

# Fiscal Second Quarter

2024 Earnings

“ Strong cash flow and Intelisys recurring revenue growth are the highlights for our second quarter results. Our teams are navigating well through the challenging industry demand cycles.”

**Mike Baur**

Chair and CEO, ScanSource, Inc.

## Key Highlights

**Achieved Strong Cash Flow in Q2 and YTD**

**Intelisys Recurring Revenue Opportunity is Compelling**

**Focus on Working Capital Efficiency Improvements**

## Diverse Portfolio of Technologies Reflect Mixed Demand

Consolidated

**Net Sales**  
-13% Y/Y  
\$885M

**Gross Profit**  
-13% Y/Y  
\$101M, 11.4% margin

Specialty Technology Solutions Segment

**STS, Net Sales**  
-17% Y/Y  
\$521M

**STS, Gross Profit**  
-17% Y/Y  
\$47M, 9.1% margin

Modern Communications & Cloud Segment

**MC&C, Net Sales**  
-5% Y/Y  
\$364M

**MC&C, Gross Profit**  
-9% Y/Y  
\$54M, 14.7% margin

## Second Quarter Operating Metrics

**\$1.29** per share  
GAAP Diluted EPS  
+28% Y/Y

**\$38.5M**, -21%Y/Y  
Adjusted EBITDA\*  
**4.35%**  
Adjusted EBITDA Margin\*

**\$63M QTR**  
Operating Cash Flow  
**\$61M QTR**  
Free Cash Flow\*

**\$0.85** per share  
Non-GAAP Diluted EPS\*  
-20% Y/Y

**0.8x**  
Net Debt to  
TTM Adjusted EBITDA

**13.2%**  
Adjusted ROIC\*  
\$1.3M in share repurchases

## Fiscal Year 2024 Annual Outlook updated February 6, 2024

**Net Sales**  
At least \$3.5 billion

**Adjusted EBITDA**  
At least \$155 million

**Free Cash Flow**  
At least \$200 million

**Focus on Working Capital Efficiency Improvements**

## Mid-Term Goals Mid-term: 3-to-4-year time frame

Net Sales Growth per year	Adjusted EBITDA Margin	Adjusted ROIC	Recurring Revenue as % of Gross Profits
<b>5%-7.5%</b>	<b>4.5%-5%</b>	<b>Mid Teens</b>	<b>Building to 30%+**</b>

\* Non-GAAP measure; adjusted ROIC represents return on invested capital

\*\* Accelerate organic growth with strategic acquisitions

For further financial data, non-GAAP financial disclosures and cautionary language regarding forward-looking statements, please refer to the following pages and ScanSource's second quarter fiscal year 2024 news release issued on February 6, 2024, which accompanies this presentation and is available at [www.scansource.com](http://www.scansource.com) in the Investor Relations section.

## Forward-Looking Statements

This Earnings Infographic and supporting materials contain certain comments that are “forward-looking” statements, including statements about our FY24 outlook, mid-term goals, growth opportunities and our operating strategies 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, the following factors, which are neither presented in order of importance nor weighted: macroeconomic conditions, including potential prolonged economic weakness, inflation, the failure to manage and implement our organic growth strategy, credit risks involving our larger customers and suppliers, changes in interest and exchange rates and regulatory regimes impacting our international operations, economic weakness and inflation, risk to our business from a cyberattack, a failure of our IT systems, failure to hire and retain quality employees, loss of our major customers, relationships with our key suppliers and customers or a termination or a modification of the terms under which we operate with these key suppliers and customers, changes in our operating strategy, and other factors set forth in the “Risk Factors” contained in our annual report on Form 10-K for the year ended June 30, 2023, and subsequent reports on Form 10-Q, filed with the Securities and Exchange Commission.

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 income margin, non-GAAP net income, non-GAAP diluted EPS, non-GAAP SG&A expenses, adjusted EBITDA, adjusted EBITDA margin, net debt, adjusted ROIC, free cash flow and net sales in constant currency excluding acquisitions and divestitures (organic growth). A reconciliation of the Company's non-GAAP financial information to GAAP financial information is provided in the following supporting materials and in the Company's Form 8-K, filed with the SEC, with the quarterly earnings press release for the period indicated.

**SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION**

**Consolidated, 5-Quarter Financial Summary**

(\$ in thousands, except per share data)

	<b>Q2 FY24</b>	<b>Q1 FY24</b>	<b>Q4 FY23</b>	<b>Q3 FY23</b>	<b>Q2 FY23</b>	<b>Q/Q</b>	<b>Y/Y</b>
Select reported GAAP measures:							
Net sales	\$ 884,792	\$ 876,305	\$ 947,149	\$ 885,519	\$1,011,241	1%	(13)%
Gross profit	\$ 100,748	\$ 106,508	\$ 108,659	\$ 111,762	\$ 115,334	(5)%	(13)%
Gross profit margin %	11.4 %	12.2 %	11.5 %	12.6 %	11.4 %	(77) bp	(2) bp
SG&A expenses	\$ 66,921	\$ 75,436	\$ 74,358	\$ 70,669	\$ 69,074	(11)%	(3)%
Operating income	\$ 26,826	\$ 24,084	\$ 27,289	\$ 34,279	\$ 39,432	11%	(32)%
Operating income margin %	3.03 %	2.75 %	2.88 %	3.87 %	3.90 %	28 bp	(87) bp
Net income	\$ 32,726	\$ 15,432	\$ 17,095	\$ 21,221	\$ 25,734	112%	27%
Diluted EPS	\$ 1.29	\$ 0.61	\$ 0.68	\$ 0.83	\$ 1.01	111%	28%
Select reported Non-GAAP measures: <sup>(a)</sup>							
Non-GAAP operating income	\$ 30,621	\$ 28,478	\$ 32,806	\$ 38,449	\$ 40,724	8%	(25)%
Non-GAAP operating income margin %	3.46 %	3.25 %	3.46 %	4.34 %	4.03 %	21 bp	(57) bp
Non-GAAP net income	\$ 21,587	\$ 18,728	\$ 19,213	\$ 24,330	\$ 26,941	15%	(20)%
Non-GAAP diluted EPS	\$ 0.85	\$ 0.74	\$ 0.76	\$ 0.96	\$ 1.06	15%	(20)%
Adjusted EBITDA	\$ 38,459	\$ 34,919	\$ 40,199	\$ 45,656	\$ 48,815	10%	(21)%
Adjusted EBITDA margin %	4.35 %	3.98 %	4.24 %	5.16 %	4.83 %	36 bp	(48) bp
Adjusted ROIC	13.2 %	11.1 %	12.9 %	14.6 %	15.6 %	210 bp	(240) bp
Operating cash flow (QTR)	\$ 63,224	\$ 93,533	\$ (15,261)	\$ 54,837	\$ (26,885)		
Less: Capital expenditures	\$ (2,549)	\$ (2,315)	\$ (3,431)	\$ (2,286)	\$ (2,504)		
Free cash flow (QTR) (Non-GAAP)	\$ 60,675	\$ 91,218	\$ (18,692)	\$ 52,551	\$ (29,389)		
Free cash flow (TTM) (Non-GAAP)	\$ 185,752	\$ 95,688	\$ (44,673)	\$ (108,189)	\$ (131,715)		

<sup>(a)</sup> See pages 11 through 12 for the calculation of non-GAAP measures and reconciliations to GAAP measures.

**SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION**

**Specialty Technology Solutions, 5-Quarter Financial Summary**

(\$ in thousands)

	<u>Q2 FY24</u>	<u>Q1 FY24</u>	<u>Q4 FY23</u>	<u>Q3 FY23</u>	<u>Q2 FY23</u>	<u>Q/Q</u>	<u>Y/Y</u>
Net sales	\$ 520,651	\$ 509,570	\$ 561,501	\$ 565,652	\$ 627,548	2%	(17)%
Gross profit	\$ 47,133	\$ 49,183	\$ 51,440	\$ 57,664	\$ 56,732	(4)%	(17)%
Gross profit margin %	9.1 %	9.7 %	9.2 %	10.2 %	9.0 %	(60) bp	1 bp
GAAP operating income	\$ 13,368	\$ 11,872	\$ 14,343	\$ 19,811	\$ 19,682	13%	(32)%
GAAP operating income %	2.57 %	2.33 %	2.55 %	3.50 %	3.14 %	24 bp	(57) bp
Add: Intangible amortization expense	\$ 1,261	\$ 1,261	\$ 1,261	\$ 1,266	\$ 1,266		
Non-GAAP operating income	\$ 14,629	\$ 13,133	\$ 15,604	\$ 21,077	\$ 20,948	11%	(30)%
Non-GAAP operating income %	2.81 %	2.58 %	2.78 %	3.73 %	3.34 %	23 bp	(53) bp
<b>Reconciliation of Operating Income to Adjusted EBITDA</b>							
GAAP operating income	\$ 13,368	\$ 11,872	\$ 14,343	\$ 19,811	\$ 19,682	13%	(32)%
Plus:							
Depreciation expense	2,144	1,931	1,954	1,862	1,873		
Intangible amortization expense	1,261	1,261	1,261	1,266	1,266		
Interest income	709	164	776	354	194		
Other income/(expense), net	135	(132)	(40)	(54)	71		
EBITDA	17,617	15,096	18,294	23,239	23,086	17%	(24)%
Adjustments:							
Share-based compensation expense	1,657	1,512	1,586	1,867	2,203	10%	(25)%
Adjusted EBITDA (non-GAAP)	<u>\$ 19,274</u>	<u>\$ 16,608</u>	<u>\$ 19,880</u>	<u>\$ 25,106</u>	<u>\$ 25,289</u>	16%	(24)%
Adjusted EBITDA (non-GAAP) %	3.70 %	3.26 %	3.54 %	4.44 %	4.03 %	44 bp	(33) bp

**SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION**

**Modern Communications & Cloud, 5-Quarter Financial Summary**

(\$ in thousands)

	<u>Q2 FY24</u>	<u>Q1 FY24</u>	<u>Q4 FY23</u>	<u>Q3 FY23</u>	<u>Q2 FY23</u>	<u>Q/Q</u>	<u>Y/Y</u>
Net sales	\$ 364,141	\$ 366,735	\$ 385,648	\$ 319,867	\$ 383,693	(1)%	(5)%
Gross profit	\$ 53,615	\$ 57,235	\$ 57,219	\$ 54,098	\$ 58,602	(6)%	(9)%
Gross profit margin %	14.7 %	15.6 %	14.8 %	16.9 %	15.3 %	(90) bp	(60) bp
GAAP operating income	\$ 14,602	\$ 12,413	\$ 14,406	\$ 14,468	\$ 19,750	18%	(26)%
GAAP operating income %	4.01 %	3.38 %	3.74 %	4.52 %	5.15 %	63 bp	(114) bp
Add: Intangible amortization expense	\$ 2,776	\$ 2,932	\$ 2,924	\$ 2,904	\$ 2,884		
Add: Tax recovery <sup>(a)</sup>	\$ (1,386)	\$ —	\$ (128)	\$ —	\$ (2,858)		
Non-GAAP operating income	\$ 15,992	\$ 15,345	\$ 17,202	\$ 17,372	\$ 19,776	4%	(19)%
Non-GAAP operating income %	4.39 %	4.18 %	4.46 %	5.43 %	5.15 %	20 bp	(80) bp
<b>Reconciliation of Operating Income to Adjusted EBITDA</b>							
GAAP operating income	\$ 14,602	\$ 12,413	\$ 14,406	\$ 14,468	\$ 19,750	18%	(26)%
Plus:							
Depreciation expense	1,077	1,093	1,117	1,042	1,034		
Intangible amortization expense	2,776	2,932	2,924	2,904	2,884		
Interest income	1,409	1,161	1,309	1,356	1,834		
Other income/(expense), net	14,325	(549)	(309)	(307)	(280)		
EBITDA	34,189	17,050	19,447	19,463	25,222	101%	36%
Adjustments:							
Share-based compensation expense	914	1,258	1,000	1,087	1,161		
Tax recovery <sup>(a)</sup>	(1,386)	—	(128)	—	(2,858)		
Gain on disposal of a business	(14,533)	—	—	—	—		
Adjusted EBITDA (non-GAAP)	<u>\$ 19,184</u>	<u>\$ 18,308</u>	<u>\$ 20,319</u>	<u>\$ 20,550</u>	<u>\$ 23,525</u>	5%	(18)%
Adjusted EBITDA (non-GAAP) %	5.27 %	4.99 %	5.27 %	6.42 %	6.13 %	28 bp	(86) bp

<sup>(a)</sup> Recovery of prior period withholding taxes in Brazil

**SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION**

**Net Sales, Constant Currency Excluding Acquisitions and Divestitures (Organic Growth) - QTR**

(\$ in thousands)

**Net Sales by Segment:**

	<u>Q2 FY24</u>	<u>Q2 FY23</u>	<u>% Change</u>
<b>Specialty Technology Solutions:</b>			
Net sales, as reported	\$ 520,651	\$ 627,548	(17.0)%
Foreign exchange impact <sup>(a)</sup>	(886)	—	
Net sales, constant currency excluding divestitures (non-GAAP)	<u>\$ 519,765</u>	<u>\$ 627,548</u>	(17.2)%
<b>Modern Communications &amp; Cloud:</b>			
Net sales, as reported	\$ 364,141	\$ 383,693	(5.1)%
Foreign exchange impact <sup>(a)</sup>	(4,323)	—	
Less: Divestitures	(1,628)	(2,170)	
Net sales, constant currency excluding divestitures (non-GAAP)	<u>\$ 358,190</u>	<u>\$ 381,523</u>	(6.1)%
<b>Consolidated:</b>			
Net sales, as reported	\$ 884,792	\$ 1,011,241	(12.5)%
Foreign exchange impact <sup>(a)</sup>	(5,209)	—	
Less: Divestitures	(1,628)	(2,170)	
Net sales, constant currency excluding divestitures (non-GAAP)	<u>\$ 877,955</u>	<u>\$ 1,009,071</u>	(13.0)%

**Net Sales by Geography:**

	<u>Q2 FY24</u>	<u>Q2 FY23</u>	<u>% Change</u>
<b>United States and Canada:</b>			
Net sales, as reported	<u>\$ 795,382</u>	<u>\$ 909,221</u>	(12.5)%
<b>International:</b>			
Net sales, as reported	\$ 89,410	\$ 102,020	(12.4)%
Foreign exchange impact <sup>(a)</sup>	(5,209)	—	
Less: Divestitures	\$ (1,628)	\$ (2,170)	
Net sales, constant currency excluding divestitures (non-GAAP)	<u>\$ 82,573</u>	<u>\$ 99,850</u>	(17.3)%
<b>Consolidated:</b>			
Net sales, as reported	\$ 884,792	\$ 1,011,241	(12.5)%
Foreign exchange impact <sup>(a)</sup>	(5,209)	—	
Less: Divestitures	\$ (1,628)	\$ (2,170)	
Net sales, constant currency excluding divestitures (non-GAAP)	<u>\$ 877,955</u>	<u>\$ 1,009,071</u>	(13.0)%

(a) Year-over-year sales growth excluding the translation impact of changes in foreign currency rates. Calculated by translating net sales for the quarter ended December 31, 2023 into U.S. dollars using the weighted-average foreign exchange rates for the quarter ended December 31, 2022.

## SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION

### Average Adjusted Return on Invested Capital - QTR

(\$ in thousands)

	Q2 FY24	Q1 FY24	Q4 FY23	Q3 FY23	Q2 FY23
<b>Adjusted return on invested capital (ROIC), annualized <sup>(a)</sup></b>	<b>13.2 %</b>	<b>11.0 %</b>	<b>12.9 %</b>	<b>14.6 %</b>	<b>15.6 %</b>
<u>Reconciliation of Net Income to Adjusted EBITDA</u>					
Net income from continuing operations - GAAP	\$ 32,726	\$ 15,432	\$ 17,095	\$ 21,221	\$ 25,734
Plus:					
Interest expense	3,359	5,585	5,564	5,715	5,060
Income taxes	7,320	3,715	6,367	8,692	10,458
Depreciation and amortization	7,258	7,217	7,255	7,074	7,057
<b>EBITDA</b>	<b>50,663</b>	<b>31,949</b>	<b>36,281</b>	<b>42,702</b>	<b>48,309</b>
Adjustments:					
Tax recovery <sup>(b)</sup>	(1,386)	—	(128)	—	(2,858)
Divestiture costs	703	—	—	—	—
Cyberattack restoration costs	441	201	1,460	—	—
Share-based compensation	2,571	2,769	2,586	2,954	3,364
Gain on sale of business	(14,533)	—	—	—	—
<b>Adjusted EBITDA (numerator for Adjusted ROIC) (non-GAAP)</b>	<b>\$ 38,459</b>	<b>\$ 34,919</b>	<b>\$ 40,199</b>	<b>\$ 45,656</b>	<b>\$ 48,815</b>
<u>Invested Capital Calculation</u>					
Equity - beginning of the quarter	\$ 915,253	\$ 905,298	\$ 878,895	\$ 862,386	\$ 827,004
Equity - end of quarter	953,601	915,253	905,298	878,895	862,386
Adjustments:					
Tax recovery, net	(640)	—	(2,100)	—	(1,886)
Share-based compensation, net	1,919	2,068	1,921	2,191	2,496
Acquisition and divestiture costs	703	—	—	—	—
Cyberattack restoration costs, net	329	150	1,092	—	—
Gain on sale of business	(14,533)	—	—	—	—
Discontinued operations net income	—	—	(1,717)	—	—
<b>Average equity</b>	<b>928,316</b>	<b>911,385</b>	<b>891,695</b>	<b>871,736</b>	<b>845,000</b>
<b>Average funded debt (c)</b>	<b>227,688</b>	<b>352,897</b>	<b>361,792</b>	<b>398,318</b>	<b>392,853</b>
<b>Invested capital (denominator for Adjusted ROIC) (non-GAAP)</b>	<b>\$ 1,156,004</b>	<b>\$ 1,264,282</b>	<b>\$ 1,253,487</b>	<b>\$ 1,270,054</b>	<b>\$ 1,237,853</b>

(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) Recovery of prior period withholding taxes in Brazil

(c) Average funded debt is calculated as the daily average amounts outstanding on our short-term and long-term interest-bearing debt.



**SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION**

**Net Debt and Adjusted EBITDA Metrics**

(\$ in thousands)

	Q2 FY24	Q1 FY24	Q4 FY23	Q3 FY23	Q2 FY23
Consolidated debt (Q/E)	\$ 168,634	\$ 248,108	\$ 329,901	\$ 311,052	\$ 382,796
Less:					
Cash and cash equivalents of continuing operations (Q/E)	(44,987)	(42,647)	(36,178)	(37,374)	(66,445)
<b>Net debt (Q/E)</b>	<b>\$ 123,647</b>	<b>\$ 205,461</b>	<b>\$ 293,723</b>	<b>\$ 273,678</b>	<b>\$ 316,351</b>
<u>Reconciliation of Net Income to Adjusted EBITDA</u>					
Net income from continuing operations - GAAP	\$ 32,726	\$ 15,432	\$ 17,095	\$ 21,221	\$ 25,734
Plus:					
Interest expense	3,359	5,585	5,564	5,715	5,060
Income taxes	7,320	3,715	6,367	8,692	10,458
Depreciation and amortization	7,258	7,217	7,255	7,074	7,057
EBITDA	50,663	31,949	36,281	42,702	48,309
Adjustments:					
Acquisition and divestiture costs	703	—	—	—	—
Tax recovery <sup>(a)</sup>	(1,386)	—	(128)	—	(2,858)
Cyberattack restoration costs	441	201	1,460	—	—
Share-based compensation	2,571	2,769	2,586	2,954	3,364
Gain on sale of business	(14,533)	—	—	—	—
Adjusted EBITDA (non-GAAP)	\$ 38,459	\$ 34,919	\$ 40,199	\$ 45,656	\$ 48,815
<b>Adjusted EBITDA, TTM <sup>(b)</sup></b>	<b>\$ 159,233</b>	<b>\$ 169,589</b>	<b>\$ 179,945</b>	<b>\$ 178,418</b>	<b>\$ 176,877</b>
<b>Net Debt / Adjusted EBITDA, TTM</b>	<b>0.8x</b>	<b>1.2x</b>	<b>1.6x</b>	<b>1.5x</b>	<b>1.8x</b>

(a) Recovery of prior period withholding taxes in Brazil

(b) Adjusted EBITDA for the trailing 12-month period

**SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION**

**Working Capital, 5-Quarter Summary**

*(\$ in thousands)*

	<b>Q2 FY24</b>	<b>Q1 FY24</b>	<b>Q4 FY23</b>	<b>Q3 FY23</b>	<b>Q2 FY23</b>
Accounts Receivable (Q/E)	\$ 662,799	\$ 691,669	\$ 753,236	\$ 684,458	\$ 779,562
Days sales outstanding in receivables	68	71	72	70	69
Inventory (Q/E)	\$ 575,137	\$ 656,170	\$ 757,574	\$ 752,763	\$ 761,936
Inventory turns	5.1	4.4	4.4	4.1	5.0
Accounts payable (Q/E)	\$ 540,642	\$ 617,594	\$ 691,119	\$ 656,688	\$ 748,662
Paid for inventory days*	15.7	16.8	17.5	22.7	10.9
Working Capital (Q/E) (AR+INV-AP)	<u>\$ 697,294</u>	<u>\$ 730,245</u>	<u>\$ 819,691</u>	<u>\$ 780,533</u>	<u>\$ 792,836</u>
Cash conversion cycle	84	88	90	93	80

*\*Paid for inventory days represent Q/E inventory days less Q/E accounts payable days*

## SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION

### Operating Income, Net Income & EPS - QTR

(\$ in thousands)

	Quarter ended December 31, 2023						
	Reported GAAP measure	Intangible amortization expense	Divestiture costs	Tax recovery, net	Gain on sale of business <sup>(a)</sup>	Cyberattack restoration costs	Non-GAAP measure
SG&A expenses	\$66,921	—	\$(703)	\$1,386	—	\$(441)	\$67,163
Operating income	26,826	4,037	703	(1,386)	—	441	30,621
Pre-tax income	40,046	4,037	703	(1,386)	(14,533)	441	29,308
Net income	32,726	3,002	703	(640)	(14,533)	329	21,587
Diluted EPS	\$1.29	\$0.12	\$0.03	\$(0.03)	\$(0.57)	\$0.01	\$0.85

(\$ in thousands)

	Quarter ended September 30, 2023						
	Reported GAAP measure	Intangible amortization expense	Divestiture costs	Tax recovery, net	Gain on sale of business <sup>(a)</sup>	Cyberattack restoration costs	Non-GAAP measure
SG&A expenses	\$75,436	—	—	—	—	(201)	\$75,235
Operating income	24,084	4,193	—	—	—	201	28,478
Pre-tax income	19,147	4,193	—	—	—	201	23,541
Net income	15,432	3,146	—	—	—	150	18,728
Diluted EPS	\$0.61	\$0.12	—	—	—	\$0.01	\$0.74

(a) Reflects gain on the sale of the UK-based intY business. This transaction resulted in a capital loss for tax purposes. ScanSource did not record a tax provision on the capital loss since there were no offsetting capital gains.

**SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION**

**Operating Income, Net Income & EPS - QTR, continued**

(\$ in thousands)

Quarter ended June 30, 2023

	Reported GAAP measure	Intangible amortization expense	Divestiture costs	Tax recovery, net	Gain on sale of business	Cyberattack restoration costs	Non-GAAP measure
SG&A expenses	\$74,358	—	—	128	—	(1,460)	\$73,026
Operating income	27,289	4,185	—	(128)	—	1,460	32,806
Pre-tax income	23,462	4,185	—	(128)	—	1,460	28,979
Net income	17,095	3,126	—	(2,100)	—	1,092	19,213
Diluted EPS	\$0.68	\$0.12	—	\$(0.08)	—	\$0.04	\$0.76

(\$ in thousands)

Quarter ended March 31, 2023

	Reported GAAP measure	Intangible amortization expense	Divestiture costs	Tax recovery, net	Gain on sale of business	Cyberattack restoration costs	Non-GAAP measure
SG&A expenses	\$70,669	—	—	—	—	—	\$70,669
Operating income	34,279	4,170	—	—	—	—	38,449
Pre-tax income	29,913	4,170	—	—	—	—	34,083
Net income	21,221	3,109	—	—	—	—	24,330
Diluted EPS	\$0.83	\$0.12	—	—	—	—	\$0.96

**SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION**

(\$ in thousands)

Quarter ended December 31, 2022

	Reported GAAP measure	Intangible amortization expense	Divestiture costs	Tax recovery, net	Gain on sale of business	Cyberattack restoration costs	Non-GAAP measure
SG&A expenses	\$69,074	—	—	\$2,858	—	—	\$71,932
Operating income	39,432	4,150	—	(2,858)	—	—	40,724
Pre-tax income	36,192	4,150	—	(2,858)	—	—	37,484
Net income	25,734	3,093	—	(1,886)	—	—	26,941
Diluted EPS	\$1.01	\$0.12	—	\$(0.07)	—	—	\$1.06

**SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION**

**FY24 Annual Financial Outlook Reconciliation**

	<u>FY 24 Outlook</u>
<b>GAAP operating income</b>	<b>At least \$111 million</b>
<b>Intangible amortization</b>	<b>\$17 million</b>
<b>Depreciation expense</b>	<b>\$12 million</b>
<b>Share-based compensation expense</b>	<b>\$11 million</b>
<b>Interest income and income (expense), net</b>	<b>\$4 million</b>
<b>Adjusted EBITDA (non-GAAP)</b>	<b>At least \$155 million</b>
<b>GAAP operating cash flow</b>	<b>At least \$210 million</b>
<b>Less: Capital expenditures</b>	<b>\$10 million</b>
<b>Free cash flow (non-GAAP)</b>	<b>At least \$200 million</b>