

# InvestorPresentation

---

May 2022



# SAFE HARBOR AND NON-GAAP

## Safe Harbor Statement

This presentation contains certain comments that are “forward-looking” statements about our FY22 outlook 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, the failure to manage and implement our organic growth strategy, impact of COVID-19 pandemic on our operations and financial conditions and the potential prolonged economic weakness brought on by COVID-19, a failure of our IT systems, credit risks involving our larger customers and suppliers, changes in interest and exchange rates and regulatory regimes impacting our international operations, 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, 2021, 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 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.

# BUILDING ON OUR HARDWARE DISTRIBUTION FOUNDATION TO DRIVE SHAREHOLDER VALUE



Transition to  
**HYBRID  
DISTRIBUTION**



Sustainable  
**TOP-LINE  
GROWTH**



Opportunity for  
**MARGIN  
EXPANSION**

# SCANSOURCE OVERVIEW

## Hybrid Distribution Strategy:

We connect devices to the cloud and accelerate growth for our partners across hardware, SaaS, connectivity, and cloud

### Specialty Technology Solutions



Mobility and  
Barcode



Security and  
Networking



Point of Sale  
(POS) and  
Payments

### Modern Communications & Cloud



Communications  
and Collaboration



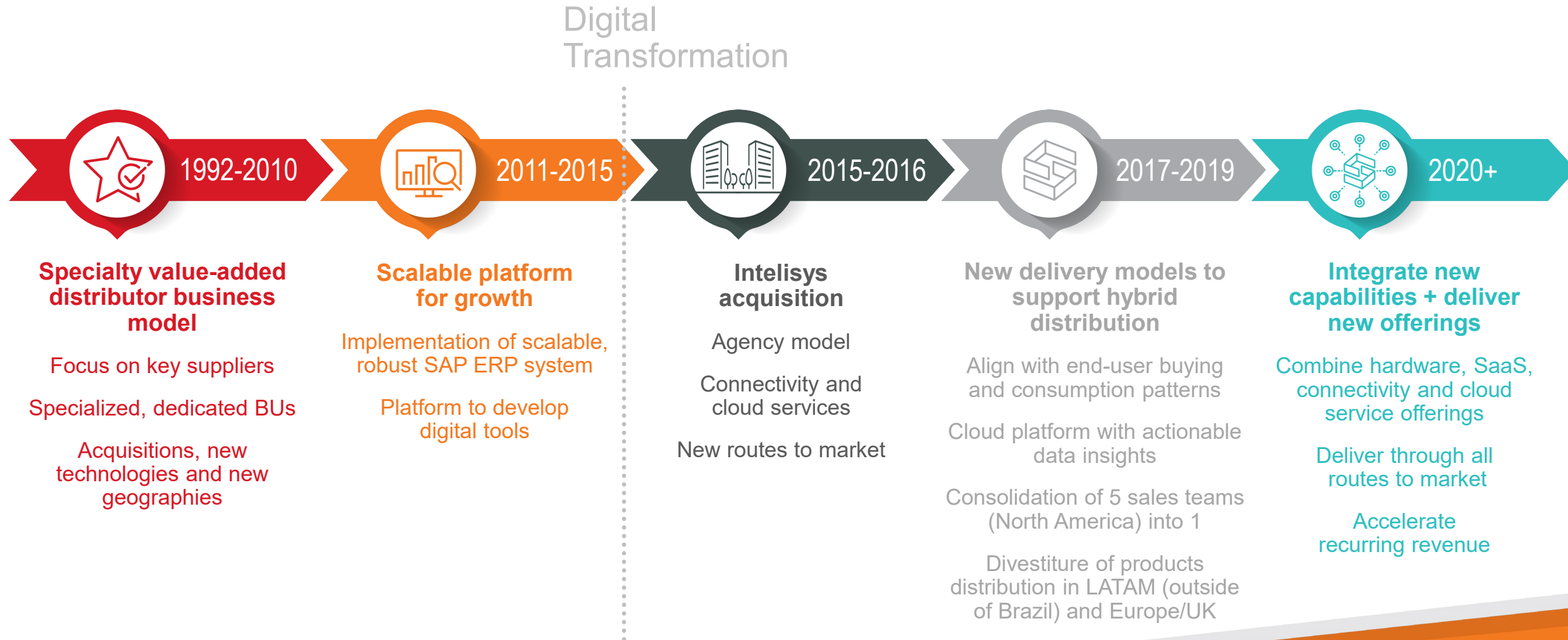
Connectivity



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 • 2,300+ Employees • US, Canada, Brazil, UK

# SCANSOURCE GO-TO-MARKET EVOLUTION FOR HYBRID DISTRIBUTION



# EXPAND DIGITAL DELIVERY MODELS

to address end-user technology buying and consumption preferences

## FROM

1. On Premise
2. Hardware & Software
3. Upfront Revenue
4. Perpetual
5. Sales Order Entry
6. Single-Point Products



END USERS

## TO

1. Cloud
2. “X” As A Service
3. Recurring Revenue
4. Subscription
5. Self-Service Automation
6. Multi-Purpose Solutions

*Note: ScanSource's digital distribution capabilities include Intelisys and other digital tools and platforms.*

# DRIVING AND EXPANDING OUR COMPETITIVE ADVANTAGES

## Market leader in specialized technologies

- Largest or second largest with key suppliers
- Largest agency model for connectivity and cloud
- Deep sales partner and supplier relationships
- Higher complexity, higher margin

## Delivery models for hybrid distribution

- Enable multiple end-user buying and consumption preferences
- Offer largest agency model, along with reseller/wholesale model
- Agency model makes it easy for partners to sell cloud
- Cloud platform with actionable data insights

## Enable partners to win

- Strong supplier portfolio enables multiple end-user consumption options
- Orchestrate hybrid solutions working with partners and suppliers
- Hardware PLUS to deliver technology solutions stack
- Accelerate sales partners capabilities in selling cloud



# BRING VALUE TO SALES PARTNERS AND SUPPLIERS

## SALES PARTNERS

30,000+

Enable end-user consumption preferences

Pre-sale engineering for solutions

Make it easier to sell the technology stack

Platforms, digital tools, actionable insights

Expertise, education, custom configuration

ORCHESTRATION



## SUPPLIERS

500+

Expand reach at a variable cost

Access to multiple, specialized routes to market

Lower customer acquisition cost

Recruitment and training of new partners

Manage channel credit





**SPECIALTY TECHNOLOGY VARS**

**SYSTEM INTEGRATORS**

**NETWORK INTEGRATORS**

**SERVICE PROVIDERS**

**MANAGED SERVICE PROVIDERS**

**CLOUD SERVICE PROVIDERS**

**DMARS (DIRECT MARKETERS)**

**AGENTS**

**INDEPENDENT SALES ORGANIZATIONS**

**INDEPENDENT SOFTWARE VENDORS**

# **MULTIPLE, SPECIALIZED ROUTES TO MARKET:**

Diverse and growing  
customer base  
(30,000+ sales partners)

# GROWING MARKET OPPORTUNITIES

## Specialty Technology Solutions

### End-User Spending by Technology

Reflects both direct and indirect sales

	CAGR% 2020-2025	Market Size 2025, \$B
Mobility/Barcode	+7%	\$4
POS & Payment Terminals	+6%	\$7
Physical Security	+11%	\$11
Networking	+3%	\$34

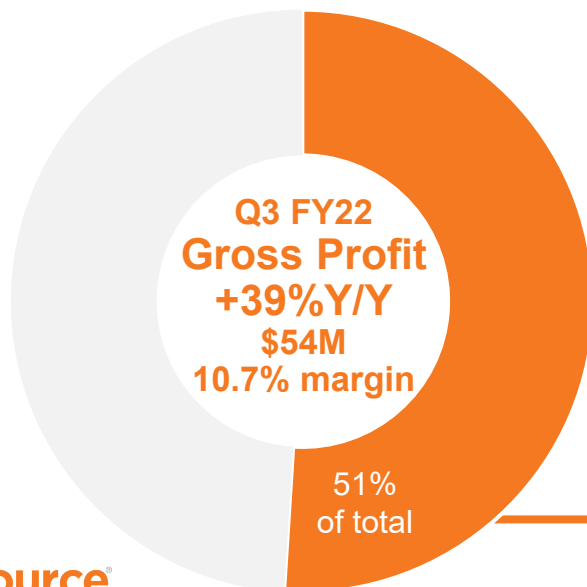
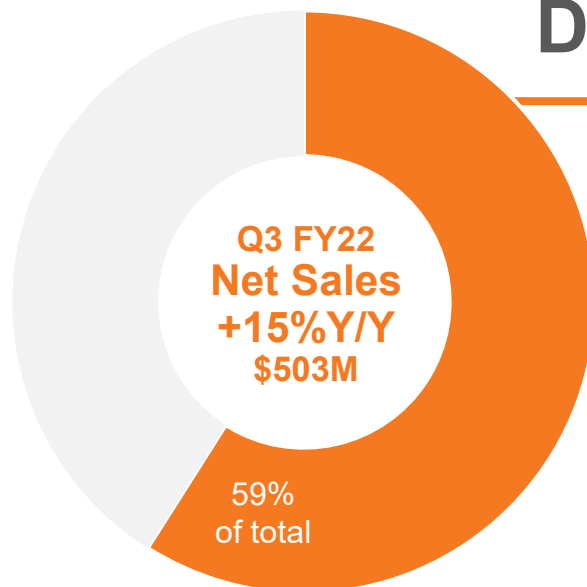
### Key Growth Opportunities

- Mobile computing devices enabling automation and worker productivity
- On-line ordering and self-checkout
- Payments and retail customer experience
- IP video surveillance protecting people and assets
- Remote work and wireless access points

For US and Canada based on end-user spending (reflects direct and indirect sales);  
ScanSource's market opportunity is in indirect sales; sorted by ScanSource sales mix  
Source: ScanSource estimates using market research from Gartner, IDC, and VDC

# SPECIALTY TECHNOLOGY SOLUTIONS

## Deep Supplier Relationships



**aruba**  
a Hewlett Packard  
Enterprise company

**AXIS**  
COMMUNICATIONS

**DATALOGIC**  
EMPOWER YOUR VISION

**elo**

**EPSON**  
EXCEED YOUR VISION

**Extreme**  
networks

**Hanwha**  
Techwin America

**Honeywell**

**ingenico**  
a Worldline brand

**NCR**

**TOSHIBA**

**UBIQUITI**  
NETWORKS

**Verifone**

**ZEBRA**

*Note: Key suppliers for Specialty Technology Solutions segment*

# GROWING MARKET OPPORTUNITIES

## Modern Communication & Cloud

### End-User Spending by Technology

Reflects both direct and indirect sales

	CAGR% 2020-2025	Market Size 2025, \$B
Communications – Cloud	+12%	\$23
Communications – On Premise	-4%	\$14
Connectivity	-1%	\$71
IaaS/PaaS	+25%	\$164
SaaS	+18%	\$134
Security/SD-WANaaS	+15%	\$9

*For US and Canada based on end-user spending (reflects direct and indirect sales);  
ScanSource's market opportunity is in indirect sales  
Source: ScanSource estimates using market research from Gartner*

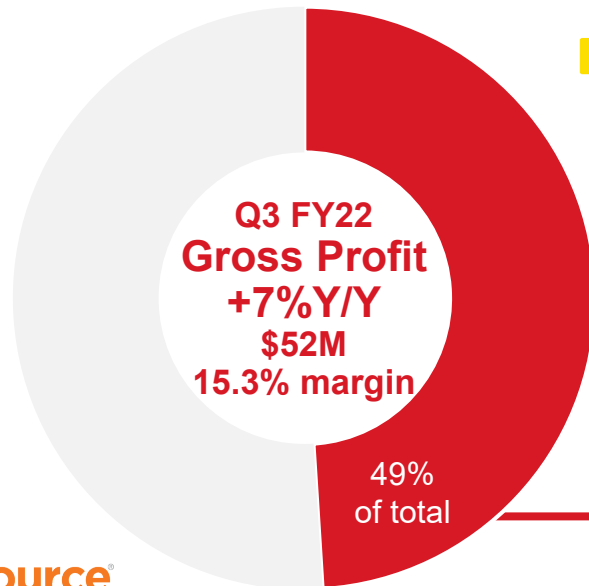
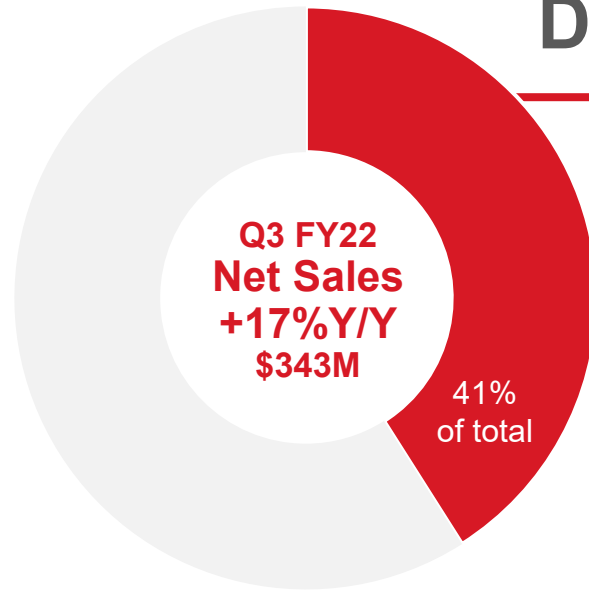
### Key Growth Opportunities

- Hybrid work creates opportunity for cloud-based UC&C solutions
- Cloud-enabled endpoints and video huddle rooms
- Growing need for easily maintainable cloud-based contact centers
- Heightened emphasis on security for cloud

*UC&C = Unified Communications & Collaboration*

# MODERN COMMUNICATIONS & CLOUD

## Deep Supplier Relationships



8x8



AVAYA



COMCAST  
BUSINESS



EQUINIX



FORTINET



LUMEN



Note: Key suppliers for Modern Communications & Cloud segment

# SHIFTING HARDWARE MIX TO HIGHER-VALUE SOLUTIONS

Adding value as a channel partner and expanding margins










FROM

## Hardware-Centric Sales

-  **Barcode**
-  **Point-of-Sale (POS)**
-  **Payments**
-  **Communications**
-  **Physical Security**
-  **Networking**

TO

## Hardware PLUS

- |  |   |
|--|---|
| <br><br><br><br><br><br><b>H<br/>a<br/>r<br/>d<br/>w<br/>a<br/>r<br/>e</b> |  <b>Cloud *</b>      |
|  |  <b>Connectivity</b> |
|  |  <b>Services</b>   |

\* Infrastructure as a Service, SD-WAN, UCaaS and CCaaS, Platform as a Service, Software as a Service, and Cyber Security

# ATTACHING HIGHER-VALUE SERVICES TO HARDWARE

Expanding Use Cases and Margins



## PAYMENTS

Secure key injection\*  
and configuration  
services for  
payment devices



## MOBILE COMPUTING

Activate wireless  
connectivity with  
mobile computers



## POS

Manage integrated  
hardware deployment  
for software  
solution-focused  
SaaS companies



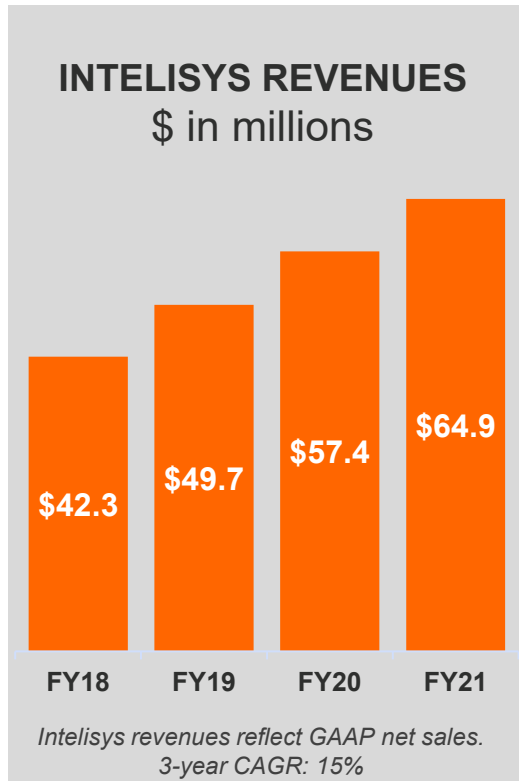
## CLOUD-ENABLED ENDPOINTS

Phone provisioning  
and life cycle  
services  
for cloud service  
providers

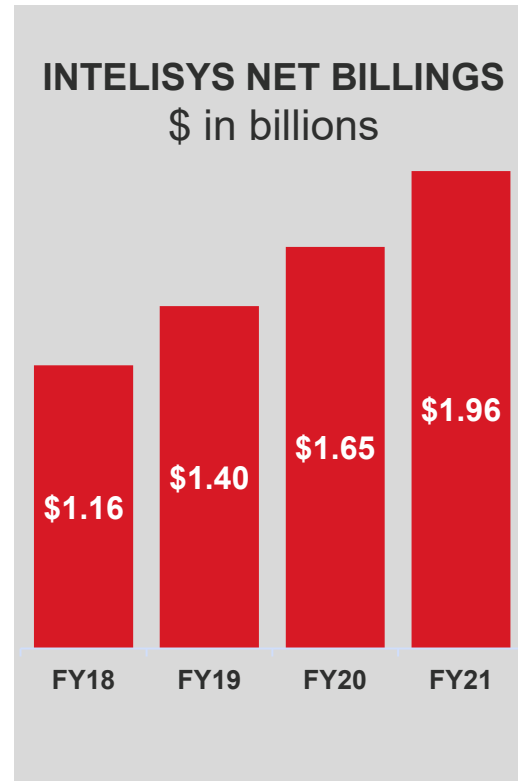
\* Process of securely loading a company's encryption key into a device



# INTELISYS RECURRING REVENUE MODEL



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



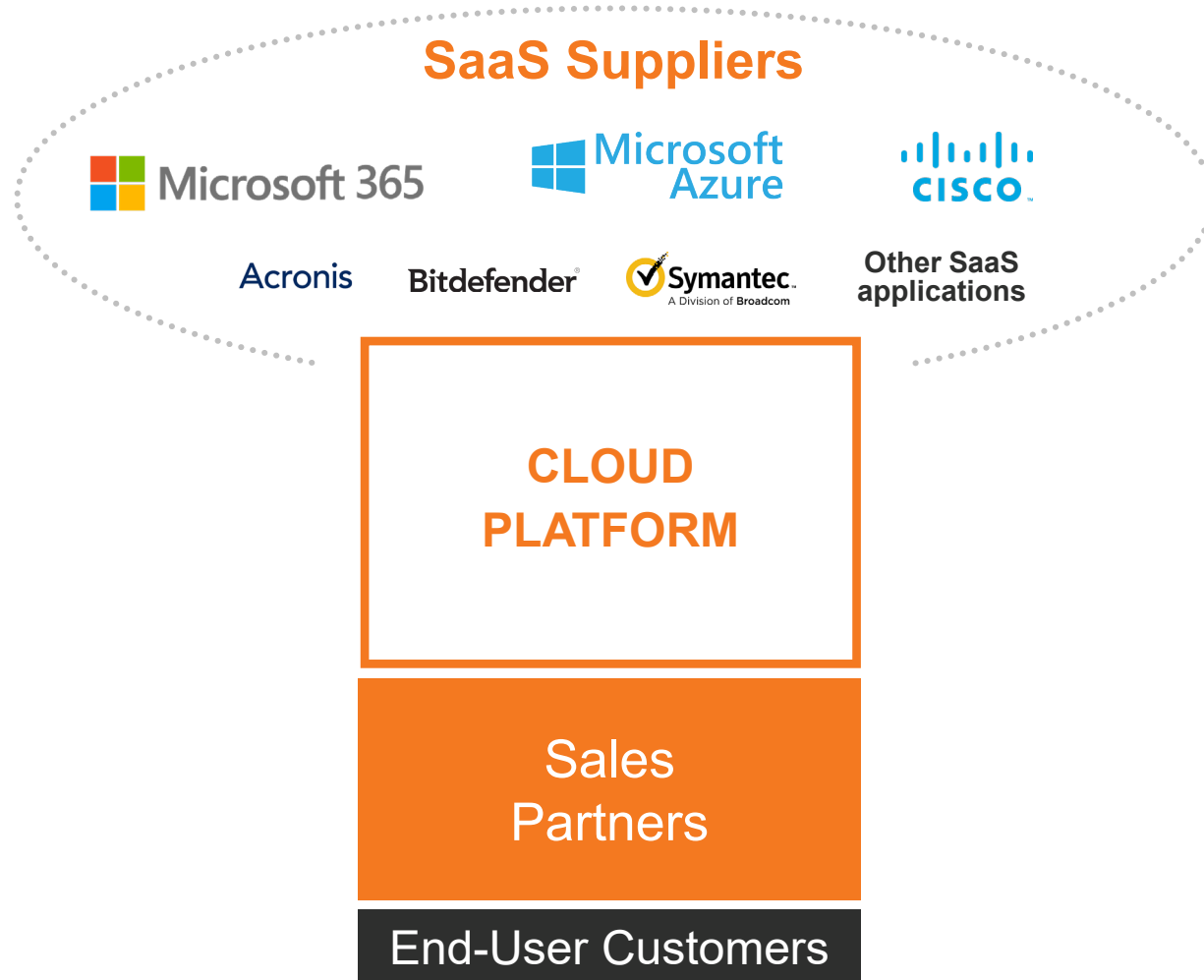
Intelisys Net Billings: Amounts billed by suppliers to end users

## Largest Agency Model for Connectivity and Cloud Services

- Intelisys earns percentage of commissions, building recurring revenues from multi-year contracts
- Large, growing addressable market with expected channel shift
- Continued adoption of agency model by the VAR community
- Very low working capital requirements and no inventories
- Intelisys value-adds:
  - Trusted relationships
  - Strong supplier contracts and choice (200+)
  - Strong cloud supplier offerings; top UCaaS and CCaaS
  - Commission management tool and accuracy
  - Education, training, and certifications
  - Financial strength of ScanSource; advanced commissions

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

# SaaS PLATFORM



## Digital Distribution via Cloud Platform

- Cloud platform capabilities:
  - ✓ Quote management
  - ✓ SaaS provisioning
  - ✓ Subscription billing and payment
  - ✓ Partner insights (analytics and lead referral)
- Scalable cloud provisioning platform
- Accelerated cloud services growth in Brazil
- Plan to add more SaaS suppliers to help sales partners sell strategic cloud solutions

*Note: intY acquisition completed July 2019*

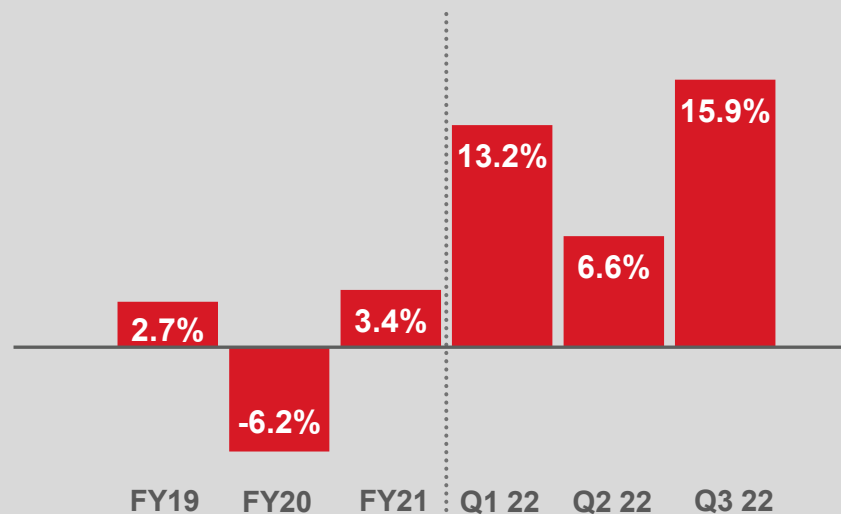
# FINANCIAL HIGHLIGHTS



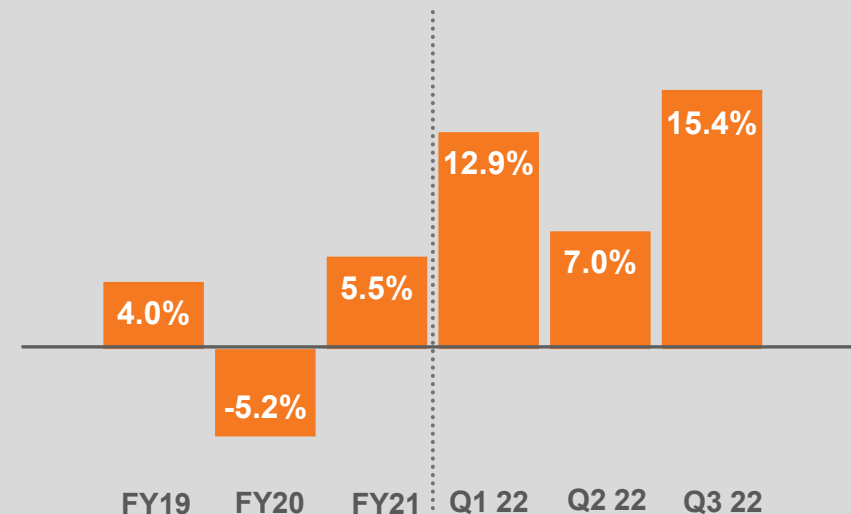
# POSITIONED FOR STRONG ORGANIC GROWTH

FY22 annual outlook of at least +10% year-over-year organic net sales growth \*

## REPORTED GROWTH Y/Y % CHANGE – NET SALES



## ORGANIC GROWTH \*\* Y/Y % CHANGE – NET SALES

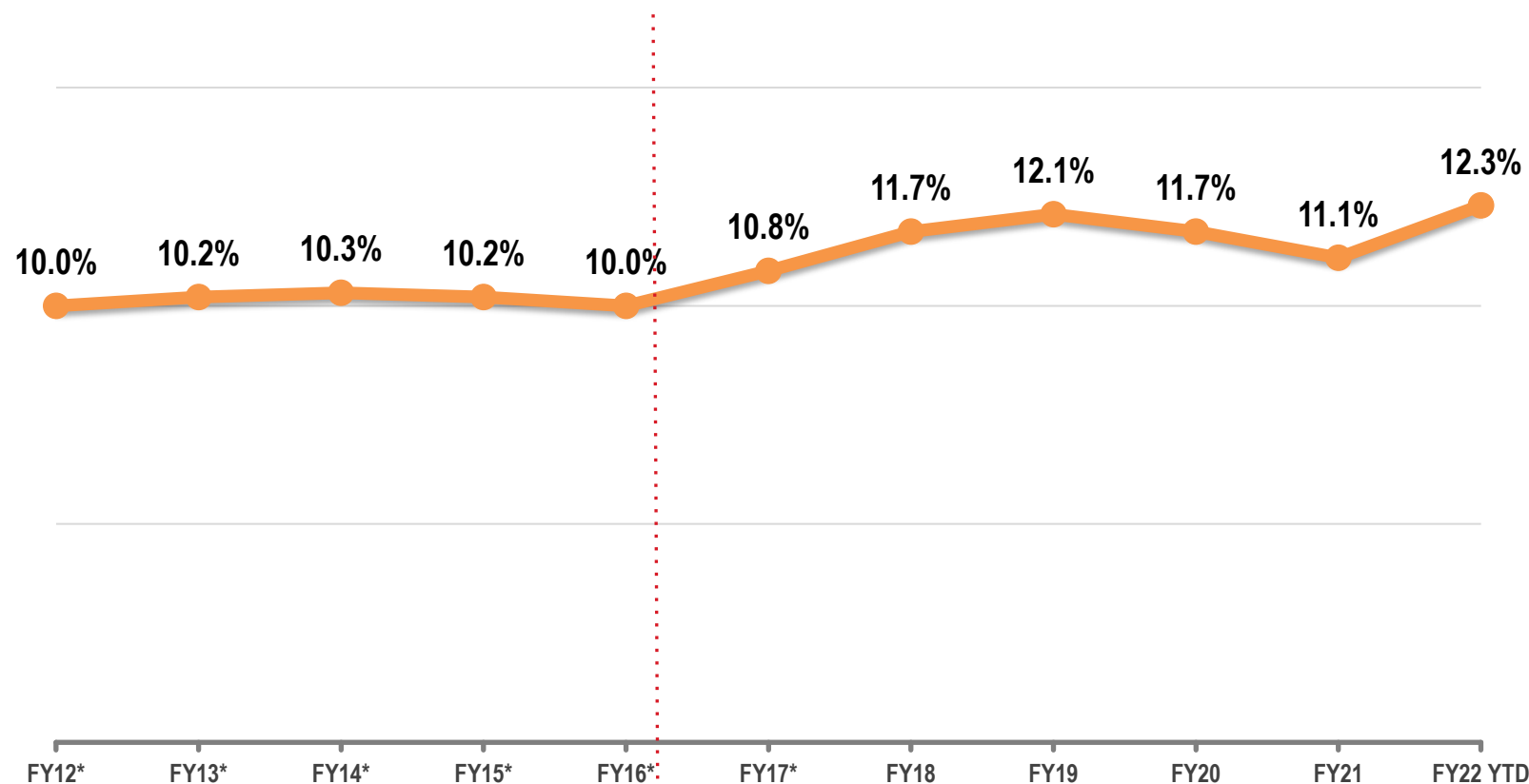


\* ScanSource updated guidance for FY22 as of 5/10/22, and such guidance is not being updated in this presentation

\*\* Excludes FX and acquisitions; see appendix for reconciliation to GAAP measure

# GROSS PROFIT MARGIN – 10-YEAR TREND

Gross margin expansion driven by digital transformation



\* Includes discontinued operations

Intelisys  
acquisition

# CAPITAL ALLOCATION STRATEGY

## PRIORITIES

### Reinvestment for growth

- Organic growth
- Strategic acquisitions

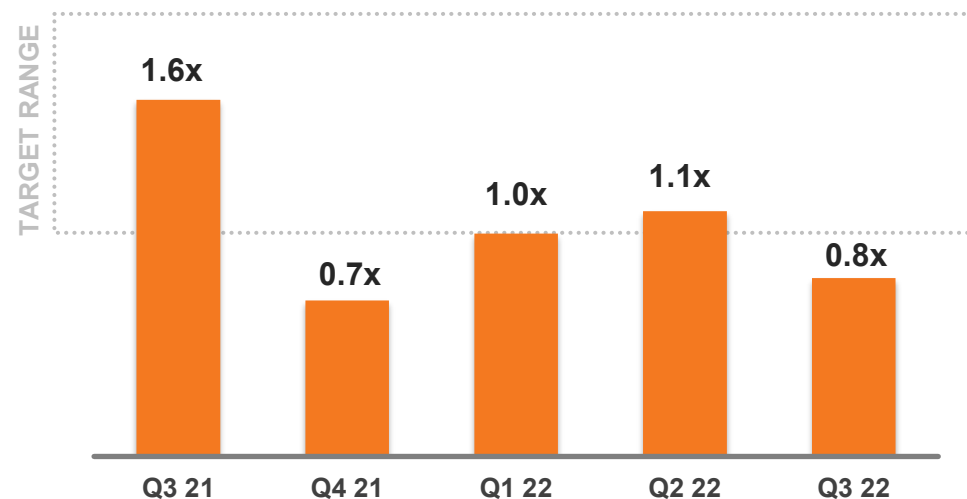
### Share repurchases

- Announced \$100 million authorization in Aug '21
- \$8.5 million repurchased under plan

### Maintain targeted net leverage ratio

- Target range of 1x to 2x EBITDA

## NET LEVERAGE RATIO



As of 3/31/22: Debt of \$182 million  
Net Debt of \$138 million

# STRONG FINANCIAL POSITION FOR GROWTH



## Strong Balance Sheet and Financial Flexibility

- 0.8x net debt to adjusted EBITDA, trailing 12-months
- \$44M in cash and \$182M in debt
- Borrowing availability: \$306M revolving credit facility



## Working Capital Management

- 5.1x inventory turns  
*5-qtr range: 5.1x to 6.5x*
- Paid for inventory days of (2.9)\*  
*5-qtr range: (9.4) to 2.2*
- 69 days sales outstanding in receivables  
*5-qtr range: 60 to 69*

*Information as of 3/31/22, unless otherwise indicated*

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



# INVESTMENT HIGHLIGHTS



## Leader in Hybrid Distribution

Market leader in large, higher-growth specialized technologies across hardware, software, connectivity, and cloud



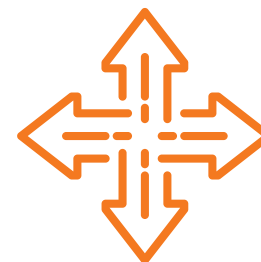
## Deep Partnerships

Multiple, specialized routes to market and deep supplier partnerships represent strong competitive advantages



## Digital Growth Opportunities

Positioned to capitalize on cloud, XaaS, and subscription-based recurring revenue opportunities through delivery models for hybrid distribution



## Margin Expansion

Expand margin profile with hybrid distribution strategy and recurring revenue model; attaching higher-value services to hardware



## Attractive Return Potential

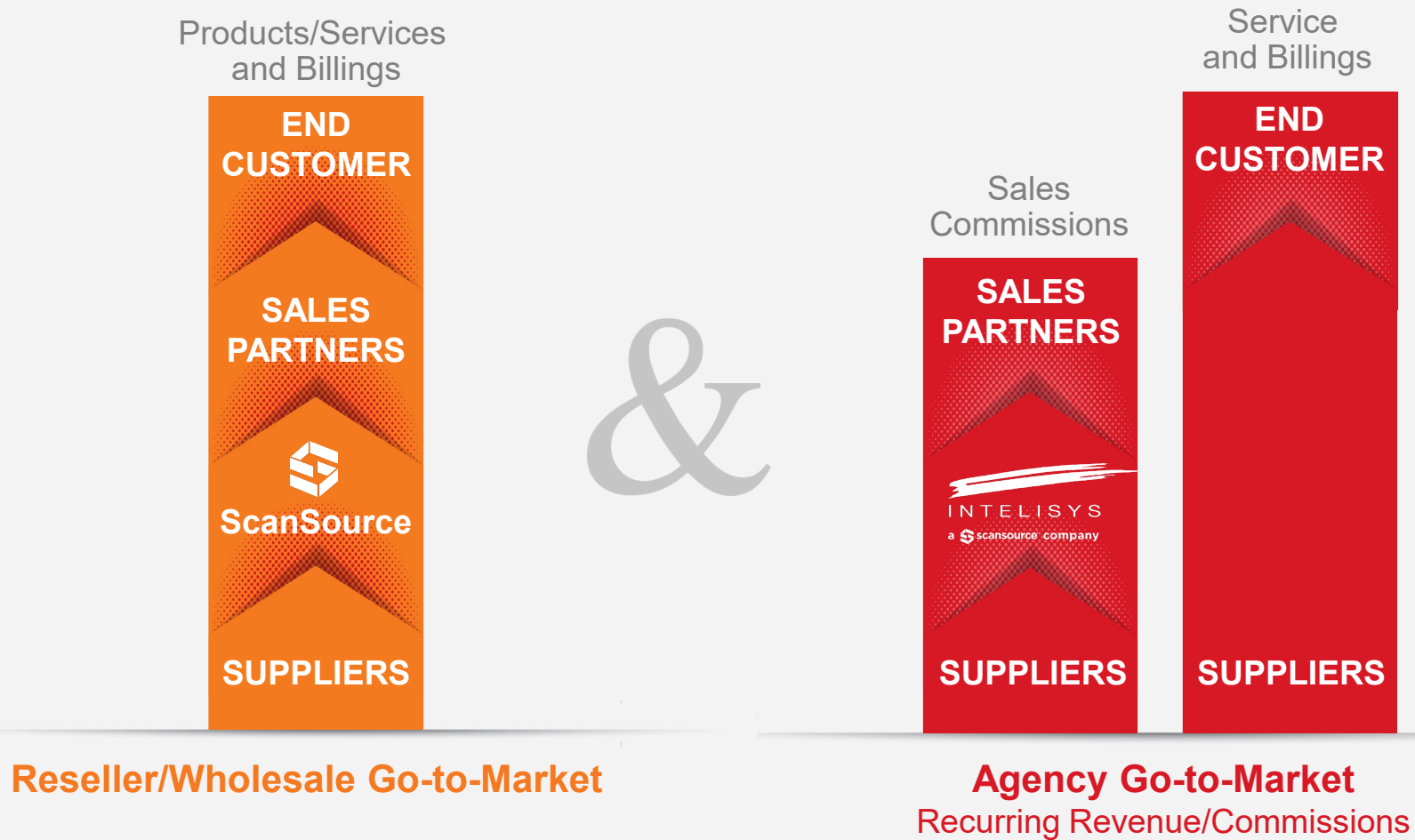
ROIC demonstrates strong financial flexibility to drive faster profitable growth

# APPENDIX



# CHANNEL SALES MODEL

two-tier distribution for hybrid solutions



# APPENDIX: NON-GAAP FINANCIAL INFORMATION

## Y/Y Sales Growth – Organic and Reported

(\$ in thousands)

### Consolidated:

	FY19	FY20	FY21	Q1 FY22	Q2 FY22	Q3 FY22
Net sales, as reported	\$3,249,799	\$3,047,734	\$3,150,806	\$ 857,311	\$864,351	\$845,990
Foreign exchange impact <sup>(b)</sup>	55,470	40,224	65,781	(2,437)	2,972	(3,575)
Net sales, constant currency	3,305,269	3,087,958	3,216,587	854,874	867,323	842,415
Less: Acquisitions	(30,517)	(9,122)	-	-	-	-
Net sales, constant currency excluding acquisitions	<u>\$3,274,752</u>	<u>\$3,078,836</u>	<u>\$3,216,587</u>	<u>\$ 854,874</u>	<u>\$867,323</u>	<u>\$842,415</u>
 Prior year quarter net sales, as reported	 \$3,164,709	 \$3,249,799	 \$3,047,734	 \$ 757,342	 \$810,897	 \$729,873
Less: Acquisitions	(14,553)	(1,026)	-	-	-	-
Prior year quarter net sales, as reported	<u>\$3,150,156</u>	<u>\$3,248,773</u>	<u>\$3,047,734</u>	<u>\$ 757,342</u>	<u>\$810,897</u>	<u>\$729,873</u>

### Y/Y% Change:

As reported	2.7%	-6.2%	3.4%	13.2%	6.6%	15.9%
Constant currency (non-GAAP) (organic growth)	4.0%	-5.2%	5.5%	12.9%	7.0%	15.4%

(a) Year-over-year sales growth excluding the translation impact of changes in foreign currency rates. Calculated by translating the net sales for the year indicated into U.S. dollars using the weighted average foreign exchange rates for the prior period fiscal year.

# APPENDIX: NON-GAAP FINANCIAL INFORMATION

## Net Debt and EBITDA Metrics

(\$ in thousands)

	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22
Consolidated debt (Q/E)	\$ 320,596	\$ 246,956	\$ 168,731	\$ 151,924	\$ 198,851	\$ 143,174	\$ 197,356	\$196,866	\$181,500
Less: Consolidated cash and cash equivalents (Q/E)	(34,596)	(34,455)	(55,567)	(67,187)	(49,321)	(62,718)	(55,491)	(34,123)	(43,539)
<b>Net debt (Q/E)</b>	<b>\$ 286,000</b>	<b>\$ 212,501</b>	<b>\$ 113,164</b>	<b>\$ 84,737</b>	<b>\$ 149,530</b>	<b>\$ 80,456</b>	<b>\$ 141,865</b>	<b>\$162,743</b>	<b>\$137,961</b>

### Reconciliation of Net Income to Adjusted EBITDA

Net income from continuing operations - GAAP	\$ 5,716	\$(108,859)	\$ (115)	\$ 11,061	\$ 13,786	\$ 20,657	\$ 22,073	\$ 23,152	\$ 23,526
Plus: Interest expense	3,098	2,497	1,913	1,796	1,576	1,643	1,660	1,493	1,483
Plus: Income taxes	2,797	(4,091)	(47)	4,683	5,121	2,389	7,358	7,257	9,044
Plus: Depreciation and amortization	8,987	8,743	8,710	8,349	8,358	8,090	7,650	7,229	7,305
EBITDA	20,598	(101,710)	10,461	25,889	28,841	32,779	38,741	39,131	41,358
Adjustments:									
Share-based compensation	1,236	1,425	1,168	2,006	2,537	2,328	2,570	3,464	2,757
Acquisition and divestiture costs	780	1,311	498	1,360	272	246	83	(53)	-
Restructuring costs	169	-	8,268	484	349	(54)	-	-	-
Change in fair value of contingent consideration	618	674	516	-	-	-	-	-	-
Tax recovery, net	(2,320)	(8,424)	-	-	-	-	-	-	-
Impairment charges	-	120,470	-	-	-	-	-	-	-
<b>Adjusted EBITDA (non-GAAP)</b>	<b>\$ 21,081</b>	<b>\$ 13,746</b>	<b>\$ 20,911</b>	<b>\$ 29,739</b>	<b>\$ 31,999</b>	<b>\$ 35,299</b>	<b>\$ 41,394</b>	<b>\$ 42,542</b>	<b>\$ 44,115</b>
<b>Adjusted EBITDA, Trailing 12-Months (TTM)</b>				<b>\$ 85,477</b>	<b>\$ 96,395</b>	<b>\$ 117,948</b>	<b>\$ 138,431</b>	<b>\$151,234</b>	<b>\$163,350</b>
<b>Net Debt/Adjusted EBITDA, TTM</b>				<b>1.0X</b>	<b>1.6X</b>	<b>0.7X</b>	<b>1.0X</b>	<b>1.1X</b>	<b>0.8X</b>

# APPENDIX: NON-GAAP FINANCIAL INFORMATION

## Gross Margin and Non-GAAP Operating Income %

(\$ in millions)							Continuing Operations			
	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
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	\$3,150.8
Gross margin	10.0%	10.2%	10.3%	10.2%	10.0%	10.8%	11.7%	12.1%	11.7%	11.1%
GAAP operating income	\$ 113.5	\$ 51.0	\$ 121.8	\$ 101.4	\$ 96.9	\$ 88.2	\$ 69.0	\$ 94.7	\$ (65.0)	\$ 61.5
Adjustments:										
Amortization of intangible assets	6.4	4.9	3.9	6.6	9.8	15.5	18.7	17.9	20.0	19.5
Change in FV of contingent consideration	0.1	1.8	2.3	2.7	1.3	5.2	37.0	15.2	6.9	0.5
Acquisition costs	-	-	-	3.3	0.9	1.3	0.2	1.2	4.6	11.6
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	\$ 93.1
GAAP operating income % (of net sales)	3.76%	1.77%	4.18%	3.15%	2.74%	2.47%	2.18%	2.92%	-2.13%	1.95%
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%	2.96%

Note: Starting in FY18, excludes discontinued operations, which had net sales of \$682 million in FY18, \$623 million for FY19, \$561 million in FY20, and \$213 million for FY21.