WESCO International, Inc. (WCC)

Review of 1Q13 Results

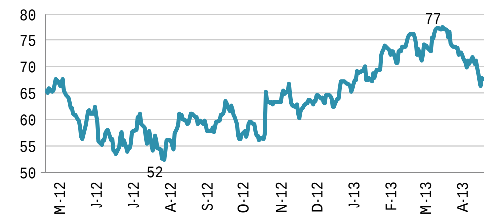
Maintain Outperform rating with new $81 price target. We continue to like WCC as a high "industrial beta," later-cycle beneficiary for accelerating earnings growth in 2H13, with even a moderate uptick in activity. WCC was approximately unchanged after reporting nearly in-line 1Q13 results and moderately lower 2Q13 guidance, as sentiment seemingly anticipated worse. We recommend WCC for investors seeking leverage and broad exposure to later-cycle, North American industrial, non-residential construction and utility end markets.

- **Maintaining Outperform rating with new $81 price target** representing 10x EV/2014E EBITDA/13x 2014E EPS.
- **Estimate changes.** Adjusting our 2013 and 2014 EPS estimates to $5.30 and $6.29, respectively.
- **Nearly in-line 1Q13 results.** EPS was $1.12 vs. $1.03 y/y, just below our $1.13 estimate ($1.14 consensus) and consistent with implied guidance of $1.10+. Sales were $1.81 billion vs. $1.61 billion y/y, in line with our $1.81 billion estimate ($1.83 billion consensus). EBIT margin matched 5.6%, our estimate - consistent with 5.5%+ guidance, with better gross margin was mostly offset by higher SG&A.
- **End markets.** The utility market saw strong organic growth (+17.5%) due to broadening relationships and ramping of utility alliance contracts, while organic sales declined across Industrial (-5.4%), construction (-5.8%) and CIG (-8.5%).
- **Baseline guidance.** 2Q13 guidance is for revenue growth of +13-16% y/y (-1% to +2% organic), 20.9%+ gross margin, 6%+ operating margin and 26-28% tax rate, translating to EPS of approximately $1.30-$1.35+ vs. our prior $1.42 estimate ($1.48 consensus). Despite disappointment with 1Q13 organic growth, management did not adjust 2013 EPS guidance of $5.75+, noting growth rates through the quarter and into April were very consistent. The company is setting the cost structure for 2H13 acceleration, leading to <50% near-term pull-though margins, and would adjust guidance if needed around 2Q13 results and the August investor day.
- **Sources of potential 2H13 upside.** In addition to EECOL accretion (on-track) and easier comparisons, earnings upside could come from additional acquisitions, ramp-up of contracts within the utility business, nonresidential construction, international, and datacomm end markets. This outlook is supported by growing backlogs and is consistent with results of the 1Q13 Baird/tED survey.
- **1Q13 results.** EPS $1.12 vs. $1.13 estimate. Sales $1.81 billion vs. $1.81 billion estimate. Gross margin 21.1% vs. 20.7% estimate. EBIT margin 5.6% vs. 5.6% estimate.

WESCO International is a leading distributor of electrical and communication products.

LOWERING PRICE TARGET

1-Year Price Chart



Stock Data

Rating:	Outperform
Suitability:	Higher Risk
Price Target/Previous:	▼$81/$84
Price (4/18/13):	$68.10
Market Cap (mil):	$3,568
Shares Out (mil):	52.4
Average Daily Vol (mil):	0.78
Dividend Yield:	0.0%

Estimates

FY Dec	2012A	2013E	2014E
Q1	1.03 A	1.12 A	
Q2	1.15 A	1.31 E	
Q3	1.25 A	1.46 E	
Q4	1.05 A	1.41 E	
Fiscal EPS	**4.48 A**	**5.30 E**	**6.29 E**
Previous (FY)		5.62 E	6.81 E
Fiscal P/E	15.2x	12.8x	10.8x

Chart/Table Sources: Bloomberg and Baird Data

Please refer to Appendix - Important Disclosures and Analyst Certification

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Details

WESCO International (WCC - NYSE)
Quarterly Results and Variance Sheet

	Quarterly Results					Percent of Revenue		
	1Q13	1Q12	Change	Baird/	Variance	1Q13	1Q12	Baird/
Net Sales	$ 1,808.1	$ 1,606.0	*13%*	$ 1,811.2	*(0%)*			
Cost of Sales	1,427.0	1,286.3	*11%*	1,436.2	*(1%)*			
Gross Profit	381.1	319.7	*19%*	374.9	*2%*	21.1%	19.9%	20.7%
SG&A	280.3	236.2	*19%*	272.7	*3%*	15.5%	14.7%	15.1%
Operating Income	100.8	83.5	*21%*	102.2	*(1%)*	5.6%	5.2%	5.6%
Other Exp (Inc)	21.9	9.0	*143%*	20.2	*8%*			
Pretax Income	78.9	74.5	*6%*	81.9	*(4%)*	4.4%	4.6%	4.5%
Taxes	20.3	21.6	*(6%)*	22.9	*(12%)*	25.7%	29.0%	28.0%
Net Income	$ 58.6	$ 52.9	*11%*	$ 59.0	*(1%)*	3.2%	3.3%	3.3%
Diluted EPS	$ 1.12	$ 1.03		$ 1.13				
Diluted Shares	52.4	51.3		52.4				

Source: Company reports, Robert W. Baird & Co. estimates

1Q13 results nearly in-line

- **EPS.** EPS was $1.12 vs. $1.03 y/y, just below our $1.13 estimate ($1.14 consensus) and consistent with approximate $1.10+ guidance.
- **Sales.** Sales were $1.81 billion vs. $1.61 billion y/y (+13% vs. +12-14% guidance), in line with our $1.81 billion estimate ($1.83 billion consensus). Organic daily sales were -1.8% y/y vs. our -0.7% estimate, excluding the impact of acquisitions (+16.0%) and one less workday (-1.6%). Trends through the quarter were stagnant, with organic daily sales -1.5% in January and -2% in February/March.
- **Pricing.** Management estimates that price added approximately +1% to organic daily sales growth.
- **End markets.** The utility market saw the strongest organic sales growth (+17.5%) on expansion of existing relationships and ramp-up of large new contracts, while organic sales declines were seen across Industrial (-5.4%), construction (-5.8%) and CIG (-8.5%).
- **Gross margin.** Gross margin of 21.1% was above our 20.7% estimate and management's guidance for 20.6%+. Encouragingly, core gross margins improved 30bps y/y despite a higher mix of lower-margin utility sales.
- **SG&A.** SG&A as a percent of sales was 15.5% vs. our 15.1% estimate. Core SG&A dollars were flattish y/y and sequentially, while employment levels were down slightly y/y and unchanged vs. year-end.
- **EBIT margin.** Resulting EBIT margin was 5.6% vs. our 5.6% estimate and consistent with guidance of 5.5%+, as better gross margin was mostly offset by higher SG&A.

2Q13 guidance slightly below expectations

- **Sales.** Sales growth is expected to be +13-16% y/y revenue growth (-1 to +2% excluding EECOL), implying expectations for a low-single-digit decline excluding all acquisitions. While organic sales per workday are still tracking in line with 1Q13 trends (down low-single-digits) thus far in April, book to bill ratio is tracking above 1.0 so far this quarter, a positive offset.
- **Pricing.** No change is expected vs. current trends (+1%) and recent declines in copper pricing are not a concern.
- **Gross margin.** Gross margin is expected to be at or above 20.9%, an increase of +20bps sequentially and +80bps vs. the prior year.
- **SG&A.** Core operating costs are expected to be flattish y/y, as the company has not made significant cost reductions given expectations for a 2H13 recovery, which will weigh on pull-thru margins near-term. Annual merit increases scheduled for the April timeframe have also been deferred to July ($4 million y/y impact in 2012).
- **Operating margin.** Given management's assumptions for sales, gross margin and operating

leverage, operating margin is expected to be at or above 6.0%, an increase of +30bps vs. 2Q12 at the low end.

- **Tax rate.** Tax rate is expected to be approximately 26-28%, reflecting the impact of the EECOL acquisition.
- **EPS.** Based on the above guidance levels (keeping in mind guidance is "at or above" targets), 2Q13 guidance translates to EPS of $1.30-$1.35+ vs. our previous $1.42 estimate ($1.48 consensus).

EECOL Electric update

- **Company overview.** In late December, Wesco closed the acquisition of EECOL Electric Corporation, a privately held distributor of electrical equipment, products and services serving industrial, oil & gas, mining, utility and contractor customers, with 75+ locations in Canada and South America.
- **1Q13 results favorable.** Overall sales were approximately +7% y/y, reflecting +5% growth in Canada (including growth in all four provinces that the company is active in) and strong double-digit growth in Latin America (here too, EECOL saw growth in all four countries that the company is active in). EECOL also contributed $0.22 of EPS accretion during the quarter.
- **Accretion guidance re-affirmed.** Guidance for accretion of $1.00 was re-affirmed. With sales expected to improve through the year (typical seasonal pattern), sales growth trending higher thus far in April, and $0.22 of accretion already realized in 1Q13, we see potential upside to this view.
- **Tax synergies achieved.** WESCO is on track to realize $0.30 in forecast tax synergies, and reflected in the significantly lower effective tax rate vs. the prior year (25.7% vs. 29.0%).
- **Debt levels already declining.** The company exited March with pro-forma leverage of 3.6x EBITDA, already down nicely vs. 4.0x at year-end. Additionally, the company's weighted average cost of borrowing came in at 3.9% for the quarter, reflecting the transaction's attractive financing.
- **Acquisition pipeline remains active.** Looking forward, the company's acquisition pipeline was characterized as active and robust, with additional acquisitions seemingly likely in 2013.

Industrial

- **1Q13 sales.** 1Q13 organic daily sales to Industrial customers were -5.4% y/y vs. our -1.0% estimate, and were -2.3% q/q.
- **Underlying trends appear stable.** Management attributed the y/y decline noted above to large capital projects in metals, mining and petrochemical in the year-ago period that did not repeat, with core MRO/OEM trends seen as flattish y/y. These flattish core trends represent only modest deceleration vs. 2H12, when organic daily sales increased just under 1%.
- **Conney Safety trends remain nicely positive.** Despite overall declines to the industrial market, Conney Safety saw continued sales growth during the quarter and has seen growth uptick further in April, as the business is being incorporated into the company's Global Accounts and Integrated Supply relationships and its inventory has been made available to all WESCO branches.
- **Global accounts and integrated supply.** The global accounts and integrated supply pipeline now stands at $2.4+ billion, up vs. $2.3+ billion sequentially. Strong customer interest in outsourcing and supply chain improvements was again noted. Notably, WESCO was awarded a multi-year contract to supply electrical MRO, datacomm and OEM electronics to a global telecommunications company throughout North America.
- **Our outlook.** Consistent with our outlook for improving 2H13 trends (underlying improvement + easier comparisons) under our mid-cycle thesis, we are modeling slightly-negative volumes in 2Q13 improving to +3-4% growth in 2H13.

Construction

- **1Q13 sales.** 1Q13 organic daily sales to Construction customers were -5.4% y/y vs. our -3.0% estimate, and were -5.2% on a sequential basis.
- **Non-residential trends remain subdued near-term.** While non-residential trends in the US remain in a bottoming-out process, moderate growth in Canada and International was again a positive offset during the quarter. Consistent with our recent Distribution Survey, normal winter

weather was cited as a y/y headwind during the quarter. Going forward, management remains optimistic that ongoing momentum in residential trends portends potential improvement in late 2H13.

- **Project backlog.** Encouragingly, backlog increased approximately +7% vs. 4Q12, driven by solid activity in utilities, datacomm, and international, and in line with typical seasonality. Bidding levels have also increased, with strong interest in upgrade retrofits and energy efficiency projects highlighted.
- **Our outlook.** Absent conclusive signs of meaningful near-term improvement in non-residential trends, we are modeling a mid-single-digit decline in 2Q13, inflecting to low- to mid-single-digit growth in the back half of the year, reflecting easing prior-year comparisons and modest underlying improvement.

Utility

- **1Q13 sales.** 1Q13 organic daily sales were +17.5% y/y vs. our +4.5% estimate, and were +6.4% on a sequential basis.
- **Growth appears largely company-specific.** The company continues to ramp two large utility alliance wins secured over the past two years, while more expansive relationships with two existing customers were also a key benefit during the quarter.Expansion of the company's scope with IOU, public power and generation customers has also driven incremental growth.
- **View on underlying utility trends unchanged.** Management continues to forecast very low single digit growth for underlying transmission and distribution trends. Consistent with this, we believe the underlying market was actually down y/y in 1Q13 due to normalized winter weather, a trend we highlighted following our recent Distribution Survey.
- **Our outlook.** We expect continued strong momentum to continue going forward with growth sustained in the mid- to high-teens over the balance of 2013, reflecting slightly underlying industry growth augmented by several company-specific positives.

CIG

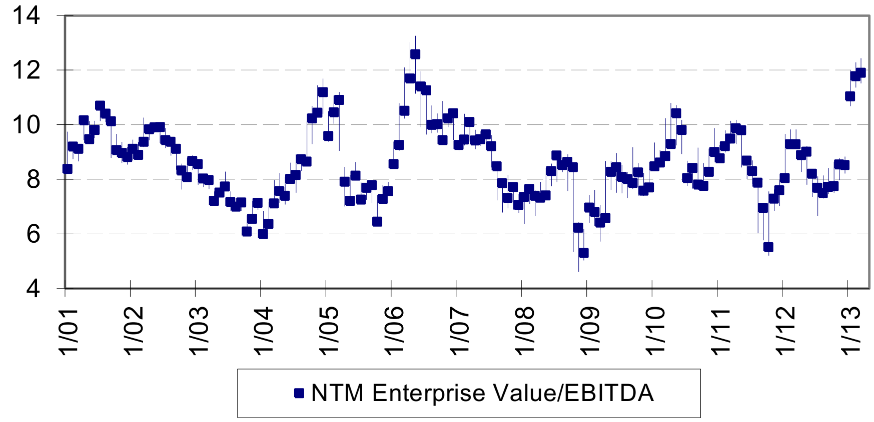
- **1Q13 sales.** 1Q13 organic daily sales to CIG customers were -8.5% y/y vs. our +1.0% estimate, and were -5.3% on a sequential basis.
- **Government trends a significant headwind.** Sales to government customers were -20% y/y, reflecting sequestration-related budget constraints and lower federal project awards. One positive during the quarter was the signing of a multi-year cooperative agreement with a public agency purchasing group, encompassing electrical, datacomm, security and lighting products.
- **Datacomm commentary as expected.** Datacomm organic daily sales were -3% y/y in 1Q13, although sales and bookings were cited as improving through the quarter. Extremely consistent with our recent Distribution Survey, management noted continued sluggish day-to-day trends and improved project activity.
- **Government backlog.** Despite steep near-term declines, the government opportunity pipeline remains above $500 million, and bidding remains active overall in the CIG verticals.
- **Out outlook.** We continue to model subdued trends over most of 2013, given our outlook for ongoing government budgetary pressures, although datacomm trends do appears to be abating, hence our outlook for slightly positive growth in 4Q12 and beyond.

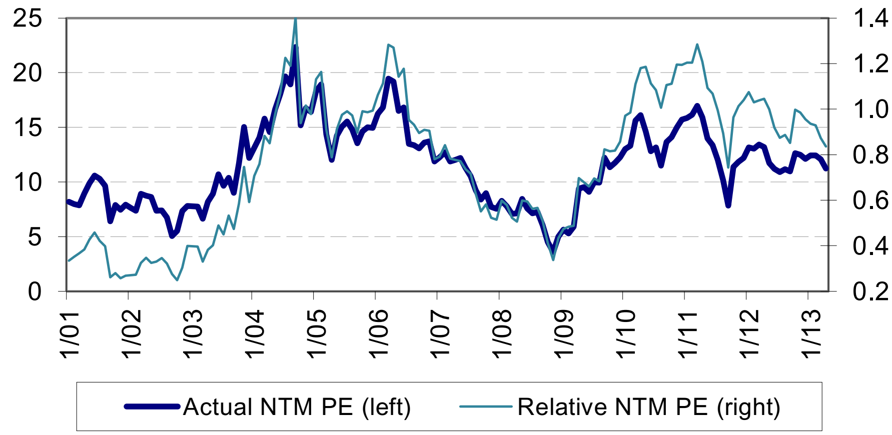
Balance sheet/Cash flow

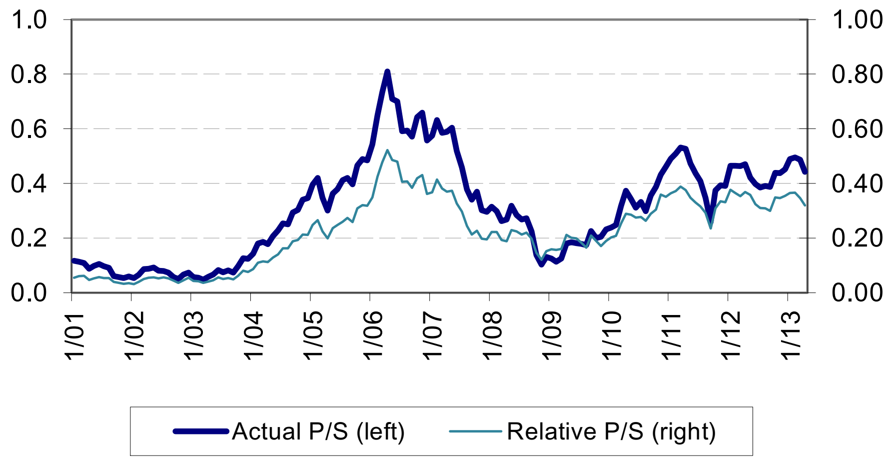
- **DSOs.** TTM DSOs were 57.8 days vs. 56.2 days y/y and 58.3 days sequentially (RWB calculation).
- **Inventory turns.** TTM inventory turns were 7.6x vs. 8.0x y/y and 7.8x q/q.
- **Days payable.** Days payable were 46.7 days vs. 47.3 days y/y and 46.5 days q/q.
- **Operating cash flow.** Operating cash flow was approximately $80.4 million vs. $58.3 million y/y and $98.5 million q/q.
- **FCF.** FCF was approximately $74.4 million vs. $53.8 million y/y and $94.9 million q/q.

WESCO International (WCC - NYSE) Estimate Changes			
2Q13E	**New**	**Old**	**Change**
Sales (millions)	$1,916.5	$1,932.2	($15.7)
Sales Growth	14.6%	15.5%	(0.9%)
Gross Profit Margin	20.9%	20.8%	10bp
Operating Expense	$285.6	$278.2	$7.3
Operating Exp. / Sales	14.9%	14.4%	50bp
EBIT Margin	6.0%	6.4%	-40bp
Diluted EPS	$1.31	$1.42	($0.11)
2013E	**New**	**Old**	**Change**
Sales (millions)	$7,687.3	$7,716.8	($29.5)
Sales Growth	16.8%	17.3%	(0.4%)
Gross Profit Margin	21.0%	20.8%	17bp
Operating Exp.	$1,148.5	$1,115.4	$33.2
Operating Exp. / Sales	14.9%	14.5%	49bp
EBIT Margin	6.1%	6.4%	-32bp
Diluted EPS	$5.30	$5.62	($0.32)
2014E	**New**	**Old**	**Change**
Sales (millions)	$8,204.2	$8,234.0	($29.8)
Sales Growth	6.7%	6.7%	0.0%
Gross Profit Margin	21.0%	21.0%	n/c
Operating Exp.	$1,199.4	$1,163.1	$36.3
Operating Exp. / Sales	14.6%	14.1%	49bp
EBIT Margin	6.3%	6.8%	-49bp
Diluted EPS	$6.29	$6.81	($0.52)

Source: Robert W. Baird & Co. estimates







Source: FactSet, Robert W. Baird & Co. estimates

Investment Thesis

The call. We rate WCC Outperform. Our $81 price target is based on 10x EV/2014E EBITDA, essentially in line with the two-year 9.9x NTM average. We continue to like WCC due to excellent execution and for investors seeking higher industrial beta, especially as we look forward to reaccelerating economic growth in 2H13. We also view the recently completed EECOL Electric acquisition favorably, which we see as a very good strategic fit with the potential for significant sales synergies longer term.

Secular thesis. The company has a mid-single-digit share of the fragmented $87 billion market for electrical products distribution. As the industry continues to consolidate, large distributors like WESCO should continue to gain share due to national capabilities, IT and management resources, broad product lines, ample access to capital, and the ability to drive consolidation via acquisitions. Over the long term, we believe WESCO can achieve average organic sales growth in the mid-to-upper single digits, with EPS growing organically in the mid-teens via operating and financial leverage.

Company-specific factors. Several company-specific factors should help drive sales and earnings growth including the LEAN initiative, expanding the sales force and various marketing investments. The company has eight strategic growth engines, including: global accounts & integrated supply, construction, government, utility, international, communications & security, lighting & sustainability, and M&A.

Industrial (45% of 1Q13 sales). Revenue growth inflected negatively in 1Q13 on difficulty prior-year project comparisons, and while core MRO/OEM trends appear to remain stable, underlying growth remains down vs. the double-digit growth seen throughout 2010 and 2011. The company has more than 50% of the Fortune 500 companies as customers and customer retention among national accounts has been excellent. We expect growth rates to improve from here, consistent with our mid-cycle thesis which anticipated improving conditions in 2013. The company's global accounts and integrated supply pipeline currently stands at $2.4+ billion -- the key growth engine for this segment.

Construction (30% of 1Q13 sales). Construction trends remained lackluster in 1Q13 (-5.8% y/y) – with growth down moderately vs. 4Q12 and more so vs. the double-digit growth seen in 2011. While we expect lackluster market trends to persist in the very near term, non-residential trends may improve in later 2013 and the company should drive above-market growth via multiple growth engines regardless of the backdrop. From an overall perspective, the company is focused on better penetrating EPCs and contractors (via a global accounts model) and driving retrofit/renovation/upgrade projects with current end-user customers (focusing on selling the complete WESCO portfolio). From a product perspective, key growth engines for this segment include communications & security and lighting & sustainability. Backlog was +7% q/q at the end of 1Q13, and book-to-bill is solidly above 1.0 thus far in 2Q13.

Utility (13% of 1Q13 sales). Utility trends were +17.5% y/y in 1Q13, as the company benefits from recently acquired utility alliance contracts and expanded customer relationships, augmented expected low-single-digit industry growth. The utility market is also a key growth initiative, with WESCO looking to capitalize on the trend toward outsourcing and supplier consolidation within the industry (two major utility alliance contracts won in 2H12), as well as smart grid investments.

CIG (12% of 1Q13 sales). Sales to commercial, institutional and government customers decelerated to a -8.5% y/y decline in 1Q13, continuing the trend of volatile growth seen in recent quarters, as government trends declined steeply amid sequestration fears. Government opportunities (another key growth engine) are currently being driven by infrastructure projects and security, with data communications headwinds seemingly abating. Bidding activity remains active in the institutional and commercial markets.

Acquisitions/International. Rounding out the eight growth initiatives, acquisition activity has been robust since mid-2010 (eight acquisitions including EECOL Electric, totaling ~$1.5 billion in acquired revenue), which in several cases has supported the company's desire to build out its international platform. In the near term, however, the company appears focused on reducing debt as pro forma leverage is slightly above the company's targeted range.

Risks to our Outperform thesis. Economic sensitivity, copper prices, pricing power, relatively high valuation, industrial manufacturing and non-residential construction trends.

Risks & Caveats

Economic conditions. Earnings can be impacted by economic factors including commercial construction, industrial production and utility and government spending.

Commodities prices. While commodity prices were a moderate tailwind in 2011, stabilizing prices led to a modest tailwind (+1.0% y/y) to growth in 1Q13. Falling copper and/or steel prices could have a negative impact on results.

Leverage. WESCO currently carries just under $1.9 billion in debt (at par value) following consummation of the EECOL Electric acquisition, resulting in a debt to total capitalization of just over 50%, although coverage ratios are only tested if revolver availability falls below $60 million and cash flow tends to be highly counter-cyclical.

Company Description

WESCO International is a leading industrial and electrical products distributor with approximately mid-single-digit market share of the fragmented $87 billion electrical products distribution market. The business is well diversified across Industrial (45% of 1Q13 sales), Construction (30%), Utility (13%) and CIG (Commercial, Institutional and Government, 13%) customers within a nationwide footprint that includes eight distribution centers and approximately 475 branch locations. WESCO's approximately 9,000 employees service over 65,000 customers with over 1 million products from approximately 18,000 suppliers.

BAIRD

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(WCC - NYSE)

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($ in thousands, except per share)

Recent Price $68.10
Fiscal Year End December
Date Printed April 18, 2013

Fiscal	Revenue		Gross Profit			Op Ex (Incl D&A)			EBITDA		Operating Profit			Other Exp.	Pretax Income			Income Taxes		Net Income			Diluted EPS		Avg
Year	$	Chg	$	%	Chg	$	%	Chg	$	%	$	%	Chg	(Inc.)	$	%	Chg	$	Rate	$	%	Chg	$	Chg	Shares
1993	1,570,800		238,100	15.2%		249,100	15.9%				(11,000)	(0.7%)		14,100	(25,100)	(1.6%)		(9,700)	38.6%	(15,400)	(1.0%)				
1994	1,635,800	4.1%	262,500	16.0%	10.2%	241,300	14.8%	(3.1%)			21,200	1.3%	n/m	20,000	1,200	0.1%	n/m	1,700	141.7%	(500)	(0.0%)	n/m			
1995	1,857,000	13.5%	321,000	17.3%	22.3%	258,000	13.9%	6.9%			63,000	3.4%	n/m	23,100	39,900	2.1%	n/m	14,800	37.1%	25,100	1.4%	n/m	0.41		60,883
1996	2,274,622	22.5%	405,057	17.8%	26.2%	336,849	14.8%	30.6%			68,208	3.0%	8.3%	17,382	50,826	2.2%	27.4%	18,364	36.1%	32,462	1.4%	29.3%	0.51	23.7%	63,671
1997	2,594,819	14.1%	463,919	17.9%	14.5%	383,863	14.8%	14.0%	91,387	3.5%	80,056	3.1%	17.4%	20,109	59,947	2.3%	17.9%	23,710	39.6%	36,237	1.4%	11.6%	0.54	6.6%	66,679
1998	3,025,439	16.6%	537,659	17.8%	15.9%	481,633	15.9%	25.5%	70,831	2.3%	56,026	1.9%	(30.0%)	55,243	783	0.0%	(98.7%)	8,519	n/m	(7,736)	(0.3%)	n/m	(0.17)	n/m	45,052
1999	3,423,858	13.2%	616,618	18.0%	14.7%	491,625	14.4%	2.1%	145,343	4.2%	124,993	3.7%	123.1%	66,515	58,478	1.7%	n/m	23,333	39.9%	35,145	1.0%	n/m	0.74	n/m	47,525
2000	3,881,096	13.4%	690,441	17.8%	12.0%	544,336	14.0%	10.7%	171,098	4.4%	146,105	3.8%	16.9%	68,708	77,397	2.0%	32.4%	30,908	39.9%	46,489	1.2%	32.3%	0.97	31.7%	47,747
2001	3,658,033	(5.7%)	643,513	17.6%	(6.8%)	548,128	15.0%	0.7%	126,357	3.5%	95,385	2.6%	(34.7%)	62,017	33,368	0.9%	(56.9%)	13,143	39.4%	20,225	0.6%	(56.5%)	0.43	(55.7%)	46,873
2002	3,325,815	(9.1%)	595,984	17.9%	(7.4%)	514,118	15.5%	(6.2%)	101,633	3.1%	81,866	2.5%	(14.2%)	49,603	32,263	1.0%	(3.3%)	10,501	32.5%	21,762	0.7%	7.6%	0.46	7.6%	46,866
2003	3,286,766	(1.2%)	610,065	18.6%	2.4%	524,020	15.9%	1.9%	108,603	3.3%	86,045	2.6%	5.1%	46,954	39,091	1.2%	21.2%	9,085	23.2%	30,006	0.9%	37.9%	0.65	39.5%	46,319
2004	3,741,253	13.8%	712,121	19.0%	16.7%	562,675	15.0%	7.4%	167,589	4.5%	149,446	4.0%	73.7%	49,948	99,498	2.7%	154.5%	34,566	34.7%	64,932	1.7%	116.4%	1.47	127.2%	44,109
2005	4,421,103	18.2%	840,705	19.0%	18.1%	622,419	14.1%	10.6%	236,925	5.4%	218,286	4.9%	46.1%	43,488	174,798	4.0%	75.7%	54,286	31.1%	120,512	2.7%	85.6%	2.45	66.3%	49,238
2006	5,320,603	20.3%	1,086,524	20.4%	29.2%	721,541	13.6%	15.9%	393,643	7.4%	364,983	6.9%	67.2%	47,417	317,566	6.0%	81.7%	100,246	31.6%	217,320	4.1%	80.3%	4.14	69.2%	52,464
2007	6,003,452	12.8%	1,222,116	20.4%	12.5%	831,492	13.9%	15.2%	427,383	7.1%	390,624	6.5%	7.0%	63,196	327,428	5.5%	3.1%	103,445	31.6%	223,983	3.7%	3.1%	4.64	12.1%	48,250
2008	6,110,840	1.8%	1,206,676	19.7%	(1.3%)	858,009	14.0%	3.2%	375,398	6.1%	348,667	5.7%	(10.7%)	40,724	307,943	5.0%	(6.0%)	93,152	30.2%	214,791	3.5%	(4.1%)	4.96	6.9%	43,300
2009	4,623,890	(24.3%)	899,977	19.5%	(25.4%)	720,046	15.6%	(16.1%)	205,976	4.5%	179,931	3.9%	(48.4%)	48,692	131,239	2.8%	(57.4%)	32,679	24.9%	98,560	2.1%	(54.1%)	2.31	(53.5%)	42,750
2010	5,063,900	9.5%	998,400	19.7%	10.9%	784,200	15.5%	8.9%	238,135	4.7%	214,200	4.2%	19.0%	49,000	165,200	3.3%	25.9%	45,900	27.8%	119,300	2.4%	21.0%	2.60	12.8%	45,875
2011	6,125,715	21.0%	1,236,549	20.2%	23.9%	903,553	14.8%	15.2%	364,603	6.0%	332,996	5.4%	55.5%	53,631	279,365	4.6%	69.1%	83,141	29.8%	196,224	3.2%	64.5%	3.96	52.3%	49,550
Q1	1,606,000	12.2%	319,700	19.9%	11.8%	236,200	14.7%	6.7%	91,579	5.7%	83,500	5.2%	29.1%	9,000	74,500	4.6%	43.0%	21,600	29.0%	52,900	3.3%	41.8%	1.03	39.3%	51,300
Q2	1,672,700	9.7%	335,600	20.1%	9.4%	239,600	14.3%	8.0%	104,442	6.2%	96,000	5.7%	12.9%	11,500	84,500	5.1%	18.9%	25,600	30.3%	58,900	3.5%	17.3%	1.15	15.5%	51,100
Q3	1,656,200	4.8%	338,800	20.5%	7.3%	235,700	14.2%	5.3%	113,010	6.8%	103,100	6.2%	12.3%	12,700	90,400	5.5%	17.9%	27,000	29.9%	63,400	3.8%	17.6%	1.25	12.3%	50,800
Q4	1,644,400	3.5%	337,300	20.5%	2.8%	246,900	15.0%	4.4%	101,530	6.2%	90,400	5.5%	(1.2%)	14,700	75,700	4.6%	(4.8%)	21,726	28.7%	53,974	3.3%	(1.5%)	1.05	(6.1%)	51,400
2012	6,579,300	7.4%	1,331,400	20.2%	7.7%	958,400	14.6%	6.1%	410,561	6.2%	373,000	5.7%	12.0%	47,900	325,100	4.9%	16.4%	95,926	29.5%	229,174	3.5%	16.8%	4.48	13.1%	51,150
Q1	1,808,100	12.6%	381,100	21.1%	19.2%	280,300	15.5%	18.7%	117,500	6.5%	100,800	5.6%	20.7%	21,900	78,900	4.4%	5.9%	20,300	25.7%	58,600	3.2%	10.8%	1.12	8.4%	52,400
Q2E	1,916,524	14.6%	400,553	20.9%	19.4%	285,553	14.9%	19.2%	131,601	6.9%	115,001	6.0%	19.8%	21,170	93,831	4.9%	11.0%	25,334	27.0%	68,496	3.6%	16.3%	1.31	13.4%	52,397
Q3E	1,991,414	20.2%	418,197	21.0%	23.4%	291,678	14.6%	23.7%	143,019	7.2%	126,519	6.4%	22.7%	21,158	105,360	5.3%	16.5%	28,447	27.0%	76,913	3.9%	21.3%	1.46	17.2%	52,579
Q4E	1,971,261	19.9%	413,965	21.0%	22.7%	290,979	14.8%	17.9%	139,386	7.1%	122,986	6.2%	36.0%	21,147	101,839	5.2%	34.5%	27,497	27.0%	74,342	3.8%	37.7%	1.41	34.2%	52,753
2013E	7,687,298	16.8%	1,613,815	21.0%	21.2%	1,148,510	14.9%	19.8%	531,505	6.9%	465,305	6.1%	24.7%	85,375	379,930	4.9%	16.9%	101,578	26.7%	278,352	3.6%	21.5%	5.30	18.3%	52,532
2014E	8,204,192	6.7%	1,718,778	21.0%	6.5%	1,199,401	14.6%	4.4%	583,977	7.1%	519,377	6.3%	11.6%	62,389	456,989	5.6%	20.3%	123,387	27.0%	333,602	4.1%	19.8%	6.29	18.7%	53,043

NOTE: All figures exclude non-recurring items.
Reflects adoption of SFAS 123R as of 3Q03. Historical figures have not been restated.

Source: Company reports, Robert W. Baird & Co. estimates

Please refer to Appendix - Important Disclosures and Analyst Certification

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WESCO International

(WCC - NYSE)

($ in thousands, except per share)

Recent Price	$68.10
Fiscal Year End	December
Date Printed	April 18, 2013

Balance Sheet	2006	2007	2008	2009	2010	2011	2012	1Q13
ASSETS								
Cash & Equivalents	73,395	72,297	86,338	112,329	53,577	63,869	86,099	116,800
Receivables	872,973	889,297	834,114	667,562	829,904	982,864	1,126,036	1,094,300
Inventory	613,569	666,027	605,678	507,215	588,848	626,967	793,974	792,400
Other	58,075	52,878	31,533	43,898	41,357	63,720	95,728	173,200
Total Current	1,618,012	1,680,499	1,557,663	1,331,004	1,513,686	1,737,420	2,101,837	2,176,700
Fixed Assets	107,016	104,119	119,223	116,309	118,045	133,550	210,723	200,023
Intangibles	1,078,779	1,058,149	862,778	944,718	1,146,021	1,165,001	2,274,558	2,274,558
Other Assets	20,176	17,120	181,313	102,162	49,022	42,481	42,511	18,019
Total Assets	2,823,983	2,859,887	2,720,977	2,494,193	2,826,774	3,078,452	4,629,629	4,669,300
LIABILITIES & EQUITY								
Current Debt	424,260	504,976	298,823	93,977	3,988	6,411	39,759	40,100
Payables	590,304	626,293	571,832	453,154	537,505	642,777	706,580	745,000
Other	139,108	160,656	135,354	133,703	166,740	196,658	261,656	253,700
Total Current	1,153,672	1,291,925	1,006,009	680,834	708,233	845,846	1,007,995	1,038,800
LT Debt & Lease	743,887	811,311	841,928	597,869	725,893	642,922	854,586	1,634,800
Deferred Taxes	149,677	118,084	120,459	191,068	210,876	223,005	300,470	306,240
Other Liabilities	13,520	30,091	20,585	28,133	33,178	20,769	72,060	72,060
Common Equity	763,227	608,476	731,996	996,289	1,148,594	1,345,998	1,553,797	1,617,400
Total Liabilities & Equity	2,823,983	2,859,887	2,720,977	2,494,193	2,826,774	3,078,540	3,788,908	4,669,300

Ratios	2006	2007	2008	2009	2010	2011	2012	1Q13
Days In Inventory	45	45	46	48	48	45	45	51
Days Sales Outstanding (DSO)	52	51	52	53	53	54	55	51
Days Payables Outstanding (DPO)	(51)	(49)	(52)	(47)	(49)	(47)	(47)	(46)
Cash Conversion Days	**46**	**47**	**47**	**54**	**52**	**53**	**53**	**47**
Current Ratio	1.2	1.3	1.4	1.4	1.3	2.1	2.0	2.1
Quick Ratio	0.5	0.6	0.7	0.8	0.7	1.2	1.2	1.1
Inventory Turns	8.0	8.2	7.9	7.5	7.6	8.0	8.2	7.2
TTM Return On Assets	9.6%	10.8%	11.7%	11.1%	10.3%	6.6%	6.9%	6.2%
TD/Cap [1]	58.5%	53.8%	49.1%	60.5%	66.6%	38.0%	36.1%	34.0%
TTM EBITDA Interest Cov	10.1	12.4	15.0	16.0	13.4	6.8	7.7	7.2
TTM TD/EBITDA [1]	1.4	1.1	1.0	3.0	3.1	2.3	2.1	3.4

Du Pont Formula	2006	2007	2008	2009	2010	2011	2012	LTM
Net Margins (N/S)	3.1%	3.5%	3.9%	4.1%	4.1%	3.2%	3.4%	3.5%
Asset Turnover (S/A)	3.1	3.1	3.0	2.7	2.5	2.0	2.1	1.8
Leverage (A/E)	3.4	3.2	3.1	3.1	3.4	2.4	2.4	2.5
Return On Equity	**32.5%**	**34.8%**	**36.2%**	**34.7%**	**34.4%**	**15.7%**	**16.3%**	**15.5%**

Market Capitalization (MM)	$ 3,568.4
Insider Ownership	3%
Institutional Ownership	97%
Average Daily Volume	712,000

[1] Includes off-balance sheet A/R securitization

Cash Flow Statement	2006	2007	2008	2009	2010	2011	2012	2013E	2014E
Net Income	217,320	240,631	212,691	105,088	115,477	196,240	201,759	303,852	333,602
D&A	28,660	36,759	26,731	26,045	23,935	31,607	37,561	66,200	64,600
Inventory	(27,673)	(33,632)	26,556	107,848	(33,956)	(33,769)	(29,339)	(141,801)	(49,731)
A/R	(11,832)	4,462	28,352	179,662	(118,478)	(143,491)	36,415	(315,802)	(78,516)
A/P	(27,873)	19,436	(31,198)	(114,289)	53,902	101,677	(24,346)	109,824	56,203
Change in AR Securitization	(6,500)	-	-	-	-	-	-	-	-
Other	34,981	(5,378)	16,729	(12,690)	86,403	15,269	66,134	17,500	4,000
Operating Cash Flow (ex-ARS)	213,583	262,278	279,861	291,664	127,283	167,533	288,184	39,773	330,157
Capital Expenditures	(18,359)	(16,118)	(35,284)	(12,970)	(15,132)	(33,347)	(23,084)	(18,925)	(18,036)
Dividends	-	-	-	-	-	-	-	-	-
Free Cash Flow (ex-ARS)	195,224	246,160	244,577	278,694	112,151	134,186	265,100	20,848	312,122

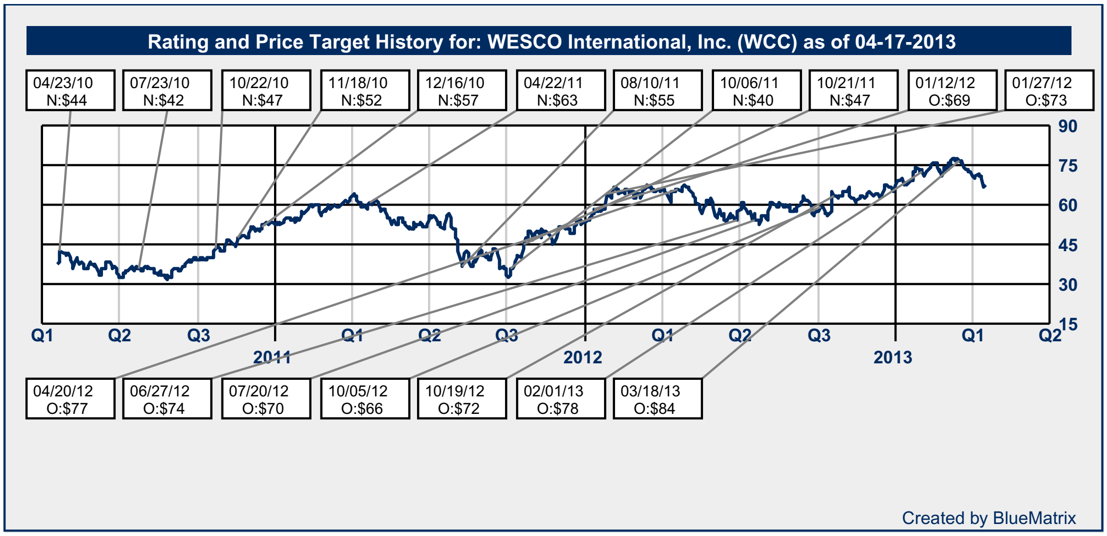
Per Share Data	2006	2007	2008	2009	2010	2011	2012	2013E	2014E
Diluted Average Shares	52,464	48,250	43,300	42,750	45,875	49,550	51,150	52,532	53,043
EPS	4.14	4.64	4.96	2.31	2.60	3.96	4.48	5.30	6.29
Free Cash Flow (FCF)	3.72	5.10	5.65	6.52	2.44	2.71	5.18	0.40	5.88
EBITDA	7.50	8.86	8.67	4.82	5.19	7.36	8.03	10.12	11.01
Cash	1.40	1.50	1.99	2.63	1.17	1.29	1.68	0.25	0.48
Book Value	14.55	12.61	16.91	23.31	25.04	27.16	30.38	34.97	40.93
Tangible Book Value	(6.01)	(9.32)	(3.02)	1.21	0.06	3.65	(14.09)	(8.32)	(1.96)

Valuation Measures	2006	2007	2008	2009	2010	2011	2012	PT/13E	PT/14E
Price - High	$80.29	$69.67	$46.11	$30.49	$53.78	$63.79	$67.60		
Price - Low	$54.14	$37.65	$11.00	$13.29	$26.91	$33.55	$52.31	Price Target	
Price - Average	$64.73	$55.17	$33.44	$23.86	$37.51	$51.14	$61.17	**$81**	
TTM P/E - High	19.4	15.0	9.3	13.2	20.7	16.1	15.1		
TTM P/E - Low	13.1	8.1	2.2	5.8	10.3	8.5	11.7		
TTM P/E - Average	15.6	11.9	6.7	10.3	14.4	12.9	13.7	15.3	12.9
FTM P/E - High	17.3	14.0	20.0	11.7	13.6	14.2	12.8		
FTM P/E - Low	11.7	7.6	4.8	5.1	6.8	7.5	9.9		
FTM P/E - Average	13.9	11.1	14.5	9.2	9.5	11.4	11.5		
FCF Yield - Average	5.7%	9.2%	16.9%	27.3%	6.5%	5.3%	8.5%	0.5%	7.3%
EV/TTM Sales - Average	0.74	0.66	0.42	0.35	0.52	0.54	0.76	0.65	0.58
Price / TTM Sales - Average	0.64	0.44	0.24	0.22	0.34	0.41	0.48	0.55	0.52
Price / TTM BV - Average	4.4	4.4	2.0	1.0	1.5	1.9	2.0	2.3	2.0
Dividend Yield - Average	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Enterprise Value	2006	2007	2008	2009	2010	2011	2012	PT/13E	PT/14E
Market Value	3,395,843	2,661,906	1,447,954	1,020,069	1,720,668	2,533,902	3,128,940	4,255,112	4,296,447
Preferred Stock	-	-	-	-	-	-	-	-	-
Total Debt (Including ARS)	1,168,147	1,316,287	1,174,734	691,846	908,308	824,155	1,909,994	1,799,722	1,495,722
Other Long-Term Liabilities	13,520	30,091	20,585	28,133	33,178	20,769	72,060	72,060	72,060
Cash & Equivalents	(73,395)	(72,297)	(86,338)	(112,329)	(53,577)	(63,869)	(86,099)	(13,248)	(25,370)
EV	4,504,115	3,935,987	2,556,935	1,627,719	2,608,577	3,314,957	5,024,895	6,113,646	5,838,859
EBITDA	393,643	427,383	375,398	205,976	238,135	364,603	410,561	531,505	583,977
EV/EBITDA	**11.4x**	**9.2x**	**6.8x**	**7.9x**	**11.0x**	**9.1x**	**12.2x**	**11.5x**	**10.0x**

Source: Company reports, Robert W. Baird & Co. estimates

Appendix - Important Disclosures and Analyst Certification



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