



INVESTOR PRESENTATION

AUGUST 2018



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, and other factors set forth in the “Risk Factors” contained in our annual report on Form 10-K for the year ended June 30, 2018, 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 GLOBAL PROVIDER
OF SPECIALTY TECHNOLOGY
PRODUCTS AND SOLUTIONS

Two-tier value-added business model
Best-of-breed suppliers in specialty
technology markets
ROIC-driven company



POS, PAYMENTS
& BARCODE



UNIFIED COMMUNICATIONS
& COLLABORATION



NETWORKING &
PHYSICAL SECURITY



TELECOM & CLOUD
SERVICES

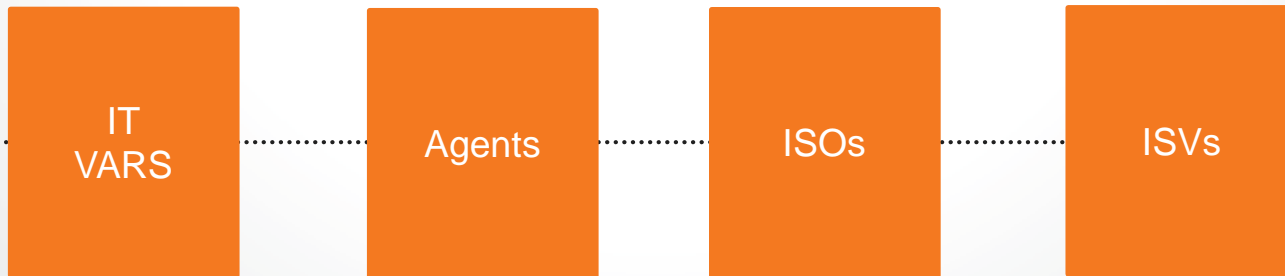
NASDAQ: SCSC • Headquarters: Greenville, SC • Founded in 1992 • 500+ Technology Suppliers
38,000+ Customers • 2,600+ Employees • 49 offices: US, Canada, Latin America, Europe, South Africa



MISSION

To be the **center** of the solution delivery channel –
connecting companies and people around the globe

CUSTOMER CHANNELS



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

ROBUST VALUE PROPOSITION

FOR SUPPLIERS



Top 15 suppliers represent more than 80% of net sales

FOR CUSTOMERS



No single customer represents more than 6% of net sales

DEEP SUPPLIER PARTNERSHIPS



% OF NET SALES, FY18

Segment includes POS and Barcode in US/Canada, Europe, Latin America/Brazil; Networking and Security in US/Canada; ScanSource KBZ and POS Portal in US

BARCODE, NETWORKING & SECURITY KEY VENDORS



DEEP SUPPLIER PARTNERSHIPS

COMMUNICATIONS & SERVICES KEY VENDORS

audiocodes

AVAYA

BARCO

COMCAST
BUSINESS

CENTURYLINK
Channel Partner Program
DIAMOND PARTNER

f5

FORTINET

Jabra GN

Level(3)

Mitel

plantronics

Polycom

RingCentral

verizon

west

windstream.
communications

xc communications



% OF NET SALES, FY18

Segment includes Communications in US/Canada and Europe; Intelisys and Canpango in US/Canada; Network1 in Latin America/Brazil

Solutions-As-A-Service

High Margin • Recurring Revenue
Adjacent to Pull through Other Business



Software



IoT
Connected Devices



Infrastructure/
Platform



Cloud



Carrier Services



Managed Services

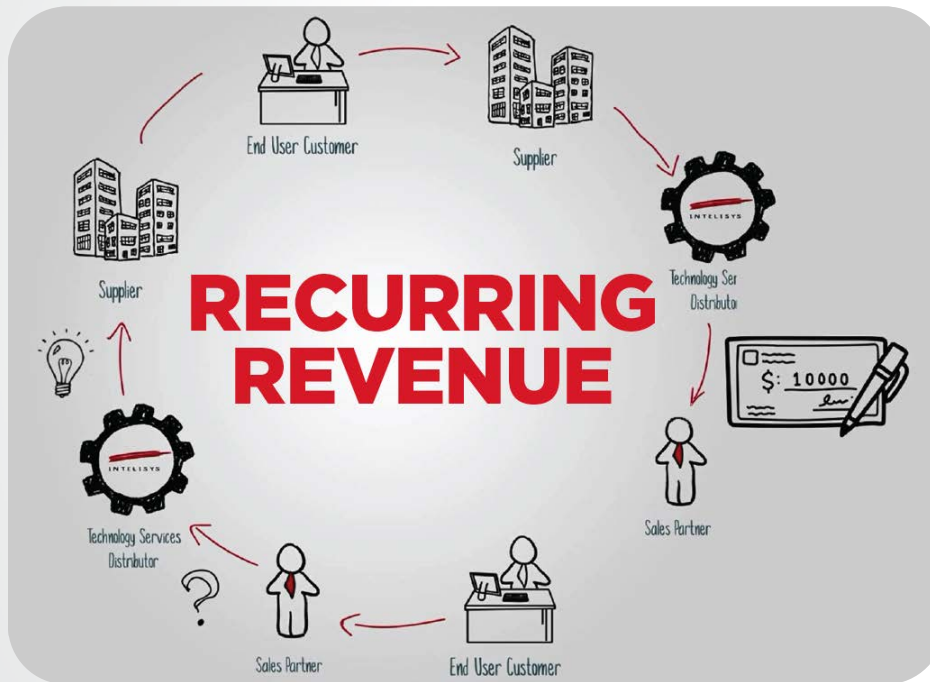


Hosted Voice/Video



Payments

INTELISYS RECURRING REVENUE MODEL



Telecom and Cloud Services Distributor

- Master agent business model
- Sales partners earn commissions from suppliers on end-user sales
- Intelisys earns percentage of commissions, building recurring revenues
- Very low working capital requirements and no inventories
- Large, growing addressable market with expected channel shift

~\$150
BILLION

SMB Spend on
Telecom Services

10%
INDIRECT

% of Market Served
by Indirect Channel

Note: Intelisys acquisition completed August 2016

POS PORTAL MARKET CHANNELS

MARKET CHANNELS FOR PAYMENTS SOLUTIONS AT VALUE-ADDED MARGINS

CONTRACTS WITH TOP PROCESSORS

Long-term contracts with top processors including Cayan, Elavon, Transfirst, TSYS, Worldpay; value-added services and repair-replacements

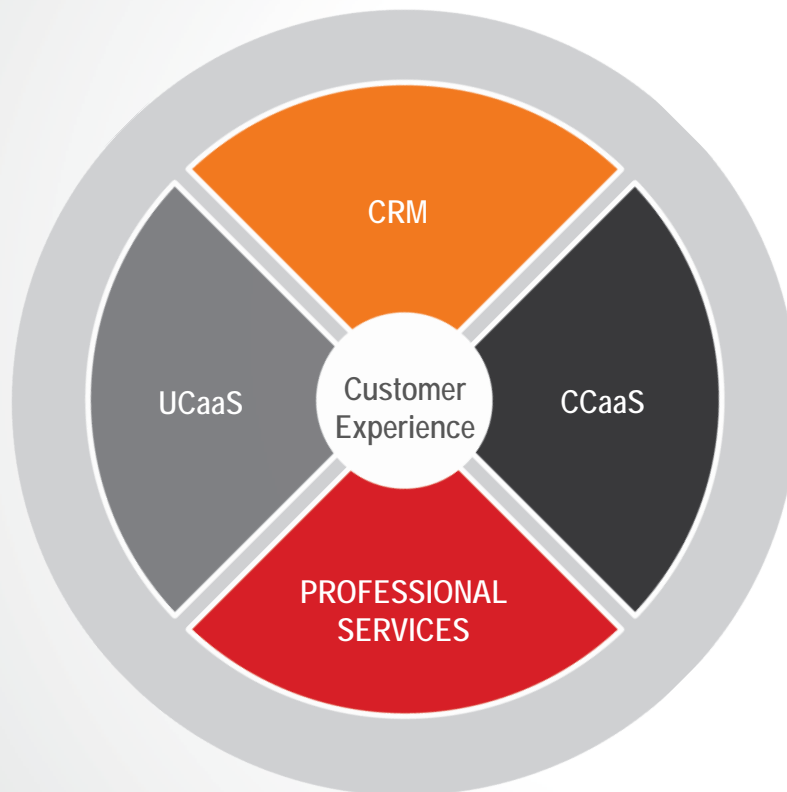
1,000+ ISOs and AGENTS

2-Tier wholesale distribution model focused on SMB and mid-market; hardware orders have services attached, such as configuration and key injection

ISV REFERRALS

ISV (independent software vendor) selling partners refer leads; pre-validated tablet POS solution bundles with purchase and “as a service” offer

CANPANGO PROFESSIONAL SERVICES



*Definitions: CRM (Customer Relationship Management);
CCaaS (Contact Center as a Service); UCaaS (Unified
Communications as a Service)*

Note: Canpango acquisition completed August 2018

Global Salesforce Implementation and Consulting Partner

- High-growth, high margin professional services business
- Deep knowledge of CRM and integration with telecom systems
- Complements cloud services offerings
- Salesforce Managed Partner
- HQ in Milwaukee, WI
- Additional offices in Chicago, NY, London and South Africa
- 70+ employees
- 400+ customers



KEY OPPORTUNITIES FOR GROWTH

1 Mobile computing

2 Video surveillance

3 POS Portal

4 Communications channel opportunity

5 Intelisys

6 Network1

Note: Opportunities not listed in order of importance



FINANCIAL HIGHLIGHTS

LONGER-TERM OPERATING GOALS AND RECENT RESULTS

OPERATING GOALS



Q4 FY18
Y/Y **8.3%**
Y/Y, organic* **5.0%**

FY18
Y/Y **7.8%**
Y/Y, organic* **4.1%**



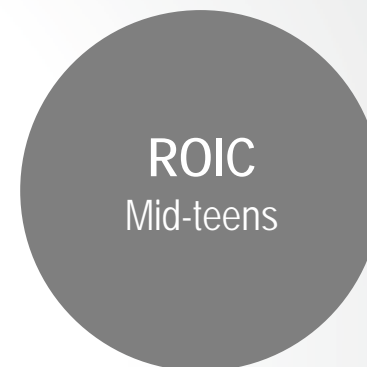
Q4 FY18
11.4%

FY18
11.3%



Q4 FY18
GAAP **2.0%**
Non-GAAP* **3.1%**

FY18
GAAP **1.8%**
Non-GAAP* **3.2%**



Q4 FY18
12.5%

FY18
12.5%

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, strategic acquisitions, share repurchase
- Net leverage of at least 1x EBITDA

FY17 to FY18 CASH USES

FUNDED BY OPERATING CASH FLOW (+\$123 million) AND INCREASE IN NET DEBT (+\$208 million)

INVESTMENTS IN PROFITABLE GROWTH



ACQUISITIONS
\$295 million



CAPEX
\$17 million

RETURN OF CASH TO SHAREHOLDERS



SHARE REPURCHASES
\$21 million

STRONG FINANCIAL POSITION FOR GROWTH

STRONG BALANCE SHEET AND FINANCIAL FLEXIBILITY

1.6x net debt to adjusted EBITDA, trailing 12-months
\$26 million in cash and \$249 million in debt
\$400 million committed credit facility; \$156 million available
\$100 million available under share repurchase authorization

WORKING CAPITAL MANAGEMENT

6.0 inventory turns (5-qtr range: 5.5-6.2)
Paid for inventory days of 6.8* (5-qtr range: 4.7-11.6)
59 days sales outstanding in receivables* (5-qtr range: 59-64)

Information as of 6/30/18, 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

Access to customer channels and deep vendor 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

STRONG
FINANCIALS

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

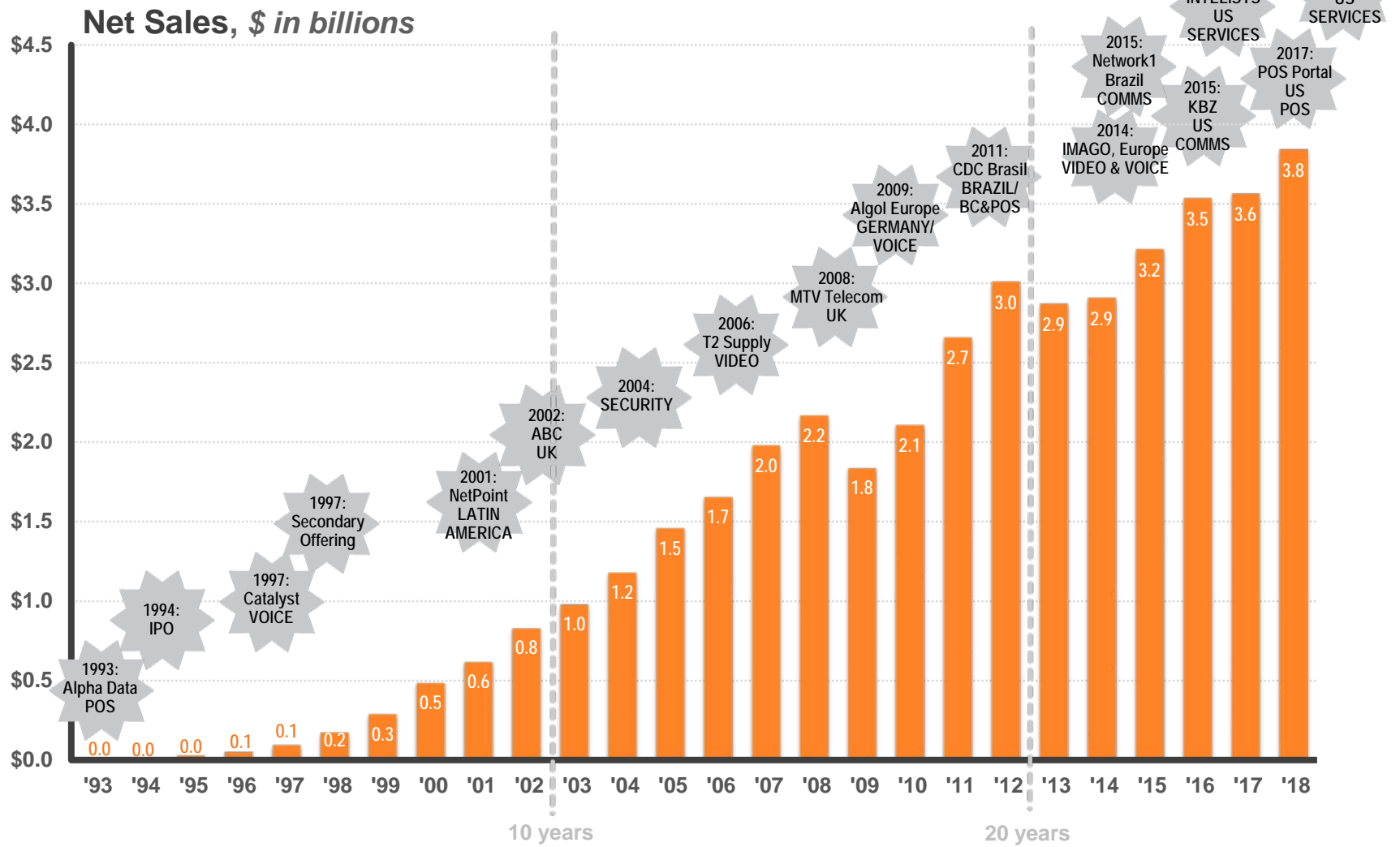


APPENDIX

scansource.com



SCANSOURCE HISTORY



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

10-Year Compound Annual Growth Rate: 6%

SEGMENT FINANCIAL RESULTS – Q4 FY18

WORLDWIDE BARCODE, NW & SECURITY

<i>\$ in millions</i>	Q4 FY18	Q3 FY18	Q4 FY17
Net sales	\$684.6	\$604.3	\$619.2
Gross profit	\$62.4	\$56.5	\$51.7
Gross margin	9.1%	9.3%	8.3%
Operating income	\$15.8	\$11.6	\$13.0
Operating income %	2.3%	1.9%	2.1%
Non-GAAP operating income	\$16.6	\$13.9	\$13.8
Non-GAAP operating income %	2.4%	2.3%	2.2%

WORLDWIDE COMMUNICATIONS & SERVICES

<i>\$ in millions</i>	Q4 FY18	Q3 FY18	Q4 FY17
Net sales	\$309.3	\$291.3	\$298.0
Gross profit	\$51.0	\$47.4	\$49.2
Gross margin	16.5%	16.3%	16.5%
Operating income	\$4.0	\$6.4	\$9.5
Operating income %	1.3%	2.2%	3.2%
Non-GAAP operating income	\$14.2	\$14.0	\$14.0
Non-GAAP operating income %	4.6%	4.8%	4.7%

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)

	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	FY18
Consolidated:									
Net sales, as reported	\$ 932,566	\$ 904,792	\$ 813,538	\$ 917,291	\$ 924,559	\$1,032,212	\$ 895,637	\$ 993,852	\$3,846,260
Foreign exchange impact	(4,028)	(5,814)	(6,837)	(2,150)	(8,039)	(13,831)	(15,646)	(100)	(37,616)
Net sales, constant currency	928,538	898,978	806,701	915,141	916,520	1,018,381	879,991	993,752	3,808,644
Less: Acquisitions	(102,195)	(8,487)	(8,893)	(9,178)	(24,303)	(19,706)	(22,361)	(30,842)	(97,211)
Net sales, constant currency excluding acquisitions	<u>\$ 826,343</u>	<u>\$ 890,491</u>	<u>\$ 797,808</u>	<u>\$ 905,963</u>	<u>\$ 892,217</u>	<u>\$ 998,675</u>	<u>\$ 857,630</u>	<u>\$ 962,910</u>	<u>\$3,711,433</u>
Prior Year Quarter Net sales, as reported	\$ 870,829	\$ 993,522	\$ 798,404	\$ 877,473	\$ 932,566	\$ 904,792	\$ 813,538	\$ 917,291	\$3,568,186
Less: Acquisitions	(34,628)	-	-	-	(2,863)	-	-	-	(2,863)
Prior Year Quarter Net sales, as adjusted	<u>\$ 836,201</u>	<u>\$ 993,522</u>	<u>\$ 798,404</u>	<u>\$ 877,473</u>	<u>\$ 929,703</u>	<u>\$ 904,792</u>	<u>\$ 813,538</u>	<u>\$ 917,291</u>	<u>\$3,565,323</u>
Y/Y% Change:									
Sales growth, as reported	7.1%	-8.9%	1.9%	4.5%	-0.9%	14.1%	10.1%	8.3%	7.8%
Sales growth, constant currency	6.6%	-9.5%	1.0%	4.3%	-1.7%	12.6%	8.2%	8.3%	6.7%
Sales growth, constant currency excluding acquisitions (organic growth)	-1.2%	-10.4%	-0.1%	3.2%	-4.0%	10.4%	5.4%	5.0%	4.1%

(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, 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
Tax recovery	(1,512)	(954)	-	(2,466)	(2,466)
Legal settlement	-	-	-	-	952
Acquisition costs	-	-	-	-	172
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%

(\$ in thousands)

	Quarter Ended March 31, 2018			
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 604,322	\$ 291,315	\$ -	\$ 895,637
GAAP operating income	\$ 11,566	\$ 6,375	\$ -	\$ 17,941
Adjustments:				
Amortization of intangible assets	2,310	2,793	-	5,103
Change in fair value of contingent consideration	-	4,801	-	4,801
Non-GAAP operating income	\$ 13,876	\$ 13,969	\$ -	\$ 27,845
GAAP operating income % (of net sales)	1.91%	2.19%	n/m	2.00%
Non-GAAP operating income % (of net sales)	2.30%	4.80%	n/m	3.11%



APPENDIX: NON-GAAP FINANCIAL INFORMATION

Highlights by Segment – QTR

(\$ in thousands)

	Quarter Ended June 30, 2017			
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 619,241	\$ 298,050	\$ -	\$ 917,291
GAAP operating income	\$ 12,997	\$ 9,536	\$ (422)	\$ 22,111
Adjustments:				
Amortization of intangible assets	770	3,217	-	3,987
Change in fair value of contingent consideration	-	1,290	-	1,290
Acquisition costs	-	-	422	422
Non-GAAP operating income	\$ 13,767	\$ 14,043	\$ -	\$ 27,810
GAAP operating income % (of net sales)	2.10%	3.20%	n/m	2.41%
Non-GAAP operating income % (of net sales)	2.22%	4.71%	n/m	3.03%

n/m = not meaningful

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Return on Invested Capital (ROIC)

<i>(\$ in thousands)</i>	<u>Q4 FY18</u>	<u>FY18</u>
Return on invested capital (ROIC), annualized (a)	12.5%	12.5%
<u>Reconciliation of Net Income to EBITDA</u>		
Net income - GAAP	\$ 10,388	\$ 33,153
Plus: Interest expense	2,494	9,149
Plus: Income taxes	7,655	27,772
Plus: Depreciation and amortization	9,291	37,495
EBITDA	<u>29,828</u>	<u>107,569</u>
Change in fair value of contingent consideration	8,448	37,043
Acquisition costs	-	172
Tax recovery and related interest income	(3,119)	(3,119)
Legal settlement, net of attorney fees	-	952
Adjusted EBITDA (numerator for ROIC)(non-GAAP)	<u>\$ 35,157</u>	<u>\$ 142,617</u>
<u>Invested Capital Calculation</u>		
Equity - beginning of the quarter	\$ 877,796	\$ 837,145
Equity - end of quarter	866,376	866,376
Change in fair value of contingent consideration, net of tax	5,679	24,697
Acquisition costs, net of tax	-	172
Tax recovery and related interest income	(2,058)	(2,058)
Legal settlement, net of attorney fees, net of tax	-	771
Tax reform charges	2,345	9,034
Average equity	<u>875,069</u>	<u>868,069</u>
Average funded debt (b)	<u>253,393</u>	<u>276,233</u>
Invested capital (denominator for ROIC)(non-GAAP)	<u>\$ 1,128,462</u>	<u>\$ 1,144,302</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

Gross Margin and Non-GAAP Operating Income %

<i>(\$ in millions)</i>	FY '09	FY '10	FY '11	FY '12	FY '13	FY '14	FY '15	FY '16	FY '17	FY'18
Net sales	\$1,848.0	\$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
Gross margin	11.3%	10.4%	10.3%	10.0%	10.2%	10.3%	10.2%	10.0%	10.8%	11.3%
GAAP operating income	\$ 74.1	\$ 75.8	\$ 113.1	\$ 113.5	\$ 51.0	\$ 121.8	\$ 101.4	\$ 96.9	\$ 88.2	\$ 67.6
Adjustments:										
Amortization of intangible assets	2.6	2.0	3.0	6.4	4.9	3.9	6.6	9.8	15.5	20.7
Change in fair value of contingent consideration	-	-	(0.1)	0.1	1.8	2.3	2.7	1.3	5.2	37.0
Acquisition costs	-	-	-	-	-	-	3.3	0.9	1.3	0.2
Impairment charges, including ERP & goodwill, and Belgian costs	-	-	-	-	50.9	-	-	-	-	-
Tax recovery and related interest income	-	-	-	-	-	-	-	-	-	(2.5)
Legal recovery, net of attorney fees	-	-	-	-	-	(15.5)	-	-	-	1.0
Non-GAAP operating income	\$ 76.7	\$ 77.8	\$ 116.0	\$ 120.0	\$ 108.7	\$ 112.5	\$ 114.0	\$ 108.9	\$ 110.2	\$ 124.0
GAAP operating income % (of net sales)	4.01%	3.58%	4.24%	3.76%	1.77%	4.18%	3.15%	2.74%	2.47%	1.76%
Non-GAAP operating income % (of net sales)	4.15%	3.68%	4.35%	3.98%	3.78%	3.86%	3.54%	3.08%	3.09%	3.22%