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Ingram Micro, Inc. Q3 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Craig Hettenbach – Goldman Sachs.

Craig Hettenbach – Goldman Sachs

On the cost front, now that the cost reductions are flowing through the model, how should we think about as demand does improve what OpEx or the pace of OpEx growth looks like in the recovery?

William Humes

Overall in the past we've given discussions and models that our cost structure would grow at half the rate of sales growth. That was in a normal environment, normal situation. I would actually say that's probably the high end level of our overall cost assumptions, at least for a period of time while we ride the upswing of the budding economy and as it goes into recovery.

So it's going to be less than that. It's kind of hard to tell how much less than that, but it's our job to manage those costs very tightly.

Craig Hettenbach – Goldman Sachs

The gross margin front, you mentioned it's going to up sequentially. Should we think about it as typical for what you usually see in a Q4?

William Humes

We don't give specific guidance, but you have seen over the last few years that quarter four is generally a stronger quarter for us. We anticipate that will be the case. We see normal patterns in place right now from a gross margin perspective playing their way through the results of the company so that's a good assumption.

Craig Hettenbach – Goldman Sachs

With the cash on the balance sheet, any thoughts on the M&A environment and opportunity by region as well.

Gregory Spierkel

We've been fairly acquisitive over the last two years. If you think about it, seven acquisitions, four last year, all fairly small but very strategic and three again this year so far with the one we just announced

earlier this week. Five of the seven have been geared towards point of sale and data capture and building out a capability on a global basis and we're getting there at this stage very nicely.

And the two most recent ones, DAD and the CCD both in the enterprise computing data center space; one New Zealand, one U.K. We're still interested to find and fill out the portfolio on the latter, so we'll continue to work that as we see and find appropriate companies.

That's part of where we think we have an opportunity to build out competencies for the next two to three years. We're also trying to develop the business on an organic basis and so we've been doing a bit of both and we've messaged that I think pretty consistently over the last few quarters.

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