



CDW Corporation

Webcast Conference Call

February 7, 2024

[CDW.com](https://www.cdw.com) | 800.800.4239

Today's Agenda

- Fourth Quarter and Full Year 2023 Results
- Performance Drivers
- Outlook
- Q&A

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. Important factors that could cause actual results or events to differ materially from our expectations, or cautionary statements, are disclosed under the sections entitled "Risk Factors" and "Trends and Key Factors Affecting our Financial Performance" included in our Annual Report on Form 10-K for the year ended December 31, 2022, and from time to time in our subsequent Quarterly Reports on Form 10-Q and our other US Securities and Exchange Commission ("SEC") filings and public communications.

Non-GAAP Financial Measures

Non-GAAP operating income excludes, among other things, charges related to the amortization of acquisition-related intangible assets, equity-based compensation and the associated 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 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 certain cash flows from financing activities incurred in the normal course of operations or as capital expenditures.

Non-GAAP operating income, Non-GAAP operating income margin, 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 net income, Non-GAAP net income per diluted share and Net sales on a constant currency basis provide analysts, investors and management with useful 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 these measures provide 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 outlook is 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.

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. For a reconciliation of non-GAAP financial measures to the applicable most comparable US GAAP financial measures, see the CDW Investor Relations website: <https://investor.cdw.com/financials/quarterly-results/default.aspx>

Q4 2023 and Full Year Financial Performance

Fourth Quarter:

- Net sales of \$5.0 billion
 - Down 7.7% on a reported basis and average daily sales ("ADS") basis
 - Down 8.1% on a constant currency basis*
- Operating income of \$435 million, down 2.6%
- Net income of \$296 million, up 3.1%
- Non-GAAP operating income* of \$519 million, down 0.8%
- Net income per diluted share \$2.18, up 4.3%
- Non-GAAP net income per diluted* share \$2.57, up 2.8%

Full Year:

- Net sales of \$21.4 billion
 - Down 10.0% on a reported basis and ADS basis
 - Down 9.9% on a constant currency basis*
- Operating income of \$1,681 million, down 3.1%
- Net income of \$1,104 million, down 0.9%
- Non-GAAP operating income* of \$2,039 million, down 0.6%
- Net income per diluted share of \$8.10, down 0.4%
- Non-GAAP net income per diluted* share \$9.88, up 0.9%

Net Sales By Channel

(Unaudited)

(\$ in millions)

	Three Months Ended December 31,			Year Ended December 31,		
	2023	2022	% Change ⁽¹⁾	2023	2022	% Change ⁽¹⁾
Corporate	\$ 2,285.6	\$ 2,484.0	(8.0)%	\$ 8,960.8	\$ 10,350.1	(13.4)%
Small Business	370.0	423.7	(12.7)	1,556.0	1,938.9	(19.7)
Public						
Government	660.7	632.5	4.5	2,669.1	2,574.3	3.7
Education	579.1	656.2	(11.7)	3,298.3	3,621.4	(8.9)
Healthcare	535.9	562.3	(4.7)	2,338.3	2,355.6	(0.7)
Total Public	1,775.7	1,851.0	(4.1)	8,305.7	8,551.3	(2.9)
Other	587.2	679.6	(13.6)	2,553.5	2,908.4	(12.2)
Total Net sales	\$ 5,018.5	\$ 5,438.3	(7.7)%	\$ 21,376.0	\$ 23,748.7	(10.0)%

(1) There were 63 selling days for both the three months ended December 31, 2023 and 2022. There were 254 selling days for both the years ended December 31, 2023 and 2022. Average Daily Sales is defined as Net sales divided by the number of selling days.

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

Q4 2023 Financial Results

(Unaudited)

(\$ in millions, except per share amounts)

	Three Months Ended December 31,		
	2023	2022	% Change
Net sales	\$ 5,018.5	\$ 5,438.3	(7.7)%
<i>Average daily net sales⁽¹⁾</i>	\$ 79.7	\$ 86.3	(7.7)%
Gross profit	\$ 1,153.8	\$ 1,181.1	(2.3)%
<i>% of Net sales</i>	23.0 %	21.7 %	
Selling and administrative expenses	\$ 718.8	\$ 734.5	(2.1)%
Operating income	\$ 435.0	\$ 446.6	(2.6)%
<i>% of Net sales</i>	8.7 %	8.2 %	
Non-GAAP SG&A*	\$ 635.1	\$ 658.0	(3.5)%
Non-GAAP operating income*	\$ 518.7	\$ 523.1	(0.8)%
<i>% of Net sales*</i>	10.3 %	9.6 %	
Interest expense, net	\$ 53.3	\$ 59.4	(10.3)%
Other expense, net	\$ 1.0	\$ 6.0	**nm
Net income	\$ 296.1	\$ 287.2	3.1 %
Non-GAAP net income*	\$ 349.1	\$ 343.4	1.7 %
Effective tax rate	22.2 %	24.7 %	
Non-GAAP effective tax rate*	24.8 %	25.2 %	

* Non-GAAP measure.

** Not meaningful

(1) There were 63 selling days for both the three months ended December 31, 2023 and 2022. Average Daily Sales is defined as Net sales divided by the number of selling days.

Q4 2023 Earnings Per Share

(Unaudited)

(\$ in millions, except per share amounts)

	Three Months Ended December 31,		
	2023	2022	% Change
US GAAP Net income	\$ 296.1	\$ 287.2	3.1 %
Weighted-average common shares outstanding - Diluted	135.9	137.4	
Net income per diluted share	<u>\$ 2.18</u>	<u>\$ 2.09</u>	4.3 %
Non-GAAP net income*	\$ 349.1	\$ 343.4	1.7 %
Weighted-average common shares outstanding - Diluted	135.9	137.4	
Non-GAAP net income per diluted share*	<u>\$ 2.57</u>	<u>\$ 2.50</u>	2.8 %

* Non-GAAP measure.

Full Year Financial Results

(Unaudited)

(\$ in millions, except per share amounts)

	Year Ended December 31,		
	2023	2022	% Change
Net sales	\$ 21,376.0	\$ 23,748.7	(10.0)%
Average daily net sales ⁽¹⁾	\$ 84.2	\$ 93.5	(10.0)%
Gross profit	\$ 4,652.4	\$ 4,686.6	(0.7)%
% of Net sales	21.8 %	19.7 %	
Selling and administrative expenses	\$ 2,971.5	\$ 2,951.4	0.7 %
Operating income	\$ 1,680.9	\$ 1,735.2	(3.1)%
% of Net sales	7.9 %	7.3 %	
Non-GAAP SG&A*	\$ 2,613.3	\$ 2,636.1	(0.9)%
Non-GAAP operating income*	\$ 2,039.1	\$ 2,050.5	(0.6)%
% of Net sales*	9.5 %	8.6 %	
Interest expense, net	\$ 226.6	\$ 235.7	(3.9)%
Other expense, net	\$ 4.1	\$ 11.7	nm**
Net income	\$ 1,104.3	\$ 1,114.5	(0.9)%
Non-GAAP net income*	\$ 1,346.2	\$ 1,341.5	0.4 %
Effective tax rate	23.9 %	25.1 %	
Non-GAAP effective tax rate*	25.6 %	25.7 %	

* Non-GAAP measure.

** Not meaningful

(1) There were 254 selling days for both the years ended December 31, 2023 and 2022. Average Daily Sales is defined as Net sales divided by the number of selling days.

Full Year Earnings Per Diluted Share

(Unaudited)

(\$ in millions, except per share amounts)

	Year Ended December 31,		
	2023	2022	% Change
US GAAP Net income	\$ 1,104.3	\$ 1,114.5	(0.9)%
Weighted-average common shares outstanding - Diluted	136.3	137.0	
Net income per diluted share	<u>\$ 8.10</u>	<u>\$ 8.13</u>	(0.4)%
Non-GAAP net income*	\$ 1,346.2	\$ 1,341.5	0.4 %
Weighted-average common shares outstanding - Diluted	136.3	137.0	
Non-GAAP net income per diluted share*	<u>\$ 9.88</u>	<u>\$ 9.79</u>	0.9 %

* Non-GAAP measure.

Debt and Revolver Availability

(Unaudited)

(\$ in millions)

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
Cash and cash equivalents	\$	588.7	\$	315.2
Total debt	\$	5,644.9	\$	5,922.7
Net debt (total debt net of cash and cash equivalents)	\$	5,056.2	\$	5,607.5
Revolver availability	\$	1,208.1	\$	1,083.6
Cash plus revolver availability	\$	1,796.8	\$	1,398.8

Cash Conversion Cycle

(Unaudited)

(Based on a rolling three-month average)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Days of sales outstanding	77	71
Days of supply in inventory	13	17
Days purchases outstanding	<u>(73)</u>	<u>(67)</u>
Cash conversion cycle	<u><u>17</u></u>	<u><u>21</u></u>

Free Cash Flow and Adjusted Free Cash Flow

(Unaudited)

(\$ in millions)

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Net cash provided by operating activities	\$ 536.5	\$ 242.0	\$ 1,598.7	\$ 1,335.9
Capital expenditures	(33.5)	(30.6)	(148.2)	(127.8)
Free cash flow*	503.0	211.4	1,450.5	1,208.1
Net change in accounts payable-inventory financing	(189.1)	37.9	(23.7)	84.6
Adjusted free cash flow ^{*(1)}	<u>\$ 313.9</u>	<u>\$ 249.3</u>	<u>\$ 1,426.8</u>	<u>\$ 1,292.7</u>

* Non-GAAP measure

(1) 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.

2024 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 ⁽¹⁾	Target ~2.0 to 3.0 times Net Leverage Ratio; committed to maintaining investment grade credit rating	Currently at 2.4x ⁽²⁾
Supplement Organic Growth with M&A	Expand CDW's strategic capabilities	10 acquisitions over the last 5 years
Return Excess FCF after Dividends and M&A Through Share Repurchases	Target, in aggregate with dividend, returning 50% to 75% of FCF to shareholders	Announced \$750 million increase to share repurchase authorization for 2024 and beyond

(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 December 31, 2023.

2024 Outlook

2024 Outlook^{(1),(2)}

Customer Spend

U.S. IT growth plus ~200 to 300 bps premium

Gross Profit

Low-to-mid single digit growth

Non-GAAP Earnings Per Diluted Share Growth

Mid-single digit growth

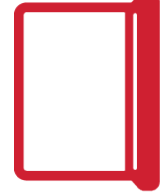
(1) As of February 7, 2024; all growth rates on a constant currency basis

(2) 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.

Modeling Thoughts for 2024

- Gross Profit
 - Low single-digit growth starting in Q1, ramping through the year to average to low-to-mid single digit growth for the full year
 - Currency expected to be approximately neutral for full year
- 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 net interest expense expected to be between \$210 million and \$215 million
- Non-GAAP effective tax rate expected to be between 25.5% to 26.5%
- Adjusted Free Cash Flow to be in the range of 80% to 90% of Non-GAAP Net Income for the full year
- Capital expenditure in the range of \$140 million to \$170 million
- Achieve Cash Conversion Cycle within target range of high teens to low 20s

Questions and Answers



**PEOPLE
WHO
GET IT™**