



Investor Presentation

September 2022

SAFE HARBOR AND NON-GAAP

Safe Harbor Statement

This presentation contains certain comments that are “forward-looking” statements about our FY23 outlook, mid-term goals 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, 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, 2022, 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, adjusted 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.

The New ScanSource – A Transformed Company

From: A traditional hardware distributor



To: Innovative hybrid distributor

-  Orchestration of hybrid solutions
-  Intelisys, largest technology services distributor of telecom and cloud
-  Rapidly growing recurring revenue
-  Deep specialization
-  Expanding margins

AGENDA

Leading Specialty Technology Distributor. Momentum Building.



1

**A repositioned
company**

2

**Building on
specialized
technologies**

3

**Differentiated
market position**

4

**Attractive
financial profile**

5

**Delivering long-term
sustainable growth**



ScanSource At-a-Glance – Leading Hybrid Distributor

Specialty Technology
Distributor

#1

Sales Partner Customers

30,000+

Technology Suppliers

500+

Total Employees

2,300+

Two Segments – Net Sales

Specialty Technology Solutions



Mobility and
Barcode



Security and
Networking



Point of Sale (POS)
and Payments

~59%

Modern Communications & Cloud



Communications
and Collaboration



Connectivity



Cloud
Services

~41%

Channel Play

100%

Recurring Revenue %
of Gross Profit

~24%



WHAT IS HYBRID DISTRIBUTION?

Example of a Hybrid Solution for the Modern Enterprise

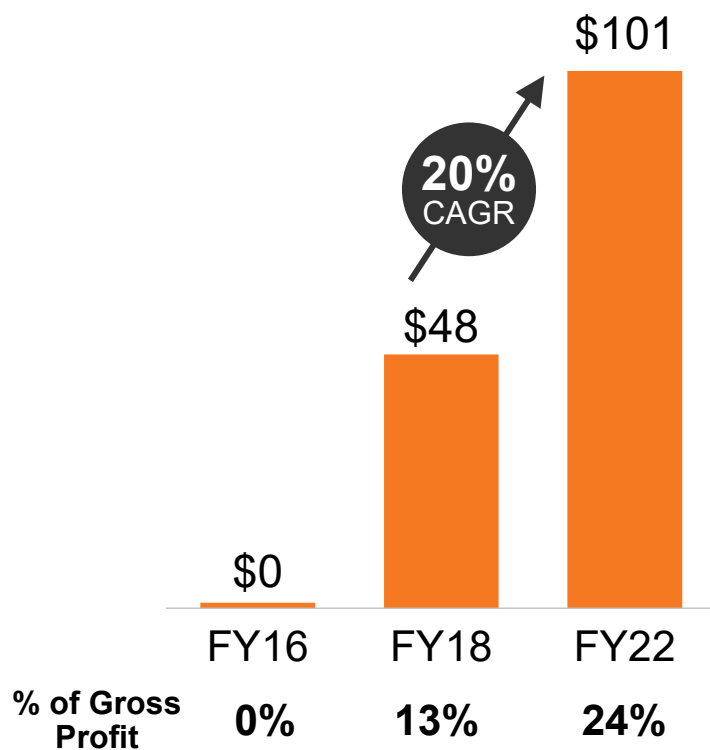
Hybrid combines
hardware devices and
cloud applications

○ Hardware ○ SaaS / Cloud

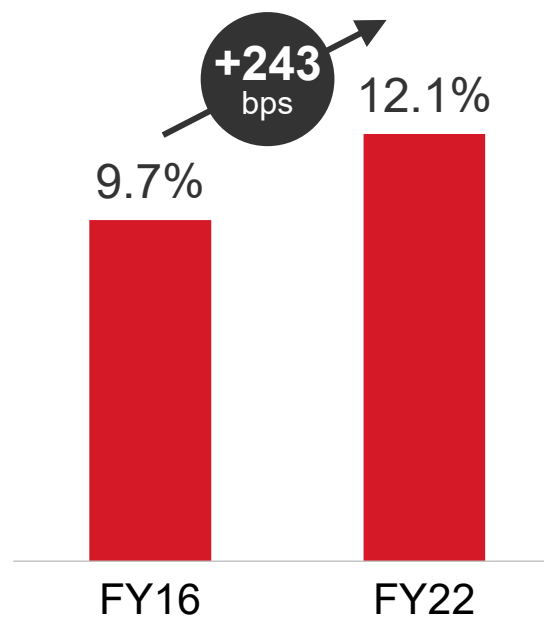


Clear Evidence of a Transformed Business Model

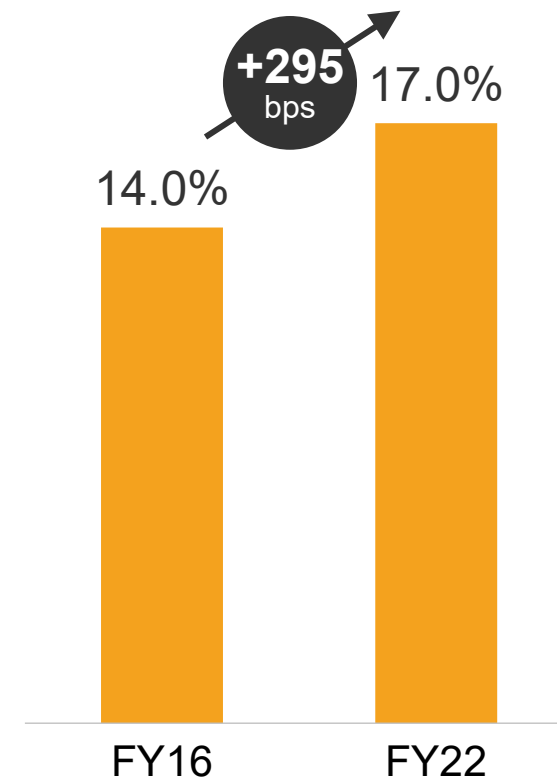
**Rapidly Growing
Recurring Revenue**
(\$M)



**Expanding
Gross Profit Margin**



Higher Adj. ROIC



ScanSource Plays a Pivotal Role Accelerating Growth for Our Partners: #1 or #2 Channel Partner for Our Key Suppliers

TECHNOLOGY SUPPLIERS (500+)

ScanSource Value Proposition for Suppliers



ScanSource Value Proposition for Sales Partners

SALES PARTNERS (30,000+)



OUR MISSION ➤

Drive sustainable, profitable growth by orchestrating hybrid technology solutions through a rapidly growing ecosystem of partners leveraging our people, processes, and tools.

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Building On Specialized Technologies – Two Segments

Specialty Technology Solutions



Mobility and
Barcode



Security and
Networking



Point of Sale (POS)
and Payments

SUPPLIERS INCLUDE

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

48% of Gross Profit

Modern Communications & Cloud



Communications
and Collaboration



Connectivity



Cloud
Services

SUPPLIERS INCLUDE

8x8

AT&T
Business

AVAYA

cisco
Distributor

COMCAST
BUSINESS

DELL

EQUINIX

f5

Five9

FORTINET

GENESYS
moments connected

Granite

gtt

Jabra GN

blueparrott GN

LUMEN

MettTel

Microsoft

Mitel
Powering connections

NICE
CXone

poly

RingCentral

Spectrum PARTNER PROGRAM

TREND
MICRO

verizon

vmware

windstream
smart solutions. personalized service.
national partner program

zoom

52% of Gross Profit

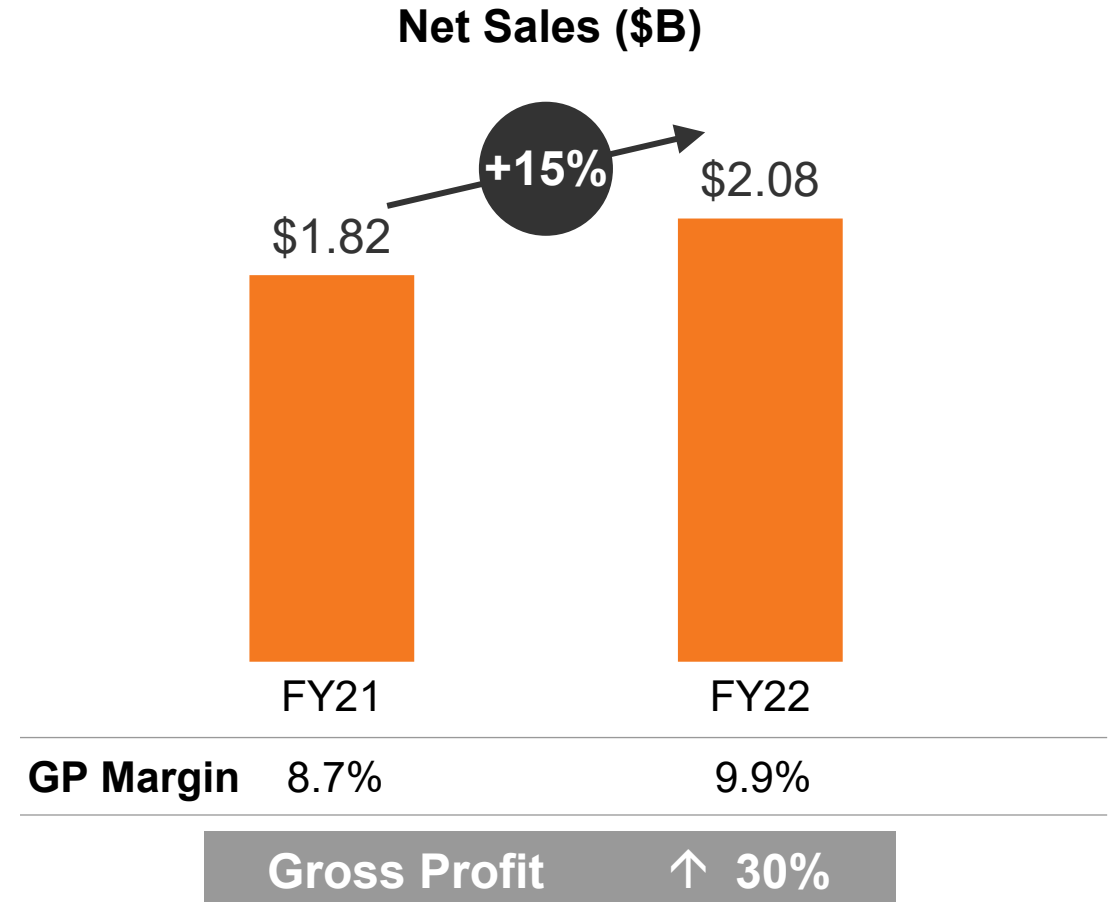
Specialty Technology – Growing Steadily

Key Growth Drivers

- ✓ 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

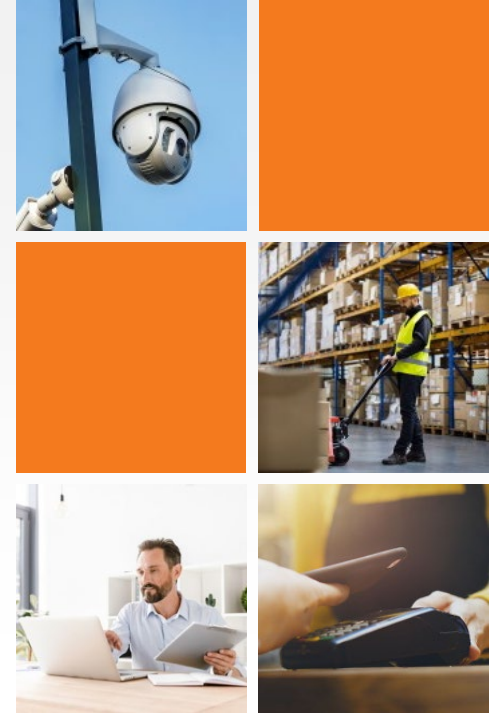
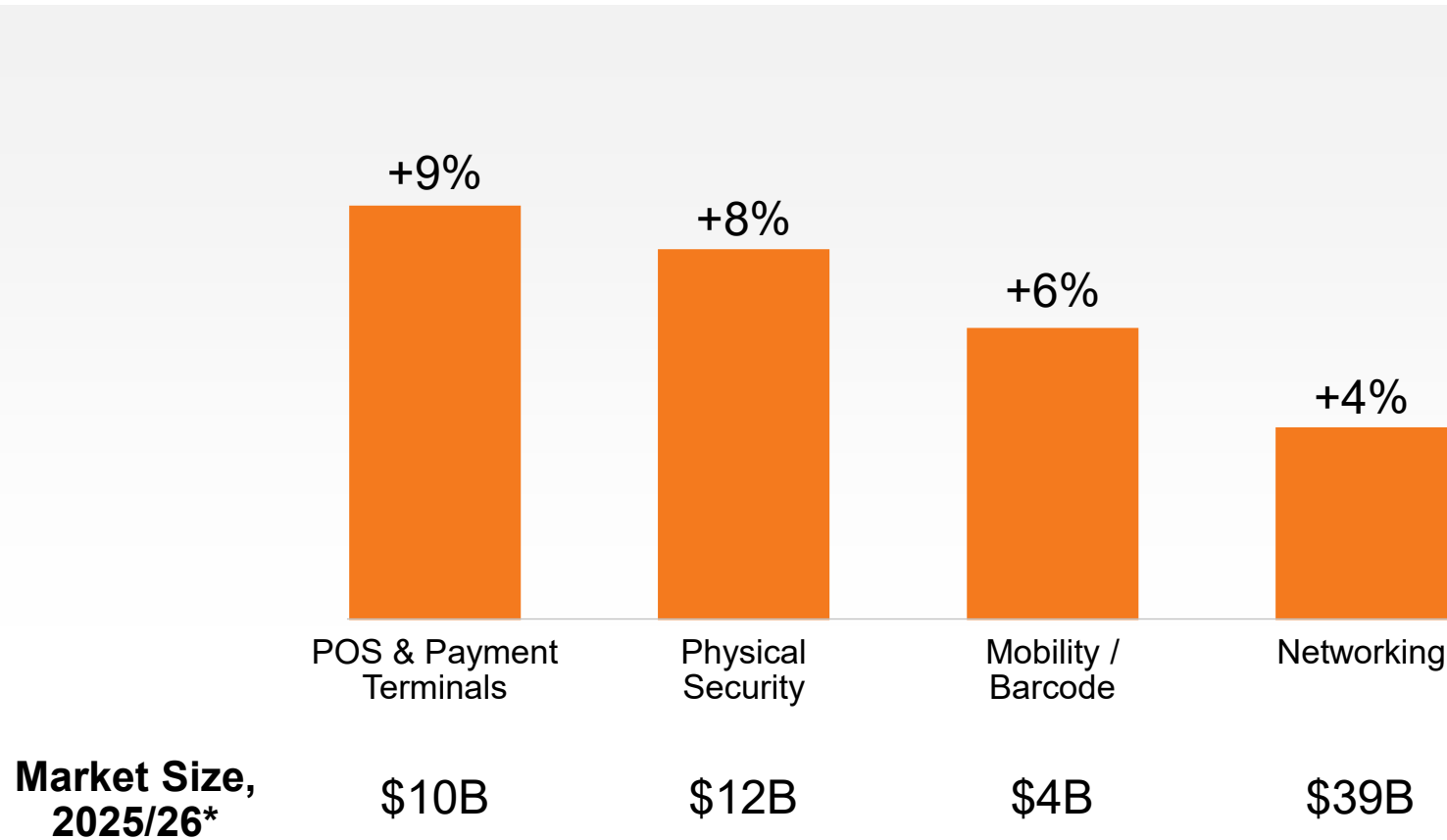


Growth in FY22



Positioned in Large Growing Markets

Growth Rates – CAGR % 2021/22 to 2025/26*



Cloud Growth Set to Accelerate

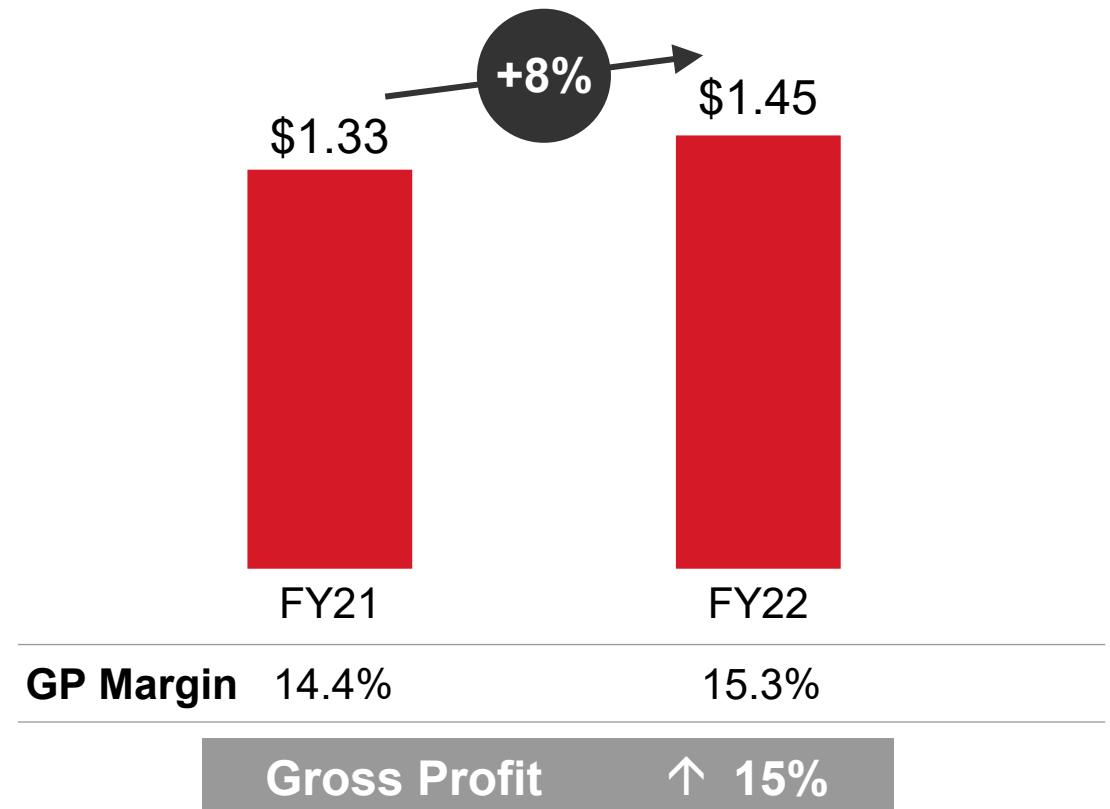
Key Growth Drivers

- ✓ Hybrid work creates opportunity for cloud-based unified communications & collaboration solutions
- ✓ Cloud-enabled endpoints and video conference rooms
- ✓ Growing need for easily maintainable cloud-based contact centers
- ✓ Heightened emphasis on security for cloud



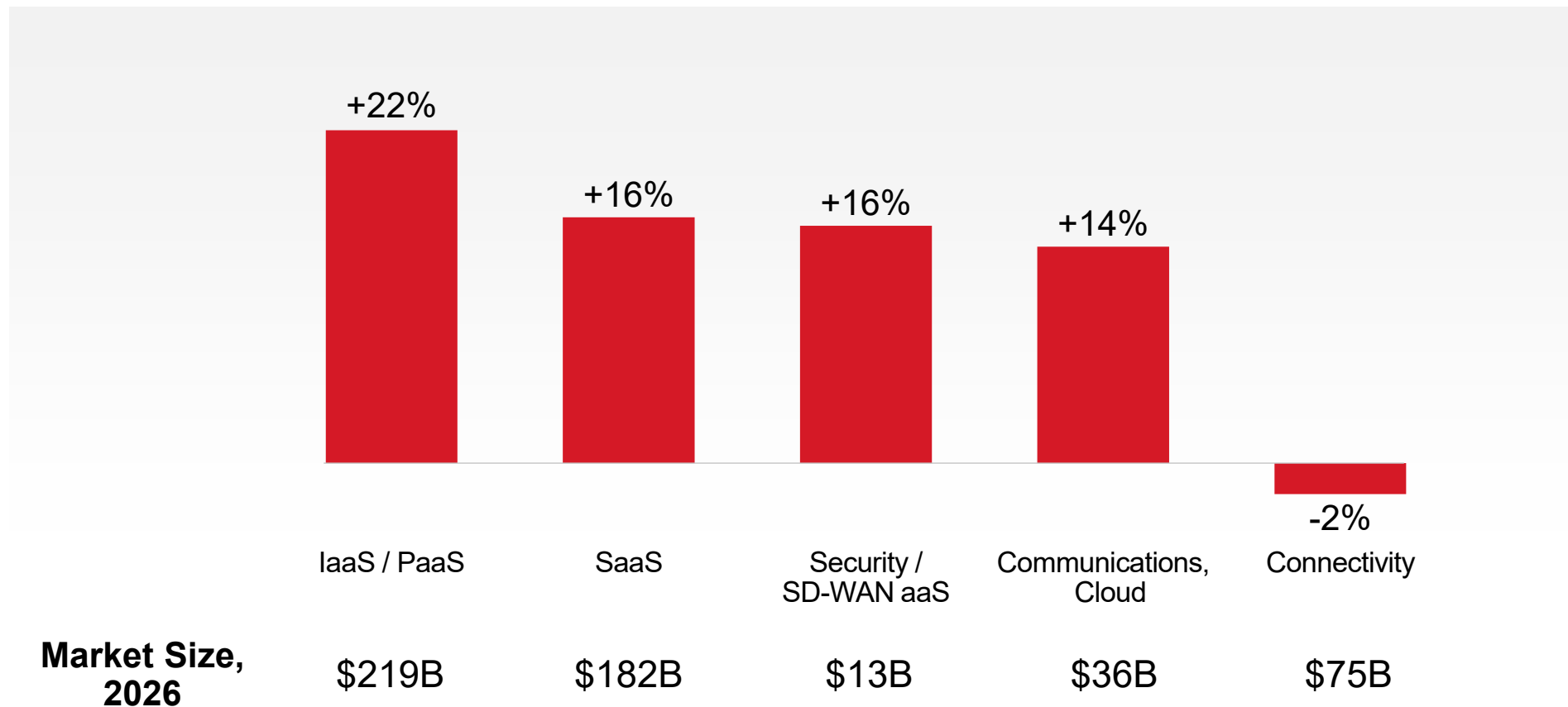
Growth in FY22

Net Sales (\$B)



Positioned in High Growth Cloud Markets – Generates 43% of Segment Gross Profit

Growth Rates – CAGR % 2021 to 2026

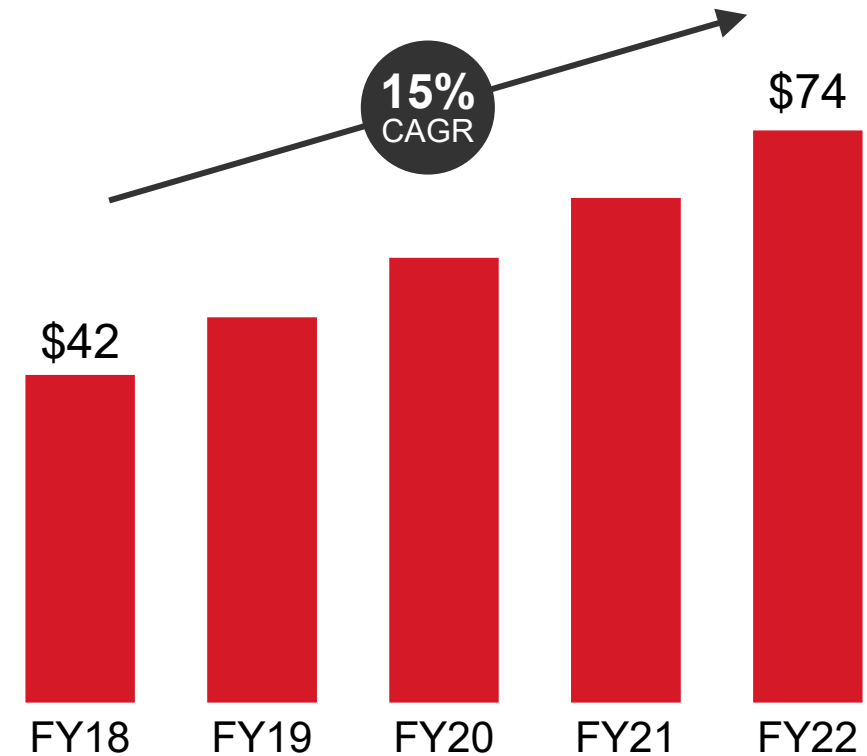


Intelisys A Key Driver of Gross Profit Growth – Net Billings, \$2.25B⁽¹⁾

Key Growth Drivers

- Earns percentage of commissions, building recurring revenues from multi-year contracts
- 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

Intelisys Revenues (\$M)



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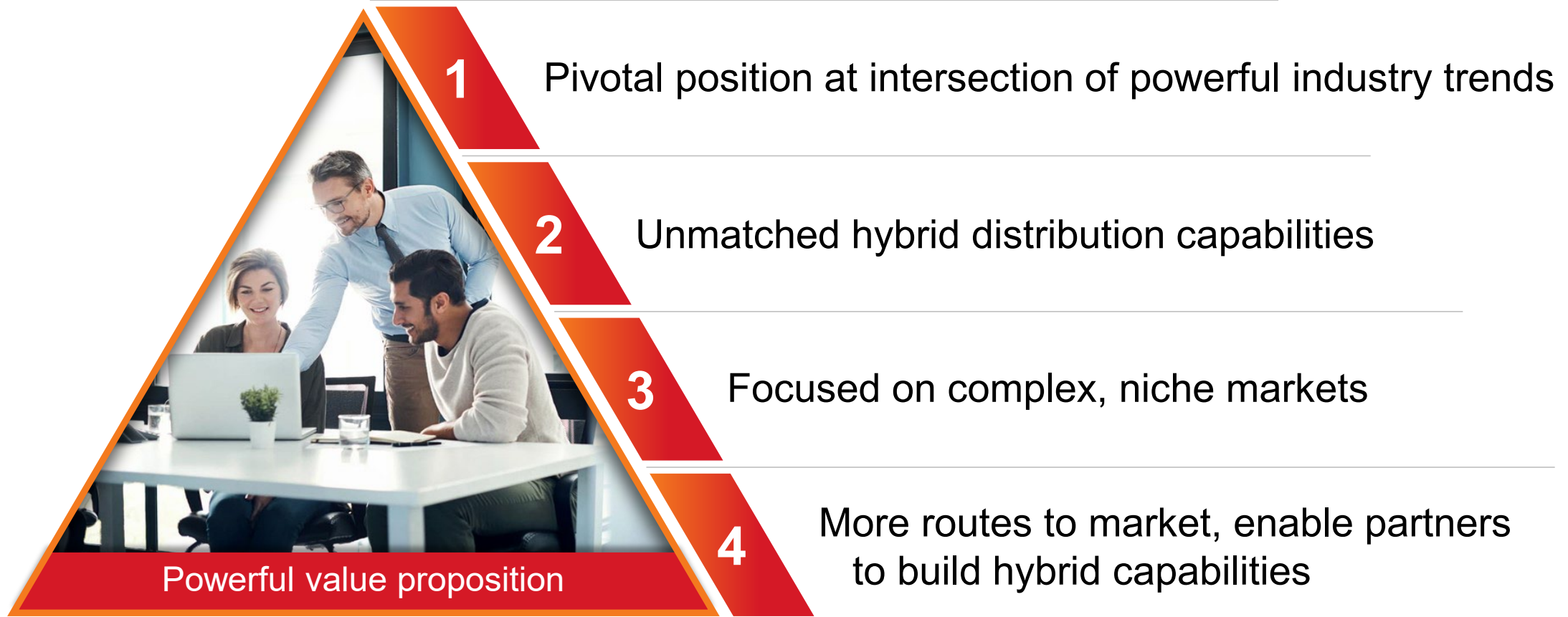
**Attractive
financial profile**

5

**Delivering long-term
sustainable growth**



A Differentiated Market Position



ScanSource is Positioned in a Pivotal Position to Capitalize on Powerful Technology Distribution Trends

Suppliers Seeking New Routes to Market (500+)

- Need distributors who can support diverse routes and end-user preferences



Pivotal Position



Value-added partner
for BOTH:






















- Suppliers
- Sales partners

Sales Partners Need Expanded Capabilities (30,000+)

- Hardware +
- Software +
- Services +
- Support



Unmatched Hybrid Distribution Capabilities

Capability		Competitors		
		Broadline IT	Speciality IT	Agency
Portfolio in Specialty Technologies:				
• Hardware				
• Agency model for selling cloud services				
Multiple, specialized routes to market				
Deep specialization				
Orchestrate hybrid solutions				

Focused on Complex, Niche Markets

Key Capabilities

Scale of a Market Leader

Deep sales partner and supplier relationships
– #1 or #2 for our key suppliers



Delivery Model for Hybrid Distribution

Agency model makes it easy for
sales partners to sell cloud



Enable Partners to Win

Hardware+ to deliver technology
solutions stack



Innovative Financial Solutions

Versatile financial solutions for sales
partner community



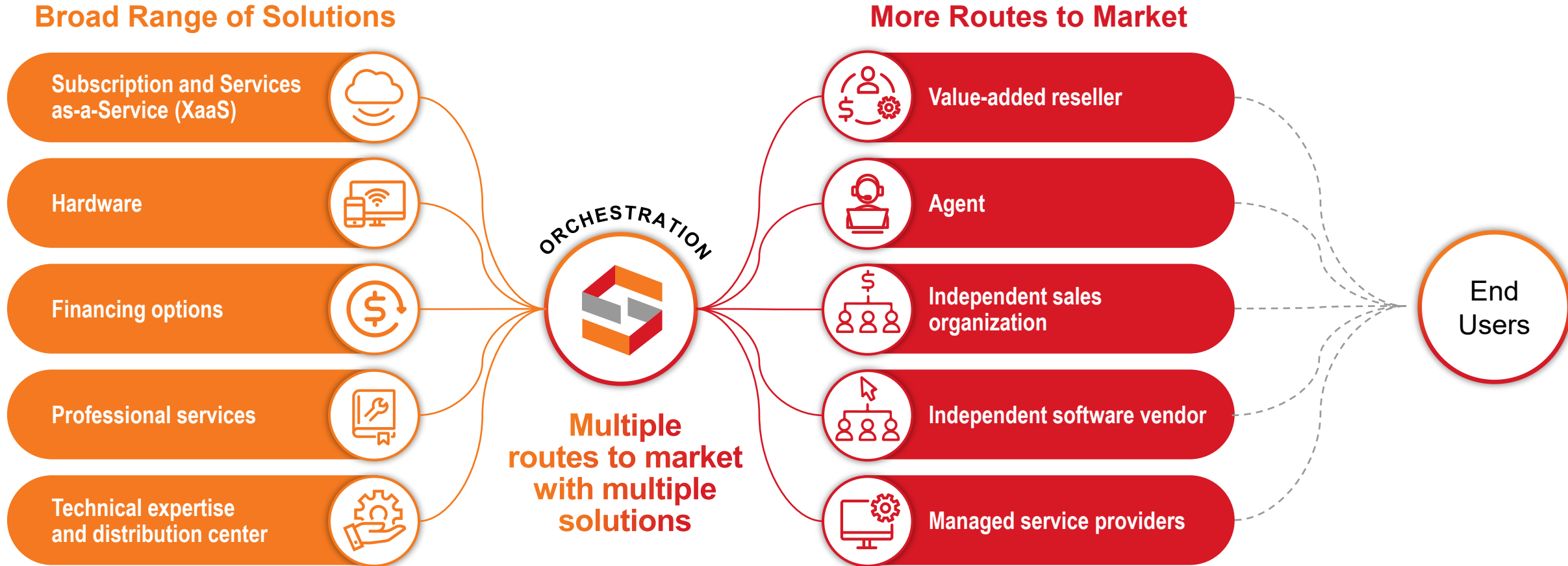
Advantages



**Well-positioned
to meet
complex needs**



Our Hybrid Model Orchestrates the Best Client Solutions, Plus We are a 100% Pure Channel Player = Trust



VARs Selling Hardware and Recurring Revenue

Communications VAR

Situation

- Retailer moving from premise-based communications to cloud at its 2,200 locations

Sales Partner

- Communications VAR

Solution

- ScanSource provided:
 - Engineering support
 - Modern communication solution, including hardware, software, and cloud connectivity



Mobility / Barcode VAR

Situation

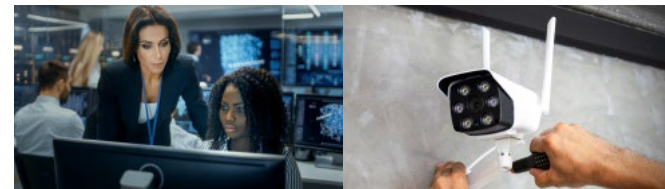
- Construction company implementing an outdoor video surveillance solution at over 3,000 sites

Sales Partner

- Mobility and Barcoding VAR

Solution

- ScanSource provided:
 - Wireless surveillance solution
 - Included surveillance cameras, cellular SIM cards, connectivity, and remote monitoring



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Attractive Financial Profile

1. Sustainable top-line growth
 - fast growing recurring revenue

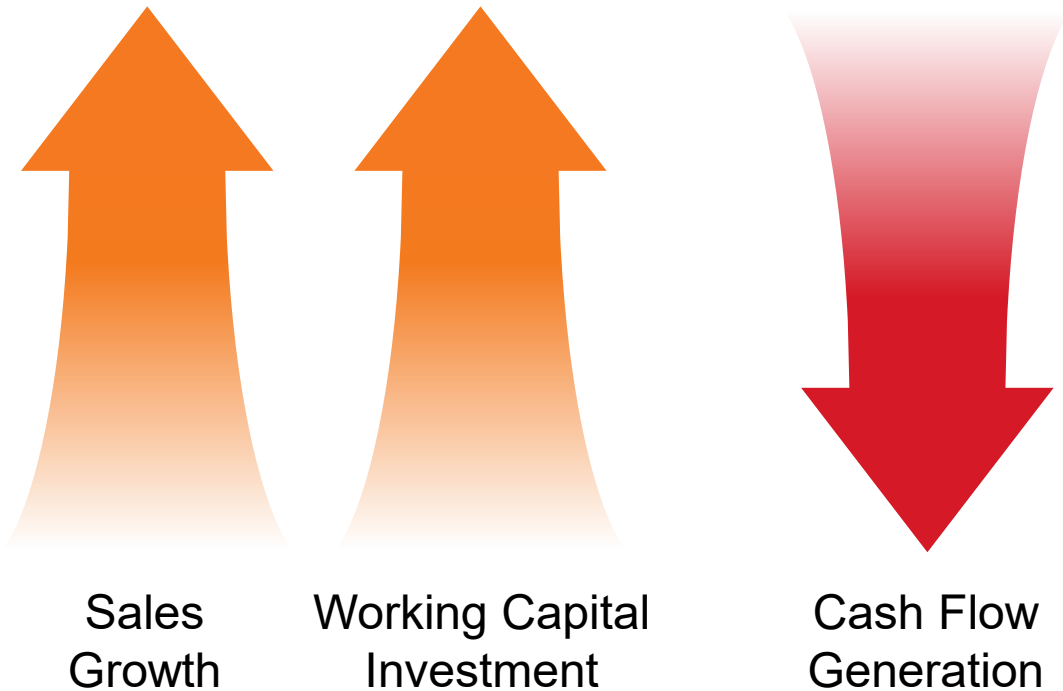
2. Margin expansion opportunity
 - gross profit margin up 243 bps since FY16



4. Strong balance sheet
 - disciplined capital allocation

3. FCF generation
 - reflects working capital for growth

Working Capital Investment to Support Higher Sales Growth



Inventory Safeguards:

- ✓ Stock rotation rights
- ✓ Price protection

Cash Conversion Cycle:

- ✓ 68 days for Year-End FY22
5-qtr range: 51 days to 68 days

Strong Balance Sheet and Disciplined Capital Allocation

Priorities

1. Reinvestment for growth

- Organic growth
- Strategic acquisitions

2. Share repurchases

- Announced \$100M authorization in Aug.'21
- \$18.2M repurchased under plan in FY22

3. Maintain targeted net leverage ratio

- Target range of 1x to 2x adjusted EBITDA

Key Metrics Year-End FY22

Net leverage ratio

1.4

Cash

\$38M

Borrowing availability

\$214M

Debt

\$271M

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A New ScanSource Enables Partners to Build Hybrid Capabilities

	From		Add
Delivery	On premise	→	Cloud
Products	Hardware & software	→	“X” as a Service
Revenue	Upfront	→	Recurring
Licenses	Perpetual	→	Subscription
Sales	Order entry	→	Self-service automation
Solutions	Single-point products	→	Multi-purpose

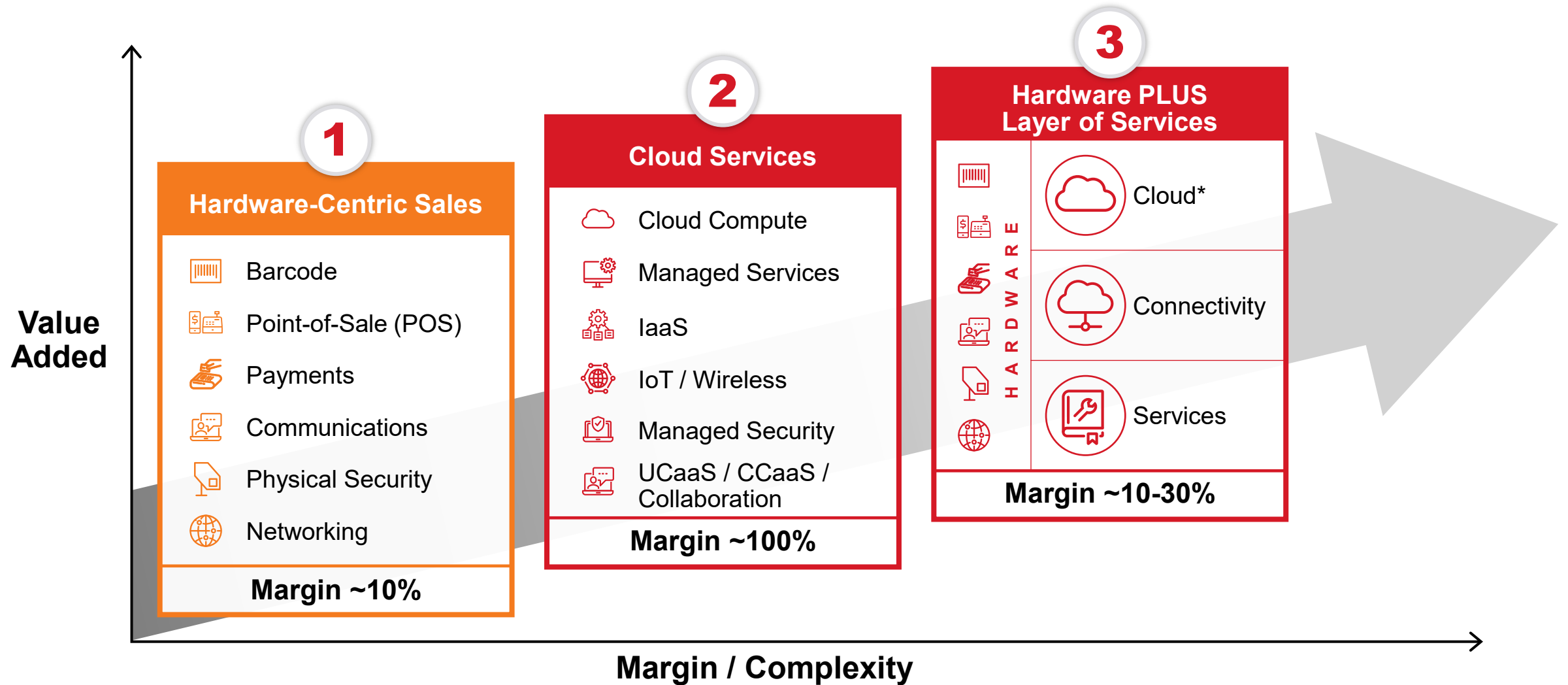


Multiple Growth Drivers Going Forward

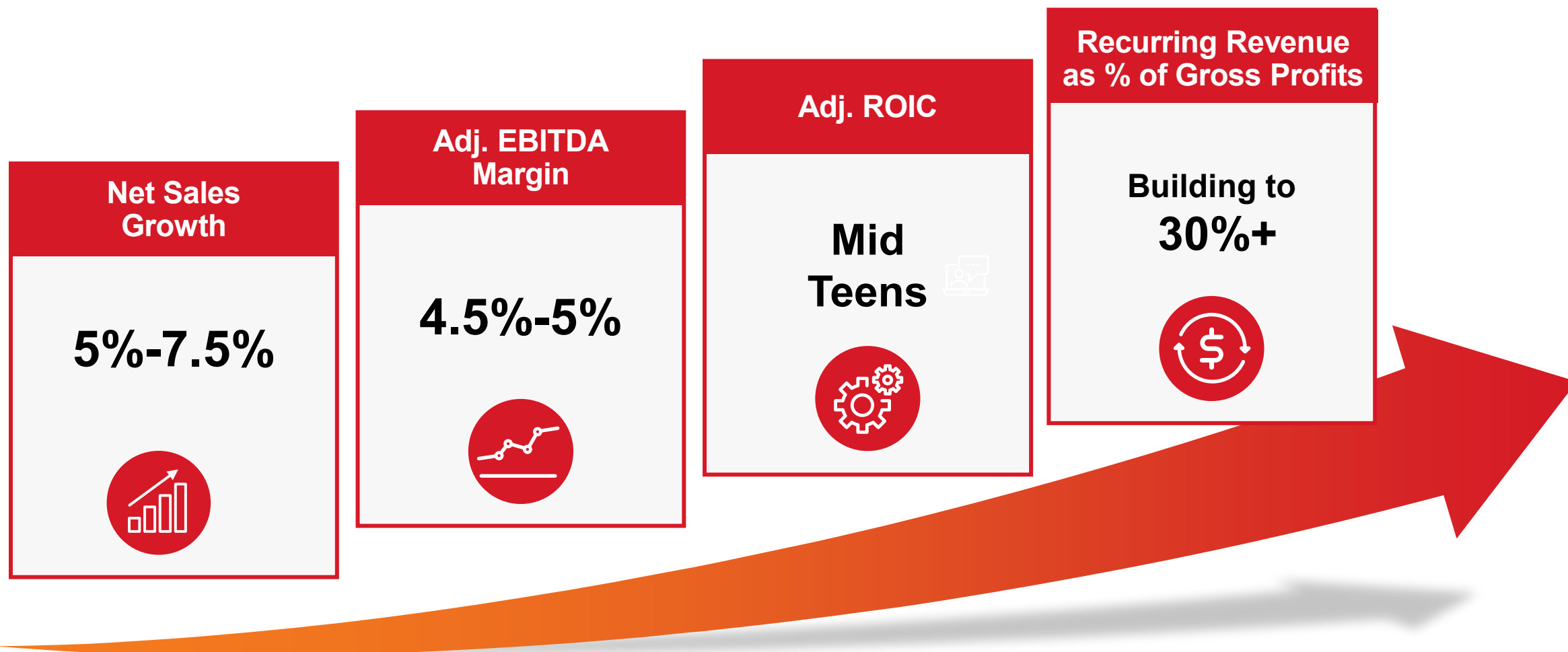
- 1.** Grow hybrid offerings across all routes to market
- 2.** Broaden technology portfolio
- 3.** Enter new markets, target new customer needs
- 4.** Digital expansion
- 5.** Build technology capabilities



Evolving to Higher Value-Added Solutions

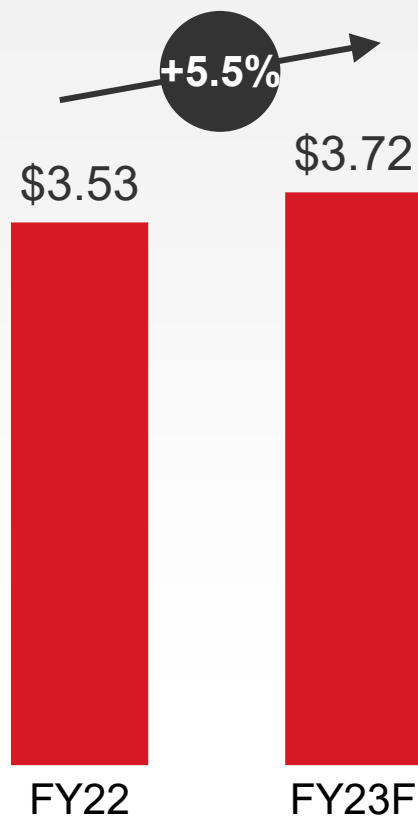


Clear Mid-Term Goals

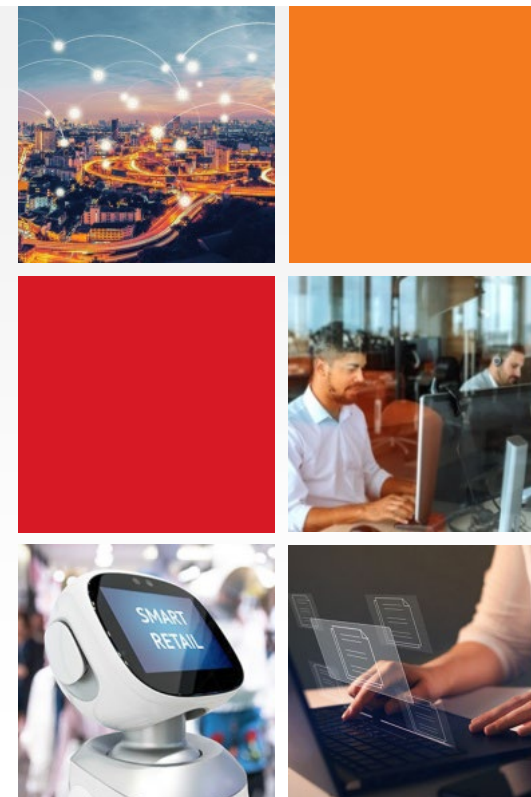
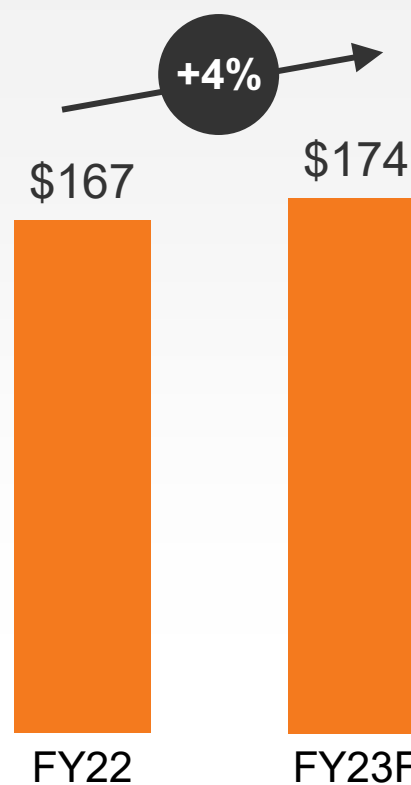


Outlook FY23 – Performance Continues to Accelerate

Net Sales (\$B)



Adjusted EBITDA (\$M)



IN SUMMARY

Leading Specialty Technology Distributor. Momentum Building.



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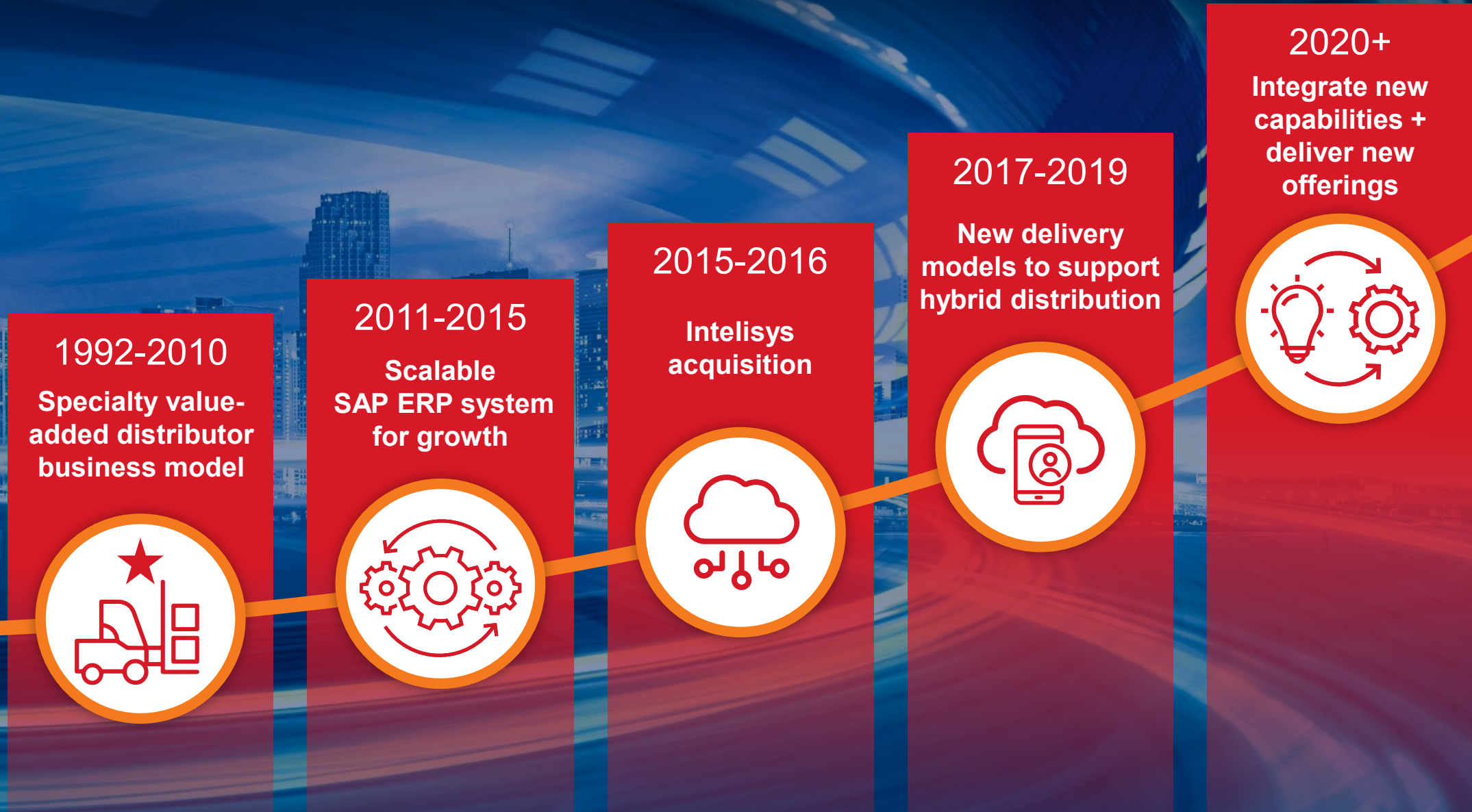
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Appendix

ScanSource Evolution to Leading Hybrid Technology Distribution



Working Capital, 8-Quarter Summary

<i>(\$ in thousands)</i>	Q4 FY22	Q3 FY22	Q2 FY22	Q1 FY22	Q4 FY21	Q3 FY21	Q2 FY21	Q1 FY21
Accounts receivable (Q/E)	\$ 729,442	\$ 642,384	\$613,186	\$589,532	\$ 568,984	\$509,404	\$534,583	\$509,779
Days sales outstanding in receivables	68	69	64	62	60	63	60	61
Inventory (Q/E)	\$ 614,814	\$ 591,396	\$562,397	\$493,541	\$ 470,081	\$459,652	\$421,003	\$423,088
Inventory turns	5.6	5.1	5.7	6.3	6.5	5.8	6.9	6.2
Accounts payable (Q/E)	\$ 714,177	\$ 706,359	\$653,190	\$602,229	\$ 634,805	\$521,552	\$589,292	\$544,856
Paid for inventory days*	(0.8)	(2.9)	(0.5)	(3.2)	(9.4)	2.2	(11.8)	(7.2)
Working capital (Q/E) (AR+INV-AP)	\$ 630,079	\$ 527,421	\$522,393	\$480,844	\$ 404,260	\$447,504	\$366,294	\$388,011
Cash conversion cycle	68	66	64	59	51	65	48	54

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

Non-GAAP Financial Information – Adjusted ROIC

(\$ in thousands)	FY22	FY16*
Adjusted Return on invested capital (ROIC), annualized ^(a)	17.0%	14.0%
<u>Reconciliation of Net Income to Adjusted EBITDA</u>		
Net income from continuing operations - GAAP	\$ 88,698	\$ 63,619
Plus: Interest expense	6,523	2,124
Plus: Income taxes	29,925	32,391
Plus: Depreciation and amortization	29,884	17,154
EBITDA	155,030	115,288
Plus: Share-based compensation	11,663	7,093
Plus: Acquisition and divestiture costs	30	863
Plus: Change in fair value of contingent consideration	--	1,294
Adjusted EBITDA (numerator for ROIC) (non-GAAP)	\$ 166,723	\$ 124,538
<u>Invested Capital Calculation</u>		
Equity - beginning of the period	\$ 731,191	\$ 808,985
Equity - end of the period	806,528	774,496
Plus: Share-based compensation, net	8,709	4,752
Plus: Acquisition and divestiture costs	30	863
Plus: Change in fair value of contingent consideration, net	--	977
Plus: Discontinued operations net loss	(100)	--
Average equity	773,179	795,037
Average funded debt ^(b)	209,114	93,500
Invested capital (denominator for Adjusted ROIC) (non-GAAP)	\$ 982,293	\$ 888,537

* As reported in FY16 adjusted for change in calculation to exclude share-based compensation; includes discontinued operations.

(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.

Non-GAAP Financial Information – Net Leverage Ratio

(\$ in thousands)

	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22
Consolidated debt (Q/E)	\$ 143,174	\$ 197,356	\$196,866	\$181,500	\$271,170
Less: Consolidated cash and cash equivalents (Q/E)	(62,718)	(55,491)	(34,123)	(43,539)	(37,987)
Net debt (Q/E)	\$ 80,456	\$ 141,865	\$162,743	\$137,961	\$233,183

Reconciliation of Net Income to Adjusted EBITDA

Net income from continuing operations - GAAP	\$ 20,657	\$ 22,073	\$ 23,152	\$ 23,526	\$ 19,947
Plus: Interest expense	1,643	1,660	1,493	1,483	1,886
Plus: Income taxes	2,389	7,358	7,257	9,044	6,267
Plus: Depreciation and amortization	8,090	7,650	7,229	7,305	7,700
EBITDA	32,779	38,741	39,131	41,358	35,800
Adjustments:					
Share-based compensation	2,328	2,570	3,464	2,757	2,872
Acquisition and divestiture costs	246	83	(53)	-	-
Restructuring costs	(54)	-	-	-	-
Adjusted EBITDA (non-GAAP)	\$ 35,299	\$ 41,394	\$ 42,542	\$ 44,115	\$ 38,672
Adjusted EBITDA, Trailing 12-Months (TTM)					\$166,723
Net Debt/Adjusted EBITDA, TTM					1.4X

Non-GAAP Financial Information – FY23 Annual Financial Outlook

	FY23 Outlook
GAAP, operating income	At least \$132 million
Intangible amortization	\$17 million
Depreciation expense	\$12 million
Share-based compensation expense	\$12 million
Interest income and other income (expense), net	\$1 million
Adjusted EBITDA (non-GAAP)	At least \$174 million