



CDW Corporation

Non-GAAP Reconciliations
First Quarter 2024

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Non-GAAP Financial Measures - Definitions

Generally, a non-GAAP financial measure is a numerical measure of a company's performance or financial condition that either excludes or includes amounts that are not normally included or excluded in the most directly comparable measure calculated and presented in accordance with US GAAP. Non-GAAP measures used by management may differ from similar measures used by other companies, even when similar terms are used to identify such measures. Our outlook includes non-GAAP financial measures because certain reconciling items are dependent on future events that either cannot be controlled, such as currency impacts or interest rates, or reliably predicted because they are not part of our routine activities, such as refinancing activities or acquisition and integration expenses. Our non-GAAP financial measures include non-GAAP performance and non-GAAP financial condition measures. For a reconciliation of non-GAAP financial measures to the most comparable US GAAP financial measures, refer to the slides herein.

Non-GAAP Performance Measures:

We believe our non-GAAP performance measures provide analysts, investors and management with useful information regarding the underlying operating performance of our business, as they remove the impact of items that management believes are not reflective of underlying operating performance. Management uses these measures to evaluate period-over-period performance as management believes they provide a more comparable measure of the underlying business.

Non-GAAP operating income and Non-GAAP selling and administrative expenses excludes, among other things, charges related to the amortization of acquisition-related intangible assets, equity-based compensation and the associated payroll taxes, acquisition and integration expenses, transformation initiatives and workplace optimization. Non-GAAP operating income margin is defined as Non-GAAP operating income as a percentage of Net sales.

Non-GAAP net income and Non-GAAP net income per diluted share excludes, among other things, charges related to acquisition-related intangible asset amortization, equity-based compensation, acquisition and integration expenses, transformation initiatives, workplace optimization and the associated tax effects of each.

Non-GAAP net income per diluted share on a constant currency basis is defined as Non-GAAP net income per diluted share excluding the impact of foreign currency translation on Non-GAAP net income.

Net sales on a constant currency basis is defined as Net sales excluding the impact of foreign currency translation on Net sales.

Non-GAAP Financial Condition Measures:

We also present non-GAAP financial condition measures as we believe they provide analysts, investors and management with more information regarding our liquidity and capital resources. Certain non-GAAP financial measures are also used to determine certain components of performance-based compensation.

Free cash flow is defined as Net cash provided by operating activities less capital expenditures. Adjusted free cash flow is defined as Free cash flow adjusted to include certain cash flows from financing activities incurred in the normal course of operations or as capital expenditures.

Return on working capital ("ROWC") is defined as the percentage of Non-GAAP operating income After-tax divided by working capital.

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

(Unaudited)

(\$ in millions)

	Three Months Ended March 31,			
	2024	% of Net sales	2023	% of Net sales
Operating income, as reported	\$ 328.0	6.7 %	\$ 355.3	7.0 %
Amortization of intangibles ⁽¹⁾	37.7		41.6	
Equity-based compensation	19.4		20.8	
Acquisition and integration expenses	0.7		8.9	
Transformation initiatives ⁽²⁾	6.1		5.0	
Workplace optimization ⁽³⁾	7.3		0.9	
Other adjustments	4.3		1.8	
Non-GAAP operating income	<u>\$ 403.5</u>	8.3 %	<u>\$ 434.3</u>	8.5 %

(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 Net Income and Non-GAAP Effective Tax Rate Reconciliation

(Unaudited)
(\$ in millions)

	Three Months Ended March 31, 2024				Three Months Ended March 31, 2023			
	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	\$ 276.6	\$ (60.5)	\$ 216.1	21.9 %	\$ 296.3	\$ (66.2)	\$ 230.1	22.3 %
Amortization of intangibles ⁽²⁾	37.7	(9.8)	27.9		41.6	(10.9)	30.7	
Equity-based compensation	19.4	(16.1)	3.3		20.8	(15.3)	5.5	
Acquisition and integration expenses	0.7	(0.2)	0.5		8.9	(2.3)	6.6	
Transformation initiatives ⁽³⁾	6.1	(1.6)	4.5		5.0	(1.3)	3.7	
Workplace optimization ⁽⁴⁾	7.3	(1.9)	5.4		0.9	(0.2)	0.7	
Other adjustments	4.3	(1.2)	3.1		1.8	(0.4)	1.4	
Non-GAAP	<u>\$ 352.1</u>	<u>\$ (91.3)</u>	<u>\$ 260.8</u>	<u>25.9 %</u>	<u>\$ 375.3</u>	<u>\$ (96.6)</u>	<u>\$ 278.7</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.

(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 Per Diluted Share

(Unaudited)

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

	Three Months Ended March 31,	
	2024	2023
US GAAP Net income	\$ 216.1	\$ 230.1
Weighted-average common shares outstanding - Diluted	136.0	137.3
Net income per diluted share	<u>\$ 1.59</u>	<u>\$ 1.68</u>
Non-GAAP net income	\$ 260.8	\$ 278.7
Weighted-average common shares outstanding - Diluted	136.0	137.3
Non-GAAP net income per diluted share	<u>\$ 1.92</u>	<u>\$ 2.03</u>

Net Sales Growth on a Constant Currency Basis

(Unaudited)
(\$ in millions)

	Three Months Ended March 31,		
	2024	2023	% Change ⁽¹⁾
Net sales, as reported	\$ 4,872.7	\$ 5,103.1	(4.5)%
Foreign currency translation ⁽²⁾	—	19.7	
Net sales, on a constant currency basis	<u>\$ 4,872.7</u>	<u>\$ 5,122.8</u>	(4.9)%

(1) There were 64 selling days for both the three months ended March 31, 2024 and 2023. 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 Net Income Per Diluted Share, on a Constant Currency Basis

(Unaudited)

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

	Three Months Ended March 31,		
	2024	2023	% Change
US GAAP Net income	\$ 216.1	\$ 230.1	(6.1)%
Amortization of intangibles	37.7	41.6	
Equity-based compensation	19.4	20.8	
Acquisition and integration expenses	0.7	8.9	
Transformation initiatives	6.1	5.0	
Workplace optimization	7.3	0.9	
Other adjustments	4.3	1.8	
Aggregate adjustment for income taxes	(30.8)	(30.4)	
Non-GAAP net income*	\$ 260.8	\$ 278.7	(6.4)%
Foreign currency translation ⁽¹⁾	—	1.0	
Non-GAAP net income, on a constant currency basis	<u>\$ 260.8</u>	<u>\$ 279.7</u>	(6.8)%
Shares used in computing Non-GAAP net income per diluted share and Non-GAAP net income per diluted share, on a constant currency basis	136.0	137.3	
Non-GAAP net income per diluted share	\$ 1.92	\$ 2.03	(5.5)%
Non-GAAP net income per diluted share, on a constant currency basis	\$ 1.92	\$ 2.04	(5.9)%

(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 Selling and Administrative Expenses

(Unaudited)

(\$ in millions)

	Three Months Ended March 31,		
	2024	2023	% Change
Selling and administrative expenses, as reported	\$ 735.3	\$ 734.1	0.2 %
Amortization of acquisition-related intangible assets ⁽¹⁾	(37.7)	(41.6)	
Equity-based compensation	(19.4)	(20.8)	
Acquisition and integration expenses	(0.7)	(8.9)	
Transformation initiatives ⁽²⁾	(6.1)	(5.0)	
Workplace optimization ⁽³⁾	(7.3)	(0.9)	
Other adjustments	(4.3)	(1.8)	
Non-GAAP selling and administrative expenses	<u>\$ 659.8</u>	<u>\$ 655.1</u>	0.7 %

- (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.

Free Cash Flow and Adjusted Free Cash Flow Reconciliation

	Three Months Ended March 31,	
	2024	2023
Net cash provided by operating activities	\$ 440.0	\$ 365.4
Capital expenditures	(29.5)	(31.7)
Free cash flow	410.5	333.7
Net change in accounts payable - inventory financing	(46.1)	77.6
Adjusted free cash flow ⁽¹⁾	<u>\$ 364.4</u>	<u>\$ 411.3</u>

(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 Operating Income and Non-GAAP Operating Income Margin Reconciliation 2014-2019

(Unaudited)

(\$ in millions, except percentages)

	2014	2015 ⁽¹⁾⁽²⁾	2016	2017	2018	2019
Net sales	\$ 12,074.5	\$ 12,988.7	\$ 13,672.7	\$ 14,832.9	\$ 16,240.5	\$ 18,032.4
Operating income, as reported	\$ 673.0	\$ 742.0	\$ 820.0	\$ 866.5	\$ 987.3	\$ 1,133.6
Amortization of intangibles ⁽³⁾	161.2	173.9	187.2	185.1	182.7	178.5
Equity-based compensation	16.4	31.2	39.2	43.7	40.7	48.5
IPO and secondary offering expenses	1.4	0.8	—	—	—	3.6
Acquisition and integration expenses	—	10.2	7.3	2.5	1.2	—
Other adjustments	(0.6)	2.8	(5.4)	9.0	4.7	4.2
Non-GAAP operating income	<u>\$ 851.4</u>	<u>\$ 960.9</u>	<u>\$ 1,048.3</u>	<u>\$ 1,106.8</u>	<u>\$ 1,216.6</u>	<u>\$ 1,368.4</u>
Operating income margin	5.6 %	5.7 %	5.9 %	5.7 %	6.1 %	6.3 %
Non-GAAP operating income margin	7.1 %	7.4 %	7.7 %	7.5 %	7.5 %	7.6 %
Depreciation and amortization in selling and administrative expenses ⁽⁴⁾	\$ 43.0	\$ 48.1	\$ 60.3	\$ 68.8	\$ 77.0	\$ 80.1

(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 and Non-GAAP Operating Income Margin Reconciliation 2020 - TTM* Q1 2024

(Unaudited)

(\$ in millions)

	2020	2021	2022	2023	TTM Q1 2023	TTM Q1 2024
Net sales	\$ 18,467.5	\$ 20,820.8	\$ 23,748.7	\$ 21,376.0	\$ 22,902.8	\$ 21,145.6
Operating income, as reported	\$ 1,179.2	\$ 1,419.0	\$ 1,735.2	\$ 1,680.9	\$ 1,703.6	\$ 1,653.6
Amortization of intangibles ⁽¹⁾	158.1	94.9	167.9	154.4	168.6	150.5
Equity-based compensation	42.5	72.6	91.1	93.7	90.8	92.3
Acquisition and integration expenses	4.9	54.3	48.3	30.0	45.5	21.8
Transformation initiatives ⁽²⁾	—	—	6.3	27.1	10.0	28.2
Workplace optimization ⁽³⁾	—	—	—	47.7	0.9	54.1
Other adjustments	19.9	4.6	1.7	5.3	3.3	7.8
Non-GAAP operating income	<u>\$ 1,404.6</u>	<u>\$ 1,645.4</u>	<u>\$ 2,050.5</u>	<u>\$ 2,039.1</u>	<u>\$ 2,022.7</u>	<u>\$ 2,008.3</u>
Operating income margin	6.4 %	6.8 %	7.3 %	7.9 %	7.4 %	7.8 %
Non-GAAP operating income margin	7.6 %	7.9 %	8.6 %	9.5 %	8.8 %	9.5 %
Depreciation and amortization in selling and administrative expenses ⁽⁴⁾	\$ 90.0	\$ 88.6	\$ 114.8	\$ 106.9	\$ 112.9	\$ 107.2

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

* Trailing twelve months

Non-GAAP Net Income Reconciliation 2014 - 2019

(Unaudited)

(\$ in millions)

	2014	2015 ⁽¹⁾⁽²⁾	2016	2017	2018	2019
US GAAP net income	\$ 244.9	\$ 403.1	\$ 425.1	\$ 523.1	\$ 643.0	\$ 736.8
Amortization of intangibles ⁽³⁾	161.2	173.9	187.2	185.1	182.7	178.5
Equity-based compensation	16.4	31.2	39.2	43.7	40.7	48.5
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	—	22.1
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 expenses	—	10.2	7.3	2.5	1.2	3.6
Other adjustments	(0.6)	2.9	(5.4)	9.0	4.7	4.2
Aggregate adjustment for income taxes ⁽⁷⁾	(103.0)	(64.8)	(85.8)	(214.9)	(78.0)	(91.6)
Non-GAAP net income	<u>\$ 409.9</u>	<u>\$ 503.5</u>	<u>\$ 569.7</u>	<u>\$ 605.9</u>	<u>\$ 794.3</u>	<u>\$ 902.1</u>

(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:

	2014	2015 ⁽¹⁾⁽²⁾	2016	2017	2018	2019
Total Non-GAAP adjustments	\$ 268.0	\$ 165.2	\$ 230.4	\$ 297.7	\$ 229.3	\$ 256.9
Weighted-average statutory rate	39.0 %	38.0 %	36.0 %	36.0 %	25.0 %	25.0 %
Income taxes	(104.5)	(62.8)	(82.9)	(107.2)	(57.3)	(64.2)
Deferred tax adjustment due to law changes	—	(4.0)	(1.5)	1.3	0.5	0.3
Excess tax benefits from equity-based compensation	—	—	(1.8)	(36.2)	(19.1)	(24.5)
Impact from Tax Cuts and Jobs Act	—	—	—	(75.5)	(1.9)	—
Discrete tax benefit related to CDW Canada's acquisition of Scalar	—	—	—	—	—	(3.0)
Non-deductible adjustments and other	1.5	2.0	0.4	2.7	(0.2)	(0.2)
Total aggregate adjustment for income taxes	<u>\$ (103.0)</u>	<u>\$ (64.8)</u>	<u>\$ (85.8)</u>	<u>\$ (214.9)</u>	<u>\$ (78.0)</u>	<u>\$ (91.6)</u>

Non-GAAP Net Income Reconciliation 2020 - TTM Q1 2024

(Unaudited)

(\$ in millions)

	2020	2021	2022	2023	TTM Q1 2023	TTM Q1 2024
US GAAP net income	\$ 788.5	\$ 988.6	\$ 1,114.5	\$ 1,104.3	\$ 1,094.4	\$ 1,090.3
Amortization of intangibles ⁽¹⁾	158.1	94.9	167.9	154.4	168.6	150.5
Equity-based compensation	42.5	72.6	91.1	93.7	90.8	92.3
Gain on sale of equity method investment	—	(36.0)	—	—	—	—
Net loss on extinguishments of long-term debt	27.3	6.0	1.6	—	1.6	—
Acquisition and integration expenses	4.9	54.3	48.3	30.0	45.5	21.8
Transformation initiatives ⁽²⁾	—	—	6.3	27.1	10.0	28.2
Workplace optimization ⁽³⁾	—	—	—	47.7	0.9	54.1
Other adjustments	19.9	4.6	1.7	5.3	3.4	7.8
Aggregate adjustment for income taxes ⁽⁴⁾	(86.8)	(66.1)	(89.9)	(116.3)	(96.6)	(116.7)
Non-GAAP net income	<u>\$ 954.4</u>	<u>\$ 1,118.9</u>	<u>\$ 1,341.5</u>	<u>\$ 1,346.2</u>	<u>\$ 1,318.6</u>	<u>\$ 1,328.3</u>

(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:

	2020	2021	2022	2023	TTM Q1 2023	TTM Q1 2024
Total Non-GAAP adjustments	\$ 252.7	\$ 196.4	\$ 316.9	\$ 358.2	\$ 320.8	\$ 354.7
Weighted-average statutory rate	25.0 %	25.0 %	26.0 %	26.0 %	26.0 %	26.0 %
Income taxes	(63.2)	(49.1)	(82.4)	(93.1)	(83.4)	(92.3)
Deferred tax adjustment due to law changes	2.7	4.8	(1.0)	—	(1.0)	—
Excess tax benefits from equity-based compensation	(26.3)	(24.5)	(6.7)	(23.2)	(12.4)	(24.4)
Discrete tax benefit related to CDW's acquisition of Sirius	—	3.2	—	—	—	—
Non-deductible adjustments and other	—	(0.5)	0.2	—	0.2	—
Total aggregate adjustment for income taxes	<u>\$ (86.8)</u>	<u>\$ (66.1)</u>	<u>\$ (89.9)</u>	<u>\$ (116.3)</u>	<u>\$ (96.6)</u>	<u>\$ (116.7)</u>

Return on Working Capital Calculation 2014 - TTM Q1 2024

(Unaudited)
(\$ in millions)

	2014	2015 ⁽¹⁾	2016	2017	2018	2019	2020	2021	2022	2023	TTM Q1 2024
<i>Numerator</i>											
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	\$2,008.3
Taxes ⁽²⁾	(332.0)	(374.8)	(387.9)	(409.5)	(316.3)	(355.8)	(365.2)	(427.8)	(533.1)	(530.2)	(522.2)
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	\$1,486.1
<i>Denominator</i>											
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	\$4,897.2
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	723.2
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)	(3,266.7)
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	\$2,353.7
Return on Working Capital	51.5 %	52.7 %	54.9 %	55.1 %	65.0 %	65.5 %	58.0 %	59.1 %	66.1 %	63.7 %	63.1 %

(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.