



## Connection (CNXN) Reports Fourth Quarter and Full Year Results

*Operating Income Increases by 20% from Prior Q4*

### FOURTH QUARTER SUMMARY:

- Gross profit: \$106.8 million, up 7.3% y/y
- Net income: \$21.3 million, up 2.8% y/y
- Diluted EPS: \$0.80, compared to \$0.77 y/y
- Cash balance: \$91.7 million

### FULL YEAR SUMMARY:

- Gross profit: \$411.1 million, up 7.6% y/y
- Net income: \$64.6 million, up 17.7% y/y
- Diluted EPS: \$2.41, compared to \$2.04 y/y
- Operating cash flows: \$86.8 million

MERRIMACK, N.H.--(BUSINESS WIRE)--Feb. 7, 2019-- Connection (PC Connection, Inc.; NASDAQ: [CNXN](#)), a leading technology solutions provider to business, government, and education markets, today announced results for the fourth quarter and year ended December 31, 2018. Net income for the fourth quarter ended December 31, 2018 increased by 2.8% to \$21.3 million, or \$0.80 per diluted share, compared to net income of \$20.7 million, or \$0.77 per diluted share for the prior year fourth quarter. This is being compared to Q4 2017 which benefited from a \$7.8 million tax benefit resulting from the adoption of the Tax Cuts and Jobs Act. Net income growth adjusted for this and other non-recurring items was 39.1%.

As previously disclosed, effective January 1, 2018, the Company adopted a new revenue recognition standard but has not restated prior periods to reflect this new standard. Please note that the financial results for the fourth quarter ended December 31, 2018 presented in this release include both amounts, "as presented," which reflect the implementation of the new revenue recognition standard, as well as amounts prior to the impact of the new revenue recognition standard to allow for comparability against historical results. Starting in calendar year 2019, we will no longer present our financial results under the previous revenue recognition standard. For additional information and reconciliations of our financial results between the new and prior revenue recognition standards, please see the additional tables included in this press release.

Net sales as presented for the quarter ended December 31, 2018 were \$709.5 million. Net sales prior to the impact of the new revenue recognition standard for the quarter ended December 31, 2018 increased by 7.3% to \$817.6 million, compared to \$762.3 million for the prior year fourth quarter.

Gross profit as presented for the quarter ended December 31, 2018 was \$106.8 million. Gross profit prior to the impact of the new revenue recognition standard for the quarter ended December 31, 2018 was \$106.7 million, compared to \$99.5 million in the prior year fourth quarter, an increase of 7.2%.

Gross margin as presented for the quarter ended December 31, 2018 was 15.1%. Gross margin prior to the impact of the new revenue recognition standard was 13.1%, compared to 13.1% for the prior year fourth quarter.

Operating income as presented for the quarter ended December 31, 2018 was \$26.3 million. Operating income prior to the impact of the new revenue recognition standard was \$26.3 million, compared to \$21.9 million in the prior year fourth quarter, an increase of 19.9%.

Net income as presented for the quarter ended December 31, 2018 was \$21.3 million. Net income prior to the impact of the new revenue recognition standard was \$21.3 million, compared to \$20.7 million in the prior year fourth quarter, an increase of 2.6%.

Earnings per share ("EPS") on a diluted basis as presented for the quarter ended December 31, 2018 was \$0.80. EPS prior to the impact of the new revenue recognition standard was \$0.79 per share, compared to \$0.77 on a diluted basis in the prior year fourth quarter.

Net income, totaled \$64.6 million for the year ended December 31, 2018, compared to \$54.9 million for the year ended December 31, 2017. Earnings before interest, taxes, depreciation and amortization, adjusted for restructuring and other charges, favorable resolution of a contract dispute, and stock-based compensation expense ("Adjusted EBITDA"), a non-GAAP measure, totaled \$102.6 million for the year ended December 31, 2018. Adjusted EBITDA prior to the impact of the new revenue recognition standard was \$103.4 million, compared to \$94.0 million for the year ended December 31, 2017.

Net sales as presented for the year ended December 31, 2018 were \$2,699.5 million. Net sales prior to the impact of the new revenue recognition standard for the year ended December 31, 2018 increased by 6.6% to \$3,104.2 million, compared to \$2,911.9 million for the year ended December 31, 2017.

Gross profit as presented for the year ended December 31, 2018 was \$411.1 million. Gross profit prior to the impact of the new revenue recognition standard for the year ended December 31, 2018 was \$412.0 million, compared to \$382.1 million for the year ended December 31, 2017, an increase of 7.8%.

Gross margin as presented for the year ended December 31, 2018 was 15.2%. Gross margin prior to the impact of the new revenue recognition standard was 13.3%, compared to 13.1% for the year ended December 31, 2017.

Operating income as presented for the year ended December 31, 2018 was \$85.7 million. Operating income prior to the impact of the new revenue recognition standard was \$86.4 million, compared to \$77.5 million for the year ended December 31, 2017, an increase of 11.5%.

Net income as presented for the year ended December 31, 2018 was \$64.6 million. Net income prior to the impact of the new revenue recognition standard was \$65.1 million, compared to \$54.9 million for the year ended December 31, 2017, an increase of 18.7%.

### Quarterly Performance by Segment:

- Net sales for the Business Solutions segment, as presented, for the fourth quarter of 2018 were \$249.7 million. Net sales prior to the impact of the new revenue recognition standard for the fourth quarter of 2018 decreased by 0.3% to \$297.2 million, compared to \$298.0 million for the prior year's quarter. Net/com and mobility products experienced solid growth during the quarter at 13% and 5%, respectively. Gross margin increased by 318 basis points to 18.7% primarily due to the adoption of the new revenue recognition standard and the increase in invoice selling margins. Gross margin prior to the impact of the new revenue recognition standard for the fourth quarter of 2018

was 15.8%.

- Net sales for the Public Sector Solutions segment, as presented, for the fourth quarter of 2018 were \$118.4 million. Net sales prior to the impact of the new revenue recognition standard for the fourth quarter of 2018 decreased by 17.1% to \$128.9 million, compared to \$155.4 million for the prior year's quarter. Mobility and net/com products experienced strong revenue growth in this segment with an increase of 24% and 14%, respectively. Gross margin increased by 282 basis points to 13.7% primarily due to an increase invoice selling margins and the adoption of the new revenue recognition standard. Gross margin prior to the impact of the new revenue recognition standard for the fourth quarter of 2018 was 12.5%.
- Net sales for the Enterprise Solutions segment, as presented, for the fourth quarter of 2018 were \$341.4 million. Net sales prior to the impact of the new revenue recognition standard for the fourth quarter of 2018 increased by 26.8% to \$391.5 million, compared to \$308.8 million for the prior year's quarter. Servers/storage, mobility and desktops experienced strong growth in this segment with an increase of 29%, 23%, and 15%, respectively. Gross margin increased by 110 basis points to 12.8% primarily due to the adoption of the new revenue recognition standard. Gross margin prior to the impact of the new revenue recognition standard for the fourth quarter of 2018 was 11.2%.

#### **Quarterly Sales by Product Mix:**

- Notebook/mobility sales, the Company's largest product category, as presented, increased by 15% year over year and accounted for 26% of net sales in the fourth quarter of 2018, compared to 21% of net sales in the prior year quarter. Excluding the impact of the adoption of the new revenue recognition standard, notebook/mobility sales increased by 15% year over year and accounted for 22% of net sales in the fourth quarter of 2018, compared to 21% in the prior year quarter. All three selling segments experienced strong year-over-year growth in notebook sales.
- Software sales, as presented, decreased by 53% year over year and accounted for 12% of net sales in the fourth quarter of 2018, compared to 24% of net sales in the prior year quarter. The as presented decrease in software sales was due to the adoption of the new revenue recognition standard. Excluding the impact of the adoption of the new revenue recognition standard, software sales increased by 6% year over year and accounted for 24% of net sales in the fourth quarter of 2018, compared to 24% of net sales in the prior year quarter. We experienced solid growth in cloud-based offerings, security, and office productivity.
- Net/Com products, as presented, increased by 10% year over year and accounted for 8% of net sales in the fourth quarter of 2018, compared to 7% of net sales in the prior year quarter. Excluding the impact of the adoption of the new revenue recognition standard, net/com product sales increased by 10% year over year and accounted for 7% of net sales in the fourth quarter of 2018, compared to 7% in the prior year quarter. The Business Solutions and Public Sector Solutions segments experienced strong year-over-year growth in net/com sales.

Selling, general and administrative ("SG&A") expenses as presented, increased in the fourth quarter of 2018 to \$79.5 million from \$74.9 million in the prior year quarter. SG&A in the fourth quarter of 2018 prior to the impact of the new revenue recognition standard was \$79.5 million. The increase was primarily the result of increased variable compensation associated with our higher gross profits. SG&A, as reported, as a percentage of net sales, was 11.2%, compared to 9.8% in the prior year quarter. However, SG&A in the fourth quarter of 2018, prior to the impact of the new revenue recognition standard, was 9.7%.

In addition, the fourth quarter 2018 results include \$1.0 million of restructuring and other related costs. This charge includes severance related to internal restructuring activities. Included in other income (expense), net is \$2.3 million related to the favorable resolution of a contract dispute.

Cash and cash equivalents were \$91.7 million at December 31, 2018, compared to \$50.0 million at December 31, 2017. In January 2019, we paid a \$0.32 cent per share special dividend to shareholders, which totaled \$8.5 million. During the fourth quarter of 2018, the Company repurchased 365,703 shares of stock for \$11.0 million. Days sales outstanding were 51 days at December 31, 2018, up from 48 days in the prior year quarter; excluding the impact of the new revenue recognition standard, days sales outstanding would have decreased to 45 days outstanding. Inventory turns were 21 turns in the fourth quarter of 2018, down from 24 turns in the prior year quarter; excluding the impact of the new revenue recognition standard, inventory turns would have increased to 25 turns.

"The Company achieved record operating income this quarter. We saw strong demand for Edge, Core, and Cloud technology solutions. In addition, we are pleased with the growth in our Enterprise segment and in our advanced technology solutions," said Tim McGrath, President and Chief Executive Officer. "We believe that our team and the strategies that we have in place position us well to gain market share and increase long term shareholder value," concluded Mr. McGrath.

#### **Conference Call and Webcast**

Connection will host a conference call and live web cast today, February 7, 2019 at 4:30 p.m. ET to discuss its fourth quarter financial results. To access the conference call (audio only), please dial 877-776-4016 (US) or 973-638-3231 (International). A web cast of the conference call, which will be broadcast live via the Internet, and a copy of this press release, along with supplemental slides used during the call, can be accessed on Connection's website at [ir.connection.com](http://ir.connection.com). For those unable to participate in the live call, a replay of the webcast will be available at [ir.connection.com](http://ir.connection.com) approximately 90 minutes after the completion of the call and will be accessible on the site for approximately one year.

#### **Non-GAAP Financial Information**

Adjusted EBITDA, Adjusted EPS and Adjusted Net Income are non-GAAP financial measures. This information is included to provide information with respect to the Company's operating performance and earnings. Non-GAAP measures are not a substitute for GAAP measures and should be considered together with the GAAP financial measures. Our non-GAAP financial measures may not be comparable to other similarly titled measures of other companies. A reconciliation to the most directly comparable GAAP measure is available in the tables at the end of this release.

#### **About Connection**

PC Connection, Inc. and its subsidiaries, dba **Connection**, ([www.connection.com](http://www.connection.com); NASDAQ: CNXN) is a Fortune 1000 company headquartered in Merrimack, NH. With offices throughout the United States, Connection delivers custom-configured computer systems overnight from its ISO 9001:2015 certified technical configuration lab at its distribution center in Wilmington, OH. In addition, the Company has over 2,500 technical certifications to ensure it can solve the most complex issues of its customers. Connection also services international customers through its GlobalServe subsidiary, a global IT procurement and service management company. Investors and media can find more information about Connection at <http://ir.connection.com>.

Connection – Business Solutions (800-800-5555), (the original business of PC Connection) operating through our PC Connection Sales Corp. subsidiary, is a rapid-response provider of IT products and services serving primarily the small- and medium-sized business sector. It offers more than 300,000 brand-name products through its staff of technically trained sales account managers, publications, and its website at [www.connection.com](http://www.connection.com).

Connection – Enterprise Solutions (561-237-3300), [www.connection.com/enterprise](http://www.connection.com/enterprise), operating through our MoreDirect, Inc. subsidiary, provides corporate technology buyers with best-in-class IT solutions, in-depth IT supply-chain expertise, and access to over 300,000 products and 1,600 vendors through TRAXX™, a proprietary

cloud-based eProcurement system. The team's engineers, software licensing specialists, and project managers help reduce the cost and complexity of buying hardware, software, and services throughout the entire IT lifecycle.

Connection – Public Sector Solutions (800-800-0019), operating through our GovConnection, Inc. subsidiary, is a rapid-response provider of IT products and services to federal, state, and local government agencies and educational institutions through specialized account managers, publications, and online at [www.connection.com/publicsector](http://www.connection.com/publicsector).

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"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995: This release contains forward-looking statements that are based on currently available information, operating plans, and projections about future events and trends. Terms such as "believe," "expect," "intend," "plan," "estimate," "anticipate," "may," "should," "will," or similar statements or variations of such terms are intended to identify forward-looking statements, although not all forward-looking statements include such terms. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in such forward-looking statements. Such risks and uncertainties include, but are not limited to, the impact of changes in market demand and the overall level of economic activity and environment, or in the level of business investment in information technology products, product availability and market acceptance, new products, continuation of key vendor and customer relationships and support programs, the ability to realize market demand for and competitive pricing pressures on the products and services marketed by the Company, fluctuations in operating results and the ability of the Company to manage personnel levels in response to fluctuations in revenue, the ability of the Company to hire and retain qualified sales representatives and other essential personnel, the impact of changes in accounting requirements, and other risks detailed in the Company's filings with the Securities and Exchange Commission, including under the caption "Risk Factors" in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2017. The Company assumes no obligation to update the information in this press release or revise any forward-looking statements, whether as a result of any new information, future events, or otherwise, except as required by law.

## CONSOLIDATED SELECTED FINANCIAL INFORMATION

At or for the Three Months Ended December 31,

2018

2017

%  
Change

(Amounts and shares in thousands, except operating data, P/E ratio, and per share data)

### Operating Data:

|                                 |            |            |       |
|---------------------------------|------------|------------|-------|
| Net sales                       | \$ 709,520 | \$ 762,267 | (7 %) |
| Diluted earnings per share      | \$ 0.80    | \$ 0.77    | 4 %   |
| Gross margin                    | 15.1 %     | 13.1 %     |       |
| Operating margin                | 3.7 %      | 2.9 %      |       |
| Return on equity <sup>(1)</sup> | 12.7 %     | 12.0 %     |       |
| Inventory turns                 | 21         | 24         |       |
| Days sales outstanding          | 51         | 48         |       |

|                         | % of<br>Net Sales |   | % of<br>Net Sales |   |
|-------------------------|-------------------|---|-------------------|---|
| <b>Product Mix:</b>     |                   |   |                   |   |
| Notebooks/Mobility      | 26                | % | 21                | % |
| Accessories             | 14                |   | 9                 |   |
| Software                | 12                |   | 24                |   |
| Desktops                | 10                |   | 11                |   |
| Servers/Storage         | 10                |   | 9                 |   |
| Displays                | 9                 |   | 9                 |   |
| Net/Com Products        | 8                 |   | 7                 |   |
| Other Hardware/Services | 11                |   | 10                |   |
| <b>Total Net Sales</b>  | 100               | % | 100               | % |

### Stock Performance Indicators:

|                                                                   |            |            |
|-------------------------------------------------------------------|------------|------------|
| Actual shares outstanding                                         | 26,396     | 26,853     |
| Total book value per share                                        | \$ 19.92   | \$ 17.96   |
| Tangible book value per share                                     | \$ 16.77   | \$ 14.81   |
| Closing price                                                     | \$ 29.73   | \$ 26.21   |
| Market capitalization                                             | \$ 784,753 | \$ 703,817 |
| Trailing price/earnings ratio                                     | 12.3       | 12.9       |
| LTM Adjusted EBITDA <sup>(2)</sup>                                | \$ 102,620 | \$ 93,967  |
| Adjusted market capitalization/LTM Adjusted EBITDA <sup>(3)</sup> | 6.8        | 7.0        |

(1) Calculated as the trailing twelve months' of net income divided by the average trailing twelve months' of equity.

(2) Adjusted EBITDA is defined as EBITDA (earnings before interest, taxes, depreciation and amortization) adjusted for stock-based compensation and restructuring and other related charges.

(3) Adjusted market capitalization is defined as gross market capitalization less cash balance.

## REVENUE AND MARGIN INFORMATION

For the Three Months Ended December 31, 2018

2017

| <i>(amounts in thousands)</i> | <b>Net<br/>Sales</b> | <b>Gross<br/>Margin</b> | <b>Net<br/>Sales</b> | <b>Gross<br/>Margin</b> |
|-------------------------------|----------------------|-------------------------|----------------------|-------------------------|
| Business Solutions            | \$ 249,726           | 18.7 %                  | \$ 298,017           | 15.6 %                  |
| Enterprise Solutions          | 341,356              | 12.8                    | 308,806              | 11.7                    |
| Public Sector Solutions       | 118,438              | 13.7                    | 155,444              | 10.9                    |
| Total                         | \$ 709,520           | 15.1 %                  | \$ 762,267           | 13.1 %                  |

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

|                                                              | <b>Three Months Ended December 31,</b> |                            | <b>Years Ended December 31,</b> |                            |
|--------------------------------------------------------------|----------------------------------------|----------------------------|---------------------------------|----------------------------|
| <i>(amounts in thousands, except per share data)</i>         | <b>2018</b>                            | <b>2017 <sup>(1)</sup></b> | <b>2018</b>                     | <b>2017 <sup>(1)</sup></b> |
| Net sales                                                    | \$ 709,520                             | \$ 762,267                 | \$ 2,699,489                    | \$ 2,911,883               |
| Cost of sales                                                | 602,718                                | 662,737                    | 2,288,403                       | 2,529,807                  |
| <b>Gross profit</b>                                          | <b>106,802</b>                         | <b>99,530</b>              | <b>411,086</b>                  | <b>382,076</b>             |
| Selling, general and administrative expenses                 | 79,518                                 | 74,939                     | 324,433                         | 300,913                    |
| Restructuring and other charges                              | 967                                    | 2,695                      | 967                             | 3,636                      |
| <b>Income from operations</b>                                | <b>26,317</b>                          | <b>21,896</b>              | <b>85,686</b>                   | <b>77,527</b>              |
| Other income/(expense), net                                  | 2,566                                  | 78                         | 2,978                           | 98                         |
| Income tax provision                                         | (7,583)                                | (1,251)                    | (24,072)                        | (22,768)                   |
| <b>Net income</b>                                            | <b>\$ 21,300</b>                       | <b>\$ 20,723</b>           | <b>\$ 64,592</b>                | <b>\$ 54,857</b>           |
| Earnings per common share:                                   |                                        |                            |                                 |                            |
| Basic                                                        | \$ 0.80                                | \$ 0.77                    | \$ 2.42                         | \$ 2.05                    |
| Diluted                                                      | \$ 0.80                                | \$ 0.77                    | \$ 2.41                         | \$ 2.04                    |
| Shares used in the computation of earnings per common share: |                                        |                            |                                 |                            |
| Basic                                                        | 26,632                                 | 26,822                     | 26,717                          | 26,771                     |
| Diluted                                                      | 26,766                                 | 26,907                     | 26,854                          | 26,891                     |

(1) Amounts are not restated and represent the amounts recognized under generally accepted accounting principles in place during the relevant reporting period.

## CONDENSED CONSOLIDATED BALANCE SHEETS

| <i>(amounts in thousands)</i>               | <b>December 31,<br/>2018</b> | <b>December 31,<br/>2017 <sup>(1)</sup></b> |
|---------------------------------------------|------------------------------|---------------------------------------------|
| <b>ASSETS</b>                               |                              |                                             |
| Current Assets:                             |                              |                                             |
| Cash and cash equivalents                   | \$ 91,703                    | \$ 49,990                                   |
| Accounts receivable, net                    | 447,698                      | 449,682                                     |
| Inventories, net                            | 119,195                      | 106,753                                     |
| Income taxes receivable                     | 922                          | 3,933                                       |
| Prepaid expenses and other current assets   | 9,661                        | 5,737                                       |
| <b>Total current assets</b>                 | <b>669,179</b>               | <b>616,095</b>                              |
| Property and equipment, net                 | 51,799                       | 41,491                                      |
| Goodwill                                    | 73,602                       | 73,602                                      |
| Intangibles assets, net                     | 9,564                        | 11,025                                      |
| Other assets                                | 1,211                        | 5,638                                       |
| <b>Total Assets</b>                         | <b>\$ 805,355</b>            | <b>\$ 747,851</b>                           |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b> |                              |                                             |
| Current Liabilities:                        |                              |                                             |
| Accounts payable                            | \$ 201,640                   | \$ 194,257                                  |
| Accrued payroll                             | 24,319                       | 22,662                                      |
| Accrued expenses and other liabilities      | 33,840                       | 31,096                                      |

|                                                   |                   |                   |
|---------------------------------------------------|-------------------|-------------------|
| <b>Total current liabilities</b>                  | 259,799           | 248,015           |
| Deferred income taxes                             | 17,184            | 15,696            |
| Other liabilities                                 | 2,469             | 1,888             |
| <b>Total Liabilities</b>                          | 279,452           | 265,599           |
| Stockholders' Equity:                             |                   |                   |
| Common stock                                      | 288               | 287               |
| Additional paid-in capital                        | 115,842           | 114,154           |
| Retained earnings                                 | 441,010           | 383,673           |
| Treasury stock at cost                            | (31,237 )         | (15,862 )         |
| <b>Total Stockholders' Equity</b>                 | 525,903           | 482,252           |
| <b>Total Liabilities and Stockholders' Equity</b> | <b>\$ 805,355</b> | <b>\$ 747,851</b> |

(1) Amounts are not restated and represent the amounts recognized under generally accepted accounting principles in place during the relevant reporting period.

#### CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

|                                                                                             | Three Months Ended December 31, |                     | Years Ended December 31, |                     |
|---------------------------------------------------------------------------------------------|---------------------------------|---------------------|--------------------------|---------------------|
| (amounts in thousands)                                                                      | 2018                            | 2017 <sup>(1)</sup> | 2018                     | 2017 <sup>(1)</sup> |
| <b>Cash Flows from Operating Activities:</b>                                                |                                 |                     |                          |                     |
| Net income                                                                                  | \$ 21,300                       | \$ 20,723           | \$ 64,592                | \$ 54,857           |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                                 |                     |                          |                     |
| Depreciation and amortization                                                               | 3,701                           | 3,194               | 14,063                   | 11,839              |
| Provision for doubtful accounts                                                             | 252                             | 542                 | 1,680                    | 1,658               |
| Stock-based compensation expense                                                            | 342                             | 181                 | 1,080                    | 741                 |
| Deferred income taxes                                                                       | 1,059                           | (4,070 )            | 1,488                    | (3,906 )            |
| Loss on disposal of fixed assets                                                            | -                               | 24                  | 51                       | 24                  |
| Changes in assets and liabilities:                                                          |                                 |                     |                          |                     |
| Accounts receivable                                                                         | (49,009 )                       | (67,558 )           | 14,872                   | (39,457 )           |
| Inventories                                                                                 | (13,912 )                       | (29 )               | (23,311 )                | (16,218 )           |
| Prepaid expenses and other current assets                                                   | (1,857 )                        | 94                  | (1,045 )                 | (2,097 )            |
| Other non-current assets                                                                    | 2,121                           | (320 )              | 2,403                    | (4,265 )            |
| Accounts payable                                                                            | 35,083                          | 28,969              | 5,722                    | 15,807              |
| Accrued expenses and other liabilities                                                      | 6,506                           | 9,209               | 5,244                    | 337                 |
| Net cash provided by (used in) operating activities                                         | 5,586                           | (9,041 )            | 86,839                   | 19,320              |
| <b>Cash Flows from Investing Activities:</b>                                                |                                 |                     |                          |                     |
| Purchases of equipment                                                                      | (5,597 )                        | (3,859 )            | (21,238 )                | (11,803 )           |
| Net cash used in investing activities                                                       | (5,597 )                        | (3,859 )            | (21,238 )                | (11,803 )           |
| <b>Cash Flows from Financing Activities:</b>                                                |                                 |                     |                          |                     |
| Proceeds from short-term borrowings                                                         | -                               | -                   | 859                      | -                   |
| Repayment of short-term borrowings                                                          | -                               | -                   | (859 )                   | -                   |
| Purchase of treasury shares                                                                 | (10,991 )                       | -                   | (15,375 )                | -                   |
| Dividend payment                                                                            | -                               | -                   | (9,122 )                 | (9,041 )            |
| Exercise of stock options                                                                   | -                               | 71                  | -                        | 1,750               |
| Issuance of stock under Employee Stock Purchase Plan                                        | 642                             | 594                 | 1,247                    | 1,197               |
| Payment of payroll taxes on stock-based compensation through shares withheld                | (180 )                          | (113 )              | (638 )                   | (613 )              |
| Net cash (used in) provided by financing activities                                         | (10,529 )                       | 552                 | (23,888 )                | (6,707 )            |
| Increase (decrease) in cash and cash equivalents                                            | (10,540 )                       | (12,348 )           | 41,713                   | 810                 |
| Cash and cash equivalents, beginning of period                                              | 102,243                         | 62,338              | 49,990                   | 49,180              |
| Cash and cash equivalents, end of period                                                    | \$ 91,703                       | \$ 49,990           | \$ 91,703                | \$ 49,990           |
| <b>Non-cash Investing Activities:</b>                                                       |                                 |                     |                          |                     |
| Dividend declaration                                                                        | \$ 8,452                        | \$ 9,122            | \$ 8,452                 | \$ 9,122            |
| Accrued capital expenditures                                                                | 2,422                           | 699                 | 2,422                    | 699                 |
| <b>Supplemental Cash Flow Information:</b>                                                  |                                 |                     |                          |                     |
| Income taxes paid                                                                           | \$ 4,811                        | \$ 4,634            | \$ 19,945                | \$ 28,927           |

(1) Amounts are not restated and represent the amounts recognized under generally accepted accounting principles in place during the relevant reporting period.

#### EBITDA AND ADJUSTED EBITDA

A reconciliation of EBITDA and Adjusted EBITDA to the most directly comparable GAAP measure is detailed below. Adjusted EBITDA is defined as EBITDA (earnings before interest, taxes, depreciation and amortization) adjusted for restructuring and other charges, favorable resolution of a contract dispute, and stock-based compensation. Both EBITDA and Adjusted EBITDA are considered non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that either includes or excludes amounts that are not normally included or excluded in the most directly comparable measure calculated and presented in accordance with GAAP. We believe that EBITDA and Adjusted EBITDA provide helpful information with respect to our operating performance including our ability to fund our future capital expenditures and working capital requirements. Adjusted EBITDA also provides helpful information as it is the primary measure used in certain financial covenants contained in our credit agreements. Non-GAAP measures are not a substitute for GAAP measures and should be considered together with the GAAP financial measures. Our non-GAAP financial measures may not be comparable to other similar titled measures of other companies.

(amounts in thousands)

|                                                                | Three Months Ended December 31, |           |          | Years Ended December 31, |           |          |
|----------------------------------------------------------------|---------------------------------|-----------|----------|--------------------------|-----------|----------|
|                                                                | 2018                            | 2017      | % Change | 2018                     | 2017      | % Change |
| <b>Net income</b>                                              | \$ 21,300                       | \$ 20,723 | 3%       | \$ 64,592                | \$ 54,857 | 18%      |
| Depreciation and amortization                                  | 3,701                           | 3,194     | 16%      | 14,064                   | 11,839    | 19%      |
| Income tax expense                                             | 7,583                           | 1,251     | 506%     | 24,072                   | 22,768    | 6%       |
| Interest expense                                               | 41                              | 38        | 8%       | 145                      | 126       | 15%      |
| <b>EBITDA</b>                                                  | 32,625                          | 25,206    | 29%      | 102,873                  | 89,590    | 15%      |
| Restructuring and other charges <sup>(2)</sup>                 | 967                             | 2,695     | (64%)    | 967                      | 3,636     | (73%)    |
| Favorable resolution of a contract dispute, net <sup>(3)</sup> | (2,300 )                        | -         | (100%)   | (2,300 )                 | -         | (100%)   |
| Stock-based compensation                                       | 342                             | 181       | 89%      | 1,080                    | 741       | 46%      |
| <b>Adjusted EBITDA</b>                                         | \$ 31,634                       | \$ 28,082 | 13%      | \$ 102,620               | \$ 93,967 | 9%       |

(1) LTM: Last twelve months

(2) Restructuring and other charges in 2018 consist of severance related to internal restructuring activities. Restructuring and other charges in 2017 consist of a fourth quarter one-time bonus paid to all employees except executive officers as well as severance and relocation costs for our Softmart facility incurred in the second quarter 2017.

(3) The Company recorded \$2.3 million of income in other income/(expense), net as a result of a favorable resolution of a contract dispute.

#### ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

A reconciliation from Net Income to Adjusted Net Income is detailed below. Adjusted Net Income is defined as Net Income plus restructuring and other charges, net of tax, less the favorable resolution of a contract dispute, net of tax, and the impact of the Tax Cuts and Jobs Act of 2017. Adjusted Net Income and Adjusted Earnings Per Share are considered non-GAAP financial measures (see note above in Adjusted EBITDA for a description of non-GAAP financial measures). The Company believes that these non-GAAP disclosures provide helpful information with respect to the Company's operating performance.

(amounts in thousands, except per share data)

|                                                                       | Three Months Ended December 31, |           |          | Years Ended December 31, |           |          |
|-----------------------------------------------------------------------|---------------------------------|-----------|----------|--------------------------|-----------|----------|
|                                                                       | 2018                            | 2017      | % Change | 2018                     | 2017      | % Change |
| <b>Net income</b>                                                     | \$ 21,300                       | \$ 20,723 |          | \$ 64,592                | \$ 54,857 |          |
| Restructuring and other charges, net of tax <sup>(1)</sup>            | 713                             | 1,598     |          | 705                      | 2,211     |          |
| Favorable resolution of a contract dispute, net of tax <sup>(2)</sup> | (1,662 )                        | -         |          | (1,644 )                 | -         |          |
| Reduction of federal income tax expense <sup>(3)</sup>                | -                               | (7,689 )  |          | -                        | (7,689 )  |          |
| <b>Adjusted Net Income</b>                                            | \$ 20,351                       | \$ 14,632 | 39%      | \$ 63,653                | \$ 49,379 | 29%      |
| Diluted shares                                                        | 26,766                          | 26,907    |          | 26,854                   | 26,891    |          |
| <b>Adjusted Diluted Earnings per Share</b>                            | \$ 0.76                         | \$ 0.54   | 40%      | \$ 2.37                  | \$ 1.84   | 29%      |

(1) Restructuring and other charges in 2018 consist severance related to internal restructuring activities. Restructuring and other charges in 2017 consist of a fourth quarter one-time bonus paid to all employees except executive officers as well as severance and relocation costs for our Softmart facility incurred in the second quarter 2017.

(2) The Company recorded \$2.3 million of income in other income/(expense), net as a result of a favorable resolution of a contract dispute.

(3) The Company recorded a non-cash federal income tax benefit of \$7.7 million as a result of the Tax Cuts and Jobs Act of 2017.

#### RECONCILIATION OF CHANGES IN REVENUE STANDARD

(Unaudited, in thousands, except per share amounts)

|                                                             | Three Months Ended December 31, |                      |                                         |                           |         |            |                      | ChangeAs Presented |                      |         | Change<br>Previous Revenue<br>Standard |                      |         |
|-------------------------------------------------------------|---------------------------------|----------------------|-----------------------------------------|---------------------------|---------|------------|----------------------|--------------------|----------------------|---------|----------------------------------------|----------------------|---------|
|                                                             | 2018                            |                      |                                         | 2017                      |         |            |                      | Amount             |                      | Percent | Amount                                 |                      | Percent |
|                                                             | As<br>Presented                 | % of<br>Net<br>Sales | Impact of<br>New<br>Revenue<br>Standard | Previous Revenue Standard |         | Amount     | % of<br>Net<br>Sales | Amount             | % of<br>Net<br>Sales |         | Amount                                 | % of<br>Net<br>Sales |         |
| Net sales                                                   | \$ 709,520                      | 100.0 %              | \$ 108,107                              | \$ 817,627                | 100.0 % | \$ 762,267 | 100.0 %              | \$(52,747 )        | (6.9 %)              |         | \$ 55,360                              | 7.3 %                |         |
| Cost of sales                                               | 602,718                         | 84.9 %               | 108,197                                 | 710,915                   | 86.9 %  | 662,737    | 86.9 %               | (60,019 )          | (9.1 %)              |         | 48,178                                 | 7.3 %                |         |
| Gross profit                                                | 106,802                         | 15.1 %               | (90 )                                   | 106,712                   | 13.1 %  | 99,530     | 13.1 %               | 7,272              | 7.3 %                |         | 7,182                                  | 7.2 %                |         |
| Selling, general and administrative expenses                | 79,518                          | 11.2 %               | (32 )                                   | 79,486                    | 9.7 %   | 74,939     | 9.8 %                | 4,579              | 6.1 %                |         | 4,547                                  | 6.1 %                |         |
| Restructuring and other charges                             | 967                             | 0.1 %                | -                                       | 967                       | 0.1 %   | 2,695      | 0.4 %                | (1,728 )           | (64.1 %)             |         | (1,728 )                               | (64.1 %)             |         |
| Income from operations                                      | 26,317                          | 3.7 %                | (58 )                                   | 26,259                    | 3.2 %   | 21,896     | 2.9 %                | 4,421              | 20.2 %               |         | 4,363                                  | 19.9 %               |         |
| Other income/(expense), net                                 | 2,566                           | -                    | -                                       | 2,566                     | -       | 78         | -                    | 2,488              | 3,189.7 %            |         | 2,488                                  | 3,189.7 %            |         |
| Income tax provision                                        | (7,583 )                        | (1.1 %)              | 14                                      | (7,569 )                  | (0.9 %) | (1,251 )   | (0.2 %)              | (6,332 )           | 506.2 %              |         | (6,318 )                               | 505.0 %              |         |
| Net income                                                  | \$ 21,300                       | 3.0 %                | \$ (44 )                                | \$ 21,256                 | 2.6 %   | \$ 20,723  | 2.7 %                | \$ 577             | 2.8 %                |         | \$ 533                                 | 2.6 %                |         |
| Earnings per common share:                                  |                                 |                      |                                         |                           |         |            |                      |                    |                      |         |                                        |                      |         |
| Basic                                                       | \$ 0.80                         |                      | \$ -                                    | \$ 0.80                   |         | \$ 0.77    |                      | \$ 0.03            | 3.9 %                |         | \$ 0.03                                | 3.9 %                |         |
| Diluted                                                     | \$ 0.80                         |                      | \$ (0.01 )                              | \$ 0.79                   |         | \$ 0.77    |                      | \$ 0.03            | 3.9 %                |         | \$ 0.02                                | 2.6 %                |         |
| Shares used in the computation of earnings per common share |                                 |                      |                                         |                           |         |            |                      |                    |                      |         |                                        |                      |         |
| Basic                                                       | 26,632                          |                      |                                         | 26,632                    |         | 26,822     |                      |                    |                      |         |                                        |                      |         |
| Diluted                                                     | 26,766                          |                      |                                         | 26,766                    |         | 26,907     |                      |                    |                      |         |                                        |                      |         |

#### RECONCILIATION OF CHANGES IN REVENUE STANDARD

(Unaudited, in thousands, except per share amounts)

|                                              | Years Ended December 31, |                      |                                         |                           |         |              |                      | Change<br>As Presented |                      |         | Change<br>Previous Revenue<br>Standard |                      |         |
|----------------------------------------------|--------------------------|----------------------|-----------------------------------------|---------------------------|---------|--------------|----------------------|------------------------|----------------------|---------|----------------------------------------|----------------------|---------|
|                                              | 2018                     |                      |                                         | 2017                      |         |              |                      | Amount                 |                      | Percent | Amount                                 |                      | Percent |
|                                              | As<br>Presented          | % of<br>Net<br>Sales | Impact of<br>New<br>Revenue<br>Standard | Previous Revenue Standard |         | Amount       | % of<br>Net<br>Sales | Amount                 | % of<br>Net<br>Sales |         | Amount                                 | % of<br>Net<br>Sales |         |
| Net sales                                    | \$ 2,699,489             | 100.0 %              | \$ 404,690                              | \$ 3,104,179              | 100.0 % | \$ 2,911,883 | 100.0 %              | \$(212,394 )           | (7.3 %)              |         | \$ 192,296                             | 6.6 %                |         |
| Cost of sales                                | 2,288,403                | 84.8 %               | 403,737                                 | 2,692,140                 | 86.7 %  | 2,529,807    | 86.9 %               | (241,404 )             | (9.5 %)              |         | 162,333                                | 6.4 %                |         |
| Gross profit                                 | 411,086                  | 15.2 %               | 953                                     | 412,039                   | 13.3 %  | 382,076      | 13.1 %               | 29,010                 | 7.6 %                |         | 29,963                                 | 7.8 %                |         |
| Selling, general and administrative expenses | 324,433                  | 12.0 %               | 203                                     | 324,636                   | 10.5 %  | 300,913      | 10.3 %               | 23,520                 | 7.8 %                |         | 23,723                                 | 7.9 %                |         |
| Restructuring and other charges              | 967                      | 0.1 %                | -                                       | 967                       | 0.1 %   | 3,636        | 0.1 %                | (2,669 )               | (73.4 %)             |         | (2,669 )                               | (73.4 %)             |         |
| Income from operations                       | 85,686                   | 3.2 %                | 953                                     | 86,436                    | 2.9 %   | 77,527       | 2.7 %                | 8,159                  | 10.5 %               |         | 8,909                                  | 11.5 %               |         |

|                                                             |           |         |         |           |         |           |         |          |           |           |           |
|-------------------------------------------------------------|-----------|---------|---------|-----------|---------|-----------|---------|----------|-----------|-----------|-----------|
| Other income/(expense), net                                 | 2,978     | -       | -       | 2,978     | 0.1 %   | 98        | 0.0 %   | 2,880    | 2,938.8 % | 2,880     | 2,938.8 % |
| Income tax provision                                        | (24,072 ) | (0.9 %) | (210 )  | (24,282 ) | (0.8 %) | (22,768 ) | (0.8 %) | (1,304 ) | 5.7 %     | (1,514 )  | 6.6 %     |
| Net income                                                  | \$ 64,592 | 2.4 %   | \$ 743  | \$ 65,132 | 2.1 %   | \$ 54,857 | 1.9 %   | \$ 9,735 | 17.7 %    | \$ 10,275 | 18.7 %    |
| Earnings per common share:                                  |           |         |         |           |         |           |         |          |           |           |           |
| Basic                                                       | \$ 2.42   |         | \$ 0.02 | \$ 2.44   |         | \$ 2.05   |         | \$ 0.37  | 18.0 %    | \$ 0.39   | 19.0 %    |
| Diluted                                                     | \$ 2.41   |         | \$ 0.02 | \$ 2.43   |         | \$ 2.04   |         | \$ 0.37  | 18.1 %    | \$ 0.39   | 19.1 %    |
| Shares used in the computation of earnings per common share |           |         |         |           |         |           |         |          |           |           |           |
| Basic                                                       | 26,717    |         |         | 26,717    |         | 26,771    |         |          |           |           |           |
| Diluted                                                     | 26,854    |         |         | 26,854    |         | 26,891    |         |          |           |           |           |

#### CONSOLIDATED SELECTED FINANCIAL INFORMATION UNDER PREVIOUS REVENUE RECOGNITION STANDARD

|                         | 2018                  |                                |   | 2017                      |                       |  |
|-------------------------|-----------------------|--------------------------------|---|---------------------------|-----------------------|--|
|                         | As Presented          | Impact of New Revenue Standard |   | Previous Revenue Standard |                       |  |
| Inventory turns         | 21                    | 4                              |   | 25                        | 24                    |  |
| Days sales outstanding  | 51                    | (6                             | ) | 45                        | 48                    |  |
| <b>Product Mix:</b>     | <b>% of Net Sales</b> |                                |   | <b>% of Net Sales</b>     | <b>% of Net Sales</b> |  |
| Notebooks/Mobility      | 26 %                  | (4                             | ) | 22 %                      | 21 %                  |  |
| Accessories             | 14                    | (2                             | ) | 12                        | 9                     |  |
| Software                | 12                    | 12                             |   | 24                        | 24                    |  |
| Desktops                | 10                    | (1                             | ) | 9                         | 11                    |  |
| Servers/Storage         | 10                    | (1                             | ) | 9                         | 9                     |  |
| Displays                | 9                     | (1                             | ) | 8                         | 9                     |  |
| Net/Com Products        | 8                     | (1                             | ) | 7                         | 7                     |  |
| Other Hardware/Services | 11                    | (2                             | ) | 9                         | 10                    |  |
| <b>Total Net Sales</b>  | 100 %                 |                                |   | 100 %                     | 100 %                 |  |

#### RECONCILIATION OF CHANGES IN REVENUE STANDARD FOR SEGMENT NET SALES

(Unaudited, in thousands)

|                         | Three Months Ended December 31, 2018 |                                |                           | 2017       | Change As Presented |          |  | Change Previous Revenue Standard |          |  |
|-------------------------|--------------------------------------|--------------------------------|---------------------------|------------|---------------------|----------|--|----------------------------------|----------|--|
|                         | As Presented                         | Impact of New Revenue Standard | Previous Revenue Standard |            | Amount              | Percent  |  | Amount                           | Percent  |  |
| <b>Net sales</b>        |                                      |                                |                           |            |                     |          |  |                                  |          |  |
| Business Solutions      | \$ 249,726                           | \$ 47,496                      | \$ 297,222                | \$ 298,017 | \$ (48,291 )        | (16.2 %) |  | \$ (795 )                        | (0.3 %)  |  |
| Enterprise Solutions    | 341,356                              | 50,150                         | 391,506                   | 308,806    | 32,550              | 10.5 %   |  | 82,700                           | 26.8 %   |  |
| Public Sector Solutions | 118,438                              | 10,461                         | 128,899                   | 155,444    | (37,006 )           | (23.8 %) |  | (26,545 )                        | (17.1 %) |  |
| Total                   | \$ 709,520                           | \$ 108,107                     | \$ 817,627                | \$ 762,267 | \$ (52,747 )        | (6.9 %)  |  | \$ 55,360                        | 7.3 %    |  |

#### RECONCILIATION OF CHANGES IN REVENUE STANDARD FOR SEGMENT GROSS PROFITS

(Unaudited, in thousands)

Change

Change

|                         | Three Months Ended December 31, |                                |                           |           | As Presented |       |         |          | Previous Revenue Standard |    |         |  |
|-------------------------|---------------------------------|--------------------------------|---------------------------|-----------|--------------|-------|---------|----------|---------------------------|----|---------|--|
|                         | 2018                            |                                | 2017                      |           | Amount       |       | Percent |          | Amount                    |    | Percent |  |
| Gross profits           | As Presented                    | Impact of New Revenue Standard | Previous Revenue Standard |           |              |       |         |          |                           |    |         |  |
| Business Solutions      | \$ 46,772                       | \$ 141                         | \$ 46,913                 | \$ 46,353 | \$ 419       | 0.9   | %       | \$ 560   | 1.2                       | %  |         |  |
| Enterprise Solutions    | 43,765                          | (104)                          | 43,661                    | 36,210    | 7,555        | 20.9  | %       | 7,451    | 20.6                      | %  |         |  |
| Public Sector Solutions | 16,265                          | (127)                          | 16,138                    | 16,967    | (702)        | (4.1) | %)      | (829)    | (4.9)                     | %) |         |  |
| Total                   | \$ 106,802                      | \$ (90)                        | \$ 106,712                | \$ 99,530 | \$ 7,272     | 7.3   | %       | \$ 7,182 | 7.2                       | %  |         |  |

#### RECONCILIATION OF CHANGES IN REVENUE STANDARD FOR SEGMENT GROSS MARGINS

(Unaudited, in thousands)

|                         | Three Months Ended December 31, |                                |                           |        | Change As Presented |         | Change Previous Revenue Standard |         |
|-------------------------|---------------------------------|--------------------------------|---------------------------|--------|---------------------|---------|----------------------------------|---------|
|                         | 2018                            |                                | 2017                      |        | Amount              | Percent | Amount                           | Percent |
| Gross margins           | As Presented                    | Impact of New Revenue Standard | Previous Revenue Standard |        |                     |         |                                  |         |
| Business Solutions      | 18.7 %                          | (295 )                         | 15.8 %                    | 15.6 % | 318                 | 23      |                                  |         |
| Enterprise Solutions    | 12.8 %                          | (167 )                         | 11.2 %                    | 11.7 % | 110                 | (57 )   |                                  |         |
| Public Sector Solutions | 13.7 %                          | (121 )                         | 12.5 %                    | 10.9 % | 282                 | 160     |                                  |         |
| Total                   | 15.1 %                          | (200 )                         | 13.1 %                    | 13.1 % | 200                 | (1 )    |                                  |         |

#### RECONCILIATION OF CHANGES IN REVENUE STANDARD FOR SEGMENT NET SALES

(Unaudited, in thousands)

|                         | Years Ended December 31, |                                |                           |              | Change As Presented |         |    |            | Change Previous Revenue Standard |         |
|-------------------------|--------------------------|--------------------------------|---------------------------|--------------|---------------------|---------|----|------------|----------------------------------|---------|
|                         | 2018                     |                                | 2017                      |              | Amount              | Percent |    |            | Amount                           | Percent |
| Net sales               | As Presented             | Impact of New Revenue Standard | Previous Revenue Standard |              |                     |         |    |            |                                  |         |
| Business Solutions      | \$ 1,027,918             | \$ 173,479                     | \$ 1,201,397              | \$ 1,158,639 | \$ (130,721 )       | (11.3   | %) | \$ 42,758  | 3.7                              | %       |
| Enterprise Solutions    | 1,165,142                | 169,184                        | 1,334,326                 | 1,131,823    | 33,319              | 2.9     | %  | 202,503    | 17.9                             | %       |
| Public Sector Solutions | 506,429                  | 62,027                         | 568,456                   | 621,421      | (114,992 )          | (18.5   | %) | (52,965 )  | (8.5                             | %)      |
| Total                   | \$ 2,699,489             | \$ 404,690                     | \$ 3,104,179              | \$ 2,911,883 | \$ (212,394 )       | (7.3    | %) | \$ 192,296 | 6.6                              | %       |

#### RECONCILIATION OF CHANGES IN REVENUE STANDARD FOR SEGMENT GROSS PROFITS

(Unaudited, in thousands)

|                         | Years Ended December 31, |                                |                           |            | Change As Presented |         |    |           | Change Previous Revenue Standard |         |
|-------------------------|--------------------------|--------------------------------|---------------------------|------------|---------------------|---------|----|-----------|----------------------------------|---------|
|                         | 2018                     |                                | 2017                      |            | Amount              | Percent |    |           | Amount                           | Percent |
| Gross profits           | As Presented             | Impact of New Revenue Standard | Previous Revenue Standard |            |                     |         |    |           |                                  |         |
| Business Solutions      | \$ 184,922               | \$ 1,099                       | \$ 186,021                | \$ 177,814 | \$ 7,108            | 4.0     | %  | \$ 8,207  | 4.6                              | %       |
| Enterprise Solutions    | 161,595                  | 94                             | 161,689                   | 139,010    | 22,585              | 16.2    | %  | 22,679    | 16.3                             | %       |
| Public Sector Solutions | 64,569                   | (240 )                         | 64,329                    | 65,252     | (683 )              | (1.0    | %) | (923 )    | (1.4                             | %)      |
| Total                   | \$ 411,086               | \$ 953                         | \$ 412,039                | \$ 382,076 | \$ 29,010           | 7.6     | %  | \$ 29,963 | 7.8                              | %       |

#### RECONCILIATION OF CHANGES IN REVENUE STANDARD FOR SEGMENT GROSS MARGINS

(Unaudited, in thousands)

|                            | Years Ended December 31, |                                      |      |   |                           |   |      |   | Change                    | Change                                 |
|----------------------------|--------------------------|--------------------------------------|------|---|---------------------------|---|------|---|---------------------------|----------------------------------------|
|                            | 2018                     |                                      |      |   | 2017                      |   |      |   | AS<br>Presented<br>Amount | Previous Revenue<br>Standard<br>Amount |
| Gross margins              | As<br>Presented          | Impact of New<br>Revenue<br>Standard |      |   | Previous Revenue Standard |   |      |   |                           |                                        |
| Business Solutions         | 18.0                     | %                                    | (251 | ) | 15.5                      | % | 15.3 | % | 264                       | 14                                     |
| Enterprise Solutions       | 13.9                     | %                                    | (175 | ) | 12.1                      | % | 12.3 | % | 159                       | (16                                    |
| Public Sector<br>Solutions | 12.7                     | %                                    | (143 | ) | 11.3                      | % | 10.5 | % | 225                       | 82                                     |
| Total                      | 15.2                     | %                                    | (195 | ) | 13.3                      | % | 13.1 | % | 211                       | 15                                     |

## RECONCILIATION OF CHANGES IN REVENUE STANDARD FOR EBITDA AND ADJUSTED EBITDA

A reconciliation of EBITDA and Adjusted EBITDA to the most directly comparable GAAP measure is detailed below. Adjusted EBITDA is defined as EBITDA (earnings before interest, taxes, depreciation and amortization) adjusted for restructuring and other charges, favorable resolution of a contract dispute, and stock-based compensation. Both EBITDA and Adjusted EBITDA are considered non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that either includes or excludes amounts that are not normally included or excluded in the most directly comparable measure calculated and presented in accordance with GAAP. We believe that EBITDA and Adjusted EBITDA provide helpful information with respect to our operating performance including our ability to fund our future capital expenditures and working capital requirements. Adjusted EBITDA also provides helpful information as it is the primary measure used in certain financial covenants contained in our credit agreements. Non-GAAP measures are not a substitute for GAAP measures and should be considered together with the GAAP financial measures. Our non-GAAP financial measures may not be comparable to other similar titled measures of other companies.

| (amounts in thousands)                              | Three Months Ended December 31, |                                      |                              |           | Change<br>As<br>Presented<br>Percent |    | Change<br>Previous Revenue<br>Standard<br>Percent |    |
|-----------------------------------------------------|---------------------------------|--------------------------------------|------------------------------|-----------|--------------------------------------|----|---------------------------------------------------|----|
|                                                     | 2018                            |                                      | 2017                         |           |                                      |    |                                                   |    |
|                                                     | As<br>Presented                 | Impact of New<br>Revenue<br>Standard | Previous Revenue<br>Standard |           |                                      |    |                                                   |    |
| Net income                                          | \$ 21,300                       | \$ (44 )                             | \$ 21,256                    | \$ 20,723 | 3                                    | %  | 3                                                 | %  |
| Depreciation and amortization                       | 3,701                           | -                                    | 3,701                        | 3,194     | 16                                   | %  | 16                                                | %  |
| Income tax expense                                  | 7,583                           | (14 )                                | 7,569                        | 1,251     | 506                                  | %  | 505                                               | %  |
| Interest expense                                    | 41                              | -                                    | 41                           | 38        | 8                                    | %  | 8                                                 | %  |
| EBITDA                                              | 32,625                          | (58 )                                | 32,567                       | 25,206    | 29                                   | %  | 29                                                | %  |
| Restructuring and other charges (2)                 | 967                             | -                                    | 967                          | 2,695     | (64                                  | %) | (64                                               | %) |
| Favorable resolution of a contract dispute, net (3) | (2,300 )                        | -                                    | (2,300 )                     | -         | (100                                 | %) | 0                                                 | %  |
| Stock-based compensation                            | 342                             | -                                    | 342                          | 181       | 89                                   | %  | 89                                                | %  |
| Adjusted EBITDA                                     | \$ 31.634                       | \$ (58 )                             | \$ 31.576                    | \$ 28.082 | 13                                   | %  | 12                                                | %  |

| (amounts in thousands)                                         | Years Ended December 31, <sup>(1)</sup> |                                      |                              |           | Change<br>As<br>Presented<br>Percent |    | Change<br>Previous Revenue<br>Standard<br>Percent |    |
|----------------------------------------------------------------|-----------------------------------------|--------------------------------------|------------------------------|-----------|--------------------------------------|----|---------------------------------------------------|----|
|                                                                | 2018                                    |                                      | 2017                         |           |                                      |    |                                                   |    |
|                                                                | As<br>Presented                         | Impact of New<br>Revenue<br>Standard | Previous Revenue<br>Standard |           |                                      |    |                                                   |    |
| Net income                                                     | \$ 64,592                               | \$ 540                               | \$ 65,132                    | \$ 54,857 | 18                                   | %  | 19                                                | %  |
| Depreciation and amortization                                  | 14,064                                  | -                                    | 14,064                       | 11,839    | 19                                   | %  | 19                                                | %  |
| Income tax expense                                             | 24,072                                  | 210                                  | 24,282                       | 22,768    | 6                                    | %  | 7                                                 | %  |
| Interest expense                                               | 145                                     | -                                    | 145                          | 126       | 15                                   | %  | 15                                                | %  |
| EBITDA                                                         | 102,873                                 | 750                                  | 103,623                      | 89,590    | 15                                   | %  | 16                                                | %  |
| Restructuring and other charges <sup>(2)</sup>                 | 967                                     | -                                    | 967                          | 3,636     | (73                                  | %) | (73                                               | %) |
| Favorable resolution of a contract dispute, net <sup>(3)</sup> | (2,300 )                                | -                                    | (2,300 )                     | -         | (100                                 | %) | 0                                                 | %  |
| Stock-based compensation                                       | 1,080                                   | -                                    | 1,080                        | 741       | 46                                   | %  | 46                                                | %  |
| Adjusted EBITDA                                                | \$ 102,620                              | \$ 750                               | \$ 103,370                   | \$ 93,967 | 9                                    | %  | 10                                                | %  |

(1) LTM: Last twelve months

(2) Restructuring and other charges in 2018 consist of severance related to internal restructuring activities. Restructuring and other charges in 2017 consist of a fourth quarter one-time bonus paid to all employees except executive officers as well as severance and relocation costs for our Softmart facility incurred in the second quarter 2017.

(3) The Company recorded \$2.3 million of income in other income/(expense), net as a result of a favorable resolution of a contract dispute.

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