FREEPORT MCMORAN COPPER & GOLD INC
Form 4
January 03, 2014

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
SIEGELE STEPHEN H

(Last) (First) (Middle)

333 NORTH CENTRAL AVENUE

(Street)

PHOENIX, AZ 85004

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
FREEPORT MCMORAN COPPER & GOLD INC [FCX]

3. Date of Earliest Transaction (Month/Day/Year)
01/01/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock (1)	01/01/2014		A (2)		678	A	$ 37.74	253,864	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SIEGELE STEPHEN H 333 NORTH CENTRAL AVENUE PHOENIX, AZ 85004				

Signatures

Kelly C. Simoneaux, on behalf of Stephen H. Siegele pursuant to a power of attorney	01/03/2014
**Signature of Reporting Person	Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- **(1)** Amount beneficially owned following the reported transaction includes 12,100 Common Stock Restricted Stock Units.
- **(2)** Represents shares acquired pursuant to the Reporting Person's previous election to receive shares of common stock in lieu of cash for some or all of his annual retainer fee.

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(dollars in millions)	2016	2015
Net sales	$ 3,708.2	$ 3,501.1

Gross profit
614.3

567.2

Income from operations
237.5

204.6

Net income
125.9

150.9

Non-GAAP net income
160.3

143.2

Adjusted EBITDA
310.4

282.1

Average daily sales
57.9

54.7

Net debt (defined as total debt minus cash and cash equivalents) (1)
3,123.1

3,170.3

Cash conversion cycle (in days) (2)
18

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(1) As a result of the adoption of Accounting Standards Update (ASU) 2015-15, which allows companies to present deferred financing costs for line-of-credit arrangements as an asset, we retrospectively adjusted the deferred

financing costs and long-term debt liability presented in the September 30, 2015 Consolidated Balance Sheet to align it to the current period presentation.

(2) Cash conversion cycle is defined as days of sales outstanding in accounts receivable plus days of supply in inventory minus days of purchases outstanding in accounts payable, based on a rolling three-month average.

Results of Operations

Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Results of operations, in dollars and as a percentage of Net sales, for the three months ended September 30, 2016 and 2015 are as follows:

	Three Months Ended September 30,			
	2016		2015	
	Dollars in Millions	Percentage of Net Sales	Dollars in Millions	Percentage of Net Sales
Net sales	$3,708.2	100.0 %	$3,501.1	100.0 %
Cost of sales	3,093.9	83.4	2,933.9	83.8
Gross profit	614.3	16.6	567.2	16.2
Selling and administrative expenses	334.9	9.0	321.4	9.2
Advertising expense	41.9	1.1	41.2	1.2
Income from operations	237.5	6.4	204.6	5.8
Interest expense, net	(37.6)	(1.0)	(38.5)	(1.1)
Net loss on extinguishments of long-term debt	(2.1)	(0.1)	—	—
Gain on remeasurement of equity investment	—	—	98.1	2.8
Other income, net	0.4	—	(18.0)	(0.5)
Income before income taxes	198.2	5.3	246.2	7.0
Income tax expense	(72.3)	(1.9)	(95.3)	(2.7)
Net income	$125.9	3.4 %	$150.9	4.3 %

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Net sales

Net sales by segment, in dollars and as a percentage of total Net sales, and the year-over-year dollar and percentage change in Net sales for the three months ended September 30, 2016 and 2015 are as follows:

	Three Months Ended September 30,						
	2016		2015				
(dollars in millions)	Net Sales	Percentage of Total Net Sales	Net Sales(1)	Percentage of Total Net Sales	Dollar Change	Percent Change(2)	Average Daily Sales Percent Change(2)
Corporate:							
Medium / Large	$1,463.5	39.5 %	$1,490.6	42.6 %	$(27.1)	(1.8)%	(1.8)%
Small Business	285.4	7.7	274.1	7.8	11.2	4.1	4.1
Total Corporate	1,748.9	47.2	1,764.7	50.4	(15.8)	(0.9)	(0.9)
Public:							
Government	537.5	14.5	493.9	14.1	43.7	8.8	8.8
Education	671.4	18.1	583.3	16.7	88.1	15.1	15.1
Healthcare	431.7	11.6	406.7	11.6	24.9	6.1	6.1
Total Public	1,640.6	44.2	1,483.9	42.4	156.7	10.6	10.6
Other	318.7	8.6	252.5	7.2	66.2	26.2	26.2
Total net sales	$3,708.2	100.0 %	$3,501.1	100.0 %	$207.1	5.9 %	5.9 %

(1) Effective January 1, 2016, CDW Advanced Services is included in our Corporate and Public segments and Other is comprised of CDW Canada and CDW UK. Prior periods have been reclassified to conform to the current period presentation.

(2) There were 64 selling days for both the three months ended September 30, 2016 and 2015.

Total Net sales for the three months ended September 30, 2016 increased $207 million, or 5.9%, to $3,708 million, compared to $3,501 million for the three months ended September 30, 2015. Net sales on a constant currency basis, which excludes the impact of currency translation, for the three months ended September 30, 2016 increased $227 million, or 6.5%, to $3,708 million, compared to $3,481 million for the three months ended September 30, 2015. See “Non-GAAP Financial Measure Reconciliations” below for additional information. Additionally, net sales for the three months ended September 30, 2016 and 2015 reflects the impact of consolidating three and two months of CDW UK, respectively.

Corporate segment net sales for the three months ended September 30, 2016 decreased $16 million, or 0.9%, compared to the three months ended September 30, 2015. This slight decrease was due to a decline in solutions-related products, partially offset by growth in transactional products with both medium/large and small business customers. Within our Corporate segment, net sales to medium/large customers decreased $27 million, or 1.8%, between periods, primarily due to a decline in solutions-related products as the ongoing impact of economic uncertainty continued to cause many customers to put longer tail projects on hold and to extend decision cycles. The decline in net sales to medium/large customers was partially offset by growth in transactional products. Net sales to small business customers increased by $11 million, or 4.1%, between periods, driven by growth in notebooks/mobile devices.

Public segment net sales for the three months ended September 30, 2016 increased $157 million, or 10.6%, compared to the three months ended September 30, 2015, with relatively balanced growth between solutions and transactional products. The increase was a result of growth in all three of our sales channels within the Public segment. Net sales to our state and local customers experienced strong growth as a continued focus on public safety and the addition of new contracts drove strong results. Net sales to federal government customers grew modestly compared to the prior year's strong results. Although we continued to benefit from the strategic changes made to better align with federal government purchasing programs for our federal customers, delivery of several larger transactional orders, including notebooks, will occur in the fourth quarter. Net sales to education customers increased $88 million, or 15.1%, between periods, driven by strong growth from our K-12 customers and mid-single digit growth from our higher education customers. Growth from our K-12 customers was led by transactional products, particularly notebooks/mobile devices, as a result of schools continuing to develop digital testing and curriculum programs, which was partially offset

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by a decrease in netcomm products reflecting a delay in funds related to projects for the U.S. Federal Communications Commission E-Rate program. Sales to our higher education customers grew mid-single digits as we continued to see the benefit from programs directed at select institutions by optimizing opportunities with available budgets as solution-related products grew faster than transactional products. Net sales to healthcare customers increased 6.1% between periods primarily driven by software as some customers began to implement projects that had been on hold due to consolidation activity within the healthcare industry.

Net sales in Other for the three months ended September 30, 2016 increased $66 million, or 26.2%, compared to the three months ended September 30, 2015. Other is comprised of CDW Canada and CDW UK. The increase in net sales was driven by the impact of consolidating three months of CDW UK net sales in the current period compared to only two months of CDW UK net sales in the prior period. Additionally, CDW Canada experienced a mid-single digit increase in net sales and reflected minimal impact from foreign currency translation for the current period. CDW UK net sales were unfavorably impacted by foreign currency translation.

Gross profit

Gross profit increased $47 million, or 8.3%, to $614 million for the three months ended September 30, 2016, compared to $567 million for the three months ended September 30, 2015. As a percentage of Net sales, Gross profit increased 40 basis points to 16.6% for the three months ended September 30, 2016, up from 16.2% for the three months ended September 30, 2015.

Our continuing mix into net service contract revenue, including items such as third-party services, warranties, software assurance and Software as a Service (“SaaS”), contributed a positive impact of 30 basis points to gross profit margin as our cost paid to the vendor or third-party service provider is recorded as a reduction to Net sales, resulting in net sales being equal to the gross profit on the transaction. We experienced a favorable impact of 30 basis points from vendor partner funding, which includes purchase discounts, volume rebates and cooperative advertising, and 10 basis points from the inclusion of CDW UK, which has a higher mix of services. These increases were partially offset by 30 basis points of unfavorable product price/mix changes.

Gross profit margin may fluctuate based on various factors, including vendor incentive and inventory price protection programs, cooperative advertising funds classified as a reduction of cost of sales, product mix, net service contract revenue, commission revenue, pricing strategies, market conditions and other factors.

Selling and administrative expenses

Selling and administrative expenses increased $14 million, or 4.2%, to $335 million for the three months ended September 30, 2016, compared to $321 million for the three months ended September 30, 2015. As a percentage of total Net sales, Selling and administrative expenses decreased 20 basis points to 9.0% in the third quarter of 2016, down from 9.2% in the third quarter of 2015. Sales payroll costs increased $12 million, or 8.3%, between quarters, primarily due to incremental coworkers hired since the third quarter of 2015, higher costs consistent with increased Net sales and Gross profit and the inclusion of CDW UK coworker costs. Total coworker count was 8,565, up 296 from 8,269 at September 30, 2015. Total coworker count was 8,465 at December 31, 2015. Non-cash equity-based compensation expense increased $2 million, or 28.5%, during the three months ended September 30, 2016, compared to the prior year period, primarily due to annual equity awards granted under our 2013 Long-Term Incentive Plan in 2016 and equity awards granted in connection with our acquisition of CDW UK.

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Income from operations

Income from operations by segment, in dollars and as a percentage of Net sales, and the year-over-year percentage change for the three months ended September 30, 2016 and 2015 is as follows:

	Three Months Ended September 30,				
	2016		2015		
	Dollars in Millions	Operating Margin Percentage	Dollars in Millions	Operating Margin Percentage	Percent Change in Income from Operations
Segments:(1)					
Corporate(2)	$138.0	7.9 %	$124.0	7.0 %	11.3 %
Public(2)	120.0	7.3	104.2	7.0	15.2
Other(3)(4)	10.0	3.1	5.0	2.0	98.9
Headquarters(5)	(30.5)	nm*	(28.6)	nm*	6.7
Total income from operations	$237.5	6.4 %	$204.6	5.8 %	16.1 %

* Not meaningful

(1) Segment income from operations includes the segment's direct operating income, allocations for Headquarters' costs, allocations for income and expenses from logistics services, certain inventory adjustments and volume rebates and cooperative advertising from vendors.

(2) Certain costs related to technology specialists have been reclassified between our Corporate and Public segments. The prior period has been reclassified to conform to the current period presentation.

(3) Effective January 1, 2016, CDW Advanced Services is included in our Corporate and Public segments and Other is comprised of CDW Canada and CDW UK. The prior period has been reclassified to conform to the current period presentation.

(4) Includes the financial results for our other operating segments, CDW Canada and CDW UK, which do not meet the reportable segment quantitative thresholds.

(5) Includes certain Headquarters' function costs that are not allocated to the segments. Certain Headquarters expenses have been allocated to CDW Canada in 2016. The prior period has been reclassified to conform to the current period presentation.

Income from operations was $238 million for the three months ended September 30, 2016, an increase of $33 million, or 16.1%, compared to $205 million for the three months ended September 30, 2015. Total operating margin percentage increased 60 basis points to 6.4% for the three months ended September 30, 2016, from 5.8% for the three months ended September 30, 2015. Operating margin percentage was positively impacted by increased gross profit driven by a higher mix of net service contract revenue, as well as higher volume rebates. Partially offsetting the increase in operating margin percentage was an increase in Selling and administrative expenses as a percentage of Net sales driven by incremental coworkers hired since the third quarter of 2015, higher costs consistent with increased Net sales and Gross profit and the inclusion of CDW UK coworker costs.

Corporate segment income from operations was $138 million for the three months ended September 30, 2016, an increase of $14 million, or 11.3%, compared to $124 million for the three months ended September 30, 2015. Corporate segment operating margin percentage increased 90 basis points to 7.9% for the three months ended September 30, 2016, from 7.0% for the three months ended September 30, 2015. This increase was primarily due to an increase in gross profit driven by a higher mix of net service contract revenue, as well as higher volume rebates, partially offset by an increase in selling and administrative expenses as a percentage of Net sales, due to higher sales payroll costs.

Public segment income from operations was $120 million for the three months ended September 30, 2016, an increase of $16 million, or 15.2%, compared to $104 million for the three months ended September 30, 2015. Public segment operating margin percentage was 7.3% and 7.0% for the three months ended September 30, 2016 and 2015, respectively. The 30 basis point increase in operating margin percentage was driven by a higher mix of net service contract revenue and higher volume rebates, partially offset by unfavorable product price/mix changes.

Other income from operations was $10 million for the three months ended September 30, 2016, an increase of $5 million, or 98.9%, compared to $5 million for the three months ended September 30, 2015. This was primarily due to the inclusion of CDW UK income from operations. Other operating margin percentage increased 110 basis points to 3.1% for the three months ended September 30, 2016, from 2.0% for the three months ended September 30, 2015. This increase was primarily due to higher

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gross profit, partially offset by an increase in selling and administrative expenses as a percentage of Net sales, driven by higher intangibles amortization expense from our acquisition of CDW UK.

Net loss on extinguishments of long-term debt
For information regarding our debt, see Note 5 (Long-Term Debt) to the accompanying Consolidated Financial Statements. During the three months ended September 30, 2016, there was a $2.1 million net loss on extinguishment of long-term debt, which represents the write-off of unamortized deferred financing costs and unamortized discount related to the Prior Term Loan Facility. There was no net loss on extinguishment of long-term debt for the same period of 2015.

Income tax expense
Income tax expense was $72 million for the three months ended September 30, 2016, compared to $95 million for the same period of the prior year. The effective income tax rate, expressed by calculating the income tax expense as a percentage of Income before income taxes, was 36.5% for the three months ended September 30, 2016, compared to 38.7% for the same period of the prior year and differed in both periods from the US federal statutory rate primarily due to state and local income taxes. Additionally, during the three months ended September 30, 2016, we recorded a $1.2 million tax benefit upon the adoption of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Update ("ASU") 2016-09, Compensation - Stock Compensation, along with a $1.5 million deferred tax benefit as a result of a change in tax law that reduces the UK tax rate in a future period. For the same period of the prior year, we accrued $3.3 million of withholding tax on the unremitted earnings of our Canadian business as a result of no longer asserting these earnings are indefinitely reinvested.
Non-GAAP Financial Measure Reconciliations
We have included reconciliations of Non-GAAP net income, EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and consolidated net sales growth on a constant currency basis for the three months ended September 30, 2016 and 2015 below.
Non-GAAP net income excludes, among other things, charges related to the amortization of acquisition-related intangible assets, non-cash equity-based compensation, acquisition and integration expenses, and gains and losses from the extinguishment of long-term debt. EBITDA is defined as consolidated net income before interest expense, income tax expense, depreciation and amortization. Adjusted EBITDA, which is a measure defined in our credit agreements, means EBITDA adjusted for certain items which are described in the table below. Consolidated net sales growth on a constant currency basis is defined as consolidated net sales growth excluding the impact of foreign currency translation on net sales compared to the prior period.
Non-GAAP net income, EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and consolidated net sales growth on a constant currency basis are considered non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company’s performance or financial position that either excludes or includes amounts that are not normally included or excluded in the most directly comparable measure calculated and presented in accordance with GAAP. Non-GAAP measures used by management may differ from similar measures used by other companies, even when similar terms are used to identify such measures.
We believe these measures provide analysts, investors and management with helpful information regarding the underlying operating performance of our business, as they remove the impact of items that management believes are not reflective of underlying operating performance. Management uses these measures to evaluate period-over-period performance as management believes they provide a more comparable measure of the underlying business. Additionally, Adjusted EBITDA is a measure in the credit agreement governing our Senior Secured Term Loan Facility (“Term Loan”) used to evaluate our ability to make certain investments, incur additional debt, and make restricted payments, such as dividends and share repurchases, as well as whether we are required to make additional principal prepayments on the Term Loan beyond the quarterly amortization payments. For further details regarding the Term Loan, see Note 5 (Long-Term Debt) to the accompanying Consolidated Financial Statements.
Non-GAAP net income

Non-GAAP net income was $160 million for the three months ended September 30, 2016, an increase of $17 million, or 11.9%, compared to $143 million for the three months ended September 30, 2015.

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(in millions)	Three Months Ended September 30, 2016	2015
Net income	$125.9	$150.9
Amortization of intangibles[1]	46.5	45.6
Non-cash equity-based compensation	10.0	7.8
Net loss on extinguishments of long-term debt	2.1	—
Non-cash equity-based compensation related to equity investment[2]	—	20.0
Acquisition and integration expenses[3]	2.4	7.0
Gain on remeasurement of equity investment[4]	—	(98.1)
Other adjustments[5]	(3.3)	0.9
Aggregate adjustment for income taxes[6]	(23.3)	9.1
Non-GAAP net income[7]	$160.3	$143.2

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

(2) Represents our 35% share of an expense related to certain equity awards granted by one of the sellers to CDW UK coworkers in July 2015 prior to our acquisition.

(3) Comprises expenses related to CDW UK.

(4) Represents the gain resulting from the remeasurement of our previously held 35% equity investment to fair value upon the completion of the acquisition of CDW UK.

(5) Primarily includes our share of settlement payments received from the Dynamic Random Access Memory class action lawsuits during the three months ended September 30, 2016. Also includes expenses related to the consolidation of office locations north of Chicago during the three months ended September 30, 2016 and 2015.

(6) For the three months ended September 30, 2016, the aggregate adjustment for income taxes is based on applying a statutory effective tax rate of 36.0% to the amount of pre-tax adjustments. In addition, the aggregate adjustment for income taxes includes $2.7 million of discrete tax benefits recorded in the quarter: $1.5 million related to the adjustment to the deferred tax liability for the acquired intangibles due to a future tax rate reduction in the UK, and $1.2 million for the stock compensation tax benefit related to the adoption of ASU 2016-09. For the three months ended September 30, 2015, the adjustment was based on a statutory effective tax rate of 38.0% (39.0% prior to the CDW UK acquisition), except for the non-cash equity-based compensation from our equity investment and the gain resulting from the remeasurement of our previously held 35% equity investment to fair value upon the completion of the acquisition of CDW UK, which were tax effected at a rate of 35.4%. Includes additional tax expense during the three months ended September 30, 2015 of $3.3 million as a result of recording withholding tax on the unremitted earnings of the Company's Canadian subsidiary.

(7) Includes the impact of consolidating two months of CDW UK's financial results for the three months ended September 30, 2015.

Adjusted EBITDA

Adjusted EBITDA was $310 million for the three months ended September 30, 2016, an increase of $28 million, or 10.0%, compared to $282 million for the three months ended September 30, 2015. As a percentage of Net sales, Adjusted EBITDA was 8.4% for the three months ended September 30, 2016 compared to 8.1% for the three months ended September 30, 2015.

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(in millions)	Three Months Ended September 30, 2016	Percentage of Net Sales		2015	Percentage of Net Sales
Net income	$125.9			$150.9	
Depreciation and amortization	63.1			59.9	
Income tax expense	72.3			95.3	
Interest expense, net	37.6			38.5	
EBITDA	298.9	8.1	%	344.6	9.8%
Adjustments:					
Non-cash equity-based compensation	10.0			7.8	
Net loss on extinguishments of long-term debt	2.1			—	
(Income) loss from equity investments(1)	(0.2)			18.8	
Acquisition and integration expenses(2)	2.4			7.0	
Gain on remeasurement of equity investment(3)	—			(98.1)	
Other adjustments(4)	(2.8)			2.0	
Total adjustments	11.5			(62.5)	
Adjusted EBITDA(5)	$310.4	8.4	%	$282.1	8.1%

(1) Represents our share of net income/loss from our equity investments. Our 35% share of CDW UK's net loss includes our 35% share of an expense related to certain equity awards granted by one of the sellers to CDW UK coworkers in July 2015 prior to the acquisition.

(2) Comprises expenses related to CDW UK.

(3) Represents the gain resulting from the remeasurement of our previously held 35% equity investment to fair value upon the completion of the acquisition of CDW UK.

(4) Primarily includes our share of the settlement payments received from the Dynamic Random Access Memory class action lawsuits during the three months ended September 30, 2016, and the favorable resolution of a local sales tax matter during the three months ended September 30, 2016. Also includes expenses related to the consolidation of office locations north of Chicago and historical retention costs during the three months ended September 30, 2016 and 2015.

(5) Includes the impact of consolidating two months of CDW UK's financial results for the three months ended September 30, 2015.

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Consolidated net sales growth on constant currency basis

Consolidated Net sales increased $207 million, or 5.9%, to $3,708 million for the three months ended September 30, 2016, compared to $3,501 million for the three months ended September 30, 2015. Consolidated Net sales on a constant currency basis, which excludes the impact of foreign currency translation, increased $227 million, or 6.5%, to $3,708 million for the three months ended September 30, 2016, compared to $3,481 million for the three months ended September 30, 2015.

	Three Months Ended September 30,			
(in millions)	2016	2015	% Change	Average Daily % Change(1)
Consolidated Net sales, as reported	$3,708.2	$3,501.1	5.9 %	5.9 %
Foreign currency translation(2)	—	(20.4)		
Consolidated Net sales, on a constant currency basis	$3,708.2	$3,480.7	6.5 %	6.5 %

(1) There were 64 selling days for both the three months ended September 30, 2016 and 2015.

(2) Represents the effect of translating the prior year results of CDW Canada and the two months of CDW UK's results at the average exchange rates applicable in the current year.

Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Results of operations, in dollars and as a percentage of Net sales, for the nine months ended September 30, 2016 and 2015 are as follows:

	Nine Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	Dollars in Millions	Percentage of Net Sales	Dollars in Millions	Percentage of Net Sales
Net sales	$10,489.5	100.0 %	$9,570.3	100.0 %
Cost of sales	8,740.2	83.3	8,012.1	83.7
Gross profit	1,749.3	16.7	1,558.2	16.3
Selling and administrative expenses	1,009.0	9.6	887.5	9.3
Advertising expense	118.3	1.1	108.6	1.1
Income from operations	622.0	5.9	562.1	5.9
Interest expense, net	(112.6)	(1.1)	(121.1)	(1.3)
Net loss on extinguishments of long-term debt	(2.1)	—	(24.3)	(0.3)
Gain on remeasurement of equity investment	—	—	98.1	1.0
Other income (expense), net	2.3	—	(9.5)	(0.1)
Income before income taxes	509.6	4.9	505.3	5.3
Income tax expense	(188.4)	(1.8)	(191.5)	(2.0)
Net income	$321.2	3.1 %	$313.8	3.3 %

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Net sales

Net sales by segment, in dollars and as a percentage of total Net sales, and the year-over-year dollar and percentage change in Net sales for the nine months ended September 30, 2016 and 2015 are as follows:

	Nine Months Ended September 30,						
	2016		2015				
(in millions)	Net Sales	Percentage of Total Net Sales	Net Sales(1)	Percentage of Total Net Sales	Dollar Change	Percent Change(2)	Average Daily Sales Percent Change(2)
Corporate:							
Medium / Large	$4,363.1	41.6 %	$4,353.7	45.5 %	$9.4	0.2 %	(0.3)%
Small Business	857.2	8.2	819.9	8.6	37.3	4.5	4.0
Total Corporate	5,220.3	49.8	5,173.6	54.1	46.7	0.9	0.4
Public:							
Government	1,334.1	12.7	1,178.9	12.3	155.1	13.2	12.6
Education	1,652.4	15.8	1,477.6	15.4	174.9	11.8	11.3
Healthcare	1,270.6	12.1	1,233.2	12.9	37.4	3.0	2.5
Total Public	4,257.1	40.6	3,889.7	40.6	367.4	9.4	8.9
Other	1,012.1	9.6	507.0	5.3	505.1	99.6	98.6
Total net sales	$10,489.5	100.0 %	$9,570.3	100.0 %	$919.2	9.6 %	9.0 %

(1) Effective January 1, 2016, CDW Advanced Services is included in our Corporate and Public segments and Other is comprised of CDW Canada and CDW UK. Prior periods have been reclassified to conform to the current period presentation.

(2) There were 192 and 191 selling days for the nine months ended September 30, 2016 and 2015, respectively.

Total net sales for the nine months ended September 30, 2016 increased $919 million, or 9.6%, to $10,489 million, compared to $9,570 million for the nine months ended September 30, 2015. On an average daily sales basis, total net sales increased 9.0%. Net sales on a constant currency basis, which excludes the impact of currency translation, for the nine months ended September 30, 2016 increased $957 million, or 10.0%, to $10,489 million, compared to $9,532 million for the nine months ended September 30, 2015. See “Non-GAAP Financial Measure Reconciliations” below for additional information. Additionally, net sales for the nine months ended September 30, 2016 and 2015 reflects the impact of consolidating nine and two months of CDW UK, respectively.

Corporate segment net sales for the nine months ended September 30, 2016 increased $47 million, or 0.9%, compared to the nine months ended September 30, 2015. On an average daily sales basis, Corporate segment net sales were up slightly at 0.4%, as growth in transactional products was offset by a decline in solutions-related products. Within our Corporate segment, net sales to medium/large customers increased $9 million, or 0.2%, between periods, driven by growth in notebooks/mobile device products. This growth was partially offset by declines in solution-focused products, including netcomm products and server-related products such as memory, due to ongoing impact of economic uncertainty which continued to cause many customers to put longer tail projects on hold and to extend decision cycles. Net sales to small business customers increased by $37 million, or 4.5%, between periods, driven by growth in notebooks/mobile devices.

Public segment net sales for the nine months ended September 30, 2016 increased $367 million, or 9.4% between periods, driven by growth in our transactional and solution-based products. On an average daily sales basis, Public segment net sales increased 8.9%. Net sales to government customers increased $155 million, or 13.2%, between periods. Net sales in our state and local customer channel experienced strong growth as a continued focus on public safety and the addition of new contracts drove strong results. Net sales to federal government customers grew modestly compared to the prior year's strong results, as growth in software products was partially offset by declines in notebooks/mobile devices and storage-related products. Although we continued to benefit from the strategic changes made to better align with federal government purchasing programs for our federal customers, delivery of several larger transactional orders, including notebooks, will occur in the fourth quarter. Net sales to education customers increased $175 million, or 11.8%, between periods, driven by growth in both our K-12 and higher education customer channels.

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Growth in our K-12 customer channel was led by increases in notebooks/mobile devices, as a result of the implementation of projects related to the U.S. Federal Communications Commission E-Rate program and schools developing digital testing and curriculum programs. Additionally, we continued to see the benefit from programs pointed at select institutions in our higher education channel. Net sales to healthcare customers increased $37 million, or 3.0%, between periods, as some customers began to implement projects that had been on hold due to consolidation activity in the healthcare industry.

Net sales in Other for the nine months ended September 30, 2016 increased $505 million, or 99.6%, compared to the nine months ended September 30, 2015. Other is comprised of CDW Canada and CDW UK. This increase was driven by the impact of consolidating nine months of CDW UK net sales. Net sales of CDW Canada were relatively flat for the nine months ended September 30, 2016, which was impacted by unfavorable foreign currency translation. CDW UK net sales were unfavorably impacted by foreign currency translation.

Gross profit

Gross profit increased $191 million, or 12.3%, to $1,749 million for the nine months ended September 30, 2016, compared to $1,558 million for the nine months ended September 30, 2015. As a percentage of total net sales, gross profit increased 40 basis points to 16.7% for the nine months ended September 30, 2016, up from 16.3% for the nine months ended September 30, 2015.

Our continuing mix into net service contract revenue, including items such as third-party services, warranties, software assurance and SaaS, contributed a positive impact of 30 basis points to gross profit margin as our cost paid to the vendor or third-party service provider is recorded as a reduction to net sales, resulting in net sales being equal to the gross profit on the transaction. We experienced a favorable impact of 40 basis points from vendor partner funding. Vendor partner funding includes purchase discounts, volume rebates and cooperative advertising. These increases were partially offset by 30 basis points of unfavorable product price/mix changes.

The gross profit margin may fluctuate based on various factors, including vendor incentive and inventory price protection programs, cooperative advertising funds classified as a reduction of cost of sales, product mix, net service contract revenue, commission revenue, pricing strategies, market conditions and other factors.

Selling and administrative expenses

Selling and administrative expenses increased $121 million, or 13.7%, to $1,009 million for the nine months ended September 30, 2016, compared to $888 million for the nine months ended September 30, 2015. As a percentage of total net sales, selling and administrative expenses increased 30 basis points to 9.6% in the nine months ended September 30, 2016, up from 9.3% in the comparable prior year period. Sales payroll costs increased $68 million, or 16.6%, between years, primarily due to incremental coworkers hired since the third quarter of 2015, higher costs consistent with increased Net sales and Gross profit and the inclusion of CDW UK coworker costs. Total coworker count was 8,565, up 296 from 8,269 at September 30, 2015. Total coworker count was 8,465 at December 31, 2015. Amortization expense related to intangibles increased $15 million, or 11.9%, during the nine months ended September 30, 2016 compared to the prior year period primarily due to incremental amortization expense related to the intangible assets arising from our acquisition of CDW UK. Non-cash equity-based compensation expense increased $8 million, or 40.6%, during the nine months ended September 30, 2016 compared to the prior year period primarily due to annual equity awards granted under our 2013 Long-Term Incentive Plan in 2016 and equity awards granted in connection with our acquisition of CDW UK.

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Income from operations

Income from operations by segment, in dollars and as a percentage of net sales, and the year-over-year percentage change in income from operations for the nine months ended September 30, 2016 and 2015 is as follows:

	Nine Months Ended September 30, 2016			2015				
	Dollars in Millions	Operating Margin Percentage		Dollars in Millions	Operating Margin Percentage		Percent Change in Income (Loss) from Operations	
Segments: (1)								
Corporate(2)	$391.4	7.5	%	381.5	7.4	%	2.6	%
Public(2)	287.0	6.7		250.6	6.4		14.5	
Other(3)(4)	27.4	2.7		14.2	2.8		93.1	
Headquarters (5)	(83.8)	nm*		(84.2)	nm*		(0.4)	
Total income from operations	$622.0	5.9	%	562.1	5.9	%	10.6	%

* Not meaningful

(1) Segment income from operations includes the segment's direct operating income and allocations for Headquarters' costs, allocations for logistics services, certain inventory adjustments and volume rebates and cooperative advertising from vendors.

(2) Certain costs related to technology specialists have been reclassified between our Corporate and Public segments. The prior period has been reclassified to conform to the current period presentation.

(3) Effective January 1, 2016, CDW Advanced Services is included in our Corporate and Public segments and Other is comprised of CDW Canada and CDW UK. The prior period has been reclassified to conform to the current period presentation.

(4) Includes the financial results for our other operating segments, CDW Canada and CDW UK, which do not meet the reportable segment quantitative thresholds.

(5) Includes certain Headquarters' function costs that are not allocated to the segments. Certain Headquarters expenses have been allocated to CDW Canada in 2016. The prior period has been reclassified to conform to the current period presentation.

Income from operations was $622 million for the nine months ended September 30, 2016, an increase of $60 million, or 10.6%, compared to $562 million for the nine months ended September 30, 2015. Total operating margin percentage remained flat at 5.9% for the nine months ended September 30, 2016 and 2015.

Corporate segment income from operations was $391 million for the nine months ended September 30, 2016, an increase of $10 million, or 2.6%, compared to $382 million for the nine months ended September 30, 2015. Corporate segment operating margin percentage increased 10 basis points to 7.5% for the nine months ended September 30, 2016, from 7.4% for the nine months ended September 30, 2015. This increase was primarily due to an increase in gross profit driven by a higher mix of net service contract revenue, as well as higher volume rebates, partially offset by an increase in selling and administrative expenses as a percentage of Net sales, due to higher sales payroll costs.

Public segment income from operations was $287 million for the nine months ended September 30, 2016, an increase of $36 million, or 14.5%, compared to $251 million for the nine months ended September 30, 2015. Public segment operating margin percentage increased 30 basis points to 6.7% for the nine months ended September 30, 2016, from 6.4% for the nine months ended September 30, 2015. This increase was primarily driven by a higher mix of net service contract revenue and higher volume rebates, partially offset by unfavorable product price/mix changes.

Other income from operations was $27 million for the nine months ended September 30, 2016, an increase of $13 million, or 93.1%, compared to $14 million for the nine months ended September 30, 2015. This increase was primarily due to the inclusion of CDW UK income from operations. Other operating margin percentage decreased 10 basis points to 2.7% for the nine months ended September 30, 2016, from 2.8% for the nine months ended September 30, 2015. This decrease was primarily due to an increase in selling and administrative expenses as a percentage of Net sales, driven by higher intangibles amortization expense from our acquisition of CDW UK.

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Interest expense, net

At September 30, 2016, our outstanding debt totaled $3,241 million compared to $3,268 million at September 30, 2015. Net interest expense for the nine months ended September 30, 2016 was $113 million, a decrease of $8 million compared to $121 million for the nine months ended September 30, 2015. This decrease was primarily due to lower effective interest rates as of September 30, 2016 compared to September 30, 2015 as a result of redemptions and refinancing activities completed during 2015.

Net loss on extinguishments of long-term debt

For information regarding our debt, see Note 5 (Long-Term Debt) to the accompanying Consolidated Financial Statements. During the nine months ended September 30, 2016, there was a $2.1 million net loss on extinguishment of long-term debt, compared to $24.3 million recorded for the same period of 2015. Net loss on extinguishments of long-term debt for the nine months ended September 30, 2016 and 2015 was as follows:

Month of Extinguishment	Debt Instrument	(in millions) Amount Extinguished	Loss Recognized
August 2016	Senior Secured Term Loan Facility	$1,490.4	$ (2.1)
Total Loss Recognized			$ (2.1)
March 2015	2019 Senior Notes	$503.9	$ (24.3) [1]
Total Loss Recognized			$ (24.3)

(1) We repaid all of the remaining aggregate principal amount outstanding. The loss recognized represents the difference between the aggregate principal amount and the net carrying amount of the purchased debt, adjusted for the remaining unamortized deferred financing costs and premium.

Income tax expense

Income tax expense was $188 million for the nine months ended September 30, 2016, compared to $191 million for the same period of the prior year. The effective income tax rate, expressed by calculating the income tax expense as a percentage of Income before income taxes, was 37.0% for the nine months ended September 30, 2016, compared to 37.9% for the same period of the prior year and differed in both periods from the US federal statutory rate primarily due to state and local income taxes. Additionally, during the nine months ended September 30, 2016 we recorded a $1.2 million tax benefit upon the adoption of ASU 2016-09, Compensation - Stock Compensation, along with a $1.5 million deferred tax benefit as a result of a change in tax law that reduces the UK tax rate in a future period. For the same period of the prior year, we accrued $3.3 million of withholding tax on the unremitted earnings of our Canadian business as a result of no longer asserting these earnings are indefinitely reinvested.

Non-GAAP Financial Measure Reconciliations

We have included reconciliations of Non-GAAP net income, EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and consolidated net sales growth on a constant currency basis for the nine months ended September 30, 2016 and 2015 below.

Non-GAAP net income excludes, among other things, charges related to the amortization of acquisition-related intangible assets, non-cash equity-based compensation, acquisition and integration expenses, and gains and losses from the extinguishment of long-term debt. EBITDA is defined as consolidated net income before interest expense, income tax expense, depreciation and amortization. Adjusted EBITDA, which is a measure defined in our credit agreements, means EBITDA adjusted for certain items which are described in the table below. Consolidated net sales growth on a constant currency basis is defined as consolidated net sales growth excluding the impact of foreign currency translation on net sales compared to the prior period.

Non-GAAP net income, EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and consolidated net sales growth on a constant currency basis are considered non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance or financial position that either excludes or includes amounts that are not normally included or excluded in the most directly comparable measure calculated and presented in accordance with GAAP. Non-GAAP measures used by management may differ from similar measures used by other companies, even when similar terms are used to identify such measures.

We believe these measures provide analysts, investors and management with helpful information regarding the underlying operating performance of our business, as they remove the impact of items that management believes are not reflective of underlying operating performance. Management uses these measures to evaluate period-over-period performance as management believes they provide a more comparable measure of the underlying business. Additionally, Adjusted EBITDA is a measure in the credit

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agreement governing our Senior Secured Term Loan Facility ("Term Loan") used to evaluate our ability to make certain investments, incur additional debt, and make restricted payments, such as dividends and share repurchases, as well as whether we are required to make additional principal prepayments on the Term Loan beyond the quarterly amortization payments. For further details regarding the Term Loan, see Note 5 (Long-Term Debt) to the accompanying Consolidated Financial Statements.

Non-GAAP net income

Non-GAAP net income was $429 million for the nine months ended September 30, 2016, an increase of $49 million, or 12.8%, compared to $380 million for the nine months ended September 30, 2015.

	Nine Months Ended September 30,	
(in millions)	2016	2015
Net income	$321.2	$313.8
Amortization of intangibles[(1)]	141.0	126.1
Non-cash equity-based compensation	28.1	20.0
Non-cash equity-based compensation related to equity investment[(2)]	—	20.0
Net loss on extinguishments of long-term debt	2.1	24.3
Acquisition and integration expenses[(3)]	6.2	8.7
Gain on remeasurement of equity investment[(4)]	—	(98.1)
Other adjustments[(5)]	(6.0)	2.5
Aggregate adjustment for income taxes[(6)]	(64.0)	(37.5)
Non-GAAP net income[(7)]	$428.6	$379.8

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

(2) Represents our 35% share of an expense related to certain equity awards granted by one of the sellers to CDW UK coworkers in July 2015 prior to our acquisition.

(3) Comprises expenses related to CDW UK.

(4) Represents the gain resulting from the remeasurement of our previously held 35% equity investment to fair value upon the completion of the acquisition of CDW UK.

(5) Primarily includes our share of settlement payments received from the Dynamic Random Access Memory class action lawsuits during the nine months ended September 30, 2016 and the favorable resolution of a local sales tax matter. Also includes expenses related to the consolidation of office locations north of Chicago during the nine months ended September 30, 2016 and 2015.

(6) For the nine months ended September 30, 2016, the aggregate adjustment for income taxes is based on applying a statutory effective tax rate of 36.0% to the amount of pre-tax adjustments. In addition, the aggregate adjustment for income taxes includes $2.7 million of discrete tax benefits recorded in the quarter: $1.5 million related to the adjustment to the deferred tax liability for the acquired intangibles due to a future tax rate reduction in the UK, and $1.2 million for the stock compensation tax benefit related to the adoption of ASU 2016-09. For the nine months ended September 30, 2015, the adjustment was based on a statutory effective tax rate of 38.0% (39.0% prior to the CDW UK acquisition), except for the non-cash equity-based compensation from our equity investment and the gain resulting from the remeasurement of our previously held 35% equity investment to fair value upon the completion of the acquisition of CDW UK, which were tax effected at a rate of 35.4%. Includes additional tax expense during the nine months ended September 30, 2015 of $3.3 million as a result of recording withholding tax on the unremitted earnings of our Canadian subsidiary.

(7) Includes the impact of consolidating two months of CDW UK's financial results for the nine months ended September 30, 2015.

Adjusted EBITDA

Adjusted EBITDA was $844 million for the nine months ended September 30, 2016, an increase of $83 million, or 10.9%, compared to $761 million for the nine months ended September 30, 2015. As a percentage of Net sales, Adjusted EBITDA was 8.0% for both the nine months ended September 30, 2016 and 2015.

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	Nine Months Ended September 30,			
(in millions)	2016	Percentage of Net Sales	2015	Percentage of Net Sales
Net income	$321.2		$313.8	
Depreciation and amortization	190.7		165.0	
Income tax expense	188.4		191.5	
Interest expense, net	112.6		121.1	
EBITDA	812.9	7.8%	791.4	8.3%
Adjustments:				
Non-cash equity-based compensation	28.1		20.0	
Net loss on extinguishments of long-term debt	2.1		24.3	
(Income) loss from equity investments(1)	(0.9)		10.3	
Acquisition and integration expenses(2)	6.2		8.7	
Gain on remeasurement of equity investment(3)	—		(98.1)	
Other adjustments(4)	(4.8)		4.4	
Total adjustments	30.7		(30.4)	
Adjusted EBITDA(5)	$843.6	8.0%	$761.0	8.0%

(1) Represents our share of net income/loss from our equity investments. Our 35% share of CDW UK's net loss includes our 35% share of an expense related to certain equity awards granted by one of the sellers to CDW UK coworkers in July 2015 prior to the acquisition.

(2) Comprises expenses related to CDW UK.

(3) Represents the gain resulting from the remeasurement of our previously held 35% equity investment to fair value upon the completion of the acquisition of CDW UK.

(4) Primarily includes our share of the settlement payments received from the Dynamic Random Access Memory class action lawsuits during the nine months ended September 30, 2016, and the favorable resolution of a local sales tax matter during the nine months ended September 30, 2016. Also includes expenses related to the consolidation of office locations north of Chicago and historical retention costs during the nine months ended September 30, 2016 and 2015.

(5) Includes the impact of consolidating two months of CDW UK's financial results for the nine months ended September 30, 2015.

Consolidated net sales growth on constant currency basis

Consolidated net sales increased $919 million, or 9.6%, to $10,489 million for the nine months ended September 30, 2016, compared to $9,570 million for the nine months ended September 30, 2015. Consolidated net sales on a constant currency basis, which excludes the impact of foreign currency translation, increased $957 million, or 10.0%, to $10,489 million for the nine months ended September 30, 2016, compared to $9,532 million for the nine months ended September 30, 2015.

	Nine Months Ended September 30,			
(in millions)	2016	2015	% Change	Average Daily % Change(1)
Consolidated Net sales, as reported	$10,489.5	$9,570.3	9.6 %	9.0 %
Foreign currency translation(2)	—	(37.9)		
Consolidated net sales, on a constant currency basis	$10,489.5	$9,532.4	10.0 %	9.5 %

(1) There were 192 and 191 selling days for the nine months ended September 30, 2016 and 2015, respectively.

(2) Represents the effect of translating the prior year results of CDW Canada and the two months of CDW UK's results at the average exchange rates applicable in the current year.

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Seasonality

While we have not historically experienced significant seasonality throughout the year, sales in our Corporate segment, which primarily serves private sector business customers, are typically higher in the fourth quarter than in other quarters due to customers spending their remaining technology budget dollars at the end of the year. Additionally, sales in our Public segment have historically been higher in the third quarter than in other quarters primarily due to the buying patterns of the federal government and education customers.

Liquidity and Capital Resources

Overview

We finance our operations and capital expenditures with internally generated cash from operations. We also have $802 million of availability for borrowings under our senior secured asset-based revolving credit facility and an additional £50 million ($65 million) under the CDW UK revolving credit facility. Our liquidity and borrowing plans are established to align with our financial and strategic planning processes and ensure we have the necessary funding to meet our operating commitments, which primarily include the purchase of inventory, payroll and general expenses. We also take into consideration our overall capital allocation strategy which includes investment for future growth, dividend payments, acquisitions and share repurchases. We believe we have adequate sources of liquidity and funding available at least for the next year, however, there are a number of factors that may negatively impact our available sources of funds. The amount of cash generated from operations will be dependent upon factors such as the successful execution of our business plan and general economic conditions.

Debt Refinancing Activity

On August 17, 2016, we entered into a new seven-year $1,490.4 million aggregate principal amount senior secured term loan facility ("Term Loan"). The Term Loan was issued at a price that was 99.50% of par, which resulted in a discount of $7.4 million. Fees of $4.5 million were capitalized as deferred financing costs and are being amortized over the seven-year term on a straight-line basis. The Term Loan replaced the prior senior secured term loan facility that had an outstanding aggregate principal amount of $1,490.4 million.

On August 1, 2016, we entered into a new five-year £56 million ($72 million as of September 30, 2016) aggregate principal amount term loan facility ("CDW UK Term Loan"). The CDW UK Term Loan replaced the prior senior secured term loan facility (the “Prior CDW UK Term Loan Facility”) that had an outstanding aggregate principal amount of £56 million. In connection with this refinancing, the Prior CDW UK Term Loan Facility was amended to include both the CDW UK Term Loan and a £50 million revolving credit facility ("CDW UK Revolving Credit Facility"). The CDW UK Revolving Credit Facility replaced the prior £50 million revolving credit facility and expires on August 1, 2021.

For additional details regarding our debt and refinancing activities, refer to Note 5 (Long-Term Debt) to the accompanying Consolidated Financial Statements included in Part I, Item I of this Form 10-Q and Note 8 (Long-Term Debt) to the Consolidated Financial Statements contained in the December 31, 2015 financial statements.

Share Repurchase Program

During the nine months ended September 30, 2016, we repurchased 8.4 million shares of our common stock for $355 million under the previously announced $500 million share repurchase program. On May 4, 2016, we announced that our Board of Directors authorized a $750 million increase to our share repurchase program under which we may repurchase shares of our common stock in the open market or through privately negotiated or other transactions, depending on share price, market conditions and other factors. For more information on our share repurchase program, See Part II, Item 2, Unregistered Sales of Equity Securities and Use of Proceeds.

Dividends

A summary of 2016 dividend activity for our common stock is as follows:

Dividend Amount	Declaration Date	Record Date	Payment Date
$0.1075	February 9, 2016	February 25, 2016	March 10, 2016
$0.1075	May 4, 2016	May 25, 2016	June 10, 2016
$0.1075	August 2, 2016	August 25, 2016	September 12, 2016

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On November 2, 2016, we announced that our Board of Directors declared a quarterly cash dividend of $0.16 per common share. The dividend will be paid on December 12, 2016 to all stockholders of record as of the close of business on November 25, 2016.

Cash Flows

Cash flows from operating, investing and financing activities were as follows:

	Nine Months Ended September 30,	
(in millions)	2016	2015
Net cash provided by (used in):		
Operating activities	$499.3	$294.9
Investing activities	(43.5)	(308.2)
Net change in accounts payable-inventory financing	39.2	22.6
Other financing activities	(410.1)	(252.5)
Financing activities	(370.9)	(229.9)
Effect of exchange rate changes on cash and cash equivalents	(4.2)	(3.8)
Net increase (decrease) in cash and cash equivalents	$80.7	$(247.0)

Operating Activities

	Nine Months Ended September 30,		
(in millions)	2016	2015	Dollar Change
Net income	$321.2	$313.8	$7.4
Adjustments for the impact of non-cash items(1)	151.0	98.2	52.8
Net income adjusted for the impact of non-cash items(2)	472.2	412.0	60.2
Changes in assets and liabilities:			—
Accounts receivable(3)	(17.9)	(178.4)	160.5
Merchandise inventory	(64.6)	(54.8)	(9.8)
Accounts payable-trade(4)	141.5	226.0	(84.5)
Other (5)	(31.9)	(109.9)	78.0
Net cash provided by operating activities	$499.3	$294.9	$204.4

(1) Includes items such as Deferred income taxes, Depreciation and amortization, Equity-based compensation expense, Income from equity method investment and Net loss on extinguishments of long-term debt.

(2) The change is primarily due to stronger operating results driven by Net sales growth and the impact of consolidating nine months of CDW UK financial results in 2016, compared to two months in 2015.

(3) The change was primarily due to an increase in collections during 2016 due to the higher accounts receivable balance as of December 31, 2015 driven by higher sales in our Public segment where customers generally take longer to pay than customers in our Corporate segment. In addition, the lower accounts receivable balances as of December 31, 2014, driven by early payments from certain customers, resulted in lower cash flows in the prior year period.

(4) The change was primarily due to the timing of payments to vendors during the current period and longer payment terms with certain vendors.

(5) The change was primarily due to an increase in Deferred revenue and Miscellaneous receivables.

In order to manage our working capital and operating cash needs, we monitor our cash conversion cycle, defined as days of sales outstanding in accounts receivable plus days of supply in inventory minus days of purchases outstanding in accounts payable, based on a rolling three-month average. Components of our cash conversion cycle are as follows:

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(in days)	September 30, 2016	2015
Days of sales outstanding (DSO)(1)	49	45
Days of supply in inventory (DIO)(2)	13	13
Days of purchases outstanding (DPO)(3)	(44)	(40)
Cash conversion cycle	18	18

(1) Represents the rolling three-month average of the balance of Accounts receivable, net at the end of the period, divided by average daily net sales for the same three-month period. Also incorporates components of other miscellaneous receivables.

(2) Represents the rolling three-month average of the balance of Merchandise inventory at the end of the period divided by average daily cost of sales for the same three-month period.

(3) Represents the rolling three-month average of the combined balance of Accounts payable-trade, excluding cash overdrafts, and Accounts payable-inventory financing at the end of the period divided by average daily cost of sales for the same three-month period.

The cash conversion cycle remained flat at 18 days at September 30, 2016 and 2015. The increase in DSO was primarily due to higher net sales and receivables for third-party services such as software assurance and warranties. These services have an unfavorable impact on DSO as the receivable is recognized on the Consolidated Balance Sheet on a gross basis while the corresponding sales amount in the Consolidated Statement of Operations is recorded on a net basis. These services have a favorable impact on DPO as the payable is recognized on the Consolidated Balance Sheet without a corresponding Cost of sales in the Statement of Operations because the cost paid to the vendor or third-party service provider is recorded as a reduction to Net sales. In addition, DPO also increased due to the mix of payables with certain vendors that have longer payment terms.

Investing Activities

Net cash used in investing activities decreased by $265 million in the nine months ended September 30, 2016 compared to the same period of the prior year. The decrease in cash used is primarily due to the completion of our acquisition of CDW UK by purchasing the remaining 65% of its outstanding common stock on August 1, 2015. In addition, capital expenditures were $41 million and $44 million for the nine months ended September 30, 2016 and 2015, respectively, and primarily related to improvements to our information technology systems during both periods.

Financing Activities

Net cash used in financing activities increased by $141 million in the nine months ended September 30, 2016 compared to the same period of the prior year. The increase was primarily driven by share repurchases during the nine months ended September 30, 2016, which resulted in an increase in cash used by financing activities of $162 million, partially offset by the changes in Accounts payable-inventory financing, which resulted in an increase in cash provided for financing activities of $17 million. For more information on our share repurchase program, see Part II, Item 2, Unregistered Sales of Equity Securities and Use of Proceeds. In addition, an increase in dividends paid also contributed to the increase in cash used in financing activities. The increase in cash provided by Accounts payable-inventory financing was primarily driven by the increase in the accounts payable-inventory financing balance as of September 30, 2016, driven by a new vendor addition to our previously existing inventory financing agreement at December 31, 2015. For more information regarding our debt and refinancing activities, see Note 5 (Long-Term Debt) to the accompanying Consolidated Financial Statements.

Long-Term Debt and Financing Arrangements

As of September 30, 2016, we had total indebtedness of $3,241 million, of which $1,559 million was secured indebtedness. At September 30, 2016, we were in compliance with the covenants under our various credit agreements and indentures. The amount of CDW's restricted payment capacity under the Senior Secured Term Loan Facility was $680 million at September 30, 2016. The amount of restricted payment capacity for the CDW UK Term Loan was $120 million.

For additional details regarding our debt and refinancing activities, refer to Note 5 (Long-Term Debt) to the accompanying Consolidated Financial Statements included in Part I, Item I of this Form 10-Q and Note 8 (Long-Term Debt) to the Consolidated Financial Statements contained in the December 31, 2015 financial statements.

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Inventory Financing Agreements

We have entered into agreements with certain financial intermediaries to facilitate the purchase of inventory from various suppliers under certain terms and conditions. These amounts are classified separately as Accounts payable-inventory financing on the Consolidated Balance Sheets. We do not incur any interest expense associated with these agreements as balances are paid when they are due. For further details, see Note 4 (Inventory Financing Agreements) to the accompanying Consolidated Financial Statements included in Part I, Item I of this Form 10-Q.

Contractual Obligations

Except as disclosed under Note 5 (Long-Term Debt) to the accompanying Consolidated Financial Statements included in Part I, Item I of this Form 10-Q, there have been no material changes to our contractual obligations from those reported in our Annual Report on Form 10-K for the year ended December 31, 2015.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Commitments and Contingencies

The information set forth in Note 7 (Commitments and Contingencies) to the accompanying Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q is incorporated herein by reference.

Critical Accounting Policies and Estimates

Our critical accounting policies have not changed from those reported in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2015.

Recent Accounting Pronouncements

The information set forth in Note 2 (Recent Accounting Pronouncements) to the accompanying Consolidated Financial Statements included in Part I, Item 1 "Financial Statements", of this Form 10-Q is incorporated herein by reference.

Forward-Looking Statements

This report contains forward-looking statements within the meaning of the federal securities laws. All statements other than statements of historical fact included in this report are forward-looking statements. These statements relate to analysis and other information, which are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments and business strategies. We claim the protection of The Private Securities Litigation Reform Act of 1995 for all forward-looking statements in this report.

These forward-looking statements are identified by the use of terms and phrases such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “will” and similar terms and phrases, including references t assumptions. However, these words are not the exclusive means of identifying such statements. Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, we cannot assure you that we will achieve those plans, intentions or expectations. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected.

Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are disclosed under the section entitled “Risk Factors” included in our Annual Report on Form 10-K for the year ended December 31, 2015 and from time to time in our subsequent Quarterly Reports on Form 10-Q and our other SEC filings. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements contained in the section entitled “Risk Factors” included in our Annual Report on Form 10-K for the year ended December 31, 2015 and elsewhere in this report as well as other cautionary statements that are made from time to time in our other SEC filings and public communications. You should evaluate all forward-looking statements made in this report in the context of these risks and uncertainties.

We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements

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included in this report are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Quantitative and Qualitative Disclosures of Market Risks” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015. As of September 30, 2016, there have been no material changes in this information.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) or Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on such evaluation, the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, has concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, and that information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely discussions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting during the quarter ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

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PART II—OTHER INFORMATION
Item 1. Legal Proceedings

The information set forth in Note 7 (Commitments and Contingencies) to the accompanying Consolidated Financial Statements included in Part I, Item 1 "Financial Statements", of this Form 10-Q is incorporated herein by reference.
Item 1A. Risk Factors

See “Risk Factors” in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. The disclosure below reflects an update to the risk factors previously disclosed in the Company's annual report on Form 10-K for the year ended December 31, 2015.
General economic conditions may have an adverse impact on our business, results of operations or cash flows.
Weak economic conditions generally, sustained uncertainty about global economic conditions, government spending cuts and the impact of new government programs, or a tightening of credit markets, could cause our customers and potential customers to postpone or reduce spending on technology products or services or put downward pressure on prices, which could have an adverse effect on our business, results of operations or cash flows. For example, there continues to be substantial uncertainty regarding the impact of the Referendum on the United Kingdom’s (“UK”) Membership of the European Union (“EU”) (referred to as “Brexit”), advising for the exit of the UK from the EU. Potential adverse consequences of Brexit such as global market uncertainty, volatility in currency exchange rates, greater restrictions on imports and exports between UK and EU countries and increased regulatory complexities could have a negative impact on our business, financial condition and results of operations.
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
Unregistered Sales of Equity Securities
None.
Issuer Purchases of Equity Securities
Information relating to the Company’s purchases of its common stock during the quarter ended September 30, 2016 is as follows:

Period	Total Number of Shares Purchased (in millions)	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program (in millions)	Maximum Dollar Value of Shares that May Yet be Purchased Under the Program (1) (in millions)
July 1 through July 31, 2016	—	$ —	—	$ 785.5
August 1 through August 31, 2016	1.6	$ 44.85	1.6	$ 712.4
September 1 through September 30, 2016	1.3	$ 44.63	1.3	$ 654.3
Total	2.9		2.9	

(1) On November 6, 2014, the Company announced that the Board of Directors approved a $500 million share repurchase program, which became effective immediately, under which the Company may repurchase shares of its common stock in the open market or through privately negotiated or other transactions, depending on share price, market conditions and other factors. The share repurchase program does not obligate the Company to repurchase any dollar amount or number of shares, and repurchases may be commenced or suspended from time to time without prior notice. On May 4, 2016, the Company announced that its Board of Directors authorized a $750 million increase to the Company's share repurchase program, which became effective immediately.

Item 3. Defaults Upon Senior Securities
None.
Item 4. Mine Safety Disclosures
Not applicable.
Item 5. Other Information

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None.

Item 6. Exhibits

The information required by this Item is set forth on the exhibit index that follows the signature page of this report.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

			CDW CORPORATION
Date:	November 2, 2016	By:	/s/ Ann E. Ziegler
			Ann E. Ziegler
			Senior Vice President and Chief Financial Officer
			(Duly authorized officer and principal financial officer)

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EXHIBIT INDEX

Exhibit	Description
10.1*,§	Amended and Restated CDW Corporation Coworker Stock Purchase Plan.
10.2	Amended and Restated Term Loan Agreement, dated as of August 17, 2016, by and among CDW LLC, the lenders from time to time party thereto, Barclays Bank PLC, as administrative agent and collateral agent, and the joint lead arrangers, joint bookrunners, syndication agent and co-documentation agents party thereto, previously filed as Exhibit 10.1 with CDW Corporation's Form 8-K filed on August 18, 2016 and incorporated herein by reference.
31.1*	Certification of Chief Executive Officer Pursuant to Rule 15d-14(a) under the Securities Exchange Act of 1934.
31.2*	Certification of Chief Financial Officer Pursuant to Rule 15d-14(a) under the Securities Exchange Act of 1934.
32.1*, **	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350.
32.2*, **	Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

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* Filed herewith

§ A management contract or compensatory arrangement required to be filed as an exhibit pursuant to Item 601 of Regulation S-K.

** These items are furnished and not filed.

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