

# Q2 FY19 Earnings Presentation

*February 6, 2019*

**PRESIDIO**<sup>®</sup>

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# Disclaimer

## **Forward Looking Statements**

This presentation contains statements that are forward-looking statements within the meaning of the federal securities laws. In particular, statements pertaining to our capital resources, performance, financial outlook and results of operations contain forward-looking statements. Likewise, all of our statements regarding anticipated growth, industry performance, results of operations, cash flows and other financial and operational projections are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as “believes,” “expects,” “could,” “may,” “will,” “should,” “seeks,” “likely,” “intends,” “plans,” “pro forma,” “projects,” “estimates” or “anticipates” or the negative of these words and phrases or similar words or phrases that are predictions of or indicate future events or trends and that do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

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For a further discussion of these and other factors that could impact our future results, performance or transactions, see the sections entitled “Risk Factors” and “Cautionary Statement Concerning Forward-Looking Statements” in our Form 10-K filed with the Securities and Exchange Commission.

While forward-looking statements reflect our good-faith beliefs, they are not guarantees of future performance. No representations or warranties are made by us nor our affiliates as to the accuracy of any such statements or projections. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors of new information, data or methods, future events or other changes.

## **Non-GAAP Financial Measures**

This presentation includes certain non-GAAP financial measures intended to supplement, not substitute for, comparable measures. Reconciliations of non-GAAP financial measures to GAAP financial measures are provided at the end of the presentation.

Non-GAAP financial measures are commonly used in our industry, have certain limitations and should not be construed as alternatives to financial measures determined in accordance with GAAP. The non-GAAP measures as defined by us may not be comparable to similar non-GAAP measures presented by other companies. Our presentation of such measures, which may include adjustments to exclude unusual or non-recurring items, should not be construed as an inference that our future results will be unaffected by other unusual or non-recurring items. See the slides titled “Non-GAAP Reconciliations” for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measure.

Unless otherwise indicated, information contained in this presentation concerning our industry and the markets in which we operate is based on information from independent industry and research organizations, other third party sources and management estimates. Management estimates are derived from publicly available information released by independent industry analysts and third party sources, as well as data from our internal research, and are based on assumptions made by us upon reviewing such data and our knowledge of such industry and markets, which we believe to be reasonable. In addition, projections, assumptions and estimates of the future performance of the industry in which we operate and our future performance are necessarily subject to uncertainty and risk due to a variety of factors. Results may differ materially from those expressed in the estimates made by the independent parties and by us.

# Presidio at a Glance

**Leading Full Lifecycle IT Solution Provider to the Middle Market**

**Designing and Deploying Agile Secure Infrastructure Platforms for Clients**

**Focused on Highest Priority Segments: Digital Infrastructure, Cloud, Security**

**Strong Cash Flow Provides Opportunity to Accelerate Growth Through Tuck-in Acquisitions and Investments in New Offerings**

**Financial Flexibility Drives Shareholder Return with Dividend and Buyback**

**Focused on Delivering Consistent Financial Results**

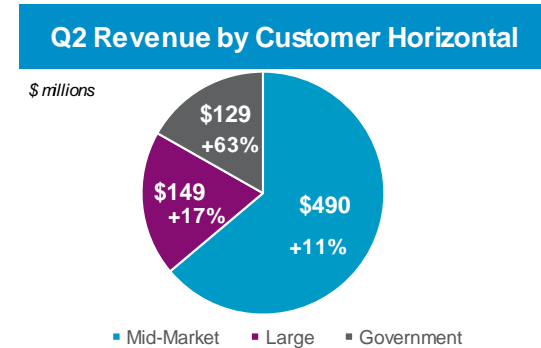
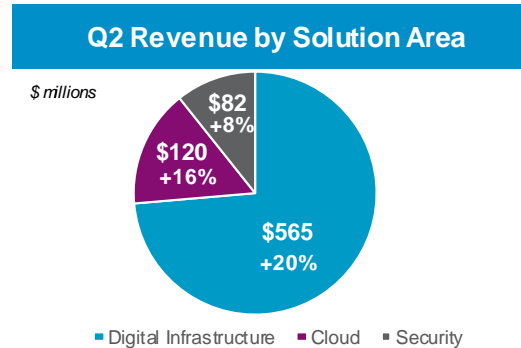
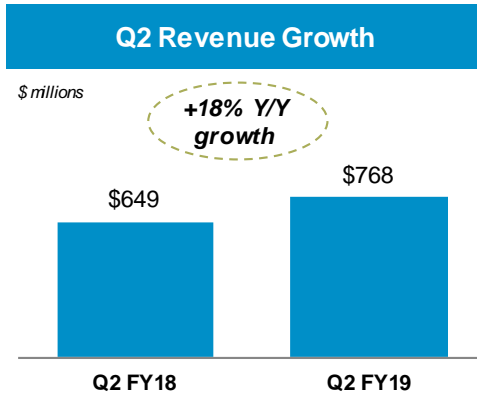
# Investor Day Follow-up

Investor Day Priorities	YTD Results
Focused on Delivering Consistent Financial Results	Revenue +10%
Strong Growth in Services Revenues and Recurring Revenue	Recurring Revenue +26%
Solid Backlog Supports Momentum Going into 2019	Revenue Backlog +23%
Financial Flexibility Drives Shareholder Return with Dividend and Buyback	GAAP EPS \$0.23 vs. \$1.24 in prior year due to tax reform non-GAAP PF Diluted EPS +17%
Strong Cash Flow Provides Opportunity to Accelerate Growth Through Tuck-in Acquisitions and Investments in New Offerings	Red Sky acquisition performing ahead of expectations Cloud investments driving 16% growth in Cloud Services in Q2

# FY19 Business Highlights

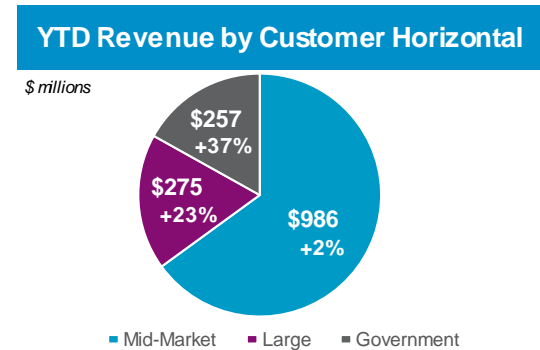
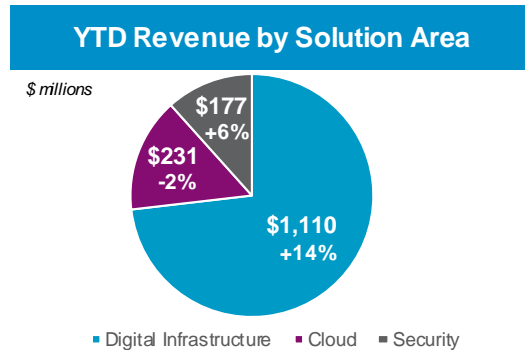
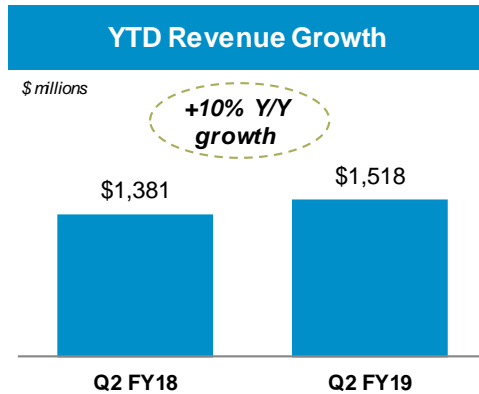
- Q2 Revenue up 18%, driven by large infrastructure deals
- Recurring Revenue up 27% in Q2, led by strength in our public cloud practice
- Recurring Revenue now comprises 38% of Revenue Backlog, compared to 24% at 6/30/18
- Continued strong growth in Revenue Backlog, up 13% over Q1 and 23% over prior year to \$724 million at 12/31/18
- Networking refresh cycle continues with SDN services and hardware during Q2
- Strong cash flow generation in Q2; GAAP Cash flow from operations up 79% over prior year and Free Cash Flow up 45% over prior year

# Q2 FY19 Revenue Growth



- Strong revenue growth due to numerous large infrastructure projects delivered in Q2 across all customer horizontals
- Large projects included significant amount of product, causing a lower proportion of services revenue in Q2
- Services revenue backlog is up 9% over Q1 and 9% over prior year
- Strong performance in government across state and local government clients
- Investments in Public Cloud resulted in 16% growth in Cloud revenue

# YTD FY19 Revenue Growth



- Strong revenue growth of 10% in the first half of FY19
- Large projects included significant amount of product, causing a lower proportion of services revenue
- Experienced strong growth in Security and Digital Infrastructure solution areas year-to-date
- Growth in all customer horizontals, including significant growth with state and local government clients

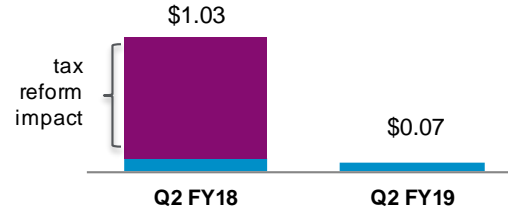
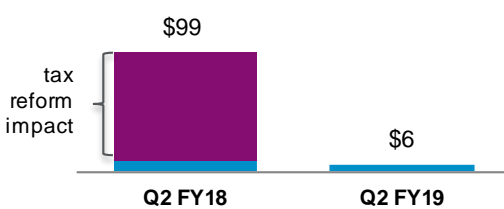
# GAAP Q2 & YTD FY19 Earnings

## Q2 Net Income

## Q2 Diluted EPS

## Commentary

\$ millions

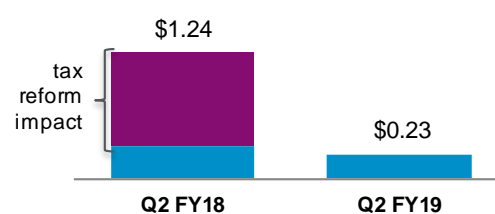
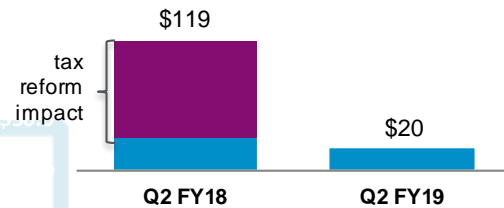


- The positive impact of U.S. tax reform was recorded in the prior year (Q2 FY18) and included an \$89 million non-cash revaluation of deferred taxes that was recognized in Net Income and Diluted EPS.

## YTD Net Income

## YTD Diluted EPS

\$ millions



- Accordingly, both Q2 and YTD GAAP Net Income and GAAP Diluted EPS declined compared to the prior year, primarily due to the impact of U.S. tax reform.

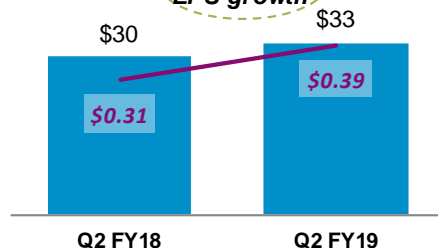


# Non-GAAP Q2 & YTD FY19 Earnings

## Q2 PF Adj. Net Income / PF EPS

\$ millions, except per share data

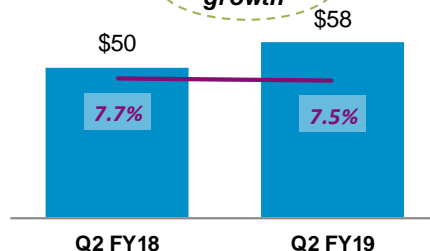
+26% Y/Y  
EPS growth



## Q2 Adj. EBITDA and Margin

\$ millions

+16% Y/Y  
growth



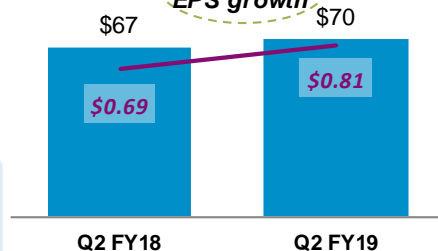
## Commentary

- Q2 PF Diluted EPS was \$0.39, up 26%
- Q2 Adj. EBITDA growth of 16% driven by strong revenue performance
- Q2 Adj. EBITDA margins declined due to the high proportion of large, product-heavy infrastructure projects in the period
- YTD PF Diluted EPS was \$0.81, up 17%
- YTD Adj. EBITDA growth of 3% and Adj. EBITDA margin in line with H1 expectations

## YTD PF Adj. Net Income / PF EPS

\$ millions, except per share data

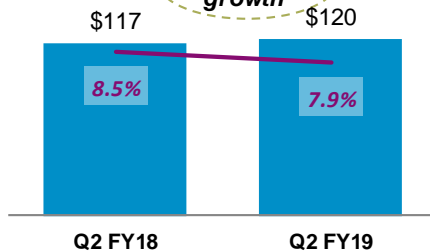
+17% Y/Y  
EPS growth



## YTD Adj. EBITDA and Margin

\$ millions

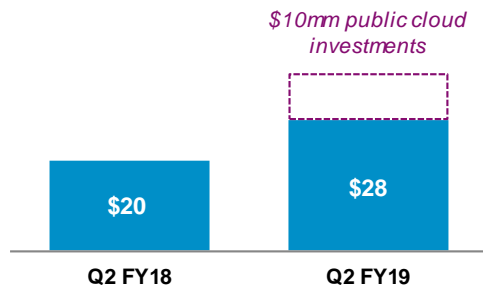
+3% Y/Y  
growth



# Q2 & YTD FY19 Free Cash Flow and Net Debt

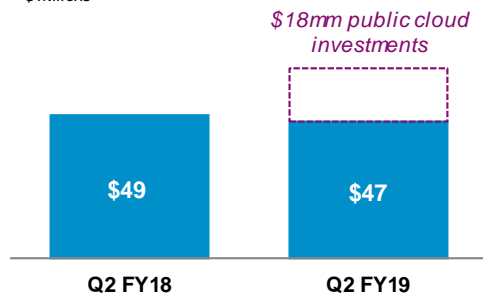
## Q2 Free Cash Flow

\$ millions



## YTD Free Cash Flow

\$ millions



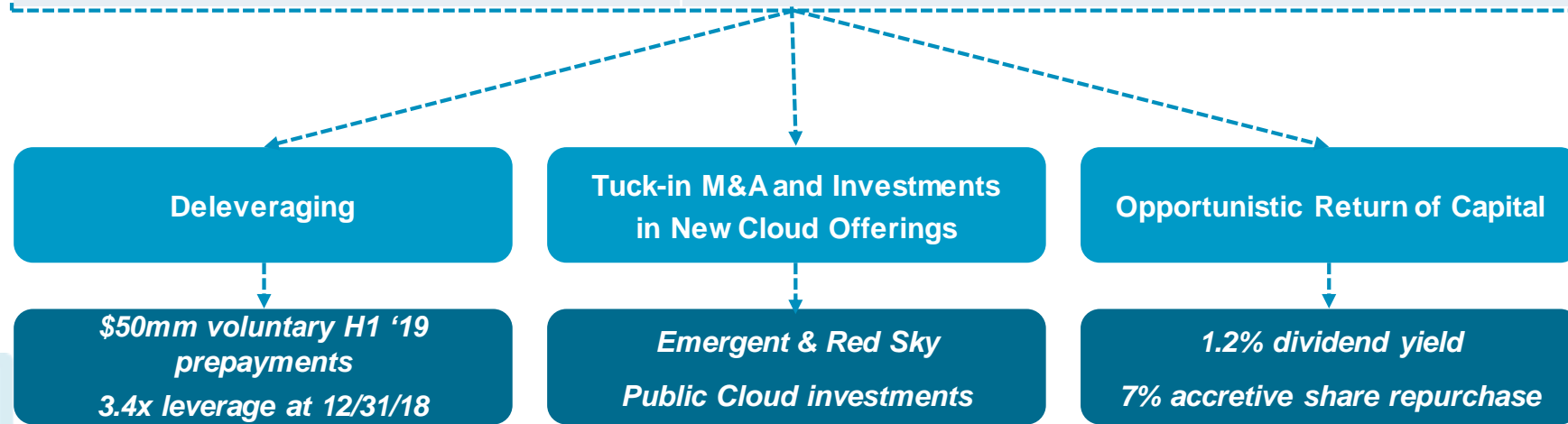
(\$ in millions)	30-Sep	31-Dec
	2018	2018
<b>Cash and Cash Equivalents</b>	\$ 30	\$ 31
Term Loan B	822	797
<b>Total Long-Term Debt</b>	<b>822</b>	<b>797</b>
<b>Net Debt</b>	<b>\$ 791</b>	<b>\$ 766</b>
<b>Net Total Leverage Ratio</b>	<b>3.6x</b>	<b>3.4x</b>

- Q2 GAAP Cash Flow from Operations +79%, Q2 Free Cash Flow +45% over prior year
- Enhanced financial profile through total voluntary term loan prepayments of \$50 million in the first half of FY19 – net total leverage of 3.4x at 12/31/18
- Public cloud investments of \$18 million in the first half of FY19

<sup>1</sup> Calculated as Free Cash Flow for the trailing twelve months ended December 31, 2018 divided by equity value as of December 31, 2018

# Strength of Free Cash Flow Model

<b>Free Cash Flow (see Note)</b>	<b>\$121 million</b>
Equity Value (as of 12/31/18)	\$1,074 million
<b>Cash-on-Cash Return</b>	<b>11%</b>



Note: Reflects trailing twelve months Free Cash Flow as of 12/31/18 and equity value based on number of shares outstanding and closing share price as of 12/31/18. Free Cash Flow is a non-GAAP measure, see Appendix for reconciliation to Net cash provided by operating activities

# Updated FY19 Outlook

Financial Metrics	Prior Guidance	Revised Guidance
Total Revenue	\$2,850 million - \$2,900 million	<b>\$2,910 million - \$2,950 million</b>
FY19 Revenue Growth	3% to 5%	<b>5% to 7%</b>
Adjusted EBITDA Margin	Approximately 8%	Approximately 8%
Adjusted EPS Growth	Mid to high teens	Mid to high teens
Free Cash Flow*	\$30 million per quarter, before public cloud resale and managed services investments	\$30 million per quarter, before public cloud resale and managed services investments
Target Net Leverage	Low-3x Range	Low-3x Range

## Revised Guidance is based upon the following estimates and assumptions:

- Revenue growth and Adjusted EBITDA margin guidance is on an ASC 606 basis
- GAAP tax rate of 27% and non-GAAP tax rate of 22%
- Target net leverage includes the impact of the share repurchase and dividends, but excludes any strategic acquisitions

\* Free Cash Flow guidance of \$30 million per quarter is before any public cloud resale and managed services investments, which we expect to average \$10 million per quarter

# Appendix

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# Non-GAAP Reconciliations – Adjusted EBITDA

Fiscal Year (\$ in millions)	Q2		YTD	
	FY18	FY19	FY18	FY19
<b>Adjusted EBITDA Reconciliation:</b>				
Net income	\$ 99.4	\$ 5.6	\$ 119.2	\$ 20.4
Total depreciation and amortization (1)	22.6	22.6	44.6	45.3
Interest and other (income) expense	13.3	13.4	26.5	25.1
Income tax expense	(89.1)	2.5	(77.7)	7.5
EBITDA	46.2	44.1	112.6	98.3
<b>Adjustments:</b>				
Share-based compensation expense	1.8	2.5	2.6	4.7
Purchase accounting adjustments (2)	-	-	0.1	0.1
Transaction costs (3)	1.7	9.0	2.1	14.4
Other costs (4)	-	2.2	-	2.9
Total adjustments	3.5	13.7	4.8	22.1
Adjusted EBITDA	\$ 49.7	\$ 57.8	\$ 117.4	\$ 120.4

(1) Includes depreciation and amortization included within total operating expenses and cost of revenue.

(2) Includes noncash adjustments associated with purchase accounting.

(3) Includes transaction-related expenses such as: stay, retention bonuses and earnout, transaction-related advisory and diligence fees and transaction-related legal, accounting and tax fees.

(4) Includes certain one-time inventory write-off and cost optimization expenses.

# Non-GAAP Reconciliations – Pro Forma Adjusted Net Income

Fiscal Year (\$ in millions)	Q2		YTD	
	FY18	FY19	FY18	FY19
<b>Adjusted Net Income Reconciliation:</b>				
Net income	\$ 99.4	\$ 5.6	\$ 119.2	\$ 20.4
<b>Adjustments:</b>				
Amortization of intangible assets	18.8	18.8	37.2	37.7
Amortization of debt issuance costs	1.3	0.9	2.6	1.8
Loss on extinguishment of debt	0.7	0.5	1.4	1.0
Share-based compensation expense	1.8	2.5	2.6	4.7
Purchase accounting adjustments	-	-	0.1	0.1
Transaction costs	1.7	9.0	2.1	14.4
Other costs	-	2.2	-	2.9
Revaluation of federal deferred taxes	(89.2)	-	(89.2)	-
Income tax impact of adjustments (1)	(6.0)	(6.4)	(12.6)	(12.0)
<b>Total adjustments</b>	<b>(70.9)</b>	<b>27.5</b>	<b>(55.8)</b>	<b>50.6</b>
<b>Adjusted Net Income</b>	<b>\$ 28.5</b>	<b>\$ 33.1</b>	<b>\$ 63.4</b>	<b>\$ 71.0</b>
<b>Pro Forma Adjustments:</b>				
Interest on notes redeemed, net savings	1.6	-	3.3	-
Interest savings on January 2018 term loan repricing	0.8	-	1.5	-
Interest expense on September 2018 term loan borrowing	-	-	-	(1.7)
Income tax impact of adjustments	(0.6)	-	(1.6)	0.5
<b>Total adjustments</b>	<b>1.8</b>	<b>-</b>	<b>3.2</b>	<b>(1.2)</b>
<b>Pro Forma Adjusted Net Income</b>	<b>\$ 30.3</b>	<b>\$ 33.1</b>	<b>\$ 66.6</b>	<b>\$ 69.8</b>

(1) Includes an estimated tax impact of the adjustments to net income at our average statutory rate to arrive at an appropriate effective tax rate on Adjusted Net Income, except for (i) the adjustment of certain transaction costs that are permanently nondeductible for tax purposes and (ii) the impact of tax-deductible goodwill and intangible assets resulting from certain historical acquisitions and further adjusted for discrete tax items such as: the tax benefit associated with excess stock compensation deductions and the remeasurement of deferred tax liabilities due to tax rate changes.

# Non-GAAP Reconciliations – Pro Forma Diluted EPS

Fiscal Year (\$ in millions, except per share data)	Q2		YTD	
	FY18	FY19	FY18	FY19
Pro Forma Adjusted Net Income	\$ 30.3	\$ 33.1	\$ 66.6	\$ 69.8
Weighted-average shares – basic	91,712,178	82,333,605	91,440,895	86,590,211
Dilutive effect of stock options	4,966,637	3,459,430	5,063,312	3,584,722
Weighted-average shares – diluted	96,678,815	85,793,035	96,504,207	90,174,933
Pro Forma share adjustment for share repurchase (1)	-	-	-	(4,323,370)
Pro Forma weighted-average shares – diluted	96,678,815	85,793,035	96,504,207	85,851,563
Pro Forma Diluted EPS	\$ 0.31	\$ 0.39	\$ 0.69	\$ 0.81

(1) Includes an adjustment to reflect the 10,750,000 shares repurchased during the period as if the repurchase had occurred at the beginning of the period that are not already reflected in the basic weighted-average shares presented.



# Non-GAAP Reconciliations – Free Cash Flow

Fiscal Year (\$ in millions)	Q2		YTD	
	FY18	FY19	FY18	FY19
Net cash provided by operating activities	\$ 41.0	\$ 73.4	\$ 124.6	\$ 76.0
Adjustments to reconcile to free cash flow:				
Net change in accounts payable — floor plan	(16.1)	(29.7)	(65.3)	(14.7)
Aggregate net cash impact of leasing business	(2.8)	(10.8)	(3.5)	(6.5)
Purchases of property and equipment	(2.5)	(4.5)	(7.2)	(8.3)
Total adjustments	(21.4)	(45.0)	(76.0)	(29.5)
Free Cash Flow	\$ 19.6	\$ 28.4	\$ 48.6	\$ 46.5
Additions of equipment under sales-type and direct financing leases	\$ (30.0)	\$ (49.6)	\$ (49.7)	\$ (82.9)
Proceeds from collection of financing receivables	1.1	1.4	2.2	2.7
Additions to equipment under operating leases	(0.9)	(0.1)	(1.2)	(0.1)
Proceeds from disposition of equipment under operating leases	0.1	0.1	0.7	0.1
Proceeds from the discounting of financing receivables	29.2	49.9	47.0	91.1
Retirements of discounted financing receivables	(2.3)	(12.5)	(2.5)	(17.4)
Aggregate net cash impact of leasing business	\$ (2.8)	\$ (10.8)	\$ (3.5)	\$ (6.5)