



NASDAQ - NSIT

FOR IMMEDIATE RELEASE
THURSDAY, JULY 26, 2001, 4PM EST

**INSIGHT ENTERPRISES, INC.
SECOND QUARTER 2001 EARNINGS RELEASE**

Second Quarter Highlights:

- 3% growth in consolidated net sales
- 72% sales growth in Direct Alliance business for the quarter (if all sales were accounted for as if they were from product based programs)
- 39% increase in Direct Alliance consolidated net earnings ^{a,b}
- Sequential increase in consolidated gross profit percentage to 11.6%
- Annualized inventory turns of 96 times for the quarter

FINANCIAL SUMMARY TABLE

(Retroactively reflects 3-for-2 stock split paid on September 18, 2000)

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|--|--------------------------------|------------------------|----------|------------------------------|------------------------|----------|
| | 2001 | 2000 | % change | 2001 | 2000 | % change |
| Insight Enterprises, Inc. | | | | | | |
| Net sales (000's) | \$ 504,826 | \$ 488,174 | 3% | \$ 1,062,329 | \$ 955,477 | 11% |
| Earnings from operations (adjusted) (000's) | \$ 19,343 ^a | \$ 23,219 ^b | (17%) | \$ 43,095 ^a | \$ 43,542 ^b | (1%) |
| Net earnings (adjusted) (000's) | \$ 11,898 ^a | \$ 14,422 ^b | (18%) | \$ 26,184 ^a | \$ 26,749 ^b | (2%) |
| Basic earnings per share (adjusted) | \$ 0.29 ^a | \$ 0.36 ^b | (19%) | \$ 0.63 ^a | \$ 0.67 ^b | (6%) |
| Diluted earnings per share (adjusted) | \$ 0.28 ^a | \$ 0.34 ^b | (18%) | \$ 0.62 ^a | \$ 0.64 ^b | (3%) |
| Shares used in adjusted earnings per share calculation (000's): | | | | | | |
| Basic | 41,462 | 40,070 | 3% | 41,255 | 40,085 | 3% |
| Diluted | 42,577 | 41,952 | 1% | 42,414 | 41,641 | 2% |
| Insight Direct Worldwide, Inc. | | | | | | |
| Net sales (000's) | \$ 481,649 | \$ 462,865 | 4% | \$ 1,013,029 | \$ 910,319 | 11% |
| Net earnings (adjusted) (000's) | \$ 9,445 | \$ 12,661 ^b | (25%) | \$ 21,448 | \$ 23,372 ^b | (8%) |
| Direct Alliance Corporation | | | | | | |
| Net sales (000's) | \$ 23,177 | \$ 25,309 | (8%) | \$ 49,300 | \$ 45,158 | 9% |
| Net earnings (adjusted) (000's) | \$ 2,453 ^a | \$ 1,761 ^b | 39% | \$ 4,736 ^a | \$ 3,377 ^b | 40% |

a) Second quarter 2001 adjusted earnings from operations, adjusted net earnings and adjusted earnings per share are before 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.

b) Second quarter 2000 adjusted earnings from operations, adjusted net earnings and adjusted earnings per share are before a \$1.1 million (\$685,000, net of taxes) accelerated vesting restricted common stock charge which was recorded in operating expenses.

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QUARTERLY OPERATING DATA SUMMARY TABLE

**Three Months Ended
 June 30,**

| <u>Insight Direct Worldwide, Inc.</u> | <u>2001</u> | <u>2000</u> | <u>% change</u> |
|--|--------------------|--------------------|------------------------|
| % of net sales – North America | 93% | 93% | 4% * |
| % of net sales – Europe | 7% | 7% | 4% * |
| Gross profit % | 11.0% | 11.6% | (0.6%) |
| Operating expense % | 7.8% | 7.2% | 0.6% |
| Direct shipments % | 72% | 65% | 16% ** |
| Direct shipments % – North America | 75% | 72% | 14% ** |
| Direct shipments % – Europe | 50% | 27% | 46% ** |
| Number of account executives | 1,823 | 1,580 | 15% |
| Number of account executives – North America | 1,621 | 1,432 | 13% |
| Number of account executives – Europe | 202 | 148 | 36% |
| Average order size | \$ 1,256 | \$ 1,299 | (3%) |
| Average order size – North America | \$ 1,325 | \$ 1,480 | (10%) |
| Average order size – Europe | \$ 703 | \$ 456 | 54% |
| Percent of sales to businesses | 98% | 96% | 6% * |
| Percent unassisted web sales | 11.3% | 11.3% | 4% * |
| Product Mix: | | | |
| Notebooks and PDA's | 15% | 21% | (21%) * |
| Desktops and servers | 15% | 16% | (2%) * |
| Software | 17% | 11% | 70% * |
| Storage devices | 9% | 9% | 20% * |
| Networking and connectivity | 9% | 9% | 12% * |
| Printers | 9% | 8% | 21% * |
| Monitors and video | 7% | 7% | 12% * |
| Memory and processors | 6% | 8% | (8%) * |
| Supplies and accessories | 5% | 5% | 25% * |
| Miscellaneous | 8% | 6% | 24% * |
| <u>Direct Alliance Corporation</u> | | | |
| Net sales mix: | | | |
| Service fees | 88% | 63% | 28% * |
| Product sales | 0% | 28% | (100%) * |
| Pass through product sales | 12% | 9% | 27% * |
| Earnings from operations % (adjusted) *** | 17.5% | 10.7% | 49% |

* Based on net sales dollars

** Based on number of direct shipments

*** Second quarter 2001 earnings from operations are before an \$830,000 net of taxes charge for the effect of aborted IPO costs.

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Tempe, Arizona – July 26, 2001 – **Insight Enterprises, Inc. (Nasdaq: NSIT)** (the “Company”) today announced continued sales growth for the three and six months ended June 30, 2001. The Company is a holding company with two operating units, Insight Direct Worldwide, Inc. (“Insight”) and Direct Alliance Corporation (“Direct Alliance”).

Insight Enterprises, Inc.

Net sales, from both operating units, for the quarter ended June 30, 2001 increased 3% to \$504.8 million from \$488.2 million in the same period in 2000. Net earnings for the quarter decreased 18% to \$11.9 million from \$14.4 million, before the effect of aborted IPO costs in the second quarter of 2001 and a restricted common stock charge in the second quarter of 2000. Diluted earnings per share decreased 18% to \$0.28 for the quarter ended June 30, 2001 compared to \$0.34 in the same period in 2000. Sales from the Company’s global direct marketing subsidiary, Insight, represented 95% of the quarter’s net sales, with the remaining 5% from Direct Alliance, the Company’s global outsourcing provider.

Net sales, from both operating units, for the six months ended June 30, 2001 increased 11% to \$1,062.3 million from \$955.5 million for the six months ended June 30, 2000. Net earnings, before the effect of aborted IPO costs in the second quarter of 2001 and a restricted common stock charge in the second quarter of 2000, decreased 2% to \$26.2 million for the six months ended June 30, 2001 from \$26.7 million for the six months ended June 30, 2000. Diluted earnings per share decreased 3% to \$0.62 for the six months ended June 30, 2001 compared to \$0.64 for the six months ended June 30, 2000. Sales from Insight represented 95% of net sales, with the remaining 5% from Direct Alliance for the six months ended June 30, 2000.

Three and six months ended June 30, 2001 and June 30, 2000 net earnings and earnings per share figures discussed above are shown before the effect of an \$830,000 charge, net of taxes, for aborted IPO costs during the quarter ended June 30, 2001 and a \$685,000 charge, net of taxes, for early vesting of restricted common stock during the quarter ended June 30, 2000.

Additionally, all net earnings per share amounts reflect a 3-for-2 stock split effected in the form of a stock dividend paid on September 18, 2000.

The Company’s overall tax rate for the quarter ended June 30, 2001 was 38.7%, compared to 39.2% for the second quarter of 2000. The decrease was due primarily to a decrease in the income tax rate for the State of Arizona.

Working capital, as of June 30, 2001, was \$192 million, including \$51 million in cash and cash equivalents. Annualized inventory turns were 96 times for the second quarter of 2001 compared to 65 times for the second quarter of 2000.

On a forward-looking basis, the Company expects consolidated net sales for the third quarter of 2001 to be between \$460 million and \$515 million and diluted earnings per share to be between \$0.23 and \$0.28.

Insight Direct Worldwide, Inc.

Insight’s net sales increased 4% to \$481.6 million and net earnings decreased 25% to \$9.4 million compared to net sales of \$462.9 million and net earnings of \$12.7 million in the second quarter of 2000. “Over the past several quarters we have experienced a decline in business demand in the notebook and desktop space by our target customer, the small- to medium-sized business enterprise. We believe the uncertainty in the general economy has caused businesses to lengthen the replacement cycle, thereby causing a reduction in demand. On the upside, we are seeing increased demand in software, storage devices, printers and supplies/accessories,” said Timothy A. Crown, CEO.

Insight’s strong electronic commerce focus (www.insight.com) continues to provide its customers with an efficient and effective buying tool. Its unassisted web sales (those sales completed without the assistance of an Insight account executive) represented \$54.3 million, or 11.3% of Insight’s net sales in the second quarter, up from \$52.0 million in the same quarter last year – growing consistently with overall net sales growth of 4%.

Insight’s gross profit as a percentage of net sales was 11.0% in the quarter of 2001 as compared to 11.6% in the second quarter a year ago and 11.1% in the first quarter of 2001. According to Stanley Laybourne, Chief Financial Officer, “The stabilizing of product margins over the past two quarters shows our commitment to not compromise profitability by competing on price alone; instead, we continue to differentiate ourselves by providing exceptional customer service through our dedicated account executives.” Other components of costs of goods sold remained fairly consistent as a percentage of net sales. As stated in previous releases, Insight does expect its future gross profit percentage to fluctuate depending on factors such as industry-wide pricing pressures, supplier reimbursement programs, pricing/selling strategies and product mix.

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For Q2 2001, operating expenses were 7.8% of net sales compared to 7.2% in the same quarter in 2000, excluding the effect of an accelerated vesting restricted stock charge in Q2 2000. According to Laybourne, "We are continuing to invest in account executives, European growth and IT professionals that will be focusing on continuous improvement of our website, operational efficiencies and transactional processes with customers and suppliers. As a result, our operating expense percentage is increasing despite the fact that our model, which focuses more on variable costs and less on fixed cost advertising, responds favorably to a top line slowdown."

Direct Alliance Corporation

Direct Alliance posted overall net sales of \$23.2 million in the quarter ended June 30, 2001, an 8% decrease, compared to \$25.3 million in the second quarter of 2000. As a result of Direct Alliance's strategic emphasis on service fee based programs as opposed to product based programs, all of Direct Alliance's net sales were from service fee based programs (12% via pass through product sales) in Q2 2001 compared to 72% (9% via pass through product sales) a year ago. According to Tim Crown, "Direct Alliance continues to have impressive growth given today's environment of weakened demand for IT products. If all programs had been accounted for as if they were product based, net sales growth quarter-over-quarter would have been an impressive 72%."

Direct Alliance's gross profit increased \$1.2 million, or 27%, to \$5.6 million for the second quarter of 2001, compared to \$4.4 million for the second quarter 2000. Operating expenses at Direct Alliance decreased to \$1.5 million for the second quarter 2001 compared to \$1.7 million for the second quarter 2000. Operating expenses as a percentage of net sales were 6.5% in Q2 2001 compared to 6.6% in Q2 2000, excluding the effects of an accelerated vesting restricted stock charge in Q2 2000 and the aborted IPO costs in Q2 2001. The percentages for these periods are not directly comparable because of the differing mix of service fee based and product based programs in the periods and the different accounting treatment of direct costs between the two program types. Under service fee based programs, all direct costs relating to generation of the fees are included in cost of goods sold, and not in operating expenses as is the case with product based programs. Laybourne commented, "We believe that earnings from operations is a more appropriate measure of Direct Alliance's financial performance, especially during the transition from product based programs to service fee based programs." Earnings from operations increased 49% to \$4.1 million in the second quarter of 2001 compared to \$2.7 million in 2000. The increase is due to growth in service fees under existing clients offset by investments to enhance scalability and service offerings through increased breadth and depth of management, technical staff and facilities. Net earnings increased 39% to \$2.5 million in the second quarter of 2001 compared to \$1.8 million in 2000.

As stated in a prior press release, the Company withdrew its planned initial public offering and spin-off of Direct Alliance in Q2 2001. "While we are committed to an ultimate spin-off of Direct Alliance, we do not believe that current economic conditions are conducive to a transaction that would be in the best interests of our shareholders," said Tim Crown. Crown continued, "We are in an enviable position in that we do not need to complete an IPO in order to continue Direct Alliance's growth. Direct Alliance's profitable operations continue to contribute to the consolidated results of Insight Enterprises, Inc." The Company has recorded a one-time charge of \$1.4 million in its Q2 2001 operating expenses. Operating expenses, net earnings, and earnings per share figures discussed above exclude this charge.

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 of 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 forward-looking statements made by the Company include, but are not limited to, the following: fluctuations in operating results, intense competition, reliance on outsourcing arrangements, mix of outsourcing arrangements, past and future acquisitions, international operations, risk of business interruption, management of rapid growth, need for additional financing, changing methods of distribution, reliance on suppliers, changes in supplier reimbursement programs, rapid change in product standards, inventory obsolescence, dependence on key personnel, sales and income tax uncertainty and increasing marketing, postage and shipping costs. These factors are discussed in greater detail under "Factors That May Affect Future Results And Financial Condition" in the Company's Annual Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission.

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About Insight

Insight Enterprises, Inc., a *Fortune* 1000 company, is a holding company composed of the following operating units:
Insight Direct Worldwide, Inc. is a leading global direct marketer of computers, hardware and software, offering a broad line of more than 130,000 brand name products primarily to businesses in the United States, Canada, the United Kingdom and Germany. Insight sells its products via the Internet and by a staff of customer-dedicated account executives utilizing proactive outbound telephone-based sales, electronic commerce and electronic marketing. **Direct Alliance Corporation** provides outsourced marketing, sales and supply chain services to enable manufacturers to access the direct channel. 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 Three Months Ended June 30, | | For the Six months Ended June 30, | |
|--|--|--------------------|--|--------------------|
| | <u>2001</u> | <u>2000</u> | <u>2001</u> | <u>2000</u> |
| Net sales | \$ 504,826 | \$ 488,174 | \$ 1,062,329 | \$ 955,477 |
| Costs of goods sold | <u>446,487</u> | <u>430,201</u> | <u>939,712</u> | <u>842,108</u> |
| Gross profit | 58,339 | 57,973 | 122,617 | 113,369 |
| Operating expenses: | | | | |
| Selling, general and administrative expenses . | 38,515 | 34,429 | 78,549 | 69,162 |
| Aborted IPO costs | 1,354 | - | 1,354 | - |
| Restricted stock charge | - | 1,127 | - | 1,127 |
| Amortization of goodwill | <u>481</u> | <u>325</u> | <u>973</u> | <u>665</u> |
| Earnings from operations | 17,989 | 22,092 | 41,741 | 42,415 |
| Non-operating income, net | <u>(60)</u> | <u>(517)</u> | <u>(18)</u> | <u>(638)</u> |
| Earnings before income taxes | 18,049 | 22,609 | 41,759 | 43,053 |
| Income tax expense | <u>6,981</u> | <u>8,872</u> | <u>16,405</u> | <u>16,989</u> |
| Net earnings | <u>\$ 11,068</u> | <u>\$ 13,737</u> | <u>\$ 25,354</u> | <u>\$ 26,064</u> |
| Earnings per share*: | | | | |
| Basic | <u>\$ 0.27</u> | <u>\$ 0.34</u> | <u>\$ 0.61</u> | <u>\$ 0.65</u> |
| Diluted | <u>\$ 0.26</u> | <u>\$ 0.33</u> | <u>\$ 0.60</u> | <u>\$ 0.63</u> |
| Shares used in per share calculation*: | | | | |
| Basic | <u>41,462</u> | <u>40,070</u> | <u>41,255</u> | <u>40,085</u> |
| Diluted | <u>42,577</u> | <u>41,952</u> | <u>42,414</u> | <u>41,641</u> |

* Retroactively reflects 3-for-2 stock split effected in the form of a stock dividend paid on September 18, 2000.

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

| | June 30, 2001 | December 31, 2000 |
|--|--------------------------|------------------------------|
| | <u>(unaudited)</u> | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents..... | \$ 51,394 | \$ 24,917 |
| Accounts receivable, net..... | 272,321 | 313,457 |
| Inventories, net..... | 15,495 | 25,975 |
| Prepaid expenses and other current assets..... | <u>12,030</u> | <u>9,003</u> |
| Total current assets..... | 351,240 | 373,352 |
| Property and equipment, net..... | 90,160 | 84,259 |
| Goodwill, net..... | 32,329 | 35,073 |
| Other assets..... | <u>608</u> | <u>1,216</u> |
| | <u>\$ 474,337</u> | <u>\$ 493,900</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term debt..... | \$ 670 | \$ 646 |
| Current portion of obligations under capital leases..... | 382 | 371 |
| Accounts payable..... | 148,703 | 180,434 |
| Accrued expenses and other current liabilities..... | <u>9,799</u> | <u>14,230</u> |
| Total current liabilities..... | 159,554 | 195,681 |
| Long-term debt, less current portion..... | 12,075 | 13,141 |
| Obligations under capital leases, less current portion..... | 889 | 1,082 |
| Lines of credit..... | - | 19,000 |
| Stockholders' equity: | | |
| Preferred stock..... | - | - |
| Common stock..... | 424 | 415 |
| Additional paid-in capital..... | 164,137 | 150,333 |
| Retained earnings..... | 165,755 | 140,401 |
| Accumulated other comprehensive income – foreign currency translation adjustment..... | (5,188) | (2,844) |
| Treasury stock..... | <u>(23,309)</u> | <u>(23,309)</u> |
| Total stockholders' equity..... | <u>301,819</u> | <u>264,996</u> |
| | <u>\$ 474,337</u> | <u>\$ 493,900</u> |

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