

McDannold Timothy J
 Form 4
 November 19, 2009

FORM 4 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
 McDannold Timothy J

2. Issuer Name and Ticker or Trading Symbol
 DIEBOLD INC [DBD]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)
 11/17/2009

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
 VP & Treasurer

C/O DIEBOLD, INCORPORATED, 5995 MAYFAIR ROAD

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

NORTH CANTON, OH 44720

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)	
				(A) or (D)	Price			
				Code	V	Amount		
Common Stock					896	I	401(k) ⁽¹⁾	
Common Stock	11/17/2009		M	1,000	A	\$ 22.88	3,164	D
Common Stock	11/17/2009		S	897	D	\$ 27.0011	2,267 ⁽²⁾	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

displays a currently valid OMB control number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Security (Instr. 3 and 4)	Amount or Number of Shares
Non-qualified Stock Option	\$ 22.88	11/17/2009		M	1,000	01/27/2001 01/26/2010	Common Stock	1,000
Non-qualified Stock Option	\$ 28.69					02/07/2002 02/06/2011	Common Stock	1,000
Non-qualified Stock Option	\$ 36.59					02/06/2003 02/05/2012	Common Stock	5,000
Non-qualified Stock Option	\$ 36.31					02/05/2004 02/04/2013	Common Stock	5,000
Non-qualified Stock Option	\$ 53.1					02/11/2005 02/10/2014	Common Stock	2,500
Non-qualified Stock Option	\$ 55.23					02/10/2006 02/09/2015	Common Stock	2,400
Non-qualified Stock Option	\$ 39.43					02/20/2007 02/19/2016	Common Stock	2,500
Non-qualified Stock Option	\$ 47.27					02/14/2008 02/13/2017	Common Stock	2,500
Non-qualified Stock Option	\$ 25.53					02/13/2009 02/12/2018	Common Stock	3,500
Non-qualified Stock Option	\$ 24.79					02/11/2010 02/10/2019	Common Stock	5,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
McDannold Timothy J			VP & Treasurer	

C/O DIEBOLD, INCORPORATED
5995 MAYFAIR ROAD
NORTH CANTON, OH 44720

Signatures

Chad F. Hesse, Att'y.-in-fact for Timothy J.
McDannold

11/19/2009

__Signature of Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Number of 401(k) shares owned as of most current statement; fractional shares omitted.

(2) Number includes restricted stock units

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. valign="bottom">

Operating income

\$
16,889

\$
4,418

\$
21,307

\$
14,671

\$
2,974

\$
17,645

Selected Financial Data - Statement of Cash Flow

Depreciation and amortization

\$
1,941

\$
985

Signatures

\$
2,926

\$
1,365

\$
3,152

\$
4,517

Purchases of property, equipment and operating lease equipment

\$
849

\$
3,282

\$
4,131

\$
506

\$
884

\$
1,390

Selected Financial Data - Balance Sheet

Total assets

\$
546,728

\$
189,950

\$
736,678

\$

Explanation of Responses:

401,422

\$
229,012

\$
630,434

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<u>Statement of Operations</u>	Nine Months Ended December 31, 2016			December 31, 2015		
	Technology	Financing	Total	Technology	Financing	Total
Sales of product and services	\$968,799	\$-	\$968,799	\$871,814	\$-	\$871,814
Financing revenue	-	23,899	23,899	-	27,914	27,914
Fee and other income	3,679	245	3,924	5,038	30	5,068
Net sales	972,478	24,144	996,622	876,852	27,944	904,796
Cost of sales, product and services	769,780	-	769,780	700,429	-	700,429
Direct lease costs	-	3,459	3,459	-	9,256	9,256
Cost of sales	769,780	3,459	773,239	700,429	9,256	709,685
Professional and other fees	4,138	780	4,918	4,175	738	4,913
Salaries and benefits	117,822	6,657	124,479	101,471	6,855	108,326
General and administrative expenses	19,335	1,089	20,424	16,653	737	17,390
Depreciation and amortization	5,400	8	5,408	3,728	11	3,739
Interest and financing costs	-	1,158	1,158	51	1,320	1,371
Operating expenses	146,695	9,692	156,387	126,078	9,661	135,739
Operating income	\$56,003	\$10,993	\$66,996	\$50,345	\$9,027	\$59,372

Selected Financial Data - Statement of Cash Flow

Depreciation and amortization	\$5,494	\$3,264	\$8,758	\$3,831	\$9,189	\$13,020
Purchases of property, equipment and operating lease equipment	\$2,413	\$4,887	\$7,300	\$1,700	\$15,308	\$17,008

Selected Financial Data - Balance Sheet

Total assets	\$546,728	\$189,950	\$736,678	\$401,422	\$229,012	\$630,434
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The total of the reportable segments' measure of profit or loss excludes other income of \$380 thousand for the nine months ended December 31, 2016, which is included in the consolidated earnings before tax but is not allocated to the segments.

On July 25, 2016, the Company announced its appointment of a new Chief Executive Officer and President effective August 1, 2016. We are currently evaluating the impact of this change to the determination of our reportable segments.

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15. BUSINESS COMBINATIONS

Consolidated IT Services acquisition

On December 6, 2016, our subsidiary ePlus Technology, inc., acquired certain assets and assumed certain liabilities of Consolidated IT Services. Consolidated IT Services business provides data center, unified communications, networking, and security solutions to a diverse set of domestic and international customers including commercial, enterprise, and state, local, and education (SLED) organizations in the upper Midwest. The primary reasons for this acquisition are that Consolidated IT Services expands our reach to the upper Midwest, a new geography for ePlus, and enables us to market our advanced technology solutions to their long-standing client base.

The total purchase price is \$13.1 million including \$9.5 million paid in cash at closing and \$4.0 million that will be paid in cash in equal quarterly installments over 2 years, less \$0.4 million that we believe is due back to us as part of the final working capital adjustment. Our preliminary allocation of the purchase consideration to the assets acquired and liabilities assumed is presented below (in thousands):

	Acquisition Date Amount
Accounts receivable and other current assets	\$ 7,501
Property and equipment	1,045
Identified intangible assets	3,340
Accounts payable and other current liabilities	(6,411)
Total identifiable net assets	5,475
Goodwill	7,614
 Total purchase consideration	 \$ 13,089

As stated above, our allocation of the purchase consideration is preliminary and subject to revision as additional information related to the fair value of assets and liabilities becomes available.

The identified intangible assets of \$3.3 million consist entirely of customer relationships with an estimated useful life of 7 years.

We recognized goodwill related to this transaction of \$7.6 million, which was assigned to our technology reporting unit. The goodwill recognized in the acquisition is attributable to the acquired assembled workforce and expected synergies, none of which qualify for recognition as a separate intangible asset. The total amount of goodwill is expected to be deductible for tax purposes. The amount of revenues and earnings of the acquiree since the acquisition date are not material. Likewise, the impact to the revenue and earnings of the combined entity for the current reporting period through the acquisition date had the acquisition date been April 1, 2016, is not material.

IGX acquisition

On December 4, 2015, our subsidiary ePlus Technology, inc., acquired certain assets and assumed certain liabilities of IGX Acquisition Global, LLC (“IGX Acquisition”), and IGX Support, LLC, including IGX Acquisition’s wholly-owned subsidiary, IGXGlobal UK Limited (collectively, “IGX”), which provide advanced security solutions, secured networking products and related professional services to a diverse set of domestic and international customers including commercial, enterprise, and state and local government and education (“SLED”) organizations. IGX is headquartered near Hartford, CT and has a sales presence in New York and Boston as well as an operating branch in London that serves its United Kingdom (“UK”) and global customers. IGXGlobal UK Limited is a private limited

company, registered in England and Wales.

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The total purchase price, net of cash acquired, was \$16.6 million paid in cash. The allocation of the purchase consideration to the assets acquired and liabilities assumed is presented below (in thousands):

	Acquisition Date Amount
Accounts receivable—trade, net	\$ 8,457
Property and equipment	81
Identified intangible assets	8,710
Accounts payable and other current liabilities	(8,641)
Deferred tax liability	(89)
Total identifiable net assets	8,518
Goodwill	8,131
Total purchase consideration	\$ 16,649

The identified intangible assets consist of the following:

	Estimated Useful Lives (in years)	Acquisition Date Amount
Intangible assets—customer relationships	7	\$ 7,680
Intangible assets—trade names	10	520
Intangible assets—backlog	1	510
Total identified intangible assets		\$ 8,710

We recognized goodwill related to this transaction of \$8.1 million, which was assigned to our technology reporting unit. The goodwill recognized in the acquisition is attributable to the acquired assembled workforce, an entry into the UK and European markets and expected synergies, none of which qualify for recognition as a separate intangible asset. The total amount of goodwill that is expected to be deductible for tax purposes is \$5.8 million. The impact to our revenues and net earnings from this acquisition is not material.

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

This discussion is intended to further the reader's understanding of our consolidated financial condition and results of operations. It should be read in conjunction with the financial statements included in this quarterly report on Form 10-Q and our annual report on Form 10-K for the fiscal year ended March 31, 2016 ("2016 Annual Report"). These historical financial statements may not be indicative of our future performance. This Management's Discussion and Analysis of Financial Condition and Results of Operations may contain forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risks described in Part I, Item 1A, "Risk Factors," in our 2016 Annual Report.

EXECUTIVE OVERVIEW

Business Description

We are a leading provider of information technology (IT) solutions which enable organizations to optimize their IT environment and supply chain processes. We deliver and integrate world-class IT products and software from top vendors, and provide private, hybrid, and public cloud solutions to meet customers' evolving needs. We also provide consulting, professional and managed services and complete lifecycle management services including flexible financing solutions. We have been in the business of selling, leasing, financing, and managing information technology and other assets for more than 26 years.

Our primary focus is to deliver secure, integrated technology solutions for our customers' data center, network, security, maintenance, and collaboration needs, including hosted, on-premise and hybrid cloud infrastructures. These solutions may encompass the full lifecycle of IT and include consulting, assessments, architecture, design, testing, implementation, and ongoing managed services and periodic consultative business reviews. We offer security, storage, cloud, mobility, hyper-converged infrastructure, and other advanced technologies. We design, implement and provide an array of IT solutions from multiple leading IT vendors. We are an authorized reseller from over 1,000 vendors, but primarily from approximately 100 vendors, including Artista Networks, Check Point, Cisco Systems, Citrix, Commvault, Dell, EMC, F5 Networks, Gigamon, HP Inc., HPE, Juniper Networks, Lenovo, NetApp, Nimble Storage, Oracle, Palo Alto Networks, Pure Storage, Quantum, Splunk, and VMware, among many others. We possess top-level engineering certifications with a broad range of leading IT vendors that enable us to offer multi-vendor IT solutions that are optimized for each of our customers' specific requirements. Our hosted, proprietary software solutions are focused on giving our customers more control over their IT supply chain, by automating and optimizing the procurement and management of their assets.

Our size and strong financial results have enabled us to invest in the engineering and technology resources required to stay current with emerging technology trends and deliver leading edge IT solutions. We believe we are a trusted IT advisor to our customers, delivering turn-key IT solutions that incorporate hardware, software, security and both managed and professional services. In addition, we offer a wide range of leasing and financing options for technology and other capital assets. We believe our lifecycle approach offering of integrated IT products, services, financing, and our proprietary supply chain software, is unique in the industry. It allows us to offer a customer service strategy that spans the continuum from fast delivery of competitively priced products, services, subsequent management and upkeep, through to end-of-life disposal services. This selling approach also permits us to grow with our customers and solidify our relationships through hands-on engagement and understanding of their needs.

We focus exclusively on middle market and large enterprises. For the trailing twelve months ended December 31, 2016, the percentage of revenue by customer end market within our technology segment includes: technology industry 22%, state and local government, and educational institutions 21%, telecommunications, media and entertainment 16%, financial services 12%, and healthcare 11%. The majority of our sales were generated within the United States, however, we have the ability to support our customers nationally and internationally and in December 2015 we

acquired our first international subsidiary which is located in the UK. Our technology segment accounts for 98% of our net sales, and 84% of our operating income, while our financing segment accounts for 2% of our net sales, and 16% of our operating income for the nine months ended December 31, 2016.

Since the June 23, 2016 UK referendum (“Brexit”) on whether to remain in, or leave, the European Union, the United Kingdom has faced a remarkable range of political, monetary, economic and even constitutional challenges. For some companies, Brexit could impact revenue items, cost items, tax, goodwill impairments and liquidity, among others. The most obvious immediate impact is the effect of foreign exchange fluctuations on revenue and cost items. We have determined that our foreign currency exposure for our United Kingdom operations is insignificant in relation to total consolidated operations and we believe those potential fluctuations in currency exchange rates and other Brexit related economic and operational risks will not have a material effect on our results of operations and financial position.

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

Key Business Metrics

Our management monitors a number of financial and non-financial measures and ratios on a regular basis in order to track the progress of our business. We use these measures and ratios along with other information to evaluate the operating performance of our business, develop financial forecasts, make strategic decisions, and prepare and approve annual budgets.

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

Our key business metrics and results from those metrics are as follows, (dollars in thousands):

	Three Months Ended December 31, 2016		Nine Months Ended December 31, 2015	
Sales of products and services	\$317,391	\$287,859	\$968,799	\$871,814
Adjusted gross billings of product and services (1)	\$432,407	\$393,922	\$1,317,188	\$1,157,327
Gross margin	22.6	% 21.5	% 22.4	% 21.6
Gross margin, product and services	20.7	% 19.6	% 20.5	% 19.7
Operating income margin	6.5	% 5.9	% 6.7	% 6.6
Net earnings	\$12,620	\$10,297	\$40,066	\$34,790
Net earnings per common share - diluted	\$1.81	\$1.40	\$5.71	\$4.74
Non-GAAP: Net earnings (2)	\$13,294	\$10,694	\$41,383	\$35,840
Non-GAAP: Net earnings per common share - diluted (2)	\$1.91	\$1.46	\$5.90	\$4.89
Adjusted EBITDA (3)	\$23,217	\$18,976	\$72,404	\$63,111
Adjusted EBITDA margin (3)	7.1	% 6.4	% 7.3	% 7.0
Purchases of property and equipment used internally	\$849	\$506	\$2,413	\$1,700
Purchases of equipment under operating leases	3,282	884	4,887	15,308
Total capital expenditures	\$4,131	\$1,390	\$7,300	\$17,008

We define Adjusted gross billings of product and services as our sales of product and services calculated in accordance with GAAP, adjusted to exclude the costs incurred related to sales of third party software assurance, (1) subscription licenses, maintenance and services. We have provided below a reconciliation of Adjusted gross billings of product and services to Sales of product and services, which is the most directly comparable financial measure to this non-GAAP financial measure.

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2016	2015	2016	2015
Sales of products and services	\$ 317,391	\$ 287,859	\$ 968,799	\$ 871,814
Costs incurred related to sales of third party services	115,016	106,063	348,389	285,513
Adjusted gross billings of product and services	\$ 432,407	\$ 393,922	\$ 1,317,188	\$ 1,157,327

Non-GAAP net earnings per common share are based on net earnings calculated in accordance with GAAP, adjusted to exclude other income and acquisition related amortization expense, and related effects on income tax. Non-GAAP provision for income taxes is calculated based on the effective tax rate for the non-GAAP adjustments for the three and nine months ended December 31, 2016. For comparative purposes, the non-GAAP provision for income tax for the nine months ended December 31, 2016, excludes the tax benefit of the \$0.5 million associated with the adoption in the quarter ended June 30, 2016 of the stock compensation accounting standard. There was no adjustment for this tax benefit in the quarter ended December 31, 2016. We use Non-GAAP net earnings per common share as a supplemental measure of our performance to gain insight into our operating performance. We (2) believe that the exclusion of other income and acquisition related amortization expense in calculating Non-GAAP net earnings per common share provides management and investors a useful measure for period-to-period comparisons of our core business and operating results by excluding items that are not comparable across reporting periods. Accordingly, we believe that non-GAAP net earnings per common share provide useful information to investors and others in understanding and evaluating our operating results. However, our use of Non-GAAP net earnings per common share as an analytical tool has limitations, and you should not consider them in isolation or as substitutes for analysis of our financial results as reported under GAAP. In addition, other companies, including companies in our industry, might calculate Non-GAAP net earnings per common share or similarly titled measures differently, which may reduce their usefulness as comparative measures.

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2016	2015	2016	2015
GAAP: Earnings before tax	\$ 21,307	\$ 17,645	\$ 67,376	\$ 59,372
Less: Other income	-	-	(380)	-
Plus: Acquisition related amortization expense	1,035	680	3,098	1,793
Non-GAAP: Earnings before provision for income taxes	22,342	18,325	70,094	61,165
Non-GAAP: Provision for income taxes	9,048	7,631	28,711	25,325
Non-GAAP: Net earnings	\$ 13,294	\$ 10,694	\$ 41,383	\$ 35,840
GAAP: Net earnings per common share - diluted	\$ 1.81	\$ 1.40	\$ 5.71	\$ 4.74
Non-GAAP: Net earnings per common share - diluted	\$ 1.91	\$ 1.46	\$ 5.90	\$ 4.89

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We define Adjusted EBITDA as net earnings calculated in accordance with GAAP, adjusted for the following: interest expense, depreciation and amortization, provision for income taxes, and other income. Segment Adjusted EBITDA is defined as operating income calculated in accordance with GAAP, adjusted for interest expense, and depreciation and amortization. We consider the interest on notes payable from our financing segment and (3) depreciation expense presented within cost of sales, which includes depreciation on assets financed as operating leases, to be operating expenses. As such, they are not included in the amounts added back to net earnings in the Adjusted EBITDA calculation. We provide below a reconciliation of Adjusted EBITDA to net earnings, which is the most directly comparable financial measure to this non-GAAP financial measure. Adjusted EBITDA margin is our calculation of Adjusted EBITDA divided by net sales.

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

	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
<u>Consolidated</u>	2016	2015	2016	2015
Net earnings	\$ 12,620	\$ 10,297	\$ 40,066	\$ 34,790
Provision for income taxes	8,687	7,348	27,310	24,582
Depreciation and amortization	1,910	1,331	5,408	3,739
Less: Other income	-	-	(380)	-
Adjusted EBITDA	\$ 23,217	\$ 18,976	\$ 72,404	\$ 63,111
 <u>Technology Segment</u>				
Operating income	\$ 16,889	\$ 14,671	\$ 56,003	\$ 50,345
Plus: Depreciation and amortization	1,908	1,327	5,400	3,728
Adjusted EBITDA	\$ 18,797	\$ 15,998	\$ 61,403	\$ 54,073
 <u>Financing Segment</u>				
Operating income	\$ 4,418	\$ 2,974	\$ 10,993	\$ 9,027
Plus: Depreciation and amortization	2	4	8	11
Adjusted EBITDA	\$ 4,420	\$ 2,978	\$ 11,001	\$ 9,038

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Consolidated Results of Operations

During the three months ended December 31, 2016, net sales increased 9.4%, or \$28.0 million to \$326.7 million, compared to \$298.6 million for the same period in the prior fiscal year. For the nine months ended December 31, 2016, net sales increased 10.1%, or \$91.8 million to \$996.6 million, compared to \$904.8 million for the same period in the prior fiscal year.

Net sales of product and services increased 10.3% or \$29.5 million to \$317.4 million, from \$287.9 million for three months ended December 31, 2015. For the nine months ended December 31, 2016, net sales of product and services increased 11.1% or \$97.0 million to \$968.8 million, from \$871.8 million in the prior year. The increase in net sales of product and services revenues for both the three months ended December 31, 2016 was a result of higher demand from the telecom, media & entertainment industry, and state and local government and education (“SLED”) organizations. For the nine months ended December 31, 2016, the increase in net sales of product and services revenues was a result of higher demand from the telecom, media & entertainment industry, state and local government and education (“SLED”) organizations, and technology customers.

Adjusted gross billings of product and services increased 9.8%, or \$38.5 million to \$432.4 million, for the three months ended December 31, 2016 from \$393.9 million for the same period in the prior fiscal year. For the nine months ended December 31, 2016, Adjusted gross billings of product and services increased 13.8%, or \$159.9 million to \$1,317.2 million, from \$1,157.3 million for the same period in the prior fiscal year. The greater percentage increase in Adjusted gross billings of product and services over the percentage increase in net sales for both the three and nine months ended December 31, 2016 was due to a shift in product and services mix, as we sold a higher proportion of third party software assurance, maintenance and services, which are presented on a net basis.

Consolidated gross profit rose 15.2% to \$73.8 million, compared with \$64.1 million for the three months ended December 31, 2015. Consolidated gross margins were 22.6% for the three months ended December 31, 2016 an increase of 110 basis points compared to 21.5% for the three months ended December 31, 2015. Our gross margin for product and services was 20.7% during the three months ended December 31, 2016 compared to 19.6% during the three months ended December 31, 2015. Contributing to our margins for the three month period was a shift in product sales mix, as we sold a higher proportion of third party software assurance, maintenance and services. Also contributing to the higher gross margin was an increase in vendor incentives earned as a percentage of sales of product and services of 10 basis points for the three months ended December 31, 2016, as compared to the same period in the prior year.

For the nine months ended December 31, 2016, consolidated gross profit rose 14.5% to \$223.4 million, compared with \$195.1 million for the same period in the prior fiscal year. Consolidated gross margins were 22.4% for the nine months ended December 31, 2016, an increase of 80 basis points, compared to 21.6% for the nine months ended December 31, 2015. Our gross margin for product and services was 20.5% during the nine months ended December 31, 2016 compared to 19.7% during the nine months ended December 31, 2015.

Our operating expenses increased 13.1% to \$52.5 million, representing 16.1% of net sales for the three months ended December 31, 2016 as compared to \$46.4 million, representing 15.5% of net sales in the same period for the prior year. For the nine months ended December 31, 2016 operating expenses increased 15.2% to \$156.4 million, representing 15.7% of net sales, as compared to \$135.7 million, representing 15.0% of net sales in the prior year. The majority of this increase reflects increased variable compensation as a result of the increase in gross profit, as well as additional employees. Our headcount increased by 104 employees or 9.8% to 1,164 from 1,060 a year ago, of which 48 relate to the acquisition of Consolidated IT Services. The personnel additions included 95 sales and engineering positions with the remaining additions being administrative positions.

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Operating income for the three months ended December 31, 2016 increased 20.8% to \$21.3 million, as compared to \$17.6 million for the three months ended December 31, 2015. For the three months ended December 31, 2016, the operating income margin increased 60 basis points to 6.5% from 5.9% for the same period in the prior year. For the nine months ended December 31, 2016, operating income increased 12.8% to \$67.0 million, as compared to \$59.4 million for the prior year period. For the nine months ended December 31, 2016, the operating income margin increased 10 basis points to 6.7% from 6.6% for the same period in the prior year.

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During the nine months ended December 31, 2016, we received \$380 thousand related to the dynamic random access memory (DRAM) class action lawsuit, which claimed that manufacturers fixed the price for DRAM, a common component in consumer electronics, which is included within other income in our unaudited consolidated statement of operations.

Consolidated net earnings for the three months ended December 31, 2016 were \$12.6 million, an increase of 22.6%, or \$2.3 million, over the prior year's results of \$10.3 million. For the nine months ended December 31, 2016 consolidated net earnings were \$40.1 million, an increase of 15.2%, or \$5.3 million, over the prior year's results of \$34.8 million. The increase in consolidated net earnings for the nine months ended December 31, 2016, over the prior year period, is inclusive of non-operating income of \$380 thousand relating to our claim in the class action lawsuit mentioned above.

Adjusted EBITDA increased \$4.2 million, or 22.3%, to \$23.2 million and Adjusted EBITDA margin increased 70 basis points to 7.1% for the three months ended December 31, 2016, as compared to the prior period of 6.4%. For the nine months ended December 31, 2016 Adjusted EBITDA increased \$9.3 million, or 14.7%, to \$72.4 million and Adjusted EBITDA margin increased 30 basis points to 7.3% compared to the prior period of 7.0%.

Diluted earnings per share increased 29.3%, or \$0.41 to \$1.81 per share for the three months ended December 31, 2016, as compared to \$1.40 per share for the three months ended December 31, 2015. Our effective tax rate for the three months ended December 31, 2016 was 40.8%. Non-GAAP diluted earnings per share increased 30.8% to \$1.91 for the three months ended December 31, 2016, as compared to \$1.46 for the three months ended December 31, 2015. This non-GAAP metric excludes acquisition-related amortization expenses, other income and the related effects on income taxes.

For the nine months ended December 31, 2016, diluted earnings per share increased 20.5%, or \$0.97 to \$5.71 per share, as compared to \$4.74 per share for the same nine months for the prior year. Our effective tax rate for the nine months ended December 31, 2016 was 40.5%, which includes a tax benefit of \$0.5 million, or \$0.07 per diluted share, related to the adoption of the new share based compensation accounting standard. Non-GAAP diluted earnings per share increased 20.7% to \$5.90 for the nine months ended December 31, 2016, as compared to \$4.89 for the nine months ended December 31, 2015.

Cash and cash equivalents decreased \$25.1 million or 26.5% to \$69.7 million at December 31, 2016 compared with \$94.8 million as of March 31, 2016. The decrease is primarily the result of investments in our financing portfolio, working capital required for the growth in our technology segment, an increase in inventory of \$77.7 million committed to customer orders, and the repurchase of 328,481 shares of our common stock for \$26.8 million under our stock repurchase authorization in the nine months ended December 31, 2016, and \$9.5 million paid in cash at closing for our acquisition of Consolidated IT Services. Our cash on hand, funds generated from operations, amounts available under our credit facility and the possible monetization of our investment portfolio provide sufficient liquidity for our business.

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Segment Overview

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

Technology Segment

The technology segment sells IT equipment and software and related services primarily to corporate customers, state and local governments, and higher education institutions on a nationwide basis, with geographic concentrations relating to our physical locations. The technology segment also provides Internet-based business-to-business supply chain management solutions for information technology products.

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

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

Financing Segment

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

Financing revenue generally falls into the following three categories:

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

Our financing segment sells the equipment underlying a lease to the lessee or a third-party other than the lessee. These sales occur at the end of the lease term and revenues from the sales of such equipment are recognized at the date of sale. We also recognize revenue from events that occur after the initial sale of a financial asset and remarketing fees from certain residual value investments.

Fluctuations in Revenues

Explanation of Responses:

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

We expect to continue to expand by opening new sales locations and hiring additional staff for specific targeted market areas in the near future whenever we can find both experienced personnel and desirable geographic areas. These investments may reduce our results from operations in the short term.

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CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, or different assumptions were made, it is possible that alternative accounting policies would have been applied, resulting in a change in financial results. On an ongoing basis, we reevaluate our estimates, including those related to revenue recognition, residual values, vendor incentives, lease classification, goodwill and intangibles, reserves for credit losses and income taxes specifically relating to uncertain tax positions. We base estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. For all such estimates, we caution that future events rarely develop exactly as forecasted, and therefore, these estimates may require adjustment.

Our critical accounting estimates have not changed from those reported in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2016 Financial Statements.

SEGMENT RESULTS OF OPERATIONS

The three and nine months ended December 31, 2016 compared to the three and nine months ended December 31, 2015

Technology Segment

The results of operations for our technology segment for the three and nine months ended December 31, 2016 and 2015 were as follows (dollars in thousands):

	Three Months Ended December 31,				Nine Months Ended December 31,			
	2016	2015	Change		2016	2015	Change	
Sales of product and services	\$317,391	\$287,859	\$29,532	10.3 %	\$968,799	\$871,814	\$96,985	11.1 %
Fee and other income	915	1,506	(591)	(39.2 %)	3,679	5,038	(1,359)	(27.0 %)
Net sales	318,306	289,365	28,941	10.0 %	972,478	876,852	95,626	10.9 %
Cost of sales, product and services	251,729	231,503	20,226	8.7 %	769,780	700,429	69,351	9.9 %
Gross profit	66,577	57,862	8,715	15.1 %	202,698	176,423	26,275	14.9 %
Professional and other fees	1,216	1,608	(392)	(24.4 %)	4,138	4,175	(37)	(0.9 %)
Salaries and benefits	40,155	35,043	5,112	14.6 %	117,822	101,471	16,351	16.1 %
General and administrative	6,409	5,203	1,206	23.2 %	19,335	16,653	2,682	16.1 %
Depreciation and amortization	1,908	1,327	581	43.8 %	5,400	3,728	1,672	44.8 %
Interest and financing costs	-	10	(10)	(100.0%)	-	51	(51)	(100.0%)
Operating expenses	49,688	43,191	6,497	15.0 %	146,695	126,078	20,617	16.4 %
Operating income	\$16,889	\$14,671	\$2,218	15.1 %	\$56,003	\$50,345	\$5,658	11.2 %
Adjusted EBITDA	\$18,797	\$15,998	\$2,799	17.5 %	\$61,403	\$54,073	\$7,330	13.6 %

Net sales: Net sales for the three months ended December 31, 2016 were \$318.3 million compared to \$289.4 million during the three months ended December 31, 2015, an increase of 10.0%, or \$28.9 million. The increase in net sales of product and services revenues was a result of an increase in demand for products and services from the telecom, media

and entertainment industry and healthcare customers for the three months ended December 31, 2016. For the nine months ended December 31, 2016, net sales were \$972.5 million compared to \$876.9 million, an increase of 10.9%, or \$95.6 million over the same period for the prior year. The increase in demand for products and services was related to the telecom, media and entertainment industry, healthcare, technology, and SLED customers for the nine months ended December 31, 2016 over the prior year period.

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Adjusted gross billings of product and services for the three months ended December 31, 2016 were \$432.4 million compared to \$393.9 million during the three months ended December 31, 2015, an increase of 9.8% or \$38.5 million. For the nine months ended December 31, 2016, Adjusted gross billings of product and services increased 13.8%, or \$159.9 million to \$1,317.2 million, from \$1,157.3 million for the same period in the prior fiscal year. The increases in the three and nine months ended December 31, 2016 over the prior year periods were due to higher customer demand for ePlus' IT solution offerings as well as the acquisitions of IGX.

Sales of product and services during the three months ended December 31, 2016 were \$317.4 million compared to \$287.9 million during the three months ended December 31, 2015, an increase of 10.3% or \$29.5 million. For the nine months ended December 31, 2016, sales of product and services increased 11.1%, or \$97.0 million to \$968.8 million, from \$871.8 million for the same period in the prior fiscal year. The smaller increase in sales of product and services compared to Adjusted gross billings of product and services reflects a higher proportion of sales from third party maintenance, software assurance, and services, which are presented on a net basis.

Summarized below are the sequential and year-over-year changes in net sales of product and services:

Quarter Ended	Sequential	Year over Year
December 31, 2016	(12.1 %)	10.3 %
September 30, 2016	24.5 %	11.4 %
June 30, 2016	(0.5 %)	11.7 %
March 31, 2016	1.3 %	13.3 %
December 31, 2015	(11.2 %)	(2.6 %)
September 30, 2015	24.9 %	13.1 %

We rely on our vendors to fulfill a large majority of shipments to our customers. As of December 31, 2016, we had open orders of \$238.5 million and deferred revenue of \$66.3 million. As of December 31, 2015, we had open orders of \$87.9 million and deferred revenues of \$26.3 million. The increase in open orders of \$150.6 million is due to demand for products and services from our largest corporate customers. The increase in deferred revenue of \$40.0 million is primarily due to prepayments by a customer for equipment that we expect to deliver in the next three to six months.

We analyze sales of products and services by customer end market and by manufacturer, as opposed to discrete product and service categories. The percentage of sales of product and services by industry and vendor are summarized below:

	Twelve Months Ended December 31,			Change	
	2016		2015		
<u>Revenue by customer end market:</u>					
SLED	21	%	23	%	(2 %)
Technology	22	%	23	%	(1 %)
Telecom, Media & Entertainment	16	%	14	%	2 %
Healthcare	11	%	10	%	1 %
Financial Services	12	%	12	%	-
Other	18	%	18	%	-
Total	100	%	100	%	
<u>Revenue by vendor:</u>					
Cisco Systems	49	%	49	%	-
HP Inc. & HPE	6	%	7	%	(1 %)

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NetApp	5	%	6	%	(1	%)
Sub-total	60	%	62	%	(2	%)
Other	40	%	38	%	2	%
Total	100	%	100	%		

Our revenues by customer end market have remained consistent over the year with approximately 80% of our revenues generated from customers within the five end markets identified above. During the trailing twelve months ended December 31, 2016 we had an increase in the percentage total revenues from customers in the telecom, media and entertainment industry, and healthcare industries, which were partially offset by decreases in the percentage of total revenues from SLED and technology customers over the prior year period. These changes were driven by changes in customer buying cycles and specific IT related initiatives, rather than the acquisition or loss of a customer or set of customers.

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The majority of our revenues by vendor are derived from Cisco Systems, a combined HP Inc. and HPE, and NetApp, which in total, declined to 60% for the trailing twelve months ended December 31, 2016 from approximately 62% in the prior year trailing twelve month period, with the greatest decline in the percentage of total revenues in HP Inc. product sales. The decrease in the percentage of revenues from the top three vendors is due to substantial competition and rapid developments in the IT industry. None of the vendors included within the “other” category exceeded 4% of total revenues.

Gross profit: Our gross margin for product and services expanded by 110 basis points to 20.7% during the three months ended December 31, 2016 compared to 19.6% during the three months ended December 31, 2015. For the nine months ended December 31, 2016, gross margin for product and services was 20.5%, an increase of 80 basis points over 19.7% in the same period in the prior year. The expansion in gross margins was due to the strategy of shifting toward products with higher margins, an increase in gross profit from services, and a higher proportion of third party software assurance, maintenance and services, which are presented on a net basis. Contributing to our margins was an increase in vendor incentives earned as a percentage of sales of product and services for the three and nine months ended December 31, 2016 of 10 basis points and 30 basis points, respectively, from the prior year.

Professional and other fees were \$1.2 million for the three months ended December 31, 2016, compared to \$1.6 million for the three months ended December 31, 2015, due primarily to legal, and outside consulting fees. Professional and other fees were \$4.1 million for the nine months ended December 31, 2016, compared to \$4.2 million for the same period in the prior year, due primarily to legal, auditing, and outside consulting fees.

Salaries and benefits increased \$5.1 million, or 14.6%, to \$40.2 million during the three months ended December 31, 2016, compared to \$35.0 million during the three months ended December 31, 2015. For the nine months ended December 31, 2016, salaries and benefits increased to \$117.8 million, a 16.1% increase over \$101.5 million reported in the prior year. The increase in salaries and benefits is due to higher variable compensation as a result of the increase in gross profit, as well as higher salaries due to increases in personnel. Our technology segment had 1,113 employees as of December 31, 2016, an increase of 107 or 10.6% from 1,006, as of December 31, 2015, of which 48 relate to the acquisition of Consolidated IT Services. The position additions included 95 sales and engineering positions with the remaining additions being administrative positions.

General and administrative expenses increased \$1.2 million, or 23.2% to \$6.4 million during the three months ended December 31, 2016 over the same period for the prior year. General and administrative expenses increased \$2.7 million, or 16.1% to \$19.3 million during the nine months ended December 31, 2016 over the same period for the prior year. The increase in general and administrative expenses for the three and nine months ended December 31, 2016 was primarily due to higher software license and maintenance expense, foreign currency transaction losses, and sales and marketing activity related expenses.

Depreciation and amortization expense increased \$0.6 million, or 43.8%, to \$1.9 million during the three months ended December 31, 2016 compared to \$1.3 million in the prior year. For the nine months ended December 31, 2016, depreciation and amortization expense increased \$1.7 million, or 44.8%, to \$5.4 million, compared to \$3.7 million in the prior year period. The increase in depreciation and amortization expense is related to the acquisition of IGX in December, 2015 and Consolidated IT Services in December, 2016.

Segment operating income: As a result of the foregoing, operating income was \$16.9 million, an increase of \$2.2 million, or 15.1% for the three months ended December 31, 2016 over \$14.7 million in the prior year period. Operating income was \$56.0 million, an increase of \$5.7 million, or 11.2% for the nine months ended December 31, 2016 over \$50.3 million in the prior year period.

For the three months ended December 31, 2016, Adjusted EBITDA was \$18.8 million, an increase of \$2.8 million, or 17.5% over \$16.0 million in the prior year period. Adjusted EBITDA was \$61.4 million for the nine months ended

December 31, 2016, an increase of \$7.3 million, or 13.6% over \$54.1 million in the same period in the prior year.

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Financing Segment

The results of operations for our financing segment for the three and nine months ended December 31, 2016 and 2015 were as follows (dollars in thousands):

	Three Months Ended December 31,				Nine Months Ended December 31,			
	2016	2015	Change		2016	2015	Change	
Financing revenue	\$8,190	\$9,289	\$(1,099)	(11.8 %)	\$ 23,899	\$ 27,914	\$(4,015)	(14.4 %)
Fee and other income	161	(10)	171	1710.0%	245	30	215	716.7%
Net sales	8,351	9,279	(928)	(10.0 %)	24,144	27,944	(3,800)	(13.6 %)
Direct lease costs	1,142	3,081	(1,939)	(62.9 %)	3,459	9,256	(5,797)	(62.6 %)
Gross profit	7,209	6,198	1,011	16.3 %	20,685	18,688	1,997	10.7 %
Professional and other fees	181	274	(93)	(33.9 %)	780	738	42	5.7 %
Salaries and benefits	2,230	2,329	(99)	(4.3 %)	6,657	6,855	(198)	(2.9 %)
General and administrative	(31)	231	(262)	(113.4 %)	1,089	737	352	47.8 %
Depreciation and amortization	2	4	(2)	(50.0 %)	8	11	(3)	(27.3 %)
Interest and financing costs	409	386	23	6.0 %	1,158	1,320	(162)	(12.3 %)
Operating expenses	2,791	3,224	(433)	(13.4 %)	9,692	9,661	31	0.3 %
Operating income	\$4,418	\$2,974	\$1,444	48.6 %	\$ 10,993	\$ 9,027	\$1,966	21.8 %
Adjusted EBITDA	\$4,420	\$2,978	\$1,442	48.4 %	\$ 11,001	\$ 9,038	\$1,963	21.7 %

Net sales: Net sales decreased by \$0.9 million, or 10.0%, to \$8.4 million for the three months ended December 31, 2016, as compared to \$9.3 million for the three months ended December 31, 2015 due to lower portfolio earnings and transactional gains, partially offset by increases in post-contract earnings. During the quarters ended December 31, 2016 and 2015, we recognized net gains on sales of financial assets of \$0.9 million and \$1.4 million, respectively, and the fair value of assets received from these sales were \$55.8 million and \$54.1 million, respectively. Portfolio earnings declined by \$2.1 million to \$2.3 million from \$4.4 million recognized in the three months ended December 31, 2015, while post contract earnings increased \$1.2 million to \$4.5 million from \$3.3 million for the three months ended December 31, 2016 over the prior year, mainly due to a large expired lease contract converting to a month-to-month basis.

For the nine months ended December 31, 2016, net sales decreased by \$3.8 million, or 13.6%, to \$24.1 million, as compared to \$27.9 million for the nine months ended December 31, 2015 due to lower portfolio earnings. During the nine months ended December 31, 2016 and 2015, we recognized net gains on sales of financial assets of \$4.1 million and \$5.4 million, respectively, the fair value of assets received from these sales were \$185.4 million and \$162.7 million, respectively. Portfolio earnings declined by \$6.7 million to \$6.8 million from \$13.5 million, while post contract earnings increased \$3.3 million to \$12.1 million from \$8.7 million recognized in the nine months ended December 31, 2015.

At December 31, 2016, we had \$140.4 million in financing receivables and operating leases, compared to \$156.9 million as of December 31, 2015, a decrease of \$16.5 million or 10.5%.

Gross profit: Gross profit increased by \$1.0 million, or 16.3% to \$7.2 million for the three months ended December 31, 2016, over the same period of the prior year, as a result of lower direct lease costs, which declined 62.9% from the same quarter in the prior year. For the nine months ended December 31, 2016, gross profit increased by \$2.0 million, or 10.7% to \$20.7 million as compared to the same period in the prior year due to a decline in direct lease costs of 62.6% or \$5.8 million. The significant decline in direct lease costs was driven by lower depreciation expense relating to our operating lease investments.

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Operating expenses: For the three months ended December 31, 2016 operating expenses decreased by \$0.4 million or 13.4%, which was due primarily to a reduction in our reserves for credit losses, salaries and benefits, and lower outside legal and consulting expense compared to the prior year period. For the nine months ended December 31, 2016 operating expenses increased by only \$31 thousand or 0.3%, which was due primarily to an increase in our reserves for credit losses, and software license and maintenance expense, partially offset by lower salary expense and lower interest and financing costs. Our financing segment had 51 employees as of December 31, 2016, compared to 54 employees as of December 31, 2015.

Interest and financing costs remained constant at \$0.4 million for the three months ended December 31, 2016, compared to the prior year. For the nine months ended December 31, 2016, interest and financing costs decreased by \$0.2 million due to a decrease in the average total notes payable outstanding and lower average interest rates over the nine months ended December 31, 2016. Total notes payable were \$54.0 million as of December 31, 2016, an increase of \$4.4 million or 8.9% compared to \$49.6 million as of December 31, 2015. Our weighted average interest rate for non-recourse notes payable was 3.38% and 3.09%, as of December 31, 2016 and December 31, 2015, respectively.

Segment operating income: As a result of the foregoing, operating income and Adjusted EBITDA both increased \$1.4 million or 48.6% and 48.4%, respectively, for the three months ended December 31, 2016 over the prior year period. For the nine months ended December 31, 2016, operating income and Adjusted EBITDA both increased \$2.0 million or 21.8% and 21.7%, respectively, over the prior year period.

Consolidated

Income taxes: Our provision for income tax expense was \$8.7 million and \$27.3 million for the three and nine months ended December 31, 2016, respectively, as compared to \$7.3 million and \$24.6 million, for the same periods last year. Our effective income tax rates for the three and nine months ended December 31, 2016 were 40.8% and 40.5%, respectively. Our effective income tax rates for the three and nine months ended December 31, 2015 were 41.6% and 41.4%, respectively. The change in our effective income tax rate was due primarily to a tax benefit of \$0.5 million associated with adoption of ASU 2016-09 Stock Compensation.

Net earnings: The foregoing resulted in net earnings of \$12.6 million and \$40.1 million for the three and nine months ended December 31, 2016, respectively, an increase of 22.6% and 15.2%, as compared to \$10.3 million and \$34.8 million during the three and nine months ended December 31, 2015, respectively.

Basic and fully diluted earnings per common share were \$1.83 and \$1.81, for the three months ended December 31, 2016, an increase of 29.8% and 29.3% as compared to \$1.41 and \$1.40, respectively, for the three months ended December 31, 2015. Basic and fully diluted earnings per common share were \$5.77 and \$5.71, for the nine months ended December 31, 2016, an increase of 20.5% as compared to \$4.79 and \$4.74, respectively, for the nine months ended December 31, 2015.

Weighted average common shares outstanding used in the calculation of basic and diluted earnings per common share for the three and nine months ended December 31, 2016, was 6.9 million and 7.0 million, respectively. Weighted average common shares outstanding used in the calculation of the basic and diluted earnings per common share for the three and nine months ended December 31, 2015, was 7.3 million.

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LIQUIDITY AND CAPITAL RESOURCES

Liquidity Overview

Our primary sources of liquidity have historically been cash and cash equivalents, internally generated funds from operations, and borrowings, both non-recourse and recourse. We have used those funds to meet our capital requirements, which have historically consisted primarily of working capital for operational needs, capital expenditures, purchases of equipment for lease, payments of principal and interest on indebtedness outstanding, acquisitions and the repurchase of shares of our common stock.

Our subsidiary ePlus Technology, inc., part of our technology segment, finances its operations with funds generated from operations, and with a credit facility with Wells Fargo Commercial Distribution Finance, LLC or (“WFCDF”). (f/k/a GE Commercial Distribution Finance LLC). ePlus Technology, inc’s agreement with WFCDF has an aggregate credit limit of \$250 million as of December 31, 2016. There are two components of this facility: (1) a floor plan component; and (2) an accounts receivable component. After a customer places a purchase order with us and we have completed our credit check, we place an order for the equipment with one of our vendors. Generally, most purchase orders from us to our vendors are first financed under the floor plan component and reflected in “accounts payable—floor plan” in our consolidated balance sheets. Payments on the floor plan component are due on three specified dates each month, generally 30-60 days from the invoice date. On the due date of the invoices financed by the floor plan component, the invoices are paid by the accounts receivable component of the credit facility. The balance of the accounts receivable component is then reduced by payments from our available cash. The outstanding balance under the accounts receivable component is recorded as recourse notes payable on our consolidated balance sheets. There was no outstanding balance at December 31, 2016 or March 31, 2016, while the maximum credit limit was \$30.0 million for both periods. The borrowings and repayments under the floor plan component are reflected as “net borrowings on floor plan facility” in the cash flows from financing activities section of our consolidated statements of cash flows.

Most customer payments in our technology segment are remitted to our lockboxes. Once payments are cleared, the monies in the lockbox accounts are automatically transferred to our operating account on a daily basis. On the due dates of the floor plan component, we make cash payments to WFCDF. These payments from the accounts receivable component to the floor plan component and repayments from our cash are reflected as “net borrowings on floor plan facility” in the cash flows from financing activities section of our consolidated statements of cash flows. We engage in this payment structure in order to minimize our interest expense and bank fees in connection with financing the operations of our technology segment.

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

Our ability to continue to fund our planned growth, both internally and externally, is dependent upon our ability to generate sufficient cash flow from operations or to obtain additional funds through equity or debt financing, or from other sources of financing, as may be required. While at this time we do not anticipate requiring any additional sources of financing to fund operations, if demand for IT products declines, our cash flows from operations may be substantially affected.

Cash Flows

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

Nine Months Ended December 31,

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	2016		2015	
Net provided by (cash used) in operating activities	\$ 29,702		\$ (17,717)
Net cash used in investing activities	(47,040)	(44,344)
Net cash provided by (used in) financing activities	(8,205)	52,479	
Effect of exchange rate changes on cash	454		(26)
Net decrease in cash and cash equivalents	\$ (25,089)	\$ (9,608)

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Cash flows from operating activities. Cash provided by operating activities totaled \$29.7 million during the nine months ended December 31, 2016. Net earnings adjusted for the impact of non-cash items was \$45.0 million. Net changes in assets and liabilities resulted in a decrease of cash and cash equivalents of \$15.3 million, primarily due to net additions to accounts receivables of \$62.0 million, inventories of \$77.4 million, partially offset by increases accounts payable of \$53.2 million, and salaries and commissions payable, deferred revenues and other liabilities of \$51.2 million.

Cash used in operating activities totaled \$17.7 million during the nine months ended December 31, 2015. Net earnings adjusted for the impact of non-cash items was \$40.5 million. Net changes in assets and liabilities resulted in a decrease of cash and cash equivalents of \$58.2 million, primarily due to additions to accounts receivables of \$32.9 million, financing receivables—net of \$10.7 million, and reductions in salaries and commissions payable, deferred revenues and other liabilities of \$9.0 million.

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

	As of December 31,	
	2016	2015
Days sales outstanding (1)	52	56
Days inventory outstanding (2)	23	6
Days payable outstanding (3)	(48)	(42)
Cash conversion cycle	27	20

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

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

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

Our standard payment term for customers is between 30-60 days; however, certain customers are approved for extended payment terms. Invoices processed through our credit facility, or the accounts payable—floor plan balance, are typically paid within 45-60 days from the invoice date, while accounts payable—trade invoices are typically paid within 30 days from the invoice date. Our cash conversion cycle was 27 days as of December 31, 2016 and 20 days as of December 31, 2015. Historically over the last three years our cash conversion cycle has fluctuated seasonally and has a normal range of 12 to 19 days. The increase in the cash conversion cycle for December 31, 2016 over the prior year is due mainly to a significant increase in our inventories due to a large project for one of our major customers.

Cash flows related to investing activities. Cash used in investing activities was \$47.0 million during the nine months ended December 31, 2016. Cash used in investing activities during the nine months ended December 31, 2016 was primarily driven by issuance of financing receivables of \$114.7 million, cash used in acquisitions of \$9.5 million, purchases of property, equipment and operating lease equipment of \$7.3 million, and purchases of assets to be leased or financed of \$5.9 million, which was partially offset by cash proceeds from the repayment financing receivable of \$44.1 million, the sale of financing receivables of \$39.9 million, and proceeds from the sale of property, equipment and operating lease equipment of \$6.4 million.

Cash used in investing activities was \$44.3 million during the nine months ended December 31, 2015, compared to cash used in investing activities of \$31.7 million during the same period last year. Cash used in investing activities during the nine months ended December 31, 2015 was primarily driven by issuance of financing receivables of \$102.6 million, the acquisition of the business of IGX of \$16.6 million and purchases of property, equipment, and operating lease equipment of \$17.0 million, purchase of assets yet to be leased of \$10.8 million, which was partially offset by cash proceeds from the repayment financing receivable of \$49.2 million, proceeds from the sale of financing receivables of \$48.2 million, and proceeds from the sale of property, equipment and operating lease equipment of \$5.3 million.

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Cash flows from financing activities. Cash used in financing activities was \$8.2 million during the nine months ended December 31, 2016, which was primarily due to \$30.5 million in cash used for the repurchase of common stock, and net repayment on the floor plan facility of \$5.6 million, partially offset by net borrowings of non-recourse and recourse notes payable of \$28.6 million. Cash provided by financing activities was \$52.5 million during the nine months ended December 31, 2015, which was primarily due to net borrowings on the floor plan facility of \$28.6 million and borrowings net of repayments of non-recourse and recourse notes payable of \$27.6 million, which was partially offset by \$2.5 million in cash used for the repurchase of common stock.

Non-Cash Activities

We assign contractual payments due under lease and financing agreements to third-party financial institutions, which are accounted for as non-recourse notes payable. As a condition to the assignment agreement, certain financial institutions may request that the customer remit their contractual payments to a trust; rather than to us, and the trust pays the financial institution. Alternatively, if the structure of the agreement does not require a trustee, the customer will continue to make payments to us, and we will remit the payment to the financial institution. The economic impact to us under either assignment structure is similar, in that the assigned contractual payments are paid by the customer and remitted to the lender to pay down the corresponding non-recourse notes payable. However, these assignment structures are classified differently within our consolidated statements of cash flows. More specifically, we are required to exclude non-cash transactions from our consolidated statement of cash flows, so certain contractual payments made by the customer to the trust are excluded from our operating cash receipts and the corresponding repayment of the non-recourse notes payable from the trust to the third-party financial institution are excluded from our cash flows from financing activities. Contractual payments received by the trust and paid to the lender on our behalf are disclosed as a non-cash financing activity.

Liquidity and Capital Resources

We may utilize non-recourse notes payable to finance approximately 80% to 100% of the purchase price of the assets being leased or financed by our customers. Any balance of the purchase price remaining after non-recourse funding and any upfront payments received from the customer (our equity investment in the equipment) must generally be financed by cash flows from our operations, the sale of the equipment leased to third parties, or other internal means. Although we expect that the credit quality of our financing arrangements and our residual return history will continue to allow us to obtain such financing, such financing may not be available on acceptable terms, or at all.

The financing necessary to support our lease and financing activities has been provided by our cash and non-recourse borrowings. We monitor our exposure closely. We are able to obtain financing through our traditional lending sources which is primarily non-recourse borrowings from third party banks and finance companies. Non-recourse financings are loans whose repayment is the responsibility of a specific customer, although we may make representations and warranties to the lender regarding the specific contract or have ongoing loan servicing obligations. Under a non-recourse loan, we borrow from a lender an amount based on the present value of the contractually committed payments at a fixed rate of interest, and the lender secures a lien on the financed assets. When the lender is fully repaid, the lien is released and all further proceeds are ours. We are not liable for the repayment of non-recourse loans unless we breach our representations and warranties in the loan agreements. The lender assumes the credit risk, and the lender's only recourse, upon default, is against the customer and the specific equipment.

At December 31, 2016, our non-recourse notes payable increased 18.9% to \$52.4 million, as compared to \$44.1 million at March 31, 2016. Recourse notes payable decreased 52.0% to \$1.6 million as of December 31, 2016 compared to \$3.3 million as of March 31, 2016.

Whenever desirable, we arrange for equity investment financing, which includes selling lease payments, including the residual portions, to third parties and financing the equity investment on a non-recourse basis. We generally retain

customer control and operational services, and have minimal residual risk. We usually reserve the right to share in remarketing proceeds of the equipment on a subordinated basis after the investor has received an agreed-to return on its investment.

Credit Facility — Technology

Our subsidiary, ePlus Technology, inc., has a financing facility from WFCDF to finance its working capital requirements for inventories and accounts receivable. There are two components of this facility: (1) a floor plan component; and (2) an accounts receivable component. This facility has full recourse to ePlus Technology, inc. and is secured by a blanket lien against all its assets, such as chattel paper, receivables and inventory. As of December 31, 2016, the facility had an aggregate limit of the two components of \$250.0 million with an accounts receivable sub-limit of \$30.0 million.

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Availability under the facility may be limited by the asset value of equipment we purchase or accounts receivable, and may be further limited by certain covenants and terms and conditions of the facility. These covenants include but are not limited to a minimum excess availability of the facility and minimum earnings before interest, taxes, depreciation and amortization of ePlus Technology, inc. We were in compliance with these covenants as of December 31, 2016. Interest on the facility is assessed at a rate of the One Month LIBOR plus two and one half percent if the payments are not made on the three specified dates each month. The facility also requires that financial statements of ePlus Technology, inc. be provided within 45 days of each quarter and 90 days of each fiscal year end and also requires other operational reports be provided on a regular basis. Either party may terminate the facility with 90 days advance written notice.

We are not, and do not believe that we are reasonably likely to be, in breach of the WFCDF credit facility. In addition, we do not believe that the covenants of the WFCDF credit facility materially limit our ability to undertake financing. In this regard, the covenants apply only to our subsidiary, ePlus Technology, inc. This credit facility is secured by the assets of only ePlus Technology, inc. and the guaranty as described below.

The facility provided by WFCDF requires a guaranty of \$10.5 million by ePlus inc. The guaranty requires ePlus inc. to deliver its annual audited financial statements by a certain date. We have delivered the annual audited financial statements for the year ended March 31, 2016, as required. The loss of the WFCDF credit facility could have a material adverse effect on our future results as we currently rely on this facility and its components for daily working capital and liquidity for our technology segment and as an operational function of our accounts payable process.

Floor Plan Component

Purchases by ePlus Technology, inc. including computer technology products, software, maintenance and services, are in part financed through a floor plan component in which interest expense for the first thirty to sixty days, in general, is not charged. The floor plan liabilities are recorded as accounts payable—floor plan on our consolidated balance sheets, as they are normally repaid within the fifteen to sixty-day time frame and represent assigned accounts payable originally generated with the manufacturer/distributor. In some cases we are able to pay invoices early and receive a discount, but if the fifteen to sixty-day obligation is not paid timely, interest is then assessed at stated contractual rates.

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

Maximum Credit Limit at December 31, 2016	Balance as of December 30, 2016	Maximum Credit Limit at March 31, 2016	Balance as of March 31, 2016
\$ 250,000	\$ 120,854	\$ 250,000	\$ 121,893

Accounts Receivable Component

Included within the credit facility, ePlus Technology, inc. has an accounts receivable component from WFCDF, which has a revolving line of credit. On the due date of the invoices financed by the floor plan component, the invoices are paid by the accounts receivable component of the credit facility. The balance of the accounts receivable component is then reduced by payments from our available cash. The outstanding balance under the accounts receivable component is recorded as recourse notes payable on our consolidated balance sheets. There was no balance outstanding for the accounts receivable component at December 31, 2016 or March 31, 2016, while the maximum credit limit was \$30.0 million for both periods.

Performance Guarantees

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

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Off-Balance Sheet Arrangements

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K or other contractually narrow or limited purposes. As of December 31, 2016, we were not involved in any unconsolidated special purpose entity transactions.

Adequacy of Capital Resources

The continued implementation of our business strategy will require a significant investment in both resources and managerial focus. In addition, we may selectively acquire other companies that have attractive customer relationships and skilled sales and/or engineering forces. We may also start offices in new geographic areas, which may require a significant investment of cash. We may also acquire technology companies to expand and enhance the platform of bundled solutions to provide additional functionality and value-added services. We may continue to use our internally generated funds to finance investments in leased assets or investments in notes receivables due from our customers. As a result, we may require additional financing to fund our strategy, implementation and potential future acquisitions, which may include additional debt and equity financing.

Inflation

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

Potential Fluctuations in Quarterly Operating Results

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

Our quarterly results of operations are susceptible to fluctuations for a number of reasons, including, but not limited to currency fluctuations, reduction in IT spending, any reduction of expected residual values related to the equipment under our leases, the timing and mix of specific transactions, the reduction of manufacturer incentive programs, and other factors. Quarterly operating results could also fluctuate as a result of our sale of equipment in our lease portfolio at the expiration of a lease term or prior to such expiration, to a lessee or to a third party and the transfer of financial assets. Sales of equipment and transfers of financial assets may have the effect of increasing revenues and net income during the quarter in which the sale occurs, and reducing revenues and net income otherwise expected in subsequent quarters. See Part I, Item 1A, "Risk Factors," in our 2016 Annual Report.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Although a substantial portion of our liabilities are non-recourse, fixed-interest-rate instruments, we utilize our lines of credit and other financing facilities which are subject to fluctuations in short-term interest rates. These instruments, which are denominated in U.S. dollars, were entered into for other than trading purposes and, with the exception of

amounts drawn under the WFCDF facility, bear interest at a fixed rate. Because the interest rate on these instruments is fixed, changes in interest rates will not directly impact our cash flows. Borrowings under the WFCDF facility bear interest at a market-based variable rate. As of December 31, 2016, the aggregate fair value of our recourse and non-recourse borrowings approximated their carrying value.

In December 2015, we purchased 100% of the stock of IGXGlobal UK, Ltd, a company formed and operated in the United Kingdom with a functional currency of British Pounds. The company also transacts in Euros and U. S. Dollars. There is a potential for exposure to fluctuations in foreign currency rates resulting primarily from the transaction exposure associated with the preparation of our consolidated financial statements. In addition, we have foreign currency exposure when transactions are not denominated in the subsidiary's functional currency. To date, our United Kingdom operations are insignificant in relation to total consolidated operations and we believe that potential fluctuations in currency exchange rates will not have a material effect on our financial position.

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We have operations in Canada and Iceland. As such, we have entered into lease contracts and non-recourse, fixed-interest-rate financing denominated in Canadian dollars and in Icelandic krona. In our fiscal year beginning April 1, 2016, we began entering in financing transactions and non-recourse, fixed-interest-rate financing denominated in British Pounds in the United Kingdom. To date, our foreign operations have been insignificant and we believe that potential fluctuations in currency exchange rates will not have a material effect on our financial position.

Item 4. Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures, or “disclosure controls,” as defined in the Exchange Act Rule 13a-15(e). Disclosure controls are controls and procedures designed to reasonably ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this quarterly report, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Our disclosure controls include some, but not all, components of our internal control over financial reporting. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of December 31, 2016.

Changes in Internal Controls

There have not been any changes in our internal control over financial reporting during the quarter ended December 31, 2016, which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently a party to any legal proceedings with loss contingencies that are expected to be material. From time to time, we may be or have been a plaintiff, or may be or have been named as a defendant, in legal actions arising from our normal business activities, none of which has had a material effect on our business, results of operations or financial condition. Legal proceedings which may arise in the ordinary course of business including preference payment claims asserted in customer bankruptcy proceedings, tax audits, claims of alleged infringement of patents, trademarks, copyrights and other intellectual property rights, claims of alleged non-compliance with contract

Explanation of Responses:

provisions, employment-related claims, claims by competitors, vendors or customers, claims related to alleged violations of laws and regulations, and claims relating to alleged security or privacy breaches. We attempt to ameliorate the effect of potential litigation through insurance coverage and contractual protections such as rights to indemnifications and limitations of liability. We do not expect that the outcome in any of these matters, individually or collectively, will have a material adverse effect on our financial condition or results of operations, however, litigation is inherently unpredictable. Therefore, judgments could be rendered or settlements entered that could adversely affect our results of operations or cash flows in a particular period. We provide for costs related to contingencies when a loss is probable and the amount is reasonably determinable.

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Item 1A. Risk Factors

There has not been any material change in the risk factors previously disclosed in Part I, Item 1A of our 2016 Annual Report.

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

The following table provides information regarding our purchases of ePlus inc. common stock during the nine months ended December 31, 2016.

Period	Total number of shares purchased (1)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number (or approximate value) of shares that may yet be purchased under the plans or programs	
April 1, 2016 through April 30, 2016	113,035	\$ 80.70	113,035	270,663	(2)
May 1, 2016 through May 31, 2016	78,659	\$ 81.59	78,659	192,004	(3)
June 1, 2016 through June 30, 2016	64,834	\$ 84.78	35,098	156,906	(4)
July 1, 2016 through July 31, 2016	83,510	\$ 82.47	83,510	73,396	(5)
August 1, 2016 through August 16, 2016	18,179	\$ 82.88	18,179	55,217	(6)
August 19, 2016 through August 31, 2016	-	\$ -	-	500,000	(7)
September 1, 2016 through September 30, 2016	-	\$ -	-	500,000	(8)
October 1, 2016 through October 31, 2016	-	\$ -	-	500,000	(9)
November 1, 2016 through November 30, 2016	-	\$ -	-	500,000	(10)
December 1, 2016 through December 31, 2016	-	\$ -	-	500,000	(11)

(1) All shares acquired were in open-market purchases, except for 29,736 shares, which were repurchased in June 2016 to satisfy tax withholding obligations that arose due to the vesting of shares of restricted stock.

The share purchase authorization in place for the month ended April 30, 2016 had purchase limitations on the (2) number of shares of up to 500,000 shares. As of April 30, 2016, the remaining authorized shares to be purchased were 270,663.

The share purchase authorization in place for the month ended May 31, 2016 had purchase limitations on the (3) number of shares of up to 500,000 shares. As of May 31, 2016, the remaining authorized shares to be purchased were 192,004.

The share purchase authorization in place for the month ended June 30, 2016 had purchase limitations on the (4) number of shares of up to 500,000 shares. As of June 30, 2016, the remaining authorized shares to be purchased were 156,906.

The share purchase authorization in place for the month ended July 31, 2016 had purchase limitations on the (5) number of shares of up to 500,000 shares. As of July 31, 2016, the remaining authorized shares to be purchased were 73,396.

(6) As of August 16, 2016 the authorization under the then existing share purchase plan expired.

On August 9, 2016, the board of directors authorized the company to repurchase up to 500,000 shares of its (7) outstanding common stock commencing on August 19, 2016 through August 18, 2017. As of August 31, 2016, the remaining authorized shares to be purchased were 500,000.

Explanation of Responses:

The share purchase authorization in place for the month ended September 30, 2016 had purchase limitations on the (8) number of shares of up to 500,000 shares. As of September 30, 2016, the remaining authorized shares to be purchased were 500,000.

The share purchase authorization in place for the month ended October 31, 2016 had purchase limitations on the (9) number of shares of up to 500,000 shares. As of October 31, 2016, the remaining authorized shares to be purchased were 500,000.

The share purchase authorization in place for the month ended November 30, 2016 had purchase limitations on (10) the number of shares of up to 500,000 shares. As of November 30, 2016, the remaining authorized shares to be purchased were 500,000.

The share purchase authorization in place for the month ended December 31, 2016 had purchase limitations on (11) the number of shares of up to 500,000 shares. As of December 31, 2016, the remaining authorized shares to be purchased were 500,000.

The timing and expiration date of the current stock repurchase authorizations are included in Note 10, "Stockholders' Equity" to our unaudited condensed consolidated financial statements included elsewhere in this report.

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Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

31.1 Certification of the Chief Executive Officer of ePlus inc. pursuant to the Securities Exchange Act Rules 13a-14(a) and 15d-14(a).

31.2 Certification of the Chief Financial Officer of ePlus inc. pursuant to the Securities Exchange Act Rules 13a-14(a) and 15d-14(a).

32 Certification of the Chief Executive Officer and Chief Financial Officer of ePlus inc. pursuant to 18 U.S.C. § 1350.

101.INS XBRL Instance Document

101.SCHXBRL Taxonomy Extension Schema Document

101.CALXBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LABXBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ePlus inc.

Date: February 2, 2017 /s/ MARK P. MARRON

By: Mark P. Marron,
Chief Executive Officer and
President
(Principal Executive Officer)

Date: February 2, 2017 /s/ ELAINE D. MARION

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