CDW Corporation

Non-GAAP Reconciliations

Fourth Quarter 2023

Non-GAAP Operating Income and Non-GAAP Operating Income Margin Reconciliation

(Unaudited)

($ in millions)

	Three Months Ended December 31,				Year Ended December 31,			
	2023	**% of Net sales**	**2022**	**% of Net sales**	**2023**	**% of Net sales**	**2022**	**% of Net sales**
Operating income	$ 435.0	8.7 %	$ 446.6	8.2 %	$ 1,680.9	7.9 %	$ 1,735.2	7.3 %
Amortization of intangibles[1]	38.2		41.5		154.4		167.9	
Equity-based compensation	22.1		19.7		93.7		91.1	
Acquisition and integration expenses	5.3		12.0		30.0		48.3	
Transformation initiatives [2]	11.1		2.9		27.1		6.3	
Workplace optimization[3]	5.2		—		47.7		—	
Other adjustments	1.8		0.4		5.3		1.7	
Non-GAAP operating income*	$ 518.7	10.3 %	$ 523.1	9.6 %	$ 2,039.1	9.5 %	$ 2,050.5	8.6 %

(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.

* Non-GAAP measure

Q4 2023 Non-GAAP Net Income and Non-GAAP Effective Tax Rate Reconciliation

(Unaudited)
($ in millions)

	Three Months Ended December 31, 2023				Three Months Ended December 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	$ 380.7	$ (84.6)	$ 296.1	22.2 %	$ 381.2	$ (94.0)	$ 287.2	24.7 %
Amortization of intangibles[2]	38.2	(10.0)	28.2		41.5	(10.8)	30.7	
Equity-based compensation	22.1	(14.9)	7.2		19.7	(6.7)	13.0	
Acquisition and integration expenses	5.3	(1.4)	3.9		12.0	(3.0)	9.0	
Transformation initiatives[3]	11.1	(2.9)	8.2		2.9	(0.8)	2.1	
Workplace optimization[4]	5.2	(1.3)	3.9		—	—	—	
Net loss on extinguishment of long-term debt	—	—	—		1.6	(0.4)	1.2	
Other adjustments	1.8	(0.2)	1.6		0.4	(0.2)	0.2	
Non-GAAP*	$ 464.4	$ (115.3)	$ 349.1	24.8 %	$ 459.3	$ (115.9)	$ 343.4	25.2 %

(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 measure.

Full Year Non-GAAP Net Income and Non-GAAP Effective Tax Rate Reconciliation

(Unaudited)
($ in millions)

	Year Ended December 31, 2023				Year Ended December 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	$ 1,450.2	$ (345.9)	$ 1,104.3	23.9 %	$ 1,487.8	$ (373.3)	$ 1,114.5	25.1 %
Amortization of intangibles[2]	154.4	(40.2)	114.2		167.9	(44.6)	123.3	
Equity-based compensation	93.7	(47.6)	46.1		91.1	(30.4)	60.7	
Acquisition and integration expenses	30.0	(7.8)	22.2		48.3	(12.4)	35.9	
Transformation initiatives [3]	27.1	(7.1)	20.0		6.3	(1.6)	4.7	
Workplace optimization[4]	47.7	(12.4)	35.3		—	—	—	
Net loss on extinguishments of long-term debt	—	—	—		1.6	(0.4)	1.2	
Other adjustments	5.3	(1.2)	4.1		1.7	(0.5)	1.2	
Non-GAAP*	$ 1,808.4	$ (462.2)	$ 1,346.2	25.6 %	$ 1,804.7	$ (463.2)	$ 1,341.5	25.7 %

(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 measure.

Non-GAAP Net Income Per Diluted Share

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

	Three Months Ended December 31,		Year Ended December 31,	
	2023	**2022**	**2023**	**2022**
US GAAP net income	$ 296.1	$ 287.2	$ 1,104.3	$ 1,114.5
Weighted-average common shares outstanding - Diluted	135.9	137.4	136.3	137.0
Net income per diluted share	$ 2.18	$ 2.09	$ 8.10	$ 8.13
Non-GAAP net income*	$ 349.1	$ 343.4	$ 1,346.2	$ 1,341.5
Weighted-average common shares outstanding - Diluted	135.9	137.4	136.3	137.0
Non-GAAP net income per diluted share*	$ 2.57	$ 2.50	$ 9.88	$ 9.79

* Non-GAAP measure.

Non-GAAP Operating Income Reconciliation 2014 - 2018

(Unaudited)
($ in millions)

	2014	2015[1][2]	2016	2017	2018
Operating income	$ 673.0	$ 742.0	$ 820.0	$ 866.5	$ 987.3
Amortization of intangibles[3]	161.2	173.9	187.2	185.1	182.7
Equity-based compensation	16.4	31.2	39.2	43.7	40.7
IPO and secondary offering expenses	1.4	0.8	—	—	—
Acquisition and integration expense	—	10.2	7.3	2.5	1.2
Other adjustments	(0.6)	2.8	(5.4)	9.0	4.7
Non-GAAP operating income*	$ 851.4	$ 960.9	$ 1,048.3	$ 1,106.8	$ 1,216.6
Depreciation and amortization in SG&A[4]	$ 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 measure.

Non-GAAP Operating Income Reconciliation 2019 - 2023

(Unaudited)
($ in millions)

	2019	2020	2021	2022	2023
Operating income	$ 1,133.6	$ 1,179.2	$ 1,419.0	$ 1,735.2	$ 1,680.9
Amortization of intangibles[(1)]	178.5	158.1	94.9	167.9	154.4
Equity-based compensation	48.5	42.5	72.6	91.1	93.7
Acquisition and integration expense	3.6	4.9	54.3	48.3	30.0
Transformation initiatives[(2)]	—	—	—	6.3	27.1
Workplace optimization[(3)]	—	—	—	—	47.7
Other adjustments	4.2	19.9	4.6	1.7	5.3
Non-GAAP operating income*	$ 1,368.4	$ 1,404.6	$ 1,645.4	$ 2,050.5	$ 2,039.1
Depreciation and amortization in SG&A[(4)]	$ 80.1	$ 90.0	$ 88.6	$ 114.8	$ 106.9

(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) 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.
* Non-GAAP measure.

Non-GAAP Net Income Reconciliation 2014 - 2018

(Unaudited)

($ in millions)

	2014	2015[1][2]	2016	2017	2018
US GAAP Net income	$ 244.9	$ 403.1	$ 425.1	$ 523.1	$ 643.0
Amortization of intangibles[3]	161.2	173.9	187.2	185.1	182.7
Equity-based compensation	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	90.7	24.3	2.1	57.4	—
Interest expense adjustments related to extinguishments of long-term debt[5]	(1.1)	—	—	—	—
IPO and secondary offering expenses	1.4	0.8	—	—	—
Gain on remeasurement of equity investment[6]	—	(98.1)	—	—	—
Acquisition and integration expense	—	10.2	7.3	2.5	1.2
Other adjustments	(0.6)	2.9	(5.4)	9.0	4.7
Aggregate adjustment for income taxes[7]	(103.0)	(64.8)	(85.8)	(214.9)	(78.0)
Non-GAAP net income*	$ 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:

* Non-GAAP measure.

	2014	2015[1][2]	2016	2017	2018
Total Non-GAAP adjustments	$ 268.0	$ 165.2	$ 230.4	$ 297.7	$ 229.3
Weighted-average statutory rate	39.0 %	38.0 %	36.0 %	36.0 %	25.0 %
Income tax	(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	1.5	2.0	0.4	2.7	(0.2)
Total aggregate adjustment for income taxes	$ (103.0)	$ (64.8)	$ (85.8)	$ (214.9)	$ (78.0)

Non-GAAP Net Income Reconciliation 2019 - 2023

(Unaudited)
($ in millions)

	2019	2020	2021	2022	2023
US GAAP Net income	$ 736.8	$ 788.5	$ 988.6	$ 1,114.5	$ 1,104.3
Amortization of intangibles[1]	178.5	158.1	94.9	167.9	154.4
Equity-based compensation	48.5	42.5	72.6	91.1	93.7
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	—
Acquisition and integration expense	3.6	4.9	54.3	48.3	30.0
Transformation initiatives[2]	—	—	—	6.3	27.1
Workplace optimization[3]	—	—	—	—	47.7
Other adjustments	4.2	19.9	4.6	1.7	5.3
Aggregate adjustment for income taxes[4]	(91.6)	(86.8)	(66.1)	(89.9)	(116.3)
Non-GAAP net income*	$ 902.1	$ 954.4	$ 1,118.9	$ 1,341.5	$ 1,346.2

(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:

* Non-GAAP measure.

	2019	2020	2021	2022	2023
Total Non-GAAP adjustments	$ 256.9	$ 252.7	$ 196.4	$ 316.9	$ 358.2
Weighted-average statutory rate	25.0 %	25.0 %	25.0 %	26.0 %	26.0 %
Income tax	(64.2)	(63.2)	(49.1)	(82.4)	(93.1)
Deferred tax adjustment due to law changes	0.3	2.7	4.8	(1.0)	—
Excess tax benefits from equity-based compensation	(24.5)	(26.3)	(24.5)	(6.7)	(23.2)
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	—	—
Non-deductible adjustments and other	(0.2)	—	(0.5)	0.2	—
Total aggregate adjustment for income taxes	$ (91.6)	$ (86.8)	$ (66.1)	$ (89.9)	$ (116.3)

Return on Working Capital Calculation 2014 - 2023

(Unaudited)

($ in millions)

	2014	2015[1]	2016	2017	2018	2019	2020	2021	2022	2023
<u>Numerator</u>										
Non-GAAP Operating Income*	$ 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	$2,039.1
Taxes[2]	(332.0)	(374.8)	(387.9)	(409.5)	(316.3)	(355.8)	(365.2)	(427.8)	(533.1)	(530.2)
Non-GAAP Operating Income After-Tax	$ 519.4	$ 586.1	$ 660.4	$ 697.3	$ 900.3	$1,012.6	$1,039.4	$1,217.6	$1,517.4	$1,508.9
<u>Denominator</u>										
Trailing 5-point avg. AR[3]	$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	$4,928.7
Trailing 5-point avg. Inventory	396.2	387.1	422.0	457.5	481.9	582.4	677.2	833.2	943.4	749.1
Trailing 5-point avg. AP[4]	(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)	(3,309.6)
Working Capital	$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	$2,368.2
Return on Working Capital	51.5 %	52.7 %	54.9 %	55.1 %	65.0 %	65.5 %	58.0 %	59.1 %	66.1 %	63.7 %

(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.

* Non-GAAP measure.

Net Sales on a Constant Currency Basis

(Unaudited)

($ in millions)

	Three Months Ended December 31,			Year Ended December 31,		
	2023	2022	% Change[1]	2023	2022	% Change[1]
Net sales, as reported	$ 5,018.5	$ 5,438.3	(7.7)%	$ 21,376.0	$ 23,748.7	(10.0)%
Foreign currency translation[2]	—	23.8		—	(28.2)	
Net sales, on a constant currency basis*	$ 5,018.5	$ 5,462.1	(8.1)%	$ 21,376.0	$ 23,720.5	(9.9)%

(1) There were 63 selling days for both the three months ended December 31, 2023 and 2022. There were 254 selling days for both the years ended December 31, 2023 and 2022. Average Daily Sales is defined as Net sales divided by the number of selling days.

(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.

* Non-GAAP measure.

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

(Unaudited)

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

	Three Months Ended December 31,			Year Ended December 31,		
	2023	**2022**	**% Change**	**2023**	**2022**	**% Change**
US GAAP Net income	$ 296.1	$ 287.2	3.1 %	$ 1,104.3	$ 1,114.5	(0.9)%
Amortization of intangibles	38.2	41.5		154.4	167.9	
Equity-based compensation	22.1	19.7		93.7	91.1	
Acquisition and integration expenses	5.3	12.0		30.0	48.3	
Net loss on extinguishments of long-term debt	—	1.6		—	1.6	
Transformation initiatives	11.1	2.9		27.1	6.3	
Workplace optimization	5.2	—		47.7	—	
Other adjustments	1.8	0.4		5.3	1.7	
Aggregate adjustment for income taxes	(30.7)	(21.9)		(116.3)	(89.9)	
Non-GAAP net income*	$ 349.1	$ 343.4	1.7 %	$ 1,346.2	$ 1,341.5	0.4 %
Foreign currency translation(1)	—	0.3		—	(2.3)	
Non-GAAP net income, on a constant currency basis*	$ 349.1	$ 343.7	1.6 %	$ 1,346.2	$ 1,339.2	0.5 %
Shares used in computing Non-GAAP net income per diluted share and Non-GAAP net income per diluted share, on a constant currency basis	135.9	137.4		136.3	137.0	
Non-GAAP net income per diluted share*	$ 2.57	$ 2.50	2.8 %	$ 9.88	$ 9.79	0.9 %
Non-GAAP net income per diluted share, on a constant currency basis*	$ 2.57	$ 2.50	2.7 %	$ 9.88	$ 9.78	1.0 %

(1) 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 measure

Non-GAAP SG&A

(Unaudited)
($ in millions)

	Three Months Ended December 31,			Year Ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Selling and administrative expenses, as reported	$ 718.8	$ 734.5	(2.1)%	$ 2,971.5	$ 2,951.4	0.7 %
Amortization of intangibles[(1)]	(38.2)	(41.5)		(154.4)	(167.9)	
Equity-based compensation	(22.1)	(19.7)		(93.7)	(91.1)	
Acquisition and integration expenses	(5.3)	(12.0)		(30.0)	(48.3)	
Transformation initiatives[(2)]	(11.1)	(2.9)		(27.1)	(6.3)	
Workplace optimization[(3)]	(5.2)	—		(47.7)	—	
Other adjustments	(1.8)	(0.4)		(5.3)	(1.7)	
Non-GAAP SG&A*	$ 635.1	$ 658.0	(3.5)%	$ 2,613.3	$ 2,636.1	(0.9)%

(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) Includes costs related to the workforce reduction program and charges related to the reduction of our real estate lease portfolio.
* Non-GAAP measure.

Non-GAAP Operating Income Margin Reconciliation

(Unaudited)

($ in millions)

	2014	2015[1]	2016	2017	2018	2019	2020	2021	2022	2023
Net Sales	$ 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	$ 21,376.0
Non-GAAP Operating Income	$ 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	$ 2,039.1
Non-GAAP Operating Income Margin	7.1%	7.4%	7.7%	7.5%	7.5%	7.6%	7.6%	7.9%	8.6%	9.5%

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

Free Cash Flow and Adjusted Free Cash Flow Reconciliation

(Unaudited)
($ in millions)

	Year Ended December 31,	
	2023	2022
Net cash provided by operating activities	$ 1,598.7	$ 1,335.9
Capital expenditures	(148.2)	(127.8)
Free cash flow*	1,450.5	1,208.1
Net change in accounts payable - inventory financing	(23.7)	84.6
Adjusted free cash flow(1)*	$ 1,426.8	$ 1,292.7

(1) Defined as Cash flows provided by operating activities less capital expenditures, adjusted to include cash flows from financing activities that relate to the purchase of inventory.

* Non-GAAP measure