



CDW Corporation

Webcast Conference Call

November 2, 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 June 30, 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 US GAAP. For a reconciliation of non-GAAP financial measures to the applicable most comparable US GAAP financial measures, see Exhibit 99.1 to CDW's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 2, 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

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

Q3 2020 and YTD Financial Performance

Third Quarter:

- Net sales decreased \$151 million from Q3 2019 to \$4,756 million
 - Down 3.1% on a reported and average daily sales ("ADS") basis
 - Down 3.3% on an ADS constant currency basis
- Operating income down 0.9% to \$318 million
- Net income down 4.2% to \$193 million
- Non-GAAP operating income up 1.5% to \$386 million
- Net income per diluted share down 2.6% to \$1.33
- Non-GAAP net income per diluted share up 8.0% to \$1.83

Year to Date ("YTD"):

- Net sales increased \$16 million from Q3 2019 to \$13,511 million
 - Up 0.1% on a reported basis
 - Down 0.4% on an ADS basis
 - Down 0.3% on an ADS constant currency basis
- Operating income down 0.3% to \$847 million
- Net income down 0.2% to \$550 million
- Non-GAAP operating income up 0.2% to \$1,028 million
- Net income per diluted share up 2.3% to \$3.80
- Non-GAAP net income per diluted share up 5.2% to \$4.77

Balanced Portfolio Drove Topline Results

(Unaudited)
(\$ in millions)

	Three Months Ended September 30,			Nine Months Ended September 30,			
	2020	2019	% Change ⁽¹⁾	2020	2019	% Change	Average Daily % Change ⁽¹⁾
Corporate	\$ 1,660.0	\$ 1,913.5	(13.2)%	\$ 5,128.5	\$ 5,533.6	(7.3)%	(7.8)%
Small Business	337.0	386.2	(12.7)	1,030.6	1,119.2	(7.9)	(8.4)
Public							
Government	847.7	793.4	6.8	2,135.9	1,860.2	14.8	14.2
Education	1,078.2	807.0	33.6	2,431.2	1,981.0	22.7	22.1
Healthcare	367.9	500.5	(26.5)	1,274.1	1,430.5	(10.9)	(11.4)
Total Public	2,293.8	2,100.9	9.2	5,841.2	5,271.7	10.8	10.2
Other	465.6	507.1	(8.2)	1,511.0	1,571.0	(3.8)	(4.3)
Total Net sales	\$ 4,756.4	\$ 4,907.7	(3.1)%	\$ 13,511.3	\$ 13,495.5	0.1 %	(0.4)%

(1) There were 64 selling days for both the three months ended September 30, 2020 and 2019. There were 192 and 191 selling days for the nine months ended September 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

Q3 2020 Financial Results

(Unaudited)

(\$ in millions, except per share amounts)

	Three Months Ended September 30,		
	2020	2019	% Change
Net sales	\$ 4,756.4	\$ 4,907.7	(3.1)%
<i>Average daily net sales</i>	\$ 74.3	\$ 76.7	(3.1)%
Gross profit	\$ 825.5	\$ 816.5	1.1 %
<i>% of Net sales</i>	17.4 %	16.6 %	
SG&A	\$ 507.7	\$ 495.9	2.4 %
Operating income	\$ 317.8	\$ 320.6	(0.9)%
Non-GAAP SG&A*	\$ 439.2	\$ 436.1	0.7 %
Non-GAAP operating income*	\$ 386.3	\$ 380.4	1.5 %
<i>% of Net sales</i>	8.1 %	7.8 %	
Interest expense, net	\$ 40.2	\$ 42.3	(5.1)%
Net income	\$ 193.2	\$ 201.7	(4.2)%
Diluted EPS	\$ 1.33	\$ 1.37	(2.6)%
Non-GAAP net income*	\$ 265.4	\$ 249.9	6.2 %
Non-GAAP diluted EPS*	\$ 1.83	\$ 1.70	8.0 %

* 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 November 2, 2020 for a discussion of non-GAAP financial measures.

Q3 2020 Non-GAAP SG&A and Non-GAAP Operating Income

(Unaudited)
(\$ in millions)

	Three Months Ended September 30,		
	2020	2019	% Change
SG&A, as reported	\$ 507.7	\$ 495.9	2.4 %
Amortization of acquisition-related intangible assets	(44.9)	(44.6)	
Equity-based compensation	(11.5)	(12.8)	
Workforce reduction charges	(8.5)	—	
Other adjustments	(3.6)	(2.4)	
Non-GAAP SG&A	<u>\$ 439.2</u>	<u>\$ 436.1</u>	0.7 %
Non-GAAP operating income	\$ 386.3	\$ 380.4	1.5 %
<i>% of Net sales</i>	8.1 %	7.8 %	

Q3 2020 Non-Operating Expenses

(Unaudited)
(\$ in millions)

	Three Months Ended September 30,		
	2020	2019	% Change
Interest expense, net	\$ 40.2	\$ 42.3	(5.1)%
Other expense, net	\$ 27.5	\$ 17.4	58.1 %
Income tax expense	\$ 56.9	\$ 59.2	(3.9)%

Q3 2020 US GAAP Effective Tax Rate

(Unaudited)

	Three Months Ended September 30,	
	2020	2019
Federal statutory rate	21.0 %	21.0 %
State taxes ⁽¹⁾	2.2	4.0
Excess benefits from equity-based compensation ⁽²⁾	(1.1)	(3.5)
All other items impacting tax rate	0.6	1.2
US GAAP effective tax rate	<u>22.7 %</u>	<u>22.7 %</u>

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

(2) Inclusive of Federal and State taxes.

Q3 2020 Non-GAAP Net Income

(Unaudited)

(\$ in millions)

	Three Months Ended September 30, 2020				Three Months Ended September 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
US GAAP, as reported	\$ 250.1	\$ (56.9)	\$ 193.2	22.7 %	\$ 260.9	\$ (59.2)	\$ 201.7	22.7 %
Amortization of intangibles ⁽²⁾	44.9	(8.6)	36.3		44.6	(11.3)	33.3	
Equity-based compensation	11.5	(5.1)	6.4		12.8	(11.8)	1.0	
Net loss on extinguishment of long-term debt	27.3	(6.8)	20.5		16.1	(4.0)	12.1	
Workforce reduction charges	8.5	(2.1)	6.4		—	—	—	
Other adjustments ⁽³⁾	3.6	(1.0)	2.6		2.4	(0.6)	1.8	
Non-GAAP*	<u>\$ 345.9</u>	<u>\$ (80.5)</u>	<u>\$ 265.4</u>	<u>23.3 %</u>	<u>\$ 336.8</u>	<u>\$ (86.9)</u>	<u>\$ 249.9</u>	<u>25.8 %</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 November 2, 2020 for a discussion of non-GAAP financial measures.

Q3 2020 Earnings Per Share

(Unaudited)

(\$ in millions, except per share amounts)

	Three Months Ended September 30,		
	2020	2019	% Change
Diluted EPS	\$ 1.33	\$ 1.37	(2.6)%
Non-GAAP net income*	\$ 265.4	\$ 249.9	6.2 %
Non-GAAP diluted EPS*	\$ 1.83	\$ 1.70	8.0 %

* 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 November 2, 2020 for a discussion of non-GAAP financial measures.

YTD Financial Results

(Unaudited)

(\$ in millions, except per share amounts)

	Nine Months Ended September 30,		
	2020	2019	% Change
Net sales	\$ 13,511.3	\$ 13,495.5	0.1 %
<i>Average daily net sales</i>	\$ 70.4	\$ 70.7	(0.4)%
Gross profit	\$ 2,329.2	\$ 2,262.4	3.0 %
<i>% of Net sales</i>	17.2 %	16.8 %	
SG&A	\$ 1,482.2	\$ 1,412.6	4.9 %
Operating income	\$ 847.0	\$ 849.8	(0.3)%
Non-GAAP SG&A*	\$ 1,300.8	\$ 1,236.3	5.2 %
Non-GAAP operating income*	\$ 1,028.4	\$ 1,026.1	0.2 %
<i>% of Net sales</i>	7.6 %	7.6 %	
Interest expense, net	\$ 117.8	\$ 121.1	(2.8)%
Net income	\$ 550.2	\$ 551.2	(0.2)%
Diluted EPS	\$ 3.80	\$ 3.72	2.3 %
Non-GAAP net income*	\$ 690.7	\$ 673.0	2.6 %
Non-GAAP diluted EPS*	\$ 4.77	\$ 4.54	5.2 %

* 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 November 2, 2020 for a discussion of non-GAAP financial measures.

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

(Unaudited)
(\$ in millions)

	Nine Months Ended September 30,		
	2020	2019	% Change
SG&A, as reported	\$ 1,482.2	\$ 1,412.6	4.9 %
Amortization of acquisition-related intangible assets	(133.9)	(133.7)	
Equity-based compensation	(25.9)	(37.7)	
Workforce reduction charges	(8.5)	—	
Other adjustments	(13.1)	(4.9)	
Non-GAAP SG&A	<u>\$ 1,300.8</u>	<u>\$ 1,236.3</u>	5.2 %
Non-GAAP operating income	\$ 1,028.4	\$ 1,026.1	0.2 %
<i>% of Net sales</i>	7.6 %	7.6 %	

YTD Non-Operating Expenses

(Unaudited)
(\$ in millions)

	Nine Months Ended September 30,		
	2020	2019	% Change
Interest expense, net	\$ 117.8	\$ 121.1	(2.8)%
Other expense, net	\$ 21.9	\$ 15.0	46.4 %
Income tax expense	\$ 157.1	\$ 162.5	(3.3)%

YTD US GAAP Effective Tax Rate

(Unaudited)

	Nine Months Ended September 30,	
	2020	2019
Federal statutory rate	21.0 %	21.0 %
State taxes ⁽¹⁾	3.4	4.0
Excess benefits from equity-based compensation ⁽²⁾	(2.8)	(2.9)
All other items impacting tax rate	0.6	0.7
US GAAP effective tax rate	<u>22.2 %</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)

	Nine Months Ended September 30, 2020				Nine Months Ended September 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
US GAAP, as reported	\$ 707.3	\$ (157.1)	\$ 550.2	22.2 %	\$ 713.7	\$ (162.5)	\$ 551.2	22.8 %
Amortization of intangibles ⁽²⁾	133.9	(30.8)	103.1		133.7	(33.8)	99.9	
Equity-based compensation	25.9	(25.2)	0.7		37.7	(28.7)	9.0	
Net loss on extinguishment of long-term debt	27.3	(6.8)	20.5		16.1	(4.0)	12.1	
Workforce reduction charges	8.5	(2.1)	6.4		—	—	—	
Other adjustments ⁽³⁾	13.1	(3.3)	9.8		4.9	(4.1)	0.8	
Non-GAAP*	<u>\$ 916.0</u>	<u>\$ (225.3)</u>	<u>\$ 690.7</u>	<u>24.6 %</u>	<u>\$ 906.1</u>	<u>\$ (233.1)</u>	<u>\$ 673.0</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, 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 November 2, 2020 for a discussion of non-GAAP financial measures.

YTD Earnings Per Share

(Unaudited)

(\$ in millions, except per share amounts)

	Nine Months Ended September 30,		
	2020	2019	% Change
Diluted EPS	\$ 3.80	\$ 3.72	2.3 %
Non-GAAP net income*	\$ 690.7	\$ 673.0	2.6 %
Non-GAAP diluted EPS*	\$ 4.77	\$ 4.54	5.2 %

* 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 November 2, 2020 for a discussion of non-GAAP financial measures.

Debt and Revolver Availability

(\$ in millions)

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
	<i>(unaudited)</i>		<i>(unaudited)</i>
Cash and cash equivalents	\$ 1,249.5	\$ 154.0	\$ 166.9
Total debt	\$ 3,930.9	\$ 3,317.3	\$ 3,284.4
Net debt (total debt net of cash and cash equivalents)	\$ 2,681.4	\$ 3,163.3	\$ 3,117.5
Revolver availability	\$ 920.6	\$ 1,106.2	\$ 1,129.5
Cash plus revolver availability	\$ 2,170.1	\$ 1,260.2	\$ 1,296.4

Free Cash Flow

(Unaudited)

(\$ in millions)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Net cash provided by operating activities	\$ 222.6	\$ 267.8	(16.9)%	\$ 738.4	\$ 682.3	8.2 %
Capital expenditures ⁽¹⁾	(33.6)	(31.1)		(133.6)	(75.0)	
Net change in accounts payable- inventory financing	180.2	(53.7)		232.5	(17.4)	
Free cash flow	<u>\$ 369.2</u>	<u>\$ 183.0</u>	101.7 %	<u>\$ 837.3</u>	<u>\$ 589.9</u>	41.9 %

(1) Includes expenditures for revenue generating assets.

Cash Conversion Cycle

(Unaudited)

(Based on a rolling three-month average)

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Days of sales outstanding	61	57	56
Days of supply in inventory	13	14	13
Days purchases outstanding	<u>(58)</u>	<u>(53)</u>	<u>(52)</u>
Cash conversion cycle	<u>16</u>	<u>18</u>	<u>17</u>

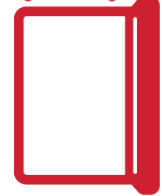
Capital Allocation Priorities

Priorities	Objectives	2020 Actions
Increase Dividends Annually	Target ~25% payout of Non-GAAP net income; grow in-line with earnings	5.3% increase in November 2020 to \$1.60/share annually
Maintain Net Leverage Ratio ⁽¹⁾	~2.5 to 3.0 times Net leverage ratio	Currently at 1.8x ⁽²⁾
Supplement Organic Growth with M&A	Expand CDW's strategic capabilities	IGNW acquisition
Return Excess FCF after Dividends & M&A Through Share Repurchases	Offset to incentive plan dilution and to supplement EPS growth	Resume share repurchase program in November

(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 September 30, 2020.

Questions and Answers



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Non-GAAP Operating Income Reconciliation

(Unaudited)

(\$ in millions)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	% of Net sales	2019	% of Net sales	2020	% of Net sales	2019	% of Net sales
Operating income, as reported	\$ 317.8	6.7 %	\$ 320.6	6.5 %	\$ 847.0	6.3 %	\$ 849.8	6.3 %
Amortization of intangibles ⁽¹⁾	44.9		44.6		133.9		133.7	
Equity-based compensation	11.5		12.8		25.9		37.7	
Workforce reduction charges	8.5		—		8.5		—	
Other adjustments ⁽²⁾	3.6		2.4		13.1		4.9	
Non-GAAP operating income*	<u>\$ 386.3</u>	8.1 %	<u>\$ 380.4</u>	7.8 %	<u>\$ 1,028.4</u>	7.6 %	<u>\$ 1,026.1</u>	7.6 %

(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 November 2, 2020 for a discussion of non-GAAP financial measures.

Net Sales Growth on a Constant Currency Basis

(Unaudited)
(\$ in millions)

	Three Months Ended September 30,			Nine Months Ended September 30,			
	2020	2019	% Change ⁽¹⁾	2020	2019	% Change	Average Daily % Change ⁽¹⁾
Net sales, as reported	\$ 4,756.4	\$ 4,907.7	(3.1)%	\$13,511.3	\$13,495.5	0.1 %	(0.4)%
Foreign currency translation ⁽²⁾	—	12.8		—	(14.9)		
Net sales, on a constant currency basis*	<u>\$ 4,756.4</u>	<u>\$ 4,920.5</u>	(3.3)%	<u>\$13,511.3</u>	<u>\$13,480.6</u>	0.2 %	(0.3)%

(1) There were 64 selling days for both the three months ended September 30, 2020 and 2019. There were 192 and 191 selling days for the nine months ended September 30, 2020 and 2019, 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. See Exhibit 99.1 to CDW's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 2, 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 September 30,			Nine Months Ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Net income, as reported	\$ 193.2	\$ 201.7	(4.2)%	\$ 550.2	\$ 551.2	(0.2)%
Amortization of intangibles	44.9	44.6		133.9	133.7	
Equity-based compensation	11.5	12.8		25.9	37.7	
Net loss on extinguishment of long-term debt	27.3	16.1		27.3	16.1	
Workforce reduction charges	8.5	—		8.5	—	
Other adjustments	3.6	2.4		13.1	4.9	
Aggregate adjustment for income taxes	(23.6)	(27.7)		(68.2)	(70.6)	
Non-GAAP net income ^{(1)*}	\$ 265.4	\$ 249.9	6.2 %	\$ 690.7	\$ 673.0	2.6 %
Foreign currency translation ⁽²⁾	—	0.7		—	(0.6)	
Non-GAAP net income, on a constant currency basis*	<u>\$ 265.4</u>	<u>\$ 250.6</u>	5.9 %	<u>\$ 690.7</u>	<u>\$ 672.4</u>	2.7 %
Shares used in computing Non-GAAP net income per diluted share and Non-GAAP net income per diluted share, on a constant currency basis	144.8	147.2		144.7	148.2	
Non-GAAP net income per diluted share*	\$ 1.83	\$ 1.70	8.0 %	\$ 4.77	\$ 4.54	5.2 %
Non-GAAP net income per diluted share, on a constant currency basis*	\$ 1.83	\$ 1.70	7.7 %	\$ 4.77	\$ 4.54	5.3 %

(1) See Slide 13 for details on the adjustments to Non-GAAP net income for the third 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 November 2, 2020 for a discussion of non-GAAP financial measures.