



**Q3 FY 2015 FINANCIAL RESULTS
CONFERENCE CALL**
April 30, 2015 at 5:00 pm ET





SAFE HARBOR

This presentation may contain certain comments, which 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, may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking information is inherently subject to risks and uncertainties; these statements are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995.

Any number of factors could cause actual results to differ materially from anticipated results. For more information concerning factors that could cause actual results to differ from anticipated results, see the “Risk Factors” included in the Company’s annual report on Form 10-K for the fiscal year ended June 30, 2014, as well as the quarterly report on Form 10-Q for the quarter ended December 31, 2014, 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 intentions or 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.

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, return on invested capital (“ROIC”) and the percentage change in net sales excluding the impact of foreign currency exchange rates. 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.



HIGHLIGHTS – Q3 FY15

- Net sales for third quarter 2015 of \$763 million, up 12% Y/Y, and non-GAAP diluted EPS of \$0.52*
 - Below our expected range, principally from foreign exchange (FX) impacts
- Worldwide Barcode & Security sales decreased 7% Y/Y, or 2% excluding FX
- Worldwide Communications & Services sales increased 50% Y/Y, or 17% excluding acquisitions and FX
 - Includes successful implementation of business plan that included acquisitions of Imago (Sep '14) and Network1 (Jan '15)
- Implementation of SAP ERP system in Europe on February 2, 2015
 - SG&A expenses include \$2.6 million for SAP-related ERP costs
- Third quarter 2015 return on invested capital of 12.1% (14.5% fiscal YTD)*

* See Appendix for calculation of non-GAAP measures and reconciliations to GAAP measures.

HIGHLIGHTS – Q3 FY15

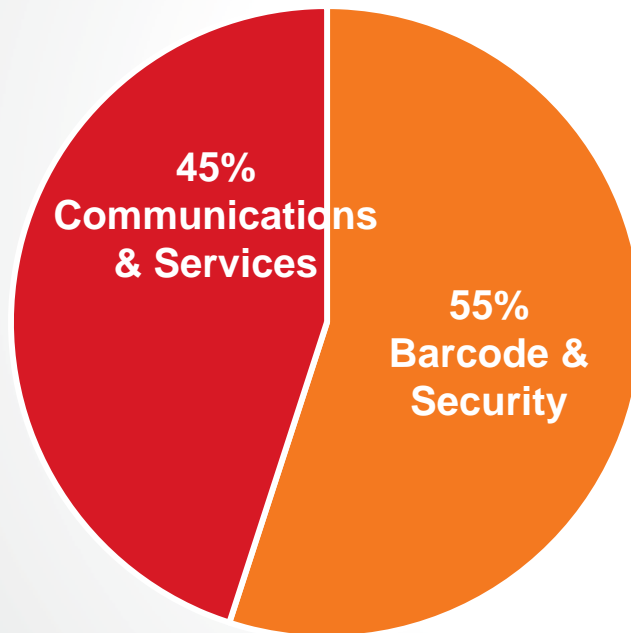
<i>In millions, except EPS</i>	Q3 FY15		Q3 FY14		Y/Y Change (non-GAAP):
	GAAP	Non-GAAP*	GAAP	Non-GAAP*	
Net sales	\$763.2	\$763.2	\$683.0	\$683.0	▪ 12% increase; 16% excl. FX
Gross profit	80.0	80.0	73.4	73.4	▪ 9% increase
Gross profit margin % (of net sales)	10.5%	10.5%	10.7%	10.7%	▪ 26 bp margin decrease
SG&A expenses	53.2	53.2	45.8	45.8	▪ 16% higher SG&A
SAP-related ERP costs	2.6	2.6	--	--	
Amortization of intangible assets	2.1	--	0.9	--	
Change, FV contingent consideration	0.3	--	1.0	--	
Acquisition costs	0.3	--	--	--	
Operating income	21.5	24.2	25.7	27.6	▪ 12% decrease
Operating income % (of net sales)	2.8%	3.2%	3.8%	4.0%	▪ 86 bp margin decrease
Net income	\$12.9	\$14.9	\$16.9	\$18.2	▪ 18% decrease
Diluted EPS	\$0.45	\$0.52	\$0.59	\$0.63	▪ 17% decrease

* See Appendix for calculation of non-GAAP measures and reconciliations to GAAP measures.

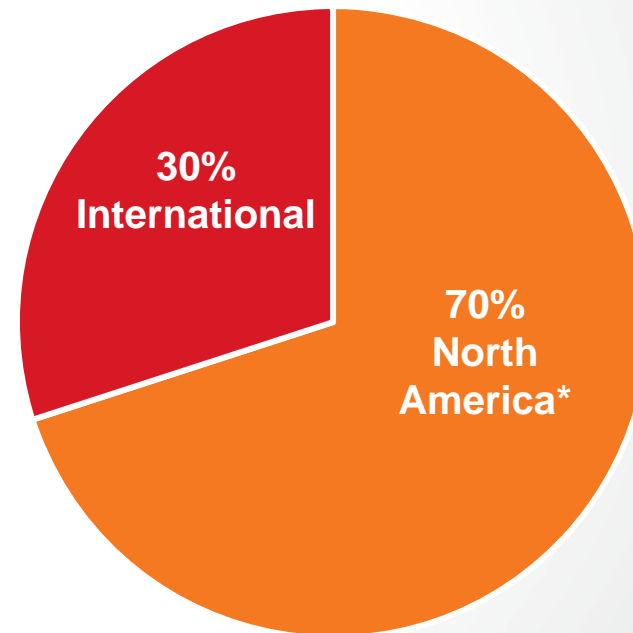


Q3 FY15 SALES MIX

By Technology



By Geography

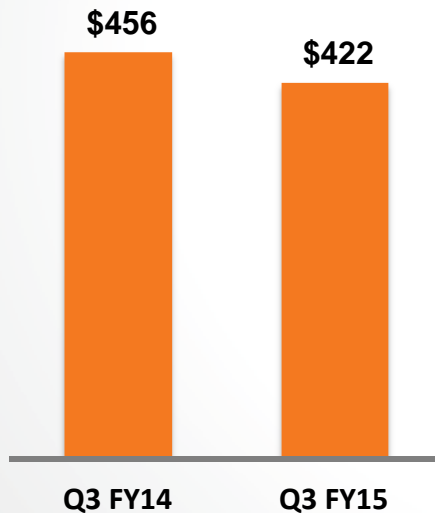


Barcode & Security = Worldwide Barcode and Security
Communications & Services = Worldwide Communications and Services
As a % of Q3 FY15 net sales of \$763.2 million
** Includes the United States and Canada.*

WW BARCODE & SECURITY

Net Sales, \$ in millions

Down 7.4%
Excluding FX, Down 2.0%



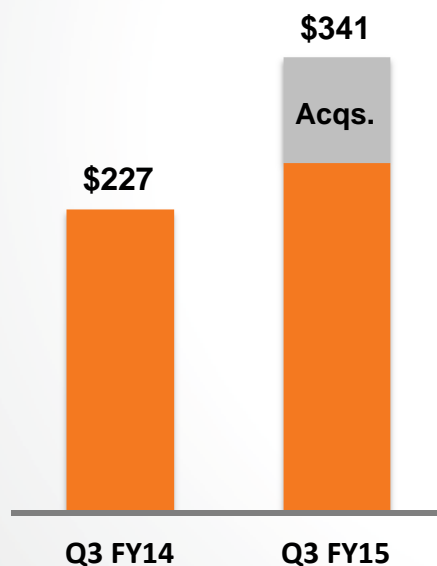
\$ in millions	Q3 FY15	Q3 FY14
Net sales	\$422.1	\$455.8
Gross profit	\$38.7	\$43.0
Gross margin	9.2%	9.4%
Operating income	\$10.3	\$13.8
Operating income %	2.4%	3.0%
Non-GAAP operating income	\$11.0	\$15.4
Non-GAAP operating income %	2.6%	3.4%

Non-GAAP operating income excludes amortization of intangibles and change in fair value of contingent consideration. See Appendix for calculation of non-GAAP measures and reconciliations to GAAP measures.

WW COMMUNICATIONS & SERVICES

Net Sales, \$ in millions

Up 50.2%
Excluding FX and Acquisitions, Up 16.7%



\$ in millions	Q3 FY15	Q3 FY14
Net sales	\$341.1	\$227.2
Gross profit	\$41.3	\$30.3
Gross margin	12.1%	13.3%
Operating income	\$11.5	\$11.8
Operating income %	3.4%	5.2%
Non-GAAP operating income	\$13.2	\$12.2
Non-GAAP operating income %	3.9%	5.4%

Non-GAAP operating income excludes amortization of intangibles and change in fair value of contingent consideration. See Appendix for calculation of non-GAAP measures and reconciliations to GAAP measures.

Q3 FY15 KEY MEASURES

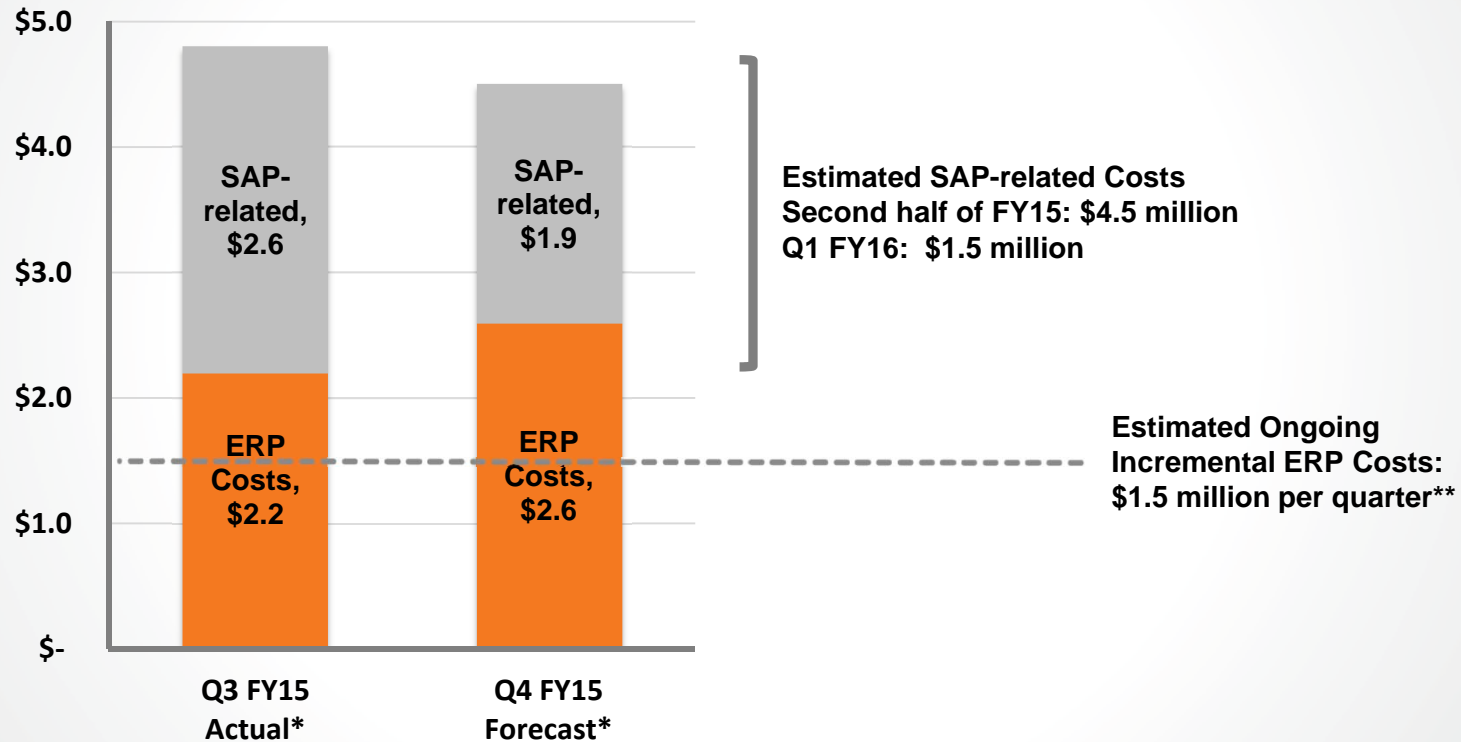
<i>\$ in millions</i>	Q3 FY15	Q2 FY15	Q3 FY14
Return on invested capital ("ROIC")*	12.1%	14.8%	15.3%
Cash and cash equivalents (Q/E)	\$93.6	\$121.5	\$183.6
Operating cash flow, trailing 12-months	\$39.1	\$36.7	\$86.1
Days sales outstanding in receivables	57	55	55
Inventory (Q/E)	\$485.6	\$518.4	\$479.9
Inventory turns	5.4	5.8	5.1
Paid for inventory days	12.3	12.2	15.3
Shares repurchased – # of shares	69,965	--	--
Shares repurchased – dollars	\$2.7	--	--

* Excludes non-GAAP adjustments and change in fair value of contingent consideration. See Appendix for calculation of ROIC, a non-GAAP measure.



SUMMARY OF ERP COSTS

\$ in millions



* Following 2/2/15 implementation in Europe, we can no longer capitalize ERP project costs; reflects amounts included in SG&A expenses.

** Following implementation in North America (expected July 2015); includes depreciation of \$0.7 million per quarter and other expenses incremental to legacy system.





Q4 FY15 OUTLOOK*

For the quarter ending June 30, 2015, excluding amortization of intangible assets, change in fair value of contingent consideration, and acquisition costs:

Net Sales

- Range from \$800 million to \$850 million
- Range midpoint: \$825 million

Non-GAAP Diluted Earnings Per Share

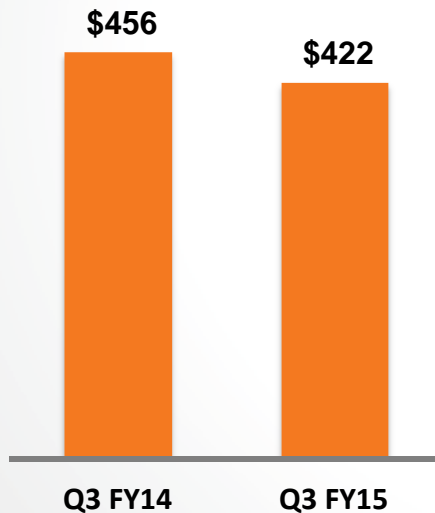
- Range from \$0.56 to \$0.62 per share
- Range midpoint: \$0.59

* Outlook as of April 30, 2015. Non-GAAP diluted EPS excludes amortization of intangible assets, change in fair value of contingent consideration, and acquisition costs. Reflects the following FX rates: \$1.08 to EUR 1.00 for the Euro, \$0.336 to R\$1.00 for the Brazilian real (R\$2.98 to \$1), and \$1.51 to GBP 1.00 for the British pound.

WW BARCODE & SECURITY

Net Sales, \$ in millions

Down 7.4%
Excluding FX, Down 2.0%*



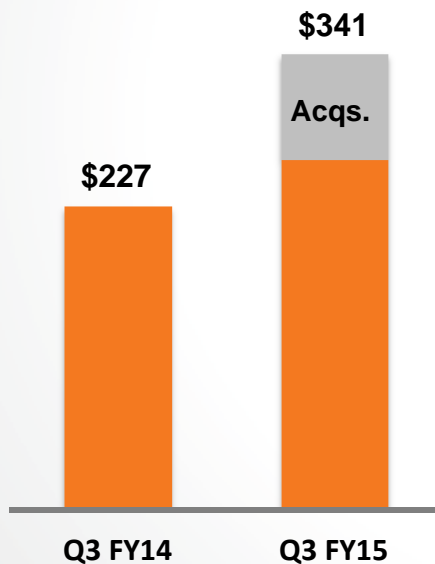
- 55% of overall sales
- Lower big deals across all geographies
- Strong growth for payment processing hardware continues
- Physical security grew 9% Y/Y; launched cable and outdoor wireless networking initiatives
- Expanded key vendor relationships into additional geographies

* See Appendix for reconciliation of net sales excluding impact of foreign exchange to a GAAP measure.

WW COMMUNICATIONS & SERVICES

Net Sales, \$ in millions

Up 50.2%
Excluding FX and Acquisitions, Up 16.7%*



- 45% of overall sales
- First full quarter with Network1; added over 60 vendors and 7,000 customers
- Y/Y sales growth for all business units in local currency
- Launched Total Coverage, a value-added service for Cisco collaboration
- Launched Mitel as a new vendor in the U.S. and Canada

* See Appendix for reconciliation of net sales excluding impact of foreign exchange to a GAAP measure.

APPENDIX: NON-GAAP FINANCIAL INFORMATION

(\$ in thousands)

	Quarter Ended March 31, 2015			
	Operating Income	Pre-tax income	Net income	Diluted EPS
GAAP measure	\$ 21,496	\$ 19,821	\$ 12,943	\$ 0.45
Adjustment:				
Amortization of intangible assets	2,114	2,114	1,464	0.05
Change in fair value of contingent consideration	285	285	200	0.01
Acquisition costs (a)	292	292	292	0.01
Non-GAAP measure	<u>\$ 24,187</u>	<u>\$ 22,512</u>	<u>\$ 14,899</u>	<u>\$ 0.52</u>

	Quarter Ended March 31, 2014			
	Operating Income	Pre-tax income	Net income	Diluted EPS
GAAP measure	\$ 25,665	\$ 25,980	\$ 16,949	\$ 0.59
Adjustment:				
Amortization of intangible assets	909	909	595	0.02
Change in fair value of contingent consideration	981	981	647	0.02
Non-GAAP measure	<u>\$ 27,555</u>	<u>\$ 27,870</u>	<u>\$ 18,191</u>	<u>\$ 0.63</u>

(a) Acquisition costs are nondeductible for tax purposes.

APPENDIX: NON-GAAP FINANCIAL INFORMATION

(\$ in thousands)

	Quarter Ended March 31, 2015			
	WW Barcode & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 422,061	\$ 341,142	\$ -	\$ 763,203
GAAP operating income	\$ 10,327	\$ 11,461	\$ (292)	\$ 21,496
Adjustments:				
Amortization of intangible assets	464	1,650	-	2,114
Change in fair value of contingent consideration	172	113	-	285
Acquisition costs	-	-	292	292
Non-GAAP operating income	<u>\$ 10,963</u>	<u>\$ 13,224</u>	<u>\$ -</u>	<u>\$ 24,187</u>
GAAP operating income % (of net sales)	2.4%	3.4%	n/m	2.8%
Non-GAAP operating income % (of net sales)	2.6%	3.9%	n/m	3.2%

	Quarter Ended March 31, 2014			
	WW Barcode & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 455,822	\$ 227,176	\$ -	\$ 682,998
GAAP operating income	\$ 13,820	\$ 11,845	\$ -	\$ 25,665
Adjustments:				
Amortization of intangible assets	558	351	-	909
Change in fair value of contingent consideration	981	-	-	981
Non-GAAP operating income	<u>\$ 15,359</u>	<u>\$ 12,196</u>	<u>\$ -</u>	<u>\$ 27,555</u>
GAAP operating income % (of net sales)	3.0%	5.2%	n/m	3.8%
Non-GAAP operating income % (of net sales)	3.4%	5.4%	n/m	4.0%

n/m = not meaningful



APPENDIX: NON-GAAP FINANCIAL INFORMATION

(\$ in thousands)

	Q3 FY15	Q2 FY15	Q3 FY14
Return on invested capital (ROIC), annualized (a)	12.1%	14.8%	15.3%
<u>Reconciliation of Net Income to EBITDA</u>			
Net income - GAAP	\$ 12,943	\$ 16,821	\$ 16,949
Plus: Income taxes	6,878	9,117	9,031
Plus: Interest expense	891	207	217
Plus: Depreciation and amortization	3,710	2,443	1,743
EBITDA	24,422	28,588	27,940
Change in fair value of contingent consideration	285	463	981
Acquisition costs	292	1,474	-
Adjusted EBITDA (numerator for ROIC)(non-GAAP)	\$ 24,999	\$ 30,525	\$ 28,921
<u>Invested Capital Calculation</u>			
Equity - beginning of the quarter	\$ 818,748	\$ 810,265	\$ 751,446
Equity - end of quarter	799,051	818,748	772,786
Add: Change in fair value of contingent consideration, net of tax	200	346	647
Add: Acquisition costs, net of tax	292	1,474	-
Average equity	809,146	815,417	762,440
Average funded debt (b)	32,046	5,429	5,429
Invested capital (denominator for ROIC)(non-GAAP)	\$ 841,192	\$ 820,846	\$ 767,869

Notes:

(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) Average daily amounts outstanding on short-term and long-term interest-bearing debt.



APPENDIX: NON-GAAP FINANCIAL INFORMATION

(\$ in thousands)

	WW Barcode & Security	WW Comms. & Services	Consolidated
Q3 FY15 net sales, as reported	\$ 422,061	\$ 341,142	\$ 763,203
Foreign exchange impact	24,794	3,084	27,878
Q3 FY15 net sales, excluding FX impact	446,855	344,226	791,081
Less: Acquisitions	-	(79,038)	(79,038)
Q3 FY15 net sales, excluding FX and acquisitions	<u>\$ 446,855</u>	<u>\$ 265,188</u>	<u>\$ 712,043</u>
Q3 FY14 net sales, as reported	<u>\$ 455,822</u>	<u>\$ 227,176</u>	<u>\$ 682,998</u>
Y/Y % Change:			
As reported	-7.4%	50.2%	11.7%
Excluding FX impact	-2.0%	51.5%	15.8%
Excluding FX and acquisitions	-2.0%	16.7%	4.3%