



May 3, 2016

Systemax Reports First Quarter 2016 Financial Results

PORT WASHINGTON, N.Y., May 3, 2016 /PRNewswire/ -- **Systemax Inc.** (NYSE: SYX) today announced financial results for the first quarter ended March 31, 2016.

Highlights	Quarter Ended	
	March 31,*	
GAAP Results**	2016	2015
Net sales	\$429.8	\$512.1
Gross profit	\$83.4	\$87.1
Gross margin	19.4%	17.0%
Operating income (loss)	\$(0.5)	\$(12.1)
Operating margin	(0.1)%	(2.4)%
Net income (loss) from continuing operations	\$(1.1)	\$(21.8)
Net income (loss) per share from continuing operations	\$(0.03)	\$(0.59)
Net income (loss) from discontinued operations	\$(16.2)	\$(6.8)
Net income (loss) per share from discontinued operations	\$(0.44)	\$(0.18)
Non-GAAP Results**		
Net sales	\$429.8	\$433.0
Gross profit	\$83.4	\$78.5
Gross margin	19.4%	18.1%
Operating income	\$1.9	\$1.6
Operating margin	0.4%	0.4%
Net income (loss) from continuing operations	\$2.1	\$(3.8)
Net income (loss) per share from continuing operations	\$0.06	\$(0.10)
Net income (loss) from discontinued operations	\$(18.0)	\$(18.9)
Net income (loss) per share from discontinued operations	\$(0.49)	\$(0.51)

* Systemax manages its business and reports using a 52-53 week fiscal year that ends at midnight on the Saturday closest to December 31. For clarity of presentation, fiscal years and quarters are described as if they ended on the last day of the respective calendar month. The actual fiscal quarter ended on April 2, 2016. The first quarters of both 2016 and 2015 included 13 weeks. Certain prior period amounts have been reclassified to conform to current year presentation.

** On December 1, 2015 the Company closed on the sale of certain assets of its North American Technology Group ("NATG"). Pursuant to this transaction, the Company is winding down the remaining operations of NATG during 2016. Recently revised United States Generally Accepted Accounting Principles ("GAAP") prevent the Company from presenting the entire NATG segment as a "discontinued operation" despite the entire NATG segment being discontinued. In the GAAP presentation, the retail operations which were discontinued by the Company prior to the transaction, along with allocations of common distribution and back office costs, are presented as part of the Company's continuing operations for all periods; other NATG operations that were sold as well as the remaining retail operations that existed at the time of the transaction (and were subsequently discontinued by the Company) are presented as discontinued operations for all periods. The Company believes that the non-GAAP presentation conveys additional meaningful information to investors. The non-GAAP results reflect the entire NATG segment as a discontinued operation for all periods presented as well as adjustments for non-recurring items, intangible amortization, equity compensation and a normalized effective tax rate in recurring operations. See accompanying GAAP reconciliation tables.

Non-GAAP First Quarter 2016 Continuing Operations Financial Summary:

- 1 Consolidated sales were essentially flat at \$429.8 million in U.S. dollars. On a constant currency basis and excluding the January 2015 acquisition of the Plant Equipment Group (P.E.G.) in North America, sales declined 0.2%.
- 1 Industrial Products Group sales grew 7.4% to \$170.6 million in U.S. dollars. On a constant currency basis and excluding the January 2015 acquisition of P.E.G., sales grew 3.6%.
- 1 EMEA Technology Products Group sales declined 5.3% to \$258.2 million in U.S. dollars. On a constant currency

basis, sales declined 2.2%.

- 1 Consolidated operating income was \$1.9 million compared to \$1.6 million last year.
- 1 Diluted net income per share was \$0.06 compared to net loss per share of \$(0.10) last year.

Larry Reinhold, Chief Executive Officer, said, "We are focused on optimizing performance in our Industrial Products Group, progressing on the turnaround in our EMEA Technology Group, and winding down our discontinued North America Technology Group activities. Industrial recorded its 25th consecutive quarter of increased organic revenue, and we have substantially completed the integration of P.E.G. This successful business now has national scale and infrastructure, and the management team is focused on improving the performance of these assets. In EMEA, our substantial France business had another outstanding quarter with double digit local currency revenue growth; our Netherlands Solutions business reported revenue growth over 20%; and in the U.K. we significantly lowered our operating loss. In NATG, we sold all remaining inventory, closed all remaining retail stores and warehouse, and we expect remaining wind-down activities will be substantially completed by the end of the second quarter. In 2016, we are committed to executing on our business plans and enhancing profitability. With a strong cash position we are well positioned and have significant flexibility to pursue additional growth opportunities."

The Company expects that total additional NATG wind-down costs after this quarter will be between \$5 and \$7 million and will primarily relate to the settlement of accounts and outstanding leases. At March 31, 2016 the Company had total working capital of \$205.4 million, cash and cash equivalents of \$163.2 million and excess availability under its credit facility of approximately \$38.0 million.

Earnings Conference Call Details

Systemax Inc. will provide pre-recorded remarks on its first quarter 2016 results today, May 3, 2016 at 5:00 p.m. Eastern Time. A live webcast of the remarks will be available on the Company's website at www.systemax.com in the investor relations section. The webcast will also be archived on www.systemax.com for approximately 90 days.

About Systemax Inc.

Systemax Inc. (www.systemax.com), a Fortune 1000 company, sells industrial and technology products through a system of branded e-Commerce websites and relationship marketers in North America and Europe. The primary brands are Global Industrial, Avenue, MISCO and Inmac Wstore.

Forward Looking Statements.

This press release contains forward looking statements within the meaning of that term in the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934). Additional written or oral forward looking statements may be made by the Company from time to time in filings with the Securities and Exchange Commission or otherwise. Statements contained in this press release that are not historical facts are forward looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and are based on management's estimates, assumptions and projections and are not guarantees of future performance. The Company assumes no obligation to update these statements. Forward looking statements may include, but are not limited to, projections or estimates of revenue, income or loss, exit costs, cash flow needs and capital expenditures, statements regarding future operations, expansion or restructuring plans, including our recent exit from and winding down of our NATG operations, financing needs, compliance with financial covenants in loan agreements, the implementation or performance of technology systems discussed below, the turnaround plans for our UK operations, the performance of our shared service center in Hungary, fluctuations in economic conditions and exchange rates, including factors impacting our substantial international operations, plans for acquisition or sale of assets or businesses, consolidation and integration of operations of recently acquired businesses, including our acquisitions of SCC/Misco Solutions in the Netherlands and of Plant Equipment Group in the US, plans relating to products or services of the Company, assessments of materiality, predictions of future events and the effects of pending and possible litigation, as well as assumptions relating to the foregoing. In addition, when used in this release, the words "anticipates," "believes," "estimates," "expects," "intends," and "plans" and variations thereof and similar expressions are intended to identify forward looking statements.

Other factors that may affect our future results of operations and financial condition include, but are not limited to, unanticipated developments in any one or more of the following areas, as well as other factors which may be detailed from time to time in our Securities and Exchange Commission filings: risks involved with e-commerce, including possible loss of business and customer dissatisfaction if outages or other computer-related problems should preclude customer access to our products and services; our ability to timely and efficiently exit and wind down our discontinued NATG business; our ability to timely and efficiently integrate recently acquired businesses, such as our acquisitions of SCC/Misco Solutions in the Netherlands and of Plant Equipment Group in the US; the Company's management information systems and other technology platforms supporting our sales, procurement and other operations are critical to our operations and disruptions or delays, particularly as we continue to transition certain functions from our existing platforms to a new platform specifically developed for our needs, have occurred and could occur in the future, and if not timely addressed would have a material adverse effect on us; general economic conditions, will continue to impact our business; technological change, such as the effect of mobile devices on sales of PCs and laptop computers, have had and can continue to have a material effect on our

product mix and results of operations; sales tax laws or government enforcement priorities may be changed which could result in ecommerce and direct mail retailers having to collect sales taxes in states where the current laws and interpretations do not require us to do so; our substantial international operations are subject to risks such as fluctuations in currency rates, foreign regulatory requirements, political uncertainty and the management of our expanding international operations infrastructure including our ability to timely and effectively operate our shared services center in Hungary; and managing various inventory risks, such as being unable to profitably resell excess or obsolete inventory and/or the loss of product return rights and price protection from our vendors.

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SYSTEMAX INC.

Condensed Consolidated Statements of Operations - GAAP - Unaudited

(In millions, except per share amounts)

	Quarter Ended	
	March 31,	
	<u>2016</u>	<u>2015</u>
Net sales	\$429.8	\$512.1
Cost of sales	<u>346.4</u>	<u>425.0</u>
Gross profit	83.4	87.1
Gross margin	19.4%	17.0%
Selling, general and administrative expenses	82.3	93.9
Special charges	<u>1.6</u>	<u>5.3</u>
Operating income (loss) from continuing operations	(0.5)	(12.1)
Operating margin	(0.1)%	(2.4)%
Interest and other (income) expense, net	<u>(1.3)</u>	<u>8.2</u>
Income (loss) from continuing operations before income taxes	0.8	(20.3)
Provision for (benefit from) income taxes	<u>1.9</u>	<u>1.5</u>
Net income (loss) from continuing operations	<u>\$(1.1)</u>	<u>\$(21.8)</u>
Net income (loss) from discontinued operations	<u>\$(16.2)</u>	<u>\$(6.8)</u>
Net income (loss)	<u>\$(17.3)</u>	<u>\$(28.6)</u>
Net income (loss) per common share from continuing operations:		
Basic	\$(0.03)	\$(0.59)
Diluted	\$(0.03)	\$(0.59)
Net income (loss) per common share from discontinued operations:		
Basic	\$(0.44)	\$(0.18)
Diluted	\$(0.44)	\$(0.18)
Weighted average common and common equivalent shares:		
Basic	37.1	37.1
Diluted	37.1	37.1

SYSTEMAX INC.

Condensed Consolidated Balance Sheets - GAAP - Unaudited

(In millions)

	March 31, 2016	December 31, 2015
Current assets:		
Cash and cash equivalents	\$163.2	\$215.1
Accounts receivable, net	244.6	266.3
Inventories	133.3	144.4
Prepaid expenses and other current assets	11.5	14.5
Total current assets	552.6	640.3
Property, plant and equipment, net	36.9	38.3
Deferred tax assets, net	8.3	8.6
Goodwill, intangibles and other assets	22.8	22.9
Total assets	\$620.6	\$710.1
Current liabilities:		
Short-term debt	\$0.6	\$0.6
Accounts payable and accrued expenses	346.6	425.5
Total current liabilities	347.2	426.1
Long-term debt	0.3	0.4
Other liabilities	34.7	29.7
Shareholders' equity	238.4	253.9
Total liabilities and shareholders' equity	\$620.6	\$710.1

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SYSTEMAX INC.
Supplemental Balance Sheets - Non-GAAP - Unaudited
(In millions)

	At March 31, 2016		
	Discontinued NATG Business	Continuing Systemax Businesses	Total
Current assets:			
Cash and cash equivalents	\$ 30.3	\$ 132.9	\$ 163.2
Accounts receivable, net	13.5	231.1	244.6
Inventories	0.0	133.3	133.3
Prepaid expenses and other current assets	2.8	8.7	11.5
Total current assets	46.6	506.0	552.6
Property, plant and equipment, net	0.2	36.7	36.9
Deferred tax assets, net	1.1	7.2	8.3
Goodwill, intangibles and other assets	0.3	22.5	22.8
Total assets	\$ 48.2	\$ 572.4	\$ 620.6
Current liabilities:			
Short-term debt	\$ 0.3	\$ 0.3	\$ 0.6
Accounts payable and accrued expenses	48.4	298.2	346.6
Total current liabilities	48.7	298.5	347.2
Long-term debt	0.2	0.1	0.3
Other liabilities	20.6	14.	34.7
Shareholders' equity/intercompany	(21.3)	259.7	238.4
Total liabilities and shareholders' equity	\$ 48.2	\$ 572.4	\$ 620.6

Supplemental Non-GAAP Continuing Operation Business Unit Summary Results** - Unaudited				
Industrial Products Group				
	Quarter Ended March 31,*			
	2016		2015	Change
Sales	\$ 170.6		\$ 158.9	7.4%
Gross profit	\$ 48.7		\$ 45.5	7.0%
Gross margin	28.5%		28.6%	(22.1)%
Operating income	\$ 8.1		\$ 10.4	
Operating margin	4.7%		6.5%	
EMEA Technology Products Group				
	Quarter Ended March 31,*			
	2016		2015	Change
Sales	\$ 258.2		\$ 272.6	(5.3)%
Gross profit	\$ 34.1		\$ 31.9	6.9%
Gross margin	13.2%		11.7%	
Operating loss	\$ (0.7)		\$ (4.4)	(84.1)%
Operating margin	(0.3)%		(1.6)%	
Corporate & Other				
	Quarter Ended March 31,*			
	2016		2015	Change
Sales	\$ 1.0		\$ 1.5	(33.3)%
Gross profit	\$ 0.6		\$ 1.1	(45.5)%
Gross margin	60.0%		73.3%	
Operating loss	\$ (5.5)		\$ (4.4)	25.0%
Consolidated				
	Quarter Ended March 31,*			
	2016		2015	Change
Sales	\$ 429.8		\$ 433.0	(0.7)%
Gross profit	\$ 83.4		\$ 78.5	6.2%
Gross margin	19.4%		18.1%	
Operating income	\$ 1.9		\$ 1.6	18.8%
Operating margin	0.4%		0.4%	

** On December 1, 2015 the Company closed on the sale of certain assets of its North American Technology Group ("NATG"). Pursuant to this transaction, the Company is winding down the remaining operations of NATG during 2016. Recently revised United States Generally Accepted Accounting Principles ("GAAP") prevent the Company from presenting the entire NATG segment as a "discontinued operation" despite the entire NATG segment being discontinued. In the GAAP presentation, the retail operations which were discontinued by the Company prior to the transaction, along with allocations of common distribution and back office costs, are presented as part of the Company's continuing operations for all periods; other NATG operations that were sold as well as the remaining retail operations that existed at the time of the transaction (and were subsequently discontinued by the Company) are presented as discontinued operations for all periods. The Company believes that the non-GAAP presentation conveys additional meaningful information to investors. The non-GAAP results reflect the entire NATG segment as a discontinued operation for all periods presented as well as adjustments for non-recurring items, intangible amortization, equity compensation and a normalized effective tax rate in recurring operations. See accompanying GAAP reconciliation tables.

SYSTEMAX INC.

**Reconciliation of Segment GAAP Operating Income (Loss) from Continuing Operations to Non-GAAP Operating Income (Loss) from Continuing Operations - Unaudited
(In millions)**

	Quarter Ended March 31,	
	2016	2015
Industrial Products	\$7.9	\$9.7
Technology Products - EMEA	(0.8)	(4.8)
Technology Products - NA	(1.8)	(12.3)
Corporate and Other	(5.8)	(4.7)
GAAP operating income (loss)	(0.5)	(12.1)
Non-GAAP adjustments:		
<u>Industrial Products:</u>		
Integration costs	0.0	0.4
Intangible asset amortization	0.1	0.0
Stock-based and other special compensation	0.1	0.3
Total Non-GAAP Adjustments - Industrial Products	0.2	0.7

Technology Products - EMEA:

Asset impairment charges	0.0	0.3
Stock based compensation	0.0	0.0
Intangible asset amortization	0.1	0.1
Total Non-GAAP Adjustments: Technology Products EMEA	0.1	0.4
<i>Technology Products - NA:</i>		
Reverse results of NATG included in GAAP continuing operations	1.8	12.3
Total Non-GAAP Adjustments : Technology Products NA	1.8	12.3
<i>Corporate and Other:</i>		
Stock based compensation	0.3	0.3
Total Non-GAAP Adjustments: Corporate and Other	0.3	0.3
Industrial Products	8.1	10.4
Technology Products - EMEA	(0.7)	(4.4)
Technology Products - NA	0.0	0.0
Corporate and Other	(5.5)	(4.4)
Non-GAAP operating income	\$1.9	\$1.6

SYSTEMAX INC.

Reconciliation of GAAP Net Income (Loss) from Continuing Operations to Non-GAAP Net Income (Loss) from Continuing Operations - Unaudited (In millions)

	Quarter Ended	
	March 31,	
	2016	2015
GAAP		
Net income (loss) from continuing operations	\$(1.1)	\$(21.8)
Provision for (benefit from) income taxes from continuing operations	1.9	1.5
Income (loss) from continuing operations before income taxes	0.8	(20.3)
Interest and other (income) expense from continuing operations, net	(1.3)	8.2
Operating income (loss) from continuing operations	(0.5)	(12.1)
Non-GAAP		
Reverse results of NATG included in GAAP operating income from continuing operations	1.8	12.3
Non-recurring adjustments	0.0	0.7
Recurring adjustments	0.6	0.7
Adjusted operating income (loss)	1.9	1.6
Interest and other expense (income), net	(1.3)	8.2
Reverse results of NATG included in GAAP interest and other expense (income), net	0.0	(0.8)
Income (loss) before income taxes	3.2	(5.8)
Normalized provision for (benefit from) income taxes	1.1	(2.0)
Normalized effective tax rate ⁽¹⁾	35.0%	35.0%
Non-GAAP net income (loss) from continuing operations	\$2.1	\$(3.8)
GAAP net income (loss) per diluted share from continuing operations	\$(0.03)	\$(0.59)
Non-GAAP net income (loss) per diluted share from continuing operations	\$0.06	\$(0.10)

(1) Effective tax rate of 35.0% used in all periods.

SYSTEMAX INC.

Reconciliation of GAAP Net Income (Loss) from Discontinued Operations to Non-GAAP Net Income (Loss) from Discontinued Operations - Unaudited (In millions)

Quarter Ended	
March 31,	
2016	2015

GAAP

Net income (loss) from discontinued operations	\$(16.2)	\$(6.8)
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Non-GAAP adjustments

Results of NATG included in GAAP operating income from continuing operations	(1.8)	(12.3)
NATG net tax adjustments	0.0	1.0
Reverse NATG interest and other expense (income), net from continuing operations	<u>0.0</u>	<u>(0.8)</u>
Total Non-GAAP adjustments	<u>(1.8)</u>	<u>(12.1)</u>
Non-GAAP net income (loss) from discontinued operations	<u><u>\$(18.0)</u></u>	<u><u>\$(18.9)</u></u>
GAAP net income (loss) per diluted share from discontinued operations	\$(0.44)	\$(0.18)
Non-GAAP net income (loss) per diluted share from discontinued operations	\$(0.49)	\$(0.51)

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/systemax-reports-first-quarter-2016-financial-results-300262105.html>

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