INGRAM MICRO INC
Form 8-K
April 25, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported):
April 25, 2006

INGRAM MICRO INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware (State of Incorporation or organization)	1-12203 (Commission File Number)	62-1644402 (I.R.S. Employer Identification No.)

1600 E. St. Andrew Place
Santa Ana, CA 92799-5125
(Address, including zip code of Registrant's principal executive offices)

Registrant's telephone number, including area code: (714) 566-1000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o **Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)**

o **Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)**

o **Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))**

o **Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))**

Item 2.02 Results of Operations and Financial Condition.

On April 25, 2006, Ingram Micro Inc. (Ingram Micro) issued a press release announcing Ingram Micros financial results for the period ended April 1, 2006 and an outlook for the second quarter ending July 1, 2006. A copy of the press release, together with the related financial schedules, are attached hereto as Exhibit 99.1, the text of which are incorporated under Item 12 of this Form 8-K by reference herein. This press release, together with the related financial schedules, are not to be deemed filed for purposes of Section 18 of the Exchange Act of 1934, as amended (the Exchange Act), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing, or to form a part of Ingram Micros public disclosure in the United States or otherwise.

GAAP to Non-GAAP Reconciliation

Our disclosure of financial results for the quarters ended April 2, 2005 and April 1, 2006 contained herein are prepared in accordance with GAAP and for comparative purposes, discussion of the fiscal quarter ended April 2, 2005 is accompanied by disclosures and financial measures that are not prepared in conformity with GAAP. These non-GAAP disclosures include certain adjustments not reflected in the GAAP presentations that primarily relate to the following:

- **Costs associated with our outsourcing and optimization plan in North America which was announced in April 2005.** These program costs, which aggregated approximately $5.8 million for the quarter ended April 2, 2005 and $26.6 million over the program term, include reorganization costs, primarily consisting of severance and lease exit costs as well as costs charged to selling, general and administrative expenses, primarily consisting of consulting, retention and other direct transition expenses.

- **Costs associated with the integration of our acquisition of Tech Pacific with Ingram Micro.** These costs, which aggregated approximately $4.0 million for the quarter ended April 2, 2005 and $12.7 million over the program term, include reorganization costs, primarily consisting of severance and lease exit costs for associates and facilities of Ingram Micro made redundant by the acquisition. In addition, these include costs charged to selling, general and administrative expenses, primarily consisting of consulting, retention, relocation and other direct integration expenses.

Non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margin, non-GAAP net income, and non-GAAP earnings per share are the primary indicators management uses internally to conduct and measure its business and evaluate the performance of its consolidated operations and geographic operating segments. Management believes these measures are useful information to investors because it provides a meaningful comparison to prior periods and may be more indicative of the level of future results.

These non-GAAP financial measures are used in addition to and in conjunction with results presented in accordance with GAAP. These non-GAAP financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, provide a more complete understanding of factors and trends affecting our business. These non-GAAP measures should be considered as a supplement to, and not as a substitute for, or superior to, the corresponding measures calculated in accordance with generally accepted accounting principles.

The non-GAAP disclosures and the non-GAAP adjustments including the basis for excluding such adjustments and the impact on our operations, are outlined below:

Non-GAAP Operating Expenses (in Dollars and as a Percentage of Net Sales). GAAP operating expenses for the first quarter of 2005 were impacted by the costs associated with our outsourcing and optimization plan in North America and costs associated with the integration of our Tech Pacific acquisition with Ingram Micro. Management views these actions as discrete programs designed to improve processes, utilize resources more efficiently, and enhance the overall profitability of our company on a sustainable basis. We track the progress on these initiatives and the related costs to ensure they are managed effectively. We believe that these programs are substantially complete and the related incremental costs and adjustments will not be material in future periods. The economic substance behind our decision to use these non-GAAP operating expense measures is that the costs incurred on these programs were incremental to operations in the normal course of business, were incurred over a relatively short program period (generally less than 18 months) and are not expected to recur after the program completion, and their inclusion may distort historical trends. Additionally, amounts could vary significantly from period to period based on the timing of specific actions under these programs and management could not reasonably predict the amount of these costs on a quarterly basis. Because the amounts could not be reasonably predicted on a quarterly basis, management has not included these costs in its previously announced earnings outlooks. Management uses these non-GAAP operating expense measures along with the related GAAP measures to conduct and measure its business against internally developed objectives and evaluate the performance of its consolidated operations and geographic operating segments. Management believes these measures are useful information to investors because they provide meaningful comparisons to prior periods, management's previous outlooks, and the analysts' own financial models, which may exclude the costs of these actions. Material limitations associated with the use of these measures as compared to the GAAP measures of operating expenses is that they do not reflect all period costs included in operating expenses associated with these actions and as such may not be comparable to other companies with similar actions who present such costs differently. To compensate for these limitations, management believes that it is appropriate to consider operating expenses determined under GAAP as well as on a non-GAAP basis.

Non-GAAP Operating Income (in Dollars and as a Percentage of Net Sales, or Operating Margin). GAAP operating income for the first quarter of 2005 was impacted by the same items and in the same amounts as discussed for operating expenses above. Management views these actions as discrete programs designed to improve processes, utilize resources more efficiently, and enhance the overall profitability of our company on a sustainable basis. We track the progress on these initiatives and the related costs to ensure they are managed effectively. We believe that these programs are substantially complete and the related incremental costs and adjustments will not be material in future periods. The economic substance behind our decision to use these non-GAAP operating income measures is that the costs incurred on these programs were incremental to operations in the normal course of business, were incurred over a relatively short program period (generally less than 18 months) and are not expected to recur after the program completion, and their inclusion may distort historical trends. Additionally, amounts could vary significantly from period to period based on the timing of specific actions under these programs and management could not reasonably predict the amount of these costs on a quarterly basis. Because the amounts could not be reasonably predicted on a quarterly basis, management has not included these costs in its previously announced earnings outlooks. Management uses these non-GAAP operating income measures along with the related GAAP measures to conduct and measure its business against internally developed objectives and evaluate the performance of its consolidated operations and geographic operating segments. Management believes such measures are useful information to investors because they provide a meaningful comparison to prior periods, management's previous outlooks, and the analysts' own financial models, which may exclude the costs of these actions. Material limitations associated with the use of these non-GAAP operating income measures as compared to GAAP operating income measures is that they do not reflect all period costs included in operating income associated with these actions and as such may not be comparable to other companies with similar actions who present such costs differently. To compensate for these limitations, management believes that it is appropriate to consider operating income determined under GAAP as well as on a non-GAAP basis.

Non-GAAP Net Income. GAAP net income for the first quarter of 2005 was impacted by all of the items impacting the non-GAAP measures discussed above. We believe that the outsourcing and optimization plan in North America and the integration of Tech Pacific are substantially complete and the related incremental costs and adjustments will not be material in future periods. The economic substance behind our decision to use the non-GAAP net income measure, which also excludes the estimated after-tax impact of all these items, is that the costs and tax impact related to these programs and actions were incremental to operations in the normal course of business, related costs were incurred over a relatively short program period (generally less than 18 months), the related costs are not expected to recur after the program completion and their inclusion may distort historical trends. Additionally, amounts could vary significantly from period to period based on the timing of specific actions under these programs. As a result, management could not reasonably predict the amount of these costs on a quarterly basis. Because the amounts could not be reasonably predicted on a quarterly basis, management has not included these items in its previously announced earnings outlooks. Management uses the non-GAAP net income measure along with the related GAAP measure to conduct and measure its business against internally developed objectives and evaluate the performance of its consolidated operations. Management believes this measure is useful information to investors because it provides a meaningful comparison to prior periods, management's previous outlooks, and the analysts' own financial models, which may exclude the impacts of these items. Material limitations associated with the use of this measure as compared to the GAAP measure of net income is that it does not reflect all costs included in net income associated with these items and as such may not be comparable to other companies with similar items who present related costs differently. To compensate for these limitations, management believes that it is appropriate to consider net income determined under GAAP as well as on a non-GAAP basis.

Non-GAAP Earnings Per Share. GAAP earnings per share for the first quarter of 2005 was impacted by all of the items discussed above. Non-GAAP earnings per share excludes the after-tax impact of all these items on a per share basis and is calculated by dividing non-GAAP net income by weighted average shares outstanding calculated on a fully diluted basis. The economic substance behind our decision to use the non-GAAP earnings per share measure is the same as for using the non-GAAP net income measure as discussed above. Management uses the non-GAAP earnings per share measure along with the related GAAP measure to conduct and measure its business against internally developed objectives and evaluate the performance of its consolidated operations. Management believes this measure is useful information to investors because it provides a meaningful comparison to prior periods, management's previous outlooks, and their own financial models, which may exclude the impacts of these items. Material limitations associated with the use of this measure as compared to the GAAP measure of earnings per share is that it does not reflect all costs included in earnings per share associated with these items and as such may not be comparable to other companies with similar items who present related costs differently. To compensate for these limitations, management believes that it is appropriate to consider earnings per share determined under GAAP as well as on a non-GAAP basis.

Item 9.01 Financial Statements and Exhibits.

Exhibit No.	**Description**
99.1	Press Release dated April 25, 2006 and related financial schedules.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INGRAM MICRO INC.

By:	/s/ Larry C. Boyd
Name:	Larry C. Boyd
Title:	Senior Vice President, Secretary and General Counsel

Date: April 25, 2006