BUILD A BEAR WORKSHOP INC
Form 10-Q
June 14, 2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended May 5, 2018

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ______ to ______

Commission file number: 001-32320

BUILD-A-BEAR WORKSHOP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**43-1883836**
(State or Other Jurisdiction of Incorporation or Organization)	**(IRS Employer Identification No.)**

1954 Innerbelt Business Center Drive St. Louis, Missouri	**63114**
(Address of Principal Executive Offices)	**(Zip Code)**

(314) 423-8000

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company

(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 14(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 7, 2018, there were 15,022,680 issued and outstanding shares of the registrant's common stock.

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PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share and per share data)

	May 5, 2018 (Unaudited)	December 30, 2017	April 29, 2017 (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 18,881	$ 30,445	$ 30,189
Inventories	49,423	53,136	55,202
Receivables	8,968	13,302	6,465
Prepaid expenses and other current assets	11,493	13,346	11,575
Total current assets	88,765	110,229	103,431
Property and equipment, net	76,410	77,751	73,937
Deferred tax assets	4,102	6,381	10,090
Other intangible assets, net	950	995	1,512
Other assets, net	2,427	2,633	2,407
Total Assets	$ 172,654	$ 197,989	$ 191,377
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 12,965	$ 18,942	$ 23,442
Accrued expenses	8,739	15,189	12,099
Gift cards and customer deposits	17,007	33,926	31,596
Deferred revenue and other	1,893	1,806	1,943
Total current liabilities	40,604	69,863	69,080
Deferred rent	17,697	17,906	16,458
Deferred franchise revenue	1,142	1,208	516
Other liabilities	1,794	1,697	1,911
Commitments and contingencies	-	-	-

Stockholders' equity:			
Preferred stock, par value $0.01, Shares authorized: 15,000,000; No shares issued or outstanding at May 5, 2018, December 30, 2017 and April 29, 2017	-	-	-
Common stock, par value $0.01, Shares authorized: 50,000,000; Issued and outstanding: 14,997,791, 15,515,960 and 16,002,021 shares, respectively	151	155	160
Additional paid-in capital	66,908	68,962	69,187
Accumulated other comprehensive loss	(11,546)	(11,562)	(12,061)
Retained earnings	55,904	49,760	46,126
Total stockholders' equity	111,417	107,315	103,412
Total Liabilities and Stockholders' Equity	$ 172,654	$ 197,989	$ 191,377

See accompanying notes to condensed consolidated financial statements.

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BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

AND COMPREHENSIVE INCOME

(Unaudited)
(Dollars in thousands, except share and per share data)

	Thirteen weeks ended		5 weeks ended
	May 5, 2018	**April 29, 2017**	**February 3, 2018**
Revenues:			
Net retail sales	$81,425	$88,743	$29,586
Commercial revenue	1,019	2,038	358
International franchising	740	422	279
Total revenues	83,184	91,203	30,223
Costs and expenses:			
Cost of merchandise sold - retail	45,385	46,456	16,062
Cost of merchandise sold - commercial	479	1,101	259
Cost of merchandise sold - international franchising	332	-	-
Total cost of merchandise sold	46,196	47,557	16,321
Consolidated gross profit	36,988	43,646	13,902
Selling, general and administrative expense	36,337	39,228	14,920
Interest expense (income), net	5	(6)	10
Income (loss) before income taxes	646	4,424	(1,028)
Income tax expense (benefit)	292	1,795	(183)
Net income (loss)	$354	$2,629	$(845)
Foreign currency translation adjustment	(747)	436	762
Comprehensive (loss) income	$(393)	$3,065	$(83)
Income (loss) per common share:			
Basic	$0.02	$0.17	$(0.06)
Diluted	$0.02	$0.16	$(0.06)
Shares used in computing common per share amounts:			
Basic	14,582,573	15,561,804	14,860,511

Diluted	14,722,989	15,695,322	14,860,511

See accompanying notes to condensed consolidated financial statements.

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BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Dollars in thousands)

	Thirteen weeks ended		Five weeks ended
	May 5, 2018	April 29, 2017	February 3, 2018
Cash flows from operating activities:			
Net income (loss)	$354	$2,629	$(845)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,115	3,907	1,507
Stock-based compensation	841	1,192	214
Asset impairment	-	69	-
Deferred taxes	(433)	878	1,059
Provision for doubtful accounts	-	56	16
(Gain) loss on disposal of property and equipment	(29)	20	50
Change in assets and liabilities:			
Inventories	8,233	1,836	(4,435)
Receivables	(723)	4,192	5,045
Prepaid expenses and other assets	1,671	(4,215)	220
Accounts payable and accrued expenses	(10,643)	(1,817)	(2,804)
Lease related liabilities	127	852	429
Gift cards and customer deposits	(2,235)	(2,611)	(2,467)
Deferred revenue	105	(216)	(841)
Net cash provided by (used in) operating activities	1,383	6,772	(2,852)
Cash flows from investing activities:			
Purchases of property and equipment	(3,030)	(3,696)	(1,270)
Purchases of other assets and other intangible assets	-	(112)	-
Proceeds from property insurance	85	-	-
Cash flow used in investing activities	(2,945)	(3,808)	(1,270)
Cash flows from financing activities:			

Proceeds from the exercise of employee stock options, net of withholding tax payments	(406)	(359)	-
Payments made under capital leases	(19)	(18)	(7)
Purchases of Company's common stock	(732)	-	(4,720)
Cash flow used in financing activities	(1,157)	(377)	(4,727)
Effect of exchange rates on cash	101	(94)	(97)
Net decrease in cash and cash equivalents	(2,618)	2,493	(8,946)
Cash and cash equivalents, beginning of period	21,499	27,696	30,445
Cash and cash equivalents, end of period	$18,881	$30,189	$ 21,499
Supplemental disclosure of cash flow information:			
Net cash (received) paid during the period for income taxes	$(168)	$29	$ (26)

See accompanying notes to condensed consolidated financial statements.

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Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation

The condensed consolidated financial statements included herein are unaudited and have been prepared by Build-A-Bear Workshop, Inc. and its subsidiaries (collectively, the Company) pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated balance sheet of the Company as of December 30, 2017 was derived from the Company's audited consolidated balance sheet as of that date. All other condensed consolidated financial statements contained herein are unaudited and reflect all adjustments which are, in the opinion of management, necessary to summarize fairly the financial position of the Company and the results of the Company's operations and cash flows for the periods presented. All of these adjustments are of a normal recurring nature. All significant intercompany balances and transactions have been eliminated in consolidation. Because of the seasonal nature of the Company's operations, results of operations of any single reporting period should not be considered as indicative of results for a full year. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the fiscal year ended December 30, 2017, which were included in the Company's annual report on Form 10-K filed with the SEC on March 15, 2018. Certain amounts in prior fiscal periods have been reclassified to conform with the presentation adopted in the current fiscal year.

Change in Fiscal Year

In January 2018, the Company's Board of Directors approved a change in the Company's fiscal year-end, which previously ended on the Saturday closest to December 31, to the Saturday closest to January 31. This change was effective following the end of the Company's 2017 fiscal year. The first 12-month fiscal year under the new calendar will encompass February 4, 2018 through February 2, 2019. As a result of the change, the Company had a one fiscal month transition period, December 31, 2017 through February 3, 2018. Results of the transition period are presented herewith and will be reported in the Company's Annual Report Form 10-K for the year ending February 2, 2019.

Recent Accounting Pronouncements – Adopted in the current year

Effective December 31, 2017, the Company adopted Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers, and all the related amendments using the modified retrospective method. ASC 606 requires an entity to recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The standard also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. Nearly all of the Company’s revenue is derived from retail sales (including ecommerce sites) and is recognized when control of the merchandise is transferred to the customer.

The Company's most significant ASC 606 impact relates to accounting for gift card breakage. The Company's adjustment for gift card breakage reflects the impact of the change to recognize gift card breakage proportionately as gift card balances are used rather than when it is deemed remote that the unused gift card balance would be redeemed, as done for certain categories of gift cards under the previous standards. In addition, the Company has identified minor changes to the timing of revenues for certain outbound licensing arrangements and international franchise agreements.

Using the modified retrospective method, the Company recognized the cumulative effect of initially applying the revenue standard as a $12.3 million adjustment offset by the associated $3.0 million tax effect to the December 31, 2017 retained earnings balance. As a result of this change, the Company expects a negative impact to revenue and pre-tax income of $3.9 million in fiscal 2018 with the remaining balance of the cumulative effect adjustment predominantly impacting fiscal years 2019 and 2020. The Company elected to apply this method to contracts that were not completed as of December 31, 2017. The comparative historical financial information has not been restated and continues to be reported under the accounting standards in effect for those periods. As a result of applying the modified retrospective method to transition to ASC 606, the following adjustments were made to the consolidated balance sheet as of December 31, 2017 (dollars in thousands):

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Balance Sheet	**Balance as of December 30, 2017**	**Adjustments due to ASC 606**	**Balance as of December 31, 2017**
Assets			
Prepaid expenses and other current assets	$ 13,346	$ (13)	$ 13,333
Deferred tax assets	6,381	(2,880)	3,501
Adjustment: assets		(2,893)	
Liabilities			
Accrued expenses [(1)]	15,189	151	15,340
Gift cards and customer deposits	33,926	(12,297)	21,629
Equity			
Retained Earnings	49,760	9,253	59,013
Adjustment: liabilities and stockholders' equity		$ (2,893)	

(1) - The impact on the balances due to the adoption of ASC 606 includes income tax payable.

The following tables reflect the impact of adoption of ASC 606 on the Company's condensed consolidated statement of income for the thirteen weeks ended May 5, 2018 and its condensed consolidated balance sheet as of May 5, 2018 and the amounts as if the previous standards were in effect ("Without Adoption of ASC606") (dollars in thousands):

	For the thirteen weeks ended May 5, 2018		
	As Reported	**Without Adoption of ASC 606**	**Effect of Change**
Income statement			
Revenues			
Net retail sales	$81,425	$ 82,024	$ (599)
Commercial revenue	1,019	1,019	–
International franchising	740	740	–
Total revenues	83,184	83,783	(599)
Total costs and expenses	–	–	–
Income tax expense	292	450	(158)
Net income	$354	$ 795	$ (441)

	May 5, 2018		
	As Reported	Without Adoption of ASC 606	Effect of Change
Balance Sheet			
Liabilities			
Accrued expenses(1)	$8,739	$ 8,746	$7
Gift cards and customer deposits(1)	17,007	28,705	11,698
Equity			
Retained earnings(1)	55,904	47,092	(8,812)
			2,893

(1) - The impact on the balances without adoption of ASC 606 includes the activity for the thirteen weeks ended May 5, 2018 and the December 31, 2017 adjustment.

The impact of adoption of ASC 606 on the Company's condensed consolidated statement of cash flows from operating activities for the thirteen weeks ended May 5, 2018 was not significant.

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Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, Leases (ASU 2016-02), which will replace most existing lease accounting guidance in U.S. GAAP. The core principle of the ASU is that an entity should recognize the rights and obligations resulting from leases as assets and liabilities. ASU 2016-02 requires qualitative and specific quantitative disclosures to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an entity's leasing activities, including significant judgments and changes in judgments. ASU 2016-02 will be effective for the Company beginning in fiscal 2019 and allows cumulative and modified retrospective methods of adoption. Early adoption is permitted. The Company is in the process of determining the impact of ASU 2016-02 on its consolidated financial statements. Management expects a material impact to the consolidated balance sheet with the addition of significant right-of-use assets and related liabilities because the Company's retail locations are currently categorized as operating leases. In 2017, the Company established a cross-functional team to use a detailed approach to assess the impact of the new standard. The Company is in the process of implementing new lease accounting software to assist in the quantification of the expected impact on the consolidated balance sheets and to facilitate the calculations of the related accounting entries and disclosures.

2. Revenue

Nearly all of the Company's revenue is derived from retail sales (including ecommerce sites) and is recognized when control of the merchandise is transferred to the customer. The Company accounts for revenue in accordance with ASC 606 which was adopted December 31, 2017 using the modified retrospective method (See Note 1— Basis of Presentation and Note 7 — Stockholder's Equity for additional information). The Company's disaggregated revenue is fully disclosed as net sales to external customers by reporting segment and by geographic area (See Note 10 — Segment Information for additional information). The Company's direct-to-consumer reporting segment represents over 95% of consolidated revenue. The majority of these sales transactions are single performance obligations that are recorded when control is transferred to the customer.

The following is a description of principal activities from which the Company generates its revenue, by reportable segment.

The Company's direct-to-consumer segment includes the operating activities of corporately-managed stores, other retail-delivered operations and online sales. Direct-to-consumer revenue is recognized when control of the merchandise is transferred to the customer. For the Company's online sales, revenue is recognized when control of the merchandise is transferred to the customer, which generally occurs upon delivery to the customer. Revenue is measured as the amount of consideration, including any discounts or incentives, the Company expects to receive in exchange for transferring the merchandise. Product returns have historically averaged less than one-tenth of one percent due to the interactive nature of sales, where consumers customize their own stuffed animal. The Company has elected to exclude from revenue all collected sales, value add and other taxes paid by its customers.

For the Company's gift cards, revenue is deferred for single transactions until redemption including any related discounts. Historically, gift card redemptions occur within three years of acquisition and approximately 75% of gift cards were redeemed within the first twelve months. In addition, unredeemed gift cards or breakage revenue will be recorded in proportion to the customer's redemption period using an estimated breakage rate based on historical experience. For certain qualifying transactions, a portion of revenue transactions are deferred for the obligation related to the Company's loyalty program or when a material right in the form of a future discount is granted. In these transactions, the transaction price is allocated to the separate performance obligations based on the relative standalone selling price. The standalone selling price for the points earned for the Company's loyalty program is estimated using the retail value of the merchandise earned, adjusted for estimated breakage based on historical redemption patterns. The revenue associated with the initial merchandise purchased is recognized immediately and the value assigned to the points is deferred until the points are redeemed, forfeited or expired.

The Company's commercial segment includes transactions with other businesses and are mainly comprised of licensing the Company's intellectual properties for third-party use and wholesale sales of merchandise, including supplies and fixtures. Revenue for wholesale sales is recognized when control of the merchandise or fixtures is transferred to the customer, which generally occurs upon delivery to the customer. The license agreements provide the customer with highly interrelated rights that are not distinct in the context of the contract and therefore, have been accounted for as a single performance obligation and recognized as licensee sales occur. If the contract includes a guaranteed minimum, the minimum guarantee is recognized on a straight-line basis over the guarantee term until such time as royalties earned through licensee sales exceed the minimum guarantee.

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The Company’s international franchising segment includes the licensing activities with franchisees who operate store locations in certain countries and includes development fees, sales-based royalties and merchandise, including supplies and fixture sales. The Company's obligations under the franchise agreement are ongoing and include operations and product development support and training, generally concentrated around new store openings. These obligations are highly interrelated rights that are not distinct in the context of the contract and, therefore, have been accounted for as a single performance obligation and recognized as franchisee sales occur. If the contract includes an initial, one-time nonrefundable development fee, this fee is recognized on a straight-line basis over the term of the franchise agreement, which may extend for periods up to 25 years. Revenue from merchandise and fixture sales is recognized when control is transferred to the franchisee.

The Company also incurs expenses directly related to the startup of new franchises, including finder’s fees, legal and travel costs as well as expenses related to its ongoing support of the franchisees, predominantly travel and employee compensation. Accordingly, the Company’s policy is to capitalize the finder’s fee, an incremental cost, and expense all other costs as incurred. Additionally, the Company amortizes these capitalized costs into expense in the same pattern as the development fee's recording of income as described previously.

Contract liabilities

Contract liabilities for gift cards are classified as gift cards and customer deposits on the consolidated balance sheet. In addition, contract liabilities consist of deferred revenue resulting from initial, one-time nonrefundable franchise fees, as well as minimum guaranteed royalties, which are generally recognized on a straight-line basis over the term of the underlying agreement. The Company classifies these contract liabilities as deferred revenue on the consolidated balance sheet.

3. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following (in thousands):

	May 5, 2018	**December 30, 2017**	**April 29, 2017**
Prepaid occupancy	$6,510	$ 7,688	$6,624
Other	4,983	5,658	4,951
Total	$11,493	$ 13,346	$11,575

4. Accrued Expenses

Accrued expenses consist of the following (in thousands):

	May 5, 2018	December 30, 2017	April 29, 2017
Accrued wages, bonuses and related expenses	$2,850	$ 5,863	$6,173
Sales and cross-border taxes payable	1,198	4,858	1,756
Accrued rent and related expenses	3,352	3,679	3,962
Current income taxes payable	1,339	789	208
Total	$8,739	$ 15,189	$12,099

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5. Stock-based Compensation

On March 14, 2017, the Company’s Board of Directors (the Board) adopted, subject to stockholder approval, the Build-A-Bear Workshop, Inc. 2017 Omnibus Incentive Plan (the Incentive Plan). On May 11, 2017, at the Company’s 2017 Annual Meeting of Stockholders, the Company’s stockholders approved the Incentive Plan. The Incentive Plan, which is administered by the Compensation and Development Committee of the Board, permits the grant of stock options (including both incentive and non-qualified stock options), stock appreciation rights, restricted stock, cash and other stock-based awards, some of which may be performance-based pursuant to the terms of the Incentive Plan. The Board may amend, modify or terminate the Incentive Plan at any time, except as otherwise provided in the Incentive Plan. The Incentive Plan will terminate on March 14, 2027, unless earlier terminated by the Board. The number of shares of the Company’s common stock authorized for issuance under the Incentive Plan is 1,000,000, plus shares of stock subject to outstanding awards made under the Company’s Third Amended and Restated 2004 Stock Incentive Plan that on or after March 21, 2017 may be forfeited, expire or be settled for cash.

For the thirteen weeks ended May 5, 2018 and April 29, 2017, selling, general and administrative expense includes $0.8 million and $1.2 million, respectively, of stock-based compensation expense. As of May 5, 2018, there was $5.0 million of total unrecognized compensation expense related to unvested restricted stock and option awards which is expected to be recognized over a weighted-average period of 1.7 years.

The following table is a summary of the balances and activity for stock options for the five week transition period ended February 3, 2018 and the thirteen weeks ended May 5, 2018:

	Options Shares		**Weighted Average Exercise Price**
Outstanding, December 30, 2017		791,567	• No payout unless 2018 adjusted EBITDA at or above reported 2017 adjusted EBITDA.
	• Payout range from 0% to 200% of target awards for performance against the adjusted EBITDA performance goal. • Market share governor would reduce EBITDA-based payouts at all performance levels unless we gained market share. • Performance modifier allowed an increase or decrease of up to 15% of a participant’s bonus target based on		

performance-related factors.

The threshold, target and maximum payout opportunities under the SMIP payout curve are set forth below:

Payout opportunity[1]	**Adjusted EBITDA performance goal**[2]		**Market share governor**[3]	
	Adjusted EBITDA (in millions)	% attainment of performance goal	Grow (% of target bonus)	Constant/Decline (% of target bonus)
Maximum	$1,372	110%	200%	180%
Adjusted EBITDA Target	$1,247	100%	100%	90%
Threshold	$1,186	95.1%	25%	15%

(1) *Payouts are determined based on various performance achievement levels for adjusted EBITDA and market share changes. Payouts for performance between these various performance achievement levels are calculated using straight line interpolation.*
(2) *See Appendix A for a reconciliation of adjusted EBITDA to net income.*
(3) *Market share changes were measured internally based on data from three industry surveys and reports.*

2018 SMIP Results and Payouts

Our 2018 adjusted EBITDA measured on a constant currency basis was $1,301 million, and the Compensation Committee determined that we had achieved 104.3% of our adjusted EBITDA performance goal. In addition, based upon industry surveys and reports (see footnote (3) above), the Compensation Committee determined that our market share grew. The SMIP payout percentage for the Named Executive Officers therefore was 143.3% of their 2018 SMIP targets. Based on the management team’s strong execution and the Company’s overall performance in 2018, the Compensation Committee applied the SMIP performance modifier to increase 2018 SMIP payouts by 15% of each Named Executive Officer’s bonus target.

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The table below sets forth the SMIP bonus targets and payouts to each of our Named Executive Officers based upon 2018 performance:

Named Executive Officer	SMIP Bonus Target	Calculated SMIP Payout
Christine A. Leahy	$ 650,335	$ 1,029,480
Thomas E. Richards	$ 1,750,000	$ 2,770,250
Collin B. Kebo	$ 422,000	$ 668,026
Christina M. Corley	$ 484,498	$ 766,961
Douglas E. Eckrote	$ 592,211	$ 937,470

Long-Term Incentive Program

Under our long-term incentive program, the Compensation Committee has the authority to award various forms of long-term incentive grants, including stock options, performance-based awards and restricted stock units. The Compensation Committee's objectives for the 2018 long-term incentive awards were to:

- Focus executives on key performance metrics aligned with long-term stockholder value creation and the Company's long-term strategic plan and capital allocation plan.
- Establish a direct link between compensation and the achievement of longer-term financial objectives.
- Retain the services of executives through multi-year vesting provisions.

For 2018, the annual long-term incentive grant was delivered in the form of performance share units ("PSUs") and stock options, with the following key elements to drive Company performance and align with stockholder interests:

Performance Share Units	• 50% of target long-term incentive opportunity • 2018-2020 performance period with 0-200% payout curve (threshold payout of 50%) • Vest at the end of the performance period based upon attainment of (1) cumulative annual adjusted free cash flow ("adjusted FCF") and (2) cumulative annual non-GAAP net income per diluted share ("adjusted EPS") performance goals, each calculated as described below and weighted equally
Stock Options	• 50% of target long-term incentive opportunity • Only have value if CDW stock price increases • Vest in 1/3 annual increments with 10 year maximum term

2018 Long-Term Incentive Program Pay for Performance Alignment

For 2018, 100% of the long-term incentive awards granted to the Named Executive Officers consisted of performance-based equity awards. Stock options have value to an award recipient only if our stock price appreciates, while PSUs have value if and only to the extent that the pre-established quantitative performance metrics relating to adjusted FCF and adjusted EPS, as described below and weighted equally, are achieved during the three-year performance period. The Compensation Committee selected adjusted FCF and adjusted EPS as the metrics for the PSUs because it believes successful performance against these measures promotes the creation of long-term shareholder value. In selecting these metrics, the Company focused on earnings and cash flow as critical measures of operational success, but distinguished the PSU metrics from the SMIP metric (adjusted EBITDA). By including interest, taxes, depreciation and amortization in the measure of earnings, and including interest, taxes and working capital in the measure of cash flow, the Compensation Committee intends to provide a stronger linkage to longer-term growth in stockholder value. Consistent with the SMIP design, the performance goals under the 2018 PSU awards will be determined on a constant currency basis as the Compensation Committee believed that compensation should not be based on factors outside of the control of program participants. Under this plan design, the performance goals and results will be calculated using exchange rates determined at the time the performance goals were established. The Committee established the payout curves for the PSUs to encourage strong, focused performance. Given the economic and market conditions at the time the targets were set, the target payout levels were designed to be challenging but achievable, while payouts at the maximum levels were designed to be stretch goals.

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Under the PSU agreements, adjusted EPS and adjusted FCF are generally calculated as follows:

* *Non-GAAP net income is defined as net income, adjusted for the items set forth in the Company's earnings releases which may include, among other items, amortization of intangibles, non-cash equity-based compensation and associated taxes, losses or gains from the extinguishment of debt and acquisition and integration expenses. Free cash flow is defined as net cash from operating activities minus capital expenditures plus or minus net change in accounts payable–inventory financing each year during the performance period.*

** *The impact of extraordinary, unusual, infrequently occurring, non-recurring and unanticipated events will be excluded, such as severance expenses attributable to a reduction in force; asset impairments, reserves for uncertain tax positions and reserves for loss contingencies (or payments for settlements or judgments), each as determined under GAAP; and the effect of any change in tax laws, accounting principles or other laws or regulations affecting results.*

Setting Award Levels under 2018 Long-Term Incentive Program

In determining the 2018 long-term incentive award levels for Named Executive Officers, the Compensation Committee compared the target total direct compensation of each Named Executive Officer to the competitive market median. Consistent with the Company's long-standing compensation philosophy of aligning executive officers' interests with stockholders through the risks and rewards of equity ownership, the Compensation Committee allocated the majority of the total target direct compensation increases for Ms. Leahy and Mr. Richards to their target equity grant levels. The table below sets forth the target award value, as of the date of grant, of the long-term incentive award received by each Named Executive Officer under our 2018 long-term incentive program, which was delivered 50% in PSUs and 50% in stock options:

Executive	Amount
Christine A. Leahy	$1,200,000
Thomas E. Richards	$5,250,000
Collin B. Kebo	$600,000
Christina M. Corley	$900,000
Douglas E. Eckrote	$525,000

2016 Long-Term Incentive Program Results and Payouts

Under the terms of the performance awards granted as part of the 2016 long-term incentive program, 2018 represented the final year of the three-year performance period for the 2016 performance awards. The 2016 performance awards were granted in the form of performance shares for all then-serving Executive Committee members (all of the Named Executive Officers other than Mr. Kebo) and in the form of performance share units for all other performance award recipients. The 2016 performance awards vested based on the attainment of cumulative performance goals relating to adjusted FCF and adjusted EPS during the 2016-2018 performance period, with each goal weighted equally in the determination of the vesting level. These performance goals were set in 2016 based on the Company's strategic plans at the time. Based on performance, participants were eligible to receive a payout ranging from 0% - 200% of target, with a threshold payout opportunity equal to 50% of target.

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The threshold, target and maximum payout opportunities under the 2016 performance award payout curve are set forth below:

		2016-2018 Performance Goals[1]			
		Adjusted Earnings Per Share		Adjusted Free Cash Flow	
Payout opportunity[2]	Payout (% of target)	Adjusted Earnings Per Share	% attainment of performance goal	Adjusted Free Cash Flow (in millions)	% attainment of performance goal
Maximum	200%	$12.59	115%	$1,593	115%
Target	100%	$10.95	100%	$1,385	100%
Threshold	50%	$9.82	89.7%	$1,177	85%

(1) *Under the terms of the 2016 performance award agreements, adjusted EPS and adjusted FCF were each weighted equally and calculated as described above with respect to the 2018 PSU awards.*

(2) *Payouts are determined based on various performance achievement levels for adjusted EPS and adjusted FCF. Payouts for performance between these various performance achievement levels are calculated using straight line interpolation.*

For the 2016-2018 performance period, the Company achieved cumulative adjusted EPS and cumulative adjusted FCF of $11.67 and $1,876 million, respectively, resulting in the vesting level for the 2016 performance awards at approximately 172% of target. The table below sets forth the target number of shares subject to the 2016 performance awards and the number of shares earned based on actual performance during the 2016 - 2018 performance period:

Named Executive Officer	2016 Target Shares (#)	**Shares Earned under 2016 Performance Award (#)**[1]
Christine A. Leahy	11,309	19,444
Thomas E. Richards	50,264	86,421
Collin B. Kebo	3,770	6,482
Christina M. Corley	8,168	14,044
Douglas E. Eckrote	5,655	9,723

(1) *Pursuant to the terms of the award agreements, participants are eligible to receive dividend equivalents with respect to dividends paid prior to the settlement of the award. The earned shares reported in this table do not include additional shares acquired through the deemed reinvestment of dividend equivalents prior to settlement of the award. The earned shares, including shares acquired through the deemed reinvestment of dividends through December 31, 2018, are reported in the 2018 Stock Vested Table.*

Other Elements of Our 2018 Executive Compensation Program

Severance Arrangements

During 2018, the Named Executive Officers were each subject to a compensation protection agreement that provided for severance benefits upon certain qualifying terminations of employment with the Company (the “Compensation Protection Agreements”). The Compensation Committee believes that these severance benefits: (1) help secure the continued employment and dedication of our Named Executive Officers; (2) enhance the Company’s value to a potential acquirer because our Named Executive Officers have noncompetition, nonsolicitation and confidentiality provisions that apply after any termination of employment, including after a change in control of the Company; and (3) are important as a recruitment and retention device, as many of the companies with which we compete for executive talent have similar agreements in place for their senior management. Consistent with market practices, the Compensation Protection Agreements do not include change in control-related tax gross-ups and are for a three-year fixed term, with certain term extensions in the event of a “potential change in control” or “change in control” during the term.

As noted above, Mr. Richards retired as President and Chief Executive Officer of the Company, effective December 31, 2018, and continues to serve as Executive Chairman of the Company. Effective, January 1, 2019, Ms. Leahy succeeded Mr. Richards as President and Chief Executive Officer of the Company. In connection with these events, in December 2018, the Company entered into an Amended and Restated Compensation Protection Agreement with each of Ms. Leahy and Mr. Richards, the principal purpose of which was to modify their existing agreements to reflect their new positions. These agreements became effective as of January 1, 2019.

Ms. Leahy’s Compensation Protection Agreement was amended to reflect her promotion to President and Chief Executive Officer of the Company and appointment to the Board, in each case effective as of January 1, 2019. In particular, the agreement was amended to (i) specify that the Company will propose Ms. Leahy for re-election to the Board at such times as are necessary for Ms. Leahy to remain a member of the Board during the term of the agreement, and (ii) provide Ms. Leahy with the same post-termination medical plan access benefit that is available to Mr. Richards. Under this benefit, if Ms. Leahy’s employment is terminated for any reason other than a termination by the Company for “cause,” then upon the expiration of any continued medical coverage period under her Amended and Restated Compensation Protection Agreement and the COBRA continuation coverage period, Ms. Leahy and her spouse and dependents are entitled to continued access

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to the Company's medical plan until Ms. Leahy and her spouse become eligible for Medicare (or the earlier occurrence of certain other events specified in the Amended and Restated Compensation Protection Agreement), with the full cost of such continued coverage to be paid by Ms. Leahy.

Mr. Richards' Compensation Protection Agreement was amended to (i) provide for a base salary of $500,000 and target annual bonus under SMIP of $875,000 during the term of the agreement (i.e., the period from January 1, 2019 through December 31, 2019), and (ii) modify the severance benefits payable upon a "qualifying termination" to consist of (1) a payment equal to the total remaining amount of base salary that Mr. Richards would have received if his employment had continued through the remainder of the term, (2) a payment of Mr. Richards' SMIP bonus for the term of the agreement, based on the attainment of actual performance goals, and (3) continuation of certain health and welfare benefits through the end of the term (or, if earlier, the date that Mr. Richards becomes eligible for each such type of insurance coverage from a subsequent employer). Mr. Richards' Compensation Protection Agreement was also amended to specify that (i) the Company will propose Mr. Richards for re-election to the Board at such times as are necessary for Mr. Richards to remain a member of the Board during the term of the agreement, and (ii) Mr. Richards will not be eligible to receive any grants of equity-based compensation awards during the term of the agreement.

Additional information regarding the employment arrangements with each of our Named Executive Officers, including a quantification of benefits that would have been received by each Named Executive Officer had his or her employment terminated on December 31, 2018, is provided under "2018 Potential Payments upon Termination or Change in Control."

Other Benefits

Our Named Executive Officers participate in our corporate-wide benefit programs. Our Named Executive Officers are offered benefits that generally are commensurate with the benefits provided to all of our full-time coworkers, which includes participation in our qualified defined contribution plan. Consistent with our performance-based culture, we do not offer a service-based defined benefit pension plan or other similar benefits to our coworkers. Similarly, we do not provide nonqualified retirement programs or perquisites that are often provided at other companies to executive officers.

Clawback Policy

The Compensation Committee adopted a clawback policy in the event the Company is required to prepare an accounting restatement due to material non-compliance with a financial reporting requirement under the federal securities laws. If a current or former executive officer engaged in intentional misconduct that caused or partially caused the need for the restatement, the Compensation Committee may, in its discretion and to the full extent permitted by governing law, require reimbursement of that portion of any cash bonus paid to, or performance shares/units earned by, such executive officer during the three-year period preceding the date on which the Company is required to prepare the restatement, which is in excess of what would have been paid or earned by such executive officer had the financial results been properly reported.

Stock Ownership Guidelines

The Compensation Committee believes that, in order to more closely align the interests of executives with the interests of the Company's other stockholders, all executives should maintain a minimum level of equity interests in the Company's common stock. The Compensation Committee has adopted stock ownership guidelines requiring ownership of six times base salary for our Chief Executive Officer and Executive Chairman, five times base salary for our Chief Operating Officer and three times base salary for our other executive officers. Until the guideline is met, an executive officer is required to retain 50% of the after-tax shares acquired upon exercise of stock options and vesting of performance shares/units and restricted shares/units. As of the record date, all of our Named Executive Officers were in compliance with the Company's stock ownership guideline.

Hedging, Short Sales and Pledging Policies

Our executive officers are prohibited from hedging and short sales transactions with respect to our securities. In addition, our executive officers are prohibited from pledging our securities except in limited circumstances with pre-approval. For a further description of these policies, please see "Corporate Governance - Hedging, Short Sales and Pledging Policies."

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Management Transition Compensation

In connection with the 2019 management transition described above, Ms. Leahy's annual base salary and 2019 target annual bonus were increased to $850,000 and $1,190,000, respectively, and she will be eligible to receive a 2019 target annual long-term incentive award equal to $3,500,000. Mr. Richards' base salary and 2019 target annual bonus were reduced to $500,000 and $875,000, respectively, and he is not eligible to receive a 2019 annual long-term incentive award. Upon Ms. Corley's promotion to Chief Operating Officer, Ms. Corley's annual base salary and 2019 target annual bonus were increased to $500,000 and $700,000, respectively, and she will be eligible to receive a 2019 target annual long-term incentive award equal to $1,800,000. Consistent with the Compensation Committee's approach in setting annual compensation levels, in determining these compensation adjustments, the Compensation Committee considered each Named Executive Officer's prior performance, Company performance, the compensation levels paid to similarly situated executive officers at the Company, the competitive median of the market data to provide a perspective on external practices, and input from the Compensation Committee's independent compensation consultant.

HOW WE MAKE EXECUTIVE COMPENSATION DECISIONS

Our Executive Compensation Philosophies and Objectives

The Compensation Committee believes that our executive compensation program should reward actions and behaviors that drive sustained meaningful profitable growth and stockholder value creation. The Compensation Committee seeks to foster these objectives through a compensation system that focuses heavily on variable, performance-based incentives that create a balanced focus on our short-term and long-term strategic and financial goals. The Compensation Committee's goal has been to implement an executive compensation program that would continue to drive above-market results and that is built upon our long-standing executive compensation philosophies and objectives, as outlined below, which we believe have been key contributors to our long-term success:

Sustained Meaningful Profitable Growth and Stockholder Value Creation

Attract and Retain the Right Talent. Executive compensation should be market-competitive in order to attract and retain highly motivated talent with a performance- and service-driven mindset.

Pay for Performance. A significant percentage of an executive's compensation should be directly aligned with Company performance, with a balance between short-term and long-term performance.

Align with Stockholder Interests. Executives' interests should be aligned with stockholder interests through the risks and rewards of CDW equity ownership.

Role of the Board, Compensation Committee and our Executive Officers

The Compensation Committee is responsible for determining the compensation of our Chief Executive Officer and each of our other executive officers. In setting the compensation of our Chief Executive Officer, the Compensation Committee takes into account the Nominating and Corporate Governance Committee's review of the Chief Executive Officer's performance. In setting the compensation of our other executive officers, the Compensation Committee takes into account the Chief Executive Officer's review of each executive officer's performance and his recommendations with respect to their compensation. The Compensation Committee's responsibilities regarding executive compensation are further described in the "Corporate Governance" section of this proxy statement.

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Guidance from Independent Compensation Consultant

Frederic W. Cook & Co., Inc. (the "Compensation Consultant") provides executive compensation consulting services to the Compensation Committee. With respect to 2018, the Compensation Consultant provided services related to the review of 2018 compensation adjustments, including a review of peer group compensation data, awards under our long-term incentive program, the setting of performance goals in our variable incentive plans including the payout leverage for results above and below the target performance levels, an analysis of the relationship between CDW's pay and performance relative to peers, trends and tax and regulatory developments with respect to executive compensation, our compensation peer group, the compensation adjustments made in connection with the 2019 management transition discussed above, our compensation protection agreements and our non-employee director compensation program and assistance with this CD&A. The Compensation Consultant is retained by and reports to the Compensation Committee and, at the request of the Compensation Committee, participates in committee meetings. The Compensation Consultant did not provide any services to the Company with respect to 2018. The Compensation Committee reviewed the independence of the Compensation Consultant under Nasdaq and SEC rules and concluded that the work of the Compensation Consultant has not raised any conflict of interest.

Comparison to Relevant Peer Group

To obtain a broad view of competitive practices among industry peers and competitors for executive talent, the Compensation Committee reviews market data for peer group companies as well as a general industry survey. In selecting companies for our peer group, the Compensation Committee considers companies that meet one or more of the following peer group selection criteria established by the Compensation Committee:

- Similar size in terms of revenue and/or enterprise value
- Operates in a business-to-business distribution environment
- Member of the technology industry
- Similar customers (i.e., business, government, healthcare, and education)
- Services and/or solutions provider
- Similar EBITDA margins
- Similar percentage of international sales
- The Company is frequently identified as a peer by the other peer companies or the leading proxy advisory firms
- Identified by the Company as a competitor

For 2018 compensation decisions, the Compensation Committee utilized the peer group set forth below, which was the same peer group used by the Compensation Committee with respect to 2017 compensation decisions. Based on data compiled by the Compensation Consultant at the time of the peer group review, our revenues and EBITDA were between the median and 75th percentile of our peer group.

Our Pre-May 2018 Compensation Peer Group

Accenture plc	Henry Schein, Inc.
Anixter International, Inc.	Insight Enterprises, Inc.
Arrow Electronics, Inc.	Owens & Minor, Inc.
Avnet, Inc.	Patterson Companies, Inc.
CGI Group Inc.	SYNNEX Corporation
Essendant, Inc.	W.W. Grainger, Inc.
Genuine Parts Company	Wesco International, Inc.

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During 2018, the Compensation Consultant presented a revised peer group to better reflect the Company's evolving business model as a distributor with a significant services and solutions presence and to better align the peer companies with the size of the Company. After reviewing the recommendations of the Compensation Consultant, in May 2018, the Compensation Committee approved a revised peer group to be used for evaluating compensation decisions following such approval, including the December 2018 compensation decisions made in connection with the management transition discussed above. This revised peer group consists of the same peer group as set forth above, but with (i) the addition of Cognizant Technology Solutions Corporation, DXC Technology Company, LKQ Corporation and Tech Data Corporation and (ii) the deletion of Accenture plc, Essendant, Inc. and Owens & Minor, Inc. The post-May 2018 peer group is as follows:

Our Post-May 2018 Compensation Peer Group

Anixter International, Inc.	Insight Enterprises, Inc.
Arrow Electronics, Inc.	LKQ Corporation
Avnet, Inc.	Patterson Companies, Inc.
CGI Group Inc.	SYNNEX Corporation
Cognizant Technology Solutions Corporation	Tech Data Corporation
DXC Technology Corporation	W.W. Grainger, Inc.
Genuine Parts Company	Wesco International, Inc.
Henry Schein, Inc.	

The Compensation Consultant provides competitive data utilizing peer group proxy data and Aon Hewitt provides revenue size-adjusted competitive data from its general industry database. In reviewing the size-adjusted data from the Aon Hewitt general industry database, the Compensation Committee does not review data from the specific companies included in the database. For Mr. Richards, the peer group was the primary market data source for evaluating 2018 base salary, annual cash incentive award opportunity and long-term incentive opportunity, given the availability of chief executive officer compensation data in public filings, with the compensation survey data providing a supplemental viewpoint. For our other Named Executive Officers, the Compensation Committee reviewed both peer group data and compensation survey data when evaluating the 2018 base salary, annual cash incentive opportunities and long-term incentive opportunities. For purposes of this CD&A, the peer group data and compensation survey data are collectively referred to as "market data."

COMPENSATION COMMITTEE REPORT

Our Compensation Committee has reviewed and discussed the section entitled "Compensation Discussion and Analysis" with our management. Based upon this review and discussion, the Compensation Committee recommended to the Board of Directors that the section entitled "Compensation Discussion and Analysis" be included in this proxy statement, which will be incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Respectfully submitted by the Compensation Committee of the Board of Directors.

Steven W. Alesio, Chair

Barry K. Allen

Lynda M. Clarizio

Paul J. Finnegan

Joseph R. Swedish

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2018 EXECUTIVE COMPENSATION

2018 Summary Compensation Table

The following table provides information regarding the compensation earned by our Chief Executive Officer, our Chief Financial Officer and our three other most highly compensated executive officers, whom we collectively refer to as our "Named Executive Officers" for fiscal year ended December 31, 2018 and, to the extent required under the SEC executive compensation disclosure rules, the fiscal years ended December 31, 2017 and 2016.

Name and principal position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-equity Incentive Plan Compensation ($)(3)	All Other Compensation ($)(4)	Total ($)
Christine A. Leahy(5)	2018	506,188	—	599,972	608,967	1,029,480	9,755	2,754,362
President and Chief	2017	481,847	—	500,002	501,642	530,625	11,422	2,025,538
Executive Officer	2016	443,289	—	449,985	290,084	502,516	10,698	1,696,572
Thomas E. Richards(5)	2018	990,769	—	2,624,989	2,664,242	2,770,250	11,049	9,061,299
Executive Chairman	2017	940,961	—	2,249,980	2,257,385	1,525,961	12,716	6,987,003
	2016	888,461	—	2,000,005	1,289,272	1,561,768	11,992	5,751,498
Collin B. Kebo	2018	408,846	—	299,986	304,484	668,026	51,143	1,732,485
Senior Vice President and								
Chief Financial Officer								
Christina M. Corley(5)	2018	369,551	—	449,979	456,733	766,961	9,453	2,052,677
Chief Operating Officer	2017	355,183	—	425,022	426,391	394,841	11,120	1,612,557
Douglas E. Eckrote	2018	442,757	—	262,506	266,421	937,470	9,755	1,918,909
Senior Vice President,	2017	419,222	—	249,972	250,815	565,664	11,422	1,497,095
Small Business Sales and eCommerce	2016	396,635	39,000	225,012	145,042	663,751	10,698	1,480,138

(1) ***Stock awards.*** *The amounts reported in this column represent the grant date fair value of performance share units and performance shares granted in the applicable year, calculated in accordance with ASC 718. The amount included in 2018 for the performance share unit awards are calculated based on the closing stock price and the probable satisfaction of the performance conditions for such awards as of the date of grant. Assuming the highest level of performance is achieved for the 2018 performance share unit awards, the maximum value of these awards at the grant date would be as follows: Ms. Leahy-$1,199,944; Mr. Richards-$5,249,978; Mr. Kebo-$599,972; Ms. Corley-$899,958; and Mr. Eckrote-$525,012. See Note 12 to the Audited Financial Statements included in our Form 10-K for the fiscal year ended December 31, 2018 (the "Audited Financial Statements") for a discussion of the relevant assumptions used in calculating these amounts.*

(2) ***Option awards.*** *The amounts reported in this column represent the grant date fair value of stock option awards granted in the applicable year, calculated in accordance with ASC 718. See Note 12 to the Audited Financial Statements for a discussion of the relevant assumptions used in calculating these amounts.*

(3) ***Non-equity incentive plan compensation.*** *The amounts reported for 2018 represent cash awards paid to the Named Executive Officers under the SMIP. Please see the CD&A for further information regarding the 2018*

SMIP. The amounts reported for 2017 represent cash awards that were approved for payout by the Compensation Committee based on 2017 performance under the SMIP. As previously disclosed, the Named Executive Officers elected to waive their 2017 SMIP bonuses reported above based upon execution issues related to year-end supply chain challenges that the leadership team believed could have been managed more effectively.

(4) ***All other compensation.*** *"All Other Compensation" consists of (i) Company-paid supplemental disability premiums for each of the Named Executive Officers, (ii) matching and profit sharing contributions to the 401(k) accounts of each of the Named Executive Officers and (iii) for 2018, legacy payments for tax preparation, tax equalization and the related tax gross-ups on these payments ($31,780) made to Mr. Kebo in 2018 in connection with an expatriate assignment prior to his appointment as an executive officer.*

(5) ***Management Transition.*** *As noted in the CD&A, Mr. Richards retired as our President and Chief Executive Officer, effective December 31, 2018, and continues to serve as Executive Chairman. Effective January 1, 2019, Ms. Leahy assumed the positions of President and Chief Executive Officer, and Ms. Corley assumed the position of Chief Operating Officer.*

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2018 Grants of Plan-Based Awards Table

The following table provides information regarding the possible payouts to our Named Executive Officers in 2018 under the SMIP and the annual equity awards received by our Named Executive Officers in 2018 under the CDW Corporation Amended and Restated 2013 Long-Term Incentive Plan ("2013 LTIP").

		Estimated Possible Payouts Under Non-equity Incentive Plan Awards[(1)]			Estimated Possible Payouts Under Equity Incentive Plan Awards[(2)]			All Other Option Awards:	Exercise or Base	Grant Date Fair Value of
Name	**Grant date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**Number of Securities Underlying Options (#)[(3)]**	**Price of Option Awards ($)**	**Stock and Option Awards ($)[(4)]**
Christine A. Leahy	—	97,550	650,335	1,300,670	—	—	—	—	—	—
	2/27/2018	—	—	—	4,082	8,164	16,328	—	—	599,972
	2/27/2018	—	—	—	—	—	—	41,230	73.49	608,967
Thomas E. Richards	—	262,500	1,750,000	3,500,000	—	—	—	—	—	—
	2/27/2018	—	—	—	17,860	35,719	71,438	—	—	2,624,989
	2/27/2018	—	—	—	—	—	—	180,382	73.49	2,664,242
Collin B. Kebo	—	63,300	422,000	844,000	—	—	—	—	—	—
	2/27/2018	—	—	—	2,041	4,082	8,164	—	—	299,986
	2/27/2018	—	—	—	—	—	—	20,615	73.49	304,484
Christina M. Corley	—	72,675	484,498	968,996	—	—	—	—	—	—
	2/27/2018	—	—	—	3,062	6,123	12,246	—	—	449,979
	2/27/2018	—	—	—	—	—	—	30,923	73.49	456,733
Douglas E. Eckrote	—	88,832	592,211	1,184,422	—	—	—	—	—	—
	2/27/2018	—	—	—	1,786	3,572	7,144	—	—	262,506
	2/27/2018	—	—	—	—	—	—	18,038	73.49	266,421

(1) These amounts represent threshold, target and maximum cash award levels set in 2018 under the SMIP. The amount actually paid to each Named Executive Officer under SMIP is reported as Non-Equity Incentive Plan Compensation in the 2018 Summary Compensation Table.

(2)

These amounts represent the threshold, target and maximum performance share units granted under the 2013 LTIP. For actively employed executives, these performance share units are scheduled to vest on December 31, 2020, subject to the achievement of the threshold performance goals relating to adjusted FCF and adjusted EPS over the 2018-2020 performance period. The number of units subject to a performance share unit award increases as a result of the deemed reinvestment of dividend equivalents prior to settlement of the award and such additional units are subject to the same vesting conditions as the underlying performance share units. Please see the CD&A for further information regarding this award.

(3) These amounts represent stock options granted under the 2013 LTIP. For actively employed executives, these options vest in one-third increments on each of the first through third year anniversaries of the date of grant.

(4) The amounts reported represent the grant date fair value associated with the grant of these performance share units and stock option awards, as computed in accordance with ASC 718. In the case of the performance share units, the grant date fair value is calculated based on the closing stock price on the date of grant and the probable satisfaction of the performance conditions for such awards as of the date of grant. See Note 12 to the Audited Financial Statements for a discussion of the relevant assumptions used in calculating these amounts.

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2018 Outstanding Equity Awards at Fiscal Year-End Table

The following table summarizes outstanding option awards and unvested stock awards held by each Named Executive Officer on December 31, 2018.

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights that Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested ($)(7)
Christine A. Leahy	20,140	—	24.29	2/25/2024	—	—	—	—
	31,754	—	37.79	2/19/2025	—	—	—	—
	22,618(1)	11,310(1)	39.79	3/2/2026	—	—	—	—
	13,639(2)	27,278(2)	58.90	2/28/2027	—	—	8,676.56(5)	703,235
	—	41,230(3)	73.49	2/27/2028	—	—	8,253.34(6)	668,933
Thomas E. Richards	416,096	—	17.00	12/12/2022	—	—	—	—
	200,700	—	24.29	2/25/2024	—	—	—	—
	138,926	—	37.79	2/19/2025	—	—	—	—
	100,528(1)	50,264(1)	39.79	3/2/2026	—	—	—	—
	61,375(2)	122,751(2)	58.90	2/28/2027	—	—	39,043.96(5)	3,164,513
	—	180,382(3)	73.49	2/27/2028	—	—	36,109.86(6)	2,926,704
Collin B. Kebo	10,807	—	24.29	2/25/2024	—	—	—	—
	8,534	—	37.79	2/19/2025	—	—	—	—
	1,582	—	42.68	12/14/2025	—	—	—	—
	7,539(1)	3,770(1)	39.79	3/2/2026	—	—	—	—
	4,091(2)	8,184(2)	58.90	2/28/2027	—	—	—	—
	3,443(4)	6,886(4)	70.00	11/2/2027	—	—	4,776.18(5)	387,109
	—	20,615(3)	73.49	2/27/2028	—	—	4,126.68(6)	334,467
Christina M. Corley	33,367	—	17.00	11/4/2021	—	—	—	—
	27,789	—	24.29	2/25/2024	—	—	—	—
	23,816	—	37.79	2/19/2025	—	—	—	—
	16,336(1)	8,168(1)	39.79	3/2/2026	—	—	—	—
	11,593(2)	23,186(2)	58.90	2/28/2027	—	—	7,375.42(5)	597,778
	—	30,923(3)	73.49	2/27/2028	—	—	6,190.00(6)	501,700
	27,789	—	24.29	2/25/2024	—	—	—	—

Douglas E. Eckrote	17,862	—	37.79	2/19/2025	—	—	—	—
	11,309[1]	5,655[1]	39.79	3/2/2026	—	—	—	—
	6,819[2]	13,639[2]	58.90	2/28/2027	—	—	4,337.76[5]	351,575
	—	18,038[3]	73.49	2/27/2028	—	—	3,611.10[6]	292,680

(1) These stock options were awarded on March 2, 2016, and vested in one-third increments on each of the first through third year anniversaries of the date of grant.

(2) These stock options were awarded on February 28, 2017, and vest in one-third increments on each of the first through third year anniversaries of the date of grant.

(3) These stock options were awarded on February 27, 2018, and vest in one-third increments on each of the first through third year anniversaries of the date of grant.

(4) These stock options were awarded on November 2, 2017, and vest in one-third increments on each of the first through third year anniversaries of the date of grant.

(5) These performance share units were awarded on February 28, 2017 and vest on December 31, 2019, subject to the achievement of the threshold performance goals relating to adjusted FCF and adjusted EPS over the 2017-2019 performance period. The amounts reported in this column are based on target achievement of the applicable performance goals and include performance share units acquired through the deemed reinvestment of dividend equivalents.

(6) These performance share units were awarded on February 27, 2018 and vest on December 31, 2020, subject to the achievement of the threshold performance goals relating to adjusted FCF and adjusted EPS over the 2018-2020 performance period. The amounts reported in this column are based on target achievement of the applicable performance goals and include performance share units acquired through the deemed reinvestment of dividend equivalents.

(7) The market value of shares or units of stock that have not vested reflects a stock price of $81.05, our closing stock price on December 31, 2018.

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2018 Option Exercises and Stock Vested Table

The following table provides information concerning the exercise of stock options and vesting of stock awards during 2018 for each of the Named Executive Officers.

Name	Option Awards Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Stock Awards Number of Shares Acquired on Vesting(1) (#)	Value Realized on Vesting(2) ($)
Christine A. Leahy	20,000	1,242,091	20,086	1,627,962
Thomas E. Richards	89,198	6,251,910	89,274	7,235,634
Collin B. Kebo	—	—	6,696	542,703
Christina M. Corley	149,300	9,943,650	14,507	1,175,808
Douglas E. Eckrote	—	—	10,044	814,052

(1) *The shares reported in this column represent shares acquired upon the vesting of performance awards granted on March 2, 2016 and which vested on December 31, 2018 based on the achievement of performance goals relating to adjusted FCF and adjusted EPS over the 2016-2018 performance period, including shares acquired through the deemed reinvestment of dividend equivalents through December 31, 2018. Performance award recipients receive fractional shares upon settlement; however, for purposes of this table, share numbers have been rounded to the nearest whole share.*

(2) *The market value for the 2016 performance awards that vested on December 31, 2018 is based on a stock price of $81.05, our closing stock price on December 31, 2018.*

2018 Potential Payments Upon Termination or Change in Control

During 2018, the Named Executive Officers were each subject to a compensation protection agreement that provided for certain severance benefits upon a qualifying termination of employment (the “Compensation Protection Agreements”). These severance arrangements have a three-year fixed term, with certain term extensions in the event of a “potential change in control” or “change in control” during the term. Each Named Executive Officer is also a participant in the Company’s equity award program, which provides for accelerated vesting of outstanding equity awards upon certain termination events or a sale of the Company.

A description of the material terms of each of the employment arrangements that were in effect on December 31, 2018 and the equity award program as well as estimates of the payments and benefits each Named Executive Officer would receive upon a termination of employment or sale of the Company, are set forth below. The estimates have been calculated assuming a termination date on December 31, 2018 and the closing price of a share of our common stock on December 31, 2018. The amounts reported below are only estimates and actual payments and benefits to be paid upon a termination of a Named Executive Officer’s employment with the Company or sale of the Company under these arrangements can only be determined at the time of termination or sale of the Company.

Compensation Protection Arrangements

This section describes the Compensation Protection Agreements in effect for Named Executive Officers in 2018.

For purposes of determining severance benefits under the Named Executive Officers' Compensation Protection Agreements, a qualifying termination means termination of the Named Executive Officer's employment (1) by the Company other than (A) for "cause," (B) the Named Executive Officer's death or (C) the Named Executive Officer's disability, or (2) by the Named Executive Officer for "good reason."

If the employment of a Named Executive Officer is terminated for any reason other than a qualifying termination of employment, the Named Executive Officer is entitled to receive his or her "accrued obligations." Accrued obligations include the following: (1) accrued and unpaid base salary; (2) any SMIP bonus, deferred compensation and other cash compensation accrued by the Named Executive Officer to the extent not paid as of the date of termination; and (3) vacation pay, expense reimbursements and other cash entitlements accrued by the Named Executive Officer to the extent not paid as of the date of termination.

If the employment of a Named Executive Officer is terminated due to the Named Executive Officer's death or disability, the Named Executive Officer or his or her estate, as applicable, is entitled to receive the following payments under his or her Compensation Protection Agreement: (1) accrued obligations as defined above and (2) an annual incentive bonus (based on the target bonus under the Company's SMIP), prorated through the effective date of the Named Executive Officer's termination of employment.

If the employment of a Named Executive Officer is terminated due to a qualifying termination, the Named Executive Officer is entitled to receive the following payments and benefits under his or her Compensation Protection Agreement: (1) accrued obligations as defined above; (2) the portion of the unpaid SMIP bonus that the Named Executive Officer would have received had he or she remained employed by the Company for the full year in which the termination occurs, based on actual performance and prorated through the date of termination; (3) continuation in accordance with the Company's regular payroll practices of two times the Named Executive Officer's base salary; (4) payment of two times the Named Executive Officer's SMIP bonus that would have been earned had the Named Executive Officer remained employed by the Company for the full year in which the termination occurs, based on actual performance (provided that if the termination occurs after a

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change in control, the SMIP bonus will be equal to two times the Named Executive Officer's average SMIP bonus for each of the three fiscal years ending prior to the change in control); (5) continuation of certain health and welfare benefits for two years or, if earlier, the date that the Named Executive Officer becomes eligible for each such type of insurance coverage from a subsequent employer (provided, however, that if the Company is unable to provide such continuation benefits to the Named Executive Officer, the Company will instead provide a cash payment, subject to any applicable withholding taxes, that is sufficient to purchase comparable benefits); and (6) outplacement services of up to $20,000. The receipt of all of the payments and benefits above, except payment of accrued obligations, is conditioned upon the Named Executive Officer's execution of a general release agreement in which he or she waives all claims that he or she might have against the Company and certain associated individuals and entities.

If the employment of Mr. Richards is terminated for any reason other than a termination by the Company for "cause" (as defined in his Compensation Protection Agreement), upon the expiration of any continued medical coverage period under his Compensation Protection Agreement and the COBRA continuation coverage period, Mr. Richards and his spouse are entitled to continued access to the Company's medical plan until each becomes eligible for Medicare (or the earlier occurrence of another event specified in his Compensation Protection Agreement), with the full cost of such continued access to be paid by Mr. Richards.

Under the terms of the Compensation Protection Agreements, if the payments and benefits to a Named Executive Officer under his or her respective Compensation Protection Agreement or another plan, arrangement or agreement would subject the Named Executive Officer to the excise tax imposed by Section 4999 of the Internal Revenue Code, then such payments will be reduced by the minimum amount necessary to avoid such excise tax, but only if such reduction will result in the Named Executive Officer receiving a higher net after-tax amount.

As noted above, Ms. Leahy and Mr. Richards each entered into Amended and Restated Compensation Protection Agreements with the Company effective January 1, 2019, the principal purpose of which was to reflect their new positions. Ms. Leahy's Compensation Protection Agreement was amended to provide Ms. Leahy with the same post-termination medical plan access benefit that is available to Mr. Richards. Under this benefit, if Ms. Leahy's employment is terminated for any reason other than a termination by the Company for "cause," then upon the expiration of any continued medical coverage period under her Amended and Restated Compensation Protection Agreement and the COBRA continuation coverage period, Ms. Leahy and her spouse and dependents are entitled to continued access to the Company's medical plan until Ms. Leahy and her spouse become eligible for Medicare (or the earlier occurrence of certain other events specified in the Amended and Restated Compensation Protection Agreement), with the full cost of such continued coverage to be paid by Ms. Leahy. Mr. Richards' Compensation Protection Agreement was amended to modify the severance benefits payable upon a "qualifying termination" to consist of (i) a payment equal to the total remaining amount of base salary that Mr. Richards would have received if his employment had continued through December 31, 2019, (ii) a payment of Mr. Richards' 2019 SMIP bonus, based on the attainment of actual performance goals, and (iii) continuation of certain health and welfare benefits through December 31, 2019 (or, if earlier, the date that Mr. Richards becomes eligible for each such type of insurance coverage from a subsequent employer).

Outstanding Equity Awards

Under the terms of the 2018, 2017 and 2016 option awards, the options will become 100% vested upon (i) a termination of employment due to death or disability, (ii) a termination of employment by the Company without cause or by the Named Executive Officer for good reason within two years following a change in control or (iii) a change in control pursuant to which the option awards are not effectively assumed or continued in such transaction. In addition, in the event of the Named Executive Officer's retirement, the options will continue to vest in accordance with the vesting schedule set forth in the award agreement so long as the Named Executive Officer continues to comply with restrictive covenants relating to non-competition, non-solicitation and confidentiality through the vesting period.

With respect to the outstanding performance share unit awards, upon a termination of employment due to death, disability or retirement, the Named Executive Officer will be entitled to a prorated award based on actual performance through the end of the performance period, subject to the Named Executive Officer's continued compliance with restrictive covenants relating to non-competition, non-solicitation and confidentiality. In the event of a change in control prior to the 24-month anniversary of the first day of the performance period, the performance goals will be deemed to have been satisfied at target performance. If, however, the change in control occurs on or after the 24-month anniversary of the first day of the performance period, the performance goals will be determined by the Compensation Committee based on the projected level of performance through the end of the performance period. In the event of a change in control in which the awards are not effectively assumed, the awards will be settled within 70 days of such change in control. For awards effectively assumed in a change in control, the settlement of the awards will be accelerated if the Named Executive Officer's employment is terminated without cause or due to good reason within 24 months following the change in control.

For purposes of the 2013 LTIP, a change in control generally occurs upon (1) an unapproved change in the majority composition of the Board during a 24-month period, (2) certain acquisitions of 35% or more of the Company's outstanding voting securities, or (3) certain corporation transactions, including certain mergers, dissolutions, liquidations or the sale of substantially all of the Company's assets.

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Potential Payments Upon a Qualifying Termination of Employment[(1)]

Name	Severance Payment ($)[(2)]	Value of Accelerated Equity Awards ($)	Welfare Benefits ($)[(3)]	Outplacement ($)[(4)]	Aggregate Payments ($)
Christine A. Leahy	3,079,496	—	33,696	20,000	3,133,192
Thomas E. Richards	7,540,500	—	28,030	20,000	7,588,530
Collin B. Kebo	2,156,052	—	32,788	20,000	2,208,840
Christina M. Corley	2,276,680	—	34,734	20,000	2,331,414
Douglas E. Eckrote	2,769,315	—	31,966	20,000	2,821,281

(1) *A qualifying termination means termination of the Named Executive Officer's employment (1) by the Company other than (A) for "cause," (B) the Named Executive Officer's death or (C) the Named Executive Officer's disability, or (2) by the Named Executive Officer for "good reason."*

(2) *Amounts reported in this column represent two times the sum of (i) the Named Executive Officer's base salary and (ii) the Named Executive Officer's annual incentive bonus target for 2018 multiplied by the 2018 SMIP payout percentage. Under the Compensation Protection Agreements, the Named Executive Officers are also entitled to a pro rata bonus based on the Company's actual performance for the year in which termination occurs. Because the SMIP bonus is considered earned as of December 31, 2018, amounts related to the pro rata bonus have been excluded from this table and are reported in the 2018 Summary Compensation Table as 2018 compensation.*

(3) *Represents the estimated value of continued welfare benefits that all Named Executive Officers would be entitled to receive upon a qualifying termination of employment.*

(4) *Represents the maximum value of outplacement services that all Named Executive Officers would be entitled to receive upon a qualifying termination of employment.*

Potential Payments Upon Death, Disability or Retirement Table[(1)]

Name	Severance Payment ($)[(2)]	Value of Accelerated Equity Awards ($)[(3)]	Aggregate Payments ($)
Christine A. Leahy	—	2,074,358	2,074,358
Thomas E. Richards	—	9,241,759	9,241,759
Collin B. Kebo	—	938,328	938,238
Christina M. Corley	—	1,650,111	1,650,111
Douglas E. Eckrote	—	1,003,740	1,003,740

(1) *As noted above, the terms of our outstanding equity awards include retirement vesting provisions and, as of December 31, 2018, Mr. Richards was our only Named Executive Officer eligible for retirement vesting under such*

equity awards. Under the terms of the 2018, 2017 and 2016 equity awards, Mr. Richards would continue to vest in his option grants and receive a prorated payout based on actual performance with respect to his performance awards upon retirement, provided that he continued to comply with non-competition, non-solicitation and confidentiality restrictive covenants during the vesting period.

(2) *The Named Executive Officers are entitled to a pro rata bonus based on target for the year in which termination occurs upon death or a termination due to disability and may receive, at the Compensation Committee's discretion, a pro rata bonus for the year of retirement. Because the SMIP bonus is considered earned as of December 31, 2018, amounts related to the pro rata bonus have been excluded from this table and are reported in the 2018 Summary Compensation Table as 2018 compensation.*

(3) *Represents the value of the accelerated vesting in the case of death or disability and continued vesting in the case of retirement (applicable to Mr. Richards only) of the 2018, 2017 and 2016 stock option awards and the pro rata vesting of the 2018 and 2017 performance share units, assuming target achievement of the applicable performance goals. The value of the accelerated vesting of the equity awards reported in this table is based upon our closing stock price of $81.05 on December 31, 2018.*

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Potential Payments Upon a Qualifying Termination of Employment Following a Change in Control(1)

Name	Severance Payment ($)(2)	Value of Accelerated Equity Awards ($)(3)	Welfare Benefits ($)(4)	Outplacement ($)(5)	Aggregate Payments ($)
Christine A. Leahy	2,051,756	2,754,725	33,696	20,000	4,860,177
Thomas E. Richards	5,071,431	12,247,732	28,030	20,000	17,367,193
Collin B. Kebo	1,474,087	1,290,342	32,788	20,000	2,817,217
Christina M. Corley	1,511,918	2,183,837	34,734	20,000	3,750,489
Douglas E. Eckrote	2,208,180	1,316,052	31,966	20,000	3,576,198

(1) *A qualifying termination means termination of the Named Executive Officer's employment following a change in control (1) by the Company other than (A) for "cause," (B) the Named Executive Officer's death or (C) the Named Executive Officer's disability, or (2) by the Named Executive Officer for "good reason." Under the terms of the Compensation Protection Agreements, if the payments and benefits to a Named Executive Officer under his or her respective Compensation Protection Agreement or another plan, arrangement or agreement would subject the Named Executive Officer to the excise tax imposed by Section 4999 of the Internal Revenue Code, then such payments will be reduced by the minimum amount necessary to avoid such excise tax, if such reduction would result in the Named Executive Officer receiving a higher net after-tax amount. The amounts reflected in this table do not reflect the application of any reduction in compensation or benefits pursuant to the terms of the Compensation Protection Agreements. As noted above, effective January 1, 2019, Mr. Richards' Compensation Protection Agreement was amended to modify the severance benefits payable upon a "qualifying termination" to consist of (i) a payment equal to the total remaining amount of base salary that Mr. Richards would have received if his employment had continued through December 31, 2019, (ii) a payment of Mr. Richards' 2019 SMIP bonus, based on the attainment of actual performance goals, and (iii) continuation of certain health and welfare benefits through December 31, 2019 (or, if earlier, the date that Mr. Richards becomes eligible for each such type of insurance coverage from a subsequent employer).*

(2) *Amounts reported in this column represent two times the sum of (i) the Named Executive Officer's base salary and (ii) the Named Executive Officer's average SMIP bonus for each of the three fiscal years ending prior to the change in control. Under the Compensation Protection Agreements, the Named Executive Officers are also entitled to a pro rata bonus based on the Company's actual performance for the year in which termination occurs. Because the SMIP bonus is considered earned as of December 31, 2018, amounts related to the pro rata bonus have been excluded from this table and are reported in the 2018 Summary Compensation Table as 2018 compensation.*

(3) *Represents the value of equity awards that would become vested upon a qualifying termination of employment within two years following a change in control or upon a change in control in which the outstanding awards are not effectively assumed, assuming target achievement of the applicable performance goals. The value of the accelerated vesting of the equity awards reported in this table is based upon our closing stock price of $81.05 on December 31, 2018.*

(4) *Represents the estimated value of continued welfare benefits that all Named Executive Officers would be entitled to receive upon a qualifying termination of employment.*

(5) *Represents the maximum value of outplacement services that all Named Executive Officers would be entitled to receive upon a qualifying termination of employment.*

Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Company is providing the following disclosure about the relationship of the annual total compensation of our coworkers to the annual total compensation of Mr. Richards, our Chairman, President and Chief Executive Officer during 2018. SEC rules for identifying the median employee and calculating the pay ratio allow companies to apply various methodologies and assumptions and, as a result, the pay ratio reported by us may not be comparable to the pay ratio reported by other companies. Given the leverage of our executive compensation program towards performance-based elements, we expect that our pay ratio disclosure will fluctuate year-to-year based on the Company's performance against the pre-established performance goals.

Ratio

For 2018,

- The median of the annual total compensation of all of our coworkers, other than Mr. Richards, was $89,164.
- Mr. Richards' annual total compensation, as reported in the Total column of the 2018 Summary Compensation Table, was $9,061,299.
- Based on this information, the ratio of the annual total compensation of Mr. Richards to the median of the annual total compensation of all coworkers is estimated to be 102 to 1. We believe this ratio is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K.

Identification of Median Coworker

As permitted under the SEC executive compensation disclosure rules, we are electing to use the same median employee that we used for purposes of preparing our 2017 pay ratio disclosure. Since December 1, 2017 (the date used to select the 2017 median employee), there have been no changes in the Company's employee population or employee compensation arrangements that we believe would significantly impact the pay ratio disclosure. For purposes of identifying the median coworker from our 2017 coworker population base of approximately 8,750 coworkers, we considered the gross cash compensation of all of our coworkers, as compiled from our payroll records. We selected gross cash compensation as it represents the principal form of compensation delivered to all of our coworkers and is readily available in each country. In addition, we measured compensation for purposes of determining the median coworker using the 12-month period ending December 1, 2017. Compensation paid in foreign currencies was converted to U.S. dollars based on a weighted average exchange rate for the relevant period.

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EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2018 regarding the number of shares of our common stock that may be issued under our equity compensation plans.

December 31, 2018	A	B	C
Plan Category	**Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights**	**Weighted Average Exercise Price of Outstanding Options, Warrants and Rights**	**Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A)**
Equity Compensation Plans Approved by Stockholders	6,023,506[(1)]	$ 46.82[(2)]	5,651,925[(3)]
Equity Compensation Plans Not Approved by Stockholders	—	—	—
Total	6,023,506	$ 46.82	5,651,925

(1) *Includes 4,480,772 shares issuable pursuant to outstanding stock options, 339,018 shares issuable pursuant to outstanding restricted stock units (includes 76,647 vested restricted stock units on which settlement into shares has been deferred by certain of our non-employee directors and shares issuable pursuant to restricted stock units acquired through the deemed reinvestment of dividend equivalents) and 1,203,716 shares issuable pursuant to outstanding performance share units (assumes maximum achievement of the applicable performance goals (equivalent to 601,858 performance share units at target) and includes shares issuable pursuant to performance share units acquired through the deemed reinvestment of dividend equivalents) under our 2013 Long-Term Incentive Plan. Excludes 231,516 performance shares issued to the Company's executive officers (assumes maximum achievement of the applicable performance goals (equivalent to 115,758 performance shares at target) and includes shares issuable pursuant to performance shares acquired through the deemed reinvestment of dividend equivalents).*

(2) *Excludes restricted stock units and performance share units that convert to shares of common stock from determination of Weighted Average Exercise Price.*

(3) *Includes 673,589 shares available under our Coworker Stock Purchase Plan ("CSPP"). The CSPP provides the opportunity for eligible coworkers to acquire shares of our common stock at a 5% discount. There is no compensation expense associated with the CSPP.*

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PROPOSAL 3—Ratification of Selection of Independent Registered Public Accounting Firm

The Board of Directors and the Audit Committee recommend that the stockholders ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ending December 31, 2019. The Audit Committee approved the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for 2019. Ernst & Young LLP is currently the Company's independent registered public accounting firm.

Although the Company is not required to seek stockholder approval or ratification of this appointment, the Board believes that doing so is consistent with good corporate governance practices. If the appointment is not ratified, the Audit Committee will explore the reasons for stockholder rejection and will reconsider the appointment.

We have been advised that a representative of Ernst & Young LLP will attend the Annual Meeting of Stockholders. Such representative will have an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions.

The Board of Directors and the Audit Committee recommend a vote *FOR* ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ending December 31, 2019.

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AUDIT COMMITTEE MATTERS

Report of the Audit Committee

The Company maintains an independent Audit Committee that operates under a written charter adopted by the Board of Directors, which is available on the Company's website at *www.cdw.com*. Each member of the Audit Committee is independent as defined in the listing standards of Nasdaq and under SEC rules and has been designated as an "audit committee financial expert" by the Board of Directors.

Management has the responsibility for the Company's financial statements and overall financial reporting process, including the Company's internal controls. Management also is responsible for reporting on the effectiveness of the Company's internal control over financial reporting. The independent registered public accounting firm has the responsibility to conduct an independent audit in accordance with generally accepted auditing standards and to issue an opinion on the accuracy of the Company's consolidated financial statements. The independent registered public accounting firm also is responsible for issuing an attestation report on the effectiveness of the Company's internal control over financial reporting based upon its audit. The Audit Committee's responsibility is to monitor and oversee these processes. As part of its oversight responsibilities, the Audit Committee meets with the Company's Chief Financial Officer, Controller and Chief Accounting Officer, head of the Company's business process assurance function (internal audit), General Counsel, and the Company's independent registered public accounting firm (with and without management present) and with the Company's Chief Information Officer to discuss, among other things, the items noted below; the quality of the financial reporting process; the performance of the Company's independent registered public accounting firm; the Company's compliance and ethics programs; enterprise risk management; and cybersecurity.

Prior to the filing of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 with the SEC, the Audit Committee:

- Reviewed and discussed with management the Company's audited consolidated financial statements included in the Form 10-K and considered management's view that the financial statements present fairly, in all material respects, the Company's financial condition and results of operations.
- Reviewed and discussed with management and the Company's independent registered public accounting firm, Ernst & Young LLP, the effectiveness of the Company's internal control over financial reporting, including management's report and Ernst & Young LLP's attestation report on that topic.
- Discussed with Ernst & Young LLP the matters related to the conduct of its audit that are required to be communicated by auditors to audit committees and matters related to the fair presentation of the Company's financial condition and results of operations, including critical accounting estimates and judgments.
-

Received the required written communications from Ernst & Young LLP that disclose all relationships that may reasonably be thought to bear on its independence and to confirm its independence from the Company. Based upon these communications, the Audit Committee discussed with Ernst & Young LLP its independence from the Company. In considering the independence of Ernst & Young LLP, the Audit Committee took into consideration the amount and nature of the fees paid to the firm for non-audit services, as described below.

In reliance on the review and discussions described above, the Audit Committee has recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, for filing with the SEC.

Respectfully submitted by the Audit Committee of the Board of Directors.

Virginia C. Addicott, Chair

James A. Bell

Benjamin D. Chereskin

David W. Nelms

Donna F. Zarcone

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Principal Accounting Fees and Services

Ernst & Young LLP serves as the Company's independent registered public accounting firm. The following table presents fees paid or accrued for the audit of the Company's annual consolidated financial statements and all other professional services rendered by Ernst & Young LLP for the years ended December 31, 2018 and 2017.

	Years Ended December 31,	
(in thousands)	**2018**	**2017**
Audit fees	$2,864	$3,142
Audit-related fees	368	238
Tax fees	532	149
Total fees	$3,764	$3,529

Audit Fees. Consists principally of fees related to the integrated audit of the Company's consolidated financial statements and internal control over financial reporting, and the review of the consolidated financial statements included in the Company's quarterly reports on Form 10-Q. Also includes services and procedures performed in connection with the Company's Registration Statements on Form S-3 and related prospectus supplement filings with the SEC as well as other SEC filings.

Audit-Related Fees. Consists principally of fees related to employee benefit plans and financial due diligence.

Tax Fees. Consists principally of fees related to tax advice, tax compliance and tax due diligence.

The services provided by Ernst & Young LLP were pre-approved by the Audit Committee. The Audit Committee has considered whether the provision of the above-noted services is compatible with maintaining the independence of the independent registered public accounting firm and has determined, consistent with advice from Ernst & Young LLP, that the provision of such services has not adversely affected Ernst & Young LLP's independence.

Pursuant to its charter, the Audit Committee is responsible for pre-approving all audit and permissible non-audit services provided to the Company by its independent registered public accounting firm, subject to any exceptions in the Exchange Act. The Audit Committee may delegate to one or more of its members the authority to grant such pre-approvals, provided that any decisions of such member or members to grant pre-approvals must be presented to the full Audit Committee at its next scheduled meeting.

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FREQUENTLY ASKED QUESTIONS CONCERNING THE ANNUAL MEETING

Why did I receive these proxy materials?

These proxy materials are first being distributed on or about April 10, 2019 to stockholders of the Company in connection with the solicitation by our Board of Directors of proxies to be voted at the Annual Meeting of Stockholders on May 21, 2019, at 7:30 a.m. CDT, at CDW Center, 200 Tri-State International, Lincolnshire, Illinois 60069, and any postponement or adjournment thereof. This proxy statement describes the matters on which you, as a stockholder of the Company, are entitled to vote. It also includes information that we are required to provide to you under SEC rules and that is designed to assist you in voting your shares.

Why did I receive a Notice of Internet Availability of Proxy Materials instead of printed proxy materials?

The SEC permits companies to furnish proxy materials to stockholders by providing access to these documents over the Internet instead of mailing printed copies, which can reduce costs of printing and impact on the environment. Accordingly, we mailed a Notice of Internet Availability of Proxy Materials (a "Notice") to our stockholders. All stockholders may access our proxy materials on the Internet website referred to in the Notice. If you received a Notice by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for obtaining such materials included in the Notice. If you own shares of our common stock in more than one account, such as individually and also jointly with your spouse, you may receive more than one Notice relating to these proxy materials.

What is "householding" and how does it affect me?

In addition to furnishing proxy materials over the Internet, the Company takes advantage of the SEC's "householding" rules to reduce the costs of printing and delivery and impact on the environment. Under such rules, only one Notice or, if paper copies are requested, only one proxy statement and annual report, will be delivered to multiple stockholders sharing an address unless the Company has received contrary instructions from one or more of the stockholders. If you are a stockholder who resides in the same household with another stockholder and you wish to receive a separate proxy statement and annual report or Notice for each account, please contact Broadridge Financial Solutions toll free at 1-866-540-7095. You may also write to Broadridge Financial Solutions, Householding Department, 51 Mercedes Way, Edgewood, New York 11717. Any stockholder making such request will promptly receive a separate copy of the proxy materials, and separate copies of all future proxy materials. Any stockholder currently sharing an address with another stockholder, but nonetheless receiving separate copies of the materials, may request delivery of a single copy in the future by contacting Broadridge by telephone or mail as indicated above.

What is the purpose of the Annual Meeting?

At the Annual Meeting of Stockholders, stockholders will be asked to vote (1) to elect the four Class III director nominees named in this proxy statement for a term expiring at the 2020 Annual Meeting of Stockholders, (2) to approve, on an advisory basis, the compensation of our named executive officers, and (3) to ratify the selection of the Company's independent registered public accounting firm. See the sections entitled "Proposal 1—Election of Directors," "Proposal 2—Advisory Vote to Approve Named Executive Officer Compensation," and "Proposal 3—Ratification of Selection of Independent Registered Public Accounting Firm." The Board of Directors does not know of any matters to be brought before the meeting other than as set forth in the Notice of Annual Meeting of Stockholders.

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Who can attend the Annual Meeting?

Only holders of our common stock as of the close of business on the record date, which was March 25, 2019, or their duly appointed proxies, may attend the Annual Meeting. If you hold your shares through a broker, bank or other nominee, you will be required to show the notice or voting instructions form you received from your broker, bank or other nominee or a copy of a statement (such as a brokerage statement) from your broker, bank or other nominee reflecting your stock ownership as of March 25, 2019 in order to be admitted to the Annual Meeting. All attendees must bring a government-issued photo ID to gain admission to the Annual Meeting. Please note that recording devices, photographic equipment, large bags and packages will not be permitted in the meeting room.

If I cannot attend the Annual Meeting in person, how can I view the live webcast of the meeting?

You can access a live, listen-only webcast of the Annual Meeting on our Investor Relations website at *investor.cdw.com.* Listening to our webcast of the Annual Meeting will not represent attendance at the meeting, and you will not be able to cast your vote as part of the webcast. Should you decide to listen to the webcast, we encourage you to visit our Investor Relations website to test for compatibility and register at least 10 minutes prior to the start time of the meeting.

Who is entitled to vote at the Annual Meeting?

Holders of our common stock as of the close of business on the record date, which was March 25, 2019, are entitled to notice of, and to vote at, the Annual Meeting. As of March 25, 2019, there were 146,302,273 shares of our common stock outstanding and entitled to vote at the Annual Meeting, with each share entitled to one vote.

How do I vote at the Annual Meeting?

Stockholders of record can vote in one of four ways:

- **By telephone**—You may use the toll-free telephone number shown on your Notice or proxy card;
- **Via the Internet**—You may visit the Internet website indicated on your Notice or proxy card and follow the on-screen instructions;
- **By mail**—You may date, sign and promptly return your proxy card by mail in a postage prepaid envelope; or
- **In person**—You may deliver a completed proxy card at the meeting or vote in person.

Voting instructions for stockholders of record (including instructions for both telephonic and Internet voting) are provided on the Notice and the proxy card. The telephone and Internet voting procedures are designed to authenticate stockholder identities, to allow stockholders to give voting instructions and to confirm that stockholders' instructions have been recorded properly. A control number, located on the Notice and the proxy card, will identify stockholders and allow them to submit their proxies and confirm that their voting instructions have been properly recorded. Costs associated with telephone and electronic access, such as usage charges from telephone companies and Internet access providers, must be borne by the stockholder. If you submit your proxy by telephone or via the Internet, it will not be necessary to return your proxy card. The deadline for voting by telephone or via the Internet is 11:59 p.m. EDT on Monday, May 20, 2019.

If your shares are held through a broker, bank or other nominee, please follow the voting instructions on the form you receive from such institution. In such situations, the availability of telephone and Internet voting will depend on your institution's voting procedures. If you wish to vote in person at the Annual Meeting, you must first obtain a proxy issued in your name from the institution that holds your shares.

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What if I do not vote or do not indicate how my shares should be voted on my proxy card?

If a stockholder of record does not return a signed proxy card or submit a proxy by telephone or via the Internet, and does not attend the meeting and vote in person, his or her shares will not be voted. Shares of our common stock represented by properly executed proxies received by us or proxies submitted by telephone or via the Internet, which are not revoked, will be voted at the meeting in accordance with the instructions contained therein.

If you submit a properly completed proxy but do not indicate how your shares should be voted on a proposal, the shares represented by your proxy will be voted as the Board of Directors recommends on such proposal.

How can I change my votes or revoke my proxy after I have voted?

Any proxy signed and returned by a stockholder or submitted by telephone or via the Internet may be revoked or changed at any time before it is exercised at the Annual Meeting or any adjournments or postponements thereof by:

- Mailing written notice of revocation or change to our Corporate Secretary at CDW Corporation, 200 North Milwaukee Avenue, Vernon Hills, Illinois 60061;
- Delivering a later-dated proxy (either in writing, by telephone or via the Internet); or
- Voting in person at the meeting.

Attendance at the meeting will not, in and of itself, constitute revocation of a proxy.

Will my votes be publicly disclosed?

No. As a matter of policy, stockholder proxies, ballots and tabulations that identify individual stockholders are not publicly disclosed and are available only to the inspector of election and certain employees, who are obligated to keep such information confidential.

Who will count the votes?

A representative of Broadridge Investor Communication Solutions will serve as the inspector of election for the Annual Meeting and will count the votes.

What if other matters come up during the Annual Meeting?

If any other matters properly come before the meeting, including a question of adjourning or postponing the meeting, the persons named in the proxies or their substitutes acting thereunder will have discretion to vote on such matters in accordance with their best judgment.

What constitutes a quorum at the Annual Meeting?

The presence at the Annual Meeting of Stockholders, in person or represented by proxy, of the holders of a majority in voting power of the outstanding capital stock entitled to vote at the Annual Meeting is required to constitute a quorum to transact business at the Annual Meeting. Abstentions and broker non-votes will be counted toward the establishment of a quorum.

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What if my shares of the Company's common stock are held for me by a broker?

If you are the beneficial owner of shares held for you by a broker, your broker must vote those shares in accordance with your instructions. If you do not provide voting instructions to your broker, it will depend on the type of item being considered for vote, as to whether your broker can vote your shares:

- **Non-Discretionary Items.** The election of Class III directors and the advisory vote to approve named executive officer compensation may not be voted on by your broker if it has not received voting instructions.
- **Discretionary Items.** The ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm is a discretionary item. Generally, brokers that do not receive voting instructions from beneficial owners may vote on this proposal in their discretion.

How many votes are required to approve each matter to be considered at the Annual Meeting?

Proposal 1: Election of nominees named in this proxy statement as Class III directors. A majority of the votes cast at the meeting, in person or by proxy, and entitled to vote thereon is required to elect each Class III director nominee, which means that a nominee for director will be elected to the Board of Directors if the votes cast "FOR" the nominee's election exceed the votes cast "AGAINST" such nominee's election. Abstentions and broker non-votes are not considered votes cast for the foregoing purpose, and will have no effect on the election of nominees. If a director nominee fails to receive "FOR" votes representing at least a majority of votes cast and is an incumbent director, our Certificate of Incorporation requires the director to promptly tender his or her resignation to our Board of Directors, subject to acceptance by our Board. The Nominating and Corporate Governance Committee of our Board will then recommend to our Board, and our Board will decide, whether to accept or reject the tendered resignation, or whether other action should be taken.

Proposal 2: Advisory vote to approve named executive officer compensation. The affirmative vote of a majority of the shares of common stock present, in person or by proxy, and entitled to vote thereon is required to approve, on an advisory, non-binding basis, the compensation paid to our named executive officers. Abstentions will be counted as present and entitled to vote on the proposal and will therefore have the effect of a negative vote. Broker non-votes will not be counted as present and entitled to vote on the proposal and will therefore have no effect on the outcome of the proposal.

Proposal 3: Ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm. The affirmative vote of a majority of the shares of common stock present, in person or by proxy, and entitled to vote thereon is required to ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for 2019. Abstentions will be counted as present and entitled to vote on the proposal and will therefore have the effect of a negative vote. We do not expect there to be any broker non-votes with respect to the proposal.

Who pays to prepare, mail and solicit the proxies?

We will bear the costs of solicitation of proxies for the Annual Meeting of Stockholders, including preparation, assembly, printing and mailing of the Notice, this proxy statement, the annual report, the proxy card and any additional information furnished to stockholders. We may reimburse persons representing beneficial owners of common stock for their costs of forwarding any solicitation materials to such beneficial owners. However, we do not reimburse or pay additional compensation to our own directors, officers or other employees for soliciting proxies.

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OTHER BUSINESS

The Board of Directors has no knowledge of any other matter to be submitted at the Annual Meeting of Stockholders. If any other matter shall properly come before the Annual Meeting, including a question of adjourning or postponing the meeting, the persons named in the proxy card or their substitutes acting thereunder will have discretionary authority to vote the shares thereby represented in accordance with their best judgment.

Additional Company Information

A copy of our 2018 Annual Report on Form 10-K is being furnished to stockholders concurrently herewith.

Stockholder Proposals for the 2020 Annual Meeting

Proposals that stockholders wish to submit for inclusion in our proxy statement for our 2020 Annual Meeting of Stockholders pursuant to Rule 14a-8 under the Exchange Act must be received by our Corporate Secretary at CDW Corporation, 200 North Milwaukee Avenue, Vernon Hills, Illinois 60061 no later than December 12, 2019, unless the date of our 2020 Annual Meeting is more than 30 days before or after May 21, 2020, in which case the proposal must be received a reasonable time before we begin to print and mail our proxy materials for our 2020 Annual Meeting. Any stockholder proposal submitted for inclusion in our proxy statement must be eligible for inclusion in our proxy statement in accordance with the rules and regulations promulgated by the SEC.

With respect to proposals submitted by a stockholder for consideration at our 2020 Annual Meeting but not for inclusion in our proxy statement for such Annual Meeting, timely notice of any stockholder proposal must be received by us in accordance with our Amended and Restated Bylaws no earlier than January 22, 2020 nor later than February 21, 2020, unless the date of our 2020 Annual Meeting is more than 30 days before or after May 21, 2020, in which case notice by the stockholder to be timely must be so delivered by the later of (1) the tenth day following the first public announcement of the date of the 2020 Annual Meeting and (2) the date which is 90 days prior to the date of the 2020 Annual Meeting. Such notice must contain the information required by our Amended and Restated Bylaws.

It is important that your proxy be returned promptly, whether by mail, by telephone or via the Internet. The proxy may be revoked at any time by you before it is exercised as described in this proxy statement. If you attend the meeting in person, you may withdraw any proxy (including a telephonic or Internet proxy) and vote your own shares as described in this proxy statement.

By Order of the Board of Directors,

Frederick J. Kulevich

Senior Vice President, General Counsel

and Corporate Secretary

April 10, 2019

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APPENDIX A

CDW CORPORATION AND SUBSIDIARIES

NON-GAAP FINANCIAL MEASURE RECONCILIATIONS

We have included reconciliations of Adjusted EBITDA, Adjusted EBITDA Margin, Non-GAAP income before income taxes, Non-GAAP net income, Non-GAAP net income per diluted share, Consolidated net sales growth on a constant currency basis and Free cash flow for the years ended December 31, 2018 and 2017 below. EBITDA is defined as consolidated net income before interest expense, income tax expense, depreciation and amortization. Adjusted EBITDA, which is a measure defined in our credit agreements, means EBITDA adjusted for certain items which are described in the table below. Adjusted EBITDA margin means Adjusted EBITDA as a percentage of our Net sales. Non-GAAP net income excludes, among other things, charges related to the amortization of acquisition-related intangible assets, non-cash equity-based compensation and associated taxes, acquisition and integration expenses, and gains and losses from the extinguishment of debt. With respect to Non-GAAP net income per diluted share, the numerator is Non-GAAP net income and the denominator is the weighted average number of shares outstanding as adjusted to give effect to dilutive securities. Consolidated net sales growth on a constant currency basis is defined as consolidated net sales growth excluding the impact of foreign currency translation on net sales compared to the prior period. Free cash flow is defined as net cash provided by operating activities, minus capital expenditures, plus/minus the net change in accounts payable - inventory financing. Adjusted EBITDA, Adjusted EBITDA margin, Non-GAAP net income, Non-GAAP net income per diluted share, Consolidated net sales growth on a constant currency basis and Free cash flow are considered non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows 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 GAAP. Non-GAAP measures used by the Company may differ from similar measures used by other companies, even when similar terms are used to identify such measures. We believe that Adjusted EBITDA, Adjusted EBITDA Margin, Non-GAAP income before income taxes, Non-GAAP net income, Non-GAAP net income per diluted share, Consolidated net sales growth on a constant currency basis and Free cash flow provide helpful information regarding the underlying operating performance of our business and cash flows, including our ability to meet our future debt service, capital expenditures and working capital requirements. Adjusted EBITDA also provides helpful information as it is the primary measure used in certain key covenants and definitions contained in our credit agreements. Our 2019 annual targets are provided on a non-GAAP basis 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 the Company's routine activities, such as refinancing activities or acquisition and integration expenses.

ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

(dollars in millions)

(unaudited)

	Year Ended December 31,				
	2018	**% of Net Sales**	**2017[a]**	**% of Net Sales**	**% Change**
Net income	$643.0		$523.1		
Depreciation and amortization[b]	265.6		260.9		
Income tax expense	197.5		137.6		
Interest expense, net	148.6		150.5		
EBITDA	**1,254.7**	**7.7%**	**1,072.1**	**7.2%**	
Adjustments:					
Equity-based compensation	40.7		43.7		
Net loss on extinguishments of long-term debt	—		57.4		
Other adjustments[c]	6.8		12.8		
Total adjustments	**47.5**		**113.9**		
Adjusted EBITDA	**$1,302.2**	**8.0%**	**$1,186.0**	**8.0%**	**9.8%**

(a) *Amounts for 2017 have been adjusted to reflect the Company's adoption of ASC 606. The Company adopted ASC 606 on January 1, 2018 under the full retrospective method.*

(b) *Includes depreciation expense of $6 million and $7 million for the years ended December 31, 2018 and 2017, respectively, reported within Cost of sales.*

(c) *Includes other expenses such as payroll taxes on equity-based compensation during the years ended December 31, 2018 and 2017. Also includes 2018 expenses related to the acquisition of Scalar Decisions Inc., 2017 integration expenses related to CDW UK and the reinstatement of prior year unclaimed property balances as a result of a retroactive Illinois state law change enacted in the third quarter of 2017.*

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NON-GAAP NET INCOME

(in millions, except per share amounts)

(unaudited)

	Year Ended December 31, 2018				Year Ended December 31, 2017[(a)]			
	Income before income taxes	**Income tax expense[(b)]**	**Net income**	**Effective tax rate**	**Income before income taxes**	**Income tax expense[(b)]**	**Net income**	**Effective tax rate**
GAAP, as reported	$840.5	$ (197.5)	$ 643.0	23.5%	$660.7	$ (137.6)	$ 523.1	20.8%
Amortization of intangibles[(c)]	182.7	(45.7)	137.0		185.1	(66.6)	118.5	
Equity-based compensation	40.7	(29.2)	11.5		43.7	(51.9)	(8.2)	
Net Loss on extinguishments of long-term debt	—	—	—		57.4	(20.7)	36.7	
Tax Cuts and Jobs Act[(d)]	—	(1.9)	(1.9)		—	(75.5)	(75.5)	
Other adjustments[(e)]	5.9	(1.2)	4.7		11.5	(0.2)	11.3	
Non-GAAP	**$1,069.8**	**$ (275.5)**	**$794.3**	**25.7%**	**$958.4**	**$ (352.5)**	**$ 605.9**	**36.8%**

(a) *Amounts for 2017 have been adjusted to reflect the Company's adoption of ASC 606. The Company adopted ASC 606 on January 1, 2018 under the full retrospective method.*

(b) *Income tax on non-GAAP adjustments includes excess tax benefits associated with equity-based compensation. Additionally, 2018 includes the impact of GILTI on equity-based compensation and amortization of intangibles.*

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

(d) *2018 is comprised of adjustments to the provisional amounts recorded to finalize the US federal and state impact of revaluing deferred tax assets and liabilities and mandatory repatriation tax due to the completion of the 2017 US federal and state tax returns.*

(e) *Includes other expenses such as payroll taxes on equity-based compensation, 2018 expenses related to the acquisition of Scalar Decisions Inc., 2017 integration expenses related to CDW UK and the reinstatement of prior year unclaimed property balances as a result of a retroactive Illinois state law change enacted in the third quarter of 2017.*

NET INCOME AND NON-GAAP NET INCOME PER DILUTED SHARE

(in millions, except per share amounts)

(unaudited)

	Year Ended December 31,		
	2018	**2017[(a)]**	**% Change**
Net income	$643.0	$523.1	22.9%
Weighted-average common shares outstanding - Diluted	153.6	158.2	
Net income per diluted share	**$4.19**	**$3.31**	**26.7%**
Non-GAAP net income	$794.3	$605.9	31.1%

Non-GAAP weighted-average common shares outstanding - Diluted	153.6	158.2	
Non-GAAP net income per diluted share	**$5.17**	**$3.83**	**35.1%**

(a) *Amounts for 2017 have been adjusted to reflect the Company's adoption of ASC 606. The Company adopted ASC 606 on January 1, 2018 under the full retrospective method.*

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CONSOLIDATED NET SALES GROWTH ON A CONSTANT CURRENCY BASIS

(dollars in millions)

(unaudited)

	Year Ended December 31,		
	2018	**2017[a]**	**% Change**
Consolidated Net sales, as reported	$16,240.5	$14,832.9	9.5%
Foreign currency translation[b]	—	34.1	
Consolidated net sales, on a constant currency basis	**$16,240.5**	**$14,867.0**	**9.2%**

(a) *Amounts for 2017 have been adjusted to reflect the Company's adoption of ASC 606. The Company adopted ASC 606 on January 1, 2018 under the full retrospective method.*

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

FREE CASH FLOW

(dollars in millions)

(unaudited)

	Year Ended December 31,	
	2018	**2017**
Net cash provided by operating activities	$905.9	$777.7
Capital expenditures	(86.1)	(81.1)
Net change in accounts payable — inventory financing	(67.4)	(84.0)
Free cash flow	**$752.4**	**$612.6**

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APPENDIX B

FORWARD-LOOKING STATEMENTS

This proxy statement includes forward-looking statements regarding management's expectations for our future performance that are within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties that could cause actual results to differ materially from those described in such statements. Such statements include the description of our annual targets for 2019 on page 8 of this proxy statement. For a discussion of forward-looking statements and factors that could cause our actual performance to differ materially from these expectations, see the sections entitled "Forward-Looking Statements" and "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018. CDW undertakes no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

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CDW LEADERSHIP

Board of Directors

Thomas E. Richards

Executive Chairman

Christine A. Leahy

President and Chief Executive Officer

Virginia C. Addicott

President and Chief Executive Officer,

FedEx Custom Critical

Steven W. Alesio

Former Chairman and Chief Executive Officer,
Dun & Bradstreet Corporation

Barry K. Allen

Operating Partner,

Providence Equity Partners L.L.C.;

President,

Allen Enterprises, LLC

James A. Bell

Retired Executive Vice President,

The Boeing Company

Benjamin D. Chereskin

President,

Profile Capital Management LLC

Lynda M. Clarizio

Former Executive Vice President, Strategic Initiatives

The Nielsen Company (US), LLC

Paul J. Finnegan

Co-Chief Executive Officer,

Madison Dearborn Partners, LLC

David W. Nelms

Retired Chairman and Chief Executive Officer,

Discover Financial Services, Inc.

Joseph R. Swedish

Senior Advisor and Retired Chairman, President and

Chief Executive Officer,

Anthem, Inc.

Donna F. Zarcone

President and Chief Executive Officer,

The Economic Club of Chicago

Executive Committee

Christine A. Leahy

President and Chief Executive Officer

Jill M. Billhorn

Senior Vice President – Corporate Sales

Mark C. Chong

Senior Vice President – Strategy and Marketing

Elizabeth H. Connelly

Chief Human Resources Officer and

Senior Vice President – Coworker Services

Christina M. Corley

Chief Operating Officer

Douglas E. Eckrote

Senior Vice President – Small Business Sales and eCommerce

Collin B. Kebo

Senior Vice President and Chief Financial Officer

Robert F. Kirby

Senior Vice President – Public Sales

Frederick J. Kulevich

Senior Vice President, General Counsel and Corporate Secretary

Christina V. Rother

Senior Vice President – Integrated Technology Solutions

Jonathan J. Stevens

Senior Vice President – Operations and Chief Information Officer

Matthew A. Troka

Senior Vice President – Product and Partner Management

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