

Reconciliation of GAAP to Non-GAAP Product Sales, Product Gross Profit and Product Gross Margin (Unaudited)

The table below sets forth the reconciliation of product sales, product gross profit and product gross margin as reported under U.S. Generally Accepted Accounting Principles ("GAAP") to non-GAAP product sales, non-GAAP product gross profit and non-GAAP product gross margin for the three months ended June 30, 2019, as discussed in the question and answer session of the Company's second quarter 2019 earnings call held on July 25, 2019.

	Three Months Ended June 30,	
	2019	2018
<u>(dollars in thousands)</u>		
Product sales, as reported	\$ 67,992	\$ 75,720
GSA sales adjustment ⁽¹⁾	5,047	—
Non-GAAP product sales	\$ 73,039	\$ 75,720

	Three Months Ended June 30,			
	2019	% of Sales	2018	% of Sales
<u>(dollars in thousands)</u>				
Product gross profit and product gross margin, as reported	\$ 38,955	57.3%	\$ 47,843	63.2%
GSA sales adjustment ⁽¹⁾	5,047	—	—	—
Non-GAAP product gross profit and product gross margin	\$ 44,002	60.2%	\$ 47,843	63.2%

(1) Late in the fourth quarter of 2018, during an internal review the Company preliminarily determined that certain of its pricing practices may have resulted in the U.S. Government being overcharged under the Company's General Services Administration ("GSA") Federal Supply Schedule contracts (the "Contracts"). In fourth quarter 2018, the Company reduced its total sales by an estimated cumulative adjustment of \$4.8 million. The Company also retained outside legal counsel and forensic accountants to conduct a comprehensive review of its pricing and other practices under the Contracts (the "Review"). On July 15, 2019, the Company submitted a report to the GSA and its Office of Inspector General setting forth the findings of the Review. Based on the results of the Review, in second quarter 2019 the Company reduced its total sales by an incremental \$5.8 million.

These non-GAAP financial measures are provided to enhance investors' overall understanding of the Company's historical operations and financial performance and, as presented, may not be comparable to similarly titled measures of other companies due to varying methods of calculation.



Reconciliation of GAAP to Non-GAAP Service Sales, Service Gross Profit and Service Gross Margin (Unaudited)

The table below sets forth the reconciliation of service sales, service gross profit and service gross margin as reported under U.S. Generally Accepted Accounting Principles ("GAAP") to non-GAAP service sales, non-GAAP service gross profit and non-GAAP service gross margin for the three months ended June 30, 2019, as discussed in the question and answer session of the Company's second quarter 2019 earnings call held on July 25, 2019.

	Three Months Ended June 30,	
	2019	2018
<u>(dollars in thousands)</u>		
Service sales, as reported	\$ 25,499	\$ 22,524
GSA sales adjustment ⁽¹⁾	758	—
Non-GAAP service sales	\$ 26,257	\$ 22,524

	Three Months Ended June 30,			
	2019	% of Sales	2018	% of Sales
<u>(dollars in thousands)</u>				
Service gross profit and service gross margin, as reported	\$ 13,364	52.4%	\$ 9,848	43.7%
GSA sales adjustment ⁽¹⁾	758		—	—%
Non-GAAP service gross profit and service gross margin	\$ 14,122	53.8%	\$ 9,848	43.7%

(1) Late in the fourth quarter of 2018, during an internal review the Company preliminarily determined that certain of its pricing practices may have resulted in the U.S. Government being overcharged under the Company's General Services Administration ("GSA") Federal Supply Schedule contracts (the "Contracts"). In fourth quarter 2018, the Company reduced its total sales by an estimated cumulative adjustment of \$4.8 million. The Company also retained outside legal counsel and forensic accountants to conduct a comprehensive review of its pricing and other practices under the Contracts (the "Review"). On July 15, 2019, the Company submitted a report to the GSA and its Office of Inspector General setting forth the findings of the Review. Based on the results of the Review, in second quarter 2019 the Company reduced its total sales by an incremental \$5.8 million.

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