



CDW Corporation

Webcast Conference Call

August 5, 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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 and subsequent filings with the SEC. 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 August 5, 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

- Second Quarter and YTD 2020 Results
- COVID-19 Response
- Performance Drivers
- Q&A

Q2 2020 and YTD Financial Performance

Second Quarter:

- Net sales decreased \$264 million from Q2 2019 to \$4,366 million
 - Down 5.7% on a reported and average daily sales ("ADS") basis
 - Down 5.3% on an ADS constant currency basis
- Operating income down 5.6% to \$283 million
- Net income down 3.8% to \$189 million
- Non-GAAP operating income down 5.6% to \$338 million
- Net income per diluted share down 1.1% to \$1.31
- Non-GAAP net income per diluted share down 2.6% to \$1.56

Year to Date ("YTD"):

- Net sales increased \$167 million from Q2 2019 to \$8,755 million
 - Up 1.9% on a reported basis
 - Up 1.1% on an ADS basis
 - Up 1.5% on an ADS constant currency basis
- Operating income flat at \$529 million
- Net income up 2.2% to \$357 million
- Non-GAAP operating income down 0.5% to \$642 million
- Net income per diluted share up 5.1% to \$2.47
- Non-GAAP net income per diluted share up 3.4% to \$2.94

Balanced Portfolio Drove Topline Results

(Unaudited)
(\$ in millions)

	Three Months Ended June 30,			Six Months Ended June 30,			
	2020	2019	% Change ⁽¹⁾	2020	2019	% Change	Average Daily % Change ⁽²⁾
Corporate	\$ 1,557.5	\$ 1,883.9	(17.3)%	\$ 3,468.5	\$ 3,620.1	(4.2)%	(4.9)%
Small Business	302.1	377.4	(19.9)	693.6	733.0	(5.4)	(6.1)
Public							
Government	719.7	578.4	24.4	1,288.2	1,066.8	20.8	19.8
Education	876.8	773.6	13.3	1,353.0	1,174.0	15.2	14.3
Healthcare	425.6	488.1	(12.8)	906.2	930.0	(2.6)	(3.3)
Total Public	2,022.1	1,840.1	9.9	3,547.4	3,170.8	11.9	11.0
Other	484.0	528.5	(8.4)	1,045.4	1,063.9	(1.7)	(2.5)
Total Net sales	\$ 4,365.7	\$ 4,629.9	(5.7)%	\$ 8,754.9	\$ 8,587.8	1.9 %	1.1 %

(1) There were 64 selling days for both the three months ended June 30, 2020 and 2019.

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

Q2 2020 Financial Results

(Unaudited)

(\$ in millions, except per share amounts)

	Three Months Ended June 30,		
	2020	2019	% Change
Net sales	\$ 4,365.7	\$ 4,629.9	(5.7)%
<i>Average daily net sales</i>	\$ 68.2	\$ 72.3	(5.7)%
Gross profit	\$ 747.2	\$ 773.8	(3.4)%
<i>% of Net sales</i>	17.1%	16.7%	
SG&A	\$ 463.8	\$ 473.5	(2.1)%
Operating income	\$ 283.4	\$ 300.3	(5.6)%
Non-GAAP SG&A*	\$ 409.0	\$ 415.4	(1.5)%
Non-GAAP operating income*	\$ 338.2	\$ 358.4	(5.6)%
<i>% of Net sales</i>	7.7%	7.7%	
Interest expense, net	\$ (39.7)	\$ (40.5)	(1.8)%
Net income	\$ 189.1	\$ 196.6	(3.8)%
Diluted EPS	\$ 1.31	\$ 1.33	(1.1)%
Non-GAAP net income*	\$ 225.3	\$ 237.7	(5.2)%
Non-GAAP diluted EPS*	\$ 1.56	\$ 1.60	(2.6)%

* 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 August 5, 2020 for a discussion of non-GAAP financial measures.

Q2 2020 Non-GAAP SG&A and Non-GAAP Operating Income

(Unaudited)
(\$ in millions)

	Three Months Ended June 30,		
	2020	2019	% Change
Reported SG&A	\$ 463.8	\$ 473.5	(2.1)%
Amortization of acquisition-related intangible assets	(44.4)	(44.7)	
Equity-based compensation	(5.6)	(12.2)	
Other adjustments	(4.8)	(1.2)	
Non-GAAP SG&A	<u>\$ 409.0</u>	<u>\$ 415.4</u>	(1.5)%
Non-GAAP operating income	\$ 338.2	\$ 358.4	(5.6)%
<i>% of Net sales</i>	7.7%	7.7%	

Q2 2020 Non-Operating Expenses

(Unaudited)
(\$ in millions)

	Three Months Ended June 30,		
	2020	2019	% Change
Interest expense, net	\$ (39.7)	\$ (40.5)	(1.8)%
Other income, net	\$ 1.7	\$ 1.4	20.9 %
Income tax expense	\$ (56.3)	\$ (64.6)	(13.0)%

Q2 2020 GAAP Effective Tax Rate

(Unaudited)

	Three Months Ended June 30,	
	2020	2019
Federal statutory rate	21.0%	21.0%
State taxes ⁽¹⁾	3.9	4.0
Excess benefits from equity-based compensation ⁽²⁾	(2.1)	(1.2)
All other items impacting tax rate	0.1	0.9
GAAP effective tax rate	<u>22.9%</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 2020 Non-GAAP Net Income

(Unaudited)

(\$ in millions)

	Three Months Ended June 30, 2020				Three Months Ended June 30, 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	\$ 245.4	\$ (56.3)	\$ 189.1	22.9%	\$ 261.2	\$ (64.6)	\$ 196.6	24.7%
Amortization of intangibles ⁽²⁾	44.4	(11.1)	33.3		44.7	(11.2)	33.5	
Equity-based compensation	5.6	(6.3)	(0.7)		12.2	(5.5)	6.7	
Other adjustments ⁽³⁾	4.8	(1.2)	3.6		1.2	(0.3)	0.9	
Non-GAAP*	<u>\$ 300.2</u>	<u>\$ (74.9)</u>	<u>\$ 225.3</u>	<u>24.9%</u>	<u>\$ 319.3</u>	<u>\$ (81.6)</u>	<u>\$ 237.7</u>	<u>25.6%</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 August 5, 2020 for a discussion of non-GAAP financial measures.

Q2 2020 Earnings Per Share

(Unaudited)

(\$ in millions, except per share amounts)

	Three Months Ended June 30,		
	2020	2019	% Change
Diluted EPS	\$ 1.31	\$ 1.33	(1.1)%
Non-GAAP net income*	\$ 225.3	\$ 237.7	(5.2)%
Non-GAAP diluted EPS*	\$ 1.56	\$ 1.60	(2.6)%

* 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 August 5, 2020 for a discussion of non-GAAP financial measures.

YTD Financial Results

(Unaudited)

(\$ in millions, except per share amounts)

	Six Months Ended June 30,		
	2020	2019	% Change
Net sales	\$ 8,754.9	\$ 8,587.8	1.9 %
<i>Average daily net sales</i>	\$ 68.4	\$ 67.6	1.1 %
Gross profit	\$ 1,503.7	\$ 1,445.9	4.0 %
<i>% of Net sales</i>	17.2%	16.8%	
SG&A	\$ 974.5	\$ 916.7	6.3 %
Operating income	\$ 529.2	\$ 529.2	— %
Non-GAAP SG&A*	\$ 861.6	\$ 800.2	7.7 %
Non-GAAP operating income*	\$ 642.1	\$ 645.7	(0.5)%
<i>% of Net sales</i>	7.3%	7.5%	
Interest expense, net	\$ 77.6	\$ 78.8	(1.5)%
Net income	\$ 357.0	\$ 349.5	2.2 %
Diluted EPS	\$ 2.47	\$ 2.35	5.1 %
Non-GAAP net income*	\$ 425.3	\$ 423.1	0.5 %
Non-GAAP diluted EPS*	\$ 2.94	\$ 2.84	3.4 %

* 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 August 5, 2020 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,		
	2020	2019	% Change
Reported SG&A	\$ 974.5	\$ 916.7	6.3 %
Amortization of acquisition-related intangible assets	(89.0)	(89.1)	
Equity-based compensation	(14.4)	(24.9)	
Other adjustments	(9.5)	(2.5)	
Non-GAAP SG&A	<u>\$ 861.6</u>	<u>\$ 800.2</u>	7.7 %
Non-GAAP operating income	\$ 642.1	\$ 645.7	(0.5)%
<i>% of Net sales</i>	7.3%	7.5%	

YTD Non-Operating Expenses

(Unaudited)
(\$ in millions)

	Six Months Ended June 30,		
	2020	2019	% Change
Interest expense, net	\$ 77.6	\$ 78.8	(1.5)%
Other income, net	\$ 5.6	\$ 2.4	nm*
Income tax expense	\$ 100.2	\$ 103.3	(3.0)%

* Not meaningful

YTD GAAP Effective Tax Rate

(Unaudited)

	Six Months Ended June 30,	
	2020	2019
Federal statutory rate	21.0%	21.0%
State taxes ⁽¹⁾	4.0	4.1
Excess benefits from equity-based compensation ⁽²⁾	(3.8)	(2.5)
All other items impacting tax rate	0.7	0.2
GAAP effective tax rate	<u>21.9%</u>	<u>22.8%</u>

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

(2) Inclusive of Federal and State taxes.

YTD Non-GAAP Net Income

(Unaudited)

(\$ in millions)

	Six Months Ended June 30, 2020				Six Months Ended June 30, 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	\$ 457.2	\$ (100.2)	\$ 357.0	21.9%	\$ 452.8	\$ (103.3)	\$ 349.5	22.8%
Amortization of intangibles ⁽²⁾	89.0	(22.2)	66.8		89.1	(22.5)	66.6	
Equity-based compensation	14.4	(20.0)	(5.6)		24.9	(16.8)	8.1	
Other adjustments ⁽³⁾	9.5	(2.4)	7.1		2.5	(3.6)	(1.1)	
Non-GAAP*	<u>\$ 570.1</u>	<u>\$ (144.8)</u>	<u>\$ 425.3</u>	<u>25.4%</u>	<u>\$ 569.3</u>	<u>\$ (146.2)</u>	<u>\$ 423.1</u>	<u>25.7%</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 August 5, 2020 for a discussion of non-GAAP financial measures.

YTD Earnings Per Share

(Unaudited)

(\$ in millions, except per share amounts)

	Six Months Ended June 30,		
	2020	2019	% Change
Diluted EPS	\$ 2.47	\$ 2.35	5.1%
Non-GAAP net income*	\$ 425.3	\$ 423.1	0.5%
Non-GAAP diluted EPS*	\$ 2.94	\$ 2.84	3.4%

* 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 August 5, 2020 for a discussion of non-GAAP financial measures.

Debt and Revolver Availability

(\$ in millions)

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
	<i>(unaudited)</i>		<i>(unaudited)</i>
Cash and cash equivalents	\$ 958.4	\$ 154.0	\$ 194.5
Total debt	\$ 3,899.5	\$ 3,317.3	\$ 3,278.8
Net debt (total debt net of cash and cash equivalents)	\$ 2,941.1	\$ 3,163.3	\$ 3,084.4
Revolver availability	\$ 1,029.5	\$ 1,106.2	\$ 1,036.0
Cash plus revolver availability	\$ 1,987.9	\$ 1,260.2	\$ 1,230.5

Free Cash Flow

(Unaudited)

(\$ in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Net cash provided by operating activities	\$ 292.8	\$ 162.1	80.6%	\$ 515.8	\$ 414.5	24.4%
Capital expenditures ⁽¹⁾	(74.6)	(24.5)		(100.0)	(43.9)	
Net change in accounts payable- inventory financing	133.7	(33.9)		52.3	36.3	
Free cash flow	<u>\$ 351.9</u>	<u>\$ 103.7</u>	239.3%	<u>\$ 468.1</u>	<u>\$ 406.9</u>	15.0%

(1) Includes expenditures for revenue generating assets.

Cash Conversion Cycle

(Unaudited)

(Based on a rolling three-month average)

	June 30, 2020	December 31, 2019	June 30, 2019
Days of sales outstanding	59	57	52
Days of supply in inventory	18	14	14
Days purchases outstanding	(52)	(53)	(50)
Cash conversion cycle	25	18	16

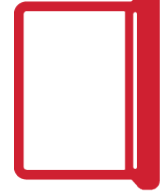
Capital Allocation Priorities

Priorities	Objectives	2020 Actions
Increase Dividends Annually	Target ~25% payout of Non-GAAP net income; grow in-line with earnings	Declared Q2'20 dividend on August 5 th
Maintain Net Leverage Ratio ⁽¹⁾	~2.5 to 3.0 times Net leverage ratio	Currently at 2.0x ⁽²⁾
Supplement Organic Growth with M&A	Expand CDW's strategic capabilities	Prioritizing liquidity but will remain opportunistic (IGNW acquisition announced July 1 st)
Return Excess FCF after Dividends & M&A Through Share Repurchases	Offset to incentive plan dilution and to supplement EPS growth	Suspended share repurchase program

(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 June 30, 2020.

Questions and Answers



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Non-GAAP Operating Income Reconciliation

(Unaudited)

(\$ in millions)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2020	% of Net sales	2019	% of Net sales	2020	% of Net sales	2019	% of Net sales
Operating income	\$ 283.4	6.5%	\$ 300.3	6.5%	\$ 529.2	6.0%	\$ 529.2	6.2%
Amortization of intangibles ⁽¹⁾	44.4		44.7		89.0		89.1	
Equity-based compensation	5.6		12.2		14.4		24.9	
Other adjustments ⁽²⁾	4.8		1.2		9.5		2.5	
Non-GAAP operating income*	<u>\$ 338.2</u>	7.7%	<u>\$ 358.4</u>	7.7%	<u>\$ 642.1</u>	7.3%	<u>\$ 645.7</u>	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, 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 August 5, 2020 for a discussion of non-GAAP financial measures.

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⁾
	2020	2019	% Change ⁽¹⁾	2020	2019	% Change	
Net sales, as reported	\$ 4,365.7	\$ 4,629.9	(5.7)%	\$ 8,754.9	\$ 8,587.8	1.9%	1.1%
Foreign currency translation ⁽³⁾	—	(17.8)		—	(26.8)		
Net sales, on a constant currency basis*	<u>\$ 4,365.7</u>	<u>\$ 4,612.1</u>	(5.3)%	<u>\$ 8,754.9</u>	<u>\$ 8,561.1</u>	2.3%	1.5%

(1) There were 64 selling days for both the three months ended June 30, 2020 and 2019.

(2) There were 128 and 127 selling days for the six months ended June 30, 2020 and 2019, 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 CDW's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 5, 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 June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Net income	\$ 189.1	\$ 196.6	(3.8)%	\$ 357.0	\$ 349.5	2.2%
Amortization of intangibles	44.4	44.7		89.0	89.1	
Equity-based compensation	5.6	12.2		14.4	24.9	
Other adjustments	4.8	1.2		9.5	2.5	
Aggregate adjustment for income taxes	(18.6)	(17.0)		(44.6)	(42.9)	
Non-GAAP net income ^{(1)*}	\$ 225.3	\$ 237.7	(5.2)%	\$ 425.3	\$ 423.1	0.5%
Foreign currency translation ⁽²⁾	—	(0.7)		—	(1.2)	
Non-GAAP net income, on a constant currency basis*	\$ 225.3	\$ 237.0	(4.9)%	\$ 425.3	\$ 421.9	0.8%
Shares used in computing Non-GAAP net income per diluted share and Non-GAAP net income per diluted share, on a constant currency basis	144.3	148.3		144.6	148.7	
Non-GAAP net income per diluted share*	\$ 1.56	\$ 1.60	(2.6)%	\$ 2.94	\$ 2.84	3.4%
Non-GAAP net income per diluted share, on a constant currency basis*	\$ 1.56	\$ 1.60	(2.3)%	\$ 2.94	\$ 2.84	3.4%

(1) See Slide 13 for details on the adjustments to Non-GAAP net income for the second 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 August 5, 2020 for a discussion of non-GAAP financial measures.