

WESCO®

# Q2 2019 Earnings

Webcast Presentation

August 1, 2019



WESCO



## **Forward Looking Statements**

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; increase in competition; expansion of business activities; disruptions in operations or information technology systems; 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; changes in tax laws, regulations and guidance, and uncertainties regarding their application, and challenges by tax authorities to the company’s tax positions; 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, 2018 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).

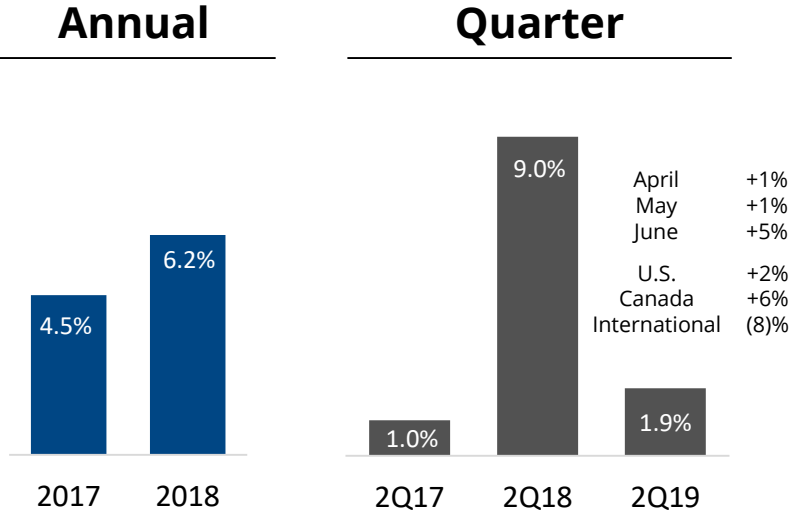
## **Non-GAAP Measures**

This presentation includes certain non-GAAP financial measures. These financial measures include organic sales growth, gross profit, financial leverage, earnings before interest, taxes, depreciation and amortization (EBITDA), and free cash flow. The Company 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.



# Q2 2019 Highlights

## Organic Sales Growth versus Prior Year



## Second Quarter

- Reported sales up 2.2%
  - Record sales in Q2 with strength in Canada, Utility, and Datacom
- Organic sales up 1.9%
  - Up 10.9% on a two year stack basis
  - Up 7.2% sequentially
  - YOY and sequential growth in all end markets
- Operating margin up 30 basis points versus prior year on strong operating profit pull through
- Estimated pricing impact +2%
- Diluted EPS up 19% over prior year
- Initiated \$150 million share repurchase transaction
- Preliminary July sales up mid single digits

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

# Q2 2019 Results



Millions, except per share amounts	Q2 2018	Q2 2019	Versus prior year	Q2 Outlook
<b>Sales</b>	\$2,104	\$2,150	2.2%	3% – 6%
<b>Gross Profit</b>	\$400	\$409	2.3%	
<i>% of Sales</i>	19.0%	19.0%	flat	
<b>SG&amp;A</b>	\$293	\$296	1%	
<i>% of Sales</i>	13.9%	13.8%	(10) bps	
<b>Operating Profit</b>	\$91	\$98	7%	4.5% – 4.8%
<i>% of Sales</i>	4.3%	4.6%	30 bps	
<b>Effective Tax Rate</b>	21.5%	21.6%	10 bps	~23%
<b>Diluted EPS</b>	\$1.22	\$1.45	19%	

Note: See appendix for non-GAAP reconciliations.



# Diluted EPS and Sales Growth Walk

## Diluted EPS Walk

<b>Q2 2018 Diluted EPS</b>	<b>\$1.22</b>
<b>Core operations</b>	<b>\$0.13</b>
<b>SLS acquisition</b>	<b>\$0.01</b>
<b>Foreign exchange rates</b>	<b>\$(0.02)</b>
<b>Tax</b>	<b>\$0.00</b>
<b>Lower share count</b>	<b>\$0.11</b>
<b>Q2 2019 Diluted EPS</b>	<b>\$1.45</b>
<b>Reported Growth</b>	<b>19%</b>

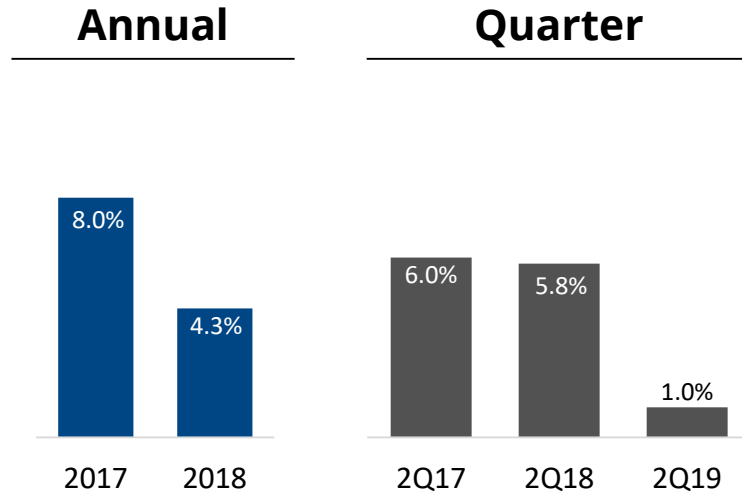
## Sales Growth Walk

<b>Q2 2018 Sales</b>	<b>\$2,104 M</b>
<b>U.S.</b>	<b>130 bps</b>
<b>Canada</b>	<b>110 bps</b>
<b>International</b>	<b>(50) bps</b>
<b>Organic Growth</b>	<b>1.9%</b>
<b>Foreign exchange rates</b>	<b>(100) bps</b>
<b>SLS acquisition</b>	<b>130 bps</b>
<b>Q2 2019 Sales</b>	<b>\$2,150 M</b>
<b>Reported Growth</b>	<b>2.2%</b>



# Industrial End Market

## Organic Sales Growth versus Prior Year



- Q2 2019 organic sales
  - Up 1% versus prior year
  - U.S. up 2%; Canada up 6% in local currency
  - Up 2% sequentially
- Industrial growth continues but at a slower pace
- Year-over-year and sequential strength in metals and mining, petrochemical, and food & beverage markets
- Production and capacity utilization remain strong while labor constraints persist
- Global Account and Integrated Supply opportunity pipeline is strong; bidding activity levels remain high

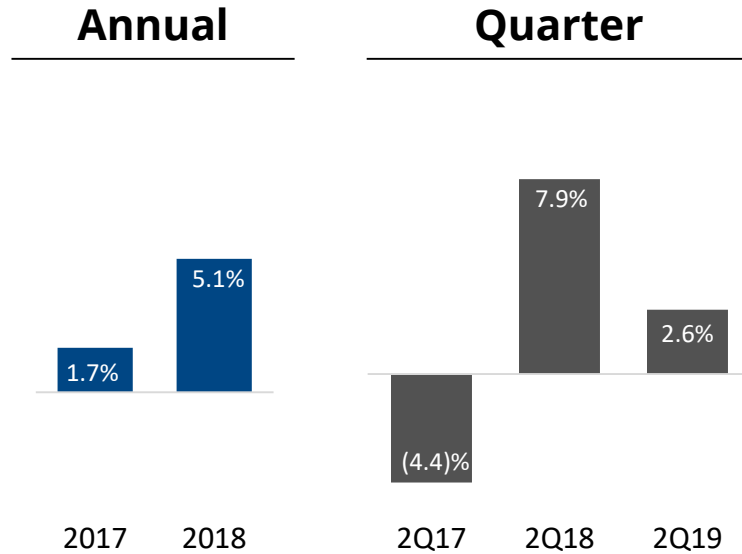
Global Accounts | Integrated Supply | OEM | General Industrial  
36% of WESCO Sales

Awarded a new three year contract with a medical device manufacturer to provide an integrated supply program for MRO and OEM materials with estimated total revenues of more than \$30 million.



# Construction End Market

## Organic Sales Growth versus Prior Year



- Q2 2019 organic sales
  - Up 3% versus prior year
  - Down 1% in the U.S.; up 9% in Canada in local currency
  - Up 9% sequentially
- Backlog at historically strong level but ~7% lower than prior year record level
- Contractors are bullish on project activity but challenged by tariff-related budget pressures
- Construction market remains exceptionally tight for skilled trade labor

Non-Residential | Contractors

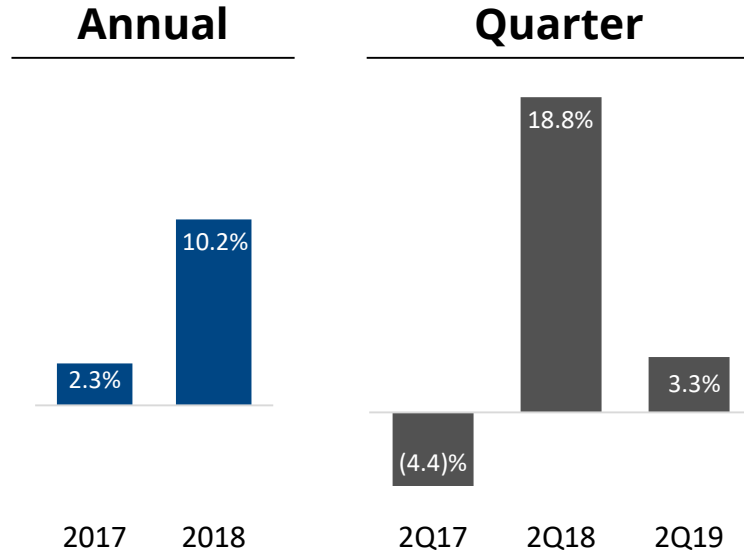
33% of WESCO Sales

Awarded a multi-million dollar contract to provide electrical equipment and lighting for the construction of a new facility for a healthcare manufacturer.



# Utility End Market

## Organic Sales Growth versus Prior Year



- Q2 2019 organic sales
  - Up 3% versus prior year; on top of toughest quarterly comparison
  - Up 6% in the U.S. and down 28% in Canada in local currency due to non-renewal of Canadian contract in Q418
  - Up 11% sequentially
- Continue to drive product and service scope expansion with investor owned utility, public power, and generation customers
- Interest in Integrated Supply solution offering remains high
- Positioned well to benefit from industry consolidation, favorable economic conditions, improvement in construction market, and growth in renewable energy

Investor Owned | Public Power | Utility Contractors

16% of WESCO Sales

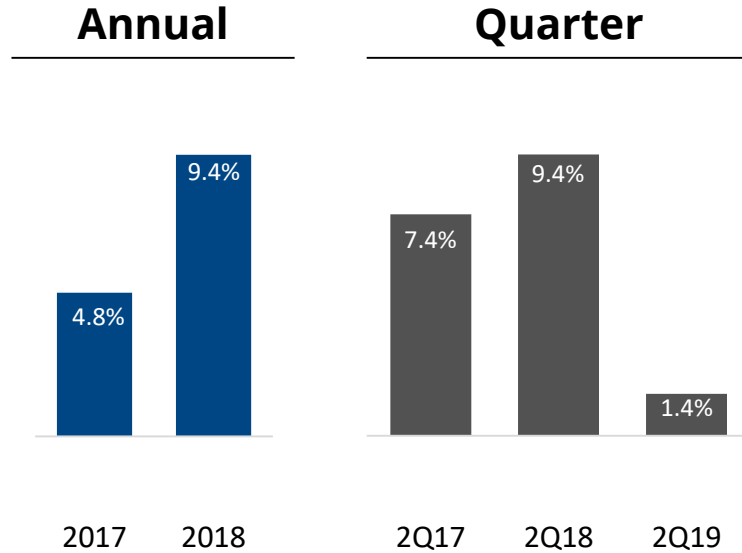
Renewed our contract with a U.S. investor-owned utility to provide electrical and MRO materials for its generation, transmission, and distribution operations for three years with estimated total revenues of over \$400 million.





# CIG End Market

## Organic Sales Growth versus Prior Year



- Q2 2019 organic sales
  - Up 1% versus prior year
  - Up 1% in the U.S. and 10% in Canada in local currency
  - Up 14% sequentially
- Supply chain solutions driving results in datacenter and cloud technology projects
- LED lighting renovation and retrofits, FTTX deployments and broadband build outs continue

Commercial | Institutional | Government  
15% of WESCO Sales

Awarded a multi-million dollar order for data communications material in support of a new datacenter for a large U.S. public university.

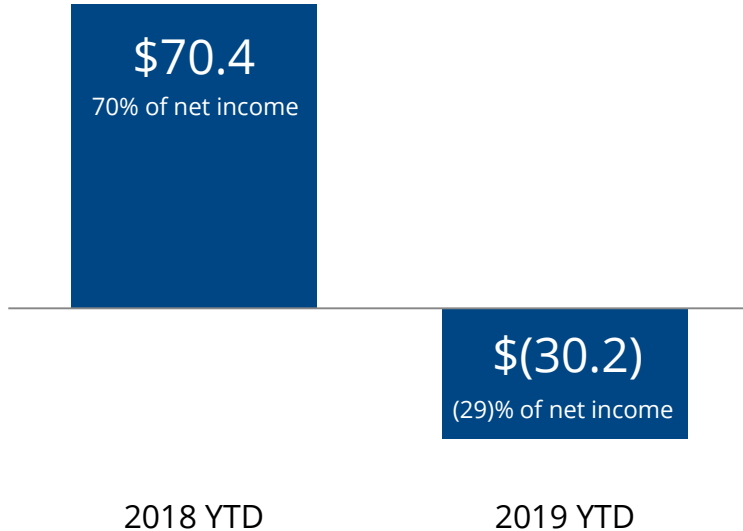


# Free Cash Flow & Leverage

## Free Cash Flow

(\$ Millions)

~ \$1.1B of free cash flow  
over last 5 years

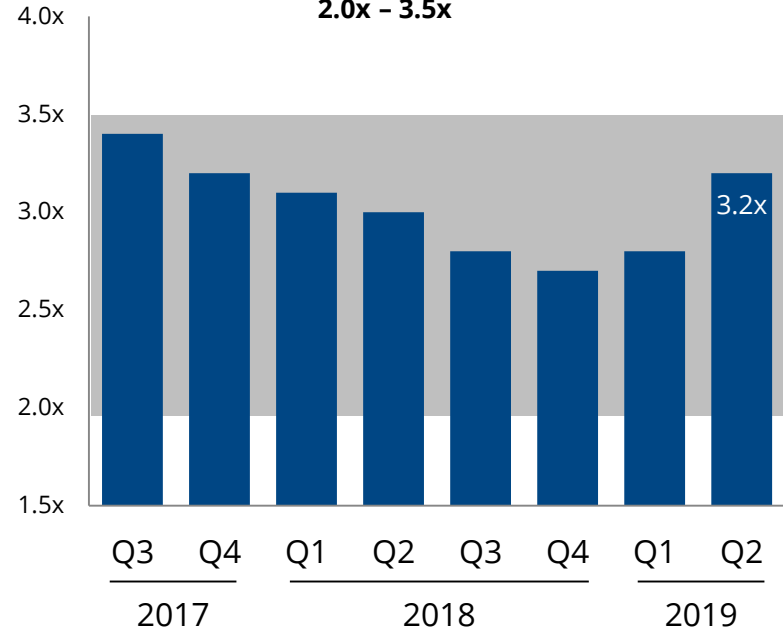


Lower free cash flow versus prior year driven by increase in accounts receivables due to strong sales in June

## Leverage

(Debt, Net of Cash to TTM EBITDA)

target leverage  
2.0x – 3.5x



# 2019 Outlook



	Q3	Full Year (current)	Full Year (prior)
Sales	3% to 5%	1% to 4%	3% to 6%
Operating Margin	4.3% to 4.7%	4.2% to 4.5%	4.3% to 4.7%
Effective Tax Rate	~22%	21% to 23%	22% to 24%
Diluted EPS		\$5.00 to \$5.60	\$5.10 to \$5.70
Free Cash Flow		~ 90% of net income	~ 90% of net income

#### Notes

Excludes unannounced acquisitions.

Assumes a CAD/USD exchange rate of 0.76 in Q3.

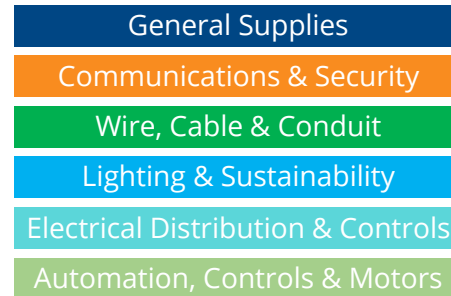
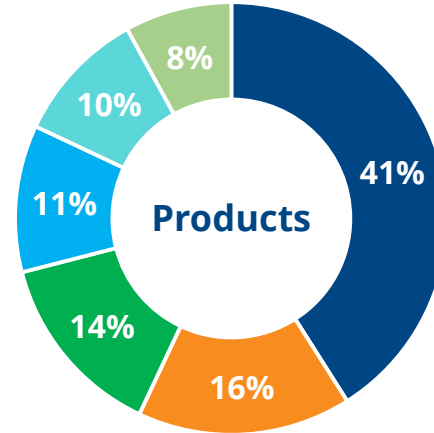
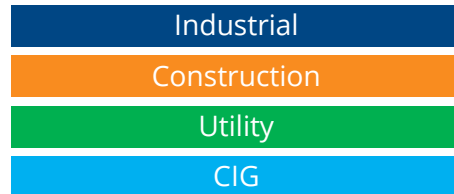
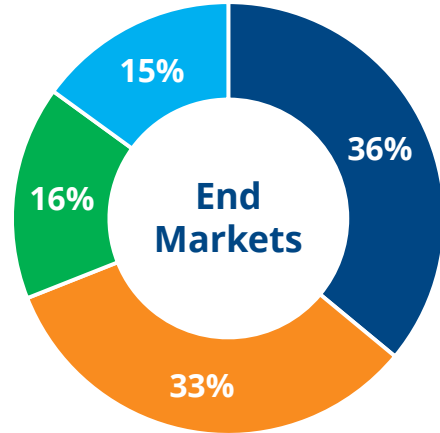
FY 2019 has one fewer workday than FY 2018.

See appendix for non-GAAP reconciliations.

# APPENDIX



# Trailing Twelve Month Sales Mix





# Organic Sales Growth

(\$ Millions)

<b>YEAR OVER YEAR</b>		Three Months Ended,		Core Growth	Less: Fx Impact	Less: Workday Impact	Organic Growth
<b>END MARKET</b>		June 30, 2018	June 30, 2019				
Industrial core sales		764	764	0.0%	(1.0)%	0.0%	1.0%
Construction core sales		686	694	1.1%	(1.5)%	0.0%	2.6%
Utility core sales		338	348	3.0%	(0.3)%	0.0%	3.3%
CIG core sales		324	325	0.3%	(1.1)%	0.0%	1.4%
<b>Total core sales</b>		<b>\$ 2,112</b>	<b>\$ 2,131</b>	<b>0.9%</b>	<b>(1.0)%</b>	<b>0.0%</b>	<b>1.9%</b>
<b>GEOGRAPHY</b>							
U.S. core sales		1,569	1,597	1.8%	0.0%	0.0%	1.8%
Canada core sales		408	415	1.8%	(4.1)%	0.0%	5.9%
International core sales		135	119	(11.7)%	(4.0)%	0.0%	(7.7)%
<b>Total core sales</b>		<b>\$ 2,112</b>	<b>\$ 2,131</b>	<b>0.9%</b>	<b>(1.0)%</b>	<b>0.0%</b>	<b>1.9%</b>
Plus: SLS sales		-	28				
Total gross sales		\$ 2,112	\$ 2,159				
Less: sales reductions / discounts		(8)	(9)				
<b>Total net sales</b>		<b>\$ 2,104</b>	<b>\$ 2,150</b>				
<b>SEQUENTIAL</b>							
<b>END MARKET</b>		March 31, 2019	June 30, 2019	Core Growth	Less: Fx Impact	Less: Workday Impact	Organic Growth
Industrial core sales		740	764	3.3%	(0.2)%	1.6%	1.9%
Construction core sales		633	694	9.7%	(0.4)%	1.6%	8.5%
Utility core sales		309	348	12.6%	(0.1)%	1.6%	11.1%
CIG core sales		281	325	15.7%	(0.3)%	1.6%	14.4%
<b>Total core sales</b>		<b>\$ 1,963</b>	<b>\$ 2,131</b>	<b>8.6%</b>	<b>(0.2)%</b>	<b>1.6%</b>	<b>7.2%</b>
Plus: SLS sales		6	28				
Total gross sales		\$ 1,969	\$ 2,159				
Less: sales reductions / discounts		(8)	(9)				
<b>Total net sales</b>		<b>\$ 1,961</b>	<b>\$ 2,150</b>				

Note: Prior period end market amounts may contain reclassifications to conform to current period presentation.



# Capital Structure and Leverage

(\$ Millions)

EBITDA	Twelve Months Ended,		
	December 31, 2018	June 30, 2019	
Income from operations	353	357	
Depreciation and amortization	63	62	
<b>EBITDA</b>	<b>416</b>	<b>419</b>	

DEBT	Outstanding as of,		Maturity
	December 31, 2018	June 30, 2019	
AR Revolver (variable)	275	495	2020
Inventory Revolver (variable)	52	61	2020
2019 Term Loans (variable)	25	-	2019
2021 Senior Notes (fixed)	500	500	2021
2024 Senior Notes (fixed)	350	350	2024
Foreign Lines of Credit (variable)	31	29	NA
<b>Total Debt<sup>1</sup></b>	<b>1,233</b>	<b>1,435</b>	
Less: cash and cash equivalents	96	87	
<b>Total debt, net of cash</b>	<b>1,137</b>	<b>1,348</b>	
<b>Leverage</b>	3.0x	3.4x	
<b>Leverage, net of cash</b>	2.7x	3.2x	

LIQUIDITY		
Liquidity <sup>2</sup>	824	587

<sup>(1)</sup> Long-term debt is presented in the consolidated balance sheet as of June 30, 2019 net of debt discount issuance costs.

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

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).



# Gross Margin and Free Cash Flow

(\$ Millions)

GROSS MARGIN	Three Months Ended,	
	June 30, 2018	June 30, 2019
Net sales	2,104	2,150
Cost of goods sold <sup>1</sup>	1,704	1,741
<b>Gross profit<sup>2</sup></b>	<b>400</b>	<b>409</b>
<i>Gross margin<sup>2</sup></i>	19.0%	19.0%

FREE CASH FLOW	Six Months Ended,	
	June 30, 2018	June 30, 2019
Net cash provided (used) by operating activities	87	(9)
Less: capital expenditures	(16)	(21)
<b>Free cash flow<sup>3</sup></b>	<b>70</b>	<b>(30)</b>
Net income	101	105
<i>% of net income</i>	70.0%	(28.6)%

<sup>1</sup> Excluding depreciation and amortization.

<sup>2</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.

<sup>3</sup> 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.

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).



# Work Days



	Q1	Q2	Q3	Q4	FY
2017	64	64	63	62	253
2018	64	64	63	62	253
2019	63	64	63	62	252