

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 30, 2017**  
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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company   
(Do not check if a 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 October 13, 2017, there were 15,137,708 shares of common stock, par value \$.001 (the "common stock"), outstanding.

**BLACK BOX CORPORATION**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2017**  
**INDEX**

	<u>Page</u>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
<b><u>Item 1.</u></b>	
<u>Financial Statements.</u>	
<u>Consolidated Balance Sheets.</u>	<u>3</u>
<u>Consolidated Statements of Operations.</u>	<u>4</u>
<u>Consolidated Statements of Comprehensive Income (Loss).</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows.</u>	<u>6</u>
<u>Notes to the Consolidated Financial Statements.</u>	<u>7</u>
<b><u>Item 2.</u></b>	<u>19</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	
<b><u>Item 3.</u></b>	<u>27</u>
<u>Quantitative and Qualitative Disclosures about Market Risk.</u>	
<b><u>Item 4.</u></b>	<u>28</u>
<u>Controls and Procedures.</u>	
<b><u>PART II. OTHER INFORMATION</u></b>	
<b><u>Item 6.</u></b>	<u>29</u>
<u>Exhibits.</u>	
<b><u>SIGNATURE</u></b>	<u>30</u>

**PART I – FINANCIAL INFORMATION****Item 1. Financial Statements.****BLACK BOX CORPORATION  
CONSOLIDATED BALANCE SHEETS**

<b>In thousands, except par value</b>	<b>(Unaudited)</b>	
	<b>September 30, 2017</b>	<b>March 31, 2017</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 30,462	\$ 14,247
Accounts receivable, net of allowance for doubtful accounts of \$4,600 and \$4,084	124,408	128,544
Inventories, net	26,839	25,382
Costs/estimated earnings in excess of billings on uncompleted contracts	72,564	71,930
Assets held for sale	2,081	—
Other assets	30,952	28,544
<b>Total current assets</b>	<b>287,306</b>	<b>268,647</b>
Property, plant and equipment, net	25,064	29,103
Intangibles, net	63,084	68,820
Deferred tax asset	55,541	53,539
Other assets	8,224	7,008
<b>Total assets</b>	<b>\$ 439,219</b>	<b>\$ 427,117</b>
<b>Liabilities</b>		
Accounts payable	\$ 71,412	\$ 69,858
Accrued compensation and benefits	17,379	21,576
Deferred revenue	28,316	31,624
Billings in excess of costs/estimated earnings on uncompleted contracts	13,637	16,536
Short-term debt	5,756	964
Other liabilities	35,350	36,955
<b>Total current liabilities</b>	<b>171,850</b>	<b>177,513</b>
Long-term debt	123,409	88,782
Other liabilities	16,835	19,173
<b>Total liabilities</b>	<b>\$ 312,094</b>	<b>\$ 285,468</b>
<b>Stockholders' equity</b>		
Preferred stock authorized 5,000, par value \$1.00, none issued	\$ —	\$ —
Common stock authorized 100,000, par value \$.001, 15,138 and 14,960 shares outstanding, 26,876 and 26,654 issued	26	26
Additional paid-in capital	509,688	506,449
Retained earnings	43,284	66,246
Accumulated other comprehensive income (loss)	(9,889)	(15,481)
Treasury stock, at cost 11,738 and 11,694 shares	(415,984)	(415,591)
<b>Total stockholders' equity</b>	<b>\$ 127,125</b>	<b>\$ 141,649</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 439,219</b>	<b>\$ 427,117</b>

*See Notes to the Consolidated Financial Statements*

**BLACK BOX CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

In thousands, except per share amounts	Three-months ended		Six-months ended	
	September 30 and October 1		September 30 and October 1	
	2017	2016	2017	2016
<b>Revenues</b>				
Products	\$ 37,248	\$ 42,263	\$ 70,136	\$ 82,144
Services	156,916	176,486	315,672	355,085
Total	194,164	218,749	385,808	437,229
<b>Cost of sales *</b>				
Products	21,166	27,213	40,193	50,146
Services	116,505	137,092	236,519	264,986
Total	137,671	164,305	276,712	315,132
<b>Gross profit</b>	<b>56,493</b>	<b>54,444</b>	<b>109,096</b>	<b>122,097</b>
Selling, general & administrative expenses	60,330	58,142	123,600	120,624
Asset impairment loss	1,426	536	1,426	536
Intangibles amortization	2,109	2,304	4,339	4,755
<b>Operating income (loss)</b>	<b>(7,372)</b>	<b>(6,538)</b>	<b>(20,269)</b>	<b>(3,818)</b>
Interest expense, net	1,801	1,050	3,019	2,257
Other expenses (income), net	(207)	41	(77)	(302)
Income (loss) before provision for income taxes	(8,966)	(7,629)	(23,211)	(5,773)
Provision (benefit) for income taxes	2,434	(1,524)	(2,064)	808
<b>Net income (loss)</b>	<b>\$ (11,400)</b>	<b>\$ (6,105)</b>	<b>\$ (21,147)</b>	<b>\$ (6,581)</b>
<b>Earnings (loss) per common share</b>				
Basic	\$ (0.75)	\$ (0.40)	\$ (1.40)	\$ (0.44)
Diluted	\$ (0.75)	\$ (0.40)	\$ (1.40)	\$ (0.44)
Weighted-average common shares outstanding				
Basic	15,138	15,149	15,057	15,088
Diluted	15,138	15,149	15,057	15,088
Dividends declared per share	\$ —	\$ 0.12	\$ 0.12	\$ 0.24

\* Exclusive of depreciation and intangibles amortization.

*See Notes to the Consolidated Financial Statements*

**BLACK BOX CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(Unaudited)**

<b>In thousands</b>	<b>Three-months ended</b>		<b>Six-months ended</b>	
	<b>September 30 and October 1</b>		<b>September 30 and October 1</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Net income (loss)</b>	<b>\$ (11,400)</b>	<b>\$ (6,105)</b>	<b>\$ (21,147)</b>	<b>\$ (6,581)</b>
Other comprehensive income (loss)				
Foreign Currency Translation Adjustment	2,063	19	5,172	(1,803)
Defined Benefit Pension				
Actuarial gain (loss), net of taxes of \$41, \$137, \$95, and \$138	64	215	149	216
Amounts reclassified into results of operations, net of taxes of \$12, (\$70), \$24, and (\$207)	19	(110)	37	(324)
Derivative Instruments				
Net change in fair value of cash flow hedges, net of taxes of (\$141), (\$189), (\$568), and (\$283)	(221)	(295)	(888)	(443)
Amounts reclassified into results of operations, net of taxes of \$470, \$185, \$717, and \$330	736	289	1,122	516
<b>Other comprehensive income (loss)</b>	<b>\$ 2,661</b>	<b>\$ 118</b>	<b>\$ 5,592</b>	<b>\$ (1,838)</b>
<b>Comprehensive income (loss)</b>	<b>\$ (8,739)</b>	<b>\$ (5,987)</b>	<b>\$ (15,555)</b>	<b>\$ (8,419)</b>

*See Notes to the Consolidated Financial Statements*

**BLACK BOX CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

In thousands	Six-months ended September 30 and October 1	
	2017	2016
<b>Operating Activities</b>		
<b>Net income (loss)</b>	<b>\$ (21,147)</b>	<b>\$ (6,581)</b>
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities		
Intangibles amortization	4,339	4,755
Depreciation	4,759	4,600
Loss (gain) on sale of property	28	(1,223)
Deferred taxes	(1,842)	2,119
Stock compensation expense	3,238	3,172
Asset impairment loss	1,426	536
Provision for obsolete inventory	262	9,688
Provision for (recovery of) doubtful accounts	545	277
Changes in operating assets and liabilities (net of acquisitions)		
Accounts receivable	5,179	(7,607)
Inventories	(986)	6,824
Costs/estimated earnings in excess of billings on uncompleted contracts	(337)	(5,108)
All other assets	(1,000)	(326)
Accounts payable	1,942	4,866
Billings in excess of costs/estimated earnings on uncompleted contracts	(2,923)	1,971
All other liabilities	(9,107)	(2,281)
<b>Net cash provided by (used for) operating activities</b>	<b>\$ (15,624)</b>	<b>\$ 15,682</b>
<b>Investing Activities</b>		
Capital expenditures	(2,688)	(3,875)
Capital disposals	69	1,422
<b>Net cash provided by (used for) investing activities</b>	<b>\$ (2,619)</b>	<b>\$ (2,453)</b>
<b>Financing Activities</b>		
Proceeds (repayments) from long-term debt	\$ 34,576	\$ (17,922)
Proceeds (repayments) from short-term debt	4,950	1,620
Deferred financing costs	(632)	(1,049)
Purchase of treasury stock	(393)	(477)
Payment of dividends	(3,611)	(3,465)
Increase (decrease) in cash overdrafts	(1,086)	379
<b>Net cash provided by (used for) financing activities</b>	<b>33,804</b>	<b>(20,914)</b>
Foreign currency exchange impact on cash	\$ 654	\$ 312
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>\$ 16,215</b>	<b>\$ (7,373)</b>
Cash and cash equivalents at beginning of period	\$ 14,247	\$ 23,497
Cash and cash equivalents at end of period	\$ 30,462	\$ 16,124
<b>Supplemental cash flow</b>		
Cash paid for interest	\$ 2,375	\$ 1,784
Cash paid for income taxes	224	(818)
<b>Non-cash financing activities</b>		
Dividends payable	—	1,818
Capital leases	19	166

See Notes to the Consolidated Financial Statements

**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 digital solutions provider dedicated to helping customers design, build, manage, and secure their IT infrastructure. The Company offers Services and Products that it distributes through two platforms it has built over its 41-year history. The Services platform is comprised of engineering and design, network operations centers, technical certifications, national and international sales teams, remote monitoring, on-site service teams and technology partner centers of excellence which includes dedicated sales and engineering resources. The primary services offered through this platform include: (i) communications lifecycle services, (ii) unified communications, (iii) structured cabling, (iv) video/AV services (v) in-building wireless and (vi) data center services. The Products platform provides networking solutions through the sale of products including: (i) IT infrastructure, (ii) specialty networking, (iii) multimedia and (iv) keyboard/video/mouse ("KVM") switching. Founded in 1976, Black Box, a Delaware corporation, 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 presented 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, 2017 (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, 2017 and 2016 were September 30, 2017 and October 1, 2016, respectively. 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 wholly-owned 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. These reclassifications had no effect on reported net income (loss), comprehensive income (loss), cash flows, total assets or total stockholders' equity.

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, property, plant and equipment, intangible assets and goodwill. Actual results could differ from those estimates. Management believes the estimates made are reasonable.

In the second quarter of Fiscal 2018, Management completed a plan to sell the Company's current headquarters' building and adjacent vacant land and move to another local facility that better aligns to the needs of the business. Management believes it is probable that the sale will occur in the next twelve months. Assets associated with the sale, all of which are Property, plant and equipment, are presented as "Assets held for sale" on the Consolidated Balance Sheet as of September 30, 2017. There was no asset impairment charge, as these assets were already valued at the lower of net book value and fair value less estimated costs to sell. These assets are reported under the North America Products operating segment.

**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 2018.

Recent Accounting Pronouncements

There have been no accounting pronouncements adopted during Fiscal 2018 that have had a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASC Update No. 2014-09, "Revenue from Contracts with Customers" ("ASC 2014-09"), with subsequent amendments, that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The core principle of ASC 2014-09 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expected to be entitled in exchange for those goods or services. ASC 2014-09 is effective for annual reporting periods (including interim periods therein) beginning after December 15, 2017 for public companies with early adoption permitted for annual reporting periods (including interim periods therein) beginning after December 15, 2016. Entities can use either of two methods: (i) retrospective to each prior period presented with the option to elect certain practical expedients as defined within ASC 2014-09; or (ii) retrospective with the cumulative effect of initially applying ASC 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined per ASC 2014-09.

Given the work required to implement the recognition and disclosure requirements under the new standard, the Company has made progress through the second quarter of Fiscal 2018, including the application of the new standard in our new US-based ERP. The Company has not yet selected which transition method we will apply. We will continue to assess all potential impacts of the standard, and any preliminary conclusions are subject to change.

**Note 3: Inventories**

The Company's Inventories consist of the following:

	September 30, 2017		March 31, 2017	
Raw materials	\$	1,910	\$	1,708
Finished goods		35,307		35,036
<b>Inventory, gross</b>	<b>\$</b>	<b>37,217</b>	<b>\$</b>	<b>36,744</b>
Excess and obsolete inventory reserves		(10,378)		(11,362)
<b>Inventories, net</b>	<b>\$</b>	<b>26,839</b>	<b>\$</b>	<b>25,382</b>

**Note 4: Intangible Assets**

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

	September 30, 2017			March 31, 2017		
	Gross Carrying Amount	Accum. Amort.	Net Carrying Amount	Gross Carrying Amount	Accum. Amort.	Net Carrying Amount
<b>Definite-lived</b>						
Non-compete agreements	\$ 842	\$ 842	\$ —	\$ 833	\$ 833	\$ —
Customer relationships	122,396	85,083	37,313	122,301	80,678	41,623
<b>Total</b>	<b>\$ 123,238</b>	<b>\$ 85,925</b>	<b>\$ 37,313</b>	<b>\$ 123,134</b>	<b>\$ 81,511</b>	<b>\$ 41,623</b>
<b>Indefinite-lived</b>						
Trademarks	34,024	8,253	25,771	35,450	8,253	27,197
<b>Total</b>	<b>\$ 157,262</b>	<b>\$ 94,178</b>	<b>\$ 63,084</b>	<b>\$ 158,584</b>	<b>\$ 89,764</b>	<b>\$ 68,820</b>

The Company's indefinite-lived intangible assets consist solely of the Company's trademark portfolio. The Company's definite-lived intangible assets consist solely of customer relationships.

During the second quarter of Fiscal 2018, the Company lowered its projections of revenue and profitability outlook for the foreseeable future. As a result, the Company conducted an interim assessment of both our definite-lived and indefinite lived intangible assets and determined such assets, with the exception of Trademarks, were recoverable as of July 1, 2017. For Trademarks, the Company recorded an Intangible asset impairment loss of \$1,426 to reduce book value to fair value which is recorded in Asset impairment loss within the Company's Consolidated Statements of Operations. The fair value of Trademarks was determined using an income approach that included level 3 inputs.



[Table of Contents](#)

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

	<b>Trademarks</b>	<b>Customer relationships</b>	<b>Total</b>
<b>March 31, 2017</b>	<b>\$ 27,197</b>	<b>\$ 41,623</b>	<b>\$ 68,820</b>
Intangibles amortization	—	(4,339)	(4,339)
Foreign currency translation adjustment	—	29	29
Intangible asset impairment loss	(1,426)	—	(1,426)
<b>September 30, 2017</b>	<b>\$ 25,771</b>	<b>\$ 37,313</b>	<b>\$ 63,084</b>

The following table details the estimated intangibles amortization expense for the remainder of Fiscal 2018, each of the succeeding four fiscal years and the periods thereafter.

<b>Fiscal</b>		
2018	\$	3,253
2019		5,616
2020		5,119
2021		4,658
2022		3,057
Thereafter		15,610
<b>Total</b>	<b>\$</b>	<b>37,313</b>

**Note 5: Indebtedness**

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

	<b>September 30, 2017</b>	<b>March 31, 2017</b>
Revolving credit agreement <sup>(1)</sup>	\$ 78,000	\$ 88,400
Term loan <sup>(1)</sup>	50,000	—
Other	1,165	1,346
<b>Total debt</b>	<b>\$ 129,165</b>	<b>\$ 89,746</b>
Less: current portion <sup>(2)</sup>	(5,756)	(964)
<b>Long-term debt</b>	<b>\$ 123,409</b>	<b>\$ 88,782</b>

(1) Refer below for additional details regarding the Company's amended credit agreement which includes a revolving credit agreement and a term loan.

(2) The Company's current portion of total debt primarily consists of minimum repayments of the term loan that are due in the next 12 months, which are \$5,000 as of September 30, 2017.

In addition, the Company finances certain vendor-specific inventory under an unsecured revolving arrangement through third parties which provide extended payment terms beyond those offered by the vendor at no incremental cost to the Company. The outstanding balance for these unsecured revolving arrangements was \$3,584 as of September 30, 2017, \$3,366 of which is classified as a current liability, and \$3,387 as of March 31, 2017, \$3,169 of which was classified as a current liability. These balances are recorded as Other liabilities within the Company's Consolidated Balance Sheets.

On May 9, 2016, the Company refinanced its then existing \$200,000 credit facility in the form of a line of credit pursuant to a new credit agreement (the "Credit Agreement") with PNC Bank, National Association, as administrative agent, Bank of America, N.A., as syndication agent, and certain other lender parties (the "Banks"). The Credit Agreement expires on May 9, 2021. Borrowings under the Credit Agreement were permitted up to a maximum amount of \$200,000, and included up to \$15,000 of swing-line loans and \$25,000 of letters of credit. Interest on outstanding indebtedness under the Credit Agreement accrued, at the Company's option, at a rate based on either: (a) a Base Rate Option equal to the highest of (i) the federal funds open rate, plus fifty (50) basis points (0.5%), (ii) the bank's prime rate, and (iii) the daily LIBOR rate, plus 100 basis points (1.0%), in each case plus 0% to 1.00% (determined by a leverage ratio based on the Company's consolidated EBITDA) or (b) a rate per annum equal to the LIBOR rate plus 1.00% to 2.00% (determined by a leverage ratio based on the Company's consolidated EBITDA). The

## [Table of Contents](#)

Credit Agreement required the Company to maintain compliance with certain non-financial and financial covenants such as leverage and interest coverage ratios.

The Company's obligations under the Credit Agreement were secured by substantially all of the assets of the Company's material direct and indirect subsidiaries that are incorporated (or organized) under the laws of the District of Columbia or under the laws of any state or commonwealth of the United States and are guaranteed by such domestic subsidiaries.

On August 9, 2017, the Company and certain of the Banks entered into an Amendment and Joinder Agreement to amend and restate the Credit Agreement (as amended and restated, the "Amended Credit Agreement") in order to avoid a default of its leverage covenant. Under the Amended Credit Agreement, the credit facility has been reduced to \$170,000 comprised of a \$50,000 term loan and \$120,000 line of credit. As of August 9, 2017, \$50,000 was borrowed under the term loan and \$52,528 remained outstanding under the line of credit. The amortization of the term loan is \$1,250 per quarter for four (4) quarters beginning in the quarter ending December 31, 2017 and \$2,500 per quarter beginning in the quarter ending December 31, 2018 through the end of the Amended Credit Agreement on May 9, 2021, the same expiration date of the Credit Agreement. Mandatory prepayments of the term loan are required with the net proceeds from certain asset sales, insurance recoveries and debt or equity issuances, as well as from 75% to 50% of any excess cash flow generated in Fiscal 2019 and Fiscal 2020. Interest on the term loan is, at the Company's option: (i) a Base Rate Option equal to the highest of (i) the federal funds open rate, plus fifty (50) basis points (0.5%), (ii) the bank's prime rate, and (iii) the daily LIBOR rate, plus 100 basis points (1.0%), in each case plus 2.5% or (ii) LIBOR plus 3.5%. Interest on outstanding indebtedness under the line of credit accrues, at the Company's option, at a rate based on either: (a) the Base Rate Option plus 0.25% to 2.00% (determined by a leverage ratio based on the Company's consolidated EBITDA) or (b) a rate per annum equal to the LIBOR rate plus 1.25% to 3.00% (determined by a leverage ratio based on the Company's consolidated EBITDA).

Under the Amended Credit Agreement, the leverage ratio covenant is suspended until the second quarter of Fiscal 2019. The Amended Credit Agreement contains a minimum Adjusted EBITDA covenant and a provision requiring the Company to repay revolving credit loans with any excess cash. During that same period, a covenant will limit capital expenditures to an agreed upon amount. The ability of the Company to make dividends or other distributions (including stock repurchases other than up to a limited dollar amount for tax payments from vested equity awards) has been eliminated.

The leverage ratio covenant that starts in the second quarter of Fiscal 2019 will be 4.00 to 1.00 and will reduce to 3.00 to 1.00 over the remaining life of the credit facility. A fixed charge coverage ratio of 1.00 to 1.00 begins in the second quarter of Fiscal 2019 increasing to 1.10 to 1.00 in the fourth quarter of Fiscal 2019 and thereafter.

The Company's obligations under the Amended Credit Agreement are secured by substantially all of the assets of the Company and the Company's direct and indirect subsidiaries that are incorporated (or organized) under the laws of the District of Columbia or under the laws of any state or commonwealth of the United States (a "U.S. Entity") and are guaranteed by such domestic subsidiaries. Under the Amended Credit Agreement, the Company and each U.S. Entity pledged 65% of the voting ownership interests and 100% of the non-voting ownership interests of its foreign subsidiaries.

The cost of the Amended Credit Agreement was approximately \$632, substantially all of which will be amortized over the remaining term of the Amended Credit Agreement. In 2Q18, we recognized expense of \$204 related to the write-off of deferred amortization costs of our Credit Agreement due to the reduction in size of the facility in the Amended Credit Agreement.

Our Amended Credit Agreement contains covenants requiring us to achieve a certain minimum adjusted EBITDA during each quarter through the first quarter of Fiscal 2019. A leverage ratio and a fixed charge coverage ratio commence in the second quarter of Fiscal 2019 through maturity in May 2021. The covenants in our Amended Credit Agreement were determined based upon our current expectation of revenues and profitability. If we fail to achieve our expected revenues and profitability, we could fail to maintain compliance with the covenants in our Amended Credit Agreement. There can be no assurance that we will be able to remain in compliance with these or other covenants in our Amended 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-months ended September 30, 2017 was \$140,648, \$133,615 and 3.9%, respectively, compared to \$145,100, \$131,973 and 2.6%, respectively, for the three-months ended September 30, 2016. 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-months ended September 30, 2017 was \$171,237, \$137,054 and 3.3%, respectively, compared to \$150,075, \$132,643 and 2.5%, respectively, for the six-months ended September 30, 2016.

As of September 30, 2017, the Company had \$4,850 outstanding in letters of credit and \$37,150 in unused commitments, which are limited by a financial covenant, under the Amended Credit Agreement.

**Note 6: 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.

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, 2017, 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, all of which have been designated as cash flow hedges. These contracts had a notional amount of \$43,012 and will expire within 4 months. There was no hedge ineffectiveness during Fiscal 2018 or Fiscal 2017.

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

Classification		Asset Derivatives		Liability Derivatives	
		September 30, 2017	March 31, 2017	September 30, 2017	March 31, 2017
<b>Derivatives designated as hedging instruments</b>					
Foreign currency contracts	Other liabilities (current)		\$	966	\$ 573
Foreign currency contracts	Other assets (current)	\$ 160	\$ 87		

Classification		Three-months ended		Six-months ended	
		September 30 2017	2016	September 30 2017	2016
<b>Derivatives designated as hedging instruments</b>					
Gain (loss) recognized in other comprehensive income (effective portion), net of taxes	Other comprehensive income	\$ (221)	\$ (295)	\$ (888)	\$ (443)
Amounts reclassified from AOCI into results of operations (effective portion), net of taxes	Selling, general & administrative expenses	736	289	1,122	516

[Table of Contents](#)

**Note 7: 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, 2017, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value:

	Level 1	Level 2	Level 3	Total
<b>Assets at Fair Value</b>				
Defined benefit pension plan assets <sup>(1)</sup>	\$ 22,261	\$ 11,667	\$ —	\$ 33,928
Foreign currency contracts	\$ —	\$ 160	\$ —	\$ 160
<b>Total Assets at Fair Value</b>	<b>\$ 22,261</b>	<b>\$ 11,827</b>	<b>\$ —</b>	<b>\$ 34,088</b>
<b>Liabilities at Fair Value</b>				
Foreign currency contracts	\$ —	\$ 966	\$ —	\$ 966

(1) The fair value of pension plan assets is measured annually, thus this value is as of March 31, 2017.

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.

**Note 8: Stockholder's Equity**

Accumulated Other Comprehensive Income

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

	September 30, 2017	March 31, 2017
Foreign Currency Translation Adjustment	\$ 1,329	\$ (3,843)
Derivative Instruments	(114)	(348)
Defined Benefit Pension	(11,104)	(11,290)
<b>Accumulated other comprehensive income</b>	<b>\$ (9,889)</b>	<b>\$ (15,481)</b>

Common Stock Repurchases

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

	Three-months ended		Six-months ended	
	September 30		September 30	
	2017	2016	2017	2016
Shares of common stock purchased	—	—	44,507	39,735
Aggregate purchase price	\$ —	\$ —	\$ 393	\$ 477
Average purchase price	\$ —	\$ —	\$ 8.84	\$ 12.01

During the six-month period ended September 30, 2017, the Company made tax payments of \$393 and withheld 44,507 shares of common stock, which were designated as treasury shares, at an average price per share of \$8.84, in order to satisfy employee income taxes due as a result of the vesting of certain restricted stock units. During the six-month period ended September 30, 2016, the Company made tax payments of \$477 and withheld 39,735 shares of common stock, which were designated as treasury shares, at an average price per share of \$12.01, in order to satisfy employee income taxes due as a result of the vesting of certain restricted stock units.

## [Table of Contents](#)

Since the inception of its repurchase programs beginning in April 1999 and through September 30, 2017, the Company has repurchased 11,392,851 shares of common stock for an aggregate purchase price of \$408,621, or an average purchase price per share of \$35.87. These shares do not include the treasury shares withheld for tax payments due upon the vesting of certain restricted stock units and performance shares. As of September 30, 2017, 1,107,149 shares were available under the most recent repurchase programs.

Under the Amended Credit Agreement, the Company is no longer permitted to repurchase common stock through its repurchase program but is allowed to repurchase a limited amount of shares for tax payments related to the vesting certain restricted stock units and performance shares, as applicable. This restriction is in effect until May 9, 2021. The Company expects to use the funds that were previously available for stock repurchases to supplement spending for our previously announced US-based ERP project and to develop and implement growth initiatives for the Company, both of which we believe will create long-term shareholder value. See Note 5 for additional information regarding our Amended Credit Agreement.

### **Note 9: Income Taxes**

The Company's provision for income taxes for the three-months ended September 30, 2017 was \$2,434, an effective tax rate of (27.1)% on a loss before provision for income taxes of \$8,966, compared to a benefit from income taxes of \$1,524, an effective tax rate of 20.0% on a loss before benefit from income taxes of \$7,629 for the three-months ended September 30, 2016. The effective tax rate decrease from 20.0% to (27.1)% was primarily due to the mix of income and losses across various taxing jurisdictions along with valuation allowances recorded against federal foreign tax credits and state and foreign net operating losses. The Company's benefit from income taxes for the six-months ended September 30, 2017 was \$2,064, an effective tax rate of 8.9% on a loss before benefit from income taxes of \$23,211, compared to a provision for income taxes of \$808, an effective tax rate of (14.0)% on a loss before provision for income taxes of \$5,773 for the six-months ended September 30, 2016. The effective tax rate increase from (14.0)% to 8.9% was primarily due to the mix of income and losses across various taxing jurisdictions along with valuation allowances recorded against federal foreign tax credits and state and foreign net operating losses. The effective tax rate for the six-months ended September 30, 2017 of (27.1)% differs from the federal statutory rate primarily due to valuation allowances recorded against federal foreign tax credits and state and foreign net operating losses along with the reduction of deferred tax assets associated with equity awards and the mix of income across various taxing jurisdictions.

The Company provides for income taxes at the end of each interim period based on the estimated effective tax rate adjusted for certain discrete 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 2013 through Fiscal 2017 remain open to examination by the Internal Revenue Service ("IRS") and Fiscal 2011 through Fiscal 2017 remain open to examination by certain state and foreign taxing jurisdictions.

A valuation allowance is provided on deferred tax assets if determined that it is more likely than not that the asset will not be realized. The Company considers all available evidence, both positive and negative, in assessing the need for a valuation allowance in each taxing jurisdiction. The evidence considered in evaluating deferred tax assets includes but is not limited to cumulative financial income over the three-year period ended September 30, 2017, excluding significant one-time charges for impairment (goodwill and other), the composition and reversal patterns of existing taxable and deductible temporary differences between financial reporting and tax, and subjective projected future income.

Based on the available evidence, a valuation allowance of \$5,192 has been recorded against deferred tax assets relating to U.S. Federal foreign tax credits for \$3,800, and state and foreign net operating losses for \$1,000 and \$392, respectively. Future positive and negative events, such as the significant underperformance relative to projected or future operating results, will be monitored accordingly and a determination will be made on the ability to realize deferred tax assets at that time.

### **Note 10: Stock-based Compensation**

In August 2008, the Company's stockholders approved the 2008 Long-Term Incentive Plan, as amended (the "Incentive Plan"), which replaced the 1992 Stock Option Plan, as amended, and the 1992 Director Stock Option Plan, as amended. As of September 30, 2017, the Incentive Plan is authorized to issue stock options, restricted stock units and performance shares, among other types of awards, for up to 6,491,631 shares of common stock, par value \$0.001 per share (the "common stock").

The Company recognized stock-based compensation expense of \$1,040 and \$939 for the three-months ended September 30, 2017 and 2016, respectively, and \$3,238 and \$3,172 for the six-months ended September 30, 2017 and 2016, respectively. The Company recognized total income tax benefit for stock-based compensation arrangements of \$387 and \$349 for the three-months ended September 30, 2017 and 2016, respectively, and \$1,205 and \$1,180 for the six-months ended September 30, 2017 and 2016,

[Table of Contents](#)

respectively. Stock-based compensation expense is recorded in Selling, general & administrative expenses within the Company's Consolidated Statements of Operations.

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-months ended	
	September 30	
	2017	2016
Expected life (in years)	6.1	6.8
Risk-free interest rate	2.1%	1.6%
Annual forfeiture rate	2.7%	1.8%
Expected volatility	45.3%	41.7%
Dividend yield	3.9%	3.1%

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)
<b>March 31, 2017</b>	<b>1,080</b>	<b>\$ 21.84</b>		
Granted	609	8.10		
Exercised	—	—		
Forfeited or cancelled	(110)	20.02		
<b>September 30, 2017</b>	<b>1,579</b>	<b>\$ 16.67</b>	<b>6.4</b>	<b>\$ —</b>
<b>Exercisable</b>	<b>744</b>	<b>\$ 24.93</b>	<b>3.2</b>	<b>\$ —</b>

The weighted-average grant-date fair value of options granted during the six-months ended September 30, 2017 and 2016 was \$2.51 and \$3.74, respectively. The intrinsic value of options exercised during the six-months ended September 30, 2017 and 2016 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 29, 2017, which was \$3.25.

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

	Shares (in 000's)	Weighted-Average Grant- Date Fair Value
<b>March 31, 2017</b>	<b>419</b>	<b>\$ 4.45</b>
Granted	609	2.51
Vested	(159)	4.99
Forfeited	(33)	4.45
<b>September 30, 2017</b>	<b>836</b>	<b>\$ 2.93</b>

As of September 30, 2017, there was \$1,958 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 2.3 years.

[Table of Contents](#)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.

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

	Shares (in 000's)	Weighted-Average Grant-Date Fair Value
<b>March 31, 2017</b>	<b>340</b>	<b>\$ 14.24</b>
Granted	420	8.03
Vested	(223)	12.38
Forfeited	(25)	13.66
<b>September 30, 2017</b>	<b>512</b>	<b>\$ 9.99</b>

The total fair value of shares that vested during the six-months ended September 30, 2017 and 2016 was \$1,894 and \$2,039, respectively.

As of September 30, 2017, there was \$3,636 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 2.1 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 - each over a three-year period. The Company's Relative TSR Ranking metric is based on the three-year cumulative return to stockholders 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-months ended	
	September 30	
	2017	2016
Risk-free interest rate	1.4%	0.9%
Expected volatility	46.7%	45.1%
Dividend yield	3.9%	3.4%

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

	Shares (in 000's)	Weighted-Average Grant-Date Fair Value
<b>March 31, 2017</b>	<b>319</b>	<b>\$ 15.93</b>
Granted	309	8.26
Vested	(68)	23.05
Forfeited	(33)	14.66
<b>September 30, 2017</b>	<b>527</b>	<b>\$ 10.60</b>

The total fair value of shares that vested during the six-months ended September 30, 2017 and 2016 was \$0 and \$0, respectively, as there were no payouts because certain performance obligations were not met.

As of September 30, 2017, there was \$2,319 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 2.3 years.

**Note 11: Earnings (loss) Per Share**

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

	Three-months ended		Six-months ended	
	September 30		September 30	
	2017	2016	2017	2016
<b>Net income (loss)</b>	<b>\$ (11,400)</b>	<b>\$ (6,105)</b>	<b>\$ (21,147)</b>	<b>\$ (6,581)</b>
Weighted-average common shares outstanding (basic)	15,138	15,149	15,057	15,088
Effect of dilutive securities from equity awards	—	—	—	—
Weighted-average common shares outstanding (diluted)	15,138	15,149	15,057	15,088
<b>Basic earnings (loss) per common share</b>	<b>\$ (0.75)</b>	<b>\$ (0.40)</b>	<b>\$ (1.40)</b>	<b>\$ (0.44)</b>
<b>Dilutive earnings (loss) per common share</b>	<b>\$ (0.75)</b>	<b>\$ (0.40)</b>	<b>\$ (1.40)</b>	<b>\$ (0.44)</b>

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 2,507,792 and 1,333,272 non-dilutive equity awards outstanding for the three-months ended September 30, 2017 and 2016, respectively, and 2,507,792 and 1,339,604 non-dilutive equity awards outstanding for the six-months ended September 30, 2017 and 2016, respectively, that are not included in the corresponding period Weighted-average common shares outstanding (diluted) computation.



**Note 12: Segment Information**

The Company conducts business globally and is managed on a geographic-service type basis consisting of four operating segments which are (i) North America Products, (ii) North America Services, (iii) International Products and (iv) International Services. These operating segments are also the Company's reporting units for purposes of testing goodwill for impairment and its reporting segments for financial reporting purposes. Revenues within our North America segments are primarily attributed to the United States while revenues within our International segments are attributed to countries in Europe, the Pacific Rim and Latin America.

The accounting policies of the operating segments are the same as those of the Company. The Company allocates resources to its operating segments and evaluates the performance of the operating segments based upon operating income.

During the second quarter of Fiscal 2018, as a result of changes in our management structure of certain segments, several entities were realigned to different segments. The segment information outlined below is reflective of this realignment for the second quarter. If the first quarter of Fiscal 2018 results were included in the 2QYTD18 Revenues and Gross profit, Revenues would be \$36,650, \$31,591, and \$16,404, and Gross profit would be \$16,763, \$12,757, and \$3,511 for North America Products, International Products, and International Services, respectively.

The financial results for the Company's reporting segments are as follows:

[Table of Contents](#)

	North America Products	North America Services	International Products	International Services	Total
<b>2Q18</b>					
Revenues	\$ 19,858	\$ 148,533	\$ 17,390	\$ 8,383	\$ 194,164
Gross profit	9,145	38,536	6,937	1,875	56,493
Operating income (loss)	1,848	(7,177)	(361)	(1,682)	(7,372)
Depreciation	451	1,702	175	107	2,435
Intangibles amortization	—	1,984	125	—	2,109
Restructuring expense	(659)	697	(1,073)	1,182	147
Asset impairment loss	—	1,426	—	—	1,426
Capital expenditures	204	1,009	120	258	1,591
Assets (as of September 30)	62,527	318,149	43,112	15,431	439,219
<b>2Q17</b>					
Revenues	\$ 20,954	\$ 169,782	\$ 21,309	\$ 6,704	\$ 218,749
Gross profit	6,533	37,955	8,517	1,439	54,444
Operating income (loss)	(749)	(6,106)	65	252	(6,538)
Depreciation	417	1,691	187	60	2,355
Intangibles amortization	—	2,189	115	—	2,304
Restructuring expense	125	2,125	671	20	2,941
Asset impairment loss	—	536	—	—	536
Capital expenditures	(449)	1,728	107	417	1,803
Assets (as of September 30)	46,752	354,715	36,033	17,002	454,502
<b>2QYTD18</b>					
Revenues	\$ 37,121	\$ 301,163	\$ 33,015	\$ 14,509	\$ 385,808
Gross profit	16,924	76,066	13,019	3,087	109,096
Operating income (loss)	374	(14,533)	(4,102)	(2,008)	(20,269)
Depreciation	900	3,336	339	184	4,759
Intangibles amortization	—	4,101	238	—	4,339
Restructuring expense	647	1,975	640	1,207	4,469
Asset impairment loss	—	1,426	—	—	1,426
Capital expenditures	333	1,708	373	274	2,688
Assets (as of September 30)	62,527	318,149	43,112	15,431	439,219
<b>2QYTD17</b>					
Revenues	\$ 40,039	\$ 341,517	\$ 42,105	\$ 13,568	\$ 437,229
Gross profit	15,467	87,098	16,531	3,001	122,097
Operating income (loss)	194	(4,959)	396	551	(3,818)
Depreciation	822	3,306	369	103	4,600
Intangibles amortization	—	4,523	232	—	4,755
Restructuring expense	125	2,125	671	20	2,941
Asset impairment loss	—	536	—	—	536
Capital expenditures	826	2,416	201	432	3,875
Assets (as of September 30)	46,752	354,715	36,033	17,002	454,502

**Note 13: Commitments and Contingencies**

In connection with the Amended Credit Agreement disclosed in Note 5, the Company is required to make payments of \$5,000 on its term loan over the next 12 months. Correspondingly, the Company expects its long-term payments (greater than 1 year) under the credit facility to decrease by \$5,000.

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 2018.

**Note 14: Restructuring**

The Company has incurred and continues to incur costs related to facility consolidations, such as idle facility rent obligations and the write-off of leasehold improvements, and employee severance (collectively referred to as "restructuring expense") in a continued effort to consolidate back office functions and to

make its organization more efficient. These restructuring activities are compartmentalized and are not part of an overall plan and therefore the Company cannot estimate the total amount to be incurred in connection with the activity. Employee severance is generally payable within the next twelve months with certain facility costs extending through Fiscal 2019.

The following table summarizes the changes to the restructuring liability for the periods presented.

		<b>Employee Severance</b>		<b>Facility Closures</b>		<b>Total</b>
<b>Balance at March 31, 2017</b>	<b>\$</b>	<b>4,850</b>	<b>\$</b>	<b>286</b>	<b>\$</b>	<b>5,136</b>
Restructuring expense		4,133		336		4,469
Cash expenditures		(4,462)		(286)		(4,748)
<b>Balance at September 30, 2017</b>	<b>\$</b>	<b>4,521</b>	<b>\$</b>	<b>336</b>	<b>\$</b>	<b>4,857</b>

Of the \$4,857 above, \$4,793 is classified as a current liability under Other liabilities on the Company's Consolidated Balance Sheets for the period ended September 30, 2017.

The following table summarizes restructuring expense, which is recorded in Selling, general & administrative expenses in the Company's Consolidated Statements of Operations, for the six months ended September 30, 2017, for the Company's reporting segments:

		<b>North America Products</b>		<b>North America Services</b>		<b>International Products</b>		<b>International Services</b>		<b>Total</b>
Employee Severance	\$	647	\$	1,651	\$	628	\$	1,207	\$	4,133
Facility Closures		—		324		12		—		336
<b>Total</b>	<b>\$</b>	<b>647</b>	<b>\$</b>	<b>1,975</b>	<b>\$</b>	<b>640</b>	<b>\$</b>	<b>1,207</b>	<b>\$</b>	<b>4,469</b>

Company management is considering initiatives to reset the business model and align costs with revenue to improve profitability. As a result, during FY18, our profits could be negatively impacted by restructuring expenses resulting from such initiatives, which are designed to maximize the efficiency of the cost structure for each of our segments to enhance the Company's profitability. The Company believes there is a significant cost savings for such restructuring initiatives that will provide a return on investment in a relatively short period of time. However, there can be no assurance that we would realize adequate returns on this investment nor that we would be able to maintain such cost savings in the future. Such restructuring initiatives have not been formalized and the Company cannot state with any certainty the timing or whether or not such events will occur.

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

The discussion and analysis for the three-months and six-months ended September 30, 2017 and 2016 as set forth below in this Part I, Item 2 should be read in conjunction with the response to Part I, 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, 2017 (the "Form 10-K"). References to "2Q18" mean the three-month period ended September 30, 2017 while references to "2Q17" mean the three-month period ended September 30, 2016. References to "2QYTD18" mean the six-month period ended September 30, 2017 while references to "2QYTD17" mean the six-month period ended September 30, 2016. 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, 2017 and 2016 were September 30, 2017 and October 1, 2016, 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 digital solutions provider dedicated to helping customers design, build, manage and secure their IT infrastructure. The Company offers Services and Products that it distributes through two platforms that it has built over its 41-year history.

Our Services platform is comprised of engineering and design, project management, field service management, network operations centers, our national technology team, national and international sales teams and technology solutions centers which include dedicated sales and engineering resources. The primary services offered through this platform include managed services, infrastructure services (including wired and wireless network solutions, structured cabling and video/AV services), communications lifecycle services, unified communications and data center services.

The Company generates revenues in its Services business from the design, sale and/or installation of new communications and network infrastructure systems, the support of existing systems and moves, adds and changes ("MAC work"). We periodically generate revenues from contracts performed over time that may result in an asset on our balance sheet for multiple periods constituting part of our working capital. We have not experienced significant collectability issues related to such contracts. For the sale and implementation of new communications systems or other major projects, 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 for service revenues. Projects account for the majority of Services revenues and are primarily driven by the overall economic environment and information technology capital spending. The Company also serves government clients whose revenues are not as dependent on the overall economic environment as commercial clients but are subject to governmental budgetary constraints.

New communications systems orders often generate post-implementation maintenance via a fixed fee model where revenues are earned ratably over the term of the agreement (generally 1-3 years for commercial clients and 3-5 years for government clients) or a variable fee model that is based on time and materials per occurrence, similar to MAC work. Maintenance revenues generally are not dependent on the economy as clients contract for maintenance to extend the life of their existing equipment and delay capital spending on new communications systems. Maintenance and MAC work revenues are also dependent upon the Company's relationship with its clients and its long track record of providing high-quality service.

The Company's Services business generates backlog which is defined by the Company as orders and contracts considered to be firm. At September 30, 2017, the Company's total backlog, which relates primarily to Services, was \$353,076, of which \$236,419 is expected to be completed within the next twelve months.

Under our Products platform, we provide networking solutions through the sale of products for KVM switching, IT infrastructure, specialty networking and multimedia.

Our Products' revenues are generated from sales to key channel partners and system integrators and through a global distribution network. Products sells through a direct sales team as well as through its internet site and catalogs. In order to meet client demand, we keep a moderate level of inventory which consumes part of our working capital. The market for these products is a highly fragmented and competitive. The Company has participated in this market for 40+ years and has earned a reputation for providing

[Table of Contents](#)

high quality products, rapid order fulfillment and free 24/7/365 technical support. The Company's Products revenue is driven both by general information technology spending and capital budgets.

Our platforms introduce scale, flexibility and leverage to the business, and provide the following competitive advantages:

- **A diversified client base:** We have built a diversified client base that ranges from small organizations to many of the world's largest corporations and institutions. Black Box clients participate in many industries, including government, technology, business services, healthcare, manufacturing, banking and retail, among others. Revenues from our clients are segmented with approximately 60% from large companies (*i.e.*, revenues greater than \$1 billion, including federal governments), approximately 20% from medium-sized companies (*i.e.*, revenues between \$50 million and \$1 billion, including state governments) and approximately 20% from small companies (*i.e.*, revenues less than \$50 million, including local governments). We strive to develop extensive and long-term relationships with high-quality clients as we believe that satisfied clients will demand quality services and product offerings even in economic downturns. Also, we believe that our distinctive portfolio of products and services will allow us to leverage the relationships and introduce additional offerings to satisfied clients.
- **Key relationships with leading technology partners:** We have built long-term relationships with all major communications equipment manufacturers and we are a top partner with the market leaders.
- **Broad geographic footprint:** We have built a global footprint with offices throughout the world.
- **Deep organic resources:** We have 3,351 team members world-wide, with the collective experience and certifications to serve our clients with on-site and remote capabilities.
- **Dedicated sales force:** We have a team of direct sales people world-wide.

The Company services a variety of clients within most major industries, with the highest concentration in the government, business services, manufacturing, banking, retail, healthcare and technology industry verticals. Factors that impact those verticals, therefore, could have an impact on the Company. While the Company generates most of its revenues in North America, the Company also generates revenues from around the world, primarily Europe, such that factors that impact European markets could impact the Company. Management strives to develop extensive and long-term relationships with high-quality clients as Management believes that satisfied clients will demand quality services and product offerings from us even in economic downturns.

**2QYTD18 vs 2QYTD17 Summary**

	2QYTD18	2QYTD17	% Change
Revenues	\$ 385,808	\$ 437,229	(11.8)%
Gross profit margin	28.3 %	27.9 %	1.4 %
Operating income (loss) margin	(5.3)%	(0.9)%	n/m
Diluted earnings (loss) per share	\$ (1.40)	\$ (0.44)	n/m
Net cash provided by (used for) operating activities	\$ (15,624)	\$ 15,682	n/m

n/m = not meaningful

Diluted loss per share was \$1.40, compared to \$0.44 in the same period last year as a result of:

- a \$51,421 decrease in Revenues as a result of a \$39,413 decrease in Service Revenues, primarily due to decreases in North America Services as a result of decreases in both unified communications and infrastructure, partially offset by an increase in government revenues due to market repositioning that was actioned over the past two years and a \$12,008 decrease in Product Revenues primarily due to decrease in North America Products as a result of lower demand in the legacy run rate business and a decrease in International Products which was negatively impacted by an initiative to centralize back office and supply chain operations,
- a \$13,001 decrease in Gross profit as a result of a \$10,946 decrease in Service Gross profit driven by the decline in Revenues noted above as well as a decrease in Gross profit margin due to lower revenues on higher margin unified communication business and aggressive pricing on certain incremental infrastructure projects for our commercial clients and higher volume of successful contract awards that carry a lower gross margin for our government clients, and a \$2,055 decrease in Products Gross profit driven by the decline in Revenues noted above, all partially offset by a \$9,137 Inventory impairment taken in the prior year,

## [Table of Contents](#)

- a \$2,976 increase in Selling, general and administrative expenses which was primarily the result of \$1,528 of additional restructuring expense, \$1,175 of gain on the sale of a facility in the prior year, and \$6,979 of costs related to the ongoing ERP implementation, partially offset by a decrease in variable compensation,
- an \$890 increase in Asset impairment loss due to a \$1,426 Trademark impairment in the current quarter,
- a \$762 increase in Interest expense (income) resulting from an increase in weighted-average outstanding debt and a \$204 write-off of deferred amortization costs of our Credit Agreement due to the reduction in size of the facility in the Amended Credit Agreement,
- partially offset by a \$2,872 increase in Benefit from income taxes and an increase in the effective rate from (14.0)% to 8.9% due to the mix of income and losses across various taxing jurisdictions along with valuation allowances recorded against federal foreign tax credits and state and foreign net operating losses.

Net cash used for operating activities was \$15,624, which included Net loss of \$21,147 and negative cash from working capital of \$7,232, compared to net cash provided for operating activities of \$15,682, which included Net loss of \$6,581 and negative cash from working capital of \$1,661, in the same period last year.

## Results of Operations

### Segments

We conduct our business globally and manage our business by geographic-service type under the following four operating segments: North America Products, North America Services, International Products and International Services. The Revenues, Gross profit and Operating income (loss) amounts in the table below are presented on a basis consistent with GAAP.

	2Q18	2Q17	% Change	2QYTD18	2QYTD17	% Change
<b>Revenues</b>						
North America Products	\$ 19,858	\$ 20,954	(5)%	\$ 37,121	\$ 40,039	(7)%
International Products	\$ 17,390	\$ 21,309	(18)%	\$ 33,015	\$ 42,105	(22)%
<b>Products</b>	<b>\$ 37,248</b>	<b>\$ 42,263</b>	<b>(12)%</b>	<b>\$ 70,136</b>	<b>\$ 82,144</b>	<b>(15)%</b>
North America Services	\$ 148,533	\$ 169,782	(13)%	\$ 301,163	\$ 341,517	(12)%
International Services	\$ 8,383	\$ 6,704	25 %	\$ 14,509	\$ 13,568	7 %
<b>Services</b>	<b>\$ 156,916</b>	<b>\$ 176,486</b>	<b>(11)%</b>	<b>\$ 315,672</b>	<b>\$ 355,085</b>	<b>(11)%</b>
<b>Total Revenues</b>	<b>\$ 194,164</b>	<b>\$ 218,749</b>	<b>(11)%</b>	<b>\$ 385,808</b>	<b>\$ 437,229</b>	<b>(12)%</b>
<b>Gross Profit</b>						
North America Products	\$ 9,145	\$ 6,533	40 %	\$ 16,924	\$ 15,467	9 %
<i>% of Revenues</i>	46.1 %	31.2 %	48 %	45.6 %	38.6 %	18 %
International Products	\$ 6,937	\$ 8,517	(19)%	\$ 13,019	\$ 16,531	(21)%
<i>% of Revenues</i>	39.9 %	40.0 %	— %	39.4 %	39.3 %	— %
<b>Products</b>	<b>\$ 16,082</b>	<b>\$ 15,050</b>	<b>7 %</b>	<b>\$ 29,943</b>	<b>\$ 31,998</b>	<b>(6)%</b>
<i>% of Revenues</i>	43.2 %	35.6 %	21 %	42.7 %	39.0 %	9 %
North America Services	\$ 38,536	\$ 37,955	2 %	\$ 76,066	\$ 87,098	(13)%
<i>% of Revenues</i>	25.9 %	22.4 %	16 %	25.3 %	25.5 %	(1)%
International Services	\$ 1,875	\$ 1,439	30 %	\$ 3,087	\$ 3,001	3 %
<i>% of Revenues</i>	22.4 %	21.5 %	4 %	21.3 %	22.1 %	(4)%
<b>Services</b>	<b>\$ 40,411</b>	<b>\$ 39,394</b>	<b>3 %</b>	<b>\$ 79,153</b>	<b>\$ 90,099</b>	<b>(12)%</b>
<i>% of Revenues</i>	25.8 %	22.3 %	16 %	25.1 %	25.4 %	(1)%
<b>Total Gross Profit</b>	<b>\$ 56,493</b>	<b>\$ 54,444</b>	<b>4 %</b>	<b>\$ 109,096</b>	<b>\$ 122,097</b>	<b>(11)%</b>
<i>% of Revenues</i>	29.1 %	24.9 %	17 %	28.3 %	27.9 %	1 %
<b>Operating Income (Loss)</b>						
North America Products	\$ 1,848	\$ (749)	n/m	\$ 374	\$ 194	93 %
<i>% of Revenues</i>	9.3 %	(3.6)%	n/m	1.0 %	0.5 %	100 %
International Products	\$ (361)	\$ 65	n/m	\$ (4,102)	\$ 396	n/m
<i>% of Revenues</i>	(2.1)%	0.3 %	n/m	(12.4)%	0.9 %	n/m
<b>Products</b>	<b>\$ 1,487</b>	<b>\$ (684)</b>	<b>n/m</b>	<b>\$ (3,728)</b>	<b>\$ 590</b>	<b>n/m</b>
<i>% of Revenues</i>	4.0 %	(1.6)%	n/m	(5.3)%	0.7 %	n/m
North America Services	\$ (7,177)	\$ (6,106)	n/m	\$ (14,533)	\$ (4,959)	n/m
<i>% of Revenues</i>	(4.8)%	(3.6)%	n/m	(4.8)%	(1.5)%	n/m
International Services	\$ (1,682)	\$ 252	n/m	\$ (2,008)	\$ 551	n/m
<i>% of Revenues</i>	(20.1)%	3.8 %	n/m	(13.8)%	4.1 %	n/m
<b>Services</b>	<b>\$ (8,859)</b>	<b>\$ (5,854)</b>	<b>n/m</b>	<b>\$ (16,541)</b>	<b>\$ (4,408)</b>	<b>n/m</b>
<i>% of Revenues</i>	(5.6)%	(3.3)%	n/m	(5.2)%	(1.2)%	n/m
<b>Total Operating Income (Loss)</b>	<b>\$ (7,372)</b>	<b>\$ (6,538)</b>	<b>n/m</b>	<b>\$ (20,269)</b>	<b>\$ (3,818)</b>	<b>n/m</b>
<i>% of Revenues</i>	(3.8)%	(3.0)%	n/m	(5.3)%	(0.9)%	n/m

## [Table of Contents](#)

### 2Q18 vs 2Q17

Total Revenues were \$194,164, a decrease of 11% from \$218,749 in the same period last year. Service Revenues were \$156,916, a decrease of 11% from \$176,486 in the same period last year due to a decrease in commercial revenues partially offset by an increase in government revenues. The decrease in commercial revenues within North America is due to a decline in the legacy unified communication business, which we expect will continue for the foreseeable future, and a decrease in the infrastructure business, which is the result of a change in sales leadership and other transformational activities. Government revenues increased due to market repositioning that was actioned over the past two years. Product Revenues were \$37,248, a decrease of 12% from \$42,263 in the same period last year primarily due to a decrease in North America Products' sales as a result of lower demand in the legacy run rate business and a decline in International Products which was negatively impacted by a large one time deal (Norway) in the prior year.

Total Gross profit margin was 29.1%, an increase of 17% from 24.9% in the same period last year. The same period last year included Inventory impairment losses of \$6,327 for Services and \$2,810 for Products. Excluding these impairment charges, the prior year total Gross profit margin was 29.1%. Service Gross profit margin was 25.8%, an increase of 16% from 22.3% in the same period last year and a 1% decrease after adjusting for the impairment charge. Product Gross profit margin was 43.2%, an increase of 21% from 35.6% in the same period last year and a 2% increase after adjusting for the impairment charge.

Total Operating loss margin was 3.8%, compared to a Total Operating loss margin of 3.0% in the same period last year. Service Operating loss margin was 5.6%, compared to Service Operating loss margin of 3.3% in the same period last year, primarily due to higher spending on the U.S.-based ERP project and \$1,426 in Asset Impairment relating to Trademarks, partially offset by lower variable compensations costs and the increase in Gross profit margin referenced above. The Company will continue to incur costs associated with the U.S.-based ERP project during the remainder of FY18 that will have a negative impact on our profits and cash flows. Product Operating margin was 4.0%, compared to Product Operating loss margin of 1.6% in the same period last year, primarily due to lower variable compensation costs and the increase in Gross profit margin as referenced above.

### 2QYTD18 vs 2QYTD17

Total Revenues were \$385,808, a decrease of 12% from \$437,229 in the same period last year. Service Revenues were \$315,672, a decrease of 11% from \$355,085 in the same period last year primarily due to decreases in both unified communications and infrastructure, partially offset by an increase in government revenues due to market repositioning that was actioned over the past two years. Product Revenues were \$70,136, a decrease of 15% from \$82,144 in the same period last year, primarily due to a decrease in North America Products' sales as a result of lower demand in the legacy run rate business and a decline in International Products which was negatively impacted by a large one time deal (Norway) in the prior year and an initiative to centralize back office and supply chain operations.

Total Gross profit margin was 28.3%, an increase of 1% from 27.9% in the same period last year. As noted above, the same period last year included Inventory impairment losses of \$6,327 for Services and \$2,810 for Products. Excluding these impairment charges, the prior year total Gross profit margin was 30.0%. Service Gross profit margin was 25.1%, a decrease of 1% from 25.4% in the same period last year and an 8% decrease after adjusting for the impairment charge. This decrease was primarily due to lower revenues on higher margin unified communication business and aggressive pricing on certain incremental infrastructure projects for our commercial clients and higher volume of successful contract awards that carry a lower gross margin for our government clients. Product Gross profit margin was 42.7%, an increase of 9% from 39.0% in the same period last year and a 1% increase after adjusting for the impairment charge.

Total Operating loss margin was 5.3%, a decrease compared to 0.9% in the same period last year. Service Operating loss margin was 5.2%, a decrease compared to 1.2% in the same period last year, primarily due to higher spending on the U.S.-based ERP project and \$1,426 in Asset Impairment relating to Trademarks, partially offset by lower variable compensation costs. The Company will continue to incur costs associated with the U.S.-based ERP project during the remainder of FY18 that will have a negative impact on our profits and cash flows. Product Operating loss margin was 5.3%, a decrease compared to Product Operating profit margin of 0.7% in the same period last year, primarily due to higher restructuring costs partially offset by the increase in Gross profit margin as referenced above.

Company management continues to review initiatives to align costs with revenue to improve profitability. As a result, during FY18, our profits could be negatively impacted by restructuring expenses resulting from such initiatives, which are designed to maximize the efficiency of the cost structure for each of our segments to enhance the Company's profitability. The Company believes there is a significant cost savings for such restructuring initiatives that will provide a return on investment in a relatively short period of time. However, there can be no assurance that we would realize adequate returns on this investment nor that we



[Table of Contents](#)

would be able to maintain such cost savings in the future. Such restructuring initiatives have not been formalized and the Company cannot state with any certainty the timing or whether or not such events will occur.

**Interest expense, net and Income Taxes**

	2Q18		2Q17		% Change	2QYTD18		2QYTD17		% Change
Interest expense	\$	1,801	\$	1,050	72%	\$	3,019	\$	2,257	34%
<i>% of Revenues</i>		0.9 %		0.5%	80%		0.8%		0.5 %	60%
Income taxes	\$	2,434	\$	(1,524)	n/m	\$	(2,064)	\$	808	n/m
Effective income tax rate		(27.1)%		20.0%	n/m		8.9%		(14.0)%	n/m

**2Q18 vs 2Q17**

Interest expense was \$1,801, an increase of 72% from \$1,050 in the same period last year primarily as a result of higher interest rates and a \$204 write-off of deferred amortization costs of our Credit Agreement due to the reduction in size of the facility in the Amended Credit Agreement. The weighted-average outstanding debt and weighted-average interest rate was \$133,615 and 3.9%, respectively, compared to \$131,973 and 2.6% in the same period last year.

Provision for income taxes was \$2,434, compared to a benefit from income taxes of \$1,524 in the same period last year. The effective income tax rate was (27.1)%, a decrease from 20.0% in the same period last year. The effective income tax rate decrease from 20.0% to (27.1)% was primarily due to the mix of income and losses across various taxing jurisdictions along with valuation allowances recorded against federal foreign tax credits and state and foreign net operating losses along with the reduction of deferred tax assets associated with equity awards and the mix of income across various taxing jurisdictions.

**2QYTD18 vs 2QYTD17**

Interest expense was \$3,019, an increase of 34% from \$2,257 in the same period last year primarily as a result of higher interest rates, a \$204 write-off of deferred amortization costs as referenced above, and to a lesser extent, higher average debt. The weighted-average outstanding debt and weighted-average interest rate was \$137,054 and 3.3%, respectively, compared to \$132,643 and 2.5% in the same period last year.

Benefit from income taxes was \$2,064, compared to a provision for income taxes of \$808 in the same period last year. The effective income tax rate was 8.9%, an increase compared to the effective income tax rate of (14.0)% in the same period last year. The effective income tax rate increase from (14.0)% to 8.9% was primarily due to the mix of income and losses across various taxing jurisdictions along with valuation allowances recorded against federal foreign tax credits and state and foreign net operating losses.

**Liquidity and Capital Resources****Overview**

A majority of our revenue is generated through individual sales of services and products. Approximately 20% of our revenue is generated from long-term support contracts. We depend on repeat client business, as well as our ability to develop new client business, to sustain and grow our revenue. Most significant orders are subject to a competitive bidding process and, generally, competition can be significant for such new orders. Our business model provides us with flexibility in terms of capital expenditures and other required operating expenses. For the foreseeable future, we expect that the combination of net cash provided by operating activities and the available borrowings under our line of credit will be sufficient to fund our capital expenditures and other required operating expenses.

We seek to allocate company resources in a manner that will enhance our operating results. Our discretionary investments include: investments in growth programs and infrastructure and repaying our debt.

[Table of Contents](#)**Liquidity Position**

The following is a summary of our capitalization and liquidity position.

	2Q18		4Q17		2Q17	
Cash and cash equivalents	\$	30,462	\$	14,247	\$	16,124
Working Capital	\$	115,456	\$	91,134	\$	105,303
Debt	\$	129,165	\$	89,746	\$	103,037
Stockholders' equity	\$	127,125	\$	141,649	\$	146,881
Unused commitments of the Credit Agreement	\$	37,150	\$	106,750	\$	93,750
Cash and Unused commitments of the Credit Agreement	\$	67,612	\$	120,997	\$	109,874

On August 9, 2017, the Company and certain of the Banks entered into an Amendment and Joinder Agreement which reduced the capacity of the credit facility from \$200,000 to \$170,000. As a result of the \$30,000 decrease in facility size, the Company's liquidity (cash and cash equivalents and unused credit commitments) was \$67,612 at the end of the second quarter of Fiscal 2018, compared to \$120,997 at the end of Fiscal 2017. Net debt (debt less cash and cash equivalents) was \$98,703 at the end of the second quarter of Fiscal 2018, an increase of \$23,204 from the end of Fiscal 2017 as a result of spending on our previously announced US-based ERP project as well as increased working capital. The ERP project spending is expected to increase in the third quarter and then decline during the next two successive quarters. Additionally, the Company is emphasizing working capital initiatives in order to bring working capital levels in line with revenue and activity levels.

We anticipate that cash on hand, the available unused commitments of the Credit Agreement and cash provided by operating activities should be sufficient to cover the Company's working capital requirements, capital expenditures, and other cash needs for at least the next 12 months.

**Sources and Uses of Cash**

The following is a summary of our sources and uses of cash.

	2QYTD18		2QYTD17	
Net cash provided by (used for) operating activities	\$	(15,624)	\$	15,682
Net cash provided by (used for) investing activities	\$	(2,619)	\$	(2,453)
Net cash provided by (used for) financing activities	\$	33,804	\$	(20,914)

Net cash provided by (used for) operating activities

Net cash used for operating activities was \$15,624, due primarily to Net loss of \$21,147, inclusive of non-cash charges, cash outflows of \$9,107 and \$2,923 for All other liabilities and Billings in excess of costs, respectively, partially offset by cash inflows of \$5,179 for Accounts receivable, compared to net cash provided by operating activities of \$15,682 in the same period last year, due primarily to Net loss of \$6,581, inclusive of non-cash charges, cash inflows of \$6,824 and \$4,866 from Inventory and Accounts payable, respectively, partially offset by cash outflows of \$7,607 and \$5,108 from Accounts receivable and Costs in excess of billings, respectively. Changes in the above accounts are based on average Fiscal 2018 and Fiscal 2017 exchange rates, as applicable.

Changes in working capital, and particularly changes in Accounts receivable, Costs in excess of billings and Billings in excess of cost, can have a significant impact on net cash provided by operating activities, largely due to the timing of payments and receipts.

Net cash provided by (used for) investing activities*Capital expenditures*

The Company made investments of \$2,688 compared to \$3,875 in the same period last year which primarily related to information technology infrastructure, computer hardware and software and service vehicles.

Net cash provided by (used for) financing activities*Long-term debt*

Proceeds from long-term debt was \$34,576 compared to repayments of long-term debt of \$17,922 in the same period last year.

## [Table of Contents](#)

### *Common stock repurchases*

The Company did not make any discretionary investments in the form of common stock repurchases in the current period nor in the same period last year. The Company withheld shares in the amount of \$393, compared to \$477 in the prior year, to satisfy employee income taxes due as a result of the vesting of certain restricted stock units.

Since the inception of the repurchase program beginning in April 1999 through September 30, 2017, the Company has repurchased 11,392,851 shares of common stock for an aggregate purchase price of \$408,621, or an average purchase price per share of \$35.87. These shares do not include the treasury shares withheld for tax payments due upon the vesting of certain restricted stock units and performance shares. Under the Amended Credit Agreement, the Company is no longer permitted to repurchase common stock through its repurchase program but is allowed to repurchase a limited amount of shares for tax payments related to the vesting certain restricted stock units and performance shares, as applicable. This restriction is in effect until May 9, 2021. The Company expects to use the funds that were previously available for stock repurchases to supplement spending for our previously announced U.S.-based ERP project and to develop and implement growth initiatives for the Company, both of which we believe will create long-term shareholder value. See Note 5 of the Notes to the Consolidated Financial Statements contained in Part I of this Quarterly Report for additional information.

### *Dividends*

The Company is no longer permitted to pay dividends under the Amended Credit Agreement. The Company expects to use the funds that were previously available for dividends to supplement spending for our previously announced US-based ERP project and to develop and implement growth initiatives for the Company, both of which we believe will create long-term shareholder value. This restriction is in effect until May 9, 2021. The Company paid dividends of \$7.1 million in Fiscal 2017.

### **Credit Agreement**

On August 9, 2017, the Company and certain Banks entered into an Amendment and Joinder Agreement. See Note 5 of the Notes to the Consolidated Financial Statements contained in Part I of this Quarterly Report and Item 1A. Risk Factors contained in Part II of the Form 10-Q for the first quarter of Fiscal 2018 for additional information.

### **Valuation of long-lived assets**

During the second quarter of Fiscal 2018, the Company lowered its projections of revenue and profitability outlook for the foreseeable future. As a result, the Company conducted an interim assessment of both our definite-lived and indefinite lived intangible assets and determined such assets, with the exception of Trademarks, were recoverable as of July 1, 2017. For Trademarks, the Company recorded an Intangible asset impairment loss of \$1,426 to reduce book value to fair value which is recorded in Asset impairment loss within the Company's Consolidated Statements of Operations. The fair value of Trademarks was determined using an income approach that included level 3 inputs. See Note 4 of the Notes to the Consolidated Financial Statements contained in Part I of this Quarterly Report for additional information.

### **Legal Proceedings**

See Note 13 of the Notes to the Consolidated Financial Statements of this Form 10-Q, which information is incorporated herein by reference.

### **Inflation**

The overall effects of inflation on the Company have been nominal. Although long-term inflation rates are difficult to predict, the Company continues to strive to minimize the effect of inflation through improved productivity and cost reduction programs as well as price adjustments within the constraints of market competition.

## **Critical Accounting Policies/Impact of Recently Issued Accounting Pronouncements**

### **Critical Accounting Policies**

The Company's critical accounting policies require the most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and are the most important to the portrayal of the Company's consolidated financial statements. The Company's critical accounting policies are disclosed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Form 10-K. 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 2018.

### **Impact of Recently Issued Accounting Pronouncements**

There have been no accounting pronouncements adopted during Fiscal 2018 that have had a material impact on the Company's consolidated financial statements.

## Cautionary Forward Looking Statements

Any forward-looking statements contained in this Quarterly Report on Form 10-Q or in documents incorporated herein by reference are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and speak only as of the date of this Form 10-Q. You can identify these forward-looking statements by the fact that they use words such as "should," "anticipate," "estimate," "approximate," "expect," "target," "may," "will," "project," "intend," "plan," "believe" and other words of similar meaning and expression in connection with any discussion of future operating or financial performance. One can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. Forward-looking statements are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Although it is not possible to predict or identify all risk factors, they may include levels of business activity and operating expenses, liquidity, expenses relating to corporate compliance requirements, cash flows, global economic and business conditions, the timing, costs, and benefits of restructuring programs and other initiatives, successful marketing of the Company's product and services offerings, successful implementation of the Company's integration initiatives, such as our enterprise resource planning system initiatives, successful implementation of the Company's government contracting programs, competition, changes in foreign, political and economic conditions, fluctuating foreign currencies compared to the U.S. dollar, rapid changes in technologies, client preferences, the Company's arrangements with suppliers of voice equipment and technology, government budgetary constraints and various other matters, many of which are beyond the Company's control. Additional risk factors are included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2017 and our quarterly reports on Form 10-Q for Fiscal 2018. We can give no assurance that any goal, plan or target set forth in forward-looking statements will be achieved and readers are cautioned not to place undue reliance on such statements, which speak only as of the date made. We undertake no obligation to release publicly any revisions to forward-looking statements as a result of future events or developments and caution you not to unduly rely on any such forward-looking statements.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to market risks in the ordinary course of business that include interest-rate volatility and foreign currency exchange rates volatility. Market risk is measured as the potential negative impact on earnings, cash flows or fair values resulting from a hypothetical change in interest rates or foreign currency exchange rates over the next year. The Company does not hold or issue any other financial derivative instruments (other than those specifically noted below) nor does it engage in speculative trading of financial derivatives.

### Interest-rate Risk

The Company's primary interest-rate risk relates to its long-term debt obligations under the Credit Agreement which was \$128,000 as of September 30, 2017. As of September 30, 2017, an instantaneous 100 basis point increase in the interest rate of the variable rate debt would reduce the Company's earnings in the subsequent fiscal quarter by \$324 (\$199 net of tax) assuming the Company employed no intervention strategies. The Company expects that its interest rates under the Amended Credit Agreement will be higher than the interest rates under the Credit Agreement thus increasing its exposure to interest on variable rate debt.

### Foreign Exchange Rate Risk

The Company has operations, clients and suppliers worldwide, thereby exposing the Company's financial results to foreign currency fluctuations. In an effort to reduce this risk of foreign currency fluctuations, the Company generally sells and purchases inventory based on prices denominated in U.S. dollars. Intercompany sales to subsidiaries are generally denominated in the subsidiaries' local currency. The Company has entered and will continue in the future, on a selective basis, to enter into foreign currency contracts to reduce the foreign currency exposure related to certain intercompany transactions, primarily trade receivables and loans. 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. In the event it becomes probable that the hedged forecasted transaction will not occur, the ineffective portion of any gain or loss on the related cash flow hedge would be reclassified from AOCI to the Company's Consolidated Statements of Operations.

As of September 30, 2017, the Company had open foreign currency contracts in Australian and Canadian dollars, Danish krone, Euros, Mexican pesos, Norwegian kroner, British pounds sterling, Swedish krona, Swiss francs and Japanese yen. The open contracts have contract rates ranging from 1.26 to 1.29 Australian dollar, 1.26 to 1.36 Canadian dollar, 6.17 to 6.17 Danish krone, 0.83 to 0.85 Euro, 18.30 to 18.30 Mexican peso, 7.62 to 7.62 Norwegian kroner, 0.75 to 0.77 British pound sterling, 7.81 to 7.81 Swedish krona, 0.94 to 0.94 Swiss franc and 108.72 to 113.56 Japanese yen, all per U.S. dollar. The total open contracts had a notional amount of \$43,012 and will expire within four months.

## **Item 4. Controls and Procedures.**

### **Conclusions Regarding the Effectiveness of Disclosure Controls and Procedures**

Management, including the Company's Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), for the Company. Management assessed the effectiveness of the Company's disclosure controls and procedures as of September 30, 2017. Based upon this assessment, Management has concluded that the Company's disclosure controls and procedures were effective as of September 30, 2017 to provide reasonable assurance that information required to be disclosed by the Company in the reports filed or submitted by it under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to provide reasonable assurance that information required to be disclosed by the Company in such reports is accumulated and communicated to Management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

### **Changes in Internal Control Over Financial Reporting**

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the most recent fiscal quarter that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

### **Limitations on the Effectiveness of Controls**

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of its inherent limitations, the Company's internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

## PART II. OTHER INFORMATION

### Item 6. Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
<a href="#">10.1</a>	Amendment and Joinder Agreement, dated as of August 9, 2017, by and among Black Box Corporation, the Guarantors, the Lenders and PNC Bank, National Association, as Administrative Agent <sup>(1)</sup>
<a href="#">21.1</a>	Subsidiaries of the Registrant <sup>(2)</sup>
<a href="#">31.1</a>	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, and Section 302 of the Sarbanes-Oxley Act of 2002 <sup>(2)</sup>
<a href="#">31.2</a>	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, and Section 302 of the Sarbanes-Oxley Act of 2002 <sup>(2)</sup>
<a href="#">32.1</a>	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 <sup>(2)</sup>
101	Interactive Data File
(1)	Filed as an exhibit to the Current Report on Form 8-K of the Company, file number 0-18706, filed with the SEC on August 10, 2017, and incorporated herein by reference.
(2)	Filed herewith.

[Table of Contents](#)

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**BLACK BOX CORPORATION**

Date: November 3, 2017

/s/ DAVID J. RUSSO

David J. Russo  
Senior Vice President, Chief Financial Officer,  
Treasurer and Principal Accounting Officer

## SUBSIDIARIES OF THE REGISTRANT

<u>Legal Name</u>	<u>Doing Business As</u>	<u>State or Other Jurisdiction of Incorporation or Organization</u>
Black Box Corporation	Black Box Corporation	Delaware
ACS Communications, Inc.	ACS Communications, Inc.	Texas
ACS Dataline of the Northwest, Inc.	Black Box Network Services Black Box Network Services - Northwest Black Box Network Services - West	Oregon
ACS Investors, LLC	ACS Investors, LLC	Delaware
ACS Dataline, LP	Black Box Network Services Black Box Network Services - West	Texas
BBOX Holdings Puebla LLC	BBOX Holdings Puebla LLC	Delaware
Black Box Chile S.A.	Black Box Chile S.A.	Chile
Black Box Corporation of Pennsylvania	Black Box Network Services Black Box Network Services - Technology Product Solutions	Delaware
BB Technologies, Inc.	BB Technologies, Inc.	Delaware
Black Box A/S	Black Box A/S	Denmark
Black Box Canada Corporation	Black Box Canada Corporation	Canada
Black Box Comunicaciones, S.A.	Black Box Comunicaciones, S.A.	Spain
Black Box do Brasil Industria e Comercio Ltda.	Black Box do Brasil Industria e Comercio Ltda.	Brazil
Black Box France	Black Box France	France
Black Box GmbH	Black Box GmbH	Austria
Black Box Holdings Ltd.	Black Box Holdings Ltd.	Cayman Islands
Black Box E-Commerce (Shanghai) Co., Ltd.	Black Box E-Commerce (Shanghai) Co., Ltd.	China
Black Box International Holdings B.V.	Black Box International Holdings B.V.	Netherlands
BBOX Holdings Mexico LLC	BBOX Holdings Mexico LLC	Delaware
Black Box de Mexico, S. de R.L. de C.V.	Black Box de Mexico, S. de R.L. de C.V.	Mexico
Black Box Deutschland GmbH	Black Box Deutschland GmbH	Germany
Black Box International B.V.	Black Box International B.V.	Netherlands
Black Box Software Development Services Limited	Black Box Software Development Services Limited	Ireland



## SUBSIDIARIES OF THE REGISTRANT

<u>Legal Name</u>	<u>Doing Business As</u>	<u>State or Other Jurisdiction of Incorporation or Organization</u>
Black Box Network Services AG	Black Box Network Services AG	Switzerland
Black Box Network Services Australia Pty Ltd	Black Box Network Services Australia Pty Ltd	Australia
Black Box Network Services New Zealand Limited	Black Box Network Services New Zealand Limited	New Zealand
Black Box Network Services Co., Ltd.	Black Box Network Services Co., Ltd.	Japan
Black Box Network Services India Private Limited	Black Box Network Services India Private Limited	India
Black Box Network Services Korea Limited	Black Box Network Services Korea Limited	Korea
Black Box Network Services NV	Black Box Network Services NV	Belgium
Black Box Network Services S.r.l.	Black Box Network Services S.r.l.	Italy
Black Box Network Services (UK) Limited	Black Box Network Services (UK) Limited	England
Black Box P.R. Corp.	Black Box P.R. Corp.	Puerto Rico
Black Box Finland OY	Black Box Finland OY	Finland
Black Box Network Services AB	Black Box Network Services AB	Sweden
Black Box Network Services Corporation	Black Box Network Services Corporation	Taiwan
Black Box Network Services (Dublin) Limited	Black Box Network Services (Dublin) Limited	Ireland
Black Box Network Services SDN. BHD.	Black Box Network Services SDN. BHD.	Malaysia
Black Box Network Services Singapore Pte Ltd	Black Box Network Services Singapore Pte Ltd	Singapore
Black Box Network Services, Inc. - Government Solutions	Black Box Network Services, Inc. - Government Solutions	Tennessee
Black Box Norge AS	Black Box Norge AS	Norway
Black Box Services Company	Black Box Services Company	Delaware
Black Box Ventures Holding Company	Black Box Ventures Holding Company	Delaware
CBS Technologies Corp.	Black Box Network Services	New York
Delaney Telecom, Inc.	Black Box Network Services Black Box Network Services - East	Pennsylvania
InnerWireless, Inc.	Black Box Network Services Black Box Network Services - Wireless	Delaware

## SUBSIDIARIES OF THE REGISTRANT

<u>Legal Name</u>	<u>Doing Business As</u>	<u>State or Other Jurisdiction of Incorporation or Organization</u>
Midwest Communications Technologies, Inc.	Black Box Network Services Black Box Network Services - Midwest Black Box Network Services - Ohio	Ohio
Nu-Vision Technologies, LLC	Black Box Network Services Black Box Network Services - Oregon	New York
Mutual Telecom Services Inc.	Black Box Network Services Black Box Network Services - Needham	Delaware
Norstan Communications, Inc.	Black Box Network Services Black Box Network Services - Minnesota Black Box Network Services - Montana Black Box Network Services - Northeast	Minnesota
NextiraOne, LLC	Black Box Network Services Black Box Network Services - Illinois Black Box Network Services - Midwest Black Box Network Services - Northeast Black Box Network Services - Northwest Black Box Network Services - South	Delaware
NextiraOne Federal, LLC	Black Box Network Services Black Box Network Services - Federal	Delaware
NextiraOne New York, LLC	Black Box Network Services	Delaware
Norstan Canada, Ltd./Norstan Canada, Ltee	Black Box Network Services	Canada
Vibes Technologies, Inc.	Black Box Resale Services	Minnesota
Scottel Voice & Data, Inc.	Black Box Network Services Black Box Network Services - Pacific	California

## CERTIFICATION

I, Eslie C. Sykes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Black Box Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2017

/s/ Eslie C. Sykes \_\_\_\_\_

Eslie C. Sykes  
Chief Executive Officer

## CERTIFICATION

I, David J. Russo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Black Box Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2017

/s/ David J. Russo

David J. Russo  
Senior Vice President, Chief Financial Officer and  
Treasurer (Principal Accounting Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Black Box Corporation (the "Company") on Form 10-Q for the period ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, certifies that to his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Eslie C. Sykes

Eslie C. Sykes  
Chief Executive Officer  
November 3, 2017

/s/ David J. Russo

David J. Russo  
Senior Vice President, Chief Financial Officer and  
Treasurer (Principal Accounting Officer)  
November 3, 2017

This certification is made solely for purposes of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.

