



# CDW CORPORATION

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**Third Quarter 2013**

**Webcast Conference Call**

November 1, 2013

# AGENDA

- 3rd Quarter 2013 Results
- Strategic Overview
- Financial Results
- Outlook
- Questions and Answers

This presentation contains forward-looking statements, which are any predications, projections, or other statements about future events. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could materially differ because of factors discussed in today's earnings press release, in the comments made during the conference call, and in the risk factors section of our Form 10-K; Form 10-Q's and other reports and filings with the Securities and Exchange Commission. We do not undertake any duty to update any forward-looking statement.

# RESULTS UNDERPINNED BY FUNDAMENTAL STRENGTHS



- Record results:
  - Net sales up 9.2% to \$2.9 billion; Average Daily Sales up 7.5%
  - Adjusted EBITDA up 5.6% to \$216 million
  - Non-GAAP Net Income up 24% to \$85 million; Non-GAAP EPS up 25% to \$0.50

# THREE PERFORMANCE DRIVERS



- Balanced portfolio of sales channels
  - Average daily sales growth:  
Corporate +9.9%; Public +5.3%
- Breadth of product and solutions portfolio
  - Hardware + 9%; Services +10%; Software +2%
- Ability to effectively manage expenses and continue to invest for growth
  - Added 104 coworkers; 78 customer-facing

# BALANCED PORTFOLIO OF SALES CHANNELS



(Unaudited)  
(\$ in millions)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2013	2012	% Change	Average Daily % Change*	2013	2012	% Change	Average Daily % Change**
Corporate:								
Medium / Large	\$ 1,203.4	\$ 1,055.7	14.0 %	12.2 %	\$ 3,621.0	\$ 3,270.0	10.7 %	10.7 %
Small Business	262.4	257.1	2.1	0.5	786.1	800.0	(1.7)	(1.7)
Total Corporate	<u>\$ 1,465.8</u>	<u>\$ 1,312.8</u>	<u>11.7 %</u>	<u>9.9 %</u>	<u>\$ 4,407.1</u>	<u>\$ 4,070.0</u>	<u>8.3 %</u>	<u>8.3 %</u>
Public:								
Government	\$ 375.3	\$ 408.6	(8.2) %	(9.6) %	\$ 923.3	\$ 989.2	(6.7) %	(6.7) %
Education	513.4	394.7	30.1	28.0	1,166.3	965.9	20.7	20.7
Healthcare	355.9	360.4	(1.2)	(2.8)	1,084.4	1,066.6	1.7	1.7
Total Public	<u>\$ 1,244.6</u>	<u>\$ 1,163.7</u>	<u>6.9 %</u>	<u>5.3 %</u>	<u>\$ 3,174.0</u>	<u>\$ 3,021.7</u>	<u>5.0 %</u>	<u>5.0 %</u>
Other	<u>\$ 153.9</u>	<u>\$ 146.8</u>	<u>4.8 %</u>	<u>3.2 %</u>	<u>\$ 474.2</u>	<u>\$ 435.5</u>	<u>8.9 %</u>	<u>8.9 %</u>
Total Net Sales	<u><u>\$ 2,864.3</u></u>	<u><u>\$ 2,623.3</u></u>	<u><u>9.2 %</u></u>	<u><u>7.5 %</u></u>	<u><u>\$ 8,055.3</u></u>	<u><u>\$ 7,527.2</u></u>	<u><u>7.0 %</u></u>	<u><u>7.0 %</u></u>

\* There were 64 selling days for the three months ended September 30, 2013, compared to 63 selling days for the same period of 2012.

\*\* There were 191 selling days for both the nine months ended September 30, 2013 and 2012.

# THIRD QUARTER FINANCIAL RESULTS



(Unaudited)  
(\$ in millions)

	<u>Three Months Ended September 30,</u>		<u>% Chg</u>
	<u>2013</u>	<u>2012</u>	
Net Sales	\$2,864.3	\$2,623.3	9.2%
<i>Avg Daily Net Sales</i>	\$44.8	\$41.6	7.5%
Gross Profit	\$458.4	\$432.7	6.0%
<i>% of Net Sales</i>	16.0%	16.5%	
S&A / Advertising	\$365.5	\$293.0	24.8%
Income from Operations	\$92.9	\$139.7	(33.5)%
Adjusted EBITDA *	\$216.1	\$204.6	5.6%
<i>% of Net Sales</i>	7.5%	7.8%	

\* Adjusted EBITDA is a non-GAAP financial measure. See Exhibit 99 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 1, 2013 for a reconciliation of non-GAAP financial measures.

# THIRD QUARTER IPO RELATED EXPENSES



Termination of Sponsor management services fee	\$24.4MM
Non-cash equity acceleration and related taxes	40.7MM
Deferred compensation	7.5MM
Other miscellaneous expenses	<u>1.5MM</u>
Total IPO related SG&A expenses	\$ 74.1MM



# ADJUSTED SG&A



(Unaudited)

(in millions)

	Three Months Ended September 30,		% Chg
	2013	2012	
Reported SG&A, including advertising:	\$ 365.5	\$ 293.0	
Adjustments:			
IPO related expenses <sup>(1)</sup>	(74.1)	-	
Non-cash equity-based compensation	(2.3)	(6.5)	
Other expenses <sup>(2)</sup>	(3.2)	(3.7)	
Litigation, net	8.2	-	
Sponsor fee	-	(1.3)	
Depreciation and amortization:			
Amortization of purchased intangibles	(40.1)	(41.1)	
Other SG&A depreciation and amortization	(11.2)	(11.3)	
Total adjustments	(122.7)	(63.9)	
Adjusted SG&A, including advertising*	\$ 242.8	\$ 229.1	6.0%

<sup>(1)</sup> As defined in Non-GAAP net income reconciliation on the 'Reconciliation of Non-GAAP net income' slide.

<sup>(2)</sup> Primarily includes certain historical retention costs reported within selling and administrative expense.

\* Adjusted SG&A, including advertising is a non-GAAP financial measure. See Exhibit 99 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 1, 2013 for a discussion of non-GAAP financial measures.

# ADJUSTED EBITDA



(Unaudited)

(in millions)

Adjusted EBITDA\*

Adjustments to reconcile Adjusted EBITDA to income from operations <sup>(1)</sup>:

	<b>Three Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
Adjusted EBITDA*	\$ 216.1	\$ 204.6
Adjustments to reconcile Adjusted EBITDA to income from operations <sup>(1)</sup> :		
Depreciation and amortization <sup>(2)</sup>	(52.0)	(53.4)
Non-cash equity-based compensation	(2.3)	(6.5)
IPO related expenses <sup>(3)</sup>	(74.1)	-
Sponsor fee	-	(1.3)
Litigation, net	8.2	-
Consulting and debt-related professional fees	-	(0.1)
Other adjustments <sup>(4)</sup>	(3.0)	(3.6)
Total adjustments	(123.2)	(64.9)
Income from operations	<u>\$ 92.9</u>	<u>\$ 139.7</u>

<sup>(1)</sup> Amounts historically reported within selling and administrative expense unless otherwise indicated.

<sup>(2)</sup> Includes depreciation expense of \$0.7 and \$1.0 for the three months ended September 30, 2013 and 2012, respectively, historically reported within cost of sales.

<sup>(3)</sup> As defined in Non-GAAP net income reconciliation on the 'Reconciliation of Non-GAAP net income' slide.

<sup>(4)</sup> Primarily includes certain historical retention costs reported within selling and administrative expense.

\* Adjusted EBITDA is a non-GAAP financial measure. See Exhibit 99 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 1, 2013 for a discussion of non-GAAP financial measures.

# THIRD QUARTER FINANCIAL RESULTS



*(Unaudited)*  
*(\$ in millions)*

	<b>Three Months Ended September 30,</b>		<b>% Chg</b>
	<b>2013</b>	<b>2012</b>	
Interest (expense), net	(\$56.2)	(\$76.7)	(26.7)%
Income tax benefit (expense)	\$2.6	(\$25.2)	nm*
Non-GAAP net income**	\$85.2	\$68.9	23.8%

\* Not meaningful

\*\* Non-GAAP net income is a non-GAAP financial measure. See Exhibit 99 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 1, 2013 for a reconciliation of non-GAAP financial measures.

# NON-GAAP NET INCOME



(Unaudited)

(in millions)

	<b>Three Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
Net (loss) income	\$ (2.2)	\$ 38.0
Amortization of intangibles <sup>(1)</sup>	40.1	41.1
Non-cash equity-based compensation	2.3	6.5
Litigation settlement gain	(10.4)	-
Net loss on extinguishments of long-term debt	41.3	-
Interest expense adjustment related to extinguishments of long-term debt <sup>(2)</sup>	(4.6)	-
IPO related expenses <sup>(3)</sup>	74.1	-
Aggregate adjustment for income taxes <sup>(4)</sup>	(55.4)	(16.7)
Non-GAAP net income *	<u>\$ 85.2</u>	<u>\$ 68.9</u>

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

<sup>(2)</sup> 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.

<sup>(3)</sup> As defined in Non-GAAP net income reconciliation on the 'Reconciliation of Non-GAAP net income' slide.

<sup>(4)</sup> Based on a normalized effective tax rate of 39.0%.

\* Non-GAAP net income is a non-GAAP financial measure. See Exhibit 99 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 1, 2013 for a discussion of non-GAAP financial measures.

# FINANCIAL RESULTS YTD



(Unaudited)  
(\$ in millions)

	<u>Nine Months Ended September 30,</u>		<u>% Chg</u>
	<u>2013</u>	<u>2012</u>	
Net Sales	\$8,055.3	\$7,527.2	7.0%
<i>Avg Daily Net Sales</i>	\$42.2	\$39.4	7.0%
Gross Profit	\$1,312.0	\$1,244.2	5.5%
<i>% of Net Sales</i>	16.3%	16.5%	
S&A / Advertising	\$945.4	\$864.5	9.4%
Income from Operations	\$366.6	\$379.7	(3.5)%
Interest expense, net	\$198.6	\$232.5	(14.6)%
Income tax expense	\$40.1	\$52.3	(23.4)%
Non-GAAP net income*	\$220.7	\$182.0	21.3%
Adjusted EBITDA *	\$607.3	\$571.6	6.2%
<i>% of Net Sales</i>	7.5%	7.6%	

\* Non-GAAP net income and Adjusted EBITDA are non-GAAP financial measures. See Exhibit 99 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 1, 2013 for a reconciliation of non-GAAP financial measures.

# BALANCE SHEET ENHANCEMENTS



- July 2 redemption of \$175MM 8% senior secured notes
- August 1 redemption of \$324MM 12.535% senior subordinated notes
- October 18 redemption of \$155 million 12.535% senior subordinated notes



# DEBT AND ABL AVAILABILITY

(Unaudited)  
(\$ in millions)

	<u>09/30/2013</u>	<u>12/31/2012</u>	<u>09/30/2012</u>
Cash and Cash Equivalents	\$350.2	\$37.9	\$193.0
Total Debt	\$3,410.1	\$3,771.0	\$3,871.2
Senior Secured Debt	\$1,857.8	\$1,839.5	\$1,839.5
Net Debt (Total Debt net of Cash & Cash Equivalents)	\$3,059.9	\$3,733.1	\$3,678.2
Outstanding Borrowings under ABL Revolver	\$0.0	\$0.0	\$0.0
Borrowing Base under ABL Revolver *	\$1,108.2	\$1,018.2	\$1,040.0
ABL Revolver Availability	\$676.8	\$622.4	\$667.7
Cash plus ABL Revolver Availability	\$1,027.0	\$660.3	\$860.7
TTM Adjusted EBITDA **	\$802.3	\$766.6	\$745.7
Total Net Leverage Ratio ***	3.8	4.9	4.9

\* Amount in effect at quarter end.

\*\* Adjusted EBITDA is a non-GAAP financial measure. See Exhibit 99 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 1, 2013 for a reconciliation of non-GAAP financial measures.

\*\*\* Defined as the ratio of total debt excluding any unamortized discount and/or premium, less cash and cash equivalents, to TTM Adjusted EBITDA. Prior periods have been revised to conform to the current definition.

# WORKING CAPITAL



*(Unaudited)*

	<u>09/30/2013</u>	<u>12/31/2012</u>	<u>09/30/2012</u>
Days of sales outstanding (DSO) *	41	42	42
Days of supply in inventory (DIO) *	15	14	14
Days of purchases outstanding (DPO) *	<u>(35)</u>	<u>(32)</u>	<u>(34)</u>
Cash Conversion Cycle *	<u><u>21</u></u>	<u><u>24</u></u>	<u><u>22</u></u>

\* Based on a rolling three month average.



# MEDIUM TERM TARGETS



**Net Sales  
Growth**

**U.S. IT growth + 200-  
300bps**

**Adjusted  
EBITDA  
Margin**

**Mid-7%**

**Non-GAAP Net  
Income  
Growth**

**Mid-teens**

**Deleverage**

**~1/3 to 1/2x per  
year**

# QUESTIONS AND ANSWERS

# RECONCILIATION OF ADJUSTED EBITDA



(Unaudited)

(in millions)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Adjusted EBITDA*	\$ 216.1	\$ 204.6	\$ 607.3	\$ 571.6
Adjustments to reconcile Adjusted EBITDA to income from operations <sup>(1)</sup> :				
Depreciation and amortization <sup>(2)</sup>	(52.0)	(53.4)	(156.3)	(159.1)
Non-cash equity-based compensation	(2.3)	(6.5)	(6.4)	(18.0)
IPO related expenses <sup>(3)</sup>	(74.1)	-	(74.3)	-
Sponsor fee	-	(1.3)	(2.5)	(3.8)
Litigation, net	8.2	-	8.2	-
Consulting and debt-related professional fees	-	(0.1)	(0.1)	(0.6)
Other adjustments <sup>(4)</sup>	(3.0)	(3.6)	(9.3)	(10.4)
Total adjustments	(123.2)	(64.9)	(240.7)	(191.9)
Income from operations	<u>\$ 92.9</u>	<u>\$ 139.7</u>	<u>\$ 366.6</u>	<u>\$ 379.7</u>

<sup>(1)</sup> Amounts historically reported within selling and administrative expense unless otherwise indicated.

<sup>(2)</sup> Includes depreciation expense of \$0.7 and \$1.0 for the three months ended September 30, 2013 and 2012, respectively, and \$2.5 and \$3.0 for the nine months ended September 30, 2013 and 2012, respectively, historically reported within cost of sales.

<sup>(3)</sup> As defined in Non-GAAP net income reconciliation on the 'Reconciliation of Non-GAAP net income' slide.

<sup>(4)</sup> Primarily includes certain historical retention costs reported within selling and administrative expense.

\* Adjusted EBITDA is a non-GAAP financial measure. See Exhibit 99 to the Company's Current Report on Form 8-K filed with the Securities and Exchange

# RECONCILIATION OF NON-GAAP NET INCOME



(Unaudited)

(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income	\$ (2.2)	\$ 38.0	\$ 72.8	\$ 85.7
Amortization of intangibles <sup>(1)</sup>	40.1	41.1	120.5	123.3
Non-cash equity-based compensation	2.3	6.5	6.4	18.0
Litigation settlement gain	(10.4)	-	(10.4)	-
Net loss on extinguishments of long-term debt	41.3	-	55.5	9.4
Interest expense adjustment related to extinguishments of long-term debt <sup>(2)</sup>	(4.6)	-	(5.4)	(1.7)
IPO related expenses <sup>(3)</sup>	74.1	-	74.3	-
Aggregate adjustment for income taxes <sup>(4)</sup>	(55.4)	(16.7)	(93.0)	(52.7)
Non-GAAP net income *	<u>\$ 85.2</u>	<u>\$ 68.9</u>	<u>\$ 220.7</u>	<u>\$ 182.0</u>

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

<sup>(2)</sup> 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.

<sup>(3)</sup> IPO related expenses consist of the following:

	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013
Acceleration charge for certain equity awards and related employer payroll expenses	\$ 40.7	\$ 40.7
RDU Plan cash retention pool accrual	7.5	7.5
Management services agreement termination fee	24.4	24.4
Other expenses	1.5	1.7
IPO related expenses	<u>\$ 74.1</u>	<u>\$ 74.3</u>

<sup>(4)</sup> Based on a normalized effective tax rate of 39.0%.

\* Non-GAAP net income is a non-GAAP financial measure. See Exhibit 99 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 1, 2013 for a discussion of non-GAAP financial measures.

# NET (LOSS) INCOME RECONCILIATION



(Unaudited)

(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net (loss) income	\$ (2.2)	\$ 38.0	\$ 72.8	\$ 85.7
Depreciation and amortization	52.0	53.4	156.3	159.1
Income tax (benefit) expense	(2.6)	25.2	40.1	52.3
Interest expense, net	56.2	76.7	198.6	232.5
EBITDA	103.4	193.3	467.8	529.6
Adjustments:				
Non-cash equity-based compensation	2.3	6.5	6.4	18.0
Sponsor fee	-	1.3	2.5	3.8
Consulting and debt-related professional fees	-	0.1	0.1	0.6
Net loss on extinguishments of long-term debt	41.3	-	55.5	9.4
Litigation, net	(8.2)	-	(8.2)	-
IPO-related expenses <sup>(1)</sup>	74.1	-	74.3	-
Other adjustments <sup>(2)</sup>	3.2	3.4	8.9	10.2
Total adjustments	112.7	11.3	139.5	42.0
Adjusted EBITDA *	\$ 216.1	\$ 204.6	\$ 607.3	\$ 571.6

<sup>(1)</sup> As defined in Non-GAAP net income reconciliation on the 'Reconciliation of Non-GAAP net income' slide.

<sup>(2)</sup> Other adjustments primarily include certain retention costs and equity investment income.