytics);

e-commerce services (website for resellers to find and order products, and to monitor account and order status utilizing electronic data interchange (EDI) with partners in a wide variety of formats);

managed services through both in-house and third-party products (help desk services, remote infrastructure management, hosting services, security services, business continuity and domain name management);

cloud services through both in-house and third-party products (communication and collaboration services, security services, infrastructure services, business applications and platform services, cloud management services);

managed print services (automatic supplies replenishment, remote printer maintenance monitoring, help desk, equipment lease options);

solution center services (proof of concept and product demonstrations on site and through remote access; product comparisons, training and education; deployable demo equipment to reseller/end customer sites);

professional services (wireless, mobility, security and infrastructure assessments, unified communication and collaboration installations, virtualized server and storage deployments, scalable deployment and rollout services, IT staffing solutions, warranty services, application development supporting big data, mobility and migration, virtualization and wireless assessment, search engine optimization and web design); and

mobility device lifecycle services (procurement, inventory management, software loading, kitting and customized packaging, fulfillment, credit services, receivables management, call center services, activation services, website hosting, e-fulfillment solutions, repair, refurbish and recycle services, reverse logistics, transportation management, sale of prepaid airtime).

Although services continue to represent one of the key components of our long-term strategy and can drive a disproportionate share of profits related to revenue contribution, they represented less than 10% of our annual revenues in 2014.



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### Who Our Suppliers Are

We sell the products of more than 1,700 suppliers, which represent most of the world's leading computer hardware, networking equipment, mobility, AIDC/POS, and CE manufacturers and software publishers. Products purchased from HP generated approximately 14%, 15%, and 18% of our consolidated net sales in fiscal years 2014, 2013 and 2012, respectively, and products purchased from Apple Inc. generated approximately 10% of our consolidated net sales in fiscal year 2012 and less than 10% in subsequent years. There were no other vendors that represented 10% or more of our net sales in any of the last three years. The year-over-year decreases in products purchased from these vendors, as a percentage of net sales, for the periods discussed above reflects the higher mix of products purchased from other vendors as a result of changes in the market in general and our October 2012 acquisition of BrightPoint which does not have significant purchases from these vendors.

In the distribution business, our suppliers generally provide warranties on the products we distribute, which we pass through to our customers, and allow returns of defective products, including those returned to us by our customers. We generally do not independently provide warranties on the products we distribute; however, local laws may impose warranty obligations upon distributors (such as in the case of supplier liquidation or where the supplier is not present in the market in question). In certain markets we administer extended warranty programs, supported by a third party, on supplier products. We may provide warranty services for products that we build to order from components purchased from other sources. Provision for estimated warranty costs is recorded at the time of sale and periodically adjusted to reflect actual experience. Historically, warranty expense has not been material.

We have written distribution agreements with many of our suppliers and these agreements usually provide for nonexclusive distribution rights and often include territorial restrictions that limit the countries in which we may distribute the products. Some of our agreements with our suppliers may contain limitations of liability with respect to our suppliers' obligations and warranties. The agreements also are generally short-term, subject to periodic renewal, and often contain provisions permitting termination by either party without cause upon relatively short notice. Certain distribution agreements either require (at our option) or allow for the repurchase of inventory upon termination of the agreement. In cases where suppliers are not obligated to accept inventory returns upon termination, some suppliers will nevertheless elect to repurchase the inventory while other suppliers will assist with either liquidation or resale of the inventory.

### Who Our Competitors Are

Each geographic region in which we operate (North America, Europe, Asia-Pacific and Latin America) is highly competitive. Competitive factors vary in importance with the type of product, service or solution offered. In addition to pricing, other competitive factors include:

- ability to tailor specific solutions to customer needs;
- availability of technical and product information;
- effectiveness of information systems;
- credit terms and availability;
- effectiveness of sales and marketing programs;
- products and services availability;
- quality and breadth of product lines and services;
- speed and accuracy of delivery;
- availability of web- or call center-based sales;
- e-commerce capabilities;
- partner connectivity support; and
- web-integrated configuration, renewal and bidding tools.

Within our Technology Solutions business, we compete against broad-based IT distributors such as Tech Data and Synnex Corporation. There are a number of specialized competitors that focus on one market or product or a particular sector with which we compete. Examples include Avnet and Arrow in components and enterprise products; Westcon in networking and security; D&H Distributing, ADI, and Petra in consumer electronics; and ScanSource, BlueStar and Jaritech in AIDC/POS products. While we face some competitors in more than one region, others are specialized in local markets, such as Synnex Technology International (Asia-Pacific), Digital China (China), Redington (India,

MEA), Dicker Data (Australia and New Zealand), Intcomex (Latin America), Esprinet (Italy and Spain), ALSO Holding AG (Europe) and Metra Group (MEA).

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Our mobile device lifecycle services competitors include Brightstar (all regions); GENCO, Foxconn, Incomm, Aerovoice and Celistics (North America and/or Latin America); Cellnet Group Ltd. (Asia-Pacific); Arvato Logistics Services, Tech Data Mobile and Avenir S.A. (Europe).

The evolving direct-sales relationships between manufacturers, resellers, and end-users continue to introduce change into our competitive landscape. We compete, in some cases, with hardware suppliers and software publishers that sell directly to reseller customers and end-users. However, we may become a business partner with these companies by providing supply chain services optimized for the IT market. Additionally, as consolidation occurs among certain reseller segments and customers gain market share and build capabilities similar to ours, certain resellers, such as direct marketers, may become our competitors. As some manufacturer and reseller customers move their back-room operations to distribution partners, such outsourcing and value-added services may become areas of opportunity. There has been an accelerated movement among transportation and logistics companies to provide many of these fulfillment and e-commerce supply chain services. Within this arena, we face competition from major transportation and logistics suppliers such as DHL, Menlo Logistics and UPS Supply Chain Solutions.

The expansion of our supply chain services generates new sources of competition. For example, in the ITAD services segment that we entered through our acquisition of CloudBlue in 2013, we face competitors ranging from global companies, such as Sims Recycling Solutions, to regional service providers, such as GEEP and those with niche specialties, such as ITRenew. Our Shipwire subsidiary competes with companies such as Fulfillment by Amazon and Rakuten Super Logistics.

The advent of cloud computing, or software-, platform- and infrastructure-as-a-service, provides another means for suppliers to deliver technology solutions directly to end-users and bypass the IT distribution channel. IT distributors are developing initiatives to remain relevant as this, and other alternative delivery models, evolve. We have developed service offerings designed to enable resellers to offer cloud computing solutions to end-users and will continue to refine service offerings around new delivery models.

We are constantly seeking to expand our business into areas closely related to our technology solutions, mobile device lifecycle services, supply chain services and cloud businesses. As we enter new business areas, we may encounter increased competition from current competitors and/or from new competitors, some of which may be our current customers and/or suppliers. We believe that suppliers, resellers and other customers pursuing global strategies continue to seek distribution and logistics providers with global sales and support capabilities.

### Our Business is Affected by Seasonality

We experience some seasonal fluctuation in demand in our business. For instance, we typically see lower demand, particularly in Europe, in the summer months. We also normally see an increase in demand in the September-to-December period, driven primarily by pre-holiday impacts on stocking levels in the retail channel and on volume of business for our North American fee-based logistics services.

### How We Manage Our Inventory

We strive to maintain sufficient quantities of product inventories to achieve optimum order fill rates. Our business, like that of other distributors, is subject to the risk that the value of our inventory will be impacted adversely by suppliers' price reductions or by technological changes affecting the usefulness or desirability of the products comprising the inventory. It is the policy of many suppliers of technology and mobility products to offer distributors limited protection from the loss in value of inventory due to technological change or a supplier's price reductions. When protection is offered, the distributor may be restricted to a designated period of time in which products may be returned for credit or exchanged for other products or during which price protection credits may be claimed. We continually take various actions, including monitoring our inventory levels and controlling the timing of purchases, to maximize our protection under supplier programs and reduce our inventory risk. However, no assurance can be given that current protective terms and conditions will continue or that they will adequately protect us against declines in inventory value, or that they will not be revised in such a manner as to adversely impact our ability to obtain price protection. In addition, suppliers may become insolvent and unable to fulfill their protection obligations to us. We are subject to the risk that our inventory values may decline and protective terms under supplier agreements may not adequately cover the decline in values. In addition, we distribute a small amount of private label products for which price protection is not customarily contractually available, for which we do not normally enjoy return rights, and for

which we bear certain increased risks. We manage these risks through pricing and continual monitoring of existing inventory levels relative to customer demand, reflecting our forecasts of future demand and market conditions. On an ongoing basis, we reduce inventory values for excess and obsolescence to assist in the liquidation of impacted inventories.

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Inventory levels may vary from period to period, due, in part, to differences in actual demand from that forecasted when orders were placed, the addition of new suppliers or new product lines with current suppliers, expansion into new product areas and strategic purchases of inventory. In addition, payment terms with inventory suppliers may vary from time to time, and could result in fewer inventories being financed by suppliers and a greater amount of inventory being financed by our own capital. Our payment patterns can be influenced by incentives, such as early pay discounts offered by suppliers.

### Our Trademarks and Service Marks

We own or license various trademarks and service marks, including, among others, "Ingram Micro," the Ingram Micro logo, "V7" (Video Seven), "VentureTech Network," "AVAD," "Vantex," "BrightPoint," "Aptec," "Shipwire" and "CloudBlue." Certain of these marks are registered, or are in the process of being registered, in the United States and various other countries. Even though our marks are not registered in every country where we conduct business, in many cases we have acquired rights in those marks because of our continued use of them.

### Our Employees

As of January 3, 2015, we employed approximately 21,700 associates worldwide (as measured on a full-time equivalent basis). Certain of our employees in Europe, Asia-Pacific and Latin America are subject to union representation, collective bargaining or similar arrangements. Our success depends on the talent and dedication of our associates, and we strive to attract, hire, develop, and retain outstanding associates. We believe we realize significant benefits from having a strong and seasoned management team with many years of experience in the IT and related industries.

### Our Corporate Social Responsibility

We introduced our Corporate Social Responsibility initiative four years ago, solidifying our commitment to being a strong corporate citizen in all aspects of our business, including prudent stewardship of our resources, limiting our impact on the environment and maintaining a safe and respectful workplace. Our associates worldwide continue to show their commitment to saving energy, reducing paper consumption and contributing their time, skills and financial resources to our communities. Our sustainability commitment is formally captured on our corporate website and in our publicly available baseline annual report ([www.ingrammicro.com/smartcitizen](http://www.ingrammicro.com/smartcitizen)).

### Available Information

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended. We therefore file periodic reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). Such reports may be obtained by visiting the Public Reference Room of the SEC at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at (800) SEC-0330. In addition, the SEC maintains an Internet site ([www.sec.gov](http://www.sec.gov)) that contains reports, proxy and information statements and other information.

Financial and other information can also be accessed through our website at [www.ingrammicro.com](http://www.ingrammicro.com). There, we make available, free of charge, copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC. The information posted on, or accessible through, our website is not incorporated into this Annual Report on Form 10-K.

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EXECUTIVE OFFICERS OF THE COMPANY

The following list of executive officers of Ingram Micro is as of February 26, 2015.

Alain Monié. Mr. Monié, age 64, has been our chief executive officer since January 20, 2012. He rejoined the company as our president and chief operating officer on November 1, 2011, after a year as chief executive officer of APRIL Management Pte., a multinational industrial company based in Singapore. Prior to his role at APRIL Management Pte., Mr. Monié served as president and chief operating officer of Ingram Micro from 2007 to 2010. He joined Ingram Micro in February 2003 as executive vice president, and served in that role and as president of Ingram Micro Asia-Pacific from January 2004 to August 2007. He spent more than two years as president of the Latin American Division of Honeywell International. He joined Honeywell through the corporation's merger with Allied Signal Inc., where he built a 17-year career on three continents, progressing from a regional sales manager to head of Asia-Pacific operations from October 1997 to December 1999. Mr. Monié has been a member of the Board of Directors of Amazon.com, Inc. since November 2008, and was elected to the Board of Ingram Micro in November 2011. Mr. Monié was a member of the Board of Directors of Jones Lang LaSalle from October 2005 to May 2009.

Paul Read. Mr. Read, age 48, has been our president and chief operating officer of Ingram Micro Inc. since September 2013. Mr. Read also served as a Board member on the Ingram Micro Board of Directors from September 2012 to September 2013. Mr. Read was with Flextronics Inc. from June 1995 to June 2013 and served as chief financial officer and executive vice president of Flextronics from June 2008 to May 2013. Prior to that he held various finance executive roles including executive vice president of finance for Flextronics' worldwide operations. Prior to joining Flextronics in 1995, Mr. Read held various senior financial positions in the United Kingdom with Allied Steel and Wire, STI Telecommunications and Associated British Foods.

Bill Humes. Mr. Humes, age 50, is our chief financial officer and has served in this role since April 2005. Mr. Humes also served as chief operating officer from April 2012 to September 2013. Mr. Humes served as senior vice president and chief financial officer designee from October 2004 to March 2005, corporate vice president and controller from February 2004 to October 2004, vice president, corporate controller from February 2002 to February 2004 and senior director, worldwide financial planning, reporting and accounting from September 1998 to February 2002. Prior to joining Ingram Micro, Mr. Humes was a senior audit manager at PricewaterhouseCoopers LLP.

Larry Boyd. Mr. Boyd, age 62, is our executive vice president, secretary and general counsel and has served in this role since March 2004. He previously served as senior vice president, U.S. legal services, for Ingram Micro North America from January 2000 to February 2004. Prior to joining Ingram Micro, he was a partner with the law firm of Gibson, Dunn & Crutcher from January 1985 to December 1999.

Shailendra Gupta. Mr. Gupta, age 52, is our executive vice president and president of mobility, and has served in this role since August 2013. Mr. Gupta previously served as senior executive vice president and president of Ingram Micro Asia-Pacific from January 2008 to July 2013. Mr. Gupta served as our senior vice president, Ingram Micro Asia-Pacific from August 2007 to January 2008. Prior to joining Ingram Micro, Mr. Gupta spent nine years with Tech Pacific Group, starting in 1995 as managing director of India, then in 2001 was promoted to chief executive officer. Mr. Gupta joined Ingram Micro in 2004 as chief operating officer of Ingram Micro Asia-Pacific when Ingram Micro acquired Tech Pacific. Prior to Tech Pacific, Mr. Gupta spent ten years with Godrej & Boyce Manufacturing Co. Ltd., India, a large diversified Indian conglomerate, where he held various managerial positions including manufacturing plant responsibility.

Lynn Jolliffe. Ms. Jolliffe, age 62, is our executive vice president, human resources and has served in this role since July 2007. Ms. Jolliffe served as vice president of human resources for the North American region from October 2006 until June 2007. She previously served as the vice president of human resources for the European region from March 1999 to May 2007. Prior to Ingram Micro, she served in various executive roles in Canada with Holt Renfrew Ltd. and

White Rose Limited.

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ITEM 1A. RISK FACTORS

CAUTIONARY STATEMENTS FOR PURPOSES OF THE “SAFE HARBOR” PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The Private Securities Litigation Reform Act of 1995 (the “Act”) provides a “safe harbor” for “forward-looking statements” to encourage companies to provide prospective information, so long as such information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the forward-looking statement(s). Ingram Micro desires to take advantage of the safe harbor provisions of the Act.

Our periodic and current reports filed with the Securities and Exchange Commission, periodic press releases, and other public documents and statements, may contain forward-looking statements. Forward-looking statements may be preceded by, followed by or include the words “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “v designed to” and similar expressions. Forward-looking statements in this Annual Report on Form 10-K may include, for example, 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; pricing strategies; customer terms and conditions; organizational effectiveness program and related restructuring, integration and other reorganization costs; process and efficiency enhancements; our ability to take advantage of market trends; our international expansion; cost-savings; cash flows; working capital levels and days; capital expenditures; liquidity; capital requirements; acquisitions and integration costs; operating models; exchange rate fluctuations and related currency gains or losses; resolution of contingencies; our competitive advantages; seasonality; interest rates and expenses; and rates of return, as well as other statements regarding our future operations, financial condition and prospects, and business strategy. In addition, our representatives may participate in speeches and calls with market analysts; conferences, meetings and calls with investors and potential investors in our securities; and other meetings and conferences. Some of the information presented in these calls, meetings and conferences may also be forward-looking. We disclaim any duty to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Described below and throughout this report are certain risks that could affect our business, financial results and results of operations. These risk factors should be considered in connection with evaluating your investment in our company because these factors could cause our actual results and conditions to differ materially from our historical performance or those projected in our forward-looking statements. Before you invest in our company, you should know that making such an investment involves risks, including the risks described below. The risks that have been highlighted here are not the only ones that we face. There may be additional risks that are not presently material or known. If any of the risks actually occur, our business, financial condition or results of operations could be negatively affected. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

RISK FACTORS

Changes in macroeconomic conditions can affect our business and results of operations. Our revenues, profitability, financial position and cash flows are highly dependent on the broader movements of the macroeconomic environment. For example, our results of operations have been and continue to be affected by the global economy. Recently, economic weakness and uncertainty, including the ongoing macroeconomic challenges in many countries globally and the debt crisis in certain European countries, as well as instability in emerging markets where we do business, such as China, India and Brazil, have resulted, and may continue to result, in decreased revenue, margins and earnings; difficulty managing inventory levels and collecting customer receivables; decreased availability of trade credit from suppliers or decreased capital availability through debt and similar financing from external parties. In addition, certain European markets that we serve are dependent on Russia for the supply of energy and may be impacted by reciprocal actions taken by Russia in response to sanctions imposed by the U.S. and European trading partners, adversely impacting our sales and operations in those markets.

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Our business may also be impacted by sustained uncertainty about global economic conditions, continued negative economic trends or instability, or another recession, leading to:

- reduced demand for products in general;
- more intense competition, which may lead to loss of sales and/or market share;
- reduced prices, and lower gross margin;
- loss of vendor rebates;
- extended payment terms with customers;
- increased bad debt risks;
- shorter payment terms with vendors;
- reduced access to liquidity and higher financing and interest costs;
- increased currency volatility making hedging more expensive and more difficult to obtain; and
- increased inventory losses related to obsolescence and/or excess quantities.

Each of these factors, individually or in the aggregate, could adversely affect our results of operations, financial condition and cash flows. We may not be able to adequately adjust our cost structure in a timely fashion to remain competitive, which may cause our profitability to suffer.

Our European distribution operations contributed 31% to our net revenue in 2014. The European Union is currently in a prolonged period of economic uncertainty. Disagreements between countries over fiscal and financial risk sharing policies have become more pronounced. If a member nation of the European Union were to default on its national debt, the resulting financial turmoil could disrupt liquidity markets and materially hamper our or our business partners' ability to access capital and could adversely affect our business and financial results. Other income and expense could vary materially from expectations depending on changes in interest rates, borrowing costs, currency exchange rates, hedging expenses and the fair value of derivative instruments.

Our acquisition and investment strategies may not produce the expected benefits, which may adversely affect our results of operations. We have made, and expect to continue to make, acquisitions or investments in companies around the world to further our strategic objectives and support key business initiatives. Acquisitions and investments involve risks and uncertainties, some of which may differ from those historically associated with our operations. For example, in 2012 and 2013 we acquired BrightPoint, a global leader in mobile device lifecycle services; 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, and the provision of technical services; 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; Shipwire, a leading provider of e-commerce fulfillment services for SMBs; CloudBlue, a global leader in enterprise ITAD, onsite data destruction and e-waste recycling services; and SoftCom, a leading cloud marketplace and global service provider offering domain name management, web hosting and cloud infrastructure. Additionally, in 2014 we acquired a majority interest in a Turkish value-added distributor, Armada, and we acquired three companies focused on providing repair, refurbish and reverse logistics services in their respective local markets.

Significant risks and uncertainties related to our acquisition and investment strategies which could materially and adversely affect our financial performance include the following:

- distraction of management's attention away from existing business operations while coordinating and integrating new and sometimes geographically dispersed organizations;
- insufficient profit generation to offset liabilities assumed and expenses associated with the strategy;
- inability to successfully integrate the acquired businesses, which may be more difficult, costly or time-consuming than anticipated, including inability to retain key employees, difficulties with integrating different business systems and technology platforms and consolidating corporate, administrative, technological and operational infrastructures;
- inability to preserve our and the acquired company's customer, supplier and other important relationships;
- inability to adapt to challenges of new markets, including geographies, products and services, or to identify new profitable business opportunities from expansion of existing products or services;
- inability to adequately bridge possible differences in cultures and management philosophies;
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exposure to new regulations, such as those relating to U.S. federal government procurement regulations, those in new geographies or those applicable to new products or services;  
substantial increases in our debt; and  
issues not discovered in our due diligence process.

In addition, we may divest business units that do not meet our strategic, financial and/or risk tolerance objectives. No assurance can be given that we will be able to dispose of business units on favorable terms or without significant costs.



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We are dependent on a variety of information systems, which, if not properly functioning and available, or if we experience system security breaches, data protection breaches, or other cyber-attacks, could adversely disrupt our business and harm our reputation and net sales. We depend on a variety of information systems for our operations, many of which are proprietary, which have historically supported many of our business operations such as inventory and order management, shipping, receiving, and accounting. Because most of our information systems consist of a number of internally developed applications, it can be more difficult to upgrade or adapt them compared to commercially available software solutions.

We are currently in the process of migrating our operations from our legacy proprietary system to SAP's enterprise resource planning ("ERP") system in a phased, country-by-country approach. We began the process of deploying SAP globally in 2009 and have now completed that process in 9 of the 38 countries in which we operate. The pace of the SAP rollout has been impacted by our commitment to resolve challenges with the system during deployment to better address our internal and customer needs. In particular, we experienced disruptions and delays in the early rounds of our global implementation process. While we continue to evaluate our deployment schedule for additional locations and to make adjustments as required to best serve our customers, we can make no assurances that we will not have additional disruptions, delays and/or negative business impacts from future deployments.

Disruptions, delays or deficiencies in the design and implementation of our ERP system, or in the performance of our legacy systems, could adversely affect our ability to effectively run and manage our business and potentially our customers' ability to access our price and product availability information or place orders. Portions of our IT infrastructure also may experience interruptions, delays or cessations of service or may produce errors in connection with systems integration or migration work that takes place from time to time. We may not be successful in implementing new systems and transitioning data, which could cause business disruptions and be more expensive, time consuming, disruptive and resource-intensive than anticipated. Such disruptions could adversely impact our ability to fulfill orders and could interrupt other business processes. We may also be limited in our ability to integrate any new business that we may acquire onto our information systems. If our information systems do not allow us to transmit accurate information, even for a short period of time, to key decision makers, the ability to manage our business could be disrupted and the results of operations and our financial condition could be adversely affected. Failure to properly or adequately address these issues could impact our ability to perform necessary business operations, which could adversely affect our reputation, competitive position, business, results of operations and financial condition.

We also rely on the Internet for a significant percentage of our orders and information exchanges with our customers. The Internet, in general, and individual websites have experienced a number of disruptions, slowdowns and security breaches, some of which were caused by organized attacks. To date, we do not believe that our websites and systems have experienced any material breakdowns, disruptions or breaches in security; however, we cannot assure that this will not occur in the future. If we were to experience a security breakdown, disruption or breach that compromised sensitive information, this could harm our relationships with our customers, suppliers or associates; impair our order processing; or more generally prevent our customers and suppliers from accessing information, which could cause us to lose business. Experienced computer programmers and hackers may be able to penetrate our network security and misappropriate or compromise our confidential information or that of third parties, create system disruptions or cause shutdowns. In addition, sophisticated hardware and operating system software and applications that we procure from third parties may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with the operation of the system. The costs of eliminating or alleviating cyber or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and our efforts to address these problems may not be successful and could result in interruptions, delays, cessation of service and loss of existing or potential customers and may impede our sales, distribution or other critical functions.

We manage and store proprietary information and sensitive or confidential data relating to our business. In addition, we routinely process, store and transmit large amounts of data for our partners, including sensitive and personally identifiable information. Confidential information may also be inadvertently disclosed in connection with our repair and refurbishment and/or our electronic waste disposal services. Breaches of our security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data

about us or our customers, including the potential loss or disclosure of such information or data as a result of fraud, trickery or other forms of deception, could expose us, our customers or the individuals affected to loss or misuse of this information, result in litigation and potential liability for us, damage our brand and reputation or otherwise harm our business. In addition, the cost and operational consequences of implementing further data protection measures could be significant. Such breaches, costs and consequences could adversely affect our business, results of operations or cash flows.

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Failure to retain and recruit key personnel would harm our ability to meet key objectives. Because of the nature of our business, which includes a high volume of transactions, business complexity, wide geographical coverage, and a broad scope of products, suppliers, and customers, we are highly dependent on our ability to retain the services of our key management, sales, IT, operations, and finance personnel. Our continued success is also dependent upon our ability to retain and recruit other qualified employees, including highly skilled technical, managerial, and marketing personnel. Competition for qualified personnel is intense. We may not be successful in attracting and retaining the personnel we require, which could have a material adverse effect on our business. In response to economic, business and other factors, from time to time we have reduced headcount in various geographies and functions through restructuring and outsourcing activities. These reductions could negatively impact the morale of our workforce, and could make it more difficult to recruit employees. In addition, failure to meet performance targets for the company may result in reduced levels of incentive compensation, which may affect our ability to retain key personnel. Changes in our workforce, including those resulting from government regulations, collective bargaining agreements or the unavailability of qualified personnel, could also disrupt operations or increase our operating cost structure.

We operate a global business that exposes us to risks associated with conducting business in multiple jurisdictions. Sales outside the United States made up approximately 61% of our net revenue in 2014. In addition, an increasing portion of our business activity is being conducted in emerging markets, including China and India. As a result, our future operating results and financial condition could be significantly affected by risks associated with conducting business in multiple jurisdictions, including, but not limited to, the following:

- trade protection laws, policies and measures;
- import and export duties, customs levies and value-added taxes;
- compliance with foreign and domestic import and export regulations and anti-corruption laws, including the Iran Threat Reduction and Syria Human Rights Act of 2012, U.S. Foreign Corrupt Practices Act, or similar laws of other jurisdictions for our business activities outside the U.S., the violation of which could result in severe penalties including monetary fines, criminal proceedings and suspension of export privileges;
- laws and regulations regarding consumer and data protection, privacy, network security, encryption and payments;
- managing compliance with legal and regulatory requirements and prohibitions, including compliance with local laws and regulations that differ or are conflicting among jurisdictions;
- environmental laws and regulations, such as those relating to product disposal;
- differing employment practices and labor issues;
- political instability, terrorism and potential military conflicts or civil unrest; economic instability in a specific country or region;
- earthquakes, power shortages, telecommunications failures, water shortages, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics or pandemics and other natural or man-made disasters or business interruptions in a region or specific country;
- complex and changing tax laws and regulations in various jurisdictions;
- potential restrictions on our ability to repatriate funds from our foreign subsidiaries; and
- difficulties in staffing and managing international operations.

The potential criminal penalties for violations of import/export regulation, data privacy, anti-corruption and anti-competition laws, particularly the U.S. Foreign Corrupt Practices Act, and data privacy laws and environmental laws and regulations in many non-U.S. jurisdictions, create heightened risks for our international operations. In the event that a governing regulatory body determined that we have violated any of these laws, including applicable import/export regulations or anti-corruption laws, we could be fined significant sums, incur sizable legal defense costs and/or our import/export capabilities could be restricted, which could have a material and adverse effect on our business and reputation.

Additionally, we have been and expect to continue to be subject to new and increasingly complex U.S. and non-U.S. government regulations that affect our operations in the U.S. and globally. These regulations could result in increased costs to implement processes necessary to comply or such compliance could result in the reduction of the level of business we can effectively process.

While we have and will continue to adopt measures designed to promote compliance with these laws, we cannot assure that such measures will be adequate or that our business will not be materially and adversely impacted in the event of an alleged violation.

We are also exposed to market risk primarily related to foreign currencies and interest rates. In particular, we are exposed to changes in the value of the U.S. dollar versus the local currency in the products are sold and goods and services are purchased, including devaluation and revaluation of local currencies. Since more than half of our sales are from countries outside of the United States, other currencies, including, but not limited to, the euro, British pound, Chinese yuan, Indian rupee, Australian dollar, Mexican peso, Canadian dollar and Brazilian real, can have an impact on Ingram Micro's results (expressed in U.S. dollars).

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The uncertainty with respect to the ability of certain European countries to continue to service their sovereign debt obligations and the related European financial restructuring efforts may cause the value of the euro and other European currencies to fluctuate. Currency variations also contribute to fluctuations in sales of products and services in impacted jurisdictions. For example, in the event that one or more European countries were to replace the euro with another currency, Ingram Micro's sales into such countries, or into Europe generally, would likely be adversely affected until stable exchange rates are established. Accordingly, fluctuations in foreign currency rates, most notably the weakening of the euro and other currencies against the U.S. dollar, has had, and may continue to have, an adverse effect on our reported revenue and/or earnings from our foreign operations. In addition, currency variations can adversely affect margins on sales of our products in countries outside of the United States.

We have managed our exposure to fluctuations in the value of currencies and interest rates using a variety of financial instruments entered into with financial institutions. Although we believe that our exposures are appropriately diversified across counterparties and that, through our ongoing monitoring procedures, these counterparties are creditworthy financial institutions, we are exposed to credit loss in the event of nonperformance by these counterparties. In addition, our hedging activities may not fully offset any adverse financial impact resulting from currency variations, which could affect our financial results.

A portion of our debt has variable interest rates. Fluctuations in interest rates could have an adverse impact on our interest costs and results of operations. A significant portion of our debt is comprised of bonds at a fixed rate with fixed maturities. Our ability to reduce this debt is constrained by the terms of the indentures and the cost of exercising any call could be significantly impacted by changes in market interest rates relative to the contractual rate of the bond. Our failure to adequately adapt to industry changes could negatively impact our future operating results. The technology and mobility products industry is subject to rapid technological change, new and enhanced product specification requirements, evolving industry standards and changes in the way technology products are distributed and/or managed. We have been and will continue to be dependent on innovations in hardware, software and services offerings, as well as the acceptance of those innovations by customers. Our failure to add new products and suppliers or a decrease in the rate of innovation, or the lack of acceptance of innovations by customers, could have an adverse effect on our business, results of operations or cash flows. Suppliers may also give us limited or no access to new products being introduced.

Changes in technology may cause the value of our inventory to decline substantially or to become obsolete, regardless of the general economic environment. Although it is the policy of many of our suppliers to offer limited protection from the loss in value of inventory due to technological change or due to the suppliers' price reductions ("price protection"), if our major suppliers decrease or eliminate our price protection, such a change in policy could lower our gross margins on products we sell or cause us to record inventory write-downs. In addition, suppliers could become insolvent and unable to fulfill their protection obligations to us. We offer no assurance that inventory rotation or price protection rights will continue, that unforeseen new product developments will not adversely affect us, or that we will successfully manage our existing and future inventories.

Significant changes in supplier terms, such as higher thresholds on sales volume before the application of discounts and/or rebates, the overall reduction in incentives, reduction or termination of price protection, return levels, or other inventory management programs, or reductions in payment terms or trade credit, or vendor-supported credit programs, may adversely impact our results of operations or financial condition.

Finally, if we are not able to adequately adapt to the emergence of alternative means of distribution for software and hardware, such as site licenses, electronic distribution and cloud computing, our future operating results could be adversely affected.

We continually experience intense competition across all markets for our products and services. Our competitors include local, regional, national, and international distributors, as well as suppliers that employ a direct-sales model. As a result of intense price competition in the IT and mobility products and services distribution industry, our gross margins have historically been narrow and we expect them to continue to be narrow in the future, which magnifies the impact of variations in revenue, operating costs and bad debt on our operating results. In addition, when there is overcapacity in our industry, our competitors may respond by reducing their prices.

The competitive landscape has also experienced a consolidation among suppliers and customers and this trend is expected to continue, which could result in a reduction or elimination of promotional activities by the remaining suppliers or customers as they seek to reduce their expenses, which could, in turn, result in decreased demand from end-users and our reseller customers for our products or services. Additionally, the past several years have witnessed a consolidation within the mobile operator community, and this trend is expected to continue. This trend could result in a reduction or elimination of promotional activities by the remaining mobile operators as they seek to reduce their expenses, which could, in turn, result in decreased demand for our products or services. Moreover, consolidation of mobile operators reduces the number of potential contracts available to us and other providers of logistic services. We could also lose business if mobile operators that are our customers are acquired by other mobile operators that are customers of our competitors, or we could face price pressures if our mobile operator customers are acquired by a mobile operator that is also a customer of ours.

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We offer no assurance that we will not lose market share, or that we will not be forced in the future to reduce our prices in response to the actions of our competitors, thereby reducing our gross margins. Furthermore, to remain competitive we may be forced to offer more credit or extended payment terms to our customers. This could increase our required capital, financing costs, and the amount of our bad debt expenses.

We have also initiated and expect to continue to initiate other business activities and may face competition from companies with more experience and/or from new entrants in those markets. As we enter new areas of business or geographies, or we expand our offerings of new products or vendors, we may encounter increased competition from current competitors and/or from new competitors, some of which may be our current customers or suppliers, which may negatively impact our sales or profitability.

We have operations in 38 countries, spanning all global regions and we sell our products and services to a global customer base of more than 200,000 customers in more than 160 countries. Based on currently available data, we believe that we are the market share leader in technology distribution, by net sales, in North America and Latin America, and number two in Europe and Asia-Pacific. We are subject to anti-competition regulations in the markets which we serve and our market share may adversely impact our ability to further expand our business, as well as increase the number of compliance requirements to which we are subject and the costs associated with such compliance.

Termination of a key supply or services agreement or a significant change in supplier terms or conditions of sale could negatively affect our operating margins, revenue or the level of capital required to fund our operations. A significant percentage of our net sales relates to products sold to us by relatively few suppliers. As a result of such concentration, terminations of supply or services agreements, a significant change in the terms or conditions of sale from one or more of our significant suppliers, or bankruptcy or closure of business by one or more of our key suppliers could negatively affect our operating margins, revenues and/or the level of capital required to fund our operations. Our suppliers have the ability to make, and in the past have made, rapid and significantly adverse changes in their sales terms and conditions, such as reducing the amount of price protection and return rights offered to us, as well as reducing the level of purchase discounts and rebates they make available to us. In most cases, we have no guaranteed price or delivery agreements with suppliers. In certain product categories, such as systems, limited price protection or return rights offered by suppliers may have a bearing on the amount of products we may be willing to stock. We expect restrictive supplier terms and conditions to continue for the foreseeable future. Our inability to pass through to our customers the impact of these changes, as well as our failure to develop systems to manage ongoing supplier programs, could cause us to record inventory write-downs or other losses and could have a negative impact on our gross margins.

We receive purchase discounts and rebates from suppliers based on various factors, including sales or purchase volume, breadth of customers and achievement of other goals set by the suppliers. These purchase discounts and rebates may affect gross margins. Many purchase discounts from suppliers are based on percentage increases in sales of products. Our operating results could be negatively impacted if these rebates or discounts are reduced or eliminated or if our suppliers significantly increase the complexity of the process and costs for us to receive such rebates.

Our ability to obtain particular products or product lines in the required quantities to fulfill customer orders on a timely basis is critical to our success. The technology industries experience significant product supply shortages and customer order backlogs from time to time due to the inability of certain suppliers to supply certain products on a timely basis. As a result, we have experienced, and may continue to experience, short-term shortages of specific products, which can significantly impact pricing of such products. In addition, suppliers who currently distribute their products through us may decide to shift to or substantially increase their existing distribution activities, through other distributors, their own dealer networks, or directly to resellers or end-users. Suppliers have, from time to time, made efforts to reduce the number of distributors with whom they do business. This could result in more intense competition as distributors strive to secure distribution rights with these suppliers, which could have an adverse effect on our operating results. If suppliers are not able to provide us with an adequate supply of products to fulfill our customer orders on a timely basis or we cannot otherwise obtain particular products or a product line or suppliers substantially increase their existing distribution through other distributors, their own dealer networks, or directly to resellers, our reputation, sales and profitability may suffer.

Substantial defaults by our customers or the loss of significant customers could have a negative impact on our business, results of operations, financial condition or liquidity. As is customary in many industries, we extend credit to our customers for a significant portion of our net sales. Customers have a period of time, generally 30 to 45 days after date of invoice, to make payment. We are subject to the risk that our customers will not pay for the products or services they have purchased. The risk that we may be unable to collect on receivables may increase if our customers experience decreases in demand for their products and services or otherwise become less stable, due to adverse economic conditions. If there is a substantial deterioration in the collectability of our receivables or if we cannot obtain credit insurance at reasonable rates, are unable to collect under existing credit insurance policies, or fail to take other actions to adequately mitigate such credit risk, our earnings, cash flows and our ability to utilize receivable-based financing could deteriorate. In addition, our customers generally do not have an obligation to purchase products or services from us. In the event a significant customer decides to make its purchases from a competitor,



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experiences a significant change in demand from its own customer base, becomes financially unstable, or is acquired by another company, our revenues, and our ability to access rebates or reduced pricing from product suppliers or other vendors may be negatively impacted, resulting in an adverse effect on our business or results of operations.

Changes in, or interpretations of, tax rules and regulations, changes in mix of our business amongst different tax jurisdictions, and deterioration of the performance of our business may adversely affect our effective income tax rates or operating margins and we may be required to pay additional taxes and/or tax assessments, as well as record valuation allowances relating to our deferred tax assets. We are subject to both income and transaction-based taxes in substantially all countries and jurisdictions in which we operate, which are complex. Changes to tax regulations or to their interpretation or application by governments could adversely affect our future earnings and cash flows. Our effective income tax rate in the future could be adversely affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes to our operating structure, changes in tax laws and the discovery of new information in the course of our tax return preparation process. Likewise, unanticipated changes to our transaction tax liabilities could adversely affect our future results of operations, cash flows and our competitive position. We engage in a high volume of transactions where multiple types of consumption, commercial and service taxes are potentially applicable. An inability to appropriately identify, charge, remit and document such taxes, along with an inconsistency in the application of these taxes by the applicable taxing authorities, may negatively impact our gross and operating margins, financial position or cash flows.

We are subject to the continuous examination of both our income and transaction tax returns by the Internal Revenue Service and other domestic and foreign tax authorities. While we regularly evaluate our tax contingencies and uncertain tax positions to determine the adequacy of our provision for income and other taxes based on the technical merits and the likelihood of success resulting from tax examinations, any adverse outcome from these continuous examinations may have an adverse effect on our operating results and financial position.

Our goodwill and identifiable intangible assets could become impaired, which could reduce the value of our assets and reduce our net income in the year in which the write-off occurs. Goodwill represents the excess of the cost of an acquisition over the fair value of the assets acquired. We also ascribe value to certain identifiable intangible assets, which consist primarily of customer relationships and trade names, among others, as a result of acquisitions. We may incur impairment charges on goodwill or identifiable intangible assets if we determine that the fair values of the goodwill or identifiable intangible assets are less than their current carrying values. We evaluate, on a regular basis, whether events or circumstances have occurred that indicate all, or a portion, of the carrying amount of goodwill may no longer be recoverable, in which case an impairment charge to earnings would become necessary.

A decline in general economic conditions or global equity valuations could impact our judgments and assumptions about the fair value of our businesses and we could be required to record impairment charges on our goodwill or other identifiable intangible assets in the future.

We have incurred and will incur additional depreciation and amortization expense over the useful lives of certain assets acquired in connection with business combinations, and to the extent that the value of goodwill or intangible assets with indefinite lives acquired in connection with a business combination and investment transaction become impaired, we may be required to incur material charges relating to the impairment of those assets. For example, we had \$532,483 of goodwill and \$318,689 of identifiable net intangible assets recorded in connection with various acquisitions as of January 3, 2015. If our future results of operations for these acquired businesses do not perform as expected or are negatively impacted by any of the risk factors noted herein or other unforeseen events, we may have to recognize impairment charges which would adversely affect our results of operations.

Changes in our credit rating or other market factors, such as adverse capital and credit market conditions or reductions in cash flow from operations, may affect our ability to meet liquidity needs, reduce access to capital, and/or increase our costs of borrowing. Our business requires significant levels of capital to finance accounts receivable and product inventory that is not financed by trade creditors. This is especially true when our business is expanding, including through acquisitions, but we still have substantial demand for capital even during periods of stagnant or declining net sales. In order to continue operating our business, we will continue to need access to capital, including debt financing and inbound and outbound flooring and draft discounting facilities. In addition, changes in payment terms with either suppliers or customers could increase our capital requirements. Our ability to repay current or future indebtedness

when due, or have adequate sources of liquidity to meet our business needs, may be affected by changes to the cash flows of our subsidiaries. A reduction of cash flow generated by our subsidiaries may have an adverse effect on our liquidity. Under certain circumstances, legal, tax or contractual restrictions may limit our ability or make it more costly to redistribute cash between subsidiaries to meet our overall operational or strategic investment needs, or for repayment of indebtedness requirements.

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We believe that our existing sources of liquidity, including cash resources and cash provided by operating activities, supplemented as necessary with funds available under our credit arrangements, will provide sufficient resources to meet our working capital and cash requirements for at least the next twelve months. However, volatility and disruption in the capital and credit markets, including increasingly complex regulatory constraints on these markets, may increase our costs for accessing the capital and credit markets. In addition, adverse capital and credit market conditions may also limit our ability to replace, in a timely manner, maturing credit arrangements or our ability to access committed capacities or the capital we require may not be available on terms acceptable to us, or at all, due to inability of our finance partners to meet their commitments to us. Furthermore, if we do not meet various covenant requirements of our corporate finance programs, including cross-default threshold provisions, we may not be able to access the majority of our credit programs with our finance partners. The lack of availability of such funding could harm our ability to operate or expand our business.

In addition, our cash and cash equivalents (including trade receivables collected and/or monies set aside for payment to creditors) are deposited and/or invested with various financial institutions located in the various countries in which we operate. We endeavor to monitor these financial institutions regularly for credit quality; however, we are exposed to risk of loss on such funds or we may experience significant disruptions in our liquidity needs if one or more of these financial institutions were to suffer bankruptcy or similar restructuring.

We cannot predict the outcome of litigation matters and other contingencies with which we may be involved from time to time. We are involved in various claims, disputes, lawsuits and pending actions. We do not believe that the ultimate resolution of these matters will 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 or prosecution of any of these matters. See Part I. Item 3. "Legal Proceedings," in this Form 10-K for a discussion of our material legal matters.

We may become involved in intellectual property disputes that could cause us to incur substantial costs, divert the efforts of management or require us to pay substantial damages or licensing fees. From time to time, we receive notifications alleging infringements of intellectual property rights allegedly held by others relating to the products or services we sell. Litigation with respect to patents or other intellectual property matters could result in substantial costs and diversion of management and other resources and could have an adverse effect on our operations. Further, we may be obligated to indemnify and defend our customers if the products or services we sell are alleged to infringe any third party's intellectual property rights. While we may be able to seek indemnification from our suppliers to protect our customers and us against such claims, there is no assurance that we will be successful in obtaining such indemnification or that we will be fully protected against such claims. We may also be prohibited from marketing products, could be forced to market products without desirable features, or could incur substantial costs to defend legal actions, including where third parties claim that we or vendors who may or may not have indemnified us are infringing upon their intellectual property rights. In recent years, individuals and groups have purchased intellectual property assets for the sole purpose of making claims of infringement and attempting to extract settlements from target companies. Even if we believe that such infringement claims are without merit, the claims can be time-consuming and costly to defend and may divert management's attention and resources away from our business. Claims of intellectual property infringement may require us to enter into costly settlements or pay costly damage awards, or face a temporary or permanent injunction prohibiting us from marketing or selling certain products or services, which could affect our ability to compete effectively. If an infringement claim is successful, we may be required to pay damages or seek royalty or license arrangements, which may not be available on commercially reasonable terms.

Our failure to comply with the requirements of environmental regulations could adversely affect our business. We are subject to various Federal, state, local and foreign laws and regulations addressing environmental and other impacts from product disposal, use of hazardous materials in products, recycling of products at the end of their useful life and other related matters. Compliance with these environmental laws may have a material adverse effect on our business. These laws include the European Union Waste Electrical and Electronic Equipment Directive as enacted by individual European Union countries and other similar legislation adopted in North America, which make producers of electrical goods, including computers and printers, responsible for collection, recycling, treatment and disposal of recovered products. While we strive to ensure we are in compliance with all applicable regulations, certain of these regulations

impose strict liability. Additionally, we may be held responsible for the prior activities of entities that we have acquired. Failure to comply or allegations of non-compliance with these regulations could result in substantial costs, fines and civil or criminal sanctions, as well as third-party claims for property damage or personal injury. Further, environmental laws may become more stringent over time, imposing greater compliance costs and increasing risks and penalties associated with violation.

We face a variety of risks in our reliance on third-party service companies, including shipping companies, for the delivery of our products and outsourcing arrangements. We rely almost entirely on arrangements with third-party shipping and freight forwarding companies for the delivery of our products. The termination of our arrangements with one or more of these third-party shipping companies, or the failure or inability of one or more of these third-party shipping companies to deliver products from suppliers to us or products from us to our customers, could disrupt our business and harm our reputation and operating results.

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In addition, we have outsourced various transaction-oriented service and support functions to business process outsource providers. We have also outsourced a significant portion of our IT infrastructure function and certain IT application development functions to third-party providers. We may outsource additional functions to third-party providers. Our reliance on third-party providers to provide service to us, our customers and suppliers and for our IT requirements to support our business could result in significant disruptions and costs to our operations, including damaging our relationships with our suppliers and customers, if these third-party providers do not meet their obligations to adequately maintain an appropriate level of service for the outsourced functions or fail to adequately support our IT requirements. As a result of our outsourcing activities, it may also be more difficult to recruit and retain qualified employees for our business needs.

Changes in accounting rules could adversely affect our future operating results. Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles. These principles are subject to interpretation by various governing bodies, including the Financial Accounting Standards Board ("FASB") and the SEC, who create and interpret appropriate accounting standards. Future periodic assessments required by current or new accounting standards may result in additional noncash charges and/or changes in presentation or disclosure. A change from current accounting standards could have a significant adverse effect on our reported financial position or results of operations.

Our quarterly results have fluctuated significantly. Our quarterly operating results have fluctuated significantly in the past and will likely continue to do so in the future as a result of:

- general changes in economic or geopolitical conditions, including changes in legislation or regulatory environments in which we operate;

- competitive conditions in our industry, which may impact the prices charged and terms and conditions imposed by our suppliers and/or competitors and the prices we charge our customers, which in turn may negatively impact our revenues and/or gross margins;

- seasonal variations in the demand for our products and services, which historically have included lower demand in Europe during the summer months, worldwide pre-holiday stocking in the retail channel during the September-to-December period and the seasonal increase in demand for our North American fee-based logistics services in the fourth quarter, which affects our operating expenses and gross margins;

- changes in product mix, including entry or expansion into new markets, as well as the exit or retraction of certain business;

- the impact of and possible disruption caused by integration and reorganization of our businesses and efforts to improve our IT capabilities, as well as the related expenses and/or charges;

- currency fluctuations in countries in which we operate;

- variations in our levels of excess inventory and doubtful accounts, and changes in the terms of vendor-sponsored programs such as price protection and return rights;

- changes in the level of our operating expenses;

- the impact of acquisitions and divestitures;

- variations in the mix of profits between multiple tax jurisdictions, including losses in certain tax jurisdictions in which we are not able to record a tax benefit, as well as changes in assessments of uncertain tax positions or changes in the valuation allowances on our deferred tax assets, which could affect our provision for taxes and effective tax rate;

- the occurrence of unexpected events or the resolution of existing uncertainties, including, but not limited to, litigation or regulatory matters;

- the loss or consolidation of one or more of our major suppliers or customers;

- product supply constraints; and

- interest rate fluctuations and/or credit market volatility, which may increase our borrowing costs and may influence the willingness or ability of customers and end-users to purchase products and services.

These historical variations in our business may not be indicative of future trends in the near term. Our narrow operating margins may magnify the impact of the foregoing factors on our operating results. We believe that you should not rely on period-to-period comparisons of our operating results as an indication of future performance. In

addition, the results of any quarterly period are not indicative of results to be expected for a full fiscal year.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

Our corporate headquarters is located in Santa Ana, California. We support our global operations through an extensive sales and administrative office and distribution network throughout North America, Europe, Asia-Pacific (including MEA), and Latin America. We operate 122 distribution centers worldwide (greater than 5,000 square feet in size). We lease substantially all our facilities on varying terms. We do not anticipate any material difficulties with the renewal of any of our leases when they expire or in securing replacement facilities on commercially reasonable terms. We also own several facilities, the most significant of which is part of our office/distribution facilities in Straubing, Germany.

ITEM 3. LEGAL PROCEEDINGS

Our Brazilian subsidiary has received a number of tax assessments including the following: (1) a 2005 Federal import tax assessment claiming certain commercial taxes totaling Brazilian Reais 12,714 (\$4,721 at January 3, 2015 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 (\$10,810 at January 3, 2015 exchange rates) of service taxes were due on the resale of acquired software covering years 2002 through 2006, plus Brazilian Reais 25,972 (\$9,645 at January 3, 2015 exchange rates) of associated penalties; (3) a 2011 Federal income tax assessment, a portion of which claims statutory penalties totaling Brazilian Reais 15,900 (\$5,904 at January 3, 2015 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; (4) a 2012 Sao Paulo municipal tax assessment claiming Brazilian Reais 2,996 (\$1,113 at January 3, 2015 exchange rates) of service taxes due on the importation of software covering the year 2007 plus Brazilian Reais 1,498 (\$556 at January 3, 2015 exchange rates) of associated penalties; and (5) a 2013 Sao Paulo municipal tax assessment claiming Brazilian Reais 10,725 (\$3,983 at January 3, 2015 exchange rates) of service taxes due on the importation of software covering the years 2008, 2009, 2010 and January through May 2011 plus Brazilian Reais 5,362 (\$1,991 at January 3, 2015 exchange rates) of associated penalties. 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 tax amount assessed at January 3, 2015 in item (1) above. After working with our advisors, we believe the other matters noted above do not represent a probable loss.

In addition to the amounts described above, incremental charges for possible penalties, interest and inflationary adjustments could be imposed in an amount up to Brazilian Reais 238,597 (\$88,602 at January 3, 2015 exchange rates) for 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 these matters.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

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## PART II

ITEM MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND  
5. ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock. Our Common Stock is traded on the New York Stock Exchange under the symbol IM. The following table sets forth the high and low price per share, based on closing price, of our Common Stock for the periods indicated.

		HIGH	LOW
Fiscal Year 2014	First Quarter	\$29.86	\$23.25
	Second Quarter	30.78	26.03
	Third Quarter	30.29	25.96
	Fourth Quarter	28.19	22.84
Fiscal Year 2013	First Quarter	\$20.14	\$16.92
	Second Quarter	19.61	17.23
	Third Quarter	23.46	19.21
	Fourth Quarter	24.21	22.90

As of January 3, 2015, there were 427 holders of record of our Common Stock. Because many of such shares are held by brokers and other institutions, on behalf of shareowners, we are unable to estimate the total number of shareowners represented by these record holders.

**Dividend Policy.** We have neither declared nor paid any dividends on our Common Stock in the preceding two fiscal years. We currently intend to retain future earnings to fund ongoing operations and finance the growth and development of our business. Any future decision to declare or pay dividends will be at the discretion of the Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements, and such other factors as the Board of Directors deems relevant. In addition, certain of our debt facilities contain restrictions on the declaration and payment of dividends.

**Equity Compensation Plan Information.** The following table provides information, as of January 3, 2015, with respect to equity compensation plans under which equity securities of our company are authorized for issuance, aggregated as follows: (i) all compensation plans previously approved by our shareholders and (ii) all compensation plans not previously approved by our shareholders.

Plan Category	(a) Number of securities (in thousands) to be issued upon exercise of outstanding options, warrants and rights(1)	(b) Weighted-average exercise price of outstanding options, warrants and rights(1)	(c) Number of securities (in thousands) remaining available for equity compensation plans (excluding securities reflected in column (a))(2)
Equity compensation plans approved by shareholders	3,819	\$22.83	\$ 12,975
Equity compensation plans not approved by shareholders	None	None	None
TOTAL	3,819	\$22.83	12,975

(1) Does not reflect unvested awards of time and performance restricted stock units/award of 5,794 at 100% target and an additional 720 shares at maximum achievement.

(2) Balance reflects shares available to issue, taking into account granted options, time vested restricted stock units/awards and performance vested restricted stock units assuming maximum achievement.



Share Repurchase Program. In October 2010, our Board of Directors authorized a \$400,000 share repurchase program that has since been extended to October 27, 2015, of which \$124,095 was remaining for repurchase at January 3, 2015. 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. There was no share repurchase activity during the fiscal year ended January 3, 2015.

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## ITEM 6. SELECTED FINANCIAL DATA

## SELECTED CONSOLIDATED FINANCIAL DATA

The following table presents our selected consolidated financial data. The information set forth below should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the historical consolidated financial statements and notes thereto, included elsewhere in this Annual Report on Form 10-K. Over the last five years, we have made a number of acquisitions, including BrightPoint in October 2012. The results of the acquired entities have been included in our consolidated financial statements since their respective dates of acquisition.

Our fiscal year is a 52-week or 53-week period ending on the Saturday nearest to December 31. References below to “2014”, “2013,” “2012,” “2011,” and “2010” represent the fiscal years ended January 3, 2015 (53-weeks), December 28, 2013 (52-weeks), December 29, 2012 (52-weeks), December 31, 2011 (52-weeks), and January 1, 2011 (52-weeks), respectively.

	2014	2013	2012	2011	2010
	(\$ in 000s, except per share data)				
Selected Operating Information					
Net sales	\$46,487,426	\$42,553,918	\$37,827,299	\$36,328,701	\$34,588,984
Gross profit	2,665,717	2,489,557	2,035,389	1,908,282	1,892,291
Income from operations (1)	487,262	514,875	462,352	458,646	484,433
Income before income taxes	394,751	436,099	396,184	387,871	438,061
Net income (2)	266,691	310,583	305,909	244,240	318,060
Basic earnings per share	\$1.72	\$2.03	\$2.03	\$1.57	\$1.98
Diluted earnings per share	\$1.67	\$1.99	\$1.99	\$1.53	\$1.94
Selected Balance Sheet Information					
Cash and cash equivalents	\$692,777	\$674,390	\$595,147	\$891,403	\$1,155,551
Total assets	12,831,443	11,791,195	11,480,448	9,146,516	9,084,032
Total debt	1,468,915	846,226	1,054,543	392,428	636,401
Stockholders’ equity	4,165,826	3,949,625	3,611,253	3,272,777	3,241,182

Includes (i) net reorganization costs of \$93,545, \$34,629, \$9,676, \$5,131 and \$1,137 in 2014, 2013, 2012, 2011 and 2010, respectively; (ii) acquisition, integration and other transition costs of \$46,033, \$29,933 and \$16,365 in 2014, 2013 and 2012, respectively, primarily related to professional, consulting and integration costs associated (1) with our acquisitions, as well as consulting, retention and transition costs associated with our organizational effectiveness program charged to selling, general and administrative, or SG&A, expenses; and (iii) a recovery of \$9,411 and \$29,494 from the settlement of a class action lawsuit against the manufacturers of LCD flat panel displays, which was recorded as a reduction of SG&A expense in 2014 and 2013, respectively.

Includes the after-tax impact of items noted in footnote (1) above. Includes a net discrete tax benefit of \$9,617 and \$18,854 in 2014 and 2013, respectively, primarily related to the release of valuation allowances on our deferred tax assets and release of uncertain tax positions. Includes net discrete tax benefits of \$34,890 in 2012, primarily related (2) to the write-off of the historical tax basis of the investment we had maintained in one of our Latin American subsidiary holding companies and a tax benefit related to the partial release of a valuation allowance that had previously been recorded against foreign tax credit carryforwards maintained in the U.S., partially offset by a tax charge for a valuation allowance recorded against our deferred tax assets in Australia. Also includes a non-cash income tax charge of \$24,810 in 2011 for a valuation allowance recorded against our deferred tax assets in Brazil.

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ITEM 7. 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.

Overview of Our Business

Sales

We are the largest wholesale technology distributor and a global leader in IT supply chain, mobile device lifecycle services and logistics solutions 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 results of operations have been, and are expected to continue to be, directly affected by the conditions in the economy in general. Our sales and results of operations have also been impacted by our strategic acquisitions of BrightPoint, in October 2012, which expanded our product and service offerings to mobile device lifecycle services and logistics solutions worldwide, and to a lesser extent by the smaller acquisitions of Aptec in October 2012 and Promark in November 2012. We also completed the strategic acquisitions of SoftCom, CloudBlue and Shipwire in the fourth quarter of 2013. During 2014, we completed six additional small but strategic acquisitions, which also enhanced our existing portfolio of products and services, but were not material to our consolidated results of operations.

Gross Margin

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 been 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 ("AIDC/POS"), enterprise computing, cloud computing, consumer electronics and fee-for-service logistics offerings.

Selling, General and Administrative Expenses or SG&A Expenses

Another key area for our overall profitability management is the monitoring and control of our level of SG&A expenses. We have instituted a number of cost reduction and profit enhancement programs and as well as other reorganization actions across each of our segments to respond to changes in the economy and to further enhance productivity and profitability. These actions have included the rationalization and re-engineering of certain roles and processes, resulting in the reduction of headcount and consolidation of certain facilities. Our acquisition of BrightPoint, as well as our smaller strategic acquisitions in 2013 and 2014, increased our presence in fee-for-service mobility device lifecycle solutions, and traditional logistics offerings and cloud solutions, which have higher margins but also higher service costs. As such, we expect our SG&A expenses will increase as a percent of consolidated net sales with the increase in this mix of business.

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### Organizational Effectiveness Program

To further enhance our ability to innovate and respond to market needs with greater speed and efficiency, in February 2014 we announced a plan to proceed with a global organizational effectiveness program that involves three critical aspects:

1. Aligning and leveraging our infrastructure globally with our evolving businesses, opportunities and resources;
2. De-layering and simplifying the organization to enable us to be more nimble, responsive and collaborative; and
3. Maintaining investments in expertise and capabilities to continue to transform our business mix in faster growing, higher margin businesses.

We expect our alignment and de-layering programs to generate annual savings between \$80,000 and \$100,000. The majority of the cost savings began to take effect in the second half of 2014 and the full run rate savings is expected to be realized in 2015. We have incurred reorganization as well as transition and other related costs aggregating \$103,553 for the year ended January 3, 2015, which includes \$79,734 related to employee termination benefits associated with this program, \$16,291 of transition and integration costs and \$7,528 for a previously acquired trade name that was written off as a result of the integration of certain operations under the Ingram Micro brand.

### Amortization of Intangible Assets

Our overall profitability is also impacted by amortization of our intangible assets primarily due to our recent acquisitions.

### Working Capital and Debt

The IT products and services distribution business is working capital intensive. Our business requires significant levels of working capital, primarily trade accounts receivable and inventory, which is partially financed by vendor trade accounts payable. As a general rule, our net investment in working capital increases when sales volumes increase. Conversely, this level of investment tends to decline in times of declining sales. For our working capital needs, we rely heavily on trade credit from vendors, and also on trade accounts receivable financing programs and proceeds from our senior unsecured notes and debt facilities. Due to our narrow operating margins, we maintain a strong focus on management of working capital and cash provided by operations, as well as our debt and cash levels. However, our debt and/or cash levels may fluctuate significantly on a day-to-day basis due to the timing of customer receipts and periodic payments to vendors. A higher concentration of payments received from customers toward the end of each month, combined with the timing of payments we make to our vendors, typically yields lower debt balances and higher cash balances at our period-ends than is the case throughout the quarter or year. Our future debt requirements may increase and/or our cash levels may decrease to support growth in our overall level of business, changes in our required working capital profile, or to fund acquisitions, share repurchases or other investments in the business.

### Information Technology Systems

We are currently in the process of migrating our operations from our legacy proprietary system to SAP's enterprise resource planning ("ERP") system in a phased, country-by-country approach. We began the process of deploying SAP globally in 2009 and have now completed that process in 9 of the 38 countries in which we operate. The pace of the SAP rollout has been impacted by our commitment to resolve challenges with the system during deployment to better address our internal and customer needs. While we continue to evaluate our deployment schedule for additional locations and to make adjustments as required to best serve our customers, we can make no assurances that we will not have disruptions, delays and/or negative business impacts from future deployments.

### Our Critical Accounting Policies and Estimates

The discussions and analyses of our consolidated financial condition and results of operations are based on our consolidated financial statements, which have been prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of significant contingent assets and liabilities at the financial statement date, and reported amounts of revenue and expenses during the reporting period.

On an ongoing basis, we review and evaluate our estimates and assumptions, including, but not limited to, those that relate to trade accounts receivable; vendor programs; inventory; goodwill, intangible assets and other long-lived assets; income taxes; and contingencies and litigation. Our estimates are based on our historical experience and a variety of other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making our judgments about the carrying values of assets and liabilities that are not readily available from other sources. Although we believe our estimates, judgments and assumptions are appropriate and reasonable based upon available information, these assessments are subject to a wide range of sensitivities. Therefore, actual results could differ from these estimates.

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We believe that the following discussion addresses the Company's most critical accounting policies, which are those that are most important to the portrayal of the Company's financial condition and results of operations and require management's most difficult, subjective and complex judgments often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

**Trade Accounts Receivable** — Our trade accounts receivable reflect a large number of customers dispersed across wide geographic areas, none of which accounted for 10% or more of our consolidated net sales during the three years ended January 3, 2015. We provide allowances for doubtful accounts on our trade accounts receivable for estimated losses resulting from the inability of our customers to make required payments. Changes in the financial condition of our customers or other unanticipated events, which may affect their ability to make payments, could result in charges for additional allowances exceeding our expectations. Our estimates are influenced by the following considerations: a continuing credit evaluation of our customers' financial condition; aging of trade accounts receivable, individually and in the aggregate; the extent of credit insurance coverage; the value and adequacy of collateral received from our customers in certain circumstances; our historical loss experience; and changes in credit risk and capital availability of our customers resulting from economic conditions.

**Vendor Programs** — We receive funds from vendors for price protection, product return privileges, product rebates, marketing/promotion, infrastructure reimbursement and meet-competition programs, which are recorded as adjustments to product costs, revenue, or SG&A expenses according to the nature of the program. Some of these programs may extend over more than one quarterly reporting period. We accrue rebates or other vendor incentives as earned based on sales of qualifying products or as services are provided in accordance with the terms of the related program. Actual rebates may vary based on actual volume or other sales achievement levels, which could result in an increase or reduction in the estimated amounts previously accrued. We also provide reserves for receivables on vendor programs for estimated losses resulting from vendors' inability to pay or rejections of claims by vendors.

**Inventory** — Our inventory levels are based on our projections of future demand and market conditions. Any sudden decline in demand and/or rapid product improvements and technological changes could cause us to have excess and/or obsolete inventory. On an ongoing basis, we review for estimated excess or obsolete inventory and write down our inventory to its estimated net realizable value based upon our forecasts of future demand and market conditions. If actual market conditions are less favorable than our forecasts, additional inventory write-downs may be required. Our estimates are influenced by a number of considerations, including: protection from loss in value of inventory under our vendor agreements; our rights to return inventory to vendors in accordance with contractual stipulations; aging of inventory; changes in demand due to the economic environment; rapid product improvements and technological changes and historical loss experience.

**Goodwill, Intangible Assets and Other Long-Lived Assets** — The cost of an acquired company is assigned to the tangible and intangible assets purchased and liabilities assumed on the basis of fair values at the date of acquisition. The determination of fair values of assets acquired and liabilities assumed requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for our business, estimation of the useful life over which cash flows will occur, and determination of our weighted average cost of capital. Any excess of purchase price over the fair value of net tangible and intangible assets acquired is allocated to goodwill. Goodwill typically represents the value paid for the assembled workforce and enhancement of our service offerings.

Identifiable amortizable intangible assets include customer relationships, trade names, technology and other assets. The costs of these intangible assets are amortized over their remaining economic lives, which range from three to thirteen years. We assess the recoverability of the unamortized balance of our intangible assets, indefinite-lived intangible assets and other long-lived assets when indicators of impairment are present based on expected future profitability, undiscounted expected cash flows and their contribution to our overall operations. Should the review

indicate that the carrying value is not fully recoverable; the excess of the carrying value over the fair value of the intangible assets would be recognized as an impairment loss.

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We perform our annual goodwill impairment review during our fiscal fourth quarter, using a combination of the income and market approach. Our annual review indicated that we had no impairment of goodwill, and all of our reporting units had estimated fair values that were in excess of their carrying values, including goodwill. In addition, we regularly evaluate whether events and circumstances have occurred that may indicate a potential change in recoverability of goodwill, including a deterioration in general economic conditions, an increased competitive environment, a change in management, key personnel, strategy, vendors, or customers, negative or declining cash flows, or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods.

We believe the methodology that we use to review impairment of goodwill, which includes a significant amount of judgment and estimates, provides us with a reasonable basis to determine whether impairment has occurred. However, many of the factors employed in determining whether our goodwill is impaired are outside of our control and it is reasonably likely that assumptions and estimates will change in future periods. These changes could result in future impairments.

**Income Taxes** — As part of the process of preparing our consolidated financial statements, we estimate our income taxes in each of the taxing jurisdictions in which we operate. This process involves estimating our actual current tax expense together with assessing the future tax impact of differences resulting from the different treatment of certain items, such as the timing for recognizing revenues and expenses for tax versus financial reporting purposes. These differences may result in deferred tax assets and liabilities, which are included in our consolidated balance sheet. We are required to assess the likelihood that our deferred tax

- assets, which include net operating loss carryforwards, tax credits and temporary differences that are expected to be deductible in future years, will be recoverable from future taxable income. In making that assessment, we consider the nature of the deferred tax assets and related statutory limits on utilization, recent operating results, future market growth, forecasted earnings, future taxable income, the mix of earnings in the jurisdictions in which we operate and prudent and feasible tax planning strategies. If, based upon available evidence, recovery of the full amount of the deferred tax assets is not likely, we provide a valuation allowance on amounts not likely to be realized.

Our effective tax rate includes the impact of not providing taxes on undistributed foreign earnings considered indefinitely reinvested. Material changes in our estimates of cash, working capital and long-term investment requirements in the various jurisdictions in which we do business could impact our effective tax rate if we no longer consider our foreign earnings to be indefinitely reinvested.

The provision for tax liabilities and recognition of tax benefits involves evaluations and judgments of uncertainties in the interpretation of complex tax regulations by various taxing authorities. In situations involving uncertain tax positions related to income tax matters, we do not recognize benefits unless their sustainability is deemed more likely than not. As additional information becomes available, or these uncertainties are resolved with the taxing authorities, revisions to these liabilities or benefits may be required, resulting in additional provision for or benefit from income taxes reflected in our consolidated statement of income.

**Contingencies and Litigation** — There are various claims, lawsuits and pending actions against us, including those noted in Part I, Item 3. "Legal Proceedings." If a loss arising from these actions is probable and can be reasonably estimated, we record the amount of the estimated loss. If the loss is estimated using a range within which no point is more probable than another, the minimum estimated liability is recorded. If a loss is reasonably possible, but not probable, we disclose the nature of the significant contingency and, if quantifiable, the possible loss or range of loss that could result from the resolution of the matter. As additional information becomes available, we reassess any potential liability related to these actions and may need to revise our estimates. Such revisions or ultimate resolution of these matters could materially impact our consolidated results of operations, cash flows or financial position (see Note 10, "Commitments and Contingencies", to our consolidated financial statements).



Historically, our reporting units coincided with the geographic operating segments of our IT product distribution business, including North America, Europe, Asia-Pacific, and Latin America. In the fourth quarter of 2012, we acquired BrightPoint, a global leader in providing devices lifecycle services to the wireless industry, and added this as a reportable segment. Since the acquisition of BrightPoint, we have continued to integrate the BrightPoint operations into our existing infrastructure, including distribution centers, offices, ERP systems and shared service centers. As we approach completion of this integration, discrete financial information for the legacy BrightPoint operations is no longer available and, therefore, we have included the results of BrightPoint into our geographic segments of North America, Europe, Asia-Pacific and Latin America, beginning in the second quarter of 2014. As a result, we have retrospectively reclassified the consolidated financial statements to conform to the new presentation. The measure of segment profit is income from operations.

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## Results of Operations

We do not allocate stock-based compensation expense (see Note 12 to our consolidated financial statements) to our operating segments; therefore, we are reporting this as a separate amount. The following tables set forth our net sales by reportable segment and the percentage of total net sales represented thereby, as well as operating income and operating margin by reportable segment for each of the fiscal years indicated.

## Results of Operations for the Years Ended January 3, 2015 and December 28, 2013:

	2014		2013		Change - Increase (Decrease)		
Net sales by reporting segment:							
North America	\$19,929,129	43	% \$17,367,098	41	% \$2,562,031	14.8	%
Europe	14,263,357	31	13,184,224	31	1,079,133	8.2	
Asia-Pacific	9,991,251	21	9,950,697	23	40,554	0.4	
Latin America	2,303,689	5	2,051,899	5	251,790	12.3	
Total	\$46,487,426	100	% \$42,553,918	100	% \$3,933,508	9.2	%

	2014		2013		Change - Increase (Decrease)		
Operating income and operating margin by reporting segment:							
North America	\$343,511	1.72	% \$329,367	1.90	% \$14,144	(0.18)	)%
Europe	28,203	0.20	92,792	0.70	(64,589)	(0.50)	)
Asia-Pacific	108,774	1.09	79,977	0.80	28,797	0.29	
Latin America	42,796	1.86	43,079	2.10	(283)	(0.24)	)
Stock-based compensation	(36,022)	) —	(30,340)	) —	(5,682)	) —	
Total	\$487,262	1.05	% \$514,875	1.21	% \$(27,613)	(0.16)	)%

	2014	2013	
Net sales	100.00	% 100.00	%
Cost of sales	94.27	94.15	
Gross profit	5.73	5.85	
Operating expenses:			
Selling, general and administrative	4.36	4.45	
Amortization of intangible assets	0.13	0.11	
Reorganization costs	0.20	0.08	
Income from operations	1.05	1.21	
Other expense, net	0.20	0.19	
Income before income taxes	0.85	1.02	
Provision for income taxes	0.28	0.29	
Net income	0.57	% 0.73	%

The 9.2 percent increase in our consolidated net sales for the year ended January 3, 2015 compared to the year ended December 28, 2013, largely reflected solid growth in North America, Europe and Latin America, as well as the addition of a 53rd week in 2014, which benefited worldwide sales by approximately two percentage points. The translation impact of foreign currencies relative to the U.S. dollar did not have a material impact on our consolidated net sales.

The 14.8 percent increase in our North American net sales was driven by growth in excess of 100% in our mobility business, which benefited from our new Verizon Wireless retail and dealer channel business and growth in both

logistics and repairs, supported by new customer wins in 2014 and higher volume sales with existing customers. In addition, our technology and other solutions business grew in the mid single-digits, primarily driven by strength in systems and networking.

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The 8.2 percent increase in our European net sales largely reflects a solid demand environment throughout the year. Led by solid growth across several countries, our European technology and other solutions business saw mid-single digit growth in local currency, with strength in consumer and retail markets, particularly in Germany, Spain, the United Kingdom and Italy. European mobility operations grew in low double digits in local currency led by growth in Germany and France. In addition, the translation impact of foreign currencies relative to the U.S. dollar had a positive impact of approximately one percentage point on the region's net sales.

The 0.4 percent increase in our Asia-Pacific net sales largely reflects significantly lower sales in Indonesia mobility revenue which was offset by strong growth in handset sales in India and Australia. Asia-Pacific technology and other solutions revenue increased in local currency driven by growth in India and Australia, partially offset by declines in China, in the first nine months of the year, due to lower tablet sales, as well softer demand for some vendor products we carry. The fourth quarter saw modest growth in China for the first time in several quarters. In addition, the translation impact of foreign currencies relative to the U.S. dollar had a negative impact of approximately three percentage points on the region's net sales.

The 12.3 percent increase in Latin American net sales reflects significant growth in mobility sales and robust growth in Brazil and Mexico in our technology and other solutions revenue. The translation impact of foreign currencies relative to the U.S. dollar had a negative impact of approximately five percentage point on the region's net sales.

Gross profit increased by \$176,160 or 7.1% in 2014 compared to 2013 reflecting the strong sales growth noted above, however gross margin declined by 12 basis points, largely reflecting the significant growth in mobility distribution sales to support the Verizon retail and dealer chain noted above. Revenue mix in our technology solutions business and a more competitive pricing environment in Europe, also led to lower gross margin versus last year. We continuously evaluate and modify our pricing policies and certain terms, conditions and credit offered to our customers to reflect those being imposed by our vendors and general market conditions. We may experience fluctuations in our sales growth in the near term, or these modifications may negatively impact our gross margin. In addition, increased competition and any further retractions or softness in economies throughout the world may hinder our ability to maintain and/or improve gross margins from the levels realized in recent periods.

Total SG&A expenses increased \$134,375, or 7.1%, in 2014 compared to 2013. SG&A expenses in 2014 included integration, transition and other costs of \$46,033, or ten basis points of consolidated net sales, compared to \$29,933, or seven basis points of consolidated net sales in 2013. These integration, transition and other costs were partially offset by a benefit of \$9,411, or two basis points of consolidated net sales, in 2014, and \$29,494, or 7 basis points of consolidated net sales, in 2013, relating to the receipt of the distribution of a LCD flat panel display class action settlement. The increase in SG&A in 2014 also reflects our acquisitions, which added approximately \$52,500, costs associated with growth in our supply chain solutions business, variable costs associated with increased sales volume, and further organic investment in higher value businesses; partially offset by savings from the integration of BrightPoint and implementation of our organizational effectiveness program. 2013 also included the negative impact of approximately \$5,000, or 1 basis point of consolidated net sales, recorded for estimated potential penalties and other charges related to indirect tax declarations in Europe.

The increase in amortization expense of \$10,482, or 21.6%, in 2014 compared with 2013 was primarily due to our recent acquisitions.

In 2014, we incurred net reorganization costs of \$93,545 primarily relating to (i) employee termination benefits as a result of our global organizational effectiveness program and the integration of Brightpoint operations into Ingram and (ii) the write-off a previously acquired trade name. In 2013, we incurred net reorganization costs of \$34,629 primarily relating to the integration of BrightPoint. Our reorganization programs resulted in headcount reductions and the closure of certain facilities and the transition of certain transaction-oriented service and support functions to shared services centers (see Note 3 to our consolidated financial statements).

Operating margin decreased in 2014 compared to 2013, primarily reflecting reorganization, integration and transition costs in the current year of \$130,167, or 28 basis points, compared to \$35,068, or eight basis points, in the prior year. The prior year also included the net benefit of the LCD class action settlement of \$29,494, or seven basis points, as compared to the current year settlement of \$9,411, or two basis points, and the indirect tax declaration expense in the prior year.

The decrease in our North American operating margin in 2014 compared to 2013 reflects the prior year benefit of the impact of the LCD class action settlement of \$28,461, or 17 basis points of North American net sales, compared to the settlement of \$9,411 in the current year, or five basis points of North American net sales. Additionally, reorganization, integration and transition costs increased to \$42,714, or 21 basis points of North American net sales, during 2014 as a result of our organizational effectiveness program. A greater mix of high volume, lower gross margin products in our technology and other solutions business also negatively impacted the North American operating margin in 2014.

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The decrease in our European operating margin in 2014 compared to 2013 reflects increased reorganization, integration and transition costs of \$78,029, or 55 basis points of European net revenue, incurred in connection with our organizational effectiveness program and the integration of BrightPoint, compared to \$28,524, or 22 basis points of European net sales, in 2013. In addition, operating margin was negatively impacted by a greater mix of high volume lower gross margin products, particularly in the retail and consumer markets. These impacts were partially offset by cost savings as a result of the initial implementation of our organizational effectiveness initiative. Also favorably impacting the year over year comparables is the 2013 non-recurring charge of \$5,000, or five basis points of European net sales, related to the indirect tax declarations noted above.

The increase in our Asia-Pacific operating margin in 2014 compared to 2013 primarily relates to continued improvements in Australia's technology solutions business, as well as strong enterprise sales in India and Singapore. The decrease in our Latin American operating margin in 2014 compared to 2013 primarily reflects rapid growth in the lower margin mobility handset distribution sales. 2013 also included a benefit related to an impact of the LCD flat panel class action settlement of \$1,033, or five basis points of Latin American net sales, as well as the gain of approximately five basis points of Latin American net sales, related to the sale of land and a building in Argentina in the second quarter of 2013.

Other expense, net, consisted primarily of interest expense and income, foreign currency exchange losses and gains, and other non-operating gains and losses. We incurred other expenses of \$92,511 in 2014 compared to \$78,776 in 2013. The year-over-year increase is primarily attributable to higher interest expense due to an increase in average debt outstanding, to fund working capital to support our growth, as well as recent acquisitions.

We recorded an income tax provision of \$128,060, or an effective tax rate of 32.4%, in 2014 compared to \$125,516, or an effective tax rate of 28.8%, in 2013. The 2014 income tax provision included \$9,617 of net discrete tax benefits, or 2.4 percentage points of the effective rate, primarily comprised of release of valuation allowances on our deferred tax assets and release of uncertain tax positions. The 2013 income tax provision included \$18,854 of net discrete tax benefits, or 4.3 percentage points of the effective tax rate, primarily comprised of the release of valuation allowances on our deferred tax assets and the release of uncertain tax position liabilities. The change in our effective tax rate also reflects the change in mix of profit among different tax jurisdictions and losses in other tax jurisdictions in which we are not able to record a tax benefit. Our effective tax rate 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.

Year ended December 28, 2013 compared with the year ended December 29, 2012

	2013		2012		Change - Increase (Decrease)		
Net sales by reporting segment:							
North America	\$17,367,098	41	% \$16,072,553	42	% \$1,294,545	8.1	%
Europe	13,184,224	31	11,186,461	30	1,997,763	17.9	
Asia-Pacific	9,950,697	23	8,624,444	23	1,326,253	15.4	
Latin America	2,051,899	5	1,943,841	5	108,058	5.6	
Total	\$42,553,918	100	% \$37,827,299	100	% \$4,726,619	12.5	%

	2013		2012		Change - Increase (Decrease)		
Operating income and operating margin by reporting segment:							
North America	\$329,367	1.90	% \$284,786	1.77	% \$44,581	0.13	%
Europe	92,792	0.70	108,867	0.97	(16,075)	(0.27)	)
Asia-Pacific	79,977	0.80	58,217	0.68	21,760	0.12	
Latin America	43,079	2.10	37,700	1.94	5,379	0.16	
Stock-based compensation	(30,340)	) —	(27,218)	) —	(3,122)	) —	

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Total	\$514,875	1.21	%	\$462,352	1.22	%	\$52,523	(0.01	)%
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	2013	2012	
Net sales	100.00	% 100.00	%
Cost of sales	94.15	94.62	
Gross profit	5.85	5.38	
Operating expenses:			
Selling, general and administrative	4.45	4.08	
Amortization of intangible assets	0.11	0.05	
Reorganization costs	0.08	0.03	
Income from operations	1.21	1.22	
Other expense, net	0.19	0.17	
Income before income taxes	1.02	1.05	
Provision for income taxes	0.29	0.24	
Net income	0.73	% 0.81	%

The 12.5 percent increase in our consolidated net sales for the year ended December 28, 2013 compared to the year ended December 29, 2012, largely reflects our acquisitions which contributed approximately ten percentage points of our growth in consolidated revenue. In addition, net sales in 2013 reflected solid growth in Latin America, North America, and parts of Asia-Pacific, particularly in India and Australia, while demand was relatively soft in much of Europe and China. The translation impact of foreign currencies relative to the U.S. dollar did not have a material impact on our consolidated net sales.

The 8.1 percent increase in our North American net sales reflects strategic management of growth and pricing in various segments as the region continued to face competitive pricing pressure. Revenue growth was driven primarily by our acquisition of BrightPoint during the fourth quarter of 2012, which contributed approximately five percentage points to the regions overall growth, as well as increases by advanced solutions and specialty divisions with particular strength in storage, infrastructure systems and networking, as well as strength in our key small and medium-sized business, or SMB, market in the U.S. Additionally, Canada grew revenues by 4%, driven by strong sales of advanced solutions and an improved retail market.

The 17.9 percent increase in our European net sales largely reflects growth due to our acquisition of BrightPoint during the fourth quarter of 2012, which contributed approximately 16 percentage points to the regions overall growth, as well as the favorable translation impact of stronger local currencies which contributed approximately three percentage points of increase. The overall region was relatively flat in local currency reflecting solid growth in France, the U.K. and the Netherlands, particularly in the SMB market, offset by declines in Germany and Belgium primarily due to slower demand in consumer markets and the impact of continued challenging macro-economic conditions.

The 15.4 percent increase in our Asia-Pacific net sales largely reflects the acquisitions of BrightPoint and Aptec, which contributed approximately 11 percentage points to the region's overall growth. Additionally, India generated double digit growth supported by increases across multiple product lines, including handsets and networking solutions and Australia's revenue grew for the fourth quarter in a row, despite an overall declining IT market across many sectors in the country. This growth was partially offset by China where revenue declined primarily due to lower sales of tablets, which was a large driver of China's double digit growth in 2012, as well as a weaker overall IT spending environment. In addition, the translation impact of weaker local currencies contributed approximately two percentage points of decline.

The 5.6 percent increase in Latin American net sales reflects continued improvement in Brazil and relatively strong growth in Chile. Revenues were relatively flat in Mexico in local currencies and Miami export had a slight decline. Brazil continued to improve its market position and increase share. In Mexico, sales were impacted by delays in government spending and a slowdown in consumer spending in the first half of the year, while Miami export experienced a slowdown throughout the year in certain consumer-related products which benefited from new product launches in the prior year. The translation impact of foreign currencies relative to the U.S. dollar had a negative impact of approximately one percentage point on the region's net sales.



Gross margin increased 47 basis points in 2013 compared to 2012 reflecting the higher mix of mobility logistics services due to the acquisition of BrightPoint and improved performance in our higher margin advanced solutions and specialty businesses and fee-for-service logistics business. These benefits helped offset the dilutive impact of a more competitive selling environment in the U.S. and many countries in Europe. We continuously evaluate and modify our pricing policies and certain terms, conditions and credit offered to our customers to reflect those being imposed by our vendors and general market conditions. We may experience fluctuations in our sales growth in the near term, or these modifications may negatively impact our gross margin. In addition, increased competition and any further retractions or softness in economies throughout the world may hinder our ability to maintain and/or improve gross margins from the levels realized in recent periods.

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Total SG&A expenses increased \$348,923, or 22.6%, and increased 37 basis points as a percentage of net sales in 2013 compared to 2012. The increase in SG&A costs largely reflects our acquisitions in the fourth quarter of 2012 and during 2013, which added approximately \$330,000 of costs and approximately \$14,000 is related to the translation impacts of foreign currencies. The increase also reflects an incremental \$8,568 for acquisition, integration, and other transition costs and a charge of approximately \$5,000 recorded for estimated potential penalties and other charges related to indirect tax declarations in Europe. We also incurred incremental direct variable costs associated with the growth in volume of our business, and investment in key strategic areas across regions to further diversify our revenue. These increases were partially offset by the receipt of a legal settlement of \$29,494 in 2013 related to the LCD class action settlement.

The increase in amortization expense in 2013 compared with 2012 was primarily due to our acquisition of BrightPoint, and to a lesser extent, our acquisitions of Aptec, Promark, SoftCom, CloudBlue and Shipwire. In 2013, we incurred net reorganization costs of \$34,629 primarily relating to a number of key initiatives, including: (a) the integration of BrightPoint operations into Ingram Micro, resulting in headcount reductions and the closure of certain facilities; (b) headcount reductions in Europe to respond to the current market environment, and (c) the transition of certain transaction-oriented service and support functions to shared services centers. In 2012, we incurred net reorganization costs of \$9,676, primarily related to workforce reductions associated with transition of some functions to shared services centers (see Note 3 to our consolidated financial statements).

Operating margin remained relatively flat in 2013 compared to 2012, reflecting the higher gross margin as discussed above, offset by the higher SG&A expenses, amortization of intangible assets and reorganization and integration costs, all of which are discussed previously.

The increase in our North American operating margin in 2013 compared to 2012 reflects the acquisition of BrightPoint during the fourth quarter of 2012, which increased the level of mobility service revenues, as well as the impact of the LCD class action settlement of \$28,461, or 16 basis points of North American net sales, recognized in this region, and greater contribution from higher margin businesses, offset by reorganization and integration costs of three basis points. Throughout the year, the region continued to face competitive pricing pressure which also negatively impacted margins. In addition, 2012 benefited from the favorable pricing on hard disk drives of approximately six basis points.

The decrease in our European operating margin in 2013 compared to 2012 reflects the impact of incremental integration and reorganization costs, of 19 basis points of European net sales, a charge of \$5,000, or four basis points of European net sales, related to the indirect tax declarations noted above and the impact of continued challenging macro-economic conditions throughout the region.

The increase in our Asia-Pacific operating margin in 2013 compared to 2012 primarily relates to improvement in Australia, which reduced its operating loss by approximately \$28,000 in 2013 and continued growth in India, partially offset by volume declines in China noted above, as well as integration costs of \$6,042 or six basis points, incurred in 2013.

The increase in our Latin American operating margin in 2013 compared to 2012 primarily reflects profitability improvements in Brazil and the impact of the LCD class action settlement of \$1,033, or five basis points of Latin American net sales, recognized in this region in 2013, as well as the impact country exit costs in Argentina recognized in 2012 which did not recur. These increases were partially offset by declines in higher margin revenues in Mexico and in our Miami export business versus 2012.

Other expense, net, consisted primarily of interest expense and income, foreign currency exchange losses and gains, and other non-operating gains and losses. We incurred other expenses of \$78,776 in 2013 compared to \$66,168 in 2012. The year-over-year increase is primarily attributable to higher interest expense due to an increase in average debt outstanding resulting primarily from our acquisition of BrightPoint.

We recorded an income tax provision of \$125,516, or an effective tax rate of 28.8%, in 2013 compared to \$90,275, or an effective tax rate of 22.8%, in 2012. The 2013 income tax provision included \$18,854 of net discrete tax benefits, or 4.3 percentage points of the effective tax rate, primarily comprised of the release of valuation allowances on our deferred tax assets and the release of uncertain tax position liabilities. The prior year income tax provision included net discrete tax benefits totaling \$34,890, or 8.8 percentage points of the effective tax rate, primarily comprised of a

tax benefit related to the write-off of the historical tax basis of the investment we had maintained in one of our Latin American subsidiary holding companies, a tax benefit related to the partial release of a valuation allowance that had previously been recorded against foreign tax credit carryforwards maintained in the U.S., partially offset by a tax charge for a valuation allowance recorded against our deferred tax assets in Australia. The change in our effective tax rate also reflects the change in mix of profit among different tax jurisdictions and losses in other tax jurisdictions in which we are not able to record a tax benefit. Our effective tax rate 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.

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## Quarterly Data; Seasonality

Our quarterly operating results have fluctuated significantly in the past and will likely continue to do so in the future as a result of various factors as more fully described in Part I, Item 1A. "Risk Factors."

The following table sets forth certain unaudited quarterly historical financial data for each of the eight quarters in the fiscal years ended January 3, 2015, and December 28, 2013. This unaudited quarterly information has been prepared on the same basis as the annual information presented elsewhere herein and, in our opinion, includes all adjustments necessary for a fair statement of the selected quarterly information. This information should be read in conjunction with the consolidated financial statements and notes thereto included, as well as elsewhere in this Annual Report on Form 10-K. The operating results for any quarter shown are not necessarily indicative of results for any future period.

	Net Sales	Gross Profit	Income From Operations	Income Before Income Taxes	Net Income	Diluted Earnings Per Share
2014						
Quarter Ended: (1)(3)						
March 29, 2014	\$ 10,383,989	\$ 610,580	\$ 68,360	\$ 43,892	\$ 24,833	\$ 0.16
June 28, 2014	10,909,379	633,745	98,219	76,963	50,613	0.32
September 27, 2014	11,237,840	646,089	119,715	102,957	72,234	0.45
January 3, 2015	13,956,218	775,303	200,968	170,939	119,011	0.74
2013						
Quarter Ended:(1)(2)						
March 30, 2013	\$ 10,262,444	\$ 585,305	\$ 90,796	\$ 76,052	\$ 49,759	\$ 0.32
June 29, 2013	10,308,015	595,754	113,796	93,626	69,686	0.45
September 28, 2013	10,150,615	598,833	137,691	113,503	78,938	0.50
December 28, 2013	11,832,844	709,665	172,592	152,917	112,200	0.71

Diluted earnings per share is calculated independently each quarter and for the full year based upon their respective (1) weighted average shares outstanding. Therefore, the sum of the quarterly earnings per share may not equal the annual earnings per share reported.

Includes the net pre-tax impact of reorganization, acquisition, integration and other transition costs as follows: first quarter, \$13,244; second quarter, \$10,566; third quarter, \$10,591; and fourth quarter, \$25,161. Includes the pre-tax (2) impact of a charge of approximately \$5,000 recorded for estimated potential penalties and other charges related to indirect tax declarations in Europe in the third quarter. Includes the pre-tax benefit of the receipt of a legal settlement of \$29,494 in the third quarter.

Includes the net pre-tax impact of reorganization, acquisition, integration and other transition costs as follows: first (3) quarter, \$40,411; second quarter, \$33,512; third quarter, \$26,499; and fourth quarter, \$29,745. Includes the pre-tax benefit of approximately \$9,411 for the receipt of legal settlement, \$6,601 in the first quarter and \$2,810 in the fourth quarter.

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## Liquidity and Capital Resources

## Cash Flows

Our cash and cash equivalents totaled \$692,777 and \$674,390 at January 3, 2015 and December 28, 2013, respectively. We finance our working capital needs and investments in the business largely through net income before noncash items, available cash, trade and supplier credit and various financing facilities. As a distributor, our business requires significant investment in working capital, particularly trade accounts receivable and inventory, which is partially financed by vendor trade accounts payable. As a general rule, when sales volumes are increasing, our net investment in working capital dollars typically increases, which generally results in decreased cash flow generated from operating activities. Conversely, when sales volume decreases, our net investment in working capital decreases, which generally results in increases in cash flows generated from operating activities. Our working capital days at the end of 2014 were 25 days, compared to 22 days at the end of 2013 and 23 days at the end of 2012. The increase in working capital days reflects longer cash conversion cycles associated with the growth in business from our new Verizon Wireless retail and dealer channel as well as variability from period to period due to routine variances in the timing of collections from customers or payments to vendors and changes in stocking levels of inventory, but have generally trended within a range of 22 to 26 days. The following is a detailed discussion of our cash flows for 2014, 2013 and 2012.

Operating activities used net cash of \$490,102 in 2014, and provided net cash of \$466,040 and \$45,721 in 2013 and 2012, respectively. The cash flows from operations in 2014 primarily reflects lower net income before noncash charges and the unfavorable impact of the changes in working capital, as a result of the growth in sales volume and increasing working capital days, as noted above. The cash flows from operations in 2013 primarily reflects net income before noncash charges and the favorable impact of changes in working capital. The cash provided by operations in 2012 reflected the lower net income before noncash charges as well as unfavorable changes of working capital during that year.

Investing activities used net cash of \$72,292, \$228,356 and \$989,029 in 2014, 2013 and 2012, respectively. The net cash used in investing activities in 2014 was primarily related to capital expenditures of \$88,651, and cash payments of \$40,924 related to several small but strategic acquisitions made in 2014, partially offset by proceeds of \$67,470 related to the sale of a building. The net cash used in 2013 was primarily due to cash payments related to the acquisitions of SoftCom, CloudBlue and Shipwire totaling \$135,763 and capital expenditures of \$95,639. The net cash used in 2012 was primarily due to cash payments related to the acquisitions of BrightPoint, Aptec and Promark totaling \$899,464 and capital expenditures of \$92,300. We presently estimate that our capital expenditures will approximate \$125,000 in 2015 for ongoing investments to support existing infrastructure and continued enhancements to our IT systems.

Financing activities provided cash of \$619,690 in 2014, used cash of \$155,910 in 2013 and provided net cash of \$639,761 in 2012. The net cash provided by financing activities in 2014 primarily reflects the net proceeds from the issuance of our \$500,000 senior unsecured notes due 2024 of \$494,995, net proceeds from our revolving credit facilities of \$99,789, and proceeds from the exercise of stock options of \$19,334. The net cash used by financing activities in 2013 primarily reflects the net payment of \$195,729 on our revolving credit facilities with funds generated from operating cash flows; partially offset by the proceeds of \$43,384 from the exercise of stock options. The net cash provided by financing activities in 2012 primarily reflects \$296,256 in net proceeds from the issuance of our \$300,000 senior unsecured notes due in 2022 issued primarily to help fund the BrightPoint acquisition, net proceeds of \$355,918 from our other debt facilities and proceeds from exercises of stock options of \$31,335; all partially offset by the repurchase of Class A Common Stock for \$50,000 under our stock repurchase programs. The increased proceeds from our financing activities in 2012 were largely used to finance our acquisition of BrightPoint. Our levels of debt and cash and cash equivalents are highly influenced by our working capital needs. As such, our cash and cash equivalents balances and borrowings fluctuate at each quarter end and may also fluctuate significantly within a quarter. The fluctuation is the result of the concentration of payments received from customers toward the end of each month, as well as the timing of payments made to our vendors. Accordingly, our period-end debt and cash balances may not be reflective of our average levels or maximum debt and/or minimum cash levels during the periods presented or at any other point in time.



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## Capital Resources

We have a range of financing facilities which are diversified by type, maturity and geographic region with various financial institutions worldwide with a total capacity of approximately \$4,138,959, of which \$1,468,915 was outstanding, at January 3, 2015. These facilities have staggered maturities through 2024. Our cash and cash equivalents totaled \$692,777 and \$674,390 at January 3, 2015 and December 28, 2013, respectively, of which \$432,332 and \$521,571, respectively, resided in operations outside of the U.S. We currently intend to use these funds to finance our foreign operations. Additionally, our ability to repatriate these funds to the U.S. in an economical manner may be limited. Our cash balances are deposited and/or invested with various financial institutions globally that we endeavor to monitor regularly for credit quality. However, we are exposed to risk of loss on funds deposited with various financial institutions and money market mutual funds and we may experience significant disruptions in our liquidity needs if one or more of these financial institutions were to suffer bankruptcy or similar restructuring. As of January 3, 2015 and December 28, 2013, we had book overdrafts of \$400,323 and \$347,837, respectively, representing 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 and are typically paid by the banks in a relatively short period of time.

We believe that our existing sources of liquidity provide sufficient resources to meet our capital requirements, including the potential need to post cash collateral for identified contingencies (see Note 10 to our consolidated financial statements and Item 3. "Legal Proceedings" under Part I for further discussion of identified contingencies), for at least the next twelve months. Nevertheless, depending on capital and credit market conditions, we may from time to time seek to increase or decrease our available capital resources through changes in our debt or other financing facilities. Finally, since the capital and credit markets can be volatile, we may be limited in our ability to replace in a timely manner maturing credit facilities and other indebtedness on terms acceptable to us, or at all, or to access committed capacities due to the inability of our finance partners to meet their commitments to us. The following is a detailed discussion of our various financing facilities.

In December 2014, we issued through a public offering \$500,000 of 4.95% senior unsecured notes due 2024, resulting in cash proceeds of \$494,995, net of discount and issuance costs of \$1,755 and \$3,250, respectively. Interest on the notes is payable semiannually on June 15 and December 15, commencing June 15, 2015. At January 3, 2015, our senior unsecured notes due in 2024 had a carrying value of \$498,255, net of an unamortized discount of \$1,745.

In August 2012, we issued through a public offering \$300,000 of 5.00% senior unsecured notes due 2022, resulting in cash proceeds of approximately \$296,256, net of discount and issuance costs of \$1,794 and \$1,950, respectively. Interest on the notes is payable semiannually in arrears on February 10 and August 10, commencing February 10, 2013. At January 3, 2015 and December 28, 2013, our senior unsecured notes due 2022 had a carrying value of \$298,634 and \$298,454, respectively, net of unamortized discount of \$1,366 and \$1,546, respectively.

At January 3, 2015 and December 28, 2013, we also had \$300,000 of 5.25% senior unsecured notes due 2017. Interest on these notes is payable semiannually in arrears on March 1 and September 1 of each year. These notes may be redeemed by us in whole at any time or in part from time to time, at our option, at redemption prices that are designated in the terms and conditions of the respective notes.

We have a revolving trade accounts receivable-backed financing program in North America which provides for up to \$675,000 in borrowing capacity. This financing program matures in November 2015. This financing program, subject to the financial institutions' approval and availability of eligible receivables, may be increased to \$900,000 in accordance with the extended terms of the program. The interest rate of this program is dependent on designated commercial paper rates (or, in certain circumstances, an alternate rate) plus a predetermined margin. We had borrowings of \$185,000 and \$199,000 at January 3, 2015 and December 28, 2013, respectively, under this North American financing program.

We have three revolving trade accounts receivable-backed financing programs in Europe and in Asia-Pacific:

- a) a program which provides for a borrowing capacity of up to €105,000, or approximately \$126,105 at January 3, 2015 exchange rates, maturing in January 2017.
- b) A program which provides for a maximum borrowing capacity of up to €45,000, or approximately \$54,045 at January 3, 2015 exchange rates, maturing in May 2016.

c) A program which provides for a maximum borrowing capacity of up to 160,000 Australian dollars, or approximately \$129,792 at January 3, 2015 exchange rates, maturing in June 2017.

The current programs require certain commitment fees, and borrowings under this program incur financing costs based on the local short-term bank indicator rate for the currency in which the drawing is made plus a predetermined margin. We had no borrowings at January 3, 2015 and December 28, 2013 under any of these three financing programs.



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Our ability to access financing under all our trade accounts receivable-backed financing programs in North America, Europe and Asia-Pacific, as discussed above, is dependent upon the level of eligible trade accounts receivable as well as continued covenant compliance. We may lose access to all or part of our financing under these programs under certain circumstances, including: (a) a reduction in sales volumes leading to related lower levels of eligible trade accounts receivable; (b) failure to meet certain defined eligibility criteria for the trade accounts receivable, such as receivables remaining assignable and free of liens and dispute or set-off rights; (c) performance of our trade accounts receivable; and/or (d) loss of credit insurance coverage for our European and Asia-Pacific facilities.

At January 3, 2015, our actual aggregate capacity under these programs was approximately \$927,752 based on eligible trade accounts receivable available, of which \$185,000 of such capacity was used. Even if we do not borrow, or choose not to borrow to the full available capacity of certain programs, most of our trade accounts receivable-backed financing programs prohibit us from assigning, transferring or pledging the underlying eligible receivables as collateral for other financing programs. At January 3, 2015, the amount of trade accounts receivable which would be restricted in this regard totaled approximately \$1,704,795.

We have a \$940,000 revolving senior unsecured credit facility from a syndicate of multinational banks. On January 5, 2015, we increased our existing revolving senior unsecured credit facility from \$940,000 to \$1,500,000 and extended the maturity from September 2018 to January 2020. The total commitment of this facility can be further increased by \$350,000, 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 January 3, 2015 and December 28, 2013 under this revolving senior unsecured credit facility. This credit facility may also be used to issue letters of credit. At January 3, 2015 and December 28, 2013, letters of credit of \$12,141 and \$7,996, 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.

We also have additional lines of credit, short-term overdraft facilities and other credit facilities with various financial institutions worldwide, which provide for borrowing capacity aggregating approximately \$1,117,128 at January 3, 2015. Most of these arrangements are on an uncommitted basis and are reviewed periodically for renewal. At January 3, 2015 and December 28, 2013, respectively, we had \$187,026 and \$48,772 outstanding under these facilities. The weighted average interest rate on the outstanding borrowings under these facilities, which may fluctuate depending on geographic mix, was 6.9% and 9.0% per annum at January 3, 2015 and December 28, 2013, respectively. At January 3, 2015 and December 28, 2013, letters of credit totaling \$37,195 and \$31,636, respectively, were issued to various customs agencies and landlords to support our subsidiaries. The issuance of these letters of credit reduces our available capacity under these agreements by the same amount.

**Covenant Compliance**

We are required to comply with certain financial covenants under the terms of certain of our financing facilities, including restrictions on funded debt and liens and covenants related to tangible net worth, leverage and interest coverage ratios and trade accounts receivable portfolio performance including metrics related to receivables and payables. We are also restricted by other covenants, including, but not limited to, restrictions on the amount of additional indebtedness we can incur, dividends we can pay, and the amount of common stock that we can repurchase annually. At January 3, 2015, we were in compliance with all material covenants or other material requirements set forth in all of our credit facilities, as discussed above.

**Trade Accounts Receivable Factoring Programs**

We have several uncommitted factoring programs 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 level of our trade accounts receivable eligible to be sold into these programs and the financial institutions' willingness to purchase such receivables. At January 3, 2015 and December 28, 2013, we had a total of \$276,808 and \$381,451, respectively, of trade accounts receivable sold to and held by the financial institutions under these programs.

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## Contractual Obligations and Off-Balance Sheet Arrangements

The following table summarizes our financing capacity and contractual obligations at January 3, 2015, and the effects that scheduled payments on such obligations are expected to have on our liquidity and cash flows in future periods. The amounts do not include interest. Except for interest related to our \$500,000 of 4.95%, \$300,000 of 5.00% and \$300,000 of 5.25% senior unsecured notes, all other interest is incurred at variable rates (see Note 6 to our consolidated financial statements).

Contractual Obligations	Total Capacity	Balance Outstanding	Payments Due by Period			
			Less Than 1 Year	1 — 3 Years	3 — 5 Years	After 5 Years
Senior unsecured notes	\$1,096,889	\$1,096,889	\$—	\$—	\$300,000	\$796,889
North American revolving trade accounts receivable-backed financing program(1)	675,000	185,000	185,000	—	—	—
Europe revolving trade accounts receivable-backed financing programs(1)	180,150	—	—	—	—	—
Asia-Pacific revolving trade accounts receivable-backed financing program(1)	129,792	—	—	—	—	—
Revolving senior unsecured credit facilities(2)	940,000	—	—	—	—	—
Lines of credit and other(2)	1,117,128	187,026	187,026	—	—	—
Subtotal	4,138,959	1,468,915	372,026	—	300,000	796,889
Minimum payments under:						
Operating leases(3)	494,446	494,446	89,106	145,806	107,745	151,789
Total	\$4,633,405	\$1,963,361	\$461,132	\$145,806	\$407,745	\$948,678

The aggregate capacity amount of \$984,942 for these programs in the table above represents the maximum capacity available under these facilities. Our actual capacity is dependent upon the amount of eligible trade (1)accounts receivable that may be used to support these facilities. As of January 3, 2015, our actual aggregate capacity under these programs based on eligible trade accounts receivable was approximately \$927,752, of which \$185,000 of such capacity was used.

The capacity amount in the table above represents the maximum capacity available under these facilities. Certain of these facilities can also be used to support letters of credit. At January 3, 2015, letters of credit totaling \$49,336 (2)were issued to certain vendors to support payment of insurance claims or the performance by our subsidiaries with respect to certain lease agreements, vendor purchase obligations, or other operating liabilities. The issuance of these letters of credit also reduces our available capacity under the respective facilities by the same amount.

We lease the majority of our facilities and certain vehicles and equipment under noncancelable operating leases. (3)Amounts in this table represent future minimum payments on operating leases that have original noncancelable lease terms in excess of 12 months.

We have guarantees to third parties that provide financing to a limited number of our customers. Net sales under these arrangements accounted for less than one percent of our consolidated net sales for each of 2014, 2013 and 2012. The guarantees require us to reimburse the third party for defaults by these customers up to an aggregate of \$9,755. The fair value of these guarantees has been recognized as cost of sales to these customers and is included in other accrued liabilities.

In connection with the acquisition of businesses in 2014, 2013 and 2012, we entered into acquisition agreements which include provisions to make additional contingent consideration payments. As of January 3, 2015, the accrual for potential contingent consideration payments under these agreements is \$7,647.

Because our commitments under our employee benefit plans are not fixed amounts, they have not been included in the contractual obligations table.

Other Matters

See Part I, Item 3. "Legal Proceedings" for discussions of legal matters and contingencies.

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New Accounting Standards

See Note 2 to our consolidated financial statements for the discussion of new accounting standards.

Market Risk

We are exposed to the impact of foreign currency fluctuations and interest rate changes due to our international sales and global funding. In the normal course of business, we employ established policies and procedures to manage our exposure to fluctuations in the value of foreign currencies using a variety of financial instruments. It is our policy to utilize financial instruments to reduce risks where internal netting cannot be effectively employed and not to enter into foreign currency or interest rate transactions for speculative purposes.

Our foreign currency risk management objective is to protect our earnings and cash flows resulting from sales, purchases and other transactions from the adverse impact of exchange rate movements. Foreign exchange risk is managed by using forward contracts to offset exchange risk associated with receivables and payables. We generally maintain hedge coverage between minimum and maximum percentages. Cross-currency interest rate swaps are used to hedge foreign currency denominated principal and interest payments related to intercompany and third-party loans. During 2014, hedged transactions were denominated in U.S. dollars, Canadian dollars, euros, British pounds, Danish krone, Hungarian forint, Israeli shekel, Norwegian kroner, Swedish krona, Swiss francs, Polish zloty, South African rand, Australian dollars, Chinese yuan, Indian rupees, Malaysian ringgit, New Zealand dollars, Singaporean dollars, Thai baht, Indonesian rupiah, Brazilian reais, Chilean pesos, Mexican pesos, Columbian pesos, Peruvian soles and Turkish lira.

We are exposed to changes in interest rates on a portion of our long-term debt used to maintain liquidity and finance working capital, capital expenditures and business expansion. Our management objective is to finance our business at interest rates that are competitive in the marketplace while moderating our exposure to volatility in interest costs. To achieve our objectives, we may utilize both variable- and fixed-rate debt with a portion of our variable interest rate exposure from time to time mitigated through interest rate swaps.

Market Risk Management

Foreign exchange and interest rate risk and related derivatives used are monitored using a variety of techniques including a review of market value, sensitivity analysis and Value-at-Risk, or VaR. The VaR model determines the maximum potential loss in the fair value of market-sensitive financial instruments assuming a one-day holding period. The VaR model estimates were made assuming normal market conditions and a 95% confidence level. There are various modeling techniques that can be used in the VaR computation. Our computations are based on interrelationships between currencies and interest rates (a “variance/co-variance” technique). The model includes all of our forwards, interest rate swaps, fixed-rate debt and nonfunctional currency denominated cash and debt (i.e., our market-sensitive derivative and other financial instruments as defined by the SEC). The trade accounts receivable and accounts payable denominated in foreign currencies, which certain of these instruments are intended to hedge, were excluded from the model.

The VaR model is a risk analysis tool and does not purport to represent actual losses in fair value that will be incurred by us, nor does it consider the potential effect of favorable changes in market rates. It also does not represent the maximum possible loss that may occur. Actual future gains and losses will likely differ from those estimated because of changes or differences in market rates and interrelationships, hedging instruments and hedge percentages, timing and other factors.

The estimated maximum potential one-day loss in fair value, calculated using the VaR model would be \$10,154 and \$10,067 as of January 3, 2015 and December 28, 2013, respectively. We believe that the hypothetical loss in fair value of our derivatives would be offset by gains in the value of the underlying transactions being hedged.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Information concerning quantitative and qualitative disclosures about market risk is included under the captions “Market Risk” and “Market Risk Management” in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Annual Report on Form 10-K.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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INGRAM MICRO INC.  
CONSOLIDATED BALANCE SHEET  
(In 000s, except par value)

	Fiscal Year End	
	2014	2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$692,777	\$674,390
Trade accounts receivable (less allowances of \$70,716 and \$69,533)	6,115,328	5,454,832
Inventory	4,145,012	3,724,447
Other current assets	532,406	521,902
Total current assets	11,485,523	10,375,571
Property and equipment, net	432,430	488,699
Goodwill	532,483	527,526
Intangible assets, net	318,689	375,423
Other assets	62,318	23,976
Total assets	\$12,831,443	\$11,791,195
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$6,522,369	\$6,175,604
Accrued expenses	542,038	710,040
Short-term debt and current maturities of long-term debt	372,026	48,772
Total current liabilities	7,436,433	6,934,416
Long-term debt, less current maturities	1,096,889	797,454
Other liabilities	132,295	109,700
Total liabilities	8,665,617	7,841,570
Commitments and contingencies (Note 10)		
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; 193,563 and 191,877 shares issued and 156,214 and 154,356 shares outstanding in 2014 and 2013, respectively	1,935	1,919
Class B Common Stock, \$0.01 par value, 135,000 shares authorized; no shares issued and outstanding	—	—
Additional paid-in capital	1,461,705	1,413,949
Treasury stock, 37,349 and 37,521 shares in 2014 and 2013, respectively	(636,493	) (639,300
Retained earnings	3,328,178	3,061,487
Accumulated other comprehensive income	10,501	111,570
Total stockholders' equity	4,165,826	3,949,625
Total liabilities and stockholders' equity	\$12,831,443	\$11,791,195
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)

	Fiscal Year Ended		
	2014	2013	2012
Net sales	\$46,487,426	\$42,553,918	\$37,827,299
Cost of sales	43,821,709	40,064,361	35,791,910
Gross profit	2,665,717	2,489,557	2,035,389
Operating expenses:			
Selling, general and administrative	2,025,948	1,891,573	1,542,650
Amortization of intangible assets	58,962	48,480	20,711
Reorganization costs	93,545	34,629	9,676
	2,178,455	1,974,682	1,573,037
Income from operations	487,262	514,875	462,352
Other expense (income):			
Interest income	(4,882	) (7,652	) (10,216
Interest expense	77,728	59,165	55,690
Net foreign currency exchange loss	4,260	11,578	10,546
Other	15,405	15,685	10,148
	92,511	78,776	66,168
Income before income taxes	394,751	436,099	396,184
Provision for income taxes	128,060	125,516	90,275
Net income	\$266,691	\$310,583	\$305,909
Basic earnings per share	\$1.72	\$2.03	\$2.03
Diluted earnings per share	\$1.67	\$1.99	\$1.99

See accompanying notes to these consolidated financial statements.

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

	Fiscal Year Ended		
	2014	2013	2012
Net income	\$266,691	\$310,583	\$305,909
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustment	(101,069	) (33,312	) 31,216
Other comprehensive income (loss), net of tax	(101,069	) (33,312	) 31,216
Comprehensive income	\$165,622	\$277,271	\$337,125

See accompanying notes to these consolidated financial statements.



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INGRAM MICRO INC.  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
(In 000s)

	Class A Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
December 31, 2011	\$1,851	\$1,316,596	\$(604,331)	\$2,444,995	\$113,666	\$3,272,777
Stock options exercised and shares issued under the stock plan, net of shares withheld for employee taxes	32	18,291				18,323
Income tax benefits for stock plan awards		5,810				5,810
Stock-based compensation expense		27,218				27,218
Repurchase of Class A Common Stock			(50,000)			(50,000)
Issuance of treasury shares, net of shares withheld for employee taxes		(6,265)	6,265			—
Comprehensive income				305,909	31,216	337,125
December 29, 2012	1,883	1,361,650	\$(648,066)	\$2,750,904	144,882	\$3,611,253
Stock options exercised and shares issued under the stock plan, net of shares withheld for employee taxes	36	30,303				30,339
Income tax benefits for stock plan awards		422				422
Stock-based compensation expense		30,340				30,340
Issuance of treasury shares, net of shares withheld for employee taxes		(8,766)	8,766			—
Comprehensive income				310,583	(33,312)	277,271
December 28, 2013	1,919	1,413,949	\$(639,300)	\$3,061,487	111,570	\$3,949,625
Stock options exercised and shares issued under the stock plan, net of shares withheld for employee taxes	16	9,010				9,026
Income tax benefits for stock plan awards		5,531				5,531
Stock-based compensation expense		36,022				36,022
Issuance of treasury shares, net of shares withheld for employee taxes		(2,807)	2,807			—
Comprehensive income				266,691	(101,069)	165,622

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January 3, 2015	\$1,935	\$1,461,705	\$(636,493 )	\$3,328,178	\$ 10,501	\$4,165,826
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See accompanying notes to these consolidated financial statements.

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

	Fiscal Year Ended		
	2014	2013	2012
Cash flows from operating activities:			
Net income	\$266,691	\$310,583	\$305,909
Adjustments to reconcile net income to cash (used) provided by operating activities:			
Depreciation and amortization	146,028	128,915	70,416
Stock-based compensation	36,022	30,340	27,218
Excess tax benefit from stock-based compensation	(5,572)	(1,944)	(6,252)
Write-off of assets	12,855	8,399	—
Gain on sale of land and building	(1,684)	(1,045)	—
Noncash charges for interest and bond discount amortization	2,425	2,554	2,017
Deferred income taxes	(29,282)	(33,087)	(5,917)
Changes in operating assets and liabilities, net of effects of acquisitions:			
Trade accounts receivable	(601,083)	(66,400)	(438,642)
Inventory	(405,611)	(159,779)	(200,351)
Other current assets	(24,268)	(13,654)	22,552
Accounts payable	252,977	234,913	468,961
Change in book overdrafts	52,486	(67,370)	(95,965)
Accrued expenses	(192,086)	93,615	(104,225)
Cash (used) provided by operating activities	(490,102)	466,040	45,721
Cash flows from investing activities:			
Capital expenditures	(88,651)	(95,639)	(92,300)
Sale (purchase) of marketable securities, net	(187)	1,877	2,735
Proceeds from sale of land and building	67,470	1,169	—
Cost-based investment	(10,000)	—	—
Acquisitions and earn-out payments, net of cash acquired	(40,924)	(135,763)	(899,464)
Cash used by investing activities	(72,292)	(228,356)	(989,029)
Cash flows from financing activities:			
Proceeds from exercise of stock options	19,334	43,384	31,335
Repurchase of Class A Common Stock	—	—	(50,000)
Excess tax benefit from stock-based compensation	5,572	1,944	6,252
Net proceeds from issuance of senior unsecured notes, net of issuance costs	494,995	—	296,256
Fees associated with the amendment and extension of credit facilities	—	(1,086)	—
Net proceeds from (repayments of) revolving credit facilities	99,789	(195,729)	355,918
Other	—	(4,423)	—
Cash provided (used) by financing activities	619,690	(155,910)	639,761
Effect of exchange rate changes on cash and cash equivalents	(38,909)	(2,531)	7,291
Increase (decrease) in cash and cash equivalents	18,387	79,243	(296,256)
Cash and cash equivalents, beginning of year	674,390	595,147	891,403
Cash and cash equivalents, end of year	\$692,777	\$674,390	\$595,147
Supplemental disclosures of cash flow information:			
Cash payments during the year:			

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Interest	\$77,226	\$57,492	\$53,286
Income taxes	\$168,827	\$144,978	\$103,616

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)

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 (which includes Middle East and Africa), and Latin America.

Note 2 — Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of Ingram Micro Inc. and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. 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.

Fiscal Year

Our fiscal year is a 52- or 53-week period ending on the Saturday nearest to December 31. All references herein to “2014” represent the 53-week year ended January 3, 2015. References to “2013,” and “2012,” represent the 52-week fiscal years ended December 28, 2013 and December 29, 2012, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S.”) requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the financial statement date, and reported amounts of revenue and expenses during the reporting period. We review our estimates and assumptions on an on-going basis. Significant estimates primarily relate to the realizable value of accounts receivable, vendor programs, inventory, goodwill, intangible and other long-lived assets, income taxes and contingencies and litigation. Actual results could differ from these estimates.

Revenue Recognition

Revenue is recognized when: an arrangement exists; delivery has occurred, including transfer of title and risk of loss for product sales, or services have been rendered for service revenues; the price to the buyer is fixed or determinable; and collection is reasonably assured. Service revenues represented less than 10% of total net sales for 2014, 2013 and 2012. We, under specific conditions, permit our customers to return or exchange products. The provision for estimated sales returns is recorded concurrently with the recognition of revenue. The net impact on gross margin from estimated sales returns is included in allowances against trade accounts receivable in the consolidated balance sheet. We also have limited contractual relationships with certain of our customers and suppliers whereby we assume an agency relationship in the transaction. In such arrangements, we recognize as revenues the net fee associated with serving as an agent.

Vendor Programs

Funds received from vendors for price protection, product rebates, marketing/promotion, infrastructure reimbursement and meet-competition programs are recorded as adjustments to product costs, revenue, or selling, general and administrative (“SG&A”) expenses, according to the nature of the program. Some of these programs may extend over one or more quarterly reporting periods. We accrue rebates or other vendor incentives as earned based on sales of qualifying products or as services are provided in accordance with the terms of the related program.

We sell products purchased from many vendors, but generated approximately 14%, 15%, and 18% of our net sales in 2014, 2013 and 2012, respectively, from products purchased from Hewlett-Packard Company, and approximately 10% of our consolidated net sales in 2012 from products purchased from Apple Inc. The year-over-year decreases in products purchased from these vendors, as a percentage of net sales, for the periods discussed above reflects the higher mix of products purchased from other vendors as a result of changes in the market in general and our acquisition of BrightPoint which does not have significant products purchased from these vendors. There were no other vendors whose products represented 10% or more of our net sales for each of the last three fiscal years.



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INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(In 000s, except per share data)

Warranties

Our suppliers generally warrant the products distributed by us and allow returns of defective products, including those that have been returned to us by our customers. We generally do not independently warrant the products we distribute; however, local laws might impose warranty obligations upon distributors (such as in the case of supplier liquidation). We are obligated to provide warranty protection for sales of certain IT products within the European Union (“EU”) for up to two years as required under the EU directive where vendors have not affirmatively agreed to provide pass-through protection. In addition, we warrant the services we provide, products that we build-to-order from components purchased from other sources, and our own branded products. Provision for estimated warranty costs is recorded at the time of sale and periodically adjusted to reflect actual experience. Warranty expense and the related obligations are not material to our consolidated financial statements.

Foreign Currency Translation and Remeasurement

Financial statements of our foreign subsidiaries, for which the functional currency is the local currency, are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities and a weighted average exchange rate for each period for statement of income items. Translation adjustments are recorded in accumulated other comprehensive income, a component of stockholders’ equity. The functional currency of a few operations within our Europe, Asia-Pacific and Latin America regions is the U.S. dollar; accordingly, the monetary assets and liabilities of these subsidiaries are remeasured into U.S. dollars at the exchange rate in effect at the balance sheet date.

Revenues, expenses, gains or losses are remeasured at the average exchange rate for the period, and nonmonetary assets and liabilities are remeasured at historical rates. The resultant remeasurement gains and losses of these operations as well as gains and losses from foreign currency transactions are included in the consolidated statement of income.

Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of three months or less from the date of purchase to be cash equivalents.

Book overdrafts of \$400,323 and \$347,837 as of January 3, 2015 and December 28, 2013, 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 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 January 3, 2015 and December 28, 2013, or any balance on any given date.

Trade Accounts Receivable Factoring Programs

We have several uncommitted factoring programs 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 level of our trade accounts receivable eligible to be sold into these programs and the financial institutions’ willingness to purchase such receivables. At January 3, 2015 and December 28, 2013, we had a total of \$276,808 and \$381,451, respectively, of trade accounts receivable sold to and held by the financial institutions under these programs. Factoring fees of \$4,757, \$2,851, and \$3,822 incurred in 2014, 2013 and 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.

Inventory

Our inventory consists of finished goods purchased from various vendors for resale. Inventory is stated at the lower of average cost or market, and is determined from the price we pay vendors, including freight and duties. We do not include labor, overhead or other general or administrative costs in our inventory.





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INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(In 000s, except per share data)

## Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives noted below. We also capitalize computer software costs that meet both the definition of internal-use software and defined criteria for capitalization. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life. Depreciable lives of property and equipment are as follows:

Buildings	30-40 years
Leasehold improvements	3-17 years
Distribution equipment	5-10 years
Computer equipment and software	3-10 years

Maintenance, repairs and minor renewals are charged to expense as incurred. Additions, major renewals and betterments to property and equipment are capitalized.

## Long-Lived and Intangible Assets

We assess potential impairments to our long-lived and intangible assets when events or changes in circumstances indicate that the carrying amount may not be fully recoverable. If required, an impairment loss is recognized as the difference between the carrying value and the fair value of the assets. The gross carrying amounts of finite-lived identifiable intangible assets of \$488,753 and \$496,789 at January 3, 2015 and December 28, 2013, respectively, are amortized over their remaining estimated lives ranging up to 13 years with the predominant amounts having lives of 3 to 10 years. The net carrying amount was \$318,689 and \$375,423 at January 3, 2015 and December 28, 2013, respectively. Amortization expense was \$58,962, \$48,480 and \$20,711 for 2014, 2013 and 2012, respectively. Future minimum amortization expense of finite-lived identifiable intangible assets that we expect to recognize over the next five years and thereafter are as follows:

2015	\$56,286
2016	51,511
2017	51,220
2018	46,713
2019	32,713
Thereafter	80,246
	\$318,689

During the second quarter of 2014, we wrote-off a previously acquired trade name, of \$7,528, as a result of the integration of certain operations under the Ingram Micro brand. There were no impairments to our long-lived and other identifiable intangible assets in 2013 and 2012.

## Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in an acquisition and is reviewed annually for potential impairment, or when circumstances warrant.

Additions to goodwill in 2014 were due to our acquisitions of Armada Computer Systems ("Armada"), Dat Repair GMBH, Global Mobility Products and Pinnacle Service Solutions. Additionally, we adjusted goodwill in 2014 to reflect the finalization of the allocation of purchase price related to SoftCom, Inc. ("SoftCom"), CloudBlue Technologies, Inc. ("CloudBlue") and Shipwire, Inc. ("Shipwire"). The adjustments include the assessment of certain tax matters (see Note 4 "Acquisitions, Goodwill and Intangible Assets").



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INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(In 000s, except per share data)

Goodwill is required to be tested for impairment at least annually or sooner whenever events or changes in circumstances indicate that goodwill may be impaired. We perform our annual goodwill impairment assessment during our fiscal fourth quarter, using a combination of the income and market approach. Our annual review indicated that we had no impairment of goodwill, and all of our reporting units had estimated fair values that were in excess of their carrying values, including goodwill. In addition, we regularly evaluate whether events and circumstances have occurred that may indicate a potential change in recoverability of goodwill, including a deterioration in general economic conditions, an increased competitive environment, a change in management, key personnel, strategy, vendors, or customers, negative or declining cash flows, or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods.

The changes in the carrying amount of goodwill are as follows:

	North America	Asia- Pacific	Europe	Total
Balance at December 29, 2012	\$287,926	\$96,122	\$44,353	\$428,401
Acquisitions	105,064	—	—	105,064
Adjustments/reclassifications	(53	) (3,693	) (2,193	) (5,939
Balance at December 28, 2013	\$392,937	\$92,429	\$42,160	\$527,526
Acquisitions	4,870	4,970	241	10,081
Adjustments/reclassifications	(5,124	) —	—	(5,124
Balance at January 5, 2015	\$392,683	\$97,399	\$42,401	\$532,483

**Concentration of Credit Risk**

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash and cash equivalents, trade accounts receivable from customers and vendors, and derivative financial instruments. Our cash and cash equivalents are deposited and/or invested with various financial institutions globally that are monitored by us regularly for credit quality. Our trade accounts receivable reflect a large number of customers and dispersed across wide geographic areas, none of which has accounted for 10% or more of our consolidated net sales in 2014, 2013 and 2012 and no customer accounts receivable balance was greater than 10% of our total trade accounts receivable at January 3, 2015 nor December 28, 2013. We perform ongoing credit evaluations of our customers' financial conditions, obtain credit insurance in many locations and require collateral in certain circumstances. We maintain an allowance for estimated credit losses.

**Derivative Financial Instruments**

We operate in various locations around the world. We reduce our exposure to fluctuations in foreign exchange rates by creating offsetting positions through the use of derivative financial instruments in situations where there are not offsetting balances that create a natural hedge. The market risk related to the foreign exchange agreements is offset by changes in the valuation of the underlying items being hedged. In accordance with our policy, we do not use derivative financial instruments for trading or speculative purposes, nor are we a party to leveraged derivatives. Foreign exchange risk is managed primarily by using forward contracts to hedge foreign currency-denominated receivables, payables and intercompany loans and expenses. Interest rate swaps and forward contracts may be used to hedge foreign currency-denominated principal and interest payments related to intercompany loans.

All derivatives are recorded in our consolidated balance sheet at fair value. The estimated fair value of derivative financial instruments represents the amount required to enter into similar offsetting contracts with similar remaining maturities based on market-derived prices. Changes in the fair value of derivatives not designated as hedging instruments are recorded in current earnings. Changes in the fair value of derivatives designated as hedging instruments are reflected in accumulated other comprehensive income.

The notional amount of forward exchange contracts is the amount of foreign currency bought or sold at maturity. The notional amount of interest rate swaps is the underlying principal amount used in determining the interest payments exchanged over the life of the swap. Notional amounts are indicative of the extent of our involvement in the various types and uses of derivative financial instruments but are not a measure of our exposure to credit or market risks through our use of derivatives.

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INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(In 000s, except per share data)

Credit exposure for derivative financial instruments is limited to the amounts, if any, by which the counterparties' obligations under the contracts exceed our obligations to the counterparties. We manage the potential risk of credit losses through careful evaluation of counterparty credit standing, selection of counterparties from a limited group of financial institutions and other contract provisions including collateral deposits.

Treasury Stock

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.

Comprehensive Income

Comprehensive income consists primarily of our net income and foreign currency translation adjustments.

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:

	Fiscal Year Ended		
	2014	2013	2012
Net income	\$266,691	\$310,583	\$305,909
Weighted average shares	155,492	152,900	150,654
Basic EPS	\$1.72	\$2.03	\$2.03
Weighted average shares, including the dilutive effect of stock-based awards (3,960, 3,372 and 3,063 for 2014, 2013 and 2012, respectively)	159,452	156,272	153,717
Diluted EPS	\$1.67	\$1.99	\$1.99

There were approximately 1,772, 2,069 and 3,487 stock-based awards in 2014, 2013 and 2012, respectively, which 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, thereby resulting in an antidilutive effect.

Income Taxes

We estimate income taxes in each of the taxing jurisdictions in which we operate. This process involves estimating our actual current tax expense together with assessing the future tax impact of any differences resulting from the different treatment of certain items, such as the timing for recognizing revenues and expenses for tax versus financial reporting purposes. These differences may result in deferred tax assets and liabilities, which are included in our consolidated balance sheet. We are required to assess the likelihood that our deferred tax assets, which include net operating loss carryforwards, tax credits and temporary differences that are expected to be deductible in future years, will be recoverable from future taxable income. In making that assessment, we consider the nature of the deferred tax assets and related statutory limits on utilization, recent operating results, future market growth, forecasted earnings, future taxable income, the mix of earnings in the jurisdictions in which we operate and prudent and feasible tax planning strategies. If, based upon available evidence, recovery of the full amount of the deferred tax assets is not likely; we provide a valuation allowance on any amount not likely to be realized.

Our effective tax rate includes the impact of not providing taxes on undistributed foreign earnings considered indefinitely reinvested. Material changes in our estimates of cash, working capital and long-term investment requirements in the various jurisdictions in which we do business could impact our effective tax rate if we no longer consider our foreign earnings to be indefinitely reinvested.



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INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(In 000s, except per share data)

The provision for tax liabilities and recognition of tax benefits involves evaluations and judgments of uncertainties in the interpretation of complex tax regulations by various taxing authorities. In situations involving uncertain tax positions related to income tax matters, we do not recognize benefits unless their sustainability is deemed more likely than not. As additional information becomes available, or these uncertainties are resolved with the taxing authorities, revisions to these liabilities or benefits may be required, resulting in additional provision for or benefit from income taxes reflected in our consolidated statement of income.

Accounting for Stock-Based Compensation

We use the Black-Scholes option-pricing model to determine the fair value of stock options and the closing market price of our common stock on the date of the grant to determine the fair value of our restricted stock and restricted stock units. Stock-based compensation expense is recorded for all stock options, restricted stock and restricted stock units that are ultimately expected to vest as the requisite service is rendered. We recognize these compensation costs, net of an estimated forfeiture rate, on a straight-line basis over the requisite service period of the award, which is the vesting term of outstanding stock-based awards. We estimate the forfeiture rate based on our historical experience during the preceding five fiscal years.

New Accounting Standards

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360)-Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity". This ASU modifies the definition of discontinued operations by limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity's operations and financial results. The amendments in this update are effective on a prospective basis for fiscal years, and interim periods within those years, beginning after December 15, 2014. The new guidance is not expected to have an impact on our financial position, results of operations, or cash flows.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers", which requires a reporting entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard will be effective for us beginning January 1, 2017, the first day of fiscal year 2017. We are currently assessing the impact of this new guidance.

In August 2014, the FASB issued an amendment to the accounting guidance related to the evaluation of an entity's ability to continue as a going concern. The amendment establishes management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern in connection with preparing financial statements for each annual and interim reporting period. The update also gives guidance to determine whether to disclose information about relevant conditions and events when there is substantial doubt about an entity's ability to continue as a going concern. This guidance will be effective for us as of December 15, 2016. The new guidance is not expected to have an impact on our financial position, results of operations, or cash flows.

In November 2014, the FASB issued ASU No. 2014-17, "Business Combination (Topic 805)-Pushdown Accounting", which provides the reporting entity an option to apply pushdown accounting in its separate financial statements upon occurrence of each individual event in which an acquirer obtains control of the acquired entity. If pushdown accounting is not applied in the reporting period in which the change-in-control occurs, an acquired entity will have the option to elect to apply pushdown accounting in a subsequent reporting period to the acquired entity's most recent change-in-control event. This ASU was effective immediately on November 18, 2014. See Note 4, "Acquisitions,

Goodwill and Intangible Assets".

In January 2015, the FASB issued ASU 2015-01, "Income Statement - Extraordinary and Unusual Items", which simplifies income statement classification by removing the concept of extraordinary items from U.S. generally accepted accounting principles ("GAAP"). Under the existing guidance, an entity is required to separately disclose extraordinary items, net of tax, in the income statement after income from continuing operations if an event or transaction is of an unusual nature and occurs infrequently. This separate, net-of-tax presentation (and corresponding earnings per share impact) will no longer be allowed. The standard is effective for periods beginning after December 15, 2015. The new guidance is not expected to have an impact on our financial position, results of operations, or cash flows.



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INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(In 000s, except per share data)

Note 3 — Reorganization Costs

2014 Actions

In order to further enhance our ability to innovate and respond to market needs, on February 13, 2014 we announced a plan to proceed with a global organizational effectiveness program that involves the following three aspects:

1. Aligning and leveraging our infrastructure globally with our evolving businesses, opportunities and resources;
2. De-layering and simplifying the organization to enable us to be more nimble, responsive and collaborative; and
3. Maintaining investments in expertise and capabilities to continue to transform our business mix in faster growing, higher margin businesses.

As a result of the organizational effectiveness program and continued acquisition integration activities, we recognized reorganization charges for the year ended January 3, 2015 of \$85,791 primarily related to employee termination benefits and \$7,754 primarily related to a previously acquired trade name that was written off as a result of the integration of certain operations under the Ingram Micro brand.

2013 Actions

In 2013, we incurred net reorganization costs primarily relating to a number of key initiatives, including: (a) the integration of BrightPoint operations into Ingram Micro, resulting in headcount reductions and the closure of certain BrightPoint facilities, and the exit of a portion of our Australian offices in Asia-Pacific; (b) headcount reductions in Europe to respond to the current market environment, and (c) the transition of certain transaction-oriented service and support functions to shared services centers.

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 global shared service centers located 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.

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INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(In 000s, except per share data)

A summary of the reorganization and expense-reduction program costs incurred in 2014, 2013, and 2012 are as follows:

	Reorganization costs			Total Reorganization Costs	Adjustments to Prior Year Costs	Total Costs
	Headcount Reduction	Employee Termination Benefits	Facility Costs/Other			
Fiscal year ended						
January 3, 2015						
IT Distribution:						
North America		\$14,808	\$7,541	\$ 22,349	\$—	\$22,349
Europe		66,467	—	66,467	—	66,467
Asia-Pacific		2,482	213	2,695	—	2,695
Latin America		2,034	—	2,034	—	2,034
Total	1,183	\$85,791	\$7,754	\$ 93,545	\$—	\$93,545
Fiscal year ended						
December 28, 2013						
IT Distribution:						
North America		\$5,186	\$3,610	\$ 8,796	\$173	\$8,969
Europe		18,730	764	19,494	(188)	) 19,306
Asia-Pacific		1,411	4,955	6,366	(12)	) 6,354
Latin America		—	—	—	—	—
Total	628	\$25,327	\$9,329	\$ 34,656	\$(27)	) \$34,629
Fiscal year ended						
December 29, 2012						
IT Distribution:						
North America		\$34	\$300	\$ 334	\$779	\$1,113
Europe		3,755	—			