

InvestorPresentation

December 2021



SAFE HARBOR AND NON-GAAP

Safe Harbor Statement

This presentation contains certain comments that are “forward-looking” statements about our FY22 outlook, the impact of the COVID-19 pandemic 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 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.

INVESTMENT HIGHLIGHTS



Leader in Hybrid Distribution

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



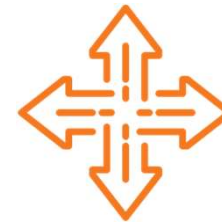
Deep Partnerships

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



Digital Growth Opportunities

Positioned to capitalize on the shift to cloud, XaaS, and subscription-based recurring revenue opportunities through digital distribution capabilities



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

SCANSOURCE OVERVIEW

Hybrid Distribution Strategy:

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

Specialty Technology Solutions



Automatic
Identification and
Data Capture (AIDC)



Security and
Networking



Point of Sale
(POS) and
Payments

Modern Communications & Cloud



Communications
and Collaboration



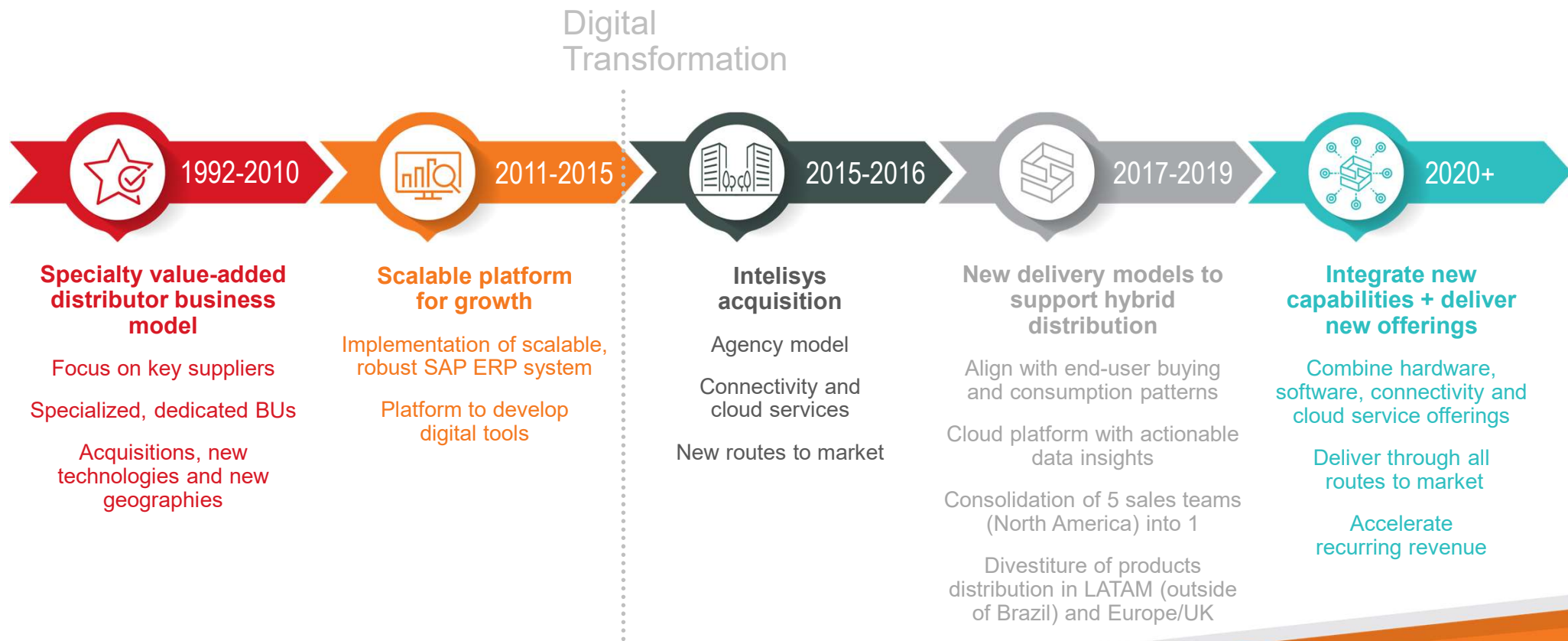
Connectivity



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 • 2,200+ Employees • US, Canada, Brazil, UK

SCANSOURCE GO-TO-MARKET EVOLUTION FOR HYBRID DISTRIBUTION



EXPAND DIGITAL DISTRIBUTION CAPABILITIES

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

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



SUPPLIERS

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
AIDC/Barcode	+7%	\$4
Point-of-Sale	+5%	\$7
Physical Security	+11%	\$11
Networking	+3%	\$34
Payment Terminals	+7%	\$0.6

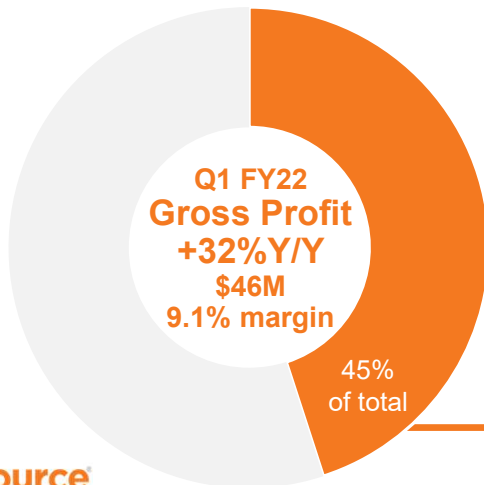
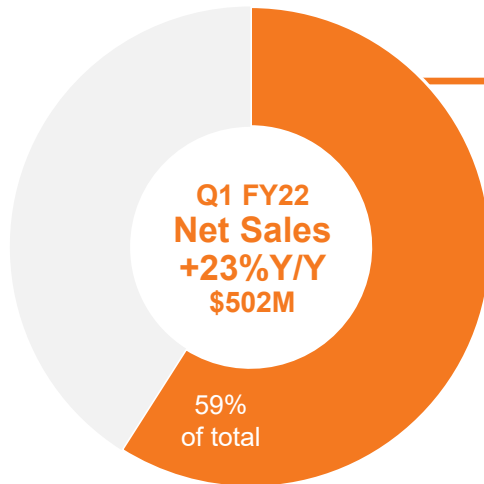
For US and Canada based on end-user spending (reflects direct and indirect sales);
ScanSource's market opportunity is in indirect sales; sorted by ScanSource sales mix
Source: ScanSource estimates using market research from Gartner, IDC, and VDC

Key Growth Opportunities

- Edge devices on a network; enable front line automation and data analysis
- Mobile computing
- IP video surveillance
- Omni-channel retail customer experience (self-checkout; buy online, pick up in-store)
- Hardware PLUS cloud, connectivity, and services

SPECIALTY TECHNOLOGY SOLUTIONS

Deep Supplier Relationships



aruba
a Hewlett Packard
Enterprise company

AXIS
COMMUNICATIONS

bematech

DATALOGIC
EMPOWER YOUR VISION

elo

EPSON
EXCEED YOUR VISION

Extreme
networks

Hanwha
Techwin America

Honeywell

HID

ingenico
a Worldline brand

PRO

Logic Controls
modern solutions for a modern world

MARCH
networks

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%	\$77
IaaS/PaaS	+25%	\$164
SaaS	+18%	\$135
Security/SD-WANaaS	+15%	\$9

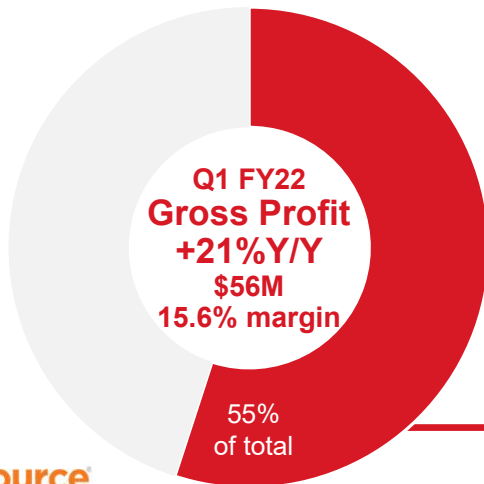
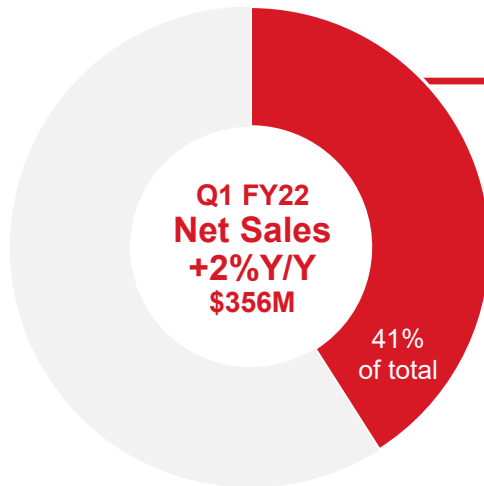
For US and Canada based on end-user spending (reflects direct and indirect sales);
ScanSource's market opportunity is in indirect sales
Source: ScanSource estimates using market research from Gartner

Key Growth Opportunities

- Acceleration of cloud and subscription
- Hybrid work model (huddle rooms; enable work from anywhere)
- Selling the technology stack
- More VARs selling cloud and connectivity (Intelisys)

MODERN COMMUNICATIONS & CLOUD

Deep Supplier Relationships



8x8

AT&T
Business

audiocodes

AVAYA

BARCO

cisco
Distributor

COMCAST
BUSINESS

DELL

EQUINIX

f5

Five9

FORTINET

GENESYS
moments connected

Jabra GN
blueparrott GN

LogMeIn

LUMEN

MASERGY
PLATINUM PARTNER

Microsoft

Mitel
Powering connections

NICE
CXone

ORACLE
Communications

paloalto
NETWORKS

poly

RingCentral

spectralink

Spectrum
PARTNER PROGRAM

verizon

Vonage

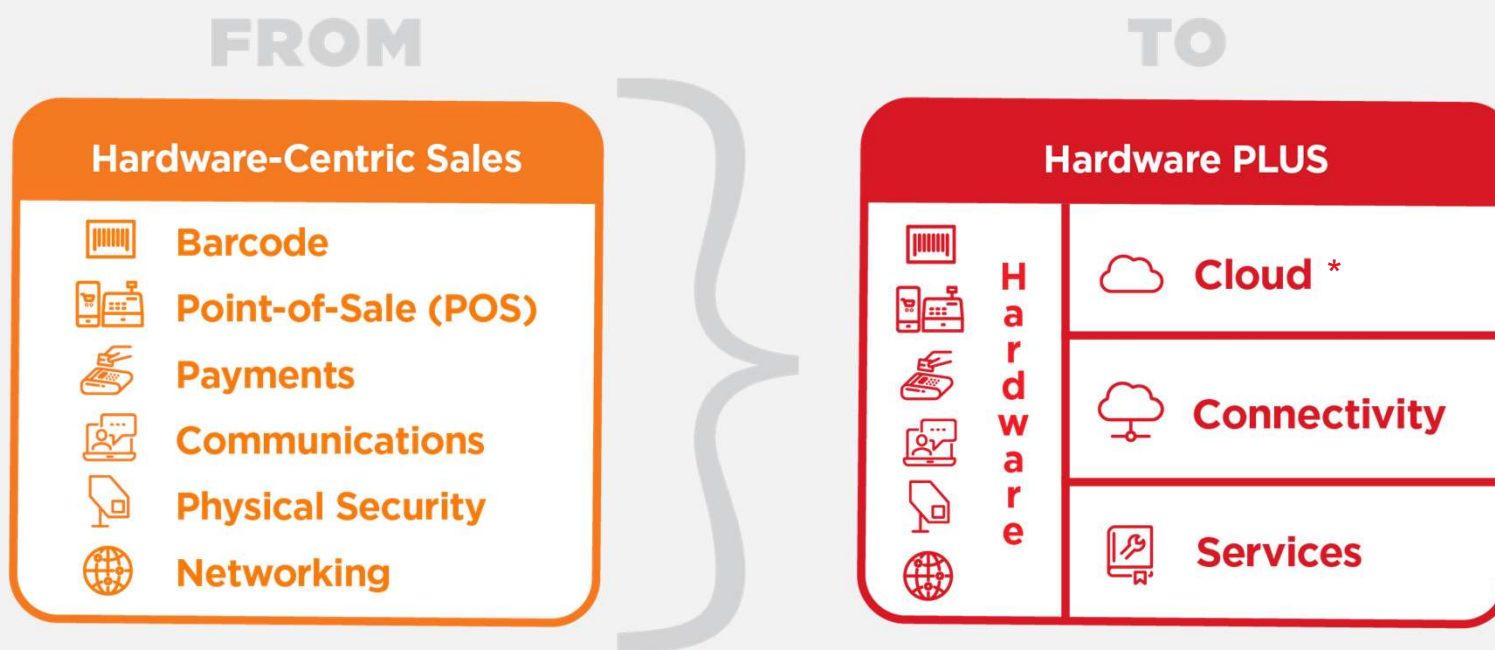
windstream
smart solutions. personalized service.
national partner program

zoom

Note: Key suppliers for Modern Communications & Cloud segment

SHIFTING HARDWARE MIX TO HIGHER-VALUE SOLUTIONS

Adding value as a channel partner and expanding margins



* 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



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

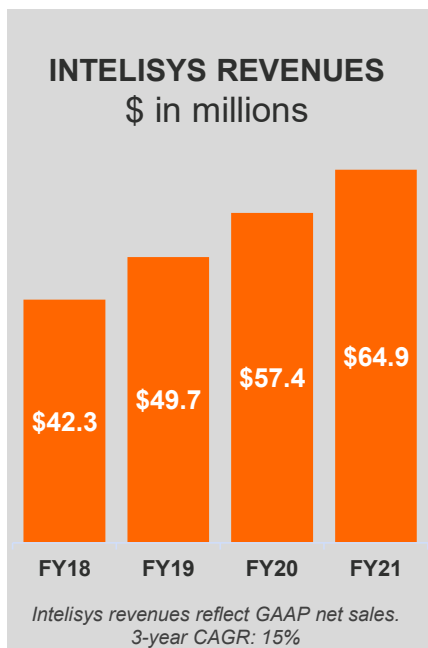


CLOUD-ENABLED ENDPOINTS

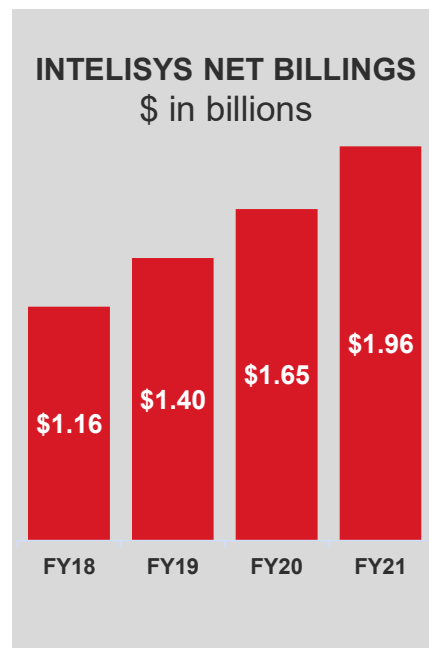
Phone provisioning
and life cycle
services
for cloud service
providers

* 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)



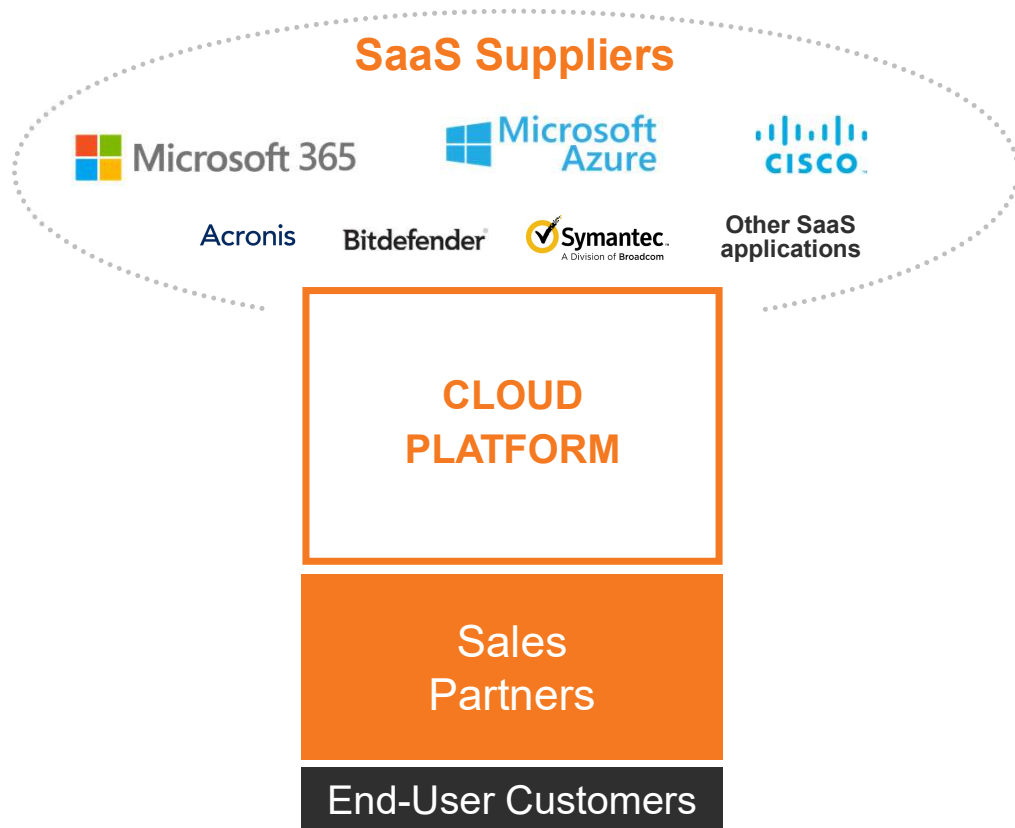
Intelisys Net Billings: Amounts billed by suppliers to end users

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

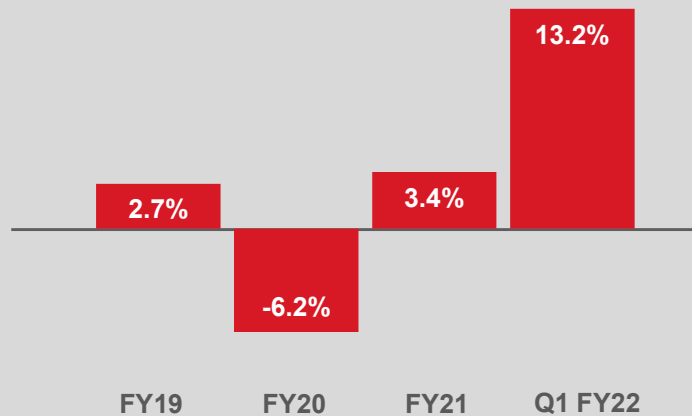
FINANCIAL HIGHLIGHTS



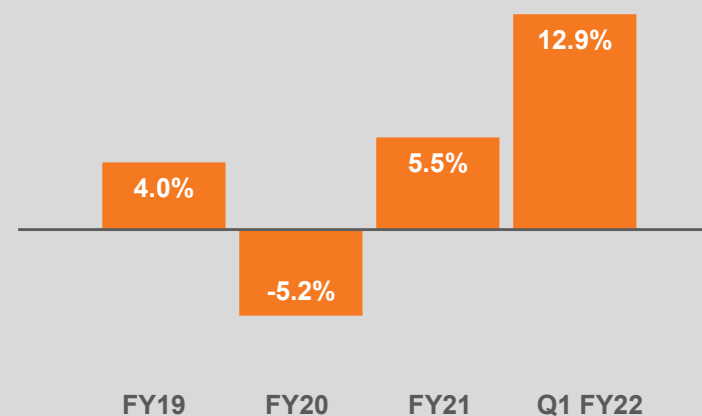
POSITIONED FOR STRONG ORGANIC GROWTH

FY22 annual outlook of at least +5.5% year-over-year organic net sales growth^{*}

REPORTED GROWTH Y/Y % CHANGE – NET SALES



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

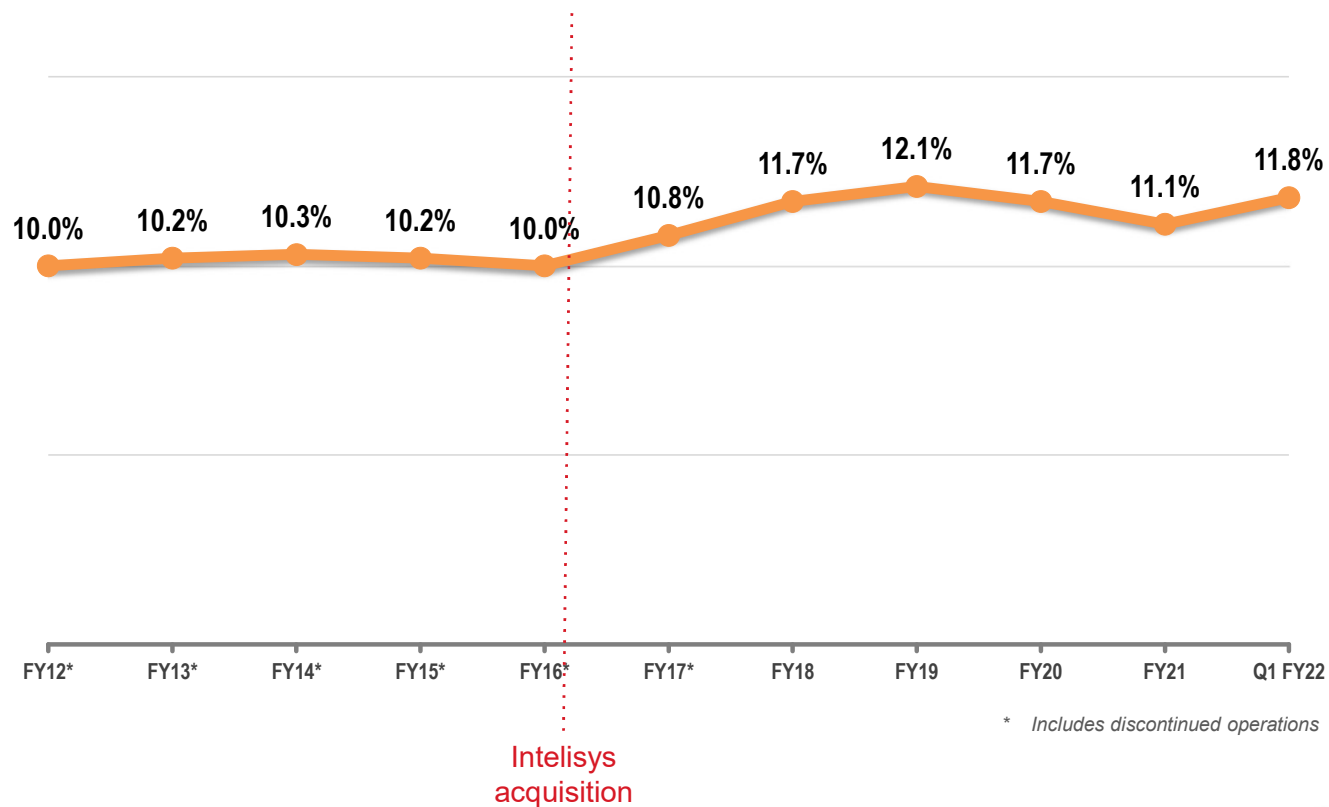


^{*} ScanSource issued guidance for FY22 as of 11/9/21, and such guidance is not being updated in this presentation

^{**} Excludes FX and acquisitions; see appendix for reconciliation to GAAP measure

GROSS PROFIT MARGIN – 10-YEAR TREND

Gross margin expansion driven by digital transformation



CAPITAL ALLOCATION STRATEGY

PRIORITIES

Reinvestment for growth

- Organic growth
- Strategic acquisitions

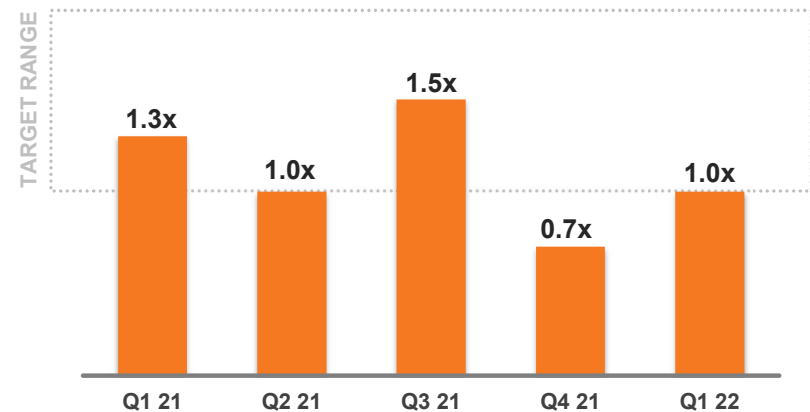
Share repurchases

- Announced \$100 million authorization in Aug '21

NET LEVERAGE RATIO

Maintain targeted net leverage ratio

- Target range of 1x to 2x EBITDA



As of 9/30/21: Debt of \$197 million
Net Debt of \$142 million

STRONG FINANCIAL POSITION FOR GROWTH



Strong Balance Sheet and Financial Flexibility

- 1.0x net debt to adjusted EBITDA, trailing 12-months
- \$55M in cash and \$197M in debt
- Borrowing availability: \$294M revolving credit facility



Working Capital Management

- 6.3 inventory turns
5-qtr range: 5.8 to 6.9
- Paid for inventory days of (3.2)*
5-qtr range: (11.8) to 2.2
- 62 days sales outstanding in receivables
5-qtr range: 60 to 63

Information as of 9/30/21, unless otherwise indicated

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

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
Net sales, as reported	\$3,249,799	\$3,047,734	\$3,150,806	\$ 857,311
Foreign exchange impact ^(b)	55,470	40,224	65,781	(2,437)
Net sales, constant currency	3,305,269	3,087,958	3,216,587	854,874
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>
 Prior year quarter net sales, as reported	 \$3,164,709	 \$3,249,799	 \$3,047,734	 \$ 757,342
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>

Y/Y% Change:

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

(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)

	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22
Consolidated debt (Q/E)	\$ 370,330	\$ 357,745	\$ 320,596	\$ 246,956	\$ 168,731	\$ 151,924	\$ 198,851	\$ 143,174	\$ 197,356
Less: Consolidated cash and cash equivalents (Q/E)	(25,877)	(42,005)	(34,596)	(34,455)	(55,567)	(67,187)	(49,321)	(62,718)	(55,491)
Net debt (Q/E)	\$ 344,453	\$ 315,740	\$ 286,000	\$ 212,501	\$ 113,164	\$ 84,737	\$ 149,530	\$ 80,456	\$ 141,865

Reconciliation of Net Income to Adjusted EBITDA

Net income from continuing operations - GAAP	\$ 12,291	\$ 11,626	\$ 5,716	\$(108,859)	\$ (115)	\$ 11,061	\$ 13,786	\$ 20,657	\$ 22,073
Plus: Interest expense	3,317	3,312	3,098	2,497	1,913	1,796	1,576	1,643	1,660
Plus: Income taxes	4,338	4,407	2,797	(4,091)	(47)	4,683	5,121	2,389	7,358
Plus: Depreciation and amortization	8,517	9,081	8,987	8,743	8,710	8,349	8,358	8,090	7,650
EBITDA	28,463	28,426	20,598	(101,710)	10,461	25,889	28,841	32,779	38,741
Adjustments:									
Share-based compensation	1,241	1,576	1,236	1,425	1,168	2,006	2,537	2,328	2,570
Acquisition and divestiture costs	757	1,151	780	1,311	498	1,360	272	246	83
Restructuring costs	169	266	169	-	8,268	484	349	(54)	-
Change in fair value of contingent consideration	2,472	3,176	618	674	516	-	-	-	-
Tax recovery, net	-	-	(2,320)	(8,424)	-	-	-	-	-
Impairment charges	-	-	-	120,470	-	-	-	-	-
Adjusted EBITDA (non-GAAP)	\$ 33,102	\$ 34,595	\$ 21,081	\$ 13,746	\$ 20,911	\$ 29,739	\$ 31,999	\$ 35,299	\$ 41,394
Adjusted EBITDA, Trailing 12-Months (TTM)					\$ 90,333	\$ 85,477	\$ 96,395	\$ 117,948	\$ 138,431
Net Debt/Adjusted EBITDA, TTM					1.3X	1.0X	1.5X	0.7X	1.0X

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.