



CDW Corporation

Webcast Conference Call

May 2, 2018

CDW.com | 800.800.4239

Today's Agenda

- First Quarter 2018 Results
- Key Performance Drivers and Strategic Progress
- Financial Results
- Outlook
- Q&A

Disclaimers

This presentation contains forward-looking statements, which are any predications, projections, or other statements about future events. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could materially differ because of factors discussed in today's earnings release, in the comments made during the conference call, and in the risk factors section of the Company's Form 10-K, Form 10-Q and other reports and filings with the Securities and Exchange Commission. The Company does not undertake any duty to update any forward-looking statement.

Strong Q1 2018 Financial Performance

- Net Sales increased \$350 million from Q1 2017 to \$3.6 billion
 - Up 10.8% on a reported basis and average daily sales basis
 - Up 9.6% ADS on a constant currency basis
- Adjusted EBITDA up 11.9% to \$280 million
- Non-GAAP net income per diluted share up 40.5% to \$1.05

Results Highlights Combined Power

- Balanced portfolio of customer end-markets
- Diverse product suite
- Variable cost structure

Balanced Portfolio Drove Topline

(Unaudited)
(\$ in millions)

	Three Months Ended March 31,			
	2018	2017 ⁽¹⁾	% Change	Average Daily % Change ⁽²⁾
Corporate	\$ 1,565.8	\$ 1,440.6	8.7%	8.7%
Small Business	327.6	292.0	12.2%	12.2%
Public				
Government	\$ 418.5	\$ 374.6	11.7%	11.7%
Education	397.2	393.2	1.0	1.0
Healthcare	414.3	385.9	7.3	7.3
Total Public	\$ 1,230.0	\$ 1,153.7	6.6%	6.6%
Other	\$ 483.0	\$ 369.7	30.6%	30.6%
Total Net sales	\$ 3,606.4	\$ 3,256.0	10.8%	10.8%

(1) Amounts for 2017 have been adjusted to reflect the full retrospective adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606).

(2) There were 64 selling days for both the three months ended March 31, 2018 and 2017.

Our Three-Part Growth Strategy

1

Capture share and acquire new customers

2

Enhance capabilities in high-growth, solutions areas

3

Expand services capabilities

Q1'18 Financial Results

(Unaudited)
(\$ in millions, except per share amounts)

	Three Months Ended March 31,		
	2018	2017*	% Change
Net sales	\$ 3,606.4	\$ 3,256.0	10.8%
<i>Avg Daily Net Sales</i>	\$ 56.4	\$ 50.9	10.8%
Gross profit	\$ 603.9	\$ 553.5	9.1%
<i>% of Net Sales</i>	16.7%	17.0%	
SG&A, including advertising	\$ 399.8	\$ 382.8	4.4%
Income from operations	\$ 204.1	\$ 170.7	19.6%
Adjusted SG&A, including advertising**	\$ 324.6	\$ 305.9	6.1%
Adjusted EBITDA**	\$ 279.8	\$ 250.1	11.9%
<i>% of Net Sales</i>	7.8%	7.7%	
Interest expense, net	\$ (37.7)	\$ (39.7)	(5.1)%
Net income	\$ 127.0	\$ 58.2	118.3%
Diluted EPS	\$ 0.82	\$ 0.36	129.6%
Non-GAAP net income**	\$ 162.8	\$ 121.9	33.6%
Non-GAAP diluted EPS**	\$ 1.05	\$ 0.75	40.5%

* Amounts for 2017 have been adjusted to reflect the full retrospective adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606).

** Adjusted SG&A, including advertising, Adjusted EBITDA, Non-GAAP net income and Non-GAAP Diluted EPS are non-GAAP financial measures. For a reconciliation of non-GAAP financial measures, see Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2018 and in these slides.

Q1'18 Adjusted SG&A and Adjusted EBITDA

(Unaudited)
(\$ in millions)

	Three Months Ended March 31,		
	2018	2017 ⁽¹⁾	% Change
Reported SG&A, including advertising	\$ 399.8	\$ 382.8	4.4%
<i>Adjustments:</i>			
Equity-based compensation	(8.1)	(12.1)	
Integration expenses	—	(0.5)	
Depreciation and amortization:			
Amortization of acquisition-related intangible assets	(46.7)	(46.1)	
Other SG&A depreciation and amortization	(18.4)	(16.3)	
Other expenses	(2.0)	(1.9)	
Total adjustments	(75.2)	(76.9)	
Adjusted SG&A, including advertising	\$ 324.6	\$ 305.9	6.1%
Adjusted EBITDA	\$ 279.8	\$ 250.1	11.9%
<i>% of Net Sales</i>	7.8%	7.7%	

(1) Amounts for 2017 have been adjusted to reflect the full retrospective adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606).

Interest Expense and Income Taxes

(Unaudited)

(\$ in millions, except per share amounts)

	Three Months Ended March 31,		
	2018	2017*	% Change
Interest expense, net	\$ (37.7)	\$ (39.7)	(5.1)%
Other (expense) income, net	\$ (0.7)	\$ 0.9	nm**
Income tax expense	\$ (38.7)	\$ (16.3)	137.3%
Net income	\$ 127.0	\$ 58.2	118.3%

* Amounts for 2017 have been adjusted to reflect the full retrospective adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606).

** Not meaningful

Q1 '18 GAAP Effective Tax Rate

	Three Months Ended March 31,	
	2018	2017
Federal statutory rate	21.0%	35.0%
State taxes*	4.0%	2.7%
Excess benefits from equity-based compensation**	(2.5)%	(15.5)%
Mix impact from lower international income tax rates	0.1%	(0.7)%
All other items impacting tax rate	0.8%	0.4%
GAAP effective tax rate	<u>23.4%</u>	<u>21.9%</u>

* Net of Federal benefit and excludes the State benefit associated with excess tax benefits

** Inclusive of Federal and net State taxes

Q1 '18 Non-GAAP Net Income

(Unaudited)
(\$ in millions)

	Three Months Ended March 31, 2018				Three Months Ended March 31, 2017 ⁽¹⁾			
	Income before income taxes	Income tax expense ⁽²⁾	Net income	Effective tax rate	Income before income taxes	Income tax expense	Net income	Effective tax rate
GAAP (as reported)	\$ 165.7	\$ (38.7)	\$ 127.0	23.4%	\$ 74.5	\$ (16.3)	\$ 58.2	21.9%
Amortization of intangibles ⁽³⁾	46.7	(12.3)	34.4		46.1	(16.6)	29.5	
Equity-based compensation	8.1	(7.0)	1.1		12.1	(15.8)	(3.7)	
Net Loss on extinguishments of long-term debt	—	—	—		57.4	(20.7)	36.7	
Integration expenses ⁽⁴⁾	—	—	—		0.5	(0.2)	0.3	
Other adjustments ⁽⁵⁾	0.5	(0.2)	0.3		1.4	(0.5)	0.9	
Non-GAAP*	\$ 221.0	\$ (58.2)	\$ 162.8	26.3%	\$ 192.0	\$ (70.1)	\$ 121.9	36.5%

- (1) Amounts for 2017 have been adjusted to reflect the full retrospective adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606).
- (2) Income tax on non-GAAP adjustments includes excess tax benefits associated with equity compensation, and the impact of global intangible low tax income ("GILTI") on equity-based compensation and amortization of intangibles.
- (3) Includes amortization expense for acquisition-related intangible assets, primarily customer relationships, customer contracts and trade names.
- (4) Comprised of expenses related to CDW UK.
- (5) Includes other expenses such as payroll taxes on equity-based compensation during the three months ended March 31, 2018 and 2017.
- * Non-GAAP income before income taxes and Non-GAAP net income are non-GAAP financial measures. For a reconciliation of non-GAAP financial measures, see Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2018 and in these slides.

Two Ways to calculate Non-GAAP Net Income

Adjusted EBITDA:

- Depreciation and amortization
- + Amortization of purchased intangibles
- Interest expense

OR

GAAP Income before Income taxes:

- + Amortization of purchased intangibles
- + Equity-based compensation
- + Other unusual or non-recurring items

=

Non-GAAP Income before
Income Taxes

Taxed at Non-GAAP effective tax
rate

Non-GAAP Net Income

Q1 '18 Earnings Per Share

	Three Months Ended March 31,		
	2018	2017*	% Change
Diluted EPS	\$ 0.82	\$ 0.36	129.6%
Non-GAAP net income**	\$ 162.8	\$ 121.9	33.6%
Non-GAAP diluted EPS**	\$ 1.05	\$ 0.75	40.5%

* Amounts for 2017 have been adjusted to reflect the full retrospective adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606).

** Non-GAAP net income and Non-GAAP diluted EPS are non-GAAP financial measures. For a reconciliation of non-GAAP financial measures, see Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2018 and in these slides.

Debt and Revolver Availability

(Unaudited)

(\$ in millions)

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Cash and cash equivalents	\$ 221.0	\$ 144.2	\$ 251.7
Total debt	\$ 3,235.5	\$ 3,235.5	\$ 3,280.5
Senior secured debt	\$ 1,539.5	\$ 1,540.3	\$ 1,545.7
Net debt (total debt net of cash and cash equivalents)	\$ 3,014.5	\$ 3,091.3	\$ 3,028.8
Outstanding borrowings under revolver ⁽¹⁾	\$ —	\$ —	\$ 38.0
Borrowing base under ABL revolver ⁽²⁾	\$ 1,598.3	\$ 1,608.2	\$ 1,409.1
Revolver availability ⁽¹⁾	\$ 1,057.4	\$ 1,063.2	\$ 1,025.6
Cash plus revolver availability ⁽¹⁾	\$ 1,278.4	\$ 1,207.4	\$ 1,277.3
Total net leverage ratio ⁽³⁾	2.5	2.6	2.7

(1) Amount in effect at period-end, including CDW UK's Revolving Credit Facility, which is a multi-currency revolving credit facility with an aggregate amount of £50 million (\$70 million at March 31, 2018) in availability.

(2) Amount in effect at period-end, applicable to the Company's ABL Revolving Credit Facility.

(3) Defined in the Company's credit agreement, on a consolidated basis, as the ratio of total debt at period-end, excluding any unamortized discount and/or premium and unamortized deferred financing costs, less cash and cash equivalents, to trailing twelve months (TTM) Adjusted EBITDA, a non-GAAP measure defined in the Company's credit agreement.

Cash Conversion Cycle

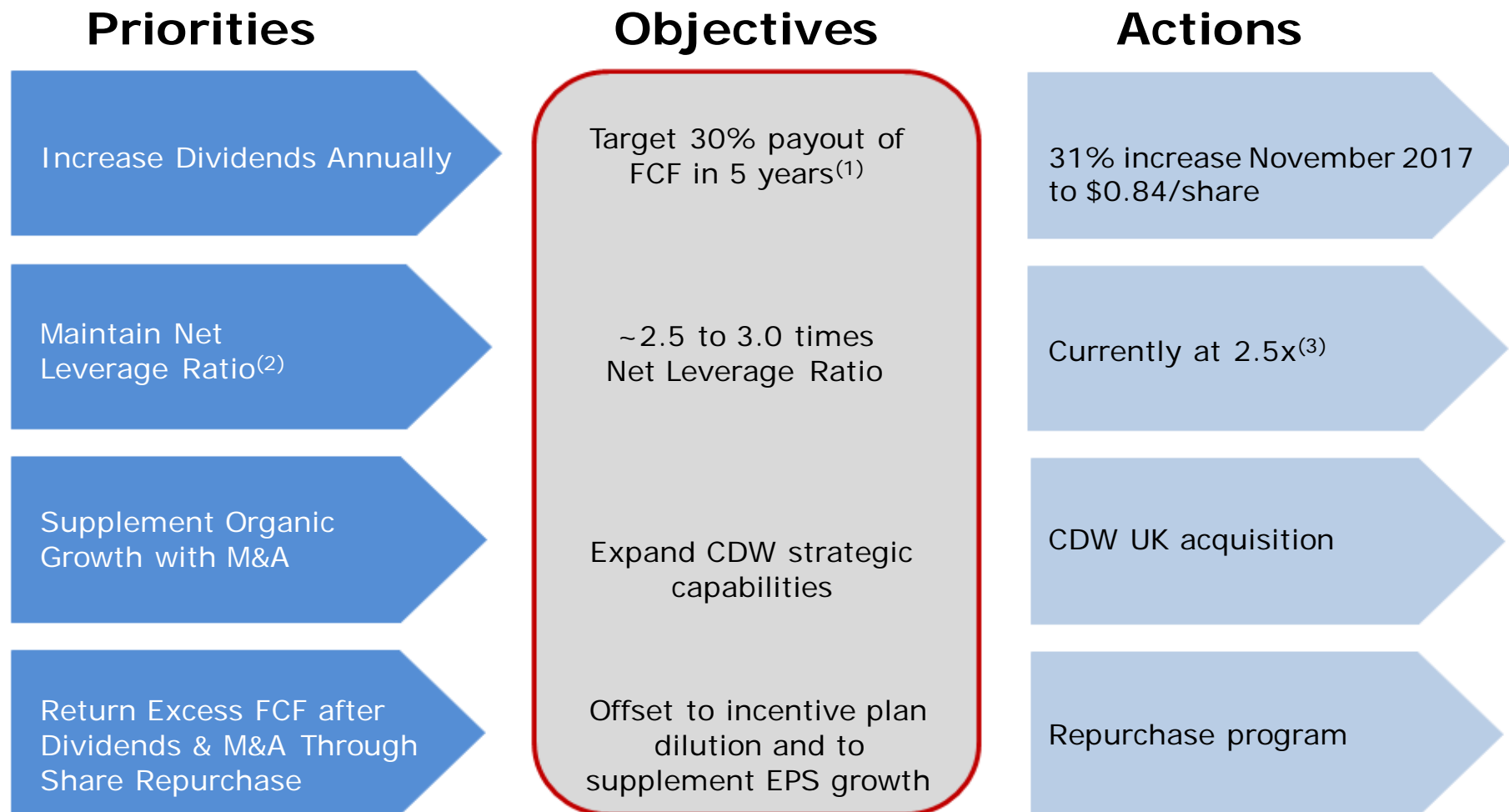
(Unaudited)

	<u>March 31, 2018</u>	<u>December 31, 2017*</u>	<u>March 31, 2017*</u>
Days of sales outstanding (DSO)**	54	53	51
Days of supply in inventory (DIO)**	12	13	14
Days purchases outstanding (DPO)**	<u>(49)</u>	<u>(47)</u>	<u>(46)</u>
Cash Conversion Cycle**	<u>17</u>	<u>19</u>	<u>19</u>

* Amounts for 2017 have been adjusted to reflect the full retrospective adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606).

** Based on a rolling three-month average.

Four Capital Allocation Priorities



¹ Target established November 2014

² Defined in our credit agreement 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 TTM Adjusted EBITDA. TTM Adjusted EBITDA is a term defined in our credit agreement.

³ As of March 31, 2018.

2018 Annual Medium Term Targets*

2018**

Net Sales Growth

U.S. IT growth "a little over" 3% plus "a little over" 300 bps in constant currency

Adjusted EBITDA Margin

High 7's to 8% Margin

Non-GAAP Net Income
per diluted share

"Mid-to-high" twenty % growth in constant currency

* Annual targets are provided on a non-GAAP basis because certain reconciling items are dependent on future events that either cannot be controlled, such as currency impacts or interest rates, or reliably predicted because they are not part of the Company's routine activities, such as refinancing activities or acquisition and integration expenses.

** As of May 2, 2018

Modeling Thoughts for FY 2018

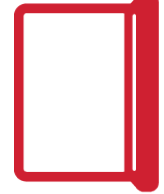
- Full-year constant currency Net Sales growth “a little over” 300 bps above US IT market growth
 - 1H/2H sales ~50 bps heavier in 1H than historical average split of 48/52%; Q2 seasonality below historical
 - Currency tailwinds expected at an annual average rate of ~ 50 bps
- Adjusted EBITDA at high end of annual target of high 7’s to 8%, less ~5 to 10 bps reflecting tax reform investments
- Annual Depreciation and Amortization just under \$10MM higher than 2017, at roughly \$68MM per quarter, \$47 million of which is for purchased intangibles
- Annual book interest expected to be ~ \$155MM
- Annual equity compensation is expected to be ~ \$7MM lower than 2017, with the highest expense in Q2, up a couple million dollars compared to Q1
- Non-GAAP effective annual tax rate expected to be between 26% and 27%
- Annual non-GAAP EPS expected to grow ~300 bps faster than Non-GAAP net income
- Annual non-GAAP EPS growth in the “mid to high 20’s” in constant currency, which we define as 25%-27%

Modeling Thoughts for FY 2018 Cash Flows

- Cash flow:
 - Capital expenditures slightly above ~0.5% of Net sales on an annual basis
 - Achieve Cash Conversion Cycle within target range of high teens to low 20's
 - Annual Free Cash Flow at the low end of new 'rule of thumb' run rate post-tax cuts of 3 ¾% to 4 ¼% of Net sales
 - Cash flow "Rule of Thumb:"

2013 - 2016	2017	2018 - 2019
2 ½ - 3% of Net sales	3 - 3 ½% of Net sales	3 ¾ - 4 ¼% of Net sales

Questions and Answers



**PEOPLE
WHO
GET IT™**

ASC 606 Impact

	Three Months Ended March 31, 2017			
<i>(\$ millions)</i>	606	605	Change	
Net sales	\$ 3,256.0	\$ 3,324.7	\$ (68.7)	
Gross profit	553.5	552.6	0.9	
Gross margin	17.0%	16.6%	40 bps	
Income from operations	170.7	169.8	0.9	
Net income	58.2	57.6	0.6	
Adjusted EBITDA*	250.1	249.2	0.9	
Adjusted EBITDA Margin*	7.7%	7.5%	20 bps	
Non-GAAP net income*	121.9	121.3	0.6	
Non-GAAP diluted EPS*	\$ 0.75	\$ 0.75	\$ —	

No meaningful change to Adjusted EBITDA dollars, Gross Margin dollars or growth rates. Change is to calculated margins.

* Adjusted EBITDA, Adjusted EBITDA Margin, Non-GAAP net income and Non-GAAP Diluted EPS are non-GAAP financial measures. For a reconciliation of non-GAAP financial measures, see Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May, 2 2018 and in these slides.

Adjusted EBITDA to Net Income Reconciliation

(Unaudited)

(\$ in millions)

	Three Months Ended March 31,			
	2018	% of Net Sales	2017 ⁽¹⁾	% of Net Sales
Net income	\$ 127.0	3.5%	\$ 58.2	1.8%
Depreciation and amortization ⁽²⁾	66.6		64.2	
Income tax (benefit) expense	38.7		16.3	
Interest expense, net	37.7		39.7	
EBITDA	<u>270.0</u>	7.5%	<u>178.4</u>	5.5%
Adjustments:				
Equity-based compensation	8.1		12.1	
Net loss on extinguishments of long-term debt	—		57.4	
Income from equity investment ⁽³⁾	(0.3)		(0.2)	
Integration expenses ⁽⁴⁾	—		0.5	
Other adjustments ⁽⁵⁾	2.0		1.9	
Total adjustments	<u>9.8</u>		<u>71.7</u>	
Adjusted EBITDA*	<u>\$ 279.8</u>	7.8%	<u>\$ 250.1</u>	7.7%

(1) Amounts for 2017 have been adjusted to reflect the full retrospective adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606).

(2) Includes depreciation expense of \$2 million for both the three months ended March 31, 2018 and 2017, reported within Cost of sales.

(3) Represents the Company's share of net income from its equity investment.

(4) Comprised of expenses related to CDW UK.

(5) Includes other expenses such as payroll taxes on equity-based compensation during the three months ended March 31, 2018 and 2017. Also includes historical retention costs during the three months ended March 31, 2017.

* Adjusted EBITDA is a non-GAAP financial measure. See Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2018, for a discussion of non-GAAP financial measures.

First Quarter Free Cash Flow

(Unaudited)
(\$ in millions)

	Three Months Ended March 31,		
	2018	2017	% Change
Net cash provided by operating activities	\$ 222.2	\$ 369.9	
Capital expenditures	(15.9)	(19.6)	
Net change in accounts payable - inventory financing	24.9	(135.7)	
Free Cash Flow	<u>\$ 231.2</u>	<u>\$ 214.6</u>	7.7%

Consolidated Net Sales Growth on a Constant Currency Basis

(Unaudited)
(\$ in millions)

	Three Months Ended March 31,			
	2018	2017 ⁽¹⁾	% Change	Average Daily % Change ⁽²⁾
Consolidated Net sales, as reported	\$ 3,606.4	\$ 3,256.0	10.8%	10.8%
Foreign currency translation ⁽³⁾	—	34.9		
Consolidated Net sales, on a constant currency basis*	\$ 3,606.4	\$ 3,290.9	9.6%	9.6%

(1) Amounts for 2017 have been adjusted to reflect the full retrospective adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606).

(2) There were 64 selling days for both the three months ended March 31, 2018 and 2017.

(3) 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.

* Consolidated Net sales growth on a constant currency basis is a non-GAAP financial measure. For a discussion of non-GAAP financial measures, see Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2018.

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,		
	2018	2017 ⁽¹⁾	% Change
Net income	\$ 127.0	\$ 58.2	
Amortization of intangibles	46.7	46.1	
Equity-based compensation	8.1	12.1	
Net Loss on extinguishments of long-term debt	—	57.4	
Integration expenses	—	0.5	
Other adjustments	0.5	1.4	
Aggregate adjustment for income taxes	(19.5)	(53.8)	
Non-GAAP Net Income ^{(2)*}	\$ 162.8	\$ 121.9	33.6%
Foreign currency translation ⁽³⁾	—	1.4	
Non-GAAP Net Income, on a constant currency basis*	\$ 162.8	\$ 123.3	32.1%
Shares used in computing Non-GAAP net income per diluted share and Non-GAAP net income per diluted share, on a constant currency basis	154.8	162.8	
Non-GAAP net income per diluted share*	\$ 1.05	\$ 0.75	40.5%
Non-GAAP net income per diluted share, on a constant currency basis*	\$ 1.05	\$ 0.76	38.9%

(1) Amounts for 2017 have been adjusted to reflect the full retrospective adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606).

(2) See Slide 12 for details on the adjustments to Non-GAAP Net Income for the first quarter.

(3) 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. For a discussion of non-GAAP financial measures, see Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2018.