

# Bell Microproducts reports record turnover for Q1 2004

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Turnover reaches \$660m, Profit improves to \$1.7m, sales up in all geographies. European sales rise 22%, Europe accounts for 46% of turnover

Chessington: 29th April 2004. Bell Microproducts Europe, parent company of Ideal Hardware, today released the corporate financial results for the first quarter ended March 31, 2004, as announced yesterday in US.

Bell Microproducts' worldwide turnover for the first quarter of 2004 reached a record \$660 million, up 24% over last year's first quarter turnover of \$533 million, and up 3% from fourth quarter 2003 turnover of \$640 million. Net profit for the first quarter was \$1.7 million. This compares to last year's first quarter GAAP net loss of \$4.9 million. In the fourth quarter of 2003, the Company reported net profit of \$2.4 million.

Commenting on the first quarter 2004 financial results, Don Bell, Chairman and CEO of Bell Microproducts said, "We are pleased to report record first quarter turnover and improving profitability. We generated turnover improvement in all geographies and in all major product categories compared to last year's first quarter. Our gross profit increased both as a percent of sales and in absolute terms, and costs remained under control. This resulted in our ability to generate a significant increase in our operating margins and overall profitability, as compared to last year's first quarter. We also grew sales sequentially from the fourth quarter of 2003 despite historical seasonal softness in the first quarter."

Graeme Watt, President Bell Microproducts Europe and Middle East Operations, said: "We are delighted with the numbers and with the progress we have made in Europe. Bell Microproducts Europe is a fundamental part of Bell Microproducts and these figures give us a strong platform for positive momentum to achieve our goal of expanding the business."

Mr. Bell added, "In addition to our strong first quarter operating results, we also substantially improved our capital structure during the quarter with the successful completion of our \$110 million convertible subordinated notes offering in March 2004. This financing materially reduces our interest costs by enabling us to pay down higher interest rate debt and the additional capital provides us with significant incremental financial capacity to grow our business through acquisitions and strategic investments."

## Operating Trends

Turnover in the first quarter was split among the Company's geographies as follows: North America 41%, Europe 46%, and Latin America 13%.

## Geographic Highlights:

- \* In North America, total turnover increased 21% compared with the first quarter of 2003 and 3% compared with the fourth quarter of 2003.
- \* Latin America turnover increased 41% compared with the first quarter of 2003 and 25% compared

with the fourth quarter of 2003. Excluding the acquisition of EBM Mayorista, S.A. de C.V. in Mexico which occurred in October of 2003, Latin America turnover increased 27% compared with the first quarter of 2003.

\* In Europe, turnover increased 22% compared with the first quarter of 2003 and decreased by 1% compared with the fourth quarter of 2003 due to seasonal factors in that market.

#### Solutions and Components and Peripherals Highlights:

\* In the first quarter of 2004, Solutions represented 51% of the Company's product mix and Components and Peripherals accounted for 49% of the mix.

\* The Solutions category of the Company's business increased 26% compared with the first quarter of 2003 and 2% compared with the fourth quarter of 2003. Within the Solutions category, Software increased 40% compared with the first quarter of 2003 and 7% compared to the fourth quarter of 2003.

\* The Components and Peripherals category of the Company's business increased 22% compared with the first quarter of 2003 and 5% compared to the fourth quarter of 2003. Within the Components and Peripherals category, Industrial Products and related components, which include semiconductors, increased 105% compared with the first quarter of 2003 and 16% compared to the fourth quarter of 2003. The strong Industrial Products growth was due to sales execution and increasing strength in the Americas market.

\* Sales of the hard disk drives increased 6% compared with the first quarter of 2003 and 1% compared to the fourth quarter of 2003.

First quarter hard disk drive sales were 31% of total sales, down from 36% in Q1 of 2003.

Gross profit margins in the first quarter of 2004 increased to 7.5% versus 7.1% in the first quarter of 2003 and were flat sequentially. The increase in gross profit percentage came from increases in both the Solutions and the Components and Peripherals product categories. Operating expenses continue to remain under tight control. Operating expenses of \$42.7 million in the first quarter of 2004 were up from \$40.7 million in the first quarter of 2003 and from \$40.5 million in fourth quarter of 2003. However, as a percent of sales operating expenses declined to 6.5% in the first quarter of 2004 versus 7.6% in the first quarter of 2003 and increased slightly from 6.3% in the fourth quarter of 2003. The slight sequential increase in operating expenses as a percent of sales is primarily due to the recognition of benefit and social costs which occur in the first part of each year.

Inventories were \$236 million at March 31, 2004 as compared to \$257 million at December 31, 2003 and \$194 million at March 31, 2003. This resulted in average inventory turns of 10.4 times (35 days) in the first quarter of 2004 versus 9.2 times (39 days) in the fourth quarter of 2003 and 10.2 times (35 days) in the first quarter of 2003.

Accounts Receivable were \$301 million at March 31, 2004 as compared to \$310 million at December 31, 2003 and \$265 million at March 31, 2003. Days sales outstanding (DSO) continued to improve to 41 days in the first quarter of 2004 versus 44 days in the fourth quarter of 2003 and 45 days in the first quarter of 2003.

Total Debt increased to \$235 million at March 31, 2004 as compared to \$220 million at December 31, 2003 and \$207 million at March 31, 2003. This increase in debt was the result of the higher sales levels in the quarter, coupled with taking advantage of vendor early payment discounts.

## Management Discussion and Outlook

Mr. Bell concluded, "Bell Microproducts' financial results have shown significant improvement over the last year. The first quarter ended on a strong note as March, 2004 was the best sales month in the history of the Company. We are optimistic that the IT recovery will continue. Based on this improvement in technology spending we expect to set another turnover record in 2004, accompanied by a significant improvement in profitability."

"We will continue to pursue our strategic initiatives in enterprise storage solutions, strengthening our business partner alliances and expanding geographically. Furthermore, with the additions to key management positions in our Company, including the recently announced hiring of Graeme Watt as our President of European operations, and additional capital available to support new strategic investments and acquisitions, we are well positioned to continue to grow and gain share in the markets we serve."

## About Pro Forma Presentation

In addition to our consolidated financial results prepared under generally accepted accounting principles ("GAAP"), we use a pro forma measure of net income or loss that is equal to GAAP adjusted to exclude certain costs and expenses. Our pro forma presentation gives an indication of our performance before restructuring costs and special charges that are considered by management to be outside of our core distribution operating results. We compute pro forma results by adjusting GAAP net income or loss with the impact

of cost of sales adjustments for discontinued product lines, and restructuring costs related to severance and benefits for involuntary employee terminations and vacated excess facilities. These measures are not in accordance with, or an alternative for GAAP and may be materially different from pro forma measures used by other companies. The presentation of this additional information should not be considered in isolation or as a substitute for net income prepared in accordance with GAAP.

## About Bell Microproducts

Bell Microproducts is an international, value-added provider of a wide range of high-technology products, solutions, and services to the industrial and commercial markets. The Company's offering includes semiconductors, computer platforms, peripherals, and storage products of various types including desktop, high-end computer and storage subsystems, fibre channel connectivity products, RAID, NAS and SAN storage systems and back-up products.

Bell Microproducts is an industry-recognized specialist in storage products and is one of the world's largest storage-centric value-added distributors.

The Company's products are available at any level of integration, from components to subsystem assemblies and fully-integrated, tested and certified system solutions. The Company adds value with a broad range of services including testing, software loading, kitting, mass storage system integration, and computer system integration. Trained and certified technical personnel complete each of these processes at Bell Microproducts' ISO 9002 facilities.

Bell Microproducts markets and distributes more than 140 brand name product lines, as well as its own Rorke Data storage and Trademark(R) computer brands, to original equipment manufacturers (OEMs), contract electronic manufacturing services (CEMS) customers, value-added resellers (VARs) and system integrators in the Americas and Europe. More information can be found in the Company's SEC filings, or by visiting the Bell Microproducts Web site at

<http://www.bellmicro.com>.

#### Safe Harbor Statement

This release may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements, which reflect the Company's current views of our expected growth rates, profitability and other future events and financial performance, involve known and unknown risks and uncertainties which could cause actual results or facts to differ materially from such statements for a variety of reasons including, but not limited to: changing industry and economic conditions; changes in product supply, pricing, and customer demand; competition; other vagaries in the computer and electronic components markets; effects of recent restructuring initiatives; changes in relationships with key suppliers; availability of financing; foreign currency fluctuations and the other risks described from time to time in the Company's reports to the Securities and Exchange Commission (including the Company's Annual Report on Form 10-K). Investors should take such risks into account when making investment decisions. Shareholders and other readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The Company undertakes no obligation to update publicly or revise any forward-looking statements.