



WESCO®

Q2 2018 Earnings

Webcast Presentation – August 2, 2018



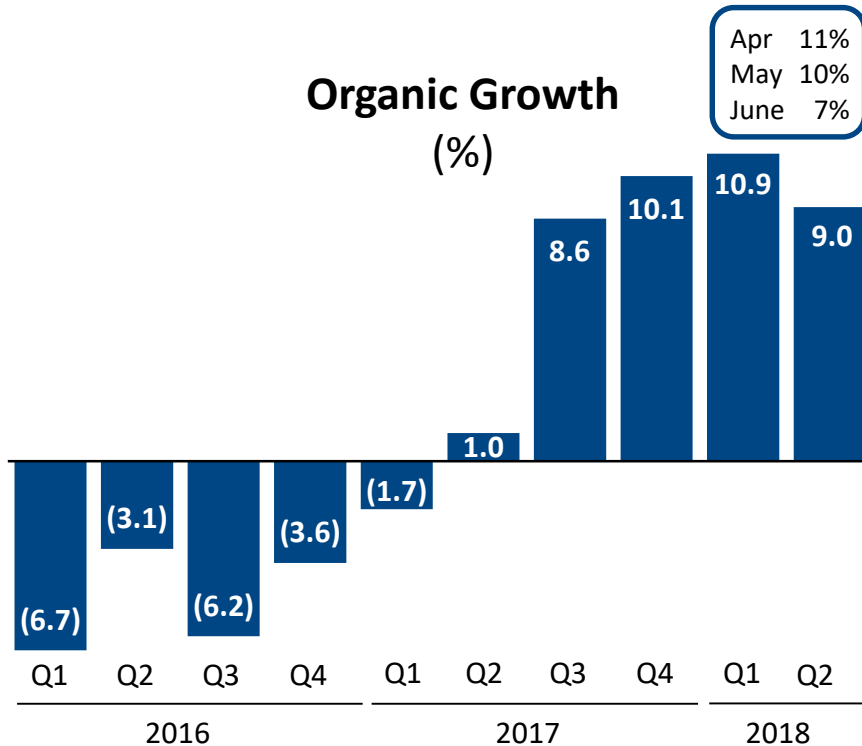
Safe Harbor Statement

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



Q2 2018 Highlights

Organic Growth (%)



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

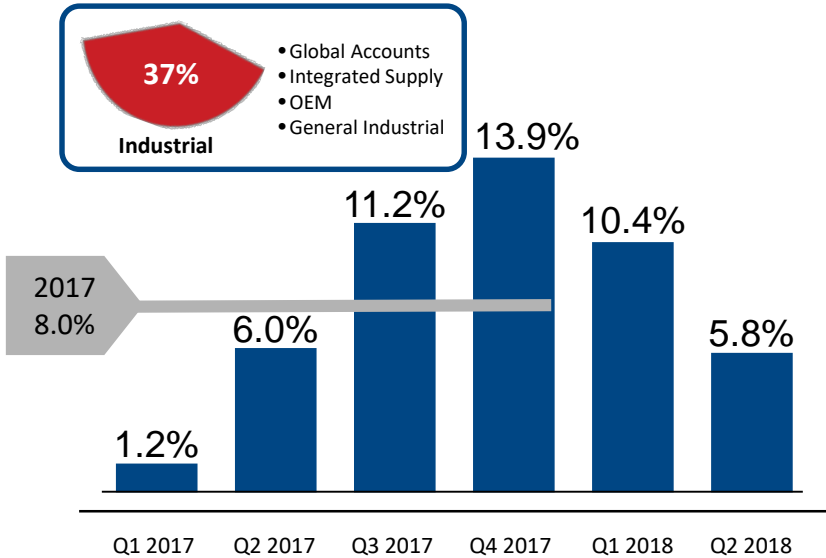
- Continued strong results in the second quarter
 - Double digit operating profit and EPS growth versus prior year
- Continued positive business momentum and growth across all end markets and geographies
- Reported sales were up 10%, organic sales were up 9%:
 - Up 8% in the U.S.
 - Up 8% in Canada
 - Up 30% in International
- Q2 monthly organic sales up 9%, 10% and 11% on a 2 year stack basis
- Estimated pricing impact +2%
- July preliminary workday adjusted sales up mid single digits
- Q2 backlog at an all-time record level, up 2% sequentially and up 10% versus prior year
- Free cash flow at 70% of net income YTD

...double digit operating profit and EPS growth versus prior year



Industrial End Market

Organic Sales Growth versus Prior Year



Note: See appendix for non-GAAP reconciliations.

- Q2 2018 Sales
 - Organic sales were up 6% versus prior year (up 5% in the U.S. and up 7% in Canada in local currency)
 - Up 1% sequentially
- Continued strong business momentum and positive future sentiment with industrial customers
- Sales growth was broad-based across the U.S. and Canada
- Global Account and Integrated Supply opportunity pipeline and bidding activity levels remain strong
- Customer trends include continued high expectations for supply chain process improvements, cost reductions, and supplier consolidation

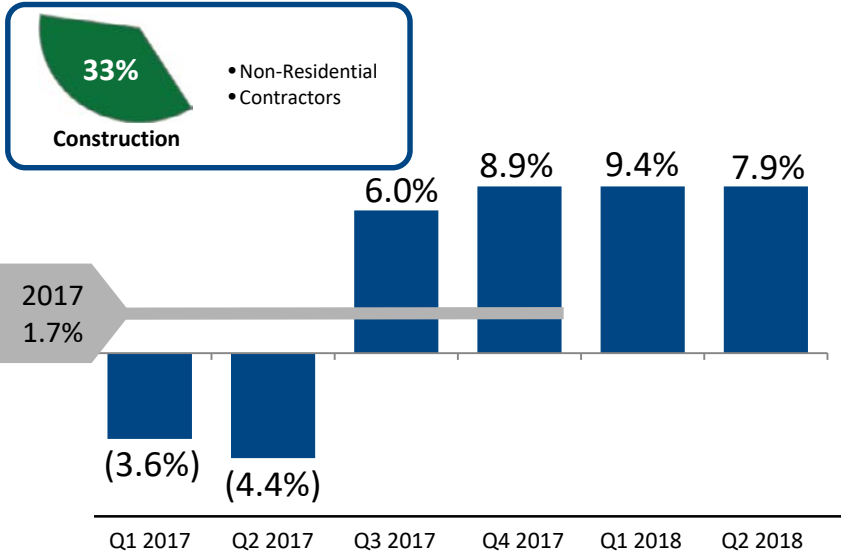


Awarded a multi-year contract to supply electrical MRO materials and support capital projects for a large food and beverage manufacturer in the U.S.



Construction End Market

Organic Sales Growth versus Prior Year



Note: See appendix for non-GAAP reconciliations.

- Q2 2018 Sales
 - Organic sales were up 8% versus prior year (up 8% in the U.S. and up 9% in Canada in local currency)
 - Up 8% sequentially
- Continued strong business momentum with construction/contractor customers
- Sales growth was broad-based across the U.S. and Canada
- Backlog up 10% versus prior year and is up 2% from Q1
- Expecting moderate growth and uptrend in non-residential construction market to continue

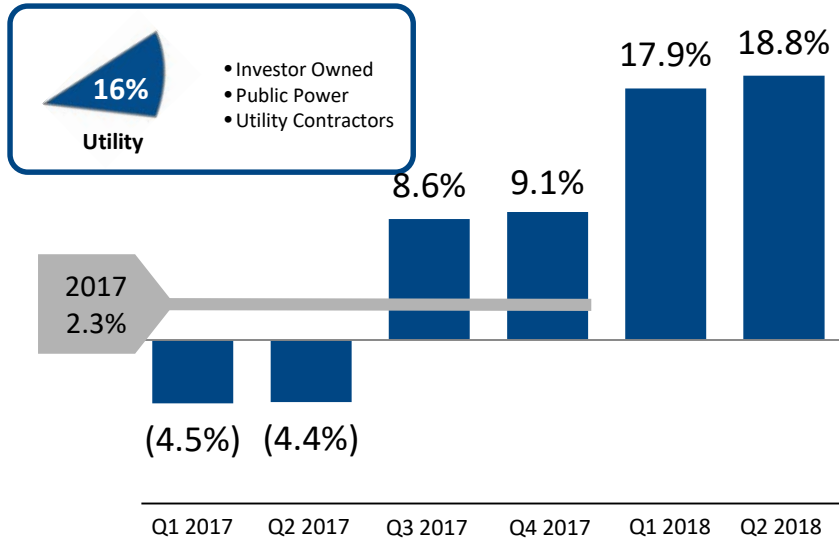


Awarded a contract to provide high voltage materials to a contractor for an upgrade to a wastewater treatment facility in the U.S.



Utility End Market

Organic Sales Growth versus Prior Year



Note: See appendix for non-GAAP reconciliations.

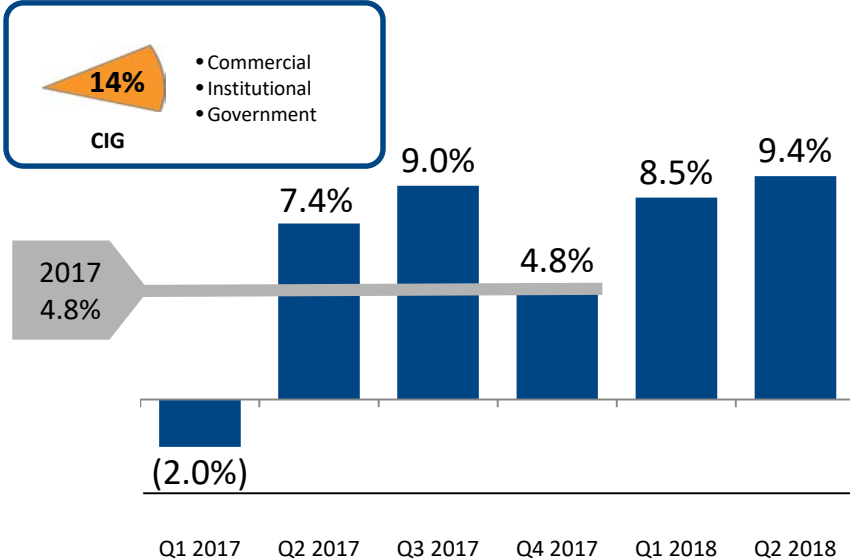
- Q2 2018 Sales
 - Organic sales were up 19% versus prior year (up 22% in the U.S. and down 2% in Canada in local currency)
 - Up 7% sequentially
- Continued scope expansion and value creation with investor-owned utility, public power, and generation customers
- Continued interest in Integrated Supply solution offerings
- Favorable economic conditions, continued improvement in construction market, renewables growth, and consolidation trend within Utility industry remain positive catalysts for future spending



Awarded a multi-year contract to provide material management logistic services for an existing IOU customer in support of an infrastructure improvement project.



Organic Sales Growth versus Prior Year



Q1 2017 Q2 2017 Q3 2017 Q4 2017 Q1 2018 Q2 2018

Note: See appendix for non-GAAP reconciliations.

- Q2 2018 Sales
 - Organic sales were up 9% versus prior year (flat in the U.S. and up 14% in Canada in local currency; balance of growth in International)
 - Up 15% sequentially
- Technical expertise and supply chain solutions driving positive momentum in datacenter, broadband, and cloud technology projects
- Continued strong momentum seen in LED lighting retrofits, FTTX deployments, broadband build outs, and cyber and physical security for critical infrastructure protection

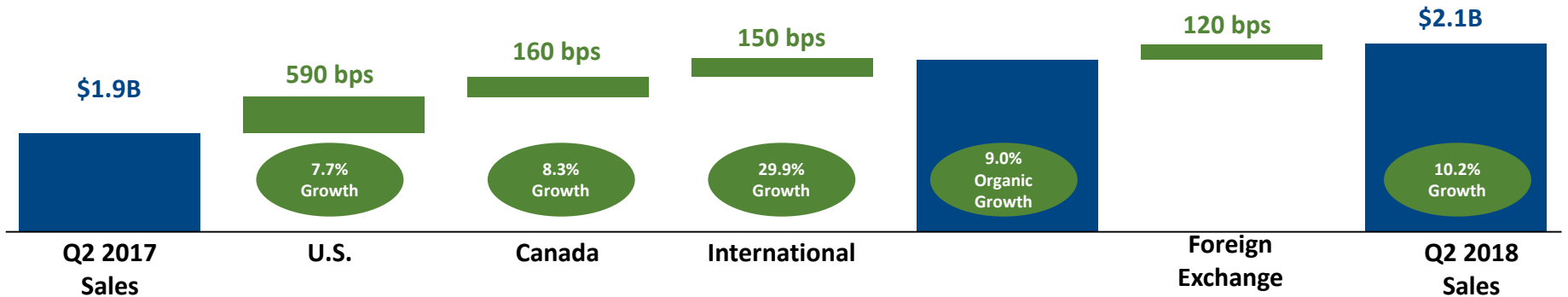


Awarded a contract to provide outside plant materials in support of a fiber to the home network build out for an electric cooperative.



Q2 2018 Results

	Outlook	Actual	YOY
Sales	7% to 10%	\$2.1B	Up 10.2%
Gross Margin		19.0%	Down 20 bps ⁽¹⁾
SG&A		\$293M, 13.9%	Up 10%, improved 10 bps
Operating Profit		\$91M	Up 10%
Operating Margin	4.2% to 4.5%	4.3%	Flat ⁽²⁾
Effective Tax Rate	~21%	21.5%	Down 380 bps
EPS		\$1.22	Up 20%



Note: See appendix for non-GAAP reconciliations.

⁽¹⁾ Includes the impact of a 15 bps reclassification of certain labor costs from selling, general and administrative expenses.

⁽²⁾ Operating profit was 4.5% excluding the impact of a bad debt charge related to a Canadian customer that ceased operations.

...margins stabilizing, positive operating profit pull through

Diluted EPS Walk



	Q2
2017	\$1.02
Core operations (Includes the planned restoration of variable compensation versus prior year)	0.09
Foreign exchange	0.02
Tax	0.06
Share count	0.03
2018	\$1.22

...20% EPS growth versus prior year

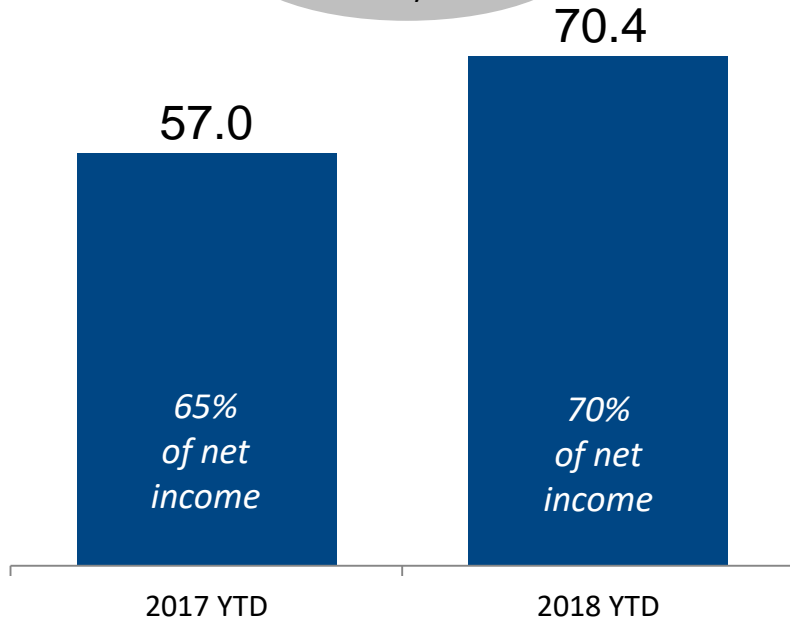


Free Cash Flow & Leverage

Free Cash Flow

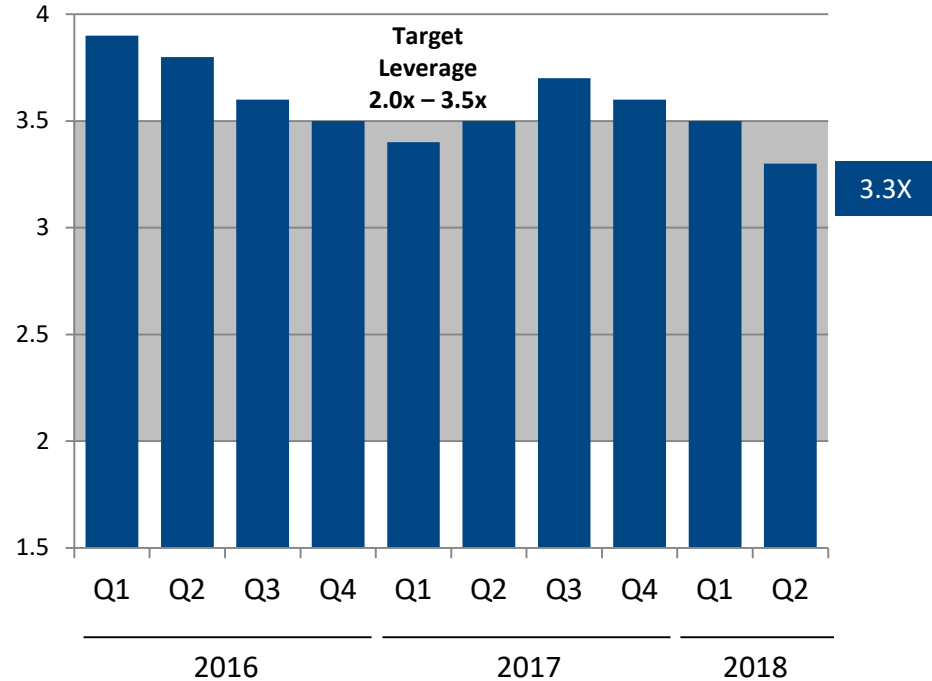
(\$ Millions)

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



Leverage

(Total Debt to TTM EBITDA)



Note: See appendix for non-GAAP reconciliations.

2018 Outlook



	Q3	FY (Current)	FY (Previous)
Sales	3% to 6%	6% to 9%	5% to 8%
Operating Margin	4.5% to 4.8%	4.2% to 4.5%	4.2% to 4.6%
Effective Tax Rate	~ 21%	21% to 23%	21% to 23%
Diluted EPS		\$4.60 to \$5.00	\$4.50 to \$5.00
Free Cash Flow		>90% of net income	>90% of net income

Notes: Excludes unannounced acquisitions.
Assumes a CAD/USD exchange rate of 0.76.
See appendix for non-GAAP reconciliations.

...raising sales and EPS outlook for 2018



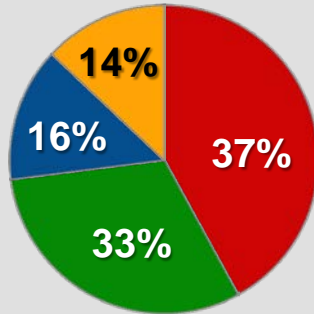
Appendix

NON-GAAP FINANCIAL 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. Management believes that these non-GAAP measures are useful to investors as they provide a better understanding of sales performance, and the use of debt and liquidity on a comparable basis. Management does not use these non-GAAP financial measures for any purpose other than the reasons stated above.



Markets & Customers



Industrial

Global Accounts | Integrated Supply
OEM | General Industrial

Construction

Non-Residential | Contractors

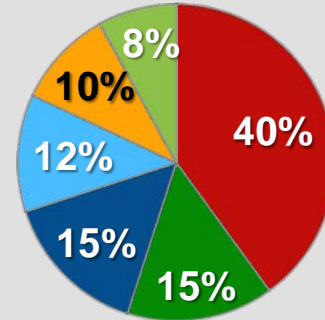
Utility

Investor Owned | Public Power
Utility Contractors

CIG

Commercial | Institutional | Government

Products & Services



General Supplies

Communications & Security

Wire, Cable & Conduit

Lighting & Sustainability

Electrical Distribution & Controls

Automation, Controls & Motors

Sales Growth



(%)

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

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



Q2 2018 Organic Sales Growth by Geography

(%)

	U.S.	Canada	International	WESCO
Change in net sales (USD)	7.7	13.2	35.2	10.2
Impact from acquisitions	-	-	-	-
Impact from foreign exchange rates	-	4.9	5.3	1.2
Impact from number of workdays	-	-	-	-
Organic sales growth	7.7	8.3	29.9	9.0



Sales Growth-End Markets

(\$ Millions)

	Q2 2018 vs. Q2 2017			Q2 2018 vs. Q1 2018		
	Q2 2018	Q2 2017	% Growth	Q2 2018	Q1 2018	% Growth
Industrial Core	764	714	6.9%	764	762	0.2%
Construction Core	686	626	9.6%	686	640	7.2%
Utility Core	338	284	19.3%	338	317	6.8%
CIG Core	324	293	10.4%	324	283	14.5%
Total Core Gross Sales	2,112	1,918	10.2%	2,112	2,002	5.5%
Total Gross Sales from Acquisitions	-	-		-	-	
Total Gross Sales	2,112	1,918	10.2%	2,112	2,002	5.5%
Gross Sales Reductions/Discounts	(8)	(8)		(8)	(8)	
Total Net Sales	2,104	1,910	10.2%	2,104	1,994	5.5%

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



Q2 2018 Organic Sales by End Market

(%)

	Industrial	Construction	Utility	CIG	WESCO
Core Sales Growth	6.9	9.6	19.3	10.4	10.2
FX Impact	1.1	1.7	0.5	1.0	1.2
Workday Impact	-	-	-	-	-
Organic Growth	5.8	7.9	18.8	9.4	9.0

Gross Margin



(\$ Millions)

	Three Months Ended	
	June 30, 2018	June 30, 2017
Net sales	\$2,104	\$1,910
Cost of goods sold (excluding depreciation and amortization)	1,704	1,544
Gross profit	\$400	\$366
Gross margin	19.0%	19.2%

Note: 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.



Capital Structure

(\$ Millions)

	Outstanding at December 31, 2017	Outstanding at June 30, 2018	Debt Maturity Schedule
AR Revolver ^(V)	380	395	2020
Inventory Revolver ^(V)	12	3	2020
2019 Term Loans ^(V)	85	25	2019
2021 Senior Notes ^(F)	500	500	2021
2024 Senior Notes ^(F)	350	350	2024
Other ^(V)	36	38	N/A
Total Debt	1,363	1,310	

Key Financial Metrics		
	YE 2017	Q2 2018
Cash	118	111
Capital Expenditures	22	9
Free Cash Flow ⁽¹⁾	128	25
Liquidity ⁽²⁾	794	772

^(V) Variable Rate Debt

^(F) Fixed Rate Debt

⁽¹⁾ Cash flow provided by operations less capital expenditures.

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



Financial Leverage

(\$ Millions)

	Twelve Months Ended <u>June 30, 2018</u>	
Income from operations ⁽¹⁾	\$	334
Depreciation and amortization		64
EBITDA	\$	398
		<u>June 30, 2018</u>
Short-term borrowings and current debt	\$	37
Long-term debt		1,262
Debt discount and debt issuance costs ⁽²⁾		11
Total debt	\$	1,310
Less: cash and cash equivalents	\$	111
Total debt, net of cash	\$	1,199
Financial leverage ratio		3.3X
Financial leverage ratio, net of cash		3.0X

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

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

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



Free Cash Flow Reconciliation

(\$ Millions)

	YTD 2017	YTD 2018
Cash flow provided by operations	66.8	86.8
Less: Capital expenditures	(9.8)	(16.4)
Free cash flow	57.0	70.4
Net income	87.4	100.6
Percentage of net income	65%	70%

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

Work Days



	Q1	Q2	Q3	Q4	FY
2016	64	64	64	62	254
2017	64	64	63	62	253
2018	64	64	63	62	253