

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2021

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-14989

WESCO International, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

**225 West Station Square Drive
Suite 700**

Pittsburgh, Pennsylvania

(Address of principal executive offices)

25-1723342

(I.R.S. Employer
Identification No.)

15219

(Zip Code)

(412) 454-2200

(Registrant's telephone number, including area code)

Not applicable.

(Former name, former address and former fiscal year, if changed since last report)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Class	Trading Symbol(s)	Name of Exchange on which registered
Common Stock, par value \$.01 per share	WCC	New York Stock Exchange
Depository Shares, each representing a 1/1,000th interest in a share of Series A Fixed-Rate Reset Cumulative Perpetual Preferred Stock	WCC PR A	New York Stock Exchange
Preferred Share Purchase Rights	N/A	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 6, 2021, 50,182,480 shares of common stock, \$0.01 par value, of the registrant were outstanding.

QUARTERLY REPORT ON FORM 10-Q

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

The interim financial information required by this item is set forth in the unaudited Condensed Consolidated Financial Statements and Notes thereto in this Quarterly Report on Form 10-Q, as follows:

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(unaudited)

Assets	As of	
	March 31, 2021	December 31, 2020
Current assets:		
Cash and cash equivalents	\$ 303,887	\$ 449,135
Trade accounts receivable, net of allowance for expected credit losses of \$28,333 and \$23,909 in 2021 and 2020, respectively	2,574,803	2,466,903
Other accounts receivable	234,898	239,199
Inventories	2,290,453	2,163,831
Prepaid expenses and other current assets	171,099	187,910
Total current assets	5,575,140	5,506,978
Property, buildings and equipment, net of accumulated depreciation of \$323,819 and \$312,106 in 2021 and 2020, respectively	391,240	399,157
Operating lease assets	519,311	534,705
Intangible assets, net	2,045,992	2,065,495
Goodwill	3,199,494	3,187,169
Other assets	147,093	131,637
Assets held for sale	—	55,073
Total assets	\$ 11,878,270	\$ 11,880,214
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,955,365	\$ 1,707,329
Accrued payroll and benefit costs	157,498	198,535
Short-term debt and current portion of long-term debt, net of debt issuance costs of \$1,039 in 2020	20,802	528,830
Other current liabilities	592,346	552,301
Total current liabilities	2,726,011	2,986,995
Long-term debt, net of debt discount and debt issuance costs of \$83,627 and \$87,142 in 2021 and 2020, respectively	4,592,734	4,369,953
Operating lease liabilities	399,758	414,889
Deferred income taxes	474,274	488,261
Other noncurrent liabilities	285,790	278,010
Liabilities held for sale	—	5,717
Total liabilities	\$ 8,478,567	\$ 8,543,825
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, \$.01 par value; 20,000,000 shares authorized, no shares issued or outstanding	—	—
Preferred stock, Series A, \$.01 par value; 25,000 shares authorized, 21,612 shares issued and outstanding in 2021 and 2020	—	—
Common stock, \$.01 par value; 210,000,000 shares authorized, 67,726,867 and 67,596,515 shares issued and 50,180,007 and 50,064,985 shares outstanding in 2021 and 2020, respectively	678	676
Class B nonvoting convertible common stock, \$.01 par value; 20,000,000 shares authorized, 4,339,431 issued and no shares outstanding in 2021 and 2020, respectively	43	43
Additional capital	1,946,517	1,942,810
Retained earnings	2,645,871	2,601,662
Treasury stock, at cost; 21,886,291 and 21,870,961 shares in 2021 and 2020, respectively	(939,756)	(938,335)
Accumulated other comprehensive loss	(246,293)	(263,134)
Total WESCO International, Inc. stockholders' equity	3,407,060	3,343,722
Noncontrolling interests	(7,357)	(7,333)
Total stockholders' equity	3,399,703	3,336,389
Total liabilities and stockholders' equity	\$ 11,878,270	\$ 11,880,214

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

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)
(In thousands, except per share data)
(unaudited)

	Three Months Ended	
	March 31	
	2021	2020
Net sales	\$ 4,041,477	\$ 1,968,647
Cost of goods sold (excluding depreciation and amortization)	3,230,441	1,592,249
Selling, general and administrative expenses	636,576	299,392
Depreciation and amortization	41,209	16,093
Income from operations	133,251	60,913
Interest expense, net	70,373	16,592
Other, net	(2,807)	(120)
Income before income taxes	65,685	44,441
Provision for income taxes	6,531	10,266
Net income	59,154	34,175
Less: Net loss attributable to noncontrolling interests	(24)	(232)
Net income attributable to WESCO International, Inc.	59,178	34,407
Less: Preferred stock dividends	14,352	—
Net income attributable to common stockholders	\$ 44,826	\$ 34,407
Other comprehensive income (loss):		
Foreign currency translation adjustments	16,841	(93,851)
Comprehensive income (loss) attributable to common stockholders	\$ 61,667	\$ (59,444)
Earnings per share attributable to common stockholders		
Basic	\$ 0.89	\$ 0.82
Diluted	\$ 0.87	\$ 0.82

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

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Three Months Ended	
	March 31	
	2021	2020
Operating activities:		
Net income	\$ 59,154	\$ 34,175
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	41,209	16,093
Stock-based compensation expense	5,954	4,626
Gain on divestitures, net (Note 4)	(8,927)	—
Other operating activities, net	5,939	(2,866)
Deferred income taxes	(13,074)	1,979
Changes in assets and liabilities:		
Trade accounts receivable, net	(117,412)	(53,944)
Other accounts receivable	7,563	19,236
Inventories	(124,772)	37,807
Other current and noncurrent assets	17,140	(3,125)
Accounts payable	250,987	(10,858)
Accrued payroll and benefit costs	(43,824)	(18,973)
Other current and noncurrent liabilities	40,553	7,378
Net cash provided by operating activities	120,490	31,528
Investing activities:		
Capital expenditures	(10,211)	(15,762)
Acquisition payments (Note 4)	—	(100,000)
Proceeds from divestitures (Note 4)	54,142	—
Other investing activities, net	611	5,497
Net cash provided by (used in) investing activities	44,542	(110,265)
Financing activities:		
Repayments of short-term debt, net	(8,499)	(383)
Repayment of 5.375% Senior Notes due 2021 (Note 8)	(500,000)	—
Proceeds from issuance of long-term debt	956,595	585,511
Repayments of long-term debt	(736,595)	(300,511)
Repurchases of common stock	(4,342)	(1,566)
Payment of dividends	(14,352)	—
Other financing activities, net	(4,980)	(4,360)
Net cash (used in) provided by financing activities	(312,173)	278,691
Effect of exchange rate changes on cash and cash equivalents	1,893	(8,296)
Net change in cash and cash equivalents	(145,248)	191,658
Cash and cash equivalents at the beginning of period	449,135	150,902
Cash and cash equivalents at the end of period	\$ 303,887	\$ 342,560
Supplemental disclosures:		
Cash paid for interest	\$ 10,733	\$ 4,029
Cash paid for income taxes	\$ 6,086	\$ 6,245
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 19,960	\$ 57,185

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

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except shares)
(unaudited)

	Common Stock		Class B Common Stock		Series A Preferred Stock		Additional Capital	Retained Earnings (Deficit)	Treasury Stock		Noncontrolling Interests	Accumulated Other Comprehensive Income (Loss)
	Amount	Shares	Amount	Shares	Amount	Shares			Amount	Shares		
	Balance, December 31, 2020	\$ 676	67,596,515	\$ 43	4,339,431	\$ —			21,612	\$ 1,942,810		
Exercise of stock-based awards	2	165,641					(38)		(1,421)	(15,330)		
Stock-based compensation expense							5,954					
Tax withholding related to vesting of restricted stock units and retirement of common stock	—	(35,289)					(2,209)	(617)				
Noncontrolling interests											(24)	
Net income attributable to WESCO								59,178				
Preferred stock dividends								(14,352)				
Translation adjustments												16,841
Balance, March 31, 2021	\$ 678	67,726,867	\$ 43	4,339,431	\$ —	21,612	\$ 1,946,517	\$ 2,645,871	\$(939,756)	(21,886,291)	\$ (7,357)	\$ (246,293)

	Common Stock		Class B Common Stock		Series A Preferred Stock		Additional Capital	Retained Earnings (Deficit)	Treasury Stock		Noncontrolling Interests	Accumulated Other Comprehensive Income (Loss)
	Amount	Shares	Amount	Shares	Amount	Shares			Amount	Shares		
	Balance, December 31, 2019	\$ 593	59,308,018	\$ 43	4,339,431	\$ —			—	\$ 1,039,347		
Exercise of stock-based awards	1	105,620					(39)		79	2,020		
Stock-based compensation expense							4,626					
Tax withholding related to vesting of restricted stock units and retirement of common stock	—	(31,680)					(2,297)	761				
Noncontrolling interests											(232)	
Net income attributable to WESCO								34,407				
Translation adjustments												(93,851)
Balance, March 31, 2020	\$ 594	59,381,958	\$ 43	4,339,431	\$ —	—	\$ 1,041,637	\$ 2,565,597	\$(937,078)	(21,848,336)	\$ (7,044)	\$ (461,623)

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

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. ORGANIZATION

WESCO International, Inc. ("WESCO International") and its subsidiaries (collectively, "WESCO" or the "Company"), headquartered in Pittsburgh, Pennsylvania, is a leading provider of business-to-business distribution, logistics services and supply chain solutions.

The Company has operating segments that are organized around three strategic business units consisting of Electrical & Electronic Solutions ("EES"), Communications & Security Solutions ("CSS") and Utility & Broadband Solutions ("UBS").

2. ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements of WESCO have been prepared in accordance with Rule 10-01 of Regulation S-X of the Securities and Exchange Commission (the "SEC"). The unaudited condensed consolidated financial information should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto included in WESCO's 2020 Annual Report on Form 10-K as filed with the SEC on March 1, 2021. The Condensed Consolidated Balance Sheet at December 31, 2020 was derived from the audited Consolidated Financial Statements as of that date, but does not include all of the disclosures required by accounting principles generally accepted in the United States of America.

The unaudited Condensed Consolidated Balance Sheet as of March 31, 2021, the unaudited Condensed Consolidated Statements of Income and Comprehensive Income (Loss), the unaudited Condensed Consolidated Statements of Cash Flows, and the unaudited Condensed Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2021 and 2020, respectively, in the opinion of management, have been prepared on the same basis as the audited Consolidated Financial Statements and include all adjustments necessary for the fair statement of the results of the interim periods presented herein. All adjustments reflected in the unaudited condensed consolidated financial information are of a normal recurring nature unless indicated. The results for the interim periods presented herein are not necessarily indicative of the results to be expected for the full year.

Prior to the completion of its merger with Anixter International Inc. ("Anixter") on June 22, 2020, as described in Note 4, "Acquisitions and Disposals", WESCO had four operating segments that had been aggregated as one reportable segment. Effective on the date of acquisition, the Company added Anixter as a separate reportable segment for the quarterly period ended June 30, 2020. At the beginning of the third quarter of 2020, the Company identified new operating segments organized around three strategic business units consisting of EES, CSS and UBS. These operating segments are equivalent to the Company's reportable segments. The operating segments in the respective periods were determined in accordance with the manner in which WESCO's chief operating decision maker ("CODM") reviewed financial information during those periods. The financial information used by the CODM to evaluate the performance of the Company's operating segments is disclosed in Note 13, "Business Segments". The applicable comparative financial information reported in the Company's previously issued interim financial statements for the three months ended March 31, 2020 has been recast in this Quarterly Report on Form 10-Q to conform to the basis of the new segments.

Reclassifications

For the three months ended March 31, 2020, \$0.1 million of other non-operating income has been reclassified from net interest and other to other, net in the unaudited Condensed Consolidated Statement of Income and Comprehensive Loss, and \$4.6 million of stock-based compensation expense has been reclassified from other operating activities in the unaudited Condensed Consolidated Statement of Cash Flows. These reclassifications have been made to conform to the current period presentation.

Recently Adopted Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which removes certain exceptions to the general principles of Accounting Standards Codification Topic 740, *Income Taxes*, and simplifies other aspects of accounting for income taxes. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted in any interim or annual period, with any adjustments reflected as of the beginning of the fiscal year of adoption. The Company adopted this ASU in the first quarter of 2021. The adoption of this guidance did not have a material impact on the consolidated financial statements and notes thereto presented herein.

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)
(unaudited)

Recently Issued Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments in this Update are effective for all entities as of March 12, 2020 through December 31, 2022. Management is currently evaluating the impact related to the replacement of London Interbank Offered Rate (LIBOR) and whether the Company will elect the adoption of the optional guidance.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to WESCO's financial position, results of operations or cash flows.

3. REVENUE

WESCO distributes products and provides services to customers globally in various end markets within its business segments. The segments, which consist of EES, CSS and UBS operate in the United States, Canada and various other international countries.

The following tables disaggregate WESCO's net sales by segment and geography for the periods presented:

(In thousands)	Three Months Ended	
	March 31	
	2021	2020
EES	\$ 1,720,813	\$ 1,114,457
CSS	1,250,615	223,726
UBS	1,070,049	630,464
Total by segment	\$ 4,041,477	\$ 1,968,647

(In thousands)	Three Months Ended	
	March 31	
	2021	2020
United States	\$ 2,930,435	\$ 1,478,491
Canada	607,753	377,419
Other International ⁽¹⁾	503,289	112,737
Total by geography ⁽²⁾	\$ 4,041,477	\$ 1,968,647

⁽¹⁾ No individual other international country's net sales are material.

⁽²⁾ WESCO attributes revenues from external customers to individual countries on the basis of point of sale.

In accordance with certain contractual arrangements, WESCO receives payment from its customers in advance and recognizes such payment as deferred revenue. Revenue for advance payment is recognized when the performance obligation has been satisfied and control has transferred to the customer, which is generally upon shipment. Deferred revenue is usually recognized within a year or less from the date of the customer's advance payment. At March 31, 2021 and December 31, 2020, \$22.6 million and \$24.3 million, respectively, of deferred revenue was recorded as a component of other current liabilities in the Condensed Consolidated Balance Sheets.

WESCO's revenues are adjusted for variable consideration, which includes customer volume rebates, returns, and discounts. WESCO measures variable consideration by estimating expected outcomes using analysis and inputs based upon historical data as well as current and forecasted information. Variable consideration is reviewed by management on a monthly basis and revenue is adjusted accordingly. Variable consideration reduced revenue for the three months ended March 31, 2021 and 2020 by approximately \$105.4 million and \$23.3 million, respectively. As of March 31, 2021 and December 31, 2020, the Company's estimated product return obligation was \$36.6 million and \$38.9 million, respectively.

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)
(unaudited)

Shipping and handling activities are recognized in net sales when they are billed to the customer. WESCO has elected to recognize shipping and handling costs as a fulfillment cost. Shipping and handling costs recorded as a component of selling, general and administrative expenses totaled \$53.3 million and \$18.0 million for the three months ended March 31, 2021 and 2020, respectively.

4. ACQUISITIONS AND DISPOSALS

Anixter International Inc.

On June 22, 2020, WESCO completed its acquisition of Anixter, a Delaware corporation. Pursuant to the terms of the Agreement and Plan of Merger, dated January 10, 2020 (the “Merger Agreement”), by and among Anixter, WESCO and Warrior Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of WESCO (“Merger Sub”), Merger Sub was merged with and into Anixter (the “Merger”), with Anixter surviving the Merger and continuing as a wholly owned subsidiary of WESCO. On June 23, 2020, Anixter merged with and into Anixter Inc., with Anixter Inc. surviving to become a wholly owned subsidiary of WESCO.

The Company used the net proceeds from the issuance of senior unsecured notes, borrowings under its revolving credit and accounts receivable securitization facilities, as well as cash on hand, to finance the acquisition of Anixter and related transaction costs.

At the effective time of the Merger, each outstanding share of common stock of Anixter (subject to limited exceptions) was converted into the right to receive (i) \$72.82 in cash, (ii) 0.2397 shares of common stock of WESCO, par value \$0.01 per share (the “WESCO Common Stock”) and (iii) 0.6356 depository shares, each representing a 1/1,000th interest in a share of newly issued fixed-rate reset cumulative perpetual preferred stock of WESCO, Series A, with a \$25,000 stated amount per whole preferred share and an initial dividend rate equal to 10.625%.

Anixter is a leading distributor of network and security solutions, electrical and electronic solutions, and utility power solutions with locations in over 300 cities across approximately 50 countries, and 2019 annual sales of more than \$8 billion. The Merger brought together two companies with highly compatible capabilities and characteristics. The combination of WESCO and Anixter created an enterprise with scale and should afford the Company the opportunity to digitize its business, and expand its services portfolio and supply chain offerings.

The total preliminary estimated fair value of consideration transferred for the Merger consisted of the following:

	(In thousands)
Cash portion attributable to common stock outstanding	\$ 2,476,010
Cash portion attributable to options and restricted stock units outstanding	87,375
Fair value of cash consideration	<u>2,563,385</u>
Common stock consideration	313,512
Series A preferred stock consideration	<u>573,786</u>
Fair value of equity consideration	887,298
Extinguishment of Anixter obligations, including accrued and unpaid interest ⁽¹⁾	<u>1,247,653</u>
Total purchase consideration	<u>\$ 4,698,336</u>
Supplemental cash flow disclosure related to acquisitions:	
Cash paid for acquisition	\$ 3,811,038
Less: Cash acquired	<u>(103,463)</u>
Cash paid for acquisition, net of cash acquired	<u>\$ 3,707,575</u>

⁽¹⁾ The extinguishment of Anixter obligations includes a termination fee of \$100.0 million that WESCO paid to entities affiliated with Clayton, Dubilier & Rice, LLC (“CD&R”), on behalf of Anixter, during the three months ended March 31, 2020. Such fee was required to terminate Anixter's then-existing merger agreement with CD&R.

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)
(unaudited)

The Merger was accounted for as a business combination with WESCO acquiring Anixter in accordance with Accounting Standards Codification (“ASC”) 805, *Business Combinations*. Under the acquisition method of accounting, the preliminary purchase consideration was allocated to the identified assets acquired and liabilities assumed based on their respective acquisition date fair value, with any excess allocated to goodwill. The fair value estimates were based on income, market and cost valuation methods using primarily unobservable inputs developed by management, which are categorized within Level 3 of the fair value hierarchy. Specifically, the fair values of the identified trademark and customer relationship intangible assets were estimated using the relief-from-royalty and multi-period excess earnings methods, respectively. Significant inputs used to value these identifiable intangible assets included projected revenues and expected operating margins, customer attrition rates, discount rates, royalty rates, and applicable income tax rates. The excess purchase consideration recorded to goodwill is not deductible for income tax purposes, and has been assigned to the Company's reportable segments based on their relative fair values, as disclosed in Note 5, “Goodwill and Intangible Assets”. The resulting goodwill is primarily attributable to Anixter's workforce, significant cross-selling opportunities in additional geographies, enhanced scale, and other operational efficiencies.

Since the initial measurement of the identified assets acquired and liabilities assumed, the Company has recognized adjustments to trade accounts receivable of \$9.2 million, inventories of \$8.5 million, operating lease assets of \$18.0 million, total identifiable intangible assets of \$5.4 million, other noncurrent assets of \$15.5 million, accounts payable of \$7.2 million, operating lease liabilities of \$17.0 million, deferred income taxes of \$30.9 million and other noncurrent liabilities of \$40.0 million. Certain other measurement period adjustments were made to the identified assets acquired and liabilities assumed, none of which were significant, individually or in aggregate. The net impact of these adjustments was an increase to goodwill of \$3.0 million.

The estimated fair values of assets acquired and liabilities assumed are based on preliminary calculations and valuations using estimates and assumptions at the time of acquisition. The determination of the fair values of assets acquired and liabilities assumed, especially those related to identifiable intangible assets, is preliminary due to the complexity of combining multibillion dollar businesses. Accordingly, as the Company obtains additional information during the measurement period (not to exceed one year from the acquisition date), estimates and assumptions for the preliminary purchase consideration allocations may change materially.

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)
(unaudited)

The following table sets forth the preliminary allocation of the purchase consideration to the respective fair value of assets acquired and liabilities assumed for the acquisition of Anixter:

	(In thousands)	
Assets		
Cash and cash equivalents	\$	103,463
Trade accounts receivable		1,300,710
Other accounts receivable		116,386
Inventories		1,416,296
Prepaid expenses and other current assets		54,978
Property, buildings and equipment		211,721
Operating lease assets		280,285
Intangible assets		1,838,065
Goodwill		1,370,984
Other assets		141,901
Total assets	\$	6,834,789
Liabilities		
Accounts payable	\$	912,974
Accrued payroll and benefit costs		69,480
Short-term debt and current portion of long-term debt		13,225
Other current liabilities		225,516
Long-term debt		77,617
Operating lease liabilities		217,303
Deferred income taxes		373,478
Other noncurrent liabilities		246,860
Total liabilities	\$	2,136,453
Fair value of net assets acquired, including goodwill and intangible assets	\$	4,698,336

The following table sets forth the preliminary identifiable intangible assets and their estimated weighted-average useful lives:

Identifiable Intangible Assets	Estimated Fair Value	Weighted-Average Estimated Useful Life in Years ⁽¹⁾
	(In thousands)	
Customer relationships	\$ 1,098,900	19
Trademarks	735,000	Indefinite
Non-compete agreements	4,165	2
Total identifiable intangible assets	<u>\$ 1,838,065</u>	

⁽¹⁾ Measurement period adjustments include an update to the estimated useful lives initially assigned to customer relationships, which resulted in income of \$6.4 million during the year ended December 31, 2020.

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)
(unaudited)

The results of operations of Anixter are included in the unaudited condensed consolidated financial statements beginning on June 22, 2020, the acquisition date. For the three months ended March 31, 2021, the condensed consolidated statement of income includes \$2.1 billion of net sales, and \$105.4 million of income from operations for Anixter. Costs related to the merger are primarily comprised of advisory, restructuring, legal and other costs of \$46.3 million and \$4.6 million, which are included in selling, general and administrative expenses for the three months ended March 31, 2021 and 2020, respectively.

Pro Forma Financial Information

The following unaudited pro forma financial information presents combined results of operations for the period presented, as if the Company had completed the Merger on January 1, 2019. The unaudited pro forma financial information includes adjustments to amortization and depreciation for intangible assets and property, buildings and equipment, adjustments to interest expense for the additional indebtedness incurred to complete the acquisition (including the amortization of debt discount and issuance costs), transaction costs, dividends accrued on the Series A preferred stock, compensation expense associated with the WESCO phantom stock unit awards described in Note 9, "Employee Benefit Plans", as well as the respective income tax effects of such adjustments. For the three months ended March 31, 2020, adjustments totaling \$50.2 million decreased the unaudited pro forma net income attributable to common stockholders. The unaudited pro forma financial information does not reflect any cost savings, operating synergies or revenue enhancements that WESCO may achieve as a result of its acquisition of Anixter, the costs to integrate the operations of WESCO and Anixter or the costs necessary to achieve these cost savings, operating synergies and revenue enhancements. The unaudited pro forma financial information presented below is not necessarily indicative of consolidated results of operations of the combined business had the acquisition occurred at the beginning of the respective period, nor is it necessarily indicative of future results of operations of the combined company.

(In thousands)	Three Months Ended	
	March 31,	
	2020	
Pro forma net sales	\$	4,040,347
Pro forma net income attributable to common stockholders		19,880

Canadian Divestitures

On August 6, 2020, the Company entered into a Consent Agreement with the Competition Bureau of Canada regarding the merger with Anixter. Under the Consent Agreement, the Company was required to divest certain legacy WESCO utility and data communications businesses in Canada. In February 2021, the Company completed such divestitures for cash consideration totaling \$54.1 million. The Company recognized a net gain from the sale of these businesses of \$8.9 million, which is reported as a component of selling, general and administrative expenses for the three months ended March 31, 2021. These sales fulfilled the Company's divestiture commitments under the Consent Agreement and the net cash proceeds were used to repay debt.

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5. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The following table sets forth the changes in the carrying value of goodwill:

	Three Months Ended March 31, 2021			
	EES	CSS	UBS	Total
	(In thousands)			
Beginning balance January 1 ⁽¹⁾	\$ 853,456	\$ 1,115,500	\$ 1,218,213	\$ 3,187,169
Adjustments to goodwill for acquisitions (Note 4) ⁽²⁾	(2,290)	3,831	(952)	589
Foreign currency exchange rate changes	6,638	738	4,360	11,736
Ending balance March 31	<u>\$ 857,804</u>	<u>\$ 1,120,069</u>	<u>\$ 1,221,621</u>	<u>\$ 3,199,494</u>

⁽¹⁾ The beginning balance excludes \$26.1 million of goodwill that was classified as held for sale on the UBS segment as of December 31, 2020 and disposed in the first quarter of 2021 as part of the divestitures disclosed in Note 4, "Acquisitions and Disposals".

⁽²⁾ Includes the effect on goodwill of the adjustments to the assets acquired and liabilities assumed in the merger with Anixter since their initial measurement, as described in Note 4, "Acquisitions and Disposals".

Intangible Assets

The components of intangible assets are as follows:

	Life (in years)	March 31, 2021			December 31, 2020		
		Gross Carrying Amount ⁽¹⁾	Accumulated Amortization ⁽¹⁾	Net Carrying Amount	Gross Carrying Amount ⁽¹⁾	Accumulated Amortization ⁽¹⁾	Net Carrying Amount
(In thousands)							
Intangible assets:							
Trademarks	Indefinite	\$ 834,426	\$ —	\$ 834,426	\$ 833,793	\$ —	\$ 833,793
Customer relationships ⁽²⁾	10 - 20	1,437,489	(249,177)	1,188,312	1,434,554	(227,585)	1,206,969
Distribution agreements ⁽²⁾	10 - 19	29,212	(21,463)	7,749	29,212	(21,040)	8,172
Trademarks ⁽²⁾	10 - 15	24,899	(11,914)	12,985	24,898	(11,415)	13,483
Non-compete agreements	2 - 5	4,422	(1,902)	2,520	4,462	(1,384)	3,078
		<u>\$ 2,330,448</u>	<u>\$ (284,456)</u>	<u>\$ 2,045,992</u>	<u>\$ 2,326,919</u>	<u>\$ (261,424)</u>	<u>\$ 2,065,495</u>

⁽¹⁾ Excludes the original cost and related accumulated amortization of fully-amortized intangible assets.

⁽²⁾ The net carrying amount as of December 31, 2020 excluded \$1.0 million of trademarks, \$3.3 million of customer relationships and \$1.4 million of distribution agreements that were classified as held for sale and disposed in the first quarter of 2021 as part of the divestitures disclosed in Note 4, "Acquisitions and Disposals".

Amortization expense related to intangible assets totaled \$21.6 million and \$8.5 million for the three months ended March 31, 2021 and 2020, respectively.

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The following table sets forth the remaining estimated amortization expense for intangible assets for the next five years and thereafter:

For year ending December 31,	(In thousands)	
2021	\$	65,703
2022		84,318
2023		83,410
2024		80,767
2025		77,501
Thereafter		819,867

6. STOCK-BASED COMPENSATION

WESCO's stock-based employee compensation plans are comprised of stock-settled stock appreciation rights, restricted stock units and performance-based awards. Compensation cost for all stock-based awards is measured at fair value on the date of grant and compensation cost is recognized, net of estimated forfeitures, over the service period for awards expected to vest. The fair value of stock-settled stock appreciation rights is determined using the Black-Scholes model. The fair value of restricted stock units and performance-based awards with performance conditions is determined by the grant-date closing price of WESCO's common stock. The forfeiture assumption is based on WESCO's historical employee behavior that is reviewed on an annual basis. No dividends are assumed. For stock-settled stock appreciation rights that are exercised and for restricted stock units and performance-based awards that vest, shares are issued out of WESCO's outstanding common stock.

Stock-settled stock appreciation rights vest ratably over a three-year period and terminate on the tenth anniversary of the grant date unless terminated sooner under certain conditions. Restricted stock unit awards granted in February 2020 and prior vest based on a minimum time period of three years. The special award described below vests in tranches. Restricted stock units awarded in 2021 vest ratably over a three-year period on each of the first, second and third anniversaries of the grant date. Vesting of performance-based awards is based on a three-year performance period, and the number of shares earned, if any, depends on the attainment of certain performance levels. Outstanding awards would vest upon the consummation of a change in control transaction and performance-based awards would vest at the target level.

On July 2, 2020, a special award of restricted stock units was granted to certain officers of the Company. These awards vest in tranches of 30% on each of the first and second anniversaries of the grant date and 40% on the third anniversary of the grant date, subject, in each case, to continued employment through the applicable anniversary date.

Performance-based awards granted in 2021, 2020 and 2019 were based on two equally-weighted performance measures: the three-year average growth rate of WESCO's net income and the three-year cumulative return on net assets.

During the three months ended March 31, 2021 and 2020, WESCO granted the following stock-settled stock appreciation rights, restricted stock units and performance-based awards at the following weighted-average fair values:

	Three Months Ended	
	March 31, 2021	March 31, 2020
Stock-settled stock appreciation rights granted	136,194	262,091
Weighted-average fair value	\$ 33.05	\$ 13.86
Restricted stock units granted	300,722	211,450
Weighted-average fair value	\$ 76.89	\$ 48.32
Performance-based awards granted	119,792	158,756
Weighted-average fair value	\$ 76.50	\$ 48.67

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The fair value of stock-settled stock appreciation rights was estimated using the following weighted-average assumptions:

	Three Months Ended	
	March 31, 2021	March 31, 2020
Risk free interest rate	0.8 %	1.4 %
Expected life (in years)	7	5
Expected volatility	41 %	30 %

The risk-free interest rate is based on the U.S. Treasury Daily Yield Curve as of the grant date. The expected life is based on historical exercise experience and the expected volatility is based on the volatility of the Company's daily stock price over the expected life preceding the grant date of the award.

The following table sets forth a summary of stock-settled stock appreciation rights and related information for the three months ended March 31, 2021:

	Awards	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at December 31, 2020	2,161,556	\$ 60.48		
Granted	136,194	76.80		
Exercised	(186,055)	60.92		
Forfeited	(12,719)	52.57		
Outstanding at March 31, 2021	2,098,976	61.55	5.9	\$ 52,427
Exercisable at March 31, 2021	1,729,195	\$ 61.89	5.2	\$ 42,612

The following table sets forth a summary of time-based restricted stock units and related information for the three months ended March 31, 2021:

	Awards	Weighted- Average Fair Value
Unvested at December 31, 2020	921,495	\$ 43.15
Granted	300,722	76.89
Vested	(90,178)	60.66
Forfeited	(16,129)	54.57
Unvested at March 31, 2021	1,115,910	\$ 50.66

The following table sets forth a summary of performance-based awards for the three months ended March 31, 2021:

	Awards	Weighted- Average Fair Value
Unvested at December 31, 2020	305,269	\$ 52.61
Granted	119,792	76.50
Vested	(22,371)	62.80
Forfeited	(27,802)	59.87
Unvested at March 31, 2021	374,888	\$ 59.13

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Vesting of the 374,888 shares of performance-based awards in the table above is dependent upon the achievement of certain performance targets, including 187,444 that are dependent upon the three-year average growth rate of WESCO's net income and 187,444 that are based upon the three-year cumulative return on net assets. These awards are accounted for as awards with performance conditions; compensation cost is recognized over the performance period based upon WESCO's determination of whether it is probable that the performance targets will be achieved.

WESCO recognized \$6.0 million and \$4.6 million of non-cash stock-based compensation expense, which is included in selling, general and administrative expenses, for the three months ended March 31, 2021 and 2020, respectively. As of March 31, 2021, there was \$62.3 million of total unrecognized compensation expense related to non-vested stock-based compensation arrangements for all awards previously made of which approximately \$22.1 million is expected to be recognized over the remainder of 2021, \$23.8 million in 2022, \$15.1 million in 2023 and \$1.3 million in 2024.

7. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income attributable to common stockholders by the weighted-average number of common shares outstanding during the periods. Diluted earnings per share is computed by dividing net income attributable to common stockholders by the weighted-average common shares and common share equivalents outstanding during the periods. The dilutive effect of common share equivalents is considered in the diluted earnings per share computation using the treasury stock method, which includes consideration of equity awards.

The following table sets forth the details of basic and diluted earnings per share:

(In thousands, except per share data)	Three Months Ended	
	March 31	
	2021	2020
Net income attributable to WESCO International, Inc.	\$ 59,178	\$ 34,407
Less: Preferred stock dividends	14,352	—
Net income attributable to common stockholders	<u>\$ 44,826</u>	<u>\$ 34,407</u>
Weighted-average common shares outstanding used in computing basic earnings per share	50,124	41,837
Common shares issuable upon exercise of dilutive equity awards	1,584	238
Weighted-average common shares outstanding and common share equivalents used in computing diluted earnings per share	<u>51,708</u>	<u>42,075</u>
Earnings per share attributable to common stockholders		
Basic	\$ 0.89	\$ 0.82
Diluted	\$ 0.87	\$ 0.82

For the three months ended March 31, 2021 and 2020, the computation of diluted earnings per share attributable to common stockholders excluded stock-based awards of approximately 0.3 million and 2.3 million, respectively. These amounts were excluded because their effect would have been antidilutive.

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8. DEBT

The following table sets forth WESCO's outstanding indebtedness:

	As of	
	March 31, 2021	December 31, 2020
(In thousands)		
International lines of credit	\$ 20,293	\$ 29,575
Accounts Receivable Securitization Facility	945,000	950,000
Revolving Credit Facility	475,000	250,000
5.375% Senior Notes due 2021	—	500,000
5.50% Anixter Senior Notes due 2023	58,636	58,636
5.375% Senior Notes due 2024	350,000	350,000
6.00% Anixter Senior Notes due 2025	4,173	4,173
7.125% Senior Notes due 2025	1,500,000	1,500,000
7.250% Senior Notes due 2028, less debt discount of \$9,021 and \$9,332 in 2021 and 2020, respectively	1,315,979	1,315,668
Finance lease obligations	17,582	17,931
Total debt	4,686,663	4,975,983
Plus: Fair value adjustment to the Anixter Senior Notes	1,479	1,650
Less: Unamortized debt issuance costs	(74,606)	(78,850)
Less: Short-term debt and current portion of long-term debt	(20,802)	(528,830)
Total long-term debt	\$ 4,592,734	\$ 4,369,953

5.375% Senior Notes due 2021

In November 2013, WESCO Distribution issued \$500 million aggregate principal amount of 5.375% Senior Notes due 2021 (the "2021 Notes") through a private offering exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"). The 2021 Notes were issued at 100% of par and were governed by an indenture (the "2021 Indenture") entered into on November 26, 2013 between WESCO International and U.S. Bank National Association, as trustee. The 2021 Notes were unsecured senior obligations of WESCO Distribution and were guaranteed on a senior unsecured basis by WESCO International. The 2021 Notes had a stated interest rate of 5.375% per annum, payable semi-annually in arrears on June 15 and December 15 of each year. The 2021 Notes had a maturity date of December 15, 2021 and were redeemable in whole or in part at any time. The net proceeds of the 2021 Notes were used to prepay a portion of the U.S. sub-facility of the then outstanding term loan due 2019.

Under the terms of a registration rights agreement dated as of November 26, 2013 among WESCO Distribution, WESCO International and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as the representative of the initial purchasers of the 2021 Notes, WESCO Distribution and WESCO International agreed to register under the Securities Act notes having terms identical in all material respects to the 2021 Notes (the "2021 Exchange Notes") and to make an offer to exchange the 2021 Exchange Notes for the 2021 Notes. WESCO Distribution launched the exchange offer on June 12, 2014 and the exchange offer expired on July 17, 2014.

On December 15, 2020, WESCO Distribution exercised its right to redeem the entire \$500 million aggregate principal amount of the 2021 Notes, and U.S. Bank, National Association, as trustee under the 2021 Indenture, issued a notice of redemption to registered holders of the 2021 Notes.

On January 14, 2021 (the "Redemption Date"), WESCO Distribution redeemed the \$500 million aggregate principal amount of the 2021 Notes at a redemption price equal to 100% of the principal amount plus accrued interest to, but not including, the Redemption Date. The redemption of the 2021 Notes was funded with available cash, as well as borrowings under the Company's accounts receivable securitization and revolving credit facilities.

9. EMPLOYEE BENEFIT PLANS

Defined Contribution Plans

WESCO Distribution sponsors a defined contribution retirement savings plan for the majority of its U.S. employees. The Company matches contributions made by employees at an amount equal to 50% of participants' total monthly contributions up to 6% of eligible compensation. Contributions are made in cash and employees have the option to transfer balances allocated to their accounts into any of the available investment options. The Company may also make, subject to the Board of Directors' approval, a discretionary contribution to the defined contribution retirement savings plan covering U.S. participants if certain predetermined profit levels are attained.

WESCO Distribution Canada LP, a wholly-owned subsidiary of the Company, sponsors a defined contribution plan for certain Canadian employees. The Company makes contributions in amounts ranging from 3% to 5% of participants' eligible compensation based on years of continuous service.

Anixter Inc. sponsors a defined contribution plan covering all of its non-union U.S. employees (the "Anixter Employee Savings Plan"). The employer match for the Anixter Employee Savings Plan is equal to 50% of a participant's contribution up to 5% of the participant's compensation. Anixter Inc. will also make an annual contribution to the Anixter Employee Savings Plan on behalf of each active participant who is hired or rehired on or after July 1, 2015, or is not participating in the Anixter Inc. Pension Plan. The amount of the employer annual contribution is equal to either 2% or 2.5% of the participant's compensation, as determined by the participant's years of service. This contribution is in lieu of being eligible for the Anixter Inc. Pension Plan. Certain of Anixter Inc.'s foreign subsidiaries also have defined contribution plans. Contributions to these plans are based upon various levels of employee participation and legal requirements.

For the three months ended March 31, 2021 and 2020, WESCO incurred charges of \$16.6 million and \$5.7 million, respectively, for all defined contribution plans.

Deferred Compensation Plans

WESCO Distribution sponsors a non-qualified deferred compensation plan (the "WESCO Deferred Compensation Plan") that permits select employees to make pre-tax deferrals of salary and bonus. Employees have the option to transfer balances allocated to their accounts in the WESCO Deferred Compensation Plan into any of the available investment options. The WESCO Deferred Compensation Plan is an unfunded plan. As of March 31, 2021, the Company's obligation under the WESCO Deferred Compensation Plan was \$17.8 million, which was included in other noncurrent liabilities in the Condensed Consolidated Balance Sheet. As of December 31, 2020, the Company's obligation under the WESCO Deferred Compensation Plan was \$27.4 million, of which \$10.1 million was included in other current liabilities and \$17.3 million was in other noncurrent liabilities in the Condensed Consolidated Balance Sheet.

Anixter Inc. sponsors a non-qualified deferred compensation plan (the "Anixter Deferred Compensation Plan") that permits select employees to make pre-tax deferrals of salary and bonus. Interest is accrued monthly on the deferred compensation balances based on the average ten-year Treasury note rate for the previous three months times a factor of 1.4, and the rate is further adjusted if certain financial goals are achieved. In the fourth quarter of 2020, the Company made a determination to terminate the Anixter Deferred Compensation Plan. Accordingly, a deferred compensation liability of \$43.0 million has been classified in other current liabilities in the Condensed Consolidated Balance Sheet at March 31, 2021 as the Company expects to make lump sum payments directly to participants of the plan during 2021. At December 31, 2020, the deferred compensation liability included in other current liabilities was \$45.1 million.

Assets are held in a Rabbi Trust arrangement to provide for the liabilities associated with the deferred compensation plan and an executive non-qualified defined benefit plan. The assets are invested in marketable securities. As of March 31, 2021 and December 31, 2020, the assets held in this arrangement were \$39.8 million and \$39.6 million, respectively, and are recorded in other current assets in the Condensed Consolidated Balance Sheets.

Defined Benefit Plans

WESCO sponsors a contributory defined benefit plan (the "EECOL Plan") covering substantially all Canadian employees of EECOL Electric Corp. and a Supplemental Executive Retirement Plan for certain executives of EECOL Electric Corp. (the "EECOL SERP").

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Anixter Inc. sponsors defined benefit pension plans in the U.S., which consist of the Anixter Inc. Pension Plan, the Executive Benefit Plan and the Supplemental Executive Retirement Plan (the "Anixter SERP") (together, the "Domestic Plans") and various defined benefit pension plans covering employees of foreign subsidiaries in Canada and Europe (together with the "EECOL Plan" and "EECOL SERP", the "Foreign Plans"). The Anixter Inc. Pension Plan was frozen to entrants first hired or rehired on or after July 1, 2015. The majority of the Anixter defined benefit pension plans are non-contributory, and with the exception of U.S. and Canada, cover substantially all full-time employees in their respective countries. Retirement benefits are provided based on compensation as defined in each of the pension plans.

In the fourth quarter of 2020, the Company made a determination to terminate both the Anixter Inc. Executive Benefit Plan and the Anixter SERP. Accordingly, pension liabilities totaling \$17.5 million associated with the Anixter Inc. Executive Benefit Plan and the Anixter SERP have been classified as current in the Condensed Consolidated Balance Sheet at March 31, 2021 as the Company expects to make lump sum payments directly to participants of these plans during 2021. At December 31, 2020, the pension liabilities included in other current liabilities were \$18.1 million.

The Domestic Plans are funded as required by the Employee Retirement Income Security Act of 1974 ("ERISA") and the IRS and the Foreign Plans are funded as required by applicable foreign laws. The EECOL SERP, Anixter Inc. Executive Benefit Plan and the Anixter SERP are unfunded plans.

During the three months ended March 31, 2021 and 2020, the Company made aggregate cash contributions of \$2.6 million and \$1.0 million, respectively, to its Foreign Plans.

The following table sets forth the components of net periodic pension (benefit) cost for the Company's defined benefit plans:

(In thousands)	Domestic Plans ⁽¹⁾		Foreign Plans ⁽¹⁾		Total	
	Three Months Ended		Three Months Ended		Three Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Service cost	\$ 764	\$ —	\$ 3,224	\$ 1,309	\$ 3,988	\$ 1,309
Interest cost	2,137	—	2,446	1,037	4,583	1,037
Expected return on plan assets	(4,501)	—	(4,256)	(1,614)	(8,757)	(1,614)
Recognized actuarial gain ⁽²⁾	—	—	102	27	102	27
Net periodic pension (benefit) cost	\$ (1,600)	\$ —	\$ 1,516	\$ 759	\$ (84)	\$ 759

⁽¹⁾ The Company assumed the Domestic Plans and certain foreign plans, as described above, in connection with the acquisition of Anixter on June 22, 2020. The Company began recognizing the net periodic pension (benefit) cost associated with these plans as of the acquisition date.

⁽²⁾ For the three months ended March 31, 2021 and 2020, no amounts were reclassified from accumulated other comprehensive income into net income.

The service cost of \$4.0 million and \$1.3 million for the three months ended March 31, 2021 and 2020, respectively, is reported as a component of selling, general and administrative expenses. The other components of net periodic pension (benefit) cost totaling a net benefit of \$4.1 million and \$0.6 million for the three months ended March 31, 2021 and 2020, respectively, are presented as a component of other non-operating expenses ("other, net").

Other Benefits

As permitted by the Merger Agreement, Anixter granted restricted stock units prior to June 22, 2020 in the ordinary course of business to its employees and directors. These awards, which did not accelerate solely as a result of the Merger, were converted into cash-only settled WESCO phantom stock units, which vest ratably over a 3-year period. As of March 31, 2021 and December 31, 2020, the estimated fair value of these awards was \$15.9 million and \$22.8 million, respectively. The Company recognized compensation expense associated with these awards of \$5.7 million for the three months ended March 31, 2021, which is reported as a component of selling, general and administrative expenses.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments primarily consist of cash and cash equivalents, accounts receivable, accounts payable, bank overdrafts, outstanding indebtedness, foreign currency forward contracts, and benefit plan assets. Except for benefit plan assets, outstanding indebtedness and foreign currency forward contracts, the carrying value of the Company's remaining financial instruments approximates fair value.

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The assets of the Company's various defined benefit plans are primarily comprised of common/collective/pool funds (i.e., mutual funds). These funds are valued at the net asset value (NAV) of shares held in the underlying funds. Investments for which fair value is measured using the NAV per share practical expedient are not classified in the fair value hierarchy.

The Company uses a market approach to determine the fair value of its debt instruments, utilizing quoted prices in active markets, interest rates and other relevant information generated by market transactions involving similar instruments. Therefore, the inputs used to measure the fair value of the Company's debt instruments are classified as Level 2 within the fair value hierarchy.

The carrying value of WESCO's debt instruments with fixed interest rates was \$3,230.3 million and \$3,730.1 million as of March 31, 2021 and December 31, 2020, respectively. The estimated fair value of this debt was \$3,546.5 million and \$4,084.7 million as of March 31, 2021 and December 31, 2020, respectively. The reported carrying values of WESCO's other debt instruments, including those with variable interest rates, approximated their fair values as of March 31, 2021 and December 31, 2020.

The Company purchases foreign currency forward contracts to minimize the effect of fluctuating foreign currency-denominated accounts on its earnings. The foreign currency forward contracts are not designated as hedges for accounting purposes. The Company's strategy is to negotiate terms for its derivatives and other financial instruments to be highly effective, such that the change in the value of the derivative offsets the impact of the underlying hedge. Its counterparties to foreign currency forward contracts have investment-grade credit ratings. The Company regularly monitors the creditworthiness of its counterparties to ensure no issues exist that could affect the value of its derivatives.

The Company does not hedge 100% of its foreign currency-denominated accounts. In addition, the results of hedging can vary significantly based on various factors, such as the timing of executing foreign currency forward contracts versus the movement of currencies as well as the fluctuations in the account balances throughout each reporting period. The fair value of foreign currency forward contracts is based on the difference between the contract rate and the current exchange rate. The fair value of foreign currency forward contracts is measured using observable market information. These inputs would be considered Level 2 in the fair value hierarchy. At March 31, 2021, foreign currency forward contracts were revalued at then-current foreign exchange rates with the changes in valuation reflected directly in other non-operating expenses ("other, net") in the Consolidated Statements of Income and Comprehensive Income (Loss) offsetting the transaction gain (loss) recorded on foreign currency-denominated accounts. At March 31, 2021 and December 31, 2020, the gross and net notional amounts of foreign currency forward contracts outstanding were approximately \$218.5 million and \$111.9 million, respectively. While all of the Company's foreign currency forward contracts are subject to master netting arrangements with its counterparties, assets and liabilities related to these contracts are presented on a gross basis within the Condensed Consolidated Balance Sheets. The gross fair value of assets and liabilities related to foreign currency forward contracts were immaterial.

11. COMMITMENTS AND CONTINGENCIES

From time to time, a number of lawsuits and claims have been or may be asserted against the Company relating to the conduct of its business, including litigation relating to commercial, product and employment matters. The outcome of any litigation cannot be predicted with certainty, and some lawsuits may be determined adversely to WESCO. However, management does not believe that the ultimate outcome of any such pending matters is likely to have a material adverse effect on WESCO's financial condition or liquidity, although the resolution in any fiscal period of one or more of these matters may have a material adverse effect on WESCO's results of operations for that period.

12. INCOME TAXES

The effective tax rate for the three months ended March 31, 2021 and 2020 was 9.9% and 23.1%, respectively. WESCO's effective tax rate typically differs from the federal statutory income tax rate due to the tax effect of intercompany financing, foreign tax rate differences, the U.S. taxes imposed on foreign income, nondeductible expenses and state income taxes. The effective tax rate for the three months ended March 31, 2021 is lower than the prior period primarily due to a discrete income tax benefit of \$8.3 million resulting from a change in the valuation allowance recorded against foreign tax credit carryforwards. There have been no material adjustments to liabilities for uncertain tax positions since the last annual disclosure for the year ended December 31, 2020.

13. BUSINESS SEGMENTS

The Company has operating segments that are organized around three strategic business units consisting of EES, CSS and UBS. These operating segments are equivalent to the Company's reportable segments. The Company's CODM evaluates the performance of its operating segments based primarily on net sales, income from operations, and total assets.

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Corporate expenses are incurred to obtain and coordinate financing, tax, information technology, legal and other related services. The Company also has various corporate assets which are reported in corporate. Segment assets may not include jointly used assets, but segment results include depreciation expense or other allocations related to those assets. Interest expense and other non-operating items are not allocated to the segments or reviewed on a segment basis. Corporate expenses are shown in the tables below to reconcile the reportable segments to the consolidated financial statements.

The following table sets forth financial information by reportable segment for the periods presented:

Three Months Ended March 31, 2021					
(In thousands)	EES	CSS	UBS	Corporate	Total
Net sales	\$ 1,720,813	\$ 1,250,615	\$ 1,070,049	\$ —	\$ 4,041,477
Income from operations	100,111	73,964	87,030	(127,854)	133,251

Three Months Ended March 31, 2020					
(In thousands)	EES	CSS	UBS	Corporate	Total
Net sales	\$ 1,114,457	\$ 223,726	\$ 630,464	\$ —	\$ 1,968,647
Income from operations	43,326	9,946	41,785	(34,144)	60,913

There were no material changes to the amounts of total assets by reportable segment from those disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with the information in the unaudited condensed consolidated financial statements and notes thereto included herein and WESCO International, Inc.'s audited Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in its 2020 Annual Report on Form 10-K. The matters discussed herein may contain forward-looking statements that are subject to certain risks and uncertainties that could cause actual results to differ materially from expectations. Certain of these risks are set forth in WESCO International, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2020, as well as WESCO International, Inc.'s other reports filed with the Securities and Exchange Commission (the "SEC").

Company Overview

WESCO International, Inc. ("WESCO International") and its subsidiaries (collectively, "WESCO" or the "Company"), headquartered in Pittsburgh, Pennsylvania, is a leading provider of business-to-business distribution, logistics services and supply chain solutions.

On June 22, 2020, we completed our acquisition of Anixter International Inc. ("Anixter"), a Delaware corporation. Pursuant to the terms of the Agreement and Plan of Merger, dated January 10, 2020, by and among Anixter, WESCO and Warrior Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of WESCO ("Merger Sub"), Merger Sub was merged with and into Anixter (the "Merger"), with Anixter surviving the Merger and continuing as a wholly owned subsidiary of WESCO. On June 23, 2020, Anixter merged with and into Anixter Inc., with Anixter Inc. surviving to become a wholly owned subsidiary of WESCO.

We employ nearly 18,000 people, maintain relationships with approximately 30,000 suppliers, and serve more than 125,000 customers worldwide. With nearly 1,500,000 products, end-to-end supply chain services, and extensive digital capabilities, we provide innovative solutions to meet current customer needs across commercial and industrial businesses, contractors, government agencies, institutions, telecommunications providers, and utilities. Our innovative value-added solutions include supply chain management, logistics and transportation, procurement, warehousing and inventory management, as well as kitting and labeling, limited assembly of products and installation enhancement. We have approximately 800 branches, warehouses and sales offices with operations in more than 50 countries, providing a local presence for customers and a global network to serve multi-location businesses and multi-national corporations.

Prior to the completion of the Merger, we had four operating segments that had been aggregated as one reportable segment. Effective on the date of acquisition, we added Anixter as a separate reportable segment for the quarterly period ended June 30, 2020. At the beginning of the third quarter of 2020, we identified new operating segments organized around three strategic business units consisting of Electrical & Electronic Solutions ("EES"), Communications & Security Solutions ("CSS") and Utility and Broadband Solutions ("UBS"). The applicable comparative financial information reported in our previously issued interim financial statements for the three months ended March 31, 2020 has been recast in this Quarterly Report on Form 10-Q to conform to the basis of the new segments.

The following is a description of each of our reportable segments and their business activities.

Electrical & Electronic Solutions

The EES segment supplies a broad range of products and supply chain solutions primarily to the Construction, Industrial and Original Equipment Manufacturer ("OEM") markets. Product categories include a broad range of electrical equipment and supplies, wire and cable, lubricants, pipe, valves, fittings, fasteners, cutting tools, power transmission, and safety products. In addition, OEM customers require a reliable supply of assemblies and components to incorporate into their own products as well as value-added services such as supplier consolidation, design and technical support, just-in-time supply and electronic commerce, and supply chain management. EES includes the "Electrical and Electronic Solutions" business acquired from Anixter and the majority of WESCO's legacy industrial and construction businesses.

Communications & Security Solutions

The CSS segment supplies products and customized supply chain solutions to customers in a diverse range of industries including technology, finance, telecommunications service providers, transportation, education, government, healthcare and retail. CSS sells these products directly to end users or through various channels including data communications contractors, security, network, professional audio/visual and systems integrators. CSS has a broad product portfolio that includes copper and fiber optic cable and connectivity, access control, video surveillance, intrusion and fire/life safety, cabinets, power, cable management, wireless, professional audio/video, voice and networking switches and other ancillary products. CSS includes the "Network and Security Solutions" business acquired from Anixter and WESCO's legacy data communications and safety businesses.

Utility & Broadband Solutions

The UBS segment supplies electrical transmission and distribution products, power plant maintenance, repair and operations supplies and smart-grid products, and arranges materials management and procurement outsourcing for the power generation, power transmission and electricity distribution industries. The UBS segment combines the "Utility Power Solutions" business acquired from Anixter, and WESCO's legacy utility, broadband and integrated supply businesses.

Overall Financial Performance

Our financial results for the first three months of 2021 reflect the merger with Anixter, the benefit of margin improvement initiatives, as well as lower operating expenses due to cost reduction actions, synergy capture and integration initiatives.

Net sales increased \$2.1 billion, or 105.3%, over the same period last year. Cost of goods sold as a percentage of net sales and gross profit margin was 79.9% and 20.1%, respectively, for the first three months of 2021, compared to 80.9% and 19.1%, respectively, for the first three months of 2020. Cost of goods sold for the first quarter of 2021 includes a write-down of \$8.9 million to the carrying value of certain personal protective equipment products held in inventory for which current selling prices have declined below cost due to a surplus of such products in the market. This write-down of inventory negatively impacted gross profit as a percentage of net sales for the first quarter of 2021 by 20 basis points.

Selling, general and administrative ("SG&A") expenses as a percentage of net sales were 15.8% and 15.2% for the first three months of 2021 and 2020, respectively. SG&A expenses for the first quarter of 2021 include merger-related costs of \$46.3 million, as well as a net gain of \$8.9 million resulting from the sale of WESCO's legacy utility and data communications businesses in Canada, which were divested in connection with the Merger. Adjusted for these amounts, SG&A expenses for the first quarter of 2021 were \$599.2 million, or 14.8% of net sales, reflecting the merger with Anixter, and higher variable compensation expense and benefit costs, partially offset by cost reduction actions and lower salaries and wages resulting from merger-related integration activities. SG&A expenses for the first quarter of 2020 include \$4.6 million of merger-related costs.

Operating profit was \$133.3 million for the current three month period, compared to \$60.9 million for the first three months of 2020. Operating profit for the first quarter of 2021 includes the aforementioned merger-related costs and net gain on the Canadian divestitures. Adjusted for these items, operating profit was \$170.6 million, or 4.2% of net sales. For the first three months of 2020, operating profit adjusted for merger-related costs of \$4.6 million was \$65.5 million, or 3.3% of net sales.

Net income attributable to common stockholders for the three months ended March 31, 2021 was \$44.8 million, compared to \$34.4 million for the comparable prior period. As adjusted for the aforementioned items, including the related income tax effects, net income attributable to common stockholders was \$74.1 million and \$38.3 million for the first quarter of 2021 and 2020, respectively. Earnings per diluted share attributable to common stockholders for the first three months of 2021 was \$0.87, based on 51.7 million diluted shares, compared to \$0.82 for the first three months of 2020, based on 42.1 million diluted shares. As adjusted, earnings per diluted share for the first quarter of 2021 and 2020 was \$1.43 and \$0.91, respectively.

Beginning in 2020, and continuing through the first quarter of 2021, the COVID-19 pandemic had a significant impact on our business and adversely impacted our results of operations. There continues to be significant uncertainties associated with the COVID-19 pandemic, including with respect to the economic reopening plans and possible resurgence of COVID, including new variants of the virus in various global geographies, and the availability of effective treatments and vaccines. As the duration and severity of the COVID-19 pandemic remain uncertain and cannot be predicted, there is significant uncertainty as to the ultimate impact it will have on our business and our results of operations and financial condition. Events and factors relating to the COVID-19 pandemic include limitations on the ability of our suppliers to manufacture or procure the products we sell or to meet delivery requirements and commitments; disruptions to our global supply chains; limitations on the ability of our employees to perform their work due to travel or other restrictions; limitations on the ability of carriers to deliver our products to our customers; limitations on the ability of our customers to conduct their business and purchase our products and services, or pay us on a timely basis; and disruptions to our customers' purchasing patterns. In response to the COVID-19 pandemic, we have taken actions focused on protecting the health and safety of our employees, which is our top priority.

The products and services that we provide are integral to the daily operations of our essential business customers and accordingly, we have taken actions to maintain the continuity of our operations in response to the pandemic. Beginning in March 2020, and continuing through the first quarter of 2021, we have taken, and continue to take, actions to reduce costs consistent with the expected decline in demand, and other spending across the Company.

We have experienced, and may continue to experience, reduced customer demand for certain of our products and services, including delays or cancellations of ongoing or anticipated projects due to our clients', suppliers' and other third parties' diminished financial conditions. We cannot predict the timeframe for recovery of our customer's demand for our products and services. The full extent to which the COVID-19 pandemic will continue to impact our business and financial results going forward remains highly uncertain and will depend on many factors outside of our control, including the duration and scope of the crisis, the availability of effective treatments and vaccines, imposition of protective public safety measures, and the overall impact of the COVID-19 pandemic on the global economy and capital markets.

Cash Flow

We generated \$120.5 million of operating cash flow for the first three months of 2021. Cash provided by operating activities included net income of \$59.2 million and adjustments to net income totaling \$31.1 million, which were primarily comprised of depreciation and amortization of \$41.2 million, deferred income taxes of \$13.1 million, stock-based compensation expense of \$6.0 million, and a net gain of \$8.9 million resulting from the divestiture of WESCO's legacy utility and data communications businesses in Canada, as described in Note 4, "Acquisitions and Disposals" of our Notes to the unaudited Condensed Consolidated Financial Statements. Operating cash flow also included changes in assets and liabilities of \$30.1 million.

Investing activities included \$54.1 million of net proceeds from the Canadian divestitures and \$10.2 million of capital expenditures.

Financing activities were comprised of the redemption of our \$500.0 million aggregate principal amount of 5.375% Senior Notes due 2021 (the "2021 Notes"), borrowings and repayments of \$713.6 million and \$488.6 million, respectively, related to our revolving credit facility (the "Revolving Credit Facility"), as well as borrowings and repayments of \$243.0 million and \$248.0 million, respectively, related to our accounts receivable securitization facility (the "Receivables Facility"). Financing activities for the first three months of 2021 also included net repayments related to our various international lines of credit of approximately \$8.5 million, and \$14.4 million of dividends paid to holders of our Series A Preferred Stock.

Financing Availability

As of March 31, 2021, we had \$686.9 million in total available borrowing capacity under our Revolving Credit Facility, which was comprised of \$298.7 million of availability under the U.S. sub-facility and \$388.2 million of availability under the Canadian sub-facility. Available borrowing capacity under our Receivables Facility was \$214.0 million. The Revolving Credit Facility and the Receivables Facility mature in June 2025 and June 2023, respectively.

Critical Accounting Policies and Estimates

We adopted Accounting Standards Update ("ASU") 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, in the first quarter of 2021. The adoption of this ASU did not have a material impact on our consolidated financial statements and notes thereto.

See Note 2, "Accounting Policies" of our Notes to the unaudited Condensed Consolidated Financial Statements for information regarding our significant accounting policies.

Results of Operations

First Quarter of 2021 versus First Quarter of 2020

The following table sets forth the percentage relationship to net sales of certain items in our Condensed Consolidated Statements of Income and Comprehensive Income (Loss) for the periods presented:

	Three Months Ended	
	March 31, 2021	March 31, 2020
Net sales	100.0 %	100.0 %
Cost of goods sold (excluding depreciation and amortization)	79.9	80.9
Selling, general and administrative expenses	15.8	15.2
Depreciation and amortization	1.0	0.8
Income from operations	3.3	3.1
Interest expense, net	1.7	0.7
Other, net	—	0.1
Income before income taxes	1.6	2.3
Provision for income taxes	0.1	0.5
Net income attributable to WESCO International, Inc.	1.5	1.8
Preferred stock dividends	0.4	—
Net income attributable to common stockholders	1.1 %	1.8 %

Net Sales

The following table sets forth net sales by segment for the periods presented:

(In thousands)	Three Months Ended		Growth
	March 31, 2021	March 31, 2020	
EES	\$ 1,720,813	\$ 1,114,456	54.4 %
CSS	1,250,615	223,726	459.0 %
UBS	1,070,049	630,465	69.7 %
Total net sales	\$ 4,041,477	\$ 1,968,647	105.3 %

Net sales were \$4.0 billion for the first quarter of 2021 compared to \$2.0 billion for the first quarter of 2020, an increase of 105.3%. The increase primarily reflects the merger with Anixter that was completed on June 22, 2020, along with growth across all segments, as described further below. WESCO's book-to-bill ratio, which measures orders received from customers relative to products shipped and billed during the quarter, was above 1.0 at the end of the first quarter of 2021 indicating strong demand. Backlog has grown double digits since the end of the fourth quarter of 2020.

EES reported net sales \$1.7 billion for the first quarter of 2021, compared to \$1.1 billion for the first quarter of 2020, an increase of 54.4%. In addition to the impact of the merger, the increase reflects growth in our construction and original equipment manufacturer businesses due to improving economic conditions and strong demand.

CSS reported net sales of \$1.3 billion for the first quarter of 2021, compared to \$223.7 million for the first quarter of 2020, an increase of 459.0%. The increase reflects the impact from the merger and growth in security solutions, partially offset by project timing, a slowdown in safety sales and the impact of COVID-19 in certain regions.

UBS reported net sales of \$1.1 billion for the first quarter of 2021, compared to \$630.5 million for the first quarter of 2020, an increase of 69.7%. Along with the impact of the merger, the increase reflects growth in our utility and broadband businesses, partially offset by lower sales from integrated supply programs due to the disruption caused by the COVID-19 pandemic.

Cost of Goods Sold

Cost of goods sold for the first quarter of 2021 was \$3.2 billion compared to \$1.6 billion for the first quarter of 2020, an increase of \$1.6 billion reflecting the merger with Anixter. Cost of goods sold as a percentage of net sales was 79.9% for the first quarter of 2021, a decrease of 100 basis points compared to 80.9% for the first quarter of 2020. The decrease primarily reflects the favorable impact of margin improvement initiatives, partially offset by a write-down of \$8.9 million to the carrying value of certain personal protective equipment products held in inventory for which current selling prices have declined below cost due to a surplus of such products in the market. This write-down of inventory impacted cost of goods sold as a percentage of net sales for the first quarter of 2021 by 20 basis points.

Selling, General and Administrative Expenses

SG&A expenses for the first quarter of 2021 totaled \$636.6 million versus \$299.4 million for the first quarter of 2020. As a percentage of net sales, SG&A expenses were 15.8% and 15.2%, respectively. The increase in SG&A expenses of \$337.2 million, or 112.6%, primarily reflects the impact of the merger with Anixter. In addition, as described below, SG&A payroll expenses were higher in the current quarter, partially offset by lower travel, entertainment and similar expenses due to restrictions imposed on non-essential business travel in response to the COVID-19 pandemic. The realization of synergies and structural cost takeout actions also favorably impacted SG&A expenses for the first quarter of 2021. SG&A expenses for the first quarter of 2021 include merger-related costs of \$46.3 million, as well as a net gain of \$8.9 million resulting from the sale of WESCO's legacy utility and data communications businesses in Canada, which were divested in connection with the Merger. Adjusted for these amounts, SG&A expenses were \$599.2 million, or 14.8% of net sales, for the first quarter of 2021. SG&A expenses for the first quarter of 2020 include \$4.6 million of merger-related costs. Adjusted for these costs, SG&A expenses were \$294.8 million, or 15.0% of net sales, for the first quarter of 2020.

SG&A payroll expenses for the first quarter of 2021 of \$423.7 million increased by \$220.1 million compared to the same period in 2020 primarily due to the merger with Anixter. Excluding the impact of the merger, SG&A payroll expenses were up \$4.9 million due to higher variable compensation expense and benefit costs, partially offset by lower salaries and wages due to the realization of synergies and structural cost takeout actions related to merger activities.

Depreciation and Amortization

Depreciation and amortization increased \$25.1 million to \$41.2 million for the first quarter of 2021, compared to \$16.1 million for the first quarter of 2020. The first quarter of 2021 includes \$15.6 million attributable to the amortization of identifiable intangible assets acquired in the merger with Anixter.

Income from Operations

The following tables set forth income from operations by segment for the periods presented:

(In thousands)	Three Months Ended March 31, 2021				
	EES	CSS	UBS	Corporate	Total
Income from operations	\$ 100,111	\$ 73,964	\$ 87,030	\$ (127,854)	\$ 133,251

(In thousands)	Three Months Ended March 31, 2020				
	EES	CSS	UBS	Corporate	Total
Income from operations	\$ 43,326	\$ 9,946	\$ 41,785	\$ (34,144)	\$ 60,913

Operating profit was \$133.3 million for the first quarter of 2021 compared to \$60.9 million for the first quarter of 2020, an increase of 118.8%. The increase primarily reflects the merger with Anixter. For the first quarter of 2021, operating profit for EES, CSS and UBS also reflects the favorable impact of margin improvement initiatives, as well as the realization of synergies and structural cost takeout actions. Additionally, income from operations reflects the benefit of lower travel, entertainment and similar expenses due to restrictions imposed on non-essential business travel in response to the COVID-19 pandemic.

EES reported operating profit of \$100.1 million for the first quarter of 2021, compared to \$43.3 million for the first quarter of 2020, an increase of \$56.8 million. In addition to the favorable factors impacting the overall business, as described above, the increase also reflects lower salaries and wages resulting from merger-related integration activities. Operating profit for the first quarter of 2021 was negatively impacted by higher variable compensation and benefit costs compared to the prior year.

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CSS reported operating profit of \$74.0 million for the first quarter of 2021, compared to \$9.9 million for the first quarter of 2020, an increase of \$64.1 million. Along with the favorable factors impacting the overall business, as described above, the increase also reflects lower salaries and wages as a result of merger-related integration activities. Operating profit for the first quarter of 2021 was negatively impacted by the inventory write-down described above, as well as higher variable compensation and benefit costs compared to the prior year.

UBS reported operating profit of \$87.0 million for the first quarter of 2021, compared to \$41.8 million for the first quarter of 2020, an increase of \$45.2 million. The increase reflects the favorable factors impacting the overall business, as described above, combined with the benefit from the aforementioned gain on the Canadian divestitures.

Interest Expense, net

Net interest expense totaled \$70.4 million for the first quarter of 2021, compared to \$16.6 million for the first quarter of 2020. The increase in interest expense was driven by financing activity related to the Anixter merger.

Other, net

Other non-operating income ("other, net") totaled \$2.8 million for the first quarter of 2021, compared to \$0.1 million for the first quarter of 2020.

Income Taxes

Income tax expense totaled \$6.5 million for the first quarter of 2021, compared to \$10.3 million in last year's comparable period, and the effective tax rate was 9.9% and 23.1%, respectively. The lower effective tax rate in the current quarter was primarily due to a discrete income tax benefit of \$8.3 million associated with a change in valuation allowance related to foreign tax credit carryforwards, which impacted the effective tax rate by approximately 12.7 percentage points.

Net Income and Earnings per Share

Net income for the first quarter of 2021 was \$59.2 million, compared to net income of \$34.2 million for the first quarter of 2020.

Net loss attributable to noncontrolling interests was less than \$0.1 million for the first quarter of 2021, compared to \$0.2 million for the first quarter of 2020.

Preferred stock dividends expense of \$14.4 million for the first quarter of 2021 relates to the fixed-rate reset cumulative perpetual preferred stock, Series A, that was issued in connection with the merger.

Net income and earnings per diluted share attributable to common stockholders were \$44.8 million and \$0.87 per diluted share, respectively, for the first quarter of 2021, compared with \$34.4 million and \$0.82 per diluted share, respectively, for the first quarter of 2020. Adjusted for merger-related costs, the net gain on the sale of WESCO's legacy utility and data communications businesses in Canada, and the related income tax effects, net income and earnings per diluted share attributable to common stockholders for the three months ended March 31, 2021 were \$74.1 million and \$1.43, respectively. Adjusted for merger-related costs and interest, and the related income tax effects, net income and earnings per diluted share attributable to common stockholders were \$38.3 million and \$0.91, respectively, for the three months ended March 31, 2020.

The following tables reconcile income from operations, net interest expense, provision for income taxes and earnings per diluted share to adjusted net income from operations, adjusted net interest expense, adjusted provision for income taxes and adjusted earnings per diluted share, which are non-GAAP financial measures, for the periods presented:

Adjusted Income from Operations:	Three Months Ended	
	March 31, 2021	March 31, 2020
	(In thousands)	
Income from operations	\$ 133,251	\$ 60,913
Merger-related costs	46,322	4,608
Net gain on Canadian divestitures	(8,927)	—
Adjusted income from operations	<u>\$ 170,646</u>	<u>\$ 65,521</u>

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Adjusted Interest Expense, Net:	Three Months Ended	
	March 31, 2021	March 31, 2020
	(In thousands)	
Interest expense, net	\$ 70,373	\$ 16,592
Merger-related interest expense ⁽¹⁾	—	(515)
Adjusted interest expense, net	\$ 70,373	\$ 16,077

⁽¹⁾ The adjustment for the three months ended March 31, 2020 represents interest for borrowings against our prior accounts receivable securitization facility to fund the \$100.0 million termination fee described above.

Adjusted Provision for Income Taxes:	Three Months Ended	
	March 31, 2021	March 31, 2020
	(In thousands)	
Provision for income taxes	\$ 6,531	\$ 10,266
Income tax effect of adjustments to income from operations and net interest ⁽¹⁾	8,145	1,183
Adjusted provision for income taxes	\$ 14,676	\$ 11,449

⁽¹⁾ The adjustments to income from operations and net interest expense have been tax effected at rates of 21.8% and 23.1% for the three months ended March 31, 2021 and 2020, respectively.

Adjusted Earnings per Diluted Share: (In thousands, except per share data)	Three Months Ended	
	March 31, 2021	March 31, 2020
Adjusted income from operations	\$ 170,646	\$ 65,521
Adjusted interest expense, net	70,373	16,077
Other, net	(2,807)	(120)
Adjusted income before income taxes	103,080	49,564
Adjusted provision for income taxes	14,676	11,449
Adjusted net income	88,404	38,115
Net loss attributable to noncontrolling interests	(24)	(232)
Adjusted net income attributable to WESCO International, Inc.	88,428	38,347
Preferred stock dividends	14,352	—
Adjusted net income attributable to common stockholders	\$ 74,076	\$ 38,347
Diluted shares	51,708	42,075
Adjusted earnings per diluted share	\$ 1.43	\$ 0.91

Note: For the three months ended March 31, 2021, income from operations, the provision for income taxes and earnings per diluted share have been adjusted to exclude merger-related costs, a net gain on the sale of WESCO's legacy utility and data communications businesses in Canada, and the related income tax effects. For the three months ended March 31, 2020, income from operations, net interest expense, the provision for income taxes and earnings per diluted share have been adjusted to exclude merger-related costs and interest, and the related income tax effects. These non-GAAP financial measures provide a better understanding of our financial results on a comparable basis.

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EBITDA, Adjusted EBITDA and Adjusted EBITDA margin %

The following tables reconcile net income attributable to common stockholders to EBITDA, adjusted EBITDA and adjusted EBITDA margin % by segment, which are non-GAAP financial measures, for the periods presented:

(In thousands)	Three Months Ended March 31, 2021				
	EES	CSS	UBS	Corporate	Total
Net income attributable to common stockholders	\$ 100,629	\$ 73,594	\$ 87,013	\$ (216,410)	\$ 44,826
Net loss attributable to noncontrolling interests	(75)	—	—	51	(24)
Preferred stock dividends	—	—	—	14,352	14,352
Provision for income taxes	—	—	—	6,531	6,531
Interest expense, net	—	—	—	70,373	70,373
Depreciation and amortization	10,563	16,293	5,210	9,143	41,209
EBITDA	\$ 111,117	\$ 89,887	\$ 92,223	\$ (115,960)	\$ 177,267
Other, net	(443)	370	17	(2,751)	(2,807)
Stock-based compensation expense ⁽¹⁾	1,351	425	340	2,577	4,693
Merger-related costs	—	—	—	46,322	46,322
Net gain on Canadian divestitures	—	—	(8,927)	—	(8,927)
Adjusted EBITDA	\$ 112,025	\$ 90,682	\$ 83,653	\$ (69,812)	\$ 216,548
Adjusted EBITDA margin %	6.5%	7.3%	7.8%		5.4%

⁽¹⁾ Stock-based compensation expense in the calculation of adjusted EBITDA for the three months ended March 31, 2021 excludes \$1.3 million as such amount is included in merger-related costs.

(In thousands)	Three Months Ended March 31, 2020				
	EES	CSS	UBS	Corporate	Total
Net income attributable to common stockholders	\$ 43,446	\$ 9,946	\$ 41,785	\$ (60,770)	\$ 34,407
Net loss attributable to noncontrolling interests	(232)	—	—	—	(232)
Provision for income taxes	—	—	—	10,266	10,266
Interest expense, net	—	—	—	16,592	16,592
Depreciation and amortization	6,876	1,841	3,521	3,855	16,093
EBITDA	\$ 50,090	\$ 11,787	\$ 45,306	\$ (30,057)	\$ 77,126
Other, net	(120)	—	—	—	(120)
Stock-based compensation expense	1,079	156	293	3,098	4,626
Merger-related costs	—	—	—	4,608	4,608
Adjusted EBITDA	\$ 51,049	\$ 11,943	\$ 45,599	\$ (22,351)	\$ 86,240
Adjusted EBITDA margin %	4.6 %	5.3 %	7.2 %		4.4 %

Note: EBITDA, Adjusted EBITDA and Adjusted EBITDA margin % are non-GAAP financial measures that provide indicators of our performance and ability to meet debt service requirements. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before other non-operating expenses ("other, net"), non-cash stock-based compensation, merger-related costs and net gain on the sale of WESCO's legacy utility and data communications businesses in Canada. Adjusted EBITDA margin % is calculated by dividing Adjusted EBITDA by net sales.

Adjusted EBITDA for EES was \$112.0 million for the first quarter of 2021, or 6.5% of net sales, compared to \$51.0 million for the first quarter of 2020, or 4.6% of net sales.

Adjusted EBITDA for CSS was \$90.7 million for the first quarter of 2021, or 7.3% of net sales, compared to \$11.9 million for the first quarter of 2020, or 5.3% of net sales.

Adjusted EBITDA for UBS was \$83.7 million for the first quarter of 2021, or 7.8% of net sales, compared to \$45.6 million for the first quarter of 2020, or 7.2% of net sales.

Liquidity and Capital Resources

Total assets, total liabilities and total stockholders' equity were \$11.9 billion, \$8.5 billion and \$3.4 billion at March 31, 2021 and December 31, 2020, respectively.

Our liquidity needs generally arise from fluctuations in our working capital requirements, capital expenditures, acquisitions and debt service obligations. As of March 31, 2021, we had \$686.9 million in available borrowing capacity under our Revolving Credit Facility and \$214.0 million in available borrowing capacity under our Receivables Facility, which combined with available cash of \$136.5 million, provided liquidity of \$1.0 billion. Cash included in our determination of liquidity represents cash in certain deposit and interest bearing investment accounts. We believe cash provided by operations and financing activities will be adequate to cover our operational and business needs for at least the next twelve months. In addition, we regularly review our mix of fixed versus variable rate debt, and we may, from time to time, issue or retire borrowings and/or refinance existing debt in an effort to mitigate the impact of interest rate and foreign exchange rate fluctuations, and to maintain a cost-effective capital structure consistent with our anticipated capital requirements. At March 31, 2021, approximately 69% of our debt portfolio was comprised of fixed rate debt.

As described in Note 8, "Debt" of our Notes to the unaudited Condensed Consolidated Financial Statements, on January 14, 2021 (the "Redemption Date"), we redeemed the \$500 million aggregate principal amount of our 2021 Notes at a redemption price equal to 100% of the principal amount plus accrued interest to, but not including, the Redemption Date. The redemption of the 2021 Notes was funded with available cash, as well as borrowings under our accounts receivable securitization and revolving credit facilities.

Since the merger with Anixter, we have used cash and the net proceeds from the divestiture of WESCO's legacy utility and data communications businesses in Canada to reduce our debt, net of cash, by approximately \$534 million. Over the next several quarters, it is expected that excess liquidity will be directed primarily at debt reduction and merger-related integration activities, and we expect to maintain sufficient liquidity through our credit facilities and cash balances. We expect to spend between \$100 million to \$120 million on capital expenditures in 2021, much of which will be invested to align the systems of our legacy businesses and enhance our digital tools.

We monitor the depository institutions that hold our cash and cash equivalents on a regular basis, and we believe that we have placed our deposits with creditworthy financial institutions. We also communicate on a regular basis with our lenders regarding our financial and working capital performance, liquidity position and financial leverage. Our financial leverage ratio, on a pro forma basis, was 4.9 as of March 31, 2021 and 5.3 as of December 31, 2020. In addition, we are in compliance with all covenants and restrictions contained in our debt agreements as of March 31, 2021.

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

The following table sets forth our financial leverage ratio, which is a non-GAAP financial measure, for the periods presented:

(In millions of dollars, except ratio)	Pro Forma ⁽¹⁾	
	Twelve Months Ended	
	March 31, 2021	December 31, 2020
Net income attributable to common stockholders	\$ 90.3	\$ 115.6
Net loss attributable to noncontrolling interests	(0.3)	(0.5)
Preferred stock dividends	44.5	30.1
Provision for income taxes	39.6	55.7
Interest expense, net	292.9	255.8
Depreciation and amortization	161.5	153.5
EBITDA	628.5	610.2
Other, net	(4.8)	4.6
Stock-based compensation	30.3	34.7
Merger-related costs and fair value adjustments	245.6	206.7
Out-of-period adjustment	18.9	18.9
Net gain on sale of asset and Canadian divestitures	(28.7)	(19.8)
Adjusted EBITDA	\$ 889.8	\$ 855.3
	As of	
	March 31, 2021	December 31, 2020
Short-term borrowings and current portion of long-term debt	\$ 20.8	\$ 528.8
Long-term debt	4,592.7	4,370.0
Debt discount and debt issuance costs ⁽²⁾	83.6	88.2
Fair value adjustments to Anixter Senior Notes due 2023 and 2025 ⁽²⁾	(1.5)	(1.7)
Total debt	4,695.6	4,985.3
Less: Cash and cash equivalents	303.9	449.1
Total debt, net of cash	\$ 4,391.7	\$ 4,536.2
Financial leverage ratio	4.9	5.3

⁽¹⁾ Pro forma adjusted EBITDA includes the financial results of WESCO's legacy utility and data communications businesses in Canada, which were divested in the first quarter of 2021 under a Consent Agreement with the Competition Bureau of Canada.

⁽²⁾ Long-term debt is presented in the condensed consolidated balance sheets net of debt discount and debt issuance costs, and includes adjustments to record the long-term debt assumed in the merger with Anixter at its acquisition date fair value.

Note: Financial leverage measures the use of debt. Financial leverage ratio is calculated by dividing total debt, excluding debt discount, debt issuance costs and fair value adjustments, net of cash, by adjusted EBITDA. EBITDA is defined as the trailing twelve months earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as the trailing twelve months EBITDA before foreign exchange and other non-operating expenses ("other, net"), non-cash stock-based compensation, costs and fair value adjustments associated with the merger with Anixter, an out-of-period adjustment related to inventory absorption accounting, and net gain on the sale of a U.S. operating branch and WESCO's legacy utility and data communications businesses in Canada. Pro forma financial leverage ratio is calculated by dividing total debt, excluding debt discount and debt issuance costs, net of cash, by pro forma adjusted EBITDA. Pro forma EBITDA and pro forma adjusted EBITDA gives effect to the combination of WESCO and Anixter as if it had occurred at the beginning of the respective trailing twelve month period.

Most of the undistributed earnings of our foreign subsidiaries have been taxed in the U.S. under either the one-time transition tax or the global intangible low-taxed income ("GILTI") tax regime imposed by the Tax Cuts and Jobs Act of 2017 ("TCJA"). Except for a portion of foreign earnings previously taxed in the U.S. that can effectively be distributed without further material U.S. or foreign taxation, we continue to assert that the undistributed earnings of our foreign subsidiaries are indefinitely reinvested. To the extent the earnings of our foreign subsidiaries are distributed in the form of dividends, such earnings may be subject to additional taxes. We believe that we are able to maintain a sufficient level of liquidity for our domestic operations and commitments without incurring any material tax cost to repatriate cash held by our foreign subsidiaries.

Cash Flow

Operating Activities. Net cash generated from operations for the first three months of 2021 totaled \$120.5 million, compared with net cash provided by operating activities of \$31.5 million for the first three months of 2020. Operating activities included net income of \$59.2 million and adjustments to net income totaling \$31.0 million, which were primarily comprised of depreciation and amortization of \$41.2 million, deferred income taxes of \$13.1 million, stock-based compensation expense of \$6.0 million, and a net gain of \$8.9 million resulting from the Canadian divestitures. Other sources of cash in the first three months of 2021 included an increase in accounts payable of \$251.0 million due to higher purchases of inventory, an increase in other current and noncurrent liabilities of \$40.5 million, a decrease in other accounts receivable of \$7.6 million, and a decrease in other current and noncurrent assets of \$17.1 million. Primary uses of cash in the first three months of 2021 included an increase in inventories of \$124.8 million to support increased customer demand, an increase in trade accounts receivable of \$117.4 million resulting from higher sales in the latter part of the quarter, and a decrease in accrued payroll and benefit costs of \$43.8 million.

Net cash provided by operating activities for the first three months of 2020 totaled \$31.5 million, which included net income of \$34.2 million and adjustments to net income totaling \$19.8 million, which were primarily comprised of depreciation and amortization of \$16.1 million and stock-based compensation expense of \$4.6 million. Other sources of cash in the first three months of 2020 included a decrease in inventories of \$37.8 million, a decrease in other accounts receivable of \$19.2 million, and an increase in other current and noncurrent liabilities of \$7.4 million. Primary uses of cash in the first three months of 2020 included an increase in trade accounts receivable of \$53.9 million, a decrease in accrued payroll and benefit costs of \$19.0 million, a decrease in accounts payable of \$10.9 million, and an increase in other current and noncurrent assets of \$3.1 million.

Investing Activities. Net cash provided by investing activities for the first three months of 2021 was \$44.5 million, compared with \$110.3 million of net cash used during the first three months of 2020. Included in the first three months of 2021 was \$54.1 million of net proceeds from the divestiture of WESCO's legacy utility and data communications businesses in Canada, as described in Note 4, "Acquisitions and Disposals" of our Notes to the unaudited Condensed Consolidated Financial Statements. Included in the first three months of 2020 was a \$100.0 million termination fee associated with the acquisition of Anixter, as described in Note 4, "Acquisitions and Disposals" of our Notes to the unaudited Condensed Consolidated Financial Statements. Capital expenditures were \$10.2 million for the three month period ended March 31, 2021, compared to \$15.8 million for the three month period ended March 31, 2020.

Financing Activities. Net cash used in financing activities for the first three months of 2021 was \$312.2 million, compared to \$278.7 million of net cash provided by financing activities for the first three months of 2020. During the first three months of 2021, financing activities consisted of the redemption of our \$500.0 million aggregate principal amount of 2021 Notes, borrowings and repayments of \$713.6 million and \$488.6 million, respectively, related to our Revolving Credit Facility, as well as borrowings and repayments of \$243.0 million and \$248.0 million, respectively, related to our Receivables Facility. Financing activities for the first three months of 2021 also included net repayments related to our various international lines of credit of approximately \$8.5 million, and \$14.4 million of dividends paid to holders of our Series A Preferred Stock

During the first three months of 2020, financing activities consisted of borrowings and repayments of \$360.5 million and \$260.5 million, respectively, related to our prior revolving credit facility, as well as borrowings and repayments of \$225.0 million and \$40.0 million, respectively, related to our prior accounts receivable securitization facility. Financing activities for the first three months of 2020 also included net repayments related to our various international lines of credit of approximately \$0.4 million.

Contractual Cash Obligations and Other Commercial Commitments

There were no material changes in our contractual obligations and other commercial commitments that would require an update to the disclosure provided in our 2020 Annual Report on Form 10-K.

Inflation

The rate of inflation, as measured by changes in the producer price index, affects different commodities, the cost of products purchased and ultimately the pricing of our different products and product classes to our customers. For the three months ended March 31, 2021, pricing related to inflation did not have a material impact on our sales.

Seasonality

Our operating results are not significantly affected by seasonal factors. Sales during the first and fourth quarters are usually affected by a reduced level of activity due to the impact of weather on projects. Sales typically increase beginning in March, with slight fluctuations per month through October. During periods of economic expansion or contraction, our sales by quarter have varied significantly from this pattern.

Guarantor Financial Statements

WESCO Distribution (the “Issuer”) has outstanding \$350 million in aggregate principal amount of 5.375% Senior Notes due 2024 (the “2024 Notes”).

The 2024 Notes are unsecured senior obligations of WESCO Distribution and are fully and unconditionally guaranteed on a senior unsecured basis by WESCO International and Anixter Inc. (the “Guarantors”), ranking *pari passu* in right of payment with all other existing and future senior obligations of the Issuer, including obligations under other unsubordinated indebtedness. The 2024 Notes are effectively subordinated to all existing and future obligations of the Issuer that are secured by liens on any property or assets of the Issuer, including the Issuer’s Revolving Credit Facility and the then outstanding term loan facility (the “Senior Secured Credit Facilities”), to the extent of the value of the collateral securing such obligations, and are structurally subordinated to all liabilities (including trade payables) of any of the Guarantors’s or the Issuer’s subsidiaries (the “non-Guarantor Subsidiaries”) and senior in right of payment to all existing and future obligations of the Issuer that are, by their terms, subordinated in right of payment to the 2024 Notes.

The 2024 Notes are guaranteed by the Guarantors and not by the non-Guarantor Subsidiaries. In the event of a bankruptcy, liquidation or reorganization of any of the non-Guarantor Subsidiaries, such non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute or contribute, as the case may be, any of their assets to the Issuer or the Guarantors. Therefore, the 2024 Notes and the guarantee of the Guarantors (the “Guarantee”) are effectively subordinated to the liabilities of the non-Guarantor Subsidiaries.

The Guarantee constitutes a senior obligation of the Guarantors, ranking *pari passu* in right of payment with all other senior obligations of the Guarantors, including obligations under other unsubordinated indebtedness. The Guarantee is effectively subordinated to all existing and future obligations incurred by the Guarantors that are secured by liens on any property or assets of the Guarantors, including the Senior Secured Credit Facilities, to the extent of the value of the collateral securing such obligations, structurally subordinated to all liabilities (including trade payables) of the non-Guarantor Subsidiaries and senior in right of payment to all existing and future obligations of the Guarantors that are, by their terms, subordinated in right of payment to the Guarantee.

The Guarantors guarantee to each holder of the 2024 Notes and to the respective trustees (i) the due and punctual payment of the principal of, premium, if any, and interest on each Note, when and as the same shall become due and payable, whether at maturity, by acceleration or otherwise, the due and punctual payment of interest on the overdue principal of and interest on the 2024 Notes, to the extent lawful, and the due and punctual payment of all other obligations and due and punctual performance of all obligations of the Issuer to the holders or the respective trustee all in accordance with the terms of the 2024 Notes and the indentures governing the 2024 Notes and (ii) in the case of any extension of time of payment or renewal of any 2024 Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, at stated maturity, by acceleration or otherwise.

If the Issuer becomes a debtor in a case under the U.S. Bankruptcy Code or encounters other financial difficulty, under federal or state fraudulent transfer law, a court may void, subordinate or otherwise decline to enforce the 2024 Notes. A court might do so if it is found that when the Issuer issued the 2024 Notes, or in some states when payments became due under the 2024 Notes, the Issuer received less than reasonably equivalent value or fair consideration and either: (i) were insolvent or rendered insolvent by reason of such incurrence; (ii) were left with inadequate capital to conduct its business; or (iii) believed or reasonably should have believed that the Issuer would incur debts beyond its ability to pay.

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

A court might also void an issuance of the 2024 Notes without regard to the above factors, if the court found that the Issuer issued the 2024 Notes with actual intent to hinder, delay or defraud its creditors. A court would likely find that the Issuer did not receive reasonably equivalent value or fair consideration for the 2024 Notes, if the Issuer did not substantially benefit directly or indirectly from the issuance of the 2024 Notes. If a court were to void the issuance of the 2024 Notes, holders would no longer have any claim against the Issuer. Sufficient funds to repay the 2024 Notes may not be available from other sources. In addition, the court might direct holders to repay any amounts that they already received from the Issuer.

The following tables present summarized financial information for WESCO International, WESCO Distribution and Anixter Inc. on a combined basis after elimination of (i) intercompany transactions and balances among such entities and (ii) equity in earnings from and investments in any subsidiary that is a non-guarantor. The summarized financial information has been prepared in accordance with Rule 13-01 of Regulation S-X.

Summarized Balance Sheets

(In thousands)

(unaudited)

	As of	
	March 31, 2021	December 31, 2020
Assets		
Current assets	\$ 2,369,262	\$ 2,259,748
Due from non-guarantor subsidiaries	298,508	277,957
Total current assets	2,667,770	2,537,705
Noncurrent assets	3,338,955	3,368,247
Total assets	\$ 6,006,725	\$ 5,905,952
Liabilities		
Current liabilities	\$ 1,440,047	\$ 1,821,835
Due to non-guarantor subsidiaries	2,319,889	2,046,613
Total current liabilities	3,759,936	3,868,448
Noncurrent liabilities	4,376,826	4,169,639
Total liabilities	\$ 8,136,762	\$ 8,038,087

Summarized Statement of Income (Loss)

(In thousands)

(unaudited)

	Three Months Ended	
	March 31, 2021	
Net sales ⁽¹⁾	\$	2,253,878
Gross profit ⁽¹⁾		438,544
Net loss	\$	(49,616)

⁽¹⁾ Includes \$15.6 million of net sales and cost of goods sold to non-guarantor subsidiaries.

Impact of Recently Issued Accounting Standards

See Note 2, "Accounting Policies" of our Notes to Condensed Consolidated Financial Statements for information regarding the effect of new accounting pronouncements.

Forward-Looking Statements

All statements made herein that are not historical facts should be considered as forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially. These statements include, but are not limited to, statements regarding the expected benefits and costs of the transaction between WESCO and Anixter International Inc., including anticipated future financial and operating results, synergies, accretion and growth rates, and the combined company's plans, objectives, expectations and intentions, statements that address the combined company's expected future business and financial performance, and other statements identified by words such as "anticipate," "plan," "believe," "estimate," "intend," "expect," "project," "will" and similar words, phrases or expressions. These forward-looking statements are based on current expectations and beliefs of WESCO's management, as well as assumptions made by, and information currently available to, WESCO's management, current market trends and market conditions and involve risks and uncertainties, many of which are outside of WESCO's and WESCO's management's control, and which may cause actual results to differ materially from those contained in forward-looking statements. Accordingly, you should not place undue reliance on such statements.

Those risks, uncertainties and assumptions include the risk of any unexpected costs or expenses resulting from the transaction, the risk of any litigation or post-closing regulatory action relating to the transaction, the risk that the transaction could have an adverse effect on the ability of the combined company to retain customers and retain and hire key personnel and maintain relationships with its suppliers, customers and other business relationships and on its operating results and business generally, or the risk that problems may arise in successfully integrating the businesses of the companies, which may result in the combined company not operating as effectively and efficiently as expected, the risk that the combined company may be unable to achieve synergies or other anticipated benefits of the proposed transaction or it may take longer than expected to achieve those synergies or benefits, the risk that the leverage of the company may be higher than anticipated, the impact of natural disasters, health epidemics and other outbreaks, especially the outbreak of COVID-19 since December 2019, which may have a material adverse effect on the combined company's business, results of operations and financial conditions, and other important factors that could cause actual results to differ materially from those projected. All such factors are difficult to predict and are beyond each company's control. Additional factors that could cause results to differ materially from those described above can be found in WESCO's Annual Report on Form 10-K for the fiscal year ended December 31, 2020 and WESCO's other reports filed with the SEC.

Item 3. Quantitative and Qualitative Disclosures about Market Risks.

For a discussion of changes to the market risks that were previously disclosed in our 2020 Annual Report on Form 10-K, refer to Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and to Part II, Item 1A, "Risk Factors".

Item 4. Controls and Procedures.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures and internal control over financial reporting were effective as of the end of the period covered by this report.

There were no changes in the Company's internal control over financial reporting that occurred during the quarterly period ended March 31, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, a number of lawsuits and claims have been or may be asserted against us relating to the conduct of our business, including litigation relating to commercial, product and employment matters. The outcome of any litigation cannot be predicted with certainty, and some lawsuits may be determined adversely to us. However, management does not believe that the ultimate outcome of any such pending matters is likely to have a material adverse effect on our financial condition or liquidity, although the resolution in any fiscal period of one or more of these matters may have a material adverse effect on our results of operations for that period.

Item 1A. Risk Factors.

There have been no material changes to the risk factors previously disclosed in Item 1A. to Part 1 of WESCO's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Item 6. Exhibits.

(a) Exhibits

(10) Material Contracts

[\(1\) Agreement, dated May 28, 2020, memorializing terms of employment of Theodore Dosch by WESCO International, Inc. \(filed herewith\)](#)

[\(2\) Second Amendment to Fifth Amended and Restated Receivables Purchase Agreement \(filed herewith\)](#)

(31) Rule 13a-14(a)/15d-14(a) Certifications

[\(1\) Certification of Chief Executive Officer pursuant to Rules 13a-14\(a\) promulgated under the Exchange Act.](#)

[\(2\) Certification of Chief Financial Officer pursuant to Rules 13a-14\(a\) promulgated under the Exchange Act.](#)

(32) Section 1350 Certifications

[\(1\) Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

[\(2\) Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

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.

104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

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.

WESCO International, Inc.

(Registrant)

May 7, 2021

(Date)

By: /s/ David S. Schulz

David S. Schulz

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

May 7, 2021

(Date)

By: /s/ Matthew S. Kulasa

Matthew S. Kulasa

Senior Vice President, Corporate Controller and Chief Accounting Officer

(Principal Accounting Officer)



Christine Wolf
SVP & Chief Human Resources Officer
Phone: 412-454-2376
Email: cwolf@wesco.com

May 28, 2020

Theodore A. Dosch
226 Northbridge Ct.
Benton Harbor, MI 49022

Dear Ted:

We are very excited about the transformational combination of WESCO International, Inc. (the “Company”) and Anixter International Inc. (“Anixter”). It presents a once-in-a-lifetime opportunity to create the premier electrical and data communications distribution company, and we believe that your major leadership role in the organization will be a key to its future success. Together, we can create tremendous value for our stockholders, our world-class suppliers and customers, and our employees. I am pleased to extend this offer for you to become the Executive Vice President Strategy & Chief Transformation Officer of our company after the completion of the transaction.

Reference is made to the Agreement and Plan of Merger (the “Merger Agreement”) by and among the Company, Warrior Merger Sub, Inc. (“Merger Sub”), and Anixter dated as of January 10, 2020, pursuant to which Merger Sub will merge with and into Anixter (the “Merger”), with Anixter surviving as a wholly owned subsidiary of the Company. This letter (this “Letter”) is intended to memorialize our agreement regarding the terms of your employment with the Company, and your related compensation and benefits, upon and following the closing of the Merger (the “Closing”). In the event that (i) your employment with Anixter terminates for any reason prior to the date on which the Closing occurs (the “Effective Date”), or (ii) the Merger Agreement is terminated without the occurrence of the Merger, this Agreement (as defined below) will be void ab initio and will have no further force or effect and none of the parties will have any obligations hereunder. Capitalized terms used but not otherwise defined herein will have the meanings given to them in the Merger Agreement.

1. **Employment Terms.** Effective as of the Effective Date, the principal terms of your compensation and benefits in connection with your employment with the Company will be as set forth on Exhibit A to this Letter (the “Term Sheet” and together with this Letter and Exhibit B hereto, this “Agreement”).

2. **Restrictive Covenants.** As a condition of your continued employment with the Company following the Effective Date and your entitlement to receive the compensation and benefits set forth in the Term Sheet, you hereby acknowledge and agree that you are and shall continue to be subject to restrictive covenants set forth in Section 7 of the Change of Control Severance Agreement between you and Anixter dated as of September 4, 2014 (the “CIC

Agreement”) as modified, augmented and set forth in Exhibit B hereto (the “Restrictive Covenants”).

3. Certain Reductions Due to Section 280G. Notwithstanding any provision of this Agreement to the contrary, in the event it shall be (or is subsequently) determined that any payment, benefit or acceleration of vesting by the Company or Anixter to you or for your benefit (whether pursuant to the terms of this Agreement or otherwise) (“Potential Parachute Payments”) would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the “Code”) or any similar tax payable under any United States federal, state, local, foreign or other law (“Excise Taxes”), then the Potential Parachute Payments shall be reduced to an amount that is one dollar less than the smallest amount that would give rise to such excise tax (the “Reduced Amount”) if and only if such Reduced Amount would be greater than the net after-tax proceeds (taking into account both the Excise Tax and any interest or penalties payable by you with respect thereto) of the unreduced Potential Parachute Payments payable to you. If any Potential Parachute Payments are required to be reduced pursuant to this paragraph, there shall be no discretion in the ordering of the Potential Parachute Payments so reduced, and such reductions shall be applied first to the amount of the Cash Retention Award (as defined in the Term Sheet), and if further reductions are necessary, such reductions shall be applied on a prorated basis to all other Potential Parachute Payments.

4. Section 409A. It is intended that the payments and benefits provided under this Agreement will be exempt from the application of, or comply with, the requirements of Section 409A of the Code. This Agreement will be construed in a manner that effects such intent to the greatest extent possible. However, the Company shall not be held liable for any taxes, interests or penalties that you owe with respect to any payments or benefits provided under this Agreement. With respect to any amounts payable hereunder in installments, each installment shall be treated as a separate payment for purposes of Section 409A of the Code. For purposes of any payment due hereunder upon a termination of employment that is subject to the provisions of Section 409A of the Code, such phrase or any similar phrase shall mean a “separation from service” as defined by the default provisions of Treasury Regulation 1.409A-1(h). Notwithstanding any other provision of this Agreement to the contrary, if you are a “specified employee” within the meaning of Section 409A of the Code (as determined in accordance with the methodology established by the Company), amounts that constitute “nonqualified deferred compensation” subject to Section 409A of the Code that would otherwise be payable by reason of your separation from service during the six-month period immediately following such separation from service shall instead be paid or provided on the first business day following the date that is six months following your separation from service. If you die following your separation from service and prior to the payment of any amounts delayed on account of Section 409A of the Code, such amounts shall be paid to the personal representative of your estate within 30 days following the date of your death.

5. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any choice of law or conflicting provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the laws of any jurisdiction other than the State of Delaware to be applied. In furtherance of the foregoing, the internal laws of the State of Delaware will control the

interpretation and construction of this Agreement, even if under such jurisdiction's choice of law or conflict of law analysis, the substantive law of some other jurisdiction would ordinarily apply.

6. Arbitration. Except with respect to claims for breach of the Restrictive Covenants, for which the Company may seek enforcement in any court having competent jurisdiction at its election, any dispute arising between you and the Company with respect to the validity, performance or interpretation of this Agreement shall be submitted to and determined in binding arbitration before a panel of three arbitrators in Pittsburgh, Pennsylvania, for resolution in accordance with the rules of the American Arbitration Association, modified to provide that the decision of the arbitrators shall be binding on the parties; shall be furnished in writing, separately and specifically stating the findings of fact and conclusions of law on which the decision is based; shall be kept confidential by the arbitrators and the parties; and shall be rendered within 60 days following the arbitrators being impaneled. You shall bear your, and the Company shall bear its, own costs and expenses associated with the arbitration. The arbitrators shall be selected in accordance with the rules of the American Arbitration Association.

7. Entire Agreement; Amendments. This Agreement represents the complete understanding between you and the Company regarding the subject matter of this Agreement. Effective as of the Effective Date, this Agreement supersedes the CIC Agreement in its entirety and you have no further rights or entitlements under the CIC Agreement. No amendment to this Agreement shall be binding upon either party unless in writing and signed by or on behalf of such party. The obligations of the parties hereto are severable and divisible. In the event any provision hereunder is determined to be illegal or unenforceable, the remainder of this Agreement shall continue in full force and effect.

8. Employment At Will; Tax Withholding. This Agreement does not provide a guarantee of employment for any specific duration or a guarantee of any fixed terms or conditions of employment. Your employment with the Company will be "at will", which means that either you or the Company may terminate your employment relationship at any time, with or without cause or notice. Employment with the Company for purposes of this Agreement shall include employment with any subsidiary or affiliate of the Company. The Company reserves the right to withhold or cause to be withheld applicable taxes from any amounts paid pursuant to this Agreement to the extent required by applicable law. You, or your estate, shall be responsible for any and all tax liability imposed on amounts paid hereunder.

[Signature Page Follows.]

Sincerely,

By: /s/ Christine A. Wolf

Name: Christine A. Wolf

Title: SVP, Chief Human Resources Officer

Acknowledged and Agreed:

/s/ Theodore A. Dosch

Theodore A. Dosch

Exhibit A

Term Sheet

Title; Reporting:	Executive Vice President Strategy & Chief Transformation Officer, reporting to the Chief Executive Officer of the Company.
Annual Base Salary:	\$625,000 annual rate to be paid in accordance with the applicable payroll practice in effect from time to time
Annual Cash Bonus:	Your target annual bonus will be 100% of your annual base salary with a payout opportunity of zero to 200% of your annual base salary, based on the achievement of performance objectives as established annually by the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee"). Payment of your earned annual bonus (if any) is subject to your continued employment through the applicable bonus payment date, except as otherwise provided in this Term Sheet or by the terms of the Company's annual bonus program as in effect from time to time.

You will have a full-year bonus opportunity (without proration) for the Company's fiscal year 2020. Your actual bonus payout for the Company's fiscal year 2020 will be based on (i) with respect to a minimum of 75% of the total bonus opportunity, the actual level of achievement, as determined by the Company, of the fiscal year 2020 performance goals (both corporate and individual) established by Anixter in the first quarter of 2020, measured with respect to the full fiscal year 2020 and (ii) with respect to a maximum of 25% of the total opportunity, the actual level of achievement, as determined by the Company, of the performance goals to be established by the Company after the Effective Date based on combined entity performance and your role in the integration, measured with respect to the period from the Effective Date through the end of the Company's fiscal year 2020.

If your employment is terminated by the Company without Cause on or after the Effective Date and prior to the payment of the fiscal year 2020 bonus, then, subject to your execution and delivery of a release of claims in the form provided by the Company and such release becoming effective and irrevocable within the time period specified therein, you will be entitled to receive, within 60 days after your termination date, a prorated 2020 bonus equal to the product of your target bonus multiplied by a fraction, the numerator of which is the number of days from January 1, 2020 through the earlier of your termination date and December 31, 2020 and the denominator of which is 366.

- Annual Equity Awards:** Beginning with the Company’s fiscal year 2021, you will be eligible to receive annual equity awards during your employment with the Company. It is expected that your annual equity awards for the Company’s fiscal year 2021 will have an aggregate grant date fair value of \$1,400,000, subject to approval by the Compensation Committee. The form, terms and conditions of your annual equity awards will be based on performance and award guidelines established periodically by the Compensation Committee.
- Stock Ownership Guidelines:** It is expected that you achieve and maintain an ownership position in Company common stock equal to 2x your annual base salary no later than 5 years following your date of employment.
- Health, Welfare, and Other Benefit Programs:** You will be eligible to participate in all corporate benefit programs in accordance with standard policies and procedures in effect from time to time, it being understood that you will continue to participate in Anixter’s benefit programs unless and until the Company determines that you should be transitioned to the Company benefit programs.
- Cash Retention Award:** On the Effective Date, you will be granted a cash retention award (the “Cash Retention Award”) in the aggregate amount of \$2,660,000. The Cash Retention Award will vest in equal installments on each of the first two anniversaries of the Effective Date, subject, in each case, to your continued employment with the Company through the applicable anniversary date. If your employment is terminated by the Company without Cause (as defined below in this Term Sheet), then, subject to your execution and delivery of a release of claims in the form provided by the Company and such release becoming effective and irrevocable within the time period specified therein, any then-unvested portion of the Cash Retention Award will vest. Any vested portion of the Cash Retention Award will be paid within 60 days following the applicable vesting date.
- Special Retention Award:** On the first trading that is at least 10 calendar days after the Effective Date, you will be granted a Company equity award in the form of restricted stock units (which may provide for settlement in common stock or cash, as determined by the Company in its discretion) with a grant date value of \$1,400,000 (the “Special Retention Award”). The Special Retention Award will vest as to 30% of the restricted stock units subject to the Special Retention Award on each of the first and second anniversaries of the grant date and as to 40% of the restricted stock units subject to the Special Retention Award on the third anniversary of the grant date, subject, in each case, to your continued employment with the Company through the applicable anniversary date, and will otherwise be subject to the terms and conditions set forth in the applicable award agreement.

Assumed Award:

Upon the closing of the Merger, the annual restricted stock unit award granted to you by Anixter in March 2020 will be assumed by the Company in accordance with the terms of the Merger Agreement and the applicable award agreement and will otherwise continue to be subject to its terms and conditions in effect as of immediately prior to the closing of the Merger, except that for purposes of such award, the definitions of “Cause” and “Good Reason” are hereby superseded and replaced in their entirety with the corresponding definitions set forth below in this Term Sheet.

Severance:

If your employment is terminated by the Company without Cause on or after the Effective Date, then, subject to your execution and delivery of a release of claims in the form provided by the Company and such release becoming effective and irrevocable within the time period specified therein, you will be entitled to receive the following severance payments:

(i) cash severance equal to 12 months of your then-current annual base salary, payable in installments over the 12 months following your termination date (provided that any installments that would otherwise have been paid during the period between your termination date and the 60th day following your termination date shall be accumulated and paid on the first regularly scheduled payroll date occurring after the 60th day following your termination date); and

(ii) a prorated bonus, payable within 60 days following your termination date, equal to the product of your then-current target bonus multiplied by a fraction, the numerator of which is the number of days from January 1 of the fiscal year in which your termination date occurs through the earlier of your termination date and December 31 of such fiscal year and the denominator of which is the total number of days in such fiscal year. However, in light of the prorated bonus contemplated by the section of this Term Sheet entitled “Annual Cash Bonus” and in order to avoid a duplication of payments, if your employment is terminated by the Company without Cause during fiscal year 2020, you shall not be entitled to the prorated target bonus described in this clause (ii).

If the Company adopts a change in control severance plan on or after the Effective Date, then you will be eligible to participate in such plan in accordance with its terms as in effect from time to time.

Certain Definitions:

For purposes of the Agreement, the following capitalized terms shall have the following meanings:

“Cause” means:

(i) your willful and continued failure to substantially perform your employment duties (other than such failure resulting from physical or mental incapacity), after a written demand for substantial performance is delivered to you that specifically identifies the manner in which the Company believes you have failed to perform your duties, and after you have failed to resume substantial performance of your duties on a continuous basis within thirty (30) calendar days of receiving such demand;

(ii) the Company’s determination, in good faith, that you have engaged in willful misconduct or gross negligence relating to the business of the Company;

(iii) a plea of guilty or *nolo contendere* by you to, or your conviction of, a felony under federal or state law; or

(iv) your material breach of any written policy of the Company, including without limitation the Company’s Code of Conduct.

“Good Reason” means, without your express written consent, the occurrence of any of the following events:

(i) a material diminution in your reporting relationship or authority, duties and responsibilities with the Company, in each case, as in effect immediately after the Effective Date (provided that the Company may assign the duties and responsibilities of the chief information officer to another executive and such change shall not constitute Good Reason);

(ii) a material reduction in your target total cash compensation (consisting of rate of annual base salary and target bonus opportunity, in each case, as set forth in this Term Sheet or as the same may be increased from time to time after the Effective Date), excluding any reduction that occurs in connection with an across-the-board reduction applicable to substantially the entire senior management team; or

(iii) any requirement that you be based more than 50 miles from the facility where you are based immediately before the Effective Date (excluding reasonable travel on Company business to the extent substantially consistent with your authority, duties or responsibilities with the Company);

provided, however, that Good Reason shall not exist unless (A) you provide written notice to the Company within 90 days of the initial

occurrence of any of the events described in clause (i), (ii) or (iii), or, if later, the date on which you first have knowledge of the circumstances constituting such event; (B) the Company fails to cure the event or circumstances within thirty (30) days after receipt of such notice; and (C) your termination of employment is effective not later than 180 days following the initial existence of the event giving rise to Good Reason.

Exhibit B

Restrictive Covenants

(a) **Non-Competition**. You acknowledge and recognize the confidential information and records provided by the Company and Anixter and their respective successors and assigns, the benefits contemplated under this Agreement, and the professional training and experience you have received from Anixter and will receive from the Company and Anixter, as well as the highly competitive nature of the business of the Company and Anixter, and in consideration of all of the above, you agree that (i) during your employment with the Company and (ii) for the (A) 24 months thereafter, if your termination of employment occurs on or prior to the second anniversary of the Effective Date or (B) 12 months thereafter, if your termination of employment occurs after the second anniversary of the Effective Date (clause (A) or (B), as applicable, the “**Restriction Period**”), you shall not engage, directly or indirectly, in any Covered Business (as defined below) in any state of the United States of America or any nation in which the Company, Anixter, and their respective subsidiaries and affiliates (collectively, the “**Company Group**”) is conducting business as of the date of your termination of employment with the Company Group. For purposes of this Letter, “**Covered Business**” shall mean any business engaged in by the Company Group immediately prior to the date of your termination of employment with the Company Group. For purposes of this clause (a), the phrase “engaging, directly or indirectly” shall mean engaging directly or having an interest, directly or indirectly, as an owner, partner, shareholder, agent, representative, employee, officer, director, independent contractor, capital investor, lender, consultant or advisor (other than as the holder of less than 1% of the outstanding stock of a publicly traded corporation or less than 3% of any private equity fund), either alone or in association with others, in the operation of any aspect of any type of business or enterprise engaged in any aspect of the Covered Business.

(b) **Non-Solicitation**. You agree that during your employment with the Company Group and for the duration of the Restriction Period, you shall not, directly or indirectly, (i) solicit or attempt to solicit any of the employees, agents, consultants, or representatives of the Company Group to leave the Company Group; (ii) solicit or attempt to solicit any of the employees, agents, consultants or representatives of the Company Group to become employees, agents, representatives or consultants of any other person or entity; (iii) call upon, contact or solicit any customer or prospective customer of the Company Group (A) with whom you dealt directly or indirectly or for which you had responsibility while employed by the Company Group or (B) about whom you acquired Confidential Information (as defined below) during your employment with the Company Group, for the purpose of offering, selling or providing products or services that are competitive with those then offered by the Company Group; or (iv) solicit or divert, or attempt to solicit or divert, any opportunity or business of the Company Group to any competitor.

(c) **Reasonableness**. You understand that the provisions of clauses (a) and (b) may limit your ability to earn a livelihood in a business similar to the businesses of the Company Group but nevertheless agree and hereby acknowledge that the restrictions and limitations thereof are reasonable in scope, area, and duration, are reasonably necessary to protect the goodwill and business interests of the Company, and that the consideration provided under, or

contemplated by, this Agreement is sufficient to justify the restrictions contained in such provisions. Accordingly, in consideration thereof and in light of your education, skills and abilities, you agree that the you shall not assert that, and it should not be considered that, such provisions are either unreasonable in scope, area, or duration, or will prevent you from earning a living, or otherwise are void, voidable, or unenforceable or should be voided or held unenforceable.

(d) Nondisparagement. You shall not disparage, malign, or otherwise say or do anything which is intended to or could reasonably be expected to adversely affect the reputation or standing of the Company.

(e) Enforcement.

(1) The parties hereto agree and acknowledge that the covenants and agreements contained herein are reasonable in scope, area, and duration and necessary to protect the reasonable competitive business interests of the Company Group, including, without limitation, the value of the proprietary information and goodwill of the Company Group.

(2) You agree that the covenants and undertakings contained in this Exhibit B relate to matters which are of a special, unique and extraordinary character and that the Company cannot be reasonably or adequately compensated in damages in an action at law in the event that you breach any of these covenants or undertakings. Therefore, you agree that the Company shall be entitled, as a matter of course, without the need to prove irreparable injury, to an injunction, restraining order or other equitable relief from any court of competent jurisdiction, restraining any violation or threatened violation of any of such terms by you and such other persons as the court shall order. You agree to pay costs and legal fees incurred by the Company in obtaining such injunction and the Company agrees to pay costs and legal fees incurred by you in any unsuccessful effort to obtain such injunction.

(3) Rights and remedies provided for in this clause (e) are cumulative and shall be in addition to rights and remedies otherwise available to the parties under any other agreement or applicable law.

(4) In the event that any provision of this Exhibit B shall to any extent be held invalid, unreasonable or unenforceable in any circumstances, the parties hereto agree that the remainder of this Exhibit B and the application of such provision of this Exhibit B to other circumstances shall be valid and enforceable to the fullest extent permitted by law. If any provision of this Exhibit B is held to be unenforceable because of the scope or duration of or the area covered by such provision, the parties hereto agree that the court or arbitrator making such determination shall reduce the scope, duration and/or area of such provision (and shall substitute appropriate provisions for any such unenforceable provisions to the minimum extent necessary) in order to make such provision enforceable to the fullest extent permitted by law, and/or shall delete specific words and phrases, and such modified provision shall then be enforceable and shall be enforced. The parties hereto recognize that if, in any judicial proceeding, a court shall refuse to enforce any of the separate covenants contained in this Exhibit B, then that unenforceable covenant

contained in this Exhibit B shall be deemed eliminated from these provisions to the extent necessary to permit the remaining separate covenants to be enforced. In the event that any court or arbitrator determines that the time period or the area, or both, are unreasonable and that any of the covenants is to that extent unenforceable, the parties hereto agree that such covenants will remain in full force and effect, first, for the greatest time period, and second, in the greatest geographical area that would not render them unenforceable.

(f) “Confidential Information” means information regarding the business or operations of the Company Group, both oral and written, including, but not limited to, documents and Company Group information contained in such documents; drawings; designs; plans; specifications; instructions; data; manuals; electronic media such as computer disks, computer programs, and data stored electronically; security code numbers; financial, marketing and strategic information; product pricing and customer information, that any member of the Company Group discloses to you or you otherwise learn or ascertain in any manner as a result of, or in relation to, your employment with the Company Group. Other than as required by applicable law, you agree: (i) to use Confidential Information only for the purposes required or appropriate for your employment with the Company Group; (ii) not to disclose to anyone Confidential Information without the Company’s prior written approval; and (iii) not to allow anyone’s use or access to Confidential Information, other than as required or appropriate for your employment with the Company Group. The foregoing shall not apply to information that is in the public domain, provided that you were not responsible, directly or indirectly, for such information entering into public domain without the Company’s approval. You agree to return to the Company all Confidential Information in your possession upon termination of your employment or at any time requested by the Company.

**SECOND AMENDMENT TO FIFTH AMENDED AND RESTATED
RECEIVABLES PURCHASE AGREEMENT**

THIS SECOND AMENDMENT TO FIFTH AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT (this "Amendment"), dated as of March 8, 2021, is entered into among WESCO RECEIVABLES CORP. (the "Seller"), WESCO DISTRIBUTION, INC. ("WESCO" or the "Servicer"), the Purchasers (each, a "Purchaser") and Purchaser Agents (each, a "Purchaser Agent") party hereto, and PNC BANK, NATIONAL ASSOCIATION, as Administrator (the "Administrator").

RECITALS

1. The Seller, the Servicer, each Purchaser, each Purchaser Agent and the Administrator are parties to the Fifth Amended and Restated Receivables Purchase Agreement, dated as of June 22, 2020 (as amended, restated, supplemented or otherwise modified through the date hereof, the "Agreement").

2. The parties hereto desire to amend the Agreement as hereinafter set forth.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Certain Defined Terms. Capitalized terms that are used herein without definition and that are defined in Exhibit I to the Agreement shall have the same meanings herein as therein defined.

2. Amendments to the Agreement. The Agreement is hereby amended as follows:

(a) Section 2(g) of Exhibit (iv) is hereby amended and restated as follows:

(g) Change in Lock-Box Banks, Lock-Box Accounts and Payment Instructions to Obligors. The Servicer and, to the extent that it ceases to be the Servicer, WESCO, shall not (and shall not permit any Originator to) add or terminate any bank as a Lock-Box Bank or any account as a Lock-Box Account from those listed in the Lock-Box Schedule Letter Agreement, or make any change in its instructions to Obligors regarding payments to be made to the Servicer or any Lock-Box Account (or related post office box), unless the Administrator shall have consented thereto in writing and the Administrator shall have received copies of all agreements and documents (including Lock-Box Agreements) that it may request in connection therewith.

(b) Exhibit I to the Agreement is hereby amended by amending and restating the defined term "Lock-Box Agreement" as follows:

“Lock-Box Agreement” means an agreement among the Seller, the Servicer, a Lock-Box Bank and the Administrator, for the benefit of the Purchasers, establishing “control” (as defined in Section 9-104 of the applicable UCC) of the Administrator in the Lock-Box Account(s) referenced therein.

(c) Schedule X to the Agreement is hereby deleted in its entirety and replaced with Schedule X attached hereto.

3. Representations and Warranties. The Seller and the Servicer hereby represent and warrant to each of the parties hereto as follows:

(a) Representations and Warranties. The representations and warranties contained in Exhibit III of the Agreement, as amended hereby, are true and correct as of the date hereof.

(b) No Default. Both before and immediately after giving effect to this Amendment and the transactions contemplated hereby, no Termination Event or Unmatured Termination Event exists or shall exist.

4. Effect of Amendment. All provisions of the Agreement, as expressly amended and modified by this Amendment shall remain in full force and effect. As of and after the date hereof, all references in the Agreement (or in any other Transaction Document) to “this Agreement”, “hereof”, “herein” or words of similar effect referring to the Agreement shall be deemed to be references to the Agreement as amended by this Amendment. This Amendment shall not be deemed, either expressly or impliedly, to waive, amend or supplement any provision of the Agreement other than as set forth herein.

5. Effectiveness. This Amendment shall become effective upon the Administrator’s receipt of counterparts of this Amendment executed by each of the other parties hereto.

6. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute but one and the same instrument.

7. Governing Law; Jurisdiction.

7.1 THIS AMENDMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING FOR SUCH PURPOSE SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK).

7.2 ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AMENDMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK; AND, BY EXECUTION AND DELIVERY OF THIS AMENDMENT, EACH OF THE PARTIES HERETO CONSENTS, FOR ITSELF AND IN RESPECT OF ITS

PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, THAT IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AMENDMENT OR ANY DOCUMENT RELATED HERETO. EACH OF THE PARTIES HERETO WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH SERVICE MAY BE MADE BY ANY OTHER MEANS PERMITTED BY NEW YORK LAW.

8. Section Headings. The various headings of this Amendment are included for convenience only and shall not affect the meaning or interpretation of this Amendment, the Agreement or any provision hereof or thereof.

9. Consents. The parties hereto hereby consent to the filing (at the Servicer's expense) of UCC-3 financing statements in substantially the form attached hereto as Schedule A.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above.

WESCO RECEIVABLES CORP.

By: /s/ Brian M. Begg
Name: Brian M. Begg
Title: Treasurer

WESCO DISTRIBUTION, INC.,
as Servicer

By: /s/ Brian M. Begg
Name: Brian M. Begg
Title: Senior Vice President and Treasurer

PNC BANK, NATIONAL ASSOCIATION,
as a Committed Purchaser

By: /s/ Imad Naja
Name: Imad Naja
Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION,
as Purchaser Agent for PNC Bank, National
Association

By: /s/ Imad Naja
Name: Imad Naja
Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION,
as Administrator

By: /s/ Imad Naja
Name: Imad Naja
Title: Senior Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Committed Purchaser

By: /s/ Jonathan Davis
Name: Jonathan Davis
Title: Asst Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Purchaser Agent for
Wells Fargo Bank, National Association

By: /s/ Jonathan Davis
Name: Jonathan Davis
Title: Asst Vice President

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*Second Amendment to
Fifth A&R RPA*

FIFTH THIRD BANK, NATIONAL ASSOCIATION, as a Committed Purchaser

By: /s/ Andrew D. Jones
Name: Andrew D. Jones
Title: Managing Director

FIFTH THIRD BANK, NATIONAL ASSOCIATION,
as Purchaser Agent for Fifth Third Bank, National Association

By: /s/ Andrew D. Jones
Name: Andrew D. Jones
Title: Managing Director

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*Second Amendment to
Fifth A&R RPA*

LIBERTY STREET FUNDING LLC, as a Conduit Purchaser

By: /s/ Kevin J. Corrigan
Name: Kevin J. Corrigan
Title: Vice President

THE BANK OF NOVA SCOTIA, as a Committed Purchaser

By: /s/ Douglas Noe
Name: Douglas Noe
Title: Managing Director

THE BANK OF NOVA SCOTIA, as Purchaser Agent for The Bank of Nova Scotia
and Liberty Street Funding LLC

By: /s/ Douglas Noe
Name: Douglas Noe
Title: Managing Director

COMPUTERSHARE TRUST COMPANY OF CANADA, in its capacity as trustee of RELIANT TRUST, by its U.S. Financial Services Agent, THE TORONTO-DOMINION BANK, as a Conduit Purchaser

By: /s/ Luna Mills
Name: Luna Mills
Title: Managing Director

The TORONTO-DOMINION BANK, as
Committed Purchaser

By: /s/ Luna Mills
Name: Luna Mills
Title: Managing Director

The TORONTO-DOMINION BANK, as Purchaser Agent for The Toronto
Dominion Bank and Reliant Trust

By: /s/ Luna Mills
Name: Luna Mills
Title: Managing Director

BANK OF AMERICA, NATIONAL ASSOCIATION, as a Committed Purchaser

By: /s/ Christopher Haynes
Name: Christopher Haynes
Title: Senior Vice President

BANK OF AMERICA, NATIONAL ASSOCIATION, as a Purchaser Agent for
Bank of America, N.A.

By: /s/ Christopher Haynes
Name: Christopher Haynes
Title: Senior Vice President

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*Second Amendment to
Fifth A&R RPA*

CANADIAN IMPERIAL BANK OF COMMERCE, NEW YORK BRANCH, as a
Committed Purchaser

By: /s/ Robert Castro
Name: Robert Castro
Title: Authorized Signatory

CANADIAN IMPERIAL BANK OF COMMERCE, NEW YORK BRANCH, as a
Purchaser Agent for Bank of America, N.A.

By: /s/ Robert Castro
Name: Robert Castro
Title: Authorized Signatory

HSBC BANK USA, NATIONAL ASSOCIATION, as a Committed Purchaser

By: /s/ Stephen Santini
Name: Stephen Santini
Title: Vice President

HSBC SECURITIES USA INC., as Purchaser Agent for HSBC Bank USA,
National Association

By: /s/ Nicholas Walach
Name: Nicholas Walach
Title: Director

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*Second Amendment to
Fifth A&R RPA*

SCHEDULE X

EXCLUDED RECEIVABLES

“Excluded Receivable” means any Receivable (without giving effect to the exclusion of “Excluded Receivables” from the definition thereof):

(i) that both (i) is owed by an Obligor not a resident of the United States and (ii) is denominated in a currency other than U.S. dollars,

(ii) the Obligor of which is Siemens AG or any Subsidiary thereof,

(iii) the Obligor of which is Siemens Energy AG or any Subsidiary thereof,

(iv) the Obligor of which is Mondelez International Inc. or any Subsidiary thereof,

(v) the Obligor of which is Evoqua Water Technologies LLC or any Subsidiary thereof and such Receivable was originated on or after September 26, 2019,

(vi) the Obligor of which is Fameccanica North America, Inc. or any Subsidiary thereof,

(vii) the Contract for which is the Maintenance, Repair and Operating Supplies Agreement, dated on or about May 4, 2018, between, *inter alia*, WESCO Distribution Inc. and Dow Dupont Inc., owing by DowDupont Inc. (or any Subsidiary thereof) or any Person that is a successor in interest to DowDupont Inc. with respect to such Contract (or any Subsidiary thereof),

(viii) the Obligor of which is Crown Holdings Inc. or any Subsidiary thereof,

(ix) that is originated by any Originator that is joining the Sale Agreement on the date hereof and the Obligor of which is (a) Stanley Black & Decker, Inc. (or any Subsidiary thereof), (b) Rockwell Collins (or any Subsidiary thereof) or (c) Electrical Components International Inc. (or any Subsidiary thereof), or

(x) identified on the accounting ledgers of the Servicer as being a Receivable originated by the branch identification number 7669 in the Servicer’s accounting system in accordance with its practices in effect as of the date hereof and without giving effect to any change thereto which would result in a material amount of additional Receivables being considered Excluded Receivables.

Schedule A
UCC-3 Financing Statements

On File With:

WESCO Receivables Corp.

225 West Station Square Drive, Suite 700
Pittsburgh, PA 15219
Attn: Treasurer
Telephone: (412) 454-2374
Facsimile: (412) 454-2515

Exhibit 31.1
CERTIFICATION

I, John J. Engel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of WESCO International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2021

By: /s/ John J. Engel

John J. Engel

Chairman, President and Chief Executive Officer

Exhibit 31.2
CERTIFICATION

I, David S. Schulz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of WESCO International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2021

By: /s/ David S. Schulz

David S. Schulz

Executive Vice President and Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of WESCO International, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: May 7, 2021

By: /s/ John J. Engel

John J. Engel

Chairman, President and Chief Executive Officer

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of WESCO International, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: May 7, 2021

By: /s/ David S. Schulz

David S. Schulz

Executive Vice President and Chief Financial Officer