



CDW Reports Record First Quarter Net Sales

May 1, 2019

Reinforces Power of Business Model and Strategy

(Dollars in millions, except per-share amounts)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	% Chg.
Net Sales	\$ 3,957.9	\$ 3,606.4	9.7
Average Daily Sales ¹	62.8	56.4	11.5
Gross Profit	672.1	603.9	11.3
Operating Income	228.9	204.1	12.2
Net Income	152.9	127.0	20.4
Non-GAAP Operating Income ²	287.3	259.4	10.7
Net Income per Diluted Share	\$ 1.02	\$ 0.82	25.0
Non-GAAP Net Income per Diluted Share ²	\$ 1.24	\$ 1.05	18.2

¹ There were 63 and 64 selling days for the three months ended March 31, 2019 and 2018, respectively.

² Non-GAAP measures used in this release that are not based on accounting principles generally accepted in the United States of America are each defined and reconciled to the most directly comparable GAAP measure in the attached schedules.

LINCOLNSHIRE, Ill., May 01, 2019 (GLOBE NEWSWIRE) -- CDW Corporation (Nasdaq:CDW), a leading multi-brand technology solutions provider to business, government, education and healthcare in the United States, the United Kingdom and Canada, today announced first quarter results. The company also announced the approval by its Board of Directors of a quarterly cash dividend to be paid in June 2019.

"We delivered excellent topline growth and profitability in the quarter while continuing to invest in the future and deliver shareholder value," said Christine A. Leahy, chief executive officer of CDW. "These results reinforce the strength of our strategy and power of our business model - underpinned by strong performance across our customer end markets, the breadth of our products and solution portfolio and the ongoing execution of our strategy for growth."

"Excellent operating results were amplified by share repurchases, delivering an 18 percent increase in Non-GAAP net income per diluted share," said Collin B. Kebo, CDW's chief financial officer. "Given this quarter's results and our expectations for the balance of the year, we are now targeting 2019 constant currency Non-GAAP net income per diluted share growth of just above 10 percent."

"We expect to exceed our 2019 target to outpace US IT market growth by 200 to 300 basis points on a constant currency organic basis. To accomplish this, we will continue our laser-focus on meeting the needs of our more than 250,000 customers in the United States, the United Kingdom and Canada and remaining the partner of choice for more than 1,000 leading and emerging technology brands as the technology market continues to evolve," concluded Leahy.

A quarterly cash dividend of \$0.295 per share, which is 40 percent higher than the prior year period, will be paid on June 11, 2019 to all stockholders of record as of the close of business on May 24, 2019.

First Quarter of 2019 Highlights:

Total Net sales in the first quarter of 2019 were \$3,958 million, compared to \$3,606 million in the first quarter of 2018, an increase of 9.7 percent. There were 63 and 64 selling days for the three months ended March 31, 2019 and 2018, respectively. On an average daily sales basis, net sales growth versus the first quarter of 2018 was 11.5 percent and on a constant currency basis was 12.4 percent. Currency impact to net sales growth was driven by unfavorable translation of the British pound and Canadian dollar to US dollar. First quarter net sales and average daily sales performance included:

- Total Corporate segment Net sales in the first quarter of 2019 were \$1,736 million, 12.6 percent higher than the first quarter of 2018.
- Total Small Business segment Net sales in the first quarter of 2019 were \$356 million, 10.3 percent higher than the first quarter of 2018.
- Total Public segment Net sales in the first quarter of 2019 were \$1,331 million, 9.9 percent higher than the first quarter of 2018. Public results were led by sales to Government and Healthcare customers, which increased 18.6 percent and 8.4 percent, respectively. Sales to Education customers increased 2.4 percent.
- Net sales for CDW's UK and Canadian operations in the first quarter of 2019, combined as "Other" for financial reporting purposes, were \$535 million, 12.6 percent higher than the first quarter of 2018. UK and Canada results were both up double digits in local currency. CDW Canada includes two months of Net sales of Scalar Decisions Inc. ("Scalar") which was acquired on February 1, 2019.

Gross profit for the first quarter of 2019 was \$672 million, compared to \$604 million for the same period in 2018, representing an increase of 11.3 percent. Gross profit margin was 17.0 percent for the first quarter of 2019 versus 16.7 percent in the first quarter of 2018. Gross profit margin was positively impacted by product margin improvement.

Total selling and administrative expenses, including advertising expense, were \$443 million in the first quarter of 2019, compared to \$400 million in the first quarter of 2018, representing an increase of 10.9 percent. This was primarily driven by increased sales payroll costs, two months of Scalar expenses and increased stock compensation expense.

Operating income was \$229 million in the first quarter of 2019, compared to \$204 million in the first quarter of 2018, an increase of \$25 million, or 12.2 percent. Non-GAAP operating income, which excludes, among other things, acquisition-related intangible asset amortization, equity-based compensation and the related payroll taxes, and acquisition and integration expenses, was \$287 million in the first quarter of 2019, compared to \$259 million in the first quarter of 2018, representing an increase of 10.7 percent. For the first quarter of 2019, the Non-GAAP operating income margin was 7.3 percent compared to 7.2 percent in the first quarter of 2018.

Interest expense was \$38 million in both the first quarter of 2019 and 2018.

The effective tax rate for the first quarter of 2019 was 20.2 percent, which resulted in tax expense of \$39 million, compared to a 23.4 percent effective tax rate and tax expense of \$39 million in the first quarter of 2018. The lower effective tax rate primarily reflects the year-over-year impact of higher excess tax benefits related to equity-based compensation and a discrete tax benefit of \$3 million related to CDW Canada's acquisition of Scalar.

Net income was \$153 million in the first quarter of 2019, compared to \$127 million in the first quarter of 2018, representing an increase of 20.4 percent. Non-GAAP net income, which excludes, among other things, acquisition-related intangible asset amortization, equity-based compensation, acquisition and integration expenses, and the associated tax effects of each, was \$185 million in the first quarter of 2019, compared to \$163 million in the first quarter of 2018, representing an increase of 13.9 percent.

Weighted average diluted shares outstanding were 149 million for the first quarter of 2019, compared to 155 million for the first quarter of 2018. Net income per diluted share for the first quarter of 2019 was \$1.02, compared to \$0.82 for the first quarter of 2018, representing an increase of 25.0 percent. Non-GAAP net income per diluted share for the first quarter of 2019 was \$1.24, compared to \$1.05 for the first quarter of 2018, representing an increase of 18.2 percent.

Forward-Looking Statements

Statements in this release 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 of CDW. These statements involve risks and uncertainties that could cause actual results to differ materially from those described in such statements. These risks and uncertainties include, among others, global and regional economic and political conditions; decreases in spending on technology products and services; CDW's relationships with vendor partners and availability of their products; continued innovations in hardware, software and services offerings by CDW's vendor partners; substantial competition that could reduce CDW's market share; CDW's substantial indebtedness and ability to generate sufficient cash to service such indebtedness; restrictions imposed by agreements relating to CDW's indebtedness on its operations and liquidity; changes in, or the discontinuation of, CDW's share repurchase program or dividend payments; the continuing development, maintenance and operation of CDW's information technology systems; potential breaches of data security and failure to protect our information technology systems from cybersecurity threats; potential failures to comply with Public segment contracts or applicable laws and regulations; potential failures to provide high-quality services to CDW's customers; potential losses of any key personnel; potential interruptions of the flow of products from suppliers; potential adverse occurrences at one of CDW's primary facilities or customer data centers; increases in the cost of commercial delivery services or disruptions of those services; CDW's exposure to accounts receivable and inventory risks; fluctuations in foreign currency; future acquisitions or alliances; fluctuations in CDW's operating results; current and future legal proceedings and audits; changes in laws, including regulations or interpretations thereof; and other risk factors or uncertainties identified from time to time in CDW's filings with the SEC. Although CDW believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. 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, 2018 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, unless required by law.

Non-GAAP Financial Information

Non-GAAP operating income excludes, among other things, charges related to the amortization of acquisition-related intangible assets, equity-based compensation and related payroll taxes, and acquisition and integration expenses. Non-GAAP operating income margin is defined as Non-GAAP operating income as a percentage of Net sales. Non-GAAP income before income taxes and Non-GAAP net income exclude, among other things, charges related to acquisition-related intangible asset amortization, equity-based compensation, acquisition and integration expenses, and the associated tax effects of each. Net sales growth on a constant currency basis is defined as Net sales growth excluding the impact of foreign currency translation on Net sales compared to the prior period.

Non-GAAP operating income, Non-GAAP operating income margin, Non-GAAP income before income taxes, Non-GAAP net income, Non-GAAP net income per diluted share and Net sales growth on a constant currency basis are considered non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance or financial position 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 GAAP.

The Company believes these measures provide analysts, investors and management with helpful information regarding the underlying operating performance of the Company's business, as they remove the impact of items that management believes are not reflective of underlying operating performance. The Company uses these measures to evaluate period-over-period performance as management believes they provide a more comparable measure of the underlying business.

Our 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 the Company's routine activities, such as refinancing activities or acquisition and integration expenses.

The financial statement tables that accompany this press release include a reconciliation of non-GAAP financial measures to the applicable most comparable GAAP financial measures. Non-GAAP measures used by the Company may differ from similar measures used by other companies, even when similar terms are used to identify such measures.

About CDW

CDW is a leading multi-brand technology solutions provider to business, government, education and healthcare organizations in the United States, the United Kingdom and Canada. A Fortune 500 company with multi-national capabilities, CDW was founded in 1984 and employs more than 9,400 coworkers. For the trailing twelve months ended March 31, 2019, the company generated Net sales over \$16 billion. For more information about CDW, please visit www.CDW.com.

Webcast

CDW will hold a conference call today, May 1, 2019 at 7:30 a.m. CT/8:30 a.m. ET to discuss its first quarter financial results. The conference call, which will be broadcast live via the Internet, and a copy of this press release along with supplemental slides used during the call, can be accessed on CDW's website at investor.cdw.com. For those unable to participate in the live call, a replay of the webcast will be available at investor.cdw.com approximately 90 minutes after the completion of the call and will be accessible on the site for approximately one year.

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CDW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars and shares in millions, except per-share amounts)
(unaudited)

	Three Months Ended March 31,		% Change ⁽ⁱ⁾	
	2019	2018		
Net sales	\$ 3,957.9	\$ 3,606.4	9.7	%
Cost of sales	3,285.8	3,002.5	9.4	
Gross profit	672.1	603.9	11.3	
Selling and administrative expenses	404.0	362.7	11.4	
Advertising expense	39.2	37.1	5.7	
Operating income	228.9	204.1	12.2	
Interest expense, net	(38.3)	(37.7)	1.8	
Other income (expense), net	1.0	(0.7)	nm	*
Income before income taxes	191.6	165.7	15.6	
Income tax expense	(38.7)	(38.7)	—	
Net income	\$ 152.9	\$ 127.0	20.4	%
Net income per common share:				
Basic	\$ 1.04	\$ 0.83	24.7	%
Diluted	\$ 1.02	\$ 0.82	25.0	%
Weighted-average common shares outstanding:				
Basic	147.0	152.2		
Diluted	149.2	154.8		

* Not meaningful

i. There were 63 and 64 selling days for the three months ended March 31, 2019 and 2018, respectively.

CDW CORPORATION AND SUBSIDIARIES
NON-GAAP FINANCIAL MEASURE RECONCILIATIONS

The Company has included reconciliations of Non-GAAP operating income, Non-GAAP operating income margin, Non-GAAP income before income taxes, Non-GAAP net income, Non-GAAP net income per diluted share and Net sales growth on a constant currency basis for the three months ended March 31, 2019 and 2018 below.

CDW CORPORATION AND SUBSIDIARIES
NON-GAAP OPERATING INCOME AND NON-GAAP OPERATING INCOME MARGIN
(dollars in millions)
(unaudited)

	Three Months Ended March 31,		%	2018	%	%
	2019	% of Net sales				
Operating income	\$ 228.9	5.8	%	\$ 204.1	5.7	%
Adjustments:						
Amortization of intangibles ⁽ⁱ⁾	44.4			46.7		
Equity-based compensation	12.7			8.1		
Scalar acquisition and integration expenses	0.4			—		
Other adjustments ⁽ⁱⁱ⁾	0.9			0.5		
Non-GAAP operating income	\$ 287.3	7.3	%	\$ 259.4	7.2	%

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

ii. Includes other expenses such as payroll taxes on equity-based compensation during the three months ended March 31, 2019 and 2018.

NON-GAAP INCOME BEFORE INCOME TAXES, NON-GAAP NET INCOME
AND NON-GAAP NET INCOME PER DILUTED SHARE
(dollars and shares in millions, except per-share amounts)
(unaudited)

	Three Months Ended March 31, 2019				2018				Effective Tax Rate	Net Income	Effective Tax Rate	Net Income	Net Income % Change
	Income before Income Taxes	Income Tax Expense ⁽ⁱ⁾	Net Income	Effective Tax Rate	Income before Income Taxes	Income Tax Expense ⁽ⁱ⁾	Net Income	Effective Tax Rate					
GAAP, as reported	\$ 191.6	\$ (38.7)	\$ 152.9	20.2 %	\$ 165.7	\$ (38.7)	\$ 127.0	23.4 %	\$ 127.0	23.4 %	\$ 127.0	20.4 %	
Amortization of intangibles ⁽ⁱⁱ⁾	44.4	(11.3)	33.1		46.7	(12.3)	34.4		34.4		34.4		
Equity-based compensation	12.7	(11.3)	1.4		8.1	(7.0)	1.1		1.1		1.1		
Scalar acquisition and integration expenses ⁽ⁱⁱⁱ⁾	0.4	(3.1)	(2.7)		—	—	—		—		—		
Other adjustments ^(iv)	0.9	(0.2)	0.7		0.5	(0.2)	0.3		0.3		0.3		
Non-GAAP	\$ 250.0	\$ (64.6)	\$ 185.4	25.8 %	\$ 221.0	\$ (58.2)	\$ 162.8	26.3 %	\$ 162.8	26.3 %	\$ 162.8	13.9 %	
GAAP net income per diluted share			\$ 1.02				\$ 0.82		\$ 0.82		\$ 0.82		
Non-GAAP net income per diluted share			\$ 1.24				\$ 1.05		\$ 1.05		\$ 1.05		
Shares used in computing GAAP and Non-GAAP net income per diluted share			149.2				154.8		154.8		154.8		

i. Income tax on non-GAAP adjustments includes excess tax benefits associated with equity-based compensation and the impact of global intangible low tax income ("GILTI") due to equity-based compensation and amortization of intangibles.

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

iii. Includes a discrete tax benefit related to CDW Canada's acquisition of Scalar.

iv. Includes other expenses such as payroll taxes on equity-based compensation during the three months ended March 31, 2019 and 2018.

CDW CORPORATION AND SUBSIDIARIES
NET SALES GROWTH ON A CONSTANT CURRENCY BASIS
(dollars in millions)
(unaudited)

	Three Months Ended March 31,		% Change	Average Daily % Change ⁽ⁱ⁾	
	2019	2018			
Net sales, as reported	\$ 3,957.9	\$ 3,606.4	9.7 %	11.5 %	
Foreign currency translation ⁽ⁱⁱ⁾	—	(27.9)			
Net sales, on a constant currency basis	\$ 3,957.9	\$ 3,578.5	10.6 %	12.4 %	

i. There were 63 and 64 selling days for the three months ended March 31, 2019 and 2018, respectively.

ii. Represents the effect of translating the prior year results of CDW UK and CDW Canada at the average exchange rates applicable in the current year.

CDW CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions)

	March 31, 2019 (unaudited)	December 31, 2018 (unaudited)	March 31, 2018 (unaudited)
Assets			
Current assets:			
Cash and cash equivalents	\$ 285.0	\$ 205.8	\$ 221.0
Accounts receivable, net of allowance for doubtful accounts of \$7.6, \$7.0, and \$6.2, respectively.	2,725.1	2,671.2	2,274.0
Merchandise inventory	590.7	454.3	485.8
Miscellaneous receivables	353.4	316.4	310.2
Prepaid expenses and other	178.3	149.1	188.9
Total current assets	4,132.5	3,796.8	3,479.9
Operating lease right-of-use assets	132.1	—	—
Property and equipment, net	155.2	156.1	153.1
Goodwill	2,528.2	2,462.8	2,488.8
Other intangible assets, net	696.0	712.2	859.0
Other assets	35.5	39.8	47.1
Total Assets	\$ 7,679.5	\$ 7,167.7	\$ 7,027.9
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable - trade	\$ 1,745.4	\$ 1,577.1	\$ 1,288.5
Accounts payable - inventory financing	500.0	429.3	523.7
Current maturities of long-term debt	25.7	25.3	25.8
Contract liabilities	192.1	178.3	193.6
Accrued expenses and other current liabilities	751.8	593.1	550.9
Total current liabilities	3,215.0	2,803.1	2,582.5
Long-term liabilities:			
Debt	3,257.7	3,183.3	3,209.7
Deferred income taxes	132.7	141.9	188.9
Operating lease liabilities	93.0	—	—
Other liabilities	53.8	64.2	49.9
Total long-term liabilities	3,537.2	3,389.4	3,448.5
Total stockholders' equity	927.3	975.2	996.9
Total Liabilities and Stockholders' Equity	\$ 7,679.5	\$ 7,167.7	\$ 7,027.9

CDW CORPORATION AND SUBSIDIARIES
NET SALES DETAIL
(dollars in millions)
(unaudited)

	Three Months Ended March 31,			Average Daily % Change ⁽ⁱ⁾	
	2019	2018	% Change		
Corporate	\$ 1,736.2	\$ 1,565.8	10.9	%	12.6
Small Business	355.6	327.6	8.5		10.3
Public					
Government	488.4	418.5	16.7		18.6
Education	400.4	397.2	0.8		2.4
Healthcare	441.9	414.3	6.7		8.4
Total Public	1,330.7	1,230.0	8.2		9.9
Other	535.4	483.0	10.9		12.6
Total Net sales	\$ 3,957.9	\$ 3,606.4	9.7	%	11.5

i. There were 63 and 64 selling days for the three months ended March 31, 2019 and 2018, respectively.

**CDW CORPORATION AND SUBSIDIARIES
DEBT AND WORKING CAPITAL INFORMATION**
(dollars in millions)

	March 31, 2019 (unaudited)	December 31, 2018	March 31, 2018 (unaudited)
Debt and Revolver Availability			
Cash and cash equivalents	\$ 285.0	\$ 205.8	\$ 221.0
Total debt	3,283.4	3,208.6	3,235.4
Revolver availability ⁽ⁱ⁾	1,002.8	1,120.1	1,057.4
Cash plus revolver availability ⁽ⁱ⁾	1,287.8	1,325.9	1,278.4
Working Capital⁽ⁱⁱ⁾			
Days of sales outstanding (DSO)	57	56	54
Days of supply in inventory (DIO)	14	13	12
Days of purchases outstanding (DPO)	(54)	(50)	(49)
Cash conversion cycle	17	19	17

i. Amount in effect at period-end, including CDW UK's revolving credit facility, which is a multi-currency revolving credit facility with an aggregate amount of £50 million (\$65 million at March 31, 2019) in availability.

ii. Based on a rolling three-month average.

**CDW CORPORATION AND SUBSIDIARIES
CASH FLOW INFORMATION**
(in millions)
(unaudited)

	Three Months Ended March 31,	
	2019	2018
Cash flows provided by operating activities	\$ 252.4	\$ 222.2
Capital expenditures	(19.4)	(15.9)
Acquisition of business, net of cash acquired	(68.7)	—
Cash flows used in investing activities	(88.1)	(15.9)
Net change in accounts payable - inventory financing	70.2	24.9
Other cash flows used in financing activities	(150.4)	(156.1)
Cash flows used in financing activities	(80.2)	(131.2)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	0.8	1.7
Net increase in cash, cash equivalents and restricted cash	84.9	76.8
Cash, cash equivalents and restricted cash - beginning of period	205.8	144.2
Cash, cash equivalents and restricted cash - end of period	\$ 290.7	\$ 221.0
Supplementary disclosure of cash flow information:		
Interest paid	\$ (44.1)	\$ (42.7)
Taxes paid, net	\$ (11.4)	\$ (10.6)



Source: CDW Corporation