



Fiscal First Quarter

2024 Earnings

“Strong cash flow and Intelisys growth are the hallmarks of our first quarter. Our business fundamentals remain strong in a softer revenue environment.”

Mike Baur

Chairman and CEO, ScanSource, Inc.

Key Highlights

Achieved Significant Cash Flow in Q1

Benefit from Diverse Ecosystem of Partners

Intelisys Growth Opportunity is Compelling

Net Sales and Gross Profit Reflect Mixed Demand

Consolidated

Net Sales
-7% Y/Y
\$876M

Gross Profit
-6% Y/Y
\$107M, 12.2% margin

Specialty Technology Solutions Segment

STS, Net Sales
-12% Y/Y
\$510M

STS, Gross Profit
-16% Y/Y
\$49M, 9.7% margin

Modern Communications & Cloud Segment

MC&C, Net Sales
0% Y/Y
\$367M

MC&C, Gross Profit
+4% Y/Y
\$57M, 15.6% margin

Operating Metrics

\$0.61 per share
GAAP Diluted EPS
-35% Y/Y

\$34.9M, -23%Y/Y
Adjusted EBITDA*
3.98%
Adjusted EBITDA Margin*

\$94M QTR
Operating Cash Flow
\$91M QTR
Free Cash Flow*

\$0.74 per share
Non-GAAP Diluted EPS*
-31% Y/Y

1.2x
Net Debt to
TTM Adjusted EBITDA

11.0%
Adjusted ROIC*
No Q1 share repurchases

Fiscal Year 2024 Annual Outlook updated November 9, 2023

Net Sales
At least \$3.8 billion

Adjusted EBITDA
At least \$170 million

Free Cash Flow
At least \$200 million

Mid-Term Goals Mid-term: 3-to-4-year time frame

Net Sales Growth per year	Adjusted EBITDA Margin	Adjusted ROIC	Recurring Revenue as % of Gross Profits
5%-7.5%	4.5%-5%	Mid Teens	Building to 30%+

Focused Execution of Value Creation Strategy



A repositioned company – Innovative hybrid distributor



Building on specialized technologies



Differentiated market position



Attractive financial profile



Delivering long-term sustainable growth

* Non-GAAP measure; adjusted ROIC represents return on invested capital
For further financial data, non-GAAP financial disclosures and cautionary language regarding forward-looking statements, please refer to the following pages and ScanSource's first quarter fiscal year 2024 news release issued on November 9, 2023, which accompanies this presentation and is available at www.scansource.com in the Investor Relations section.

Forward-Looking Statements

This Earnings Infographic and supporting materials contain certain comments that are “forward-looking” statements, including statements about our FY24 outlook, mid-term goals, growth opportunities and our operating strategies that involve plans, strategies, economic performance and trends, projections, expectations, costs or beliefs about future events and other statements that are not descriptions of historical facts. Forward-looking information is inherently subject to risks and uncertainties.

Any number of factors could cause actual results to differ materially from anticipated or forecasted results, including but not limited to, the following factors, which are neither presented in order of importance nor weighted: macroeconomic conditions, including potential prolonged economic weakness, inflation, the failure to manage and implement our organic growth strategy, credit risks involving our larger customers and suppliers, changes in interest and exchange rates and regulatory regimes impacting our international operations, economic weakness and inflation, risk to our business from a cyberattack, a failure of our IT systems, failure to hire and retain quality employees, loss of our major customers, relationships with our key suppliers and customers or a termination or a modification of the terms under which we operate with these key suppliers and customers, changes in our operating strategy, and other factors set forth in the “Risk Factors” contained in our annual report on Form 10-K for the year ended June 30, 2023, and subsequent reports on Form 10-Q, filed with the Securities and Exchange Commission.

Although ScanSource believes the expectations in its forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement. ScanSource disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required by law.

Non-GAAP Financial Information

In addition to disclosing results that are determined in accordance with United States Generally Accepted Accounting Principles (“GAAP”), the Company also discloses certain non-GAAP measures, including non-GAAP operating income, non-GAAP operating income margin, non-GAAP net income, non-GAAP diluted EPS, non-GAAP SG&A expenses, adjusted EBITDA, adjusted EBITDA margin, net debt, adjusted ROIC, free cash flow and net sales less impacts from foreign currency translation and acquisitions (organic growth). A reconciliation of the Company's non-GAAP financial information to GAAP financial information is provided in the following supporting materials and in the Company's Form 8-K, filed with the SEC, with the quarterly earnings press release for the period indicated.

SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION

Consolidated, 5-Quarter Financial Summary

(\$ in thousands, except per share data)

	Q1 FY24	Q4 FY23	Q3 FY23	Q2 FY23	Q1 FY23	Q/Q	Y/Y
Select reported GAAP measures:							
Net sales	\$ 876,305	\$ 947,149	\$ 885,519	\$1,011,241	\$ 943,813	(7)%	(7)%
Gross profit	\$ 106,508	\$ 108,659	\$ 111,762	\$ 115,334	\$ 113,485	(2)%	(6)%
Gross profit margin %	12.2 %	11.5 %	12.6 %	11.4 %	12.0 %	68 bp	13 bp
SG&A expenses	\$ 75,436	\$ 74,358	\$ 70,669	\$ 69,074	\$ 71,593	1%	5%
Operating income	\$ 24,084	\$ 27,289	\$ 34,279	\$ 39,432	\$ 34,888	(12)%	(31)%
Operating income margin %	2.75 %	2.88 %	3.87 %	3.90 %	3.70 %	(13) bp	(95) bp
Net income	\$ 15,432	\$ 17,095	\$ 21,221	\$ 25,734	\$ 24,042	(10)%	(36)%
Diluted EPS	\$ 0.61	\$ 0.68	\$ 0.83	\$ 1.01	\$ 0.94	(10)%	(35)%
Select reported Non-GAAP measures: ^(a)							
Non-GAAP operating income	\$ 28,478	\$ 31,346	\$ 38,449	\$ 40,724	\$ 39,129	(9)%	(27)%
Non-GAAP operating income margin %	3.25 %	3.31 %	4.34 %	4.03 %	4.15 %	(6) bp	(90) bp
Non-GAAP net income	\$ 18,728	\$ 18,121	\$ 24,330	\$ 26,941	\$ 27,203	3%	(31)%
Non-GAAP diluted EPS	\$ 0.74	\$ 0.72	\$ 0.96	\$ 1.06	\$ 1.07	3%	(31)%
Adjusted EBITDA	\$ 34,919	\$ 40,199	\$ 45,656	\$ 48,815	\$ 45,275	(13)%	(23)%
Adjusted EBITDA margin %	3.98 %	4.24 %	5.16 %	4.83 %	4.80 %	(26) bp	(81) bp
Adjusted ROIC	11.0 %	12.9 %	14.6 %	15.6 %	15.6 %	(190) bp	(460) bp
Operating cash flow (QTR)	\$ 93,533	\$ (15,261)	\$ 54,837	\$ (26,885)	\$ (48,459)	*nm	*nm
Less: Capital expenditures	\$ (2,315)	\$ (3,431)	\$ (2,286)	\$ (2,504)	\$ (684)	(33)%	32%
Free cash flow (QTR) (Non-GAAP)	\$ 91,218	\$ (18,692)	\$ 52,551	\$ (29,389)	\$ (49,143)	*nm	*nm
Free cash flow (TTM) (Non-GAAP)	\$ 95,688	\$ (44,673)	\$ (108,189)	\$ (131,715)	\$ (122,299)	*nm	*nm

^(a) See pages 11 through 12 for the calculation of non-GAAP measures and reconciliations to GAAP measures.

*nm - percentages are not meaningful

SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION

Specialty Technology Solutions, 5-Quarter Financial Summary

(\$ in thousands)

	<u>Q1 FY24</u>	<u>Q4 FY23</u>	<u>Q3 FY23</u>	<u>Q2 FY23</u>	<u>Q1 FY23</u>	<u>Q/Q</u>	<u>Y/Y</u>
Net sales	\$ 509,570	\$ 561,501	\$ 565,652	\$ 627,548	\$ 576,329	(9)%	(12)%
Gross profit	\$ 49,183	\$ 51,440	\$ 57,664	\$ 56,732	\$ 58,404	(4)%	(16)%
Gross profit margin %	9.7 %	9.2 %	10.2 %	9.0 %	10.1 %	49 bp	(48) bp
GAAP operating income	\$ 11,872	\$ 14,343	\$ 19,811	\$ 19,682	\$ 21,852	(17)%	(46)%
GAAP operating income %	2.33 %	2.55 %	3.50 %	3.14 %	3.79 %	(22) bp	(146) bp
Add: Intangible amortization expense	\$ 1,261	\$ 1,261	\$ 1,266	\$ 1,266	\$ 1,341	—%	(6)%
Non-GAAP operating income	\$ 13,133	\$ 15,604	\$ 21,077	\$ 20,948	\$ 23,193	(16)%	(43)%
Non-GAAP operating income %	2.58 %	2.78 %	3.73 %	3.34 %	4.02 %	(20) bp	(145) bp
Reconciliation of Operating Income to Adjusted EBITDA							
GAAP operating income	\$ 11,872	\$ 14,343	\$ 19,811	\$ 19,682	\$ 21,852	(17)%	(46)%
Plus:							
Depreciation expense	1,931	1,954	1,862	1,873	1,941	(1)%	(1)%
Intangible amortization expense	1,261	1,261	1,266	1,266	1,341	—%	(6)%
Interest income	164	776	354	194	321	(79)%	(49)%
Other income/(expense), net	(132)	(40)	(54)	71	(125)	*nm	*nm
EBITDA	15,096	18,294	23,239	23,086	25,330	(17)%	(40)%
Adjustments:							
Share-based compensation expense	1,512	1,586	1,867	2,203	1,556	(5)%	(3)%
Adjusted EBITDA (non-GAAP)	<u>\$ 16,608</u>	<u>\$ 19,880</u>	<u>\$ 25,106</u>	<u>\$ 25,289</u>	<u>\$ 26,886</u>	(16)%	(38)%
Adjusted EBITDA (non-GAAP) %	3.26 %	3.54 %	4.44 %	4.03 %	4.67 %	(28) bp	(141) bp

*nm - percentages are not meaningful

SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION

Modern Communications & Cloud, 5-Quarter Financial Summary

(\$ in thousands)

	<u>Q1 FY24</u>	<u>Q4 FY23</u>	<u>Q3 FY23</u>	<u>Q2 FY23</u>	<u>Q1 FY23</u>	<u>Q/Q</u>	<u>Y/Y</u>
Net sales	\$ 366,735	\$ 385,648	\$ 319,867	\$ 383,693	\$ 367,484	(5)%	—%
Gross profit	\$ 57,325	\$ 57,219	\$ 54,098	\$ 58,602	\$ 55,081	—%	4%
Gross profit margin %	15.6 %	14.8 %	16.9 %	15.3 %	15.0 %	80 bp	60 bp
GAAP operating income	\$ 12,413	\$ 14,406	\$ 14,468	\$ 19,750	\$ 13,036	(14)%	(5)%
GAAP operating income %	3.38 %	3.74 %	4.52 %	5.15 %	3.55 %	(36) bp	(17) bp
Add: Intangible amortization expense	\$ 2,932	\$ 2,924	\$ 2,904	\$ 2,884	\$ 2,900	—%	1%
Add: Tax recovery ^(a)	\$ —	\$ (128)	\$ —	\$ (2,858)	\$ —	*nm	*nm
Non-GAAP operating income	\$ 15,345	\$ 17,202	\$ 17,372	\$ 19,776	\$ 15,936	(11)%	(4)%
Non-GAAP operating income %	4.18 %	4.46 %	5.43 %	5.15 %	4.34 %	(30) bp	(10) bp
Reconciliation of Operating Income to Adjusted EBITDA							
GAAP operating income	\$ 12,413	\$ 14,406	\$ 14,468	\$ 19,750	\$ 13,036	(14)%	(5)%
Plus:							
Depreciation expense	1,093	1,117	1,042	1,034	1,046	(2)%	4%
Intangible amortization expense	2,932	2,924	2,904	2,884	2,900	—%	1%
Interest income	1,161	1,309	1,356	1,834	1,269	(11)%	(9)%
Other income/(expense), net	(549)	(309)	(307)	(280)	(623)	*nm	*nm
EBITDA	17,050	19,447	19,463	25,222	17,628	(12)%	(3)%
Adjustments:							
Share-based compensation expense	1,258	1,000	1,087	1,161	760	26%	66%
Tax recovery ^(a)	—	(128)	—	(2,858)	—	*nm	*nm
Adjusted EBITDA (non-GAAP)	<u>\$ 18,308</u>	<u>\$ 20,319</u>	<u>\$ 20,550</u>	<u>\$ 23,525</u>	<u>\$ 18,388</u>	(10)%	—%
Adjusted EBITDA (non-GAAP) %	4.99 %	5.27 %	6.42 %	6.13 %	5.00 %	(28) bp	(1) bp

^(a) Recovery of prior period withholding taxes in Brazil

*nm - percentages are not meaningful

SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION

Net Sales, Constant Currency (Organic Growth) - QTR

(\$ in thousands)

Net Sales by Segment:

	<u>Q1 FY24</u>	<u>Q1 FY23</u>	<u>% Change</u>
Specialty Technology Solutions:			
Net sales, as reported	\$ 509,570	\$ 576,329	(11.6)%
Foreign exchange impact (a)	(934)	—	
Net sales, constant currency (non-GAAP)	<u>\$ 508,636</u>	<u>\$ 576,329</u>	(11.7)%
Modern Communications & Cloud:			
Net sales, as reported	\$ 366,735	\$ 367,484	(0.2)%
Foreign exchange impact (a)	(4,677)	—	
Net sales, constant currency (non-GAAP)	<u>\$ 362,058</u>	<u>\$ 367,484</u>	(1.5)%
Consolidated:			
Net sales, as reported	\$ 876,305	\$ 943,813	(7.2)%
Foreign exchange impact (a)	(5,611)	—	
Net sales, constant currency (non-GAAP)	<u>\$ 870,694</u>	<u>\$ 943,813</u>	(7.7)%

Net Sales by Geography:

	<u>Q1 FY24</u>	<u>Q1 FY23</u>	<u>% Change</u>
United States and Canada:			
Net sales, as reported	<u>\$ 791,000</u>	<u>\$ 859,538</u>	(8.0)%
International:			
Net sales, as reported	\$ 85,305	\$ 84,275	1.2 %
Foreign exchange impact (a)	(5,611)	—	
Net sales, constant currency (non-GAAP)	<u>\$ 79,694</u>	<u>\$ 84,275</u>	(5.4)%
Consolidated:			
Net sales, as reported	\$ 876,305	\$ 943,813	(7.2)%
Foreign exchange impact (a)	(5,611)	—	
Net sales, constant currency (non-GAAP)	<u>\$ 870,694</u>	<u>\$ 943,813</u>	(7.7)%

(a) Year-over-year sales growth excluding the translation impact of changes in foreign currency rates. Calculated by translating net sales for the quarter ended September 30, 2023 into U.S. dollars using the weighted-average foreign exchange rates for the quarter ended September 30, 2022.

SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION

Average Adjusted Return on Invested Capital - QTR

(\$ in thousands)

	Q1 FY24	Q4 FY23	Q3 FY23	Q2 FY23	Q1 FY23
Adjusted return on invested capital (ROIC), annualized (a)	11.0 %	12.9 %	14.6 %	15.6 %	15.6 %
<u>Reconciliation of Net Income to Adjusted EBITDA</u>					
Net income from continuing operations - GAAP	\$ 15,432	\$ 17,095	\$ 21,221	\$ 25,734	\$ 24,042
Plus:					
Interest expense	5,585	5,564	5,715	5,060	3,448
Income taxes	3,715	6,367	8,692	10,458	8,241
Depreciation and amortization	7,217	7,255	7,074	7,057	7,228
EBITDA	31,949	36,281	42,702	48,309	42,959
Adjustments:					
Tax recovery (b)	—	(128)	—	(2,858)	—
Cyberattack restoration costs	201	1,460	—	—	—
Share-based compensation	2,769	2,586	2,954	3,364	2,316
Adjusted EBITDA (numerator for Adjusted ROIC) (non-GAAP)	\$ 34,919	\$ 40,199	\$ 45,656	\$ 48,815	\$ 45,275
<u>Invested Capital Calculation</u>					
Equity - beginning of the quarter	\$ 905,298	\$ 878,895	\$ 862,386	\$ 827,004	\$ 806,528
Equity - end of quarter	915,253	905,298	878,895	862,386	827,004
Adjustments:					
Tax recovery, net	—	(2,100)	—	(1,886)	—
Share-based compensation, net	2,068	1,921	2,191	2,496	1,718
Cyberattack restoration costs, net	150	1,092	—	—	—
Discontinued operations net income	—	(1,717)	—	—	—
Average equity	911,385	891,695	871,736	845,000	817,625
Average funded debt (c)	352,897	361,792	398,318	392,853	336,428
Invested capital (denominator for Adjusted ROIC) (non-GAAP)	\$ 1,264,282	\$ 1,253,487	\$ 1,270,054	\$ 1,237,853	\$ 1,154,053

(a) Calculated as net income plus interest expense, income taxes, depreciation and amortization (EBITDA), annualized divided by invested capital for the period. Adjusted EBITDA reflects other adjustments for non-GAAP measures.

(b) Recovery of prior period withholding taxes in Brazil

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

SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION

Net Debt and Adjusted EBITDA Metrics

(\$ in thousands)

	Q1 FY24	Q4 FY23	Q3 FY23	Q2 FY23	Q1 FY23
Consolidated debt (Q/E)	\$ 248,108	\$ 329,901	\$ 311,052	\$ 382,796	\$ 326,435
Less:					
Cash and cash equivalents of continuing operations (Q/E)	(42,647)	(36,178)	(37,374)	(66,445)	(40,472)
Net debt (Q/E)	\$ 205,461	\$ 293,723	\$ 273,678	\$ 316,351	\$ 285,963
<u>Reconciliation of Net Income to Adjusted EBITDA</u>					
Net income from continuing operations - GAAP	\$ 15,432	\$ 17,095	\$ 21,221	\$ 25,734	\$ 24,042
Plus:					
Interest expense	5,585	5,564	5,715	5,060	3,448
Income taxes	3,715	6,367	8,692	10,458	8,241
Depreciation and amortization	7,217	7,255	7,074	7,057	7,228
EBITDA	31,949	36,281	42,702	48,309	42,959
Adjustments:					
Tax recovery (a)	—	(128)	—	(2,858)	—
Cyberattack restoration costs	201	1,460	—	—	—
Share-based compensation	2,769	2,586	2,954	3,364	2,316
Adjusted EBITDA (non-GAAP)	\$ 34,919	\$ 40,199	\$ 45,656	\$ 48,815	\$ 45,275
Adjusted EBITDA, TTM (b)	\$ 169,589	\$ 179,945	\$ 178,418	\$ 176,877	\$ 170,604
Net Debt / Adjusted EBITDA, TTM (b)	1.2x	1.6x	1.5x	1.8x	1.7x

(a) Recovery of prior period withholding taxes in Brazil

(b) Adjusted EBITDA for the trailing 12-month period

SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION

Working Capital, 5-Quarter Summary

(\$ in thousands)

	Q1 FY24	Q4 FY23	Q3 FY23	Q2 FY23	Q1 FY23
Accounts Receivable (Q/E)	\$ 691,669	\$ 753,236	\$ 684,458	\$ 779,562	\$ 744,946
Days sales outstanding in receivables	71	72	70	69	71
Inventory (Q/E)	\$ 656,170	\$ 757,574	\$ 752,763	\$ 761,936	\$ 675,798
Inventory turns	4.4	4.4	4.1	5.0	5.1
Accounts payable (Q/E)	\$ 617,594	\$ 691,119	\$ 656,688	\$ 748,662	\$ 710,919
Paid for inventory days*	16.8	17.5	22.7	10.9	7.2
Working Capital (Q/E) (AR+INV-AP)	<u>\$ 730,245</u>	<u>\$ 819,691</u>	<u>\$ 780,533</u>	<u>\$ 792,836</u>	<u>\$ 709,825</u>
Cash conversion cycle	88	90	93	80	78

**Paid for inventory days represent Q/E inventory days less Q/E accounts payable days*

SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION

Operating Income, Net Income & EPS - QTR

(\$ in thousands)

Quarter ended September 30, 2023

	Reported GAAP measure	Intangible amortization expense	Tax recovery, net	Cyberattack restoration costs	Non-GAAP measure
SG&A expenses	\$75,436	—	—	\$(201)	\$75,235
Operating income	24,084	4,193	—	201	28,478
Net income	15,432	3,146	—	150	18,728
Diluted EPS	\$0.61	\$0.12	—	\$0.01	\$0.74

(\$ in thousands)

Quarter ended June 30, 2023

	Reported GAAP measure	Intangible amortization expense	Tax recovery, net	Cyberattack restoration costs	Non-GAAP measure
SG&A expenses	\$74,358	—	\$128	\$—	\$74,486
Operating income	27,289	4,185	(128)	—	31,346
Net income	17,095	3,126	(2,100)	—	18,121
Diluted EPS	\$0.68	\$0.12	\$(0.08)	\$—	\$0.72

SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION

Operating Income, Net Income & EPS - QTR, continued

(\$ in thousands)

Quarter ended March 31, 2023

	Reported GAAP measure	Intangible amortization expense	Tax recovery, net	Cyberattack restoration costs	Non-GAAP measure
SG&A expenses	\$70,669	—	—	—	\$70,669
Operating income	34,279	4,170	—	—	38,449
Net income	21,221	3,109	—	—	24,330
Diluted EPS	\$0.83	\$0.12	—	—	\$0.96

(\$ in thousands)

Quarter ended December 31, 2022

	Reported GAAP measure	Intangible amortization expense	Tax recovery, net	Cyberattack restoration costs	Non-GAAP measure
SG&A expenses	\$69,074	—	\$2,858	—	\$71,932
Operating income	39,432	4,150	(2,858)	—	40,724
Net income	25,734	3,093	(1,886)	—	26,941
Diluted EPS	\$1.01	\$0.12	\$(0.07)	—	\$1.06

(\$ in thousands)

Quarter ended September 30, 2022

	Reported GAAP measure	Intangible amortization expense	Tax recovery, net	Cyberattack restoration costs	Non-GAAP measure
SG&A expenses	\$71,593	—	—	—	\$71,593
Operating income	34,888	4,241	—	—	39,129
Net income	24,042	3,161	—	—	27,203
Diluted EPS	\$0.94	\$0.12	—	—	\$1.07

SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION

FY24 Annual Financial Outlook Reconciliation

	<u>FY 24 Outlook</u>
GAAP operating income	At least \$126 million
Intangible amortization	\$17 million
Depreciation expense	\$12 million
Share-based compensation expense	\$12 million
Interest income and income (expense), net	\$3 million
Adjusted EBITDA (non-GAAP)	At least \$170 million
GAAP operating cash flow	At least \$210 million
Less: Capital expenditures	\$10 million
Free cash flow (non-GAAP)	At least \$200 million