UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2019

OR

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

Commission File Number: 001-38028

Presidio, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**47-2398593**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

One Penn Plaza, Suite 2832
New York, New York 10119
(212) 652-5700
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.01 per share	**PSDO**	**NASDAQ Global Select Market**

Securities registered pursuant to section 12(g) of the Act: None

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 and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ☒ No ☐

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 29, 2019, there were 83,583,849 shares of common stock, $0.01 par value, outstanding.

PRESIDIO, INC.
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

PRESIDIO, INC.
Consolidated Balance Sheets
(in millions, except share data)
(unaudited)

	As of September 30, 2019	As of June 30, 2019
Assets		
Current Assets		
Cash and cash equivalents	$ 28.0	$ 30.7
Accounts receivable, net	681.0	674.6
Unbilled accounts receivable, net	226.8	205.3
Financing receivables, current portion	103.2	96.4
Inventory	26.2	25.2
Prepaid expenses and other current assets	134.9	123.1
Total current assets	1,200.1	1,155.3
Property and equipment, net	34.9	36.4
Financing receivables, less current portion	137.7	140.3
Goodwill	803.7	803.7
Identifiable intangible assets, net	606.3	625.1
Other assets	170.3	110.1
Total assets	$ 2,953.0	$ 2,870.9
Liabilities and Stockholders' Equity		
Current Liabilities		
Current maturities of long-term debt	$ —	$ —
Accounts payable – trade	485.9	497.7
Accounts payable – floor plan	256.7	212.7
Accrued expenses and other current liabilities	284.0	294.6
Discounted financing receivables, current portion	99.9	93.9
Total current liabilities	1,126.5	1,098.9
Long-term debt, net of debt issuance costs and current maturities	724.6	733.8
Discounted financing receivables, less current portion	127.0	131.2
Deferred income tax liabilities	178.2	180.6
Other liabilities	131.9	88.0
Total liabilities	2,288.2	2,232.5
Commitments and contingencies (Note 10)		
Stockholders' Equity		
Preferred stock:		
$0.01 par value; 100 shares authorized and zero shares issued and outstanding at September 30, 2019 and June 30, 2019	—	—
Common stock:		
$0.01 par value; 250,000,000 shares authorized, 83,371,769 shares issued and outstanding at September 30, 2019 and 82,852,340 shares issued and outstanding at June 30, 2019	0.8	0.8
Additional paid-in capital	506.1	500.4
Retained earnings	157.9	137.2
Total stockholders' equity	664.8	638.4
Total liabilities and stockholders' equity	$ 2,953.0	$ 2,870.9

See Notes to the Consolidated Financial Statements.

PRESIDIO, INC.
Consolidated Statements of Operations
(in millions, except share and per-share data)
(unaudited)

	Three months ended September 30,	
	2019	**2018**
Revenue		
Product	$ 642.5	$ 619.6
Service	129.5	130.3
Total revenue	772.0	749.9
Cost of revenue		
Product	496.2	485.7
Service	100.5	105.2
Total cost of revenue	596.7	590.9
Gross margin	175.3	159.0
Operating expenses		
Selling expenses	74.8	70.8
General and administrative expenses	30.7	29.7
Transaction costs	3.5	5.5
Depreciation and amortization	21.8	21.5
Total operating expenses	130.8	127.5
Operating income	44.5	31.5
Interest and other (income) expense		
Interest expense	11.6	11.2
Loss on extinguishment of debt	0.2	0.5
Other (income) expense, net	(0.2)	(0.1)
Total interest and other (income) expense	11.6	11.6
Income before income taxes	32.9	19.9
Income tax expense	8.9	5.2
Net income	$ 24.0	$ 14.7
Earnings per share:		
Basic	$ 0.29	$ 0.16
Diluted	$ 0.28	$ 0.15
Weighted-average common shares outstanding:		
Basic	83,139,912	90,846,817
Diluted	86,653,092	95,034,251
Cash dividends per common share	$ 0.04	$ 0.04

See Notes to the Consolidated Financial Statements.

PRESIDIO, INC.
Consolidated Statements of Cash Flows
(in millions)
(unaudited)

	Three months ended September 30, 2019	2018
Cash flows from operating activities:		
Net income	$ 24.0	$ 14.7
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Amortization of intangible assets	18.8	18.9
Depreciation of property and equipment in operating expenses	3.1	2.6
Depreciation of property and equipment in cost of revenue	0.9	1.2
Provision for sales returns and credit losses	(0.5)	0.6
Amortization of debt issuance costs	0.8	0.9
Loss on extinguishment of debt	0.2	0.5
Noncash lease income	(1.0)	(1.8)
Share-based compensation expense	1.6	2.1
Deferred income tax benefit	(2.4)	(3.9)
Other	0.1	—
Change in assets and liabilities, net of acquisitions and dispositions:		
Unbilled and accounts receivable	(27.4)	(47.2)
Inventory	(1.0)	(7.4)
Prepaid expenses and other assets	(36.2)	(30.7)
Accounts payable – trade	(11.8)	23.2
Accrued expenses and other liabilities	(1.5)	29.0
Net cash provided by (used in) operating activities	(32.3)	2.7
Cash flows from investing activities:		
Additions of equipment under sales-type and direct financing leases	(32.9)	(33.3)
Proceeds from collection of financing receivables	0.9	1.2
Additions to equipment under operating leases	(0.2)	—
Proceeds from disposition of equipment under operating leases	0.4	—
Purchases of property and equipment	(2.2)	(3.8)
Net cash used in investing activities	(34.0)	(35.9)
Cash flows from financing activities:		
Proceeds from issuance of common stock under share-based compensation plans	4.1	1.0
Common stock repurchased	—	(158.6)
Dividends paid	(3.3)	—
Proceeds from the discounting of financing receivables	29.2	41.1
Retirements of discounted financing receivables	(0.4)	(4.9)
Deferred financing costs	—	(0.3)
Borrowings of term loans, net of original issue discount	—	158.1
Repayments of term loans	(10.0)	(25.0)
Net change in accounts payable — floor plan	44.0	15.0
Net cash provided by financing activities	63.6	26.4
Net decrease in cash and cash equivalents	(2.7)	(6.8)
Cash and cash equivalents:		
Beginning of the period	30.7	37.0
End of the period	$ 28.0	$ 30.2
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 11.7	$ 9.7
Income taxes, net of refunds	$ 3.6	$ 5.7
Right-of-use assets obtained in exchange for lease obligations	$ 0.9	$ —
Reduction of discounted lease assets and liabilities	$ 29.6	$ 28.0

See Notes to the Consolidated Financial Statements.

PRESIDIO, INC.
Consolidated Statement of Stockholders' Equity
(in millions, except share data)
(unaudited)

	Preferred stock		Common stock		Additional paid-in capital	Retained earnings	Total
	Shares	Amount	Shares	Amount			
Balance, June 30, 2018	—	$ —	92,853,983	$ 0.9	$ 644.3	$ 115.1	$ 760.3
Common stock issued under share-based compensation plans	—	—	194,329	—	1.0	—	1.0
Common stock repurchased	—	—	(10,750,000)	(0.1)	(158.5)	—	(158.6)
Common stock cash dividend	—	—	—	—	—	(3.2)	(3.2)
Share-based compensation expense	—	—	—	—	2.1	—	2.1
Net income	—	—	—	—	—	14.7	14.7
Balance, September 30, 2018	—	$ —	82,298,312	$ 0.8	$ 488.9	$ 126.6	$ 616.3

	Preferred stock		Common stock		Additional paid-in capital	Retained earnings	Total
	Shares	Amount	Shares	Amount			
Balance, June 30, 2019	—	$ —	82,852,340	$ 0.8	$ 500.4	$ 137.2	$ 638.4
Common stock issued under share-based compensation plans	—	—	519,429	—	4.1	—	4.1
Common stock cash dividend	—	—	—	—	—	(3.3)	(3.3)
Share-based compensation expense	—	—	—	—	1.6	—	1.6
Net income	—	—	—	—	—	24.0	24.0
Balance, September 30, 2019	—	$ —	83,371,769	$ 0.8	$ 506.1	$ 157.9	$ 664.8

See Notes to the Consolidated Financial Statements.

Note 1. Nature of Business and Significant Accounting Policies

Description of the Company

Presidio, Inc., a Delaware corporation, through its subsidiaries (collectively, the “Company”, “we” and “our”) is a leading provider of information technology (“IT”) solutions in North America. We deliver technology expertise through a full life-cycle model of professional, managed and support services including strategy, consulting, implementation and design. The Company's solutions consists of the resale of hardware, software, and third-party support service contracts and the sale of internal and third-party services. We help clients harness technology advances, simplify IT complexity and optimize their environments today while enabling future applications, user experiences, and revenue models. The Company implements IT solutions for its customers on a national and international basis, although the Company's principal markets are located in the continental United States.

The Company is headquartered in New York, New York and all of its direct and indirect subsidiaries are located in the United States.

Merger Agreement

On August 14, 2019, we entered into an Agreement and Plan of Merger, as amended on September 25, 2019, (as it may be further modified, supplemented or modified from time to time, the “Merger Agreement”) with BCEC – Port Holdings (Delaware), LP, a Delaware limited partnership (“Parent”), and Port Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Parent (“Merger Sub”), pursuant to which Merger Sub will merge with and into the Company (the “Merger”), with the Company continuing as the surviving company of the Merger, and an indirect wholly owned subsidiary of Parent. Parent and Merger Sub are affiliates of funds advised by BC Partners Advisors L.P. Completion of the Merger is subject to customary closing conditions. If the Merger is consummated, the Company’s common stock will be delisted from the NASDAQ Global Select Market and deregistered under the Exchange Act.

On September 26, 2019, a putative class action lawsuit was filed in the United States District Court for the District of Delaware against the Company and the individual members of the Board of Directors alleging that the defendants violated federal securities laws by making allegedly false and misleading statements and failing to disclose certain information in the preliminary proxy statement, which was filed on September 10, 2019. On September 30, 2019, and October 4, 2019, two purported class actions were filed in the United States District Court for the Southern District of New York making similar allegations. On October 7, 2019, the Company filed the definitive proxy statement. On October 10, 2019, and October 17, 2019, two purported class actions were filed in the United States District Court for the Northern District of California and the United States District Court for the Eastern District of New York, respectively, against the Company and the individual members of the Board of Directors alleging violations of the federal securities laws based on allegedly false and misleading statements and failing to disclose certain information in the definitive proxy statement. These actions sought, among other relief, to enjoin the Merger (or, in the alternative, an award of rescissory damages in the event the Merger is completed), and an award of costs and attorneys' fees.

On October 21, 2019, another putative class action complaint was filed in the Court of Chancery of the State of Delaware against the Company, its directors, Parent and Merger Sub under the caption Firefighters' Pension System of City of Kansas City, Missouri Trust v. Presidio, Inc. et al, C.A. No. 2019-0839-JTL. The Complaint alleges breaches of fiduciary duty by the directors in connection with the negotiation of the Merger and the disclosures made in the definitive proxy statement and aiding and abetting of those alleged breaches by Parent and Merger Sub. The action sought, among other relief, an injunction against the Merger and the stockholder vote, which the Court of Chancery denied on November 5.

Dividend

On August 28, 2019, the Company declared a quarterly cash dividend of$0.04 per share of common stock. The total dividend of$3.3 million was paid on October 4, 2019 to stockholders of record as of the close of business on September 25, 2019. Accordingly, the Company had a $3.3 million liability recorded in accrued expenses and other current liabilities as of September 30, 2019.

On November 6, 2019, the Company declared a quarterly cash dividend of$0.04 per share of common stock. The dividend will be paid on January 6, 2020 to stockholders of record as of the close of business on December 26, 2019. In the event that the Merger closes prior to December 26, 2019, the dividend will not be paid.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and Securities and Exchange Commission ("SEC") rules and regulations for interim reporting periods. The consolidated financial statements do not include all disclosures normally made in annual financial statements. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements included within the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2019. All financial information presented in the financial statements and notes herein is presented in millions except for share and per-share information and percentages.

In management’s opinion, all adjustments necessary for a fair presentation of the results of operations, financial position and cash flows for the periods shown have been made. All other adjustments are of a normal recurring nature.

The Company has evaluated subsequent events through the issue date of these consolidated financial statements.

Principles of Consolidation

The Company’s consolidated financial statements include the accounts of Presidio, Inc. and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the Company’s consolidated financial statements 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 reported amounts of revenue and expenses during the reporting period. Estimates are used when accounting for items and matters including, but not limited to, revenue recognition, asset residual values, vendor rebates and consideration, goodwill, identifiable intangibles, measurement of income tax assets and liabilities and provisions for doubtful accounts, credit losses, inventory obsolescence, and other contingencies. Actual results could differ from management’s estimates.

Other Comprehensive Income

The Company did not have any components of other comprehensive income for any of the periods presented.

Lease Accounting

The Company enters into lease agreements, which provide the Company with the right to control an identified asset, primarily for office, warehouse and other real estate needs. The Company determines whether or not a contract contains a lease at the inception date, while classification, recognition and measurement are determined at the lease commencement date. Classifying a lease requires judgment, based on an assessment of the terms, nature of the underlying asset, consideration and lease term. Our lease agreements are generally classified as operating leases and do not have residual value guarantees. At the lease commencement date, the Company records operating lease liabilities based on the present value of the future lease payments. The Company has elected to not separate non-lease components and, accordingly, cash flows associated with the non-lease components are allocated to the related lease component. In determining the present value of future lease payments, the Company uses its incremental borrowing rate based on the information available at the commencement date. In assessing the lease term, the Company includes options to renew only when it is reasonably certain that it will be exercised; a determination which is at the sole discretion of the Company. Generally, for leases with an initial term of 12 months or less, the Company has elected to not record a right-of-use asset and lease liability. On the consolidated balance sheet, operating lease right-of-use assets are included in other assets, the current portion of operating lease liabilities are included in accrued expenses and other current liabilities and the long-term portion of operating lease liabilities are included in other liabilities. The Company records lease expense on a straight-line basis over the lease term beginning on the commencement date.

Recent Accounting Pronouncements Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which changes the accounting for leases in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The standard has an effective date for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years, with early adoption permitted. The Company adopted this standard under the modified retrospective method as of July 1, 2019 with prior periods not adjusted. The standard provides for the election of certain practical expedients during implementation. The Company elected to apply the package of practical expedients in its implementation which allowed the entity to, among other things, not reassess the following: 1) whether the contract contains a lease, 2) previous lease classification (e.g. operating vs. financing) and 3) the accounting for any initial direct costs (e.g. capitalization vs. expensing). The adoption of the new standard had an immaterial impact on our lessor business with our lessor's accounting policies remaining materially unchanged from the previous standard. Refer to Note 15 for additional detail surrounding our lessee accounting.

In August 2018, the FASB issued ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Topic 350-40)*, which amends current guidance to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). Capitalized implementation costs must be expensed over the term of the hosting arrangement and presented in the same line item in the statement of income as the fees associated with the hosting element (service) of the arrangement. The guidance in ASU 2018-15 is effective for annual reporting periods beginning after December 15, 2019 and interim periods within those fiscal years, with early adoption permitted. The Company adopted this standard as of July 1, 2019 on a prospective basis with no material effect to the consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

The Company is still evaluating the impact of the following additional accounting pronouncement not yet adopted as ofSeptember 30, 2019.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, which changes the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information. This standard requires a modified-retrospective adoption approach and has an effective date for fiscal years beginning after December 15, 2019. The Company does not believe this standard will have a material impact on the consolidated financial statements.

Note 2. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in millions):

	September 30, 2019	June 30, 2019
Deferred product costs	$ 20.1	$ 18.3
Partner incentive program receivable	39.5	25.5
Prepaid professional services	37.6	34.8
Prepaid reserved instances	20.7	22.6
Prepaid income taxes	—	5.3
Other prepaid expenses and current assets	17.0	16.6
Total prepaid expenses and other current assets	$ 134.9	$ 123.1

Note 3. Financing Receivables and Operating Leases

The Company records the lease receivables related to sales-type or direct financing leases as financing receivables, and the related liability resulting from discounting customer payment streams as discounted financing receivables, in the Company’s consolidated balance sheets. Discounted customer payment streams are typically collateralized by a security interest in the underlying assets being leased.

Financing receivables – The assets and related liabilities for discounted and not discounted sales-type and direct financing leases to financial institutions were as follows as of September 30, 2019 (in millions):

	Discounted to financial institutions	Not discounted to financial institutions	Total
Financing receivables:			
Minimum lease payments	$ 245.4	$ 4.9	$ 250.3
Estimated net residual values	—	5.7	5.7
Unearned income	(13.9)	(0.9)	(14.8)
Provision for credit losses	—	(0.3)	(0.3)
Total, net	$ 231.5	$ 9.4	$ 240.9
Reported as:			
Current	$ 100.5	$ 2.7	$ 103.2
Long-term	131.0	6.7	137.7
Total, net	$ 231.5	$ 9.4	$ 240.9
Discounted financing receivables:			
Nonrecourse	$ 225.4	$ —	$ 225.4
Recourse	—	—	—
Total	$ 225.4	$ —	$ 225.4
Reported as:			
Current	$ 99.1	$ —	$ 99.1
Long-term	126.3	—	126.3
Total	$ 225.4	$ —	$ 225.4

The assets and related liabilities for discounted and not discounted sales-type and direct financing leases to financial institutions were as follows as of June 30, 2019 (in millions):

	Discounted to financial institutions	Not discounted to financial institutions	Total
Financing receivables:			
Minimum lease payments	$ 243.2	$ 3.0	$ 246.2
Estimated net residual values	—	5.9	5.9
Unearned income	(14.3)	(0.8)	(15.1)
Provision for credit losses	—	(0.3)	(0.3)
Total, net	$ 228.9	$ 7.8	$ 236.7
Reported as:			
Current	$ 95.1	$ 1.3	$ 96.4
Long-term	133.8	6.5	140.3
Total, net	$ 228.9	$ 7.8	$ 236.7
Discounted financing receivables:			
Nonrecourse	$ 223.5	$ —	$ 223.5
Recourse	—	—	—
Total	$ 223.5	$ —	$ 223.5
Reported as:			
Current	$ 93.3	$ —	$ 93.3
Long-term	130.2	—	130.2
Total	$ 223.5	$ —	$ 223.5

The discounted financing receivables associated with sales-type and direct financing type leases are presented in the consolidated balance sheets together with the discounted financing receivables associated with operating leases which is discussed below.

Operating leases – Equipment under operating leases and accumulated depreciation are reported as part of other assets in the consolidated balance sheets and were as follows (in millions):

	September 30, 2019	June 30, 2019
Equipment under operating leases	$ 3.2	$ 2.9
Accumulated depreciation	(1.2)	(1.1)
Total equipment under operating leases, net	$ 2.0	$ 1.8

Depreciation expense associated with equipment under operating leases that is included in cost of product revenue within the Company's consolidated statements of operations was $0.3 million for both the three months ended September 30, 2019 and 2018.

Liabilities for discounted operating leases to financial institutions were as follows (in millions):

	September 30, 2019	June 30, 2019
Discounted operating leases:		
Current	$ 0.8	$ 0.6
Noncurrent	0.6	1.0
Total	$ 1.4	$ 1.6

The discounted financing receivables associated with operating leases are presented on the consolidated balance sheets together with the discounted financing receivables associated with sales-type and direct financing type leases which are discussed above.

Note 4. Property and Equipment

Property and equipment and accumulated depreciation and amortization were as follows (in millions):

	Estimated useful lives	September 30, 2019	June 30, 2019
Furniture and fixtures	3 to 7 years	$ 8.4	$ 7.9
Equipment	3 to 7 years	31.7	31.6
Software	3 to 5 years	27.8	27.2
Leasehold improvements	Life of lease	18.4	17.8
Total property and equipment		86.3	84.5
Accumulated depreciation and amortization		(51.4)	(48.1)
Total property and equipment, net		$ 34.9	$ 36.4

Depreciation and amortization associated with property and equipment that is included in depreciation and amortization within the Company's consolidated statements of operations was $3.1 million and $2.6 million for the three months ended September 30, 2019 and 2018, respectively.

Depreciation and amortization expense associated with property and equipment directly utilized in support of managed services and cloud services that is included in cost of service revenue within the Company's consolidated statements of operations was $0.6 million and $0.9 million for the three months ended September 30, 2019 and 2018, respectively.

Note 5. Goodwill and Identifiable Intangible Assets

Goodwill

From June 30, 2019 through the date of the consolidated financial statements, no triggering events have been noted that would lead us to believe that the fair value of the underlying assets may be below their carrying amount.

Identifiable Intangible Assets

Identifiable intangible assets consisted of the following as of September 30, 2019 (in millions):

	Range of life (years)	Gross amount	Accumulated amortization	Total, net
Finite-lived intangible assets:				
Customer relationships	5 – 10	$ 724.2	$ (323.3)	$ 400.9
Developed technology	5	3.6	(3.2)	0.4
Trade names	2	1.3	(1.3)	—
Indefinite-lived intangible assets:				
Trade names	Indefinite	205.0	—	205.0
Total intangible assets		$ 934.1	$ (327.8)	$ 606.3

Identifiable intangible assets consisted of the following as of June 30, 2019 (in millions):

	Range of life (years)	Gross amount	Accumulated amortization	Total, net
Finite-lived intangible assets:				
Customer relationships	5 – 10	$ 724.2	$ (304.9)	$ 419.3
Developed technology	5	3.6	(3.0)	0.6
Trade names	2	1.3	(1.1)	0.2
Indefinite-lived intangible assets:				
Trade names	Indefinite	205.0	—	205.0
Total intangible assets		$ 934.1	$ (309.0)	$ 625.1

Amortization associated with intangible assets was $18.8 million and $18.9 million for the three months ended September 30, 2019 and 2018, respectively. The weighted-average remaining useful life of the finite-lived intangible assets was 5.4 years and 5.6 years as of September 30, 2019 and June 30, 2019, respectively.

Based on the finite-lived intangible assets recorded at September 30, 2019, the future amortization expense is expected to be as follows (in millions):

	Years ending June 30,
2020 (remaining nine months)	$ 55.4
2021	73.7
2022	73.5
2023	72.8
2024	72.8
2025 and thereafter	53.1
Total	$ 401.3

Note 6. Accounts Payable – Floor Plan

The accounts payable – floor plan balances on the consolidated balance sheets relate to an agreement with a financial institution that provides an indirect wholly-owned subsidiary of the Company with funding for discretionary inventory purchases from approved vendors. Payables are due within 90 days and are noninterest bearing, provided they are paid when due. In accordance with the agreement, the financial institution has been granted a senior security interest in the indirect wholly-owned subsidiary's inventory purchased under the agreement and accounts receivable arising from the sale thereof. Payments on the facility are guaranteed by Presidio LLC and subsidiaries. As of September 30, 2019 and June 30, 2019, the aggregate availability for purchases under the floor plan was the lesser of $325.0 million or the liquidation value of the pledged assets. The balances outstanding under the accounts payable - floor plan facility were $256.7 million and $212.7 million as of September 30, 2019 and June 30, 2019, respectively.

Note 7. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in millions):

	September 30, 2019	June 30, 2019
Accrued compensation	$ 38.8	$ 59.1
Accrued equipment purchases/vendor expenses	133.4	117.9
Accrued income taxes	5.5	3.2
Accrued interest	9.0	10.0
Dividend payable	3.3	3.3
Operating lease liability	9.6	—
Stay, retention and earnout bonuses	2.4	19.5
Unearned revenue	73.8	70.5
Other accrued expenses and current liabilities	8.2	11.1
Total accrued expenses and other current liabilities	$ 284.0	$ 294.6

Note 8. Long-Term Debt and Credit Agreements

Long-term debt consisted of the following (in millions):

	September 30, 2019	June 30, 2019
Revolving credit facility	$ —	$ —
Receivables securitization facility	—	—
Term loan facility, due February 2024	736.6	746.6
Total long-term debt	736.6	746.6
Unamortized debt issuance costs	(12.0)	(12.8)
Total long-term debt, net of debt issuance costs	$ 724.6	$ 733.8
Reported as:		
Current	$ —	$ —
Long-term	724.6	733.8
Total long-term debt, net of debt issuance costs	$ 724.6	$ 733.8

Receivables Securitization Facility

As of September 30, 2019 and June 30, 2019, there were no outstanding borrowings under the receivables securitization facility. The Company had $250.0 million available under the receivables securitization facility based on the collateral available as of September 30, 2019.

Credit Agreement

As of September 30, 2019 and June 30, 2019, there were no borrowings outstanding under the Company's revolving credit facility and $1.4 million in letters of credit outstanding, in each case under the Company’s existing credit agreement (the “Credit Agreement”). As of September 30, 2019 and June 30, 2019, there was $736.6 million and $746.6 million, respectively, of Term Loans (as defined below) outstanding thereunder. As of September 30, 2019, the Company was in compliance with the covenants in its Credit Agreement and had $48.6 million available for revolver borrowings thereunder.

During the three months ended September 30, 2018, the Company made aggregate voluntary prepayments of $25.0 million on the term loan, resulting in a $0.5 million loss on extinguishment of debt in the Company’s consolidated statements of operations associated with the write-off of debt issuance costs.

During the three months ended September 30, 2019, the Company made aggregate voluntary prepayments of $10.0 million on the term loan, resulting in a $0.2 million loss on extinguishment of debt in the Company’s consolidated statements of operations associated with the write-off of debt issuance costs.

Note 9. Fair Value Measurements

For certain of the Company’s financial instruments, including cash and cash equivalents, accounts and unbilled receivables, accounts payable – trade, accounts payable – floor plan, and other accrued liabilities, the carrying amount approximates fair value due to the short-term maturities of these instruments. Additionally, the Company’s financing receivables were measured at their respective fair values upon initial recognition.

The fair value hierarchy for the Company’s financial assets and liabilities measured at fair value were as follows as of September 30, 2019 (in millions):

		Fair value measurement		
	Carrying value	Level 1	Level 2	Level 3
Term loans	$ 736.6	$ —	$ 737.6	$ —

The fair value hierarchy for the Company’s financial liabilities measured at fair value were as follows as of June 30, 2019 (in millions):

		Fair value measurement		
	Carrying value	Level 1	Level 2	Level 3
Term loans	$ 746.6	$ —	$ 742.9	$ —

The fair value of the Company’s term loans are estimated based on quoted market prices for the debt which is traded in over-the-counter secondary markets that are not considered active. The carrying value of the Company’s term loans exclude unamortized debt issuance costs.

For certain of the Company’s nonfinancial assets, including goodwill, intangible assets, and property and equipment, the Company may be required to assess the fair values of these assets, on a recurring or nonrecurring basis, and record an impairment if the carrying value exceeds the fair value. In determining the fair value of these assets, the Company may use a combination of valuation methods which include Level 3 inputs. For the periods presented, there were no impairments charges.

Note 10. Commitments and Contingencies

Claims and assessments- In the normal course of business, the Company is subject to certain claims and assessments that arise in the ordinary course of business. The Company records a liability when the Company believes that it is both probable that a loss has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine the outcome and the estimated amount of a loss related to such matters. Management believes that there are no claims or assessments outstanding which would materially affect the consolidated results of operations or financial position of the Company.

We may become subject to lawsuits arising out of or relating to the proposed Merger. One of the conditions to completion of the Merger is the absence of an order, injunction or law prohibiting the Merger. Accordingly, if a plaintiff were to be successful in obtaining an order prohibiting completion of the Merger, then such order may prevent the Merger from being completed. Refer to Note 1 for additional information regarding lawsuits filed related to the Merger.

Note 11. Share-based Compensation

During the three months ended September 30, 2019, the Company did not grant any service-based non-qualified stock options. During the three months ended September 30, 2019, 75,000 service-based restricted stock units vested and there wereno remaining service-based restricted stock units unvested and outstanding as of September 30, 2019.

During the three months ended September 30, 2019, there were 376,144 service-based and rolled options exercised and 183,419 service-based and rolled options expired or forfeited. As of September 30, 2019, 6,327,730 service-based and rolled options were outstanding, of which 3,212,753 were vested.

During the three months ended September 30, 2019, there were 97,500 performance-based and market-based options forfeited. As of September 30, 2019, the performance condition for these options was deemed met; however, as the market condition for vesting had not yet been realized, the total balance of 2,564,972 options outstanding were unvested.

As of September 30, 2019, there were 993,743 remaining shares available for issuance under the Presidio, Inc. Employee Stock Purchase Plan (the "ESPP"). On September 30, 2019, the Company held $0.8 million of contributions made by employees that were used to purchase 53,032 shares under the ESPP on October 2, 2019.

Share-Based Compensation Expense

The following table summarizes the share-based compensation expense recorded in our operating expenses, as follows (in millions):

	Three months ended September 30,	
	2019	2018
Selling expenses	$ 0.3	$ 0.5
General and administrative expenses	1.3	1.6
Total	$ 1.6	$ 2.1

As of September 30, 2019, there was $7.1 million of unrecognized share-based compensation expense, which relates to service-based awards from the 2015 LTIP and 2017 LTIP grants.

Note 12. Earnings Per Share

The following is a reconciliation of the weighted-average number of shares used to compute basic and diluted earnings per share (in millions, except share and per-share data):

	Three months ended September 30,	
	2019	**2018**
Numerator:		
Earnings	$ 24.0	$ 14.7
Denominator:		
Weighted-average shares – basic	83,139,912	90,846,817
Effect of dilutive securities:		
Share-based awards	3,513,180	4,187,434
Weighted-average shares – diluted	86,653,092	95,034,251
Earnings per share:		
Basic	$ 0.29	$ 0.16
Diluted	$ 0.28	$ 0.15

Potentially dilutive securities that have been excluded from the computation of diluted weighted-average common shares outstanding because their inclusion would have been anti-dilutive consisted of the following:

	Three months ended September 30,	
	2019	**2018**
Share-based awards excluded from EPS because of anti-dilution	2,493,091	4,379,799
Share-based awards excluded from EPS because performance or market condition had not been met[1]	—	—
Total share-based awards excluded from EPS	2,493,091	4,379,799

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[1] For the three months ended September 30, 2019 and 2018, the performance and market stock options are included in the Company's EPS calculation to the extent the market condition was deemed to have been met as if it was the end of the contingency period.

Note 13. Revenue Recognition

Contract Assets and Liabilities

Contract assets consist of revenue being recognized in excess of the amount the Company has the right to invoice a customer. Contract assets primarily relate to the Company's current and long-term unbilled receivables. As of September 30, 2019 and June 30, 2019, the current unbilled receivables balance was $226.8 million and $205.3 million, respectively. As of September 30, 2019 and June 30, 2019, the long-term unbilled receivables balance was $93.4 million and $77.2 million, respectively.

Contract liabilities consist of payments received from customers, or such consideration that is contractually due, in advance of providing the product or performing services. Contract liabilities primarily relate to the Company's current and long-term unearned revenue. As of September 30, 2019 and June 30, 2019, the current unearned revenue balance was $73.8 million and $70.5 million, respectively. As of September 30, 2019 and June 30, 2019, the long-term unearned revenue balance was $16.5 million and $13.5 million, respectively. During the three months ended September 30, 2019, the Company recognized $16.7 million of revenue related to its contract liabilities.

Unsatisfied Performance Obligations

For contracts greater than one year, the table below discloses the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as of September 30, 2019 and when the Company expects to recognize this revenue, by fiscal year. These performance obligations primarily relate to managed service and public cloud contracts.

(in millions)	**Years ending June 30,**
2020 (remaining nine months)	$ 120.0
2021	122.5
2022	58.4
2023	12.4
2024	3.1
2025 and thereafter	0.3
Total	$ 316.7

Disaggregation of Revenue

Refer to Note 14 for additional information detailing disaggregation of revenue for thethree months ended September 30, 2019 and 2018.

Note 14. Segment and Disaggregation of Revenue Information

Since October 22, 2015, the Company has operated asone reportable segment based on our assessment of how our chief operating decision maker allocates resources and assesses performance across the Company.

Geographic Areas

Revenue earned by the Company from customers outside of the United States is not material for any of the periods presented. Additionally, the Company does not have long-lived assets outside of the United States.

Disaggregation of Revenue

We disaggregate our revenue in a number of different ways. The following table presents total revenue disaggregated into recurring and all other revenue (in millions):

	Three months ended September 30,	
	2019	**2018**
Recurring revenue	$ 69.2	$ 42.7
All other revenue	702.8	707.2
Total revenue	$ 772.0	$ 749.9

The following table presents revenue recognized at a point-in-time and revenue recognized over a period of time (in millions):

	Three months ended September 30,	
	2019	**2018**
Revenue recognized at a point-in-time	$ 611.9	$ 611.5
Revenue recognized over a period of time	160.1	138.4
Total revenue	$ 772.0	$ 749.9

The following table presents total revenue by solution area (in millions):

	Three months ended September 30,	
	2019	2018
Cloud	$ 111.3	$ 110.5
Security	91.8	94.6
Digital Infrastructure	568.9	544.8
Total revenue	$ 772.0	$ 749.9

The type of solution sold by the Company to its customers is based upon internal classifications.

The following table presents total revenue by customer horizontal (in millions):

	Three months ended September 30,	
	2019	2018
Government	$ 147.0	$ 127.6
Large	119.0	126.2
Mid-market	506.0	496.1
Total revenue	$ 772.0	$ 749.9

Note 15. Lease Accounting

The Company enters into operating lease contracts primarily for real estate. The lease terms generally range froml to 10 years, with a weighted-average remaining lease term of 2.8 years and a weighted-average discount rate of3.9% as of September 30, 2019.

The following table summarizes the consolidated balance sheet information related to the Company's operating leases (in millions):

	Balance Sheet Presentation	September 30, 2019
Right-of-use assets	Other assets	$ 35.9
Short-term operating lease liabilities	Accrued expenses and other current liabilities	$ 9.6
Long-term operating lease liabilities	Other liabilities	34.0
Total operating lease liabilities		$ 43.6

The following table summarizes the Company's operating lease expense, which is presented within general and administrative expense on the Company's consolidated statement of operations (in millions):

	Three months ended September 30, 2019
Operating lease cost	2.6
Variable lease cost	0.2
Total lease cost	$ 2.8

The following table summarizes the Company's future minimum operating lease payments (in millions):

	Years ending June 30,	
2020 (remaining nine months)	$	8.1
2021		10.1
2022		8.2
2023		6.6
2024		5.0
2025 and thereafter		10.8
Total	$	48.8
Less: Interest		(5.2)
Present value of future lease payments	$	43.6

Note 16. Income Taxes

The Company recorded income tax expense of $8.9 million for the three months ended September 30, 2019, compared to income tax expense of $5.2 million for the three months ended September 30, 2018. The Company's effective tax rates for the three months ended September 30, 2019 and 2018 were 27.1% and 26.1%, respectively. The Company's effective tax rates for both periods differed from the U.S. federal statutory tax rate primarily due to the impact of state taxes and permanent differences, as well as the impact of favorable excess tax benefit deduction related to share-based compensation.

Note 17. Related Party Transactions

Apollo Global Management, LLC (together with its subsidiaries, "Apollo") is a leading global alternative investment management firm which owns and operates businesses across a variety of industries. The Company recorded revenue sold to parties affiliated with Apollo or our directors of $2.0 million and $0.8 million for the three months ended September 30, 2019 and 2018, respectively. The outstanding receivables associated with parties affiliated with Apollo or our directors were $1.9 million and $2.8 million at September 30, 2019 and June 30, 2019, respectively.

The Company leases an office that is owned by members of the Company's management. The office location was carried over from a prior acquisition and the Company has continued to renew the lease. Rent expense for the office was $0.1 million for both the three months ended September 30, 2019 and 2018, respectively.

Note 18. Supplemental Consolidating Information

The following financial statements set forth condensed consolidating financial information for the Company. The condensed consolidating financial information presents Presidio, Inc. on a standalone basis, Presidio Holdings Inc. and subsidiaries on a consolidated basis as guarantors of the Credit Agreement and the consolidating intercompany adjustments between the entities.

The following condensed consolidating financing information was prepared on the same basis as the consolidated financial statements (in millions):

Condensed Consolidating Balance Sheet
As of September 30, 2019

	Presidio, Inc.	Presidio Holdings Inc. & Subsidiaries	Intercompany Adjustments	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	$ 0.5	$ 27.5	$ —	$ 28.0
Accounts receivable, net	—	681.0	—	681.0
Unbilled accounts receivable, net	—	226.8	—	226.8
Financing receivables, current portion	—	103.2	—	103.2
Inventory	—	26.2	—	26.2
Prepaid expenses and other current assets	10.3	129.2	(4.6)	134.9
Total current assets	10.8	1,193.9	(4.6)	1,200.1
Property and equipment, net	—	34.9	—	34.9
Deferred tax asset	0.5	—	(0.5)	—
Financing receivables, less current portion	—	137.7	—	137.7
Goodwill	—	803.7	—	803.7
Identifiable intangible assets, net	—	606.3	—	606.3
Other assets	657.6	170.3	(657.6)	170.3
Total assets	$ 668.9	$ 2,946.8	$ (662.7)	$ 2,953.0
Liabilities and Stockholders' Equity				
Current Liabilities				
Accounts payable – trade	$ —	$ 485.9	$ —	$ 485.9
Accounts payable – floor plan	—	256.7	—	256.7
Accrued expenses and other current liabilities	4.1	284.5	(4.6)	284.0
Discounted financing receivables, current portion	—	99.9	—	99.9
Total current liabilities	4.1	1,127.0	(4.6)	1,126.5
Long-term debt, net of debt issuance costs and current maturities	—	724.6	—	724.6
Discounted financing receivables, less current portion	—	127.0	—	127.0
Deferred income tax liabilities	—	178.7	(0.5)	178.2
Other liabilities	—	131.9	—	131.9
Total liabilities	4.1	2,289.2	(5.1)	2,288.2
Total stockholders' equity	664.8	657.6	(657.6)	664.8
Total liabilities and stockholders' equity	$ 668.9	$ 2,946.8	$ (662.7)	$ 2,953.0

Condensed Consolidating Balance Sheet

As of June 30, 2019

	Presidio, Inc.	Presidio Holdings Inc. & Subsidiaries	Intercompany Adjustments	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	$ 0.1	$ 30.6	$ —	$ 30.7
Accounts receivable, net	—	674.6	—	674.6
Unbilled accounts receivable, net	—	205.3	—	205.3
Financing receivables, current portion	—	96.4	—	96.4
Inventory	—	25.2	—	25.2
Prepaid expenses and other current assets	8.7	119.2	(4.8)	123.1
Total current assets	8.8	1,151.3	(4.8)	1,155.3
Property and equipment, net	—	36.4	—	36.4
Deferred tax asset	0.3	—	(0.3)	—
Financing receivables, less current portion	—	140.3	—	140.3
Goodwill	—	803.7	—	803.7
Identifiable intangible assets, net	—	625.1	—	625.1
Other assets	632.7	110.1	(632.7)	110.1
Total assets	$ 641.8	$ 2,866.9	$ (637.8)	$ 2,870.9
Liabilities and Stockholders' Equity				
Current Liabilities				
Accounts payable – trade	$ —	$ 497.7	$ —	$ 497.7
Accounts payable – floor plan	—	212.7	—	212.7
Accrued expenses and other current liabilities	3.4	296.0	(4.8)	294.6
Discounted financing receivables, current portion	—	93.9	—	93.9
Total current liabilities	3.4	1,100.3	(4.8)	1,098.9
Long-term debt, net of debt issuance costs and current maturities	—	733.8	—	733.8
Discounted financing receivables, less current portion	—	131.2	—	131.2
Deferred income tax liabilities	—	180.9	(0.3)	180.6
Other liabilities	—	88.0	—	88.0
Total liabilities	3.4	2,234.2	(5.1)	2,232.5
Total stockholders' equity	638.4	632.7	(632.7)	638.4
Total liabilities and stockholders' equity	$ 641.8	$ 2,866.9	$ (637.8)	$ 2,870.9

PRESIDIO, INC.
Notes to the Consolidated Financial Statements
(unaudited)

Condensed Consolidating Statement of Operations
Three months ended September 30, 2019

	Presidio, Inc.	Presidio Holdings Inc. & Subsidiaries	Intercompany Adjustments	Consolidated
Total revenue	$ —	$ 772.0	$ —	$ 772.0
Total cost of revenue	—	596.7	—	596.7
Gross margin	—	175.3	—	175.3
Operating expenses				
Selling, general and administrative, and transaction costs	3.6	105.4	—	109.0
Depreciation and amortization	—	21.8	—	21.8
Total operating expenses	3.6	127.2	—	130.8
Operating income (loss)	(3.6)	48.1	—	44.5
Interest and other (income) expense				
Interest expense	—	11.6	—	11.6
Loss on extinguishment of debt	—	0.2	—	0.2
Other (income) expense, net	(26.7)	(0.2)	26.7	(0.2)
Total interest and other (income) expense	(26.7)	11.6	26.7	11.6
Income before income taxes	23.1	36.5	(26.7)	32.9
Income tax expense (benefit)	(0.9)	9.8	—	8.9
Net income	$ 24.0	$ 26.7	$ (26.7)	$ 24.0

Condensed Consolidating Statement of Operations
Three months ended September 30, 2018

	Presidio, Inc.	Presidio Holdings Inc. & Subsidiaries	Intercompany Adjustments	Consolidated
Total revenue	$ —	$ 749.9	$ —	$ 749.9
Total cost of revenue	—	590.9	—	590.9
Gross margin	—	159.0	—	159.0
Operating expenses				
Selling, general and administrative, and transaction costs	1.2	104.8	—	106.0
Depreciation and amortization	—	21.5	—	21.5
Total operating expenses	1.2	126.3	—	127.5
Operating income (loss)	(1.2)	32.7	—	31.5
Interest and other (income) expense				
Interest expense	—	11.2	—	11.2
Loss on extinguishment of debt	—	0.5	—	0.5
Other (income) expense, net	(15.6)	(0.1)	15.6	(0.1)
Total interest and other (income) expense	(15.6)	11.6	15.6	11.6
Income before income taxes	14.4	21.1	(15.6)	19.9
Income tax expense (benefit)	(0.3)	5.5	—	5.2
Net income	$ 14.7	$ 15.6	$ (15.6)	$ 14.7

Condensed Consolidating Statement of Cash Flows

Three months ended September 30, 2019

	Presidio, Inc.	Presidio Holdings Inc. & Subsidiaries	Intercompany Adjustments	Consolidated
Net cash provided by (used in) operating activities	$ (3.7)	$ (28.6)	$ —	$ (32.3)
Cash flows from investing activities:				
Dividends received	3.3	—	(3.3)	—
Additions of equipment under sales-type and direct financing leases	—	(32.9)	—	(32.9)
Proceeds from collection of financing receivables	—	0.9	—	0.9
Additions to equipment under operating leases	—	(0.2)	—	(0.2)
Proceeds from disposition of equipment under operating leases	—	0.4	—	0.4
Purchases of property and equipment	—	(2.2)	—	(2.2)
Net cash provided by (used in) investing activities	3.3	(34.0)	(3.3)	(34.0)
Cash flows from financing activities:				
Proceeds from issuance of common stock under share-based compensation plans	4.1	—	—	4.1
Dividends paid	(3.3)	(3.3)	3.3	(3.3)
Proceeds from the discounting of financing receivables	—	29.2	—	29.2
Retirements of discounted financing receivables	—	(0.4)	—	(0.4)
Repayments of term loans	—	(10.0)	—	(10.0)
Net change in accounts payable — floor plan	—	44.0	—	44.0
Net cash provided by (used in) financing activities	0.8	59.5	3.3	63.6
Net increase (decrease) in cash and cash equivalents	0.4	(3.1)	—	(2.7)
Cash and cash equivalents:				
Beginning of the period	0.1	30.6	—	30.7
End of the period	$ 0.5	$ 27.5	$ —	$ 28.0

Condensed Consolidating Statement of Cash Flows
Three months ended September 30, 2018

	Presidio, Inc.	Presidio Holdings Inc. & Subsidiaries	Intercompany Adjustments	Consolidated
Net cash provided by (used in) operating activities	$ (0.9)	$ 3.6	$ —	$ 2.7
Cash flows from investing activities:				
Return of capital from subsidiary	158.6	—	(158.6)	—
Additions of equipment under sales-type and direct financing leases	—	(33.3)	—	(33.3)
Proceeds from collection of financing receivables	—	1.2	—	1.2
Purchases of property and equipment	—	(3.8)	—	(3.8)
Net cash used in investing activities	158.6	(35.9)	(158.6)	(35.9)
Cash flows from financing activities:				
Proceeds from issuance of common stock under share-based compensation plans	1.0	—	—	1.0
Common stock repurchased	(158.6)	—	—	(158.6)
Return of capital to parent	—	(158.6)	158.6	—
Proceeds from the discounting of financing receivables	—	41.1	—	41.1
Retirements of discounted financing receivables	—	(4.9)	—	(4.9)
Deferred financing costs	—	(0.3)	—	(0.3)
Borrowings on term loans, net of original issue discount	—	158.1	—	158.1
Repayments of term loans	—	(25.0)	—	(25.0)
Net change in accounts payable — floor plan	—	15.0	—	15.0
Net cash provided by (used in) financing activities	(157.6)	25.4	158.6	26.4
Net increase (decrease) in cash and cash equivalents	0.1	(6.9)	—	(6.8)
Cash and cash equivalents:				
Beginning of the period	0.1	36.9	—	37.0
End of the period	$ 0.2	$ 30.0	$ —	$ 30.2

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Unless otherwise indicated or the context otherwise requires, as used in this "Management's Discussion and Analysis of Financial Condition and Results of Operations," the terms "we," "us," "the Company," "our," "Presidio," and similar terms refer to Presidio, Inc. and its subsidiaries. You should read the following discussion in conjunction with the historical consolidated financial statements of Presidio, Inc. and its subsidiaries and the related notes included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended June 30, 2019. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in "Part I, Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended June 30, 2019. Our actual results may differ materially from those contained in any forward-looking statements.

Cautionary Statements Concerning Forward-Looking Statements

This quarterly report contains "forward-looking statements" that involve risks and uncertainties. You can identify forward-looking statements because they contain words such as "believes," "expects," "may," "will," "should," "would," "could," "seeks," "approximately," "intends," "plans," "estimates," or "anticipates" or similar expressions that relate to our strategy, plans or intentions. All statements we make relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates, and financial results or to our expectations regarding future industry trends are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time and, therefore, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors and it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are based upon information available to us on the date of this quarterly report.

Important factors that could cause actual results to differ materially from our expectations, which we refer to as "cautionary statements," are disclosed under "Part I, Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended June 30, 2019 and elsewhere in this quarterly report. All forward-looking information in this quarterly report and subsequent written and oral forward-looking statements attributable to us, or to persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Some of the factors that we believe could affect our results include:

- general economic conditions;
- a reduced demand for our information technology solutions;
- a decrease in spending on technology products by our federal and local government clients;
- the availability of products from vendor partners and maintenance of vendor relationships;
- the role of rapid innovation and the introduction of new products in our industry;
- our ability to compete effectively in a competitive industry;
- the termination of our client contracts;
- the failure to effectively develop, maintain and operate our information technology systems;
- our inability to adequately maintain the security of our information technology systems and clients' confidential information;
- unsuccessful investments in new services and technologies;
- the costs of litigation and losses if we infringe on the intellectual property rights of third parties;
- inaccurate estimates of pricing terms with our clients;
- failure to comply with the terms of our public sector contracts;
- any failures by third-party contractors upon whom we rely to provide our services;
- any failures by third-party commercial delivery services;
- our inability to retain or hire skilled technology professionals and key personnel;
- the disruption to our supply chain if suppliers fail to provide products;
- the risks associated with accounts receivables and inventory exposure;
- the failure to realize the entire investment in leased equipment;
- our inability to realize the full amount of our backlog;
- the failure to achieve the expectations we have for our acquisitions;
- fluctuations in our operating results;
- potential litigation and claims;
- changes in accounting rules, tax legislation and other legislation;

- the potential impact on our suppliers of possible new taxes on imports and new tariffs and trade restrictions and changes in tariff rates and trade restrictions;
- increased costs of labor and benefits;
- our inability to focus our resources, maintain our business structure and manage costs effectively;
- the failure to deliver technical support services of sufficient quality;
- the failure to meet our growth objectives and strategies;
- ineffectiveness of our internal controls;
- the risks pertaining to our substantial level of indebtedness;
- the ability to manage cybersecurity risks;
- failure to consummate the Merger;
- a delay in consummation of the Merger, or a termination of the Merger Agreement; and
- other risks and uncertainties described in Part I, Item 1A. "Risk Factors," in our Annual Report on Form 10-K for the fiscal year ended June 30, 2019 and, from time to time, in our other reports filed with the SEC.

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this quarterly report may not, in fact, occur. Moreover, we operate in a rapidly changing and competitive environment. New risk factors emerge from time to time, and it is not possible for management to predict all such risk factors. Accordingly, investors should not place undue reliance on those statements. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Overview

Presidio, Inc. is a leading provider of information technology solutions in North America. We deliver this technology expertise through a full life-cycle model of professional, managed, and support services including strategy, consulting, implementation and design. By taking the time to deeply understand how our clients define success, we help them harness technology advances, simplify IT complexity and optimize their environments today while enabling future applications, user experiences, and revenue models.

Our mission is to enable our clients to capture economic value from the digital transformation of their businesses by developing, implementing and managing world class, cloud ready, secure and agile IT Infrastructure solutions. By investing in the future of IT solutions we stay at the forefront of technology trends and to ensure our clients have access to a wide range of technologies and best-of-breed solutions, we partner with over 500 original equipment manufacturers ("OEMs") including market leaders and emerging providers to bring our clients integrated, multi technology solutions.

Our clients are increasingly dependent on Presidio to develop best of breed, vendor-agnostic agile, secure multi-cloud digital solutions. We are well positioned to benefit from the rapid growth in demand for our customers' digital journey. Examples of such solutions include software defined networking, Internet of Things ("IoT"), data analytics, unified communications, data center modernization, hybrid and multi-cloud, cyber risk management and enterprise mobility. These solutions are enabled by our expertise in foundational technologies, built upon our investments in network, cloud, data center, security, collaboration and mobility.

As a strategic partner and trusted advisor to our clients, we provide the expertise to implement new solutions, as well as optimize and better leverage existing IT resources. Our services-led, lifecycle model leads to ongoing client engagement. We provide strategy, consulting, design, customized deployment, integration and lifecycle management through our team of over 1,600 engineers as of June 30, 2019, enabling us to architect and manage the ideal IT solutions for our clients. We develop and maintain our long-term client relationships through a localized direct sales force of approximately 500 employees based in over 60 offices across the United States as of June 30, 2019. Our local delivery model, combining relationship managers and expert engineering teams, allows us to win, retain and expand our client relationships.

The Company focuses on serving the middle market as it is a highly attractive segment of the IT services market, and we are differentiated by our strategic focus on this attractive segment. The increasing potential and complexity of emerging technologies and digital transformation are creating more demand for our solutions and services. Customers in the middle market are usually large enough to have substantial technology needs but typically have fewer IT resources and lack the broad expertise required to develop the necessary solutions as compared to larger companies. As a trusted solutions provider, our clients rely on us for IT investment decisions. We simplify IT for them by building solutions utilizing what we view as the best possible technologies. Since many large-scale IT service providers focus on larger enterprises, and because many resellers are unable to provide end-to-end solutions, we believe the middle market has remained underpenetrated and underserved.

As of June 30, 2019, we serve approximately 7,900 middle-market, large, and government organizations across a diverse range of industries. In our fiscal year ended June 30, 2019, only 20% of our revenue was attributable to our top 25 clients by revenue and no industry vertical accounted for more than 20% of our revenue. Among the verticals that we serve, healthcare, government, financial services, education, and professional services are our largest categories. We believe that our diversified client profile is a key driver of our ability to generate growth across different economic and technology cycles.

Factors Affecting Our Operating Performance

We believe that the financial performance of our business and our future success are dependent upon many factors, including those highlighted in this section. Our operating performance will depend upon many variables, including the success of our growth strategies and the timing and size of investments and expenditures that we choose to undertake, as well as market growth and other factors that are not within our control.

Macroeconomic environment: Weak economic conditions generally, U.S. federal or other government spending cuts, a rising interest rate environment, uncertain tax and regulatory policies, weakening business confidence or a tightening of credit markets could cause our clients and potential clients to postpone or reduce spending on technology solutions, products or services. Our clients are diverse, including both public and private sector parties, but any long-term, severe or sustained economic downturn may adversely affect all of our clients.

Competitive markets: We believe that we are uniquely positioned to take advantage of the markets in which we operate because of our expertise and specialization. We focus on the middle-market segment of the IT services market. Since most large-scale IT service providers focus on larger enterprises and because smaller regional competitors are typically unable to provide end-to-end solutions, we believe the middle market is under-penetrated and under-served. Strategic and investment decisions by our competitors may affect our operating performance.

Delivery of complex technology solutions: Our vendor agnostic approach to the market allows us to develop optimal IT solutions for our clients based on what we view as the best mix of technologies. We deliver our end-to-end solutions through a full lifecycle model, which combines consulting, engineering, managed services, and technology to give us a significant competitive advantage compared to other IT providers. Our ability to effectively manage project engagements, including logistics, product availability, client requirements, engineering resources, and service levels, will affect our financial performance.

Vendor relationships: We are focused on developing and strengthening our relationships with OEMs. We partner with OEMs to deploy product offerings. Pricing and incentive programs are subject to change, and the loss of, change in business relationship with or change in the behavior, including the timing of fulfillment, of any key vendor partners, or the diminished availability of their products, may impact the timing of our sales or could reduce the supply and increase the cost of the products we sell. While we maintain existing relationships with large vendors, there is no guarantee that our vendor partners will continue to develop or produce information technology products that are popular with our clients. We maintain the ability to evolve our vendor relationships as necessary to respond to market trends.

Seasonality: Our results may be affected by slight variances as a result of seasonality we may experience across our business. This seasonality is typically driven by budget cycles and spending patterns across our diverse client base. For example, our local, state and federal government clients operate on an annual budget cycle, most often on the basis of a fiscal year that begins October 1. Our private sector clients operate on an annual budget cycle, most often on the basis of a fiscal year that begins January 1. It is not uncommon to experience a higher level of contract awards, funding actions and overall government and private demand for services in the final months and weeks of the government and private fiscal years, respectively. Consequently, our revenue in the first and second quarters of our fiscal year may be greater than revenue recognized in the third and fourth quarters of our fiscal year.

Components of Results of Operations

There are a number of factors that impact the revenue and margin profile of the solutions we provide, including, but not limited to, solution and technology complexity, technical expertise requiring the combination of products and value-added services provided, as well as other elements that may be specific to a particular engagement.

<u>Revenue and cost of revenue</u>: Revenue from the sale of our solutions is primarily comprised of the sale of third-party products, software and third-party support service contracts along with the sale of Company and third-party services. We separately present product revenue and service revenue, along with the associated cost of revenue, in our consolidated statements of operations.

<u>Product revenue</u>: Our product revenue includes:

Revenue for hardware and general software: Revenue from the sale of hardware and general software products is generally recognized on a gross basis with the selling price to the client recorded as revenue and the acquisition cost of the product recorded as cost of revenue, net of vendor rebates. Hardware and general software items can be delivered to clients in a variety of ways including drop-shipped by the vendor or supplier, or shipped through one of the Company's staging warehouse or via electronic delivery for general software licenses. Hardware revenue and pre-installed general software revenue is normally recognized when the title and risk of loss are passed to the client while revenue for general software delivered electronically is normally recognized when the client has the information needed to download and install the software.

Revenue for software as a service ("SaaS"), enterprise license agreements ("ELA") or software sold with critical software assurance: In certain software arrangements, we recognize the related revenue on a net basis, with product revenue being equal to the gross margin on the transaction. Third-party software products that are recognized on a net basis include: SaaS to customers whereby the customer receives the right to access software directly from the vendor; ELAs that provide customers with access to manage their software license needs; and software that is accompanied by third-party delivered software assurance that is deemed to be critical or essential to the core functionality of the software license. As we are under no obligation to perform additional services, such as post-customer support or upgrades, revenue is recognized at a point in time as opposed to over the life of the software license. Revenue from these software products is recognized on a net basis at the point in time when the Company has satisfied its agency obligation which is generally when the Company has arranged for the delivery of the software from the third-party to the customer.

Revenue for third-party support service contracts: Revenue from the sale of third-party support service contracts is recognized on a net basis, with product revenue being equal to the gross margin on the transaction. As we are under no obligation to perform additional services, revenue is recognized at a point in time as opposed to over the life of the third-party support agreement. Revenue is recognized at the point in time when the Company has satisfied its agency obligation which is generally when the Company has arranged for the support service contract on the customer's behalf with the third-party.

Revenue from leasing arrangements: Revenue recognition for products leased to clients is based on the type of the lease. Each lease is classified as either a direct financing lease, sales-type lease or operating lease. The majority of our leases are sales-type leases. At the inception of a direct financing lease, the difference between the cost of the equipment and the present value of the non-cancelable rentals is recorded as unearned income, which is amortized to product revenue over the lease term using an effective interest rate method. At the inception of a sales-type lease, the present value of the non-cancelable rentals is recorded as product revenue with equipment costs, less the present value of the estimated residual values, are recorded in cost of product revenue. At the inception of an operating lease, the equipment assigned to the lease is recorded at cost as equipment under operating leases within other assets in our consolidated balance sheets and is depreciated on a straight-line basis over its useful life. Monthly payments are recorded as revenue within our consolidated statements of operations, with the depreciation expense associated with the equipment recorded in cost of product revenue.

Revenue from public cloud arrangements: Revenue from public cloud arrangements is recognized on a gross basis over a period of time using a time-lapsed method and recorded as product revenue with the associated cost recorded as product cost of revenue. Any variable based usage incurred above contractually stated minimums are recognized in the period in which the customer consumes and the Company provides the additional platform capacity.

Service revenue: Our service revenue includes consulting and integration services, project management, managed services and support services and includes:

Revenue for professional services: Revenue from professional services is recognized over the period of time that the services are performed and recorded as service revenue with the associated cost recorded as service cost of revenue. For time and material contracts, where the Company has the right to invoice for work performed as completed, the Company recognizes revenue as the services are delivered. For time and material contracts and fixed priced contracts linked to the achievement of milestones, the Company uses a percentage of completion method based on labor hours completed compared to the total estimated hours for the scope of work with revenue accrued or deferred as appropriate.

Revenue for managed services: Revenue from managed services are recognized over a period of time using a time-lapsed method and recorded as service revenue with the associated cost recorded as service cost of revenue. The Company's managed services are performed on a repetitive or recurring basis. Accordingly, the Company believes that using a time-based method for recognition is the most appropriate as the services are satisfied evenly over the stated period of performance.

Gross margin: Our product gross margin is impacted by the types of technology sold in our solutions, as well as the mix of third-party support service contracts and software recognized on a net basis. As described previously, our third-party support service contracts, SaaS, ELAs and software sold with critical assurance are recognized on a net basis, resulting in the gross margin being recognized as revenue. Accordingly, higher attach rates of third-party support service contracts to the sale of hardware, an increase in software sales recognized on a net basis and more successful renewals of expiring contracts have a significant favorable impact to our gross margin percentage.

Our service gross margin is primarily impacted by our ability to deliver on fixed price professional services engagements within scope, the ability to keep our delivery engineers utilized, the hourly bill rate charged to clients and the mix of internal versus third-party provided services. The complexity of the solutions sold to our clients may require specialized engineering capabilities that can favorably impact the bill rate we charge. Generally, a higher mix of professional services delivered by our delivery engineers has a favorable impact on service gross margin. In addition, our managed services gross margins are favorably impacted by our ability to negotiate longer contracts with our clients, as well as renewing contracts at a high rate, which improves our operating efficiency. Generally, a higher percentage of our overall revenue relates to services sold to our clients when the technology complexity of our solutions increases. Accordingly, our gross margins are favorably impacted by our ability to deliver more complex solutions, which include professional and managed services.

Operating expenses: Our operating expenses include selling expenses, general and administrative expenses, transaction costs and depreciation and amortization.

Selling expenses are comprised of compensation (including share-based compensation), variable incentive pay and benefits related to our sales personnel along with travel expenses and other employee related costs. Variable incentive pay is largely driven by our gross margin performance. We expect selling expenses to increase as a result of higher gross margin, as well as continued investment in our direct and indirect sales resources. Additionally, we expect selling expenses as a percentage of revenue to increase as more revenue is recognized on a net basis.

General and administrative expenses are comprised of compensation (including share-based compensation) and benefits of administrative and operational support personnel, including variable incentive pay and other administrative costs such as facilities expenses, professional fees and bad debt expense. We expect general and administrative expenses to increase due to our growth, however, we expect general and administrative expenses to decline as a percentage of our total revenue as we realize the benefits of scale.

Transaction costs include acquisition-related expenses (such as stay, retention and earnout bonuses), certain severance charges, transaction-related advisory and diligence fees, transaction-related legal, accounting and tax fees, as well as professional fees and related out-of-pocket expenses associated with refinancing of debt and credit agreements and equity offerings.

Depreciation and amortization primarily includes the amortization of acquired intangible assets associated with our acquisitions and depreciation associated with our property and equipment.

Total interest and other (income) expense: Total interest and other (income) expense primarily includes interest expense associated with our outstanding debt. In addition, we include losses on extinguishment of debt and other noncash gains or losses within total interest and other (income) expense.

Key Business Metrics

Our management regularly monitors certain financial measures to track the progress of our business against internal goals and targets. In addition to financial information presented in accordance with GAAP, our management uses Adjusted EBITDA and Adjusted Net Income (each of which are non-GAAP measures defined below) in its evaluation of past performance and prospects for the future. Our non-GAAP measures should be considered in addition to, not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. They are not measurements of our financial performance under GAAP and should not be considered as alternatives to net income or revenue, as applicable, or any other performance measures derived in accordance with GAAP and may not be comparable to other similarly titled measures of other businesses. These non-GAAP measures have limitations as analytical tools and you should not consider them in isolation or as a substitute for analysis of our operating results as reported under GAAP and they include adjustments for items that may occur in future periods. However, we believe these adjustments are appropriate because the amounts recognized can vary significantly from period to period, do not directly relate to the ongoing operations of our business and complicate comparisons of our internal operating results and operating results of other peer companies over time.

We believe that the most important GAAP and non-GAAP measures include (in millions, except percentages):

	Three months ended September 30, 2019	Three months ended September 30, 2018
Total revenue	$ 772.0	$ 749.9
Gross margin	175.3	159.0
Net income	24.0	14.7
Adjusted EBITDA	74.9	62.6
Adjusted EBITDA margin	9.7%	8.3%
Adjusted Net Income	$ 46.1	$ 37.9

Adjusted EBITDA – Adjusted EBITDA is a non-GAAP financial measure. We believe Adjusted EBITDA provides helpful information with respect to our operating performance as viewed by our management, including a view of our business that is not dependent on (a) the impact of our capitalization structure and (b) items that are not part of our day-to-day operations. We define Adjusted EBITDA as net income *plus* (i) total depreciation and amortization, (ii) interest and other (income) expense, and (iii) income tax expense, as further adjusted to eliminate noncash share-based compensation expense, purchase accounting adjustments, transaction costs and other costs. We define Adjusted EBITDA margin as the ratio of Adjusted EBITDA to total revenue.

The reconciliation of Adjusted EBITDA from Net income for each of the periods presented is as follows (in millions):

	Three months ended September 30, 2019	Three months ended September 30, 2018
Adjusted EBITDA reconciliation:		
Net income	$ 24.0	$ 14.7
Total depreciation and amortization(1)	22.8	22.7
Interest and other (income) expense	11.6	11.6
Income tax expense	8.9	5.2
EBITDA	67.3	54.2
Adjustments:		
Share-based compensation expense	1.6	2.1
Purchase accounting adjustments(2)	0.2	0.1
Transaction costs(3)	3.5	5.5
Other costs(4)	2.3	0.7
Total adjustments	7.6	8.4
Adjusted EBITDA	$ 74.9	$ 62.6

(1) "Total depreciation and amortization" equals the sum of (i) depreciation and amortization included within total operating expenses and (ii) depreciation and amortization recorded as part of cost of revenue within our consolidated financial statements.

(2) "Purchase accounting adjustments" include charges associated with noncash adjustments to acquired assets and liabilities in connection with purchase accounting, such as recognition of increased cost of revenue in connection with an inventory step up fair value adjustment, recognition of reduced revenue in connection with a deferred revenue step down fair value adjustment and recognition of increased office rent expense associated with a fair value adjustment to the liability associated with deferred rent.

(3) "Transaction costs" (i) of $3.5 million for the three months ended September 30, 2019 includes merger-related costs of $3.4 million and acquisition-related expenses of $0.1 million related to stay, retention and earnout bonuses; and (ii) of $5.5 million for the three months ended September 30, 2018 includes acquisition-related expenses of $4.3 million related to stay and retention bonuses and $1.2 million related to transaction-related legal, accounting and tax fees.

(4) "Other costs" (i) of $2.3 million for the three months ended September 30, 2019 related to non-recurring consulting and business optimization expenses; and (ii) $0.7 million for the three months ended September 30, 2018 related to one-time cost optimization expenses.

Adjusted Net Income – Adjusted Net Income is a non-GAAP measure, which management uses to provide additional information regarding our operating performance while considering the interest expense associated with our outstanding debt, as well as the impact of depreciation on our fixed assets and income taxes. We define Adjusted Net Income as net income adjusted to exclude (i) amortization of intangible assets, (ii) amortization of debt issuance costs, (iii) losses on extinguishment of debt, (iv) noncash share-based compensation expense, (v) purchase accounting adjustments, (vi) transaction costs, (vii) other costs and (viii) the income tax impact associated with the foregoing items to arrive at an appropriate effective tax rate on Adjusted Net Income and adjusted for (1) the impact of permanently nondeductible expenses and (2) the impact of tax-deductible goodwill and intangible assets resulting from certain historical acquisitions and further adjusted for discrete tax items.

The reconciliation of Adjusted Net Income from Net Income for each of the periods presented is as follows (in millions):

	Three months ended September 30,	
	2019	**2018**
Adjusted Net Income reconciliation:		
Net income	$ 24.0	$ 14.7
Adjustments:		
Amortization of intangible assets	18.8	18.9
Amortization of debt issuance costs	0.8	0.9
Loss on extinguishment of debt	0.2	0.5
Share-based compensation expense	1.6	2.1
Purchase accounting adjustments	0.2	0.1
Transaction costs	3.5	5.5
Other costs	2.3	0.7
Income tax impact of adjustments(1)	(5.3)	(5.5)
Total adjustments	22.1	23.2
Adjusted Net Income	$ 46.1	$ 37.9

(1) “Income tax impact of adjustments” 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 remeasurement of deferred tax liabilities due to state rate changes or the excess tax benefit related to share-based compensation activity.

Results of Operations - Three Months Ended September 30, 2019 compared to the Three Months Ended September 30, 2018

	Three months ended September 30,		Change	
(in millions)	**2019**	**2018**	**$**	**%**
Revenue				
Product	$ 642.5	$ 619.6	$ 22.9	3.7 %
Service	129.5	130.3	(0.8)	(0.6)%
Total revenue	772.0	749.9	22.1	2.9 %
Cost of revenue				
Product	496.2	485.7	10.5	2.2 %
Service	100.5	105.2	(4.7)	(4.5)%
Total cost of revenue	596.7	590.9	5.8	1.0 %
Gross margin	175.3	159.0	16.3	10.3 %
Product gross margin	146.3	133.9	12.4	9.3 %
Service gross margin	29.0	25.1	3.9	15.5 %
Product gross margin %	22.8%	21.6%		1.2 %
Service gross margin %	22.4%	19.3%		3.1 %
Total gross margin %	22.7%	21.2%		1.5 %
Operating expenses				
Selling expenses	74.8	70.8	4.0	5.6 %
General and administrative expenses	30.7	29.7	1.0	3.4 %
Transaction costs	3.5	5.5	(2.0)	(36.4)%
Depreciation and amortization	21.8	21.5	0.3	1.4 %
Total operating expenses	130.8	127.5	3.3	2.6 %
Selling, general and administrative expenses % of total revenue	*13.7%*	*13.4%*		*0.3 %*
Operating income	44.5	31.5	13.0	41.3 %
Interest and other (income) expense				
Interest expense	11.6	11.2	0.4	3.6 %
Loss on extinguishment of debt	0.2	0.5	(0.3)	(60.0)%
Other (income) expense, net	(0.2)	(0.1)	(0.1)	100.0 %
Total interest and other (income) expense	11.6	11.6	—	— %
Income before income taxes	32.9	19.9	13.0	65.3 %
Income tax expense	8.9	5.2	3.7	71.2 %
Net income	$ 24.0	$ 14.7	$ 9.3	63.3 %
Adjusted EBITDA	$ 74.9	$ 62.6	$ 12.3	19.6 %
Adjusted Net Income	$ 46.1	$ 37.9	$ 8.2	21.6 %

Revenue

	Three months ended September 30,		Change	
(in millions)	**2019**	**2018**	**$**	**%**
Revenue				
Product	$ 642.5	$ 619.6	$ 22.9	3.7 %
Service	129.5	130.3	(0.8)	(0.6)%
Total revenue	$ 772.0	$ 749.9	$ 22.1	2.9 %

Total revenue increased $22.1 million, or 2.9%, to $772.0 million for the three months ended September 30, 2019, compared to total revenue of$749.9 million for the three months ended September 30, 2018. Revenue growth was driven by growth in Digital Infrastructure solutions, offset by a mix shift towards software sales recognized on a net basis which impacted both Security and Cloud revenue growth. Revenue growth was negatively impacted by the accelerating growth in our backlog orders believed to be firm which totaled $762 million as of September 30, 2019, an increase of 19% compared to the prior year period. Included in the overall growth in backlog, we noted increasing demand for our public cloud solutions, managed services offerings and other recurring revenue projects. We saw our backlog of contracted recurring revenue grow 52% over the prior year period, highlighting the transition of a growing component of our revenue that will be recognized over time.

Revenue from sales of product increased $22.9 million, or 3.7%, to $642.5 million for the three months ended September 30, 2019, compared to product revenue of $619.6 million for the three months ended September 30, 2018. The increase in product revenue was driven by growth in public cloud offerings, data center and security technologies, and software recognized on a net basis.

Revenue from sales of services decreased $0.8 million, or 0.6%, to $129.5 million for the three months ended September 30, 2019, compared to service revenue of $130.3 million for the three months ended September 30, 2018. The decrease in service revenue was driven by a decline in OEM delivered services; however, we did see strong activity with clients as services revenue backlog grew 20% compared to the prior year.

	Three months ended September 30,		Change	
(in millions)	**2019**	**2018**	**$**	**%**
Revenue by solution area				
Cloud	$ 111.3	$ 110.5	$ 0.8	0.7 %
Security	91.8	94.6	(2.8)	(3.0)%
Digital Infrastructure	568.9	544.8	24.1	4.4 %
Total revenue	$ 772.0	$ 749.9	$ 22.1	2.9 %

Cloud revenue increased $0.8 million, or 0.7%, to $111.3 million in the three months ended September 30, 2019, compared to $110.5 million for the three months ended September 30, 2018, impacted by shifting of revenue recognition from a point in time to a period over the life of the contract with the customer as our revenue base continues to migrate to multi-year, recurring revenue contracts vs. point in time sales. Growth with government clients in the federal sector were offset by declines in large customers in the financial services market.

Security revenue decreased $2.8 million, or 3.0%, to $91.8 million in the three months ended September 30, 2019, compared to $94.6 million in the three months ended September 30, 2018. Security solution decline was driven by the conversion of traditional product sales to software sold on a net basis. The increase in software security and ELAs recognized on a net basis drove top-line declines in the middle-market, somewhat offset by increasing government demand at the state and local level.

Digital Infrastructure revenue increased $24.1 million, or 4.4%, to $568.9 million in the three months ended September 30, 2019 compared to $544.8 million in the three months ended September 30, 2018. Software defined infrastructure solutions led the growth in this sector as customers look to upgrade their network with SDN and SDWAN Solutions. We also saw increasing demand from customers looking to upgrade their mobility platforms to next generation Wifi6 solutions. Middle-market clients led the demand for software-defined infrastructure solutions, particularly in manufacturing and transportation, and financial services markets. In the government sector, non-profits and federal customers drove the demand.

	Three months ended September 30,		Change	
(in millions)	**2019**	**2018**	**$**	**%**
Recurring revenue	$ 69.2	$ 42.7	$ 26.5	62.1 %
All other revenue	702.8	707.2	(4.4)	(0.6)%
Total revenue	$ 772.0	$ 749.9	$ 22.1	2.9 %

Recurring revenue increased $26.5 million, or 62.1%, to $69.2 million in the three months ended September 30, 2019, compared to $42.7 million in the three months ended September 30, 2018. Recurring revenue comprised 9.0% of our total revenue in the three months ended September 30, 2019, up from 5.7% in the three months ended September 30, 2018, as we continue to see strong client demand for our public cloud and managed services offerings. The backlog from our recurring revenue solutions now comprises 43% of our total revenue backlog.

Gross Margin

(in millions)	Three months ended September 30, 2019	2018	Change $	%
Gross margin				
Product gross margin	$ 146.3	$ 133.9	$ 12.4	9.3%
Service gross margin	29.0	25.1	3.9	15.5%
Gross margin	$ 175.3	$ 159.0	$ 16.3	10.3%
Product gross margin %	22.8%	21.6%		1.2%
Service gross margin %	22.4%	19.3%		3.1%
Total gross margin %	22.7%	21.2%		1.5%

Total gross margin increased $16.3 million, or 10.3%, to $175.3 million for the three months ended September 30, 2019, as compared to $159.0 million for the three months ended September 30, 2018, due to the 2.9% increase in total revenue, and strong increases in both product and service margins. As a percentage of total revenue, total gross margin increased 150 basis points to 22.7% for the three months ended September 30, 2019, up from 21.2% of revenue for the three months ended September 30, 2018.

Product gross margin increased $12.4 million, or 9.3%, to $146.3 million for the three months ended September 30, 2019, as compared to $133.9 million for the three months ended September 30, 2018. Product gross margin as a percentage of product revenue was22.8% for the three months ended September 30, 2019, an increase of 120 basis points compared to the prior year period. Gross margin percent expansion was driven by software recognized on a net basis and increasing margin profiles of our public cloud sales as that business scales.

Service gross margin increased $3.9 million, or 15.5%, to $29.0 million for the three months ended September 30, 2019, as compared to $25.1 million for the three months ended September 30, 2018. Services gross margin as a percentage of revenue was22.4% for the three months ended September 30, 2019, an increase of 310 basis points from 19.3% for the three months ended September 30, 2018. Presidio led services drove the increase in total service margin expansion.

Operating Expenses

(in millions)	Three months ended September 30, 2019	2018	Change $	%
Operating expenses				
Selling expenses	$ 74.8	$ 70.8	$ 4.0	5.6 %
General and administrative expenses	30.7	29.7	1.0	3.4 %
Selling, general and administrative expenses	105.5	100.5	5.0	5.0 %
Transaction costs	3.5	5.5	(2.0)	(36.4)%
Depreciation and amortization	21.8	21.5	0.3	1.4 %
Total operating expenses	$ 130.8	$ 127.5	$ 3.3	2.6 %
Selling, general and administrative expenses % of total revenue	*13.7%*	*13.4%*		*0.3 %*

We define selling, general and administrative expenses ("SG&A") as the sum of selling expenses and general and administrative expenses. SG&A increased $5.0 million, or 5.0%, to $105.5 million during the three months ended September 30, 2019, as compared to $100.5 million for the three months ended September 30, 2018. The overall increase in SG&A was primarily related to an investment in sales resources focused on high growth areas of the business and $2.3 million of non-recurring sales and business optimization expenses. Due to the impact of these items and the growth in net software sales, SG&A as a percentage of revenue increased 30 basis points from 13.4% of revenue for the three months ended September 30, 2018 to 13.7% for three months ended September 30, 2019.

Transaction costs decreased $2.0 million to $3.5 million in the three months ended September 30, 2019 due to lower expenses related to certain stay, retention and earnout bonuses associated with our acquisitions completed during the fiscal year ended June 30, 2018, and lower transaction-related advisory and diligence fees when compared to thethree months ended September 30, 2018.

Interest and Other (Income) Expense

	Three months ended September 30,		Change	
(in millions)	**2019**	**2018**	**$**	**%**
Interest and other (income) expense				
Interest expense	$ 11.6	$ 11.2	$ 0.4	3.6 %
Loss on extinguishment of debt	0.2	0.5	(0.3)	(60.0)%
Other (income) expense, net	(0.2)	(0.1)	(0.1)	100.0 %
Total interest and other (income) expense	$ 11.6	$ 11.6	$ —	— %

Interest and other (income) expense was flat year over year. The $0.4 million increase in interest expense for the three months ended September 30, 2019 primarily resulted from higher outstanding balances of term debt associated with additional borrowings of $160 million in September 2018 used to repurchase 10,750,000 of shares outstanding.

Income Tax Expense

	Three months ended September 30,		Change	
(in millions)	**2019**	**2018**	**$**	**%**
Income before income taxes	$ 32.9	$ 19.9	$ 13.0	65.3%
Income tax expense	8.9	5.2	3.7	71.2%
Net income	$ 24.0	$ 14.7	$ 9.3	63.3%

The income tax expense was $8.9 million in the three months ended September 30, 2019, compared to $5.2 million in the three months ended September 30, 2018. The effective tax rate was 27.1% in the three months ended September 30, 2019, compared to 26.1% in the three months ended September 30, 2018.

Adjusted EBITDA

Adjusted EBITDA increased $12.3 million, or 19.6%, to $74.9 million for the three months ended September 30, 2019, from $62.6 million for the three months ended September 30, 2018, driven primarily by 10.3% growth in gross margin and efficiencies realized in SG&A expense on an adjusted basis. Adjusted EBITDA margin was 9.7% for the three months ended September 30, 2019 compared to 8.3% for the three months ended September 30, 2018.

Adjusted Net Income

Adjusted Net Income increased $8.2 million, or 21.6%, to $46.1 million for the three months ended September 30, 2019, from $37.9 million in the three months ended September 30, 2018. The results were favorably impacted by flat total interest and other expense in thethree months ended September 30, 2019 compared to the prior year.

Liquidity and Capital Resources

We fund our operations and capital expenditures through a combination of internally generated cash from operations and from borrowings under our various debt facilities. We believe that our current sources of funds will be sufficient to fund our cash operating requirements for at least the next fiscal year. In addition, we believe that, despite the uncertainty of future macroeconomic conditions, we have adequate sources of liquidity and funding available to meet our long-term needs. These long-term needs primarily include meeting debt service requirements, working capital requirements and capital expenditures. We may also pursue strategic acquisition opportunities that may impact our future cash requirements.

There are a number of factors that may negatively impact our available sources of funds in the future including the ability to generate cash from operations and borrow on debt facilities. The amount of cash generated from operations is dependent upon factors such as the successful execution of our business strategies and general economic conditions. The amount of cash available for borrowings under our various debt facilities is largely dependent on our ability to maintain sufficient collateral and general financial conditions in the marketplace.

Historical Sources and Uses of Cash

The following table summarizes our sources and uses of cash over the periods indicated (in millions):

	Three months ended September 30,	
	2019	2018
Net cash provided by (used in)		
Operating activities	$ (32.3)	$ 2.7
Investing activities	(34.0)	(35.9)
Net change in accounts payable — floor plan	44.0	15.0
Other financing activities	19.6	11.4
Financing activities	63.6	26.4
Net decrease in cash and cash equivalents	$ (2.7)	$ (6.8)

Operating Activities

Net cash provided by operating activities consist of net income adjusted for noncash items, such as depreciation and amortization of property and equipment and intangible assets, deferred income taxes, share-based compensation, losses on extinguishment of debt or disposals of businesses and for changes in net working capital assets and liabilities. The cash impact of changes in deferred income taxes primarily relates to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Generally, the most significant factor relates to nondeductible book amortization expense associated with intangible assets. The timing between the conversion of our billed and unbilled receivables into cash from our customers and disbursements to our vendors is the primarily driver of changes in our working capital.

Three months ended September 30, 2019: Net cash used in operating activities for the three months ended September 30, 2019 was $32.3 million. This was primarily attributable to a $77.9 million increase in our working capital components, partially offset by net income of $24.0 million, $18.8 million of intangible amortization expense, $4.0 million of total property and equipment depreciation expense, $1.6 million of share-based compensation expense, $0.8 million of amortization of debt issuance costs and $0.2 million of losses on extinguishment of debt. The net increase in our working capital components was primarily driven by an increase in cash disbursements for accounts payable — trade, public cloud resale and managed services investments, and an increase in a partner incentive program receivable that is paid to us on a semi-annual basis in our second and fourth fiscal quarters.

Three months ended September 30, 2018: Net cash provided by operating activities for the three months ended September 30, 2018 was $2.7 million. This was primarily attributable to net income of $14.7 million adjusted for: $18.9 million of intangible amortization expense, $3.8 million of total property and equipment depreciation expense, $2.1 million of share-based compensation expense, $0.9 million of amortization of debt issuance costs and $0.5 million of losses on extinguishment of debt, mostly offset by a $33.1 million increase in our working capital components. The net increase in our working capital components was primarily driven by an increase in cash disbursements for accounts payable — trade, public cloud resale and managed services investments, and an increase in a partner incentive program receivable that is paid to us on a semi-annual basis in our second and fourth fiscal quarters.

Our net cash provided by operating activities for our historical periods includes the impact of tax-deductible goodwill and intangible assets resulting from certain historical acquisitions. The reductions in current tax expense associated with the tax-deductible goodwill and intangible assets were (in millions):

	Three months ended September 30,	
	2019	**2018**
Impact of tax deductible goodwill and intangible assets	$ 2.2	$ 2.2

Investing Activities

Net cash flows from investing activities consist of the cash flows associated with acquisitions and/or dispositions, leasing activities and capital expenditures. During the periods presented all purchases of property and equipment were of a normal recurring nature. With respect to our leasing activities, we reduce our financial exposure and increase liquidity by partnering with various third-party lenders and discounting the customer lease financing receivables. This results in us carrying both a lease asset and an offsetting financial liability to the lenders on our balance sheet. Accordingly, the investment in leased assets appears in our investing activities and the funding we receive from third-party lenders is recognized in our financing activities, discussed below.

Three months ended September 30, 2019: Net cash used in investing activities for the three months ended September 30, 2019 was $34.0 million, primarily related to investments in equipment under sales-type leases with customers of $32.9 million, and the purchase of property and equipment of $2.2 million.

Three months ended September 30, 2018: Net cash used in investing activities for the three months ended September 30, 2018 was $35.9 million. primarily related to investments in equipment under sales-type leases with customers of $33.3 million, and the purchase of property and equipment of $3.8 million.

Financing Activities

Net cash flows from financing activities is primarily associated with cash activity associated with our capitalization, including debt and equity activity, cash flow associated with discounting client leases and activity on our accounts payable floor plan facility.

Three months ended September 30, 2019: Net cash provided by financing activities for the three months ended September 30, 2019 was $63.6 million, comprised of the $44.0 million increase in accounts payable — floor plan and $19.6 million of other financing activities. The $19.6 million of cash inflows in other financing activities was primarily the result of $29.2 million in proceeds from discounting financing receivables and $4.1 million of proceeds from issuance of common stock under share-based compensation plans, partially offset by $10.0 million in repayments on term loans and $3.3 million of dividends paid.

Three months ended September 30, 2018: Net cash provided by financing activities for the three months ended September 30, 2018 was $26.4 million, comprised of the $15.0 million increase in accounts payable — floor plan and $11.4 million of other financing activities. The $11.4 million of cash inflows in other financing activities was primarily the result of $41.1 million in proceeds from discounting financing receivables and $1.0 million of proceeds from issuance of common stock under share-based compensation plans, mostly offset by $25.0 million in repayments on term loans and $4.9 million of retirements of discounted financing receivables.

Liquidity

We generally fund our short- and long-term liquidity needs through the use of cash flows from operations, utilization of the extended payment terms on our accounts payable-floor plan facility and the available credit on our revolving credit facility, accounts receivable securitization facility and long-term debt.

Our management regularly monitors certain liquidity measures to monitor performance. We believe that the most important of those measures include net debt, net working capital ratio, available liquidity, and free cash flow.

(in millions, except ratio data)	**September 30, 2019**	**June 30, 2019**
Net debt	$ 708.6	$ 715.9
Net working capital ratio (as adjusted)	1.04x	1.02x
Available liquidity	$ 326.6	$ 321.9

	Three months ended September 30,	
(in millions)	**2019**	**2018**
Free cash flow	$ 23.6	$ 18.0

Net debt – We have a substantial amount of indebtedness, largely related to the capitalization of the Company in connection with our acquisition by funds associated with Apollo in February 2015. We believe net debt provides information about the utilization of our cash flows to de-lever our company. We define net debt as the total principal of debt outstanding, excluding discounts and issuance costs less cash and cash equivalents. The following table presents our calculation of net debt as of September 30, 2019 and June 30, 2019 (in millions):

	September 30, 2019	**June 30, 2019**
Total long-term debt	$ 736.6	$ 746.6
Cash and cash equivalents	$ (28.0)	$ (30.7)
Net debt	$ 708.6	$ 715.9

Net working capital ratio – We experience periodic changes in our net working capital, defined as current assets from our consolidated balance sheet minus current liabilities from our consolidated balance sheet excluding cash and cash equivalents and current maturities of long-term debt. We define our net working capital ratio as our current assets excluding cash and cash equivalents divided by current liabilities excluding current maturities of long-term debt. Our net working capital ratio was 1.04x and 1.02x as of September 30, 2019 and June 30, 2019, respectively, and was consistent with our expectations.

Available liquidity – As previously discussed, we fund our short-term cash flow requirements through a combination of cash on hand, cash flows generated from operations and revolving credit facilities. We calculate our available liquidity as a sum of cash and cash equivalents from our consolidated balance sheet plus the amount available and unutilized on our revolving and accounts receivable securitization facilities.

The following table presents our calculation of available liquidity as ofSeptember 30, 2019 and June 30, 2019 (in millions):

	September 30, 2019	**June 30, 2019**
Cash and cash equivalents	$ 28.0	$ 30.7
Availability under the revolving credit facility	48.6	48.6
Availability under the receivables securitization facility	250.0	242.6
Available liquidity	$ 326.6	$ 321.9

Available liquidity increased from $321.9 million at June 30, 2019 to $326.6 million at September 30, 2019 primarily as a result of an increase in availability under the receivables securitization facility.

The following table presents amounts outstanding under our primary sources of liquidity as of September 30, 2019 and June 30, 2019 (in millions):

	September 30, 2019	June 30, 2019
Cash and cash equivalents	$ 28.0	$ 30.7
Accounts payable—floor plan facility	$ 256.7	$ 212.7
Long-term debt:		
Revolving credit facility	$ —	$ —
Receivables securitization facility	—	—
Term loan facility, due February 2024	736.6	746.6
Total long-term debt	$ 736.6	$ 746.6

Free cash flow – We define free cash flow as our net cash provided by operating activities adjusted to: (i) include the net change in accounts payable - floor plan, (ii) include the aggregate net cash impact of our leasing business, (iii) include purchases of property and equipment, and (iv) exclude cash payments for acquisition-related earnout bonuses.

The following table presents the aggregate net cash impact of our leasing business for the three months ended September 30, 2019 and 2018 (in millions):

	Three months ended September 30,	
	2019	2018
Additions of equipment under sales-type and direct financing leases	$ (32.9)	$ (33.3)
Proceeds from collection of financing receivables	0.9	1.2
Additions to equipment under operating leases	(0.2)	—
Proceeds from disposition of equipment under operating leases	0.4	—
Proceeds from the discounting of financing receivables	29.2	41.1
Retirements of discounted financing receivables	(0.4)	(4.9)
Aggregate net cash impact of leasing business	$ (3.0)	$ 4.1

The following table presents reconciliation of free cash flow from net cash provided by operating activities for the three months ended September 30, 2019 and 2018 (in millions):

	Three months ended September 30,	
	2019	2018
Net cash provided by (used in) operating activities	$ (32.3)	$ 2.7
Adjustments to reconcile to free cash flow:		
Net change in accounts payable — floor plan	44.0	15.0
Aggregate net cash impact of leasing business	(3.0)	4.1
Purchases of property and equipment	(2.2)	(3.8)
Payment of acquisition-related earnout bonus	17.1	—
Total adjustments	55.9	15.3
Free cash flow	$ 23.6	$ 18.0

Commitments and Contingencies

See the information set forth in Note 10 (Commitments and Contingencies) to the accompanying consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

We had $1.4 million of outstanding letters of credit on our revolving credit facility as of both September 30, 2019 and June 30, 2019. We have no other off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

Dividends

Beginning in September 2018, our Board of Directors has declared a quarterly dividend of $0.04 per share of common stock.

The following is a summary of the dividends declared by the Company to holders of common stock:

Declaration Date	Record Date	Payment Date	Amount Per Share	
September 6, 2018	September 26, 2018	October 5, 2018	$	0.04
November 7, 2018	December 26, 2018	January 7, 2019	$	0.04
February 6, 2019	March 27, 2019	April 5, 2019	$	0.04
May 8, 2019	June 26, 2019	July 5, 2019	$	0.04
August 28, 2019	September 25, 2019	October 4, 2019	$	0.04
November 6, 2019	December 26, 2019	January 6, 2020	$	0.04

We intend to declare quarterly dividends to holders of common stock. However, any future declaration and payment of future dividends to holders of common stock will be at the discretion of the Board of Directors and will depend on many factors, including our financial condition, earnings, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends, and other considerations that the Board of Directors deems relevant. Presidio, Inc., as a holding company, has no direct operations and our ability to pay dividends is limited to our available cash on hand and any funds received from subsidiaries. The terms of the indebtedness may restrict Presidio, Inc.'s ability to pay dividends, or may restrict the subsidiaries from paying dividends to Presidio, Inc. under Delaware law, dividends may be payable only out of surplus, which is net assets minus liabilities and capital, or, if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

Critical Accounting Policies and Estimates

Except as described under Note 1 (Recent Accounting Pronouncements Adopted During the Fiscal Year) to the accompanying consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, our accounting policies have not changed from those reported in our Management's Discussion and Analysis of Financial Condition and Results of Operations section of the June 30, 2019 Annual Report on Form 10-K.

Recent Accounting Pronouncements

See the information set forth in Note 1 (Recent Accounting Pronouncements Not Yet Adopted) to the accompanying consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Interest Rate Risk

Our market risks relate primarily to changes in interest rates. The interest rates on the term loans and other borrowings, if any, under our Credit Agreement are floating and, therefore, are subject to fluctuations. To manage this risk, we may enter into interest rate swaps to add stability to interest expense and to manage our exposure to interest rate fluctuations.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules13a-15(e) or Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended ("the Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing, and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, and that information is accumulated and communicated to the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely discussions regarding required disclosure.

Changes in Internal Controls

There were no changes in the Company's internal controls over financial reporting during the period endedSeptember 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various claims and legal actions that arise in the ordinary course of business. While it is impossible to determine with certainty the ultimate outcome of these matters, in the opinion of management the ultimate disposition of these matters will not have a material adverse effect on our financial position, results of operations, or liquidity. The information set forth in Note 10, Commitments and Contingencies, to the consolidated financial statements is incorporated by reference herein.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2019.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

See exhibits listed under the Exhibit Index below.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Exhibit	Filing Date
2.1	Agreement and Plan of Merger among Presidio, Inc., BCEC - Port Holdings (Delaware), LP and Port Merger Sub, Inc., dated as of August 14, 2019.	8-K	2.1	8/14/2019
2.2	Amendment No. 1, dated as of September 25, 2019, to Agreement and and Plan of Merger among Presidio, Inc., BCEC - Port Holdings (Delaware), LP and Port Merger Sub, Inc.	8-K	2.1	9/26/2019
3.1	Amended and Restated Certificate of Incorporation of Presidio, Inc., effective March 10, 2017.	S-8	3.1	3/13/2017
3.2	Amended and Restated Bylaws of Presidio, Inc., effective March 10, 2017.	S-8	3.2	3/13/2017
10.1	Amendment to Employment Agreement by and between Presidio, Inc. and Robert Cagnazzi, dated August 26, 2019.	10-K	10.22a	8/29/2019
10.2	First Amendment to Employment Agreement by and between Presidio, Inc. and David Hart, dated August 26, 2019	10-K	10.23a	8/29/2019
10.3	First Amendment to Employment Agreement by and between Presidio, Inc. and Vinu Thomas, dated August 26, 2019	10-K	10.24a	8/29/2019
10.4	First Amendment to Employment Agreement by and between Presidio, Inc. and Elliot Brecher, dated August 26, 2019	10-K	10.25a	8/29/2019
10.5	First Amendment to Employment Agreement by and between Presidio, Inc. and Neil O. Johnston, dated August 26, 2019	10-K	10.32a	8/29/2019
*31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.			
*31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.			
**32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350.			
**32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350.			
*101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.			
*101.SCH	XBRL Taxonomy Extension Schema Linkbase Document.			
*101.CAL	XBRL Taxonomy Calculation Linkbase Document.			
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.			
*101.LAB	XBRL Taxonomy Label Linkbase Document.			
*101.PRE	XBRL Taxonomy Presentation Linkbase Document.			

* Filed herewith.
** Furnished herewith.

SIGNATURE

Pursuant to the requirements 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.

PRESIDIO, INC.

Dated: November 6, 2019

By: /s/ NEIL O. JOHNSTON

Neil O. Johnston

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION

I, Robert Cagnazzi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2019 of Presidio, 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 officer 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
    and

5. The registrant's other certifying officer 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: November 6, 2019	/s/: Robert Cagnazzi
	Robert Cagnazzi
	Chief Executive Officer and Director
	(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Neil O. Johnston, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2019 of Presidio, 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 officer 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 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: November 6, 2019

/s/: Neil O. Johnston

Neil O. Johnston
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Presidio, Inc. (the “Company”) for the period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Robert Cagnazzi, Chief Executive Officer and Director of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2019

/s/: Robert Cagnazzi

Robert Cagnazzi
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Presidio, Inc. (the "Company") for the period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Neil O. Johnston, Executive Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2019

/s/: Neil O. Johnston

Neil O. Johnston
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)