



scansource

**Q4 FY 2013 FINANCIAL RESULTS
CONFERENCE CALL**

August 22, 2013 at 5:00 pm ET

Safe Harbor

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 prior Forms 10-Q and annual report on Form 10-K for the fiscal year ended June 30, 2012 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 adjusted net income and adjusted diluted EPS, 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 Company’s Form 8-K, filed with the SEC, with the quarterly earnings press release for the period indicated.

Highlights – Q4 FY13

- Fourth quarter 2013 net sales of \$713 million, below our expected range
 - Lack of big deals in our POS & Barcode business
 - Weaker-than-planned sales from ScanSource Catalyst
- Record sales quarters for North America Communications, Security, and Mexico
 - Second highest sales quarter in Brazil, in local currency, since 2011 acquisition
- Reduced inventory and best quarter all year for inventory turns
- Fourth quarter return on invested capital of 17.2% adjusted for impairment charges
- New management structure to enhance worldwide technology markets focus and growth strategy
- Fourth quarter 2013 non-cash impairment charges for ERP project and goodwill

New Segments Enhance Technology Focus

Worldwide Barcode and Security Segment

President: Buck Baker

Technologies:
POS and Barcode
Physical Security

Business Units:



Worldwide Communications and Services Segment

President: Mike Ferney

Technologies:
Communications
Services

Business Units:



Q4 FY13 Non-Cash Impairment Charges

<i>In millions, except EPS</i>	Operating Income	Net Income	Diluted EPS
GAAP measure	\$(20.4)	\$(13.3)	\$(0.48)
<i>Adjustments:</i>			
Impairment charges – ERP*	28.2	18.0	0.64
Impairment charges – goodwill*	20.6	15.2	0.54
Non-GAAP measure*	\$28.4	\$19.9	\$0.71
% of net sales	3.98%		

* Diluted EPS calculated using 28.1 million weighted average diluted shares outstanding.

Income Statement Highlights

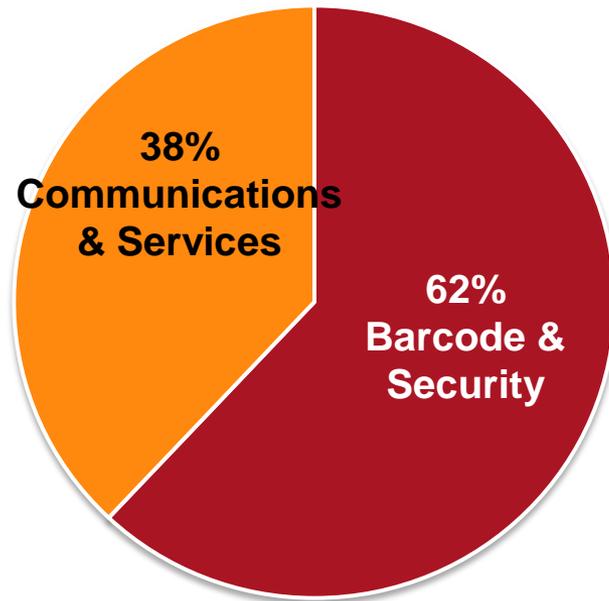
<i>In millions, except EPS</i>	Q4 FY13		Q4 FY12
	GAAP	Non-GAAP*	
Net sales	\$712.7	\$712.7	\$754.5
Gross margin % (of net sales)	10.6%	10.6%	9.8%
SG&A expenses	46.8	46.8	46.6
Impairment charges	48.8	--	--
Change in FV of contingent consideration	0.4	0.4	(1.1)
Operating income	(20.4)	28.4	28.3
Operating income % (of net sales)	(2.86)%	3.98%	3.75%
Net income (loss)	\$(13.3)	\$19.9	\$19.8
Diluted EPS	\$(0.48)	\$0.71	\$0.71

* Excluding impairment changes; see preceding slide for reconciliation of GAAP to non-GAAP measures.

Q4 FY13 Sales Mix

By Segment

Q4 FY13 Net Sales: \$712.7 million



By Geography

Q4 FY13 Net Sales: \$712.7 million



Barcode & Security = Worldwide Barcode and Security

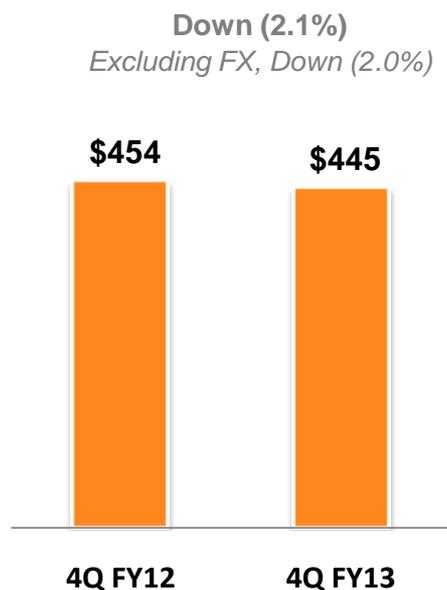
Communications & Services = Worldwide Communications and Services

As a % of net sales

** Includes the United States and Canada*

WW Barcode & Security Segment

Net Sales, \$ in millions

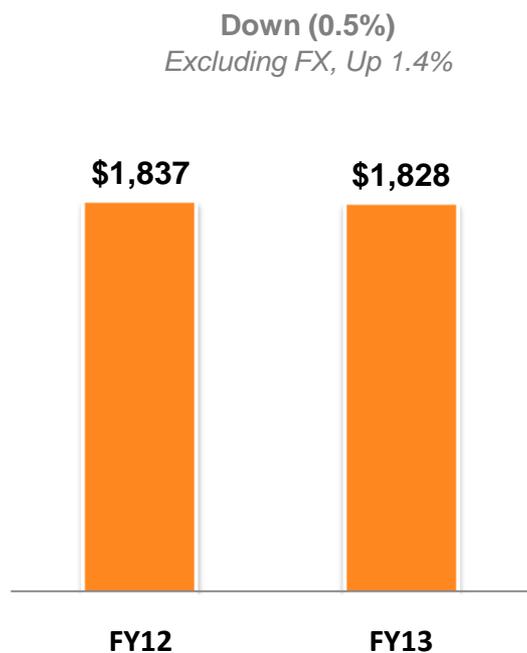


\$ in millions

	Q4 FY13	Q4 FY12
Gross profit	\$43.3	\$42.6
Gross margin	9.7%	9.4%
Operating income (loss)	\$(1.7)	\$17.2
Impairment charge - goodwill	15.1	--
Adjusted operating income	\$13.5	\$17.2
Operating income %	3.0%	3.8%

WW Barcode & Security Segment

Net Sales, \$ in millions

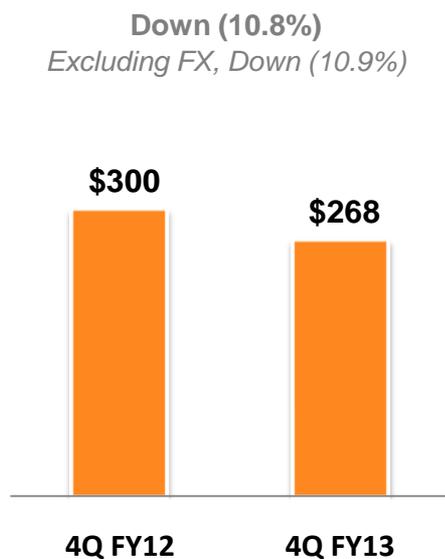


\$ in millions

	FY13	FY12
Gross profit	\$168.1	\$169.1
Gross margin	9.2%	9.2%
Operating income (loss)	\$34.7	\$56.7
Impairment charge - goodwill	15.1	--
Adjusted operating income	\$49.8	\$56.7
Operating income %	2.7%	3.1%

WW Communications & Services Segment

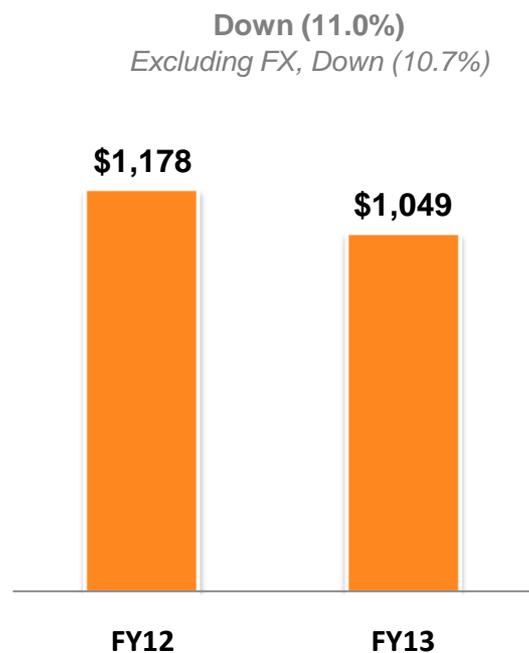
Net Sales, \$ in millions



<i>\$ in millions</i>	Q4 FY13	Q4 FY12
Gross profit	\$32.3	\$31.2
Gross margin	12.1%	10.4%
Operating income (loss)	\$9.5	\$11.1
Impairment charge - goodwill	5.4	--
Adjusted operating income	\$14.9	\$11.1
Operating income %	5.6%	3.7%

WW Communications & Services Segment

Net Sales, \$ in millions



<i>\$ in millions</i>	FY13	FY12
Gross profit	\$124.8	\$132.9
Gross margin	11.9%	11.3%
Operating income (loss)	\$44.6	\$56.8
Impairment charge - goodwill	5.4	--
Adjusted operating income	\$50.0	\$56.8
Operating income %	4.8%	4.8%

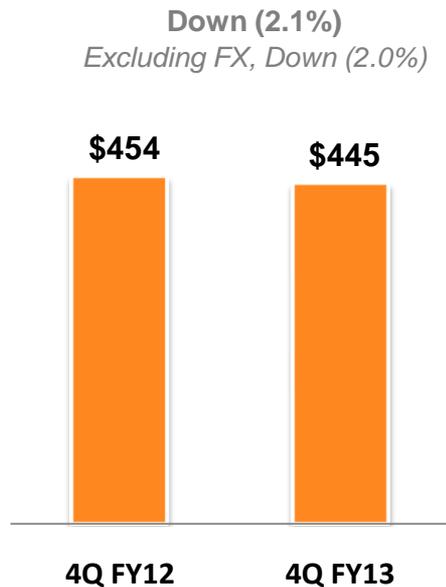
Q4 FY13 Key Measures

<i>\$ in millions</i>	Q4 FY13	Q3 FY13	Q4 FY12
Return on invested capital (“ROIC”)*	17.2%	13.3%	18.1%
Cash and cash equivalents (Q/E)	\$148.2	\$93.9	\$29.2
Operating cash flow	\$53.4	\$86.0	\$34.9
Days sales outstanding in receivables	55	55	55
Inventory (Q/E)	\$402.3	\$418.0	\$487.9
Inventory turns	6.2	5.4	5.4
Paid for inventory days	5.7	13.5	9.0

* See Appendix for calculation of ROIC, a non-GAAP measure.

WW Barcode & Security Highlights

Net Sales, \$ in millions



- 62% of overall sales
- POS & Barcode in North America and Europe declined year-over-year
 - Lack of big deals
 - More aggressive competitive landscape
- Second highest sales quarter in Brazil, in local currency, since 2011 acquisition
- Latin America sales varied country-by-country
 - Record sales quarter in Mexico
 - Difficulties in Venezuela and Argentina, including scarcity of U.S. dollars for payments
- Record sales quarter for Security
 - Driven by Cisco physical security business and a record networking quarter

WW Communications & Services Highlights

Net Sales, \$ in millions

Down (10.8%)
Excluding FX, Down (10.9%)



- 38% of overall sales
- Record sales quarter for ScanSource Communications in North America
 - Record quarters with Polycom Voice, ShoreTel, Sonus and Chief
- ScanSource Catalyst
 - Double-digit sales growth with wireless vendors
 - In June, launched Cisco collaboration products
- Europe Communications
 - Lowest sales quarter this year, principally from lower big deal volume in Germany
 - Second best sales quarter in U.K
 - April restructuring; sales plan for growth and profitability
- ScanSource Services Group exceeded plan in all areas

Q1 FY14 Outlook

For the Quarter Ending September 30, 2013:

Net Sales

- Range from \$715 million to \$735 million
- Range midpoint: \$725 million

Diluted Earnings Per Share

- Range from \$0.56 to \$0.58 per share
- Range midpoint: \$0.57

Outlook as of August 22, 2013

Appendix: Non-GAAP Financial Information

	Q4 FY13	Q3 FY13	Q4 FY12
Return on invested capital (ROIC), annualized (a)	17.2%	13.3%	18.1%
<u>Reconciliation of Net Income (Loss) to EBITDA</u>			
Net income (loss) - GAAP	\$ (13,315)	\$ 13,978	\$ 19,785
Plus: Income taxes	(6,352)	7,202	8,846
Plus: Interest expense	419	102	150
Plus: Depreciation and amortization	1,594	2,274	2,242
EBITDA	(17,654)	23,556	31,023
Adjustments: Impairment charges, including ERP & goodwill	48,772	-	-
Adjusted EBITDA (numerator for ROIC)(non-GAAP)	<u>\$ 31,118</u>	<u>\$ 23,556</u>	<u>\$ 31,023</u>
<u>Invested Capital Calculation</u>			
Equity - beginning of the quarter	\$ 709,912	\$ 696,960	\$ 642,450
Equity - end of quarter	695,956	709,912	652,311
Add: Impairment charges, including ERP & goodwill, net of tax	33,216	-	-
Average equity	719,542	703,436	647,381
Average funded debt (b)	5,429	15,675	41,324
Invested capital (denominator for ROIC)(non-GAAP)	<u>\$ 724,971</u>	<u>\$ 719,111</u>	<u>\$ 688,705</u>

Notes:

- (a) Calculated as net income plus interest expense, income taxes, depreciation and amortization (EBITDA), annualized and divided by invested capital. EBITDA excludes non-cash impairment charges.
- (b) Average daily amounts outstanding on our short-term and long-term interest-bearing debt.

Appendix: Non-GAAP Financial Information

Worldwide Barcode & Security

Net sales, excluding impact of foreign exchange (FX) - Y/Y Change:

Q4 2013 net sales	\$	444.8
Fx impact		<u>0.3</u>
Q4 2013 net sales, excluding Fx impact	\$	445.1
International Q4 2012 sales	\$	<u>454.1</u>
% Change		-2.0%

FY 2013 net sales	\$	1,828.2
Fx impact		<u>34.5</u>
FY 2013 net sales, excluding Fx impact	\$	1,862.7
International FY 2012 sales	\$	<u>1,837.3</u>
% Change		1.4%

Worldwide Communications & Services

Net sales, excluding impact of foreign exchange (FX) - Y/Y Change:

Q4 2013 net sales	\$	267.9
Fx impact		<u>(0.3)</u>
Q4 2013 net sales, excluding Fx impact	\$	267.6
International Q4 2012 sales	\$	<u>300.4</u>
% Change		-10.9%

FY 2013 net sales	\$	1,048.7
Fx impact		<u>2.7</u>
FY 2013 net sales, excluding Fx impact	\$	1,051.4
International FY 2012 sales	\$	<u>1,178.0</u>
% Change		-10.7%