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

FORM 10-Q

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

For the quarterly period ended April 3, 2020
or

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

For the transition period from ________ to ________

Commission file number 001-10212

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

Delaware	**94-1658138**
(State or other jurisdiction of Incorporation or Organization)	***(I.R.S. Employer Identification No.)***

2301 Patriot Blvd.
Glenview, IL 60026
(224) 521-8000
(Address and telephone number of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, $1 par value	AXE	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth 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. ☐

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

At April 20, 2020, 34,001,490 shares of registrant’s Common Stock, $1 par value, were outstanding.

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This report may contain various "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements can be identified by the use of forward-looking terminology such as "believes", "expects", "intends", "anticipates", "contemplates", "estimates", "plans", "projects", "should", "may", "will" or the negative thereof or other variations thereon or comparable terminology indicating our expectations or beliefs concerning future events. We caution that such statements are qualified by important factors that could cause actual results to differ materially from those in the forward-looking statements, a number of which are identified in this report. Other factors could also cause actual results to differ materially from expected results included in these statements. These factors include but are not limited to the impact of the COVID-19 pandemic, general economic conditions, the level of customer demand particularly for capital projects in the markets we serve, changes in supplier or customer relationships, risks associated with nonconforming products and services, political, economic or currency risks related to non-U.S. operations, new or changed competitors, risks associated with inventory and accounts receivable, copper and commodity price fluctuations, risks associated with substantial debt and restrictions contained in financial and operating covenants in our debt agreements, capital project volumes, risks associated with pension expense and funding, compliance with laws and regulations, the impact of investigative and legal proceedings and legal compliance risks, information security risks, disruption or failure of information systems, disruptions to logistics capability or supply chain, the impact and the uncertainty concerning the timing and terms of the withdrawal by the United Kingdom from the European Union, unanticipated changes in our tax provision and tax liabilities related to the enactment of the Tax Cuts and Jobs Act, and risks associated with the integration of acquired companies including, but not limited to, the risk that the acquisitions may not provide us with the synergies or other benefits that were anticipated.

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ANIXTER INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited)

(In millions, except per share amounts)	Three Months Ended April 3, 2020	Three Months Ended March 29, 2019
Net sales	**$ 2,071.7**	**$ 2,108.5**
Cost of goods sold	1,655.3	1,689.6
Gross profit	**416.4**	**418.9**
Operating expenses	345.0	344.3
Operating income	**71.4**	**74.6**
Other expense:		
Interest expense	(16.8)	(20.4)
Other, net	(6.6)	1.8
Income before income taxes	48.0	56.0
Income tax expense	12.3	16.9
Net income	**$ 35.7**	**$ 39.1**
Income per share:		
Basic	$ 1.04	$ 1.15
Diluted	$ 1.03	$ 1.14
Basic weighted-average common shares outstanding	**34.3**	**33.9**
Effect of dilutive securities:		
Stock options and units	0.3	0.3
Diluted weighted-average common shares outstanding	**34.6**	**34.2**
Net income	**$ 35.7**	**$ 39.1**
Other comprehensive (loss) income:		
Foreign currency translation	(65.5)	6.9
Changes in unrealized pension cost, net of tax	1.1	0.2
Other comprehensive (loss) income	**(64.4)**	**7.1**
Comprehensive (loss) income	**$ (28.7)**	**$ 46.2**

See accompanying notes to the Condensed Consolidated Financial Statements.

ANIXTER INTERNATIONAL INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share and per share amounts)	(Unaudited) April 3, 2020	January 3, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 282.0	$ 79.6
Accounts receivable, net	1,533.0	1,540.3
Inventories	1,365.2	1,354.7
Other current assets	52.3	63.3
Total current assets	3,232.5	3,037.9
Property and equipment, at cost	436.5	432.3
Accumulated depreciation	(261.7)	(257.4)
Property and equipment, net	174.8	174.9
Operating leases	263.5	273.3
Goodwill	810.0	828.7
Intangible assets, net	342.9	361.2
Other assets	126.8	132.9
Total assets	**$ 4,950.5**	**$ 4,808.9**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,104.8	$ 1,100.3
Accrued expenses	253.0	330.3
Current operating lease obligations	63.1	62.9
Total current liabilities	1,420.9	1,493.5
Long-term debt	1,316.8	1,059.7
Operating lease obligations	209.2	219.1
Other liabilities	170.3	175.7
Total liabilities	**3,117.2**	**2,948.0**
Stockholders' equity:		
Common stock - $1.00 par value, 100,000,000 shares authorized, 34,385,716 and 34,214,795 shares issued and outstanding at April 3, 2020 and January 3, 2020, respectively	34.4	34.2
Capital surplus	311.1	310.2
Retained earnings	1,819.5	1,783.8
Accumulated other comprehensive loss:		
Foreign currency translation	(211.0)	(145.5)
Unrecognized pension liability, net	(120.7)	(121.8)
Total accumulated other comprehensive loss	(331.7)	(267.3)
Total stockholders' equity	**1,833.3**	**1,860.9**
Total liabilities and stockholders' equity	**$ 4,950.5**	**$ 4,808.9**

See accompanying notes to the Condensed Consolidated Financial Statements.

ANIXTER INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)	Three Months Ended April 3, 2020	Three Months Ended March 29, 2019
Operating activities:		
Net income	$ 35.7	$ 39.1
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	8.5	9.3
Amortization of intangible assets	8.6	8.8
Stock-based compensation	4.6	4.1
Deferred income taxes	0.5	0.1
Pension plan contributions	(2.5)	(2.1)
Pension plan expenses	1.3	1.4
Changes in current assets and liabilities, net	(115.1)	(175.8)
Other, net	7.5	0.9
Net cash used in operating activities	**(50.9)**	**(114.2)**
Investing activities:		
Capital expenditures, net	(6.9)	(5.9)
Net cash used in investing activities	**(6.9)**	**(5.9)**
Financing activities:		
Proceeds from borrowings	648.7	1,241.5
Repayments of borrowings	(393.6)	(1,127.4)
Proceeds from stock options exercised	—	1.0
Other, net	(0.6)	(0.2)
Net cash provided by financing activities	**254.5**	**114.9**
Increase (decrease) in cash and cash equivalents	**196.7**	**(5.2)**
Effect of exchange rate changes on cash balances	5.7	1.2
Cash and cash equivalents at beginning of period	79.6	81.0
Cash and cash equivalents at end of period	**$ 282.0**	**$ 77.0**

See accompanying notes to the Condensed Consolidated Financial Statements.

ANIXTER INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Three Months Ended April 3, 2020					
	Common Stock		Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total
(In millions)	Shares	Amount				
Balance at January 3, 2020	**34.2**	**$ 34.2**	**$ 310.2**	**$ 1,783.8**	**$ (267.3)**	**$ 1,860.9**
Net income	—	—	—	35.7	—	35.7
Other comprehensive (loss) income:						
Foreign currency translation	—	—	—	—	(65.5)	(65.5)
Changes in unrealized pension cost, net of tax	—	—	—	—	1.1	1.1
Stock-based compensation	—	—	4.6	—	—	4.6
Issuance of common stock and related taxes	0.2	0.2	(3.7)	—	—	(3.5)
Balance at April 3, 2020	**34.4**	**$ 34.4**	**$ 311.1**	**$ 1,819.5**	**$ (331.7)**	**$ 1,833.3**

	Three Months Ended March 29, 2019					
	Common Stock		Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total
(In millions)	Shares	Amount				
Balance at December 28, 2018	**33.9**	**$ 33.9**	**$ 292.7**	**$ 1,513.2**	**$ (269.4)**	**$ 1,570.4**
Net income	—	—	—	39.1	—	39.1
Other comprehensive income:						
Foreign currency translation	—	—	—	—	6.9	6.9
Changes in unrealized pension cost, net of tax	—	—	—	—	0.2	0.2
Reclassification of tax effects [(a)]	—	—	—	7.7	(7.7)	—
Stock-based compensation	—	—	4.1	—	—	4.1
Issuance of common stock and related taxes	0.2	0.2	(0.2)	—	—	—
Balance at March 29, 2019	**34.1**	**$ 34.1**	**$ 296.6**	**$ 1,560.0**	**$ (270.0)**	**$ 1,620.7**

(a) The Company reclassified $7.7 million of tax benefits from "Accumulated other comprehensive loss" to "Retained earnings" for the tax effects resulting from the December 22, 2017 enactment of the Tax Cuts and Jobs Act in accordance with the adoption of Accounting Standards Update 2018-02, "Income Statement - Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" in the first quarter of 2019.

See accompanying notes to the Condensed Consolidated Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation: The unaudited interim Condensed Consolidated Financial Statements of Anixter International Inc. and its subsidiaries (collectively referred to as "Anixter" or the "Company"), sometimes referred to in this Quarterly Report on Form 10-Q as "we", "our", "us", or "ourselves" have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Therefore, certain information and disclosures normally included in financial statements and related notes prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted. Certain prior period amounts have been reclassified to conform to the current year presentation.

These financial statements should be read in conjunction with, and have been prepared in conformity with, the accounting principles reflected in the consolidated financial statements and related notes included in Anixter's Annual Report on Form 10-K for the year ended January 3, 2020 ("2019 Form 10-K"). The condensed consolidated financial information furnished herein reflects all normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the Condensed Consolidated Financial Statements for the periods shown.

The Company maintains its financial records on the basis of a fiscal year ending on the Friday nearest December 31, with the fiscal quarters typically spanning thirteen weeks. The first quarter ends on the Friday of the first thirteen-week period, the second and third quarters are thirteen weeks in duration and the fourth quarter is the remainder of the year. The first quarter of fiscal year 2020 ended on April 3, 2020, and the first quarter of fiscal year 2019 ended on March 29, 2019.

Recently issued and adopted accounting pronouncements: In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses*, which requires the measurement of expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable forecasts. The main objective of this ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The standard is effective for Anixter's financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company adopted this standard effective the first quarter of fiscal year 2020. The adoption of this standard did not have a material impact on the Company's Condensed Consolidated Financial Statements. See the section below titled "Receivables and expected credit losses" for more information on the Company's measurement of credit losses.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment*, which removes step two from the goodwill impairment test. Step two measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The new guidance requires an entity to perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, including goodwill. The standard is effective for Anixter's financial statements issued for fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company adopted this standard effective the first quarter of fiscal year 2020. The adoption of this standard did not have a material impact on the Company's Condensed Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement: Changes to the Disclosure Requirements for Fair Value Measurement,* which changes the disclosure requirements for fair value measurements by removing, adding and modifying certain disclosures. The standard is effective for Anixter's financial statements issued for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company adopted this standard effective the first quarter of fiscal year 2020. The adoption of this standard did not have a material impact on the Company's related disclosures.

Recently issued accounting pronouncements not yet adopted: In August 2018, the FASB issued ASU 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General: Changes to the Disclosure Requirements for Defined Benefit Plans,* which modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans by removing and adding certain disclosures for these plans. The standard is effective for Anixter's financial statements issued for fiscal years ending after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the impact of adoption of this ASU on its related disclosures.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes - Simplifying the Accounting for Income Taxes,* which clarifies existing guidance and removes certain exceptions to the general principles for income taxes. The standard is effective for Anixter's financial statements issued for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the impact of adoption of this ASU on its Condensed Consolidated Financial Statements.

The Company does not believe that any other recently issued, but not yet effective, accounting pronouncements, if adopted, would have a material impact on its Condensed Consolidated Financial Statements or disclosures.

Receivables and expected credit losses: The Company carries its accounts receivable at their face amounts less an allowance for expected credit losses, which was $29.7 million and $30.4 million as of April 3, 2020 and January 3, 2020, respectively. Changes in the allowance were not material for the three months ended April 3, 2020. On a regular basis, Anixter evaluates its accounts receivable and establishes the allowance for expected credit losses based on a combination of specific customer circumstances, as well as history of write-offs and collections, current credit conditions and economic forecasts. A receivable is considered past due if payments have not been received within the agreed upon invoice terms. Receivables are written off and deducted from the allowance account when the receivables are deemed uncollectible.

Revenue recognition: Anixter is a leading global distributor of network and security solutions, electrical and electronic solutions and utility power solutions. Through a global distribution network along with supply chain and technical expertise, Anixter helps customers reduce the risk, cost and complexity of their supply chains. Anixter is a leader in providing advanced inventory management services including procurement, just-in-time delivery, material management programs, turn-key yard layout and management, quality assurance testing, component kit production, storm/event kitting, small component assembly and e-commerce and electronic data interchange to a broad spectrum of customers with nearly 600,000 products. Revenue arrangements primarily consist of a single performance obligation to transfer promised goods or services. See Note 7. "Business Segments" for revenue disaggregated by geography.

Sales to customers and related cost of sales are primarily recognized at the point in time when control of goods transfers to the customer. For product sales, this generally occurs upon shipment of the products, however, this may occur at a later date depending on the agreed upon sales terms, such as delivery at the customer's designated location, or based on consignment terms. In instances where goods are not stocked by Anixter and delivery times are critical, product is purchased from the manufacturer and drop-shipped to the customer. Anixter generally takes control of the goods when shipped by the manufacturer and then recognizes revenue when control of the product transfers to the customer. When providing services, sales are recognized over time as control transfers to the customer, which occurs as services are rendered.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. The Company estimates different forms of variable consideration at the time of sale based on historical experience, current conditions and contractual obligations. Revenue is recorded net of customer discounts, rebates and similar charges. When Anixter offers the right to return product, historical experience is utilized to establish a liability for the estimate of expected returns. Sales and other tax amounts collected from customers for remittance to governmental authorities are excluded from revenue. The Company has elected to treat shipping and handling as a fulfillment activity. The practical expedient not to disclose information about remaining performance obligations has also been elected as these contracts have an original duration of one year or less or are contracts where the Company has applied the practical expedient to recognize service revenue in proportion to the amount Anixter has the right to invoice. The Company typically receives payment 30 to 60 days from the point it has satisfied the related performance obligation.

At January 3, 2020, $11.6 million of deferred revenue related to outstanding contracts was reported in "Accrued expenses" in the Company's Condensed Consolidated Balance Sheet. This balance primarily represents prepayments from customers. During the three months ended April 3, 2020, $4.1 million of this deferred revenue was recognized. At April 3, 2020, deferred revenue was $12.1 million. The Company expects to recognize this balance as revenue within the next twelve months.

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

	Three Months Ended	
(In millions)	**April 3, 2020**	**March 29, 2019**
Other, net:		
Foreign exchange loss	$ (4.5)	$ (0.5)
Cash surrender value of life insurance policies	(3.0)	1.7
Net periodic pension benefit	1.0	0.8
Other	(0.1)	(0.2)
Total other, net	**$ (6.6)**	**$ 1.8**

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

The Company purchases foreign currency forward contracts to minimize the effect of fluctuating foreign currency-denominated accounts on its reported income. The foreign currency forward contracts are not designated as hedges for accounting purposes. The Company's strategy is to negotiate terms for its derivatives and other financial instruments to be highly effective, such that the change in the value of the derivative offsets the impact of the underlying hedged item (e.g., various foreign currency-denominated accounts). Its counterparties to foreign currency forward contracts have investment-grade credit ratings. Anixter expects the creditworthiness of its counterparties to remain intact through the term of the transactions. The Company regularly monitors the creditworthiness of its counterparties to ensure no issues exist which could affect the value of the derivatives.

The Company does not hedge 100% of its foreign currency-denominated accounts. In addition, the results of hedging can vary significantly based on various factors, such as the timing of executing the foreign currency forward contracts versus the movement of the currencies as well as the fluctuations in the account balances throughout each reporting period. The fair value of the foreign currency forward contracts is based on the difference between the contract rate and the current exchange rate. The fair value of the foreign currency forward contracts is measured using observable market information. These inputs would be considered Level 2 in the fair value hierarchy. At April 3, 2020 and January 3, 2020, foreign currency forward contracts were revalued at then-current foreign exchange rates with the changes in valuation reflected directly in "Other, net" in the Condensed Consolidated Statements of Comprehensive (Loss) Income offsetting the transaction gain/loss recorded on the foreign currency-denominated accounts. At April 3, 2020 and January 3, 2020, the gross notional amount of the foreign currency forward contracts outstanding was approximately $124.1 million and $130.2 million, respectively. At April 3, 2020 and January 3, 2020, the net notional amount of the foreign currency forward contracts outstanding was approximately $124.1 million and $95.4 million, respectively. While all of the Company's foreign currency forward contracts are subject to master netting arrangements with its counterparties, assets and liabilities related to these contracts are presented on a gross basis within the Condensed Consolidated Balance Sheets. The gross fair value of assets and liabilities related to foreign currency forward contracts are immaterial.

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

Accumulated other comprehensive loss: Unrealized gains and losses are accumulated in "Accumulated other comprehensive loss" ("AOCI"). These changes are also reported in "Other comprehensive (loss) income" on the Condensed Consolidated Statements of Comprehensive (Loss) Income. These include unrealized gains and losses related to the Company's defined benefit obligations and foreign currency translation. See Note 5. "Pension Plans" for pension related amounts reclassified into net income.

Investments in several subsidiaries are recorded in currencies other than the U.S. dollar ("USD"). As these foreign currency denominated investments are translated at the end of each period during consolidation using period-end exchange rates, fluctuations of exchange rates between the foreign currency and the USD increase or decrease the value of those investments. The results of operations for foreign subsidiaries, where the functional currency is not the USD, are translated into USD using the average exchange rates during the periods reported, while the assets and liabilities are translated using period-end exchange rates. The assets and liabilities related translation adjustments are recorded as a separate component of AOCI, "Foreign currency translation." In addition, as Anixter's subsidiaries maintain investments denominated in currencies other than local currencies, exchange rate fluctuations will occur. Borrowings are raised in certain foreign currencies to minimize the exchange rate translation adjustment risk.

Supplemental cash flow information: The following information discloses supplemental cash flow information about leasing activities.

During the three months ended April 3, 2020 and March 29, 2019, leased assets obtained in exchange for operating lease obligations were $10.5 million and $258.3 million, respectively. The operating cash outflow for amounts included in the measurement of operating lease obligations was $14.6 million in the first quarter of 2020 compared to $19.4 million in the prior year period.

NOTE 2. DEBT

Debt is summarized below:

(In millions)	**April 3, 2020**	**January 3, 2020**
Long-term debt:		
6.00% Senior notes due 2025	$ 247.4	$ 247.3
5.50% Senior notes due 2023	348.1	347.9
5.125% Senior notes due 2021	398.5	398.3
Revolving lines of credit	310.0	56.0
Finance lease obligations	7.9	6.0
Other	9.1	8.8
Unamortized deferred financing costs	(4.2)	(4.6)
Total long-term debt	**$ 1,316.8**	**$ 1,059.7**

Fair Value of Debt

The fair value of Anixter's debt instruments is measured using observable market information which would be considered Level 2 in the fair value hierarchy described in accounting guidance on fair value measurements. The Company's fixed-rate debt consists of Senior notes due 2025, Senior notes due 2023 and Senior notes due 2021.

At April 3, 2020, the Company's total carrying value and estimated fair value of debt outstanding was $1,316.8 million and $1,317.8 million, respectively. This compares to a carrying value and estimated fair value of debt outstanding at January 3, 2020 of $1,059.7 million and $1,122.1 million, respectively. The increase in the carrying value and estimated fair value is primarily due to higher outstanding borrowings under Anixter's revolving lines of credit.

NOTE 3. LEGAL CONTINGENCIES

From time to time, Anixter is party to legal proceedings and matters that arise in the ordinary course of business. As of April 3, 2020, the Company does not believe there is a reasonable possibility that any material loss exceeding the amounts already recognized for these proceedings and matters has been incurred. However, the ultimate resolutions of these proceedings and matters are inherently unpredictable. As such, the Company's financial condition and results of operations could be adversely affected in any particular period by the unfavorable resolution of one or more of these proceedings or matters.

NOTE 4. INCOME TAXES

The Company's effective tax rate for the first quarter of 2020 was 25.7% compared to 30.3% in the prior year period. The decrease in the effective tax rate was due to a change in the country mix of earnings and associated tax benefits from our continued movement to a U.S.-center-led business model, with the major impact coming from a lower U.S. tax rate on foreign derived income and the ability to utilize foreign tax credits.

The December 22, 2017 Tax Cuts and Jobs Act subjects U.S. shareholders to tax on Global Intangible Low-Taxed Income ("GILTI") earned by certain foreign subsidiaries. The Company recognizes the tax on GILTI as a period expense in the period tax is incurred. Under this policy, the Company has not provided deferred taxes related to temporary differences that upon their reversal will affect the amount of income subject to GILTI in the period.

Anixter considers the undistributed earnings of its foreign subsidiaries to be indefinitely reinvested. Upon distribution of those earnings in the form of dividends or otherwise, Anixter may be subject to withholding taxes payable to the various foreign countries.

NOTE 5. PENSION PLANS

The Company's defined benefit pension plans are the plans in the U.S., which consist of the Anixter Inc. Pension Plan, the Executive Benefit Plan and the Supplemental Executive Retirement Plan ("SERP") (together the "Domestic Plans") and various defined benefit pension plans covering employees of foreign subsidiaries in Canada and Europe (together the "Foreign Plans"). The majority of these defined benefit pension plans are non-contributory and, with the exception of the U.S. and Canada, cover substantially all full-time domestic employees and certain employees in other countries. Retirement benefits are provided based on compensation as defined in both the Domestic Plans and the Foreign Plans. The Company's policy is to fund all Domestic Plans as required by the Employee Retirement Income Security Act of 1974 ("ERISA") and the IRS and all Foreign Plans as required by applicable foreign laws. The Executive Benefit Plan and SERP are the only two plans that are unfunded. Assets in the various plans consist primarily of equity securities and debt securities.

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

	Three Months Ended					
	Domestic Plans		Foreign Plans		Total	
(In millions)	**April 3, 2020**	**March 29, 2019**	**April 3, 2020**	**March 29, 2019**	**April 3, 2020**	**March 29, 2019**
Recorded in operating expenses:						
Service cost	$ 0.8	$ 0.8	$ 1.5	$ 1.4	$ 2.3	$ 2.2
Recorded in other, net:						
Interest cost	2.4	2.8	1.5	1.7	3.9	4.5
Expected return on plan assets	(3.9)	(3.7)	(2.5)	(2.7)	(6.4)	(6.4)
Net amortization [(a)]	0.2	0.3	1.3	0.8	1.5	1.1
Total recorded in other, net	**(1.3)**	**(0.6)**	**0.3**	**(0.2)**	**(1.0)**	**(0.8)**
Total net periodic pension (benefit) cost	**$ (0.5)**	**$ 0.2**	**$ 1.8**	**$ 1.2**	**$ 1.3**	**$ 1.4**

(a) Reclassified from AOCI

NOTE 6. STOCKHOLDERS' EQUITY

At April 3, 2020, there were approximately 1.1 million shares reserved for issuance under the 2017 Stock Incentive Plan. Under such plan, the Company pays its non-employee directors annual retainer fees and, at their election, meeting fees in the form of stock units. Employee and director stock units are included in common stock outstanding on the date of vesting, and stock options are included in common stock outstanding upon exercise by the participant. The fair value of employee stock units is amortized over the respective vesting period representing the requisite service period, generally three to six years. Director stock units are expensed in the period in which they are granted, as these vest immediately.

During the three months ended April 3, 2020, the Company granted 195,284 stock units to employees, with a weighted-average grant-date fair value of $19.0 million. During the three months ended April 3, 2020, the Company did not issue director stock units.

Antidilutive stock options and units are excluded from the calculation of weighted-average shares for diluted earnings per share. For the first quarter of 2020 and 2019, the antidilutive stock options and units were immaterial.

NOTE 7. BUSINESS SEGMENTS

Anixter is a leading distributor of network and security solutions, electrical and electronic wire and cable solutions and utility power solutions. The Company has identified Network & Security Solutions ("NSS"), Electrical and Electronic Solutions ("EES") and Utility Power Solutions ("UPS") as reportable segments. Within its segments, the Company is also organized by geographies. Anixter's geographies consist of North America, which includes the U.S. and Canada, EMEA, which includes Europe, the Middle East and Africa, and Emerging Markets, which includes Asia Pacific and Central and Latin America.

Corporate expenses are incurred to obtain and coordinate financing, tax, information technology, legal and other related services, certain of which were rebilled to subsidiaries. The Company also has various corporate assets which are reported in corporate. Segment assets may not include jointly used assets, but segment results include depreciation expense or other allocations related to those assets as such allocation is made for internal reporting. Interest expense and other non-operating items are not allocated to the segments or reviewed on a segment basis.

The categorization of net sales by end market is determined using a variety of data points including the technical characteristic of the product, the "sold to" customer information, the "ship to" customer information and the end customer product or application into which product will be incorporated. Anixter also has largely specialized its sales organization by segment. As data systems for capturing and tracking this data evolve and improve, the categorization of products by end market can vary over time. When this occurs, the Company reclassifies net sales by end market for prior periods. Such reclassifications typically do not materially change the sizing of, or the underlying trends of results within, each end market.

Segment Financial Information

Segment information for the three months ended April 3, 2020 and March 29, 2019 was as follows:

(In millions)

First Quarter of 2020	NSS	EES	UPS	Corporate	Total
Net sales	$ 1,080.6	$ 542.2	$ 448.9	$ —	$ 2,071.7
Operating income (loss)	63.2	28.7	22.0	(42.5)	71.4

First Quarter of 2019	NSS	EES	UPS	Corporate	Total
Net sales	$ 1,112.5	$ 566.0	$ 430.0	$ —	$ 2,108.5
Operating income (loss)	70.9	29.1	18.5	(43.9)	74.6

Geographic Information

The following table summarizes net sales by geographic areas for the three months ended April 3, 2020 and March 29, 2019:

	Three Months Ended	
(In millions)	**April 3, 2020**	**March 29, 2019**
Net sales		
North America	$ 1,686.1	$ 1,697.8
EMEA	148.2	152.5
Emerging Markets	237.4	258.2
Total net sales	**$ 2,071.7**	**$ 2,108.5**

Goodwill Assigned to Segments

The following table presents the changes in goodwill allocated to the Company's reporting units during the three months ended April 3, 2020:

(In millions)	NSS	EES	UPS	Total
Balance as of January 3, 2020	**$ 463.6**	**$ 181.3**	**$ 183.8**	**$ 828.7**
Foreign currency translation and other	(8.2)	(0.8)	(9.7)	(18.7)
Balance as of April 3, 2020	**$ 455.4**	**$ 180.5**	**$ 174.1**	**$ 810.0**

NOTE 8. SUMMARIZED FINANCIAL INFORMATION OF ANIXTER INC.

Anixter International Inc. guarantees, fully and unconditionally, substantially all of the debt of its subsidiaries, which include Anixter Inc., its 100% owned primary operating subsidiary. Anixter International Inc. has no independent assets or operations and all subsidiaries other than Anixter Inc. are minor. The following summarizes the financial information for Anixter Inc.:

ANIXTER INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)	April 3, 2020	January 3, 2020
Assets:		
Current assets	$ 3,228.8	$ 3,035.3
Property and equipment, net	179.0	179.5
Operating leases	255.7	265.1
Goodwill	810.0	828.7
Intangible assets, net	342.9	361.2
Other assets	126.8	132.9
	$ 4,943.2	**$ 4,802.7**
Liabilities and Stockholder's Equity:		
Current liabilities	$ 1,418.1	$ 1,492.8
Long-term debt	1,322.6	1,065.9
Operating lease obligations	205.6	213.0
Other liabilities	166.0	172.6
Stockholder’s equity	1,830.9	1,858.4
	$ 4,943.2	**$ 4,802.7**

ANIXTER INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE (LOSS) INCOME

	Three Months Ended	
(In millions)	April 3, 2020	March 29, 2019
Net sales	$ 2,071.7	$ 2,108.5
Operating income	$ 72.7	$ 76.1
Income before income taxes	$ 49.1	$ 57.4
Net income	$ 36.8	$ 40.4
Comprehensive (loss) income	$ (27.6)	$ 39.8

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

The following is a discussion of our financial condition and results of operations for the three months ended April 3, 2020 as compared to the corresponding period in the prior year. This discussion should be read in conjunction with the Condensed Consolidated Financial Statements, including the related notes, set forth in this report under "Condensed Consolidated Financial Statements" and our Annual Report on Form 10-K for the year ended January 3, 2020.

First Quarter 2020 and 2019 Consolidated Results of Operations

(In millions, except per share amounts)	Three Months Ended	
	April 3, 2020	March 29, 2019
Net sales	**$ 2,071.7**	**$ 2,108.5**
Gross profit	**416.4**	**418.9**
Operating expenses	345.0	344.3
Operating income	**71.4**	**74.6**
Other expense:		
Interest expense	(16.8)	(20.4)
Other, net	(6.6)	1.8
Income before income taxes	48.0	56.0
Income tax expense	12.3	16.9
Net income	**$ 35.7**	**$ 39.1**
Diluted income per share	**$ 1.03**	**$ 1.14**

Executive Overview

First Quarter Highlights

Total company sales decreased 1.7% to $2,071.7 million in the first quarter of 2020, reflecting growth in our Utility Power Solutions ("UPS") segment but offset by declines in our Network and Security Solutions ("NSS") and Electrical and Electronic Solutions ("EES") segments. Excluding the unfavorable impacts from foreign exchange and copper, our results reflect organic sales decline of 1.3%. The current quarter had 65 billing days compared to 64 billing days in the prior year period. Excluding the favorable impact from the extra billing day, adjusted daily sales decreased 2.8%. In addition, the first quarter of 2020 also reflects gross margin of 20.1%, up 20 basis points from the prior year.

Strategy Update and Business Outlook

The first quarter of 2020 saw the global outbreak of a novel strain of coronavirus ("COVID-19"), which in the latter part of the quarter created significant economic disruption. While our shipments were consistent with our outlook through February, we experienced a drop in shipments in the last three weeks of March. Due to the uncertainty created by COVID-19, we proactively increased our cash levels to provide additional flexibility during the March disruption in the financial markets. We believe that our cash on hand, covenant-light debt, and current borrowing availability provide sufficient resources and liquidity to manage the challenges caused by the current market conditions. In addition, we have scaled back our capital expenditure spending projections by approximately 40% and expect lower levels of working capital which will further improve cash flow in these uncertain times. Finally, in order to manage through this unpredictable demand environment, we are aggressively reducing our operating expenses while still supporting our customers and their specific needs. We will continue to actively monitor the situation and may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers, suppliers and stockholders. Although we are aggressively managing our response to COVID-19, the impact that COVID-19 will have on results in our second quarter and other subsequent periods is dependent on future developments which are uncertain and cannot be predicted at this time.

Through this challenging time we continue to serve our customer and supplier partners by operating as an essential business in markets such as utility, healthcare, public safety, government, telecommunications, and cloud computing services. We believe that the work from home environment has already and will continue to spur higher levels of data center and connectivity related spending which may be positive for our NSS segment later in the year. In addition, our utility and service provider businesses are expected to benefit from remote working. While we have seen a delay in a large number of capital projects across all segments, we have not yet experienced any cancellations of major projects by our customers. We believe once current restrictions around the globe are lifted we may see activity pick up based on our solid backlog levels.

On January 10, 2020, Anixter entered into a merger agreement with WESCO International Inc. ("WESCO") under which WESCO will acquire Anixter in a transaction valued at approximately $4.5 billion. Based on the transaction structure and the number of shares of WESCO and Anixter common stock currently outstanding, it is anticipated that WESCO stockholders will own 84% and Anixter stockholders will own 16% of the combined company. The transaction is currently subject to receipt of regulatory approval in Canada and Mexico, as well as other customary closing conditions.

Items Impacting Comparability of Results

In addition to the results provided in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP") above, this report includes certain non-GAAP financial measures as defined by the Securities and Exchange Commission. Specifically, net sales comparisons to the prior corresponding period, both worldwide and in relevant segments, are discussed in this report both on a U.S. GAAP and non-GAAP basis. We believe that by providing non-GAAP organic growth, which adjusts for the impact of acquisitions (when applicable), foreign exchange fluctuations, copper prices and the number of billing days, both management and investors are provided with meaningful supplemental sales information to understand and analyze our underlying trends and other aspects of our financial performance. We calculate the year-over-year organic sales growth impact related to acquisitions by including their comparable period results prior to the acquisitions with our results, as we believe this represents the most accurate representation of organic growth, considering the nature of the companies we acquired and the synergistic revenues that have been or will be achieved. Historically, and from time to time, we may also exclude other items from reported financial results (e.g., impairment charges, inventory adjustments, restructuring charges, tax items, currency devaluations, pension settlements, etc.) in presenting adjusted operating expense, adjusted operating income, adjusted income taxes and adjusted net income so that both management and financial statement users can use these non-GAAP financial measures to better understand and evaluate our performance period over period and to analyze the underlying trends of our business. We have also excluded amortization of intangible assets associated with purchase accounting from acquisitions from the adjusted amounts for comparison of the non-GAAP financial measures period over period.

EBITDA is defined as net income from continuing operations before interest, income taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before foreign exchange and other non-operating expense and non-cash stock-based compensation, excluding the other items from reported financial results, as defined above. We believe that adjusted operating income, EBITDA and Adjusted EBITDA provide relevant and useful information, which is widely used by analysts, investors and competitors in our industry as well as by our management in assessing both consolidated and business segment performance. Adjusted operating income provides an understanding of the results from the primary operations of our business by excluding the effects of certain items that do not reflect the ordinary earnings of our operations. We use adjusted operating income to evaluate our period over period operating performance because we believe this provides a more comparable measure of our continuing business excluding certain items that are not reflective of expected ongoing operations. This measure may be useful to an investor in evaluating the underlying performance of our business. EBITDA provides us with an understanding of earnings before the impact of investing and financing charges and income taxes. Adjusted EBITDA further excludes the effects of foreign exchange and other non-cash stock-based compensation, and certain items that do not reflect the ordinary earnings of our operations and that are also excluded for purposes of calculating adjusted net income, adjusted earnings per share and adjusted operating income. EBITDA and Adjusted EBITDA are used by our management for various purposes including as measures of performance of our operating entities and as a basis for strategic planning and forecasting. Adjusted EBITDA may be useful to an investor because this measure is widely used to evaluate a company’s operating performance without regard to items excluded from the calculation of such measure, which can vary substantially from company to company depending on the accounting methods, book value of assets, capital structure and the method by which the assets were acquired, among other factors. They are not, however, intended as an alternative measure of operating results or cash flow from operations as determined in accordance with U.S. GAAP.

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

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

The following summarizes the various items that favorably/(unfavorably) impact the comparability of the results for the three months ended April 3, 2020 and March 29, 2019.

Items Impacting Comparability of Results:

(In millions, except per share amounts)	Three Months Ended April 3, 2020	Three Months Ended March 29, 2019
Items impacting operating expense and operating income:	**Favorable / (Unfavorable)**	
Amortization of intangible assets	$ (8.6)	$ (8.8)
Merger costs	(2.9)	—
Acquisition and integration costs	—	0.3
Total of items impacting operating expense and operating income	**$ (11.5)**	**$ (8.5)**
Items impacting income taxes:		
Tax impact of items impacting pre-tax income above	2.8	2.2
Total of items impacting income taxes	**$ 2.8**	**$ 2.2**
Net income impact of these items	**$ (8.7)**	**$ (6.3)**
Diluted EPS impact of these items	**$ (0.25)**	**$ (0.19)**

The items impacting operating expense and operating income by segment are reflected in the tables below.

Items Impacting Comparability of Operating Expense and Operating Income by Segment:

	Three Months Ended April 3, 2020				
(In millions)	**NSS**	**EES**	**UPS**	**Corporate**	**Total**
Amortization of intangible assets	$ (3.9)	$ (1.4)	$ (3.3)	$ —	$ (8.6)
Merger costs	—	—	—	(2.9)	(2.9)
Total of items impacting operating expense and operating income	**$ (3.9)**	**$ (1.4)**	**$ (3.3)**	**$ (2.9)**	**$ (11.5)**

	Three Months Ended March 29, 2019				
(In millions)	**NSS**	**EES**	**UPS**	**Corporate**	**Total**
Amortization of intangible assets	$ (4.1)	$ (1.4)	$ (3.3)	$ —	$ (8.8)
Restructuring charge	—	—	0.1	(0.1)	—
Acquisition and integration costs	—	—	—	0.3	0.3
Total of items impacting operating expense and operating income	**$ (4.1)**	**$ (1.4)**	**$ (3.2)**	**$ 0.2**	**$ (8.5)**

U.S. GAAP to Non-GAAP Net Income and EPS Reconciliation:

(In millions, except per share amounts)	Three Months Ended	
	April 3, 2020	March 29, 2019
Reconciliation to most directly comparable U.S. GAAP financial measure:		
Net income - U.S. GAAP	$ 35.7	$ 39.1
Items impacting net income	8.7	6.3
Net income - Non-GAAP	**$ 44.4**	**$ 45.4**
Diluted EPS – U.S. GAAP	$ 1.03	$ 1.14
Diluted EPS impact of these items	0.25	0.19
Diluted EPS – Non-GAAP	**$ 1.28**	**$ 1.33**

Net Sales

Sales Growth Trends

(In millions)	Three Months Ended April 3, 2020				Three Months Ended March 29, 2019	Growth/(Decline)			
	As Reported	Foreign Exchange Impact	Copper Impact	As Adjusted	As Reported	Actual	Organic	Adjusted 2019 for Billing Days	Adjusted Daily Sales
Network & Security Solutions (NSS)									
North America	$ 805.2	$ 0.3	$ —	$ 805.5	$ 824.8	(2.4) %	(2.3) %	$ 837.7	(3.8) %
EMEA	85.5	1.4	—	86.9	93.6	(8.7) %	(7.2) %	95.1	(8.6) %
Emerging Markets	189.9	4.8	—	194.7	194.1	(2.2) %	0.3 %	197.1	(1.3) %
NSS	**$ 1,080.6**	**$ 6.5**	**$ —**	**$ 1,087.1**	**$ 1,112.5**	**(2.9)%**	**(2.3)%**	**$ 1,129.9**	**(3.8) %**
Electrical & Electronic Solutions (EES)									
North America	$ 432.0	$ 0.2	$ 1.3	$ 433.5	$ 443.0	(2.5) %	(2.1) %	$ 449.9	(3.7) %
EMEA	62.7	0.6	0.5	63.8	58.9	6.4 %	8.3 %	59.8	6.6 %
Emerging Markets	47.5	0.6	0.6	48.7	64.1	(25.9) %	(24.0) %	65.1	(25.2) %
EES	**$ 542.2**	**$ 1.4**	**$ 2.4**	**$ 546.0**	**$ 566.0**	**(4.2)%**	**(3.5)%**	**$ 574.8**	**(5.0) %**
Utility Power Solutions (UPS)									
North America	$ 448.9	$ 0.2	$ (0.2)	$ 448.9	$ 430.0	4.4 %	4.4 %	$ 436.7	2.8 %
UPS	**$ 448.9**	**$ 0.2**	**$ (0.2)**	**$ 448.9**	**$ 430.0**	**4.4 %**	**4.4 %**	**$ 436.7**	**2.8 %**
Total	**$ 2,071.7**	**$ 8.1**	**$ 2.2**	**$ 2,082.0**	**$ 2,108.5**	**(1.7)%**	**(1.3)%**	**$ 2,141.4**	**(2.8) %**
Geographic Sales									
North America	$ 1,686.1	$ 0.7	$ 1.1	$ 1,687.9	$ 1,697.8	(0.7) %	(0.6) %	$ 1,724.3	(2.1) %
EMEA	148.2	2.0	0.5	150.7	152.5	(2.8) %	(1.2) %	154.9	(2.7) %
Emerging Markets	237.4	5.4	0.6	243.4	258.2	(8.1) %	(5.8) %	262.2	(7.2) %
Total	**$ 2,071.7**	**$ 8.1**	**$ 2.2**	**$ 2,082.0**	**$ 2,108.5**	**(1.7)%**	**(1.3)%**	**$ 2,141.4**	**(2.8) %**

Note: There were 65 billing days in the first quarter of 2020 compared to 64 billing days in the first quarter of 2019.

NSS – Sales of $1,080.6 million decreased 2.9% from $1,112.5 million in the prior year period. The decrease reflects a decline in the network infrastructure portion of the business and in all geographies. Adjusting for the unfavorable impact from foreign exchange, NSS organic sales decreased 2.3%, a 3.8% decrease on a per day basis. NSS security sales in the three months ended April 3, 2020 of $499.0 million, which represents 46.2% of total segment sales, increased 3.0% from the prior year period. Adjusted for the $0.2 million favorable currency impact, organic security sales growth was 2.9% compared to the three months ended March 29, 2019.

EES – Sales of $542.2 million decreased 4.2% from $566.0 million in the prior year period, with a decline in the commercial and industrial business partially offset by growth in the original equipment manufacturer ("OEM") portion of the business. Adjusting for the unfavorable impacts from foreign exchange and copper, EES organic sales decreased by 3.5%, a 5.0% decrease on a per day basis.

UPS – Sales of $448.9 million increased 4.4% from $430.0 million in the prior year period, with growth driven by investor-owned utility customers. Adjusting for the unfavorable impact from foreign exchange and favorable impact from copper, UPS organic sales increased 4.4%, a 2.8% increase on a per day basis.

Gross Margin

Gross margin of 20.1% in the first quarter of 2020 compares to 19.9% in the first quarter of 2019. The higher gross margin in 2020 was primarily driven by margin initiatives implemented across the business.

Operating Expenses

Operating expenses were $345.0 million and $344.3 million in the first quarter of 2020 and 2019, respectively. The first quarter of 2020 includes $8.6 million of intangible asset amortization and $2.9 million of merger costs. The merger costs relate to expenses associated with the merger agreement entered into on January 10, 2020. The first quarter of 2019 includes $8.8 million of intangible asset amortization and a reversal of acquisition and integration costs of $0.3 million. Excluding these items from their related periods, adjusted operating expenses in 2020 decreased 0.7% to $333.5 million, or 16.1% of sales, which compares to prior year adjusted operating expense of $335.8 million, or 15.9% of sales. Further adjusting operating expenses for a favorable $1.4 million impact of foreign currency in the first quarter of 2020, adjusted operating expenses would have decreased by 0.3%.

Operating Income

	Three Months Ended				
(In millions)	**NSS**	**EES**	**UPS**	**Corporate**	**Total**
Operating income (loss), 2020	$ 63.2	$ 28.7	$ 22.0	$ (42.5)	$ 71.4
Operating income (loss), 2019	70.9	29.1	18.5	(43.9)	74.6
$ Change	$ (7.7)	$ (0.4)	$ 3.5	$ 1.4	$ (3.2)
% Change	**(10.8)%**	**(1.5)%**	**18.8 %**	**3.2 %**	**(4.3)%**
Items impacting operating income in 2020	$ 3.9	$ 1.4	$ 3.3	$ 2.9	$ 11.5
Adjusted operating income, 2020 (Non-GAAP)	$ 67.1	$ 30.1	$ 25.3	$ (39.6)	$ 82.9
Items impacting operating income in 2019	$ 4.1	$ 1.4	$ 3.2	$ (0.2)	$ 8.5
Adjusted operating income, 2019 (Non-GAAP)	$ 75.0	$ 30.5	$ 21.7	$ (44.1)	$ 83.1
Adjusted % Change (Non-GAAP)	**(10.5)%**	**(1.3)%**	**16.6 %**	**10.2 %**	**(0.2)%**
Plus the % impact of:					
Foreign exchange	1.1 %	0.5 %	0.1 %	(0.1) %	1.2 %
Copper pricing	— %	2.3 %	(0.1) %	— %	0.9 %
Organic (Non-GAAP)	**(9.7)%**	**1.3 %**	**18.8 %**	**3.1 %**	**(2.2)%**

NSS – Operating income was $63.2 million, or 5.8% of sales, in the first quarter of 2020, compared to $70.9 million, or 6.4% of sales, in the first quarter of 2019. The decrease in operating income in 2020 was driven by a decline in sales. NSS delivered adjusted operating income of $67.1 million in the first quarter of 2020 resulting in adjusted operating margin of 6.2%. NSS delivered adjusted operating income of $75.0 million in the first quarter of 2019 resulting in adjusted operating margin of 6.7%.

EES – Operating income was $28.7 million, or 5.3% of sales, in the first quarter of 2020, compared to $29.1 million, or 5.1% of sales, in the first quarter of 2019. The decrease in operating income in 2020 was driven by a decline in sales and partially offset by gross margin improvement. EES delivered adjusted operating income of $30.1 million in the first quarter of 2020 resulting in adjusted operating margin of 5.5%. EES delivered adjusted operating income of $30.5 million in the first quarter of 2019 resulting in adjusted operating margin of 5.4%.

UPS – Operating income was $22.0 million, or 4.9% of sales, in the first quarter of 2020, compared to $18.5 million, or 4.3%, in the first quarter of 2019. The increase in operating income in 2019 was driven by sales growth and gross margin improvement. UPS delivered adjusted operating income of $25.3 million in the first quarter of 2020 resulting in adjusted operating margin of 5.6%. UPS delivered adjusted operating income of $21.7 million in 2019 resulting in adjusted operating margin of 5.1%.

Interest Expense

Interest expense was $16.8 million and $20.4 million in the first quarter of 2020 and 2019, respectively. The decrease in interest expense was driven by lower borrowings under the revolving lines of credit.

Other, Net

Other, net expense of $6.6 million in the first quarter of 2020 compares to income of $1.8 million in the first quarter of 2019. The increase in expense was due to higher losses on foreign exchange and the cash surrender value of life insurance policies.

Income Taxes

Our effective tax rate for the first quarter of 2020 was 25.7% compared to 30.3% in the prior year period. The decrease in the effective tax rate was due to a change in the country mix of earnings and associated tax benefits from our continued movement to a U.S.-center-led business model, with the major impact coming from a lower U.S. tax rate on foreign derived income and the ability to utilize foreign tax credits.

EBITDA and Adjusted EBITDA

2020 EBITDA and Adjusted EBITDA by Segment:

	Three Months Ended April 3, 2020				
(In millions)	**NSS**	**EES**	**UPS**	**Corporate**	**Total**
Net income (loss)	$ 63.2	$ 28.7	$ 22.0	$ (78.2)	$ 35.7
Interest expense	—	—	—	16.8	16.8
Income taxes	—	—	—	12.3	12.3
Depreciation	2.5	1.6	1.1	3.3	8.5
Amortization of intangible assets	3.9	1.4	3.3	—	8.6
EBITDA	**$ 69.6**	**$ 31.7**	**$ 26.4**	**$ (45.8)**	**$ 81.9**
Total of items impacting operating income [(a)]	$ —	$ —	$ —	$ 2.9	$ 2.9
Foreign exchange and other non-operating expense	—	—	—	6.6	6.6
Stock-based compensation	0.8	0.4	0.2	3.2	4.6
Adjusted EBITDA	**$ 70.4**	**$ 32.1**	**$ 26.6**	**$ (33.1)**	**$ 96.0**

[(a)] *Items impacting operating income excludes amortization of intangible assets in the calculation of adjusted EBITDA as amortization is already added back in the EBITDA calculation.*

2019 EBITDA and Adjusted EBITDA by Segment:

	Three Months Ended March 29, 2019				
(In millions)	**NSS**	**EES**	**UPS**	**Corporate**	**Total**
Net income (loss)	$ 70.9	$ 29.1	$ 18.5	$ (79.4)	$ 39.1
Interest expense	—	—	—	20.4	20.4
Income taxes	—	—	—	16.9	16.9
Depreciation	2.4	1.8	0.9	4.2	9.3
Amortization of intangible assets	4.1	1.4	3.3	—	8.8
EBITDA	**$ 77.4**	**$ 32.3**	**$ 22.7**	**$ (37.9)**	**$ 94.5**
Total of items impacting operating income [(a)]	$ —	$ —	$ (0.1)	$ (0.2)	$ (0.3)
Foreign exchange and other non-operating (income)	—	—	—	(1.8)	(1.8)
Stock-based compensation	0.6	0.3	0.1	3.1	4.1
Adjusted EBITDA	**$ 78.0**	**$ 32.6**	**$ 22.7**	**$ (36.8)**	**$ 96.5**

[(a)] *Items impacting operating income excludes amortization of intangible assets in the calculation of adjusted EBITDA as amortization is already added back in the EBITDA calculation.*

NSS – NSS adjusted EBITDA of $70.4 million in the first quarter of 2020 compares to $78.0 million in the first quarter of 2019. The decrease in adjusted EBITDA was driven by a decline in sales.

EES – EES adjusted EBITDA of $32.1 million in the first quarter of 2020 compares to $32.6 million in the first quarter of 2019. The decrease in adjusted EBITDA was driven by a decline in sales and partially offset by gross margin improvement.

UPS – UPS adjusted EBITDA of $26.6 million in the first quarter of 2020 compares to $22.7 million in the first quarter of 2019. The increase in adjusted EBITDA was driven by sales growth and gross margin improvement.

Financial Liquidity and Capital Resources

Cash Flow

As a distributor, our use of capital is largely for working capital to support our revenue growth. Capital commitments for property and equipment are limited to information technology assets, warehouse equipment, office furniture and fixtures and leasehold improvements, because we operate almost entirely from leased facilities. Therefore, in any given reporting period, the amount of cash consumed or generated by operations other than from net earnings will primarily be due to changes in working capital.

In periods when sales are increasing, the expanded working capital needs will be funded first by cash from operations and then from additional borrowings. In periods when sales are decreasing, we will have improved cash flows due to reduced working capital requirements. During such periods, we will use the expanded cash flow to reduce the amount of leverage in our capital structure until such time as economic conditions improve and growth resumes. Also, we will, from time to time, issue or retire borrowings or equity in an effort to maintain a cost-effective capital structure consistent with our anticipated capital requirements.

Net cash used in operations was $50.9 million in the three months ended April 3, 2020 compared to $114.2 million of cash used in operations in the prior year period. The decrease reflects an improvement in working capital efficiencies.

Net cash used in investing activities was $6.9 million and $5.9 million in the three months ended April 3, 2020 and March 29, 2019, respectively, and related to capital expenditures.

Net cash provided by financing activities was $254.5 million and $114.9 million in the three months ended April 3, 2020 and March 29, 2019, respectively. During the three months ended April 3, 2020, we had net borrowings on our long-term debt of $255.1 million. During the three months ended March 29, 2019, we had net borrowings on our long-term debt of $114.1 million.

Liquidity and Capital Resources

At April 3, 2020, our primary liquidity source was the U.S. accounts receivable asset based revolving credit facility in an aggregate committed amount of $600.0 million ("Receivables Facility") and the U.S. inventory asset based revolving credit facility in an aggregate committed amount of $150.0 million ("Inventory Facility"). At April 3, 2020, there was $310.0 million of borrowings under the Receivables Facility, and there were no borrowings under the Inventory Facility.

Our debt-to-capital ratio increased from 36.3% at January 3, 2020 to 41.8% at April 3, 2020, below our targeted range of 45-50%.

We are in compliance with all of our covenants and believe that there is adequate margin between the covenant ratios and the actual ratios given the current trends of the business. We believe that our cash on hand and current borrowing availability provide sufficient resources and liquidity to fund necessary capital expenditures and operating cash requirements for the foreseeable future. However, the impact of COVID-19 on the economy and our business is constantly evolving and we will continue to assess our liquidity needs and financial position in light of future developments.

Critical Accounting Policies and Estimates

There were no material changes in our critical accounting policies since the filing of our 2019 Form 10-K. For further information about recently issued accounting pronouncements, see Note 1. "Summary of Significant Accounting Policies" in the Notes to the Condensed Consolidated Financial Statements. As discussed in the 2019 Form 10-K, the preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the amount of reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the periods reported. Actual results may differ from those estimates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There were no material changes to market risks and related disclosures in Item 7A. of Part II in the Company's Annual Report on Form 10-K for the year ended January 3, 2020, as filed with the Securities and Exchange Commission on February 20, 2020.

ITEM 4. CONTROLS AND PROCEDURES.

Under the supervision and with the participation of Anixter's management, including its principal executive officer and principal financial officer, an evaluation was conducted as of April 3, 2020 of the effectiveness of the design and operation of disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that disclosure controls and procedures were effective as of April 3, 2020. There was no change in internal control over financial reporting that occurred during the three months ended April 3, 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Information regarding legal proceedings is contained in Note 3. "Legal Contingencies" in the notes to the Condensed Consolidated Financial Statements contained in this report and is incorporated by reference.

ITEM 1A. RISK FACTORS.

The disclosure below modifies the risk factors previously disclosed in Item 1A of Part 1 in the Company's Annual Report on Form 10-K for the year ended January 3, 2020, as filed with the Securities and Exchange Commission on February 20, 2020. The following factor, along with the previously disclosed, could materially adversely affect our operating results and financial condition.

Our business, results of operations and financial condition have been and may in the future be adversely impacted by the COVID-19 pandemic.

The outbreak of COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has created significant volatility, uncertainty and disruption in the U.S. and global economies. The COVID-19 pandemic has resulted and will result in lost or delayed revenue to us and could have a material adverse effect on our business, results of operations and financial condition. In response to recommendations by public health organizations, federal, state, local and foreign governments have adopted various measures in an effort to slow and limit the spread of the COVID-19 virus, including shelter in place and social distancing orders. These and other measures have and may continue to have an adverse impact on our business, as well as those of our suppliers, customers and other business partners, which could disrupt our supply chain or reduce the demand for our products and services.

The extent to which the COVID-19 pandemic impacts our business, results of operations and financial condition will depend on various factors which continue to evolve and cannot be predicted, including: the scope, duration and severity of the pandemic; the effectiveness of stimulus measures and other actions implemented by federal, state, local or foreign governments; the ability of our suppliers to manufacture or obtain the products we sell or to meet delivery requirements and commitments; disruptions to our global supply chain; the effect on our customers’ demand for our services and products; limitations on our ability to sell and provide our services and products, due to the inability of our employees to perform their job due to illness caused by the pandemic or governmental stay at home orders or travel restrictions; reduced availability of ground or air transportation; and the ability of our customers to conduct their business or to pay for our services and products in a timely manner. The long-term financial and economic impacts of the COVID-19 pandemic may continue for a significant period of time, and cannot be reliably quantified or estimated at this time due to the uncertainty of future developments.

ITEM 6. EXHIBITS

Exhibit No.	Description of Exhibit
(31) Rule 13a — 14(a) /15d — 14(a) Certifications.	
31.1	William A. Galvin, President and Chief Executive Officer, Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Theodore A. Dosch, Executive Vice President-Finance and Chief Financial Officer, Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32) Section 1350 Certifications.	
32.1	William A. Galvin, President and Chief Executive Officer, Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Theodore A. Dosch, Executive Vice President-Finance and Chief Financial Officer, Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit No.	Description of Exhibit
(101) Extensible Business Reporting Language.	
101.INS**	Inline XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH**	Inline XBRL Taxonomy Extension Schema Document
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

** Attached as Exhibit 101 to this report are the following documents formatted in Inline XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Comprehensive (Loss) Income for the three months ended April 3, 2020 and March 29, 2019, (ii) the Condensed Consolidated Balance Sheets at April 3, 2020 and January 3, 2020, (iii) the Condensed Consolidated Statements of Cash Flows for the three months ended April 3, 2020 and March 29, 2019, (iv) the Condensed Consolidated Statements of Stockholders' Equity for the three months ended April 3, 2020 and March 29, 2019, and (v) Notes to the Condensed Consolidated Financial Statements for the three months ended April 3, 2020.

ANIXTER INTERNATIONAL INC.

SIGNATURES

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.

ANIXTER INTERNATIONAL INC.

April 28, 2020	By:	/s/ William A. Galvin
		William A. Galvin
		President and Chief Executive Officer
April 28, 2020	By:	/s/ Theodore A. Dosch
		Theodore A. Dosch
		Executive Vice President - Finance and Chief Financial Officer

EXHIBIT 31.1

PRESIDENT AND CHIEF EXECUTIVE OFFICER CERTIFICATION

I, William A. Galvin, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Anixter International Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 28, 2020

/s/ William A. Galvin

William A. Galvin

President and Chief Executive Officer

EXHIBIT 31.2

EXECUTIVE VICE PRESIDENT – FINANCE AND CHIEF FINANCIAL OFFICER CERTIFICATION

I, Theodore A. Dosch, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Anixter International Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 28, 2020

/s/ Theodore A. Dosch

Theodore A. Dosch
Executive Vice President-Finance and
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Anixter International Inc. (the "Company") on Form 10-Q for the period ending April 3, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report") I, William A. Galvin, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William A. Galvin

William A. Galvin
President and Chief Executive Officer
April 28, 2020

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Anixter International Inc. (the "Company") on Form 10-Q for the period ending April 3, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report") I, Theodore A. Dosch, Executive Vice President-Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Theodore A. Dosch

Theodore A. Dosch
Executive Vice President-Finance
and Chief Financial Officer
April 28, 2020