



# CDW Corporation

Webcast Conference Call

May 3, 2023

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# Today's Agenda

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- First Quarter 2023 Results
- Business Strategy
- Outlook
- Q&A

# Disclaimers

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## 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 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, 2022. 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 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 May 3, 2023 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.

# Q1 2023 Financial Performance

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- Net sales decreased \$846 million from Q1 2022 to \$5.1 billion
  - Down 14.2% on a reported basis
  - Down 15.6% on an average daily sales ("ADS") basis
  - Down 14.7% on an ADS constant currency basis
- Operating income down 8.2% to \$355 million
- Net income down 8.0% to \$230 million
- Non-GAAP operating income down 6.0% to \$434 million
- Net income per diluted share down 8.4% to \$1.68
- Non-GAAP net income per diluted share down 7.9% to \$2.03

# Net Sales By Channel

(Unaudited)  
(\$ in millions)

	Three Months Ended March 31,			
	2023	2022	% Change	Average Daily % Change <sup>(1)</sup>
Corporate	\$ 2,203.7	\$ 2,627.6	(16.1)%	(17.4)%
Small Business	411.4	524.0	(21.5)	(22.7)
Public				
Government	551.5	543.9	1.4	(0.2)
Education	665.7	902.8	(26.3)	(27.4)
Healthcare	595.6	586.3	1.6	—
Total Public	1,812.8	2,033.0	(10.8)	(12.2)
Other	675.2	764.5	(11.7)	(13.1)
Total Net sales	\$ 5,103.1	\$ 5,949.1	(14.2)%	(15.6)%

(1) There were 64 and 63 selling days for the three months ended March 31, 2023 and 2022, 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 2023 Financial Results

(Unaudited)

(\$ in millions, except per share amounts)

	Three Months Ended March 31,		
	2023	2022	% Change
Net sales	\$ 5,103.1	\$ 5,949.1	(14.2)%
<i>Average daily net sales**</i>	\$ 79.7	\$ 94.4	(15.6)%
Gross profit	\$ 1,089.4	\$ 1,104.1	(1.3)%
<i>% of Net sales</i>	21.3 %	18.6 %	
SG&A	\$ 734.1	\$ 717.2	2.4 %
Operating income	\$ 355.3	\$ 386.9	(8.2)%
Non-GAAP SG&A*	\$ 655.1	\$ 642.0	2.0 %
Non-GAAP operating income*	\$ 434.3	\$ 462.1	(6.0)%
<i>% of Net sales</i>	8.5 %	7.8 %	
Interest expense, net	\$ 57.7	\$ 56.0	3.0 %
Other (expense) income, net	\$ (1.3)	\$ (0.5)	***nm
Net income	\$ 230.1	\$ 250.2	(8.0)%
Diluted EPS	\$ 1.68	\$ 1.83	(8.4)%
Non-GAAP net income*	\$ 278.7	\$ 301.5	(7.6)%
Non-GAAP diluted EPS*	\$ 2.03	\$ 2.20	(7.9)%

\* 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 May 3, 2023 for a discussion of non-GAAP financial measures.

\*\* There were 64 and 63 selling days for the three months ended March 31, 2023 and 2022, respectively.

\*\*\* Not meaningful

# Q1 2023 Non-GAAP SG&A and Non-GAAP Operating Income

(Unaudited)  
(\$ in millions)

	Three Months Ended March 31,		
	2023	2022	% Change
SG&A, as reported	\$ 734.1	\$ 717.2	2.4 %
Amortization of acquisition-related intangible assets	(41.6)	(40.9)	
Equity-based compensation	(20.8)	(21.1)	
Acquisition and integration expenses	(8.9)	(11.7)	
Transformation initiatives	(5.0)	(1.2)	
Other adjustments	(2.7)	(0.3)	
Non-GAAP SG&A	<u>\$ 655.1</u>	<u>\$ 642.0</u>	2.0 %
Non-GAAP operating income*	\$ 434.3	\$ 462.1	(6.0)%
% of Net sales	8.5 %	7.8 %	

\* Non-GAAP SG&A and Non-GAAP operating 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 May 3, 2023 for a discussion of non-GAAP financial measures.



# Q1 2023 Non-Operating Expenses

(Unaudited)  
(\$ in millions)

	Three Months Ended March 31,		
	2023	2022	% Change
Interest expense, net	\$ 57.7	\$ 56.0	3.0 %
Other (expense) income, net	\$ (1.3)	\$ (0.5)	*nm
Income tax expense	\$ 66.2	\$ 80.2	(17.5)%

\* Not meaningful

# Q1 2023 US GAAP Effective Tax Rate

(Unaudited)

	Three Months Ended March 31,	
	2023	2022
Federal statutory rate	21.0 %	21.0 %
State taxes <sup>(1)</sup>	4.3	4.2
Excess benefits from equity-based compensation <sup>(2)</sup>	(3.9)	(1.6)
All other items impacting tax rate	0.9	0.7
US GAAP effective tax rate	<u>22.3 %</u>	<u>24.3 %</u>

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

(2) Inclusive of Federal and State taxes.

# Q1 2023 Non-GAAP Net Income

(Unaudited)

(\$ in millions)

	Three Months Ended March 31, 2023				Three Months Ended March 31, 2022			
	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
US GAAP, as reported	\$ 296.3	\$ (66.2)	\$ 230.1	22.3 %	\$ 330.4	\$ (80.2)	\$ 250.2	24.3 %
Amortization of intangibles <sup>(2)</sup>	41.6	(10.9)	30.7		40.9	(10.6)	30.3	
Equity-based compensation	20.8	(15.3)	5.5		21.1	(9.8)	11.3	
Acquisition and integration expenses	8.9	(2.3)	6.6		11.7	(3.0)	8.7	
Transformation initiatives <sup>(3)</sup>	5.0	(1.3)	3.7		1.2	(0.3)	0.9	
Other adjustments	2.7	(0.6)	2.1		0.2	(0.1)	0.1	
Non-GAAP*	<u>\$ 375.3</u>	<u>\$ (96.6)</u>	<u>\$ 278.7</u>	<u>25.7 %</u>	<u>\$ 405.5</u>	<u>\$ (104.0)</u>	<u>\$ 301.5</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 costs related to strategic transformation initiatives focused on optimizing various operations and systems.

\* 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 May 3, 2023 for a discussion of non-GAAP financial measures.

# Q1 2023 Earnings Per Share

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*(Unaudited)*

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

	Three Months Ended March 31,		
	2023	2022	% Change
Diluted EPS	\$ 1.68	\$ 1.83	(8.4)%
Non-GAAP net income*	\$ 278.7	\$ 301.5	(7.6)%
Non-GAAP diluted EPS*	\$ 2.03	\$ 2.20	(7.9)%

\* 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 May 3, 2023 for a discussion of non-GAAP financial measures.

# Debt and Revolver Availability

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(\$ in millions)

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
	<i>(unaudited)</i>		<i>(unaudited)</i>
Cash and cash equivalents	\$ 279.4	\$ 315.2	\$ 386.9
Total debt	\$ 5,795.6	\$ 5,922.7	\$ 6,598.7
Net debt (total debt net of cash and cash equivalents)	\$ 5,516.2	\$ 5,607.5	\$ 6,211.8
Revolver availability	\$ 1,051.0	\$ 1,083.6	\$ 1,042.9
Cash plus revolver availability	\$ 1,330.4	\$ 1,398.8	\$ 1,429.8

# Cash Conversion Cycle

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*(Unaudited)*

*(Based on a rolling three-month average)*

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Days of sales outstanding	72	71	67
Days of supply in inventory	15	17	17
Days purchases outstanding	(69)	(67)	(64)
Cash conversion cycle	<u>18</u>	<u>21</u>	<u>20</u>

# Free Cash Flow

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

	Three Months Ended March 31,	
	2023	2022
Net cash provided by operating activities	\$ 365.4	\$ 380.8
Capital expenditures	(31.7)	(41.3)
Net change in accounts payable - inventory financing	77.6	126.7
Free cash flow	<u>\$ 411.3</u>	<u>\$ 466.2</u>

# 2023 Capital Allocation Priorities

Priorities	Objectives	Actions
Increase Dividends Annually	Target ~25% payout of Non-GAAP net income; grow in-line with earnings	18% increase in November 2022 to \$2.36/share annually
Maintain Net Leverage Ratio <sup>(1)</sup>	Target ~2.0 to 3.0 times Net Leverage Ratio, committed to maintaining investment grade credit rating	Currently at 2.6x <sup>(2)</sup>
Supplement Organic Growth with M&A	Expand CDW's strategic capabilities	Acquired Locus Recruiting
Return Excess FCF after Dividends & M&A Through Share Repurchases	Target, in aggregate with dividend, returning 50% to 75% of FCF to shareholders	\$200M of Share Repurchases in Q1 2023

(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 March 31, 2023.



# 2023 Outlook

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## 2023 Outlook<sup>(1),(2)</sup>

Net Sales Growth

U.S. IT Market to decline at a high single-digit rate plus ~200 to 300 bps CDW premium in constant currency

Non-GAAP Operating Income Margin<sup>(3)</sup>

In the range of 9%

Non-GAAP Earnings Per Diluted Share Growth

Low-single digit decline year-over-year

(1) As of May 3, 2023.

(2) Certain annual outlooks 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 CDW's routine activities, such as refinancing activities or acquisition and integration expenses.

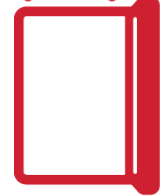
(3) Non-GAAP operating income as a percentage of Net sales.

# Modeling Thoughts for 2023

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- Net sales
  - 1H sales split slightly below historical norm of 48% to 49% of full-year Net sales
  - Second quarter reported sequential sales growth of mid single-digits on an average daily sales basis
  - Currency expected to be neutral for full year, with headwinds in 1H and tailwinds in 2H
- Annual depreciation and amortization expenses expected to be between \$275 million and \$280 million, including ~\$155 million of amortization expense for acquisition-related intangible assets
  - Depreciation and amortization in SG&A, excluding acquisition-related intangible assets, expected to be ~\$120 million
- Annual interest expense expected to be between \$237 million and \$243 million
- Non-GAAP effective tax rate expected to be between 25.5% to 26.5%
- Annual Free Cash Flow at higher end of 'rule of thumb' of 4% to 4 1/2% of Net sales
- Capital expenditure 0.55% to 0.60% of Net sales
- Achieve Cash Conversion Cycle within target range of high teens to low 20s

# Questions and Answers



**PEOPLE  
WHO  
GET IT™**

# Non-GAAP Operating Income Reconciliation

(Unaudited)

(\$ in millions)

	Three Months Ended March 31,			
	2023	% of Net sales	2022	% of Net sales
Operating income, as reported	\$ 355.3	7.0 %	\$ 386.9	6.5 %
Amortization of intangibles <sup>(1)</sup>	41.6		40.9	
Equity-based compensation	20.8		21.1	
Acquisition and integration expenses	8.9		11.7	
Transformation initiatives <sup>(2)</sup>	5.0		1.2	
Other adjustments	2.7		0.3	
Non-GAAP operating income*	<u>\$ 434.3</u>	8.5 %	<u>\$ 462.1</u>	7.8 %

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

(2) Includes costs related to strategic transformation initiatives focused on optimizing various operations and systems.

\* 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 May 3, 2023 for a discussion of non-GAAP financial measures.

# Net Sales Growth on a Constant Currency Basis

(Unaudited)  
(\$ in millions)

	Three Months Ended March 31,			
	2023	2022	% Change	Average Daily % Change <sup>(1)</sup>
Net sales, as reported	\$ 5,103.1	\$ 5,949.1	(14.2)%	(15.6)%
Foreign currency translation <sup>(2)</sup>	—	(63.1)		
Net sales, on a constant currency basis*	<u>\$ 5,103.1</u>	<u>\$ 5,886.0</u>	(13.3)%	(14.7)%

(1) There were 64 and 63 selling days for the three months ended March 31, 2023 and 2022, 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 May 3, 2023 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 March 31,		
	2023	2022	% Change
Net income, as reported	\$ 230.1	\$ 250.2	(8.0)%
Amortization of intangibles	41.6	40.9	
Equity-based compensation	20.8	21.1	
Acquisition and integration expenses	8.9	11.7	
Transformation initiatives	5.0	1.2	
Other adjustments	2.7	0.2	
Aggregate adjustment for income taxes	(30.4)	(23.8)	
Non-GAAP net income <sup>(1)*</sup>	\$ 278.7	\$ 301.5	(7.6)%
Foreign currency translation <sup>(2)</sup>	—	(2.9)	
Non-GAAP net income, on a constant currency basis*	\$ 278.7	\$ 298.6	(6.7)%
Shares used in computing Non-GAAP net income per diluted share and Non-GAAP net income per diluted share, on a constant currency basis	137.3	136.7	
Non-GAAP net income per diluted share*	\$ 2.03	\$ 2.20	(7.9)%
Non-GAAP net income per diluted share, on a constant currency basis*	\$ 2.03	\$ 2.18	(7.0)%

(1) See Slide 11 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. See Exhibit 99.1 to CDW's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 3, 2023 for a discussion of non-GAAP financial measures.