



CDW Corporation

Webcast Conference Call

August 2, 2023

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Today's Agenda

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

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 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 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 condition 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 August 2, 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.

Q2 2023 Financial Performance

- Net sales decreased \$520 million from Q2 2022 to \$5.6 billion
 - Down 8.5% on a reported and average daily sales ("ADS") basis
 - Down 8.2% on a constant currency basis
- Operating income down 5.3% to \$412 million
- Net income down 6.0% to \$263 million
- Non-GAAP operating income up 2.6% to \$530 million
- Net income per diluted share down 5.5% to \$1.92
- Non-GAAP net income per diluted share up 3.2% to \$2.56

Net Sales By Channel

(Unaudited)

(\$ in millions)

	Three Months Ended June 30,		
	2023	2022	% Change ⁽¹⁾
Corporate	\$ 2,245.0	\$ 2,660.7	(15.6)%
Small Business	396.2	500.0	(20.8)
Public			
Government	681.2	609.5	11.8
Education	1,026.8	1,041.3	(1.4)
Healthcare	587.1	592.2	(0.9)
Total Public	2,295.1	2,243.0	2.3
Other	689.8	742.1	(7.0)
Total Net sales	\$ 5,626.1	\$ 6,145.8	(8.5)%

(1) There were 64 selling days for both the three months ended June 30, 2023 and 2022.

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 2023 Financial Results

(Unaudited)

(\$ in millions, except per share amounts)

	Three Months Ended June 30,		
	2023	2022	% Change
Net sales	\$ 5,626.1	\$ 6,145.8	(8.5)%
<i>Average daily net sales</i>	\$ 87.9	\$ 96.0	(8.5)%
Gross profit	\$ 1,181.5	\$ 1,168.2	1.1 %
<i>% of Net sales</i>	21.0 %	19.0 %	
SG&A	\$ 769.3	\$ 732.9	5.0 %
Operating income	\$ 412.2	\$ 435.3	(5.3)%
<i>% of Net sales</i>	7.3 %	7.1 %	
Non-GAAP SG&A*	\$ 651.7	\$ 651.9	— %
Non-GAAP operating income*	\$ 529.8	\$ 516.3	2.6 %
<i>% of Net sales</i>	9.4 %	8.4 %	
Interest expense, net	\$ 58.2	\$ 57.7	0.9 %
Other expense, net	\$ (0.6)	\$ (0.4)	**nm
Net income	\$ 262.6	\$ 279.3	(6.0)%
Net income per diluted share	\$ 1.92	\$ 2.04	(5.5)%
Non-GAAP net income*	\$ 349.0	\$ 339.5	2.8 %
Non-GAAP net income per diluted share*	\$ 2.56	\$ 2.49	3.2 %

* Non-GAAP SG&A, Non-GAAP operating income, Non-GAAP net income and Non-GAAP net income per diluted share 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 2, 2023 for a discussion of non-GAAP financial measures and the reconciliations included in these slides.

** Not meaningful

Q2 2023 Non-GAAP SG&A and Non-GAAP Operating Income

(Unaudited)
(\$ in millions)

	Three Months Ended June 30,		
	2023	2022	% Change
SG&A, as reported	\$ 769.3	\$ 732.9	5.0 %
Amortization of acquisition-related intangible assets ⁽¹⁾	(37.3)	(40.7)	
Equity-based compensation	(24.8)	(23.5)	
Acquisition and integration expenses	(8.7)	(14.9)	
Transformation costs ⁽²⁾	(4.6)	(1.2)	
Workplace optimization ⁽³⁾	(42.0)	—	
Other adjustments	(0.2)	(0.7)	
Non-GAAP SG&A*	<u>\$ 651.7</u>	<u>\$ 651.9</u>	— %
Operating income, as reported	\$ 412.2	\$ 435.3	(5.3)%
Non-GAAP operating income*	\$ 529.8	\$ 516.3	2.6 %
<i>Operating income as % of net sales</i>	7.3 %	7.1 %	
<i>Non-GAAP operating income as % of net sales</i>	9.4 %	8.4 %	

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

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

(3) Includes costs related to the workforce reduction program and charges related to the reduction of our real estate lease portfolio.

* 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 August 2, 2023 for a discussion of non-GAAP financial measures and the reconciliations included in these slides.

Q2 2023 Non-Operating Expenses

(Unaudited)
(\$ in millions)

	Three Months Ended June 30,		
	2023	2022	% Change
Interest expense, net	\$ 58.2	\$ 57.7	0.9 %
Other expense, net	\$ (0.6)	\$ (0.4)	*nm
Income tax expense	\$ 90.8	\$ 97.9	(7.3)%

* Not meaningful

Q2 2023 US GAAP Effective Tax Rate

(Unaudited)

	Three Months Ended June 30,	
	2023	2022
Federal statutory rate	21.0 %	21.0 %
State taxes ⁽¹⁾	4.2	4.2
Excess benefits from equity-based compensation ⁽²⁾	(0.6)	(0.3)
All other items impacting tax rate	1.1	1.1
US GAAP effective tax rate	<u>25.7 %</u>	<u>26.0 %</u>

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

(2) Inclusive of Federal and State taxes.

Q2 2023 Non-GAAP Net Income

(Unaudited)

(\$ in millions)

	Three Months Ended June 30, 2023				Three Months Ended June 30, 2022			
	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	\$ 353.4	\$ (90.8)	\$ 262.6	25.7 %	\$ 377.2	\$ (97.9)	\$ 279.3	26.0 %
Amortization of intangibles ⁽²⁾	37.3	(9.6)	27.7		40.7	(10.6)	30.1	
Equity-based compensation	24.8	(7.1)	17.7		23.5	(5.9)	17.6	
Acquisition and integration expenses	8.7	(2.3)	6.4		14.9	(3.8)	11.1	
Transformation initiatives ⁽³⁾	4.6	(1.2)	3.4		1.2	(0.3)	0.9	
Workplace optimization ⁽⁴⁾	42.0	(10.9)	31.1		—	—	—	
Other adjustments	0.2	(0.1)	0.1		0.8	(0.3)	0.5	
Non-GAAP*	<u>\$ 471.0</u>	<u>\$ (122.0)</u>	<u>\$ 349.0</u>	<u>25.9 %</u>	<u>\$ 458.3</u>	<u>\$ (118.8)</u>	<u>\$ 339.5</u>	<u>25.9 %</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.

(4) Includes costs related to the workforce reduction program and charges related to the reduction of our real estate lease portfolio.

* Non-GAAP net income and Non-GAAP effective tax rate 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 2, 2023 for a discussion of non-GAAP financial measures and the reconciliations included in these slides.

Q2 2023 Earnings Per Diluted Share

(Unaudited)

(\$ in millions, except per share amounts)

	Three Months Ended June 30,		
	2023	2022	% Change
US GAAP Net income	\$ 262.6	\$ 279.3	(6.0)%
Weighted-average common shares outstanding - Diluted	136.1	136.8	
Net income per diluted share	<u>\$ 1.92</u>	<u>\$ 2.04</u>	(5.5)%
Non-GAAP net income*	\$ 349.0	\$ 339.5	2.8 %
Weighted-average common shares outstanding - Diluted	136.1	136.8	
Non-GAAP net income per diluted share*	<u>\$ 2.56</u>	<u>\$ 2.49</u>	3.2 %

* Non-GAAP net income and Non-GAAP net income per diluted share 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 2, 2023 for a discussion of non-GAAP financial measures and the reconciliations included in these slides.

Debt and Revolver Availability

(\$ in millions)

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
	<i>(unaudited)</i>		<i>(unaudited)</i>
Cash and cash equivalents	\$ 203.9	\$ 315.2	\$ 541.6
Total debt	\$ 5,763.2	\$ 5,922.7	\$ 6,586.9
Net debt (total debt net of cash and cash equivalents)	\$ 5,559.3	\$ 5,607.5	\$ 6,045.3
Revolver availability	\$ 984.4	\$ 1,083.6	\$ 1,141.4
Cash plus revolver availability	\$ 1,188.3	\$ 1,398.8	\$ 1,683.0

Cash Conversion Cycle

(Unaudited)

(Based on a rolling three-month average)

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Days of sales outstanding	67	71	64
Days of supply in inventory	14	17	18
Days purchases outstanding	(67)	(67)	(63)
Cash conversion cycle	<u>14</u>	<u>21</u>	<u>19</u>

Free Cash Flow

(Unaudited)
(\$ in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net cash provided by operating activities	\$ 228.1	\$ 380.3	\$ 593.6	\$ 761.1
Capital expenditures	(39.5)	(22.3)	(71.3)	(63.6)
Net change in accounts payable - inventory financing	84.0	(106.8)	161.6	19.9
Free cash flow ⁽¹⁾	<u>\$ 272.6</u>	<u>\$ 251.2</u>	<u>\$ 683.9</u>	<u>\$ 717.4</u>

(1) Free cash flow is adjusted to include cash flows from financing activities that relate to the purchase of inventory.

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 ⁽¹⁾	Target ~2.0 to 3.0 times Net Leverage Ratio, committed to maintaining investment grade credit rating	Currently at 2.6x ⁽²⁾
Supplement Organic Growth with M&A	Expand CDW's strategic capabilities	Acquired Locus Recruiting and Enquizit
Return Excess FCF after Dividends & M&A Through Share Repurchases	Target, in aggregate with dividend, returning 50% to 75% of FCF to shareholders	~\$400M of share repurchases in 1H 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 June 30, 2023.

2023 Outlook

2023 Outlook^{(1),(2)}

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⁽³⁾

In the range of 9%

Non-GAAP Earnings Per Diluted Share Growth

In the range of flat year-over-year

(1) As of August 2, 2023; all growth rates are on a constant currency basis.

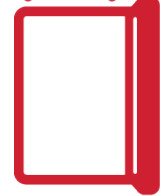
(2) Certain annual outlooks are provided on a non-GAAP basis because certain reconciling items are dependent on future events that either cannot be controlled, such as currency impacts or interest rates, or reliably predicted because they are not part of CDW's routine activities, such as refinancing activities or acquisition and integration expenses.

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

Modeling Thoughts for 2023

- Net sales
 - 2H sales split in range of 52%; historical norm of 51% to 52% of full-year Net sales
 - Third 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 \$270 million and \$275 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 ~\$110 million
- Annual interest expense expected to be between \$235 million and \$240 million
- Non-GAAP effective tax rate expected to be between 25.5% to 26.5%
- Annual Free Cash Flow at approximately 5%, above 'rule of thumb' of 4% to 4 1/2% of Net sales
- Capital expenditure 0.65% to 0.70% of Net sales
- Achieve Cash Conversion Cycle within target range of high teens to low 20s

Questions and Answers



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Non-GAAP Operating Income Reconciliation

(Unaudited)
(\$ in millions)

	<u>Three Months Ended June 30,</u>			
	<u>2023</u>	<u>% of Net sales</u>	<u>2022</u>	<u>% of Net sales</u>
Operating income, as reported	\$ 412.2	7.3 %	\$ 435.3	7.1 %
Amortization of intangibles ⁽¹⁾	37.3		40.7	
Equity-based compensation	24.8		23.5	
Acquisition and integration expenses	8.7		14.9	
Transformation initiatives ⁽²⁾	4.6		1.2	
Workplace optimization ⁽³⁾	42.0		—	
Other adjustments	0.2		0.7	
Non-GAAP operating income*	<u>\$ 529.8</u>	9.4 %	<u>\$ 516.3</u>	8.4 %

(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.

(3) Includes costs related to the workforce reduction program and charges related to the reduction of our real estate lease portfolio.

* Non-GAAP operating income and Non-GAAP operating income margin 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 2, 2023 for a discussion of non-GAAP financial measures and the reconciliations included in these slides.

Net Sales Growth on a Constant Currency Basis

(Unaudited)
(\$ in millions)

	<u>Three Months Ended June 30,</u>		
	<u>2023</u>	<u>2022</u>	<u>% Change⁽¹⁾</u>
Net sales, as reported	\$ 5,626.1	\$ 6,145.8	(8.5)%
Foreign currency translation ⁽²⁾	<u>—</u>	<u>(14.9)</u>	
Net sales, on a constant currency basis*	<u>\$ 5,626.1</u>	<u>\$ 6,130.9</u>	(8.2)%

(1) There were 64 selling days for both the three months ended June 30, 2023 and 2022.

(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 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 2, 2023 for a discussion of non-GAAP financial measures and the reconciliations included in these slides.

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,		
	2023	2022	% Change
Net income, as reported	\$ 262.6	\$ 279.3	(6.0)%
Amortization of intangibles	37.3	40.7	
Equity-based compensation	24.8	23.5	
Acquisition and integration expenses	8.7	14.9	
Transformation initiatives	4.6	1.2	
Workplace optimization	42.0	—	
Other adjustments	0.2	0.8	
Aggregate adjustment for income taxes	(31.2)	(20.9)	
Non-GAAP net income ^{(1)*}	\$ 349.0	\$ 339.5	2.8 %
Foreign currency translation ⁽²⁾	—	(0.6)	
Non-GAAP net income, on a constant currency basis*	\$ 349.0	\$ 338.9	3.0 %
Shares used in computing US GAAP, Non-GAAP, and Non-GAAP on a constant currency basis net income per diluted share	136.1	136.8	
US GAAP net income per diluted share	\$ 1.92	\$ 2.04	(5.5)%
Non-GAAP net income per diluted share*	\$ 2.56	\$ 2.49	3.2 %
Non-GAAP net income per diluted share, on a constant currency basis*	\$ 2.56	\$ 2.48	3.5 %

(1) See Slide 11 for details on the adjustments to Non-GAAP net income.

(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 2, 2023 for a discussion of non-GAAP financial measures and the reconciliations included in these slides.