



CDW Corporation

Non-GAAP Reconciliations
Third Quarter 2020

CDW.com | 800.800.4239

Non-GAAP Operating Income Reconciliation

(Unaudited)

(\$ in millions)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	% of Net sales	2019	% of Net sales	2020	% of Net sales	2019	% of Net sales
Operating income, as reported	\$ 317.8	6.7 %	\$ 320.6	6.5 %	\$ 847.0	6.3 %	\$ 849.8	6.3 %
Amortization of intangibles ⁽¹⁾	44.9		44.6		133.9		133.7	
Equity-based compensation	11.5		12.8		25.9		37.7	
Workforce reduction charges	8.5		—		8.5		—	
Other adjustments ⁽²⁾	3.6		2.4		13.1		4.9	
Non-GAAP operating income*	<u>\$ 386.3</u>	8.1 %	<u>\$ 380.4</u>	7.8 %	<u>\$ 1,028.4</u>	7.6 %	<u>\$ 1,026.1</u>	7.6 %

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

(2) Includes other expenses such as payroll taxes on equity-based compensation, expenses related to the relocation of the downtown Chicago office, and acquisition and integration expenses.

* Non-GAAP operating income 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 November 2, 2020 for a discussion of non-GAAP financial measures.

Q3 2020 Non-GAAP Net Income Reconciliation

(Unaudited)

(\$ in millions)

	Three Months Ended September 30, 2020				Three Months Ended September 30, 2019			
	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	\$ 250.1	\$ (56.9)	\$ 193.2	22.7 %	\$ 260.9	\$ (59.2)	\$ 201.7	22.7 %
Amortization of intangibles ⁽²⁾	44.9	(8.6)	36.3		44.6	(11.3)	33.3	
Equity-based compensation	11.5	(5.1)	6.4		12.8	(11.8)	1.0	
Net loss on extinguishment of long-term debt	27.3	(6.8)	20.5		16.1	(4.0)	12.1	
Workforce reduction charges	8.5	(2.1)	6.4		—	—	—	
Other adjustments ⁽³⁾	3.6	(1.0)	2.6		2.4	(0.6)	1.8	
Non-GAAP*	<u>\$ 345.9</u>	<u>\$ (80.5)</u>	<u>\$ 265.4</u>	<u>23.3 %</u>	<u>\$ 336.8</u>	<u>\$ (86.9)</u>	<u>\$ 249.9</u>	<u>25.8 %</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 other expenses such as payroll taxes on equity-based compensation, expenses related to the relocation of the downtown Chicago office, and acquisition and integration expenses.

* Non-GAAP income before income taxes and Non-GAAP net 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 November 2, 2020 for a discussion of non-GAAP financial measures.

YTD Non-GAAP Net Income Reconciliation

(Unaudited)
(\$ in millions)

	Nine Months Ended September 30, 2020				Nine Months Ended September 30, 2019			
	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	\$ 707.3	\$ (157.1)	\$ 550.2	22.2 %	\$ 713.7	\$ (162.5)	\$ 551.2	22.8 %
Amortization of intangibles ⁽²⁾	133.9	(30.8)	103.1		133.7	(33.8)	99.9	
Equity-based compensation	25.9	(25.2)	0.7		37.7	(28.7)	9.0	
Net loss on extinguishment of long-term debt	27.3	(6.8)	20.5		16.1	(4.0)	12.1	
Workforce reduction charges	8.5	(2.1)	6.4		—	—	—	
Other adjustments ⁽³⁾	13.1	(3.3)	9.8		4.9	(4.1)	0.8	
Non-GAAP*	<u>\$ 916.0</u>	<u>\$ (225.3)</u>	<u>\$ 690.7</u>	<u>24.6 %</u>	<u>\$ 906.1</u>	<u>\$ (233.1)</u>	<u>\$ 673.0</u>	<u>25.7 %</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 other expenses such as payroll taxes on equity-based compensation, expenses related to the relocation of the downtown Chicago office, acquisition and integration expenses.

* Non-GAAP income before income taxes and Non-GAAP net 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 November 2, 2020 for a discussion of non-GAAP financial measures.

Non-GAAP Net Income Per Share

(Unaudited)

(\$ and shares in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
US GAAP Net income	\$ 193.2	\$ 201.7	\$ 550.2	\$ 551.2
Weighted-average common shares outstanding - Diluted	144.8	147.2	144.7	148.2
Net income per diluted share	<u>\$ 1.33</u>	<u>\$ 1.37</u>	<u>\$ 3.80</u>	<u>\$ 3.72</u>
Non-GAAP net income*	\$ 265.4	\$ 249.9	\$ 690.7	\$ 673.0
Weighted-average common shares outstanding - Diluted	144.8	147.2	144.7	148.2
Non-GAAP net income per diluted share*	<u>\$ 1.83</u>	<u>\$ 1.70</u>	<u>\$ 4.77</u>	<u>\$ 4.54</u>

* 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 November 2, 2020 for a discussion of non-GAAP financial measures.

Non-GAAP Operating Income Reconciliation 2010-2015

(Unaudited)

(\$ in millions)

	2010	2011	2012	2013	2014	2015 ⁽¹⁾⁽²⁾
Operating income, as reported	\$ 352.7	\$ 470.7	\$ 510.6	\$ 508.6	\$ 673.0	\$ 742.0
Amortization of intangibles ⁽³⁾	166.8	165.7	163.7	161.2	161.2	173.9
Equity-based compensation	11.5	19.5	22.1	8.6	16.4	31.2
IPO and secondary offering expenses	—	—	—	75.0	1.4	0.8
Other adjustments ⁽⁴⁾	—	—	—	(6.3)	(0.6)	13.0
Non-GAAP operating income	\$ 531.0	\$ 655.9	\$ 696.4	\$ 747.1	\$ 851.4	\$ 960.9
Depreciation and amortization in SG&A ⁽⁵⁾	\$ 39.5	\$ 36.4	\$ 43.2	\$ 43.6	\$ 43.0	\$ 48.1

(1) 2015 and prior years have not been updated to reflect the adoption of Topic 606.

(2) In August 2015, CDW UK was acquired and included in our consolidated financial statements.

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

(4) Primarily includes other expenses such as consolidation of office space, settlement of litigation matters, and acquisition and integration expenses.

(5) Excludes amortization expense for acquisition-related intangible assets.

Non-GAAP Operating Income Reconciliation 2016 - TTM* Q3 2020

(Unaudited)

(\$ in millions)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>TTM Q3 2019</u>	<u>TTM Q3 2020</u>
Operating income, as reported	\$ 820.0	\$ 866.5	\$ 987.3	\$ 1,133.6	\$ 1,092.7	\$ 1,130.8
Amortization of intangibles ⁽¹⁾	187.2	185.1	182.7	178.5	177.8	178.7
Equity-based compensation	39.2	43.7	40.7	48.5	48.5	36.7
Workforce reduction charges	—	—	—	—	—	8.5
Other adjustments ⁽²⁾	1.9	11.5	5.9	7.8	6.6	16.0
Non-GAAP operating income	<u>\$ 1,048.3</u>	<u>\$ 1,106.8</u>	<u>\$ 1,216.6</u>	<u>\$ 1,368.4</u>	<u>\$ 1,325.6</u>	<u>\$ 1,370.7</u>
Depreciation and amortization in SG&A ⁽³⁾	\$ 60.3	\$ 68.8	\$ 77.0	\$ 80.1	\$ 79.6	\$ 66.0

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

(2) Primarily includes other expenses such as payroll taxes on equity-based compensation, expenses related to the relocation of the downtown Chicago office, consolidation of office space, settlement of litigation matters, and acquisition and integration expenses.

(3) Excludes amortization expenses for acquisition-related intangible assets.

* Trailing twelve months

Non-GAAP Net Income Reconciliation 2010 - 2015

(Unaudited)
(\$ in millions)

	2010	2011	2012	2013	2014	2015 ⁽¹⁾⁽²⁾
US GAAP net income	\$ (29.2)	\$ 17.1	\$ 119.0	\$ 132.8	\$ 244.9	\$ 403.1
Amortization of intangibles ⁽³⁾	166.8	165.7	163.7	161.2	161.2	173.9
Equity-based compensation	11.5	19.5	22.1	8.6	16.4	31.2
Equity-based compensation related to equity investment ⁽⁴⁾	—	—	—	—	—	20.0
Net (gain) loss on extinguishments of long-term debt	(2.0)	118.9	17.2	64.0	90.7	24.3
Interest expense adjustments related to extinguishments of long-term debt ⁽⁵⁾	(0.7)	(19.4)	(3.3)	(7.5)	(1.1)	—
IPO and secondary offering expenses	—	—	—	75.0	1.4	0.8
Gain on remeasurement of equity investment ⁽⁶⁾	—	—	—	—	—	(98.1)
Other adjustments ⁽⁷⁾	5.6	3.8	—	(6.3)	(0.6)	13.1
Aggregate adjustment for income taxes ⁽⁸⁾	(66.3)	(106.8)	(71.6)	(113.5)	(103.0)	(64.8)
Non-GAAP net income	\$ 85.7	\$ 198.8	\$ 247.1	\$ 314.3	\$ 409.9	\$ 503.5

(1) 2015 and prior years have not been updated to reflect the adoption of Topic 606.

(2) In August 2015, CDW UK was acquired and included in our consolidated financial results.

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

(4) Represents CDW's 35% share of an expense related to certain equity awards against granted by one of the sellers to CDW UK coworkers in July 2015 prior to the acquisition.

(5) Represents the difference between interest expense previously recognized under the effective interest method and actual interest paid.

(6) Represents the gain resulting from the remeasurement of the CDW's previously held 35% equity investment to fair value upon the completion of the acquisition of CDW UK.

(7) Primarily includes other expenses such as consolidation of office space, debt-related refinancing costs, the settlement of litigation matters, and acquisition and integration expenses.

(8) Aggregate adjustment for income taxes consists of the following:

	2010	2011	2012	2013	2014	2015
Total Non-GAAP adjustments	\$ 181.2	\$ 288.5	\$ 199.7	\$ 295.0	\$ 268.0	\$ 165.2
Weighted-average statutory rate	39.0 %	39.0 %	39.0 %	39.0 %	39.0 %	38.0 %
Income tax	(70.7)	(112.5)	(77.9)	(115.1)	(104.5)	(62.8)
Deferred tax adjustment due to law changes	—	—	—	—	—	(4.0)
Non-deductible adjustments and other	4.4	5.7	6.3	1.6	1.5	2.0
Total aggregate adjustment for income taxes	\$ (66.3)	\$ (106.8)	\$ (71.6)	\$ (113.5)	\$ (103.0)	\$ (64.8)

Non-GAAP Net Income Reconciliation 2016 - TTM Q3 2020

(Unaudited)

(\$ in millions)

	2016	2017	2018	2019	TTM Q3 2019	TTM Q3 2020
US GAAP net income	\$ 425.1	\$ 523.1	\$ 643.0	\$ 736.8	\$ 710.5	\$ 735.8
Amortization of intangibles ⁽¹⁾	187.2	185.1	182.7	178.5	177.8	178.7
Equity-based compensation	39.2	43.7	40.7	48.5	48.5	36.7
Net loss on extinguishments of long-term debt	2.1	57.4	—	22.1	16.1	33.3
Workforce reduction charges	—	—	—	—	—	8.5
Other adjustments ⁽²⁾	1.9	11.5	5.9	7.8	6.6	16.0
Aggregate adjustment for income taxes ⁽³⁾	(85.8)	(214.9)	(78.0)	(91.6)	(85.8)	(89.2)
Non-GAAP net income	\$ 569.7	\$ 605.9	\$ 794.3	\$ 902.1	\$ 873.7	\$ 919.8

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

(2) Primarily includes other expenses related to payroll taxes on equity-based compensation, expenses related to the relocation of the downtown Chicago office, consolidation of office space, settlement of litigation matters, the favorable resolution of a local sales tax matter, and acquisition and integration expenses.

(3) Aggregate adjustment for income taxes consists of the following:

	2016	2017	2018	2019	TTM Q3 2019	TTM Q3 2020
Total Non-GAAP adjustments	\$ 230.4	\$ 297.7	\$ 229.3	\$ 256.9	\$ 249.0	\$ 273.2
Weighted-average statutory rate	36.0 %	36.0 %	25.0 %	25.0 %	25.0 %	25.0 %
Income tax	(82.9)	(107.2)	(57.3)	(64.2)	(62.3)	(68.3)
Deferred tax adjustment due to law changes	(1.5)	1.3	0.5	0.3	(0.1)	2.8
Excess tax benefits from equity-based compensation	(1.8)	(36.2)	(19.1)	(24.5)	(22.0)	(23.9)
Discrete tax benefit related to CDW Canada's acquisition of Scalar	—	—	—	(3.0)	(3.1)	—
Impact from Tax Cuts and Jobs Act	—	(75.5)	(1.9)	—	0.1	—
Non-deductible adjustments and other	0.4	2.7	(0.2)	(0.2)	1.6	0.2
Total aggregate adjustment for income taxes	\$ (85.8)	\$ (214.9)	\$ (78.0)	\$ (91.6)	\$ (85.8)	\$ (89.2)

Return on Working Capital Calculation 2010 - TTM Q3 2020

(Unaudited)
(\$ in millions)

	2010	2011	2012	2013	2014	2015 ⁽¹⁾	2016	2017	2018	2019	TTM Q3 2020
<i>Numerator</i>											
Non-GAAP Operating Income	\$ 531.0	\$ 655.9	\$ 696.4	\$ 747.1	\$ 851.4	\$ 960.9	\$1,048.3	\$1,106.8	\$1,216.6	\$1,368.4	\$1,370.7
Taxes ⁽²⁾	(207.1)	(255.8)	(271.6)	(291.4)	(332.0)	(374.8)	(387.9)	(409.5)	(316.3)	(355.8)	(356.4)
Non-GAAP Operating Income After-Tax	\$ 323.9	\$ 400.1	\$ 424.8	\$ 455.7	\$ 519.4	\$ 586.1	\$ 660.4	\$ 697.3	\$ 900.3	\$1,012.6	\$1,014.3
<i>Denominator</i>											
Trailing 5-point avg. AR ⁽³⁾	\$1,210.7	\$1,352.5	\$1,400.1	\$1,502.0	\$1,629.6	\$1,909.4	\$2,251.7	\$2,535.5	\$2,850.2	\$3,233.7	\$3,475.1
Trailing 5-point avg. Inventory	286.9	317.4	330.3	357.5	396.2	387.1	422.0	457.5	481.9	582.4	646.0
Trailing 5-point avg. AP ⁽⁴⁾	(500.4)	(712.0)	(831.2)	(906.7)	(1,017.8)	(1,184.4)	(1,470.8)	(1,726.4)	(1,946.8)	(2,270.0)	(2,352.1)
Working Capital	\$ 997.2	\$ 957.9	\$ 899.2	\$ 952.8	\$1,008.0	\$1,112.1	\$1,202.9	\$1,266.6	\$1,385.3	\$1,546.1	\$1,769.0
Return on Working Capital	32.5 %	41.8 %	47.2 %	47.8 %	51.5 %	52.7 %	54.9 %	55.1 %	65.0 %	65.5 %	57.3 %

(1) 2015 and prior years have not been updated to reflect the adoption of Topic 606.

(2) For 2018 and beyond, the normalized effective tax rate is 26%. The prior rate for 2016 through 2017 was 37%, and for all prior periods before was 39%.

(3) Includes Accounts receivable and Miscellaneous receivables.

(4) Includes Accounts payable-trade, Accounts payable-inventory financing and cash overdrafts.

Net Sales Growth on a Constant Currency Basis

(Unaudited)
(\$ in millions)

	Three Months Ended September 30,			Nine Months Ended September 30,			Average Daily % Change ⁽¹⁾
	2020	2019	% Change ⁽¹⁾	2020	2019	% Change	
Net sales, as reported	\$ 4,756.4	\$ 4,907.7	(3.1)%	\$ 13,511.3	\$ 13,495.5	0.1 %	(0.4)%
Foreign currency translation ⁽²⁾	—	12.8		—	(14.9)		
Net sales, on a constant currency basis*	<u>\$ 4,756.4</u>	<u>\$ 4,920.5</u>	<u>(3.3)%</u>	<u>\$ 13,511.3</u>	<u>\$ 13,480.6</u>	<u>0.2 %</u>	<u>(0.3)%</u>

(1) There were 64 selling days for both the three months ended September 30, 2020 and 2019. There were 192 and 191 selling days for the nine months ended September 30, 2020 and 2019, respectively.

(2) Represents the effect of translating the prior period results of CDW UK and CDW Canada at the average exchange rates applicable in the current period.

* Net sales growth 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 November 2, 2020 for a discussion of non-GAAP financial measures.

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,			Nine Months Ended September 30,		
	2020	2019	% Change	2020	2019	% Change
US GAAP Net income	\$ 193.2	\$ 201.7	(4.2)%	\$ 550.2	\$ 551.2	(0.2)%
Amortization of intangibles	44.9	44.6		133.9	133.7	
Equity-based compensation	11.5	12.8		25.9	37.7	
Net loss on extinguishment of long-term debt	27.3	16.1		27.3	16.1	
Workforce reduction charges	8.5	—		8.5	—	
Other adjustments	3.6	2.4		13.1	4.9	
Aggregate adjustment for income taxes	(23.6)	(27.7)		(68.2)	(70.6)	
Non-GAAP net income ^{(1) *}	\$ 265.4	\$ 249.9	6.2 %	\$ 690.7	\$ 673.0	2.6 %
Foreign currency translation ⁽²⁾	—	0.7		—	(0.6)	
Non-GAAP net income, on a constant currency basis*	\$ 265.4	\$ 250.6	5.9 %	\$ 690.7	\$ 672.4	2.7 %
Shares used in computing Non-GAAP net income per diluted share and Non-GAAP net income per diluted share, on a constant currency basis	144.8	147.2		144.7	148.2	
Non-GAAP net income per diluted share*	\$ 1.83	\$ 1.70	8.0 %	\$ 4.77	\$ 4.54	5.2 %
Non-GAAP net income per diluted share, on a constant currency basis*	\$ 1.83	\$ 1.70	7.7 %	\$ 4.77	\$ 4.54	5.3 %

(1) See Slide 13 in the Webcast Slides for details on the adjustments to Non-GAAP net income for the third quarter.

(2) Represents the effect of translating the prior period 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 November 2, 2020 for a discussion of non-GAAP financial measures.

Non-GAAP Operating Income Margin Reconciliation - TTM

Q3 2020

(Unaudited)

(\$ in millions)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015⁽¹⁾</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>TTM Q3 2019</u>	<u>TTM Q3 2020</u>
Net Sales	\$ 8,801.2	\$ 9,602.4	\$10,128.2	\$10,768.6	\$12,074.5	\$12,988.7	\$13,672.7	\$14,832.9	\$16,240.5	\$18,032.4	\$17,570.3	\$18,048.2
Non-GAAP Operating Income	\$ 531.0	\$ 655.9	\$ 696.4	\$ 747.1	\$ 851.4	\$ 960.9	\$ 1,048.3	\$ 1,106.8	\$ 1,216.6	\$ 1,368.4	\$ 1,325.6	\$ 1,370.7
Non-GAAP Operating Income Margin	6.0%	6.8%	6.9%	6.9%	7.1%	7.4%	7.7%	7.5%	7.5%	7.6%	7.5%	7.6%

(1) 2015 and prior years have not been updated to reflect the adoption of Topic 606.