

Navigating the **Next**

They say that hindsight is 2020. And, in looking back over the past year, it has become entirely clear that when we kicked off our exclusive sponsorship of the *My Game: Tiger Woods* series (along with a global campaign around Mastering the Art of Preparation) – we were exactly on point. 2020 was, perhaps, a uniquely appropriate time for the relevance of that message for ePlus and our customers.

Mastering the Art of Preparation, for ePlus, meant standing strong behind our defined strategy, exceeding our goals and keeping a laser focus on processes that would deliver a strong year – despite an unusual ending. Preparedness powered our knowledge and ability to provide leadership, guidance and expertise to customer organizations during a massive and rapid acceleration in digital infrastructures, cloud migrations, network security, collaboration and deployment of remote enablement technology. Preparedness facilitated safe and effective business continuity, allowing ePlus to weather a quick shift to remote operations of our own – while enabling the same for our customers without missing a beat. Preparedness enabled resilience and our ability to sustain exceptional levels of customer service across our business, even in difficult circumstances. Preparedness enabled agility and our ability to pivot to a new "daily" normal with a smile, a strong internal culture, an empathetic commitment to our communities and a face covering.

In many ways, our expertise helped our customers navigate unique and unprecedented challenges – both expected and unexpected, both normal and unusual – and all very real. Our services capabilities provided staffing, network management and other 24/7 hands-on support that extended their teams and enabled business continuity. The customer experience provided by our service teams, from Customer Success Managers to Service Desk representatives, enabled our customers to focus on critical business demands while ePlus managed their day-to-day technology environments to ensure business continuity. As an essential business supporting many other essential businesses with their IT needs, our configuration center teams worked tirelessly to ensure the solutions our customers needed were shipped out correctly and on time. We shared our expertise via business resilience webinars, webcasts, podcast series and more to help our customers think through and anticipate their

Very few organizations will come out of calendar year 2020 unchanged. These unprecedented times have created surprising and unexpected trials that have caused our customers to reevaluate their needs, environments and approaches. Whatever business and technology objectives they'll need to achieve on the path forward, we can say with confidence:

ePlus is the right partner to help our customers navigate the next.



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To Our **Shareholders**



Mark P. Marron
CEO and President

Fiscal 2020 was another strong year for ePlus, with solid top- and bottom-line growth, geographic expansion and successful execution of our strategy for long-term growth. We enhanced our service offerings, grew our annuity quality revenue and successfully executed our latest acquisition while supporting our customers through new and unprecedented challenges. The fiscal year ended with COVID-19 shifting how organizations do business and our ability to support

our customers in creative and critical ways allowed us to emerge as an even more trusted and valuable partner to them. Thanks to the dedication of our highly-qualified team, the relevance of our solutions, and our ability to remotely manage their on-site technology environments when physical access was limited, we were able to provide critical support when it was needed most. In many cases, our service offerings enabled us to operate as a true extension of their teams, dedicated to resilience and business continuity.

Supporting Our Clients in a Changing Work Environment

As we navigate to the next new work environment, the day-to-day needs of our customers have changed. ePlus stays well-positioned to support their needs with solutions that are aligned with today's operating environment, including consultative, professional and managed services, along with staffing and flexible financing structures. I'd like to thank all ePlus associates for their commitment to attentively serving our customers and supporting each other during these unusual times. We came together as a team by adapting and adjusting to this new market, proving not only that our business model is sound but that we have a durable and resilient culture. Our team did a great job pivoting and customizing our solutions to meet evolving customer requirements while enabling remote workforces with leading-edge collaboration, networking, cloud, and security solutions. We continue to develop additional solutions and a growing portfolio of services to support our customers as they transition back to the office, continue to work from home or migrate to a hybrid of both.

Building Our Business Organically

For many years, we have focused on building out solutions in key, high-demand areas of our business that remain top

of mind for customers, including our digital infrastructure, security and cloud offerings. Our strategy will continue to focus on anticipating their needs across these key areas, as well as accelerating their adoption, as we enhance the value we provide them by investing in these areas ourselves. A good example of this is the demand we're seeing from customers to provide these solutions as a service, and we have expanded our portfolio of services accordingly, with managed offerings for Public Cloud, Vulnerability Management, Cloud Collaboration, Service Desk and more. Security was a particularly bright spot for growth in Fiscal 2020. Security accounts for roughly one-fifth of our adjusted gross billings and Fiscal 2020 growth of 15% suggests it will continue to be an important driver of our long-term growth, which is consistent with our strategy. Services revenue grew nearly 30% in Fiscal 2020 as our investments in people, infrastructure and an expanded. high-demand portfolio of managed and professional offerings have enabled us to provide clients with end-toend solutions, a key element of our strategic growth plan that is more relevant today than ever.

Enhancing Our Organic Growth with Acquisitions

In Fiscal 2020, we completed the acquisition of ABS Technology, a solutions provider with deep expertise in managed services, networking, collaboration, and security solutions. The acquisition enhanced our existing solutions portfolio, and added to our managed, professional and staffing services. Importantly, acquiring ABS also strengthened our positioning in the mid-Atlantic region while increasing our foothold in commercial accounts, as well as in Healthcare, Education and Government vertical industries. We will look to supplement organic growth with acquisitions that expand our footprint, our solutions portfolio, and our customer base as we have done over the last several years.

Strong Revenue and Profit Growth Were Evident in Fiscal 2020

For Fiscal 2020, consolidated revenue grew 15.7%, to \$1.59 billion from \$1.37 billion in Fiscal 2019. Adjusted gross billings for the year were \$2.23 billion, up 16.1% from \$1.92 billion in Fiscal 2019.

Technology segment net sales increased 15.1% to \$1.53 billion and net sales in our Financing segment increased 35% to \$58.3 million.

Our Financing segment sets us apart from our competition and allows us to support our clients as they navigate varying economic scenarios. Especially in times of tightening capital budgets, this option, which many competitors do not provide, allows customers to fund long-term technology projects and fulfill IT strategies with financial flexibility.

Our gross margin increased 50 basis points to 24.6%, supporting gross profit growth of 18.4% which was driven by a more favorable business mix. This translated into a 19.8% increase in operating income and 18.9% growth in adjusted EBITDA, both increasing at a rate in excess of sales growth. As a result, diluted earnings per share increased 10.8% to \$5.15 and non-GAAP diluted earnings per share increased 19.7% to \$6.13.

Importantly, we achieved this growth while we continued to invest in customer-facing professionals, technology, infrastructure and service offerings, setting the stage for continued momentum.

We ended Fiscal 2020 with a strong balance sheet, which provides the resources to execute on opportunistic initiatives to support our growth strategy. We had cash and cash equivalents of \$86.2 million at year end, which was up over the prior year, even after funding the ABS acquisition and share repurchases. In addition, after an increase in our credit line, we have \$275 million of borrowing availability, which can be flexed up to \$350 million at our option. Continuing to execute on our long-term strategy, which centers around growing our security, cloud and digital transformation solutions, along with a persistent focus on services, has helped to position us to act as we see attractively priced strategic acquisition opportunities.

Doing Our Part to Make The World a Better Place

At ePlus, we are committed to supporting programs that make a difference. While social responsibility is a tenet of our culture, recent events have encouraged us to do even more. We are longstanding and founding supporters of GRIT: Girls Re-Imagining Tomorrow®, a program which seeks to introduce diverse groups of middle school girls to technology-focused career possibilities, with an emphasis on cyber security and AI (Artificial Intelligence). We are also active supporters of Be The Match, a non-profit which saves lives by matching bone marrow donors with those suffering from blood cancers who are in need of transplants.

The global pandemic created some new opportunities to give back. Shifting our annual sales meeting to a virtual event allowed ePlus employees worldwide to join in our tradition of supporting charitable organizations. This year our staff generously donated and provided support to Destination: Home and Covenant House, organizations serving homeless and high-risk families and children who are most vulnerable in the midst of these unprecedented times.

Positioned Well for The Future

In Fiscal 2020, the impact of COVID-19 on our business was minimal, but the pandemic's effect on the overall

economy and IT budgets is uncertain. Future IT spending will be determined, in part, by changes in customer demand to meet new IT requirements and the pace of economic recovery. That said, we have minimal exposure to some of the hardest hit industries, such as small business, retail, travel and hospitality, and we have customers in sectors that are expected to see additional opportunities ahead, such as technology, healthcare and public sector. We do expect some headwinds as our customers determine their IT spending plans in the post COVID-19 environment but we are confident that our focus on the right solution sets and high-value services, supported by our dedicated staff, will enable us to weather this storm and emerge as a stronger, more efficient competitor and

key partner to our customers. Our strategy remains the same:

- Build on and enhance our cloud, security and digital transformation offerings;
- Grow our services revenue and offerings;
- Boost our organic growth via complementary acquisitions that add offerings and geographic expansion;
- Recruit, retain and develop employees; and
- Improve operational efficiencies.

Fiscal 2020 was a successful year for ePlus. Strong demand for our areas of focus, such as digital transformation, cloud and security, is expected to continue, as is demand for managed and support services. Unprecedented times are causing customers to re-assess their infrastructures and accelerate implementation of technology that supports agility and enhances business continuity and resilience. We believe we are in an outstanding position to support our over 3,400 middle market and enterprise customers and state, local and education customers, and we remain confident that we can help our customers adapt to the challenges of today and tomorrow. As we close the chapter on Fiscal 2020 and look forward to celebrating our 30th corporate anniversary in Fiscal 2021, we thank all of our stakeholders - our employees, customers, vendors and shareholders – for their continued support and partnership, this year, in all prior years, and in the coming years.

Be safe, be smart and be kind.

Mark Men

Mark Marron

CEO and President

Agility in Action

Our customers span every industry, from healthcare and finance to public sector and IT, and the challenges they have faced this year have been as diverse as they are. Agility is defined as the power to move quickly and easily, and also as having a quick, resourceful and adaptable character. And, while technology is one of the single most powerful enablers of agility across any organization, strong and dedicated partnership is another. Although cloud, security and digital transformation remained top of mind for many of our customers this year, others were forced to transition their operations rapidly to accommodate and enable dispersed workforces as a result of an unprecedented pandemic. Working together with our customers, on both the "business as usual" projects and on the "need it yesterday" ones = ePlus enabled their ability to meet challenges head-on. The stories below demonstrate agility in action.



Accelerated VDI Expansion via Cloud-Based Services

A large organization faced an immediate and unexpected challenge to support 20,000 users to work from home – but current compute and networking limitations could not accommodate adding the necessary capacity to their virtual desktop environment. The company reached out to ePlus for technical guidance on a Friday. ePlus mobilized a team of nearly 20 engineers from across the country to design, build, configure, test, and deploy an extension of the customer's existing VMware Horizon environment into Microsoft Azure in

under a week's time. Connected to the customer's on-premise data center, the virtual desktop infrastructure (VDI) deployment allows remote workers to run their business applications and continue providing services from home. By leveraging the cloud, the customer can rapidly provision and deprovision desktops as needs change. Because of the speed and success of the engagement, the organization asked ePlus to expand the environment to support up to 40,000 users – delivering the scalability and agility to be prepared for the unknown that lies ahead.

Enabling Continuity of Care at a Children's Hospital

A Children's Hospital customer needed to ensure that its radiology department could continue to function remotely in the wake of COVID-19. While willing to continue their important work reading scans and providing diagnoses essential to continuity of patient care, the hospital did not have laptops that would enable this team to continue its critical function remotely. ePlus was able to secure home work stations for the radiologists allowing them to guarantee ongoing radiology support to their clinical colleagues taking care of women and children – even when the radiologists were guarantined at home.



Fast VPN Expansion

A public sector customer was running a VPN solution originally designed to scale to 25,000 users. Unfortunately, in the shift to remote worker enablement, the customer experienced issues when the volume exceeded 7,000 users. The ePlus team was able to stand up a cloud solution that could support 10,000 VPN solutions temporarily while the hardware-based solution was implemented. Once the hardware part of the solution was up and running, the Cisco/ePlus solution supported 25,000 VPN users and can scale up to 50,000 users, giving this customer capacity to easily accommodate all its users.





Data Center Modernization for a Global Education Provider

An education organization had a sprawling legacy infrastructure, which was creating availability and operational challenges, including increasingly high costs to maintain. In addition, recent merger and acquisition activity presented design challenges that were difficult to resolve without major changes to the existing infrastructure stack. Working with ePlus, the organization successfully collapsed two data centers into one, reducing its server infrastructure by 81% while implementing a modern data protection solution with an efficient use of cloud storage.

ePlus Service Desk Delivers Seamless End User Support

An equipment and tool rental company sought to switch to a hybrid, high-touch, remote help desk model that offered improved customer service along with zero impact on users during the transition. In addition, the organization required a solution that could leverage ServiceNow for ticketing to simplify IT operations and integrate with other platforms and offerings (including proactive monitoring and management as well as IT deployment services) to support its 800+ store locations. ePlus implemented an integrated solution that streamlines technical support for 18,000 users across North America along with managed network and voice infrastructure services for 800+ sites.









GRIT: Girls Re-Imagining Tomorrow®

Jointly founded and run by volunteers from within ePlus and Cisco, GRIT exists for the sole purpose of introducing diverse groups of middle school girls to technology-focused career possibilities by promoting education in science, technology, engineering and mathematics (STEM) fields. Our GRIT initiative expanded into six middle schools across California, New Hampshire, North Carolina and Virginia, increasing the number of girls who benefited from the education and development it provides. When COVID-19 threw a

wrench into our plans because of school closures and social distancing orders, our program moved virtual – using video conference technology to conduct meetings that got the girls together with each other and their mentors.



gritf





Be The Match

We were proud to once again sponsor the annual Be The Match gala, which raises funding to match bone marrow donors with those suffering from blood cancers who are in need of transplants.

NewYork-Presbyterian Morgan Stanley Children's Hospital

The ePlus elves brought Santa from the North Pole to NewYork-Presbyterian Morgan Stanley Children's Hospital for our annual Virtual Santa Day. Working with Cisco, we transformed a conference room into Santa's virtual workshop to bring holiday cheer, lots of toys and Santa himself on a screen to kids in the hospital this season. We are honored and humbled to create this heartwarming experience each year.





Every year, as part of our national Transform meeting, ePlus makes it a point to provide support for select charities. This year, while the meeting was virtual, our charitable actions were real. As homeless persons are exceptionally at-risk from COVID-19, this year we chose two charities that help prevent homelessness and help keep homeless persons safe.

Destination: Home

Destination: Home focused on assisting our homeless neighbors and those at greatest risk of losing their homes as a result of the pandemic. ePlus and

its employees contributed \$50,000 toward the organization's COVID-19 Financial Assistance Relief Fund to help families pay for rent or other basic needs as well as Emergency Grants and supplies provided to Non-Profits Serving Homeless Individuals with showers, sanitation services and more.



Covenant House

DESTINATION: HOME

Covenant House serves young people across the US, Canada and Latin America experiencing homelessness by providing shelter, food, GED training, job readiness, mental health services, on-site medical visits and more. ePlus and its employees donated \$50,000 in support of the programs providing shelter for homeless youth during the COVID-19 pandemic.







A Healthy Dose of Gratitude

The doctors, nurses and support staff working in healthcare positions are always heroes, in our eyes. But this year, the challenges they faced set them apart and put their lives in jeopardy. Working with our partner community, we were

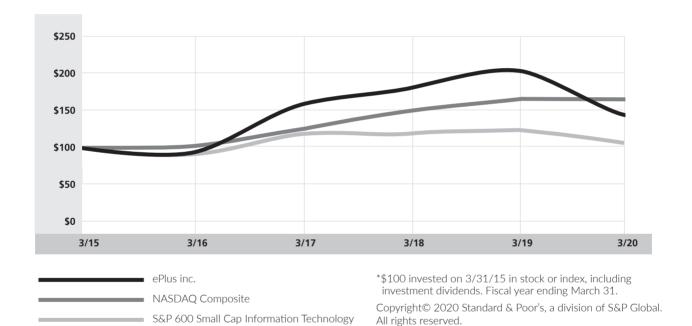
able to provide hundreds of on-site meals to some of the Healthcare Heroes working in different facilities across the US. We continue to send them our respect and gratitude for all they are doing and have done to help us overcome this unprecedented situation.



Comparison of 5-Year Cumulative Total Return

Among ePlus inc., the NASDAQ Composite Index, and S&P 600 Small Cap Information Technology

The graph below matches ePlus inc.'s cumulative 5-Year total shareholder return on common stock with the cumulative total returns of the NASDAQ Composite index and the S&P 600 Small Cap Information Technology index. The graph tracks the performance of a \$100 investment in our common stock and in each index (with the reinvestment of all dividends) from 3/31/2015 to 3/31/2020.

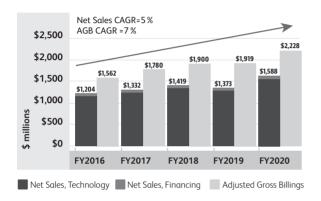


	3/15	3/16	3/17	3/18	3/19	3/20
ePlus inc.	100.00	92.61	155.35	178.76	203.70	144.07
NASDAQ Composite	100.00	100.55	123.56	149.21	165.07	166.22
S&P 600 Small Cap Information Technology	100.00	90.26	117.73	118.67	123.73	106.57

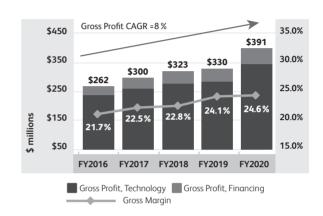
The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Key Financial Highlights

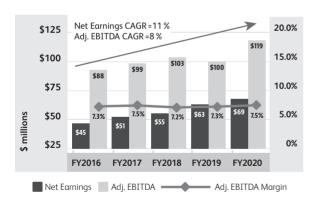
Net Sales² and Adjusted Gross Billings^{1,2} (\$mm)



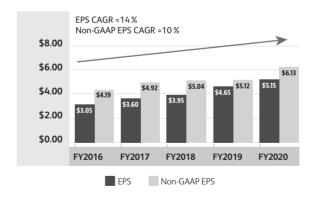
Gross Profit and Gross Margin (\$mm)



Net Earnings and Adjusted EBITDA¹ (\$mm)

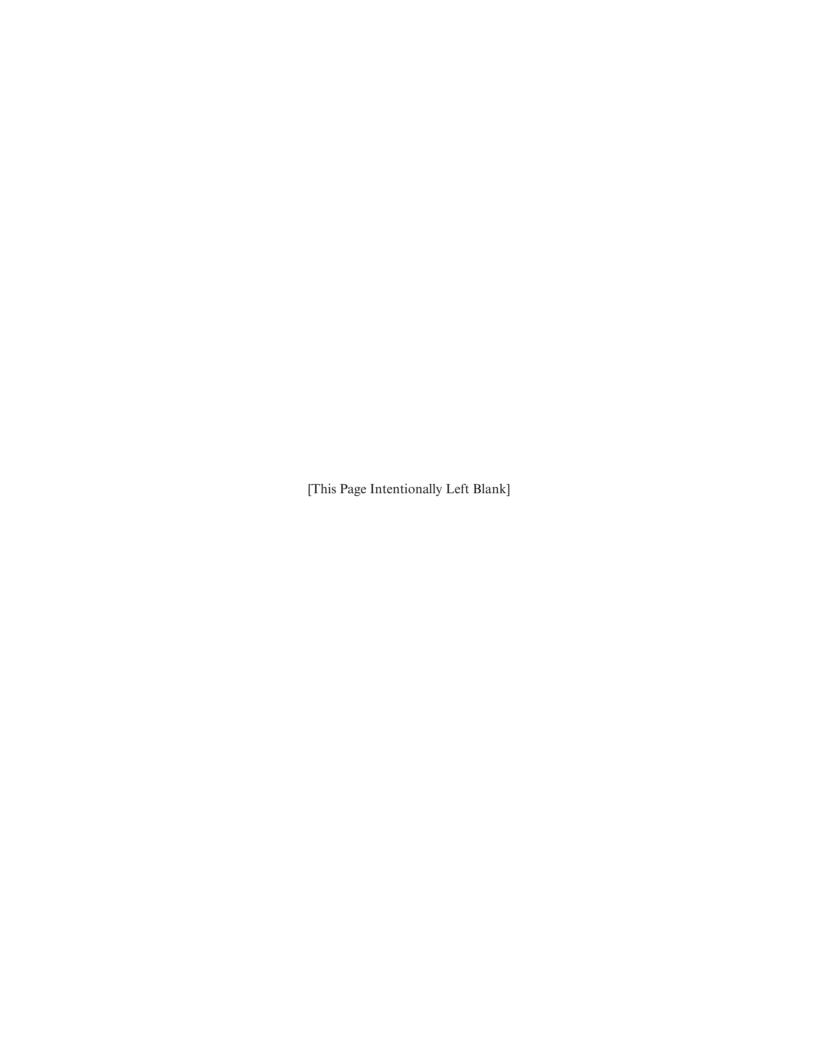


EPS and Non-GAAP EPS¹



¹ See Non-GAAP financial information in Item 6.

 $^{^{2}\,\}mbox{Amounts}$ for FY18 and FY17 have been adjusted to reflect the adoption of ASC Topic 606.



UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

	13 OR 15(d) OF THE SECU	URITIES EXCHANGE ACT OF 1934	
For the fiscal year ended March 31, 2020			
	OR		
☐ TRANSITION REPORT PURSUANT TO SECT	TION 13 OR 15(d) OF THE S	ECURITIES EXCHANGE ACT OF 1934	
	sition period from to _		
	mission file number: 1-34167		
00			
	ePlus inc.		
	of registrant as specified in its	s charter)	
<u>Delaware</u>		<u>54-1817218</u>	
(State or other jurisdiction of incorporation or organization)		(I.R.S. Employer Identification No.)	
	echnology Drive, Herndon, VA 2	·	
	ress of principal executive offices)		
	ne number, including area code: (
Securities registered pursuant to Section 12(b) of the Act:	, 6		
Title of each class	Trading Symbol(s)	Name of each exchange on which registered	
Common Stock, \$.01 par value	PLUS	NASDAQ Global Select Market	
Securities regis	stered pursuant to Section 12(g) of None	f the Act:	
Indicate by check mark if the registrant is a well-known se	asoned issuer, as defined in Rule	405 of the Securities Act.	
Yes No \(\subseteq \) Indicate by check more if the registrent is not required to f	ila raparta purayant ta Saatian 12	of Section 15(d) of the Act	
Indicate by check mark if the registrant is not required to f Yes \square No \bowtie	he reports pursuant to section 15	of Section 13(d) of the Act.	
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 (Section 229.405 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 definition of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one):			
Large accelerated filer ⊠	Accelerated filer [
Non-accelerated filer ☐ Emerging growth company ☐	Smaller reporting	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 has filed a reinternal control over financial reporting under Section 404(firm that prepared or issued its audit report.	eport on and attestation to its man b) of the Sarbanes-Oxley Act (15	nagement's assessment of the effectiveness of its U.S.C. 7262 (b)) by the registered public accounting	
Indicate by check mark whether the registrant is a shell con Yes □ No ☒	npany (as defined in Rule 12b-2	of the Exchange Act).	
The aggregate market value of the common stock held by a was sold as of September 30, 2019, was \$1,003,434,364. T 13,499,603.			
DOCUMENTS INCORPORATED BY REFERENCE			

The following documents are incorporated by reference into the indicated parts of this Form 10-K:

Portions of the Company's definitive Proxy Statement relating to its 2020 annual meeting of stockholders (the "2020 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2020 Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the Company's fiscal year end to which this report relates.

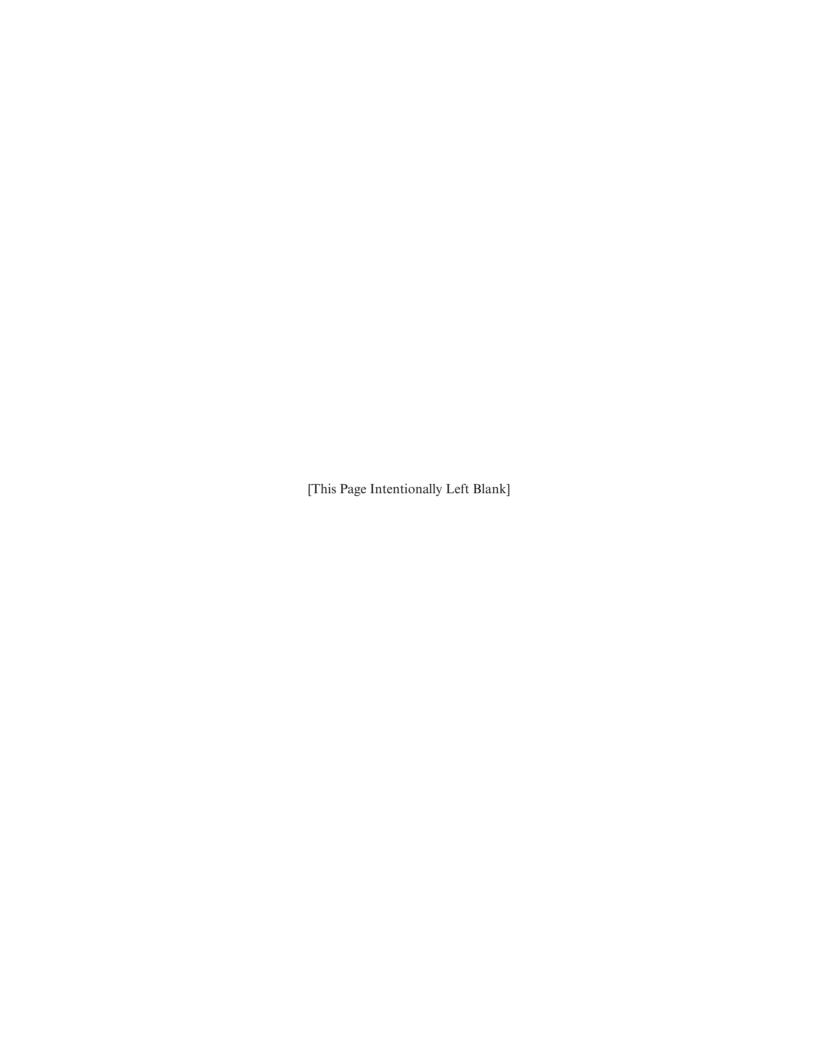
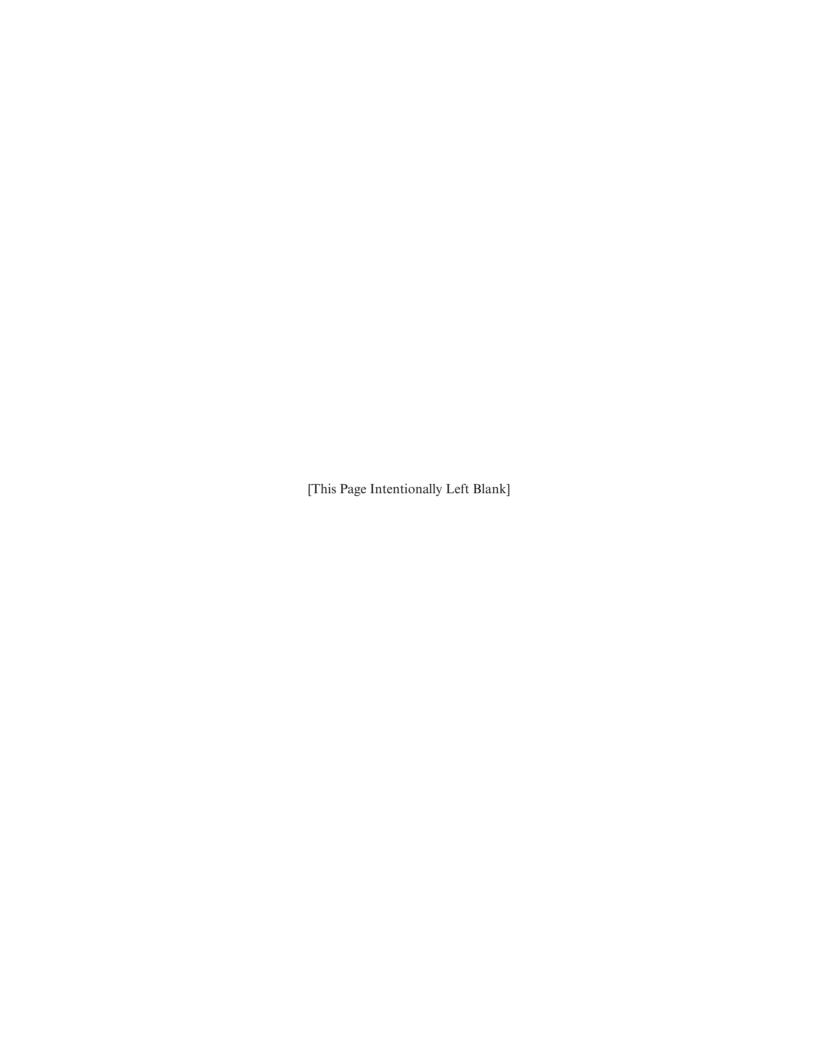


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CAUTIONARY LANGUAGE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains certain statements that are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or "Exchange Act," and are made in reliance upon the protections provided by such acts for forward-looking statements. Such statements are not based on historical fact but are based upon numerous assumptions about future conditions that may not occur. Forward-looking statements are generally identifiable by use of forward-looking words such as "may," "should," "would," "intend," "estimate," "will," "potential," "possible," "could," "believe," "expect," "intend," "plan," "anticipate," "project," and similar expressions. Readers are cautioned not to place undue reliance on any forward-looking statements made by us or on our behalf. Forward-looking statements are made based upon information that is currently available or management's current expectations and beliefs concerning future developments and their potential effects upon us, speak only as of the date hereof, and are subject to certain risks and uncertainties. We do not undertake any obligation to publicly update or correct any forward-looking statements to reflect events or circumstances that subsequently occur, or of which we hereafter become aware. Actual events, transactions and results may materially differ from the anticipated events, transactions, or results described in such statements. Our ability to consummate such transactions and achieve such events or results is subject to certain risks and uncertainties. Such risks and uncertainties include, but are not limited to, the matters set forth below:

- the duration and impact of the novel cornovirus pandemic ("COVID-19"), which could materially
 adversely affect our financial condition and results of operations and has resulted in governmental
 authorities imposing numerous unprecedented measures to try to contain the virus that has impacted
 and may further impact our workforce and operations, the operations of our customers, and those of
 our respective vendors, suppliers, and partners;
- national and international political instability fostering uncertainty and volatility in the global economy including exposure to fluctuation in foreign currency rates, interest rates, and downward pressure on prices;
- significant adverse changes in, reductions in, or loss of our largest volume customer or one or more of our large volume customers, or vendors;
- the creditworthiness of our customers and our ability to reserve adequately for credit losses;
- loss of our credit facility or credit lines with our vendors may restrict our current and future operations;
- uncertainty regarding the phase out of LIBOR may negatively affect our operating results;
- a possible decrease in the capital spending budgets of our customers or a decrease in purchases from us;
- our ability to raise capital, maintain or increase as needed our lines of credit with vendors or floor planning facility, obtain debt for our financing transactions, or the effect of those changes on our common stock price;
- reliance on third parties to perform some of our service obligations to our customers;
- changes in the Information Technology ("IT") industry and/or rapid changes in product offerings, including the proliferation of the cloud, infrastructure as a service ("IaaS"), and software as a service ("SaaS");
- our dependency on continued innovations in hardware, software, and services offerings by our vendors and our ability to partner with them;
- future growth rates in our core businesses;
- reduction of vendor incentives provided to us;
- rising interest rates or the loss of key lenders or the constricting of credit markets;
- the possibility of goodwill impairment charges in the future;

- maintaining and increasing advanced professional services by recruiting and retaining highly skilled, competent personnel, and vendor certifications;
- adapting to meet changes in markets and competitive developments;
- increasing the total number of customers using integrated solutions by up-selling within our customer base and gaining new customers;
- our ability to secure our own and our customers' electronic and other confidential information, and remain secure during a cyber-security attack;
- managing a diverse product set of solutions in highly competitive markets with a number of key vendors;
- increasing the total number of customers who use our managed services and professional services and continuing to enhance our managed services offerings to remain competitive in the marketplace;
- performing professional and managed services competently;
- our ability to implement comprehensive plans for the integration of sales forces, cost containment, asset rationalization, systems integration, and other key strategies;
- changes to or loss of members of our senior management team and/or failure to successfully implement succession plans;
- exposure to changes in, interpretations of, or enforcement trends in legislation and regulatory matters;
- domestic and international economic regulations uncertainty (e.g., tariffs, and trade agreements);
- our contracts may not be adequate to protect us, and we are subject to audit in which we may not pass, and our professional and liability insurance policies coverage may be insufficient to cover a claim;
- failure to comply with public sector contracts, or applicable laws or regulations;
- our dependence on key personnel to maintain certain customer relationships, and our ability to hire, train, and retain sufficient qualified personnel;
- maintaining our proprietary software and updating our technology infrastructure to remain competitive in the marketplace;
- disruptions or a security breach in our or our vendors' IT systems and data and audio communication networks;
- our ability to realize our investment in leased equipment;
- our ability to successfully perform due diligence and integrate acquired businesses;
- significant changes in accounting standards including changes to the financial reporting of leases, which
 could impact the demand for our leasing services, or misclassification of products and services we sell
 resulting in the misapplication of revenue recognition policies or inaccurate costs and completion dates
 for our services, which could affect our estimates; and
- our ability to protect our intellectual property rights and successfully defend any challenges to the validity of our patents or allegations that we are infringing upon any third-party patents, and the costs associated with those actions, and, when appropriate, license required technology.

We cannot be certain that our business strategy will be successful or that we will successfully address these and other challenges, risks, and uncertainties. For a further list and description of various risks, relevant factors, and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, see Item 1A, "Risk Factors" and Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections contained elsewhere in this report, as well as other reports that we file with the Securities and Exchange Commission ("SEC").

Industry and Market Data

This Form 10-K includes industry data that we obtained from periodic industry publications, which represent data, research opinion, or viewpoints published as part of syndicated subscription services. We have not independently verified the data from the industry publications.

PART I

ITEM 1. BUSINESS

GENERAL

Our company was founded in 1990 and is a Delaware corporation. ePlus inc. is sometimes referred to in this Annual Report on Form 10-K as "we," "our," "us," "ourselves," or "ePlus."

Our operations are conducted through two business segments. Our technology segment sells IT hardware products, third-party software and maintenance contracts, our own and third-party advanced professional and managed services, and our proprietary software. Our financing segment operations primarily consist of the financing of IT equipment, software and related services. Both segments sell to commercial entities, state and local governments, government contractors, and educational institutions. See Note 17, "Segment Reporting" in the consolidated financial statements included elsewhere in this report.

ePlus inc. does not engage in any business other than serving as the parent holding company for the following operating companies:

Technology

- *e*Plus Technology, inc.;
- *e*Plus Software, LLC;
- *e*Plus Technology Netherlands B.V.;
- ePlus Technology Services, inc.;
- *e*Plus Cloud Services, inc.:
- SLAIT Consulting, LLC;
- IGXGlobal UK Limited;
- CloudUno Consulting India Private Limited;
- Cloud Uno Pte. Ltd.; and
- ePlus EMEA, inc. Ltd.

Financing

- *e*Plus Group, inc.;
- ePlus Government, inc.;
- *e*Plus Canada Company;
- ePlus Capital, inc.;
- *e*Plus Financing Netherlands B.V.;
- ePlus Iceland, inc.; and
- IGX Capital UK, Ltd.

We began using the name ePlus inc. in 1999 after changing our name from MLC Holdings, Inc. ePlus Technology, inc. is the primary entity that conducts our technology sales and services business.

OUR BUSINESS

We are a leading solutions provider that delivers actionable outcomes for organizations by using IT and consulting solutions to drive business agility and innovation. Leveraging our engineering talent, we assess, plan, deliver, and secure solutions comprised of leading technologies and consumption models aligned with our customers' needs. Our expertise and experience enable *ePlus* to craft optimized solutions that take advantage of the cost, scale and efficiency of private, public and hybrid cloud in an evolving market. We also provide

consulting, professional and managed services, IT staff augmentation, and complete lifecycle management services including flexible financing and solutions in the areas of security, cloud, networking, data center, collaboration and emerging technologies. We have been in the business of selling, leasing, financing, and managing IT and other assets for nearly 30 years.

Our primary focus is to deliver integrated solutions that address our customers' business needs, leveraging the appropriate technologies, both on-premise and in the cloud. Our approach is to lead with advisory consulting to understand our customers' needs, design, deploy and manage solutions aligned to their objectives. Underpinning the broader areas of Cloud, Security, Networking, Data Center and Collaboration are specific skills in orchestration and automation, application modernization, DevOps, data management, data visualization, analytics, network modernization, edge compute and other advanced and emerging technologies. These solutions are comprised of world class leading technologies from partners such as Amazon Web Services, Arista Networks, Check Point, Cisco Systems, Citrix, Commvault, Dell EMC, F5 Networks, Gigamon, HPE, Juniper Networks, Lenovo, Microsoft, NetApp, Nutanix, NVIDIA, Oracle, Palo Alto Networks, Pure Storage, Rubrik, Splunk, and VMware, among many others. We possess top-level engineering certifications with a broad range of leading IT vendors that enable us to offer multi-vendor IT solutions that are optimized for each of our customers' specific requirements. Our hosted, proprietary software solutions are focused on giving our customers more control over their IT supply chain, by automating and optimizing the procurement and management of their owned, leased, and consumption-based assets.

Our scale and financial resources have enabled us to continue investing in engineering and technology resources to stay on the forefront of technology trends. Our expertise in core and emerging technologies, buttressed by our robust portfolio of consulting, professional, and managed services, has enabled *ePlus* to remain a trusted advisor for our customers. In addition, we offer a wide range of consumption options including leasing and financing for technology and other capital assets. We believe our lifecycle approach offering of integrated solutions, services and financing, asset management and our proprietary supply chain software, is unique in the industry. This broad portfolio enables us to deliver a unique customer experience that spans the continuum from fast delivery of competitively priced products, services, subsequent management and upkeep, through to end-of-life disposal services. This approach permits *ePlus* to deploy sophisticated solutions enabling our customers' business outcomes.

Our go-to-market strategy focuses primarily on diverse end-markets for middle market to large enterprises. For the year ended March 31, 2020, the percentage of revenue by customer end market within our technology segment includes 21% for the technology industry, 19% for the telecommunications, media and entertainment industry, 16% for state and local government, and educational institutions, 15% for healthcare, and 13% for financial services. Sales to Verizon represented 15% of our net sales for the year ended March 31, 2020. Sales to no one customer exceeded 10% of net sales for the year ended March 31, 2019. Sales to Apple Inc. represented 12% of our net sales for the year ended March 31, 2018. Most of our sales were generated within the United States ("US"); however, we support our customers nationally and internationally including physical locations in the United Kingdom ("UK"), India, and Singapore, which were established by acquisitions in December 2015 and May 2017, respectively. Our technology segment accounted for 96% of our net sales, and 65% of our operating income, while our financing segment accounted for 4% of our net sales, and 35% of our operating income for the year ended March 31, 2020.

OUR INDUSTRY BACKGROUND AND MARKET OPPORTUNITY

We have identified and focused on several specific trends that we believe will create higher growth in the broader US IT market:

• Multi-Cloud Strategy. Over the past several years, public, private and hybrid cloud architectures and cloud-enabled frameworks have become a core foundation of modern IT. Our strategy is to assist our customers in aligning cloud strategy with business objective, creating an enterprise cloud foundation, enabling multi-cloud capabilities, accelerating cloud migrations, and optimizing cloud deployments along with their associated costs. This strategy leverages our strength in deploying private clouds, extending them to public cloud and incorporating the necessary elements of networking and security. By understanding our customers' environment, applications, and business requirements, we deploy solutions that leverage the most appropriate technology on the most appropriate platform with the most appropriate consumption model. For example, we may build a private cloud solution to host mission

critical applications, while utilizing a public cloud solution for development, collaboration, or disaster recovery. As the market matures, we will continue to build and acquire skills that align with agile development (DevOps), application refactoring, and analytics. Our cloud strategy is tightly aligned with all our key strategic initiatives, including data center, security, networking, collaboration, and emerging technology.

- Increasing sophistication and incidences of IT security breaches and cyber-attacks. Over the last decade, cyber-attacks have become more sophisticated, numerous, and invasive. Organizations are finding it increasingly difficult to effectively safeguard their information assets from a constant stream of advanced threats. Cyber-threats have shifted from uncoordinated individual efforts to highly coordinated and well-funded attacks by criminal organizations and nation-state actors. Additional drivers include data privacy concerns of both user data and machine data as companies continue to pursue digital transformation efforts. For most organizations, it is no longer a matter of if a cyber-attack will occur; the question is when and what impact it will have on the organization. We believe our customers are focused on all aspects of cyber security, including information and physical security, data protection, intellectual property, and compliance requirements related to industry and government regulations. To meet current and future security threats, enterprises must implement security controls and technology solutions that leverage integrated products and services to help monitor, mitigate, and remediate security threats and attacks while ensuring a data-centric security model. Security products and services were 19.3%, 19.5% and 18.6%, respectively, of our total adjusted gross billings the years ended March 31, 2020, 2019, and 2018.
- Disruptive technologies are creating complexity and challenges for customers and vendors. The rapid evolution of disruptive technologies, and the speed by which they impact organizations' IT platforms, has made it difficult for customers to effectively design, procure, implement, and manage their own IT systems. Moreover, increased budget pressures, fewer internal resources, a fragmented vendor landscape and fast time-to-value expectations make it challenging for customers to design, implement and manage secure, efficient, and cost-effective IT environments. Customers are increasingly turning to IT solutions providers such as ePlus to implement complex IT offerings, including managed services, software defined infrastructure, cloud computing, converged and hyper-converged infrastructures, big data analytics, and flash storage.
- Customer IT decision-making is shifting from IT departments to line-of- business personnel. As IT consumption shifts from legacy, on-premise infrastructure to agile "on-demand" and "as-a-service" solutions, customer procurement decisions are shifting from traditional IT personnel to lines-of-business personnel, which is changing the customer engagement model and types of consultative services required to fulfill customer needs. In addition, many of the services create recurring revenue streams payable over time, rather than upfront revenue.
- Lack of sufficient internal IT resources at mid-sized and large enterprises, and scarcity of IT personnel in certain high-demand disciplines. We believe that IT departments at mid-sized and large enterprises are facing pressure to deliver emerging technologies and business outcomes but lack the properly trained staff and the ability to hire personnel with high in-demand disciplines such as security and data analytics. At the same time the prevalence of security threats, increased use of cloud computing, software-defined networking, new architectures, and rapid software development frameworks, the proliferation of mobile devices and bring-your-own-device (BYOD) policies, and complexity of multi-vendor solutions, have made it difficult for IT departments to implement high-quality IT solutions.
- Reduction in the number of IT solutions providers. We believe that customers are seeking to reduce
 the number of solutions providers they do business with to improve supply chain and internal
 efficiencies, enhance accountability, improve supplier management practices, and reduce costs. As a
 result, customers are required to select IT solutions providers that can deliver complex multi-vendor IT
 solutions.

• *Increasing need for third-party services.* We believe that customers are relying on third-party service providers, such as *ePlus*, to manage significant aspects of their IT environment, from design, implementation, pre- and post-sales support, to maintenance, engineering, cloud management, security operations, and other services.

COMPETITION

The market for IT solutions is highly competitive, subject to macro-economic cycles and the entry of new competitors. Additionally, the consolidation of existing market participants can create significantly larger competitors and is also affected by disruptive technologies and other market activities of industry participants. We expect to continue to compete in all areas of our business against local, regional, national, and international firms, including vendors, international, national, and regional resellers and service providers. Some of our competitors are direct marketers with little value add and sell products as commodities, which can place downward pressure on product pricing. In addition, many IT vendors may sell or lease directly to our customers, and our continued ability to compete effectively may be affected by the policies of such vendors. We face indirect competition from potential customers' internal development efforts and must overcome potential customers' reluctance to move away from legacy systems, processes, and solution providers. As IT consumption shifts from IT personnel and legacy infrastructure to line-of-business based outcomes using off-premise, on-demand, and cloud solutions, the legacy resale model is shifting from an upfront sale to a recurring revenue model.

The leasing and financing markets are also competitive and subject to changing economic conditions and market activities of leading industry participants. We expect to continue to compete against local, regional, national, and international firms, including banks, specialty finance companies, private-equity asset managers, vendors' captive finance companies, and third-party leasing companies. Banks and other large financial services companies sell directly to business customers, particularly larger enterprise customers, and may provide other financial or ancillary services that we do not provide. Vendor captive leasing companies may use internal transfer pricing to effectively lower lease rates and/or bundle equipment sales and leasing to provide highly competitive packages to customers. Third-party leasing companies may have deep customer relationships with contracts in place that are difficult to displace; however, these competitors typically do not provide the breadth of product, service, and software offerings that we provide to our customers. Our competitors also may have access to more capital to fund more originations than us.

In all our markets, some of our competitors have longer operating histories and greater financial, technical, marketing, and other resources than we do. In addition, some of these competitors may be able to respond more quickly to new or changing opportunities, technologies, and customer requirements. Many current and potential competitors also have greater name recognition and engage in more extensive promotional marketing and advertising activities, offer more attractive terms to customers, and adopt more aggressive pricing policies than we do.

OUR SOLUTIONS

Technology Segment

- IT Sales: Our offerings consist of hardware, perpetual and subscription software, maintenance, software assurance, and internally provided and outsourced services. We believe that our customers view technology purchases as integrated solutions, rather than discrete product and service categories, and the majority of our sales are derived from integrated solutions involving our customers' data center, network, security, and collaboration infrastructure. We hold various technical and sales-related certifications from leading manufacturers and software publishers, which authorizes us to market their products and enables us to provide advanced professional services. We actively engage with emerging vendors to offer their technologies to our customers. Our flexible platform and customizable catalogs facilitate the addition of new vendors' products with minimal incremental effort.
- Advanced Professional and Managed Services: We provide a range of advanced professional and managed services to help our customers improve productivity, profitability, and revenue growth while reducing operating costs. Our solutions and services include the following:
- *ePlus managed services* offer a flexible subscription model to monitor, manage, and maximize business critical technologies—including cloud, security, data center, mobility, and collaboration;

- Professional services focus on cloud infrastructure, unified communications, collaboration, networking, storage, hyper-converged infrastructure, and virtual desktop infrastructure, supported by security and managed services solutions;
- **Security solutions** help safeguard our customers' business and information assets through the appropriate application of governance, technology and supporting services:
- Governance, Risk, and Compliance (GRC) services help ensure customers are meeting governance and compliance requirements by leveraging regulatory frameworks, industry best practices, and supporting controls thereby allowing customers to effectively identify, assess, and mitigate risk.
- Managed Security Services help customers strengthen their information security profile with industry-leading tools, technology and expertise - often at a fraction of the cost of in-house security resources. Services include Security Operations Center (SOC), Managed Detection and Response (MDR), and Incident Response (IR).
- *ePlus Cloud Consulting Services (ECCS)* is a suite of white-glove cloud services providing data protection via Cloud Managed Backup and Cloud Disaster Recovery, as well as hosting mission-critical workloads via Cloud Hosted Infrastructure.
- Staff augmentation services provide customers with flexible headcount options while allowing them to
 access talent, fill specific technology skill gaps, or provide short-term or long-term IT professional
 help, which also includes services, such as Virtual Chief Information Officer (vCIO) and Virtual Chief
 Information Security Officer (vCISO), used to complement existing personnel and build
 three-to-five-year IT roadmaps.
- Service Desk provides outsourced functions including but not limited to server and desktop support to respond to our customers' business demands while minimizing overhead.
- **Project management services** enhance productivity and collaboration management and enable successful implementations and adoption of solutions for our customers.

Financing Segment

• Leasing and Financing: We specialize in financing arrangements, including sales-type and operating leases; loans, and consumption-based financing arrangements; and underwriting and management of IT equipment and assets. Our financing operations include sales, pricing, credit, contracts, accounting, risk management, and asset management.

We primarily finance IT equipment, communication-related equipment, and medical equipment. We may also finance industrial machinery and equipment, office furniture and general office equipment, transportation equipment, and other general business equipment. We offer our solutions both directly and through vendors.

We offer enhanced financing solutions, and our business process services approach automates a significant portion of the IT procurement process and reduces our customers' cost of doing business. The solution incorporates value-added services at every step in the process, including:

- Front-end processing, such as *e*Procurement, order aggregation, order automation, vendor performance measurement, ordering, reconciliation, and payment;
- Lifecycle and asset ownership services, including asset management, change management, and property tax filing; and
- End-of-life services such as equipment audit, removal, and disposal.

OUR COMPETITIVE STRENGTHS

Large Addressable Market with Long-term Growth Opportunities Driven by Increasing IT Complexity

We participate in the IT market focusing on the data center, network, cloud, security, virtualization, and mobility segments of the industry, facilitated by our professional and managed service solutions. We believe we are well-positioned in the IT solutions segment.

The IT market in which we compete has been and likely will continue to be negatively impacted by COVID-19. Industry analysts' growth estimates calendar year 2020 prior to COVID-19 have been retracted. COVID-19 is

impacting demand globally and some of our customer end markets may be impacted more significantly than others. We are uncertain as to the extent and duration of the impact on the IT market.

Our products and services target large enterprises, the approximately $30,000^1$ middle market companies with revenues from \$100 million to \$1 billion, the over $90,000^2$ state and local governmental organizations, larger school districts, and the over $4,300^3$ higher educational institutions in the US, and those same markets in the UK. We believe IT organizations within these companies and organizations are facing pressure to deliver higher service levels with fewer resources, increasing their reliance on third parties who can provide complex, multi-vendor technology solutions, such as our company.

Broad and Diverse Customer Base across a Wide Range of End Markets

We have a broad and diverse customer base of over 3,500 customers across a wide range of end-markets, including education, financial services, healthcare, media and entertainment, state and local government, technology, and telecommunications.

Differentiated Business Model Serving Entire IT Lifecycle – Procurement, Solutions, Services, Software, Financing

We believe we are a trusted IT advisor, delivering differentiated products and services to enable our customers to meet increasingly complex IT requirements. We are able to provide complete, turn-key solutions aligned to the entire IT lifecycle – procurement, products, services, software, and financing. We provide upfront assessments, design and configuration capabilities, installation and implementation, and ongoing services to support our customers' solutions.

Deep Expertise in Advanced Technology to Address Cloud, Security, Digital Infrastructure and other Emerging IT Trends

We believe our customers choose us for their complex IT infrastructure needs based on our track record of delivering best-of-breed solutions, value-added services, and close relationships with both established and emerging vendors. We focus on obtaining and maintaining top-level engineering certifications and professional services expertise in advanced technologies of strategic vendors and possess over 1,700 certifications that are leveraged to help our customers achieve positive business outcomes.

Strategic Ability to Design and Integrate Cloud Solutions Across Multiple Vendors

We believe our expertise across both Data Center and Cloud architectures allows us to provide differentiated offerings in assisting our customers with their journey to the cloud. Combined with our established practices in Networking and Security, we are uniquely poised to help customers adopt a multi-cloud strategy utilizing our cloud cost management framework to help overcome the inherent challenges. We leverage our strategic partnerships with leading vendors such as Amazon Web Services, Cisco Systems, Dell EMC, Hewlett Packard Enterprise, Microsoft Azure, NetApp, and VMware in conjunction with our professional, managed and lifecycle services to help our customers achieve their desired business outcomes.

Proven Track Record of Successfully Integrating Acquisitions and Accelerating Growth

We view acquisitions as an important factor in our strategic growth plan. Since 1997, we have successfully integrated 28 acquisitions. Most recently, we have been active in tuck-in acquisitions to broaden our product offerings, sector reach, and geographic footprint, with recent acquisitions including:

• Innovative Technology Systems & Solutions, Inc. ("ABS Technology") acquired in August 2019 is a Virginia Beach, Virginia- headquartered solutions provider with deep expertise in managed services, networking, collaboration, and security solutions. ABS Technology enhances ePlus' existing solutions portfolio and market position in Richmond and southern Virginia.

¹ NAICS Association, Count by Annual Sales - Updated March 2020, https://www.naics.com/business-lists/counts-by-company-size/

GovTech Navigator, 2019 US State and Local Governments by the Numbers, https://www.govtech.com/navigator/numbers/us-state---2019local-gov-by-the-numbers_121.html

³ U.S. News, A Guide to the Changing Number of U.S. Universities, https://www.usnews.com/education/best-colleges/articles/2019-02-15/how-many-universities-are-in-the-us-and-why-that-number-is-changing

- SLAIT Consulting, LLC ("SLAIT") acquired in January 2019 is an IT consulting and solutions provider with a focus on security advisory and managed services, managed help desk, specialized IT, staffing augmentation, and data center solutions. The acquisition solidifies *ePlus*' footprint in the Mid-Atlantic and extends *ePlus*' security consulting and managed services capabilities. SLAIT brings *ePlus* additional consultative services in the area of GRC (governance, risk management, and compliance), customized help desk and managed services solutions, as well as a number of relationships with fast-growing emerging vendors and related sales and engineering capabilities.
- Integrated Data Storage, LLC ("IDS") acquired in September 2017, is an advanced data center solution provider focused on cloud enablement and managed services, including its proprietary IDS Cloud. The acquisition expands *ePlus*' footprint in the Midwest and enhances its sales and engineering capabilities in cloud services, disaster recovery and backup as a service, storage, data center, and professional services.
- OneCloud Consulting, Inc. ("OneCloud") acquired in May 2017, is a deployment, cloud consulting, and training company. The acquisition, based in Milpitas, California, with operations in the US and India, provides us with additional ability to address customers' needs in cloud-based solutions and infrastructure, including DevOps, OpenStack, and other emerging technologies, to our broad customer base. The company empowers organizations to design, deploy, and scale cutting-edge technologies to support the next phase of their business. Specialized training courses are tailored to drive end-user technology adoption and workshop offerings range from Automation to Cloud, Infrastructure, DevOps, and OpenStack as well as emerging technologies in the Artificial Intelligence and Machine Learning space.
- Consolidated Communications IT services and integration business ("Consolidated IT Services"),
 acquired in December 2016, provides data center, unified communications, networking, and security solutions, as well as expanded our sales presence in the upper Midwest.
- IGX Acquisition Global, LLC, and IGX Support, LLC, including IGX Acquisition's wholly-owned subsidiary, IGXGlobal UK Limited (collectively, "IGX") acquired in December 2015. Expanded our sales presence in New York and New England, as well as an operating branch in London that serves the UK and global customers.

We generally integrate acquired firms into the ePlus platform immediately, which allows us to maintain customers and vendor relationships, retain key employees from acquired firms, and accelerate growth.

We continue to review new acquisition opportunities to expand our global footprint and expand our offerings, however, due to the uncertain impact from the COVID-19 pandemic we may have additional criteria to evaluate each acquisition.

Financial Performance Characterized by Growth and Profitability

We have focused on achieving top-line revenue growth while maintaining industry-leading gross margins – with a compound annual growth rate of 6.7% on net sales and 9.9% for consolidated gross profit, respectively, from April 1, 2014 to March 31, 2020.

Through our organic expansion and acquisitions, we have increased our employee base by 69.1% from April 1, 2014 to March 31, 2020. The increase in our employee base has largely been in customer facing roles, which increased by 92.0% over the same period, as we continue to build our sales and services team while leveraging our operational infrastructure.

GROWTH STRATEGY

Our goal is to continue to grow as a leading provider of technology solutions. The key elements of our strategy include the following:

Be Our Customers' Partner of Choice for Comprehensive IT and Lifecycle Solutions, Including Consulting, Managed and Professional Services, and Financing

We seek to become the primary provider of IT solutions for each of our customers, whether on-premise, cloud, or managed services-based. We strive to provide excellent customer service, pricing, availability, and advanced professional and managed services in an efficient manner. We believe the increasing complexity of the IT

ecosystem and the emergence of new technologies and vendors are factors that will lead to a growing demand from existing customers. We have a large number of experienced pre-sales engineers engage with customers about the most advanced technologies. Our account executives are trained on our broad solutions capabilities with access to many, category-focused subject-matter experts, which allow them to sell in a consultative business outcome-based manner that increases the likelihood of cross-selling our solutions. Our account executives are supported by experienced and professional inside sales representatives. We believe that our bundled offerings are an important differentiating factor from our competitors.

We focus on gaining top-level engineering certifications and professional services expertise in advanced technologies of strategic vendors. This expertise helps our customers develop their cloud capabilities including private, public, and hybrid infrastructures. We are providing virtual desktop infrastructure, unified communications, collaboration, networking, security, storage, big-data, mobility, converged and hyper-converged infrastructures, and managed services offerings, all of which remain in high demand. We believe our ability to deliver advanced professional services provides benefits in two ways. First, we gain recognition and mindshare of our strategic vendor partners and become the "go-to" partner in selected regional markets as well as the national market. This significantly increases direct and referral sales opportunities for our products and services and allows us to offer competitive pricing levels. Second, within our existing and potential customer base, our advanced professional services are a key differentiator against competitors who cannot provide services or advanced services for these key technologies or across multiple vendor product lines.

Our managed services portfolio expanded this year to include Managed SDWAN, Service Desk, Carrier Expense Management, Cloud Cost Optimization, Vulnerability Management as a Service (VMaas), Nutanix and Aruba monitoring and management. We have further increased our breadth and depth of engineering expertise through the integration of SLAIT and ABS Technology, supplementing our Cisco service offerings, expanding our Netapp SSC/EMS portfolio, and security solutions releases. We have also enhanced our Managed Services and consolidated all ePlus annuity-based service solutions into a single service management platform to enhance customer experience. Likewise, we have increased automation of Service Level Target reporting to ensure remediation and response are top-of-mind.

Build Our Geographic Footprint

We intend to increase our direct sales and go-to-market capabilities in each of our geographic areas. We actively seek to acquire new account relationships through face-to-face field sales, electronic commerce, leveraging our partnerships with vendors, and targeted demand-generation activities to increase awareness of our solutions. We also seek to broaden our customer base, expand our geographic reach, and improve our technology and professional services delivery capabilities. During the last fiscal year, we continued to expand our sales and delivery capabilities across multiple international markets as we see more demand for solutions within this market.

Recruit, Retain, and Develop Employees

Based on our prior experience, capital structure, and business systems and processes, we believe we are well positioned to hire experienced sales people and engineers, make strategic acquisitions that expand our customer facing talent, broaden our customer base, expand our geographic reach, scale our existing operating structure, and/or enhance our product and service offerings. Part of our growth strategy is to hire purposefully and enhance our technical and skill base through strategic acquisitions.

Improve Operational Efficiencies

We continue to invest in our internal technology infrastructure and software platforms to optimize our operations and engage in process re-engineering efforts to become more streamlined and cost effective.

RESEARCH AND DEVELOPMENT

We incur software development costs associated with maintaining, enhancing, or upgrading our proprietary software, which may be performed by internal IT development resources or by an offshore software-development company that we use to supplement our internal development team or various US-based consultants.

SALES AND MARKETING

We focus our sales and marketing efforts on becoming the primary provider of IT solutions for each of our customers. We seek to acquire new account relationships through face-to-face field sales, leveraging our

partnerships with manufacturers and targeted direct marketing to increase awareness of our solutions. We target middle market and large commercial entities and state and local governments, and educational institution. We currently have over 3,500 customers. We undertake direct marketing and leverage digital marketing and social media campaigns to target certain markets in conjunction with our primary vendor partners, who may provide financial reimbursement, outsourced services, and personnel to assist us in these efforts.

Our sales representatives are compensated by a combination of salary and commission, with commission becoming the primary component of compensation as the sales representatives gain experience. To date, we acquired a majority of our customers through the efforts of our direct sales force and acquisitions. We market to different areas within a customer's organization, including business units as well as the IT department, or finance department, depending on the solutions.

As of March 31, 2020, our sales force consisted of 605 sales, marketing and sales support personnel organized regionally in 38 offices or warehouses and customer locations throughout the US, UK, India, and Singapore.

INTELLECTUAL PROPERTY RIGHTS

Our success depends in part upon proprietary business methodologies and technologies that we have licensed and modified. We own certain software programs or have entered into software licensing agreements to provide services to our customers. We rely on a combination of copyrights, trademarks, service marks, trade secret protection, confidentiality and nondisclosure agreements, and licensing arrangements to establish and protect our intellectual property rights. We seek to protect our documentation and other written materials and confidential corporate information under trade secret and copyright laws, which afford only limited protection.

For example, we currently have patents in the US and Canada. We cannot provide assurance that any patents, as issued, will prevent the development of competitive products or that our patents will not be successfully challenged by others or invalidated through the administrative process or litigation.

Our trademarks include *e*+®, *e*Plus®, Procure+®, Manage+®, Docpak®, Viewmark®, OneSource®, Where Technology Means More® and GRIT: Girls Re-Imagining Tomorrow ® in the US, and IGXGlobal® in Great Britain and the European Union ("EU"). We intend to use and protect these and our other marks, as we deem necessary. We believe our trademarks have significant value and are an important factor in the marketing of our products. In addition to our trademarks, we have service marks and over 20 registered copyrights and additional common-law trademarks and copyrights.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Our means of protecting our proprietary rights may not be adequate, and our competitors may independently develop similar technology, duplicate our products or design around our proprietary intellectual property.

FINANCIAL AND RISK MANAGEMENT ACTIVITIES

Inventory Management: We have drop-shipment arrangements with many of our vendors and distributors, which permit us to offer products to our customers without taking physical delivery of the equipment. Ingram Micro, Arrow Enterprises, Tech Data, and Synnex Corporation are our largest distributors. Using the distribution systems available, we frequently sell products that are shipped from the vendors or distributors directly to our customers' location, which allows us to keep our inventory of any product and shipping expenses to a minimum. For the year ended March 31, 2020, our four largest distributors accounted for over 30% of our purchases related to our technology segment net sales.

Risk Management and Process Controls: We use and maintain conservative underwriting policies and disciplined credit approval processes in both our technology and financing segments. We have an executive management review process and other internal controls in place to evaluate transactions' potential risk.

In our technology segment, we manage our risk by using conservative credit quality analysis and periodic monitoring of customer financial results or third-party risk evaluation tools; monitoring customer accounts receivable balances and payment history; proactively pursuing delinquent accounts; ensuring we have appropriate contractual terms and conditions; perfecting security interests when practicable; requiring prepayment or deposits if indicated; performing fraud checks for new accounts; and evaluating general economic as well as industry specific trends. Our systems automatically decrease trade credit lines based on assigned risk ratings.

In our financing segment, we manage our risk in assets we finance by assigning the contractual payments due under the financing arrangement to third-parties. We also use agency purchase orders to procure equipment for lease to our customers and otherwise take measures to minimize our inventory of financed assets. When our technology segment is the supplier of the assets being financed, we retain certain procurement risks. Our financing arrangements with our customers are generally fixed-rate.

As a result of COVID-19, we have tightened our credit lines with many of our customers, particularly in the customer end markets under significant duress such as retail. Some customers have requested extended terms which we are assessing on a case by case basis. In our financing segment, we reduced our exposure by transferring certain transactions on a non-recourse basis.

Credit Risk Loss Experience: During the fiscal year ended March 31, 2020, we increased our reserves for credit losses by \$1,004 thousand and incurred actual credit losses of \$429 thousand. During the fiscal year ended March 31, 2019, we increased our reserves for credit losses by \$335 thousand and incurred actual credit losses of \$385 thousand.

BACKLOG

We rely on our vendors or distributors to fulfill a large majority of our shipments to our customers. As of March 31, 2020, we recorded customer commitments to purchase products or services that remain open until either executed or canceled ("open orders") of \$277.6 million and deferred revenue of \$72.2 million. As of March 31, 2019, we had open orders of \$161.4 million and deferred revenues of \$61.0 million. We expect that most of open orders as of March 31, 2020, will be recognized within ninety days of that date. We also expect that 77% of the deferred revenues as of March 31, 2020, will be recognized within the next twelve months.

EMPLOYEES

As of March 31, 2020, we employed 1,579 employees who operated through 38 offices or warehouses, home offices, and customer sites. No employees are represented by a labor union, and we believe that we have good relations with our employees. The functional areas of our employees are as follows:

	March 31,		
	2020	2019	Change
Sales and Marketing	605	547	58
Professional Services	666	670	(4)
Administration	212	230	(18)
Software Development and Internal IT	89	83	6
Management	7	7	_
	1,579	1,537	<u>42</u>

US SECURITIES AND EXCHANGE COMMISSION REPORTS

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports, filed with or furnished to the US SEC, are available free of charge through our Internet website, www.eplus.com, as soon as reasonably practical after we have electronically filed such material with, or furnished it to, the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov. The contents on or accessible through these websites are not incorporated into this filing. Further, our references to the URLs for these websites are intended to be inactive textual references only.

EXECUTIVE OFFICERS

The following table sets forth the name, age and position of each person who was an executive officer of ePlus on March 31, 2020. There are no family relationships between any directors or executive officers of ePlus.

Name	Age	Position
Mark P. Marron	58	Chief Executive Officer, President, and Director
Elaine D. Marion	52	Chief Financial Officer
Darren Raiguel	49	Chief Operating Officer and ePlus Technology, inc. President

The business experience of each executive officer of ePlus is described below:

Mark Marron - Chief Executive Officer, President and Director

Mark P. Marron became the Chief Executive Officer and President of *ePlus* inc. on August 1, 2016. He began his career at *ePlus* in 2005 as Senior Vice President of Sales and became Chief Operating Officer in 2010. A 30-year plus industry veteran, he was formerly with NetIQ where he held the position of Senior Vice President of Worldwide Sales and Services. Prior to joining NetIQ, Mr. Marron served as General Manager of Worldwide Channel Sales for Computer Associates International Inc., a provider of software and services that enables organizations to manage their IT environments. Mr. Marron has extensive experience throughout North America, Europe, the Middle East, and Africa and holds a Bachelor of Science degree in Computer Science from Montclair State University.

Elaine Marion - Chief Financial Officer

Elaine D. Marion joined us in 1998. Ms. Marion became our Chief Financial Officer on September 1, 2008. From 2004 to 2008, Ms. Marion served as our Vice President of Accounting. Prior to that, she was the Controller of ePlus Technology, inc., a subsidiary of ePlus, from 1998 to 2004. Ms. Marion currently serves on the Advisory Board of the School of Business at the University of Mary Washington and as a member of the George Mason University School of Business Dean's Advisory Council. Ms. Marion is a graduate of George Mason University, where she earned a Bachelor of Science degree in Business Administration with a concentration in Accounting.

Darren Raiguel - Chief Operating Officer and ePlus Technology inc. President

Darren S, Raiguel joined the company in 1997 as an account executive and has held numerous management positions in the organization for well over a decade. Mr. Raiguel became our Executive Vice President of Technology Sales, and in May 2018 was promoted to Chief Operating Officer of *ePlus* inc. and President of *ePlus* Technology, inc. Mr. Raiguel received a Bachelor of Business Administration degree from Temple University, with dual majors in Marketing and Finance. He has participated in numerous industry organizations, councils, and advisory boards throughout his career.

ITEM 1A. RISK FACTORS

Actual or anticipated epidemics, pandemics, outbreaks, or other public health crises may adversely affect our customers' financial condition and the operations of our business.

Our business could be materially and adversely affected by the impact of the disease caused by the novel coronavirus, COVID-19, which was recently declared a pandemic by the World Health Organization, or the actual or public perception of the risks related to any epidemic, pandemic, outbreak, or other public health crisis. The risk of COVID-19 pandemic, or public perception of the risks associated with the COVID-19 pandemic, could cause customers to delay or cancel orders, and could cause temporary or long-term disruptions in our supply chains and/or delays in the delivery of our products and services to our customer. Ouarantines or other cancellations of public events as well as governmental containment actions could also adversely affect our customers' financial condition, resulting in reduced spending for the products and services we sell or uncollectible accounts receivable, leases or notes receivable. Moreover, the COVID-19 pandemic has resulted in a high percentage of our employees working from home, which could adversely affect our ability to adequately staff and manage our businesses. Risks or regulations related to an epidemic, pandemic or other health crisis, such as COVID-19, could also lead to the complete or partial closure of one or more of our offices or configuration centers or the operations of our customers or our sourcing partners. Office closures of our customers may reduce our ability to provide onsite professional services and staffing. The ultimate extent to which the current COVID-19 pandemic will affect the financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity and duration of the current pandemic.

We began monitoring the COVID-19 outbreak and following the guidance of public health authorities in January 2020. In March 2020, we put in place a number of protective measures in response to the COVID-19 outbreak that is taking place world-wide. These measures include having employees work from home to the extent their job function enables them to do so, cancelling all non-essential business travel, asking some employees to self-quarantine at home, adjusting our facilities janitorial and sanitary policies. We may include various health-related measures, such as requiring employees and visitors to undergo a health screening or wear a mask. In addition, our employees may have health issues related to COVID-19 and may have unpredictable work schedules due to childcare responsibilities as many schools and childcare centers are closed. We are regularly revisiting the measures we are taking in response to the evolving COVID-19 pandemic, and we are likely to take additional action in response to the various requirements and recommendations of governmental and other health authorities. In addition, as Stay at Home orders by state and local governments are lifted or changed, additional risk may arise, including infections within our employee base, office closures, and/or closures at customers sites. These existing measures and any future actions, such as additional or renewed Stay at Home orders, may result in a disruption to our business.

As a high percentage of our employees are working from home due to COVID-19, we are highly reliant on the availability and functionality of our information systems to enable our operations. Working from home may increase risk of data loss. If our information systems are not operational for reasons which may include cyber security attacks, data center failures, failures by telecom providers to provide service to our business and to our employees' homes, power failures, or failures of off-premise software such as SaaS based software, our business and financial results may be adversely impacted.

As our employees return to the workplace, we may face challenges implementing newly required processes technologies, and procedures specific to COVID-19, including paid time off laws and health screening. Additionally, as the facts, guidance and perception are rapidly changing, we may face challenges responding to actual or possible COVID-19 exposure in the workplace, training managers to address an anticipated uptick in leave and accommodation issues, and issuing corporate communications to effectively assuage and respond to employee concerns regarding COVID-19.

General economic weakness may harm our operating results and financial condition.

Our results of operations are largely dependent upon the state of the economy. Global economic weakness and uncertainty may result in decreased sales, gross margin, earnings and/or growth rates from our US based customers and from customers outside the US. For example, there continues to be substantial uncertainty regarding the economic impact of the Referendum on the UK's Membership of the European Union ("EU") (referred to as "Brexit").

In June 2016, the United Kingdom (the "UK") held a referendum in which voters opted for the country's exit from the EU, Consistent with the outcome of this referendum, the UK left the EU on January 31, 2020. Thus, the UK is no longer a member of the EU; however, the UK will continue to be subject to EU rules and remain a member of the single market and customs union during an implementation period. The implementation period runs to December 31, 2020, but may be extended for up to two years. The UK government is negotiating with the EU on trade and other terms for such exit. Leaving without any agreement on such terms would lead to disruption to UK/EU trade.

The uncertainty concerning Brexit has also caused global stock market volatility and currency exchange rate fluctuations that resulted in strengthening of the US dollar relative to other foreign currencies in which we conduct business. The impact of Brexit could adversely affect our business, financial condition, operating results and cash flows.

If we lost one or more of our large volume customers, our earnings may be affected.

The contracts for the provision of products and services from us to our customers are generally non-exclusive agreements without volume purchase commitments and are terminable by either party upon 30 days' notice. The loss of one or more of our largest customers, the failure of such customers to pay amounts due to us, or a material reduction in the amount of purchases made by such customers could have a material adverse effect on our business, financial position, results of operations and cash flows. Our accounts receivable-trade balance as of March 31, 2020, included approximately 20% concentration of invoices due from Verizon.

We depend on having creditworthy customers to avoid an adverse impact on our operating results and financial condition.

Our financing and technology segments require sufficient amounts of debt or equity capital to fund our equipment purchases. If the credit quality of our customer base materially decreases, or if we experience a material increase in our credit losses, we may find it difficult to continue to obtain the required capital for our business, and our operating results and financial condition may be harmed. In addition to the impact on our ability to attract capital, a material increase in our delinquency and default experience would itself have a material adverse effect on our business, operating results, and financial condition.

As a result of COVID-19, many of our customers may be susceptible to economic slowdowns or recessions and may be unable to pay for their purchases or repay the leases or note receivable to us or repayment may be extended by our customers or us. Therefore, our non-performing assets may increase, and the value of our portfolio may decrease during these periods as we are required to record our investments at their current fair value. Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets in our financing segment. Unfavorable economic conditions also could increase our financing segment's funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing our financing portfolio and harm our operating results.

The recent global outbreak of COVID-19 has disrupted economic markets and the prolonged economic impact is uncertain. Some economists and major investment banks have expressed concern that the continued spread of the virus globally will lead to a world-wide economic downturn, which could have an adverse economic effect on the companies and state and local government and educational institution ("SLED") organizations for which we provide products, services and financing.

As of March 31, 2020, and 2019, we had reserves for credit losses of \$3.2 million and \$2.6 million, respectively.

The terms of our Credit Facility or lines of credit with our vendors or loss thereof may restrict our current and future operations, which could adversely affect our ability to respond to changes in our business and to manage our operations.

Our technology segment, through our subsidiary *ePlus* Technology, inc., finances its operations with funds generated from operations, and with a credit facility with Wells Fargo Commercial Distribution Finance, LLC or WFCDF. This facility provides short-term capital for our technology segment. There are two components of the WFCDF credit facility: (1) a floor plan component and (2) an accounts receivable component. As of March 31,

2020, the facility agreement had an aggregate limit of the two components of \$300 million, and the accounts receivable component had a sub-limit of \$75 million, which bears interest assessed at a rate of the One Month LIBOR plus two and one-half percent.

The loss of the technology segment's credit facility could have a material adverse effect on our future results as we rely on this facility and its components for daily working capital and the operational function of our accounts payable process. Our credit agreement contains various covenants that must be met each quarter and either party may terminate the agreement for any reason with a 90-days' notice. There can be no assurance that we will continue to meet those covenants and failure to do so may limit availability of, or cause us to lose, such financing. There can be no assurance that such financing will continue to be available to us in the future on acceptable terms.

COVID-19 may negatively impact our lender's willingness to extend credit to us at the current credit limit or an increase in credit limit thus restricting our working capital. We also have lines of credit with our vendors for the purchase of goods and services for resale or internal use with terms including net 15, net 30, net 45, net 60 and net 90. The loss or decrease of our working capital facility or lines of credit with our vendors may have a material adverse effect on our business, results of operations and financial condition.

The uncertainty regarding the potential phase-out of LIBOR may negatively impact our operating results.

LIBOR, the interest rate benchmark used as a reference rate on our credit facility variable rate debt is expected to be phased out after 2021, when private-sector banks are no longer required to report the information used to set the rate. Without this data, LIBOR may no longer be published, or the lack of quality and quantity of data may cause the rate to no longer be representative of the market. At this time, no consensus exists as to what rate or rates will become accepted alternatives to LIBOR, although the US Federal Reserve, in connection with the Alternative Reference Rates Committee, a steering committee comprised of large US financial institutions, is considering replacing US dollar LIBOR with the Secured Overnight Financing Rate ("SOFR"). SOFR is a more generic measure than LIBOR and considers the cost of borrowing cash overnight, collateralized by US Treasury securities. Given the inherent differences between LIBOR and SOFR or any other alternative benchmark rate that may be established, there are many uncertainties regarding a transition from LIBOR, including but not limited to the need to amend all contracts with LIBOR as the referenced rate and how this will impact the our cost of variable rate debt. We will also need to consider new contracts and whether the contracts should reference an alternative benchmark rate or include suggested fallback language, as published by the Alternative Reference Rates Committee. The consequences of these developments with respect to LIBOR cannot be entirely predicted and span multiple future periods but could result in an increase in the cost of our variable rate debt which may be detrimental to our financial position or operating results.

We rely on a small number of key vendors, and do not have long-term supply or guaranteed price agreements or assurance of stock availability with our vendors.

A substantial portion of our revenue within our technology segment depends on a small number of key vendors. Products manufactured by Cisco Systems represented approximately 40%, 42%, and 42% of our technology segment net sales for the years ended March 31, 2020, 2019, and 2018, respectively. Products manufactured by NetApp, Hewlett Packard, Juniper Networks, Dell/EMC, and Arista Networks, represented approximately 21% - 24% of technology segment net sales for the last three years. Risks related to the COVID-19 pandemic or other health crisis could also lead to the complete or partial closure of one or more of the operations of our sourcing partners, resulting in disruptions of our supply chain or distribution channels. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on our business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted; including new information that may emerge concerning the severity of the current COVID-19 pandemic and actions taken to contain or prevent its further spread, among others. If we experience significant supply chain disruptions, we may not be able to develop alternate sourcing quickly on favorable terms, if at all, which could result in increased costs, loss of sales and a loss of customers, and adversely impact our financial condition and results of operations.

Our industry frequently experiences periods of product shortages from our vendors or our vendors' distributors as a result of our vendors' difficulties in projecting demand for certain products we sell; additional trade law provisions or regulations; additional duties, tariffs or other charges on imports or exports; natural disasters

affecting our suppliers' facilities; and significant labor disputes. As we do not stock inventory that is not related to an order we have received from our customer, we depend upon the supply of products available from our vendors to fulfill orders from our customers on a timely basis. The loss of, or change in business relationship with, any of these or any other key vendor partners, the diminished availability of their products, or backlogs for their products leading to manufacturer allocation could reduce the supply and increase the cost of products we sell and negatively impact our competitive position.

The loss of a key vendor or changes in its policies could adversely impact our financial results. Violations of a contract that results in either the termination of our ability to sell the product or a decrease in our certification level with the vendor could adversely impact our financial results. In addition, a reduction in the trade credit lines or the favorable terms granted to us by our vendors and financial partners could increase our need for and cost of working capital and have a material adverse effect on our business, results of operations and financial condition.

We depend on third-party companies to perform certain of our obligations to our customers, which if not performed adequately could cause significant disruption to our business.

We rely on arrangements with third-parties to perform certain professional services, staffing services, managed services, warranties, configuration services, and other services for our customers. If these third-parties do not perform these in accordance with the terms of our agreement and of a professional standard customary for the services, or if they cause disruption of or security weaknesses in our customers' businesses, results to our organization could include legal claims and associated costs, monetary damages paid to our customers, and an adverse effect on our customer relationships, our brand, and our reputation, and our results of operations or cash flows could be affected.

We rely on independent shipping companies to deliver products from us and our vendors to our customers. The failure or inability of these shipping companies to deliver products, or the unavailability of their shipping services, even temporarily, could have an adverse effect on our business. We may also be adversely affected by an increase in freight surcharges that may result from economic, supply-chain, geopolitical, or other disruptions.

COVID-19 has disrupted shipping lanes globally due to a variety of issues including significantly less air transportation, Stay at Home orders which affect port operations or other carrier operations, shippers' prioritization of packages needed to combat COVID-19, and shippers' employees becoming ill with the virus. In addition, governmental containment actions including Stay at Home orders may impact third-parties to perform services for our customers.

We may incorrectly import or export products when shipping to and from different countries. Violation of trade laws may disrupt our international operations negatively or impair our reputation or we may incur monetary damage. Violation of trade laws may also result in audits, fines, penalties, litigation, or administrative enforcement actions with associated costs.

Changes in the IT industry, customers' usage or procurement of IT, and/or rapid changes in product standards may result in reduced demand for the IT hardware and software solutions and services we sell.

Our results of operations are influenced by a variety of factors, including the condition of the IT industry, shifts in demand for, or availability of, IT hardware, software, peripherals and services, and industry introductions of new products, upgrades, methods of distribution, and the nature of how IT is consumed and procured. The IT industry is characterized by rapid technological change and the frequent introduction of new products, product enhancements and new distribution methods or channels, each of which can decrease demand for current products or render them obsolete. In addition, the proliferation of cloud technology, IaaS, SaaS, platform as a service ("PaaS"), software defined networking, or other emerging technologies may reduce the demand for products and services we sell to our customers. Cloud offerings may influence our customers to move workloads to cloud providers, which may reduce the procurement of products and services from us. Changes in the IT industry may also affect the demand for our advanced professional and managed services. We have invested a significant amount of capital in our strategy to provide certain products and services, and this strategy may adversely impact our financial position due to competition or changes in the industry or improper focus or selection of the products and services we decide to offer. If we fail to react in a timely manner to such changes, our results of operations may be adversely affected. Our sales can be dependent on demand for specific product categories, and any change in demand for or supply of such products could have a material adverse effect on our results of operations.

We depend on continued innovations in hardware, software and services offerings by our vendors, as well as the competitiveness of their offerings and our ability to partner with new and emerging technology providers.

The technology industry is characterized by rapid innovation and the frequent introduction of new and enhanced hardware, software and services offerings, such as cloud-based solutions, including IaaS, SaaS and PaaS. We depend on innovations in hardware, software and services offerings by our vendors, as well as the acceptance of those innovations by our customers for the offerings we sell. A decrease in the rate of innovation by our vendors, or the lack of acceptance of innovations by our customers, or a shift by customers to technology platforms that we do not sell could have an adverse effect on our business, results of operations or cash flows.

In addition, if we are unable to keep up with changes in technology and new hardware, software and services offerings—for example by not providing the appropriate training to our account managers, sales technology specialists and engineers to enable them to effectively sell and deliver such new offerings to customers—our business, results of operations or cash flows could be adversely affected.

We also depend upon our vendors for the development and marketing of hardware, software and services to compete effectively with hardware, software and services of vendors whose products and services we do not currently offer or are not authorized to offer in one or more customer channels. In addition, our success depends on our ability to develop relationships with and sell hardware, software and services and emerging vendors, as well as vendors that we have not historically represented in the marketplace. To the extent that a vendor's offering that is highly in demand is not available to us for resale in one or more customer channels, and there is not a competitive offering from another vendor that we are authorized to sell in such customer channels, or we are unable to develop relationships with new technology providers or companies that we have not historically represented, or we partner with a vendor that is not in demand or the demand for whose products significantly decreases, our business, results of operations, or cash flows could be adversely impacted.

We may fail to innovate or create new solutions which align with changing market and customer demand.

As a provider of a comprehensive set of solutions, which involves the offering of bundled solutions consisting of direct IT sales, advanced professional and managed services, our propriety software, and financing, we expect to encounter some of the challenges, risks, difficulties, and uncertainties frequently encountered by companies providing bundled solutions in rapidly evolving markets. Some of these challenges include our ability to increase the total number of users of our services, adapt to meet changes in our markets and competitive developments, or continue to update our technology to enhance the features and functionality of our suite of products. Our personnel must continually stay current with vendor and marketplace technology advancements, create solutions which may integrate evolving vendor products and services as well as services and solutions we provide, to meet changing marketplace and customer demand. Further, we may provide customized solutions and services that are solely reliant on our own marketing, design and fulfillment services, and we may lack the skills or personnel to execute or COVID-19 may impact our ability to innovate due to travel restrictions, staff availability, or closed lab or data center locations. Our failure to innovate and provide bespoke value to our customers may erode our competitive position, market share and lead to reduce revenue and financial performance.

In the software market, a number of companies market business-to-business electronic commerce solutions similar to ours, and competitors are adapting their product offerings to a SaaS platform. We may not be able to compete successfully against current or future competitors, and competitive pressures faced by us may harm our business, operating results, or financial condition. We also face indirect competition from customers' potential internal development efforts and have to overcome customers' potential reluctance to move away from legacy systems and processes.

In all of our markets, some of our competitors have longer operating histories and greater financial, technical, marketing, and other resources than we do. In addition, some of these competitors may be able to respond more quickly to new or changing opportunities, technologies, and customer requirements. Many current competitors may have, and potential competitors may have, greater name recognition, engage in more extensive promotional marketing and advertising activities, offer more attractive terms to customers, and adopt more aggressive pricing and credit policies than we do. We may not be successful in achieving revenue growth and may incur additional costs associated with our software products, which may have a material adverse effect on our future operating results as a whole.

We may experience a reduction in incentives offered to us and earned by us from our vendors that would affect our earnings.

We receive payments and credits from vendors, including consideration pursuant to volume incentive programs, shared marketing expense programs, and early pay discounts. These programs are usually of finite terms and may not be renewed or may be changed in a way that adversely affects us. Vendor funding is used to offset inventory costs, costs of goods sold, marketing costs and other operating expenses. Certain of these funds are based on our volume of purchases, growth rate of purchases, and marketing programs. If we do not grow our sales over prior periods, or if we do not comply with the terms of these programs, or do not sell certain products that earn the incentive, there could be a material negative effect on the amount of incentives offered or paid to us by vendors. COVID-19 may affect our ability to meet these volume requirements and may affect our and our vendors' ability to engage in marketing programs. We may not continue to receive such incentives or may not be able to collect outstanding amounts relating to these incentives in a timely manner, or at all. Any sizeable reduction in, the discontinuance of, a significant delay in receiving, or the inability to collect such incentives, particularly related to incentive programs with our largest vendors, could have a material adverse effect on our business, results of operations and financial condition. If we are unable to react timely to any fundamental changes in the programs of vendors, including the elimination of funding for some of the activities for which we have been compensated in the past, such changes could have a material adverse effect on our business, results of operations and financial condition.

We may not have designed or maintained our IT systems or have adequate or competent IT personnel to support our business.

We depend heavily upon the accuracy and reliability of our information, telecommunication, cybersecurity and other systems which are used for customer management, sales, distribution, marketing, purchasing, inventory management, order processing and fulfillment, customer service and general accounting functions. We must continually maintain, secure and improve our systems. The protections we have in place address a variety of threats to our information technology systems, both internal and external, including human error. Inadequate security practices or design of our IT systems, or IT systems from third-parties which we utilize, or third-party service providers' failure to provide adequate services could result in the disclosure of sensitive or confidential information or personal information or cause other business interruptions that could damage our reputation and disrupt our business. Inadequate design or interruption of our information systems, Internet availability, telecommunications systems or power failures could have a material adverse effect on our business, our reputation, financial condition, cash flows, or results of operations.

As a high percentage of our workforce is currently working from home as a result of the COVID-19 pandemic, we are highly reliant on the availability and functionality of our information systems to enable our operations. Working from home may increase risk of data loss, including privacy-related events. If our information systems are not operational for reasons which may include cyber security attacks, data center failures, failures by telecom providers to provide services to our business and to our employees' homes, power failures, or failures of off-premise software such as SaaS based software, our business and financial results may be adversely impacted.

Our managed services business requires us to monitor our customers' devices on their networks across varying levels of service. If we have not designed our IT systems to provide this service accurately or if there is a security breach in our IT system or the customers' systems, we may be liable for claims. In addition, we rely on our managed services personnel to perform this service. Illness, including from COVID-19, or improper training, performance or supervision may negatively affect the services we provide our customers resulting in decreased revenue and the potential for litigation.

We rely on the competency of our internal IT personnel. Our failure to hire, develop, retain, and supervise competent IT personnel to secure our data, or design and maintain resilient technology systems including our data and voice networks, infrastructure, and applications, could significantly interrupt our business causing a negative impact on our results.

Rising interest rates or the loss of key lenders or the constricting of credit markets may affect our future profitability and our ability to monetize our financing investments.

We finance transactions with our customers utilizing fix-rate borrowing. If we fund such transactions at inception with a third-party lender, we are able to lock an interest rate spread on the transaction between the customer rate

and third-party rate. However, we may delay funding the transaction, and if interest rates increase in the interim, the interest rate spread will decrease, which will adversely impact our profitability, or we may not choose to fund the transaction due to higher interest rates, thus inhibiting our ability to monetize our portfolio to generate cash.

We rely on lenders to fund financing transactions we originate with our customers. Loss of any lender or group of lenders may significantly impact our ability to originate financing transactions, which may negatively impact our financial condition. In addition, our lenders may no longer be willing to provide funding under our current terms and conditions and may demand new terms and conditions that negatively impact our ability to consummate a financing transaction with our customers. We are also subject to changes, if any, in our lenders' willingness to provide financing for different, particularly lower, credit quality lessees.

COVID-19 has resulted in a tightened credit market, which may impede our ability to fund on a recourse or non-recourse basis certain of our lesser credit quality customers or other general customers. This may result in less earnings, use of our own cash, or lesser credit quality in our financing portfolio.

Breaches of data security and the failure to protect our information technology systems from cybersecurity threats could adversely impact our business.

Our business involves the storage and transmission of proprietary information and sensitive or confidential data, including personal information of our employees, customers and others. In addition, we operate data centers for our customers that host their technology infrastructure and may store and transmit both business-critical data and confidential information. In connection with our services business, some of our employees also have access to our customers' confidential data and other information. We have privacy and data security policies in place that are designed to prevent security breaches; however, as newer technologies evolve, and the portfolio of the service providers with whom we share confidential information grows, we could be exposed to increased risk of breaches in security and other illegal or fraudulent acts, including cyberattacks. The evolving nature of such threats, in light of new and sophisticated methods used by criminals and cyberterrorists, including computer viruses, malware, phishing, misrepresentation, social engineering and forgery, are making it increasingly challenging to anticipate and adequately mitigate these risks.

As a result of COVID-19, a high percentage of our employees are working from home. As a result of employees' desire to remain up-to-date on the virus and its impacts, there may be increased risks relating to cyber security in the form of malware, hacking or phishing schemes, as criminals and cyberterrorists attempt to steal passwords, cookies, and other sensitive data. In addition, the vulnerability of our employees' home network may also increase this risk.

We may be required to take impairment charges for goodwill or other intangible assets related to acquisitions.

We have acquired certain portions of our business and assets through acquisitions. Further, as part of our long-term business strategy, we may continue to pursue acquisitions of other companies or assets. In connection with prior acquisitions, we have accounted for the portion of the purchase price paid in excess of the book value of the assets acquired as goodwill or intangible assets, and we may be required to account for similar premiums paid on future acquisitions in the same manner.

Under the applicable accounting principles, goodwill is not amortized and is carried on our books at its original value, subject to annual review and evaluation for impairment, whereas intangible assets are amortized over the life of the asset. Changes in the business itself, the economic environment (including business valuation levels and trends), or the legislative or regulatory environment may trigger a review and evaluation of our goodwill and intangible assets for potential impairment outside of the normal review periods. These changes may adversely affect either the fair value of the business or our individual reporting units and we may be required to take an impairment charge.

If market and economic conditions deteriorate as a result of COVID-19 or otherwise, this could increase the likelihood that we will need to record impairment charges to the extent the carrying value of our goodwill exceeds the fair value of our overall business. Such impairment charges could materially adversely affect our net earnings during the period in which the charge is taken. As of March 31, 2020, we had goodwill and other intangible assets of \$118.1 million and \$34.5 million, respectively.

We may not be able to realize our entire investment in the equipment we lease.

The realization of the residual value of the equipment we lease, predominantly at the end of the term of a lease, as well as during the life of the lease, is an important element in our financing segment. At the inception of certain leases, we record a residual value for the leased equipment based on our estimate of the value of the equipment at the expected disposition date.

A decrease in the market value of leased equipment at a rate greater than the rate we projected, whether due to rapid technological or economic obsolescence, excessive or unusual wear and tear on the equipment, or other factors, would adversely affect the recoverability of the estimated residual values of such equipment. Further, certain equipment residual values are dependent on the vendor's warranties, reputation, rules regarding relicensing of software to operate the equipment, and other factors, including market liquidity. In addition, we may not realize the full market value of equipment if we are required to sell it to meet liquidity needs or for other reasons outside of the ordinary course of business. Consequently, there can be no assurance that we will realize our estimated residual values for equipment.

The degree of residual realization risk varies by transaction type. Sales-type leases bear less risk because contractual payments typically cover 90% or more of the equipment's lease cost at inception. Operating leases have a higher degree of risk because a smaller percentage of the equipment's value is covered by contractual cash flows at lease inception.

The impact of COVID-19 may affect the fair value of our assets on lease and result in an impairment, loss or write off.

Our earnings may fluctuate, which could adversely affect the price of our common stock.

Our earnings are susceptible to fluctuations for a number of reasons, including, but not limited to, the risk factors discussed herein. In the event our sales or net earnings are less than the level expected by the market in general, such shortfall could have an immediate and significant adverse impact on the market price of our common stock.

Failure to comply with new laws or changes to existing laws may adversely impact our business.

Our operations are subject to numerous US and foreign laws and regulations in a number of areas including, but not limited to, areas of labor and employment, immigration, advertising, e-commerce, tax, import and export requirements, anti-corruption, data privacy requirements, anti-competition, and environmental, health, and safety. Compliance with these laws, regulations, and similar requirements may be onerous and expensive, and they may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance and doing business, and the risk of noncompliance. We have implemented policies and procedures designed to help comply with applicable laws and regulations, but there can be no certainty that against employees, contractors, or agents will fully comply with laws and regulations or our policies and procedures.

In addition, many countries and state and local governments have issued Stay at Home orders to combat COVID-19. These orders may mandate or recommend office closures, telework, or health or safety actions, such as social distancing in the workplace, masks or health screening. The orders frequently change, and each order is different and must be interpreted and applied to the jurisdiction. Additional risk may arise from these orders as they are lifted or changed which may include infections in our employee base, office closures, closures at customers sites, and additional Stay at Home orders or mandated or recommended safety actions. Additionally, a large number of employment related regulations, such as leave and accommodation matters, have been issued by federal, state, and local governments. These regulations continue to undergo revisions. We may fail to interpret or follow the regulations or orders properly which may result in sanction, penalties, fines or litigation.

We face substantial competition from other companies.

In our technology segment, we compete in all areas of our business against local, regional, national, and international firms, including other direct marketers; national and regional resellers; online marketplace competitors; and regional, national, and international service providers. In addition, we face competition from vendors, which may choose to market their products directly to end-users, rather than through channel partners such as our company, and this could adversely affect our future sales. Many competitors compete based principally on price and may have lower costs or accept lower selling prices than we do and, therefore, our gross margins may not be maintainable. Online marketplace competitors are continually improving their pricing and

offerings to customers as well as ease of use of their online marketplaces. Our competitors may offer better or different products and services than we offer. In addition, we do not have guaranteed purchasing volume commitments from our customers and, therefore, our sales volume may be volatile.

In our financing segment, we face competition from many sources including much larger companies with greater financial resources. Our competition may originate from vendors of the products we finance or financial partners who choose to market directly to customers through the vendors' captive leasing organization or large or regional financial institutions such as banks with substantially lower cost of funds. Our competition may lower lease rates to increase market share.

We may be liable for misuse of our customers' or employees' information.

Third-parties, such as hackers, could circumvent or sabotage the security practices and products used in our product and service offerings, and/or the security practices or products used in our internal IT systems, which could result in disclosure of sensitive or personal information, unauthorized procurement, or other business interruptions that could damage our reputation and disrupt our business. Attacks may range from random attempts to coordinated and targeted attacks, including sophisticated computer crime and advanced persistent threats.

As a high percentage of our employees are currently working from home as a result of the COVID-19 pandemic, we are highly reliant on the availability and functionality of our information systems to enable for our operations. Working from home may increase risk of data loss, including privacy-related events. If our information systems are not operational for reasons which may include cyber security attacks, data center failures, failures by telecom providers to provide services to our business and to our employees' homes, power failures, or failures of off-premise software such as SaaS based software, our business and financial results may be adversely impacted.

If third-parties or our employees are able to maliciously penetrate our network security or otherwise misappropriate our customers' information or employees' personal information, or other information for which our customers may be responsible and for which we agree to be responsible in connection with service contracts into which we may enter, or if we give third-parties or our employees improper access to certain information, we could be subject to liability. This liability could include claims for unauthorized access to devices on our network; unauthorized access to our customers' networks, hardware, applications, data, devices, or software; unauthorized purchases with credit card information; and identity theft or other similar fraud-related claims. This liability could also include claims for other misuses of or inappropriate access to personal information. Other liability could include claims alleging misrepresentation of our privacy and data security practices. Any such liability for misappropriation of this information could decrease our profitability. In addition, federal and state agencies have been investigating various companies regarding whether they misused or inadequately secured information. We could incur additional expenses when new laws or regulations regarding the use, safeguarding, or privacy of information are enacted, or if governmental agencies require us to substantially modify our privacy or security practices. We could fail to comply with international and domestic data privacy laws, the violation of which may result in audits, fines, penalties, litigation, or administrative enforcement actions with associated costs.

Advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments may result in a compromise or breach of the security practices we use to protect sensitive customer transaction information and employee information. A party who is able to circumvent our security measures could misappropriate proprietary information or cause interruptions in our operations. Further, third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as user-names, passwords, or other information or otherwise compromise the security of our internal networks and/or our customers' information. Since techniques used to obtain unauthorized access change frequently and the size and severity of security breaches are increasing, we may be unable to implement adequate preventative measures or timely identify or stop security breaches while they are occurring.

We may be required to expend significant capital and other resources to protect against security breaches or to remediate the subsequent risks and issues caused by such breaches. Our security measures are designed to protect against security breaches, but our failure to prevent such security breaches could cause us to incur significant expense to investigate and respond to a security breach and remediate any problems caused by any breach, subject us to liability, damage our reputation, and diminish the value of our brand. There can be no assurance that the limitations of liability in our contracts would be enforceable or adequate or would otherwise protect us

from any such liabilities or damages with respect to any particular claim. We also cannot be sure that our existing insurance coverage for errors and omissions or security breaches will continue to be available on acceptable terms or in sufficient amounts to cover one or more large claims, or that our insurers will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have an adverse effect on our business, financial condition, and results of operations.

We may not adequately protect ourselves through our contract vehicles, or our insurance policies may not be adequate to address potential losses or claims.

Our contracts may not protect us against the risks inherent in our business including, but not limited to, warranties, limitations of liability, indemnification obligations, human resources and subcontractor-related claims, patent and product liability, regulatory and compliance obligations, data security and privacy, and financing activities. Also, we face pressure from our customers for competitive pricing and contract terms. In addition, order cancellations by our customers may result from COVID-19 or the economic consequences thereof. If orders are cancelled and the equipment has shipped to us, we may have an increased risk of dispute resulting in non-payment. Such disputes may be complicated by novel legal arguments relating to contract enforceability, such as the application of force majeure, impossibility or impracticability of performance, and frustration of purpose. Despite the non-recourse nature of the loans financing certain of our activities, non-recourse lenders may file suit if the underlying transaction turns out poorly for the lenders. We are subject to such claims and the cost of defending such claims due to the nature of our business.

We also are subject to audits by various vendor partners and customers, including government agencies, relating to purchases and sales under various contracts. In addition, we are subject to indemnification claims under various contracts.

Failure to comply with our public-sector contracts or applicable laws and regulations could result in, among other things, termination, fines or other liabilities, and changes in procurement regulations could adversely impact our business.

Revenues in our public sector are derived from sales to SLED customers, through various contracts and open market sales of products and services. Sales to SLED customers are highly regulated. Noncompliance with contract provisions, government procurement regulations, or other applicable laws or regulations could result in civil, criminal, and administrative liability, including substantial monetary fines or damages, termination of SLED sector customer contracts, and suspension, debarment, or ineligibility from doing business with the government and other customers in the SLED sector. Contracts in the SLED sector are generally terminable at any time for convenience of the contracting agency or upon default and are subject to audits. In addition, most contracts require successfully bidding and award of the contract. These bid processes can be complex and require extensive review of terms and conditions and data compilation. Multiple bidders may win a product category, which creates aggressive competition even after contract award. The effect of any of these possible actions could adversely affect our business, results of operations or cash flows. In addition, the adoption of new or modified procurement regulations and other requirements may increase our compliance costs and reduce our gross margins, which could have a negative effect on our business, results of operations, or cash flows.

Loss of services by any of our executive officers or senior management and/or failure to successfully implement a succession plan could adversely affect our business.

The loss of the services by our executive officers or senior management and/or failure to successfully implement a succession plan could disrupt management of our business and impair the execution of our business strategies. We believe that our success depends in part upon our ability to retain the services of our executive officers and senior management and successfully implement a succession plan. Our executive officers are at the forefront in determining our strategic direction and focus. The loss of our executive officers' and senior management's services without replacement by qualified successors could adversely affect our ability to manage effectively our overall operations and successfully execute current or future business strategies, and could cause other instability within our workforce

We may not be able to hire and/or retain personnel that we need.

To increase market awareness and sales of our offerings, we may need to expand our marketing efforts and sales operations in the future. Our products and services require a sophisticated sales effort and significant technical

engineering talent. For example, our sales and engineering candidates must have highly technical hardware and software knowledge to create a customized solution for our customers' business processes. Competition for qualified sales, marketing and engineering personnel fluctuates depending on market conditions. Prior to COVID-19, the US was in a low unemployment environment which resulted in difficulties in hiring or retaining sufficient personnel to maintain and grow our business. COVID-19 has resulted in significant unemployment; however, we are uncertain as to the duration and severity of this impact on the employment environment in the future, or how that environment will impact our workforce.

In addition, changes to immigration laws, prior to, because of, and subsequent to COVID-19, may impact our ability to hire or retain talent. Frequently, our competitors require their employees to agree to non-compete and non-solicitation agreements as part of their employment. This makes it more difficult for us to hire and increases our costs by reviewing and managing non-compete restrictions. Additionally, in some cases our relationship with a customer may be impacted by turnover in our sales or engineering team.

Our results of operations are subject to fluctuations in foreign currency.

We have several foreign subsidiaries and conduct business in various countries and currencies. As result of these foreign operations, we have exposure to fluctuations in foreign currency rates resulting primarily from the translation exposure associated with the preparation of our consolidated financial statements. While our consolidated financial statements are reported in US dollars, the financial statements of our subsidiaries outside the US are prepared using the local currency as the functional currency and translated into US dollars. As a result, fluctuations in the exchange rate of the US dollar relative to the functional currencies of our subsidiaries could cause fluctuations in our results of operations. Our operations in our foreign countries is insignificant. We also have foreign currency exposure to the extent net sales and purchases are not denominated in a subsidiary's functional currency, which could have an adverse effect on our business, results of operations, or cash flows.

COVID-19 has had an effect on the global economy and as such may have or continue to have an effect on currency valuations which may cause currency losses for us.

Changes in accounting standards, or the misapplication of current accounting standards, may adversely affect our future financial results.

We prepare our financial statements in conformity with accounting principles generally accepted in the US These accounting principles are subject to interpretation by the Financial Accounting Standards Board, the Public Company Accounting Oversight Board, the SEC, the American Institute of Certified Public Accountants ("AICPA") and various other bodies formed to interpret and create appropriate accounting policies. Future periodic assessments required by current or new accounting standards may result in noncash charges and/or changes in presentation or disclosure. In addition, any change in accounting standards may influence our customers' decision to purchase from us or finance transactions with us, which could have a significant adverse effect on our financial position or results of operations.

We are required to determine if we are the principal or agent in all transactions with our customers. The voluminous number of products and services we sell, and the manner in which they are bundled, are technologically complex. Mischaracterization of these products and services could result in misapplication of revenue recognition polices. We use estimates where necessary, such as the fair value of assets acquired, and liabilities assumed in a business combination, the analysis for goodwill impairment, allowance for doubtful accounts and the cost to perform professional and managed services, which require judgment and are based on best available information. If we are unable to accurately estimate the cost of these services or the timeline for completion of contracts, the profitability of our contracts may be materially and adversely affected.

If we fail to perform sufficient due diligence prior to completing an acquisition, or entering into a strategic alliance, or fail to integrate a completed acquisition our earnings may be affected.

Our ability to successfully integrate the operations we acquire, reduce costs, or leverage these operations to generate revenue and earnings growth, could significantly impact future revenue and earnings. Integrating acquired operations is a significant challenge, may divert management's attention from other business concerns, and there is no assurance that we will be able to manage the integrations successfully. Failure to successfully integrate acquired operations may adversely affect our cost structure thereby reducing our gross margins and

return on investment. In addition, we may fail to perform adequate due diligence and acquire entities with unknown liabilities, fraud, cultural or business environment issues, or that may not have adequate internal controls as may be required by law.

If we acquire a company that does not fit culturally, strategically, or in some other fashion, the acquisition may not produce the expected results or may negatively affect our reputation, which may negatively affect our business, results of operations, or cash flows. The unpredictability of the economic impact of COVID-19 will also make it difficult to properly value or anticipate the future success of acquisition targets and impact our overall growth strategy.

To the extent the value of goodwill or identifiable assets with indefinite lives becomes impaired; we may be required to incur material charges relating to the impairment of those assets.

If we publish inaccurate catalog content data, our business could suffer.

Any defects or errors in our electronic catalog content data could harm our customers or deter businesses from participating in our offerings, damage our business reputation, harm our ability to attract new customers, and potentially expose us to liability. In addition, from time to time vendors who provide us electronic catalog data could submit to us inaccurate pricing or other catalog data. Even though such inaccuracies are not caused by us and are outside of our control, such inaccuracies could deter current and potential customers from using our products or result in inaccurate pricing to our customers.

If our proprietary software products contain defects, our business could suffer.

Products as complex as those used to provide our electronic commerce solutions or cloud automation solutions, such as scripts, often contain unknown and undetected errors, performance problems, or use open source code. We may have serious defects immediately following introduction of new products or enhancements to existing products. Undetected errors or performance problems may be discovered in the future and certain errors we consider to be minor may be serious to our customers. Our software products, or automation solutions, may be circumvented or sabotaged by third-parties such as hackers, which could result in the disclosure of sensitive information or personal information, unauthorized procurement, or cause other business interruptions that could damage our reputation and disrupt our business. Attacks may range from random attempts to coordinated and targeted attacks, including sophisticated computer crime and advanced persistent threats. In addition, our customers may experience a loss in connectivity to our proprietary software solutions because of a power loss at our data center, Internet interruption, or defects in our software. This could result in lost revenues, delays in customer acceptance, security breaches, and unforeseen liabilities that would be detrimental to our reputation and to our business.

We face risks of claims from third-parties for intellectual property infringement, including counterfeit products, that could harm our business.

We may be subject to claims that our products and services, or products that we resell, infringe on the intellectual property rights of third parties and/or are counterfeit products. The vendor of certain products or services we resell may not provide us with indemnification for infringement or indemnification; however, our customers may seek indemnification from us. We could incur substantial costs in defending infringement claims against ourselves and our customers. In the event such claims, we and our customers may be required to obtain one or more licenses from third parties. We may not be able to obtain such licenses from third parties at a reasonable cost or at all. Defense of any lawsuit or failure to obtain any such required license could significantly increase our expenses and/or adversely affect our ability to offer one or more of our services.

We may be unable to protect our intellectual property and costs to protect our intellectual property may affect our earnings.

The success of our business strategy depends, in part, upon proprietary technology and other intellectual property rights. To date, we have relied primarily on a combination of copyright, trademark, and trade secret laws, and contractual provisions with our customers, subcontractors and employees to protect our proprietary technology. It may be possible for unauthorized third parties to copy certain portions of our products or reverse engineer or obtain and use information that we regard as proprietary. Some of our agreements with our customers and

technology licensors contain residual clauses regarding confidentiality and the rights of third parties to obtain the source code for our products. These provisions may limit our ability to protect our intellectual property rights in the future that could seriously harm our business and operating results. Our means of protecting our intellectual property rights may not be adequate.

The legal and associated costs to protect our intellectual property may significantly increase our expenses and have a material adverse effect on our operating results. We may deem it necessary to protect our intellectual property rights and significant expenses could be incurred with no certainty of the results of these potential actions. Costs relative to lawsuits are usually expensed in the periods incurred and there is no certainty in recouping any of the amounts expended regardless of the outcome of any action.

If securities analysts do not publish research or reports about our company, or if they issue unfavorable commentary about us or our industry or downgrade our common stock, the price of our common stock could decline.

The trading market for our common stock depends in part on the research and reports that third-party securities analysts publish about us and our industry. One or more analysts could downgrade our common stock, or issue other negative commentary about us or our industry. If one or more of the analysts that publish research about us cease coverage, we could lose visibility in the market or such discontinuance may be viewed negatively by the market. As a result of one or more of these factors, the trading price of our common stock could decline.

Future offerings of debt or equity securities, which would rank senior to our common stock, may adversely affect the market price of our common stock.

If, in the future, we decide to issue debt or equity securities that rank senior to our common stock, it is likely that such securities will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock and may result in dilution to owners of our common stock. We and, indirectly, our stockholders, will bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, or nature of our future offerings, if any. Thus, holders of our common stock will bear the risk of our future offerings reducing the market price of our common stock and diluting the value of their stock holdings in our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of March 31, 2020, we lease space for 38 offices or warehouses. Our total leased square footage as of March 31, 2020, was approximately 321 thousand square feet for which we incurred rent expense of approximately \$529 thousand per month. Some of our subsidiaries operate in shared office space to support sales, marketing activities and produce cost efficiency. Some sales and technical service personnel work from either home offices or at customer sites.

Our largest office location is in Herndon, Virginia. The lease contract terminates on December 31, 2022.

ITEM 3. LEGAL PROCEEDINGS

We are not currently involved in any litigation that we believe could have a materially adverse effect on our financial condition or results of operation. However, from time to time, we may be subject to legal proceedings that arise in the ordinary course of business. Legal proceedings which may arise in the ordinary course of business include, but are not limited to, preference payment claims asserted in customer bankruptcy proceedings; tax audits; claims of alleged infringement of patents, trademarks, copyrights, and other intellectual property rights; claims of alleged non-compliance with contract provisions; employment-related claims; claims by competitors, vendors, or customers; claims related to alleged violations of laws and regulations; claims relating to alleged security or privacy breaches, and claims stemming from actions or events relating to COVID-19. We attempt to ameliorate the effect of potential litigation through insurance coverage and contractual protections such

as rights to indemnifications and limitations of liability. Additionally, we proactively seek to recover funds to which we may be entitled. From time to time, we are successful in obtaining recoveries by filing a claim in class action suits, however, we have limited insight into the timing or amount of those recoveries.

We provide for costs relating to contingencies when a loss is probable, and the amount is reasonably determinable. In the opinion of management, there was not at least a reasonable possibility that the Company may have incurred a material loss, or a material loss in excess of a recorded accrual, with respect to loss contingencies for asserted legal and other claims. However, the outcome of legal proceedings and claims brought against us is subject to significant uncertainty. Therefore, although management considers the likelihood of such an outcome to be remote, if one or more of these legal matters were resolved against the Company in a reporting period for amounts in excess of management's expectations, the Company's consolidated financial statements for that reporting period could be materially adversely affected.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION

At March 31, 2020, our common stock traded on the NASDAQ Global Select Market under the symbol "PLUS."

On May 21, 2020, there were approximately 133 stockholders of record of our common stock, although there is a much larger number of beneficial owners.

DIVIDEND POLICIES AND RESTRICTIONS

We did not pay any cash dividends on our common stock during the fiscal years ended March 31, 2020, and 2019. Holders of our common stock are entitled to dividends if and when declared by our Board of Directors ("Board"), out of funds legally available. Generally, we have retained our earnings for use in the business. We currently intend to retain future earnings to fund ongoing operations and finance the growth and development of our business. Any future determination concerning the payment of dividends will depend upon our financial condition, results of operations, capital requirements and any other factors deemed relevant by our Board.

PURCHASES OF OUR COMMON STOCK

The following table provides information regarding our purchases of ePlus inc. common stock during the fiscal year ended March 31, 2020.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs
April 1, 2019 through April 30, 2019	_	\$ —	_	385,419 ⁽²⁾
May 1, 2019 through May 27, 2019	2,301	\$83.38	1,300	$0^{(3)}$
May 28, 2019 through May 31, 2019	68,207	\$72.32	68,207	431,793 ⁽⁴⁾
June 1, 2019 through June 30, 2019	117,093	\$71.15	79,283	$352,510^{(5)}$
July 1, 2019 through July 31, 2019	3,260	\$72.87	254	352,256 ⁽⁶⁾
August 1, 2019 through August 31, 2019	_	\$ —	_	352,256 ⁽⁷⁾
September 1, 2019 through September 30, 2019	_	\$ —	_	352,256 ⁽⁸⁾
October 1, 2019 through October 31, 2019	_	\$ —	_	352,256 ⁽⁹⁾
November 1, 2019 through November 30, 2019	_	\$ —	_	$352,256^{(10)}$
December 1, 2019 through December 31, 2019	_	\$ —	_	352,256 ⁽¹¹⁾
January 1, 2020 through January 31, 2020	_	\$ —	_	352,256 ⁽¹²⁾
February 1, 2020 through February 29, 2020	_	\$ —	_	352,256 ⁽¹³⁾
March 1, 2020 through March 31, 2020	12,932	56.69	12,932	339,324 ⁽¹⁴⁾

⁽¹⁾ Any shares acquired were in open-market purchases, except for 38,811 shares, out of which 1,001 were repurchased in May 2019 and 37,810 in June 2019 to satisfy tax withholding obligations that arose due to the vesting of shares of restricted stock.

⁽²⁾ The share purchase authorization in place for the month ended April 30, 2019 had purchase limitations on the number of shares of up to 500,000 shares. As of April 30, 2019, the remaining authorized shares to be purchased were 385,419.

⁽³⁾ As of May 27, 2019, the authorization under the then existing share repurchase plan expired.

⁽⁴⁾ On May 24, 2019, the board of directors authorized the company to repurchase up to 500,000 shares of our outstanding common stock commencing on May 28, 2019 and continuing to May 27, 2020. As of May 31, 2019, the remaining authorized shares to be purchased were 431,793.

⁽⁵⁾ The share purchase authorization in place for the month ended June 30, 2019 had purchase limitations on the number of shares of up to 500,000 shares. As of June 30, 2019, the remaining authorized shares to be purchased were 352,510.

⁽⁶⁾ The share purchase authorization in place for the month ended July 31, 2019 had purchase limitations on the number of shares of up to 500,000 shares. As of July 31, 2019, the remaining authorized shares to be purchased were 352,256.

- (7) The share purchase authorization in place for the month ended August 31, 2019 had purchase limitations on the number of shares of up to 500,000 shares. As of August 31, 2019, the remaining authorized shares to be purchased were 352,256.
- (8) The share purchase authorization in place for the month ended September 30, 2019 had purchase limitations on the number of shares of up to 500,000 shares. As of September 30, 2019, the remaining authorized shares to be purchased were 352,256.
- (9) The share purchase authorization in place for the month ended October 31, 2019 had purchase limitations on the number of shares of up to 500,000 shares. As of October 31, 2019, the remaining authorized shares to be purchased were 352,256.
- (10) The share purchase authorization in place for the month ended November 30, 2019 had purchase limitations on the number of shares of up to 500,000 shares. As of November 30, 2019, the remaining authorized shares to be purchased were 352,256.
- (11) The share purchase authorization in place for the month ended December 31, 2019 had purchase limitations on the number of shares of up to 500,000 shares. As of December 31, 2019, the remaining authorized shares to be purchased were 352,256.
- (12) The share purchase authorization in place for the month ended January 31, 2020 had purchase limitations on the number of shares of up to 500,000 shares. As of January 31, 2020, the remaining authorized shares to be purchased were 352,256.
- (13) The share purchase authorization in place for the month ended February 29, 2020 had purchase limitations on the number of shares of up to 500,000 shares. As of February 29, 2020, the remaining authorized shares to be purchased were 352,256.
- (14) The share purchase authorization in place for the month ended March 31, 2020, had purchase limitations on the number of shares of up to 500,000 shares. As of March 31, 2020, the remaining authorized shares to be purchased were 339,324.

The timing and expiration date of the share repurchase authorizations are included in Note 12, "Stockholders' Equity" to our consolidated financial statements included elsewhere in this report.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and with the consolidated financial statements and related notes, which are included elsewhere in this Form 10-K. The selected consolidated statement of operations data for the years ended March 31, 2020, 2019 and 2018 and the selected consolidated balance sheet data as of March 31, 2020, and 2019 presented below was derived from our audited consolidated financial statements, which are included elsewhere herein. On March 31, 2017, we completed a two-for-one stock split in the form of a stock dividend. Per share amounts have been retroactively adjusted for this stock split.

The selected financial data as of and for the years ended March 31, 2017, and 2016 have been derived from our audited consolidated financial statements, which are not included in this report.

	For the	years ended Ma	arch 31,	
2020	2019	2018	2017	2016
	(in thousa	nds, except per s	share data)	
\$1,588,404	\$1,372,673	\$1,418,802	\$1,331,778	\$1,204,199
1,197,213	1,042,285	1,095,320	1,032,019	942,142
391,191	330,388	323,482	299,759	262,057
295,912	250,854	239,243	214,027	186,306
95,279	79,534	84,239	85,732	75,751
680	6,696	(348)	380	
95,959	86,230	83,891	86,112	75,751
26,877	23,038	28,769	35,556	31,004
\$ 69,082	\$ 63,192	\$ 55,122	\$ 50,556	\$ 44,747
\$ 5.18	\$ 4.70	\$ 4.00	\$ 3.65	\$ 3.08
\$ 5.15	\$ 4.65	\$ 3.95	\$ 3.60	\$ 3.05
	\$1,588,404 1,197,213 391,191 295,912 95,279 680 95,959 26,877 \$ 69,082 \$ 5.18	2020 2019 (in thousal	2020 2019 (in thousands, except per stands) \$1,588,404 \$1,372,673 \$1,418,802 1,197,213 1,042,285 1,095,320 391,191 330,388 323,482 295,912 250,854 239,243 95,279 79,534 84,239 680 6,696 (348) 95,959 86,230 83,891 26,877 23,038 28,769 \$69,082 \$63,192 \$55,122 \$5.18 \$4.70 \$4.00	(in thousands, except per share data) \$1,588,404 \$1,372,673 \$1,418,802 \$1,331,778 1,197,213 1,042,285 1,095,320 1,032,019 391,191 330,388 323,482 299,759 295,912 250,854 239,243 214,027 95,279 79,534 84,239 85,732 680 6,696 (348) 380 95,959 86,230 83,891 86,112 26,877 23,038 28,769 35,556 \$ 69,082 \$ 63,192 \$ 55,122 \$ 50,556 \$ 5.18 \$ 4.70 \$ 4.00 \$ 3.65

		roi tiit	years chucu wi	aren 31,	
Balance Sheet Data:	2020	2019	2018	2017	2016
			(in thousands)		
Cash and cash equivalents	\$ 86,231	\$ 79,816	\$118,198	\$109,760	\$ 94,766
Accounts receivable—net	374,998	341,227	296,688	291,016	276,399
Total financing receivables and operating					
leases—net	144,327	122,799	138,447	123,539	132,354
Total assets	\$909,113	\$786,198	\$755,471	\$741,720	\$616,680
Total non-recourse and recourse notes					
payable	\$ 72,758	\$ 48,647	\$ 52,278	\$ 37,424	\$ 47,422
Total liabilities	\$422,968	\$361,945	\$382,868	\$395,802	\$297,802
Total stockholders' equity	\$486,145	\$424,253	\$372,603	\$345,918	\$318,878
Weighted average common shares					
outstanding—basic	13,327	13,448	13,790	13,867	14,513
Weighted average common shares					
outstanding—diluted	13,415	13,578	13,967	14,028	14,688

For the years ended March 31.

Other Financial Data:

Our management monitors several financial and non-financial measures and ratios on a regular basis to track the progress of our business. We believe that the most important of these measures and ratios include net sales, gross margin, operating income margin, net earnings, net earnings per common share, adjusted EBITDA, adjusted EBITDA margin, adjusted gross billings, and non-GAAP net earnings per share. We use a variety of operating and other information to evaluate the operating performance of our business, develop financial forecasts, make strategic decisions, and prepare and approve annual budgets.

These key indicators include financial information that is prepared in accordance with US GAAP and presented in our unaudited condensed consolidated financial statements, as well as non-GAAP performance measurement tools. Generally, a non-GAAP financial measure is a numerical measure of a company's performance or financial position that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with US GAAP. Non-GAAP measures used by management may differ from similar measures used by other companies, even when similar terms are used to identify such measures.

Our key business metrics are as follows (dollars in thousands):

				For the	yea	rs ended Ma	arch	31,		
Consolidated	_	2020	_	2019		2018		2017		2016
Net sales	\$1	,588,404	\$1	1,372,673	\$1	,418,802	\$1	,331,778	\$1	,204,199
Gross profit	\$	391,191	\$	330,388	\$	323,482	\$	299,759	\$	262,057
Gross margin		24.6%	6	24.19	6	22.8%	6	22.59	6	21.7%
Operating income margin		6.0%	6	5.89	6	5.9%	o o	6.49	6	6.3%
Net earnings	\$	69,082	\$	63,192	\$	55,122	\$	50,556	\$	44,747
Net earnings margin		4.3%	6	4.6%	6	3.9%	o o	3.89	6	3.7%
Net earnings per common share - diluted	\$	5.15	\$	4.65	\$	3.95	\$	3.60	\$	3.05
Non-GAAP: Net earnings ⁽¹⁾	\$	82,167	\$	69,580	\$	70,413	\$	68,997	\$	61,520
Non-GAAP: Net earnings per										
common share - diluted ⁽¹⁾	\$	6.13	\$	5.12	\$	5.04	\$	4.92	\$	4.19
Adjusted EBITDA ⁽²⁾	\$	119,359	\$	100,415	\$	102,774	\$	99,287	\$	87,691
Adjusted EBITDA margin		7.5%	6	7.3%	6	7.2%	o o	7.59	6	7.3%
Purchases of property and equipment used										
internally	\$	4,842	\$	6,042	\$	5,353	\$	3,356	\$	2,442
Purchases of equipment under operating										
leases		2,167		5,587		2,237		6,202		12,026
Total capital expenditures	\$	7,009	\$	11,629	\$	7,590	\$	9,558	\$	14,468

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Consolidated		2020		2019		2018		2017		2016
Technology Segment										
Net sales	\$1	,530,138	\$1	,329,520	\$1	,372,765	\$1	,294,937	\$1	,169,065
Adjusted gross billings ⁽³⁾	\$2	2,227,885	\$1	,918,995	\$1	,899,685	\$1	,780,417	\$1	,562,191
Gross profit	\$	340,588	\$	294,662	\$	287,287	\$	269,749	\$	237,283
Gross margin		22.3%	6	22.2%	ó	20.9%	o o	20.8%	Ó	20.3%
Operating income	\$	62,155	\$	56,738	\$	62,389	\$	68,912	\$	63,689
Adjusted EBITDA ⁽²⁾	\$	85,840	\$	77,202	\$	80,555	\$	82,117	\$	75,223
Financing Segment										
Net sales	\$	58,266	\$	43,153	\$	46,037	\$	36,841	\$	35,134
Gross profit	\$	50,603	\$	35,726	\$	36,195	\$	30,010	\$	24,774
Operating Income	\$	33,124	\$	22,796	\$	21,850	\$	16,820	\$	12,062
Adjusted EBITDA ⁽²⁾		33,519	\$	23,213	\$	22,219	\$	17,170	\$	12,468

For the years ended March 31.

We use non-GAAP net earnings per common share as a supplemental measure of our performance to gain insight into our operating performance. We believe that the exclusion of other income and acquisition related amortization expense in calculating non-GAAP net earnings per common share provides management and investors a useful measure for period-to-period comparisons of our business and operating results by excluding items that management believes are not reflective of our underlying operating performance. Accordingly, we believe that non-GAAP net earnings per common share provide useful information to investors and others in understanding and evaluating our operating results. However, our use of non-GAAP information as analytical tools has limitations, and you should not consider them in isolation or as substitutes for analysis of our financial results as reported under GAAP. In addition, other companies, including companies in our industry, might calculate similar non-GAAP net earnings and non-GAAP net earnings per common share or similarly titled measures differently, which may reduce their usefulness as comparative measures.

		For the	years ended M	arch 31,	
	2020	2019	2018	_2017_	2016
GAAP: Earnings before tax	\$ 95,959	\$86,230	\$83,891	\$ 86,112	\$ 75,751
Share based compensation	7,954	7,244	6,464	6,025	5,711
Acquisition and integration expense	1,676	1,813	2,150	278	681
Acquisition related amortization expense	9,217	7,423	5,978	4,000	2,917
Other (income) expense	(680)	(6,696)	348	(380)	
Non-GAAP: Earnings before provision for income taxes	114,126	96,014	98,831	96,035	85,060
GAAP: Provision for income taxes	26,877	23,038	28,769	35,556	31,004
Share based compensation	2,218	1,988	1,866	1,709	1,581
Acquisition and integration expense	490	522	621	79	188
Acquisition related amortization expense	2,487	1,916	1,598	938	807
Other (income) expense	(200)	(1,702)	101	(108)	_
Remeasurement of deferred taxes	_	_	1,654	_	_
Adjustment to U.S. Federal Income Tax rate to 21%	_	_	(7,635)	(11,650)	(10,040)
Tax benefit on restricted stock	87	672	1,444	514	
Non-GAAP: Provision for income taxes	31,959	26,434	28,418	27,038	23,540
Non-GAAP: Net earnings	\$ 82,167	<u>\$69,580</u>	<u>\$70,413</u>	\$ 68,997	<u>\$ 61,520</u>

		For the	years ended Ma	rch 31,	
	2020	2019	2018	2017	2016
GAAP: Net earnings per common share - diluted	\$ 5.15	\$ 4.65	\$ 3.95	\$ 3.60	\$3.05
Share based compensation	0.43	0.38	0.33	0.31	0.28
Acquisition and integration expense	0.09	0.09	0.11	0.01	0.03
Acquisition related amortization expense	0.51	0.40	0.32	0.22	0.14
Other (income) expense	(0.04)	(0.35)	0.01	(0.02)	_
Remeasurement of deferred taxes	_	_	(0.12)	_	_
Adjustment to U.S. Federal Income Tax rate to 21%	_	_	0.54	0.84	0.69
Tax benefit on restricted stock	(0.01)	(0.05)	(0.10)	(0.04)	
Total non-GAAP adjustments - net of tax	\$ 0.98	\$ 0.47	\$ 1.09	\$ 1.32	\$1.14
Non-GAAP: Net earnings per common share - diluted	\$ 6.13	\$ 5.12	\$ 5.04	<u>\$ 4.92</u>	\$4.19

⁽²⁾ We define Adjusted EBITDA as net earnings calculated in accordance with GAAP, adjusted for the following: interest expense,

⁽¹⁾ Non-GAAP net earnings and non-GAAP net earnings per common share – diluted is based on net earnings calculated in accordance with GAAP, adjusted to exclude other income (expense), share-based compensation, and acquisition and integration expenses, and the related tax effects, the tax (benefit) expense due to the re-measurement of deferred tax assets and liabilities at the new US tax rates, and an adjustment to our tax expense in the prior year assuming a 21% federal income tax rate for US operations.

depreciation and amortization, share-based compensation, acquisition and integration expenses, provision for income taxes, and other income. Segment Adjusted EBITDA is defined as operating income calculated in accordance with GAAP, adjusted for interest expense, share-based compensation, acquisition and integration expenses, and depreciation and amortization. We consider the interest on notes payable from our financing segment and depreciation expense presented within cost of sales, which includes depreciation on assets financed as operating leases, to be operating expenses. As such, they are not included in the amounts added back to net earnings in the Adjusted EBITDA calculation. We provide below a reconciliation of Adjusted EBITDA to net earnings, which is the most directly comparable financial measure to this non-GAAP financial measure. Adjusted EBITDA margin is our calculation of Adjusted EBITDA divided by net sales. The presentation of Adjusted EBITDA has been changed from prior period presentations to include adjustments for expenses related to acquisitions such as legal, accounting, tax, and adjustments to the fair value of contingent purchase price consideration as well as stock compensation.

We use Adjusted EBITDA as a supplemental measure of our performance to gain insight into our operating performance. We believe that the exclusion of other income in calculating Adjusted EBITDA and Adjusted EBITDA margin provides management and investors a useful measure for period-to-period comparisons of our business and operating results by excluding items that management believes are not reflective of our underlying operating performance. Accordingly, we believe that Adjusted EBITDA and Adjusted EBITDA margin provide useful information to investors and others in understanding and evaluating our operating results. However, our use of Adjusted EBITDA and Adjusted EBITDA margin as analytical tools has limitations, and you should not consider them in isolation or as substitutes for analysis of our financial results as reported under GAAP. In addition, other companies, including companies in our industry, might calculate Adjusted EBITDA and Adjusted EBITDA margin or similarly titled measures differently, which may reduce their usefulness as comparative measures.

		For the	years ended Ma	rch 31,	
Consolidated	2020	2019	2018	2017	2016
Net earnings	\$ 69,082	\$ 63,192	\$ 55,122	\$50,556	\$44,747
Provision for income taxes	26,877	23,038	28,769	35,556	31,004
Share based compensation	7,954	7,244	6,464	6,025	5,711
Interest and financing costs	294	_	_	_	_
Acquisition and integration expense	1,676	1,813	2,150	278	681
Depreciation and amortization	14,156	11,824	9,921	7,252	5,548
Other (income) expense	(680)	(6,696)	348	(380)	
Adjusted EBITDA	<u>\$119,359</u>	<u>\$100,415</u>	\$102,774	\$99,287	\$87,691
Technology Segment					
Operating income	\$ 62,155	\$ 56,738	\$ 62,389	\$68,912	\$63,689
Depreciation and amortization	14,016	11,812	9,918	7,243	5,532
Share based compensation	7,699	6,839	6,098	5,684	5,321
Interest and financing costs	294	_	_	_	_
Acquisition and integration expense	1,676	1,813	2,150	278	681
Adjusted EBITDA	\$ 85,840	<u>\$ 77,202</u>	\$ 80,555	\$82,117	\$75,223
Financing Segment					
Operating income	\$ 33,124	\$ 22,796	\$ 21,850	\$16,820	\$12,062
Depreciation and amortization	140	12	3	9	16
Share based compensation	255	405	366	341	390
Adjusted EBITDA	\$ 33,519	\$ 23,213	\$ 22,219	\$17,170	\$12,468

⁽³⁾ We define Adjusted gross billings as our technology segment net sales calculated in accordance with US GAAP, adjusted to exclude the costs incurred related to sales of third-party maintenance, software assurance and subscription/SaaS licenses, and services. We have provided below a reconciliation of adjusted gross billings to technology segment net sales, which is the most directly comparable financial measure to this non-GAAP financial measure. The presentation of adjusted gross billings has been updated to align with net sales for our technology segment.

We use adjusted gross billings as a supplemental measure of our performance to gain insight into the volume of business generated by our technology segment, and to analyze the changes to our accounts receivable and accounts payable. Our use of adjusted gross billings as an analytical tool has limitations, and you should not consider them in isolation or as substitutes for analysis of our financial results as reported under US GAAP. In addition, other companies, including companies in our industry, might calculate adjusted gross billings or a similarly titled measure differently, which may reduce its usefulness as a comparative measure.

For the years anded March 21

		For the	years ended M	aren 31,	
	2020	2019	2018	2017	2016
Technology segment net sales	\$1,530,138	\$1,329,520	\$1,372,765	\$1,294,937	\$1,169,065
Costs incurred related to sales of third party maintenance, software assurance and subscription/Saas licenses, and					
services	697,747	\$ 589,475	\$ 526,920	\$ 485,480	\$ 393,126
Adjusted gross billings	\$2,227,885	\$1,918,995	\$1,899,685	\$1,780,417	\$1,562,191

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations ("financial review") of ePlus is intended to help investors understand our company and our operations. The financial review is provided as a supplement to, and should be read in conjunction with, the consolidated financial statements and the related notes included elsewhere in this report.

For a discussion of results for the year ended March 31, 2018, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended March 31, 2019, filed with the Securities and Exchange Commission on May 23, 2019.

EXECUTIVE OVERVIEW

Business Description

ePlus and its consolidated subsidiaries provide leading IT products and services, flexible leasing and financing solutions, and enterprise supply management to enable our customers to optimize their IT infrastructure and supply chain processes.

We design, implement and provide IT solutions for our customers. We are focused primarily on specialized IT segments including data center infrastructure, networking, security, cloud and collaboration. Our solutions incorporate hardware and software products from multiple leading IT vendors. As our customers' IT requirements have grown increasingly complex, we have evolved our offerings by investing in our professional and managed services capabilities and by expanding our relationships with existing and emerging key vendors.

We continue to strengthen our relationships with vendors focused on emerging technologies, which have enabled us to provide our customers with new and evolving IT solutions. We are an authorized reseller of over 1,000 vendors, but primarily of approximately 100 vendors, including Check Point, Cisco Systems, Dell EMC, FireEye, F5 Networks, Gigamon, Hewlett Packard Enterprise, Juniper, McAfee, NetApp, Nimble, Oracle, Palo Alto Networks, Pure Storage, Splunk, VMware, among many others. We possess top-level engineering certifications with a broad range of leading IT vendors that enable us to offer IT solutions that are optimized for each of our customers' specific requirements. Our proprietary software solutions allow our customers to procure, control and automate their IT solutions environment.

COVID-19

The COVID-19 pandemic is having widespread, rapidly evolving, and unpredictable impacts on global society, economies, financial markets, and business practices. Governments and public health authorities have required measures to contain the virus, including social distancing, travel restrictions, border closures, limitations on public gatherings, work from home, supply chain logistical changes, and closure of non-essential businesses.

As COVID-19 impacts continue to expand across the country and globe, ePlus has been adjusting our business activities for the safety of our employees and to best serve our customers in this rapidly evolving environment.

ePlus has implemented a flexible work from home strategy applicable to all offices and our operational continuity plans ensure that we have sufficient resources to continue supporting our customers. For example, our managed service teams are distributed across the United States with the ability to leverage technology to provide seamless coverage from any combination of work and/or home offices. While ePlus and many of our customers and vendor partners have restricted travel, we are leveraging video and other collaborative tools to continue to be responsive.

Our account relationship teams are actively engaging with our customers, to ensure they have the support needed in adjusting to changes in the business environment and government directives. We are working closely with our partners to address varying impacts on their supply chain to satisfy infrastructure needs. *ePlus* has a resource page to support specific customer inquiries from security to collaboration to financing options.

We continue to execute against and adjust our business continuity plans to maximize our ability to support our employees and customers in concert with our partners. *e*Plus remains committed to driving positive business outcomes.

Financial Summary

During the year ended March 31, 2020, net sales increased 15.7% to \$1,588.4 million, or an increase of \$215.7 million compared to \$1,372.7 million in the prior fiscal year. Product sales for the year ended March 31, 2020, increased 14.1% to \$1,395.3 million, or an increase of \$172.1 million compared to \$1,223.2 million in the prior year. Services sales during the year ended March 31, 2020, increased 29.2% to \$193.1 million, or an increase of \$43.6 million, over prior year services sales of \$149.5 million. There was a substantial increase in demand for products from our customers in the telecom, media and entertainment industries, and increases in the technology, SLED, healthcare, and all other category of customers, offset by a decrease in demand from financial services customers.

Adjusted gross billings increased by 16.1% to \$2,227.9 million for the year ended March 31, 2020, compared to \$1,919.0 million the prior fiscal year. The increase in adjusted gross billings was due to higher demand from our current customers, as well as from our acquisitions. Net sales increased at a slightly lower percentage than adjusted gross billings year over year due to a shift in mix to third party maintenance, software assurance, subscriptions/SaaS licenses, and services which we recognize revenue on a net basis.

Consolidated gross profit increased 18.4%, to \$391.2 million, compared to \$330.4 million in the prior fiscal year due to higher margins. Consolidated gross margin increased 50 basis points to 24.6% for the year ended March 31, 2020, compared to 24.1% for the year ended March 31, 2019. The increase in gross margin was due to expanded gross profit and margins of our financing segment, a shift in the technology segment revenue mix resulting from our continued focus on value added services for our customers, including the increase in sales of our professional and managed services, and sales of third-party maintenance agreements.

Operating income increased \$15.7 million, or 19.8%, to \$95.3 million and operating margin increased by 20 basis points to 6.0%, as compared to the year ended March 31, 2019. The increase in operating earnings was due to a year over year increase in gross profit partially offset by selling, general, and administrative expense increase of 17.8% or \$42.1 million, due, in part to increases variable compensation, salaries, healthcare costs, office rent, and software license and maintenance, as well as full year expenses associated with the SLAIT acquisition in January 2019, and the ABS Technology acquisition in August 2019. As of March 31, 2020, we had 1,579 employees, an increase of 2.7% from 1,537 as of March 31, 2019. Depreciation and amortization expense increased \$2.3 million, due to the acquisitions, and interest and financing costs increased \$0.6 million, due to an increase in the average balance of non-recourse and recourse notes payable outstanding during the year.

Our effective tax rate for the year ended March 31, 2020, was 28.0%, compared to 26.7% for the same period in the prior year, due to a decrease in the tax benefit from the vesting of restricted stock. The higher tax rate had a negative effect on net earnings for the year ended March 31, 2020, of \$1.2 million compared to the prior year tax rate.

Net earnings for the year ended March 31, 2020, increased 9.3% to \$69.1 million, as compared to the year ended March 31, 2019. Net earnings for the year ended March 31, 2020, and 2019 included other income of \$1.0 and \$6.3 million from payments received from distributions from various legal claims.

Adjusted EBITDA for the year ended March 31, 2020, was \$119.4 million, an increase of \$18.9 million, or 18.9%, compared to \$100.4 million in the prior year.

For the year ended March 31, 2020, diluted earnings per share were \$5.15, an increase of \$0.50, or 10.8%, compared to the prior year of \$4.65 per diluted share. Non-GAAP diluted earnings per share was \$6.13 for fiscal year 2020, an increase of \$1.01, or 19.7%, from the prior year of \$5.12 per diluted share.

Cash and cash equivalents increased \$6.4 million, or 8.0%, to \$86.2 million at March 31, 2020, compared to March 31, 2019. The increase is primarily the result of cash flows from operations and a \$35 million balance on the accounts receivable component of our credit facility, which was partially offset by an increase in working capital required for the growth in our technology segment, and an increase in our cash conversion cycle, investments in our financing portfolio, and the repurchase of shares of our common stock for \$14.4 million under our stock repurchase authorization in the year ended March 31, 2020. Our cash on hand, funds generated from operations, amounts available under our credit facility and the possible monetization of our investment portfolio have provided sufficient liquidity for our business.

The extent of the impact of COVID-19 is uncertain and may impact our liquidity position over the longer term. As credit markets have tightened as a result of COVID-19, we may have difficulty funding our financing transactions with lenders which may result in the use of our cash or a decrease in financing originations.

Segment Overview

Our operations are conducted through two segments: technology and financing.

Technology Segment

The technology segment derives revenue from sales of product, project related advanced professional services, managed services and staff augmentation. The technology segment sells primarily to corporate customers, state and local governments, and higher education institutions on a nationwide basis, with geographic concentrations relating to our physical locations. The technology segment also provides Internet-based business-to-business supply chain management solutions for information technology products.

Customers who purchase IT equipment and services from us may have customer master agreements, or CMAs, with our company, which stipulate the terms and conditions of the relationship. Some CMAs contain pricing arrangements, and most contain mutual voluntary termination clauses. Our other customers place orders using purchase orders without a CMA in place or with other documentation customary for the business. Often, our work with state and local governments is based on public bids and our written bid responses. Our service engagements are generally governed by statements of work and are primarily fixed price (with allowance for changes); however, some service agreements are based on time and materials.

We endeavor to minimize the cost of sales through incentive programs provided by vendors and distributors. The programs we qualify for are generally set by our reseller authorization level with the vendor. The authorization level we achieve and maintain governs the types of products we can resell as well as such items as pricing received, funds provided for the marketing of these products and other special promotions. These authorization levels are achieved by us through purchase volume, certifications held by sales executives or engineers and/or contractual commitments by us. The authorization levels are costly to maintain, and these programs continually change and, therefore, there is no guarantee of future reductions of costs provided by these vendor consideration programs.

Financing Segment

Our financing segment offers financing solutions to corporations, governmental entities, and educational institutions nationwide and in Canada, the UK, and several other European countries. The financing segment derives revenue from leasing IT and medical equipment and the disposition of that equipment at the end of the lease. The financing segment also derives revenues from the financing of third-party software licenses, software assurance, maintenance and other services.

Financing revenue generally falls into the following three categories:

- Portfolio income: Interest income from financing receivables and rents due under operating leases;
- Transactional gains: Net gains or losses on the sale of financial assets; and
- Post-contract earnings: Month-to-month rents; early termination, prepayment, make-whole, or buyout fees; and net gains on the sale of off-lease (used) equipment.

We also recognize revenue from events that occur after the initial sale of a financial asset and remarketing fees from certain residual value investments.

Fluctuations in Operating Results

Our results of operations are susceptible to fluctuations for a number of reasons, including, without limitation, customer demand for our products and services, supplier costs, changes in vendor incentive programs, interest rate fluctuations, decision to sell financial assets, general economic conditions, and differences between estimated residual values and actual amounts realized related to the equipment we lease. Operating results could also fluctuate as a result of a sale prior to the expiration of the lease term to the lessee or to a third-party or from other post-term events.

We expect to continue to expand by opening new sales locations and hiring additional staff for specific targeted market areas whenever we can find both experienced personnel and desirable geographic areas over the longer term, which may reduce our results from operations. COVID-19 may negatively affect market demand, which will likely lower our financial results, and may adversely impact our ability to expand. We are uncertain as to the extent and duration of the impact to the IT market demand for our products and services.

CRITICAL ACCOUNTING ESTIMATES

Our consolidated financial statements have been prepared in accordance with US GAAP. Our significant accounting policies are described in Note 1 of the Notes to the Consolidated Financial Statements under "Organization and Summary of Significant Accounting Policies." The accounting policies described below are significantly affected by critical accounting estimates. Such accounting policies require significant judgments, assumptions, and estimates, and actual results could differ materially from the amounts reported based on these policies.

REVENUE RECOGNITION — When we enter contracts with customers, we are required to identify the performance obligations in the contract. We recognize most of our revenues from the sales of third-party products, third-party software, third-party maintenance, software support, and services, *e*Plus professional and managed services, and hosting *e*Plus proprietary software. Our recognition of revenue differs for each of these different types of performance obligations and identifying each performance obligation appropriately may require judgement.

When a contract contains multiple distinct performance obligations, we allocate the transaction price to each performance obligation based on its relative standalone selling price. We determine standalone selling prices using expected cost-plus margin. When we finance sales of third-party software and third-party maintenance, software support, and services, we reduce the transaction price by the financing component.

We recognize revenue from sales of third-party products and third-party software at the point in time that control passes to the customer, which is typically upon delivery of the product to the customer. We perform an analysis to estimate the amount of sales in-transit at the end of the period and adjust revenue and the related costs to reflect only what has been delivered to the customer. This analysis is based upon an analysis of current quarter and historical delivery dates.

We recognize revenue from sales of third-party maintenance, software support, and services when our customer and vendor accept the terms and conditions of the arrangement. On occasion, judgement is required to determine this point in time.

We provide *e*Plus professional services under both time and materials and fixed price contracts. When services are provided on a time and materials basis, we recognize sales at agreed-upon billing rates as services are performed. When services are provided on a fixed fee basis, we recognize sales over time in proportion to our progress toward complete satisfaction of the performance obligation. Using this method requires a determination of the appropriate input or output method to measure progress. We most often measure progress based on costs incurred in proportion to total estimated costs, commonly referred to as the "cost-to-cost" method. When using this method, significant judgement may be required to estimate the total costs to complete the performance obligation. We typically recognize sales of *e*Plus managed services on a straight-line basis over the period services are provided.

We recognize financing revenues from our investments in leases and notes receivable. We recognize interest income on our notes-receivable using the effective interest method.

We classify our leases as either sales-type leases or operating leases. For sales-type leases, upon lease commencement, we recognize the present value of the lease payments and the residual asset discounted using the rate implicit in the lease. When we are financing equipment provided by another dealer, we typically do not have any selling profit or loss arising from the lease. When we are the dealer of the equipment being leased, we typically recognize revenue in the amount of the lease receivable and cost of sales in the amount of the carrying value of the underlying asset minus the unguaranteed residual asset. We may need to use judgement to determine the fair value of the equipment. After the commencement date, we recognize interest income as part of net sales using the effective interest method. For operating leases, we recognize the underlying asset as an operating lease asset. We depreciate the asset on a straight-line basis to its estimated residual value over its estimated useful life. We recognize the lease payments over the lease term on a straight-line basis as part of net sales.

We account for the transfer of financial assets as sales or secured borrowings. When a transfer meets all the requirements for sale accounting, we derecognize the financial asset and record a net gain or loss that is included in net sales. We utilize qualified attorneys to provide a true-sale-at-law opinion to support the conclusion that transferred financial assets have been legally isolated.

RESIDUAL ASSETS — Our estimate for the residual asset in a lease is the amount we expect to derive from the underlying asset following the end of the lease term. Our estimates vary, both in amount and as a percentage of the original equipment cost, and depend upon several factors, including the equipment type, vendor's discount, market conditions, lease term, equipment supply and demand, and new product announcements by vendors. We evaluate residual values for impairment on a quarterly basis. We do not recognize upward adjustments due to changes in estimates of residual values.

GOODWILL — We test goodwill for impairment on an annual basis, as of October 1, and between annual tests if an event occurs, or circumstances change, that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Goodwill is tested for impairment at a level of reporting referred to as a reporting unit.

In a qualitative assessment, we assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, including goodwill. A significant amount of judgment is involved in determining if an event representing an indicator of impairment has occurred between annual test dates. Such indicators may include: a significant decline in expected future cash flows; a sustained, significant decline in stock price and market capitalization; a significant adverse change in legal factors or in the business climate; unanticipated competition; the testing for recoverability of a significant asset group within a reporting unit; and reductions in revenue or profitability growth rates.

In the quantitative impairment test, we compare the fair value of a reporting unit with its carrying amount, including goodwill. We estimate the fair value of each reporting unit using a combination of the income approach and market approaches.

The income approach incorporates the use of a discounted cash flow method in which the estimated future cash flows and terminal values for each reporting unit are discounted to a present value using a discount rate. Cash flow projections are based on management's estimates of economic and market conditions which drive key assumptions of revenue growth rates, operating margins, capital expenditures and working capital requirements. The discount rate in turn is based on the specific risk characteristics of each reporting unit, the weighted average cost of capital and its underlying forecast.

The market approach estimates fair value by applying performance metric multiples to the reporting unit's prior and expected operating performance. The multiples are derived from comparable publicly traded companies with similar operating and investment characteristics as the reporting unit.

The fair values determined by the market approach and income approach, as described above, are weighted to determine the fair value for each reporting unit. Although we have consistently used the same methods in developing the assumptions and estimates underlying the fair value calculations, such estimates are uncertain and may vary from actual results.

VENDOR CONSIDERATION — We receive payments and credits from vendors and distributors, including consideration pursuant to volume incentive programs, and shared marketing expense programs. Many of these programs extend over one or more quarters' sales activities. Different programs have different vendor/program specific goals to achieve. We recognize the rebates pursuant to volume incentive programs, when the rebate is probable and reasonably estimable, based on a systematic and rational allocation of the cash consideration offered to each of the underlying transactions that results in our progress towards earning the rebate. Should our actual performance be different from our estimates, we may be required to adjust our receivables.

RESERVES FOR CREDIT LOSSES — We maintain our reserves for credit losses related to our accounts receivable and financing receivables at levels believed to be adequate to absorb potential losses inherent in their respective balances. We assign an internal rating for the credit quality of all new customers and update these ratings regularly, but no less than annually. Our determination of the adequacy of the reserve for credit losses for our accounts receivable is based on the age of the receivable balance, our internal rating of the customer's credit quality, our historical credit losses, current economic conditions, and other relevant factors. Our determination of

the adequacy of the reserve for credit losses for financing receivables is based on our internal rating of the customer's credit quality, our historical credit losses, current economic conditions, the fair value of the underlying collateral, and the volume, growth, the composition of the lease portfolio, and other relevant facts. We adjust our reserve for credit losses to reflect transfers of financial assets that are recognized as non-recourse debt. Our ongoing consideration of all these factors could result in an increase in our reserve for credit losses in the future, which could adversely affect our operating results.

INCOME TAXES — We make certain estimates and judgments in determining income tax expense for financial statement reporting purposes. These estimates and judgments occur in the calculation of certain tax assets and liabilities, which principally arise from differences in the timing of recognition of revenue and expense for tax and financial statement reporting purposes. We also must analyze income tax reserves, as well as determine the likelihood of recoverability of deferred tax assets and adjust any valuation allowances accordingly.

Considerations with respect to the recoverability of deferred tax assets include the period of expiration of the tax asset, planned use of the tax asset, and historical and projected taxable income as well as tax liabilities for the tax jurisdiction to which the tax asset relates. Valuation allowances are evaluated periodically and will be subject to change in each future reporting period as a result of changes in one or more of these factors. The calculation of our tax liabilities also involves considering uncertainties in the application of complex tax regulations. We recognize liabilities for uncertain income tax positions based on our estimate of whether, and the extent to which, additional taxes will be required.

BUSINESS COMBINATIONS — We account for business combinations using the acquisition method. For each acquisition, we recognize the majority of assets acquired and liabilities assumed at their fair values at the acquisition date. Our valuations of certain assets acquired, including customer relationships and trade names, and certain liabilities assumed, such as performance obligations, involve significant judgement and estimation. Additionally, our determination of the purchase price may include an estimate for the fair value of contingent consideration. We utilize independent valuation specialists to assist us in determining the fair value of certain assets and liabilities. Our valuations utilize significant estimates, such as forecasted revenues and profits. Changes in our estimates could significantly impact the value of certain assets and liabilities.

RECENT ACCOUNTING PRONOUNCEMENTS

The information set forth in Note 2, "Recent Accounting Pronouncements" to the accompanying Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K is incorporated herein by reference.

RESULTS OF OPERATIONS

The Year Ended March 31, 2020 Compared to the Year Ended March 31, 2019

Technology Segment

The results of operations for our technology segment for the years ended March 31, 2020 and 2019 were as follows (in thousands):

	Year Ended	March 31,		
	2020	2019	Chang	e
Net sales				
Product	\$1,337,022	\$1,180,042	\$156,980	13.3%
Services	193,116	149,478	43,638	<u>29.2</u> %
Total	1,530,138	1,329,520	200,618	<u>15.1</u> %
Cost of sales				
Product	1,069,110	945,037	124,073	13.1%
Services	120,440	89,821	30,619	<u>34.1</u> %
Total	1,189,550	1,034,858	154,692	<u>14.9</u> %
Gross profit	340,588	294,662	45,926	15.6%
Selling, general, and administrative	264,123	226,112	38,011	16.8%
Depreciation and amortization	14,016	11,812	2,204	18.7%
Interest and financing costs	294		294	
Operating expenses	278,433	237,924	40,509	17.0%

	Year Ended	l March 31,		
	2020	2019	Chang	e
Operating income	\$ 62,155	\$ 56,738	\$ 5,417	9.5%
Adjusted gross billings	\$2,227,885	<u>\$1,918,995</u>	\$308,890	<u>16.1</u> %
Adjusted EBITDA	\$ 85,840	\$ 77,202	\$ 8,638	<u>11.2</u> %

Net sales: Net sales for the year ended March 31, 2020, increased by \$200.6 million, or 15.1%, to \$1,530.1 million due to increases from customers in telecom, media and entertainment industry which was partially offset by a decrease in demand from SLED, financial services, and all the other category of customers. Product sales increased 13.3%, or \$157.0 million, to \$1,337.0 million and services revenues increased 29.2%, or \$43.6 million, to \$193.1 million due to an increase in staffing and professional and managed services primarily from the SLAIT acquisition.

Adjusted gross billings increased to \$2,227.9 million, or 16.1%, from \$1,919.0 million in the prior year. The increase in adjusted gross billings was due, in part, to acquisitions as well as higher demand from our current customers. This increase was a higher percentage than that for the net sales increase due a shift in mix to more third-party maintenance, software assurance, subscriptions/SaaS licenses, and services where we recognize revenue on a net basis.

We analyze sales by customer end market and by manufacturer. The percentage of net sales by industry and vendor are summarized below:

	Twelve Mon March		
	2020	2019	Change
Revenue by customer end market:			
Technology	21%	22%	(1%)
SLED	16%	17%	(1%)
Financial Services	13%	15%	(2%)
Healthcare	15%	15%	0%
Telecom, Media & Entertainment	19%	13%	6%
All others	<u>16</u> %	<u>18</u> %	(2%)
Total	100%	100%	
	Twelve Mon March		
			Change
Revenue by vendor:	March	1 31,	Change
Revenue by vendor: Cisco Systems	March	1 31,	Change (2%)
	March 2020	2019	
Cisco Systems	March 2020 40%	2019 42%	(2%)
Cisco Systems NetApp.	March 2020 40% 4%	131, 2019 42% 4%	(2%) 0%
Cisco Systems NetApp. HP Inc. & HPE	40% 4% 5%	2019 42% 4% 6%	(2%) 0% (1%)
Cisco Systems NetApp HP Inc. & HPE Dell/EMC	40% 4% 5% 6%	42% 42% 4% 6% 5%	(2%) 0% (1%) 1%
Cisco Systems NetApp HP Inc. & HPE Dell/EMC Juniper Networks	40% 4% 5% 6% 4%	42% 4% 6% 5% 4%	(2%) 0% (1%) 1% 0%

Our revenues by customer end market have remained consistent over the prior year, with over 80% of our sales being generated from customers within the five end markets specified above. In fiscal year 2020, we had a percentage increase in revenues from customers in telecommunications, media and entertainment, a consistent percentage for healthcare, and decreases in the percentage of revenues for technology, SLED, financial services, and all other category of customers. These changes were driven by changes in customer buying cycles and specific IT related initiatives, rather than the acquisition or loss of a customer or set of customers.

The majority of our revenues by vendor are derived from Cisco Systems, Dell/EMC, Hewlett Packard companies, and NetApp which collectively remain at or above 55% of total revenues for both fiscal year 2020 and 2019. None of the vendors included within the "other" category exceeded 5% of total revenues.

Cost of sales: The 14.9% increase in cost of sales was due to the increase in product sales, and a higher amount of services revenues, partially offset by an improvement in gross margin on product sales. Gross margin increased 10 basis points to 22.3% for the year ended March 31, 2020, from 22.2% in the prior year due to an increase in sales of third-party maintenance, software assurance, subscription/SaaS licenses, and services, for which the revenues are presented on a net basis, as well as increases in revenues from our professional and managed service. Vendor incentives earned as a percentage of sales for the year ended March 31, 2020, and 2019 remained constant.

Selling, general, and administrative expenses: Selling, general, and administrative expenses of \$264.1 million for the year ended March 31, 2020, increased by \$38.0 million, or 16.8% compared to the prior year. Salaries and benefits increased \$32.2 million or 17.2% to \$219.0 million, compared to \$186.8 million during the prior year. Approximately 39.6% of this increase was due to higher variable compensation due to the increase in gross profit, and the remaining increase was due to the costs for employees acquired in the acquisition of SLAIT in January 2019 included for the entire current fiscal year, the acquisition of ABS technology in August 2019, and organic position additions.

Our technology segment had 1,543 employees as of March 31, 2020, an increase of 40, or 2.7%, from 1,503 at March 31, 2019. There was an increase 52 positions related to sales, marketing, and professional services personnel, along with a reduction in administrative positions. Employee benefits, including healthcare, increased \$1.9 million, or 8.9% over the prior year.

General and administrative expenses, excluding acquisition related expense, increased \$5.8 million, or 15.7%, to \$42.9 million during the fiscal year ended March 31, 2020, compared to \$37.1 million the prior year. Contributing to the increase in costs were the operational expenses for the full calendar year related to the acquisition of SLAIT and also the partial year operational expenses related to the ABS Technology acquisition, as well as increases in the cost of software licenses and maintenance.

Depreciation and amortization expense: Depreciation and amortization expense increased \$2.2 million, or 18.7%, to \$14.0 million during the fiscal year ended March 31, 2020, compared to \$11.8 million in the prior year. The increase is related to the SLAIT and ABS Technology acquisitions.

Segment earnings: As a result of the foregoing, operating income increased \$5.4 million, or 9.5%, to \$62.2 million for the year ended March 31, 2020, compared to \$56.7 million in the prior year and Adjusted EBITDA increased 11.2% to \$85.8 million for the year ended March 31, 2020, compared to \$77.2 million in the prior year.

Financing Segment

The results of operations for our financing segment for the years ended March 31, 2020, and 2019 were as follows (in thousands):

	Year Ended	l March 31,		
	2020	2019	Cha	nge
Net sales	\$58,266	\$43,153	\$15,113	35.0%
Cost of sales	7,663	7,427	236	<u>3.2</u> %
Gross profit	50,603	35,726	14,877	41.6%
Selling, general, and administrative	15,059	10,970	4,089	37.3%
Depreciation and amortization	140	12	128	1066.7%
Interest and financing costs	2,280	1,948	332	<u>17.0</u> %
Operating expenses	17,479	12,930	4,549	35.2%
Operating income	\$33,124	\$22,796	\$10,328	<u>45.3</u> %
Adjusted EBITDA	\$33,519	\$23,213	\$10,306	44.4%

Net sales: Net sales increased by \$15.1 million, or 35.0%, to \$58.3 million for the year ended March 31, 2020. The increase was due to significantly higher transactional gains and higher portfolio earnings and to a lesser degree by increases other financing revenues and post-contract earnings. Transactional gains increased \$12.7 million to \$21.8 million compared to the prior year due to a higher volume of sales of financing

receivables, particularly with government-related customers, and portfolio earnings increased \$1.4 million to \$14.7 million, due to increases in sales-type lease earnings and notes receivable earnings over the prior fiscal year. Other financing revenues increased \$0.7 million to \$2.4 million compared to the prior year, while post-contract earnings increased \$0.3 million to \$19.4 million. Total proceeds from sales of financing receivables were \$593.7 million and \$276.1 million for the years ended March 31, 2020, and 2019, respectively.

Our total financing receivables and operating leases increased as of March 31, 2020, to \$144.3 million from \$122.8 million in the prior year, which was due to an increase in notes receivable of \$14.4 million and an increase of \$8.4 million in sales-type leases, partially offset by a decrease of \$1.3 million operating leases as compared to the prior year, respectively.

Direct lease costs: Direct lease costs increased 3.2%, or \$0.2 million, to \$7.7 million for the year ended March 31, 2020, as compared to the prior year, due to an increase in other lease expense in the current year by \$0.9 million, and cost of off-lease equipment sales of \$0.3 million, mostly offset by a reduction in operating lease depreciation expense of \$1.0 million. Gross profit increased 41.6%, or \$14.9 million, to \$50.6 million primarily due to higher transactional gains and higher portfolio earnings as compared to the prior year.

Selling, general, and administrative expenses: Selling, general, and administrative expenses were \$15.1 million, an increase of \$4.1 million or 37.3%, due primarily to an increase in salaries and benefits and reserves for credit losses. Salaries and benefits increased by \$3.4 million, or 37.7%, to \$12.4 million primarily due to an increase in variable compensation of \$2.5 million and an increase in other salaries and benefits. Our financing segment employed 36 people as of March 31, 2020, compared to 34 employees as of March 31, 2019, an increase of 5.9%. Reserve for credit losses increased \$0.5 million over the prior year.

Interest and financing costs: Costs increased by \$0.3 million, or 17.0%, to \$2.3 million during the year ended March 31, 2020, as compared to the prior year. Our total notes payable for the financing segment decreased as of March 31, 2020, to \$37.8 million from \$48.7 million for the prior year, although our average balance of notes payable outstanding during the year was higher than during the year ended March 31, 2019. Our weighted average interest rate for our non-recourse notes payable was 3.84% as of March 31, 2020, compared to 4.68% for March 31, 2019.

Segment earnings: As a result of the foregoing, operating income increased \$10.3 million, or 45.3%, to \$33.1 million for the year ended March 31, 2020, as compared to \$22.8 million in the prior year. Adjusted EBITDA increased \$10.3 million, or 44.4%, to \$33.5 million for the year ended March 31, 2020, as compared to \$23.2 million in the prior year.

Consolidated

Other income: Other income and expense during the year ended March 31, 2020, was \$0.7 million and included other non-operating income of \$1.0 million from payments received from distributions from various legal claims.

Income taxes: Our effective income tax rates for the years ended March 31, 2020, and 2019 were 28.0% and 26.7%, respectively. The increase in our effective income tax rate is due to a decrease in the tax benefit from the vesting of restricted stock.

Net earnings: Net earnings were \$69.1 million for the year ended March 31, 2020, an increase of 9.3% or \$5.9 million as compared to \$63.2 million in the prior fiscal year. The net earnings increase was due primarily to the increase in operating profits from the financing segment and technology segment, partially offset by reductions in other income and the higher tax rate in the current year compared to the year ended March 31, 2019.

Basic and fully diluted earnings per common share for the year ended March 31, 2020, were \$5.18 and \$5.15, and increased 10.2% and 10.8% over the prior year, respectively. Basic and fully diluted earnings per common share were \$4.70 and \$4.65, respectively, for the year ended March 31, 2019.

Weighted average common shares outstanding used in the calculation of basic and diluted earnings per common share for the year ended March 31, 2020, were 13.3 million and 13.4 million, respectively. Weighted average common shares outstanding used in the calculation of basic and diluted earnings per common share for the year ended March 31, 2019, were 13.4 million and 13.6 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity Overview

Our primarily source of funding is cash from operations and borrowings which are accounted for as non-recourse and recourse notes payable. We used those funds to meet our capital requirements, which have historically consisted primarily of working capital for operational needs, capital expenditures, purchases of equipment for lease, payments of principal and interest on indebtedness outstanding, acquisitions and the repurchase of shares of our common stock.

ePlus Technology, inc. and certain subsidiaries, which are part of our technology segment, finance their operations with funds generated from operations, and with a credit facility with WFCDF. This facility provides short-term capital for our technology segment. There are two components of the WFCDF credit facility: (1) a floor plan component, and (2) an accounts receivable component.

We believe that cash on hand and funds generated from operations, together with available credit under our credit facility, will be enough to finance our working capital, capital expenditures, and other requirements for at least the next year.

Our ability to continue to expand, both organically and through acquisitions, is dependent upon our ability to generate enough cash flow from operations, to borrow, or from other sources of financing, as may be required. While at this time we do not anticipate requiring any additional sources of financing to fund operations, if demand for IT products declines, or if our supply of products is delayed or interrupted, our cash flows from operations may be substantially affected.

The extent of the impact of COVID-19 is uncertain and may impact our liquidity position over the longer term. As credit markets have tightened as a result of COVID-19, we may have difficulty funding our financing transactions with lenders which may result in the use of our cash or a decrease in financing originations.

Cash Flows

The following table summarizes our sources and uses of cash for the years ended March 31, 2020, and 2019 (in thousands):

	Year Ended	March 31,
	2020	2019
Net cash provided by (used) in operating activities	\$ (74,174)	\$ 39,411
Net cash used in investing activities	(20,339)	(96,205)
Net cash provided by financing activities	100,634	18,456
Effect of exchange rate changes on cash	294	(44)
Net increase (decrease) in cash and cash equivalents	\$ 6,415	<u>\$(38,382</u>)

Cash flows from operating activities

We used \$74.2 million from operating activities during the year ended March 31, 2020, compared to \$39.4 million provided by operating activities during the year ended March 31, 2029. The following table provides a breakdown of operating cash flows by segment for the years end March 31, 2020, and 2019 (in thousands):

	Year Ended March 31,	
	2020	2019
Technology segment	\$(15,812)	\$31,761
Financing segment	(58,362)	7,650
Net cash provided by (used in) operating activities	<u>\$(74,174</u>)	\$39,411

<u>Technology Segment</u>: During the year ended March 31, 2020, operating cash flows used by our technology segment was \$15.8 million as cash generated from earnings were exceeded by changes in working capital. In addition, cash provided by the accounts payable – floor plan facility was \$11.3 million. Accounts payable – floor plan is a facility used to manage working capital needs and we are required to present changes in this balance as financing activity in our consolidated statement of cash flows.

During the year ended March 31, 2019, our technology segment provided \$31.8 million from operating activities due to cash generated from earnings exceeding changes in working capital. In addition, cash provided by the accounts payable – floor plan facility was \$4.0 million.

To manage our working capital, we monitor our cash conversion cycle for our technology segment, which is defined as days sales outstanding ("DSO") in accounts receivable plus days of supply in inventory ("DIO") minus days of purchases outstanding in accounts payable ("DPO"). The following table presents the components of the cash conversion cycle for our Technology segment:

	As of Ma	arch 31,
	2020	2019
(DSO) Days sales outstanding ⁽¹⁾	71	59
(DIO) Days inventory outstanding ⁽²⁾	11	12
(DPO) Days payable outstanding ⁽³⁾	<u>(45</u>)	<u>(44</u>)
Cash conversion cycle	_37	<u>27</u>

⁽¹⁾ Represents the rolling three-month average of the balance of trade accounts receivable-trade, net for our Technology segment at the end of the period divided by Adjusted gross billings for the same three-month period.

Our standard payment term for customers is between 30-60 days; however, certain customers or orders may be approved for extended payment terms. Our DSO increased due to an increase in sales during the quarter ended March 31, 2020, to customers with terms greater than or equal to net 60 days. Invoices processed through our credit facility, or the A/P-floor plan balance, are typically paid within 45-60 days from the invoice date, while A/P trade invoices are typically paid within 30 days from the invoice date.

Our cash conversion cycle was 37 days for March 31, 2020, compared to 27 days for March 31, 2019 primarily driven by an increase in DSO from 59 days as of March 31, 2019, to 71 days in March 2020.

<u>Financing Segment</u>: During the year ended March 31, 2020, our financing segment used \$58.4 million from operating activities, primarily due to the issuance of new financing receivables.

During the year ended March 31, 2019, our financing segment provided \$7.7 million from operating activities, primarily due to changes in working capital. When we adopted ASC 842, we elected the transition option to not restate comparative periods. In the comparative period, changes in financing receivables not sourced through us are reflected in cash flows from investing activities. With the adoption of ASC 842, for periods beginning after April 1, 2019, we recognize the change in financing receivables, including the issuance of financing receivables offset by repayments of financing receivables and the proceeds from the transfer of financing receivables when we account for the transfer as a sale, as part of operating activities.

Cash flows related to investing activities

During the year ended March 31, 2020, we used \$20.3 million from investing activities, consisting of \$15.0 million for acquisitions and \$7.0 million for purchases of property, equipment and operating lease equipment, and offset by \$1.7 million of proceeds from the sale of property, equipment, and operating lease equipment.

During the year ended March 31, 2019, we used \$96.2 million from investing activities, including \$49.8 million for acquisitions and \$11.6 million for purchases of property, equipment and operating lease equipment. We elected not to update our cash flows using the transition option available when we adopted ASC 842 in this period. Therefore, cash used in investing activities also included net cash outflows related to financing receivables of \$38.4 million, consisting of the issuance of financing receivables of \$175.4 million, purchases of assets to be leased or financed of \$10.4 million, and was partially offset by cash proceeds from the repayment of financing receivables of \$73.9 million, and the sale of financing receivables of \$73.4 million.

⁽²⁾ Represents the rolling three-month average of the balance of inventory, net for our Technology segment at the end of the period divided by Cost of adjusted gross billings for the same three-month period.

⁽³⁾ Represents the rolling three-month average of the combined balance of accounts payable-trade and accounts payable-floor plan for our Technology segment at the end of the period divided by Cost of adjusted gross billings, product and services for the same three-month period.

Cash flows from financing activities

During the year ended March 31, 2020, cash provided by financing activities was \$100.6 million, consisting of net borrowings of non-recourse and recourse notes payable of \$74.5 million by our financing segment, net borrowings on the accounts receivable component of our credit facility of \$35.0 million, net borrowings on floor plan facility of \$11.3 million, and offset by \$14.4 million in repurchase of common stock and \$5.8 million in payments of contingent consideration for acquisitions.

During the year ended March 31, 2019, cash provided by financing activities was \$18.5 million, which was primarily due to net borrowings of non-recourse and recourse notes payable of \$40.9 million, and net borrowing on floor plan facility of \$4.0 million, partially offset by cash used for the repurchase of common stock of \$18.8 million, and repayment of financing of acquisitions of \$7.6 million.

Our borrowing of non-recourse and recourse notes payable primarily arises from our financing segment when we transfer contractual payments due to us under financing agreements to third-party financial institutions. When the transfers do not meet the requirements for a sale, the proceeds paid to us represent borrowings of non-recourse and recourse notes payable.

Non-Cash Activities

We transfer contractual payments due to us under lease and financing agreements to third-party financial institutions. As a condition of these agreements, certain financial institutions may request that the customer remit their contractual payments to a trust, rather than to us, and the trust pays the financial institution. Alternatively, the customer will make payments to us, and we will remit the payment to the financial institution. The economic impact to us under either structure is similar, in that the assigned contractual payments are paid by the customer and remitted to the lender. However, when our customer makes payments through a trust, such payments represent non-cash transactions. Also, in certain assignment agreements, we may direct the third-party financial institution to pay some of the proceeds from the assignment directly to the vendor or vendors that have supplied the assets being leased and or financed. In these situations, the portion of the proceeds paid directly to our vendors are non-cash transactions.

Secured borrowings - Financing segment

We may finance all or most of the cost of the assets that we finance for customers by transferring all or part of the contractual payments due to us to third-party financing institutions. When we account for the transfer as a secured borrowing, we recognize the proceeds as either recourse or non-recourse notes payable. Our customers are responsible for repaying the debt from a secured borrowing. The lender typically secures a lien on the financed assets at the time the financial assets are transferred and releases it upon collecting all the transferred payments. We are not liable for the repayment of non-recourse loans unless we breach our representations and warranties in the loan agreements. The lender assumes the credit risk and their only recourse, upon default by the customer, is against the customer and the specific equipment under lease. While we expect that the credit quality of our financing arrangements and our residual return history will continue to allow us to obtain such financing, such financing may not be available on acceptable terms, or at all. As a result of COVID-19, credit markets have tightened. We may no longer be able to transfer receivables from certain customers with lower credit quality to financial institutions.

Credit facility — Technology segment

Our subsidiary, ePlus Technology, inc., and certain of its subsidiaries, have a credit facility from WFCDF to finance their operations. There are two components of this facility: (1) a floor plan component and (2) an accounts receivable component.

As of March 31, 2020, except during a temporary uplift, the facility had an aggregate limit of \$250 million for the two components and the accounts receivable component had a sub-limit of \$50 million, which bears interest assessed at a rate of the One Month LIBOR plus two- and one-half percent. We had an election beginning July 1 in each year to temporarily increase the aggregate limit of the two components to \$325 million ending the earlier of 90 days following the election or October 31 of that same year.

On March 31, 2020, we executed an additional amendment to the WFCDF credit facility that temporarily increased the aggregate limit of the two components from \$250.0 million to \$300.0 million through May 5, 2020. Similarly, the amendment temporarily increased the limit on the accounts receivable component of the WFCDF credit facility to \$75.0 million through April 14, 2020.

The facility between Wells Fargo Commercial Distribution Finance, LLC ("WFCDF") and ePlus Technology, inc. provides that ePlus Technology, inc. may make loans or advances in the ordinary course of business up to \$30.0 million, if (i) we are not in default under the terms and conditions of the agreement, and (ii) our available borrowing as defined in the credit facility is not less than \$20.0 million. However, prior written consent is required to make loans or advances to affiliates outside of normal course of business.

In addition, ePlus Technology, inc. may make a dividend to ePlus inc. if, after giving effect to such dividend and as of the date of the dividend; (i) we are not in default under the terms and conditions of the agreement, (ii) our available borrowing as defined in the credit facility is not less than \$20.0 million, and (iii) we do not have any outstanding borrowings under the accounts receivable component of the credit facility. Under the amendment signed March 31, 2020, the third condition does not apply as of March 31, 2020. We meet the first two criteria as of March 31, 2020, and, as such, there were no restricted net assets of ePlus Technology, inc as of that date.

The facility includes certain covenants including a minimum excess availability of the facility and for *e*Plus Technology, inc to attain certain minimum earnings before interest, taxes, depreciation and amortization. We were compliant with these covenants as of March 31, 2020. We are not, and do not believe that we are reasonably likely to be, in breach of the WFCDF credit facility.

This credit facility is secured by the assets of *ePlus* Technology, inc. and certain of its subsidiaries. Additionally, the WFCDF credit facility requires a guaranty of \$10.5 million by *ePlus* inc. Either party may terminate the credit facility with 90 days advance written notice.

The loss of the WFCDF credit facility, including due to circumstances related to COVID-19, could have a material adverse effect on our future results as we currently rely on this facility and its components for daily working capital and liquidity for our technology segment.

On May 18, 2020, we executed an additional amendment to the WFCDF credit facility that increased the aggregate limit of the two components, except during a temporary uplift, to \$275.0 million. Additionally, we have an election to temporarily increase the aggregate limit to \$350.0 million for a period of not less than 30 days, provided that all such periods shall not exceed 150 days in the aggregate in any calendar year. Further, the amendment increased the limit on the accounts receivable component of the WFCDF credit facility to \$100.0 million, reduced the interest rate to LIBOR plus 2.00%, and removed certain restrictions on ePlus Technology, inc.'s ability to pay dividends to ePlus inc.

Floor plan component

After a customer places a purchase order with us and after we have completed our credit review of the customer, we place an order for the equipment with one of our vendors. Generally, most purchase orders from us to our vendors are first financed under the floor plan component and reflected in "accounts payable—floor plan" in our consolidated balance sheets.

Payments on the floor plan component are due on three specified dates each month, generally 30-60 days from the invoice date. Most customer payments in our technology segment are remitted to our lockboxes. Once payments are cleared, the monies in the lockbox accounts are automatically and daily transferred to our operating account. On the due dates of the floor plan component, we make cash payments to WFCDF.

Our borrowings and repayments under the floor plan component are included in "net borrowings (repayments) on floor plan facility" within cash flows from the financing activities in our consolidated statements of cash flows.

The respective floor plan component credit limits and actual outstanding balance payables for the dates indicated were as follows (in thousands):

Maximum Credit Limit at March 31, 2020	Balance as of March 31, 2020	Maximum Credit Limit at March 31, 2019	Balance as of March 31, 2019	
\$300,000	\$127,416	\$250,000	\$116,083	

Accounts receivable component

*e*Plus Technology, inc. and certain of its subsidiaries have an accounts receivable component included within the WFCDF credit facility, which has a revolving line of credit. The outstanding balance under the accounts receivable component is recorded as recourse notes payable on our consolidated balance sheets.

Our borrowings and repayments under the accounts component are included in "borrowings of non-recourse and recourse notes payable" and "repayments of non-recourse and recourse notes payable, respectively, within cash flows from the financing activities in our consolidated statements of cash flows.

As of March 31, 2020, we had \$35.0 million outstanding under the accounts receivable component of the WFCDF credit facility and a maximum credit limit of \$75.0 million. As of March 31, 2019, we had no amounts outstanding under the accounts receivable component of the WFCDF credit facility and a maximum credit limit of \$50.0 million. We may maintain or increase this outstanding balance to assist in mitigating risk as a result of COVID-19.

Performance Guarantees

In the normal course of business, we may provide certain customers with performance guarantees, which are generally backed by surety bonds. In general, we would only be liable for these guarantees in the event of default in the performance of our obligations. We are in compliance with the performance obligations under all service contracts for which there is a performance guarantee, and we believe that any liability incurred in connection with these guarantees would not have a material adverse effect on our consolidated statements of operations.

Off-Balance Sheet Arrangements

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K or other contractually narrow or limited purposes. As of March 31, 2020, and 2019, we were not involved in any unconsolidated special purpose entity transactions.

Adequacy of Capital Resources

The continued implementation of our business strategy will require a significant investment in both resources and managerial focus. In addition, we may selectively acquire other companies that have attractive customer relationships and skilled sales forces. We may also start offices or warehouses in new geographic areas, which may require a significant investment of cash. We may also acquire technology companies to expand and enhance the platform of bundled solutions to provide additional functionality and value-added services. As a result, we may require additional financing to fund our strategy, implementation and potential future acquisitions, which may include additional debt and equity financing. The impacts of COVID-19 may limit or eliminate our access to capital. While the future is uncertain, we do not believe our credit facility will be terminated by the lender or us. Our lending partners in our financial segment have tightened credit availability and are more discerning in their approval process. However, currently we have funding resources available for our transactions.

Inflation

For the periods presented herein, inflation has been relatively low, and we believe that inflation has not had a material effect on our results of operations.

Potential Fluctuations in Quarterly Operating Results

Our future quarterly operating results and the market price of our common stock may fluctuate. In the event our revenues or earnings for any quarter are less than the level expected by securities analysts or the market in general, such shortfall could have an immediate and significant adverse impact on the market price of our common stock. Any such adverse impact could be greater if any such shortfall occurs near the time of any material decrease in any widely followed stock index or in the market price of the stock of one or more public equipment leasing and financing companies, IT resellers, software competitors, major customers or vendors of ours.

Our quarterly results of operations are susceptible to fluctuations for a number of reasons, including, but not limited to the worldwide impacts from COVID-19, currency fluctuations, reduction in IT spending, any reduction of expected residual values related to the equipment under our leases, the timing and mix of specific transactions, the reduction of manufacturer incentive programs, pricing discounts offered by manufacturers at their year ends, and other factors. Quarterly operating results could also fluctuate as a result of our sale of equipment in our lease portfolio at the expiration of a lease term or prior to such expiration, to a lessee or to a third-party and the transfer of financial assets. Sales of equipment and transfers of financial assets may have the effect of increasing revenues and net income during the quarter in which the sale occurs and reducing revenues and net income otherwise expected in subsequent quarters. See Part I, Item 1A, "Risk Factors" herein.

We believe that comparisons of quarterly results of our operations are not necessarily meaningful and that results for one quarter should not be relied upon as an indication of future performance.

Contractual Obligations

The impact that our contractual obligations as of March 31, 2020, are expected to have on our liquidity and cash flow in future periods is as follows (in thousands):

		Payments Due by Period			
	Total	1 year	Years 2 & 3	Years 4 & 5	More than 5 years
Non-recourse notes payable ⁽¹⁾⁽²⁾	\$35,502	\$29,630	\$ 5,332	\$ 540	\$
Interest payments on non-recourse notes payable ⁽²⁾	767	497	254	16	_
Recourse notes payable	37,256	37,256	_	_	_
Operating lease obligations	13,964	4,904	7,092	1,968	
Total	<u>\$87,489</u>	<u>\$72,287</u>	\$12,678	\$2,524	<u>\$—</u>

⁽¹⁾ Payments reflect principal amounts related to the recourse and non-recourse notes payable.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our cash flow may be adversely affected by the risks related to COVID-19 pandemic, which may result in delays in the collections of our accounts receivables or non-payment.

Although a substantial portion of our liabilities are non-recourse, fixed-interest-rate instruments, we utilize our lines of credit and other financing facilities which are subject to fluctuations in short-term interest rates. These non-recourse instruments, which are denominated in US dollars, were entered for other than trading purposes and, except for amounts drawn under the WFCDF facility, bear interest at a fixed rate. Because the interest rate on these instruments is fixed, changes in interest rates will not directly impact our cash flows. Our financing transactions are funded with our cash flows, not debt, may be subject to interest rate risk. If the market interest rate exceeds our internal rate of return, we may not fund the transaction to obtain the proceeds. Borrowings under the WFCDF facility bear interest at a market-based variable rate. As of March 31, 2020, the aggregate fair value of our recourse and non-recourse borrowings approximated their carrying value.

We have transactions in foreign currencies, primarily in British Pounds, Euros, and Indian Rupees. There is a potential for exposure to fluctuations in foreign currency rates resulting primarily from the translation exposure associated with the preparation of our consolidated financial statements. In addition, we have foreign currency exposure when transactions are not denominated in our subsidiary's functional currency. To date, our foreign operations are insignificant in relation to total consolidated operations and we believe that potential fluctuations in currency exchange rates will not have a material effect on our financial position.

The UK referendum ("Brexit") to leave the European Union could impact revenue items, cost items, tax, goodwill impairments and liquidity, among others. The most obvious immediate impact is the effect of foreign exchange fluctuations on revenue and cost items. We have determined that our foreign currency exposure for our UK operations is insignificant in relation to total consolidated operations and we believe those potential

⁽²⁾ Our customers are responsible for repaying the debt from a secured borrowing accounted for as non-recourse debt. The lender assumes the credit risk and generally their only recourse, upon default by the customer, is against the customer and the specific equipment under lease

fluctuations in currency exchange rates and other Brexit-related economic and operational risks will not have a material effect on our results of operations and financial position.

We evaluate Brexit-related developments on a regular basis to determine if such developments are anticipated to have a material impact on the Company's results on operations and financial position.

We lease assets in foreign countries, including Canada, the UK and several other European countries. As a lessor, we lease assets for amounts denominated in British Pounds, Euros, and Canadian dollars. As our foreign operations have been smaller compared to our domestic operations, we believe that potential fluctuations in currency exchange rates will not have a material effect on our financial position.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the consolidated financial statements and schedules listed in the accompanying "Index to Financial Statements and Schedules."

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), has evaluated the effectiveness of the Company's disclosure controls and procedures, or "disclosure controls", as of the end of the period covered by this report. as defined in Exchange Act Rule 13a-15(e). Disclosure controls are controls and procedures designed to reasonably ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this Form 10-K annual report, is recorded, processed, summarized and reported within the time periods specified in the US Securities and Exchange Commission's rules and forms. Disclosure controls include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Our disclosure controls include some, but not all, components of our internal control over financial reporting.

Based on the evaluation described above, the CEO and CFO concluded that disclosure controls and procedures as of March 31, 2020, were effective in ensuring information required to be disclosed in our SEC reports was recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information was accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rule 13a-15(f). This system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the consolidated financial statements.

Our management performed an assessment of the effectiveness of our internal control over financial reporting as of March 31, 2020, utilizing the criteria described in the "Internal Control — Integrated Framework (2013)"

issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The objective of this assessment was to determine whether our internal control over financial reporting was effective as of March 31, 2020.

Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment. Based on this assessment, management determined that, as of March 31, 2020, the Company maintained effective internal control over financial reporting.

Deloitte & Touche LLP, an independent registered public accounting firm, who audited the consolidated financial statements of the Company included in this Annual Report on Form 10-K, has also audited the effectiveness of the Company's internal control over financial reporting as stated in its report appearing on page F-2.

Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that occurred during the quarter ended March 31, 2020, which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Our management, including our CEO and CFO, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system cannot provide absolute assurance due to its inherent limitations; it is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. A control system also can be circumvented by collusion or improper management override. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of such limitations, disclosure controls and internal control over financial reporting cannot prevent or detect all misstatements, whether unintentional errors or fraud. However, these inherent limitations are known features of the financial reporting process; therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

ITEM 9B. OTHER INFORMATION

None.

PART III

Except as set forth below, the information required by Items 10, 11, 12, 13 and 14 is incorporated by reference from our definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the close of our fiscal year.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information about our directors may be found under the caption "Proposal 1 – Election of Directors" in our Proxy Statement for the 2020 Annual Meeting of Stockholders (the "Proxy Statement"). The information in the Proxy Statement set forth under the captions of "Delinquent Section 16(a) Reports," "Corporate Governance – Code of Conduct" and "- Board Committees" is incorporated herein by reference.

The information under the heading "Executive Officers" in Item 1 of this report is incorporated in this section by reference.

Code of Ethics

We have a code of ethics that applies to all of our employees, including our principal executive officer, principal financial officer, principal accounting officer and our Board. The Code of Conduct is available on our website at www.eplus.com/investors/corporate-governance-legal/code-of-conduct. We will disclose on our website any amendments to or waivers from any provision of the Code of Conduct that applies to any of the directors or executive officers.

ITEM 11. EXECUTIVE COMPENSATION

The information in the Proxy Statement set forth under the captions "Director Compensation," "Compensation Discussion and Analysis," "2020 Executive Compensation," and "Corporate Governance – Compensation Committee Interlocks and Insider Participation" is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information in the Proxy Statement set forth under the captions "Equity Compensation Plan Information" and "Stock Ownership" is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information in the Proxy Statement set forth under the caption "Corporate Governance - Related Person Transactions" and "Independence of Our Board of Directors" is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information in the Proxy Statement set forth under the caption "Proposal 3 – Ratification of the Selection of Deloitte & Touche LLP as our Independent Registered Public Accounting Firm for our Fiscal Year Ending March 31, 2021" is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

The consolidated financial statements listed in the accompanying Index to Financial Statements and Schedules are filed as a part of this report and incorporated herein by reference.

(a)(2) Financial Statement Schedule

See "Financial Statement Schedule II - Valuation and Qualifying Accounts" on page S-1.

(a)(3) Exhibit List

Exhibits 10.2 through 10.10 and 10.34 through 10.36 are management contracts or compensatory plans or arrangements.

Exhibit No.	Exhibit Description
3.1	ePlus inc. Amended and Restated Certificate of Incorporation, filed on September 19, 2008 (Incorporated herein by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q for the period ended September 30, 2008).
3.2	Amended and Restated Bylaws of ePlus inc. as amended February 15, 2018 (Incorporated herein by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on February 20, 2018).
4.1	Specimen Certificate of Common Stock (Incorporated herein by reference to Exhibit 4.1 to our Registration Statement on Form S-1 (File No. 333-11737) originally filed on September 11, 1996).
4.2	Description of ePlus inc.'s securities (Incorporated herein by reference to Exhibit 4.2 to our Annual Report on Form 10-K for the year ended March 31, 2019).
10.1	Form of Indemnification Agreement entered into by and between ePlus and its directors and officers (Incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on August 23, 2016).
10.2	Amended and Restated Employment Agreement effective September 6, 2017, by and between ePlus inc. and Mark P. Marron (Incorporated herein by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the period ended December 31, 2017).
10.3	Amendment #1, effective July 16, 2018, to Amended and Restated Employment Agreement effective September 6, 2017, by and between ePlus inc. and Mark P. Marron (Incorporated herein by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on July 18, 2018).
10.4	Amendment #2, effective November 14, 2019, to Amended and Restated Employment Agreement effective September 6, 2017, by and between ePlus inc. and Mark P. Marron (Incorporated herein by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the period ended December 31, 2019).
10.5	Amended and Restated Employment Agreement effective September 6, 2017, by and between ePlus inc. and Elaine D. Marion (Incorporated herein by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the period ended December 31, 2017).
10.6	Amendment #1, effective November 14, 2019, to Amended and Restated Employment Agreement, effective September 6, 2017, by and between ePlus inc. and Elaine D. Marion (Incorporated herein by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the period ended December 31, 2019).

Exhibit No.	Exhibit Description
10.7	2017 Non-Employee Director Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on September 14, 2017).
10.8	ePlus inc. 2012 Employee Long-term Incentive Plan (updated to reflect stock split effected March 31, 2017) (Incorporated herein by reference to Exhibit 10.8 to our Annual Report on Form 10-K for the fiscal year ended March 31, 2017).
10.9	Form of Award Agreement – Restricted Stock Agreement (for awards granted under and subject to the provisions of the <i>e</i> Plus inc. 2012 Employee Long-Term Incentive Plan) (Incorporated herein by reference to Exhibit 10.24 to our Annual Report on Form 10-K for the fiscal year ended March 31, 2013).
10.10	Form of Award Agreement – Restricted Stock Unit Award Agreement (for awards granted under and subject to the provisions of the <i>e</i> Plus inc. 2012 Employee Long-Term Incentive Plan) (Incorporated herein by reference to Exhibit 10.25 to our Annual Report on Form 10-K for the fiscal year ended March 31, 2013).
10.11	Limited Guaranty dated June 24, 2004 by and between GE Commercial Distribution Finance Corporation and <i>e</i> Plus inc. (Incorporated herein by reference to Exhibit 10.10 to our Current Report on Form 8-K filed on November 17, 2005).
10.12	Collateralized Guaranty, dated March 30, 2004, by and between GE Commercial Distribution Finance Corporation and <i>e</i> Plus Group, inc. (Incorporated herein by reference to Exhibit 10.11 to our Current Report on Form 8-K filed on November 17, 2005).
10.13	Amendment to Collateralized Guaranty, dated November 14, 2005, by and between GE Commercial Distribution Finance Corporation and <i>e</i> Plus Group, inc. (Incorporated herein by reference to Exhibit 10.12 to our Current Report on Form 8-K filed on November 17, 2005).
10.14	Amended and Restated Business Financing Agreement, dated July 23, 2012, by and between General Electric Commercial Distribution Finance and <i>ePlus</i> Technology, inc. (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on July 26, 2012).
10.15	Amendment No. 1, dated July 31, 2014, to Amended and Restated Business Financing Agreement by and between General Electric Commercial Distribution Finance and <i>e</i> Plus Technology, inc. (Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the period ended September 30, 2014).
10.16	Amendment No. 2, dated July 24, 2015, to Amended and Restated Business Financing Agreement by and between General Electric Commercial Distribution Finance and <i>e</i> Plus Technology, inc. (Incorporated herein by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on July 30, 2015).
10.17	Amendment No. 3, dated October 20, 2015, to Amended and Restated Business Financing Agreement by and among <i>e</i> Plus Technology, inc. and its subsidiary <i>e</i> Plus Technology Services, inc. and GE Commercial Distribution Finance Corporation (Incorporated herein by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the period ended September 30, 2015).
10.18	Amendment No. 4, dated July 28, 2016, to Amended and Restated Business Financing Agreement by and among <i>e</i> Plus Technology, inc. and its subsidiary <i>e</i> Plus Technology Services, inc. and Wells Fargo Commercial Distribution Finance, LLC (f/k/a GE Commercial Distribution Finance Corporation) (Incorporated herein by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on August 1, 2016).

Exhibit No.	Exhibit Description
10.19	Amendment No. 5, dated July 27, 2017, to Amended and Restated Business Financing Agreement by and between <i>e</i> Plus Technology, inc. and Wells Fargo Commercial Distribution Finance, LLC (f/k/a GE Commercial Distribution Finance Corporation) (Incorporated herein by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on August 3, 2017).
10.20	Amendment No. 6, dated February 15, 2018, to Amended and Restated Business Financing Agreement by and between <i>e</i> Plus Technology, inc. and Wells Fargo Commercial Distribution Finance, LLC (f/k/a GE Commercial Distribution Finance Corporation) (Incorporated herein by reference to Exhibit 10.27 to our Annual Report on Form 10-K for the fiscal year ended March 31, 2018).
10.21	Amendment No. 7, dated January 15, 2019, to Amended and Restated Business Financing Agreement between ePlus Technology, inc. and Wells Fargo Commercial Distribution Finance, LLC (Incorporated herein by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on January 18, 2019).
10.22	Amendment No. 8, dated November 12, 2019, to Amended and Restated Business Financing Agreement between ePlus Technology, inc. and Wells Fargo Commercial Distribution Finance, LLC. (Incorporated herein by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q for the period ended December 31, 2019).
10.23	Amendment No. 9, dated March 31, 2020, to Amended and Restated Business Financing Agreement between ePlus Technology, inc. and Wells Fargo Commercial Distribution Finance, LLC. (Incorporated herein by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on April 3, 2020).
10.24	Amended and Restated Agreement for Wholesale Financing, dated July 23, 2012, by and between General Electric Commercial Distribution Finance and <i>e</i> Plus Technology, inc. (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on July 26, 2012).
10.25	Amendment No. 1, dated July 31, 2014, to Amended and Restated Agreement for Wholesale Financing by and between General Electric Commercial Distribution Finance and <i>ePlus</i> Technology, inc. (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the period ended September 30, 2014).
10.26	Amendment No. 2, dated July 24, 2015, to Amended and Restated Agreement for Wholesale Financing by and between General Electric Commercial Distribution Finance and <i>ePlus</i> Technology, inc. (Incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on July 30, 2015).
10.27	Amendment No. 3, dated October 20, 2015, to Amended and Restated Agreement for Wholesale Financing by and among <i>e</i> Plus Technology, inc. and its subsidiary <i>e</i> Plus Technology Services, inc. and GE Commercial Distribution Finance Corporation (Incorporated herein by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the period ended September 30, 2015).
10.28	Amendment No. 4, dated July 28, 2016, to Amended and Restated Agreement for Wholesale Financing by and among <i>e</i> Plus Technology, inc. and its subsidiary <i>e</i> Plus Technology Services, inc. and Wells Fargo Commercial Distribution Finance, LLC (f/k/a GE Commercial Distribution Finance Corporation) (Incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on August 1, 2016).
10.29	Amendment No. 5, dated July 27, 2017, to Amended and Restated Agreement for Wholesale Financing by and between <i>ePlus</i> Technology, inc. and Wells Fargo Commercial Distribution Finance, LLC (f/k/a GE Commercial Distribution Finance Corporation) (Incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on August 3, 2017).

Exhibit No.	Exhibit Description
10.30	Amendment No. 6, dated February 15, 2018, to Amended and Restated Agreement for Wholesale Financing by and between <i>ePlus</i> Technology, inc. and Wells Fargo Commercial Distribution Finance, LLC (f/k/a GE Commercial Distribution Finance Corporation) (Incorporated herein by reference to Exhibit 10.20 to our Annual Report of Form 10-K for the fiscal year ended March 31, 2018).
10.31	Amendment No. 7, dated January 15, 2019, to Amended and Restated Agreement for Wholesale Financing between ePlus Technology, inc. and Wells Fargo Commercial Distribution Finance, LLC (Incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on January 18, 2019).
10.32	Amendment No. 8, dated November 12, 2019, to Amended and Restated Agreement for Wholesale Financing between ePlus Technology, inc. and Wells Fargo Commercial Distribution Finance, LLC. (Incorporated herein by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q for the period ended December 31, 2019).
10.33	Amendment No. 9, dated March 31, 2020, to Amended and Restated Agreement for Wholesale Financing between ePlus Technology, inc. and Wells Fargo Commercial Distribution Finance, LLC. (Incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on April 3, 2020).
10.34	Employment Agreement, effective May 7, 2018, by and between ePlus inc. and Darren S. Raiguel. (Incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on May 9, 2018).
10.35	Amendment No. 1, effective November 14, 2019, to Amended and Restated Employment Agreement, effective May 7, 2018, by and between ePlus inc. and Darren S Raiguel. (Incorporated herein by reference to Exhibit 10.3 to our Current Report on Form 10-Q filed on February 6, 2020).
10.36	ePlus inc. Cash Incentive Plan, effective April 1, 2018, (Incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on July 18, 2018).
10.37	Amendment No. 10, dated May 18, 2020, to Amended and Restated Business Financing Agreement between ePlus Technology, inc. and Wells Fargo Commercial Distribution Finance, LLC. (Incorporated herein by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on May 21, 2020).
10.38	Amendment No. 10, dated May 18, 2020, to Amended and Restated Agreement for Wholesale Financing between ePlus Technology, inc. and Wells Fargo Commercial Distribution Finance, LLC. (Incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on May 21, 2020)
21	Subsidiaries of <i>e</i> Plus inc.
23	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of the Chief Executive Officer of e Plus inc. pursuant to the Securities Exchange Act Rules 13a-14(a) and 15d-14(a).
31.2	Certification of the Chief Financial Officer of <i>e</i> Plus inc. pursuant to the Securities Exchange Act Rules 13a-14(a) and 15d-14(a).
32	Certification of the Chief Executive Officer and Chief Financial Officer of <i>e</i> Plus inc. pursuant to 18 U.S.C. § 1350.

Exhibit No.	Exhibit Description	
101.INS	XBRL Instance Document	
101.SCH	XBRL Taxonomy Extension Schema Document	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).	
 (b) See item 15(a)(3) above. (c) See Item 15(a)(1) and 15(a)(2) above. 		

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ePlus inc.

/s/ MARK P. MARRON

By: Mark P. Marron

Chief Executive Officer and President

Date: May 21, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ MARK P. MARRON

By: Mark P. Marron

Chief Executive Officer, President, and Director

(Principal Executive Officer)

Date: May 21, 2020

/s/ ELAINE D. MARION

By: Elaine D. Marion, Chief Financial Officer (Principal Financial and Accounting Officer)

Date: May 21, 2020

/s/ BRUCE M. BOWEN

By: Bruce M. Bowen, Director

Date: May 21, 2020

/s/ JOHN E. CALLIES

By: John E. Callies, Director

Date: May 21, 2020

/s/ C. THOMAS FAULDERS, III

By: C. Thomas Faulders, III, Chairman

Date: May 21, 2020

/s/ ERIC D. HOVDE

By: Eric D. Hovde, Director

Date: May 21, 2020

/s/ IRA A. HUNT

By: Ira A. Hunt, Director

Date: May 21, 2020

/s/ MAUREEN F. MORRISON

By: Maureen F. Morrison

Date: May 21, 2020

/s/ BEN XIANG

By: Ben Xiang, Director

Date: May 21, 2020

ePlus inc. AND SUBSIDIARIES INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of *e*Plus inc. Herndon, Virginia

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of ePlus inc. and subsidiaries (the "Company") as of March 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2020, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 21, 2020, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition – Gross Versus Net Recognition of Sales of Third-Party Software – Refer to Note 1 to the financial statements

Critical Audit Matter Description

The Company is typically the principal in sales of third-party software. Sales are recognized on a gross basis with the selling price to the customer recorded as sales and the acquisition cost of the product recognized as cost of sales. The Company recognizes revenue from these sales at the point in time that control passes to the customer, which is typically upon delivery of the software to the customer. The Company is also the agent in sales of third-party maintenance, software support, and services as the third-party controls the service until it is

transferred to the customer. Similarly, the Company is the agent in sales of third-party software and accompanying third-party support when the third-party software benefits the customer only in conjunction with the accompanying support. In these sales, the Company considers the third-party software and support as inputs to a single performance obligation. In all these sales where the Company is the agent, the Company recognizes sales on a net basis at the point that their customer and vendor accept the terms and conditions of the arrangement.

Auditing the Company's determination of gross or net recognition of third-party software and support sales involved a high degree of subjectivity as it required the evaluation of whether the third-party software benefits the customer only in conjunction with the accompanying support. When the support is determined to be critical or essential to the software, the transaction is viewed as one combined performance obligation, and revenue is recognized net of related costs.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's conclusion related to the recognition of sales of third-party software included the following, among others:

- We tested the design and operating effectiveness of management's controls over the determination of gross or net recognition of third-party software and support sales.
- For a selection of contracts, we performed the following procedures:
 - Inspected the customer invoice and purchase order to determine whether the sale represented a valid transaction with a customer.
 - Compared the cost per the Company's records to the cost per the vendor invoice.
 - Evaluated the sale to determine whether it constituted a single or multiple performance obligation(s) through inspection of the customer invoice, purchase order, and information on vendor websites accessed through third-party search engines.
 - Evaluated the sale to determine whether there was accompanying third-party support related to the
 software, and whether the support was separately identifiable or essential to the functionality of
 the software through inspection of customer invoices, purchase orders, information on vendor
 websites accessed through third-party search engines and inquiries with management, as necessary.

Transfers of Financial Assets - Refer to Note 4 to the financial statements

Critical Audit Matter Description

The Company enters into arrangements to transfer the contractual payments due under financing receivables and operating lease agreements, which are accounted for in accordance with Codification Topic 860. These transfers are accounted for as either a sale or as a pledge of collateral in a secured borrowing. For transfers accounted for as a secured borrowing, the corresponding investments serve as collateral for non-recourse notes payable. For transfers accounted for as sales, the Company derecognizes the carrying value of the asset transferred plus any liability and recognizes a net gain or loss on the sale, which are presented within net sales in the consolidated statement of operations.

Auditing the Company's determination of whether the transfer should be accounted for as a secured borrowing or a sale involved a high degree of subjectivity. This subjectivity stems from management's assessment of whether the transferred assets have been isolated from the transferor.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's conclusion related to the transfer of financial assets included the following, among others:

• We tested the design and operating effectiveness of management's controls over the transfer of financial assets, including management's controls over the evaluation of the terms of loan documents and accompanying investor data, assignment agreements, and the calculation of the gain or loss.

- For a selection of transactions, we evaluated the Company's determination of sale or secured borrowing, by evaluating, among other factors, if the transferred assets have been isolated from the Company. Specifically, we performed the following procedures:
 - Obtained the executed transfer agreement and evaluated whether the Company:
 - Assigned its rights, titles, interests, estates, claims, and demands to the third-party assignee.
 - Retained any rights with respect to the payments assigned to the third-party assignee or had been appropriately isolated from the assets. We evaluated opinions from outside legal counsel, when applicable.
 - Obtained and inspected the cash proceeds support from the transfer and compared the cash received to the selling price.
 - Tested the mathematical accuracy of management's calculation of the gain or loss based on the cash proceeds and the receivable balance as of date of sale.

/s/ DELOITTE & TOUCHE LLP

McLean, Virginia May 21, 2020

We have served as the Company's auditor since 1990.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of ePlus inc. Herndon, Virginia

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of ePlus inc. and subsidiaries (the "Company") as of March 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended March 31, 2020, of the Company and our report dated May 21, 2020 expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

McLean, Virginia

May 21, 2020

ePlus inc. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (in thousands, except per share amounts)

	March 31, 2020	March 31, 2019
ASSETS		
Current assets: Cash and cash equivalents Accounts receivable—trade, net Accounts receivable—other, net Inventories Financing receivables—net, current Deferred costs Other current assets	\$ 86,231 374,998 36,570 50,268 70,169 22,306 9,256	\$ 79,816 299,899 41,328 50,493 63,767 17,301 7,499
Total current assets Financing receivables and operating leases—net Property, equipment and other assets Goodwill Other intangible assets—net TOTAL ASSETS	649,798 74,158 32,596 118,097 34,464 \$909,113	560,103 59,032 17,328 110,807 38,928 \$786,198
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Current liabilities: Accounts payable. Accounts payable—floor plan. Salaries and commissions payable Deferred revenue Recourse notes payable—current Non-recourse notes payable—current Other current liabilities Total current liabilities Non-recourse notes payable—long term Deferred tax liability—net Other liabilities TOTAL LIABILITIES. COMMITMENTS AND CONTINGENCIES (Note 10) STOCKHOLDERS' EQUITY	\$ 82,919 127,416 30,952 55,480 37,256 29,630 22,986 386,639 5,872 2,730 27,727 422,968	\$ 86,801 116,083 21,286 47,251 28 38,117 19,285 328,851 10,502 4,915 17,677 361,945
Preferred stock, \$0.01 per share par value; 2,000 shares authorized; none outstanding Common stock, \$0.01 per share par value; 25,000 shares authorized; 13,500	_	_
outstanding at March 31, 2020 and 13,611 outstanding at March 31, 2019	144 145,197	143 137,243
2019	(68,424) 410,219 (991) 486,145 \$909,113	(53,999) 341,137 (271) 424,253 \$786,198

ePlus inc. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Year Ended March 31,		
	2020	2019	2018
Net sales			
Product	\$1,395,288	\$1,223,195	\$1,289,307
Services	193,116	149,478	129,495
Total	1,588,404	1,372,673	1,418,802
Cost of sales			
Product	1,076,773	952,464	1,023,590
Services	120,440	89,821	71,730
Total	1,197,213	1,042,285	1,095,320
Gross profit	391,191	330,388	323,482
Selling, general, and administrative	279,182	237,082	228,127
Depreciation and amortization.	14,156	11,824	9,921
Interest and financing costs	2,574	1,948	1,195
Operating expenses	295,912	250,854	239,243
Operating income	95,279	79,534	84,239
Other income (expense)	680	6,696	(348)
Earnings before tax	95,959	86,230	83,891
Provision for income taxes	26,877	23,038	28,769
Net earnings	\$ 69,082	\$ 63,192	\$ 55,122
Net earnings per common share—basic	\$ 5.18	\$ 4.70	\$ 4.00
Net earnings per common share—diluted	\$ 5.15	\$ 4.65	\$ 3.95
Weighted average common shares outstanding—basic	13,327	13,448	13,790
Weighted average common shares outstanding—diluted	13,415	13,578	13,967

ePlus inc. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (in thousands)

	Year Ended March 31,		
	2020	2019	2018
NET EARNINGS	\$69,082	\$63,192	\$55,122
OTHER COMPREHENSIVE INCOME, NET OF TAX:			
Foreign currency translation adjustments	(720)	(803)	1,115
Other comprehensive income (loss)	(720)	(803)	1,115
TOTAL COMPREHENSIVE INCOME	\$68,362	\$62,389	\$56,237

ePlus inc. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

	Year Ended March 31,		
	2020	2019	2018
Cash flows from operating activities:			
Net earnings	\$ 69,082	\$ 63,192	\$ 55,122
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	19,156	18,639	15,827
Reserve for credit losses	1,004	170	333
Share-based compensation expense	7,954	7,243	6,464
Deferred taxes.	(2,185)	3,280	(44)
Payments from lessees directly to lenders—operating leases	(70)	(156)	(1,445)
Gain on disposal of property, equipment, and leased equipment	(814)	(2,027)	(8,694)
Gain on sale of financing receivables	_	(9,077)	(6,796)
Other	_	_	65
Changes in:			
Accounts receivable	(64,388)	(34,306)	6,582
Inventories-net	115	(10,929)	54,982
Financing receivables—net	(109,355)	(7,883)	(8,537)
Deferred costs and other assets	(20,982)	5,412	(16,241)
Accounts payable-trade	(8,884)	12,456	258
Salaries and commissions payable, deferred revenue, and other liabilities	35,193	(6,603)	(15,110)
Net cash provided by (used in) operating activities	\$ (74,174)	\$ 39,411	\$ 82,766
Cash flows from investing activities:			
Proceeds from sale of property, equipment, and leased equipment	1,705	3,619	14,403
Purchases of property, equipment, and operating lease equipment	(7,009)	(11,629)	(7,590)
Purchases of assets to be leased or financed	_	(10,368)	(6,378)
Issuance of financing receivables	_	(175,410)	(170,666)
Repayments of financing receivables	_	73,942	78,047
Proceeds from sale of financing receivables	_	73,405	72,225
Cash used in acquisitions, net of cash acquired	(15,035)	(49,764)	(37,718)
Net cash used in investing activities	\$ (20,339)	<u>\$ (96,205)</u>	\$ (57,677)
Cash flows from financing activities:			
Borrowings of non-recourse and recourse notes payable	\$ 141,369	\$ 83,924	\$ 72,389
Repayments of non-recourse and recourse notes payable	(31,880)	(43,054)	(31,302)
Repurchase of common stock	(14,425)	(18,754)	(35,245)
Repayments of financing of acquisitions	(5,763)	(7,634)	(2,104)
Net borrowings (repayments) on floor plan facility	11,333	3,974	(20,503)
Net cash provided by (used) in financing activities	100,634	18,456	(16,765)
Effect of exchange rate changes on cash	294	(44)	114
Net increase (decrease) in cash and cash equivalents	6,415	(38,382)	8,438
Cash and cash equivalents, beginning of period	79,816	_118,198	109,760
Cash and cash equivalents, end of period	\$ 86,231	\$ 79,816	<u>\$ 118,198</u>

See Notes to Consolidated Financial Statements.

ePlus inc. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

	Year	r Ended March	31,
	2020	2019	2018
Supplemental disclosures of cash flow information:			
Cash paid for interest	\$ 2,260	\$ 1,862	\$ 602
Cash paid for income taxes	\$ 28,356	\$ 19,938	\$ 32,134
Cash paid for amounts included in the measurement of lease liabilities	\$ 5,613	<u>\$</u>	<u>\$</u>
Schedule of non-cash investing and financing activities:			
Proceeds from sale of property, equipment, and leased equipment	<u>\$</u>	\$ 520	\$ 591
Purchases of property, equipment, and operating lease equipment	\$ (329)	\$ (1,874)	\$ (290)
Purchases of assets to be leased or financed	<u>\$</u>	\$ (13,663)	\$ (5,089)
Issuance of financing receivables	<u>\$</u>	<u>\$(119,024</u>)	<u>\$(132,982</u>)
Repayments of financing receivables	<u>\$</u>	<u>\$</u>	\$ 13,018
Proceeds from sale of financing receivables	<u>\$</u>	\$ 142,418	\$ 143,956
Consideration for acquisitions	\$ (241)	\$ (257)	\$ (12,050)
Borrowing of non-recourse and recourse notes payable	\$114,439	\$ 75,164	\$ 16,066
Repayments of non-recourse and recourse notes payable	\$ (70)	\$ (156)	\$ (19,372)
Vesting of share-based compensation	\$ 8,990	\$ 12,816	\$ 12,037
Repurchase of common stock	\$	\$	\$ (771)
New operating lease assets obtained in exchange for lease obligations	\$ 6,035	\$ —	\$ —

ePlus inc. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (in thousands)

	Comm	on Stock	Additional	_		Accumulated Other	
	Shares	Par Value	Paid-In Capital	Treasury Stock	Retained Earnings	Comprehensive Income	Total
Balance, April 1, 2017	14,161	<u>\$142</u>	\$123,536	<u>\$</u>	\$222,823	<u>\$ (583)</u>	\$345,918
Issuance of restricted stock							
awards	67	_	_	_	_		_
Share-based compensation	_	_	6,464	_	_	_	6,464
Repurchase of common stock	(467)	_	_	(36,016)	_	_	(36,016)
Net earnings			_		55,122	_	55,122
Foreign currency translation							
adjustment						1,115	1,115
Balance, March 31, 2018	13,761	<u>\$142</u>	<u>\$130,000</u>	<u>\$(36,016)</u>	\$277,945	<u>\$ 532</u>	\$372,603
Issuance of restricted stock							
awards	75	1	_	_	_	_	1
Share-based compensation			7,243		_	_	7,243
Repurchase of common stock	(225)		_	(17,983)	_	_	(17,983)
Net earnings	_	_	_	_	63,192	_	63,192
Foreign currency translation							
adjustment						(803)	(803)
Balance, March 31, 2019	13,611	\$143	\$137,243	\$(53,999)	\$341,137	\$ (271)	\$424,253
Issuance of restricted stock							
awards	93	1	_	_	_		1
Share-based compensation	_	_	7,954	_	_		7,954
Repurchase of common stock	(204)	_	_	(14,425)	_		(14,425)
Net earnings		_	_	_	69,082	_	69,082
Foreign currency translation					,	(== o)	
adjustment						(720)	(720)
Balance , March 31, 2020	13,500	<u>\$144</u>	\$145,197	<u>\$(68,424</u>)	<u>\$410,219</u>	<u>\$ (991)</u>	\$486,145

ePlus inc. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As of and for the Years ended March 31, 2020, 2019, and 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS — Our company was founded in 1990 and is a Delaware corporation. *ePlus* inc. is sometimes referred to in this Annual Report on Form 10-K as "we," "our," "us," "ourselves," or "*ePlus*." *ePlus* inc. is a holding company that through its subsidiaries provides information technology solutions which enable organizations to optimize their IT environment and supply chain processes. We also provide consulting, professional and managed services and complete lifecycle management services including flexible financing solutions. We focus on selling to medium and large enterprises in North America and the United Kingdom ("UK").

BASIS OF PRESENTATION — The consolidated financial statements include the accounts of ePlus inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The accounts of businesses acquired during fiscal years 2020, 2019 and 2018 are included in the consolidated financial statements from the dates of acquisition.

USE OF ESTIMATES — The preparation of financial statements in conformity with accounting principles generally accepted in the US requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Estimates are used when accounting for items and matters including, but not limited to, revenue recognition, residual asset values, vendor consideration, lease classification, goodwill and intangibles, reserves for credit losses, inventory obsolescence, and the recognition and measurement of income tax assets and other provisions and contingencies. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates.

BUSINESS COMBINATIONS — We account for business combinations using the acquisition method, which requires that the total purchase price for each of the acquired entity be allocated to the assets acquired and liabilities assumed based on their fair values at the acquisition date. The allocation process requires an analysis of intangible assets, such as customer relationships, trade names, acquired contractual rights and assumed contractual commitments and legal contingencies to identify and record all assets acquired and liabilities assumed at their fair value.

We record any premium paid over the fair value of the acquired net assets as goodwill. Our initial purchase price allocations are subject to revision within the measurement period, not to exceed one year from the date of acquisition. We include the results of operations for the acquired company in our financial statements from the acquisition date.

CASH AND CASH EQUIVALENTS — Cash and cash equivalents consist primarily of interest-bearing accounts and money market funds that consist of short-term US treasury securities. We consider all highly liquid investments, including those with an original maturity of three months or less at the date of acquisition, to be cash equivalents. We have a lockbox account whose purpose is to collect and distribute customer payments under financing arrangements. As of March 31, 2020, and March 31, 2019, we had no amounts being held in trust for third party recipients within our lockbox account. As of March 31, 2020, and March 31, 2019, there were no restrictions on the withdrawal of funds from our money market funds.

CONCENTRATIONS OF RISK — Financial instruments that potentially subject us to concentrations of credit risk include cash and cash equivalents, short-term investments, accounts receivable, and financing receivables. Cash and cash equivalents may include short-term investments that are maintained principally with financial institutions in the US. Our risk on accounts receivable and financing receivables is reduced by having a broad customer base in a diverse range of industries and through the ongoing evaluation of collectability of our portfolio. Our credit risk is further mitigated by transferring certain financial assets to financial institutions on a non-recourse basis and, concerning leases, by owning the underlying asset. A substantial portion of our sales are products from Cisco Systems, which represented approximately 40%, 42%, and 42%, of our technology segment net sales for the years ended March 31, 2020, 2019, and 2018, respectively.

DEFERRED COSTS — When a contract is within the scope of Accounting Standards Codification ("Codification") Topic 606, *Revenue from Contracts with Customers* ("Codification Topic 606"), we defer costs of fulfilling the contract when they generate or enhance resources that will be used by us in satisfying performance obligations in the future. Additionally, we capitalize costs that are incremental to obtaining the contracts, predominately sales commissions, and expense them in proportion to each completed contract performance obligation.

DEFERRED REVENUE — We recognize deferred revenue when cash payments are received or due in advance of our performance.

EARNINGS PER SHARE — Basic earnings per share is calculated by dividing net earnings attributable to common stockholders by the basic weighted average number of shares of common stock outstanding during each period. Diluted earnings per share reflects the potential dilution of securities that could participate in our earnings, including restricted stock awards during each period.

FAIR VALUE MEASUREMENT — We follow the guidance in Codification Topic 820 Fair Value Measurements ("Codification Topic 820") which governs how to measure fair value for financial reporting. This topic defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. This topic also establishes a fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1, such as quoted prices for similar
 assets or liabilities in active markets, that are observable for the asset or liability, either directly or
 indirectly.
- Level 3 Unobservable inputs for the asset or liability. The fair values are determined based on model-based techniques such as discounted cash flow models using inputs that we could not corroborate with market data.

FINANCIAL INSTRUMENTS — For financial instruments such as cash, short-term investments, accounts receivables, accounts payable and other current liabilities, we consider the recorded value of the financial instruments to approximate the fair value due to their short maturities. On March 31, 2020, the carrying amounts of our notes receivables, recourse and non-recourse payables were \$54.8 million, \$37.3 million and \$35.5 million, respectively, and their fair values were \$55.4 million, \$37.3 million and \$35.5 million, respectively. At March 31, 2019, the carrying amounts of our notes receivables and non-recourse payables were \$40.4 million and \$48.6 million, respectively, and their fair values were \$40.5 million and \$48.7 million, respectively. The carrying amount and fair value of our recourse notes payable at March 31, 2019, were insignificant.

FINANCING RECEIVABLES AND OPERATING LEASES — Financing receivables and operating leases consists of notes receivable, sales-type leases and operating leases. We issue financing receivables for periods generally between 2 to 6 years, with most terms ranging between 3 to 4 years. When we lease equipment under an operating lease, we recognize the underlying asset at cost and depreciate it on a straight-line bases over its estimated useful life. We estimate that the useful life for most information technology ("IT") equipment under lease is 4 years.

FOREIGN CURRENCY TRANSLATION — Our functional currency is the US dollar. Our international subsidiaries typically use their local currency as their functional currency. We translate the assets and liabilities of our international subsidiaries into US dollars at the spot rate in effect at the applicable reporting date. We translate the revenues and expenses of our international subsidiaries into US dollars at the average exchange rates in effect during the applicable period. We report the resulting foreign currency translation adjustment as accumulated other comprehensive loss, which is reflected as a separate component of stockholders' equity. We report all foreign currency transaction gains or losses in other income (expense) on our consolidated statement of operations. We recognized a loss of \$0.4 million, a gain of \$0.4 million, and a loss of \$0.8 million due to foreign currency translations for the years ended March 31, 2020, 2019, and 2018, respectively.

GOODWILL — We test goodwill for impairment on an annual basis, as of October 1, and between annual tests if an event occurs, or circumstances change, that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

In a qualitative assessment, we assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, including goodwill. If, after assessing the totality of events or circumstances, we determine that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the quantitative goodwill impairment test is unnecessary.

If, after assessing the totality of events or circumstances, we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we perform the quantitative goodwill impairment test. We may also elect the unconditional option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the quantitative goodwill impairment test.

In the quantitative impairment test, we compare the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. Conversely, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

INCOME TAXES — Deferred income taxes are accounted for in accordance with Codification Topic 740 *Income Taxes* ("Codification Topic 740"). Under this method, deferred income tax assets and liabilities are determined based on the temporary differences between the financial statement reporting and tax bases of assets and liabilities, using tax rates currently in effect. Future tax benefits, such as net operating loss carry-forwards, are recognized to the extent that realization of these benefits is considered to be more likely than not. We review our deferred tax assets at least annually and make necessary valuation adjustments.

In addition, we account for uncertain tax positions in accordance with Codification Topic 740. Specifically, the Topic prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on the related de-recognition, classification, interest and penalties, accounting for interim periods, disclosure and transition of uncertain tax positions. In accordance with our accounting policy, we recognize accrued interest and penalties related to unrecognized tax benefits as a component of tax expense.

INVENTORIES — Inventories are stated at the lower of cost and net realizable value. Cost is determined using a weighted average cost method. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Our determination of the net realizable value for inventories is based on the terms of underlying purchase commitments from our customers, current economic conditions including the impact of COVID-19, and other relevant factors.

LESSEE ACCOUNTING — We lease office space over initial terms typically between 3 and 6 years. At the lease commencement date, we recognize operating lease liabilities based on the present value of the future minimum lease payments. In determining the present value of future minimum lease payments, we use our incremental borrowing rate based on the information available at the commencement date. When the future minimum payments encompass non-lease components, we account for the lease and non-lease components as a single lease component. We elected not to recognize right-of-use assets and lease liabilities for leases with an initial term of 12 months or less. We recognize lease expense on a straight-line basis over the lease term beginning on the commencement date.

PROPERTY AND EQUIPMENT — Property and equipment are stated at cost, net of accumulated depreciation and amortization. We recognize property and equipment obtained through a business combination at its fair market value as of the acquisition date. We compute depreciation and amortization using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years. We typically depreciate internal use IT equipment over three years, perpetual software licenses over five years, furniture and fixtures over five years, and telecommunications equipment over seven years.

RESERVES FOR CREDIT LOSSES —We maintain our reserves for credit losses related to our accounts receivable and financing receivables at levels believed to be adequate to absorb potential losses inherent in their

respective balances. We increase our reserve for credit losses through a charge to bad debt expense for potential losses. We decrease our reserve for credit losses when we charge off the related receivable in the period the receivables are deemed uncollectable. We recognize recoveries of receivables previously charged off when received.

Our determination of the adequacy of the reserves for credit losses for accounts receivable is based on the age of the receivable balance, our internal rating of the customer's credit quality, our historical credit losses, current economic conditions including the impact of COVID-19, and other relevant factors.

Our determination of the adequacy of the reserve for credit losses for financing receivables is based on our internal rating of the customer's credit quality, our historical credit losses, current economic conditions including the impact of COVID-19, the fair value of the underlying collateral, and the volume, growth, and composition of our portfolio, and other relevant facts.

Prior to providing credit, we assign an internal rating for each customer's credit quality based on the customer's financial status, rating agency reports and other financial information. We update the internal credit quality rating at least annually or when an indicator of a change in credit quality arises, such as a delinquency or bankruptcy.

RESIDUAL ASSETS — Our estimate for the residual asset in a lease is the amount we expect to derive from the underlying asset following the end of the lease term. In a sales-type lease, we recognize the unguaranteed residual asset, measured on a discounted basis, upon lease commencement. In our subsequent accounting for the lease, we increase the unguaranteed residual asset using the effective interest method. We evaluate residual values for impairment on a quarterly basis. We recognize impairments as incurred. We do not recognize upward adjustments due to changes in estimates of residual values.

REVENUE RECOGNITION — We recognize most of our revenues from the sales of third-party products, third-party software, third-party maintenance, software support, and services, *e*Plus professional and managed services, and hosting *e*Plus proprietary software. We recognize revenue from these sales under the guidance in Codification Topic 606.

The core principle of Codification Topic 606 is that an entity should recognize revenue for the transfer of goods and services equal to an amount it expects to be entitled to receive for those goods and services. We account for a contract under Codification Topic 606 when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are established, the contract has commercial substance, and collectability of consideration is probable.

Revenues are reported net of sales refunds, including an estimate of future returns based on an evaluation of historical sales returns, current economic conditions, volume, and other relevant factors.

Our contracts with customers may include multiple promises that are distinct performance obligations. For such arrangements, we allocate the transaction price to each performance obligation based on its relative standalone selling price. We determine standalone selling prices using expected cost-plus margin.

We recognize revenue when (or as) we satisfy a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when (or as) the customer obtains control of that good or service. Depending on the nature of each performance obligation, this may be at a point in time or over time, as further described below.

We typically invoice our customers for third-party products upon shipment, unless our customers lease the equipment through our financing segment, in which case the arrangement is accounted for as a lease in accordance with Codification Topic 842, *Leases* ("Codification Topic 842"). We typically invoice our customers for third-party software upon delivery and third-party services at the point of sale, unless our customers finance these assets equipment through our financing segment, in which case we record a financing receivable based on the terms of the arrangement.

Product Revenue

Sales of third-party products

We are the principal in sales of third-party products. As such, we recognize sales on a gross basis with the selling price to the customer recorded as sales and the acquisition cost of the product recognized as cost of sales. We recognize revenue from these sales at the point in time that control passes to the customer, which is typically upon delivery of the product to the customer.

In some instances, our customers may request that we bill them for a product but retain physical possession of the product until later delivery, commonly known as "bill-and-hold" arrangements. In these transactions, we recognize revenue when the customer has signed a bill-and-hold agreement with us, the product is identified separately as belonging to the customer and, when orders include configuration, such configuration is complete, and the product is ready for delivery to the customer.

We recognize sales of leased equipment within our financing segment when control passes to the customer, which is typically the date of sale.

Sales of third-party software

We are typically the principal in sales of third-party software. Sales are recognized on a gross basis with the selling price to the customer recorded as sales and the acquisition cost of the product recognized as cost of sales. We recognize revenue from these sales at the point in time that control passes to the customer, which is typically upon delivery of the software to the customer.

Sales of third-party maintenance, software support, and services

We are the agent in sales of third-party maintenance, software support, and services as the third-party controls the service until it is transferred to the customer. Similarly, we are the agent in sales of third-party software and accompanying third-party support when the third-party software benefits the customer only in conjunction with the accompanying support. In these sales, we consider the third-party software and support as inputs to a single performance obligation. In all these sales where we are the agent, we recognize sales on a net basis at the point that our customer and vendor accept the terms and conditions of the arrangement.

Freight and sales tax

We present freight billed to our customers within sales and the related freight charged to us within cost of sales. We present sales tax collected from customers and remittances to governmental authorities on a net basis.

Financing revenue and other

We account for leases to customers in accordance with Codification Topic 842. We utilize a portfolio approach by grouping together many similar assets being leased to a single customer.

We classify our leases as either sales-type leases or operating leases. We classify leases as sales-type leases if any one of five criteria are met, each of which indicate that the lease transfers control of the underlying asset to the lessee. We classify our other leases as operating leases.

For sales-type leases, upon lease commencement, we recognize the present value of the lease payments and the residual asset discounted using the rate implicit in the lease. When we are financing equipment provided by another dealer, we typically do not have any selling profit or loss arising from the lease. When we are the dealer of the equipment being leased, we typically recognize revenue in the amount of the lease receivable and cost of sales in the amount of the carrying value of the underlying asset minus the unguaranteed residual asset. After the commencement date, we recognize interest income as part of net sales using the effective interest method.

For operating leases, we recognize the underlying asset as an operating lease asset. We depreciate the asset on a straight-line basis to its estimated residual value over its estimated useful life. We recognize the lease payments over the lease term on a straight-line basis as part of net sales.

In all our leases, we recognize variable lease payments, primarily reimbursement for property taxes associated with the leased asset, as part of net sales in the period in which the changes in facts and circumstances on which the variable lease payments are based occur. We exclude from revenues and expenses any sales taxes reimbursed by the lessee.

We also finance third-party software and third-party services for our customers, which we classify as notes-receivable. We recognize interest income on our notes-receivable using the effective interest method.

We account for transfers of our financial assets, under Codification Topic 860 *Transfers and Servicing* ("Codification Topic 860"). When a transfer meets all the requirements for sale accounting, we derecognize the financial asset and record a net gain or loss that is included in net sales.

Service Revenue

Sales of ePlus professional, managed services, and staffing

ePlus professional services offerings include assessments, project management, and staging, configuration, and integration. ePlus managed service offerings range from monitoring and notification to a fully outsourced network management solution. ePlus staffing delivers a full range of staffing solutions, including short-term, long-term, temporary-to-hire, and direct-hire IT professionals. In all these arrangements, we satisfy our performance obligation and recognize revenue over time.

In arrangements for ePlus professional services and staffing, we provide services under both time and materials and fixed price contracts. When services are provided on a time and materials basis, we recognize sales at agreed-upon billing rates as services are performed. When services are provided on a fixed fee basis, we recognize sales over time in proportion to our progress toward complete satisfaction of the performance obligation. We typically measure progress based on costs incurred in proportion to total estimated costs, commonly referred to as the "cost-to-cost" method.

In arrangements for ePlus managed services, our arrangement is typically a single performance obligation comprised of a series of distinct services that are substantially the same and that have the same pattern of transfer (i.e., distinct days of service). We typically recognize sales from these services on a straight-line basis over the period services are provided.

SHARE-BASED COMPENSATION — We account for share-based compensation in accordance with Codification Topic 718 *Compensation—Stock Compensation*. We recognize compensation cost for awards of restricted stock with graded vesting on a straight-line basis over the requisite service period. We account for forfeitures when they occur. There are no additional conditions for vesting other than service conditions.

SOFTWARE DEVELOPMENT COSTS — We capitalize costs for the development of internal use software under the Codification Topic 350-40 *Intangibles—Goodwill and Other Intangibles*, Subtopic *Internal-Use Software*. We capitalized development costs for internal use software of \$0.2 million, \$2.5 million and \$2.1 million during the years ended March 31, 2020, 2019 and 2018, respectively. We had capitalized costs, net of amortization, of approximately \$4.5 million and \$5.4 million at March 31, 2020, and March 31, 2019, respectively, that is included in the accompanying consolidated balance sheets as a component of other intangible assets-net.

TREASURY STOCK — We account for treasury stock under the cost method and include treasury stock as a component of stockholders' equity on the accompanying consolidated balance sheets.

VENDOR CONSIDERATION — We receive payments and credits from vendors pursuant to volume incentive programs and shared marketing expense programs. Many of these programs extend over one or more quarters' sales activities. Different programs have different vendor/program specific milestones to achieve. Amounts due from vendors as of March 31, 2020, and 2019 were \$20.8 million and \$13.1 million, respectively, which were included within accounts receivable-other, net in the accompanying balance sheets.

We recognize rebates pursuant to volume incentive programs, when the rebate is probable and reasonably estimable, based on a systematic and rational allocation of the cash consideration offered to the underlying transactions that result in our progress toward earning the rebate. When a rebate is not probable or not reasonably estimable, we recognized the rebate as the milestones are achieved or as cash is received.

We recognize rebates pursuant to shared marketing expense programs as a reduction of the related selling and administrative expenses in the period the program occurs when the consideration represents a reimbursement of specific, incremental, identifiable costs. We recognize consideration that exceeds the specific, incremental, identifiable costs as a reduction of cost of sales.

2. RECENT ACCOUNTING PRONOUNCEMENTS

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS —We adopted Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)* in our quarter ended June 30, 2019 using a transition option that allows entities to initially apply the new leasing standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Under this transition option, we do not update the financial information and disclosures for comparative periods.

As part of our transition, we elected a package of practical expedients to not reassess whether any expired or existing contracts are or contain leases, not reassess the lease classification for any expired or existing leases, and not reassess initial direct costs for any existing leases. As a result of our adoption, we recorded an initial impact to our consolidated balance sheets of establishing right-of-use assets of \$12.7 million and lease liabilities of \$12.3 million and a reduction in prepaid assets of \$0.4 million at the beginning of our quarter ended June 30, 2019.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED — In June 2016, the FASB issued ASU 2016-13, *Financial Instruments- Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. We are adopting this update in our quarter ending June 30, 2020. Our adoption of this update, including the cumulative-effect adjustment to retained earnings, is not significant to our financial statements.

3. REVENUES

Contract balances

Accounts receivable – trade consists entirely of amounts due from contracts with customers. In addition, we had \$33.1 million, \$16.2 million and \$28.1 million of receivables from contracts with customers included within financing receivables as of March 31, 2020, 2019 and 2018, respectively. The following table provides the balance of contract liabilities from contracts with customers (in thousands):

	Year	rs Ended Marc	h 31,
Contract liabilities	2020	2019	2018
Current (included in deferred revenue)	\$54,486	\$46,356	\$34,643
Non-current (included in other liabilities)	\$16,395	\$13,593	\$12,699

Revenue recognized from the beginning contract liability balance was \$53.5 million and \$32.0 million for the fiscal year ended March 31, 2020, and 2019, respectively.

Performance obligations

The following table includes revenue expected to be recognized in the future related to performance obligations, primarily non-cancelable contracts for *e*Plus managed services, that are unsatisfied or partially unsatisfied at the end of the reporting period (in thousands).

Year ending March 31, 2021	\$28,701
2022	10,815
2023	3,892
2024	628
2025 and thereafter	554
Total remaining performance obligations	\$44,590

The table does not include the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts where we recognize revenue at the amount that we have the right to invoice for services performed.

4. FINANCING RECEIVABLES AND OPERATING LEASES

Our financing receivables and operating leases consist primarily of leases of IT and communication equipment and notes receivable from financing customer purchases of third-party software, maintenance, and services. Our leases often include elections for the lessee to purchase the underlying asset at the end of the lease term. Occasionally, our leases provide the lessee a bargain purchase option.

The following table provides the profit recognized for sales-type leases at their commencement date (in thousands):

	Year ended March 31, 2020
Net sales	\$15,631
Cost of sales	13,039
Gross Profit	\$ 2,592

The following table provides interest income in aggregate for sales-type leases and lease income for operating leases (in thousands):

	Year ended March 31, 2020
Interest Income on sales-type leases	\$ 6,623
Lease income on operating leases	\$18,534

FINANCING RECEIVABLES—NET

Our financing receivables, net consist of the following (in thousands):

March 31, 2020	Notes Receivables	Lease-Related Receivables	Total Financing Receivables
Minimum payments	\$55,417	\$ 69,492	\$124,909
Estimated unguaranteed residual value ⁽¹⁾	_	21,862	21,862
Initial direct costs, net of amortization ⁽²⁾	212	247	459
Unearned income	_	(11,612)	(11,612)
Reserve for credit losses ⁽³⁾	(798)	(610)	(1,408)
Total, net	<u>\$54,831</u>	<u>\$ 79,379</u>	<u>\$134,210</u>
Reported as:			
Current	\$31,181	\$ 38,988	\$ 70,169
Long-term	23,650	40,391	64,041
Total, net	<u>\$54,831</u>	\$ 79,379	<u>\$134,210</u>

⁽¹⁾ Includes estimated unguaranteed residual values of \$14,972 thousand for sales-type leases, which have been sold and accounted for as sales.

⁽³⁾ For details on reserve for credit losses, refer to Note 7, "Reserves for Credit Losses."

March 31, 2019	Notes Receivables		Total Financing Receivables
Minimum payments	\$40,563	\$64,201	\$104,764
Estimated unguaranteed residual value ⁽¹⁾	_	14,639	14,639
Initial direct costs, net of amortization ⁽²⁾	377	332	709
Unearned income	_	(7,671)	(7,671)
Reserve for credit losses ⁽³⁾	(505)	(530)	(1,035)
Total, net	\$40,435	<u>\$70,971</u>	\$111,406
Reported as:			
Current	\$30,852	\$32,914	\$ 63,766
Long-term	9,583	38,057	47,640
Total, net	\$40,435	\$70,971	\$111,406

Includes \$8,996 thousand for estimated residual values of sales-type leases and direct financing leases for which we sold the financing assets.

⁽²⁾ Initial direct costs are shown net of amortization of \$295 thousand.

⁽²⁾ Initial direct costs are shown net of amortization of \$275 thousand.

⁽³⁾ For details on reserve for credit losses, refer to Note 7, "Reserves for Credit Losses."

Future scheduled minimum lease payments for investments in sales-type leases as of March 31, 2020, are as follows (in thousands):

Year ending March 31, 2021	\$39,414
2022	16,471
2023	9,396
2024	2,597
2025 and thereafter	1,614
Total	\$69,492

OPERATING LEASES—NET

Operating leases—net represents leases that do not qualify as sales-type leases. The components of the operating leases—net are as follows (in thousands):

	March 31, 2020	March 31, 2019
Cost of equipment under operating leases	\$ 21,276	\$ 21,532
Accumulated depreciation	(11,159)	(10,139)
Investment in operating lease equipment—net(1)	\$ 10,117	<u>\$ 11,393</u>

(1) Amounts include estimated unguaranteed residual values of \$3.1 million and \$2.9 million as of March 31, 2020, and 2019, respectively. Future scheduled minimum lease rental payments as of March 31, 2020, are as follows (in thousands):

Year ending March 31, 2021	\$4,844
2022	2,982
2023	1,653
2024	465
2025 and thereafter	
Total	\$9,966

TRANSFERS OF FINANCIAL ASSETS

We enter into arrangements to transfer the contractual payments due under financing receivables and operating lease agreements, which are accounted for as secured borrowings in accordance with Codification Topic 860.

For transfers accounted for as a secured borrowing, the corresponding investments serve as collateral for non-recourse notes payable. As of March 31, 2020, and March 31, 2019, we had financing receivables of \$34.6 million and \$50.2 million, respectively, and operating leases of \$6.7 million and \$7.8 million, respectively which were collateral for non-recourse notes payable. See Note 9, "Notes Payable and Credit Facility."

For transfers accounted for as sales, we derecognize the carrying value of the asset transferred plus any liability and recognize a net gain or loss on the sale, which are presented within net sales in the consolidated statement of operations. For the years ended March 31, 2020, 2019, and 2018, we recognized net gains of \$21.8 million, \$9.1 million, and \$6.8 million, respectively, and total proceeds from these sales were \$593.7 million, \$276.1 million, and \$267.3 million, respectively.

When we retain servicing obligations in transfers accounted for as sales, we allocate a portion of the proceeds to deferred revenues, which is recognized as we perform the services. As of both March 31, 2020, and March 31, 2019, we had deferred revenue of \$0.4 million, for servicing obligations.

In a limited number of transfers accounted for as sales, we indemnified the assignee in the event that the lessee elects to early terminate the lease. As of March 31, 2020, our maximum potential future payments related to such guarantees is not material. We believe the possibility of making any payments to be remote.

5. LESSEE ACCOUNTING

We lease office space for periods up to six years. We recognize our right-of-use assets as part of property, equipment and other assets. We recognize the current and long-term portions of our lease liability as part of other

current liabilities and other liabilities, respectively. We recognized rent expense of \$5.6 million as part of selling, general, and administrative expenses during the year ended March 31, 2020.

Supplemental information about the remaining lease terms and discount rates applied as of March 31, 2020:

Lease term and Discount Rate	March 31, 2020
Weighted average remaining lease term (months)	38
Weighted average discount rate	3.9%

As of March 31, 2020, we have future lease payments under our operating leases (in thousands):

	March 31, 2020
Year ending March 31, 2021	\$ 4,904
2022	4,038
2023	
2024	1,206
Thereafter	762
Total lease payments	\$13,964
Less: Interest.	(823)
Present value of lease liabilities.	\$13,141

Disclosures related to periods prior to our adoption of Codification Topic 842:

We had annual rent expense relating to operating leases of \$5.2 million and \$6.7 million for the years ended March 31, 2019, and 2018, respectively. As of March 31, 2019, we had future minimum lease payments under operating leases as follows (in thousands):

	March 31, 2019
Year ending March 31, 2020	
2021	4,026
2022	
2023	2,025
2024 and thereafter	293
Total lease payments	\$13,601

6. GOODWILL AND OTHER INTANGIBLE ASSETS

GOODWILL

The following table summarizes the changes in the carrying amount of goodwill for the years ended March 31, 2020, and March 31, 2019, respectively (in thousands):

	<u></u>	March 31, 2020		March 31, 2019			
	Goodwill	Accumulated Impairment Loss	Net Carrying Amount	Goodwill	Accumulated Impairment Loss	Net Carrying Amount	
Beginning balance	\$119,480	\$(8,673)	\$110,807	\$ 85,297	\$(8,673)	\$ 76,624	
Acquisitions	7,410		7,410	34,352		34,352	
Foreign currency translations	(120)		(120)	(169)		(169)	
Ending balance	<u>\$126,770</u>	<u>\$(8,673)</u>	\$118,097	\$119,480	<u>\$(8,673)</u>	\$110,807	

Goodwill represents the premium paid over the fair value of the net tangible and intangible assets that are individually identified and separately recognized in business combinations. Our entire balance as of March 31, 2020, relates to our technology reportable segment, which we also determined to be one reporting unit. The

change in our goodwill balance during the year ended March 31, 2020, relates to our acquisition of certain assets and liabilities of Innovative Technology Systems & Solutions, Inc. ("ABS Technology"), which is partially offset by adjustments related to our acquisition of SLAIT Consulting, LLC ("SLAIT") and foreign exchange translations. See Note 16, "Business Combinations".

We test goodwill for impairment on an annual basis, as of the first day of our third fiscal quarter, and between annual tests if an event occurs, or circumstances change, that would more likely than not reduce the fair value of a reporting unit below its carrying value. In our annual test as of October 1, 2019, we performed a qualitative assessment of goodwill and concluded that, more likely than not, the fair value of our technology reporting unit continued to substantially exceed its carrying value.

During the fourth quarter of fiscal year 2020, we determined that the uncertainty associated with the economic environment stemming from the COVID-19 pandemic was a triggering event and we elected to perform a quantitative goodwill impairment test. We concluded that the fair value of our technology reporting unit substantially exceeded its carrying value as of March 31, 2020. Our conclusions would not be impacted by a ten percent change in our estimate of the fair value of the reporting unit.

OTHER INTANGIBLE ASSETS

Our other intangible assets consist of the following at March 31, 2020, and March 31, 2019 (in thousands):

	March 31, 2020			March 31, 2019			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Customer relationships & other							
intangibles	\$63,006	\$(33,000)	\$30,006	\$57,407	\$(23,865)	\$33,542	
Capitalized software development	10,385	(5,927)	4,458	10,188	(4,802)	5,386	
Total	\$73,391	<u>\$(38,927)</u>	\$34,464	\$67,595	<u>\$(28,667)</u>	\$38,928	

Customer relationships and other intangibles are generally amortized between 5 to 10 years. Capitalized software development is generally amortized over 5 years. Total amortization expense was \$9.4 million, \$7.9 million, and \$6.4 million for the years ended March 31, 2020, 2019 and 2018, respectively. Amortization expense is estimated to be \$8.2 million, \$6.6 million, \$5.1 million, \$3.8 million, and \$2.7 million for the years ended March 31, 2021, 2022, 2023, 2024 and 2025, respectively.

See Note 16, "Business Combinations" for additional information regarding acquired intangibles.

7. RESERVES FOR CREDIT LOSSES

Activity in our reserves for credit losses for the years ended March 31, 2020, 2019 and 2018 were as follows (in thousands):

	Accounts Receivable	Notes Receivable	Lease-Related Receivables	Total
Balance as of March 31, 2017	\$1,279	\$ 3,434	\$ 679	\$ 5,392
Provision for credit losses	264	73	125	462
Write-offs and other	(5)	(3,021)	(164)	(3,190)
Balance as of March 31, 2018	1,538	486	640	2,664
Provision for credit losses	195	250	(110)	335
Write-offs and other	(154)	(231)		(385)
Balance as of March 31, 2019	1,579	505	530	2,614
Provision for credit losses	627	293	84	1,004
Write-offs and other	(425)		(4)	(429)
Balance as of March 31, 2020	<u>\$1,781</u>	<u>\$ 798</u>	<u>\$ 610</u>	\$ 3,189

Our reserve for credit losses and minimum payments associated with our notes receivables and lease-related receivables disaggregated based on our impairment method were as follows (in thousands):

	March	31, 2020	March 31, 2019		
	Lease- Notes Related Receivable Receivables		Notes Receivable	Lease- Related Receivables	
Reserves for credit losses:					
Ending balance: collectively evaluated for impairment	\$ 736	\$ 610	\$ 443	\$ 530	
Ending balance: individually evaluated for impairment	62		62		
Ending balance	\$ 798	\$ 610	\$ 505	\$ 530	
Minimum payments:					
Ending balance: collectively evaluated for impairment	\$55,005	\$69,492	\$40,501	\$64,201	
Ending balance: individually evaluated for impairment	412		62		
Ending balance	\$55,417	\$69,492	\$40,563	<u>\$64,201</u>	

The net credit exposure for the balance evaluated individually for impairment as of March 31, 2020, and March 31, 2019 was \$0.1 million, which is related to one customer.

We place receivables on non-accrual status when events occur that indicate a receivable will not be collectable (such as a customer bankruptcy). We charge off uncollectable financing receivables when we stop pursuing collection. The age of the recorded minimum lease payments and net credit exposure associated with our investment in sales-type leases that are past due disaggregated based on our internally assigned credit quality rating ("CQR") were as follows as of March 31, 2020, and 2019 (in thousands):

	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Unbilled Minimum Lease Payments	Total Minimum Lease Payments	Unearned Income	Non- Recourse Notes Payable	Net Credit Exposure
March 31, 2020										
High CQR	\$951	\$105	\$ 922	\$1,978	\$1,181	\$33,581	\$36,740	\$(4,766)	\$(19,823)	\$12,151
Average CQR	46	107	112	265	1,106	31,381	32,752	(3,646)	(18,693)	10,413
Low CQR										
Total	<u>\$997</u>	<u>\$212</u>	<u>\$1,034</u>	<u>\$2,243</u>	<u>\$2,287</u>	<u>\$64,962</u>	<u>\$69,492</u>	<u>\$(8,412)</u>	<u>\$(38,516</u>)	<u>\$22,564</u>
March 31, 2019										
High CQR	\$325	\$ 41	\$ 10	\$ 376	\$ 543	\$29,503	\$30,422	\$(2,799)	\$(11,044)	\$16,579
Average CQR	22	54	15	91	125	33,563	33,779	(2,508)	(20,848)	10,423
Low CQR										
Total	\$347	\$ 95	\$ 25	\$ 467	\$ 668	\$63,066	<u>\$64,201</u>	<u>\$(5,307)</u>	<u>\$(31,892</u>)	\$27,002

The age of the recorded notes receivable balance disaggregated based on our internally assigned CQR were as follows as March 31, 2020, and 2019 (in thousands)

	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Unbilled Notes Receivable	Total Notes <u>Receivable</u>	Non- Recourse Notes Payable	Net Credit Exposure
March 31, 2020									
High CQR	\$1,332	\$ 2	\$280	\$1,614	\$2,878	\$29,057	\$33,549	\$(18,341)	\$15,208
Average CQR	140	44	142	326	1,135	19,995	21,456	(16,636)	4,820
Low CQR	63	_	_152	215		197	412		412
Total	<u>\$1,535</u>	<u>\$46</u>	<u>\$574</u>	<u>\$2,155</u>	<u>\$4,013</u>	<u>\$49,249</u>	<u>\$55,417</u>	<u>\$(34,977</u>)	<u>\$20,440</u>

	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Unbilled Notes Receivable	Total Notes Receivable	Non- Recourse Notes Payable	Net Credit Exposure
March 31, 2019									
High CQR	\$ 990	\$40	\$30	\$1,060	\$3,813	\$28,113	\$32,986	\$(18,245)	\$14,741
Average CQR	105	34	7	146	137	7,232	7,515	(1,507)	6,008
Low CQR		_	_62	62			62		62
Total	<u>\$1,095</u>	<u>\$74</u>	<u>\$99</u>	<u>\$1,268</u>	\$3,950	\$35,345	\$40,563	<u>\$(19,752</u>)	\$20,811

We estimate losses on our net credit exposure to be between 0% - 5% for customers with high CQR, as these customers are investment grade or the equivalent of investment grade. We estimate losses on our net credit exposure to be between 2% - 15% for customers with average CQR, and between 15% - 100% for customers with low CQR, which includes customers in bankruptcy.

8. PROPERTY, EQUIPMENT, AND OTHER ASSETS AND LIABILITIES

PROPERTY AND EQUIPMENT—NET

Property and equipment—net consists of the following (in thousands):

	March 31, 2020	March 31, 2019
Furniture, fixtures and equipment	\$ 24,657	\$ 23,295
Leasehold improvements	6,964	6,010
Capitalized software	3,513	3,421
Vehicles	315	302
Total assets	35,449	33,028
Accumulated depreciation and amortization.	(28,296)	(25,714)
Property and equipment - net	\$ 7,153	\$ 7,314

For the years ended March 31, 2020, 2019 and 2018, depreciation and amortization expense on property and equipment, including amounts recognized in cost of sales, was \$4.8 million, \$4.7 million, and \$4.1 million, respectively.

OTHER ASSETS AND LIABILITIES

Our other assets and liabilities consist of the following (in thousands):

	March 31, 2020	March 31, 2019
Other current assets:		
Deposits & funds held in escrow	\$ 926	\$ 438
Prepaid assets	7,946	6,425
Other.	384	636
Total	\$ 9,256	<u>\$ 7,499</u>
Property, equipment and other assets:		
Property and equipment, net	\$ 7,153	\$ 7,314
Deferred costs - non-current	10,957	8,856
Right-of-use assets.	13,066	
Other.	1,420	1,158
Total	\$32,596	\$17,328

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	March 31, 2020	March 31, 2019
Other current liabilities:		
Accrued expenses.	\$10,024	\$ 7,813
Accrued income taxes payable	406	181
Contingent consideration - current	220	5,162
Short-term lease liability	4,815	
Other	7,521	6,129
Total	<u>\$22,986</u>	<u>\$19,285</u>
Other liabilities:		
Deferred revenue	\$16,693	\$13,789
Contingent consideration - long-term	_	3,780
Long-term lease liability	8,326	
Other	2,708	108
Total	\$27,727	\$17,677

Deposits and funds held in escrow relate to financial assets that were sold to third-party banks. In conjunction with those sales, a portion of the proceeds were placed in escrow and were released during the current fiscal year upon payment of outstanding invoices related to the underlying financing arrangements that were sold.

In September 2019, we reached a settlement in full for one of our contingent consideration arrangements in the amount of \$9.6 million, which was paid in October 2019. This settlement is the primary factor behind the decrease in short-term and long-term contingent consideration.

9. NOTES PAYABLE AND CREDIT FACILITY

Recourse Notes Payable

Recourse notes payable consist of borrowings that, in the event of default, the lender has recourse against the assets serving as collateral, and against us. As of March 31, 2020, recourse notes payable included \$35.0 million outstanding under our revolving credit facility with Wells Fargo, which had a weighted average interest rate of 3.49%. There were no amounts outstanding as of March 31, 2019.

As of March 31, 2020, and March 31, 2019, we had \$2.3 million and \$28 thousand, respectively, of borrowings that were collateralized by investments in notes and leases. Principal and interest payments are generally due monthly in amounts that are approximately equal to the total payments due from the customer under the leases or notes receivable that collateralize the notes payable. The weighted average interest rate for our recourse notes payable was 2.55% and 4.00%, as of March 31, 2020, and March 31, 2019, respectively.

Non-recourse Notes Payable

Non-recourse notes payable consist of borrowings that, in the event of a default by a customer, the lender generally only has recourse against the customer, and the assets serving as collateral, but not against us. As of March 31, 2020, and March 31, 2019, we had \$35.5 million and \$48.6 million, respectively, of nonrecourse borrowings that were collateralized by investments in notes and leases. Principal and interest payments are generally due monthly in amounts that are approximately equal to the total payments due from the customer under the leases or notes receivable that collateralize the notes payable. The weighted average interest rate for our non-recourse notes payable was 3.84% and 4.68%, as of March 31, 2020, and March 31, 2019, respectively.

Credit Facility

Within our technology segment, ePlus Technology, inc. and certain of its subsidiaries finance their operations with funds generated from operations, and with a credit facility with Wells Fargo Commercial Distribution Finance, LLC or WFCDF. This facility provides short-term capital for our technology segment. There are two components of the WFCDF credit facility: (1) a floor plan component and (2) an accounts receivable component. Under the floor plan component, we had outstanding balances of \$127.4 million and \$116.1 million as of March 31, 2020, and 2019, respectively. Under the accounts receivable component, we had an outstanding

balance as of March 31, 2020, of \$35.0 million and no outstanding balance as of March 31,2019. As of March 31, 2020, the facility agreement had an aggregate limit of the two components of \$300 million, and the accounts receivable component had a sub-limit of \$75 million, which bears interest assessed at a rate of the One Month LIBOR plus two and one-half percent.

As of March 31, 2020, except during a temporary uplift, the facility had an aggregate limit of \$250 million for the two components and the accounts receivable component had a sub-limit of \$50 million, which bears interest assessed at a rate of the One Month LIBOR plus two and one-half percent. We had an election beginning July 1 in each year to temporarily increase the aggregate limit of the two components to \$350 million ending the earlier of 90 days following the election or October 31 of that same year.

On March 31, 2020, we executed an additional amendment to the WFCDF credit facility that temporarily increased the aggregate limit of the two components from \$250.0 million to \$300.0 million through May 5, 2020. Similarly, the amendment temporarily increased the limit on the accounts receivable component of the WFCDF credit facility to \$75.0 million through April 14, 2020.

The credit facility has full recourse to ePlus Technology, inc. and certain of its subsidiaries and is secured by a blanket lien against all its assets, such as receivables and inventory. Availability under the facility may be limited by the asset value of equipment we purchase or accounts receivable and may be further limited by certain covenants and terms and conditions of the facility. These covenants include but are not limited to a minimum excess availability of the facility and minimum earnings before interest, taxes, depreciation and amortization ("EBITDA") of ePlus Technology, inc. We are in compliance with these covenants as of March 31, 2020.

In addition, the facility restricts the ability of *e*Plus Technology, inc. to transfer funds to its affiliates in the form of dividends, loans or advances with certain exceptions for dividends to *e*Plus inc. More specifically, ePlus Technology, inc. may make loans or advances in the ordinary course of business up to \$30.0 million, if (i) we are not in default under the terms and conditions of the agreement, and (ii) our available borrowing as defined in the credit facility is not less than \$20.0 million. Loans or advances to affiliates outside of normal course of business are not permitted without prior written consent. In addition, ePlus Technology, inc. may make a dividend to ePlus inc. if, after giving effect to such dividend and as of the date of the dividend; (i) we are not in default under the terms and conditions of the agreement, (ii) our available borrowing as defined in the credit facility is not less than \$20.0 million, and (iii) we do not have any outstanding borrowings under the accounts receivable component of the credit facility. In the amendment executed on March 31, 2020, the restriction on borrowings under the accounts receivable component of the credit facility was removed as of March 31, 2020. Accordingly, as of March 31, 2020, there were no restricted net assets of ePlus Technology inc.

The facility also requires that financial statements of *e*Plus Technology, inc. and certain of its subsidiaries be provided within 45 days of each quarter and 90 days of each fiscal year end and also includes that other operational reports be provided on a regular basis. Either party may terminate with 90 days' advance notice. We are not, and do not believe that we are reasonably likely to be, in breach of the WFCDF credit facility. In addition, we do not believe that the covenants of the WFCDF credit facility materially limit our ability to undertake financing.

The facility provided by WFCDF requires a guaranty of \$10.5 million by ePlus inc. The guaranty requires ePlus inc. to deliver its annual audited financial statements by certain dates. The loss of the WFCDF credit facility could have a material adverse effect on our future results as we currently rely on this facility and its components for daily working capital and liquidity for our technology segment and as an operational function of our accounts payable process.

On May 18, 2020, we executed an additional amendment to the WFCDF credit facility that increased the aggregate limit of the two components, except during a temporary uplift, to \$275.0 million. Additionally, we have an election to temporarily increase the aggregate limit to \$350.0 million for a period of not less than 30 days, provided that all such periods shall not exceed 150 days in the aggregate in any calendar year. Further, the amendment increased the limit on the accounts receivable component of the WFCDF credit facility to \$100.0 million, reduced the interest rate to LIBOR plus 2.00%, and removed certain restrictions on *ePlus* Technology, inc.'s ability to pay dividends to *ePlus* inc.

Recourse and non-recourse notes payable as of March 31, 2020, mature as follows (in thousands):

	Recourse Notes Payable	Non-Recourse Notes Payable
Year ending March 31, 2021	\$37,256	\$29,630
2022	_	3,998
2023	_	1,334
2024	_	510
2025 and thereafter		30
	\$37,256	\$35,502

10. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time, the Company may be involved in routine legal proceedings, as well as demands, claims and threatened litigation that arise in the normal course of our business. The ultimate amount of liability, if any, for any claims of any type (either alone or in the aggregate) may materially and adversely affect the Company's financial condition, results of operations and liquidity. In addition, the ultimate outcome of any litigation is uncertain. Any outcome, whether favorable or unfavorable, may materially and adversely affect the Company due to legal costs and expenses, diversion of management attention and other factors. The Company expenses legal costs in the period incurred. The Company cannot assure that additional contingencies of a legal nature or contingencies having legal aspects will not be asserted against the Company in the future, and these matters could relate to prior, current or future transactions or events.

11. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net earnings attributable to common shares by the weighted average number of common shares outstanding for the period. Diluted net earnings per share include the potential dilution of securities that could participate in our earnings, but not securities that are anti-dilutive.

The following table provides a reconciliation of the numerators and denominators used to calculate basic and diluted net earnings per common share as disclosed in our consolidated statements of operations for the fiscal years ended March 31, 2020, 2019 and 2018(in thousands, except per share data).

	2020	2019	2018
Net earnings attributable to common shareholders - basic and diluted	\$69,082	\$63,192	\$55,122
Basic and diluted common shares outstanding:			
Weighted average common shares outstanding — basic	13,327	13,448	13,790
Effect of dilutive shares	88	130	177
Weighted average shares common outstanding — diluted	13,415	13,578	13,967
Earnings per common share - basic	\$ 5.18	<u>\$ 4.70</u>	\$ 4.00
Earnings per common share - diluted	\$ 5.15	\$ 4.65	\$ 3.95

12. STOCKHOLDERS' EQUITY

Share Repurchase Plan

On April 26, 2018, our board of directors authorized the repurchase up to 500,000 shares of our outstanding common stock over a 12-month period beginning on May 28, 2018 through May 27, 2019. The plan authorized purchases to be made from time to time in the open market, or in privately negotiated transactions, subject to availability. Any repurchased shares will have the status of treasury shares and may be used, when needed, for general corporate purposes.

On May 24, 2019, our board of directors authorized the repurchase up to 500,000 shares of our outstanding common stock over a 12-month period beginning on May 28, 2019 through May 27, 2020. The plan authorized

purchases to be made from time to time in the open market, or in privately negotiated transactions, subject to availability. Any repurchased shares will have the status of treasury shares and may be used, when needed, for general corporate purposes.

During the year ended March 31, 2020, we purchased 161,976 shares of our outstanding common stock at an average cost of \$70.39 per share for a total purchase price of \$11.4 million under the share repurchase plan; we also purchased 41,817 shares of common stock at a value of \$3.0 million to satisfy tax withholding obligations relating to the vesting of employees' restricted stock.

During the year ended March 31, 2019, we purchased 185,026 shares of our outstanding common stock at an average cost of \$76.34 per share for a total purchase price of \$14.1 million under the share repurchase plan. We also acquired 40,092 shares of common stock at a value of \$3.9 million to satisfy tax withholding obligations relating to the vesting of employees' restricted stock.

13. SHARE-BASED COMPENSATION

Share-Based Plans

In each of the years ended March 31, 2020, 2019 and 2018, we issued share-based payment awards and had outstanding share-based payment awards under the following plans: (1) the 2008 Non-Employee Director Long-Term Incentive Plan ("2008 Director LTIP"), (2) the 2012 Employee Long-Term Incentive Plan ("2012 Employee LTIP"), and (3) the 2017 Non-Employee Director Long-Term Incentive Plan ("2017 Director LTIP").

2008 Director LTIP

On September 15, 2008, our stockholders approved the 2008 Director LTIP that was adopted by the Board on June 25, 2008. Under the 2008 Director LTIP, 500,000 shares had been authorized for grant to non-employee directors. The purpose of the 2008 Director LTIP is to align the economic interests of the directors with the interests of stockholders by including equity as a component of pay and to attract, motivate and retain experienced and knowledgeable directors. Each director receives an annual grant of restricted stock having a grant-date fair value equal to the cash compensation earned by an outside director during our fiscal year ended immediately before the respective annual grant-date. Directors may elect to receive their cash compensation in restricted stock. These restricted shares are prohibited from being sold, transferred, assigned, pledged or otherwise encumbered or disposed of. The shares vest half on the one-year anniversary and half on the second-year anniversary from the date of the grant. Upon shareholder approval of the 2017 Director LTIP, which occurred on September 12, 2017, the 2017 Director LTIP replaced the 2008 Director LTIP, and no new awards were made under the 2008 Director LTIP. However, any outstanding awards previously granted under the 2008 Director LTIP continued in effect. As of March 31, 2020, there are no further unvested awards from this plan.

2012 Employee LTIP

On September 13, 2012, our stockholders approved the 2012 Employee LTIP that was adopted by the Board on July 10, 2012. Under the 2012 Employee LTIP, 1,500,000 shares were authorized for grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, or other share-based awards to *e*Plus employees. The purpose of the 2012 Employee LTIP is to encourage our employees to acquire a proprietary interest in the growth and performance of *e*Plus, thus enhancing the value of *e*Plus for the benefit of its stockholders, and to enhance our ability to attract and retain exceptionally qualified individuals. The 2012 Employee LTIP is administered by the Compensation Committee. Shares issuable under the 2012 Employee LTIP may consist of authorized but unissued shares or shares held in our treasury. Shares under the 2012 Employee LTIP will not be used to compensate our outside directors, who may be compensated under the separate 2008 Director LTIP, as discussed above. Under the 2012 Employee LTIP, the Compensation Committee will determine the time and method of exercise or vesting of the awards.

2017 Director LTIP

On September 12, 2017, our stockholders approved the 2017 Director LTIP that was adopted by the Board on July 24, 2017. Under the 2017 Director LTIP, 150,000 shares were authorized for grant to non-employee directors. The purpose of the 2017 Director LTIP is to align the economic interests of the directors with the interests of stockholders by including equity as a component of pay and to attract, motivate and retain

experienced and knowledgeable directors. Each director receives an annual grant of restricted stock having a grant-date fair value equal to the cash compensation earned by an outside director during our fiscal year ended immediately before the respective annual grant-date. Directors may elect to receive their cash compensation in restricted stock. These restricted shares are prohibited from being sold, transferred, assigned, pledged or otherwise encumbered or disposed of. The shares vest half on the one-year anniversary and half on the second-year anniversary from the date of the grant.

Stock Option Activity

During the years ended March 31, 2020, 2019, and 2018, we did not grant any stock options, nor did we have any outstanding stock options.

Restricted Stock Activity

During the year ended March 31, 2020, we granted 8,887 restricted shares under the 2017 Director LTIP and 85,132 restricted shares under the 2012 Employee LTIP.

Cumulatively, as of March 31, 2020, we granted a total of 23,243 restricted shares under the 2017 Director LTIP and 904,555 restricted shares under the 2012 Employee LTIP

A summary of the non-vested restricted shares for year ended March 31, 2020 as follows:

	Number of Shares	Average Grant- date Fair Value
Nonvested April 1, 2019	224,000	\$67.70
Granted	94,019	\$72.93
Vested	(123,250)	\$62.07
Forfeited	(1,189)	\$81.84
Nonvested March 31, 2020	193,580	\$73.74

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In each of the years ended March 31, 2020, 2019 and 2018, we used the closing stock price on the grant date or, if the grant date falls on a date the stock was not traded, the previous day's closing stock price for the fair value of the award.

The weighted-average grant date fair value of restricted shares granted during the years ended March 31, 2020, 2019, and 2018 was \$72.93, \$94.22, and \$80.24, respectively.

The aggregated fair value of restricted shares that vested during the years ended March 31, 2020, 2019, and 2018 was \$7.6 million, \$6.6 million, and \$6.0 million, respectively.

Upon each vesting period of the restricted stock awards to employees, participants are subject to minimum tax withholding obligations. The 2012 Employee LTIP and the 2017 Director LTIP allow the Company to withhold a sufficient number of shares due to the participant to satisfy their minimum tax withholding obligations. For the year ended March 31, 2020, we withheld 41,817 shares of common stock, at a value of \$3.0 million, which was included in treasury stock. For the year ended March 31, 2019, the Company had withheld 40,092 shares of common stock, at a value of \$3.9 million, which was included in treasury stock.

Compensation Expense

We recognize compensation cost for awards of restricted stock with graded vesting on a straight-line basis over the requisite service period. We account for forfeitures when they occur. There are no additional conditions for vesting other than service conditions.

During the years ended March 31, 2020, 2019 and 2018, we recognized \$8.0 million, \$7.2 million and \$6.5 million, respectively, of total share-based compensation expense. We recognized tax benefits related to share-based compensation of \$2.2 million, \$2.0 million, and \$1.9 million for the years ended March 31, 2020, 2019, and 2018, respectively, which were included as a reduction to our provision for income taxes. As of March 31, 2020, the total unrecognized compensation expense related to non-vested restricted stock was \$8.1 million, which is expected to be recognized over a weighted-average period of 27 months.

We also provide our employees with a contributory 401(k) profit sharing plan. We may make contributions, which are fully vested when they are made, to the plan. These contributions are not required. The decision whether to make contributions is entirely within our discretion. For the years ended March 31, 2020, 2019 and 2018, our employer contributions for the plan were approximately \$2.8 million, \$2.4 million and \$2.1 million, respectively.

14. INCOME TAXES

The Coronavirus Aid, Relief, and Economic Security ("CARES") Act was enacted on March 27, 2020. The purpose of the CARES Act is to provide emergency assistance and health care response for individuals, families, and businesses affected by the 2020 coronavirus pandemic. We evaluated the potential impacts to the tax amounts recorded in these financial statements and there is no significant impact.

We account for our tax positions in accordance with Codification Topic 740. Under the guidance, we evaluate uncertain tax positions based on the two-step approach. The first step is to evaluate each uncertain tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained in an audit, including resolution of related appeals or litigation processes, if any. For tax positions that are not likely of being sustained upon audit, the second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50 percent likely of being realized upon ultimate settlement.

Our total gross unrecognized tax benefits recorded for uncertain income tax, and interest and penalties thereon, were negligible as of March 31, 2020, and March 31, 2019. We had no additions or reductions to our gross uncertain income tax positions during the year ended March 31, 2020. We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense.

We file income tax returns, including returns for our subsidiaries, with federal, state, local, and foreign jurisdictions. Tax years 2017, 2018 and 2019 are subjected to examination by federal and state taxing authorities. Various state and local income tax returns are also under examination by taxing authorities. We do not believe that the outcome of any examination will have a material impact on our financial statements.

A reconciliation of income taxes computed at the statutory federal income tax rate of 21.0% to the provision for income taxes included in the consolidated statements of operations is as follows (in thousands, except percentages):

	Year Ended March 31,			
	2020	2019	2018	
Statutory federal income tax rate	21.0%	21.0%	31.5%	
Income tax expense computed at the U.S. statutory federal rate	\$20,182	\$18,139	\$26,505	
Effect of federal reduction of statutory rate	_	_	(1,654)	
State income tax expense—net of federal benefit	5,659	4,795	3,842	
Non-deductible executive compensation	613	630	658	
Other	423	(526)	(582)	
Provision for income taxes	\$26,877	\$23,038	\$28,769	
Effective income tax rate	<u>28.0</u> %	<u>26.7</u> %	<u>34.3</u> %	

The components of the provision for income taxes are as follows (in thousands):

	Year Ended March 31,			
	2020	2019	2018	
<u>Current:</u>				
Federal	\$19,367	\$12,709	\$23,196	
State	9,520	6,591	5,377	
Foreign	200	454	240	
Total current expense	29,087	19,754	28,813	

	Year Ended March 31,		
	2020	2019	2018
Deferred:			
Federal	(492)	3,826	(611)
State	(1,799)	(249)	154
Foreign	81	(293)	413
Total deferred expense (benefit)	_(2,210)	3,284	(44)
Provision for income taxes	\$26,877	<u>\$23,038</u>	\$28,769

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. As a result of the adoption of Codification Topic 842, we recorded a deferred tax asset related to the lease liabilities and recorded a deferred tax liability related to the right-of-use assets. Significant components of our deferred tax assets and liabilities were as follows (in thousands):

	Marc	h 31,
	2020	2019
Deferred Tax Assets:		
Accrued vacation	\$ 1,966	\$ 2,167
Deferred revenue	3,175	1,260
Reserve for credit losses	792	587
Restricted stock	1,575	1,455
Other accruals and reserves	608	1,430
Accrued bonus	2,426	_
Lease Liabilities	2,550	_
Other credits and carryforwards	1,385	1,065
Gross deferred tax assets	14,477	7,964
Less: valuation allowance	(1,385)	(1,065)
Net deferred tax assets	_13,092	6,899
Deferred Tax Liabilities:		
Property and equipment	(2,102)	(2,150)
Operating leases	(10,098)	(9,197)
Prepaid expenses	(817)	_
Right-of-use assets	(2,535)	_
Tax deductible goodwill	(270)	(467)
Total deferred tax liabilities	(15,822)	(11,814)
Net deferred tax liabilities.	<u>\$ (2,730)</u>	<u>\$ (4,915)</u>

As of March 31, 2020, we have state capital loss carryforwards of approximately \$1.3 million, which have been fully reserved. The valuation allowance resulted from management's determination, based on available evidence, that it was more likely than not that the state capital loss deferred tax asset balance may not be realized. If not realized, the state capital loss carryforwards will generally expire in 5 years.

15. FAIR VALUE MEASUREMENTS

We account for the fair values of our assets and liabilities utilizing a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value.

The following table provides the fair value of our assets and liabilities measured at fair value as categorized within the fair value hierarchy as of March 31, 2020, and March 31, 2019 (in thousands):

		Fair Value Measurement Using				
	Recorded Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
March 31, 2020						
Assets:						
Money market funds	\$ 128	\$128	\$ —	\$ —		
Liabilities:						
Contingent consideration	\$ 220	\$ —	\$ —	\$ 220		
March 31, 2019						
Assets:						
Money market funds	\$ 50	\$ 50	\$ —	\$ —		
Liabilities:						
Contingent consideration	\$8,942	\$ —	\$ —	\$8,942		

During the years ended March 31, 2020, and March 31, 2019, we recorded adjustments of \$1.4 million and \$1.6 million to reflect increases in the fair value of our existing contingent consideration liabilities, respectively, and paid \$10.1 million and \$6.1 million, respectively, to satisfy the obligations of our contingent consideration arrangements. During the year ended March 31, 2018, we recorded \$12.0 million in initial contingent consideration due to business acquisitions and recorded adjustments of \$1.5 million that increased the fair value of our liability for contingent consideration. We recognized the adjustments to our contingent consideration within general and administrative expenses in our consolidated statement of operations.

16. BUSINESS COMBINATIONS

ABS Technology

On August 23, 2019, our subsidiary, ePlus Technology, inc., acquired certain assets and liabilities of ABS Technology, a Virginia Beach, Virginia- headquartered solutions provider with deep expertise in managed services, networking, collaboration, and security solutions. ABS Technology enhances ePlus' existing solutions portfolio and market position in Richmond and southern Virginia.

Our sum of consideration transferred is \$15.3 million consisting of \$13.8 million paid in cash at closing plus \$1.7 million that is being paid primarily upon the collection of certain accounts receivable, of which \$1.5 million was paid by March 31, 2020, and less \$0.2 million that was repaid to us in December 2019 due to a working capital adjustment. Our allocation of the purchase consideration to the assets acquired and liabilities assumed is presented below (in thousands):

	Acquisition Date Amount
Accounts receivable	\$ 9,208
Other assets	743
Identified intangible assets	5,720
Accounts payable and other current liabilities	(6,715)
Performance obligation	_(1,140)
Total identifiable net assets	. ,
Goodwill	7,461
Total purchase consideration	<u>\$15,277</u>

The identified intangible assets of \$5.7 million consist of customer relationships with an estimated useful life of 7 years. The fair value of acquired receivables equals the gross contractual amounts receivable. We expect to collect all acquired receivables.

We recognized goodwill related to this transaction of \$7.5 million, which was assigned to our technology reporting unit. The goodwill recognized in the acquisition is attributable to the acquired assembled workforce and expected synergies, none of which qualify for recognition as a separate intangible asset. The total amount of goodwill is expected to be deductible for tax purposes. The amount of revenues and earnings of the acquiree since the acquisition date are not material. Likewise, the impact to the revenue and earnings of the combined entity for the current reporting period as though the acquisition date had been April 1, 2019, is not material.

SLAIT Consulting, LLC

On January 18, 2019, our subsidiary, ePlus Technology, inc., acquired 100% of the stock of SLAIT, an IT consulting and solutions provider with a focus on security advisory and managed services, managed help desk, specialized IT, staffing, and data center solutions. SLAIT is headquartered in Virginia Beach, Virginia and has locations in Richmond, Virginia, and Charlotte, North Carolina. SLAIT provides consultative services in governance, risk management and compliance; bespoke help desk and managed services solutions, and has relationships with fast-growing emerging vendors and related sales and engineering capabilities.

Our sum of consideration transferred is \$50.0 million consisting of \$50.7 million paid in cash at closing, less \$1.0 million cash acquired, and plus a working capital adjustment of \$0.3 million that we paid in May 2019. Our allocation of the final purchase consideration to the assets acquired and liabilities assumed is presented below (in thousands):

	Acquisition Date Amount
Accounts receivable	\$10,209
Other assets	1,050
Identified intangible assets	18,190
Accounts payable and other current liabilities	(8,611)
Performance obligation	_(5,110)
Total identifiable net assets	- /
Goodwill	34,301
Total purchase consideration	<u>\$50,029</u>

The identified intangible assets of \$18.2 million consist of customer relationships with an estimated useful life of 10 years. The fair value of acquired receivables equals the gross contractual amounts receivable. We collected all acquired receivables.

We recognized goodwill related to this transaction of \$34.3 million, which was assigned to our technology reporting unit. The goodwill recognized in the acquisition is attributable to the acquired assembled workforce and expected synergies, none of which qualify for recognition as a separate intangible asset. The total amount of goodwill is expected to be deductible for tax purposes. The amount of revenues and earnings of the acquiree since the acquisition date are not material. Likewise, the impact to the revenue and earnings of the combined entity for the reporting period ending March 31, 2019, as though the acquisition date had been April 1, 2018, is not material.

The amounts above reflect a measurement period adjustment recorded in our fiscal ended March 31, 2020, that increased the purchase consideration related to a working capital adjustment by \$8 thousand, increased identifiable net assets by \$59 thousand and decreased goodwill by \$51 thousand.

Integrated Data Storage, LLC

On September 15, 2017, our subsidiary ePlus Technology, inc. acquired certain assets and assumed certain liabilities of Integrated Data Storage, LLC ("IDS") though an asset purchase agreement. Headquartered in Oak Brook, Illinois and with offices in downtown Chicago, Illinois and Indianapolis, Indiana, IDS brought us an advanced data center solutions provider focused on cloud enablement and managed services, including its proprietary IDS Cloud, which features enterprise-class technology infrastructure coupled with consulting services to support private, hybrid, and public cloud deployments. The acquisition expanded ePlus' footprint in the Midwest and enhanced its sales and engineering capabilities in cloud services, disaster recovery and backup as a service, storage, data center, and professional services.

Our sum of total consideration transferred was \$38.4 million, consisting of \$29.8 million paid in cash at closing, less \$1.4 million paid back as a working capital adjustment, plus an additional \$10.0 million equal to the acquisition date fair value of consideration that is contingent on the acquired business' future gross profit. The contingent consideration was calculated using the Monte Carlo simulation model based on our projections of future gross profits. The maximum payout of the contingent consideration is \$15.0 million paid over 3 years. Our allocation of the purchase consideration to the assets acquired and liabilities assumed is presented below (in thousands):

	Acquisition Date Amount
Accounts receivable and other assets	\$ 14,353
Property and equipment	1,620
Identified intangible assets	13,650
Accounts payable and other current liabilities	(12,313)
Total identifiable net assets	17,310
Goodwill	21,088
Total purchase consideration	\$ 38,398

The identified intangible assets of \$13.7 million consist of customer relationships with an estimated useful life of 8 years. The fair value of acquired receivables equals the gross contractual amounts receivable.

We recognized goodwill related to this transaction of \$21.1 million, which was assigned to our technology reporting unit. The goodwill recognized in the acquisition is attributable to the acquired assembled workforce and expected synergies, none of which qualify for recognition as a separate intangible asset. The total amount of goodwill is expected to be deductible for tax purposes. The amount of revenues and earnings of the acquiree since the acquisition date are not material. Likewise, the impact to the revenue and earnings of the combined entity for the year ended March 31, 2018 as though the acquisition date had been April 1, 2017, is not material.

OneCloud Consulting Inc.

On May 17, 2017, our subsidiary ePlus Technology, inc., acquired 100% of the stock of OneCloud Consulting, Inc. ("OneCloud"). Based in Milpitas, California, and with locations in India, OneCloud brought us a versatile team of highly trained technology consultants, architects, developers and instructors. Though OneCloud, we enable our customers' cloud and application strategy via professional services, technical education and software development. The acquisition provides us with additional ability to address customers' need for cloud-based solutions and infrastructure, including DevOps, OpenStack, and other emerging technologies.

Our sum of total consideration transferred was \$10.0 million consisting of \$7.9 million paid in cash at closing, net of cash acquired, and \$2.1 million equal to the fair value of contingent consideration, calculated using the Monte Carlo simulation model. The maximum payout of the contingent consideration is \$4.5 million paid over 3 years.

Our allocation of the purchase consideration to the assets acquired and liabilities assumed is presented below (in thousands):

	Acquisition Date Amount
Accounts receivable and other assets	\$ 488
Identified intangible assets	4,130
Accounts payable and other current liabilities	(1,822)
Total identifiable net assets	2,796
Goodwill.	7,189
Total purchase consideration	\$ 9,985

The identified intangible assets of \$4.1 million consist of customer relationships of \$1.7 million with an estimated useful life of 8 years, and internally developed processes of \$2.4 million with an estimated useful life of 5 years.

We recognized goodwill related to this transaction of \$7.2 million, which was assigned to our technology reporting unit. The goodwill recognized in the acquisition is attributable to the acquired assembled workforce and expected synergies, none of which qualify for recognition as a separate intangible asset. The total amount of goodwill is expected to be deductible for tax purposes. The amount of revenues and earnings of the acquiree since the acquisition date are not material. Likewise, the impact to the revenue and earnings of the combined entity for the year ended March 31, 2018, as though the acquisition date had the acquisition date been April 1, 2017, is not material.

17. SEGMENT REPORTING

The Company's segment information is presented in accordance with a "management approach," which designates the internal reporting used by the chief operating decision-maker ("CODM") for deciding how to allocate resources and for assessing performance. Our CODM is our Chief Executive Officer and President. Our CODM conducts our operations through two operating segments, our technology segment and our financing segment. Our technology segment includes sales of information technology products, third-party software, third-party maintenance, advanced professional and managed services and our proprietary software to commercial, state and local governments, and government contractors. Our financing segment consists of the financing of IT equipment, software and related services to commercial, state and local governments, and government contractors. Our CODM uses several measures to allocate resources and assess performance. Our reported measure is earnings before taxes.

Our reportable segment information was as follows (in thousands):

	Fiscal Year Ended								
	March 31, 2020			March 31, 2019			March 31, 2018		
	Technology	Financing	Total	Technology	Financing	Total	Technology	Financing	Total
Sales									
Product	\$1,337,022	\$ 58,266	\$1,395,288	\$1,180,042	\$ 43,153	\$1,223,195	\$1,243,270	\$ 46,037	\$1,289,307
Service	193,116		193,116	149,478		149,478	129,495		129,495
Net sales	\$1,530,138	\$ 58,266	\$1,588,404	\$1,329,520	\$ 43,153	\$1,372,673	\$1,372,765	\$ 46,037	\$1,418,802
Product	1,069,110	7,663	1,076,773	945,037	7,427	952,464	1,013,748	9,842	1,023,590
Service	120,440		120,440	89,821		89,821	71,730		71,730
Total cost of sales Gross Profit	1,189,550 340,588	7,663 50,603	1,197,213 391,191	1,034,858 294,662	7,427 35,726	1,042,285 330,388	1,085,478 287,287	9,842 36,195	1,095,320 323,482
Selling, general, and administrative	264,123	15,059	279,182	226,112	10,970	237,082	214,980	13,147	228,127
Depreciation and amortization	14,016	140	14,156	11,812	12	11,824	9,918	3	9,921
Interest and financing costs.	294	2,280	2,574		1,948	1,948		1,195	1,195
Operating expenses	278,433	17,479	295,912	237,924	12,930	250,854	224,898	14,345	239,243
Operating income	62,155	33,124	95,279	56,738	22,796	79,534	62,389	21,850	84,239
Other income			680			6,696			(348)
Earnings before tax			\$ 95,959			\$ 86,230			\$ 83,891
Net Sales									
Contracts with customers	\$1,514,507	\$ 4,589	\$1,519,096	\$1,308,405	\$ 3,577	\$1,311,982	\$1,356,225	\$ 13,732	\$1,369,957
Financing and other	15,631	53,677	69,308	21,115	39,576	60,691	16,540	32,305	48,845
Net Sales	\$1,530,138	\$ 58,266	\$1,588,404	\$1,329,520	\$ 43,153	\$1,372,673	\$1,372,765	\$ 46,037	\$1,418,802
Selected Financial Data - Statement of Cash Flow									
Depreciation and amortization	<u>\$ 14,516</u>	\$ 4,640	\$ 19,156	\$ 12,661	\$ 5,978	\$ 18,639	\$ 10,461	\$ 5,366	\$ 15,827
Purchases of property, equipment and operating lease equipment	\$ 4,842	\$ 2,167	\$ 7,009	\$ 6,042	\$ 5,587	\$ 11,629	\$ 5,353	\$ 2,237	\$ 7,590
Selected Financial Data - Ba	lance Sheet								
Total assets	\$ 709,854	<u>\$199,259</u>	\$ 909,113	\$ 607,998	<u>\$178,200</u>	\$ 786,198	\$ 537,776	\$217,695	\$ 755,471

Technology Segment Disaggregation of Revenue

We analyze net sales for our technology segment by customer end market and by vendor, as opposed to discrete product and service categories, which are summarized below (in thousands):

	Fiscal Year Ended March 31,			
	2020	2019	2018	
Customer end market:				
Technology	\$ 324,239	\$ 293,362	\$ 330,241	
Telecom, Media & Entertainment	289,958	175,260	194,292	
Financial Services	191,679	202,074	201,712	
SLED	243,092	223,330	234,141	
Healthcare	233,894	193,754	189,889	
All others	247,276	241,740	222,490	
Net sales	1,530,138	1,329,520	1,372,765	
Financing and other	(15,631)	(21,115)	(16,540)	
Revenue from contracts with customers	<u>\$1,514,507</u>	\$1,308,405	\$1,356,225	
	Fiscal Year Ended March 31,			
	Fiscal	Year Ended Mar	ch 31,	
	Fiscal 2020	Year Ended Mar 2019	ch 31, 2018	
Vendor				
Vendor Cisco Systems				
	2020	2019	2018	
Cisco Systems.	2020 \$ 607,719	\$ 556,182	2018 \$ 582,419	
Cisco Systems	\$ 607,719 59,812	\$ 556,182 48,858	\$ 582,419 54,821	
Cisco Systems NetApp HP Inc. & HPE	\$ 607,719 59,812 71,802	\$ 556,182 48,858 74,348	\$ 582,419 54,821 86,675	
Cisco Systems NetApp HP Inc. & HPE Dell / EMC	\$ 607,719 59,812 71,802 84,939	\$ 556,182 48,858 74,348 61,284	\$ 582,419 54,821 86,675 54,294	
Cisco Systems NetApp HP Inc. & HPE Dell / EMC Arista Networks	\$ 607,719 59,812 71,802 84,939 75,281	\$ 556,182 48,858 74,348 61,284 57,850	\$ 582,419 54,821 86,675 54,294 52,521	
Cisco Systems NetApp HP Inc. & HPE Dell / EMC Arista Networks Juniper	\$ 607,719 59,812 71,802 84,939 75,281 68,339	\$ 556,182 48,858 74,348 61,284 57,850 48,943	\$ 582,419 54,821 86,675 54,294 52,521 44,623	
Cisco Systems NetApp HP Inc. & HPE Dell / EMC Arista Networks Juniper All others	\$ 607,719 59,812 71,802 84,939 75,281 68,339 562,246	\$ 556,182 48,858 74,348 61,284 57,850 48,943 482,055	\$ 582,419 54,821 86,675 54,294 52,521 44,623 497,412	

Financing Segment Disaggregation of Revenue

We analyze our revenues within our financing segment based on the nature of the arrangement, and our revenues from contracts with customers consist of proceeds from the sale of off-lease equipment.

Geographic information

The geographic information for the years ended March 31, 2020, 2019 and 2018 was as follows (in thousands):

	Year Ended March 31,				
	2020	2019	2018		
Net sales:					
<u>US</u>	\$1,508,329	\$1,284,482	\$1,349,254		
Non US	80,075	88,191	69,548		
Total	\$1,588,404	\$1,372,673	\$1,418,802		

	As of March 31,	
	2020	2019
Long-lived tangible assets:		
US	\$38,297	\$32,570
Non US	1,233	1,156
Total	\$39,530	\$33,726

Our long-lived tangible assets include property and equipment-net, operating leases-net, and equipment that has been returned to us at the termination of the lease.

Sales to a large telecom company represented 15% of net sales for the year ended March 31, 2020, all of which related to our technology segment. Sales to no one customer exceeded 10% of net sales for the year ended March 31, 2019. Sales to a large technology company were approximately 12% of net sales for the year ended March 31, 2018, all of which related to our technology segment.

18. QUARTERLY DATA —UNAUDITED

Condensed quarterly financial information is as follows (amounts in thousands, except per share amounts):

	Year Ended March 31, 2020				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Amount
Sales					
Product	\$335,601	\$363,497	\$378,569	\$317,621	\$1,395,288
Service	45,771	48,068	50,422	48,855	193,116
Total net sales	381,372	411,565	428,991	366,476	1,588,404
Cost of Sales					
Product	260,063	278,863	293,209	244,638	1,076,773
Service	28,670	29,671	32,086	30,013	120,440
Total cost of sales	288,733	308,534	325,295	274,651	1,197,213
Gross profit	92,639	103,031	103,696	91,825	391,191
Selling, general, and administrative expenses	65,787	70,523	73,090	69,782	279,182
Depreciation and amortization	3,463	3,557	3,647	3,489	14,156
Interest and financing costs	628	576	694	676	2,574
Operating expenses	69,878	74,656	77,431	73,947	295,912
Operating income	22,761	28,375	26,265	17,878	95,279
Other income and (expense)	(45)	(40)	997	(232)	680
Earnings before provision for income taxes	22,716	28,335	27,262	17,646	95,959
Provision for income taxes	6,528	8,237	7,712	4,400	26,877
Net earnings	\$ 16,188	\$ 20,098	\$ 19,550	\$ 13,246	\$ 69,082
Net earnings per common share— Basic ⁽¹⁾	\$ 1.21	\$ 1.51	\$ 1.47	\$ 0.99	\$ 5.18
Net earnings per common share— Diluted ⁽¹⁾	<u>\$ 1.20</u>	<u>\$ 1.51</u>	\$ 1.46	<u>\$ 0.99</u>	\$ 5.15

⁽¹⁾ Basic and diluted earnings per share are computed independently for each of the quarters presented. Therefore, the sum of quarterly basic and diluted per share information may not equal annual basic and diluted earnings per share.

	Year Ended March 31, 2019				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Amount
Sales					
Product	\$322,817	\$309,475	\$310,443	\$280,460	\$1,223,195
Service	33,715	35,568	35,221	44,974	149,478
Total net sales	356,532	345,043	345,664	325,434	1,372,673
Cost of Sales					
Product	255,812	238,134	241,856	216,662	952,464
Service	20,017	21,409	20,895	27,500	89,821
Total cost of sales	275,829	259,543	262,751	244,162	1,042,285

	Tear Ended March 51, 2017				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Amount
Gross profit	80,703	85,500	82,913	81,272	330,388
Selling, general, and administrative expenses	56,966	57,705	59,728	62,683	237,082
Depreciation and amortization	2,790	2,741	2,719	3,574	11,824
Interest and financing costs	476	484	443	545	1,948
Operating expenses	60,232	60,930	62,890	66,802	250,854
Operating income	20,471	24,570	20,023	14,470	79,534
Other income and (expense)	97	322	721	5,556	6,696
Earnings before provision for income taxes	20,568	24,892	20,744	20,026	86,230
Provision for income taxes	5,295	6,889	5,880	4,974	23,038
Net earnings	\$15,273	\$18,003	<u>\$14,864</u>	\$15,052	\$ 63,192
Net earnings per common share— $Basic^{(1)}$	\$ 1.14	\$ 1.33	\$ 1.10	\$ 1.12	\$ 4.70
Net earnings per common share— $Diluted^{(1)}$	\$ 1.12	\$ 1.33	\$ 1.10	\$ 1.12	\$ 4.65

Year Ended March 31, 2019

⁽¹⁾ Basic and diluted earnings per share are computed independently for each of the quarters presented. Therefore, the sum of quarterly basic and diluted per share information may not equal annual basic and diluted earnings per share.

ePlus inc. AND SUBSIDIARIES Schedule II - Valuation and Qualifying Accounts (Dollars in thousands)

	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions/ Write-Offs	Balance at End of Period
Allowance for Sales Returns: ⁽¹⁾				
Year Ended March 31, 2018	752	2,579	(2,432)	899
Year Ended March 31, 2019	899	1,305	(1,352)	852
Year Ended March 31, 2020	852	2,678	(2,492)	1,038
Reserve for Credit Losses:				
Year Ended March 31, 2018	5,392	462	(3,190)	2,664
Year Ended March 31, 2019	2,664	335	(385)	2,614
Year Ended March 31, 2020	2,614	1,004	(429)	3,189
Valuation for Deferred Taxes:				
Year Ended March 31, 2018	1,270	65	_	1,335
Year Ended March 31, 2019	1,335	(270)	_	1,065
Year Ended March 31, 2020	1,065	320	_	1,385

⁽¹⁾ These amounts represent the gross profit effect of sales returns during the respective years. Expected merchandise returns after year-end for sales made before year-end were \$6.5 million, \$5.3 million, and \$5.3 million as of March 31, 2020, 2019, and 2018, respectively.

Subsidiaries of ePlus inc.

ePlus Group, inc., a Commonwealth of Virginia corporation, a wholly-owned subsidiary of ePlus inc.
ePlus Technology, inc., a Commonwealth of Virginia corporation, a wholly-owned subsidiary of ePlus inc.
ePlus Government, inc., a Commonwealth of Virginia corporation, a wholly-owned subsidiary of ePlus inc.
ePlus Capital, inc., a Commonwealth of Virginia corporation, a wholly-owned subsidiary of ePlus inc.
ePlus Iceland, inc., a Commonwealth of Virginia corporation, a wholly-owned subsidiary of ePlus Group, inc.
IGX Capital UK, Ltd, an England Private Limited Company, a wholly-owned subsidiary of ePlus Group, inc.
ePlus Technology Services, inc., a Commonwealth of Virginia corporation, a wholly-owned subsidiary of
ePlus Technology, inc.

IGXGlobal UK, Limited, an England Private Limited Company, a wholly-owned subsidiary of ePlus Technology, inc.

ePlus Software, LLC, a Commonwealth of Virginia limited liability company, a wholly-owned subsidiary of ePlus Technology, inc.

SLAIT Consulting, LLC, a Commonwealth of Virginia limited liability company, a wholly-owned subsidiary of ePlus Technology, inc.

ePlus Canada Company, registered in Canada, a wholly-owned subsidiary of ePlus Capital, inc.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos.333-186879, and 333-220601 on Forms S-8 of our reports dated May 21, 2020, relating to the consolidated financial statements and financial statement schedule of *e*Plus inc. and subsidiaries, and the effectiveness of *e*Plus inc. and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of *e*Plus inc. for the year ended March 31, 2020.

/s/ DELOITTE & TOUCHE LLP

McLean, Virginia

May 21, 2020

CERTIFICATION

I, Mark P. Marron, certify that:

- 1. I have reviewed this annual report on Form 10-K of ePlus inc.;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15 (f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 21, 2020

/s/ MARK P. MARRON

Mark P. Marron Chief Executive Officer (Principal Executive Officer)

CERTIFICATION

I, Elaine D. Marion, certify that:

- 1. I have reviewed this annual report on Form 10-K of ePlus inc.;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15 (f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 21, 2020

/s/ ELAINE D. MARION

Elaine D. Marion Chief Financial Officer (Principal Financial Officer)

CERTIFICATION

PURSUANT TO 18 USC. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of *ePlus* inc. on Form 10-K for the year ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the undersigned's best knowledge and belief:

- a) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of ePlus inc.

Date: May 21, 2020

/s/ MARK P. MARRON

Mark P. Marron Chief Executive Officer (Principal Executive Officer)

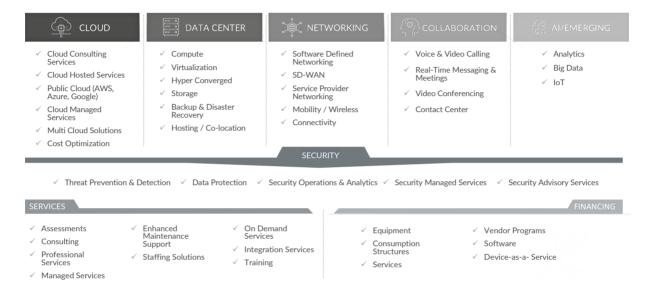
/s/ ELAINE D. MARION

Elaine D. Marion Chief Financial Officer (Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to ePlus and will be retained by us and furnished to the Securities and Exchange Commission or its staff upon request.

Expertise: A Partner for Every Need

Whatever is waiting around the next corner and whether you'll need an advisor, a strategist, a designer, an architect, a teammate, a trainer, a problem solver or an extra set of hands, ePlus can help. We are a dedicated partner who wears many hats, relentlessly committed to creating positive business outcomes for our customers. We're especially good at using technology to provide customers with flexibility, when they're not sure exactly what they'll need next. Navigating the next isn't about knowing what's coming – it's about working with a partner like ePlus who can help build a foundation that leaves you prepared for it.



There's no better testament to our expertise than the awards and recognition we have received.

- Cisco Global Transformation & Innovation Partner of the Year
- Cisco U.S. Partner of the Year
- Cisco Public Sector: SLED Software and Service Partner of the Year
- Cisco Architectural Excellence Partner of the Year: Enterprise Networks, East Region
- Cisco Customer Experience Partner of the Year, Central Region
- Cisco Architectural Excellence Partner of the Year: Collaboration, West Region
- CRN® 2020 Solution Provider 500 list
- CRN® 2020 Managed Service Provider (MSP) 500 Elite 150
- Equinix Americas New Partner of the Year
- Juniper Networks Americas National Partner of the Year
- Juniper Networks Security Partner of the Year
- NetApp Cloud First Partner of the Year
- NetApp Public Sector Innovation Award
- Elaine Marion, ePlus CFO Named Finalist in 2020 Greater Washington Technology CFO Awards by Northern Virginia Technology Council

A Technology Partner for Every Journey

ePlus delivers integrated solutions to help our customers achieve positive business outcomes, leveraging the technology of industry-leading partners.



(in alphabetical order by company name)

The Customer Experience

Helping our customers utilize technology in creative and flexible ways is what sets us apart. We work hard to ensure that our customers feel understood, supported and enabled to harness the power of technology to propel their organizations forward. Whether by leveraging our managed service offerings, consulting with our experts to map their journey to the cloud, or utilizing our methodologies to digitize their infrastructures, we take pride in the guidance we can provide them. Many of our customers take the time to send us feedback about our performance. We are proud to share some of it here.

"Wanted to take a brief moment to recognize what you and your team have done to support our Hospital during these very difficult times. Heather from ePlus was checking supplier inventories as late as 2:00 AM Saturday night – nothing new, as she is always there for us. This type of support and dedication is WHY ePlus continues to be our number ONE partner."

"You made it possible that radiology continues to support our clinical colleagues taking care of children and women in our great organization. At the moment I can only tell you: **THANK YOU**."

"BAM! Just like in a James Bond movie... when you lost your hope and are ready to give up, here comes the cavalry! Thanks, guys, much appreciated." "I am very impressed with the planning, attention to detail, and teamwork. Thanks for all the talent and expertise your team brings to complex efforts like this. We couldn't have done it without you."

"Truly fantastic work this week! I could not be more thankful for you and what you're able to accomplish again and again and again."

"Thank everyone for the exceptional response and dedicated involvement we received during this upgrade. None of it could have been accomplished without your understanding and ultimately care for the patients in need."





Corporate Headquarters

13595 Dulles Technology Drive Herndon, VA 20171-3413 Nasdaq NGS: PLUS 888.482.1122 info@eplus.com www.eplus.com

Transfer Agent:

Shareholder correspondence should be mailed to the Transfer Agent at: Computershare PO Box 505000 Louisville, KY 40233-5000 Overnight correspondence to the Transfer Agent should be sent to:

Computershare 462 South 4th Street, Suite 1600 Louisville, KY 40202 **Shareholder Services:** 877-581-5548

Investor Centre™ portal: www.computershare.com/investor



