UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File No. 000-26408

Climb Global Solutions, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**13-3136104**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4 Industrial Way West, Suite 300, Eatontown, New Jersey 07724
(Address of principal executive offices)

(732) 389-8950
Registrant's Telephone Number

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading Symbol	Name of each exchange on which registered:
Common stock, $.01 par value per share	CLMB	The Nasdaq Global Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐	Accelerated Filer ☒
	Smaller Reporting Company ☒
Non-Accelerated Filer ☐	Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

There were 4,585,131 outstanding shares of common stock, par value $.01 per share ("Common Stock") as of May 2, 2024.

CLIMB GLOBAL SOLUTIONS, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2024

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q ("Quarterly Report") includes statements of our expectations, intentions, plans and beliefs that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and are intended to come within the safe harbor protection provided by those sections. The statements, other than statements of historical fact, included in this Quarterly Report are forward-looking statements. Many of the forward-looking statements contained in this Quarterly Report may be identified by the use of forward-looking words such as "believes," "expects," "intends," "anticipates," "plans," "estimates," "projects," "forecasts," "should," "could," "would," "will," "confident," "may," "can," "potential," "possible," "proposed," "in process," "under construction," "in development," "opportunity," "target," "outlook," "maintain," "continue," "goal," "aim," "commit," or similar expressions or when we discuss our future operating results, priorities, strategy, goals, vision, mission, opportunities, projections, intentions or expectations. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Because these forward-looking statements are subject to risks and uncertainties, actual results could differ materially from those indicated by such forward-looking statements. These risks and uncertainties include, but are not limited to, the continued acceptance of the Company's distribution channel by vendors and customers, the timely availability and acceptance of new products, product mix, market conditions, competitive pricing pressures, the successful integration of acquisitions, contribution of key vendor relationships and support programs, including vendor rebates and discounts, as well as factors that affect the software industry in general and other factors generally. We strongly urge current and prospective investors to carefully consider the cautionary statements and risk factors contained in this report and our annual report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission (the "SEC") on March 5, 2024.

The Company operates in a rapidly changing business, and new risk factors emerge from time to time. Management cannot predict every risk factor, nor can it assess the impact, if any, of all such risk factors on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those projected in any forward-looking statements.

Accordingly, forward-looking statements should not be relied upon as a prediction of actual results and readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. Except as may be required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The statements concerning future sales, future gross profit margin and future selling and administrative expenses are forward looking statements involving certain risks and uncertainties such as availability of products, product mix, pricing pressures, market conditions and other factors, which could result in a fluctuation of sales below recent experience.

Unless otherwise specified, the "Company," "we," "us" or "our" refers to Climb Global Solutions, Inc., a Delaware corporation, and its consolidated subsidiaries.

PART I — FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Climb Global Solutions, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)
(Amounts in thousands, except share and per share amounts)

	March 31, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 43,572	$ 36,295
Accounts receivable, net of allowance for doubtful accounts of $744 and $709, respectively	180,587	222,269
Inventory, net	1,865	3,741
Prepaid expenses and other current assets	6,619	6,755
Total current assets	232,643	269,060
Equipment and leasehold improvements, net	9,890	8,850
Goodwill	26,906	27,182
Other intangibles, net	25,920	26,930
Right-of-use assets, net	848	878
Accounts receivable, net of current portion	752	797
Other assets	974	1,077
Deferred income tax assets	389	324
Total assets	$ 298,322	$ 335,098
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 213,221	$ 249,648
Lease liability, current portion	495	450
Term loan, current portion	545	540
Total current liabilities	214,261	250,638
Lease liability, net of current portion	771	879
Deferred income tax liabilities	5,492	5,554
Term loan, net of current portion	614	752
Other non-current liabilities	735	2,505
Total liabilities	221,873	260,328
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.01 par value; 10,000,000 shares authorized; 5,284,500 shares issued: 4,585,131 and 4,573,448 shares outstanding, respectively	53	53
Additional paid-in capital	35,170	34,647
Treasury stock, at cost, 699,369 and 711,052 shares, respectively	(12,724)	(12,623)
Retained earnings	55,190	53,215
Accumulated other comprehensive loss	(1,240)	(522)
Total stockholders' equity	76,449	74,770
Total liabilities and stockholders' equity	$ 298,322	$ 335,098

The accompanying notes are an integral part of these condensed consolidated financial statements.

Climb Global Solutions, Inc. and Subsidiaries
Condensed Consolidated Statements of Earnings
(Unaudited)
(Amounts in thousands, except per share data)

	Three months ended March 31,	
	2024	2023
Net sales	$ 92,422	$ 85,040
Cost of sales, excluding depreciation and amortization expense	75,402	69,831
Gross profit	17,020	15,209
Selling, general, and administrative expenses	12,523	10,241
Acquisition related costs	123	22
Depreciation and amortization expense	871	713
Income from operations	3,503	4,233
Other income:		
Interest, net	203	112
Foreign currency transaction (loss) gain	(85)	44
Income before provision for income taxes	3,621	4,389
Provision for income taxes	890	1,065
Net income	$ 2,731	$ 3,324
Income per common share-Basic	$ 0.60	$ 0.74
Income per common share-Diluted	$ 0.60	$ 0.74
Weighted average common shares outstanding — Basic	4,438	4,366
Weighted average common shares outstanding — Diluted	4,438	4,366

The accompanying notes are an integral part of these condensed consolidated financial statements.

Climb Global Solutions, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)
(Amounts in thousands)

	Three months ended March 31,	
	2024	**2023**
Net income	$ 2,731	$ 3,324
Other comprehensive (loss) income:		
Foreign currency translation adjustments	(718)	613
Other comprehensive (loss) income	(718)	613
Comprehensive income	$ 2,013	$ 3,937

The accompanying notes are an integral part of these condensed consolidated financial statements.

Climb Global Solutions, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(Amounts in thousands, except share amounts)

	Common Stock		Additional Paid-In	Treasury		Retained	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Shares	Amount	Earnings	(Loss) Income	Total
Balance at January 1, 2024	5,284,500	$ 53	$ 34,647	711,052	$ (12,623)	$ 53,215	$ (522)	$ 74,770
Net income	—	—	—	—	—	2,731	—	2,731
Translation adjustment	—	—	—	—	—	—	(718)	(718)
Dividends paid (per common share $0.17)	—	—	—	—	—	(756)	—	(756)
Share-based compensation expense	—	—	854	—	—	—	—	854
Restricted stock grants (net of forfeitures)	—	—	(331)	(18,938)	331	—	—	—
Treasury shares repurchased	—	—	—	7,255	(432)	—	—	(432)
Balance at March 31, 2024	5,284,500	$ 53	$ 35,170	699,369	$ (12,724)	$ 55,190	$ (1,240)	$ 76,449

	Common Stock		Additional Paid-In	Treasury		Retained	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Shares	Amount	Earnings	(Loss) Income	Total
Balance at January 1, 2023	5,284,500	53	32,715	806,068	(13,230)	43,904	(2,868)	$ 60,574
Net income	—	—	—	—	—	3,324	—	3,324
Translation adjustment	—	—	—	—	—	—	613	613
Dividends paid (per common share $0.17)	—	—	—	—	—	(749)	—	(749)
Share-based compensation expense	—	—	545	—	—	—	—	545
Restricted stock grants (net of forfeitures)	—	—	(765)	(43,824)	765	—	—	—
Treasury shares repurchased	—	—	—	5,604	(214)	—	—	(214)
Balance at March 31, 2023	5,284,500	$ 53	$ 32,495	767,848	$ (12,679)	$ 46,479	$ (2,255)	$ 64,093

The accompanying notes are an integral part of these condensed consolidated financial statements.

Climb Global Solutions, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Amounts in thousands)

	Three months ended March 31, 2024	2023
Cash flows from operating activities		
Net income	$ 2,731	$ 3,324
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization expense	871	716
Provision for doubtful accounts	45	9
Deferred income tax benefit	(77)	241
Share-based compensation expense	822	529
Amortization of discount on accounts receivable	(6)	(11)
Amortization of right-of-use assets	29	101
Changes in operating assets and liabilities:		
Accounts receivable	40,435	30,345
Inventory	1,824	703
Prepaid expenses and other current assets	115	(3,696)
Vendor prepayments	—	890
Accounts payable and accrued expenses	(31,024)	9,994
Lease liability, net	(63)	(133)
Other assets and liabilities	(1,655)	598
Net cash and cash equivalents provided by operating activities	14,047	43,610
Cash flows from investing activities		
Purchase of equipment and leasehold improvements	(1,180)	(1,270)
Net cash and cash equivalents used in investing activities	(1,180)	(1,270)
Cash flows from financing activities		
Purchase of treasury stock	(432)	(214)
Borrowings under credit facilities	—	10,000
Repayments of borrowings under credit facilities	(4,229)	(10,000)
Repayments of borrowings under term loan	(133)	(128)
Dividends paid	(756)	(749)
Net cash and cash equivalents used in financing activities	(5,550)	(1,091)
Effect of foreign exchange rate on cash and cash equivalents	(40)	247
Net increase in cash and cash equivalents	7,277	41,496
Cash and cash equivalents at beginning of period	36,295	20,245
Cash and cash equivalents at end of period	$ 43,572	$ 61,741
Supplementary disclosure of cash flow information:		
Income taxes paid	$ 272	$ 222
Interest paid	$ 68	$ 22

The accompanying notes are an integral part of these condensed consolidated financial statements.

Climb Global Solutions, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
March 31, 2024
(Unaudited)
(Amounts in tables in thousands, except share and per share amounts)

1. **Basis of Presentation:**

The accompanying unaudited condensed consolidated financial statements of Climb Global Solutions, Inc. and its subsidiaries (collectively, the "Company"), have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, as permitted by the rules and regulation of the Securities and Exchange Commission, the financial statements do not include all of the information and footnotes required by U.S. GAAP for complete audited financial statements.

The preparation of these condensed consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to product returns, bad debts, inventories, intangible assets, income taxes, stock-based compensation, evaluation of performance obligations and allocation of revenue to distinct items, contingencies and litigation. The Company bases its estimates on its historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. In the opinion of the Company's management, all adjustments that are of a normal recurring nature, considered necessary for fair presentation of the results for the periods presented, have been included in the accompanying condensed consolidated financial statements. The Company's actual results may differ from these estimates under different assumptions or conditions. The unaudited condensed consolidated statements of earnings for the interim periods are not necessarily indicative of results for the full year. For further information, refer to the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K filed with the Securities Exchange Commission for the year ended December 31, 2023.

The consolidated financial statements include the accounts of Climb Global Solutions, Inc. and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated.

Reclassifications

Certain reclassifications and immaterial revisions have been made to the prior period financial statements to conform to the current-year presentation.

2. **Recently Issued Accounting Standards:**

In November 2023, the FASB issued Accounting Standards Update 2023-07 *"Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures"*. The amendments in this ASU are intended to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The Company adopted the update in the first quarter of 2024 and it did not have a material effect on our consolidated financial statements.

3. **Foreign Currency Translation:**

Assets and liabilities of the Company's foreign subsidiaries have been translated using the end of the reporting period exchange rates, and related revenues and expenses have been translated at average rates of exchange in effect during the period. Transactions denominated in currencies other than the applicable functional currency are converted to the functional currency at the exchange rate on the transaction date. Foreign currency transaction gains and losses are recorded as income or expenses as amounts are settled. The net sales from our foreign operations for the three months ended March 31, 2024 and 2023 were $28.2 million and $24.6 million, respectively.

4. **Comprehensive Income:**

Cumulative translation adjustments have been classified within accumulated other comprehensive loss, which is a separate component of stockholders' equity in accordance with FASB ASC Topic 220, "Comprehensive Income."

5. **Revenue Recognition:**

The Company's revenues primarily result from the sale of various technology products and services, including third-party products, third-party software and third-party maintenance, software support and services. The Company recognizes revenue as control of the third-party products and third-party software is transferred to customers, which generally happens at the point of shipment or fulfilment and at the point that our customers and vendors accept the terms and conditions of the arrangement for third-party maintenance, software support and services.

The Company has contracts with certain customers where the Company's performance obligation is to arrange for the products or services to be provided by another party. In these arrangements, as the Company assumes an agency relationship in the transaction, revenue is recognized in the amount of the net fee associated with serving as an agent. These arrangements primarily relate to third party maintenance, cloud services and certain security software whose intended functionality is dependent on third party maintenance.

The Company allows its customers to return product for exchange or credit subject to certain limitations. A liability is recorded at the time of sale for estimated product returns based upon historical experience and an asset is recognized for the amount expected to be recorded in inventory upon product return. The Company also provides rebates and other discounts to certain customers which are considered variable consideration. A provision for customer rebates and other discounts is recorded as a reduction of revenue at the time of sale based on an evaluation of the contract terms and historical experience.

The Company considers shipping and handling activities as costs to fulfill the sales of products. Shipping revenue is included in net sales when control of the product is transferred to the customer, and the related shipping and handling costs are included in the cost of products sold. Taxes imposed by governmental authorities on the Company's revenue producing activities with customers, such as sales taxes and value added taxes, are excluded from net sales.

The Company disaggregates its operating revenue by segment, geography and timing of revenue recognition, which the Company believes provides a meaningful depiction of the nature of its revenue. See Note 16 – Segment Information.

Hardware and software products sold by the Company are generally delivered via shipment from the Company's facilities, drop shipment directly from the vendor, or by electronic delivery of keys for software products. The majority of the Company's business involves shipments directly from its vendors to its customers. In these transactions, the Company is generally responsible for negotiating price both with the vendor and customer, payment to the vendor, establishing payment terms with the customer, product returns, and has risk of loss if the customer does not make payment. As the principal with the customer, the Company recognizes revenue upon receiving notification from the vendor that the product was shipped. Control of software products is deemed to have passed to the customer when they acquire the right to use or copy the software under license as substantially all product functionality is available to the customer at the time of sale.

The Company performs an analysis of the number of days of sales in-transit to customers at the end of each reporting period based on an analysis of commercial delivery terms that include drop-shipment arrangements. This analysis is the basis upon which the Company estimates the amount of net sales in-transit at the end of the period and adjusts revenue and the related costs to reflect only what has been delivered to the customer. Changes in delivery patterns may result in a different number of business days estimated to make this adjustment. The Company also performs a weighted average analysis of the estimated number of days between order fulfillment and beginning of the renewal term for term licenses recorded on a gross basis, and a deferral estimate is recorded for term license renewals fulfilled prior to commencement date.

Generally, software products are sold with accompanying third-party delivered software assurance, which is a product that allows customers to upgrade, at no additional cost, to the latest technology if new capabilities are introduced during the period that the software assurance is in effect. The Company evaluates whether the software assurance is a separate performance obligation by assessing if the third-party delivered software assurance is critical or essential to the core functionality of the software itself. This involves considering if the software provides its original intended functionality to the customer without the updates, if the customer would ascribe a higher value to the upgrades versus the up-front deliverable, if the customer would expect frequent intelligence updates to the software (such as updates that maintain the original functionality), and if the customer chooses to not delay or always install upgrades. If the Company determines that the accompanying third-party delivered software assurance is critical or essential to the core functionality of the software license, the software license and the accompanying third-party delivered software assurance are recognized as a single performance obligation. The value of the product is primarily the accompanying support delivered by a third party and therefore the Company is acting as an agent in these transactions and recognizes them on a net basis at the point the associated software license is delivered to the customer. The Company sells cloud computing solutions that utilize third-party vendors to enable customers to access data center functionality in a cloud-based solution, including storage, computing and networking and access to software in the cloud that enhances office productivity, provides security or assists in collaboration. The Company recognizes revenue for cloud computing solutions for arrangements with one-time invoicing to the customer at the time of invoice on a net basis as the Company is acting as an agent in the transaction. For monthly subscription-based arrangements, the Company is acting as an agent in the transaction and recognizes revenue as it invoices the customer for its monthly usage on a net basis. For software licenses where the accompanying third-party delivered software assurance is not critical or essential to the core functionality, the software assurance is recognized as a separate performance obligation, with the associated revenue recognized on a net basis at the point the related software license is delivered to the customer.

The Company also sells some of its products and services as part of bundled contract arrangements containing multiple deliverables, which may include a combination of products and services. For each deliverable that represents a distinct performance obligation, total arrangement consideration is allocated based upon the standalone selling prices (“SSP”) of each performance obligation. SSP is determined based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through established standard prices, we use judgement and estimate the standalone selling price considering available information such as market pricing and pricing related to similar products.

The Company pays commissions and related payroll taxes to sales personnel when customers are invoiced. These costs are recorded as selling, general and administrative expenses in the period earned as all our performance obligations are complete within a short window of processing the order.

6. **Acquisition:**

On October 6, 2023, the Company entered into a Share Purchase Agreement and purchased the entire share capital of Data Solutions Holdings Limited (“Data Solutions”) for an aggregate purchase price of approximately €15.0 million (equivalent to $15.9 million USD), subject to certain working capital and other adjustments, paid at closing plus a potential post-closing earn-out. The allocation of the purchase price was based on the estimated fair value of Data Solutions’ net tangible and identifiable intangible assets as of the date of the acquisition. The transaction was accounted for under the purchase method of accounting.

The purchase consideration includes approximately $2.3 million fair value for potential earn-out consideration if certain targets are achieved, payable in cash. The earn-out liability is included in current liabilities as of March 31, 2024 and December 31, 2023. There were no material changes in fair value since the acquisition date. The fair value earn-out measurement was primarily based on inputs that are not observable, which are categorized as a Level 3 measurement in the fair value hierarchy (See Note 18 – Fair Value Measurements), reflecting its assessment of the assumptions market participants would use to value these liabilities. The undiscounted payment of the earn-out can range from zero up to approximately $3.9 million and achievement is based on the post-acquisition results of Data Solutions.

In connection with the acquisition of Data Solutions on October 6, 2023, the Company acquired an invoice discounting facility (“IDF”) that is with recourse to the Company (See Note 11 – Credit Facilities). The balance outstanding under the IDF at March 31, 2024 was zero compared to $4.3 million at December 31, 2023, which is included in accounts payable and accrued expenses on the Consolidated Balance Sheets.

7. **Goodwill and Other Intangible Assets:**

The following table summarizes the changes in the carrying amount of goodwill for the three months ended March 31, 2024:

	Distribution	Solutions	Consolidated
Balance January 1, 2023	$ 10,682	$ 8,281	$ 18,963
Goodwill acquired	7,143	—	7,143
Translation adjustments	833	243	1,076
Balance December 31, 2023	$ 18,658	$ 8,524	$ 27,182
Translation adjustments	(207)	(69)	(276)
Balance March 31, 2024	**$** 18,451	**$** 8,455	**$** 26,906

Information related to the Company's other intangibles, net is as follows:

	As of March 31, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer and vendor relationships	$ 30,638	5,093	$ 25,545
Trade name	485	110	375
Total	**$** 31,123	**$** 5,203	**$** 25,920

	As of December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer and vendor relationships	$ 30,968	$ 4,424	$ 26,544
Trade name	489	103	386
Total	**$** 31,457	**$** 4,527	**$** 26,930

Customer relationships are amortized over thirteen years. Vendor relationships are amortized between eight and fifteen years. Trade name is amortized over fifteen years.

During the three months ended March 31, 2024 and 2023, the Company recognized total amortization expense for other intangibles, net of $0.7 million and $0.5 million, respectively.

Estimated future amortization expense of the Company's other intangibles, net as of March 31, 2024 is as follows:

2024 (excluding the three months ended March 31, 2024)	$ 2,096
2025	2,795
2026	2,795
2027	2,795
2028	2,795
Thereafter	12,644
Total	$ 25,920

8. **Right-of-use Asset and Lease Liability:**

The Company has entered into operating leases for office and warehouse facilities, which have terms at lease commencement that range from 2 years to 11 years. The Company determines if an arrangement is a lease at inception. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets and lease expense for these leases is recognized on a straight-line basis over the lease term.

Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date of the lease based on the present value of the lease payments over the lease term. As our leases do not provide a readily determinable implicit rate, we use an incremental borrowing rate based on the information available at commencement date, including lease term, in determining the present value of future payments. The operating lease asset also includes any lease payments made and excludes lease incentives. Operating lease expense is recognized on a straight-line basis over the lease term and included in selling, general and administrative expenses.

Information related to the Company's ROU assets and related lease liabilities were as follows:

	Three months ended March 31, 2024	2023
Cash paid for operating lease liabilities	$ 160	$ 156
Right-of-use assets obtained in exchange for new operating lease obligations	$ 69	$ —
Weighted-average remaining lease term	2.9 years	3.9 years
Weighted-average discount rate	3.7%	3.5%

Maturities of lease liabilities as of March 31, 2024 were as follows:

2024 (excluding the three months ended March 31, 2024)	$ 483
2025	553
2026	548
2027	111
	1,695
Less: imputed interest	(429)
Total lease liabilities	$ 1,266
Lease liabilities, current portion	495
Lease liabilities, net of current portion	771
Total lease liabilities	$ 1,266

9. **Fair Value:**

The carrying amounts of financial instruments, including cash and cash equivalents, short-term accounts receivable, accounts payable and term loan approximated fair value at March 31, 2024 and December 31, 2023 because of the relative short maturity of these instruments. The Company's accounts receivable long-term are discounted to their present value at prevailing market rates at the time of sale.

10. **Balance Sheet Detail:**

Equipment and leasehold improvements consist of the following:

	March 31, 2024	December 31, 2023
Equipment	$ 3,277	$ 3,195
Capitalized software	7,987	6,890
Buildings	694	709
Leasehold improvements	2,377	2,385
	14,335	13,179
Less accumulated depreciation and amortization	(4,445)	(4,329)
	$ 9,890	$ 8,850

During the three months ended March 31, 2024 and 2023, the Company recorded depreciation and amortization expense of $0.9 million and $0.7 million, respectively.

In limited circumstances, the Company offers extended payment terms to customers for periods of 12 to 36 months. The related customer receivables are classified as accounts receivable long-term and discounted to their present value at prevailing market rates at the time of sale. In subsequent periods, the accounts receivable is increased to the amounts due and payable by the customers through the accretion of interest income on the unpaid accounts receivable due in future years. The amounts under these long-term accounts receivable due within one year are reclassified to the current portion of accounts receivable. Accounts receivable long term, net consists of the following:

	March 31, 2024	December 31, 2023
Total amount due from customer	$ 1,623	$ 1,637
Less: unamortized discount	(6)	(12)
Less: current portion included in accounts receivable	(865)	(828)
	$ 752	$ 797

The undiscounted cash flows to be received by the Company relating to these accounts receivable long-term is expected to be $0.8 million, $0.4 million, $0.4 million during each of the 12-month periods ending March 31, 2025, 2026, and 2027, respectively.

Accounts payable and accrued expenses consist of the following:

	March 31, 2024	December 31, 2023
Trade accounts payable	$ 189,732	$ 218,717
Accrued expenses	17,823	22,903
Other accounts payable and accrued expenses	5,666	8,028
	$ 213,221	$ 249,648

11. **Credit Facility:**

On May 18, 2023, the Company entered into a revolving credit agreement (the “Credit Agreement”) with JPMorgan Chase Bank, N.A. (“JPM”), providing for a revolving credit facility of up to $50.0 million, including the issuance of letters of credit and swingline loans not to exceed $2.5 million and $5.0 million, respectively, at any time outstanding. In addition, subject to certain conditions enumerated in the Credit Agreement, the Company has the right to increase the revolving credit facility by a total amount not to exceed $20.0 million. The proceeds of the revolving loans, letters of credit and swingline loans under the Credit Agreement may be used for working capital needs, general corporate purposes and for acquisitions permitted by the terms of the Credit Agreement.

All outstanding loans issued pursuant to the Credit Agreement become due and payable, on May 18, 2028. There were no amounts outstanding under the Credit Agreement as of March 31, 2024.

Outstanding Loans comprising (i) ABR Borrowings bear interest at the ABR plus the Applicable Rate, (ii) Term Benchmark Borrowings bear interest at the Adjusted Term SOFR Rate or the Adjusted EURIBOR Rate, as applicable, plus the Applicable Rate and (iii) RFR Loans bear interest at a rate per annum equal to the applicable Adjusted Daily Simple RFR plus the Applicable Rate. The Applicable Rate for borrowings varies (i) in the case of ABR Borrowings, from 0.50% to 0.75% and (ii) in the case of Term Benchmark Borrowings and RFR Loans, from 1.50% to 1.75%.

The Credit Agreement contains customary affirmative covenants, such as financial statement and collateral reporting requirements. The Credit Agreement also contains customary negative covenants that limit the ability of the Company to, among other things, incur indebtedness, create liens or permit encumbrances, or undergo certain fundamental changes. Additionally, under certain circumstances, the Company is required to maintain a minimum fixed charge coverage ratio.

In connection with entering into the Credit Agreement, on May 18, 2023, the Company voluntarily terminated its existing revolving credit agreement, dated November 15, 2017 with Citibank N.A. ("Previous Credit Facility"). As of the date of termination, the Company had no borrowings outstanding under the Previous Credit Facility.

On April 8, 2022, the Company entered into a $2.1 million term loan (the "Term Loan") with First American Commercial Bancorp, Inc. ("First American") pursuant to a Master Loan and Security Agreement. The proceeds from the Term Loan was used to fund certain capital expenditures. The borrowing under the Term Loan bears interest at a rate of 3.73% per annum and is being repaid over forty-eight monthly installments of principal and interest through April 2026.

At March 31, 2024 and December 31, 2023, the Company had $1.2 million and $1.3 million outstanding under the Term Loan, respectively. At March 31, 2024, future principal payments under the Term Loan are as follows:

2024 (excluding the three months ended March 31, 2024)		453
2025		562
2026		144
Total	$	1,159

In connection with the acquisition of Data Solutions (See Note 6– Acquisition), the Company acquired an IDF that is with recourse to the Company. Data Solutions had previously entered into the IDF with AIB Commercial Finance Limited ("AIB") pursuant to a Debt Purchase Agreement. The proceeds from the IDF will be used for working capital needs of Data Solutions. Borrowings under the IDF are based on accounts receivable up to 80% of the outstanding accounts receivable balance. The discount rate under the IDF is equal to 2.5% above AIB's applicable lending rates that vary based on the currency of the accounts receivable. At March 31, 2024 and December 31, 2023, the outstanding balance under the IDF at was zero and $4.3 million, respectively, which is included in accounts payable and accrued expenses on the Consolidated Balance Sheet.

12. **Earnings Per Share:**

Our basic and diluted earnings per share are computed using the two-class method in accordance with ASC 260. The two-class method is an earnings allocation that determines net income per share for each class of common stock and participating securities according to their participation rights in dividends and undistributed earnings or losses. Non-vested restricted stock awards that include non-forfeitable rights to dividends are considered participating securities. Per share amounts are computed by dividing net income available to common shareholders by the weighted average shares outstanding during each period. Diluted and basic earnings per share are the same because the restricted shares are the only potentially dilutive security.

A reconciliation of the numerators and denominators of the basic and diluted per share computations follows:

	Three months ended March 31, 2024	Three months ended March 31, 2023
Numerator:		
Net income	$ 2,731	$ 3,324
Less distributed and undistributed income allocated to participating securities	63	83
Net income attributable to common shareholders	2,668	3,241
Denominator:		
Weighted average common shares (Basic)	4,438	4,366
Weighted average common shares including assumed conversions (Diluted)	4,438	4,366
Basic net income per share	$ 0.60	$ 0.74
Diluted net income per share	$ 0.60	$ 0.74

13. **Major Customers and Vendors:**

The Company had two major vendors that accounted for 16% and 10% of total purchases during the three months ended March 31, 2024, and 21% and 10%, respectively, of total purchases during the three months ended March 31, 2023.

The Company had two major customers that accounted for 20% and 15%, respectively, of its net sales during the three months ended March 31, 2024, and 19% and 14%, respectively, of its net sales during the three months ended March 31, 2023. These same customers accounted for 16% and 6%, respectively, of total net accounts receivable as of March 31, 2024, and 15% and 6%, respectively, of total net accounts receivable as of December 31, 2023.

14. **Income Taxes:**

The Company has analyzed filing positions in all of the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. The Company's policy is to recognize interest related to unrecognized tax benefits as interest expense and penalties as operating expenses. The Company believes that it has appropriate support for the income tax positions it takes and expects to take on its tax returns, and that its accruals for tax liabilities are adequate for all open years based on an assessment of many factors including past experience and interpretations of tax law applied to the facts of each matter.

15. **Stockholders' Equity and Stock Based Compensation:**

The 2021 Omnibus Incentive Plan (the "2021 Plan") authorizes the grant of Stock Options, Stock Units, Stock Appreciation Rights, Restricted Stock, Deferred Stock, Stock Bonuses and other equity-based awards. The 2021 Plan was approved by the Company's stockholders at the 2021 Annual Meeting in June 2021. The total number of shares of the Company's common stock, par value $0.01 per share ("Common Stock") initially available for award under the 2021 Plan was 500,000 shares. As of March 31, 2024, the number of shares of Common Stock available for future award grants to employees, officers and directors under the 2021 Plan is 222,130.

The 2012 Stock-Based Compensation Plan (the "2012 Plan") authorized the grant of Stock Options, Stock Units, Stock Appreciation Rights, Restricted Stock, Deferred Stock, Stock Bonuses and other equity-based awards. The total number of shares of the Company's Common Stock initially available for award under the 2012 Plan was 600,000, which was increased to 1,000,000 shares by stockholder approval at the Company's 2018 Annual Meeting in June 2018. Immediately prior to the replacement of the 2012 Plan by the 2021 Plan, there were 352,158 shares of Common Stock available under the 2012 Plan. The 2012 Plan has been replaced by the 2021 Plan and none of the remaining shares of

Common Stock authorized under the 2012 Plan will be transferred to or used under the 2021 Plan nor will any awards under the 2012 Plan that are forfeited increase the shares available for awards under the 2021 Plan. As of March 31, 2024, the number of shares of Common Stock available under the 2012 Plan was zero.

During the three months ended March 31, 2024, the Company granted a total of 18,938 shares of Restricted Stock to officers and employees. These shares of Restricted Stock vest immediately, over time in three equal installments or over time in sixteen equal quarterly installments.

During the three months ended March 31, 2023, the Company granted a total of 43,824 shares of Restricted Stock to officers. These shares of Restricted Stock vest over time in sixteen equal quarterly installments.

A summary of nonvested shares of Restricted Stock awards outstanding under the 2012 and 2021 Plans as of March 31, 2024, and changes during the three months then ended is as follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested shares at January 1, 2024	143,294	$ 36.48
Granted in 2024	18,938	60.19
Vested in 2024	(20,559)	34.16
Forfeited in 2024	—	—
Nonvested shares at March 31, 2024	141,673	$ 39.98

As of March 31, 2024, there is approximately $4.9 million of total unrecognized compensation costs related to nonvested share-based compensation arrangements. The unrecognized compensation cost is expected to be recognized over a weighted-average period of 1.7 years.

During the three months ended March 31, 2024 and 2023, the Company recognized share-based compensation expense of $0.8 million and $0.5 million, respectively.

16. **Segment Information:**

The Company distributes software developed by others through resellers indirectly to customers worldwide. We also resell computer software and hardware developed by others and provide technical services directly to customers worldwide.

FASB ASC Topic 280, “Segment Reporting,” requires that public companies report profits and losses and certain other information on their “reportable operating segments” in their annual and interim financial statements. The internal organization used by the public company’s Chief Operating Decision Maker (“CODM”) to assess performance and allocate resources determines the basis for reportable operating segments. The Company’s Chief Executive Officer, who has been identified as the Company’s CODM, primarily uses operating income as the measure of profit or loss to assess segment performance and allocate resources. Operating income represents net sales less costs of sales, excluding depreciation and amortization expense and operating expenses. Net sales and cost of sales, excluding depreciation and amortization expense are directly attributed to each segment. The majority of operating expenses are also directly attributed to each segment, while certain other operating expenses are allocated to the segments in a reasonable manner considering the specific facts and circumstances of the expenses being allocated.

The Company is organized into two reportable operating segments. The “Distribution” segment distributes technical software to corporate resellers, value added resellers (VARs), consultants and systems integrators worldwide. The “Solutions” segment is a provider of cloud solutions and value-added reseller of software, hardware and services to customers worldwide.

As permitted by FASB ASC Topic 280, the Company has utilized the aggregation criteria in combining its operations in Canada, Europe and the United Kingdom with the domestic segments as the international operations provide the same products and services to similar clients and are considered together when the Company's CODM decides how to allocate resources.

Segment income is based on segment revenue less the respective segment's cost of revenues as well as segment direct costs (including such items as payroll costs and payroll related costs, such as profit sharing, incentive awards and insurance) and excluding general and administrative expenses not attributed to an individual segment business unit. The Company only identifies accounts receivable, vendor prepayments, inventory, goodwill and intangible assets by segment as shown below as "Selected Assets" by segment; it does not allocate its other assets, including capital expenditures by segment. The following segment reporting information of the Company is provided:

	Three months ended March 31, 2024	Three months ended March 31, 2023
Net Sales:		
Distribution	$ 86,822	$ 78,550
Solutions	5,600	6,490
	92,422	85,040
Gross Profit:		
Distribution	$ 14,215	$ 12,728
Solutions	2,805	2,481
	17,020	15,209
Direct Costs:		
Distribution	$ 7,376	$ 4,777
Solutions	1,381	1,301
	8,757	6,078
Segment Income Before Taxes: (1)		
Distribution	$ 6,839	$ 7,951
Solutions	1,424	1,180
Segment Income Before Taxes	8,263	9,131
General and administrative	$ 3,766	$ 4,163
Acquisition related costs	123	22
Depreciation and amortization expense	871	713
Interest, net	203	112
Foreign currency transaction loss	(85)	44
Income before taxes	$ 3,621	$ 4,389

(1) Excludes general corporate expenses including interest and foreign currency transaction loss

Selected Assets by Segment:	As of March 31, 2024	As of December 31, 2023
Distribution	$ 196,893	$ 242,927
Solutions	39,137	37,992
Segment Select Assets	236,030	280,919
Corporate Assets	62,292	54,179
Total Assets	$ 298,322	$ 335,098

Geographic areas and net sales mix related to operations for the three months ended March 31, 2024 and 2023 were as follows. Revenue is allocated to a geographic area based on the location of the sale, which is generally the customer's country of domicile.

	Three months ended March 31, 2024		
	Distribution	Solutions	Total
Geography			
USA	$ 62,364	$ 1,908	$ 64,272
Europe and United Kingdom	18,285	3,406	21,691
Canada	6,173	286	6,459
Total net sales	$ 86,822	$ 5,600	$ 92,422
Timing of Revenue Recognition			
Transferred at a point in time where the Company is principal (1)	$ 75,733	$ 3,558	$ 79,291
Transferred at a point in time where the Company is agent (2)	11,089	2,042	13,131
Total net sales	$ 86,822	$ 5,600	$ 92,422

	Three months ended March 31, 2023		
	Distribution	Solutions	Total
Geography			
USA	$ 56,743	$ 3,666	$ 60,409
Europe and United Kingdom	15,416	2,501	17,917
Canada	6,391	323	6,714
Total net sales	$ 78,550	$ 6,490	$ 85,040
Timing of Revenue Recognition			
Transferred at a point in time where the Company is principal (1)	$ 68,568	$ 4,833	$ 73,401
Transferred at a point in time where the Company is agent (2)	9,982	1,657	11,639
Total net sales	$ 78,550	$ 6,490	$ 85,040

(1) Includes net sales from third-party hardware and software products.

(2) Includes net sales from third-party maintenance, software support and services.

Geographic identifiable assets related to operations as of March 31, 2024 and December 31, 2023 were as follows.

Identifiable Assets by Geographic Areas	March 31, 2024	December 31, 2023
USA	$ 143,693	$ 171,080
Canada	30,151	23,994
Europe and United Kingdom	124,478	140,024
Total	$ 298,322	$ 335,098

17. **Related Party Transactions:**

The Company made sales to a customer where a family member of one of our executives has a minority ownership position. During the three months ended March 31, 2024 and 2023, net sales to this customer totaled approximately $0.7 million and $0.5 million, respectively. Amounts due from this customer as of March 31, 2024 and December 31, 2023 were approximately $0.5 million and less than $0.1 million, respectively, which were or are expected to be settled in cash subsequent to each period end.

18. **Fair Value Measurements**

Fair value is defined under US GAAP as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy has been established for valuation inputs to prioritize the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1 – observable inputs such as quoted prices for identical instruments traded in active markets.

Level 2 – inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models and similar techniques.

The Company's assets and liabilities that are measured at fair value on a recurring basis, by level, within the fair value hierarchy as of March 31, 2024 and December 31, 2023, respectively, are as follows:

	As of March 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Treasury bills	$ 5,160	$ —	$ —	$ 5,160
Total assets	**$** 5,160	**$** —	**$** —	**$** 5,160
Liabilities:				
Contingent earn-out	$ —	$ —	$ 4,122	$ 4,122
Total liabilities	**$** —	**$** —	**$** 4,122	**$** 4,122
	As of December 31, 2023			
Assets:				
Treasury bills	$ 5,096	$ —	$ —	$ 5,096
Total assets	**$** 5,096	**$** —	**$** —	**$** 5,096
Liabilities:				
Contingent earn-out	$ —	$ —	$ 4,189	$ 4,189
Total liabilities	**$** —	**$** —	**$** 4,189	**$** 4,189

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Observable or market inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions based on the best information available. The approach to estimating the contingent earn-out associated with the Company's business combinations uses unobservable factors such as projected cash flows over the term of the contingent earn-out periods.

The Company's investment in treasury bills are measured at fair value on a recurring basis based on quoted market prices in active markets and are classified as level 1 within the fair value hierarchy. The Company's contingent earn-out liability is measured at fair value on a recurring basis and is classified as level 3 within the fair value hierarchy. During the fourth quarter of each year, the Company evaluates goodwill for impairment at the reporting unit level. The Company uses qualitative factors to determine whether it is “more likely than not” that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform a goodwill impairment test. This measurement is classified based on level 3 input.

The following table presents the changes in the Company’s level 3 financial instruments measured at fair value on a recurring basis:

Balance January 1, 2023	$	1,777
Data Solutions acquisition - contingent earn-out		2,227
Translation adjustments		185
Balance December 31, 2023	$	4,189
Translation adjustments		(67)
Balance March 31, 2024	$	4,122

There were no material changes in fair value since the respective acquisition dates associated with the contingent earn-outs.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This following information should be read in conjunction with the consolidated financial statements and the notes included in Item 1 of Part I of this Quarterly Report and the audited consolidated financial statements and notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in the Company's Annual Report on Form 10-K filed with the SEC on for the fiscal year ended December 31, 2023. In addition to historical information, the following discussion contains certain forward-looking information. See "Cautionary Note Regarding Forward Looking Statements" above for certain information concerning -forward-looking statements.

Overview

Our Company is a value added IT distribution and solutions company, primarily selling software and other third-party IT products and services through two reportable operating segments. Through our "Distribution" segment we sell products and services to corporate resellers, value added resellers (VARs), consultants and systems integrators worldwide, who in turn sell these products to end users. Through our "Solutions" segment we act as a cloud solutions provider and value-added reseller, selling computer software and hardware developed by others and provide technical services directly to end user customers worldwide. We offer an extensive line of products from leading software vendors and tools for virtualization/cloud computing, security, networking, storage and infrastructure management, application lifecycle management and other technically sophisticated domains as well as computer hardware. We market these products through creative marketing communications, including our web sites, local and on-line seminars, webinars, social media, direct e-mail, and printed materials.

We have subsidiaries in the United States, Canada, the Netherlands, the United Kingdom and Ireland, through which sales are made.

Factors Influencing Our Financial Results

We derive the majority of our net sales through the sale of third-party software licenses, maintenance and service agreements. In our Distribution segment, sales are impacted by the number of product lines we distribute, and sales penetration of those products into the reseller channel, product lifecycle competition, and demand characteristics of the products which we are authorized to distribute. In our Solutions segment sales are generally driven by sales force effectiveness and success in providing superior customer service and cloud solutions support, competitive pricing, and flexible payment solutions to our customers. Our sales are also impacted by external factors such as levels of IT spending and customer demand for products we distribute.

We sell in a competitive environment where gross product margins have historically declined due to competition and changes in product mix towards products where no delivery of a physical product is required. In addition, we grant discounts, allowances, and rebates to certain customers, which may vary from period to period, based on volume, payment terms and other criteria. To date, we have been able to implement cost efficiencies such as the use of drop shipments, electronic ordering (EDI) and other capabilities to be able to operate our business profitably as gross margins have declined. We evaluate the profitability of our business based on return on equity and effective margin.

Gross profit is calculated as net sales less cost of sales. We record customer rebates, discounts and returns as a component of net sales and record vendor rebates, discounts and returns as a component of cost of sales.

Selling, general and administrative expenses are comprised mainly of employee salaries, commissions and other employee related expenses, facility costs, costs to maintain our IT infrastructure, public company compliance costs and professional fees. We monitor our level of accounts payable, inventory turnover and accounts receivable turnover which are measures of how efficiently we utilize capital in our business.

The Company's sales, gross profit and results of operations have fluctuated and are expected to continue to fluctuate on a quarterly basis as a result of a number of factors, including but not limited to: the condition of the software industry in general, shifts in demand for software products, pricing, industry shipments of new software products or upgrades, fluctuations in merchandise returns, adverse weather conditions that affect response, distribution or shipping, shifts in the timing of holidays and changes in the Company's product offerings. The Company's operating expenditures are based on sales forecasts. If sales do not meet expectations in any given quarter, operating results may be materially adversely affected.

Dividend Policy and Share Repurchase Program. Historically we have sought to return value to investors through the payment of quarterly dividends and share repurchases. Total dividends paid and the dollar value of the shares repurchased were $0.7 million and $0.4 million, respectively, during the three months ended March 31, 2024. Total dividends paid and the dollar value of the shares repurchased were $0.7 million and $0.2 million, respectively, during the three months ended March 31, 2023. The payment of future dividends and share repurchases is at the discretion of our Board of Directors and dependent on results of operations, projected capital requirements, applicable legal, tax and regulatory restrictions, and other factors the Board of Directors may find relevant.

Stock Volatility. The technology, distribution and services sectors of the United States stock markets is subject to substantial volatility. Numerous conditions which impact these sectors or the stock market in general or the Company in particular, whether or not such events relate to or reflect upon the Company's operating performance, could adversely affect the market price of the Company's Common Stock. Furthermore, fluctuations in the Company's operating results, announcements regarding litigation, the loss of a significant vendor or customer, increased competition, reduced vendor incentives and trade credit, higher operating expenses, and other developments, could have a significant impact on the market price of our Common Stock.

Inflation. We have historically not been adversely affected by inflation, as abrupt changes in technology, rapid changes in customer preferences, short product life cycles and evolving industry standards within the IT industry have generally caused the prices of the products we sell to decline. This requires us to sell new products and have growth in unit sales of existing products in order to increase our net sales. We believe that most price increases could be passed on to our customers, as prices charged by us are not set by long-term contracts; however, as a result of competitive pressure, there can be no assurance that the full effect of any such price increases could be passed on to our customers or cause a reduction in our customers spending.

Financial Overview

Net sales increased 9%, or $7.4 million, to $92.4 million for the three months ended March 31, 2024 compared to $85.0 million for the same period in the prior year. Gross profit increased 12%, or $1.8 million, to $17.0 million for the three months ended March 31, 2024, compared to $15.2 million for the same period in the prior year. Selling, general and administrative ("SG&A") expenses increased 22%, or $2.3 million, to $12.5 million for the three months ended March 31, 2024 compared to $10.2 million for the same period in the prior year. Depreciation and amortization expense increased 22%, or $0.2 million, to $0.9 million for the three months ended March 31, 2024 compared to $0.7 million for the same period in the prior year. Net income decreased 18%, or $0.5 million, to $2.8 million for the three months ended March 31, 2024 compared to $3.3 million for the same period in the prior year. Diluted income per share decreased 19%, or $0.14, to $0.60 for the three months ended March 31, 2024 compared to $0.74 for the same period in the prior year.

Critical Accounting Policies and Estimates

Management's discussion and analysis of the Company's financial condition and results of operations are based upon the Company's consolidated financial statements that have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities.

On an on-going basis, the Company evaluates its estimates, including those related to product returns, bad debts, inventories, intangible assets, income taxes, stock-based compensation, contingencies and litigation.

The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Company believes the following critical accounting policies used in the preparation of its consolidated financial statements affect its more significant judgments and estimates.

Revenue

The Company utilizes judgment regarding performance obligations inherent in the products for services it sells including, whether ongoing maintenance obligations performed by third party vendors are distinct from the related software licenses, and allocation of sales prices among distinct performance obligations. These estimates require significant judgment to determine whether the software's functionality is dependent on ongoing maintenance or if substantially all functionality is available in the original software download. We also use judgment in the allocation of sales proceeds among performance obligations, utilizing observable data such as stand-alone selling prices, or market pricing for similar products and services.

Allowances for Expected Credit Losses

The Company maintains allowances for expected credit losses for estimated losses resulting from the inability of its customers to make required payments. Management determines the estimate of the allowance for expected credit losses by considering a number of factors, including historical experience, aging of the accounts receivable, as well as current market conditions and future forecasts of our customers' ability to make payments for goods and services. At the time of sale, we record an estimate for sales returns based on historical experience, which is included in accounts payable and accrued expenses on the Consolidated Balance Sheets. If actual sales returns are greater than estimated by management, additional expense may be incurred.

Business Combinations

We apply the provisions of ASC 805, Business Combinations ("ASC 805"), in accounting for our acquisitions. ASC 805 requires that we evaluate whether a transaction pertains to an acquisition of assets, or to an acquisition of a business. A business is defined as an integrated set of assets and activities that is capable of being conducted and managed for the purpose of providing a return to investors. Asset acquisitions are accounted for by allocating the cost of the acquisition to the individual assets and liabilities assumed on a relative fair value basis; whereas the acquisition of a business requires us to recognize separately from goodwill the assets acquired and the liabilities assumed at the acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed.

Our valuation of acquired assets and assumed liabilities requires estimates, especially with respect to intangible assets that was derived using valuation techniques and models such as the income approach. Such models require use of estimates including discount rates, and future expected revenue. The approach to estimating an initial contingent consideration associated with the purchase price also uses similar unobservable factors such as projected cash flows over the term of the contingent earn-out period, discounted for the period over which the initial contingent consideration is measured and expected volatility. Based upon these assumptions, the initial contingent consideration is then valued using a Monte Carlo simulation.

We have used third-party qualified specialists to assist management in determining the fair value of assets acquired and liabilities assumed. This includes assistance with the determination of economic useful lives and valuation of identifiable intangibles.

We estimate the fair value based upon assumptions we believe to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from our estimates. Estimates associated with the accounting for acquisitions may change as additional information becomes available regarding the assets acquired and liabilities assumed. As a result, during the measurement period, which may be up to one year from the business acquisition date, we record certain adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill.

All acquisition-related costs are accounted for as expenses in the period in which they are incurred. Contingent consideration is remeasured each reporting period using Level 3 inputs, and the change in fair value, including accretion for the passage of time, is recognized in acquisition related costs in the consolidated statement of earnings.

Goodwill

We test goodwill for impairment on an annual basis and between annual tests if an event occurs, or circumstances change, that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company performs an evaluation of goodwill, utilizing either a qualitative or quantitative impairment test. The annual test for impairment is conducted as of October 1. The Company's reporting units included in the assessment of potential goodwill impairment are the same as its operating segments. Goodwill is not amortized but is subject to periodic testing for impairment at the reporting unit level.

In a qualitative assessment, we assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, including goodwill. If, after assessing the totality of events or circumstances, we determine that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the quantitative goodwill impairment test is unnecessary.

If, after assessing the totality of events or circumstances, we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we perform the quantitative goodwill impairment test. We may also elect the unconditional option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the quantitative goodwill impairment test.

In the quantitative impairment test, we compare the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. Conversely, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

Determining the fair value of a reporting unit is judgmental in nature and requires the use of significant estimates and assumptions, including net sales growth rates, gross profit margins, operating margins, discount rates and future market conditions, among others. Any changes in the judgments, estimates or assumptions used could produce significantly different results.

Intangible Assets

Intangible assets with determinable lives are amortized on a straight-line basis over their respective estimated useful lives, which is determined based on their expected period of benefit. Intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the asset's carrying amount over its fair value. In addition, each quarter, the Company evaluates whether events and circumstances warrant a revision to the remaining estimated useful life of each of these intangible assets. If the Company were to determine that a change to the remaining estimated useful life of an intangible asset was necessary, then the remaining carrying amount of the intangible asset would be amortized prospectively over that revised remaining useful life.

Income Taxes

The Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance related to deferred tax assets. In the event the Company were to determine that it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made.

Share-Based Payments

Under the fair value recognition provision, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service period. We make certain assumptions in order to value and expense our various share-based payment awards. In connection with our restricted stock programs we record the forfeitures when they occur. We review our valuation assumptions periodically and, as a result, we may change our valuation assumptions used to value stock-based awards granted in future periods. Such changes may lead to a significant change in the expense we recognize in connection with share-based payments.

Foreign Exchange

The Company's foreign currency exposure relates primarily to international transactions where the currency collected from customers can be different from the currency used to purchase the product. In cases where the Company is not able to create a natural hedge by maintaining offsetting asset and liability amounts in the same currency, it may enter into foreign exchange contracts, typically in the form of forward purchase agreements, to facilitate the hedging of foreign currency exposures to mitigate the impact of changes in foreign currency exchange rates. These contracts generally have terms of no more than two months. The Company does not apply hedge accounting to these contracts and therefore the changes in fair value are recorded in earnings. The Company does not enter into foreign exchange contracts for trading purposes and the risk of loss on a foreign exchange contract is the risk of nonperformance by the counterparties, which the Company minimizes by limiting its counterparties to major financial institutions. There were no contracts outstanding as of March 31, 2024.

Recently Issued Accounting Pronouncements

In November 2023, the FASB issued Accounting Standards Update 2023-07 *"Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures"*. The amendments in this ASU are intended to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The Company adopted the update in the first quarter of 2024 and it did not have a material effect on our consolidated financial statements.

Results of Operations

The following table sets forth for the periods indicated certain financial information derived from the Company's unaudited condensed consolidated statements of earnings expressed as a percentage of net sales. This comparison of financial results is not necessarily indicative of future results:

	Three months ended March 31,	
	2024	2023
Net sales	100.0 %	100.0 %
Cost of sales	81.6	82.1
Gross profit	18.4	17.9
Selling, general and administrative expenses	13.5	12.0
Acquisition related costs	0.1	—
Depreciation and amortization expense	0.9	0.8
Income from operations	3.8	5.0
Other income	0.1	0.2
Income before income taxes	3.9	5.2
Income tax provision	1.0	1.3
Net income	3.0 %	3.9 %

Key Operating Metrics / Non-GAAP Financial Measures

Our management monitors several financial and non-financial measures and ratios on a regular basis in order to track the progress of our business. We believe that the most important of these measures and ratios include net sales, adjusted gross billings, gross profit, adjusted EBITDA, gross profit as a percentage of adjusted gross billings and adjusted EBITDA as a percentage of gross profit. We use a variety of operating and other information to evaluate the operating performance of our business, develop financial forecasts, make strategic decisions, and prepare and approve annual budgets. These key indicators include financial information that is prepared in accordance with US GAAP and presented in our Consolidated Financial Statements as well as non-US GAAP performance measurement tools.

	Three months ended	
	March 31, 2024	March 31, 2023
Net sales	$ 92,422	$ 85,040
Adjusted gross billings (Non-GAAP)	$ 355,269	$ 306,712
Gross profit	$ 17,020	$ 15,209
Gross profit - Distribution	$ 14,215	$ 12,728
Gross profit - Solutions	$ 2,805	$ 2,481
Adjusted EBITDA (Non-GAAP)	$ 5,538	$ 5,681
Gross margin % - Adjusted gross billings (Non-GAAP)	4.8%	5.0%
Effective margin % - Adjusted EBITDA (Non-GAAP)	32.5%	37.4%

We consider gross profit growth and effective margin to be key metrics in evaluating our business. During the three months ended March 31, 2024, gross profit increased 12%, or $1.8 million, to $17.0 million compared to $15.2 million for the same period in the prior year while effective margin decreased to 32.5% compared to 37.4% for the same period in the prior year.

Reconciliations of Non-GAAP Financial Measures

	Three months ended	
Reconciliation of net sales to adjusted gross billings (Non-GAAP):	March 31, 2024	March 31, 2023
Net sales	$ 92,422	$ 85,040
Costs of sales related to sales where the Company is an agent	262,847	221,672
Adjusted gross billings	$ 355,269	$ 306,712

We define adjusted gross billings as net sales in accordance with US GAAP, adjusted for the cost of sales related to sales where the Company is an agent. We provided a reconciliation of adjusted gross billings to net sales, which is the most directly comparable US GAAP measure. We use adjusted gross billings of product and services as a supplemental measure of our performance to gain insight into the volume of business generated by our business, and to analyze the changes to our accounts receivable and accounts payable. Our use of adjusted gross billings of product and services as analytical tools has limitations, and you should not consider them in isolation or as substitutes for analysis of our financial results as reported under US GAAP. In addition, other companies, including companies in our industry, might calculate adjusted gross billings of product and services or similarly titled measures differently, which may reduce their usefulness as comparative measures.

Net income reconciled to adjusted EBITDA (Non-GAAP):	**Three months ended March 31, 2024**	**Three months ended March 31, 2023**
Net income	$ 2,731	$ 3,324
Provision for income taxes	890	1,065
Depreciation and amortization	871	713
Interest expense	101	28
EBITDA	4,593	5,130
Share-based compensation	822	529
Acquisition related costs	123	22
Adjusted EBITDA	$ 5,538	$ 5,681

We define adjusted EBITDA, as net income, plus provision for income taxes, depreciation, amortization, share-based compensation, interest, and acquisition related costs. We define effective margin as adjusted EBITDA as a percentage of gross profit. We provided a reconciliation of adjusted EBITDA to net income, which is the most directly comparable US GAAP measure. We use adjusted EBITDA as a supplemental measure of our performance to gain insight into our businesses profitability when compared to the prior year and our competitors. Adjusted EBITDA is also a component to our financial covenants in our credit facility. Our use of adjusted EBITDA has limitations, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under US GAAP. In addition, other companies, including companies in our industry, might calculate adjusted EBITDA, or similarly titled measures differently, which may reduce their usefulness as comparative measures.

Acquisitions

On October 6, 2023, we completed the acquisition of Data Solutions for an aggregate purchase price of approximately €15.0 million (equivalent to $15.9 million USD), subject to certain working capital and other adjustments, paid at closing plus a potential post-closing earn-out. The operating results of Data Solutions are included in our operating results from the date of acquisition.

Operating results of Data Solutions are included in our Distribution segment.

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

Net Sales and Adjusted Gross Billings

Net sales for the three months ended March 31, 2024 increased 9%, or $7.4 million, to $92.4 million compared to $85.0 million for the same period in the prior year. Adjusted gross billings for the three months ended March 31, 2024 increased 16%, or $48.6 million, to $355.3 million compared to $306.7 million for the same period in the prior year. Adjusted gross billings increased at a greater rate than net sales due to differences in the product mix between the two periods and an unfavorable impact of foreign exchange rates. During the three months ended March 31, 2024, adjusted gross billings included a greater percentage of security, maintenance and cloud products, which are recorded net of related cost of sales, while during the three months ended March 31, 2023, adjusted gross billings included a greater percentage of hardware and software products, which are recorded on a gross basis.

Distribution segment net sales for the three months ended March 31, 2024 increased 11%, or $8.3 million, to $86.8 million compared to $78.6 million for the same period in the prior year. Adjusted gross billings for the Distribution segment for the three months ended March 31, 2024 increased 16%, or $46.9 million, to $334.6 million compared to $287.7 million for the same period in the prior year. Net sales increased at a rate greater than adjusted gross billings due to the impact of hardware and software sales recognized during the current period in our Distribution segment, which are recorded on a gross basis.

Solutions segment net sales for the three months ended March 31, 2024, decreased 14%, or $0.9 million, to $5.6 million compared to $6.5 million for the same period in the prior year. Adjusted gross billings for the Solutions segment for the three months ended March 31, 2024 increased 9%, or $1.6 million, to $20.6 million compared to $19.0 million for the same period in the prior year. Net sales decreased while adjusted gross billings increased due to the aforementioned differences in the product mix between the two periods.

During the three months ended March 31, 2024, the Company had two major customers that accounted for 20% and 15%, respectively, of our total net sales. During the three months ended March 31, 2023, the Company had two major customers that accounted for 19% and 14%, respectively, of our total net sales. The Company had two major vendors that accounted for 16% and 10%, respectively, of total purchases during the three months ended March 31, 2024 and 21% and 10%, respectively, of total purchases during the three months ended March 31, 2023.

Gross Profit

Gross profit for the three months ended March 31, 2024 increased 12%, or $1.8 million, to $17.0 million compared to $15.2 million for the same period in the prior year.

Distribution segment gross profit for the three months ended March 31, 2024 increased 12%, or $1.5 million, to $14.2 million compared to $12.7 million for the same period in the prior year. The increase in Distribution segment gross profit was due to organic growth from our existing vendor partnerships, partially offset by higher early pay discounts and other rebates and discounts offered to our customers as a percentage of adjusted gross billings.

Solutions segment gross profit for the three months ended March 31, 2024 increased 13%, or $0.3 million, to $2.8 million compared to $2.5 million for the same period in the prior year. This increase was driven by the aforementioned increase in adjusted gross billings compared to the same period in the prior year.

Customer rebates and discounts for the three months ended March 31, 2024 were $3.3 million compared to $3.9 million for the same period in the prior year. Customer rebates and discounts vary based on terms of rebate and early pay discount programs offered to customers and timing of payments ultimately received from our customers.

Vendor rebates and discounts for the three months ended March 31, 2024 were $1.9 million compared to $1.7 million for the same period in the prior year. Vendor rebates are dependent on programs offered by our vendors and in some cases reaching certain volume targets set by our vendors or meeting certain early payment programs offered by our vendors. The Company monitors vendor rebate levels, competitive pricing, and gross profit margins carefully.

Selling, General and Administrative Expenses

SG&A expenses for the three months ended March 31, 2024 increased 22%, or $2.3 million, to $12.5 million compared to $10.2 million for the same period in the prior year. SG&A expenses were 3.5% of adjusted gross billings for the three months ended March 31, 2024, compared to 3.4% for the same period in the prior year.

The remaining increase in SG&A expenses were primarily due to increased salaries, commission and personnel costs in support of our continued investment in our infrastructure to drive future growth, including new personnel, employee training and development. The Company expects that its SG&A expenses, as a percentage of adjusted gross billings, may vary depending on changes in sales volume, as well as the levels of continuing investments to drive future growth.

Depreciation and Amortization Expense

Depreciation and amortization expense for the three months ended March 31, 2024, increased 22%, or $0.2 million, to $0.9 million compared to $0.7 million for the same period in the prior year.

Acquisition Related Costs

Acquisition related costs for the three months ended March 31, 2024 were $0.1 million compared to less than $0.1 million for the same period in the prior year.

Income Taxes

For the three months ended March 31, 2024 and 2023, the Company recorded a provision for income taxes of $0.9 million and $1.1 million, respectively. The effective tax rate for the three months ended March 31, 2024 and 2023 was 24.6% and 24.3%, respectively.

Liquidity and Capital Resources

Our cash and cash equivalents as of March 31, 2024 increased 20%, or $7.3 million, to $43.6 million compared to $36.3 million as of December 31, 2023.

Net cash and cash equivalents provided by operating activities for the three months ended March 31, 2024 was $14.0 million, comprised primarily of changes in operating assets and liabilities of $9.6 million and net income adjusted for non-cash items of $4.4 million.

Net cash and cash equivalents used in investing activities during the three months ended March 31, 2024 consisted of $1.2 million purchases of fixed assets supporting our ongoing ERP project.

Net cash and cash equivalents used in financing activities during the three months ended March 31, 2024 was $5.5 million, comprised of dividend payments on our Common Stock of $0.8 million, purchases of treasury stock of $0.4 million, repayments of borrowings under term loan of $0.1 million and repayments of borrowings under credit facilities of $4.2 million.

On May 18, 2023, the Company entered into a revolving credit agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A. ("JPM"), providing for a revolving credit facility of up to $50.0 million, including the issuance of letters of credit and swingline loans not to exceed $2.5 million and $5.0 million, respectively, at any time outstanding. In addition, subject to certain conditions enumerated in the Credit Agreement, the Company has the right to increase the revolving credit facility by a total amount not to exceed $20.0 million. The proceeds of the revolving loans, letters of credit and swingline loans under the Credit Agreement may be used for working capital needs, general corporate purposes and for acquisitions permitted by the terms of the Credit Agreement. All outstanding loans issued pursuant to the Credit Agreement become due and payable, on May 18, 2028. There were no amounts outstanding under the Credit Agreement as of March 31, 2024.

On April 8, 2022, the Company entered into a $2.1 term loan (the "Term Loan") with First American Commercial Bancorp, Inc. ("First American") pursuant to a Master Loan and Security Agreement. The proceeds from the Term Loan was used to fund certain capital expenditures. The borrowing under the Term Loan bears interest at a rate of 3.73% per annum and is being repaid over forty-eight monthly installments of principal and interest through April 2026. As of March 31, 2024, the Company had $1.2 million outstanding under the Term Loan.

In connection with the acquisition of Data Solutions, the Company acquired an invoice discounting facility ("IDF") that is with recourse to the Company. Data Solutions had previously entered into the IDF with AIB Commercial Finance Limited ("AIB") pursuant to a Debt Purchase Agreement. The proceeds from the IDF will be used for working capital needs of Data Solutions. Borrowings under the IDF are based on accounts receivable up to 80% of the outstanding accounts receivable balance. The discount rate under the IDF is equal to 2.5% above AIB's applicable lending rates that vary based on the currency of the accounts receivable. At March 31, 2024, the outstanding balance under the IDF at was zero.

We anticipate that our working capital needs will increase as we invest in the growth of our business. We believe that the funds held in cash and cash equivalents and our unused borrowings under our Credit Agreement will be sufficient to fund our working capital and cash requirements for at least the next 12 months.

Foreign Exchange

The Company's foreign subsidiaries are subject to changes in demand or pricing resulting from fluctuations in currency exchange rates or other factors. We are subject to fluctuations primarily in the Canadian Dollar, Euro Dollar and British Pound-to-U.S. Dollar exchange rate.

Off-Balance Sheet Arrangements

As of March 31, 2024, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated under the Securities Act of 1934, as amended.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Smaller reporting companies are not required to provide the information required by this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We maintain “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that material information relating to us is made known to the officers who certify as to our financial reports and to other members of senior management and the Board of Directors. These disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports that are filed or submitted under the Exchange Act, are recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms.

As required by Rule 13a-15(b) under the Exchange Act, our management carried out an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of the end of the period covered by this Quarterly Report. This evaluation was carried out under the supervision and with the participation of various members of our management, including our Company’s Chief Executive Officer (principal executive officer), Vice President and Chief Financial Officer (principal financial officer) and Vice President and Chief Accounting Officer (principal accounting officer). Based upon that evaluation, the Company’s Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer concluded that the Company’s disclosure controls and procedures were effective, as of the end of the period covered by this Quarterly Report, to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and is accumulated and communicated to the Company’s management, including the Company’s Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, as appropriate, to allow timely decisions regarding required disclosure.

As described above, on October 6, 2023, we completed the acquisition of Data Solutions. SEC guidance permits management to omit an assessment of an acquired business’ internal control over financial reporting from management’s assessment of internal control over financial reporting for a period not to exceed one year from date of acquisition. We are in the process of integrating Data Solutions operations within our internal control structure. In executing this integration, we are analyzing, evaluating, and where necessary, making changes in controls and procedures related to the Data Solutions business. Accordingly, management has excluded controls relating to Data Solutions in this quarter’s evaluation of disclosure controls and procedures.

Changes in Internal Control Over Financial Reporting. There has been no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) under the Exchange Act, that occurred during the three months ended March 31, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 2. - Unregistered Sales of Equity Securities and Use of Proceeds

The table below sets forth the repurchase of Common Stock by the Company and its affiliated purchasers during the first quarter of 2024.

ISSUER PURCHASE OF EQUITY SECURITIES

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Average Price Paid Per Share	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs (2)
January 1, 2024 - January 31, 2024	—	$ —	—	$ —	545,786
February 1, 2024 - February 29, 2024	—	$ —	—	$ —	545,786
March 1, 2024 - March 31, 2024	—	$ —	—	$ —	545,786
Total	—	$ —	—	$ —	545,786

(1) Does not include 7,255 shares surrendered, or deemed surrendered, to the Company by employees to satisfy individual tax withholding obligations upon vesting of previously issued shares of Restricted Stock.

(2) For the quarter ended March 31, 2024, we did not repurchase any shares of our Common Stock under our share repurchase plans referred to in footnote (3) below.

(3) On December 3, 2014, the Board of Directors of the Company approved an increase of 500,000 shares of Common Stock to the number of shares of Common Stock available for repurchase under its repurchase plans. On February 2, 2017, the Board of Directors of the Company approved an increase of 500,000 shares of Common Stock to the number of shares of Common Stock available for repurchase under its repurchase plans. The Company expects to purchase shares of its Common Stock from time to time in the market or otherwise subject to market conditions. The timing, number and value of shares of Common Stock repurchased are subject to the Company's discretion. The Common Stock repurchase program does not have an expiration date.

Item 5. Other Information

During the three months ended March 31, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) informed us of the adoption or termination of a "Rule 10b5-1 trading arrangement," as defined in Item 408 of Regulation S-K.

Item 6. Exhibits

Exhibit No.	Description of Exhibit	Incorporated by Reference Form	Exhibit or Annex	Filing Date	File Number
3.1	Form of Amended and Restated Certificate of Incorporation of the Company.	S-1	3.1	May 30, 1995 July 7, 1995 July 18, 1995	333-92810
3.1(a)	Certificate of Amendment of Restated Certificate of Incorporation of the Company.	10-Q	3.1(a)	November 3, 2006	000-26408
3.1(b)	Certificate of Amendment of Restated Certificate of Information of the Company.	8-K	3.1	October 27, 2022	000-26408
3.2	Amended and Restated Bylaws of the Company.	8-K	3.1	December 8, 2022	000-26408
18.1	Letter from BDO US, PC, dated March 7, 2024	8-K	16.1	March 11, 2024	000-26408
31.1	Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, of Dale Foster, the Chief Executive Officer (principal executive officer) of the Company (filed herewith).				
31.2	Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, of Andrew Clark, the Vice President and Chief Financial Officer (principal financial officer) of the Company (filed herewith).				
31.3	Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, of Matthew Sullivan, the Vice President and Chief Accounting Officer (principal accounting officer) of the Company (filed herewith).				
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Dale Foster, the Chief Executive Officer (principal executive officer) of the Company (filed herewith).				
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Andrew Clark, the Vice President and Chief Financial Officer (principal financial officer) of the Company (filed herewith).				
32.3	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Matthew Sullivan, the Vice President and Chief Accounting Officer (principal accounting officer) of the Company (filed herewith).				
101	The following financial information from Climb Global Solutions, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, filed with the SEC on May 2, 2023, formatted in Inline XBRL (Extensible Business Reporting Language) includes: (1) Condensed Consolidated Balance Sheets, (2) Condensed Consolidated Statements of Income, (3) Condensed Consolidated Statements of Stockholders' Equity, (4) Condensed Consolidated Statements of Comprehensive Income, (5) Condensed Consolidated Statements of Cash Flows, and (6) the Notes to the Unaudited Condensed Consolidated Financial Statements.				
104	Cover Page Interactive Data File – The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CLIMB GLOBAL SOLUTIONS, INC

May 2, 2024	By: /s/ Dale Foster
Date	Dale Foster, Chief Executive Officer (Principal Executive Officer)
May 2, 2024	By: /s/ Andrew Clark
Date	Andrew Clark, Vice President and Chief Financial Officer (Principal Financial Officer)
May 2, 2024	By: /s/ Matthew Sullivan
Date	Matthew Sullivan, Vice President and Chief Accounting Officer (Principal Accounting Officer)

CERTIFICATION

I, Dale Foster, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Climb Global Solutions, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d) -15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2024

/s/ Dale Foster
Dale Foster
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Andrew Clark, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Climb Global Solutions, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d) -15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2024

/s/ Andrew Clark
Andrew Clark
Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.3

CERTIFICATION

I, Matthew Sullivan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Climb Global Solutions, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d) -15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2024

/s/ Matthew Sullivan
Matthew Sullivan
Vice President and Chief Accounting Officer
(Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Climb Global Solutions, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Dale Foster, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dale Foster
Dale Foster
Chief Executive Officer
(Principal Executive Officer)
May 2, 2024

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Climb Global Solutions, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew Clark, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Andrew Clark
Andrew Clark
Vice President and Chief Financial Officer
(Principal Financial Officer)
May 2, 2024

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.3

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Climb Global Solutions, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Matthew Sullivan, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Matthew Sullivan
Matthew Sullivan
Vice President and Chief Accounting Officer
(Principal Accounting Officer)
May 2, 2024

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by Company and furnished to the Securities and Exchange Commission or its staff upon request.