



CDW Corporation

Non-GAAP Reconciliations
First Quarter 2023

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Non-GAAP Operating Income Reconciliation

(Unaudited)

(\$ in millions)

	Three Months Ended March 31,			
	2023	% of Net sales	2022	% of Net sales
Operating income, as reported	\$ 355.3	7.0 %	\$ 386.9	6.5 %
Amortization of intangibles ⁽¹⁾	41.6		40.9	
Equity-based compensation	20.8		21.1	
Acquisition and integration expenses	8.9		11.7	
Transformation initiatives ⁽²⁾	5.0		1.2	
Other adjustments	2.7		0.3	
Non-GAAP operating income*	<u>\$ 434.3</u>	8.5 %	<u>\$ 462.1</u>	7.8 %

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

(2) Includes costs related to strategic transformation initiatives focused on optimizing various operations and systems.

* 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 May 3, 2023 for a discussion of non-GAAP financial measures.

Non-GAAP Net Income Reconciliation

(Unaudited)

(\$ in millions)

	Three Months Ended March 31, 2023				Three Months Ended March 31, 2022			
	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	\$ 296.3	\$ (66.2)	\$ 230.1	22.3 %	\$ 330.4	\$ (80.2)	\$ 250.2	24.3 %
Amortization of intangibles ⁽²⁾	41.6	(10.9)	30.7		40.9	(10.6)	30.3	
Equity-based compensation	20.8	(15.3)	5.5		21.1	(9.8)	11.3	
Acquisition and integration expenses	8.9	(2.3)	6.6		11.7	(3.0)	8.7	
Transformation initiatives ⁽³⁾	5.0	(1.3)	3.7		1.2	(0.3)	0.9	
Other adjustments	2.7	(0.6)	2.1		0.2	(0.1)	0.1	
Non-GAAP*	<u>\$ 375.3</u>	<u>\$ (96.6)</u>	<u>\$ 278.7</u>	<u>25.7 %</u>	<u>\$ 405.5</u>	<u>\$ (104.0)</u>	<u>\$ 301.5</u>	<u>25.7 %</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.

(3) Includes costs related to strategic transformation initiatives focused on optimizing various operations and systems.

* 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 May 3, 2023 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 March 31,	
	2023	2022
US GAAP Net income	\$ 230.1	\$ 250.2
Weighted-average common shares outstanding - Diluted	137.3	136.7
Net income per diluted share	<u>\$ 1.68</u>	<u>\$ 1.83</u>
Non-GAAP net income*	\$ 278.7	\$ 301.5
Weighted-average common shares outstanding - Diluted	137.3	136.7
Non-GAAP net income per diluted share*	<u>\$ 2.03</u>	<u>\$ 2.20</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 May 3, 2023 for a discussion of non-GAAP financial measures.

Non-GAAP Operating Income Reconciliation 2013-2018

(Unaudited)

(\$ in millions)

	2013	2014	2015 ⁽¹⁾⁽²⁾	2016	2017	2018
Operating income, as reported	\$ 508.6	\$ 673.0	\$ 742.0	\$ 820.0	\$ 866.5	\$ 987.3
Amortization of intangibles ⁽³⁾	161.2	161.2	173.9	187.2	185.1	182.7
Equity-based compensation	8.6	16.4	31.2	39.2	43.7	40.7
IPO and secondary offering expenses	75.0	1.4	0.8	—	—	—
Acquisition and integration expenses	—	—	10.2	7.3	2.5	1.2
Other adjustments	(6.3)	(0.6)	2.8	(5.4)	9.0	4.7
Non-GAAP operating income	\$ 747.1	\$ 851.4	\$ 960.9	\$ 1,048.3	\$ 1,106.8	\$ 1,216.6
Depreciation and amortization in SG&A ⁽⁴⁾	\$ 43.6	\$ 43.0	\$ 48.1	\$ 60.3	\$ 68.8	\$ 77.0

(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 2019 - TTM* Q1 2023

(Unaudited)

(\$ in millions)

	2019	2020	2021	2022	TTM Q1 2022	TTM Q1 2023
Operating income, as reported	\$ 1,133.6	\$ 1,179.2	\$ 1,419.0	\$ 1,735.2	\$ 1,482.5	\$ 1,703.6
Amortization of intangibles ⁽¹⁾	178.5	158.1	94.9	167.9	114.2	168.6
Equity-based compensation	48.5	42.5	72.6	91.1	77.9	90.8
Acquisition and integration expenses	3.6	4.9	54.3	48.3	60.4	45.5
Transformation initiatives ⁽²⁾	—	—	—	6.3	1.2	10.0
Other adjustments	4.2	19.9	4.6	1.7	3.6	4.2
Non-GAAP operating income	\$ 1,368.4	\$ 1,404.6	\$ 1,645.4	\$ 2,050.5	\$ 1,739.8	\$ 2,022.7
Depreciation and amortization in SG&A ⁽³⁾	\$ 80.1	\$ 90.0	\$ 88.6	\$ 114.8	\$ 97.6	\$ 112.9

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

(2) Includes costs related to strategic transformation initiatives focused on optimizing various operations and systems.

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

* Trailing twelve months

Non-GAAP Net Income Reconciliation 2013 - 2018

(Unaudited)

(\$ in millions)

	2013	2014	2015 ⁽¹⁾⁽²⁾	2016	2017	2018
US GAAP net income	\$ 132.8	\$ 244.9	\$ 403.1	\$ 425.1	\$ 523.1	\$ 643.0
Amortization of intangibles ⁽³⁾	161.2	161.2	173.9	187.2	185.1	182.7
Equity-based compensation	8.6	16.4	31.2	39.2	43.7	40.7
Equity-based compensation related to equity investment ⁽⁴⁾	—	—	20.0	—	—	—
Net loss on extinguishments of long-term debt	64.0	90.7	24.3	2.1	57.4	—
Interest expense adjustments related to extinguishments of long-term debt ⁽⁵⁾	(7.5)	(1.1)	—	—	—	—
IPO and secondary offering expenses	75.0	1.4	0.8	—	—	—
Gain on remeasurement of equity investment ⁽⁶⁾	—	—	(98.1)	—	—	—
Acquisition and integration expenses	—	—	10.2	7.3	2.5	1.2
Other adjustments	(6.3)	(0.6)	2.9	(5.4)	9.0	4.7
Aggregate adjustment for income taxes ⁽⁷⁾	(113.5)	(103.0)	(64.8)	(85.8)	(214.9)	(78.0)
Non-GAAP net income	\$ 314.3	\$ 409.9	\$ 503.5	\$ 569.7	\$ 605.9	\$ 794.3

(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 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:

	2013	2014	2015 ⁽¹⁾⁽²⁾	2016	2017	2018
Total Non-GAAP adjustments	\$ 295.0	\$ 268.0	\$ 165.2	\$ 230.4	\$ 297.7	\$ 229.3
Weighted-average statutory rate	39.0 %	39.0 %	38.0 %	36.0 %	36.0 %	25.0 %
Income taxes	(115.1)	(104.5)	(62.8)	(82.9)	(107.2)	(57.3)
Deferred tax adjustment due to law changes	—	—	(4.0)	(1.5)	1.3	0.5
Excess tax benefits from equity-based compensation	—	—	—	(1.8)	(36.2)	(19.1)
Impact from Tax Cuts and Jobs Act	—	—	—	—	(75.5)	(1.9)
Non-deductible adjustments and other	1.6	1.5	2.0	0.4	2.7	(0.2)
Total aggregate adjustment for income taxes	\$ (113.5)	\$ (103.0)	\$ (64.8)	\$ (85.8)	\$ (214.9)	\$ (78.0)

Non-GAAP Net Income Reconciliation 2019 - TTM Q1 2023

(Unaudited)

(\$ in millions)

	2019	2020	2021	2022	TTM Q1 2022	TTM Q1 2023
US GAAP net income	\$ 736.8	\$ 788.5	\$ 988.6	\$ 1,114.5	\$ 1,006.2	\$ 1,094.4
Amortization of intangibles ⁽¹⁾	178.5	158.1	94.9	167.9	114.2	168.6
Equity-based compensation	48.5	42.5	72.6	91.1	77.9	90.8
Gain on sale of equity method investment	—	—	(36.0)	—	(36.0)	—
Net loss on extinguishments of long-term debt	22.1	27.3	6.0	1.6	5.6	1.6
Acquisition and integration expenses	3.6	4.9	54.3	48.3	60.4	45.5
Transformation initiatives ⁽²⁾	—	—	—	6.3	1.2	10.0
Other adjustments	4.2	19.9	4.6	1.7	3.5	4.3
Aggregate adjustment for income taxes ⁽³⁾	(91.6)	(86.8)	(66.1)	(89.9)	(62.0)	(96.6)
Non-GAAP net income	\$ 902.1	\$ 954.4	\$ 1,118.9	\$ 1,341.5	\$ 1,171.0	\$ 1,318.6

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

(2) Includes costs related to strategic transformation initiatives focused on optimizing various operations and systems.

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

	2019	2020	2021	2022	TTM Q1 2022	TTM Q1 2023
Total Non-GAAP adjustments	\$ 256.9	\$ 252.7	\$ 196.4	\$ 316.9	\$ 226.8	\$ 320.8
Weighted-average statutory rate	25.0 %	25.0 %	25.0 %	26.0 %	25.4 %	26.0 %
Income taxes	(64.2)	(63.2)	(49.1)	(82.4)	(57.6)	(83.4)
Deferred tax adjustment due to law changes	0.3	2.7	4.8	(1.0)	4.9	(1.0)
Excess tax benefits from equity-based compensation	(24.5)	(26.3)	(24.5)	(6.7)	(12.1)	(12.4)
Discrete tax benefit related to CDW Canada's acquisition of Scalar	(3.0)	—	—	—	—	—
Discrete tax benefit related to CDW's acquisition of Sirius	—	—	3.2	—	3.2	—
Impact from Tax Cuts and Jobs Act	—	—	—	—	—	—
Non-deductible adjustments and other	(0.2)	—	(0.5)	0.2	(0.4)	0.2
Total aggregate adjustment for income taxes	\$ (91.6)	\$ (86.8)	\$ (66.1)	\$ (89.9)	\$ (62.0)	\$ (96.6)

Return on Working Capital Calculation 2013 - TTM Q1 2023

(Unaudited)
(\$ in millions)

	2013	2014	2015 ⁽¹⁾	2016	2017	2018	2019	2020	2021	2022	TTM Q1 2023
<i>Numerator</i>											
Non-GAAP Operating Income	\$ 747.1	\$ 851.4	\$ 960.9	\$ 1,048.3	\$ 1,106.8	\$ 1,216.6	\$ 1,368.4	\$ 1,404.6	\$ 1,645.4	\$ 2,050.5	\$ 2,022.7
Taxes ⁽²⁾	(291.4)	(332.0)	(374.8)	(387.9)	(409.5)	(316.3)	(355.8)	(365.2)	(427.8)	(533.1)	(525.9)
Non-GAAP Operating Income After-Tax	\$ 455.7	\$ 519.4	\$ 586.1	\$ 660.4	\$ 697.3	\$ 900.3	\$ 1,012.6	\$ 1,039.4	\$ 1,217.6	\$ 1,517.4	\$ 1,496.8
<i>Denominator</i>											
Trailing 5-point avg. AR ⁽³⁾	\$1,502.0	\$1,629.6	\$1,909.4	\$2,251.7	\$2,535.5	\$2,850.2	\$3,233.7	\$3,527.3	\$3,982.9	\$4,984.6	\$4,943.9
Trailing 5-point avg. Inventory	357.5	396.2	387.1	422.0	457.5	481.9	582.4	677.2	833.2	943.4	914.1
Trailing 5-point avg. AP ⁽⁴⁾	(906.7)	(1,017.8)	(1,184.4)	(1,470.8)	(1,726.4)	(1,946.8)	(2,270.0)	(2,412.3)	(2,754.9)	(3,632.9)	(3,555.6)
Working Capital	\$ 952.8	\$ 1,008.0	\$ 1,112.1	\$ 1,202.9	\$ 1,266.6	\$ 1,385.3	\$ 1,546.1	\$ 1,792.2	\$ 2,061.2	\$ 2,295.1	\$ 2,302.4
Return on Working Capital	47.8 %	51.5 %	52.7 %	54.9 %	55.1 %	65.0 %	65.5 %	58.0 %	59.1 %	66.1 %	65.0 %

(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 March 31,			
	2023	2022	% Change	Average Daily % Change ⁽¹⁾
Net sales, as reported	\$ 5,103.1	\$ 5,949.1	(14.2)%	(15.6)%
Foreign currency translation ⁽²⁾	—	(63.1)		
Net sales, on a constant currency basis*	<u>\$ 5,103.1</u>	<u>\$ 5,886.0</u>	<u>(13.3)%</u>	<u>(14.7)%</u>

(1) There were 64 and 63 selling days for the three months ended March 31, 2023 and 2022, 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 May 3, 2023 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 March 31,		
	2023	2022	% Change
US GAAP Net income	\$ 230.1	\$ 250.2	(8.0)%
Amortization of intangibles	41.6	40.9	
Equity-based compensation	20.8	21.1	
Acquisition and integration expenses	8.9	11.7	
Transformation initiatives	5.0	1.2	
Other adjustments	2.7	0.2	
Aggregate adjustment for income taxes	(30.4)	(23.8)	
Non-GAAP net income ^{(1) *}	\$ 278.7	\$ 301.5	(7.6)%
Foreign currency translation ⁽²⁾	—	(2.9)	
Non-GAAP net income, on a constant currency basis*	<u>\$ 278.7</u>	<u>\$ 298.6</u>	(6.7)%
Shares used in computing Non-GAAP net income per diluted share and Non-GAAP net income per diluted share, on a constant currency basis	137.3	136.7	
Non-GAAP net income per diluted share*	\$ 2.03	\$ 2.20	(7.9)%
Non-GAAP net income per diluted share, on a constant currency basis*	\$ 2.03	\$ 2.18	(7.0)%
Number of selling days	64	63	

(1) See Slide 11 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 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 May 3, 2023 for a discussion of non-GAAP financial measures.

Non-GAAP Operating Income Margin Reconciliation - TTM

Q1 2023

(Unaudited)

(\$ in millions)

	2013	2014	2015 ⁽¹⁾	2016	2017	2018	2019	2020	2021	2022	TTM Q1 2022	TTM Q1 2023
Net Sales	\$ 10,768.6	\$ 12,074.5	\$ 12,988.7	\$ 13,672.7	\$ 14,832.9	\$ 16,240.5	\$ 18,032.4	\$ 18,467.5	\$ 20,820.8	\$ 23,748.7	\$ 21,932.4	\$ 22,902.8
Non-GAAP Operating Income	\$ 747.1	\$ 851.4	\$ 960.9	\$ 1,048.3	\$ 1,106.8	\$ 1,216.6	\$ 1,368.4	\$ 1,404.6	\$ 1,645.4	\$ 2,050.5	\$ 1,739.8	\$ 2,022.7
Non-GAAP Operating Income Margin	6.9%	7.1%	7.4%	7.7%	7.5%	7.5%	7.6%	7.6%	7.9%	8.6%	7.9%	8.8%

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