



Fiscal Third Quarter

2023 Earnings

“Throughout fiscal year 2023, our team has delivered results ahead of expectations. Our strong results for the quarter demonstrate how our diversified portfolio of technologies is driving our hybrid distribution success.”

Mike Baur

Chairman and CEO, ScanSource, Inc.

Key Q3 Highlights



**5% Net Sales Growth
and Positive Operating
Cash Flow +\$55M**

**Delivered Results
Ahead of
Expectations**

**Confidence in our
Hybrid Distribution
Strategy**

5% Net Sales Growth and 5% Gross Profit Growth

Consolidated

**Net Sales
+5% Y/Y
\$886M**

**Gross Profit
+5% Y/Y
\$112M, 12.6% margin**

Specialty Technology
Solutions Segment

**STS, Net Sales
+12% Y/Y
\$566M**

**STS, Gross Profit
+7% Y/Y
\$58M, 10.2% margin**

Modern Communications
& Cloud Segment

**MC&C, Net Sales
-7% Y/Y
\$320M**

**MC&C, Gross Profit
+3% Y/Y
\$54M, 16.9% margin**

Third Quarter Metrics Reflect Operational Excellence

\$0.83 per share
-9% Y/Y
GAAP Diluted EPS

5.16%
Adjusted EBITDA Margin*

\$55M Q3
\$(99)M TTM
Operating Cash Flow

\$0.96 per share
-8% Y/Y
Non-GAAP Diluted EPS*
Higher interest expense in Q3 FY23

\$45.7M Q3 +3% Y/Y
\$178.4M TTM
Adjusted EBITDA*
TTM all-time Company record

14.6%
Adjusted ROIC*
\$10.7M share repurchases in Q3

Solid Financial Foundation for Growth

1.5x net debt* to TTM adjusted EBITDA*

Target range: 1x to 2x

3/31/23 Working Capital \$781M

\$12M Q/Q improvement

Paid for inventory days of 22.7

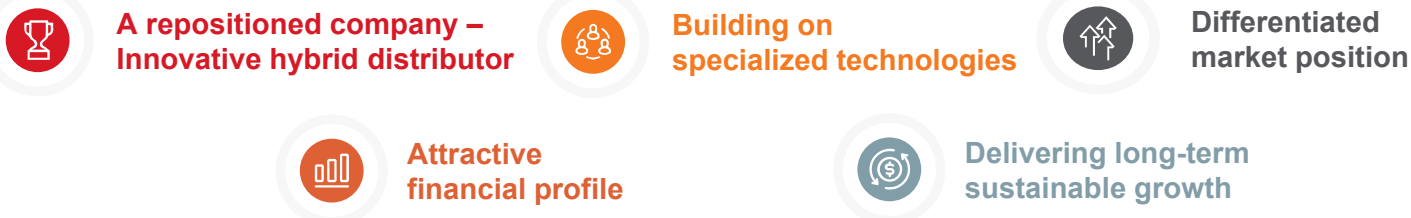
70 days sales outstanding

Fiscal Year 2023 Outlook updated as of May 9, 2023 (replaces previously provided guidance)

At Least 6.5% (unchanged from 6.5%)
Net Sales Growth

At Least \$182M (up from \$176M)
+9% Y/Y
Adjusted EBITDA*

Focused Execution of Value Creation Strategy



* 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 third quarter fiscal year 2023 news release issued on May 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 FY23 outlook, 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 failure to hire and retain quality employees, risk to our business from a cyber-security attack, supply chain challenges, the failure to manage and implement our organic growth strategy, economic weakness and inflation, a failure of our IT systems, a failure to acquire new businesses, changes in interest and exchange rates and regulatory regimes impacting our international operations, loss of our major customers, credit risks involving our larger customers and suppliers, termination of our relationship with key suppliers or a significant modification of the terms under which we operate with a key supplier, 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, 2022, 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 net sales, non-GAAP SG&A expenses, adjusted EBITDA, adjusted EBITDA margin, net debt, adjusted ROIC 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 - for continuing operations

(\$ in thousands, except per share data)

	Q3 FY23	Q2 FY23	Q1 FY23	Q4 FY22	Q3 FY22	Q/Q	Y/Y
Select reported GAAP measures:							
Net sales	\$ 885,519	\$1,011,241	\$ 943,813	\$ 962,283	\$ 845,990	(12)%	5%
Gross profit	\$ 111,762	\$ 115,334	\$ 113,485	\$ 110,792	\$ 106,508	(3)%	5%
Gross profit margin %	12.6 %	11.4 %	12.0 %	11.5 %	12.6 %	122 bp	3 bp
SG&A expenses	\$ 70,669	\$ 69,074	\$ 71,593	\$ 75,905	\$ 66,522	2%	6%
Operating income	\$ 34,279	\$ 39,432	\$ 34,888	\$ 27,424	\$ 32,917	(13)%	4%
Operating income %	3.87 %	3.90 %	3.70 %	2.85 %	3.89 %	(3) bp	(2) bp
Net income	\$ 21,221	\$ 25,734	\$ 24,042	\$ 19,947	\$ 23,526	(18)%	(10)%
Diluted EPS	\$ 0.83	\$ 1.01	\$ 0.94	\$ 0.78	\$ 0.91	(18)%	(9)%
Select reported Non-GAAP measures: ^(a)							
Non-GAAP operating income	\$ 38,449	\$ 40,724	\$ 39,129	\$ 31,864	\$ 37,374	(6)%	3%
Non-GAAP operating income %	4.34 %	4.03 %	4.15 %	3.31 %	4.42 %	32 bp	(8) bp
Non-GAAP net income	\$ 24,330	\$ 26,941	\$ 27,203	\$ 23,266	\$ 26,879	(10)%	(9)%
Non-GAAP diluted EPS	\$ 0.96	\$ 1.06	\$ 1.07	\$ 0.91	\$ 1.04	(9)%	(8)%
Adjusted EBITDA	\$ 45,656	\$ 48,815	\$ 45,275	\$ 38,672	\$ 44,115	(6)%	3%
Adjusted EBITDA %	5.16 %	4.83 %	4.80 %	4.02 %	5.21 %	33 bp	(6) bp
Adjusted ROIC	14.6 %	15.6 %	15.6 %	14.9 %	18.0 %	(100) bp	(340) bp
Operating cash flow (QTR)	\$ 54,837	\$ (26,885)	\$ (48,459)	\$ (78,684)	\$ 29,707	*nm	85%
Operating cash flow (TTM)	\$ (99,191)	\$ (124,321)	\$ (115,855)	\$ (124,355)	\$ 15,674	*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>Q3 FY23</u>	<u>Q2 FY23</u>	<u>Q1 FY23</u>	<u>Q4 FY22</u>	<u>Q3 FY22</u>	<u>Q/Q</u>	<u>Y/Y</u>
Net sales	\$ 565,652	\$ 627,548	\$ 576,329	\$ 580,619	\$ 503,072	(10)%	12%
Gross profit	\$ 57,664	\$ 56,732	\$ 58,404	\$ 53,994	\$ 54,021	2%	7%
Gross profit margin %	10.2 %	9.0 %	10.1 %	9.3 %	10.7 %	115 bp	(54) bp
GAAP operating income	\$ 19,811	\$ 19,682	\$ 21,852	\$ 15,408	\$ 20,623	1%	(4)%
GAAP operating income %	3.50 %	3.14 %	3.79 %	2.65 %	4.10 %	37 bp	(60) bp
Add: Intangible amortization expense	\$ 1,266	\$ 1,266	\$ 1,341	\$ 1,491	\$ 1,491	—%	(15)%
Non-GAAP operating income	\$ 21,077	\$ 20,948	\$ 23,193	\$ 16,899	\$ 22,114	1%	(5)%
Non-GAAP operating income %	3.73 %	3.34 %	4.02 %	2.91 %	4.40 %	39 bp	(67) bp
Reconciliation of Operating Income to Adjusted EBITDA							
GAAP operating income	\$ 19,811	\$ 19,682	\$ 21,852	\$ 15,408	\$ 20,623	1%	(4)%
Plus:							
Depreciation expense	1,862	1,873	1,941	2,089	1,833	(1)%	2%
Intangible amortization expense	1,266	1,266	1,341	1,491	1,491	—%	(15)%
Interest income	354	194	321	325	265	82%	34%
Other income/(expense), net	(54)	71	(125)	(141)	165	*nm	*nm
EBITDA	23,239	23,086	25,330	19,172	24,377	1%	(5)%
Adjustments:							
Share-based compensation expense	1,867	2,203	1,556	1,710	1,659	(15)%	13%
Adjusted EBITDA (non-GAAP)	<u>\$ 25,106</u>	<u>\$ 25,289</u>	<u>\$ 26,886</u>	<u>\$ 20,882</u>	<u>\$ 26,036</u>	(1)%	(4)%
Adjusted EBITDA (non-GAAP) %	4.44 %	4.03 %	4.67 %	3.60 %	5.18 %	41 bp	(74) bp

*nm - percentages are not meaningful

SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION

Modern Communications & Cloud, 5-Quarter Financial Summary

(\$ in thousands)

	Q3 FY23	Q2 FY23	Q1 FY23	Q4 FY22	Q3 FY22	Q/Q	Y/Y
Net sales	\$ 319,867	\$ 383,693	\$ 367,484	\$ 381,664	\$ 342,918	(17)%	(7)%
Gross profit	\$ 54,098	\$ 58,602	\$ 55,081	\$ 56,798	\$ 52,487	(8)%	3%
Gross profit margin %	16.9 %	15.3 %	15.0 %	14.9 %	15.3 %	160 bp	160 bp
GAAP operating income	\$ 14,468	\$ 19,750	\$ 13,036	\$ 12,016	\$ 12,294	(27)%	18%
GAAP operating income %	4.52 %	5.15 %	3.55 %	3.15 %	3.59 %	(63) bp	93 bp
Add: Intangible amortization expense	\$ 2,904	\$ 2,884	\$ 2,900	\$ 2,949	\$ 2,966	1%	(2)%
Add: Tax recovery ^(a)	\$ —	\$ (2,858)	\$ —	\$ —	\$ —	*nm	*nm
Non-GAAP operating income	\$ 17,372	\$ 19,776	\$ 15,936	\$ 14,965	\$ 15,260	(12)%	14%
Non-GAAP operating income %	5.43 %	5.15 %	4.34 %	3.92 %	4.45 %	20 bp	90 bp
Reconciliation of Operating Income to Adjusted EBITDA							
GAAP operating income	\$ 14,468	\$ 19,750	\$ 13,036	\$ 12,016	\$ 12,294	(27)%	18%
Plus:							
Depreciation expense	1,042	1,034	1,046	1,172	1,015	1%	3%
Intangible amortization expense	2,904	2,884	2,900	2,949	2,966	1%	(2)%
Interest income	1,356	1,834	1,269	1,035	735	(26)%	84%
Other income/(expense), net	(307)	(280)	(623)	(542)	(28)	*nm	*nm
EBITDA	19,463	25,222	17,628	16,630	16,982	(23)%	15%
Adjustments:							
Share-based compensation expense	1,087	1,161	760	1,162	1,098	(6)%	(1)%
Tax recovery ^(a)	—	(2,858)	—	—	—	*nm	*nm
Adjusted EBITDA (non-GAAP)	\$ 20,550	\$ 23,525	\$ 18,388	\$ 17,792	\$ 18,080	(13)%	14%
Adjusted EBITDA (non-GAAP) %	6.42 %	6.13 %	5.00 %	4.66 %	5.27 %	29 bp	115 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>Q3 FY23</u>	<u>Q3 FY22</u>	<u>% Change</u>
Specialty Technology Solutions:			
Net sales, as reported	\$ 565,652	\$ 503,072	12.4 %
Foreign exchange impact (a)	61	—	
Net sales, constant currency (non-GAAP)	<u>\$ 565,713</u>	<u>\$ 503,072</u>	12.5 %
Modern Communications & Cloud:			
Net sales, as reported	\$ 319,867	\$ 342,918	(6.7)%
Foreign exchange impact (a)	363	—	
Net sales, constant currency (non-GAAP)	<u>\$ 320,230</u>	<u>\$ 342,918</u>	(6.6)%
Consolidated:			
Net sales, as reported	\$ 885,519	\$ 845,990	4.7 %
Foreign exchange impact (a)	424	—	
Net sales, constant currency (non-GAAP)	<u>\$ 885,943</u>	<u>\$ 845,990</u>	4.7 %

Net Sales by Geography:

	<u>Q3 FY23</u>	<u>Q3 FY22</u>	<u>% Change</u>
United States and Canada:			
Net sales, as reported	<u>\$ 808,797</u>	<u>\$ 764,529</u>	5.8 %
International:			
Net sales, as reported	\$ 76,722	\$ 81,461	(5.8)%
Foreign exchange impact (a)	424	—	
Net sales, constant currency (non-GAAP)	<u>\$ 77,146</u>	<u>\$ 81,461</u>	(5.3)%
Consolidated:			
Net sales, as reported	\$ 885,519	\$ 845,990	4.7 %
Foreign exchange impact (a)	424	—	
Net sales, constant currency (non-GAAP)	<u>\$ 885,943</u>	<u>\$ 845,990</u>	4.7 %

(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 March 31, 2023 into U.S. dollars using the weighted-average foreign exchange rates for the quarter ended March 31, 2022.

SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION

Average Adjusted Return on Invested Capital - QTR

(\$ in thousands)

	Q3 FY23	Q2 FY23	Q1 FY23	Q4 FY22	Q3 FY22
Adjusted return on invested capital (ROIC), annualized (a)	14.6 %	15.6 %	15.6 %	14.9 %	18.0 %
<u>Reconciliation of Net Income to Adjusted EBITDA</u>					
Net income from continuing operations - GAAP	\$ 21,221	\$ 25,734	\$ 24,042	\$ 19,947	\$ 23,526
Plus:					
Interest expense	5,715	5,060	3,448	1,886	1,483
Income taxes	8,692	10,458	8,241	6,267	9,044
Depreciation and amortization	7,074	7,057	7,228	7,700	7,305
EBITDA	42,702	48,309	42,959	35,800	41,358
Adjustments:					
Tax recovery (b)	—	(2,858)	—	—	—
Share-based compensation	2,954	3,364	2,316	2,872	2,757
Adjusted EBITDA (numerator for Adjusted ROIC) (non-GAAP)	\$ 45,656	\$ 48,815	\$ 45,275	\$ 38,672	\$ 44,115

Invested Capital Calculation

Equity - beginning of the quarter	\$ 862,386	\$ 827,004	\$ 806,528	\$ 806,654	\$ 768,525
Equity - end of quarter	878,895	862,386	827,004	806,528	806,654
Adjustments:					
Tax recovery, net	—	(1,886)	—	—	—
Share-based compensation, net	2,191	2,496	1,718	2,134	2,063
Average equity	871,736	845,000	817,625	807,658	788,621
Average funded debt (c)	398,318	392,853	336,428	233,445	205,073
Invested capital (denominator for Adjusted ROIC) (non-GAAP)	\$ 1,270,054	\$ 1,237,853	\$ 1,154,053	\$ 1,041,103	\$ 993,694

(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)

	Q3 FY23	Q2 FY23	Q1 FY23	Q4 FY22	Q3 FY22
Consolidated debt (Q/E)	\$ 311,052	\$ 382,796	\$ 326,435	\$ 271,170	\$ 181,500
Less:					
Consolidated cash and cash equivalents (Q/E)	(37,374)	(66,445)	(40,472)	(37,987)	(43,539)
Net debt (Q/E)	\$ 273,678	\$ 316,351	\$ 285,963	\$ 233,183	\$ 137,961
Reconciliation of Net Income to Adjusted EBITDA					
Net income from continuing operations - GAAP	\$ 21,221	\$ 25,734	\$ 24,042	\$ 19,947	\$ 23,526
Plus:					
Interest expense	5,715	5,060	3,448	1,886	1,483
Income taxes	8,692	10,458	8,241	6,267	9,044
Depreciation and amortization	7,074	7,057	7,228	7,700	7,305
EBITDA	42,702	48,309	42,959	35,800	41,358
Adjustments:					
Tax recovery (a)	—	(2,858)	—	—	—
Share-based compensation	2,954	3,364	2,316	2,872	2,757
Adjusted EBITDA (non-GAAP)	\$ 45,656	\$ 48,815	\$ 45,275	\$ 38,672	\$ 44,115
Adjusted EBITDA, TTM (b)	\$ 178,418	\$ 176,877	\$ 170,604	\$ 166,723	\$ 163,350
Net Debt / Adjusted EBITDA, TTM (b)	1.5x	1.8x	1.7x	1.4x	0.8x

(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)

	Q3 FY23	Q2 FY23	Q1 FY23	Q4 FY22	Q3 FY22
Accounts Receivable (Q/E)	\$ 684,458	\$ 779,562	\$ 744,946	\$ 729,442	\$ 642,384
Days sales outstanding in receivables	70	69	71	68	69
Inventory (Q/E)	\$ 752,763	\$ 761,936	\$ 675,798	\$ 614,814	\$ 591,396
Inventory turns	4.1	5.0	5.1	5.6	5.1
Accounts payable (Q/E)	\$ 656,688	\$ 748,662	\$ 710,919	\$ 714,177	\$ 706,359
Paid for inventory days*	22.7	10.9	7.2	(0.8)	(2.9)
Working Capital (Q/E) (AR+INV-AP)	<u>\$ 780,533</u>	<u>\$ 792,836</u>	<u>\$ 709,825</u>	<u>\$ 630,079</u>	<u>\$ 527,421</u>
Cash conversion cycle	93	80	78	67	66

**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 March 31, 2023

	Reported GAAP measure	Intangible amortization expense	Tax recovery, net	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 (a)	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

(a) Recovery of prior period withholding taxes in Brazil

SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION

Operating Income, Net Income & EPS - QTR, continued

(\$ in thousands)

Quarter ended September 30, 2022

	Reported GAAP measure	Intangible amortization expense	Tax recovery, net	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

(\$ in thousands)

Quarter ended June 30, 2022

	Reported GAAP measure	Intangible amortization expense	Tax recovery, net	Non-GAAP measure
SG&A expenses	\$75,905	—	—	\$75,905
Operating income	27,424	4,440	—	31,864
Net income	19,947	3,319	—	23,266
Diluted EPS	\$0.78	\$0.13	—	\$0.91

(\$ in thousands)

Quarter ended March 31, 2021

	Reported GAAP measure	Intangible amortization expense	Tax recovery, net	Non-GAAP measure
SG&A expenses	\$66,522	—	—	\$66,522
Operating income	32,917	4,457	—	37,374
Net income	23,526	3,353	—	26,879
Diluted EPS	\$0.91	\$0.13	—	\$1.04

SUPPORTING MATERIALS AND RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION

FY23 Annual Financial Outlook Reconciliation

	<u>FY23 Outlook</u>
GAAP, operating income	At least \$140 million
Intangible amortization	\$17 million
Depreciation expense	\$12 million
Share-based compensation expense	\$12 million
Interest income and other income (expense), net	\$4 million
Tax recovery	\$(3) million
Adjusted EBITDA (non-GAAP)	At least \$182 million