



CDW Corporation

Webcast Conference Call

July 31, 2019

CDW.com | 800.800.4239

Today's Agenda

- Second Quarter and YTD 2019 Results
- Performance Drivers
- Outlook
- 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 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 July 31, 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 Q2 2019 and YTD Financial Performance

Second Quarter:

- Net sales increased \$444 million from Q2 2018 to \$4.6 billion
 - Up 10.6% on a reported and average daily sales ("ADS") basis
 - Up 11.2% on a constant currency basis
- Operating income up 13.1% to \$300 million
- Net income up 13.6% to \$197 million
- Non-GAAP operating income up 10.7% to \$358 million
- Net income per diluted share up 17.9% to \$1.33
- Non-GAAP net income per diluted share up 15.7% to \$1.60

Year to Date ("YTD"):

- Net sales increased \$795 million from 2018 to \$8.6 billion
 - Up 10.2% on a reported basis
 - Up 11.1% on an ADS basis
 - Up 11.8% on an ADS constant currency basis
- Operating income up 12.7% to \$529 million
- Net income up 16.5% to \$349 million
- Non-GAAP operating income up 10.7% to \$646 million
- Net income per diluted share up 20.9% to \$2.35
- Non-GAAP net income per diluted share up 16.8% to \$2.84

Highlights Combined Power of Business Model and Strategy

- 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 June 30,			Six Months Ended June 30,			
	2019	2018	% Change ⁽¹⁾	2019	2018	% Change	Average Daily % Change ⁽²⁾
Corporate	\$ 1,883.9	\$ 1,733.8	8.7%	\$ 3,620.1	\$ 3,299.6	9.7%	10.6%
Small Business	377.4	329.5	14.5	733.0	657.1	11.5	12.4
Public							
Government	578.4	493.5	17.2	1,066.8	912.0	17.0	17.9
Education	773.6	712.1	8.7	1,174.0	1,109.3	5.8	6.7
Healthcare	488.1	429.8	13.6	930.0	844.1	10.2	11.1
Total Public	1,840.1	1,635.4	12.5	3,170.8	2,865.4	10.7	11.5
Other	528.5	487.4	8.4	1,063.9	970.4	9.6	10.5
Total Net sales	\$ 4,629.9	\$ 4,186.1	10.6%	\$ 8,587.8	\$ 7,792.5	10.2%	11.1%

(1) There were 64 selling days for both the three months ended June 30, 2019 and 2018.

(2) There were 127 and 128 selling days for the six months ended June 30, 2019 and 2018, respectively.

Our Three-Part Growth Strategy

1

Capture share and acquire new customers

2

Enhance capabilities in high-growth solutions areas

3

Expand services capabilities

Q2 2019 Financial Results

(Unaudited)

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

	Three Months Ended June 30,		
	2019	2018	% Change
Net sales	\$ 4,629.9	\$ 4,186.1	10.6%
<i>Average daily net sales</i>	\$ 72.3	\$ 65.4	10.6%
Gross profit	\$ 773.8	\$ 695.6	11.2%
<i>% of Net sales</i>	16.7%	16.6%	
SG&A, including advertising	\$ 473.5	\$ 430.1	10.1%
Operating income	\$ 300.3	\$ 265.5	13.1%
Non-GAAP SG&A, including advertising*	\$ 415.4	\$ 371.8	11.7%
Non-GAAP operating income*	\$ 358.4	\$ 323.8	10.7%
<i>% of Net sales</i>	7.7%	7.7%	
Interest expense, net	\$ 40.5	\$ 37.2	8.7%
Net income	\$ 196.6	\$ 173.0	13.6%
Diluted EPS	\$ 1.33	\$ 1.12	17.9%
Non-GAAP net income*	\$ 237.7	\$ 213.2	11.5%
Non-GAAP diluted EPS*	\$ 1.60	\$ 1.38	15.7%

* Non-GAAP SG&A, including advertising, Non-GAAP operating income, Non-GAAP net income and Non-GAAP diluted EPS are 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 July 31, 2019 for a discussion of non-GAAP financial measures.

Q2 2019 Non-GAAP SG&A and Non-GAAP Operating Income

(Unaudited)
(\$ in millions)

	Three Months Ended June 30,		
	2019	2018	% Change
Reported SG&A, including advertising	\$ 473.5	\$ 430.1	10.1%
Amortization of acquisition-related intangible assets	(44.7)	(46.6)	
Equity-based compensation	(12.2)	(11.0)	
Scalar acquisition and integration expenses	(0.7)	—	
Other adjustments	(0.5)	(0.7)	
Non-GAAP SG&A, including advertising	<u>\$ 415.4</u>	<u>\$ 371.8</u>	11.7%
Non-GAAP operating income	\$ 358.4	\$ 323.8	10.7%
<i>% of Net sales</i>	7.7%	7.7%	

Interest Expense and Income Taxes

(Unaudited)

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

	Three Months Ended June 30,		
	2019	2018	% Change
Interest expense, net	\$ 40.5	\$ 37.2	8.7 %
Other income, net	\$ 1.4	\$ 1.5	(11.2)%
Income tax expense	\$ 64.6	\$ 56.8	13.8 %

Q2 2019 GAAP Effective Tax Rate

(Unaudited)

	Three Months Ended June 30,	
	2019	2018
Federal statutory rate	21.0%	21.0%
State taxes ⁽¹⁾	4.0	3.9
Excess benefits from equity-based compensation ⁽²⁾	(1.2)	(1.5)
All other items impacting tax rate	0.9	1.3
GAAP effective tax rate	<u>24.7%</u>	<u>24.7%</u>

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

(2) Inclusive of Federal and State taxes.

Q2 2019 Non-GAAP Net Income

(Unaudited)
(\$ in millions)

	Three Months Ended June 30, 2019				Three Months Ended June 30, 2018			
	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	\$ 261.2	\$ (64.6)	\$ 196.6	24.7%	\$ 229.8	\$ (56.8)	\$ 173.0	24.7%
Amortization of intangibles ⁽²⁾	44.7	(11.2)	33.5		46.6	(11.7)	34.9	
Equity-based compensation	12.2	(5.5)	6.7		11.0	(6.3)	4.7	
Scalar acquisition and integration expenses	0.7	(0.1)	0.6		—	—	—	
Other adjustments ⁽³⁾	0.5	(0.2)	0.3		0.7	(0.1)	0.6	
Non-GAAP*	\$ 319.3	\$ (81.6)	\$ 237.7	25.6%	\$ 288.1	\$ (74.9)	\$ 213.2	26.0%

(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 other expenses such as payroll taxes on equity-based compensation.

* Non-GAAP income before income taxes and Non-GAAP net income are 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 July 31, 2019 for a discussion of non-GAAP financial measures.

Q2 2019 Earnings Per Share

(Unaudited)

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

	Three Months Ended June 30,		
	2019	2018	% Change
Diluted EPS	\$ 1.33	\$ 1.12	17.9%
Non-GAAP net income*	\$ 237.7	\$ 213.2	11.5%
Non-GAAP diluted EPS*	\$ 1.60	\$ 1.38	15.7%

* Non-GAAP net income and Non-GAAP diluted EPS are 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 July 31, 2019 for a discussion of non-GAAP financial measures.

YTD Financial Results

(Unaudited)

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

	Six Months Ended June 30,		
	2019	2018	% Change
Net sales	\$ 8,587.8	\$ 7,792.5	10.2%
<i>Average daily net sales</i>	\$ 67.6	\$ 60.9	11.1%
Gross profit	\$ 1,445.9	\$ 1,299.5	11.3%
<i>% of Net sales</i>	16.8%	16.7%	
SG&A, including advertising	\$ 916.7	\$ 829.9	10.5%
Operating income	\$ 529.2	\$ 469.6	12.7%
Non-GAAP SG&A, including advertising*	\$ 800.2	\$ 716.3	11.7%
Non-GAAP operating income*	\$ 645.7	\$ 583.2	10.7%
<i>% of Net sales</i>	7.5%	7.5%	
Interest expense, net	\$ 78.8	\$ 74.9	5.3%
Net income	\$ 349.5	\$ 300.0	16.5%
Diluted EPS	\$ 2.35	\$ 1.94	20.9%
Non-GAAP net income*	\$ 423.1	\$ 376.0	12.5%
Non-GAAP diluted EPS*	\$ 2.84	\$ 2.44	16.8%

* Non-GAAP SG&A, including advertising, Non-GAAP operating income, Non-GAAP net income and Non-GAAP diluted EPS are 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 July 31, 2019 for a discussion of non-GAAP financial measures.

YTD Non-GAAP SG&A and Non-GAAP Operating Income

(Unaudited)
(\$ in millions)

	Six Months Ended June 30,		
	2019	2018	% Change
Reported SG&A, including advertising	\$ 916.7	\$ 829.9	10.5%
Amortization of acquisition-related intangible assets	(89.1)	(93.3)	
Equity-based compensation	(24.9)	(19.1)	
Scalar acquisition and integration expenses	(1.1)	—	
Other adjustments	(1.4)	(1.2)	
Non-GAAP SG&A, including advertising	<u>\$ 800.2</u>	<u>\$ 716.3</u>	11.7%
Non-GAAP operating income	\$ 645.7	\$ 583.2	10.7%
<i>% of Net sales</i>	7.5%	7.5%	

YTD Non-GAAP Net Income

(Unaudited)
(\$ in millions)

	Six Months Ended June 30, 2019				Six Months Ended June 30, 2018			
	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	\$ 452.8	\$ (103.3)	\$ 349.5	22.8%	\$ 395.5	\$ (95.5)	\$ 300.0	24.1%
Amortization of intangibles ⁽²⁾	89.1	(22.5)	66.6		93.3	(24.0)	69.3	
Equity-based compensation	24.9	(16.8)	8.1		19.1	(13.3)	5.8	
Scalar acquisition and integration expenses ⁽³⁾	1.1	(3.2)	(2.1)		—	—	—	
Other adjustments ⁽⁴⁾	1.4	(0.4)	1.0		1.2	(0.3)	0.9	
Non-GAAP*	\$ 569.3	\$ (146.2)	\$ 423.1	25.7%	\$ 509.1	\$ (133.1)	\$ 376.0	26.2%

(1) Income tax on non-GAAP adjustments includes excess tax benefits associated with equity-based compensation and the impact of 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 \$3 million discrete tax benefit related to CDW Canada's acquisition of Scalar Decisions Inc. ("Scalar").

(4) Includes other expenses such as payroll taxes on equity-based compensation.

* Non-GAAP income before income taxes and Non-GAAP net income are 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 July 31, 2019 for a discussion of non-GAAP financial measures.

YTD Earnings Per Share

(Unaudited)

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

	Six Months Ended June 30,		
	2019	2018	% Change
Diluted EPS	\$ 2.35	\$ 1.94	20.9%
Non-GAAP net income*	\$ 423.1	\$ 376.0	12.5%
Non-GAAP diluted EPS*	\$ 2.84	\$ 2.44	16.8%

* Non-GAAP net income and Non-GAAP diluted EPS are 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 July 31, 2019 for a reconciliation of non-GAAP financial measures.

Debt and Revolver Availability

(\$ in millions)

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
	<i>(unaudited)</i>		<i>(unaudited)</i>
Cash and cash equivalents	\$ 194.5	\$ 205.8	\$ 100.7
Total debt	\$ 3,278.8	\$ 3,208.6	\$ 3,240.3
Net debt (total debt net of cash and cash equivalents)	\$ 3,084.4	\$ 3,002.8	\$ 3,139.6
Revolver availability	\$ 1,036.0	\$ 1,120.1	\$ 1,145.3
Cash plus revolver availability	\$ 1,230.5	\$ 1,325.9	\$ 1,246.0

Cash Conversion Cycle

(Based on a rolling three-month average)

	June 30, 2019	December 31, 2018	June 30, 2018
	<i>(unaudited)</i>		<i>(unaudited)</i>
Days of sales outstanding	52	56	50
Days of supply in inventory	14	13	13
Days purchases outstanding	(50)	(50)	(46)
Cash conversion cycle	<u>16</u>	<u>19</u>	<u>17</u>

2019 Capital Allocation Priorities

Priorities	Objectives	Actions
Increase Dividends Annually	Target 30% payout of Free Cash Flow ("FCF") in 5 years ⁽¹⁾	40% increase in November 2018 to \$1.18/share annually
Maintain Net Leverage Ratio ⁽²⁾	~2.5 to 3.0 times Net Leverage Ratio	Currently at 2.3x ⁽³⁾
Supplement Organic Growth with M&A	Expand CDW strategic capabilities	Scalar Decisions Inc. acquisition
Return Excess FCF after Dividends & M&A Through Share Repurchase	Offset to incentive plan dilution and to supplement EPS growth	Repurchase program

(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 June 30, 2019.

2019 Outlook⁽¹⁾

<u>Annual</u>	<u>2019⁽²⁾</u>
Net Sales Growth	U.S. IT growth + 400 to 475 bps + ~100 bps from Scalar ⁽³⁾ acquisition in constant currency
Non-GAAP Operating Income Margin ⁽⁴⁾	Mid 7% ^s
Non-GAAP Earnings per Diluted Share Growth	Low teens 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 July 31, 2019.

(3) The Company acquired Scalar Decisions Inc., a premier Canadian IT solutions and services provider, on February 1, 2019.

(4) Non-GAAP operating income as a percentage of Net sales.

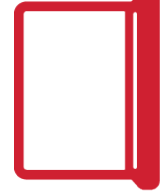
Modeling Thoughts for 2019

- Full-year constant currency Net sales growth of 400 to 475 bps above U.S. IT growth, plus ~100 bps from Scalar acquisition
 - 2H sales ~100 bps lower than historical average of 52%; Q3 seasonality a couple hundred bps below 3-year historical average of 3%
 - Currency headwinds expected at an annual average rate of ~60 bps
- Annual depreciation and amortization expenses, including Scalar, expected to be between \$265 million and \$270 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 between \$80 million and \$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 in the low teens in constant currency (13%, +/- 50 bps)

Modeling Thoughts for 2019 Cash Flows

- Annual Free Cash Flow within 'rule of thumb' of 3.75% to 4.25% 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 annual target range of high teens to low 20s

Questions and Answers



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Q2 2019 and YTD Non-GAAP Operating Income Reconciliation

(Unaudited)

(\$ in millions)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2019	% of Net sales	2018	% of Net sales	2019	% of Net sales	2018	% of Net sales
Operating income	\$ 300.3	6.5%	\$ 265.5	6.3%	\$ 529.2	6.2%	\$ 469.6	6.0%
Amortization of intangibles ⁽¹⁾	44.7		46.6		89.1		93.3	
Equity-based compensation	12.2		11.0		24.9		19.1	
Scalar acquisition and integration expenses	0.7		—		1.1		—	
Other adjustments ⁽²⁾	0.5		0.7		1.4		1.2	
Non-GAAP operating income*	<u>\$ 358.4</u>	7.7%	<u>\$ 323.8</u>	7.7%	<u>\$ 645.7</u>	7.5%	<u>\$ 583.2</u>	7.5%

(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.

* 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 July 31, 2019 for a discussion of non-GAAP financial measures.

Q2 2019 and YTD Free Cash Flow

(Unaudited)

(\$ in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Net cash provided by operating activities	\$ 162.1	\$ 110.1	47.2%	\$ 414.5	\$ 332.3	24.7%
Capital expenditures	(24.5)	(17.7)		(43.9)	(33.6)	
Net change in accounts payable - inventory financing	(33.9)	(135.3)		36.3	(110.4)	
Free Cash Flow	<u>\$ 103.7</u>	<u>\$ (42.9)</u>	<u>nm*</u>	<u>\$ 406.9</u>	<u>\$ 188.3</u>	<u>116.1%</u>

*Not meaningful

Q2 2019 and YTD Net Sales Growth on a Constant Currency Basis

(Unaudited)
(\$ in millions)

	Three Months Ended June 30,			Six Months Ended June 30,			Average Daily % Change ⁽²⁾
	2019	2018	% Change ⁽¹⁾	2019	2018	% Change	
Net sales, as reported	\$ 4,629.9	\$ 4,186.1	10.6%	\$ 8,587.8	\$ 7,792.5	10.2%	11.1%
Foreign currency translation ⁽³⁾	—	(23.2)		—	(50.9)		
Net sales, on a constant currency basis*	<u>\$ 4,629.9</u>	<u>\$ 4,162.9</u>	11.2%	<u>\$ 8,587.8</u>	<u>\$ 7,741.6</u>	10.9%	11.8%

(1) There were 64 selling days for both the three months ended June 30, 2019 and 2018.

(2) There were 127 and 128 selling days for the six months ended June 30, 2019 and 2018, respectively.

(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.

* Net sales growth on a constant currency basis 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 July 31, 2019 for a discussion of non-GAAP financial measures.

Q2 2019 and YTD Non-GAAP Net Income Per Diluted Share, on a Constant Currency Basis

(Unaudited)

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Net income	\$ 196.6	\$ 173.0	13.6 %	\$ 349.5	\$ 300.0	16.5%
Amortization of intangibles	44.7	46.6		89.1	93.3	
Equity-based compensation	12.2	11.0		24.9	19.1	
Scalar acquisition and integration expenses	0.7	—		1.1	—	
Other adjustments	0.5	0.7		1.4	1.2	
Aggregate adjustment for income taxes	(17.0)	(18.1)		(42.9)	(37.6)	
Non-GAAP net income ^{(1)*}	\$ 237.7	\$ 213.2	11.5 %	\$ 423.1	\$ 376.0	12.5%
Foreign currency translation ⁽²⁾	—	(1.3)		—	(2.5)	
Non-GAAP net income, on a constant currency basis*	\$ 237.7	\$ 211.9	12.2 %	\$ 423.1	\$ 373.5	13.3%
Shares used in computing Non-GAAP net income per diluted share and Non-GAAP net income per diluted share, on a constant currency basis	148.3	153.9		148.7	154.4	
Non-GAAP net income per diluted share*	\$ 1.60	\$ 1.38	15.7 %	\$ 2.84	\$ 2.44	16.8%
Non-GAAP net income per diluted share, on a constant currency basis*	\$ 1.60	\$ 1.37	16.4 %	\$ 2.84	\$ 2.42	17.5%

(1) See Slide 12 for details on the adjustments to Non-GAAP net income for the second quarter. See Slide 16 for details on the adjustments to Non-GAAP net income for the year to date.

(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 the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 31, 2019 for a discussion of non-GAAP financial measures.