



# CDW Corporation

Webcast Conference Call

July 31, 2024

# Today's Agenda

Second Quarter 2024 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 the future financial performance, 2024 outlook, capital allocation priorities and growth prospects 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, 2023, 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 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.

Our non-GAAP performance measures include 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, and our non-GAAP financial condition measures include Free cash flow and Adjusted free cash flow. These non-GAAP performance measures and non-GAAP financial condition measures are collectively referred to as "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 and Non-GAAP net income per diluted share exclude, 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. Free cash flow is defined as Net cash provided by 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.

We believe our non-GAAP performance measures provide analysts, investors and management with useful information regarding the underlying operating performance of our business, as they remove the impact of items that management believes are not reflective of underlying operating performance. Management 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 non-GAAP financial condition measures as we believe they provide analysts, investors and management with more information regarding our liquidity and capital resources. Certain non-GAAP financial measures are also used to determine certain components of performance-based compensation.

Our outlook includes non-GAAP financial measures 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 our underlying performance, such as refinancing activities or acquisition and integration expenses.

Non-GAAP financial measures in this presentation are denoted with an asterisk (\*) when shown. For a reconciliation of non-GAAP financial measures to the most comparable US GAAP financial measures, see the CDW Investor Relations website: <https://investor.cdw.com/financials/quarterly-results/default.aspx>.

# Financial Performance

- **Net sales** of \$5.4 billion
  - Down 3.6% on a reported, average daily sales, and constant currency\* basis
- **Gross profit** of \$1.2 billion, up 0.1%
- **Gross profit margin** of 21.8%, up 80 basis points
- **Operating income** of \$433 million, up 5.1%
- **Non-GAAP operating income\*** of \$510 million, down 3.7%
- **Net income** of \$281 million, up 7.0%
- **Net income per diluted share** of \$2.07, up 7.5%
- **Non-GAAP net income per diluted\* share** of \$2.50, down 2.6%

\*Non-GAAP Measure

# Net Sales By Channel

(Unaudited)  
(\$ in millions)

	Three Months Ended June 30,		
	2024	2023	% Change <sup>(1)</sup>
<b>Corporate</b>	\$ 2,195.2	\$ 2,245.0	(2.2)%
<b>Small Business</b>	382.9	396.2	(3.4)
<b>Public</b>			
<b>Government</b>	639.1	681.2	(6.2)
<b>Education</b>	1,017.4	1,026.8	(0.9)
<b>Healthcare</b>	586.8	587.1	(0.1)
<b>Total Public</b>	<u>2,243.3</u>	<u>2,295.1</u>	<u>(2.3)</u>
<b>Other</b>	<u>602.0</u>	<u>689.8</u>	<u>(12.7)</u>
<b>Total Net Sales</b>	<u>\$ 5,423.4</u>	<u>\$ 5,626.1</u>	<u>(3.6)%</u>

(1) There were 64 selling days for both the three months ended June 30, 2024 and 2023. Average Daily Sales is defined as Net sales divided by the number of selling days.

# Our Three-Part Growth Strategy

1

Capture share and acquire new customers

2

Enhance capabilities in high-growth solutions areas

3

Expand services capabilities

# Financial Results

(Unaudited)

(\$ in millions, except percentages)

	Three Months Ended June 30,		
	2024	2023	% Change
<b>Net sales</b>	\$ 5,423.4	\$ 5,626.1	(3.6)%
<i>Average daily net sales<sup>(1)</sup></i>	\$ 84.7	\$ 87.9	(3.6)
<b>Gross profit</b>	\$ 1,183.1	\$ 1,181.5	0.1
<i>Gross profit margin</i>	21.8 %	21.0 %	
<b>Selling and administrative expenses</b>	\$ 750.0	\$ 769.3	(2.5)
<b>Operating income</b>	\$ 433.1	\$ 412.2	5.1
<i>Operating income margin</i>	8.0 %	7.3 %	
<b>Non-GAAP SG&amp;A*</b>	\$ 672.8	\$ 651.7	3.2
<b>Non-GAAP operating income*</b>	\$ 510.3	\$ 529.8	(3.7)
<i>Non-GAAP operating income margin*</i>	9.4 %	9.4 %	
<b>Interest expense, net</b>	\$ 52.3	\$ 58.2	(10.1)
<b>Other expense, net</b>	\$ 1.1	\$ 0.6	83.3
<b>Net income</b>	\$ 281.1	\$ 262.6	7.0
<b>Non-GAAP net income*</b>	\$ 338.8	\$ 349.0	(2.9)
<b>Effective Tax Rate</b>	26.0 %	25.7 %	
<b>Non-GAAP Effective Tax Rate*</b>	25.8 %	25.9 %	

\* Non-GAAP measure.

(1) There were 64 selling days for both the three months ended June 30, 2024 and 2023. 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)

	Three Months Ended June 30,		
	2024	2023	% Change
<b>US GAAP Net income</b>	\$ 281.1	\$ 262.6	7.0 %
<b>Weighted-average common shares outstanding - Diluted</b>	135.6	136.1	
<b>Net income per diluted share</b>	<u>\$ 2.07</u>	<u>\$ 1.92</u>	7.5
<b>Non-GAAP net income*</b>	\$ 338.8	\$ 349.0	(2.9)
<b>Weighted-average common shares outstanding - Diluted</b>	135.6	136.1	
<b>Non-GAAP net income per diluted share*</b>	<u>\$ 2.50</u>	<u>\$ 2.56</u>	(2.6)

\* Non-GAAP measure

# Debt and Revolver Availability

(Unaudited)

(\$ in millions)

	June 30, 2024	December 31, 2023	June 30, 2023
Cash and cash equivalents	\$ 665.3	\$ 588.7	\$ 203.9
Total debt	5,628.3	5,644.9	5,763.2
Net debt (total debt net of cash and cash equivalents)	4,963.0	5,056.2	5,559.3
Revolver availability	1,245.5	1,208.1	984.4
Cash plus revolver availability	1,910.8	1,796.8	1,188.3

# Cash Conversion Cycle

*(Unaudited)*

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

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
<b>Days of sales outstanding</b>	72	77	67
<b>Days of supply in inventory</b>	13	13	14
<b>Days purchases outstanding</b>	(68)	(73)	(67)
<b>Cash conversion cycle</b>	<u>17</u>	<u>17</u>	<u>14</u>

# Free Cash Flow and Adjusted Free Cash Flow

(Unaudited)  
(\$ in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
<b>Net cash provided by operating activities</b>	\$ 149.9	\$ 228.1	\$ 589.9	\$ 593.6
<b>Capital expenditures</b>	(30.9)	(39.5)	(60.4)	(71.3)
<b>Free Cash Flow*</b>	119.0	188.6	529.5	522.3
<b>Net change in accounts payable - inventory financing</b>	19.4	84.0	(26.7)	161.6
<b>Adjusted free cash flow<sup>*(1)</sup></b>	<u>\$ 138.4</u>	<u>\$ 272.6</u>	<u>\$ 502.8</u>	<u>\$ 683.9</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 <sup>(1)</sup>	Target ~2.0 to 3.0 times Net Leverage Ratio; consistent with our commitment to an investment grade capital structure	Currently at 2.4x <sup>(2)</sup>
Supplement Organic Growth with M&A	Expand CDW's strategic capabilities	10 acquisitions over the last 5 years
Return Excess Adjusted FCF after Dividends and M&A Through Share Repurchases	Target, in aggregate with dividend, returning 50% to 75% of Adjusted FCF to shareholders	\$254M 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 June 30, 2024.

# 2024 Outlook

## 2024 Outlook <sup>(1), (2)</sup>

Customer Spend

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

Gross Profit

Flat to low-single digit growth

Non-GAAP Earnings Per Diluted Share

Flat to low-single digit growth

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 underlying performance, such as refinancing activities or acquisition and integration expenses.
2. As of July 31, 2024; all growth rates are on a year-over-year constant currency basis.

# Modeling Thoughts

<b>Metric</b>	<b>Expectations</b>
Gross profit	<ul style="list-style-type: none"><li>• Sequential growth in Q3 leads to low-single digit year-over-year growth</li><li>• 1H/2H split is aligned to historical levels, with Q4 meaningfully lower than Q3</li><li>• Currency expected to be approximately neutral for full year</li></ul>
Annual depreciation and amortization expense	<ul style="list-style-type: none"><li>• Between \$270 million to \$275 million</li><li>• Includes ~\$155 million of amortization expense for acquisition-related intangible assets</li><li>• Excluding acquisition-related intangibles, expected to be ~\$115 million</li></ul>
Annual interest expense	<ul style="list-style-type: none"><li>• Between \$208 million to \$213 million</li></ul>
Non-GAAP effective tax rate	<ul style="list-style-type: none"><li>• Between 25.5% to 26.5%</li></ul>
Annual adjusted free cash flow	<ul style="list-style-type: none"><li>• In range of 80% to 90% on Non-GAAP Net Income for the full year</li></ul>
Capital expenditures	<ul style="list-style-type: none"><li>• In range of \$120 million to \$140 million</li></ul>
Cash conversion cycle	<ul style="list-style-type: none"><li>• Achieve within target range of high teens to low 20s</li></ul>

# Questions and Answers