



CDW Corporation

Non-GAAP Reconciliations
First Quarter 2019

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Non-GAAP Operating Income Reconciliation

(Unaudited)

(\$ in millions)

	Three Months Ended March 31,			
	2019	% of Net sales	2018	% of Net sales
Operating income	\$ 228.9	5.8%	\$ 204.1	5.7%
Adjustments:				
Amortization of intangibles ⁽¹⁾	44.4		46.7	
Equity-based compensation	12.7		8.1	
Scalar acquisition and integration expenses	0.4		—	
Other adjustments ⁽²⁾	0.9		0.5	
Total adjustments	<u>58.4</u>		<u>55.3</u>	
Non-GAAP operating income*	<u>\$ 287.3</u>	7.3%	<u>\$ 259.4</u>	7.2%

(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 during the three months ended March 31, 2019 and 2018.

* Non-GAAP operating income is a non-GAAP financial measure. See Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 1, 2019 for a discussion of non-GAAP financial measures.

Non-GAAP Net Income Reconciliation

(Unaudited)
(\$ in millions)

	Three Months Ended March 31, 2019				Three Months Ended March 31, 2018			
	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
GAAP, as reported	\$ 191.6	\$ (38.7)	\$ 152.9	20.2%	\$ 165.7	\$ (38.7)	\$ 127.0	23.4%
Amortization of intangibles ⁽²⁾	44.4	(11.3)	33.1		46.7	(12.3)	34.4	
Equity-based compensation	12.7	(11.3)	1.4		8.1	(7.0)	1.1	
Scalar acquisition and integration expenses ⁽³⁾	0.4	(3.1)	(2.7)		—	—	—	
Other adjustments ⁽⁴⁾	0.9	(0.2)	0.7		0.5	(0.2)	0.3	
Non-GAAP*	\$ 250.0	\$ (64.6)	\$ 185.4	25.8%	\$ 221.0	\$ (58.2)	\$ 162.8	26.3%

(1) 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.

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

(3) Includes a discrete tax benefit related to CDW Canada's acquisition of Scalar Decisions Inc. ("Scalar").

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

* Non-GAAP net income before income taxes and Non-GAAP net income are non-GAAP financial measures. For a reconciliation of non-GAAP financial measures, see Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 1, 2019 and in these slides.

Non-GAAP Net Income Per Share

(Unaudited)

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

	Three Months Ended March 31,	
	2019	2018
Net income	\$ 152.9	\$ 127.0
Weighted-average common shares outstanding - Diluted	149.2	154.8
Net income per diluted share	<u>\$ 1.02</u>	<u>\$ 0.82</u>
Non-GAAP net income*	\$ 185.4	\$ 162.8
Weighted-average common shares outstanding - Diluted	149.2	154.8
Non-GAAP net income per diluted share*	<u>\$ 1.24</u>	<u>\$ 1.05</u>

* Non-GAAP net income and Non-GAAP net income per diluted share are non-GAAP financial measures. See Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 1, 2019 for a discussion of non-GAAP financial measures.

Non-GAAP Operating Income Reconciliation 2009-2014

(Unaudited)

(\$ in millions)

	2009	2010	2011	2012	2013	2014
Operating income	\$ (31.9)	\$ 352.7	\$ 470.7	\$ 510.6	\$ 508.6	\$ 673.0
Amortization of intangibles	168.9	166.8	165.7	163.7	161.2	161.2
Equity-based compensation	15.9	11.5	19.5	22.1	8.6	16.4
Goodwill impairment	241.8	—	—	—	—	—
IPO and secondary offering expenses ⁽¹⁾	—	—	—	—	75.0	1.4
Other ⁽²⁾	1.4	—	—	—	(6.3)	(0.6)
Non-GAAP operating income	\$ 396.1	\$ 531.0	\$ 655.9	\$ 696.4	\$ 747.1	\$ 851.4
Depreciation and amortization in SG&A	\$ 45.8	\$ 39.5	\$ 36.4	\$ 43.2	\$ 43.6	\$ 43.0

(1) 2013 includes IPO related expenses for \$74.3 million. 2013 and 2014 also includes expenses related to secondary offerings completed.

(2) Other adjustments primarily include items such as settlement of litigation matters.

Non-GAAP Operating Income Reconciliation 2015 - LTM Q1 2019

(Unaudited)
(\$ in millions)

	2015 ⁽¹⁾	2016 ⁽¹⁾⁽²⁾	2017 ⁽²⁾	2018	LTM Q1 2018	LTM Q1 2019
Operating income	\$ 742.0	\$ 820.0	\$ 866.5	\$ 987.3	\$ 900.0	\$ 1,012.1
Amortization of intangibles	173.9	187.2	185.1	182.7	185.6	180.4
Equity-based compensation	31.2	39.2	43.7	40.7	39.7	45.3
IPO and secondary offering expenses ⁽³⁾	0.8	—	—	—	—	—
Other ⁽⁴⁾	13.0	1.9	11.5	5.9	10.2	6.6
Non-GAAP operating income	\$ 960.9	\$ 1,048.3	\$ 1,106.8	\$ 1,216.6	\$ 1,135.5	\$ 1,244.4
Depreciation and amortization in SG&A	\$ 48.1	\$ 60.3	\$ 68.8	\$ 77.0	\$ 70.8	\$ 77.3

(1) 2015 and 2016 reflect the impact of consolidating CDW UK's financial results for five months and twelve months, respectively.

(2) Amounts for 2016 and 2017 have been adjusted to reflect the full retrospective adoption of Topic 606.

(3) Includes expenses related to secondary offerings completed.

(4) Includes other expenses such as payroll taxes on equity-based compensation, consolidation of office space, settlement of litigation matters, and acquisition and integration expenses.

Non-GAAP Net Income Reconciliation 2010 - 2014

(Unaudited)
(\$ in millions)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net income	\$ (29.2)	\$ 17.1	\$ 119.0	\$ 132.8	\$ 244.9
Amortization of intangibles ⁽¹⁾	166.8	165.7	163.7	161.2	161.2
Equity-based compensation	11.5	19.5	22.1	8.6	16.4
Net loss on extinguishments of long-term debt	(2.0)	118.9	17.2	64.0	90.7
Interest expense adjustment related to extinguishments of long-term debt ⁽²⁾	(0.7)	(19.4)	(3.3)	(7.5)	(1.1)
IPO and secondary offering related expenses ⁽³⁾	—	—	—	75.0	1.4
Debt-related refinancing costs	5.6	3.8	—	—	—
Other adjustments ⁽⁴⁾	—	—	—	(6.3)	(0.6)
Aggregate adjustment for income taxes ⁽⁵⁾	(66.3)	(106.8)	(71.6)	(113.5)	(103.0)
Non-GAAP net income	<u>\$ 85.7</u>	<u>\$ 198.8</u>	<u>\$ 247.1</u>	<u>\$ 314.3</u>	<u>\$ 409.9</u>

- (1) Includes amortization expense for acquisition-related intangible assets, primarily customer relationships, customer contracts and trade names.
- (2) Reflects adjustments to interest expense resulting from debt extinguishments. Represents the difference between interest expense previously recognized under the effective interest method and actual interest paid.
- (3) 2013 includes IPO related expenses of \$74.3 million. 2013 and 2014 also includes expenses related to secondary offerings completed.
- (4) Other adjustments primarily include items such as settlement of litigation matters.
- (5) Aggregate adjustment for income taxes consists of the following:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Total Non-GAAP adjustments	\$ 181.2	\$ 288.5	\$ 199.7	\$ 295.0	\$ 268.0
Weighted-average statutory rate	39.0%	39.0%	39.0%	39.0%	39.0%
Income tax	(70.7)	(112.5)	(77.9)	(115.1)	(104.5)
Non-deductible adjustments and other	4.4	5.7	6.3	1.6	1.5
Total aggregate adjustment for income taxes	<u>\$ (66.3)</u>	<u>\$ (106.8)</u>	<u>\$ (71.6)</u>	<u>\$ (113.5)</u>	<u>\$ (103.0)</u>

Non-GAAP Net Income Reconciliation 2015 - LTM Q1 2019

(Unaudited)
(\$ in millions)

	2015 ⁽¹⁾	2016 ⁽¹⁾⁽²⁾	2017 ⁽²⁾	2018	LTM Q1 2018	LTM Q1 2019
Net income	\$ 403.1	\$ 425.1	\$ 523.1	\$ 643.0	\$ 591.9	\$ 668.9
Amortization of intangibles ⁽³⁾	173.9	187.2	185.1	182.7	185.6	180.4
Equity-based compensation	31.2	39.2	43.7	40.7	39.7	45.3
Equity-based compensation related to equity investment ⁽⁴⁾	20.0	—	—	—	—	—
Net loss on extinguishments of long-term debt	24.3	2.1	57.4	—	—	—
IPO and secondary-offering related expenses ⁽⁵⁾	0.8	—	—	—	—	—
Gain on remeasurement of equity investment ⁽⁶⁾	(98.1)	—	—	—	—	—
Other adjustments ⁽⁷⁾	13.1	1.9	11.5	5.9	10.2	6.6
Aggregate adjustment for income taxes ⁽⁸⁾	(64.8)	(85.8)	(214.9)	(78.0)	(180.6)	(84.4)
Non-GAAP net income	\$ 503.5	\$ 569.7	\$ 605.9	\$ 794.3	\$ 646.8	\$ 816.8

- (1) 2015 and 2016 reflect the impact of consolidating CDW UK's financial results for five months and twelve months, respectively.
- (2) Amounts for 2016 and 2017 have been adjusted to reflect the full retrospective adoption of Topic 606.
- (3) Includes amortization expense for acquisition-related intangible assets, primarily customer relationships, customer contracts and trade names.
- (4) Represents the Company'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 Company's acquisition.
- (5) Includes expenses related to secondary offerings completed.
- (6) Represents the gain resulting from the remeasurement of the Company's previously held 35% equity investment to fair value upon the completion of the acquisition of CDW UK.
- (7) Other adjustments primarily include items such as expenses related to the consolidation of office space, settlement of litigation matters, the favorable resolution of a local sales tax matter, and acquisition and integration expenses.
- (8) Aggregate adjustment for income taxes consists of the following:

	2015	2016	2017	2018	LTM Q1 2018	LTM Q1 2019
Total Non-GAAP adjustments	\$ 165.2	\$ 230.4	\$ 297.7	\$ 229.3	\$ 235.5	\$ 232.3
Weighted-average statutory rate	38.0%	36.0%	36.0%	25.0%	33.4%	25.0%
Income tax	(62.8)	(82.9)	(107.2)	(57.3)	(78.7)	(58.1)
Deferred tax adjustment due to law changes	(4.0)	(1.5)	1.3	0.5	1.3	0.5
Excess tax benefits from equity-based compensation	—	(1.8)	(36.2)	(19.1)	(28.9)	(23.0)
Discrete tax benefit related to CDW Canada's acquisition of Scalar	—	—	—	—	—	(3.1)
Impact from Tax Cuts and Jobs Act	—	—	(75.5)	(1.9)	(75.5)	(1.9)
Non-deductible adjustments and other	2.0	0.4	2.7	(0.2)	1.2	1.2
Total aggregate adjustment for income taxes	\$ (64.8)	\$ (85.8)	\$ (214.9)	\$ (78.0)	\$ (180.6)	\$ (84.4)

Return on Working Capital Calculation 2010 - LTM Q1 2019

(Unaudited)
(\$ in millions)

	2010	2011	2012	2013	2014	2015	2016 ⁽¹⁾	2017 ⁽¹⁾	2018	LTM Q1 2019
<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	\$ 1,244.4
Taxes ⁽²⁾	(207.1)	(255.8)	(271.6)	(291.4)	(332.0)	(374.8)	(387.9)	(409.5)	(316.3)	(323.6)
Non-GAAP Operating Income After-Tax	\$ 323.9	\$ 400.1	\$ 424.8	\$ 455.7	\$ 519.4	\$ 586.1	\$ 660.4	\$ 697.3	\$ 900.3	\$ 920.8
<i>Denominator</i>										
Trailing 5-point avg. AR (incl. misc. rec.)	\$ 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	\$ 2,931.4
Trailing 5-point avg. Inventory	286.9	317.4	330.3	357.5	396.2	387.1	422.0	457.5	481.9	517.7
Trailing 5-point avg. AP	(500.4)	(712.0)	(831.2)	(906.7)	(1,017.8)	(1,184.4)	(1,470.8)	(1,726.4)	(1,946.8)	(2,032.7)
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	\$ 1,416.4
Return on Working Capital	32.5%	41.8%	47.2%	47.8%	51.5%	52.7%	54.9%	55.1%	65.0%	65.0%

(1) Amounts for 2016 and 2017 have been adjusted to reflect the full retrospective adoption of Topic 606.

(2) As of Q1 2018, the normalized effective tax rate is 26%. The prior rate for Q1 2016-Q4 2017 was 37%, and the rate that was used for all prior periods before was 39%.

Net Sales Growth on a Constant Currency Basis

(Unaudited)

(\$ in millions)

	Three Months Ended March 31,			
	2019	2018	% Change	Average Daily % Change ⁽¹⁾
Net sales, as reported	\$ 3,957.9	\$ 3,606.4	9.7 %	11.5 %
Foreign currency translation ⁽²⁾	—	(27.9)		
Net sales, on a constant currency basis [*]	<u>\$ 3,957.9</u>	<u>\$ 3,578.5</u>	10.6 %	12.4 %

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

(2) 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.

* Net sales growth on a constant currency basis is a non-GAAP financial measure. For a discussion of non-GAAP financial measures, see Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 1, 2019.

Non-GAAP Net Income Per Diluted Share, on a Constant Currency Basis

(Unaudited)

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

	Three Months Ended March 31,		
	2019	2018	% Change
Net income	\$ 152.9	\$ 127.0	
Amortization of intangibles	44.4	46.7	
Equity-based compensation	12.7	8.1	
Scalar acquisition and integration expenses	0.4	—	
Other adjustments	0.9	0.5	
Aggregate adjustment for income taxes	(25.9)	(19.5)	
Non-GAAP net income ^{(1)*}	\$ 185.4	\$ 162.8	13.9%
Foreign currency translation ⁽²⁾	—	(1.2)	
Non-GAAP net income, on a constant currency basis*	\$ 185.4	\$ 161.6	14.7%
Shares used in computing Non-GAAP net income per diluted share and Non-GAAP net income per diluted share, on a constant currency basis	149.2	154.8	
Non-GAAP net income per diluted share*	\$ 1.24	\$ 1.05	18.2%
Non-GAAP net income per diluted share, on a constant currency basis*	\$ 1.24	\$ 1.04	19.0%

(1) See Slide 12 in the Webcast Slides for details on the adjustments to Non-GAAP net income for the first quarter.

(2) 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.

* 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. For a discussion of non-GAAP financial measures, see Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 1, 2019.