



CDW Corporation

Webcast Conference Call

October 30, 2024

Today's Agenda

Third 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 \$5.5 billion**
 - Down 2.0% on a reported basis
 - Down 3.5% on an average daily sales ("ADS") basis
 - Down 3.6% on an ADS constant currency* basis
- **Gross profit of \$1.2 billion, down 2.2%**
- **Gross profit margin of 21.8%, consistent with prior year**
- **Operating income of \$482 million, up 0.7%**
- **Non-GAAP operating income*** of \$534 million, down 4.0%
- **Net income of \$316 million, up 0.3%**
- **Net income per diluted share of \$2.34, up 1.0%**
- **Non-GAAP net income per diluted share*** of \$2.63, down 3.2%

*Non-GAAP Measure



Net Sales By Channel

(Unaudited)
(\$ in millions)

	Three Months Ended September 30,			
	2024	2023	% Change ⁽¹⁾	Average Daily % Change ⁽¹⁾
Corporate	\$ 2,161.2	\$ 2,226.5	(2.9)%	(4.4)%
Small Business	379.7	378.4	0.3	(1.2)
Public				
Government	691.0	775.7	(10.9)	(12.3)
Education	995.7	1,026.7	(3.0)	(4.5)
Healthcare	649.0	619.7	4.7	3.1
Total Public	<u>2,335.7</u>	<u>2,422.1</u>	<u>(3.6)</u>	<u>(5.1)</u>
Other	<u>640.0</u>	<u>601.3</u>	<u>6.4</u>	<u>4.8</u>
Total Net Sales	<u>\$ 5,516.6</u>	<u>\$ 5,628.3</u>	<u>(2.0)%</u>	<u>(3.5)%</u>

(1) There were 64 and 63 selling days for the three months ended September 30, 2024 and 2023, respectively. Average Daily Sales is defined as Net sales divided by the number of selling days.

Financial Results

(Unaudited)

(\$ in millions, except percentages)

	Three Months Ended September 30,		
	2024	2023	% Change
Net sales	\$ 5,516.6	\$ 5,628.3	(2.0)%
<i>Average daily net sales⁽¹⁾</i>	\$ 86.2	\$ 89.3	(3.5)
Gross profit	\$ 1,200.7	\$ 1,227.7	(2.2)
<i>Gross profit margin</i>	21.8 %	21.8 %	
Selling and administrative expenses	\$ 719.1	\$ 749.3	(4.0)
Operating income	\$ 481.6	\$ 478.4	0.7
<i>Operating income margin</i>	8.7 %	8.5 %	
Non-GAAP SG&A*	\$ 666.7	\$ 671.4	(0.7)
Non-GAAP operating income*	\$ 534.0	\$ 556.3	(4.0)
<i>Non-GAAP operating income margin*</i>	9.7 %	9.9 %	
Interest expense, net	\$ 54.4	\$ 57.4	(5.2)
Other income (expense), net	\$ 0.4	\$ (1.2)	nm**
Net income	\$ 316.4	\$ 315.5	0.3
Non-GAAP net income*	\$ 354.9	\$ 369.4	(3.9)
Effective Tax Rate	26.0 %	24.8 %	
Non-GAAP Effective Tax Rate*	25.9 %	25.8 %	

* Non-GAAP measure.

** Not meaningful

(1) There were 64 and 63 selling days for the three months ended September 30, 2024 and 2023, 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)

	Three Months Ended September 30,		
	2024	2023	% Change
US GAAP Net income	\$ 316.4	\$ 315.5	0.3 %
Weighted-average common shares outstanding - Diluted	134.9	135.9	
Net income per diluted share	<u>\$ 2.34</u>	<u>\$ 2.32</u>	1.0
Non-GAAP net income*	\$ 354.9	\$ 369.4	(3.9)
Weighted-average common shares outstanding - Diluted	134.9	135.9	
Non-GAAP net income per diluted share*	<u>\$ 2.63</u>	<u>\$ 2.72</u>	(3.2)

* Non-GAAP measure

Debt and Revolver Availability

(Unaudited)
(\$ in millions)

	September 30, 2024	December 31, 2023	September 30, 2023
Cash and cash equivalents	\$ 946.7	\$ 588.7	\$ 440.7
Short-term investments	211.7	—	—
Total debt	6,030.7	5,644.9	5,701.5
Net debt*	4,872.3	5,056.2	5,260.8
Revolver availability	1,254.4	1,208.1	942.4
Cash plus revolver availability	2,201.1	1,796.8	1,383.1

* Defined as total debt minus Cash and cash equivalents and Short-term investments

Cash Conversion Cycle

(Unaudited)

(Based on a rolling three-month average)

	September 30, 2024	December 31, 2023	September 30, 2023
Days of sales outstanding	79	77	73
Days of supply in inventory	14	13	14
Days purchases outstanding	(76)	(73)	(72)
Cash conversion cycle	<u>17</u>	<u>17</u>	<u>15</u>

Free Cash Flow and Adjusted Free Cash Flow

(Unaudited)
(\$ in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net cash provided by operating activities	\$ 342.1	\$ 468.7	\$ 932.0	\$ 1,062.2
Capital expenditures	(33.6)	(43.5)	(94.0)	(114.7)
Free Cash Flow*	308.5	425.2	838.0	947.5
Net change in accounts payable - inventory financing	(47.2)	3.9	(73.9)	165.4
Adjusted free cash flow*⁽¹⁾	<u>\$ 261.3</u>	<u>\$ 429.1</u>	<u>\$ 764.1</u>	<u>\$ 1,112.9</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 Dividend Annually

Target ~25% payout of Non-GAAP net income; grow in-line with earnings

~1% increase in November 2024 to \$2.50/share annually

Maintain Net Leverage Ratio ⁽¹⁾

Target ~2.0 to 3.0 times Net Leverage Ratio; consistent with our commitment to an investment grade capital structure

Currently at 2.3x⁽²⁾

Supplement Organic Growth with M&A

Expand CDW's strategic capabilities

Ten acquisitions over the last five 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

\$354M of share repurchases YTD⁽²⁾

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 and short-term investments, 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, 2024.

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

CUSTOMER SPEND

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

GROSS PROFIT

Low-single digit decline

NON-GAAP EARNINGS PER DILUTED SHARE

Mid-single digit decline

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 October 30, 2024; all growth rates are on a year-over-year constant currency basis.

Modeling Thoughts

Metric	Expectations
Gross profit	<ul style="list-style-type: none">• Sequential declines in Q4 lead to low-to-mid single digit year-over-year declines• 2H slightly above 1H total with Q4 meaningfully lower than Q3• Currency expected to be neutral to slightly favorable in Q4, driven by UK
Annual depreciation and amortization expense	<ul style="list-style-type: none">• Approximately \$275 million• Includes ~\$150 million of amortization expense for acquisition-related intangible assets• Excluding acquisition-related intangibles, expected to be ~\$125 million
Annual interest expense	<ul style="list-style-type: none">• Between \$210 million to \$214 million
Non-GAAP effective tax rate	<ul style="list-style-type: none">• Between 25.5% to 26.5%
Annual adjusted free cash flow	<ul style="list-style-type: none">• In range of 80% to 90% on Non-GAAP Net Income for the full year
Capital expenditures	<ul style="list-style-type: none">• In range of \$120 million to \$140 million
Cash conversion cycle	<ul style="list-style-type: none">• Achieve within target range of high teens to low 20s

Questions and Answers