



# INVESTOR PRESENTATION

## MARCH 2015

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# SAFE HARBOR

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This presentation may contain certain comments, which are “forward-looking” statements that involve plans, strategies, economic performance and trends, projections, expectations, or beliefs about future events and other statements that are not descriptions of historical facts, may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking information is inherently subject to risks and uncertainties; these statements are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995.

Any number of factors could cause actual results to differ materially from anticipated results. For more information concerning factors that could cause actual results to differ from anticipated results, see the “Risk Factors” included in the Company’s annual report on Form 10-K for the fiscal year ended June 30, 2014, as well as the quarterly report on Form 10-Q for the quarter ended December 31, 2014, filed with the Securities and Exchange Commission (“SEC”).

Although ScanSource believes the expectations reflected in its forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievements. ScanSource disclaims any intentions or 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.

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, return on invested capital (“ROIC”) and the percentage change in net sales excluding the impact of foreign currency exchange rates. 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.



# OVERVIEW

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- Leading international value-added distributor of specialty technology products
- Attractive markets:
  - Point-of-Sale and Barcode
  - Communications (voice, video and data)
  - Physical Security
  - 3D Printing
- Distribute for over 300 technology manufacturers
- Sell to over 30,000 value-added technology resellers

**NASDAQ: SCSC** Headquarters: Greenville, SC  
~2,000 Employees • Founded in 1992  
42 offices: US, Canada, Latin America, Europe





# THE **SCANSOURCE** DIFFERENCE

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# ATTRACTIVE MARKETS

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## **Point-of-Sale (POS) and Barcode**

Mobile Computers,  
Scanners, Printers,  
POS systems,  
Payment Terminals



## **Communications** Voice, Video and Data



## **Physical Security** Video Surveillance, Access Control, Networking



## **3D Printing** Launched April 2014



# PROVEN BUSINESS MODEL

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- Growth – Incremental and Channel Shift
- Best-of-Breed Technology Vendors
- Dedicated Business Units
- Shared Services
- Committed to Channel (two-tier) – sell only to resellers
- Value-Added Services
- Superior Customer Service



# GROWTH STRATEGY

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- Incremental Market Growth
- Channel Shift
  - Direct to Indirect
  - One-Tier to Two-Tier
- Multi-Vendor Solutions
- Market Share
- New Vendors and New Geographies

# SEGMENTS ENHANCE TECHNOLOGY FOCUS



## Worldwide Barcode and Security

**President**

### **Technologies:**

POS and Barcode  
Physical Security  
3D Printing

### **Business Units:**



## Worldwide Communications and Services

**President**

### **Technologies:**

Communications  
Services

### **Business Units:**







# DEDICATED BUSINESS UNITS

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## By Technology and Geography

POS and Barcode	Physical Security	Communications
<b>Business Unit President</b> <b>Sales</b> <b>Merchandising</b> <b>Technical Support</b>  <b>Business Units:</b> North America, Europe, Latin America, Brazil	<b>Business Unit President</b> <b>Sales</b> <b>Merchandising</b> <b>Technical Support</b>  <b>Business Units:</b> North America	<b>Business Unit President</b> <b>Sales</b> <b>Merchandising</b> <b>Technical Support</b>  <b>Business Units:</b> North America, Europe; ScanSource Catalyst (NA)
<b>Shared Services</b> Centralized Logistics • Reseller Financial Services • Customer Service • Marketing Services Group • Human Resources • Finance & Accounting • Legal		

# VALUE-ADDED SERVICES

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# PROFESSIONAL SERVICES ADD MORE VALUE

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- Customer configuration services
- Education, training and certifications
- Strategic marketing services
- Network assessments/ WiFi services
- Partner enablement programs
- Online networking community



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**PLUS**, Business Unit tools, such as online configuration, pricing and product selection, and educational programs

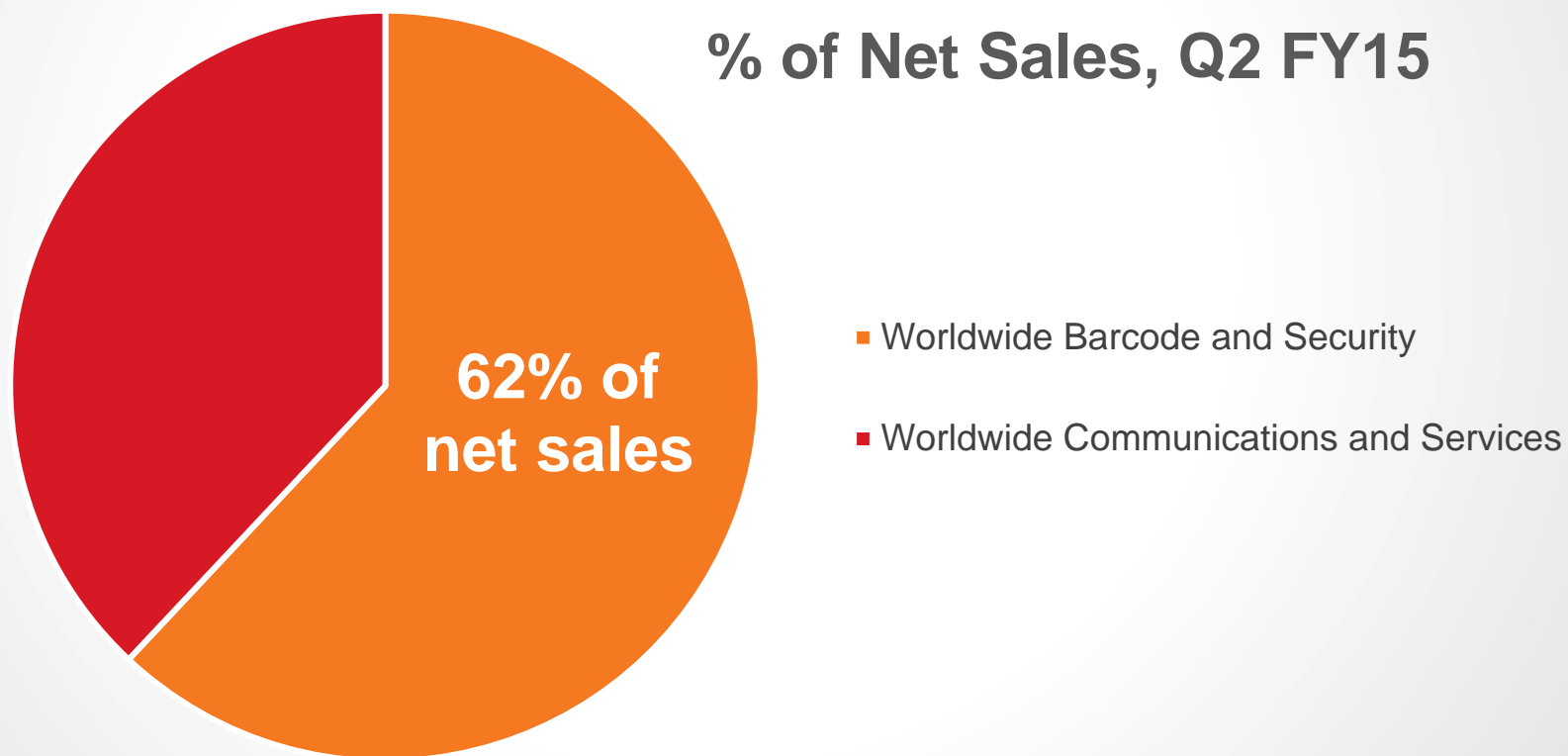


# DISTRIBUTOR OF GROWTH TECHNOLOGIES

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- Unified Communications
- Videoconferencing
- IP Video Surveillance
- RFID and Barcode Imaging
- Enterprise Mobility
- Retail – Mobile POS, Mobile Payments
- Payment Processing Terminals
- Cloud-based Services
- 3D Printing

# WORLDWIDE BARCODE AND SECURITY





# POS AND BARCODE VENDORS

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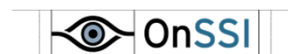
*Business Units: ScanSource POS and Barcode in US/Canada, Europe, Latin America and Brazil*

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# SECURITY VENDORS

Video Surveillance, Identification/Access Control, and Networking



*Business Unit: ScanSource Security in US/Canada*





# A NEW TECHNOLOGY: 3D PRINTING

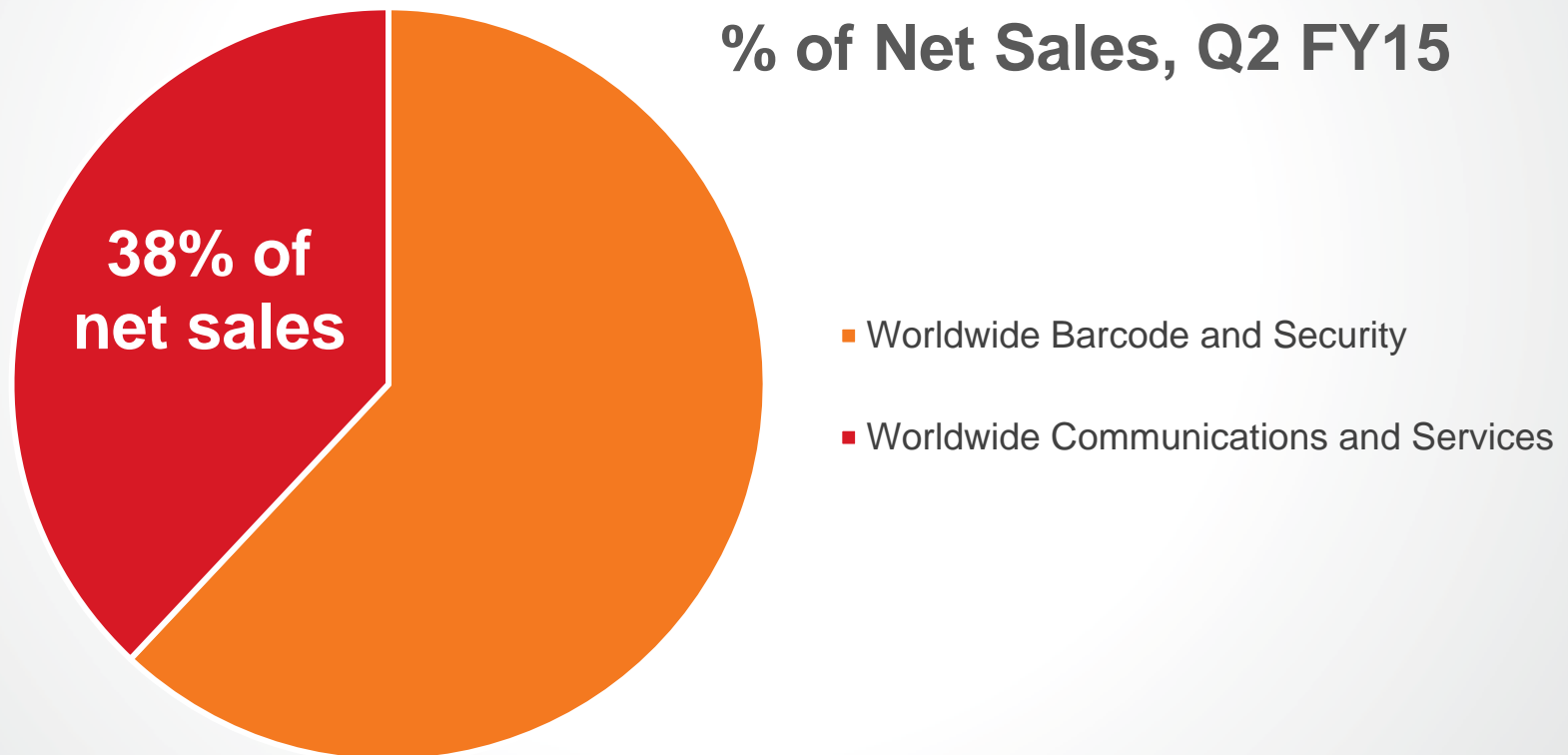
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- 3D printing ready for value-added distribution
  - Lower product costs, advancements in technology capabilities, emergence of a reseller channel, high-growth market
- Key vendor relationship
  - 3D Systems (leader in 3D printing and design-to-manufacturing solutions)
- Solutions targeted for manufacturing, health care, aerospace, and automotive
- New opportunity for existing channel
- Focus on United States with dedicated ScanSource 3D team



# WORLDWIDE COMMUNICATIONS & SERVICES

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# COMMUNICATIONS VENDORS

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*Business Units: ScanSource Catalyst in US/Canada; ScanSource Communications in US/Canada and Europe*

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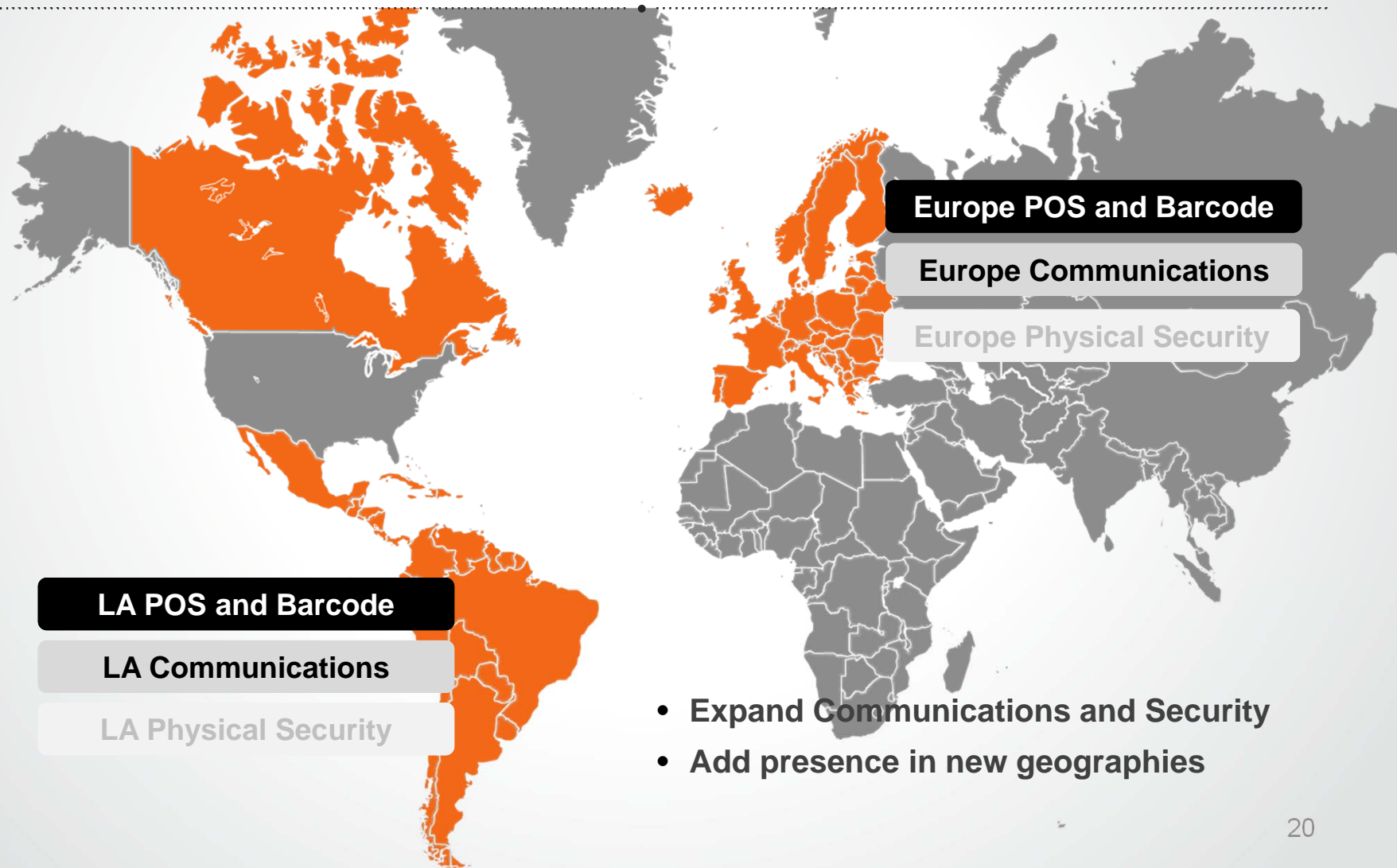
# INTERNATIONAL GROWTH

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42 offices in US, Canada, Latin America and Europe



# INTERNATIONAL GROWTH





# ACQUISITION: IMAGO GROUP

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<b>Description</b>	<ul style="list-style-type: none"><li>▪ Europe's leading value-added video and voice communications distributor</li><li>▪ Established in 1991; HQ in UK (Thatcham, Berkshire)</li><li>▪ Completed 9/19/14</li></ul>
<b>Key Vendors</b>	<ul style="list-style-type: none"><li>▪ Largest Polycom distributor in Europe</li><li>▪ Polycom, Barco, Samsung, NEC</li></ul>
<b>Key Talent/ Employees</b>	<ul style="list-style-type: none"><li>▪ Ian Vickerage, Imago's Managing Director, founder, and majority owner, to continue to lead the company</li><li>▪ ~120 employees</li></ul>
<b>Location</b>	<ul style="list-style-type: none"><li>▪ Operations in UK, France, and Germany</li><li>▪ Includes recent acquisition of Vitec, a videoconferencing distributor in Germany (6/14)</li></ul>
<b>Financials</b>	<ul style="list-style-type: none"><li>▪ Sales for fiscal year ended 7/31/14 estimated at ~US\$80 million*</li><li>▪ Demonstrated double-digit sales growth with operating margins consistent with ScanSource's Communications business</li></ul>

\* GBP converted into USD using 1.6 exchange rate.



# ACQUISITION: NETWORK1

<b>Description</b>	<ul style="list-style-type: none"><li>▪ Leading value-added communications distributor in Brazil</li><li>▪ Established in 2004; HQ in Brazil (Sao Paulo)</li><li>▪ Completed 1/13/15</li></ul>
<b>Key Vendors</b>	<ul style="list-style-type: none"><li>▪ ~65 vendors and &gt;8,000 customers</li><li>▪ Avaya, Checkpoint, Dell, Extreme, F5, HP, Juniper, Microsoft, Polycom, Riverbed, Schneider-Electric</li></ul>
<b>Key Talent/ Employees</b>	<ul style="list-style-type: none"><li>▪ Rafael Paloni, Network1's CEO and controlling shareholder, to lead ScanSource's Communications business in Latin America</li><li>▪ Nearly 400 employees</li></ul>
<b>Location</b>	<ul style="list-style-type: none"><li>▪ Local branches: Brazil, Mexico, Colombia, Chile, Peru, and Miami Export</li><li>▪ Platform for value-added distribution in Latin America</li></ul>
<b>Financials</b>	<ul style="list-style-type: none"><li>▪ Calendar year 2014 net sales estimated at ~US\$306 million*</li><li>▪ Demonstrated double-digit sales growth with operating margins consistent with ScanSource's Communications business</li></ul>

\* Reais converted into USD using average FX rate for 2014 of 0.426.





# FINANCIAL OVERVIEW

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# STRONG FINANCIAL POSITION FOR GROWTH

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## **Solid Capital Structure**

- 0.7% debt to equity ratio\*
- \$300 million available on revolving credit facility
- \$120 million share repurchase authorization

## **Excellent Liquidity and Financial Flexibility**

- \$5 million in debt and \$122 million in cash
- Generated \$37 million in cash from operations during trailing 12-month period

## **Working Capital Management**

- 5.8 inventory turns (5-qtr range: 5.1-5.9 turns)
- Paid for inventory days of 12 (5-qtr range: 10-15 days)
- 55 days sales outstanding in receivables (5-qtr range: 53-55 days)

*Information as of 12/31/14, unless otherwise indicated*

*\* Debt reflects short-term and long-term debt*

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# HIGHLIGHTS – Q2 FY15

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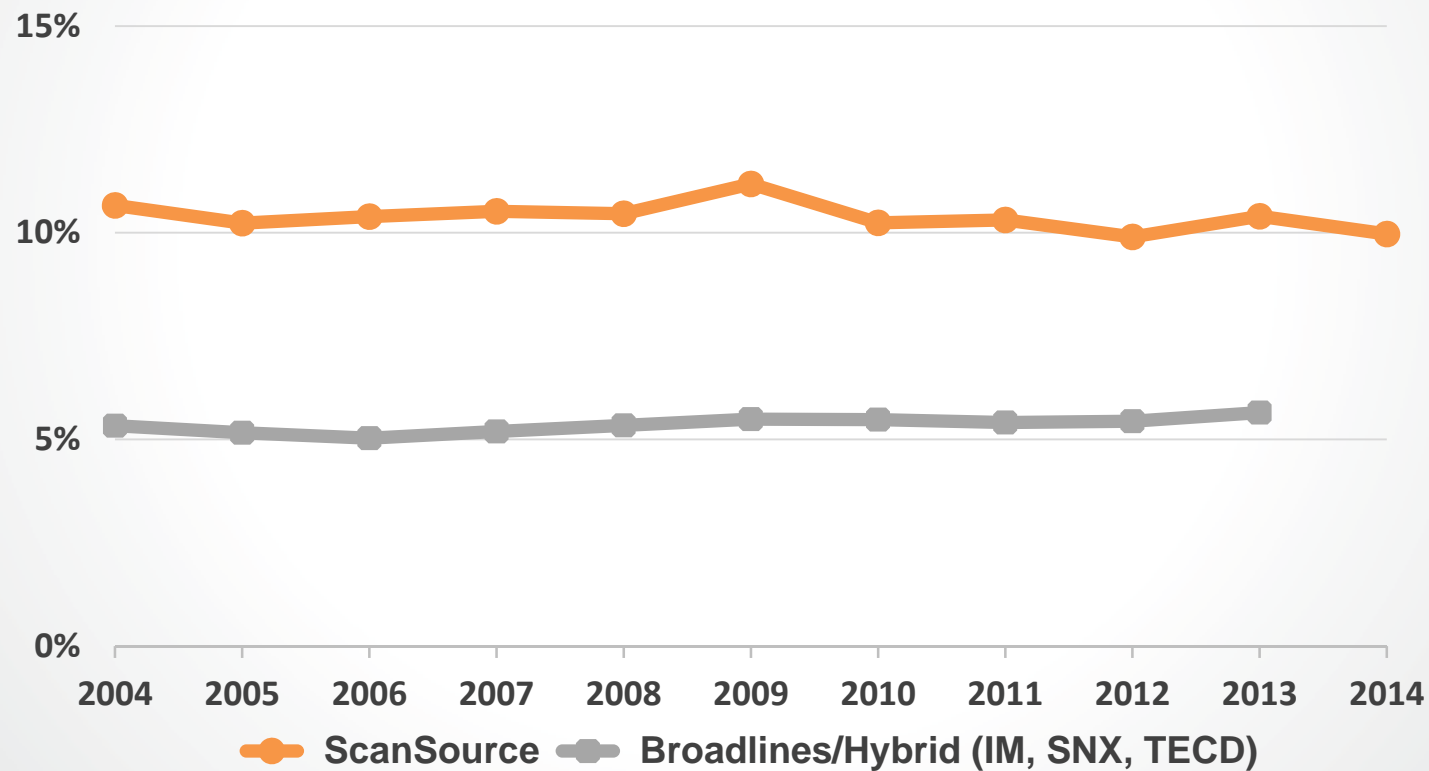
- Record net sales for second quarter 2015 of \$807 million, up 9% Y/Y, and non-GAAP diluted EPS of \$0.68; above our expected range
- Worldwide Barcode & Security sales increased 5% Y/Y, or 8% excluding foreign exchange
- Worldwide Communications & Services sales increased 16% Y/Y, or 17% excluding foreign exchange
  - Includes successful acquisition of Imago for full quarter
- Second quarter 2015 return on invested capital of 14.8% excluding acquisition costs and change in fair value of contingent consideration
- On January 13, 2015, completed acquisition of Network 1, Brazil's leading communications value-added distributor

*\* See Appendix for calculation of non-GAAP measures and reconciliations to GAAP measures.*



# GROSS MARGIN %

## SCSC vs. Broadlines

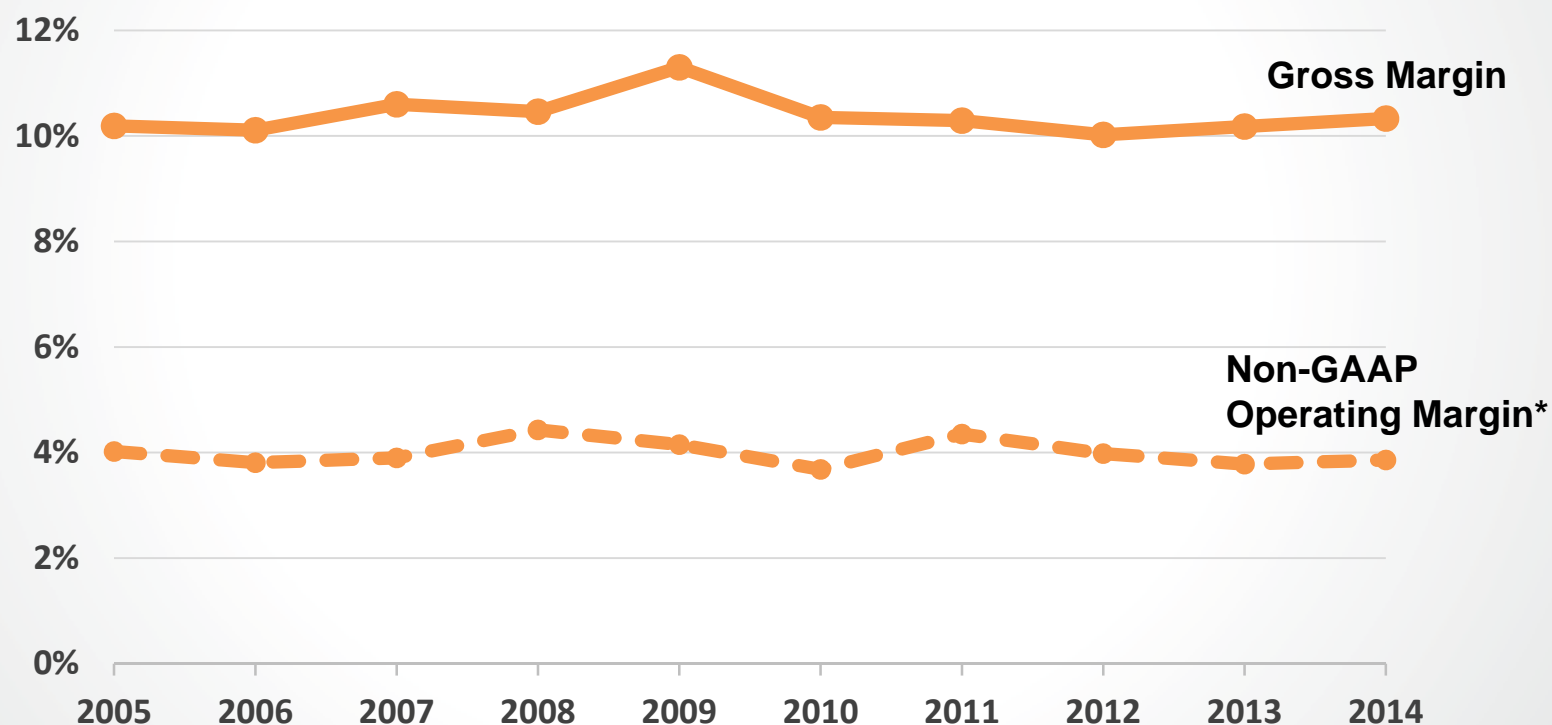


*Information for calendar year indicated*



# GROSS AND OPERATING MARGINS %

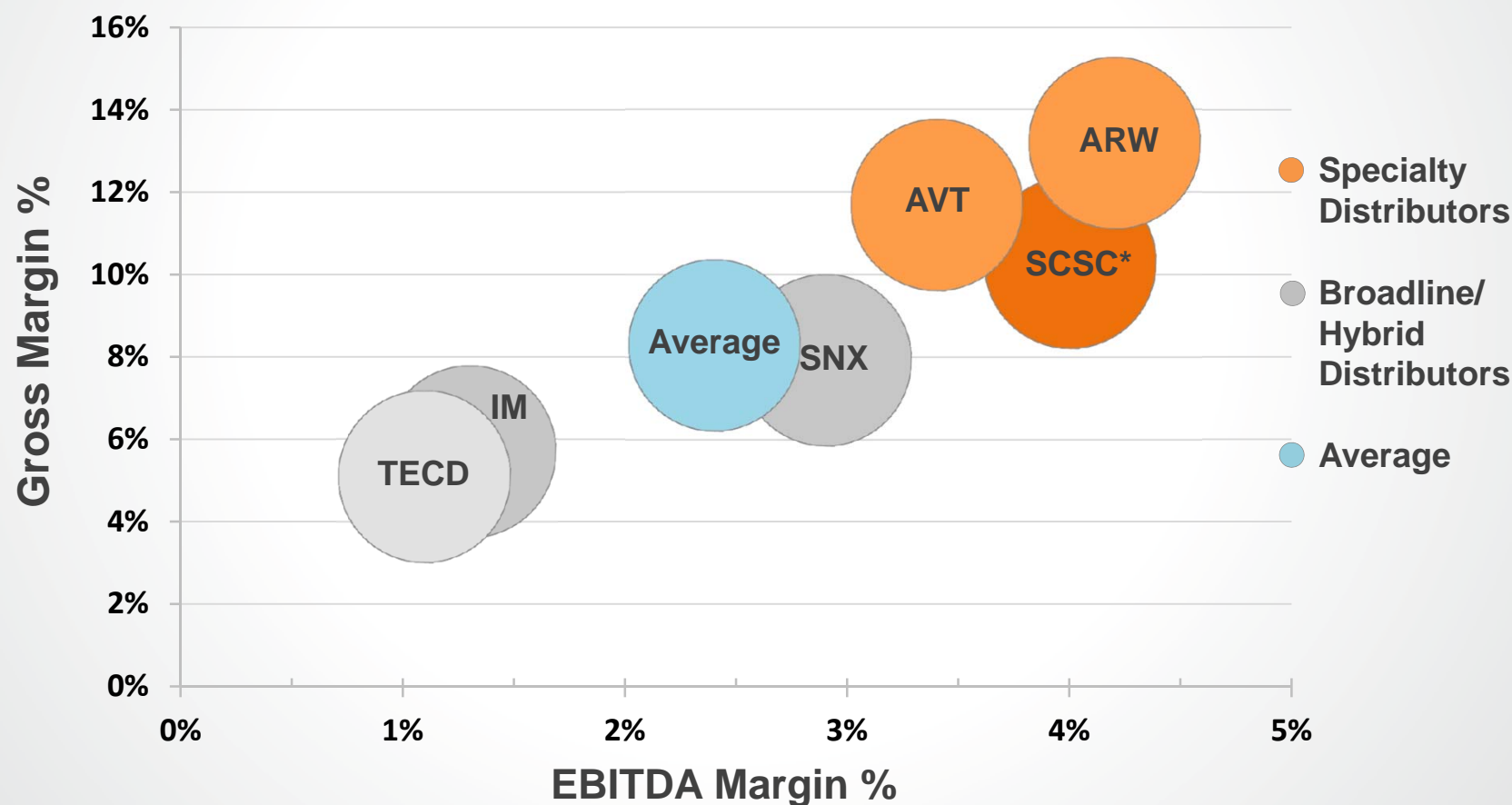
## SCSC – Historical margins



Information for fiscal year indicated

\* Excludes amortization of intangible assets, change in fair value of contingent consideration, and other select items in FY13 and FY14. See Appendix for calculation of non-GAAP measures and reconciliations to GAAP measures.

# FINANCIAL MARGINS ANALYSIS



*Note: Data from latest annual 10-K SEC filings based upon continuing operations.*

*\* SCSC EBITDA excludes legal recovery, net of attorney fees and change in fair value of contingent consideration.*

*See Appendix for reconciliation to GAAP measure.*



# RETURN ON INVESTED CAPITAL

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- ROIC is a key metric used to manage our business
- Executive compensation is directly tied to ROIC performance

Mar '13	Jun '13	Sep '13	Dec '13	Mar '14	Jun '14	Sep '14	Dec '14
13%	17%	17%	16%	15%	14%	16%	15%

*ROIC, a non-GAAP measure, is calculated as net income plus interest expense, income taxes, depreciation and amortization (EBITDA), plus change in fair value of contingent consideration divided by invested capital for the period. Invested capital is defined as average equity plus average daily funded interest-bearing debt for the period. EBITDA excludes \$1.5 million for acquisition costs for the quarter ended December 31, 2014, \$1.3 million for acquisition costs for the quarter ended September 30, 2014, \$15.5 million for a legal recovery, net of attorney fees for the quarter ended June 30, 2014 and \$48.8 million in non-cash impairment charges for the quarter ended June 30, 2013. A reconciliation of the Company's non-GAAP financial information to GAAP financial information is provided in the Appendix.*



# IN SUMMARY

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- Leading distributor in the specialty technology markets we serve
- Attractive target markets
- Proven and focused business model
- Experienced and committed management team
- Balance sheet strength and financial flexibility
- History of consistent performance
- Positioned for growth





# APPENDIX

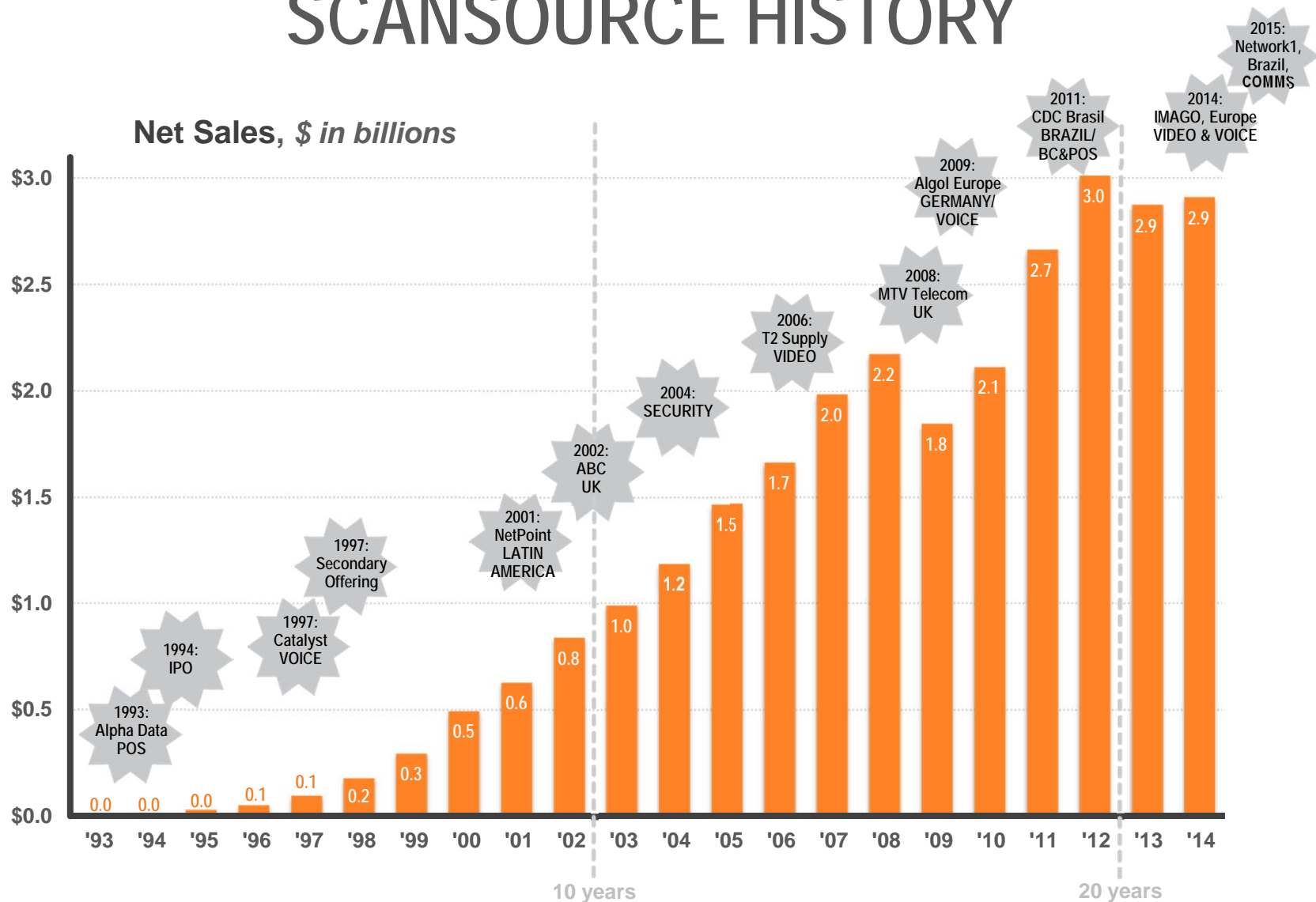
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**scansource®**

**scansource.com**

# SCANSOURCE HISTORY



Since inception, completed 23 acquisitions  
Net sales for fiscal years ended 6/30

**10-Year Compound Annual Growth Rate: 9%**





# MARKETS WE SERVE

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	Estimated Worldwide Market Size	Estimated Americas Market Size
Point-of-Sale (POS) and Barcode	~\$22 billion	~\$10 billion
Communications	~\$19 billion	~\$7 billion
Physical Security	~\$23 billion	~\$8 billion

*SOURCE: VDC Research Group, IHL Group, ABI Research, The Freedonia Group, Inc., and Company estimates*

*Note: Excludes service contracts*

# SEGMENT FINANCIAL RESULTS – Q2 FY15

## WW Barcode & Security

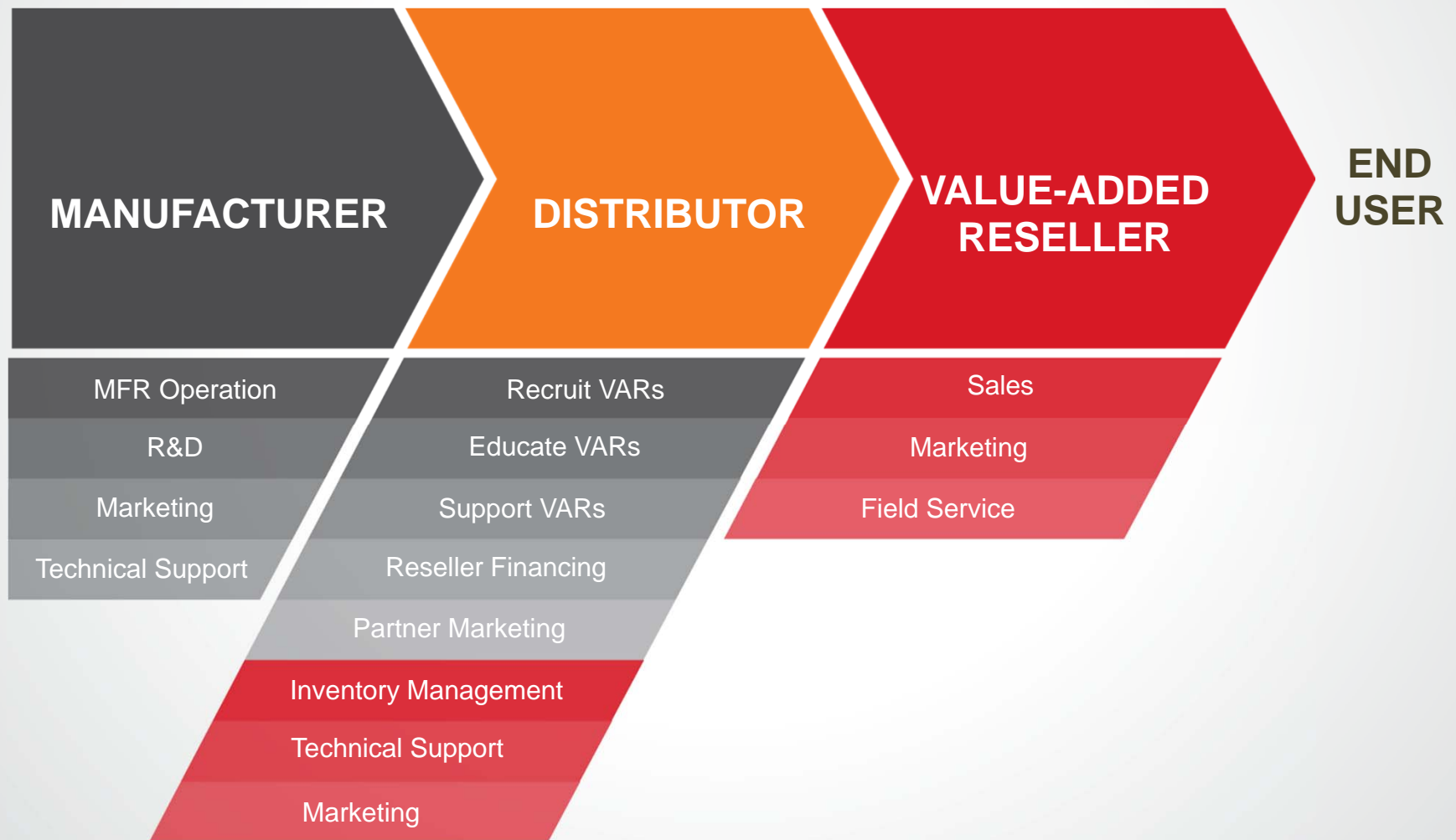
<i>\$ in millions</i>	Q2 FY15	Q2 FY14
Net sales	\$499.8	\$476.2
Gross profit	\$41.9	\$42.7
Gross margin	8.4%	9.0%
Operating income	\$13.6	\$13.0
Operating income %	2.7%	2.7%
Non-GAAP operating income	\$14.3	\$14.0
Non-GAAP operating income %	2.9%	2.9%

## WW Communications & Services

<i>\$ in millions</i>	Q2 FY15	Q2 FY14
Net sales	\$307.2	\$264.4
Gross profit	\$36.2	\$34.5
Gross margin	11.8%	13.1%
Operating income	\$13.9	\$14.5
Operating income %	4.5%	5.5%
Non-GAAP operating income	\$15.1	\$14.9
Non-GAAP operating income %	4.9%	5.6%

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.

# TWO-TIER BUSINESS MODEL



# APPENDIX: NON-GAAP FINANCIAL INFORMATION

(\$ in thousands)

	Year Ended June 30,	
	2014	2013
<b>Return on invested capital (ROIC), annualized (a)</b>	<b>15.7%</b>	<b>16.3%</b>
<u>Reconciliation of Net Income (Loss) to EBITDA</u>		
Net income - GAAP	\$ 81,789	\$ 34,662
Plus: Income taxes	41,318	18,364
Plus: Interest expense	731	775
Plus: Depreciation and amortization	7,375	8,457
EBITDA	131,213	62,258
Change in fair value of contingent consideration	2,311	1,843
Adjustments: Impairment charges, including ERP & goodwill, and Belgian costs	(15,490)	50,893
Adjusted EBITDA (numerator for ROIC)(non-GAAP)	<u>\$ 118,034</u>	<u>\$ 114,994</u>
<u>Invested Capital Calculation</u>		
Equity - beginning of the quarter/year	\$ 695,956	\$ 652,311
Equity - end of quarter/year	802,643	695,956
Add, Change in fair value of contingent consideration, net of tax	1,525	1,216
Add: Impairment charges, including ERP & goodwill, and Belgian costs, net of tax	(9,756)	34,616
Average equity	745,184	692,050
Average funded debt (b)	5,429	15,405
Invested capital (denominator for ROIC)(non-GAAP)	<u>\$ 750,613</u>	<u>\$ 707,455</u>

Notes:

(a) Calculated as net income plus interest expense, income taxes, depreciation and amortization (EBITDA), plus change in fair value of contingent consideration divided by invested capital for the period. EBITDA excludes a legal recovery, net of attorney fees for the year ended June 30, 2014 and non-cash impairment charges and costs associated with Belgian tax compliance and personnel replacement costs, including related professional fees for the year ended June 30, 2013.

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

# APPENDIX: NON-GAAP FINANCIAL INFORMATION

(\$ in thousands)

	Q2 FY15	Q1 FY15	Q4 FY14	Q3 FY14	Q2 FY14	Q1 FY14	Q4 FY13	Q3 FY13
<b>Return on invested capital (ROIC), annualized (a)</b>	<b>14.8%</b>	<b>16.2%</b>	<b>14.0%</b>	<b>15.3%</b>	<b>16.2%</b>	<b>17.4%</b>	<b>17.5%</b>	<b>13.3%</b>
<u>Reconciliation of Net Income (Loss) to EBITDA</u>								
Net income (loss) - GAAP	\$16,821	\$19,208	\$27,105	\$16,949	\$18,298	\$19,437	(\$13,315)	\$13,978
Plus: Income taxes	9,117	10,028	13,774	9,031	9,511	9,002	(6,352)	7,202
Plus: Interest expense	207	190	33	217	235	247	419	102
Plus: Depreciation and amortization	2,443	1,897	1,985	1,743	1,778	1,869	1,594	2,274
EBITDA (numerator for ROIC)(non-GAAP)	28,588	31,323	42,897	27,940	29,822	30,555	(17,654)	23,556
Change in fair value of contingent consideration (CC)	463	513	93	981	499	738	447	100
Adjustments (b)	1,474	1,350	(15,490)	-	-	-	48,772	-
Adjusted EBITDA (numerator for ROIC)(non-GAAP)	\$30,525	\$33,186	\$27,500	\$28,921	\$30,321	\$31,293	\$31,565	\$23,656
<u>Invested Capital Calculation</u>								
Equity - beginning of the quarter	\$810,265	\$802,643	\$772,786	\$751,446	\$723,748	\$695,956	\$709,912	\$696,960
Equity - end of quarter	818,748	810,265	802,643	772,786	751,446	723,748	695,956	709,912
Add: Change in fair value of CC, net of tax	346	341	61	647	330	487	295	66
Add: Adjustments, net of tax (a)	1,474	1,350	(9,756)	-	-	-	33,216	-
Average equity	815,417	807,300	782,867	762,440	737,762	710,096	719,690	703,469
Average funded debt (b)	5,429	6,205	5,429	5,429	5,429	5,429	5,429	15,675
Invested capital (denominator for ROIC)(non-GAAP)	\$820,846	\$813,505	\$788,296	\$767,869	\$743,191	\$715,525	\$725,119	\$719,144

Notes:

- (a) Calculated as net income plus interest expense, income taxes, depreciation and amortization (EBITDA), plus change in fair value of contingent consideration, annualized divided by invested capital for the period.
- (b) EBITDA excludes \$1.5 million for acquisition costs for the quarter ended December 31, 2014, \$1.3 million for acquisition costs for the quarter ended September 30, 2014, \$15.5 million for a legal recovery, net of attorney fees for the quarter ended June 30, 2014 and \$48.8 million in non-cash impairment charges for the quarter ended June 30, 2013.
- (c) Average daily amounts outstanding on our short-term and long-term interest-bearing debt.

# APPENDIX: NON-GAAP FINANCIAL INFORMATION

(\$ in thousands)

	Quarter Ended December 31, 2014			
	WW Barcode & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 499,772	\$ 307,247	\$ -	\$ 807,019
GAAP operating income	\$ 13,576	\$ 13,888	\$ (1,474)	\$ 25,990
Adjustments:				
Amortization of intangible assets	519	924	-	1,443
Change in fair value of contingent consideration	160	303	-	463
Acquisition costs	-	-	1,474	1,474
Non-GAAP operating income	<u>\$ 14,255</u>	<u>\$ 15,115</u>	<u>\$ -</u>	<u>\$ 29,370</u>
GAAP operating income % (of net sales)	2.7%	4.5%	n/m	3.2%
Non-GAAP operating income % (of net sales)	2.9%	4.9%	n/m	3.6%

	Quarter Ended December 31, 2013			
	WW Barcode & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 476,206	\$ 264,412	\$ -	\$ 740,618
GAAP operating income	\$ 12,955	\$ 14,506	\$ -	\$ 27,461
Adjustments:				
Amortization of intangible assets	580	350	-	930
Change in fair value of contingent consideration	499	-	-	499
Non-GAAP operating income	<u>\$ 14,034</u>	<u>\$ 14,856</u>	<u>\$ -</u>	<u>\$ 28,890</u>
GAAP operating income % (of net sales)	2.7%	5.5%	n/m	3.7%
Non-GAAP operating income % (of net sales)	2.9%	5.6%	n/m	3.9%

n/m = not meaningful



# APPENDIX: NON-GAAP FINANCIAL INFORMATION

(\$ in millions)

	FY '05	FY '06	FY '07	FY '08	FY '09	FY '10	FY '11	FY '12	FY '13	FY '14
Net sales	\$1,469.1	\$1,665.6	\$1,986.9	\$2,175.5	\$1,848.0	\$2,115.0	\$2,666.5	\$3,015.3	\$2,877.0	\$2,913.6
GAAP operating income	\$ 58.8	\$ 63.3	\$ 75.3	\$ 94.0	\$ 74.1	\$ 75.8	\$ 113.1	\$ 113.5	\$ 51.0	\$ 121.8
Adjustments:										
Amortization of intangible assets	0.4	0.2	2.1	2.5	2.6	2.0	3.0	6.4	4.9	3.9
Change in fair value of contingent consideration	-	-	-	-	-	-	(0.1)	0.1	1.8	2.3
Impairment charges, including ERP & goodwill, and Belgian costs	-	-	-	-	-	-	-	-	50.9	-
Legal recovery, net of attorney fees	-	-	-	-	-	-	-	-	-	(15.5)
Non-GAAP operating income	\$ 59.1	\$ 63.5	\$ 77.4	\$ 96.5	\$ 76.7	\$ 77.8	\$ 116.0	\$ 120.0	\$ 108.7	\$ 112.5
GAAP operating income % (of net sales)	4.00%	3.80%	3.79%	4.32%	4.01%	3.58%	4.24%	3.76%	1.77%	4.18%
Non-GAAP operating income % (of net sales)	4.02%	3.81%	3.90%	4.43%	4.15%	3.68%	4.35%	3.98%	3.78%	3.86%