



WESCO®

# Q1 2018 Earnings

Webcast Presentation – April 26, 2018



# Safe Harbor Statement

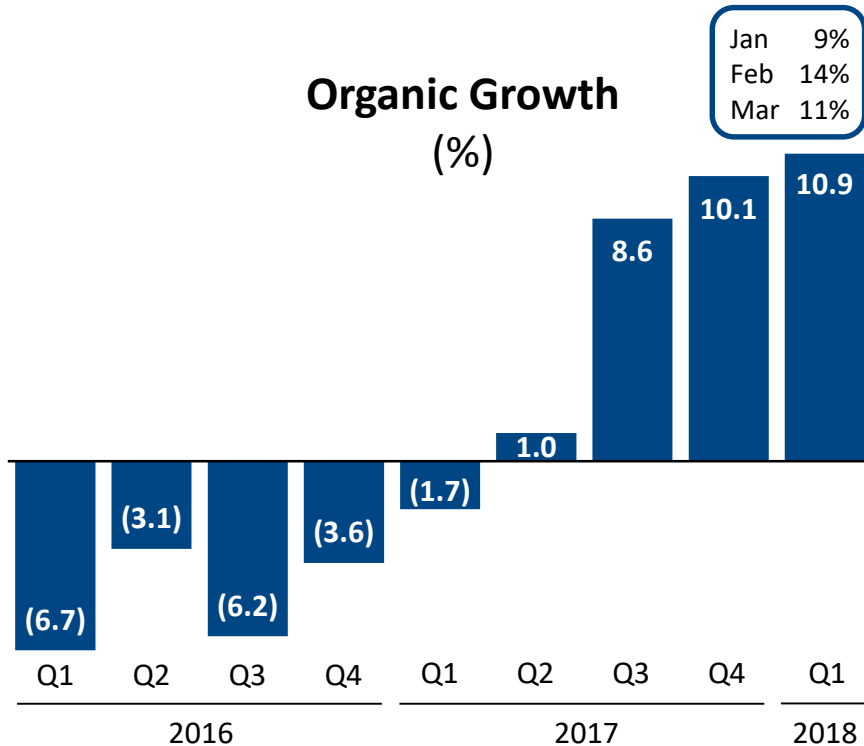
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All statements made herein that are not historical facts should be considered as “forward-looking statements” within the meaning of the Private Securities Litigation Act of 1995. Such statements involve known and unknown risks, uncertainties and other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



# Q1 2018 Highlights

## Organic Growth (%)



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

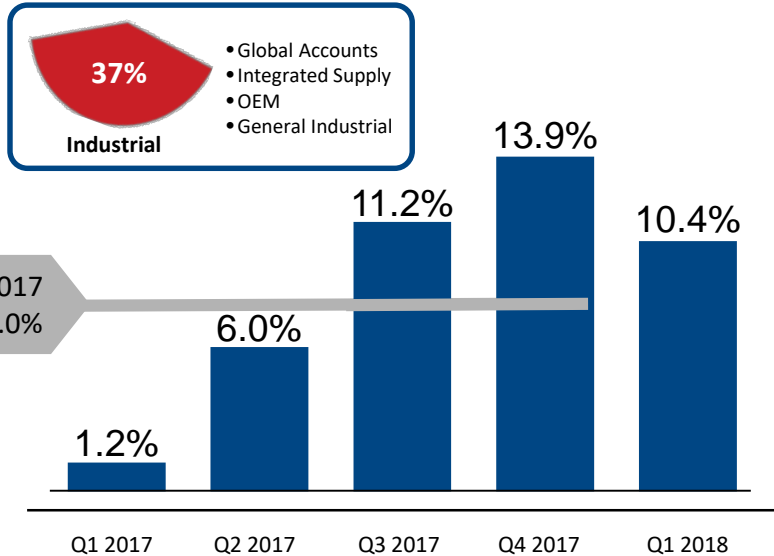
- Strong first quarter results
  - Double digit sales, operating profit and EPS growth versus prior year
- Continued positive business momentum and growth across all end markets and geographies
- Reported sales were up 12%, organic sales were up 11%:
  - Up 10% in the U.S.
  - Up 10% in Canada
  - Up 24% in International
- Highest organic sales growth rate since 2011
- Estimated pricing impact +2%
- April MTD sales up low double digits
- Q1 backlog at an all-time record level, up 4% sequentially and up 14% versus prior year
- Free cash flow at 105% of net income

**...performance exceeded outlook**



# Industrial End Market

## Organic Sales Growth versus Prior Year



Note: See appendix for non-GAAP reconciliations.

- Q1 2018 Sales
  - Organic sales were up 10% versus prior year (up 9% in the U.S. and up 17% in Canada in local currency)
  - Down 1% sequentially
- Increasing business momentum with industrial customers
- Sales growth was broad-based across the U.S. and Canada
- Global Account and Integrated Supply opportunity pipeline and bidding activity levels remain strong
- Customer trends include continued high expectations for supply chain process improvements, cost reductions, and supplier consolidation

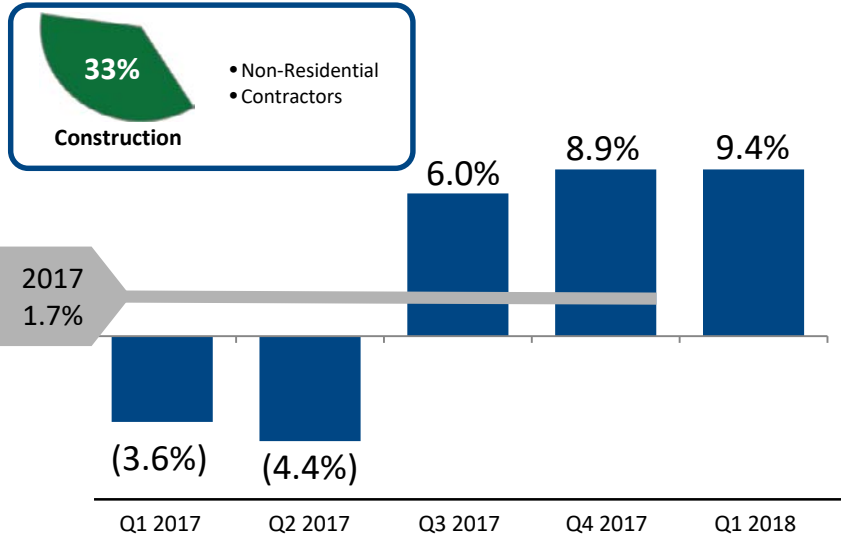


Awarded a multi-year contract to supply electrical MRO materials and support capital projects for a large chemical manufacturer in the U.S. and Canada.



# Construction End Market

## Organic Sales Growth versus Prior Year



Note: See appendix for non-GAAP reconciliations.

- Q1 2018 Sales
  - Organic sales were up 9% versus prior year (up 10% in both the U.S. and in Canada in local currency)
  - Down 9% sequentially
- Increasing business momentum with construction/contractor customers
- Sales growth was broad-based across the U.S. and Canada
- Backlog is up 14% versus prior year and is up 4% from Q4
- Expecting moderate growth and uptrend in non-residential construction market to continue

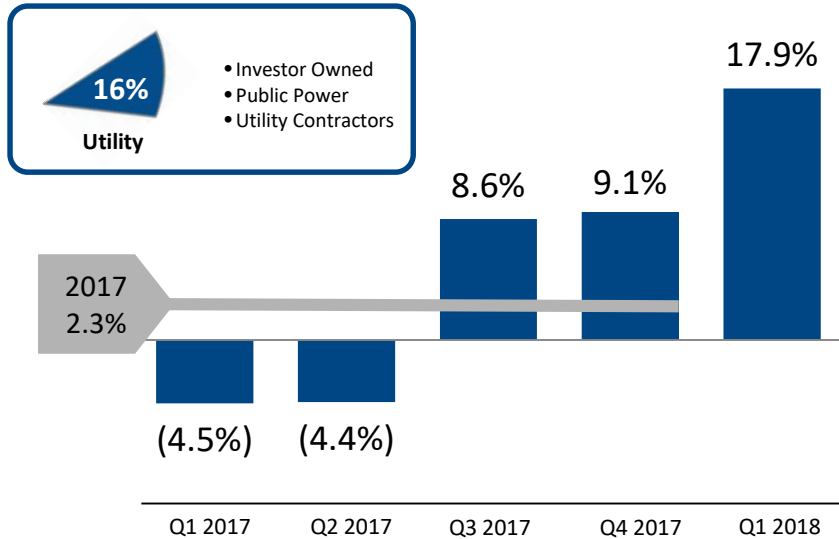


Awarded a contract to provide electrical materials and services to a contractor to upgrade a nuclear plant in Canada.



# Utility End Market

## Organic Sales Growth versus Prior Year



Note: See appendix for non-GAAP reconciliations.

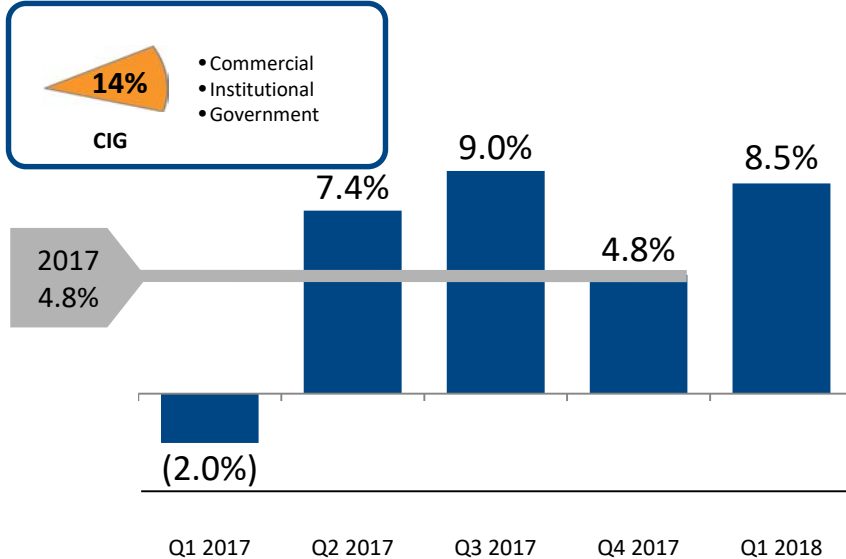
- Q1 2018 Sales
  - Organic sales were up 18% versus prior year (up 21% in the U.S. and down 6% in Canada in local currency)
  - Down 5% sequentially
- Continued scope expansion and value creation with investor-owned utility, public power, and generation customers
- Continued interest in Integrated Supply solution offerings
- Favorable economic conditions, continued improvement in construction market, renewables growth, and consolidation trend within Utility industry remain positive catalysts for future spending



Awarded a contract to provide electrical materials for wind farm substation project in the US.



## Organic Sales Growth versus Prior Year



Note: See appendix for non-GAAP reconciliations.

- Q1 2018 Sales
  - Organic sales were up 9% versus prior year (up 3% in the U.S. and up 5% in Canada in local currency; balance of growth in International)
  - Up 5% sequentially
- Technical expertise and supply chain solutions driving positive momentum in datacenter, broadband, and cloud technology projects
- Increasing momentum seen in LED lighting retrofits, FTTX deployments, broadband build outs, and cyber and physical security for critical infrastructure protection

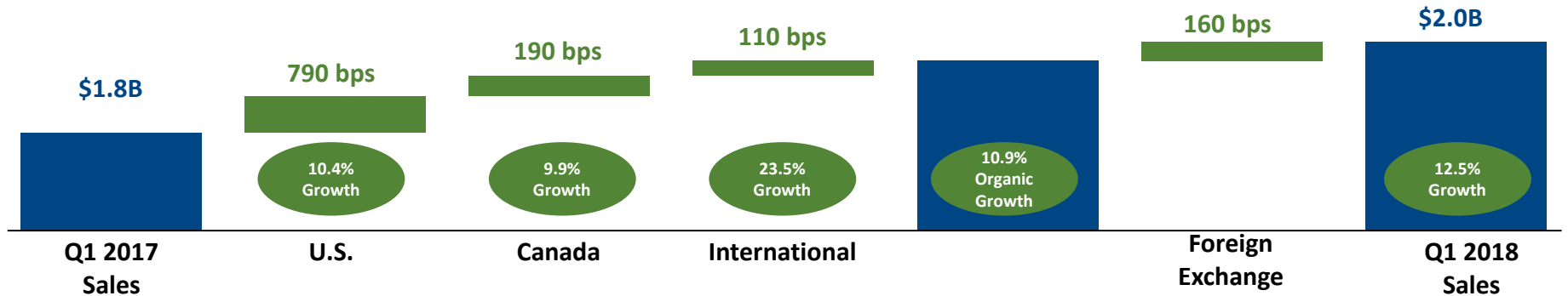


Awarded a contract to provide electrical materials for a public water treatment facility upgrade in the U.S.



# Q1 2018 Results

	Outlook	Actual	YOY
Sales	6% to 9%	\$2.0B	Up 12.5%
Gross Margin		19.1%	Down 60 bps, down 10 bps sequentially <sup>(1)</sup>
SG&A		\$291M, 14.6%	Up 9%, improved 50 bps
Operating Profit		\$73M	Up 10%
Operating Margin	3.5% to 3.8%	3.7%	Down 10 bps
Effective Tax Rate	~22%	19.6%	Down 540 bps
EPS		\$0.93	Up 22%



Note: See appendix for non-GAAP reconciliations.

<sup>(1)</sup> Reflects the impact of a 15 bps reclassification of certain labor costs from selling, general and administrative expenses.

***...margins stabilizing, positive operating profit pull through***



# Diluted EPS Walk



	Q1
<b>2017</b>	<b>\$0.76</b>
<b>Core operations</b> (Includes the planned restoration of variable compensation versus prior year)	<b>0.07</b>
<b>Foreign exchange</b>	<b>0.01</b>
<b>Tax</b>	<b>0.06</b>
<b>Share count</b>	<b>0.03</b>
<b>2018</b>	<b>\$0.93</b>

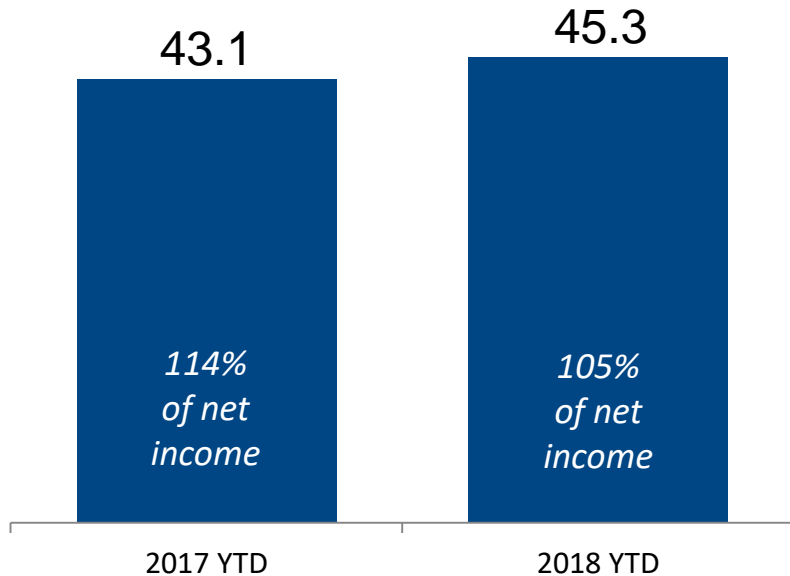


# Free Cash Flow & Leverage

## Free Cash Flow

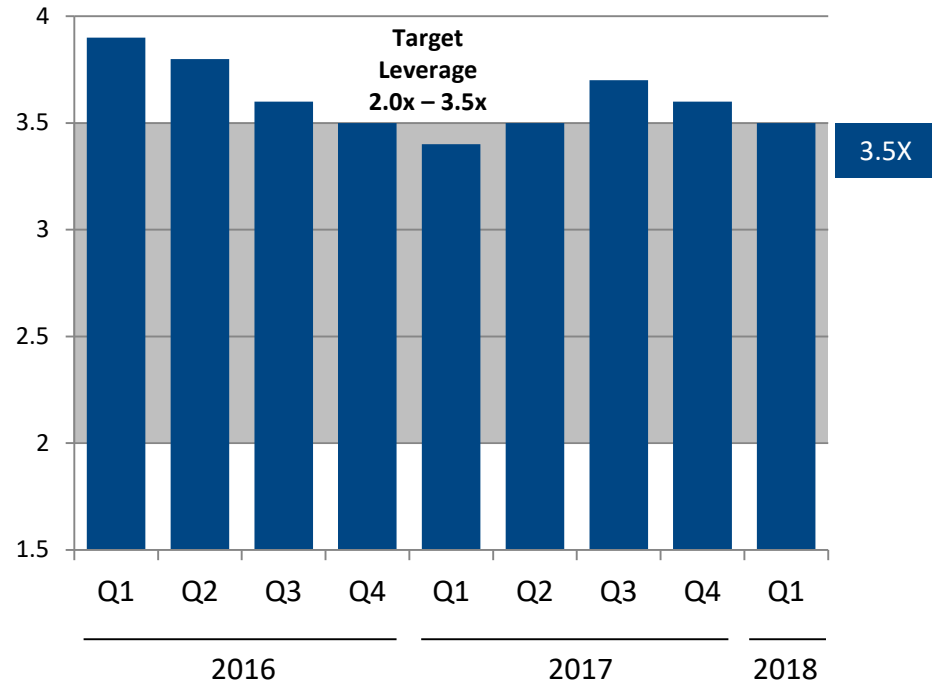
(\$ Millions)

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



## Leverage

(Total Debt to TTM EBITDA)



Note: See appendix for non-GAAP reconciliations.

# 2018 Outlook



	Q2	FY (Current)	FY (Previous)
Sales	7% to 10%	5% to 8%	3% to 6%
Operating Margin	4.2% to 4.5%	4.2% to 4.6%	4.2% to 4.6%
Effective Tax Rate	~ 21%	21% to 23%	21% to 23%
Diluted EPS		\$4.50 to \$5.00	\$4.40 to \$4.90
Free Cash Flow		>90% of net income	>90% of net income

Notes: Excludes unannounced acquisitions.  
 Assumes a CAD/USD exchange rate of 0.78.  
 See appendix for non-GAAP reconciliations.



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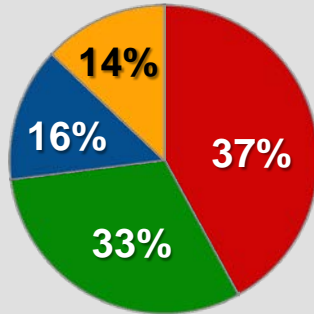
## Appendix

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

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



## Markets & Customers



### Industrial

Global Accounts | Integrated Supply  
OEM | General Industrial

### Construction

Non-Residential | Contractors

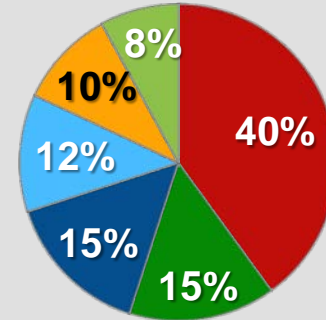
### Utility

Investor Owned | Public Power  
Utility Contractors

### CIG

Commercial | Institutional | Government

## Products & Services



### General Supplies

### Communications & Security

### Wire, Cable & Conduit

### Lighting & Sustainability

### Electrical Distribution & Controls

### Automation, Controls & Motors

# Sales Growth



(%)

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

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



# Q1 2018 Organic Sales Growth by Geography

(%)

	U.S.	Canada	International	WESCO
<b>Change in net sales (USD)</b>	10.4	15.6	32.7	12.5
Impact from acquisitions	-	-	-	-
Impact from foreign exchange rates	-	5.7	9.2	1.6
Impact from number of workdays	-	-	-	-
<b>Organic sales growth</b>	10.4	9.9	23.5	10.9



# Sales Growth-End Markets

(\$ Millions)

	Q1 2018 vs. Q1 2017			Q1 2018 vs. Q4 2017		
	Q1	Q1	%	Q1	Q4	%
	2018	2017	Growth	2018	2017	Growth
Industrial Core	762	681	11.9%	762	744	2.4%
Construction Core	640	574	11.5%	640	679	(5.7)%
Utility Core	317	267	18.5%	317	322	(1.6)%
CIG Core	283	258	9.8%	283	261	8.4%
Total Core Gross Sales	2,002	1,780	12.5%	2,002	2,006	(0.2)%
Total Gross Sales from Acquisitions	-	-		-	-	
Total Gross Sales	2,002	1,780	12.5%	2,002	2,006	(0.2)%
Gross Sales Reductions/Discounts	(8)	(8)		(8)	(9)	
Total Net Sales	1,994	1,773	12.5%	1,994	1,997	(0.1)%

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





# Q1 2018 Organic Sales by End Market

(%)

	Industrial	Construction	Utility	CIG	WESCO
<b>Core Sales Growth</b>	11.9	11.5	18.5	9.8	12.5
FX Impact	1.5	2.1	0.6	1.3	1.6
Workday Impact	-	-	-	-	-
<b>Organic Growth</b>	10.4	9.4	17.9	8.5	10.9

# Gross Margin



(\$ Millions)

	Three Months Ended	
	March 31, 2018	March 31, 2017
Net sales	\$1,994	\$1,773
Cost of goods sold (excluding depreciation and amortization)	1,614	1,423
Gross profit	\$380	\$350
Gross margin	19.1%	19.7%

# Capital Structure



(\$ Millions)

	Outstanding at December 31, 2017	Outstanding at March 31, 2018	Debt Maturity Schedule
AR Revolver <sup>(V)</sup>	380	390	2020
Inventory Revolver <sup>(V)</sup>	12	0	2020
2019 Term Loans <sup>(V)</sup>	85	65	2019
2021 Senior Notes <sup>(F)</sup>	500	500	2021
2024 Senior Notes <sup>(F)</sup>	350	350	2024
Other <sup>(V)</sup>	36	43	N/A
<b>Total Debt</b>	<b>1,363</b>	<b>1,348</b>	

Key Financial Metrics		
	YE 2017	Q1 2018
Cash	118	124
Capital Expenditures	22	8
Free Cash Flow <sup>(1)</sup>	128	45
Liquidity <sup>(2)</sup>	794	813

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

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

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

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

# Financial Leverage



(\$ Millions)

	<b>Twelve Months Ended</b>	
	<b><u>March 31, 2018</u></b>	
Income from operations <sup>(1)</sup>	\$	326
Depreciation and amortization		64
EBITDA	\$	390
		<b><u>March 31, 2018</u></b>
Short-term borrowings and current debt	\$	43
Long-term debt		1,292
Debt discount and debt issuance costs <sup>(2)</sup>		13
Total debt	\$	1,348
Less: cash and cash equivalents	\$	124
Total debt, net of cash	\$	1,224
Financial leverage ratio		3.5X
Financial leverage ratio, net of cash		3.1X

(1) Due to the adoption of ASU 2017-07 on a retrospective basis in the first quarter of 2018, the Company classified the non-service cost components of net periodic benefit cost as part of net interest and other for the twelve months ended March 31, 2018. These components aggregate to a benefit of \$1.9 million.

(2) Long-term debt is presented in the condensed consolidated balance sheet as of March 31, 2018 net of debt discount and debt issuance costs.

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



# Free Cash Flow Reconciliation

(\$ Millions)

	Q1 2017	Q1 2018
Cash flow provided by operations	47.6	53.0
Less: Capital expenditures	(4.5)	(7.7)
Free cash flow	43.1	45.3
Net income	37.8	42.9
Percentage of net income	114%	105%

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

# Work Days



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