



# CDW Corporation

Webcast Conference Call

November 1, 2023

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# Today's Agenda

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

# Forward-Looking Statements

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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.

# Financial Performance

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- Net sales of \$5.6 billion
  - Down 9.4% on a reported basis
  - Down 8.0% on an average daily sales ("ADS") basis
  - Down 8.4% on a constant currency basis\*
- Operating income of \$478 million, up 2.6%
- Net income of \$316 million, up 5.9%
- Non-GAAP operating income\* of \$556 million, up 1.3%
- Net income per diluted share of \$2.32, up 6.9%
- Non-GAAP net income per diluted\* share of \$2.72, up 4.4%

\*Non-GAAP measure. See appendix within this presentation for non-GAAP reconciliations to the most directly comparable GAAP measure.

# Net Sales By Channel

(Unaudited)  
(\$ in millions)

	Three Months Ended September 30,			Average Daily % Change <sup>(1)</sup>
	2023	2022	% Change <sup>(1)</sup>	
Corporate	\$ 2,226.5	\$ 2,577.8	(13.6)%	(12.3)%
Small Business	378.4	491.2	(23.0)	(21.7)
Public				
Government	775.7	788.4	(1.6)	—
Education	1,026.7	1,021.1	0.5	2.1
Healthcare	619.7	614.8	0.8	2.4
Total Public	2,422.1	2,424.3	(0.1)	1.5
Other	601.3	722.2	(16.7)	(15.4)
Total Net sales	\$ 5,628.3	\$ 6,215.5	(9.4)%	(8.0)%

(1) There were 63 and 64 selling days for the three months ended September 30, 2023 and 2022, respectively. Average Daily Sales is defined as Net sales divided by the number of selling days.

# 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**

# Financial Results

(Unaudited)  
(\$ in millions)

	Three Months Ended September 30,		
	2023	2022	% Change
Net sales	\$ 5,628.3	\$ 6,215.5	(9.4)%
<i>Average daily net sales<sup>(1)</sup></i>	\$ 89.3	\$ 97.1	(8.0)%
Gross profit	\$ 1,227.7	\$ 1,233.2	(0.4)%
<i>% of Net sales</i>	21.8 %	19.8 %	
SG&A	\$ 749.3	\$ 766.8	(2.3)%
Operating income	\$ 478.4	\$ 466.4	2.6 %
<i>% of Net sales</i>	8.5 %	7.5 %	
Non-GAAP SG&A*	\$ 671.4	\$ 684.2	(1.9)%
Non-GAAP operating income*	\$ 556.3	\$ 549.0	1.3 %
<i>% of Net sales</i>	9.9 %	8.8 %	
Interest expense, net	\$ 57.4	\$ 62.6	(8.3)%
Other expense, net	\$ 1.2	\$ 4.8	**nm
Net income	\$ 315.5	\$ 297.8	5.9 %
Non-GAAP net income*	\$ 369.4	\$ 357.0	3.5 %
Effective Tax Rate	24.8 %	25.4 %	
Non-GAAP Effective Tax Rate	25.8 %	25.9 %	

\* Non-GAAP measure. See appendix within this presentation for non-GAAP reconciliations to the most directly comparable GAAP measures.

\*\* Not meaningful

(1) There were 63 and 64 selling days for the three months ended September 30, 2023 and 2022, respectively. Average Daily Sales is defined as Net sales divided by the number of selling days.

# Earnings Per Diluted Share

(Unaudited)

(\$ in millions, except per share amounts)

	<b>Three Months Ended September 30,</b>		
	<b>2023</b>	<b>2022</b>	<b>% Change</b>
US GAAP Net income	\$ 315.5	\$ 297.8	5.9 %
Weighted-average common shares outstanding - Diluted	135.9	137.1	
Net income per diluted share	<u>\$ 2.32</u>	<u>\$ 2.17</u>	6.9 %
Non-GAAP net income*	\$ 369.4	\$ 357.0	3.5 %
Weighted-average common shares outstanding - Diluted	135.9	137.1	
Non-GAAP net income per diluted share*	<u>\$ 2.72</u>	<u>\$ 2.60</u>	4.4 %

\* Non-GAAP measure. See appendix within this presentation for non-GAAP reconciliations to the most directly comparable GAAP measures.



# Debt and Revolver Availability

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Cash and cash equivalents	\$ 440.7	\$ 315.2	\$ 384.6
Total debt	5,701.5	5,922.7	6,157.8
Net debt (total debt net of cash and cash equivalents)	5,260.8	5,607.5	5,773.2
Revolver availability	942.4	1,083.6	1,069.8
Cash plus revolver availability	1,383.1	1,398.8	1,454.4

# Cash Conversion Cycle

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*(Unaudited)*

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Days of sales outstanding	73	71	68
Days of supply in inventory	14	17	18
Days purchases outstanding	(72)	(67)	(68)
Cash conversion cycle	<u>15</u>	<u>21</u>	<u>18</u>

# Free Cash Flow and Adjusted Free Cash Flow

(Unaudited)

(\$ in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net cash provided by operating activities	\$ 468.7	\$ 332.9	\$ 1,062.2	\$ 1,094.0
Capital expenditures	(43.5)	(33.6)	(114.7)	(97.2)
Free Cash Flow	425.2	299.3	947.5	996.8
Net change in accounts payable - inventory financing	3.9	26.7	165.4	46.6
Adjusted free cash flow <sup>(1)(2)</sup>	<u>\$ 429.1</u>	<u>\$ 326.0</u>	<u>\$ 1,112.9</u>	<u>\$ 1,043.4</u>

- (1) Beginning with this report, we will refer to our historical key business metric, Free cash flow, as Adjusted free cash flow with no definitional change from prior reports.
- (2) Defined as Cash flows provided by operating activities less capital expenditures, 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	5% increase in November 2023 to \$2.48/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 2.4x <sup>(2)</sup>
Supplement Organic Growth with M&A	Expand CDW's strategic capabilities	Acquired Locus Recruiting and Enquizit
Return Excess Adjusted FCF after Dividends & M&A Through Share Repurchases	Target, in aggregate with dividend, returning 50% to 75% of Adjusted FCF to shareholders	Now expect to return 60-75% of Adjusted FCF to shareholders in 2023; ~\$450M of share repurchases YTD <sup>(2)</sup>

(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, 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 when adjusted for netted down sales mix

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

In the range of low-to-mid 9%<sup>s</sup>

Non-GAAP Earnings Per Diluted Share Growth

Flat to up slightly year-over-year

(1) 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.

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

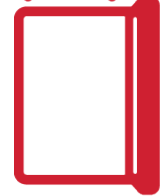
(3) Non-GAAP operating income as a percentage of Net sales.

# Modeling Thoughts for 2023

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- Net sales
  - 2H sales split modestly below historical norm of 51% to 52% of full-year Net sales
  - Fourth quarter reported sequential sales decline of mid-single digits on an average daily sales basis
  - Currency expected to be approximately 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 ~\$115 million
- Annual interest expense expected to be between \$230 million and \$235 million
- Non-GAAP effective tax rate expected to be between 25.5% to 26.5%
- Annual Adjusted Free Cash Flow at approximately 6%, above 'rule of thumb' of 4% to 4 1/2% of Net sales and prior expectations
- Capital expenditure at approximately 0.70% of Net sales
- Achieve Cash Conversion Cycle at the lower end of target range of high teens to low 20s

# Questions and Answers



**PEOPLE  
WHO  
GET IT™**

# Appendix: Non-GAAP Reconciliations





# Non-GAAP Financial Measures

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Non-GAAP operating income excludes, among other things, charges related to the amortization of acquisition-related intangible assets, equity-based compensation and related payroll taxes, acquisition and integration expenses, transformation initiatives and workplace optimization. Non-GAAP operating income margin is defined as Non-GAAP operating income as a percentage of Net sales. Non-GAAP SG&A excludes, among other things, charges related to the amortization of acquisition-related intangible assets, equity-based compensation and related payroll taxes, acquisition and integration expenses, transformation initiatives and workplace optimization. Non-GAAP net income excludes, among other things, charges related to acquisition-related intangible asset amortization, equity-based compensation, acquisition and integration expenses, transformation initiatives, workplace optimization and the associated tax effects of each. Net sales on a constant currency basis is defined as Net sales excluding the impact of foreign currency translation on Net sales compared to the prior period. Free cash flow is defined as cash flows from operating activities less capital expenditures. Adjusted free cash flow is defined as Free cash flow adjusted to include cash flows from financing activities that relate to the purchase of inventory.

Non-GAAP operating income, Non-GAAP operating income margin, Non-GAAP SG&A, Non-GAAP net income, Non-GAAP net income per diluted share, Net sales on a constant currency basis, Free cash flow and Adjusted free cash flow are considered non-GAAP financial measures. 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. Non-GAAP measures used by management may differ from similar measures used by other companies, even when similar terms are used to identify such measures.

CDW believes Non-GAAP operating income, Non-GAAP operating income margin, Non-GAAP SG&A, Non-GAAP net income, and Net sales on a constant currency basis provide analysts, investors and management with helpful information regarding the underlying operating performance of CDW's business, as they remove the impact of items that management believes are not reflective of underlying operating performance. CDW uses these measures to evaluate period-over-period performance as management believes they provide a more comparable measure of the underlying business. We also present Free cash flow and Adjusted free cash flow as we believe this measure provides more information regarding our liquidity and capital resources. Certain non-GAAP financial measures are also used to determine certain components of performance-based compensation.

CDW's 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 CDW's routine activities, such as refinancing activities or acquisition and integration expenses.

The subsequent slides include a reconciliation of non-GAAP financial measures to the applicable most comparable US GAAP financial measures.

# Net Sales Growth on a Constant Currency Basis

(Unaudited)  
(\$ in millions)

	Three Months Ended September 30,			
	2023	2022	% Change <sup>(1)</sup>	Average Daily % Change <sup>(i)</sup>
Net sales, as reported	\$ 5,628.3	\$ 6,215.5	(9.4)%	(8.0)%
Foreign currency translation <sup>(2)</sup>	—	27.8		
Net sales, on a constant currency basis*	<u>\$ 5,628.3</u>	<u>\$ 6,243.3</u>	(9.9)%	(8.4)%

(1) There were 63 and 64 selling days for the three months ended September 30, 2023 and 2022, respectively. Average Daily Sales is defined as Net sales divided by the number of selling days.

(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 measure.

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

(Unaudited)

(\$ in millions)

	Three Months Ended September 30,		
	2023	2022	% Change
SG&A, as reported	\$ 749.3	\$ 766.8	(2.3)%
Amortization of acquisition-related intangible assets <sup>(1)</sup>	(37.3)	(44.8)	
Equity-based compensation	(26.0)	(26.8)	
Acquisition and integration expenses	(7.1)	(9.7)	
Transformation costs <sup>(2)</sup>	(6.4)	(1.0)	
Workplace optimization <sup>(3)</sup>	0.4	—	
Other adjustments	(1.5)	(0.3)	
Non-GAAP SG&A*	<u>\$ 671.4</u>	<u>\$ 684.2</u>	(1.9)%
Operating income, as reported	\$ 478.4	\$ 466.4	2.6 %
Non-GAAP operating income*	\$ 556.3	\$ 549.0	1.3 %
<i>Operating income as % of net sales</i>	8.5 %	7.5 %	
<i>Non-GAAP operating income as % of net sales*</i>	9.9 %	8.8 %	

(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 measure.

# Non-GAAP Operating Income and Non-GAAP Operating Income Margin Reconciliation

(Unaudited)  
(\$ in millions)

Three Months Ended September 30,

	<u>2023</u>	<u>% of Net sales</u>	<u>2022</u>	<u>% of Net sales</u>
Operating income, as reported	\$ 478.4	8.5 %	\$ 466.4	7.5 %
Amortization of intangibles <sup>(1)</sup>	37.3		44.8	
Equity-based compensation	26.0		26.8	
Acquisition and integration expenses	7.1		9.7	
Transformation initiatives <sup>(2)</sup>	6.4		1.0	
Workplace optimization <sup>(3)</sup>	(0.4)		—	
Other adjustments	1.5		0.3	
Non-GAAP operating income*	<u>\$ 556.3</u>	9.9 %	<u>\$ 549.0</u>	8.8 %

(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 measure.

# Non-GAAP Net Income and Non-GAAP Effective Tax Rate Reconciliation

(Unaudited)

(\$ in millions)

	Three Months Ended September 30, 2023				Three Months Ended September 30, 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	\$ 419.8	\$ (104.3)	\$ 315.5	24.8 %	\$ 399.0	\$ (101.2)	\$ 297.8	25.4 %
Amortization of intangibles <sup>(2)</sup>	37.3	(9.7)	27.6		44.8	(12.6)	32.2	
Equity-based compensation	26.0	(10.3)	15.7		26.8	(8.1)	18.7	
Acquisition and integration expenses	7.1	(1.8)	5.3		9.7	(2.6)	7.1	
Transformation initiatives <sup>(3)</sup>	6.4	(1.7)	4.7		1.0	(0.1)	0.9	
Workplace optimization <sup>(4)</sup>	(0.4)	—	(0.4)		—	—	—	
Other adjustments	1.5	(0.5)	1.0		0.3	—	0.3	
Non-GAAP*	<u>\$ 497.7</u>	<u>\$ (128.3)</u>	<u>\$ 369.4</u>	<u>25.8 %</u>	<u>\$ 481.6</u>	<u>\$ (124.6)</u>	<u>\$ 357.0</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 measure.

# 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,		
	2023	2022	% Change
Net income, as reported	\$ 315.5	\$ 297.8	5.9 %
Amortization of intangibles	37.3	44.8	
Equity-based compensation	26.0	26.8	
Acquisition and integration expenses	7.1	9.7	
Transformation initiatives	6.4	1.0	
Workplace optimization	(0.4)	—	
Other adjustments	1.5	0.3	
Aggregate adjustment for income taxes	(24.0)	(23.4)	
Non-GAAP net income <sup>(1)*</sup>	\$ 369.4	\$ 357.0	3.5 %
Foreign currency translation <sup>(2)</sup>	—	0.8	
Non-GAAP net income, on a constant currency basis*	\$ 369.4	\$ 357.8	3.2 %
Shares used in computing US GAAP, Non-GAAP, and Non-GAAP on a constant currency basis net income per diluted share	135.9	137.1	
US GAAP net income per diluted share	\$ 2.32	\$ 2.17	6.9 %
Non-GAAP net income per diluted share*	\$ 2.72	\$ 2.60	4.4 %
Non-GAAP net income per diluted share, on a constant currency basis*	\$ 2.72	\$ 2.61	4.2 %

(1) See Slide 20 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 measure.