



# INVESTOR PRESENTATION

FEBRUARY 2017

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# SAFE HARBOR AND NON-GAAP

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## 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 results, including declines in sales and margins, currency fluctuations, difficulties in integrating acquisitions and general economic factors. For more information concerning factors that could cause actual results to differ from anticipated results, see the “Risk Factors” included in the Company’s quarterly report on Form 10-Q for the quarter ended December 31, 2016 and annual report on Form 10-K for the fiscal year ended June 30, 2016, 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, 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.

# 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  
35,000+ 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



% OF NET SALES, Q2 FY17

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

## BARCODE, NETWORKING & SECURITY KEY VENDORS

**aruba**  
a Hewlett Packard  
Enterprise company

**Arecont Vision**  
Leading the Way in Megapixel Video™

**AXIS**  
COMMUNICATIONS

**bematech**  
Intelligence for business.

**BROCADE**

**ruckus**

**CISCO**

**DATALOGIC**  
THE VISION IS YOURS

**elo**

**EPSON**  
EXCEED YOUR VISION

**Hanwha**  
Techwin America

**HID**

**Honeywell**

**ingenico**  
GROUP

**MARCH**  
networks  
An Infinova Company

**NCR**

**Panasonic**

**SONY**

**TOSHIBA**  
Leading Innovation >>>

**UBIQUITI**  
NETWORKS

**Verifone**

**ZEBRA**

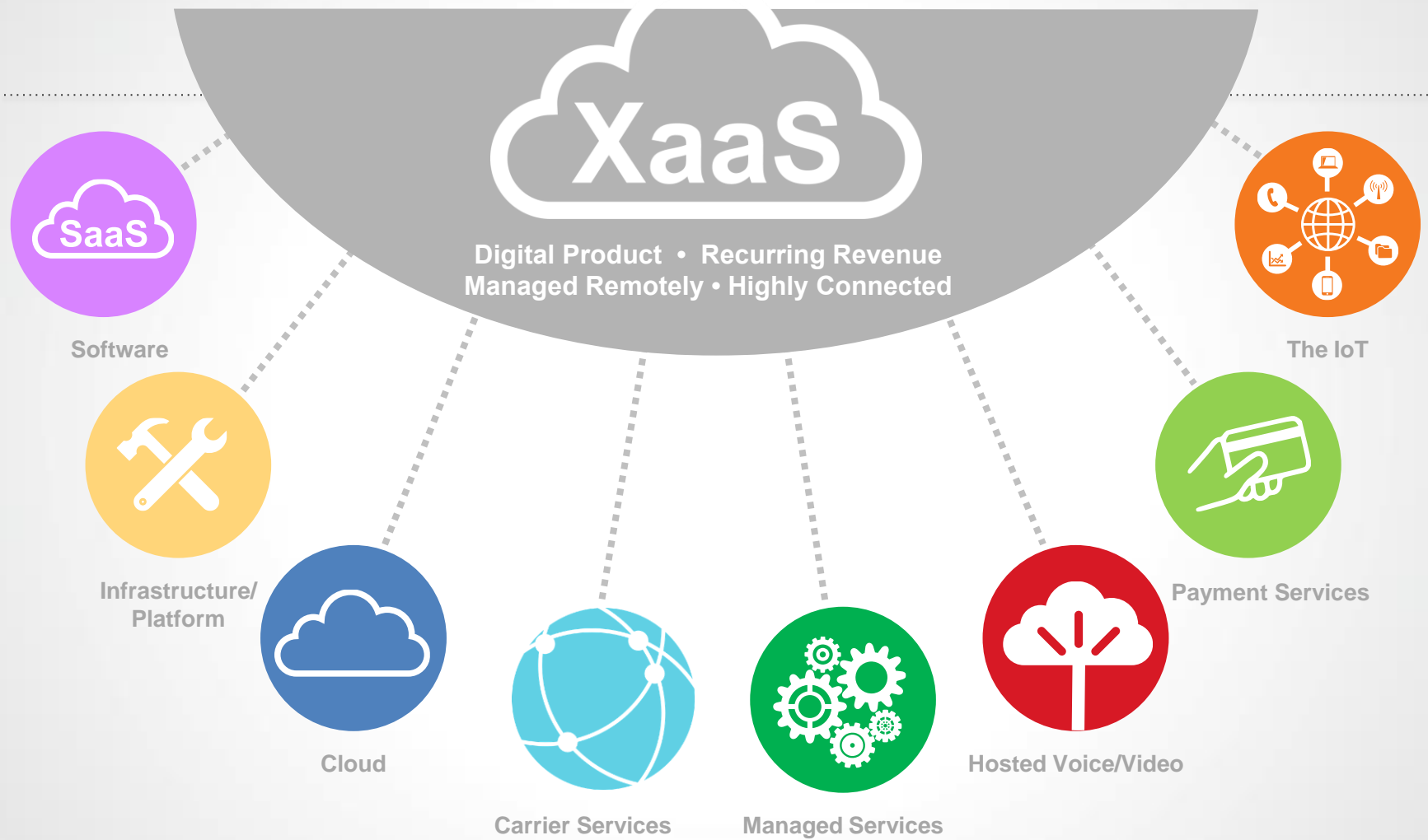
# DEEP SUPPLIER PARTNERSHIPS

## COMMUNICATIONS & SERVICES KEY VENDORS



**% OF NET SALES, Q2 FY17**

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



# 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

## SALES GROWTH

Faster than market

Q2 FY17  
Y/Y **(8.9)%**

YTD FY17  
Y/Y **(1.4)%**

GROSS MARGIN  
10%+

Q2 FY17  
10.9%

YTD FY17  
10.3%

OPERATING MARGIN  
3.5% to 4%

Q2 FY17  
GAAP 2.6%  
Non-GAAP\* 3.3%

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

ROIC  
Mid- to upper teens

Q2 FY17  
13.8%\*

YTD FY17  
13.4%\*

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 2Q FY17 CASH USES

FUNDED BY OPERATING CASH FLOW (+\$163 million) AND INCREASE IN NET DEBT (+\$286 million)

### INVESTMENTS IN PROFITABLE GROWTH



#### ACQUISITIONS

**\$263 million\***



#### CAPEX

**\$36 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

0.88x net debt to adjusted EBITDA, trailing 12-months

\$45 million in cash and \$142 million in debt

\$300 million revolving credit facility; \$164 million available

\$100 million available under share repurchase authorization

## WORKING CAPITAL MANAGEMENT

6.0 inventory turns (5-qtr range: 4.9-6.0)

Paid for inventory days of 6.5\* (5-qtr range: 6-17)

60 days sales outstanding in receivables\* (5-qtr range: 53-60)

*Information as of 12/31/16, unless otherwise indicated*

*\* Excludes the impact of Intelisys, which was completed 8/29/16*

# INVESTMENT HIGHLIGHTS

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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

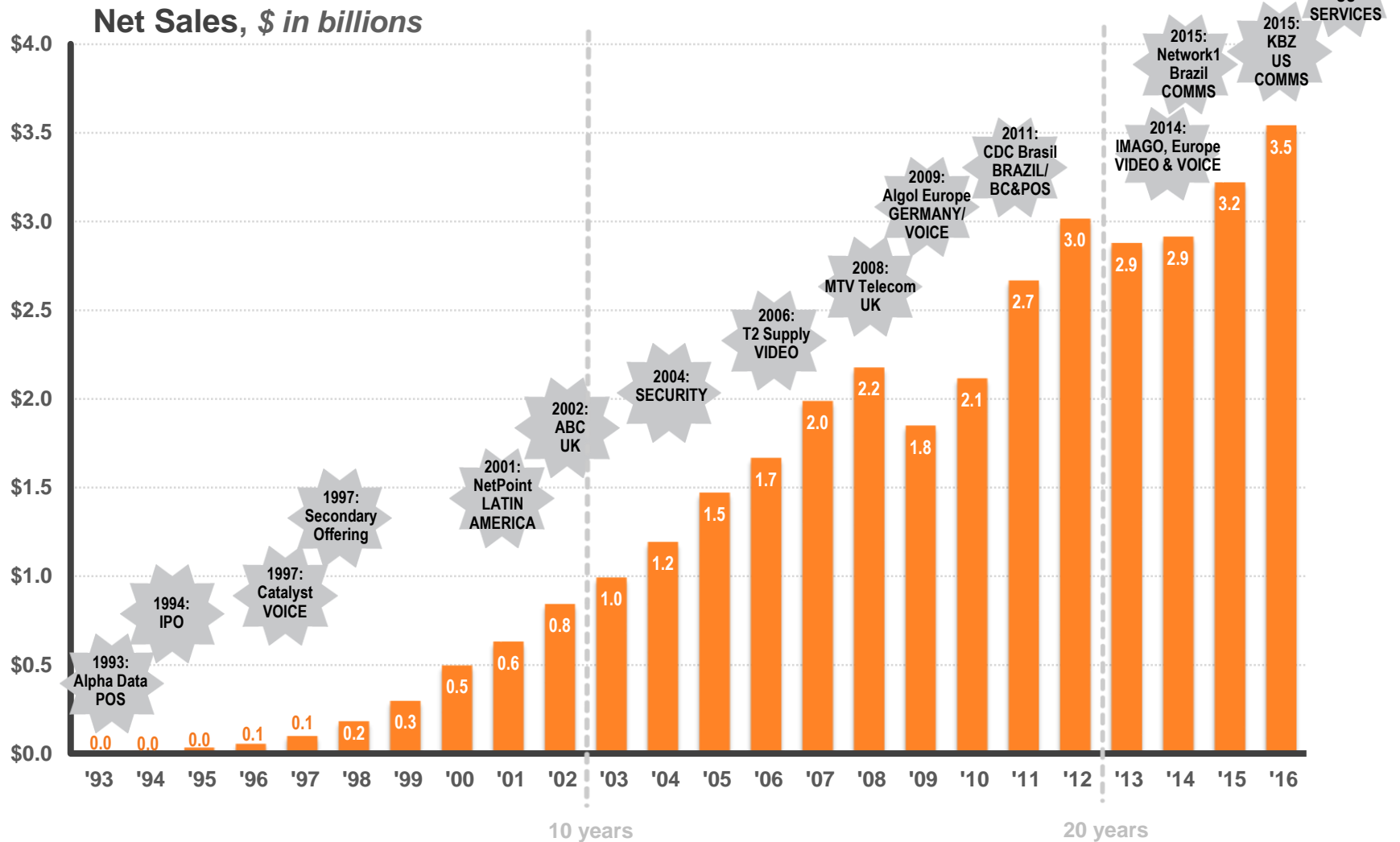
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**scansource.com**





# 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 – Q2 FY17

## WORLDWIDE BARCODE, NW & SECURITY

<i>\$ in millions</i>	Q2 FY17	Q1 FY17	Q2 FY16
Net sales	\$595.4	\$633.4	\$689.5
Gross profit	\$49.2	\$50.1	\$57.7
Gross margin	8.3%	7.9%	8.4%
Operating income	\$12.0	\$13.5	\$19.0
Operating income %	2.0%	2.1%	2.8%
Non-GAAP operating income	\$13.1	\$14.5	\$20.0
Non-GAAP operating income %	2.2%	2.3%	2.9%

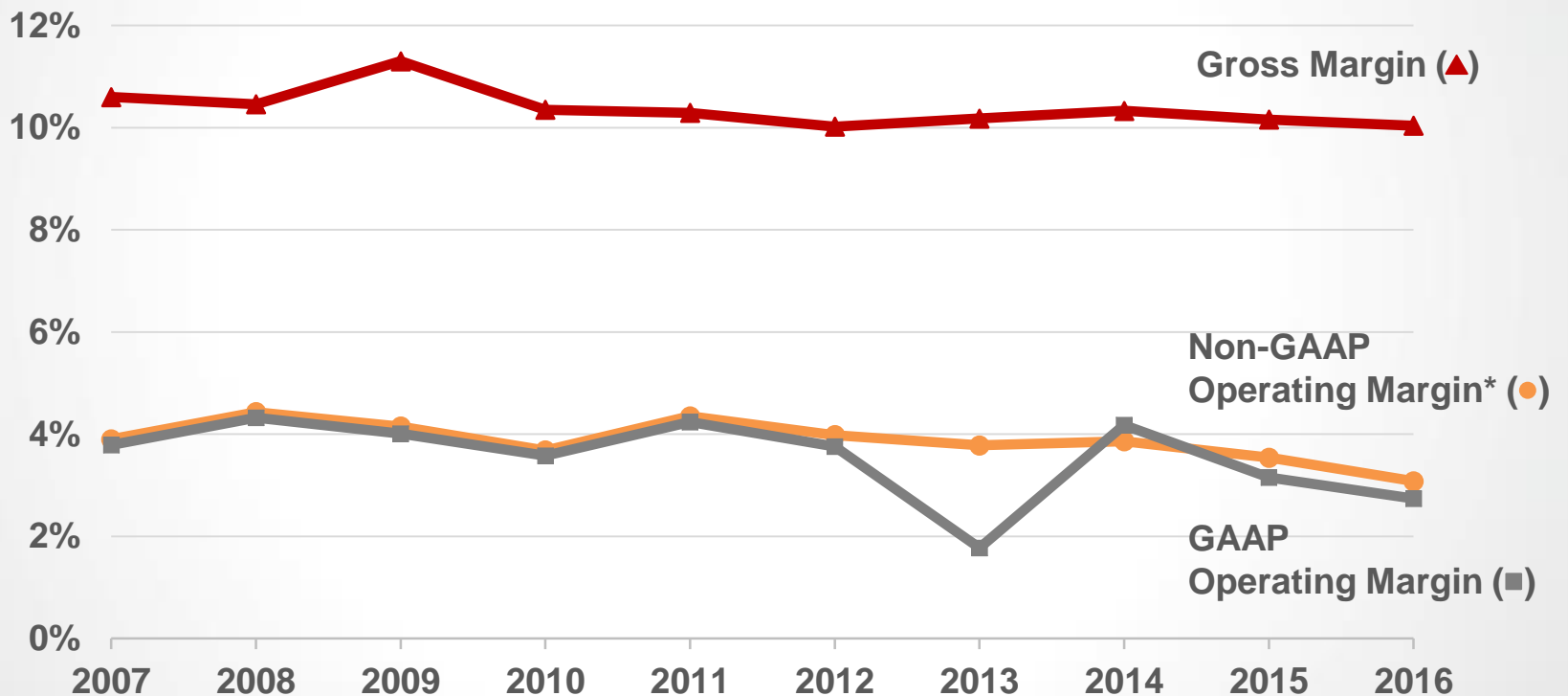
## WORLDWIDE COMMUNICATIONS & SERVICES

<i>\$ in millions</i>	Q2 FY17	Q1 FY17	Q2 FY16
Net sales	\$309.4	\$299.2	\$304.0
Gross profit	\$49.3	\$41.4	\$42.9
Gross margin	15.9%	13.9%	14.1%
Operating income	\$11.6	\$9.9	\$12.9
Operating income %	3.8%	3.3%	4.2%
Non-GAAP operating income	\$16.5	\$12.2	\$16.2
Non-GAAP operating income %	5.3%	4.1%	5.3%

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

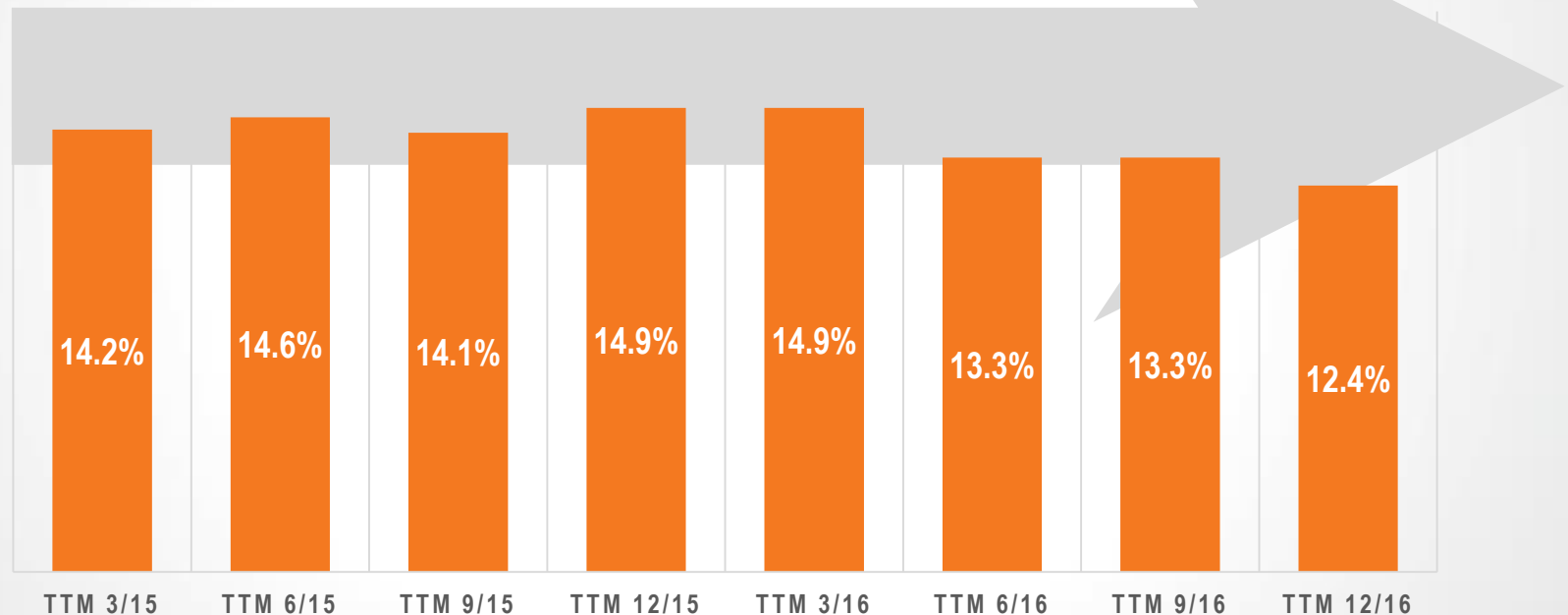


Information for fiscal year indicated

\* 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.

# ROIC DRIVES STRONG BALANCE SHEET

- Mid-teens ROIC; goal of mid- to upper teens
- Executive compensation is directly tied to ROIC performance



*Reflects trailing twelve months (TTM) for period indicated. 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 (average equity plus average daily funded interest-bearing debt). EBITDA excludes acquisition costs and legal settlements, net of attorney fees. A reconciliation of the Company's non-GAAP financial information to GAAP financial information is provided in the Appendix.*

# APPENDIX: NON-GAAP FINANCIAL INFORMATION

## Y/Y Sales Growth – Organic and Reported

(\$ in thousands)

### Consolidated:

	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17
Net sales, as reported	\$ 763,203	\$ 856,685	\$ 870,829	\$ 993,522	\$ 798,404	\$ 877,473	\$ 932,566	\$ 904,792
Foreign exchange impact	27,878	38,348	37,117	35,460	23,345	7,506	(4,028)	(5,814)
Net sales, constant currency	791,081	895,033	907,946	1,028,982	821,749	884,979	928,538	898,978
Less: Acquisitions	(79,038)	(67,197)	(104,505)	(180,510)	(63,637)	(79,701)	(102,195)	(8,487)
Net sales, constant currency excluding acquisitions	<u>\$ 712,043</u>	<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>
Prior Year Quarter Net sales, as reported	\$ 682,998	\$ 758,113	\$ 791,720	\$ 807,019	\$ 763,203	\$ 856,685	\$ 870,829	\$ 993,522
Less: Acquisitions	-	-	(4,686)	-	-	-	(34,628)	-
Prior Year Quarter Net sales, as adjusted	<u>\$ 682,998</u>	<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>

### Y/Y% Change:

Sales growth, as reported	11.7%	13.0%	10.0%	23.1%	4.6%	2.4%	7.1%	-8.9%
Sales growth, constant currency	15.8%	18.1%	14.7%	27.5%	7.7%	3.3%	6.6%	-9.5%
Sales growth, constant currency excluding acquisitions (organic growth)	4.3%	9.2%	2.1%	5.1%	-0.7%	-6.0%	-1.2%	-10.4%

(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)

	Q2 FY17	H1 FY17
<b>Return on invested capital (ROIC), annualized (a)</b>	<b>13.8%</b>	<b>13.4%</b>
<u>Reconciliation of Net Income to EBITDA</u>		
Net income - GAAP	\$ 23,036	\$ 37,852
Plus: Income taxes	12,745	20,653
Plus: Interest expense	912	1,501
Plus: Depreciation and amortization	6,588	11,812
EBITDA	43,281	71,818
Change in fair value of contingent consideration	1,791	1,961
Acquisition costs & Nonrecurring	335	833
Legal settlement, net of attorney fees	(12,777)	(12,777)
Adjusted EBITDA (numerator for ROIC)(non-GAAP)	<u>\$ 32,630</u>	<u>\$ 61,835</u>
<u>Invested Capital Calculation</u>		
Equity - beginning of the quarter	\$ 773,161	\$ 774,496
Equity - end of quarter	787,536	787,536
Change in fair value of contingent consideration, net of tax	1,000	1,046
Acquisition costs, net of tax	335	833
Legal settlement, net of attorney fees, net of tax	(8,047)	(8,047)
Average equity	776,993	777,932
Average funded debt (b)	162,483	135,101
Invested capital (denominator for ROIC)(non-GAAP)	<u>\$ 939,476</u>	<u>\$ 913,033</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 December 31, 2016				
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 595,359	\$ 309,433	\$ -	\$ 904,792
GAAP operating income	\$ 11,985	\$ 11,625	\$ (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	\$ 13,064	\$ 16,502	\$ -	\$ 29,566
GAAP operating income % (of net sales)	2.0%	3.8%	n/m	2.6%
Non-GAAP operating income % (of net sales)	2.2%	5.3%	n/m	3.3%

(\$ in thousands)

Quarter Ended December 31, 2015				
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 689,530	\$ 303,992	\$ -	\$ 993,522
GAAP operating income	\$ 19,000	\$ 12,912	\$ (60)	\$ 31,852
Adjustments:				
Amortization of intangible assets	1,047	1,498	-	2,545
Change in fair value of contingent consideration	-	1,816	-	1,816
Acquisition costs	-	-	60	60
Non-GAAP operating income	\$ 20,047	\$ 16,226	\$ -	\$ 36,273
GAAP operating income % (of net sales)	2.8%	4.2%	n/m	3.2%
Non-GAAP operating income % (of net sales)	2.9%	5.3%	n/m	3.7%

n/m = not meaningful

# APPENDIX: NON-GAAP FINANCIAL INFORMATION

## Highlights by Segment – Prior Quarter

(\$ in thousands)

	Quarter Ended September 30, 2016			
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 633,405	\$ 299,161	\$ -	\$ 932,566
GAAP operating income	\$ 13,456	\$ 9,917	\$ (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	\$ 14,541	\$ 12,155	\$ -	\$ 26,696
GAAP operating income % (of net sales)	2.1%	3.3%	n/m	2.5%
Non-GAAP operating income % (of net sales)	2.3%	4.1%	n/m	2.9%

n/m = not meaningful



# APPENDIX: NON-GAAP FINANCIAL INFORMATION

## Return on Invested Capital (ROIC) - TTM

(\$ in thousands)

	TTM Q3 FY15	TTM Q4 FY15	TTM Q1 FY16	TTM Q2 FY16	TTM Q3 FY16	TTM Q4 FY16	TTM Q1 FY17	TTM Q2 FY17
Return on invested capital (ROIC), annualized (a)	14.2%	14.6%	14.1%	14.9%	14.9%	13.3%	13.3%	12.4%

## Reconciliation of Net Income (Loss) to EBITDA

Net income (loss) - GAAP	\$76,077	\$65,419	\$62,207	\$66,042	\$67,141	\$63,619	\$62,439	\$64,819
Plus: Income taxes	39,797	34,487	32,885	34,744	35,177	32,391	31,873	33,642
Plus: Interest expense	1,321	1,797	1,888	2,390	2,193	2,124	2,432	2,635
Plus: Depreciation and amortization	10,035	11,997	14,038	15,946	16,517	17,154	18,440	20,677
EBITDA (numerator for ROIC)(non-GAAP)	127,230	113,700	111,018	119,122	121,028	115,288	115,184	121,773
Change in fair value of contingent consideration (CC)	1,354	2,667	3,718	5,071	5,925	1,294	(101)	(127)
Adjustments (b)	(12,374)	3,254	2,124	710	447	863	1,141	(11,361)
Adjusted EBITDA (numerator for ROIC)(non-GAAP)	\$116,210	\$119,621	\$116,860	\$124,903	\$127,400	\$117,445	\$116,224	\$110,285

## Invested Capital Calculation

Average equity (c)	\$803,682	\$808,362	\$804,154	\$790,399	\$777,230	\$792,661	\$764,033	\$768,182
Average funded debt (c)	12,277	13,421	21,744	49,742	78,284	93,500	110,732	121,998
Invested capital (denominator for ROIC)(non-GAAP)	\$815,959	\$821,783	\$825,898	\$840,141	\$855,514	\$886,161	\$874,765	\$890,180

- (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 acquisition costs and legal settlements, net of attorney fees (\$12.8 million for the quarter ended December 31, 2016 and \$15.5 million for the quarter ended 6/30/14).
- (c) Average for 4 quarters in the trailing-twelve month (TTM) period, or average invested capital as reported for the fiscal year; average debt reflects daily amounts outstanding on short-term and long-term interest-bearing debt.

# 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%