



INVESTOR PRESENTATION

SEPTEMBER 2021



SAFE HARBOR AND NON-GAAP

Safe Harbor Statement

This presentation contains certain comments that are “forward-looking” statements about our FY22 outlook, the impact of the COVID-19 pandemic and our operating strategies 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, the failure to hire and retain quality employees, risk to our business from a cyber-security attack, the failure to manage and implement our organic growth strategy, impact of COVID-19 pandemic on our operations and financial conditions and the potential prolonged economic weakness brought on by COVID-19, a failure of our IT systems, credit risks involving our larger customers and suppliers, changes in interest and exchange rates and regulatory regimes impacting our international operations, loss of our major customers, termination of our relationship with key suppliers or a significant modification of the terms under which we operate with a key supplier, changes in our 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, 2021, 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, non-GAAP SG&A expenses, 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.

INVESTMENT HIGHLIGHTS

1 MARKET LEADERSHIP

Leadership position in large, niche markets with continued growth from innovative technology offerings across hardware, software, connectivity, and cloud

2 DEEP PARTNERSHIPS

Multiple, specialized routes to market (loyal and diverse customer base) and deep supplier partnerships as strong competitive advantages

3 GROWTH OPPORTUNITIES

Capitalizing on expansion in higher margin and growth areas; positioned for shift to cloud, XaaS, and subscription recurring revenue opportunities through digital distribution capabilities built over the past five years

4 MARGIN EXPANSION

Expand margin profile with operational excellence supported by multiple technologies, wrapping services around hardware, and cloud solutions

5 ATTRACTIVE RETURN POTENTIAL

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

SCANSOURCE OVERVIEW

Hybrid Distribution Strategy:
We are accelerating **growth** for our partners across
hardware, software, connectivity, and cloud



MOBILITY
AND BARCODE



POS AND
PAYMENTS



PHYSICAL SECURITY
AND NETWORKING



UNIFIED COMMUNICATIONS
AND COLLABORATION



TELECOM AND
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

KEY SUPPLIERS

MOBILITY AND BARCODE



POS AND PAYMENTS



PHYSICAL SECURITY AND NETWORKING



UNIFIED COMMUNICATIONS AND COLLABORATION



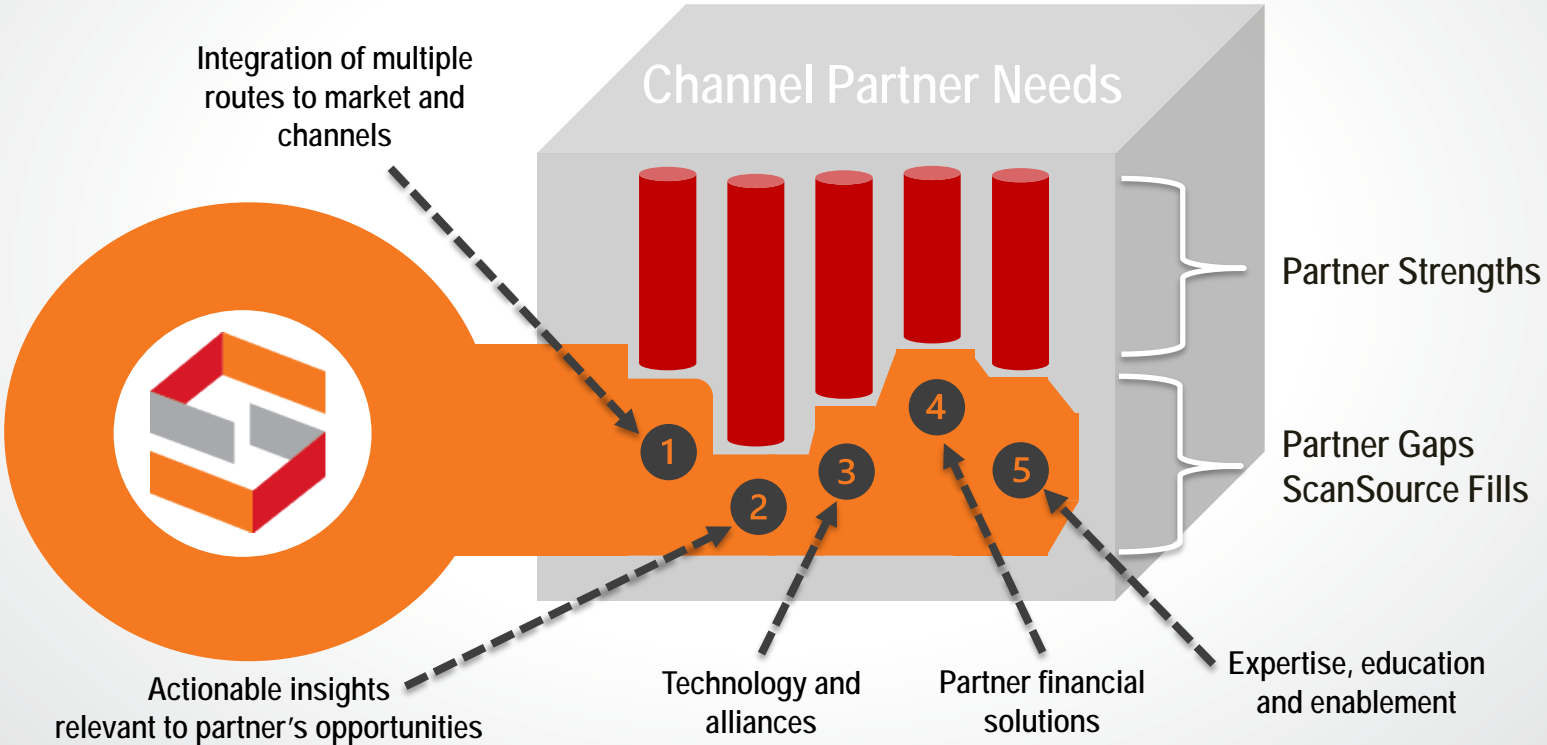
TELECOM AND CLOUD SERVICES



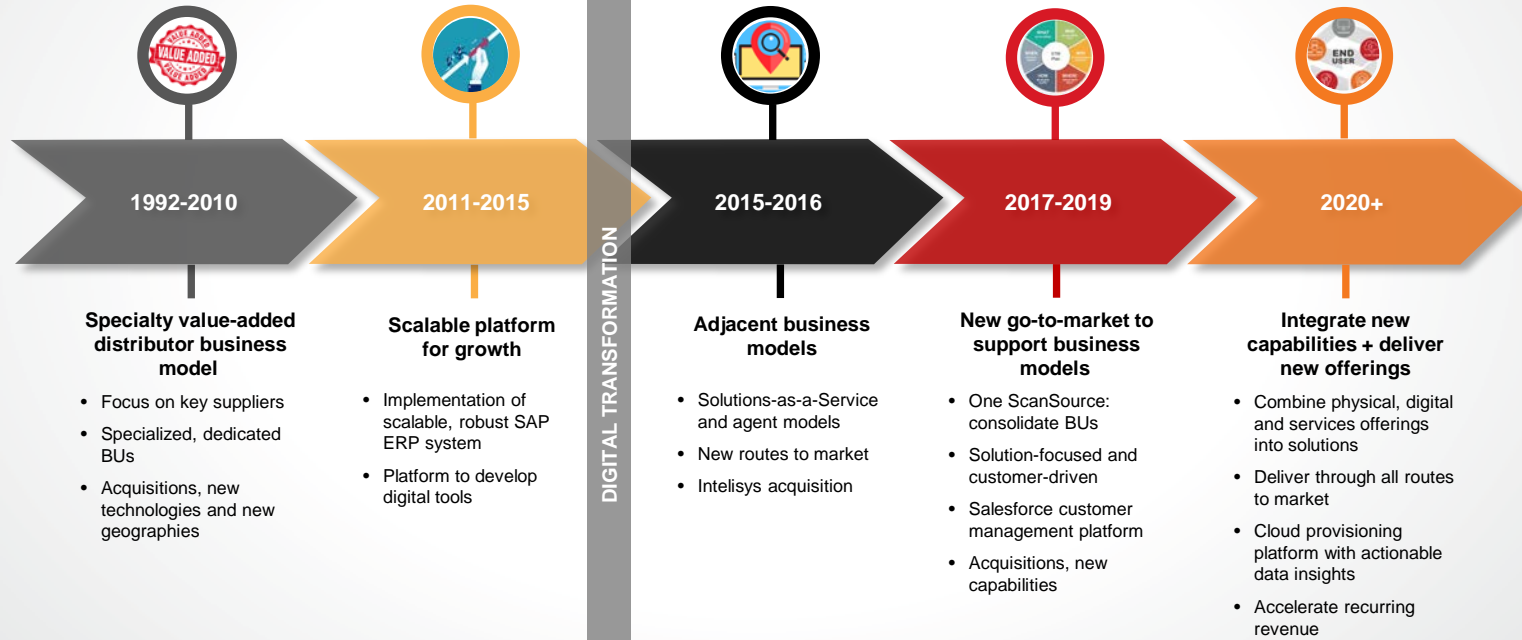
MULTIPLE, SPECIALIZED ROUTES TO MARKET: DIVERSE AND GROWING CUSTOMER BASE



SCANSOURCE VALUE PROPOSITION



SCANSOURCE DIGITAL TRANSFORMATION



EXPAND DIGITAL DISTRIBUTION CAPABILITIES TO ADDRESS END USER TECHNOLOGY CONSUMPTION PREFERENCES

FROM

1. ON PREM
2. HARDWARE & SOFTWARE
3. UPFRONT REVENUE
4. PERPETUAL
5. SALES ORDER ENTRY
6. POINT PRODUCTS



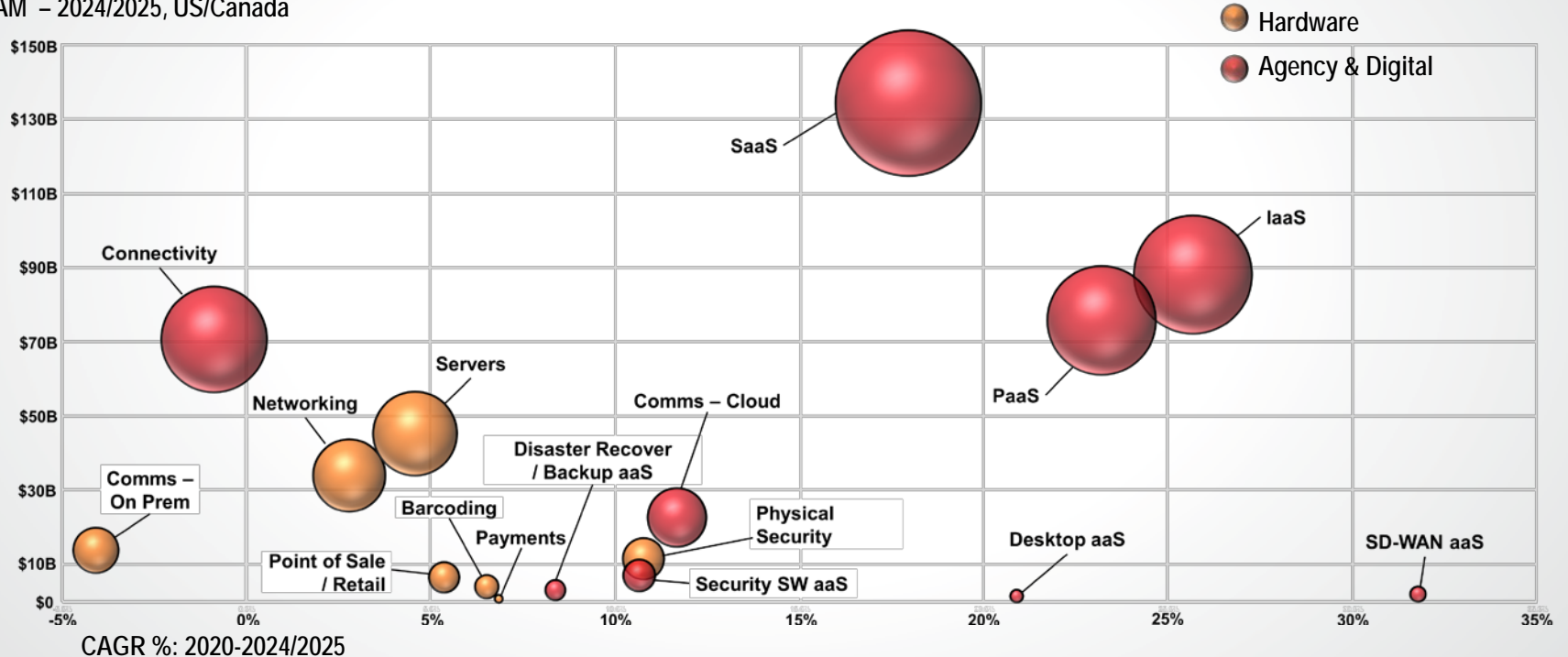
CUSTOMER

TO

1. CLOUD
2. "X" AS A SERVICE
3. RECURRING REVENUE
4. SUBSCRIPTION
5. SELF-SERVICE AUTOMATION
6. SOLUTIONS

LARGE AND GROWING MARKET OPPORTUNITIES

TAM – 2024/2025, US/Canada

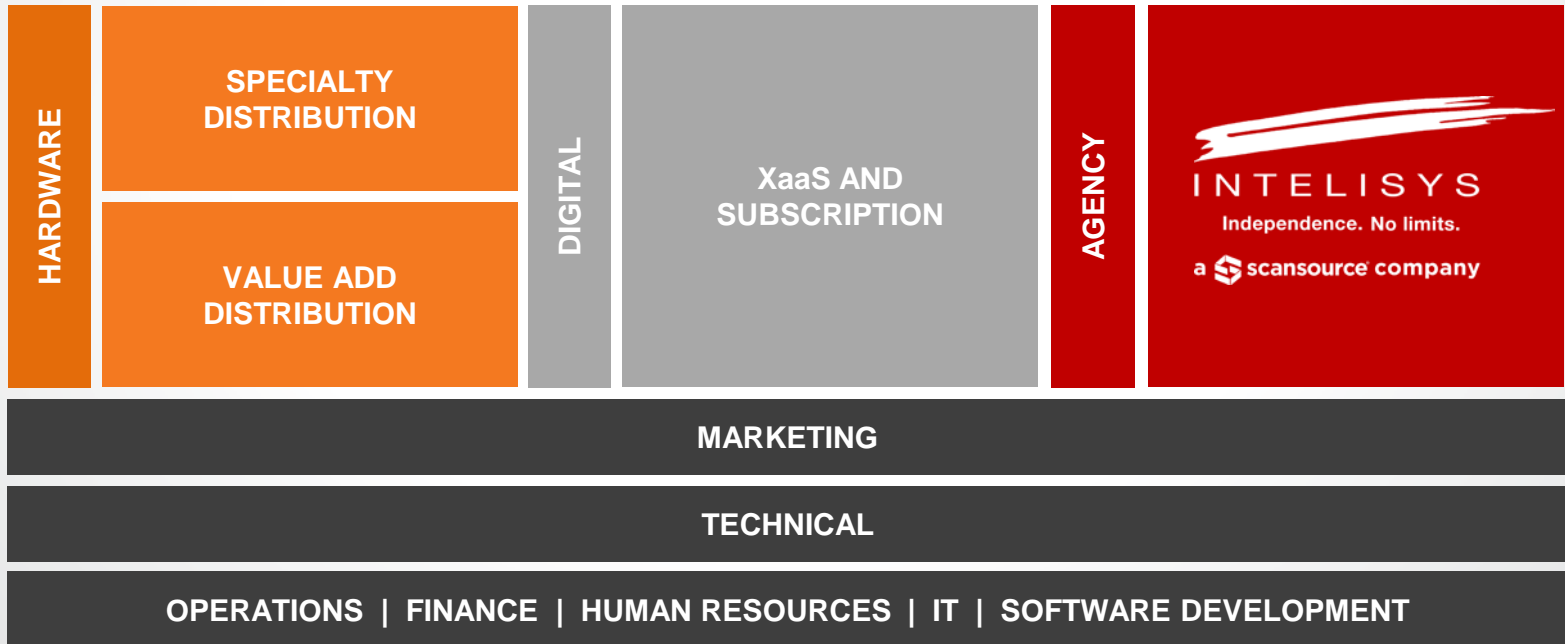


CAGR %: 2020-2024/2025

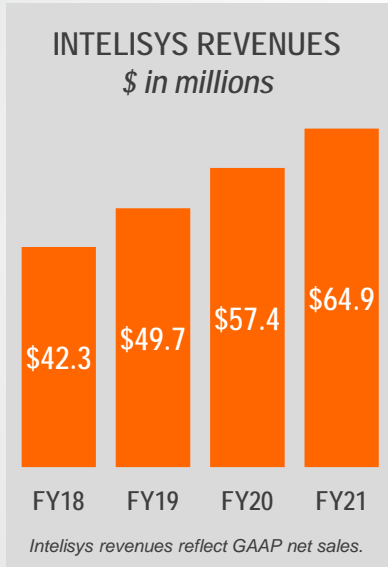
For US and Canada based on end user spending (reflects direct and indirect sales). Source: Internal company estimates using market research from Gartner, IDC, and VDC

SCANSOURCE GO-TO-MARKET

Focused sales teams to help sales partners deliver industry-leading endpoints and cloud solutions



INTELISYS RECURRING REVENUE MODEL



Intelisys Revenues: Net commissions (gross commissions from suppliers less sales partner commissions)



Intelisys Net Billings: Amounts billed by suppliers to end users

Largest Agency Model Telecom and Cloud Services Distributor

- 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
- Intelisys value-adds:
 - Trusted relationships
 - Strong supplier contracts and choice (200+)
 - Commission management tool and accuracy
 - Education, training, and certifications
 - Financial strength of ScanSource

SaaS PLATFORM



Digital Distribution with CASCADE Cloud Platform

- CASCADE Capabilities:
 - ✓ Quote management
 - ✓ SaaS provisioning
 - ✓ Subscription billing and payment
 - ✓ Partner insights (analytics & lead referral)
- Scalable cloud provisioning platform
- Accelerated cloud services growth in Brazil
- Plan to add more SaaS suppliers to help sales partners sell strategic cloud solutions

SHIFTING HARDWARE MIX TO HIGHER-VALUE SOLUTIONS

Accelerate our channel partners' digital transformation

FROM

HARDWARE-CENTRIC SALES



Barcoding



Communications



Physical Security



Point-of-Sale



Networking

TO

SOLUTIONS (SOFTWARE+SERVICES) WITH HARDWARE

Connectivity

Managed Services
Provisioning Services

Infrastructure as a Service | SD-WAN
UCaaS & CCaaS | Platform as a Service
Software as a Service | Cybersecurity



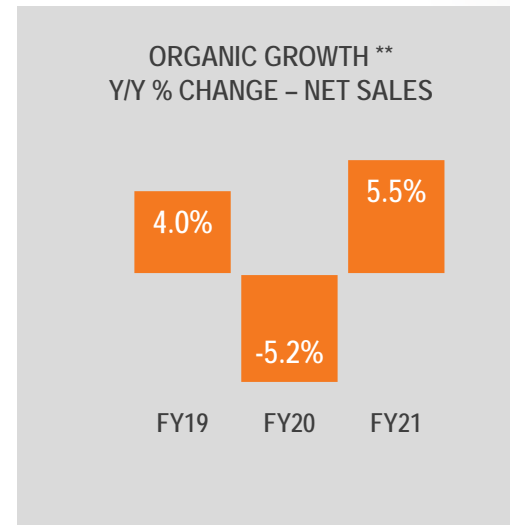
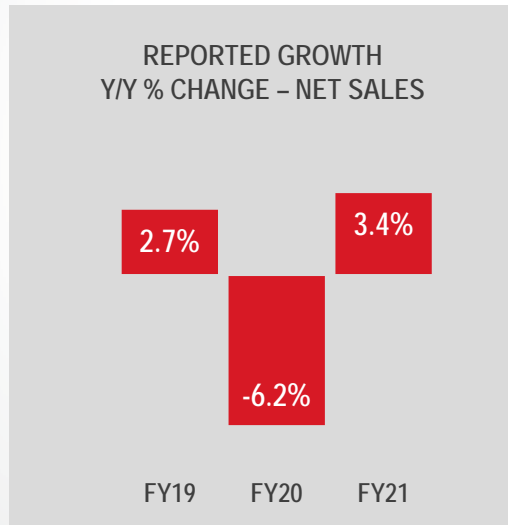
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FINANCIAL HIGHLIGHTS

POSITIONED FOR STRONG ORGANIC GROWTH

FY22 annual outlook of at least 5.5% year-over-year net sales growth *

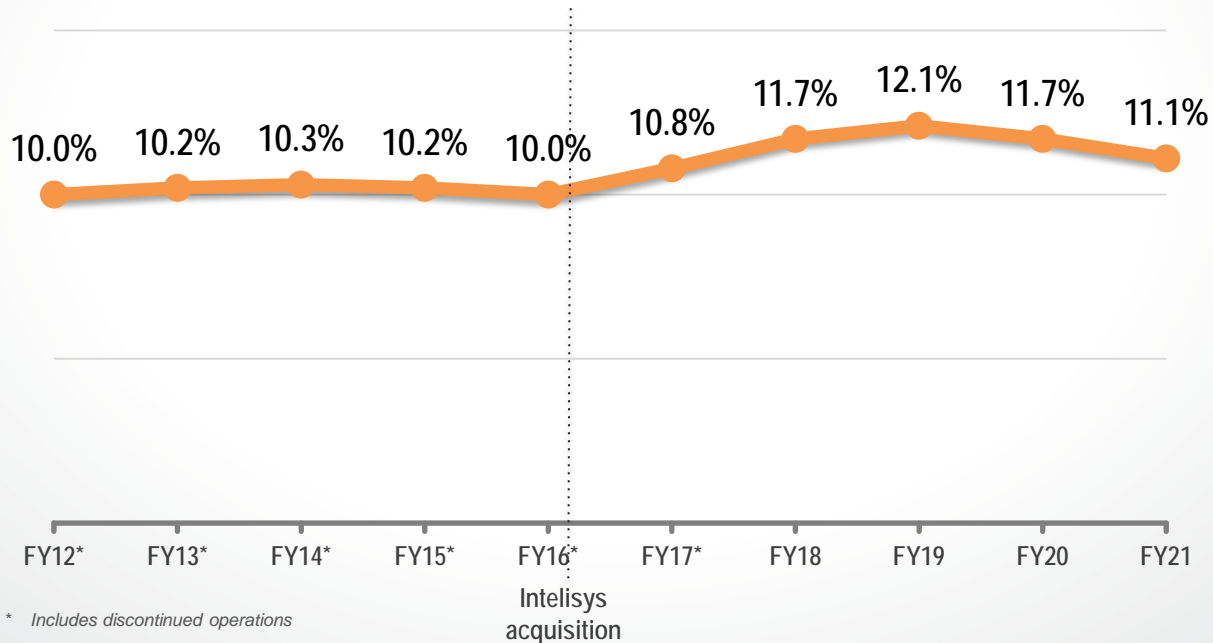


* ScanSource issued guidance for FY22 as of 8/24/21, and such guidance is not being updated in this presentation

** Excludes FX and acquisitions; see appendix for reconciliation to GAAP measure

GROSS PROFIT MARGIN – 10-YEAR TREND

Gross margin expansion driven by digital transformation



CAPITAL ALLOCATION STRATEGY

PRIORITIES

Reinvestment for growth

- Organic growth
- Strategic acquisitions

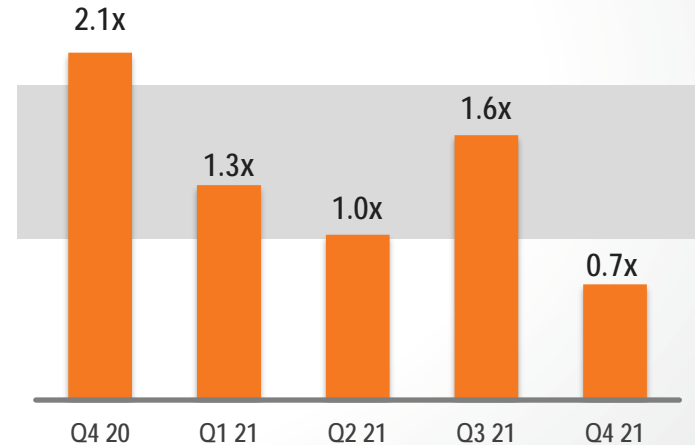
Maintain targeted net leverage ratio

- Target range of 1x to 2x EBITDA

Share repurchases

- Announced \$100 million authorization in Aug '21

NET LEVERAGE RATIO



As of 6/30/21: Debt of \$143 million
Net Debt of \$80 million

STRONG FINANCIAL POSITION FOR GROWTH

STRONG BALANCE SHEET AND FINANCIAL FLEXIBILITY

0.7x net debt to adjusted EBITDA, trailing 12-months

\$63 million in cash and \$143 million in debt

Borrowing availability: \$138.8 million term loan and \$350 million revolving credit facility

WORKING CAPITAL MANAGEMENT

6.5 inventory turns (5-qtr range: 4.5 to 6.9)

Paid for inventory days of (9.4)* (5-qtr range: (11.8) to 10.9)

60 days sales outstanding in receivables (5-qtr range: 60 to 63)

Information as of 6/30/21, unless otherwise indicated

** Paid for inventory days represent Q/E inventory days less Q/E accounts payable days*



APPENDIX

scansource.com



APPENDIX: NON-GAAP FINANCIAL INFORMATION

Y/Y Sales Growth – Organic and Reported

(\$ in thousands)

Consolidated:

	FY19	FY20	FY21
Net sales, as reported	\$3,249,799	\$3,047,734	\$3,150,806
Foreign exchange impact ^(b)	55,470	40,224	65,781
Net sales, constant currency	3,305,269	3,087,958	3,216,587
Less: Acquisitions	(30,517)	(9,122)	-
Net sales, constant currency excluding acquisitions	<u>\$3,274,752</u>	<u>\$3,078,836</u>	<u>\$3,216,587</u>
Prior year quarter net sales, as reported	\$3,164,709	\$3,249,799	\$3,047,734
Less: Acquisitions	(14,553)	(1,026)	-
Prior year quarter net sales, as reported	<u>\$3,150,156</u>	<u>\$3,248,773</u>	<u>\$3,047,734</u>

Y/Y% Change:

As reported	2.7%	-6.2%	3.4%
Constant currency (non-GAAP) (organic growth)	4.0%	-5.2%	5.5%

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

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Net Debt and EBITDA Metrics

(\$ in thousands)

	Q4 FY21	Q3 FY21	Q2 FY21	Q1 FY21	Q4 FY20	Q3 FY20	Q2 FY20	Q1 FY20
Consolidated debt (Q/E)	\$ 143,174	\$ 198,851	\$ 151,924	\$ 168,731	\$ 246,956	\$ 320,596	\$ 357,745	\$ 370,330
Less: Consolidated cash and cash equivalents (Q/E)	(62,718)	(49,321)	(67,187)	(55,567)	(34,455)	(34,596)	(42,005)	(25,877)
Net debt (Q/E)	\$ 80,456	\$ 149,530	\$ 84,737	\$ 113,164	\$ 212,501	\$ 286,000	\$ 315,740	\$ 344,453

Reconciliation of Net Income to Adjusted EBITDA

Net income from continuing operations - GAAP	\$ 20,657	\$ 13,786	\$ 11,061	\$ (115)	\$(108,859)	\$ 5,716	\$ 11,626	\$ 12,291
Plus: Interest expense	1,643	1,576	1,796	1,913	2,497	3,098	3,312	3,317
Plus: Income taxes	2,389	5,121	4,683	(47)	(4,091)	2,797	4,407	4,338
Plus: Depreciation and amortization	8,090	8,358	8,349	8,710	8,743	8,987	9,081	8,517
EBITDA	32,779	28,841	25,889	10,461	(101,710)	20,598	28,426	28,463
Adjustments:								
Share-based compensation	2,328	2,537	2,006	1,168	1,425	1,236	1,576	1,241
Acquisition and divestiture costs	246	272	1,360	498	1,311	780	1,151	757
Restructuring costs	(54)	349	484	8,268	-	169	266	169
Change in fair value of contingent consideration	-	-	-	516	674	618	3,176	2,472
Tax recovery, net	-	-	-	-	(8,424)	(2,320)	-	-
Impairment charges	-	-	-	-	120,470	-	-	-
Adjusted EBITDA (non-GAAP)	\$ 35,299	\$ 31,999	\$ 29,739	\$ 20,911	\$ 13,746	\$ 21,081	\$ 34,595	\$ 33,102
Adjusted EBITDA, Trailing 12-Months (TTM)	\$ 117,948	\$ 96,395	\$ 85,477	\$ 90,333	\$ 102,524			
Net Debt/Adjusted EBITDA, TTM	0.7X	1.6X	1.0X	1.3X	2.1X			

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Gross Margin and Non-GAAP Operating Income %

(\$ in millions)	FY12	FY13	FY14	FY15	FY16	FY17	Continuing Operations			
							FY18	FY19	FY20	FY21
Net sales	\$3,015.3	\$2,877.0	\$2,913.6	\$3,218.6	\$3,540.2	\$3,568.2	\$3,164.7	\$3,249.8	\$3,047.7	\$3,150.8
Gross margin	10.0%	10.2%	10.3%	10.2%	10.0%	10.8%	11.7%	12.1%	11.7%	11.1%
GAAP operating income	\$ 113.5	\$ 51.0	\$ 121.8	\$ 101.4	\$ 96.9	\$ 88.2	\$ 69.0	\$ 94.7	\$ (65.0)	\$ 61.5
Adjustments:										
Amortization of intangible assets	6.4	4.9	3.9	6.6	9.8	15.5	18.7	17.9	20.0	19.5
Change in FV of contingent consideration	0.1	1.8	2.3	2.7	1.3	5.2	37.0	15.2	6.9	0.5
Acquisition costs	-	-	-	3.3	0.9	1.3	0.2	1.2	4.6	11.6
Impairment charges & other	-	50.9	-	-	-	-	-	-	120.5	-
Tax settlement and related interest income	-	-	-	-	-	-	(2.5)	-	(8.1)	-
Legal recovery, net of attorney fees	-	-	(15.5)	-	-	-	-	-	-	-
Non-GAAP operating income	\$ 120.0	\$ 108.7	\$ 112.5	\$ 114.0	\$ 108.9	\$ 110.2	\$ 122.4	\$ 129.0	\$ 78.9	\$ 93.1
GAAP operating income % (of net sales)	3.76%	1.77%	4.18%	3.15%	2.74%	2.47%	2.18%	2.92%	-2.13%	1.95%
Non-GAAP operating income % (of net sales)	3.98%	3.78%	3.86%	3.54%	3.08%	3.09%	3.87%	3.97%	2.59%	2.96%

Note: Starting in FY18, excludes discontinued operations, which had net sales of \$682 million in FY18, \$623 million for FY19, \$561 million in FY20, and \$213 million for FY21.