

BLACK BOX CORP
Form 10-Q
November 07, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 29, 2012

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: 0-18706

Black Box Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or
organization)

95-3086563

(I.R.S. Employer Identification No.)

1000 Park Drive, Lawrence, Pennsylvania

(Address of principal executive offices)

15055

(Zip Code)

Registrant's telephone number, including area code: 724-746-5500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Non-accelerated filer
Accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of November 2, 2012, there were 16,535,459 shares of common stock, par value \$.001 (the "common stock"), outstanding.

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FOR THE QUARTER ENDED SEPTEMBER 29, 2012
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

BLACK BOX CORPORATION
CONSOLIDATED BALANCE SHEETS

In thousands, except par value	(Unaudited) September 29, 2012	March 31, 2012*
Assets		
Cash and cash equivalents	\$25,496	\$22,444
Accounts receivable, net of allowance for doubtful accounts of \$6,074 and \$6,273	153,050	163,888
Inventories, net	56,706	56,956
Costs/estimated earnings in excess of billings on uncompleted contracts	110,455	87,634
Other assets	24,105	22,678
Total current assets	369,812	353,600
Property, plant and equipment, net	27,247	27,109
Goodwill, net	346,191	346,438
Intangibles, net	119,600	126,541
Other assets	30,131	34,335
Total assets	\$892,981	\$888,023
Liabilities		
Accounts payable	\$78,888	\$71,095
Accrued compensation and benefits	23,656	31,151
Deferred revenue	34,858	35,601
Billings in excess of costs/estimated earnings on uncompleted contracts	18,494	14,315
Income taxes	1,179	2,574
Other liabilities	40,581	32,697
Total current liabilities	197,656	187,433
Long-term debt	190,508	179,621
Other liabilities	24,606	26,585
Total liabilities	\$412,770	\$393,639
Stockholders' equity		
Preferred stock authorized 5,000, par value \$1.00, none issued	\$—	\$—
Common stock authorized 100,000, par value \$.001, 16,536 and 17,480 shares outstanding, 25,898 and 25,730 issued	26	26
Additional paid-in capital	483,214	478,726
Retained earnings	357,629	347,242
Accumulated other comprehensive income	5,578	7,262
Treasury stock, at cost 9,362 and 8,250 shares	(366,236	)(338,872
Total stockholders' equity	\$480,211	\$494,384
Total liabilities and stockholders' equity	\$892,981	\$888,023

* Derived from audited financial statements
See Notes to the Consolidated Financial Statements

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BLACK BOX CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

In thousands, except per share amounts	Three (3) months ended		Six (6) months ended	
	September 29 2012	and October 1 2011	September 29 2012	and October 1 2011
Revenues				
Products	\$46,490	\$50,329	\$90,638	\$98,048
On-Site services	213,671	236,842	417,360	457,549
Total	260,161	287,171	507,998	555,597
Cost of sales *				
Products	26,076	27,660	50,277	53,927
On-Site services	154,031	170,645	298,393	326,223
Total	180,107	198,305	348,670	380,150
Gross profit	80,054	88,866	159,328	175,447
Selling, general & administrative expenses	62,596	63,256	126,546	129,900
Intangibles amortization	3,474	3,176	6,938	6,235
Operating income	13,984	22,434	25,844	39,312
Interest expense (income), net	1,893	769	3,823	1,834
Other expenses (income), net	588	273	949	565
Income before provision for income taxes	11,503	21,392	21,072	36,913
Provision for income taxes	4,370	6,548	8,007	12,446
Net income	\$7,133	\$14,844	\$13,065	\$24,467
Earnings per common share				
Basic	\$0.43	\$0.83	\$0.77	\$1.37
Diluted	\$0.43	\$0.83	\$0.77	\$1.36
Weighted-average common shares outstanding				
Basic	16,696	17,858	16,990	17,917
Diluted	16,752	17,865	17,040	17,968
Dividends per share	\$0.08	\$0.07	\$0.16	\$0.14

* Exclusive of depreciation and intangibles amortization.

See Notes to the Consolidated Financial Statements

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BLACK BOX CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

In thousands, except per share amounts	Three (3) months ended		Six (6) months ended	
	September 29 2012	and October 1 2011	September 29 2012	and October 1 2011
Net income	\$7,133	\$14,844	\$13,065	\$24,467
Other comprehensive income				
Foreign currency translation adjustment	2,679	(10,842	)(1,468	)(7,723
Pension				
Actuarial gain (loss), net of taxes of (\$228), \$2, (\$226) and \$4	(368	)3	(364	)7
Amounts reclassified into results of operations, net of taxes of \$47, \$38, \$85 and \$75	75	62	136	122
Derivative instruments				
Net change in fair value of cash flow hedges, net of taxes of (\$29), \$206, (\$137) and \$107	(47	)332	(221	)173
Amounts reclassified into results of operations, net of taxes of \$65, \$16, \$144 and \$132	105	25	233	212
Other comprehensive income (loss)	\$2,444	\$(10,420	)\$ (1,684	)\$ (7,209
Comprehensive income	\$9,577	\$4,424	\$11,381	\$17,258

See Notes to the Consolidated Financial Statements

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BLACK BOX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

In thousands	Six (6) months ended September 29 and October 1	
	2012	2011
Operating Activities		
Net income	\$ 13,065	\$ 24,467
Adjustments to reconcile net income to net cash provided by (used for) operating activities		
Intangibles amortization and depreciation	9,650	9,034
Loss (gain) on sale of property	(85)	(142)
Deferred taxes	1,909	(550)
Stock compensation expense	4,606	5,418
Change in fair value of interest-rate swaps	1,195	(1,516)
Changes in operating assets and liabilities (net of acquisitions)		
Accounts receivable, net	10,693	(13,373)
Inventories, net	251	(11,286)
Costs/estimated earnings in excess of billings on uncompleted contracts	(22,804)	(4,613)
All other assets	743	362
Billings in excess of costs/estimated earnings on uncompleted contracts	4,164	559
All other liabilities	(8,947)	4,896
Net cash provided by (used for) operating activities	\$ 14,440	\$ 13,256
Investing Activities		
Capital expenditures	(2,902)	(4,034)
Capital disposals	135	144
Acquisition of businesses (payments)/recoveries	17	(13,188)
Prior merger-related (payments)/recoveries	(2,181)	(336)
Net cash provided by (used for) investing activities	\$ (4,931)	\$ (17,414)
Financing Activities		
Proceeds (repayments) from long-term debt	\$ 10,665	\$ 13,096
Proceeds (repayments) from short-term debt	7,160	—
Deferred financing costs	(20))—
Purchase of treasury stock	(27,364)	(9,813)
Payment of dividends	(2,579)	(2,337)
Increase (decrease) in cash overdrafts	5,701	—
Net cash provided by (used for) financing activities	(6,437)	946
Foreign currency exchange impact on cash	\$(20)	\$(144)
Increase/(decrease) in cash and cash equivalents	\$ 3,052	\$ (3,356)
Cash and cash equivalents at beginning of period	\$ 22,444	\$ 31,212
Cash and cash equivalents at end of period	\$ 25,496	\$ 27,856
Supplemental cash flow		
Cash paid for interest	\$ 2,236	\$ 3,966
Cash paid for income taxes	7,629	10,308
Non-cash financing activities		
Dividends payable	1,323	1,238
Capital leases	4	23

See Notes to the Consolidated Financial Statements

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BLACK BOX CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1: Business and Basis of Presentation

Business

Black Box Corporation ("Black Box" or the "Company") is a leading communications system integrator dedicated to designing, sourcing, implementing and maintaining today's complex communications solutions. The Company's primary service offering is voice communications solutions ("Voice Communications"); the Company also offers premise cabling and other data-related services solutions ("Data Infrastructure") and technology product solutions ("Technology Products"). The Company provides 24/7/365 technical support for all of its solutions, which encompass all major voice and data product manufacturers as well as an extensive range of technology products that it sells through its catalog and Internet Web site and its Voice Communications and Data Infrastructure (collectively referred to as "On-Site services") offices. As of September 29, 2012, the Company had more than 3,000 professional technical experts in approximately 200 offices serving more than 175,000 clients in approximately 150 countries throughout the world. Founded in 1976, Black Box, a Delaware corporation, operates subsidiaries on five continents and is headquartered near Pittsburgh in Lawrence, Pennsylvania.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements of Black Box have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The Company believes that these consolidated financial statements reflect all normal, recurring adjustments needed to present fairly the Company's results for the interim periods presented. The results as of and for interim periods may not be indicative of the results of operations for any other interim period or for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's most recent Annual Report on Form 10-K as filed with the Securities and Exchange Commission ("SEC") for the fiscal year ended March 31, 2012 (the "Form 10-K").

The Company's fiscal year ends on March 31. The fiscal quarters consist of 13 weeks and end on the Saturday generally nearest each calendar quarter end, adjusted to provide relatively equivalent business days for each fiscal quarter. The actual ending dates for the periods presented in these Notes to the Consolidated Financial Statements as of September 30, 2012 and 2011 were September 29, 2012 and October 1, 2011. References herein to "Fiscal Year" or "Fiscal" mean the Company's fiscal year ended March 31 for the year referenced. All references to dollar amounts herein are presented in thousands, except per share amounts, unless otherwise noted.

The consolidated financial statements include the accounts of the parent company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain items in the consolidated financial statements of prior years have been reclassified to conform to the current year's presentation.

The preparation of financial statements in conformity with GAAP requires Company management ("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. Significant estimates in these financial statements include project progress towards completion to estimated budget, allowances for doubtful accounts receivable, sales returns, net realizable value of inventories, loss contingencies, warranty reserves, intangible assets and goodwill. Actual results could differ from those estimates. Management believes the estimates made are reasonable.

Note 2: Significant Accounting Policies

Significant Accounting Policies

The significant accounting policies used in the preparation of the Company's consolidated financial statements are disclosed in Note 2 of the Notes to the Consolidated Financial Statements within the Form 10-K. No additional significant accounting policies have been adopted during Fiscal 2013.

Recent Accounting Pronouncements

There have been no accounting pronouncements adopted during Fiscal 2013 that had a material impact on the Company's consolidated financial statements. There have been no new accounting pronouncements issued but not yet adopted that are expected to have a material impact on the Company's consolidated financial statements.

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Note 3: Inventories

The Company's Inventories consist of the following:

	September 30, 2012	March 31, 2012	
Raw materials	\$1,353	\$1,260	
Finished goods	74,476	74,596	
Inventory, gross	75,829	75,856	
Excess and obsolete inventory reserves	(19,123	)(18,900)
Inventory, net	\$56,706	\$56,956	

Note 4: Goodwill

The following table summarizes Goodwill at the Company's reportable segments:

	North America	Europe	All Other	Total	
Goodwill (gross) at March 31, 2012	\$592,608	\$69,383	\$2,244	\$664,235	
Accumulated impairment losses at March 31, 2012	(277,364	)(40,433	)—	(317,797)
Goodwill (net) at March 31, 2012	\$315,244	\$28,950	\$2,244	\$346,438	
Currency translation	(13	)(256	)19	(250)
Current period acquisitions (see Note 9)	—	—	3	3	
Goodwill (gross) at September 30, 2012	\$592,595	\$69,127	\$2,266	\$663,988	
Accumulated impairment losses at September 30, 2012	(277,364	)(40,433	)—	(317,797)
Goodwill (net) at September 30, 2012	\$315,231	\$28,694	\$2,266	\$346,191	

At September 29, 2012, the Company's stock market capitalization was comparable with net book value. Each of the Company's reporting units continues to operate profitably and generate cash flow from operations, and the Company expects that each will continue to do so in Fiscal 2013 and beyond. The Company also believes that a reasonable potential buyer would offer a control premium for the business that would adequately cover any difference between the recent stock trading prices and the book value.

Note 5: Intangible Assets

The following table summarizes the gross carrying amount, accumulated amortization and net carrying amount by intangible asset class:

	September 30, 2012			March 31, 2012		
	Gross Carrying Amount	Accum. Amort.	Net Carrying Amount	Gross Carrying Amount	Accum. Amort.	Net Carrying Amount
Definite-lived						
Non-compete agreements	\$12,216	\$10,563	\$1,653	\$12,228	\$10,194	\$2,034
Customer relationships	140,669	53,368	87,301	140,669	47,226	93,443
Acquired backlog	20,838	17,931	2,907	20,838	17,513	3,325
Total	\$173,723	\$81,862	\$91,861	\$173,735	\$74,933	\$98,802
Indefinite-lived						

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Trademarks	35,992	8,253	27,739	35,992	8,253	27,739
Total	\$209,715	\$90,115	\$119,600	\$209,727	\$83,186	\$126,541

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The Company's indefinite-lived intangible assets consist solely of the Company's trademark portfolio. The Company's definite-lived intangible assets are comprised of employee non-compete agreements, customer relationships and backlog obtained through business acquisitions.

The following table summarizes the changes to the net carrying amounts by Intangible asset class:

	Trademarks	Non-Competes and Backlog	Customer Relationships	Total
Balance at March 31, 2012	\$27,739	\$5,359	\$93,443	\$126,541
Amortization expense	—	(796)	(6,142)	(6,938)
Currency translation	—	(3)	—	(3)
Balance at September 30, 2012	\$27,739	\$4,560	\$87,301	\$119,600

Intangibles amortization was \$3,474 and \$3,176 for the three (3) months ended September 30, 2012 and 2011, respectively, and \$6,938 and \$6,235 for the six (6) months ended September 30, 2012 and 2011, respectively.

The following table details the estimated intangibles amortization expense for the remainder of Fiscal 2013, each of the succeeding four (4) fiscal years and the periods thereafter. These estimates are based on the carrying amounts of Intangible assets as of September 30, 2012 that are provisional measurements of fair value and are subject to change pending the outcome of purchase accounting related to certain acquisitions:

Fiscal	
2013	\$6,948
2014	12,656
2015	11,174
2016	10,758
2017	9,426
Thereafter	40,899
Total	\$91,861

Note 6: Indebtedness

Short-Term Debt

The Company finances certain vendor-specific inventory under an unsecured revolving arrangement through a third party. The outstanding balance for this unsecured revolving arrangement was \$7,160 as of September 30, 2012 and is recorded as a current liability in Other Liabilities within the Company's Consolidated Balance Sheets.

Long-Term Debt

The Company's Long-term debt consists of the following:

	September 30, 2012	March 31, 2012
Revolving credit agreement	\$190,440	\$179,470
Other	213	514
Total debt	\$190,653	\$179,984
Less: current portion (included in Other liabilities)	(145)	(363)
Long-term debt	\$190,508	\$179,621

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On March 23, 2012, the Company entered into a Credit Agreement (the "Credit Agreement") with Citizens Bank of Pennsylvania, as administrative agent, and certain other lender parties. The Credit Agreement expires on March 23, 2017. Borrowings under the Credit Agreement are permitted up to a maximum amount of \$400,000, which includes up to \$25,000 of swing-line loans and \$25,000 of letters of credit. The Credit Agreement may be increased by the Company up to an additional \$100,000 with the approval of the lenders and may be unilaterally and permanently reduced by the Company to not less than the then outstanding amount of all borrowings. Interest on outstanding indebtedness under the Credit Agreement accrues, at the Company's option, at a rate based on either: (a) the greater of (i) the prime rate per annum of the agent then in effect and (ii) 0.50% plus the rate per annum announced by the Federal Reserve Bank of New York as being the weighted-average of the rates on overnight Federal funds transactions arranged by Federal funds brokers on the previous trading day, in each case plus 0% to 0.75% (determined by a leverage ratio based on the Company's consolidated Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")) or (b) a rate per annum equal to the LIBOR rate plus 0.875% to 1.750% (determined by a leverage ratio based on the Company's consolidated EBITDA). The Credit Agreement requires the Company to maintain compliance with certain non-financial and financial covenants such as leverage and fixed-charge coverage ratios. As of September 30, 2012, the Company was in compliance with all covenants under the Credit Agreement.

The maximum amount of debt outstanding under the Credit Agreement, the weighted-average balance outstanding under the Credit Agreement and the weighted-average interest rate on all outstanding debt for the three (3) months ended September 30, 2012 was \$214,530, \$206,331 and 1.6%, respectively, compared to \$216,180, \$203,889 and 1.0%, respectively, for the three (3) months ended September 30, 2011. The maximum amount of debt outstanding under the Credit Agreement, the weighted-average balance outstanding under the Credit Agreement and the weighted-average interest rate on all outstanding debt for the six (6) months ended September 30, 2012 was \$214,530, \$198,503 and 1.5%, respectively, compared to \$216,180, \$191,726 and 1.1%, respectively, for the six (6) months ended September 30, 2011.

As of September 30, 2012, the Company had \$4,654 outstanding in letters of credit and \$204,906 in unused commitments under the Credit Agreement.

Note 7: Derivative Instruments and Hedging Activities

The Company is exposed to certain market risks, including the effect of changes in foreign currency exchange rates and interest rates. The Company uses derivative instruments to manage financial exposures that occur in the normal course of business. It does not hold or issue derivatives for speculative trading purposes. The Company is exposed to non-performance risk from the counterparties in its derivative instruments. This risk would be limited to any unrealized gains on current positions. To help mitigate this risk, the Company transacts only with counterparties that are rated as investment grade or higher and all counterparties are monitored on a continuous basis. The fair value of the Company's derivatives reflects this credit risk.

Foreign currency contracts

The Company enters into foreign currency contracts to hedge exposure to variability in expected fluctuations in foreign currencies. All of the foreign currency contracts have been designated and qualify as cash flow hedges. The effective portion of any changes in the fair value of the derivative instruments is recorded in Accumulated Other Comprehensive Income ("AOCI") until the hedged forecasted transaction occurs or the recognized currency transaction affects earnings. Once the forecasted transaction occurs or the recognized currency transaction affects earnings, the effective portion of any related gains or losses on the cash flow hedge is reclassified from AOCI to the Company's Consolidated Statements of Operations.

As of September 30, 2012, the Company had open contracts in Australian and Canadian dollars, Danish krone, Euros, Mexican pesos, Norwegian kroner, British pounds sterling, Swedish krona, Swiss francs and Japanese yen which have been designated as cash flow hedges. These contracts had a notional amount of \$51,250 and will expire within eleven months. There was no hedge ineffectiveness during Fiscal 2013 or Fiscal 2012.

Interest-rate Swaps

On June 15, 2009, the Company entered into a three-year floating-to-fixed interest-rate swap, with an effective date of July 27, 2009, that was based on a three-month LIBOR rate versus a 2.28% fixed rate and had a notional value of \$100,000 (which reduced to \$50,000 on July 27, 2011 and terminated on July 27, 2012). On May 19, 2011, the Company entered into a one-year floating-to-fixed interest-rate swap, with an effective date of July 26, 2011, that was based on a three-month LIBOR rate versus a 0.58% fixed rate and had a notional value of \$75,000 and terminated on July 26, 2012. On November 15, 2011, the Company entered into a three-year floating-to-fixed interest-rate swap, with an effective start date of July 26, 2012, that is based on a three-month LIBOR rate versus a 1.25% fixed rate and has a notional value of \$125,000. Each interest-rate swap discussed above does not qualify for hedge accounting and all such interest-rate swaps are collectively hereinafter referred to as the "interest-rate swaps."

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The following tables summarize the carrying amounts of derivative asset/liability and the impact on the Company's Consolidated Statements of Operations:

	Classification	Asset Derivatives		Liability Derivatives	
		September 30, 2012	March 31, 2012	September 30, 2012	March 31, 2012
Derivatives designated as hedging instruments					
Foreign currency contracts	Other liabilities (current)	\$—	\$—	\$639	\$1,272
Foreign currency contracts	Other assets (current)	\$523	\$323	\$—	\$—
Derivatives not designated as hedging instruments					
Interest-rate swaps	Other liabilities (current)	\$—	\$—	\$2,968	\$1,773
			Three (3) months ended September 30 2012	Six (6) months ended September 30 2011	
Derivatives designated as hedging instruments					
Gain (loss) recognized in other comprehensive income (effective portion), net of taxes	Other comprehensive income		\$(47)	)\$332	\$(221))\$173
(Gain) loss reclassified from AOCI into results of operations (effective portion), net of taxes	Selling, general & administrative expenses		\$105	\$25	\$233 \$212
Derivatives not designated as hedging instruments					
Gain (loss) recognized in results of operations	Interest expense (income), net		\$549	\$604	\$1,195 \$1,516

Note 8: Fair Value Disclosures

Recurring fair value measurements

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of September 30, 2012, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value:

	Assets at Fair Value as of September 30, 2012			
	Level 1	Level 2	Level 3	Total
Foreign currency contracts	\$—	\$523	\$—	\$523
	Liabilities at Fair Value as of September 30, 2012			
	Level 1	Level 2	Level 3	Total
Foreign currency contracts	\$—	\$639	\$—	\$639
Interest-rate swaps	—	2,968	—	2,968
Total	\$—	\$3,607	\$—	\$3,607

Non-recurring fair value measurements

The Company's assets and liabilities that are measured at fair value on a non-recurring basis include non-financial assets and liabilities initially measured at fair value in a business combination and Goodwill.

Note 9: Acquisitions

Fiscal 2013

There have been no acquisitions during the six (6) month period ended September 30, 2012.

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Fiscal 2012

During the fourth quarter of Fiscal 2012, the Company acquired InnerWireless, Inc. ("InnerWireless"), a privately-held company headquartered in Richardson, TX. InnerWireless is the first Black Box acquisition in the rapidly-growing in-building wireless market and services clients in every industry from healthcare to Fortune 500 enterprises.

During the second quarter of Fiscal 2012, the Company acquired PS Technologies, LLC ("PS Tech"), a privately-held company headquartered in Dayton, OH. PS Tech is the first Black Box acquisition in the rapidly-growing enterprise video communications market and services clients in the healthcare and government verticals.

The acquisition of InnerWireless and PS Tech, both individually and in the aggregate, did not have a material impact on the Company's consolidated financial statements.

The fair values of assets acquired and liabilities assumed for InnerWireless are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed. The Company believes that the information available provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed but additional information not yet available is necessary to finalize those fair values. Thus, the provisional measurements of fair value are subject to change. The Company expects to finalize the valuation and complete the purchase price allocation as soon as practicable but no later than one-year from the acquisition date.

Note 10: Income Taxes

The Company's provision for income taxes was \$4,370, an effective tax rate of 38.0% on income before provision for income taxes of \$11,503, and provision for income taxes was \$6,548, an effective tax rate of 30.6% on income before provision for income taxes of \$21,392, for the three (3) months ended September 30, 2012 and 2011, respectively. The Company's provision for income taxes was \$8,007, an effective tax rate of 38.0% on income before provision for income taxes of \$21,072, and provision for income taxes was \$12,446, an effective tax rate of 33.7% on income before provision for income taxes of \$36,913, for the six (6) months ended September 30, 2012 and 2011, respectively. During the six (6) months ended September 30, 2011, the Company reduced its provision for income taxes by \$1,579 due to an agreement with the Internal Revenue Service ("IRS") to conclude the previously-disclosed IRS audit for Fiscal 2007 through Fiscal 2010 which is the primary cause for the increase in the effective rate from 33.7% for six (6) months ended September 30, 2011 to 38.0% for the six (6) months ended September 30, 2012. The effective rate for the six (6) months ended September 30, 2012 of 38.0% differs from the federal statutory rate primarily due to state income taxes and the write-off of certain deferred tax assets related to equity awards partially offset by the reduction of deferred tax liabilities associated with previously-taxed income and foreign earnings taxed at a lower statutory rate.

The Company provides for income taxes at the end of each interim period based on the estimated effective tax rate adjusted for certain discreet items for the full fiscal year. Cumulative adjustments to the Company's estimate are recorded in the interim period in which a change in the estimated annual effective rate is determined.

Fiscal 2011 and Fiscal 2012 remains open to examination by the IRS and Fiscal 2008 through Fiscal 2012 remain open to examination by certain state and foreign taxing jurisdictions.

Note 11: Stock-based Compensation

In August 2008, the Company's stockholders approved the 2008 Long-Term Incentive Plan (the "Incentive Plan") which replaces the 1992 Stock Option Plan, as amended, and the 1992 Director Stock Option Plan, as amended. As of September 30, 2012, the Incentive Plan is authorized to issue stock options, restricted stock units and performance shares, among other types of awards, for up to 2,926,408 shares of common stock, par value \$0.001 per share (the "common stock").

The Company recognized stock-based compensation expense of \$1,735 and \$2,046 for the three (3) months ended September 30, 2012 and 2011, respectively, and \$4,606 and \$5,418 for the six (6) months ended September 30, 2012 and 2011, respectively. The Company recognized total income tax benefit for stock-based compensation arrangements of \$638 and \$751 for the three (3) months ended September 30, 2012 and 2011, respectively, and \$1,693 and \$1,988 for the six (6) months ended September 30, 2012 and 2011, respectively. Stock-based compensation expense is recorded in Selling, general & administrative expense within the Company's Consolidated Statements of Operations.

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Stock options

Stock option awards are granted with an exercise price equal to the closing market price of the common stock on the date of grant; such stock options generally become exercisable in equal amounts over a three-year period and have a contractual life of ten years from the grant date. The fair value of stock options is estimated on the grant date using the Black-Scholes option pricing model which includes the following weighted-average assumptions.

	Six (6) months ended		
	September 30		
	2012	2011	
Expected life (in years)	7.0	4.8	
Risk free interest rate	0.8	% 1.7	%
Annual forfeiture rate	2.0	% 2.1	%
Volatility	44.6	% 45.3	%
Dividend yield	1.0	% 0.7	%

The following table summarizes the Company's stock option activity:

	Shares (in 000's)	Weighted-Average Exercise Price	Weighted-Average	
			Remaining Contractual Life (Years)	Intrinsic Value (000's)
Outstanding at March 31, 2012	2,827	\$ 34.95		
Granted	184	22.07		
Exercised	—	—		
Forfeited or expired	(131	) 33.14		
Outstanding at September 30, 2012	2,880	\$ 34.21	4.3	\$ 618
Exercisable at September 30, 2012	2,521	\$ 35.20	3.6	\$—

The weighted-average grant-date fair value of options granted during the six (6) months ended September 30, 2012 and 2011 was \$9.02 and \$12.42, respectively. The intrinsic value of options exercised during the six (6) months ended September 30, 2012 and 2011 was \$0 and \$0, respectively. The aggregate intrinsic value in the preceding table is based on the closing stock price of the common stock on September 28, 2012 of \$25.52.

The following table summarizes certain information regarding the Company's non-vested stock options:

	Shares (in 000's)	Weighted-Average
		Grant-Date Fair Value
Non-vested at March 31, 2012	382	\$ 12.15
Granted	184	9.02
Forfeited	(19	) 11.36
Vested	(188	) 12.16
Non-vested at September 30, 2012	359	\$ 10.57

As of September 30, 2012, there was \$2,878 of total unrecognized pre-tax stock-based compensation expense related to non-vested stock options which is expected to be recognized over a weighted-average period of 1.9 years.

Restricted stock units

Restricted stock unit awards are subject to a service condition and typically vest in equal amounts over a three-year period from the grant date. The fair value of restricted stock units is determined based on the number of restricted stock units granted and the closing market price of the common stock on the date of grant.

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The following table summarizes the Company's restricted stock unit activity:

	Shares (in 000's)	Weighted-Average Grant-Date Fair Value
Outstanding at March 31, 2012	280	\$ 31.23
Granted	175	22.07
Vested	(167	) 29.25
Forfeited	(10	) 29.75
Outstanding at September 30, 2012	278	\$ 26.71

The total fair value of shares that vested during the six (6) months ended September 30, 2012 and 2011 was \$3,674 and \$3,921, respectively.

As of September 30, 2012, there was \$5,476 of total unrecognized pre-tax stock-based compensation expense related to non-vested restricted stock units which is expected to be recognized over a weighted-average period of 1.9 years.

Performance share awards

Performance share awards are subject to one of the performance goals - the Company's Relative Total Shareholder Return ("TSR") Ranking or cumulative Adjusted EBITDA - over a three year period. The Company's Relative TSR Ranking metric is based on the three (3) year cumulative return to shareholders from the change in stock price and dividends paid between the starting and ending dates. The fair value of performance share awards (subject to cumulative Adjusted EBITDA) is determined based on the number of performance shares granted and the closing market price of the common stock on the date of grant. The fair value of performance share awards (subject to the Company's Relative TSR Ranking) is estimated on the grant date using the Monte-Carlo simulation valuation method which includes the following weighted-average assumptions.

	Six (6) months ended September 30		
	2012	2011	
Expected volatility	41.3	% 50.8	%
Risk free interest rate	0.4	% 0.9	%
Dividend yield	1.0	% 0.7	%

The following table summarizes the Company's performance share award activity:

	Shares (in 000's)	Weighted-Average Grant-Date Fair Value
Outstanding at March 31, 2012	183	\$ 33.77
Granted	111	22.35
Vested	—	—
Forfeited	(11	) 30.98
Outstanding at September 30, 2012	283	\$ 29.39

The total fair value of shares that vested during the six (6) months ended September 30, 2012 and 2011 was \$0 and \$1,679, respectively.

As of September 30, 2012, there was \$3,209 of total unrecognized pre-tax stock-based compensation expense related to non-vested performance share awards which is expected to be recognized over a weighted-average period of 1.9 years.

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Note 12: Earnings Per Share

The following table details the computation of basic and diluted earnings per common share from continuing operations for the periods presented (share numbers in thousands):

	Three (3) months ended September 30		Six (6) months ended September 30	
	2012	2011	2012	2011
Net income	\$7,133	\$14,844	\$13,065	\$24,467
Weighted-average common shares outstanding (basic)	16,696	17,858	16,990	17,917
Effect of dilutive securities from equity awards	56	7	50	51
Weighted-average common shares outstanding (diluted)	16,752	17,865	17,040	17,968
Basic earnings per common share	\$0.43	\$0.83	\$0.77	\$1.37
Dilutive earnings per common share	\$0.43	\$0.83	\$0.77	\$1.36

The Weighted-average common shares outstanding (diluted) computation is not impacted during any period where the exercise price of a stock option is greater than the average market price. There were 2,995,383 and 3,426,856 non-dilutive equity awards outstanding for the three (3) months ended September 30, 2012 and 2011, respectively, and 3,021,373 and 2,613,124 non-dilutive equity awards outstanding for the six (6) months ended September 30, 2012 and 2011, respectively, that are not included in the corresponding period Weighted-average common shares outstanding (diluted) computation.

Note 13: Stockholder's Equity

Accumulated Other Comprehensive Income

The components of AOCI consisted of the following for the periods presented:

	September 30, 2012	March 31, 2012
Foreign currency translation adjustment	\$15,578	\$17,046
Derivative instruments, net of tax	(141)	(153)
Defined benefit pension, net of tax	(9,859)	(9,631)
Accumulated other comprehensive income	\$5,578	\$7,262

Dividends

The following table presents information about the Company's dividend program:

Period	Record Date	Payment Date	Rate	Aggregate Value
2Q13	September 28, 2012	October 12, 2012	\$0.08	\$1,323
1Q13	June 29, 2012	July 13, 2012	\$0.08	\$1,355
2Q12	September 30, 2011	October 13, 2011	\$0.07	\$1,238
1Q12	July 1, 2011	July 14, 2011	\$0.07	\$1,262

While the Company expects to continue to declare quarterly dividends, the payment of future dividends is at the discretion of the Company's Board of Directors (the "Board") and the timing and amount of any future dividends will depend upon earnings, cash requirements and the financial condition of the Company. Under the Credit Agreement, the Company is permitted to make any distribution or dividend as long as no Event of Default or Potential Default shall have occurred and is continuing or shall occur as a result thereof. In addition, no distribution or dividend is permitted under the Credit Agreement if such event would violate a consolidated leverage ratio other than regular quarterly dividends not exceeding \$15,000 per year.

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Common Stock Repurchases

The following table presents information about the Company's common stock repurchases:

	Three (3) months ended September 30		Six (6) months ended September 30	
	2012	2011	2012	2011
Common stock purchased	398,509	361,200	1,112,558	406,978
Aggregate purchase price	\$10,133	\$8,292	\$27,365	\$9,812
Average purchase price	\$25.43	\$22.96	\$24.60	\$24.11

During the first quarter of Fiscal 2013, the Company made tax payments of \$983 and withheld 44,697 shares of common stock, which were designated as treasury shares, at an average price per share of \$21.99, related to share withholding to satisfy employee income taxes due as a result of the vesting in May 2012 of certain restricted stock units. During the first quarter of Fiscal 2012, the Company made tax payments of \$1,521 and withheld 45,778 shares of common stock, which were designated as treasury shares, at an average price per share of \$33.22, related to share withholding to satisfy employee income taxes due as a result of the vesting in May 2011 of certain restricted stock units and performance shares.

Since the inception of the repurchase program in April 1999 through September 30, 2012, the Company has repurchased 9,255,340 shares of common stock for an aggregate purchase price of \$363,251, or an average purchase price per share of \$39.25. These shares do not include the treasury shares withheld for tax payments resulting from the vesting of certain restricted stock units and performance shares. As of September 30, 2012, 244,660 shares were available under repurchase programs approved by the Board which includes 1,000,000 shares approved for repurchase by the Board on May 4, 2012. Additional repurchases of common stock may occur from time to time depending upon factors such as the Company's cash flows and general market conditions. There can be no assurance as to the timing or amount of such repurchases. Under the Credit Agreement, the Company is permitted to repurchase its common stock as long as no Event of Default or Potential Default shall have occurred and is continuing or shall occur as a result thereof. In addition, no repurchase of common stock is permitted under the Credit Agreement if such event would violate a consolidated leverage ratio.

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Note 14: Segment Reporting

Management reviews financial information for the consolidated Company accompanied by disaggregated information on revenues, operating income and assets by geographic region for the purpose of making operational decisions and assessing financial performance. Additionally, Management is presented with and reviews revenues and gross profit by service type. The accounting policies of the individual operating segments are the same as those of the Company.

The following table presents financial information about the Company's reportable segments by geographic region:

	Three (3) months ended		Six (6) months ended	
	September 30		September 30	
	2012	2011	2012	2011
North America				
Revenues	\$227,534	\$251,457	\$442,802	\$484,794
Operating income	11,810	18,316	21,371	32,302
Depreciation	1,188	1,253	2,403	2,541
Intangibles amortization	3,468	3,163	6,926	6,212
Assets (as of September 30)	841,214	1,118,907	841,214	1,118,907
Europe				
Revenues	\$22,365	\$26,483	\$46,007	\$52,837
Operating income	900	2,839	2,161	5,117
Depreciation	112	89	212	189
Intangibles amortization	6	11	12	20
Assets (as of September 30)	79,265	122,723	79,265	122,723
All Other				
Revenues	\$10,262	\$9,231	\$19,189	\$17,966
Operating income	1,274	1,279	2,312	1,893
Depreciation	47	37	97	69
Intangibles amortization	—	2	—	3
Assets (as of September 30)	29,414	26,911	29,414	26,911

The sum of the segment revenues, operating income, depreciation and intangibles amortization equals the consolidated revenues, operating income, depreciation and intangibles amortization. The following table reconciles segment assets to total consolidated assets as of September 30, 2012 and 2011:

	September 30	
	2012	2011
Segment assets for North America, Europe and All Other	\$949,893	\$1,268,541
Corporate eliminations	(56,912)	(60,427)
Total consolidated assets	\$892,981	\$1,208,114

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The following table presents financial information about the Company by service type:

	Three (3) months ended		Six (6) months ended	
	September 30		September 30	
	2012	2011	2012	2011
Data Infrastructure				
Revenues	\$61,747	\$66,291	\$123,521	\$128,672
Gross profit	16,291	15,912	31,876	31,560
Voice Communications				
Revenues	\$151,924	\$170,551	\$293,839	\$328,877
Gross profit	43,349	50,285	87,091	99,766
Technology Products				
Revenues	\$46,490	\$50,329	\$90,638	\$98,048
Gross profit	20,414	22,669	40,361	44,121

The sum of service type revenues and gross profit equals consolidated revenues and gross profit.

Note 15: Commitments and Contingencies

The Company is involved in, or has pending, various legal proceedings, claims, suits and complaints arising out of the normal course of business. Based on the facts currently available to the Company, Management believes these matters are adequately provided for, covered by insurance, without merit or not probable that an unfavorable material outcome will result.

There has been no other significant or unusual activity during Fiscal 2013.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations("MD&A").

The discussion and analysis for the three (3) months ended September 30, 2012 and 2011 as set forth below in this Part I, Item 2 should be read in conjunction with the response to Part 1, Item 1 of this report and the consolidated financial statements of Black Box Corporation ("Black Box," the "Company," "we" or "our"), including the related notes, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Company's most recent Annual Report on Form 10-K as filed with the Securities and Exchange Commission ("SEC") for the fiscal year ended March 31, 2012 (the "Form 10-K"). The Company's fiscal year ends on March 31. The fiscal quarters consist of 13 weeks and generally end on the Saturday nearest each calendar quarter end, adjusted to provide relatively equivalent business days for each fiscal quarter. The actual ending dates for the periods presented as of September 30, 2012 and 2011 were September 29, 2012 and October 1, 2011, respectively. References to "Fiscal Year" or "Fiscal" mean the Company's fiscal year ended March 31 for the year referenced. All dollar amounts are presented in thousands except for per share amounts or unless otherwise noted.

The Company

Black Box is a leading communications system integrator dedicated to designing, sourcing, implementing and maintaining today's complex communications solutions. The Company's primary service offering is voice communications solutions ("Voice Communications"); the Company also offers premise cabling and other data-related services ("Data Infrastructure") and technology product solutions ("Technology Products"). The Company provides 24/7/365 technical support for all of its solutions, which encompass all major voice and data product manufacturers as well as an extensive range of technology products that it sells through its catalog and Internet Web

site and its Voice Communications and Data Infrastructure (collectively referred to as "On-Site services") offices. As of September 30, 2012, the Company had more than 3,000 professional technical experts in approximately 200 offices serving more than 175,000 clients in approximately 150 countries throughout the world. Founded in 1976, Black Box, a Delaware corporation, operates subsidiaries on five continents and is headquartered near Pittsburgh in Lawrence, Pennsylvania.

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With respect to Voice Communications, the Company's revenues are primarily generated from the sale and/or installation of new voice communications systems, the maintenance of voice communications systems and moves, adds and changes ("MAC work") as clients' employees change locations or as clients move or remodel their physical space. The Company's diverse portfolio of product offerings allows it to service the needs of its clients independently of the manufacturer that they choose, which it believes is a unique competitive advantage. For the sale of new voice communications systems, most significant orders are subject to competitive bidding processes and, generally, competition can be significant for such new orders. The Company is continually bidding on new projects to replace projects that are completed. New voice communications systems orders often generate an agreement to maintain the voice communications system, which generally ranges from 1-3 years for commercial clients and 3-5 years for government clients. Sales of new voice communications systems and, to a lesser extent, MAC work, are dependent upon general economic growth and the Company's clients' capital spending. On the other hand, revenues from maintenance contracts generally are not dependent on the economy as clients seek to extend the life of their existing equipment and delay capital spending on new voice communications systems. The Company also has government contracts that generate significant revenues and are not as dependent on the overall economic environment as commercial clients. Maintenance and MAC work revenues are also dependent upon the Company's history and relationship with its clients and its long track record of providing high-quality service.

Similarly, the Company's revenues for Data Infrastructure are generated from the installation or upgrade of data networks and MAC work. The installation of new data networks is largely dependent upon commercial employment and building occupancy rates. Installed data networks, however, may need to be upgraded in order to provide for larger, faster networks to accommodate the growing use of network technology. Additionally, Data Infrastructure projects can include MAC work, similar to Voice Communications, which is dependent on economic factors that are the same as those factors discussed above in relation to the Voice Communications business.

There is and has been a trend toward convergence of voice and data networks, in each of which the Company has technical expertise which the Company believes is a competitive advantage. Both the Voice Communications and Data Infrastructure businesses generate backlog. At September 30, 2012, the Company's backlog, defined as expected revenue related to executed client purchase orders or contracts that are estimated to be complete within 180 days, was approximately \$203,280 and relates primarily to Voice Communications and Data Infrastructure.

The Company generates Technology Products revenues from the sale of technology products through its catalog, Internet Web site and the Company's On-Site services offices. The sale of these products is a highly fragmented and competitive business. The Company has been in this business for over