



INVESTOR PRESENTATION

MAY 2021





SAFE HARBOR AND NON-GAAP

Safe Harbor Statement

This presentation contains certain comments that are “forward-looking” statements 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 impact of COVID-19 pandemic on our operations and financial conditions and the potential prolonged economic weakness brought on by COVID-19, 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, risk to our business from a cyber-security attack, a failure of our IT systems, failure to hire and retain quality employees, loss of our major customers, 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, 2020, and subsequent reports on Form 10-Q, filed with the Securities and Exchange Commission (“SEC”).

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

Non-GAAP Financial Information

In addition to disclosing results that are determined in accordance with United States Generally Accepted Accounting Principles (“GAAP”), the Company also discloses certain non-GAAP measures, including non-GAAP operating income, non-GAAP operating margin, non-GAAP net income, non-GAAP diluted earnings per share, non-GAAP net sales, non-GAAP gross profit, non-GAAP gross margin, non-GAAP SG&A expenses, adjusted EBITDA, return on invested capital (“ROIC”) and net sales excluding the impact of foreign currency exchange rates and acquisitions (organic growth). A reconciliation of the Company's non-GAAP financial information to GAAP financial information is provided in the Appendix and in the Company's Form 8-K, filed with the SEC, with the quarterly earnings press release for the period indicated.

Unless otherwise noted, our business descriptions and results in this presentation reflect continuing operations only.



SCANSOURCE OVERVIEW

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



MOBILITY
AND BARCODE



POS AND
PAYMENTS



UNIFIED COMMUNICATIONS
AND COLLABORATION



PHYSICAL SECURITY
AND NETWORKING



TELECOM AND
CLOUD SERVICES

NASDAQ: SCSC • Headquarters: Greenville, SC • Founded in 1992 • Channel sales model • Multiple, specialized routes to market
• 500+ Technology Suppliers • 30,000+ Sales Partners • ~2,200 Employees • US, Canada, Brazil, UK

KEY SUPPLIERS

MOBILITY AND BARCODE



POS AND PAYMENTS



PHYSICAL SECURITY AND NETWORKING



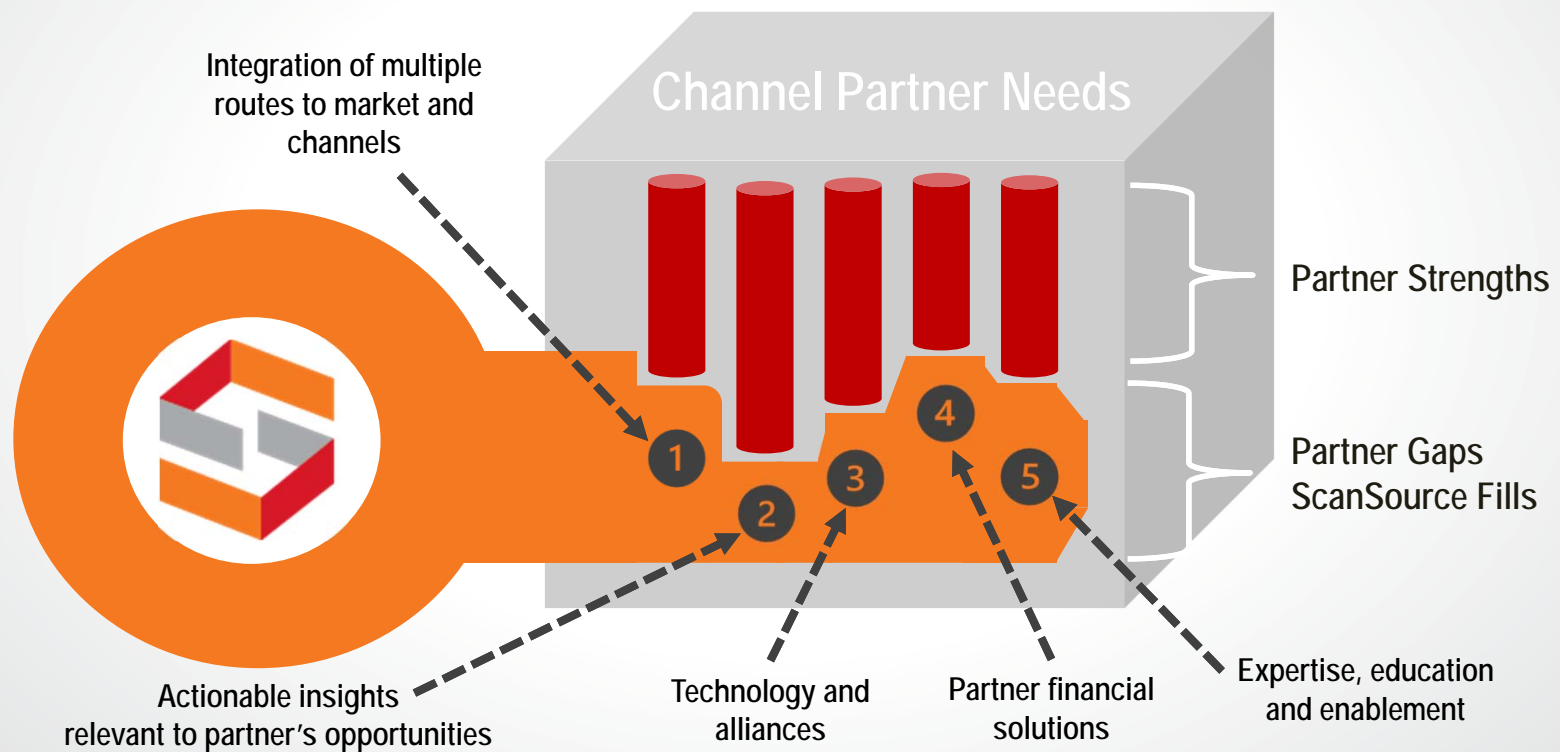
UNIFIED COMMUNICATIONS AND COLLABORATION



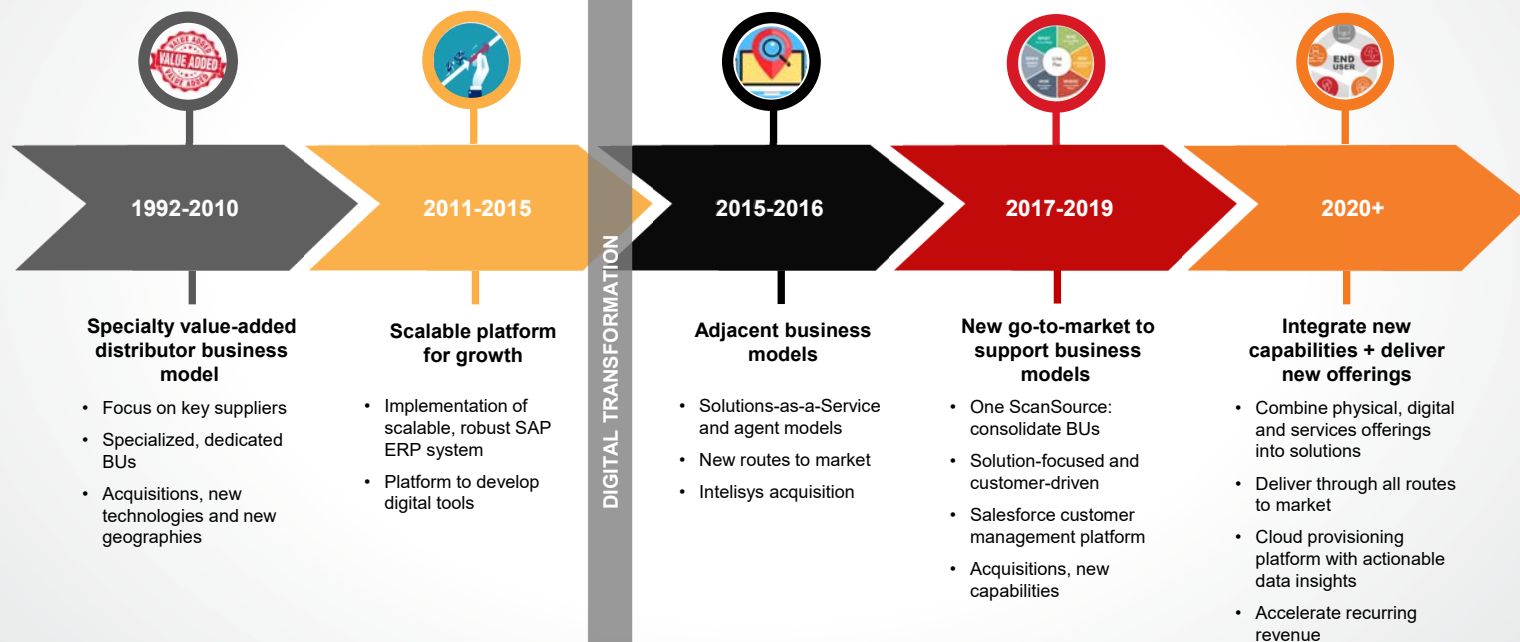
TELECOM AND CLOUD SERVICES



SCANSOURCE VALUE PROPOSITION



SCANSOURCE DIGITAL TRANSFORMATION



END USER TECHNOLOGY CONSUMPTION

FROM

1. ON PREM
2. HARDWARE & SOFTWARE
3. UPFRONT REVENUE
4. PERPETUAL
5. SALES ORDER ENTRY
6. POINT PRODUCTS



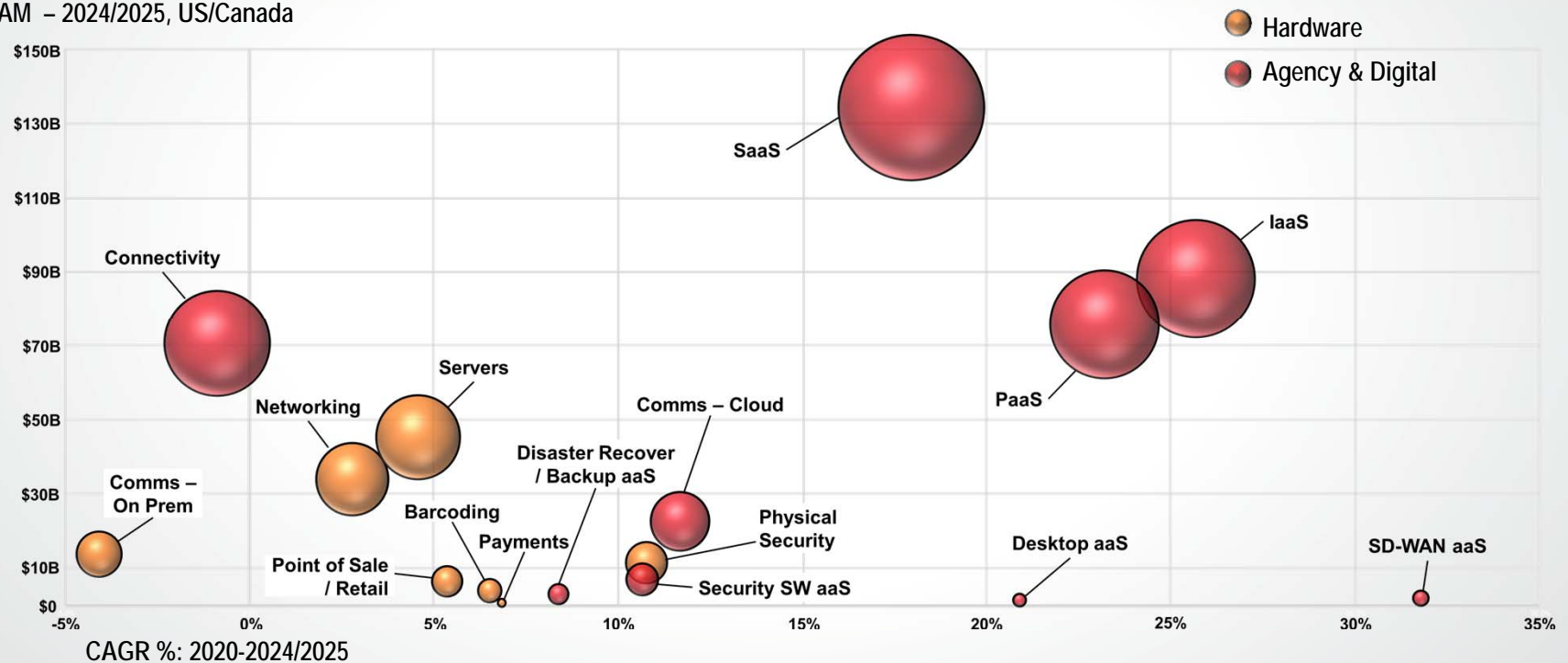
CUSTOMER

TO

1. CLOUD
2. "X" AS A SERVICE
3. RECURRING REVENUE
4. SUBSCRIPTION
5. SELF-SERVICE AUTOMATION
6. SOLUTIONS

LARGE AND GROWING MARKET OPPORTUNITIES

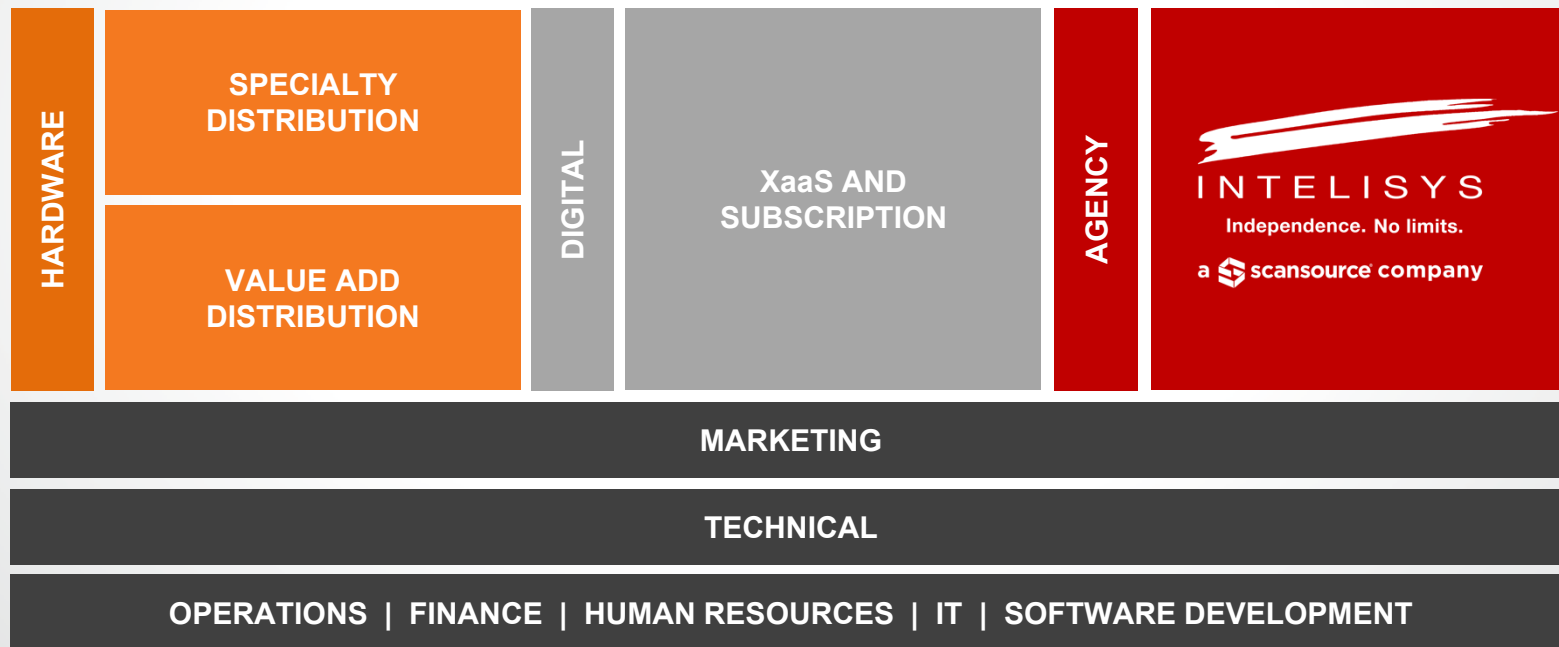
TAM – 2024/2025, US/Canada



For US and Canada based on end user spending (reflects direct and indirect sales). Source: Internal company estimates using market research from Gartner, IDC, and VDC

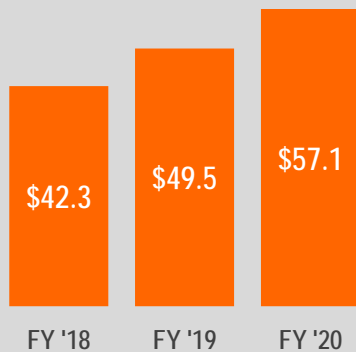
SCANSOURCE GO-TO-MARKET

Focused sales teams to help sales partners deliver industry-leading endpoints and cloud solutions



INTELISYS RECURRING REVENUE MODEL

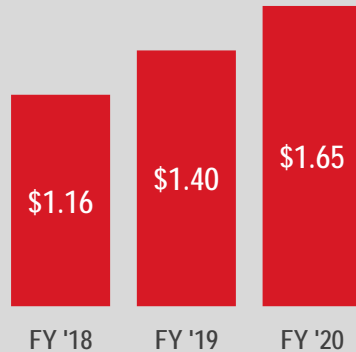
INTELISYS REVENUES
\$ in millions



Intelisys revenues reflect GAAP net sales.

Intelisys Revenues: Net commissions (gross commissions from suppliers less sales partner commissions)

INTELISYS NET BILLINGS
\$ in billions



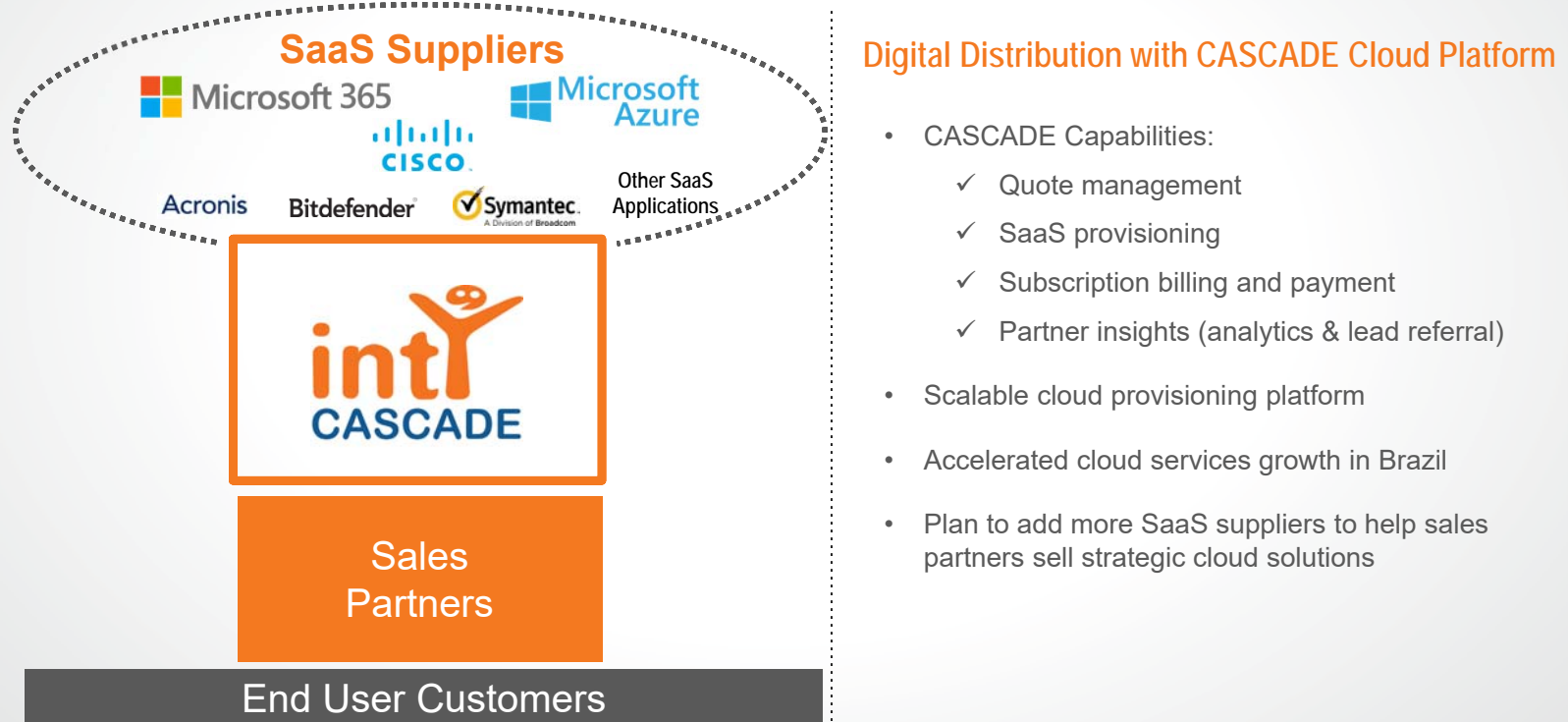
Intelisys Net Billings: Amounts billed by suppliers to end users

Largest Master Agent in Telecom and Cloud Services

- Intelisys earns percentage of commissions, building recurring revenues
- Large, growing addressable market with expected channel shift
- More than 125 leading cloud carriers and providers; top UCaaS and CCaaS
- Very low working capital requirements and no inventories
- Intelisys value-adds:
 - Trusted relationships
 - Strong supplier contracts and choice (200+)
 - Commission management tool and accuracy
 - Education, training, and certifications
 - Financial strength of ScanSource

Note: Intelisys acquisition completed August 2016; UCaaS (Unified Communications as a Service); CCaaS (Contact Center as a Service)

SaaS PLATFORM








Note: intY acquisition completed July 2019

SHIFTING HARDWARE MIX TO HIGHER-VALUE SOLUTIONS

Accelerate our channel partners' digital transformation

FROM

HARDWARE-CENTRIC SALES

-  Barcoding
-  Communications
-  Physical Security
-  Point-of-Sale
-  Networking

TO

SOLUTIONS (SOFTWARE+SERVICES) WITH HARDWARE

- Connectivity
- Managed Services
Provisioning Services
- Infrastructure as a Service | SD-WAN
UCaaS & CCaaS | Platform as a Service
Software as a Service | Cybersecurity





FINANCIAL HIGHLIGHTS



LONGER-TERM OPERATING GOALS AND RECENT RESULTS

OPERATING GOALS



Q3 FY21
Y/Y -2.0%
Y/Y, organic* Flat

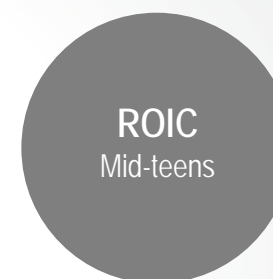
GROSS MARGIN
11%+

Q3 FY21
GAAP 12.1%

OPERATING MARGIN
3.5% to 4%

Q3 FY21
GAAP 2.66%
Non-GAAP* 3.45%

OPERATING GOALS

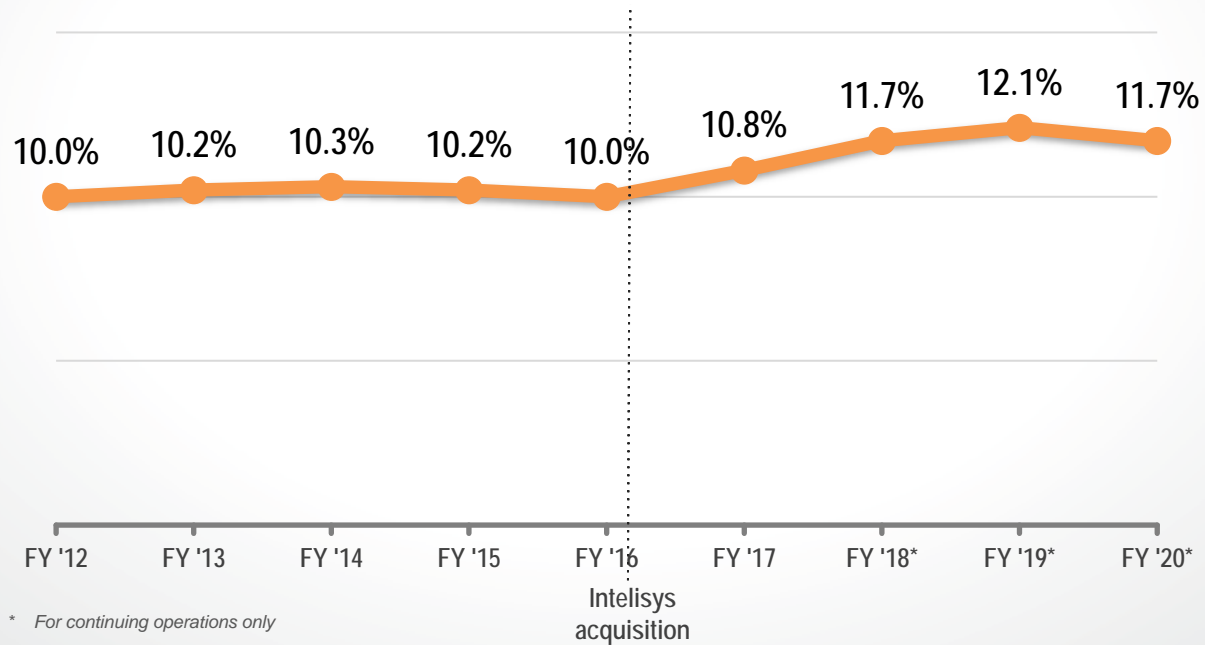


Q3 FY21
13.6%

* Organic growth, a non-GAAP measure, reflects reported sales growth less impacts from foreign currency translation and acquisitions. Non-GAAP operating income excludes amortization of intangibles, restructuring charges, acquisition/divestiture costs, and other non-GAAP items. ROIC, a non-GAAP measure, is calculated as adjusted EBITDA divided by invested capital. See appendix for calculations of non-GAAP measures and reconciliations to GAAP measures.

GROSS PROFIT MARGIN – 10-YEAR TREND

Historical 10% gross profit margin blends up with digital transformation



CAPITAL ALLOCATION STRATEGY

PRIORITIES

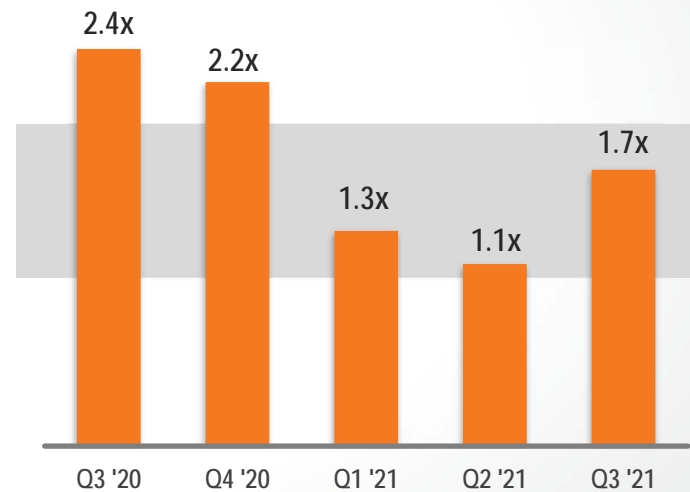
Reinvestment for growth

- Organic growth
- Strategic acquisitions

Maintain targeted net leverage ratio

- Target range of 1x to 2x EBITDA

NET LEVERAGE RATIO



As of 3/31/21: Debt of \$199 million
Net Debt of \$150 million



STRONG FINANCIAL POSITION FOR GROWTH

STRONG BALANCE SHEET AND FINANCIAL FLEXIBILITY

1.7x net debt to adjusted EBITDA, trailing 12-months

\$49 million in cash and \$199 million in debt

\$140.6 million term loan and \$350 million revolving credit facility

WORKING CAPITAL MANAGEMENT

5.8 inventory turns (5-qtr range: 4.5 to 6.9)

Paid for inventory days of 2.2* (5-qtr range: (11.8) to 11.0)

63 days sales outstanding in receivables (5-qtr range: 60 to 63)

Information as of 3/31/21, unless otherwise indicated

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





INVESTMENT HIGHLIGHTS

1

MARKET LEADERSHIP

Leadership position in large, niche markets with continued growth from innovative, emerging technology offerings

2

DEEP PARTNERSHIPS

Multiple, specialized routes to market, deep supplier partnerships, and loyal and diverse customer base serve as strong competitive advantages

3

GROWTH OPPORTUNITIES

Capitalizing on expansion in higher margin and growth areas; opportunity for expansion in XaaS recurring revenue opportunities

4

OPERATING MARGIN EXPANSION

Expand margin profile with operational excellence supported by multiple technologies, services and solutions

5

ATTRACTIVE RETURN POTENTIAL

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



APPENDIX

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scansource.com



ROUTES TO MARKET



APPENDIX: SEGMENT FINANCIAL RESULTS

WORLDWIDE BARCODE, NW AND SECURITY

<i>\$ in millions</i>	Q3 FY21	Q2 FY21	Q3 FY20
Net sales	\$502.2	\$551.4	\$489.2
Gross profit	\$43.9	\$42.7	\$41.9
Gross profit margin %	8.7%	7.7%	8.6%
Operating income	\$8.1	\$5.9	\$4.8
Operating income %	1.6%	1.1%	1.0%
Non-GAAP operating income	\$10.0	\$7.9	\$5.3
Non-GAAP operating income %	2.0%	1.4%	1.1%

WORLDWIDE COMMUNICATIONS AND SERVICES

<i>\$ in millions</i>	Q3 FY21	Q2 FY21	Q3 FY20
Net sales	\$227.6	\$259.5	\$255.4
Gross profit	\$44.2	\$43.4	\$42.7
Gross profit margin %	19.4%	16.7%	16.7%
Operating income	\$12.2	\$13.1	\$6.4
Operating income %	5.4%	5.0%	2.5%
Non-GAAP operating income	\$15.1	\$16.0	\$9.5
Non-GAAP operating income %	6.6%	6.2%	3.7%

Non-GAAP operating income excludes amortization of intangibles, change in fair value of contingent consideration, impairment charges, and other non-GAAP items.



APPENDIX: NON-GAAP FINANCIAL INFORMATION

Y/Y Sales Growth – Organic and Reported

(\$ in thousands)

For the quarter ended March 31, 2021:

Q3 FY21 net sales, as reported	\$ 729,873
Foreign exchange impact ^(a)	<u>14,608</u>
Q3 FY21 net sales, constant currency (non-GAAP)	<u>\$ 744,481</u>

For the quarter ended March 31, 2020:

Q3 FY20 net sales, as reported	<u>\$ 744,584</u>
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Y/Y% Change:

As reported	-2.0%
Constant currency (non-GAAP) (organic growth)	0.0%

(a) Year-over-year sales growth excluding the translation impact of changes in foreign currency rates. Calculated by translating the net sales for the quarter ended March 31, 2021 into U.S. dollars using the weighted average foreign exchange rates for the fiscal year ended March 31, 2020.



APPENDIX: NON-GAAP FINANCIAL INFORMATION

Operating Income – QTR

(\$ in thousands)

Quarter Ended March 31, 2021

	Reported GAAP measure	Intangible amortization expense	Acquisition, Divestiture, & Restructuring Costs	Non-GAAP measure
Consolidated:				
Net sales	\$ 729,873	-	-	\$ 729,873
Gross Profit	\$ 88,116	-	-	\$ 88,116
Gross profit margin %	12.1%	-	-	12.1%
Operating income	\$ 19,436	\$ 4,880	\$ 832	\$ 25,148
Operating income margin %	2.66%	-	-	3.45%

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Return on Invested Capital (ROIC)

(\$ in thousands)

Return on invested capital (ROIC), annualized ^(a)

Q3 FY21

13.6%

Reconciliation of Net Income to Adjusted EBITDA

Net income from continuing operations - GAAP	\$ 13,786
Plus: Interest expense	1,576
Plus: Income taxes	5,121
Plus: Depreciation and amortization	8,358
EBITDA	28,841
Plus: Acquisition and divestiture costs	272
Plus: Restructuring costs	349
Adjusted EBITDA (numerator for ROIC) (non-GAAP)	\$ 29,462

Invested Capital Calculation

Equity - beginning of the period	\$ 682,139
Equity - end of the period	690,575
Plus: Acquisition and divestiture costs	272
Plus: Restructuring costs, net of tax	264
Plus: Discontinued operations net loss	688
Average equity	686,969
Average funded debt ^(b)	191,996
Invested capital (denominator for ROIC) (non-GAAP)	\$ 878,965

(a) Calculated as net income plus interest expense, income taxes, depreciation and amortization (EBITDA), plus other adjustments for non-GAAP measures, annualized and divided by invested capital for the period. Invested capital is defined as average equity plus average daily funded interest-bearing debt for the period.

(b) Average funded debt, which includes both continuing and discontinued operations, is calculated as the average daily amounts outstanding on short-term and long-term interest-bearing debt.



APPENDIX: NON-GAAP FINANCIAL INFORMATION

Highlights by Segment – QTR

(\$ in thousands)

	Quarter Ended March 31, 2021						
	Reported GAAP measure	Intangible amortization expense	Change in fair value of contingent consideration	Acquisition, Divestiture, & Restructuring Costs	Tax recovery, net	Impairment charges	Non-GAAP measure
Worldwide Barcode, NW & Security:							
Net sales	\$ 502,227	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 502,227
Gross Profit	43,869	-	-	-	-	-	43,869
Gross profit margin %	8.7%	-	-	-	-	-	8.7%
Operating income	8,054	1,968	-	-	-	-	10,022
Operating income margin %	1.6%	-	-	-	-	-	2.0%
Worldwide Communications & Services:							
Net sales	\$ 227,646	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 227,646
Gross Profit	44,247	-	-	-	-	-	44,247
Gross profit margin %	19.4%	-	-	-	-	-	19.4%
Operating Income	12,214	2,912	-	-	-	-	15,126
Operating income margin %	5.4%	-	-	-	-	-	6.6%



APPENDIX: NON-GAAP FINANCIAL INFORMATION

Highlights by Segment – QTR

(\$ in thousands)

	Quarter Ended December 31, 2020						
	Reported GAAP measure	Intangible amortization expense	Change in fair value of contingent consideration	Acquisition, Divestiture, & Restructuring Costs	Tax recovery, net	Impairment charges	Non-GAAP measure
Worldwide Barcode, NW & Security:							
Net sales	\$ 551,394	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 551,394
Gross Profit	42,685	-	-	-	-	-	42,685
Gross profit margin %	7.7%	-	-	-	-	-	7.7%
Operating income	5,887	1,968	-	-	-	-	7,855
Operating income margin %	1.1%	-	-	-	-	-	1.4%
Worldwide Communications & Services:							
Net sales	\$ 259,503	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 259,503
Gross Profit	43,358	-	-	-	-	-	43,358
Gross profit margin %	16.7%	-	-	-	-	-	16.7%
Operating Income	13,087	2,894	-	-	-	-	15,981
Operating income margin %	5.0%	-	-	-	-	-	6.2%



APPENDIX: NON-GAAP FINANCIAL INFORMATION

Highlights by Segment – QTR

(\$ in thousands)

	Quarter Ended March 31, 2020						
	Reported GAAP measure	Intangible amortization expense	Change in fair value of contingent consideration	Acquisition, Divestiture, & Restructuring Costs	Tax recovery, net	Impairment charges	Non-GAAP measure
Worldwide Barcode, NW & Security:							
Net sales	\$ 489,218	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 489,218
Gross Profit	41,870	-	-	-	-	-	41,870
Gross profit margin %	8.6%	-	-	-	-	-	8.6%
Operating income	4,779	1,968	-	-	(1,452)	-	5,295
Operating income margin %	1.0%	-	-	-	-	-	1.1%
Worldwide Communications & Services:							
Net sales	\$ 255,366	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 255,366
Gross Profit	42,708	-	-	-	-	-	42,708
Gross profit margin %	16.7%	-	-	-	-	-	16.7%
Operating Income	6,394	3,191	618	169	(868)	-	9,504
Operating income margin %	2.5%	-	-	-	-	-	3.7%



APPENDIX: NON-GAAP FINANCIAL INFORMATION

Gross Margin and Non-GAAP Operating Income %

(\$ in millions)							<i>Continuing Operations</i>		
	FY '12	FY '13	FY '14	FY '15	FY '16	FY '17	FY '18	FY '19	FY '20
Net sales	\$3,015.3	\$2,877.0	\$2,913.6	\$3,218.6	\$3,540.2	\$3,568.2	\$3,164.7	\$3,249.8	\$ 3,047.7
Gross margin	10.0%	10.2%	10.3%	10.2%	10.0%	10.8%	11.7%	12.1%	11.7%
GAAP operating income	\$ 113.5	\$ 51.0	\$ 121.8	\$ 101.4	\$ 96.9	\$ 88.2	\$ 69.0	\$ 94.7	\$ (65.0)
Adjustments:									
Amortization of intangible assets	6.4	4.9	3.9	6.6	9.8	15.5	18.7	17.9	20.0
Change in FV of contingent consideration	0.1	1.8	2.3	2.7	1.3	5.2	37.0	15.2	6.9
Acquisition costs	-	-	-	3.3	0.9	1.3	0.2	1.2	4.6
Impairment charges & other	-	50.9	-	-	-	-	-	-	120.5
Tax settlement and related interest income	-	-	-	-	-	-	(2.5)	-	(8.1)
Legal recovery, net of attorney fees	-	-	(15.5)	-	-	-	-	-	-
Non-GAAP operating income	\$ 120.0	\$ 108.7	\$ 112.5	\$ 114.0	\$ 108.9	\$ 110.2	\$ 122.4	\$ 129.0	\$ 78.9
GAAP operating income % (of net sales)	3.76%	1.77%	4.18%	3.15%	2.74%	2.47%	2.18%	2.92%	-2.13%
Non-GAAP operating income % (of net sales)	3.98%	3.78%	3.86%	3.54%	3.08%	3.09%	3.87%	3.97%	2.59%

Note: Starting in FY '18, excludes discontinued operations, which had net sales of \$682 million in FY '18, \$623 million for FY '19, and \$561 million in FY '20.

