CDW Corp
Form 10-Q
November 06, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2015
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 001-35985
CDW CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	26-0273989 (I.R.S. Employer Identification No.)
200 N. Milwaukee Avenue Vernon Hills, Illinois (Address of principal executive offices)	60061 (Zip Code)

(847) 465-6000
(Registrant's telephone number, including area code)
None
(Former name, former address and former fiscal year, if changed since last report)

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. ý 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). ý 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	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
¨ Yes ý No
As of October 31, 2015, there were 169,274,454 shares of common stock, $0.01 par value, outstanding.

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CDW CORPORATION AND SUBSIDIARIES
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PART I—FINANCIAL INFORMATION
Item 1. Financial Statements
CDW CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions, except per-share amounts)

	September 30, 2015 (unaudited)	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$97.5	$344.5
Accounts receivable, net of allowance for doubtful accounts of $7.0 and $5.7, respectively	1,860.0	1,561.1
Merchandise inventory	411.4	337.5
Miscellaneous receivables	230.6	155.6
Prepaid expenses and other	135.4	54.7
Total current assets	2,734.9	2,453.4
Property and equipment, net	154.4	137.2
Equity investments	—	86.7
Goodwill	2,517.4	2,217.6
Other intangible assets, net	1,325.4	1,168.8
Other assets	9.4	12.2
Total assets	$6,741.5	$6,075.9
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable—trade	$1,012.7	$704.0
Accounts payable—inventory financing	354.7	332.1
Current maturities of long-term debt	27.5	15.4
Deferred revenue	126.4	81.3
Accrued expenses:		
Compensation	117.9	130.1
Interest	17.5	28.1
Sales taxes	30.5	29.1
Advertising	54.3	34.0
Income taxes	1.7	0.2
Other	128.7	113.7
Total current liabilities	1,871.9	1,468.0
Long-term liabilities:		
Debt	3,240.3	3,150.6
Deferred income taxes	495.9	475.0
Other liabilities	57.7	45.8
Total long-term liabilities	3,793.9	3,671.4
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Preferred shares, $0.01 par value, 100.0 shares authorized, no shares issued or outstanding for both periods	—	—
Common shares, $0.01 par value, 1,000.0 shares authorized for both periods; 169.2 and 172.2 shares issued and outstanding, respectively	1.7	1.7
Paid-in capital	2,793.9	2,711.9

Accumulated deficit	(1,674.6)	(1,760.5)
Accumulated other comprehensive loss	(45.3)	(16.6)
Total shareholders’ equity	1,075.7	936.5
Total liabilities and shareholders’ equity	$6,741.5	$6,075.9

The accompanying notes are an integral part of the consolidated financial statements.

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CDW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per-share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net sales	$3,501.1	$3,266.1	$9,570.3	$9,024.4
Cost of sales	2,933.9	2,758.8	8,012.1	7,595.0
Gross profit	567.2	507.3	1,558.2	1,429.4
Selling and administrative expenses	321.4	285.4	887.5	820.2
Advertising expense	41.2	37.2	108.6	100.5
Income from operations	204.6	184.7	562.1	508.7
Interest expense, net	(38.5)	(50.1)	(121.1)	(148.7)
Net loss on extinguishments of long-term debt	—	(45.8)	(24.3)	(53.8)
Gain on remeasurement of equity investment	98.1	—	98.1	—
Other income (expense), net	(18.0)	0.7	(9.5)	1.4
Income before income taxes	246.2	89.5	505.3	307.6
Income tax expense	(95.3)	(33.9)	(191.5)	(114.5)
Net income	$150.9	$55.6	$313.8	$193.1
Net income per common share:				
Basic	$0.89	$0.33	$1.84	$1.13
Diluted	$0.88	$0.32	$1.82	$1.12
Weighted-average number of common shares outstanding:				
Basic	169.6	170.9	170.9	170.2
Diluted	171.0	173.0	172.3	172.7
Cash dividends declared per common share	$0.0675	$0.0425	$0.2025	$0.1275

The accompanying notes are an integral part of the consolidated financial statements.

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CDW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	$150.9	$55.6	$313.8	$193.1
Foreign currency translation adjustment (net of tax benefit of $0.2 million and $0.0 million, and of $0.5 million and $0.0 million, respectively)	(22.4)	(5.2)	(28.7)	(5.4)
Other comprehensive loss, net of tax	(22.4)	(5.2)	(28.7)	(5.4)
Comprehensive income	$128.5	$50.4	$285.1	$187.7

The accompanying notes are an integral part of the consolidated financial statements.

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CDW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(in millions)
(unaudited)

	Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at December 31, 2014	—	$ —	172.2	$ 1.7	$2,711.9	$ (1,760.5)	$ (16.6)	$ 936.5
Equity-based compensation expense	—	—	—	—	18.4	—	—	18.4
Stock option exercises	—	—	0.1	—	1.7	—	—	1.7
Common shares issued for equity-based compensation	—	—	0.3	—	—	—	—	—
Excess tax benefits from equity-based compensation	—	—	—	—	0.4	—	—	0.4
Coworker stock purchase plan		—	0.2	—	6.5	—	—	6.5
Common shares issued for acquisition of business	—	—	1.6	—	55.0	—	—	55.0
Dividends paid	—	—	—	—	—	(34.6)	—	(34.6)
Net income	—	—	—	—	—	313.8	—	313.8
Share repurchases		—	(5.2)	—	—	(193.3)	—	(193.3)
Foreign currency translation adjustment	—	—	—	—	—	—	(28.7)	(28.7)
Balance at September 30, 2015	—	$ —	169.2	$ 1.7	$2,793.9	$ (1,674.6)	$ (45.3)	$ 1,075.7

The accompanying notes are an integral part of the consolidated financial statements.

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CDW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

	Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net income	$313.8	$193.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	165.0	155.9
Equity-based compensation expense	20.0	11.5
Deferred income taxes	(32.0)	(67.2)
Allowance for doubtful accounts	1.0	0.3
Amortization of deferred financing costs, debt premium, and debt discount, net	4.7	4.8
Net loss on extinguishments of long-term debt	24.3	53.8
Loss from equity investment	11.2	—
Gain on remeasurement of equity investment	(98.1)	—
Mark-to-market loss on interest rate cap agreements	2.1	0.1
Changes in assets and liabilities:		
Accounts receivable	(178.4)	(26.2)
Merchandise inventory	(54.8)	(41.7)
Other assets	(101.7)	(69.7)
Accounts payable-trade	226.0	115.1
Other current liabilities	(17.1)	17.4
Long-term liabilities	8.9	3.3
Net cash provided by operating activities	294.9	350.5
Cash flows from investing activities:		
Capital expenditures	(43.9)	(34.4)
Payment of accrued charitable contribution related to the MPK Coworker Incentive Plan II	—	(20.9)
Premium payments on interest rate cap agreements	(0.5)	(0.7)
Acquisition of business, net of cash acquired	(263.8)	—
Net cash used in investing activities	(308.2)	(56.0)
Cash flows from financing activities:		
Proceeds from borrowings under revolving credit facility	105.0	—
Repayments of borrowings under revolving credit facility	(105.0)	—
Repayments of long-term debt	(26.1)	(11.6)
Proceeds from issuance of long-term debt	525.0	600.0
Payments to extinguish long-term debt	(525.3)	(723.9)
Payments of debt financing costs	(6.8)	(14.4)
Net change in accounts payable-inventory financing	22.6	43.1
Proceeds from stock option exercises	1.7	1.1
Proceeds from Coworker Stock Purchase Plan	6.5	3.7
Shares repurchased	(193.3)	—
Dividends paid	(34.6)	(21.9)
Excess tax benefits from equity-based compensation	0.4	0.2

Net cash used in financing activities	(229.9)	(123.7)
Effect of exchange rate changes on cash and cash equivalents	(3.8)	(1.1)
Net (decrease)/increase in cash and cash equivalents	(247.0)	169.7
Cash and cash equivalents—beginning of period	344.5	188.1
Cash and cash equivalents—end of period	$97.5	$357.8
Supplementary disclosure of cash flow information:		
Interest paid	$(125.4)	$(127.2)
Taxes paid, net	$(218.0)	$(189.9)

The accompanying notes are an integral part of the consolidated financial statements.

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

CDW Corporation (“Parent”) is a Fortune 500 company and a leading provider of integrated information technology (“IT”) solutions to small, medium and large business, government, education and healthcare customers in North America and the United Kingdom. The Company's offerings range from discrete hardware and software products to integrated IT solutions such as mobility, security, data center optimization, cloud computing, virtualization and collaboration.

Throughout these notes, the terms the “Company” and “CDW” refer to Parent and its 100% owned subsidiaries. Parent has two 100% owned subsidiaries, CDW LLC and CDW Finance Corporation. CDW LLC is an Illinois limited liability company that, together with its 100% owned subsidiaries, holds all material assets and conducts all business activities and operations of the Company. CDW Finance Corporation is a Delaware corporation formed for the sole purpose of acting as co-issuer of certain debt obligations as described in Note 10 and does not hold any material assets or engage in any business activities or operations.

On August 1, 2015, the Company completed the acquisition of Kelway TopCo Limited ("Kelway") by purchasing the remaining 65% of its outstanding common stock which increased the Company's ownership interest from 35% to 100%, and provided the Company control. Refer to Note 3, Acquisition, for further details regarding the acquisition.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements as of September 30, 2015 and for the three and nine months ended September 30, 2015 and 2014 (the “consolidated financial statements”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) for interim financial statements. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 (the “December 31, 2014 financial statements”). The significant accounting policies used in preparing these consolidated financial statements were applied on a basis consistent with those reflected in the December 31, 2014 financial statements. In the opinion of management, the consolidated financial statements contain all adjustments (consisting of a normal, recurring nature) necessary to present fairly the Company's financial position, results of operations, comprehensive income, cash flows and changes in shareholders' equity as of the dates and for the periods indicated. The unaudited consolidated statements of operations for such interim periods reported are not necessarily indicative of results for the full year.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Parent and its 100% owned subsidiaries. All intercompany transactions and accounts are eliminated in consolidation.

Business Combinations

The Company accounts for all business combinations using the acquisition method of accounting, which allocates the fair value of the purchase consideration to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions. The Company may utilize third-party valuation specialists to assist the Company in the allocation. Initial purchase price allocations are preliminary and subject to revision within the measurement period, not to exceed one year from the date of acquisition. Acquisition-related expenses and transaction costs associated with business combinations are expensed as incurred.

Use of Estimates

The preparation of the consolidated financial statements in accordance with GAAP requires management to make use of certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of

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contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reported periods. The Company bases its estimates on historical experience and on various other assumptions that management believes are reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

The notes to the consolidated financial statements contained in the December 31, 2014 financial statements include an additional discussion of the significant accounting policies and estimates used in the preparation of the Company's consolidated financial statements. There have been no material changes to the Company's significant accounting policies and estimates during the nine months ended September 30, 2015.

2. Recent Accounting Pronouncements

Accounting for Measurement Period Adjustments in a Business Combination

In September 2015, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments, that eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. The new standard is effective for the Company beginning in the first quarter of 2016, with early adoption permitted. The new standard must be applied prospectively to adjustments to provisional amounts that occur after the effective date. The Company is currently evaluating the impact that the standard will have on its consolidated financial position, results of operations and cash flows.

Simplifying the Measurement of Inventory

In July 2015, the FASB issued ASU 2015-11 that simplifies the subsequent measurement of inventory by requiring inventory to be measured at the lower of cost and net realizable value instead of the lower of cost or market value. The new standard is effective for the Company beginning in the first quarter of 2017, with early adoption permitted. The new standard must be applied prospectively after the date of adoption. This new standard is not expected to have a material impact on the Company's consolidated financial position, results of operations and cash flows.

Pushdown Accounting—Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 115 (SEC Update)

In May 2015, the FASB issued ASU 2015-08, Business Combinations (Topic 805): Pushdown Accounting -Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 115, which supersedes several paragraphs in ASC 805-50 in response to the November 2014 publication of Staff Accounting Bulletin ("SAB") No. 115 by the SEC. SAB 115 rescinds portions of the interpretive guidance included in the SEC's Staff Accounting Bulletins series and brings existing guidance into conformity with ASU 2014-17, Pushdown Accounting, which provides an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. The guidance is effective upon issuance and does not have a material impact on the Company's consolidated financial position, results of operations and cash flows.

Debt Issuance Costs

The Company elected to early adopt ASU 2015-03 in the second quarter of 2015. At June 30, 2015, the Company classified deferred financing costs as a direct deduction from the carrying value of the long-term debt liability on the consolidated balance sheet. Additionally, at June 30, 2015, the Company retroactively adjusted the deferred financing costs and long-term debt liability presented as of December 31, 2014 by reducing the long-term debt liability by the amount of the deferred financing costs and eliminating the presentation of deferred financing costs as an asset on the Consolidated Balance Sheet. In August 2015, the FASB issued ASU 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, which clarifies the SEC's views on the presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements. The ASU allows for an entity to defer and present debt issuance costs associated with line-of-credit arrangements as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit

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arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangements. The new guidance is effective upon issuance and the Company adopted it in the third quarter of 2015. At September 30, 2015, the Company classified deferred financing costs related to the Senior Secured Asset-Based Revolving Credit Facility as an asset, included within “Other Assets” on the Consolidated Balance Sheet. The Company retroactively adjusted the deferred financing costs and long-term debt liability presented as of December 31, 2014 to align it to the current period presentation.

These adjustments had no impact on net income, comprehensive income, total shareholders’ equity (deficit), cash flows, or Adjusted EBITDA, a non-GAAP measure defined in the Company’s credit agreement.

The Company has determined that the adjustments are not material either individually or in aggregate to any of its previously issued financial statements.

A summary of the revisions to the consolidated balance sheet at December 31, 2014 is as follows:

(in millions)	December 31, 2014 As Previously Reported upon adoption of ASU 2015-03	Revision upon adoption of ASU 2015-15	As Revised
Other assets	$3.2	$9.0	$12.2
Long-term debt	$(3,141.6)	$(9.0)	$(3,150.6)

Consolidation

In February 2015, the FASB issued ASU 2015-02 that amends the current consolidation guidance. The amendments affect both the variable interest entity (VIE) and voting interest entity (VOE) consolidation models. The new standard is effective for the Company beginning in the first quarter of 2016, with early adoption permitted. The standard allows for either a full retrospective approach or a modified retrospective approach. This new standard is not expected to have a material impact on the Company’s consolidated financial position, results of operations and cash flows.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, which clarifies the standard for recognizing revenue from contracts with customers. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes the current revenue recognition guidance. In August 2015, the FASB issued ASU 2015-14 which deferred the effective date by one year. The new standard will be effective for the Company beginning in the first quarter of 2018 with early adoption in the first quarter of 2017 permitted. The standard allows for either a full retrospective approach or a modified retrospective approach. The Company is currently evaluating the impact that the standard will have on its consolidated financial position, results of operations and cash flows.

3. Acquisition

On August 1, 2015, the Company completed the acquisition of Kelway by purchasing the remaining 65% of its outstanding common stock which increased the Company's ownership interest from 35% to 100%, and provided the Company control. Kelway is a UK-based IT solutions provider which has cross-border supply chain relationships that enable it to conduct business in over 80 countries. The acquisition will enhance the Company's ability to provide IT solutions to US-based customers with international locations.

A summary of the total consideration transferred is as follows:

(in millions)	Acquisition-Date Fair Value
Cash	$291.6
Fair value of CDW common stock [1]	33.2
Fair value of previously held equity investment on the date of acquisition [2]	174.9
Total consideration	$499.7

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(1) The Company issued 1.6 million shares of CDW common stock. The fair value of the common stock was based on the closing market price on July 31, 2015, adjusted for the lack of marketability as the shares of CDW common stock issued to the sellers are subject to a three-year lock up restriction from August 1, 2015. One of the sellers issued 0.6 million stock options to certain Kelway coworkers over his shares of CDW common stock received in the transaction. The fair value of these stock options was $21.8 million, which has been accounted for as post-combination stock-based compensation and is being amortized over the weighted–average requisite service period of 3.2 years which will be included in the line item “Selling and administrative expenses” in the Consolidated Statements of Operations.

(2) As a result of the Company obtaining control over Kelway, the Company’s previously held 35% equity investment was remeasured to fair value, resulting in a gain of $98.1 million included in the line item “Gain on remeasurement of equity investment” in the Consolidated Statements of Operations. The fair value of the previously held equity investment was determined by management with the assistance of a third party valuation firm, based on information available at the acquisition date.

Transaction-related costs associated with this acquisition of $4.3 million and $5.6 million during three and nine months ended September 30, 2015 were expensed as incurred and included in the line item “Selling and administrative expenses” in the Consolidated Statements of Operations.
The recognized amounts of identifiable assets acquired and liabilities assumed, translated using the foreign currency exchange rates on the date of acquisition, were as follows:

(in millions)	Acquisition-Date Fair Value (1)
Cash	$27.8
Accounts receivable	135.7
Merchandise inventory	20.4
Property and equipment, net	11.4
Identified intangible assets (2)	289.8
Other assets	37.5
Total assets acquired	522.6
Accounts payable—trade	(86.1)
Deferred revenue	(49.2)
Other liabilities	(32.9)
Deferred tax liabilities	(57.0)
Debt	(111.5)
Total liabilities assumed	(336.7)
Total identifiable net assets	185.9
Goodwill	313.8
Total purchase price	$499.7

(1) The fair values assigned to the tangible and intangible assets acquired and liabilities assumed were based on management’s estimates and assumptions as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. These preliminary fair values are subject to change within the measurement period.

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(2) Details of the identified intangible assets are as follows:

(in millions)	Acquisition-Date Fair Value	Weighted-Average Amortization Period (in years)
Customer relationships	$260.8	13
Customer contracts	25.9	3
Developed technology	1.7	2
Trade name	1.4	1
Total identified intangible assets	$289.8	

Goodwill in the amount of $313.8 million was recognized in the acquisition of Kelway and is attributable to the business from new customers and the value of the acquired assembled workforce. The goodwill was allocated to the Kelway operating segment which is included with CDW Advanced Services and Canada in an all other category (“Other”). The full amount of goodwill recognized is not deductible for income tax purposes in the United Kingdom. For the three and nine months ended September 30, 2015, net sales and net loss of Kelway included in the Company’s Consolidated Statements of Operations from the date of acquisition were $138.4 million and $(0.7) million, respectively.

The unaudited pro forma consolidated statements of operations in the table below summarizes the combined results of operations of the Company and Kelway, as if the acquisition had been completed on January 1, 2014, and gives effect to pro forma events that are factually supportable and directly attributable to the transaction. The unaudited pro forma results reflect adjustments for equity-based compensation, acquisition and integration costs, incremental intangible asset amortization based on the preliminary fair values of each identifiable intangible asset, pre-acquisition equity earnings, the gain on the remeasurement of the Company’s previously held 35% equity method investment and the impacts of certain other pre-acquisition transactions. Pro forma adjustments were tax-effected at the statutory rates within the applicable jurisdictions.

This unaudited pro forma information is presented for informational purposes only and may not be indicative of the historical results of operations that would have been obtained if the acquisition had taken place on January 1, 2014, nor the results that may be obtained in the future. This unaudited pro forma information does not reflect future synergies, integration costs, or other such costs or savings.

The unaudited pro forma consolidated statements of operations for the three and nine months ended September 30, 2015 and 2014 were as follows:

(in millions)	Unaudited Pro Forma Information			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net sales	$3,571.0	$3,474.6	$10,091.4	$9,661.4
Net income	$111.1	$54.3	$287.5	$192.0

The unaudited pro forma information above reflects the following adjustments:

(1) Excludes acquisition and integration costs directly related to the transaction.

(2) Includes additional amortization expense related to the fair value of acquired intangibles.

(3) Excludes the gain of resulting from the remeasurement of the Company's previously held 35% equity investment to fair value upon the completion of the acquisition.

(4) Excludes the Company's share of net income/loss from its previously held 35% equity investment prior to the completion of the acquisition.

(5) Excludes non-cash equity-based compensation related to certain equity awards granted by one of the sellers to Kelway coworkers in July 2015 prior to the completion of the acquisition.

(6) Includes additional non-cash equity-based compensation related to equity awards granted to Kelway coworkers after the completion of the acquisition.

(7) Includes the elimination of inter-company sales transactions prior to the completion of the acquisition.

4. Inventory Financing Agreements

The Company has entered into agreements with certain financial intermediaries to facilitate the purchase of inventory from various suppliers under certain terms and conditions, as described below. These amounts are classified separately as accounts payable-inventory financing on the accompanying Consolidated Balance Sheets. The Company does not incur any interest expense associated with these agreements as balances are paid when they are due.

The following table presents the amounts included in accounts payable-inventory financing:

(in millions)	September 30, 2015	December 31, 2014
Revolving Loan inventory financing agreement	$353.2	$330.1
Other inventory financing agreements	1.5	2.0
Accounts payable-inventory financing	$354.7	$332.1

The Company's Revolving Loan described in Note 5 below includes an inventory floorplan sub-facility in conjunction with the related Revolving Loan inventory financing agreement with a financial intermediary to facilitate the purchase of inventory from a certain vendor. Amounts outstanding under the Revolving Loan inventory financing agreement are unsecured and non-interest bearing.

The Company also maintains other inventory financing agreements with financial intermediaries to facilitate the purchase of inventory from certain vendors. At September 30, 2015 and December 31, 2014, amounts owed under other inventory financing agreements of $1.5 million and $2.0 million, respectively, were collateralized by the inventory purchased under these financing agreements and a second lien on the related accounts receivable.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Long-Term Debt
Long-term debt as of September 30, 2015 was as follows:

(dollars in millions)	Interest Rate	Principal	Unamortized Discount and Deferred Financing Costs	Total
Senior secured asset-based revolving credit facility [1]	— %	$—	$—	$—
Kelway revolving credit facility	— %	—	—	—
Senior secured term loan facility	3.25 %	1,502.0	(7.1)	1,494.9
Kelway term loan	2.0 %	93.8	(0.7)	93.1
Senior notes due 2022	6.0 %	600.0	(6.9)	593.1
Senior notes due 2023	5.0 %	525.0	(6.4)	518.6
Senior notes due 2024	5.5 %	575.0	(6.9)	568.1
Total long-term debt		3,295.8	(28.0)	3,267.8
Less current maturities of long-term debt		(27.5)	—	(27.5)
Long-term debt, excluding current maturities		$3,268.3	$(28.0)	$3,240.3

Long-term debt as of December 31, 2014 was as follows:

(dollars in millions)	Interest Rate	Principal	Unamortized Discount, Premium, and Deferred Financing Costs	Total
Senior secured asset-based revolving credit facility [1]	— %	$—	$—	$—
Senior secured term loan facility	3.25 %	1,513.5	(8.3)	1,505.2
Senior notes due 2019 [2]	8.5 %	503.9	(3.1)	500.8
Senior notes due 2022	6.0 %	600.0	(7.6)	592.4
Senior notes due 2024	5.5 %	575.0	(7.4)	567.6
Total long-term debt		3,192.4	(26.4)	3,166.0
Less current maturities of long-term debt		(15.4)	—	(15.4)
Long-term debt, excluding current maturities		3,177.0	$(26.4)	$3,150.6

(1) Refer to Note 2, Recent Accounting Pronouncements for a description of the change in the presentation of deferred financing costs during the third quarter of 2015. At September 30, 2015, the Company classified deferred financing costs related to the Senior Secured Asset-Based Revolving Credit Facility as an asset, included within "Other Assets" on the Consolidated Balance Sheet. The Company retroactively adjusted the deferred financing costs and long term liability presented as of December 31, 2014 to align it to the current period presentation. There are no deferred financing costs related to the Kelway revolving credit facility.

(2) At December 31, 2014, the Company reported $1.3 million of unamortized premium on the Senior Notes due 2019 net of deferred financing costs of $4.4 million.

At September 30, 2015, the Company remained in compliance with the covenants under its various credit agreements. Under the credit agreement governing the Senior Secured Term Loan Facility there are restrictions on the ability of CDW to pay dividends, make share repurchases, redeem subordinated debt and engage in certain other transactions. At September 30, 2015, the amount of CDW's restricted payment capacity under the Senior Secured Term Loan Facility was $752.4 million.

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Senior Secured Asset-Based Revolving Credit Facility (“Revolving Loan”)
At September 30, 2015, the Company had no outstanding borrowings under the Revolving Loan, $2.1 million of undrawn letters of credit and $342.0 million reserved related to the floorplan sub-facility. At September 30, 2015, the borrowing base was $1,412.4 million based on the amount of eligible inventory and accounts receivable balances as of August 31, 2015. The Company could have borrowed up to an additional $905.9 million under the Revolving Loan at September 30, 2015.
The Revolving Loan includes an inventory floorplan sub-facility that is related to the Revolving Loan inventory financing agreement with a financial intermediary. At September 30, 2015, the financial intermediary reported an outstanding balance of $342.0 million under the Revolving Loan inventory financing agreement. The amount included on the Company's Consolidated Balance Sheet as of September 30, 2015 as accounts payable-inventory financing related to the Revolving Loan inventory financing agreement of $353.2 million includes an $11.2 million accrual for amounts in transit.
Senior Secured Term Loan Facility (“Term Loan”)
At September 30, 2015, the outstanding principal amount of the Term Loan was $1,502.0 million. The total net leverage ratio was 3.1 at September 30, 2015. As defined in the Company's credit agreement, the total net leverage ratio is calculated, on a consolidated basis, as the ratio of total debt at period-end excluding any unamortized discount and/or premium and unamortized deferred financing costs, less cash and cash equivalents, to trailing twelve months ("TTM") adjusted earnings before taxes, interest expense, and depreciation and amortization (“Adjusted EBITDA”), a non-GAAP measure defined in the Company's credit agreement. The Term Loan calculates Adjusted EBITDA on a trailing twelve month basis, which includes twelve months of Kelway's results on a pro forma basis. An interest rate of 3.25%, comprised of the 1.0% LIBOR floor plus a 2.25% margin, was in effect during the nine-month period ended September 30, 2015.
In order to manage the risk associated with changes in interest rates on borrowings under the Term Loan, the Company maintains interest rate cap agreements. During the year ended December 31, 2014, the Company entered into fourteen interest rate cap agreements at a rate of 2.0% with a combined notional amount of $1,000.0 million. During the nine-month period ended September 30, 2015, the Company entered into six interest rate cap agreements at a rate of 2.0% with a combined notional amount of $400.0 million. Under the 2015 agreements, the Company made premium payments totaling $0.5 million to the counterparties in exchange for the right to receive payments equal to the amount, if any, by which the three-month LIBOR exceeds 2.0% during the agreement period. These interest rate cap agreements are effective from January 14, 2015 through January 14, 2017. The fair value of the Company's interest rate cap agreements was $0.1 million and $1.7 million at September 30, 2015 and December 31, 2014, respectively. Previously, the Company had ten interest rate cap agreements with a combined notional amount of $1,150.0 million that expired on January 14, 2015.
The Company's interest rate cap agreements have not been designated as cash flow hedges of interest rate risk for GAAP accounting purposes. The interest rate cap agreements are recorded at fair value on the Company’s consolidated balance sheet in other assets each period, with changes in fair value recorded directly to interest expense in the Company's consolidated statement of operations. The fair value of the Company's interest rate cap agreements is classified as Level 2 in the fair value hierarchy. The valuation of the interest rate cap agreements is derived by using a discounted cash flow analysis on the expected cash receipts that would occur if variable interest rates rise above the period to maturity, and uses observable market-based inputs, including LIBOR curves and implied volatilities. The Company also incorporates credit valuation adjustments, the amounts of which have been insignificant, to appropriately reflect the respective counterparty's nonperformance risk in the fair value measurements. The counterparty credit spreads are based on publicly available credit information obtained from a third party credit data provider.
8.5% Senior Notes due 2019 (“2019 Senior Notes”)
At September 30, 2015, there were no outstanding 2019 Senior Notes.

On March 3, 2015, the proceeds from the issuance of the 2023 Senior Notes, discussed below, along with cash on hand, were deposited with the trustee to redeem the remaining $503.9 million aggregate principal amount of the 2019 Senior Notes at a redemption price of 104.25% of the principal amount redeemed, plus accrued and unpaid interest up to, but not including, the date of redemption, April 2, 2015. On the same date, the indenture governing the 2019 Senior

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Notes was satisfied and discharged and the Company was released from its remaining obligation by the trustee. In connection with this redemption, the Company recorded a loss on extinguishment of long-term debt of $24.3 million in the consolidated statement of operations for the nine months ended September 30, 2015, which was comprised of $4.2 million for the write-off of the remaining unamortized deferred financing fees and a redemption premium of $21.4 million, partially offset by $1.3 million for the write-off of the remaining unamortized premium.

5.0% Senior Notes due 2023 (“2023 Senior Notes”)

At September 30, 2015, the outstanding principal amount of 2023 Senior Notes was $525.0 million.

On March 3, 2015, CDW LLC and CDW Finance Corporation, as co-issuers, completed the issuance of $525.0 million aggregate principal amount of 2023 Senior Notes at par. Fees of $6.8 million related to the 2023 Senior Notes were capitalized as deferred financing costs and are being amortized over the term of the notes on a straight-line basis. The 2023 Senior Notes will mature on September 1, 2023 and bear interest at a rate of 5.0% per annum, payable semi-annually on March 1 and September 1 of each year.

CDW LLC and CDW Finance Corporation are the co-issuers of the 2023 Senior Notes and the obligations under the notes are guaranteed by Parent and each of CDW LLC's direct and indirect, wholly owned, domestic subsidiaries. The 2023 Senior Notes indenture contains negative covenants that, among other things, place restrictions and limitations on the ability of Parent and each of CDW LLC's direct and indirect 100% owned domestic subsidiaries to enter into sale and lease-back transactions, incur additional secured indebtedness, and create liens. The indenture governing the 2023 Senior Notes does not contain any financial covenants.

Kelway Term Loan (“Kelway Term Loan”)

As a result of the completion of the acquisition of Kelway, the Company consolidated Kelway’s Term Loan on August 1, 2015. Kelway’s Term Loan is denominated in British Pounds. The carrying value of the Kelway Term Loan as of August 1, 2015 was £64.0 million ($100.0 million), which approximated fair value due to the short period of time between issuance of this loan and acquisition date.

Kelway is required to pay quarterly principal installments of £2.0 million ($3.0 million) on the original principal amount of the Kelway Term Loan, with the remaining principal amount payable on the maturity date of June 30, 2017. At September 30, 2015, the outstanding principal amount of the Kelway Term Loan was £62.0 million ($93.8 million).

Borrowings under the Kelway Term Loan bear interest at LIBOR plus a margin. An interest rate of 1.98%, comprised of LIBOR plus a 1.40% margin, was in effect during the three-month period ended September 30, 2015.

The Kelway Term Loan contains financial and other covenants. At September 30, 2015, Kelway remained in compliance with these covenants.

Kelway Revolving Credit Facility (“Kelway Credit Facility”)

The Kelway Credit Facility is a multi-currency revolving credit facility under which Kelway is permitted to borrow an aggregate amount of £50.0 million ($75.6 million). The Kelway Credit Facility expires on July 17, 2017. As of September 30, 2015, there were no outstanding borrowings under this facility.

Fair Value

The fair values of the 2022, 2023, and 2024, as well as the 2019 Senior Notes prior to their redemption, Senior Notes were estimated using quoted market prices for identical assets or liabilities that are traded in over-the-counter secondary markets that are not considered active. The fair value of the Term Loan was estimated using dealer quotes for identical assets or liabilities in markets that are not considered active. Consequently, the Company's long-term debt is classified as Level 2 within the fair value hierarchy. The carrying value of the Kelway Term Loan was £62.0 million ($93.8 million), which approximated fair value due to the short period of time between issuance of this loan and September 30, 2015.

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The approximate fair values and related carrying values of the Company's long-term debt, including current maturities and excluding unamortized discount and/or premium and unamortized deferred financing costs, were as follows:

(in millions)	September 30, 2015	December 31, 2014
Fair value	$3,316.4	$3,208.7
Carrying value	3,295.8	3,192.4

6. Income Taxes

The Company's effective income tax rate was 38.7% and 37.9% for the three months ended September 30, 2015 and 2014, respectively, and 37.9% and 37.2% for the nine months ended September 30, 2015 and 2014, respectively. For the three and nine months ended September 30, 2015 and 2014, the Company's effective tax rate differed from the U.S. federal statutory rate primarily due to state and local income taxes.

Additionally, effective as of this quarter, the Company is no longer asserting that the unremitted earnings of its Canadian business are indefinitely reinvested. As a result of the change in the reinvestment assertion, the income tax expense for the three and nine months ended September 30, 2015 included approximately $3.3 million of withholding tax expense on the unremitted earnings of its Canadian business. The Company is asserting that the unremitted earnings of its UK business are indefinitely reinvested.

7. Earnings per Share

The numerator for both basic and diluted earnings per share is net income. The denominator for basic earnings per share is the weighted average number of common shares outstanding during the period. The dilutive effect of outstanding restricted stock, restricted stock units, stock options and Coworker Stock Purchase Plan units is reflected in the denominator for diluted earnings per share using the treasury stock method.

The following is a reconciliation of basic shares to diluted shares:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2015	2014	2015	2014
Weighted-average shares - basic	169.6	170.9	170.9	170.2
Effect of dilutive securities	1.4	2.1	1.4	2.5
Weighted-average shares - diluted	171.0	173.0	172.3	172.7

The weighted-average number of potential common shares excluded from diluted earnings per share were 0.1 million and 0.5 million for the three and nine month periods ended September 30, 2015, respectively, as their inclusion would have had an anti-dilutive effect. There was an insignificant amount of potential common shares excluded from diluted earnings per share for the three and nine month periods ended September 30, 2014.

8. Commitments and Contingencies

The Company is party to various legal proceedings that arise in the ordinary course of its business, which include commercial, intellectual property, employment, tort and other litigation matters. The Company is also subject to audit by federal, state and local authorities, by various partners, group purchasing organizations and customers, including government agencies, relating to purchases and sales under various contracts. In addition, the Company is subject to indemnification claims under various contracts. From time to time, certain customers of the Company file voluntary petitions for reorganization or liquidation under the U.S. bankruptcy laws. In such cases, certain pre-petition payments received by the Company could be considered preference items and subject to return to the bankruptcy administrator. As of September 30, 2015, the Company does not believe that there is a reasonable possibility that any material loss exceeding the amounts already recognized for these proceedings and matters, if any, has been incurred. However, the ultimate resolutions of these proceedings and matters are inherently unpredictable. As such, the Company's financial condition and results of operations could be adversely affected in any particular period by the unfavorable resolution of one or more of these proceedings or matters.

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On October 29, 2015, the Company received a request for production of documents in connection with an investigation by the SEC of the Company’s vendor partner program incentives. The Company is cooperating with the SEC in this matter.

9. Segment Information

Segment information is presented in accordance with a “management approach,” which designates the internal reporting used by the chief operating decision-maker for making decisions and assessing performance as the source of the Company's reportable segments. The Company's segments are organized in a manner consistent with which separate financial information is available and evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance.

The Company has two reportable segments: Corporate, which is comprised primarily of private sector business customers, and Public, which is comprised of government agencies and education and healthcare institutions. The Company also has three other operating segments, CDW Advanced Services, Canada, and Kelway, which do not meet the reportable segment quantitative thresholds and, accordingly, are included in an all other category (“Other”).

The Company has centralized logistics and headquarters functions that provide services to the segments. The logistics function includes purchasing, distribution and fulfillment services to support both the Corporate and Public segments. As a result, costs and intercompany charges associated with the logistics function are fully allocated to both of these segments based on a percent of sales. The centralized headquarters function provides services in areas such as accounting, information technology, marketing, legal and coworker services. Headquarters' function costs that are not allocated to the segments are included under the heading of “Headquarters” in the tables below. The depreciation expense included in Headquarters is not allocated among segments or used in measuring segment performance.

The Company allocates resources to and evaluates performance of its segments based on net sales, income (loss) from operations and Adjusted EBITDA, a non-GAAP measure as defined in the Company's credit agreements. However, the Company has concluded that income (loss) from operations is a more useful measure in terms of discussion of operating results, as it is a GAAP measure.

Segment information for total assets and capital expenditures is not presented as such information is not used in measuring segment performance or allocating resources between segments.

Selected Segment Financial Information

The following table presents information about the Company’s segments for the three and nine months ended September 30, 2015 and 2014:

(in millions)	Corporate	Public	Other	Headquarters	Total
Three Months Ended September 30, 2015:					
Net sales	$1,724.5	$1,468.1	$308.5	$—	$3,501.1
Income (loss) from operations	115.1	106.9	10.0	(27.4)	204.6
Depreciation and amortization expense	(24.0)	(10.9)	(8.8)	(16.2)	(59.9)
Three Months Ended September 30, 2014:					
Net sales	$1,622.7	$1,468.8	$174.6	$—	$3,266.1
Income (loss) from operations	103.2	101.3	8.5	(28.3)	184.7
Depreciation and amortization expense	(24.1)	(10.9)	(2.2)	(14.6)	(51.8)

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(in millions)	Corporate	Public	Other	Headquarters	Total
Nine Months Ended September 30, 2015:					
Net sales	$5,059.8	$3,848.2	$662.3	$—	$9,570.3
Income (loss) from operations	355.8	261.2	29.8	(84.7)	562.1
Depreciation and amortization expense	(72.1)	(32.8)	(13.3)	(46.8)	(165.0)
Nine Months Ended September 30, 2014:					
Net sales	$4,784.5	$3,710.3	$529.6	$—	$9,024.4
Income (loss) from operations	323.9	244.1	22.7	(82.0)	508.7
Depreciation and amortization expense	(72.3)	(32.8)	(6.5)	(44.3)	(155.9)

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10. Supplemental Guarantor Information

The 2022 Senior Notes, the 2023 Senior Notes and the 2024 Senior Notes are, and, prior to being redeemed in full, the 2019 Senior Notes, the 12.535% Senior Subordinated Exchange Notes due 2017, and the 8.0% Senior Secured Notes due 2018 were guaranteed by Parent and each of CDW LLC’s direct and indirect, 100% owned, domestic subsidiaries (the “Guarantor Subsidiaries”). All guarantees by Parent and Guarantor Subsidiaries are and were joint and several, and full and unconditional; provided that guarantees by the Guarantor Subsidiaries (i) are subject to certain customary release provisions contained in the indentures governing the 2022 Senior Notes, the 2023 Senior Notes and the 2024 Senior Notes and (ii) were subject to certain customary release provisions contained in the indentures governing the 2019 Senior Notes, the 12.535% Senior Subordinated Exchange Notes due 2017 and the 8.0% Senior Secured Notes due 2018 until such indentures were satisfied and discharged in 2014 and the first quarter of 2015. CDW LLC's 100% owned foreign subsidiaries, CDW International Holdings Limited, which is comprised of Kelway and Canada, (together the “Non-Guarantor Subsidiaries”) do not guarantee the debt obligations. CDW LLC and CDW Finance Corporation, as co-issuers, are 100% owned by Parent, and each of the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries are, directly or indirectly, 100% owned by CDW LLC.

The following tables set forth condensed consolidating balance sheets as of September 30, 2015 and December 31, 2014, consolidating statements of operations for the three and nine months ended September 30, 2015 and 2014, condensed consolidating statements of comprehensive income for the three and nine months ended September 30, 2015 and 2014, and condensed consolidating statements of cash flows for the nine months ended September 30, 2015 and 2014, in accordance with Rule 3-10 of Regulation S-X. The consolidating financial information includes the accounts of CDW Corporation (the “Parent Guarantor”), which has no independent assets or operations, the accounts of CDW LLC (the “Subsidiary Issuer”), the combined accounts of the Guarantor Subsidiaries, the accounts of the Non-Guarantor Subsidiaries, and the accounts of CDW Finance Corporation (the “Co-Issuer”) for the periods indicated. The information was prepared on the same basis as the Company’s consolidated financial statements.

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Condensed Consolidating Balance Sheet
September 30, 2015

(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Co-Issuer	Consolidating Adjustments	Consolidated
Assets							
Current assets:							
Cash and cash equivalents	$—	$46.1	$—	$ 51.9	$—	$ (0.5)	$ 97.5
Accounts receivable, net	—	—	1,659.1	200.9	—	—	1,860.0
Merchandise inventory	—	—	381.9	29.5	—	—	411.4
Miscellaneous receivables	—	62.9	147.8	20.0	—	(0.1)	230.6
Prepaid expenses and other	—	15.8	65.7	56.2	—	(2.3)	135.4
Total current assets	—	124.8	2,254.5	358.5	—	(2.9)	2,734.9
Property and equipment, net	—	87.9	54.5	12.0	—	—	154.4
Equity investments	—	—	—	—	—	—	—
Goodwill	—	751.8	1,439.0	326.6	—	—	2,517.4
Other intangible assets, net	—	306.8	739.5	279.1	—	—	1,325.4
Other assets	3.8	10.8	262.4	3.4	—	(271.0)	9.4
Investment in and advances to subsidiaries	1,071.9	3,306.9	—	—	—	(4,378.8)	—
Total assets	$1,075.7	$4,589.0	$4,749.9	$ 979.6	$—	$ (4,652.7)	$ 6,741.5
Liabilities and Shareholders' Equity							
Current liabilities:							
Accounts payable—trade	$—	$28.7	$825.3	$ 159.2	$—	$ (0.5)	$ 1,012.7
Accounts payable—inventory financing	—	—	354.8	—	—	(0.1)	354.7
Current maturities of long-term debt	—	15.4	—	12.1	—	—	27.5
Deferred revenue	—	—	78.4	48.0	—	—	126.4
Accrued expenses	—	148.5	170.5	34.5	—	(2.9)	350.6
Total current liabilities	—	192.6	1,429.0	253.8	—	(3.5)	1,871.9
Long-term liabilities:							
Debt	—	3,159.3	—	81.0	—	—	3,240.3
Deferred income taxes	—	119.3	286.5	94.0	—	(3.9)	495.9
Other liabilities	—	45.9	3.2	275.1	—	(266.5)	57.7
Total long-term liabilities	—	3,324.5	289.7	450.1	—	(270.4)	3,793.9
Total shareholders' equity	1,075.7	1,071.9	3,031.2	275.7	—	(4,378.8)	1,075.7
Total liabilities and shareholders' equity	$1,075.7	$4,589.0	$4,749.9	$ 979.6	$—	$ (4,652.7)	$ 6,741.5

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Condensed Consolidating Balance Sheet
December 31, 2014

(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Assets							
Current assets:							
Cash and cash equivalents	$—	$346.4	$—	$ 24.6	$—	$ (26.5)	$ 344.5
Accounts receivable, net	—	—	1,479.1	82.0	—	—	1,561.1
Merchandise inventory	—	—	333.9	3.6	—	—	337.5
Miscellaneous receivables	—	56.1	93.3	6.2	—	—	155.6
Prepaid expenses and other	—	11.0	46.0	1.5	—	(3.8)	54.7
Total current assets	—	413.5	1,952.3	117.9	—	(30.3)	2,453.4
Property and equipment, net	—	80.5	55.5	1.2	—	—	137.2
Equity investments	—	86.7	—	—	—	—	86.7
Goodwill	—	751.8	1,439.0	26.8	—	—	2,217.6
Other intangible assets, net	—	320.0	843.6	5.2	—	—	1,168.8
Other assets	4.3	12.2	0.4	1.4	—	(6.1)	12.2
Investment in and advances to subsidiaries	932.2	2,784.5	—	—	—	(3,716.7)	—
Total assets	$936.5	$4,449.2	$4,290.8	$ 152.5	$—	$ (3,753.1)	$ 6,075.9
Liabilities and Shareholders' Equity							
Current liabilities:							
Accounts payable-trade	$—	$23.9	$671.9	$ 34.7	$—	$ (26.5)	$ 704.0
Accounts payable-inventory financing	—	—	332.1	—	—	—	332.1
Current maturities of long-term debt	—	15.4	—	—	—	—	15.4
Deferred revenue	—	—	79.9	1.4	—	—	81.3
Accrued expenses	—	137.8	193.6	7.9	—	(4.1)	335.2
Total current liabilities	—	177.1	1,277.5	44.0	—	(30.6)	1,468.0
Long-term liabilities:							
Debt	—	3,150.6	—	—	—	—	3,150.6
Deferred income taxes	—	146.7	331.3	1.3	—	(4.3)	475.0
Other liabilities	—	42.6	3.7	1.0	—	(1.5)	45.8
Total long-term liabilities	—	3,339.9	335.0	2.3	—	(5.8)	3,671.4
Total shareholders' equity	936.5	932.2	2,678.3	106.2	—	(3,716.7)	936.5
Total liabilities and shareholders' equity	$936.5	$4,449.2	$4,290.8	$ 152.5	$—	$ (3,753.1)	$ 6,075.9

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Consolidating Statement of Operations
Three Months Ended September 30, 2015

(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Co-Issuer	Consolidating Adjustments	Consolidated
Net sales	$—	$—	$3,248.6	$ 252.5	$—	$—	$ 3,501.1
Cost of sales	—	—	2,720.4	213.5	—	—	2,933.9
Gross profit	—	—	528.2	39.0	—	—	567.2
Selling and administrative expenses	—	27.3	261.7	32.4	—	—	321.4
Advertising expense	—	—	39.8	1.4	—	—	41.2
Income (loss) from operations	—	(27.3)	226.7	5.2	—	—	204.6
Interest (expense) income, net	—	(37.9)	0.9	(1.5)	—	—	(38.5)
Net loss on extinguishments of long-term debt	—	—	—	—	—	—	—
Management fee	—	1.0	—	(1.0)	—	—	—
Gain on remeasurement of equity investment	—	—	—	98.1	—	—	98.1
Other income (expense), net	—	(18.8)	0.4	0.4	—	—	(18.0)
Income (loss) before income taxes	—	(83.0)	228.0	101.2	—	—	246.2
Income tax benefit (expense)	—	31.3	(86.0)	(40.6)	—	—	(95.3)
Income (loss) before equity in earnings of subsidiaries	—	(51.7)	142.0	60.6	—	—	150.9
Equity in earnings of subsidiaries	150.9	202.6	—	—	—	(353.5)	—
Net income	$ 150.9	$150.9	$142.0	$ 60.6	$—	$ (353.5)	$ 150.9

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Consolidating Statement of Operations
Three Months Ended September 30, 2014

(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Net sales	$ —	$—	$ 3,140.6	$ 125.5	$—	$ —	$ 3,266.1
Cost of sales	—	—	2,648.8	110.0	—	—	2,758.8
Gross profit	—	—	491.8	15.5	—	—	507.3
Selling and administrative expenses	—	28.3	248.7	8.4	—	—	285.4
Advertising expense	—	—	36.4	0.8	—	—	37.2
Income (loss) from operations	—	(28.3)	206.7	6.3	—	—	184.7
Interest (expense) income, net	—	(50.2)	0.1	—	—	—	(50.1)
Net loss on extinguishments of long-term debt	—	(45.8)	—	—	—	—	(45.8)
Management fee	—	0.9	—	(0.9)	—	—	—
Other income (expense), net	—	—	0.6	0.1	—	—	0.7
Income (loss) before income taxes	—	(123.4)	207.4	5.5	—	—	89.5
Income tax benefit (expense)	—	46.0	(78.4)	(1.5)	—	—	(33.9)
Income (loss) before equity in earnings of subsidiaries	—	(77.4)	129.0	4.0	—	—	55.6
Equity in earnings of subsidiaries	55.6	133.0	—	—	—	(188.6)	—
Net income	$ 55.6	$ 55.6	$ 129.0	$ 4.0	$—	$ (188.6)	$ 55.6

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CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidating Statement of Operations
Nine Months Ended September 30, 2015

(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Co-Issuer	Consolidating Adjustments	Consolidated
Net sales	$—	$—	$9,063.3	$ 507.0	$—	$—	$ 9,570.3
Cost of sales	—	—	7,574.6	437.5	—	—	8,012.1
Gross profit	—	—	1,488.7	69.5	—	—	1,558.2
Selling and administrative expenses	—	84.7	753.1	49.7	—	—	887.5
Advertising expense	—	—	105.4	3.2	—	—	108.6
Income (loss) from operations	—	(84.7)	630.2	16.6	—	—	562.1
Interest (expense) income, net	—	(120.7)	0.9	(1.3)	—	—	(121.1)
Net loss on extinguishments of long-term debt	—	(24.3)	—	—	—	—	(24.3)
Management fee	—	3.2	—	(3.2)	—	—	—
Gain on remeasurement of equity investment	—	—	—	98.1	—	—	98.1
Other income (expense), net	—	(10.9)	1.4	—	—	—	(9.5)
Income (loss) before income taxes	—	(237.4)	632.5	110.2	—	—	505.3
Income tax benefit (expense)	—	89.1	(237.5)	(43.1)	—	—	(191.5)
Income (loss) before equity in earnings of subsidiaries	—	(148.3)	395.0	67.1	—	—	313.8
Equity in earnings of subsidiaries	313.8	462.1	—	—	—	(775.9)	—
Net income	$313.8	$313.8	$395.0	$ 67.1	$—	$(775.9)	$ 313.8

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Nine Months Ended September 30, 2014

(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Net sales	$ —	$—	$ 8,631.7	$ 392.7	$—	$ —	$ 9,024.4
Cost of sales	—	—	7,248.7	346.3	—	—	7,595.0
Gross profit	—	—	1,383.0	46.4	—	—	1,429.4
Selling and administrative expenses	—	82.0	712.3	25.9	—	—	820.2
Advertising expense	—	—	97.8	2.7	—	—	100.5
Income (loss) from operations	—	(82.0)	572.9	17.8	—	—	508.7
Interest (expense) income, net	—	(149.0)	0.1	0.2	—	—	(148.7)
Net loss on extinguishments of long-term debt	—	(53.8)	—	—	—	—	(53.8)
Management fee	—	2.9	—	(2.9)	—	—	—
Other income (expense), net	—	0.1	1.4	(0.1)	—	—	1.4
Income (loss) before income taxes	—	(281.8)	574.4	15.0	—	—	307.6
Income tax benefit (expense)	—	105.1	(215.6)	(4.0)	—	—	(114.5)
Income (loss) before equity in earnings of subsidiaries	—	(176.7)	358.8	11.0	—	—	193.1
Equity in earnings of subsidiaries	193.1	369.8	—	—	—	(562.9)	—
Net income	$ 193.1	$ 193.1	$ 358.8	$ 11.0	$—	$ (562.9)	$ 193.1

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CDW CORPORATION AND SUBSIDIARIES
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Condensed Consolidating Statement of Comprehensive Income
Three Months Ended September 30, 2015

(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Co-Issuer	Consolidating Adjustments	Consolidated
Comprehensive income	$ 128.5	$ 128.5	$ 142.0	$ 38.2	$ —	$ (308.8)	$ 128.4

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Condensed Consolidating Statement of Comprehensive Income
Three Months Ended September 30, 2014

(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Comprehensive income	$ 50.4	$ 50.4	$ 129.0	$ (1.2)	$ —	$ (178.2)	$ 50.4

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Comprehensive Income
Nine Months Ended September 30, 2015

(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Co-Issuer	Consolidating Adjustments	Consolidated
Comprehensive income	$ 285.1	$ 285.1	$ 395.0	$ 38.4	$ —	$ (718.5)	$ 285.1

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CDW CORPORATION AND SUBSIDIARIES
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Condensed Consolidating Statement of Comprehensive Income
Nine Months Ended September 30, 2014

(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Comprehensive income	$ 187.7	$ 187.7	$ 358.8	$ 5.6	$ —	$ (552.1)	$ 187.7

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CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Cash Flows
Nine Months Ended September 30, 2015

(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Co-Issuer	Consolidating Adjustments	Consolidated
Net cash (used in) provided by operating activities	$—	$(36.2)	$331.7	$ 47.1	$—	$ (47.7)	$ 294.9
Cash flows from investing activities:							
Capital expenditures	—	(35.2)	(7.4)	(1.3)	—	—	(43.9)
Premium payments on interest rate cap agreements	—	(0.5)	—	—	—	—	(0.5)
Acquisition of business, net of cash acquired	—	—	—	(263.8)	—	—	(263.8)
Net cash used in investing activities	—	(35.7)	(7.4)	(265.1)	—	—	(308.2)
Cash flows from financing activities:							
Proceeds from borrowings under revolving credit facility	—	105.0	—	—	—	—	105.0
Repayments of borrowings under revolving credit facility	—	(105.0)	—	—	—	—	(105.0)
Repayments of long-term debt	—	(11.6)	—	(14.5)	—	—	(26.1)
Proceeds from the issuance of long-term debt	—	525.0	—	—	—	—	525.0
Payments to extinguish long-term debt	—	(525.3)	—	—	—	—	(525.3)
Payments of debt financing costs	—	(6.8)	—	—	—	—	(6.8)
Net change in accounts payable-inventory financing	—	—	22.6	—	—	—	22.6
Proceeds from stock option exercises	—	1.7	—	—	—	—	1.7
Proceeds from Coworker Stock Purchase Plan	—	6.5	—	—	—	—	6.5
Shares repurchased	(193.3)	—	—	—	—	—	(193.3)
Dividends paid	(34.6)	—	—	—			