BLACK BOX CORP
Form 10-K
May 11, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark
One)

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

For the fiscal year ended March 31, 2017
OR

o 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	95-3086563
(State or other jurisdiction of incorporation or organization)	(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
Securities registered pursuant to Section 12(b) of the Act:

(Title of each class)	(Name of each exchange on which registered)
Common Stock, $.001 par value	The NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. o Yes þ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. o Yes þ No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

Non-accelerated filer o

Large accelerated filer o	Accelerated filer þ		Smaller reporting company o	Emerging growth company o
		(Do not check if a smaller reporting company)		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of September 30, 2016 (based on closing price of such stock as reported by NASDAQ on such date) was $212,776,808. For purposes of this calculation only, directors and executive officers of the registrant and their affiliates are deemed to be affiliates of the registrant.

As of April 14, 2017, there were 14,964,758 shares of common stock, par value $.001 (the "common stock"), outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement for 2017 Annual Meeting of Stockholders (the "Proxy Statement") – Part III

BLACK BOX CORPORATION
FOR THE FISCAL YEAR ENDED MARCH 31, 2017
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PART I

Item 1. Business.

Overview

Black Box Corporation ("Black Box," "we," the "Company," "our" or "us"), founded in 1976, is a leading digital solutions provider dedicated to helping customers design, build, manage, and secure their IT infrastructure. Offerings under our services platform ("Services") include unified communications, data infrastructure and managed services. Offerings under our products platform ("Products") include IT infrastructure, specialty networking, multimedia and keyboard/video/mouse ("KVM") switching. We employed 3,488 and 3,631 employees as of March 31, 2017 and March 31, 2016, respectively.

We participate in the worldwide communications, network infrastructure and managed services markets. The offerings of our Services platform are distributed to these markets primarily through value-added resellers, manufacturers, large system integrators and other technical services companies. The offerings of our Products platform are sold by manufacturers and integrators and are distributed through value-added resellers, direct marketing manufacturers, mass merchandisers, web retailers and others. We believe that we compete well in our markets on the basis of our solution features, technical capabilities, service levels and price.

We conduct business globally and manage our business on a geographic-service type basis consisting of four operating segments which are (i) North America Products, (ii) North America Services, (iii) International Products and (iv) International Services. Revenues within our North America segments are primarily attributed to the United States while revenues within our International segments are attributed to countries in Europe, the Pacific Rim and Latin America. For revenues and other information (including large customers) regarding these reporting segments, see Note 15 of the Notes to the Consolidated Financial Statements. For information regarding backlog, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Services and Products Platforms

We have built robust operating platforms that allow us to identify customer needs and then design, source, implement and support the appropriate solutions. Our two platforms for serving customers and generating growth are as follows:

Services Platform
Services is comprised of engineering and design, project management, field service management, network operations centers, our national technology team, national and international sales teams and technology solutions centers which include dedicated sales and engineering resources. The primary services offered through this platform include managed services, infrastructure services (including wired and wireless network solutions, structured cabling and video/AV services), communications lifecycle services, unified communications and data center services.

The Company generates revenues in its Services business from the design, sale and/or installation of new communications and network infrastructure systems, the support of existing systems and moves, adds and changes ("MAC work"). We periodically generate revenues from contracts performed over time that may result in an asset on our balance sheet for multiple periods constituting part of our working capital. We have not experienced significant collectability issues related to such contracts. For the sale and implementation of new communications systems or other major projects, 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 for service revenues. Projects account for the majority of Services revenues and are primarily driven by the overall economic environment and information technology capital spending. The Company also serves government clients whose revenues are not as dependent on the overall economic environment as commercial clients but are subject to governmental budgetary constraints.

The Company routinely competes against original equipment manufacturers, large system integrators and local or regional manufacturer-specific channel partners in the Services markets for enterprise clients. The Company believes that it favorably differentiates against this competition through its technology-independent approach which draws the appropriate product from our portfolio of different partner solutions, broad geographic footprint and deep industry and technical expertise. Through its network of operational centers and network operations centers, the Company can provide clients with both on-site and remote services.

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Products Platform
Under Products, we provide networking solutions through the sale of products for KVM switching, IT infrastructure, specialty networking and multimedia.

Our Products' revenues are generated from sales to key channel partners and system integrators and through a global distribution network. Products sells through a direct sales team as well as through its internet site and catalogs. In order to meet client demand, we keep a moderate level of inventory which consumes part of our working capital. The market for these products is a highly fragmented and competitive. The Company has participated in this market for 40+ years and has earned a reputation for providing high quality products, rapid order fulfillment and free 24/7/365 technical support. The Company's Products revenue is driven both by general information technology spending and capital budgets.

In order to procure our products, we utilize a network of original equipment manufacturers ("OEMs") and suppliers throughout the world. Each supplier is monitored for quality, delivery performance and cost through a well-established certification program. This network has manufacturing and engineering capabilities to customize products for specialized applications. Black Box operates its own manufacturing and assembly operation at its Lawrence, Pennsylvania location. The Company chooses to manufacture certain products in-house when outside sourcing is not economical. Sourcing decisions of in-house versus third-party suppliers are based upon a balance of quality, performance, delivery and cost factors.

Key Differentiators

Our platforms introduce scale, flexibility and leverage to the business, and provide the following competitive advantages:

A diversified client base: We have built a diversified client base that ranges from small organizations to many of the world's largest corporations and institutions. Black Box clients participate in many industries, including government, healthcare, business services, manufacturing, retail, technology and banking, among others. Revenues from our clients are segmented with 60% from large companies (i.e., revenues greater than $1 billion, including federal governments), 20% from medium-sized companies (i.e., revenues between $50 million and $1 billion, including state governments) and 20% from small companies (i.e., revenues less than $50 million, including local governments). We strive to develop extensive and long-term relationships with high-quality clients as we believe that satisfied clients will demand quality services and product offerings even in economic downturns. Also, we believe that our distinctive portfolio of products and services will allow us to leverage the relationship and introduce additional offerings to satisfied clients.

Key relationships with leading technology partners: We have built long-term relationships with all major communications equipment manufacturers and we are a top partner with the market leaders.

Broad geographic footprint: We have built a global footprint with offices throughout the world.

Deep organic resources: We have 3,488 team members world-wide, with the experience and certifications to serve our clients with on-site and remote capabilities.

Dedicated sales force: We have a team of approximately 400 direct sales people world-wide.

Strong financial position: We have a stable balance sheet and have generated positive cash flow for 41 consecutive years.

Our fiscal year ends on March 31. References to "Fiscal Year," "Fiscal," or "FY" mean our fiscal year ended March 31 for the year referenced. All dollar amounts are in thousands except for per share amounts or unless otherwise noted. We were incorporated in Delaware in 1976, and our headquarters is near Pittsburgh in Lawrence, Pennsylvania. Our mailing address is 1000 Park Drive, Lawrence, Pennsylvania 15055 and our phone number is (724) 746-5500. Our website is http://www.blackbox.com. Through the Investor Relations section of our website, we make available the following filings as soon as practicable after they are electronically filed with the Securities and Exchange Commission ("SEC"): our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. All such filings are available free of charge. Also available on our website is the Company's Code of Business Conduct and Ethics, Code of Ethics for Senior Financial Officers, Corporate Governance Guidelines and the charter of each committee of the Company's Board of Directors (the "Board") each of which is available free of charge.

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Item 1A. Risk Factors.

The following are some of the potential risk factors that could cause our actual results to differ materially from those projected in any forward-looking statements. You should carefully consider these factors, as well as the other information contained in this document, when evaluating your investment in our securities. The following list of important factors is not all-inclusive.

Changes in the information technology industry may result in reduced demand for our solutions. The information technology industry is characterized by rapid technological change and the frequent introduction of new products and solutions and new distribution methods or channels, each of which can decrease demand for current solutions or render them obsolete. In addition, the manner in which clients consume technology is shifting from a capital model to an operating expense model. Changes in the information technology industry and clients desired manner of procuring those solutions may negatively impact the demand for our solutions, which could adversely impact our business, financial condition or results of operations.

We face intense competition. We operate in a highly competitive industry. Our competitors, which include our technology suppliers, certain clients and certain subcontractors, may be able to deliver products and services at better prices or more quickly due to factors beyond our control. New competitors may also emerge in the future, which may threaten our ability to sustain or grow our market share. We cannot guarantee that we can continue to compete effectively in the future and still be able to sustain our current levels of profit margin.

Our investments in new solutions may not be successful. We have recently begun [did we begin these investments?] and expect to continue to invest in new solutions including managed services, IoT and others. The complexity of developing, marketing, selling and supporting these solutions and competition [is there significant competition in these markets?] in the markets for these solutions could make it difficult for us to successfully offer them. Additionally, there is a risk that our clients may not adopt these solutions widely, which would prevent us from realizing expected returns on these investments. If we are unable to market, sell and/or deploy these solutions successfully or profitably, it could adversely impact our business, financial condition or results of operations.

Our revenue is dependent upon repeat client business and generally is not subject to long-term contracts. A majority of our revenue is generated through individual sales of products and services and less than twenty (20%) of our revenue is generated from long-term maintenance contracts. We depend on repeat client business as well as our ability to develop new client business to sustain and grow our revenue. Although our focus on delivering high-quality sales and service has proven to be successful in the past, we cannot guarantee that we will be able to grow or even sustain our current level of revenue in the future.

We can provide no assurance that we will continue to have adequate liquidity. Although we generate positive cash flow and have access to additional credit, we cannot be certain that our current liquidity situation will be adequate in future periods. We cannot guarantee that we will be able to maintain our positive cash flow position, obtain additional credit or raise additional capital, which may restrict our ability to operate or to pursue new business opportunities in the future.

We are implementing a new enterprise resource planning (“ERP”) system for our Services’ business which could result in significant disruptions to our business. In support of our strategic initiatives to optimize our business, during the fourth quarter of Fiscal 2017, we began the design and implementation of a new enterprise resource planning (ERP) system for our Services business. This new system replaces multiple accounting and financial reporting systems. Implementation of the new ERP solution will have a significant impact on Services’ business processes, information systems and internal controls. The implementation will require a significant financial investment, meaningful allocation of personnel resources and the coordination of numerous software and system providers, our consultants and our internal teams.

Any failure in the implementation of this new ERP system could adversely affect our ability to timely and accurately report financial information, including the filing of our quarterly or annual reports with the SEC. Such failure could also impact our ability to timely or accurately make payments to our vendors and employees and could also inhibit our ability to invoice and collect from our clients. Data integrity problems or other issues may be discovered which, if not corrected, could impact our business or financial results. In addition, we may experience periodic or prolonged disruption of our financial functions arising out of this implementation. If we encounter unforeseen problems with our financial system or related systems, our business, operations and financial systems (including our internal controls) could be adversely affected. In addition, any delay in completing the implementation would result in a delay in realizing the benefits of the new system and result in increased costs. There can be no assurance that the implementation of our new ERP will be successful, or that such implementation or transition will not present unforeseen costs or demands on our management.

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Our business operations could be disrupted if our information technology systems fail to perform adequately. The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage our business data, communications, order entry and fulfillment and other business processes. The failure of our information technology systems to perform as we anticipate could disrupt our business and could result in transaction errors, processing inefficiencies and the loss of sales and customers, causing our business and results of operations to suffer. In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, power outages, systems failures, security breaches and viruses. Any such damage or interruption could have a material adverse effect on our business.

Disruption or breaches of security to our information technology systems and the misappropriation of our clients' data could adversely impact our business. Our information technology systems are vulnerable to disruption by forces outside our control. We have taken steps to protect our information technology systems from a variety of internal and external threats, including computer viruses, malware, phishing, social engineering, unauthorized access and other malicious attacks, but there can be no guarantee that these steps will be effective. Any disruption to or infiltration of our information technology systems could adversely impact our business, financial condition or results of operations. In addition, in order to ensure customer confidence in our solutions and services, we may choose to remediate actual or perceived security concerns by implementing further security measures which could require us to expend significant resources. Further, our business may involve the storage and transmission of proprietary, sensitive or confidential information. We have privacy and data security policies in place that are designed to prevent security breaches and confidentiality and data security provisions are standard in our client contracts. However, as newer technologies evolve, our security practices and products may be sabotaged or circumvented by third parties, such as hackers, which could result in disruptions to our clients' businesses, unauthorized procurement and the disclosure of sensitive corporate information or private personal information. Such breaches in security could damage our reputation and our business; they could also expose us to legal claims, proceedings and liability and to regulatory penalties under laws that protect the privacy of personal information, which could adversely impact our business, financial condition or results of operations.

We rely on third-party companies to perform certain of our obligations to clients, which could impact our business if not performed. We design, install, monitor and maintain systems and network solutions for our clients. We provide certain of those services to our clients through third-party providers who are engaged to perform these services on our behalf. If our third-party services providers fail to provide high-quality services to our clients, or if such services result in a disruption of our clients' businesses, we could be subject to legal claims, proceedings and liability.

We are dependent upon certain key supply chain and distribution agreements. We have significant arrangements with a small number of technology suppliers. If we experience disruptions in our supply chain with these manufacturers for any reason or lose our distribution rights, we may not be able to fulfill client commitments with an acceptable alternative or we may not be able to obtain alternative solutions at similar costs.

Our engagements with our clients are based on estimated pricing terms. If our pricing estimates are incorrect, these engagements could become unprofitable. Most of our client contracts are fixed-price to which we commit before we provide products and/or services to these clients. In pricing such fixed-price client contracts, we are required to make estimates and assumptions at the time we enter into these contracts that could differ from actual results. As a result, the profit that is anticipated at a contract's inception may not be guaranteed. Our estimates reflect our best judgments about the nature of the engagement and our expected costs in providing the contracted services. However, any increased or unexpected costs, or any unanticipated delays in connection with our performance of these engagements-including delays caused by our third-party providers or by factors outside our control-could make these contracts less profitable or unprofitable and could have an adverse impact on our business, financial condition or results of operations.

A significant part of our business involves public sector clients which provides unique risks. Approximately 20% of our revenues is derived from sales to agencies and departments of federal, state and local governments. Legislatures typically appropriate funds for a given program annually. These appropriations may be influenced by, among other things, the state of the economy, competing priorities for appropriation, changes in administration or control of legislatures, the timing and amount of tax receipts and the overall level of government expenditures. A decrease in appropriations for certain programs could have a material adverse effect on our business.

In addition, our revenues from sales to these public sector clients are made through various direct contracts, through reseller agreements with government contractors and through open market sales. Government contracting is a highly-regulated area. Failure to comply with regulations or contracts could subject us to fines, penalties, suspension or debarment from doing business with such clients, which could have a material adverse effect on our business.

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Our future results will depend on our ability to manage costs effectively. We are continually implementing productivity measures and focusing on improving cost efficiency. We may be unable to realize all expected cost savings in connection with these efforts, and we may incur additional and/or unexpected costs to realize them. Further, we may not be able to sustain any achieved savings in the future. Future results will depend on the success of these efforts.

We are dependent upon the retention of our key personnel. The success of our business depends on our ability to attract and retain quality employees, executives and directors. We offer comprehensive salary and benefit packages including long-term incentives as a means of attracting and retaining personnel. We face pressure to maintain our profit margins and remain competitive in our industry while we compete for personnel in our local markets with a variety of different businesses that may be able to offer more attractive incentives due to their individual financial situations. We cannot guarantee that we will continue to attract and retain personnel with our current incentives and at costs that are consistent with our desired profit margins.

We are dependent upon future mergers and acquisitions, including successful integration, for a portion of our future growth. A key component of our long-term growth strategy is through strategic mergers and acquisitions and our future financial results are dependent upon the successful acquisition and integration of those acquisitions. We may not be successful in our search for potential acquisition candidates that are acceptable for our business model, or we may not be successful in our attempts to acquire new businesses that we have identified as attractive acquisition candidates. We cannot guarantee that we will meet our projected growth targets in the future if we are unsuccessful in our efforts to acquire additional businesses.

Our financial results are dependent on our economic environments. We, our clients or our vendors may experience economic hardships due to inflation or recession, weak economic conditions, uncertainty in global economic conditions, changes in laws and regulations, business disruptions due to natural disasters, acts of terrorism or war or other factors that are beyond our control. These conditions could cause our clients to postpone or reduce spending on technology products and solutions and that could negatively impact our results of operations, financial condition or our ability to meet our future financial goals.

We may not get an adequate return on investment and may be unable to maintain cost savings from our reset initiatives. Company management has undertaken measures to reset the business model and align costs with revenue to improve profitability. The Company believes there is a significant cost savings from such restructuring initiatives and that they will provide a return on investment in a relatively short period of time. However, there can be no assurance that we would realize adequate returns on this investment nor that we would be able to maintain such cost savings in the future.

If we infringe on the intellectual property rights of third parties, we may be subject to costly disputes or indemnification obligations that could adversely impact our business, financial condition or results of operations. We cannot assure you that our activities will not infringe on patents, trademarks or other intellectual property rights owned by others. If we are required to defend ourselves against intellectual property rights claims, we may spend significant time and effort and incur significant litigation costs, regardless of whether such claims have merit. If we are found to have infringed on the patents, trademarks or other intellectual property rights of others, we may also be subject to substantial claims for damages or a requirement to cease the use of such disputed intellectual property, which could have an adverse effect on our operations. Such litigation or claims and the consequences that could follow could distract our management from the ordinary operation of our business and could increase our costs of doing business, resulting in a negative impact on our business, financial condition or results of operations.

Furthermore, third parties may assert infringement claims against our clients for infringement by our products on the intellectual property rights of such third parties. These claims may require us to initiate or defend protracted and costly litigation on behalf of our clients, regardless of the merits of these claims. We also generally extend the indemnification granted by our OEMs to our clients for any such infringement. If any of these claims succeed, we may be forced to pay damages on behalf of our clients or may be required to obtain licenses for the products they use, even though our OEMs may in turn be liable for any such damages. Any infringement on the intellectual property rights of third parties could adversely impact our business, financial condition or results of operations.

We are subject to the risks of international operations. We operate in countries outside of the United States. Our operations or our financial condition may be negatively affected by events surrounding our international operations such as changes in laws and regulations, political or economic instability, currency fluctuations, supply chain disruptions, acts of terrorism, natural disasters or other political, economic or environmental factors. We cannot rely on the past results of our international operations as an indicator of future results or assure you that we will not be adversely affected by those factors inherent with international operations.

Our stock price fluctuates. Our stock price is affected by a number of factors, including quarterly variations in our financial results. As a result, our stock price is subject to volatility.

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We are exposed to risks from legal proceedings and audits. We are party to various legal proceedings that arise in the ordinary course of our business, which include commercial, employment, tort and other litigation. We are also subject to intellectual property infringement claims in the ordinary course of our business, which come in the form of cease-and-desist letters, licensing inquiries, lawsuits and other demands. These claims may arise either from the products and services we sell or the business systems and products we use to sell the products and services. In our industry, such claims have become more frequent with the increasing complexity of technological products. In fact, many of these assertions are brought by Non-Practicing entities, whose principal business model is to secure patent licensing revenue. Because of our significant sales to public sector clients, we are also subject to audits by federal, state and local authorities. From time to time, we receive subpoenas and other requests for information from various government authorities. We may also be subject to audits by various vendor partners and large clients, including government agencies, pursuant to certain purchase and sale agreements. Further, we may be required to indemnify our vendor partners and our clients from claims brought by third parties under certain agreements. Current and future litigation, infringement claims, governmental proceedings, audits or indemnification claims may result in substantial costs and expenses and regardless of the outcome, significantly divert the attention of our management, which could adversely impact our business, financial condition or results of operations.

Changes in accounting rules could adversely affect our future financial results. We prepare our financial statements in conformity with GAAP. These accounting principles are subject to interpretation by the Financial Accounting Standards Board, the SEC, the American Institute of Certified Public Accountants and various other bodies formed to interpret and create appropriate accounting policies. Products and services and the manner in which they are bundled (including the payment terms for such bundled products and services) are technologically complex and the characterization of these products and services require judgment to apply revenue recognition policies. Any mischaracterization of these products and services could result in misapplication of revenue recognition policies. Future periodic assessments required by current or new accounting standards may result in noncash changes and/or changes in presentation or disclosure. In addition, any change in accounting standards may influence our clients' decision to purchase from us or to finance transactions with us, which could adversely impact our business, financial condition or results of operations.

Increased costs of labor and employee health and welfare benefits may adversely impact our results of operations. Given our large number of team members, labor-related costs represent a significant portion of our expenses. An increase in labor costs (for example, as a result of increased competition for skilled labor) or employee benefit costs (such as health care costs or otherwise) could adversely impact our business, financial condition or results of operations.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The Company's worldwide headquarters and certain U.S. operations, including the Products and Services platforms, are located in Lawrence, Pennsylvania (located 20 miles south of Pittsburgh) in 352,000 square feet of owned facility on 84 acres.

The Company owns or leases additional offices or facilities throughout the world, none of which are material in nature to Black Box.

The Company believes that its properties are adequate for its present and foreseeable needs.

Item 3. Legal Proceedings.

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, Company management ("Management") believes these matters are adequately provided for, covered by insurance, without merit or not probable that an unfavorable material outcome will result.

Item 4. Mine Safety Disclosures.

Not applicable.

Executive Officers of the Registrant

The executive officers of the Company and their respective ages and positions are as follows:

Name	Age	Position with the Company
Eslie C. Sykes	56	President and Chief Executive Officer
David J. Russo	58	Senior Vice President, Chief Financial Officer and Treasurer (Principal Accounting Officer)
Ronald Basso	57	Executive Vice President of Business Development, General Counsel & Secretary

The following is a biographical summary of the experience of the executive officers of the Company:

ESLIE C. SYKES, 56, was named President and Chief Executive Officer on February 29, 2016. Mr. Sykes was employed by Flextronics International Ltd. (an international supply chain solutions company) from 1999 to 2013. He advanced from General Manager to Executive Officer and Group President of the Industrial and Emerging Products Group. Following his career at Flextronics, Mr. Sykes was President and CEO of Switch Lighting (an LED lighting company) from 2013 to 2014. After leaving Switch Lighting, Mr. Sykes was a consultant and investor and served on boards of private, public-private and educational endeavors.

DAVID J. RUSSO, 58, was named Senior Vice President, Chief Financial Officer and Treasurer (and, in those roles, he serves as the Company's principal financial officer and principal accounting officer) on April 24, 2017. Mr. Russo most recently served as the Senior Vice President, Chief Financial Officer and Treasurer of L. B. Foster Company since 2002. He previously served as Corporate Controller of WESCO International Inc. from 1999 to 2002.

RONALD BASSO, 57, was named Executive Vice President of Business Development, General Counsel and Secretary on January 28, 2013. Mr. Basso was a shareholder of the law firm of Buchanan Ingersoll & Rooney PC, which he joined in 1985, where he served as the Company's lead engagement partner.

Directors of the Registrant

The following sets forth certain information concerning the members of the Board:

CYNTHIA J. COMPARIN, 58, was elected as a director on October 31, 2016. Ms. Comparin was the founder and CEO of Animato Technologies Corporation, a private company providing business and technology solutions to enterprise clients for almost 20 years. Prior to establishing Animato, Ms. Comparin created and was President of Alltel's Enterprise Network Services Division, providing consulting, integration and operations services to worldwide customers.

RICHARD L. CROUCH, 70, was elected as a director on August 10, 2004. Mr. Crouch was a General Partner with the firm of PricewaterhouseCoopers LLP from 1979 to 2004, having served as an Audit Partner principally assigned to public companies. He served in various capacities for the firm, including service as a regional accounting, auditing and SEC services consultant. He retired from the firm on July 2, 2004.

RICHARD C. ELIAS, 63, was selected to be a director on November 3, 2014. Mr. Elias retired from PPG Industries, Inc. ("PPG"), a global supplier of paints, coatings, optical products, specialty materials, chemicals, glass and fiber glass in April 2014. Prior to his retirement, Mr. Elias served as the Senior Vice President - Optical and Specialty Materials of PPG from 2008 to 2014, and Vice President, Optical Products of PPG from 2000 to 2008. Mr. Elias also served as the President, and then Chief Executive Officer, of Transitions Optical, Inc., a subsidiary and then joint venture of PPG, from 1995 to 2014. Mr. Elias is a director of Universal Display Corporation.

THOMAS W. GOLONSKI, 74, was selected to be a director on February 11, 2003 and was elected by our stockholders on August 12, 2003. Mr. Golonski served as Chairman, President and Chief Executive Officer of National City Bank of Pennsylvania and Executive Vice President of National City Corporation from 1996 to 2005. He retired from National City in 2005. He is a director of several educational and health care organizations and active in other charitable organizations.

THOMAS G. GREIG, 69, was elected as a director on August 10, 1999 and appointed as non-executive Chairman of the Board in May 2004. Mr. Greig has been a Senior Managing Director of Liberty Capital Partners, a private equity partnership, since 1998. He is also a director of publicly-held Rudolph Technologies, Inc. and a privately-held company.

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JOHN S. HELLER, 63, was selected to be a director on March 27, 2013 and was elected by our stockholders on August 6, 2013. Mr. Heller retired from Caterpillar Inc., a manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives, in February 2012. He held a number of positions of increasing responsibility at Caterpillar during a 38-year career, last serving as Vice President and Chief Information Officer for the last 5 years.

WILLIAM H. HERNANDEZ, 69, was selected to be a director on December 3, 2009 and was elected by our stockholders on August 10, 2010. Mr. Hernandez was the Senior Vice President, Finance and Chief Financial Officer of PPG Industries, Inc. ("PPG"), a global supplier of paints, coatings, optical products, specialty materials, chemicals, glass and fiber glass, from 1995 until he retired on October 15, 2009. Prior to assuming those duties in 1995, he served as PPG's Controller from 1990 to 1994 and as Vice President and Controller from 1994. From 1974 until 1990, he held a number of positions at Borg-Warner Corporation, a supplier of motor vehicle parts and systems. He is a Certified Management Accountant and a director of Albermarle Corporation, Northrop Grumman Corporation and USG Corporation, all publicly-held companies.

ESLIE C. SYKES, 56, was named President and Chief Executive Officer on February 29, 2016. Mr. Sykes was employed by Flextronics International Ltd. (an international supply chain solutions company) from 1999 to 2013. He advanced from General Manager to Executive Officer and Group President of the Industrial and Emerging Products Group. Following his career at Flextronics, Mr. Sykes was President and CEO of Switch Lighting (an LED lighting company) from 2013 to 2014. After leaving Switch Lighting, Mr. Sykes was a consultant and investor and served on boards of private, public-private and educational endeavors.

JOEL T. TRAMMELL, 52, was selected to be a director on March 27, 2013 and was elected by our stockholders on August 6, 2013. Mr. Trammell is the founder and Chief Executive Officer of Khorus, Inc., a provider of software-based management systems, since 2013. He also has been a Managing Partner of Lone Rock Technology Group, a private equity firm, and Lake Austin Advisors, a hedge fund, since 2011. He was a founder and the Chief Executive Officer of CacheIQ, Inc., a network computing company, from June 2010 until it was acquired by NetApp, Inc. in November 2012. Previously, he was a founder and served as the Chief Executive Officer of NetQoS, Inc., a network management software and services company, from June 2000 to November 2009.

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PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Common Stock Information
The common stock is traded on NASDAQ under the symbol "BBOX" and has been assigned to the NASDAQ Global Select tier. As of March 31, 2017, 26,653,512 shares of the common stock were issued, of which 11,693,833 shares were held in treasury, resulting in 14,959,679 shares outstanding at that date.

The following table sets forth the quarterly high and low sale prices of the common stock as reported by the NASDAQ Global Select Market during each of the Company’s fiscal quarters indicated below.

	High	Low
Fiscal 2017		
1st Quarter	$15.10	$11.84
2nd Quarter	14.79	12.73
3rd Quarter	16.90	11.30
4th Quarter	15.65	8.50
Fiscal 2016		
1st Quarter	$21.62	$19.48
2nd Quarter	20.40	14.09
3rd Quarter	16.35	8.48
4th Quarter	14.77	6.84

On April 14, 2017, the last reported sale price of the common stock was $9.40 per share.

Dividend Policy
Cash dividends of $0.12 per share of common stock declared during Fiscal 2017 were paid on each of July 15, 2016, October 14, 2016, January 13, 2017 and April 14, 2017. Cash dividends of $0.11 per share of common stock declared during Fiscal 2016 were paid on each of July 10, 2015, October 9, 2015, January 8, 2016 and April 14, 2016. 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 the financial condition of the Company.

Under the New Credit Agreement dated as of May 9, 2016, the Company is permitted to make regular quarterly dividends not exceeding $15,000 per year as long as no Event of Default or Potential Default (as defined in the New Credit Agreement) shall have occurred and is continuing or shall occur as a result thereof. In addition, the Company is permitted to make other distributions or special dividends if such event would not violate a 3.00 to 1.00 consolidated leverage ratio under the New Credit Agreement.

Stockholders
As of March 31, 2017, there were 832 holders of record of the common stock.

Equity Plan Compensation Information:
See the information set forth under the caption "Equity Plan Compensation Information" in the Proxy Statement, which is incorporated by reference into Item 12 of Part III of this Annual Report.

Issuance of Unregistered Securities:

There were no issuances of unregistered securities by the Company during the three-month period ended March 31, 2017.

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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
January 1, 2017 to January 29, 2017	—	$ —	—	1,305,067
January 30, 2017 to February 26, 2017	197,918	$ 9.90	197,918	1,107,149
February 27, 2017 to March 31, 2017	—	$ —	—	1,107,149
Total	197,918	$ 9.90	197,918	1,107,149

As of March 31, 2017, 1,107,149 shares were available under repurchase programs approved by the Board. This repurchase program has no expiration date and none of the Company's prior repurchase 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. There can be no assurance as to the timing or amount of such repurchases. Under the New Credit Agreement (defined below), the Company is permitted to repurchase its common stock as long as no Event of Default or Potential Default (as defined in the New Credit Agreement) shall have occurred and is continuing or shall occur as a result thereof. In addition, no repurchase of common stock is permitted, with certain exceptions, under the New Credit Agreement if the Company's consolidated leverage ratio (based on EBITDA) exceeds 3.00. At March 31, 2017, the Company's leverage ratio was 2.41.

Item 6. Selected Financial Data.

The following tables set forth certain selected historical financial data for the Company (in thousands, except for per share amounts). This information should be read in conjunction with the Company’s consolidated financial statements, "Management’s Discussion and Analysis of Financial Condition and Results of Operations" and the Notes to the Consolidated Financial Statements included elsewhere in this Annual Report.

	Fiscal 2017	2016	2015	2014	2013
Statements of Operations					
Revenues	$855,731	$912,655	$992,444	$971,674	$997,786
Gross profit	242,960	270,337	302,269	303,582	319,930
Operating income (loss)[1]	(1,319)	(187,825)	28,574	(108,392)	56,269
Net income (loss)[1]	(7,051)	(171,102)	15,342	(115,873)	28,806
Basic earnings (loss) per share	(0.47)	(11.18)	1.00	(7.33)	1.73
Diluted earnings (loss) per share	(0.47)	(11.18)	0.99	(7.33)	1.73
Dividends per share	0.48	0.44	0.40	0.36	0.32
Balance Sheet Data (at end of period)					
Working capital [2]	$91,134	$129,048	$151,488	$175,692	$184,229
Total assets	427,117	475,794	686,259	712,029	878,001
Long-term debt	88,782	119,663	137,267	160,429	187,648
Stockholders’ equity	141,649	156,233	337,111	351,117	482,247

[1] Includes goodwill impairment loss of $191,644 and $154,429 for Fiscal 2016 and Fiscal 2014, respectively.

[2] Working capital is computed as current assets minus current liabilities.

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Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations ("MD&A").

The discussion and analysis for the fiscal years ended March 31, 2017, 2016 and 2015 as set forth below in this Item 7 should be read in conjunction with the consolidated financial statements of Black Box, including the related notes. The Company’s fiscal year ends on March 31. References to "Fiscal Year," "Fiscal," or "FY" mean the Company’s fiscal year ended March 31 for the year referenced. All dollar amounts are presented in thousands except for per share amounts or unless otherwise noted.

The Company
Black Box is a leading digital solutions provider dedicated to helping customers design, build, manage, and secure their IT infrastructure. The Company offers Products and Services that it distributes through two platforms that it has built over its 41-year history.
Our Services platform is comprised of engineering and design, project management, field service management, network operations centers, our national technology team, national and international sales teams and technology solutions centers which include dedicated sales and engineering resources. The primary services offered through this platform include managed services, infrastructure services (including wired and wireless network solutions, structured cabling and video/AV services), communications lifecycle services, unified communications and data center services. The Company generates revenues in its Services business from the design, sale and/or installation of new communications and network infrastructure systems, the support of existing systems and moves, adds and changes ("MAC work"). We periodically generate revenues from contracts performed over time that may result in an asset on our balance sheet for multiple periods constituting part of our working capital. We have not experienced significant collectability issues related to such contracts. For the sale and implementation of new communications systems or other major projects, 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 for service revenues. Projects account for the majority of Services revenues and are primarily driven by the overall economic environment and information technology capital spending. The Company also serves government clients whose revenues are not as dependent on the overall economic environment as commercial clients but are subject to governmental budgetary constraints.

New communications systems orders often generate post-implementation maintenance via a fixed fee model where revenues are earned ratably over the term of the agreement (generally 1-3 years for commercial clients and 3-5 years for government clients) or a variable fee model that is based on time and materials per occurrence, similar to MAC work. Maintenance revenues generally are not dependent on the economy as clients contract for maintenance to extend the life of their existing equipment and delay capital spending on new communications systems. Maintenance and MAC work revenues are also dependent upon the Company's relationship with its clients and its long track record of providing high-quality service.
The Company's Services business generates backlog which is defined by the Company as orders and contracts considered to be firm. At March 31, 2017, the Company's total backlog, which relates primarily to Services, was $306,615, of which $219,104 is expected to be completed within the next twelve months.
Under our Products platform, we provide networking solutions through the sale of products for KVM switching, IT infrastructure, specialty networking and multimedia.
Our Products' revenues are generated from sales to key channel partners and system integrators and through a global distribution network. Products sells through a direct sales team as well as through its internet site and catalogs. In order to meet client demand, we keep a moderate level of inventory which consumes part of our working capital. The market for these products is a highly fragmented and competitive. The Company has participated in this market for 40+ years and has earned a reputation for providing high quality products, rapid order fulfillment and free 24/7/365 technical support. The Company's Products revenue is driven both by general information technology spending and capital budgets.

The Company services a variety of clients within most major industries, with the highest concentration in the government, business services, manufacturing, banking, retail, healthcare and technology industry verticals. 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 European markets could impact the Company. 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 from us even in economic downturns.

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Fiscal 2017 vs Fiscal 2016 Summary

	FY17	FY16	% Change
Revenues	$ 855,731	$ 912,655	(6)%
Gross profit margin	28.4 %	29.6 %	(4)%
Operating income (loss) margin	(0.2)%	(20.6)%	n/m
Diluted earnings (loss) per share	$ (0.47)	$ (11.18)	n/m
Net cash provided by (used for) operating activities	$ 39,930	$ 37,202	7 %

n/m = not meaningful

Diluted loss per share was $0.47 compared to Diluted loss per share of $11.18 in the same period last year as a result of:

- a $56,924 decrease in Revenues as a result of a decrease in Service Revenues, primarily due to a decrease in our core commercial revenues in North America Services as a result of less than normal focus on sales as a result of multiple transformational activities including but not limited to a commercial sales organization realignment and an ERP consolidation project and a decrease in Products Revenues due to a decrease in North America Products as a result of lower volumes of large orders, a change in sales leadership and lower demand for legacy data networking products, partially offset by an increase in government revenues within North America Services after nearly four fiscal years of revenue declines,
- a $27,377 decrease in Gross profit as a result of the decrease in Revenues in North America Services and North America Products noted above and a decrease in Gross profit margin. During Fiscal 2017, the Company recorded an Inventory impairment loss of $9,137 ($2,810 in North America Products due to a write-down to lower of cost or market as a result of specific legacy networking product discontinuation and excess inventory given the current demand outlook and $6,327 in North America Services due to a write-down to lower of cost or market as a result of excess inventory given current demand in commercial services). During Fiscal 2016, the Company recorded an Inventory impairment loss of $5,953 ($2,192 in North America Products to a write-down to lower of cost or market as a result of a product line discontinuation and $3,791 in North America Services due to write-down to lower of cost or market as a result of excess inventory given current lower than expected service revenue levels),
- a $21,261 decrease in Selling, general and administrative expenses which was primarily the result of a $1,175 gain on the sale of a facility in 2Q17, decreases of $455, $4,119 and $2,043 for stock-based compensation, restructuring expense and Accounts Receivable impairment loss, respectively, a decrease in investments for the operations transformation and infrastructure, lower operating costs due to cost reduction initiatives and cost savings from restructuring during the first nine months of Fiscal 2016, partially offset by $820 of additional depreciation,
- a $191,650 decrease in asset impairment loss (including $191,644 of goodwill impairment loss and $542 of intangibles impairment loss in FY16, partially offset by $536 for fixed asset write-offs in 2Q17),
- a $357 decrease in Interest expense, net, resulting from a decrease in weighted-average outstanding debt,
- a $23,739 increase in Provision (benefit) for income taxes and a decrease in the effective rate from 11.4% to (33.2)% due to the prior year goodwill impairment and the associated benefit for tax deductible goodwill, the reduction of deferred tax assets associated with equity awards, and the mix of income across various taxing jurisdictions, and
- a 226 decrease in Diluted weighted-average common shares outstanding resulting from the Company's common stock repurchases.

Net cash provided by operating activities was $39,930 which included Net loss of $7,051 and positive cash from working capital of $10,694, an increase of 7% compared to $37,202, which included Net loss of $171,102 and positive cash from working capital of $7,153, in the same period last year. The year-over-year increase in Net cash provided by operating activities was primarily due to the timing of working capital items.

In Fiscal 2017, the Company’s Revenues declined by 6% which was primarily driven by lower revenue levels in the commercial business within North America Services and North America Products partially offset by growth in the federal business within North America Services. The decline in the commercial business within North America Services is due to continued decline within the legacy unified communications business, which we expect will continue for the foreseeable future, and multiple transformational activities including but not limited to a commercial sales organization realignment and an ERP consolidation project. The decline in North America Products is due to lower volumes of large orders, a change in sales leadership and lower demand for legacy data networking products. The success in the federal business within North America Services is due to activities in the past couple of

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years to reposition that business in the market to focus on client-desired outcomes, a proven model that we look to roll out to all of our business units.

During Fiscal 2017, our gross profit was negatively impacted by an Inventory impairment loss that resulted from product discontinuation and excess inventory given the current demand outlook. Such actions are part of our focus on maximizing asset utilization and working capital efficiencies and these reductions will increase cost efficiency in future periods. Our operating profit was positively impacted by lower goodwill impairment loss, compensation (resulting from the right-sizing of our costs to expected revenues), consulting fees related to the sales and operations transformation, restructuring expenses, facilities-related expenses, accounts receivable losses and travel-related expenses, partially offset by additional investments for the integration of the international support organization, strategy consulting and the US-based ERP project.

Also during Fiscal 2017, we focused on strengthening our balance sheet to enable investments for long-term sustainable growth. Specifically, we reduced cash, inventory and debt and we ended the year with the lowest working capital in many years. In addition, we posted steady cash flow from operations, which is a staple of this Company.

In Fiscal 2018, we are focused on the US-based ERP project, which we anticipate will provide us with better access to new tools that will increase our speed and agility, enhance our customers' experience, standardize the processes of our daily tasks and ultimately provide efficiencies that will improve our bottom line. In addition, we are focused on monetizing the opportunities that are expected to be made available through the internet of things and will work to implement our strategy and develop additional growth initiatives for the Company.

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Results of Operations

Segments

We conduct our business globally and manage our business by geographic-service type under the following four operating segments: North America Products, North America Services, International Products and International Services. The Revenues, Gross profit and Operating income (loss) amounts in the table below are presented on a basis consistent with accounting principles generally accepted in the United States.

	FY17	FY16	% Change	FY16	FY15	% Change
Revenues						