

## Insight Enterprises, Inc.



**BB+** 1 year PD  
**0.15% to 0.38%**

- Debt increased to \$995.1mn with Leverage at 1.39, which may strain financial flexibility if revenue pressures persist. Yet they improved operational efficiency via cost savings.
- Declining revenue (-12%) was offset by -12.6% in COGS and OPEX (joint), which stabilized Net Income & wider margins. Debt funded acquisitions aren't a top priority right now.

**Strengths**

- Service Segment Growth & profitability:** The services division grew by 8% in Q2-24, showing resilience amid product sales declines. This growth provides higher margins and diversified revenue streams, critical for future profitability. A cost savings program led to a decline in COGS and OPEX (jointly) by -12.6%, in excess of the decline in revenue, improving profitability and a stable performance in FY-23.
- Geographic and Customer Diversity:** Operations across N.A., EMEA, and Asia-Pacific, with a broad customer base, reduce reliance on any single market or sector, lowering operational risk.
- Strong Liquidity:** With a current and quick ratio of 1.28/1.23, their liquidity is better than their peers. In addition they have an R/C-line over \$1.8bn that's ~90% unused, and an option to expand by an additional \$0.75bn.

**Challenges**

- Declining Product Sales:** Product revenue dropped 11% year-over-year in Q2-24, representing a major challenge to revenue stability and market share.
- Rising Debt:** Total debt rose to \$995.1mn by 6/2024 (56% increase over FY-22, and 1.75x higher than FY-21), increasing the company's leverage and putting pressure on cash flow with a rising Leverage ratio of 1.39 per FY-23. Yet, Leverage ratios are overall in line with market.
- Revenue decline:** Y-o-y revenue declined by -12% in FY-23, mainly driven by lower sales in hardware (post-covid effect).

### Scorecard Summary

Financial vs Business Risk Weighting Factors					
	Ownership	Public			
	Company Stage	Stabilized			
	Financials	Complete			
	Weight	Score	Dimension	Weight	Score
Financial	75%	6.6	Liquidity	15%	<div><div></div></div> 7.0
			Leverage	40%	<div><div></div></div> 5.1
			Profitability	45%	<div><div></div></div> 4.8
			Industry Risk	20%	<div><div></div></div> 6.5
Business	25%	6.6	Competitive Position	50%	<div><div></div></div> 7.2
			Mgmt / Governance	30%	<div><div></div></div> 5.7
			Sponsor / Parent		
Modifiers		0.0	Financial Flexibility		<div><div></div></div> 0.3
			Fixed Cost Coverage Risk		<div><div></div></div> (0.25)

### Company Overview

Headquarters	Chandler, AZ
Type	Public
Employees	~15,000
Year Founded	1988
Website	https://www.insight.com
Business	Global provider of IT and digital solutions.
Revenues	\$9,175.8M

- Company Overview:** Insight Enterprises, Inc. is a global provider of IT solutions and services focused on digital transformation, cloud services, and IT lifecycle management.
- Product:** Insight offers end-to-end technology services, including cloud infrastructure, cybersecurity, digital innovation, and hardware distribution.
- Customers:** The company serves a broad range of industries, including healthcare, financial services, retail, and governmental entities.
- Ownership:** Insight is publicly traded on NASDAQ under the symbol NSIT, with a diversified shareholder base, including institutional investors.
- Debt Structure:** No near-term maturity risk. Convertible Senior Nots over \$332mn are due in 2025. A senior usnsecured note over \$492mn is due in 2032. The balane is related to a \$1.8bn R/C-line secured by assets and guarantors, of which \$171mn were outstanding per 6/2024. The entity has the ability to increase the R/C-line by an additional \$750mn, given certain conditions.
- Other:** As of May 15th, 2024 S&P and Moodys' rated the entity 'BB+' / 'Ba2'. Although the latter roughly equates to a 'BB' on the S&P rating scale, both agencies assigned a stable outlook. Insight's increase in scale has been a product of both organic growth and acquisitions (e.g. they completed six acquisitions over the past five years). More recently though they re-aligned their focus to emphasize profitability, alongside revenue growth. Given the change in focus, they are rather willing to walk away from opportunities if it does not meet their criteria, supporting a path towards further debt consolidation.

### Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	21	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.21	1.28	<div><div></div></div> 67%
	Quick Ratio	1.02	1.23	
Leverage	Net Debt / EBITDA	1.37	1.39	<div><div></div></div> 61%
	Debt to Assets	19.0%	15.0%	<div><div></div></div> 73%
Profitability	EBITDA Margin	5.6%	5.3%	<div><div></div></div> 57%
	ROCE %	11.4%	14.4%	<div><div></div></div> 62%
	Revenue	\$7,025M	\$9,176M	

Industry Benchmarks - Primary: IT Consulting and Other Services | Secondary: Technology Distributors



### Financial Statement Highlights

\$ '000s	(C) Dec-21 T12	(B) Dec-22 T12	(A) Dec-23 T12	Change (C) to (B) (B) to (A)	
Income Statement					
Total Revenue	9,436,113	10,431,191	9,175,840	-12.0%	
Gross Profit	1,447,557	1,636,567	1,669,525	2.0%	
Adjusted EBITDA	387,482	470,314	482,271	2.5%	
Gross Profit Margin	15.3%	15.7%	18.2%	+251 bps	
Net Income	219,345	280,608	281,309	0.2%	
Balance Sheet					
Cash And Cash Equivalents	103,840	163,637	268,730	64.2%	
Total Current Assets	3,568,311	3,900,668	4,331,301	11.0%	
Total Assets	4,689,080	5,112,581	6,286,350	23.0%	
Total Current Liabilities	2,515,257	2,866,407	3,373,383	17.7%	
Total Debt	361,606	637,900	940,521	47.4%	
Total Equity	1,509,227	1,638,068	1,735,733	6.0%	
Key Ratios					
Current Ratio	1.42	1.36	1.28	-5.6%	
Quick Ratio	1.29	1.27	1.23	-3.1%	
Net Debt / EBITDA	0.67	1.01	1.39	38.1%	
Debt to Assets	7.7%	12.5%	15.0%	+248 bps	
EBITDA Margin	4.1%	4.5%	5.3%	+75 bps	
ROCE %	15.3%	18.4%	14.4%	(401) bps	

- Revenue declined from \$10.4bn in FY-22 to \$9.2bn in FY-2, mainly due to an 11% drop in product sales, partially offset by an 8% growth in services.
- Despite the lower revenue, operational efficiency improved with EBITDA Margin wideing by 75bps, and Adjusted EBITDA increasing by 2.5% in FY-23.
- Debt rose from \$637.9mn (FY-22) to \$995.1mn (6/2024), a 160% increase since FY-21.

### Business Risk Highlights

- Industry:** Insight operates in a highly competitive IT consulting and technology distribution market. Product sales are sensitive to economic downturns, while services are less affected, providing some stability. The joint growth projection is rather positive with a CAGR of 8.3% from 2022 to 2030. Success hinges on adaptability, technological expertise, and strong partnerships with hardware/software vendors. Technological changes —such as AI, cybersecurity, and cloud services — drive growth.
- Competitive Position:** The competitive landscape is highly fragmented, with major players like CDW, SHI, and Accenture competing for market share with Insight.
- Management:** Management has focused on cost-cutting, reflected in improved margins and tight expense controls, but rising debt raises questions about strategic financial planning.
- PE Sponsor:** N/A
- COVID-impact:** The pandemic accelerated enterprises transitioning to notebooks from desktop computers. As a result, Insight's hardware sales grew meaningfully because device growth in the second half of '21 and '22 was in the high-20% to low-30% area. Consequently, the decline in that segment by ~11% in FY-23, can be considered a normalization.