

INSIGHT ENTERPRISES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (continued)

Operating Expenses.

Selling and Administrative Expenses. Selling and administrative expenses increased \$124.2 million in 2019 compared to 2018. Our selling and administrative expenses by major expense type for 2019 and 2018 were as follows (dollars in thousands):

	2019	2018	Change
Personnel costs, including teammate benefits	\$ 684,837	\$ 593,955	\$ 90,882
Depreciation and amortization	46,209	37,458	8,751
Facility expenses	30,945	26,396	4,549
Travel and entertainment.....	28,402	25,656	2,746
Legal and professional fees	16,839	16,103	736
Marketing	11,597	10,345	1,252
Other	61,908	46,616	15,292
Total	<u>\$ 880,737</u>	<u>\$ 756,529</u>	<u>\$ 124,208</u>
Percentage of net sales.....	11.4%	10.7%	

Selling and administrative expenses increased approximately 70 basis points as a percentage of net sales in 2019 compared to 2018. The increase in expenses reflects the addition of PCM to our North America and EMEA segments, effective August 30, 2019. The addition of PCM and increased variable compensation resulting from increased sales and gross profit in 2019 compared to 2018 were the primary drivers for the \$90.9 million increase in personnel costs. PCM was also the primary driver for year over year increases in facilities, travel and entertainment, and marketing expenses. Depreciation and amortization expense increased approximately \$8.8 million year over year, primarily due to additional amortization expense on newly acquired intangible assets.

Severance and Restructuring Expenses. During 2019, we recorded severance expense, net of adjustments, totaling \$5.4 million. The North America and EMEA charges related to severance actions taken to realign roles and responsibilities subsequent to the acquisition of PCM in August 2019, as well as a headcount reduction as part of cost reduction initiatives in the fourth quarter of 2019. For 2019, charges were partially offset by immaterial adjustments for changes in estimates of previous accruals as cash payments were made during the year. During 2018, we recorded severance expense, net of adjustments, totaling \$3.4 million.

Acquisition-related Expenses. During 2019, we incurred \$11.3 million in direct third-party costs related to the acquisition of PCM. Comparatively, during 2018, we incurred \$282,000 in such costs related to the acquisition of Cardinal. See Note 20 to the Consolidated Financial Statements in Part II, Item 8 of this report for further discussion of acquisitions.

Non-Operating (Income) Expense.

Interest Expense, net. Interest expense, net primarily relates to borrowings under our financing facilities and imputed interest under our convertible notes and inventory financing facilities, partially offset by interest income generated from interest earned on cash and cash equivalent bank balances. Interest expense increased 30%, or \$6.8 million, in 2019 compared to 2018 due primarily to higher average daily balances under our debt facilities, in 2019 compared to 2018, while imputed interest under our inventory financing facilities increased \$200,000 to \$10.8 million in 2019 and imputed interest under our convertible senior notes was \$3.7 million in 2019.

Other Expense (Income), Net. Other expense (income), net, consists primarily of foreign currency exchange gains and losses. Foreign currency exchange gains and losses result from foreign currency transactions, including foreign currency derivative contracts and intercompany balances that are not considered long-term in nature. The change in net foreign currency exchange gains/losses is due primarily to the underlying changes in the applicable exchange rates, partially mitigated by our use of foreign exchange forward contracts to offset the effects of fluctuations in foreign currencies on certain of our non-functional currency assets and liabilities.