



WESCO®

# Q3 2018 Earnings

Webcast Presentation – November 1, 2018



# Safe Harbor Statement

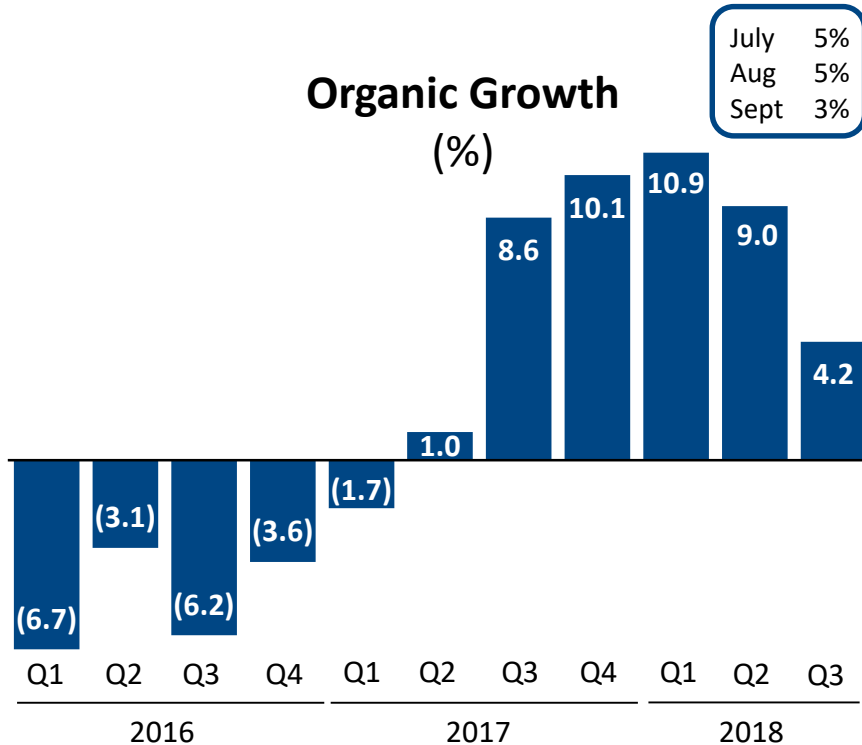
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All statements made herein that are not historical facts should be considered as “forward-looking statements” within the meaning of the Private Securities Litigation Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially. Such risks, uncertainties and other factors include, but are not limited to: adverse economic conditions; disruptions in operations or information technology systems; increase in competition; expansion of business activities; supply chain disruptions, changes in supplier strategy or loss of key suppliers; personnel turnover or labor cost increases; risks related to acquisitions, including the integration of acquired businesses; tax law changes or challenges to tax matters, including uncertainties in the interpretation and application of the Tax Cuts and Jobs Act of 2017; exchange rate fluctuations; debt levels, terms, financial market conditions or interest rate fluctuations; stock market, economic or political instability; legal or regulatory matters; litigation, disputes, contingencies or claims; and other factors described in detail in the Form 10-K for WESCO International, Inc. for the year ended December 31, 2017 and any subsequent filings with the Securities & Exchange Commission. The following presentation includes a discussion of certain non-GAAP financial measures. Information required by Regulation G with respect to such non-GAAP financial measures can be found in the appendix and obtained via WESCO’s website, [www.wesco.com](http://www.wesco.com).



# Q3 2018 Highlights

## Organic Growth (%)



July 5%  
Aug 5%  
Sept 3%

Note: Organic growth excludes the impact of: acquisitions in the first year of ownership, foreign exchange rates and number of workdays. See appendix for non-GAAP reconciliations.

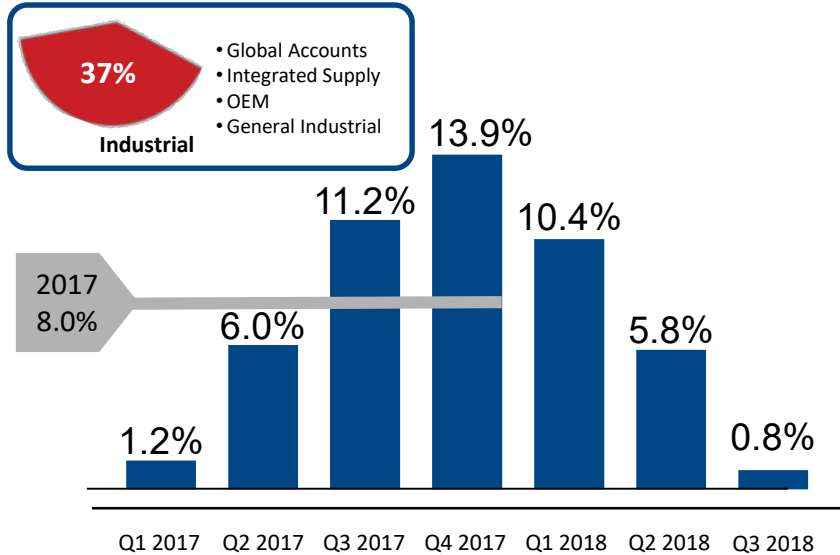
- Continued strong results in the third quarter
  - Double digit EBIT and EPS growth versus prior year
  - Gross margin and operating margin expansion, both sequentially and year-over-year
- Continued positive business momentum and growth across all end markets
- Reported sales were up 3%, organic sales were up 4%:
  - Up 4% in the U.S.
  - Up 8% in Canada
  - Down 3% in International
- Q3 monthly organic sales were up 13% each month on a two year stack basis
- Estimated pricing impact +2%
- October preliminary workday adjusted sales up low single digits
- Q3 backlog at record levels, up 7% versus prior year
- Free cash flow at 121% of net income in Q3 and at 90% of net income YTD
- Repurchased \$25 million of shares in Q3; increased current authorization to \$400M

**...double digit operating profit, net income and EPS growth versus prior year**



# Industrial End Market

## Organic Sales Growth versus Prior Year



Note: See appendix for non-GAAP reconciliations.

- Q3 2018 Sales
  - Organic sales were up 1% versus prior year (up 3% in the U.S. and up 4% in Canada in local currency)
  - Down 3% sequentially
- Industrial recovery continues with positive customer sentiment driven by increasing production and capacity utilization; labor constraints support higher capital spending
- Global Account and Integrated Supply opportunity pipeline and bidding activity levels remain strong
- Customer trends include continued high expectations for supply chain process improvements, cost reductions, and supplier consolidation

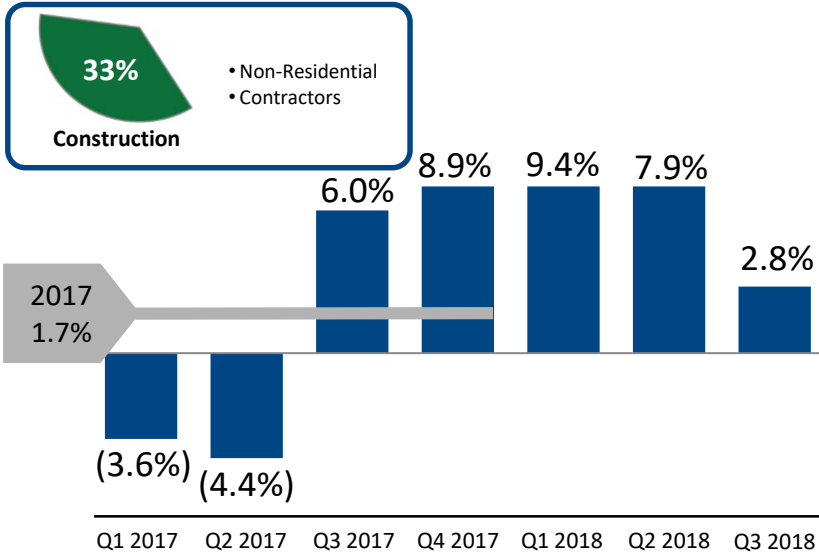


Awarded a multi-year contract to provide an integrated supply solution to support a large oil and gas customer's upstream operations in the United States.



# Construction End Market

## Organic Sales Growth versus Prior Year



Note: See appendix for non-GAAP reconciliations.

- Q3 2018 Sales
  - Organic sales were up 3% versus prior year (flat in the U.S. and up 12% in Canada in local currency)
  - Up 2% sequentially
- Strong backlog and business momentum continues with construction/contractor customers
- Backlog up 7% versus prior year and down 3% from Q2 (in line with normal seasonality)
- Expecting moderate growth and uptrend in non-residential construction market to continue

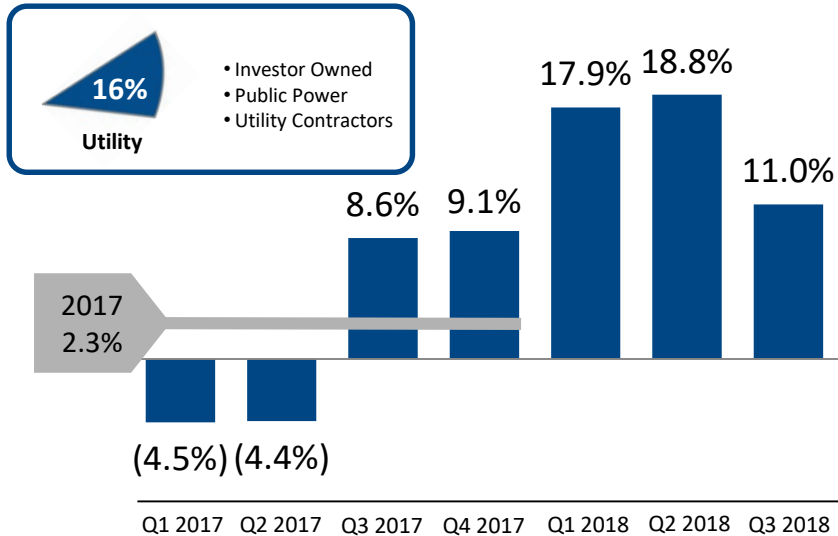


As a follow-on to winning the electrical materials scope, we were awarded a contract to provide data communications for the construction of a new medical center in Canada.



# Utility End Market

## Organic Sales Growth versus Prior Year



Note: See appendix for non-GAAP reconciliations.

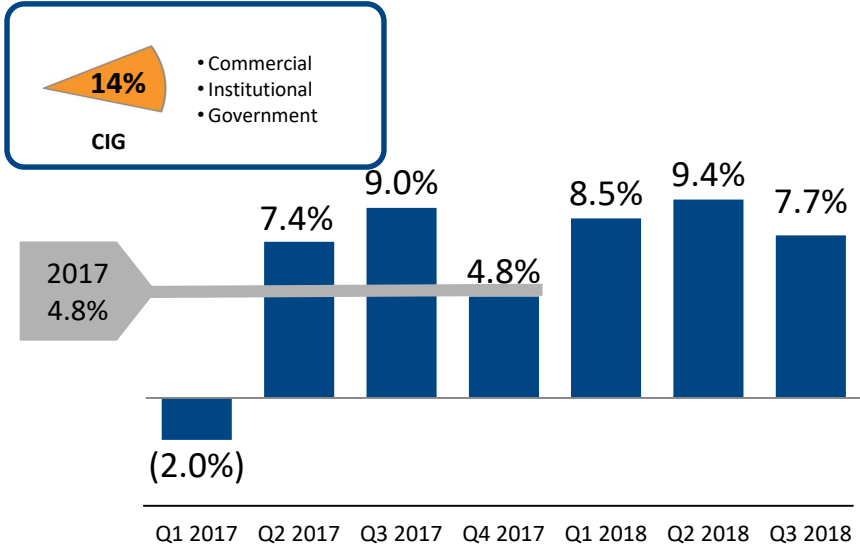
- Q3 2018 Sales
  - Organic sales were up 11% versus prior year (up 13% in the U.S. and down 4% in Canada in local currency)
  - Up 4% sequentially
- Continued scope expansion and value creation with investor owned utility, public power, and generation customers
- Continued interest in Integrated Supply solution offerings
- Favorable economic conditions, continued improvement in construction market, renewables growth, and consolidation trend within Utility industry remain positive catalysts for future spending



Entered into a multi-year renewal of a contract to provide an integrated supply solution for the generation and transmission operations of a U.S. utility.



## Organic Sales Growth versus Prior Year



Note: See appendix for non-GAAP reconciliations.

- Q3 2018 Sales
  - Organic sales were up 8% versus prior year (flat in the U.S. and up 12% in Canada in local currency; balance of growth in International)
  - Down 1% sequentially
- Technical expertise and supply chain solutions driving positive momentum in datacenter, broadband, and cloud technology projects
- Continued strong momentum seen in LED lighting retrofits, FTTX deployments, broadband build outs, and cyber and physical security for critical infrastructure protection

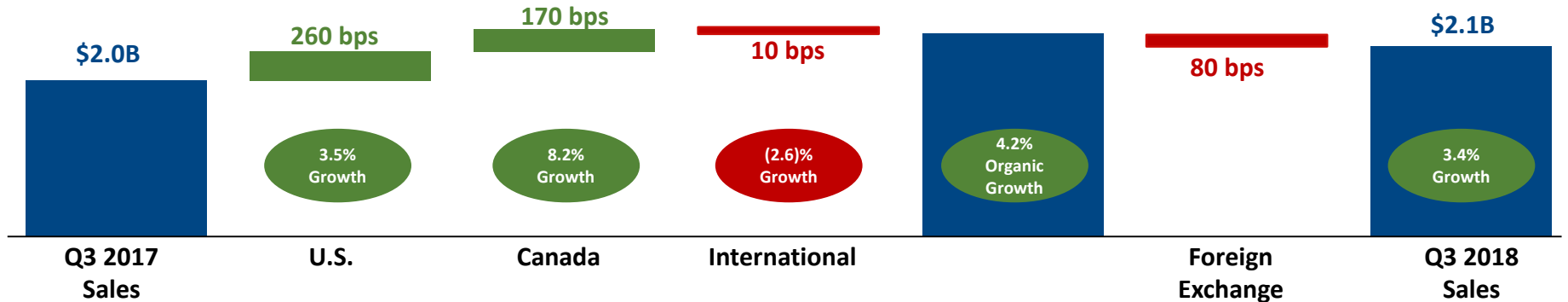


Awarded a contract to provide lighting and electrical materials for an upgrade to an airport in the United States.



# Q3 2018 Results

	Outlook	Actual	YOY
Sales	3% to 6%	\$2.1B	Up 3.4%
Gross Margin		19.2%	Up 10 bps <sup>(1)</sup>
SG&A		\$284M, 13.7%	Up 1%, improved 30 bps
Operating Profit		\$98M	Up 10%
Operating Margin	4.5% to 4.8%	4.7%	Up 30 bps
Effective Tax Rate	~21%	17.2%	Down 830 bps
EPS		\$1.41	Up 26%



Note: See appendix for non-GAAP reconciliations.

<sup>(1)</sup> On a reported basis, gross margin was down 10 basis points. As previously noted in the first and second quarters of 2018, the Company reclassified certain labor costs from selling, general and administrative expenses to cost of goods sold. Excluding this reclassification, gross margin for the third quarter of 2018 was 10 basis points higher than the third quarter of 2017.

***...margins expanding with positive operating profit pull through***



# Diluted EPS Walk



	Q3
<b>2017</b>	<b>\$1.12</b>
Core operations	0.17
Foreign exchange	(0.03)
Tax	0.14
Share count	0.01
<b>2018</b>	<b>\$1.41</b>

***...26% EPS growth versus prior year***

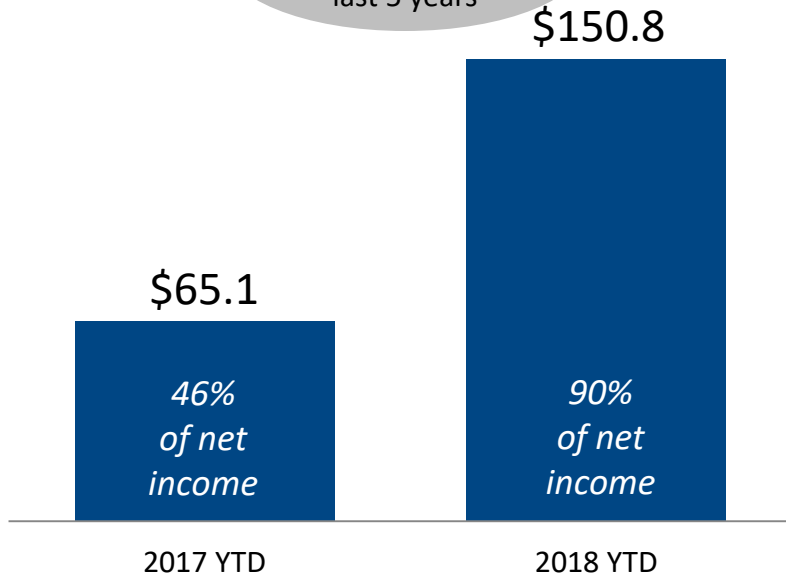


# Free Cash Flow & Leverage

## Free Cash Flow

(\$ Millions)

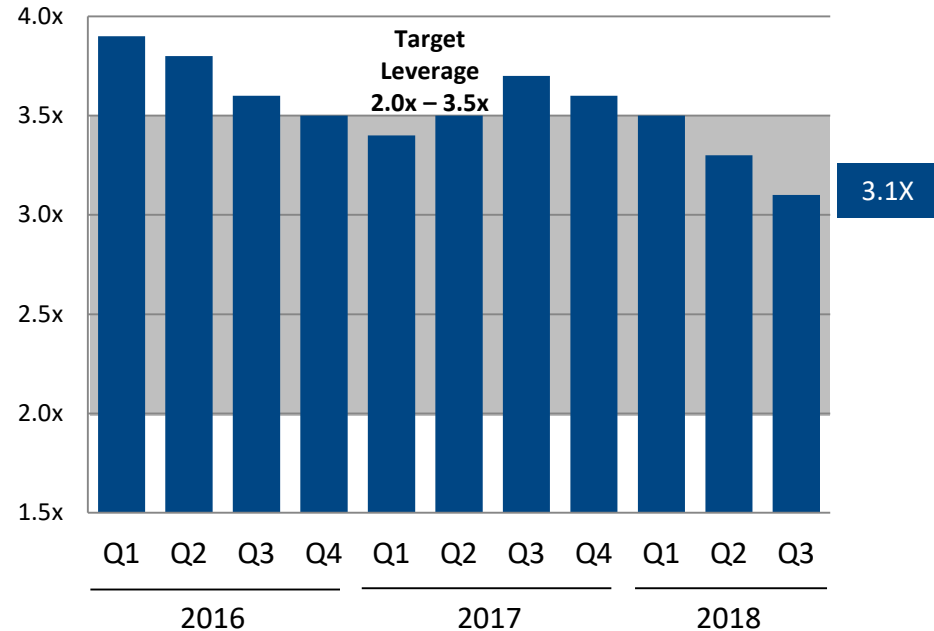
~ \$1.2B of free cash flow over last 5 years



Note: See appendix for non-GAAP reconciliations.

## Leverage

(Total Debt to TTM EBITDA)



**...strong free cash flow generation and financial leverage improvement in Q3**



# Effective Capital Allocation

## Consistent Cash Deployment Priorities

- Support organic growth
- Fund accretive acquisitions
- Manage financial leverage
- Repurchase shares

## Increased Share Repurchase Authorization

- Up to \$400M through end of 2020
  - \$100M increase in authorization
  - utilized \$25M in 3Q18
  - anticipate utilizing additional \$175M of authorization through first half of 2019 (subject to market conditions)
- Authorization enables WESCO to:
  - offset dilution from annual equity awards
  - make opportunistic purchases

***...strong cash flow permits simultaneous investment across all priorities***

# 2018 Outlook



	Q4	FY (Current)	FY (Previous)
Sales	1% to 4%	6% to 8%	6% to 9%
Operating Margin	4.3% to 4.6%	4.2% to 4.4%	4.2% to 4.5%
Effective Tax Rate	~ 21%	19% to 21%	21% to 23%
Diluted EPS		\$4.70 to \$4.90	\$4.60 to \$5.00
Free Cash Flow		~ 100% of net income	> 90% of net income

Notes: Excludes unannounced acquisitions.  
Assumes a CAD/USD exchange rate of 0.77.  
See appendix for non-GAAP reconciliations.



## Sales Outlook

End markets in U.S. and Canada

LSD to MSD growth  
in all end markets

**End Market Sales Growth**

**2% to 5%**

Market outperformance

1% to 2%

Foreign currency

slightly unfavorable

**Consolidated WESCO**

**3% to 6%**

Note: Excludes future acquisitions

*...another year of market outperformance in 2019*



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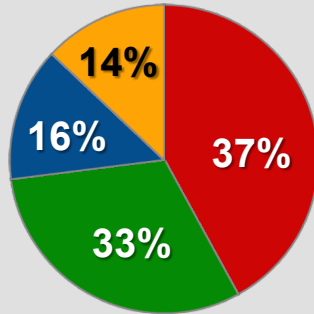
## Appendix

### **NON-GAAP FINANCIAL MEASURES**

This presentation includes certain non-GAAP financial measures. These financial measures include organic sales growth, gross margin, financial leverage, earnings before interest, taxes, depreciation and amortization (EBITDA), and free cash flow. Management believes that these non-GAAP measures are useful to investors as they provide a better understanding of sales performance, and the use of debt and liquidity on a comparable basis. Management does not use these non-GAAP financial measures for any purpose other than the reasons stated above.



## Markets & Customers



### Industrial

Global Accounts | Integrated Supply  
OEM | General Industrial

### Construction

Non-Residential | Contractors

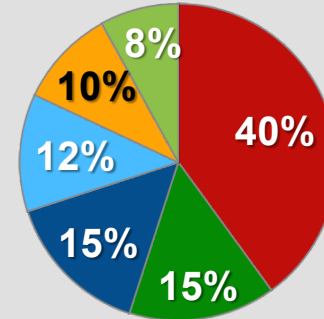
### Utility

Investor Owned | Public Power  
Utility Contractors

### CIG

Commercial | Institutional | Government

## Products & Services



### General Supplies

### Communications & Security

### Wire, Cable & Conduit

### Lighting & Sustainability

### Electrical Distribution & Controls

### Automation, Controls & Motors

# Sales Growth



(%)

	2016					2017					2018		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
<b>Change in Net Sales</b>	(2.2)	(0.3)	(3.6)	(3.7)	(2.4)	(0.2)	(0.1)	7.8	11.3	4.7	12.5	10.2	3.4
Acquisition Impact	3.9	3.7	2.9	1.8	3.1	0.9				0.2			
<b>Core</b>	<b>(6.1)</b>	<b>(4.0)</b>	<b>(6.5)</b>	<b>(5.5)</b>	<b>(5.5)</b>	<b>(1.1)</b>	<b>(0.1)</b>	<b>7.8</b>	<b>11.3</b>	<b>4.5</b>	<b>12.5</b>	<b>10.2</b>	<b>3.4</b>
FX Impact	(2.6)	(0.9)	(0.3)	(0.3)	(1.0)	0.6	(1.1)	0.8	1.2	0.4	1.6	1.2	(0.8)
Workday Impact	3.2			(1.6)	0.4			(1.6)		(0.4)			
<b>Organic</b>	<b>(6.7)</b>	<b>(3.1)</b>	<b>(6.2)</b>	<b>(3.6)</b>	<b>(4.9)</b>	<b>(1.7)</b>	<b>1.0</b>	<b>8.6</b>	<b>10.1</b>	<b>4.5</b>	<b>10.9</b>	<b>9.0</b>	<b>4.2</b>

Note: Core sales growth excludes acquisitions during the first year of ownership.





## Q3 2018 Organic Sales Growth by Geography

(%)

	U.S.	Canada	International	WESCO
<b>Change in net sales (USD)</b>	3.5	4.8	(4.2)	3.4
Impact from acquisitions	-	-	-	-
Impact from foreign exchange rates	-	(3.4)	(1.6)	(0.8)
Impact from number of workdays	-	-	-	-
<b>Organic sales growth</b>	3.5	8.2	(2.6)	4.2



# Sales Growth by End Market

(\$ Millions)

	Q3 2018 vs. Q3 2017			Q3 2018 vs. Q2 2018		
	Q3 2018	Q3 2017	% Growth	Q3 2018	Q2 2018	% Growth
Industrial Core	\$727	\$726	0.2%	\$727	\$764	-4.8%
Construction Core	689	678	1.6%	689	686	0.4%
Utility Core	347	314	10.6%	347	338	2.7%
CIG Core	312	292	7.1%	312	324	-3.5%
<b>Total Core Gross Sales</b>	<b>\$2,075</b>	<b>\$2,009</b>	<b>3.3%</b>	<b>\$2,075</b>	<b>\$2,112</b>	<b>-1.7%</b>
Total Gross Sales from Acquisitions	-	-		-	-	
<b>Total Gross Sales</b>	<b>\$2,075</b>	<b>\$2,009</b>	<b>3.3%</b>	<b>\$2,075</b>	<b>\$2,112</b>	<b>-1.7%</b>
Gross Sales Reduction/Discounts	(8)	(9)		(8)	(8)	
<b>Total Net Sales</b>	<b>\$2,067</b>	<b>\$2,000</b>	<b>3.4%</b>	<b>\$2,067</b>	<b>\$2,104</b>	<b>-1.7%</b>

Note: The prior period end market amounts noted above may contain reclassifications to conform to current period presentation.



## Q3 2018 Organic Sales by End Market

(%)

	Industrial	Construction	Utility	CIG	WESCO
<b>Core Sales Growth</b>	0.2	1.6	10.6	7.1	3.4
FX Impact	(0.6)	(1.2)	(0.4)	(0.6)	(0.8)
Workday Impact	-	-	-	-	-
<b>Organic Growth</b>	0.8	2.8	11.0	7.7	4.2



# Gross Margin

(\$ Millions)

	Three Months Ended	
	September 30, 2018	September 30, 2017
Net sales	\$2,067	\$2,000
Cost of goods sold (excluding depreciation and amortization)	1,670	1,615
Gross profit <sup>(1)</sup>	\$397	\$385
Gross margin <sup>(1)</sup>	19.2%	19.3%

<sup>(1)</sup> Gross profit is calculated by deducting cost of goods sold, excluding depreciation and amortization, from net sales. Gross margin is calculated by dividing gross profit by net sales. Note: For gross margin in prior periods, see quarterly earnings webcasts as previously furnished to the Securities & Exchange Commission, which can be obtained from the Investor Relations page of WESCO's website at [www.wesco.com](http://www.wesco.com).



# Capital Structure

(\$ Millions)

	Outstanding at December 31, 2017	Outstanding at September 30, 2018	Debt Maturity Schedule
AR Revolver <sup>(V)</sup>	380	365	2020
Inventory Revolver <sup>(V)</sup>	12	-	2020
2019 Term Loans <sup>(V)</sup>	85	25	2019
2021 Senior Notes <sup>(F)</sup>	500	500	2021
2024 Senior Notes <sup>(F)</sup>	350	350	2024
Other <sup>(V)</sup>	36	32	N/A
<b>Total Debt</b>	<b>1,363</b>	<b>1,272</b>	

Key Financial Metrics		
	YE 2017	Q3 2018
Cash	118	143
Capital Expenditures	22	7
Free Cash Flow <sup>(1)</sup>	128	80
Liquidity <sup>(2)</sup>	794	828

<sup>(V)</sup> Variable Rate Debt

<sup>(F)</sup> Fixed Rate Debt

<sup>(1)</sup> Cash flow provided by operations less capital expenditures.

<sup>(2)</sup> Total availability under asset-backed credit facilities plus cash in investment accounts.



# Financial Leverage

(\$ Millions)

**Twelve Months Ended  
September 30, 2018**

Income from operations <sup>(1)</sup>	\$343
Depreciation and amortization	64
<b>EBITDA</b>	<b>\$407</b>

**September 30, 2018**

Short-term borrowings and current debt	\$32
Long-term debt	1,229
Debt discount and debt issuance costs <sup>(2)</sup>	11
<b>Total debt</b>	<b>\$1,272</b>
Less: cash and cash equivalents	143
<b>Total debt, net of cash</b>	<b>\$1,129</b>

Financial leverage ratio	3.1X
Financial leverage ratio, net of cash	2.8X

(1) Due to the adoption of ASU 2017-07 on a retrospective basis in the first quarter of 2018, the Company classified the non-service cost components of net periodic benefit cost as part of net interest and other for the twelve months ended September 30, 2018. These components aggregate to a benefit of \$1.9 million.

(2) Long-term debt is presented in the condensed consolidated balance sheet as of September 30, 2018 net of debt discount and debt issuance costs.

Note: For financial leverage ratio in prior periods, see quarterly earnings webcasts as previously furnished to the Securities & Exchange Commission, which can be obtained from the Investor Relations page of WESCO's website at [www.wesco.com](http://www.wesco.com).



# Free Cash Flow Reconciliation

(\$ Millions)

	YTD 2017	YTD 2018
Cash flow provided by operations	\$81.1	\$174.5
Less: Capital expenditures	(16.0)	(23.7)
Free cash flow	65.1	150.8
Net income	\$140.9	\$167.3
Percentage of net income	46%	90%

Note: Free cash flow is provided by the Company as an additional liquidity measure. Capital expenditures are deducted from operating cash flow to determine free cash flow. Free cash flow is available to fund investing and financing activities.

# Work Days



	Q1	Q2	Q3	Q4	FY
<b>2016</b>	64	64	64	62	254
<b>2017</b>	64	64	63	62	253
<b>2018</b>	64	64	63	62	253
<b>2019</b>	63	64	63	62	252