INSIGHT ENTERPRISES INC
Form 10-Q
November 07, 2018
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended: September 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 0-25092

INSIGHT ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Delaware	86-0766246
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification Number)

6820 South Harl Avenue, Tempe, Arizona 85283

(Address of principal executive offices) (Zip Code)

(480) 333-3000

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the issuer's common stock as of November 2, 2018 was 35,479,670.

INSIGHT ENTERPRISES, INC.

QUARTERLY REPORT ON FORM 10-Q

Three Months Ended September 30, 2018

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INSIGHT ENTERPRISES, INC.

Forward-Looking Information

References to "the Company," "Insight," "we," "us," "our" and other similar words refer to Insight Enterprises, Inc. and its consolidated subsidiaries, unless the context suggests otherwise. Certain statements in this Quarterly Report on Form 10-Q, including statements in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part I, Item 2 of this report, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include: expectations regarding net sales, gross profit, gross margin, operating expenses, earnings from operations, non-operating income and expenses, net earnings and cash flows, cash uses and needs, the payment of accrued expenses and liabilities, the timing of the inventory shipments; the expected effects of seasonality on our business; our intentions concerning the payment of dividends; our acquisition strategy; projections of capital expenditures; the sufficiency of our capital resources, the availability of financing and our needs and plans relating thereto; the estimated effect of new accounting principles and expected dates of adoption; expected tax changes; the effect of indemnification obligations; projections about the outcome of ongoing tax audits; expectations regarding future employee termination benefits; estimates regarding future asset-retirement activities; adequate provisions for and our positions and strategies with respect to ongoing and threatened litigation; our expectations regarding the use of cash flow from operations for working capital, to pay down debt, repurchase shares of our common stock, make capital expenditures and fund acquisitions; our expectations regarding stock-based compensation and future income tax expense; our compliance with leverage ratio requirements; our exposure to off-balance sheet arrangements; statements of belief; and statements of assumptions underlying any of the foregoing. Forward-looking statements are identified by such words as "believe," "anticipate," "expect," "estimate," "intend," "plan," "project," "will," "may" and variations of such words and similar expressions and are inherently subject to ris and uncertainties, some of which cannot be predicted or quantified. Future events and actual results could differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. There can be no assurances that results described in forward-looking statements will be achieved, and actual results could differ materially from those suggested by the forward-looking statements. Some of the important factors that could cause our actual results to differ materially from those projected in any forward-looking statements include, but are not limited to, the following, which are discussed in "Risk Factors" in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2017:

- actions of our competitors, including manufacturers and publishers of products we sell;
- our reliance on our partners for product availability, competitive products to sell and marketing funds and purchasing incentives, which can change significantly in the amounts made available and the requirements year over year;
- changes in the information technology ("IT") industry and/or rapid changes in technology;
- risks associated with the integration and operation of acquired businesses;
- possible significant fluctuations in our future operating results;
- the risks associated with our international operations;
- general economic conditions;
- increased debt and interest expense and decreased availability of funds under our financing facilities;
- the security of our electronic and other confidential information;

- disruptions in our IT systems and voice and data networks;
- failure to comply with the terms and conditions of our commercial and public sector contracts;
- legal proceedings and the results of client and public sector audits and failure to comply with laws and regulations;
- accounts receivable risks, including increased credit loss experience or extended payment terms with our clients;
- our reliance on independent shipping companies;
- our dependence on certain key personnel;
- natural disasters or other adverse occurrences;
- exposure to changes in, interpretations of, or enforcement trends related to tax rules and regulations; and
- intellectual property infringement claims and challenges to our registered trademarks and trade names.

Additionally, there may be other risks that are otherwise described from time to time in the reports that we file with the Securities and Exchange Commission. Any forward-looking statements in this report should be considered in light of various important factors, including the risks and uncertainties listed above, as well as others. We assume no obligation to update, and, except as may be required by law, do not intend to update, any forward-looking statements. We do not endorse any projections regarding future performance that may be made by third parties.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

INSIGHT ENTERPRISES, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)

(unaudited)

	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$111,055	$105,831
Accounts receivable, net of allowance for doubtful accounts of $10,135 and $10,158, respectively	1,682,005	1,814,560
Inventories	171,197	194,529
Inventories not available for sale	648	36,956
Other current assets	103,778	152,467
Total current assets	2,068,683	2,304,343
Property and equipment, net of accumulated depreciation and amortization of $331,605 and $335,078, respectively	74,097	75,252
Goodwill	167,065	131,431
Intangible assets, net of accumulated amortization of $48,646 and $37,357, respectively	116,608	100,778
Deferred income taxes	13,844	17,064
Other assets	70,220	56,783
	$2,510,517	$2,685,651
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable—trade	$758,035	$899,075
Accounts payable—inventory financing facility	237,556	319,468
Accrued expenses and other current liabilities	180,101	175,860
Current portion of long-term debt	17,360	16,592
Deferred revenue	63,696	88,979
Total current liabilities	1,256,748	1,499,974
Long-term debt	251,334	296,576
Deferred income taxes	427	717
Other liabilities	59,001	44,915

	1,567,510	1,842,182
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value, 3,000 shares authorized; no shares issued	—	—
Common stock, $0.01 par value, 100,000 shares authorized; 35,459 shares at September 30, 2018 and 35,829 shares at December 31, 2017 issued and outstanding	355	358
Additional paid-in capital	319,065	317,155
Retained earnings	657,625	550,220
Accumulated other comprehensive loss – foreign currency translation adjustments	(34,038)	(24,264)
Total stockholders' equity	943,007	843,469
	$2,510,517	$2,685,651

See accompanying notes to consolidated financial statements.

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INSIGHT ENTERPRISES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net sales:				
Products	$1,548,273	$1,598,973	$4,724,888	$4,426,406
Services	199,453	159,000	606,202	493,142
Total net sales	1,747,726	1,757,973	5,331,090	4,919,548
Costs of goods sold:				
Products	1,415,808	1,463,414	4,319,181	4,036,486
Services	97,004	68,478	272,355	197,375
Total costs of goods sold	1,512,812	1,531,892	4,591,536	4,233,861
Gross profit	234,914	226,081	739,554	685,687
Operating expenses:				
Selling and administrative expenses	184,095	180,390	561,739	538,774
Severance and restructuring expenses	683	494	2,709	6,211
Loss on sale of foreign entity	—	3,646	—	3,646
Acquisition-related expenses	188	106	282	3,329
Earnings from operations	49,948	41,445	174,824	133,727
Non-operating (income) expense:				
Interest income	(330)	(227)	(653)	(863)
Interest expense	6,132	5,555	17,249	13,814
Net foreign currency exchange loss	539	341	19	972
Other expense, net	393	339	1,019	980
Earnings before income taxes	43,214	35,437	157,190	118,824
Income tax expense	11,060	13,025	40,554	42,309
Net earnings	$32,154	$22,412	$116,636	$76,515
Net earnings per share:				
Basic	$0.91	$0.63	$3.27	$2.14
Diluted	$0.89	$0.62	$3.24	$2.11
Shares used in per share calculations:				
Basic	35,468	35,787	35,622	35,718
Diluted	35,957	36,203	36,012	36,186

See accompanying notes to consolidated financial statements.

INSIGHT ENTERPRISES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net earnings	$32,154	$22,412	$116,636	$76,515
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	657	15,106	(9,774)	31,361
Total comprehensive income	$32,811	$37,518	$106,862	$107,876

See accompanying notes to consolidated financial statements.

INSIGHT ENTERPRISES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Nine Months Ended September 30, 2018	2017
Cash flows from operating activities:		
Net earnings	$116,636	$76,515
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment	16,018	19,430
Amortization of intangible assets	11,399	12,643
Provision for losses on accounts receivable	2,572	3,429
Write-downs of inventories	2,410	1,991
Write-off of property and equipment	367	378
Non-cash stock-based compensation	10,764	10,134
Deferred income taxes	2,964	(209)
Loss on sale of foreign entity	—	3,646
Changes in assets and liabilities, net of acquisitions and sale of foreign entity:		
Decrease in accounts receivable	222,047	108,284
Decrease (increase) in inventories	24,373	(73,186)
Decrease in other assets	31,555	320
Decrease in accounts payable	(201,147)	(442,328)
Increase (decrease) in deferred revenue	11,326	(13,871)
Decrease in accrued expenses and other liabilities	(4,043)	(30,736)
Net cash provided by (used in) operating activities	247,241	(323,560)
Cash flows from investing activities:		
Purchases of property and equipment	(13,046)	(15,906)
Proceeds from sale of foreign entity	479	1,517
Acquisitions, net of cash and cash equivalents acquired	(74,938)	(186,932)
Net cash used in investing activities	(87,505)	(201,321)
Cash flows from financing activities:		
Borrowings on senior revolving credit facility	569,232	923,216
Repayments on senior revolving credit facility	(686,732)	(707,216)
Borrowings on accounts receivable securitization financing facility	2,662,000	2,844,389
Repayments on accounts receivable securitization financing facility	(2,576,000)	(2,723,889)
Borrowings under Term Loan A	—	175,000
Repayments under Term Loan A	(9,844)	(6,562)

Repayments under other financing agreements	(2,312)	(5,176)
Payments on capital lease obligations	(1,002)	(614)
Net (repayments) borrowings under inventory financing facility	(81,911)	45,641
Payment of debt issuance costs	(270)	(1,123)
Payment of payroll taxes on stock-based compensation through shares withheld	(3,195)	(4,703)
Repurchases of common stock	(22,069)	—
Net cash (used in) provided by financing activities	(152,103)	538,963
Foreign currency exchange effect on cash, cash equivalents and restricted cash balances	(2,434)	19,635
Increase in cash, cash equivalents and restricted cash	5,199	33,717
Cash, cash equivalents and restricted cash at beginning of period	107,445	205,946
Cash, cash equivalents and restricted cash at end of period	$112,644	$239,663

See accompanying notes to consolidated financial statements.

INSIGHT ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Basis of Presentation and Recently Issued Accounting Standards

Today, every business is a technology business. We empower organizations of all sizes with Insight Intelligent Technology Solutions™ and services to maximize the business value of IT. As a Fortune 500-ranked global provider of digital innovation, cloud/data center transformation, connected workforce, and supply chain optimization solutions and services, we help clients innovate and optimize their operations to run smarter. Our company is organized in the following three operating segments, which are primarily defined by their related geographies:

Operating Segment	Geography
North America	United States and Canada
EMEA	Europe, Middle East and Africa
APAC	Asia-Pacific

Our offerings in North America and certain countries in EMEA and APAC include hardware, software and services. Our offerings in the remainder of our EMEA and APAC segments consist of largely software and certain software-related services.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly our financial position as of September 30, 2018 and our results of operations for the three and nine months ended September 30, 2018 and 2017 and cash flows for the nine months ended September 30, 2018 and 2017. The consolidated balance sheet as of December 31, 2017 was derived from the audited consolidated balance sheet at such date. The accompanying unaudited consolidated financial statements and notes have been prepared in accordance with the rules and regulations promulgated by the Securities and Exchange Commission and consequently do not include all of the disclosures normally required by United States generally accepted accounting principles (“GAAP”).

The results of operations for interim periods are not necessarily indicative of results for the full year, due in part to the seasonal nature of our business. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including the related notes thereto, in our Annual Report on Form 10-K for the year ended December 31, 2017. Our results of operations include the results of Datalink Corporation (“Datalink”) from its acquisition date of January 6, 2017, Caase Group B.V. (referred to herein as, “Caase.com”) from its acquisition date of September 26, 2017 and Cardinal Solutions Group, Inc. (“Cardinal”) from its acquisition date of August 1, 2018. See Note 12 for further discussion of our acquisition of Cardinal.

The consolidated financial statements include the accounts of Insight Enterprises, Inc. and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Additionally, these estimates and assumptions affect the reported amounts of net sales and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, we evaluate our estimates, including those related to sales recognition, anticipated achievement levels under partner funding programs, assumptions related to stock-based compensation valuation, allowances for doubtful accounts, valuation of inventories, litigation-related obligations, valuation allowances for deferred tax assets and impairment of long-lived assets, including purchased intangibles and goodwill, if indicators of potential impairment exist.

INSIGHT ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

Recently Issued Accounting Standards

Effective January 1, 2018, we adopted the Financial Accounting Standards Board's ("FASB") Accounting Standard Update ("ASU") No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business," ASU No. 2016-18, "Restricted Cash," ASU No. 2016-15, "Classification of Certain Cash Receipts and Cash Payments," and ASU No. 2016-01, "Financial Instruments Overview: Recognition and Measurement of Financial Assets and Financial Liabilities." The adoption of these new standards did not have a material effect on our consolidated financial statements. Additionally, we adopted ASU No. 2014-09, "Revenue from Contracts with Customers," effective January 1, 2018, as discussed in Note 2.

As a result of the adoption of ASU No. 2016-18, we began including amounts generally described as restricted cash or restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the statement of cash flows for the nine months ended September 30, 2018. Amounts shown in the consolidated statement of cash flows for the nine months ended September 30, 2017 were reclassified to conform to the current period presentation. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the balance sheets that sum to the total of the same such amounts shown in the statements of cash flows for the nine months ended September 30, 2018 and 2017 (in thousands):

	September 30, 2018	December 31, 2017
Cash and cash equivalents	$ 111,055	$ 105,831
Restricted cash included in other current assets	17	46
Restricted cash included in other non-current assets	1,572	1,568
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 112,644	$ 107,445

	September 30, 2017	December 31, 2016
Cash and cash equivalents	$ 236,411	$ 202,882
Restricted cash included in other current assets	80	51
Restricted cash included in other non-current assets	3,172	3,013
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 239,663	$ 205,946

Amounts included in restricted cash represent those required to be set aside by a contractual agreement with a lessor related to certain leased office space in foreign jurisdictions. Restricted cash shown in the statement of cash flows for the nine months ended September 30, 2017 also includes funds deposited with a financial institution in Australia to provide a guarantee on our behalf as security for any funds we might draw under our revolving loan facility in China. The deposited funds were restricted in that we could not withdraw them as long as the related loan facility was in place. These amounts were reported in other non-current assets.

In February 2016, the FASB issued ASU No. 2016-02, "Leases," (Topic 842) which supersedes the existing lease recognition requirements in the current accounting standard for leases. The core principal of the new standard is that an entity should recognize right-of-use ("ROU") assets and lease liabilities arising from a lease for both financing and operating leases, along with additional qualitative and quantitative disclosures. The new standard is to be applied using a modified retrospective transition method with the option to elect a number of practical expedients. The new standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within such fiscal years.

INSIGHT ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

In July 2018, the FASB issued ASU No. 2018-11, “Leases (Topic 842) – Targeted Improvements.” ASU 2018-11 provides additional guidance to Topic 842 including providing preparers an additional optional retrospective adoption method which allows entities to initially apply the new leases standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings. ASU 2018-11 also provides lessors a practical expedient to not separate lease from non-lease components, in certain situations.

We will adopt the new lease standard as of January 1, 2019 and plan to utilize the retrospective cumulative effect adjustment transition method with a cumulative effect adjustment being recorded as of the adoption date. Additionally, we expect to elect certain available practical expedients. We have established a cross-functional implementation team and are in the process of determining the scope of arrangements that will be subject to this standard as well as assessing the impact to our systems, processes, and internal controls over financial reporting. While we are still evaluating the impact of adopting ASU No. 2016-02, we anticipate this standard will have a material impact on our other assets and other liabilities balances. The primary impact will be to record ROU assets and lease liabilities for existing operating leases on our consolidated balance sheets. We do not expect the adoption to have a material impact on our consolidated statements of operations or our consolidated statements of cash flows. Our analysis and evaluation of the new standard will continue through its effective date in the first quarter of 2019, including continuing to monitor any potential changes in the standard proposed by the FASB.

There have been no other material changes in or additions to the recently issued accounting standards as previously reported in Note 1 to our Consolidated Financial Statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2017 that affect or may affect our current financial statements.

2. New Accounting Standard – Sales Recognition

We adopted ASU No. 2014-09, “Revenue from Contracts with Customers,” which created FASB Topic 606 (“Topic 606”) with a date of initial application of January 1, 2018. Topic 606 also includes Subtopic 340-40, “Other Assets and Deferred Costs – Contracts with Customers,” which requires the deferral of incremental costs of obtaining a contract with a customer. As a result, we changed our accounting policy for sales recognition and incremental costs of obtaining a contract with a customer as detailed below.

We applied Topic 606 using the modified retrospective transition method. In adopting the new standard, the net cumulative effect from prior periods of applying the guidance in Topic 606 was recognized as a cumulative effect adjustment to the opening balance of retained earnings in our consolidated balance sheet as of January 1, 2018. Additionally, we have elected the option to only account for contracts that remained open as of the January 1, 2018 transition date in accordance with Topic 606. Revenue recognition for contracts for which substantially all of the revenue was recognized in accordance with the revenue guidance in effect before January 1, 2018 has not been changed. The comparative information as of December 31, 2017 and for the years ended December 31, 2017 and 2016 have not been adjusted and continue to be reported under the previously applicable accounting standards. The details of the significant changes and quantitative impact of the changes are set forth below.

- For sales transactions for certain security software products that are sold with integral third-party delivered software maintenance, we changed our accounting to record both the software license and the accompanying software maintenance on a net basis, as the agent in the arrangement, given the predominant nature of the goods and services provided to the customer. Under previous guidance, we bifurcated the sale of the software license from the sale of the maintenance contract, recorded the sale of the software product on a gross sales recognition basis and recorded the sale of the software maintenance on a net sales recognition basis. This change has no effect on reported gross profit dollars associated with these transactions.

INSIGHT ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

- The accounting for inventories not available for sale, otherwise known as bill and hold arrangements, changed such that a portion of revenue under the contracts is recognized earlier than we were recognizing under previous accounting standards. Bill and hold arrangements are inventory balances owned by our clients that we are warehousing and will be deploying to the clients' locations in a future period.
- The accounting for renewals of certain software term/usage licenses changed to delay or accelerate revenue recognition to the renewal period. Under previous guidance, we recognized revenue as the renewal order was completed.
- The accounting for certain contracts with our clients that include payment terms that exceed one year changed such that we recognize revenue at the point in time when control of the product is transferred to the client or over the period of time that the service is provided to the client. To the extent that a significant financing component exists in these arrangements, we will record interest income associated with the financing component of the arrangement over the payment terms of the arrangement. Under previous guidance, we deferred revenue recognition under these contracts until payments became due as a result of the extended payment terms.
- The timing of revenue recognition for certain services contracts also changed to align with an appropriate input or output method. For example, the timing of revenue recognition for certain services contracts with stated milestone terms changed to an earlier point in time when control transfers to the customer. Under previous guidance, we recognized revenue based on the milestones stated in the contract with our customer.
- The accounting for recording sales returns allowance changed from being recorded against accounts receivable to being recorded as a refund liability. As a result, in our consolidated balance sheets, we reclassified our sales returns allowance balance from accounts receivable, net to accrued expenses and other current liabilities. Under previous guidance, we recorded the sales returns allowance in accounts receivable, net and not as a separately stated liability.
- The accounting for sales commissions on contracts with performance periods that exceed one year changed such that we record such sales commissions as an asset and amortize them to expense over the related contract performance period. Under previous guidance, sales commissions were expensed in the period the transaction was generated.

The total cumulative effect adjustment from prior periods that we recognized in our consolidated balance sheet as of January 1, 2018 as an adjustment to retained earnings was $7,176,000.

INSIGHT ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

The following tables summarize the effects of adopting Topic 606 on the Company's consolidated financial statements as of September 30, 2018 and for the three and nine months then ended (in thousands, except for per share data):

BALANCE SHEET AT SEPTEMBER 30, 2018

	As Reported	Adjustments	Pre-Topic 606 Adoption
Cash and cash equivalents	$ 111,055	$ —	$ 111,055
Accounts receivable, net	1,682,005	(115,210)	1,566,795
Inventories	171,197	—	171,197
Inventories not available for sale	648	72,529	73,177
Other current assets	103,778	37,356	141,134
Total current assets	2,068,683	(5,325)	2,063,358
Property and equipment, net	74,097	—	74,097
Goodwill	167,065	—	167,065
Intangible assets, net	116,608	—	116,608
Deferred income taxes	13,844	—	13,844
Other assets	70,220	(15,793)	54,427
	$ 2,510,517	$ (21,118)	$ 2,489,399
Accounts payable – trade	$ 758,035	$ (47,159)	$ 710,876
Accounts payable – inventory financing facility	237,556	—	237,556
Accrued expenses and other current liabilities	180,101	(20,880)	159,221
Current portion of long-term debt	17,360	—	17,360
Deferred revenue	63,696	67,171	130,867
Total current liabilities	1,256,748	(868)	1,255,880
Long-term debt	251,334	—	251,334
Deferred income taxes	427	—	427
Other liabilities	59,001	(13,768)	45,233
	1,567,510	(14,636)	1,552,874
Stockholders' equity:			
Preferred stock	—	—	—
Common stock	355	—	355
Additional paid-in capital	319,065	—	319,065
Retained earnings	657,625	(6,407)	651,218
Accumulated other comprehensive loss – foreign currency translation adjustments	(34,038)	(75)	(34,113)
Total stockholders' equity	943,007	(6,482)	936,525
	$ 2,510,517	$ (21,118)	$ 2,489,399

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INSIGHT ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018

	As Reported	Adjustments	Pre-Topic 606 Adoption
Net sales:			
Products	$ 1,548,273	$ 56,880	$ 1,605,153
Services	199,453	(1,981)	197,472
Total net sales	1,747,726	54,899	1,802,625
Costs of goods sold:			
Products	1,415,808	$ 49,985	1,465,793
Services	97,004	1,230	98,234
Total costs of goods sold	1,512,812	51,215	1,564,027
Gross profit	234,914	3,684	238,598
Operating expenses:			
Selling and administrative expenses	184,095	28	184,123
Severance and restructuring expenses	683	—	683
Acquisition-related expenses	188	—	188
Earnings from operations	49,948	3,656	53,604
Non-operating expense, net	6,734	—	6,734
Earnings before income taxes	43,214	3,656	46,870
Income tax expense	11,060	887	11,947
Net earnings	$ 32,154	$ 2,769	$ 34,923
Net earnings per share:			
Basic	$ 0.91	$ 0.07	$ 0.98
Diluted	$ 0.89	$ 0.08	$ 0.97
Shares used in per share calculations:			
Basic	35,468	—	35,468
Diluted	35,957	—	35,957

INSIGHT ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

STATEMENT OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	As Reported	Adjustments	Pre-Topic 606 Adoption
Net sales:			
Products	$ 4,724,888	$ 85,551	$ 4,810,439
Services	606,202	(9,045)	597,157
Total net sales	5,331,090	76,506	5,407,596
Costs of goods sold:			
Products	4,319,181	75,407	4,394,588
Services	272,355	(378)	271,977
Total costs of goods sold	4,591,536	75,029	4,666,565
Gross profit	739,554	1,477	741,031
Operating expenses:			
Selling and administrative expenses	561,739	277	562,016
Severance and restructuring expenses	2,709	—	2,709
Acquisition-related expenses	282	—	282
Earnings from operations	174,824	1,200	176,024
Non-operating expense, net	17,634	—	17,634
Earnings before income taxes	157,190	1,200	158,390
Income tax expense	40,554	430	40,984
Net earnings	$ 116,636	$ 770	$ 117,406
Net earnings per share:			
Basic	$ 3.27	$ 0.03	$ 3.30
Diluted	$ 3.24	$ 0.02	$ 3.26
Shares used in per share calculations:			
Basic	35,622	—	35,622
Diluted	36,012	—	36,012

STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

The adoption of Topic 606 had no effect on net cash provided by operating activities, net cash used in investing activities or net cash used in financing activities for the nine months ended September 30, 2018. The adjustment to net earnings noted above in reconciling our reported results of operations for the nine months ended September 30, 2018 under Topic 606 to pre-Topic 606 adoption was fully offset by adjustments to the reported changes in asset and liability balances, resulting in no effect on operating cash flows.

Significant Accounting Policy

Revenue is measured based on the consideration specified in a contract with a client, and excludes any sales incentives and amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a product or service to a client.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a client, are excluded from revenue. This is consistent with our accounting treatment prior to the adoption of Topic 606, whereby we reported sales net of any sales-based taxes assessed by governmental authorities that are imposed on and concurrent with sales transactions.

INSIGHT ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

We record the freight we bill to our clients as product net sales and the related freight costs we pay as product costs of goods sold. This is consistent with our accounting treatment prior to the adoption of Topic 606.

Nature of Goods and Services

We sell hardware and software products on both a stand-alone basis without any services and as solutions bundled with services.

When we provide a combination of hardware and software products with the provision of services, we separately identify our performance obligations under our contract with the client as the distinct goods (hardware and/or software products) or services that will be provided. The total transaction price for an arrangement with multiple performance obligations is allocated at contract inception to each distinct performance obligation in proportion to its stand-alone selling price. The stand-alone selling price is the price at which we would sell a promised good or service separately to a client. Observable stand-alone prices are used when they are available. If not available, we estimate the price based on observable inputs, including direct labor hours and allocable costs.

Product Offerings

Hardware

We recognize hardware product revenue at the point in time when a client takes control of the hardware, which typically occurs when title and risk of loss have passed to the client at its destination. Our selling terms and conditions were modified during the fourth quarter of 2017 to specify F.O.B. destination contractual terms such that control is transferred from the Company at the point in time when the product is received by the client. Prior to the adoption of Topic 606, because we either (i) had a general practice of covering client losses while products were in transit despite title and risk of loss contractually transferring at the point of shipment or (ii) had specifically stated F.O.B. destination contractual terms with the client, delivery was not deemed to have occurred until the point in time when the product was received by the client. The transaction price for hardware sales is adjusted for estimated product returns that we expect to occur under our return policy based upon historical return rates.

We leverage drop-shipment arrangements with many of our partners and suppliers to deliver products to our clients without having to physically hold the inventory at our warehouses, thereby increasing efficiency and reducing costs. We recognize revenue for drop-shipment arrangements on a gross basis as the principal in the transaction when the product is received by the client because we control the product prior to transfer to the client. We also assume primary responsibility for fulfillment in the arrangement, we assume inventory risk if the product is returned by the client, we set the price of the product charged to the client and we work closely with our clients to determine their hardware specifications. This is consistent with our accounting treatment prior to the adoption of Topic 606.

Bill and Hold Transactions

We offer a service to our customers whereby clients may purchase product that we procure on their behalf and, at our clients' direction, store the product in our warehouse for a designated period of time, with the intention of deploying the product to the clients' designated locations at a later date. These warehousing services are designed to help our clients with inventory management challenges associated with technology roll-outs, product that is moving to end of life, and/or clients needing integrated stock available for immediate deployment. In some circumstances, we may also perform lab integration services on a portion of the product prior to shipment to our clients for a separate fee. The client is invoiced and title transfers to the client upon receipt of the product at our warehouse. These product contracts are non-cancelable with customary credit terms beginning the date the product is received in our warehouse and the warranty periods begin on the date of invoice. Revenue is recognized for the sale of the product to the client upon receipt of the product at our warehouse.

The warehousing services and lab integration fees are considered separate performance obligations. Under previous accounting guidance, prior to the adoption of Topic 606, it was determined that these product sales transactions did not meet the revenue recognition criteria under GAAP. Therefore, we did not record product net sales, and the inventories were classified as inventories not available for sale on our consolidated balance sheets, until the product was delivered to the clients' designated location. If clients remitted payment before we delivered the product to them, we recorded the payments received as deferred revenue on our consolidated balance sheets until such time as the product was delivered.

Software

We recognize revenue from software sales at the point in time when the client acquires the right to use or copy software under license and control transfers to the client. For renewals, revenue is recognized upon the commencement of the term of the software license agreement or when the renewal term begins, as applicable. This is a change from our accounting treatment prior to the adoption of Topic 606, whereby revenue from renewals of software licenses was recognized when the parties agreed to the renewal or extension, provided that all other revenue recognition criteria had been met.

Although the revenue recognition treatment for term software license renewals has changed as described above, a substantial portion of the software licenses we sell are perpetual software licenses and do not require renewal or extension after their initial purchase by the client. Such perpetual licenses are periodically subject to true-up, whereby additional perpetual licenses are sold under the client's pre-existing master agreement. Such true-ups are generally sold in arrears, and clients are invoiced for the additional licenses they had already been utilizing. Since the client controlled these additional perpetual licenses prior to the true-up, software revenue related to the underlying additional licenses is recognized when we agree to the true-up with our client and the partner. This is consistent with our accounting treatment prior to the adoption of Topic 606.

Services Offerings

Software Maintenance

Software maintenance agreements provide our clients with the right to obtain any software upgrades, bug fixes and help desk and other support services directly from the software publisher at no additional charge during the term of the software maintenance agreements. We act as the software publisher's agent in selling these software maintenance agreements and do not assume any performance obligation to the client under the agreements. As a result, we are the agent in these transactions and these sales are recorded on a net sales recognition basis. Under net sales recognition, the cost of the software maintenance agreement is recorded as a reduction to sales, resulting in net sales equal to the gross profit on the transaction, and there are no costs of goods sold. Because we are acting as the software publisher's agent, revenue is recognized when the parties agree to the initial purchase, renewal or extension as our agency services are then complete. This is consistent with our accounting treatment prior to the adoption of Topic 606. As discussed in Note 11, we report all fees earned from activities reported net within our services net sales category in our consolidated statements of operations.

Cloud / Software-as-a-Service Offerings

Cloud or software-as-a-service subscription products provide our clients with access to software products hosted in the public cloud without the client taking possession of the software. We act as the software publisher's agent in selling these software-as-a service subscription products and do not host the software products on our servers. We do not take control of the software products or assume any performance obligations to the clients related to the provisioning of the offerings in the cloud. As a result, these sales are recorded on a net sales recognition basis.

INSIGHT ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

This is consistent with our accounting treatment prior to the adoption of Topic 606. As discussed in Note 11, we report all fees earned from activities reported net within our services net sales category in our consolidated statements of operations.

Insight Delivered Services

We design, procure, deploy, implement and manage solutions that combine hardware, software and services to help businesses run smarter. Such services are provided by us or third-party sub-contract vendors as part of bundled arrangements, or are provided separately on a stand-alone basis as technical, consulting or managed services engagements. If the services are provided as part of a bundled arrangement with hardware and software, the hardware, software and services are generally distinct performance obligations. In general, we recognize revenue from services engagements as we perform the underlying services and satisfy our performance obligations.

We recognize revenue from sales of services by measuring progress toward complete satisfaction of the related service performance obligation. Billings for such services that are made in advance of the related revenue recognized are recorded as a contract liability.

Specific revenue recognition practices for certain of our services offerings are described in further detail below.

Time and Materials Services Contracts

We recognize revenue for professional services engagements that are on a time and materials basis based upon hours incurred for the performance completed to date for which we have the right to consideration, even if such amounts have not yet been invoiced as of period end. This is consistent with our accounting treatment prior to the adoption of Topic 606.

Fixed Fee Services Contracts

We recognize revenue on fixed fee professional services contracts using a proportional performance method of revenue recognition based on the ratio of direct labor and other allocated costs incurred to total estimated direct labor and other allocated costs. This is consistent with our accounting treatment prior to the adoption of Topic 606.

OneCall Support Services Contracts

When we sell certain hardware and/or software products to our clients, we also enter into service contracts with them. These contracts are support service agreements for the hardware and/or software products that were purchased from us. Under certain support services contracts, although we purchase third-party support contracts for maintenance on the specific hardware or software products we have sold, our internal support desk assists the client first by performing an initial technical triage to determine the source of the problem and whether we can direct the client on how to fix the problem. We refer to these services as "OneCall." We act as the principal in the transaction because we perform the OneCall services over the term of the support service contract and we set the price of the service charged to the client. As a result, we recognize revenue from OneCall extended service contracts on a gross sales recognition basis ratably over the contract term of the stand ready obligation, generally one to three years. This is consistent with our accounting treatment prior to the adoption of Topic 606.

On our consolidated balance sheet, a significant portion of our contract liabilities balance relates to OneCall support services agreements for which clients have paid or have been invoiced but for which we have not yet recognized the applicable services revenue. We also defer incremental direct costs to fulfill our service contracts that we prepay to third parties for direct support of our fulfillment of the service contract to our clients under our contract terms and amortize them into operations over the term of the contracts.

INSIGHT ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

Vendor Direct Support Services Contracts

When we do not provide OneCall services to the client on hardware and/or software products that were purchased, the client may purchase a vendor direct support services contract through us. Under these contracts, our clients call the manufacturer/publisher or its designated service organization directly for both the initial technical triage and any follow-up assistance. We act as the manufacturer/publisher's agent in selling these support service contracts and do not assume any performance obligation to the client under the arrangements. As a result, these sales are recorded on a net sales recognition basis similar to software maintenance agreements, as discussed above. Because we are acting as the manufacturer/publisher's agent, revenue is recognized when the parties agree to the purchase of the support services contract as our agency services are then complete. This is consistent with our accounting treatment prior to the adoption of Topic 606.

Third-party Provided Services

A majority of our third-party sub-contractor services contracts are entered into in conjunction with other services contracts under which the services are performed by Insight teammates. We have concluded that we control all services under the contract and can direct the third-party sub-contractor to provide the requested services. As such, we act as the principal in the transaction and record the services under a gross sales recognition basis, with the selling price being recorded in sales and our cost to the third-party service provider being recorded in costs of goods sold. For certain third-party service contracts in which we are not responsible for fulfillment of the services, we have concluded that we are an agent in the transaction and record revenue on a net sales recognition basis. This is consistent with our accounting treatment prior to the adoption of Topic 606.

Disaggregation of Revenue

In the following table, revenue is disaggregated by our reportable operating segments, which are primarily defined by their related geographies, as well as by major product offering, by major client group and by recognition on either a gross basis as a principal in the arrangement, or on a net basis as an agent, for the three and nine months ended September 30, 2018 (in thousands):

	Three Months Ended September 30, 2018			
	North America	EMEA	APAC	Consolidated
Major Offerings				
Hardware	$953,431	$147,497	$6,041	$1,106,969
Software	259,602	168,603	13,099	441,304
Services	158,426	29,080	11,947	199,453
	$1,371,459	$345,180	$31,087	$1,747,726
Major Client Groups				
Large Enterprise / Corporate	$986,665	$265,430	$10,715	$1,262,810
Public Sector	141,895	62,720	6,255	210,870
Small and Medium-Sized Businesses	242,899	17,030	14,117	274,046

	$1,371,459	$345,180	$31,087	$1,747,726
Revenue Recognition based on acting as Principal or Agent in the Transaction				
Gross revenue recognition (Principal)	$1,322,391	$326,671	$26,638	$1,675,700
Net revenue recognition (Agent)	49,068	18,509	4,449	72,026
	$1,371,459	$345,180	$31,087	$1,747,726

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INSIGHT ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

	Nine Months Ended September 30, 2018			
	North America	EMEA	APAC	Consolidated
Major Offerings				
Hardware	$2,724,916	$505,844	$22,518	$3,253,278
Software	828,231	551,920	91,459	1,471,610
Services	465,458	104,086	36,658	606,202
	$4,018,605	$1,161,850	$150,635	$5,331,090
Major Client Groups				
Large Enterprise / Corporate	$2,945,880	$836,865	$37,770	$3,820,515
Public Sector	388,109	273,821	67,134	729,064
Small and Medium-Sized Businesses	684,616	51,164	45,731	781,511
	$4,018,605	$1,161,850	$150,635	$5,331,090
Revenue Recognition based on acting as Principal or Agent in the Transaction				
Gross revenue recognition (Principal)	$3,857,104	$1,093,110	$133,542	$5,083,756
Net revenue recognition (Agent)	161,501	68,740	17,093	247,334
	$4,018,605	$1,161,850	$150,635	$5,331,090

Contract Balances

The following table provides information about receivables, contract assets and contract liabilities as of September 30, 2018 and January 1, 2018 (in thousands):

	September 30, 2018	January 1, 2018
Current receivables, which are included in “Accounts receivable, net”	$ 1,682,005	$1,909,074
Non-current receivables, which are included in “Other assets”	31,288	32,227
Contract assets, which are included in “Other current assets”	652	595
Contract liabilities, which are included in “Deferred revenue” and “Other liabilities”	83,339	86,743

Significant changes in the contract assets and the contract liabilities balances during the nine months ended September 30, 2018 are as follows (in thousands):

	Increase (Decrease)	
	Contract Assets	Contract Liabilities
Balances at January 1, 2018	$595	$86,743
Reclassification of the beginning contract liabilities to revenue, as the result of performance obligations satisfied	—	(53,022)
Cash received in advance and not recognized as revenue	—	49,685
Reclassification of the beginning contract assets to receivables, as the result of rights to consideration becoming unconditional	(590)	—
Contract assets recognized, net of reclassification to receivables	647	—
Cumulative catch-up adjustment arising from changes in estimates of transaction price	—	(67)
Balances at September 30, 2018	$652	$83,339

INSIGHT ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

Transaction price allocated to the remaining performance obligations

The following table includes estimated net sales related to performance obligations that are unsatisfied (or partially unsatisfied) as of September 30, 2018 that are expected to be recognized in the future (in thousands):

	Products	Services	Total
Remaining three months of 2018	$ 3	$ 39,990	$ 39,993
2019	13	70,061	70,074
2020	5	27,335	27,340
2021	—	9,621	9,621
2022	—	3,877	3,877
2023	—	1,474	1,474
2024 and thereafter	—	221	221
Total remaining performance obligations	$ 21	$ 152,579	$ 152,600

Topic 606 allows for certain practical expedients which we have elected to apply. As a result, we do not disclose information about remaining performance obligations that have original expected durations of one year or less in the table above. Amounts not included in the table above have an average original expected duration of eight months. Additionally, for our time and material services contracts, whereby we have the right to consideration from a client in an amount that corresponds directly with the value to the client of our performance completed to date, we recognized revenue in the amount to which we have a right to invoice as of September 30, 2018 and do not disclose information about related remaining performance obligations in the table above. Our time and material contracts have an average expected duration of 13 months.

The majority of our backlog historically has been and continues to be open cancelable purchase orders. We do not believe that backlog as of any particular date is predictive of future results, therefore we do not include performance obligations under open cancelable purchase orders, which do not qualify for revenue recognition in accordance with Topic 606 as of September 30, 2018, in the table above.

Assets recognized for costs of obtaining a contract with a customer

We believe that the only significant incremental costs incurred to obtain contracts with our clients within the scope of Topic 606 are sales commissions. The majority of our contracts are completed within a one-year performance period, and for contracts with a specified term of one year or less, we have exercised a practical expedient, which allows us to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that we otherwise would have recognized is one year or less. Under Topic 606, we record sales commissions on contracts with performance periods that exceed one year as an asset and amortize the asset to expense over the related contract performance period. As of September 30, 2018, the related asset balance was $2,666,000, which we expect to recognize as expense over the next 36 months. Under previous accounting standards, we recognized sales commissions as earned and recorded such amounts within selling and administrative expenses in our statements of operations.

3. Immaterial Correction of an Error in Prior Periods

We corrected immaterial errors identified in our March 31, 2018 and June 30, 2018 consolidated financial statements in the nine months ended September 30, 2018. The errors primarily relate to the incorrect presentation of certain software revenue transactions. In our consolidated statement of operations for the three months ended March 31, 2018, the effect was to reduce product net sales by $24.4 million, increase services net sales by $4.0 million, reduce product cost of goods sold by $23.7 million and increase services cost of goods sold by $3.0 million. In the three months ended March 31, 2018, gross profit, earnings from operations and net earnings increased by $258,000. Diluted earnings per share for the three months ended March 31, 2018 increased $0.01.

INSIGHT ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

In our consolidated statement of operations for the three months ended June 30, 2018, the effect was to reduce product net sales by $900,000, increase services net sales by $4.9 million, reduce product cost of goods sold by $0.5 million and increase services cost of goods sold by $4.5 million. In our consolidated statement of operations for the six months ended June 30, 2018, the effect was to reduce product net sales by $25.3 million, increase services net sales by $8.9 million, reduce product cost of goods sold by $24.2 million and increase services cost of goods sold by $7.5 million. In the three months ended June 30, 2018, there was no impact to gross profit, earnings from operations or net earnings resulting from the revision. In the six months ended June 30, 2018, gross profit, earnings from operations and net earnings increased by $258,000. There was no impact to diluted earnings per share in either the three or six months ended June 30, 2018.

These revisions are appropriately reflected in the consolidated statement of operations for the nine months ended September 30, 2018. There is no impact to the audited consolidated financial statements for 2017 or any other prior period. We will present our revised historical consolidated statements of operations for the three months ended March 31, 2018 and the three and six months ended June 30, 2018 when the respective statements are presented in future filings.

4. Net Earnings Per Share (“EPS”)

Basic EPS is computed by dividing net earnings available to common stockholders by the weighted average number of common shares outstanding during each period. Diluted EPS is computed on the basis of the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding restricted stock units (“RSUs”). A reconciliation of the denominators of the basic and diluted EPS calculations follows (in thousands, except per share data):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Numerator:				
Net earnings	$32,154	$22,412	$116,636	$76,515
Denominator:				
Weighted average shares used to compute basic EPS	35,468	35,787	35,622	35,718
Dilutive potential common shares due to	489	416	390	468

dilutive RSUs, net of tax effect				
Weighted average shares used to compute				
diluted EPS	35,957	36,203	36,012	36,186
Net earnings per share:				
Basic	$0.91	$0.63	$3.27	$2.14
Diluted	$0.89	$0.62	$3.24	$2.11

For the three and nine months ended September 30, 2018, 5,000 and 13,000, respectively, of our RSUs were not included in the diluted EPS calculations because their inclusion would have been anti-dilutive. These share-based awards could be dilutive in the future. There were 36,000 and 48,000 anti-dilutive RSUs for the three and nine months ended September 30, 2017, respectively.

INSIGHT ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(unaudited)

5. Debt, Inventory Financing Facility, Capital Leases and Other Financing Obligations
Debt

Our long-term debt consists of the following (in thousands):

	September 30, 2018	December 31, 2017
Senior revolving credit facility	$—	$117,500
Term Loan A (less unamortized debt issuance costs of $686 and $873, respectively)	155,720	165,377
Accounts receivable securitization financing facility	111,000	25,000
Capital leases and other financing obligations	1,974	5,291
Total	268,694	313,168
Less: current portion of long-term debt		