



NASDAQ - NSIT

FOR IMMEDIATE RELEASE
THURSDAY, OCTOBER 24, 2002, 4PM ET

INSIGHT ENTERPRISES, INC. REPORTS THIRD QUARTER RESULTS

**Net sales and diluted earnings per share within previous guidance;
Diluted earnings per share increased 10% over prior year**

TEMPE, Ariz. – October 24, 2002 – **Insight Enterprises, Inc. (Nasdaq: NSIT)** (the “Company”) today announced net sales and net earnings for the three and nine months ended September 30, 2002. The Company is a holding company with the following operating segments: the direct marketing segment (referred to as “Insight”) and the business process outsourcing segment (referred to as “Direct Alliance”).

Net sales for the quarter ended September 30, 2002 increased 74% to \$854.0 million from \$490.2 million in the same period in 2001 due to acquisitions. Net earnings for the quarter increased 22% to \$10.1 million from \$8.3 million in the third quarter of 2001. Diluted earnings per share increased 10% to \$0.22 for the quarter ended September 30, 2002 compared to \$0.20 in the same period in 2001. Excluding restructuring charges of \$1.5 million (\$1.0 million, net of tax) recorded in Insight’s United Kingdom operations, diluted earnings per share were \$0.24 for the third quarter of 2002. The Company previously stated that it expected net sales and diluted earnings per share to be between \$840 million and \$900 million and \$0.23 and \$0.29, excluding restructuring charges in Insight’s United Kingdom operations, respectively. Sales from Insight represented 97% of the quarter’s net sales, with the remaining 3% from Direct Alliance.

Net sales for the nine months ended September 30, 2002 increased 36% to \$2,119.0 million from \$1,552.5 million for the nine months ended September 30, 2001 due to acquisitions. Net earnings increased 2% to \$35.3 million for the nine months ended September 30, 2002 from adjusted net earnings of \$34.5 million for the nine months ended September 30, 2001. Diluted earnings per share decreased 4% to \$0.78 for the nine months ended September 30, 2002 compared to adjusted diluted earnings per share of \$0.81 for the nine months ended September 30, 2001. Adjusted net earnings and diluted earnings per share for the nine months ended September 30, 2001 exclude a charge of \$830,000, net of taxes, for the effect of aborted IPO costs related to Direct Alliance. Sales from Insight represented 96% of net sales, with the remaining 4% from Direct Alliance for the nine months ended September 30, 2002.

The Company’s effective tax rate for the three months ended September 30, 2002 and 2001 was 40.5% and 39.7%, respectively. The increase in the effective tax rate was due to the recognition of tax benefits on foreign operating losses at a lower effective tax rate than that of the United States as well as a higher state tax rate for the Company’s newly-acquired Chicago-based operations. This increase was partially offset by the elimination of losses in Germany, the elimination of goodwill amortization, and a reduction in Canadian tax rates.

Working capital as of September 30, 2002 was \$158.5 million compared to \$159.7 million as of December 31, 2001. Annualized inventory turns were 44 times for the third quarter of 2002 compared to 90 times for the third quarter of 2001. The decrease in annualized inventory turns resulted from a reduction in the percentage of direct shipments and corresponding increase in inventory balances due to acquisitions in the second quarter of 2002 and fourth quarter of 2001.

Insight

Insight’s net sales and net earnings in the third quarter of 2002 increased 79% to \$829.2 million and 36% to \$7.7 million, respectively, compared to net sales of \$463.0 million and net earnings of \$5.7 million in the third quarter of 2001. The increase in net sales was due to acquisitions in the fourth quarter of 2001 and second quarter of 2002. Additionally, net sales of Microsoft products were strong in third quarter of 2002 due to the July 31 deadline for Microsoft’s upgrade programs. “Although sales of Microsoft products were a strong contributor this quarter, other product categories remained fairly stable as a percentage of sales,” said Timothy A. Crown, chief executive officer. “Additionally, we are pleased that Insight’s United Kingdom operations posted net sales of approximately \$106 million, following second quarter net sales of approximately \$89 million.”

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Insight's gross profit as a percentage of net sales was 10.7% in the third quarter of 2002 as compared to 10.5% in the third quarter a year ago. According to Stanley Laybourne, chief financial officer, "The increase in gross profit percentage over the prior year is due to net revenue reporting of certain software products and focused internal initiatives to improve product gross margin, offset by lower gross margins at recently acquired companies and some reductions in supplier reimbursements. Gross profit percentage decreased from 11.5% in the second quarter of 2002 due primarily to lower gross margins at a recently acquired company whose results were included in operations for an entire quarter, lower gross margins in the large enterprise sector, and lower gross margins in the United Kingdom operations." Net revenue reporting of certain software products resulted in an increase in gross profit percentage in the third quarter of 2002 of 0.70%. Other components of costs of goods sold have remained fairly consistent as a percentage of net sales.

For the third quarter of 2002, operating expenses were 8.9% of net sales compared to 8.5% in the same quarter in 2001. Mr. Laybourne added, "The increase from prior year is due primarily to the inclusion of operating expenses for acquired entities, start-up costs of new product and service initiatives, and severance costs of \$1.5 million in the United Kingdom." Offsetting this increase was a decrease of approximately 0.1% due to goodwill no longer amortized in accordance with the new accounting pronouncement, Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets".

Direct Alliance

Direct Alliance posted overall net sales of \$24.8 million in the quarter ended September 30, 2002, a 9% decrease, compared to \$27.2 million in the third quarter of 2001. For the three months ended September 30, 2002, one outsourcing client accounted for approximately 62% of Direct Alliance's net sales and the three largest clients accounted for approximately 95% of net sales. The decline in sales is due primarily to the decrease in pass through product sales from \$4.3 million for the third quarter of 2001 to \$2.2 million for the third quarter of 2002. Direct Alliance's gross profit decreased \$800,000 or 13% to \$5.2 million for the third quarter of 2002, compared to \$6.0 million for the third quarter of 2001. The decline is related to the loss of a small service program, as well as an increase in direct program expenses which are recorded in costs of goods sold. Operating expenses at Direct Alliance decreased 29% to \$1.2 million for the third quarter of 2002 compared to \$1.7 million for the third quarter of 2001. Operating expenses as a percentage of net sales were 4.7% in the third quarter of 2002 compared to 6.4% for the third quarter of 2001. The reduction in operating expenses is due to reductions in marketing and other operating expenses as well as a bad debt recovery in the third quarter of 2002. Direct Alliance posted net earnings of \$2.4 million for the third quarter of 2002, an 8% decrease, compared to \$2.6 million for the third quarter of 2001.

Guidance

The Company expects consolidated net sales for the fourth quarter of 2002 to be between \$800 million and \$850 million and diluted earnings per share to be between \$0.20 and \$0.26. The Company continues to be cautious about the economy and expects continued pressure on gross margins. Reductions in operating expenses in Insight's UK operations will be offset partially by increases in expenses related to amortization of "stay bonuses" for staff based in the Company's Chicago operations. The guidance provided for diluted earnings per share excludes any potential non-cash charge for impairment of goodwill, as discussed below.

The Company's goodwill balance of \$188.7 million as of September 30, 2002 is in the direct marketing segment. The Company adopted the provisions of SFAS No. 142 on January 1, 2002. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually. Goodwill was tested for impairment upon the adoption of SFAS No. 142 as of January 1, 2002 and there was no impairment. Goodwill will be tested for impairment annually in the fourth quarter. Because of the substantial decrease in the market price of the Company's stock, which is used as an indicator of the fair market value of the direct marketing segment, it is possible that a non-cash charge for impairment of goodwill will be recorded in the fourth quarter.

Mr. Crown summarized, "We are pleased that the third quarter of 2002 fell within our expectations. We continue to be cautious in our short-term guidance due to economic uncertainties. However, despite sluggish IT demand, Insight has opportunity to improve its earnings per share by successfully executing acquisition integration plans and making improvements at the operating line by both increasing gross margin and decreasing operating expenses. We have strengthened our management team on all fronts, and our continuous efforts to expand our product and service offerings will improve Insight's position and overall performance in the industry. Our long-term growth plans remain viable and we are confident that when the inevitable rise in IT demand returns, opportunities will be robust."

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The Company will host a corresponding conference call and live Webcast today at 5:00 p.m. ET to discuss the quarterly results of operations. A live Webcast of the conference call (in listen-only mode) will be available for a limited time on the Company's corporate website at www.insight.com.

Certain statements in this release may be "forward-looking statements" within the meaning of The Private Securities Litigation Reform Act of 1995. These forward-looking statements may include projections of matters that affect sales, gross profit, operating expenses or net earnings; projections of capital expenditures; projections for growth; hiring plans; plans for future operations; financing needs or plans; plans relating to the Company's products; and assumptions relating to the foregoing. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Future events and actual results could differ materially from those set forth in, contemplated by, or underlying the forward-looking information. Some of the important factors that could cause the Company's actual results to differ materially from those projected in any forward-looking statements include, but are not limited to, the following: risks associated with past and future acquisitions, management of growth, current unfavorable economic conditions and reduced demand in the Company's industry, reliance on information and telephone systems, reliance on suppliers, changes in supplier reimbursement programs, actions of competitors, availability of short-term credit facilities, reliance on outsourcing clients, changing methods of distribution, dependence on key personnel, risks associated with international operations, rapid changes in product standards, changes in state sales or use tax collection and results of litigation. These factors are discussed in greater detail under "Factors That May Affect Future Results And Financial Condition" in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, as filed with the Securities and Exchange Commission.

About Insight

Insight Enterprises, Inc., a *Fortune* 1000 company, is a holding company composed of the following operating units: **Insight Direct Worldwide, Inc.** ("Insight") is a leading direct marketer of computers, hardware and software, offering a broad line of more than 200,000 brand name products primarily to businesses in the United States, Canada, and the United Kingdom. Insight sells its products via a staff of customer-dedicated account executives utilizing proactive outbound telephone-based sales, a customer-focused face-to-face sales force, electronic commerce and marketing and via the Internet. **Direct Alliance Corporation** is a business process outsourcing organization providing marketplace solutions in the areas of logistics and supply chain management, finance, direct sales, direct marketing and analytics using proprietary technology, infrastructure and processes. For additional information about Insight Enterprises, Inc., call (480) 902-1001 in the United States or visit www.insight.com.

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INSIGHT ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	For the		For the	
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Net sales	\$ 854,003	\$ 490,150	\$ 2,119,031	\$ 1,552,479
Costs of goods sold	<u>760,321</u>	<u>435,416</u>	<u>1,872,895</u>	<u>1,375,128</u>
Gross profit	93,682	54,734	246,136	177,351
Operating expenses:				
Selling and administrative expenses	74,658	40,552	184,340	119,101
Aborted IPO costs	-	-	-	1,354
Amortization	<u>467</u>	<u>485</u>	<u>778</u>	<u>1,458</u>
Earnings from operations	18,557	13,697	61,018	55,438
Non-operating expense (income), net	<u>1,590</u>	<u>(33)</u>	<u>3,605</u>	<u>(51)</u>
Earnings before income taxes	16,967	13,730	57,413	55,489
Income tax expense	<u>6,868</u>	<u>5,452</u>	<u>22,106</u>	<u>21,857</u>
Net earnings	\$ <u>10,099</u>	\$ <u>8,278</u>	\$ <u>35,307</u>	\$ <u>33,632</u>
Earnings per share:				
Basic	\$ <u>0.22</u>	\$ <u>0.20</u>	\$ <u>0.80</u>	\$ <u>0.81</u>
Diluted	\$ <u>0.22</u>	\$ <u>0.20</u>	\$ <u>0.78</u>	\$ <u>0.79</u>
Shares used in per share calculation:				
Basic	<u>46,062</u>	<u>41,648</u>	<u>44,387</u>	<u>41,372</u>
Diluted	<u>46,235</u>	<u>42,211</u>	<u>45,406</u>	<u>42,346</u>

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INSIGHT ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	September 30, 2002	December 31, 2001
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	\$ 19,247	\$ 31,868
Accounts receivable, net	423,630	296,749
Inventories, net	79,019	33,754
Deferred income taxes and other current assets.....	<u>12,501</u>	<u>13,046</u>
Total current assets.....	534,397	375,417
Property and equipment, net.....	118,840	105,663
Goodwill, net	188,658	108,731
Other assets.....	<u>330</u>	<u>670</u>
	\$ <u>842,225</u>	\$ <u>590,481</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt and capital leases.....	\$ 3,340	\$ 3,009
Lines of credit	99,165	-
Accounts payable	228,069	172,872
Accrued expenses and other current liabilities	<u>45,373</u>	<u>39,794</u>
Total current liabilities	375,947	215,675
Long-term debt and capital leases, less current portion	13,414	16,228
Lines of credit.....	-	38,524
Deferred income taxes.....	2,308	-
Stockholders' equity:		
Preferred stock	-	-
Common stock.....	469	427
Additional paid-in capital.....	256,565	170,982
Retained earnings	209,595	174,288
Accumulated other comprehensive income – foreign currency translation adjustment	7,236	(2,334)
Treasury stock	<u>(23,309)</u>	<u>(23,309)</u>
Total stockholders' equity	<u>450,556</u>	<u>320,054</u>
	\$ <u>842,225</u>	\$ <u>590,481</u>

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FINANCIAL SUMMARY TABLE
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	<u>2002</u>	<u>2001</u>	<u>% change</u>	<u>2002</u>	<u>2001</u>	<u>% change</u>
<u>Insight Enterprises, Inc.</u>						
Net sales	\$ 854,003	\$ 490,150	74%	\$2,119,031	\$ 1,552,479	36%
Earnings from operations	\$ 18,557	\$ 13,697	35%	\$ 61,018	\$ 56,792 *	7%
Net earnings	\$ 10,099	\$ 8,278	22%	\$ 35,307	\$ 34,462 *	2%
Basic earnings per share	\$ 0.22	\$ 0.20	10%	\$ 0.80	\$ 0.83 *	(4%)
Diluted earnings per share	\$ 0.22	\$ 0.20	10%	\$ 0.78	\$ 0.81 *	(4%)
Shares used in earnings per share calculation:						
Basic	46,062	41,648	11%	44,387	41,372	7%
Diluted	46,235	42,211	10%	45,406	42,346	7%
<u>Insight Direct Worldwide, Inc.</u>						
Net sales	\$ 829,222	\$ 462,996	79%	\$2,044,711	\$ 1,476,025	39%
Net earnings	\$ 7,704	\$ 5,679	36%	\$ 27,891	\$ 27,126	3%
<u>Direct Alliance Corporation</u>						
Net sales	\$ 24,781	\$ 27,154	(9%)	\$ 74,320	\$ 76,454	(3%)
Net earnings	\$ 2,395	\$ 2,599	(8%)	\$ 7,416	\$ 7,336 *	1%

* Excludes a \$1.4 million (\$830,000, net of taxes) charge, recorded in operating expenses, for the effect of aborted IPO costs related to Direct Alliance Corporation incurred during the nine months ended September 30, 2001.

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QUARTERLY OPERATING DATA SUMMARY TABLE
(UNAUDITED)

**Three Months Ended
September 30,**

<u>Insight</u>	<u>2002</u>	<u>2001</u>	<u>% change</u>
% of net sales – North America	87%	93%	69% *
% of net sales – Europe	13%	7%	214% *
Gross profit %	10.7%	10.5%	0.2%
Operating expense %	8.9%	8.5%	0.4%
Direct shipments %	62%	72%	26% **
Direct shipments % – North America	66%	75%	18% **
Direct shipments % – Europe	47%	54%	109% **
Number of account executives	2,118	1,644	29%
Number of account executives – North America	1,863	1,421	31%
Number of account executives – Europe	255	223	14%
Average order size	\$ 1,506	\$ 1,278	18%
Average order size – North America	\$ 1,629	\$ 1,345	21%
Average order size – Europe	\$ 979	\$ 766	28%
Percent of sales to businesses	99%	98%	92% *
Percent unassisted web sales	7.6%	11.8%	14% *
Product Mix:			
Notebooks and PDA's	14%	17%	45% *
Desktops and servers	15%	14%	93% *
Software	20%	18%	101% *
Storage devices	8%	10%	47% *
Networking and connectivity	10%	9%	105% *
Printers	11%	10%	110% *
Monitors and video	7%	7%	78% *
Memory and processors	4%	5%	52% *
Supplies and accessories	5%	4%	129% *
Miscellaneous	6%	6%	41% *
<u>Direct Alliance</u>			
Net sales mix:			
Service fees	91%	84%	(1%) *
Pass through product sales	9%	16%	(49%) *
Earnings from operations %	16.3%	15.6%	(5%)

* Based on net sales dollars

** Based on number of direct shipments

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