



Insight Enterprises, Inc.

*Fourth Quarter and Full Year 2017
Earnings Conference Call and Webcast*

Agenda

Opening comments

CEO commentary

- Fourth Quarter and YTD 2017 Results
 - Consolidated
 - Segments
- 2018 Operating Priorities

CFO commentary

- Product and Services Income Statement Presentation
- 2017 Cash Flow Performance
- 2017 Tax Cuts and Jobs Act
- ASC 606 – Revenue Recognition

Closing comments & 2018 Guidance

Disclosures

Safe harbor statement

This presentation includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 related to Insight’s plans and expectations. Statements that are not historical facts, including statements about future trends in the IT market and our opportunities for growth, are forward-looking statements. These forward-looking statements are subject to assumptions, risks and uncertainties which could cause actual results or facts to differ materially from such statements. The Company undertakes no obligation to update publicly or revise any of the forward-looking statements, except as otherwise required by law. More detailed information about risk factors are discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

Non-GAAP measures

This presentation will reference certain non-GAAP financial information as ‘Adjusted Measures’. For a reconciliation of non-GAAP measures presented in this document, see the press release issued today which you may also find on the Investor Relations section of our website at investor.insight.com.

Strong Financial Results

	Three Months Ended December 31,			Years Ended December 31,		
	2017	2016	change	2017	2016	change
Insight Enterprises, Inc.						
Net sales:						
Products	\$ 1,612,338	\$ 1,344,024	20%	\$ 6,038,744	\$ 4,997,263	21%
Services	\$ 171,737	\$ 123,559	39%	\$ 664,879	\$ 488,253	36%
Total net sales	\$ 1,784,075	\$ 1,467,583	22%	\$ 6,703,623	\$ 5,485,515	22%
Gross profit	\$ 232,883	\$ 190,969	22%	\$ 918,570	\$ 743,102	24%
Gross margin	13.1%	13.0%	10 bps	13.7%	13.5%	20 bps
Selling and administrative expenses	\$ 184,554	\$ 145,066	27%	\$ 723,328	\$ 585,243	24%
Severance & Restructuring Expense	\$ 2,791	\$ 1,527	83%	\$ 9,002	\$ 4,580	97%
Loss on Sale of Foreign Entity	\$ -	\$ -	-	\$ 3,646	\$ -	-
Acquisition Related Expense	\$ -	\$ 3,706	*	\$ 3,329	\$ 4,447	-25%
Earnings from Operations	\$ 45,538	\$ 40,670	12%	\$ 179,265	\$ 148,832	20%
Diluted Earnings per Share	\$ 0.39	\$ 0.59	-34%	\$ 2.50	\$ 2.32	8%
Adj. Earnings from operations	\$ 48,329	\$ 45,903	5%	\$ 195,242	\$ 157,859	24%
Adj. Diluted earnings per share	\$ 0.81	\$ 0.72	13%	\$ 3.24	\$ 2.52	29%

* Percentage change not considered meaningful.

	2017	2016	change	2017	2016	change
North America						
Net sales:						
Products	\$ 1,249,420	\$ 969,487	29%	\$ 4,662,473	\$ 3,601,697	29%
Services	\$ 128,971	\$ 87,866	47%	\$ 519,261	\$ 370,131	40%
Total net sales	\$ 1,378,391	\$ 1,057,353	30%	\$ 5,181,734	\$ 3,971,828	30%
Gross profit	\$ 174,569	\$ 133,552	31%	\$ 691,677	\$ 525,481	32%
Gross margin	12.7%	12.6%	10 bps	13.3%	13.2%	10 bps
Selling and administrative expenses	\$ 135,369	\$ 100,169	35%	\$ 530,792	\$ 401,316	32%
Severance & Restructuring Expense	\$ 1,965	\$ 515	282%	\$ 4,010	\$ 2,966	35%
Acquisition Related Expense	\$ -	\$ 3,703	*	\$ 3,223	\$ 4,278	-25%
Earnings from Operations	\$ 37,235	\$ 29,165	28%	\$ 153,652	\$ 116,921	31%
Adj. Earnings from operations	\$ 39,200	\$ 33,383	17%	\$ 160,885	\$ 123,827	30%
Sales Mix:						
Hardware	64%	62%		65%	62%	
Software	27%	30%		25%	29%	
Services	9%	8%		10%	9%	
	<u>100%</u>	<u>100%</u>		<u>100%</u>	<u>100%</u>	

* Percentage change not considered meaningful.

	Three Months Ended December 31,			Years Ended December 31,		
	2017	2016	change	2017	2016	change
EMEA						
Net sales:						
Products	\$ 333,540	\$ 335,149	-1%	\$ 1,246,952	\$ 1,243,932	0%
Services	\$ 33,267	\$ 26,611	25%	\$ 108,464	\$ 94,628	15%
Total net sales	\$ 366,807	\$ 361,760	1%	\$ 1,355,416	\$ 1,338,560	1%
Gross profit	\$ 50,413	\$ 48,877	3%	\$ 190,310	\$ 185,687	2%
Gross margin	13.7%	13.5%	20 bps	14.0%	13.9%	10 bps
Selling and administrative expenses	\$ 42,442	\$ 38,606	10%	\$ 164,304	\$ 160,269	3%
Severance & Restructuring Expense	\$ 826	\$ 1,009	-18%	\$ 4,888	\$ 1,496	227%
Loss on Sale of Foreign Entity	\$ -	\$ -	-	\$ 3,646	\$ -	*
Acquisition Related Expense	\$ -	\$ -	-	\$ 106	\$ -	*
Earnings from Operations	\$ 7,145	\$ 9,262	-23%	\$ 17,365	\$ 23,922	-27%
Adj. Earnings from operations	\$ 7,971	\$ 10,271	-22%	\$ 26,005	\$ 25,418	2%
Sales Mix:						
Hardware	37%	34%		40%	36%	
Software	54%	59%		52%	57%	
Services	9%	7%		8%	7%	
	100%	100%		100%	100%	

* Percentage change not considered meaningful.

	Three Months Ended December 31,			Years Ended December 31,		
	2017	2016	change	2017	2016	change
APAC						
Net sales:						
Products	\$ 29,378	\$ 39,388	-25%	\$ 129,319	\$ 151,634	-15%
Services	\$ 9,499	\$ 9,082	5%	\$ 37,154	\$ 23,493	58%
Total net sales	\$ 38,877	\$ 48,470	-20%	\$ 166,473	\$ 175,127	-5%
Gross profit	\$ 7,901	\$ 8,540	-7%	\$ 36,583	\$ 31,934	15%
Gross margin	20.3%	17.6%	270 bps	22.0%	18.2%	380 bps
Selling and administrative expenses	\$ 6,743	\$ 6,291	7%	\$ 28,231	\$ 23,658	19%
Severance & Restructuring Expense	\$ -	\$ 3	*	\$ 104	\$ 118	-12%
Acquisition Related Expense	\$ -	\$ 3	*	\$ -	\$ 169	*
Earnings from Operations	\$ 1,158	\$ 2,243	-48%	\$ 8,248	\$ 7,989	3%
Adj. Earnings from operations	\$ 1,158	\$ 2,249	-49%	\$ 8,352	\$ 8,276	1%
Sales Mix:						
Hardware	25%	11%		17%	11%	
Software	51%	70%		61%	76%	
Services	24%	19%		22%	13%	
	100%	100%		100%	100%	

* Percentage change not considered meaningful.

Supply Chain Optimization



Invest smarter

Connected Workforce



Work smarter

Cloud & Data Center Transformation



Run workloads smarter

Digital Innovation



Innovate smarter

2018 Operating Priorities

Leverage Solution areas to optimize growth in our core offerings, the cloud, security and services

Supply Chain Optimization



Grow the Core Business

Connected Workforce



Accelerate consumption offerings

Cloud & Data Center Transformation



Lead hybrid cloud adoption

Digital Innovation



Transform client outcomes



Drive Operational Excellence



Mature Digital Marketing programs



Accelerate Web and Cloud IT Initiatives

Agenda

CFO commentary

- Product and Services Income Statement Presentation
- 2017 Cash Flow Performance
- 2017 Tax Cuts and Jobs Act
- ASC 606 – Revenue Recognition

Product & Services Presentation

	Years Ended December 31,					
	2017	%	2016	%	2016	change
Insight Enterprises, Inc.						
(000's)			(New)		(Old)	(New to Old)
Hardware	\$ 3,916,762	58%	\$ 2,955,310	54%	\$ 2,955,589	\$ (279)
Software	\$ 2,121,982	32%	\$ 2,041,953	37%	\$ 2,189,514	\$ (147,561)
Services	\$ 664,879	10%	\$ 488,252	9%	\$ 340,412	\$ 147,840
*Sales as Agent - Services	\$ 210,430		\$ 177,827		\$ 28,326	\$ 149,501
North America						
(000's)			(New)		(Old)	(New to Old)
Hardware	\$ 3,352,355	65%	\$ 2,454,889	62%	\$ 2,455,159	\$ (270)
Software	\$ 1,310,118	25%	\$ 1,146,808	29%	\$ 1,234,792	\$ (87,984)
Services	\$ 519,261	10%	\$ 370,131	9%	\$ 281,877	\$ 88,254
*Sales as Agent - Services	\$ 137,476		\$ 111,060		\$ 22,831	\$ 88,229
EMEA						
(000's)			(New)		(Old)	(New to Old)
Hardware	\$ 536,500	40%	\$ 481,505	36%	\$ 481,505	\$ -
Software	\$ 710,452	52%	\$ 762,427	57%	\$ 811,013	\$ (48,586)
Services	\$ 108,464	8%	\$ 94,628	7%	\$ 46,042	\$ 48,586
*Sales as Agent - Services	\$ 59,967		\$ 53,912		\$ 5,327	\$ 48,585
APAC						
(000's)			(New)		(Old)	(New to Old)
Hardware	\$ 27,907	17%	\$ 18,916	11%	\$ 18,925	\$ (9)
Software	\$ 101,412	61%	\$ 132,718	76%	\$ 143,709	\$ (10,991)
Services	\$ 37,154	22%	\$ 23,493	13%	\$ 12,493	\$ 11,000
*Sales as Agent - Services	\$ 12,987		\$ 12,855		\$ 168	\$ 12,687

*Net Sales where Insight is an Agent that are included in the Services category

Cash Flows & Cash Cycle

	Years Ended December 31,		
	2017	2016	change
Statement of cash flows			
Net cash provided by operating activities	\$ (305,426)	\$ 96,128	\$ (401,554)
Acquisition, net of cash acquired	\$ (186,932)	\$ (10,297)	(176,635)
Purchases of property and equipment	\$ (19,230)	\$ (12,266)	(6,964)
Proceeds from sale of foreign entity	\$ 1,517	\$ 1,378	139
Net cash used in investing activities	\$ (204,645)	\$ (21,185)	\$ (183,460)
Net (repayments) borrowings of Debt	\$ 269,250	\$ (49,500)	318,750
Net change - inventory financing	\$ 141,037	\$ 48,603	92,434
Repurchases of common stock	\$ -	\$ (50,000)	50,000
Other	\$ (13,166)	\$ (7,333)	(5,833)
Net cash used in financing activities	\$ 397,121	\$ (58,230)	455,351
Increase in cash and cash equivalents	\$ (97,051)	\$ 14,904	\$ (111,955)
Cash and cash equivalents at end of period	\$ 105,831	\$ 202,882	\$ (97,051)

Management comments. "2016 and 2017 cash flow results reflect the collection of a single large receivable, of approximately \$160 million, in the fourth quarter of 2016 for which the payment to the supplier was due and paid in January 2017. In Q4 of 2015, we had a similar experience with a \$60 million receivable collected in the quarter for which the payment to the supplier was then made in Q1 of 2016."

Free cash flow			
Net cash provided by operating activities	\$ (305,426)	\$ 96,128	-418%
Purchases of property and equipment	\$ (19,230)	\$ (12,266)	57%
Net change - inventory financing	\$ 141,037	\$ 48,603	190%
Free cash flow	\$ (183,619)	\$ 132,465	-239%

Cash conversion cycle			
Days sales outstanding ("DSOs")	94	90	4
Days inventory outstanding ("DIOs")	13	12	1
Days purchases outstanding ("DPOs")	72	88	(16)
Cash conversion cycle	35	14	21

2017 Taxes | Tax Cuts & Jobs Act

2017 Effective Tax Rate		
	<u>2017</u>	<u>2016</u>
ETR Reconciliation		
Federal Statutory Rate	35.0%	35.0%
State Taxes	1.8%	2.4%
Foreign Taxes	-2.3%	-2.1%
Excess benefits from RSUs	-1.5%	0.0%
Other items	1.6%	2.1%
Change in U.S. Tax Law	8.4%	1.8%
Effective Tax Rate	43.0%	39.3%

2018 Estimated effective tax rate of 27% to 28%

Adoption of ASC 606

Impacts to Insight

- Lower revenue for certain security software licenses
 - 2017 sales approximately \$240 million
- Earlier revenue recognition for certain bill and hold arrangements
 - Bill and hold arrangements exist when customers purchase product from Insight, but store the product in Insight warehouses pending delivery to their location
- Same revenue amount, different timing, for term software license renewal sales

Financial Statement Impacts

- Lower net sales in 2018 and forward for certain security software licenses being reported on a net basis
- Lower deferred revenue for bill and hold arrangements since these are now recognized at time of performance
- Higher gross profit margin reflecting more netted (100% gross margin) sales

Closing Comments – 2018 Outlook

- 2018 sales expected to grow in the low single digit range
 - After giving effect to the new revenue recognition for security software products which was approximately \$240 million in 2017
- Adjusted diluted earnings per share are expected to be between \$3.90 and \$4.00 per share for the full year
- Effective tax rate between 27% and 28%
- Capital Expenditures between \$15 and \$20 million
- Does not include share repurchases under recent authorization
- Does not include severance, restructuring or acquisition expenses*

** Due to the inherent difficulty of forecasting these types of expenses, which impact net earnings and diluted earnings per share, the Company is unable to reasonably estimate the related impact of such expenses, if any, to net earnings and diluted earnings per share. Accordingly, the Company is unable to provide a reconciliation of GAAP to non-GAAP diluted earnings per share for the full year 2018 forecast.*

Appendix – Reconciliation of GAAP to Non-GAAP Financial Measures

	Three Months Ended December 31,		Years Ended December 31,	
	2017	2016	2017	2016
Adjusted Consolidated Earnings from Operations:				
GAAP consolidated EFO	\$ 45,538	\$ 40,670	\$ 179,265	\$ 148,832
Severance and restructuring expenses	2,791	1,527	9,002	4,580
Loss on sale of foreign entity	-	-	3,646	-
Gain on sale of real estate for which a non-cash impairment charge was previously reported	-	-	-	(338)
Acquisition-related expenses	-	3,706	3,329	4,447
Adjusted non-GAAP consolidated EFO	<u>\$ 48,329</u>	<u>\$ 45,903</u>	<u>\$ 195,242</u>	<u>\$ 157,521</u>
Adjusted Consolidated Net Earnings:				
GAAP consolidated net earnings	\$ 14,168	\$ 21,100	\$ 90,683	\$ 84,690
Severance and restructuring expenses	2,791	1,527	9,002	4,580
Loss on sale of foreign entity	-	-	3,646	-
Gain on sale of real estate for which a non-cash impairment charge was previously reported	-	-	-	(338)
Acquisition-related expenses	-	3,706	3,329	4,447
Income taxes on non-GAAP adjustments	(806)	(331)	(2,552)	(1,414)
Tax expense related to U.S. federal tax reform	<u>13,363</u>	<u>-</u>	<u>13,363</u>	<u>-</u>
Adjusted non-GAAP consolidated net earnings	<u>\$ 29,516</u>	<u>\$ 26,002</u>	<u>\$ 117,471</u>	<u>\$ 91,965</u>
Adjusted Consolidated Diluted EPS:				
GAAP consolidated diluted EPS	\$ 0.39	\$ 0.59	\$ 2.50	\$ 2.32
Severance and restructuring expenses	0.08	0.04	0.25	0.13
Loss on sale of foreign entity	-	-	0.10	-
Gain on sale of real estate for which a non-cash impairment charge was previously reported	-	-	-	(0.01)
Acquisition-related expenses	-	0.10	0.09	0.12
Income taxes on non-GAAP adjustments	(0.03)	(0.01)	(0.07)	(0.04)
Tax expense related to U.S. federal tax reform	<u>0.37</u>	<u>-</u>	<u>0.37</u>	<u>-</u>
Adjusted non-GAAP consolidated diluted EPS	<u>\$ 0.81</u>	<u>\$ 0.72</u>	<u>\$ 3.24</u>	<u>\$ 2.52</u>

Appendix – Reconciliation of GAAP to Non-GAAP Financial Measures (continued)

	Three Months Ended December 31,		Years Ended December 31,	
	2017	2016	2017	2016
Adjusted North America Earnings from Operations:				
GAAP EFO from North America segment.....	\$ 37,235	\$ 29,165	\$ 153,652	\$ 116,921
Severance and restructuring expenses.....	1,965	515	4,010	2,966
Gain on sale of real estate for which a non-cash impairment charge was previously reported	-	-	-	(338)
Acquisition-related expenses	-	3,703	3,223	4,278
Adjusted non-GAAP EFO from North America segment	<u>\$ 39,200</u>	<u>\$ 33,383</u>	<u>\$ 160,885</u>	<u>\$ 123,827</u>
Adjusted EMEA Earnings from Operations:				
GAAP EFO from EMEA segment.....	\$ 7,145	\$ 9,262	\$ 17,365	\$ 23,922
Severance and restructuring expenses.....	826	1,009	4,888	1,496
Loss on sale of foreign entity.....	-	-	3,646	-
Acquisition-related expenses	-	-	106	-
Adjusted non-GAAP EFO from EMEA segment	<u>\$ 7,971</u>	<u>\$ 10,271</u>	<u>\$ 26,005</u>	<u>\$ 25,418</u>
Adjusted APAC Earnings from Operations:				
GAAP EFO from APAC segment	\$ 1,158	\$ 2,243	\$ 8,248	\$ 7,989
Severance and restructuring expenses.....	-	3	104	118
Acquisition-related expenses	-	3	-	169
Adjusted non-GAAP EFO from APAC segment.....	<u>\$ 1,158</u>	<u>\$ 2,249</u>	<u>\$ 8,352</u>	<u>\$ 8,276</u>