



INVESTOR PRESENTATION

FEBRUARY 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, 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, and subsequent reports on Form 10-Q, 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 TECHNOLOGY
PRODUCTS AND SOLUTIONS

Channel sales model

Multiple 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 • 500+ Technology Suppliers
38,000+ Customers • 2,700+ Employees • 49 offices: US, Canada, Latin America, Europe, South Africa



MISSION

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

CUSTOMER CHANNELS



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

ROBUST VALUE PROPOSITION

FOR SUPPLIERS



FOR CUSTOMERS



DEEP SUPPLIER PARTNERSHIPS



% OF NET SALES, Q2 FY19

Segment includes the following acquisitions:
KBZ (2015) and POS Portal (2017)

BARCODE, NETWORKING & SECURITY KEY VENDORS



DEEP SUPPLIER PARTNERSHIPS

COMMUNICATIONS & SERVICES KEY VENDORS

 audiocodes

 AVAYA

 BARCO

CENTURYLINK
Channel Partner Program
DIAMOND PARTNER

 COMCAST
BUSINESS



 FORTINET

 Jabra GN

 Level (3)

 Mitel

 plantronics

 Polycom

 RingCentral

 verizon

 west

 windstream.
communications

 xc communications



% OF NET SALES, Q2 FY19

*Segment includes the following acquisitions:
Network1 (2015), Intelisys (2016) and
Canpango (2018)*

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

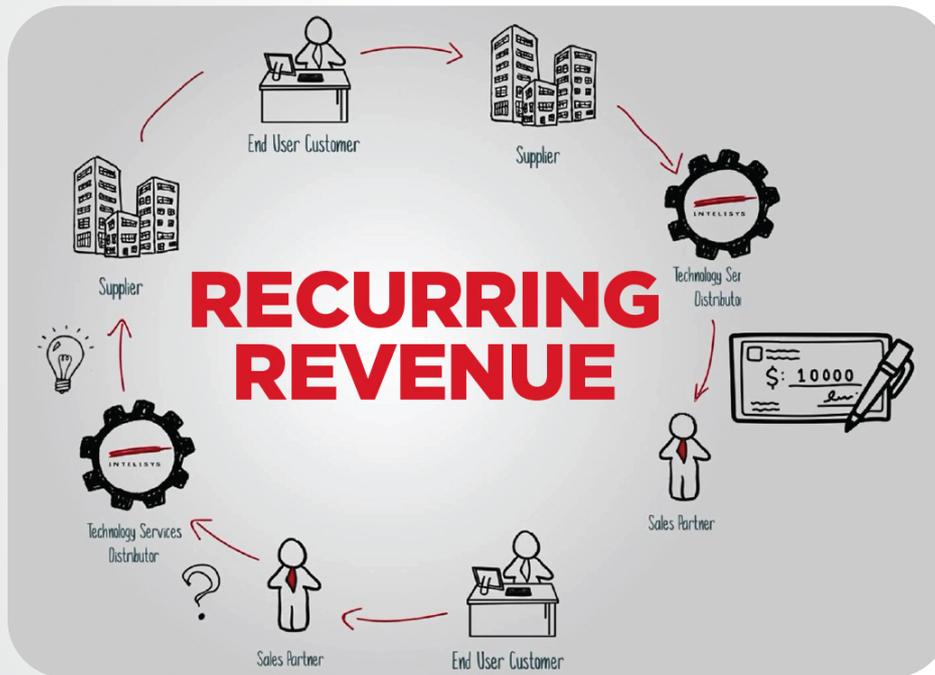


Hosted Voice/Video



Payments

INTELISYS RECURRING REVENUE MODEL



Telecom and Cloud Services Distributor

- Master agent business model
- Intelisys earns percentage of commissions, building recurring revenues
- Large, growing addressable market with expected channel shift

~\$150
BILLION

SMB Spend on
Telecom Services

10%
INDIRECT

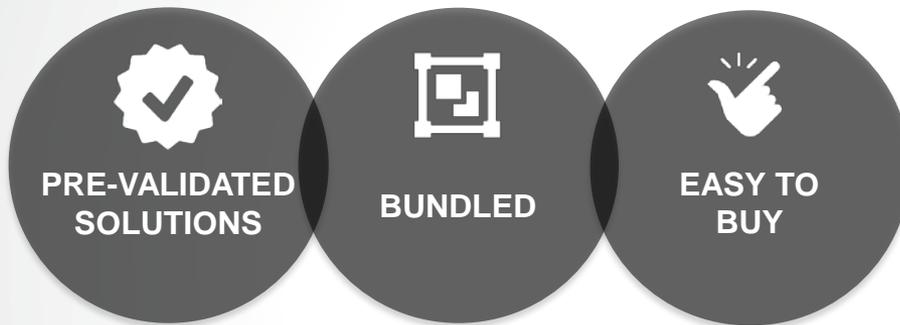
% of Market Served
by Indirect Channel

- More than 125 leading cloud carriers and providers; top UCaaS and CCaaS
- Very low working capital requirements and no inventories

Note: Intelisys acquisition completed August 2016

POS PORTAL CUSTOMER CHANNELS

PAYMENTS SOLUTIONS AT VALUE-ADDED MARGINS



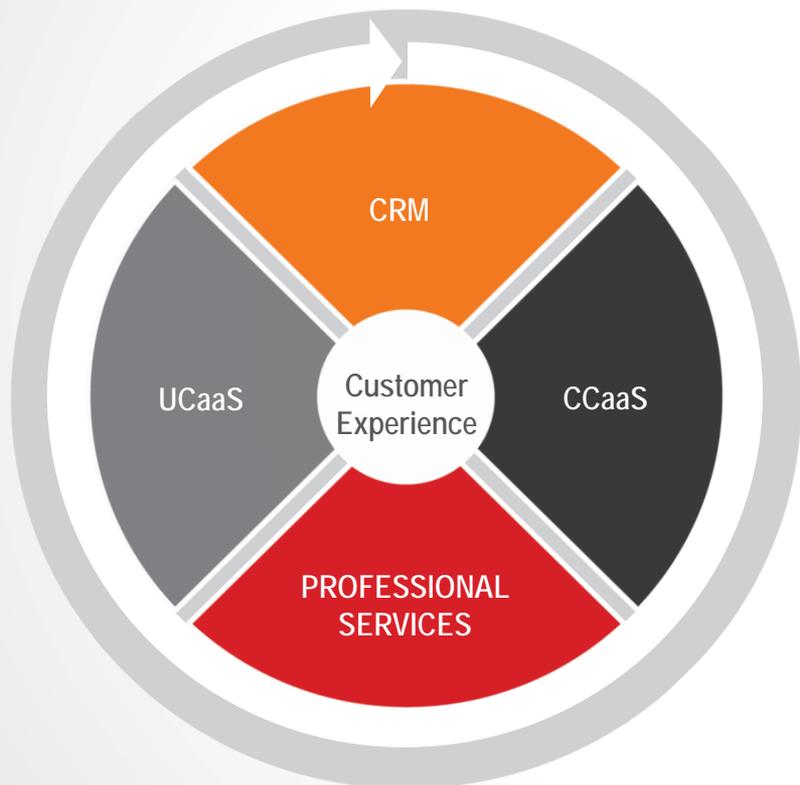
CUSTOMER CHANNELS



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

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 Professional Services Business

- Deep knowledge of CRM and integration with telecom systems
 - Unified Communications
 - Contact Center solutions
- Capabilities to help channel partners sell customer experience (CX) solutions
- Salesforce Managed Partner
- 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



Q2 FY19
Y/Y **1.3%**
Y/Y, organic* **3.2%**

YTD FY19
Y/Y **3.2%**
Y/Y, organic* **4.7%**



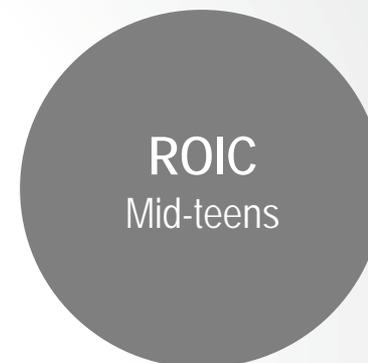
Q2 FY19
11.5%

YTD FY19
11.5%



Q2 FY19
GAAP **2.8%**
Non-GAAP* **3.5%**

YTD FY19
GAAP **2.5%**
Non-GAAP* **3.4%**



Q2 FY19
13.3%

YTD FY19
13.1%

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 of at least 1x EBITDA (target range 1.5x to 2.5x)

FY17 to FY19 YTD CASH USES

FUNDED BY OPERATING CASH FLOW (+\$68 million) AND INCREASE IN NET DEBT (+\$334 million)

INVESTMENTS IN PROFITABLE GROWTH



ACQUISITIONS
\$360 million



CAPEX
\$23 million

RETURN OF CASH TO SHAREHOLDERS



SHARE REPURCHASES
\$21 million

STRONG FINANCIAL POSITION FOR GROWTH

STRONG BALANCE SHEET AND FINANCIAL FLEXIBILITY

2.4x net debt to adjusted EBITDA, trailing 12-months

\$23 million in cash and \$372 million in debt

\$400 million committed credit facility

WORKING CAPITAL MANAGEMENT

5.4 inventory turns (5-qtr range: 5.4 to 6.2)

Paid for inventory days of 13.2* (5-qtr range: 6.8 to 13.2)

58 days sales outstanding in receivables* (5-qtr range: 58 to 64)

Information as of 12/31/18, 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 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

STRONG
FINANCIALS

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

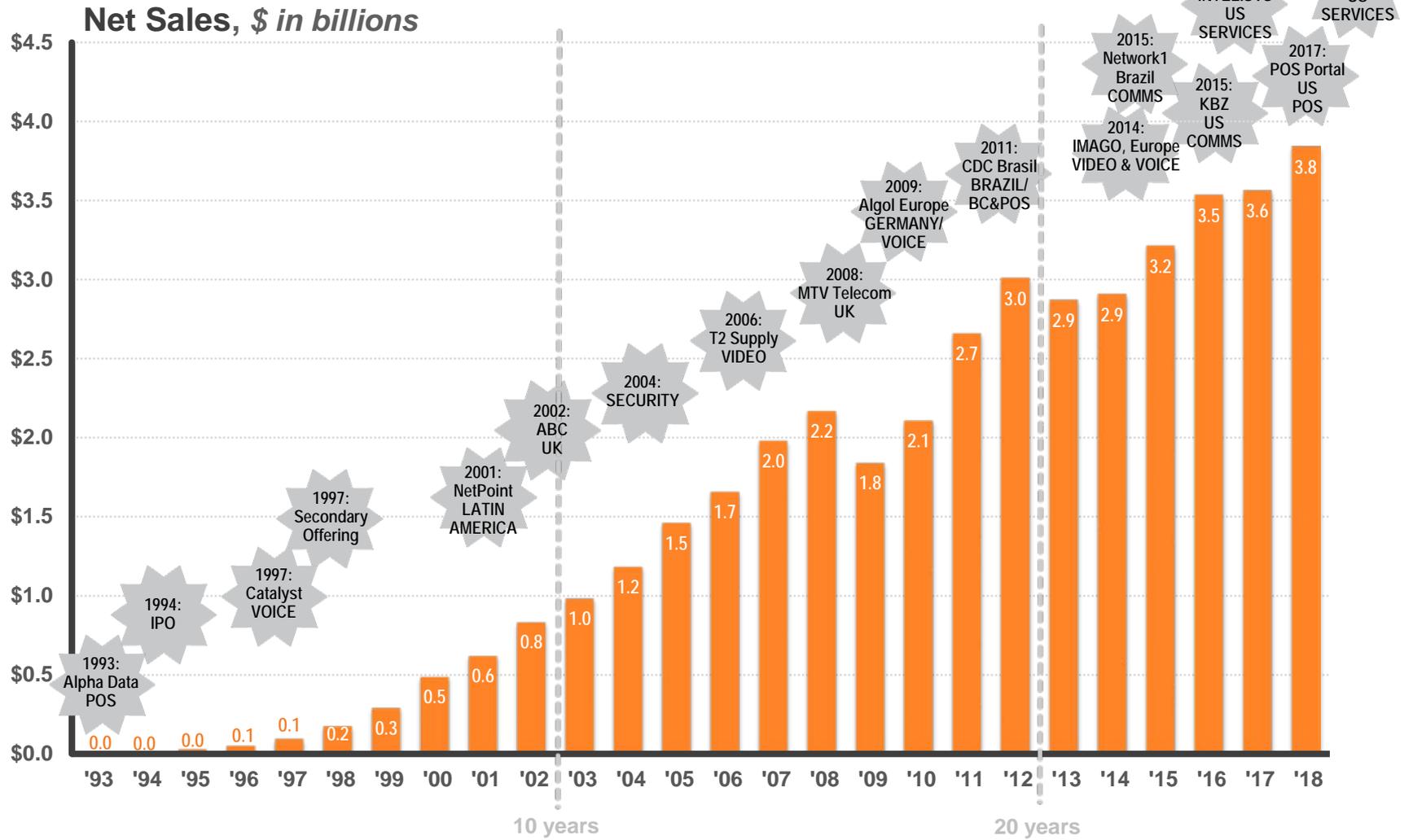


APPENDIX

scansource.com



SCANSOURCE HISTORY



Since inception, completed 27 acquisitions
 Net sales for fiscal years ended 6/30

10-Year Compound Annual Growth Rate: 6%

SEGMENT FINANCIAL RESULTS – Q2 FY19

WORLDWIDE BARCODE, NW & SECURITY

<i>\$ in millions</i>	Q2 FY19	Q1 FY19	Q2 FY18
Net sales	\$701.6	\$655.1	\$719.8
Gross profit	\$64.8	\$62.0	\$62.0
Gross margin	9.2%	9.5%	8.6%
Operating income	\$18.6	\$13.5	\$15.5
Operating income %	2.6%	2.1%	2.2%
Non-GAAP operating income	\$20.4	\$16.5	\$17.9
Non-GAAP operating income %	2.9%	2.5%	2.5%

WORLDWIDE COMMUNICATIONS & SERVICES

<i>\$ in millions</i>	Q2 FY19	Q1 FY19	Q2 FY18
Net sales	\$344.4	\$317.8	\$312.4
Gross profit	\$55.7	\$50.3	\$51.0
Gross margin	16.2%	15.8%	16.3%
Operating income	\$11.5	\$8.3	\$6.8
Operating income %	3.4%	2.6%	2.2%
Non-GAAP operating income	\$16.2	\$16.2	\$16.9
Non-GAAP operating income %	4.7%	5.1%	5.4%

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)

	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19	YTD FY19
Consolidated:						
Net sales, as reported	\$1,032,212	\$ 895,637	\$ 993,852	\$ 972,900	\$1,046,021	\$2,018,921
Foreign exchange impact	(13,831)	(15,646)	(100)	20,820	20,720	41,540
Net sales, constant currency	1,018,381	879,991	993,752	993,720	1,066,741	2,060,461
Less: Acquisitions	(19,706)	(22,361)	(30,842)	(24,430)	(1,832)	(26,261)
Net sales, constant currency excluding acquisitions	\$ 998,675	\$ 857,630	\$ 962,910	\$ 969,291	\$1,064,909	\$2,034,200
Prior Year Quarter Net sales, as reported	\$ 904,792	\$ 813,538	\$ 917,291	\$ 924,559	\$1,032,212	\$1,956,771
Less: Acquisitions	-	-	-	(14,553)	-	(14,553)
Prior Year Quarter Net sales, as adjusted	\$ 904,792	\$ 813,538	\$ 917,291	\$ 910,006	\$1,032,212	\$1,942,218
Y/Y% Change:						
Sales growth, as reported	14.1%	10.1%	8.3%	5.2%	1.3%	3.2%
Sales growth, constant currency	12.6%	8.2%	8.3%	7.5%	3.3%	5.3%
Sales growth, constant currency excluding acquisitions (organic growth)	10.4%	5.4%	5.0%	6.5%	3.2%	4.7%

(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 December 31, 2018				FY19 YTD Consolidated
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated	
Net sales	\$ 701,639	\$ 344,382	\$ -	\$ 1,046,021	\$ 2,018,921
GAAP operating income	\$ 18,581	\$ 11,539	\$ (414)	\$ 29,706	\$ 51,137
Adjustments:					
Amortization of intangible assets	1,854	2,846	-	4,700	9,703
Change in fair value of contingent consideration	-	1,850	-	1,850	6,434
Acquisition costs	-	-	414	414	769
Restructuring costs	-	-	-	-	1,328
Non-GAAP operating income	\$ 20,435	\$ 16,235	\$ -	\$ 36,670	\$ 69,371
GAAP operating income % (of net sales)	2.65%	3.35%	n/m	2.84%	2.53%
Non-GAAP operating income % (of net sales)	2.91%	4.71%	n/m	3.51%	3.44%

(\$ in thousands)

	Quarter Ended September 30, 2018			
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 655,113	\$ 317,787	\$ -	\$ 972,900
GAAP operating income	\$ 13,532	\$ 8,255	\$ (355)	\$ 21,432
Adjustments:				
Amortization of intangible assets	2,309	2,694	-	5,003
Change in fair value of contingent consideration	-	4,584	-	4,584
Acquisition costs	-	-	355	355
Restructuring costs	708	620	-	1,328
Non-GAAP operating income	\$ 16,549	\$ 16,153	\$ -	\$ 32,702
GAAP operating income % (of net sales)	2.07%	2.60%	n/m	2.20%
Non-GAAP operating income % (of net sales)	2.53%	5.08%	n/m	3.36%

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Highlights by Segment – QTR

(\$ in thousands)	Quarter Ended December 31, 2017			
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 719,786	\$ 312,427	\$ -	\$ 1,032,212
GAAP operating income	\$ 15,542	\$ 6,799	\$ -	\$ 22,341
Adjustments:				
Amortization of intangible assets	2,309	3,178	-	5,487
Change in fair value of contingent consideration	-	6,913	-	6,913
Non-GAAP operating income	\$ 17,851	\$ 16,890	\$ -	\$ 34,741
GAAP operating income % (of net sales)	2.16%	2.18%	n/m	2.16%
Non-GAAP operating income % (of net sales)	2.48%	5.41%	n/m	3.37%

n/m = not meaningful

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Return on Invested Capital (ROIC)

<i>(\$ in thousands)</i>	Q2 FY19	FY 19 YTD
Return on invested capital (ROIC), annualized (a)	13.3%	13.1%
<u>Reconciliation of Net Income to EBITDA</u>		
Net income - GAAP	\$ 19,982	\$ 34,303
Plus: Interest expense	3,119	5,746
Plus: Income taxes	6,668	11,570
Plus: Depreciation and amortization	8,935	18,203
EBITDA	38,704	69,822
Change in fair value of contingent consideration	1,850	6,434
Acquisition costs	414	769
Restructuring Costs	-	1,328
Adjusted EBITDA (numerator for ROIC)(non-GAAP)	<u>\$ 40,968</u>	<u>\$ 78,353</u>
<u>Invested Capital Calculation</u>		
Equity - beginning of the quarter	\$ 877,897	\$ 866,376
Equity - end of quarter	899,503	899,503
Change in fair value of contingent consideration, net of tax	1,408	4,895
Acquisition costs, net of tax	414	769
Restructuring costs, net of tax	-	955
Average equity	889,611	886,249
Average funded debt (b)	333,138	302,707
Invested capital (denominator for ROIC)(non-GAAP)	<u>\$ 1,222,748</u>	<u>\$ 1,188,956</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>	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
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%