



Q2 FY16 FINANCIAL RESULTS CONFERENCE CALL

February 9, 2016 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, 2015, as well as the quarterly report on Form 10-Q for the quarter ended September 30, 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 – Q2 FY16

- Exceptional growth and profitability
 - Record net sales of \$994 million, up 23% Y/Y, or 5% in constant currency, excluding acquisitions
 - Record non-GAAP diluted EPS of \$0.88*, up 29% Y/Y
- Second quarter 2016 return on invested capital of 17.5%*
- Strong demand led by large deals in our Barcode & Security segment
- Three successful acquisitions during the past 16 months (Imago, Network1 and KBZ) contributed positively to our growth and strong operating performance
- Robust IT platform for growth

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

HIGHLIGHTS – Q2 FY16

<i>In millions, except EPS</i>	Q2 FY16	Q2 FY15	Change
Net sales	\$993.5	\$807.0	23%
Gross profit	100.6	78.1	29%
<i>Gross profit margin % (of net sales)</i>	10.1%	9.7%	45 bps
Operating income	31.9	26.0	23%
Non-GAAP operating income	36.3	29.4	24%
GAAP net income	20.7	16.8	23%
Non-GAAP net income	23.7	19.7	20%
GAAP diluted EPS	\$0.77	\$0.58	33%
Non-GAAP diluted EPS	\$0.88	\$0.68	29%

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

SALES GROWTH SUMMARY

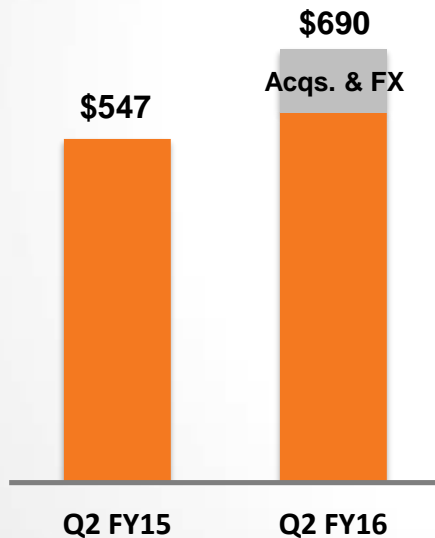
SECOND QTR: Q2 FY16 – Y/Y % CHANGE			
	As Reported	Constant Currency	Constant Currency, excluding Acquisitions
WW Barcode & Security	26.0%	31.9%	7.8%
WW Comms. & Services	17.0%	18.3%	-0.5%
Consolidated	23.1%	27.5%	5.1%

SIX MONTHS: Q2 FY16 YTD – Y/Y % CHANGE			
	As Reported	Constant Currency	Constant Currency, excluding Acquisitions
WW Barcode & Security	15.3%	21.4%	6.2%
WW Comms. & Services	19.6%	21.0%	-1.8%
Consolidated	16.6%	21.2%	3.7%

WW BARCODE & SECURITY

Net Sales, \$ in millions

Up 26%
Constant Currency Excluding
Acquisitions, Up 8%



\$ in millions	Q2 FY16	Q2 FY15
Net sales	\$689.5	\$547.2
Gross profit	\$57.7	\$43.6
Gross margin	8.4%	8.0%
Operating income	\$19.0	\$13.3
Operating income %	2.8%	2.4%
Non-GAAP operating income	\$20.0	\$13.9
Non-GAAP operating income %	2.9%	2.5%

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 17%
Constant Currency Excluding
Acquisitions, Down 0.5%



\$ in millions	Q2 FY16	Q2 FY15
Net sales	\$304.0	\$259.8
Gross profit	\$42.9	\$34.5
Gross margin	14.1%	13.3%
Operating income	\$12.9	\$14.2
Operating income %	4.2%	5.5%
Non-GAAP operating income	\$16.2	\$15.4
Non-GAAP operating income %	5.3%	5.9%

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.

WORKING CAPITAL MEASURES

<i>\$ in millions</i>	Q2 FY16	Q1 FY16	Q2 FY15
Accounts receivable (Q/E)	\$588.4	\$588.0	\$490.7
Days sales outstanding in receivables	53	56*	55
Inventory (Q/E)	\$604.1	\$588.2	\$518.4
Inventory turns	6.0	5.3*	5.8
Accounts payable (Q/E)	\$512.0	\$516.1	\$419.6
Paid for inventory days	9.3	13.0*	12.2

* Excludes the impact of KBZ, which was completed September 4, 2015

CASH FLOW AND BALANCE SHEET HIGHLIGHTS

<i>\$ in millions</i>	Q2 FY16	Q1 FY16	Q2 FY15
Return on invested capital ("ROIC")*	17.5%	14.6%	14.8%
Operating cash flow, trailing 12-months	\$44.7	\$17.1	\$36.7
Cash and cash equivalents (Q/E)	\$39.4	\$41.2	\$121.5
Debt (Q/E)	\$115.1	\$94.5	\$5.4
Net debt to EBITDA, trailing 12-months	0.61x	0.46x	--
Shares repurchased – # of shares (QTR)	801,040	1,149,103	--
Shares repurchased – dollars (QTR)	\$29.6	\$41.9	
Cum. repurchases under plan – # shares (as of Q/E)	2,429,968	1,628,928	
Cum. repurchases under plan – dollars (as of Q/E)	\$90.4	\$60.7	
Remaining authorization under plan (as of Q/E)	\$29.6	\$59.3	--

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

Q3 FY16 OUTLOOK*

For the quarter ending March 31, 2016, excluding amortization of intangible assets, change in fair value of contingent consideration, and acquisition costs:

Net Sales

- Range from \$850 million to \$900 million

Non-GAAP Diluted Earnings Per Share

- Range from \$0.62 to \$0.70 per share

* Outlook as of February 9, 2016. 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, \$0.245 to R\$1.00 for the Brazilian real (R\$3.94 to \$1), and \$1.45 to GBP 1.00 for the British pound.

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Operating Income, Net Income & EPS

(\$ in thousands)

	Quarter Ended December 31, 2015			
	Operating Income	Pre-tax income	Net income	Diluted EPS
GAAP measure	\$ 31,852	\$ 31,632	\$ 20,656	\$ 0.77
Adjustment:				
Amortization of intangible assets	2,545	2,545	1,732	0.06
Change in fair value of contingent consideration	1,816	1,816	1,244	0.05
Acquisition costs (a)	60	60	60	-
Non-GAAP measure	<u>\$ 36,273</u>	<u>\$ 36,053</u>	<u>\$ 23,692</u>	<u>\$ 0.88</u>

	Quarter Ended December 31, 2014			
	Operating Income	Pre-tax income	Net income	Diluted EPS
GAAP measure	\$ 25,990	\$ 25,938	\$ 16,821	\$ 0.58
Adjustment:				
Amortization of intangible assets	1,443	1,443	1,025	0.04
Change in fair value of contingent consideration	463	463	346	0.01
Acquisition costs (a)	1,474	1,474	1,474	0.05
Non-GAAP measure	<u>\$ 29,370</u>	<u>\$ 29,318</u>	<u>\$ 19,666</u>	<u>\$ 0.68</u>

(a) Acquisition costs are nondeductible for tax purposes.

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Highlights by Segment – Y/Y

(\$ in thousands)

	Quarter Ended December 31, 2015			
	WW Barcode & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 689,530	\$ 303,992	\$ -	\$ 993,522
GAAP operating income	\$ 19,000	\$ 12,912	\$ (60)	\$ 31,852
Adjustments:				
Amortization of intangible assets	1,047	1,498	-	2,545
Change in fair value of contingent consideration	-	1,816	-	1,816
Acquisition costs	-	-	60	60
Non-GAAP operating income	\$ 20,047	\$ 16,226	\$ -	\$ 36,273
GAAP operating income % (of net sales)	2.8%	4.2%	n/m	3.2%
Non-GAAP operating income % (of net sales)	2.9%	5.3%	n/m	3.7%

	Quarter Ended December 31, 2014			
	WW Barcode & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 547,171	\$ 259,848	\$ -	\$ 807,019
GAAP operating income	\$ 13,269	\$ 14,195	\$ (1,474)	\$ 25,990
Adjustments:				
Amortization of intangible assets	519	924	-	1,443
Change in fair value of contingent consideration	160	303	-	463
Acquisition costs	-	-	1,474	1,474
Non-GAAP operating income	\$ 13,948	\$ 15,422	\$ -	\$ 29,370
GAAP operating income % (of net sales)	2.4%	5.5%	n/m	3.2%
Non-GAAP operating income % (of net sales)	2.5%	5.9%	n/m	3.6%

n/m = not meaningful



APPENDIX: NON-GAAP FINANCIAL INFORMATION

Return on Invested Capital

(\$ in thousands)

	Q2 FY16	Q1 FY16	Q2 FY15
Return on invested capital (ROIC), annualized (a)	17.5%	14.6%	14.8%
<u>Reconciliation of Net Income to EBITDA</u>			
Net income - GAAP	\$ 20,656	\$ 15,996	\$ 16,821
Plus: Income taxes	10,976	8,426	9,117
Plus: Interest expense	709	281	207
Plus: Depreciation and amortization	4,351	3,938	2,443
EBITDA	36,692	28,641	28,588
Change in fair value of contingent consideration	1,816	1,564	463
Acquisition costs	60	220	1,474
Adjusted EBITDA (numerator for ROIC)(non-GAAP)	\$ 38,568	\$ 30,425	\$ 30,525
<u>Invested Capital Calculation</u>			
Equity - beginning of the quarter	\$ 764,693	\$ 808,985	\$ 810,265
Equity - end of quarter	754,794	764,693	818,748
Add: Change in fair value of contingent consideration, net of tax	1,244	1,080	346
Add: Acquisition costs, net of tax	60	220	1,474
Average equity	760,396	787,489	815,417
Average funded debt (b)	117,421	39,124	5,429
Invested capital (denominator for ROIC)(non-GAAP)	\$ 877,817	\$ 826,613	\$ 820,846

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

Net Sales, Constant Currency and Excluding Acquisitions - QTR

(\$ in thousands)

	WW Barcode & Security	WW Comms. & Services	Consolidated
For the quarter ended December 31, 2015:			
Q2 FY16 net sales, as reported	\$ 689,530	\$ 303,992	\$ 993,522
Foreign exchange negative impact (a)	31,923	3,537	35,460
Q2 FY16 net sales, constant currency	721,453	307,529	1,028,982
Less: Acquisitions	(131,461)	(49,049)	(180,510)
Q2 FY16 net sales, constant currency excl. acquisitions	<u>\$ 589,992</u>	<u>\$ 258,480</u>	<u>\$ 848,472</u>
 Q2 FY15 net sales, as reported	 <u>\$ 547,171</u>	 <u>\$ 259,848</u>	 <u>\$ 807,019</u>
 Y/Y % Change:			
As reported	26.0%	17.0%	23.1%
Constant currency	31.9%	18.3%	27.5%
Constant currency, excluding acquisitions	7.8%	-0.5%	5.1%

(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 ended December 31, 2015 into U.S. dollars using the weighted average foreign exchange rates for the quarter ended December 31, 2014.

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Net Sales, Constant Currency and Excluding Acquisitions - YTD

(\$ in thousands)

	WW Barcode & Security	WW Comms. & Services	Consolidated
For the six months ended December 31, 2015:			
Q2 FY16 YTD net sales, as reported	\$ 1,263,199	\$ 601,151	\$ 1,864,350
Foreign exchange negative impact (a)	66,845	7,115	73,960
Q2 FY16 YTD net sales, constant currency	1,330,044	608,266	1,938,310
Less: Acquisitions	(166,084)	(118,926)	(285,010)
Q2 FY16 YTD net sales, constant currency excl. acquisitions	<u>\$ 1,163,960</u>	<u>\$ 489,340</u>	<u>\$ 1,653,300</u>
Q2 FY15 YTD net sales, as reported	\$ 1,095,943	\$ 502,795	\$ 1,598,738
Less: Acquisitions	-	(4,686)	(4,686)
Q2 FY16 YTD net sales, constant currency excl. acquisitions	<u>\$ 1,095,943</u>	<u>\$ 498,109</u>	<u>\$ 1,594,052</u>
Y/Y % Change:			
As reported	15.3%	19.6%	16.6%
Constant currency	21.4%	21.0%	21.2%
Constant currency, excluding acquisitions	6.2%	-1.8%	3.7%

(a) Year-over-year sales growth excluding the translation impact of changes in foreign currency rates. Calculated by translating the net sales for the six months ended December 31, 2015 into U.S. dollars using the weighted average foreign exchange rates for the six months ended December 31, 2014.