# Investor Presentation

January 2017

Where Technology Means More®

# Safe Harbor Statement

Statements in this presentation that are not historical facts may be deemed to be "forward-looking statements." Actual and anticipated future results may vary materially due to certain risks and uncertainties, including, without limitation, possible adverse effects resulting from financial market disruption and fluctuations in foreign currency rates, and general slowdown of the U.S. economy such as our current and potential customers' delaying or reducing technology purchases or put downward pressure on prices, increasing credit risk associated with our customers and vendors, reduction of vendor incentive programs, the possibility of additional goodwill impairment charges, and restrictions on our access to capital necessary to fund our operations; significant adverse changes in, reductions in, or losses of relationships with major customers or vendors; our ability to implement comprehensive plans to achieve customer account coverage, cost containment, asset rationalization, systems integration and other key strategies; our ability to secure our electronic and other confidential information or that of our customers or partners; changes to our senior management team and/or failure to implement succession plans; the demand for and acceptance of, our products and services; our ability to adapt our services to meet changes in market developments; our ability to adapt to changes in the IT industry and/or rapid change in product standards; our ability to hire and retain sufficient personnel; our ability to realize our investment in leased equipment; our ability to protect our intellectual property; our ability to consummate and integrate acquisitions; the creditworthiness of our customers; our ability to raise capital and obtain non-recourse financing for our transactions; our ability to reserve adequately for credit losses; the impact of competition in our markets; the possibility of defects in our products or catalog content data; and other risks or uncertainties detailed in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2016 and other periodic filings with the Securities and Exchange Commission and available at the SEC's website at http://www.sec.gov.

We wish to caution you that these factors could affect our financial performance and could cause actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements. All information set forth in this presentation is current as of the date of this presentation and *e*Plus undertakes no duty or obligation to update this information.

# Mark Marron

Chief Executive Officer

# ePlus at a Glance

- Leading provider of technology solutions focused on cloud, data center, security, infrastructure, and collaboration solutions
- Technology partners include Cisco, HPE, NetApp, Dell/EMC and VMware
- FY16 net sales: $1.2 billion
  - 10% CAGR FY12-FY16
- FY16 non-GAAP earnings per share: $6.33
  - 22% CAGR on Non-GAAP EPS FY12-FY16
- Headquarters: Herndon, Virginia
- Presence in 32 states and the U.K.
- 1,096 employees as of  9/30/2016

# Experienced Leadership Team, Strong Alignment of Interest

**Phil Norton**
Executive Chairman
*22 Years with ePlus*
*+ 45 Years of Experience*

**Mark Marron**
Chief Executive Officer
*11 Years with ePlus*
*+ 31 Years of Experience*

**Elaine Marion**
Chief Financial Officer
*18 Years with ePlus*
*+ 25 Years of Experience*

**Dan Farrell**
Senior Vice President of National Professional Services
*6 Years with ePlus*
*+ 31 Years of Experience*

**Kley Parkhurst**
Senior Vice President, Corporate Development
*25 Years with ePlus*
*+ 29 Years of Experience*

**Darren Raiguel**
Executive Vice President, Technology Sales
*19 Years with ePlus*
*+ 24 Years of Experience*

**Mark Melvin**
Chief Technology Officer
*10 Years with ePlus*
*+ 33 Years of Experience*

**Steve Mencarini**
Senior Vice President of Business Operations
*19 Years with ePlus*
*+ 36 Years of Experience*

**Erica Stoecker**
General Counsel
*15 Years with ePlus*
*+ 20 Years of Experience*

# Well Positioned within the IT Ecosystem

ePlus' range of complex solutions and services place it at the high end of the IT market

| Vendors |
| --- |
| 25 – 65% GM |

| Distributors | VARs | IT Solutions | Services/Integrators |
| --- | --- | --- | --- |
| 5 - 13% GM | 13 - 16% GM | 17 – 23% GM | 29 – 32% GM |


[1] Based on approximate LTM GAAP gross margin

# Our footprint
means we are never far away.


30+ office locations across the U.S. and in London
Six integration centers throughout the U.S.
Three Managed Service Centers
300+ technical resources certified by the top IT manufacturers **in the world**

# Targeted M&A Strategy with Track Records of Success

- December 2016, sub of CCI
- Minneapolis Cisco VAR
- New geography and customers

- December 2015 ($16.6 million)
- Expand security offerings
- UK location to serve UK and global customers

- February 2012 ($7.0 million)
- SoCal Cisco reseller
- Acquired new customers and west coast NOC

- August 2014 ($10.5 million)
- Sacramento Cisco VAR, largest Cisco VAR to State
- Grow western SLED business

- January 2012 ($2.2 million)
- Northern New England
- Gained state contracts and Cisco Call Center Express expertise

- November 2013 ($2.8 million)
- Rochester area reseller with storage expertise
- Strengthened position as leading US FlexPod reseller

- June 2011 ($5.0 million)
- Security expertise and Security Operations Center (SOC)
- Acquired nationwide security sales capabilities

*Note: amounts in parenthesis represent purchase price.*

# The End Goal: Driving Business Outcomes

From legacy IT to transformational technologies, our consultative approach focuses on driving cost-effective outcomes to *move your business forward, securely.*

We are vendor agnostic and have a broad range of engineering credentials in all requisite technologies.




# We're experts in the most critical technologies that run our customers' business.

**CLOUD**
+ Private, Hybrid, and Public
+ Cloud as a Service
+ Co-location and Interconnection
+ Connectivity & Mobility Optimization

**SECURITY**
+ Strategy & Risk Management
+ Architecture & Design
+ Managed Security Services

**DATA CENTER**
+ Hybrid Cloud
+ Virtualization & Compute
+ Storage & Converged Infrastructure

**MOBILITY & COLLABORATION**
+ Mobility and Wireless
+ Unified Communications and Web Conferencing
+ Advanced Audio & Video
+ Workstream Communications and Collaboration

**IT INFRASTRUCTURE**
+ Network and SDN
+ End User Computing
+ Internet of Things
+ Client Devices, Peripherals and Accessories

# Expanding Professional and Managed Services

## Assessment Led, Consultative Approach: Focus on Customer Business Outcomes

### SERVICE HIGHLIGHTS

+ Expanded services headcount and offerings
+ Grew managed service center locations from 1 to 3
+ Drove consistent growth in services revenue
+ Generated recurring revenue

### KEY SERVICES

+ Enhanced Maintenance Support
+ Managed Services
+ Staffing
+ Executive Services Portfolio

**SERVICES REVENUE GENERATES A HIGHER GROSS MARGIN**

# Independent Provider with Deep Strategic Relationships

## SELECTED STRATEGIC PARTNERS

**Cisco**
+ Excellent channel partner for ePlus, representing 49% of technology sales[1]
+ Networking, security, converged infrastructure
+ ePlus engineers are trained in 26 different Cisco product lines

**Hewlett Packard Enterprise**
+ Converged infrastructure, enterprise storage, networking and virtualization
+ Cloud, server and storage solutions

**NetApp**
+ NetApp Star Partner and Professional Services Partner
+ Network storage (including All Flash Data Storage arrays) and services focused applications, file server consolidation, private and public cloud

**EMC²**
+ ePlus professionals maintain a variety of EMC engineering certifications
+ Networking storage and services

**vmware**
+ Virtual infrastructure solutions

Citrix, Intel, Check Point Software Technologies Ltd., Dell, F5, Juniper Networks, Microsoft

## EMERGING VENDORS

**STORAGE:** commvault, nimblestorage, PURESTORAGE

**SECURITY:** FireEye, Fortinet, Gigamon, Imperva, paloalto networks

**BIG DATA:** cloudera, MAPR Technologies, splunk

**NETWORK:** A10 Networks, ARISTA

[1] Based on the year ended March 31, 2016

# Select Clients

**STATE & LOCAL GOVERNMENT, EDUCATION**

Columbia University in the City of New York
Johns Hopkins University

**TECHNOLOGY**

Adobe · Cisco · EA · NetApp · vmware

**HEALTHCARE**

INOVA · NewYork-Presbyterian · Quest Diagnostics · Yale New Haven Health · Texas Children's Hospital

**FINANCIAL SERVICES**

Berkshire Hathaway Inc. · Bloomberg · Capital One · Wells Fargo · Finra · GEICO

**TELECOM, MEDIA & ENTERTAINMENT**

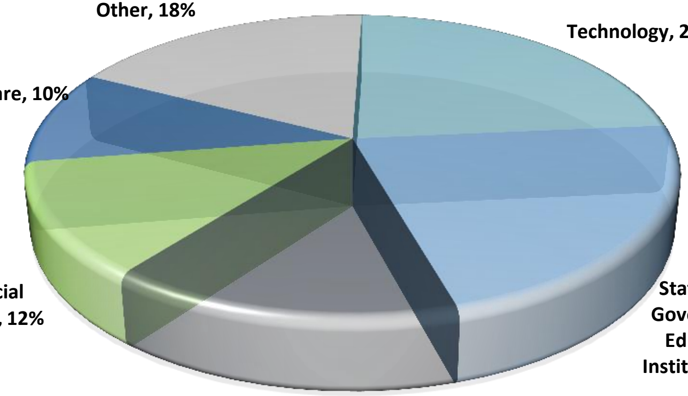
Aol. · Disney · frontier · f · Time Warner · verizon

**OTHER**

CGI · Freeport McMoRan Copper & Gold · Northrop Grumman · Alcoa · American Eagle Outfitters · General Dynamics · Aaron's · Hershey's · jiffy lube

# Broad and Diverse Customer Base

## Net Sales TTM 2QFY17 [1]




- Focused on enterprise and middle-market customers
- > 3,100 existing customers (As of 3/31/2016)
- No customers in excess of 10% of net sales in FY16
- Broad-based services capabilities and multi-vendor relationships driving customer acquisition
- Trusted IT advisor with vendor-agnostic approach
- Acquisitions to further broad customer base and solutions offerings

[1] Trailing twelve months ended 9/30/2016

# Elaine Marion

Chief Financial Officer



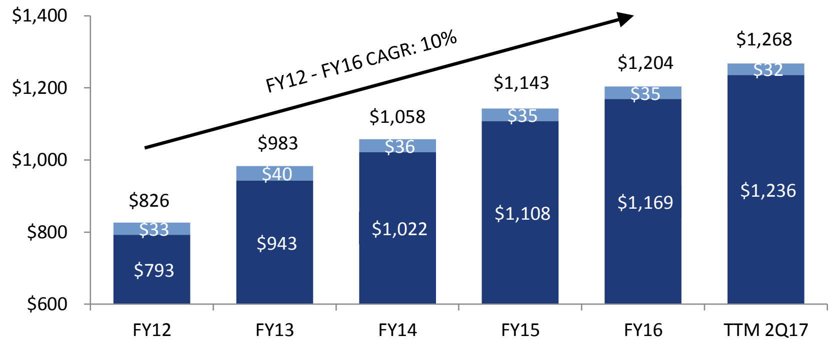
 

# Annual Financial Results:

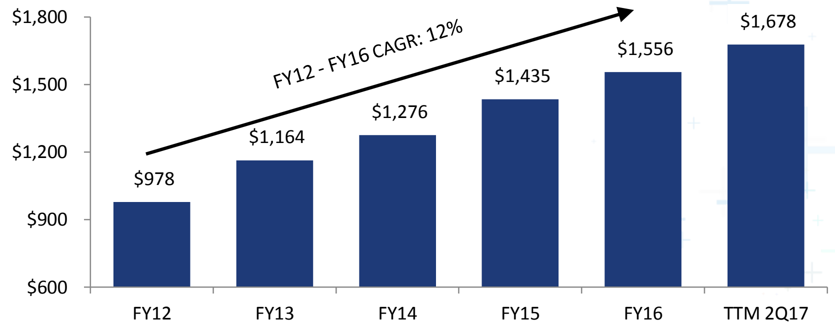
* See Non-GAAP Financial Information
$ in millions, FYE 3/31 / Trailing twelve months ended 9/30/2016, unaudited / : Technology : Financing

- Operations are conducted through two segments. The technology segment sells information technology products, software and services, while the financing segment provides lease and financing solutions.
- Over the last five years, adjusted gross billings of product and services and net sales have increased at a compound annual rate of 12% and 10%, respectively.
- The majority of our net sales are derived from our technology segment, representing 97% of revenues in FY16.

**Net Sales**




**Adjusted Gross Billings of Product and Services ***





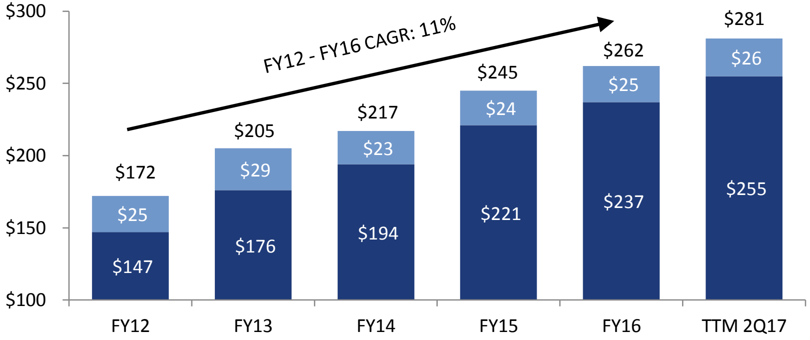
# Annual Financial Results:

$ in millions, FYE 3/31 / Trailing twelve months ended 9/30/2016, unaudited / ■ : Technology ■ : Financing

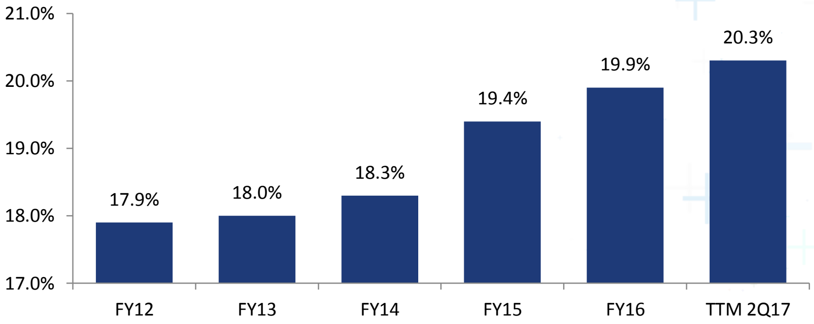
- Consolidated gross profit increased at a compounded annual rate of 11% from FY12 to FY16, driven by our technology segment, which represented 91% of our total gross profit in fiscal year 2016.

- Gross margin on the sale of product and services has increased from 17.9% in FY12 to 19.9% in FY16, as services capabilities continued to expand.

**Gross Profit**




**Gross Margin, Product and Services**

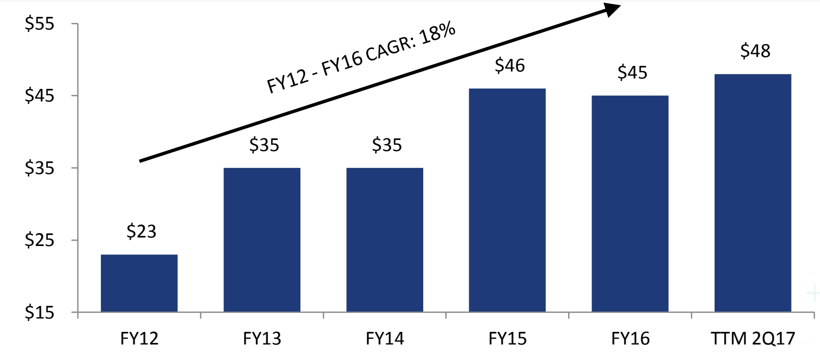


# Annual Financial Results:

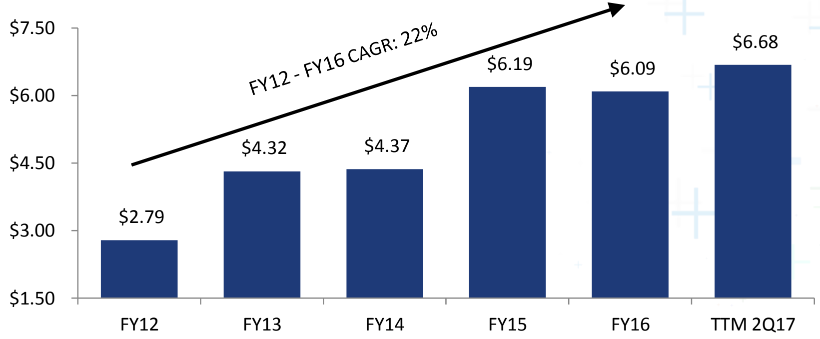
- From FY 12 to FY16, net earnings increased at a compounded annual rate of 18% as a result of focusing on revenue growth and controlling overhead expenses.
- Diluted net earnings per share increased 22% over the last four years.
- Fiscal year 2015 included $7.2 million in other income from the retirement of a liability and a claim in a class action lawsuit.

$ in millions, FYE 3/31 / Trailing twelve months ended 9/30/2016, unaudited

**Net Earnings**




**Net Earnings Per Common Share - Diluted**





# Annual Financial Results (cont):

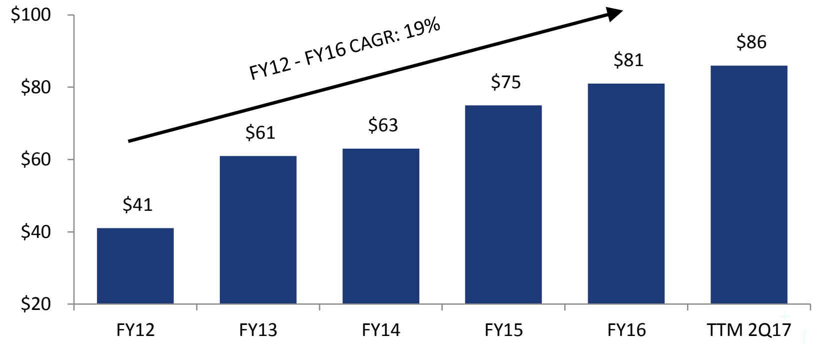
* See Non-GAAP Financial Information
$ in millions, FYE 3/31 / Trailing twelve months ended 9/30/2016, unaudited

+ Adjusted EBITDA represents net earnings before interest expense, depreciation and amortization, provision for income taxes, and other income. Interest on notes payable and depreciation expense presented within cost of sales represent operating expenses of financing segment, as such they are not added back to net earnings.

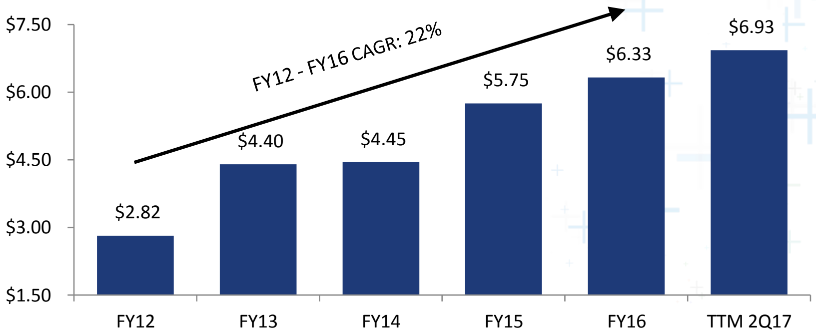
+ Non-GAAP net earnings per common share – diluted excluded acquisition related amortization expense and other income, net of tax.

+ Over the last four years, adjusted EBITDA increased at a compounded annual rate of 19%, and non-GAAP net earnings per share increased 22%.

**Adjusted EBITDA ***

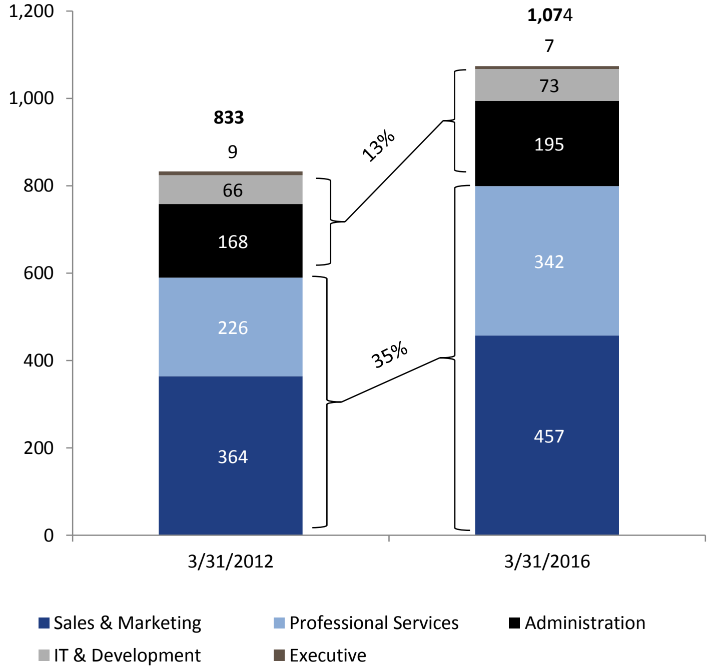



**Non-GAAP Net Earnings Per Common Share - Diluted ***

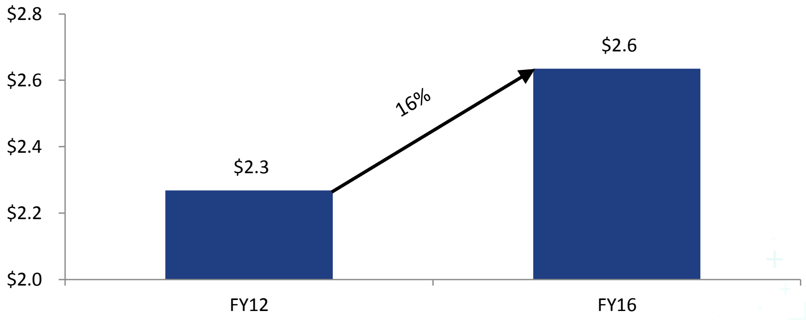


# Growing Productivity While Strategically Expanding Workforce ($ in millions)

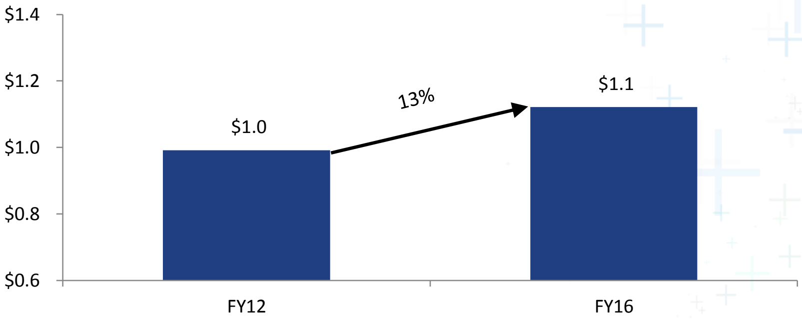
## Employee Headcount Growth by Function




## Net Sales Per Sales & Marketing Employee




## Net Sales Per Employee





# Strong Balance Sheet: ($ in millions)

- $48 million in cash and equivalents
- $300 million financing facility with Wells Fargo Commercial Distribution Finance, LLC [1]
- Financing portfolio of $151 million as of 9/30/2016, representing investments in leases and notes
- Portfolio monetization can be utilized to raise additional cash
- Minimal capex
- ROIC 12.7% at 9/30/2016 [2]

| Assets | September 30, 2016 | March 31, 2016 |
|---|---|---|
| Cash and equivalents | $ 48 | $ 95 |
| Accounts receivable | 327 | 276 |
| Inventory | 80 | 33 |
| Financing investments | 151 | 132 |
| Goodwill & other intangibles | 52 | 54 |
| Property & equipment , deferred costs and other | 23 | 26 |
| Total assets | $ 681 | $ 616 |
| **Liabilities** | | |
| Accounts payable | $ 240 | $ 199 |
| Recourse notes payable | 3 | 3 |
| Non-recourse notes payable | 54 | 44 |
| Other liabilities | 64 | 51 |
| Total liabilities | $ 361 | $ 297 |
| **Shareholders' Equity** | | |
| Equity | 320 | 319 |
| Total liabilities & equity | $ 681 | $ 616 |

1 As of 9/30/2016

2 ROIC = Operating Income x (1 - 40%) / (BV of debt + equity)



# Appendix

# Non-GAAP Financial Information: $ in thousands, except per share information

| | Year Ended March 31, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Sales of product and services, as reported | $ 1,163,337 | $ 1,100,884 | $ 1,013,374 | $ 936,228 | $ 784,951 |
| Costs incurred related to sales of third party services | 393,126 | 334,155 | 262,759 | 227,349 | 193,229 |
| Adjusted gross billings of product and services | $ 1,556,463 | $ 1,435,039 | $ 1,276,133 | $ 1,163,577 | $ 978,180 |
| | | | | | |
| GAAP: Net earnings | $ 44,747 | $ 45,840 | $ 35,273 | $ 34,830 | $ 23,367 |
| Plus: Provision for income taxes | 31,004 | 32,473 | 24,825 | 23,915 | 16,207 |
| Plus: Depreciation and amortization [1] | 5,548 | 4,333 | 2,792 | 2,389 | 1,665 |
| Less: Other income [2] | - | (7,603) | - | - | - |
| Non-GAAP: Adjusted EBITDA | $ 81,299 | $ 75,043 | $ 62,890 | $ 61,134 | $ 41,239 |
| Non-GAAP: Adjusted EBITDA margin | 6.8% | 6.6% | 5.9% | 6.2% | 5.0% |
| | | | | | |
| GAAP: Earnings before tax | $ 75,751 | $ 78,313 | $ 60,098 | $ 58,745 | $ 39,574 |
| Plus: Acquisition related amortizatoin expense [3] | 2,917 | 1,888 | 1,100 | 1,000 | 340 |
| Less: Other income [2] | - | (7,603) | - | - | - |
| Non-GAAP: Earnings before provision for income taxes | 78,668 | 72,598 | 61,198 | 59,745 | 39,914 |
| Non-GAAP: Provision for income taxes [4] | 32,188 | 30,069 | 25,283 | 24,322 | 16,346 |
| Non-GAAP: Net earnings | $ 46,480 | $ 42,529 | $ 35,915 | $ 35,423 | $ 23,568 |
| | | | | | |
| GAAP: Net earnings per common share – diluted | $6.09 | $6.19 | $4.37 | $4.32 | $2.79 |
| Non-GAAP: Net earnings per common share – diluted | $6.33 | $5.75 | $4.45 | $4.40 | $2.82 |

[1] Amount consists of depreciation and amortization for assets used internally.
[2] Gain on retirement of a liability and a class action claim.
[3] Amounts consists of amortization of intangible assets from acquired businesses.
[4] Non-GAAP provision for income taxes is calculated at the same effective tax rate as GAAP earnings.

# Non-GAAP Financial Information: $ in thousands, except per share information

| | Three Months Ended September 30, 2016 | Three Months Ended September 30, 2015 | Six Months Ended September 30, 2016 | Six Months Ended September 30, 2015 |
|---|---|---|---|---|
| Sales of product and services, as reported | $ 361,227 | $ 324,259 | $ 651,408 | $ 583,955 |
| Costs incurred related to sales of third party services | 126,081 | 106,837 | 233,373 | 179,449 |
| Adjusted gross billings of product and services | $ 487,308 | $ 431,096 | $ 884,781 | $ 763,404 |
| GAAP: Net earnings | $ 16,775 | $ 15,679 | $ 27,446 | $ 24,493 |
| Plus: Provision for income taxes | 11,808 | 10,982 | 18,623 | 17,234 |
| Plus: Depreciation and amortization [1] | 1,723 | 1,200 | 3,498 | 2,408 |
| Less: Other income [2] | (380) | - | (380) | - |
| Non-GAAP: Adjusted EBITDA | $ 29,926 | $ 27,861 | $ 49,187 | $ 44,135 |
| Non-GAAP: Adjusted EBITDA margin | 8.1% | 8.3% | 7.3% | 7.3% |
| GAAP: Earnings before tax | $ 28,583 | $ 26,661 | $ 46,069 | $ 41,727 |
| Plus: Acquisition related amortizatoin expense [3] | 974 | 545 | 2,063 | 1,113 |
| Less: Other income [2] | (380) | - | (380) | - |
| Non-GAAP: Earnings before provision for income taxes | 29,177 | 27,206 | 47,752 | 42,840 |
| Non-GAAP: Provision for income taxes [4] | 12,047 | 11,206 | 19,663 | 17,694 |
| Non-GAAP: Net earnings | $ 17,130 | $ 16,000 | $ 28,089 | $ 25,146 |
| GAAP: Net earnings per common share – diluted | $2.42 | $2.15 | $3.91 | $3.35 |
| Non-GAAP: Net earnings per common share – diluted | $2.47 | $2.19 | $4.00 | $3.44 |

[1] Amount consists of depreciation and amortization for assets used internally.
[2] Gain on a class action claim during the three and six months ended September 30, 2016.
[3] Amounts consists of amortization of intangible assets from acquired businesses.
[4] Non-GAAP provision for income taxes is calculated based on the effective tax rate for the non-GAAP adjustments. For comparative purpose, the non-GAAP provision for income taxes for the three and six months ended September 30, 2016 excludes the tax benefit of $0.1million and $0.5 million, respectively, associated with adopting the stock-based compensation accounting standard.

# Investor Relations

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