



# **Q4 AND FY 2015 FINANCIAL RESULTS CONFERENCE CALL**

**August 20, 2015 at 5:00 pm ET**





# SAFE HARBOR

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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 March 31, 2015, 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 – Q4 FY15

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- Record net sales of \$857 million, up 13% Y/Y, and non-GAAP diluted EPS of \$0.66\*, up 5% Y/Y; both above expected range
- Worldwide Barcode & Security sales unchanged Y/Y; up 7% Y/Y excluding FX
- Record sales for Worldwide Communications & Services, up 37% Y/Y; up 13% Y/Y excluding acquisitions and FX
- Implementation of SAP ERP system in North America in early July 2015
  - Over 80% of business worldwide using global platform
- Returned cash to shareholders through share repurchases
- Fourth quarter 2015 return on invested capital of 15.2%\*

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

# ANNOUNCES AGREEMENT TO ACQUIRE KBZ

<b>Description</b>	<ul style="list-style-type: none"><li>• Premier Cisco video conferencing distributor in the United States, formerly Tandberg's largest distributor</li><li>• Specialized focus on video, cloud and services</li><li>• Sales for the TTM ended 6/30/15 ~ over \$225 million</li><li>• Established in 1987; HQ in Doylestown, PA</li></ul>
<b>Key Vendor/ Focus</b>	<ul style="list-style-type: none"><li>• Exclusive focus on Cisco (~90%) and complementary vendors</li><li>• Cisco Americas Collaboration Distributor of the Year in 2014</li><li>• Cisco Americas Cloud Distributor of the Year in 2015</li><li>• Specialized public sector team for Federal, state and local</li></ul>
<b>Key Talent/ Employees</b>	<ul style="list-style-type: none"><li>• Currently ~ 75 employees</li><li>• Operations in US with regional sales teams</li><li>• Kyle Zorzi, KBZ's Vice President, to serve as SVP of KBZ, a ScanSource Company</li></ul>
<b>Accretion/ Closing</b>	<ul style="list-style-type: none"><li>• Expected to be accretive to EPS and ROIC in the first year after closing, excluding one-time acquisition costs</li><li>• Announced 8/18/15; expect to close in the quarter ending 9/30/15</li></ul>

# HIGHLIGHTS – FOURTH QTR

<i>In millions, except EPS</i>	Q4 FY15		Q4 FY14		Y/Y Change (non-GAAP):
	GAAP	Non-GAAP*	GAAP	Non-GAAP*	
Net sales	\$856.7	\$856.7	\$758.1	\$758.1	▪ 13% increase; 18% excl. FX
Gross profit	91.3	91.3	74.0	74.0	▪ 23% increase
Gross profit margin % (of net sales)	10.7%	10.7%	9.8%	9.8%	▪ 90 bp margin increase
SG&A expenses	60.4	60.4	47.8	47.8	▪ 26% higher SG&A
SAP-related ERP costs	2.3	2.3	--	--	
Amortization of intangible assets	2.1	--	1.1	--	
Change, FV contingent consideration	1.4	--	0.1	--	
Acquisition costs/legal recovery	0.1	--	(15.5)	--	
Operating income	25.0	28.6	40.4	26.2	▪ 9% increase
Operating income % (of net sales)	2.9%	3.3%	5.3%	3.5%	▪ 11 bp margin decrease
Net income	\$16.4	\$19.0	\$27.1	\$18.2	▪ 5% increase
Diluted EPS	\$0.57	\$0.66	\$0.94	\$0.63	▪ 5% increase

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

# HIGHLIGHTS – FULL YEAR

<i>In millions, except EPS</i>	FY15		FY14		Y/Y Change (non-GAAP):
	GAAP	Non-GAAP*	GAAP	Non-GAAP*	
Net sales	\$3,218.6	\$3,218.6	\$2,913.6	\$2,913.6	▪ 10% increase; 13% excl. FX
Gross profit	327.1	327.1	301.1	301.1	▪ 9% increase
Gross profit margin % (of net sales)	10.2%	10.2%	10.3%	10.3%	▪ 17 bp margin decrease
SG&A expenses	208.2	208.2	188.6	188.6	▪ 10% higher SG&A
SAP-related ERP costs	4.9	4.9	--	--	
Amortization of intangible assets	6.6	--	3.9	--	
Change, FV contingent consideration	2.7	--	2.3	--	
Acquisition costs/legal recovery	3.3	--	(15.5)	--	
Operating income	101.4	114.0	121.8	112.5	▪ 1% increase
Operating income % (of net sales)	3.2%	3.5%	4.2%	3.9%	▪ 32 bp margin decrease
Net income	\$65.4	\$75.1	\$81.8	\$76.1	▪ 1% decrease
Diluted EPS	\$2.27	\$2.61	\$2.86	\$2.66	▪ 2% decrease

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



# SALES GROWTH SUMMARY

FOURTH QTR: Q4 FY15 – Y/Y % CHANGE			
	As Reported	Excluding FX Impact	Excluding FX and Acquisitions
WW Barcode & Security	-0.2%	7.0%	7.0%
WW Comms. & Services	37.2%	38.3%	13.2%
Consolidated	13.0%	18.1%	9.2%

FULL YEAR: FY15 – Y/Y % CHANGE			
	As Reported	Excluding FX Impact	Excluding FX and Acquisitions
WW Barcode & Security	2.1%	6.1%	6.1%
WW Comms. & Services	25.5%	26.3%	8.8%
Consolidated	10.5%	13.3%	7.1%

# WW BARCODE & SECURITY

## Net Sales, \$ in millions

Down 0.2%  
Excluding FX, Up 7.0%



\$ in millions	Q4 FY15	Q4 FY14
Net sales	\$489.6	\$490.5
Gross profit	\$44.4	\$41.7
Gross margin	9.1%	8.5%
Operating income	\$12.2	\$12.8
Operating income %	2.5%	2.6%
Non-GAAP operating income	\$13.4	\$13.5
Non-GAAP operating income %	2.7%	2.7%

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 BARCODE & SECURITY

## Net Sales, \$ in millions

Up 2.1%  
Excluding FX, Up 6.1%



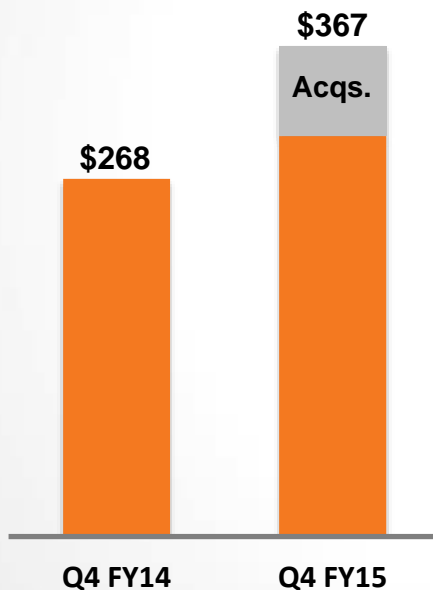
\$ in millions	FY15	FY14
Net sales	\$1,912.4	\$1,873.2
Gross profit	\$168.1	\$168.2
Gross margin	8.8%	9.0%
Operating income	\$48.6	\$51.5
Operating income %	2.5%	2.8%
Non-GAAP operating income	\$52.2	\$56.1
Non-GAAP operating income %	2.7%	3.0%

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 37.2%  
Excluding FX and Acquisitions, Up 13.2%



\$ in millions	Q4 FY15	Q4 FY14
Net sales	\$367.1	\$267.6
Gross profit	\$46.9	\$32.3
Gross margin	12.8%	12.1%
Operating income	\$12.9	\$12.2
Operating income %	3.5%	4.5%
Non-GAAP operating income	\$15.2	\$12.7
Non-GAAP operating income %	4.1%	4.7%

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 25.5%  
Excluding FX and Acquisitions, Up 8.8%



\$ in millions	FY15	FY14
Net sales	\$1,306.3	\$1,040.5
Gross profit	\$159.0	\$132.9
Gross margin	12.2%	12.8%
Operating income	\$56.1	\$54.8
Operating income %	4.3%	5.3%
Non-GAAP operating income	\$61.8	\$56.3
Non-GAAP operating income %	4.7%	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.

# Q4 FY15 KEY MEASURES

<i>\$ in millions</i>	Q4 FY15	Q3 FY15	Q4 FY14
Return on invested capital ("ROIC")*	15.2%	12.1%	14.0%
Cash and cash equivalents (Q/E)	\$121.6	\$93.6	\$194.9
Operating cash flow, trailing 12-months	\$75.5	\$39.1	\$47.7
Days sales outstanding in receivables	55	57	55
Inventory (Q/E)	\$553.1	\$485.6	\$504.8
Inventory turns	5.9	5.4	5.6
Paid for inventory days	6.1	12.3	10.9
Shares repurchased – # of shares	409,860	69,965	--
Shares repurchased – dollars	\$16.1	\$2.7	--

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

# Q1 FY16 OUTLOOK\*

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

## Net Sales

- Range from \$820 million to \$880 million

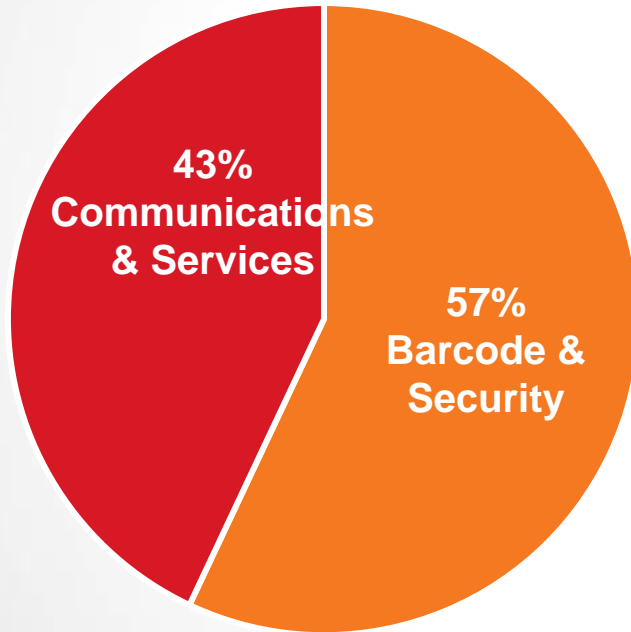
## Non-GAAP Diluted Earnings Per Share

- Range from \$0.50 to \$0.58 per share

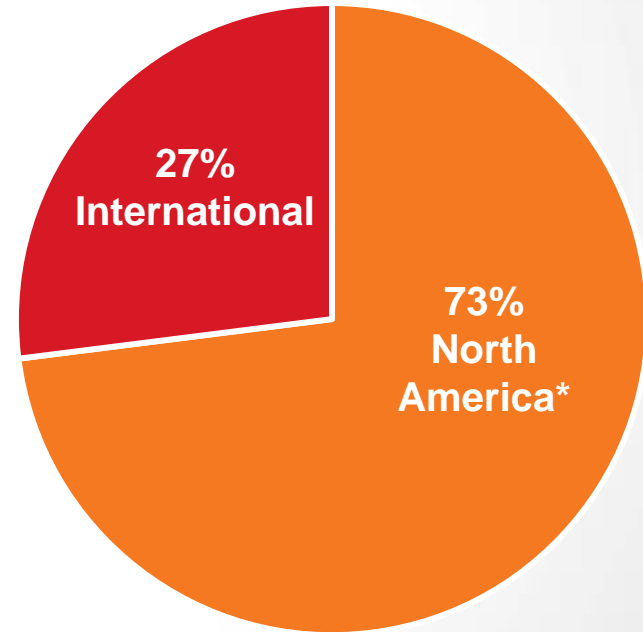
\* Outlook as of August 20, 2015. Non-GAAP diluted EPS excludes amortization of intangible assets, change in fair value of contingent consideration, and acquisition costs. Reflects the following FX rates: \$1.10 to EUR 1.00 for the Euro, \$0.295 to R\$1.00 for the Brazilian real (R\$3.39 to \$1), and \$1.56 to GBP 1.00 for the British pound.

# Q4 FY15 SALES MIX

By Technology



By Geography



*Barcode & Security = Worldwide Barcode and Security*  
*Communications & Services = Worldwide Communications and Services*  
*As a % of Q4 FY15 net sales of \$856.7 million*  
*\* Includes the United States and Canada.*

# APPENDIX: NON-GAAP FINANCIAL INFORMATION

(\$ in thousands)

	Quarter Ended June 30, 2015			
	Operating Income	Pre-tax income	Net income	Diluted EPS
GAAP measure	\$ 24,977	\$ 24,911	\$ 16,447	\$ 0.57
Adjustment:				
Amortization of intangible assets	2,091	2,091	1,450	0.05
Change in fair value of contingent consideration	1,406	1,406	955	0.03
Acquisition costs (a)	138	138	138	0.01
Non-GAAP measure	<u>\$ 28,612</u>	<u>\$ 28,546</u>	<u>\$ 18,990</u>	<u>\$ 0.66</u>

	Quarter Ended June 30, 2014			
	Operating Income	Pre-tax income	Net income	Diluted EPS
GAAP measure	\$ 40,439	\$ 40,880	\$ 27,105	\$ 0.94
Adjustment:				
Amortization of intangible assets	1,117	1,117	740	0.03
Change in fair value of contingent consideration	93	93	61	-
Legal recovery, net of attorney fees	(15,490)	(15,490)	(9,756)	(0.34)
Non-GAAP measure	<u>\$ 26,159</u>	<u>\$ 26,600</u>	<u>\$ 18,150</u>	<u>\$ 0.63</u>

(a) Acquisition costs are nondeductible for tax purposes.

# APPENDIX: NON-GAAP FINANCIAL INFORMATION

(\$ in thousands)

	Year Ended June 30, 2015			
	Operating Income	Pre-tax income	Net income	Diluted EPS
GAAP measure	\$ 101,441	\$ 99,906	\$ 65,419	\$ 2.27
Adjustment:				
Amortization of intangible assets	6,641	6,641	4,599	0.16
Change in fair value of contingent consideration	2,667	2,667	1,842	0.06
Acquisition costs (a)	3,254	3,254	3,254	0.12
Non-GAAP measure	<u>\$ 114,003</u>	<u>\$ 112,468</u>	<u>\$ 75,114</u>	<u>\$ 2.61</u>

	Year Ended June 30, 2014			
	Operating Income	Pre-tax income	Net income	Diluted EPS
GAAP measure	\$ 121,786	\$ 123,107	\$ 81,789	\$ 2.86
Adjustment:				
Amortization of intangible assets	3,880	3,880	2,550	0.09
Change in fair value of contingent consideration	2,311	2,311	1,525	0.05
Legal recovery, net of attorney fees	(15,490)	(15,490)	(9,756)	(0.34)
Non-GAAP measure	<u>\$ 112,487</u>	<u>\$ 113,808</u>	<u>\$ 76,108</u>	<u>\$ 2.66</u>

(a) Acquisition costs are nondeductible for tax purposes.



# APPENDIX: NON-GAAP FINANCIAL INFORMATION

(\$ in thousands)

	Quarter Ended June 30, 2015			
	WW Barcode & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 489,559	\$ 367,126	\$ -	\$ 856,685
GAAP operating income	\$ 12,168	\$ 12,947	\$ (138)	\$ 24,977
Adjustments:				
Amortization of intangible assets	431	1,660	-	2,091
Change in fair value of contingent consideration	806	600	-	1,406
Acquisition costs	-	-	138	138
Non-GAAP operating income	\$ 13,405	\$ 15,207	\$ -	\$ 28,612
GAAP operating income % (of net sales)	2.5%	3.5%	n/m	2.9%
Non-GAAP operating income % (of net sales)	2.7%	4.1%	n/m	3.3%

	Quarter Ended June 30, 2014			
	WW Barcode & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 490,505	\$ 267,608	\$ -	\$ 758,113
GAAP operating income	\$ 12,789	\$ 12,160	\$ 15,490	\$ 40,439
Adjustments:				
Amortization of intangible assets	591	526	-	1,117
Change in fair value of contingent consideration	93	-	-	93
Legal recovery, net of attorney fees	-	-	(15,490)	(15,490)
Non-GAAP operating income	\$ 13,473	\$ 12,686	\$ -	\$ 26,159
GAAP operating income % (of net sales)	2.6%	4.5%	n/m	5.3%
Non-GAAP operating income % (of net sales)	2.7%	4.7%	n/m	3.5%

n/m = not meaningful



# APPENDIX: NON-GAAP FINANCIAL INFORMATION

(\$ in thousands)

	Year Ended June 30, 2015			
	WW Barcode & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 1,912,352	\$ 1,306,274	\$ -	\$ 3,218,626
GAAP operating income	\$ 48,612	\$ 56,083	\$ (3,254)	\$ 101,441
Adjustments:				
Amortization of intangible assets	1,994	4,647	-	6,641
Change in fair value of contingent consideration	1,636	1,031	-	2,667
Acquisition costs	-	-	3,254	3,254
Non-GAAP operating income	\$ 52,242	\$ 61,761	\$ -	\$ 114,003
GAAP operating income % (of net sales)	2.5%	4.3%	n/m	3.2%
Non-GAAP operating income % (of net sales)	2.7%	4.7%	n/m	3.5%

	Year Ended June 30, 2014			
	WW Barcode & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 1,873,177	\$ 1,040,457	\$ -	\$ 2,913,634
GAAP operating income	\$ 51,523	\$ 54,773	\$ 15,490	\$ 121,786
Adjustments:				
Amortization of intangible assets	2,306	1,574	-	3,880
Change in fair value of contingent consideration	2,311	-	-	2,311
Legal recovery, net of attorney fees	-	-	(15,490)	(15,490)
Non-GAAP operating income	\$ 56,140	\$ 56,347	\$ -	\$ 112,487
GAAP operating income % (of net sales)	2.8%	5.3%	n/m	4.2%
Non-GAAP operating income % (of net sales)	3.0%	5.4%	n/m	3.9%

n/m = not meaningful



# APPENDIX: NON-GAAP FINANCIAL INFORMATION

(\$ in thousands)

	Q4 FY15	Q3 FY15	Q4 FY14
<b>Return on invested capital (ROIC), annualized (a)</b>	<b>15.2%</b>	<b>12.1%</b>	<b>14.0%</b>
<u>Reconciliation of Net Income to EBITDA</u>			
Net income - GAAP	\$ 16,447	\$ 12,943	\$ 27,105
Plus: Income taxes	8,464	6,878	13,775
Plus: Interest expense	509	891	33
Plus: Depreciation and amortization	3,947	3,710	1,985
EBITDA	29,367	24,422	42,898
Change in fair value of contingent consideration	1,406	285	93
Acquisition costs	138	292	-
Legal recovery, net of attorney fees	-	-	(15,490)
Adjusted EBITDA (numerator for ROIC)(non-GAAP)	\$ 30,911	\$ 24,999	\$ 27,501
<u>Invested Capital Calculation</u>			
Equity - beginning of the quarter	\$ 799,051	\$ 818,748	\$ 772,786
Equity - end of quarter	808,985	799,051	802,643
Add: Change in fair value of contingent consideration, net of tax	955	200	61
Add: Acquisition costs, net of tax	138	292	-
Less: Legal recovery, net of attorney fees, net of tax	-	-	(9,756)
Average equity	804,565	809,146	782,867
Average funded debt (b)	10,377	32,046	5,429
Invested capital (denominator for ROIC)(non-GAAP)	\$ 814,942	\$ 841,192	\$ 788,296

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)

	<b>WW Barcode &amp; Security</b>	<b>WW Comms. &amp; Services</b>	<b>Consolidated</b>
Q4 FY15 net sales, as reported	\$ 489,559	\$ 367,126	\$ 856,685
Foreign exchange impact	35,446	2,902	38,348
Q4 FY15 net sales, excluding FX impact	525,005	370,028	895,033
Less: Acquisitions	-	(67,197)	(67,197)
Q4 FY15 net sales, excluding FX and acquisitions	<u>\$ 525,005</u>	<u>\$ 302,831</u>	<u>\$ 827,836</u>
Q4 FY14 net sales, as reported	<u>\$ 490,505</u>	<u>\$ 267,608</u>	<u>\$ 758,113</u>
Y/Y % Change:			
As reported	-0.2%	37.2%	13.0%
Excluding FX impact	7.0%	38.3%	18.1%
Excluding FX and acquisitions	7.0%	13.2%	9.2%

# APPENDIX: NON-GAAP FINANCIAL INFORMATION

(\$ in thousands)

	<b>WW Barcode &amp; Security</b>	<b>WW Comms. &amp; Services</b>	<b>Consolidated</b>
FY15 net sales, as reported	\$ 1,912,352	\$ 1,306,274	\$ 3,218,626
Foreign exchange impact	74,712	7,401	82,113
FY15 net sales, excluding FX impact	1,987,064	1,313,675	3,300,739
Less: Acquisitions	-	(181,138)	(181,138)
FY15 net sales, excluding FX and acquisitions	<u>\$ 1,987,064</u>	<u>\$ 1,132,537</u>	<u>\$ 3,119,601</u>
 FY14 net sales, as reported	 <u>\$ 1,873,177</u>	 <u>\$ 1,040,457</u>	 <u>\$ 2,913,634</u>
 YY % Change:			
As reported	2.1%	25.5%	10.5%
Excluding FX impact	6.1%	26.3%	13.3%
Excluding FX and acquisitions	6.1%	8.8%	7.1%