



CDW Corporation

Webcast Conference Call

May 6, 2020

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Disclaimers

Forward-Looking Statements

Statements in this presentation that are not statements of historical fact are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including, without limitation, statements regarding (i) the impact of COVID-19 on CDW's business, operations and liquidity, and (ii) capital priorities and other strategic plans of CDW. These forward-looking statements are subject to risks and uncertainties that may cause actual results or events to differ materially from those described in such statements. Although CDW believes that its plans, intentions and other expectations reflected in or suggested by such forward-looking statements are reasonable, it can give no assurance that it will achieve those plans, intentions or expectations. Reference is made to a more complete discussion of forward-looking statements and applicable risks contained under the captions "Forward-Looking Statements" and "Risk Factors" in CDW's Annual Report on Form 10-K for the year ended December 31, 2019 and subsequent filings with the SEC, including in its Prospectus Supplement filed with the SEC on April 17, 2020. CDW undertakes no obligation to update or revise any of its forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law.

Non-GAAP Financial Information

This presentation contains certain non-GAAP financial measures, including Non-GAAP operating income, Non-GAAP operating income margin, Non-GAAP SG&A, Non-GAAP income before income taxes, Non-GAAP net income, Non-GAAP effective tax rate, Non-GAAP net income per diluted share, Non-GAAP net income per diluted share on a constant currency basis, Net sales growth on a constant currency basis and Free cash flow. Generally, a non-GAAP financial measure is a numerical measure of a company's performance or financial position that either excludes or includes amounts that are not normally included or excluded in the most directly comparable measure calculated and presented in accordance with GAAP. For a reconciliation of non-GAAP financial measures to the applicable most comparable GAAP financial measures, see Exhibit 99.1 to CDW's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2020 and the reconciliations included in these slides. Non-GAAP financial measures used by CDW may differ from similar measures used by other companies, even when similar terms are used to identify such measures.

Today's Agenda

- First Quarter 2020 Results
- COVID-19 Response
- Performance Drivers
- Q&A

Strong Q1 2020 Financial Performance

- Net sales increased \$431 million from Q1 2019 to \$4,389 million
 - Up 10.9% on a reported basis
 - Up 9.2% on an average daily basis ("ADS")
 - Up 9.4% on an ADS constant currency basis
- Operating income up 7.4% to \$246 million
- Net income up 9.8% to \$168 million
- Non-GAAP operating income up 5.8% to \$304 million
- Net income per diluted share up 13.1% to \$1.16
- Non-GAAP net income per diluted share up 11.0% to \$1.38

Balanced Portfolio Drove Topline Growth

(Unaudited)
(\$ in millions)

	Three Months Ended March 31,			
	2020	2019	% Change	Average Daily % Change ⁽¹⁾
Corporate	\$ 1,911.0	\$ 1,736.2	10.1%	8.4%
Small Business	391.5	355.6	10.1	8.4
Public				
Government	568.5	488.4	16.4	14.6
Education	476.2	400.4	19.0	17.1
Healthcare	480.6	441.9	8.8	7.1
Total Public	1,525.3	1,330.7	14.6	12.8
Other	561.4	535.4	4.8	3.2
Total Net sales	\$ 4,389.2	\$ 3,957.9	10.9%	9.2%

(1) There were 64 and 63 selling days for the three months ended March 31, 2020 and 2019, respectively.

Highlights Combined Power of Business Model and Strategy

- Balanced portfolio of customer end-markets
- Diverse product and solutions portfolio
- Three-part strategy for growth

Our Three-Part Growth Strategy

1

Capture share and acquire new customers

2

Enhance capabilities in high-growth solutions areas

3

Expand services capabilities

COVID-19 Response

- Safeguard the health and well-being of our coworkers
- Serve the mission-driven needs of our customers
- Support our communities, including efforts to contain and slow the virus

Q1 2020 Financial Results

(Unaudited)

(\$ in millions, except per share amounts)

	Three Months Ended March 31,		
	2020	2019	% Change
Net sales	\$ 4,389.2	\$ 3,957.9	10.9 %
<i>Average daily net sales</i>	\$ 68.6	\$ 62.8	9.2 %
Gross profit	\$ 756.5	\$ 672.1	12.6 %
<i>% of Net sales</i>	17.2%	17.0%	
SG&A	\$ 510.7	\$ 443.2	15.2 %
Operating income	\$ 245.8	\$ 228.9	7.4 %
Non-GAAP SG&A*	\$ 452.6	\$ 384.8	17.6 %
Non-GAAP operating income*	\$ 303.9	\$ 287.3	5.8 %
<i>% of Net sales</i>	6.9%	7.3%	
Interest expense, net	\$ 37.9	\$ 38.3	(1.2)%
Net income	\$ 167.9	\$ 152.9	9.8 %
Diluted EPS	\$ 1.16	\$ 1.02	13.1 %
Non-GAAP net income*	\$ 200.0	\$ 185.4	7.8 %
Non-GAAP diluted EPS*	\$ 1.38	\$ 1.24	11.0 %

* Non-GAAP SG&A, Non-GAAP operating income, Non-GAAP net income and Non-GAAP diluted EPS are non-GAAP financial measures. See Exhibit 99.1 to CDW's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2020 for a discussion of non-GAAP financial measures.

Q1 2020 Non-GAAP SG&A and Non-GAAP Operating Income

(Unaudited)
(\$ in millions)

	Three Months Ended March 31,		
	2020	2019	% Change
Reported SG&A	\$ 510.7	\$ 443.2	15.2%
Amortization of acquisition-related intangible assets	(44.6)	(44.4)	
Equity-based compensation	(8.8)	(12.7)	
Other adjustments	(4.7)	(1.3)	
Non-GAAP SG&A	<u>\$ 452.6</u>	<u>\$ 384.8</u>	17.6%
Non-GAAP operating income	\$ 303.9	\$ 287.3	5.8%
<i>% of Net sales</i>	6.9%	7.3%	

Q1 2020 Non-Operating Expenses

(Unaudited)
(\$ in millions)

	Three Months Ended March 31,		
	2020	2019	% Change
Interest expense, net	\$ 37.9	\$ 38.3	(1.2)%
Other income, net	\$ 3.9	\$ 1.0	nm*
Income tax expense	\$ 43.9	\$ 38.7	13.6 %

* Not meaningful

Q1 2020 GAAP Effective Tax Rate

(Unaudited)

	Three Months Ended March 31,	
	2020	2019
Federal statutory rate	21.0%	21.0%
State taxes ⁽¹⁾	4.2	4.2
Excess benefits from equity-based compensation ⁽²⁾	(5.7)	(4.3)
All other items impacting tax rate	1.2	(0.7)
GAAP effective tax rate	<u>20.7%</u>	<u>20.2%</u>

(1) Net of Federal benefit and excludes the State benefit associated with excess tax benefits.

(2) Inclusive of Federal and State taxes.

Q1 2020 Non-GAAP Net Income

(Unaudited)

(\$ in millions)

	Three Months Ended March 31, 2020				Three Months Ended March 31, 2019			
	Income before income taxes	Income tax expense ⁽¹⁾	Net income	Effective tax rate	Income before income taxes	Income tax expense ⁽¹⁾	Net income	Effective tax rate
GAAP, as reported	\$ 211.8	\$ (43.9)	\$ 167.9	20.7%	\$ 191.6	\$ (38.7)	\$ 152.9	20.2%
Amortization of intangibles ⁽²⁾	44.6	(11.1)	33.5		44.4	(11.3)	33.1	
Equity-based compensation	8.8	(13.7)	(4.9)		12.7	(11.3)	1.4	
Other adjustments ⁽³⁾	4.7	(1.2)	3.5		1.3	(3.3)	(2.0)	
Non-GAAP*	<u>\$ 269.9</u>	<u>\$ (69.9)</u>	<u>\$ 200.0</u>	<u>25.9%</u>	<u>\$ 250.0</u>	<u>\$ (64.6)</u>	<u>\$ 185.4</u>	<u>25.8%</u>

(1) Income tax on non-GAAP adjustments includes excess tax benefits associated with equity-based compensation.

(2) Includes amortization expense for acquisition-related intangible assets, primarily customer relationships, customer contracts and trade names.

(3) Includes other expenses such as payroll taxes on equity-based compensation, expenses related to the relocation of the downtown Chicago office, and acquisition and integration expenses.

* Non-GAAP income before income taxes and Non-GAAP net income are non-GAAP financial measures. See Exhibit 99.1 to CDW's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2020 for a discussion of non-GAAP financial measures.

Q1 2020 Earnings Per Share

(Unaudited)

(\$ in millions, except per share amounts)

	Three Months Ended March 31,		
	2020	2019	% Change
Diluted EPS	\$ 1.16	\$ 1.02	13.1%
Non-GAAP net income*	\$ 200.0	\$ 185.4	7.8%
Non-GAAP diluted EPS*	\$ 1.38	\$ 1.24	11.0%

* Non-GAAP net income and Non-GAAP diluted EPS are non-GAAP financial measures. See Exhibit 99.1 to CDW's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2020 for a discussion of non-GAAP financial measures.

Debt and Revolver Availability

(\$ in millions)

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
	<i>(unaudited)</i>		<i>(unaudited)</i>
Cash and cash equivalents	\$ 214.4	\$ 154.0	\$ 285.0
Total debt	\$ 3,472.2	\$ 3,317.3	\$ 3,283.4
Net debt (total debt net of cash and cash equivalents)	\$ 3,257.8	\$ 3,163.3	\$ 2,998.4
Revolver availability	\$ 998.6	\$ 1,106.2	\$ 1,002.8
Cash plus revolver availability	\$ 1,213.0	\$ 1,260.2	\$ 1,287.8

Free Cash Flow

(Unaudited)

(\$ in millions)

	Three Months Ended March 31,		
	2020	2019	% Change
Net cash provided by operating activities	\$ 223.0	\$ 252.4	(11.6)%
Capital expenditures ⁽¹⁾	(25.4)	(19.4)	
Net change in accounts payable-inventory financing	(81.4)	70.2	
Free cash flow	<u>\$ 116.2</u>	<u>\$ 303.2</u>	(61.7)%

(1) Includes expenditures for revenue generating assets.

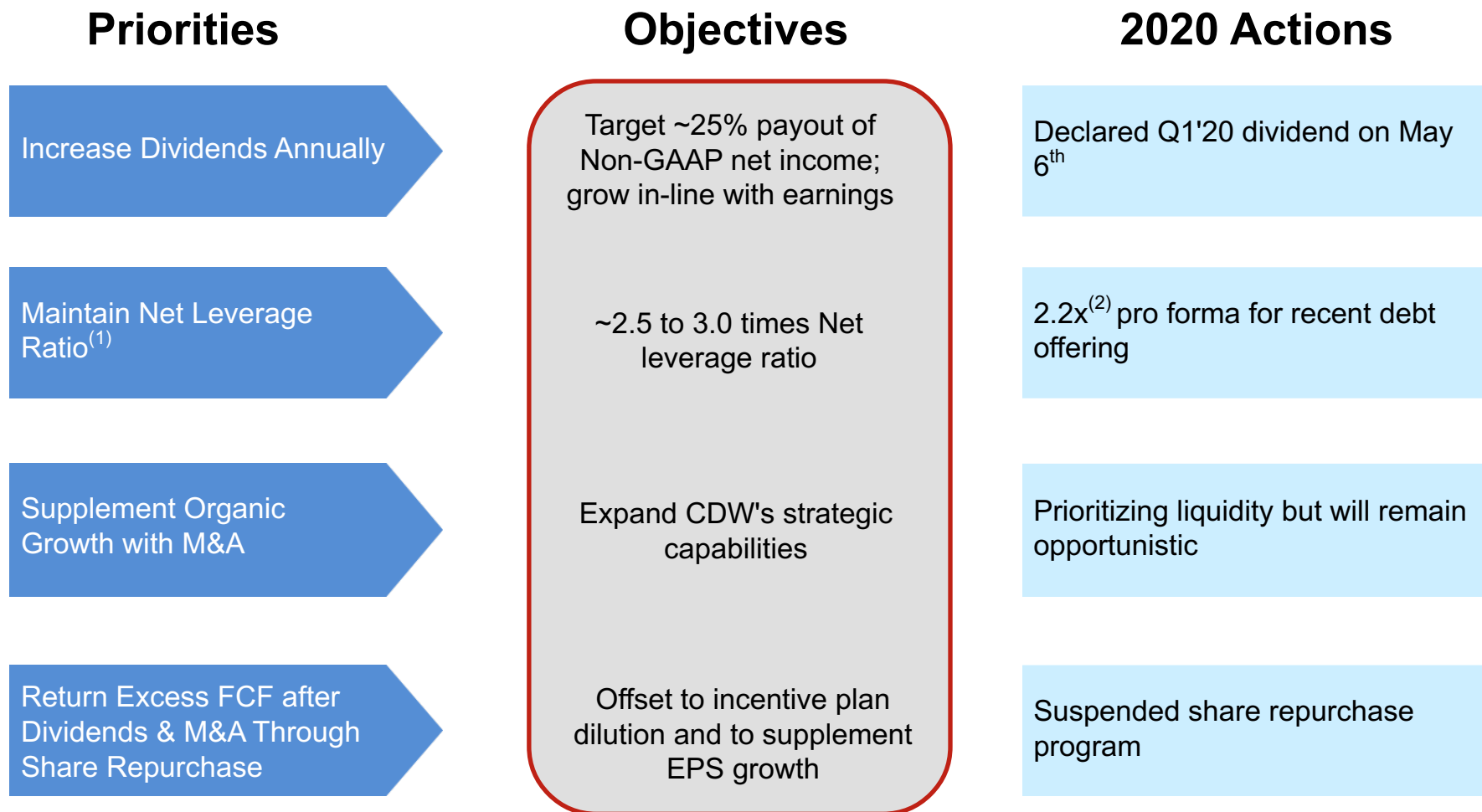
Cash Conversion Cycle

(Unaudited)

(Based on a rolling three-month average)

	March 31, 2020	December 31, 2019	March 31, 2019
Days of sales outstanding	58	57	57
Days of supply in inventory	14	14	14
Days purchases outstanding	(52)	(53)	(54)
Cash conversion cycle	20	18	17

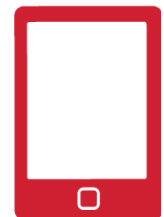
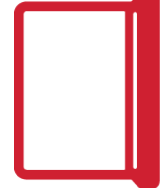
Capital Allocation Priorities



(1) Defined as the ratio of total debt at period-end excluding any unamortized discount and/or premium and deferred financing costs, less cash and cash equivalents, to trailing twelve-month Non-GAAP operating income plus depreciation and amortization in SG&A (excluding amortization expenses for acquisition-related intangible assets).

(2) As of March 31, 2020, net leverage ratio was 2.2x. On April 21, 2020 CDW completed the issuance of \$600 million aggregate principal amount of 4.125% Senior Notes due in 2025 at par, for general corporate purposes.

Questions and Answers



Non-GAAP Operating Income Reconciliation

(Unaudited)

(\$ in millions)

	Three Months Ended March 31,			
	2020	% of Net sales	2019	% of Net sales
Operating income	\$ 245.8	5.6%	\$ 228.9	5.8%
Amortization of intangibles ⁽¹⁾	44.6		44.4	
Equity-based compensation	8.8		12.7	
Other adjustments ⁽²⁾	4.7		1.3	
Non-GAAP operating income*	<u>\$ 303.9</u>	6.9%	<u>\$ 287.3</u>	7.3%

(1) Includes amortization expense for acquisition-related intangible assets, primarily customer relationships, customers contracts and trade names.

(2) Includes other expenses such as payroll taxes on equity-based compensation, expenses related to the relocation of the downtown Chicago office, and acquisition and integration expenses.

* Non-GAAP operating income is a non-GAAP financial measure. See Exhibit 99.1 to CDW's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2020 for a discussion of non-GAAP financial measures.

Net Sales Growth on a Constant Currency Basis

(Unaudited)
(\$ in millions)

	Three Months Ended March 31,			Average Daily % Change ⁽¹⁾
	2020	2019	% Change	
Net sales, as reported	\$ 4,389.2	\$ 3,957.9	10.9%	9.2%
Foreign currency translation ⁽²⁾	—	(9.8)		
Net sales, on a constant currency basis*	<u>\$ 4,389.2</u>	<u>\$ 3,948.1</u>	11.2%	9.4%

(1) There were 64 and 63 selling days for the three months ended March 31, 2020 and 2019, respectively.

(2) Represents the effect of translating the prior year results of CDW UK and CDW Canada at the average exchange rates applicable in the current year.

* Net sales growth on a constant currency basis is a non-GAAP financial measure. See Exhibit 99.1 to CDW's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2020 for a discussion of non-GAAP financial measures.

Non-GAAP Net Income Per Diluted Share, on a Constant Currency Basis

(Unaudited)

(\$ and shares in millions, except per share amounts)

	Three Months Ended March 31,		
	2020	2019	% Change
Net income	\$ 167.9	\$ 152.9	9.8%
Amortization of intangibles	44.6	44.4	
Equity-based compensation	8.8	12.7	
Other adjustments	4.7	1.3	
Aggregate adjustment for income taxes	(26.0)	(25.9)	
Non-GAAP net income ^{(1)*}	\$ 200.0	\$ 185.4	7.8%
Foreign currency translation ⁽²⁾	—	(0.5)	
Non-GAAP net income, on a constant currency basis*	\$ 200.0	\$ 184.9	8.1%
Shares used in computing Non-GAAP net income per diluted share and Non-GAAP net income per diluted share, on a constant currency basis	144.9	149.2	
Non-GAAP net income per diluted share*	\$ 1.38	\$ 1.24	11.0%
Non-GAAP net income per diluted share, on a constant currency basis*	\$ 1.38	\$ 1.24	11.3%

(1) See Slide 13 for details on the adjustments to Non-GAAP net income for the first quarter.

(2) Represents the effect of translating the prior year results of CDW UK and CDW Canada at the average exchange rates applicable in the current year.

* Non-GAAP net income, Non-GAAP net income per diluted share, Non-GAAP net income on a constant currency basis and Non-GAAP net income per diluted share on a constant currency basis are non-GAAP financial measures. See Exhibit 99.1 to CDW's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2020 for a discussion of non-GAAP financial measures.