

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, 2017  
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**

(State or other jurisdiction of  
incorporation or organization)

**47-2398593**

(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)

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 and posted on its corporate Web site, if any, 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.

- |   |  |
|---|--|
| <input type="checkbox"/> Large accelerated filer  | <input type="checkbox"/> Accelerated filer         |
| <input checked="" type="checkbox"/> Non-accelerated filer (Do not check if a smaller reporting company) | <input type="checkbox"/> Smaller reporting company |
| <input type="checkbox"/> 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 31, 2017, there were 91,672,682 shares of common stock, \$0.01 par value, outstanding.

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**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 June 30, 2017	As of September 30, 2017
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 27.5	\$ 24.9
Accounts receivable, net	576.3	564.4
Unbilled accounts receivable, net	159.8	190.2
Financing receivables, current portion	84.2	82.9
Inventory	27.7	25.9
Prepaid expenses and other current assets	63.4	84.3
Total current assets	938.9	972.6
Property and equipment, net	32.1	35.0
Financing receivables, less current portion	113.6	109.7
Goodwill	781.5	784.1
Identifiable intangible assets, net	751.9	737.8
Other assets	32.7	33.0
Total assets	\$ 2,650.7	\$ 2,672.2
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities		
Current maturities of long-term debt	\$ —	\$ —
Accounts payable – trade	350.5	473.5
Accounts payable – floor plan	264.9	215.7
Accrued expenses and other current liabilities	216.3	176.7
Discounted financing receivables, current portion	79.9	78.9
Total current liabilities	911.6	944.8
Long-term debt, net of debt issuance costs and current maturities	730.7	707.5
Discounted financing receivables, less current portion	104.7	99.8
Deferred income tax liabilities	270.4	264.9
Other liabilities	30.4	28.8
Total liabilities	2,047.8	2,045.8
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, 2017 and June 30, 2017	—	—
Common stock:		
\$0.01 par value; 250,000,000 shares authorized, 91,528,701 shares issued and outstanding at September 30, 2017 and 90,969,919 shares issued and outstanding at June 30, 2017	0.9	0.9
Additional paid-in capital	625.3	629.0
Accumulated deficit	(23.3)	(3.5)
Total stockholders' equity	602.9	626.4
Total liabilities and stockholders' equity	\$ 2,650.7	\$ 2,672.2

See Notes to the Consolidated Financial Statements.

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

	<b>Three months ended September 30, 2016</b>	<b>Three months ended September 30, 2017</b>
Revenue		
Product	\$ 626.4	\$ 628.6
Service	111.3	136.4
<b>Total revenue</b>	<b>737.7</b>	<b>765.0</b>
Cost of revenue		
Product	499.5	498.0
Service	89.6	110.6
<b>Total cost of revenue</b>	<b>589.1</b>	<b>608.6</b>
<b>Gross margin</b>	<b>148.6</b>	<b>156.4</b>
Operating expenses		
Selling expenses	67.5	65.6
General and administrative expenses	27.0	25.7
Transaction costs	3.4	0.4
Depreciation and amortization	20.4	20.6
<b>Total operating expenses</b>	<b>118.3</b>	<b>112.3</b>
<b>Operating income</b>	<b>30.3</b>	<b>44.1</b>
Interest and other (income) expense		
Interest expense	20.7	12.4
Loss on extinguishment of debt	—	0.7
Other (income) expense, net	—	(0.1)
<b>Total interest and other (income) expense</b>	<b>20.7</b>	<b>13.0</b>
<b>Income before income taxes</b>	<b>9.6</b>	<b>31.1</b>
Income tax expense	4.0	11.3
<b>Net income</b>	<b>\$ 5.6</b>	<b>\$ 19.8</b>
Earnings per share:		
Basic	\$ 0.08	\$ 0.22
Diluted	\$ 0.08	\$ 0.21
Weighted-average common shares outstanding:		
Basic	71,932,470	91,169,612
Diluted	73,881,526	96,046,736

See Notes to the Consolidated Financial Statements.

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

	Three months ended September 30, 2016	Three months ended September 30, 2017
<b>Cash flows from operating activities:</b>		
Net income	\$ 5.6	\$ 19.8
<b>Adjustments to reconcile net income to net cash provided by operating activities</b>		
Amortization of intangible assets	18.4	18.4
Depreciation of property and equipment in operating expenses	2.0	2.2
Depreciation of property and equipment in cost of revenue	1.4	1.4
Provision for sales returns and credit losses	0.4	0.3
Amortization of debt issuance costs	1.7	1.3
Loss on extinguishment of debt	—	0.7
Noncash lease income	(1.4)	(0.6)
Share-based compensation expense	0.5	0.8
Deferred income tax benefit	(4.6)	(5.6)
Other	—	0.1
<b>Change in assets and liabilities, net of acquisitions and dispositions:</b>		
Unbilled and accounts receivable	12.8	(14.5)
Inventory	11.2	1.9
Prepaid expenses and other assets	(65.9)	(21.6)
Accounts payable – trade	56.8	120.9
Accrued expenses and other liabilities	(18.1)	(41.9)
Net cash provided by operating activities	<u>20.8</u>	<u>83.6</u>
<b>Cash flows from investing activities:</b>		
Acquisition of businesses, net of cash and cash equivalents acquired	—	(9.5)
Proceeds from collection of escrow related to acquisition of business	0.6	—
Additions of equipment under sales-type and direct financing leases	(34.3)	(19.7)
Proceeds from collection of financing receivables	3.3	1.1
Additions to equipment under operating leases	(0.5)	(0.3)
Proceeds from disposition of equipment under operating leases	0.2	0.6
Purchases of property and equipment	(3.3)	(4.7)
Net cash used in investing activities	<u>(34.0)</u>	<u>(32.5)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock under share-based compensation plans	—	2.9
Proceeds from the discounting of financing receivables	33.9	17.8
Retirements of discounted financing receivables	(4.1)	(0.2)
Net repayments on the receivables securitization facility	(5.0)	—
Repayments of term loans	(1.8)	(25.0)
Net change in accounts payable — floor plan	4.9	(49.2)
Net cash provided by (used in) financing activities	<u>27.9</u>	<u>(53.7)</u>
Net increase (decrease) in cash and cash equivalents	14.7	(2.6)
<b>Cash and cash equivalents:</b>		
Beginning of the period	33.0	27.5
End of the period	<u>\$ 47.7</u>	<u>\$ 24.9</u>
<b>Supplemental disclosures of cash flow information</b>		
<b>Cash paid during the period for:</b>		
Interest	\$ 26.4	\$ 14.2
Income taxes, net of refunds	\$ 0.9	\$ 8.0
Reduction of discounted lease assets and liabilities	\$ 21.4	\$ 26.4

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	Accumulated deficit	Total
	Shares	Amount	Shares	Amount			
Balance, June 30, 2017	—	\$ —	90,969,919	\$ 0.9	\$ 625.3	\$ (23.3)	\$ 602.9
Common stock issued under share-based compensation plans	—	—	558,782	—	2.9	—	2.9
Net income	—	—	—	—	—	19.8	19.8
Share-based compensation expense	—	—	—	—	0.8	—	0.8
Balance, September 30, 2017	—	\$ —	91,528,701	\$ 0.9	\$ 629.0	\$ (3.5)	\$ 626.4

See Notes to the Consolidated Financial Statements.

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

**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 to the middle market in North America, assisting clients as they harness technology innovation and simplify IT complexity to digitally transform their businesses and drive return on IT investment. Our Digital Infrastructure, Cloud and Security solutions enable our middle market, enterprise and government clients to take advantage of new digital revenue streams, omnichannel customer experience models, and the rich data insights generated by those interactions. We deliver this technology expertise through a full life-cycle model of professional, managed, and ongoing support services, including strategy, consulting, design and implementation.

During the three months ended September 30, 2017, the Company made an acquisition, which expands our geographic footprint in Minnesota, that is immaterial to the consolidated financial statements.

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

Stock Split

On February 24, 2017, the Company's Board of Directors declared a 2-for-1 stock split of the Company's common stock in the form of a stock dividend payable on each share of common stock issued and outstanding as of February 24, 2017. The number of shares subject to and the exercise price of the Company's outstanding options were adjusted to equitably reflect the split. All common stock share and per-share data included in these financial statements give effect to the stock split and have been adjusted retroactively for the historical periods presented.

Initial Public Offering

On March 15, 2017, the Company completed an initial public offering (“IPO”) in which the Company issued and sold 18,766,465 shares of common stock, inclusive of 2,099,799 shares issued and sold on March 21, 2017, pursuant to the underwriters' option to purchase additional shares, at the public offering price of \$14.00 per share.

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 for the fiscal year ended June 30, 2017 included within the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2017. 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.



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

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 (Loss)

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

Recent Accounting Pronouncements Adopted During the Period

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, which restricts the valuation of inventory to the lower of cost or net realizable value, which is the estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. The standard has an effective date for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years, with early adoption permitted. Adopting this standard had an immaterial impact on the Company's consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

The Company is still evaluating the impact of the following additional accounting pronouncements not yet adopted as of September 30, 2017.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* along with subsequent clarifying ASUs, which outline a single, comprehensive model for accounting for revenue from contracts with customers. The standard has an effective date for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, with early adoption permitted. The Company has formed an internal committee which is overseeing the assessment and implementation process associated with the adoption of this standard. The Company continues to assess the impact of the standard on the timing and amount of revenue recognized by the Company, including the impact of the modifications to principal versus agent considerations. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (modified retrospective method). As the Company is still evaluating the impact of the standard, we have not yet elected an adoption method.

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 is currently evaluating the impact that the standard will have on the consolidated financial statements. The adoption of the standard is not expected to have a material impact on the Company's leasing business from a lessor perspective.

**Note 2. Prepaid Expenses and Other Current Assets**

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

	<b>June 30, 2017</b>	<b>September 30, 2017</b>
Partner incentive program receivable	\$ 26.2	\$ 39.4
Deferred product costs and other current assets	37.2	44.9
Total prepaid expenses and other current assets	\$ 63.4	\$ 84.3

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

**Note 3. Financing Receivables and Operating Leases**

The Company records the lease receivables related to discounted 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 receivable* – 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, 2017 (in millions):

	<b>Discounted to financial institutions</b>	<b>Not discounted to financial institutions</b>	<b>Total</b>
<b>Financing receivables:</b>			
Minimum lease payments	\$ 197.2	\$ 4.2	\$ 201.4
Estimated net residual values	—	7.2	7.2
Unearned income	(9.4)	(0.8)	(10.2)
Provision for credit losses	—	(0.6)	(0.6)
Total, net	<u>\$ 187.8</u>	<u>\$ 10.0</u>	<u>\$ 197.8</u>
<b>Reported as:</b>			
Current	\$ 80.8	\$ 3.4	\$ 84.2
Long-term	107.0	6.6	113.6
Total, net	<u>\$ 187.8</u>	<u>\$ 10.0</u>	<u>\$ 197.8</u>
<b>Discounted financing receivables:</b>			
Nonrecourse	\$ 183.7	\$ —	\$ 183.7
Recourse	—	—	—
Total	<u>\$ 183.7</u>	<u>\$ —</u>	<u>\$ 183.7</u>
<b>Reported as:</b>			
Current	\$ 79.3	\$ —	\$ 79.3
Long-term	104.4	—	104.4
Total	<u>\$ 183.7</u>	<u>\$ —</u>	<u>\$ 183.7</u>

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

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, 2017 (in millions):

	<b>Discounted to financial institutions</b>	<b>Not discounted to financial institutions</b>	<b>Total</b>
<b>Financing receivables:</b>			
Minimum lease payments	\$ 192.9	\$ 3.1	\$ 196.0
Estimated net residual values	—	7.2	7.2
Unearned income	(9.5)	(0.7)	(10.2)
Provision for credit losses	—	(0.4)	(0.4)
Total, net	<u>\$ 183.4</u>	<u>\$ 9.2</u>	<u>\$ 192.6</u>
<b>Reported as:</b>			
Current	\$ 79.8	\$ 3.1	\$ 82.9
Long-term	103.6	6.1	109.7
Total, net	<u>\$ 183.4</u>	<u>\$ 9.2</u>	<u>\$ 192.6</u>
<b>Discounted financing receivables:</b>			
Nonrecourse	\$ 177.9	\$ —	\$ 177.9
Recourse	—	—	—
Total	<u>\$ 177.9</u>	<u>\$ —</u>	<u>\$ 177.9</u>
<b>Reported as:</b>			
Current	\$ 78.3	\$ —	\$ 78.3
Long-term	99.6	—	99.6
Total	<u>\$ 177.9</u>	<u>\$ —</u>	<u>\$ 177.9</u>

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 and were as follows (in millions):

	<b>June 30, 2017</b>	<b>September 30, 2017</b>
Equipment under operating leases	\$ 4.6	\$ 3.8
Accumulated depreciation	(2.9)	(2.6)
Total equipment under operating leases, net	<u>\$ 1.7</u>	<u>\$ 1.2</u>

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 and \$0.5 million for the three months ended September 30, 2017 and 2016, respectively.

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

	<b>June 30, 2017</b>	<b>September 30, 2017</b>
<b>Discounted operating leases:</b>		
Current	\$ 0.7	\$ 0.6
Noncurrent	0.2	0.2
Total	<u>\$ 0.9</u>	<u>\$ 0.8</u>

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

The discounted financing receivables associated with operating leases are presented in 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	June 30, 2017	September 30, 2017
Furniture and fixtures	3 to 7 years	\$ 5.3	\$ 5.5
Equipment	3 to 7 years	22.2	26.1
Software	3 years	19.9	20.9
Leasehold improvements	Life of lease	13.3	14.1
Total property and equipment		60.7	66.6
Accumulated depreciation and amortization		(28.6)	(31.6)
Total property and equipment, net		\$ 32.1	\$ 35.0

Depreciation and amortization associated with property and equipment that is included in depreciation and amortization within the Company's consolidated statements of operations was \$2.2 million and \$2.0 million for the three months ended September 30, 2017 and 2016, respectively.

Depreciation and amortization expense associated with property and equipment directly utilized in support of managed services and managed cloud contracts that is included in cost of service revenue within the Company's consolidated statements of operations was \$1.1 million and \$0.9 million for the three months ended September 30, 2017 and 2016, respectively.

**Note 5. Goodwill and Identifiable Intangible Assets**

Goodwill

As described in Note 1, we completed an acquisition during the three months ended September 30, 2017 that is immaterial to the consolidated financial statements which resulted in a \$2.6 million increase in goodwill.

From June 30, 2017 through the date of the consolidated financial statements, no significant events have occurred that would lead us to believe that goodwill was more likely than not impaired.

Identifiable Intangible Assets

Identifiable intangible assets consisted of the following as of June 30, 2017 (in millions):

	Range of life (years)	Gross amount	Accumulated amortization	Total, net
<b>Finite-lived intangible assets:</b>				
Customer relationships	5 – 10	\$ 703.2	\$ (159.8)	\$ 543.4
Developed technology	5	3.6	(1.6)	2.0
Trade names	2	5.1	(3.6)	1.5
<b>Indefinite-lived intangible assets:</b>				
Trade names	Indefinite	205.0	—	205.0
Total intangible assets		\$ 916.9	\$ (165.0)	\$ 751.9

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

Identifiable intangible assets consisted of the following as of September 30, 2017:

	Range of life (years)	Gross amount	Accumulated amortization	Total, net
<b>Finite-lived intangible assets:</b>				
Customer relationships	5 – 10	\$ 707.0	\$ (177.3)	\$ 529.7
Developed technology	5	3.6	(1.8)	1.8
Trade names	2	5.6	(4.3)	1.3
<b>Indefinite-lived intangible assets:</b>				
Trade names	Indefinite	205.0	—	205.0
<b>Total intangible assets</b>		<b>\$ 921.2</b>	<b>\$ (183.4)</b>	<b>\$ 737.8</b>

Amortization associated with intangible assets was \$18.4 million for both the three months ended September 30, 2017 and 2016. The weighted-average remaining useful life of the finite-lived intangible assets was 7.4 years and 7.7 years as of September 30, 2017 and June 30, 2017, respectively.

As described in Note 1, we completed an acquisition during the three months ended September 30, 2017 that was immaterial to the consolidated financial statements which resulted in a \$4.3 million increase in finite-lived intangible assets.

From June 30, 2017 through the date of the consolidated financial statements, no significant events have occurred that would lead us to believe that the indefinite-lived trade names were more likely than not impaired.

Based on the finite-lived intangible assets recorded at September 30, 2017, the future amortization expense is expected to be as follows (in millions):

	Years ending June 30,
2018 (remaining nine months)	\$ 55.2
2019	71.9
2020	71.6
2021	71.1
2022	71.1
2023 and thereafter	191.9
<b>Total</b>	<b>\$ 532.8</b>

**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, 2017 and June 30, 2017, 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 \$215.7 million and \$264.9 million as of September 30, 2017 and June 30, 2017, respectively.

**PRESIDIO, INC.**  
**Notes to the Consolidated Financial Statements**  
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**Note 7. Accrued Expenses and Other Current Liabilities**

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

	<b>June 30, 2017</b>	<b>September 30, 2017</b>
Accrued compensation	\$ 64.5	\$ 50.4
Accrued interest	11.7	8.5
Accrued equipment purchases/vendor expenses	78.3	47.8
Accrued income taxes	7.3	16.2
Accrued non-income taxes	7.4	7.2
Customer deposits	5.1	3.4
Unearned revenue	40.0	41.6
Other accrued expenses and current liabilities	2.0	1.6
<b>Total accrued expenses and other current liabilities</b>	<b>\$ 216.3</b>	<b>\$ 176.7</b>

**Note 8. Long-Term Debt and Credit Agreements**

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

	<b>June 30, 2017</b>	<b>September 30, 2017</b>
Revolving credit facility	\$ —	\$ —
Receivables securitization facility	—	—
Term loan facility, due February 2022	626.6	601.6
Senior notes, 10.25% due February 2023	125.0	125.0
<b>Total long-term debt</b>	<b>751.6</b>	<b>726.6</b>
Unamortized debt issuance costs	(20.9)	(19.1)
<b>Total long-term debt, net of debt issuance costs</b>	<b>\$ 730.7</b>	<b>\$ 707.5</b>
Reported as:		
Current	\$ —	\$ —
Long-term	730.7	707.5
<b>Total long-term debt, net of debt issuance costs</b>	<b>\$ 730.7</b>	<b>\$ 707.5</b>

As of September 30, 2017, there were no outstanding borrowings on the revolving credit facility and there were \$1.5 million in letters of credit outstanding. The Company was in compliance with the covenants and had \$48.5 million available for borrowings under the facility as of September 30, 2017.

As of September 30, 2017, 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, 2017.

February 2015 Term Loan

On August 8, 2017, the Borrowers entered into Amendment No. 5 to the credit agreement executed on February 2, 2015 to, among other things, revise certain reporting requirements thereunder.

During the three months ended September 30, 2017, the Company made aggregate voluntary prepayments of \$25.0 million on the term loan, resulting in a \$0.7 million loss on extinguishment of debt in the Company's consolidated statement of operations associated with the write-off of debt issuance costs.

**PRESIDIO, INC.**  
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**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, and acquisition-related liabilities 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 June 30, 2017 (in millions):

	Carrying value	Fair value measurement		
		Level 1	Level 2	Level 3
Term loan	\$ 626.6	\$ —	\$ 627.4	\$ —
Senior notes	125.0	—	138.8	—
Total	\$ 751.6	\$ —	\$ 766.2	\$ —

The fair value hierarchy for the Company's financial assets and liabilities measured at fair value were as follows as of September 30, 2017 (in millions):

	Carrying value	Fair value measurement		
		Level 1	Level 2	Level 3
Term loan	\$ 601.6	\$ —	\$ 603.1	\$ —
Senior notes	125.0	—	137.5	—
Total	\$ 726.6	\$ —	\$ 740.6	\$ —

The fair value of the Company's term loan and senior notes 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 and senior notes 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.

On July 14, 2015, the Company received a subpoena from the Office of Inspector General for the General Services Administration (“GSA”) seeking various records relating to GSA contracting activity by us during the period beginning in April 2005 through the present. The subpoena is part of an ongoing law enforcement investigation being conducted by the GSA and requests a broad range of documents relating to business conduct in the GSA Multiple Award Schedule program. The Company is fully cooperating with the Inspector General in connection with the subpoena.

On March 11, 2016, the Company received a subpoena from the Office of Treasury Inspector General for Tax Administration for the Department of the Treasury seeking various records from January 1, 2014 through the present relating to Company contracts with the Internal Revenue Service, as well as the Company's interactions with other parties named in the

**PRESIDIO, INC.**  
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subpoena who were involved in such contracts. The Company is fully cooperating with the Treasury Inspector General in connection with the subpoena.

As these matters are ongoing, the Company is unable to determine their likely outcome and is unable to reasonably estimate a range of loss, if any, at this time. Accordingly, no provision for these matters has been recorded.

**Note 11. Share-based Compensation**

During the three months ended September 30, 2017, the Company did not issue any equity awards pursuant to the Company's Amended and Restated 2015 Long-Term Incentive Plan (the "2015 LTIP"). During the three months ended September 30, 2017, the Company granted 193,000 service-based non-qualified stock options that vest in four equal installments on each of the first four anniversaries of the grant date and 150,000 service-based restricted stock units that vest in two equal installments over a two-year period; all of which were issued pursuant to the Company's 2017 Long-Term Incentive Plan (the "2017 LTIP").

During the three months ended September 30, 2017, there were 451,062 service-based and rolled options exercised and 288,086 service and rolled options expired or forfeited. As of September 30, 2017, 6,255,443 service and rolled options were outstanding, of which 2,307,564 were vested.

During the three months ended September 30, 2017, there were 299,998 performance-based and market-based options forfeited. As of September 30, 2017, 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 3,153,038 options outstanding were unvested.

At September 30, 2017, there were 1,392,280 remaining shares available for issuance under the Presidio, Inc. Employee Stock Purchase Plan (the "ESPP"). On September 30, 2017, we held \$0.9 million of contributions made by employees that were used to purchase 50,185 shares under the ESPP on October 3, 2017.

Share-Based Compensation Expense

The following table summarizes the share-based compensation expense as follows (in millions):

	<u>Three months ended September 30, 2016</u>	<u>Three months ended September 30, 2017</u>
Selling expenses	\$ 0.2	\$ 0.4
General and administrative expenses	0.3	0.4
Total	<u>\$ 0.5</u>	<u>\$ 0.8</u>

As of September 30, 2017, there was \$10.9 million of unrecognized share-based compensation expense, \$8.9 million of which relates to service awards from the 2015 LTIP and 2017 LTIP grants and \$2.0 million of which relates to the restricted stock unit grants.



**PRESIDIO, INC.**  
**Notes to the Consolidated Financial Statements**  
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**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):

	<b>Three months ended September 30, 2016</b>	<b>Three months ended September 30, 2017</b>
<b>Numerator:</b>		
Earnings	\$ 5.6	\$ 19.8
<b>Denominator:</b>		
Weighted-average shares – basic	71,932,470	91,169,612
<b>Effect of dilutive securities:</b>		
Share-based awards	1,949,056	4,877,124
<b>Weighted-average shares – diluted</b>	<b>73,881,526</b>	<b>96,046,736</b>
<b>Earnings per share:</b>		
Basic	\$ 0.08	\$ 0.22
Diluted	\$ 0.08	\$ 0.21

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:

	<b>Three months ended September 30, 2016</b>	<b>Three months ended September 30, 2017</b>
Share-based awards excluded from EPS because of anti-dilution	460,520	1,931,611
Share-based awards excluded from EPS because performance or market condition had not been met <sup>(1)</sup>	3,532,856	357,340
<b>Total stock options excluded from EPS</b>	<b>3,993,376</b>	<b>2,288,951</b>

(1) For the three months ended September 30, 2016, all performance and market stock options were excluded from EPS as the performance condition was not considered probable. For the three months ended September 30, 2017, the performance condition for all performance and market stock options had been deemed met due to the completion of the Company's IPO. As a result, 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 on September 30, 2017 as if it was the end of the contingency period.

**Note 13. Income Taxes**

The Company's income tax expense for the three months ended September 30, 2017 and 2016 was \$11.3 million and \$4.0 million, respectively. The Company's effective tax rates for the three months ended September 30, 2017 and 2016 were 36.3% and 41.7%, respectively. The effective tax rates differed from the U.S. federal statutory rate primarily due to state taxes and permanently non-deductible expenses, offset in the current three months by the favorable excess benefit deduction related to share-based compensation of \$1.2 million, representing a 3.9% tax rate benefit in the period.

**Note 14. Related Party Transactions**

Apollo Global Management, LLC (together with its subsidiaries, "Apollo") is a leading alternative investment management firm which owns and operates businesses across a variety of industries. The Company recorded revenue to parties affiliated with Apollo or its directors of \$0.6 million and \$0.2 million for the three months ended September 30, 2017 and 2016, respectively. As of September 30, 2017 and June 30, 2017, the outstanding receivables associated with parties affiliated with Apollo or its directors were \$0.7 million and \$1.7 million, 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, 2017 and 2016, respectively.

**PRESIDIO, INC.**  
**Notes to the Consolidated Financial Statements**  
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**Note 15. Segment Information**

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.

Revenue by Solution Area

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

	<b>Three months ended September 30, 2016</b>	<b>Three months ended September 30, 2017</b>
Cloud	\$ 111.7	\$ 135.5
Security	66.7	109.0
Digital Infrastructure	559.3	520.5
Total revenue	<u>\$ 737.7</u>	<u>\$ 765.0</u>

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

**Note 16. 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 borrowers or guarantors of the credit agreement executed on February 2, 2015 and Senior Notes indenture, and the consolidating intercompany eliminations between the entities.

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

**PRESIDIO, INC.**  
**Notes to the Consolidated Financial Statements**  
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**Condensed Consolidating Balance Sheet**  
As of June 30, 2017

	Presidio, Inc.	Presidio Holdings Inc. & Subsidiaries	Intercompany Eliminations	Consolidated
<b>Assets</b>				
Current Assets				
Cash and cash equivalents	\$ 0.7	\$ 26.8	\$ —	\$ 27.5
Accounts receivable, net	—	576.3	—	576.3
Unbilled accounts receivable, net	—	159.8	—	159.8
Financing receivables, current portion	—	84.2	—	84.2
Inventory	—	27.7	—	27.7
Prepaid expenses and other current assets	1.3	69.1	(7.0)	63.4
Total current assets	2.0	943.9	(7.0)	938.9
Property and equipment, net	—	32.1	—	32.1
Deferred tax asset	2.7	—	(2.7)	—
Financing receivables, less current portion	—	113.6	—	113.6
Goodwill	—	781.5	—	781.5
Identifiable intangible assets, net	—	751.9	—	751.9
Other assets	605.2	32.7	(605.2)	32.7
Total assets	\$ 609.9	\$ 2,655.7	\$ (614.9)	\$ 2,650.7
<b>Liabilities and Stockholders' Equity</b>				
Current Liabilities				
Accounts payable – trade	—	350.5	—	350.5
Accounts payable – floor plan	—	264.9	—	264.9
Accrued expenses and other current liabilities	7.0	216.3	(7.0)	216.3
Discounted financing receivables, current portion	—	79.9	—	79.9
Total current liabilities	7.0	911.6	(7.0)	911.6
Long-term debt, net of debt issuance costs and current maturities	—	730.7	—	730.7
Discounted financing receivables, less current portion	—	104.7	—	104.7
Deferred income tax liabilities	—	273.1	(2.7)	270.4
Other liabilities	—	30.4	—	30.4
Total liabilities	7.0	2,050.5	(9.7)	2,047.8
Total stockholders' equity	602.9	605.2	(605.2)	602.9
Total liabilities and stockholders' equity	\$ 609.9	\$ 2,655.7	\$ (614.9)	\$ 2,650.7

**PRESIDIO, INC.**  
**Notes to the Consolidated Financial Statements**  
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**Condensed Consolidating Balance Sheet**  
**As of September 30, 2017**

	Presidio, Inc.	Presidio Holdings Inc. & Subsidiaries	Intercompany Eliminations	Consolidated
<b>Assets</b>				
Current Assets				
Cash and cash equivalents	\$ 4.1	\$ 20.8	\$ —	\$ 24.9
Accounts receivable, net	—	564.4	—	564.4
Unbilled accounts receivable, net	—	190.2	—	190.2
Financing receivables, current portion	—	82.9	—	82.9
Inventory	—	25.9	—	25.9
Prepaid expenses and other current assets	1.4	93.3	(10.4)	84.3
Total current assets	5.5	977.5	(10.4)	972.6
Property and equipment, net	—	35.0	—	35.0
Deferred tax asset	2.6	—	(2.6)	—
Financing receivables, less current portion	—	109.7	—	109.7
Goodwill	—	784.1	—	784.1
Identifiable intangible assets, net	—	737.8	—	737.8
Other assets	627.2	33.0	(627.2)	33.0
Total assets	\$ 635.3	\$ 2,677.1	\$ (640.2)	\$ 2,672.2
<b>Liabilities and Stockholders' Equity</b>				
Current Liabilities				
Accounts payable – trade	—	473.5	—	473.5
Accounts payable – floor plan	—	215.7	—	215.7
Accrued expenses and other current liabilities	9.0	178.1	(10.4)	176.7
Discounted financing receivables, current portion	—	78.9	—	78.9
Total current liabilities	9.0	946.2	(10.4)	944.8
Long-term debt, net of debt issuance costs and current maturities	—	707.5	—	707.5
Discounted financing receivables, less current portion	—	99.8	—	99.8
Deferred income tax liabilities	—	267.5	(2.6)	264.9
Other liabilities	—	28.8	—	28.8
Total liabilities	9.0	2,049.8	(13.0)	2,045.8
Total stockholders' equity	626.3	627.3	(627.2)	626.4
Total liabilities and stockholders' equity	\$ 635.3	\$ 2,677.1	\$ (640.2)	\$ 2,672.2

**PRESIDIO, INC.**  
**Notes to the Consolidated Financial Statements**  
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**Condensed Consolidating Statement of Operations**  
**Three months ended September 30, 2016**

	Presidio, Inc.	Presidio Holdings Inc. & Subsidiaries	Intercompany Eliminations	Consolidated
Total revenue	\$ —	\$ 737.7	\$ —	\$ 737.7
Total cost of revenue	—	589.1	—	589.1
<b>Gross margin</b>	<b>—</b>	<b>148.6</b>	<b>—</b>	<b>148.6</b>
Operating expenses				
Selling, general and administrative, and transaction costs	—	97.9	—	97.9
Depreciation and amortization	—	20.4	—	20.4
<b>Total operating expenses</b>	<b>—</b>	<b>118.3</b>	<b>—</b>	<b>118.3</b>
<b>Operating income</b>	<b>—</b>	<b>30.3</b>	<b>—</b>	<b>30.3</b>
Interest and other (income) expense				
Interest expense	—	20.7	—	20.7
Loss on extinguishment of debt	—	—	—	—
Other (income) expense, net	(5.6)	—	5.6	—
<b>Total interest and other (income) expense</b>	<b>(5.6)</b>	<b>20.7</b>	<b>5.6</b>	<b>20.7</b>
<b>Income before income taxes</b>	<b>5.6</b>	<b>9.6</b>	<b>(5.6)</b>	<b>9.6</b>
Income tax expense	—	4.0	—	4.0
<b>Net income</b>	<b>\$ 5.6</b>	<b>\$ 5.6</b>	<b>\$ (5.6)</b>	<b>\$ 5.6</b>

**Condensed Consolidating Statement of Operations**  
**Three months ended September 30, 2017**

	Presidio, Inc.	Presidio Holdings Inc. & Subsidiaries	Intercompany Eliminations	Consolidated
Total revenue	\$ —	\$ 765.0	\$ —	\$ 765.0
Total cost of revenue	—	608.6	—	608.6
<b>Gross margin</b>	<b>—</b>	<b>156.4</b>	<b>—</b>	<b>156.4</b>
Operating expenses				
Selling, general and administrative, and transaction costs	—	91.7	—	91.7
Depreciation and amortization	—	20.6	—	20.6
<b>Total operating expenses</b>	<b>—</b>	<b>112.3</b>	<b>—</b>	<b>112.3</b>
<b>Operating income (loss)</b>	<b>—</b>	<b>44.1</b>	<b>—</b>	<b>44.1</b>
Interest and other (income) expense				
Interest expense	—	12.4	—	12.4
Loss on extinguishment of debt	—	0.7	—	0.7
Other (income) expense, net	(19.8)	(0.1)	19.8	(0.1)
<b>Total interest and other (income) expense</b>	<b>(19.8)</b>	<b>13.0</b>	<b>19.8</b>	<b>13.0</b>
<b>Income before income taxes</b>	<b>19.8</b>	<b>31.1</b>	<b>(19.8)</b>	<b>31.1</b>
Income tax expense	—	11.3	—	11.3
<b>Net income</b>	<b>\$ 19.8</b>	<b>\$ 19.8</b>	<b>\$ (19.8)</b>	<b>\$ 19.8</b>

**PRESIDIO, INC.**  
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**Condensed Consolidating Statement of Cash Flows**  
**Three months ended September 30, 2016**

	Presidio, Inc.	Presidio Holdings Inc. & Subsidiaries	Intercompany Eliminations	Consolidated
Net cash provided by operating activities	\$ 0.3	\$ 20.5		\$ 20.8
Cash flows from investing activities:				
Proceeds from collection of escrow related to acquisition of business	—	0.6	—	0.6
Additions of equipment under sales-type and direct financing leases	—	(34.3)	—	(34.3)
Proceeds from collection of financing receivables	—	3.3	—	3.3
Additions to equipment under operating leases	—	(0.5)	—	(0.5)
Proceeds from disposition of equipment under operating leases	—	0.2	—	0.2
Purchases of property and equipment	—	(3.3)	—	(3.3)
Net cash used in investing activities	—	(34.0)	—	(34.0)
Cash flows from financing activities:				
Proceeds from the discounting of financing receivables	—	33.9	—	33.9
Retirements of discounted financing receivables	—	(4.1)	—	(4.1)
Net repayments on the receivables securitization facility	—	(5.0)	—	(5.0)
Repayments of term loans	—	(1.8)	—	(1.8)
Net change in accounts payable — floor plan	—	4.9	—	4.9
Net cash provided by financing activities	—	27.9	—	27.9
Net increase in cash and cash equivalents	0.3	14.4	—	14.7
Cash and cash equivalents:				
Beginning of the period	26.1	6.9	—	33.0
End of the period	\$ 26.4	\$ 21.3	\$ —	\$ 47.7

**PRESIDIO, INC.**  
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**Condensed Consolidating Statement of Cash Flows**  
**Three months ended September 30, 2017**

	<b>Presidio, Inc.</b>	<b>Presidio Holdings Inc. &amp; Subsidiaries</b>	<b>Intercompany Eliminations</b>	<b>Consolidated</b>
Net cash provided by operating activities	\$ 1.9	\$ 81.7	\$ —	\$ 83.6
Cash flows from investing activities:				
Acquisition of businesses, net of cash and cash equivalents acquired	—	(9.5)	—	(9.5)
Additions of equipment under sales-type and direct financing leases	—	(19.7)	—	(19.7)
Proceeds from collection of financing receivables	—	1.1	—	1.1
Additions to equipment under operating leases	—	(0.3)	—	(0.3)
Proceeds from disposition of equipment under operating leases	—	0.6	—	0.6
Purchases of property and equipment	—	(4.7)	—	(4.7)
Net cash used in investing activities	—	(32.5)	—	(32.5)
Cash flows from financing activities:				
Proceeds from issuance of common stock under share-based compensation plans	1.5	1.4	—	2.9
Proceeds from the discounting of financing receivables	—	17.8	—	17.8
Retirements of discounted financing receivables	—	(0.2)	—	(0.2)
Repayments of term loans	—	(25.0)	—	(25.0)
Net change in accounts payable — floor plan	—	(49.2)	—	(49.2)
Net cash provided by (used in) financing activities	1.5	(55.2)	—	(53.7)
Net increase (decrease) in cash and cash equivalents	3.4	(6.0)	—	(2.6)
Cash and cash equivalents:				
Beginning of the period	0.7	26.8	—	27.5
End of the period	\$ 4.1	\$ 20.8	\$ —	\$ 24.9

## 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, 2017. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in "Part II, Item 1A. Risk Factors." 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 II, Item 1A. Risk Factors 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;
- investments in new services and technologies may not be successful;
- 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;
- our acquisitions may not achieve expectations;
- fluctuations in our operating results;
- potential litigation and claims;
- changes in accounting rules, tax legislation and other legislation;
- 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; and
- the other factors discussed in the section of this quarterly report entitled “Risk Factors.”

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 is a leading provider of IT solutions to the middle market in North America. We enable business transformation through our expertise in IT solutions, with a specific focus on Digital Infrastructure, Cloud and Security solutions. Our solutions are delivered through a broad suite of professional services, including strategy, consulting, design and implementation. We complement our professional services with project management, technology acquisition, managed services, maintenance and support to offer a full lifecycle model. Our services-led, lifecycle model leads to ongoing client engagement. As of June 30, 2017, we serve approximately 7,500 middle-market, large, and government organizations across a diverse range of industries.

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, 2017. 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. We provide strategy, consulting, design, customized deployment, integration and lifecycle management through our team of over 1,500 engineers as of June 30, 2017, enabling us to architect and manage the ideal IT solutions for our clients. Our local delivery model, combining relationship managers and expert engineering teams, allows us to win, retain and expand our client relationships.

We have three solution areas: (i) Digital Infrastructure, (ii) Cloud, and (iii) Security. Within these areas, we offer customers enterprise-class solutions that are critical to driving digital transformation and expanding business capabilities. Examples of our solutions include advanced networking, IoT, data analytics, 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, data center, security, collaboration, and mobility.

**Digital Infrastructure Solutions:** Our enterprise-class Digital Infrastructure solutions enable clients to deploy IT infrastructure that is cloud-flexible, mobile-ready, secure, and insight-driven. We also make clients’ existing IT infrastructure more efficient and flexible for emerging technologies. Within Digital Infrastructure, we are focused on networking, collaboration, enterprise mobility, IoT, and data analytics. Given the millions of potential configurations across technologies, our clients rely on our expertise to simplify the highly complex IT landscape.

**Cloud Solutions:** Companies are increasingly turning to us for help with their cloud strategy and adoption. We combine our highly specialized cloud professional services with our deep experience in cloud-managed services, converged infrastructure, server, storage, support, and capacity-on-demand economic models to provide a complete lifecycle of cloud infrastructure solutions for our clients. Our proprietary tools, technical expertise, and vendor-agnostic approach help our customers accelerate and simplify cloud adoption across the entire IT lifecycle.

**Security Solutions:** We use a risk-based security consulting methodology to assess, design, implement, manage, and maintain information security solutions that protect our customers’ critical business data and protects against loss of client loyalty, corporate reputation, and disruptions in ongoing operations. We offer cyber risk management, infrastructure security, and managed security solutions to our clients. Through our next generation risk management solution (“NGRM”), we provide comprehensive risk assessments, detailed reporting, ongoing reviews, process and program development, and training services. NGRM ensures that identified vulnerabilities are mitigated and business risk has been properly addressed. Because our customers’ infrastructures are constantly changing, our NGRM offering is structured as a recurring service with regular periodic assessments of the current security posture combined with ongoing monitoring and surveillance through our 7x24 Security Operations Centers. Our experience spans all major verticals including retail, education, healthcare, government, banking, pharmaceutical, and others. We have expertise with HIPAA, PCI DSS, FISMA, the Sarbanes-Oxley Act, and others. We help our clients design and implement information security programs consistent with industry best practices and comply with the regulatory mandates of their specific vertical that are flexible enough to help ensure information security in an ever-changing risk environment. Findings,

recommendations and real time security posture status, including our proprietary Risk Management Score, are provided through a 7x24 portal that is accessible by our clients and is updated with the up to date vulnerabilities identified by several industry sources.

We help our clients establish both technical and non-technical security controls and practices to prevent, detect, correct, and minimize the risk of loss or damage to information resources, disruption of access to information resources, and unauthorized disclosure of information. In addition to our NGRM program, we offer options for security strategy program development, security awareness training, technology exposure assessments, and incident response.

### **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.

Revenue and cost of revenue: 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.

Product revenue: Our product revenue includes:

Revenue for hardware and software: Revenue from the sale of hardware and 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. Revenue is generally recognized when the title and risk of loss are passed to the client. Hardware and software items can be delivered to clients in a variety of ways including as physical products shipped from our warehouse, via drop-shipment by the vendor or supplier, or via electronic delivery for software licenses. In certain cases, our solutions include the sale of software subscriptions where we are the agent in the arrangement with the customer and recognize the related revenue net of the related cost of revenue.

Revenue for third-party support service contracts: Revenue from the sale of third-party support service contracts is recognized net of the related cost of revenue. In a third-party support service contract, all services are provided by our third-party providers and as a result, we are acting as an agent and recognize revenue on a net basis at the date of sale, with revenue being equal to the gross margin on the transaction. As we are under no obligation to perform additional services, revenue is recognized at the time of sale as opposed to over the life of the third-party support service agreement.

Revenue from leasing arrangements: Revenue recognition for information technology hardware and software 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 sales-type lease, the present value of the non-cancelable rentals is recorded as revenue and equipment costs, less the present value of the estimated residual values, are recorded in cost of revenue. At the inception of an operating lease, the equipment assigned to the lease is recorded at cost as equipment under operating leases 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.

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

Revenue for professional services: Revenue for professional services is generally recognized as the services are performed. For time and material service contracts, revenue is recognized at the contractual hourly rates for the hours performed during the period. For fixed price service contracts, revenue is recognized on a proportional performance method based on the labor hours completed compared to the total estimated hours for the scope of work with contract and revenue accrued or deferred as appropriate. Cost of revenue associated with professional services includes the compensation, benefits, and other costs associated with our delivery and project management engineering team, as well as costs charged by subcontractors.

Revenue for managed services: Revenue for managed services is generally recognized on a straight-line basis over the term of the arrangement. We may incur upfront costs associated with professional and managed services including, but not limited to, purchasing third-party support service arrangements, and software licenses. These costs are initially deferred as prepaid expenses or other assets and expensed over the period that services are being provided as cost of revenue. In addition, cost of revenue includes the compensation, benefits and other costs associated with our managed services engineering team, costs charged by subcontractors, and depreciation of the software used to deliver our managed services and managed cloud contracts.

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. As described previously, our third-party support service sales 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 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 and the hourly bill rate charged to clients. The complexity of the solutions sold to our clients may require specialized engineering capabilities that can favorably impact the bill rate we charge. Our service revenue and cost of revenue also includes third-party services. 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. However, we expect selling expenses to decline as a percentage of our total revenue.

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 and retention bonuses), severance charges, 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.

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, management uses Adjusted EBITDA and Adjusted Net Income (all 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):

	<b>Three months ended September 30, 2016</b>	<b>Three months ended September 30, 2017</b>
Total Revenue	\$ 737.7	\$ 765.0
Gross margin	148.6	156.4
Net income	5.6	19.8
Adjusted EBITDA	58.2	67.4
Adjusted EBITDA margin	7.9%	8.8%
Adjusted Net Income	\$ 24.5	\$ 34.8

**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 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, other costs and earnings from disposed business. 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, 2016	Three months ended September 30, 2017
<b>Adjusted EBITDA Reconciliation:</b>		
Net income	\$ 5.6	\$ 19.8
Total depreciation and amortization <sup>(1)</sup>	21.8	22.0
Interest and other (income) expense	20.7	13.0
Income tax expense	4.0	11.3
EBITDA	52.1	66.1
Adjustments:		
Share-based compensation expense	0.5	0.8
Purchase accounting adjustments <sup>(2)</sup>	0.4	0.1
Transaction costs <sup>(3)</sup>	3.4	0.4
Other costs <sup>(4)</sup>	1.8	—
Total adjustments	6.1	1.3
<b>Adjusted EBITDA</b>	<b>\$ 58.2</b>	<b>\$ 67.4</b>

- (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 \$3.4 million for the three months ended September 30, 2016 includes acquisition-related expenses of \$1.5 million related to stay and retention bonuses, \$1.7 million related to transaction-related advisory and diligence fees and \$0.2 million related to transaction-related legal, accounting and tax fees; and (ii) of \$0.4 million for the three months ended September 30, 2017 includes acquisition-related expenses of \$0.3 million related to stay and retention bonuses and \$0.1 million related to transaction-related legal, accounting and tax fees.
- (4) “Other costs” (i) of \$1.8 million for the three months ended September 30, 2016 related to certain non-recurring costs incurred in the development of our new cloud service offerings.

**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):

	<b>Three months ended September 30, 2016</b>	<b>Three months ended September 30, 2017</b>
<b>Adjusted Net Income reconciliation:</b>		
Net income	\$ 5.6	\$ 19.8
Adjustments:		
Amortization of intangible assets	18.4	18.4
Amortization of debt issuance costs	1.7	1.3
Loss on extinguishment of debt	—	0.7
Share-based compensation expense	0.5	0.8
Purchase accounting adjustments	0.4	0.1
Transaction costs	3.4	0.4
Other costs	1.8	—
Income tax impact of adjustments <sup>(1)</sup>	(7.3)	(6.7)
Total adjustments	18.9	15.0
<b>Adjusted Net Income</b>	<b>\$ 24.5</b>	<b>\$ 34.8</b>

- (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, 2017 compared to the Three Months Ended September 30, 2016*

(in millions)	Three months ended September 30, 2016	Three months ended September 30, 2017	Change	
			\$	%
<b>Revenue</b>				
Product	\$ 626.4	\$ 628.6	\$ 2.2	0.4 %
Service	111.3	136.4	25.1	22.6 %
Total revenue	737.7	765.0	27.3	3.7 %
<b>Cost of revenue</b>				
Product	499.5	498.0	(1.5)	(0.3)%
Service	89.6	110.6	21.0	23.4 %
Total cost of revenue	589.1	608.6	19.5	3.3 %
<b>Gross margin</b>	148.6	156.4	7.8	5.2 %
Product gross margin	126.9	130.6	3.7	2.9 %
Service gross margin	21.7	25.8	4.1	18.9 %
Product gross margin %	20.3%	20.8%		0.5 %
Service gross margin %	19.5%	18.9%		(0.6)%
Total gross margin %	20.1%	20.4%		0.3 %
<b>Operating expenses</b>				
Selling expenses	67.5	65.6	(1.9)	(2.8)%
General and administrative expenses	27.0	25.7	(1.3)	(4.8)%
Transaction costs	3.4	0.4	(3.0)	(88.2)%
Depreciation and amortization	20.4	20.6	0.2	1.0 %
Total operating expenses	118.3	112.3	(6.0)	(5.1)%
<i>Selling, general and administrative expenses % of total revenue</i>	<i>12.8%</i>	<i>11.9%</i>		<i>(0.9)%</i>
<b>Operating income</b>	30.3	44.1	13.8	45.5 %
<b>Interest and other (income) expense</b>				
Interest expense	20.7	12.4	(8.3)	(40.1)%
Loss on extinguishment of debt	—	0.7	0.7	n.m.
Other (income) expense, net	—	(0.1)	(0.1)	n.m.
Total interest and other (income) expense	20.7	13.0	(7.7)	(37.2)%
<b>Income before income taxes</b>	9.6	31.1	21.5	224.0 %
Income tax expense	4.0	11.3	7.3	182.5 %
<b>Net income</b>	\$ 5.6	\$ 19.8	\$ 14.2	253.6 %
<b>Adjusted EBITDA</b>	\$ 58.2	\$ 67.4	\$ 9.2	15.8 %
<b>Adjusted Net Income</b>	\$ 24.5	\$ 34.8	\$ 10.3	42.0 %

*Revenue*

(in millions)	Three months ended September 30, 2016	Three months ended September 30, 2017	Change	
			\$	%
<b>Revenue</b>				
Product	\$ 626.4	\$ 628.6	\$ 2.2	0.4%
Service	111.3	136.4	25.1	22.6%
Total revenue	\$ 737.7	\$ 765.0	\$ 27.3	3.7%

Total revenue increased \$27.3 million, or 3.7%, to \$765.0 million for the three months ended September 30, 2017, compared to total revenue of \$737.7 million for the three months ended September 30, 2016. The increase in total revenue resulted from an increase in client demand across both Cloud and Security solutions along with a higher proportion of services as part of

our solutions. This was partially offset by a decline in Digital Infrastructure solutions as we continue to experience a trend of our customers migrating to multi-cloud based solution offerings.

Revenue from sales of product increased \$2.2 million, or 0.4%, to \$628.6 million for the three months ended September 30, 2017, compared to product revenue of \$626.4 million for the three months ended September 30, 2016. Revenue from sales of services increased \$25.1 million, or 22.6%, to \$136.4 million for the three months ended September 30, 2017, compared to service revenue of \$111.3 million for the three months ended September 30, 2016. The double digit increase in service revenue reflects the need of our clients for our technical expertise and our ability to partner with our vendors to engage clients on all of their IT transformation projects. In the quarter, several large vendor partner engagements contributed to the overall growth in services revenue.

(in millions)	Three months ended		Change	
	September 30, 2016	September 30, 2017	\$	%
<b>Revenue by solution area</b>				
Cloud	\$ 111.7	\$ 135.5	\$ 23.8	21.3 %
Security	66.7	109.0	42.3	63.4 %
Digital Infrastructure	559.3	520.5	(38.8)	(6.9)%
<b>Total revenue</b>	<b>\$ 737.7</b>	<b>\$ 765.0</b>	<b>\$ 27.3</b>	<b>3.7 %</b>

Cloud revenue increased \$23.8 million, or 21.3%, to \$135.5 million in the three months ended September 30, 2017, compared to \$111.7 million for the three months ended September 30, 2016, driven by strong demand for Presidio's private and multi-cloud solutions including converged/hyperconverged private cloud solutions alongside solutions leveraging public software-as-a-service ("SaaS"), infrastructure-as-a-service ("IaaS") and hyper scale providers. Customers are increasingly looking to leverage best of breed solutions in the multi-cloud world especially around data center modernization and IT transformation driving strong consumption of our product offerings and lifecycle services including manage and operate services for private and public cloud solutions. Growth was strongest with our middle-market clients, driven by information technology clients, as well as manufacturing and transportation clients.

Security revenue increased \$42.3 million, or 63.4%, to \$109.0 million in the three months ended September 30, 2017, compared to \$66.7 million in the three months ended September 30, 2016 as continued high profile security breaches have driven strong demand for our security solutions. As the security world becomes increasingly complex, customers are turning to security experts like Presidio for advanced security solutions and management. Our NGRM provides our customers unique insight into their security posture along with key gaps and remediation recommendations. This in turn drives advanced security products and technologies as customers look to remediate security gaps. We are seeing growth across our portfolio of security services and technology partners driven by higher demand in middle-market and large clients. In the middle-market, education and healthcare clients experienced strong growth, while in the large client sector our growth was driven by financial services and retail clients.

Digital Infrastructure revenue decreased \$38.8 million, or 6.9%, to \$520.5 million in the three months ended September 30, 2017 compared to \$559.3 million in the three months ended September 30, 2016. The decline was led by a move towards multi-cloud solutions from traditional infrastructure. Middle-market clients experienced the most pronounced shift away from core infrastructure solutions, particularly with education and professional services clients.

#### Gross Margin

(in millions)	Three months ended		Change	
	September 30, 2016	September 30, 2017	\$	%
<b>Gross margin</b>				
Product gross margin	\$ 126.9	\$ 130.6	\$ 3.7	2.9 %
Service gross margin	21.7	25.8	4.1	18.9 %
<b>Gross margin</b>	<b>\$ 148.6</b>	<b>\$ 156.4</b>	<b>\$ 7.8</b>	<b>5.2 %</b>
Product gross margin %	20.3%	20.8%		0.5 %
Service gross margin %	19.5%	18.9%		(0.6)%
<b>Total gross margin %</b>	<b>20.1%</b>	<b>20.4%</b>		<b>0.3 %</b>



Total gross margin increased \$7.8 million, or 5.2%, to \$156.4 million for the three months ended September 30, 2017, as compared to \$148.6 million for the three months ended September 30, 2016, a result of an increase in total revenue of 3.7% between periods and the impact of an expansion of product margins that was partly offset by lower services margins. As a percentage of total revenue, total gross margin increased 30 basis points to 20.4% for the three months ended September 30, 2017, up from 20.1% of revenue for the three months ended September 30, 2016.

Product gross margin increased \$3.7 million, or 2.9%, to \$130.6 million for the three months ended September 30, 2017, as compared to \$126.9 million for the three months ended September 30, 2016. Product gross margin as a percentage of revenue was 20.8% for the three months ended September 30, 2017, an increase of 50 basis points from 20.3% for the three months ended September 30, 2016. The increase in gross margin percentage was due to expanding margins in data center and networking infrastructure technologies as well as an increased margin generated from software subscription solution sales.

Service gross margin increased \$4.1 million, or 18.9%, to \$25.8 million for the three months ended September 30, 2017, as compared to \$21.7 million for the three months ended September 30, 2016. Services gross margin as a percentage of revenue was 18.9% for the three months ended September 30, 2017, a decrease of 60 basis points from 19.5% for the three months ended September 30, 2016. Strong revenue growth in vendor partner services at low margin percentage more than offset gross margin percent expansion from improved performance in utilized hours of our engineers and reduced investments required to bring to market new cloud-related service offerings.

#### Operating Expenses

(in millions)	Three months ended		Change	
	September 30, 2016	September 30, 2017	\$	%
Operating expenses				
Selling expenses	\$ 67.5	\$ 65.6	\$ (1.9)	(2.8)%
General and administrative expenses	27.0	25.7	(1.3)	(4.8)%
Selling, general and administrative expenses	94.5	91.3	(3.2)	(3.4)%
Transaction costs	3.4	0.4	(3.0)	(88.2)%
Depreciation and amortization	20.4	20.6	0.2	1.0%
<b>Total operating expenses</b>	<b>\$ 118.3</b>	<b>\$ 112.3</b>	<b>\$ (6.0)</b>	<b>(5.1)%</b>
<i>Selling, general and administrative expenses % of total revenue</i>	<i>12.8%</i>	<i>11.9%</i>		<i>(0.9)%</i>

We define selling, general and administrative expenses (“SG&A”) as the sum of selling expenses and general and administrative expenses. SG&A decreased \$3.2 million, or 3.4%, to \$91.3 million during the three months ended September 30, 2017, as compared to \$94.5 million for the three months ended September 30, 2016. The decrease in SG&A was primarily attributed to \$1.8 million of lower incentive compensation attributed to improved compensation plans, as well as, a reduction in administrative personnel. The 3.7% revenue growth combined with the 3.4% decline in SG&A expenses resulted in SG&A as a percentage of revenue improving 90 basis points from 12.8% of revenue for the three months ended September 30, 2016 to 11.9% for three months ended September 30, 2017.

Transaction costs primarily relate to professional fees and other costs incurred as a result of transaction-related activities and declined by \$3.0 million to \$0.4 million in the three months ended September 30, 2017.

#### Interest and Other (Income) Expense

(in millions)	Three months ended		Change	
	September 30, 2016	September 30, 2017	\$	%
Interest and other (income) expense				
Interest expense	\$ 20.7	\$ 12.4	\$ (8.3)	(40.1)%
Loss on extinguishment of debt	—	0.7	0.7	n.m.
Other (income) expense, net	—	(0.1)	(0.1)	n.m.
<b>Total interest and other (income) expense</b>	<b>\$ 20.7</b>	<b>\$ 13.0</b>	<b>\$ (7.7)</b>	<b>(37.2)%</b>

Interest and other (income) expense decreased \$7.7 million, or 37.2%, to \$13.0 million for the three months ended September 30, 2017, from \$20.7 million in the three months ended September 30, 2016 primarily due to lower interest expense on outstanding debt. The \$8.3 million decline in interest expense for the three months ended September 30, 2017 resulted from \$5.5 million of lower interest expense associated with the Company's Senior Notes and Senior Subordinated Notes that were redeemed and repurchased in the Company's March 2017 initial public offering and \$2.8 million of lower interest expense associated with the Company's term loan facility reflecting the impact of a lower average interest rate on our outstanding debt in the current period and a reduction in the outstanding principal due to voluntary prepayments.

*Income Tax Expense*

(in millions)	Three months ended		Change	
	September 30, 2016	September 30, 2017	\$	%
Income before income taxes	\$ 9.6	\$ 31.1	\$ 21.5	224.0%
Income tax expense	4.0	11.3	7.3	182.5%
<b>Net income</b>	<b>\$ 5.6</b>	<b>\$ 19.8</b>	<b>\$ 14.2</b>	<b>253.6%</b>

The income tax expense of \$11.3 million in the three months ended September 30, 2017 increased \$7.3 million from \$4.0 million of income tax expense in the three months ended September 30, 2016. The effective tax rate was 36.3% in the three months ended September 30, 2017 compared to 41.7% in the three months ended September 30, 2016. The effective tax rates were impacted by lower impact of permanent tax differences on higher pre-tax book income, as well as the favorable 3.9% impact of the excess benefit on share-based compensation.

*Adjusted EBITDA*

Adjusted EBITDA increased \$9.2 million, or 15.8%, to \$67.4 million for the three months ended September 30, 2017, from \$58.2 million for the three months ended September 30, 2016, driven by gross margin percent expansion and efficiencies gained in selling, general and administrative expenses as described above. Adjusted EBITDA margin was 8.8% for the three months ended September 30, 2017 compared to 7.9% for the three months ended September 30, 2016.

*Adjusted Net Income*

Adjusted Net Income increased \$10.3 million, or 42.0%, to \$34.8 million for the three months ended September 30, 2017, from \$24.5 million in the three months ended September 30, 2016, resulting from the growth in Adjusted EBITDA along with the impact of lower interest expense in the period, largely associated with the repurchase and redemption of our Senior and Subordinated Notes as part of the IPO, as well as voluntary term loan pre-payments as we continued our focus on deleveraging the business.

## 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 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, 2016	Three months ended September 30, 2017
Net cash provided by (used in)		
Operating activities	\$ 20.8	\$ 83.6
Investing activities	(34.0)	(32.5)
Net change in accounts payable — floor plan	4.9	(49.2)
Other financing activities	23.0	(4.5)
Financing activities	27.9	(53.7)
Net increase (decrease) in cash and cash equivalents	\$ 14.7	\$ (2.6)

### 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.

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, 2016	Three months ended September 30, 2017
Impact of tax deductible goodwill and intangible assets	\$ 3.0	\$ 3.0

*Three months ended September 30, 2017:* Net cash provided by operating activities for the three months ended September 30, 2017 was \$83.6 million. This was primarily attributed to net income of \$19.8 million adjusted for: \$18.4 million of intangible amortization expense, \$3.6 million of total property and equipment depreciation expense, \$1.3 million of amortization of debt issuance costs, \$0.7 million of losses on extinguishment of debt, \$0.8 million of share-based compensation expense and a \$44.8 million decrease in our working capital components, partially offset by a \$5.6 million deferred income tax benefit. The net decrease in our working capital components was primarily driven by a decrease in cash disbursements for accounts payable — trade partially

offset by an increase in cash disbursements for accrued expenses 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, 2016:* Net cash provided by operating activities for the three months ended September 30, 2016 was \$20.8 million. This was primarily attributed to net income of \$5.6 million adjusted for: \$18.4 million of intangible amortization expense, \$3.4 million for total property and equipment depreciation expense, \$1.7 million of amortization of debt issuance costs, a \$4.6 million deferred income tax benefit offset by a net \$3.2 million increase in our working capital components. The net increase in our working capital components was primarily driven by 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 and a decrease in accrued interest on our Notes due to the semi-annual payment paid by us in our first and third fiscal quarters, mostly offset by the net impact of higher cash collections of receivables compared to the disbursements for accounts payable and accrued expenses.

### **Investing Activities**

Net cash flows from investing activities consist of the cash flows associated with acquisitions and/or dispositions, leasing activities and capital expenditures. In addition, net cash flows of investing activities includes the impact of any acquisitions or dispositions of businesses. 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, 2017:* Net cash used in investing activities for the three months ended September 30, 2017 was \$32.5 million. Cash was primarily used for additional investments in discounted client equipment leases of \$19.7 million in support of our business, \$9.5 million related to an acquisition and the purchase of property and equipment of \$4.7 million.

*Three months ended September 30, 2016:* Net cash used in investing activities for the three months ended September 30, 2016 was \$34.0 million. Cash was primarily used for additional investments in discounted client equipment leases of \$34.3 million in support of our business and the purchase of property and equipment of \$3.3 million, partially offset by proceeds received from our leasing assets of \$3.3 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, 2017:* Net cash used in financing activities for the three months ended September 30, 2017 was \$53.7 million, comprised of a \$49.2 million reduction in accounts payable — floor plan and \$4.5 million of other financing activities. The \$4.5 million of other financing activities was primarily the result of \$17.8 million in proceeds from discounting financing receivables and \$2.9 million of proceeds from issuance of common stock under share-based compensation plans, more than offset by \$25.0 million in repayments on term loans and \$0.2 million of retirements of discounted financing receivables.

*Three months ended September 30, 2016:* Net cash provided by financing activities for the three months ended September 30, 2016 was \$27.9 million, comprised of a \$4.9 million increase in accounts payable — floor plan and \$23.0 million of other financing activities. The \$23.0 million of other financing activities was primarily the result of \$33.9 million in proceeds from discounting financing receivables, partly offset by repayments of \$5.0 million on the receivables securitization facility and \$1.8 million on our term loan facility and \$4.1 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)	June 30, 2017	September 30, 2017
Net debt	\$ 724.1	\$ 701.7
Net working capital ratio	1.00x	1.00x
Available liquidity	\$ 251.5	\$ 323.4

(in millions)	Three months ended September 30, 2016	Three months ended September 30, 2017
Free cash flow	\$ 20.9	\$ 29.0

**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. For the three months ended September 30, 2017, we were able to reduce our debt using cash from operations. 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, 2017 and June 30, 2017 (in millions):

	June 30, 2017	September 30, 2017
Total long-term debt, net of debt issuance costs	\$ 730.7	\$ 707.5
Unamortized debt issuance costs	20.9	19.1
Cash and cash equivalents	(27.5)	(24.9)
Net debt	\$ 724.1	\$ 701.7

**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 1.00x and 1.00x as of September 30, 2017 and June 30, 2017, 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 of June 30, 2017 and September 30, 2017 (in millions):

	June 30, 2017	September 30, 2017
Cash and cash equivalents	\$ 27.5	\$ 24.9
Availability under the revolving credit facility	48.5	48.5
Availability under the receivables securitization facility	175.5	250.0
Available liquidity	\$ 251.5	\$ 323.4

Available liquidity increased from \$251.5 million at June 30, 2017 to \$323.4 million at September 30, 2017 primarily as a result of increased availability under our receivables securitization facility associated with an increase in receivables available to be used as collateral.

The following table presents amounts outstanding under our primary sources of liquidity as of September 30, 2017 and June 30, 2017 (in millions):

	June 30, 2017	September 30, 2017
Cash and cash equivalents	\$ 27.5	\$ 24.9
Accounts payable—floor plan facility	\$ 264.9	\$ 215.7
<b>Long-term debt:</b>		
Revolving credit facility	\$ —	\$ —
Receivables securitization facility	—	—
Term loan facility, due February 2022	626.6	601.6
Senior Notes, 10.25% due February 2023	125.0	125.0
<b>Total long-term debt</b>	<b>\$ 751.6</b>	<b>\$ 726.6</b>

**Free cash flow** – We define free cash flow as our net cash provided by operating activities adjusted to include: (i) the impact of net borrowings (repayments) on floor plan facility, (ii) the aggregate net cash impact of our leasing business and (iii) the purchases of property and equipment.

The following table presents reconciliation of free cash flow from Net cash provided by operating activities for the three months ended September 30, 2016 and 2017 (in millions):

	Three months ended September 30, 2016	Three months ended September 30, 2017
Net cash provided by operating activities	\$ 20.8	\$ 83.6
<b>Adjustments to reconcile to free cash flow:</b>		
Net change in accounts payable — floor plan	4.9	(49.2)
Additions of equipment under sales-type and direct financing leases	(34.3)	(19.7)
Proceeds from collection of financing receivables	3.3	1.1
Additions to equipment under operating leases	(0.5)	(0.3)
Proceeds from disposition of equipment under operating leases	0.2	0.6
Proceeds from the discounting of financing receivables	33.9	17.8
Retirements of discounted financing receivables	(4.1)	(0.2)
Purchases of property and equipment	(3.3)	(4.7)
Total adjustments	0.1	(54.6)
Free cash flow	<b>\$ 20.9</b>	<b>\$ 29.0</b>

*Cash Flow From Operations:* We have historically generated positive cash flows from operations. This source of cash has historically provided sufficient funding for operations, managing working capital needs and servicing of long-term debt. We believe that, despite the uncertainty of future macroeconomic conditions, cash flow from operations will continue to provide us with an adequate source of funding for use in meeting our short-term liquidity needs.

#### 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 Form 10-Q.

#### Off-Balance Sheet Arrangements

We have \$1.5 million of outstanding letters of credit on our revolver facility as of each of September 30, 2017 and June 30, 2017. 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.

## **Critical Accounting Policies and Estimates**

Except as described under Note 1 (Recent Accounting Pronouncements Adopted During the Period) to the accompanying consolidated financial statements included in Part I, Item 1 of this 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, 2017 Annual Report on Form 10-K.

## **Recent Accounting Pronouncements**

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

## **Impact of Inflation**

Inflation has not had a material impact on our operating results. We generally have been able to pass along price increases to our customers, though certain economic factors and technological advances in recent years have tended to place downward pressure on pricing.

## **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 borrowings under our term loans 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 Rules 13a-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 ended September 30, 2017 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

*Set forth below are certain risk factors that could harm our business, results of operations and financial condition. We could also face additional risks and uncertainties not currently known to the Company or that we currently deem to be immaterial. Any of the following risks, if realized, could materially and adversely affect our business, financial condition or results of operations.*

##### Risks Related to Our Business

***General economic conditions could adversely impact technology spending by our clients and put downward pressure on prices, which could adversely impact our business, financial condition or results of operations.***

Weak economic conditions generally, sustained uncertainty about global economic conditions, U.S. federal or other government spending cuts or a tightening of credit markets could cause our clients and potential clients to postpone or reduce spending on technology solutions, products or services. If our industry becomes more price-sensitive, these conditions could also result in customers demanding lower prices for our solutions. Any downward pressure on prices could affect our sales growth and profitability, which could adversely impact our business, financial condition or results of operations.

***Changes and innovation in the information technology industry may result in reduced demand for our information technology solutions.***

Our results of operations are influenced by a variety of factors, including the condition of the information technology industry and shifts in demand for, or availability of, information technology solutions. The information technology industry is characterized by rapid technological change and the frequent introduction of new products, product enhancements and new distribution methods or channels, each of which can decrease demand for current solutions or render them obsolete. In addition, demand for the solutions we sell to our customers could decrease if we are unable to adapt in areas like cloud technology, IaaS, SaaS, PaaS, SDN or other emerging technologies. Cloud offerings may influence our customers to move workloads to cloud providers, which may reduce the procurement of products and solutions from us. Changes in the information technology industry may also negatively impact the demand for our solutions, which could adversely impact our business, financial condition or results of operations.

***Our financial performance could be adversely impacted if our federal, state and local government clients decrease their spending on technology products.***

We provide IT services to various government agencies, including federal, state and local government entities. For the fiscal year ended June 30, 2017, 10% of our revenue came from sales to state and local governments and 4% of our revenue was derived from sales to the federal government. These sales may be impacted by government spending policies, budget priorities and revenue levels.

While our sales to public sector clients are diversified across various agencies and departments, an across-the-board change in government spending policies, including budget cuts at the federal level, could result in our public sector clients reducing their purchases and terminating their service contracts, which could adversely impact our business, financial condition or results of operations.

***Our solutions business depends on our vendor partner relationships and the availability of their products.***

Our solutions depend on the resale of products that we purchase from vendor partners, which include OEMs, software publishers and wholesale distributors. Under our agreements with our vendor partners, we are authorized to sell all or some of their products in connection with our end-to-end solutions, such as pre- and post-sales network design, configuration, troubleshooting and the support and sale of complementary products and services. Our authorization with each vendor partner has



specific terms and conditions with respect to product return privileges, purchase discounts and vendor partner programs and financing programs. These include purchase rebates, sales volume rebates, purchasing incentives and cooperative advertising reimbursements. However, we do not have any long-term contracts with our vendor partners and our agreements with key vendors may be terminable upon notice by any party. As such, from time to time, vendor partners may limit or terminate our right to sell some or all of their products, or change the terms and conditions under which we obtain their products for integration into our solutions.

We also receive payments and credits from vendors, including consideration under volume incentive programs, shared marketing expense programs and early pay discounts. Our vendor partners may decide to terminate or reduce the benefits under their incentive programs, or change the conditions under which we may obtain such benefits. Any sizable reduction, termination or significant delay in receiving benefits under these programs could adversely impact our business, financial condition or results of operations. If we are unable to timely react to any changes in our vendors' programs, such as the elimination of funding for some of the activities for which we have been compensated in the past, such changes could adversely impact our business, financial condition or results of operations.

While we purchase from a diverse vendor base, we have significant supplier relationships with our vendor partners Cisco Systems, Inc. ("Cisco") and Dell, Inc. ("Dell"). For the fiscal year ended June 30, 2017, Cisco provided products that made up 67% of our purchases from all manufacturers, while Dell provided products that constituted 9% of our purchases from all manufacturers. Another significant vendor partner is Palo Alto Networks, Inc., which provided hardware products that generated 2% of our purchases from all manufacturers in the fiscal year ended June 30, 2017. Our portfolio has been heavily concentrated in Cisco products. Though we do not maintain a long-term contractual arrangement with Cisco, historically Cisco has held a leading position in the IT infrastructure market. The loss of, change in business relationship with or change in the behavior, including the timing of fulfillment, of Cisco, any of the other vendors named in this report or any other 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, eroding our competitive position.

Our Systems Integrator Agreement with Cisco (the "Systems Integrator Agreement") sets forth the terms and conditions for our purchase and licensing of various products and services from Cisco, serving as the master agreement for all material business transactions with Cisco. The Systems Integrator Agreement sets forth our obligations to maintain certain quality standards in the services we provide our customers and training standards for certain of our personnel in Cisco products, including incentives for our company to maintain high levels of certification in Cisco expertise, which is measured periodically. The Systems Integrator Agreement had an original term of one year and has been regularly extended since its effective date on May 14, 2002, including the most recent extension through August 31, 2019. The Agreement may be terminated by either party without reason by providing the other party with forty-five days' written notice prior to termination, or by Cisco upon twenty days' written notice if there are certain changes in control of our Company.

Given the significance of our vendor partners to our business model, any geographic relocation of key distributors used in our purchasing model could increase our cost of working capital, which would have a negative impact on our business, financial condition or results of operations. Similarly, the sale, spin-off or combination of any of our vendor partners and/or of certain of their business units, including a sale or combination with a vendor with whom we do not have an existing relationship, could adversely impact our business, financial condition or results of operations.

***Our solutions depend on the innovation and adaptability of our vendor partners, as well as our ability to partner with emerging technology providers.***

The technology industry has experienced rapid innovation and the introduction of new hardware, software and services offerings, such as cloud-based solutions. We have been and will expect to continue to be dependent on innovations in hardware, software and services offerings, as well as the acceptance of these products by clients. If we are unable to keep up with changes in technology and new offerings—for example, by providing the appropriate training to our account managers, technology sales specialists and engineers—it could adversely impact our business, financial condition or results of operations.

Because our solutions involve the resale of vendor products, our business depends on the ability of our vendor suppliers to develop and provide competitive hardware, software and other products. If our vendor partners cannot compete effectively against vendors with whom we do not have a supply relationship, our business, financial condition or results of operations could be adversely impacted. Further, we depend on developing and maintaining relationships with new vendors who can provide products and services in emerging areas of technology, such as cloud, security, mobility, data analytics, software-defined networking and the IoT. To the extent that we cannot develop or maintain relationships with vendors who provide desirable hardware, software and other services, it could adversely impact our business, financial condition or results of operations.

***Substantial competition could reduce our market share and significantly harm our financial performance.***

Our current competition includes large system integrators and resellers, such as Accenture, Dimension Data and DXC Technology; large value-added resellers, such as CDW Corporation and ePlus; local providers in the five regional markets in which we operate (North, South, Tri-State, West and North Central); manufacturers who sell directly to end users, such as Dell, Hewlett-Packard and Apple; cloud providers, such as AT&T, Amazon Web Services and Box; and boutique solutions providers, such as Optiv, Cognizant Infrastructure Services and Equinix. Strong performance by these competitors, the increasing number of services providers in the market and rapid innovation in our industry could erode our market share and adversely impact our business, financial condition or results of operations.

We expect our competitive landscape to continue to change as new technologies are developed, resulting in increasingly short technology refresh cycles. Innovation could disrupt our business model and create new and stronger competitors. Some of our hardware and software vendor partners sell and could intensify their efforts to sell their products directly to our clients. For example, ERP systems vendors and other major software vendors increasingly sell their procurement and asset management products along with their application suites. Because of their significant installed client base, these ERP vendors may have the opportunity to offer additional products to existing clients. Further, traditional OEMs have increased their services capabilities through mergers and acquisitions with services providers, which could potentially increase competition in the market to provide clients with comprehensive technology solutions. Any of these trends could adversely impact our business, financial condition or results of operations.

Some solutions providers in our industry compete on the basis of price. To the extent that we face increased competition to gain or retain clients, we may be required to reduce prices, increase advertising expenditures or take other actions that could impact our cash flows. If we are forced to reduce prices and in doing so we are unable to attract new clients or sell increased quantities of products, our sales growth and profitability could be negatively affected, which could adversely impact our business, financial condition or results of operations.

***Our earnings could be affected if we lose several larger clients.***

Generally, our contracts with our clients are nonexclusive agreements that are terminable upon either party's discretion with 30 days' notice. Only certain of our client agreements require longer periods of notice (60 days' to 90 days' notice). As of June 30, 2017, we have approximately 7,500 middle-market, large, and government clients across a diverse range of industries. In our fiscal year ended June 30, 2017, 20% of our revenue was attributable to our top 25 clients (measured by revenue generated by client). Further, we do not have guaranteed purchasing volume commitments from our clients. As a result, the loss of several of our larger clients, the failure of such clients to pay amounts due to us or a material reduction in purchases made by such clients could adversely impact our business, financial condition or results of operations.

***The success of our business depends on the continuing development, maintenance and operation of our information technology systems.***

Our success is dependent on the accuracy, proper use and continuing development of our information technology systems, including our business systems and our operational platforms. Our ability to effectively use the information generated by our information technology systems, as well as our success in implementing new systems and upgrades, affects our ability to:

- conduct business with our clients, including delivering services and solutions;
- manage our inventory and accounts receivable;
- purchase, sell, ship and invoice our products and services efficiently and on a timely basis; and
- maintain our cost-efficient operating model while expanding our business in revenue and in scale.

***Disruption or breaches of security to our information technology systems and the misappropriation of our clients' data could adversely impact our business.***

Our information technology systems are vulnerable to disruption by forces outside our control. We have taken steps to protect our information technology systems from a variety of internal and external threats, including computer viruses, malware, phishing, social engineering, unauthorized access and other malicious attacks, but there can be no guarantee that these steps will be effective. Any disruption to or infiltration of our information technology systems could adversely impact our business, financial condition or results of operations. In addition, in order to ensure customer confidence in our solutions and services, we may choose to remediate actual or perceived security concerns by implementing further security measures which could require us to expend significant resources.

Further, our business may involve the storage and transmission of proprietary, sensitive or confidential information. In addition, we operate data centers and other information technology for our clients, which host our clients' technology infrastructure and may store and transmit business-critical and confidential data. We have privacy and data security policies in place that are designed to prevent security breaches and confidentiality and data security provisions are standard in our client contracts. However, as newer technologies evolve, our security practices and products may be sabotaged or circumvented by third parties, such as hackers, which could result in disruptions to our clients' businesses, unauthorized procurement and the disclosure of sensitive corporate information or private personal information. Such breaches in security could damage our reputation and our business; they could also expose us to legal claims, proceedings and liability and to regulatory penalties under laws that protect the privacy of personal information, which could adversely impact our business, financial condition or results of operations.

***Our investments in new services and technologies may not be successful.***

We have recently begun and continue to invest in new services and technologies, including cloud, security, mobility, data analytics, software-defined networking and IoT. The complexity of these solutions, our learning curve in developing and supporting them and significant competition in the markets for these solutions could make it difficult for us to market and implement these solutions successfully. There is further risk that we will be unable to protect and enforce our rights to use such intellectual property. Additionally, there is a risk that our clients may not adopt these solutions widely, which would prevent us from realizing expected returns on these investments. Even if these solutions are successful in the market, these solutions still rely on third-party hardware and software and our ability to meet stringent service levels; if we are unable to deploy these solutions successfully or profitably, it would adversely impact our business, financial condition or results of operations.

***If we infringe on the intellectual property rights of third parties, we may be subject to costly disputes or indemnification obligations that could adversely impact our business, financial condition or results of operations.***

We cannot assure you that our activities will not infringe on patents, trademarks or other intellectual property rights owned by others. If we are required to defend ourselves against intellectual property rights claims, we may spend significant time and effort and incur significant litigation costs, regardless of whether such claims have merit. If we are found to have infringed on the patents, trademarks or other intellectual property rights of others, we may also be subject to substantial claims for damages or a requirement to cease the use of such disputed intellectual property, which could have an adverse effect on our operations. Such litigation or claims and the consequences that could follow could distract our management from the ordinary operation of our business and could increase our costs of doing business, resulting in a negative impact on our business, financial condition or results of operations.

Furthermore, third parties may assert infringement claims against our clients for infringement by our products on the intellectual property rights of such third parties. These claims may require us to initiate or defend protracted and costly litigation on behalf of our clients, regardless of the merits of these claims. We also generally extend the indemnification granted by our OEMs to our clients for any such infringement. If any of these claims succeed, we may be forced to pay damages on behalf of our clients or may be required to obtain licenses for the products they use, even though our OEMs may in turn be liable for any such damages. Any infringement on the intellectual property rights of third parties could adversely impact our business, financial condition or results of operations.

***Our engagements with our clients are based on estimated pricing terms. If our estimates are incorrect, these terms could become unprofitable.***

Some of our client contracts for professional services are fixed-price contracts to which we commit before we provide services to these clients. In pricing such fixed-price client contracts, we are required to make estimates and assumptions at the time we enter into these contracts that could differ from actual results. As a result, the profit that is anticipated at a contract's inception may not be guaranteed. Our estimates reflect our best judgments about the nature of the engagement and our expected costs in providing the contracted services. However, any increased or unexpected costs, or any unanticipated delays in connection with our performance of these engagements—including delays caused by our third-party providers or by factors outside our control—could make these contracts less profitable or unprofitable and could have an adverse impact on our business, financial condition or results of operations.

***Failure to comply with the terms of our contracts with our public sector clients, or with applicable laws and regulations, could result in the termination of our contracts, fines or liabilities. Further, changes in government procurement regulations could adversely impact our business.***

We provide information technology services to various government agencies, including federal, state and local government entities, as well as international and intergovernmental agencies. Sales to such public sector clients are highly regulated. Any noncompliance with contract provisions, government procurement regulations or other applicable laws or regulations—including, but not limited to, the False Claims Act and the Foreign Corrupt Practices Act—could result in civil, criminal and administrative liability, such as substantial monetary fines or damages, the termination of government contracts or other public sector client contracts and suspension, debarment or ineligibility from doing business with the government and with other clients in the public sector.

Our contracts with our public sector clients are terminable at any time at the convenience of the contracting agency or group purchasing organization (“GPO”). As such, our relationships with public sector clients are susceptible to government budget, procurement and other policies. Our inability to enter into or retain contracts with GPOs could threaten our ability to sell to current and potential clients in those GPOs. Further, the adoption of new or modified procurement regulations and other requirements may increase our compliance costs and reduce our gross margins, which could have a negative effect on our business, financial condition or results of operations.

We also provide services to certain government agencies that require us to have and maintain security clearance at an appropriate level. If an acquisition or any other action we take causes us to lose our security clearance status, or results in our having a lower level of security clearance, we could lose the business of such clients, which could adversely impact our business, financial condition or results of operations.

***We rely on third-party companies to perform certain of our obligations to clients, which could impact our business if not performed.***

We deliver and manage mission-critical software, systems and network solutions for our clients. We also offer certain services, such as implementation, installation and deployment services, to our clients through various third-party providers who are engaged to perform these services on our behalf. We are also required, as a component of some of our contracts with our OEM partners, to utilize their engineers as part of our solutions. For the fiscal year ended June 30, 2017, 6% of our revenue was attributable to these third-party services. Further, to provide services to our clients outside of the United States, we rely heavily on an international network of preferred sales partners that are generally vetted by our OEM vendor partners. If we or our third-party services providers fail to provide high-quality services to our clients, or if such services result in a disruption of our clients’ businesses, we could be subject to legal claims, proceedings and liability.

As we expand our services and solutions business, we may be exposed to additional operational, regulatory and other risks. For example, we could incur liability for failure to comply with the rules and regulations applicable to the new services and solutions we provide to our clients. Such issues could adversely affect our reputation with our clients, tarnish our brand or render us unable to compete for new work and could adversely impact our business, financial condition or results of operations.

***We rely on third-party commercial delivery services to provide products and services to our clients, which if not performed could lead to significant disruption to our business.***

We also depend heavily on commercial delivery services to provide products and services to our clients. For example, we generally ship hardware products to our clients by FedEx, United Parcel Service and other commercial delivery services and invoice clients for delivery charges. However, our inability to pass future increases in the cost of commercial delivery services to our clients could decrease our profitability. Additionally, strikes, inclement weather, natural disasters or other service interruptions by such shippers could affect our ability to deliver products to our clients in a timely manner and could adversely impact our business, financial condition or results of operations.

***Our business depends on our ability to attract and retain talented personnel.***

Our success depends on our ability to attract, develop, engage and retain key personnel to manage and grow our business, including our key executive, management, sales, services and technical employees.

For example, as we seek to expand our offerings of value-added services and solutions, our success depends on attracting and retaining highly skilled technology specialists and engineers, for whom the market is extremely competitive. Increasingly, our competitors are requiring their employees to sign Non-Compete and Non-Solicitation agreements as part of their employment,

making it more difficult for us to hire talented individuals with experience in our industry. We do not carry any “key man insurance”—that is, an insurance policy that would cover any financial loss that would arise from the death or incapacity of an important member of our business. Our failure to recruit and retain mission-critical employees could adversely impact our business, financial condition or results of operations.

***International trade laws and Anti-Corruption regulations and policies may adversely impact our ability to generate revenue from sales outside of the United States.***

A small portion of our revenue is derived from our sales outside of the United States, mostly from the non-U.S. activities of our clients based in the United States. Specifically, non-U.S. sales represented approximately 2% of our total revenue for each of the fiscal years ended June 30, 2017 and June 30, 2016 and the Successor period ended June 30, 2015. We are exposed to risk under international trade laws because of our sales derived from countries associated with higher risks of corruption and our use of third-party preferred agents to provide services to our clients outside of the United States. We have implemented a global anti-corruption policy that addresses U.S. laws and regulations governing Anti-Corruption and Anti-Bribery. However, our failure to implement guidance and procedures for specific situations as they arise, as well as inadequate training of our employees on these issues, could result in our inability to comply with international trade laws and regulations.

We also export hardware and software that are subject to certain trade-related U.S. laws and regulations, including the Export Administration Regulations administered by the U.S. Department of Commerce, Bureau of Industry and Security (“BIS”) and various economic sanctions programs administered by the U.S. Treasury’s Office of Foreign Assets Control. Exports and re-exports of such hardware and software to certain countries in which we conduct business may require regulatory licensing or other authorization. Our failure to implement compliance policies and procedures, including those relating to product classification, licensing, and screening, or to adequately train our personnel to understand and comply with applicable regulations, could result in export or sanctions violations, which could have an adverse impact on our business, financial condition or results of operations.

***The results of the United Kingdom’s referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.***

In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The referendum was advisory and the terms of any withdrawal are subject to a negotiation period that could last years after the government of the United Kingdom formally initiates a withdrawal process. Nevertheless, the referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, including with respect to the laws and regulations that will apply as the United Kingdom determines which European Union laws to replace or replicate in the event of a withdrawal. The referendum has also given rise to calls for the governments of other European Union member states to consider withdrawal. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict our access to capital, which could have a material adverse impact on our business, financial condition and results of operations.

***Interruption of the flow of hardware products from suppliers could disrupt our supply chain.***

We rely on hardware products that our vendor partners manufacture or purchase outside of the United States, primarily in Asia. Political, social or economic instability in Asia, or in other regions in which our vendor partners purchase or manufacture the products that we resell, could cause disruptions in trade, which would affect our supply chain. Other events that could disrupt our supply chain include:

- the imposition of additional trade law provisions or regulations;
- the imposition of additional duties, tariffs and other charges on imports and exports;
- foreign currency fluctuations;
- natural disasters affecting any of our suppliers’ facilities;
- restrictions on the transfer of funds;
- dependence on an international supply chain;
- the financial instability or bankruptcy of manufacturers;
- significant labor disputes, such as strikes; and
- product or component shortages or significant failures.

We cannot predict whether the countries in which our products are purchased or manufactured, or may be purchased or manufactured in the future, will be subject to new or additional trade restrictions or sanctions imposed by the U.S. or other governments. Trade restrictions—including new or increased tariffs, quotas, embargoes, sanctions, safeguards and customs restrictions—against the products we sell, as well as foreign labor strikes, work stoppages or boycotts, could increase the cost or reduce the supply of the product available to us.

We could experience, and have experienced in the past, periodic product shortages from our vendor partners if they fail to adequately project demand for certain products. Because we do not maintain hardware inventory that is not supported by executed client orders, except for insignificant spares, we depend on our vendor partners' continued supply so we can fulfill our clients' orders on a timely basis. A substantial disruption to our supply chain could adversely impact our business, financial condition or results of operations.

***We are exposed to accounts receivables and inventory risks.***

We extend credit to our clients for a significant portion of our revenue, typically on 30-day payment terms. As a result, we are subject to the risk that our clients will not pay for the products they have purchased or that they will pay at a slower rate than we have historically experienced. This risk is particularly pronounced during periods of economic downturn or uncertainty or, in the case of our public sector clients, due to governmental budget constraints. Though we devote resources to collections operations and have a low write-off rate, any failure or delay by our clients in paying for the products they have purchased could adversely impact our business, financial condition or results of operations.

Any of our clients may experience a downturn in its business that may weaken its business, financial condition or results of operations. As a result, a client may fail to make payments when due, become insolvent or declare bankruptcy. Any client bankruptcy or insolvency, or the failure of any client to make payments when due, could result in losses. A client bankruptcy would delay or preclude full collection of amounts owed to us.

In certain cases, we are able to return unused equipment to our vendors. We primarily acquire inventory once we have an agreement executed with a client and with the exception of an immaterial level of spare parts inventory, we do not generally maintain inventory that is not already designated for sale. However, we may be exposed to the risk that our inventory cannot be returned to the vendor in situations where a client cancels an executed order.

We seek to minimize our inventory exposure through a variety of inventory management procedures and policies, including buying limits and restrictions on inventory purchase authority. However, if we were unable to successfully maintain our inventory management procedures and policies, or if there are unforeseen product developments that result in the more rapid obsolescence of our inventory, our inventory risks could increase, which could adversely impact our business, financial condition or results of operations.

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

We are a lessor of technology equipment and the realization of equipment values (residual values) during the life and predominantly at the end of the term of a lease is an important element in our leasing business. At the inception of each lease, we record a residual value for the leased equipment based on our estimate of the value of the equipment at the expected disposition date.

If the market value of leased equipment decreases at a faster rate than we projected, whether due to rapid technological or economic obsolescence, unusual wear and tear on the equipment, excessive use of the equipment or other factors, this would adversely affect the recoverability of the estimated residual values of such equipment. Further, certain equipment residual values are dependent on the vendor's warranties, reputation and other factors, including market liquidity. We also may not realize the full market value of equipment if we are required to sell it to meet liquidity needs or for other reasons outside of the ordinary course of business. Consequently, there can be no assurance that we will realize our estimated residual values for equipment, which failure to realize such values could adversely impact our business, financial condition or results of operations.

***We may not realize the full amount of our backlog, which could have a material adverse impact on our business, financial condition or results of operations.***

As of June 30, 2017, our backlog orders believed to be firm was approximately \$500 million, compared to approximately \$502 million as of June 30, 2016. There can be no assurance that our backlog will result in actual revenue in any particular period, or at all, or that any contract included in our backlog will be profitable. This is because the actual realization and timing of any of this revenue is subject to various contingencies, many of which are beyond our control. The actual realization of revenue on engagements included in backlog may never occur or may change because an order could be reduced, modified or terminated early. Several of our orders involve the delivery of services that can be up to five years in duration and may be subject to delays in performance that are beyond our control. Due to these uncertainties, we estimate that approximately \$96 million of our backlog orders believed to be firm as of June 30, 2017 will not be fulfilled within the current fiscal year. Our failure to realize the full amount of our backlog could adversely impact our business, financial condition or results of operations.

***Our acquisitions may not achieve expectations, which could affect our profitability.***

We have acquired and may acquire, companies and operations that extend or complement our existing business. These transactions involve numerous business risks, including finding suitable transaction partners, the diversion of management's attention from other business concerns, extending our product or service offerings into areas in which we have limited experience, entering into new geographic markets, the potential loss of key employees or business relationships and the integration of acquired businesses, any of which could adversely impact our business, financial condition or results of operations.

Furthermore, failure to successfully integrate acquired operations may adversely affect our cost structure, reducing our gross margins and return on investment. In addition, we may acquire entities with unknown liabilities. Should an unknown liability emerge following an acquisition, it could adversely impact our business, financial condition or results of operations.

As with most acquisitions in our industry, we paid a premium to book value in our prior acquisitions and the portion of the purchase price paid in excess of the fair value of the assets acquired has been recorded on our books as goodwill or intangible assets. We may be required to account for similar premiums paid on future acquisitions in the same manner. Under existing U.S. GAAP, goodwill is not amortized and is carried on our books at its original value, subject to annual review and evaluation for impairment, whereas finite-lived intangible assets are amortized over the life of the asset. If market and economic conditions (including business valuation levels and trends) deteriorate, we may have to record impairment charges to the extent the carrying value of our goodwill exceeds the fair value of our overall business. Additionally, if existing U.S. GAAP were modified to require amortization, such impairment charges or amortization expense could adversely affect our net earnings during the period in which the charge or expense is recorded. As of June 30, 2017, we had goodwill and other intangible assets related to our prior acquisitions of \$1,533.4 million. Any failure to successfully integrate our acquisitions or a change to existing U.S. GAAP goodwill and intangible asset accounting policies could adversely impact our business, financial condition or results of operations.

***Our operating results could fluctuate significantly in the future because of industry factors and other factors outside of our control.***

Our operating results are dependent on a variety of industry factors, including the condition of the technology industry in general, shifts in demand and pricing for hardware, software and services and the introduction of new products or upgrades.

Our operating results are also dependent on our level of gross profit as a percentage of revenue. Our gross profit percentage fluctuates due to numerous factors, some of which may be outside of our control. These include general macroeconomic conditions; pricing pressures; changes in product costs from our vendor partners; the availability of price protection, purchase discounts and incentive programs from our vendor partners; changes in product, order size and client mix; the risk that certain items in our inventory become obsolete; increases in delivery costs that we cannot pass on to clients; and general market and competitive conditions.

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 the revenue recognized in the third and fourth quarters of our fiscal year.

Furthermore, due to general economic conditions, we may not only experience difficulty in collecting our receivables on a timely basis but also may experience a loss due to a client's inability to pay. In addition, certain economic factors may impact the valuation of certain investments we may make in other businesses.

As a result of these and other factors, quarterly period-to-period comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

In addition, our cost structure is based in part on anticipated sales and gross margins. Therefore, we may not be able to adjust our cost structure quickly enough to compensate for any unexpected sales or gross margin shortfall. Any such inability could adversely impact our business, financial condition or results of operations.

***We are exposed to risks from legal proceedings and audits.***

We are party to various legal proceedings that arise in the ordinary course of our business, which include commercial, employment, tort and other litigation.

We are also subject to intellectual property infringement claims in the ordinary course of our business, which come in the form of cease-and-desist letters, licensing inquiries, lawsuits and other demands. These claims may arise either from the products and services we sell or the business systems and products we use to sell the products and services. In our industry, such claims have become more frequent with the increasing complexity of technological products. In fact, many of these assertions are brought by Non-Practicing entities, whose principal business model is to secure patent licensing revenue.

Because of our significant sales to public sector clients, we are also subject to audits by federal, state and local authorities. From time to time, we receive subpoenas and other requests for information from various government authorities. We may also be subject to audits by various vendor partners and large clients, including government agencies, pursuant to certain purchase and sale agreements. Further, we may be required to indemnify our vendor partners and our clients from claims brought by third parties under certain agreements. See "Item 3. Legal Proceedings."

Current and future litigation, infringement claims, governmental proceedings, audits or indemnification claims may result in substantial costs and expenses and regardless of the outcome, significantly divert the attention of our management, which could adversely impact our business, financial condition or results of operations.

***Changes in accounting rules could adversely affect our future financial results.***

We prepare our financial statements in conformity with U.S. GAAP. These accounting principles are subject to interpretation by the Financial Accounting Standards Board, the Public Company Accounting Oversight Board, the Securities and Exchange Commission, the American Institute of Certified Public Accountants and various other bodies formed to interpret and create appropriate accounting policies. Products and services and the manner in which they are bundled, are technologically complex and the characterization of these products and services require judgment to apply revenue recognition policies. Any mischaracterization of these products and services could result in misapplication of revenue recognition policies. Future periodic assessments required by current or new accounting standards may result in noncash changes and/or changes in presentation or disclosure. In addition, any change in accounting standards may influence our clients' decision to purchase from us or to finance transactions with us, which could adversely impact our business, financial condition or results of operations.

***Increased costs of labor and employee health and welfare benefits may adversely impact our results of operations.***

Given our large number of employees, labor-related costs represent a significant portion of our expenses. Salaries, wages, benefits, commissions and other labor compensation costs (not including bonus and payroll tax) for our full-time employees amounted to \$411 million, which represented approximately 71% of our selling, general and administrative expenses and approximately 6% of our cost of sales for the fiscal year ended June 30, 2017. An increase in labor costs (for example, as a result of increased competition for skilled labor) or employee benefit costs (such as health care costs or otherwise) could adversely impact our business, financial condition or results of operations.



***Our future results will depend on our ability to continue to focus our resources, maintain our business structure and manage costs effectively.***

We are continually implementing productivity measures and focusing on measures intended to further improve cost efficiency. We may be unable to realize all expected cost savings in connection with these efforts within the expected time frame, or at all, and we may incur additional and/or unexpected costs to realize them. Further, we may not be able to sustain any achieved savings in the future. Future results will depend on the success of these efforts.

Under our contracts, should we be unable to control costs, we may incur losses, which could decrease our operating margins and significantly reduce or eliminate our profits. As our industry becomes more price-sensitive, our future profitability will depend on our ability to manage costs or increase productivity. An inability to effectively manage costs will adversely impact our business, financial condition or results of operations.

***Any failure in our delivery of high-quality technical support services may adversely affect our relationships with our clients and our financial results.***

Our clients depend on our services desk to provide technical support. We may be unable to respond quickly enough to accommodate short-term increases in client demand for support services. Increased client demand for these services, without corresponding revenue, could increase costs and adversely affect our operating results. In the same vein, any failure to maintain high-quality technical support, or a market perception that we do not maintain high-quality support, could adversely impact our reputation and our business, financial condition or results of operations.

***We may not meet our growth objectives and strategies, which may impact our competitiveness.***

On an ongoing basis, we seek to achieve profitable growth by providing superior solutions to our clients. As we continue to invest in growth opportunities, including our investments in new technologies and capabilities, we may experience unfavorable demand for these services and we may be unable to deploy these solutions successfully or profitably. In addition, we have historically been focused on reducing our costs and may not be able to achieve or maintain targeted cost reductions. Our inability to effectively invest in new growth opportunities or to reduce cost could impact our competitiveness and render it difficult for us to meet our growth objectives and strategies, which could adversely impact our business, financial condition or results of operations.

***Ineffective internal controls could impact our business and operating results.***

Our internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls or fraud. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, our business and results of operations could be harmed and we could fail to meet our financial reporting obligations, which could adversely impact our business, financial condition or results of operations.

#### **Risks Related to an Investment in Our Common Stock**

***Apollo and its affiliates currently have control over us, including the ability to elect all of our directors and prevent any transaction that requires approval of our Board of Directors or our stockholders and may also pursue corporate opportunities independent of us that could present conflicts with our and our stockholders' interests.***

As of June 30, 2017, Aegis LP holds approximately 73.7% of our common stock. As a result, through Aegis LP and Apollo VIII, Apollo indirectly has the power to elect all of our directors. Therefore, Apollo effectively has the ability to prevent any transaction that requires the approval of our Board of Directors or our stockholders, including the approval of significant corporate transactions, such as mergers and the sale of substantially all of our assets. Thus, Apollo is able to significantly influence or effectively control our decisions.

In addition, the stockholders' agreement with Aegis LP that we entered into in connection with our IPO provides that, except as otherwise required by applicable law, if Aegis LP, Apollo VIII or other Apollo Funds hold (a) at least 50% of our outstanding common stock, they will have the right to designate up to five nominees to our Board of Directors, (b) at least 30% but less than 50% of our outstanding common stock, they will have the right to designate up to four nominees to our Board of Directors, (c) at least 20% but less than 30% of our outstanding common stock, they will have the right to designate up to three nominees to our Board of Directors and (d) at least 10% but less than 20% of our outstanding common stock, they will have the right to designate two nominees to our Board of Directors. The agreement provides that if the size of our Board of Directors is

increased or decreased at any time, the nomination rights of the Apollo Funds will be proportionately increased or decreased, respectively, rounded up to the nearest whole number.

The interests of Apollo could conflict with or differ from the interests of other holders of our common stock. For example, the concentration of ownership held by the Aegis LP could delay, defer or prevent a change of control of the Company or impede a merger, takeover or other business combination that a stockholder may otherwise view favorably. In addition, a sale of a substantial number of shares of stock in the future by Aegis LP or other Apollo Funds could cause our stock price to decline.

Additionally, the group of (A) Apollo, (B) the Apollo Funds, (C) any other investment fund or other collective investment vehicle affiliated with or managed by Apollo or whose general partner or managing member is owned, directly or indirectly, by Apollo and (D) any affiliate of the foregoing (in each case, other than the Company and its subsidiaries) (collectively, the “Apollo Group”) is in the business of making or advising on investments in companies and holds (and may from time to time in the future acquire) interests in or provides advice to businesses that directly or indirectly compete with certain portions of our business or are suppliers or customers of ours. The Apollo Group may also pursue acquisitions that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us.

Our certificate of incorporation provides that no officer or director of the Company who is also an officer, director, employee, managing director or other affiliate of any member of the Apollo Group will be liable to us or our stockholders for breach of any fiduciary duty by reason of the fact that any such individual pursues or acquires a corporate opportunity for its own account or the account of an affiliate, as applicable, instead of us, directs a corporate opportunity to any other person, instead of us or does not communicate information regarding a corporate opportunity to us.

So long as the Apollo Funds continue to beneficially own a significant amount of our equity, even if such amount is less than 50%, the Apollo Funds may continue to be able to strongly influence or effectively control our decisions.

The foregoing and other issues related to the Apollo Funds’ control of any of the foregoing may adversely impact prevailing market prices for our common stock.

***The price of our common stock may fluctuate significantly and you could lose all or part of your investment.***

Volatility in the market price of our common stock may prevent you from being able to sell your shares of common stock at or above the price you paid for them. In addition to the risks described in this “Risk Factors” section, the market price for our common stock could fluctuate significantly for various reasons, including:

- our operating and financial performance and prospects;
- our quarterly or annual earnings or those of other companies in our industry;
- changes in earnings estimates or recommendations by securities analysts, if any, or termination of coverage of our common stock by securities analysts;
- our failure to meet estimates or forecasts made by securities analysts, if any;
- conditions that impact demand for our products and services;
- future announcements concerning our business or our competitors’ businesses;
- the public’s reaction to our press releases, other public announcements and filings with the SEC;
- market and industry perception of our success, or lack thereof, in pursuing our growth strategy;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- changes in government and environmental regulation;
- changes in accounting standards, policies, guidance, interpretations or principles;
- arrival and departure of key personnel;
- the number of our publicly traded shares;
- sales of common stock by us, the Apollo Funds, members of our management team or any other party;
- adverse resolution of new or pending litigation against us;
- changes in general market, economic and political conditions in the United States and global economies or financial markets, including those resulting from natural disasters, terrorist attacks, acts of war and responses to such events; and
- material weakness in our internal controls over financial reporting.

In addition, in recent years, the stock market has experienced significant price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies. The changes frequently appear to occur without regard to the operating performance of the affected companies. Hence, the price of our common stock could fluctuate

based upon factors that have little or nothing to do with the Company and these fluctuations may adversely impact prevailing market prices for our common stock.

***We are a “controlled company” within the meaning of applicable NASDAQ rules and, as a result, qualify for and rely on, exemptions from certain corporate governance requirements.***

Through Aegis LP and Apollo VIII, Apollo controls a majority of our voting common stock. As a result, we are a “controlled company” within the meaning of the NASDAQ corporate governance standards. Under the NASDAQ rules, a company of which more than 50% of the voting power for the election of directors is held by an individual, group or another company is a “controlled company” and may elect not to comply with certain the NASDAQ corporate governance requirements, including the requirements:

- that a majority of the Board of Directors consists of independent directors, as defined under the rules of the NASDAQ;
- that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities; and
- that we have a nominating and governance committee composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities.

Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to such corporate governance requirements of the NASDAQ.

The foregoing and other issues related to the Apollo Funds’ control of any of the foregoing may adversely impact prevailing market prices for our common stock.

***We have no plans to pay regular dividends on our common stock, so you may not receive funds without selling your common stock.***

We have no plans to pay regular dividends on our common stock. Any declaration and payment of future dividends to holders of our common stock may be limited by restrictive covenants of our debt agreements, will be at the sole discretion of our 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 our Board of Directors deems relevant.

The terms of our senior credit facility and the indenture governing our Senior Notes may restrict our ability to pay cash dividends on our common stock. Our debt instruments contain covenants that restrict our ability to pay dividends on our common stock, as well as the ability of our subsidiaries to pay dividends to us. Furthermore, we are permitted under the terms of our debt instruments to incur additional indebtedness, which may restrict or prevent us from paying dividends on our common stock. Agreements governing any future indebtedness, in addition to those governing our current indebtedness, may not permit us to pay dividends on our common stock. Any of the foregoing may adversely impact prevailing market prices for our common stock.

***Future sales or the possibility of future sales of a substantial amount of our common stock may depress the price of shares of our common stock.***

Future sales or the availability for sale of substantial amounts of our common stock in the public market could adversely affect the prevailing market price of our common stock and could impair our ability to raise capital through future sales of equity securities.

As of June 30, 2017, there were 90,969,919 shares of our common stock outstanding. This number includes the 18,766,465 shares which were sold in our IPO and are freely transferable without restriction or further registration under the Securities Act of 1933, as amended (the “Securities Act”). Of the remaining 72,203,454 shares of our common stock outstanding, Aegis LP holds 67,000,000 shares representing approximately 73.7% of our outstanding shares. The shares owned by Aegis LP, our directors and executive officers are eligible for resale subject to applicable volume and other restrictions under Rule 144 or pursuant to another applicable exemption under the Securities Act.

The Company and Aegis LP, the Apollo Fund that holds most of our common stock, and certain of our employees who invested in the Company in connection with its acquisition by the Apollo Funds on February 2, 2015 are parties to a securityholders agreement (the “Amended Management Stockholders Agreement”). Pursuant to the Amended Management Stockholders Agreement, Aegis LP and certain of its affiliates have certain demand registration rights for shares of our common stock held by them. In addition, under the Amended Management Stockholders Agreement, Aegis LP, certain of its affiliates and certain owners

of our common stock who are employed by or serve as consultants to or directors of our Company or any of its affiliates (the “Management Holders”) have piggyback and other registration rights with respect to shares of our common stock held by them. Furthermore, under the Amended Management Stockholders Agreement, we have agreed to indemnify (A) each party to the Amended Management Stockholders Agreement and their respective officers, directors, employees, representatives and each person who controls such party, (B) Aegis LP and its officers, managers, employees, representatives and affiliates and (C) any portfolio company of the Apollo Group against losses, claims, damages, liabilities and expenses caused by any untrue or alleged untrue statement of a material fact contained in any registration statement or prospectus or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as the same may be caused by or contained in any information furnished in writing to our Company by such party set forth in (A), (B) or (C) above for use therein.

We also may issue shares of our common stock or other securities from time to time as consideration for future acquisitions and investments. If any such acquisition or investment is significant, the number of shares of our common stock, or the number or aggregate principal amount, as the case may be, of other securities that we may issue may in turn be substantial. We may also grant registration rights covering those shares of our common stock or other securities in connection with any such acquisitions and investments.

We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares of our common stock issued in connection with an acquisition) or the exercising of any registration rights, or the perception that such sales or such exercising of registration rights could occur, may adversely affect prevailing market prices for shares of our common stock. Any of the foregoing may adversely impact prevailing market prices for our common stock.

We filed a registration statement on Form S-8 under the Securities Act registering shares under the Presidio, Inc. 2017 Long-Term Incentive Plan, the Presidio, Inc. Amended and Restated 2015 Long-Term Incentive Plan and the Presidio, Inc. Employee Stock Purchase Plan. Subject to the terms of the awards pursuant to which shares are granted under the incentive plans and except for shares held by affiliates who will be subject to the resale restrictions described above, the shares issuable pursuant to our incentive plans will be available for sale in the public market.

***Delaware law and our organizational documents may impede or discourage a takeover, which could deprive our investors of the opportunity to receive a premium for their shares.***

We are a Delaware corporation and the antitakeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change of control would be beneficial to our existing stockholders. In addition, provisions of our certificate of incorporation and bylaws may make it more difficult for, or prevent a third party from, acquiring control of us without the approval of our Board of Directors. Among other things, these provisions:

- classify our Board of Directors so that only some of our directors are elected each year;
- do not permit cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates;
- delegate the sole power of a majority of the Board of Directors to fix the number of directors;
- provide the power of our Board of Directors to fill any vacancy on our board, whether such vacancy occurs as a result of an increase in the number of directors or otherwise;
- authorize the issuance of “blank check” preferred stock without any need for action by stockholders;
- impose limitations on the ability of our stockholders to call special meetings and act by written consent; and
- establish advance notice requirements for nominations for election to our Board of Directors or for proposing matters that can be acted on by stockholders at stockholders’ meetings.

Additionally, Section 203 of the Delaware General Corporation Law (the “DGCL”) prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person, which together with any “interested” stockholder, or within the last three years has owned, 15% of our voting stock, for a period of which such person became an interested stockholder, unless the business combination is approved in a prescribed manner.

We have elected not to opt out of Section 203 of the DGCL. We have included a provision in our certificate of incorporation that exempts us from the provisions of the DGCL with respect to combinations between any member of the Apollo Group (including any portfolio company thereof), on the one hand, and us, on the other.

The foregoing factors, as well as the significant common stock ownership by Aegis LP could impede a merger, takeover or other business combination or discourage a potential investor from making a tender offer for our common stock, which, under certain circumstances, may adversely impact prevailing market prices for our common stock.

***Our certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.***

Our certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for (a) any derivative action or proceeding brought on our behalf; (b) any action asserting a claim for or based on a breach of a fiduciary duty owed by any of our current or former directors or officers or other employees of the Company to the Company or to the Company's stockholders, including a claim alleging the aiding and abetting of such a breach of fiduciary duty; (c) any action asserting a claim against the Company or any of our current or former directors, officers or other employees arising pursuant to any provision of the DGCL or our certificate of incorporation and bylaws; (d) any action asserting a claim related to or involving the Company that is governed by the internal affairs doctrine; or (e) any action asserting an "internal corporate claim" as that term is defined in Section 115 of the DGCL. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely impact our business, financial condition or results of operations.

***We may issue shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our common stock, which could depress the price of our common stock.***

Our certificate of incorporation authorizes us to issue one or more series of preferred stock. Our Board of Directors has the authority to determine the preferences, limitations and relative rights of shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Our preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discouraging bids for our common stock at a premium to the market price and may adversely impact prevailing market prices for our common stock and the voting and other rights of the holders of shares of our common stock.

***We are a holding company and rely on dividends and other payments, advances and transfers of funds from our subsidiaries to meet our obligations and pay dividends.***

We are a holding company and we conduct all of our operations through our subsidiaries. As a result, we rely on our subsidiaries for dividends and other payments to generate the funds necessary to meet our financial obligations and to pay any dividends with respect to our common stock. The ability of our subsidiaries to pay dividends or to make other payments or distributions to us depends substantially on their respective operating results and is subject to restrictions under, among other things, the laws of their jurisdiction of organization (which may limit the amount of funds available for the payment of dividends), agreements of those subsidiaries, the terms of our financing arrangements and the terms of any future financing arrangements of our subsidiaries. In addition, the earnings from, or other available assets of, our subsidiaries, may not be sufficient to pay dividends or make distributions or loans to enable us to pay any dividends on our common stock.

***Fulfilling our obligations incident to being a public company, including with respect to the requirements of and related rules under the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Act, is expensive and time-consuming and any delays or difficulties in satisfying these obligations could have a material adverse effect on our future results of operations and our stock price.***

We are subject to reporting, accounting and corporate governance requirements of the NASDAQ, the Securities Exchange Act of 1934, as amended, the Sarbanes-Oxley Act and Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”). The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal control for financial reporting. Under Section 404 of the Sarbanes-Oxley Act and pursuant to the terms therein, our independent public accountants auditing our financial statements must attest to the effectiveness of our internal control over financial reporting. To continue to maintain the effectiveness of our disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight are required. To comply with the requirements of being a public company, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring additional accounting or internal audit staff. In addition, we may identify control deficiencies which could result in a material weakness or significant deficiency. Furthermore, if we are unable to conclude that our disclosure controls and procedures and internal control over financial reporting are effective, or if our independent public accounting firm is unable to provide us with an unqualified report as to management’s assessment of the effectiveness of our internal control over financial reporting in future years, investors may lose confidence in our financial reports and our stock price may decline.

In addition, Dodd-Frank, which amended the Sarbanes-Oxley Act and other federal laws, has created uncertainty for public companies and we cannot predict with any certainty the requirements of the regulations that will ultimately be adopted under Dodd-Frank or how such regulations will affect the cost of compliance for a company with publicly traded common stock. There is likely to be continuing uncertainty regarding compliance matters because the application of these laws and regulations, which are subject to varying interpretations, may evolve over time as new guidance is provided by regulatory and governing bodies. We intend to invest resources to comply with these evolving laws and regulations, which may result in increased general and administrative expenses and divert management’s time and attention from other business concerns. Furthermore, if our compliance efforts differ from the activities that regulatory and governing bodies expect or intend due to ambiguities related to interpretation or practice, we may face legal proceedings initiated by such regulatory or governing bodies and our business may be harmed. In addition, new rules and regulations may make it more difficult for us to attract and retain qualified directors and officers and may make it more expensive for us to obtain director and officer liability insurance.

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

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

#### **Risks Related to Our Indebtedness**

***Our substantial indebtedness could impair our financial flexibility, competitive position and financial condition.***

We have a substantial amount of indebtedness and other obligations. As of June 30, 2017 we had \$751.6 million in aggregate principal amount of total debt outstanding, which includes \$125.0 million of indebtedness under our Senior Notes which will mature on February 15, 2023, \$626.6 million of indebtedness under our February 2015 Credit Agreement (without giving effect to undrawn letters of credit), and no obligations owed under our \$250.0 million accounts receivable securitization facility.

Our substantial indebtedness could have important consequences. For example, it could:

- limit our ability to obtain additional financing in the future for working capital, capital expenditures and acquisitions;
- make it more difficult for us to satisfy our obligations under the terms of our financing arrangements;
- make it more difficult to comply with the obligations of our debt instruments, including restrictive covenants and borrowing conditions, the failure of which could result in an event of default under the agreements governing our other indebtedness;
- limit our ability to refinance our indebtedness on terms acceptable to us or at all;
- limit our flexibility to plan for and to adjust to changing business and market conditions in the industry in which we operate and increase our vulnerability to general adverse economic and industry conditions;

- require us to dedicate a substantial portion of our cash flow from operations to make interest and principal payments on our debt, thereby limiting the availability of our cash flow to fund future investments, capital expenditures, working capital, business activities, acquisitions and other general corporate requirements;
- limit our ability to obtain additional financing for working capital and capital expenditures to fund growth or for general corporate purposes, even when necessary to maintain adequate liquidity, particularly if any ratings assigned to our debt securities by rating organizations were revised downward;
- subject us to higher levels of indebtedness than our competitors, which may cause a competitive disadvantage and may reduce our flexibility in responding to increased competition; and
- expose us to the risk of increased interest rates, as certain of our borrowings, including borrowings under our February 2015 Credit Agreement and our accounts receivable securitization facility, are at variable rates of interest.

In addition, the terms of the agreements governing our indebtedness contain restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default, which, if not cured or waived, could result in the acceleration of our debts. The occurrence of any one of these events could adversely impact our business, financial condition or results of operations, as well as our prospects or ability to satisfy our debt obligations.

In addition to the restrictions contained in our indebtedness, the agreements governing our accounts payable - floor plan facility also contain restrictive covenants that may limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in the termination of our accounts payable - floor plan facility and the acceleration of our obligations thereunder.

***Despite our substantial indebtedness level, we may still be able to incur substantial additional amounts of debt that could further exacerbate the risks associated with our indebtedness.***

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although the terms of our accounts receivable securitization facility, the indenture governing our Senior Notes and our February 2015 Credit Agreement contain restrictions on our and our subsidiaries' ability to incur additional indebtedness, these restrictions are subject to a number of important qualifications and exceptions and the indebtedness incurred in compliance with these restrictions could be substantial. For example, as of June 30, 2017, we had \$50.0 million available for additional borrowing under the revolver of our February 2015 Credit Agreement (without giving effect to letters of credit) and \$175.5 million available under our accounts receivable securitization facility. These restrictions also will not prevent us from incurring obligations that do not constitute indebtedness. We may opportunistically raise debt capital, subject to market and other conditions, to refinance our existing capital structure or for strategic alternatives and general corporate purposes as part of our growth strategy. There can be no assurance that such debt capital will be available to us on a timely basis, at reasonable rates or at all. If new debt is added to our existing debt levels, the related risks that we face would intensify and we may not be able to meet all of our debt obligations.

***The agreements governing our debt contain, and future financing arrangements may contain, various covenants that limit our ability to take certain actions and require us to meet financial maintenance tests. Failure to comply with these terms could adversely impact our financial condition.***

Our financing arrangements, including the indenture governing our Senior Notes, our February 2015 Credit Agreement and our accounts receivable securitization facility, contain restrictions, covenants and events of default that, among other things, require us to satisfy certain financial tests and maintain certain financial ratios and restrict our ability to incur additional indebtedness and to refinance our existing indebtedness. Financing arrangements that we enter into in the future could contain similar restrictions and could additionally require us to comply with similar, new or additional financial tests or to maintain similar, new or additional financial ratios. The terms of our existing financing arrangements, financing arrangements that we enter into in the future and any future indebtedness may impose various restrictions and covenants on us that could limit our ability to pay dividends, respond to market conditions, provide for capital investment needs or take advantage of business opportunities because they limit the amount of additional borrowings we may incur. These restrictions include compliance with, or maintenance of, certain financial tests and ratios and may limit or prohibit our ability to, among other things:

- borrow money or guarantee debt;
- create liens;
- pay dividends on or redeem or repurchase stock or other securities;
- make investments and acquisitions;
- enter into or permit to exist contractual limits on the ability of our subsidiaries to pay dividends to us;
- enter into new lines of business;
- enter into transactions with affiliates; and
- sell assets or merge with other companies.

Various risks, uncertainties and events beyond our control could affect our ability to comply with these restrictions and covenants. Failure to comply with any of the restrictions and covenants in our existing or future financing arrangements could result in a default under those arrangements and under other arrangements containing cross-default provisions.

An event of default would permit lenders to accelerate the maturity of the debt under these arrangements and to foreclose upon any collateral securing the debt. Under such circumstances, we might not have sufficient funds or other resources to satisfy all of our obligations, including our debt obligations. In addition, the limitations imposed by our financing agreements on our ability to incur additional debt and to take other actions might significantly impair our ability to obtain other financing.

***To service our indebtedness and other cash needs, we require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.***

Our ability to satisfy our debt obligations and to fund any planned capital expenditures, dividends and other cash needs will depend in part upon the future financial and operating performance of our subsidiaries and upon our ability to renew or refinance borrowings. We cannot assure you that our business will generate cash flow from operations, or that we will be able to draw under our revolving credit facility or otherwise, in an amount sufficient to fund our liquidity needs, including the payment of principal and interest on our indebtedness. Prevailing economic conditions and financial, business, competitive, legislative, regulatory and other factors, many of which are beyond our control, will affect our ability to make these payments.

If we are unable to make payments, refinance our debt or obtain new financing under these circumstances, we may consider other options, including:

- sales of assets;
- sales of equity;
- reduction or delay of capital expenditures, strategic acquisitions, investments and alliances; or
- negotiations with our lenders to restructure the applicable debt.

These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, the terms of existing or future debt agreements, including our February 2015 Credit Agreement, our accounts receivable securitization facility and the indenture governing our Senior Notes, may restrict us from adopting some of these alternatives. In the absence of sufficient cash flow from operating results and other resources, we could face substantial liquidity problems and could be required to dispose of material assets or operations to meet



our debt service and other obligations. We may not be able to consummate those dispositions for fair market value, or at all. Furthermore, any proceeds that we could realize from any such dispositions may not be adequate to meet our debt service obligations then due. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, could adversely impact our business, financial condition or results of operation.

*Any decline in the ratings of our corporate credit could adversely affect our ability to access capital.*

Any decline in the ratings of our corporate credit or any indications from the rating agencies that their ratings on our corporate credit are under surveillance or review with possible negative implications could adversely impact our ability to access capital.

*We are subject to fluctuations in interest rates.*

Borrowings under our February 2015 Credit Agreement and our accounts receivable securitization facility are subject to variable rates of interest and expose us to interest rate risk. For example, assuming the revolver under our February 2015 Credit Agreement and our accounts receivable securitization facility are fully drawn, and based on the outstanding term loan balance as of June 30, 2017, each 0.125% change in assumed blended interest rates would result in an approximately \$1.1 million change in annual interest expense on indebtedness. At present, we do not have any existing interest rate swap agreements, which involve the exchange of floating for fixed rate interest payments to reduce interest rate volatility. However, we may decide to enter into such swaps in the future. If we do, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness and any swaps we enter into may not fully mitigate our interest rate risk, may prove disadvantageous or may create additional risks.

**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.



## CERTIFICATION

I, Robert Cagnazzi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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)) 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) 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
  - (c) 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, 2017

/s/ ROBERT CAGNAZZI

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

## CERTIFICATION

I, Paul Fletcher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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)) 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) 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
  - (c) 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, 2017

/s/ PAUL FLETCHER  
Paul Fletcher

Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

**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, 2017 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, 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, 2017

/s/ ROBERT CAGNAZZI  
Robert Cagnazzi

Chief Executive Officer and Director  
(Principal Executive Officer)

**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, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Paul Fletcher, Executive Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, 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.

November 6, 2017

/s/ PAUL FLETCHER  
Paul Fletcher

Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)