



**Q3 FY16 FINANCIAL RESULTS  
CONFERENCE CALL**  
**May 10, 2016 at 5:00 pm ET**

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# SAFE HARBOR

This presentation may contain certain comments, which are “forward-looking” statements 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, 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, 2015, as well as the quarterly reports on Form 10-Q for the quarters ended September 30, 2015 and December 31, 2015, 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 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.



# HIGHLIGHTS – Q3 FY16

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- Net sales of \$798 million, up 5% Y/Y, and non-GAAP diluted EPS of \$0.64\*, up 23% Y/Y
  - Net sales below our expected range; EPS within our expected range
- Missed expected net sales range primarily due to lower volume of big deals, which resulted in higher than expected gross profit margins
- Gross profit margin of 10.6% from favorable sales mix
- Three acquisitions (Imago, Network1 and KBZ) performed very well
- Third quarter 2016 return on invested capital of 12.3% (14.5% YTD)\*

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

# HIGHLIGHTS – Q3 FY16

<i>In millions, except EPS</i>	Q3 FY16	Q3 FY15	Change
Net sales	\$798.4	\$763.2	5%
Gross profit	84.5	80.0	6%
<i>Gross profit margin % (of net sales)</i>	10.6%	10.5%	10 bps
Operating income	21.6	21.5	1%
Non-GAAP operating income *	25.3	24.2	5%
GAAP net income	14.0	12.9	8%
Non-GAAP net income *	16.5	14.9	11%
GAAP diluted EPS	\$0.54	\$0.45	20%
Non-GAAP diluted EPS *	\$0.64	\$0.52	23%

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

# SALES GROWTH SUMMARY

THIRD QTR: Q3 FY16 – Y/Y % CHANGE			
	Reported	Constant Currency	Organic Growth*
WW Barcode & Security	10.3%	12.6%	-0.6%
WW Comms. & Services	-5.2%	-0.8%	-0.8%
Consolidated	4.6%	7.7%	-0.7%

  

NINE MONTHS: Q3 FY16 YTD – Y/Y % CHANGE			
	Reported	Constant Currency	Organic Growth*
WW Barcode & Security	13.7%	18.7%	4.1%
WW Comms. & Services	10.7%	13.2%	-1.3%
Consolidated	12.7%	16.9%	2.3%

\* Organic growth, a non-GAAP measure, reflects reported sales growth less impacts from foreign currency translation and acquisitions. See Appendix for calculation of non-GAAP measures and reconciliations to GAAP measures.

# WW BARCODE & SECURITY

## Net Sales, \$ in millions



\$ in millions	Q3 FY16	Q3 FY15
Net sales	\$532.5	\$482.8
Gross profit	\$46.6	\$41.2
Gross margin	8.8%	8.5%
Operating income	\$11.4	\$10.1
Operating income %	2.1%	2.1%
Non-GAAP operating income	\$12.4	\$10.7
Non-GAAP operating income %	2.3%	2.2%

Organic growth, a non-GAAP measure, reflects reported sales growth less impacts from foreign currency translation and acquisitions. 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.

# WW COMMUNICATIONS & SERVICES

## Net Sales, \$ in millions



\$ in millions	Q3 FY16	Q3 FY15
Net sales	\$265.9	\$280.4
Gross profit	\$37.9	\$38.8
Gross margin	14.2%	13.8%
Operating income	\$10.3	\$11.7
Operating income %	3.9%	4.2%
Non-GAAP operating income	\$12.9	\$13.5
Non-GAAP operating income %	4.9%	4.8%

Organic growth, a non-GAAP measure, reflects reported sales growth less impacts from foreign currency translation and acquisitions. 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.

# WORKING CAPITAL MEASURES

<i>\$ in millions</i>	Q3 FY16	Q2 FY16	Q3 FY15
Accounts receivable (Q/E)	\$522.7	\$588.4	\$487.1
Days sales outstanding in receivables	59	53	57
Inventory (Q/E)	\$568.2	\$604.1	\$485.6
Inventory turns	4.9	6.0	5.4
Accounts payable (Q/E)	\$431.9	\$512.0	\$392.4
Paid for inventory days	17.2	9.3	12.3

# CASH FLOW AND BALANCE SHEET HIGHLIGHTS

<i>\$ in millions</i>	Q3 FY16	Q2 FY16	Q3 FY15
Return on invested capital (QTR)*	12.3%	17.5%	12.1%
Return on invested capital (YTD)*	14.5%	15.9%	14.5%
Operating cash flow, trailing 12-months	\$72.7	\$44.7	\$42.2
Cash and cash equivalents (Q/E)	\$40.8	\$39.4	\$93.6
Debt (Q/E)	\$79.8	\$115.1	\$11.9
Net debt to EBITDA, trailing 12-months	0.31x	0.61x	--
Shares repurchased – # of shares (QTR)	870,416	801,040	69,965
Shares repurchased – dollars (QTR)	\$26.8	\$29.6	\$2.7
Cum. repurchases under plan – # shares (as of Q/E)	3,300,384	2,429,968	69,965
Cum. repurchases under plan – dollars (as of Q/E)	\$117.2	\$90.4	\$2.7
Remaining authorization under plan (as of Q/E)	\$2.8	\$29.6	\$117.3

\* Excludes non-GAAP adjustments and change in fair value of contingent consideration. See Appendix for calculation of ROIC, a non-GAAP measure.

# Q4 FY16 OUTLOOK\*

For the quarter ending June 30, 2016, excluding amortization of intangible assets, change in fair value of contingent consideration, and acquisition costs:

## Net Sales

- Range from \$900 million to \$950 million

## Non-GAAP Diluted Earnings Per Share

- Range from \$0.70 to \$0.74 per share

\* Outlook as of May 10, 2016. Non-GAAP diluted EPS excludes amortization of intangible assets, change in fair value of contingent consideration, and acquisition costs. Reflects the following FX rates: \$1.14 to EUR 1.00 for the Euro, \$0.282 to R\$1.00 for the Brazilian real (R\$3.55 to \$1), and \$1.44 to GBP 1.00 for the British pound.

# APPENDIX: NON-GAAP FINANCIAL INFORMATION

## Operating Income, Net Income & EPS

(\$ in thousands)

	Quarter Ended March 31, 2016			
	Operating Income	Pre-tax income	Net income	Diluted EPS
GAAP measure	\$ 21,647	\$ 21,353	\$ 14,042	\$ 0.54
Adjustment:				
Amortization of intangible assets	2,507	2,507	1,703	0.07
Change in fair value of contingent consideration	1,139	1,139	748	0.03
Acquisition costs (a)	29	29	29	-
Non-GAAP measure	<u>\$ 25,322</u>	<u>\$ 25,028</u>	<u>\$ 16,522</u>	<u>\$ 0.64</u>

	Quarter Ended March 31, 2015			
	Operating Income	Pre-tax income	Net income	Diluted EPS
GAAP measure	\$ 21,496	\$ 19,821	\$ 12,943	\$ 0.45
Adjustment:				
Amortization of intangible assets	2,114	2,114	1,464	0.05
Change in fair value of contingent consideration	285	285	200	0.01
Acquisition costs (a)	292	292	292	0.01
Non-GAAP measure	<u>\$ 24,187</u>	<u>\$ 22,512</u>	<u>\$ 14,899</u>	<u>\$ 0.52</u>

(a) Acquisition costs are nondeductible for tax purposes.

# APPENDIX: NON-GAAP FINANCIAL INFORMATION

## Highlights by Segment – Y/Y

(\$ in thousands)

	Quarter Ended March 31, 2016			
	WW Barcode & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 532,534	\$ 265,870	\$ -	\$ 798,404
GAAP operating income	\$ 11,375	\$ 10,301	\$ (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	\$ 12,411	\$ 12,911	\$ -	\$ 25,322
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%

	Quarter Ended March 31, 2015			
	WW Barcode & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 482,780	\$ 280,423	\$ -	\$ 763,203
GAAP operating income	\$ 10,081	\$ 11,707	\$ (292)	\$ 21,496
Adjustments:				
Amortization of intangible assets	464	1,650	-	2,114
Change in fair value of contingent consideration	172	113	-	285
Acquisition costs	-	-	292	292
Non-GAAP operating income	\$ 10,717	\$ 13,470	\$ -	\$ 24,187
GAAP operating income % (of net sales)	2.1%	4.2%	n/m	2.8%
Non-GAAP operating income % (of net sales)	2.2%	4.8%	n/m	3.2%

n/m = not meaningful



# APPENDIX: NON-GAAP FINANCIAL INFORMATION

## Return on Invested Capital

(\$ in thousands)

	Q3 FY16	Q2 FY16	Q3 FY15
<b>Return on invested capital (ROIC), annualized (a)</b>	<b>12.3%</b>	<b>17.5%</b>	<b>12.1%</b>
<u>Reconciliation of Net Income to EBITDA</u>			
Net income - GAAP	\$ 14,042	\$ 20,656	\$ 12,943
Plus: Income taxes	7,311	10,976	6,878
Plus: Interest expense	694	709	891
Plus: Depreciation and amortization	4,281	4,351	3,710
EBITDA	26,328	36,692	24,422
Change in fair value of contingent consideration	1,139	1,816	285
Acquisition costs	29	60	292
Adjusted EBITDA (numerator for ROIC)(non-GAAP)	<u>\$ 27,496</u>	<u>\$ 38,568</u>	<u>\$ 24,999</u>
<u>Invested Capital Calculation</u>			
Equity - beginning of the quarter	\$ 754,794	\$ 764,693	\$ 818,748
Equity - end of quarter	757,374	754,794	799,051
Add: Change in fair value of contingent consideration, net of tax	748	1,244	200
Add: Acquisition costs, net of tax	29	60	292
Average equity	756,473	760,396	809,146
Average funded debt (b)	146,213	117,421	32,046
Invested capital (denominator for ROIC)(non-GAAP)	<u>\$ 902,686</u>	<u>\$ 877,817</u>	<u>\$ 841,192</u>

Notes:

(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

## Net Sales, Constant Currency and Excluding Acquisitions - QTR

(\$ in thousands)

	WW Barcode & Security	WW Comms. & Services	Consolidated
<b>For the quarter ended March 31, 2016:</b>			
Q3 FY16 net sales, as reported	\$ 532,534	\$ 265,870	\$ 798,404
Foreign exchange negative impact (a)	11,152	12,193	23,345
Q3 FY16 net sales, constant currency	543,686	278,063	821,749
Less: Acquisitions	(63,637)	-	(63,637)
Q3 FY16 net sales, constant currency excl. acquisitions	<u>\$ 480,049</u>	<u>\$ 278,063</u>	<u>\$ 758,112</u>
 Q3 FY15 net sales, as reported	 <u>\$ 482,780</u>	 <u>\$ 280,423</u>	 <u>\$ 763,203</u>
 Y/Y % Change:			
As reported	10.3%	-5.2%	4.6%
Constant currency	12.6%	-0.8%	7.7%
Constant currency, excluding acquisitions	-0.6%	-0.8%	-0.7%

(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 ended March 31, 2016 into U.S. dollars using the weighted average foreign exchange rates for the quarter ended March 31, 2015.

# APPENDIX: NON-GAAP FINANCIAL INFORMATION

## Net Sales, Constant Currency and Excluding Acquisitions - YTD

(\$ in thousands)

	WW Barcode & Security	WW Comms. & Services	Consolidated
<b>For the nine months ended March 31, 2016:</b>			
Q3 FY16 YTD net sales, as reported	\$ 1,795,733	\$ 867,021	\$ 2,662,754
Foreign exchange negative impact (a)	77,663	19,944	97,607
Q3 FY16 YTD net sales, constant currency	1,873,396	886,965	2,760,361
Less: Acquisitions	(229,721)	(118,926)	(348,647)
Q3 FY16 YTD net sales, constant currency excl. acquisitions	<u>\$ 1,643,675</u>	<u>\$ 768,039</u>	<u>\$ 2,411,714</u>
Q3 FY15 YTD net sales, as reported	\$ 1,578,723	\$ 783,218	\$ 2,361,941
Less: Acquisitions	-	(4,686)	(4,686)
Q3 FY15 YTD net sales, constant currency excl. acquisitions	<u>\$ 1,578,723</u>	<u>\$ 778,532</u>	<u>\$ 2,357,255</u>
Y/Y % Change:			
As reported	13.7%	10.7%	12.7%
Constant currency	18.7%	13.2%	16.9%
Constant currency, excluding acquisitions	4.1%	-1.3%	2.3%

(a) Year-over-year sales growth excluding the translation impact of changes in foreign currency rates. Calculated by translating the net sales for the nine months ended March 31, 2016 into U.S. dollars using the weighted average foreign exchange rates for the nine months ended March 31, 2015.