

ANIXTER INTERNATIONAL INC
Form 10-Q
October 27, 2015
Table of Contents

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

FORM 10-Q

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

For the quarterly period ended October 2, 2015

OR

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

For the transition period from _____ to _____

Commission File Number: 001-10212

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

Delaware

(State or other jurisdiction of incorporation or
organization)

2301 Patriot Blvd.
Glenview, Illinois 60026
(224) 521-8000

(Address and telephone number of principal executive offices)

94-1658138

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

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

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

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

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

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

At October 20, 2015, 32,970,320 shares of the registrant's Common Stock, \$1.00 par value, were outstanding.

Table of ContentsANIXTER INTERNATIONAL INC.
TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Condensed Consolidated Financial Statements (unaudited)</u>	<u>1</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>18</u>
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>30</u>
Item 4. <u>Controls and Procedures</u>	<u>30</u>
<u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>30</u>
Item 1A. <u>Risk Factors</u>	<u>30</u>
Item 6. <u>Exhibits</u>	<u>31</u>

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

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements.

ANIXTER INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(Unaudited)

	Three Months Ended		Nine Months Ended	
	October 2, 2015	October 3, 2014	October 2, 2015	October 3, 2014
(In millions, except per share amounts)		As Adjusted (See Note 2)		As Adjusted (See Note 2)
Net sales	\$1,489.2	\$1,438.0	\$4,354.7	\$4,055.2
Cost of goods sold	1,158.3	1,115.3	3,385.6	3,137.4
Gross profit	330.9	322.7	969.1	917.8
Operating expenses	252.7	240.2	767.1	688.1
Operating income	78.2	82.5	202.0	229.7
Other expense:				
Interest expense	(15.8	) (10.3	) (42.7	) (29.4
Other, net	(5.5	) (2.0	) (13.0	) (13.6
Income from continuing operations before income taxes	56.9	70.2	146.3	186.7
Income tax expense from continuing operations	21.5	24.8	54.9	59.1
Net income from continuing operations	35.4	45.4	91.4	127.6
(Loss) income from discontinued operations before income taxes ⁽¹⁾	(3.1	) 10.2	54.6	37.6
Income tax (benefit) expense from discontinued operations	(0.2	) 3.1	23.0	11.5
Net (loss) income from discontinued operations	(2.9	) 7.1	31.6	26.1
Net income	\$32.5	\$52.5	\$123.0	\$153.7
Income (loss) per share:				
Basic:				
Continuing operations	\$1.06	\$1.37	\$2.75	\$3.87
Discontinued operations	(0.09	) 0.22	0.95	0.79
Net income	\$0.97	\$1.59	\$3.70	\$4.66
Diluted:				
Continuing operations	\$1.06	\$1.36	\$2.73	\$3.83
Discontinued operations	(0.09	) 0.21	0.95	0.78
Net income	\$0.97	\$1.57	\$3.68	\$4.61
Basic weighted-average common shares outstanding	33.3	33.1	33.2	33.0
Effect of dilutive securities:				
Stock options and units	0.1	0.3	0.2	0.3
Diluted weighted-average common shares outstanding	33.4	33.4	33.4	33.3
Net income	\$32.5	\$52.5	\$123.0	\$153.7
Other comprehensive loss:				
Foreign currency translation	\$(35.2	) \$(35.2	) \$(73.8	) \$(26.6
Changes in unrealized pension cost, net of tax	0.7	—	5.8	(0.3
Changes in fair market value of derivatives	—	(0.1) (0.1) (0.2
Other comprehensive loss	(34.5) (35.3) (68.1) (27.1

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Comprehensive (loss) income	\$ (2.0)	\$ 17.2	\$ 54.9	\$ 126.6
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⁽¹⁾ Includes \$2.6 million loss on disposal and \$39.7 million gain on disposal during the three and nine months ended October 2, 2015, respectively

See accompanying notes to the condensed consolidated financial statements.

1

Table of Contents

ANIXTER INTERNATIONAL INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)

	October 2, 2015	January 2, 2015 As Adjusted (See Note 2)
(In millions, except share and per share amounts)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$614.9	\$92.0
Accounts receivable (Includes \$475.8 and \$548.5 at October 2, 2015 and January 2, 2015, respectively, associated with securitization facility)	1,188.1	1,171.0
Inventories	881.9	859.0
Deferred income taxes	30.7	33.7
Other current assets	52.8	54.9
Current assets of discontinued operations	41.6	379.2
Total current assets	2,810.0	2,589.8
Property and equipment, at cost	298.2	305.3
Accumulated depreciation	(191.2	) (201.1
Net property and equipment	107.0	104.2
Goodwill	572.4	582.3
Other assets	257.7	282.5
Long-term assets of discontinued operations	0.6	27.7
Total assets	\$3,747.7	\$3,586.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$852.5	\$738.5
Accrued expenses	194.3	183.2
Current liabilities of discontinued operations	26.2	108.8
Total current liabilities	1,073.0	1,030.5
Long-term debt (Includes \$0.0 and \$65.0 at October 2, 2015 and January 2, 2015, respectively, associated with securitization facility)	1,285.4	1,207.7
Other liabilities	188.8	215.1
Long-term liabilities of discontinued operations	4.5	0.2
Total liabilities	2,551.7	2,453.5
Stockholders' equity:		
Common stock - \$1.00 par value, 100,000,000 shares authorized, 33,269,561 and 33,141,950 shares issued and outstanding at October 2, 2015 and January 2, 2015, respectively	33.3	33.1
Capital surplus	246.1	238.2
Retained earnings	1,122.7	999.7
Accumulated other comprehensive loss:		
Foreign currency translation	(132.9	) (59.1
Unrecognized pension liability, net	(73.2	) (79.0
Unrealized gain on derivatives, net	—	0.1
Total accumulated other comprehensive loss	(206.1	) (138.0
Total stockholders' equity	1,196.0	1,133.0
Total liabilities and stockholders' equity	\$3,747.7	\$3,586.5

See accompanying notes to the condensed consolidated financial statements.

2

Table of Contents

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

	Nine Months Ended	
	October 2, 2015	October 3, 2014
(In millions)		
Operating activities:		
Net income	\$123.0	\$153.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of business, net of tax of \$9.8	(47.1) —
Depreciation	17.1	17.4
Amortization of intangible assets	15.8	6.3
Stock-based compensation	10.8	10.3
Accretion of debt discount	1.2	0.7
Amortization of deferred financing costs	1.1	1.1
Deferred income taxes	4.3	(2.8
Excess income tax benefit from employee stock plans	(0.5	) (4.7
Pension plan contributions	(23.3	) (14.6
Pension plan expenses	8.6	3.4
Changes in current assets and liabilities, net	(20.5	) (98.7
Other, net	3.2	(3.5
Net cash provided by operating activities	93.7	68.6
Investing activities:		
Proceeds from sale of business	381.0	—
Capital expenditures, net	(29.2	) (30.5
Acquisition of business, net of cash acquired	2.2	(418.4
Net cash provided by (used in) investing activities	354.0	(448.9
Financing activities:		
Proceeds from borrowings	643.6	1,161.9
Repayments of borrowings	(707.5	) (1,322.6
Proceeds from issuance of Notes due 2023	345.6	—
Retirement of Notes due 2015	(200.0) —
Term loan payments	(3.8) —
Excess income tax benefit from employee stock plans	0.5	4.7
Proceeds from issuance of Notes due 2021	—	394.0
Proceeds from term loan	—	200.0
Retirement of Notes due 2014	—	(32.3
Proceeds from stock options exercised	—	5.9
Deferred financing costs	—	(1.3
Other	(1.0	) (1.7
Net cash provided by financing activities	77.4	408.6
Increase in cash and cash equivalents	525.1	28.3
Effect of exchange rate changes on cash balances	(2.2	) 2.5
Cash and cash equivalents at beginning of period	92.0	57.3
Cash and cash equivalents at end of period	\$614.9	\$88.1

See accompanying notes to the condensed consolidated financial statements.

3

Table of Contents

ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

In September 2015, the FASB issued ASU 2015-16, Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments, which eliminates the requirement to retroactively account for measurement-period adjustments to provisional amounts recognized in a business combination. Under the new guidance, the measurement-period adjustments must be recognized in the period in which adjustments are determined, including the effect on earnings of any amounts that would have been recorded in previous periods. The standard is effective for our financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. We adopted this guidance in the third quarter of fiscal year 2015.

Recently issued accounting pronouncements not yet adopted: In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory. The core principle of the guidance is that an entity should measure inventory at the "lower of cost and net realizable value" and options that currently exist for "market value" will be eliminated. The ASU defines net realizable value as the "estimated selling prices in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation." The standard is effective for our financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

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

financial statements.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. The Securities and Exchange Commission ("SEC") staff noted that ASU 2015-03 does not address when a company has debt issuance costs related to lines-of-credit arrangements, which may not have an outstanding balance. As a result, in June 2015, the FASB issued ASU 2015-15, Interest Imputation of Interest, which states that the SEC staff will not object to an entity presenting debt issuance costs related to lines-of-credit arrangements as an asset. These new updates are effective for our financial statements in fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. The new guidance will be applied on a retrospective basis. The adoption of these updates is not expected to have a material impact on our consolidated financial statements.

4

Table of Contents

ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The core principle of the guidance is that an entity's management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are available to be issued. When management identifies conditions or events that raise substantial doubt about an entity's ability to continue as a going concern, management should consider whether its plans that are intended to mitigate those relevant conditions or events that will alleviate the substantial doubt are adequately disclosed in the footnotes to the financial statements. The standard is effective for our financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which provides guidance for revenue recognition. The update's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under current guidance. Examples of the use of judgments and estimates may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The update also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The update provides for two transition methods to the new guidance: a retrospective approach and a modified retrospective approach. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date, as a revision to ASU 2014-09, which revised the effective date to fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption is permitted but not prior to periods beginning after December 15, 2016 (i.e. the original adoption date per ASU 2014-09). We are currently in the process of evaluating the transition methods and the impact of adoption of this ASU on our consolidated financial statements.

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

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

(In millions)	Three Months Ended		Nine Months Ended	
	October 2, 2015	October 3, 2014	October 2, 2015	October 3, 2014
	As Adjusted (see Note 2)		As Adjusted (see Note 2)	
Other, net:				
Foreign exchange	\$ (4.5)	) \$ (2.3)	) \$ (10.5)	) \$ (4.7)
Foreign exchange devaluations	—	—	(0.7)	) (8.0)
Cash surrender value of life insurance policies	(0.5)	) (0.3)	) (0.5)	) 0.5
Other	(0.5)	) 0.6	(1.3)	) (1.4)
Total other, net	\$ (5.5)	) \$ (2.0)	) \$ (13.0)	) \$ (13.6)

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

In the first quarter of 2015, the Venezuelan government changed its policy regarding the bolivar, which we believe will now require us to use the Sistema Marginal de Divisas or Marginal Exchange System ("SIMADI") a "completely free floating" rate. As a result, we believe that the current rate of approximately 200.0 bolivars to one USD will be the rate available to us in the event we repatriate cash from Venezuela. As a result of the devaluation in the first quarter of 2015, we recorded a foreign exchange loss of \$0.7 million in the first quarter of 2015.

Table of Contents

ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

We do not hedge 100% of our foreign currency-denominated accounts. In addition, the results of hedging can vary significantly based on various factors, such as the timing of executing the foreign currency forward contracts versus the movement of the currencies as well as the fluctuations in the account balances throughout each reporting period. The fair value of the foreign currency forward contracts is based on the difference between the contract rate and the current exchange rate. The fair value of the foreign currency forward contracts is measured using observable market information. These inputs would be considered Level 2 in the fair value hierarchy. At October 2, 2015 and January 2, 2015, foreign currency forward contracts were revalued at then-current foreign exchange rates with the changes in valuation reflected directly in "Other, net" in the Condensed Consolidated Statements of Comprehensive (Loss) Income offsetting the transaction gain/loss recorded on the foreign currency-denominated accounts. At October 2, 2015 and January 2, 2015, the gross notional amount of foreign currency forward contracts outstanding was approximately \$237.1 million and \$222.9 million, respectively. All of our foreign currency forward contracts are subject to master netting arrangements with our counterparties. As a result, at October 2, 2015 and January 2, 2015, the net notional amount of the foreign currency forward contracts outstanding was approximately \$148.3 million and \$121.9 million, respectively.

The combined effect of changes in both the equity and bond markets resulted in changes in the cash surrender value of our owned life insurance policies associated with our sponsored deferred compensation program.

Accumulated other comprehensive income (loss): We accumulated unrealized gains and losses in "Accumulated other comprehensive income (loss)" ("AOCI") which are also reported in "Other comprehensive loss" on the Condensed Consolidated Statements of Comprehensive (Loss) Income. These include unrealized gains and losses related to our defined benefit obligations, certain immaterial derivative transactions that have been designated as cash flow hedges and foreign currency translation. See Note 7. "Pension Plans" for pension related amounts reclassified into net income.

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

Borrowings are raised in certain foreign currencies to minimize the exchange rate translation adjustment risk.

Table of Contents

ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. DISCONTINUED OPERATIONS

On February 9, 2015, our Board of Directors approved the disposition of the OEM Supply - Fasteners ("Fasteners") business. On February 11, 2015, through our wholly-owned subsidiary Anixter Inc., we entered into a definitive asset purchase agreement with American Industrial Partners ("AIP") to sell the Fasteners business for \$380.0 million in cash, subject to certain post-closing adjustments. On June 1, 2015, we closed the sale of the Fasteners business to AIP, excluding certain foreign locations, resulting in initial cash proceeds of \$358.0 million. In accordance with the asset purchase agreement, the sale of the Fastener businesses in several countries is anticipated to be completed by the end of the first quarter of 2016. Therefore, these assets and liabilities are classified as "Discontinued Operations." The components of the results from discontinued operations reflected in our Condensed Consolidated Statements of Cash Flows were immaterial. In the third quarter of 2015, in accordance with the terms of the agreement, AIP paid \$10.0 million of the purchase price upon its acceptance of a stand-alone data center established by the parties. Also, in the third quarter of 2015, based on the preliminary calculation of the post-closing adjustment to the purchase price under the agreement, we reduced the receivable due from AIP by \$1.0 million and recorded a reduction to the gain on the sale. We received a \$13.0 million cash payment from AIP in prepayment of the post-closing adjustment during the third quarter of 2015, leaving a \$0.9 million receivable due from AIP outstanding as of October 2, 2015. Including transaction related costs of \$17.2 million, the sale resulted in a pre-tax gain of \$39.7 million (\$29.9 million, net of tax). This transaction gives us a sharper strategic focus on our core Enterprise Cabling and Security Solutions ("ECS") and Electrical and Electronic Wire and Cable ("W&C") segments and provides additional financial flexibility to build on these strong global platforms through organic investments or strategic acquisitions.

The assets and liabilities and operating results of the Fasteners business for the nine months ended October 2, 2015 are presented as "Discontinued Operations" in our Condensed Consolidated Financial Statements. Accordingly, all prior periods have been revised to reflect this classification.

We allocated interest costs to discontinued operations as a result of the sale of the Fasteners business. The allocated interest costs were \$1.0 million in the third quarter of 2014, and \$1.1 million and \$3.1 million for the nine months ended October 2, 2015 and October 3, 2014, respectively. This represents the amount of interest costs not directly attributable to our other operations that would not have been incurred if we had the proceeds from the sale of the Fasteners business at the beginning of the respective periods.

In connection with the disposition of the Fasteners business, we recognized a pension curtailment gain of \$5.1 million for the nine months ended October 2, 2015.

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

(In millions)	Three Months Ended		Nine Months Ended	
	October 2, 2015	October 3, 2014	October 2, 2015	October 3, 2014
Net sales	\$7.6	\$228.6	\$405.4	\$721.2
Operating (loss) income	\$(1.6)	) \$11.6	\$15.5	\$42.4
(Loss) income from discontinued operations before income taxes	\$(0.5)	) \$10.2	\$14.9	\$37.6
(Loss) gain on sale of discontinued operations	\$(2.6)	) \$—	\$39.7	\$—
Income tax (benefit) expense from discontinued operations	\$(0.2)	) \$3.1	\$23.0	\$11.5
Net (loss) income from discontinued operations	\$(2.9)	) \$7.1	\$31.6	\$26.1

Table of Contents

ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As reflected on our Condensed Consolidated Balance Sheets as of October 2, 2015 and January 2, 2015, the components of assets and liabilities of the Fasteners businesses classified as "Discontinued Operations" are as follows:

(In millions)	October 2, 2015	January 2, 2015
Assets of discontinued operations:		
Accounts receivable	\$34.5	\$158.2
Inventories	0.9	213.8
Net property and equipment	—	16.8
Other assets	6.8	18.1
Total assets of discontinued operations	\$42.2	\$406.9
Liabilities of discontinued operations:		
Accounts payable	\$21.0	\$92.8
Accrued expenses	5.1	16.0
Other liabilities	4.6	0.2
Total liabilities of discontinued operations	\$30.7	\$109.0

NOTE 3. BUSINESS COMBINATION

On September 17, 2014, we acquired 100% of the outstanding capital stock of Tri-Northern Acquisition Holdings, Inc. ("Tri-Ed"), a leading independent distributor of security and low-voltage technology products, from Tri-NVS Holdings, LLC for \$418.5 million (net of cash acquired of \$11.6 million and a favorable net working capital adjustment of \$2.3 million). The acquisition was financed using borrowings under the 5-year senior unsecured revolving credit agreement, the accounts receivable securitization facility, available cash and the \$200.0 million term loan. A portion of the proceeds from a subsequent issuance of \$400.0 million principal amount of senior notes was used to repay certain incurred borrowings to finance the Tri-Ed acquisition.

The acquisition of Tri-Ed presents a strategic opportunity for us and our security business, consistent with our vision to create a leading global security platform and to accelerate profitable revenue growth. Through expanding our offering into highly complementary product lines, we believe our customers will benefit from a broader set of products and solutions in the areas of video, access control, fire/life safety, and intrusion detection. In addition, this transaction provides access to the residential construction end market at an attractive point in the recovery cycle as well as security integrators and dealers we do not currently service.

The following table sets forth the purchase price allocation, as of the acquisition date, for Tri-Ed. The purchase price allocation and valuation of the acquired intangible assets and related deferred tax liabilities was completed in the third quarter of 2015.

(In millions)	
Cash	\$11.6
Current assets, net	203.9
Property and equipment	2.7
Goodwill	242.2
Intangible assets	166.8
Current liabilities	(143.3)
Non-current liabilities	(56.1)
Total purchase price	\$427.8

All Tri-Ed goodwill, other assets and liabilities were recorded in the ECS reportable segment. The goodwill resulting from the acquisition largely consists of our expected future product sales and synergies from combining Tri-Ed's products with our existing product offerings. Other than \$12.2 million, the remaining goodwill is not deductible for

tax purposes. The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of the acquisition:

8

Table of Contents

ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

(In millions, except per share amounts)	Three Months Ended October 3, 2014	Nine Months Ended October 3, 2014
Net sales	\$1,566.9	\$4,474.9
Net income from continuing operations	\$50.7	\$134.4
Income per share from continuing operations:		
Basic	\$1.53	\$4.07
Diluted	\$1.52	\$4.03

Since the date of acquisition, the Tri-Ed results are reflected in our Condensed Consolidated Financial Statements. For the nine months ended October 2, 2015, Tri-Ed added approximately \$462 million of revenue and \$18 million in operating income, to our consolidated results.

NOTE 4. RESTRUCTURING AND OTHER CHARGES

We consider restructuring activities to be programs whereby we fundamentally change our operations, such as closing and consolidating facilities, reducing headcount and realigning operations in response to changing market conditions. In the second quarter of 2015, we recorded a pre-tax charge of \$3.1 million and \$2.2 million in our ECS and W&C segments, respectively, for severance-related expenses associated with a reduction of approximately 100 positions. The \$5.3 million charge reflects actions we are taking to improve efficiencies and eliminate the stranded costs in conjunction with the sale of the Fasteners business. This charge is included in "Operating expenses" in our Condensed Consolidated Statements of Comprehensive (Loss) Income for the nine months ended October 2, 2015. The majority of the remaining accrual related to this charge of \$2.9 million as of October 2, 2015 is expected to be paid by the second quarter of 2016.

The second quarter of 2015 includes a write off of capitalized software of \$3.1 million that has no ongoing economic benefit to continuing operations, \$2.6 million of bad debt expense related to a customer in Venezuela, a \$1.7 million dilapidation provision related to our leasehold properties, \$1.0 million of acquisition and integration costs and \$0.4 million related to pension divestiture costs.

Acquisition and integration costs were \$8.1 million in the third quarter of 2015 and \$9.1 million for the nine months ended October 2, 2015.

NOTE 5. INCOME TAXES

Our effective tax rate from continuing operations for the third quarter of 2015 was 37.8% compared to 35.4% in the prior year period. The prior year period included a net tax benefit of \$1.9 million primarily related to closing prior tax years, partially offset by a tax cost of \$1.1 million related to certain acquisition transaction costs that are capitalized for tax purposes. Other differences in the comparable tax rate relate to our worldwide country mix of income.

Table of Contents

ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Our effective tax rate from continuing operations for the nine months ended October 2, 2015 was 37.5% compared to 31.7% in the prior year period. The prior year period included a net tax benefit of \$6.9 million primarily related to the reversal of deferred income tax valuation allowances in Europe and a net benefit of \$1.9 million primarily related to closing prior tax years, partially offset by a tax cost of \$1.1 million related to certain acquisition transaction costs that are capitalized for tax purposes. Other differences in the comparable tax rate relate to our worldwide country mix of income. Our nine months ended October 2, 2015 effective tax rate differs from the U.S. federal statutory rate primarily as a result of U.S. state taxes and our worldwide country mix of income.

As of January 2, 2015, we asserted permanent reinvestment of all non-U.S. earnings, including the non-U.S. earnings of the Fasteners business. As a result of the disposition of the Fasteners business, we are no longer permanently reinvested with respect to the non-U.S. earnings of the Fasteners business, because we repatriated to the U.S. most of the net proceeds attributable to the sale of the non-U.S. Fasteners business via intercompany debt repayment, dividend or other means. During the second quarter of 2015, we refined the anticipated repatriation amount and the estimated tax impact of the change in the reinvestment assertion, and we reduced the first quarter estimate by \$4.9 million. Therefore, our nine months ended October 2, 2015 results include, as a component of discontinued operations, \$10.3 million expense for U.S. federal and state, and foreign income taxes and withholding taxes related to this change in our reinvestment assertion.

NOTE 6. DEBT

Debt is summarized below:

(In millions)	October 2, 2015	January 2, 2015
Long-term debt:		
Senior notes due 2021	\$394.7	\$394.2
Senior notes due 2019	346.6	345.9
Senior notes due 2023	345.7	—
Term loan	195.0	198.8
Accounts receivable securitization facility	—	65.0
Revolving lines of credit	—	—
Senior notes due 2015	—	200.0
Other	3.4	3.8
Total long-term debt	\$1,285.4	\$1,207.7

At October 2, 2015, our total carrying value and estimated fair value of debt outstanding was \$1,285.4 million and \$1,311.6 million, respectively. This compares to a carrying value and estimated fair value at January 2, 2015 of \$1,207.7 million and \$1,243.8 million, respectively. The estimated fair value of our debt instruments is measured using observable market information which would be considered Level 2 inputs as described in the fair value accounting guidance on fair value measurements. Our weighted-average cost of borrowings was 5.3% and 4.7% for the three months ended October 2, 2015 and October 3, 2014, respectively, and 4.9% and 4.7% for the nine months ended October 2, 2015 and October 3, 2014, respectively.

Senior Notes Due 2023

On August 18, 2015, our primary operating subsidiary, Anixter Inc., completed the issuance of \$350.0 million principal amount of Senior notes due 2023 ("Notes due 2023"). The Notes due 2023 were issued at a price that was 98.75% of par, which resulted in a discount related to underwriting fees of \$4.4 million. The discount is reported on the Consolidated Balance Sheet as a reduction to the face amount of the Notes due 2023 and is being amortized to interest expense over the term of the related debt, using the effective interest method. In addition, \$1.7 million of issuance costs were paid, which are being amortized through maturity using the straight-line method. The Notes due 2023 pay interest semi-annually at a rate of 5.50% per annum and will mature on March 1, 2023. In addition, Anixter Inc. may at any time redeem some or all of the Notes due 2023 at a price equal to 100% of the principal amount plus a

"make whole" premium. If we experience certain kinds of changes of control, Anixter Inc. must offer to repurchase all of the Notes due 2023 outstanding at 101% of the aggregate principal amount repurchased, plus accrued and unpaid interest. The proceeds were used to partially finance the acquisition of the HD Supply Power Solutions Business from HD Supply, Inc. and certain subsidiaries of HD Supply, Inc., as described in Note 12. "Subsequent Events". We fully and unconditionally guarantee the Notes due 2023, which are unsecured obligations of Anixter Inc.

Table of Contents

ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Retirement of Debt

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

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

Subsequent to October 2, 2015, we retired the \$300.0 million accounts receivable securitization facility and \$400.0 million (or the equivalent in Euro) 5-year senior unsecured revolving credit agreement and repaid the \$200.0 million term loan. See Note 12. "Subsequent Events" for further information.

Accounts Receivable Securitization Program

Under our accounts receivable securitization program, we sold, on an ongoing basis without recourse, a portion of our accounts receivables originating in the United States to Anixter Receivables Corporation ("ARC"), which is considered a wholly-owned, bankruptcy-remote variable interest entity ("VIE"). We had the authority to direct the activities of the VIE and, as a result, we concluded that we maintained control of the VIE, were the primary beneficiary (as defined by accounting guidance) and, therefore, consolidated the account balances of ARC. As of October 2, 2015 and January 2, 2015, \$475.8 million and \$548.5 million of our receivables were sold to ARC, respectively. ARC in turn assigned a collateral interest in these receivables to a financial institution for proceeds up to \$300 million. The assets of ARC were not available to us until all obligations of ARC were satisfied in the event of bankruptcy or insolvency proceedings. This facility was retired subsequent to October 2, 2015, as described in Note 12. "Subsequent Events".

NOTE 7. PENSION PLANS

We have various defined benefit and defined contribution pension plans. Our defined benefit pension plans are the plans in the United States, which consist of the Anixter Inc. Pension Plan, the Executive Benefit Plan and the Supplemental Executive Retirement Plan ("SERP") (together the "Domestic Plans") and various defined benefit pension plans covering employees of foreign subsidiaries in Canada and Europe (together the "Foreign Plans"). The majority of our defined benefit pension plans are non-contributory and cover substantially all full-time domestic employees and certain employees in other countries. Retirement benefits are provided based on compensation as defined in both the Domestic Plans and the Foreign Plans. Our policy is to fund all Domestic Plans as required by the Employee Retirement Income Security Act of 1974 ("ERISA") and the Internal Revenue Service ("IRS") and all Foreign Plans as required by applicable foreign laws. The Executive Benefit Plan and SERP are the only two plans that are unfunded. Assets in the various plans consist primarily of equity securities and fixed income investments. In the third quarter of 2015, Anixter Inc. amended the Anixter Inc. Pension Plan in the United States whereby employees first hired or rehired on or after July 1, 2015 are no longer eligible to participate in the Anixter Inc. Pension Plan. Anixter Inc. will make an annual contribution to the Employee Savings Plan on behalf of each active participant who is first hired or rehired on or after July 1, 2015, or is not participating in the Anixter Inc. Pension Plan. The amount of the employer annual contribution to each active participant's account will be an amount determined by multiplying the participant's salary for the Plan year by either: (1) 2% if such participant's years of service as of August 1 of the Plan year is fewer than five, or (2) 2.5% if such participant's years of service as of August 1 of the Plan year is five or greater. This contribution is in lieu of being eligible for the Anixter Inc. Pension Plan.

Table of Contents

ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Components of net periodic pension cost (benefit) are as follows:

(In millions)	Three Months Ended					
	Domestic		Foreign		Total	
	October 2, 2015	October 3, 2014	October 2, 2015	October 3, 2014	October 2, 2015	October 3, 2014
Service cost	\$1.1	\$1.2	\$1.7	\$1.4	\$2.8	\$2.6
Interest cost	2.4	2.8	2.3	2.7	4.7	5.5
Expected return on plan assets	(3.1)	(3.5)	(2.6)	(3.1)	(5.7)	(6.6)
Net amortization ^(a)	0.2	(0.6)	0.7	0.3	0.9	(0.3)
Net periodic cost (benefit)	\$0.6	\$(0.1)	\$2.1	\$1.3	\$2.7	\$1.2

(In millions)	Nine Months Ended					
	Domestic		Foreign		Total	
	October 2, 2015	October 3, 2014	October 2, 2015	October 3, 2014	October 2, 2015	October 3, 2014
Service cost	\$4.1	\$3.6	\$5.0	\$4.4	\$9.1	\$8.0
Interest cost	9.1	8.1	6.9	8.1	16.0	16.2
Expected return on plan assets	(11.9)	(10.4)	(7.9)	(9.5)	(19.8)	(19.9)
Net amortization ^(a)	1.1	(1.7)	2.2	0.9	3.3	(0.8)
Net periodic cost (benefit)	\$2.4	\$(0.4)	\$6.2	\$3.9	\$8.6	\$3.5

(a) Reclassified into operating expenses from AOCI.

Table of Contents

ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 8. SUMMARIZED FINANCIAL INFORMATION OF ANIXTER INC.

We guarantee, fully and unconditionally, substantially all of the debt of our subsidiaries, which include Anixter Inc., our primary operating subsidiary. We have no independent assets or operations and all subsidiaries other than consolidated Anixter Inc. are minor. The following summarizes the financial information for Anixter Inc.:

ANIXTER INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)	October 2, 2015	January 2, 2015 As Adjusted (see Note 2)
Assets:		
Current assets	\$2,767.7	\$2,210.2
Current assets of discontinued operations	41.6	379.2
Property, equipment and capital leases, net	116.6	114.7
Goodwill	572.4	582.3
Other assets	257.7	282.5
Long-term assets of discontinued operations	0.6	27.7
	\$3,756.6	\$3,596.6
Liabilities and Stockholder's Equity:		
Current liabilities	\$1,047.2	\$921.3
Current liabilities of discontinued operations	26.2	108.8
Subordinated notes payable to parent	—	1.5
Long-term debt	1,298.5	1,221.8
Other liabilities	186.4	212.2
Long-term liabilities of discontinued operations	4.5	0.2
Stockholder's equity	1,193.8	1,130.8
	\$3,756.6	\$3,596.6

ANIXTER INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(In millions)	Three Months Ended		Nine Months Ended	
	October 2, 2015	October 3, 2014 As Adjusted (see Note 2)	October 2, 2015	October 3, 2014 As Adjusted (see Note 2)
Net sales	\$1,489.2	\$1,438.0	\$4,354.7	\$4,055.2
Operating income	\$79.7	\$83.9	\$206.4	\$233.9
Income from continuing operations before income taxes	\$58.2	\$71.4	\$149.9	\$190.1
Net (loss) income from discontinued operations	\$(2.9)	\$7.1	\$31.6	\$26.1
Net income	\$33.1	\$53.2	\$125.3	\$155.9
Comprehensive (loss) income	\$(1.4)	\$17.9	\$57.2	\$128.8

NOTE 9. STOCKHOLDERS' EQUITY

At the end of the third quarter of 2015, there were 1.7 million shares reserved for issuance under all incentive plans. Under the current stock incentive plans, we pay non-employee directors annual retainer fees and, at their election, meeting fees in the form of stock units. Employee and director stock units are included in common stock outstanding

on the date of vesting, and stock options are included in common stock outstanding upon exercise by the participant. The fair value of employee stock options and

13

Table of Contents

ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

units is amortized over the respective vesting period representing the requisite service period, generally three to four years for stock units and four years for stock options. Director stock units are expensed in the period in which they are granted, as these vest immediately.

We did not grant any stock units to employees during the three months ended October 2, 2015. During the nine months ended October 2, 2015, we granted 181,665 stock units to employees, with a weighted-average grant-date fair value of \$14.3 million. During the three and nine months ended October 2, 2015, we granted directors 9,585 and 23,642 stock units, respectively, with a weighted-average grant-date fair value of \$0.5 million and \$1.5 million, respectively. We exclude antidilutive stock options and units from the calculation of weighted-average shares for diluted earnings per share. For the third quarter of 2015 and 2014, the antidilutive stock options and units were immaterial.

NOTE 10. LEGAL CONTINGENCIES

From time to time, we are party to legal proceedings and matters that arise in the ordinary course of business. As of October 2, 2015, we do not believe there is a reasonable possibility that any material loss exceeding the amounts already recognized for these proceedings and matters has been incurred. However, the ultimate resolutions of these proceedings and matters are inherently unpredictable. As such, our financial condition and results of operations could be adversely affected in any particular period by the unfavorable resolution of one or more of these proceedings or matters.

NOTE 11. BUSINESS SEGMENTS

We are a leading distributor of enterprise cabling and security solutions and electrical and electronic wire and cable products. We have identified Enterprise Cabling and Security Solutions ("ECS") and Electrical and Electronic Wire and Cable ("W&C") as reportable segments. As discussed in Note 2. "Discontinued Operations", beginning in the second quarter of 2015, the Fasteners segment has been classified as "Discontinued Operations" for all periods. We incur corporate expenses to obtain and coordinate financing, tax, information technology, legal and other related services, certain of which are billed to subsidiaries. These corporate expenses are allocated to the segments based primarily on projected sales and estimated use of time. A portion of these corporate expenses are reported in the corporate segment as they historically had been allocated to the Fasteners segment but are not considered directly related to the discontinued operations. For the three and nine months ended October 2, 2015, Corporate includes \$9.1 million of acquisition and integration costs. Also, we have various corporate assets which are not allocated to the segments. Segment assets may not include jointly used assets or unallocated assets, but segment results include depreciation expense or other allocations related to those assets as such allocation is made for internal reporting. Interest expense and other non-operating items are not allocated to the segments or reviewed on a segment basis. Intercompany transactions are not significant.

Segment Financial Information

Segment information for the three and nine months ended October 2, 2015 and October 3, 2014 are as follows:

(In millions)

Third Quarter of 2015	ECS	W&C	Corporate	Total
Net sales	\$1,035.4	\$453.8	\$—	\$1,489.2
Operating income	\$61.8	\$28.6	\$(12.2)	\$78.2
Third Quarter of 2014 (As Adjusted, see Note 2)	ECS	W&C	Corporate	Total
Net sales	\$903.9	\$534.1	\$—	\$1,438.0
Operating income	\$46.7	\$38.7	\$(2.9)	\$82.5
Nine Months of 2015	ECS	W&C	Corporate	Total
Net sales	\$2,952.8	\$1,401.9	\$—	\$4,354.7
Operating income	\$140.3	\$79.8	\$(18.1)	\$202.0

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Nine Months of 2014 (As Adjusted, see Note 2)	ECS	W&C	Corporate	Total
Net sales	\$2,514.7	\$1,540.5	\$—	\$4,055.2
Operating income	\$129.8	\$108.7	\$(8.8)	) \$229.7

Table of Contents

ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Goodwill Assigned to Segments

The following table presents the changes in goodwill allocated to our reportable segments during the nine months ended October 2, 2015:

(In millions)	ECS	W&C	Total
Balance at January 2, 2015	\$403.4	\$178.9	\$582.3
Acquisition related (a)	(1.3	) —	(1.3)
Foreign currency translation	(7.2	) (1.4	) (8.6)
Balance at October 2, 2015	\$394.9	\$177.5	\$572.4

(a) In the second and third quarters of 2015, we recorded immaterial increases in goodwill related to the purchase price allocation for the acquisition of Tri-Ed.

NOTE 12. SUBSEQUENT EVENTS

Business Combination

On October 5, 2015, we, through our wholly-owned subsidiaries, Anixter Inc. and Anixter Canada Inc., completed the acquisition of the HD Supply Power Solutions Business from HD Supply, Inc. and certain subsidiaries of HD Supply, Inc. pursuant to the terms and conditions set forth in the Purchase Agreement dated July 15, 2015, in which we agreed to acquire the equity interest of certain subsidiaries of HD Supply, Inc. and certain assets that comprise the HD Supply Power Solutions Business ("Power Solutions") in exchange for \$836.4 million (net of cash and outstanding checks of \$12.8 million and a preliminary unfavorable net working capital adjustment of \$24.2 million) (the "Acquisition"). The Acquisition was financed using borrowings under the Notes due 2023, the new financing arrangements described below and cash on hand.

New Financing

On October 5, 2015, we, through our wholly-owned subsidiaries, Anixter Inc., ARC and Anixter Canada Inc., entered into certain financing transactions in connection with the consummation of the Acquisition, including a U.S. accounts receivable asset based five-year revolving credit facility in an aggregate committed amount of \$600.0 million ("New Receivables Facility"), a U.S. inventory asset based five-year revolving credit facility in an aggregate committed amount of \$150.0 million ("Inventory Facility") for a U.S. combined commitment of \$750.0 million ("Combined Commitment"). Additionally, we entered into a Canadian term loan facility in Canada in an aggregate principal amount of \$300.0 million Canadian Dollars, the equivalent to approximately \$225.0 million, with a five year maturity ("Canadian Term Loan"). In connection with these financing transactions, we expect to incur approximately \$5.6 million in financing transaction costs, of which approximately \$4.4 million is expected to be capitalized as debt issuance costs and amortized through maturity using the straight-line method, and approximately \$1.2 million is expected to be expensed as incurred. These financing arrangements are described in greater detail below.

New Receivables Facility

On October 5, 2015, we, through our wholly-owned subsidiary, ARC, entered into a New Receivables Facility, which is a receivables based five-year revolving credit facility in an aggregate committed amount of \$600.0 million. Borrowings under the New Receivables Facility are secured by a first lien on all assets of ARC and supported by an unsecured guarantee by the Company.

The New Receivables Facility has a borrowing base of 85% of eligible receivables, subject to certain reserves.

In connection with the entry into the New Receivables Facility, Anixter Inc. and ARC terminated its existing Second Amended and Restated Receivables Purchase Agreement (the "RPA").

In connection with the entry into the New Receivables Facility, on October 5, 2015, Anixter Inc. and ARC entered into a Third Amended and Restated Receivables Sale Agreement (the "Amended and Restated RSA"), which amended and restated the existing Second Amended and Restated Sales Agreement. The purpose of the Amended and Restated RSA is (i) to reflect the entry into the New Receivables Facility and the termination of the RPA, and (ii) to include in the receivables sold by Anixter Inc. to ARC receivables originated by Tri-Northern Holdings, Inc. and its subsidiaries (collectively, the "Tri-Ed Subsidiaries") and subsidiaries acquired in the Acquisition (the "Power Solutions Subsidiaries").

Table of Contents

ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The foregoing descriptions of the New Receivables Facility and the Amended and Restated RSA do not purport to be complete and are qualified in their entirety by reference to the New Receivables Facility and the Amended and Restated RSA.

Inventory Facility

On October 5, 2015, we and certain of our wholly-owned subsidiaries, including the Tri-Ed Subsidiaries and Power Solutions Subsidiaries, entered into the Inventory Facility, an asset based lending five-year revolving credit facility, in an aggregate committed amount of \$150.0 million. Borrowings under the Inventory Facility are secured by a first lien on Anixter Inc.'s and certain of its subsidiaries' personal property and supported by a guarantee by the Company.

The Inventory Facility has a borrowing base, (a) with respect to appraised eligible domestic inventory, of the lesser of (i) 85% of the net orderly liquidation value of such inventory and (ii) 75% of book value of such inventory, plus, (b) with respect to eligible domestic inventory not appraised, 40% of the net orderly liquidation value of such inventory, less (c) certain reserves.

The foregoing description does not purport to be complete and is qualified in its entirety by reference to the Inventory Facility.

The New Receivables Facility and the Inventory Facility (collectively, the "Combined Facilities")

The Combined Facilities drawn pricing will range from LIBOR plus 125 basis points when the combined unused availability (the "Combined Availability") under the Combined Facilities is greater than \$500 million to LIBOR plus 175 basis points when Combined Availability is less than \$250 million. Undrawn fees will be 25 basis points if greater than/equal to 50% of the Combined Commitment is drawn and 37.5 basis points if less than 50% of the Combined Commitment is drawn.

Acquisitions and restricted payments will be permitted, subject to, among other things, (i) Combined Availability of at least \$150.0 million after giving pro forma effect to any acquisition or restricted payment or (ii) (a) Combined Availability of at least \$112.5 million and (b) maintenance of a minimum fixed charge coverage ratio of at least 1.1x, after giving pro forma effect to the acquisition or restricted payment.

The Combined Facilities provides for customary representations and warranties and customary events of default, generally with corresponding grace periods, including, without limitation, payment defaults with respect to the facility, covenant defaults, cross-defaults to other agreements evidencing material indebtedness, certain judgments and events of bankruptcy.

The foregoing description does not purport to be complete and is qualified in its entirety by reference to the New Receivables Facility and Inventory Facility.

Canadian Term Loan

On October 5, 2015, we, through our wholly-owned subsidiaries, Anixter Canada Inc. and Tri-Ed ULC, entered into a \$300.0 million Canadian Dollars (equivalent to approximately \$225.0 million) Canadian Term Loan. The Canadian Term Loan is and will be guaranteed by all present and future material Canadian subsidiaries of Anixter Canada Inc. and Tri-Ed ULC as well as Anixter Mid Holdings BV. The Canadian Term Loan is secured by a first priority security interest in all of the assets of Anixter Canada Inc. and each of its Canadian subsidiaries (the "Borrowing Group").

The Canadian Term Loan will have a five year maturity. The drawn pricing will range from 0.375% to 1.250% over prime and 1.375% to 2.250% over the banker's acceptance rate, depending on consolidated leverage ranging from less than or equal to 1.25x to equal to or greater than 3.00x. The Canadian Term Loan amortizes 5% in each of years 1 and 2, 10% in each of years 3 and 4 and 70% in year 5.

The Borrowing Group initially will be subject to a maximum leverage ratio of 4.25x and a minimum fixed charge coverage ratio of 3.0x.

The Canadian Term Loan provides for customary representations and warranties and customary events of default, generally with corresponding grace periods, including, without limitation, payment defaults with respect to the facility, covenant defaults, cross-defaults to other agreements evidencing material indebtedness, certain judgments and events of bankruptcy.

Table of Contents

ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Retirement of Debt

In connection with the new financing arrangements described above, on October 5, 2015, we terminated our \$300.0 million accounts receivable securitization facility and \$400.0 million (or the equivalent in Euro) 5-year senior unsecured revolving credit agreement and repaid our borrowings under the \$200.0 million term loan. In connection with the termination of these facilities and repayment of the \$200.0 million term loan, we expect to incur a \$0.9 million loss on the extinguishment of debt in the fourth quarter of 2015, representing a write-off of a portion of unamortized debt issuance costs. The remaining unamortized debt issuance costs will be amortized through maturity of the new financing arrangements using the straight-line method.

17

Table of Contents

ANIXTER INTERNATIONAL INC.

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

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

The assets and liabilities and operating results of the Fasteners business for the three and nine months ended October 2, 2015 are presented as "Discontinued Operations" in our Condensed Consolidated Financial Statements.

Accordingly, all prior periods have been revised to reflect this classification.

Third Quarter and Year-to-Date 2015 and 2014 Consolidated Results of Operations

(In millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	October 2, 2015	October 3, 2014	October 2, 2015	October 3, 2014
		As Adjusted		As Adjusted
Net sales	\$1,489.2	\$1,438.0	\$4,354.7	\$4,055.2
Gross profit	330.9	322.7	969.1	917.8
Operating expenses	252.7	240.2	767.1	688.1
Operating income	78.2	82.5	202.0	229.7
Other expense:				
Interest expense	(15.8	) (10.3	) (42.7	) (29.4
Other, net	(5.5	) (2.0	) (13.0	) (13.6
Income from continuing operations before income taxes	56.9	70.2	146.3	186.7
Income tax expense from continuing operations	21.5	24.8	54.9	59.1
Net income from continuing operations	35.4	45.4	91.4	127.6
Net (loss) income from discontinued operations	(2.9	) 7.1	31.6	26.1
Net income	\$32.5	\$52.5	\$123.0	\$153.7
Diluted income (loss) per share:				
Continuing operations	\$1.06	\$1.36	\$2.73	\$3.83
Discontinued operations	(0.09	) 0.21	0.95	0.78
Net income	\$0.97	\$1.57	\$3.68	\$4.61

Executive Overview

Third Quarter Highlights

Our Enterprise Cabling & Security Solutions ("ECS") segment achieved record quarterly sales of \$1,035.4 million, a 14.5% increase from the prior year quarter, reflecting the Tri-Ed acquisition and an acceleration in our EMEA and emerging markets geographies. Strong volume growth combined with effective expense management led to increased margin in ECS. Our Electrical and Electronic Wire & Cable ("W&C") segment experienced weaker trends, reflecting lower copper prices as well as exposure to energy and weaker industrial projects.

Additional highlights of the quarter included:

- Sales of \$1,489.2 million, up 3.6%, reflecting 0.7% organic growth;
- ECS organic sales growth of 4.0%;

Table of Contents

ANIXTER INTERNATIONAL INC.

Acquisition and Divestiture of Businesses

During the second quarter, we closed the sale of the Fasteners business to AIP, excluding certain foreign locations, resulting in initial cash proceeds of \$358.0 million. In the third quarter of 2015, in accordance with the terms of the agreement, AIP paid \$10.0 million of the purchase price upon its acceptance of a stand-alone data center established by the parties. Also, in the third quarter of 2015, based on the preliminary calculation of the post-closing adjustment to the purchase price under the agreement, we reduced the receivable due from AIP by \$1.0 million and recorded a reduction to the gain on the sale. We received a \$13.0 million cash payment from AIP in prepayment of the post-closing adjustment during the third quarter of 2015, leaving a \$0.9 million receivable due from AIP outstanding as of October 2, 2015. Including transaction related costs of \$17.2 million, the sale resulted in a pre-tax gain of \$39.7 million (\$29.9 million, net of tax). This transaction gives us a sharper strategic focus on our core ECS and W&C segments and provides additional financial flexibility to build on these strong global platforms through organic investments or strategic acquisitions.

Subsequent to the quarter, on October 5, 2015, we completed the acquisition of the HD Supply Power Solutions Business from HD Supply, Inc. and certain subsidiaries of HD Supply, Inc. pursuant to the terms and conditions set forth in the Purchase Agreement dated July 15, 2015, in which we agreed to acquire the equity interest of certain subsidiaries of HD Supply, Inc. and certain assets that comprise the HD Supply Power Solutions Business ("Power Solutions") in exchange for \$836.4 million (net of cash and outstanding checks of \$12.8 million and a preliminary unfavorable net working capital adjustment of \$24.2 million) (the "Acquisition"). The Acquisition was financed using borrowings under the Senior notes due 2023 ("Notes due 2023"), new financing arrangements described in Note 12. "Subsequent Events" in the Notes to the Condensed Consolidated Financial Statements and cash on hand. Power Solutions reported fiscal 2014 revenue of \$1.9 billion and adjusted EBITDA of \$79 million. The acquisition is expected to be accretive to earnings by \$0.50 - \$0.60 in fiscal year 2016, exclusive of transaction and one-time integration expenses.

The ongoing integration of the Tri-Ed business delivered expected synergies to the combined security business in the first full year post-closing. With the closing of the Power Solutions acquisition, our focus will be on the successful integration of this business to maximize the significant synergy opportunities.

Strategy Update and Business Outlook

In addition to solid execution in the business in a challenging macro environment, the current quarter was marked by significant progress on our strategic goals. Power Solutions represents the largest acquisition in Anixter's history and transforms Anixter into one of the leading North American electrical distribution platforms, enhances our competitive position in the electrical wire and cable business and further strengthens our overall customer and supplier value proposition. The strategic actions we have completed over the last 5 quarters, including the acquisition of Tri-Ed, the sale of Fasteners and the acquisition of Power Solutions, position Anixter as a leading global competitor in each of our businesses, provide a platform for substantial and sustainable long term growth, and will enable us to maximize shareholder value in both the near term and the long term.

Based on current backlog trends, we believe that momentum in our security and network infrastructure businesses will continue in the fourth quarter. While our W&C business continues to be impacted by macro-economic headwinds, including lower copper and oil prices, the acquisition of Power Solutions is a critical strategic step to increase the competitiveness and profitable growth of this business going forward. With year-to-date 2015 organic sales growth from continuing operations of 2.1%, we expect our full year organic sales growth to be in the 1.5% - 2.5% range.

Items Impacting Comparability of Results

In addition to the results provided in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), this report includes certain financial measures computed using non-GAAP components as defined by the Securities and Exchange Commission. Specifically, net sales comparisons to the prior corresponding period, both worldwide and in relevant segments, are discussed in this report both on a GAAP basis and non-GAAP basis. We believe that by reporting non-GAAP organic growth, which adjusts for the impact of acquisitions (when applicable), foreign exchange fluctuations and copper prices, both management and investors are provided with meaningful supplemental

sales information to understand and analyze our underlying trends and other aspects of our financial performance. Beginning in 2015, we calculate the year-over-year organic sales growth impact relating to the Tri-Ed acquisition by including their 2014 results prior to the acquisition with our results (on a "pro forma" basis) as we believe this represents the most accurate representation of organic growth, considering the nature of the company we acquired and the synergistic revenues that have been achieved. From time to time, we may also exclude other items from reported financial results (e.g., impairment charges, inventory adjustments, restructuring charges, tax items, currency devaluations, etc.) so that both management and financial statement users can use these non-GAAP financial measures to better understand and evaluate our performance period over period and to analyze the underlying trends of our business.

Table of Contents

ANIXTER INTERNATIONAL INC.

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

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

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

In the third quarter of 2015, we recorded \$8.1 million (\$5.0 million, net of tax) of acquisition and integration costs related to the Power Solutions acquisition. In the second quarter of 2015, we recorded \$14.1 million (\$8.9 million, net of tax) of expense, which includes \$5.3 million of restructuring costs, a write-off of capitalized software of \$3.1 million that has no ongoing economic benefit to continuing operations, \$2.6 million of bad debt expense related to a customer in Venezuela, a \$1.7 million dilapidation provision related to our leasehold properties, acquisition and integration costs of \$1.0 million and \$0.4 million related to pension divestiture costs. In the first quarter of 2015, we recorded \$0.7 million (\$0.4 million, net of tax) of foreign exchange losses due to the devaluation of the Venezuela bolivar.

In the third quarter of 2014, we recorded \$6.0 million (\$5.0 million, net of tax) of acquisition and integration costs related to the Tri-Ed acquisition and a net benefit of \$1.9 million primarily related to closing prior tax years, partially offset by a tax cost of \$1.1 million related to certain acquisition transaction costs that are capitalized for tax purposes.

The second quarter of 2014 includes a net tax benefit of \$2.0 million primarily related to the reversal of a deferred tax valuation allowance in Europe. In the first quarter of 2014, we recorded \$8.0 million (\$5.3 million, net of tax) of foreign exchange losses due to the devaluation of the Venezuela bolivar and the Argentina peso. We also recorded a net tax benefit of \$4.9 million in the first quarter of 2014 primarily related to the reversal of deferred income tax valuation allowances in Europe.

Table of Contents

ANIXTER INTERNATIONAL INC.

The following summarizes the various items that favorably/(unfavorably) impact the comparability of the results for the three and nine months ended October 2, 2015 and October 3, 2014:

Items Impacting Comparability of Results from Continuing

Operations:

(In millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	October 2, 2015	October 3, 2014	October 2, 2015	October 3, 2014
	As Adjusted		As Adjusted	
	Favorable / (Unfavorable)			
Items impacting operating income:				
Restructuring charge	\$—	\$—	\$(5.3)	\$—
Write-off of capitalized software	—	—	(3.1)	—
Venezuelan customer bad debt expense	—	—	(2.6)	—
Dilapidation provision	—	—	(1.7)	—
Acquisition and integration costs	(8.1)	(5.7)	(9.1)	(5.7)
Pension divestiture costs	—	—	(0.4)	—
Total of items impacting operating income	\$(8.1)	\$(5.7)	\$(22.2)	\$(5.7)
Items impacting other expenses:				
Foreign exchange loss from the devaluation of foreign currencies	\$—	\$—	\$(0.7)	\$(8.0)
Acquisition financing costs	—	(0.3)	—	(0.3)
Total of items impacting other expenses	\$—	\$(0.3)	\$(0.7)	\$(8.3)
Total of items impacting pre-tax income	\$(8.1)	\$(6.0)	\$(22.9)	\$(14.0)
Items impacting income taxes:				
Tax impact of items impacting pre-tax income above	\$3.1	\$1.0	\$8.6	\$3.7
Primarily reversal of deferred income tax valuation allowances	—	—	—	6.9
Tax benefits related to closing prior tax years	—	1.9	—	1.9
Total of items impacting income taxes	\$3.1	\$2.9	\$8.6	\$12.5
Net income impact of these items	\$(5.0)	\$(3.1)	\$(14.3)	\$(1.5)
Diluted EPS impact of these items	\$(0.15)	\$(0.10)	\$(0.43)	\$(0.05)

Operating income in the third quarter of 2014 was impacted by the Tri-Ed acquisition and integration costs of \$5.7 million, which were allocated to ECS. The items impacting operating income by segment for the three and nine months ended October 2, 2015 are reflected in the table below.

Items Impacting Comparability of Operating Income by Segment:

(In millions)	Three Months Ended October 2, 2015			
	ECS	W&C	Corporate	Total
	Favorable / (Unfavorable)			
Acquisition and integration costs	\$—	\$1.0	\$(9.1)	\$(8.1)
Total of items impacting operating income	\$—	\$1.0	\$(9.1)	\$(8.1)

(In millions)	Nine Months Ended October 2, 2015			
	ECS	W&C	Corporate	Total
	Favorable / (Unfavorable)			
Restructuring charge	\$(3.0)	\$(2.2)	\$(0.1)	\$(5.3)
Write-off of capitalized software	(1.9)	(0.9)	(0.3)	(3.1)
Venezuelan customer bad debt expense	(2.6)	—	—	(2.6)
Dilapidation provision	(0.9)	(0.8)	—	(1.7)
Acquisition and integration costs	—	—	(9.1)	(9.1)

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Pension divestiture costs	(0.3)	(0.1)	—	(0.4)	
Total of items impacting operating income	\$(8.7)	\$(4.0)	\$(9.5)	\$(22.2)

21

Table of Contents

ANIXTER INTERNATIONAL INC.

GAAP to Non-GAAP Net Income and EPS Reconciliation:

(In millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	October 2, 2015	October 3, 2014	October 2, 2015	October 3, 2014
Reconciliation to most directly comparable GAAP financial measure:		As Adjusted		As Adjusted
Net income from continuing operations - Non-GAAP	\$40.4	\$48.5	\$105.7	\$129.1
Items impacting net income from continuing operations	(5.0)	(3.1)	(14.3)	(1.5)
Net income from continuing operations - GAAP	\$35.4	\$45.4	\$91.4	\$127.6
Diluted EPS from continuing operations – Non-GAAP	\$1.21	\$1.46	\$3.16	\$3.88
Diluted EPS impact of these items from continuing operations	(0.15)	(0.10)	(0.43)	(0.05)
Diluted EPS from continuing operations – GAAP	\$1.06	\$1.36	\$2.73	\$3.83

The Tri-Ed acquisition was accounted for as a purchase and its respective results of operations are included in the Condensed Consolidated Financial Statements from the date of the acquisition. Had this acquisition occurred at the beginning of fiscal 2014, our third quarter 2014 pro forma net sales, net income from continuing operations and diluted income per share from continuing operations would have been \$1,566.9 million, \$50.7 million, and \$1.52, respectively, as compared to reported results of \$1,438.0 million, \$45.4 million, and \$1.36, respectively. Excluding the unfavorable impact of items impacting net income from continuing operations of \$3.1 million as described above, the third quarter 2014 pro forma diluted income per share from continuing operations would have been \$1.62, as compared to the non-GAAP diluted earnings per share from continuing operations of \$1.46 in the reconciliation above.

Had this acquisition occurred at the beginning of fiscal 2014, our nine months ended October 3, 2014 pro forma net sales, net income from continuing operations and diluted income per share from continuing operations would have been \$4,474.9 million, \$134.4 million, and \$4.03, respectively, as compared to reported results of \$4,055.2 million, \$127.6 million, and \$3.83, respectively. Excluding the unfavorable impact of items impacting net income from continuing operations of \$1.5 million as described above, the nine months ended October 3, 2014 pro forma diluted income per share from continuing operations would have been \$4.08, as compared to the non-GAAP diluted earnings per share from continuing operations of \$3.88 in the reconciliation above. For further pro forma information regarding Tri-Ed, refer to Note 3. "Business Combination" in the Notes to the Condensed Consolidated Financial Statements.

Table of Contents

ANIXTER INTERNATIONAL INC.

Net Sales

Sales Growth Trends

(\$ millions)	Three Months Ended October 2, 2015				Three Months Ended October 3, 2014			Organic Growth / (Decline)
	As Reported	Foreign Exchange Impact	Copper Impact	As Adjusted	As Reported	Acquisition Impact	Pro Forma	
Enterprise Cabling and Security Solutions					As Adjusted			
North America	\$797.6	\$17.0	\$—	\$814.6	\$692.3	\$128.4	\$820.7	(0.7)%
Europe	87.6	9.9	—	97.5	83.3	—	83.3	16.9%
Emerging Markets	150.2	12.1	—	162.3	128.3	0.5	128.8	26.0%
ECS	\$1,035.4	\$39.0	\$—	\$1,074.4	\$903.9	\$128.9	\$1,032.8	4.0%

Electrical and Electronic Wire and Cable