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UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF FLORIDA

U.S. DISTRICT COURT  
MIDDLE DISTRICT OF FLORIDA  
TALLAHASSEE, FLORIDA

, Individually and on Behalf  
of All Others Similarly Situated,

Plaintiff.

v.

TECH DATA CORPORATION, ROBERT M.  
DUTKOWSKY and CHARLES V.  
DANNEWITZ,

Defendants.

CIVIL ACTION NO.

8:17cv2185 T36 AEP

CLASS ACTION COMPLAINT FOR  
VIOLATION OF THE FEDERAL  
SECURITIES LAWS

JURY TRIAL DEMANDED

By and through its undersigned counsel, Plaintiff ("Plaintiff"), alleges the following against Tech Data Corporation ("Tech Data" or the "Company") and certain of the Company's executive officers and/or directors. Plaintiff makes these allegations upon personal knowledge as to those allegations concerning Plaintiff and, as to all other matters, upon the investigation of counsel, which included, without limitation: (a) review and analysis of public filings made by Tech Data and other related parties and non-parties with the U.S. Securities and Exchange Commission ("SEC"); (b) review and analysis of press releases and other publications disseminated by certain of the Defendants and other related non-parties; (c) review of news articles, shareholder communications, and postings on Tech Data's website concerning the Company's public statements; and (d) review of other publicly available information concerning Tech Data and the Individual Defendants.

789-43957  
4400

### **NATURE OF THE ACTION**

1. This is a federal securities class against Tech Data and certain officers and/or directors for violations of the federal securities laws. Plaintiff brings this action on behalf of all persons or entities that purchased or otherwise acquired the publicly traded shares of Tech Data common stock between June 1, 2017 and August 31, 2017, inclusive (the “Class Period”), seeking to pursue remedies under the Securities Exchange Act of 1934 (the “Exchange Act”).

### **JURISDICTION AND VENUE**

2. The federal law claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

3. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331, Section 27 of the Securities Act (15 U.S.C. §78aa).

4. Venue is proper in this District pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. §78aa(c)). The Company’s principal executive office is located in this district.

5. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including but not limited to the mails, interstate telephone communications, and the facilities of a national securities exchange.

### **PARTIES**

6. Plaintiff, as set forth in the accompanying certification, incorporated by reference herein, acquired Tech Data common stock at artificially inflated prices during the Class Period, and suffered damages as a result of the revelation of the alleged corrective disclosure.

7. Defendant Tech Data is a Florida corporation with its principal executive offices located at 5350 Tech Data Drive, Clearwater, Florida 33760.

8. Robert M. Dutkowsky (“Dutkowsky”) served as the Company’s Chief Executive Officer (“CEO”) at all relevant times.

9. Charles V. Dannewitz (“Dannewitz”) served as the Company's Chief Financial Officer (“CFO”) and Executive Vice President at all relevant times.

10. Defendants Dutkowsky and Dannewitz are collectively referred to as the “Individual Defendants.”

11. The Company and the Individual Defendants are collectively referred to herein as “Defendants.”

12. During the Class Period, the Individual Defendants, as senior executive officers and/or directors of Tech Data, were privy to confidential, proprietary and material adverse non-public information concerning Tech Data, its operations, finances, financial condition and present and future business prospects via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and/or board of directors meetings and committees thereof, and via reports and other information provided to them in connection therewith. Because of their possession of such information, the Individual Defendants knew or recklessly disregarded that the adverse facts specified herein had not been disclosed to, and were being concealed from, the investing public.

13. The Individual Defendants are liable as direct participants in the wrongs complained of herein. In addition, the Individual Defendants, by reason of their status as senior executive officers and/or directors, were “controlling persons” within the meaning of §20(a) of the Exchange Act, and had the power and influence to cause the Company to engage in the unlawful

conduct complained of herein. Because of their positions of control, the Individual Defendants were able to and did, directly or indirectly, control the conduct of Tech Data's business.

**SUBSTANTIVE ALLEGATIONS**

***Company Background***

14. Tech Data was incorporated in 1974 and is based in Clearwater, Florida. Tech Data is a wholesale distributors of technology products. The Company identifies itself as a link in the technology supply chain by bringing products from technology vendors to market and by providing its customers with logistic capabilities and services. From 1989 to 2012, Tech Data expanded through multiple acquisitions of distribution companies in both America and Europe.

15. On February 27, 2017, Tech Data completed the acquisition of the Technology Solutions business ("TS") from Avnet, Inc. for an aggregate purchase price of approximately \$2.672 billion ("TS acquisition"). TS delivers technology services, software, hardware and solutions across the data center. The TS acquisition aimed at diversifying Tech Data's end-to-end solutions, deepening its value added capabilities and balancing its solutions portfolio.

***Material Misstatements and Omissions during the Class Period***

16. The Class Period begins on June 1, 2017, when Tech Data issued a press release, also attached as exhibit 99.1 to the Form 8-K filed with the SEC announcing the Company's financial and operating results for the first fiscal quarter ended April 30, 2017 ("June 1 Press Release"). The Company made material misrepresentations in the press release, as follows::

**Tech Data Corporation Reports First Quarter Fiscal Year 2018 Results**

CLEARWATER, Fla., June 1, 2017 /PRNewswire/ -- Tech Data Corporation (NASDAQ: TECD) (the "Company") today announced its financial results for the first quarter ended April 30, 2017.

	<b>First quarter ended April 30,</b>
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<i>(\$ in millions, except per share amounts)</i>	2017	2016	Y/Y Change
<b>Net Sales</b>	\$7,664.1	\$5,963.4	29%
<b>Operating income (GAAP)</b>	\$75.1	\$52.6	43%
<b>Operating margin (GAAP)</b>	0.98%	0.88%	10 bps
<b>Operating income (Non-GAAP)</b>	\$123.2	\$57.6	114%
<b>Operating margin (Non-GAAP)</b>	1.61%	0.97%	64 bps
<b>Net income (GAAP)</b>	\$30.7	\$33.4	-8%
<b>Net income (Non-GAAP)</b>	\$70.1	\$37.0	89%
<b>EPS - diluted (GAAP)</b>	\$0.82	\$0.94	-13%
<b>EPS - diluted (Non-GAAP)</b>	\$1.87	\$1.05	78%

A reconciliation of GAAP to non-GAAP financial measures is presented in the financial tables of this press release.

This information is also available on the Investor Relations section of Tech Data's website at [www.techdata.com/investor](http://www.techdata.com/investor).

#### **Financial Highlights for the First Quarter Ended April 30, 2017:**

- Net sales were \$7.7 billion, an increase of 29 percent compared to the prior-year quarter. The increase in net sales is primarily due to approximately \$1.6 billion for two months of net sales attributed to the Technology Solutions business acquired from Avnet, Inc. on February 27, 2017 ("Technology Solutions"). Excluding Technology Solutions' net sales, Tech Data's organic net sales increased approximately 5 percent on a constant currency basis.
  - Americas: Net sales were \$3.5 billion (45 percent of worldwide net sales), an increase of 45 percent compared to the prior-year quarter. The increase in net sales is primarily due to approximately \$1.0 billion of net sales attributed to Technology Solutions. Excluding Technology Solutions' net sales in the Americas, organic net sales increased approximately 5 percent on a constant currency basis.
  - Europe: Net sales were \$4.0 billion (52 percent of worldwide net sales), an increase of 12 percent compared to the prior-year quarter. The increase in net sales is primarily due to approximately \$0.5 billion of net sales attributed to Technology Solutions. Excluding Technology Solutions' net sales in Europe, organic net sales increased approximately 5 percent on a constant currency basis.

- Asia Pacific: Net sales were \$0.2 billion (3 percent of worldwide net sales). Asia Pacific net sales are attributed to the addition of Technology Solutions.
- Gross profit was \$457.1 million, an increase of \$158.5 million, or 53 percent compared to the prior-year quarter. As a percentage of net sales, gross profit was 5.96 percent compared to 5.01 percent in the prior-year quarter. The increase in gross profit and gross margin percentage is primarily attributable to the addition of Technology Solutions.
- Selling, general and administrative expenses ("SG&A") were \$352.6 million, or 4.60 percent of net sales, compared to \$246.5 million, or 4.13 percent of net sales in the prior-year quarter. Non-GAAP SG&A was \$333.9 million, an increase of \$92.8 million, or 39 percent, compared to the prior-year quarter. As a percentage of net sales, non-GAAP SG&A was 4.36 percent, compared to 4.04 percent in the prior-year quarter. The increase in both dollars and percentage of net sales is primarily attributable to the addition of Technology Solutions.
- Worldwide operating income was \$75.1 million, or 0.98 percent of net sales compared to \$52.6 million or 0.88 percent of net sales in the prior-year quarter. Non-GAAP operating income was \$123.2 million, an increase of \$65.6 million, or 114 percent, compared to the prior-year quarter. As a percentage of net sales, non-GAAP operating income was 1.61 percent, an improvement of 64 basis points over the prior-year quarter.
  - Americas: Operating income was \$50.9 million, or 1.47 percent of net sales, compared to \$31.3 million, or 1.31 percent of net sales in the prior-year quarter. Non-GAAP operating income was \$78.5 million, an increase of \$47.1 million, or 150 percent, compared to the prior-year quarter. As a percentage of net sales, non-GAAP operating income was 2.26 percent, an improvement of 94 basis points over the prior-year quarter.
  - Europe: Operating income was \$24.8 million, or 0.62 percent of net sales, compared to \$24.9 million, or 0.70 percent of net sales in the prior-year quarter. Non-GAAP operating income was \$44.1 million, an increase of \$14.3 million, or 48 percent, compared to the prior-year quarter. As a percentage of net sales, non-GAAP operating income was 1.10 percent compared to 0.83 percent in the prior-year quarter.
  - Asia Pacific: Operating income was \$4.3 million, or 2.28 percent of net sales. Non-GAAP operating income was \$5.2 million, or 2.76 percent of net sales.
  - Stock-based compensation expense was \$4.9 million, an increase of \$1.3 million, compared to the prior-year quarter. These expenses are excluded from the regional operating results and presented as a separate line item in the company's segment reporting (see the GAAP to non-GAAP reconciliation in the financial tables of this press release).

- Net income was \$30.7 million, compared to \$33.4 million in the prior-year quarter. Non-GAAP net income was \$70.1 million, an increase of \$33.0 million, or 89 percent, compared to the prior-year quarter.
- Earnings per share on a diluted basis ("EPS") were \$0.82, compared to \$0.94 in the prior year quarter. Non-GAAP EPS was \$1.87, an increase of \$0.82, or 78 percent compared to the prior-year quarter.
- Net cash generated by operations during the quarter was \$224 million.
- Return on invested capital on a non-GAAP basis for the trailing twelve months was 13 percent, compared to 14 percent in the prior year period.

"We are pleased to report an excellent start to fiscal year 2018. During Q1, we leveraged the breadth of our vendor and customer portfolios and the flexibility of our business model to deliver solid top-line growth and excellent profitability," said Robert M. Dutkowsky, chief executive officer. ***"Our regional teams executed well throughout the quarter, capitalized on market opportunities and surpassed their profitability goals. This enabled Tech Data to exceed our expectations on our key financial metrics, including sales, non-GAAP operating and net income, and non-GAAP earnings per share.*** In addition, we generated strong operating cash flow and paid down a portion of long-term debt, an important first step in our commitment to deleverage the company. ***Tech Data delivered these strong results, while at the same time making excellent progress on integrating Technology Solutions - the largest and most transformative acquisition in our company's history. And our first quarter performance – the first as a combined company - is a testament to the outstanding execution capabilities of our operations, the skills and talent of our people, and the strength and diversity of our end-to-end portfolio of IT solutions."***

### **Business Outlook**

- For the quarter ending July 31, 2017, the Company anticipates worldwide net sales to be in the range of \$8.55 billion to \$8.80 billion. This guidance assumes an average U.S. dollar to euro exchange rate of \$1.10 to €1.00.
- ***For the quarter ending July 31, 2017, the Company anticipates non-GAAP EPS to be in the range of \$1.95 to \$2.08.***
- This guidance assumes stock compensation expense of approximately \$7 million and interest expense of approximately \$26 million.
- This guidance also assumes weighted average diluted shares outstanding of 38.5 million and an effective tax rate in the range of 31 percent to 33 percent.

Emphasis added.

17. The same day, during a conference call to discuss the Company's financial and operating results for the first fiscal quarter ended April 30, 2017 ("Q1 2017 Conf. Call"), Tech Data's CEO and Individual Defendant Dutkowsky stated in relevant part:

Thank you, Arleen. Good morning, everyone, and thank you for joining us today. ***We are pleased to report an excellent start to fiscal year 2018.*** During Q1, we leveraged the breadth of our vendor and customer portfolios and the flexibility of our business model to deliver solid topline growth and excellent profitability.

Our regional teams executed well throughout the quarter, capitalized on market opportunities and surpassed their profitability goals. This enabled Tech Data to exceed our expectations on our key financial metrics, including sales, non-GAAP operating and net income, and non-GAAP earnings per share.

In addition, we generated strong operating cash flow and paid down a portion of our long-term debt, an important first step in our commitment to deleverage the Company. Tech Data delivered these strong results, while at the same time making excellent progress on integrating Technology Solutions, the largest and most transformative acquisition in our Company's history.

Since closing the transaction at the end of February, integration teams have been fully engaged across the Company and have been working diligently to bring our two companies together. The Company that we are building a winning combination of exceptional talent, comprehensive solutions and unmatched expertise creates a unique and truly formidable force in the IT industry.

Emphasis added.

18. During the same conference call, Tech Data's CFO and Individual Defendant Dannewitz emphasized the integration of the TS business and reiterated the second quarter 2017 guidance, stating in relevant part:

***As Bob indicated, we are making excellent progress integrating the TS business. As part of our integration process, we are optimizing our vendor and customer relationships to ensure we have a strong coverage model with the right skill sets deployed.*** These are key steps to successfully combining the businesses, however they limit our ability to track and report legacy Tech Data and TS results separately.

For Q1 to provide investors a high-level view into how the legacy Tech Data and TS businesses each performed in the market, we are providing approximate TS sales and directional growth rates against the comparable two months stub period.

However, moving forward as our integration activities accelerate, we will only provide consolidated worldwide and regional sales and growth rates.

Turning now to Q1, Tech Data turned on a strong performance that exceeded our expectations. On a reported basis worldwide sales were \$7.7 billion, up 29% year-over-year. The increase is primarily due to approximately \$1.6 billion or two months of sales attributed to the TS business. Excluding TS, Tech Data worldwide sales were up approximately 5% on a constant currency basis.

\* \* \*

Turning now to our guidance for the quarter ending July 31, 2017, we anticipate sales be in the range of \$8.55 billion to \$8.8 billion. This guidance assumes an average U.S. dollar to Euro exchange rate of \$1.10 to €1. ***We anticipate non-GAAP earning per diluted share to be in the range of \$1.95 to \$2.08.*** This guidance assumes stock compensation expense of approximately \$7 million and interest expense of approximately \$26 million. This guidance also assumes \$38.5 million weighted-average diluted shares outstanding and a non-GAAP effective tax rate in the range of 31% to 33%.

Emphasis added.

19. On June 8, 2017, Tech Data filed a Form 10-Q with the SEC announcing the Company's financial and operating results for the first fiscal quarter ended April 30, 2017 ("Q1 2017 10-Q"), which was signed and certified under the Sarbanes Oxley Act of 2002 by the Individual Defendants. Throughout the Q1 2017 10-Q the company reapproved the previous statements regarding the financial results.

20. The statements in paragraphs ¶¶16-18 above were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts pertaining to the Company's business, operations, and prospects, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) the Company was experiencing execution and operational issues; (2) these issues were impacting the Company's financial performance; (3) consequently, the Company

would not achieve its guidance; and (4) therefore the Company's financial statements were materially false and misleading at all relevant times.

### *The Truth Emerges*

21. On August 31, 2017, Tech Data issued a press release, also attached as exhibit 99.1 to the Form 8-K filed with the SEC announcing the Company's financial and operating results for the second fiscal quarter ended July 31, 2017 ("August 31 Press Release"). For the quarter, Tech Data reported non-GAAP earnings per share on a diluted basis of \$1.74, far from the previously announced range of \$1.95 to \$2.08. The press release stated in pertinent part:

#### **Tech Data Corporation Reports Second Quarter Fiscal Year 2018 Results**

Company to Host Investor Day in New York City on Tuesday, October 10, 2017  
CLEARWATER, Fla., Aug. 31, 2017 /PRNewswire/ -- Tech Data (NASDAQ: TECD) (the "Company") today announced its financial results for the second quarter ended July 31, 2017.

	Second quarter ended July 31,			Six months ended July 31,		
	2017	2016	Y/Y Change	2017	2016	Y/Y Change
<i>(\$ in millions, except per share amounts)</i>						
<b>Net Sales</b>	\$8,882.7	\$6,353.7	40%	\$16,546.8	\$12,317.1	34%
<b>Operating income (GAAP)</b>	\$103.5	\$73.4	41%	\$178.6	\$125.9	42%
<b>Operating margin (GAAP)</b>	1.17%	1.15%	2 bps	1.08%	1.02%	6 bps
<b>Operating income (Non-GAAP)</b>	\$127.8	\$78.1	64%	\$251.1	\$135.7	85%
<b>Operating margin (Non-GAAP)</b>	1.44%	1.23%	21 bps	1.52%	1.10%	42 bps
<b>Net income (GAAP)</b>	\$47.5	\$46.4	2%	\$78.1	\$79.8	-2%
<b>Net income (Non-GAAP)</b>	\$66.7	\$50.3	33%	\$136.8	\$87.3	57%
<b>EPS - diluted (GAAP)</b>	\$1.24	\$1.31	-5%	\$2.06	\$2.26	-9%
<b>EPS - diluted (Non-GAAP)</b>	\$1.74	\$1.42	23%	\$3.61	\$2.47	46%

A reconciliation of GAAP to non-GAAP financial measures is presented in the financial tables of this press release.

This information is also available on the Investor Relations section of Tech Data's website at [www.techdata.com/investor](http://www.techdata.com/investor).

**Financial Highlights for the Second Quarter Ended July 31, 2017:**

- Net sales were \$8.9 billion, an increase of 40 percent compared to the prior-year quarter. The increase in net sales is primarily due to the addition of the Technology Solutions business acquired from Avnet, Inc. on February 27, 2017 ("Technology Solutions"). On a constant currency basis, net sales increased 41 percent.
  - Americas: Net sales were \$4.2 billion (47 percent of worldwide net sales), an increase of 57 percent compared to the prior-year quarter. The increase in net sales is primarily attributed to the addition of Technology Solutions.
  - Europe: Net sales were \$4.4 billion (50 percent of worldwide net sales), an increase of 20 percent compared to the prior-year quarter. The increase in net sales is primarily attributed to the addition of Technology Solutions. On a constant currency basis, net sales increased 21 percent.
  - Asia Pacific: Net sales were \$0.3 billion (3 percent of worldwide net sales). Asia Pacific net sales are attributed to the addition of Technology Solutions.
- Gross profit was \$515.6 million, an increase of \$199.1 million, or 63 percent compared to the prior-year quarter. As a percentage of net sales, gross profit was 5.80 percent compared to 4.98 percent in the prior-year quarter. The increase in gross profit and gross margin percentage is primarily attributable to the addition of Technology Solutions.
- Selling, general and administrative expenses ("SG&A") were \$410.6 million, or 4.62 percent of net sales, compared to \$243.8 million, or 3.84 percent of net sales in the prior-year quarter. Non-GAAP SG&A was \$387.7 million, an increase of \$149.4 million, or 63 percent, compared to the prior-year quarter. As a percentage of net sales, non-GAAP SG&A was 4.37 percent, compared to 3.75 percent in the prior-year quarter. The increase in both dollars and percentage of net sales, on a GAAP and non-GAAP basis, is primarily attributable to the addition of Technology Solutions.
- Worldwide operating income was \$103.5 million, or 1.17 percent of net sales compared to \$73.4 million or 1.15 percent of net sales in the prior-year quarter. Non-GAAP operating income was \$127.8 million, an increase

of \$49.8 million, or 64 percent, compared to the prior-year quarter. As a percentage of net sales, non-GAAP operating income was 1.44 percent, an improvement of 21 basis points over the prior-year quarter.

- Americas: Operating income was \$88.0 million, or 2.10 percent of net sales, compared to \$41.2 million, or 1.54 percent of net sales in the prior-year quarter. Non-GAAP operating income was \$84.7 million, an increase of \$45.9 million, or 118 percent, compared to the prior-year quarter. As a percentage of net sales, non-GAAP operating income was 2.02 percent, an improvement of 57 basis points over the prior-year quarter.
- Europe: Operating income was \$18.5 million, or 0.42 percent of net sales, compared to \$35.9 million, or 0.98 percent of net sales in the prior-year quarter. Non-GAAP operating income was \$43.4 million, an increase of \$0.3 million, or 1 percent, compared to the prior-year quarter. As a percentage of net sales, non-GAAP operating income was 0.99 percent compared to 1.17 percent in the prior-year quarter.
- Asia Pacific: Operating income was \$5.1 million, or 1.76 percent of net sales. Non-GAAP operating income was \$6.7 million, or 2.32 percent of net sales.
- Stock-based compensation expense was \$8.0 million, an increase of \$4.2 million, compared to the prior-year quarter. This includes \$1.0 million of acquisition and integration-related stock compensation expense. These expenses are excluded from the regional operating results and presented as a separate line item in the company's segment reporting (see the GAAP to non-GAAP reconciliation in the financial tables of this press release).
- Net income was \$47.5 million, compared to \$46.4 million in the prior-year quarter. Non-GAAP net income was \$66.7 million, an increase of \$16.4 million, or 33 percent, compared to the prior-year quarter.
- ***Earnings per share on a diluted basis ("EPS") were \$1.24, compared to \$1.31 in the prior year quarter. Non-GAAP EPS was \$1.74, an increase of \$0.32, or 23 percent compared to the prior-year quarter.***
- Net cash generated by operations during the quarter was \$146 million.
- Return on invested capital for the trailing twelve months was 10 percent, compared to 14 percent in the prior year period. The adjusted return on invested capital for the trailing twelve months was 12 percent, compared to 14 percent in the prior year period.

"Our fiscal 2018 first-half results clearly show the enhanced earnings and cash-generating power of the new Tech Data. In Q2, worldwide sales exceeded plan and our teams maintained disciplined cost controls; *however, we did not deliver the earnings we expected in the quarter,*" said Robert M. Dutkowsky, chairman and chief executive officer. "Tech Data is a stronger company today than it was a year ago. With the addition of Technology Solutions, we now have a richer portfolio of advanced technology vendors and customers, along with deeper skills to serve them. At the same time, we continue to accelerate the expansion of our capabilities in next-generation technologies. Our integration is progressing as planned and we are on track to deliver our synergy and debt reduction targets."

### **Business Outlook**

- For the quarter ending October 31, 2017, the Company anticipates worldwide net sales to be in the range of \$9.0 billion to \$9.35 billion.
- For the quarter ending October 31, 2017, the Company anticipates EPS to be in the range of \$0.80 to \$1.00 and non-GAAP EPS to be in the range of \$1.84 to \$2.04.
- This guidance assumes weighted average diluted shares outstanding of 38.5 million and an effective tax rate in the range of 30 percent to 32 percent.
- This guidance also assumes an average U.S. dollar to euro exchange rate of \$1.16 to €1.00.

Emphasis added.

22. The same day, during a conference call to discuss the Company's financial and operating results for the second fiscal quarter ended July 31, 2017 ("Q2 2017 Conf. Call"), Tech Data's CEO and Individual Defendant Dutkowsky disclosed that the Company was experiencing execution and operational issues, notably pricing issues, rebate issues and issues related to the integration of the TS business. In relevant part:

And finally, in our component business, a combination of short-term execution issues and a highly competitive European market contributed to the gross margin decline. I want to emphasize that our lower than expected Q2 earnings were due to a combination of execution challenges and market dynamics. To be clear, our integration activities did not negatively impact future results in a material way.

\* \* \*

Before I turn the call over to Chuck, I want to be clear some of the challenges we faced in Q2 were execution related and some were market driven. The execution-related issues are fixable and short term in nature.

At Tech Data, execution is not only a core competency, it's the bedrock of our business model. Therefore, these issues have been identified and are being addressed. The market-related challenges are a combination of increased competitiveness, particularly in the broad line space; well documented weak performance by certain vendors; and by industry-wide changes to vendor programs.

Tech Data has dealt with similar market relationship issues before and we know how to operate successfully in such a dynamic marketplace. History has shown that our end-to-end portfolio of products, services, and solutions, together with our flexible business model, enable us to quickly and efficiently respond to the realities of the market.

23. During the Q&A session, when analyst Matthew Sheerin from Stifel, Nicolaus & Co., Inc. asked the Company about the component issues, Tech Data's CEO and Individual Defendant Dutkowsky admitted that the issues existed but were inadequately anticipated. In relevant part:

**Matthew Sheerin**

Okay. And just on the component issue, could you remind us, because I know Avnet had a sizable business and you had a business. What's the run rate of that business? And in terms of the specific operational issues, is that IT-driven, is it people-driven? And what kind of things did you put in place to try to resolve those issues? And how long do you think that's going to be an overhang?

**Charles Dannewitz**

Yes. The size of the actual business unit, we don't break out that business unit and disclose that publicly. It is a nice size business for us, but we just don't give that kind of information.

**Robert Dutkowsky**

And Matt its Bob, *in terms of the operational issues, the execution issues – that's one example of where TS had a discrete components business and Tech Data had a discrete components business spread across multiple countries.* And it was one of the -- as we put the two pieces together, we had very different policies and practices in place that we needed to justify.

*TS and Tech Data bought products differently, they hedged the value of those products differently, they priced them differently in the market, and so those weaknesses impacted our performance in the quarter.*

*All of those issues are solvable. It's just that they impacted us in this quarter in a way that was much larger than we anticipated.* We're confident that we can solve those problems and move forward with a nice, profitable components business that we like everything that we see about the business.

Emphasis added.

24. On release of the news, *the Company's share price fell \$22.83 per share*, from a closing price on August 31, 2017 of \$110.29 per share to a close of \$87.46 per share, *a drop of approximately 20.69%*.

#### **CLASS ACTION ALLEGATIONS**

25. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all those that purchased or otherwise acquired the publicly traded shares of Tech Data common stock during the Class Period, and who were damaged thereby (the "Class"). Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

26. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Tech Data's securities were actively traded on the NASDAQ (an open and efficient market) under the symbol "TECD." While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. As of August 31, 2017, the Company had over 38.1 million shares outstanding. Millions of Tech Data shares were traded publicly during the Class Period on the NASDAQ. Record owners

and the other members of the Class may be identified from records maintained by Tech Data or its transfer agent, and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

27. Plaintiff's claims are typical of the claims of the other members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

28. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

29. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- (a) whether the federal securities laws were violated by Defendants' acts as alleged herein;
- (b) whether Defendants participated in and pursued the common course of conduct complained of herein;
- (c) whether documents, press releases, and other statements disseminated to the investing public with the Company's shareholders during the Class Period misrepresented material facts about the business, finances, financial condition and prospects of Tech Data;
- (d) whether statements made by Defendants to the investing public during the Class Period omitted and/or misrepresented material facts about the business, operations, and prospects of Tech Data;

(e) whether the market price of Tech Data common stock during the Class Period was artificially inflated due to the material misrepresentations and failures to correct the material misrepresentations complained of herein; and

(f) to what extent the members of the Class have sustained damages and the proper measure of damages.

30. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

#### **UNDISCLOSED ADVERSE FACTS**

31. The market for Tech Data common stock was open, well-developed and efficient at all relevant times. As a result of these materially false and/or misleading statements, and/or failures to disclose, Tech Data common stock traded at artificially inflated prices during the Class Period. Plaintiff and the other members of the Class purchased or otherwise acquired Tech Data common stock relying upon the integrity of the market price of the Company's securities and market information relating to Tech Data, and have been damaged thereby.

32. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of Tech Data's securities, by publicly issuing false and/or misleading statements and/or omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and/or misleading. Said statements and omissions were materially false and/or misleading in that they failed to disclose material adverse information and/or misrepresented the truth about Tech Data's business, operations, and prospects as alleged herein.

33. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and the other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about Tech Data's financial well-being and prospects.

34. These material misstatements and/or omissions had the cause and effect of creating in the market an unrealistically positive assessment of the Company and its financial well-being and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and the other members of the Class purchasing the Company's common stock at artificially inflated prices, thus causing the damages complained of herein.

#### **LOSS CAUSATION**

35. During the Class Period, as detailed herein, Defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated the prices of Tech Data common stock and operated as a fraud or deceit on Class Period purchasers of Tech Data common stock by failing to disclose to investors that the Company's financial results were materially misleading and misrepresented material information. When Defendants' misrepresentations and fraudulent conduct were disclosed and became apparent to the market, the prices of Tech Data's common stock fell precipitously as the prior inflation came out of the Company's stock price. As a result of their purchases of Tech Data's common stock during the Class Period, Plaintiff and the other Class members suffered economic loss, *i.e.* damages, under the federal securities law.

36. By failing to disclose the true state of the Company's business prospects and operations, investors were not aware of the true state of the Company's financial status. Therefore,

Defendants presented a misleading picture of Tech Data's business and prospects. Thus, instead of truthfully disclosing during the Class Period the true state of the Company's business, Defendants caused Tech Data to conceal the truth.

37. Defendants' false and misleading statements caused Tech Data's common stock to trade at artificially inflated levels throughout the Class Period. However, as a direct result of the Company's problems coming to light, Tech Data's common stock price fell precipitously from its Class Period high. The stock price drop discussed herein caused real economic loss to investors who purchased the Company's securities during the Class Period.

38. The decline in the price of Tech Data's common stock after the truth came to light was a direct result of the nature and extent of Defendants' fraud finally being revealed to investors and the market. The timing and magnitude of Tech Data's common stock price decline negates any inference that the loss suffered by Plaintiff and the other Class members was caused by changed market conditions, macroeconomic or industry factors or Company-specific facts unrelated to the Defendants' fraudulent conduct. The economic loss suffered by Plaintiff and the other Class members was a direct result of Defendants' fraudulent scheme to artificially inflate the prices of Tech Data's securities and the subsequent decline in the value of Tech Data's securities when Defendants' prior misrepresentations and other fraudulent conduct were revealed.

### **SCIENTER ALLEGATIONS**

39. As alleged herein, Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws.

As set forth elsewhere herein in detail, Defendants, by virtue of their receipt of information reflecting the true facts regarding Tech Data, their control over, and/or receipt and/or modification of Tech Data's allegedly materially misleading statements and/or their associations with the Company which made them privy to confidential proprietary information concerning Tech Data, participated in the fraudulent scheme alleged herein.

40. The ongoing fraudulent scheme described herein could not have been perpetrated over a substantial period of time, as has occurred, without the knowledge and complicity of the personnel at the highest level of the Company, including the Individual Defendants.

**APPLICABILITY OF PRESUMPTION OF RELIANCE (FRAUD-ON-THE-MARKET DOCTRINE)**

41. At all relevant times, the market for Tech Data's common stock was an efficient market for the following reasons, among others:

- (a) Tech Data stock met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;
- (b) as a regulated issuer, Tech Data filed periodic public reports with the SEC and/or the NASDAQ;
- (c) Tech Data regularly communicated with public investors *via* established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services, and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and/or
- (d) Tech Data was followed by securities analysts employed by brokerage firms who wrote reports about the Company, and these reports were distributed to the sales force and

certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

42. As a result of the foregoing, the market for Tech Data's securities promptly digested current information regarding Tech Data from all publicly available sources and reflected such information in Tech Data's stock price. Under these circumstances, all purchasers of Tech Data common stock during the Class Period suffered similar injury through their purchase of Tech Data common stock at artificially inflated prices and a presumption of reliance applies.

43. A Class-wide presumption of reliance is also appropriate in this action under the Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972), because Plaintiff's fraud claims are grounded in Defendants' omissions of material fact of which there is a duty to disclose. As this action involves Defendants' failure to disclose material adverse information regarding Tech Data's business practices, financial results and condition and internal controls-information that Defendants were obligated to disclose during the Class Period but did not-positive proof of reliance is not a prerequisite to recovery. All that is necessary is that the facts withheld be material in the sense that a reasonable investor might have considered such information important in the making of investment decisions.

#### **NO SAFE HARBOR**

44. The federal statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as "forward-looking statements" when made and there were no meaningful cautionary statements identifying important factors that could

cause actual results to differ materially from those in the purportedly forward-looking statements.

45. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of Tech Data who knew that the statement was false when made.

### **COUNT I**

#### **Violation of Section 10(b) and Rule 10b-5 Against All Defendants**

46. Plaintiff repeats and realleges the allegations set forth above as though fully set forth herein. This claim is asserted against all Defendants.

47. During the Class Period, Tech Data and the Individual Defendants, and each of them, carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and the other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Tech Data common stock; and (iii) cause Plaintiff and the other members of the Class to acquire or otherwise purchase Tech Data stock at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

48. These Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business that operated as a fraud and deceit upon the purchasers of the Company's Securities in an effort to maintain artificially high market prices for Tech Data securities in violation of Section 10(b) of

the Exchange Act and Rule 10b-5 promulgated thereunder. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged herein.

49. In addition to the duties of full disclosure imposed on Defendants as a result of their making of affirmative statements and reports, or participation in the making of affirmative statements and reports to the investing public, they each had a duty to promptly disseminate truthful information that would be material to investors in compliance with the integrated disclosure provisions of the SEC as embodied in SEC Regulation S-X (17 C.F.R. § 210.01 et seq.) and S-K (17 C.F.R. § 229.10 et seq.) and other SEC regulations, including accurate and truthful information with respect to the Company's operations, financial condition and performance so that the market prices of the Company's publicly traded securities would be based on truthful, complete and accurate information.

50. Tech Data and the Individual Defendants, individually and in concert, directly and indirectly, by the use of means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, business practices, performance, operations and future prospects of Tech Data as specified herein. These Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Tech Data's value and performance and substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about Tech Data and its business, operations and future prospects, in light of the circumstances under which they were made, not misleading, as set forth

more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of Tech Data's securities during the Class Period.

51. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) each of the Individual Defendants was a high-level executive and/or director at the Company during the Class Period; (ii) each of the Individual Defendants, by virtue of his responsibilities and activities as a senior executive officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's operational and financial projections and/or reports; (iii) the Individual Defendants enjoyed significant personal contact and familiarity with each other and were advised of and had access to other members of the Company's management team, internal reports, and other data and information about the Company's financial condition and performance at all relevant times; and (iv) the Individual Defendants were aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

52. These Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were readily available to them. Such Defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Tech Data's operating condition, business practices and future business prospects from the investing public and supporting the artificially inflated price of its stock. As demonstrated by their overstatements and misstatements of the Company's financial condition and performance throughout the Class Period, the Individual Defendants, if they did not

have actual knowledge of the misrepresentations and omissions alleged, were severely reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

53. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Tech Data's common stock was artificially inflated during the Class Period. In ignorance of the fact that market prices of Tech Data's publicly-traded securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the Securities trades, and/or on the absence of material adverse information that was known to or recklessly disregarded by Defendants but not disclosed in public statements by Defendants during the Class Period, Plaintiff and the other members of the Class acquired Tech Data's Securities during the Class Period at artificially high prices and were or will be damaged thereby.

54. At the time of said misrepresentations and omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding Tech Data's financial results, which was not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their Tech Data securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices that they paid.

55. By virtue of the foregoing, Defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

56. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's Securities during the Class Period.

## **COUNT II**

### **The Individual Defendants Violated Section 20(a) of the Exchange Act**

57. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

58. The Individual Defendants acted as controlling persons of Tech Data within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, agency, ownership and contractual rights, and participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control, and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements that Plaintiff contends are false and misleading. The Individual Defendants provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to have been misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or to cause the statements to be corrected.

59. In addition, each of the Individual Defendants had direct involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

60. As set forth above, Tech Data and the Individual Defendants each violated §10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their controlling positions, the Individual Defendants are liable pursuant to §20(a) of the Exchange Act. As a direct and proximate result of these Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiff prays for relief and judgment as follows:

- (a) Declaring this action to be a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of the Class defined herein;
- (b) Awarding Plaintiff and the other members of the Class damages in an amount which may be proven at trial, together with interest thereon;
- (c) Awarding Plaintiff and the other members of the Class pre-judgment and post-judgment interest, as well as their reasonable attorneys' and experts' witness fees and other costs; and;
- (d) Awarding such other and further relief as the Court deems appropriate.

**JURY TRIAL DEMANDED**

Plaintiff demands a trial by jury.

Dated: September 20, 2017