ANIXTER INTERNATIONAL INC
Form 10-Q
April 28, 2015

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

FORM 10-Q

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

For the quarterly period ended April 3, 2015

OR

o 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: 001-10212

ANIXTER INTERNATIONAL INC.
(Exact name of registrant as specified in its charter)

Delaware	94-1658138
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2301 Patriot Blvd.
Glenview, Illinois 60026
(224) 521-8000
(Address and telephone number of principal executive offices)

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 x No o

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 o

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 “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	x	Accelerated Filer	o
Non-Accelerated Filer	o (Do not check if a smaller reporting company)	Smaller Reporting Company	o

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

At April 21, 2015, 32,954,880 shares of the registrant’s Common Stock, $1.00 par value, were outstanding.

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This report may contain various “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements can be identified by the use of forward-looking terminology such as “believes”, “expects”, “intends”, “anticipates”, “contemplates”, “estimates”, “plans”, “projects”, “should”, “may”, “will” or the negative thereof or other variations thereon or comparable terminology indicating our expectations or beliefs concerning future events. We caution that such statements are qualified by important factors that could cause actual results to differ materially from those in the forward-looking statements, a number of which are identified in this report. Other factors could also cause actual results to differ materially from expected results included in these statements. These factors include general economic conditions, changes in supplier or customer relationships, risks associated with nonconforming products and services, political and technology changes, economic and currency risks of non-U.S. operations, new or changed competitors, risks associated with inventory and accounts receivable risk, copper and commodity price fluctuations, risks associated with the integration of acquired companies, capital project volumes and the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks.

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PART I. FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements.

ANIXTER INTERNATIONAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited)

(In millions, except per share amounts)	Three Months Ended April 3, 2015	April 4, 2014 As Adjusted (See Note 2)
Net sales	$1,385.1	$1,274.3
Cost of goods sold	1,075.8	982.5
Gross profit	309.3	291.8
Operating expenses	250.0	221.8
Operating income	59.3	70.0
Other expense:		
Interest expense	(14.2)	(10.1)
Other, net	(4.0)	(9.7)
Income from continuing operations before income taxes	41.1	50.2
Income tax expense from continuing operations	14.6	12.5
Net income from continuing operations	26.5	37.7
Income from discontinued operations before income taxes	11.2	14.0
Income tax expense from discontinued operations	18.6	4.3
Net (loss) income from discontinued operations	(7.4)	9.7
Net income	$19.1	$47.4
Income per share:		
Basic:		
Continuing operations	$0.80	$1.15
Discontinued operations	(0.22)	0.29
Net income	$0.58	$1.44
Diluted:		
Continuing operations	$0.79	$1.13
Discontinued operations	(0.22)	0.30
Net income	$0.57	$1.43
Basic weighted-average common shares outstanding	33.2	32.9
Effect of dilutive securities:		
Stock options and units	0.2	0.4
Diluted weighted-average common shares outstanding	33.4	33.3
Net income	$19.1	$47.4
Other comprehensive loss:		
Foreign currency translation	$(41.0)	$(6.4)
Changes in unrealized pension cost, net of tax	0.9	(0.2)
Changes in fair market value of derivatives	(0.1)	—
Other comprehensive loss	(40.2)	(6.6)
Comprehensive (loss) income	$(21.1)	$40.8

See accompanying notes to the condensed consolidated financial statements.

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ANIXTER INTERNATIONAL INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share and per share amounts)	April 3, 2015	January 2, 2015 As Adjusted (See Note 2)
ASSETS		
Current assets:		
Cash and cash equivalents	$101.2	$92.0
Accounts receivable (Includes $480.7 and $548.5 at April 3, 2015 and January 2, 2015, respectively, associated with securitization facility)	1,109.4	1,171.0
Inventories	839.0	859.0
Deferred income taxes	33.4	33.7
Other current assets	51.5	54.9
Current assets held for sale	419.1	379.2
Total current assets	2,553.6	2,589.8
Property and equipment, at cost	308.3	305.3
Accumulated depreciation	(200.7)	(201.1)
Net property and equipment	107.6	104.2
Goodwill	577.1	582.3
Other assets	270.9	282.5
Long-term assets held for sale	—	27.7
Total assets	$3,509.2	$3,586.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$682.5	$738.5
Accrued expenses	169.7	183.2
Current liabilities held for sale	131.8	108.8
Total current liabilities	984.0	1,030.5
Long-term debt (Includes $190.0 and $65.0 at April 3, 2015 and January 2, 2015, respectively, associated with securitization facility)	1,202.0	1,207.7
Other liabilities	208.7	215.1
Long-term liabilities held for sale	—	0.2
Total liabilities	2,394.7	2,453.5
Stockholders' equity:		
Common stock - $1.00 par value, 100,000,000 shares authorized, 33,238,071 and 33,141,950 shares issued and outstanding at April 3, 2015 and January 2, 2015, respectively	33.2	33.1
Capital surplus	240.6	238.2
Retained earnings	1,018.9	999.7
Accumulated other comprehensive (loss) income:		
Foreign currency translation	(100.1)	(59.1)
Unrecognized pension liability, net	(78.1)	(79.0)
Unrealized gain on derivatives, net	—	0.1
Total accumulated other comprehensive loss	(178.2)	(138.0)
Total stockholders' equity	1,114.5	1,133.0
Total liabilities and stockholders' equity	$3,509.2	$3,586.5

See accompanying notes to the condensed consolidated financial statements.

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ANIXTER INTERNATIONAL INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	April 3, 2015	April 4, 2014
(In millions)		
Operating activities:		
Net income	$19.1	$47.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6.1	5.6
Amortization of intangible assets	5.4	2.0
Stock-based compensation	3.6	3.3
Accretion of debt discount	0.4	0.3
Amortization of deferred financing costs	0.4	0.4
Deferred income taxes	—	(3.8)
Excess income tax benefit from employee stock plans	(0.4)	(2.7)
Pension plan contributions	(4.8)	(4.7)
Pension plan expenses	2.9	1.0
Changes in current assets and liabilities, net	(15.5)	(41.1)
Other, net	0.8	0.3
Net cash provided by operating activities	18.0	8.0
Investing activities:		
Capital expenditures, net	(10.9)	(9.0)
Other	2.3	—
Net cash used in investing activities	(8.6)	(9.0)
Financing activities:		
Proceeds from borrowings	346.8	330.4
Repayments of borrowings	(151.5)	(263.6)
Retirement of Notes due 2015	(200.0)	—
Repayment of term loan	(1.3)	—
Excess income tax benefit from employee stock plans	0.4	2.7
Retirement of Notes due 2014	—	(32.3)
Proceeds from stock options exercised	—	0.5
Other	(1.0)	(1.7)
Net cash (used in) provided by financing activities	(6.6)	36.0
Increase in cash and cash equivalents	2.8	35.0
Effect of exchange rate changes on cash balances	6.4	(2.5)
Cash and cash equivalents at beginning of period	92.0	57.3
Cash and cash equivalents at end of period	$101.2	$89.8

See accompanying notes to the condensed consolidated financial statements.

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ANIXTER INTERNATIONAL INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation: Anixter International Inc. and its subsidiaries (collectively referred to as “Anixter” or the “Company”) are sometimes referred to in this Quarterly Report on Form 10-Q as “we”, “our”, “us”, or “ourselves.” The condensed consolidated financial information furnished herein reflects all adjustments (consisting of normal recurring accruals), which are, in the opinion of management, necessary for a fair presentation of the Condensed Consolidated Financial Statements for the periods shown. Certain prior period amounts have been reclassified to conform to the current year presentation. The results of operations of any interim period are not necessarily indicative of the results that may be expected for a full fiscal year.

Recently issued and adopted accounting pronouncements: In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-8 Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This update changes the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. Under the new guidance, a discontinued operation is defined as a disposal of a component or group of components that is disposed of or is classified as held for sale and represents a strategic shift that has a major effect on an entity's operations and financial results. The guidance is effective for entities with annual periods beginning on or after December 15, 2014. This accounting guidance applies prospectively to new disposals and new classifications of disposal groups held for sale. We adopted this guidance in the first quarter of fiscal year 2015. See Note 2. "Discontinued Operations" for applicable disclosures.

Recently issued accounting pronouncements not yet adopted: On April 15, 2015, the FASB issued ASU 2015-04, Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets, which permits a reporting entity with a fiscal year-end that does not coincide with a month-end to measure defined benefit plan assets and obligations using the month-end that is closest to the entity's fiscal year-end and apply that practical expedient consistently from year to year. The standard is effective for our financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. The new guidance should be applied on a prospective basis. The adoption of this standard is not expected to have a material impact on our financial statements.

On April 7, 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. The standard is effective for our financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. The new guidance will be applied on a retrospective basis. The adoption of this standard is not expected to have a material impact on our financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which provides guidance for revenue recognition. The update’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under current guidance. Examples of the use of judgments and estimates may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The update also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The update provides for two transition methods to the new guidance: a retrospective approach and a modified retrospective approach. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is not permitted. We are currently in the process of evaluating the transition methods and the impact of adoption of this ASU on our financial statements.

We do not believe that any other recently issued, but not yet effective, accounting pronouncements, if adopted, would have a material impact on our consolidated financial statements or disclosures.

Other, net: The following represents the components of "Other, net" as reflected in the Condensed Consolidated Statements of Comprehensive (Loss) Income:

(In millions)	Three Months Ended April 3, 2015	Three Months Ended April 4, 2014
Other, net:		
Foreign exchange	$(3.6)	$(1.4)
Foreign exchange devaluations	(0.7)	(8.0)
Cash surrender value of life insurance policies	0.6	0.3
Other	(0.3)	(0.6)
Total other, net	$(4.0)	$(9.7)

In the first quarter of 2014, the Venezuelan government changed its policy regarding the bolivar, which required us to use the Complementary System for the Administration of Foreign Currency ("SICAD") rate of 49.0 bolivars to one U.S. Dollar ("USD") to repatriate cash from Venezuela. In the first quarter of 2014, the Argentine peso was also devalued from 6.5 pesos to one USD to approximately 8.0 pesos to one USD after the central bank scaled back its intervention in a bid to preserve USD cash reserves. As a result of these devaluations, we recorded foreign exchange losses in these two countries of $8.0 million in the first quarter of 2014.

In the first quarter of 2015, the Venezuelan government changed its policy regarding the bolivar, which we believe will now require us to use the Sistema Marginal de Divisas or Marginal Exchange System ("SIMADI") a "completely free floating" rate. As a result, we believe that the current rate of approximately 190.0 bolivars to one USD will be the rate available to us in the event we repatriate cash from Venezuela. As a result of this devaluation, we recorded a foreign exchange loss of $0.7 million in the first quarter of 2015.

Several of our subsidiaries conduct business in a currency other than the legal entity's functional currency. Transactions may produce receivables or payables that are fixed in terms of the amount of foreign currency that will be received or paid. A change in exchange rates between the functional currency and the currency in which a transaction is denominated increases or decreases the expected amount of functional currency cash flows upon settlement of the transaction. The increase or decrease in expected functional currency cash flows is a foreign currency transaction gain or loss that is included in "Other, net" in the Condensed Consolidated Statements of Comprehensive (Loss) Income.

We purchase foreign currency forward contracts to minimize the effect of fluctuating foreign currency-denominated accounts on our reported income. The foreign currency forward contracts are not designated as hedges for accounting purposes. Our strategy is to negotiate terms for our derivatives and other financial instruments to be highly effective, such that the change in the value of the derivative perfectly offsets the impact of the underlying hedged item (e.g., various foreign currency-denominated accounts). Our counterparties to foreign currency forward contracts have investment-grade credit ratings. We expect the creditworthiness of our counterparties to remain intact through the term of the transactions. We regularly monitor the creditworthiness of our counterparties to ensure no issues exist which could affect the value of the derivatives. While our derivatives are all subject to master netting arrangements, we present our assets and liabilities related to derivative instruments on a gross basis within the Condensed Consolidated Balance Sheets. The gross amount of our derivative assets and liabilities are immaterial.

We do not hedge 100% of our foreign currency-denominated accounts. In addition, the results of hedging can vary significantly based on various factors, such as the timing of executing the foreign currency forward contracts versus the movement of the currencies as well as the fluctuations in the account balances throughout each reporting period. The fair value of the foreign currency forward contracts is based on the difference between the contract rate and the current exchange rate. The fair value of the foreign currency forward contracts is measured using observable market information. These inputs would be considered Level 2 in the fair value hierarchy. At April 3, 2015 and January 2, 2015, foreign currency forward contracts were revalued at then-current foreign exchange rates with the changes in valuation reflected directly in "Other, net" in the Condensed Consolidated Statements of Comprehensive (Loss) Income offsetting the transaction gain/loss recorded on the foreign currency-denominated accounts. At April 3, 2015 and January 2, 2015, the gross notional amount of foreign currency forward contracts outstanding was approximately $213.4 million and $222.9 million, respectively. All of our foreign currency forward contracts are subject to master netting arrangements with our counterparties. As a result, at April 3, 2015 and January 2, 2015, the net notional amount of the foreign currency forward contracts outstanding was approximately $98.6 million and $121.9 million, respectively.

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ANIXTER INTERNATIONAL INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The combined effect of changes in both the equity and bond markets resulted in changes in the cash surrender value of our owned life insurance policies associated with our sponsored deferred compensation program.
Accumulated other comprehensive (loss) income: We accumulated unrealized gains and losses in “Accumulated other comprehensive (loss) income ” (“AOCI”) which are also reported in "Other comprehensive loss" on the Condensed Consolidated Statement of Comprehensive (Loss) Income. These include unrealized gains and losses related to our defined benefit obligations, certain immaterial derivative transactions that have been designated as cash flow hedges and foreign currency translation. See Note 6. "Pension Plans" for pension related amounts reclassified into net income.

Our investments in several subsidiaries are recorded in currencies other than the USD. As these foreign currency denominated investments are translated at the end of each period during consolidation using period-end exchange rates, fluctuations of exchange rates between the foreign currency and the USD increase or decrease the value of those investments. These fluctuations and the results of operations for foreign subsidiaries, where the functional currency is not the USD, are translated into USD using the average exchange rates during the periods reported, while the assets and liabilities are translated using period-end exchange rates. The assets and liabilities-related translation adjustments are recorded as a separate component of AOCI, “Foreign currency translation." In addition, as our subsidiaries maintain investments denominated in currencies other than local currencies, exchange rate fluctuations will occur. Borrowings are raised in certain foreign currencies to minimize the exchange rate translation adjustment risk.

NOTE 2. DISCONTINUED OPERATIONS

On February 9, 2015, our Board of Directors approved the disposition of the OEM Supply - Fasteners ("Fasteners") business. On February 11, 2015, through our wholly-owned subsidiary Anixter Inc., we entered into a definitive asset purchase agreement with American Industrial Partners (“AIP”) to sell the Fasteners business for $380.0 million in cash, subject to certain post-closing adjustments. The transaction is expected to close during the second quarter of 2015, subject to customary closing conditions and regulatory approval. Following the transaction, we intend to have a sharper strategic focus on our core Enterprise Cabling and Security Solutions (“ECS”) and Electrical and Electronic Wire and Cable (“W&C”) segments and believe this transaction will provide additional financial flexibility to build on these strong global platforms through organic investments or strategic acquisitions.

Beginning in the first quarter of 2015, the assets and liabilities of the Fasteners business are classified as “Assets Held for Sale” and the operating results of the Fasteners business are presented as “Discontinued Operations” in our Condensed Consolidated Financial Statements. Accordingly, all prior periods have been revised to reflect this classification. Upon closing of the transaction, we expect to record a gain on the sale, net of taxes.

We allocated interest costs to discontinued operations as a result of the anticipated sale of the Fasteners business. The allocated interest costs were $0.5 million and $1.1 million in the first quarter of 2015 and 2014, respectively, and represents the amount of interest costs not directly attributable to our other operations that would not have been incurred if we had the proceeds from the sale of the Fasteners business at the beginning of the respective periods. The methodology is consistent with the interest costs we expect to incur after the sale of the Fasteners business.

The following represents the components of the results from discontinued operations as reflected in our Condensed Consolidated Statement of Comprehensive (Loss) Income:

(In millions)	April 3, 2015	April 4, 2014
Net sales	$249.4	$249.5
Operating income	$11.9	$15.7

Income from discontinued operations before income taxes	$11.2	$14.0
Income tax expense from discontinued operations	$18.6	$4.3
Net (loss) income from discontinued operations	$(7.4)	$9.7

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ANIXTER INTERNATIONAL INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As reflected on our Condensed Consolidated Balance Sheets as of April 3, 2015 and January 2, 2015, the components of assets and liabilities of the Fasteners businesses classified as "Assets held for sale" and "Liabilities held for sale" are as follows:

(In millions)	April 3, 2015	January 2, 2015
Assets held for sale:		
Accounts receivable	$177.4	$158.2
Inventories	208.5	213.8
Net property and equipment	16.8	16.8
Other assets	16.4	18.1
Total assets held for sale	$419.1	$406.9
Liabilities held for sale:		
Accounts payable	$114.0	$92.8
Accrued expenses	17.6	16.0
Other liabilities	0.2	0.2
Total liabilities held for sale	$131.8	$109.0

The following represents the components of the results from discontinued operations as reflected in our Condensed Consolidated Statement of Cash Flows:

(In millions)	April 3, 2015	April 4, 2014
Depreciation	$1.0	$0.9
Amortization	$0.3	$0.3
Stock-based compensation	$0.3	$0.3
Capital expenditures	$1.1	$2.5

NOTE 3. BUSINESS COMBINATION
On September 17, 2014, we acquired 100% of the outstanding capital stock of Tri-Northern Acquisition Holdings, Inc. (“Tri-Ed”), a leading independent distributor of security and low-voltage technology products, from Tri-NVS Holdings, LLC for $418.4 million (net of cash acquired of $11.6 million and a favorable net working capital adjustment of $2.3 million). The acquisition was financed using borrowings under the 5-year senior unsecured revolving credit agreement, the accounts receivable securitization facility, available cash and the $200.0 million term loan. A portion of the proceeds from a subsequent issuance of $400.0 million principal amount of senior notes was used to repay certain incurred borrowings to finance the Tri-Ed acquisition.
The acquisition of Tri-Ed presents a strategic opportunity for us and our security business, consistent with our vision to create a leading global security platform and to accelerate profitable revenue growth. Through expanding our offering into highly complementary product lines, we believe our customers will benefit from a broader set of products and solutions in the areas of video, access control, fire/life safety, and intrusion detection. In addition, this transaction provides access to the residential construction end market at an attractive point in the recovery cycle as well as security integrators and dealers we do not currently service.

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ANIXTER INTERNATIONAL INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table sets forth the preliminary purchase price allocation, as of the acquisition date, for Tri-Ed. The purchase price allocation is preliminary pending finalization of the valuation of the acquired intangible assets and related deferred tax liabilities, which is expected to be completed in 2015.

(In millions)	
Cash	$11.6
Current assets, net	203.9
Property and equipment	2.7
Goodwill	243.4
Intangible assets	166.8
Current liabilities	(144.6)
Non-current liabilities	(56.1)
Total purchase price	$427.7

All Tri-Ed goodwill, other assets and liabilities were recorded in the Enterprise Cabling and Security Solutions ("ECS") reportable segment. The goodwill resulting from the acquisition largely consists of our expected future product sales and synergies from combining Tri-Ed's products with our existing product offerings. Other than $12.2 million, the remaining goodwill is not deductible for tax purposes. The following table sets forth the components of preliminary identifiable intangible assets acquired and their estimated useful lives as of the date of the acquisition:

(In millions)	Average useful life (in years)	Fair value
Customer relationships	11-18	$120.6
Exclusive supplier agreement	21	23.2
Trade names	Indefinite	10.6
Tri-Ed trade names	4	9.2
Non-compete agreements	4-5	3.2
Total intangible assets		$166.8

The following unaudited pro forma information shows our results of operations as if the acquisition of Tri-Ed had been completed as of the beginning of fiscal 2014. Adjustments have been made for the pro forma effects of interest expense and deferred financing costs related to the financing of the business combination, depreciation and amortization of tangible and intangible assets recognized as part of the business combination, related income taxes and various other costs which would not have been incurred had we and Tri-Ed operated as a combined entity (i.e., management fees paid by Tri-Ed to its former owners).

(In millions, except per share amounts)	Three Months Ended April 4, 2014
Net sales	$1,416.1
Net income from continuing operations	$37.9
Income per share from continuing operations:	
Basic	$1.15
Diluted	$1.14

Since the date of acquisition, the Tri-Ed results are reflected in our Condensed Consolidated Financial Statements. For 2015, Tri-Ed added approximately $150.9 million of revenue and $5.5 million in operating income, to our consolidated results.

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NOTE 4. INCOME TAXES

The income tax provision from continuing operations for the first quarter of 2015 was $14.6 million compared to $12.5 million in the corresponding period of last year. Our first quarter 2015 income tax provision differs from our first quarter 2014 income tax provision as a result of a net tax benefit of $4.9 million primarily related to the reversal of deferred income tax valuation allowances in Europe recorded in the first quarter 2014 and a change in our worldwide country mix of income. Our effective tax rate for the first quarter of 2015 was 35.6% compared to 24.9% in the prior year period. Our first quarter 2015 effective tax rate differs from the U.S. federal statutory rate primarily as a result of U.S. state taxes and our worldwide country mix of income.

As of January 2, 2015, we asserted permanent reinvestment of all non-U.S. earnings, including the non-U.S. earnings of the Fasteners business. As a result of our Board of Directors' approval of the disposition of the Fasteners business, we are no longer permanently reinvested with respect to the non-U.S. earnings of the Fasteners business, because, following the disposition, we intend to repatriate to the U.S. most of the net proceeds attributable to the sale of the non-U.S. Fasteners business via intercompany debt repayment, dividend or other means. Our first quarter 2015 results include, as a component of discontinued operations, $15.2 million expense for U.S. federal and state, and foreign income taxes and withholding taxes related to this change in our reinvestment assertion.

NOTE 5. DEBT

Debt is summarized below:

(In millions)	April 3, 2015	January 2, 2015
Long-term debt:		
Senior notes due 2021	$394.4	$394.2
Senior notes due 2019	346.1	345.9
Term loan	197.5	198.8
Accounts receivable securitization facility	190.0	65.0
Revolving lines of credit	70.0	—
Senior notes due 2015	—	200.0
Other	4.0	3.8
Total long-term debt	$1,202.0	$1,207.7

At April 3, 2015, our total carrying value and estimated fair value of debt outstanding was $1,202.0 million and $1,251.1 million, respectively. This compares to a carrying value and estimated fair value at January 2, 2015 of $1,207.7 million and $1,243.8 million, respectively. The estimated fair value of our debt instruments is measured using observable market information which would be considered Level 2 inputs as described in the fair value accounting guidance on fair value measurements. Our weighted-average cost of borrowings was 4.6% and 4.8% for the three months ended April 3, 2015 and April 4, 2014, respectively.

Retirement of Debt

In the first quarter of 2015, we retired our 5.95% Senior notes due 2015 upon maturity for $200.0 million. Available borrowings under existing long-term financing agreements were used to settle the maturity value.

In the first quarter of 2014, we retired our 10% Senior notes due 2014 upon maturity for $32.3 million. Available borrowings under existing long-term financing agreements were used to settle the maturity value.

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ANIXTER INTERNATIONAL INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accounts Receivable Securitization Program
Under our accounts receivable securitization program, we sell, on an ongoing basis without recourse, a portion of our accounts receivables originating in the United States to Anixter Receivables Corporation (“ARC”), which is considered a wholly-owned, bankruptcy-remote variable interest entity (“VIE”). We have the authority to direct the activities of the VIE and, as a result, we have concluded that we maintain control of the VIE, are the primary beneficiary (as defined by accounting guidance) and, therefore, consolidate the account balances of ARC. As of April 3, 2015 and January 2, 2015, $480.7 million and $548.5 million of our receivables were sold to ARC, respectively. ARC in turn assigns a collateral interest in these receivables to a financial institution for proceeds up to $300 million. The assets of ARC are not available to us until all obligations of ARC are satisfied in the event of bankruptcy or insolvency proceedings.

NOTE 6. PENSION PLANS
We have various defined benefit and defined contribution pension plans. Our defined benefit pension plans are the plans in the United States, which consist of the Anixter Inc. Pension Plan, the Executive Benefit Plan and the Supplemental Executive Retirement Plan (“SERP”) (together the “Domestic Plans”) and various defined benefit pension plans covering employees of foreign subsidiaries in Canada and Europe (together the “Foreign Plans”). The majority of our defined benefit pension plans are non-contributory and cover substantially all full-time domestic employees and certain employees in other countries. Retirement benefits are provided based on compensation as defined in both the Domestic Plans and the Foreign Plans. Our policy is to fund all Domestic Plans as required by the Employee Retirement Income Security Act of 1974 (“ERISA”) and the Internal Revenue Service (“IRS”) and all Foreign Plans as required by applicable foreign laws. The Executive Benefit Plan and SERP are the only two plans that are unfunded. Assets in the various plans consist primarily of equity securities and fixed income investments.
Components of net periodic pension cost are as follows:

	Three Months Ended					
	Domestic		Foreign		Total	
(In millions)	April 3, 2015	April 4, 2014	April 3, 2015	April 4, 2014	April 3, 2015	April 4, 2014
Service cost	$1.3	$1.2	$1.7	$1.5	$3.0	$2.7
Interest cost	2.6	2.6	2.3	2.7	4.9	5.3
Expected return on plan assets	(3.5)	(3.5)	(2.6)	(3.2)	(6.1)	(6.7)
Net amortization [(a)]	0.4	(0.6)	0.7	0.3	1.1	(0.3)
Net periodic cost (benefit)	$0.8	$(0.3)	$2.1	$1.3	$2.9	$1.0

(a) Reclassified into operating expenses from AOCI.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 7. SUMMARIZED FINANCIAL INFORMATION OF ANIXTER INC.
We guarantee, fully and unconditionally, substantially all of the debt of our subsidiaries, which include Anixter Inc., our primary operating subsidiary. We have no independent assets or operations and all subsidiaries other than consolidated Anixter Inc. are minor. The following summarizes the financial information for Anixter Inc.:
ANIXTER INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)	April 3, 2015	January 2, 2015 As Adjusted (see Note 2)
Assets:		
Current assets	$2,133.4	$2,210.2
Current assets held for sale	419.1	379.2
Property, equipment and capital leases, net	117.8	114.7
Goodwill	577.1	582.3
Other assets	270.9	282.5
Long-term assets held for sale	—	27.7
	$3,518.3	$3,596.6
Liabilities and Stockholder’s Equity:		
Current liabilities	$852.6	$921.3
Current liabilities held for sale	131.8	108.8
Subordinated notes payable to parent	—	1.5
Long-term debt	1,215.7	1,221.8
Other liabilities	206.2	212.2
Long-term liabilities held for sale	—	0.2
Stockholder’s equity	1,112.0	1,130.8
	$3,518.3	$3,596.6

ANIXTER INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(In millions)	Three Months Ended April 3, 2015	April 4, 2014 As Adjusted (see Note 2)
Net sales	$1,385.1	$1,274.3
Operating income	$60.8	$71.3
Income from continuing operations before income taxes	$42.4	$51.3
Net (loss) income from discontinued operations	$(7.4)	$9.7
Net income	$20.0	$48.2
Comprehensive (loss) income	$(20.2)	$41.6

NOTE 8. STOCKHOLDERS' EQUITY

At the end of the first quarter of 2015, there were 1.7 million shares reserved for issuance under all incentive plans. Under the current stock incentive plans, we pay non-employee directors annual retainer fees and, at their election, meeting fees in the form of stock units. Employee and director stock units are included in common stock outstanding on the date of vesting, and stock options are included in common stock outstanding upon exercise by the participant. The fair value of employee stock options and units is amortized over the respective vesting period representing the requisite service period, generally three to four years for stock units and four years for stock options. Director stock units are expensed in the period in which they are granted, as these vest immediately.

During the three months ended April 3, 2015, we granted 178,576 stock units to employees, with a weighted-average grant-date fair value of $14.1 million. During the three months ended April 3, 2015, we granted directors 6,745 stock units, with a weighted-average grant-date fair value of $0.5 million, respectively. We exclude antidilutive stock options and units from the calculation of weighted-average shares for diluted earnings per share. For the first quarter of 2015 and 2014, the antidilutive stock options and units were immaterial.

NOTE 9. LEGAL CONTINGENCIES

From time to time, we are party to legal proceedings and matters that arise in the ordinary course of business. As of April 3, 2015, we do not believe there is a reasonable possibility that any material loss exceeding the amounts already recognized for these proceedings and matters has been incurred. However, the ultimate resolutions of these proceedings and matters are inherently unpredictable. As such, our financial condition and results of operations could be adversely affected in any particular period by the unfavorable resolution of one or more of these proceedings or matters.

NOTE 10. BUSINESS SEGMENTS

We are a leading distributor of enterprise cabling and security solutions and electrical and electronic wire and cable products. We have identified Enterprise Cabling and Security Solutions (“ECS”) and Electrical and Electronic Wire and Cable (“W&C”) as reportable segments. As discussed in Note 2. "Discontinued Operations", beginning in the first quarter of 2015, the Fasteners segment has been classified as "Discontinued Operations" for all periods. We incur corporate expenses to obtain and coordinate financing, tax, information technology, legal and other related services, certain of which are rebilled to subsidiaries. These corporate expenses are allocated to the segments based primarily on projected sales and estimated use of time. A portion of these corporate expenses are reported in the corporate segment as they historically had been allocated to the Fasteners segment but are not considered directly related to the discontinued operations. Also, we have various corporate assets which are not allocated to the segments. Segment assets may not include jointly used assets or unallocated assets, but segment results include depreciation expense or other allocations related to those assets as such allocation is made for internal reporting. Interest expense and other non-operating items are not allocated to the segments or reviewed on a segment basis. Intercompany transactions are not significant.

Segment Financial Information

Segment information for the three months ended April 3, 2015 and April 4, 2014 are as follows:

(In millions)

First Quarter of 2015	ECS	W&C	Corporate	Total
Net sales	$915.8	$469.3	$—	$1,385.1
Operating income	$36.3	$26.2	$(3.2)	$59.3
First Quarter of 2014 (As Adjusted, see Note 2)	ECS	W&C	Corporate	Total
Net sales	$776.8	$497.5	$—	$1,274.3
Operating income	$37.6	$35.3	$(2.9)	$70.0

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Goodwill Assigned to Segments

The following table presents the changes in goodwill allocated to our reportable segments during the three months ended April 3, 2015:

(In millions)	ECS	W&C	Total
Balance at January 2, 2015	$403.4	$178.9	$582.3
Foreign currency translation	(4.4)	(0.8)	(5.2)
Balance at April 3, 2015	$399.0	$178.1	$577.1

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following is a discussion of our financial condition and results of operations for the three months ended April 3, 2015 as compared to the corresponding period in the prior year. This discussion should be read in conjunction with the Condensed Consolidated Financial Statements, including the related notes, set forth in this report under "Condensed Consolidated Financial Statements" and our Annual Report on Form 10-K for the year ended January 2, 2015.
First Quarter 2015 and 2014 Consolidated Results of Operations

(In millions, except per share amounts)	Three Months Ended	
	April 3, 2015	April 4, 2014 As Adjusted (See Note 2)
Net sales	$1,385.1	$1,274.3
Gross profit	309.3	291.8
Operating expenses	250.0	221.8
Operating income	59.3	70.0
Other expense:		
Interest expense	(14.2)	(10.1)
Other, net	(4.0)	(9.7)
Income from continuing operations before income taxes	41.1	50.2
Income tax expense from continuing operations	14.6	12.5
Net income from continuing operations	26.5	37.7
Net (loss) income from discontinued operations	(7.4)	9.7
Net income	$19.1	$47.4
Diluted income per share:		
Continuing operations	$0.79	$1.13
Discontinued operations	(0.22)	0.30
Net income	$0.57	$1.43

Executive Overview
Looking ahead, we expect the positive trends in our security business to continue, and currently believe that improved market conditions in our network infrastructure business that began in late 2014 will persist. While our Electrical and Electronic Wire and Cable ("W&C") business delivered sales that were below our expectations, we saw the margin stabilization in the business. As we move into the second quarter of 2015, we believe that the full year organic sales growth from continuing operations will be in the 0%-4% range.
While we delivered strong growth in sales and profits in our security business, overall the quarter was challenging. Enterprise Cabling and Security Solutions ("ECS"), our largest segment, delivered its third consecutive quarter of strong revenue performance; however, operating performance was negatively impacted by competitive margin pressure. While margin was solid in our W&C segment, our sales growth was negatively affected by copper and slower industrial growth, especially related to the oil and gas sector in Canada. From a geographic perspective, we delivered our strongest organic growth in the U.S.; however, North America was significantly impacted by the weaker Canadian macro environment. We made significant strategic progress in the quarter as we began to sharpen our focus on our cabling and security businesses and improve the return on capital. As part of this effort, the announced sale of our OEM Supply - Fasteners ("Fasteners") segment enables us to better direct resources toward areas that will maximize shareholder value in both the near term and the long term.
Additional highlights of the quarter included:

- Announced the sale of the Fasteners segment for $380.0 million;
- Record first quarter sales of $1,385.1 million, up 8.7%, reflecting 2.2% organic growth;
- Record ECS security sales of $375.9 million, up 72.6%, reflecting 6.5% organic growth.

Acquisition of Business

On September 17, 2014, we acquired all of the outstanding shares of Tri-Northern Acquisition Holdings, Inc. (“Tri-Ed”), a leading independent distributor of security and low-voltage technology products headquartered in Woodbury, NY. The acquisition of Tri-Ed offers a strategic opportunity for us and our security business, consistent with our goal of creating a leading global security platform. Through expanding our offering into highly complementary products lines, we believe our customers will benefit from a broader set of products and solutions in the areas of video, access control, fire/life safety, and intrusion detection. In addition, this transaction provides access to the residential construction end-market at an attractive point in the recovery cycle as well as to security integrators and dealers we do not currently service.

We acquired 100% of the outstanding capital stock of Tri-Ed for $418.4 million (net of cash acquired of $11.6 million and a favorable net assets adjustment of $2.3 million). The acquisition was financed using borrowings under our 5-year senior unsecured revolving credit agreement, our accounts receivable securitization facility, available cash and a $200.0 million term loan ("Term Loan"). A portion of the proceeds from the subsequent issuance of $400.0 million principal amount of senior notes ("Notes due 2021") was used to repay certain incurred borrowings to finance the Tri-Ed acquisition. The acquisition resulted in the preliminary allocation of $243.4 million to goodwill and $166.8 million to intangible assets. The allocation of the adjusted purchase price will be finalized when valuations of tangible and intangible assets acquired and related deferred tax liabilities are completed during 2015.

Disposition of Business

On February 9, 2015, our Board of Directors approved the disposition of the Fasteners business. On February 11, 2015, through our wholly-owned subsidiary Anixter Inc., we entered into a definitive asset purchase agreement with American Industrial Partners (“AIP”) to sell the Fasteners business for $380.0 million in cash, subject to certain post-closing adjustments. The transaction is expected to close during the second quarter of 2015, subject to customary closing conditions and regulatory approval. Following the transaction, we intend to have a sharper strategic focus on our core ECS and W&C segments and believe this transaction will provide additional financial flexibility to build on these strong global platforms through organic investments or strategic acquisitions.

Beginning in the first quarter of 2015, the assets and liabilities of the Fasteners business are classified as “Assets Held for Sale” and the operating results of the Fasteners business are presented as “Discontinued Operations” in our Condensed Consolidated Financial Statements. Accordingly, all prior periods have been revised to reflect this classification. Upon closing of the transaction, we expect to record a gain on the sale, net of taxes. See Note 2. "Discontinued Operations" for further information.

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Items Impacting Comparability of Results

In addition to the results provided in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”) , this report includes certain financial measures computed using non-GAAP components as defined by the Securities and Exchange Commission. Specifically, net sales comparisons to the prior corresponding period, both worldwide and in relevant segments, are discussed in this report both on a GAAP basis and non-GAAP basis. We believe that by reporting non-GAAP organic growth, which adjusts for the impact of acquisitions (when applicable), foreign exchange fluctuations and copper prices, both management and investors are provided with meaningful supplemental sales information to understand and analyze our underlying trends and other aspects of our financial performance. Beginning in 2015, we calculate the year-over-year organic sales growth impact relating to the Tri-Ed acquisition by including the 2014 results with our results (on a "pro forma" basis) as we believe this represents the most accurate representation of organic growth, considering the nature of the company we acquired and the synergistic revenues that have been achieved. From time to time, we may also exclude other items from reported financial results (e.g., impairment charges, inventory adjustments, restructuring charges, tax items, currency devaluations, etc.) so that both management and financial statement users can use these non-GAAP financial measures to better understand and evaluate our performance period over period and to analyze the underlying trends of our business.

EBITDA is defined as net income from continuing operations before interest, income taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before foreign exchange and other non-operating expense and non-cash stock-based compensation, excluding the other special items from reported financial results, as defined above. EBITDA and Adjusted EBITDA are presented because we believe they are useful indicators of our performance and our ability to meet debt service requirements. They are not, however, intended as an alternative measure of operating results or cash flow from operations as determined in accordance with generally accepted accounting principles.

Non-GAAP financial measures provide insight into selected financial information and should be evaluated in the context in which they are presented. These non-GAAP financial measures have limitations as analytical tools, and should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP, and non-GAAP financial measures as reported by us may not be comparable to similarly titled amounts reported by other companies. The non-GAAP financial measures should be considered in conjunction with the Condensed Consolidated Financial Statements, including the related notes, and Management’s Discussion and Analysis of Financial Condition and Results of Operations included in this report. Management does not use these non-GAAP financial measures for any purpose other than the reasons stated above.

Our operating results can be affected by changes in prices of commodities, primarily copper, which are components in some of the electrical wire and cable products sold. Generally, as the costs of inventory purchases increase due to higher commodity prices, our mark-up percentage to customers remains relatively constant, resulting in higher sales revenue and gross profit. In addition, existing inventory purchased at previously lower prices and sold as prices increase may result in a higher gross profit margin. Conversely, a decrease in commodity prices in a short period of time would have the opposite effect, negatively affecting financial results. The degree to which spot market copper prices change affects product prices and the amount of gross profit earned will be affected by end market demand and overall economic conditions. Importantly, however, there is no exact measure of the impact of changes in copper prices, as there are thousands of transactions in any given quarter, each of which has various factors involved in the individual pricing decisions. Therefore, all references to the effect of copper prices are estimates.

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In the first quarter of 2015, we recorded $0.7 million ($0.4 million, net of tax) of foreign exchange losses due to the devaluation of the Venezuela bolivar. In the first quarter of 2014, we recorded $8.0 million ($5.3 million, net of tax) of foreign exchange losses due to the devaluation of the Venezuela bolivar and the Argentina peso. We also recorded a net tax benefit of $4.9 million in the first quarter of 2014 primarily related to the reversal of deferred income tax valuation allowances in Europe. The following summarizes the various items that favorably/(unfavorably) impact the comparability of the results for the three months ended April 3, 2015 and April 4, 2014:

Items Impacting Comparability of Results from Continuing Operations:

(In millions, except per share amounts)	Three Months Ended	
	April 3, 2015	April 4, 2014
	Favorable / (Unfavorable)	
Items impacting other expenses:		
Foreign exchange loss from the devaluation of foreign currencies	(0.7)	(8.0)
Total of items impacting other expenses	$(0.7)	$(8.0)
Total of items impacting pre-tax income	$(0.7)	$(8.0)
Items impacting income taxes:		
Tax impact of items impacting pre-tax income above	0.3	2.7
Primarily reversal of deferred income tax valuation allowances	—	4.9
Total of items impacting income taxes	$0.3	$7.6
Net income impact of these items	$(0.4)	$(0.4)
Diluted EPS impact of these items	$(0.02)	$(0.01)

In 2015 and 2014, there were no items that significantly impacted operating income. All other items impacted consolidated results only and were not allocated to segments.

GAAP to Non-GAAP Net Income and EPS Reconciliation:

(In millions, except per share amounts)	Three Months Ended	
	April 3, 2015	April 4, 2014
Reconciliation to most directly comparable GAAP financial measure:		As Adjusted (See Note 2)
Net income from continuing operations - Non-GAAP	$26.9	$38.1
Items impacting net income from continuing operations	(0.4)	(0.4)
Net income from continuing operations - GAAP	$26.5	$37.7
Diluted EPS from continuing operations – Non-GAAP	$0.81	$1.14
Diluted EPS impact of these items from continuing operations	(0.02)	(0.01)
Diluted EPS from continuing operations – GAAP	$0.79	$1.13

The Tri-Ed acquisition was accounted for as a purchase and its respective results of operations are included in the Condensed Consolidated Financial Statements from the date of the acquisition. Had this acquisition occurred at the beginning of fiscal 2014, our 2014 pro forma net sales, net income from continuing operations and diluted income per share from continuing operations would have been $1,416.1 million, $37.9 million, and $1.14, respectively, as compared to reported results of $1,274.3 million, $37.7 million, and $1.13, respectively. Excluding the net loss from the devaluation of foreign currencies of $5.3 million and the favorable impact of items impacting income taxes of $4.9 million as described above, the 2014 pro forma diluted income per share from continuing operations would have been $1.15, as compared to the non-GAAP diluted earnings per share from continuing operations of $1.14 in the reconciliation above. For further pro forma information regarding Tri-Ed, refer to Note 3. "Business Combination".

ANIXTER INTERNATIONAL INC.

Net Sales
First Quarter 2015 Sales Growth Trends

($ millions)	Q1 2015 As Reported	Foreign Exchange Impact	Copper Impact	As Adjusted	Q1 2014 As Reported	Acquisition Impact	Pro Forma	Organic Growth / (Decline)
ECS					As Adjusted (See Note 2)			
North America	$720.2	$10.9	$—	$731.1	$568.6	$140.9	$709.5	3.0 %
Europe	83.4	10.7	—	94.1	83.6	—	83.6	12.5 %
Emerging Markets	112.2	6.3	—	118.5	124.6	0.9	125.5	(5.5)%
ECS	$915.8	$27.9	$—	$943.7	$776.8	$141.8	$918.6	2.7 %
W&C								
North America	$339.8	$9.9	$13.7	$363.4	$350.8	$—	$350.8	3.6 %
Europe	71.6	7.1	0.8	79.5	82.6	—	82.6	(3.7)%
Emerging Markets	57.9	1.6	1.3	60.8	64.1	—	64.1	(5.4)%
W&C	$469.3	$18.6	$15.8	$503.7	$497.5	$—	$497.5	1.2 %
Total	$1,385.1	$46.5	$15.8	$1,447.4	$1,274.3	$141.8	$1,416.1	2.2 %
Geographic Sales								
North America	$1,060.0	$20.8	$13.7	$1,094.5	$919.4	$140.9	$1,060.3	3.2 %
Europe	155.0	17.8	0.8	173.6	166.2	—	166.2	4.4 %
Emerging Markets	170.1	7.9	1.3	179.3	188.7			