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PRESENTATION

Tien-tsin Huang - *JPMorgan - Analyst*

Good morning. Thanks, everyone, for joining us; day two of the TMT Conference. My name is Tien-tsin Huang. I cover the IT services sector at JP Morgan. And very delighted to have CDW here with us this year. And from CDW, we have the CEO, Tom Richards. We're actually going to have a fireside chat. And I always enjoy talking to Tom, both professionally and socially.

So he's got some great insights, so thank you so much for being here.

Tom Richards - *CDW Corporation - Chairman and CEO*

Thank you, Tien-tsin. Yes.

Tien-tsin Huang - *JPMorgan - Analyst*

So, yes, let's just kick it off. I'm assuming most folks are familiar with CDW. You've been growing above market for some time. That's part of your longer-term growth strategy. I always get this question, Tom: who are you taking share away from? What's the secret sauce that allows you to have that confidence to put that out there as your growth target?

Tom Richards - *CDW Corporation - Chairman and CEO*

Okay. I get that question a lot, too. I think it's -- when you think about CDW's history and the success, it's really the result of what I would describe as a mosaic that you look at. And clearly the value proposition that CDW delivers to its targeted customer set -- and I think that's an important distinction. We are pretty maniacal about what market segment we focus on, and it is organizations that tend to have more than 20 employees, up to organizations that generally have 5,000 to 6,000.

We find that CDW's value proposition in that target segment, which is -- we bring people choice; we bring them skills; we bring them resources that they normally would not have the opportunity to get access to -- is one of the core reasons. We've been very disciplined about sticking to that market segment.

I think the second thing is the fact that you've got a really fragmented market. Our addressable market is about $280 billion. And if you look at it -- just call CDW a $13 billion company. We are the biggest public player by a factor of 2, and we still only have 5% market share.

So you've got this pretty fragmented market. You've got a large player that has scale and scope. As an example, we represent 1,000 OEM partners and 100,000 OEM products. So, as I like to tell the young sellers when they start their career, you are going to have a hard time convincing me there's not something you can't help somebody with, from an IT solutions perspective, considering the breadth of what we do.

So I think some of those are the reasons, Tien-tsin, that we have been this constant drumbeat of taking share or growing above market, but also doing it profitably, because that's a big part of the discipline.

Tien-tsin Huang - *JPMorgan - Analyst*

Sure. So given your scale, you have a pretty good sense of how IT spending is tracking in your target market. Maybe can you go through your five buckets and give us a sense of how healthy spend is?

Tom Richards - *CDW Corporation - Chairman and CEO*

What Tien-tsin is referring to is our go-to-market strategy is one based on vertical market segmentation, if you will. We have our Corporate segment, which is comprised of Medium and Large and Small Businesses. And they represent about -- a little more than 50%, let's call them 60% -- of the business. And then you have our Public segment, which is comprised of Government, which we break down between Federal and State and Local; Education, which we break down between Higher Ed and K through 12; and Healthcare.

And then recently, with our acquisition of the former company called Kelway, that's now CDW UK and Canada, that makes up the remainder of the $13 billion.

Each of those -- that diversification, if you will -- is I think one of the key reasons we've had this constant ability to execute it. And because what we have seen, and this is -- I have been at CDW now, this will be my seventh year in September -- those markets tend to operate counter-cyclically.

If you think back during the recession, the Corporate market segment obviously was struggling. The Public market segment was growing like crazy, because federal funds were flowing into it. That enabled CDW to continue to perform above the market. And then when we saw -- I forget what year; the years start to run together -- when sequestration was the day, it was the exact opposite, when you saw the Public market contracting and you saw the Corporate market growing.

So, that tends to give you that diversification. And I like to say we've got diversification across markets that we serve, OEMs that we support, geographies that we're in, and segments. And that tends to give you the ability to execute.

So, I said on the first-quarter earnings call -- I think we said this on the fourth-quarter call -- that we expected the year to be -- to come out -- to have kind of a softer start, just because of the macroeconomic environment. That kind of played out the way we thought.

Government continues to be incredibly strong for us. Education is the tale of two cities. You have the dynamics of Higher Education, which is state budgets. I sit on the Board of Trustees at my alma mater. And in that state, they have held higher ed hostage when it comes to IT spending. We've seen that in more than a few states, but we also see some light at the end of the tunnel. We're seeing some of those budgets start to get approved. And then K through 12, which was the next version of the common core, which presents a meaningful opportunity for us.

And the last is Healthcare, which as you know, Tien-tsin, has been a good growth segment for us, has gone through a little bit of a lumpy period here as the consolidations have been happening. Because it depends on -- if you happen to be the partner of the acquirer, it's a good day. If you happen to be the partner of the acquiree, could be a bad day. If you are CDW, and you generally probably have both, it depends on the situation. So that's why -- but we -- as you saw in the first quarter, we got -- Healthcare got back to a low growth.

Tien-tsin Huang - *JPMorgan - Analyst*

Yes. Slow start of the year; I remember you guys saying that. That's definitely been the theme that we've heard, I think, throughout the conference. Let's talk about some of the secular trends: so cloud as a service; hot topics, obviously. This is a tech conference. So, same thing, I get a lot of questions about how that impacts CDW. Can you maybe just address that -- cloud as a service, and in your role in that theme?

Tom Richards - *CDW Corporation - Chairman and CEO*

It's been -- well, first off, it's been a great growth engine for us so far, as you would expect. It starts with the fact that we have, on the high side, 6% market share. So as I like to say to our gang, that means we have 94% of the opportunity sits in front of us. So in many ways, the subject of cloud -- and this is something that's -- I think a good way to think about us, and cloud is a great example.

In the market we serve, the more complex it is, the more complicated it is, the faster the pace of change for our customers, from a technology standpoint, the better it is for CDW. Because then it drives the need to have somebody who can help you sort through, how do I decide where to put the workload? Thinking about cloud, right? Do I think about it as a general-purpose computing? Is it application-specific computing? How do I think about utilization of hybrid infrastructure, as I sit that in the middle of making that cloud decision?

For us, you've heard me say in the earnings call that our customers' spend definition of cloud grow over 50% in the first quarter. So it's meaningful growth. And because it's highly profitable for us, it contributed up to -- I think it was close to 5% of our gross profit in the first quarter.

We have the same approach that we did on cloud computing as we have with any part of our businesses, and that is our job is to go in and help customers first make the decision. How do I use these technologies? What technologies can I use? And then we start down the process of, okay, how do I procure it? How do I implement it? And then how do I manage it?

And if you think about in a cloud environment, probably the easiest way to get people's heads wrapped around this, and why it becomes -- it maintains a growth engine for us is -- think about software, just pure software. And you go back, I don't know, 10 or 15 years ago. And you say to yourself, why would a small business buy boxed software from CDW? Why, right? Are you kidding me, boxed software?

And what you find is it's because somebody had to help them think about, what do I need? Someone had to think about, how do I get it? Someone had to help them think about it. How do I implement it? Someone had to think about it. Which license do I take? So then you say, okay, got that. Go to electronic distribution of software and ask yourself the same set of questions. Are you kidding me? You push a button.

But the same dynamics: what do I choose? What kind of arrangement? How do I configure it? And so now you move to cloud computing, and I'll take a pure SaaS model, and everything is the same. Oh my gosh, which workload? How do I integrate when I've got this in the cloud, this on-prem, or this and this in the cloud? How does that get stitched together? And then there's the new opportunity for a company like us, which is consumption. Because the OEMs are going to be very concerned about how much that SaaS product is getting consumed on the back end.

And as I just had a probably an hour conversation with one of our biggest cloud partners, the CEO, last week. And he said, Tom, look, let me put it to you this way. I don't want to sell to that market. I don't want to service that market. I need someone that can help configure that market. And I really need someone that can help me manage consumption. Because if they don't consume it, guess what happens? They don't use it; I don't get paid.

So, great opportunity for us.

Tien-tsin Huang - *JPMorgan - Analyst*

So is it fair to say, with all this cloud and this SaaS pushoff, obviously the cost savings to the client is real, but this overall spend is not getting passed down into savings in the form of the -- for the corporate. They are actually spending in other areas of IT.

Tom Richards - *CDW Corporation - Chairman and CEO*

Yes, it's a reallocation. It gets to be reallocation. It's different projects. And again, I think it also depends on the customer's current environment, where they start their cloud journey is the way I like to think about it. If they've just gone through a process of virtualizing their data center, virtualizing storage, virtualizing their servers, it's highly unlikely you are going to rip that stuff out. So now they are looking about how do I interject it into the process. That creates, again, complexity, which is a good thing for us.

Tien-tsin Huang - *JPMorgan - Analyst*

Yes, okay. So, before we move on -- cloud, SaaS, obviously we've talked about. Any other big themes or tech waves you want to call out that you are seeing?

Tom Richards - *CDW Corporation - Chairman and CEO*

Well, you know, it's pretty hard to talk to a customer today and you're not talking about security. As far as -- I can't find and hire enough security expertise fast enough, because the demand is so great. It has been interesting to watch that discussion evolve with customers, too. It was not that long ago, it was primarily a network discussion for a long period of time. How do I make sure the network is secure? Now you look at it, it has evolved to, how do I make sure my information is secure?

We're not meeting just with the person who runs IT. We're meeting with the CISO now, the Chief Information and Security Officer. We're talking about policies and how they can protect data. So, it's just been pretty amazing growth.

That also has driven, I would say, the network business has continued to benefit in a weird way, if you will, from cloud computing. Because you're moving data from different places. It expands your network needs. We've seen that continue to grow, just to give you two examples.

Tien-tsin Huang - *JPMorgan - Analyst*

So, Tom, do you think given, some of the changes with cloud and SaaS, we've mentioned a lot of growth, that the mix between solutions and your transactional business -- do you see a shift there? And how permanent do you think that could be?

Tom Richards - *CDW Corporation - Chairman and CEO*

You know, Tien-tsin, that's a good question, and I get that a lot. I think, if you think about our business today, just for perspective, it's about 50-50. 50% of the business is what we would call transaction or client-based kind of things, and 50% is solutions. I think that balance is going to stay for this reason: things that are solutions today in the IT lifecycle tend to get commoditized over time, and they tend to become transactions.

So you have things -- as you get, like, new capabilities, like converged infrastructure, that comes in to form a new solution, you have maybe certain network products that actually move back across the transom and become very transaction-based. There are switches out there today that it doesn't take a rocket scientist to configure. And so you might consider that more transaction-based.

Tien-tsin Huang - *JPMorgan - Analyst*

Got you.

Tom Richards - *CDW Corporation - Chairman and CEO*

So I think it's going to stay the balance.

Tien-tsin Huang - *JPMorgan - Analyst*

Okay. So, when I visited your offices, with Sari and others, I think -- saw a lot of R&D, and you guys doing a lot of lab work and testing and whatnot. So, where do you -- do you see any air pockets in terms of where maybe you are lacking on the solution side, where you guys are investing today? Where are you placing your bets on the tech front?

Tom Richards - *CDW Corporation - Chairman and CEO*

Well, we have five major focus areas -- they are not surprises to anybody -- where we have been investing aggressively since probably 2011. Collaboration is an area where we continue to invest. It's incredible, the growth that we've seen in collaboration, as companies begin to move from what I will call purpose-specific collaboration to integrated collaboration, security. And you are starting to get bleeding.

Like security in cloud, so you get managed security services. You're starting to see that as a meaningful growth area for us. Clearly the area for us that was international is not necessarily a solutions area, but it was a part of our strategy from an international expansion perspective. For us, services as a business underlying what we do, is still a relatively new opportunity for CDW. If you think about the Company being over 30 years old, we've been in the services business only for maybe six or seven years.

So there's lots of growth for us. And we break services down into what I'll call client-driven services, which is more of these maintenance professional services, is where we go out and engineer and implement and manage the thing for a customer. And so, lots of growth there, because people are more and more saying, you know what? I don't want to do this. I'd rather take these resources -- kind of similar to your question earlier -- take these resources and put them over here, and do some strategic IT thing, so I'm going to take this functionality and give it to you. So we're seeing a pretty meaningful growth there.

Tien-tsin Huang - *JPMorgan - Analyst*

Okay, good. So, let's talk about -- you mentioned a lot of channel partners. Obviously your channel partner relationships -- I know Dell is a big part of the story this year. Are there any other -- it's hard to say another Dell-like opportunity -- but just channel change, investments? What can we expect there?

Tom Richards - *CDW Corporation - Chairman and CEO*

Well, I think one of the fun things for us is we bring on 60 to 70 new channel partners a year. So it's a great source of growth for us. It's a great source of innovation. And I would tell you it's a great source of keeping the big guys honest. Because when you have some new cloud-based storage company or flash company comes in, and they get on the CDW dance card, the big guys pay attention. It tends to create healthy competition inside the Company.

But we're seeing just about every type of cloud company you can imagine as part of that 60 or 70. I said to my product guy, we would never do this, but like, if we wanted to just -- everybody that wanted to come to us, what would that number look like? He said, it could be well over 100. We have to cut them down and keep it to 60.

Tien-tsin Huang - *JPMorgan - Analyst*

Right. Keep it more manageable.

Tom Richards - *CDW Corporation - Chairman and CEO*

Yes.

Tien-tsin Huang - *JPMorgan - Analyst*

Okay. I'll open it up here in a second. Let me just ask a couple questions on the UK or Kelway. And also I'm taking questions on the ask-a-question portal for those that are tuning in. So, what? Nine months now, Kelway, or CDW UK?

Tom Richards - *CDW Corporation - Chairman and CEO*

Yes, yes.

Tien-tsin Huang - *JPMorgan - Analyst*

So it has done pretty well. I know when we first talked about it, there was a lot of talk about some revenue synergies and taking it to another level perhaps. And where are we in that? Any surprises?

Tom Richards - *CDW Corporation - Chairman and CEO*

No, I would say it's -- as you saw, it had a strong first quarter. It continues to be what -- I think as Dennis Green said, they are who we thought they are. It's a good business. It's very much like CDW. We went into the transaction -- and I think it's important to talk about this, because people tend to forget it -- it was really driven by our US-based multinationals who increasingly, over the last four and five years said, look, we can't afford to have four of you guys across the world. It adds cost to our structure, so to speak. And if you can't help us in other parts of the world, you're going to put more pressure on your ability to defend the home court, so to speak.

So, that really was the driver. And the nice thing for us, in the case of CDW UK is that we, first, were a referral partner with them for almost 12 months which gave us great insight into how they run the business. And then we were a minority investor for another 6 to 8 months. And then we did the transaction. So we had lots of time to see them.

They are very much culturally like CDW. I say this tongue-in-cheek, but it's true: if I close my eyes and ignore the accent, they sound just like CDW coworkers to me. But that's the story today. I think your instinct is right, Tien-tsin: long-term, that becomes a platform for us.

If you think about CDW UK today, they have -- they are based out of London, and that's a majority of the revenue today. But they have locations in South Africa, Australia, Asia, other parts of the world, so that becomes a platform of opportunity for us.

Tien-tsin Huang - *JPMorgan - Analyst*

Right. So, given the success -- and I know that was a very methodical, deliberate, eventual acquisition -- which is smart. But then the culture is important; you've said that many times. Does that -- are you ready to do more in the way of deals on the M&A front?

Tom Richards - *CDW Corporation - Chairman and CEO*

Well, I think if you think about two things: one is -- I think someone asked me on the earnings call, what was my appetite? And I said, look, I'm full. I've had a full dinner here. We've got to digest this most recent acquisition; so, not in the near term. But I think if you think about our capital allocation strategy that we have, which is return cash to shareholders across dividends, and then have the right leverage ratio. The third bullet point on that list is always to look at mergers and acquisitions when we believe they are of the tuck-in kind of value -- not a roll-up, is the way to say that.

So, it will continue to be part of that, going forward. I think now that we have our leverage ratio in our sweet spot, which was 2.5 -- we said 2.5 to 3.0. I think it was 2.7 or 2.8 in the first quarter. We now have the flexibility to do that. But right now, we got to digest this meal we just had.

Tien-tsin Huang - *JPMorgan - Analyst*

Good. Any questions from the audience? Happy to take them. Yes, if you don't mind waiting for the mic. And again, ask-a-question portal, taking questions there, too.

Unidentified Audience Member

So, if Dell puts a pricing pressure, will there be any margin negative effect on that? And if not -- if yes, like, how are you going to deal with that?

Tom Richards - *CDW Corporation - Chairman and CEO*

Could you give me that again? I had a hard time --.

Unidentified Audience Member

If the Dell puts pricing pressure on your partnership, how you will go forward, and if there is going to be any margin effect on it?

Tom Richards - *CDW Corporation - Chairman and CEO*

Yes, look, the Dell relationship is early. And it is on-plan, meeting our expectations. We don't anticipate that it's going to create incremental margin pressure for us in the marketplace. If you think about our dance card, even before Dell, we have 3 to 4 people deep in just about every technology. And so, what I was careful of when we agreed to do the Dell deal was that I wouldn't just do cannibalization in the marketplace because that would not be fair to my current partners.

And so, we aren't finding what I would call a normal margin pressure coming out of the Dell relationship at this point.

Unidentified Audience Member

I get how if you have existing customers with large infrastructure, on-premise footprints, and they are moving to the cloud, that you have this very complicated, spaghetti hybrid situation where you can do a lot of good work for them. But as more of your small businesses over time start out purely in AWS and as-a-service, what exactly is your value proposition to those guys?

Tom Richards - *CDW Corporation - Chairman and CEO*

It's exactly the same. So you are a small business customer today, and you are thinking about which workloads, everything from HR resources to productivity suites to mass compute, to storage, to securitization -- all of those could be SaaS solutions. You're going to try to build an infrastructure around those integrated SaaS solutions, and chances are you don't have an IT staff to do it. So you are going to come to somebody to help you think through it, to help procure it; most importantly, to integrate it, because those things don't get integrated by themselves.

If you were a one-trick pony and all you did was compute, then you might have more exposure. But actually we're having the greatest success on cloud computing in small business market segment, and because we get paid to help them do that. And in many ways, it's the same -- it's exactly the same thing. We get paid by the OEM to provide a level of service to customers in a market segment that that OEM couldn't do themselves, and traditionally doesn't want to do that.

It's not like -- that's why I don't go down below 20 employees. Once you get below 20 employees, it becomes very consumer-like in the complexity. And it's really --- doesn't have the right kind of margin attraction for us, so there's no sense us going down there.

Unidentified Audience Member

So in a pure cloud infrastructure-as-a-service, or as-a-service environment, who are your OEMs that you are dealing with?

Tom Richards - *CDW Corporation - Chairman and CEO*

So, you've got Symantec, you've got Microsoft, and you've got different versions of Microsoft. You've got Adobe. You've got to the normal suspects, if you will. And then you got some of the cloud storage guys that are 100% cloud. We've got something like 70 or 80 SaaS providers, just in SaaS. And if we need to get -- we don't have a relationship with AWS today. That's in part because if you look at their channel program, the limitation of liability is pretty onerous; be pretty risky for my shareholders. But I have partners who, if a customer wants to get access to it, can get access to it. So that works -- I work it through a partner then.

Tien-tsin Huang - *JPMorgan - Analyst*

Thanks. A couple over here.

Unidentified Audience Member

Could you talk briefly about capital market access, and maybe the decision between investment grade and non-investment grade?

Tom Richards - *CDW Corporation - Chairman and CEO*

Yes, we like where we are. If you think about the leverage and the debt profile, if you followed our Company, that leverage ratio -- that during the recession was 9. So, to be at 2.8, we feel really good about that. If you look at -- I'm not, right now, in the mood to borrow to pay down. And plus we have breakage cost in some of that debt. So right now, we feel really comfortable where we're sitting for the time being. Okay?

Unidentified Audience Member

Can you give us a sense of what cloud vendors provide better functionality and also better margins for you?

Tom Richards - *CDW Corporation - Chairman and CEO*

No. (laughter) That would be violating our trust with them.

Unidentified Audience Member

(inaudible - microphone inaccessible)

Tom Richards - *CDW Corporation - Chairman and CEO*

Pardon me?

Unidentified Audience Member

(inaudible - microphone inaccessible)

Tom Richards - *CDW Corporation - Chairman and CEO*

Functionality? Well, it depends. If I think about -- it is interesting; you think about just HP and Dell as two examples. They are going in different directions, right? Meg's decision to split it into two companies was driven around her perspective that you've got two different decision-making avenues inside of a business, and that having it not be this soup-to-nuts company would give them increased focus. I would say Michael is kind of, and no surprise, in the exact opposite camp. He believes that it still ultimately comes to a CIO somewhere in that business, and that having the ability to help a customer from the client all the way through the data center is the most meaningful value prop.

And the great thing for us is, I don't care because they are both partners. And whatever a customer wants to do, we're going to go with that as the driver; which is, ultimately, in some ways, part of the really great value proposition that the founder of this place deserves an incredible amount of credit. Because it says, we remain agnostic. We don't pick winners and losers. The customer picks winners and losers. And we can sit there with a customer -- and I've actually been in sessions -- you talk about value -- where we presented three different OEM solutions for the same functionality in almost like a bake-off, and let the customer then pick the solution that best meets their needs.

And then the CIO looked at me and said, I could never do this on my own. First of all, I'm not big enough for them to pay attention to me. Second, I don't have the resources to sit there and think about the debate. And so, it reinforces what I would call the essence of CDW.

Tien-tsin Huang - *JPMorgan - Analyst*

Yes. Mic is coming.

Unidentified Audience Member

Yes, can you just talk about revenue from maybe a geographical standpoint? Just given the Kelway acquisition, do you see international revenue growing as a percentage of revenue over the next 3 to 5 years? Or do you see that balance (multiple speakers)?

Tom Richards - *CDW Corporation - Chairman and CEO*

As I told the executive that runs it: it better. Look, I think there's significant upside, but we're still a North America-dominant revenue company today. I think we have indicated Kelway, now UK, is -- just call it ballpark, a $1 billion company. But we think there's lots of growth. They have the same kind of market opportunity in their markets that CDW has in North America, as far as fragmentation. So, I don't know that have a number that I'd put out there for you and say that revenue shift is going to occur, because I think it's going to be a function of a lot of different things.

Just think about what's going on right now. This is one of the things I love about the geographic diversity. You've got all kind of different things in different parts of the world that tend to make someplace a growth area, when not that long ago it was a contraction area. So, it's just a -- I guess the best way to think about it is it's going to be a great platform for CDW, for growth.

Tien-tsin Huang - *JPMorgan - Analyst*

Sticking with that growth theme and thinking about investing in sales and coworkers, I think you mentioned 50 was what you've onboarded so far. I think 70. Why is that the right number, Tom? Why not accelerate that beyond I think the 75 that you (multiple speakers)?

Tom Richards - *CDW Corporation - Chairman and CEO*

Yes. And I think it's a very good question. I think you have to look back, Tien-tsin, and look at what we did in the third -- excuse me, the fourth quarter of last year, and the first quarter of this year. I think we have added, customer-facing, something like 275 customer-facing coworkers, which is salespeople and customer technology salespeople.

And so, part of it was just that's a pretty aggressive hiring over the last six months for us. And I just felt like, you know what? You got a number of factors that say that probably feels like, for the time being, we needed to make sure we get those people in the system, productive, and start to be selling.

If we see a more aggressive GDP over the back half of the year -- one of the great things about -- I have learned over my time at CDW is we're really good at finding them, hiring them, and get them in the tent, so to speak. So I don't get worried about our ability to turn that on. But I do think we need to make sure we get people productive.

Tien-tsin Huang - *JPMorgan - Analyst*

Okay. Makes sense. And then an SG&A question, which includes advertising, obviously. How discretionary is that spend? If GDP or tech spending should come in a little bit, how much flexibility do you have to protect margins?

Tom Richards - *CDW Corporation - Chairman and CEO*

Yes, one of the great things about the model is it's got a pretty variable cost structure. If you think about it, you've got a sales organization that's paid on profit, which is a great regulator, relative to where they spend their time. I don't have to have a pricing department that runs around chasing people, asking are they chasing revenue. Because if they don't sell something above the floor of the profit we give them, they don't make any money. So, guess what? They don't spend a lot of time on things that aren't profit-driven. That's the first thing.

The second thing is if you think about how we talk about the profitability of the business, we talk about adjusted SG&A.

Tien-tsin Huang - *JPMorgan - Analyst*

Right.

Tom Richards - *CDW Corporation - Chairman and CEO*

And that is important because we don't technically control the gross profit that happens in the marketplace, but we do control that cost structure. And we see, for example, when it's a heavy transaction growth period, if you remember when Windows XP -- when that whole phenomenon happened in 2000 and -- I don't know what year it was; it was 2014, maybe -- and we had all this transaction stuff going through the business. Well, that tends to be lower-margin, but that helps us on the SG&A line because it's less compensation you are paying out to people because the margins are thinner.

And then when the solutions business is growing, you have richer GP, which is a good thing, but you are also paying a little higher sales comp. So the comp structure tends to float with what's going on in the marketplace, which is a great regulator for us. And I think it's part of the reason you've seen CDW have adjusted EBITDA margins in the mid-7 ranges for a long time.

Tien-tsin Huang - *JPMorgan - Analyst*

Yes. No, I think that's one of the powerful attributes of the business. Let's -- a couple questions here in the portal. Is the movement of distributors into providing solutions a big risk for CDW?

Tom Richards - *CDW Corporation - Chairman and CEO*

No, because they are trying to help us, actually. If you think about -- I've had lots of discussions with our distribution partners. And what they're always trying to do is to find a way that they can develop a solution that, in fact, we can sell to or customers. And they are smart enough that if they ever got to the point where they were going to compete and have to build a sales organization to compete with the end user, that they'd put at risk probably their biggest customer. And I'm not bashful about that and having that discussion with them. And they are pretty clear about the fact that they are not interested in that.

Tien-tsin Huang - *JPMorgan - Analyst*

Okay. I think we have one more coming up here, but I sort of asked it. But I'll ask it again, because it's here and in two different ways. Just the competitive advantages that allow you to grow faster than your competitors, but more importantly, your profitability is higher. Is that sustainable?

Tom Richards - *CDW Corporation - Chairman and CEO*

Well, I think if history is any indication of the future, it's been higher for a long time.

Tien-tsin Huang - *JPMorgan - Analyst*

Yes.

Tom Richards - *CDW Corporation - Chairman and CEO*

I think and part of that is -- again, it goes to the scale and scope of the business. That clearly gives you cost advantages. The other thing that plays to our strength is that people are paid on margin, so it tends to -- they really don't spend a lot of time chasing low-margin bad deals. It's not good for us. The volumes that we do gives us obviously a competitive advantage, when you think about cost structure in the business.

And what we have seen is you have this consistent cycle that's happened. I've been in the IT market now for close to 40 years. And while the subjects change, the cycle is incredibly consistent relative to new solution, high-margin, goes through the cycle, becomes a transaction, new solution. And so, that tends to reinforce the profit picture.

Unidentified Audience Member

Just any further color you can give on corporate IT spend in general would be very helpful (multiple speakers).

Tom Richards - *CDW Corporation - Chairman and CEO*

Not other than what I said in the first quarter, because we don't comment. I think what we -- not think; I know what I said in the first quarter -- which was we thought the year had a good start in a more muted, and expand as the year went along. And someone asked me, do you have insight? Is that what -- do you have some crystal ball? I said no, guys. Look, I read the same GDP forecasts you guys read, and that is one of the basis by which we look at our business.

Tien-tsin Huang - *JPMorgan - Analyst*

We have time for maybe one more. All right, well, I'll get you out of here in just one question. Just the -- I always like to ask it, just because there's a lot of different investors that look at CDW. What do you think is the biggest misperception of the Company or the stock, or what's misunderstood?

Tom Richards - *CDW Corporation - Chairman and CEO*

I think it is interesting. I think the -- what I find is the lack of understanding exactly what CDW does, in part because of how it started. It started as a transaction reseller. And people who knew CDW before the go-private, I find are really -- it takes them a while to consume what CDW is now, and the transformation in resources that's happened. And I think that's the hardest thing, Tien-tsin, is to get people to just take a deep breath and take the time to understand this place.

And then when they understand it, it happened [actually] on a road show -- I don't know, it was last -- first quarter, we had an investor sit there. And I was explaining my cloud example, he was, okay, I get it. I get it. You are not a reseller. What you do is you're, like, this trusted advisor, and you get paid for that. And people value that because of the market you focus on. So, that's how I answer.

Tien-tsin Huang - *JPMorgan - Analyst*

That is helpful.

Tom Richards - *CDW Corporation - Chairman and CEO*

Okay.

Tien-tsin Huang - *JPMorgan - Analyst*

Tom, thank you for being here.

Tom Richards - *CDW Corporation - Chairman and CEO*

Good, Tien-tsin, thank you. Thanks, everybody.

Tien-tsin Huang - *JPMorgan - Analyst*

It was good to talk to you.