



INVESTOR PRESENTATION

NOVEMBER 2017



SAFE HARBOR AND NON-GAAP

Safe Harbor Statement

This presentation contains certain comments that are “forward-looking” statements, including sales, GAAP diluted EPS, and non-GAAP diluted EPS, that involve plans, strategies, economic performance and trends, projections, expectations, costs or beliefs about future events and other statements that are not descriptions of historical facts. Forward-looking information is inherently subject to risks and uncertainties.

Any number of factors could cause actual results to differ materially from anticipated or forecasted results, including but not limited to, changes in interest and exchange rates and regulatory regimes impacting our international operations, the failure of acquisitions to meet our expectations, the failure to manage and implement our organic growth strategy, credit risks involving our larger customers and vendors, termination of our relationship with key vendors or a significant modification of the terms under which we operate with a key vendor, the decline in demand for the products and services that we provide, reduced prices for the products and services that we provide due both to competitor and customer actions, and other factors set forth in the “Risk Factors” contained in our annual report on Form 10-K for the year ended June 30, 2017, and subsequent report on Form 10-Q, filed with the Securities and Exchange Commission (“SEC”).

Although ScanSource believes the expectations in its forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement. ScanSource disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required by law.

Non-GAAP Financial Information

In addition to disclosing results that are determined in accordance with United States Generally Accepted Accounting Principles (“GAAP”), the Company also discloses certain non-GAAP measures, including non-GAAP operating income, non-GAAP operating margin, non-GAAP net income, non-GAAP diluted earnings per share, adjusted EBITDA, return on invested capital (“ROIC”) and net sales excluding the impact of foreign currency exchange rates and acquisitions (organic growth). A reconciliation of the Company's non-GAAP financial information to GAAP financial information is provided in the Appendix and in the Company's Form 8-K, filed with the SEC, with the quarterly earnings press release for the period indicated.

SCANSOURCE OVERVIEW

LEADING GLOBAL PROVIDER
OF SPECIALTY TECHNOLOGY
PRODUCTS AND SOLUTIONS

Two-tier value-added business model
Best-of-breed suppliers in specialty
technology markets
ROIC-driven company



POS, PAYMENTS
& BARCODE



UNIFIED COMMUNICATIONS
& COLLABORATION



NETWORKING &
PHYSICAL SECURITY



TELECOM & CLOUD
SERVICES

NASDAQ: SCSC • Headquarters: Greenville, SC • Founded in 1992 • 500+ Technology Suppliers
35,000+ Customers • 2,500+ Employees • 48 offices: US, Canada, Latin America, Europe

SEGMENTS & BUSINESS UNITS

WW BARCODE, NETWORKING & SECURITY SEGMENT

Business Units

POS and Barcode

Networking and Security

ScanSource KBZ*

POS Portal*

WW COMMUNICATIONS & SERVICES SEGMENT

Business Units

Communications

Catalyst

Imago ScanSource*

Network1*

Intelisys*

Business Units:

Business Unit President • Sales • Merchandising • Technical Services

Shared Services:

Centralized Logistics • Reseller Financial Services • Customer Service
Marketing • Human Resources • Finance & Accounting • Legal

* Acquisitions completed Imago (Sept '14), Network1 (Jan '15), KBZ (Sept '15), Intelisys (Aug '16), POS Portal (Aug '17)

DEEP SUPPLIER PARTNERSHIPS



% OF NET SALES, Q1 FY18

Business Units: ScanSource POS and Barcode in US/Canada, Europe, Latin America; ScanSource Networking and Security in US/Canada; ScanSource KBZ and POS Portal in US

BARCODE, NETWORKING & SECURITY KEY VENDORS



DEEP SUPPLIER PARTNERSHIPS

COMMUNICATIONS & SERVICES KEY VENDORS



% OF NET SALES, Q1 FY18

Business Units: ScanSource Catalyst, ScanSource Communications, and Intelisys in US/Canada; Imago ScanSource and ScanSource Communications in Europe; Network1 in Brazil

XaaS

Digital Product • Recurring Revenue
Managed Remotely • Highly Connected



Software



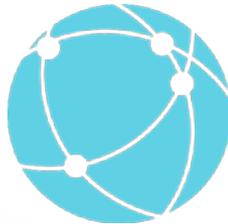
The IoT



Infrastructure/
Platform



Cloud



Carrier Services



Managed Services

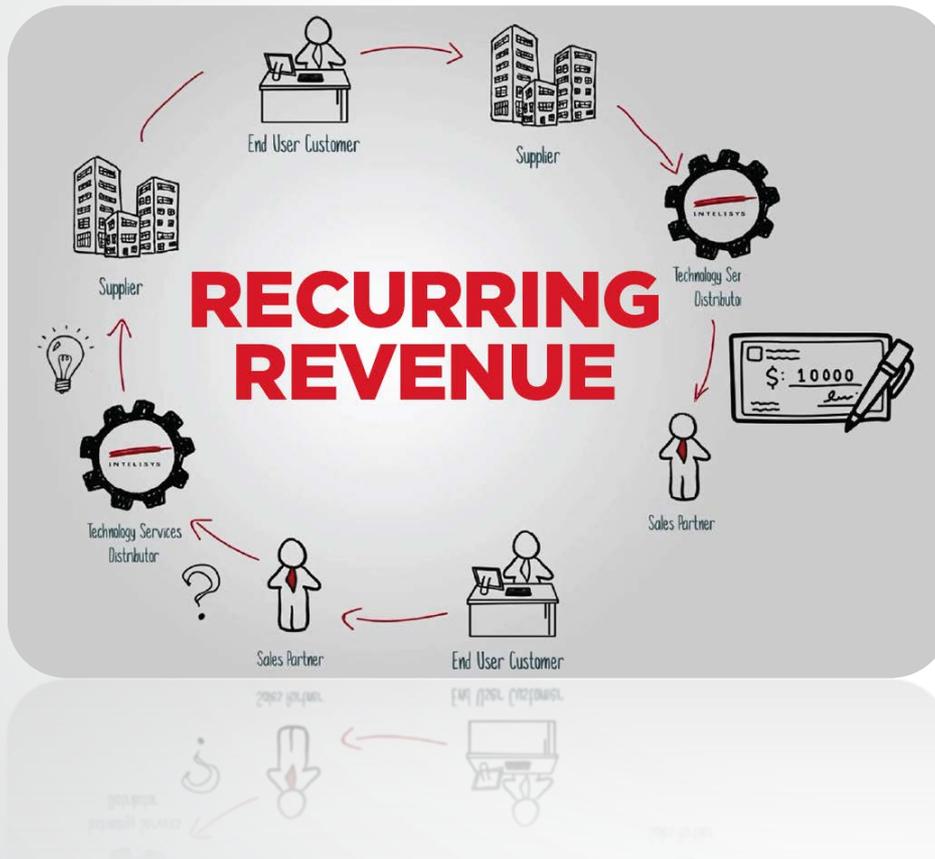


Hosted Voice/Video



Payment Services

INTELISYS RECURRING REVENUE MODEL



Key Value-Adds: Telecom and Cloud Services Distributor

- Trusted advisor. Supplier agnostic.
- Technical support for complex bids and education.
- Supplier aggregation. Protection from quotas.
- Platform that enables real time visibility and consolidated commission payments to sales partners.
- Channel financing (advance commissions and partner investment programs).
- Post sale escalation support with suppliers.

Note: Intelisys acquisition completed August 2016

POS PORTAL MARKET CHANNELS

VALUABLE MARKET CHANNELS FOR PAYMENTS SOLUTIONS

Contract Deployment



Long-term contracts with top processors including Cayan, Elavon, Transfirst, TSYS, Vantiv, Worldpay; value-added services and repair-replacements

ISOs/Agents and VARs



2-Tier wholesale distribution model focused on SMB and mid-market; many hardware orders have services attached, such as configuration and key injection

ISV Referrals



ISV (independent software vendor) selling partners refer leads; pre-validated tablet POS solution bundles with purchase and "as a service" offer

ROBUST VALUE PROPOSITION

FOR SUPPLIERS



Top 15 vendors represent more than 80% of net sales

FOR CUSTOMERS



No single customer represents more than 5% of net sales



FY18 KEY OPPORTUNITIES FOR GROWTH

- 1** Mobile computing

- 2** Video surveillance

- 3** POS Portal

- 4** Communications channel opportunity

- 5** Intelisys

- 6** Network1



FINANCIAL HIGHLIGHTS

LONGER-TERM OPERATING GOALS AND RECENT RESULTS

OPERATING GOALS



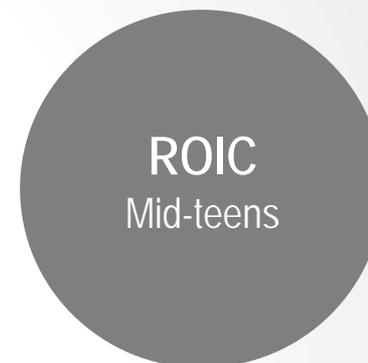
Q1 FY18
Y/Y **-0.9%**



Q1 FY18
11.5%



Q1 FY18
GAAP **0.8%**
Non-GAAP* **3.3%**



Q1 FY18
13.0%*

OPERATING GOALS

* Non-GAAP operating income excludes amortization of intangibles, changes in fair value of contingent consideration and acquisition costs. ROIC, a non-GAAP measure, is calculated as EBITDA, plus change in fair value of contingent consideration divided by invested capital. See appendix for calculations of non-GAAP measures and reconciliations to GAAP measures.

CAPITAL ALLOCATION STRATEGY

- Priorities: organic growth and strategic acquisitions
- Net leverage of at least 1x EBITDA

FY17 to Q1 FY18 CASH USES

FUNDED BY OPERATING CASH FLOW (+\$57 million) AND INCREASE IN NET DEBT (+\$247 million)

INVESTMENTS IN PROFITABLE GROWTH



ACQUISITIONS
\$281 million



CAPEX
\$10 million

RETURN OF CASH TO SHAREHOLDERS



SHARE REPURCHASES
\$21 million

STRONG FINANCIAL POSITION FOR GROWTH

STRONG BALANCE SHEET AND FINANCIAL FLEXIBILITY

2.0x net debt to adjusted EBITDA, trailing 12-months
\$24 million in cash and \$286 million in debt
\$400 million committed credit facility; \$120 million available

WORKING CAPITAL MANAGEMENT

5.8 inventory turns (5-qtr range: 5.6-6.2)
Paid for inventory days of 10.1* (5-qtr range: 4.7-12.5)
63 days sales outstanding in receivables* (5-qtr range: 59-63)

Information as of 9/30/17, unless otherwise indicated

** Excludes the impact of POS Portal acquisition, completed 7/31/17, and Intelisys acquisition, completed 8/29/16*

INVESTMENT HIGHLIGHTS

1

MARKET
LEADERSHIP

Leadership position in specialty markets with continued growth driven by innovative technology offerings; well positioned to grow faster than market

2

DEEP
PARTNERSHIPS

Access to customer channels and deep supplier partnerships serve as strong competitive advantages

3

EXPANSION
OPPORTUNITIES

Capitalizing on expansion in higher margin and growth areas; opportunity for expansion in technology services and XaaS with recurring revenue opportunities

4

SUSTAINABLE
MARGINS

Sustainable margin profile supported by multiple technologies, services and solutions

5

STRONG
FINANCIALS

ROIC drives strong balance sheet and financial flexibility enabling disciplined cash deployment into faster growth areas while increasing bottom-line profitability

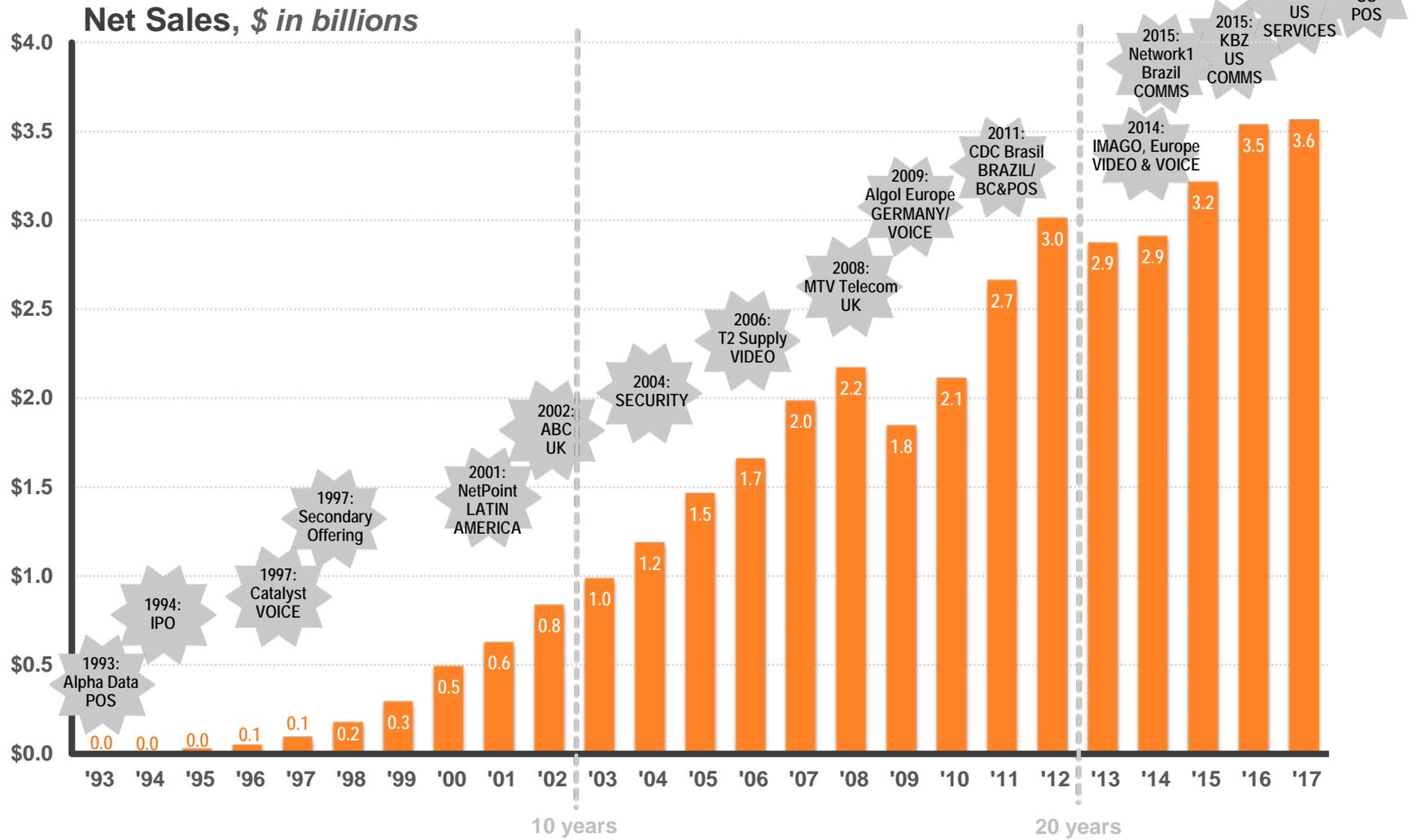


APPENDIX

scansource.com



SCANSOURCE HISTORY



Since inception, completed 27 acquisitions
 Net sales for fiscal years ended 6/30

10-Year Compound Annual Growth Rate: 6%

ACQUISITION OF POS PORTAL

ABOUT POS PORTAL

- Leading distributor of payment devices and services primarily to the SMB market segment
- Focused solely on the US payments industry channels
- Founded in 2000 and HQ in Sacramento, CA; operations in the US with ~180 employees
- Offers payment terminals, comprehensive key injection services, reseller partner branding, extensive encryption key libraries, P2PE encryption, integrated solutions

MARKET CHANNELS

CONTRACT
DEPLOYMENT

1,000+
ISOs and
AGENTS

ISV
REFERRALS

- Contracts with top processors, including Cayan, Elavon, Transfirst, TSYS, Vantiv, Worldpay
- Partners with ISVs (independent software vendors) to deliver pre-validated tablet POS solution bundles that merchants may purchase outright or “as a service”

TRANSACTION

\$144.9
MILLION
INITIAL PURCHASE

EARNOUT UP TO
\$13.2
MILLION
(payable 11/30/17)

EBITDA
EARN-OUT
BASED ON

- All-cash stock purchase; closed 7/31/17
- Expected to be accretive to EPS in first year, excluding one-time acquisition costs and intangibles amortization

STRATEGIC RATIONALE

- Creates the industry's **leading payments channel** where value-added services are key
- **Complementary** solution delivery channels with little customer overlap in a complex marketplace
 - ScanSource: enterprise and mid-market
 - POS Portal: SMB
- Both companies' existing **customers benefit**; larger portfolio of POS offerings (from ScanSource) and industry-leading services and capabilities (from POS Portal)

ACQUISITION OF INTELISYS

ABOUT INTELISYS

- Industry-leading technology services distributor of business telecommunications and cloud services
- High-growth, recurring revenue model for the channel; two-tier services-based business model
- Founded in 1994 and HQ in Petaluma, CA; operations in the US
- ~120 employees, more than 130 supplier partners, and over 2,300 sales partners

TRANSACTION

\$83.6
MILLION
INITIAL PURCHASE

4 years
EARN-OUT
PERIOD

EBITDA
EARN-OUT
BASED ON

- All-cash asset purchase; closed 8/29/16
- Initial purchase price \$83.6 million (52%) with 4 annual earn-out payments based on a multiple of EBITDA (12% annually)
- Estimated earn-out payment range from \$100 to \$150 million

MARKET DYNAMICS

~\$150
BILLION

**SMB Spend on
Telecom Services**

10%
INDIRECT

**% of Market Served
by Indirect Channel**

- Large and growing addressable channel market
- Expected growth of opportunities for indirect channel

STRATEGIC RATIONALE

- Enter telecom and cloud services market; large, **growing addressable market** with expected **channel shift**
- Acquiring the **current market leader** in a fragmented market with relatively small-sized existing master agents
- Brings **high-growth, recurring revenue model** to the channel
- See opportunity for VARs and sales agents to **sell complete solutions** – connectivity with products

SEGMENT FINANCIAL RESULTS – Q1 FY18

WORLDWIDE BARCODE, NW & SECURITY

<i>\$ in millions</i>	Q1 FY18	Q4 FY17	Q1 FY17
Net sales	\$620.3	\$619.2	\$627.2
Gross profit	\$57.5	\$51.7	\$49.3
Gross margin	9.3%	8.3%	7.9%
Operating income	\$14.0	\$13.0	\$13.4
Operating income %	2.3%	2.1%	2.1%
Non-GAAP operating income	\$15.9	\$13.8	\$14.5
Non-GAAP operating income %	2.6%	2.2%	2.3%

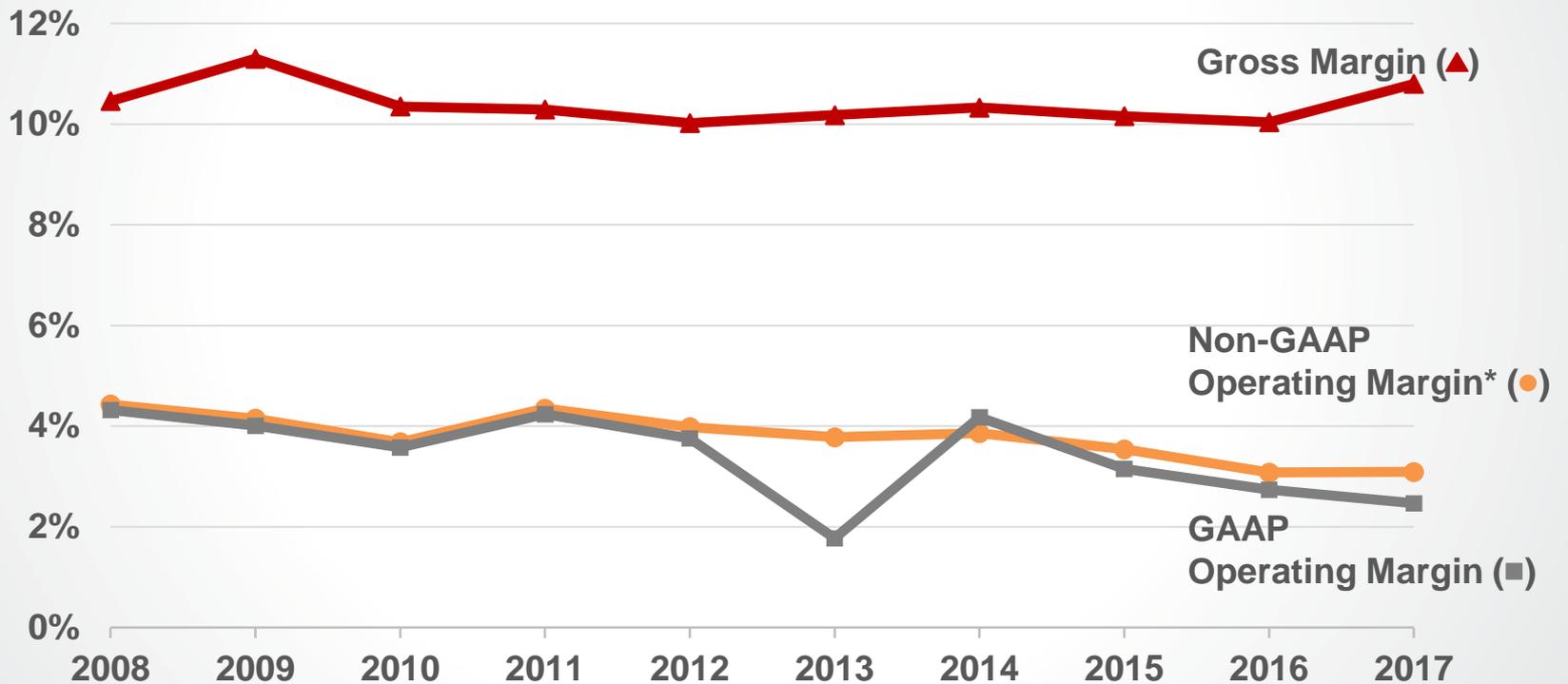
WORLDWIDE COMMUNICATIONS & SERVICES

<i>\$ in millions</i>	Q1 FY18	Q4 FY17	Q1 FY17
Net sales	\$304.2	\$298.0	\$305.4
Gross profit	\$48.5	\$49.2	\$42.3
Gross margin	15.9%	16.5%	13.8%
Operating income	\$(6.3)	\$9.5	\$9.9
Operating income %	(2.1)%	3.2%	3.3%
Non-GAAP operating income	\$14.7	\$14.0	\$12.2
Non-GAAP operating income %	4.8%	4.7%	4.0%

Non-GAAP operating income excludes amortization of intangibles and change in fair value of contingent consideration. See Appendix for calculation of non-GAAP measures and reconciliations to GAAP measures.

SUSTAINABLE MARGIN PROFILE

SCSC – HISTORICAL MARGINS



Information for fiscal year indicated

* Excludes amortization of intangible assets, change in fair value of contingent consideration, and other select items in FY13 to FY17. See Appendix for calculation of non-GAAP measures and reconciliations to GAAP measures.

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Y/Y Sales Growth – Organic and Reported

(\$ in thousands)

	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18
Consolidated:								
Net sales, as reported	\$ 993,522	\$ 798,404	\$ 877,473	\$ 932,566	\$ 904,792	\$ 813,538	\$ 917,291	\$ 924,559
Foreign exchange impact	35,460	23,345	7,506	(4,028)	(5,814)	(6,837)	(2,150)	(8,039)
Net sales, constant currency	1,028,982	821,749	884,979	928,538	898,978	806,701	915,141	916,520
Less: Acquisitions	(180,510)	(63,637)	(79,701)	(102,195)	(8,487)	(8,893)	(9,178)	(24,303)
Net sales, constant currency excluding acquisitions	<u>\$ 848,472</u>	<u>\$ 758,112</u>	<u>\$ 805,278</u>	<u>\$ 826,343</u>	<u>\$ 890,491</u>	<u>\$ 797,808</u>	<u>\$ 905,963</u>	<u>\$ 892,217</u>
Prior Year Quarter Net sales, as reported	\$ 807,019	\$ 763,203	\$ 856,685	\$ 870,829	\$ 993,522	\$ 798,404	\$ 877,472	\$ 932,566
Less: Acquisitions	-	-	-	(34,628)	-	-	-	(2,863)
Prior Year Quarter Net sales, as adjusted	<u>\$ 807,019</u>	<u>\$ 763,203</u>	<u>\$ 856,685</u>	<u>\$ 836,201</u>	<u>\$ 993,522</u>	<u>\$ 798,404</u>	<u>\$ 877,472</u>	<u>\$ 929,703</u>
Y/Y% Change:								
Sales growth, as reported	23.1%	4.6%	2.4%	7.1%	-8.9%	1.9%	4.5%	-0.9%
Sales growth, constant currency	27.5%	7.7%	3.3%	6.6%	-9.5%	1.0%	4.3%	-1.7%
Sales growth, constant currency excluding acquisitions (organic growth)	5.1%	-0.7%	-6.0%	-1.2%	-10.4%	-0.1%	3.2%	-4.0%

(a) Year-over-year sales growth excluding the translation impact of changes in foreign currency rates. Calculated by translating the net sales for the quarter indicated into U.S. dollars using the weighted average foreign exchange rates for the period year quarter.

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Highlights by Segment – QTR

(\$ in thousands)

	Quarter Ended September 30, 2017			
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 620,329	\$ 304,230	\$ -	\$ 924,559
GAAP operating income	\$ 14,035	\$ (6,265)	\$ (172)	\$ 7,598
Adjustments:				
Amortization of intangible assets	1,774	3,237	-	5,011
Change in fair value of contingent consideration	69	16,812	-	16,881
Acquisition costs	-	-	172	172
Legal Settlement		952	-	952
Non-GAAP operating income	\$ 15,878	\$ 14,736	\$ -	\$ 30,614
GAAP operating income % (of net sales)	2.26%	-2.06%	n/m	0.82%
Non-GAAP operating income % (of net sales)	2.56%	4.84%	n/m	3.31%

(\$ in thousands)

	Quarter Ended June 30, 2017			
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 619,241	\$ 298,050	\$ -	\$ 917,291
GAAP operating income	\$ 12,997	\$ 9,536	\$ (422)	\$ 22,111
Adjustments:				
Amortization of intangible assets	770	3,217	-	3,987
Change in fair value of contingent consideration	-	1,290	-	1,290
Acquisition costs	-	-	422	422
Non-GAAP operating income	\$ 13,767	\$ 14,043	\$ -	\$ 27,810
GAAP operating income % (of net sales)	2.10%	3.20%	n/m	2.41%
Non-GAAP operating income % (of net sales)	2.22%	4.71%	n/m	3.03%

n/m = not meaningful



APPENDIX: NON-GAAP FINANCIAL INFORMATION

Highlights by Segment – QTR

Quarter Ended September 30, 2016 (a)

(\$ in thousands)

	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 627,210	\$ 305,356	\$ -	\$ 932,566
GAAP operating income	\$ 13,423	\$ 9,950	\$ (498)	\$ 22,875
Adjustments:				
Amortization of intangible assets	1,085	2,069	-	3,154
Change in fair value of contingent consideration	-	169	-	169
Acquisition costs	-	-	498	498
Non-GAAP operating income	<u>\$ 14,508</u>	<u>\$ 12,188</u>	<u>\$ -</u>	<u>\$ 26,696</u>
GAAP operating income % (of net sales)	2.14%	3.26%	n/m	2.45%
Non-GAAP operating income % (of net sales)	2.31%	3.99%	n/m	2.86%

n/m = not meaningful

(a) Reflects reclassifications between segments for certain geographies to provide comparable financial information.

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Return on Invested Capital (ROIC) – QTR

(\$ in thousands)

	<u>Q1 FY18</u>
Return on invested capital (ROIC), annualized (a)	13.0%
<u>Reconciliation of Net Income to EBITDA</u>	
Net income - GAAP	\$ 4,147
Plus: Interest expense	1,585
Plus: Income taxes	2,633
Plus: Depreciation and amortization	8,864
EBITDA	17,229
Change in fair value of contingent consideration	16,881
Acquisition costs	172
Legal settlement, net of attorney fees	952
Interest income related to tax settlement	-
Adjusted EBITDA (numerator for ROIC)(non-GAAP)	<u>\$ 35,234</u>
<u>Invested Capital Calculation</u>	
Equity - beginning of the quarter	\$ 837,145
Equity - end of quarter	852,976
Change in fair value of contingent consideration, net of tax	11,005
Acquisition costs, net of tax	172
Legal settlement, net of attorney fees, net of tax	771
Tax settlement and related interest income, net of tax	-
Average equity	851,035
Average funded debt (b)	224,956
Invested capital (denominator for ROIC)(non-GAAP)	<u>\$ 1,075,991</u>

(a) Calculated as net income plus interest expense, income taxes, depreciation and amortization (EBITDA), annualized divided by invested capital for the period. Adjusted EBITDA reflects other adjustments for non-GAAP measures.

(b) Average daily amounts outstanding on short-term and long-term interest-bearing debt.



APPENDIX: NON-GAAP FINANCIAL INFORMATION

Non-GAAP Operating Income %

(\$ in millions)

	FY '08	FY '09	FY '10	FY '11	FY '12	FY '13	FY '14	FY '15	FY '16	FY '17
Net sales	\$2,175.5	\$1,848.0	\$2,115.0	\$2,666.5	\$3,015.3	\$2,877.0	\$2,913.6	\$3,218.6	\$3,540.2	\$3,568.2
GAAP operating income	\$ 94.0	\$ 74.1	\$ 75.8	\$ 113.1	\$ 113.5	\$ 51.0	\$ 121.8	\$ 101.4	\$ 96.9	\$ 88.2
Adjustments:										
Amortization of intangible assets	2.5	2.6	2.0	3.0	6.4	4.9	3.9	6.6	9.8	15.5
Change in fair value of contingent consideration	-	-	-	(0.1)	0.1	1.8	2.3	2.7	1.3	5.2
Acquisition costs	-	-	-	-	-	-	-	3.3	0.9	1.3
Impairment charges, including ERP & goodwill, and Belgian costs	-	-	-	-	-	50.9	-	-	-	-
Legal recovery, net of attorney fees	-	-	-	-	-	-	(15.5)	-	-	-
Non-GAAP operating income	\$ 96.5	\$ 76.7	\$ 77.8	\$ 116.0	\$ 120.0	\$ 108.7	\$ 112.5	\$ 114.0	\$ 108.9	\$ 110.2
GAAP operating income % (of net sales)	4.32%	4.01%	3.58%	4.24%	3.76%	1.77%	4.18%	3.15%	2.74%	2.47%
Non-GAAP operating income % (of net sales)	4.43%	4.15%	3.68%	4.35%	3.98%	3.78%	3.86%	3.54%	3.08%	3.09%