



INVESTOR PRESENTATION

JUNE 2020



SAFE HARBOR AND NON-GAAP

Safe Harbor Statement

This presentation contains certain comments that are “forward-looking” statements, including sales, GAAP diluted EPS, and non-GAAP diluted EPS, 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, changes in interest and exchange rates and regulatory regimes impacting our international operations, the impact of tax reform laws, the failure of acquisitions to meet our expectations, the failure to manage and implement our organic growth strategy, credit risks involving our larger customers and vendors, termination of our relationship with key vendors or a significant modification of the terms under which we operate with a key vendor, the decline in demand for the products and services that we provide, reduced prices for the products and services that we provide due both to competitor and customer actions, the Company’s ability to find a buyer for the planned divestitures on acceptable terms or to otherwise dispose of the operations, changes in the Company’s 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, 2019, 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, 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.

SCANSOURCE OVERVIEW

Mission:

To be the **center** of the solution delivery channel –
connecting businesses and providing **solutions**
for their complex needs



MOBILITY
& BARCODE



POS &
PAYMENTS



UNIFIED COMMUNICATIONS
& COLLABORATION



PHYSICAL SECURITY
& NETWORKING



TELECOM & CLOUD
SERVICES

NASDAQ: SCSC • Headquarters: Greenville, SC • Founded in 1992 • Channel sales model
• Multiple, specialized routes to market • 550+ Technology Suppliers • 38,000+ Sales Partners
• 2,700+ Employees • US, Canada, Brazil, Europe, Latin America

ROBUST VALUE PROPOSITION

FOR SUPPLIERS



FOR SALES PARTNERS



ROUTES TO MARKET FOR KEY SUPPLIERS

MOBILITY & BARCODE



POS & PAYMENTS



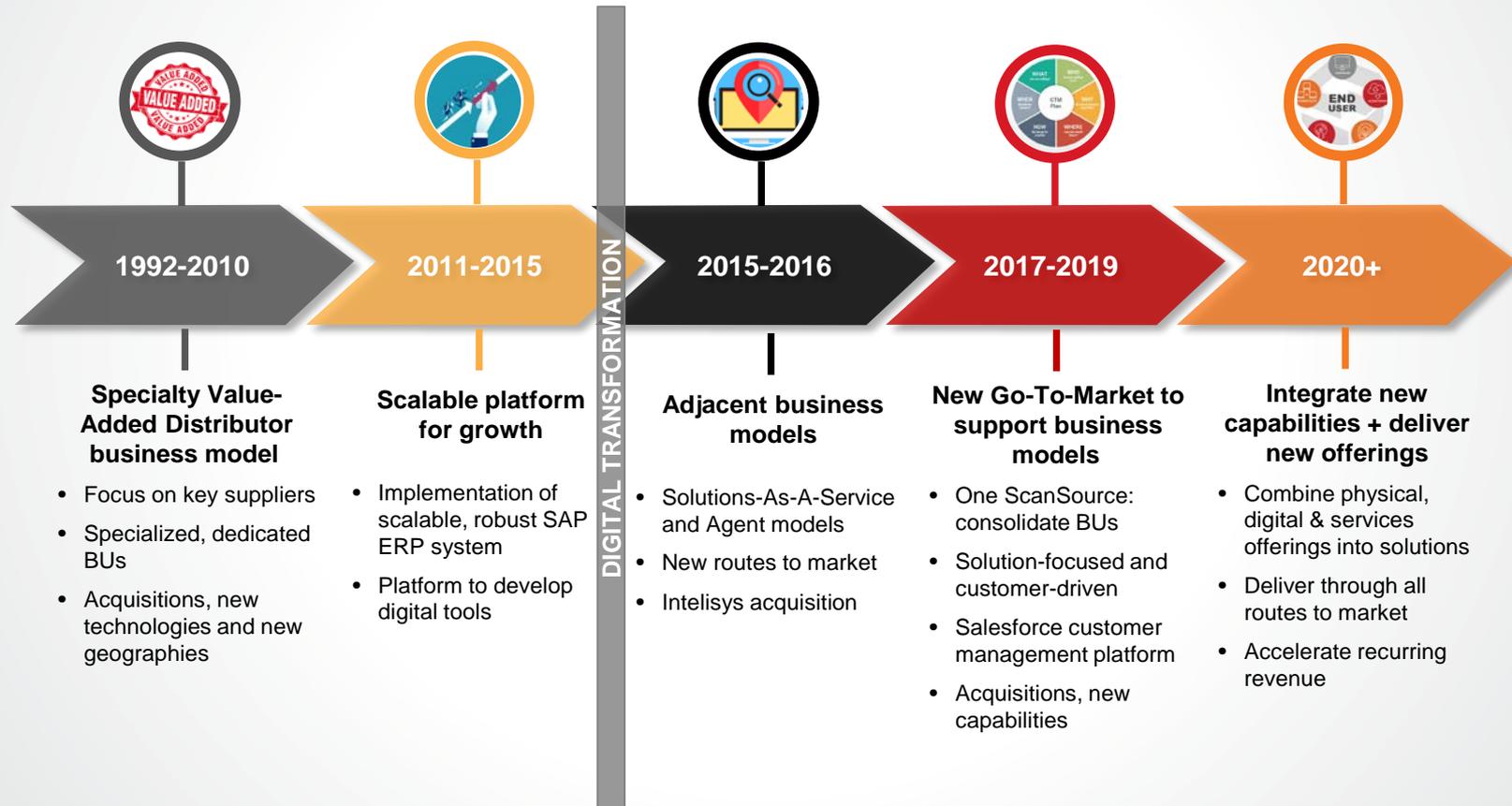
PHYSICAL SECURITY & NETWORKING



UNIFIED COMMUNICATIONS & COLLABORATION



SCANSOURCE EVOLUTION



Solutions-As-A-Service

High Margin • Recurring Revenue
Adjacent to Pull through Other Business



Software



Infrastructure/
Platform



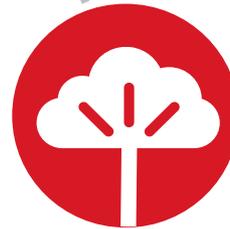
Cloud



Carrier Services



Managed Services



Hosted Voice/Video



Payments



IoT
Connected Devices

ONE SCANSOURCE STRATEGY

ACTIONS

In April 2019, began transformation of North American VAR sales team

Changes:

- 5 North American VAR business units into 1
- Sales teams by customer segment
- Customer assignments
- Team selling
- Salesforce CRM
- New sales compensation plan

GOALS

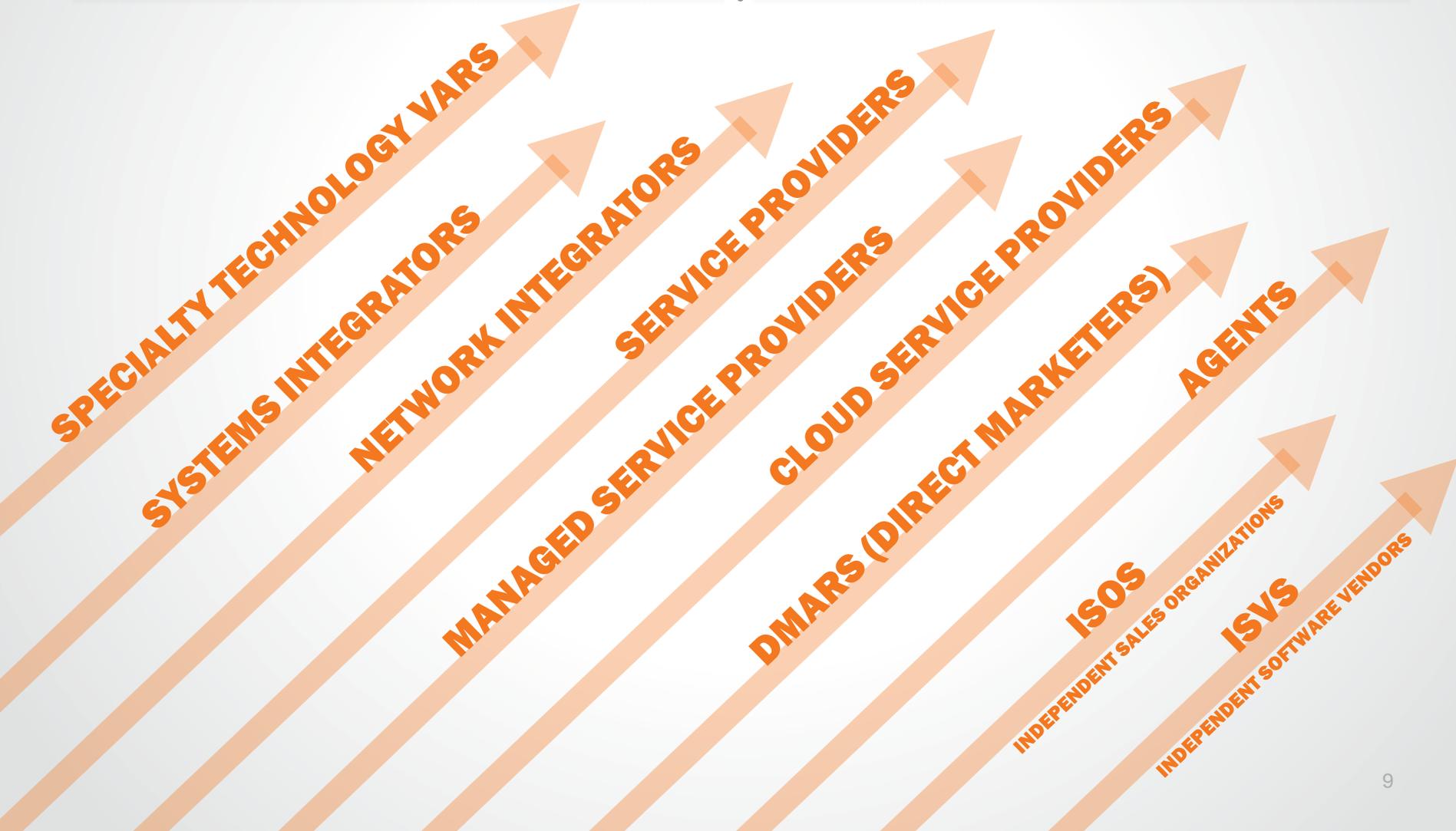
- Customer intimacy
- Competitive differentiation
- Growth

OBJECTIVE

Set up sales teams to deliver on customer requirements

- Hardware
- Recurring revenue
 - Connectivity
 - Cloud services
 - SaaS

ROUTES TO MARKET



KEY GROWTH INITIATIVES FOR FY20

UCaaS and CCaaS

VIDEO SURVEILLANCE

BRAZIL

INTELISYS

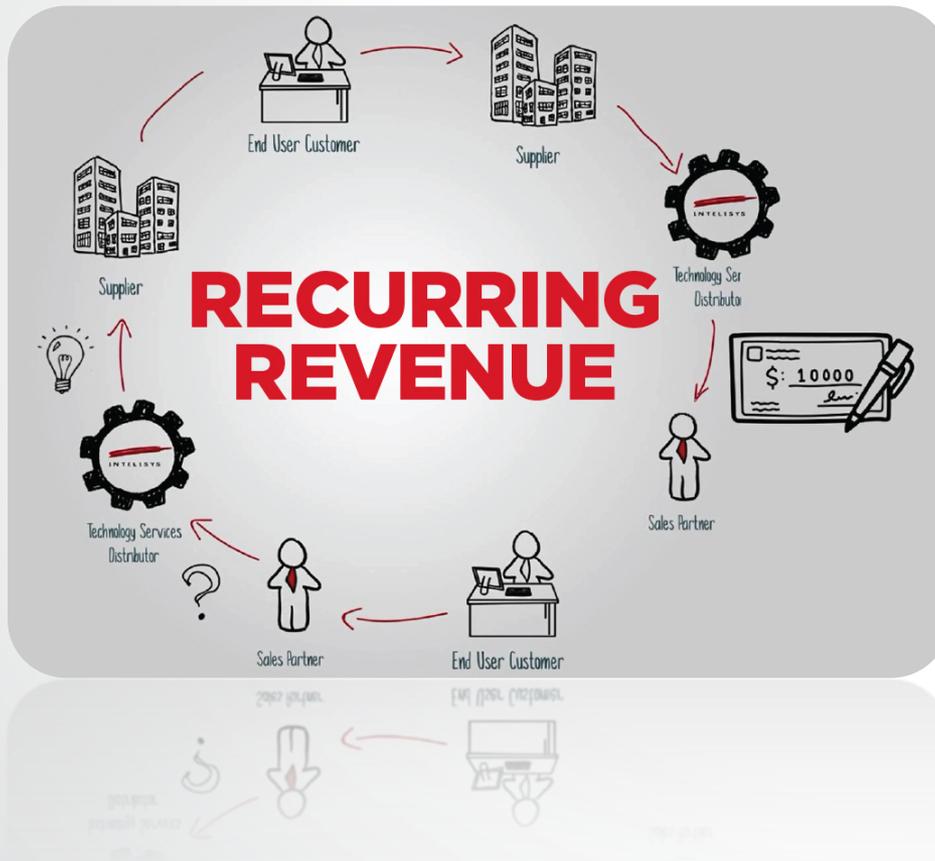
POS PORTAL

intY'S CASCADE CLOUD PLATFORM – SaaS BUSINESS

Note: UCaaS (Unified Communications as a Service); CCaaS (Contact Center as a Service); SaaS (Software as a Service)



INTELISYS RECURRING REVENUE MODEL

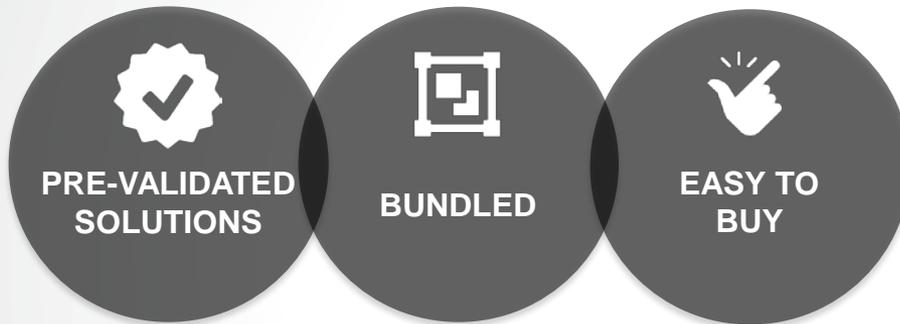


Telecom and Cloud Services Distributor

- Master agent business model
- Intelisys earns percentage of commissions, building recurring revenues
- Large, growing addressable market with expected channel shift
- More than 125 leading cloud carriers and providers; top UCaaS and CCaaS
- Very low working capital requirements and no inventories
- FY19 total revenues of \$50 million, up 17% Y/Y

POS PORTAL CUSTOMER CHANNELS

PAYMENTS SOLUTIONS AT VALUE-ADDED MARGINS



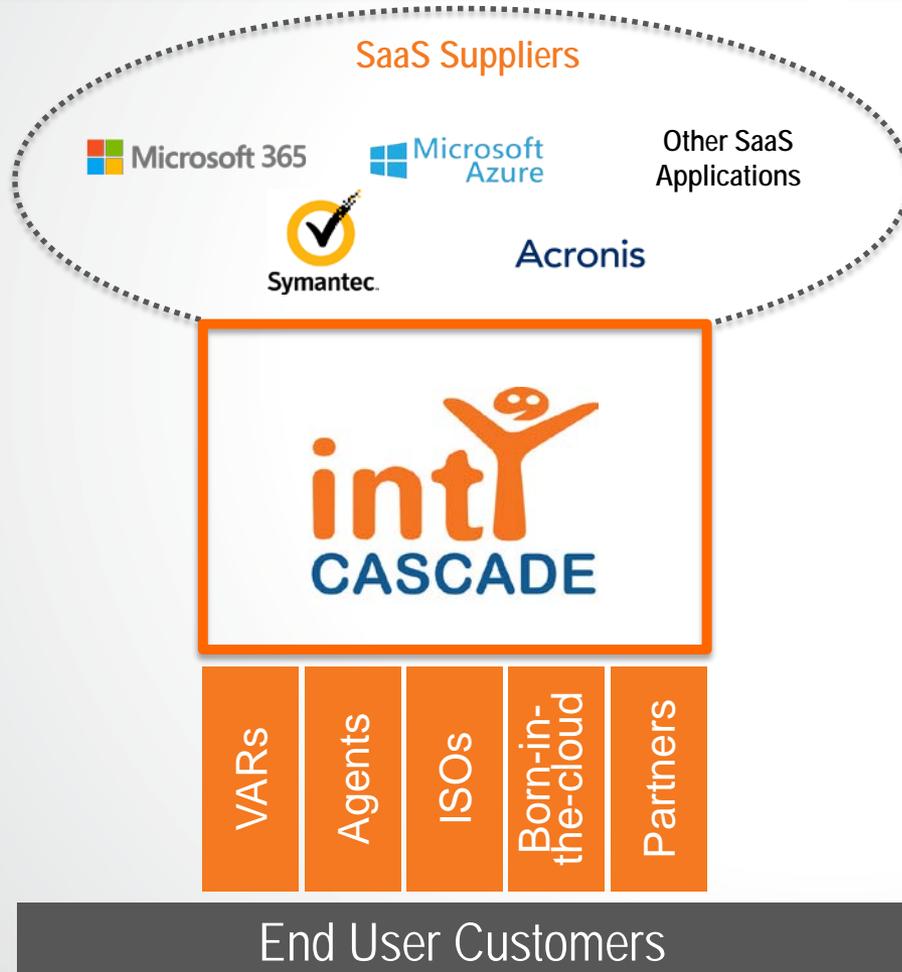
CUSTOMER CHANNELS



ISV Strategy - Example

- Salon ISV with cloud-based solution (SaaS)
- 10,000 end users
- ISV focus: subscriptions not hardware
- Engineer bundled payment solutions (hardware, software, and support)
- ISV refers end user to POS Portal
- Simplify end user experience

ADDING CAPABILITIES WITH CASCADE CLOUD PLATFORM



Digital Distribution with CASCADE Cloud Platform

- CASCADE Capabilities:
 - ✓ Quote management
 - ✓ SaaS provisioning
 - ✓ Subscription billing and payment
 - ✓ Partner insights (analytics & lead referral)
- Scalable platform with over 1,800 active sales partners
- Plan to add more SaaS suppliers to help sales partners sell strategic cloud solutions



FINANCIAL HIGHLIGHTS

LONGER-TERM OPERATING GOALS AND RECENT RESULTS

OPERATING GOALS



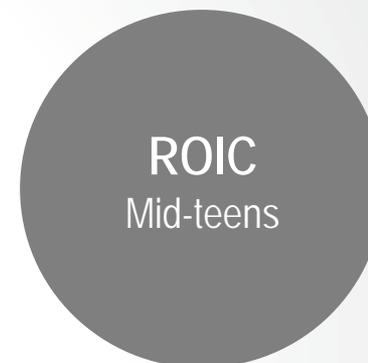
FY20 YTD
Y/Y **-2.1%**
Y/Y, organic* **-0.5%**



FY20 YTD
GAAP **11.3%**
Non-GAAP* **11.7%**



FY20 YTD
GAAP **1.5%**
Non-GAAP* **2.9%**



FY20 YTD
8.6%

OPERATING GOALS

* Organic growth, a non-GAAP measure, reflects reported sales growth, excluding Planned Divestitures less impacts from foreign currency translation and acquisitions. Non-GAAP gross profit excludes Planned Divestitures. Non-GAAP operating income excludes amortization of intangibles, changes in fair value of contingent consideration, acquisition costs, impact of Planned Divestitures, and other non-GAAP items. ROIC, a non-GAAP measure, is calculated as adjusted EBITDA, plus change in fair value of contingent consideration divided by invested capital. See appendix for calculations of non-GAAP measures and reconciliations to GAAP measures.

CAPITAL ALLOCATION STRATEGY

- Priorities: organic growth and strategic acquisitions
- Net leverage: target range of 1.5x to 2.5x EBITDA
- In August 2019, announced planned divestiture of physical product businesses outside of the United States, Canada and Brazil

FY17 to FY20 YTD CASH USES

FUNDED BY OPERATING CASH FLOW (+\$243 million) AND INCREASE IN NET DEBT (+\$271 million)

INVESTMENTS IN PROFITABLE GROWTH



ACQUISITIONS
\$444 million



CAPEX
\$31 million

RETURN OF CASH TO SHAREHOLDERS



SHARE REPURCHASES
\$36 million

STRONG FINANCIAL POSITION FOR GROWTH

STRONG BALANCE SHEET AND FINANCIAL FLEXIBILITY

2.4x net debt to adjusted EBITDA, trailing 12-months

\$35 million in cash and \$321 million in debt

\$147 million term loan and \$350 million revolving credit facility

WORKING CAPITAL MANAGEMENT

4.4 inventory turns (5-qtr range: 4.3 to 5.1)

Paid for inventory days of 14.1* (5-qtr range: 11.8 to 24.2)

64 days sales outstanding in receivables* (5-qtr range: 59 to 64)

Information as of 3/31/20, unless otherwise indicated

** Excludes Intelisys; paid for inventory days represent Q/E inventory days less Q/E accounts payable days*

INVESTMENT HIGHLIGHTS

1

MARKET
LEADERSHIP

Leadership position in specialty markets with continued growth driven by innovative technology offerings; aligning the business to address customer needs

2

DEEP
PARTNERSHIPS

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

3

EXPANSION
OPPORTUNITIES

Capitalizing on expansion in higher margin and growth areas; opportunity for expansion in Solutions-as-a-Service with recurring revenue opportunities

4

SUSTAINABLE
MARGINS

Sustainable margin profile supported by multiple technologies, services and solutions

5

ATTRACTIVE
GROWTH
POTENTIAL

ROIC drives strong balance sheet and financial flexibility enabling disciplined cash deployment into faster growth areas while increasing bottom-line profitability

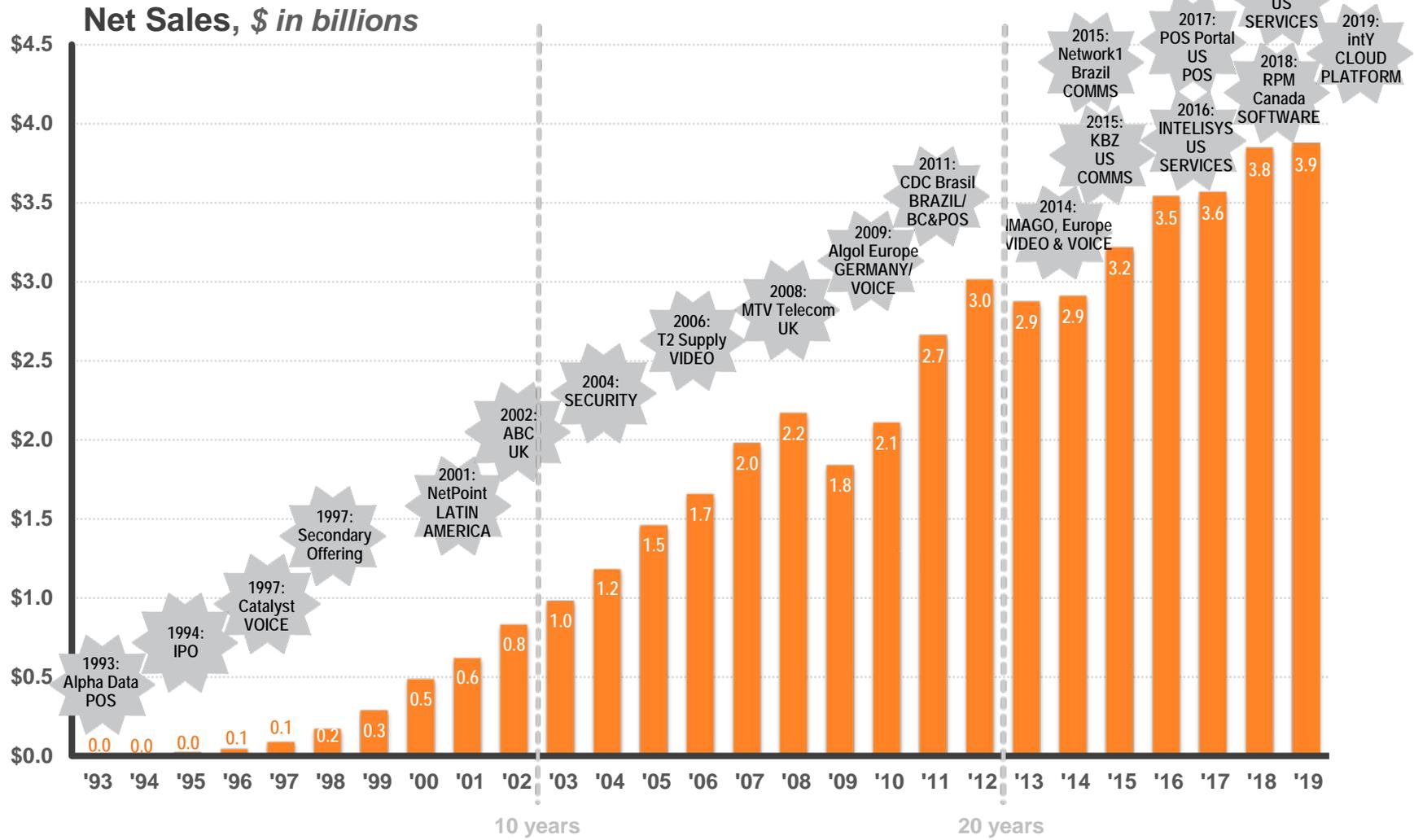


APPENDIX

scansource.com



SCANSOURCE HISTORY



Since inception, completed 28 acquisitions
 Net sales for fiscal years ended 6/30

10-Year Compound Annual Growth Rate: 8%

ONE SCANSOURCE STRATEGY

FROM: 5 NORTH AMERICAN VAR BUSINESS UNITS (BU) (structure before April 2019)

POS AND
BARCODE
BUSINESS UNIT

NETWORKING AND
SECURITY
BUSINESS UNIT

CISCO
BUSINESS UNIT

COMMUNICATIONS
BUSINESS UNIT

CATALYST
BUSINESS UNIT

BU-DEDICATED:

BU-DEDICATED:

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SALES

SALES

SALES

SALES

SALES

MERCHANDISING

MERCHANDISING

MERCHANDISING

MERCHANDISING

MERCHANDISING

TECHNICAL
SUPPORT

TECHNICAL
SUPPORT

TECHNICAL
SUPPORT

TECHNICAL
SUPPORT

TECHNICAL
SUPPORT

SEGMENT FINANCIAL RESULTS – Q3 FY20

WORLDWIDE BARCODE, NW & SECURITY

<i>\$ in millions</i>	Q3 FY20	Q2 FY20	Q3 FY19
Net sales	\$583.6	\$686.2	\$596.9
Non-GAAP net sales	\$489.2	\$575.0	\$496.7
Gross profit	\$48.6	\$60.1	\$61.6
Gross profit margin %	8.3%	8.8%	10.3%
Non-GAAP gross profit	\$41.9	\$51.1	\$52.6
Non-GAAP gross profit margin %	8.6%	8.9%	10.6%
Operating income	\$3.9	\$14.1	\$16.9
Operating income %	0.7%	2.1%	2.8%
Non-GAAP operating income	\$5.3	\$15.3	\$18.2
Non-GAAP operating income %	1.1%	2.7%	3.7%

WORLDWIDE COMMUNICATIONS & SERVICES

<i>\$ in millions</i>	Q3 FY20	Q2 FY20	Q3 FY19
Net sales	\$288.8	\$303.3	\$296.4
Non-GAAP net sales	\$255.4	\$258.7	\$256.1
Gross profit	\$46.2	\$53.7	\$48.5
Gross profit margin %	16.0%	17.7%	16.3%
Non-GAAP gross profit	\$42.7	\$47.3	\$43.2
Non-GAAP gross profit margin %	16.7%	18.3%	16.9%
Operating income	\$3.2	\$5.6	\$2.2
Operating income %	1.1%	1.8%	0.7%
Non-GAAP operating income	\$9.5	\$13.3	\$12.4
Non-GAAP operating income %	3.7%	5.1%	4.8%

Organic growth, a non-GAAP measure, reflects reported sales growth, excluding Planned Divestitures less impacts from foreign currency translation and acquisitions. Non-GAAP net sales and non-GAAP gross margin exclude Planned Divestitures. Non-GAAP operating income excludes amortization of intangibles, change in fair value of contingent consideration, impact of Planned Divestitures, and restructuring costs.

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Y/Y Sales Growth – Organic and Reported

(\$ in thousands)

Consolidated:

	Q3 FY20	Q2 FY20	Q1 FY20	FY20 YTD
Net sales, as reported	\$ 872,483	\$ 979,911	\$ 998,418	\$2,850,812
Planned Divestitures	(127,875)	(155,767)	(155,515)	(439,157)
Non-GAAP net sales, excluding Planned Divestitures	744,608	824,144	842,903	2,411,655
Foreign exchange impact ^(a)	13,328	6,986	339	20,653
Net sales, constant currency excluding Planned Divestitures	757,936	831,130	843,242	2,432,308
Less: Acquisitions	(1,677)	(2,443)	(3,647)	(7,767)
Net sales, constant currency excluding Planned Divestitures and acquisitions (Non-GAAP)	<u>\$ 756,259</u>	<u>\$ 828,687</u>	<u>\$ 839,595</u>	<u>\$2,424,541</u>
Prior year quarter net sales, as reported	\$ 893,357	\$1,046,021	\$ 972,900	\$2,912,278
Planned Divestitures	(140,511)	(173,611)	(159,645)	(473,767)
Prior year quarter net sales, excluding Planned Divestitures	752,846	872,410	813,255	2,438,511
Less: Acquisitions	-	(98)	(964)	(1,062)
Prior year quarter net sales, as adjusted	<u>\$ 752,846</u>	<u>\$ 872,312</u>	<u>\$ 812,291</u>	<u>\$2,437,449</u>
Y/Y% Change:				
Sales growth, as reported	-2.3%	-6.3%	2.6%	-2.1%
Non-GAAP sales growth, excluding Planned Divestitures	-1.1%	-5.5%	3.6%	-1.1%
Sales growth, constant currency excluding Planned Divestitures and acquisitions (organic growth)	0.5%	-5.0%	3.4%	-0.5%

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

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Highlights by Segment – QTR

Quarter Ended March 31, 2020

(\$ in thousands)

	Reported GAAP measure	Intangible amortization expense	Change in fair value of contingent consideration	Tax recovery, net	Restructuring costs	Impact of Planned Divestitures	Non-GAAP measure
Worldwide Barcode, NW & Security:							
Net sales	\$ 583,642	-	-	-	-	\$ (94,424)	\$ 489,218
Gross Profit	\$ 48,583	-	-	-	-	\$ (6,712)	\$ 41,871
Gross profit margin %	8.32%	-	-	-	-	7.11%	8.56%
Operating income	\$ 3,870	\$ 1,968	-	\$ (1,452)	-	\$ 925	\$ 5,311
Operating income margin %	0.66%	-	-	-	-	-0.98%	1.09%
Worldwide Communications & Services:							
Net sales	\$ 288,841	-	-	-	-	\$ (33,451)	\$ 255,390
Gross Profit	\$ 46,226	-	-	-	-	\$ (3,494)	\$ 42,732
Gross profit margin %	16.00%	-	-	-	-	10.45%	16.73%
Operating Income	\$ 3,199	\$ 3,518	\$ 618	\$ (77)	\$ 155	\$ 2,095	\$ 9,508
Operating income margin %	1.11%	-	-	-	-	-6.26%	3.72%

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Highlights by Segment – QTR

Quarter Ended December 31, 2019

(\$ in thousands)

	Reported GAAP measure	Intangible amortization expense	Change in fair value of contingent consideration	Tax recovery, net	Restructuring costs	Impact of Planned Divestitures	Non-GAAP measure
Worldwide Barcode, NW & Security:							
Net sales	\$ 686,237	-	-	-	-	\$ (111,237)	\$ 575,000
Gross Profit	\$ 60,136	-	-	-	-	\$ (9,003)	\$ 51,133
Gross profit margin %	8.76%	-	-	-	-	8.09%	8.89%
Operating income	\$ 14,076	\$ 1,968	-	-	-	\$ (735)	\$ 15,309
Operating income margin %	2.05%	-	-	-	-	0.66%	2.66%
Worldwide Communications & Services:							
Net sales	\$ 303,266	-	-	-	-	\$ (44,530)	\$ 258,736
Gross Profit	\$ 53,748	-	-	-	-	\$ (6,467)	\$ 47,281
Gross profit margin %	17.72%	-	-	-	-	14.52%	18.27%
Operating Income	\$ 5,572	\$ 3,664	\$ 3,176	\$ -	\$ 490	\$ 364	\$ 13,266
Operating income margin %	1.84%	-	-	-	-	-0.82%	5.13%

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Highlights by Segment – QTR

Quarter Ended March 31, 2019

(\$ in thousands)

	Reported GAAP measure	Intangible amortization expense	Change in fair value of contingent consideration	Tax recovery, net	Restructuring costs	Impact of Planned Divestitures	Non-GAAP measure
Worldwide Barcode, NW & Security:							
Net sales	\$ 596,913	-	-	-	-	\$ (100,170)	\$ 496,743
Gross Profit	\$ 61,563	-	-	-	-	\$ (8,963)	\$ 52,600
Gross profit margin %	10.31%	-	-	-	-	8.95%	10.59%
Operating income	\$ 16,865	\$ 1,968	-	-	-	\$ (618)	\$ 18,215
Operating income margin %	2.83%	-	-	-	-	0.62%	3.67%
Worldwide Communications & Services:							
Net sales	\$ 296,444	-	-	-	-	\$ (40,341)	\$ 256,103
Gross Profit	\$ 48,452	-	-	-	-	\$ (5,245)	\$ 43,207
Gross profit margin %	16.34%	-	-	-	-	13.00%	16.87%
Operating Income	\$ 2,161	\$ 3,037	\$ 5,101	\$ -	\$ 592	\$ 1,516	\$ 12,407
Operating income margin %	0.73%	-	-	-	-	-3.76%	4.84%

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Return on Invested Capital (ROIC)

(\$ in thousands)

Return on invested capital (ROIC), annualized ^(a)

	Q3 FY20	Q2 FY20	Q1 FY20	FY20 YTD
Return on invested capital (ROIC), annualized ^(a)	6.1%	9.9%	9.6%	8.6%
<u>Reconciliation of Net Income to Adjusted EBITDA</u>				
Net income - GAAP	\$ 1,713	\$ 11,366	\$ 11,530	\$ 24,609
Plus: Interest expense	3,421	3,751	3,792	10,964
Plus: Income taxes	1,939	4,354	4,051	10,344
Plus: Depreciation and amortization	9,539	9,700	9,189	28,428
EBITDA	16,612	29,171	28,562	74,345
Plus: Change in fair value of contingent consideration	618	3,176	2,472	6,266
Less: Tax recovery, net	(1,529)	-	-	(1,529)
Plus: Acquisition and divestiture costs	780	1,151	757	2,688
Plus: Restructuring costs	155	490	169	814
Plus: Impact of Planned Divestitures	3,231	(870)	(76)	2,285
Adjusted EBITDA (numerator for ROIC)(non-GAAP)	\$ 19,867	\$ 33,118	\$ 31,884	\$ 84,869
<u>Invested Capital Calculation</u>				
Equity - beginning of the period	\$ 927,580	\$ 905,751	\$ 914,129	\$ 914,129
Equity - end of the period	897,678	927,580	905,751	897,678
Plus: Change in fair value of contingent consideration, net of tax	467	2,401	1,869	4,737
Less: Tax recovery, net of tax	(1,224)	-	-	(1,224)
Plus: Acquisition and divestiture costs	780	1,151	757	2,688
Plus: Restructuring costs, net of tax	114	378	128	620
Plus: Impact of Planned Divestitures, net of tax	3,248	(121)	444	3,571
Average equity	914,322	918,570	911,539	911,100
Average funded debt ^(b)	405,533	411,614	407,306	408,151
Invested capital (denominator for ROIC)(non-GAAP)	\$ 1,319,855	\$ 1,330,184	\$ 1,318,845	\$ 1,319,251

(a) Calculated as earnings before interest expense, income taxes, depreciation and amortization (EBITDA), plus change in fair value of contingent consideration and 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 is calculated as the average daily amounts outstanding on short-term and long-term interest-bearing debt.

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Gross Margin and Non-GAAP Operating Income %

(\$ in millions)

	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Net sales	\$2,115.0	\$2,666.5	\$3,015.3	\$2,877.0	\$2,913.6	\$3,218.6	\$3,540.2	\$3,568.2	\$3,846.3	\$3,873.1
Gross margin	10.4%	10.3%	10.0%	10.2%	10.3%	10.2%	10.0%	10.8%	11.3%	11.7%
GAAP operating income	\$75.8	\$113.1	\$113.5	\$51.0	\$121.8	\$101.4	\$96.9	\$88.2	\$67.6	\$90.0
Adjustments:										
Amortization of intangible assets	2.0	3.0	6.4	4.9	3.9	6.6	9.8	15.5	20.7	19.7
Change in fair value of contingent consideration	-	(0.1)	0.1	1.8	2.3	2.7	1.3	5.2	37.0	15.2
Acquisition costs	-	-	-	-	-	3.3	0.9	1.3	0.2	1.2
Restructuring Costs	-	-	-	-	-	-	-	-	-	2.4
Impairment charges, including ERP & goodwill, and Belgian costs	-	-	-	50.9	-	-	-	-	-	-
Tax settlement and related interest income	-	-	-	-	-	-	-	-	(2.5)	-
Legal recovery, net of attorney fees	-	-	-	-	(15.5)	-	-	-	1.0	-
Non-GAAP operating income	\$77.8	\$116.0	\$120.0	\$108.7	\$112.5	\$114.0	\$108.9	\$110.2	\$124.0	\$128.5
GAAP operating income % (of net sales)	3.58%	4.24%	3.76%	1.77%	4.18%	3.15%	2.74%	2.47%	1.76%	2.32%
Non-GAAP operating income % (of net sales)	3.68%	4.35%	3.98%	3.78%	3.86%	3.54%	3.08%	3.09%	3.22%	3.32%

Note: Includes Planned Divestitures for all periods presented.