



INVESTOR PRESENTATION

SEPTEMBER 2019



SAFE HARBOR AND NON-GAAP

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 or forecasted results, including but not limited to, changes in interest and exchange rates and regulatory regimes impacting our international operations, the impact of tax reform laws, the failure of acquisitions to meet our expectations, the failure to manage and implement our organic growth strategy, credit risks involving our larger customers and vendors, termination of our relationship with key vendors or a significant modification of the terms under which we operate with a key vendor, the decline in demand for the products and services that we provide, reduced prices for the products and services that we provide due both to competitor and customer actions, the Company’s ability to find a buyer for the planned divestitures on acceptable terms or to otherwise dispose of the operations, changes in the Company’s 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, 2019, 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, adjusted EBITDA, return on invested capital (“ROIC”) and net sales excluding the impact of foreign currency exchange rates and acquisitions (organic growth). 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 PROVIDER
OF TECHNOLOGY SOLUTIONS
WITH DIGITAL, PHYSICAL PRODUCT
AND SERVICES OFFERINGS

Channel sales model

Multiple, specialized routes to market

World's leading suppliers in specialty
technology markets

ROIC-driven company



POS, PAYMENTS
& BARCODE



UNIFIED COMMUNICATIONS
& COLLABORATION



NETWORKING &
PHYSICAL SECURITY



TELECOM & CLOUD
SERVICES

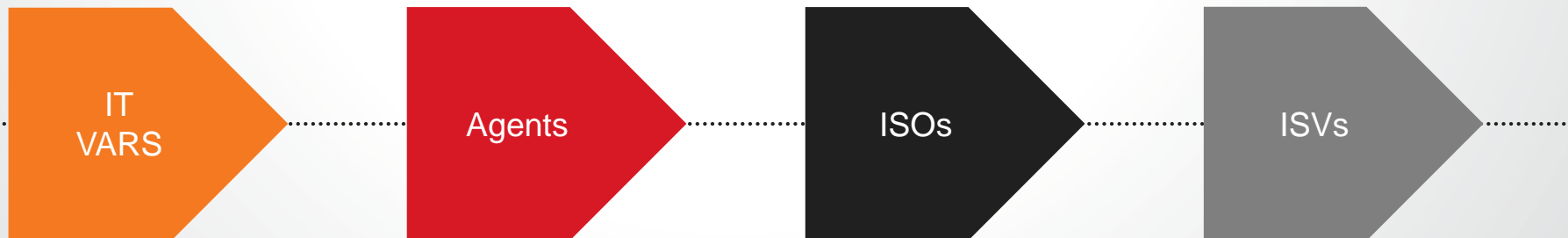
NASDAQ: SCSC • Headquarters: Greenville, SC • Founded in 1992 • 550+ Technology Suppliers
38,000+ Sales Partners • 2,700+ Employees • US, Canada, Brazil, Europe, Latin America



MISSION

To be the **center** of the solution delivery channel –
connecting businesses and providing **solutions**
for their complex needs

ROUTES TO MARKET



VARs = Value-Added Resellers; ISOs = Independent Sales Organizations; ISVs = Independent Software Vendors

ROBUST VALUE PROPOSITION

FOR SUPPLIERS



FOR SALES PARTNERS



ROUTES TO MARKET FOR KEY SUPPLIERS

POS, PAYMENTS & BARCODE



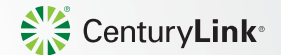
NETWORKING & PHYSICAL SECURITY



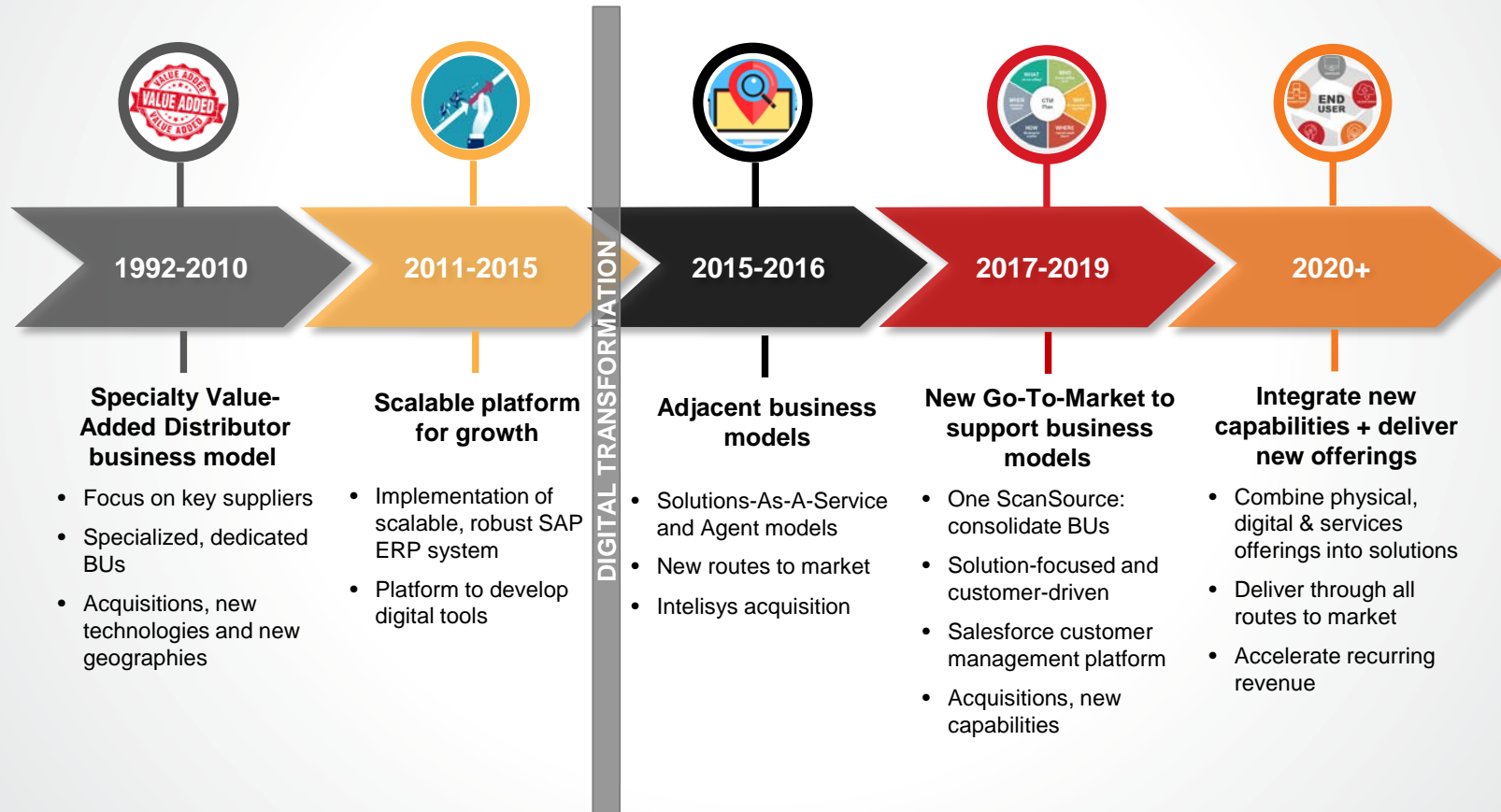
UNIFIED COMMUNICATIONS & COLLABORATION



TELECOM & CLOUD SERVICES



SCANSOURCE EVOLUTION



Solutions-As-A-Service

High Margin • Recurring Revenue
Adjacent to Pull through Other Business



Software



Infrastructure/
Platform



Cloud



Carrier Services



Managed Services



Hosted Voice/Video



Payments



IoT
Connected Devices

KEY GROWTH INITIATIVES FOR FY20

COLLABORATION – UC, CONTACT CENTER AND CLOUD

VIDEO SURVEILLANCE

BRAZIL

INTELISYS

POS PORTAL

intY'S CASCADE CLOUD PLATFORM

INTELISYS RECURRING REVENUE MODEL

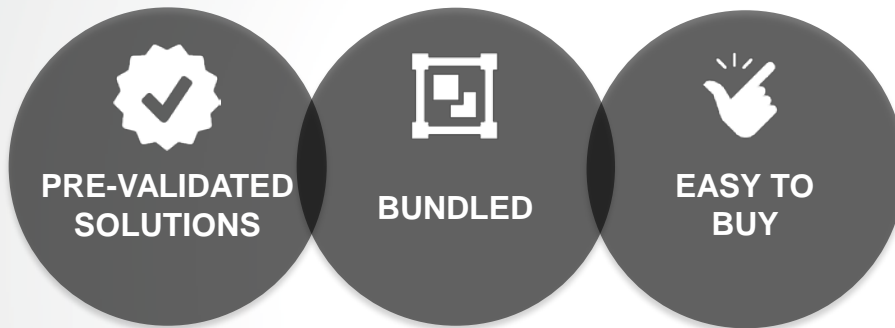


Telecom and Cloud Services Distributor

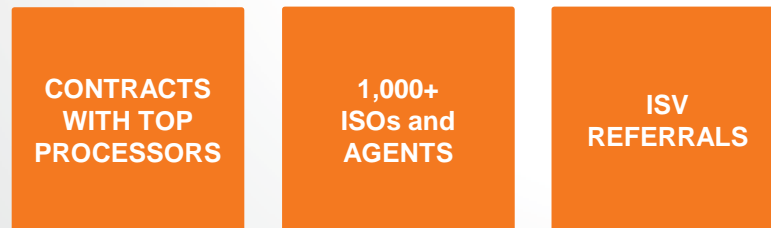
- Master agent business model
- Intelisys earns percentage of commissions, building recurring revenues
- Large, growing addressable market with expected channel shift
- More than 125 leading cloud carriers and providers; top UCaaS and CCaaS
- Very low working capital requirements and no inventories
- FY19 total revenues of \$50 million, up 17% Y/Y

POS PORTAL CUSTOMER CHANNELS

PAYMENTS SOLUTIONS AT VALUE-ADDED MARGINS



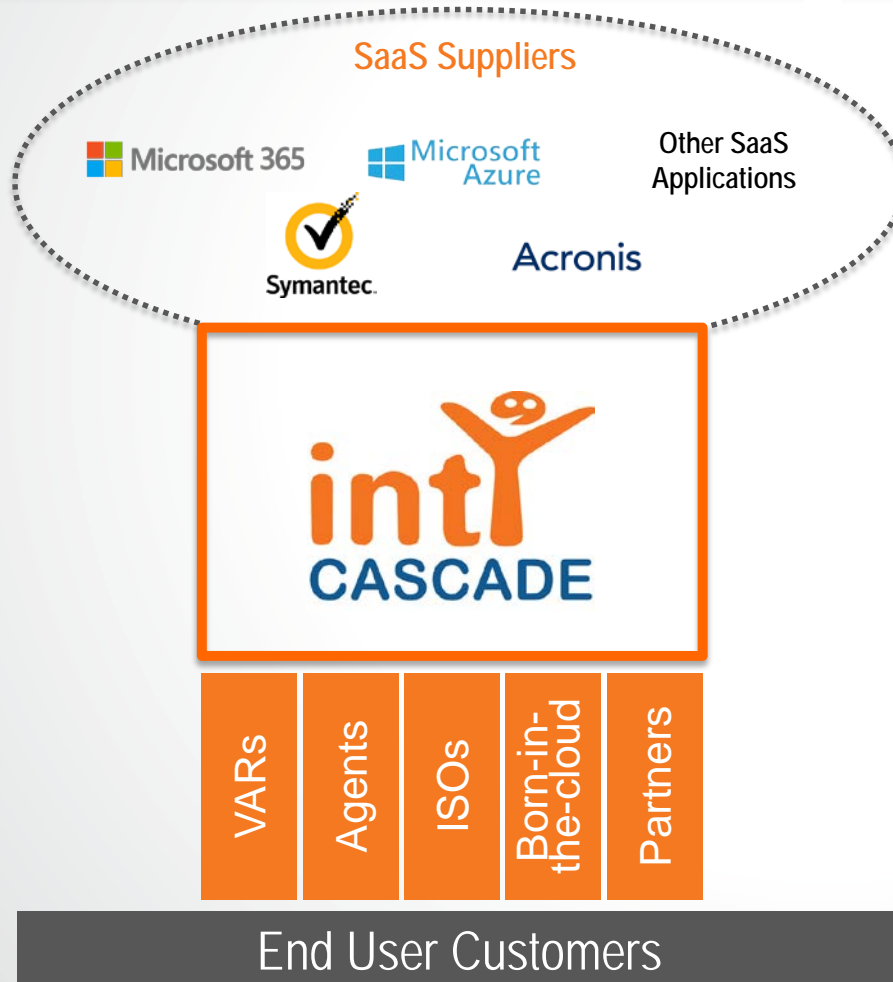
CUSTOMER CHANNELS



ISV Strategy - Example

- Salon ISV with cloud-based solution (SaaS)
- 10,000 end users
- ISV focus: subscriptions not hardware
- Engineer bundled payment solutions (hardware, software, and support)
- ISV refers end user to POS Portal
- Simplify end user experience

ADDING CAPABILITIES WITH CASCADE CLOUD PLATFORM



Digital Distribution with CASCADE Cloud Platform

- CASCADE Capabilities:
 - ✓ Quote management
 - ✓ SaaS provisioning
 - ✓ Subscription billing and payment
 - ✓ Partner insights (analytics & lead referral)
- Scalable platform with over 1,800 active sales partners
- Plan to add more SaaS suppliers to help sales partners sell strategic cloud solutions



FINANCIAL HIGHLIGHTS

LONGER-TERM OPERATING GOALS AND RECENT RESULTS

OPERATING GOALS



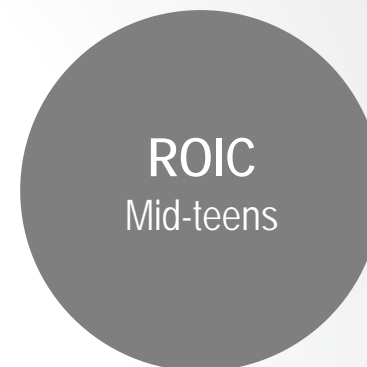
FY19
Y/Y **0.7%**
Y/Y, organic* **2.3%**



FY19
11.7%



FY19
GAAP **2.3%**
Non-GAAP* **3.3%**



FY19
12.0%

OPERATING GOALS

* Non-GAAP operating income excludes amortization of intangibles, changes in fair value of contingent consideration and other non-GAAP items. 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 and strategic acquisitions
- Net leverage: target range of 1.5x to 2.5x EBITDA
- In August 2019, announced planned divestiture of physical product businesses outside of the United States, Canada and Brazil

FY17 to FY19 CASH USES

FUNDED BY OPERATING CASH FLOW (+\$93 million) AND INCREASE IN NET DEBT (+\$321 million)

INVESTMENTS IN PROFITABLE GROWTH



ACQUISITIONS
\$360 million



CAPEX
\$24 million

RETURN OF CASH TO SHAREHOLDERS



SHARE REPURCHASES
\$30 million

STRONG FINANCIAL POSITION FOR GROWTH

STRONG BALANCE SHEET AND FINANCIAL FLEXIBILITY

2.3x net debt to adjusted EBITDA, trailing 12-months
\$24 million in cash and \$361 million in debt
\$500 million committed credit facility; \$149 million available

WORKING CAPITAL MANAGEMENT

4.7 inventory turns (5-qtr range: 4.3 to 6.0)
Paid for inventory days of 20.5* (5-qtr range: 6.8 to 24.2)
62 days sales outstanding in receivables* (5-qtr range: 58 to 62)

Information as of 6/30/19, unless otherwise indicated

** Excludes Intelisys; paid for inventory days represent Q/E inventory days less Q/E accounts payable days*

INVESTMENT HIGHLIGHTS

1

MARKET
LEADERSHIP

Leadership position in specialty markets with continued growth driven by innovative technology offerings; aligning the business to address customer needs

2

DEEP
PARTNERSHIPS

Multiple, specialized routes to market and deep supplier partnerships serve as strong competitive advantages

3

EXPANSION
OPPORTUNITIES

Capitalizing on expansion in higher margin and growth areas; opportunity for expansion in Solutions-as-a-Service with recurring revenue opportunities

4

SUSTAINABLE
MARGINS

Sustainable margin profile supported by multiple technologies, services and solutions

5

ATTRACTIVE
GROWTH
POTENTIAL

ROIC drives strong balance sheet and financial flexibility enabling disciplined cash deployment into faster growth areas while increasing bottom-line profitability

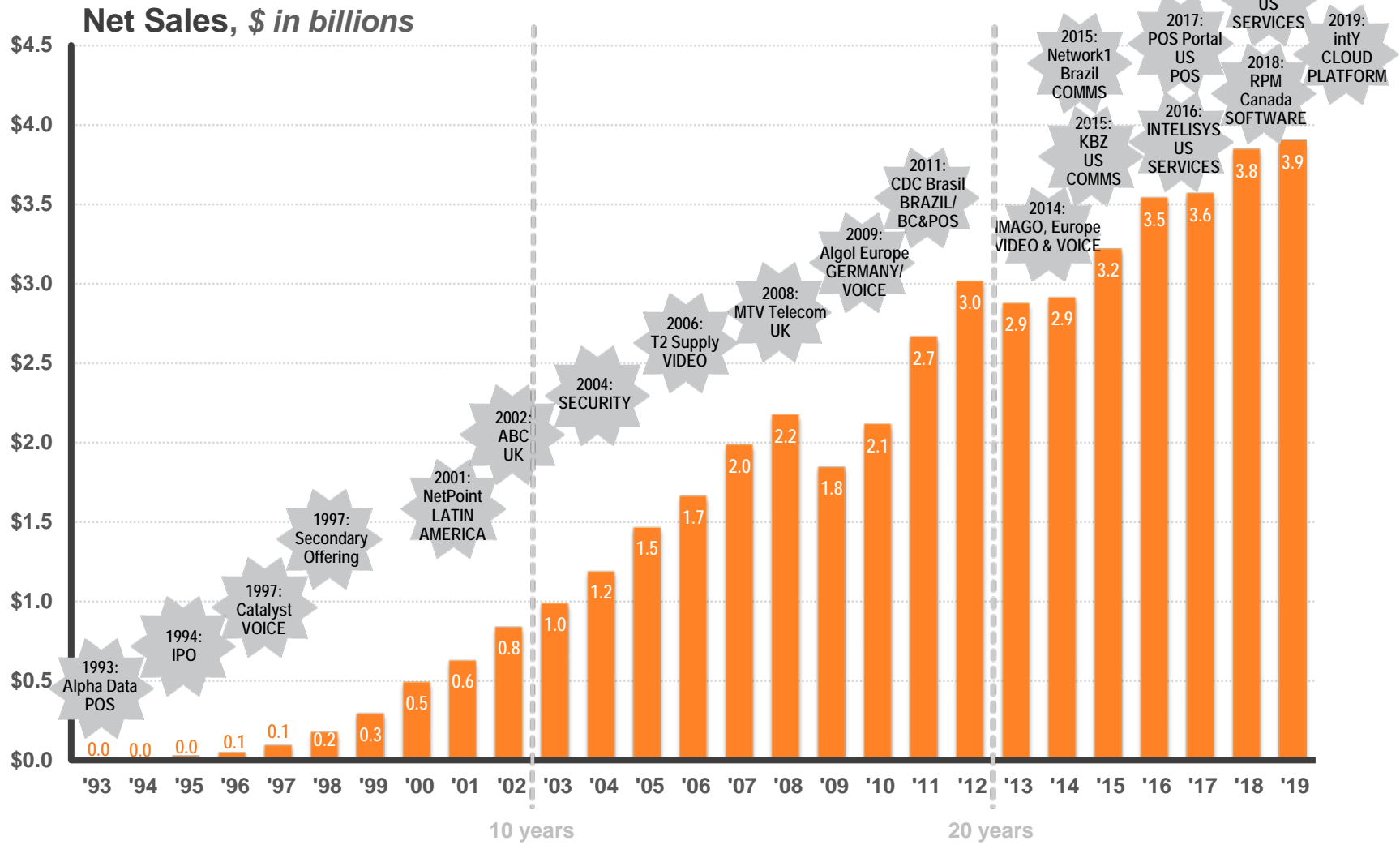


APPENDIX

scansource.com



SCANSOURCE HISTORY



Since inception, completed 28 acquisitions
 Net sales for fiscal years ended 6/30

10-Year Compound Annual Growth Rate: 8%

SEGMENT FINANCIAL RESULTS – Q4 FY19

WORLDWIDE BARCODE, NW & SECURITY

<i>\$ in millions</i>	Q4 FY19	Q3 FY19	Q4 FY18
Net sales	\$636.2	\$596.9	\$684.6
Gross profit	\$56.4	\$61.6	\$62.4
Gross margin	8.9%	10.3%	9.1%
Operating income	\$10.9	\$16.9	\$15.8
Operating income %	1.7%	2.8%	2.3%
Non-GAAP operating income	\$12.9	\$18.8	\$16.6
Non-GAAP operating income %	2.0%	3.2%	2.4%

WORLDWIDE COMMUNICATIONS & SERVICES

<i>\$ in millions</i>	Q4 FY19	Q3 FY19	Q4 FY18
Net sales	\$324.7	\$296.4	\$309.3
Gross profit	\$53.8	\$48.5	\$51.0
Gross margin	16.6%	16.3%	16.5%
Operating income	\$9.4	\$2.2	\$4.0
Operating income %	2.9%	0.7%	1.3%
Non-GAAP operating income	\$16.5	\$10.9	\$14.2
Non-GAAP operating income %	5.1%	3.7%	4.6%

Non-GAAP operating income excludes amortization of intangibles, change in fair value of contingent consideration and other non-GAAP items. See Appendix for calculation of non-GAAP measures and reconciliations to GAAP measures.

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Y/Y Sales Growth – Organic and Reported

(\$ in thousands)	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	FY19
Consolidated:						
Net sales, as reported	\$ 993,852	\$ 972,900	\$1,046,021	\$ 893,357	\$ 960,833	\$3,873,111
Foreign exchange impact	(100)	20,818	20,720	22,747	14,688	78,973
Net sales, constant currency	993,752	993,718	1,066,741	916,104	975,521	3,952,084
Less: Acquisitions	(30,842)	(24,429)	(1,832)	(2,423)	(2,042)	(30,726)
Net sales, constant currency excluding acquisitions	<u>\$ 962,910</u>	<u>\$ 969,289</u>	<u>\$1,064,909</u>	<u>\$ 913,681</u>	<u>\$ 973,479</u>	<u>\$3,921,358</u>
Prior Year Quarter Net sales, as reported	\$ 917,291	\$ 924,559	\$1,032,212	\$ 895,637	\$ 993,852	\$3,846,260
Less: Acquisitions	-	(14,553)	-	-	-	(14,553)
Prior Year Quarter Net sales, as adjusted	<u>\$ 917,291</u>	<u>\$ 910,006</u>	<u>\$1,032,212</u>	<u>\$ 895,637</u>	<u>\$ 993,852</u>	<u>\$3,831,707</u>
Y/Y% Change:						
Sales growth, as reported	8.3%	5.2%	1.3%	-0.3%	-3.3%	0.7%
Sales growth, constant currency	8.3%	7.5%	3.3%	2.3%	-1.8%	2.8%
Sales growth, constant currency excluding acquisitions (organic growth)	5.0%	6.5%	3.2%	2.0%	-2.0%	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 quarter indicated into U.S. dollars using the weighted average foreign exchange rates for the period year quarter.

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Highlights by Segment – QTR

(\$ in thousands)

	Quarter Ended June 30, 2019				FY19 Consolidated
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated	
Net sales	\$ 636,172	\$ 324,661	\$ -	\$ 960,833	\$ 3,873,111
GAAP operating income	\$ 10,901	\$ 9,351	\$ (230)	\$ 20,022	\$ 89,964
Adjustments:					
Amortization of intangible assets	1,968	3,057	-	5,024	19,732
Change in fair value of contingent consideration	-	3,665	-	3,665	15,200
Acquisition costs	-	-	230	230	1,218
Restructuring costs	86	397	-	483	2,402
Non-GAAP operating income	<u>\$ 12,954</u>	<u>\$ 16,469</u>	<u>\$ -</u>	<u>\$ 29,424</u>	<u>\$ 128,516</u>
GAAP operating income % (of net sales)	1.71%	2.88%	n/m	2.08%	2.32%
Non-GAAP operating income % (of net sales)	2.04%	5.07%	n/m	3.06%	3.32%

(\$ in thousands)

	Quarter Ended March 31, 2019			
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 596,913	\$ 296,444	\$ -	\$ 893,357
GAAP operating income	\$ 16,865	\$ 2,161	\$ (222)	\$ 18,804
Adjustments:				
Amortization of intangible assets	1,968	3,037	-	5,005
Change in fair value of contingent consideration	-	5,101	-	5,101
Acquisition costs	-	-	222	222
Restructuring costs	-	592	-	592
Non-GAAP operating income	<u>\$ 18,833</u>	<u>\$ 10,891</u>	<u>\$ -</u>	<u>\$ 29,724</u>
GAAP operating income % (of net sales)	2.83%	0.73%	n/m	2.10%
Non-GAAP operating income % (of net sales)	3.16%	3.67%	n/m	3.33%

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Highlights by Segment – QTR

(\$ in thousands)	Quarter Ended June 30, 2018				FY18 Consolidated
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated	
Net sales	\$ 684,552	\$ 309,300	\$ -	\$ 993,852	\$ 3,846,260
GAAP operating income	\$ 15,768	\$ 3,991	\$ -	\$ 19,759	\$ 67,639
Adjustments:					
Amortization of intangible assets	2,309	2,747	-	5,056	20,657
Change in fair value of contingent consideration	-	8,448	-	8,448	37,043
Acquisition costs	-	-	-	-	172
Tax recovery	(1,512)	(954)	-	(2,466)	(2,466)
Legal settlement, net of attorney fees	-	-	-	-	952
Non-GAAP operating income	\$ 16,565	\$ 14,232	\$ -	\$ 30,797	\$ 123,997
GAAP operating income % (of net sales)	2.30%	1.29%	n/m	1.99%	1.76%
Non-GAAP operating income % (of net sales)	2.42%	4.60%	n/m	3.10%	3.22%

n/m = not meaningful

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Return on Invested Capital (ROIC)

(\$ in thousands)

Return on invested capital (ROIC), annualized (a)

FY19

12.0%

Reconciliation of Net Income to EBITDA

Net income - GAAP	\$ 57,597
Plus: Interest expense	13,382
Plus: Income taxes	20,311
Plus: Depreciation and amortization	36,619
EBITDA	127,909
Change in fair value of contingent consideration	15,200
Acquisition costs	1,218
Restructuring costs	2,267
Adjusted EBITDA (numerator for ROIC)(non-GAAP)	\$ 146,594

Invested Capital Calculation

Equity - beginning of the quarter	\$ 866,376
Equity - end of quarter	914,129
Change in fair value of contingent consideration, net of tax	11,294
Acquisition costs, net of tax	1,218
Restructuring costs, net of tax	1,631
Tax recovery and related interest income, net of tax	(387)
Average equity	897,131
Average funded debt (b)	329,473
Invested capital (denominator for ROIC)(non-GAAP)	\$ 1,226,604

(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

Gross Margin and Non-GAAP Operating Income %

(\$ in millions)

	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Net sales	\$2,115.0	\$2,666.5	\$3,015.3	\$2,877.0	\$2,913.6	\$3,218.6	\$3,540.2	\$3,568.2	\$3,846.3	\$3,873.1
Gross margin	10.4%	10.3%	10.0%	10.2%	10.3%	10.2%	10.0%	10.8%	11.3%	11.7%
GAAP operating income	\$75.8	\$113.1	\$113.5	\$51.0	\$121.8	\$101.4	\$96.9	\$88.2	\$67.6	\$90.0
Adjustments:										
Amortization of intangible assets	2.0	3.0	6.4	4.9	3.9	6.6	9.8	15.5	20.7	19.7
Change in fair value of contingent consideration	-	(0.1)	0.1	1.8	2.3	2.7	1.3	5.2	37.0	15.2
Acquisition costs	-	-	-	-	-	3.3	0.9	1.3	0.2	1.2
Restructuring Costs	-	-	-	-	-	-	-	-	-	2.4
Impairment charges, including ERP & goodwill, and Belgian costs	-	-	-	50.9	-	-	-	-	-	-
Tax settlement and related interest income	-	-	-	-	-	-	-	-	(2.5)	-
Legal recovery, net of attorney fees	-	-	-	-	(15.5)	-	-	-	1.0	-
Non-GAAP operating income	\$77.8	\$116.0	\$120.0	\$108.7	\$112.5	\$114.0	\$108.9	\$110.2	\$124.0	\$128.5
GAAP operating income % (of net sales)	3.58%	4.24%	3.76%	1.77%	4.18%	3.15%	2.74%	2.47%	1.76%	2.32%
Non-GAAP operating income % (of net sales)	3.68%	4.35%	3.98%	3.78%	3.86%	3.54%	3.08%	3.09%	3.22%	3.32%