

BLACK BOX CORP  
Form 10-Q  
November 09, 2011  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q  
(Mark One)

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

For the quarterly period ended October 1, 2011

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 0-18706  
Black Box Corporation  
(Exact name of registrant as specified in its charter)  
Delaware  
(State or other jurisdiction of incorporation or organization)

95-3086563  
(I.R.S. Employer Identification No.)

1000 Park Drive, Lawrence, Pennsylvania 15055  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 724-746-5500

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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

As of November 4, 2011, there were 17,680,326 shares of common stock, par value \$.001 (the "common stock"), outstanding.

Table of Contents

BLACK BOX CORPORATION  
FOR THE QUARTER ENDED OCTOBER 1, 2011  
INDEX

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements.</u>	
<u>Consolidated Balance Sheets.</u>	<u>3</u>
<u>Consolidated Statements of Income.</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows.</u>	<u>5</u>
<u>Notes to the Consolidated Financial Statements.</u>	<u>6</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	<u>16</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk.</u>	<u>27</u>
<u>Item 4. Controls and Procedures.</u>	<u>28</u>
<u>PART II. OTHER INFORMATION</u>	
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.</u>	<u>29</u>
<u>Item 6. Exhibits.</u>	<u>29</u>
<u>SIGNATURE</u>	<u>30</u>
<u>EXHIBIT INDEX</u>	<u>31</u>

Table of Contents

## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements.

BLACK BOX CORPORATION  
CONSOLIDATED BALANCE SHEETS

In thousands, except par value	(Unaudited)	
	October 1, 2011	March 31, 2011*
<b>Assets</b>		
Cash and cash equivalents	\$27,856	\$31,212
Accounts receivable, net of allowance for doubtful accounts of \$6,424 and \$7,121	172,425	156,682
Inventories, net	62,953	52,014
Costs/estimated earnings in excess of billings on uncompleted contracts	108,717	103,853
Other assets	27,710	27,483
Total current assets	399,661	371,244
Property, plant and equipment, net	24,825	23,427
Goodwill	658,321	650,024
Intangibles, net	119,684	120,133
Other assets	5,623	7,155
Total assets	\$1,208,114	\$1,171,983
<b>Liabilities</b>		
Accounts payable	\$88,565	\$71,463
Accrued compensation and benefits	27,895	35,329
Deferred revenue	33,721	36,043
Billings in excess of costs/estimated earnings on uncompleted contracts	18,116	17,462
Income taxes	14,724	11,957
Other liabilities	35,594	34,395
Total current liabilities	218,615	206,649
Long-term debt	194,381	181,127
Other liabilities	19,384	17,948
Total liabilities	\$432,380	\$405,724
<b>Stockholders' equity</b>		
Preferred stock authorized 5,000, par value \$1.00, none issued	\$—	\$—
Common stock authorized 100,000, par value \$.001, 17,680 and 17,918 shares outstanding, 25,730 and 25,561 issued	26	26
Additional paid-in capital	474,897	470,367
Retained earnings	621,890	599,923
Accumulated other comprehensive income	12,314	19,523
Treasury stock, at cost 8,050 and 7,643 shares	(333,393)	(323,580)
Total stockholders' equity	\$775,734	\$766,259
Total liabilities and stockholders' equity	\$1,208,114	\$1,171,983

\* Derived from audited financial statements

See Notes to the Consolidated Financial Statements

3

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Table of Contents

BLACK BOX CORPORATION  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

In thousands, except per share amounts	Three (3) months ended		Six (6) months ended	
	October 1 and 2		October 1 and 2	
	2011	2010	2011	2010
Revenues				
Products	\$50,329	\$46,415	\$98,048	\$92,464
On-Site services	236,842	226,509	457,549	444,056
Total	287,171	272,924	555,597	536,520
Cost of sales *				
Products	27,660	25,018	53,927	49,836
On-Site services	170,645	157,786	326,223	306,950
Total	198,305	182,804	380,150	356,786
Gross profit	88,866	90,120	175,447	179,734
Selling, general & administrative expenses	63,256	63,534	129,900	127,154
Intangibles amortization	3,176	3,058	6,235	6,160
Operating income	22,434	23,528	39,312	46,420
Interest expense (income), net	769	1,742	1,834	3,432
Other expenses (income), net	273	(66	)565	(65
Income before provision for income taxes	21,392	21,852	36,913	43,053
Provision for income taxes	6,548	8,302	12,446	16,359
Net income	\$14,844	\$13,550	\$24,467	\$26,694
Earnings per common share				
Basic	\$0.83	\$0.77	\$1.37	\$1.52
Diluted	\$0.83	\$0.77	\$1.36	\$1.51
Weighted-average common shares outstanding				
Basic	17,858	17,607	17,917	17,574
Diluted	17,865	17,694	17,968	17,646
Dividends per share	\$0.07	\$0.06	\$0.14	\$0.12

\* Exclusive of depreciation and intangibles amortization.

See Notes to the Consolidated Financial Statements

Table of Contents

BLACK BOX CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

In thousands	Six (6) months ended	
	October 1 and 2 2011	2010
Operating Activities		
Net income	\$24,467	\$26,694
Adjustments to reconcile net income to net cash provided by (used for) operating activities		
Intangibles amortization and depreciation	9,034	9,296
Loss (gain) on sale of property	(142)	(17)
Deferred taxes	(550)	1,273
Stock compensation expense	5,418	5,506
Change in fair value of interest-rate swaps	(1,516)	(846)
Changes in operating assets and liabilities (net of acquisitions)		
Accounts receivable, net	(13,373)	(14,103)
Inventories, net	(11,286)	(1,757)
Costs/estimated earnings in excess of billings on uncompleted contracts	(4,613)	(17,085)
All other assets	362	(4,167)
Billings in excess of costs/estimated earnings on uncompleted contracts	559	5,078
All other liabilities	4,896	(1,733)
Net cash provided by (used for) operating activities	\$13,256	\$8,139
Investing Activities		
Capital expenditures	(4,034)	(1,885)
Capital disposals	144	45
Acquisition of businesses (payments)/recoveries	(13,188)	—
Prior merger-related (payments)/recoveries	(336)	(1,683)
Net cash provided by (used for) investing activities	\$(17,414)	\$(3,523)
Financing Activities		
Proceeds from borrowings	\$121,074	\$103,930
Repayment of borrowings	(107,978)	(107,887)
Deferred financing costs	—	—
Purchase of treasury stock	(9,813)	(482)
Proceeds from the exercise of stock options	—	280
Payment of dividends	(2,337)	(2,109)
Net cash provided by (used for) financing activities	946	(6,268)
Foreign currency exchange impact on cash	\$(144)	\$987
Increase / (decrease) in cash and cash equivalents	\$(3,356)	\$(665)
Cash and cash equivalents at beginning of period	\$31,212	\$20,885
Cash and cash equivalents at end of period	\$27,856	\$20,220
Supplemental Cash Flow		
Cash paid for interest	\$3,966	\$4,346
Cash paid for income taxes	10,308	9,917
Non-cash financing activities		
Dividends payable	1,238	1,057
Capital leases	23	121

See Notes to the Consolidated Financial Statements

5

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Table of Contents

BLACK BOX CORPORATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

Note 1: Business and Basis of Presentation

Business

Black Box Corporation ("Black Box" or the "Company") is a leading communications system integrator dedicated to designing, sourcing, implementing and maintaining today's complex communications solutions. The Company's primary service offering is voice communications solutions ("Voice Communications"); the Company also offers premise cabling and other data-related services ("Data Infrastructure") and technology product solutions ("Technology Products"). The Company provides 24/7/365 technical support for all its solutions, which encompass all major voice and data product manufacturers as well as an extensive range of technology products that it sells through its catalog and Internet Web site and its Voice Communications and Data Infrastructure (collectively referred to as "On-Site services") offices. As of October 1, 2011, the Company had more than 3,000 professional technical experts in 198 offices serving more than 175,000 clients in 141 countries throughout the world. Founded in 1976, Black Box, a Delaware corporation, operates subsidiaries on five continents and is headquartered near Pittsburgh in Lawrence, Pennsylvania.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements of Black Box have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The Company believes that these consolidated financial statements reflect all normal, recurring adjustments needed to present fairly the Company's results for the interim periods presented. The results as of and for interim periods may not be indicative of the results of operations for any other interim period or for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's most recent Annual Report on Form 10-K as filed with the Securities and Exchange Commission ("SEC") for the fiscal year ended March 31, 2011 (the "Form 10-K").

The Company's fiscal year ends on March 31. The fiscal quarters consist of 13 weeks and end on the Saturday generally nearest each calendar quarter end, adjusted to provide relatively equivalent business days for each fiscal quarter. The actual ending dates for the periods presented in these Notes to the Consolidated Financial Statements as of September 30, 2011 and 2010 were October 1, 2011 and October 2, 2010. References herein to "Fiscal Year" or "Fiscal" mean the Company's fiscal year ended March 31 for the year referenced. All references to dollar amounts herein are presented in thousands, except per share amounts, unless otherwise noted.

The consolidated financial statements include the accounts of the parent company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain items in the consolidated financial statements of prior years have been reclassified to conform to the current year's presentation.

The preparation of financial statements in conformity with GAAP requires Company management ("Management") to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates in these financial statements include project progress towards completion to estimated budget, allowances for doubtful accounts receivable, sales returns, net realizable value of inventories, loss contingencies, warranty reserves, intangible assets and goodwill. Actual results could differ from those estimates. Management believes the estimates made are reasonable.



Note 2: Significant Accounting Policies / Recent Accounting Pronouncements

Significant Accounting Policies

The significant accounting policies used in the preparation of the Company's consolidated financial statements are disclosed in Note 2 of the Notes to the Consolidated Financial Statements within the Form 10-K. No additional significant accounting policies have been adopted during Fiscal 2012.

Recent Accounting Pronouncements

There have been no accounting pronouncements adopted during Fiscal 2012 that had a material impact on the Company's consolidated financial statements. There have been no new accounting pronouncements issued but not yet adopted that are expected to have a material impact on the Company's consolidated financial statements.

Table of Contents

## Note 3: Inventories

The Company's Inventories consist of the following:

	September 30, 2011	March 31, 2011
Raw materials	\$1,389	\$1,294
Finished goods	81,011	70,579
Inventory, gross	82,400	71,873
Excess and obsolete inventory reserves	(19,447	)(19,859
Inventory, net	\$62,953	\$52,014

## Note 4: Goodwill

The following table summarizes changes to Goodwill at the Company's reportable segments for the periods presented:

	North America	Europe	All Other	Total
Balance at March 31, 2011	\$574,964	\$72,752	\$2,308	\$650,024
Currency translation	(54	)(3,400	)(167	)(3,621
Current period acquisitions (see Note 9)	8,021	—	—	8,021
Prior period acquisitions (see Note 9)	3,897	—	—	3,897
Balance at September 30, 2011	\$586,828	\$69,352	\$2,141	\$658,321

At and since October 2, 2010 (the date of the Company's annual goodwill impairment assessment in Fiscal 2011), the Company's stock market capitalization has been lower than its net book value. However, each of the Company's reporting segments continues to operate profitably and generate significant cash flow from operations, and the Company expects that each will continue to do so throughout the remainder of Fiscal 2012 and beyond. In addition, the Company believes that a reasonable potential buyer would offer a control premium for the business that would adequately cover the difference between the recent stock trading prices and the net book value.

## Note 5: Intangible Assets

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

	September 30, 2011			March 31, 2011		
	Gross Carrying Amount	Accum. Amort.	Net Carrying Amount	Gross Carrying Amount	Accum. Amort.	Net Carrying Amount
Definite-lived						
Non-compete agreements	\$11,801	\$9,625	\$2,176	\$10,660	\$9,332	\$1,328
Customer relationships	130,890	41,121	89,769	126,367	35,301	91,066
Acquired backlog	17,349	17,349	—	17,349	17,349	—
Total	\$160,040	\$68,095	\$91,945	\$154,376	\$61,982	\$92,394
Indefinite-lived						
Trademarks	35,992	8,253	27,739	35,992	8,253	27,739
Total	\$196,032	\$76,348	\$119,684	\$190,368	\$70,235	\$120,133

The Company's indefinite-lived intangible assets consist solely of the Company's trademark portfolio. The Company's definite-lived intangible assets are comprised of employee non-compete agreements, customer relationships and

backlog obtained through business acquisitions.

7

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Table of Contents

The following table summarizes the changes to the net carrying amounts of intangible assets for the periods presented:

	Trademarks	Non-Competes and Backlog	Customer Relationships	Total
Balance at March 31, 2011	\$27,739	\$1,328	\$91,066	\$120,133
Amortization expense	—	(415)	(5,820)	(6,235)
Currency translation	—	(3)	—	(3)
Current period acquisitions (see Note 9)	—	1,266	4,523	5,789
Balance at September 30, 2011	\$27,739	\$2,176	\$89,769	\$119,684

Intangibles amortization was \$3,176 and \$3,058 for the three (3) months ended September 30, 2011 and 2010, respectively, and \$6,235 and \$6,160 for the six (6) months ended September 30, 2011 and 2010, respectively. The Company acquired definite-lived intangibles from the completion of several acquisitions during Fiscal 2011 and 2010.

The following table details the estimated intangibles amortization expense for the remainder of Fiscal 2012, each of the succeeding four (4) fiscal years and the periods thereafter. These estimates are based on the carrying amounts of intangible assets as of September 30, 2011 that are provisional measurements of fair value and are subject to change pending the outcome of purchase accounting related to certain acquisitions:

Fiscal	
2012	\$6,447
2013	11,966
2014	10,782
2015	9,646
2016	9,375
Thereafter	43,729
Total	\$91,945

## Note 6: Indebtedness

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

	September 30, 2011	March 31, 2011
Revolving credit agreement	\$194,140	\$180,646
Other	837	1,213
Total debt	\$194,977	\$181,859
Less: current portion (included in Other liabilities)	(596)	(732)
Long-term debt	\$194,381	\$181,127

## Revolving Credit Agreement

On January 30, 2008, the Company entered into a Third Amended and Restated Credit Agreement dated as of January 30, 2008 with Citizens Bank of Pennsylvania, as agent, and a group of lenders and, on October 8, 2010, the Company entered into the First Amendment to Credit Agreement primarily to permit the Company to make certain joint venture investments (as amended, the "Credit Agreement"). The Credit Agreement expires on January 30, 2013. Borrowings under the Credit Agreement are permitted up to a maximum amount of \$350,000, which includes up to \$20,000 of swing-line loans and \$25,000 of letters of credit. The Credit Agreement may be increased by the Company up to an additional \$100,000 with the approval of the lenders and may be unilaterally and permanently reduced by the Company to not less than the then outstanding amount of all borrowings. Interest on outstanding indebtedness under the Credit Agreement accrues, at the Company's option, at a rate based on either: (a) the greater of (i) the prime rate per annum of the agent then in effect and (ii) 0.50% plus the rate per annum announced by the Federal Reserve Bank

of New York as being the weighted-average of the rates on overnight Federal funds transactions arranged by Federal funds brokers on the previous trading day or (b) a rate per annum equal to the LIBOR rate plus 0.50% to 1.125% (determined by a leverage ratio based on the Company's consolidated Earnings Before Interest Taxes Depreciation and Amortization ("EBITDA")). The Credit Agreement requires the Company to maintain compliance with certain non-financial and financial covenants such as leverage and fixed-charge coverage ratios. As of September 30, 2011, the Company was in compliance with all financial covenants under the Credit Agreement.

## Table of Contents

The maximum amount of debt outstanding under the Credit Agreement, the weighted-average balance outstanding under the Credit Agreement and the weighted-average interest rate on all outstanding debt for the three (3) months ended September 30, 2011 was \$216,180, \$203,889 and 1.0%, respectively, compared to \$237,255, \$225,510 and 1.3%, respectively, for the three (3) months ended September 30, 2010. The maximum amount of debt outstanding under the Credit Agreement, the weighted-average balance outstanding under the Credit Agreement and the weighted-average interest rate on all outstanding debt for the six (6) months ended September 30, 2011 was \$216,180, \$191,726 and 1.1%, respectively, compared to \$237,255, \$222,595 and 1.3%, respectively, for the six (6) months ended September 30, 2010.

### Other

Other debt is comprised of capital lease obligations primarily for equipment and other third-party, non-employee loans.

### Unused available borrowings

As of September 30, 2011, the Company had \$4,050 outstanding in letters of credit and \$151,810 in unused commitments under the Credit Agreement.

## Note 7: Derivative Instruments and Hedging Activities

The Company is exposed to certain market risks, including the effect of changes in foreign currency exchange rates and interest rates. The Company uses derivative instruments to manage financial exposures that occur in the normal course of business. It does not hold or issue derivatives for speculative trading purposes. The Company is exposed to non-performance risk from the counterparties in its derivative instruments. This risk would be limited to any unrealized gains on current positions. To help mitigate this risk, the Company transacts only with counterparties that are rated as investment grade or higher and all counterparties are monitored on a continuous basis. The fair value of the Company's derivatives reflects this credit risk.

### Foreign currency contracts

The Company enters into foreign currency contracts to hedge exposure to variability in expected fluctuations in foreign currencies. Foreign currency assets and liabilities are translated into U.S. dollars at the rate of exchange existing at the period-end date. Adjustments resulting from these translations are recorded in Accumulated Other Comprehensive Income ("AOCI") within the Company's Consolidated Balance Sheets and will be included in income upon sale or liquidation of the foreign investment. As of September 30, 2011, the Company had open contracts in Australian and Canadian dollars, Danish krone, Euros, Mexican pesos, Norwegian kroner, British pounds sterling, Swedish krona, Swiss francs and Japanese yen which have been designated as cash flow hedges. These contracts had a notional amount of \$55,416 and will expire within twelve (12) months. There was no hedge ineffectiveness during Fiscal 2012 or Fiscal 2011.

### Interest-rate Swaps

On May 24, 2006, the Company entered into a five-year floating-to-fixed interest-rate swap, with an effective date of July 26, 2006, that is based on a 3-month LIBOR rate versus a 5.44% fixed rate and has a notional value of \$100,000 (which reduced to \$50,000 as of July 26, 2009 and terminated on July 26, 2011). On June 15, 2009, the Company entered into a three-year floating-to-fixed interest-rate swap, with an effective date of July 27, 2009, that is based on a 3-month LIBOR rate versus a 2.28% fixed rate and has a notional value of \$100,000 (which reduced to \$50,000 on July 27, 2011). On May 19, 2011, the Company entered into a one-year floating-to-fixed interest-rate swap, with an effective date of July 26, 2011, that is based on a 3-month LIBOR rate versus a 0.58% fixed rate and has a notional value of \$75,000. Each interest-rate swap discussed above does not qualify for hedge accounting and is, together with

the other interest-rate swaps discussed above, collectively hereinafter referred to as the "interest-rate swaps."

The following tables detail the effect of derivative instruments on the Company's Consolidated Balance Sheets and Consolidated Statements of Income for the periods presented:

Classification	Asset Derivatives		Liability Derivatives		
	September 30, 2011	March 31, 2011	September 30, 2011	March 31, 2011	
Derivatives designated as hedging instruments					
Foreign currency contracts	Other liabilities (current)	\$—	\$—	\$1,808	\$278
Foreign currency contracts	Other assets (current)	\$427	\$1,919	\$—	\$—
Derivatives not designated as hedging instruments					
Interest-rate swaps	Other liabilities (current)	\$—	\$—	\$788	\$2,303

Table of Contents

	Classification	Three (3) months ended September 30		Six (6) months ended September 30	
		2011	2010	2011	2010
Derivatives designated as hedging instruments					
Gain (loss) recognized in Comprehensive income on (effective portion) – net of taxes	Other comprehensive income	\$332	\$(107)	\$173	\$(452)
(Gain) loss reclassified from AOCI into income (effective portion) – net of taxes	Selling, general & administrative expenses	\$25	\$190	\$212	\$318
Derivatives not designated as hedging instruments					
Gain (loss) recognized in income	Interest expense (income), net	\$604	\$314	\$1,516	\$846

## Note 8: Fair Value Disclosures

## Recurring fair value measurements

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of September 30, 2011, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value:

	Assets at Fair Value as of September 30, 2011			
	Level 1	Level 2	Level 3	Total
Foreign currency contracts	\$—	\$427	\$—	\$427
	Liabilities at Fair Value as of September 30, 2011			
	Level 1	Level 2	Level 3	Total
Foreign currency contracts	\$—	\$1,808	\$—	\$1,808
Interest-rate swaps	—	788	—	788
Total	\$—	\$2,596	\$—	\$2,596

## Non-recurring fair value measurements

The Company's assets and liabilities that are measured at fair value on a non-recurring basis include non-financial assets and liabilities initially measured at fair value in a business combination. As disclosed in Note 9, the Company completed an acquisition during the six (6) months ended September 30, 2011 which included operating assets, liabilities and certain intangible assets. The Company utilized level 2 and level 3 inputs to measure the fair value of these items.

## Note 9: Acquisitions

## Fiscal 2012

During the second quarter of Fiscal 2012, the Company acquired PS Technologies, LLC ("PS Tech"), a privately-held company headquartered in Dayton, OH. PS Tech is the first Black Box acquisition in the rapidly-growing enterprise video communications market and services clients in the healthcare and government verticals.

The acquisition of PS Tech did not have a material impact on the Company's consolidated financial statements.



Fiscal 2011

During the third quarter of Fiscal 2011, the Company acquired LOGOS Communications Systems, Inc. ("Logos"), a privately-held company headquartered in Westlake, OH. Logos has an active client base which includes commercial, education and various local government agency accounts.

10

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Table of Contents

Also during the third quarter of Fiscal 2011, the Company acquired a non-controlling interest in Genesis Networks Integration Services, LLC, a new joint venture company which was formed in conjunction with Genesis Networks Enterprises, LLC ("Genesis"). This new joint venture company, based on Genesis' existing Networks Integration Services Division, strengthens and enhances Genesis' ability to deliver and support voice and data communications solutions to its enterprise clients.

The acquisition of Logos and the non-controlling interest in Genesis Networks Integration Services, LLC did not have a material impact on the Company's consolidated financial statements.

The fair values of assets acquired and liabilities assumed for PS Tech and Logos are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed. The Company believes that the information available provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed but additional information not yet available is necessary to finalize those fair values. Thus, the provisional measurements of fair value are subject to change. The Company expects to finalize the valuation and complete the purchase price allocation as soon as practicable but no later than one-year from the acquisition date.

The results of operations of PS Tech and Logos are included within the Company's Consolidated Statements of Income beginning on the acquisition date.

Note 10: Income Taxes

The Company recorded income tax expense of \$6,548, an effective tax rate of 30.6%, and \$8,302, an effective tax rate of 38.0%, for the three (3) months ended September 30, 2011 and 2010, respectively, and \$12,446, an effective tax rate of 33.7%, and \$16,359, an effective tax rate of 38.0%, for the six (6) months ended September 30, 2011 and 2010, respectively. The effective rate for the six (6) months ended September 30, 2011 of 33.7% differs from the federal statutory rate primarily due to a \$1,579 reduction in the Company's provision for income taxes related to an agreement with the Internal Revenue Service ("IRS") in the second quarter of Fiscal 2012 to conclude the previously-disclosed IRS audit for Fiscal 2007 through Fiscal 2010 and foreign earnings taxed at a lower statutory rate partially offset by state income taxes and the write-off of certain deferred tax assets related to equity awards.

The Company provides for income taxes at the end of each interim period based on the estimated effective tax rate adjusted for certain discreet items (see above for the \$1,579 income tax provision reduction during the second quarter of Fiscal 2012 related to a previously-disclosed IRS audit) for the full fiscal year. Cumulative adjustments to the Company's estimate are recorded in the interim period in which a change in the estimated annual effective rate is determined.

Fiscal 2007 through Fiscal 2010 remain open to examination by state and foreign taxing jurisdictions.

Note 11: Stock-based Compensation

In August 2008, the Company's stockholders approved the 2008 Long-Term Incentive Plan (the "Incentive Plan") which replaces the 1992 Stock Option Plan, as amended, and the 1992 Director Stock Option Plan, as amended. As of September 30, 2011, the Incentive Plan is authorized to issue stock options, restricted stock units and performance shares, among other types of awards, for up to 2,810,872 shares of common stock, par value \$.001 per share (the "common stock").

The Company recognized stock-based compensation expense of \$2,046 and \$2,504 for the three (3) months ended September 30, 2011 and 2010, respectively, \$5,418 and \$5,506 for the six (6) months ended September 30, 2011 and 2010, respectively. The Company recognized total income tax benefit for stock-based compensation arrangements of \$751 and \$916 for the three (3) months ended September 30, 2011 and 2010, respectively, and \$1,988 and \$2,014 for the six (6) months ended September 30, 2011 and 2010, respectively. Stock-based compensation expense is recorded in Selling, general & administrative expense within the Company's Consolidated Statements of Income.

#### Stock options

Stock option awards are granted with an exercise price equal to the closing market price of the common stock on the date of grant; such stock options generally become exercisable in equal amounts over a three-year period and have a contractual life of ten (10) years from the grant date. The fair value of stock options is estimated on the grant date using the Black-Scholes option pricing model which includes the following weighted-average assumptions.

Table of Contents

	Six (6) months ended September 30		
	2011	2010	
Expected life (in years)	4.8	4.9	
Risk free interest rate	1.7	%2.3	%
Annual forfeiture rate	2.1	%2.1	%
Volatility	45.3	%41.4	%
Dividend yield	0.7	%0.8	%

The following table summarizes the Company's stock option activity for the period presented and as of September 30, 2011:

	Shares (in 000's)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Intrinsic Value (000's)
Outstanding at March 31, 2011	2,901	\$ 35.65		
Granted	180	32.39		
Exercised	—	—		
Forfeited or expired	(224	)41.80		
Outstanding at September 30, 2011	2,857	\$ 34.96	5.2	\$—
Exercisable at September 30, 2011	2,463	\$ 35.37	4.6	\$—

The weighted-average grant-date fair value of options granted during the six (6) months ended September 30, 2011 and 2010 was \$12.42 and \$11.69, respectively. The total intrinsic value of options exercised during the six (6) months ended September 30, 2011 and 2010 was \$0 and \$32, respectively. The aggregate intrinsic value in the preceding table is based on the closing stock price of the common stock on September 30, 2011 of \$21.35.

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

	Shares (in 000's)	Weighted-Average Grant-Date Fair Value
Non-vested at March 31, 2011	690	\$ 10.32
Granted	180	12.42
Forfeited	—	—
Vested	(476	)9.61
Non-vested at September 30, 2011	394	\$ 12.14

As of September 30, 2011, there was \$3,718 of total unrecognized pre-tax stock-based compensation expense related to non-vested stock options which is expected to be recognized over a weighted-average period of 1.9 years.

Table of Contents

## Restricted stock units

Restricted stock unit awards are subject to a service condition and generally vest in equal amounts over a three-year period from the grant date. The fair value of restricted stock units is determined based on the number of restricted stock units granted and the closing market price of the common stock on the date of grant.

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

	Shares (in 000's)	Weighted-Average Grant-Date Fair Value
Outstanding at March 31, 2011	248	\$ 29.97
Granted	163	32.39
Vested	(118)	) 30.19
Forfeited	(6)	) 31.09
Outstanding at September 30, 2011	287	\$ 31.23

The total fair value of shares that vested during the six (6) months ended September 30, 2011 and 2010 was \$3,553 and \$1,985, respectively.

As of September 30, 2011, there was \$6,953 of total unrecognized pre-tax stock-based compensation expense related to non-vested restricted stock units which is expected to be recognized over a weighted-average period of 2.0 years.

## Performance share awards

Performance share awards are subject to certain performance goals including the Company's Relative Total Shareholder Return ("TSR") Ranking and cumulative Adjusted EBITDA over a three (3) year period. The Company's Relative TSR Ranking metric is based on the three (3) year cumulative return to shareholders from the change in stock price and dividends paid between the starting and ending dates. The fair value of performance share awards (subject to cumulative Adjusted EBITDA) is determined based on the number of performance shares granted and the closing market price of the common stock on the date of grant. The fair value of performance share awards (subject to the Company's Relative TSR Ranking) is estimated on the grant date using the Monte-Carlo simulation which includes the following weighted-average assumptions.

	Six (6) months ended September 30		
	2011	2010	
Expected Volatility	50.8	% 52.3	%
Risk free interest rate	0.9	% 1.4	%
Dividend yield	0.7	% 0.8	%

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

	Shares (in 000's)	Weighted-Average Grant-Date Fair Value
Outstanding at March 31, 2011	179	\$ 33.13
Granted	110	34.15
Vested	(52)	) 30.87
Forfeited	(50)	) 35.23
Outstanding at September 30, 2011	187	\$ 33.77

The total fair value of shares that vested during the six (6) months ended September 30, 2011 and 2010 was \$1,679 and \$0, respectively.

As of September 30, 2011, there was \$4,284 of total unrecognized pre-tax stock-based compensation expense related to non-vested performance share awards which is expected to be recognized over a weighted-average period of 2.3 years.

Table of Contents

## Note 12: Earnings Per Share

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

	Three (3) months ended		Six (6) months ended	
	September 30		September 30	
	2011	2010	2011	2010
Net income	\$ 14,844	\$ 13,550	\$ 24,467	\$ 26,694
Weighted-average common shares outstanding (basic)	17,858	17,607	17,917	17,574
Effect of dilutive securities from equity awards	7	87	51	72
Weighted-average common shares outstanding (diluted)	17,865	17,694	17,968	17,646
Basic earnings per common share	\$0.83	\$0.77	\$1.37	\$1.52
Dilutive earnings per common share	\$0.83	\$0.77	\$1.36	\$1.51

The Weighted-average common shares outstanding (diluted) computation is not impacted during any period where the exercise price of a stock option is greater than the average market price. There were 3,426,856 and 2,677,536 non-dilutive equity awards outstanding for the three (3) months ended September 30, 2011 and 2010, respectively, and 2,613,124 and 2,525,053 non-dilutive equity awards outstanding for the six (6) months ended September 30, 2011 and 2010, respectively, that are not included in the corresponding period Weighted-average common shares outstanding (diluted) computation.

## Note 13: Comprehensive income and AOCI

The following table details the computation of comprehensive income for the periods presented:

	Three (3) months ended		Six (6) months ended		
	September 30		September 30		
	2011	2010	2011	2010	
Net income	\$ 14,844	\$ 13,550	\$ 24,467	\$ 26,694	
Foreign currency translation adjustment	(10,842	) 12,282	(7,723	) 5,936	
Derivative instruments (net of tax)					
Net change in fair value of cash flow hedging instruments (net of tax)	332	(107	) 173	(452	)
Amounts reclassified into results of operations	25	190	212	318	
Pension (net of tax)					
Unrealized gain (loss)	3	8	7	13	
Amounts reclassified into results of operations	62	35	122	70	
Other comprehensive income (loss)	\$(10,420	) \$12,408	\$(7,209	) \$5,885	
Comprehensive income (loss)	\$4,424	\$25,958	\$17,258	\$32,579	

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

	September 30, 2011	March 31, 2011	
Foreign currency translation adjustment	\$ 16,191	\$ 23,914	
Unrealized gains (losses) on derivatives designated and qualified as cash flow hedges	221	(164	)
Unrecognized gain (losses) on defined benefit pension	(4,098	) (4,227	)

Accumulated other comprehensive income	\$ 12,314	\$ 19,523
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Table of Contents

## Note 14: Segment Reporting

Management reviews financial information for the consolidated Company accompanied by disaggregated information on revenues, operating income and assets by geographic region for the purpose of making operational decisions and assessing financial performance. Additionally, Management is presented with and reviews revenues and gross profit by service type. The accounting policies of the individual operating segments are the same as those of the Company.

The following table presents financial information about the Company's reportable segments by geographic region for the periods presented:

	Three (3) months ended		Six (6) months ended	
	September 30		September 30	
	2011	2010	2011	2010
North America				
Revenues	\$251,457	\$240,540	\$484,794	\$471,024
Operating income	18,316	20,684	32,302	39,851
Depreciation	1,253	1,420	2,541	2,890
Intangibles amortization	3,163	3,045	6,212	6,138
Assets (as of September 30)	1,118,907	1,054,646	1,118,907	1,054,646
Europe				
Revenues	\$26,483	\$22,798	\$52,837	\$47,740
Operating income	2,839	1,153	5,117	3,489
Depreciation	89	93	189	171
Intangibles amortization	11	11	20	19
Assets (as of September 30)	122,723	129,308	122,723	129,308
All Other				
Revenues	\$9,231	\$9,586	\$17,966	\$17,756
Operating income	1,279	1,691	1,893	3,080
Depreciation	37	39	69	75
Intangibles amortization	2	2	3	3
Assets (as of September 30)	26,911	26,224	26,911	26,224

The sum of the segment revenues, operating income, depreciation and intangibles amortization equals the consolidated revenues, operating income, depreciation and intangibles amortization. The following table reconciles segment assets to total consolidated assets as of September 30, 2011 and 2010:

	September 30	
	2011	2010
Segment assets for North America, Europe and All Other	\$1,268,541	\$1,210,178
Corporate eliminations	(60,427	)(52,374
Total consolidated assets	\$1,208,114	\$1,157,804

Table of Contents

The following table presents financial information about the Company by service type for the periods presented:

	Three (3) months ended		Six (6) months ended	
	September 30		September 30	
	2011	2010	2011	2010
Data Infrastructure				
Revenues	\$66,291	\$53,989	\$128,672	\$107,946
Gross profit	15,912	14,076	31,560	28,426
Voice Communications				
Revenues	\$170,551	\$172,520	\$328,877	\$336,110
Gross profit	50,285	54,647	99,766	108,680
Technology Products				
Revenues	\$50,329	\$46,415	\$98,048	\$92,464
Gross profit	22,669	21,397	44,121	42,628

The sum of service type revenues and gross profit equals consolidated revenues and gross profit.

#### Note 15: Commitments and Contingencies

The Company is involved in, or has pending, various legal proceedings, claims, suits and complaints arising out of the normal course of business. Based on the facts currently available to the Company, Management believes these matters are adequately provided for, covered by insurance, without merit or not probable that an unfavorable outcome will result.

There has been no other significant or unusual activity during Fiscal 2012.

#### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The discussion and analysis for the three (3) and six (6) months ended September 30, 2011 and 2010 as set forth below in this Item 2 should be read in conjunction with the response to Part 1, Item 1 of this report and the consolidated financial statements of Black Box Corporation ("Black Box," the "Company," "we" or "our"), including the related notes, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Company's most recent Annual Report on Form 10-K as filed with the Securities and Exchange Commission ("SEC") for the fiscal year ended March 31, 2011 (the "Form 10-K"). The Company's fiscal year ends on March 31. The fiscal quarters consist of 13 weeks and generally end on the Saturday nearest each calendar quarter end, adjusted to provide relatively equivalent business days for each fiscal quarter. The actual ending dates for the periods presented as of September 30, 2011 and 2010 were October 1, 2011 and October 2, 2010, respectively. References to "Fiscal Year" or "Fiscal" mean the Company's fiscal year ended March 31 of the year referenced. All dollar amounts are presented in thousands, except per share amounts, unless otherwise noted.

#### The Company

Black Box is a leading communications system integrator dedicated to designing, sourcing, implementing and maintaining today's complex communications solutions. The Company's primary service offering is voice communications solutions ("Voice Communications"); the Company also offers premise cabling and other data-related services ("Data Infrastructure") and technology product solutions ("Technology Products"). The Company provides 24/7/365 technical support for all its solutions, which encompass all major voice and data product

manufacturers as well as an extensive range of technology products that it sells through its catalog and Internet Web site and its Voice Communications and Data Infrastructure (collectively referred to as "On-Site services") offices. As of September 30, 2011, the Company had more than 3,000 professional technical experts in 198 offices serving more than 175,000 clients in 141 countries throughout the world. Founded in 1976, Black Box, a Delaware corporation, operates subsidiaries on five continents and is headquartered near Pittsburgh in Lawrence, Pennsylvania.

Table of Contents

With respect to Voice Communications, the Company's revenues are primarily generated from the sale and/or installation of new voice communications systems, the maintenance of voice communications systems and moves, adds and changes ("MAC work") as clients' employees change locations or as clients move or remodel their physical space. The Company's diverse portfolio of product offerings allows it to service the needs of its clients independent of the manufacturer that they choose, which it believes is a unique competitive advantage. For the sale of new voice communications systems, most significant orders are subject to competitive bidding processes and, generally, competition can be significant for such new orders. The Company is continually bidding on new projects to replace projects that are completed. New voice communications systems orders often generate an agreement to maintain the voice communications system, which generally ranges from 1-3 years for commercial clients and 3-5 years for government clients. Sales of new voice communications systems and, to a lesser extent, MAC work, are dependent upon general economic growth and the Company's clients' capital spending. On the other hand, revenues from maintenance contracts generally are not dependent on the economy as clients seek to extend the life of their existing equipment and delay capital spending on new voice communications systems. The Company also has government contracts that generate significant revenues and are not as dependent on the overall economic environment as commercial clients. Maintenance and MAC work revenues are also dependent upon the Company's history and relationship with its clients and its long track record of providing high-quality service.

Similarly, the Company's revenues for Data Infrastructure are generated from the installation or upgrade of data networks and MAC work. The installation of new data networks is largely dependent upon commercial employment and building occupancy rates. Installed data networks, however, may need to be upgraded in order to provide for larger, faster networks to accommodate the growing use of network technology. Additionally, Data Infrastructure projects can include MAC work, similar to Voice Communications, which is dependent on economic factors that are the same as those factors discussed above in relation to the Voice Communications business.

There is and has been a trend toward convergence of voice and data networks, in each of which the Company has technical expertise which the Company believes is a competitive advantage. Both the Voice Communications and Data Infrastructure businesses generate backlog. At September 30, 2011, the Company's backlog, defined as expected revenue related to executed client purchase orders or contracts that are estimated to be complete within 180 days, was approximately \$223,000 and relates primarily to Voice Communications and Data Infrastructure.

The Company generates Technology Products revenues from the sale of technology products through its catalog, Internet Web site and the Company's On-Site services offices. The sale of these products is a highly fragmented and competitive business. The Company has been in this business for over 30 years and has developed a reputation for providing high quality products, free 24/7/365 technical support, comprehensive warranties and rapid order fulfillment. With an average order size of less than one thousand dollars, the Company's Technology Products is less impacted by capital spending and more so on general IT spending. The Company's Technology Products business provides additional distribution and support capabilities along with access to Black Box branded products to both the Data Infrastructure and Voice Communications businesses which provide cost benefits.

The Company services a variety of clients within most major industries, with the highest concentration in government, business services, technology, retail, healthcare and manufacturing. Factors that impact those verticals, therefore, could have an impact on the Company. While the Company generates most of its revenues in North America, the Company also generates revenues from around the world, primarily Europe, such that factors that impact the European market could impact the Company.

Company management ("Management") strives to develop extensive and long-term relationships with high-quality clients as Management believes that satisfied clients will demand quality services and product offerings even in economic downturns.

Management is presented with and reviews revenues and operating income by geographical segment. In addition, revenues and gross profit information by service type are provided herein for purposes of further analysis.

The Company targets strategic acquisitions which will deepen its capabilities and expand market opportunity. The Company has completed two (2) strategic acquisitions from April 1, 2010 through September 30, 2011 that had an impact on the Company's consolidated financial statements and, more specifically, North America Voice

Communications for the periods under review. During Fiscal 2012, the Company acquired PS Technologies, LLC ("PS Tech") which is its first acquisition in the rapidly growing enterprise video communications market. During Fiscal 2011, the Company acquired LOGOS Communications Systems, Inc. ("Logos"), a silver certified Cisco partner with advanced specializations in unified communications, wireless LAN, routing and switching and security. The acquisitions noted above are collectively referred to as the "Acquired Companies". The results of operations of the Acquired Companies are included within the Company's Consolidated Statements of Income beginning on its acquisition date.

Table of Contents

The Company incurs certain expenses (i.e., expenses incurred as a result of certain acquisitions) that it excludes when evaluating the continuing operations of the Company. The following table is included to provide a schedule of these current expenses and an estimate of these future expenses for Fiscal 2012 (by quarter) based on information available to the Company as of September 30, 2011:

	1Q12	2Q12	3Q12	4Q12	Fiscal 2012
Intangibles amortization					
Amortization of intangible assets on acquisitions	3,049	3,163	3,238	3,186	12,636
The following table is included to provide a schedule of these expenses during Fiscal 2011 (by quarter):					
	1Q11	2Q11	3Q11	4Q11	Fiscal 2011
Intangibles amortization					
Amortization of intangible assets on acquisitions	3,093	3,045	2,890	3,083	12,111

The following table provides information on Revenues and Operating income by reportable geographic segment (North America, Europe and All Other). The table below should be read in conjunction with the following discussions.

	Three (3) months ended September 30				Six (6) months ended September 30				
	2011		2010		2011		2010		
	\$	% of total revenue	\$	% of total revenue	\$	% of total revenue	\$	% of total revenue	
Revenues									
North America	\$251,457	87.6	\$240,540	88.1	\$484,794	87.3	\$471,024	87.8	%
Europe	26,483	9.2	22,798	8.4	52,837	9.5	47,740	8.9	%
All Other	9,231	3.2	9,586	3.5	17,966	3.2	17,756	3.3	%
Total	\$287,171	100	\$272,924	100	\$555,597	100	\$536,520	100	%
Operating income									
North America	\$18,316		\$20,684		\$32,302		\$39,851		
% of North America revenues	7.3	%	8.6	%	6.7	%	8.5	%	
Europe	\$2,839		\$1,153		\$5,117		\$3,489		
% of Europe revenues	10.7	%	5.1	%	9.7	%	7.3	%	
All Other	\$1,279		\$1,691		\$1,893		\$3,080		
% of All Other revenues	13.9	%	17.6	%	10.5	%	17.3	%	
Total	\$22,434	7.8	\$23,528	8.6	\$39,312	7.1	\$46,420	8.7	%

Table of Contents

The following table provides information on Revenues and Gross profit by service type (Data Infrastructure, Voice Communications and Technology Products). The table below should be read in conjunction with the following discussions.

	Three (3) months ended September 30				Six (6) months ended September 30				
	2011	% of total revenue	2010	% of total revenue	2011	% of total revenue	2010	% of total revenue	
<b>Revenues</b>									
Data Infrastructure	\$66,291	23.1	%\$53,989	19.8	%\$128,672	23.2	%\$107,946	20.1	%
Voice Communications	170,551	59.4	%172,520	63.2	%328,877	59.2	%336,110	62.6	%
Technology Products	50,329	17.5	%46,415	17.0	%98,048	17.6	%92,464	17.2	%
<b>Total</b>	<b>\$287,171</b>	<b>100</b>	<b>%\$272,924</b>	<b>100</b>	<b>%\$555,597</b>	<b>100</b>	<b>%\$536,520</b>	<b>100</b>	<b>%</b>
<b>Gross profit</b>									
Data Infrastructure	\$15,912		\$14,076		\$31,560		\$28,426		
% of Data Infrastructure revenues	24.0	%	26.1	%	24.5	%	26.3	%	
Voice Communications	\$50,285		\$54,647		\$99,766		\$108,680		
% of Voice Communications revenues	29.5	%	31.7	%	30.3	%	32.3	%	
Technology Products	\$22,669		\$21,397		\$44,121		\$42,628		
% of Technology Products revenues	45.0	%	46.1	%	45.0	%	46.1	%	
<b>Total</b>	<b>\$88,866</b>	<b>30.9</b>	<b>%\$90,120</b>	<b>33.0</b>	<b>%\$175,447</b>	<b>31.6</b>	<b>%\$179,734</b>	<b>33.5</b>	<b>%</b>

Three (3) months ended September 30, 2011 ("2Q12") compared to three (3) months ended September 30, 2010 ("2Q11"):

**Total Revenues**

Total revenues for 2Q12 were \$287,171, an increase of 5% compared to total revenues for 2Q11 of \$272,924. The Acquired Companies contributed incremental revenue of \$21,651 and \$0 for 2Q12 and 2Q11, respectively. Excluding the effects of the acquisitions and the positive exchange rate impact of \$2,997 in 2Q12 relative to the U.S. dollar, total revenues would have decreased 4% from \$272,924 in 2Q11 to \$262,523 in 2Q12 for the reasons discussed below.

**Revenues by Geography****North America**

Revenues in North America for 2Q12 were \$251,457, an increase of 5% compared to revenues for 2Q11 of \$240,540. The Acquired Companies contributed incremental revenue of \$21,651 and \$0 for 2Q12 and 2Q11, respectively. Excluding the effects of the acquisitions and the positive exchange rate impact of \$400 in 2Q12 relative to the U.S. dollar, North American revenues would have decreased 5% from \$240,540 in 2Q11 to \$229,406 in 2Q12. The Company believes that this decrease is primarily due to decreased activity for Voice Communications within the government revenue vertical primarily caused by delays in funding as well as project and task order initiation partially offset by increased activity for both end-user and indirect sales of Data Infrastructure within the business services, retail and manufacturing revenue verticals which is a result of strategic pricing initiatives designed to grow revenues

and deepen market penetration.

Europe

Revenues in Europe for 2Q12 were \$26,483, an increase of 16% compared to revenues for 2Q11 of \$22,798.

Excluding the positive exchange rate impact of \$2,015 in 2Q12 relative to the U.S. dollar, Europe revenues would have increased 7% from \$22,798 in 2Q11 to \$24,468 in 2Q12. The Company believes this increase is primarily due to increased activity for Technology Products within the government and business services revenue verticals along with relatively comparable activity for Data Infrastructure.



Table of Contents

All Other

Revenues for All Other for 2Q12 were \$9,231, a decrease of 4% compared to revenues for 2Q11 of \$9,586. Excluding the positive exchange rate impact of \$582 in 2Q12 relative to the U.S. dollar, All Other revenues would have decreased 10% from \$9,586 in 2Q11 to \$8,649 in 2Q12.

Revenue by Service Type

Data Infrastructure

Revenues from Data Infrastructure for 2Q12 were \$66,291, an increase of 23% compared to revenues for 2Q11 of \$53,989. Excluding the positive exchange rate impact of \$922 in 2Q12 relative to the U.S. dollar for international Data Infrastructure, Data Infrastructure revenues would have increased 21% from \$53,989 in 2Q11 to \$65,369 in 2Q12. The Company believes that this increase is primarily due to increased activity for both end-user and indirect sales in North America within the business services, retail and manufacturing revenue verticals which is a result of strategic pricing initiatives designed to grow revenues and deepen market penetration along with relatively comparable activity in Europe.

Voice Communications

Revenues from Voice Communications for 2Q12 were \$170,551, a decrease of 1% compared to revenues for 2Q11 of \$172,520. The Acquired Companies contributed incremental revenue of \$21,651 and \$0 for 2Q12 and 2Q11, respectively. Excluding the effects of the acquisitions, Voice Communications revenues would have decreased 14% from \$172,520 in 2Q11 to \$148,900 in 2Q12. The Company believes that this decrease is primarily due to decreased activity within the government revenue vertical primarily caused by delays in funding as well as project and task order initiation. There was no exchange rate impact on Voice Communications revenues as all of the Company's Voice Communications revenues are denominated in U.S. dollars.

Technology Products

Revenues from Technology Products for 2Q12 were \$50,329, an increase of 8% compared to revenues for 2Q11 of \$46,415. Excluding the positive exchange rate impact of \$2,075 in 2Q12 relative to the U.S. dollar for international Technology Products, Technology Products revenues would have increased 4% from \$46,415 in 2Q11 to \$48,254 in 2Q12. The Company believes this increase is primarily due to a general increase in activity in North America and increased activity within the government and business services revenue verticals in Europe.

Gross profit

Gross profit for 2Q12 was \$88,866, a decrease of 1% compared to gross profit for 2Q11 of \$90,120. Gross profit as a percent of revenues for 2Q12 was 30.9%, a decrease of 2.1% compared to Gross profit as a percentage of revenues for 2Q11 of 33.0%. The Company believes the percent decrease was due primarily to overall service type mix, strategic pricing initiatives for Voice Communications and Data Infrastructure and product mix and increased product costs for Technology Products. The dollar decrease is primarily due to decrease in gross profit as a percentage of revenues. Gross profit for Data Infrastructure for 2Q12 was \$15,912, or 24.0% of revenues, compared to gross profit for 2Q11 of \$14,076, or 26.1% of revenues. Gross profit for Voice Communications for 2Q12 was \$50,285, or 29.5% of revenues, compared to gross profit for 2Q11 of \$54,647, or 31.7% of revenues. Gross profit for Technology Products for 2Q12 was \$22,669, or 45.0% of revenues, compared to gross profit for 2Q11 of \$21,397, or 46.1% of revenues. Please see the preceding paragraph for the analysis of gross profit variances by segment.

Selling, general & administrative expenses

Selling, general & administrative expenses for 2Q12 were \$63,256, nearly equivalent to Selling, general & administrative expenses for 2Q11 of \$63,534. Selling, general & administrative expenses as a percent of revenues for 2Q12 were 22.0%, a decrease of 1.3% compared to Selling, general & administrative expenses as a percent of

revenues for 2Q11 of 23.3%. The decrease in Selling, general & administrative expenses was primarily due to the impact of the Company's continued effort to provide an efficient cost structure, a decrease in stock-based compensation of \$458 and variable insurance costs of \$541 partially offset by additional operating expenses for the Acquired Companies of approximately \$2,200. The decrease in Selling, general & administrative expenses as a percent of revenue over the prior year was primarily due to lower Selling, general & administrative expenses as a percent of revenue from the Acquired Companies and decreases in stock-based compensation and variable insurance costs discussed above.

Selling, general & administrative expenses generally include expenses for sales and marketing, engineering, product management, centers of excellence and corporate expenses. Many of these expenses do not change significantly with changes in revenue.

Table of Contents

Intangibles amortization

Intangibles amortization for 2Q12 was \$3,176, an increase of 4% compared to Intangibles amortization for 2Q11 of \$3,058.

Operating income

As a result of the foregoing, Operating income for 2Q12 was \$22,434, a decrease of 5% compared to Operating income for 2Q11 of \$23,528 and Operating income as a percent of revenues for 2Q12 was 7.8%, a decrease of 0.8% compared to Operating income as a percent of revenues for 2Q11 of 8.6%.

Interest expense (income), net

Net interest expense for 2Q12 was \$769, a decrease of 56% compared to net interest expense for 2Q11 of \$1,742. Net interest expense as a percent of revenues for 2Q12 was 0.3%, a decrease of 0.3% compared to Net interest expense as a percent of revenues for 2Q11 of 0.6%. The Company's interest-rate swaps contributed gains of \$604 and \$314 for 2Q12 and 2Q11, respectively, due to the change in fair value.

This decrease in net interest expense is due to decreases in the weighted-average interest rate from 1.3% for 2Q11 to 1.0% for 2Q12 and in the weighted-average outstanding debt from \$225,510 for 2Q11 to \$203,889 for 2Q12. The preceding provides explanations for the year-over-year change which excludes the interest-rate swaps described above. The decrease in the weighted-average interest rate is due primarily to the overall decline in short-term interest rates.

Provision for income taxes

The tax provision for 2Q12 was \$6,548, an effective tax rate of 30.6%. This compares to the tax provision for 2Q11 of \$8,302, an effective tax rate of 38.0%. The tax rate for 2Q12 was lower than 2Q11 primarily due to a reduction in reserves related to the settlement of an Internal Revenue Service audit for Fiscal 2007 through Fiscal 2010. The Company anticipates that its deferred tax asset is realizable in the foreseeable future.

Net income

As a result of the foregoing, Net income for 2Q12 was \$14,844, an increase of 10% compared to Net income for 2Q11 of \$13,550 and Net income as a percent of revenues for 2Q12 was 5.2%, an increase of 0.2% compared to Net income as a percent of revenues for 2Q11 of 5.0%.

Six (6) months ended September 30, 2011 ("2QYTD12") compared to six (6) months ended September 30, 2010 ("2QYTD11"):

Total Revenues

Total revenues for 2QYTD12 were \$555,597, an increase of 4% compared to total revenues for 2QYTD11 of \$536,520. The Acquired Companies contributed incremental revenue of \$32,181 and \$0 for 2QYTD12 and 2QYTD11, respectively. Excluding the effects of the acquisitions and the positive exchange rate impact of \$7,256 in 2QYTD12 relative to the U.S. dollar, total revenues would have decreased 4% from \$536,520 in 2QYTD11 to \$516,160 in 2QYTD12 for the reasons discussed below.

Revenues by Geography

North America

Revenues in North America for 2QYTD12 were \$484,794, an increase of 3% compared to revenues for 2QYTD11 of \$471,024. The Acquired Companies contributed incremental revenue of \$32,181 and \$0 for 2QYTD12 and 2QYTD11, respectively. Excluding the effects of the acquisitions and the positive exchange rate impact of \$848 in 2QYTD12 relative to the U.S. dollar, North American revenues would have decreased 4% from \$471,024 in 2QYTD11 to \$451,765 in 2QYTD12. The Company believes that this decrease is primarily due to decreased activity for Voice Communications within the government revenue vertical primarily caused by delays in funding as well as project and task order initiation partially offset by increased activity for both end-user and indirect sales of Data Infrastructure within the business services, financial services, retail and manufacturing revenue verticals which is a result of strategic pricing initiatives designed to grow revenues and deepen market penetration.

## Table of Contents

### Europe

Revenues in Europe for 2QYTD12 were \$52,837, an increase of 11% compared to revenues for 2QYTD11 of \$47,740. Excluding the positive exchange rate impact of \$5,133 in 2QYTD12 relative to the U.S. dollar, Europe revenues would have been comparable at \$47,740 in 2QYTD11 and \$47,704 in 2QYTD12. Data Infrastructure and Technology Products activity is relatively comparable period over period.

### All Other

Revenues for All Other for 2QYTD12 were \$17,966, an increase of 1% compared to revenues for 2QYTD11 of \$17,756. Excluding the positive exchange rate impact of \$1,275 in 2QYTD12 relative to the U.S. dollar, All Other revenues would have decreased 6% from \$17,756 in 2QYTD11 to \$16,691 in 2QYTD12.

### Revenue by Service Type

#### Data Infrastructure

Revenues from Data Infrastructure for 2QYTD12 were \$128,672, an increase of 19% compared to revenues for 2QYTD11 of \$107,946. Excluding the positive exchange rate impact of \$2,379 in 2QYTD12 relative to the U.S. dollar for international Data Infrastructure, Data Infrastructure revenues would have increased 17% from \$107,946 in 2QYTD11 to \$126,293 in 2QYTD12. The Company believes that this increase is primarily due to increased activity for both end-user and indirect sales in North America within the business services, financial services, retail and manufacturing revenue verticals which is a result of strategic pricing initiatives designed to grow revenues and deepen market penetration and a general increase in activity in Europe.

#### Voice Communications

Revenues from Voice Communications for 2QYTD12 were \$328,877, a decrease of 2% compared to revenues for 2QYTD11 of \$336,110. The Acquired Companies contributed incremental revenue of \$32,181 and \$0 for 2QYTD12 and 2QYTD11, respectively. Excluding the effects of the acquisitions, Voice Communications revenues would have decreased 12% from \$336,110 in 2QYTD11 to \$296,696 in 2QYTD12. The Company believes that this decrease is primarily due to decreased activity within the government revenue vertical primarily caused by delays in funding as well as project and task order initiation. There was no exchange rate impact on Voice Communications revenues as all of the Company's Voice Communications revenues are denominated in U.S. dollars.

#### Technology Products

Revenues from Technology Products for 2QYTD12 were \$98,048, an increase of 6% compared to revenues for 2QYTD11 of \$92,464. Excluding the positive exchange rate impact of \$4,877 in 2QYTD12 relative to the U.S. dollar for international Technology Products, Technology Products revenues would have increased 1% from \$92,464 in 2QYTD11 to \$93,171 in 2QYTD12. The Company believes this increase is primarily due to a general increase in activity in North America along with relatively comparable activity in Europe.

### Gross profit

Gross profit for 2QYTD12 was \$175,447, a decrease of 2% compared to gross profit for 2QYTD11 of \$179,734. Gross profit as a percent of revenues for 2QYTD12 was 31.6%, a decrease of 1.9% compared to Gross profit as a percentage of revenues for 2QYTD11 of 33.5%. The Company believes the percent decrease was due primarily to overall service type mix, strategic pricing initiatives for Voice Communications and Data Infrastructure and product mix and increased product costs for Technology Products. The dollar decrease is primarily due to decrease in gross profit as a percentage of revenues.

Gross profit for Data Infrastructure for 2QYTD12 was \$31,560, or 24.5% of revenues, compared to gross profit for 2QYTD11 of \$28,426, or 26.3% of revenues. Gross profit for Voice Communications for 2QYTD12 was \$99,766, or 30.3% of revenues, compared to gross profit for 2QYTD11 of \$108,680, or 32.3% of revenues. Gross profit for Technology Products for 2QYTD12 was \$44,121, or 45.0% of revenues, compared to gross profit for 2QYTD11 of

\$42,628, or 46.1% of revenues. Please see the preceding paragraph for the analysis of gross profit variances by segment.

Table of Contents

Selling, general & administrative expenses

Selling, general & administrative expenses for 2QYTD12 were \$129,900, an increase of 2% compared to Selling, general & administrative expenses for 2QYTD11 of \$127,154. Selling, general & administrative expenses as a percent of revenues for 2QYTD12 were 23.4%, a decrease of 0.3% compared to Selling, general & administrative expenses as a percent of revenues for 2QYTD11 of 23.7%. The increase in Selling, general & administrative expenses was primarily due to additional operating expenses for the Acquired Companies of approximately \$3,500 partially offset by the impact of the Company's continued effort to provide an efficient cost structure. The decrease in Selling, general & administrative expenses as a percent of revenue over the prior year was primarily due to disproportionate Selling, general & administrative expenses as a percent of revenue from the Acquired Companies.

Selling, general & administrative expenses generally include expenses for sales and marketing, engineering, product management, centers of excellence and corporate expenses. Many of these expenses do not change significantly with changes in revenue.

Intangibles amortization

Intangibles amortization for 2QYTD12 was \$6,235, an increase of 1% compared to Intangibles amortization for 2QYTD11 of \$6,160.

Operating income

As a result of the foregoing, Operating income for 2QYTD12 was \$39,312, a decrease of 15% compared to Operating income for 2QYTD11 of \$46,420 and Operating income as a percent of revenues for 2QYTD12 was 7.1%, a decrease of 1.6% compared to Operating income as a percent of revenues for 2QYTD11 of 8.7%.

Interest expense (income), net

Net interest expense for 2QYTD12 was \$1,834, a decrease of 47% compared to net interest expense for 2QYTD11 of \$3,432. Net interest expense as a percent of revenues for 2QYTD12 was 0.3%, a decrease of 0.3% compared to Net interest expense as a percent of revenues for 2QYTD11 of 0.6%. The Company's interest-rate swaps contributed gains of \$1,516 and \$846 for 2QYTD12 and 2QYTD11, respectively, due to the change in fair value.

This decrease in net interest expense is due to decreases in the weighted-average interest rate from 1.3% for 2QYTD11 to 1.1% for 2QYTD12 and in the weighted-average outstanding debt from \$222,595 for 2QYTD11 to \$191,726 for 2QYTD12. The preceding provides explanations for the year-over-year change which excludes the interest-rate swaps described above. The decrease in the weighted-average interest rate is due primarily to the overall decline in short-term interest rates.

Provision for income taxes

The tax provision for 2QYTD12 was \$12,446, an effective tax rate of 33.7%. This compares to the tax provision for 2QYTD11 of \$16,359, an effective tax rate of 38.0%. The tax rate for 2QYTD12 was lower than 2QYTD11 primarily due to a reduction in reserves related to the settlement of an Internal Revenue Service audit for Fiscal 2007 through Fiscal 2010. The Company anticipates that its deferred tax asset is realizable in the foreseeable future.

Net income

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As a result of the foregoing, Net income for 2QYTD12 was \$24,467, a decrease of 8% compared to Net income for 2QYTD11 of \$26,694 and Net income as a percent of revenues for 2QYTD12 was 4.4%, a decrease of 0.6% compared to Net income as a percent of revenues for 2QYTD11 of 5.0%.



Table of Contents

Liquidity and Capital Resources

Operating Activities

Net cash provided by operating activities during 2QYTD12 was \$13,256. Significant factors contributing to the cash inflow were: net income of \$24,467 inclusive of non-cash charges of \$9,034 and \$5,418 for amortization/depreciation expense and stock compensation expense, respectively, as well as an increase in trade accounts payable of \$15,646. Significant factors contributing to the cash outflow were: increases in inventory, trade accounts receivable and costs in excess of billings of \$11,286, \$13,373 and \$4,613, respectively, as well as decreases in accrued compensation and deferred revenue of \$7,174 and \$3,463. The increase in inventory is primarily due to higher inventory levels to better serve the needs of the Company's clients and the increase in trade accounts receivable is primarily due to the increase in revenue levels and the acquisition of PS Tech. Changes in the above accounts are based on average Fiscal 2012 exchange rates.

Net cash provided by operating activities during 2QYTD11 was \$8,139. Significant factors contributing to the cash inflow were: net income of \$26,694 inclusive of non-cash charges of \$9,296 and \$5,506 for amortization/depreciation expense and stock compensation expense, respectively, as well as increases in trade accounts payable of \$4,168, billings in excess of costs of \$5,078 and accrued taxes of \$5,244. Significant factors contributing to the cash outflow were: increases in trade accounts receivable, net inventory and costs in excess of billings of \$14,103, \$1,757 and \$17,085, respectively, primarily due to increased business activity during 2QYTD11, as well as decreases in accrued compensation and benefits of \$5,068 and other liabilities of \$3,701 and an increase in other current assets of \$4,879. The increase in costs in excess of billings reflects additional large contracts where contract billing terms do not necessarily coincide with percentage-of-completion revenue recognition. It should be noted that the increase in costs in excess of billings reflected revenue growth and not a delay in the collection of working capital. Changes in the above accounts are based on average Fiscal 2011 exchange rates.

As of September 30, 2011 and 2010, the Company had Cash and cash equivalents of \$27,856 and \$20,220, respectively, working capital of \$181,046 and \$160,153, respectively, and a current ratio of 1.8 and 1.8, respectively.

The Company believes that its cash provided by operating activities and availability under its credit facility will be sufficient to fund the Company's working capital requirements, capital expenditures, dividend program, potential stock repurchases, potential future acquisitions or strategic investments and other cash needs for the next twelve (12) months.

Investing Activities

Net cash used for investing activities during 2QYTD12 was \$17,414. Significant factors contributing to the cash outflow were: \$4,034 for gross capital expenditures and \$13,188 for current period acquisitions.

Net cash used for investing activities during 2QYTD11 was \$3,523. Significant factors contributing to the cash outflow were: \$1,885 for gross capital expenditures and \$1,683 for holdbacks and contingent fee payments related to prior period acquisitions.

Financing Activities

Net cash provided by financing activities during 2QYTD12 was \$946. A significant factor contributing to the cash inflow was \$13,096 of net borrowings on long-term debt. Significant factors contributing to the cash outflow were: \$9,813 for the purchase of treasury stock (including \$1,521 for the purchase of treasury stock related to the vesting in May 2011 of certain restricted stock units and performance shares) and \$2,337 for the payment of dividends.

Net cash used for financing activities during 2QYTD11 was \$6,268. Significant factors contributing to the cash outflow were \$2,109 for the payment of dividends and \$3,957 of net payments on long-term debt.

Table of Contents

Total Debt

Revolving Credit Agreement – On January 30, 2008, the Company entered into a Third Amended and Restated Credit Agreement dated as of January 30, 2008 with Citizens Bank of Pennsylvania, as agent, and a group of lenders and, on October 8, 2010, the Company entered into the First Amendment to Credit Agreement primarily to permit the Company to make certain joint venture investments (as amended, the "Credit Agreement"). The Credit Agreement expires on January 30, 2013. Borrowings under the Credit Agreement are permitted up to a maximum amount of \$350,000, which includes up to \$20,000 of swing-line loans and \$25,000 of letters of credit. The Credit Agreement may be increased by the Company up to an additional \$100,000 with the approval of the lenders and may be unilaterally and permanently reduced by the Company to not less than the then outstanding amount of all borrowings. Interest on outstanding indebtedness under the Credit Agreement accrues, at the Company's option, at a rate based on either: (a) the greater of (i) the prime rate per annum of the agent then in effect and (ii) 0.50% plus the rate per annum announced by the Federal Reserve Bank of New York as being the weighted-average of the rates on overnight Federal funds transactions arranged by Federal funds brokers on the previous trading day or (b) a rate per annum equal to the LIBOR rate plus 0.50% to 1.125% (determined by a leverage ratio based on the Company's consolidated Earnings Before Interest Taxes Depreciation and Amortization ("EBITDA")). The Credit Agreement requires the Company to maintain compliance with certain non-financial and financial covenants such as leverage and fixed-charge coverage ratios. As of September 30, 2011, the Company was in compliance with all financial covenants under the Credit Agreement.

As of September 30, 2011, the Company had total debt outstanding of \$194,977. Total debt was comprised of \$194,140 outstanding under the Credit Agreement and \$837 of obligations under capital leases and various other third-party, non-employee loans. The maximum amount of debt outstanding under the Credit Agreement, the weighted-average balance outstanding under the Credit Agreement and the weighted-average interest rate on all outstanding debt for the three (3) months ended September 30, 2011 was \$216,180, \$203,889 and 1.0%, respectively, compared to \$237,255, \$225,510 and 1.3%, respectively, for the three (3) months ended September 30, 2010. The maximum amount of debt outstanding under the Credit Agreement, the weighted-average balance outstanding under the Credit Agreement and the weighted-average interest rate on all outstanding debt for the six (6) months ended September 30, 2011 was \$216,180, \$191,726 and 1.1%, respectively, compared to \$237,255, \$222,595 and 1.3%, respectively, for the six (6) months ended September 30, 2010.

As of September 30, 2011, the Company had \$4,050 outstanding in letters of credit and \$151,810 in unused commitments under the Credit Agreement.

Dividends

Fiscal 2012

2Q12 - The Company's Board of Directors (the "Board") declared a cash dividend of \$0.07 per share on all outstanding shares of the common stock. The dividend totaled \$1,238 and was paid on October 13, 2011 to stockholders of record at the close of business on September 30, 2011.

1Q12 - The Board declared a cash dividend of \$0.07 per share on all outstanding shares of the common stock. The dividend totaled \$1,262 and was paid on July 14, 2011 to stockholders of record at the close of business on July 1, 2011.

Fiscal 2011

2Q11 - The Board declared a cash dividend of \$0.06 per share on all outstanding shares of the common stock. The dividend totaled \$1,057 and was paid on October 15, 2010 to stockholders of record at the close of business on

October 1, 2010.

1Q11 - The Board declared a cash dividend of \$0.06 per share on all outstanding shares of the common stock. The dividend totaled \$1,056 and was paid on July 19, 2010 to stockholders of record at the close of business on July 2, 2010.

While the Company expects to continue to declare quarterly dividends, the payment of future dividends is at the discretion of the Board and the timing and amount of any future dividends will depend upon earnings, cash requirements and financial condition of the Company. Under the Credit Agreement, the Company is permitted to make any distribution or dividend as long as no Event of Default or Potential Default (each as defined in the Credit Agreement) occurs or is continuing.

#### Repurchase of Common Stock

##### Fiscal 2012

2Q12 - During the three (3) months ended September 30, 2011, the Company repurchased 361,200 shares of its common stock for an aggregate purchase price of \$8,292, or an average purchase price per share of \$22.96.

25

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## Table of Contents

1Q12 - During the three (3) months ended June 30, 2011, the Company made tax payments of \$1,521 and withheld 45,778 shares of common stock, which were designated as treasury shares, at an average price per share of \$33.22, related to share withholding to satisfy employee income taxes due as a result of the vesting in May 2011 of certain restricted stock units and performance shares.

### Fiscal 2011

2Q11 - There were no repurchases of common stock during the three (3) months ended September 30, 2010.

1Q11 - During the three (3) months ended June 30, 2010, the Company made tax payments of \$482 and withheld 16,488 shares of common stock, which were designated as treasury shares, at an average price per share of \$29.26, related to share withholding to satisfy employee income taxes due as a result of the vesting in May 2010 of certain restricted stock units.

Since the inception of the repurchase program in April 1999 through September 30, 2011, the Company has repurchased 7,987,479 shares of common stock for an aggregate purchase price of \$331,390, or an average purchase price per share of \$41.49. These shares do not include the treasury shares withheld for tax payments resulting from the vesting in May 2011 and May 2010 of certain restricted stock units and performance shares. As of September 30, 2011, 512,521 shares were available under repurchase programs approved by the Board. Additional repurchases of common stock may occur from time to time depending upon factors such as the Company's cash flows and general market conditions. There can be no assurance as to the timing or amount of such repurchases. Under the Credit Agreement, the Company is permitted to repurchase its common stock as long as no Event of Default or Potential Default (each as defined in the Credit Agreement) occurs or is continuing, the leverage ratio (after taking into consideration the payment made to repurchase such common stock) would not exceed 2.75 to 1.0 and the availability to borrow under the Credit Facility would not be less than \$20,000.

### Legal Proceedings

See Note 15 of the Notes to the Consolidated Financial Statements of this Quarterly Report on Form 10-Q (this "Form 10-Q"), which information is incorporated herein by reference.

### Inflation

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

### Valuation of Goodwill

Since October 2, 2010 (the date of the Company's annual goodwill impairment assessment in Fiscal 2011), the Company's stock market capitalization has been lower than its net book value. However, each of the Company's reporting segments continues to operate profitably and generate significant cash flow from operations, and the Company expects that each will continue to do so throughout the remainder of Fiscal 2012 and beyond. In addition, the Company believes that a reasonable potential buyer would offer a control premium for the business that would adequately cover the difference between the recent stock trading prices and the book value.

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

#### Critical Accounting Policies

The Company's critical accounting policies require the most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and are the most important to the portrayal of the Company's consolidated financial statements. The Company's critical accounting policies are disclosed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Form 10-K. The significant accounting policies used in the preparation of the Company's consolidated financial statements are disclosed in Note 2 of the Notes to the Consolidated Financial Statements within the Form 10-K. No additional significant accounting policies have been adopted during Fiscal 2012.

## Table of Contents

### Impact of Recently Issued Accounting Pronouncements

There have been no accounting pronouncements adopted during Fiscal 2012 that had a material impact on the Company's consolidated financial statements. There have been no new accounting pronouncements issued but not yet adopted that are expected to have a material impact on the Company's consolidated financial statements.

### Cautionary Forward Looking Statements

When included in this Form 10-Q or in documents incorporated herein by reference, the words "should," "expects," "intends," "anticipates," "believes," "estimates," "approximates," "targets," "plans" and analogous expressions are intended to identify forward-looking statements. One can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. Such statements are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Although it is not possible to predict or identify all risk factors, such risks and uncertainties may include, among others, levels of business activity and operating expenses, expenses relating to corporate compliance requirements, cash flows, global economic and business conditions, successful integration of acquisitions, the timing and costs of restructuring programs, successful marketing of the Company's product and services offerings, successful implementation of the Company's M&A program, including identifying appropriate targets, consummating transactions and successfully integrating the businesses, successful implementation of the Company's government contracting programs, competition, changes in foreign, political and economic conditions, fluctuating foreign currencies compared to the U.S. dollar, rapid changes in technologies, client preferences, the Company's arrangements with suppliers of voice equipment and technology, government budgetary constraints and various other matters, many of which are beyond the Company's control. Additional risk factors are included in the Form 10-K and the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2011. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and speak only as of the date of this Form 10-Q. The Company expressly disclaims any obligation or undertaking to release publicly any updates or any changes in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

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

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

#### Interest-rate Risk

The Company's primary interest-rate risk relates to its long-term debt obligations. As of September 30, 2011, the Company had total long-term obligations of \$194,140 under the Credit Agreement. Of the outstanding debt, \$125,000 was in variable rate debt that was effectively converted to a fixed rate through multiple interest-rate swap agreements (discussed in more detail below) and \$69,140 was in variable rate obligations. As of September 30, 2011, an instantaneous 100 basis point increase in the interest rate of the variable rate debt would reduce the Company's net income in the subsequent fiscal quarter by \$170 (\$105 net of tax) assuming the Company employed no intervention strategies.

To mitigate the risk of interest-rate fluctuations associated with the Company's variable rate long-term debt, the Company has implemented an interest-rate risk management strategy that incorporates the use of derivative

instruments to minimize significant unplanned fluctuations in earnings caused by interest-rate volatility. The Company's goal is to manage interest-rate sensitivity by modifying the re-pricing characteristics of certain balance sheet liabilities so that the net-interest margin is not, on a material basis, adversely affected by the movements in interest rates.

On May 24, 2006, the Company entered into a five-year floating-to-fixed interest-rate swap, with an effective date of July 26, 2006, that is based on a 3-month LIBOR rate versus a 5.44% fixed rate and has a notional value of \$100,000 (which reduced to \$50,000 as of July 26, 2009 and terminated on July 26, 2011). On June 15, 2009, the Company entered into a three-year floating-to-fixed interest-rate swap, with an effective date of July 27, 2009, that is based on a 3-month LIBOR rate versus a 2.28% fixed rate and has a notional value of \$100,000 (which reduced to \$50,000 on July 27, 2011). On May 19, 2011, the Company entered into a one-year floating-to-fixed interest-rate swap, with an effective date of July 26, 2011, that is based on a 3-month LIBOR rate versus a 0.58% fixed rate and has a notional value of \$75,000. Changes in the fair market value of the interest-rate swap are recorded as an asset or liability within the Company's Consolidated Balance Sheets and Interest expense (income) within the Company's Consolidated Statements of Income.



Table of Contents

Foreign Exchange Rate Risk

The Company has operations, clients and suppliers worldwide, thereby exposing the Company's financial results to foreign currency fluctuations. In an effort to reduce this risk of foreign currency fluctuations, the Company generally sells and purchases inventory based on prices denominated in U.S. dollars. Intercompany sales to subsidiaries are generally denominated in the subsidiaries' local currency. The Company has entered and will continue in the future, on a selective basis, to enter into foreign currency contracts to reduce the foreign currency exposure related to certain intercompany transactions, primarily trade receivables and loans. All of the foreign currency contracts have been designated and qualify as cash flow hedges. The effective portion of any changes in the fair value of the derivative instruments is recorded in Accumulated Other Comprehensive Income ("AOCI") until the hedged forecasted transaction occurs or the recognized currency transaction affects earnings. Once the forecasted transaction occurs or the recognized currency transaction affects earnings, the effective portion of any related gains or losses on the cash flow hedge is reclassified from AOCI to the Company's Consolidated Statements of Income. In the event it becomes probable that the hedged forecasted transaction will not occur, the ineffective portion of any gain or loss on the related cash flow hedge would be reclassified from AOCI to the Company's Consolidated Statements of Income.

As of September 30, 2011, the Company had open foreign currency contracts in Australian and Canadian dollars, Danish krone, Euros, Mexican pesos, Norwegian kroner, British pounds sterling, Swedish krona, Swiss francs and Japanese yen. The open contracts have contract rates ranging from 0.95 to 1.03 Australian dollar, 0.96 to 1.03 Canadian dollar, 5.21 to 5.48 Danish krone, 0.69 to 0.74 Euro, 12.30 to 12.30 Mexican peso, 5.34 to 5.85 Norwegian kroner, 0.60 to 0.65 British pound sterling, 6.27 to 6.51 Swedish krona, 0.83 to 0.90 Swiss franc and 76.86 to 76.81 Japanese yen, all per U.S. dollar. The total open contracts had a notional amount of \$55,416 and will expire within twelve (12) months.

Item 4. Controls and Procedures.

Conclusions Regarding the Effectiveness of Disclosure Controls and Procedures

Management, including the Company's Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) for the Company. Management assessed the effectiveness of the Company's disclosure controls and procedures as of October 1, 2011. Based upon this assessment, Management has concluded that the Company's disclosure controls and procedures were effective as of October 1, 2011 to provide reasonable assurance that information required to be disclosed by the Company in the reports filed or submitted by it under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to provide reasonable assurance that information required to be disclosed by the Company in such reports is accumulated and communicated to Management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

The SEC's general guidance permits the exclusion of an assessment of the effectiveness of a registrant's disclosure controls and procedures as they relate to its internal control over financial reporting for an acquired business during the first year following such acquisition if, among other circumstances and factors, there is not adequate time between the acquisition date and the date of assessment. As previously noted in this Form 10-Q, Black Box completed the acquisitions of PS Tech during Fiscal 2012 and Logos during Fiscal 2011. PS Tech and Logos represent approximately 2% and 1%, respectively, of the Company's total assets as of October 1, 2011. Management's assessment and conclusion on the effectiveness of the Company's disclosure controls and procedures as of October 1, 2011 excludes an assessment of the internal control over financial reporting of PS Tech and Logos.

#### Changes in Internal Control Over Financial Reporting

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

#### Limitations on the Effectiveness of Controls

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

Table of Contents

## PART II. OTHER INFORMATION

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

## Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 3, 2011 to July 31, 2011	—	\$—	—	873,721
August 1, 2011 to August 28, 2011	361,200	\$22.96	361,200	512,521
August 29, 2011 to October 1, 2011	—	\$—	—	512,521
Total	361,200	\$22.96	361,200	512,521

As of October 1, 2011, 512,521 shares were available under repurchase programs approved by the Board and announced on November 20, 2003, August 12, 2004 and November 7, 2006.

The repurchase programs have no expiration date and no programs were terminated prior to the full repurchase of the authorized amount.

Additional repurchases of common stock may occur from time to time depending upon factors such as the Company's cash flows and general market conditions. While the Company expects to continue to repurchase shares of common stock for the foreseeable future, there can be no assurance as to the timing or amount of such repurchases. Under the Credit Agreement, the Company is permitted to repurchase its common stock as long as no Event of Default or Potential Default (each as defined in the Credit Agreement) occurs or is continuing, the leverage ratio (after taking into consideration the payment made to repurchase such common stock) would not exceed 2.75 to 1.0 and the availability to borrow under the credit facility would not be less than \$20 million.

## Item 6. Exhibits.

Exhibit Number	Description
21.1	Subsidiaries of the Registrant <sup>(1)</sup>
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, and Section 302 of the Sarbanes-Oxley Act of 2002 <sup>(1)</sup>
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, and Section 302 of the Sarbanes-Oxley Act of 2002 <sup>(1)</sup>
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 <sup>(1)</sup>
101	Interactive Data File <sup>(2)</sup>

(1) Filed herewith.

(2)

In accordance with Rule 406T of Regulation S-T promulgated by the SEC, Exhibit 101 is deemed not filed or part of any registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Exchange Act and otherwise is not subject to liability under these sections.

Table of Contents

SIGNATURE

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

BLACK BOX CORPORATION

Date: November 9, 2011

/s/ MICHAEL MCANDREW

Michael McAndrew  
Executive Vice President, Chief Financial Officer,  
Treasurer, Secretary and Principal Accounting Officer

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description
21.1	Subsidiaries of the Registrant <sup>(1)</sup>
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, and Section 302 of the Sarbanes-Oxley Act of 2002 <sup>(1)</sup>
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, and Section 302 of the Sarbanes-Oxley Act of 2002 <sup>(1)</sup>
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 <sup>(1)</sup>
101	Interactive Data File <sup>(2)</sup>
(1)	Filed herewith.
(2)	In accordance with Rule 406T of Regulation S-T promulgated by the SEC, Exhibit 101 is deemed not filed or part of any registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Exchange Act and otherwise is not subject to liability under these sections.