



# INVESTOR PRESENTATION

MAY 2017

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# 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 overseas 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” in contained in our annual report on Form 10-K for the year ended June 30, 2016, and subsequent reports 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 vendors/suppliers in  
specialty technology markets  
ROIC-driven company



**POINT-OF-SALE  
& BARCODE**



**COMMUNICATIONS  
(VOICE, VIDEO & DATA)**



**NETWORKING &  
PHYSICAL SECURITY**



**TECHNOLOGY  
SERVICES**

**NASDAQ: SCSC** • Headquarters: Greenville, SC • Founded in 1992 • 500+ Technology Suppliers  
33,000+ Resellers/Sales Partners • 2,300+ Employees • 45 offices: US, Canada, Latin America, Europe

# SEGMENTS & SPECIALIZED BUSINESS UNITS

## WW BARCODE, NETWORKING & SECURITY SEGMENT

### Business Units

POS and Barcode  
Networking and Security  
ScanSource KBZ\*

## WW COMMUNICATIONS & SERVICES SEGMENT

### Business Units

Communications  
Catalyst  
Imago ScanSource\*  
Network1\*  
Intelisys\*

### Specialized Business Units:

Business Unit President • Sales • Merchandising • Technical Support

### Shared Services:

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

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

# DEEP SUPPLIER PARTNERSHIPS

## BARCODE, NETWORKING & SECURITY KEY VENDORS



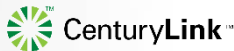
% OF NET SALES, Q3 FY17

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



# DEEP SUPPLIER PARTNERSHIPS

## COMMUNICATIONS & SERVICES KEY VENDORS



**% OF NET SALES, Q3 FY17**

*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



Payment Services



Cloud



Carrier Services



Managed Services



Hosted Voice/Video

# 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
- Experienced management team to remain in place

## 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

## 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
- For first full year after closing, estimated net revenues of \$34 million with EBITDA margin of 45% to 50%

## 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



# ROBUST VALUE PROPOSITION

## FOR VENDORS/SUPPLIERS



Top 15 vendors represent more than 80% of net sales

## FOR CUSTOMERS



No single customer represents more than 5% of net sales

# KEY OPPORTUNITIES FOR GROWTH FOR 2017

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- 1** Physical security: Video surveillance market growth and expansion of line card

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- 2** ScanSource KBZ: Cisco collaboration business and ZCare offering

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- 3** ScanSource Communications: Strategy to recruit and support VARs currently buying direct from our vendors

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- 4** Intelisys: Organic growth plus VAR recruitment



# FINANCIAL HIGHLIGHTS

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# LONGER-TERM OPERATING GOALS AND RECENT RESULTS

OPERATING GOALS



Q3 FY17  
Y/Y **1.9%**

YTD FY17  
Y/Y **(0.4)%**



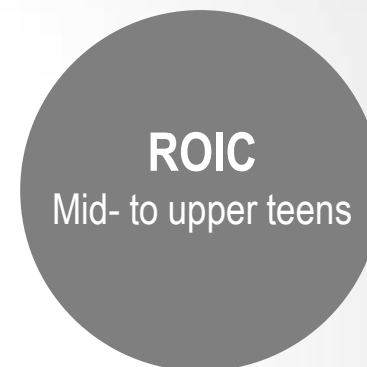
Q3 FY17  
**11.4%**

YTD FY17  
**10.7%**



Q3 FY17  
GAAP **2.5%**  
Non-GAAP\* **3.2%**

YTD FY17  
GAAP **2.5%**  
Non-GAAP\* **3.1%**



Q3 FY17  
**12.6%\***

YTD FY17  
**13.1%\***

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, strategic acquisitions, share repurchase
- Move toward leverage of at least 1x EBITDA

## FY15 to 3Q FY17 CASH USES

FUNDED BY OPERATING CASH FLOW (+\$212 million) AND INCREASE IN NET DEBT (+\$241 million)

### INVESTMENTS IN PROFITABLE GROWTH



#### ACQUISITIONS

\$266 million\*



#### CAPEX

\$39 million

(primarily SAP ERP system)

### RETURN OF CASH TO SHAREHOLDERS



#### SHARE REPURCHASES

\$140 million

\* Including repayment of debt

# STRONG FINANCIAL POSITION FOR GROWTH

## STRONG BALANCE SHEET AND FINANCIAL FLEXIBILITY

0.46x net debt to adjusted EBITDA, trailing 12-months  
\$62 million in cash and \$114 million in debt  
\$300 million revolving credit facility; \$191 million available  
\$100 million available under share repurchase authorization

## WORKING CAPITAL MANAGEMENT

5.6 inventory turns (5-qtr range: 4.9-6.0)  
Paid for inventory days of 12.5\* (5-qtr range: 6-17)  
60 days sales outstanding in receivables\* (5-qtr range: 57-60)

*Information as of 3/31/17, unless otherwise indicated*

*\* Excludes the impact of Intelisys, which was 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

Deep supplier partnerships and access to customer channels serve as strong competitive advantages

3

## EXPANSION OPPORTUNITIES

Capitalizing on expansion in higher margin and growth areas; opportunity for expansion in technology services and emerging markets

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

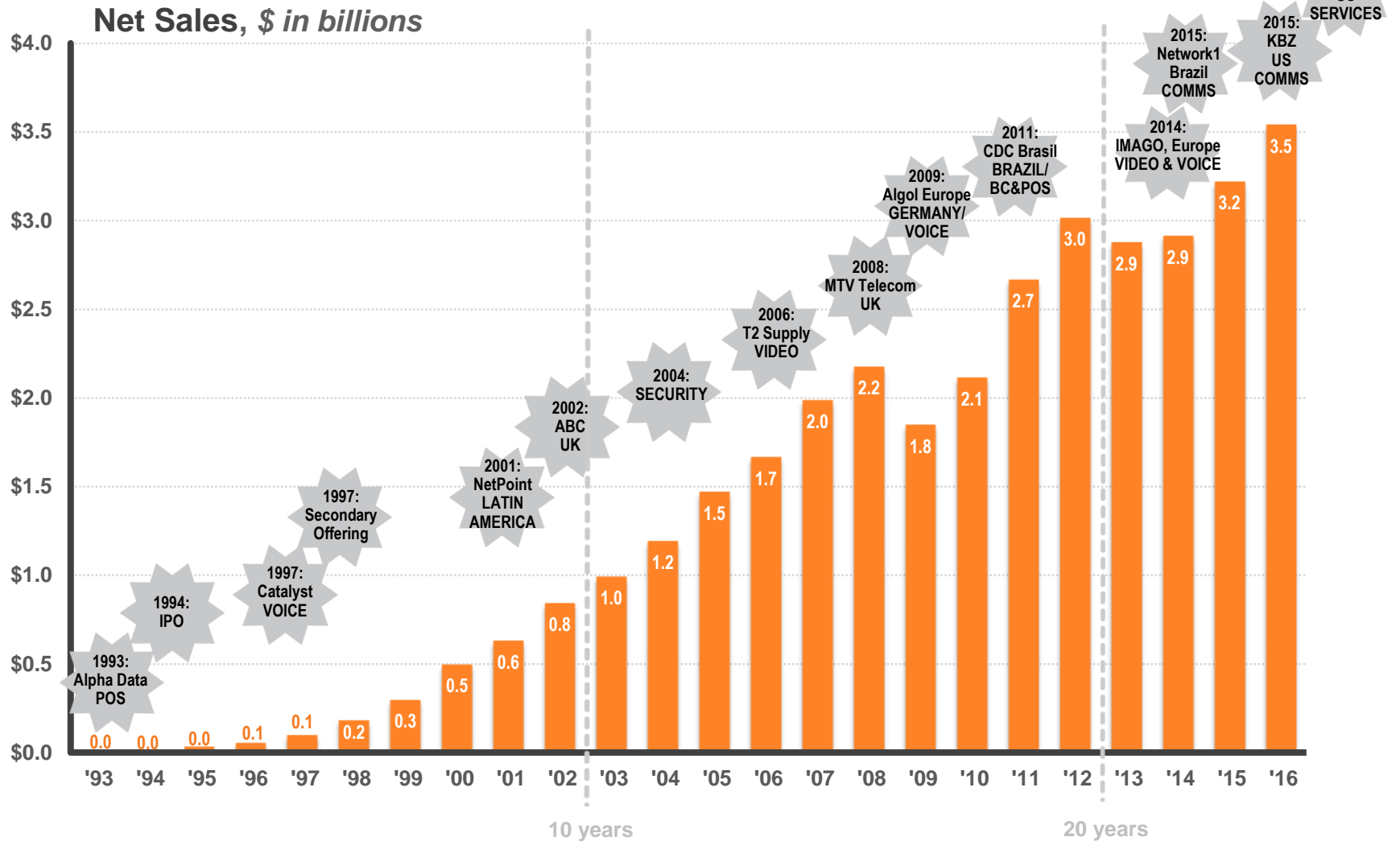
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[scansource.com](https://scansource.com)





# SCANSOURCE HISTORY



Since inception, completed 25 acquisitions  
 Net sales for fiscal years ended 6/30

**10-Year Compound Annual Growth Rate: 8%**

# SEGMENT FINANCIAL RESULTS – Q3 FY17

## WORLDWIDE BARCODE, NW & SECURITY

<i>\$ in millions</i>	Q3 FY17	Q2 FY17	Q3 FY16
Net sales	\$549.0	\$593.8	\$528.0
Gross profit	\$45.9	\$49.0	\$45.7
Gross margin	8.4%	8.2%	8.7%
Operating income	\$11.2	\$12.1	\$11.2
Operating income %	2.0%	2.0%	2.1%
Non-GAAP operating income	\$12.3	\$13.2	\$12.2
Non-GAAP operating income %	2.2%	2.2%	2.3%

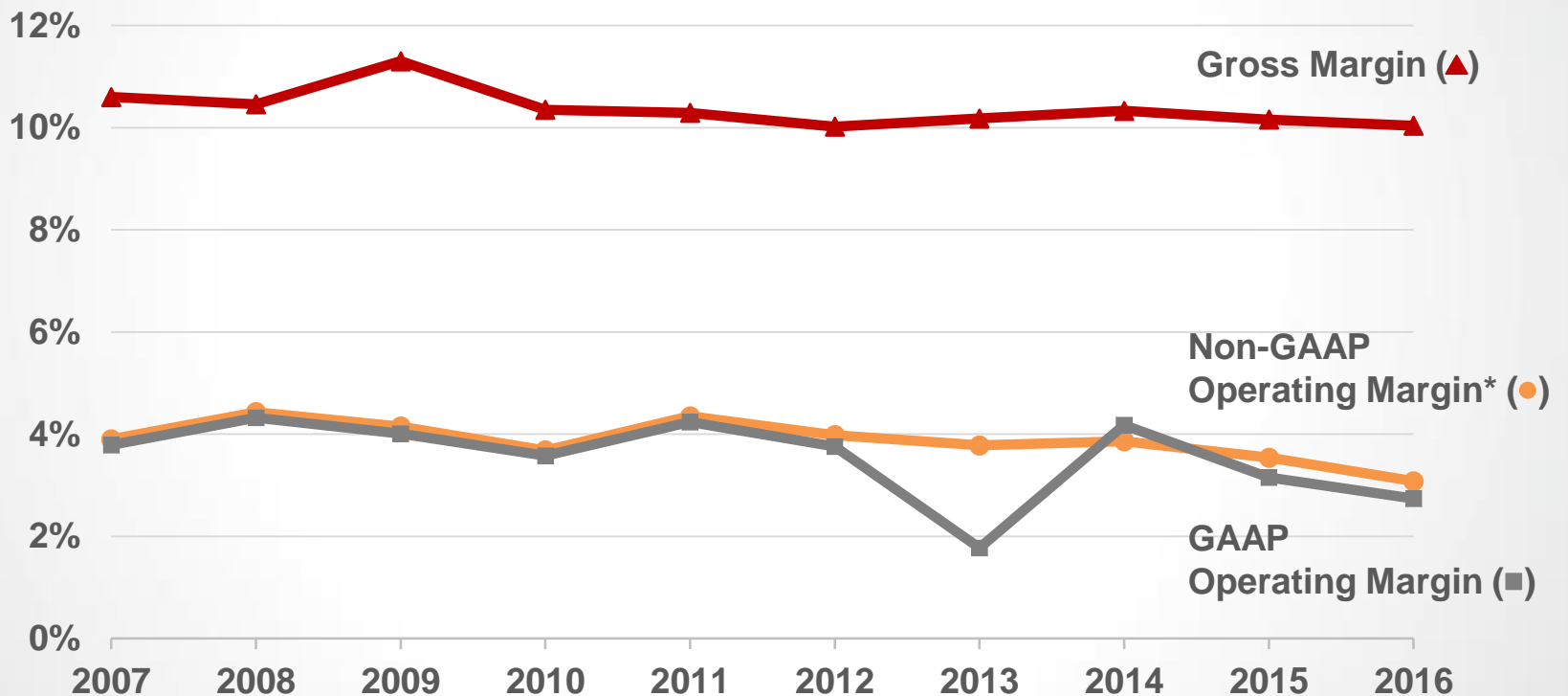
## WORLDWIDE COMMUNICATIONS & SERVICES

<i>\$ in millions</i>	Q3 FY17	Q2 FY17	Q3 FY16
Net sales	\$264.6	\$311.0	\$270.4
Gross profit	\$46.8	\$49.6	\$38.7
Gross margin	17.7%	15.9%	14.3%
Operating income	\$8.8	\$11.5	\$10.5
Operating income %	3.3%	3.7%	3.9%
Non-GAAP operating income	\$13.9	\$16.4	\$13.1
Non-GAAP operating income %	5.2%	5.3%	4.9%

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 FY16. 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)

	Q4 FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17	Q3 FY17
<b>Consolidated:</b>								
Net sales, as reported	\$ 856,685	\$ 870,829	\$ 993,522	\$ 798,404	\$ 877,473	\$ 932,566	\$ 904,792	\$813,538
Foreign exchange impact	38,348	37,117	35,460	23,345	7,506	(4,028)	(5,814)	(6,837)
Net sales, constant currency	895,033	907,946	1,028,982	821,749	884,979	928,538	898,978	806,701
Less: Acquisitions	(67,197)	(104,505)	(180,510)	(63,637)	(79,701)	(102,195)	(8,487)	(8,893)
Net sales, constant currency excluding acquisitions	<u>\$ 827,836</u>	<u>\$ 803,441</u>	<u>\$ 848,472</u>	<u>\$ 758,112</u>	<u>\$ 805,278</u>	<u>\$ 826,343</u>	<u>\$ 890,491</u>	<u>\$797,808</u>
Prior Year Quarter Net sales, as reported	\$ 758,113	\$ 791,720	\$ 807,019	\$ 763,203	\$ 856,685	\$ 870,829	\$ 993,522	\$798,404
Less: Acquisitions	-	(4,686)	-	-	-	(34,628)	-	-
Prior Year Quarter Net sales, as adjusted	<u>\$ 758,113</u>	<u>\$ 787,034</u>	<u>\$ 807,019</u>	<u>\$ 763,203</u>	<u>\$ 856,685</u>	<u>\$ 836,201</u>	<u>\$ 993,522</u>	<u>\$798,404</u>
<b>Y/Y% Change:</b>								
Sales growth, as reported	13.0%	10.0%	23.1%	4.6%	2.4%	7.1%	-8.9%	1.9%
Sales growth, constant currency	18.1%	14.7%	27.5%	7.7%	3.3%	6.6%	-9.5%	1.0%
Sales growth, constant currency excluding acquisitions (organic growth)	9.2%	2.1%	5.1%	-0.7%	-6.0%	-1.2%	-10.4%	-0.1%

(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

## Return on Invested Capital (ROIC) – Qtr and YTD

(\$ in thousands)

	<u>Q3 FY17</u>	<u>YTD FY17</u>
<b>Return on invested capital (ROIC), annualized (a)</b>	<b>12.6%</b>	<b>13.1%</b>
<u>Reconciliation of Net Income to EBITDA</u>		
Net income - GAAP	\$ 12,424	\$ 50,276
Plus: Income taxes	7,147	27,799
Plus: Interest expense	780	2,281
Plus: Depreciation and amortization	6,880	18,692
EBITDA	27,231	99,048
Change in fair value of contingent consideration	1,960	3,921
Acquisition costs & Nonrecurring	-	833
Legal settlement, net of attorney fees	-	(12,777)
Adjusted EBITDA (numerator for ROIC)(non-GAAP)	<u>\$ 29,191</u>	<u>\$ 91,025</u>
<u>Invested Capital Calculation</u>		
Equity - beginning of the quarter	\$ 787,536	\$ 774,496
Equity - end of quarter	808,719	808,719
Change in fair value of contingent consideration, net of tax	1,194	2,241
Acquisition costs, net of tax	-	833
Legal settlement, net of attorney fees, net of tax	-	(8,047)
Average equity	798,725	789,121
Average funded debt (b)	137,597	135,921
Invested capital (denominator for ROIC)(non-GAAP)	<u>\$ 936,322</u>	<u>\$ 925,042</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

## Highlights by Segment – Y/Y for Quarter

(\$ in thousands)	Quarter Ended March 31, 2017				YTD FY17 Consolidated
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated	
Net sales	\$ 548,971	\$ 264,567	\$ -	\$ 813,538	\$ 2,650,895
GAAP operating income	\$ 11,175	\$ 8,803	\$ -	\$ 19,978	\$ 66,128
Adjustments:					
Amortization of intangible assets	1,098	3,119	-	4,217	11,537
Change in fair value of contingent consideration	-	1,960	-	1,960	3,921
Acquisition costs	-	-	-	-	833
Non-GAAP operating income	<u>\$ 12,273</u>	<u>\$ 13,882</u>	<u>\$ -</u>	<u>\$ 26,155</u>	<u>\$ 82,419</u>
GAAP operating income % (of net sales)	2.0%	3.3%	n/m	2.5%	2.5%
Non-GAAP operating income % (of net sales)	2.2%	5.2%	n/m	3.2%	3.1%

(\$ in thousands)	Quarter Ended March 31, 2016 (a)			
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 528,009	\$ 270,394	\$ -	\$ 798,404
GAAP operating income	\$ 11,160	\$ 10,516	\$ (29)	\$ 21,647
Adjustments:				
Amortization of intangible assets	1,036	1,471	-	2,507
Change in fair value of contingent consideration	-	1,139	-	1,139
Acquisition costs	-	-	29	29
Non-GAAP operating income	<u>\$ 12,196</u>	<u>\$ 13,126</u>	<u>\$ -</u>	<u>\$ 25,322</u>
GAAP operating income % (of net sales)	2.1%	3.9%	n/m	2.7%
Non-GAAP operating income % (of net sales)	2.3%	4.9%	n/m	3.2%

n/m = not meaningful

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



# APPENDIX: NON-GAAP FINANCIAL INFORMATION

## Highlights by Segment – Prior Quarter

(\$ in thousands)

	Quarter Ended December 31, 2016 (a)			
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 593,833	\$ 310,959	\$ -	\$ 904,792
GAAP operating income	\$ 12,131	\$ 11,479	\$ (335)	\$ 23,275
Adjustments:				
Amortization of intangible assets	1,079	3,086	-	4,165
Change in fair value of contingent consideration	-	1,791	-	1,791
Acquisition costs	-	-	335	335
Non-GAAP operating income	\$ 13,210	\$ 16,356	\$ -	\$ 29,566
GAAP operating income % (of net sales)	2.0%	3.7%	n/m	2.6%
Non-GAAP operating income % (of net sales)	2.2%	5.3%	n/m	3.3%

*n/m = not meaningful*

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

# APPENDIX: NON-GAAP FINANCIAL INFORMATION

## Non-GAAP Operating Income %

(\$ in millions)

	FY '07	FY '08	FY '09	FY '10	FY '11	FY '12	FY '13	FY '14	FY '15	FY '16
Net sales	\$1,986.9	\$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
GAAP operating income	\$ 75.3	\$ 94.0	\$ 74.1	\$ 75.8	\$ 113.1	\$ 113.5	\$ 51.0	\$ 121.8	\$ 101.4	\$ 96.9
Adjustments:										
Amortization of intangible assets	2.1	2.5	2.6	2.0	3.0	6.4	4.9	3.9	6.6	9.8
Change in fair value of contingent consideration	-	-	-	-	(0.1)	0.1	1.8	2.3	2.7	1.3
Acquisition costs	-	-	-	-	-	-	-	-	3.3	0.9
Impairment charges, including ERP & goodwill, and Belgian costs	-	-	-	-	-	-	50.9	-	-	-
Legal recovery, net of attorney fees	-	-	-	-	-	-	-	(15.5)	-	-
Non-GAAP operating income	\$ 77.4	\$ 96.5	\$ 76.7	\$ 77.8	\$ 116.0	\$ 120.0	\$ 108.7	\$ 112.5	\$ 114.0	\$ 108.9
GAAP operating income % (of net sales)	3.79%	4.32%	4.01%	3.58%	4.24%	3.76%	1.77%	4.18%	3.15%	2.74%
Non-GAAP operating income % (of net sales)	3.90%	4.43%	4.15%	3.68%	4.35%	3.98%	3.78%	3.86%	3.54%	3.08%