



CDW Corporation

Non-GAAP Reconciliations
Third Quarter 2021

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Non-GAAP Operating Income Reconciliation

(Unaudited)

(\$ in millions)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	% of Net sales	2020	% of Net sales	2021	% of Net sales	2020	% of Net sales
Operating income, as reported	\$ 386.4	7.3 %	\$ 317.8	6.7 %	\$ 1,079.7	7.1 %	\$ 847.0	6.3 %
Amortization of intangibles ⁽¹⁾	24.6		44.9		70.6		133.9	
Equity-based compensation	16.9		11.5		53.3		25.9	
Other adjustments	7.2		12.1		17.3		21.6	
Non-GAAP operating income*	<u>\$ 435.1</u>	8.2 %	<u>\$ 386.3</u>	8.1 %	<u>\$ 1,220.9</u>	8.0 %	<u>\$ 1,028.4</u>	7.6 %

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

* Non-GAAP operating income is a non-GAAP financial measure. See Exhibit 99.1 to CDW's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 3, 2021 for a discussion of non-GAAP financial measures.

Q3 2021 Non-GAAP Net Income Reconciliation

(Unaudited)

(\$ in millions)

	Three Months Ended September 30, 2021				Three Months Ended September 30, 2020			
	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
US GAAP, as reported	\$ 350.4	\$ (83.8)	\$ 266.6	23.9 %	\$ 250.1	\$ (56.9)	\$ 193.2	22.7 %
Amortization of intangibles ⁽²⁾	24.6	(6.2)	18.4		44.9	(8.6)	36.3	
Equity-based compensation	16.9	(9.3)	7.6		11.5	(5.1)	6.4	
Net loss on extinguishment of long-term debt	—	—	—		27.3	(6.8)	20.5	
Other adjustments	7.2	(1.8)	5.4		12.1	(3.1)	9.0	
Non-GAAP*	<u>\$ 399.1</u>	<u>\$ (101.1)</u>	<u>\$ 298.0</u>	<u>25.3 %</u>	<u>\$ 345.9</u>	<u>\$ (80.5)</u>	<u>\$ 265.4</u>	<u>23.3 %</u>

(1) Income tax on non-GAAP adjustments includes excess tax benefits associated with equity-based compensation.

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

* Non-GAAP income before income taxes and Non-GAAP net income are non-GAAP financial measures. See Exhibit 99.1 to CDW's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 3, 2021 for a discussion of non-GAAP financial measures.

YTD Non-GAAP Net Income Reconciliation

(Unaudited)

(\$ in millions)

	Nine Months Ended September 30, 2021				Nine Months Ended September 30, 2020			
	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
US GAAP, as reported	\$ 1,010.5	\$ (237.2)	\$ 773.3	23.5 %	\$ 707.3	\$ (157.1)	\$ 550.2	22.2 %
Amortization of intangibles ⁽²⁾	70.6	(13.4)	57.2		133.9	(30.8)	103.1	
Equity-based compensation	53.3	(36.3)	17.0		25.9	(25.2)	0.7	
Gain on sale of equity method investment	(36.0)	8.8	(27.2)		—	—	—	
Net loss on extinguishment of long-term debt	0.4	(0.1)	0.3		27.3	(6.8)	20.5	
Other adjustments	17.3	(4.4)	12.9		21.6	(5.4)	16.2	
Non-GAAP*	<u>\$ 1,116.1</u>	<u>\$ (282.6)</u>	<u>\$ 833.5</u>	<u>25.3 %</u>	<u>\$ 916.0</u>	<u>\$ (225.3)</u>	<u>\$ 690.7</u>	<u>24.6 %</u>

(1) Income tax on non-GAAP adjustments includes excess tax benefits associated with equity-based compensation.

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

* Non-GAAP income before income taxes and Non-GAAP net income are non-GAAP financial measures. See Exhibit 99.1 to CDW's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 3, 2021 for a discussion of non-GAAP financial measures.

Non-GAAP Net Income Per Share

(Unaudited)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
US GAAP Net income	\$ 266.6	\$ 193.2	\$ 773.3	\$ 550.2
Weighted-average common shares outstanding - Diluted	139.4	144.8	141.4	144.7
Net income per diluted share	<u>\$ 1.91</u>	<u>\$ 1.33</u>	<u>\$ 5.47</u>	<u>\$ 3.80</u>
Non-GAAP net income*	\$ 298.0	\$ 265.4	\$ 833.5	\$ 690.7
Weighted-average common shares outstanding - Diluted	139.4	144.8	141.4	144.7
Non-GAAP net income per diluted share*	<u>\$ 2.13</u>	<u>\$ 1.83</u>	<u>\$ 5.89</u>	<u>\$ 4.77</u>

* Non-GAAP net income and Non-GAAP net income per diluted share are non-GAAP financial measures. See Exhibit 99.1 to CDW's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 3, 2021 for a discussion of non-GAAP financial measures.

Non-GAAP Operating Income Reconciliation 2011-2016

(Unaudited)

(\$ in millions)

	2011	2012	2013	2014	2015 ⁽¹⁾⁽²⁾	2016
Operating income, as reported	\$ 470.7	\$ 510.6	\$ 508.6	\$ 673.0	\$ 742.0	\$ 820.0
Amortization of intangibles ⁽³⁾	165.7	163.7	161.2	161.2	173.9	187.2
Equity-based compensation	19.5	22.1	8.6	16.4	31.2	39.2
IPO and secondary offering expenses	—	—	75.0	1.4	0.8	—
Other adjustments	—	—	(6.3)	(0.6)	13.0	1.9
Non-GAAP operating income	\$ 655.9	\$ 696.4	\$ 747.1	\$ 851.4	\$ 960.9	\$ 1,048.3
Depreciation and amortization in SG&A ⁽⁴⁾	\$ 36.4	\$ 43.2	\$ 43.6	\$ 43.0	\$ 48.1	\$ 60.3

(1) 2015 and prior years have not been updated to reflect the adoption of Topic 606.

(2) In August 2015, CDW UK was acquired and included in our consolidated financial statements.

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

(4) Excludes amortization expense for acquisition-related intangible assets.

Non-GAAP Operating Income Reconciliation 2017 - TTM* Q3 2021

(Unaudited)

(\$ in millions)

	2017	2018	2019	2020	TTM Q3 2020	TTM Q3 2021
Operating income, as reported	\$ 866.5	\$ 987.3	\$ 1,133.6	\$ 1,179.2	\$ 1,130.8	\$ 1,411.9
Amortization of intangibles ⁽¹⁾	185.1	182.7	178.5	158.1	178.7	94.8
Equity-based compensation	43.7	40.7	48.5	42.5	36.7	69.9
Other adjustments	11.5	5.9	7.8	24.8	24.5	20.5
Non-GAAP operating income	\$ 1,106.8	\$ 1,216.6	\$ 1,368.4	\$ 1,404.6	\$ 1,370.7	\$ 1,597.1
Depreciation and amortization in SG&A ⁽²⁾	\$ 68.8	\$ 77.0	\$ 80.1	\$ 90.0	\$ 89.5	\$ 88.6

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

(2) Excludes amortization expenses for acquisition-related intangible assets.

* Trailing twelve months

Non-GAAP Net Income Reconciliation 2011 - 2016

(Unaudited)

(\$ in millions)

	2011	2012	2013	2014	2015 ⁽¹⁾⁽²⁾	2016
US GAAP net income	\$ 17.1	\$ 119.0	\$ 132.8	\$ 244.9	\$ 403.1	\$ 425.1
Amortization of intangibles ⁽³⁾	165.7	163.7	161.2	161.2	173.9	187.2
Equity-based compensation	19.5	22.1	8.6	16.4	31.2	39.2
Equity-based compensation related to equity investment ⁽⁴⁾	—	—	—	—	20.0	—
Net loss on extinguishments of long-term debt	118.9	17.2	64.0	90.7	24.3	2.1
Interest expense adjustments related to extinguishments of long-term debt ⁽⁵⁾	(19.4)	(3.3)	(7.5)	(1.1)	—	—
IPO and secondary offering expenses	—	—	75.0	1.4	0.8	—
Gain on remeasurement of equity investment ⁽⁶⁾	—	—	—	—	(98.1)	—
Other adjustments	3.8	—	(6.3)	(0.6)	13.1	1.9
Aggregate adjustment for income taxes ⁽⁷⁾	(106.8)	(71.6)	(113.5)	(103.0)	(64.8)	(85.8)
Non-GAAP net income	\$ 198.8	\$ 247.1	\$ 314.3	\$ 409.9	\$ 503.5	\$ 569.7

(1) 2015 and prior years have not been updated to reflect the adoption of Topic 606.

(2) In August 2015, CDW UK was acquired and included in our consolidated financial results.

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

(4) Represents CDW'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 acquisition.

(5) Represents the difference between interest expense previously recognized under the effective interest method and actual interest paid.

(6) Represents the gain resulting from the remeasurement of the CDW's previously held 35% equity investment to fair value upon the completion of the acquisition of CDW UK.

(7) Aggregate adjustment for income taxes consists of the following:

	2011	2012	2013	2014	2015	2016
Total Non-GAAP adjustments	\$ 288.5	\$ 199.7	\$ 295.0	\$ 268.0	\$ 165.2	\$ 230.4
Weighted-average statutory rate	39.0 %	39.0 %	39.0 %	39.0 %	38.0 %	36.0 %
Income taxes	(112.5)	(77.9)	(115.1)	(104.5)	(62.8)	(82.9)
Deferred tax adjustment due to law changes	—	—	—	—	(4.0)	(1.5)
Excess tax benefits from equity-based compensation	—	—	—	—	—	(1.8)
Non-deductible adjustments and other	5.7	6.3	1.6	1.5	2.0	0.4
Total aggregate adjustment for income taxes	\$ (106.8)	\$ (71.6)	\$ (113.5)	\$ (103.0)	\$ (64.8)	\$ (85.8)

Non-GAAP Net Income Reconciliation 2017 - TTM Q3 2021

(Unaudited)

(\$ in millions)

	2017	2018	2019	2020	TTM Q3 2020	TTM Q3 2021
US GAAP net income	\$ 523.1	\$ 643.0	\$ 736.8	\$ 788.5	\$ 735.8	\$ 1,011.6
Amortization of intangibles ⁽¹⁾	185.1	182.7	178.5	158.1	178.7	94.8
Equity-based compensation	43.7	40.7	48.5	42.5	36.7	69.9
Gain on sale of equity method investment	—	—	—	—	—	(36.0)
Net loss on extinguishments of long-term debt	57.4	—	22.1	27.3	33.3	0.4
Other adjustments	11.5	5.9	7.8	24.8	24.5	20.5
Aggregate adjustment for income taxes ⁽²⁾	(214.9)	(78.0)	(91.6)	(86.8)	(89.2)	(64.0)
Non-GAAP net income	\$ 605.9	\$ 794.3	\$ 902.1	\$ 954.4	\$ 919.8	\$ 1,097.2

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

(2) Aggregate adjustment for income taxes consists of the following:

	2017	2018	2019	2020	TTM Q3 2020	TTM Q3 2021
Total Non-GAAP adjustments	\$ 297.7	\$ 229.3	\$ 256.9	\$ 252.7	\$ 273.2	\$ 149.6
Weighted-average statutory rate	36.0 %	25.0 %	25.0 %	25.0 %	25.0 %	25.0 %
Income taxes	(107.2)	(57.3)	(64.2)	(63.2)	(68.3)	(37.4)
Deferred tax adjustment due to law changes	1.3	0.5	0.3	2.7	2.8	4.3
Excess tax benefits from equity-based compensation	(36.2)	(19.1)	(24.5)	(26.3)	(23.9)	(30.7)
Discrete tax benefit related to CDW Canada's acquisition of Scalar	—	—	(3.0)	—	—	—
Impact from Tax Cuts and Jobs Act	(75.5)	(1.9)	—	—	—	—
Non-deductible adjustments and other	2.7	(0.2)	(0.2)	—	0.2	(0.2)
Total aggregate adjustment for income taxes	\$ (214.9)	\$ (78.0)	\$ (91.6)	\$ (86.8)	\$ (89.2)	\$ (64.0)

Return on Working Capital Calculation 2011 - TTM Q3 2021

(Unaudited)
(\$ in millions)

	2011	2012	2013	2014	2015 ⁽¹⁾	2016	2017	2018	2019	2020	TTM Q3 2021
<i>Numerator</i>											
Non-GAAP Operating Income	\$ 655.9	\$ 696.4	\$ 747.1	\$ 851.4	\$ 960.9	\$ 1,048.3	\$ 1,106.8	\$ 1,216.6	\$ 1,368.4	\$ 1,404.6	\$ 1,597.1
Taxes ⁽²⁾	(255.8)	(271.6)	(291.4)	(332.0)	(374.8)	(387.9)	(409.5)	(316.3)	(355.8)	(365.2)	(415.2)
Non-GAAP Operating Income After-Tax	\$ 400.1	\$ 424.8	\$ 455.7	\$ 519.4	\$ 586.1	\$ 660.4	\$ 697.3	\$ 900.3	\$ 1,012.6	\$ 1,039.4	\$ 1,181.9
<i>Denominator</i>											
Trailing 5-point avg. AR ⁽³⁾	\$1,352.5	\$1,400.1	\$1,502.0	\$1,629.6	\$1,909.4	\$2,251.7	\$2,535.5	\$2,850.2	\$3,233.7	\$3,527.3	\$3,730.3
Trailing 5-point avg. Inventory	317.4	330.3	357.5	396.2	387.1	422.0	457.5	481.9	582.4	677.2	777.3
Trailing 5-point avg. AP ⁽⁴⁾	(712.0)	(831.2)	(906.7)	(1,017.8)	(1,184.4)	(1,470.8)	(1,726.4)	(1,946.8)	(2,270.0)	(2,412.3)	(2,559.0)
Working Capital	\$ 957.9	\$ 899.2	\$ 952.8	\$ 1,008.0	\$ 1,112.1	\$ 1,202.9	\$ 1,266.6	\$ 1,385.3	\$ 1,546.1	\$ 1,792.2	\$ 1,948.6
Return on Working Capital	41.8 %	47.2 %	47.8 %	51.5 %	52.7 %	54.9 %	55.1 %	65.0 %	65.5 %	58.0 %	60.7 %

(1) 2015 and prior years have not been updated to reflect the adoption of Topic 606.

(2) For 2018 and beyond, the normalized effective tax rate is 26%. The prior rate for 2016 through 2017 was 37%, and for all prior periods before was 39%.

(3) Includes Accounts receivable and Miscellaneous receivables.

(4) Includes Accounts payable-trade, Accounts payable-inventory financing and cash overdrafts.

Net Sales Growth on a Constant Currency Basis

(Unaudited)

(\$ in millions)

	Three Months Ended September 30,			Nine Months Ended September 30,			
	2021	2020	% Change ⁽¹⁾	2021	2020	% Change	Average Daily % Change ⁽¹⁾
Net sales, as reported	\$ 5,300.0	\$ 4,756.4	11.4 %	\$ 15,283.9	\$ 13,511.3	13.1 %	13.7 %
Foreign currency translation ⁽²⁾	—	29.5		—	132.8		
Net sales, on a constant currency basis*	<u>\$ 5,300.0</u>	<u>\$ 4,785.9</u>	<u>10.7 %</u>	<u>\$ 15,283.9</u>	<u>\$ 13,644.1</u>	<u>12.0 %</u>	<u>12.6 %</u>

(1) There were 64 selling days for both the three months ended September 30, 2021 and 2020. There were 191 and 192 selling days for the nine months ended September 30, 2021 and 2020, respectively.

(2) Represents the effect of translating the prior period results of CDW UK and CDW Canada at the average exchange rates applicable in the current period.

* Net sales growth on a constant currency basis is a non-GAAP financial measure. See Exhibit 99.1 to CDW's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 3, 2021 for a discussion of non-GAAP financial measures.

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

(Unaudited)

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	% Change	2021	2020	% Change
US GAAP Net income	\$ 266.6	\$ 193.2	38.0 %	\$ 773.3	\$ 550.2	40.5 %
Amortization of intangibles	24.6	44.9		70.6	133.9	
Equity-based compensation	16.9	11.5		53.3	25.9	
Gain on sale of equity method investment	—	—		(36.0)	—	
Net loss on extinguishment of long-term debt	—	27.3		0.4	27.3	
Other adjustments	7.2	12.1		17.3	21.6	
Aggregate adjustment for income taxes	(17.3)	(23.6)		(45.4)	(68.2)	
Non-GAAP net income ^{(1) *}	\$ 298.0	\$ 265.4	12.3 %	\$ 833.5	\$ 690.7	20.7 %
Foreign currency translation ⁽²⁾	—	1.3		—	5.1	
Non-GAAP net income, on a constant currency basis*	<u>\$ 298.0</u>	<u>\$ 266.7</u>	11.7 %	<u>\$ 833.5</u>	<u>\$ 695.8</u>	19.8 %
Shares used in computing Non-GAAP net income per diluted share and Non-GAAP net income per diluted share, on a constant currency basis	139.4	144.8		141.4	144.7	
Non-GAAP net income per diluted share*	\$ 2.13	\$ 1.83	16.4 %	\$ 5.89	\$ 4.77	23.5 %
Non-GAAP net income per diluted share, on a constant currency basis*	\$ 2.13	\$ 1.84	15.8 %	\$ 5.89	\$ 4.81	22.6 %

(1) See Slide 12 in the Webcast Slides for details on the adjustments to Non-GAAP net income for the third quarter. See Slide 18 in the Webcast Slides for details on the adjustments to Non-GAAP net income for the year to date.

(2) Represents the effect of translating the prior period 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. See Exhibit 99.1 to CDW's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 3, 2021 for a discussion of non-GAAP financial measures.

Non-GAAP Operating Income Margin Reconciliation - TTM

Q3 2021

(Unaudited)

(\$ in millions)

	2011	2012	2013	2014	2015 ⁽¹⁾	2016	2017	2018	2019	2020	TTM Q3 2020	TTM Q3 2021
Net Sales	\$ 9,602.4	\$ 10,128.2	\$ 10,768.6	\$ 12,074.5	\$ 12,988.7	\$ 13,672.7	\$ 14,832.9	\$ 16,240.5	\$ 18,032.4	\$ 18,467.5	\$ 18,048.2	\$ 20,240.1
Non-GAAP Operating Income	\$ 655.9	\$ 696.4	\$ 747.1	\$ 851.4	\$ 960.9	\$ 1,048.3	\$ 1,106.8	\$ 1,216.6	\$ 1,368.4	\$ 1,404.6	\$ 1,370.7	\$ 1,597.1
Non-GAAP Operating Income Margin	6.8%	6.9%	6.9%	7.1%	7.4%	7.7%	7.5%	7.5%	7.6%	7.6%	7.6%	7.9%

(1) 2015 and prior years have not been updated to reflect the adoption of Topic 606.