



# CDW Corporation

Webcast Conference Call

May 1, 2019

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# Today's Agenda

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- First Quarter 2019 Results
- Performance Drivers
- Outlook
- Q&A

# Disclaimers

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## 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 Non-GAAP operating income, Non-GAAP operating income margin, Non-GAAP 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, 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 the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 1, 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 Q1 2019 Financial Performance

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- Net sales increased \$352 million from Q1 2018 to \$4.0 billion
  - Up 9.7% on a reported basis
  - Up 11.5% on an average daily sales basis
  - Up 12.4% on an average daily sales constant currency basis
- Net income up 20.4% to \$153 million
- Non-GAAP operating income up 10.7% to \$287 million
- Net income per diluted share up 25.0% to \$1.02
- Non-GAAP net income per diluted share up 18.2% to \$1.24

# Highlights Combined Power of Business Model and Strategy

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

# Balanced Portfolio Drove Topline Growth

(Unaudited)

(\$ in millions)

	Three Months Ended March 31,			
	2019	2018	% Change	Average Daily % Change <sup>(1)</sup>
Corporate	\$ 1,736.2	\$ 1,565.8	10.9%	12.6%
Small Business	355.6	327.6	8.5	10.3
Public				
Government	488.4	418.5	16.7	18.6
Education	400.4	397.2	0.8	2.4
Healthcare	441.9	414.3	6.7	8.4
Total Public	1,330.7	1,230.0	8.2	9.9
Other	535.4	483.0	10.9	12.6
Total Net sales	\$ 3,957.9	\$ 3,606.4	9.7%	11.5%

(1) There were 63 and 64 selling days for the three months ended March 31, 2019 and 2018, respectively.

# Our Three-Part Growth Strategy

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**1**

**Capture share and acquire new customers**

**2**

**Enhance capabilities in high-growth solutions areas**

**3**

**Expand services capabilities**

# Q1 '19 Financial Results

(Unaudited)

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

	Three Months Ended March 31,		
	2019	2018	% Change
Net sales	\$ 3,957.9	\$ 3,606.4	9.7%
<i>Avg Daily Net Sales</i>	\$ 62.8	\$ 56.4	11.5%
Gross profit	\$ 672.1	\$ 603.9	11.3%
<i>% of Net Sales</i>	17.0%	16.7%	
SG&A, including advertising	\$ 443.2	\$ 399.8	10.9%
Operating income	\$ 228.9	\$ 204.1	12.2%
Non-GAAP SG&A, including advertising <sup>(1)</sup>	\$ 384.8	\$ 344.4	11.7%
Non-GAAP operating income <sup>(1)</sup>	\$ 287.3	\$ 259.4	10.7%
<i>% of Net Sales</i>	7.3%	7.2%	
Interest expense, net	\$ 38.3	\$ 37.7	1.8%
Net income	\$ 152.9	\$ 127.0	20.4%
Diluted EPS	\$ 1.02	\$ 0.82	25.0%
Non-GAAP net income <sup>(1)</sup>	\$ 185.4	\$ 162.8	13.9%
Non-GAAP diluted EPS <sup>(1)</sup>	\$ 1.24	\$ 1.05	18.2%

(1) Non-GAAP SG&A, including advertising, Non-GAAP operating income, 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 1, 2019 and in these slides.



# Q1 '19 Non-GAAP SG&A and Non-GAAP Operating Income

(Unaudited)  
(\$ in millions)

	Three Months Ended March 31,		
	2019	2018	% Change
Reported SG&A, including advertising	\$ 443.2	\$ 399.8	10.9%
<i>Adjustments:</i>			
Equity-based compensation	(12.7)	(8.1)	
Scalar acquisition and integration expenses	(0.4)	—	
Amortization of acquisition-related intangible assets	(44.4)	(46.7)	
Other adjustments	(0.9)	(0.6)	
Total adjustments	(58.4)	(55.4)	
Non-GAAP SG&A, including advertising	\$ 384.8	\$ 344.4	11.7%
Non-GAAP operating income	\$ 287.3	\$ 259.4	10.7%
% of Net Sales	7.3%	7.2%	

# Interest Expense and Income Taxes

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*(Unaudited)*

*(\$ in millions, except per-share amounts)*

	Three Months Ended March 31,		
	2019	2018	% Change
Interest expense, net	\$ 38.3	\$ 37.7	1.8%
Other income (expense), net	\$ 1.0	\$ (0.7)	nm*
Income tax expense	\$ 38.7	\$ 38.7	—%
Net income	\$ 152.9	\$ 127.0	20.4%

\* Not meaningful

# Q1 '19 GAAP Effective Tax Rate

	<u>Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Federal statutory rate	21.0%	21.0%
State taxes <sup>(1)</sup>	4.2	4.0
Excess benefits from equity-based compensation <sup>(2)</sup>	(4.3)	(2.5)
Scalar acquisition tax benefit <sup>(3)</sup>	(1.6)	—
All other items impacting tax rate	0.9	0.9
	<u>20.2%</u>	<u>23.4%</u>

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

(2) Inclusive of Federal and State taxes.

(3) Discrete tax benefit related to CDW Canada's acquisition of Scalar Decisions Inc. ("Scalar").

# Q1 '19 Non-GAAP Net Income

(Unaudited)  
(\$ in millions)

	Three Months Ended March 31, 2019				Three Months Ended March 31, 2018			
	Income before income taxes	Income tax expense <sup>(1)</sup>	Net income	Effective tax rate	Income before income taxes	Income tax expense <sup>(1)</sup>	Net income	Effective tax rate
GAAP, as reported	\$ 191.6	\$ (38.7)	\$ 152.9	20.2%	\$ 165.7	\$ (38.7)	\$ 127.0	23.4%
Amortization of intangibles <sup>(2)</sup>	44.4	(11.3)	33.1		46.7	(12.3)	34.4	
Equity-based compensation	12.7	(11.3)	1.4		8.1	(7.0)	1.1	
Scalar acquisition and integration expenses <sup>(3)</sup>	0.4	(3.1)	(2.7)		—	—	—	
Other adjustments <sup>(4)</sup>	0.9	(0.2)	0.7		0.5	(0.2)	0.3	
Non-GAAP*	\$ 250.0	\$ (64.6)	\$ 185.4	25.8%	\$ 221.0	\$ (58.2)	\$ 162.8	26.3%

(1) Income tax on non-GAAP adjustments includes excess tax benefits associated with equity-based compensation and the impact of global intangible low tax income (“GILTI”) due to equity-based compensation and amortization of intangibles.

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

(3) Includes a discrete tax benefit related to CDW Canada's acquisition of Scalar.

(4) Includes other expenses such as payroll taxes on equity-based compensation during the three months ended March 31, 2019 and 2018.

\* Non-GAAP net 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 1, 2019 and in these slides.

# Q1 '19 Earnings Per Share

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*(Unaudited)*

*(\$ in millions, except per-share amounts)*

	Three Months Ended March 31,		
	2019	2018	% Change
Diluted EPS	\$ 1.02	\$ 0.82	25.0%
Non-GAAP net income*	\$ 185.4	\$ 162.8	13.9%
Non-GAAP diluted EPS*	\$ 1.24	\$ 1.05	18.2%

\* 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 1, 2019 and in these slides.

# Debt and Revolver Availability

(\$ in millions)

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
	<i>(unaudited)</i>		<i>(unaudited)</i>
Cash and cash equivalents	\$ 285.0	\$ 205.8	\$ 221.0
Total debt	\$ 3,283.4	\$ 3,208.6	\$ 3,235.4
Net debt (total debt net of cash and cash equivalents)	\$ 2,998.4	\$ 3,002.8	\$ 3,014.4
Revolver availability <sup>(1)</sup>	\$ 1,002.8	\$ 1,120.1	\$ 1,057.4
Cash plus revolver availability <sup>(1)</sup>	\$ 1,287.8	\$ 1,325.9	\$ 1,278.4

(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 (\$65 million at March 31, 2019) in availability.

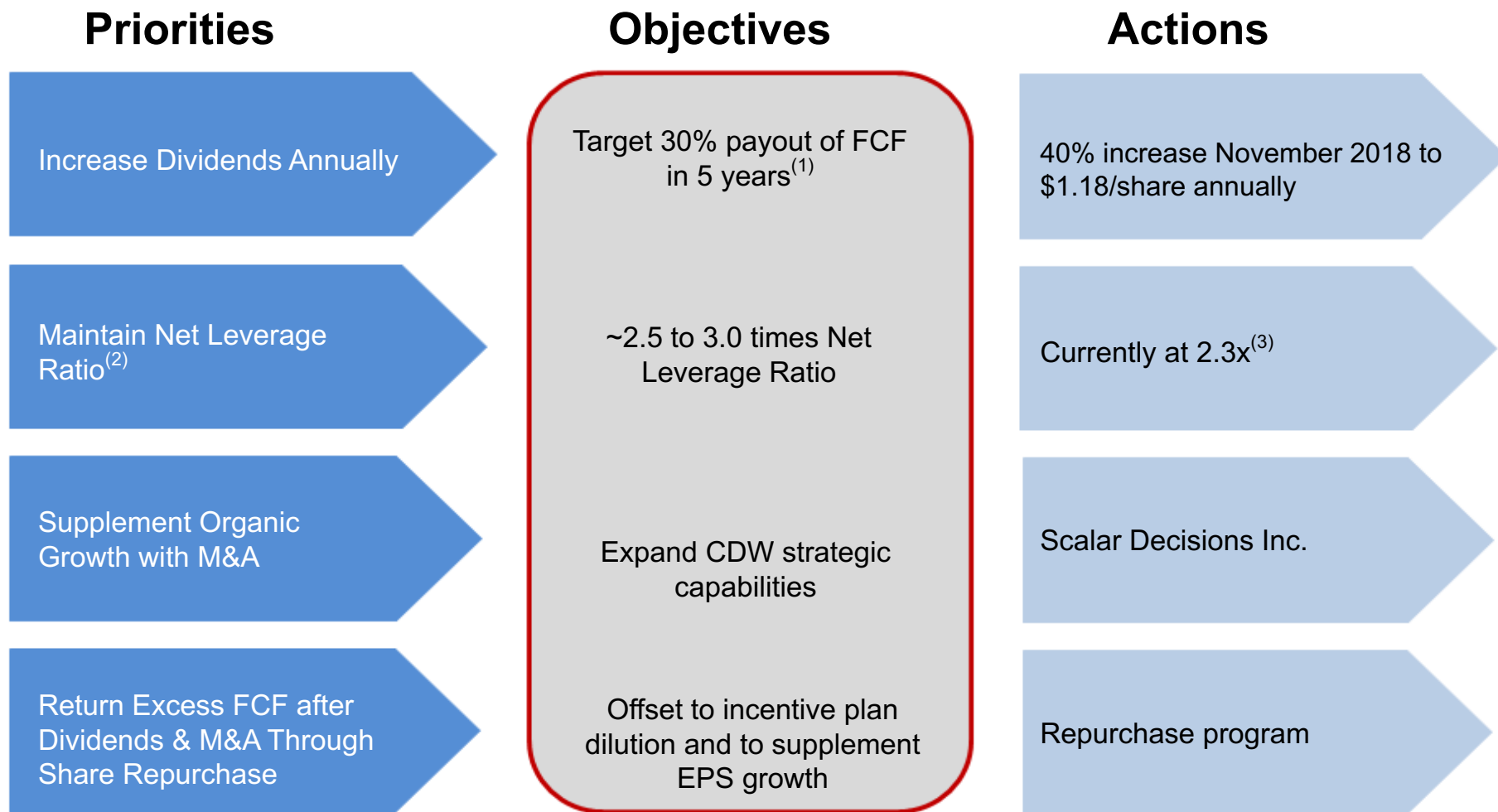
# Cash Conversion Cycle

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	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
	<i>(unaudited)</i>		<i>(unaudited)</i>
Days of sales outstanding (DSO) <sup>(1)</sup>	57	56	54
Days of supply in inventory (DIO) <sup>(1)</sup>	14	13	12
Days purchases outstanding (DPO) <sup>(1)</sup>	(54)	(50)	(49)
Cash Conversion Cycle <sup>(1)</sup>	17	19	17

(1) Based on a rolling three-month average.

# 2019 Capital Allocation Priorities



(1) Target established November 2014.

(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-month Non-GAAP Operating Income plus depreciation and amortization in SG&A (excluding amortization expenses for acquisition-related intangible assets).

(3) As of March 31, 2019.



# 2019 Outlook<sup>(1)</sup>

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## 2019<sup>(2)</sup>

Net Sales Growth

U.S. IT growth plus 300 to 375 bps  
plus ~100 bps from Scalar  
acquisition in constant currency

Non-GAAP Operating  
Income Margin

Mid 7%'s

Non-GAAP Earnings per  
diluted share

Just over 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 May 1, 2019.

# Modeling Thoughts for 2019

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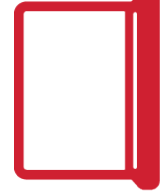
- Full-year constant currency Net sales growth of 300 to 375 bps above U.S. IT growth, plus ~100 bps from Scalar acquisition
  - 1H/2H sales ~50 bps heavier in 1H than historical average split of 48/52%; Q2 seasonality below historical
  - Currency headwinds expected at an annual average rate of ~50 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 \$5 million to \$7 million higher than 2018
- Annual book interest expected to be between \$165 million and \$167 million
- Non-GAAP effective tax rate expected to be near the lower end of the 25.5% to 26.5% range
- Non-GAAP EPS expected to grow 350 to 400 bps faster than Non-GAAP net income
- Non-GAAP EPS growth of just above 10% in constant currency

# Modeling Thoughts for 2019 Cash Flows

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- Cash flow:
  - Annual Free Cash Flow within 'rule of thumb' of 3 <sup>3</sup>/<sub>4</sub>% to 4 <sup>1</sup>/<sub>4</sub>% of Net sales
  - Capital expenditures, excluding Census, slightly above ~0.5% of Net sales on an annual basis
  - Cash tax rate slightly below 25.5%
  - Achieve Cash Conversion Cycle within target range of high teens to low 20s

# Questions and Answers



**PEOPLE  
WHO  
GET IT™**

# Q1 '19 Non-GAAP Operating Income Reconciliation

(Unaudited)

(\$ in millions)

	Three Months Ended March 31,			
	2019	% of Net sales	2018	% of Net sales
Operating income	\$ 228.9	5.8%	\$ 204.1	5.7%
Adjustments:				
Amortization of intangibles <sup>(1)</sup>	44.4		46.7	
Equity-based compensation	12.7		8.1	
Scalar acquisition and integration expenses	0.4		—	
Other adjustments <sup>(2)</sup>	0.9		0.5	
Total adjustments	<u>58.4</u>		<u>55.3</u>	
Non-GAAP operating income*	<u>\$ 287.3</u>	7.3%	<u>\$ 259.4</u>	7.2%

(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 during the three months ended March 31, 2019 and 2018.

\* Non-GAAP operating income 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 1, 2019 for a discussion of non-GAAP financial measures.

# Q1 '19 Free Cash Flow

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*(Unaudited)*  
*(\$ in millions)*

	Three Months Ended March 31,		
	2019	2018	% Change
Net cash provided by operating activities	\$ 252.4	\$ 222.2	13.6%
Capital expenditures	(19.4)	(15.9)	
Net change in accounts payable - inventory financing	70.2	24.9	
Free Cash Flow	<u>\$ 303.2</u>	<u>\$ 231.2</u>	<u>31.1%</u>

# Q1 '19 Net Sales Growth on a Constant Currency Basis

(Unaudited)  
(\$ in millions)

	Three Months Ended March 31,			
	2019	2018	% Change	Average Daily % Change <sup>(1)</sup>
Net sales, as reported	\$ 3,957.9	\$ 3,606.4	9.7 %	11.5 %
Foreign currency translation <sup>(2)</sup>	—	(27.9)		
Net sales, on a constant currency basis*	<u>\$ 3,957.9</u>	<u>\$ 3,578.5</u>	10.6 %	12.4 %

(1) There were 63 and 64 selling days for the three months ended March 31, 2019 and 2018, 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. 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 1, 2019.

# Q1 '19 Non-GAAP Net Income Per Diluted Share, on a Constant Currency Basis

(Unaudited)

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

	<u>Three Months Ended March 31,</u>		
	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Net income	\$ 152.9	\$ 127.0	
Amortization of intangibles	44.4	46.7	
Equity-based compensation	12.7	8.1	
Scalar acquisition and integration expenses	0.4	—	
Other adjustments	0.9	0.5	
Aggregate adjustment for income taxes	(25.9)	(19.5)	
Non-GAAP net income <sup>(1)*</sup>	<u>\$ 185.4</u>	<u>\$ 162.8</u>	13.9 %
Foreign currency translation <sup>(2)</sup>	—	(1.2)	
Non-GAAP net income, on a constant currency basis*	<u><u>\$ 185.4</u></u>	<u><u>\$ 161.6</u></u>	14.7 %
Shares used in computing Non-GAAP net income per diluted share and Non-GAAP net income per diluted share, on a constant currency basis	149.2	154.8	
Non-GAAP net income per diluted share*	\$ 1.24	\$ 1.05	18.2 %
Non-GAAP net income per diluted share, on a constant currency basis*	\$ 1.24	\$ 1.04	19.0 %

(1) See Slide 12 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. 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 1, 2019.