

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 10-Q**

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QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_ to \_\_\_

Commission File Number: 000-26926



**ScanSource, Inc.**

(Exact name of registrant as specified in its charter)

**South Carolina**  
(State or other jurisdiction of incorporation or organization)  
**6 Logue Court**  
**Greenville, South Carolina**  
(Address of principal executive offices)

**57-0965380**  
(I.R.S. Employer Identification No.)  
**29615**  
(Zip Code)

**(864) 288-2432**  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, no par value	SCSC	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:  
None.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Smaller reporting company   
Accelerated filer  Emerging growth company   
Non-accelerated filer

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at January 27, 2025
Common Stock, no par value per share	23,463,543 shares

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## FORWARD-LOOKING STATEMENTS

Forward-looking statements are included in the "Risk Factors," "Legal Proceedings," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Quantitative and Qualitative Disclosures About Market Risk" sections and elsewhere herein. Words such as "expects," "anticipates," "believes," "intends," "plans," "hopes," "forecasts," "seeks," "estimates," "goals," "projects," "strategy," "future," "likely," "may," "should," "will," and variations of such words and similar expressions generally identify such forward-looking statements. Any forward-looking statement made by us in this Form 10-Q is based only on information currently available to us and speaks only as of the date on which it is made. Except as may be required by law, we expressly disclaim any obligation to update these forward-looking statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control. You should not place undue reliance on forward-looking statements as actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors 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 and supply chain challenges, the failure to manage and implement the Company's growth strategy, the Company's ability to realize the synergies or other benefits from acquisitions, credit risks involving the Company's larger customers and suppliers, changes in interest and exchange rates and regulatory regimes impacting the Company's international operations, risk to the Company's business from a cyber attack, a failure of the Company's IT systems, failure to hire and retain quality employees, loss of the Company's major customers, relationships with the Company's key suppliers and channel partners or a termination or a significant modification of the terms under which it operates with such suppliers and channel partners, changes in the Company's operating strategy and other factors set forth in "Risk Factors" contained in our Annual Report on Form 10-K for the year ended June 30, 2024.

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

**SCANSOURCE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**  
(In thousands, except share information)

	December 31, 2024	June 30, 2024
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 110,520	\$ 185,460
Accounts receivable, less allowance of \$25,670 at December 31, 2024 and \$20,684 at June 30, 2024	549,112	581,523
Inventories	491,978	512,634
Prepaid expenses and other current assets	132,155	125,082
Total current assets	1,283,765	1,404,699
Property and equipment, net	30,152	33,501
Goodwill	227,932	206,301
Identifiable intangible assets, net	72,691	37,634
Deferred income taxes	17,541	19,902
Other non-current assets	70,448	76,995
Total assets	\$ 1,702,529	\$ 1,779,032
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 520,408	\$ 587,984
Accrued expenses and other current liabilities	70,985	65,616
Current portion of contingent consideration	2,039	—
Income taxes payable	8,330	7,895
Current portion of long-term debt	7,861	7,857
Total current liabilities	609,623	669,352
Long-term debt, net of current portion	132,038	136,149
Borrowings under revolving credit facility	—	50
Long-term portion of contingent consideration	16,304	—
Other long-term liabilities	43,902	49,226
Total liabilities	801,867	854,777
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 3,000,000 shares authorized, none issued	—	—
Common stock, no par value; 45,000,000 shares authorized, 23,612,543 and 24,243,848 shares issued and outstanding at December 31, 2024 and June 30, 2024, respectively	—	26,370
Retained earnings	1,031,934	1,013,738
Accumulated other comprehensive loss	(131,272)	(115,853)
Total shareholders' equity	900,662	924,255
Total liabilities and shareholders' equity	\$ 1,702,529	\$ 1,779,032

June 30, 2024 amounts are derived from audited consolidated financial statements.  
See accompanying notes to these condensed consolidated financial statements.

**SCANSOURCE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)**  
(In thousands, except per share data)

	Quarter ended December 31,		Six months ended December 31,	
	2024	2023	2024	2023
Net sales	\$ 747,497	\$ 884,792	\$ 1,523,077	\$ 1,761,098
Cost of goods sold	645,774	784,044	1,319,735	1,553,842
Gross profit	101,723	100,748	203,342	207,256
Selling, general and administrative expenses	73,920	66,921	145,626	142,356
Depreciation expense	2,902	2,964	5,759	5,759
Intangible amortization expense	5,001	4,037	9,359	8,230
Restructuring expense	313	—	5,381	—
Change in fair value of contingent consideration	1,143	—	1,143	—
Operating income	18,444	26,826	36,074	50,911
Interest expense	1,970	3,359	4,078	8,945
Interest income	(2,693)	(2,119)	(5,352)	(3,444)
Gain on sale of business	—	(14,533)	—	(14,533)
Other (income) expense, net	(543)	73	(5,325)	750
Income before income taxes	19,710	40,046	42,673	59,193
Provision for income taxes	2,657	7,320	8,645	11,035
Net income	\$ 17,053	\$ 32,726	\$ 34,028	\$ 48,158
Per share data:				
Net income per common share, basic	\$ 0.72	\$ 1.31	\$ 1.42	\$ 1.93
Weighted-average shares outstanding, basic	23,806	25,035	23,976	24,961
Net income per common share, diluted	\$ 0.70	\$ 1.29	\$ 1.39	\$ 1.91
Weighted-average shares outstanding, diluted	24,217	25,334	24,450	25,235

See accompanying notes to these condensed consolidated financial statements.

**SCANSOURCE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**  
**(In thousands)**

	Quarter ended December 31,		Six months ended December 31,	
	2024	2023	2024	2023
Net income	\$ 17,053	\$ 32,726	\$ 34,028	\$ 48,158
Unrealized gain (loss) on hedged transaction, net of tax	266	(1,547)	(784)	(1,395)
Realized foreign currency on sale of business	—	(3,805)	—	(3,805)
Foreign currency translation adjustment	(18,744)	6,492	(14,635)	(397)
Comprehensive income	<u>\$ (1,425)</u>	<u>\$ 33,866</u>	<u>\$ 18,609</u>	<u>\$ 42,561</u>

See accompanying notes to these condensed consolidated financial statements.

**SCANSOURCE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)**  
(In thousands, except share information)

	Common Stock (Shares)	Common Stock (Amount)	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at June 30, 2024	24,243,848	\$ 26,370	\$ 1,013,738	\$ (115,853)	\$ 924,255
Net income	—	—	16,974	—	16,974
Unrealized loss on hedged transaction, net of tax	—	—	—	(1,050)	(1,050)
Foreign currency translation adjustment	—	—	—	4,109	4,109
Exercise of stock options and shares issued under share-based compensation plans, net of shares withheld for employee taxes	349,277	2,177	—	—	2,177
Common stock repurchased	(588,018)	(28,043)	—	—	(28,043)
Share-based compensation	—	2,471	—	—	2,471
Balance at September 30, 2024	<u>24,005,107</u>	<u>\$ 2,975</u>	<u>\$ 1,030,712</u>	<u>\$ (112,794)</u>	<u>\$ 920,893</u>
Net income	—	—	17,053	—	17,053
Unrealized gain on hedged transaction, net of tax	—	—	—	266	266
Foreign currency translation adjustment	—	—	—	(18,744)	(18,744)
Exercise of stock options and shares issued under share-based compensation plans, net of shares withheld for employee taxes	102,489	2,508	—	—	2,508
Common stock repurchased, including excise tax	(495,053)	(8,504)	(15,831)	—	(24,335)
Share-based compensation	—	3,021	—	—	3,021
Balance at December 31, 2024	<u>23,612,543</u>	<u>\$ —</u>	<u>\$ 1,031,934</u>	<u>\$ (131,272)</u>	<u>\$ 900,662</u>

See accompanying notes to these condensed consolidated financial statements.



**SCANSOURCE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)**  
(In thousands, except share information)

	Common Stock (Shares)	Common Stock (Amount)	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at June 30, 2023	24,844,203	\$ 58,241	\$ 936,678	\$ (89,621)	\$ 905,298
Net income	—	—	15,432	—	15,432
Unrealized gain on hedged transaction, net of tax	—	—	—	153	153
Foreign currency translation adjustment	—	—	—	(6,890)	(6,890)
Exercise of stock options and shares issued under share-based compensation plans, net of shares withheld for employee taxes	116,028	(1,510)	—	—	(1,510)
Share-based compensation	—	2,770	—	—	2,770
Balance at September 30, 2023	<u>24,960,231</u>	<u>\$ 59,501</u>	<u>\$ 952,110</u>	<u>\$ (96,358)</u>	<u>\$ 915,253</u>
Net income	—	—	32,726	—	32,726
Unrealized loss on hedged transaction, net of tax	—	—	—	(1,547)	(1,547)
Foreign currency translation adjustment	—	—	—	6,492	6,492
Realized foreign currency on sale of business	—	—	—	(3,805)	(3,805)
Exercise of stock options and shares issued under share-based compensation plans, net of shares withheld for employee taxes	230,543	3,162	—	—	3,162
Common stock repurchased, including excise tax	(36,305)	(1,251)	—	—	(1,251)
Share-based compensation	—	2,571	—	—	2,571
Balance at December 31, 2023	<u>25,154,469</u>	<u>\$ 63,983</u>	<u>\$ 984,836</u>	<u>\$ (95,218)</u>	<u>\$ 953,601</u>

See accompanying notes to these condensed consolidated financial statements.

**SCANSOURCE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
(In thousands)

	Six months ended	
	December 31,	
	2024	2023
<b>Cash flows from operating activities:</b>		
Net income	\$ 34,028	\$ 48,158
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of business	—	(14,533)
Depreciation and amortization	15,603	14,475
Amortization of debt issue costs	193	193
Provision for doubtful accounts	5,925	4,472
Share-based compensation	5,492	5,340
Deferred income taxes	2,306	(1,703)
Change in fair value of contingent consideration	1,143	—
Finance lease interest	48	46
Changes in operating assets and liabilities:		
Accounts receivable	21,110	75,579
Inventories	16,316	182,168
Prepaid expenses and other assets	(380)	(11,576)
Other non-current assets	3,145	3,208
Accounts payable	(64,915)	(135,138)
Accrued expenses and other liabilities	(1,834)	(7,678)
Income taxes payable	462	(6,254)
Net cash provided by operating activities	<u>38,642</u>	<u>156,757</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(4,348)	(4,865)
Cash paid for business acquisitions, net of cash acquired	(56,673)	—
Proceeds from sale of business, net of cash transferred	2,569	17,978
Net cash (used in) provided by investing activities	<u>(58,452)</u>	<u>13,113</u>
<b>Cash flows from financing activities:</b>		
Borrowings on revolving credit	26,587	1,134,629
Repayments on revolving credit	(26,636)	(1,292,729)
Repayments on long-term debt	(4,107)	(3,165)
Repayments on finance lease obligation	(547)	(442)
Exercise of stock options	9,489	4,309
Taxes paid on settlement of equity awards	(4,805)	(2,657)
Common stock repurchased	(52,342)	(1,251)
Net cash used in financing activities	<u>(52,361)</u>	<u>(161,306)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(2,769)</u>	<u>245</u>
(Decrease) increase in cash and cash equivalents	<u>(74,940)</u>	<u>8,809</u>
Cash and cash equivalents at beginning of period	<u>185,460</u>	<u>36,178</u>
Cash and cash equivalents at end of period	<u>\$ 110,520</u>	<u>\$ 44,987</u>

See accompanying notes to these condensed consolidated financial statements.

**SCANSOURCE, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**(1) Business and Summary of Significant Accounting Policies**

*Business Description*

ScanSource, Inc. (together with its subsidiaries referred to as “the Company” or “ScanSource”) is a leading hybrid distributor connecting devices to the cloud and accelerating growth for channel partners across hardware, software as a service (“SaaS”), and connectivity and cloud services. ScanSource uses multiple sales models to offer hybrid distribution solutions from leading suppliers of specialty technologies and connectivity and cloud services. The Company operates primarily in the United States, Canada and Brazil. The Company's two operating segments, Specialty Technology Solutions and Intelisys & Advisory, represent the different sales models the Company uses in executing its hybrid distribution growth strategy.

*Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared by the Company's management in accordance with United States generally accepted accounting principles (“U.S. GAAP”) for interim financial information and applicable rules and regulations of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for annual financial statements. The unaudited condensed consolidated financial statements included herein contain all adjustments (consisting of normal recurring and non-recurring adjustments) that are, in the opinion of management, necessary to present fairly the financial position at December 31, 2024 and June 30, 2024, the results of operations for the quarters and six months ended December 31, 2024 and 2023, the condensed consolidated statements of comprehensive income for the quarters and six months ended December 31, 2024 and 2023, the condensed consolidated statements of shareholders' equity for the quarters and six months ended December 31, 2024 and 2023 and the condensed consolidated statements of cash flows for the six months ended December 31, 2024 and 2023. The results of operations for the quarter and six months ended December 31, 2024 are not necessarily indicative of the results to be expected for a full year. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2024. Unless otherwise indicated, disclosures provided in the notes to the Company's consolidated financial statements pertain to continuing operations only.

*Segment Changes*

Effective July 1, 2024, the Company realigned its operating segments to represent the different sales models it uses in executing its hybrid distribution growth strategy. The two realigned segments are Specialty Technology Solutions and Intelisys & Advisory. The Specialty Technology Solutions segment combines the Company's former segments, with the exception of the Company's Intelisys business. The Intelisys & Advisory segment includes the Intelisys and technology advisors businesses, including Channel Exchange (formerly known as intY USA), RPM and Resourceive. Both segments include recurring revenue.

The Company has reclassified certain prior-year amounts in the segment results to conform with the current year presentation. These reclassifications had no effect on the condensed consolidated financial results. See Note 10 - *Segment Information* for descriptions of the Company's segments.

*Summary of Significant Accounting Policies*

There have been no material changes to the Company's significant accounting policies for the six months ended December 31, 2024 from the policies described in the notes to the Company's consolidated financial statements included in the Annual Report on Form 10-K for the fiscal year ended June 30, 2024. For a discussion of the Company's significant accounting policies, please see the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

### *Cash and Cash Equivalents*

The Company considers all highly-liquid investments with original maturities of three months or less, when purchased, to be cash equivalents. The Company maintains zero-balance disbursement accounts at various financial institutions at which the Company does not maintain significant depository relationships. Due to the terms of the agreements governing these accounts, the Company generally does not have the right to offset outstanding checks written from these accounts against cash on hand, and the respective institutions are not legally obligated to honor the checks until sufficient funds are transferred to fund the checks. As a result, checks released but not yet cleared from these accounts in the amount of \$0.1 million and \$5.9 million are included in accounts payable on the condensed consolidated balance sheets at December 31, 2024 and June 30, 2024, respectively.

### *Long-lived Assets*

The Company presents depreciation expense and intangible amortization expense on the condensed consolidated income statements. The Company's depreciation expense related to selling, general and administrative costs totaled \$2.9 million and \$5.8 million for the quarter and six months ended December 31, 2024, respectively, and \$3.0 million and \$5.8 million for the quarter and six months ended December 31, 2023, respectively. Depreciation expense reported as part of cost of goods sold on the condensed consolidated income statements totaled \$0.2 million and \$0.5 million for the quarter and six months ended December 31, 2024, respectively, and \$0.3 million and \$0.5 million for the quarter and six months ended December 31, 2023, respectively. The Company's intangible amortization expense reported on the condensed consolidated income statements relates to selling, general and administrative costs, not the cost of selling goods. Intangible amortization expense totaled \$5.0 million and \$9.4 million for the quarter and six months ended December 31, 2024, respectively, and \$4.0 million and \$8.2 million for the quarter and six months ended December 31, 2023, respectively.

### *Recent Accounting Pronouncements*

In July 2023, the Securities and Exchange Commission issued final rules that require new and enhanced disclosures on cybersecurity risk management, strategy, governance, and incident reporting. Under the final rules, companies must report a material cybersecurity incident on Form 8-K within four business days of determining that such cybersecurity incident is material. To the extent the nature, scope, timing or the impact of the incident is not determinable at the time such Form 8-K is required to be filed, additional information about the material aspects of the cybersecurity incident must be filed on a Form 8-K/A within four business days after such additional information becomes available. Companies must also disclose their cybersecurity processes, management's role in cybersecurity governance, and cybersecurity oversight by the Board of Directors on Form 10-K. The Company adopted these rules for the fiscal year ended June 30, 2024.

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU No. 2023-07 "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." This ASU expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segment's profit or loss and assets. This ASU is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. This ASU is applicable to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2025, and subsequent interim periods, with early application permitted. The Company is currently evaluating the impact of the application of this ASU on its consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU No. 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." This ASU updates income tax disclosure requirements primarily by requiring specific categories and greater disaggregation within the rate reconciliation and disaggregation of income taxes paid by jurisdiction. This ASU is effective for annual periods beginning after December 15, 2024 and is applicable to the Company's fiscal year beginning July 1, 2025, with early application permitted. The Company is currently evaluating the impact of the application of this ASU on its consolidated financial statements and disclosures.

The Company has reviewed other newly issued accounting pronouncements and concluded that they are either not applicable to its business or that no material effect is expected on its consolidated financial statements as a result of future adoption.

### **(2) Trade Accounts and Notes Receivable, Net**

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The Company maintains an allowance for doubtful accounts receivable for estimated future expected credit losses resulting from customers' failure to make payments on accounts receivable due to the Company. The Company has notes receivable with certain customers, which are included in "Accounts receivable, less allowance" in the Condensed Consolidated Balance Sheets.

Management determines the estimate of the allowance for doubtful accounts receivable by considering a number of factors, including: (i) historical experience, (ii) aging of the accounts receivable, (iii) specific information obtained by the Company on the financial condition and the current creditworthiness of its customers, (iv) the current economic and country-specific environment and (v) reasonable and supportable forecasts about collectability. Expected credit losses are estimated on a pool basis when similar risk characteristics exist using an age-based reserve model. Receivables that do not share risk characteristics are evaluated on an individual basis. Estimates of expected credit losses on trade receivables over the contractual life are recorded at inception and adjusted over the contractual life.

The changes in the allowance for doubtful accounts for the six months ended December 31, 2024 are set forth in the table below.

	June 30, 2024	Amounts Charged to Expense	Write-offs	Other <sup>(1)</sup>	December 31, 2024
			(in thousands)		
Trade accounts and current notes receivable allowance	\$ 20,684	\$ 5,925	\$ (285)	\$ (654)	\$ 25,670

<sup>(1)</sup> "Other" amounts include recoveries and the effect of foreign currency fluctuations for the six months ended December 31, 2024.

### (3) Revenue Recognition

The Company uses multiple sales models to offer hybrid distribution solutions from leading suppliers of specialty technologies and connectivity and cloud services. This includes hardware, related accessories and device configuration as well as software licenses, professional services and hardware support programs.

In determining the appropriate amount of revenue to recognize, the Company applies the following five-step model in accordance with ASC 606: (i) identify contracts with customers; (ii) identify performance obligations in the contracts; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations per the contracts; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The Company recognizes revenue as control of products and services are transferred to customers, which is generally at the point of shipment. The Company delivers products to customers in several ways, including: (i) shipment from a Company warehouse, (ii) drop-shipment directly from the supplier, or (iii) electronic delivery for non-physical products.

#### Principal versus Agent Considerations

The Company is the principal for sales of all hardware and certain software and services. The Company considers itself the principal in those transactions where it has control of the product or service before it is transferred to the customer. The Company recognizes the principal-associated revenue and cost of goods sold on a gross basis.

The Company is the agent for third-party service contracts, including product warranties and supplier-hosted software. These service contracts are sold separately from the products, and the Company often serves as the agent for the contract on behalf of the original equipment manufacturer. The Company's responsibility is to arrange for the provision of the specified service by the original equipment manufacturer, and the Company does not control the specified service before it is transferred to the customer. Because the Company acts as an agent, revenue is recognized net of cost at the time of sale. The Intelisys business operates under an agency model.

#### Variable Considerations

For certain transactions, products are sold with a right of return and may also provide other rebates or incentives, which are accounted for as variable consideration. The Company estimates a returns allowance based on historical experience and reduces revenue accordingly. The Company estimates the amount of variable consideration for rebates and incentives by using the expected value to be given to the customer and reduces the revenue by those estimated amounts. These estimates are reviewed and updated as necessary at the end of each reporting period.

*Contract Balances*

The Company records contract assets and liabilities for payments received from customers in advance of services performed. These assets and liabilities are the result of the sales of the Company's self-branded warranty programs and other transactions where control has not yet passed to the customer. These amounts are immaterial to the consolidated financial statements for the periods presented.

*Disaggregation of Revenue*

The following tables represent the Company's disaggregation of revenue:

	Quarter ended December 31, 2024		
	Specialty Technology Solutions	Intelisys & Advisory	Total
	<i>(in thousands)</i>		
Revenue by product/service			
Products and services	\$ 710,858	\$ 377	\$ 711,235
Recurring revenue <sup>(a)</sup>	12,419	23,843	36,262
	<u>\$ 723,277</u>	<u>\$ 24,220</u>	<u>\$ 747,497</u>
	Six months ended December 31, 2024		
	Specialty Technology Solutions	Intelisys & Advisory	Total
	<i>(in thousands)</i>		
Revenue by product/service:			
Products and services	\$ 1,451,592	\$ 1,210	\$ 1,452,802
Recurring revenue <sup>(a)</sup>	23,984	46,291	70,275
	<u>\$ 1,475,576</u>	<u>\$ 47,501</u>	<u>\$ 1,523,077</u>

(a) Recurring revenue represents revenue primarily from agency commissions, SaaS, subscriptions, and hardware rentals.

	Quarter ended December 31, 2023		
	Specialty Technology Solutions	Intelisys & Advisory	Total
	<i>(in thousands)</i>		
Revenue by product/service			
Products and services	\$ 856,116	\$ 1,038	\$ 857,154
Recurring revenue <sup>(a)</sup>	5,398	22,240	27,638
	<u>\$ 861,514</u>	<u>\$ 23,278</u>	<u>\$ 884,792</u>
	Six months ended December 31, 2023		
	Specialty Technology Solutions	Intelisys & Advisory	Total
	<i>(in thousands)</i>		
Revenue by product/service:			
Products and services	\$ 1,702,950	\$ 1,878	\$ 1,704,828
Recurring revenue <sup>(a)</sup>	12,514	43,756	56,270
	<u>\$ 1,715,464</u>	<u>\$ 45,634</u>	<u>\$ 1,761,098</u>

(a) Recurring revenue represents revenue primarily from agency commissions, SaaS, subscriptions, and hardware rentals.

#### (4) Earnings Per Share

Basic earnings per share are computed by dividing net income by the weighted-average number of common shares outstanding. Diluted earnings per share are computed by dividing net income by the weighted-average number of common and potential common shares outstanding.

	Quarter ended		Six months ended	
	December 31,		December 31,	
	2024	2023	2024	2023
	<i>(in thousands, except per share data)</i>			
Numerator:				
Net income	\$ 17,053	\$ 32,726	\$ 34,028	\$ 48,158
Denominator:				
Weighted-average shares, basic	23,806	25,035	23,976	24,961
Dilutive effect of share-based payments	411	299	474	274
Weighted-average shares, diluted	<u>24,217</u>	<u>25,334</u>	<u>24,450</u>	<u>25,235</u>
Net income per common share, basic	<u>\$ 0.72</u>	<u>\$ 1.31</u>	<u>\$ 1.42</u>	<u>\$ 1.93</u>
Net income per common share, diluted	<u>\$ 0.70</u>	<u>\$ 1.29</u>	<u>\$ 1.39</u>	<u>\$ 1.91</u>

For the quarter and six months ended December 31, 2024, weighted-average shares outstanding excluded from the computation of diluted earnings per share because their effect would be anti-dilutive were 197,803 and 210,206, respectively. For the quarter and six months ended December 31, 2023, weighted-average shares outstanding excluded from the computation of diluted earnings per share because their effect would be anti-dilutive were 563,690 and 931,367, respectively.

#### (5) Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss, net of tax are as follows:

	December 31, 2024	June 30, 2024
	<i>(in thousands)</i>	
Foreign currency translation adjustment	\$ (132,521)	\$ (117,885)
Unrealized gain on hedged transaction, net of tax	1,249	2,032
Accumulated other comprehensive loss	<u>\$ (131,272)</u>	<u>\$ (115,853)</u>

The tax effect of amounts in comprehensive loss reflect a tax expense (benefit) as follows:

	Quarter ended December 31,		Six months ended December 31,	
	2024	2023	2024	2023
	<i>(in thousands)</i>			
Tax expense (benefit)	<u>\$ 157</u>	<u>\$ (637)</u>	<u>\$ (206)</u>	<u>\$ (692)</u>

#### (6) Goodwill and Other Identifiable Intangible Assets

The changes in the carrying amount of goodwill for the six months ended December 31, 2024, by reporting segment, are set forth in the table below.

	Specialty Technology Solutions		Intelisys & Advisory		Total
	<i>(in thousands)</i>				
Balance at June 30, 2024	\$ 146,108	\$ 60,193	\$ 206,301		
Additions	13,389	9,334	22,723		
Foreign currency translation adjustment	(1,224)	132	(1,092)		
Balance at December 31, 2024	<u>\$ 158,273</u>	<u>\$ 69,659</u>	<u>\$ 227,932</u>		

The following table shows changes in the amount recognized for net identifiable intangible assets for the six months ended December 31, 2024.

	Net Identifiable Intangible Assets	
	<i>(in thousands)</i>	
Balance at June 30, 2024	\$ 37,634	\$ 37,634
Additions	44,500	44,500
Amortization expense	(9,359)	(9,359)
Foreign currency translation adjustment	(84)	(84)
Balance at December 31, 2024	<u>\$ 72,691</u>	<u>\$ 72,691</u>

#### (7) Short-Term Borrowings and Long-Term Debt

The following table presents the Company's debt at December 31, 2024 and June 30, 2024.

	December 31, 2024	June 30, 2024
	<i>(in thousands)</i>	
Current portion of long-term debt	\$ 7,861	\$ 7,857
Mississippi revenue bond, net of current portion	2,663	3,024
Senior secured term loan facility, net of current portion	129,375	133,125
Borrowings under revolving credit facility	—	50
Total debt	<u>\$ 139,899</u>	<u>\$ 144,056</u>



### *Credit Facility*

The Company has a multi-currency senior secured credit facility (as amended, the "Amended Credit Agreement") with JPMorgan Chase Bank N.A., as administrative agent (the "Administrative Agent"), and a syndicate of banks (collectively the "Lenders"). On September 28, 2022, the Company amended and restated the Amended Credit Agreement, which includes (i) a five-year, \$350 million multicurrency senior secured revolving credit facility and (ii) a five-year \$150 million senior secured term loan facility. The Amended Credit Agreement extended the credit facility maturity date to September 28, 2027. In addition, pursuant to an "accordion feature," the Company may increase its borrowing limit by up to an additional \$250 million, subject to obtaining additional credit commitments from the lenders participating in the increase. The Amended Credit Agreement allows for the issuance of up to \$50 million for letters of credit. Borrowings under the Amended Credit Agreement are guaranteed by substantially all of the domestic subsidiaries of the Company and secured by their assets. Under the terms of the revolving credit facility, the payment of cash dividends is restricted. The Company incurred debt issuance costs of \$1.4 million in connection with the amendment and restatement of the Amended Credit Agreement. These costs were capitalized to other non-current assets on the Condensed Consolidated Balance Sheets and added to the unamortized debt issuance costs from the previous credit facility.

Loans denominated in U.S. dollars, other than swingline loans, bear interest at a rate per annum equal to, at the Company's option, (i) the adjusted term Secured Overnight Financing Rate ("SOFR") or adjusted daily simple SOFR plus an additional margin ranging from 1.00% to 1.75% depending upon the Company's ratio of (A) total consolidated debt less up to \$30 million of unrestricted domestic cash to (B) trailing four-quarter consolidated EBITDA measured as of the end of the most recent year or quarter, as applicable, for which financial statements have been delivered to the Lenders (the "leverage ratio"); or (ii) the alternate base rate plus an additional margin ranging from 0% to 0.75%, depending upon the Company's leverage ratio, plus, if applicable, certain mandatory costs. All swingline loans denominated in U.S. dollars bear interest based upon the adjusted daily simple SOFR plus an additional margin ranging from 1.00% to 1.75% depending upon the Company's leverage ratio, or such other rate as the Company and the applicable swingline lender may agree. The adjusted term SOFR and adjusted daily simple SOFR include a fixed credit adjustment of 0.10% over the applicable SOFR reference rate. Loans denominated in foreign currencies bear interest at a rate per annum equal to the applicable benchmark rate set forth in the Amended Credit Agreement plus an additional margin ranging from 1.00% to 1.75%, depending upon the Company's leverage ratio plus, if applicable, certain mandatory costs.

During the quarter and six months ended December 31, 2024, all of the Company's borrowings under the Amended Credit Agreement were U.S. dollar loans. The spread in effect as of December 31, 2024 was 1.00%, plus a 0.10% credit spread adjustment for SOFR-based loans and 0.00% for alternate base rate loans. The commitment fee rate in effect at December 31, 2024 was 0.15%. The effective interest rates for the term loan were 5.46% and 6.44% as of December 31, 2024 and June 30, 2024, respectively. The Amended Credit Agreement includes customary representations, warranties and affirmative and negative covenants, including financial covenants. Specifically, the Company's Leverage Ratio must be less than or equal to 3.50 to 1.00 at all times. In addition, the Company's Interest Coverage Ratio (as such term is defined in the Amended Credit Agreement) must be at least 3.00 to 1.00 at the end of each fiscal quarter. In the event of a default, customary remedies are available to the lenders, including acceleration and increased interest rates. The Company was in compliance with all covenants under the Amended Credit Agreement at December 31, 2024.

The average daily outstanding balance on the revolving credit facility, excluding the term loan facility, during the six month periods ended December 31, 2024 and 2023 was \$0.3 million and \$138.7 million, respectively. There was \$350.0 million and \$349.9 million available for additional borrowings as of December 31, 2024 and June 30, 2024, respectively. The effective interest rates for the revolving line of credit were 5.63% and 6.44% as of December 31, 2024 and June 30, 2024, respectively. There were no letters of credit issued under the multi-currency revolving credit facility at December 31, 2024 or June 30, 2024.

### *Mississippi Revenue Bond*

On August 1, 2007, the Company entered into an agreement with the State of Mississippi to provide financing for the acquisition and installation of certain equipment to be utilized at the Company's Southaven, Mississippi warehouse, through the issuance of an industrial development revenue bond. The bond matures on September 1, 2032. The bond accrues interest at the one-month term SOFR plus an adjustment of 0.10% plus a spread of 0.85%. The agreement also provides the bondholder with a put option, exercisable only within 180 days of each fifth anniversary of the agreement, requiring the Company to pay back the bonds at 100% of the principal amount outstanding. At December 31, 2024, the Company was in compliance with all covenants under this bond. The interest rates at December 31, 2024 and June 30, 2024 were 5.57% and 6.28%, respectively.

*Debt Issuance Costs*

At December 31, 2024, net debt issuance costs associated with the credit facility and bond totaled \$1.0 million and are being amortized on a straight-line basis through the maturity date of each respective debt instrument.

**(8) Derivatives and Hedging Activities**

The Company's results of operations could be materially impacted by significant changes in foreign currency exchange rates and interest rates. In an effort to manage the exposure to these risks, the Company periodically enters into various derivative instruments. The Company's accounting policies for these instruments are based on whether the instruments are designated as hedge or non-hedge instruments in accordance with U.S. GAAP. The Company records all derivatives on the Condensed Consolidated Balance Sheet at fair value. Derivatives that are not designated as hedging instruments or the ineffective portions of cash flow hedges are adjusted to fair value through earnings in other income and expense.

*Foreign Currency Derivatives* – The Company conducts a portion of its business internationally in a variety of foreign currencies and is exposed to market risk for changes in foreign currency exchange rates. The Company attempts to hedge transaction exposures with natural offsets to the fullest extent possible and once these opportunities have been exhausted the Company uses currency options and forward contracts or other hedging instruments with third parties. These contracts will periodically hedge the exchange of various currencies, including the U.S. dollar, Brazilian real, euro, British pound and Canadian dollar.

The Company had contracts outstanding for purposes of managing cash flows with notional amounts of \$24.8 million and \$27.5 million for the exchange of foreign currencies at December 31, 2024 and June 30, 2024, respectively. To date, the Company has chosen not to designate these derivatives as hedging instruments, and accordingly, these instruments are adjusted to fair value through earnings in other income and expense. Summarized financial information related to these derivative contracts and changes in the underlying value of the foreign currency exposures included in the Condensed Consolidated Income Statements for the quarters and six months ended December 31, 2024 and 2023 are as follows:

	Quarter ended December 31,		Six months ended December 31,	
	2024	2023	2024	2023
	<i>(in thousands)</i>			
Net foreign exchange derivative contract (gains) losses	\$ (2,418)	\$ 1,025	\$ (1,477)	\$ 658
Net foreign currency transactional and re-measurement losses (gains)	2,166	(596)	1,560	466
Net foreign currency exchange (gains) losses	\$ (252)	\$ 429	\$ 83	\$ 1,124

Net foreign currency exchange gains and losses consist of foreign currency transactional and functional currency re-measurements, offset by net foreign currency exchange contract gains and losses and are included in other income and expense. Foreign exchange gains and losses are primarily generated as the result of fluctuations in the value of the U.S. dollar versus the Brazilian real and the Canadian dollar versus the U.S. dollar.

*Interest Rates* - The Company's earnings are also affected by changes in interest rates due to the impact those changes have on interest expense from floating rate debt instruments. The Company manages its exposure to changes in interest rates by using interest rate swaps to hedge this exposure and to achieve a desired proportion of fixed versus floating rate debt.

On April 30, 2019, the Company entered into an interest rate swap agreement to lock into a fixed LIBOR interest rate, which was amended on September 28, 2022, to change the reference rate from LIBOR to SOFR. The swap agreement has a notional amount of \$100.0 million, with a \$50.0 million tranche that matured on April 30, 2024 and a \$50.0 million tranche scheduled to mature April 30, 2026.

On March 31, 2023, the Company entered into an interest rate swap agreement to lock into a fixed SOFR interest rate with a notional amount of \$25 million and a maturity date of March 31, 2028.

These interest rate swap agreements are designated as cash flow hedges to hedge the variable rate interest payments on the revolving credit facility. Interest rate differentials paid or received under the swap agreements are recognized as adjustments to interest expense. To the extent the swaps are effective in offsetting the variability of the hedged cash flows, changes in the fair value of the swaps are not included in current earnings but are reported as other comprehensive income (loss). There was no

ineffective portion to be recorded as an adjustment to earnings for the quarters and six months ended December 31, 2024 and 2023.

The components of the cash flow hedge included in the Condensed Consolidated Statement of Comprehensive Income for the quarters and six months ended December 31, 2024 and 2023, are as follows:

	Quarter ended December 31,		Six months ended December 31,	
	2024	2023	2024	2023
	<i>(in thousands)</i>			
Net interest income recognized as a result of interest rate swap	\$ (391)	\$ (903)	\$ (900)	\$ (1,781)
Unrealized gain (loss) in fair value of interest rate swap	745	(1,165)	(139)	(72)
Net increase (decrease) in accumulated other comprehensive income	354	(2,068)	(1,039)	(1,853)
Income tax effect	87	(521)	(256)	(458)
Net increase (decrease) in accumulated other comprehensive income, net of tax	\$ 267	\$ (1,547)	\$ (783)	\$ (1,395)

The Company used the following derivative instruments at December 31, 2024 and June 30, 2024, reflected in its Condensed Consolidated Balance Sheets, for the risk management purposes detailed above:

Balance Sheet Location	December 31, 2024		June 30, 2024	
	Fair Value of Derivatives Designated as Hedge Instruments	Fair Value of Derivatives Not Designated as Hedge Instruments	Fair Value of Derivatives Designated as Hedge Instruments	Fair Value of Derivatives Not Designated as Hedge Instruments
	<i>(in thousands)</i>			
Derivative assets:				
Foreign currency hedge	Prepaid expenses and other current assets	\$ 30	\$ —	\$ 345
Interest rate swap agreement	Other non-current assets	\$ 1,658	\$ —	\$ 2,698
Derivative liabilities:				
Foreign exchange contracts	Accrued expenses and other current liabilities	\$ —	\$ 24	\$ —

**(9) Fair Value of Financial Instruments**

Accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Under this guidance, the Company classifies certain assets and liabilities based on the fair value hierarchy, which aggregates fair value measured assets and liabilities based upon the following levels of inputs:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The assets and liabilities maintained by the Company that are required to be measured at fair value on a recurring basis include deferred compensation plan investments, forward foreign currency exchange contracts, foreign currency hedge agreements, interest rate swap agreements and contingent consideration owed to the sellers of Advantix Solutions Group, Inc ("Advantix") and Secure Path Networks, LLC dba Resourcive ("Resourcive"). The carrying value of debt is considered to approximate fair value, as the Company's debt instruments are indexed to a variable rate using the market approach (Level 2).

The following table summarizes the valuation of the Company's remaining assets and liabilities measured at fair value on a recurring basis at December 31, 2024:

	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<i>(in thousands)</i>				
<b>Assets:</b>				
Deferred compensation plan investments, current and non-current	\$ 31,852	\$ 31,852	\$ —	\$ —
Interest rate swap agreement	1,658	—	1,658	—
Foreign currency hedge	30	—	30	—
Total assets at fair value	<u>\$ 33,540</u>	<u>\$ 31,852</u>	<u>\$ 1,688</u>	<u>\$ —</u>
<b>Liabilities:</b>				
Deferred compensation plan investments, current and non-current	\$ 31,793	\$ 31,793	\$ —	\$ —
Forward foreign currency exchange contracts	24	—	24	—
Liability for contingent consideration, current and non-current	18,343	—	—	18,343
Total liabilities at fair value	<u>\$ 50,160</u>	<u>\$ 31,793</u>	<u>\$ 24</u>	<u>\$ 18,343</u>

The following table summarizes the valuation of the Company's remaining assets and liabilities measured at fair value on a recurring basis at June 30, 2024:

	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<i>(in thousands)</i>				
<b>Assets:</b>				
Deferred compensation plan investments, current and non-current	\$ 31,014	\$ 31,014	\$ —	\$ —
Foreign currency hedge	345	—	345	—
Interest rate swap agreement	2,698	—	2,698	—
Total assets at fair value	<u>\$ 34,057</u>	<u>\$ 31,014</u>	<u>\$ 3,043</u>	<u>\$ —</u>
<b>Liabilities:</b>				
Deferred compensation plan investments, current and non-current	\$ 31,014	\$ 31,014	\$ —	\$ —
Forward foreign currency exchange contracts	12	—	12	—
Total liabilities at fair value	<u>\$ 31,026</u>	<u>\$ 31,014</u>	<u>\$ 12</u>	<u>\$ —</u>

The investments in the deferred compensation plan are held in a "rabbi trust" and include securities and cash equivalents for payment of non-qualified benefits for certain retired, terminated and active employees. These investments are recorded to prepaid expenses and other current assets or other non-current assets depending on their corresponding, anticipated distribution dates to recipients, which are reported in accrued expenses and other current liabilities or other long-term liabilities, respectively.

Derivative instruments, such as foreign currency forward contracts, are measured using the market approach on a recurring basis considering foreign currency spot rates and forward rates quoted by banks or foreign currency dealers and interest rates quoted by banks (Level 2). Fair values of interest rate swaps are measured using standard valuation models with inputs that can be derived from observable market transactions, including SOFR spot and forward rates (Level 2). Foreign currency contracts and interest rate swap agreements are classified in the Condensed Consolidated Balance Sheets as prepaid expenses and other non-current assets or accrued expenses and other long-term liabilities, depending on the respective instruments' favorable or unfavorable positions. See Note 8 - *Derivatives and Hedging Activities*.

The Company recorded a contingent consideration liability at the acquisition date of both Advantix and Resourceive. These liabilities represent the amounts payable to sellers, as outlined under the terms of the asset purchase agreements, based upon the achievement of a projected earnings before interest expense, taxes, depreciation and amortization, net of specific pro forma adjustments.

The following tables represent the Company's contingent consideration liabilities at fair value at December 31, 2024:

	Quarter ended December 31, 2024		
	Specialty Technology Solutions	Intelisys & Advisory	Total
	<i>(in thousands)</i>		
Fair value at beginning of period	\$ 7,500	\$ 9,700	\$ 17,200
Change in fair value of contingent consideration	473	670	1,143
Fair value at end of period	<u>\$ 7,973</u>	<u>\$ 10,370</u>	<u>\$ 18,343</u>

  

	Six months ended December 31, 2024		
	Specialty Technology Solutions	Intelisys & Advisory	Total
	<i>(in thousands)</i>		
Fair value at beginning of period	\$ —	\$ —	\$ —
Issuance of contingent consideration	7,500	9,700	17,200
Change in fair value of contingent consideration	473	670	1,143
Fair value at end of period	<u>\$ 7,973</u>	<u>\$ 10,370</u>	<u>\$ 18,343</u>

The fair values of amounts owed are recorded in current portion of contingent consideration and long-term portion of contingent consideration in the Company's Condensed Consolidated Balance Sheets. In accordance with ASC 805, the Company will revalue the contingent consideration liability at each reporting date through the last payment, with changes in the fair value of the contingent consideration reflected in the change in fair value of contingent consideration line item on the Company's Condensed Consolidated Income Statements that is included in the calculation of operating income. The fair value of the contingent consideration liability associated with future earnout payments is based on several factors, including but not limited to:

- estimated future results, net of pro forma adjustments set forth in the purchase agreements;
- a risk premium reflective of the Company's creditworthiness and market risk premium associated with the United States markets.

*Advantix*

Advantix is part of the Specialty Technology Solutions segment. The fair value of the contingent consideration is determined using a static discounted cash flow model. The fair value of the liability for the contingent consideration related to Advantix recognized at December 31, 2024 was \$8.0 million, of which \$2.0 million is classified as current. The change in fair value for the quarter ended December 31, 2024 is primarily due to the recurring amortization of the unrecognized fair value discount. Earnout payments to the sellers of Advantix are payable based on results from fiscal year 2025 to fiscal year 2028.

*Resourcive*

Resourcive is part of the Intelisys & Advisory segment. The fair value of the contingent consideration for Resourcive is determined using a Monte Carlo simulation. The fair value of the liability for the contingent consideration related to Resourcive recognized at December 31, 2024 was \$10.4 million, all of which is classified as non-current and is due to the sellers of Resourcive during fiscal year 2027. The change in fair value for the quarter ended December 31, 2024 is primarily due to the recurring amortization of the unrecognized fair value discount.

Valuation techniques and significant observable inputs used in recurring Level 3 fair value measurements for the Company's contingent consideration liabilities related to Advantix and Resourcive at December 31, 2024 were as follows.

Acquisition	Reporting Period	Valuation Technique	Significant Unobservable Inputs	Weighted Average Rates
Advantix	December 31, 2024	Discounted cash flow	Adjusted EBITDA risk premium	15.7 %
			Adjusted EBITDA growth rate	19.8 %
Resourcive	December 31, 2024	Monte Carlo	Adjusted EBITDA risk premium	13.7 %
			Simulated commission growth percentage	23.0 %

**(10) Segment Information**

The Company is a leading provider of technology solutions and services to customers in specialty technology markets. The Company has two reportable segments based on sales model.

*Specialty Technology Solutions Segment*

The Specialty Technology Solutions segment operates primarily in the United States, Canada and Brazil and includes specialty technology solutions distributed through a wholesale sales model. The specialty technology solutions include the following:

- Mobility and barcode solutions - mobile computing, barcode scanners and imagers, radio frequency identification devices, barcode printing and related services, wireless enablement and connectivity tools;
- Point-of-Sale "POS" and payments solutions - POS systems, integrated POS software platforms, self-service kiosks including self-checkout, payment terminals and mobile payment devices;
- Security solutions - video surveillance and analytics, video management software and access control;
- Networking solutions - switching, routing and wireless products and software; and
- Communications and collaboration solutions - voice, video, communication platform integration and contact center solutions.

*Intelisys & Advisory Segment*

The Intelisys & Advisory segment operates primarily in the United States and distributes connectivity and cloud services through an agency sales model. The connectivity and cloud services include telecom, cable, Unified Communications as a Service ("UCaaS"), Contact Center as a Service ("CCaaS"), Infrastructure as a Service ("IaaS"), Software-Defined Wide-Area Network ("SD-WAN") and other cloud services. This segment includes SaaS and subscription services, which the Company offers using digital tools and platforms.

Selected financial information for each business segment is presented below:

	Quarter ended December 31,		Six months ended December 31,	
	2024	2023	2024	2023
	<i>(in thousands)</i>			
<b>Sales:</b>				
Specialty Technology Solutions	\$ 723,277	\$ 861,514	\$ 1,475,576	\$ 1,715,464
Intelisys & Advisory	24,220	23,278	47,501	45,634
	<u>\$ 747,497</u>	<u>\$ 884,792</u>	<u>\$ 1,523,077</u>	<u>\$ 1,761,098</u>
<b>Depreciation and amortization:</b>				
Specialty Technology Solutions	\$ 5,116	\$ 4,532	\$ 9,742	\$ 9,076
Intelisys & Advisory	2,296	1,958	4,423	3,912
Corporate	719	768	1,438	1,487
	<u>\$ 8,131</u>	<u>\$ 7,258</u>	<u>\$ 15,603</u>	<u>\$ 14,475</u>
<b>Operating income (loss):</b>				
Specialty Technology Solutions	\$ 14,077	\$ 19,696	\$ 30,816	\$ 37,333
Intelisys & Advisory	6,440	8,274	12,853	14,921
Corporate <sup>(a)</sup>	(2,073)	(1,144)	(7,595)	(1,343)
	<u>\$ 18,444</u>	<u>\$ 26,826</u>	<u>\$ 36,074</u>	<u>\$ 50,911</u>
<b>Capital expenditures:</b>				
Specialty Technology Solutions	\$ (1,865)	\$ (2,539)	\$ (4,093)	\$ (4,836)
Intelisys & Advisory	(109)	(10)	(255)	(29)
	<u>\$ (1,974)</u>	<u>\$ (2,549)</u>	<u>\$ (4,348)</u>	<u>\$ (4,865)</u>
<b>Sales by Geography Category:</b>				
United States and Canada	\$ 689,882	\$ 797,580	\$ 1,405,871	\$ 1,590,046
Brazil <sup>(b)</sup>	60,386	89,410	123,947	174,714
Less intercompany sales	(2,771)	(2,198)	(6,741)	(3,662)
	<u>\$ 747,497</u>	<u>\$ 884,792</u>	<u>\$ 1,523,077</u>	<u>\$ 1,761,098</u>

<sup>(a)</sup> For the quarter and six months ended December 31, 2024, the amounts shown above include restructuring expense, acquisition and divestiture, cyberattack restoration costs as well as legal settlement. For the quarter and six months ended December 31, 2023, the amounts above include acquisition and divestiture costs as well as cyberattack restoration costs.

<sup>(b)</sup> Countries outside of Brazil represent \$0.1 million, or 0.2% of sales, and \$0.2 million or 0.2% of sales, for the quarter and six months ended December 31, 2024. Countries outside of Brazil represent \$1.8 million, or 2.0% of sales, and \$4.2 million, or 2.4% of sales, for the quarter and six months ended December 31, 2023.

	December 31, 2024	June 30, 2024
	<i>(in thousands)</i>	
<b>Assets:</b>		
Specialty Technology Solutions	\$ 1,483,989	\$ 1,499,146
Intelisys & Advisory	218,540	279,886
	<u>\$ 1,702,529</u>	<u>\$ 1,779,032</u>
<b>Property and equipment, net by Geography Category:</b>		
United States and Canada	\$ 17,899	\$ 21,613
Brazil	12,253	11,888
	<u>\$ 30,152</u>	<u>\$ 33,501</u>

#### (11) Leases

In accordance with Accounting Standards Codification ("ASC") 842, at contract inception the Company determines if a contract contains a lease by assessing whether the contract contains an identified asset and whether the Company has the ability to control the asset. The Company also determines if the lease meets the classification criteria for an operating lease versus a finance lease under ASC 842. Substantially all of the Company's leases are operating leases for real estate, warehouse and office equipment ranging in duration from 1 year to 10 years. The Company has elected not to record short-term operating leases with an initial term of 12 months or less on the Condensed Consolidated Balance Sheets. Operating leases are recorded as other non-current assets, accrued expenses and other current liabilities and other long-term liabilities on the Condensed Consolidated Balance Sheets. The Company has finance leases for information technology equipment expiring through fiscal year 2028. Finance leases are recorded as property and equipment, net, accrued expenses and other current liabilities and other long-term liabilities on the Condensed Consolidated Balance Sheets. The gross amount of the balances recorded related to finance leases is immaterial to the condensed consolidated financial statements at December 31, 2024 and the consolidated financial statements at June 30, 2024.

Operating lease right-of-use assets and lease liabilities are recognized at the commencement date based on the net present value of future minimum lease payments over the lease term. The Company generally is not able to determine the rate implicit in its leases and has elected to apply an incremental borrowing rate as the discount rate for the present value determination, which is based on the Company's cost of borrowings for the relevant terms of each lease and geographical economic factors. Certain operating lease agreements contain options to extend or terminate the lease. The lease term used is adjusted for these options when the Company is reasonably certain it will exercise the option. Operating lease expense is recognized on a straight-line basis over the lease term. Variable lease payments not based on a rate or index, such as costs for common area maintenance, are expensed as incurred. Further, the Company has elected the practical expedient to recognize all lease and non-lease components as a single lease component, where applicable.

The following table presents amounts recorded on the Condensed Consolidated Balance Sheets related to operating leases at December 31, 2024 and June 30, 2024:

Operating leases	Balance Sheet location	December 31, 2024	June 30, 2024
		<i>(in thousands)</i>	
Operating lease right-of-use assets	Other non-current assets	\$ 9,473	\$ 9,057
Current operating lease liabilities	Accrued expenses and other current liabilities	\$ 3,646	\$ 3,398
Long-term operating lease liabilities	Other long-term liabilities	\$ 6,572	\$ 6,507

The following table presents amounts recorded in operating lease expense as part of selling general and administrative expenses on the Condensed Consolidated Income Statements during the quarters and six months ended December 31, 2024 and 2023. Operating lease costs contain immaterial amounts of short-term lease costs for leases with an initial term of 12 months or less.



	Quarter ended December 31,		Six months ended December 31,	
	2024	2023	2024	2023
	<i>(in thousands)</i>			
Operating lease cost	\$ 1,094	\$ 1,434	\$ 2,215	\$ 2,643
Variable lease cost	343	322	674	705
	<u>\$ 1,437</u>	<u>\$ 1,756</u>	<u>\$ 2,889</u>	<u>\$ 3,348</u>

Supplemental cash flow information related to the Company's operating leases for the six months ended December 31, 2024 and 2023 are presented in the table below:

	Six months ended December 31,	
	2024	2023
	<i>(in thousands)</i>	
Cash paid for amounts in the measurement of lease liabilities	\$ 2,285	\$ 2,793
Right-of-use assets obtained in exchange for lease obligations	499	232

The weighted-average remaining lease term and discount rate at December 31, 2024 are presented in the table below:

	December 31, 2024
Weighted-average remaining lease term	2.93 years
Weighted-average discount rate	5.09 %

The following table presents the maturities of the Company's operating lease liabilities at December 31, 2024:

	Operating leases	
	<i>(in thousands)</i>	
2025	\$	2,207
2026		4,136
2027		3,764
2028		1,394
2029		714
Thereafter		300
Total future payments		12,515
Less: amounts representing interest		2,297
Present value of lease payments	\$	<u>10,218</u>

## (12) Commitments and Contingencies

The Company is, from time to time, party to lawsuits arising out of operations. Although there can be no assurance, based upon information known to the Company, the Company believes that any liability resulting from an adverse determination of such lawsuits would not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

During the Company's due diligence for the Network1 acquisition completed in 2016, several pre-acquisition contingencies were identified regarding various Brazilian federal and state tax exposures. The Company recorded indemnification receivables that are reported gross of the pre-acquisition contingency liabilities as the funds were escrowed as part of the acquisition. The amount available after the impact of foreign currency translation for future pre-acquisition contingency settlements or to be released to the sellers was \$2.9 million and \$3.2 million at December 31, 2024 and June 30, 2024, respectively.

The table below summarizes the balances and line item presentation of Network1's pre-acquisition contingencies and corresponding indemnification receivables in the Company's Condensed Consolidated Balance Sheets at December 31, 2024 and June 30, 2024:

	December 31, 2024	June 30, 2024	
	Network1		
	<i>(in thousands)</i>		
<b>Assets</b>			
Prepaid expenses and other current assets	\$	13	\$ 14
Other non-current assets	\$	3,230	\$ 3,598
<b>Liabilities</b>			
Accrued expenses and other current liabilities	\$	13	\$ 14
Other long-term liabilities	\$	3,230	\$ 3,598

### (13) Income Taxes

Income taxes for the quarters and six months ended December 31, 2024 and 2023 have been included in the accompanying condensed consolidated financial statements using an estimated annual effective tax rate. In addition to applying the estimated annual effective tax rate to pre-tax income, the Company includes certain items treated as discrete events to arrive at an estimated overall tax provision. During the quarter ended December 31, 2024, a discrete net tax benefit of \$3.0 million was recorded, which is attributable to a reduction in the Company's prior-year transition tax liability, a notional interest deduction on the net equity of the Company's Brazilian subsidiary, and stock compensation. During the quarter ended December 31, 2023, a discrete net tax benefit of \$3.8 million was recorded, which is primarily attributable to the sale of the UK-based intY.

The Company's effective tax rate of 13.5% and 20.3% for the quarter and six months ended December 31, 2024, respectively, differs from the current federal statutory rate of 21% primarily as a result of income derived from tax jurisdictions with varying income tax rates, discrete items, nondeductible expenses and state income taxes. The Company's effective tax rate was 18.3% and 18.6% for the quarter and six months ended December 31, 2023, respectively.

As of December 31, 2024, the Company is not permanently reinvested with respect to all earnings generated by foreign operations. The Company has determined that there is no material deferred tax liability for federal, state and withholding tax related to undistributed earnings. During the quarter ended December 31, 2024, foreign subsidiaries repatriated cash of \$3.5 million to the United States. There is no certainty to the timing of any future distributions of such earnings to the U.S. in whole or in part.

The Company had approximately \$1.2 million and \$1.1 million of total gross unrecognized tax benefits at December 31, 2024 and June 30, 2024, respectively. Of this total at December 31, 2024, approximately \$0.9 million represents the amount of unrecognized tax benefits that are permanent in nature and, if recognized, would affect the annual effective tax rate. The Company does not believe that the total amount of unrecognized tax benefits will significantly increase or decrease within twelve months of the reporting date.

The Company's policy is to recognize interest and penalties related to income tax matters in income tax expense. At December 31, 2024 and June 30, 2024, the Company had approximately \$1.3 million accrued for interest and penalties.

The Company conducts business globally and one or more of its subsidiaries files income tax returns in the U.S. federal, various state, local and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities in countries and states in which it operates. With certain exceptions, the Company is no longer subject to federal, state and local or non-U.S. income tax examinations by tax authorities for the years before June 30, 2019.

### (14) Restructurings

In January 2024 and September 2024, as part of a strategic review of organizational structure and operations, the Company executed cost reduction and restructuring programs to align our cost structure with demand expectations in our business. The actions taken in January 2024 and September 2024 are expected to result in approximately \$10.0 million and \$10.5 million in annualized savings in selling, general and administrative expenses, respectively, most of which is expected to be realized during this fiscal year.

The following table presents the restructuring and employee separation costs incurred for the quarter and six months ended December 31, 2024:

	<b>Quarter ended December 31, 2024</b>	<b>Six months ended December 31, 2024</b>
	<i>(in thousands)</i>	
Employee separation and benefit costs	\$ 313	5,381

For the quarter and six months ended December 31, 2024, all restructuring costs are recognized in the Corporate reporting unit and have not been allocated to the Specialty Technology Solutions or Intelisys & Advisory segments.

Accrued restructuring costs are included in accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets. The following table represents activity for the six months ended December 31, 2024:

	<b>Accrued Expenses</b>	
	<i>(in thousands)</i>	
Balance at June 30, 2024	\$	1,629
Charged to expense		5,381
Cash payments		(4,288)
Balance at December 31, 2024	<b>\$</b>	<b>2,722</b>

The remaining balance as of December 31, 2024 of \$2.7 million is expected to be paid through the third quarter of fiscal year 2027.

#### **(15) Acquisitions**

On August 8, 2024, ScanSource acquired substantially all of the assets of Resourceive, a leading technology advisor, through its subsidiary ScanSource Agency, Inc. Resourceive delivers strategic IT sourcing solutions to mid-market and enterprise businesses, advising clients on value creation strategies that are enabled by technology. On August 15, 2024, ScanSource acquired, through its subsidiary Advantix ScanSource, LLC, substantially all of the assets of Advantix, a managed connectivity experience provider specializing in wireless enablement solutions. The combined initial purchase price of these acquisitions, net of cash acquired, was approximately \$56.7 million. The Advantix acquisition is included in the Specialty Technology Solutions segment, and the Resourceive acquisition is included in the Intelisys & Advisory segment. Both acquisitions included future earnout payments, and the Company recorded contingent consideration liabilities at the acquisition dates representing the fair value of estimated amounts payable to sellers. See Note 9 - *Fair Value of Financial Instruments* for the related disclosures regarding the contingent consideration liabilities recognized in connection with these acquisitions.

The purchase prices were allocated to the assets acquired and liabilities assumed based on their estimated fair values on the transaction dates. Intangible assets acquired include trade names, customer relationships, and developed technology. See Note 6 - *Goodwill and Other Identifiable Intangible Assets* for the amounts of goodwill and intangible assets recognized in connection with these acquisitions. The allocation of the purchase prices to the assets and liabilities acquired, including the valuation of the identifiable intangible assets, has not been concluded as of the reporting date. The impact of these acquisitions was not material to the consolidated financial statements. The Company recognized \$0.2 million and \$0.6 million for the quarter and six months ended December 31, 2024, respectively, in acquisition-related costs included in selling, general and administrative expenses on the Condensed Consolidated Income Statements.

#### **(16) Business Sale**

On December 19, 2023, the Company completed the sale of its UK-based intY business. The Company retained its CASCADE cloud services distribution platform which has been used to grow the Cisco and Microsoft subscription businesses in the United States and Brazil. Under the stock purchase agreement, the Company received proceeds of \$17.6 million in cash for the sale, net of cash transferred. The business sale resulted in a \$14.2 million gain on sale after considering the net assets sold. During the quarter December 31, 2024, \$2.6 million in cash was released from escrow related to the sale of intY. The impact of this sale was not material to the consolidated financial statements.

### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

## Overview

ScanSource is a leading hybrid distributor connecting devices to the cloud and accelerating growth for customers and channel partners across hardware, software as a service ("SaaS"), and connectivity and cloud services. ScanSource uses multiple sales models to offer hybrid distribution solutions from leading suppliers of specialty technologies and connectivity and cloud services. The Company operates primarily in the United States, Canada and Brazil.

We operate our business under a management structure that enhances our specialty technology focus and hybrid distribution growth strategy. Our segments operate primarily in the United States, Canada and Brazil and are based on sales models:

- Specialty Technology Solutions
- Intelisys & Advisory

We offer hardware, SaaS, and connectivity and cloud services from leading technology suppliers to customers and channel partners enabling solutions for users' needs and challenges. We operate distribution facilities that support our United States and Canada business in Mississippi, California and Kentucky. Brazil distribution facilities are located in the Brazilian states of Paraná, Espírito Santo and Santa Catarina. We provide some of our digital products, which include SaaS and subscriptions, through our digital tools and platforms.

## Recent Developments

On August 8, 2024, we completed the acquisition of substantially all of the assets of Secure Path Networks, LLC doing business as Resourceive ("Resourceive"), a leading technology advisor. Resourceive delivers strategic IT sourcing solutions to mid-market and enterprise businesses, advising clients on value creation strategies that are enabled by technology.

On August 15, 2024, we completed the acquisition of substantially all of the assets of Advantix Solutions Group, Inc. ("Advantix"), a managed connectivity experience provider specializing in wireless enablement solutions.

In September 2024, as part of a strategic review of organizational structure and operations, the Company executed a cost reduction and restructuring program to align our cost structure with demand expectations in our hardware business. These actions are expected to result in approximately \$10.5 million in annualized savings in selling, general and administrative expenses.

## Our Strategy

Our strategy is to drive sustainable, profitable growth by orchestrating hybrid technology solutions through a growing ecosystem of partners by leveraging our people, processes and tools. Our goal is to provide exceptional experiences for our customers, suppliers and employees through operational excellence. Our hybrid distribution strategy utilizes multiple sales models to offer hardware, SaaS, and connectivity and cloud services from leading technology suppliers to customers that solve end-users' challenges. ScanSource enables customers to deliver solutions for their end-users to address changing buying and consumption patterns. Our solutions may include a combination of offerings from multiple suppliers or give our customers access to additional services. As a trusted adviser to our customers, we provide solutions through our strong understanding of end-user needs. We have plans to continuing expanding our investments in the agency channel in the near term.

## Results of Operations

### Net Sales

We have two reportable segments, which are based on sales channels. The following tables summarize our net sales results by operating segment and by geographic location for the quarters and six months ended December 31, 2024 and 2023:

Net Sales by Segment:	Quarter ended December 31,		\$ Change	% Change	% Change, Constant Currency, Excluding Divestitures and Acquisitions <sup>(a)</sup>
	2024	2023			
	<i>(in thousands)</i>				
Specialty Technology Solutions	\$ 723,277	\$ 861,514	\$ (138,237)	(16.0)%	(15.4)%
Intelisys & Advisory	24,220	23,278	942	4.0 %	(3.2)%
Total net sales	\$ 747,497	\$ 884,792	\$ (137,295)	(15.5)%	(15.1)%

	Six months ended December 31,		\$ Change	% Change	% Change, Constant Currency, Excluding Divestitures and Acquisitions <sup>(a)</sup>
	2024	2023			
	<i>(in thousands)</i>				
Specialty Technology Solutions	\$ 1,475,576	\$ 1,715,464	\$ (239,888)	(14.0)%	(13.3)%
Intelisys & Advisory	47,501	45,634	1,867	4.1 %	(0.9)%
Total net sales	\$ 1,523,077	\$ 1,761,098	\$ (238,021)	(13.5)%	(12.9)%

<sup>(a)</sup> A reconciliation of non-GAAP net sales in constant currency, excluding divestitures and acquisitions, is presented at the end of *Results of Operations*, under *Non-GAAP Financial Information*.

### Specialty Technology Solutions

The Specialty Technology Solutions segment consists of sales to customers primarily in the United States, Canada and Brazil through value-added resellers. For the quarter and six months ended December 31, 2024, net sales decreased \$138.2 million, or 16.0%, and \$239.9 million, or 14.0%, respectively, compared to the prior-year period. Excluding the impact from foreign exchange rate fluctuations and the impact of divestitures and acquisitions, adjusted net sales decreased \$132.7 million, or 15.4%, and \$226.9 million, or 13.3%, for the quarter and six months ended December 31, 2024, respectively, compared to the prior-year periods. The decrease in net sales and adjusted net sales for the quarter is primarily due to lower large deals and continued soft demand in a more cautious technology spending environment.

### Intelisys & Advisory

The Intelisys & Advisory segment consists of sales to channel partners primarily in the United States through technology services distributors and technology advisors. For the quarter ended December 31, 2024, net sales increased \$0.9 million, or 4.0% compared to the prior-year period. Excluding the impact from foreign exchange rate fluctuations and the impact of acquisitions, adjusted net sales decreased \$0.7 million, or 3.2%.

For the six months ended December 31, 2024, net sales increased \$1.9 million, or 4.1%, compared to the prior-year period. Excluding the impact from foreign exchange rate fluctuations and the impact of acquisitions, adjusted net sales decreased \$0.4 million, or 0.9% for the six months ended December 31, 2024.

The increase in net sales for the quarter and six months ended December 31, 2024 reflects the addition of an acquisition. The slight decrease in adjusted net sales for the quarter and six months is primarily due to lower Intelisys net sales. Quarterly net billings for Intelisys increased 5.0% over the prior-year quarter to bring annualized net billings to approximately \$2.77 billion.

<i>Net Sales by Geography:</i>	Quarter ended December 31,				% Change, Constant Currency, Excluding Divestitures and Acquisitions <sup>(a)</sup>
	2024	2023	\$ Change	% Change	
	<i>(in thousands)</i>				
United States and Canada	\$ 687,111	\$ 795,382	\$ (108,271)	(13.6)%	(14.7)%
Brazil <sup>(b)</sup>	60,386	89,410	(29,024)	(32.5)%	(18.9)%
Total net sales	\$ 747,497	\$ 884,792	\$ (137,295)	(15.5)%	(15.1)%

	Six months ended December 31,				% Change, Constant Currency, Excluding Divestitures and Acquisitions <sup>(a)</sup>
	2024	2023	\$ Change	% Change	
	<i>(in thousands)</i>				
United States and Canada	\$ 1,399,130	\$ 1,586,384	\$ (187,254)	(11.8)%	(12.6)%
Brazil <sup>(b)</sup>	123,947	174,714	(50,767)	(29.1)%	(16.0)%
Total net sales	\$ 1,523,077	\$ 1,761,098	\$ (238,021)	(13.5)%	(12.9)%

<sup>(a)</sup> A reconciliation of non-GAAP net sales in constant currency is presented at the end of *Results of Operations* in the non-GAAP section.

<sup>(b)</sup> Countries outside of Brazil represent \$0.1 million, or 0.2% of sales, and \$0.2 million, or 0.2% of sales, for the quarter and six months ended December 31, 2024, respectively. Countries outside of Brazil represent \$1.8 million, or 2.0% of sales, and \$4.2 million, or 2.4% of sales, for the quarter and six months ended December 31, 2023, respectively.

### Gross Profit

The following table summarizes our gross profit for the quarters and six months ended December 31, 2024 and 2023:

	Quarter ended December 31,		\$ Change	% Change	% of Net Sales December 31,	
	2024	2023			2024	2023
	<i>(in thousands)</i>					
Specialty Technology Solutions	\$ 77,764	\$ 77,591	\$ 173	0.2 %	10.8 %	9.0 %
Intelisys & Advisory	23,959	23,157	802	3.5 %	98.9 %	99.5 %
Gross profit	\$ 101,723	\$ 100,748	\$ 975	1.0 %	13.6 %	11.4 %
	Six months ended December 31,		\$ Change	% Change	% of Net Sales December 31,	
	2024	2023			2024	2023
	<i>(in thousands)</i>					
Specialty Technology Solutions	\$ 156,221	\$ 161,854	\$ (5,633)	(3.5)%	10.6 %	9.4 %
Intelisys & Advisory	47,121	45,402	1,719	3.8 %	99.2 %	99.5 %
Gross profit	\$ 203,342	\$ 207,256	\$ (3,914)	(1.9)%	13.4 %	11.8 %

Our gross profit is primarily affected by sales volume and gross margin mix. Gross margin mix is impacted by multiple factors, which include sales mix (proportion of sales of higher margin products or services relative to total sales), vendor program recognition (consisting of volume rebates, inventory price changes and purchase discounts) and freight costs. Increases in vendor program recognition decrease cost of goods sold, thereby increasing gross profit. Net sales derived from our Intelisys business contribute 100% to our gross profit dollars and margin as they have no associated cost of goods sold.

#### Specialty Technology Solutions

For the quarter ended December 31, 2024, gross profit dollars for the Specialty Technology Solutions segment increased \$0.2 million, or 0.2%, compared to the prior-year quarter. A more favorable sales mix positively impacted gross profit by \$12.6 million, offsetting lower sales volumes of \$12.4 million. Gross profit margin increased 175 basis points over the prior-year quarter to 10.8%.

For the six months ended December 31, 2024, gross profit dollars decreased \$5.6 million, or 3.5%, compared to the prior-year period. Lower sales volume, after considering the associated cost of goods sold, reduced gross profit dollars by \$22.6 million. Gross profit margin increased 115 basis points year-over-year to 10.6%. Gross margin mix positively impacted gross profit by \$17.0 million largely due to favorable sales mix and higher vendor program recognition.

#### Intelisys & Advisory

For the quarter ended December 31, 2024, gross profit dollars for the Intelisys & Advisory segment increased \$0.8 million, or 3.5%, compared to the prior-year quarter. Higher sales volume, largely due to the impact of our Advisory business, increased gross profit for the quarter. Gross profit margin decreased 56 basis points compared to the prior-year quarter to 98.9%, reflecting the addition of professional services to the sale mix.

For the six months ended December 31, 2024, gross profit dollars increased \$1.7 million, or 3.8%, compared to the prior-year period. Higher sales volume, largely due to the recent Resourceive acquisition, increased gross profit for the six-month period. Gross profit margin decreased 29 basis points compared to the prior-year six-month period to 99.2%, reflecting the addition of professional services to the sales mix.

#### Operating Expenses

The following table summarizes our operating expenses for the quarters and six months ended December 31, 2024 and 2023:

	Quarter ended December 31,		\$ Change	% Change	% of Net Sales December 31,	
	2024	2023			2024	2023
	<i>(in thousands)</i>					
Selling, general and administrative expenses	\$ 73,920	\$ 66,921	\$ 6,999	10.5 %	9.9 %	7.6 %
Depreciation expense	2,902	2,964	(62)	(2.1)%	0.4 %	0.3 %
Intangible amortization expense	5,001	4,037	964	23.9 %	0.7 %	0.5 %
Restructuring and other charges	313	—	313	100.0 %	0.0 %	0.0 %
Change in fair value of contingent consideration	1,143	—	1,143	*nm	0.2 %	0.0 %
Operating expenses	\$ 83,279	\$ 73,922	\$ 9,357	12.7 %	11.1 %	8.4 %
	<b>Six months ended December 31,</b>					
	2024	2023	\$ Change	% Change	2024	2023
	<i>(in thousands)</i>					
Selling, general and administrative expenses	\$ 145,626	\$ 142,356	\$ 3,270	2.3 %	9.6 %	8.1 %
Depreciation expense	5,759	5,759	—	0.0 %	0.4 %	0.3 %
Intangible amortization expense	9,359	8,230	1,129	13.7 %	0.6 %	0.5 %
Restructuring and other charges	5,381	—	5,381	100.0 %	0.4 %	0.0 %
Change in fair value of contingent consideration	1,143	—	1,143	*nm	0.1 %	0.0 %
Operating expenses	\$ 167,268	\$ 156,345	\$ 10,923	7.0 %	11.0 %	8.9 %

Selling, general and administrative expenses (“SG&A”) increased by \$7.0 million, or 10.5%, and \$3.3 million, or 2.3% for the quarter and six months ended December 31, 2024, respectively compared to the prior-year periods. The increase for the quarter ended and six-month period is primarily attributable to increased customer specific bad debt expense in the United States and Canada, as well as higher costs related to recent acquisitions.

Restructuring and other charges incurred of \$0.3 million and \$5.4 million during the quarter and six months ended December 31, 2024, respectively, related to employee separation and benefit costs in connection with our expense reduction and restructuring plans implemented during the current fiscal year.

The increase in amortization expense of \$1.0 million and \$1.1 million during the quarter and six months ended December 31, 2024, respectively, is largely due to intangible assets acquired in our recent acquisitions of Advantix and Resourceive.

We present changes in fair value of the contingent consideration owed to the former shareholders of businesses that we acquire as a separate line item in operating expenses. We recorded a fair value adjustment expense of \$1.1 million in the quarter ended December 31, 2024. The expense from change in fair value of contingent consideration for the quarter and six months is largely due to the recurring amortization of the unrecognized fair value discount.



### Operating Income

The following table summarizes our operating income for the quarters and six months ended December 31, 2024 and 2023:

	Quarter ended December 31,		\$ Change	% Change	% of Net Sales December 31,	
	2024	2023			2024	2023
	<i>(in thousands)</i>					
Specialty Technology Solutions	\$ 14,077	\$ 19,696	\$ (5,619)	(28.5)%	1.9 %	2.3 %
Intelisys & Advisory	6,440	8,274	(1,834)	(22.2)%	26.6 %	35.5 %
Corporate	(2,073)	(1,144)	(929)	nm*	nm*	nm*
Operating income	\$ 18,444	\$ 26,826	\$ (8,382)	(31.2)%	2.5 %	3.0 %
	<b>Six months ended December 31,</b>					
	<b>2024</b>	<b>2023</b>	<b>\$ Change</b>	<b>% Change</b>	<b>% of Net Sales December 31,</b>	
	<i>(in thousands)</i>					
Specialty Technology Solutions	\$ 30,816	\$ 37,333	\$ (6,517)	(17.5)%	2.1 %	2.2 %
Intelisys & Advisory	12,853	14,921	(2,068)	(13.9)%	27.1 %	32.7 %
Corporate	(7,595)	(1,343)	(6,252)	nm*	nm*	nm*
Operating income	\$ 36,074	\$ 50,911	\$ (14,837)	(29.1)%	2.4 %	2.9 %

\*nm - percentages are not meaningful

### Specialty Technology Solutions

For the Specialty Technology Solutions segment, operating income decreased \$5.6 million, or 28.5%, and \$6.5 million, or 17.5%, respectively, for the quarter and six months ended December 31, 2024, respectively, compared to the prior-year periods. Operating margin was at 1.9% and 2.1% for the quarter and six months ended December 31, 2024, respectively. The decrease in operating income for the quarter is primarily due to higher bad debt expense. The decrease in operating income for the six month period is primarily due to lower gross profits from lower sales volumes.

### Intelisys & Advisory

For the Intelisys & Advisory segment, operating income decreased \$1.8 million, or 22.2%, and \$2.1 million, or 13.9%, respectively, for the quarter and six months ended December 31, 2024, respectively, compared to the prior-year periods. Operating margin decreased to 26.6% and 27.1% for the quarter and six months ended December 31, 2024, respectively. The decrease in the quarter and six-month comparative periods is primarily driven by higher employee costs and expense related to the change in fair value of contingent consideration.

### Corporate

For the quarter and six months ended December 31, 2024, Corporate operating losses of \$2.1 million and \$7.6 million, respectively, represent restructuring, acquisition-related costs and a legal settlement incurred in December 2024.

### Total Other (Income) Expense

The following table summarizes our total other (income) expense for the quarters and six months ended December 31, 2024 and 2023:

	Quarter ended December 31,				% of Net Sales December 31,	
	2024	2023	\$ Change	% Change	2024	2023
	<i>(in thousands)</i>					
Interest expense	\$ 1,970	\$ 3,359	\$ (1,389)	(41.4)%	0.3 %	0.4 %
Interest income	(2,693)	(2,119)	(574)	27.1 %	(0.4)%	(0.2)%
Net foreign exchange losses	(252)	429	(681)	(158.7)%	(0.0)%	0.0 %
Gain on sale of business	—	(14,533)	14,533	<i>nm*</i>	— %	(1.6)%
Other, net	(291)	(356)	65	(18.3)%	(0.0)%	(0.0)%
Total other (income) expense, net	\$ (1,266)	\$ (13,220)	\$ 11,954	(90.4)%	(0.2)%	(1.5)%
	<b>Six months ended December 31,</b>					
	2024	2023	\$ Change	% Change	2024	2023
	<i>(in thousands)</i>					
Interest expense	\$ 4,078	\$ 8,945	\$ (4,867)	(54.4)%	0.3 %	0.5 %
Interest income	(5,352)	(3,444)	(1,908)	55.4 %	(0.4)%	(0.2)%
Net foreign exchange losses	83	1,124	(1,041)	(92.6)%	0.0 %	0.1 %
Gain on sale of business	—	(14,533)	14,533	<i>nm*</i>	— %	(0.8)%
Other, net	(5,408)	(374)	(5,034)	<i>nm*</i>	(0.4)%	(0.0)%
Total other (income) expense, net	\$ (6,599)	\$ (8,282)	\$ 1,683	(20.3)%	(0.4)%	(0.5)%

\**nm* - percentages are not meaningful

Interest expense consists primarily of interest incurred on borrowings, non-utilization fees charged on the revolving credit facility and amortization of debt issuance costs. Interest expense decreased for the quarter and six months ended December 31, 2024 compared to the prior-year periods, primarily from lower average borrowings on our multi-currency revolving credit facility.

Interest income increased for the quarter and six months ended December 31, 2024 primarily from interest earned on higher cash balances in the United States.

Net foreign exchange gains and losses consist of foreign currency transactional and functional currency re-measurements, offset by net foreign exchange forward contracts gains and losses. Foreign exchange gains and losses are generated as the result of fluctuations in the value of the U.S. dollar versus the Brazilian real, the Canadian dollar versus the U.S. dollar, the euro versus the U.S. dollar, and the British pound versus the U.S. dollar. We partially offset foreign currency exposure with the use of foreign exchange contracts to hedge against these exposures. The costs associated with foreign exchange forward contracts are included in the net foreign exchange losses.

For the quarter and six months ended December 31, 2024, we recognized a gain of \$0.3 million and \$5.4 million, respectively primarily as a result of an insurance recovery in connection with the cybersecurity attack in the fourth quarter of fiscal year 2023.

#### **Provision for Income Taxes**

For the quarter and six months ended December 31, 2024, income tax expense was \$2.7 million and \$8.6 million, respectively, reflecting an effective tax rate of 13.5% and 20.3%. In comparison, for the quarter and six months ended December 31, 2023, income tax expense was \$7.3 million and \$11.0 million reflecting an effective tax rate of 18.3% and 18.6%, respectively. The decrease in the effective tax rate for the quarter is primarily due to discrete items. We expect the effective tax rate, excluding discrete items, for fiscal year 2025 to be approximately 28.5% to 29.5%. See Note 13 - Income Taxes to the Notes to Consolidated Financial Statements for further discussion.

## Non-GAAP Financial Information

### *Evaluating Financial Condition and Operating Performance*

In addition to disclosing results that are determined in accordance with United States generally accepted accounting principles (“US GAAP” or “GAAP”), we also disclose certain non-GAAP financial measures. These measures include non-GAAP operating income; non-GAAP pre-tax income; non-GAAP net income; non-GAAP EPS; adjusted earnings before interest expense, income taxes, depreciation, and amortization (“adjusted EBITDA”); adjusted return on invested capital (“adjusted ROIC”); and constant currency. Constant currency is a measure that excludes the translation exchange impact from changes in foreign currency exchange rates between reporting periods. We use non-GAAP financial measures to better understand and evaluate performance, including comparisons from period to period.

These non-GAAP financial measures have limitations as analytical tools, and the non-GAAP financial measures that we report may not be comparable to similarly titled amounts reported by other companies. Analysis of results and outlook on a non-GAAP basis should be considered in addition to, and not in substitution for or as superior to, measurements of financial performance prepared in accordance with US GAAP.

### *Adjusted Return on Invested Capital*

Adjusted ROIC assists us in comparing our performance over various reporting periods on a consistent basis because it removes from our operating results the impact of items that do not reflect our core operating performance. We believe the calculation of adjusted ROIC provides useful information to investors and is an additional relevant comparison of our performance during the year.

Adjusted EBITDA starts with net income and adds back interest expense, income tax expense, depreciation expense, amortization of intangible assets, share-based compensation expense, and other non-GAAP adjustments. Since adjusted EBITDA excludes some non-cash costs of investing in our business and people, we believe that adjusted EBITDA shows the profitability from our business operations more clearly.

We calculate adjusted ROIC as adjusted EBITDA, divided by invested capital. Invested capital is defined as average equity plus average daily funded interest-bearing debt for the period. The following table summarizes annualized adjusted ROIC for the quarters ended December 31, 2024 and 2023, respectively:

	Quarter ended December 31,	
	2024	2023
Adjusted return on invested capital ratio, annualized <sup>(a)</sup>	13.3 %	13.2 %

(a) The annualized EBITDA amount is divided by days in the quarter times 365 days per year, or 366 days for leap year. There were 92 days in the current and prior-year quarter.

The components of this calculation and reconciliation to our financial statements are shown on the following schedule:

	Quarter ended December 31,	
	2024	2023
	<i>(in thousands)</i>	
<b>Reconciliation of net income to adjusted EBITDA:</b>		
Net income (GAAP)	\$ 17,053	\$ 32,726
Plus: Interest expense	1,970	3,359
Plus: Income taxes	2,657	7,320
Plus: Depreciation and amortization	8,132	7,258
EBITDA (non-GAAP)	29,812	50,663
Plus: Change in fair value of contingent consideration	1,143	—
Plus: Share-based compensation	3,021	2,571
Plus: Acquisition and divestiture costs	151	703
Plus: Cyberattack restoration costs	30	441
Plus: Restructuring costs	313	—
Plus: Legal settlement	1,579	—
Plus: Tax recovery	(750)	(1,386)
Plus: Gain on sale of business	—	(14,533)
Adjusted EBITDA (numerator for adjusted ROIC) (non-GAAP)	\$ 35,299	\$ 38,459

	Quarter ended December 31,	
	2024	2023
	<i>(in thousands)</i>	
<b>Invested capital calculations:</b>		
Equity – beginning of the quarter	\$ 920,893	\$ 915,253
Equity – end of the quarter	900,662	953,601
Plus: Change in fair value of contingent consideration, net of tax	861	—
Plus: Share-based compensation, net	2,271	1,919
Plus: Acquisition and divestiture costs <sup>(a)</sup>	151	703
Plus: Cyberattack restoration costs, net	23	329
Plus: Restructuring, net	236	—
Plus: Legal settlement	1,189	—
Plus: Tax recovery, net	(2,560)	(640)
Plus: Gain on sale of business	—	(14,533)
Average equity	911,863	928,316
Average funded debt <sup>(b)</sup>	142,143	227,688
Invested capital (denominator for adjusted ROIC) (non-GAAP)	\$ 1,054,006	\$ 1,156,004

(a) Acquisition and divestiture costs are generally non-deductible for tax purposes.

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

#### *Net Sales in Constant Currency Excluding Acquisitions and Divestitures*

We make references to “constant currency,” a non-GAAP performance measure that excludes the foreign exchange rate impact from fluctuations in the average foreign exchange rates between reporting periods. Constant currency is calculated by translating current period results from currencies other than the U.S. dollar into U.S. dollars using the comparable average foreign exchange rates from the prior-year period. We also exclude the impact of acquisitions or divestitures prior to the first full year of operations from the acquisition or divestiture date in order to show net sales results on an organic basis. This information is provided to analyze underlying trends without the translation impact of fluctuations in foreign currency rates and the impact of acquisitions and divestitures. Below we show organic growth by providing a non-GAAP reconciliation of net sales in constant currency excluding acquisitions and divestitures:

**Net Sales by Segment:**

	Quarter ended December 31,		\$ Change	% Change
	2024	2023		
<b>Specialty Technology Solutions:</b>	<i>(in thousands)</i>			
Net sales, reported	\$ 723,277	\$ 861,514	\$ (138,237)	(16.0)%
Foreign exchange impact <sup>(a)</sup>	10,723	—		
Less: Divestitures	—	(1,737)		
Less: Acquisitions	(6,888)	—		
Non-GAAP net sales	\$ 727,112	\$ 859,777	\$ (132,665)	(15.4)%
<b>Intelisys &amp; Advisory:</b>				
Net sales, reported	\$ 24,220	\$ 23,278	\$ 942	4.0 %
Foreign exchange impact <sup>(a)</sup>	(5)	—		
Less: Acquisitions	(1,685)	—		
Non-GAAP net sales	\$ 22,530	\$ 23,278	\$ (748)	(3.2)%
<b>Consolidated:</b>				
Net sales, reported	\$ 747,497	\$ 884,792	\$ (137,295)	(15.5)%
Foreign exchange impact <sup>(a)</sup>	10,718	—		
Less: Divestitures	—	(1,737)		
Less: Acquisitions	(8,573)	—		
Non-GAAP net sales	\$ 749,642	\$ 883,055	\$ (133,413)	(15.1)%

<sup>(a)</sup> Year-over-year net sales growth rate excluding the translation impact of changes in foreign currency exchange rates. Calculated by translating the net sales for the quarter ended December 31, 2024 into U.S. dollars using the average foreign exchange rates for the quarter ended December 31, 2023.

**Net Sales by Segment:**

	<b>Six months ended December 31,</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>2024</b>	<b>2023</b>		
<b>Specialty Technology Solutions</b>	<i>(in thousands)</i>			
Net sales, reported	\$ 1,475,576	\$ 1,715,464	\$ (239,888)	(14.0)%
Foreign exchange impact <sup>(a)</sup>	19,368	—		
Less: Divestitures		(4,019)		
Less: Acquisitions	(10,399)	—		
Non-GAAP net sales	<u>\$ 1,484,545</u>	<u>\$ 1,711,445</u>	\$ (226,900)	(13.3)%
<b>Intelisys &amp; Advisory</b>				
Net sales, reported	\$ 47,501	\$ 45,634	\$ 1,867	4.1 %
Foreign exchange impact <sup>(a)</sup>	(8)	—		
Less: Divestitures	—	—		
Less: Acquisitions	(2,262)	—		
Non-GAAP net sales	<u>\$ 45,231</u>	<u>\$ 45,634</u>	\$ (403)	(0.9)%
<b>Consolidated:</b>				
Net sales, reported	\$ 1,523,077	\$ 1,761,098	\$ (238,021)	(13.5)%
Foreign exchange impact <sup>(a)</sup>	19,360	—		
Less: Divestitures	—	(4,019)		
Less: Acquisitions	(12,661)	—		
Non-GAAP net sales	<u>\$ 1,529,776</u>	<u>\$ 1,757,079</u>	\$ (227,303)	(12.9)%

<sup>(a)</sup> Year-over-year net sales growth rate excluding the translation impact of changes in foreign currency exchange rates. Calculated by translating the net sales for the six months ended December 31, 2024 into U.S. dollars using the average foreign exchange rates for the six months ended December 31, 2023.

**Net Sales by Geography:**

	<b>Quarter ended December 31,</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>2024</b>	<b>2023</b>		
<b>United States and Canada:</b>	<i>(in thousands)</i>			
Net sales, as reported	\$ 687,111	\$ 795,382	\$ (108,271)	(13.6)%
Less: Acquisitions	(8,573)	—		
Non-GAAP Net sales	<u>\$ 678,538</u>	<u>\$ 795,382</u>	\$ (116,844)	(14.7)%
<b>Brazil:</b>				
Net sales, reported <sup>(a)</sup>	\$ 60,386	\$ 89,410	\$ (29,024)	(32.5)%
Foreign exchange impact <sup>(b)</sup>	10,718	—		
Less: Divestitures	—	(1,737)		
Non-GAAP net sales, constant currency	<u>\$ 71,104</u>	<u>\$ 87,673</u>	\$ (16,569)	(18.9)%
<b>Consolidated:</b>				
Net sales, reported <sup>(a)</sup>	\$ 747,497	\$ 884,792	\$ (137,295)	(15.5)%
Foreign exchange impact <sup>(b)</sup>	10,718	—		
Less: Divestitures	—	(1,737)		
Less: Acquisitions	(8,573)	—		
Non-GAAP net sales, constant currency	<u>\$ 749,642</u>	<u>\$ 883,055</u>	\$ (133,413)	(15.1)%

(a) Countries outside of Brazil represent \$0.1 million, or 0.2% of sales, for the quarter ended December 31, 2024 and \$1.8 million, or 2.0% of sales, for the quarter ended December 31, 2023.

(b) Year-over-year net sales growth rate excluding the translation impact of changes in foreign currency exchange rates. Calculated by translating the net sales for the quarter ended December 31, 2024 into U.S. dollars using the average foreign exchange rates for the quarter ended December 31, 2023.

	<b>Six months ended December 31,</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>2024</b>	<b>2023</b>		
<b>United States and Canada:</b>	<i>(in thousands)</i>			
Net sales, as reported	\$ 1,399,130	\$ 1,586,384	\$ (187,254)	(11.8)%
Less: Acquisitions	(12,661)	—		
	<u>1,386,469</u>	<u>1,586,384</u>		
<b>Brazil:</b>				
Net sales, reported <sup>(a)</sup>	\$ 123,947	\$ 174,714	\$ (50,767)	(29.1)%
Foreign exchange impact <sup>(b)</sup>	19,360	—		
Less: Divestitures	—	(4,019)		
Non-GAAP net sales	<u>\$ 143,307</u>	<u>\$ 170,695</u>	\$ (27,388)	(16.0)%
<b>Consolidated:</b>				
Net sales, reported	\$ 1,523,077	\$ 1,761,098	\$ (238,021)	(13.5)%
Foreign exchange impact <sup>(b)</sup>	19,360	—		
Less: Divestitures	—	(4,019)		
Less: Acquisitions	(12,661)	—		
Non-GAAP net sales	<u>\$ 1,529,776</u>	<u>\$ 1,757,079</u>	\$ (227,303)	(12.9)%

(a) Countries outside of Brazil represent \$0.2 million, or 0.2% of sales, for the six months ended December 31, 2024 and \$4.2 million, or 2.4% of sales, for the six months ended December 31, 2023.

(b) Year-over-year net sales growth rate excluding the translation impact of changes in foreign currency exchange rates. Calculated by translating the net sales for the six months ended December 31, 2024 into U.S. dollars using the average foreign exchange rates for the six months ended December 31, 2023.

**Operating Income by Segment:**

	Quarter ended December 31,		\$ Change	% Change	% of Net Sales December 31,	
	2024	2023			2024	2023
<b>Specialty Technology Solutions:</b>						
	<i>(in thousands)</i>					
GAAP operating income	\$ 14,077	\$ 19,696	\$ (5,619)	(28.5)%	1.9 %	2.3 %
Adjustments:						
Amortization of intangible assets	2,740	2,119	621			
Change in fair value of contingent consideration	473	—	473			
Tax recovery, net	(750)	(1,386)	636			
Non-GAAP operating income	\$ 16,540	\$ 20,429	\$ (3,889)	(19.0)%	2.3 %	2.4 %
<b>Intelisys &amp; Advisory:</b>						
GAAP operating income	\$ 6,440	\$ 8,274	\$ (1,834)	(22.2)%	26.6 %	35.5 %
Adjustments:						
Amortization of intangible assets	2,261	1,918	343			
Change in fair value of contingent consideration	670	—	670			
Non-GAAP operating income	\$ 9,371	\$ 10,192	\$ (821)	(8.1)%	38.7 %	43.8 %
<b>Corporate:</b>						
GAAP operating loss	\$ (2,073)	\$ (1,144)	\$ (929)	nm*	nm*	nm*
Adjustments:						
Acquisition and divestiture costs	151	703	(552)			
Restructuring costs	313	—	313			
Cyberattack restoration costs	30	441	(411)			
Legal settlement	1,579	—	1,579			
Non-GAAP operating income	\$ —	\$ —	\$ —	nm*	nm*	nm*
<b>Consolidated:</b>						
GAAP operating income	\$ 18,444	\$ 26,826	\$ (8,382)	(31.2)%	2.5 %	3.0 %
Adjustments:						
Amortization of intangible assets	5,001	4,037	964			
Change in fair value of contingent consideration	1,143	—	1,143			
Tax recovery <sup>(a)</sup>	(750)	(1,386)	636			
Acquisition and divestiture costs	151	703	(552)			
Restructuring costs	313	—	313			
Cyberattack restoration costs	30	441	(411)			
Legal settlement	1,579	—	1,579			
Non-GAAP operating income	\$ 25,911	\$ 30,621	\$ (4,710)	(15.4)%	3.5 %	3.5 %

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



**Operating Income by Segment:**

	Six months ended December 31,		\$ Change	% Change	% of Net Sales December 31,	
	2024	2023			2024	2023
<b>Specialty Technology Solutions:</b>						
	<i>(in thousands)</i>					
GAAP operating income	\$ 30,816	\$ 37,333	\$ (6,517)	(17.5)%	2.1 %	2.2 %
Adjustments:						
Amortization of intangible assets	5,016	4,396	620			
Change in fair value of contingent consideration	473	—	473			
Tax recovery <sup>(a)</sup>	(750)	(1,386)	636			
Non-GAAP operating income	\$ 35,555	\$ 40,343	\$ (4,788)	(11.9)%	2.4 %	2.4 %
<b>Intelisys &amp; Advisory:</b>						
GAAP operating income	\$ 12,853	\$ 14,921	\$ (2,068)	(13.9)%	27.1 %	32.7 %
Adjustments:						
Amortization of intangible assets	4,343	3,834	509			
Change in fair value of contingent consideration	670	—	670			
Non-GAAP operating income	\$ 17,866	\$ 18,755	\$ (889)	(4.7)%	37.6 %	41.1 %
<b>Corporate:</b>						
GAAP operating loss	\$ (7,595)	\$ (1,343)	\$ (6,252)	nm*	nm*	nm*
Adjustments:						
Cyberattack restoration costs	106	640	(534)			
Acquisition and divestiture costs	529	703	(174)			
Restructuring costs	5,381	—	5,381			
Legal settlement	1,579	—	1,579			
Non-GAAP operating income	\$ —	\$ —	\$ —	nm*	nm*	nm*
<b>Consolidated:</b>						
GAAP operating income	\$ 36,074	\$ 50,911	\$ (14,837)	(29.1)%	2.4 %	2.9 %
Adjustments:						
Amortization of intangible assets	9,359	8,230	1,129			
Change in fair value of contingent consideration	1,143	—	1,143			
Cyberattack restoration costs	106	640	(534)			
Tax recovery <sup>(a)</sup>	(750)	(1,386)	636			
Acquisition and divestiture costs	529	703	(174)			
Restructuring costs	5,381	—	5,381			
Legal settlement	1,579	—	1,579			
Non-GAAP operating income	\$ 53,421	\$ 59,098	\$ (5,677)	(9.6)%	3.5 %	3.4 %

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

**Additional Non-GAAP Metrics**

To evaluate current period performance on a more consistent basis with prior periods, we disclose non-GAAP SG&A expenses, non-GAAP operating income, non-GAAP pre-tax income, non-GAAP net income and non-GAAP diluted earnings per share. Non-GAAP results exclude amortization of intangible assets related to divestitures, cyberattack restoration costs and other non-GAAP adjustments. These year-over-year metrics include the translation impact of changes in foreign currency exchange rates. These metrics are useful in assessing and understanding our operating performance, especially when comparing results with previous periods or forecasting performance for future periods. Below we provide a non-GAAP reconciliation of the aforementioned metrics adjusted for the costs and charges mentioned above:

<b>Quarter ended December 31, 2024</b>											
<b>GAAP Measure</b>	<b>Intangible amortization expense</b>	<b>Change in fair value of contingent consideration</b>	<b>Acquisition and Divestiture<sup>(a)</sup> costs</b>	<b>Restructuring costs</b>	<b>Tax recovery</b>	<b>Cyberattack restoration costs</b>	<b>Legal settlement</b>			<b>Non-GAAP measure</b>	
<i>(in thousands, except per share data)</i>											
SG&A expenses	\$ 73,920	\$ —	\$ —	\$ (151)	\$ —	\$ 750	\$ (30)	\$ (1,579)		\$ 72,910	
Operating income	18,444	5,001	1,143	151	313	(750)	30	1,579		25,911	
Pre-tax income	19,710	5,001	1,143	151	313	(750)	30	1,579		27,177	
Net income	17,053	3,745	861	151	236	(2,560)	23	1,189		20,698	
Diluted EPS	\$ 0.70	\$ 0.15	\$0.04	\$ 0.01	\$ 0.01	\$ (0.11)	\$ —	\$ 0.05		\$ 0.85	

<b>Quarter ended December 31, 2023</b>											
<b>GAAP Measure</b>	<b>Intangible amortization expense</b>	<b>Change in fair value of contingent consideration</b>	<b>Acquisition and Divestiture<sup>(a)</sup> costs</b>	<b>Restructuring costs</b>	<b>Tax recovery</b>	<b>Cyberattack restoration costs</b>	<b>Gain on sale of a business<sup>(b)</sup></b>			<b>Non-GAAP measure</b>	
<i>(in thousands, except per share data)</i>											
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)	441	(14,533)		29,308	
Net income	32,726	3,002	—	703	—	(640)	329	(14,533)		21,587	
Diluted EPS	\$ 1.29	\$ 0.12	\$ —	\$ 0.03	\$ —	\$ (0.03)	\$ 0.01	\$ (0.57)		\$ 0.85	

(a) Acquisition and divestiture costs for the quarters ended December 31, 2024 and 2023 are generally nondeductible for tax purposes.

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

**Six months ended December 31, 2024**

	GAAP Measure	Intangible amortization expense	Change in fair value of contingent consideration	Acquisition and Divestiture costs <sup>(a)</sup>	Restructuring costs	Tax recovery	Cyberattack restoration costs	Insurance recovery	Legal settlement	Non-GAAP measure
SG&A expenses	\$ 145,626	\$ —	\$ —	\$ (529)	\$ —	\$ 750	\$ (106)	\$ —	\$ (1,579)	\$ 144,162
Operating income	36,074	9,359	1,143	529	5,381	(750)	106	—	1,579	53,421
Pre-tax income	42,673	9,359	1,143	529	5,381	(750)	106	(4,868)	1,579	55,152
Net income	34,028	7,010	861	529	4,054	(2,560)	80	(3,667)	1,189	41,524
Diluted EPS	\$ 1.39	\$ 0.29	\$ 0.04	\$ 0.02	\$ 0.17	\$ (0.10)	\$ —	\$ (0.15)	\$ 0.05	\$ 1.70

**Six months ended December 31, 2023**

	GAAP Measure	Intangible amortization expense	Change in fair value of contingent consideration	Acquisition and Divestiture costs <sup>(a)</sup>	Restructuring costs	Tax recovery	Cyberattack restoration costs	Insurance recovery	Gain on sale of a business <sup>(b)</sup>	Non-GAAP measure
SG&A expenses	\$ 142,356	\$ —	\$ —	\$ (703)	\$ —	\$ 1,386	\$ (640)	\$ —	\$ —	\$ 142,399
Operating income	50,911	8,230	—	703	—	(1,386)	640	—	—	59,098
Pre-tax income	59,193	8,230	—	703	—	(1,386)	640	—	(14,533)	52,847
Net income	48,158	6,121	—	703	—	(640)	479	—	(14,533)	40,288
Diluted EPS	\$ 1.91	\$ 0.24	\$ —	\$ 0.03	\$ —	\$ (0.03)	\$ 0.02	\$ —	\$ (0.58)	\$ 1.60

(a) Acquisition and divestiture costs for the six months ended December 31, 2024 and 2023 are generally nondeductible for tax purposes.

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

**Liquidity and Capital Resources**

Our primary sources of liquidity are cash flows from operations and borrowings under our \$350 million revolving credit facility. Our business requires significant investment in working capital, particularly accounts receivable and inventory, partially financed through our accounts payable to vendors, cash generated from operations and revolving lines of credit. In general, as our sales volume increases, our net investment in working capital increases, which typically results in decreased cash flow from operating activities. Conversely, when sales volume decreases, our net investment in working capital typically decreases, which typically results in increased cash flow from operating activities.

Our cash and cash equivalents balance totaled \$110.5 million at December 31, 2024, compared to \$185.5 million at June 30, 2024, including \$26.0 million and \$20.0 million held outside of the United States at December 31, 2024 and June 30, 2024, respectively. Checks released but not yet cleared in the amount of \$0.1 million and \$5.9 million are included in accounts payable at December 31, 2024 and June 30, 2024, respectively.

We conduct business primarily in the United States, Canada and Brazil where we generate and use cash. We provide for United States income taxes from the earnings of our Canadian and Brazilian subsidiaries. See Note 13 - *Income Taxes* in the Notes to the Consolidated Financial Statements for further discussion.

Our net investment in working capital, defined as accounts receivable plus inventories less accounts payable, decreased \$14.5 million to \$520.7 million at December 31, 2024 from \$506.2 million at June 30, 2024, primarily from decreases in inventory and accounts receivable, partially offset by lower accounts payable, as a result of lower sales volume reflecting the results of our focus on working capital efficiency improvements. Our net investment in working capital is affected by several factors such as fluctuations in sales volume, net income, timing of collections from customers, increases and decreases to inventory levels and payments to vendors.

	<b>Six months ended</b>	
	<b>December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<i>(in thousands)</i>	
Cash provided by (used in):		
Operating activities	\$ 38,642	\$ 156,757
Investing activities	(58,452)	13,113
Financing activities	(52,361)	(161,306)

Operating cash flows are subject to variability period over period as a result of the timing of payments related to accounts receivable, accounts payable, and other working capital items. Net cash provided by operating activities was \$38.6 million and \$156.8 million for the six months ended December 31, 2024 and December 31, 2023, respectively. Cash provided by operating activities for the six months ended December 31, 2024 is primarily attributable to net income adjusted for non-cash items plus reductions in accounts receivable and inventory partially offset by a reduction in accounts payable. Compared to December 31, 2023, accounts receivable and inventory decreased 17.2% and 14.5% respectively, while accounts payable decreased 3.7%.

The number of days sales outstanding ("DSO") was 66 days at December 31, 2024, compared to 71 days at June 30, 2024 and 68 days at December 31, 2023. Inventory turned 5.2 times during the quarter ended December 31, 2024, compared to 5.0 times during the quarter ended June 30, 2024 and 5.1 times in the prior-year quarter ended December 31, 2023.

Cash used in investing activities for the six months ended December 31, 2024 was \$58.5 million, compared to cash provided by investing activities of \$13.1 million in the prior-year period. Cash used in investing activities for the six months ended December 31, 2024 is largely due to cash paid for acquisitions and capital expenditures. Cash provided by investing activities for the six months ended December 31, 2023 represents the proceeds from the sale of business offset by capital expenditures.

Management expects capital expenditures for fiscal year 2025 to range from \$8.0 million to \$12.0 million, primarily for IT investments.

For the six months ended December 31, 2024 and December 31, 2023, cash used in financing activities totaled \$52.4 million and \$161.3 million, respectively. Cash used in financing activities for the six months ended December 31, 2024 is primarily attributable to common stock repurchases in the six months. Cash used in financing activities for the six months ended December 31, 2023 is primarily attributable to repayments of borrowings on the revolving credit facility.

### ***Credit Facility***

We have a multi-currency senior secured credit facility with JPMorgan Chase Bank N.A., as administrative agent, and a syndicate of banks (as amended, the “Amended Credit Agreement”). On September 28, 2022, we amended and restated our Amended Credit Agreement, which includes (i) a five-year, \$350 million multicurrency senior secured revolving credit facility and (ii) a five-year \$150 million senior secured term loan facility. The Amended Credit Agreement extended the credit facility maturity date to September 28, 2027. In addition, pursuant to an “accordion feature,” we may increase our borrowing limits up to an additional \$250 million, subject to obtaining additional credit commitments from the lenders participating in the increase. The Amended Credit Agreement allows for the issuance of up to \$50 million for letters of credit. Borrowings under the Amended Credit Agreement are guaranteed by substantially all of our domestic subsidiaries and secured by substantially all of our domestic assets. Under the terms of the revolving credit facility, the payment of cash dividends is restricted. We incurred debt issuance costs of \$1.4 million in connection with the amendment and restatement of the Amended Credit Agreement. These costs were capitalized to other non-current assets on the Condensed Consolidated Balance Sheets and added to the unamortized debt issuance costs from the previous credit facility.

Loans denominated in U.S. dollars, other than swingline loans, bear interest at a rate per annum equal to, at our option, (i) the adjusted term SOFR or adjusted daily simple SOFR plus an additional margin ranging from 1.00% to 1.75% depending upon our ratio of (A) total consolidated debt less up to \$30 million of unrestricted domestic cash to (B) trailing four-quarter consolidated EBITDA measured as of the end of the most recent year or quarter, as applicable, for which financial statements have been delivered to the Lenders (the “leverage ratio”); or (ii) the alternate base rate plus an additional margin ranging from 0% to 0.75%, depending upon our leverage ratio, plus, if applicable, certain mandatory costs. All swingline loans denominated in U.S. dollars bear interest based upon the adjusted daily simple SOFR plus an additional margin ranging from 1.00% to 1.75% depending upon our leverage ratio, or such other rate as agreed upon with the applicable swingline lender. The adjusted term SOFR and adjusted daily simple SOFR include a fixed credit adjustment of 0.10% over the applicable SOFR reference rate. Loans denominated in foreign currencies bear interest at a rate per annum equal to the applicable benchmark rate set forth in the Amended Credit Agreement plus an additional margin ranging from 1.00% to 1.75%, depending upon our leverage ratio plus, if applicable, certain mandatory costs.

During the quarter and six months ended December 31, 2024, our borrowings under the Amended Credit Agreement were U.S. dollar loans. The spread in effect as of December 31, 2024 was 1.00% for SOFR-based loans and 0.00% for alternate base rate loans. The commitment fee rate in effect at December 31, 2024 was 0.15%. The Amended Credit Agreement includes customary representations, warranties and affirmative and negative covenants, including financial covenants. Specifically, our Leverage Ratio must be less than or equal to 3.50 to 1.00 at all times. In addition, our Interest Coverage Ratio (as such term is defined in the Amended Credit Agreement) must be at least 3.00 to 1.00 at the end of each fiscal quarter. In the event of a default, customary remedies are available to the lenders, including acceleration and increased interest rates. We were in compliance with all covenants under the credit facility at December 31, 2024.

The average daily outstanding balance on the revolving credit facility, excluding the term loan facility, during the six month periods ended December 31, 2024 and 2023 was \$0.3 million and \$138.7 million, respectively. There was \$350.0 million and \$349.9 million available for additional borrowings as of December 31, 2024 and June 30, 2024, respectively. The effective interest rates for the revolving line of credit were 5.63% and 6.44% as of December 31, 2024 and June 30, 2024, respectively. There were no letters of credit issued under the multi-currency revolving credit facility at December 31, 2024 or June 30, 2024. Availability to use this borrowing capacity depends upon, among other things, the levels of our Leverage Ratio and Interest Coverage Ratio, which, in turn, will depend upon (1) our Credit Facility Net Debt relative to our Credit Facility EBITDA and (2) Credit Facility EBITDA relative to total interest expense, respectively. As a result, our availability will increase if EBITDA increases (subject to the limit of the facility) and decrease if EBITDA decreases. While we were in compliance with the financial covenants contained in the Amended Credit Agreement as of December 31, 2024, and currently expect to continue to maintain such compliance, should we encounter difficulties, our historical relationship with our Amended Credit Agreement lending group has been strong and we anticipate their continued support of our long-term business.

### ***Summary***

We believe that our existing sources of liquidity, including cash resources and cash provided by operating activities, supplemented as necessary with funds under our credit agreements, will provide sufficient resources to meet our present and

future working capital and cash requirements for at least the next twelve months. We also believe that our longer-term working capital, planned expenditures and other general funding requirements will be satisfied through cash flows from operations and, to the extent necessary, from our borrowing facilities.

**Accounting Standards Recently Issued**

See Note 1 of the Notes to Condensed Consolidated Financial Statements for a full description of recent accounting pronouncements, including the anticipated dates of adoption and the effects on our consolidated financial position and results of operations.

**Critical Accounting Policies and Estimates**

Critical accounting policies are those that are important to our financial condition and require management's most difficult, subjective or complex judgments. Different amounts would be reported under different operating conditions or under alternative assumptions. See Management's Discussion and Analysis of Financial Condition and Results from Operations in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023 for a complete discussion.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

For a description of our market risks, see Part II, Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2024. No material changes have occurred to our market risks since June 30, 2024.

**Item 4. Controls and Procedures**

An evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the effectiveness of our disclosure controls and procedures at December 31, 2024. Based on that evaluation, our management, including the CEO and CFO, concluded that our disclosure controls and procedures are effective at December 31, 2024. During the quarter ended December 31, 2024, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



**PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

The Company is, from time to time, party to lawsuits arising out of operations. Although there can be no assurance, based upon information known to us, we believe that any liability resulting from an adverse determination of such lawsuits would not have a material adverse effect on our financial condition or results of operations. For a description of our material legal proceedings, see Note 12 - *Commitments and Contingencies* in the notes to the condensed consolidated financial statements, which is incorporated herein by reference.

**Item 1A. Risk Factors**

In addition to the risk factors discussed in our other reports and statements that we file with the SEC, you should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended June 30, 2024, which could materially affect our business, financial condition and/or future operating results.

There have been no material changes to the risk factors disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds***Share Repurchases*

In May 2024, our Board of Directors approved a \$100.0 million share repurchase authorization. The authorization does not have any time limit.

The following table presents the share-repurchase activity for the quarter ended December 31, 2024 (in thousands except share and per share data):

<b>Period</b>	<b>Total number of shares purchased<sup>(1)</sup></b>	<b>Average price paid per share</b>	<b>Total number of shares purchased as part of the publicly announced plan or program</b>	<b>Approximate dollar value of shares that may yet be purchased under the plan or program</b>
October 1 - 31, 2024	172,257	\$ 47.07	172,257	\$ 87,130,316
November 1 - 30, 2024	150,000	\$ 49.72	150,000	\$ 79,672,574
December 1 - 31, 2024	173,012	\$ 50.37	172,796	\$ 70,968,116
Total	495,269		495,053	\$ 70,968,116

<sup>(1)</sup> Shares withheld from employees' stock-based awards to satisfy required tax withholding obligations totaled 216 for the month of December 2024. There were no shares withheld during the months of October and November 2024.

*Dividends*

We have never declared or paid a cash dividend. Under the terms of our credit facility, the payment of cash dividends is restricted.

**Item 5. Other Information**

During the three months ended December 31, 2024, none of our directors or our officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933), except as follows:

On December 20, 2024, Steve Jones, our Senior Vice President and Chief Financial Officer, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) and that provides for the sale of up to 5,849 shares of our common stock, subject to certain conditions until October 31, 2025 (or an earlier date on which all transactions under the trading arrangement have been completed or certain other events occur).

**Item 6. Exhibits**

<b><u>Exhibit Number</u></b>	<b><u>Description</u></b>
10.1*	ScanSource, Inc. 2024 Omnibus Incentive Compensation Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K on December 10, 2024, and incorporated by reference herein).
10.2*	Form of Restricted Stock Unit Award Certificate (Service-Based) under the ScanSource, Inc. 2024 Omnibus Incentive Compensation Plan (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K on December 10, 2024, and incorporated by reference herein).
10.3 (a)+	<a href="#">Amendment to Zebra PartnerConnect EVM Distributor Agreement, dated as of November 27, 2024, by and between Zebra Technologies International, LLC and ScanSource, Inc.</a>
10.4 (a)+	<a href="#">Letter Agreement, dated as of December 10, 2024, by and between ScanSource, Inc. and Cisco Systems, Inc.</a>
31.1 (a)	<a href="#">Certification of the Chief Executive Officer, Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2 (a)	<a href="#">Certification of the Chief Financial Officer, Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1 (b)	<a href="#">Certification of the Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2 (b)	<a href="#">Certification of the Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101 (a)	The following materials from our Quarterly Report on Form 10-Q for the quarter ended December 31, 2024, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets at December 31, 2024 and June 30, 2024; (ii) the Condensed Consolidated Income Statements for the quarters and six months ended December 31, 2024 and 2023; (iii) the Condensed Consolidated Statements of Comprehensive Income for the quarters and six months ended December 31, 2024 and 2023; (iv) the Condensed Consolidated Statements of Shareholder's Equity for the quarters and six months ended December 31, 2024 and 2023; (v) the Condensed Consolidated Statements of Cash Flows for the six months ended December 31, 2024 and 2023; and (vi) the Notes to the Condensed Consolidated Financial Statements. The instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL
104 (a)	Cover page Inline XBRL File (Included in Exhibit 101)
*	Management contract or compensatory plan or arrangement
(a)	Filed herewith
(b)	Furnished herewith
+	Portions of this exhibit have been omitted pursuant to Item 601(b) of Regulation S-K

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.  
ScanSource, Inc.

Date: January 30, 2025 /s/ MICHAEL L. BAUR  
Michael L. Baur  
Chair, President and Chief Executive Officer  
(Principal Executive Officer)

Date: January 30, 2025 /s/ STEVE JONES  
Steve Jones  
Senior Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Date: January 30, 2025 /s/ BRANDY FORD  
Brandy Ford  
Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)

## ZEBRA® PARTNERCONNECT PROGRAM

Exhibit 10.3

IN ACCORDANCE WITH ITEM 601(b) OF REGULATION S-K, CERTAIN IDENTIFIED INFORMATION (THE "CONFIDENTIAL INFORMATION") HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) IS OF THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL. THE CONFIDENTIAL INFORMATION IS DENOTED HEREIN BY [\*\*\*\*\*].

### AMENDMENT TO PARTNERCONNECT EVM DISTRIBUTION AGREEMENT

THIS one-time Amendment (the "Amendment") is made by and between: Zebra Technologies International, LLC, with an office at 3 Overlook Point, Lincolnshire IL 60069 ("Zebra")

AND

ScanSource, Inc., a company incorporated in South Carolina, with its registered office at 6 Logue Court, Greenville, South Carolina 29615 ("Distributor")

"Zebra" and the "Distributor" are referred to collectively as "Parties" and individually as a "Party".

WHEREAS Zebra and ScanSource, Inc. are Parties to a Distribution Agreement with an effective date of February 12, 2014, as amended (the "Agreement"), under which Distributor purchases Products for further resale to Program Members (as defined therein);

WHEREAS Distributor still has in inventory the Discontinued Products listed in Exhibit 1 hereof (the "End-of-Life Products") that when available for sale by Zebra could only be sold to Program Members;

WHEREAS Distributor is requesting to sell the End-of-Life Products to [\*\*\*\*\*] which is an Open Reseller and not a Program Member, and Zebra has agreed to authorize such one-time transaction;

WHEREAS The Parties desire to amend the Agreement by allowing Distributor to sell the End-of-Life Products to [\*\*\*\*\*], under the terms specified herein;

THEREFORE, in consideration of the mutual covenants and promises, and subject to the terms and conditions of the Agreement, the Parties agree as follows:

1. Defined terms used in this Amendment shall have the same meanings given to them in the Agreement, unless the context requires otherwise.
2. Notwithstanding anything to the contrary contained in the Agreement, which requires Distributor to only sell certain Products to Program Members, Zebra hereby authorizes Distributor to sell the End-of-Life Products to [\*\*\*\*\*], and to no other third party under the terms and subject to the conditions specified herein.



3. Distributor will ensure that the following condition is included in Distributor's agreement with [\*\*\*\*]:

"When conducting business online, [\*\*\*\*] must comply with Zebra's Product Quality Policy, the details of which can be found at [https://www.zebra.com/content/dam/zebra\\_dam/en/faq/product-quality-policy-faq-en-us.pdf](https://www.zebra.com/content/dam/zebra_dam/en/faq/product-quality-policy-faq-en-us.pdf);"

4. Unless otherwise noted herein, all terms not herein defined shall have the meanings ascribed thereto in the Agreement. Except as expressly set forth in this Amendment, the terms and conditions of the Agreement remain in full force and effect.

5. Term and Termination. This Amendment will commence on the Effective Date and will remain in full force and effect unless terminated by either Party in accordance with the termination provisions of the Agreement.

IN WITNESS WHEREOF the Parties have executed this Addendum to take effect on the date of the last signature hereof (the "Effective Date").

ZEBRA TECHNOLOGIES INTERNATIONAL LLC.      SCANSOURCE, INC.

By: /s/ Bill Jacob

By: /s/ Chandler B Greer

Name: Bill Jacob

Name: Chandler Greer

Title: Sr. Sales Director

Title: Vice President, Supply Chain

Date: 11/26/24

Date: 11/27/24

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## Exhibit 1- End of Life Products

<b>Manufacturer Part #</b>	<b>QTY</b>
MC92N0-G50SYEQA6WR	4
MC92N0-GA0SYJAA6WR	29
MC92N0-GL0SXEYA5WR	1
MC92N0-GL0XFRA5WR	1
MC92N0-GL0SYJAA6WR	6
TC720L-0MK24B0-NA	22
TC720L-0ML24B0-NA	7
TC77HL-7MJ24BG-NA	2
TC56CJ-2PAZU4P-US	12
TC720L-0ME24B0-A6	2
TC80N0-3000K210NA	1
VC70N0-MA0U702G7WR	7
VC80X-10FSRAAABA-U	9
VC80X-10SSRAABBA-U	6
VC83-08SOCQBAABA-I	1
WT60A0-TS0LEUS	1

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IN ACCORDANCE WITH ITEM 601(b) OF REGULATION S-K, CERTAIN IDENTIFIED INFORMATION (THE "CONFIDENTIAL INFORMATION") HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) IS OF THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL. THE CONFIDENTIAL INFORMATION IS DENOTED HEREIN BY [\*\*\*\*\*].

November 20, 2024

Kristin Hill  
Group Vice President, Cisco Business Segment  
ScanSource, Inc.  
6 Logue Court  
Greenville, South Carolina 29615

Delivered via email to [kristin.hill@scansource.com](mailto:kristin.hill@scansource.com)

RE: Contractual Discount for Certain Cisco Products Sold by Reseller via Microsoft.com

Dear Ms. Hill:

The purpose of this letter agreement ("Letter Agreement") is to set forth the understanding of ScanSource, Inc., a South Carolina corporation with a place of business at 6 Logue Court, Greenville, South Carolina 29615 ("Distributor") and Cisco Systems, Inc., a Delaware corporation having its principal place of business at 170 West Tasman Drive, San Jose, CA 95134, United States of America ("Cisco") with regard to a contractual discount for certain Cisco products sold by reseller via Microsoft.com.

This Letter Agreement will be governed by and is subject to the terms and conditions in Cisco's Policy Regarding Distributor Returns of Certain Cisco Products Sold by Reseller via Microsoft.com as described in Exhibit A (the "Policy") and the Nonexclusive Value Added Distributor Agreement dated January 22, 2007, as amended ("Agreement"). In the event of a conflict between this Letter Agreement and the Policy or Agreement, this Letter Agreement shall control.

For purposes of this Letter Agreement only, the parties agree as follows:

1. The Eligible Products (as defined in the Policy) listed in Exhibit B attached hereto and distributed to the Authorized Channel (as defined in the Policy) for resale to end customers via Microsoft.com will be provided to Distributor at a discount off Cisco's Global Price List for the relevant region as described in Exhibit B (the "Discount"). The Discount will only apply if the end customer order includes no more than two (2) units per Eligible Product.
2. This Letter Agreement is effective as of the date of last signature and will continue until July 26, 2025 (the "Term"). Cisco has the right to modify or terminate this Letter Agreement for any reason at any time during the Term via email or via written notice.
3. This Letter Agreement constitutes the entire agreement among the parties concerning the subject matter and replaces any prior oral or written communications between the parties, all of which are excluded. There are no conditions, understandings, agreements, representations or warranties, expressed or implied, that are not specified herein. This Letter Agreement may be modified only by a written document executed by the parties hereto.
4. This Letter Agreement may be executed in one or more counterparts, each of which when so executed and delivered will be an original and all of which together will constitute one and the same instrument. Facsimile signatures and electronic signatures will be deemed to be equivalent to original signatures for purposes of this Letter Agreement.





The parties have caused this Letter Agreement to be duly executed. Each party represents that its respective signatories whose signatures appear below have been, and are on the date of signature, duly authorized to execute this Letter Agreement.

ScanSource, Inc.  
("Distributor")

Cisco Systems, Inc.  
("CSI")

/s/ Kristin Hill  
Authorized Signature

/s/ Jennifer Baenziger  
Authorized Signature

Kristin Hill  
Print Name

Jenn Baenziger  
Print Name

Group Vice President  
Title

Authorized Signatory  
Title

December 2, 2024  
Date

December 10, 2024  
Date

**APPROVED BY LEGAL**

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## Exhibit A

### Policy Regarding Distributor Returns of Certain Cisco Products Sold by Reseller via Microsoft.com

#### Purpose

Cisco is implementing this policy specific to Distributor's distribution of certain Eligible Products (as defined below) to an Authorized Channel (as defined below) for resale to end customers via Microsoft.com (the "Platform"). The purpose of the policy is to ensure that Distributor can leverage Cisco's Return Materials Authorization (RMA) process to return Eligible Products for any reason for a period of 40 days following the end customer's purchase date, as described in more detail below.

#### Distributor Eligibility

This policy is applicable to the distribution of Eligible Products by ScanSource, Inc. ("Distributor") to [\*\*\*\*\*] ("Authorized Channel") for resale to end customers.

#### Modification or Termination of the Policy

Cisco may modify or terminate the policy with at least 15 days' notice to Distributor via email.

#### Territory

The policy applies to Distributor only in the United States. Nothing in this policy is intended to extend Distributor's Territory (as defined in the Agreement).

#### Requirements/Process

Returns subject to this policy must meet the following requirements:

- Only the Eligible Products distributed by Distributor to Authorized Channel and sold by Authorized Channel to end customers via the Platform are eligible for return under this policy.
- The RMA request must be initiated no more than 40 days following the date on which the end customer purchased the Eligible Product, as identified on the relevant point-of-sale reporting provided to Cisco.
- Cisco reserves the right to deny, in its sole discretion, any RMA request that exceeds \$5,000 USD in the aggregate.
- Distributor must initiate the request via Cisco's standard RMA procedure using Cisco's RMA request tool and must select a Reason Code as indicated in Diagram 1 below and must flag the return as "Microsoft Return" under "Additional Return Notes" as indicated in Diagram 2 below.



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Diagram 1

Return Request

Return Process

Terms and Conditions

Return Reason

- End User cancelled order
- Product no longer required
- Customer ordering error
- Sales Rep misquote
- Cisco Customer Service data entry error
- Product did not perform according to specifications
- Reseller cancelled order
- Partner Account Manager Quoted Wrong Item/Qty
- Customer / Partner Over Order: No Offsetting Order Placed
- Product shipped early
- Damaged Shipment
- Obsolete Product
- Hardware Warranty
- Buy and Buy

Diagram 2

\*Disclaimer: This total includes only the Product Total Price.

**Additional Return Notes\***

The following notes are mandatory to ensure your Request is processed in a timely and efficient manner. The quality of the Notes you provide is crucial to the process. Please provide detailed information including, but not limited to:

- Has the Factory Seal been broken?
- If an Offsetting Order has been placed, what is the Cisco Sales Order Number?
- If a Seal Misquote occurred, please provide the Name and/or Company of the Salesperson.

Testing

Max 1000 chars

First Name \*

Radha

Last Name \*

K

Email \*

radhakri@cisco.com

Tel

1234

+ Add More Contact

Save Submit Return

Requestor must enter "Microsoft Return" in addition to reason for return justification

### Issuance of Credits

For returns of Eligible Products meeting the eligibility criteria described above, Cisco will issue a credit memo to Distributor for the net amount Distributor paid Cisco for the Eligible Product as listed on the applicable sales order, and no restocking fees will apply. Each credit memo will be issued in the currency of the Cisco Price List applicable to Distributor's ordering profile.

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### Eligible Products

Only the following Cisco products (“Eligible Products”) sold via the Platform are eligible for return under this policy:

SKU
CD-DSKCAM-P-US
CD-DSKCAM-C-US
CD-DSKCAM-P-WW
CD-DSKCAM-C-WW
HS-W-321Q-C-USB
HS-W-322Q-C-USB
HS-W-321Q-C-USBC
HS-W-322Q-C-USBC
HS-WL-721Q-BUNA-C
HS-WL-722Q-BUNA-C
CS-BAR-T-C-K9
CS-BAR-T-K9
CS-BARPRO-C-K9
CS-BARPRO-K9
CS-BRDP55-K9
CS-BRDP75-K9
CS-DESKPRO-K9
CS-T10-TS-L-K9=
CS-T10-WM-L-K9=
CS-KITPRO-C-K9
CS-KITPRO-K9
CS-KIT-EQ-C-K9
CS-KIT-EQ-K9
CS-KIT-EQX-C-K9
CS-KIT-EQX-K9

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#### General Terms

Except as described in this Policy, all Distributor returns are subject to Cisco's standard RMA policy.

Cisco will have the right to audit Distributor's sales to ensure compliance with the intent of the policy. Cisco reserves the right to refuse any credit requests for RMAs relating to non-compliant sales.

The data and information contained in Cisco's systems and tools will be the single source of truth for determining Distributor's eligibility to receive credits under this policy.

Distributor is free to determine their minimum resale prices unilaterally.

Distributor is responsible for understanding and complying with all federal, state, and local government rules regarding acceptance of credits.

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Exhibit B

<u>Eligible Products</u>	<u>Discount off Global Price List US Availability (USD)</u>
CS-DESKPRO-K9	[*****]
CS-BAR-T-K9	[*****]
CS-BAR-T-C-K9	[*****]
CS-BARPRO-K9	[*****]
CS-BARPRO-C-K9	[*****]
CS-BRDP55-K9	[*****]
CS-BRDP75-K9	[*****]



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Certification Pursuant to Rule 13a-14(a) or 15d-14(a)  
of the Exchange Act, as adopted Pursuant to Section 302 of the  
Sarbanes-Oxley Act of 2002

I, Michael L. Baur, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ScanSource, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MICHAEL L. BAUR

Michael L. Baur  
Chair, President and Chief Executive Officer  
(Principal Executive Officer)

Date: January 30, 2025

Certification Pursuant to Rule 13a-14(a) or 15d-14(a)  
of the Exchange Act, as adopted Pursuant to Section 302 of the  
Sarbanes-Oxley Act of 2002

I, Steve Jones, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ScanSource, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ STEVE JONES

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Steve Jones  
Senior Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

Date: January 30, 2025

Certification of the Chief Executive Officer of ScanSource, Inc.  
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to § 906  
of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of ScanSource, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) The Report fully complies with the requirements of §13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 30, 2025

/s/ MICHAEL L. BAUR

Michael L. Baur  
Chair, President and Chief Executive Officer  
(Principal Executive Officer)

This certification is being furnished solely to comply with the provisions of § 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the accompanying Report, including for purposes of Section 18 of the Exchange Act, or as a separate disclosure document. A signed original of this written certification required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written certification required by Section 906, has been provided to the Company and will be rendered by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Certification of the Chief Financial Officer of ScanSource, Inc.  
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to § 906  
of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of ScanSource, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) The Report fully complies with the requirements of §13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 30, 2025

/s/ STEVE JONES

Steve Jones

Senior Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

This certification is being furnished solely to comply with the provisions of § 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the accompanying Report, including for purposes of Section 18 of the Exchange Act, or as a separate disclosure document. A signed original of this written certification required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written certification required by Section 906, has been provided to the Company and will be rendered by the Company and furnished to the Securities and Exchange Commission or its staff upon request.