

Insight Enterprises, Inc.

Second Quarter 2020

Earnings Conference Call and Webcast

Insight Presentation

Agenda

- Opening Comments

- CEO Commentary
  - Q2 2020 Priorities
  - Second Quarter 2020 Financial Results
  - PCM Integration Update
  - Impact of COVID-19 on Client Engagement
  - Current Demand Environment

- CFO Commentary
  - Recent Cost Reductions
  - Liquidity and Debt Covenants
  - Financial Results by Region
  - Taxes and Cash Flow

- Closing Comments

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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 those related to Coronavirus strain (“COVID-19”), our future responses to and the impact of COVID-19 on our Company, our expectations about future benefits relating to the PCM integration, including future expected 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 future events 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 is included in today’s press release and discussed in the Company’s most recently filed periodic reports and subsequent filings with the Securities and Exchange Commission.

- Non-GAAP measures

  This presentation will reference certain non-GAAP financial information as ‘Adjusted’. A reconciliation of non-GAAP financial measures presented in this document to our actual GAAP results is attached to the back of this presentation and included in the press release issued today, which you may find on the Investor Relations section of our website at investor.insight.com.

- Constant currency

  In some instances the Company refers to changes in net sales, gross profit and earnings from operations on a consolidated basis and in North America, EMEA and APAC excluding the effects of fluctuating foreign currency exchange rates. In computing these changes and percentages, the Company compares the current year amount as translated into U.S. dollars under the applicable accounting standards to the prior year amount in local currency translated into U.S. dollars utilizing the weighted average translation rate for the current period.

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Q2 2020 Priorities

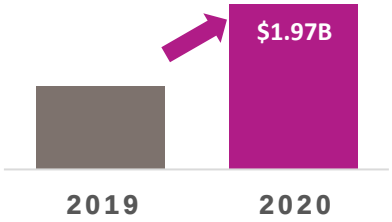
- Ensure safe work environment, ability to serve client
- Reduce discretionary operating costs
- Focus on cash flow generation
- Optimize financial results

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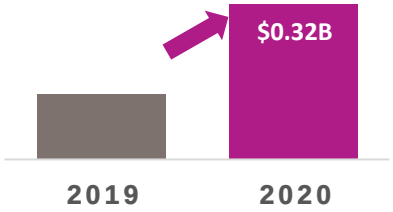
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Q2 2020 Year over Year Results

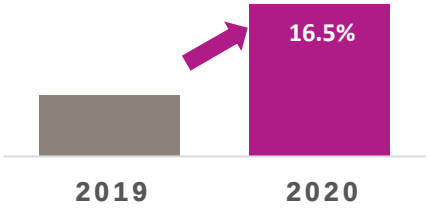
Net Sales
+7% YoY



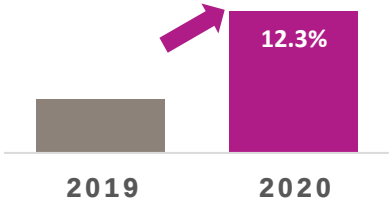
Gross Profit
+18% YoY



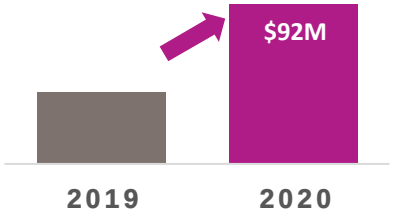
Gross Margin
+150 bps YoY



SG&A % of Net Sales
+140 bps YoY

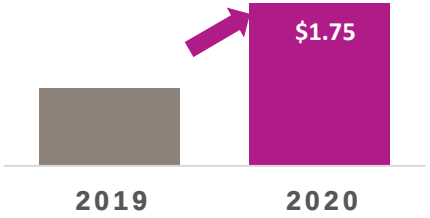


Adj EFO*
+15% YoY



GAAP Earnings from operations $74M

Adj Diluted EPS*
+11% YoY



GAAP Diluted EPS $1.32

* Adjusted Non-GAAP excludes severance and restructuring expense and other unique items

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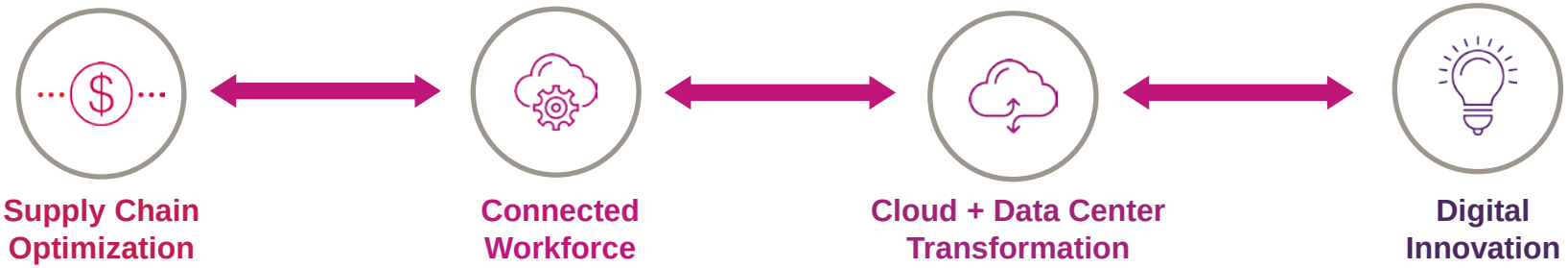
PCM Integration Update

- Effectively completed the onboarding of all PCM clients to SAP platform
- Aligned PCM team to North America and EMEA go-to-market structure
- Well positioned to compete as single brand in marketplace
- Expect ~$50-$55 million in annualized run-rate cost savings by year end

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Impact of COVID-19 on Client Engagement



















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Current Demand Environment

- Most markets remain in work from home mode
- Hardware bookings in North America down> 10% year over year in July
- Currently expect consolidated net sales to be up in the third quarter year over year due to the addition of PCM for additional two months this year
- On a consolidated basis, currently expect gross margins in the business to be between 14.7% and 14.9%, up year over year due to the addition of PCM and a higher mix of cloud and services sales
- Currently expect SG&A as a percent of sales will approximate levels reported in the second quarter

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CFO Commentary

- Recent Cost Reductions
- Liquidity and Debt Covenants
- Financial Results by Region
- Taxes and Cash Flow



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Recent Cost Reductions

Reduced discretionary operating costs driven by:

- Integration and demand
- Travel and other discretionary
- Variable compensation

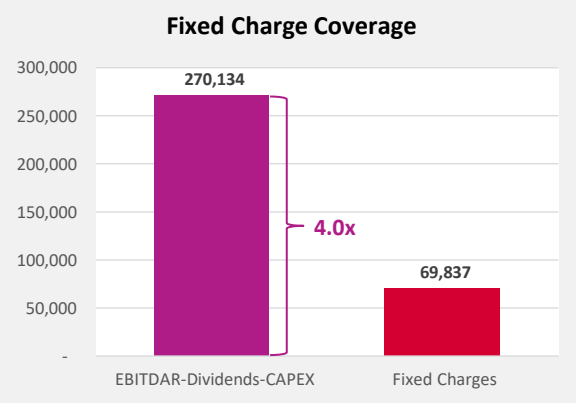
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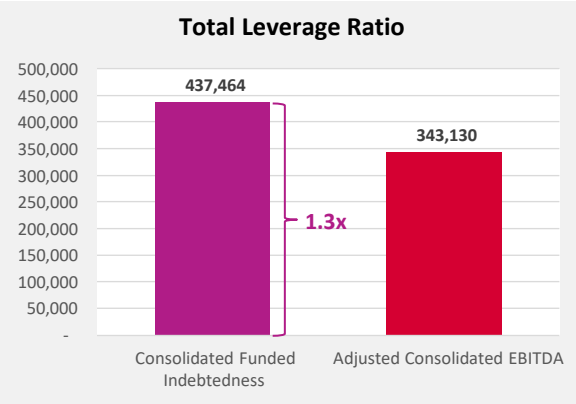
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Liquidity and Debt Covenants

US Dollar in $000s	Twelve Months Ended Jun 30, 2020	2019
Adjusted Consolidated EBITDA:		
Net Income	$ 150,428	$ 168,520
Interest Expense	42,370	21,119
Taxes	47,887	48,278
Depreciation	27,056	20,992
Amortization	36,149	16,167
Stock compensation	15,455	16,105
Cash Acquisition Charges	10,256	3,351
Severance and restructuring expenses	13,529	2,448
Adjusted Consolidated EBITDA	$ 343,130	$ 296,980
Less Capital Expenditures	(72,996)	$ (17,191)
Adjusted Consolidated EBITDA for FCCR Ratio	$ 270,134	$ 279,789
Taxes and interest *	$ 69,837	$ 57,844
Fixed Charge Coverage Ratio	4.0	4.8

* Tax Expense plus Interest Expense less non-cash imputed interest under the Inventory Financing Facility and the Company's Convertible Notes as discussed in Management's Discussion and Analysis – Interest Expense, Net



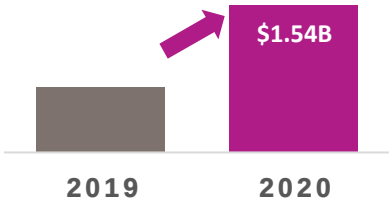


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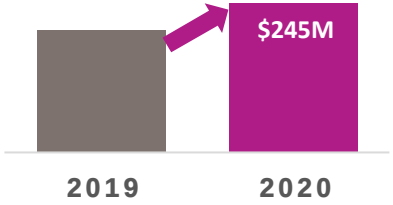
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Q2 2020 North America | Financial Results

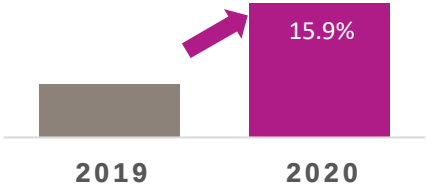
Net Sales
+10% YoY



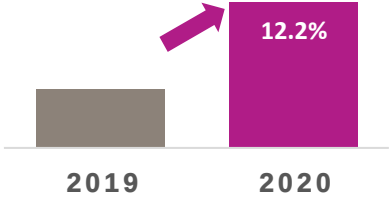
Gross Profit
+23% YoY



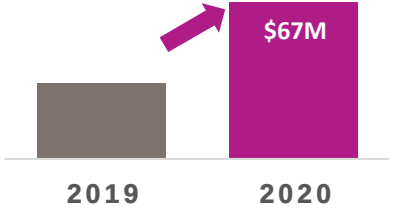
Gross Margin
+170 bps YoY



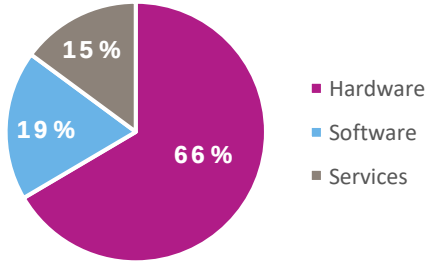
SG&A % of Net Sales
+190 bps YoY



Adj EFO*
+15% YoY



Sales Mix



GAAP Earnings from operations $52M

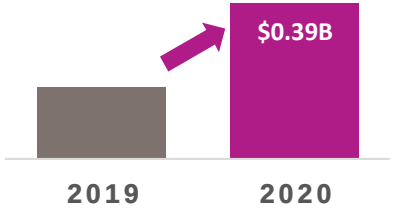
* Adjusted Non-GAAP excludes severance and restructuring expense and other unique items

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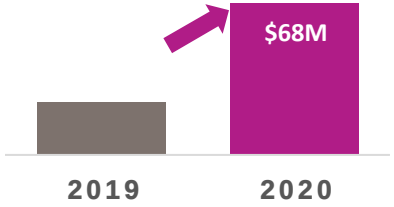
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Q2 2020 EMEA | Financial Results

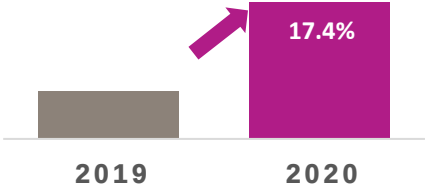
Net Sales
+6% YoY in constant $**



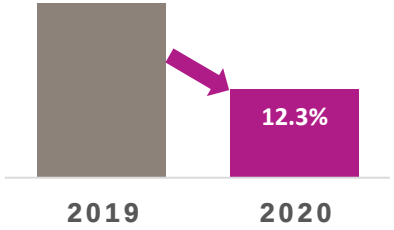
Gross Profit
+8% YoY in constant $**



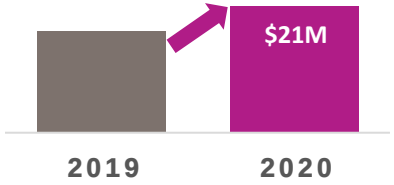
Gross Margin
+40 bps YoY



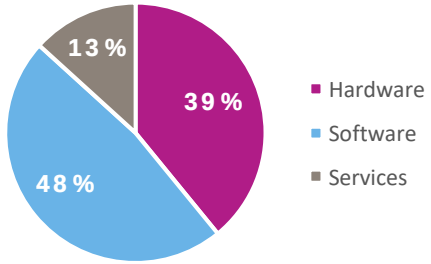
SG&A % of Net Sales
-30 bps YoY



Adj EFO*
+26% YoY in constant $**



Sales Mix



GAAP Earnings from Operations $18M

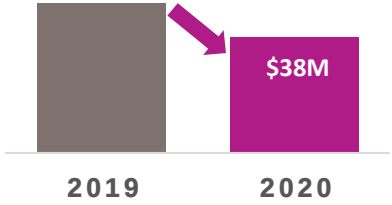
* Adjusted Non-GAAP excludes severance and restructuring expense and other unique items
** Reference "Constant currency" section on slide 3 of this presentation

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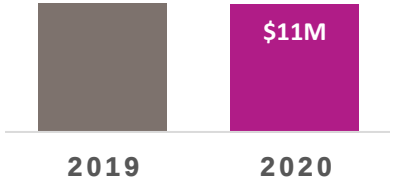
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Q2 2020 APAC | Financial Results

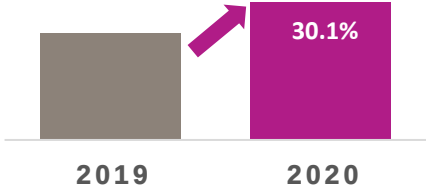
Net Sales
-23% YoY in constant $**



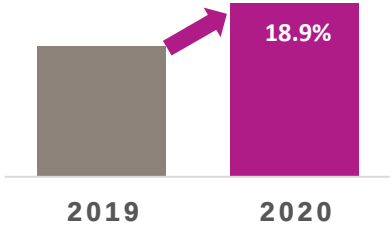
Gross Profit
0% YoY in constant $**



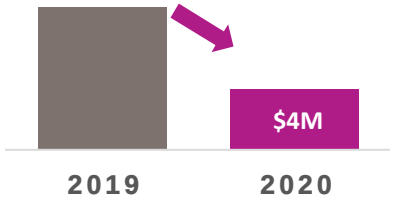
Gross Margin
+680 bps YoY



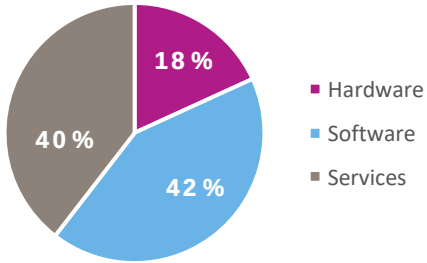
SG&A % of Net Sales
+460 bps YoY



Adj EFO*
-4% YoY in constant $**



Sales Mix



GAAP Earnings from Operations $4M

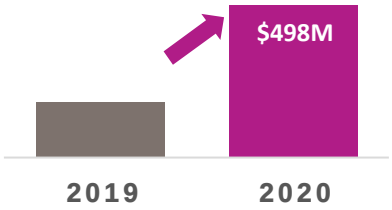
* Adjusted Non-GAAP excludes severance and restructuring expense and other unique items
** Reference "Constant currency" section on slide 3 of this presentation

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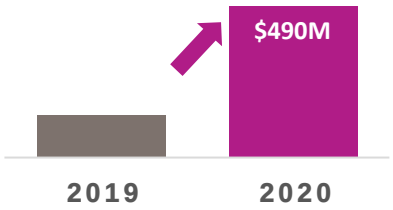
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Q2 2020 | Cash Flows and Cash Cycle

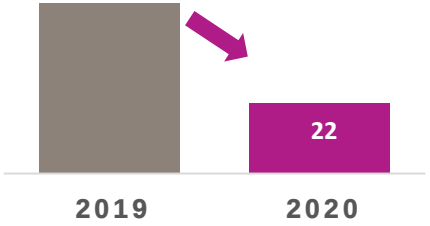
Net cash from operations



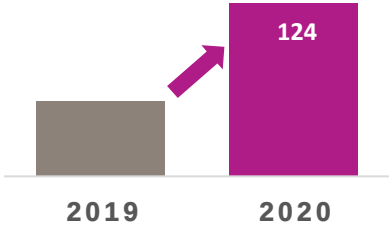
Adj Free Cash Flow*



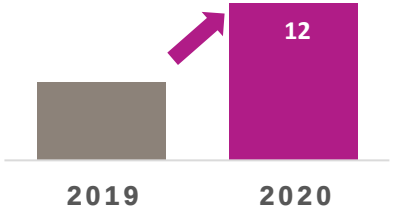
Cash Conversion Cycle
-4 days YoY



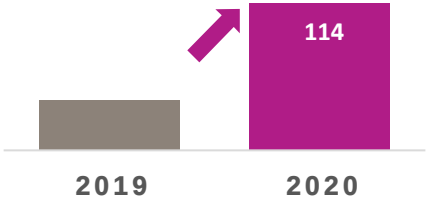
Days sales outstanding
+11 days YoY



Days inventory outstanding
+1 days YoY



Days purchases outstanding
+16 days YoY

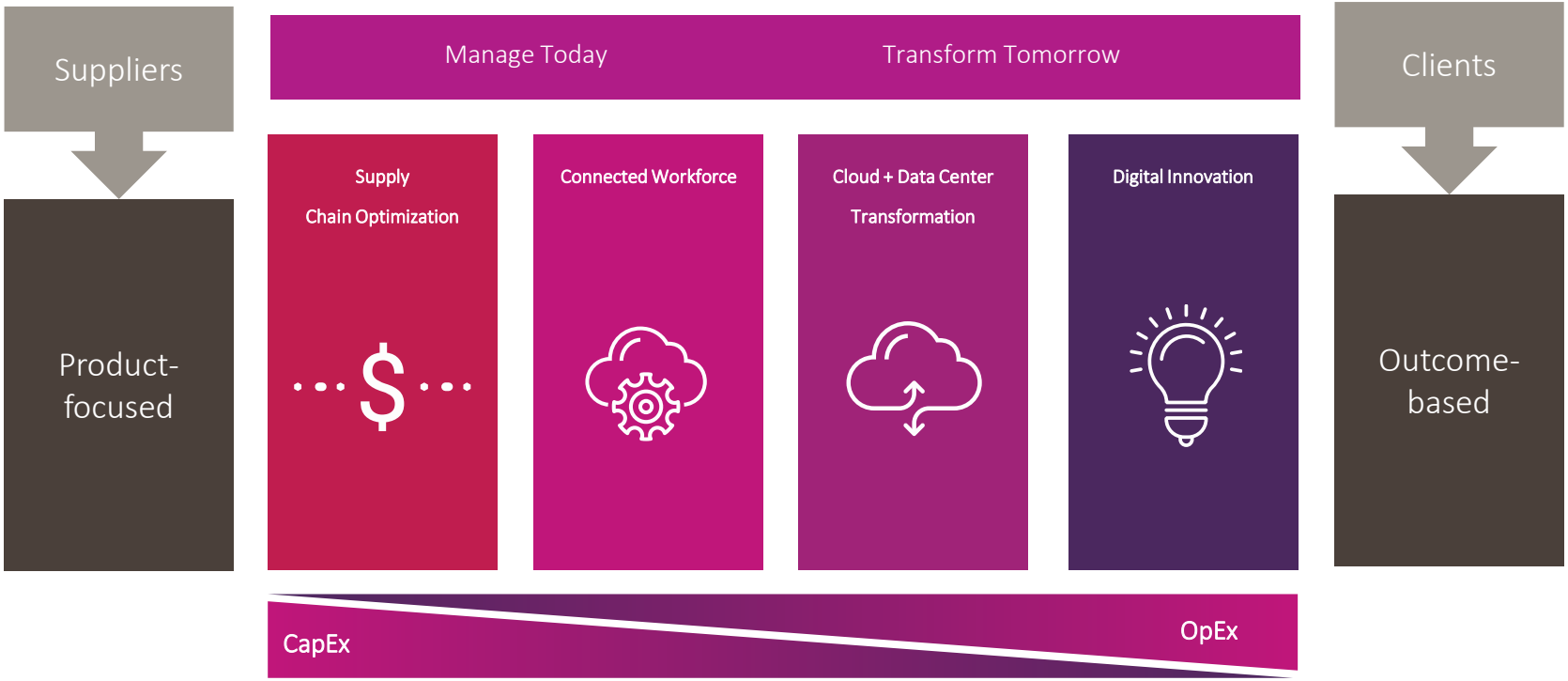


* Adjusted Non-GAAP excludes severance and restructuring expense and other unique items

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Closing Commentary



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Appendix – Reconciliation of GAAP to Non-GAAP Financial Measures

US Dollar in $000s, except per share data	Three Months Ended Jun 30, 2020	Three Months Ended Jun 30, 2019	Six Months Ended Jun 30, 2020	Six Months Ended Jun 30, 2019
Adjusted Consolidated Earnings from Operations:				
GAAP consolidated EFO	$ 74,188	$ 72,117	$ 127,051	$ 129,156
Severance and restructuring expenses	7,010	680	9,154	1,050
Acquisition and integration related expenses	611	3,163	2,077	3,163
Amortization of intangible assets	10,014	3,821	20,122	7,644
Construction in Process	-	-	-	-
Adjusted non-GAAP consolidated EFO	$ 91,823	$ 79,781	$ 158,404	$ 141,013
Adjusted Consolidated Net Earnings:				
GAAP consolidated net earnings	$ 46,385	$ 49,998	$ 80,346	$ 89,325
Severance and restructuring expenses	7,010	680	9,154	1,050
Acquisition and integration related expenses	611	3,163	2,077	3,163
Amortization of intangible assets	10,014	3,821	20,122	7,644
Construction in Process	-	-	-	-
Amortization of debt discount and issuance costs	2,886	-	5,717	-
Income taxes on adjustments	(5,067)	(1,098)	(9,227)	(2,146)
Adjusted non-GAAP consolidated net earnings	$ 61,839	$ 56,564	$ 108,189	$ 99,036
Adjusted Diluted EPS:				
GAAP diluted EPS	$ 1.32	$ 1.38	$ 2.27	$ 2.47
Severance and restructuring expenses	0.20	0.02	0.26	0.03
Acquisition and integration related expenses	0.02	0.09	0.06	0.09
Amortization of intangible assets	0.28	0.11	0.56	0.21
Construction in Process	-	-	-	-
Amortization of debt discount and issuance costs	0.08	-	0.16	-
Income taxes on adjustments	(0.15)	(0.03)	(0.26)	(0.06)
Adjusted non-GAAP diluted EPS	$ 1.75	$ 1.57	$ 3.05	$ 2.74

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

US Dollar in $000s	Three Months Ended Jun 30, 2020	Three Months Ended Jun 30, 2019	Six Months Ended Jun 30, 2020	Six Months Ended Jun 30, 2019
Adjusted North America Earnings from Operations:				
GAAP EFO from North America segment	$ 52,068	$ 50,918	$ 94,409	$ 96,244
Severance and restructuring expenses	4,904	480	7,026	811
Acquisition and integration related expenses	611	3,163	1,873	3,163
Amortization of intangible assets	9,371	3,636	18,864	7,272
Adjusted non-GAAP EFO from North America segment	$ 66,954	$ 58,197	$ 122,172	$ 107,490
Adjusted EMEA Earnings from Operations:				
GAAP EFO from EMEA segment	$ 17,910	$ 16,598	$ 26,230	$ 26,521
Severance and restructuring expenses	2,093	200	2,099	115
Acquisition and integration related expenses	-	-	204	-
Amortization of intangible assets	534	69	1,040	138
Adjusted non-GAAP EFO from EMEA segment	$ 20,537	$ 16,867	$ 29,573	$ 26,774
Adjusted APAC Earnings from Operations:				
GAAP EFO from APAC segment	$ 4,210	$ 4,601	$ 6,412	$ 6,391
Severance and restructuring expenses	13	-	29	124
Amortization of intangible assets	109	116	218	234
Adjusted non-GAAP EFO from APAC segment	$ 4,332	$ 4,717	$ 6,659	$ 6,749

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

US Dollar in $000s	Twelve Months Ended Jun 30, 2020	2019
Return on invested capital:		
GAAP consolidated EFO	$ 238,489	$ 237,762
Severance and restructuring expenses	13,529	2,448
Acquisition and integration related expenses	10,256	3,351
Impairment of construction in progress	1,501	-
Adjusted non-GAAP consolidated EFO*	263,775	243,561
Income tax expense**	68,582	66,979
Adjusted non-GAAP consolidated EFO, net of tax	$ 195,193	$ 176,582
Average stockholders' equity***	$ 1,140,093	$ 988,509
Average debt***	586,456	157,833
Average cash***	(116,764)	(147,748)
Invested Capital	$ 1,609,785	$ 998,594
ROIC (from GAAP consolidated EFO)****	10.96%	17.26%
ROIC (from Adjusted non-GAAP consolidated EFO)*****	12.13%	17.68%

* The adjusted non-GAAP consolidated EFO amount used for the Adjusted non-GAAP ROIC calculation does not exclude amortization of intangible assets. This calculation remains consistent with the metric utilized in management's compensation plan.

** Assumed tax rate of 26.0% and 27.5% for 2020 and 2019, respectively.

*** Average of previous five quarters.

**** Computed as GAAP consolidated EFO, net of tax of $61,469 and $66,023 for the twelve months ended March 31, 2020 and 2019, respectively, divided by invested capital.

***** Computed as Adjusted non-GAAP consolidated EFO, net of tax, divided by invested capital.

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