



INVESTOR PRESENTATION

SEPTEMBER 2020





SAFE HARBOR AND NON-GAAP

Safe Harbor Statement

This presentation contains certain comments that 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. 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, our ability to complete the Divestitures on acceptable terms or at all, changes in our operating strategy, the impact of COVID-19 pandemic on our operations and financial conditions, 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, and other factors set forth in the “Risk Factors” contained in our annual report on Form 10-K for the year ended June 20, 2020, 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.

Unless otherwise noted, our business descriptions and results in this presentation reflect continuing operations only.

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 • 500+ Technology Suppliers • 30,000+ Sales Partners
• 2,200+ Employees • US, Canada, Brazil, UK

ROBUST VALUE PROPOSITION

FOR SUPPLIERS

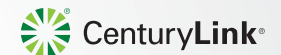


FOR SALES PARTNERS

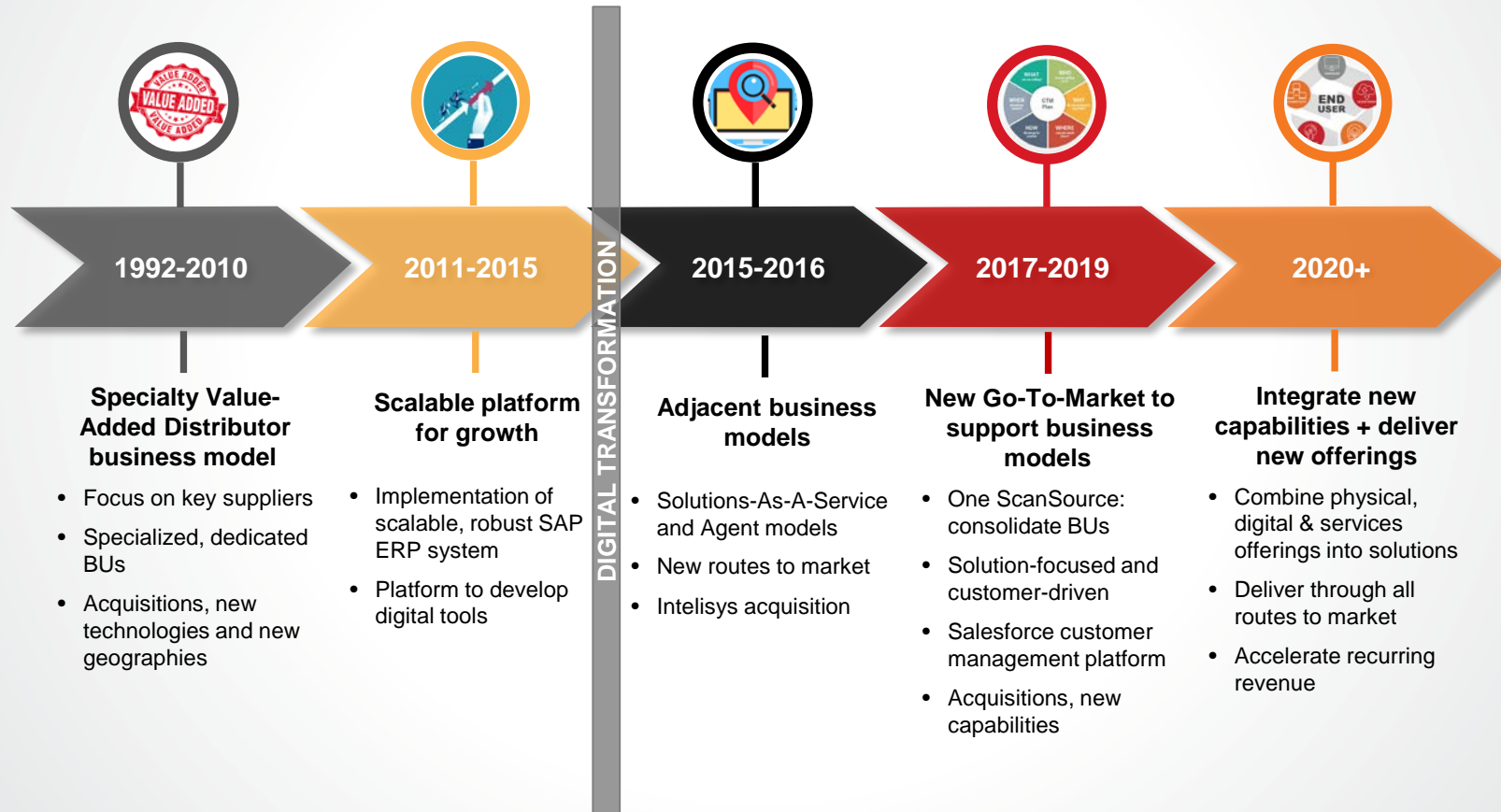


ROUTES TO MARKET FOR KEY SUPPLIERS

MOBILITY & BARCODE



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

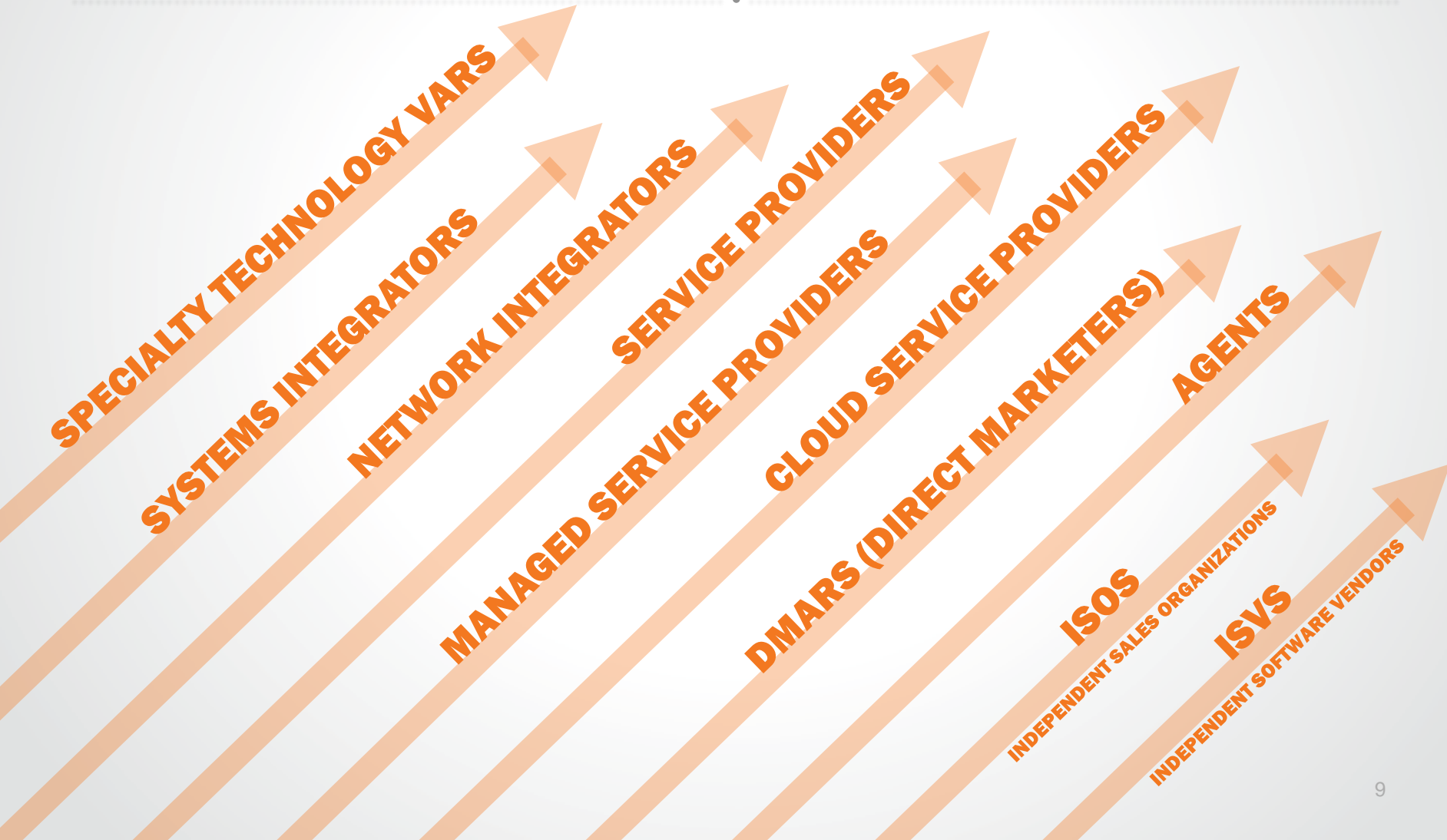
- Customer intimacy
- Competitive differentiation
- Growth

OBJECTIVE

Set up sales teams to deliver on customer requirements

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

ROUTES TO MARKET



KEY GROWTH INITIATIVES

UCaaS and CCaaS

VIDEO SURVEILLANCE

BRAZIL

INTELISYS

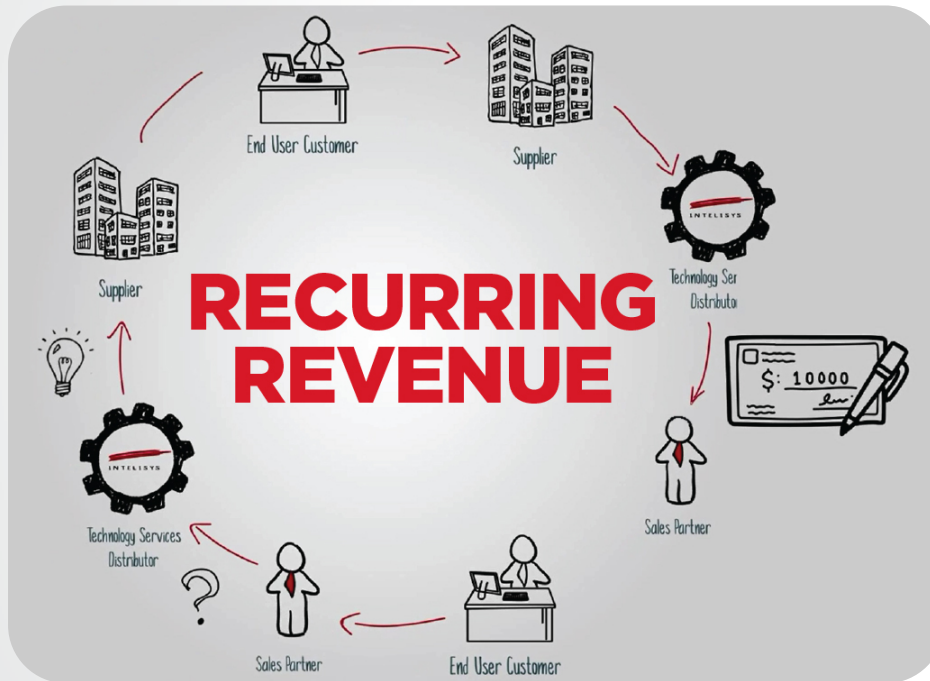
POS PORTAL

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

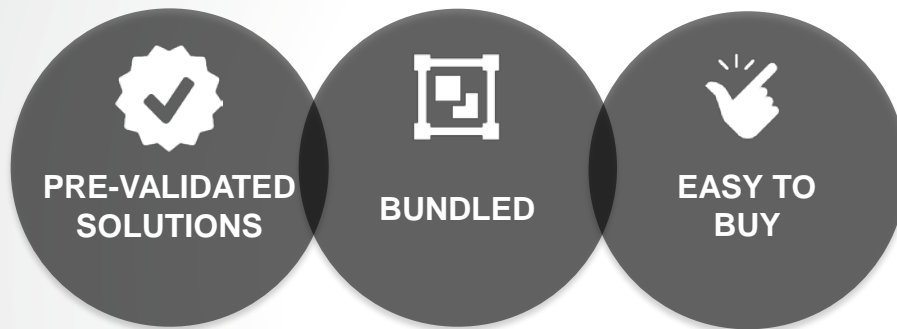


Telecom and Cloud Services Distributor

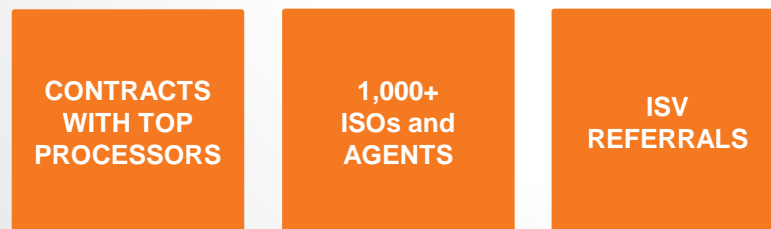
- Master agent business model
- Intelisys earns percentage of commissions, building recurring revenues
- Large, growing addressable market with expected channel shift
- More than 125 leading cloud carriers and providers; top UCaaS and CCaaS
- Very low working capital requirements and no inventories
- FY20 total revenues of \$57 million, up 15% Y/Y

POS PORTAL CUSTOMER CHANNELS

PAYMENTS SOLUTIONS AT VALUE-ADDED MARGINS



CUSTOMER CHANNELS

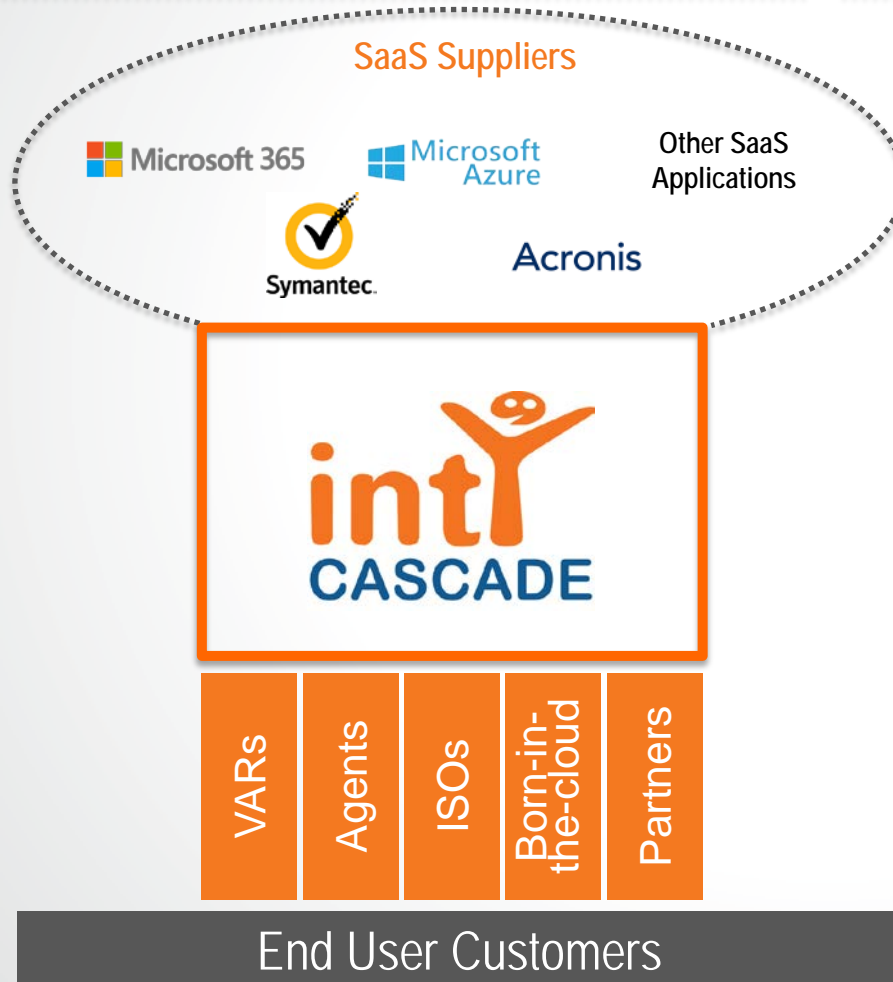


ISV Strategy - Example

- 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

Note: POS Portal acquisition completed August 2017; ISV (Independent Software Vendor)

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

SALES GROWTH

Faster than market

FY20

Y/Y -6.2%

Y/Y, organic* -5.2%

GROSS MARGIN

11%+

FY20

GAAP 11.7%

OPERATING MARGIN

3.5% to 4%

FY20

GAAP -2.1%

Non-GAAP* 2.6%

ROIC

Mid-teens

FY20

7.5%

OPERATING GOALS

* Organic growth, a non-GAAP measure, reflects reported sales growth less impacts from foreign currency translation and acquisitions. Non-GAAP operating income excludes amortization of intangibles, changes in fair value of contingent consideration, impairment charges, acquisition/divestiture costs, 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 divestitures of products distribution business outside of the United States, Canada and Brazil

FY19 to FY20 CASH USES FUNDED BY OPERATING CASH FLOW (+\$198 million)

INVESTMENTS IN PROFITABLE GROWTH



ACQUISITIONS
\$152 million



CAPEX
\$12 million

RETURN OF CASH TO SHAREHOLDERS



SHARE REPURCHASES
\$16 million

STRONG FINANCIAL POSITION FOR GROWTH

STRONG BALANCE SHEET AND FINANCIAL FLEXIBILITY

2.2x net debt to adjusted EBITDA, trailing 12-months*

\$34 million in cash and \$247 million in debt*

\$146 million term loan and \$350 million revolving credit facility

WORKING CAPITAL MANAGEMENT

4.5 inventory turns (5-qtr range: 4.5 to 5.2)

Paid for inventory days of 10.9** (5-qtr range: 9.3 to 15.1)

63 days sales outstanding in receivables** (5-qtr range: 56 to 63)

Information as of 6/30/20, unless otherwise indicated

** For both continuing operations and discontinued operations*

*** 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



APPENDIX: 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:

SALES

MERCHANDISING

TECHNICAL
SUPPORT

BU-DEDICATED:

SALES

MERCHANDISING

TECHNICAL
SUPPORT

BU-DEDICATED:

SALES

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TECHNICAL
SUPPORT

APPENDIX: SEGMENT FINANCIAL RESULTS

WORLDWIDE BARCODE, NW & SECURITY

<i>\$ in millions</i>	Q4 FY20	Q3 FY20	Q4 FY19
Net sales	\$447.8	\$489.2	\$529.1
Gross profit	\$37.3	\$41.9	\$49.1
Gross profit margin %	8.3%	8.6%	9.3%
Operating income	\$(112.7)	\$4.8	\$11.5
Operating income %	-25.2%	1.0%	2.2%
Non-GAAP operating income	\$3.7	\$5.3	\$13.5
Non-GAAP operating income %	0.8%	1.1%	2.5%

WORLDWIDE COMMUNICATIONS & SERVICES

<i>\$ in millions</i>	Q4 FY20	Q3 FY20	Q4 FY19
Net sales	\$188.6	\$255.4	\$282.3
Gross profit	\$36.9	\$42.7	\$47.5
Gross profit margin %	19.5%	16.7%	16.8%
Operating income	\$0.5	\$6.4	\$11.3
Operating income %	0.3%	2.5%	4.0%
Non-GAAP operating income	\$4.5	\$9.5	\$17.5
Non-GAAP operating income %	2.4%	3.7%	6.2%

Organic growth, a non-GAAP measure, reflects reported sales growth less impacts from foreign currency translation and acquisitions. Non-GAAP operating income excludes amortization of intangibles, change in fair value of contingent consideration, impairment charges, and other non-GAAP items.

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Y/Y Sales Growth – Organic and Reported

(\$ in thousands)

For the fiscal year ended June 30, 2020:

FY20 net sales, including Divestitures	\$3,609,230
Divestitures	<u>(561,496)</u>
FY20 net sales, as reported	3,047,734
Foreign exchange impact ^(a)	40,224
Less: Acquisitions	<u>(9,122)</u>

FY20 net sales, constant currency excluding Divestitures and acquisitions (Non-GAAP) \$3,078,836

For the fiscal year ended June 30, 2019:

FY19 net sales, including Divestitures	\$3,873,111
Divestitures	<u>(623,312)</u>
FY19 net sales, as reported	3,249,799
Less: Acquisitions	<u>(1,026)</u>
FY19 net sales, excluding Divestitures and acquisitions (non-GAAP)	<u><u>\$3,248,773</u></u>

Y/Y% Change:

Including Divestitures	-6.8%
As reported	-6.2%
Constant currency excluding Divestitures and acquisitions (organic growth)	-5.2%

(a) Year-over-year sales growth excluding the translation impact of changes in foreign currency rates. Calculated by translating the net sales for the fiscal year ended June 30, 2020 into U.S. dollars using the weighted average foreign exchange rates for the fiscal year ended June 30, 2019.

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Operating Income -- FY

Fiscal Year Ended June 30, 2020

(\$ in thousands)

	Reported GAAP measure	Intangible amortization expense	Change in fair value of contingent consideration	Acquisition, Divestiture, & Restructuring Costs	Tax settlement	Impairment charges	Non-GAAP measure
Consolidated:							
Net sales	\$ 3,047,734	-	-	-	-	-	\$ 3,047,734
Gross Profit	\$ 355,569	-	-	-	-	-	\$ 355,569
Gross profit margin %	11.67%	-	-	-	-	-	11.67%
Operating income	\$ (64,967)	\$ 19,953	\$ 6,941	\$ 4,604	\$ (8,063)	\$ 120,470	\$ 78,938
Operating income margin %	-2.13%	-	-	-	-	-	2.59%

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Highlights by Segment – QTR

Quarter Ended June 30, 2020

(\$ in thousands)

	Reported GAAP measure	Intangible amortization expense	Change in fair value of contingent consideration	Acquisition, Divestiture, & Restructuring Costs	Tax settlement	Impairment charges	Non-GAAP measure
Worldwide Barcode, NW & Security:							
Net sales	\$ 447,812	-	-	-	-	-	\$ 447,812
Gross Profit	\$ 37,289	-	-	-	-	-	\$ 37,289
Gross profit margin %	8.33%	-	-	-	-	-	8.33%
Operating income	\$ (112,669)	\$ 1,968	-	-	\$ (4,648)	\$ 119,037	\$ 3,688
Operating income margin %	-25.16%	-	-	-	-	-	0.82%
Worldwide Communications & Services:							
Net sales	\$ 188,638	-	-	-	-	-	\$ 188,638
Gross Profit	\$ 36,858	-	-	-	-	-	\$ 36,858
Gross profit margin %	19.54%	-	-	-	-	-	19.54%
Operating Income	\$ 540	\$ 2,978	674	-	\$ (1,095)	\$ 1,433	\$ 4,530
Operating income margin %	0.29%	-	-	-	-	-	2.40%

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	Acquisition, Divestiture, & Restructuring Costs	Tax settlement	Impairment charges	Non-GAAP measure
Worldwide Barcode, NW & Security:							
Net sales	\$ 489,218	-	-	-	-	-	\$ 489,218
Gross Profit	\$ 41,871	-	-	-	-	-	\$ 41,871
Gross profit margin %	8.56%	-	-	-	-	-	8.56%
Operating income	\$ 4,795	\$ 1,968	-	-	\$ (1,452)	-	\$ 5,311
Operating income margin %	0.98%	-	-	-	-	-	1.09%
Worldwide Communications & Services:							
Net sales	\$ 255,390	-	-	-	-	-	\$ 255,390
Gross Profit	\$ 42,732	-	-	-	-	-	\$ 42,732
Gross profit margin %	16.73%	-	-	-	-	-	16.73%
Operating Income	\$ 6,398	\$ 3,191	618	169	\$ (868)	-	\$ 9,508
Operating income margin %	2.51%	-	-	-	-	-	3.72%

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Highlights by Segment – QTR

Quarter Ended June 30, 2019

(\$ in thousands)

	Reported GAAP measure	Intangible amortization expense	Change in fair value of contingent consideration	Acquisition, Divestiture, & Restructuring Costs	Tax settlement	Impairment charges	Non-GAAP measure
Worldwide Barcode, NW & Security:							
Net sales	\$ 529,093	-	-	-	-	-	\$ 529,093
Gross Profit	\$ 49,129	-	-	-	-	-	\$ 49,129
Gross profit margin %	9.29%	-	-	-	-	-	9.29%
Operating income	\$ 11,506	\$ 1,968	-	-	-	-	\$ 13,474
Operating income margin %	2.17%	-	-	-	-	-	2.55%
Worldwide Communications & Services:							
Net sales	\$ 282,339	-	-	-	-	-	\$ 282,339
Gross Profit	\$ 47,514	-	-	-	-	-	\$ 47,514
Gross profit margin %	16.83%	-	-	-	-	-	16.83%
Operating Income	\$ 11,284	\$ 2,574	3,666	-	-	-	\$ 17,524
Operating income margin %	4.00%	-	-	-	-	-	6.21%

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Return on Invested Capital (ROIC)

(\$ in thousands)

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

FY20

7.5%

Reconciliation of Net Income to Adjusted EBITDA

Net income - GAAP	\$ (79,227)
Plus: Interest expense	12,224
Plus: Income taxes	7,451
Plus: Depreciation and amortization	35,328
EBITDA	(24,224)
Plus: Change in fair value of contingent consideration	6,941
Less: Tax recovery, net	(10,744)
Plus: Acquisition, divestiture & restructuring costs	4,604
Plus: Impairment charges	120,470
Adjusted EBITDA (numerator for ROIC)(non-GAAP)	<u>\$ 97,047</u>

Invested Capital Calculation

Equity - beginning of the period	\$ 914,129
Equity - end of the period	678,246
Plus: Change in fair value of contingent consideration, net of tax	5,247
Less: Tax recovery, net of tax	(8,001)
Plus: Acquisition, divestiture & restructuring costs, net of tax	4,449
Plus: Asset impairment, net of tax	114,398
Plus: Impact of discontinued operations, net of tax	98,794
Average equity	<u>903,631</u>
Average funded debt ^(b)	390,709
Invested capital (denominator for ROIC)(non-GAAP)	<u>\$ 1,294,340</u>

(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 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.