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CDW - CDW Corp at Nasdaq Investor Program

EVENT DATE/TIME: JUNE 16, 2016 / 2:30PM GMT



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PRESENTATION

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I want to thank David and Guy and thank NASDAQ and Jefferies for hosting the conference, and I want to thank all of you for taking time this morning to listen to the CDW presentation.

I need to start with the obligatory disclaimer. I'm going to be talking about non-GAAP measures and potentially forward-looking statements. So for information on the reconciliation from non-GAAP to GAAP and the risk factors, please see the CDW SEC filings.

Okay, so now the good stuff. As David said, CDW is a market leading provider of integrated technology solutions. We provide those solutions to both what we call our Corporate segment and our Public segment. Our Corporate segment is just what it says; it's businesses small and medium, large businesses. And then on the Public side we break that business into a couple different types of customers. There's Healthcare, there's Government, and there's Education.

We've been in business for more than 25 years. We are based in northern Illinois. In the North America, we have 7,600 coworkers and in the UK we have about 1,000 coworkers.

Now, what's important to understand about our coworkers is that two-thirds of them are customer facing. You're going to hear that as a theme in my presentation this morning. We are very focused on our customer. We are all about serving our customers' needs, and continuing to evolve to make sure we can continue to serve those needs.

We do provide a full range of hardware, software, and service technology solutions. And when I say full range, I really mean full range. That's over 100,000 products and services across over 1,000 brands.

We do have over 250,000 customers, and what we call our sweet spot of customers is those with fewer than 5,000 coworkers. Now, that's important because it's that size business that doesn't have their own highly sophisticated internal IT resources. We don't go against the largest enterprises because the largest enterprises do indeed have very sophisticated internal IT staff. But for our sweet spot of customers, we, in many respects, act as an extension of their internal IT staff, a trusted advisor, so to speak. So it's important to understand the market of the customers that we are able to serve.

We do -- you can see from the numbers on this slide, we do have a track record, a consistent track record, of delivering above market profitable growth. And what I'd like to share with you today is why we've been able to achieve that performance and why we think we will be able to sustain that performance as we go forward.

Just a couple of Q1 results, just the numbers. Topline growth, 11.4%; margin 7.5%; non-GAAP EPS growth 18.5%. That is within the right-hand side of the page and I'll talk to these a bit more a little bit later within our medium-term targets that we've set out for ourselves to achieve.

Okay, so why are we able to continue to deliver the consistent performance that we have? The first thing you have to understand is that we compete in what we view as a very attractive market. The market is very large, just under \$1 trillion in size. Now, we take that very large market and we strip out of it the things that we don't do and don't aspire to do. We don't, as I mentioned, we don't serve the largest enterprises. That's the part of the market where our vendor partners have their own direct sales forces, so we strip that out. We also don't service consumers, so we stripped that out of the market. We are not a systems integrator, so we stripped that out of the market.



So after we've stripped out the things that we don't do and that we don't aspire to do, we believe our addressable market is roughly \$280 billion in size. Again, a very large market and one that continues to grow. You can see the IT forecasters, if you will, forecast a continuing growth rate in the 3% range.

We have just over \$13 billion in sales. So you can see, in that very large market, we have a 5% to 6% market share.

The other thing that's very important to understand about that market is it's highly, highly fragmented. So, we have a 5% to 6% market share, and we, together with the next four largest providers in this space, have roughly a 10% market share. The remaining part of the market is made up for the most part, of small, regional and super-regional value-added resources -- value-added resellers. So it's a very fragmented market and we are by far the largest player. So, we think that gives us significant headroom to continue to gain market share.

And what this slide shows you is our performance relative to market over various periods of time. And you can see that, over various cycles, we have indeed outperformed the market and continued to gain market share.

Now, another key to understanding the reason we are able to sustain our performance is to understand the unique role that we play in the IT ecosystem. So, as I mentioned, we, in many cases, act as an extension of our customers' own internal IT resources. We act as a trusted advisor, we provide access to multi-brand solutions, and we have our own technology specialists that help advise them as to the appropriate solution for their needs.

On the vendor side, we provide broad access to over 250,000 customers, to a part of the market which they can't efficiently and economically reach directly. So that means that, in many cases, we are acting as an extension of their own sales and marketing programs and sales and marketing organizations.

Now, because we truly understand our customer needs, right, and what they need in terms of technology solutions, and we provide broad access to over 250,000 customers, that makes us very, very valuable to our vendor partners, which provides us access to their resources and their technology maps. And then the more important we are to our vendor partners, the better knowledge and ability we have to solve our customer needs, which makes us more important to our customers, which in turn makes us more important to our vendor partners. So, it really is a very positive flywheel that helps sustain our performance in the marketplace.

Another reason we are able to sustain our performance is because of the balance that we have in the business. Now, we have balance across our customer channels. This slide shows here that we have five customer channels, each well over \$1 billion in revenues. And what that enables us to do is two things. The first is, because in the size and scale of these channels, we are able to understand the very specific customer needs of a particular channel. A couple of very, very simple examples were, several years ago, four-ish years ago, the US government mandated testing for Core Curriculum for the K-12 schools. Now, what this meant was that the schools had to be able to digitally test, electronically test, numbers, significant numbers, of students simultaneously. What this meant and what our K-12 channel understood very quickly was that their customers would need a very economic solution that would enable them to test hundreds of students simultaneously. So, the K-12 channel reached out to Google, partnered with them to come up with a very economic solution, i.e. the Chromebook. That was wrapped with a management console that enabled the K-12 schools to keep their students safe in terms of where they might go with this digital solution. Because we came up with that solution sooner than our competition in the marketplace, we really had a first mover advantage in terms of bringing this solution to market and then taking it across the K-12 schools.

A similar example, even older, is our Healthcare channel. Years ago, they understood the evolving need to get technology to the patient bedside, point of care solutions. So they partnered with a cart company that had power, was powered and the cart was antibacterial, which is important in a healthcare environment, and enabled our healthcare customers to literally roll the technology from bedside to bedside. Again, it seems a relatively simple solution, but the deep understanding of the healthcare customers' needs enabled us to come up with that solution and then take it across the Healthcare channel. So, the scale of these channels really does give us what we think is unique understanding into the needs of the particular customers within that channel.



The other thing that the scale of these channels does is it gives us balance across our portfolio. There is a bit of a countercyclical nature in terms of the performance of the Corporate side and the Government side. In the Great Recession of 2008/2009, our Corporate customers, as you can see the negative 22% and the negative 18% on the slide cut spending immediately. But our Government customers, particularly the Federal government, continued to grow their spend at a double-digit clip, providing balance. Now, that reversed several years later when the US government went through sequestration and a shutdown, but our Corporate business was very healthy at that time. So, there's this natural balance across the portfolio in terms of cycles that run through the economy.

Another area where we have great balance in the business is across our vendor partners. Now, on the left-hand side of this slide, you see the names of very, very established vendor partners. I'm sure you recognize all these names. We are generally the number one or number two channel partner with these large, established vendor partners, but we also have partnerships with emerging vendor partners. We add 40 to 50 emerging vendor partners a year to our line card, so to speak, and it's this addition of emerging technology that helps enable us to continue to evolve with technology and helps fuel our growth.

One of the things we do frequently see is that the vendors on the right come up with a technology that is very successful in the marketplace, one of our established vendor partners acquires that company, and so we have both relationships in place, and then those relationships continue following acquisition.

Now, one of the key things about technology, and maybe the only constant in technology, is that it's constantly changing. So change is part of the DNA of technology. And one of the things that we think is part of the DNA of CDW is our ability to continue to evolve the technology and continue to evolve in solving our customers' needs. Now, back in the early 2000s, those needs were pretty much point solutions. But as technology evolved to become more complicated, complex, integrated solutions, we needed to evolve to be able to provide those solutions to our customers, which while enabled our customers to drive productivity, also drove -- remember our customer set, customers generally with fewer than 5,000 coworkers -- also drove complexity for those customers, making those IT decisions more difficult and requiring them to need even more a trusted advisor such as CDW to help them make those decisions, design those solutions, and implement the technology itself.

Now, a key way that we evolve is by investing in our people. We are not an R&D company. When we invest for growth, we are investing in coworkers. And to enable us to evolve, as you can see on the chart, where we invested was in highly skilled technology specialists. We invested in field salespeople, and we invested in service delivery engineers. And it was those investments, right, that enabled us to continue to evolve with technology and bring those more complex solutions to our customer set.

Now, at the same time, you can see at the bottom of the chart we continued to invest across our inside direct sales force. Over this period of time from 2006, that sales force grew over 30%. And this is also an important advantage that we have. Roughly 50% of our revenues come from our account managers with greater than seven years of experience with CDW. So we do believe that our highly tenured sales force, combined with our highly skilled technology specialists, does give us a differentiator in the marketplace, enable us to solve our customer needs very effectively.

An example of an investment that we've made to continue to solve evolving customer needs is our investment in cloud. Now, back in 2011, we broke out cloud as a separate P&L or pro forma P&L and appointed a general manager of our cloud businesses. Today, we have over 60 coworkers 100% dedicated to cloud solutions, and you see that has enabled us to provide cloud solutions over 30 categories from over 70 partners and we have -- we represent over 250 software as a service, infrastructure as a service solutions in the marketplace and to our customers. Now, this investment has enabled us, again, to solve customer needs across public clouds, private clouds, and hybrid clouds, which, for our customer set, is where we believe the equilibrium will occur with some workloads remaining on premise, if you will, and other workloads moving to the cloud in a hybrid type of environment.

Another way -- another example of how we have invested to solve customer needs is I'd say, beginning four or five years ago, we began hearing increasing requests of our customers to help them solve their needs outside the US and Canada. Now, again, we are not talking again, because it is not our sweet spot, we are not talking global multinationals, but we are talking what I refer to as cross-border organizations. They have an office or an organization or a facility somewhere outside the US. So, we very thoughtfully looked around, did a strategic study to understand where those requests were coming from, what part of the world we were seeing the most requests, and we found a preponderance in the UK and Western Europe. And so we partnered originally a referral relationship with a company which was called Kelway based here in London, a company that



looked very much like CDW, same sort of customer set, same sort of focus on the customer, two-thirds of their coworkers were customer facing, same sort of compensation structure that CDW had in terms of a sales force that is compensated on gross profit. So, we entered into a referral relationship, subsequently bought a minority interest, and then subsequently after that bought in 100% of the company. We are very thoughtful about how we make investments, as you can see, and this was a very methodic progression in terms of the acquisition of Kelway, now called CDW UK. So, again, it's been very successful in terms of our ability to solve our US customer needs in the UK, and we are also seeing success with the ability to solve what were Kelway's legacy customers' US needs, so UK-based customers with needs in the US. Kelway itself was further ahead of us in terms of solving customer needs, so their platform actually enabled them and now enables us to solve customer needs in roughly 80 countries across the world.

So I talked about a variety of the competitive advantages that we feel CDW has. And we get asked a lot, so like why are you able to sustain this growth? Why do you win business? Why are you able to always gain market share? And the key to understanding that is it's not the individual pieces that I've laid out, but it's the fact that we have all these pieces put together, we have all these levers, all these advantages that we can pull, depending on the circumstances. So a lot of those are scale and scope underpins a lot of the advantages we have. Without that scale and scope, we would not be able to have the advantage. The size of the customer channels that we have would be an example of that. The breadth of our vendor partner relationships is another example of that.

We have two large distribution centers in the US. We have a distribution center in the UK. That enables us at appropriate times to take strategic stocking positions. Remember the flooding in Thailand five or six years ago which caused a significant hard disk -- hard drive shortage? We were able to take a strategic stocking position to continue to serve our customer needs.

Similarly, a couple of years ago, there was actually a Chromebook shortage, the same thing. We were able to take a strategic stocking position.

So sometimes it's our distribution capabilities. Sometimes it's our national footprint with the international capabilities. There aren't many companies that can provide that service to our customer set. Sometimes, it's our highly skilled sales and service capabilities. So, it's the way all of these advantages work together that makes the model very difficult to replicate.

So, a little bit on the numbers. You can see that we have driven sustained topline growth, 8% compound annual growth rate since 2010. We have converted that into low double-digit EBITDA growth over that same period of time. We have taken that significant EBITDA performance and at the same time refinanced our balance sheet.

We were -- we did come out of private equity. We were taken private in 2007. We came public again in 2013. So since 2013, we have significantly refinanced our balance sheet, gotten our interest cost and our leverage down significantly. So we took that EBITDA growth, together with declining interest expense, and delivered very significant non-GAAP net income and non-GAAP EPS growth.

I mentioned we've gotten our leverage down. At the end of Q1, our leverage was 2.8 times EBITDA. We have taken that strong operating performance and coupled it with very specific capital allocation priorities. Now, we think these priorities provide the right balance and a good balance between returning cash to shareholders in the short-term and creating value over the medium- to long-term.

So, we are committed to increase our dividend annually. We are targeting a payout ratio of 30% of free cash flow. We gave ourselves five years from the IPO to get there. We are in the high teens today, and we have more than doubled the dividend since the time of the IPO.

We want to maintain our leverage, want to the right capital structure in place. We want to maintain our leverage at 2.5 to 3 times. We are very comfortable operating in that range. Our model is such that if growth were to decline or there were to be a recession, we actually kick off more cash flow because the working capital in the business begins to liquidate.

We will, from time to time, do tuck-in accretive M&A. The Kelway acquisition is a good example of that. And then we intend to return excess cash after we run through those first three priorities, return excess cash to shareholders via share repurchases.



We don't have a need to, as I say, hoard cash on our balance sheet. We have significant liquidity in a revolver, over \$1.2 billion, and so we are very comfortable managing the business with not a lot of cash and with the leverage that we have in place.

Now, I mentioned our medium-term targets. I think they were in the first slide that I showed. These are our medium-term targets, so they are in place from 2016 to 2018. They are annual targets. We don't intend to hit them quarter in, quarter out, but we do -- we are committed to hit them on an annual basis. And so that's topline growth at 200 to 300 basis points above IT market growth for the US IT market.

Maintain our adjusted EBITDA margin in the mid-7% range. We think that that mid-7% range is the right balance between delivering profitable growth to shareholders and continuing to invest in the business, i.e. by hiring people to continue to drive future growth. I mentioned we want to maintain our leverage in the range that it's in, and we do want to deliver low double-digit EPS growth.

So, again, just a quick summary slide. We think we compete in a very attractive market. It's a large, growing and highly fragmented market. We do think we have a proven ability to evolve with IT trends and capitalize on those trends, including cloud and mobility as examples.

We do have a flexible and nimble model because our investments are in people. They are not in bricks and mortar. That enables us to evolve and to change rapidly if that's what the IT marketplace demands. We do believe we have sustained competitive advantage, as I've gone through, and we have those multiple levers for growth to continue to grow the business and create shareholder value.

So, with that, I'm happy to take questions if there are any.

QUESTIONS AND ANSWERS

Unidentified Audience Member

On growth, you mentioned cloud as a big I think one of your key growth drivers. Where are we in cloud? Is it still very nascent? Is this like moved a year in the future where services have been midway through? What inning are we in (multiple speakers) and then if and when that is sort of done, what's the next big growth driver, in your view?

Ann Ziegler - CDW Corporation - SVP, CFO

Yes, so I don't know what inning we are in in cloud. What we have said, we said on our Q1 earnings call that it's about 5% of our gross profits today. It delivers significant double-digit growth, so it's still a very rapidly growing area of the business although it is still relatively small. At 5% of gross profits, it's by far -- it's not anywhere near the largest part of our business. So we think it creates significant opportunity because of its complexity.

And for our customer set, complexity is good for us because it's a reason that they need to reach out to us; it's a reason that we can speak to them to help solve their needs.

I think people have a view that cloud is static, that once somebody moves a workload to the cloud, they are done. And that's not the case at all, because whatever cloud solution exists today, again, change being the only constant in technology, I would guess there will be in on-prem solution that's different, maybe more cost-effective, three years from now. I think you see converged infrastructure coming onto the market as potentially an answer to the efficiencies of cloud. And if there's a cloud solution today, you have to assume that there will be three cloud solutions competing with it or that are different three years from now.

So, I don't know that I look at cloud and say it's -- what inning it's in. I think you'll actually end up in hybrid. And I think that cloud will just continue to drive change as opposed to being a static, it's a cycle, and then it's over.



Unidentified Audience Member

I was wondering if you could just dig in a little bit more into your target double-digit EPS growth for me just in terms of -- I'm aware that you are already at or above your EBITDA margin targets, I believe, at 7%. So when we think about that double-digit growth, how much -- or how should we think about the contribution from acquisitions, from buybacks, from margin expansion here? Are you just being conservative on the margin side, or is it really to do with the deployment of capital together?

Ann Ziegler - CDW Corporation - SVP, CFO

We get asked about margins all the time. I think people would love to hear us say the 7.5% is going to 8%. And we are not -- we believe that we do need to continue to invest in the business. Last year, with the economy being so bumpy, there were signals that the economy was going to be strong in the US and then it pulled back, and so it was a little bit on-again, off-again. We delayed our hiring, again, which we are able to do because the model is very flexible.

Because the hiring was delayed and effectively occurred in the fourth quarter, we were above our medium-term target for EBITDA in 2015. We were very clear that we did go ahead and do the hiring in Q4, and therefore that would cause the EBITDA margin to come back within our range in 2016.

So, we think that mid-7% range is the right target, again, across the medium-term targets, which remember are in place through 2018. So, obviously, to get to that double-digit, to get to that double-digit EPS growth, we will have to fuel or add to the EBITDA growth we are getting from the organic business either through M&A or stock buybacks.

We are very cash flow generative. We generate roughly 3%, 2.5% to 3% of revenues every year as free cash flow is what we've told people to think about the business. Our CapEx requirements are extremely light, 0.5% of revenues, and those are for the most part into our own IT system. So we do generate a lot of cash that gives us the flexibility to, as appropriate, if there's an appropriate target, tuck-in M&A, and stock buybacks if there aren't.

Unidentified Audience Member

So just to your point about buybacks, we are several years into -- since the last recession. So the odds are, at some point in the next three years, maybe five years if we are lucky, there's probably going to be another recession. And with a business like yours where you are carrying some leverage on the balance sheet, the likelihood is your share price, you'll be able to buy it at a much lower price at some point. So I'm just kind of curious as to the way you look at buybacks at this point in the cycle to tying that with your need to deliver your double-digit EPS growth targets. Does it not make sense sometimes to actually hoard some cash to capitalize on the situation when it does arise

Ann Ziegler - CDW Corporation - SVP, CFO

I am a big fan -- I would say that I'm a big fan of dollar cost averaging. It's a little bit like, with the debt on our balance sheet, for years, we were advised you should refinance now because interest rates are going up. And here we sit today with interest rates remaining kind of where they have been for the past several years.

So, I would say that we have a view of the intrinsic value of the stock, and obviously we are not going to buy back above intrinsic value or what we perceive to be intrinsic value. But I don't think timing the market is something that we are -- I don't think I'm smart enough to do, so I'm big fan of dollar-cost averaging.

The thing you also have to keep in mind is, as I mentioned, we came out of private equity. The private equity stake now is less than 5%, but last year in particular, our sponsors were doing block transactions. And so we were participating in those blocks. It wasn't so we weren't so much dollar-cost averaging as there would be even-driven buybacks. The blocks are a very efficient way for us to pick up stock and buy it back in.

On a go-forward basis with that ownership level much lower and assuming going to zero at some point, the dollar-cost averaging would just be the strategy that we would deploy. I get it. There will probably be times where if we had waited, but you just never know, in my opinion you just never know when that's going to occur. And so if you just routinely buy in stock, again, below intrinsic value, we think we end up in the best place.

Okay. Well, thank you. Thank you all for your time.

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