TECH DATA CORP
Form 10-Q
December 05, 2014
Table of Contents

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

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended October 31, 2014

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 0-14625

TECH DATA CORPORATION
(Exact name of Registrant as specified in its charter)

Florida	No. 59-1578329
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5350 Tech Data Drive Clearwater, Florida	33760
(Address of principal executive offices)	(Zip Code)

(Registrant’s Telephone Number, including Area Code): (727) 539-7429

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 shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant 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 x No

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

Large accelerated filer x	Accelerated Filer ¨
Non-accelerated Filer ¨	Smaller Reporting Company Filer ¨

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 25, 2014
Common stock, par value $.0015 per share	38,254,851

1

Table of Contents

TECH DATA CORPORATION AND SUBSIDIARIES
Form 10-Q for the Three and Nine Months Ended October 31, 2014
INDEX

		PAGE
PART I.	FINANCIAL INFORMATION	
ITEM 1.	Financial Statements	3
	Consolidated Balance Sheet	3
	Consolidated Statement of Income	4
	Consolidated Statement of Comprehensive Income	5
	Consolidated Statement of Cash Flows	6
	Notes to Consolidated Financial Statements	7
ITEM 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	17
ITEM 3.	Quantitative and Qualitative Disclosures about Market Risk	29
ITEM 4.	Controls and Procedures	30
PART II.	OTHER INFORMATION	32
ITEM 1.	Legal Proceedings	32
ITEM 1A.	Risk Factors	32
ITEM 2	Unregistered Sales of Equity Securities and Use of Proceeds	32
ITEM 3.	Defaults Upon Senior Securities	33
ITEM 4.	Mine Safety Disclosures	33
ITEM 5.	Other Information	33
ITEM 6.	Exhibits	33
SIGNATURES		34
EXHIBITS		
CERTIFICATIONS		

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

TECH DATA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(In thousands, except par value and share amounts)

	October 31, 2014 (Unaudited)	January 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$465,738	$570,101
Accounts receivable, less allowances of $55,378 and $58,754	3,064,553	3,215,729
Inventories	2,321,088	2,450,782
Prepaid expenses and other assets	190,704	232,423
Total current assets	6,042,083	6,469,035
Property and equipment, net	66,103	77,631
Other assets, net	557,055	623,000
Total assets	$6,665,241	$7,169,666
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$3,530,956	$3,959,410
Accrued expenses and other liabilities	555,944	614,697
Revolving credit loans and current maturities of long-term debt, net	46,463	43,481
Total current liabilities	4,133,363	4,617,588
Long-term debt, less current maturities	353,549	354,121
Other long-term liabilities	92,626	99,346
Total liabilities	4,579,538	5,071,055
Commitments and contingencies (Note 7)		
Shareholders’ equity:		
Common stock, par value $.0015; 200,000,000 shares authorized; 59,245,585 shares issued at October 31, 2014 and January 31, 2014	89	89
Additional paid-in capital	674,044	675,597
Treasury stock, at cost (20,990,734 and 21,177,130 shares at October 31, 2014 and January 31, 2014)	(887,059)	(894,936)
Retained earnings	2,087,785	1,993,290
Accumulated other comprehensive income	210,844	324,571
Total shareholders' equity	2,085,703	2,098,611
Total liabilities and shareholders' equity	$6,665,241	$7,169,666

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Table of Contents

TECH DATA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
(In thousands, except per share amounts)
(Unaudited)

	Three months ended October 31,		Nine months ended October 31,	
	2014	2013	2014	2013
Net sales	$6,761,181	$6,373,564	$20,331,141	$18,848,797
Cost of products sold	6,426,196	6,047,488	19,309,456	17,884,467
Gross profit	334,985	326,076	1,021,685	964,330
Operating expenses:				
Selling, general and administrative expenses	271,235	270,131	847,344	828,509
Restatement and remediation related expenses (Note 1)	2,064	14,979	19,678	28,965
LCD settlements (Note 1)	(5,059)	(22,914)	(5,059)	(22,914)
Value added tax assessment (Note 7)	0	0	(6,229)	0
	268,240	262,196	855,734	834,560
Operating income	66,745	63,880	165,951	129,770
Interest expense	6,491	6,134	20,639	19,451
Other (income) expense, net	(225)	(410)	842	(1,920)
Income before income taxes	60,479	58,156	144,470	112,239
Provision for income taxes	18,779	20,440	49,975	42,068
Net income	$41,700	$37,716	$94,495	$70,171
Net income per share:				
Basic	$1.09	$0.99	$2.47	$1.85
Diluted	$1.09	$0.99	$2.46	$1.84
Weighted average common shares outstanding:				
Basic	38,253	38,060	38,212	38,004
Diluted	38,433	38,228	38,376	38,206

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Table of Contents

TECH DATA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three months ended October 31,		Nine months ended October 31,	
	2014	2013	2014	2013
Net income	$41,700	$37,716	$94,495	$70,171
Other comprehensive (loss) income:				
Foreign currency translation adjustment	(112,792)	51,408	(113,727)	1,843
Total comprehensive (loss) income	$(71,092)	$89,124	$(19,232)	$72,014

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Table of Contents

TECH DATA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine months ended October 31,	
	2014	2013
Cash flows from operating activities:		
Cash received from customers	$21,579,962	$19,980,970
Cash paid to vendors and employees	(21,574,482)	(19,640,516)
Interest paid, net	(21,698)	(20,252)
Income taxes paid	(41,761)	(54,229)
Net cash (used in) provided by operating activities	(57,979)	265,973
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	0	8,044
Acquisition of trademark	0	(1,519)
Proceeds from sale of property and equipment	7,121	0
Expenditures for property and equipment	(11,879)	(10,405)
Software and software development costs	(7,341)	(10,532)
Net cash used in investing activities	(12,099)	(14,412)
Cash flows from financing activities:		
Proceeds from the reissuance of treasury stock	774	1,139
Acquisition earn-out payment	(5,060)	(6,183)
Net borrowings (repayments) on revolving credit loans	2,826	(120,602)
Principal payments on long-term debt	(419)	(398)
Excess tax benefit from stock-based compensation	667	907
Net cash used in financing activities	(1,212)	(125,137)
Effect of exchange rate changes on cash and cash equivalents	(33,073)	4,037
Net (decrease) increase in cash and cash equivalents	(104,363)	130,461
Cash and cash equivalents at beginning of year	570,101	340,564
Cash and cash equivalents at end of period	$465,738	$471,025
Reconciliation of net income to net cash (used in) provided by operating activities:		
Net income	$94,495	$70,171
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	52,691	54,438
Gain on sale of building	(2,350)	0
Provision for losses on accounts receivable	8,668	9,748
Stock-based compensation expense	9,698	6,949
Accretion of debt discount on Senior Notes	198	198
Excess tax benefits from stock-based compensation	(667)	(907)
Changes in operating assets and liabilities:		
Accounts receivable	18,399	85,503
Inventories	45,731	(13,240)
Prepaid expenses and other assets	31,691	103,881
Accounts payable	(300,804)	(29,968)
Accrued expenses and other liabilities	(15,729)	(20,800)
Total adjustments	(152,474)	195,802
Net cash (used in) provided by operating activities	$(57,979)	$265,973

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Table of Contents

TECH DATA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 — BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Tech Data Corporation ("Tech Data" or the "Company") is one of the world's largest wholesale distributors of technology products. The Company serves as an indispensable link in the technology supply chain by bringing products from the world's leading technology vendors to market, as well as providing customers with advanced logistics capabilities and value-added services. Tech Data's customers include value-added resellers, direct marketers, retailers and corporate resellers who support the diverse technology needs of end users. The Company is managed in two geographic segments: the Americas (including North America and South America) and Europe.

Principles of Consolidation

The consolidated financial statements include the accounts of Tech Data and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The Company operates on a fiscal year that ends on January 31.

Basis of Presentation

The consolidated financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). The Company prepares its financial statements in conformity with generally accepted accounting principles in the United States ("GAAP"). These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the consolidated financial position of the Company as of October 31, 2014, its consolidated statements of income and comprehensive income for the three and nine months ended October 31, 2014 and 2013, and its consolidated cash flows for the nine months ended October 31, 2014 and 2013.

Seasonality

The Company's quarterly operating results have fluctuated significantly in the past and will likely continue to do so in the future as a result of currency fluctuations and seasonal variations in the demand for the products and services offered. Narrow operating margins may magnify the impact of these factors on the Company's operating results. Recent historical seasonal variations have included an increase in European demand during the Company's fiscal fourth quarter and decreased demand in other fiscal quarters. Given that the majority of the Company's revenues are derived from Europe, the worldwide results closely follow the seasonality trends in Europe. The seasonal trend in Europe typically results in greater operating leverage, and therefore, lower selling, general and administrative expenses as a percentage of net sales in the region and on a consolidated basis during the second semester of the Company's fiscal year, particularly in the Company's fourth quarter. Additionally, the life cycles of major products, as well as the impact of future acquisitions and dispositions, may also materially impact the Company's business, financial condition, or consolidated results of operations. Therefore, the results of operations for the three and nine months ended October 31, 2014 and 2013 are not necessarily indicative of the results that can be expected for the entire fiscal year ended January 31, 2015.

Restatement and remediation related expenses

Restatement and remediation related expenses primarily include legal, accounting and third party consulting fees associated with (i) the restatement of certain of the Company's consolidated financial statements and other financial information from fiscal 2009 to fiscal 2013, (ii) the Audit Committee investigation to review the Company's accounting practices, (iii) incremental external audit and supplemental procedures by the Company in connection with the preparation of its financial statements, and (iv) other incremental legal, accounting and consulting fees incurred as a result of the Company's restatement-related investigation or in conjunction with the Company's remediation of

material weaknesses and other control deficiencies identified during the restatement. The Company incurred restatement and remediation related expenses of approximately $2.1 million and $15.0 million, respectively, during the three months ended October 31, 2014 and 2013 and $19.7 million and $29.0 million, respectively, during the nine months ended October 31, 2014 and 2013, which are recorded in “restatement and remediation related expenses” in the Consolidated Statement of Income.

Table of Contents

LCD Settlements

The Company has been a claimant in proceedings seeking damages from certain manufacturers of LCD flat panel displays. During the three months ended October 31, 2014 and 2013 the Company reached settlement agreements with certain manufacturers in the amount of $5.1 million and $22.9 million, respectively, net of all attorney fees and expenses, which are recorded in "LCD settlements" in the Consolidated Statement of Income.

Accounts Receivable Purchase Agreements

The Company has uncommitted accounts receivable purchase agreements under which certain accounts receivable may be sold, without recourse, to third-party financial institutions. Under these programs, the Company may sell certain accounts receivable in exchange for cash less a discount, as defined in the agreements. Available capacity under these programs, which the Company uses as a source of working capital funding, is dependent on the level of accounts receivable eligible to be sold into these programs and the financial institutions' willingness to purchase such receivables. In addition, certain of these agreements also require that the Company continue to service, administer and collect the sold accounts receivable. At October 31, 2014 and January 31, 2014, the Company had a total of $333.3 million and $263.7 million, respectively, of accounts receivable sold to and held by financial institutions under these agreements. During the three months ended October 31, 2014 and 2013, discount fees recorded under these facilities were $0.7 million and $0.6 million, respectively, and during the nine months ended October 31, 2014 and 2013, discount fees recorded under these facilities were $3.4 million and $2.0 million, respectively. These discount fees are included as a component of "other (income) expense, net" in the Consolidated Statement of Income.

Recently Adopted Accounting Standards

In March 2013, the Financial Accounting Standards Board ("FASB") issued an accounting standard which clarifies the accounting for the derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. The guidance also requires the accounting for a business combination achieved in stages involving a foreign entity to be treated as a single event. The accounting standard was effective for the Company beginning with the quarter ended April 30, 2014 and is to be applied prospectively to derecognition events occurring after the effective date. The Company will apply the provisions of this accounting standard to all transactions described above prospectively from the date of adoption.

In April 2014, the FASB issued an accounting standard which 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. This update also requires additional financial statement disclosures about discontinued operations, as well as disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation. The Company has early adopted this standard and will apply the provisions of this accounting standard to all transactions described above prospectively.

Recently Issued Accounting Standards

In May 2014, the FASB issued an accounting standard which will supersede all existing revenue recognition guidance under current GAAP. The new standard requires the recognition of revenue to depict the transfer of promised goods or services to customers while exercising extensive judgment and use of estimates. The accounting standard is effective for the Company beginning with the quarter ending April 30, 2017 and may be adopted using either a full retrospective or a modified retrospective approach. The Company is currently in the process of assessing what impact this new standard may have on its consolidated financial position and results of operations.

Table of Contents

NOTE 2 — EARNINGS PER SHARE (“EPS”)

The Company reports a dual presentation of basic and diluted EPS. Basic EPS is computed by dividing net income by the weighted average number of shares outstanding during the reported period. Diluted EPS reflects the potential dilution related to equity-based incentives (further discussed in Note 4—Stock-Based Compensation) using the treasury stock method. The composition of basic and diluted EPS is as follows:

	Three months ended October 31,		Nine months ended October 31,	
	2014	2013	2014	2013
	(In thousands, except per share data)			
Net income	$41,700	$37,716	$94,495	$70,171
Weighted-average common shares - basic	38,253	38,060	38,212	38,004
Effect of dilutive securities:				
Equity-based awards	180	168	164	202
Weighted-average common shares - diluted	38,433	38,228	38,376	38,206
Net income per share:				
Basic	$1.09	$0.99	$2.47	$1.85
Diluted	$1.09	$0.99	$2.46	$1.84

For the three and nine months ended October 31, 2014 there were no shares excluded from the computation of diluted earnings per share because their effect would have been antidilutive. For the three and nine months ended October 31, 2013, there were 6,236 shares excluded from the computation of diluted earnings per share because their effect would have been antidilutive.

NOTE 3 — DEBT

The carrying value of the Company's outstanding debt consists of the following:

	October 31, 2014	January 31, 2014
	(In thousands)	
Senior Notes, interest at 3.75% payable semi-annually, due September 21, 2017	$350,000	$ 350,000
Less—unamortized debt discount	(776)	(974)
Senior Notes, net	349,224	349,026
Capital leases	4,862	5,662
Other committed and uncommitted revolving credit facilities, average interest rate of 5.14% and 6.15% at October 31, 2014 and January 31, 2014, respectively, expiring on various dates through fiscal 2017	45,926	42,914
	400,012	397,602
Less—current maturities (included as “Revolving credit loans and current maturities of long-term debt, net”)	(46,463)	(43,481)
Total long-term debt, less current maturities	$353,549	$ 354,121

Senior Notes

In September 2012, the Company issued $350.0 million aggregate principal amount of 3.75% Senior Notes in a public offering (the "Senior Notes"), resulting in cash proceeds of approximately $345.8 million, net of debt discount and debt issuance costs of approximately $1.3 million and $2.9 million, respectively. The debt issuance costs incurred in connection with the public offering are amortized over the life of the Senior Notes as additional interest expense using the effective interest method. The Company pays interest on the Senior Notes semi-annually in arrears on March 21

and September 21 of each year, ending on the maturity date of September 21, 2017. The Company, at its option, may redeem the Senior Notes at any time in whole or in part, at a redemption price equal to the greater of (i) 100% of the principal amount of the Senior Notes to be redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Senior Notes being redeemed, discounted at a rate equal to the sum of the applicable Treasury Rate plus 50 basis points, plus accrued and unpaid interest up to the date of redemption. The Senior Notes are

Table of Contents

senior, unsecured obligations of the Company and rank equally in right of payment with all of the Company's other unsecured and unsubordinated indebtedness.

Other Credit Facilities

The Company has a $500.0 million revolving credit facility with a syndicate of banks (the "Credit Agreement"), which among other things, i) provides for a maturity date of September 27, 2016, ii) provides for an interest rate on borrowings, facility fees and letter of credit fees based on the Company's non-credit enhanced senior unsecured debt rating as determined by Standard & Poor's Rating Service and Moody's Investor Service, and iii) may be increased to a maximum of $750.0 million, subject to certain conditions. The Credit Agreement includes various covenants, limitations and events of default customary for similar facilities for similarly rated borrowers, including a maximum debt to capitalization ratio and a minimum interest coverage ratio. The Company pays interest on advances under the Credit Agreement at the applicable LIBOR rate plus a predetermined margin that is based on the Company's debt rating. There were no amounts outstanding under the Credit Agreement at October 31, 2014 and January 31, 2014.

The Company also has an agreement with a syndicate of banks (the "Receivables Securitization Program") that allows the Company to transfer an undivided interest in a designated pool of U.S. accounts receivable, on an ongoing basis, to provide security or collateral for borrowings up to a maximum of $400.0 million. Under this program, the Company legally isolates certain U.S. trade receivables into a wholly-owned bankruptcy remote special purpose entity. Such receivables, which are recorded in the Consolidated Balance Sheet, totaled $705.9 million and $623.0 million at October 31, 2014 and January 31, 2014, respectively. As collections reduce accounts receivable balances included in the security or collateral pool, the Company may transfer interests in new receivables to bring the amount available to be borrowed up to the maximum. This program was renewed in August 2014 for a period of two years and interest is to be paid on advances under the Receivables Securitization Program at the applicable commercial paper or LIBOR rate plus an agreed-upon margin. There were no amounts outstanding under this program at October 31, 2014 and January 31, 2014.

In addition to the facilities described above, the Company has various other committed and uncommitted lines of credit and overdraft facilities totaling approximately $384.2 million at October 31, 2014 to support its operations. Most of these facilities are provided on an unsecured, short-term basis and are reviewed periodically for renewal. There was $45.9 million outstanding on these facilities at October 31, 2014, at a weighted average interest rate of 5.14%, and $42.9 million outstanding on these facilities at January 31, 2014, at a weighted average interest rate of 6.15%.

Certain of the Company's credit facilities contain limitations on the amounts of annual dividends and repurchases of common stock and require compliance with other obligations, warranties and covenants. The financial ratio covenants under these credit facilities include a maximum debt to capitalization ratio and a minimum interest coverage ratio. At October 31, 2014, the Company was in compliance with all such financial covenants. In light of these financial covenants, the Company's maximum borrowing availability on its credit facilities is approximately $966.1 million, of which $45.9 million was outstanding at October 31, 2014.

At October 31, 2014, the Company had also issued standby letters of credit of $77.0 million. These letters of credit typically act as a guarantee of payment to certain third parties in accordance with specified terms and conditions. The issuance of these letters of credit reduces the Company's borrowing availability under certain of the above-mentioned credit facilities.

NOTE 4 — STOCK-BASED COMPENSATION

For the nine months ended October 31, 2014 and 2013, the Company recorded $9.7 million and $6.9 million, respectively, of stock-based compensation expense, which is included in "selling, general and administrative expenses" in the Consolidated Statement of Income.

At October, 31, 2014, the Company had awards outstanding from two equity-based compensation plans, only one of which is currently active. The active plan was initially approved by the Company's shareholders in June 2009 and includes 4.0 million shares available for grant of which approximately 2.6 million shares remain available for future grant at October 31, 2014. Under the active plan, the Company is authorized to award officers, employees, and non-employee members of the Board of Directors restricted stock, options to purchase common stock, maximum

value stock-settled stock appreciation rights (“MV Stock-settled SARs”), maximum value options (“MVOs”), and performance awards that are dependent upon achievement of specified performance goals. Equity-based compensation awards have a maximum term of 10 years, unless a shorter period is specified by the Compensation Committee of the Board of Directors ("Compensation Committee") or is required under local law. Awards under the plans are priced as determined by the Compensation Committee, and under the terms of the Company’s active equity-based compensation plan, are required to be priced at, or above, the fair market value of the Company’s common stock on the date of grant. Awards generally vest between one and four years from the date of grant.

Table of Contents

A summary of the Company’s restricted stock activity for the nine months ended October 31, 2014 is as follows:

	Shares
Outstanding at January 31, 2014	284,204
Granted	453,289
Vested	(154,423)
Canceled	(27,570)
Outstanding at October 31, 2014	555,500

A summary of the activity of the Company’s MV Stock-settled SARs, MVOs and stock options for the nine months ended October 31, 2014 is as follows:

	Shares
Outstanding at January 31, 2014	329,788
Exercised	(268,279)
Outstanding at October 31, 2014	61,509

The Company’s policy is to utilize shares of its treasury stock, to the extent available, to satisfy its obligation to issue shares upon the exercise of awards.

NOTE 5 — FAIR VALUE MEASUREMENTS

The Company’s assets and liabilities carried or disclosed at fair value are classified in one of the following three categories: Level 1 – quoted market prices in active markets for identical assets and liabilities; Level 2 – inputs other than quoted market prices included in level 1 above that are observable for the asset or liability, either directly or indirectly; and Level 3 – unobservable inputs for the asset or liability. The classification of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following table summarizes the valuation of the Company's assets and liabilities that are measured at fair value on a recurring basis:

	October 31, 2014 Fair value measurement category			January 31, 2014 Fair value measurement category		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	(in thousands)					
Assets						
Foreign currency forward contracts		$7,083			$6,160	
Liabilities						
Foreign currency forward contracts		$1,432			$2,423	
Acquisition-related contingent consideration			$3,634			$10,571

The Company's foreign currency forward contracts are measured on a recurring basis based on foreign currency spot rates and forward rates quoted by banks or foreign currency dealers (Level 2 criteria) and are marked-to-market each period with gains and losses on these contracts recorded in the Consolidated Statement of Income on a basis consistent with the classification of the change in the fair value of the underlying transactions giving rise to these foreign currency exchange gains and losses in the period in which their value changes, with the offsetting amount for unsettled positions being included in either other current assets or other current liabilities in the Consolidated Balance Sheet. See further discussion below in Note 6 – Derivative Instruments.

The acquisition-related contingent consideration represents the future earnout payments related to the Company's acquisitions. The Company estimates the fair value of this Level 3 contingent consideration liability at each reporting date using a discounted cash flow analysis, which requires the evaluation of significant unobservable inputs that include projected revenues, expenses and cash flows, and assumed discount rates. Approximately $7.0 million of the acquisition-related contingent consideration was paid during the nine months ended October 31, 2014.

Table of Contents

The Company utilizes life insurance policies to fund the Company's nonqualified deferred compensation plan. The life insurance asset recorded by the Company is the amount that would be realized upon the assumed surrender of the policy. This amount is based on the underlying fair value of the invested assets contained within the life insurance policies. The gains and losses are recorded in the Consolidated Statement of Income within "other (income) expense, net." The related deferred compensation liability is also marked-to-market each period based upon the various investment return alternatives selected by the plan participants and the gains and losses are recorded in the Consolidated Statement of Income within "selling, general and administrative expenses." The net realizable value of the Company's life insurance investments and related deferred compensation liability at October 31, 2014 was $40.9 million and $35.8 million, respectively.

The $350 million of Senior Notes (discussed in Note 3 - Debt), are carried at cost, less unamortized debt discount. The estimated fair value of the Senior Notes was approximately $365.5 million at October 31, 2014, based upon quoted market information (Level 1 criteria).The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value because of the short maturity of these items. The carrying amount of debt outstanding pursuant to revolving credit facilities and loans payable approximates fair value as the majority of these instruments have variable interest rates which approximate current market rates (Level 2 criteria).

NOTE 6 — DERIVATIVE INSTRUMENTS

In the ordinary course of business, the Company is exposed to movements in foreign currency exchange rates. The Company's foreign currency risk management objective is to protect earnings and cash flows from the impact of exchange rate changes primarily through the use of foreign currency forward contracts to hedge both intercompany and third party loans, accounts receivable and accounts payable. These derivatives are not designated as hedging instruments.

The Company employs established policies and procedures to manage the exposure to fluctuations in the value of foreign currencies. It is the Company's policy to utilize financial instruments to reduce risks where internal netting cannot be effectively employed. Additionally, the Company does not enter into derivative instruments for speculative or trading purposes.

The Company's foreign currency exposure relates primarily to international transactions in Europe, Canada and Latin America, where the currency collected from customers can be different from the currency used to purchase the product. The Company's transactions in its foreign operations are denominated primarily in the following currencies: U.S. dollar, British pound, Canadian dollar, Chilean peso, Czech koruna, Danish krone, euro, Mexican peso, Norwegian krone, Peruvian new sol, Polish zloty, Romanian leu, Swedish krona and Swiss franc.

The Company considers inventory as an economic hedge against foreign currency exposure in accounts payable in certain circumstances. This practice offsets such inventory against corresponding accounts payable denominated in currencies other than the functional currency of the subsidiary buying the inventory, when determining the net exposure to be hedged using traditional forward contracts. Under this strategy, the Company would expect to increase or decrease selling prices for products purchased in foreign currencies based on fluctuations in foreign currency exchange rates affecting the underlying accounts payable. To the extent the Company incurs a foreign currency exchange loss (gain) on the underlying accounts payable denominated in the foreign currency, a corresponding increase (decrease) in gross profit would be expected as the related inventory is sold. This strategy can result in a certain degree of quarterly earnings volatility as the underlying accounts payable is remeasured using the foreign currency exchange rate prevailing at the end of each period, or settlement date if earlier, whereas the corresponding increase (decrease) in cost of gross profit is not realized until the related inventory is sold.

The Company classifies foreign currency exchange gains and losses on its derivative instruments used to manage its exposures to foreign currency denominated accounts receivable and accounts payable as a component of "cost of products sold" which is consistent with the classification of the change in fair value upon remeasurement of the underlying hedged accounts receivable or accounts payable. The Company classifies foreign currency exchange gains and losses on its derivative instruments used to manage its exposures to foreign currency denominated financing transactions as a component of "other (income) expense, net" which is consistent with the classification of the change in fair value upon remeasurement of the underlying hedged loans. The total amount recognized in earnings on the

Company's foreign currency forward contracts, which is included as a component of either “cost of products sold” or “other (income) expense, net”, was a net foreign currency exchange gain of $7.6 million and a net foreign currency exchange loss of $6.9 million, respectively, for the three months ended October 31, 2014 and 2013 and a net foreign currency exchange gain of $2.1 million and $13.6 million, respectively, for the nine months ended October 31, 2014 and 2013. The gains and losses on the Company’s foreign currency forward contracts are largely offset by the change in the fair value of the underlying hedged assets or liabilities.

The notional amount of forward exchange contracts is the amount of foreign currency to be bought or sold at maturity. Notional amounts are indicative of the extent of the Company’s involvement in the various types and uses of derivative financial instruments

12

Table of Contents

and are not a measure of the Company’s exposure to credit or market risks through its use of derivatives. The estimated fair value of derivative financial instruments represents the amount required to enter into similar offsetting contracts with similar remaining maturities based on quoted market prices.

The Company's monthly average notional amounts of derivative financial instruments outstanding during the three months ended October 31, 2014 and 2013 were $0.6 billion and $1.4 billion, respectively, with average maturities of 35 days and 30 days, respectively. As discussed above, under the Company's hedging policies, gains and losses on the derivative financial instruments are largely offset by the gains and losses on the underlying assets or liabilities being hedged.

The Company’s foreign currency forward contracts are also discussed in Note 5 – Fair Value Measurements.

NOTE 7 — COMMITMENTS AND CONTINGENCIES

Synthetic Lease Facility

The Company has a synthetic lease facility with a group of financial institutions (the “Synthetic Lease”) under which the Company leases certain logistics centers and office facilities from a third-party lessor. Properties leased under the Synthetic Lease are located in Clearwater and Miami, Florida; Fort Worth, Texas; Fontana, California; Suwanee, Georgia; Swedesboro, New Jersey; and South Bend, Indiana. The Synthetic Lease is accounted for as an operating lease and rental payments are calculated at the applicable LIBOR rate plus a margin based on the Company's credit ratings.

Upon not less than 30 days' notice, the Company, at its option, may purchase one or any combination of the properties, at an amount equal to each of the property's cost, as long as the lease balance does not decrease below a defined amount. Upon not less than 270 days, nor more than 360 days, prior to the lease expiration, the Company may, at its option, i) purchase a minimum of two of the properties, at an amount equal to each of the property's cost, ii) exercise the option to renew the lease for a minimum of two of the properties or iii) exercise the option to remarket a minimum of two of the properties and cause a sale of the properties. If the Company elects to remarket the properties, the Company has guaranteed the lessor a percentage of the cost of each property, in the aggregate amount of approximately $133.8 million. Future annual lease payments under the Synthetic Lease are approximately $2.6 million per year.

Guarantees

As is customary in the technology industry, to encourage certain customers to purchase products from Tech Data, the Company has arrangements with certain finance companies that provide inventory financing facilities to the Company’s customers. In conjunction with certain of these arrangements, the Company would be required to purchase certain inventory in the event the inventory is repossessed from the customers by the finance companies. As the Company does not have access to information regarding the amount of inventory purchased from the Company still on hand with the customer at any point in time, the Company’s repurchase obligations relating to inventory cannot be reasonably estimated. Repurchases of inventory by the Company under these arrangements have been insignificant to date. The Company believes that, based on historical experience, the likelihood of a material loss pursuant to these inventory repurchase obligations is remote.

The Company provides additional financial guarantees to finance companies on behalf of certain customers. The majority of these guarantees are for an indefinite period of time, where the Company would be required to perform if the customer is in default with the finance company related to purchases made from the Company. The Company reviews the underlying credit for these guarantees on at least an annual basis. As of October 31, 2014 and January 31, 2014, the outstanding amount of guarantees under these arrangements totaled $7.0 million and $13.4 million, respectively. The Company believes that, based on historical experience, the likelihood of a material loss pursuant to the above guarantees is remote.

Contingencies

Prior to fiscal 2004, one of the Company’s subsidiaries, located in Spain, was audited in relation to various value-added tax (“VAT”) matters. As a result of those audits, the Spanish subsidiary received notices of assessment from the Regional Inspection Unit of Spain's taxing authority that allege the subsidiary did not properly collect and remit VAT. The Spanish subsidiary appealed these assessments to the Madrid Central Economic Administrative Courts beginning in March 2010. Following the administrative court proceedings the matter was appealed to the

Spanish National Appellate Court. During the fourth quarter of fiscal year 2014, the Spanish National Appellate Court issued an opinion upholding the assessment for several of the assessed years. During the second quarter of fiscal year 2015, the Madrid Central Economic Administrative Court issued a decision revoking the penalties for certain of the assessed years. As a result of this decision, during the nine months ended October 31, 2014 the Company decreased its accrual for costs associated with this matter by $6.2 million, which is recorded in “value added tax assessment” in the Consolidated Statement of Income. The Company believes that the Spanish subsidiary's defense to the remaining assessments has solid legal grounds and is continuing to

Table of Contents

vigorously defend its position by appealing to the Spanish Supreme Court. The Company estimates the total exposure for these assessments, including various penalties and interest, was approximately $48.1 million and $56.4 million at October 31, 2014 and January 31, 2014, respectively, which is included in "accrued expenses and other liabilities" in the Consolidated Balance Sheet.

In December 2010, in a non-unanimous decision, a Brazilian appellate court overturned a 2003 trial court which had previously ruled in favor of the Company's Brazilian subsidiary related to the imposition of certain taxes on payments abroad related to the licensing of commercial software products, commonly referred to as "CIDE tax." The Company estimates the total exposure where the CIDE tax, including interest, may be considered due to be approximately $25.6 million and $25.3 million at October 31, 2014 and January 31, 2014, respectively. The Brazilian subsidiary has appealed the unfavorable ruling to the Supreme Court and Superior Court, Brazil's two highest appellate courts. Based on the legal opinion of outside counsel, the Company believes that the chances of success on appeal of this matter are favorable and the Brazilian subsidiary intends to vigorously defend its position that the CIDE tax is not due. However, due to the lack of predictability of the Brazilian court system, the Company has concluded that it is reasonably possible that the Brazilian subsidiary may incur a loss up to the total exposure described above. The Company believes the resolution of this litigation will not be material to the Company's consolidated net assets or liquidity; however, it could be material to the Company's operating results for any particular period, depending upon the level of income for such period. In addition to the CIDE tax matter discussed above, the Company's Brazilian subsidiary has been undergoing several examinations of non-income related taxes. Given the lack of predictability of the Brazilian tax system, the Company believes that it is reasonably possible that a loss may have been incurred. However, due to the early stages of the examination, the complex nature of the Brazilian tax system and the absence of communication from the local tax authorities regarding these examinations, the Company is currently unable to determine the likelihood of these examinations resulting in assessments or to estimate the amount of loss, if any, that may be reasonably possible if such assessment were to be made.

The Company is subject to various other legal proceedings and claims arising in the ordinary course of business. The Company's management does not expect that the outcome in any of these other legal proceedings, individually or collectively, will have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

NOTE 8 — SEGMENT INFORMATION

Tech Data operates predominantly in a single industry segment as a distributor of technology products, logistics management, and other value-added services. While the Company operates primarily in one industry, it is managed based on geographic segments: the Americas (including North America and South America) and Europe. The Company assesses performance of and makes decisions on how to allocate resources to its operating segments based on multiple factors including current and projected operating income and market opportunities. The Company does not consider stock-based compensation expense in assessing the performance of its operating segments, and therefore the Company reports stock-based compensation expense as a separate amount. The accounting policies of the segments are the same as those described in Note 1—Business and Summary of Significant Accounting Policies. Financial information by geographic segment is as follows:

Table of Contents

	Three months ended October 31,		Nine months ended October 31,	
	2014	2013	2014	2013
	(In thousands)		(In thousands)	
Net sales to unaffiliated customers:				
Americas [(1)]	$2,644,085	$2,571,750	$7,842,547	$7,489,078
Europe	4,117,096	3,801,814	12,488,594	11,359,719
Total	$6,761,181	$6,373,564	$20,331,141	$18,848,797
Operating income:				
Americas [(2)]	$42,194	$53,297	$107,331	$112,516
Europe [(3)] [(4)]	28,407	12,214	68,318	24,203
Stock-based compensation expense	(3,856)	(1,631)	(9,698)	(6,949)
Total	$66,745	$63,880	$165,951	$129,770
Depreciation and amortization:				
Americas	$4,224	$4,067	$12,530	$12,564
Europe	12,538	14,296	40,161	41,874
Total	$16,762	$18,363	$52,691	$54,438
Capital expenditures:				
Americas	$3,391	$1,730	$8,243	$5,348
Europe	4,361	4,273	10,977	15,589
Total	$7,752	$6,003	$19,220	$20,937

	As of October 31, 2014	January 31, 2014
	(In thousands)	
Identifiable assets:		
Americas	$2,193,403	$1,984,895
Europe	4,471,838	5,184,771
Total	$6,665,241	$7,169,666
Long-lived assets:		
Americas [(1)]	$22,508	$28,091
Europe	43,595	49,540
Total	$66,103	$77,631
Goodwill & acquisition-related intangible assets, net:		
Americas	$8,979	$8,936
Europe	344,350	386,919
Total	$353,329	$395,855

(1) Net sales to unaffiliated customers in the United States represented 86% and 87%, respectively, of the total Americas' net sales to unaffiliated customers for the three months ended October 31, 2014 and 2013. Net sales to unaffiliated customers in the United States represented 86% of the total Americas' net sales to unaffiliated customers for each of the nine months ended October 31, 2014 and 2013. Total long-lived assets in the United States represented 87% and 90% of the Americas' total long-lived assets at October 31, 2014 and January 31, 2014, respectively.

(2)

Operating income in the Americas for the three months ended October 31, 2014 and 2013 includes restatement and remediation related expenses of $0.9 million and $3.3 million, respectively, and LCD settlements of $5.1 million and $22.9 million, respectively. Operating income in the Americas for the nine months ended October 31, 2014 and 2013 includes restatement and remediation related expenses of $3.9 million and $8.1 million, respectively, and LCD settlements of $5.1 million and $22.9 million, respectively.

(3) Operating income in Europe for the three months ended October 31, 2014 and 2013 includes restatement and remediation related expenses of $1.2 million and $11.6 million, respectively. Operating income in Europe for the nine months ended October 31, 2014 and 2013 includes restatement and remediation related expenses of $15.7 million and $20.9 million, respectively.

(4) Operating income in Europe for the nine months ended October 31, 2014 includes a decrease in an accrual for a value added tax assessment of $6.2 million in one of the Company's subsidiaries in Spain.

Table of Contents

NOTE 9 — SUBSEQUENT EVENTS

On December 4, 2014, the Company's Board of Directors authorized a share repurchase program of up to $100.0 million of the Company's common stock.

Table of Contents

ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

This Quarterly Report on Form 10-Q, including this Management's Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”), contains forward-looking statements, as described in the “safe harbor” provision of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks and uncertainties and actual results could differ materially from those projected. These forward-looking statements regarding future events and the future results of Tech Data Corporation (“Tech Data”, “we”, “our”, “us” or the “Company”) are based on curren expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as “expects,” “anticipates,” “targets,” “goals,” “projects,” “intends,” “plans,” “be “seeks,” “estimates,” variations of such words, and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances, are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Readers are referred to the cautionary statements and important factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended January 31, 2014 for further information. We undertake no obligation to revise or update publicly any forward-looking statements for any reason.

Overview

Tech Data is one of the world’s largest wholesale distributors of technology products. We serve as an indispensable link in the technology supply chain by bringing products from the world’s leading technology vendors to market, as well as providing our customers with advanced logistics capabilities and value-added services. Our customers include value-added resellers, direct marketers, retailers and corporate resellers who support the diverse technology needs of end users. We manage our business in two geographic segments: the Americas (including North America and South America) and Europe.

Our financial objectives are to grow sales at or above the overall IT market growth rate by gaining share in select product areas, grow earnings in local currency, generate positive cash flow, and earn a return on invested capital above our weighted average cost of capital. To achieve this, we are focused on a strategy of execution, diversification and innovation that we believe differentiates our business in the marketplace.

The fundamental element of our strategy is execution. Our execution strategy is supported by our highly efficient infrastructure, combined with our multiple service offerings, to generate demand, develop markets and provide supply chain services for our vendors and customers. The technology distribution industry in which we operate is characterized by narrow gross profit as a percentage of sales (“gross margin”) and narrow income from operations as a percentage of sales (“operating margin”). Historically, our gross and operating margins have been impacted by intense price competition and declining average selling prices per unit, as well as changes in terms and conditions with our vendors, including those terms related to rebates, price protection, product returns and other incentives. We expect these conditions to continue in the foreseeable future and, therefore, we will continue to proactively evaluate our pricing policies and inventory management practices in response to potential changes in our vendor terms and conditions and the general market environment. More than 90% of the Company's net sales are on one common IT platform, which we believe provides us significant competitive advantages in the area of supply chain services, on-boarding new vendors and products faster and improving our ability to rapidly respond to changes in the market.

In addition to execution, our strategy includes ongoing diversification and realignment of our customer and product portfolios to better balance our overall performance and improve long-term profitability throughout our operations. Our broadline distribution business, characterized as high volume, more commoditized offerings, and comprised primarily of personal computer systems, tablets, peripherals, supplies and other similar products, remains a core part of our business and represents a significant percentage of our revenue, albeit not a majority. However, as technology advances, we have continued to evolve our business model, product mix, and value-added offerings in order to provide our vendors with the most efficient distribution channel for their products, and our customers with a broad

array of innovative solutions to sell. We have responded to a changing IT landscape with investments in specialty areas, including the data center, software, mobility and consumer electronics, which collectively now comprise more than 50% of our consolidated net sales.

On November 1, 2012, we completed the acquisition of several distribution companies of Specialist Distribution Group (collectively "SDG"), the distribution arm of Specialist Computer Holdings PLC, a privately-held IT services company headquartered in the United Kingdom, for a final purchase price of approximately $358 million. SDG is a leading distributor of value and broadline IT products in the UK, France and the Netherlands. We believe the acquisition of SDG supports our diversification strategy by strengthening our

European value and broadline offerings in key markets and expanding our vendor and customer portfolios, while leveraging our existing pan-European infrastructure.

Another strategic area of investment is our integrated supply chain services designed to provide innovative third party logistics and other offerings to our business partners. We have seen these offerings grow within our European mobility and broadline businesses in both geographies. These services have an extensive sales and implementation cycle and while their return on investment is not immediate, we remain confident about our ability to profitably grow this business. Our evolving mix of products, services, customers and geographies is important in achieving our strategic financial goals. As we execute our diversification strategy we continuously monitor the extension of credit and other terms and conditions offered to our customers to prudently balance risk, profitability and return on invested capital.

The final tenet of our strategy is innovation. Our IT systems and e-business tools and programs have provided our business with the flexibility to effectively navigate fluctuations in market conditions, structural changes in the technology industry, as well as changes created by the products we sell. An example of our investment in innovation and one that we believe is providing us with the flexibility to meet the demands of the ever-evolving technology market, is our continued deployment of internal IT systems across both our Americas and European regions, including the integration of SDG, which was completed in the first quarter of fiscal 2015. We believe our global IT systems provide us with a competitive advantage allowing us to drive efficiencies throughout our business while delivering innovative solutions for our business partners.

We believe our strategy of execution, diversification and innovation has differentiated us in the markets we serve and we believe we have opportunities for further gains in market share as our customer satisfaction ratings continue to improve. We also continually evaluate the current and potential profitability and return on our investments in all geographies and consider changes in current and future investments based on risks, opportunities and current and anticipated market conditions. In connection with these evaluations, we may incur additional costs to the extent we decide to increase or decrease our investments in certain geographies. We will also continue to evaluate targeted strategic investments across our operations and new business opportunities and invest in those markets and product segments we believe provide us with the greatest opportunities for profitable growth. Finally, from a balance sheet perspective, we require working capital primarily to finance accounts receivable and inventory. We have historically relied upon debt, trade credit from our vendors, and accounts receivable financing programs for our working capital needs. At October 31, 2014, we had a debt to total capital ratio (calculated as total debt divided by the aggregate of total debt and total equity) of 16%.

Recent Accounting Pronouncements and Legislation

See Note 1 of Notes to Consolidated Financial Statements for the discussion on recent accounting pronouncements.

Table of Contents

Results of Operations

We do not consider stock-based compensation expense in assessing the performance of our operating segments, and therefore the Company reports stock-based compensation expense separately. The following table summarizes our net sales, change in net sales and operating income by geographic region for the three and nine months ended October 31, 2014 and 2013:

	Three months ended October 31, 2014		Three months ended October 31, 2013	
	$	% of net sales	$	% of net sales
Net sales by geographic region ($ in thousands):				
Americas	$2,644,085	39.1 %	$2,571,750	40.4 %
Europe	4,117,096	60.9	3,801,814	59.6
Total	$6,761,181	100.0 %	$6,373,564	100.0 %

	Nine months ended October 31, 2014		Nine months ended October 31, 2013	
	$	% of net sales	$	% of net sales
Net sales by geographic region ($ in thousands):				
Americas	$7,842,547	38.6 %	$7,489,078	39.7 %
Europe	12,488,594	61.4	11,359,719	60.3
Total	$20,331,141	100.0 %	$18,848,797	100.0 %

	Three months ended October 31,		Nine months ended October 31,	
	2014	2013	2014	2013
Year-over-year increase (decrease) in net sales (%):				
Americas (US$)	2.8 %	8.6 %	4.7 %	3.5 %
Europe (US$)	8.3 %	3.6 %	9.9 %	6.3 %
Europe (Euro)	12.7 %	(1.5)%	8.1 %	3.3 %
Total (US$)	6.1 %	5.6 %	7.9 %	5.2 %

	Three months ended October 31, 2014		Three months ended October 31, 2013	
	$	% of net sales	$	% of net sales
Operating income ($ in thousands):				
Americas	$42,194	1.60 %	$53,297	2.07 %
Europe	28,407	0.69 %	12,214	0.32 %
Stock-based compensation expense	(3,856)	(0.06)%	(1,631)	(0.03)%
Total	$66,745	0.99 %	$63,880	1.00 %

	Nine months ended October 31, 2014		Nine months ended October 31, 2013	
	$	% of net sales	$	% of net sales
Operating income ($ in thousands):				
Americas	$107,331	1.37 %	$112,516	1.50 %
Europe	68,318	0.55 %	24,203	0.21 %
Stock-based compensation expense	(9,698)	(0.05)%	(6,949)	(0.04)%
Total	$165,951	0.82 %	$129,770	0.69 %

19

Table of Contents

	Three months ended October 31, 2014		Three months ended October 31, 2013	
	$	% of net sales	$	% of net sales
Non-GAAP operating income ($ in thousands):				
Americas	$38,182	1.44 %	$33,714	1.31 %
Europe	36,477	0.89 %	31,269	0.82 %
Stock-based compensation expense	(3,856)	(0.06)%	(1,631)	(0.03)%
Total	$70,803	1.05 %	$63,352	0.99 %

	Nine months ended October 31, 2014		Nine months ended October 31, 2013	
	$	% of net sales	$	% of net sales
Non-GAAP operating income ($ in thousands):				
Americas	$106,719	1.36 %	$97,699	1.30 %
Europe	99,231	0.79 %	66,902	0.59 %
Stock-based compensation expense	(9,698)	(0.05)%	(6,949)	(0.04)%
Total	$196,252	0.97 %	$157,652	0.84 %

Table of Contents

Non-GAAP financial data

Management believes that the presentation of non-GAAP operating income, non-GAAP net income and non-GAAP net income per diluted share is useful to investors because it provides a meaningful comparison of our performance between periods. The following tables provide a detailed reconciliation between results reported in accordance with generally accepted accounting principles in the United States ("GAAP") and non-GAAP financial measures.

	Three months ended October 31,	
	2014	2013
	(In thousands, except per share amounts)	
GAAP to non-GAAP reconciliation of operating income - Americas:		
Operating income - Americas	$42,194	$53,297
Restatement and remediation related expenses	877	3,331
LCD settlements	(5,059)	(22,914)
Acquisition-related intangible assets amortization expense	170	0
Non-GAAP operating income - Americas	$38,182	$33,714
GAAP to non-GAAP reconciliation of operating income - Europe:		
Operating income - Europe	$28,407	$12,214
Restatement and remediation related expenses	1,187	11,648
Acquisition-related intangible assets amortization expense	6,883	7,407
Non-GAAP operating income - Europe	$36,477	$31,269
Consolidated GAAP to non-GAAP reconciliation of operating income:		
Operating income	$66,745	$63,880
Restatement and remediation related expenses	2,064	14,979
LCD settlements	(5,059)	(22,914)
Acquisition-related intangible assets amortization expense	7,053	7,407
Non-GAAP operating income	$70,803	$63,352
GAAP to non-GAAP reconciliation of net income:		
Net income	$41,700	$37,716
Restatement and remediation related expenses, net of tax	1,585	10,710
LCD settlements, net of tax	(3,162)	(14,207)
Acquisition-related intangible assets amortization expense, net of tax	5,181	5,418
Non-GAAP net income	$45,304	$39,637
GAAP to non-GAAP reconciliation of net income per share - diluted:		
Net income per share - diluted	$1.09	$0.99
Restatement and remediation related expenses, net of tax	0.04	0.28
LCD settlements, net of tax	(0.08)	(0.37)
Acquisition-related intangible assets amortization expense, net of tax	0.13	0.14
Non-GAAP net income per share - diluted	$1.18	$1.04

Table of Contents

	Nine months ended October 31,	
	2014	2013
	(In thousands, except per share amounts)	
GAAP to non-GAAP reconciliation of operating income - Americas:		
Operating income - Americas	$107,331	$112,516
Restatement and remediation related expenses	3,937	8,097
LCD settlements	(5,059)	(22,914)
Acquisition-related intangible assets amortization expense	510	0
Non-GAAP operating income - Americas	$106,719	$97,699
GAAP to non-GAAP reconciliation of operating income - Europe:		
Operating income - Europe	$68,318	$24,203
Restatement and remediation related expenses	15,741	20,868
Value added tax assessment	(6,229)	0
Acquisition-related intangible assets amortization expense	21,401	21,831
Non-GAAP operating income - Europe	$99,231	$66,902
Consolidated GAAP to non-GAAP reconciliation of operating income:		
Operating income	$165,951	$129,770
Restatement and remediation related expenses	19,678	28,965
LCD settlements	(5,059)	(22,914)
Value added tax assessment	(6,229)	0
Acquisition-related intangible assets amortization expense	21,911	21,831
Non-GAAP operating income	$196,252	$157,652
GAAP to non-GAAP reconciliation of net income:		
Net income	$94,495	$70,171
Restatement and remediation related expenses, net of tax	14,672	20,657
LCD settlements, net of tax	(3,162)	(14,207)
Value added tax assessment, net of tax	(6,229)	0
Acquisition-related intangible assets amortization expense, net of tax	16,064	15,968
Non-GAAP net income	$115,840	$92,589
GAAP to non-GAAP reconciliation of net income per share - diluted:		
Net income per share - diluted	$2.46	$1.84
Restatement and remediation related expenses, net of tax	0.38	0.54
LCD settlements, net of tax	(0.08)	(0.37)
Value added tax assessment, net of tax	(0.16)	0.00
Acquisition-related intangible assets amortization expense, net of tax	0.42	0.41
Non-GAAP net income per share - diluted	$3.02	$2.42

Table of Contents

The following table sets forth our Consolidated Statement of Income as a percentage of net sales for the three and nine months ended October 31, 2014 and 2013, as follows:

	Three months ended October 31,		Nine months ended October 31,	
	2014	2013	2014	2013
Net sales	100.00 %	100.00 %	100.00 %	100.00 %
Cost of products sold	95.05	94.88	94.97	94.88
Gross profit	4.95	5.12	5.03	5.12
Operating expenses:				
Selling, general and administrative expenses	4.01	4.24	4.17	4.40
Restatement and remediation related expenses	0.03	0.24	0.10	0.15
LCD settlements	(0.08)	(0.36)	(0.03)	(0.12)
Value added tax assessment	0.00	0.00	(0.03)	0.00
	3.96	4.12	4.21	4.43
Operating income	0.99	1.00	0.82	0.69
Interest expense	0.10	0.10	0.10	0.10
Other (income) expense, net	0.00	(0.01)	0.01	(0.01)
Income before income taxes	0.89	0.91	0.71	0.60
Provision for income taxes	0.27	0.32	0.25	0.23
Net income	0.62 %	0.59 %	0.46 %	0.37 %

Three and nine months ended October 31, 2014 and 2013

Net Sales

Our consolidated net sales were $6.8 billion in the third quarter of fiscal 2015, an increase of 6.1% when compared to the third quarter of fiscal 2014. The weakening of certain foreign currencies against the U.S. dollar negatively impacted our year-over-year net sales comparison by approximately three percentage points. Excluding the negative impact of the weakening of certain foreign currencies against the U.S. dollar in fiscal 2015, consolidated net sales increased by approximately 9% in comparison with the same period of the prior fiscal year. On a regional basis, during the third quarter of fiscal 2015, net sales in the Americas were $2.6 billion, an increase of 2.8% when compared to the third quarter of the prior year. Net sales in Europe were $4.1 billion in the third quarter of fiscal 2015, an increase of 8.3% when compared to the third quarter of the prior year (an increase of 12.7% on a euro basis).

On a year-to-date basis, net sales were $20.3 billion during the first nine months of fiscal 2015, an increase of 7.9% when compared to the first nine months of fiscal 2014. The strengthening of certain foreign currencies against the U.S. dollar positively impacted our year-over-year net sales comparison by approximately one percentage point. Excluding the positive impact of the strengthening of certain foreign currencies against the U.S. dollar in fiscal 2015, consolidated net sales increased by approximately 7% in comparison with the same period of the prior fiscal year. On a regional basis, during the first nine months of fiscal 2015, net sales in the Americas increased by 4.7% when compared to the first nine months of fiscal 2014 and increased by 9.9% in Europe (an increase of 8.1% on a euro basis).

The increase in net sales in the Americas during the third quarter and first nine months of fiscal 2015 is primarily attributable to stronger demand for broadline products, particularly personal computer systems. The increase in net sales in Europe (in Euros) during the third quarter and first nine months of fiscal 2015 is primarily attributable to stronger demand for broadline products, particularly personal computer systems, and mobility products.

We sell products purchased from the world's leading peripheral, system, software and networking vendors. Products purchased from Hewlett Packard Company and Apple, Inc. approximated 20% and 16%, respectively, of our net sales for the three months ended October 31, 2014 and approximated 20% and 14%, respectively, of our net sales for the nine months ended October 31, 2014. Products purchased from Hewlett Packard Company and Apple, Inc. approximated 23% and 11%, respectively, of our net sales for the three months ended October 31, 2013 and

approximated 21% and 11%, respectively, of our net sales for the nine months ended October 31, 2013. There were no other vendors or any customers that exceeded 10% of our consolidated net sales for the three and nine months ended October 31, 2014 and 2013.

Table of Contents

Gross Profit

Gross profit as a percentage of net sales (“gross margin”) during the third quarter of fiscal 2015 was 4.95%, a decrease of 17 basis points compared to the 5.12% gross margin in the third quarter of fiscal 2014. On a year-to-date basis, gross margin decreased to 5.03% for the first nine months of fiscal 2015 compared to 5.12% in the comparable period of the prior fiscal year. The decrease in gross margin in the third quarter and first nine months of fiscal 2015 compared to the same period of the prior year is primarily attributable to changes in product and customer mix.

Selling, general and administrative expenses (“SG&A”)

SG&A as a percentage of net sales decreased to 4.01% in the third quarter of fiscal 2015, compared to 4.24% in the third quarter of fiscal 2014. On a year-to-date basis, SG&A as a percentage of net sales decreased to 4.17% compared to 4.40% in the first nine months of the prior fiscal year. The year-over-year decrease in SG&A as a percentage of net sales is primarily due to greater operating leverage as we generated solid sales growth while keeping our costs relatively flat, primarily in Europe. In absolute dollars, SG&A increased by $1.1 million to $271.2 million in the third quarter of fiscal 2015 compared to the third quarter of fiscal 2014 and increased by $18.8 million to $847.3 million in the first nine months of fiscal 2015 compared to the same period of the prior year. The increase in SG&A during the first nine months of fiscal 2015 compared to the same periods of the prior year is primarily attributable to the impact of the strengthening of certain foreign currencies against the U.S. dollar.

Restatement and remediation related expenses

Restatement and remediation related expenses primarily include legal, accounting and third party consulting fees associated with (i) the restatement of certain of the Company's consolidated financial statements and other financial information from fiscal 2009 to fiscal 2013, (ii) the Audit Committee investigation to review the Company's accounting practices, (iii) incremental external audit and supplemental procedures by the Company in connection with the preparation of the Company's financial statements, and (iv) other incremental legal, accounting and consulting fees incurred as a result of the Company's restatement related investigation or in connection with the Company's remediation of material weaknesses and other control deficiencies identified during the restatement. During the third quarter of fiscal 2015 and 2014, the Company incurred restatement and remediation related expenses of approximately $2.1 million and $15.0 million, respectively. During the first nine months of fiscal 2015 and 2014, the Company incurred restatement and remediation related expenses of approximately $19.7 million and $29.0 million, respectively.

LCD Settlements

The Company has been a claimant in proceedings seeking damages from certain manufacturers of LCD flat panel displays. During the third quarter of fiscal 2015 and 2014, the Company reached settlement agreements with certain manufacturers in the amount of $5.1 million and $22.9 million, respectively, net of all attorney fees and expenses, which is recorded in "LCD settlements" in the Consolidated Statement of Income.

Value Added Tax Assessment

Prior to fiscal 2004, one of our subsidiaries in Spain was audited in relation to various value-added tax (“VAT”) matters. As a result of those audits, the subsidiary received notices of assessment that allege the subsidiary did not properly collect and remit VAT. During the second quarter of fiscal year 2015, an administrative court issued a decision revoking the penalties for certain of the assessed years. As a result of this decision, during the nine months ended October 31, 2014 the Company decreased its accrual for costs associated with this matter by $6.2 million (see Note 7 of Notes to Consolidated Financial Statements for further discussion).

Other (Income) Expense, Net

Other (income) expense, net consists primarily of gains and losses on investments in life insurance policies to fund the Company's nonqualified deferred compensation plan, interest income, discounts on the sale of accounts receivable and net foreign currency exchange gains and losses on certain financing transactions and the related derivative instruments used to hedge such financing transactions. Other (income) expense, net, was $0.2 million of income in the third

quarter of fiscal 2015 compared to $0.4 million of income in the third quarter of the prior year. On a year-to-date basis, other (income) expense, net, was $0.8 million of expense in the first nine months of fiscal 2015 compared to $1.9 million of income in the first nine months of the prior year. The change in other (income) expense, net, during the first nine months of fiscal 2015 is primarily attributable to a decrease in net foreign currency exchange gains on certain financing transactions and an increase in discount expense on the sale of accounts receivable, as compared to the same period of the prior fiscal year.

Table of Contents

Provision for Income Taxes

Our effective tax rate was 31.1% in the third quarter of fiscal 2015 and 35.1% in the third quarter of fiscal 2014. Our effective tax rate was 34.6% for the first nine months of fiscal 2015 compared to 37.5% for the same period of the prior year. The change in the effective rate for both the third quarter and first nine months of fiscal 2015 compared to the same periods of the prior year is primarily the result of the relative mix of earnings and losses within the tax jurisdictions in which we operate, including decreases in losses in tax jurisdictions where we are not able to record a tax benefit, as well as the resolution of certain discrete tax items.

On an absolute dollar basis, the provision for income taxes decreased 8.1% to $18.8 million for the third quarter of fiscal 2015 compared to $20.4 million in the same period of fiscal 2014. The decrease in the provision for income taxes in the third quarter of fiscal 2015 compared to the same period of the prior year is primarily due to the lower effective tax rate as a result of the relative mix of earnings and losses within the tax jurisdictions in which we operate.

The provision for income taxes increased 18.8% to $50.0 million for the first nine months of fiscal 2015 compared to $42.1 million for the same period of the prior fiscal year. The increase in the provision for income taxes in the first nine months of fiscal 2015 compared to the same period of the prior fiscal year is primarily due to an increase in taxable earnings in certain countries in which we operate and the impact of discrete tax items.

The effective tax rate differed from the U.S. federal statutory rate of 35% during these periods primarily due to the relative mix of earnings or losses within the tax jurisdictions in which we operate such as: i) losses in tax jurisdictions where we are not able to record a tax benefit; ii) earnings in tax jurisdictions where we have previously recorded a valuation allowance on deferred tax assets; and iii) earnings in lower-tax jurisdictions for which no U.S. taxes have been provided because such earnings are planned to be reinvested indefinitely outside the United States.

Our future effective tax rates will continue to be affected by changes in the relative mix of taxable income and taxable loss jurisdictions, changes in the valuation of our deferred tax assets or liabilities, or changes in tax laws or interpretations thereof. We monitor the assumptions used in estimating the annual effective tax rate and make adjustments, if required, throughout the year. If actual results differ from the assumptions used in estimating our annual effective income tax rates, future income tax expense could be materially affected.

In addition, our income tax returns are subject to continuous examination by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes from these examinations to determine the adequacy of our provision for income taxes. To the extent we prevail in matters for which accruals have been established or we are required to pay amounts in excess of such accruals, our effective tax rate could be materially affected.

Liquidity and Capital Resources

Our discussion of liquidity and capital resources includes an analysis of our cash flows and capital structure for all periods presented.

Cash Flows

The following table summarizes our Consolidated Statement of Cash Flows for the nine months ended October 31, 2014 and 2013:

	Nine months ended October 31,	
	2014	2013
	(In thousands)	
Net cash (used in) provided by:		
Operating activities	$(57,979)	$265,973
Investing activities	(12,099)	(14,412)
Financing activities	(1,212)	(125,137)
Effect of exchange rate changes on cash and cash equivalents	(33,073)	4,037
Net (decrease) increase in cash and cash equivalents	$(104,363)	$130,461

As a distribution company, our business requires significant investment in working capital, particularly accounts receivable and inventory, partially financed through our accounts payable to vendors. An important driver of our

operating cash flows is our cash conversion cycle (also referred to as “net cash days”). Our net cash days are defined as days of sales outstanding in accounts receivable (“DSO”) plus days of supply on hand in inventory (“DOS”), less days of purchases outstanding in accounts payable

25

Table of Contents

("DPO"). We manage our cash conversion cycle on a daily basis throughout the year and our reported financial results reflect that cash conversion cycle at the balance sheet date.

The following table presents the components of our cash conversion cycle, in days, as of October 31, 2014 and January 31, 2014:

	As of October 31, 2014	As of January 31, 2014
Days of sales outstanding	41	37
Days of supply in inventory	33	29
Days of purchases outstanding	(50)	(47)
Cash conversion cycle (days)	24	19

We experienced a five day increase in cash days at October 31, 2014 compared to January 31, 2014 which is largely due to the timing of both cash receipts from customers and payments to our vendors. Our cash days at October 31, 2014 remains within the higher end of our targeted range.

Net cash used in operating activities was $58.0 million in the first nine months of fiscal 2015 compared to net cash provided by operating activities of $266.0 million for the same period of the prior year. The decrease in cash resulting from operating activities in the first nine months of fiscal 2015 compared to the same period of the prior year can be primarily attributed to the timing of both cash receipts from our customers and payments to our vendors.

Net cash used in investing activities of $12.1 million during the first nine months of fiscal 2015 is the result of the continuing expansion and upgrading of our IT systems, office facilities and equipment for our logistics centers in both the Americas and Europe, partially offset by $7.1 million of proceeds from the sale of a building. We expect to make total capital expenditures of approximately $32.0 million during fiscal 2015 for equipment and machinery in our logistics centers, office facilities and IT systems.

Net cash used in investing activities of $14.4 million during the first nine months of fiscal 2014 is primarily the result of $20.9 million of expenditures for the continuing expansion and upgrading of our IT systems, office facilities and equipment for our logistics centers in both the Americas and Europe, partially offset by $8.0 million of cash received related to the final settlement of the SDG purchase price during the first quarter of fiscal 2014.

Net cash used in financing activities of $1.2 million during the first nine months of fiscal 2015 is primarily due to $5.0 million of acquisition earnout payments, partially offset by $2.8 million of net borrowings on our revolving credit lines. Net cash used in financing activities of $125.1 million during the first nine months of fiscal 2014 is primarily the result of $120.6 million of net repayments on our revolving credit lines and $6.2 million related to acquisition earn-out payments.

Capital Resources and Debt Compliance

Our debt to total capital ratio was 16% at October 31, 2014. We believe a conservative approach to our capital structure will continue to support us in the current global economic environment. As part of our capital structure and to provide us with significant liquidity, we have a diverse range of financing facilities across our geographic regions with various financial institutions. Also providing us liquidity are our cash and cash equivalents balances across our regions, which are deposited and/or invested with various financial institutions. We are exposed to risk of loss on funds deposited with these financial institutions, however, we monitor our financing and depository financial institution partners regularly for credit quality. We believe that our existing sources of liquidity, including our financing facilities, cash resources and cash provided by operating activities are sufficient to meet our working capital needs and cash requirements for at least the next 12 months. At October 31, 2014, we had approximately $466 million in cash and cash equivalents, of which $400 million was held in our foreign subsidiaries. As discussed above, the Company currently has sufficient resources, cash flows and liquidity within the United States to fund current and expected future working capital requirements. Historically, the Company has utilized and reinvested cash earned outside the United States to fund foreign operations and expansion, and plans to continue reinvesting such earnings

and future earnings indefinitely outside of the United States. If the Company’s plans for the use of cash earned outside of the United States change in the future, cash and cash equivalents held by our foreign subsidiaries could not be repatriated to the United States without potential negative income tax consequences.

The following is a discussion of our various financing facilities:

Table of Contents

Senior Notes

In September 2012, the Company issued $350.0 million aggregate principal amount of 3.75% Senior Notes in a public offering (the "Senior Notes"), resulting in cash proceeds of approximately $345.8 million, net of debt discount and debt issuance costs of approximately $1.3 million and $2.9 million, respectively. The debt issuance costs incurred in connection with the public offering are amortized over the life of the Senior Notes as additional interest expense using the effective interest method. We pay interest on the Senior Notes semi-annually in arrears on March 21 and September 21 of each year, ending on the maturity date of September 21, 2017. We may, at our option, redeem the Senior Notes at any time in whole or in part, at a redemption price equal to the greater of (i) 100% of the principal amount of the Senior Notes to be redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Senior Notes being redeemed, discounted at a rate equal to the sum of the applicable Treasury Rate plus 50 basis points, plus accrued and unpaid interest up to the date of redemption. The Senior Notes are senior, unsecured obligations of the Company and rank equally in right of payment with all of our other unsecured and unsubordinated indebtedness.

Other Credit Facilities

We have a $500.0 million revolving credit facility with a syndicate of banks (the "Credit Agreement"), which, among other things, i) provides for a maturity date of September 27, 2016, ii) provides for an interest rate on borrowings, facility fees and letter of credit fees based on our non-credit enhanced senior unsecured debt rating as determined by Standard & Poor's Rating Service and Moody's Investor Service, and iii) may be increased to a maximum of $750.0 million, subject to certain conditions. The Credit Agreement includes various covenants, limitations and events of default customary for similar facilities for similarly rated borrowers, including a maximum debt to capitalization ratio and a minimum interest coverage ratio. We pay interest on advances under the Credit Agreement at the applicable LIBOR rate plus a predetermined margin that is based on our debt rating. There were no amounts outstanding under the Credit Agreement at October 31, 2014 and January 31, 2014.

We also have an agreement with a syndicate of banks (the "Receivables Securitization Program") that allows us to transfer an undivided interest in a designated pool of U.S. accounts receivable, on an ongoing basis, to provide security or collateral for borrowings up to a maximum of $400.0 million. Under this program, the Company legally isolates certain U.S. trade receivables into a wholly-owned bankruptcy remote special purpose entity. Such receivables, which are recorded in the Consolidated Balance Sheet, totaled $705.9 million and $623.0 million at October 31, 2014 and January 31, 2014, respectively. As collections reduce accounts receivable balances included in the security or collateral pool, the Company may transfer interests in new receivables to bring the amount available to be borrowed up to the maximum. The Receivables Securitization Program was renewed in August 2014 for a period of two years and interest is to be paid on advances at the applicable commercial paper or LIBOR rate plus an agreed-upon margin. There were no amounts outstanding under this program at October 31, 2014 and January 31, 2014.

In addition to the facilities described above, we have various other committed and uncommitted lines of credit and overdraft facilities totaling approximately $384.2 million at October 31, 2014 to support our operations. Most of these facilities are provided on an unsecured, short-term basis and are reviewed periodically for renewal. There was $45.9 million outstanding on these facilities at October 31, 2014, at a weighted average interest rate of 5.14%, and $42.9 million outstanding at January 31, 2014, at a weighted average interest rate of 6.15%.

Certain of our credit facilities contain limitations on the amounts of annual dividends and repurchases of common stock and require compliance with other obligations, warranties and covenants. The financial ratio covenants within these credit facilities include a debt to capitalization ratio and a minimum interest coverage ratio. At October 31, 2014, we were in compliance with all such financial covenants. In light of these financial covenants, the Company's maximum borrowing availability on its credit facilities is approximately $966.1 million, of which $45.9 million was outstanding at October 31, 2014.

At October 31, 2014, we had also issued standby letters of credit of $77.0 million. These letters of credit typically act as a guarantee of payment to certain third parties in accordance with specified terms and conditions. The issuance of these letters of credit reduces our borrowing availability under certain of the above-mentioned credit facilities.

Accounts Receivable Purchase Agreements

We have uncommitted accounts receivable purchase agreements under which certain accounts receivable may be sold, without recourse, to third-party financial institutions. Under these programs, we may sell certain accounts receivable in exchange for cash less a discount, as defined in the agreements. Available capacity under these programs, which we use as a source of working capital funding, is dependent on the level of accounts receivable eligible to be sold into these programs and the financial institutions' willingness to purchase such receivables. In addition, certain of these agreements also require that we continue to service, administer and collect the sold accounts receivable. At October 31, 2014 and January 31, 2014, the Company had a total of $333.3 million and $263.7 million, respectively, of accounts receivable sold to and held by financial institutions under these agreements. During the three months ended October 31, 2014 and 2013, discount fees recorded under these facilities were $0.7 million and $0.6 million,

Table of Contents

respectively, and during the nine months ended October 31, 2014 and 2013, discount fees recorded under these facilities were $3.4 million and $2.0 million, respectively. These discount fees are included as a component of "other (income) expense, net" in our Consolidated Statement of Income.

Table of Contents

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

For a description of the Company’s market risks, see “Part II, Item 7A. Qualitative and Quantitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the fiscal year ended January 31, 2014. No material changes have occurred in our market risks since January 31, 2014.

Table of Contents

ITEM 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the specified time period. Tech Data's management, with the participation of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of October 31, 2014. Based on that evaluation and considering the material weaknesses in internal control over financial reporting reported in Part II, Item 9A of the Annual Report on Form 10-K for the fiscal year ended January 31, 2014, the Company's CEO and CFO concluded that the Company's disclosure controls and procedures were not effective as of October 31, 2014.

The Company engaged significant internal and external resources to perform supplemental procedures to assist in reviewing its financial statements and accounting practices for accuracy in light of the material weaknesses referred to above.

Changes in Internal Control Over Financial Reporting

Except as discussed below, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with management's evaluation during our third quarter of fiscal 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Previously Identified Material Weaknesses

As reported in our Annual Report on Form 10-K for the fiscal year ended January 31, 2014, management identified the following material weaknesses in internal control over financial reporting: (i) inadequate control environment in a United Kingdom subsidiary and two other European subsidiaries; (ii) inadequate controls over manual journal entries in Europe and in two subsidiaries in Latin America; (iii) inadequate account reconciliation procedures in Europe over certain aspects of vendor accounting; and (iv) inadequate anti-fraud program controls and monitoring.

We are engaged in various stages of remedial action to address the material weaknesses described above. These actions include the following:

- The Audit Committee, Board and executives have increased communication to all employees regarding the ethical values of the Company, and the requirement for all employees to comply with laws and the Company's Code of Conduct and accounting policies.
- The Company has evaluated its organizational structure and changed roles and responsibilities or created new roles to enhance controls and compliance. Some of these changes include:

Certain personnel are no longer employed by the Company.

The accounting organization has added resources to address standardization, training and competencies related to the use of accounting systems and to enhance all accounting personnel's understanding of accounting policy.

The Company has engaged external experts to perform the internal audit function and to assist with the implementation of specific fraud detection procedures.

The Company has appointed a Chief Ethics and Compliance Officer and has made changes to enhance its ethics and compliance training and communication strategy throughout the organization to increase employee awareness of the Company's compliance policies.

- The Company has implemented changes to its compensation programs to better motivate accurate financial reporting and compliance.
- The Company has engaged internal and external resources to evaluate potential enhancements to the accounting and enterprise computer systems to improve systematic controls and account reconciliation processes. Certain improvements which have been implemented or are in process of evaluation include:

New tools to document, support and review manual journal entries.

Automation of certain financial reporting processes and tools that previously required or allowed manual adjustment.
Restrictions to user access rights and improved tracking and monitoring procedures to further strengthen segregation of duties within the organization.

Table of Contents

In addition, management has undertaken a comprehensive review of its internal control structure to ensure that key controls are adequately designed, clearly documented and communicated throughout the finance organization. In connection with this review, the Company has implemented two new internal controls to address the material weaknesses surrounding manual journal entries and inadequate reconciliation procedures over certain aspects of vendor accounting. The Company has implemented new metrics and standards for the proper documentation, approval and review of manual journal entries and has engaged regional and corporate accounting personnel along with external consultants to review and assess the propriety of manual journal entries. This review involves a selection of manual journal entries on a periodic basis throughout each quarter using risk-based criteria for the purpose of early identification of potential errors. In connection with the new control surrounding inadequate reconciliation procedures over vendor accounting, the Company has engaged similar resources to perform account review procedures surrounding the balance sheet accounts impacted by the material weakness. These on-site procedures are coordinated and managed centrally.

The Company believes the remedial actions described above have strengthened the Company's internal control over financial reporting and will remediate the material weaknesses identified. However, as of October 31, 2014, these remediation measures are ongoing and had not been in operation long enough to measure their operating effectiveness in order to conclude that the identified material weaknesses were fully remediated. The Company will continue to monitor the effectiveness of these remediation activities and expects to make further changes to improve its internal control over financial reporting.

Table of Contents

PART II

ITEM 1. Legal Proceedings.

Prior to fiscal 2004, one of the Company’s subsidiaries, located in Spain, was audited in relation to various value added tax (“VAT”) matters. As a result of those audits, the Spanish subsidiary received notices of assessment from the Regional Inspection Unit of Spain’s taxing authority that allege the subsidiary did not properly collect and remit VAT. The Spanish subsidiary appealed these assessments to the Madrid Central Economic Administrative Courts beginning in March 2010. Following the administrative court proceedings the matter was appealed to the Spanish National Appellate Court. During the fourth quarter of fiscal year 2014, the Spanish National Appellate Court issued an opinion upholding the assessment for several of the assessed years. During the second quarter of fiscal year 2015, the Madrid Central Economic Administrative Court issued a decision revoking the penalties for certain of the assessed years. As a result of this decision, during the nine months ended October 31, 2014 the Company decreased its accrual for costs associated with this matter by $6.2 million, which is recorded in “value added tax assessment” in the Consolidated Statement of Income. The Company believes that the Spanish subsidiary's defense to the remaining assessments has solid legal grounds and is continuing to vigorously defend its position by appealing to the Spanish Supreme Court. The Company estimates the total exposure for these assessments, including various penalties and interest, was approximately $48.1 million and $56.4 million at October 31, 2014 and January 31, 2014, respectively, which is included in "accrued expenses and other liabilities" in the Consolidated Balance Sheet.

In December 2010, in a non-unanimous decision, a Brazilian appellate court overturned a 2003 trial court which had previously ruled in favor of the Company’s Brazilian subsidiary related to the imposition of certain taxes on payments abroad related to the licensing of commercial software products, commonly referred to as “CIDE tax." The Company estimates the total exposure where the CIDE tax, including interest, may be considered due to be approximately $25.6 million and $25.3 million at October 31, 2014 and January 31, 2014, respectively. The Brazilian subsidiary has appealed the unfavorable ruling to the Supreme Court and Superior Court, Brazil's two highest appellate courts. Based on the legal opinion of outside counsel, the Company believes that the chances of success on appeal of this matter are favorable and the Brazilian subsidiary intends to vigorously defend its position that the CIDE tax is not due. However, due to the lack of predictability of the Brazilian court system, the Company has concluded that it is reasonably possible that the Brazilian subsidiary may incur a loss up to the total exposure described above. The Company believes the resolution of this litigation will not be material to the Company’s consolidated net assets or liquidity; however, it could be material to the Company’s operating results for any particular period, depending upon the level of income for such period. In addition to the CIDE tax matter discussed above, the Company’s Brazilian subsidiary has been undergoing several examinations of non-income related taxes. Given the lack of predictability of the Brazilian tax system, the Company believes that it is reasonably possible that a loss may have been incurred. However, due to the early stages of the examination, the complex nature of the Brazilian tax system and the absence of communication from the local tax authorities regarding these examinations, the Company is currently unable to determine the likelihood of these examinations resulting in assessments or to estimate the amount of loss, if any, that may be reasonably possible if such assessment were to be made.

The SEC has requested information from the Company with respect to the restatement of certain of our consolidated financial statements and other financial information from fiscal 2009 to 2013, and the Company has cooperated with the SEC’s request for information.

The Company is subject to various other legal proceedings and claims arising in the ordinary course of business. The Company’s management does not expect that the outcome in any of these other legal proceedings, individually or collectively, will have a material adverse effect on the Company’s financial condition, results of operations, or cash flows.

ITEM 1A. Risk Factors.

In addition to other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended January 31, 2014, which could materially affect our business, financial position and results of operations. Risk factors which could cause actual results to differ materially from those suggested by forward-looking statements include but are not limited to those discussed or identified in this document, in our public filings with the SEC, and those incorporated by reference in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended January 31, 2014.

ITEM 2. Unregistered Sales of Equity Securities and Use Of Proceeds

Not applicable.

Table of Contents

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. Mine Safety Disclosures.

Not applicable.

ITEM 5. Other Information

Not applicable.

ITEM 6. Exhibits

(a) Exhibits

10-BBak	Amendment Number 20 to Transfer and Administration Agreement dated as of August 20, 2014
31-A	Certification of Chief Executive Officer Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31-B	Certification of Chief Financial Officer Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32-A	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32-B	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101[1]	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheet as of October 31, 2014 and January 31, 2014; (ii) Consolidated Statement of Income for the three and nine months ended October 31, 2014 and 2013; (iii) Consolidated Statement of Comprehensive Income for the three and nine months ended October 31, 2014 and 2013; (iv) Consolidated Statement of Cash Flows for the nine months ended October 31, 2014 and 2013; and (v) Notes to Consolidated Financial Statements, detail tagged.

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[1] XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 and 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

Table of Contents

SIGNATURES

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 thereunto duly authorized.

TECH DATA CORPORATION
(Registrant)

Signature	Title	Date
/s/ ROBERT M. DUTKOWSKY Robert M. Dutkowsky	Chief Executive Officer; Director	December 5, 2014
/s/ JEFFERY P. HOWELLS Jeffery P. Howells	Executive Vice President and Chief Financial Officer; Director (principal financial officer)	December 5, 2014
/s/ JOSEPH B. TREPANI Joseph B. Trepani	Senior Vice President and Corporate Controller (principal accounting officer)	December 5, 2014