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BBOX - Black Box Corp Investor and Financial Analyst Day

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PRESENTATION

Gary Doyle - *Black Box - VP IR*

Good morning. Thank you for joining us today for Black Box Corporation's 2014 Investor and Financial Analyst Day. Welcome to our guests here at the NASDAQ market site at Times Square in New York City and welcome to those of you who are joining us on our video webcast.

Before we get started, I'd like to spend a minute reviewing the agenda. In a moment, we'll run a brief video which I think does a great job of setting the tone for today's meeting. Then our president and CEO, Mike McAndrew, will provide a strategy overview for about an hour.

We'll take a short break then Mike will introduce our CFO, Tim Huffmyer, who will provide a brief financial overview. Mike has a wrap up and then we'll invite our executive team up here onto the stage for a Q&A session.

For our guests participating in the webcast, please submit any questions that you have through the chat box on the screen underneath the video presentation. I'll relay those questions to our executive team here on site. We'll conclude today's webcast at about 12:30.

Before we begin, I'd like to go over our safe harbor statement. During today's presentation, we will make forward-looking statements that involve risks and uncertainties. I'll refer you to our SEC filings for a full description of those risk factors.

In addition, we will refer to certain non-GAAP financial measurements. Again, I'll refer you to our SEC filings for reconciliation of any non-GAAP financial measure for the most directly comparable GAAP financial measure. Okay.

(Video Presentation)

Mike McAndrew - *Black Box - President & CEO*

Good morning. Welcome, everyone. I appreciate you taking the time today, those of you in the room for the 2014 Black Box Investor and Financial Analyst Day.

I hope to accomplish a lot today. Go deeper into our strategy, our rationale behind that strategy, the team and our confidence and being able to execute onto that strategy, as we take Black Box to the next level.

And the great intro here with the video I have traditionally come in right behind the safe harbor so having a little upbeat orientation is very refreshing. We need to incorporate that into our other events. Gary, take that note for us.

Before we get going, I thought it was important for me to give a little background. And I worked off the theme in the video. It's about making technology work for our clients. From a client perspective, Black Box is there to take today's technology and implement it into their environment for them to achieve their business objectives.

And the theme of putting things together, really resonates even beyond our clients. And what I think you'll hear today and feel today is Black Box's real opportunity is having us as a team work together.

I've been with Black Box, I took on the CEO role a year ago, April, and -- but I've been with the company 25 years. I see a lot of familiar faces in the audience today. I've been around for a while, the last 12 years as an executive officer with the company.

When I started in '89, we're an \$80 million company operating out of Pittsburgh, Pennsylvania, a products business providing technology solutions, Black Box branded solutions to our clients primarily in the U.S., free technical support on the phone to enable our clients, the resource to figure out how to get this technology to work in their environment with ambitions of growth.

So from \$80 million, we grew to today, we're \$1 billion enterprise and we've done a lot of that through investments in our business, and a lot of that through mergers and acquisitions like we've acquired over 100 companies in the last 15 years to get us to where we are today.

In fact, our service business which makes up about \$800 million of our revenues was built almost exclusively through M&A. And the way we approach that, it was a very fragmented market, on the infrastructure side and on the telephony side at the time.

And we found high-quality companies that were leaders in their local markets with great partnerships on the technology partners as we call them that were developing solutions in these offices as they came onboard.

We branded them Black Box but we left a lot of autonomy in the field. And I was the biggest champion of that branch philosophy. We had -- we're in great markets that had growth behind it, we are putting together a tremendous portfolio of solutions with the partnerships we engage in through what M&A, the technical resources at those offices of those companies that we bought.

And so I was the biggest champion within the company, the branch model, accountability, local decision making, being able to respond very quickly to client needs in those local markets.

We did some back office integrations at the time but a lot of the decision-making was distributed within our organization out to those branches.

So over time -- and it worked well for a while but over time, particularly in the last several years, five or six years as the environment changes and the market changed, we observe that our branches had challenges and moving with that market, those changes, a couple of examples, the convergence of voice and data on a single platform, the introduction of IP communication solutions from a TDM environment.

And as our offices we're looking to adapt to that, they had some challenges, the capital, the resources to be able to be responsive to those changes in the market. Several years ago, I had a group of team members looking at how we can address this dynamic more appropriately. And a lot of those team members that were part of that team are here with us today.

But ultimately, I looked out and I saw all the great things we're doing with clients, coast to coast around the world, the engineering capabilities we had within the company, the technical resources we had out in the field and said, "Boy, this is a great opportunity for us to actually bring these resources together and become a true enterprise." And that's really the genesis of the strategies I'm going to discuss to you today.

It's really about making Black Box work together to have a stronger, more vital enterprise, one that can adapt in the market that we're operating in and we've been in the technology business for, almost 40 years now and adaptation and innovation is critically important to the survival.

We've seen a lot of our competitors come and go and Black Box is still out here, strong company with a lot of strong prospects in the future. Just to lay that out there, I'm a convert from the branch model to a stronger enterprise-based model within Black Box, and that's what me and my team are committed to.

With that as a backdrop, let's start talking about the future and, and I think the great place to start here is our mission statement, providing solutions that enable our clients to optimize our I.T. investments.



Thinking back, I started in '89, the company started in '76. I might be the oldest guy in the room but if you'll only remember the A/B switch, we all had our -- we had our PCs in our desk and holy cow, we can share our printers, someone just had to go up and turn the knob for us and we can share that dot matrix printer, giving technology to work, to become more efficient and enable activity within the workplace and through technology. By the way, we're still selling A/B switches today and our products team if you can believe that.

On the services side, telephony, migrating to UC platform, the introduction of other communication applications within the construct of what was traditionally a voice-based communication network.

So really taking these pieces and making it work for the client, optimizing those investments for our clients and we have a couple of examples later on today about real-life examples, we're putting that in place to illustrate not only what we can do as a company but demonstrating this power we have within the assets within Black Box. We need to put a strategic plan together.

And what's demonstrated here is the basis for that strategic plan. Our mission statement, our assets within the company, our great client relationships, our partnerships, our geographic footprint that we built out through acquisition, with a vision to be a comprehensive I.T. services provider for our client.

We have all the components within the company that effectively do that. We have four pillars that we talked about within that strategy. It's about enabling the company to introduce and deliver high service to our clients through relevant contemporary solutions that are being developed through our partners and delivering those solutions with our teams.

A lot of our technology partners are developing these solutions but they're looking for channel partners, folks like Black Box to go out there and sell, design, implement and support those solutions moving forward, and we're in a great position there.

The second one really ties back to this one Black Box. I mean this is an internal theme we have in the company. One Black Box is centralizing these resources that we have distributed throughout the company and bringing them into an environment where our field offices where our local relationships reside, where our field resources exist and bring the design and engineering together to enable our offices throughout our business to deliver these solutions to our clients. We'll get into little more detailed, tangible examples of how we've done that.

The third piece really looking at our organization in the new way and one of the first things we did last year when I took over and you'll hear from Tim later on, he appreciated this exercise was really re-segmenting our business.

We have two platforms, we have a products business and we have a services business. Last year, when I took over, we re-segmented our business to give visibility to those separate businesses to pull out transparency for our shareholders, to allow focus for the management team, to enable us to make appropriate investments and measure those relative to the returns we had within the company.

And this was a critical step for us because over the last 10 years or so, we've had a lot of strategic focus on our services business and we've talked a lot about that.

I personally believe with great passion that our products business is just as vital to Black Box's long-term success as it relates to creating shareholder value, making investments in that business to grow it, driving more profitability and elevating its stature within the marketplace.

Finally, our fourth pillar is around putting in marketing and sales initiatives that are balanced and coherent relative to focus on target markets that we think we have the best opportunity to win. Those four pillars are really a framework where we make our decisions as a company.

Our day-to-day decisions are driven by that, our investments that we're making within the company are driven around that. The last year, really is taking where we were from a very strong relevant player in the market but really maximizing the returns that we can make within the company relative to performance on the financial side and relevance with our clients.



As we approach this FY 2014 that we just perhaps thought, how do you operationalize the strategy? And we took it in a four-step approach and we're going to a little more detail in each of these as we work through the presentation but, the whole idea here is working in this very dynamic technology environment is being able to adapt with technological change and ultimately be in a position to growth company.

We believe that through our efforts in embracing the strategy that we position Black Box as a very viable long-term enterprise relative to being able to adapt the changes that are happening and they are happening on a frequent basis whether it's how technology is being delivered, how clients are consuming their technology and how their technology is working within the framework of a particular client's enterprise again, for them to achieve their business objectives.

The first step is really evaluating the assets of the business. What do we have to work with? And I'm telling you, we have a lot to work with in this company. We spend a lot of money on M&A. We have a great brand. And we'll touch on this here in the next slide.

But really a great set of assets within the company to go forward in this market and again, being in this business for 40 years, it's really been around that adaptation and be able to incorporate innovation into our business.

Identify the markets where we can participate in and differentiate ourselves, critically important. Are you in the right kind of markets? Are you in a position to do something that others can't? And ultimately, can you continue that differentiation through further investments.

Strengthening the assets, the filling the gaps, this is really the approach we took as we move forward. At the end of the day, executing fully with the broadest portfolio of solutions that we have within the company.

Evaluating the assets, two platforms, as I talk about these are two operating platforms which we think are critically important to us and in fact, our -- to some level, our barrier to entry in our view relative to competitors replicating what we have in place.

We have the scale, the flexibility to actually incorporate additional solutions into these platforms, our footprint, our local offices that are distributed around the U.S. and around the world to be able to deploy those solutions, these are -- this platform is a framework and I'll use the products business as an example.

As we have plenty of product opportunities, we're able to incorporate it into the products business, distribute those products through distribution infrastructure, provide consistent marketing and sales programs around the pursuit of opportunities around this product sets.

With \$200 million of revenue in our products business and approximately 50 offices plus a distribution channel to other markets around the world, we're able to identify opportunities to incorporate new product lines and deliver that to our clients.

The big asset base, so this is really important and I'm going to punctuate this at the end, but we are doing business with some of the biggest, that is the most demanding clients on the planet. That 80% of the Fortune 500 companies are doing business for Black Box and that isn't just in our services business and just in our products business and both of those businesses.

We're bringing something to the table and I think a great illustration of this strength of our client base is beyond our client surveys and client satisfactions and awards we win for supplier of the year or service provider for the year from our clients. We have over a 90% repeat clients within our business.

We have very strong DSOs that are paying us in time. We make money as we're delivering those solutions to our clients, so we're adding value. You put all that together and it's a great scorecard relative to what we take strong pride and within this company, and that is commitment to the client.

And we are very close to our clients. That 75% of our revenues are directly with end-users. The other 25% is through large system integrators or we are servicing our clients in the subcontractors capacity but bringing those unique talents and capabilities that we have within the company that are recognized by the biggest system integrators in the world uniquely positioned Black Box to service those accounts.



Our global presence, this is in many cases the most important differentiator we have. Clients that have multiple needs distributed geographically to be able to go to one source, Black Box got consistent support, implementation, design around the complex infrastructure and having resources in their field to do that with our own organic resources.

Expertise and experience, 4,000 members around the world, over a half of those, technicians in the field, certified engineers within our network operation centers, and that is we have six NOCs in the U.S. where we're remotely monitoring our clients' environments, identifying problems before the client even recognize there is a problem, resolving those remotely and ultimately, if necessary, being able to dispatch those field resources into that environment to resolve it with smart hands in the field and smart financial position.

We've been around almost 40 years, profitable every year, strong cash flow, positive cash flow every year. This allows us to be in a position as a management team to have a capital, to make those types of investments for us to adapt in a changing market.

And splashing across all of this is the Black Box brand. Even in our branch model, branding of those offices is critically important to elevate our brand. We're known for our client service. We're known for quality of work. We're known for responsiveness.

This brand has been around for a long time, it carries a lot of weight and opens a lot of doors in that credibility card to get into new clients is critically important. You put this all together and you can see why when I had the opportunity to take over the role to lead this company was so excited.

This is a heck of a hand to be dealt. Of course, we have headwinds in our federal space and, you see the environment isn't growing as much as it used to but with this set of assets, it's a great hand of cards to be able to deal to actually take this company forward and that's what me and my team are committed to do.

Next, let's look at the markets we're serving. I'll start on the services side. Telephony and UC, it's a great place to start. This is where many, many, many of our client relationships started with.

We have about 60% of our services revenue in this market. It was with -- it started with TDM implementation and ongoing maintenance support, the introduction of other components of UC, video, IM, collaboration tools.

This market is quite large. It's about \$15 billion in North America with a growth rate of 1% to 3%, just below GDP growth. Within there, there are pockets of areas that are growing and some that aren't.

Telephony of voice and the associated maintenance are declining. This is the headwind for us. This is where a lot of our core revenues have come from about 1/2 of our clients in this area are still on TDM for maintenance contracts.

But we're also there as they're looking to migrate then contemporary solutions, UC solutions. We have the partnerships in place with the best companies in the world that are developing this integrated UC platforms, folks like Cisco, Avaya' and to smaller end, Mitel, ShoreTel; middle market, NEC and Siemens.

We are premier positioned as channel partners for each of these developers of solutions to be there as the clients are moving from older technology to new. There's a bit of cannibalization going on here but again, the core area of again back to assets with these client relationships and the trust we've earned in supporting their environment in many cases for decades.

So a big market, \$15 billion. We're in a great position with our partnerships. We're in a great position with our client relationships and we have the team in the field that actually is up to speed on older technology and new technology, and I'll talk a little bit more about our field resources here in a couple of slides, but clearly, a market that has a lot of opportunity for us.

The other market is around infrastructure. Our first acquisition in the late '90s to get into the services business was around the infrastructure. People were building out their infrastructure, the Internet was coming and we were blowing and going back in those days.



2003 comes, it's slows down, the demand has been built out in the infrastructure for our clients but it's still been a strong suit within our company. We've been in this business for over 20 years. We have again great clients that know us for implementing their infrastructure, upgrading their infrastructure and ultimately supporting it moving forward through removes, adds and changes.

Again, a 15 billion -- a similar market size, 15 billion. there are higher growth rates here. I talked about the hard wire, the copper, the fiber infrastructure in place. What's really getting this market going is wireless.

What's driving that? You, guys, all know what -- read about it, you followed a lot of companies. Mobility, capacity demands relative to application access through untethered communication devices whether they're tablets or iPhones or whatever.

What we've really seen happened in the last 10 years is what used to be a lot of decisions made around technology, technical decisions by I.T. departments are being influenced by the user community, BYOD.

There's an expectation in today's world that your devices are your portal not only from a personal standpoint but from a business standpoint and clients are really struggling with enabling that in the associated problems around security, capacity.

We, Black Box, this is the revitalization of infrastructure. Wireless, there's mobility effect. And we are in a great position to take advantage of that. And we'll talk a little bit about our solution practices, how we really operationalize some of the strategy in FY 2014 but we're really excited about this market.

We have a great team focused on the wireless space within the company when we centralize these resources, all right, with our high-end DAS solutions, DAS things for Distributed Antenna Systems. It's high-end wireless capacity not just for a company's internal applications but or carrier service. That could come in a lot of different flavors from a lot of different providers.

We are tremendously excited about this market, all in a flattish core wired environment but double digit growth on the wireless side, Okay? So put that altogether, 6% to 8% growth market. Big market is growth attributes and Black Box is in a great position to exploit that.

The third market is a little bit different. If you look at the first two which is about design, engineering, implementation and support, on our last call -- earnings call, we talked about a large managed service award that we received and that's a case study further on in this presentation.

But ultimately, we see this as a tremendous market for us with the resources we have within this company. I talked to a lot of clients and I'll tell you one of the resonating themes almost whether it's a small business or a big business. I spend more of my time with the bigger businesses, is, how do I find a partner to help me take care of the day-to-day operations from an I.T.

I'm looking to save costs. I'm also trying to get my team focused on more strategic projects within the company whether that's applications, whether that's incorporating wireless into the environment.

So how do I find someone who can help me manage my day to day operation in my time with the right kind of resources, high-quality resources with, service level expectations that I would have from my own internal team. This is a real opportunity for us.

This market is about \$40 billion in North America. We have great assets within the company. I keep coming back to assets, because this is critically important. And our focus today has been very internal.

We have not done an M&A deal in about two years. It's all about maximizing those investments we've made over the last 15 years and positioned ourselves into the proper markets with the assets we have.

Now, if we didn't have that match, we might be looking at something different. But me and this team believe strongly that we have not fully optimized the returns on those investments we've made and managed services, an area that's a real opportunity for Black Box.

With our field resources, with our NOC capabilities, with our engineering support when projects do come along, the engagement we have with the client in a managed service setting is really close. It's we're tied into their day-to-day stuff.

As they are looking at more strategic projects, we're at the table and we're participating in that discussion, it puts us in a great position to actually win those awards when they go out to bid.

Our understanding of the environment, our understanding of the objectives of that particular client, so we have been doing managed services in smaller bits around the company for some time, not just UC and infrastructure but things like helpdesk support, things like carrier services.

In our new view of Black Box of bringing these capabilities together and centralizing them and then ultimately delivering the full Black Box suite of offerings to all of our clients, it's just not the clients in those markets that haven't have that skill set within Black Box but all of our Black Box clients. This is a really great opportunity for us and we have a couple of illustrations of this later on.

I talked about the assets of the business, I've talked about these markets, blended all together. It's about \$70, \$80 billion, 3% to 5% growth. We're planning in some really great markets. We have some tremendous tools within the company that exploit that. We believe we're in a position of differentiation with a lot of our competitors out there today. It's a great position to be in as we look forward within a company.

We go a little bit deeper on managed services and I touched on some of this already, a trend to outsource functions. Taking their day-to-day operational support and finding a partner they can assist them in this effort.

And a lot -- almost all of these opportunities that we identified have some customized orientation to it. There are things they want to retain within that, there are things they're looking to outsource. And with our capabilities within Black Box, we have the opportunity to address a wide spectrum of needs within our company to service those clients.

I've talked about network monitoring, project management, service level reporting, critically important. We're not just responding in a timely manner with the right resource at the right time but that doing diagnostics on thematic problems within a company to help eliminate them going forward further reducing costs for our clients and having them working in an environment that is consistently efficient relative to uptime and their client satisfaction, their end-users.

The things we offer, clearly, there are savings here. And savings come in a lot of different forms. There's a straight cost, there's elimination of recurring problems through the diagnostics I just talked about. There is the investment that the client has traditionally had to make within their own teams to keep them up to speed on changing technology.

We at Black Box have that as a recurring part of our business, something we do every day, investments in our technicians, the technical sales force, engineering and design support, we pay for some, our partners help pay for others.

We have a capacity here to keep that theme on the field at that particular client and supporting that client up to speed on contemporary technologies and those technologies that are in place for that environment.

Standardization, an operating platform that has consistency across it and in particular, if you look at our more complex clients that have multiple environments, having that consistency from coast to coast within their infrastructure.

Project management, I touched on. And the last point here which is the emphasis on our technical workforce, this universal technician. This is -- this was a critically important element of our most recent win, demonstrating that we have the team within Black Box and the capabilities within Black Box to bring a high caliber resource to bear to support this particular client not just in the critical sites but in 5,000 sites across North America.

This is a, universal tech slide. It's really talking about the power of our team in the field, again, 2,000 of our 4,000 team members fall into this category.



20 years experience, Okay, I told you we grew up -- we've been in these markets for a long time, voice, now UC, infrastructure, wired and wireless, so we have a very well-rounded technical workforce within that average of about six technical certifications, across multiple technologies that could be different partners.

It could be infrastructure and voice. There are also industry level certifications, BICSI certifications, that is a standard set for design and implementation of wired and wireless infrastructure.

Our team is well-suited to be able to support a complex environment, and bring that skill set into the client so it isn't just, bodies. These are high caliber resources that can be responsive to a client's particular environment and their needs within that environment, and geographically dispersed as I said across 70 offices in North America.

Now, let's talk about the investments we've made. The strategy, talk about pulling things together. In FY 2014, we actually operationalized these concepts and we picked a couple of areas within our services business that we saw some real growth potential with. We call them solutions practices.

And for you who have been following the company, we report on this on a regular basis and how we're doing in this area. But it's really taking it theoretical model and putting it in a place. And we feel really good about our results from FY 2014.

Did it hit every financial metrics we were looking for in there? No, but we saw growth in these markets. We saw incremental opportunities that we are identified. We brought together these subject matter experts. I'll use our DAS as an example.

We have concentrated resources around design and engineering, specialized sales folks within that practice that can go in to a client that we're introduced to through our field offices and discuss wireless opportunities, high-end wireless opportunities.

And so it's not just putting them in place but having the kind of incentives for our field resources to go out and identify those opportunities, giving our field sales team that have profile of identified opportunities within its client, and knowing they can reach out to our subject matter experts and DAS to come along and sell our solution into that client where appropriate and having a mechanism once engaged to have the design and engineering and deployment and support happening at that client location from our solutions practice.

In New York City, we're putting in DAS in a couple pretty big locations here. Where our solutions practice physically resides is in Richardson, Texas. Our New York team has to have the confidence selling into their install based who know them for their voice background and infrastructure background to say, "I have the confidence that our team in Richardson can support this fight who trusts me and trust my local presence in the Black Box brand within Black Box to deliver that solution." And we cracked the code on that one. I put great marks on our ability to put that infrastructure in place to make that happen.

We did that around two particular practices. Tim will get into the results that we had in FY 2014. It's really about leveraging things for clients. Internally within the company as we were kicking this thing off last year, I'll use an example, and how -- maybe this will help the audience here today understand really where I see this going.

I was the CFO for about 10 years. We have a couple of our long-time banker friends here in the audience. And it's a syndicated credit facility we have. There are about 10 banks. And within each bank is a relationship manager.

The partner syndicated credit facility, they know everything there is to know about commercial lending and they're part of our team. Those relationship managers' jobs are not done when they get into the -- into the revolver and get their piece of the action is to engage the decision-maker, the CFO on their business needs, their challenges.

And as they engage in that discussion being astute enough to know, "International operations, hey Mike, let me bring in my expert on foreign exchange hedging, take the currency risk out of your business."



Okay, they know when to listen, they have the confidence, they have a team that come in and talk about the services they can offer and how can help me solve one of my problems. That's a true salesperson that is getting into a client, bringing the full portfolio in. It could be their capital markets team on the M&A side.

It could be your P-card department on enhancing your control environment. These are the things that a good salesperson and a good engagement with the client enable. And so for us to be successful, long term, we really need to have a team that is not just experts in their particular area of expertise where they can go really deep on technology but be good listeners and understand what clients are trying to achieve at the same time, understanding what Black Box's portfolio enables them to bring to the client to drive them to solutions to solve those problems.

Our investments last year was taking a theoretical solution practice model and putting it into place. And we feel we've done a really good job at that. We improved and that this can happen within our company.

All right, we have identified real opportunities and there are couples of case studies I'll get to that we would have just walked by five years ago, three years ago, maybe two years ago and said, "I have a way to bring additional services into my client." What does it also do? You're more viable, you're more relevant to the client as a service provider. The more things you can bring the more relevance you will have within that client. And our portfolio offers a great opportunity for us to extend our relationship that exists in that.

Our next focus is around improving our sales process. What I just described about the relationship manager, we need to advance that within our 200-plus direct sales team on the services side.

We have a disciplined process around selling the portfolio. We need to equip our teams with the tools to be successful in enabling that and the techniques to move upstream perhaps in the decision making chain.

All of these areas of improvement, a lot of it was operational last year, there's a lot of focus this year on elevating our sales team, our sales strategy and ultimately enable us to really power down on the marketing behind those focus areas that we think we have the best opportunity to win.

And again, this platform, the solutions practice is really is a framework for us to evolve our portfolio and bring in additional service offerings over time. We have a lot to work within the company and there are a lot of areas that we think we have opportunity with further downstream.

Our focus right now is getting better returns out of the assets we have in the company putting good structure in place and consistency as it relates to our sales efforts and our deployment efforts around our solutions.

Okay, we have still a couple of case studies here. These are real-life examples, Lucille Packard Hospital, associated with Stanford University. Black Box had a relationship with this client for a number of years. This is in the heart of Silicon Valley.

And, our day-to-day support of this client through the introduction of solution practice, our team on the field and the sales team associated with this client recognized that the hospital as many hospitals are doing right now we're looking to upgrade the wireless infrastructure.

Okay, this is a hot vertical for us in this area. Anyone who has been in any hospitals in the last three to four years use devices for everywhere. Doctors are using tablets. Nursing stations, there's wireless demand throughout a hospital and this is a marketing thing for hospitals to get the best doctors and medical care providers within that facilities.

There's demand for bandwidth that's critically important in this market. And our team on the field recognize that we were in a position to introduce our DAS team, identify the opportunity, broader special sales team and exploiting our opportunity. We actually won that business where we're now putting in all of the Wi-Fi and the high-end DAS impacted hospital out in California.

And as they expand, we'll partner with them to actually implement that moving forward. This whole concept of knowing us for one thing in a market and a particular client to take this additional services and bringing to clients, and that team in California, it was part of the Lucille Packard to Black Box team has a confidence that our Richardson team around the solution practice can enable that.



And we're in a much better position with this client moving forward. And wireless medical telemetry, this is a complicated aspect on the medical vertical and our team knows all about that can handle the complexities and the requirements to have full access and appropriate capacity, have uninterrupted service within an environment.

The next case study is really going a little bit deeper on this managed service opportunity that we talk about on our last earnings call. And I think this is a great illustration of how beyond the solutions practice, it's a really a great example of how we can bring these other assets into the company to be able to customize a unique solution for a client.

Now, this is a huge deal for us. I think at the end of this opportunity, this will likely be the largest commercial contract in the company's history. What we're doing for this particular client, it started with field support, 30 critical locations in North America, 5,000 other locations in North America where they were looking for a partner who can actually provide support, day-to-day support for all those locations around their infrastructure in their communication platforms.

We have a great calling card. This footprint that we have, we're in a great position to do it. Our technical workforce, I talked about the universal technician, critical to winning this particular opportunity.

But it went beyond that. It went beyond the -- we have capacity to handle 100,000 tickets a year and having, resources in the field who can be responsive to that and have a two-hour service level agreement in any location, and putting all -- having all that logistical support in place.

They're also looking for a partner who can manage other partners. Project management capabilities, the ability to, in areas where Black Box did not have core strengths to actually manage those service providers for this particular client.

Project manage, larger projects that may even have been out of our scope with our PMO experience and expertise to be able to deliver that service to the client. At the same time, we're doing asset management for them and logistics around inventory, we're handling all the inventories.

We're not just dispatching team members but we're actually managing the inventory and making sure that the right products that are necessary to resolve those issues are in place at the right time to be responsive to those needs.

This really is a power story. I think it really illustrates the opportunity we have before us. I do not believe in any way, this is a one hit longer. We are exploring other opportunities for clients that have broad geographic needs with different customized services. Some of them include carrier services managing all the areas that are supporting their team members. Some of them have to do with tenant services and AV.

We really have a unique opportunity to bring the power of the Black Box asset base, our technicians in the field, our footprint to offer unique opportunity for clients who are looking for a single provider. Consistency, I talked about a little bit for consistent operational support along with other services.

This confidence we have in managed services, as I said earlier, we've done it in pockets in places like Miami-Dade airport. We are the full I.T. organization at Miami-Dade airport. Tenant services, HD digital signage within the -- with the airport, our helpdesk support.

We're managing their voice and infrastructure communication. That is in a concentrated campus environment where really the power that we have within the company to uniquely go out to companies that are very large, very complex and very dispersed geographically is a great opportunity for Black Box.

But turning to the products business. I talked about this earlier. We segmented on business between services and products. I have a lot of confidence that there is untapped opportunity within our products business.

And so when we took over last year and started looking at that business, we said "Hey, let's rationalize this product line that we have and we did that around -- we took our line card of products and put it around four categories and they're illustrated here on the slide."



Each of these markets has growth opportunities for Black Box. Each of these markets, Black Box's differentiation in its product set and also its ability to engineer unique solutions for clients, this market that we're operating in we said, "Hey, let's focus our attention. This will help us sell and market better."

This business has been around since 1976. As I mentioned earlier, this is what we're founded on. And today, we're running at, less than \$1,000 in order. High transaction business, historically, it's had a very passive go to market strategy around direct marketing.

Some of you may remember the big Black Box catalog, direct marketing, e-marketing, distribute that out, wait for the clients to call, be responsive to their requests, high delivery rate. This is Black Box branded product, over 90% of our product is shipped the same day, very low return rate, high quality, great recurrent clients.

But what we said as we look at these businesses, we really need to elevate our go to market approach. And two or three years ago, we did a trial of a direct sales team, a handful of folks out there in the field, looking for larger opportunities, engaging with clients early in the process relative to what they're trying to get done within the company relative to infrastructure upgrades or efficiencies within their business.

And one of the things we recognized is as we were engaging with clients, there's a whole different communication level. Think about the passivity of the direct mail model now going to a direct model, what is that?

Our products were very strong but we really need to be in a position to customize these products for the unique environment that a client was operating in. We decided to make some investments in some engineering resources to be responsive there.

As we took over last year and brought this products business up into the light and really said, "This is a great opportunity for Black Box. We made big investments in this area. We put a full direct sales team around the world with our 45 team members."

We found real incremental opportunities. The average order size as a direct sales team I think is about \$15,000, \$20,000. And again, we're engaging with clients at a whole different level. From this product introduction rationalization, the elevating our direct sales team, we really think that this is in a great position for growth moving forward. We made significant investments in this area, also on the I.T. side.

I talked about improving our selling skills, expanding our engineering and resources. And again, this is allowing us to be very focused with our marketing efforts and our sales efforts into those markets where we think we can be a significant player, finding those ecosystems where Black Box can uniquely position ourselves to drive real growth.

And we have a couple of them highlighted here, digital education, broadcasting and industrial -- with the industrial Ethernet space. Again, pulling together our resources, making investments in the team, identifying markets where we can be successful in. this team runs through both our products and services business.

A quick example here, Mandalay baseball properties, class A baseball team out of Dayton, in Ohio, they have put together the broadcast team, have built off overtime a fairly complex environment they were working in.

Maybe they were using Black Box to get these gadgets to work together over time but ultimately, we're looking to simplify their environment and operate in their environment. And our team was able to engage with Mandalay and put together a solution around our KVM technology and digital technology to get them on a synchronized environment.

What do we do, we simplified the environment, we reduced costs, we enabled the higher quality of broadcasting. This is a deal that wouldn't have probably occurred through a direct marketing approach.

Our engagement with the client to understand their needs, to understand what we have in our portfolio, to help design that solution and implement it was critically important. We're at the right stage at the right time to engage a client in that conversation and ultimately win this opportunity.

Okay, I'm going to do one more before we off the stage here. And this one I think is very appropriate as it describes what's been happening in our service space over time and how Black Box has responded and bringing together, all these skills and capabilities we have within the company.

This is Albany Medical Center. Some of you may be familiar with our upstate New York. They have 24 locations. They're geographically concentrated and they had a phone system, a legacy phone system that they were paying maintenance support on, and they were looking to reduce cost.

And so the solution that was arrived that was we could replace the ongoing maintenance contract with a couple of onsite resources. Black Box ultimately had two resources onsite supporting the day-to-day activities at Albany Medical Center around their voice application.

Over time, we engage to engage the clients in discussions and said, "Hey, we also have strength on the infrastructure side." And through dialogs with the folks we were working with and the leadership that Albany Medical Center and the savings they realized on the voice side, we actually introduced a handful of other team members with skills around infrastructure.

Today, we're running -- we have 12 team members onsite as an extension of Albany's I.T. staff. So going from legacy maintenance to a managed service, if you will, with high quality resources on the field, having the client realize savings and at the same time, this is what I talked about earlier, engaging the client in their project activities that are more strategic, and this is another DAS win for us, the punch line.

Established on the voice, expanded to infrastructure, managed services orientation and then ultimately engagement with the client to say, "Hey, we at Black Box also have strength in a great track record in implementing high end wireless solutions."

Today, we are their partner in installing their wireless infrastructure, their DAS infrastructure at Albany Medical Center. That whole parlaying of the portfolio, think about the relevance within their client from four years ago as a maintenance provider under telephony to a real partner in supporting their environment and being a partner in taking their environment to the next level.

I think this is a great example of how we in Black Box with tangible examples of something that we can replicate and demonstrate our relevance for clients.

This is a transformation that we're -- that is underway. Branch model, more functional model, enabling our teams to deliver the full portfolio to our clients, we believe that FY 2014 has demonstrated that whiteboard approach in practice worked and our strategy is sound.

Our assets are strong. If you've gotten anything out of this first 45 minutes, if you can't recognize that the assets we have within this company today are strong, vital and something that we can take advantage of, absolutely not demonstrated properly, my view of the company because they are -- we can differentiate in our target markets.

And through further investments, we can actually decrease our differentiation. So our focus still is very internal but the potential is monumental, and that momentum is building within our organization.

That's the longhand version of our strategy, what we've been up to relatively to operationalizing that strategy over the last 12 months and what we're looking to do moving forward.

And at this point, we're going to take a short 10-minute break and bring everyone back together and I'll introduce Tim Huffmyer, our CFO to go through out capital deployment views and our long-term financial objectives. So thank you and we'll meet back here in 10 minutes.

(BREAK)

Mike McAndrew - Black Box - President & CEO

All right. Welcome back everyone. Okay. This is really maybe the part a lot of you have been waiting for -- a little background of Tim. Tim is our CFO.

When I became the CFO back in 2003, Tim was actually my first hire. And you would go back into that time capsule a little bit. I took the job and like 3 months later Sarbanes-Oxley comes out and -- my whole world changed, the way we were operating. I came from the business analysis side and was heading up this is on the control environment of the compliance aspect.

Then as you would have imagined we had a pretty distributed environment back then. We were doing -- I think we did maybe 90 M&A transactions within a 3-year period. So we had a lot of operations out there. We had a big task ahead of us. And ultimately, I needed to build a strong new team within Black Box.

And so Tim came on board. We've been together ever since. We've done, I think, some really remarkable things together on the finance side of Black Box. And as I talked about that group that I put together 3 or 4 years ago was really was the early stages of the strategy that you heard about earlier from a -- Tim was a key part of that. And I believe in earnest that Tim was actually one of the key reasons that I was in a decision to take over this company and take the leadership position.

So, Tim, I know you're a convert as well probably even before me, why don't you join me on stage here, and I'm going to turn it over to you.

Tim Huffmyer - *Black Box - VP and CFO*

I'm a convert.

Mike McAndrew - *Black Box - President & CEO*

You're a convert, yes.

Tim Huffmyer - *Black Box - VP and CFO*

Yes.

Mike McAndrew - *Black Box - President & CEO*

Okay, beautiful.

Tim Huffmyer - *Black Box - VP and CFO*

Thanks. Thanks, Mike.

Mike McAndrew - *Black Box - President & CEO*

All right. Yes.

Tim Huffmyer - *Black Box - VP and CFO*

Where's my video? I get a video?



Mike McAndrew - *Black Box - President & CEO*

We couldn't come up with one.

Tim Huffmyer - *Black Box - VP and CFO*

Darn it. Well, thanks for that introduction, Mike, and thanks for the support over the years as well. It's been a remarkable experience and I've appreciated all the projects and all the challenges that we've had over the years.

Thank you all for joining us today. And as you can see we have a lot to be excited about at Black Box. There's a lot of changes and there's a lot of transformation going on right now, and it's a very exciting time for us.

As Mike had mentioned he and I have worked together now for over 10 years together. We've worked closely and we've developed a pretty tight core team that is passionate and dedicated to delivering quality services for our clients.

This team has been working very hard on this transformation that we've begun to describe here over the last couple of months. The North America teams including the sales and operational folks and also the back office support teams have been very busy. Members of the sales team have been working on new sales initiatives. These sales initiatives -- you'll hear about a little bit more here when I get started in my presentation.

The operational team members are assessing product and service delivery effectiveness. And our back office support teams have been working to simplify our environment by consolidating the back office functions, reducing the number of our legal entities, and also our 401k and benefit plans in North America. Internationally, we have similar projects slated out, and soon these initiatives will align here in short order.

These changes have been exciting. They have been motivating and it's energized the global Black Box team. We are excited about making it all work together for our clients. This means working longer hours, but the rewards are clear for the team.

Soon, a little bit later here, you'll hear from several members of the executive team, all of whom have assisted in the development of the strategy that Mike just reviewed and all actually play a key role in the execution of that strategy.

Most of the executive team has been at Black Box for over 10 years. The team has deep industry expertise and understands Black Box. They understand the company that was built through acquisition over the last decade plus. This team has deep industry experience and understands the company. They do a great job collaborating with internal, external and industry experts to ensure the success of the strategy.

I'm proud to be on this team. We have worked very hard to get to this point. We have more work to do and we are very committed to the strategy.

Now let's take a look at the financial presentation. Black Box has maintained revenues at approximately \$1 billion for the last 8 years. During fiscal 2013, revenues decrease as you can see by about 10%. That's organic decrease by about 10%. This was largely due to the reduction in our services business, core U.C. and telephony activity in both the commercial, which was down 10% that year, and our federal market, which was down about 15%.

U.C. and telephony adoption was very slow and it was slower than we expected, and it was a low priority for CIOs and their I.T. budgets. Many of our core telephony partners experience similar revenue declines in the same period.

Additionally, as you've heard, we were still operating in a distributed branch operating model, which was slow to adapt to the market changes. Although fiscal 2013 was a difficult year for us, we took the opportunity. We invested \$7 million to realign cost, saving the company \$12 million of annualized operating expenses.

As we move into 2014 recognizing that we needed to make some changes and also as Mike assumed the CEO role, we formed the solution practices and made investments for several strategic programs.



We originally guided a revenue growth in fiscal 2014, but halfway through the year we realized and it became clear that the federal spending levels were not consistent with our projections. This reduced expected product and service revenues for us in F.Y. 2014. In addition, our core commercial U.C. and telephony activity was also declining.

With the deck stacked against us, we made it all work together and we're successful with these strategic programs. We added nearly \$30 million of incremental revenue to reduce our organic revenues decline from 10% in 2013 to only 2% in 2014. We use this year to dig in and invest for the future growth, investing nearly \$7 million in new programs in fiscal 2014.

Fiscal 2014 was a pivotal year for Black Box. Under our previous operating model, we would have aggressively cut cost to maintain operating margins. That was our model. That's what we would have done. We were good at it and we did it for years. But in fiscal 2014, we took a thoughtful investment approach to transforming Black Box into a sustainable enterprise that can adapt and grow.

Moving on to 2015. We're focused on overcoming these declining trends and working to deliver our plan for revenue growth. Our new programs and investments will increase our share in the flatter declining markets. It will expand our existing client relationships and diversify our revenues with additional value-added product and services.

The midpoint of our fiscal 2015 guidance is 2% revenue growth. Our operating income margin will be a little tighter on the bottom end of our revenue range as we remain very committed to certain investments. However, at the top end of our revenue range, operating income margin increases through leverage. As the revenues grow, we believe our rate of profitability can grow as well.

The large managed service contract that Mike mentioned will ramp up during the third quarter of this fiscal year, and we expect to produce about \$20 million of revenues in fiscal 2015. The new contract gives us confidence in achieving our plan for revenue growth in the New Year. However, where appropriate, we will continue to adjust our cost structure to match revenues and as we find opportunities to be more cost-efficient, which is constantly ongoing.

There's a few reconciliations here for our GAAP to non-GAAP items. Most of our adjustments are non-cash-related.

So let's talk about some investments in little more detail.

We began making these meaningful investments in fiscal 2014, as Mike indicated. For services the investments included the solutions practices, which provided our existing branches with access to meaningful centralized expertise. These investments resulted in solution practice revenue growth of 10% for our core U.C. Cisco practice and 6% for our high-end DAS wireless practice.

For products, we invested in a direct sales team including some 45 additional worldwide resources. All of these resources were onboarded during fiscal 2014.

Also during 2014, we increased spending levels for engineering, marketing and information technology, all of which we know are critical to our long-term growth attributes within our strategy. We evaluated our investments to ensure they're greater than our weighted average cost of capital or our WACC.

Our fiscal 2014 investments contributed double-digit returns and were greater than our WACC, giving us confidence to continue and expand these programs into the New Year.

For fiscal 2015, the services business will expand its investments additionally into the solutions practices.

Ken Davis, our executive vice president of North America Commercial Services, who is here today, is heading up this investment. Our Cisco Solutions practice will work closely with our core U.C. and telephony leadership to increase business activity.

Many of our new U.C. opportunities contain some type of Cisco technology. The wireless practice will receive additional engineering and business development resources, which will allow us to strengthen and expand this wireless offering, and it's critical to the wireless growth.

During fiscal 2015 we launched a sales transformational initiative, which is so important that we needed a dedicated executive leader. Mike created a new role -- V.P. of strategic initiatives led by Julie Lyda who is also here today. This initiative will transform our sales organization from the historical branch model to a functional model and focus on the selling process, including account segmentation, client profiling, a new sales leadership structure, and a development of sales ops. This initiative must be successful to ensure the future success of our sales organization.

No pressure, Julie. We're rooting for you.

For fiscal 2015, the products business will expand the direct sales organization. Josh Whitney who's our V.P. of Technology Products Solution is also here today. He's heading up that investment.

We not only plan to maintain the direct sales investment levels from 2014, but we're going to expand them. We're going to focus and invest on regional sales and additional sales leadership. These investments will include both a product and a geographic focus. Both are critical to the longer-term sustainability of the sales organization. This will also include a worldwide consistent selling approach.

I want to provide assurance that we are being mindful and balanced with our capital to drive shareholder value here.

We're very proud of this slide. We're proud of our capital allocation here over the last 3 fiscal years, and I believe this demonstrates our commitment to a balanced approach.

Taking us back in fiscal 2012, we had 2 acquisitions. Within those acquisitions we added our DAS wireless expertise and enterprise video expertise to the company.

As we move through fiscal 2013 and 2014, as we started to transform the business we focus on providing tangible returns to our shareholders through dividend increases and stock repurchases. We were even able to reduce debt during this period. This was mostly true during last fiscal year.

During this period also we invested about \$21 million for capital expenditures. These expenditures primarily include I.T. investments to support the product and services platforms.

For the last 4 years, we've increased our annual dividend from \$0.24 to \$0.40 per share. These dividend increases are consistent and remain consistent with the board and management's view and our ability to generate future profits and cash flows. These increases have resulted in double-digit growth each year. Given our current dividend and our current stock price, the dividend yield is just under 2% today. These annual dividends have provided a tangible return to our shareholders.

During the last fiscal year, we focused a large portion of capital towards our share buyback program. We repurchased nearly 3 million shares or 16% of our shares outstanding. These repurchases have also provided a tangible return for our shareholders.

The company has authorized to repurchase approximately 1.1 million additional shares. While we may continue to repurchase shares for the foreseeable future, there can be no assurance as to the timing or amounts of those purchases.

During the last fiscal year, we focused a good amount of capital here towards our debt reduction. This resulted in a net debt reduction of 17% year-over-year. This is our lowest net debt levels since fiscal 2005.

We ended last fiscal year with a leverage ratio of 2.3 times and historically our leverage ratio has been as low as 1.5 times and as high as 2.6 times.



Working capital demands can fluctuate within the quarters impacting our debt levels. Typically, this occurs as a result of a certain federal service contract or maybe larger awards in the service business where billing terms do not necessarily coincide with revenue recognition. We view this as normal operating activities and do our best to minimize significant working capital changes quarter-to-quarter.

But we remain comfortable with these debt levels based on our historical ranges, our historical balances and especially our demonstrated ability to generate free cash flow.

Let's discuss our view on the future capital allocation model.

It should be very clear to everybody now we are funding our investments through a deliberate use of operating profits. Be mindful of lower profits over the last several years. We have taken a very strong position on our quarterly dividend. Although not a guarantee, we know that the dividend provides an immediate return of capital to our shareholders as they support the company through the transformation. Funding the dividend will remain a priority for us.

We also know the best way to provide long-term return to shareholders is by investing in the business and growing revenues and profits.

What we haven't talked about though and we've been clear about talking about our investments, but what we haven't talked about here today yet is our mergers and acquisition outlook. M&A is very much a part of our mid to long-term growth strategy.

As demonstrated over the past 15 years and over 130 acquisitions, there is no faster way to add capabilities to a company's portfolio than in acquisition. We recognize the power of an acquisition comes from integrating the acquired capabilities with the existing assets of the business.

We must be able to leverage newly acquired businesses and be certain we can achieve our hurdle rate. Our hurdle rate objective is approximately 15% right now. This includes our current WACC plus a reasonable premium.

Given the current multiples on technology solution providers, it would be challenging to exceed that rate at the current time for the company. Instead, we remain focused on internal initiatives, which will create the framework for future acquisitions that will drive this level of return.

Over the last 38 fiscal years, we've produced positive cash flow. We remain conscious of our overall debt levels and what that's doing to the valuation of the company. As the business generates cash, we will focus on debt reductions as allowed. We also like the buyback program especially as we review our long-term revenue and profit projections. As cash flow allows, balanced with a near-term focus on reducing debt, the share buyback program is a way to provide a tangible return to the shareholders.

Overall, we have received very positive feedback on these priorities, and we remain focused to provide a balanced capital deployment approach on a long-term basis.

Now let's review our financial outlook for fiscal 2015 and beyond.

From a revenue perspective, as we've discussed today, we are very focused on organic revenue growth. Within our fiscal 2015 revenue guidance, we are projecting organic revenue growth of 2% at our midpoint.

Gross profit margin is the most important metric to achieve our profit results. We are currently guiding to an approximate 31% for gross profit margin, and this is consistent with prior year results. Product and services mix can influence this consolidated percentage quarter-over-quarter. But throughout the year, we're projecting approximately 31%.

The midpoint of our guidance provides for an adjusted operating income margin of approximately 6%. This level is consistent with fiscal 2014, and we believe it provides for adequate investment levels as we continue to transform Black Box.



Our return on invested capital, or ROIC, is a commonly used metric to measure the long-term financial results of an investment. Our fiscal 2014 ROIC adjusted for goodwill and restructuring was about 6%. We are not projecting an improvement in the short-term for our fiscal 2015 ROIC primarily related to the investments we are making for future growth programs.

Now, on a longer-term basis, and we're defining longer-term as 3 to 5 years, we expect organic revenue growth of 4% to 6%. This growth includes expansion for the solutions practices and growth for our core U.C. business as a result of successful transformation of the services platform and contributions from our managed service initiatives. We expect product revenues to expand as our direct sales team investments take hold, and we are successful in identifying specific product niches where we can be a leader in.

We are currently projecting a slight reduction in gross profit margin to approximately 30%. This margin assumes a slight expansion in our product margins and a decrease in our service margins over time. We project an adjusted operating income margin of 7% to 9%.

As we entered the outer years, our revenue growth programs will allow us to continue to invest while providing expansion in operating income margin as we begin to realize the true leverage of Black Box.

And finally and probably most important, ROIC. We're going to drive an increase in ROIC to approximately 10%, nearly equal to our internal WACC rate. We aspire to drive this metric even higher as revenue growth and profit expansion allows. In the near-term though, given the level of transformation, we would be pleased with these results. The success of our programs and initiatives over the next few years can and will have a material impact on the longer-term financial results as presented here today.

Okay. To recap, it should be clear to everyone that our investments are concentrated on driving revenue growth for fiscal 2015 and beyond. These programs that we're investing in include maintaining and increasing our investments and our direct sales program for products, maintaining and increasing investments in our solutions practices, investments in our sales process to provide better training and tools to our sales team.

As we successfully grow revenue, our model provides leverage, which has even demonstrated in the short-term by our revenue guidance and our profit guidance.

As our investments and initiatives are successful in the long-term, we expect this relationship to continue. Our goal being as revenue grows and operating profits will grow twice as fast.

Also as we experience success in the short to mid-term, we will focus on strategically relevant acquisition targets that will help grow revenues and operating profits, and most importantly, contribute positively to ROIC.

As you can see, we have much to be excited about at Black Box. We're very energized about making it all work together for our clients. Mike has described the operating model, and we have now reviewed the financial model, and this is our strategy.

I appreciate your time and attention today in learning more about Black Box's transformation.

I now like to turn the presentation back over to Mike to wrap us up and take us into the question-and-answering session. Thank you.

Mike McAndrew - Black Box - President & CEO

Okay. Everybody still with us. Thank you, Tim. Good stuff.

I missed the CFO presentation, although it really is hard to find a good video intro for that one.

Okay. let's pull this all together. We talked about all the activities we have going on within the company, all the opportunities we have in the marketplace. But now this meeting is really about articulating to the investment community, what a great opportunity there is within Black Box. And I want to summarize that.

This transformation we're on it's about improving the financial performance of the company, in a very thoughtful rationale way. Driving earnings power within our segments. It's about the markets we're in, how we can differentiate where we can make investments to have solid returns. And I can't understate in any way the importance of the measurement that we have around our investments.

We want to make sure that we are assessing those as we go. In the old days, I'd look back in F.Y. 2014 old days, CFO days, I look back and go -- wow, that wasn't as good as I'd hope it would be. I still say that, but here is the difference -- where we made investments, where we saw opportunity, where we put things in place that supported the strategy, they were successful. That's very positive sign for the team. That keeps us motivated that we're on the right track. The Fed will work its way out.

U.C. will continue to change. We need to be better at selling in the growth areas, the cloud-based hosted solutions. But we are in a great position to understand those markets. Like I said, we're really close to the client. So start with creating earning power within our segments.

Tim just went through capital allocation. There's been a lot of internal focus in this company in the last 18 to 24 months. And as you can see, there's still a lot of focus on that, really enabling us to maximize the potential of Black Box through this transformation. In the meantime, while we're building a stronger, more vibrant company, a company that can grow and adapt, we are planning ways to return value to our shareholders through dividends, through share repurchases. At the end of the day, we believe this is a great formula for creating shareholder value, and we're committed to it.

Priorities for F.Y. 2015 comes back to investments -- measuring those investments, making sure we're progressing in elevating sales and marketing within Black Box. I've been here for a long time, and we have tremendous pride in our ability to service clients. We do heroic things every day to make sure that our clients are satisfied going above and beyond to help them solve their problems.

Truthfully, if we want to grow, we need to elevate the stature of our sales and marketing team members to drive that growth. And so there's a lot of cultural consistencies. We bought a lot of companies, customer care -- critical cultural element in evaluating those opportunities, high technical expertise, great cultural element in addressing these opportunities.

We lost our way in my view on the importance of sales and marketing. If we want to be a growth company and not just cash-generated company, we need to make investments in that team. We need to take the power of this organization and bring it to our clients, and we need to elevate the stature of our sales organization. We're making investments there. That will allow us to be in position to present those great portfolio of offerings we have into the clients.

I have my own little personal view on an investment basis, but here are some basics, and I think carry through to analysts and investors. Do you have a strategy that makes sense? Is it sound? Is it rationale? I believe we have that at Black Box.

Are you participating in growing and large markets? I think we're in a great spot in those markets. They're not double-digit growth markets in all aspects -- elements of them are, but these are growth markets and as I said, billions of dollars of opportunity.

Can you differentiate in those markets? We talked about the assets in saying that if you don't recognize I have an articulated and recognize the power we have within this organization. When markets were differentiating, are you in a defensible position?

I've talked about our platforms. Think about how hard it would be for someone to replicate what we have at Black Box and what we've built over the last 4 years. That's a long stretch. And really you'd have to do a lot of acquiring and integration along the way, so we're a step ahead. We think we're in a great defensible position.

And then it comes down to leadership. Commitment to the strategy, commitment to executing underneath that strategy, and I believe we have the team in place to make that happen. Again, a lot of the team members that are here today were part of developing the strategy and there's a lot more out of the 4,000 that we're participating as we evolve that strategy and putting it into place last year.



Strategy, markets, differentiators, commitment execution and confidence and leadership, that's a pretty good thesis or basis for an investment thesis in my view, and hopefully you guys have had that feeling through today's presentation materials that this team is committed to make that happen.

For the last step of this event, what I'd like to do is introduce some of those team members that are leading our teams in the field up on stage. So Tim introduced some of these guys by name, but Ken Davis, our vice president of North America Commercial Services is stepping up. That's a long walk from the back, huh.

Thank you, Ken.

Ms. Julie Lydia, as Tim mentioned, V.P. of Strategic Initiatives -- it's tough coming up with a title for that one, but we have a lot going on in the company. Sales is our number 1 priority. Julie ran our Worldwide TPS business prior to accepting this role, and she is leading the charge on putting those things in place to elevate our sales organization on the service side.

Welcome to the stage, Julie.

Julie Lyda - *Black Box - VP, Strategic Initiatives*

Thanks, Mike.

Mike McAndrew - *Black Box - President & CEO*

Josh Whitney, the heir apparent and now leader of our Worldwide TPS business or our products business. Josh has been with us -- what, 6 years now, Josh? And I appreciate you stepping up as I extracted Julie from that role. I think there's some great opportunities there.

And finally, back to the stage, Tim Huffmyer, our CFO. Welcome back on stage. That was a short departure. That was a shorter walk for you.

Okay. Why don't you guys grab a seat?

Tim Huffmyer - *Black Box - VP and CFO*

Yes.

Mike McAndrew - *Black Box - President & CEO*

Yes, I'll try to stay out of the way a little bit here. Okay.

This is a great opportunity for the folks. Me and Tim are on the road a lot. We have a lot of opportunities to meet with investors and analysts, et cetera. And I think this is a great opportunity for the folks here in the audience and the folks on the webcast to actually reach out to this team and get a sense of where they are relative to confidence and competency and commitment to the strategy.

With that I'd like to open up the floor for any questions.

[Scott], yes, Sir, you're the first one up. We have a microphone for you.



QUESTIONS AND ANSWERS

Unidentified Audience Member

Mike, you talked obviously about both of the business segments. And from an investor perspective, we've always seen you as being in a couple of different businesses that appear to be related, technology infrastructure-related, but operated in silos. Part of your strategy today was that you're trying to leverage each one of the segments to be able to sell into the other segment.

What can you do in order to accomplish that and how have you been able to incentivize the people in each one of the segments not only to focus on what it is that they're doing with regard to their own silo, but to realize that there's another side of it as well?

Mike McAndrew - Black Box - President & CEO

I'll know we have arrived when we stop talking about silos.

Truthfully, our focus has really been this bifurcation of products and services, has really been to build strength within those two operating units in fairness. We have certain elements that provides synergies across the two, but they have been marginal. The brand is a key one.

The worldwide geographic footprint that we're leveraging between the two businesses is a key one. But ultimately from a revenue contribution and from a revenue synergy, we've had limited success there.

I think that longer term as we build these sales organizations within the silos that we'll have opportunities to cross-pollinate those clients between products and services in a better way, not our first priority within the mission. It really is within our services business and products business.

[Greg]?

Unidentified Audience Member

Can you just talk about your 200 field sales reps, where are they lacking in terms of the newer programs, what you need to do to better support them to execute on the strategy going forward?

Mike McAndrew - Black Box - President & CEO

Yes. Julie, do you want to...

Julie Lyda - Black Box - VP, Strategic Initiatives

Sure.

Mike McAndrew - Black Box - President & CEO

...take that one?

Julie Lyda - Black Box - VP, Strategic Initiatives

With the branch model comes various sales processes and strategies. And what we're looking for in this initiative is to really bring a uniform sales strategy and process to our 200 plus sales team members so they can effectively offer our entire portfolio solution.

You heard Mike talk about the Albany Medical Center case study. We would love more of those. And that's really enabling our team to feel more in offering all of our solutions. We've seen a little bit of success with that in F.Y. 2014, and we think there's a great more potential in doing that with again in more unified sales strategy process and also enabling the team, the tools, and training.

It's been a little bit of a challenge to get that across 200 people at a branch level, so we think there's great opportunity after this transformation takes place to really give our team more tools and training and enablement to do that.

Mike McAndrew - *Black Box - President & CEO*

And I think another -- to add to that is where our relationships exist in the field today to sell this broader portfolio may require techniques to move up the food chain. I talked about the relationship manager and the bank. It's really getting to the right person who is trying to solve those business challenges, to get to that level and then understanding what you can bring to bear, so all of these, bringing these techniques relative to elevating within a client, understanding what their issues are and ultimately how we can help resolve those issues and drive those business outcomes.

Julie Lyda - *Black Box - VP, Strategic Initiatives*

One more thing I'd add, too, is also giving our team with tools of focus. We have some very strong verticals. We had strong solution offerings and directing the team where they should focus their efforts, where do we have the best chance of closing business. I think that will also help our team as well.

Mike McAndrew - *Black Box - President & CEO*

Back to you, [Scott].

Unidentified Audience Member

I guess, we'll get Ron -- Ken involved. Ron is obviously already involved.

Mike McAndrew - *Black Box - President & CEO*

He's already involved with the microphone.

Unidentified Audience Member

Ken, how have you changed the incentives for some of the customer-facing people -- technicians, people who are out there on the front lines every day in order to get them to behave in a way that they're going to identify new opportunities and get to the point where they'll actually push those opportunities back up the sales channel to make sure they follow that line?

Ken Davis - *Black Box - EVP, North America Commercial Services*

Sure, [Scott]. First of all, thank you for attending and a good question. So as we transform the sales side, obviously, we're looking at the operation side as well, Okay. As the sales organization changes, operations need to change as well.

And as we structure the company, as we provide better tools and opportunities for both our sales folks and our folks out in the field to accentuate opportunities with clients, incentives come with that. Most of our sales folks are used to selling 1 or 2 solutions by broadening and expanding their ability to sell other products and solution gives them more incentives as well as the folks operationally as well that are executing the work.

Instead of being singularly focused on some of the technologies that we provide, we're actually going to transform the company so everyone can offer the broad portfolio that Mike has spoken about that we can bring to market, which lends opportunities for our team members in incentive-based programs. We're excited about that. We're excited about giving that opportunity to all our team members, and our team members are really accepting the changes we'll put in place that obviously in the end will benefit them as well.

Mike McAndrew - *Black Box - President & CEO*

I can't help myself. I just had to jump in and add something. Last year we put the practices in place where we taught with more emphasis last year on the cultural changes that we are putting into place there. And with that, and one of the key pillars is looking at incentives and organizational structure.

We actually implemented some things that were very new to Black Box. We created quotas around product lines, as opposed to sales quotas and is hitting those numbers right. We created incentives for our branch leaderships to participate in adopting and embracing these practices and influencing them to identify those opportunities to prove that this concept would play. And we did that in a very collaborative way with the sales leadership team, with the operational team.

And I think I would say through the year, we've had some great successes, we have some things that didn't go so great, but we did very little tweaking in the year relative to that design and feel that we had the right things in place and we'll continue to evolve that as we move into F.Y. 2015 and F.Y. 2015 forward programs.

Unidentified Audience Member

Yes, but ultimately, people tend to do what they get paid for.

Mike McAndrew.

Unidentified Audience Member

So have you changed internally the compensation plan for the technicians in order for them to -- when they're out there and they see an opportunity, can they get paid for it?

Mike McAndrew - *Black Box - President & CEO*

Yes.

Unidentified Audience Member

That's really ultimately the question, right?

Mike McAndrew - *Black Box - President & CEO*

Yes. I would say that it's been more on the sales team that we had those incentives. Our incentive programs around our field services, around client satisfaction, and characteristics and so on, so it really is the sales team is the key to engaging the client in those discussions.

[Debbie]?



Unidentified Audience Member

Hi. This is for Ken or Josh. I think Josh is involved here.

What opportunities are you most excited about as you go through those transformation process?

Josh Whitney - *Black Box - VP, Technology Products Solutions*

Well, I think from a market perspective our 2 biggest opportunities are ones Mike had mentioned -- digital education, use of tablets instead of textbooks, that sort of thing. We participate in a charging and storage piece of that. And the market opportunity is huge. I mean, there's tens of thousands of schools, how many classrooms within each school. And we've been able to, through a lot of engineering investment, provided really good solution and be very favorable. Mike mentioned differentiators versus competition.

I mean, another is the move towards video being over the network instead of on proprietary cabling. When I was getting mike'd, we're in the backroom, and they really kind of need to be reset in there. Sorry. But they have some older equipment. And as bandwidth continues to exponentially expand, there's a lot of opportunity to move new signals onto networks.

We're positioned very well as product business and as Black Box as a whole because we understand both those other types of signals whether it's serial, video, whatever it might be as well as the network. It gives us a good position to take advantage and grow. And kind of the last thing is again what Mike alluded to earlier is we've been in a very passive client relationship -- direct marketing, go out and wait for people to call.

As we have made a large investment in sales and incentivizing our sales engineers where they weren't in the past to you question before, we can grow those client relationships. We're also doing business with most of the Fortune 500. Are we capturing the amount of wallet share we have there that they have available now? No, we've got a lot of opportunity there to grow as we kind of move into a hunter role with regards to engaging clients.

Unidentified Audience Member

And I've got a follow-up, too. This transformation growth I'm sure you're finding out some things that you realize. So either Ken or Josh or maybe -- what are the things you're finding out?

Josh Whitney - *Black Box - VP, Technology Products Solutions*

On my side, I would say that the brands strength has been a great surprise. I mean, I always knew that we had a great brand at Black Box. In my past lives I've worked at companies with really strong brands within their space.

As I traveled all to our offices all around the world, we have an amazing brand within the space. As you go in and try and elevate yourself at a client, brand is a very key piece of that to open up doors to the new people, to open up not just to the technician that's buying a few small products here and there to elevate yourself up to getting in the door and having a discussion with perhaps even the CIO.

For me, I will say the biggest surprise and almost relief is that the brand is very, very strong and it's great platform to grow from.

Ken Davis - *Black Box - EVP, North America Commercial Services*

In my case, [Debbie], it's not necessarily a surprise, but I think our teams are really excited about opening up opportunities for them to service our clients with more of what we can bring to them in our portfolio. And that's gotten our team very excited about servicing their clients. It's gotten

our clients very excited about what we can continue to bring to them whether it be in the wireless space, which is very exciting to us as Mike touched in his presentation.

And managed services is a huge, huge opportunity for Black Box. The capabilities that we have that we can bring to a client to handle multiple technologies and multiple locations with SLAs and high-end expertise even consulting features as well. Mike talked about a financial company we're working with.

We are really guiding them through that piece of business that we were awarded with them. We have very, very high technical capabilities and consulting in project management that allows us to provide to a client the ability to handle their biggest challenges on a day-to-day basis and a very complex situation in many instances as well.

There's really no surprises. I think there's just excitement about the way we're changing the organization that at the end of the day our clients are going to be very satisfied with what we can bring to them and it's going to open up so much more opportunity for us and them as well as our shareholders.

Mike McAndrew - *Black Box - President & CEO*

Gary, we have some remote Q&A coming in in the back.

Gary Doyle - *Black Box - VP IR*

I do, Mike. We have a couple of questions that have come in from our webcast viewers.

This first question is for Mike. First off, congratulations on the debt paydown dividends and stock buybacks. All 3 have been positive moves.

Still, organic growth has been elusive for the company. The environment certainly hasn't been terribly conducive to growth, but there have been execution issues as well. Bottom line the company is trading at less than 7 times this year's EBITDA, which is approximately 2 turns below peers. We believe there is franchise value at Black Box and the market is increasingly rewarding focused. Why is it not in the shareholder's best interest to hire an investment bank to explore selling the international and U.S. products businesses?

Mike McAndrew - *Black Box - President & CEO*

All great observations. Organic growth has been elusive for us, and it's really across both of our businesses, I think really from a lack of investment on the product side and from actually an adaptability aspect on the services side.

The investments we've made last year I think are critical to turning the corner on that as you see from our guides next year. We've had negative organic growth for the last 5 years. We're looking to turn the corner this year.

Relative to focus hopefully that the audience here sees how we are focused on our businesses, I do respect that they are two fairly autonomous operating units right now, but there are some valuable synergies in there. I would say that the value we could get out of a divestiture which I think is really the orientation of the question, this would not be an appropriate time given our stage of investment and turning the corner on either of these two businesses at this stage.

As we realize these longer-term targets depending on how the marketplace responds to that, that's always on the table, but I would say right now with where we are in the stage of investment and developing the strategy around these businesses that that is something that we would look at more aggressively further downfield.

Gary Doyle - *Black Box - VP IR*

Okay. A follow-up question. There has not been a single insider buy in the last 3 years. Why should investors be excited about the company's prospects when insiders don't have confidence to invest their own capital into the company via open market purchases?

Mike McAndrew - *Black Box - President & CEO*

Okay. Well, that's kind of an interesting question. That's again a fair observation. I would tell you that speaking for this management team, some of us has been around for a long time that are long-term personal values and successfully driving wealth creation, if you will, is tied entirely to Black Box today through our equity programs, through our day-to-day compensation and depending on individual circumstances relative to investment ideas is one thing. But this team, I can tell you, has its personal wealth tied into the operations and the success of Black Box and has been there for some time.

Any other questions remotely, Gary?

Okay. We'll take a pause. Inside the room?

Tim hasn't gotten one question yet.

[Greg]?

Unidentified Audience Member

I just had a question about the managed service market. Is this something that businesses are actively saying we're looking to do or are you educating the markets saying we can provide you these services, why don't we expand and grow here? I just want to understand kind of the go-to-market, are you educating and building a new market, is this something businesses are actively looking to outsource. And then I guess, who are you competing against for these touch of RFPs?

Ken Davis - *Black Box - EVP, North America Commercial Services*

Yes, [Greg], both. I would say both. We are doing a good job educating our clients, the capabilities that we have, which just put us in the position and a few of them Mike spoke about to get those managed service offerings or capabilities.

The other side of the fence is clients are also asking for it. They see a need to reduce cost. They see a need to work with one partner that has multiple capabilities. A universal technician, as Mike discussed, is a huge advantage for us out there in the market. Companies that do currently use system integrators that have to bring multiple service providers in to handle multiple technologies can come to Black Box, and we can handle those multiple technologies all under the Black Box roof.

We have been educating clients to drive more managed service opportunities, but we're also seeing in many instances and certain verticals those companies come into us asking for it as well and knowing that we can provide it. So it's really both.

Mike McAndrew - *Black Box - President & CEO*

I believe sometimes some of our clients don't know what they're looking for. Actually, these larger opportunities that we'd won and are pursuing in managed services, truthfully we've engaged with clients as long as 18, 24 months ago in the discussion. And there's an evolving discussion relative to where we can add value where they can feel comfortable that they're going to have cost savings and at the same time not sacrificing the level of service that they would expect from their own internal resources.



And I think the other point on that, [Greg], and I mentioned it earlier, and most of my discussions are with our larger clients. And clearly, this whole concept of outsourcing I.T. is a prevailing orientation relative to those discussions. Again, when you get down to the nitty-gritty, what does that mean? It depends on the client. But there is clearly a desire for I.T. organizations to find the right partners to help them move forward from that perspective.

[Scott]?

Unidentified Audience Member

I guess, this could be either for you, Mike, or for Ken, and then I'll get one for Ken.

Mike McAndrew - *Black Box - President & CEO*

Okay. Appreciate your participation.

Unidentified Audience Member

In your discussions with client regarding managed services, have you had much interest or any interest in clients who are actually interested in having Black Box people full-time at their location as kind of an outsourced I.T. solution rather than just using Black Box in a traditional 2-hour response time...

Mike McAndrew - *Black Box - President & CEO*

Yes.

Unidentified Audience Member

...type of relationship?

Mike McAndrew - *Black Box - President & CEO*

Absolutely, and that's a key component to this. I talked about Albany Medical Center, as an example where we have 12 full-time Black Box team members augmenting their internal staff. And we have many other examples of that within the organization, our large managed service opportunity with the financial leader has how many...

Unidentified Company Representative

That's 200.

Mike McAndrew - *Black Box - President & CEO*

...200 full-time...



Unidentified Company Representative

Full-time onsite.

Mike McAndrew - *Black Box - President & CEO*

...folks at critical locations. That's a part of the discussion.

I think there's a balance there relative to having the capacity to support that. And then again as you get into a distributed environment where you can't support a full-time resource having availability for dispatched technicians with the right skill set to service those areas is the other end of that equation in the third leg being our remote monitoring capabilities and ticket management that we have back in our infrastructure.

Ken Davis - *Black Box - EVP, North America Commercial Services*

And to add Mike's got many of our managed service clients. In fact, I would say the majority of them have technicians tied daily onsite at those facilities. Something that we definitely like to have.

Unidentified Audience Member

Now for Ken -- actually this could be for Tim or Josh.

Tim, you gave some relatively specific sales targets with regard to the services business. And you made a comment that you expect the products business to grow, but you really didn't quantify that. Can you talk about what you think you're focused on that side of the business and do from a growth perspective and maybe some numbers around them?

Mike McAndrew - *Black Box - President & CEO*

Josh, why don't you start?

Josh Whitney - *Black Box - VP, Technology Products Solutions*

Well, we feel we could grow. I don't want to give a forward-looking statement here but...

Mike McAndrew - *Black Box - President & CEO*

We have a safe harbor out there.

Josh Whitney - *Black Box - VP, Technology Products Solutions*

Okay.

Mike McAndrew - *Black Box - President & CEO*

You've talked about...

Josh Whitney - Black Box - VP, Technology Products Solutions

By targeting the right focus markets we feel we can grow aggressively even if the overall market isn't expanding because of technology recess, so it's one of the advantages we have got is that even though say the energy industry isn't expanding, I mean, it is expanding, but it's not super hyper growth, the technology they're using to transmit their information is changing, so there's a lot of money.

On a macro level, it is growing. But on a micro level there's a lot of funds flowing into specific areas that we're targeting. And we believe we can get pretty healthy growth numbers in a business that, in all honesty, has been pretty stagnant from a revenue standpoint for a long time.

The key that I tell the team is focus. We have to be focused on specific parts of the market that are growing instead of kind of a wide and steep approach, which we -- for better or worse kind of really had in the past. I think our overall growth due to our enhanced gross margins is critical for the overall company's success because we can drive very attractive margins from a gross profit and O.M. standpoint with throwing in just a modest amount of growth into the business.

Mike McAndrew - Black Box - President & CEO

The longer-term range, that 4% to 6% that we talked about there, I would say that the products business is clearly in that range of expectation. I think both of these businesses have the propensity to have that mid-single digit drifting into the higher single digit opportunities longer-term.

Gary Doyle, another...

Gary Doyle - Black Box - VP IR

Yes, I have a couple of more from our webcast viewers. First one, you have clearly a lot of initiatives in flight in fiscal 2015, yet your adjusted operating margin doesn't increase from the 6%. What kind of key performance indicators will you be ready to share that will help us to understand the progress that you're making with your initiatives?

Mike McAndrew - Black Box - President & CEO

Do you want to tackle that one, too?

Tim Huffmyer - Black Box - VP and CFO

Sure. The strategies, the initiatives are analyzed on a monthly basis. Right now we're identifying leading indicators that will ensure that we're on the right track from a project completion and success rate -- have the highest success rate.

As we're working through this, we are monitoring those, we're identifying and looking at those leading indicators as quite honestly as frequent as reasonably so. I mean, you can only look at the stuff so often.

I think as we move through the year, specific to Julie's, we'll have leading indicators associated to the sales transformation. Those KPIs will be items such as completing account segmentation on our top 200 accounts.

Looking at client profiles and identifying how many accounts are prime or have a higher degree of success rate that we want to focus our resources on. We will be tearing apart, if you will and reconstructing the initiatives to make sure we have the right leading indicators. And those leading indicators are going to be before the financial indicators.

The financial, which is really the P&L over the next year, you may not see it come through in the P&L right now, but we'll be looking at these leading indicators to measure the success of these programs.

Mike McAndrew - *Black Box - President & CEO*

I think just like last year, on the financial side, we weren't just looking at revenue contribution. Tim shared that here today, but we talked about pipeline, right, outstanding, good activity, bookings, number of awards won and then, ultimately, revenue. There's a sequencing here that we can get upstream relative to tracking financial impact prior to actually hitting the P&L.

Gary Doyle - *Black Box - VP IR*

Okay. Thank you. Another question. Given your emphasis on focus, does it make sense for a \$350 million market company to attempt to be a global player? Why not focus all efforts domestically as opposed to attempting to be all things to all people? Is the international portion of the business a distraction?

Mike McAndrew - *Black Box - President & CEO*

Is it a distraction? It's not an emphasis. On the services side for sure, 95% of our revenues are domestic in nature. But as I mentioned earlier, that footprint is critical relative to engaging in domestic opportunities.

The financial services company we talked about how managed services is beyond the U.S. It's in other parts of North America and Central America. We have large clients that we're working with through system integrators that were utilizing our resources and our footprint and our project management capabilities overseas.

Relative to assets within the business, and I can't understate it enough that or overstate it enough that that footprint is critically important to our success in engaging these large complex organizations and having the capacity whether it's around the billing cycle or the local logistical challenges that we are in a position to solve those problems and they don't have to worry about multiple vendors is critically important.

[Greg]?

Unidentified Audience Member

The federal business has been obviously a drag on the outline. Do you guys see that changing ?

Mike McAndrew - *Black Box - President & CEO*

Yes. Federal business, that was the question.

Unidentified Company Representative

Can you repeat the question?

Mike McAndrew - *Black Box - President & CEO*

Yes. The question was federal business is not been working in our favor over the last several years, some headwinds there. And what do we see moving forward.

Relative to our guidance through the 5 years, we haven't made any large assumptions on that business. We reset the clock last year relative to spending levels on our participation in the federal side. And we've run that out without any significant growth or decline, which is consistent with our near-term guidance number.

It all comes down to funding. A lot of our federal business is around the DOD. We've done a pretty good job, I think, over the last couple of years of diversifying that into some civilian agencies, some of the managed service orientation that we talked about here on the commercial side. We've also had that influence on the federal side where we are doing some operations and maintenance at different federal locations to actually secure that base of revenue that we have recurring as opposed to having this project orientations that we had historically.

The answer to your question, no. We think we're at a place right now that makes sense relative to the current activity and our view of federal spending and our role there.

Gary Doyle - *Black Box - VP IR*

Mike, what is the biggest risk to your strategy?

Mike McAndrew - *Black Box - President & CEO*

The biggest risk to the strategy, let me say we try to go there. I think the biggest risk we had is not adopting the strategy and continuing to operate the way we had historically.

The risk to the strategy, in my view, is within this transformation is really losing our team. Our team are the folks that are facing the clients whether it's on the operational side that support, on the sales side relative to client engagement. And so the transparency of what we're doing and what we're sharing with you today in this audience is consistent with what we've shared internally, Okay.

There's continuity, there's transparency, there's clear view on our objectives and how we want to get there. We have included the team and many our team members in this initiatives, the development of solutions practices, the build-out of the sales team on the product side, our initiative under the direct sales team on the services side that Julie is leading.

Having the team engaged through that process is critically important to keeping them engaged to what we're trying to do, understanding our longer-term objective. I think that's how we're remediating what I think is the biggest risk is having a disengagement with the team members that we're counting on to make this a success.

Okay. I think we have time for one more question.

[Scott], you got to be good for 1 more. You're out of gas.

All right, [Greg].

Unidentified Audience Member

I just wanted to ask with regard to the legacy Nortel install base, how are you seeing that move, transfer or stay in place? What are you seeing happening there vis-a-vis Avaya and its plans?

Mike McAndrew - *Black Box - President & CEO*

Yes.

Ken Davis - *Black Box - EVP, North America Commercial Services*

I'll take that one. We continue to service that base. We continue to move those clients to other platforms as the clients want to migrate. We consult them through that move as well.

It's a base that is primarily a maintenance base for us right now, of course. But as they move out of that technology and I.P. into U.C., we move with them. And because of what we can bring to the table for the clients, we're in a really good position with those clients. So it's still a base for us. It continues to be primarily in the maintenance side of service. But clients are adapting and moving, so we're right there with them, and it's really a great position for us to be in as we have been servicing them for quite some time, so just moving forward.

Mike McAndrew - *Black Box - President & CEO*

And I think that our relationship with Avaya, who has this natural migration roadmap that we're supporting that older technology, but we have a great partnership with Avaya for those that are looking to take the natural progression through Aura. But at the same time again our client orientation and our portfolio allows our clients to have other options as well.

I think relative to your question, [Greg], key relationships in a position to help with that migration and key partner relationships relative to having the right solutions to offer to help them along.

Unidentified Audience Member

Can you track some of your success when vendors migrate to other vendors. What are you able to track

Mike McAndrew - *Black Box - President & CEO*

We...

Unidentified Company Representative

Repeat the question.

Mike McAndrew - *Black Box - President & CEO*

Oh, repeat the question, Okay. As we migrate -- as clients, we're choosing to migrate from one solution to the next from TDM to I.P. The question is do we keep track of that linkage of moving from A to B or A to C?

And I would say that we do not specifically track that, [Greg]. I think that our view is that -- what we do track is when we lose it to a competitor. And another channel partner and what solution they came in with and how we lost that opportunity with our client engagement who have not have succeeded there that we track. And we do look at what solution was chosen.

And it's I'd say one of the frustration points that we had is this team came together 3 or 4 years ago when we're losing clients to channel partners with solutions that we are already partners with. And somewhere in there we lost that capacity at that local level to understand that that full portfolio was available. Again, good, strong client relations, great partnerships, great portfolio.

Okay. Thank you, Team, for joining me on stage. I appreciate it.



Everyone in the audience here in New York, hopefully, again those points I made as I close this thing out, you understand more deeply what Black Box is about, what our strategy is, the opportunity we have in front of us and the confidence that I have in this team and the other 4,000 team members behind them to execute under that.

Once again, appreciate you guys joining us today. Thank you.

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