CDW Corporation

Non-GAAP Reconciliations

Second Quarter 2023

Non-GAAP Operating Income and Margin Reconciliation

(Unaudited)
($ in millions)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	**% of Net sales**	**2022**	**% of Net sales**	**2023**	**% of Net sales**	**2022**	**% of Net sales**
Operating income, as reported	$ 412.2	7.3 %	$ 435.3	7.1 %	$ 767.5	7.2 %	$ 822.2	6.8 %
Amortization of intangibles[1]	37.3		40.7		78.9		81.6	
Equity-based compensation	24.8		23.5		45.6		44.6	
Acquisition and integration expenses	8.7		14.9		17.6		26.6	
Transformation initiatives [2]	4.6		1.2		9.6		2.4	
Workplace optimization[3]	42.0		—		42.9		—	
Other adjustments	0.2		0.7		2.0		1.0	
Non-GAAP operating income*	$ 529.8	9.4 %	$ 516.3	8.4 %	$ 964.1	9.0 %	$ 978.4	8.1 %

(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) Includes costs related to the workforce reduction program and charges related to the reduction of our real estate lease portfolio.
* Non-GAAP operating income and Non-GAAP operating income margin 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 August 2, 2023 for a discussion of non-GAAP financial measures.

Q2 2023 Non-GAAP Net Income and Effective Tax Rate Reconciliation

(Unaudited)
($ in millions)

	Three Months Ended June 30, 2023				Three Months Ended June 30, 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	$ 353.4	$ (90.8)	$ 262.6	25.7 %	$ 377.2	$ (97.9)	$ 279.3	26.0 %
Amortization of intangibles[2]	37.3	(9.6)	27.7		40.7	(10.6)	30.1	
Equity-based compensation	24.8	(7.1)	17.7		23.5	(5.9)	17.6	
Acquisition and integration expenses	8.7	(2.3)	6.4		14.9	(3.8)	11.1	
Transformation initiatives[3]	4.6	(1.2)	3.4		1.2	(0.3)	0.9	
Workplace optimization[4]	42.0	(10.9)	31.1		—	—	—	
Other adjustments	0.2	(0.1)	0.1		0.8	(0.3)	0.5	
Non-GAAP*	$ 471.0	$ (122.0)	$ 349.0	25.9 %	$ 458.3	$ (118.8)	$ 339.5	25.9 %

(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.
(4) Includes costs related to the workforce reduction program and charges related to the reduction of our real estate lease portfolio.
* Non-GAAP net income and Non-GAAP effective tax rate 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 August 2, 2023 for a discussion of non-GAAP financial measures.

Non-GAAP Net Income and Effective Tax Rate Reconciliation

(Unaudited)
($ in millions)

	Six Months Ended June 30, 2023				Six Months Ended June 30, 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	$ 649.7	$ (157.0)	$ 492.7	24.2 %	$ 707.6	$ (178.1)	$ 529.5	25.2 %
Amortization of intangibles[2]	78.9	(20.5)	58.4		81.6	(21.2)	60.4	
Equity-based compensation	45.6	(22.4)	23.2		44.6	(15.6)	29.0	
Acquisition and integration expenses	17.6	(4.6)	13.0		26.6	(6.8)	19.8	
Transformation initiatives [3]	9.6	(2.5)	7.1		2.4	(0.6)	1.8	
Workplace optimization[4]	42.9	(11.1)	31.8		—	—	—	
Other adjustments	2.0	(0.5)	1.5		1.0	(0.5)	0.5	
Non-GAAP*	$ 846.3	$ (218.6)	$ 627.7	25.8 %	$ 863.8	$ (222.8)	$ 641.0	25.8 %

(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.

(4) Includes costs related to the workforce reduction program and charges related to the reduction of our real estate lease portfolio.

* Non-GAAP net income and Non-GAAP effective tax rate 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 August 2, 2023 for a discussion of non-GAAP financial measures.

Non-GAAP Net Income Per Diluted Share

(Unaudited)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
US GAAP Net income	$ 262.6	$ 279.3	$ 492.7	$ 529.5
Weighted-average common shares outstanding - Diluted	136.1	136.8	136.7	136.8
Net income per diluted share	$ 1.92	$ 2.04	$ 3.60	$ 3.87
Non-GAAP net income*	$ 349.0	$ 339.5	$ 627.7	$ 641.0
Weighted-average common shares outstanding - Diluted	136.1	136.8	136.7	136.8
Non-GAAP net income per diluted share*	$ 2.56	$ 2.49	$ 4.59	$ 4.69

* 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 August 2, 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* Q2 2023

(Unaudited)

($ in millions)

	2019	2020	2021	2022	TTM Q2 2022	TTM Q2 2023
Operating income, as reported	$ 1,133.6	$ 1,179.2	$ 1,419.0	$ 1,735.2	$ 1,547.9	$ 1,680.5
Amortization of intangibles(1)	178.5	158.1	94.9	167.9	130.5	165.2
Equity-based compensation	48.5	42.5	72.6	91.1	80.8	92.1
Acquisition and integration expenses	3.6	4.9	54.3	48.3	74.2	39.3
Transformation initiatives (2)	—	—	—	6.3	1.2	13.5
Workplace optimization(3)	—	—	—	—	—	42.9
Other adjustments	4.2	19.9	4.6	1.7	3.4	2.7
Non-GAAP operating income	$ 1,368.4	$ 1,404.6	$ 1,645.4	$ 2,050.5	$ 1,838.0	$ 2,036.2
Depreciation and amortization in SG&A(4)	$ 80.1	$ 90.0	$ 88.6	$ 114.8	$ 105.2	$ 110.6

(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) Includes costs related to the workforce reduction program and charges related to the reduction of our real estate lease portfolio.

(4) Excludes amortization expense 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 Q2 2023

(Unaudited)

($ in millions)

	2019	2020	2021	2022	TTM Q2 2022	TTM Q2 2023
US GAAP net income	$ 736.8	$ 788.5	$ 988.6	$ 1,114.5	$ 1,011.4	$ 1,077.7
Amortization of intangibles[(1)]	178.5	158.1	94.9	167.9	130.5	165.2
Equity-based compensation	48.5	42.5	72.6	91.1	80.8	92.1
Gain on sale of equity method investment	—	—	(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	74.2	39.3
Transformation initiatives[(2)]	—	—	—	6.3	1.2	13.5
Workplace optimization[(3)]	—	—	—	—	—	42.9
Other adjustments	4.2	19.9	4.6	1.7	3.4	2.7
Aggregate adjustment for income taxes[(4)]	(91.6)	(86.8)	(66.1)	(89.9)	(82.7)	(106.9)
Non-GAAP net income	$ 902.1	$ 954.4	$ 1,118.9	$ 1,341.5	$ 1,224.4	$ 1,328.1

(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) Includes costs related to the workforce reduction program and charges related to the reduction of our real estate lease portfolio.

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

	2019	2020	2021	2022	TTM Q2 2022	TTM Q2 2023
Total Non-GAAP adjustments	$ 256.9	$ 252.7	$ 196.4	$ 316.9	$ 295.7	$ 357.3
Weighted-average statutory rate	25.0 %	25.0 %	25.0 %	26.0 %	25.5 %	26.0 %
Income taxes	(64.2)	(63.2)	(49.1)	(82.4)	(75.4)	(92.9)
Deferred tax adjustment due to law changes	0.3	2.7	4.8	(1.0)	0.7	(1.0)
Excess tax benefits from equity-based compensation	(24.5)	(26.3)	(24.5)	(6.7)	(10.8)	(13.2)
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	—
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)	$ (82.7)	$ (106.9)

Return on Working Capital Calculation 2013 - TTM Q2 2023

(Unaudited)

($ in millions)

	2013	2014	2015[1]	2016	2017	2018	2019	2020	2021	2022	TTM Q2 2023
Numerator											
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	$2,036.2
Taxes[2]	(291.4)	(332.0)	(374.8)	(387.9)	(409.5)	(316.3)	(355.8)	(365.2)	(427.8)	(533.1)	(529.4)
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	$1,506.8
Denominator											
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	$4,934.3
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	861.1
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)	(3,499.6)
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	$2,295.8
Return on Working Capital	47.8 %	51.5 %	52.7 %	54.9 %	55.1 %	65.0 %	65.5 %	58.0 %	59.1 %	66.1 %	65.6 %

(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 June 30,				Six Months Ended June 30,			
	2023	2022	% Change[1]	Average Daily % Change[1]	2023	2022	% Change	Average Daily % Change[1]
Net sales, as reported	$ 5,626.1	$ 6,145.8	(8.5)%	(8.5)%	$ 10,729.2	$ 12,094.9	(11.3)%	(12.0)%
Foreign currency translation[2]	—	(14.9)			—	(78.0)		
Net sales, on a constant currency basis*	$ 5,626.1	$ 6,130.9	(8.2)%	(8.2)%	$ 10,729.2	$ 12,016.9	(10.7)%	(11.4)%

(1) There were 64 selling days for both the three months ended June 30, 2023 and 2022. There were 128 and 127 selling days for the six months ended June 30, 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 August 2, 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 June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
US GAAP Net income	$ 262.6	$ 279.3	(6.0)%	$ 492.7	$ 529.5	(6.9)%
Amortization of intangibles	37.3	40.7		78.9	81.6	
Equity-based compensation	24.8	23.5		45.6	44.6	
Acquisition and integration expenses	8.7	14.9		17.6	26.6	
Transformation initiatives	4.6	1.2		9.6	2.4	
Workplace optimization	42.0	—		42.9	—	
Other adjustments	0.2	0.8		2.0	1.0	
Aggregate adjustment for income taxes	(31.2)	(20.9)		(61.6)	(44.7)	
Non-GAAP net income[1] *	$ 349.0	$ 339.5	2.8 %	$ 627.7	$ 641.0	(2.1)%
Foreign currency translation[2]	—	(0.6)		—	(3.4)	
Non-GAAP net income, on a constant currency basis*	$ 349.0	$ 338.9	3.0 %	$ 627.7	$ 637.6	(1.6)%
Shares used in computing Non-GAAP net income per diluted share and Non-GAAP net income per diluted share, on a constant currency basis	136.1	136.8		136.7	136.8	
Non-GAAP net income per diluted share*	$ 2.56	$ 2.49	3.2 %	$ 4.59	$ 4.69	(2.0)%
Non-GAAP net income per diluted share, on a constant currency basis*	$ 2.56	$ 2.48	3.5 %	$ 4.59	$ 4.66	(1.5)%
Number of selling days	64	64		128	127	

(1) See Slide 11 in the Webcast Slides for details on the adjustments to Non-GAAP net income for the second 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 August 2, 2023 for a discussion of non-GAAP financial measures.

Q2 2023 Non-GAAP SG&A

(Unaudited)
($ in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	% Change	2023	2022	% Change
SG&A, as reported	$ 769.3	$ 732.9	5.0 %	$ 1,503.4	$ 1,450.1	3.7 %
Amortization of acquisition-related intangible assets(1)	(37.3)	(40.7)		(78.9)	(81.6)	
Equity-based compensation	(24.8)	(23.5)		(45.6)	(44.6)	
Acquisition and integration expenses	(8.7)	(14.9)		(17.6)	(26.6)	
Transformation initiatives(2)	(4.6)	(1.2)		(9.6)	(2.4)	
Workplace optimization(3)	(42.0)	—		(42.9)	—	
Other adjustments	(0.2)	(0.7)		(2.0)	(1.0)	
Non-GAAP SG&A*	$ 651.7	$ 651.9	— %	$ 1,306.8	$ 1,293.9	1.0 %

(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) Includes costs related to the workforce reduction program and charges related to the reduction of our real estate lease portfolio.

* Non-GAAP SG&A and Non-GAAP operating 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 August 2, 2023 for a discussion of non-GAAP financial measures.

Non-GAAP Operating Income Margin Reconciliation - TTM Q2 2023

(Unaudited)

($ in millions)

	2013	2014	2015[1]	2016	2017	2018	2019	2020	2021	2022	TTM Q2 2022	TTM Q2 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	$22,931.8	$22,383.0
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	$ 1,838.0	$ 2,036.2
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%	8.0%	9.1%

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