Ingram Micro Inc.

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Public Company
Founded: 1982 as Software Distribution Services
Incorporated: 1989 as Ingram Micro D, Inc.
Employees: 21,800 (2013)
Sales: $42.6 billion (2013)
Stock Exchanges: New York
Ticker Symbol: IM
NAICS: 423430 Computer and Computer Peripheral Equipment and Software Merchant Wholesalers

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As the largest global wholesale distributor of computer and electronics products, Ingram Micro Inc. acts as the middleman between manufacturers and a wide range of retail outlets, value-added resellers (VARs), small businesses, large enterprises, and other customers. Companies that work with Ingram include Apple, IBM, Lenovo, and Samsung. Ingram has operations in 39 countries as of 2013, with more than 200,000 customers in 170 countries.

CREATION OF INGRAM MICRO INC.: 1982–89

Ingram Micro Inc. was created through a series of mergers among software distributors. In the first half of 1985 Software Distribution Services was acquired by the Ingram Distribution Group. Software Distribution Services was founded in 1982 in Buffalo, New York, and had become one of the top four software distributors in the United States by 1985. Ingram Distribution Group was a unit of Ingram Industries Inc., which *PC Week* described as "a small conglomerate with operations in marine transportation, energy, distribution, and insurance." Ingram Distribution Group began distributing entertainment and educational software in 1983. It started by distributing programs for the Commodore computer and later expanded into software for Apple and IBM personal computers (PCs).

Once Ingram Distribution Group acquired Software Distribution Services, the company was renamed Ingram Software. Ingram Software expanded later in 1985 by purchasing Softeam, a software distributor based in Compton, California. The acquisition of Software Distribution Services included a 50 percent interest in Aviva Software of Toronto, Canada. In December 1986 Ingram Software purchased the remaining half of the Canadian operation and renamed it Ingram Software Ltd. Ingram purchased another Canadian distributor, Frantek Computer Products, Inc., in March 1988 and renamed its Canadian operations Ingram Micro Canada with headquarters in Toronto.

By January 1989 Ingram Industries had acquired nearly 59 percent of the stock of Micro D, the leading

COMPANY PERSPECTIVES

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software distributor in the United States. Ingram then launched a public tender offer to buy the remaining shares of Micro D at $12.50 a share. By March Micro D had agreed to accept a tender offer from Ingram of $14.75 a share, or about $44 million, for the remaining 41 percent of the company's outstanding stock.

The new company was called Ingram Micro D. Micro D's CEO Chip Lacy became its chairman and CEO, while David Blumstein became the company"s vice chairman. The merger was seen to be a complementary one, with Micro D specializing in large retail computer chain stores and Ingram servicing value-added resellers (VARs) and smaller retail stores. Micro D had sales of $553 million in 1988, and the combined firm was expected to have about $1 billion in revenue for 1989, with a 35 percent share of the U.S. software distribution market and 14 percent of the hardware market. The company consolidated Micro D's seven stocking locations with Ingram's four locations into a remaining total of eight shipping locations in the United States. The company also had two shipping locations in Canada. Ingram Micro D"s headquarters were located in Santa Ana, California, the site of Micro D"s old headquarters. The company also maintained an East Coast operations center in Buffalo, New York.

Ingram Micro D quickly established VAR programs for second-tier vendors, which enabled it to sell systems by the largest computer manufacturers such as IBM Corp., Hewlett-Packard Co., and Compaq Computer Corp. Ingram Micro D subsequently established segmented business units to focus on the sale and service of specific products. The company also created the Alliance, a division focused on high-volume system sales.

COMPANY GROWTH: 1990–96

Ingram Micro expanded into Europe in 1989 with the purchase of Softeurop, a software wholesaler based in Brussels, Belgium, that had subsidiaries in France and the Netherlands. Ingram expanded its European presence in 1991 with acquisitions in the United Kingdom and a start-up operation in Italy. A European Coordination Center was established in Brussels in 1992 to coordinate the activities of the company's five European subsidiaries. Additional European acquisitions took place in 1993 and 1994, including House of Computers in Germany; Datateam in the Scandinavian countries of Denmark, Norway, and Sweden; and Keylan in Spain.

Ingram Micro entered the Asia-Pacific region in 1992 by establishing operations in Malaysia and Singapore. In January 1993 Ingram acquired a majority interest in Mexico's largest wholesale distributor and began operations in Central America as Ingram Dicom. By 1993 Ingram Micro had expanded into global distribution through a series of strategic acquisitions.

In 1991 sales topped $2 billion for the first time and registered a 41 percent increase over the previous year. For the first quarter of 1992 sales grew another 40 percent to $606 million, with international sales accounting for about 15 percent of revenue. Ingram Micro was the leading wholesaler of personal computer products.

With the prices of individual workstations falling from $50,000 to less than $10,000, computer manufacturers began to consider outsourcing their sales efforts and refocusing their direct sales forces on higher-priced merchandise. As part of this trend, in 1992 Ingram Micro became the wholesale partner of choice for Hewlett-Packard, which authorized Ingram to distribute its HP Apollo 9000 Series 700 workstations and X stations to VARs. At the time the HP workstation was the only one Ingram was offering to the VAR market.

Ingram also began to expand its original equipment manufacturer (OEM) base in the mid-1990s. In 1994 the company became an authorized reseller to VARs for Compaq Computer Corp. In mid-1995 Netscape Communications Corp. selected Ingram Micro to be its North American distributor. Ingram also distributed products for about 30 OEM vendors who made products such as disk drives and other equipment, which Ingram sold to VARs and systems integrators who were building at least 100 systems a month.

Ingram was the leader of a fast-growing trend in computer distribution. For 1993 distributors accounted for about 40 percent of the estimated $6.5 billion in sales of PC-related products. Ingram developed programs to distribute to electronics chain stores that were becoming interested in selling personal computers, offering them in-store training and merchandising programs. Ingram's business model was to be a one-stop shop that could accurately process orders in a timely fashion. As the middleman between computer manufacturers and retailers, Ingram and other distributors had to offer services to both. Ingram claimed to have an order-fill rate of 97 percent, and all orders received by 5 p.m. were shipped the same day. Ingram also offered retail customers a 150-day return policy on most of its products. Ingram's principal markets were

KEY DATES

1982: Software Distribution Services is founded in Buffalo, New York.
1985: Ingram Distribution Group, a unit of Ingram Industries, acquires Software Distribution Services and renames it Ingram Software (later renamed Ingram Computer).
1989: Ingram Computer merges with Micro D to create Ingram Micro D.
1991: Ingram Micro drops the "D" from its name.
1996: Ingram Micro becomes a publicly traded company on the New York Stock Exchange.
1997: Company expands through acquisitions in Europe, Latin America; enters Asia-Pacific.
2001: Ingram institutes layoffs, consolidations, and other cost-cutting measures in response to economic slowdown.
2004: Company acquires Nimax and Tech Pacific, launching string of 22 acquisitions over next decade.
2007: Company introduces cloud computing service.
2009: Nordic operations are restructured and Danish distribution unit is sold in response to revenue downturn.
2012: Firm completes its largest acquisition, a $840 million purchase of BrightPoint.
2013: Ingram acquires Shipwire, CloudBlue, and SoftCom to further expand product offerings.

warehouse clubs, office product stores, and mass merchants. It signed agreements with Staples and Office Max as well as Wal-Mart and Target. It also made inroads into alternate channels such as video stores and music outlets. For 1994 Ingram reported domestic sales of $4.1 billion and overall sales of $5.8 billion.

In 1995 the conglomerate announced it would form three independent companies (Ingram Industries, Ingram Entertainment, and Ingram Micro), with Ingram Micro the only one going public.

MANAGEMENT CHANGES: 1996–2003

Ingram's preparations for its initial public offering (IPO) were complicated by the reorganization of Ingram Industries. Ingram Micro's IPO took place on November 1, 1996. The company sold 20 million shares at $18 per share, with proceeds of approximately $392 million. The company's stock price rose about 15 percent by the end of the year, giving Ingram Micro a market capitalization of more than $3.5 billion. Although Ingram Micro was now a publicly traded company, the Ingram family retained control of 75 percent of the firm's voting shares.

Ingram Micro posted strong growth in 1996 and 1997. The company reported 1996 revenue of $12 billion and net income of $110.7 million. In 1997 revenue increased to $16.6 billion, and net income reached $193.6 million. Much of the growth was attributed to strong sales in Europe, where quarterly sales grew by 38 percent in the first quarter of 1998. Ingram Micro expanded its European operations in 1997 with the acquisition of TT Microtrading in Finland and J&W Computer GmbH in Frankfurt, Germany. In 1998 Ingram Micro made its largest European acquisition to date with the purchase of Macrotron AG of Munich, Germany, for $100 million from its parent, Tech Data Corp. of Clearwater, Florida. The acquisition of Macrotron AG added more than 1,000 employees and increased Ingram Micro's presence in Germany, Austria, and Switzerland. Macrotron had about $1.2 billion in annual sales.

Ingram Micro also continued to expand in Latin America. In October 1997 it acquired Computek, one of the largest regional computer wholesale distributors in Latin America with offices in Brazil, Chile, Peru, and Miami, Florida. In 1998 Ingram Micro acquired Nordemaq Ltda. in Brazil and in 1999 opened subsidiaries in Argentina, Panama, and Costa Rica. The company also established a Latin America Export Division in 1998 in Miami to serve international markets where it did not have a stand-alone, local operation.

Ingram Micro gained entry to 10 Asia-Pacific countries with a minority investment in Electronic Resources Ltd. (ERL) in November 1997. ERL was a leading Asian computer and electronic products distributor based in Singapore. In October 1998 Ingram allied with Softbank Corp. to provide coverage of Japan, and in 1999 Ingram Micro acquired 100 percent of ERL and renamed it Ingram Micro Asia Ltd.

Ingram Micro began to experience revenue shortfalls in 1999. In the first quarter the company laid off about 10 percent of its workforce, or 1,400 employees. Its stock fell by 50 percent, or $3 billion in market capitalization. Later in the year CEO Jerre Stead stepped down as Ingram Micro's CEO, although he remained as chairman. In October president and COO Jeff Rodek left the company. For 1999 Ingram Micro reported sales of $28.07 billion. Net income was $183.4 million, down from $245.2 million in 1998.

The years 2000 and 2001 were characterized by new executive leaders and a focus on cost cutting. In March 2000 Ingram Micro named Kent Foster as CEO and president. Foster was formerly president of GTE Corp. At the beginning of 2001 Ingram Micro CFO Mike Grainger was named the company's president and COO. As CFO Grainger had led the company through its IPO and was now in charge of its global operations. In November 2001 Ingram Micro consolidated its U.S. and Canadian operations into a single North American unit. Other cost-cutting measures taken in 2001 included laying off employees, consolidating distribution centers, and reorganizing several internal departments. For 2001 Ingram Micro reported revenue of $25.19 billion and net income of just $6.7 million, compared to 2000 revenue of $30.72 billion and net income of $226.2 million.

Ingram Micro continued cutting costs in 2002 to set the stage for its economic recovery. In the first half of the year it cut about 500 jobs, with further layoffs reducing its workforce to about 13,500 employees later in the year. As Ingram Micro sought to improve its bottom line, it remained focused on providing a high level of service to its customers. Revenues remained flat in 2003 and 2004 as Ingram Micro continued resizing its operations and its inventories in preparation for a comeback.

ACQUISITIONS: 2004–07

By the middle of 2004, the company was ready to pursue a new strategy to diversify its portfolio. Ingram executives moved into new countries and new business lines to eliminate their dependency on the highly cyclical IT distribution industry in North America. Those moves would increase Ingram Micro revenues by 50 percent over the next decade while keeping the company profitable in all but two of those 10 years.

In August 2004 Ingram Micro announced it would acquire Nimax, a San Diego, California-based distributor of automatic identification and data capture/point of sale (AIDC/POS) solutions provider with $92 million in annual revenues. The deal gave Ingram Micro an entry point to the $6 billion POS market, Scott Campbell reported for *Computer Reseller News.* In their second quarter 2004 earnings call, Campbell added, Ingram executives "didn't rule out further acquisitions and said they would like to expand into the consumer electronics and components market." The report also quoted CEO Kent Foster as saying, "We will continue to look for profitable growth opportunities."

The next month, Ingram Micro announced a $700 million deal to acquire Tech Pacific, an IT wholesale distributor with operations in the Asia-Pacific region. Officials said they would quickly integrate the two operations, cutting out overlapping infrastructure and staff. David Crowe reported for *Australian Financial Review* that Tech Pacific had reported 2003 profits of $63.2 million on $3.1 billion in revenues, while Ingram lost $10.3 million on $2.3 billion in sales for the same period. By April 2005 Ingram Micro had completed the integration of Tech Pacific into its operations, and the merged companies quickly showed positive financial results.

Also in 2005, Ingram Micro announced it would acquire AVAD, a Florida-based distributor of home technology products. Ingram paid $120 million in cash for AVAD, an alliance of 12 regional distributors with annual sales totaling $200 million. AVAD distributed consumer electronics and home networking solutions, along with web-based product training and professional certification programs.

For 2006 Ingram Micro turned its attention to Europe when it acquired wholesale distributor SymTech Nordic. Ingram said the deal provided better access to European markets for AIDC/POS, enterprise mobility and radio frequency identification (RFID). The Nordic regional distributor became a new Ingram division.

The following year, Ingram launched new services as well as acquisitions. The company was one of the first to offer cloud computing services in 2007, positioning Ingram Micro Cloud for the rapid cloud expansion that would come in the early 2010s. It also bought DBL Distribution Inc. for $96 million, further building its consumer electronics business. Based in Phoenix, Arizona, DBL sold more than 17,000 electronics products for manufacturers such as Sony, Samsung, and Philips.

ECONOMIC SLOWDOWN: 2008–11

In 2008 Ingram Micro capitalized on opportunities to acquire three more European targets. In January it purchased the assets of England-based Paradigm Distribution Ltd., a value-added distributor of AIDC/POS and mobile technologies in Ireland and the United Kingdom. That fall, Ingram acquired distributors Eurequat AS of France and Intertrade AF AG of Germany. The deals added new customers in continental Europe, Algeria, and Israel. When integrated with the earlier SymTech Nordic and Paradigm deals, Ingram's European operations served resellers in 16 countries.

By this time, however, the slowing worldwide economy began hampering Ingram Micro's expansion plans. During the middle part of the decade, the company's strategy had paid off with continuing profitability and increased revenues. For fiscal 2005, Ingram reported a 13 percent increase in revenues to $28.8 billion. The company booked a 9 percent increase in revenues for 2006 to $31.36 billion, followed by a 12 percent increase in 2007 to $35.05 billion and earnings of $114 million.

The recession began taking its toll in 2008, when revenues slipped slightly to $34.36 billion and the company lost almost $395 million. The big hit came in 2009, as revenues plummeted 14 percent to $29.52 billion. Ingram executives said the global recession had forced IT customers to postpone purchases of computer products and services. Poor fiscal performance in the fourth quarter of 2008 also forced Ingram Micro to lay off some 300 workers (or 8 percent of its workforce) in early 2009.

Despite those challenges, Ingram took advantage of a favorable acquisition climate to make three more acquisitions and one divestiture during 2009. The company bought Value Added Distributors (VAD) of New Zealand, Australia-based Vantex Technology Distribution Limited, and CDD, the trade distribution division of British IT company Computacenter. CDD was expected to add $131 million in new revenues. Also in 2009 Ingram Micro restructured its Nordic operations and sold its broad-based Denmark distribution business to German competitor Actebis Group.

In 2010 Ingram Micro continued its acquisition spree with four more deals to strengthen its international market presence. Three were fairly small European consolidation moves, while the fourth was Asiasoft Hong Kong Ltd., a value-added business software distributor with annual sales of $13 million. Terms of the transactions were not disclosed.

RETURN TO ACQUISITIONS: 2012–13

After a relatively quiet year in 2011, Ingram Micro returned to the mergers and acquisitions market the following year. This time, the three deals moved Ingram into new geographic and product markets. In August Ingram agreed to acquire Dubai-based Aptec Holdings, expanding its reach into Africa, Turkey, and the Middle East. Aptec had more than $250 million in annual sales. The company then moved into the government procurement arena with the November acquisition of Promark Technology, a Maryland-based distributor with $100 million in annual revenue. Promark specialized in data management, document imaging, storage, and similar products and services for state and federal agencies.

The largest acquisition to date for Ingram Micro also came in 2012. This was the $840 million acquisition of BrightPoint Inc., an Indiana-based mobile device distributor and mobile services provider. Ingram Micro "plans to create a global provider of services and solutions for the mobile industry," targeting wireless network vendors and operators, Niamh Ring reported for *Bloomberg*. Ingram projected it would realize more than $55 million in cost synergies following the acquisition.

Three more acquisitions followed in 2013. These were SoftCom, a Canadian cloud marketplace and web services company; CloudBlue, a Norcross, Georgia-based IT asset and e-waste recycling firm; and Shipwire, a global e-commerce fulfillment and supply chain management company based in California.

In January 2014 Zachs Investment Research upgraded Ingram Micro stock to "strong buy." Zachs stated, "The company's efforts to broaden the product portfolio through strategic distribution agreements with different manufacturers, and long-term expected earnings growth rate of 13.35 percent, make it an attractive investment opportunity." With higher technology spending driving its revenues and Ingram Micro growing market share through new strategic acquisitions, the future seemed bright for Ingram Micro to continue its strong track record of growth and profitability.

David P. Bianco
Updated, Bobby L. Hickman

PRINCIPAL SUBSIDIARIES

AVAD LLC; Brightpoint Inc.; Touchstone Wireless Repair and Logistics, LP; Wireless Fulfillment Services Holdings, Inc.

PRINCIPAL DIVISIONS

Advanced Computing; Commercial Markets; Consumer Services; Data Capture/POS; ProAV/Digital Signage; Logistics; Partner Shared Services; Physical Security; Services.

PRINCIPAL COMPETITORS

Arrow Electronics, Inc.; Avnet, Inc.; Brightstar Corporation; Foxconn International Holdings Limited; Synnex Information Technologies Inc., Tech Data Corporation.

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