



# Q4 AND FY17 FINANCIAL RESULTS CONFERENCE CALL

August 29, 2017 at 5:00 pm ET



# SAFE HARBOR AND NON-GAAP

## Safe Harbor Statement

This presentation contains certain comments that are “forward-looking” statements, including statements about expected EBITDA, return on invested capital (“ROIC”), sales, GAAP diluted earnings per share (“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 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, 2017, 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 EPS, adjusted EBITDA, ROIC and net sales excluding the impact of foreign currency translation 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.



# HIGHLIGHTS

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## Q4 Results in Line with Expectations

- Strong finish to FY17 with net sales and EPS at or above expected range
- Net sales of \$917 million, +5% Y/Y, driven by WW Barcode, Networking & Security segment, +7% Y/Y
- GAAP EPS of \$0.74, +48% Y/Y, and non-GAAP EPS of \$0.68\*, +33% Y/Y

## FY17 Results

- Net sales, +1% Y/Y; GAAP EPS of \$2.71, +14% Y/Y, and non-GAAP EPS of \$2.75, +1% Y/Y
- Return on invested capital of 13.1%\*
- Stronger FY17 operating cash flow of \$95 million, up from \$52 million for FY16

## Investment in Business and Favorable FY18 Plan

- Acquisition of POS Portal (closed 7/31/17) creates the industry's leading payments channel, serving SMB, mid-market and enterprise
- Investments made to drive results in FY18 and the future; full year FY18 plan reflects double-digit adjusted EBITDA growth and a higher ROIC

\* See Appendix for calculation of non-GAAP measures and reconciliations to GAAP measures.



# FY18 KEY OPPORTUNITIES FOR GROWTH

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**1** Mobile computing

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**2** Video surveillance

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**3** Communications channel opportunity

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**4** Intelisys

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**5** Network1

# HIGHLIGHTS – Q4 FY17

<i>\$ in millions, except EPS</i>	Q4 FY17	Q3 FY17	Q4 FY16	Y/Y Change
Net sales	\$917.3	\$813.5	\$877.5	+5%
Gross profit	100.9	92.7	82.8	+22%
<i>Gross profit margin % (of net sales)</i>	11.0%	11.4%	9.4%	+156 bps
Operating income	22.1	20.0	18.9	+17%
Non-GAAP operating income	27.8	26.2	18.9	+47%
GAAP net income	19.0	12.4	12.9	+47%
Non-GAAP net income	17.3	16.4	13.1	+32%
GAAP diluted EPS	\$0.74	\$0.49	\$0.50	+48%
Non-GAAP diluted EPS	\$0.68	\$0.65	\$0.51	+33%

# WW BARCODE, NETWORKING & SECURITY

## Q4 FY17, Y/Y Summary

<b>Net Sales</b> <hr/> <b>\$619.2 million</b> <i>Up 7%</i> <i>Organic, Up 6%</i>	<b>Gross Margin</b> <hr/> <b>8.3%</b> <i>Up 29 bps</i>
<b>GAAP Operating Income %</b> <hr/> <b>2.1%</b> <i>Up 58 bps</i>	<b>Non-GAAP Operating Income %</b> <hr/> <b>2.2%</b> <i>Up 51 bps</i>

<i>\$ in millions</i>	Q4 FY17	Q3 FY17	Q4 FY16
Net sales	\$619.2	\$549.0	\$581.3
Gross profit	\$51.7	\$45.9	\$46.8
Gross margin	8.3%	8.4%	8.1%
Operating income	\$13.0	\$11.2	\$8.8
Operating income %	2.1%	2.0%	1.5%
Non-GAAP operating income	\$13.8	\$12.3	\$9.9
Non-GAAP operating income %	2.2%	2.2%	1.7%

*Organic growth, a non-GAAP measure, reflects reported sales growth less impacts from foreign currency translation and acquisitions. Non-GAAP operating income excludes amortization of intangibles and change in fair value of contingent consideration.*

# WW COMMUNICATIONS & SERVICES

## Q4 FY17, Y/Y Summary

<b>Net Sales</b> <hr/> <b>\$298.0 million</b> +1% <i>Organic, (3)%</i>	<b>Gross Margin</b> <hr/> <b>16.5%</b> <i>Up 436 bps</i>
<b>GAAP Operating Income %</b> <hr/> <b>3.2%</b> <i>Down (41) bps</i>	<b>Non-GAAP Operating Income %</b> <hr/> <b>4.7%</b> <i>Up 169 bps</i>

<i>\$ in millions</i>	Q4 FY17	Q3 FY17	Q4 FY16
Net sales	\$298.0	\$264.6	\$296.1
Gross profit	\$49.2	\$46.8	\$35.9
Gross margin	16.5%	17.7%	12.1%
Operating income	\$9.5	\$8.8	\$10.7
Operating income %	3.2%	3.3%	3.6%
Non-GAAP operating income	\$14.0	\$13.9	\$8.9
Non-GAAP operating income %	4.7%	5.2%	3.0%

*Organic growth, a non-GAAP measure, reflects reported sales growth less impacts from foreign currency translation and acquisitions. Non-GAAP operating income excludes amortization of intangibles and change in fair value of contingent consideration.*

# HIGHLIGHTS – FY17

*\$ in millions, except EPS*

	FY17	FY16	Y/Y Change
Net sales	\$3,568.2	\$3,540.2	+1%
Gross profit	383.6	355.4	+8%
Gross profit margin % (of net sales)	10.8%	10.0%	+71 bps
Operating income	88.2	96.9	-9%
Non-GAAP operating income	110.2	108.9	+1%
GAAP net income	69.2	63.6	+9%
Non-GAAP net income	70.3	72.2	-3%
GAAP diluted EPS	\$2.71	\$2.38	+14%
Non-GAAP diluted EPS	\$2.75	\$2.71	+1%

# WW BARCODE, NETWORKING & SECURITY

## FY17, Y/Y Summary

<b>Net Sales</b> <hr/> <b>\$2,389 million</b> <i>Up 1%</i> <i>Organic, (2)%</i>	<b>Gross Margin</b> <hr/> <b>8.2%</b> <i>Down (14) bps</i>
<b>GAAP Operating Income %</b> <hr/> <b>2.1%</b> <i>Down (13) bps</i>	<b>Non-GAAP Operating Income %</b> <hr/> <b>2.3%</b> <i>Down (13) bps</i>

<i>\$ in millions</i>	FY17	FY16
Net sales	\$2,389.3	\$2,361.7
Gross profit	\$195.7	\$196.8
Gross margin	8.2%	8.3%
Operating income	\$49.7	\$52.2
Operating income %	2.1%	2.2%
Non-GAAP operating income	\$53.8	\$56.2
Non-GAAP operating income %	2.3%	2.4%

*Organic growth, a non-GAAP measure, reflects reported sales growth less impacts from foreign currency translation and acquisitions. Non-GAAP operating income excludes amortization of intangibles and change in fair value of contingent consideration.*

# WW COMMUNICATIONS & SERVICES

## FY17, Y/Y Summary

<b>Net Sales</b> <hr/> <b>\$1,179 million</b> <i>Up --%</i> <i>Organic, (3)%</i>	<b>Gross Margin</b> <hr/> <b>15.9%</b> <i>Up 247 bps</i>
<b>GAAP Operating Income %</b> <hr/> <b>3.4%</b> <i>Down (49) bps</i>	<b>Non-GAAP Operating Income %</b> <hr/> <b>4.8%</b> <i>Up 32 bps</i>

<i>\$ in millions</i>	FY17	FY16
Net sales	\$1,178.9	\$1,178.6
Gross profit	\$187.9	\$158.6
Gross margin	15.9%	13.5%
Operating income	\$39.8	\$45.5
Operating income %	3.4%	3.9%
Non-GAAP operating income	\$56.5	\$52.7
Non-GAAP operating income %	4.8%	4.5%

*Organic growth, a non-GAAP measure, reflects reported sales growth less impacts from foreign currency translation and acquisitions. Non-GAAP operating income excludes amortization of intangibles and change in fair value of contingent consideration.*

# WORKING CAPITAL MEASURES

<i>\$ in millions</i>	Q4 FY17	Q3 FY17	Q4 FY16
Accounts receivable (Q/E)	\$637.3	\$565.2	\$559.6
Days sales outstanding in receivables*	61*	60*	57
Inventory (Q/E)	\$531.3	\$514.2	\$558.6
Inventory turns	6.2	5.6	5.6
Accounts payable (Q/E)	\$513.2	\$437.2	\$471.5
Paid for inventory days*	4.7*	12.5*	9.9
Working capital (Q/E) (AR+INV-AP)	\$655.5	\$642.3	\$646.7

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

# CASH FLOW AND BALANCE SHEET HIGHLIGHTS

<i>\$ in millions</i>	Q4 FY17	Q3 FY17	Q4 FY16
Adjusted EBITDA (QTR)	\$31.0	\$29.2	\$21.0
Adjusted ROIC (QTR)*	13.2%	12.6%	10.1%
Operating cash flow, trailing 12-months	\$94.9	\$112.0	\$52.2
Cash and cash equivalents (Q/E)	\$56.1	\$62.2	\$61.4
Debt (Q/E)	\$97.3	\$113.9	\$76.9
Net debt to adjusted EBITDA, trailing 12-months	0.34x	0.46x	0.13x
Shares repurchased – # of shares (QTR)	--	--	63,651
Shares repurchased – dollars (QTR)	--	--	\$2.4
Cum. repurchases under plan – # shares (as of Q/E)	577,643	577,643	3,364,035
Cum. repurchases under plan – dollars (as of Q/E)	\$20.3	\$20.3	\$119.5
Remaining authorization under plan (as of Q/E)	\$99.7	\$99.7	\$0.5

\* Excludes non-GAAP adjustments and change in fair value of contingent consideration.

# Q1 FY18 OUTLOOK\*

For the quarter ending September 30, 2017, excluding amortization of intangible assets, change in fair value of contingent consideration, and acquisition costs; includes results for POS Portal acquisition from July 31, 2017:

## Net Sales

- Range from \$940 million to \$1 billion
- Includes approximately \$15 million for POS Portal acquisition from July 31, 2017

## GAAP Diluted EPS

- Range from \$0.49 to \$0.55 per share

## Non-GAAP Diluted EPS

- Range from \$0.74 to \$0.80 per share

\* Outlook as of August 29, 2017, including results for POS Portal acquisition from July 31, 2017. Non-GAAP diluted EPS excludes amortization of intangible assets, change in fair value of contingent consideration, and acquisition costs. Reflects the following FX rates: \$1.16 to EUR 1.00 for the Euro, \$0.315 to R\$1.00 for the Brazilian real (R\$3.175 to \$1), and \$1.30 to GBP 1.00 for the British pound.

# APPENDIX: NON-GAAP FINANCIAL INFORMATION

## Operating Income, Pre-Tax Income, Net Income & EPS – QTR

(\$ in thousands)

	Quarter Ended June 30, 2017			
	Operating Income	Pre-tax income	Net income	Diluted EPS
GAAP measure	\$ 22,111	\$ 23,420	\$ 18,970	\$ 0.74
Adjustments:				
Amortization of intangible assets	3,987	3,987	2,625	0.10
Change in fair value of contingent consideration	1,290	1,290	680	0.03
Acquisition costs (a)	422	422	422	0.02
Tax settlement and related interest income		(1,382)	(5,370)	(0.21)
Non-GAAP measure	<u>\$ 27,810</u>	<u>\$ 27,737</u>	<u>\$ 17,327</u>	<u>\$ 0.68</u>

	Quarter Ended March 31, 2017			
	Operating Income	Pre-tax income	Net income	Diluted EPS
GAAP measure	\$ 19,978	\$ 19,571	\$ 12,424	\$ 0.49
Adjustments:				
Amortization of intangible assets	4,217	4,217	2,774	0.11
Change in fair value of contingent consideration	1,960	1,960	1,194	0.05
Acquisition costs (a)	-	-	-	-
Non-GAAP measure	<u>\$ 26,155</u>	<u>\$ 25,748</u>	<u>\$ 16,392</u>	<u>\$ 0.65</u>

	Quarter Ended June 30, 2016			
	Operating Income	Pre-tax income	Net income	Diluted EPS
GAAP measure	\$ 18,938	\$ 18,603	\$ 12,925	\$ 0.50
Adjustments:				
Amortization of intangible assets	2,591	2,591	1,758	0.07
Change in fair value of contingent consideration	(3,226)	(3,226)	(2,095)	(0.08)
Acquisition costs (a)	553	553	553	0.02
Non-GAAP measure	<u>\$ 18,856</u>	<u>\$ 18,521</u>	<u>\$ 13,141</u>	<u>\$ 0.51</u>

(a) Acquisition costs are nondeductible for tax purposes.



# APPENDIX: NON-GAAP FINANCIAL INFORMATION

## Operating Income, Pre-Tax Income, Net Income & EPS – Full Year

(\$ in thousands)	Year Ended June 30, 2017			
	Operating Income	Pre-tax income	Net income	Diluted EPS
GAAP measure	\$ 88,239	\$ 101,495	\$ 69,246	\$ 2.71
Adjustments:				
Amortization of intangible assets	15,524	15,524	10,247	0.40
Change in fair value of contingent consideration	5,211	5,211	2,921	0.11
Acquisition costs (a)	1,256	1,256	1,256	0.06
Legal recovery, net of attorney fees	-	(12,777)	(8,047)	(0.32)
Tax settlement and related interest income	-	(1,382)	(5,370)	(0.21)
Non-GAAP measure	<u>\$ 110,230</u>	<u>\$ 109,327</u>	<u>\$ 70,253</u>	<u>\$ 2.75</u>
	Year Ended June 30, 2016			
	Operating Income	Pre-tax income	Net income	Diluted EPS
GAAP measure	\$ 96,877	\$ 96,010	\$ 63,619	\$ 2.38
Adjustments:				
Amortization of intangible assets	9,828	9,828	6,790	0.25
Change in fair value of contingent consideration	1,294	1,294	977	0.04
Acquisition costs (a)	863	863	863	0.04
Non-GAAP measure	<u>\$ 108,862</u>	<u>\$ 107,995</u>	<u>\$ 72,249</u>	<u>\$ 2.71</u>

(a) Acquisition costs are nondeductible for tax purposes.

# APPENDIX: NON-GAAP FINANCIAL INFORMATION

## Net Sales, Constant Currency and Excluding Acquisitions (Organic Growth) – QTR

(\$ in thousands)

	WW Barcode, NW & Security	WW Comms. & Services	Consolidated
<b>For the quarter ended June 30, 2017:</b>			
Q4 FY17 net sales, as reported	\$ 619,241	\$ 298,050	\$ 917,291
Foreign exchange impact (a)	(720)	(1,430)	(2,150)
Q4 FY17 net sales, constant currency	618,521	296,620	915,141
Less: Acquisitions	-	(9,178)	(9,178)
Q4 FY17 net sales, constant currency excluding acquisitions	<u>\$ 618,521</u>	<u>\$ 287,442</u>	<u>\$ 905,963</u>
Q4 FY16 net sales, as reported	\$ 581,346	\$ 296,127	\$ 877,473
Less: Acquisitions	-	-	-
Q4 FY16 net sales, excluding acquisitions	<u>\$ 581,346</u>	<u>\$ 296,127</u>	<u>\$ 877,473</u>
Y/Y % Change:			
As reported	6.5%	0.6%	4.5%
Constant currency	6.4%	0.2%	4.3%
Constant currency, excluding acquisitions (organic growth)	6.4%	-2.9%	3.2%

(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 June 30, 2017 into U.S. dollars using the weighted average foreign exchange rates for the quarter ended June 30, 2016.

# APPENDIX: NON-GAAP FINANCIAL INFORMATION

## Net Sales, Constant Currency and Excluding Acquisitions (Organic Growth) – Full Year

(\$ in thousands)

	WW Barcode, NW & Security	WW Comms. & Services	Consolidated
<b>For the year ended June 30, 2017:</b>			
FY17 net sales, as reported	\$ 2,389,256	\$ 1,178,930	\$ 3,568,186
Foreign exchange impact (a)	(10,229)	(8,599)	(18,828)
FY17 net sales, constant currency	2,379,027	1,170,331	3,549,358
Less: Acquisitions	(99,332)	(29,421)	(128,753)
FY17 net sales, constant currency excluding acquisitions	<u>\$ 2,279,695</u>	<u>\$ 1,140,910</u>	<u>\$ 3,420,605</u>
FY16 net sales, as reported	\$ 2,361,670	\$ 1,178,556	\$ 3,540,226
Less: Acquisitions	(34,628)	-	(34,628)
FY16 net sales, constant currency excluding acquisitions	<u>\$ 2,327,042</u>	<u>\$ 1,178,556</u>	<u>\$ 3,505,598</u>
Y/Y % Change:			
As reported	1.2%	0.0%	0.8%
Constant currency	0.7%	-0.7%	0.3%
Constant currency, excluding acquisitions (organic growth)	-2.0%	-3.2%	-2.4%

(a) Year-over-year sales growth excluding the translation impact of changes in foreign currency rates. Calculated by translating net sales for the fiscal year ended June 30, 2017 into U.S. dollars using the weighted average foreign exchange rates for fiscal year ended June 30, 2016.

# 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%

(\$ in thousands)

	Quarter Ended March 31, 2017			
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 548,971	\$ 264,567	\$ -	\$ 813,538
GAAP operating income	\$ 11,175	\$ 8,803	\$ -	\$ 19,978
Adjustments:				
Amortization of intangible assets	1,098	3,119	-	4,217
Change in fair value of contingent consideration	-	1,960	-	1,960
Acquisition costs	-	-	-	-
Non-GAAP operating income	\$ 12,273	\$ 13,882	\$ -	\$ 26,155
GAAP operating income % (of net sales)	2.04%	3.33%	n/m	2.46%
Non-GAAP operating income % (of net sales)	2.24%	5.25%	n/m	3.21%

n/m = not meaningful

# APPENDIX: NON-GAAP FINANCIAL INFORMATION

## Highlights by Segment – QTR

(\$ in thousands)

	Quarter Ended June 30, 2016 (a)			
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 581,346	\$ 296,127	\$ -	\$ 877,473
GAAP operating income	\$ 8,808	\$ 10,683	\$ (553)	\$ 18,938
Adjustments:				
Amortization of intangible assets	1,060	1,532	-	2,591
Change in fair value of contingent consideration	54	(3,280)	-	(3,226)
Acquisition costs	-	-	553	553
Non-GAAP operating income	\$ 9,922	\$ 8,935	\$ -	\$ 18,856
GAAP operating income % (of net sales)	1.52%	3.61%	n/m	2.16%
Non-GAAP operating income % (of net sales)	1.71%	3.02%	n/m	2.15%

n/m = not meaningful

(a) Reflects reclassifications between segments for certain geographies to provide comparable financial information.

# APPENDIX: NON-GAAP FINANCIAL INFORMATION

## Highlights by Segment – Full Year

(\$ in thousands)

	Year Ended June 30, 2017			
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 2,389,256	\$ 1,178,930	\$ -	\$ 3,568,186
GAAP operating income	\$ 49,727	\$ 39,768	\$ (1,256)	\$ 88,239
Adjustments:				
Amortization of intangible assets	4,033	11,491	-	15,524
Change in fair value of contingent consideration	-	5,211	-	5,211
Acquisition costs	-	-	1,256	1,256
Non-GAAP operating income	<u>\$ 53,760</u>	<u>\$ 56,470</u>	<u>\$ -</u>	<u>\$ 110,230</u>
GAAP operating income % (of net sales)	2.08%	3.37%	n/m	2.47%
Non-GAAP operating income % (of net sales)	2.25%	4.79%	n/m	3.09%

(\$ in thousands)

	Year Ended June 30, 2016 (a)			
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 2,361,670	\$ 1,178,556	\$ -	\$ 3,540,226
GAAP operating income	\$ 52,227	\$ 45,513	\$ (863)	\$ 96,877
Adjustments:				
Amortization of intangible assets	3,752	6,076	-	9,828
Change in fair value of contingent consideration	181	1,113	-	1,294
Acquisition costs	-	-	863	863
Non-GAAP operating income	<u>\$ 56,160</u>	<u>\$ 52,702</u>	<u>\$ -</u>	<u>\$ 108,862</u>
GAAP operating income % (of net sales)	2.21%	3.86%	n/m	2.74%
Non-GAAP operating income % (of net sales)	2.38%	4.47%	n/m	3.08%

n/m = not meaningful

(a) Reflects reclassifications between segments for certain geographies to provide comparable financial information.



# APPENDIX: NON-GAAP FINANCIAL INFORMATION

## Adjusted Return on Invested Capital

(\$ in thousands)

	Q4 FY17	Q3 FY17	Q2 FY17	Q1 FY17	Q4 FY16
<b>Adjusted return on invested capital (ROIC), annualized (a)</b>	<b>13.2%</b>	<b>12.6%</b>	<b>13.8%</b>	<b>13.1%</b>	<b>10.1%</b>
<u>Reconciliation of Net Income to Adjusted EBITDA</u>					
Net income - GAAP	\$ 18,970	\$ 12,424	\$ 23,037	\$ 14,816	\$ 12,925
Plus: Income taxes	4,450	7,147	12,744	7,908	5,678
Plus: Interest expense	934	780	912	589	440
Plus: Depreciation and amortization	6,276	6,880	6,588	5,224	4,584
EBITDA	30,630	27,231	43,281	28,537	23,627
Change in fair value of contingent consideration	1,290	1,960	1,791	169	(3,226)
Acquisition costs	422	-	335	498	553
Interest income related to tax settlement	(1,382)	-	-	-	-
Legal settlement, net of attorney fees	-	-	(12,777)	-	-
Adjusted EBITDA (numerator for ROIC)(non-GAAP)	\$ 30,960	\$ 29,191	\$ 32,630	\$ 29,204	\$ 20,954
<u>Invested Capital Calculation</u>					
Equity - beginning of the quarter	\$ 808,719	\$ 787,536	\$ 773,161	\$ 774,496	\$ 757,374
Equity - end of quarter	837,145	808,719	787,536	773,161	774,496
Add: Change in fair value of contingent consideration, net of tax	680	1,194	1,000	46	(2,095)
Add: Acquisition costs, net of tax	422	-	335	498	553
Add: Tax settlement and related interest income, net of tax	(5,370)	-	-	-	-
Add: Legal settlement, net of attorney fees, net of tax	-	-	(8,047)	-	-
Average equity	820,798	798,725	776,993	774,101	765,164
Average funded debt (b)	117,970	137,597	162,483	107,718	71,577
Invested capital (denominator for ROIC)(non-GAAP)	\$ 938,768	\$ 936,322	\$ 939,476	\$ 881,819	\$ 836,741

(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

## Forecasted Range for EPS – Q1 FY18 Outlook

	Forecast for Quarter ending September 30, 2017	
	<u>Range Low</u>	<u>Range High</u>
GAAP diluted EPS	\$ 0.49	\$ 0.55
Adjustments:		
Amortization of intangible assets	0.13	0.13
Change in fair value of contingent consideration	0.10	0.10
Acquisition costs	0.02	0.02
Non-GAAP diluted EPS	<u>\$ 0.74</u>	<u>\$ 0.80</u>