



CDW Corporation

Webcast Conference Call
February 7, 2019

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Today's Agenda

- Fourth Quarter and YTD 2018 Results
- Performance Drivers
- 2019 Targets
- Modeling Thoughts
- Q&A

Disclaimers

Forward-Looking Statements

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.

Non-GAAP Financial Information

This presentation contains certain "non-GAAP financial measures," including EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted SG&A, including advertising, 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, Non-GAAP operating income, Non-GAAP operating income margin, consolidated 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 excluded or included 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 the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 7, 2019 and the reconciliations included in these slides. Non-GAAP financial measures used by the Company may differ from similar measures used by other companies, even when similar terms are used to identify such measures.

Strong Financial Performance

Fourth Quarter:

- Net Sales increased \$323 million from Q4 2017 to \$4.1 billion
 - Up 8.6% on a reported basis and average daily sales basis
 - Up 9.0% ADS on a constant currency basis
- Net income down 18.2% to \$159 million
- Adjusted EBITDA up 8.8% to \$323 million
- Net income per diluted share down 16.4% to \$1.05
- Non-GAAP net income per diluted share up 34.4% to \$1.32

Year to Date:

- Net Sales increased \$1.4 billion from 2017 to \$16.2 billion
 - Up 9.5% on a reported basis and average daily sales basis
 - Up 9.2% ADS on a constant currency basis
- Net Income up 22.9% to \$643 million
- Adjusted EBITDA up 9.8% to \$1,302 million
- Net income per diluted share up 26.7% to \$4.19
- Non-GAAP net income per diluted share up 35.1% to \$5.17

Highlights Combined Power of Business Model and Strategy

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

Balanced Portfolio Drove Topline Growth

(Unaudited)

(\$ in millions)

	Three Months Ended December 31,			Year Ended December 31,		
	2018	2017 ⁽¹⁾	% Change ⁽²⁾	2018	2017 ⁽¹⁾	% Change ⁽²⁾
Corporate	\$ 1,836.4	\$ 1,599.3	14.8%	\$ 6,842.5	\$ 6,172.8	10.8%
Small Business	362.5	308.1	17.7	1,359.6	1,220.5	11.4
Public						
Government	546.0	619.9	(11.9)	2,097.3	2,109.8	(0.6)
Education	425.0	395.2	7.6	2,327.4	2,184.5	6.5
Healthcare	443.2	411.0	7.8	1,730.0	1,612.2	7.3
Total Public	1,414.2	1,426.1	(0.8)	6,154.7	5,906.5	4.2
Other	461.7	418.6	10.3	1,883.7	1,533.1	22.9
Total Net sales	\$ 4,074.8	\$ 3,752.1	8.6%	\$ 16,240.5	\$ 14,832.9	9.5%

(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) There were 63 selling days for both the three months ended December 31, 2018 and 2017. There were 254 selling days for both the years ended December 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

Scalar Decisions Inc. Acquisition Snapshot

- Strategic acquisition closed on Feb. 1, 2019
- Premier Canadian IT solutions and services provider
- Founded in 2004
- Privately held
- ~350 coworkers
- Locations in Toronto, Montreal, Ottawa, Vancouver, Edmonton, Calgary and Winnipeg
- Solutions offerings include security, infrastructure, cloud and digital transformation
- Trailing 12-month net sales of approximately C\$250million

Scalar Decisions Inc. Acquisition Rationale

- **Complements three-part growth strategy and enhances customer value proposition**
 - Captures share and acquires new customers through established geographic presence across Canada with minimal customer overlap
 - Enhances capabilities in high-growth solutions areas such as infrastructure, security and cloud
 - Expands services capabilities with advanced network and security operation centers to drive managed services and technical expertise in professional services
- **Strong cultural fit**
 - Shared values with a customer-first focus and a solutions-led approach
- **Expands balance**
 - More robust solutions portfolio in Canada
- **Value creative**
 - Strategic use of capital, consistent with our priorities

Q4 '18 Financial Results

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

	Three Months Ended December 31,		
	2018	2017 ⁽¹⁾	% Change
Net sales	\$ 4,074.8	\$ 3,752.1	8.6%
<i>Avg Daily Net Sales</i>	\$ 64.7	\$ 59.6	8.6%
Gross profit	\$ 693.8	\$ 613.7	13.1%
<i>% of Net Sales</i>	17.0%	16.4%	
SG&A, including advertising	\$ 450.9	\$ 392.6	14.8%
Operating income	\$ 242.9	\$ 221.1	9.9%
Adjusted SG&A, including advertising	\$ 372.7	\$ 318.4	17.1%
Adjusted EBITDA	\$ 323.0	\$ 296.9	8.8%
<i>% of Net Sales</i>	7.9%	7.9%	
Interest expense, net	\$ 37.1	\$ 37.1	(0.1)%
Net income	\$ 159.3	\$ 194.8	(18.2)%
Diluted EPS	\$ 1.05	\$ 1.25	(16.4)%
Non-GAAP net income	\$ 200.7	\$ 152.7	31.5%
Non-GAAP diluted EPS	\$ 1.32	\$ 0.98	34.4%

(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).

Q4 '18 Adjusted SG&A and Adjusted EBITDA

(Unaudited)
(\$ in millions)

	Three Months Ended December 31,		
	2018	2017 ⁽¹⁾	% Change
Reported SG&A, including advertising	\$ 450.9	\$ 392.6	14.8%
<i>Adjustments:</i>			
Equity-based compensation	(10.8)	(10.1)	
Depreciation and amortization:			
Amortization of acquisition-related intangible assets	(44.1)	(46.2)	
Other SG&A depreciation and amortization	(21.6)	(17.8)	
Other adjustments	(1.7)	(0.1)	
Total adjustments	(78.2)	(74.2)	
Adjusted SG&A, including advertising	\$ 372.7	\$ 318.4	17.1%
Adjusted EBITDA	\$ 323.0	\$ 296.9	8.8%
% of Net Sales	7.9%	7.9%	

(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).

Interest Expense and Income Taxes

(Unaudited)

(\$ in millions, except per share amounts)

	Three Months Ended December 31,		
	2018	2017 ⁽¹⁾	% Change
Interest expense, net	\$ (37.1)	\$ (37.1)	(0.1)%
Other income, net	\$ 0.8	\$ 0.1	nm*
Income tax (expense) benefit	\$ (47.3)	\$ 10.7	nm*
Net income	\$ 159.3	\$ 194.8	(18.2)%

* Not meaningful

(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).

Q4 '18 GAAP Effective Tax Rate

	Three Months Ended December 31,	
	2018	2017
Federal statutory rate	21.0%	35.0%
State taxes ⁽¹⁾	2.7	2.3
Excess benefits from equity-based compensation ⁽²⁾	(2.4)	(3.0)
Mix impact from international income tax rates	0.1	(1.3)
All other items impacting tax rate	1.5	2.1
Net deferred tax liability adjustment and foreign income translation tax	—	(40.9)
GAAP effective tax rate	22.9%	(5.8)%

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

(2) Inclusive of Federal and State taxes.

Q4 '18 Non-GAAP Net Income

(Unaudited)
(\$ in millions)

	Three Months Ended December 31, 2018				Three Months Ended December 31, 2017 ⁽¹⁾			
	Income before income taxes	Income tax (expense) benefit ⁽²⁾	Net income	Effective tax rate	Income before income taxes	Income tax benefit (expense) ⁽²⁾	Net income	Effective tax rate
GAAP, as reported	\$ 206.6	\$ (47.3)	\$ 159.3	22.9%	\$ 184.1	\$ 10.7	\$ 194.8	(5.8)%
Amortization of intangibles ⁽³⁾	44.1	(9.7)	34.4		46.2	(16.6)	29.6	
Equity-based compensation	10.8	(5.4)	5.4		10.1	(9.1)	1.0	
Tax Cuts and Jobs Act ⁽⁴⁾	—	0.1	0.1		—	(75.5)	(75.5)	
Other adjustments ⁽⁵⁾	1.7	(0.2)	1.5		0.1	2.7	2.8	
Non-GAAP	\$ 263.2	\$ (62.5)	\$ 200.7	23.7%	\$ 240.5	\$ (87.8)	\$ 152.7	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-based compensation. Additionally, 2018 includes 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) 2018 is comprised of an adjustment to the provisional amounts recorded to finalize the US state impact of the mandatory repatriation tax due to the completion of the 2017 US state tax returns.
- (5) Includes other expenses such as payroll taxes on equity-based compensation and 2018 expenses related to the acquisition of Scalar Decisions Inc.

Q4 '18 Earnings Per Share

	Three Months Ended December 31,		
	2018	2017 ⁽¹⁾	% Change
Diluted EPS	\$ 1.05	\$ 1.25	(16.4)%
Non-GAAP net income	\$ 200.7	\$ 152.7	31.5%
Non-GAAP diluted EPS	\$ 1.32	\$ 0.98	34.4%

(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).

YTD Financial Results

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

	Year Ended December 31,		
	2018	2017 ⁽¹⁾	% Change
Net sales	\$ 16,240.5	\$ 14,832.9	9.5%
<i>Avg Daily Net Sales</i>	\$ 63.9	\$ 58.4	9.5%
Gross profit	\$ 2,706.9	\$ 2,450.2	10.5%
<i>% of Net Sales</i>	16.7%	16.5%	
SG&A, including advertising	\$ 1,719.6	\$ 1,583.7	8.6%
Operating income	\$ 987.3	\$ 866.5	13.9%
Adjusted SG&A, including advertising	\$ 1,411.7	\$ 1,272.7	10.9%
Adjusted EBITDA	\$ 1,302.2	\$ 1,186.0	9.8%
<i>% of Net Sales</i>	8.0%	8.0%	
Interest expense, net	\$ 148.6	\$ 150.5	(1.3)%
Net income	\$ 643.0	\$ 523.1	22.9%
Diluted EPS	\$ 4.19	\$ 3.31	26.7%
Non-GAAP net income	\$ 794.3	\$ 605.9	31.1%
Non-GAAP diluted EPS	\$ 5.17	\$ 3.83	35.1%

(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).

YTD Adjusted SG&A and Adjusted EBITDA

(Unaudited)
(\$ in millions)

	Year Ended December 31,		
	2018	2017 ⁽¹⁾	% Change
Reported SG&A, including advertising	\$ 1,719.6	\$ 1,583.7	8.6%
<i>Adjustments:</i>			
Equity-based compensation	(40.7)	(43.7)	
Reinstatement of prior year unclaimed property balances ⁽²⁾	—	(4.1)	
Depreciation and amortization:			
Amortization of acquisition-related intangible assets	(182.7)	(185.1)	
Other SG&A depreciation and amortization	(77.0)	(68.8)	
Other expenses	(7.5)	(9.3)	
Total adjustments	(307.9)	(311.0)	
Adjusted SG&A, including advertising	\$ 1,411.7	\$ 1,272.7	10.9%
Adjusted EBITDA	\$ 1,302.2	\$ 1,186.0	9.8%
% of Net Sales	8.0%	8.0%	

(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) Comprised of the reinstatement of prior year unclaimed property balances as a result of a retroactive Illinois state law change in the third quarter of 2017.

YTD Non-GAAP Net Income

(Unaudited)
(\$ in millions)

	Year Ended December 31, 2018				Year Ended December 31, 2017 ⁽¹⁾			
	Income before income taxes	Income tax expense ⁽²⁾	Net income	Effective tax rate	Income before income taxes	Income tax expense ⁽²⁾	Net income	Effective tax rate
GAAP, as reported	\$ 840.5	\$ (197.5)	\$ 643.0	23.5%	\$ 660.7	\$ (137.6)	\$ 523.1	20.8%
Amortization of intangibles ⁽³⁾	182.7	(45.7)	137.0		185.1	(66.6)	118.5	
Equity-based compensation	40.7	(29.2)	11.5		43.7	(51.9)	(8.2)	
Net Loss on extinguishments of long-term debt	—	—	—		57.4	(20.7)	36.7	
Tax Cuts and Jobs Act ⁽⁴⁾	—	(1.9)	(1.9)		—	(75.5)	(75.5)	
Other adjustments ⁽⁵⁾	5.9	(1.2)	4.7		11.5	(0.2)	11.3	
Non-GAAP	<u>\$ 1,069.8</u>	<u>\$ (275.5)</u>	<u>\$ 794.3</u>	<u>25.7%</u>	<u>\$ 958.4</u>	<u>\$ (352.5)</u>	<u>\$ 605.9</u>	<u>36.8%</u>

- (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-based compensation. Additionally, 2018 includes the impact of 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) 2018 is comprised of adjustments to the provisional amounts recorded to finalize the US federal and state impact of revaluing deferred tax assets and liabilities and mandatory repatriation tax due to the completion of the 2017 US federal and state tax returns.
- (5) Includes other expenses such as payroll taxes on equity-based compensation, 2018 expenses related to the acquisition of Scalar Decisions Inc., 2017 integration expenses related to CDW UK and the reinstatement of prior year unclaimed property balances as a result of a retroactive Illinois state law change enacted in the third quarter of 2017.

YTD Earnings Per Share

	Year Ended December 31,		
	2018	2017 ⁽¹⁾	% Change
Diluted EPS	\$ 4.19	\$ 3.31	26.7%
Non-GAAP net income	\$ 794.3	\$ 605.9	31.1%
Non-GAAP diluted EPS	\$ 5.17	\$ 3.83	35.1%

(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).

Debt and Revolver Availability

(Unaudited)
(\$ in millions)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash and cash equivalents	\$ 205.8	\$ 144.2
Total debt	\$ 3,208.6	\$ 3,235.5
Net debt (total debt net of cash and cash equivalents)	\$ 3,002.8	\$ 3,091.3
Revolver availability ⁽¹⁾	\$ 1,120.1	\$ 1,063.2
Cash plus revolver availability ⁽¹⁾	\$ 1,325.9	\$ 1,207.4
Total net leverage ratio ⁽²⁾	2.3	2.6

(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 (\$64 million at December 31, 2018) in availability.

(2) 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 months (TTM) Adjusted EBITDA, a non-GAAP measure defined in the Company's credit agreement.

Cash Conversion Cycle

(Unaudited)

(in days)

	December 31, 2018	December 31, 2017⁽¹⁾
Days of sales outstanding (DSO) ⁽²⁾	56	53
Days of supply in inventory (DIO) ⁽²⁾	13	13
Days purchases outstanding (DPO) ⁽²⁾	(50)	(47)
Cash Conversion Cycle ⁽²⁾	19	19

(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) Based on a rolling three-month average.

New Profit Metric: Non-GAAP Operating Income

Transitioning from Adjusted EBITDA to Non-GAAP Operating Income⁽¹⁾

Advantages

- More fully recognizes costs of doing business as IT market continues to evolve
- Harmonizes non-GAAP adjustments throughout the income statement
- Enhances comparability to publicly traded industry peers

Calculation Methodology

GAAP Operating Income

- + Amortization expense for acquisition-related intangible assets
- + Equity-based compensation
- /+ Other unusual or non-recurring income and expense items

⁽¹⁾ Effective Q1-2019

2019 Targets⁽¹⁾

2019⁽²⁾

Net Sales Growth

U.S. IT growth plus 200 to 300 bps
plus ~100 bps from Scalar acquisition
in constant currency

Non-GAAP Operating
Income Margin

Mid 7%'s

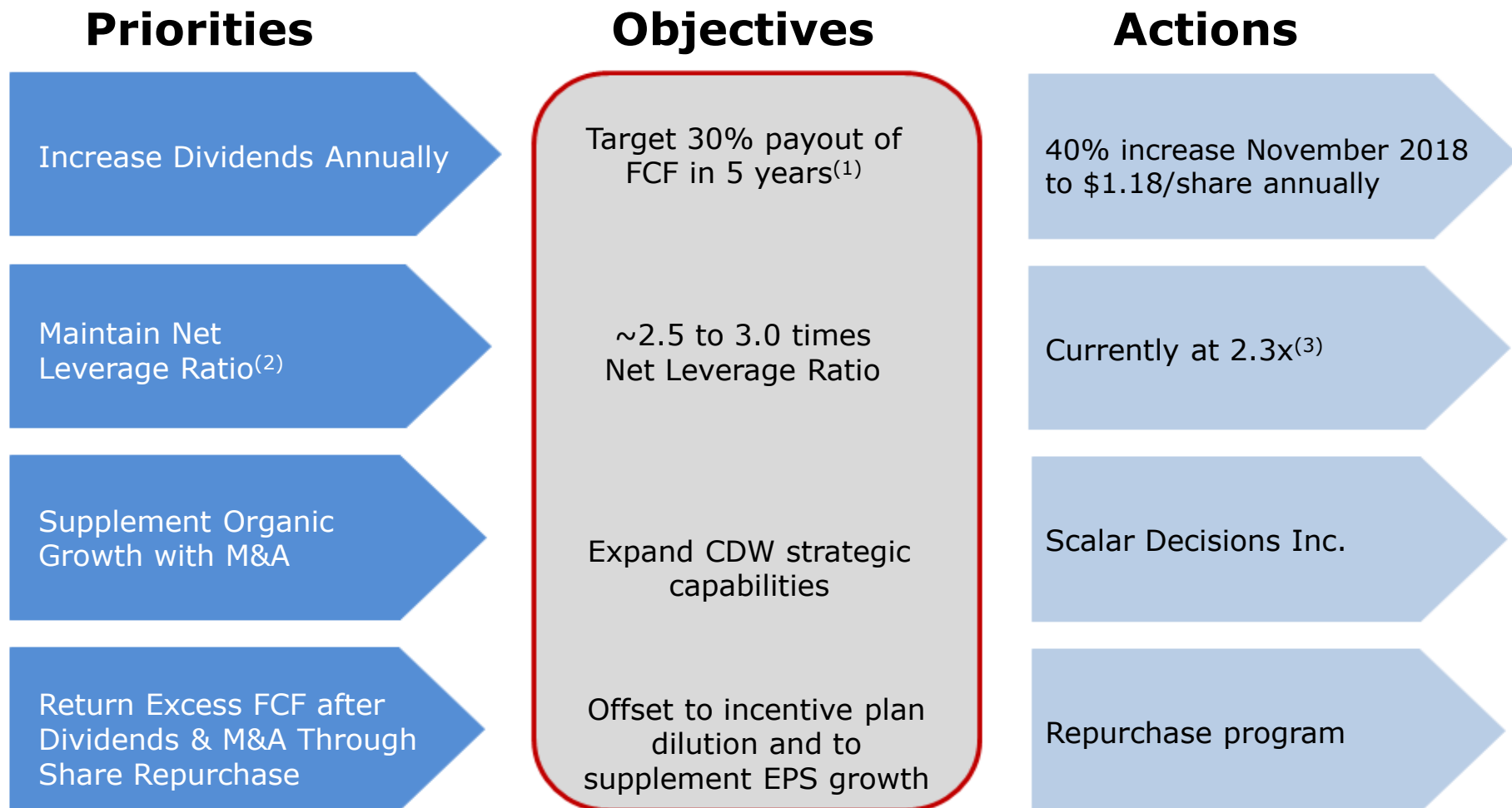
Non-GAAP Earnings
per diluted share

~10% growth in
constant currency

(1) 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.

(2) As of February 7, 2019.

2019 Capital Allocation Priorities



(1) Target established November 2014.

(2) As defined in the Company's credit agreement.

(3) As of December 31, 2018.

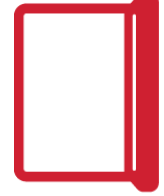
Thoughts on Modeling Full Year 2019

- Full-year constant currency Net sales within annual target of 200 to 300 bps above U.S. IT growth, plus ~100 bps from Scalar acquisition
 - One fewer selling day vs. 2018 in Q1 '19; one more vs. 2018 in Q3 '19
 - 1H sales split slightly below historical norm of 48% - 49%
 - First quarter sales expected to be generally in line with historical average daily sequential decline from fourth quarter of ~8%
 - Currency headwinds expected at an annual average rate of ~60 bps
- Annual depreciation and amortization expenses, including Scalar, expected to be between \$270 million and \$275 million, including amortization expenses for acquisition-related intangible assets of ~\$180 million
 - Depreciation and amortization in SG&A, excluding acquisition-related intangible assets, expected to be ~\$85 million
- Equity compensation expected to be in line with 2018
- Annual book interest expected to be between \$165 million and \$167 million
- Non-GAAP effective tax rate expected to be between 25.5% to 26.5%
- Non-GAAP EPS expected to grow 350 to 400 bps faster than Non-GAAP net income
- Non-GAAP EPS growth of roughly 10% in constant currency

Modeling Full Year 2019 Cash Flows

- Cash flow:
 - Annual Free Cash Flow within 'rule of thumb' run rate post-tax cuts of 3 $\frac{3}{4}$ % to 4 $\frac{1}{4}$ % of Net sales
 - Capital expenditures, excluding Census, slightly above ~0.5% of Net sales on an annual basis
 - Cash tax rate in the 25.5% to 26.5% range
 - Achieve Cash Conversion Cycle within target range of high teens to low 20s

Questions and Answers



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Non-GAAP Operating Income - Historical Results

	2018				
	Q1	Q2	Q3	Q4	Full Year
Operating income	\$ 204.1	\$ 265.5	\$ 274.8	\$ 242.9	\$ 987.3
Amortization of intangibles ⁽¹⁾	46.7	46.6	45.3	44.1	182.7
Equity-based compensation	8.1	11.0	10.8	10.8	40.7
Other ⁽²⁾	0.5	0.7	3.0	1.7	5.9
Non-GAAP Operating Income	\$ 259.4	\$ 323.8	\$ 333.9	\$ 299.5	\$ 1,216.6
Non-GAAP Operating Income Margin	7.2%	7.7%	7.6%	7.3%	7.5%

	2017 ⁽³⁾				
	Q1	Q2	Q3	Q4	Full Year ⁽⁴⁾
Operating income	\$ 170.7	\$ 230.8	\$ 244.0	\$ 221.1	\$ 866.5
Amortization of intangibles ⁽¹⁾	46.1	46.3	46.5	46.2	185.1
Equity-based compensation	12.1	11.5	10.0	10.1	43.7
Other ⁽²⁾	1.9	5.7	3.8	0.1	11.5
Non-GAAP Operating Income	\$ 230.8	\$ 294.3	\$ 304.3	\$ 277.5	\$ 1,106.8
Non-GAAP Operating Income Margin	7.1%	7.6%	7.7%	7.4%	7.5%

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

(2) Includes other expenses such as payroll taxes on equity-based compensation, 2018 expenses related to the acquisition of Scalar Decisions Inc. and 2017 integration expenses related to CDW UK.

(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).

(4) Amounts may not cross-foot due to rounding.

Adjusted EBITDA to Net Income Reconciliation

(Unaudited)

(\$ in millions)

	Three Months Ended December 31,				Year Ended December 31,			
	2018	% of Net Sales	2017 ⁽¹⁾	% of Net Sales	2018	% of Net Sales	2017 ⁽¹⁾	% of Net Sales
Net income	\$ 159.3		\$ 194.8		\$ 643.0		\$ 523.1	
Depreciation and amortization ⁽²⁾	66.9		65.7		265.6		260.9	
Income tax expense	47.3		(10.7)		197.5		137.6	
Interest expense, net	37.1		37.1		148.6		150.5	
EBITDA	<u>310.6</u>	7.6%	<u>286.9</u>	7.6%	<u>1,254.7</u>	7.7%	<u>1,072.1</u>	7.2%
Adjustments:								
Equity-based compensation	10.8		10.1		40.7		43.7	
Net loss on extinguishments of long-term debt	—		—		—		57.4	
Other adjustments ⁽³⁾	1.6		(0.1)		6.8		12.8	
Total adjustments	<u>12.4</u>		<u>10.0</u>		<u>47.5</u>		<u>113.9</u>	
Adjusted EBITDA	<u>\$ 323.0</u>	7.9%	<u>\$ 296.9</u>	7.9%	<u>\$ 1,302.2</u>	8.0%	<u>\$ 1,186.0</u>	8.0%

(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 \$1 million and \$2 million for the three months ended December 31, 2018 and 2017, respectively, and \$6 million and \$7 million for the years ended December 31, 2018 and 2017, reported within Cost of sales.

(3) Includes other expenses such as payroll taxes on equity-based compensation during the three months and years ended December 31, 2018 and 2017. Also includes 2018 expenses related to the acquisition of Scalar Decisions Inc., 2017 integration expenses related to CDW UK and the reinstatement of prior year unclaimed property balances as a result of a retroactive Illinois state law change enacted in the third quarter of 2017.

Fourth Quarter Free Cash Flow

(Unaudited)
(\$ in millions)

	Three Months Ended December 31,		
	2018	2017	% Change
Net cash provided by operating activities	\$ 303.6	\$ 338.6	(10.3%)
Capital expenditures	(32.7)	(22.5)	
Net change in accounts payable - inventory financing	22.7	(42.6)	
Free Cash Flow	\$ 293.6	\$ 273.5	7.3%

YTD Free Cash Flow

(Unaudited)
(\$ in millions)

	Year Ended December 31,		
	2018	2017	% Change
Net cash provided by operating activities	\$ 905.9	\$ 777.7	16.5%
Capital expenditures	(86.1)	(81.1)	
Net change in accounts payable - inventory financing	(67.4)	(84.0)	
Free Cash Flow	\$ 752.4	\$ 612.6	22.8%

Consolidated Net Sales Growth on a Constant Currency Basis

(Unaudited)

(\$ in millions)

	Three Months Ended December 31,			Year Ended December 31,		
	2018	2017 ⁽¹⁾	% Change ⁽²⁾	2018	2017 ⁽¹⁾	% Change ⁽²⁾
Consolidated Net sales, as reported	\$ 4,074.8	\$ 3,752.1	8.6%	\$ 16,240.5	\$ 14,832.9	9.5%
Foreign currency translation ⁽³⁾	—	(14.1)		—	34.1	
Consolidated Net sales, on a constant currency basis	\$ 4,074.8	\$ 3,738.0	9.0%	\$ 16,240.5	\$ 14,867.0	9.2%

- (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 63 selling days for both the three months ended December 31, 2018 and 2017. There were 254 selling days for both the years ended December 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.

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

(Unaudited)

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

	Three Months Ended December 31,			Year Ended December 31,		
	2018	2017 ⁽¹⁾	% Change	2018	2017 ⁽¹⁾	% Change
Net income	\$ 159.3	\$ 194.8		\$ 643.0	\$ 523.1	
Amortization of intangibles	44.1	46.2		182.7	185.1	
Equity-based compensation	10.8	10.1		40.7	43.7	
Net Loss on extinguishments of long-term debt	—	—		—	57.4	
Other adjustments	1.7	0.1		5.9	11.5	
Aggregate adjustment for income taxes	(15.2)	(98.5)		(78.0)	(214.9)	
Non-GAAP Net Income ⁽²⁾	\$ 200.7	\$ 152.7	31.5%	\$ 794.3	\$ 605.9	31.1%
Foreign currency translation ⁽³⁾	—	(0.5)		—	1.5	
Non-GAAP Net Income, on a constant currency basis	\$ 200.7	\$ 152.2	31.9%	\$ 794.3	\$ 607.4	30.8%
Shares used in computing Non-GAAP net income per diluted share and Non-GAAP net income per diluted share, on a constant currency basis	151.9	155.3		153.6	158.2	
Non-GAAP net income per diluted share	\$ 1.32	\$ 0.98	34.4%	\$ 5.17	\$ 3.83	35.1%
Non-GAAP net income per diluted share, on a constant currency basis	\$ 1.32	\$ 0.98	34.8%	\$ 5.17	\$ 3.84	34.7%

(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) See Slide 14 for details on the adjustments to Non-GAAP Net Income for the fourth quarter. See Slide 18 for details on the adjustments to Non-GAAP Net Income for year to date.

(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.