



# scansource®

## CFO COMMENTARY

### Q2 FY 2019

#### FINANCIAL INFORMATION AND CONFERENCE CALL

Please see the accompanying earnings press release available at [www.scansource.com](http://www.scansource.com) in the Investor Relations section. The information included in this CFO commentary is unaudited and should be read in conjunction with the Company's SEC filings on Form 10-Q for the quarter ended December 31, 2018. ScanSource will present additional information about its financial results and outlook in a conference call on Tuesday, February 05, 2019 at 5:00 pm ET. A webcast of the call is available and can be accessed at [www.scansource.com](http://www.scansource.com) (Investor Relations section). The webcast will be available for replay for 60 days.

#### SECOND QUARTER SUMMARY

We delivered record quarterly net sales and strong profitability during the second quarter. For the quarter, profits grew faster than sales. We had 1% net sales growth (3% organic), 7% gross profit growth, 33% operating income growth, and 6% non-GAAP operating income growth. Our operating income margin was 2.8%, and our non-GAAP operating margin increased to 3.5%. Net sales were at the midpoint of our forecast range, while both GAAP diluted EPS and non-GAAP diluted EPS were above the high end of our forecast range. Second quarter fiscal year 2019 GAAP diluted EPS increased 152% year-over-year (the prior year period included one-time tax reform charges), and non-GAAP diluted EPS increased 10% year-over-year.

#### Q2 FY19 Results:

##### NET SALES

**\$ 1.05 billion**

Forecast:  
\$1.01 billion to  
\$1.07 billion

##### GAAP DILUTED EPS

**\$0.78**

Forecast:  
\$0.70 to \$0.76

##### NON-GAAP DILUTED EPS

**\$0.99**

Forecast:  
\$0.92 to \$0.98

Please see Appendix for calculation of non-GAAP measures and reconciliations to GAAP measures.

## QUARTERLY HIGHLIGHTS

<i>\$ in millions, except EPS</i>	Q2 FY19	Q1 FY19	Q2 FY18	Y/Y Change
Net sales	\$1,046.0	\$972.9	\$1,032.2	+1%
Gross profit	\$120.5	\$112.2	\$113.0	+7%
Gross profit margin %	11.5%	11.5%	10.9%	+57 bps
SG&A expenses	\$81.0	\$77.9	\$74.8	+8%
Operating income	\$29.7	\$21.4	\$22.3	+33%
Operating income %	2.8%	2.2%	2.2%	+68 bps
Non-GAAP operating income	\$36.7	\$32.7	\$34.7	+6%
Non-GAAP operating income %	3.5%	3.4%	3.4%	+14 bps
GAAP net income	\$20.0	\$14.3	\$8.0	+151%
Non-GAAP net income	\$25.4	\$22.9	\$23.0	+10%
GAAP diluted EPS	\$0.78	\$0.56	\$0.31	+152%
Non-GAAP diluted EPS	\$0.99	\$0.89	\$0.90	+10%

- Record net sales of \$1.05 billion (+1% Y/Y)
  - 3% Y/Y organic growth
  - At the midpoint of the forecast range
  - Foreign currency translation negatively impacted sales by \$21 million
- Gross profit margin of 11.5%, a 57 bp Y/Y improvement
  - Prior year included a higher mix of large deals
- Operating income of \$29.7 million and GAAP EPS of \$0.78 includes lower expense for change in fair value of contingent consideration (down \$5.1 million)
- Non-GAAP operating income (+6% Y/Y) grew faster than net sales (+1% Y/Y)
- Operating income margin was 2.8%, and non-GAAP operating income margin increased to 3.5%
- For Q2 FY19, effective tax rate of 25.0% and non-GAAP effective tax rate of 24.5%
- Non-GAAP EPS increased 10% Y/Y to \$0.99

*Organic growth, a non-GAAP measure, reflects reported sales growth less impacts from foreign currency translation and acquisitions. Non-GAAP operating income, non-GAAP net income and non-GAAP diluted EPS exclude amortization of intangibles, change in fair value of contingent consideration, acquisition costs and other non-GAAP items.*

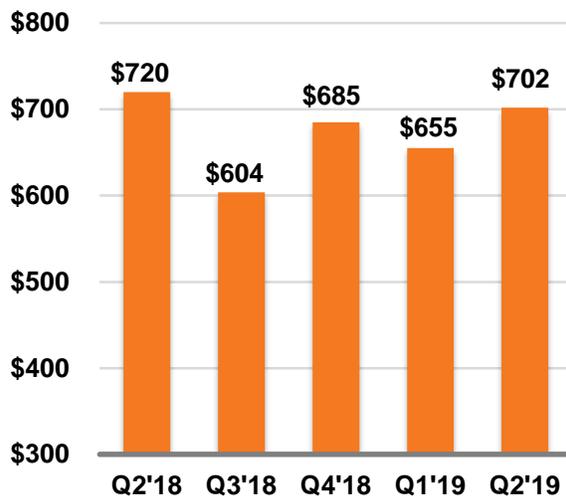


WORLDWIDE BARCODE, NETWORKING & SECURITY

<i>\$ in millions</i>	Q2 FY19	Q1 FY19	Q2 FY18
Net sales	\$701.6	\$655.1	\$719.8
Gross profit	\$64.8	\$62.0	\$62.0
Gross margin	9.2%	9.5%	8.6%
Operating income	\$18.6	\$13.5	\$15.5
Operating income %	2.6%	2.1%	2.2%
Non-GAAP operating income	\$20.4	\$16.5	\$17.9
Non-GAAP operating income %	2.9%	2.5%	2.5%

Net Sales, \$ in millions

Y/Y Growth -3%  
Y/Y Organic Growth -1%



- Net sales of \$702 million, down 3% Y/Y
  - Decrease primarily due to higher big deal sales volumes in prior year quarter
  - Strong growth in video surveillance and payments
- Gross profit margin of 9.2%
  - Y/Y increase from lower mix of big deals
- Operating income margin of 2.6% increased 49 basis points Y/Y
- Non-GAAP operating income margin of 2.9% increased 43 basis points Y/Y
- Non-GAAP operating income increased 14% Y/Y

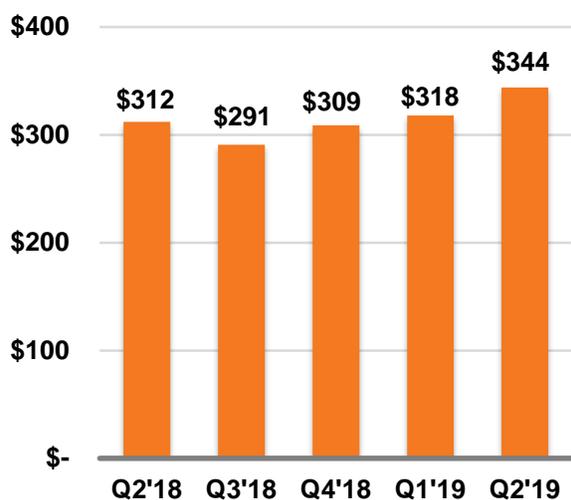
Organic growth, a non-GAAP measure, reflects reported sales growth less impacts from foreign currency translation and acquisitions. Non-GAAP operating income excludes amortization of intangibles and other non-GAAP items.

## WORLDWIDE COMMUNICATIONS & SERVICES

<i>\$ in millions</i>	Q2 FY19	Q1 FY19	Q2 FY18
Net sales	\$344.4	\$317.8	\$312.4
Gross profit	\$55.7	\$50.3	\$51.0
Gross margin	16.2%	15.8%	16.3%
Operating income	\$11.5	\$8.3	\$6.8
Operating income %	3.4%	2.6%	2.2%
Non-GAAP operating income	\$16.2	\$16.2	\$16.9
Non-GAAP operating income %	4.7%	5.1%	5.4%

### Net Sales, \$ in millions

Y/Y Growth +10%  
Y/Y Organic Growth +14%



- Net sales of \$344 million, up 10% Y/Y
  - Organic growth of 14%
  - Strong sales growth in North America and Brazil
  - Intelisys net sales increased 14% Y/Y
- Gross profit margin of 16.2%, consistent with prior year
- Higher operating income due to lower expense for the change in fair value of contingent consideration (\$1.9 million for Q2 FY19 versus \$6.9 million for Q2 FY18)
- Investments for future growth led to lower non-GAAP operating income, down 4% Y/Y

*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 and other non-GAAP items.*



**WORKING CAPITAL**

<i>\$ in millions</i>	Q2 FY19	Q1 FY19	Q2 FY18
Accounts receivable (Q/E)	\$708.5	\$677.5	\$717.3
Days sales outstanding in receivables*	58	60	60
Inventory (Q/E)	\$704.4	\$672.7	\$581.8
Inventory turns	5.4	5.4	6.2
Accounts payable (Q/E)	\$604.6	\$629.2	\$515.3
Paid for inventory days*	13.2	8.1	9.4
Working capital (Q/E) (AR+INV-AP)	\$808.3	\$721.0	\$783.8

\* Excludes the impact of Intelisys for all periods; paid for inventory days represent Q/E inventory days less Q/E accounts payable days

- Working capital of \$808.3 million, up 3% Y/Y and up 12% Q/Q
- Working capital investment to support growth
- Days sales outstanding in receivables of 58 days
  - 2-day improvement from prior and year-ago quarters
- Inventory turns of 5.4x with inventory up 21% Y/Y and up 5% Q/Q
- Paid for inventory days of 13.2 reflect timing of accounts payable

## CASH FLOW AND BALANCE SHEET HIGHLIGHTS

<i>\$ in millions</i>	Q2 FY19	Q1 FY19	Q2 FY18
Adjusted EBITDA (QTR)*	\$41.0	\$37.4	\$39.4
Adjusted ROIC (QTR)*	13.3%	12.9%	13.3%
Operating cash flow (QTR)	\$(57.5)	\$5.7	\$(46.8)
Operating cash flow, trailing 12-months	\$60.2	\$71.0	\$(25.0)
Cash and cash equivalents (Q/E)	\$22.7	\$18.9	\$35.4
Debt (Q/E)	\$372.4	\$281.9	\$360.9
Net debt to adjusted EBITDA, trailing 12-months	2.4x	1.8x	2.4x
Shares repurchased – # of shares (QTR)	9,387	--	--
Shares repurchased – dollars (QTR)	\$0.3	--	--
Remaining authorization under share repurchase plan (as of Q/E)	\$99.4	\$99.7	\$99.7

\* Excludes non-GAAP adjustments and change in fair value of contingent consideration

- Adjusted EBITDA of \$41.0 million, up 4% Y/Y, due to higher sales volume and higher margins
- Adjusted return on invested capital of 13.3%, consistent with prior year
- Operating cash flow of \$(57.5) million for the quarter and \$60.2 million for the trailing 12-months
- Expect to generate operating cash flow during the remainder of fiscal year 2019
- Cash and cash equivalent balances of \$22.7 million at 12/31/18, including \$14.1 million held outside of the U.S.
- Net debt to trailing 12-months adjusted EBITDA is 2.4x
- Share repurchases totaled \$0.3 million
- Balance sheet remains strong and provides us with the ability to execute our capital allocation plan



**Q3 FY19 OUTLOOK\***

For the quarter ending March 31, 2019:

**NET SALES**

*Forecast Range:*  
**\$910 million to  
\$970 million**

Q3 FY18: Net sales \$896 million

**GAAP DILUTED EPS**

*Forecast Range:*  
**\$0.48 to \$0.54  
per share**

Q3 FY18: GAAP diluted EPS \$0.42

**NON-GAAP DILUTED EPS**

*Forecast: Range*  
**\$0.76 to \$0.82  
per share**

Q3 FY18: Non-GAAP diluted EPS \$0.68

- Outlook as of February 05, 2019
- Non-GAAP diluted EPS excludes amortization of intangible assets and change in fair value of contingent consideration
- Forecast midpoint reflects 7% year-over-year organic sales growth
- Reflects the following FX rates: \$1.14 to EUR 1.00 for the Euro, \$0.265 to R\$1.00 for the Brazilian real (R\$3.77 to \$1), and \$1.28 to GBP 1.00 for the British pound
- Expects foreign currency translation to negatively impact sales by approximately \$20 million
- Assumes interest expense will be approximately \$3.8 million for Q3 FY19
- Assumes an effective tax rate of 25.5% to 26.5% for FY19



## **FORWARD-LOOKING STATEMENTS**

This CFO Commentary contains certain comments that are “forward-looking” statements, including statements about expected sales, GAAP diluted earnings per share (“EPS”), non-GAAP diluted EPS, operating cash flow, foreign currency rates, tax rates and interest expense 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, and other factors set forth in the “Risk Factors” contained in our annual report on Form 10-K for the year ended June 30, 2018, 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 income margin, non-GAAP net income, non-GAAP diluted EPS, adjusted EBITDA, ROIC and net sales excluding the impact of foreign currency translation 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.

## APPENDIX: RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION

### Operating Income, Pre-Tax Income, Net Income & EPS – QTR

(\$ in thousands)

	Quarter Ended December 31, 2018			
	Operating Income	Pre-tax income	Net income	Diluted EPS
GAAP measure	\$ 29,706	\$ 26,650	\$ 19,982	\$ 0.78
Adjustments:				
Amortization of intangible assets	4,700	4,700	3,567	0.14
Change in fair value of contingent consideration	1,850	1,850	1,408	0.05
Acquisition costs (a)	414	414	414	0.02
Non-GAAP measure	<u>\$ 36,670</u>	<u>\$ 33,614</u>	<u>\$ 25,371</u>	<u>\$ 0.99</u>

	Quarter Ended September 30, 2018			
	Operating Income	Pre-tax income	Net income	Diluted EPS
GAAP measure	\$ 21,432	\$ 19,224	\$ 14,322	\$ 0.56
Adjustments:				
Amortization of intangible assets	5,003	5,003	3,798	0.15
Change in fair value of contingent consideration	4,584	4,584	3,487	0.14
Acquisition costs (a)	355	355	355	0.01
Restructuring Costs	1,328	1,328	955	0.04
Non-GAAP measure	<u>\$ 32,702</u>	<u>\$ 30,494</u>	<u>\$ 22,917</u>	<u>\$ 0.89</u>

	Quarter Ended December 31, 2017			
	Operating Income	Pre-tax income	Net income	Diluted EPS
GAAP measure	\$ 22,341	\$ 20,310	\$ 7,969	\$ 0.31
Adjustments:				
Amortization of intangible assets	5,487	5,487	3,648	0.14
Change in fair value of contingent consideration	6,913	6,913	4,742	0.18
Tax reform charges (b)	-	-	6,689	0.26
Non-GAAP measure	<u>\$ 34,741</u>	<u>\$ 32,710</u>	<u>\$ 23,048</u>	<u>\$ 0.90</u>

(a) Acquisition costs are nondeductible for tax purposes.

(b) Reflects adjustments to the one-time charge from the estimated impact of the inclusion of foreign earnings and revaluations of deferred tax assets and liabilities, as a result of tax reform laws enacted in the United States and Belgium in December 2017.



**APPENDIX: RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION**

**Net Sales, Constant Currency and Excluding Acquisitions (Organic Growth) – QTR**

*(\$ in thousands)*

	<b>WW Barcode, NW &amp; Security</b>	<b>WW Comms. &amp; Services</b>	<b>Consolidated</b>
<b>For the quarter ended December 31, 2018:</b>			
Q2 FY19 net sales, as reported	\$ 701,639	\$ 344,382	\$ 1,046,021
Foreign exchange impact (a)	7,805	12,915	20,720
Q2 FY19 net sales, constant currency	709,444	357,297	1,066,741
Less: Acquisitions	-	(1,832)	(1,832)
Q2 FY19 net sales, constant currency excluding acquisitions	<u>\$ 709,444</u>	<u>\$ 355,465</u>	<u>\$ 1,064,909</u>
Q2 FY18 net sales, as reported	\$ 719,786	\$ 312,426	\$ 1,032,212
Less: Acquisitions	-	-	-
Q2 FY18 net sales, excluding acquisitions	<u>\$ 719,786</u>	<u>\$ 312,426</u>	<u>\$ 1,032,212</u>
<b>Y/Y % Change:</b>			
<b>As reported</b>	<b>-2.5%</b>	<b>10.2%</b>	<b>1.3%</b>
<b>Constant currency</b>	<b>-1.4%</b>	<b>14.4%</b>	<b>3.3%</b>
<b>Constant currency, excluding acquisitions (organic growth)</b>	<b>-1.4%</b>	<b>13.8%</b>	<b>3.2%</b>

(a) Year-over-year sales growth excluding the translation impact of changes in foreign currency rates. Calculated by translating net sales for the quarter ended December 31, 2018 into U.S. dollars using the weighted average foreign exchange rates for the quarter ended December 31, 2017.

## APPENDIX: RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION

### Highlights by Segment – QTR

(\$ in thousands)	Quarter Ended December 31, 2018				FY19 YTD Consolidated
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated	
Net sales	\$ 701,639	\$ 344,382	\$ -	\$ 1,046,021	\$ 2,018,921
GAAP operating income	\$ 18,581	\$ 11,539	\$ (414)	\$ 29,706	\$ 51,137
Adjustments:					
Amortization of intangible assets	1,854	2,846	-	4,700	9,703
Change in fair value of contingent consideration	-	1,850	-	1,850	6,434
Acquisition costs	-	-	414	414	769
Restructuring costs	-	-	-	-	1,328
Non-GAAP operating income	\$ 20,435	\$ 16,235	\$ -	\$ 36,670	\$ 69,371
GAAP operating income % (of net sales)	2.65%	3.35%	n/m	2.84%	2.53%
Non-GAAP operating income % (of net sales)	2.91%	4.71%	n/m	3.51%	3.44%

(\$ in thousands)	Quarter Ended September 30, 2018			
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 655,113	\$ 317,787	\$ -	\$ 972,900
GAAP operating income	\$ 13,532	\$ 8,255	\$ (355)	\$ 21,432
Adjustments:				
Amortization of intangible assets	2,309	2,694	-	5,003
Change in fair value of contingent consideration	-	4,584	-	4,584
Acquisition costs	-	-	355	355
Restructuring costs	708	620	-	1,328
Non-GAAP operating income	\$ 16,549	\$ 16,153	\$ -	\$ 32,702
GAAP operating income % (of net sales)	2.07%	2.60%	n/m	2.20%
Non-GAAP operating income % (of net sales)	2.53%	5.08%	n/m	3.36%

(\$ in thousands)	Quarter Ended December 31, 2017			
	WW Barcode, NW & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 719,786	\$ 312,426	\$ -	\$ 1,032,212
GAAP operating income	\$ 15,542	\$ 6,799	\$ -	\$ 22,341
Adjustments:				
Amortization of intangible assets	2,309	3,178	-	5,487
Change in fair value of contingent consideration	-	6,913	-	6,913
Non-GAAP operating income	\$ 17,851	\$ 16,890	\$ -	\$ 34,741
GAAP operating income % (of net sales)	2.16%	2.18%	n/m	2.16%
Non-GAAP operating income % (of net sales)	2.48%	5.41%	n/m	3.37%

n/m = not meaningful

## APPENDIX: RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION

### Average Return on Invested Capital - QTR

(\$ in thousands)

	Q2 FY19	Q1 FY19	Q4 FY18	Q3 FY18	Q2 FY18
<b>Adjusted return on invested capital (ROIC), annualized (a)</b>	<b>13.3%</b>	<b>12.9%</b>	<b>12.5%</b>	<b>11.2%</b>	<b>13.3%</b>
<u>Reconciliation of Net Income to Adjusted EBITDA</u>					
Net income - GAAP	\$ 19,982	\$ 14,322	\$ 10,388	\$ 10,649	\$ 7,969
Plus:					
Interest expense	3,119	2,627	2,494	2,784	2,285
Income taxes	6,668	4,902	7,655	5,143	12,341
Depreciation and amortization	8,935	9,268	9,291	9,438	9,901
EBITDA	38,704	31,119	29,828	28,014	32,496
Adjustments:					
Change in fair value of contingent consideration	1,850	4,584	8,448	4,801	6,913
Acquisition costs	414	355	-	-	-
Tax recovery and related interest income	-	-	(3,119)	-	-
Restructuring Costs	-	1,328	-	-	-
<b>Adjusted EBITDA (numerator for ROIC)(non-GAAP)</b>	<b>\$ 40,968</b>	<b>\$ 37,386</b>	<b>\$ 35,157</b>	<b>\$ 32,815</b>	<b>\$ 39,409</b>
<u>Invested Capital Calculation</u>					
Equity - beginning of the quarter	\$ 877,897	\$ 866,376	\$ 877,796	\$ 860,787	\$ 852,976
Equity - end of quarter	899,503	877,897	866,376	877,796	860,787
Adjustments:					
Change in fair value of contingent consideration, net of tax	1,408	3,487	5,679	3,272	4,742
Acquisition costs, net of tax	414	355	-	-	-
Tax recovery and related interest income, net of tax	-	-	(2,058)	-	-
Tax reform charges	-	-	2,345	-	6,689
Restructuring costs, net of tax	-	955	-	-	-
Average equity	889,611	874,535	875,069	870,928	862,597
Average funded debt (b)	333,138	272,277	253,393	315,872	311,327
<b>Invested capital (denominator for ROIC)(non-GAAP)</b>	<b>\$ 1,222,749</b>	<b>\$ 1,146,812</b>	<b>\$ 1,128,462</b>	<b>\$ 1,186,800</b>	<b>\$ 1,173,924</b>

(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: RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION**

**Net Debt and EBITDA Metrics**

(\$ in thousands)

	Q2 FY19	Q1 FY19	Q4 FY18	Q3 FY18	Q2 FY18	Q1 FY18	Q4 FY17	Q3 FY17
Debt (Q/E)	\$ 372,410	\$ 281,859	\$ 249,429	\$ 282,158	\$ 360,932	\$ 285,763	\$ 97,300	\$ 113,934
Less: Cash and cash equivalents (Q/E)	(22,749)	(18,858)	(25,530)	(35,361)	(35,435)	(23,616)	(56,094)	(62,187)
<b>Net debt (Q/E)</b>	<b>\$ 349,661</b>	<b>\$ 263,000</b>	<b>\$ 223,899</b>	<b>\$ 246,797</b>	<b>\$ 325,497</b>	<b>\$ 262,147</b>	<b>\$ 41,206</b>	<b>\$ 51,747</b>

**Reconciliation of Net Income to Adjusted EBITDA**

Net income - GAAP	\$ 19,982	\$ 14,322	\$ 10,388	\$ 10,649	\$ 7,969	\$ 4,147	\$ 18,970	\$ 12,424
Plus:								
Interest expense	3,119	2,627	2,494	2,784	2,285	1,585	934	780
Income taxes	6,668	4,902	7,655	5,143	12,341	2,633	4,450	7,147
Depreciation and amortization	8,935	9,268	9,291	9,438	9,901	8,864	6,276	6,880
EBITDA	38,704	31,119	29,828	28,014	32,496	17,229	30,630	27,231
Adjustments:								
Change in fair value of contingent consideration	1,850	4,584	8,448	4,801	6,913	16,881	1,290	1,960
Acquisition costs	414	355	-	-	-	172	422	-
Tax recovery and related interest income	-	-	(3,119)	-	-	-	(1,382)	-
Legal settlement, net of attorney fees	-	-	-	-	-	952	-	-
Restructuring Costs	-	1,328	-	-	-	-	-	-
Adjusted EBITDA (non-GAAP)	\$ 40,968	\$ 37,386	\$ 35,157	\$ 32,815	\$ 39,409	\$ 35,234	\$ 30,960	\$ 29,191
<b>Adjusted EBITDA, TTM (a)</b>	<b>\$ 146,326</b>	<b>\$ 144,767</b>	<b>\$ 142,617</b>	<b>\$ 138,418</b>	<b>\$ 134,794</b>	<b>\$ 128,015</b>	<b>\$ 121,986</b>	<b>\$ 111,979</b>

<b>Net Debt / Adjusted EBITDA, TTM (a)</b>	<b>2.4x</b>	<b>1.8x</b>	<b>1.6x</b>	<b>1.8x</b>	<b>2.4x</b>	<b>2.0x</b>	<b>0.3x</b>	<b>0.5x</b>
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(a) Adjusted EBITDA for the trailing 12-month period

**APPENDIX: RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION**

**Forecasted Range for EPS – Q3 FY19 Outlook**

*(\$ in thousands)*

	<b>Forecast for Quarter ending March 31, 2019</b>	
	<u>Range Low</u>	<u>Range High</u>
GAAP diluted EPS	\$ 0.48	\$ 0.54
Adjustments:		
Amortization of intangible assets	0.14	0.14
Change in fair value of contingent consideration	0.14	0.14
Non-GAAP diluted EPS	<u>\$ 0.76</u>	<u>\$ 0.82</u>