CDW Corp
Form 10-Q
August 13, 2014
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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 June 30, 2014
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<br>(State or other jurisdiction of incorporation or organization) | 26-0273989<br>(I.R.S. Employer Identification No.) |
| 200 N. Milwaukee Avenue<br>Vernon Hills, Illinois<br>(Address of principal executive offices) | 60061<br>(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 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 | ¨ | Accelerated filer | ¨ |
| Non-accelerated filer | x (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 August 8, 2014, there were 172,123,196 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)

| | June 30, 2014 (unaudited) | December 31, 2013 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $227.6 | $188.1 |
| Accounts receivable, net of allowance for doubtful accounts of $5.7 and $5.4 respectively | 1,526.1 | 1,451.0 |
| Merchandise inventory | 449.6 | 382.0 |
| Miscellaneous receivables | 159.6 | 146.3 |
| Prepaid expenses and other | 52.4 | 46.1 |
| Total current assets | 2,415.3 | 2,213.5 |
| Property and equipment, net | 129.8 | 131.1 |
| Goodwill | 2,220.1 | 2,220.3 |
| Other intangible assets, net | 1,247.0 | 1,328.0 |
| Deferred financing costs, net | 31.5 | 30.1 |
| Other assets | 1.6 | 1.6 |
| Total assets | $6,045.3 | $5,924.6 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable—trade | $809.9 | $662.8 |
| Accounts payable—inventory financing | 311.8 | 256.6 |
| Current maturities of long-term debt | 15.4 | 45.4 |
| Deferred revenue | 77.9 | 94.8 |
| Accrued expenses: | | |
| Compensation | 97.1 | 112.2 |
| Interest | 28.5 | 31.8 |
| Sales taxes | 22.4 | 29.2 |
| Advertising | 33.4 | 33.2 |
| Income taxes | 19.1 | 6.3 |
| Other | 113.9 | 130.3 |
| Total current liabilities | 1,529.4 | 1,402.6 |
| Long-term liabilities: | | |
| Debt | 3,110.6 | 3,205.8 |
| Deferred income taxes | 517.9 | 563.5 |
| Other liabilities | 42.6 | 41.0 |
| Total long-term liabilities | 3,671.1 | 3,810.3 |
| Commitments and contingencies (Note 10) | | |
| 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; 172.1 and 172.0 shares issued and outstanding, respectively | 1.7 | 1.7 |
| Paid-in capital | 2,698.5 | 2,688.1 |

| | | |
|---|---|---|
| Accumulated deficit | (1,848.9) | (1,971.8) |
| Accumulated other comprehensive loss | (6.5) | (6.3) |
| Total shareholders’ equity | 844.8 | 711.7 |
| Total liabilities and shareholders’ equity | $6,045.3 | $5,924.6 |

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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Net sales | $3,106.0 | $2,779.3 | $5,758.3 | $5,191.0 |
| Cost of sales | 2,609.1 | 2,327.7 | 4,836.2 | 4,337.4 |
| Gross profit | 496.9 | 451.6 | 922.1 | 853.6 |
| Selling and administrative expenses | 273.9 | 266.4 | 534.8 | 517.9 |
| Advertising expense | 34.8 | 31.6 | 63.3 | 62.0 |
| Income from operations | 188.2 | 153.6 | 324.0 | 273.7 |
| Interest expense, net | (48.5) | (70.3) | (98.6) | (142.4) |
| Net loss on extinguishments of long-term debt | (2.6) | (10.3) | (8.0) | (14.2) |
| Other income, net | 0.1 | 0.2 | 0.6 | 0.6 |
| Income before income taxes | 137.2 | 73.2 | 218.0 | 117.7 |
| Income tax expense | (50.6) | (26.5) | (80.5) | (42.7) |
| Net income | $86.6 | $46.7 | $137.5 | $75.0 |
| | | | | |
| Net income per common share: | | | | |
| Basic | $0.51 | $0.32 | $0.81 | $0.52 |
| Diluted | $0.50 | $0.32 | $0.80 | $0.51 |
| | | | | |
| Weighted-average number of common shares outstanding: | | | | |
| Basic | 170.2 | 145.3 | 169.9 | 145.2 |
| Diluted | 172.7 | 146.7 | 172.5 | 146.5 |
| | | | | |
| Cash dividends declared per common share | $0.0425 | $— | $0.0850 | $— |

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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Net income | $86.6 | $46.7 | $137.5 | $75.0 |
| Foreign currency translation adjustment | 3.7 | (3.3) | (0.2) | (5.7) |
| Other comprehensive income (loss), net of tax | 3.7 | (3.3) | (0.2) | (5.7) |
| Comprehensive income | $90.3 | $43.4 | $137.3 | $69.3 |

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, 2013 | — | $ — | 172.0 | $ 1.7 | $ 2,688.1 | $ (1,971.8 ) | $ (6.3 ) | $ 711.7 |
| Equity-based compensation expense | — | — | — | — | 7.6 | — | — | 7.6 |
| Stock option exercises | — | — | — | — | 0.8 | — | — | 0.8 |
| Coworker Stock Purchase Plan | — | — | 0.1 | — | 2.0 | — | — | 2.0 |
| Dividends declared | — | — | — | — | — | (14.6 ) | — | (14.6 ) |
| Net income | — | — | — | — | — | 137.5 | — | 137.5 |
| Foreign currency translation adjustment | — | — | — | — | — | — | (0.2 ) | (0.2 ) |
| Balance at June 30, 2014 | — | $ — | 172.1 | $ 1.7 | $ 2,698.5 | $ (1,848.9 ) | $ (6.5 ) | $ 844.8 |

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)

| | Six Months Ended June 30, 2014 | 2013 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $137.5 | $75.0 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 104.0 | 104.3 |
| Equity-based compensation expense | 7.6 | 4.0 |
| Deferred income taxes | (44.4) | (23.5) |
| Allowance for doubtful accounts | 0.3 | — |
| Amortization of deferred financing costs, debt premium, and debt discount, net | 3.2 | 5.3 |
| Net loss on extinguishments of long-term debt | 8.0 | 14.2 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (75.7) | (108.9) |
| Merchandise inventory | (67.6) | (64.0) |
| Other assets | (19.5) | (67.2) |
| Accounts payable-trade | 146.4 | 253.8 |
| Other current liabilities | (25.7) | 17.8 |
| Long-term liabilities | 1.8 | (3.7) |
| Net cash provided by operating activities | 175.9 | 207.1 |
| Cash flows from investing activities: | | |
| Capital expenditures | (21.0) | (20.0) |
| Payment of accrued charitable contribution related to the MPK Coworker Incentive Plan II | (20.9) | — |
| Net cash used in investing activities | (41.9) | (20.0) |
| Cash flows from financing activities: | | |
| Proceeds from borrowings under revolving credit facility | — | 63.0 |
| Repayments of borrowings under revolving credit facility | — | (63.0) |
| Repayments of long-term debt | (7.7) | (43.4) |
| Proceeds from issuance of long-term debt | — | 1,346.6 |
| Payments to extinguish long-term debt | (123.8) | (1,352.6) |
| Payments of debt financing costs | (6.4) | (4.8) |
| Net change in accounts payable-inventory financing | 55.0 | 33.3 |
| Proceeds from stock option exercises | 0.8 | — |
| Proceeds from Coworker Stock Purchase Plan | 2.0 | — |
| Dividends paid | (14.6) | — |
| Payment of incentive compensation plan withholding taxes | — | (23.3) |
| Repurchase of common shares | — | (0.1) |
| Net cash used in financing activities | (94.7) | (44.3) |
| Effect of exchange rate changes on cash and cash equivalents | 0.2 | (1.4) |
| Net increase in cash and cash equivalents | 39.5 | 141.4 |
| Cash and cash equivalents—beginning of period | 188.1 | 37.9 |
| Cash and cash equivalents—end of period | $227.6 | $179.3 |
| Supplementary disclosure of cash flow information: | | |

| | | |
|---|---|---|
| Interest paid | $(99.8) | $(142.7) |
| Taxes paid, net | $(111.9) | $(50.9) |

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

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CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

CDW 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 the U.S. and Canada. 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.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements as of June 30, 2014 and for the three and six months ended June 30, 2014 and 2013 (the "consolidated financial statements") have been prepared pursuant to 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 accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to such rules and regulations. The 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, 2013 (the "December 31, 2013 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, 2013 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.

CDW Corporation ("Parent") was previously owned directly by CDW Holdings LLC ("CDW Holdings"), a company controlled by investment funds affiliated with Madison Dearborn Partners, LLC ("Madison Dearborn") and Providence Equity Partners, L.L.C. ("Providence Equity," and together with Madison Dearborn, the "Sponsors"), certain other co-investors and certain members of CDW management. On July 2, 2013, Parent completed an initial public offering (the "IPO") of its common stock. In connection with the IPO, CDW Holdings distributed all of its shares of Parent's common stock to its members in June 2013 in accordance with the members' respective membership interests and was subsequently dissolved in August 2013. See Note 6 for additional discussion of the IPO.

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 12 and does not hold any material assets or engage in any business activities or operations.

Throughout these notes, the terms the “Company” and “CDW” refer to Parent and its 100% owned subsidiaries.

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.

Use of Estimates

The preparation of 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 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, 2013 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 six months ended June 30, 2014.

## 2. Recent Accounting Pronouncements

### Revenue Recognition

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("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 most current revenue recognition guidance. The standard is effective for the Company for the first quarter of 2017 and early adoption is not 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.

### Stock Compensation-Performance Share Awards

In June 2014, the FASB issued ASU 2014-12, which amended the standard on how to account for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. Under the amended standard, a performance target that could be achieved after the requisite service period is required to be treated as a performance condition that affects the vesting of the award and should not be reflected in estimating the fair value of the award at the grant date. The amendment is effective for the first quarter of 2016 with early adoption permitted. The Company already accounts for performance shares utilizing the method outlined by ASU 2014-12 and is not impacted by the new standard.

## 3. 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) | June 30, 2014 | December 31, 2013 |
|---|---|---|
| Revolving Loan inventory financing agreement | $310.2 | $256.1 |
| Other inventory financing agreements | 1.6 | 0.5 |
| Accounts payable-inventory financing | $311.8 | $256.6 |

As described in Note 4, in June 2014, the Company entered into a new senior secured asset-based revolving credit facility, which incorporates the previous inventory floorplan sub-facility and, among other changes, removes the $400.0 million limit on the size of the floorplan sub-facility. In connection with the floorplan sub-facility, the Company maintains an inventory financing agreement on an unsecured basis with a financial intermediary to facilitate the purchase of inventory from a certain vendor (the “Revolving Loan inventory financing agreement”). 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 June 30, 2014 and December 31, 2013, amounts owed under other inventory financing agreements of $1.6 million and $0.5 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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(unaudited)

4. Long-Term Debt

Long-term debt was as follows:

| (dollars in millions) | Interest Rate [1] | June 30, 2014 | December 31, 2013 |
|---|---|---|---|
| Senior secured asset-based revolving credit facility | — % | $— | $— |
| Senior secured term loan facility | 3.25 % | 1,521.2 | 1,528.9 |
| Unamortized discount on senior secured term loan facility | | (4.0) | (4.4) |
| Senior secured notes due 2018 | 8.0 % | 325.0 | 325.0 |
| Senior notes due 2019 | 8.5 % | 1,280.0 | 1,305.0 |
| Unamortized premium on senior notes due 2019 | | 3.8 | 4.2 |
| Senior subordinated notes due 2017 | — % | — | 92.5 |
| Total long-term debt | | 3,126.0 | 3,251.2 |
| Less current maturities of long-term debt | | (15.4) | (45.4) |
| Long-term debt, excluding current maturities | | $3,110.6 | $3,205.8 |

(1)Interest rate at June 30, 2014.

At June 30, 2014, the Company was in compliance with the covenants under its various credit agreements as described below.

On August 5, 2014, the Company completed the issuance of $600.0 million aggregate principal amount of 6.0% Senior Notes due 2022. See Note 13 for additional information.

Senior Secured Asset-Based Revolving Credit Facility ("Revolving Loan")

At June 30, 2014, the Company had no outstanding borrowings under the Revolving Loan, $2.2 million of undrawn letters of credit and $293.4 million reserved related to the floorplan sub-facility.

On June 6, 2014, the Company entered into the Revolving Loan, a new five-year $1,250.0 million senior secured asset-based revolving credit facility, with the facility being available to the Company for borrowings, issuance of letters of credit and floorplan financing for certain vendor products. The Revolving Loan matures on June 6, 2019, subject to an acceleration provision discussed below. The Revolving Loan replaces the Company's previous revolving loan credit facility that was to mature on June 24, 2016. The Revolving Loan (i) increases the overall revolving credit facility capacity available to the Company from $900.0 million to $1,250.0 million, (ii) increases the maximum aggregate amount of increases that may be made to the revolving credit facility from $200.0 million to $300.0 million, (iii) maintains a maturity acceleration provision based upon excess cash availability whereby the Revolving Loan may mature 45 days prior to the final maturity of any then outstanding senior debt if excess cash availability does not exceed the outstanding borrowings of the subject maturing debt at the time of the test plus $150.0 million, (iv) decreases the fee on the unused portion of the revolving credit facility from either 37.5 or 50 basis points, depending on the amount of utilization, to 25 basis points, (v) decreases the applicable interest rate margin by 50 basis points, and (vi) amends the existing inventory floorplan sub-facility as discussed below. In connection with the termination of the previous facility, the Company recorded a loss on extinguishment of long-term debt of $0.4 million in the consolidated statement of operations for the three and six months ended June 30, 2014, representing a write-off of a portion of unamortized deferred financing costs. Fees of $6.4 million related to the Revolving Loan were capitalized as deferred financing costs and are being amortized over the five-year term of the facility on a straight-line basis.

The Revolving Loan incorporates the previous inventory floorplan sub-facility and related Revolving Loan inventory financing agreement while removing the previous $400.0 million dollar limit on the size of the floorplan sub-facility and the in-transit reserve of 15% of open orders. At June 30, 2014, the financial intermediary reported an outstanding balance of $293.4 million under the Revolving Loan inventory financing agreement. The amount included on the

Company's consolidated balance sheet as of June 30, 2014 as accounts payable-inventory financing related to the Revolving Loan inventory financing agreement of $310.2 million includes a $16.8 million accrual for amounts in transit.

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Borrowings under the Revolving Loan bear interest at a variable interest rate plus an applicable margin. The interest rate margin is based on one of two indices, either (i) LIBOR, or (ii) the Alternate Base Rate ("ABR") with the ABR being the greater of (a) the prime rate, (b) the federal funds effective rate plus 50 basis points or (c) the one-month LIBOR plus 1.00%. The applicable margin varies (1.50% to 2.00% for LIBOR borrowings and 0.50% to 1.00% for ABR borrowings) depending upon average daily excess cash availability under the agreement evidencing the Revolving Loan and is subject to a reduction of 0.25% if, and for as long as, CDW LLC's corporate credit rating from Standard & Poor's Rating Services is BB or better and the CDW LLC's corporate family rating from Moody's Investors Service, Inc. is Ba3 or better (in each case with stable or better outlook).

Under the new Revolving Loan, the Company is permitted to borrow an aggregate amount of $1,250.0 million; however, its ability to borrow under the Revolving Loan is limited by a borrowing base. The borrowing base is (a) the sum of the products of the applicable advance rates on eligible accounts receivable and on eligible inventory as defined in the agreement less (b) any reserves. At June 30, 2014, the borrowing base was $1,263.0 million based on the amount of eligible inventory and accounts receivable balances as of May 31, 2014. The Company could have borrowed up to an additional $954.4 million under the Revolving Loan at June 30, 2014.

The ability to borrow under the Revolving Loan also remains limited by a minimum liquidity condition, which has been amended to provide that, if excess cash availability is less than the lesser of (i) $125.0 million (up from $90.0 million) and (ii) the greater of (A) 10% of the borrowing base and (B) $100.0 million (up from $60.0 million), the lenders are not required to lend any additional amounts under the Revolving Loan unless the consolidated fixed charge coverage ratio (as described in the agreement evidencing the Revolving Loan) is at least 1.00 to 1.00.

Senior Secured Term Loan Facility

On April 29, 2013, the Company entered into a seven-year, $1,350.0 million aggregate principal amount senior secured term loan facility (the "Term Loan"). The Term Loan was issued at a price that was 99.75% of par, which resulted in a discount of $3.4 million. Substantially all of the proceeds from the Term Loan were used to repay the $1,299.5 million outstanding aggregate principal amount of the prior senior secured term loan facility (the "Prior Term Loan Facility"). In connection with this refinancing, the Company recorded a loss on extinguishment of long-term debt of $10.3 million in the consolidated statement of operations for the three and six months ended June 30, 2013. This loss represented a write-off of the remaining unamortized deferred financing costs related to the Prior Term Loan Facility.

On July 31, 2013, the Company borrowed an additional $190.0 million aggregate principal amount under the Term Loan at a price that was 99.25% of par, which resulted in a discount of $1.4 million. Such proceeds were used to redeem a portion of outstanding Senior Subordinated Notes. The discounts are reported on the consolidated balance sheets as a reduction to the face amount of the Term Loan and are being amortized to interest expense over the term of the related debt. Fees of $6.1 million related to the Term Loan were capitalized as deferred financing costs and are being amortized over the term of the facility using the effective interest method.

The Company is required to pay quarterly principal installments equal to 0.25% of the original principal amount of the Term Loan, with the remaining principal amount payable on the maturity date of April 29, 2020. The quarterly principal installment payments commenced during the quarter ended June 30, 2013. At June 30, 2014, the outstanding principal amount of the Term Loan was $1,521.2 million, excluding $4.0 million in unamortized discount.

Borrowings under the Term Loan bear interest at either (a) the alternate base rate ("ABR") plus a margin or (b) LIBOR plus a margin; provided that for the purposes of the Term Loan, LIBOR shall not be less than 1.00% per annum at any time ("LIBOR Floor"). The margin is based upon a net leverage ratio as defined in the agreement governing the Term Loan, ranging from 1.25% to 1.50% for ABR borrowings and 2.25% to 2.50% for LIBOR borrowings. The total net leverage ratio was 3.4 at June 30, 2014. An interest rate of 3.25%, LIBOR Floor plus a 2.25% margin, was in effect during the three-month period ended June 30, 2014.

The Company has interest rate cap agreements in effect through January 14, 2015 with a combined notional amount of $1,150.0 million. These cap agreements have not been designated as cash flow hedges of interest rate risk for GAAP accounting purposes. Of the total $1,150.0 million notional amount, $500.0 million entitle the Company to payments from the counterparty of the amount, if any, by which three-month LIBOR exceeds 3.5% during the agreement period. The remaining cap agreements with a notional amount of $650.0 million entitle the Company to payments from the counterparty of the amount, if any, by which the three-month LIBOR exceeds 1.5% during the agreement period. The fair value of the Company's interest rate cap agreements was zero at both June 30, 2014 and December 31, 2013.

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On January 30, 2013, the Company made an optional prepayment of $40.0 million aggregate principal amount outstanding under the Prior Term Loan Facility. The optional prepayment satisfied the excess cash flow payment provision of the Prior Term Loan Facility with respect to the year ended December 31, 2012.

8.0% Senior Secured Notes due 2018 (“Senior Secured Notes”)

The Senior Secured Notes were issued on December 17, 2010 and will mature on December 15, 2018. At June 30, 2014, the outstanding principal amount of the Senior Secured Notes was $325.0 million.

On July 2, 2013, the Company used a portion of the net proceeds from the IPO to redeem $175.0 million aggregate principal amount of Senior Secured Notes. The redemption price of the Senior Secured Notes was 108.0% of the principal amount redeemed, plus $0.7 million of accrued and unpaid interest to the date of redemption. The Company used cash on hand to pay such accrued and unpaid interest. In connection with this redemption, the Company recorded a loss on extinguishment of long-term debt of $16.7 million in the consolidated statement of operations for the year ended December 31, 2013. This loss represented $14.0 million in redemption premium and $2.7 million for the write-off of a portion of the remaining deferred financing costs related to the Senior Secured Notes.

See Note 13 for a description of the redemption of all of the remaining $325.0 million aggregate principal amount of Senior Secured Notes to be completed during the third quarter of 2014 and the related satisfaction and discharge of the indenture governing the Senior Secured Notes on August 5, 2014.

8.5% Senior Notes due 2019 (“Senior Notes”)

At June 30, 2014, the outstanding principal amount of Senior Notes was $1,280.0 million, excluding $3.8 million in unamortized premium. The Senior Notes mature on April 1, 2019.

On March 20, 2014, the Company repurchased $25.0 million aggregate principal amount of Senior Notes from an affiliate of Providence Equity in a privately negotiated transaction on an arms' length basis at a price of 109.75% of the principal amount, and such Senior Notes were subsequently canceled. Cash on hand was used to fund the repurchase of $25.0 million aggregate principal amount, $2.4 million of repurchase premium and $1.0 million in accrued and unpaid interest to the date of repurchase. In connection with this repurchase, the Company recorded a loss on extinguishment of long-term debt of $2.7 million in the Company's consolidated statement of operations for the six months ended June 30, 2014. This loss represented $2.4 million in repurchase premium and $0.3 million for the write-off of a portion of the unamortized deferred financing costs related to the Senior Notes.

See Note 13 for a description of the redemption of $234.7 million aggregate principal amount of Senior Notes to be completed during the third quarter of 2014.

12.535% Senior Subordinated Exchange Notes due 2017 (“Senior Subordinated Notes”)

At June 30, 2014, there were no outstanding Senior Subordinated Notes due 2017.

On May 9, 2014, the Company redeemed all of the remaining $42.5 million aggregate principal amount of Senior Subordinated Notes at a redemption price that was 104.178% of the principal amount redeemed. Cash on hand was used to fund the redemption of $42.5 million aggregate principal amount, $1.8 million in redemption premium and $0.4 million in accrued and unpaid interest to the date of redemption. In connection with this redemption, the Company recorded a loss on extinguishment of long-term debt of $2.2 million in the consolidated statement of operations for the three and six months ended June 30, 2014. This loss represents $1.8 million in redemption premium and $0.4 million for the write-off of the remaining deferred financing costs related to the Senior Subordinated Notes.

On January 22, 2014 and February 21, 2014, the Company redeemed $30.0 million and $20.0 million aggregate principal amounts of Senior Subordinated Notes, respectively, at redemption prices that were 104.178% of the principal amounts redeemed. Cash on hand was used to fund the redemptions of $50.0 million aggregate principal amount, $2.1 million in redemption premiums and $1.9 million in aggregate accrued and unpaid interest to the dates of redemption. In connection with these redemptions, the Company recorded a loss on extinguishment of long-term debt of $2.7 million in the consolidated statement of operations for the six months ended June 30, 2014. This loss represented $2.1 million in redemption premiums and $0.6 million for the write-off of a portion of the remaining deferred financing costs related to the Senior Subordinated Notes.

On October 18, 2013, the Company redeemed $155.0 million aggregate principal amount of Senior Subordinated Notes at a redemption price that was 104.178% of the principal amount redeemed. A combination of cash on hand and the net proceeds from the sale of shares of common stock related to the underwriters' July 26, 2013 exercise in full of the overallotment option granted to them in connection with the IPO, in the amount of $56.0 million, was used to fund the redemption of $155.0 million aggregate principal amount, $6.5 million of redemption premium and $0.2 million in accrued and unpaid interest to the date of redemption. See Note 6 for additional discussion of the underwriters' overallotment option. In connection with this redemption, the Company recorded a loss on extinguishment of long-term debt of $8.5 million in the Company's consolidated statement of operations for the year ended December 31, 2013. This loss represented $6.5 million in redemption premium and $2.0 million for the write-off of a portion of the remaining unamortized deferred financing costs related to the Senior Subordinated Notes.

On August 1, 2013, the Company redeemed $324.0 million aggregate principal amount of Senior Subordinated Notes at a redemption price that was 106.268% of the principal amount redeemed. The Company used a portion of the net proceeds from the IPO to redeem $146.0 million aggregate principal amount of Senior Subordinated Notes and incremental borrowings of $190.0 million under the Term Loan to redeem $178.0 million aggregate principal amount of Senior Subordinated Notes. The Company used cash on hand to pay $12.0 million of accrued and unpaid interest to the date of redemption. In connection with this redemption, the Company recorded a loss on extinguishment of long-term debt of $24.6 million in the consolidated statement of operations for the year ended December 31, 2013. This loss represented $20.3 million in redemption premium and $4.3 million for the write-off of a portion of the remaining deferred financing costs related to the Senior Subordinated Notes.

On March 8, 2013, the Company redeemed $50.0 million aggregate principal amount of Senior Subordinated Notes at a redemption price that was 106.268% of the principal amount redeemed. Cash on hand was used to fund the redemption of $50.0 million aggregate principal amount, $3.1 million of redemption premium and $2.5 million in accrued and unpaid interest to the date of redemption. In connection with this redemption, the Company recorded a loss on extinguishment of long-term debt of $3.9 million in the Company's consolidated statement of operations for the year ended December 31, 2013. This loss represented $3.1 million in redemption premium and $0.8 million for the write-off of a portion of the remaining unamortized deferred financing costs related to the Senior Subordinated Notes.

Fair Value

The fair value of the Company's long-term debt instruments at June 30, 2014 was $3,244.5 million. The fair value of the Senior Secured Notes, Senior Notes and Senior Subordinated Notes is 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 is 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. At June 30, 2014, the carrying value of the Company's long-term debt was $3,126.0 million, excluding $3.8 million in unamortized premium and $4.0 million in unamortized discount.

5. Income Taxes

The Company's effective income tax rate was 36.9% and 36.2% for the three months ended June 30, 2014 and 2013, respectively, and 36.9% and 36.3% for the six months ended June 30, 2014 and 2013, respectively.

For the three months ended June 30, 2014 and 2013, the Company's effective tax rate differed from the U.S. federal statutory rate primarily due to state income taxes. The increase in the 2014 effective income tax rate is primarily attributable to a lower rate impact of state tax credits due to the increase in income before income taxes.

For the six months ended June 30, 2014 and 2013, the Company's effective tax rate differed from the U.S. federal statutory rate primarily due to state income taxes. The increase in the 2014 effective income tax rate is primarily attributable to a lower rate impact of state tax credits due to the increase in income before income taxes.

In the ordinary course of business, the Company is subject to review by domestic and foreign taxing authorities, including the Internal Revenue Service (the "IRS"). In general, the Company is no longer subject to audit by the IRS for tax years through 2010 and state, local or foreign taxing authorities for tax years through 2008. Various other taxing authorities are in the process of auditing income tax returns of the Company and its subsidiaries. The Company does not anticipate that any adjustments from the audits would have a material impact on its consolidated financial position, results of operations or cash flows.

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6. Shareholders' Equity

The Company declared and paid cash dividends per common share during the periods presented as follows:

| (in millions, except per share amounts) | Dividends Per Share | Amount |
|---|---|---|
| 2014: | | |
| First Quarter | $ 0.0425 | $ 7.3 |
| Second Quarter | $ 0.0425 | $ 7.3 |
| 2013: | | |
| First Quarter | $ — | $ — |
| Second Quarter | $ — | $ — |
| Third Quarter | $ — | $ — |
| Fourth Quarter | $ 0.0425 | $ 7.3 |

See Note 13 for a discussion of the dividend declared during the third quarter of 2014. Future dividends will be subject to the approval of the Company's Board of Directors and will depend upon the Company's results of operations, financial condition, business prospects, capital requirements, contractual restrictions, any potential indebtedness the Company may incur, restrictions imposed by applicable law, tax considerations and other factors that the Company's Board of Directors deems relevant. In addition, the Company's ability to pay dividends on its common stock will be limited by restrictions on the ability of subsidiaries to pay dividends or make distributions to the Company, in each case, under the terms of certain current and future agreements governing the Company's indebtedness.

On January 1, 2014, the first offering period under the Company's Coworker Stock Purchase Plan (the "CSPP") commenced. The CSPP provides the opportunity for eligible coworkers to acquire shares of the Company's common stock at a 5% discount from the closing market price on the final day of the offering period. There is no compensation expense associated with the CSPP.

On July 2, 2013, the Company completed an IPO of 23,250,000 shares of common stock. On July 31, 2013, the Company completed the sale of an additional 3,487,500 shares of common stock to the underwriters of the IPO pursuant to the underwriters' July 26, 2013 exercise in full of the overallotment option granted to them in connection with the IPO. Such shares were registered under the Securities Act of 1933, as amended, pursuant to the Company's Registration Statement on Form S-1, which was declared effective by the SEC on June 26, 2013. The shares of common stock are listed on the NASDAQ Global Select Market under the symbol "CDW." The Company's shares of common stock were sold to the underwriters at a price of $17.00 per share in the IPO and upon the exercise of the overallotment option, which together generated aggregate net proceeds of $424.7 million to the Company after deducting underwriting discounts, expenses and transaction costs.

On November 19, 2013, the Company completed a secondary public offering, whereby certain selling stockholders sold 15,000,000 shares of common stock to the underwriters of the secondary public offering. On December 18, 2013, such selling stockholders sold an additional 2,250,000 shares of common stock to the underwriters of the secondary public offering pursuant to the underwriters' December 13, 2013 exercise in full of the overallotment option granted to them in connection with the secondary public offering. The Company did not receive any proceeds from the sale of shares in the secondary public offering or upon the exercise of the overallotment option.

On March 12, 2014, the Company completed a secondary public offering, whereby certain selling stockholders sold 11,500,000 shares of common stock to the underwriter of the secondary public offering, including 1,500,000 shares of common stock sold to the underwriter of the secondary public offering on the same date pursuant to the underwriter's exercise in full of the overallotment option granted to it in connection with the secondary public offering. The

Company did not receive any proceeds from the sale of shares in the secondary public offering or upon the exercise of the overallotment option. Secondary-offering related expenses of $0.4 million were included within selling and administrative expenses in the consolidated statement of operations for the six months ended June 30, 2014.

On May 28, 2014, the Company completed a secondary public offering, whereby certain selling stockholders sold 15,000,000 shares of common stock to the underwriter of the secondary public offering. On June 4, 2014, such selling stockholders sold an additional 2,250,000 shares of common stock to the underwriter of the secondary public offering

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pursuant to the underwriter's exercise in full of the overallotment option granted to it in connection with the secondary public offering. The Company did not receive any proceeds from the sale of shares in the secondary public offering or upon the exercise of the overallotment option. Secondary-offering-related expenses of $0.5 million were included within selling and administrative expenses in the consolidated statement of operations for the three and six months ended June 30, 2014.

In June 2013, the Company’s Board of Directors and the Company's sole shareholder at that time, CDW Holdings, approved the reclassification of the Company’s Class A common shares and Class B common shares into a single class of common shares and a 143.0299613-for-1 stock split, effective immediately. The par value of the common shares was maintained at $0.01 per share. All references to common shares and per share amounts in the accompanying consolidated financial statements have been adjusted to reflect the reclassification and stock split on a retroactive basis.

7. Equity-Based Compensation

The Company recognized $4.3 million and $2.1 million in equity-based compensation expense for the three months ended June 30, 2014 and 2013, respectively, and $7.6 million and $4.0 million in equity-based compensation expense for the six months ended June 30, 2014 and 2013, respectively.

The following table sets forth a summary of the Company's stock option activity for the six months ended June 30, 2014:

| Options | Number of Options | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term | Aggregate Intrinsic Value (in millions) |
|---|---|---|---|---|
| Outstanding at January 1, 2014 | 1,280,255 | $ 17.00 | | |
| Granted | 1,232,059 | $ 24.32 | | |
| Forfeited/Expired | — | $ — | | |
| Exercised | (42,319) | $ 17.00 | | $ 0.5 |
| Outstanding at June 30, 2014 | 2,469,995 | $ 20.65 | 8.8 | $ 27.7 |
| Vested at June 30, 2014 | 483,182 | $ 17.00 | 7.7 | $ 7.2 |
| Exercisable at June 30, 2014 | 483,182 | $ 17.00 | 7.7 | $ 7.2 |
| Expected to vest at June 30, 2014 | 1,923,260 | $ 21.55 | 9.1 | $ 19.9 |

During the six months ended June 30, 2014, the Company granted 1,232,059 stock options under the 2013 Long-Term Incentive Plan (the "2013 LTIP"). These options vest annually over three years. The Company has elected to use the Black-Scholes option pricing model to estimate the fair value of stock options granted. The Black-Scholes option pricing model incorporates various assumptions including volatility, expected term, risk-free interest rates and dividend yields. The assumptions used to value the stock options granted during the six months ended June 30, 2014 are presented below.

| Assumptions | Six Months Ended June 30, 2014 |
|---|---|
| Weighted-average grant date fair value | $ 7.21 |
| Weighted-average volatility [(1)] | 30.00 % |
| Weighted-average risk-free rate [(2)] | 1.77 % |
| Dividend yield | 0.70 % |
| Expected term (in years) [(3)] | 6.0 |

(1) Based upon an assessment of the two-year, five-year and implied volatility for the Company’s selected peer group, adjusted for the Company’s leverage.

(2) Based on a composite U.S. Treasury rate.

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(3) The expected term is calculated using the simplified method. The simplified method defines the expected term as the average of the option's contractual term and the option's weighted-average vesting period. The Company utilizes this method as it has limited historical stock option data that is sufficient to derive a reasonable estimate of the expected stock option term.

The following table sets forth a summary of the Company's restricted stock unit activity for the six months ended June 30, 2014:

| | Number of Units | Weighted-Average Grant-Date Fair Value |
|---|---|---|
| Nonvested at January 1, 2014 | 1,351,572 | $ 17.04 |
| Granted | 25,809 | 24.29 |
| Vested/Settled | (1,410) | 17.00 |
| Forfeited | (70,521) | 17.00 |
| Nonvested at June 30, 2014 | 1,305,450 | $ 17.18 |

In connection with the Company's 2013 IPO discussed in Note 6, CDW Holdings distributed all of its shares of the Company's common stock to its existing members in accordance with the members' respective membership interests and was subsequently dissolved in August 2013. Common stock received by holders of B Units in connection with the distribution is subject to any vesting provisions previously applicable to the holder's B Units. At the time of the IPO, B Unit holders received 3,798,508 shares of restricted stock with respect to B Units that had not yet vested at the time of the distribution. For the six months ended June 30, 2014, 1,152,782 shares of such restricted stock vested/settled and 4,617 shares were forfeited. As of June 30, 2014, 1,434,634 shares of restricted stock were outstanding.

During the six months ended June 30, 2014, the Company granted 411,919 performance share units (the "PSUs") under the 2013 LTIP. The percentage of shares that shall vest will range from 0% to 200% of the number of PSUs granted based on the Company's performance against a cumulative adjusted free cash flow measure and cumulative non-GAAP net income per diluted share measure over a three-year performance period. The weighted-average grant-date fair value of the PSUs granted during the period was $24.32 per unit. As of June 30, 2014, 411,919 PSUs were outstanding.

As of June 30, 2014, the Company estimated there was $35.5 million of total unrecognized compensation expense to be recognized over the next 2.7 years.

## 8. 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 MPK 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (in millions) | 2014 | 2013 | 2014 | 2013 |
| Weighted-average shares - basic | 170.2 | 145.3 | 169.9 | 145.2 |
| Effect of dilutive securities | 2.5 | 1.4 | 2.6 | 1.3 |
| | 172.7 | 146.7 | 172.5 | 146.5 |

Weighted-average shares -
diluted

There was an insignificant amount of potential common shares excluded from diluted earnings per share for the three and six month periods ended June 30, 2014, as their inclusion would have had an anti-dilutive effect. There were no potential common shares excluded from diluted earnings per share for the three and six month periods ended June 30, 2013.

## 9. Deferred Compensation Plan

On March 10, 2010, in connection with the Company's purchase of $28.5 million principal amount of its outstanding senior subordinated debt, the Company established the Restricted Debt Unit Plan (the "RDU Plan"), an unfunded nonqualified deferred compensation plan. The total number of RDUs that can be granted under the RDU Plan is 28,500. As of June 30, 2014, 28,500 RDUs were outstanding. RDUs that are outstanding vest daily on a pro rata basis over the three-year period from January 1, 2012 (or, if later, the date of hire or the date of a subsequent RDU grant) through December 31, 2014. Participants have no rights to the underlying debt.

The total amount of compensation available to be paid under the RDU Plan was initially to be based on two components, a principal component and an interest component. The principal component credits the RDU Plan with a notional amount equal to the $28.5 million face value of the Senior Subordinated Notes (the "Debt Pool"), together with certain redemption premium equivalents as noted below. The interest component credits the RDU Plan with amounts equal to the interest that would have been earned on the Debt Pool from March 10, 2010 through maturity on October 12, 2017, except as discussed below. Interest amounts for 2010 and 2011 were deferred until 2012, and thereafter, interest amounts were paid to participants semi-annually on the interest payment due dates.

The Company used a portion of the IPO proceeds together with incremental borrowings to redeem $324.0 million of the total Senior Subordinated Notes outstanding on August 1, 2013. In connection with the IPO and the partial redemption of the Senior Subordinated Notes, the Company amended the RDU Plan to increase the retentive value of the plan. In accordance with the original terms of the RDU Plan, the principal component of the RDUs converted to a cash-denominated pool upon the redemption of the Senior Subordinated Notes. In addition, the Company added $0.1 million and $1.4 million to the principal component in the three months ended June 30, 2014 and the year ended December 31, 2013, respectively, as redemption premium equivalents in accordance with the terms of the RDU plan. Under the terms of the amended RDU Plan, upon the partial redemption of outstanding Senior Subordinated Notes, the RDUs ceased to accrue the proportionate related interest component credits. The amended RDU Plan provides participants the opportunity to share on a pro rata basis in cash retention pools payable to participants who satisfy certain retention requirements. The aggregate amount of the retention pools was determined to be $15.0 million based upon the amount of interest component credits that would have been allocated to the RDU Plan if the Senior Subordinated Notes had remained outstanding from August 1, 2013 through maturity. The Company recorded a pre-tax charge of $7.5 million in the year ended December 31, 2013 for payment of the first cash retention pool. The second cash retention pool payment is expected to be made to participants who remain employed through December 31, 2015 in the first quarter of 2016. Participants continued to accrue an interest component credit for the proportionate amount of Senior Subordinated Notes still outstanding, payable on the aforementioned semi-annual due dates; such payments, however, will be deducted from the second retention pool payment amount of $7.5 million.

Unrecognized compensation expense as of June 30, 2014 of approximately $4 million is expected to be recognized through 2014 and approximately $7 million in 2015 through 2017. Payments under the RDU Plan may be impacted if certain significant events occur or circumstances change that would impact the financial condition or structure of the Company.

Compensation expense of $2.2 million and $2.2 million related to the RDU Plan was recognized for the three months ended June 30, 2014 and 2013, respectively, and $4.4 million and $4.3 million for the six months ended June 30, 2014 and 2013, respectively. At June 30, 2014 and December 31, 2013, the Company had $26.0 million and $21.8 million of liabilities related to the RDU Plan recorded on the consolidated balance sheets, respectively.

Payment of the principal component of the RDU Plan is expected to be made on October 12, 2017, unless accelerated due to a sale of the Company.

10. 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 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 June 30, 2014, 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.

## 11. 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 two other operating segments, CDW Advanced Services and Canada, which do not meet the reportable segment quantitative thresholds and, accordingly, are combined together as “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. Depreciation expense is included in Headquarters as it 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 the 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 six months ended June 30, 2014 and 2013:

| (in millions) | Corporate | Public | Other | Headquarters | Total |
|---|---|---|---|---|---|
| Three Months Ended June 30, 2014: | | | | | |
| Net sales | $1,656.2 | $1,271.6 | $178.2 | $— | $3,106.0 |
| Income (loss) from operations | 119.7 | 88.8 | 7.6 | (27.9) | 188.2 |
| Depreciation and amortization expense | (24.1) | (10.9) | (2.2) | (14.8) | (52.0) |
| | | | | | |
| Three Months Ended June 30, 2013: | | | | | |
| Net sales | $1,537.4 | $1,082.6 | $159.3 | $— | $2,779.3 |
| Income (loss) from operations | 103.2 | 69.1 | 8.9 | (27.6) | 153.6 |
| Depreciation and amortization expense | (24.4) | (11.0) | (2.2) | (14.7) | (52.3) |

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| (in millions) | Corporate | Public | Other | Headquarters | Total |
|---|---|---|---|---|---|
| Six Months Ended June 30, 2014: | | | | | |
| Net Sales | $ 3,161.8 | $ 2,241.5 | $ 355.0 | $ — | $ 5,758.3 |
| Income (loss) from operations | 220.7 | 142.8 | 14.2 | (53.7) | 324.0 |
| Depreciation and amortization expense | (48.2) | (21.8) | (4.3) | (29.7) | (104.0) |
| | | | | | |
| Six Months Ended June 30, 2013: | | | | | |
| Net sales | $ 2,941.3 | $ 1,929.4 | $ 320.3 | $ — | $ 5,191.0 |
| Income (loss) from operations | 197.3 | 114.7 | 14.9 | (53.2) | 273.7 |
| Depreciation and amortization expense | (48.8) | (22.1) | (4.5) | (28.9) | (104.3) |

12. Supplemental Guarantor Information

The Senior Secured Notes, Senior Notes and, prior to being redeemed, the Senior Subordinated Notes are 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 joint and several, and full and unconditional; provided that each guarantee by the Guarantor Subsidiaries is subject to certain customary release provisions contained in the indentures governing the Senior Secured Notes, Senior Notes and, until satisfied and discharged, the Senior Subordinated Notes. CDW LLC's Canada subsidiary (the “Non-Guarantor Subsidiary”) does 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 Subsidiary is 100% owned by CDW LLC. On May 9, 2014, all of the remaining $42.5 million aggregate principal amount of Senior Subordinated Notes was redeemed in full and the indenture governing the Senior Subordinated Notes was satisfied and discharged. See Note 4.

On August 5, 2014, CDW LLC and CDW Finance Corporation completed the issuance of $600.0 million aggregate principal amount of 6.0% Senior Notes due 2022, which will be guaranteed by Parent and the Guarantor Subsidiaries. The proceeds from this issuance, along with cash on hand, were deposited with the trustee on August 5, 2014 to redeem all of the remaining $325.0 million aggregate principal amount of the Senior Secured Notes and to redeem $234.7 million aggregate principal amount of the Senior Notes. On the same date, the indenture governing the Senior Secured Notes was satisfied and discharged. See Note 13 for additional information.

The following tables set forth condensed consolidating balance sheets as of June 30, 2014 and December 31, 2013, consolidating statements of operations for the three and six months ended June 30, 2014 and 2013, condensed consolidating statements of comprehensive income for the three and six months ended June 30, 2014 and 2013, and condensed consolidating statements of cash flows for the six months ended June 30, 2014 and 2013, 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 Subsidiary, 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
June 30, 2014

| (in millions) | Parent Guarantor | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiary | Co-Issuer | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|---|---|
| Assets | | | | | | | |
| Current assets: | | | | | | | |
| Cash and cash equivalents | $— | $216.8 | $— | $ 24.2 | $— | $ (13.4) | $ 227.6 |
| Accounts receivable, net | — | — | 1,454.3 | 71.8 | — | — | 1,526.1 |
| Merchandise inventory | — | — | 446.3 | 3.3 | — | — | 449.6 |
| Miscellaneous receivables | — | 39.9 | 113.0 | 6.7 | — | — | 159.6 |
| Prepaid expenses and other | — | 15.2 | 33.4 | 5.5 | — | (1.7) | 52.4 |