



Q4 AND FY16 FINANCIAL RESULTS CONFERENCE CALL

August 29, 2016 at 5:00 pm ET



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 results, including declines in sales and margins, currency fluctuations, difficulties in integrating acquisitions and general economic factors. 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, 2016, 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, 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

4Q16

- Net sales of \$877 million, up 2%, from acquisition of KBZ
- Disappointing finish to FY16 with net sales and EPS below expectations
- GAAP EPS of \$0.50; Non-GAAP EPS of \$0.51*, below expected range principally from lower sales volume (-6% Y/Y organic) and lower gross profit margin (9.4%)

FY16

- Net sales of \$3.5 billion, up 10%, from acquisition of KBZ
- Gross margin of 10%
- KBZ acquisition performed very well
- GAAP EPS of \$2.38, up 5% Y/Y; Non-GAAP EPS of \$2.71*, up 4% Y/Y

Other Items

- Closed Intelisys acquisition 8/29/16; initial purchase price of \$83.6 million plus earn-out payments based on EBITDA over 4 years (estimated range \$100 million to \$150 million)
- Completed \$120 million share repurchase authorization; announced new \$120 million 3-year share repurchase authorization

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

ACQUISITION OF INTELISYS

ABOUT INTELISYS

- Industry-leading technology services distributor of business telecommunications and cloud services
- High-growth, recurring revenue model for the channel; two-tier services-based business model
- Founded in 1994 and HQ in Petaluma, CA; operations in the US
- ~120 employees, more than 130 supplier partners, and over 2,400 sales partners
- Experienced management team to remain in place

MARKET DYNAMICS

~\$150
BILLION

**SMB Spend on
Telecom Services**

10%
INDIRECT

**% of Market Served
by Indirect Channel**

- Large and growing addressable channel market
- Expected growth of opportunities for indirect channel

TRANSACTION

\$83.6
MILLION
INITIAL PURCHASE

4 years
EARN-OUT
PERIOD

EBITDA
EARN-OUT
BASED ON

- All-cash asset purchase; closed 8/29/16
- Initial purchase price \$83.6 million (52%) with 4 annual earn-out payments based on a multiple of EBITDA (12%)
- Estimated earn-out payment range from \$100 to \$150 million
- For first full year after closing, estimated net revenues of \$34 million with EBITDA margin of 45% to 50%

STRATEGIC RATIONALE

- Enter telecom and cloud services market; large, growing addressable market with expected channel shift
- Acquiring the current market leader in a fragmented market with relatively small-sized existing master agents
- Brings high-growth, recurring revenue model to the channel
- See opportunities for VARs and sales agents to sell solutions that include connectivity along with products

ACTUAL VS. FORECAST

NET SALES			
\$ in millions	WW Barcode & Security	WW Communications & Services	Consolidated
Actual, Q4 FY16	\$585.6	\$291.9	\$877.5
Forecast*, Q4 FY16	\$631.9	\$293.1	\$925.0

GROSS MARGIN %			
	WW Barcode & Security	WW Communications & Services	Consolidated
Actual, Q4 FY16	8.1%	12.1%	9.4%
Forecast*, Q4 FY16	8.2%	13.7%	10.0%

* Reflects midpoint of outlook range provided on May 10, 2016.

HIGHLIGHTS – Q4 FY16

In millions, except EPS

	Q4 FY16	Q4 FY15	Change
Net sales	\$877.5	\$856.7	2%
Gross profit	82.8	91.3	-9%
<i>Gross profit margin % (of net sales)</i>	9.4%	10.7%	-123 bps
Operating income	18.9	25.0	-24%
Non-GAAP operating income	18.9	28.6	-34%
GAAP net income	12.9	16.4	-21%
Non-GAAP net income	13.1	19.0	-31%
GAAP diluted EPS	\$0.50	\$0.57	-12%
Non-GAAP diluted EPS	\$0.51	\$0.66	-23%

SALES GROWTH SUMMARY

FOURTH QTR: Q4 FY16 – Y/Y % CHANGE			
	Reported	Constant Currency	Organic Growth*
WW Barcode & Security	5.4%	5.9%	-8.4%
WW Comms. & Services	-3.1%	-1.5%	-1.5%
Consolidated	2.4%	3.3%	-6.0%

FULL YEAR: FY16 – Y/Y % CHANGE			
	Reported	Constant Currency	Organic Growth*
WW Barcode & Security	11.6%	15.3%	0.8%
WW Comms. & Services	6.9%	9.0%	-1.6%
Consolidated	10.0%	13.2%	0.0%

* Organic growth, a non-GAAP measure, reflects reported sales growth less impacts from foreign currency translation and acquisitions.

WW BARCODE & SECURITY

Net Sales, \$ in millions



\$ in millions	Q4 FY16	Q4 FY15
Net sales	\$585.6	\$555.4
Gross profit	\$47.4	\$47.3
Gross margin	8.1%	8.5%
Operating income	\$8.8	\$12.2
Operating income %	1.5%	2.2%
Non-GAAP operating income	\$9.9	\$13.4
Non-GAAP operating income %	1.7%	2.4%

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 change in fair value of contingent consideration.

WW COMMUNICATIONS & SERVICES

Net Sales, \$ in millions



\$ in millions	Q4 FY16	Q4 FY15
Net sales	\$291.9	\$301.3
Gross profit	\$35.4	\$44.1
Gross margin	12.1%	14.6%
Operating income	\$10.7	\$13.0
Operating income %	3.7%	4.3%
Non-GAAP operating income	\$8.9	\$15.2
Non-GAAP operating income %	3.1%	5.1%

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 change in fair value of contingent consideration.

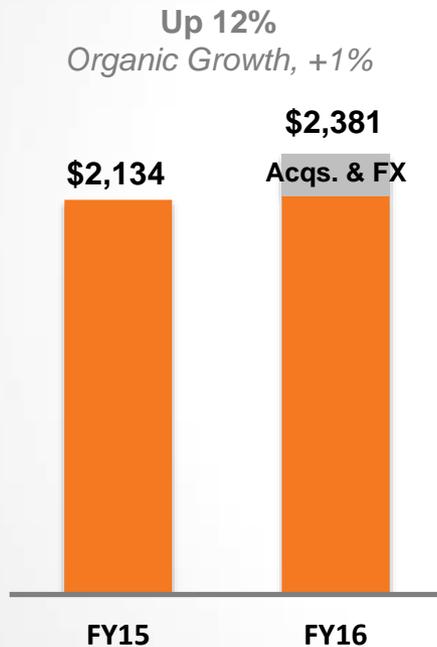
HIGHLIGHTS – FY16

In millions, except EPS

	FY16	FY15	Change
Net sales	\$3,540.2	\$3,218.6	10%
Gross profit	355.4	327.1	9%
<i>Gross profit margin % (of net sales)</i>	10.0%	10.2%	-12 bps
Operating income	96.9	101.4	-4%
Non-GAAP operating income	108.9	114.0	-5%
GAAP net income	63.6	65.4	-3%
Non-GAAP net income	72.2	75.1	-4%
GAAP diluted EPS	\$2.38	\$2.27	5%
Non-GAAP diluted EPS	\$2.71	\$2.61	4%

WW BARCODE & SECURITY

Net Sales, \$ in millions



\$ in millions	FY16	FY15
Net sales	\$2,381.3	\$2,134.1
Gross profit	\$199.7	\$177.8
Gross margin	8.4%	8.3%
Operating income	\$53.0	\$49.0
Operating income %	2.2%	2.3%
Non-GAAP operating income	\$56.9	\$52.7
Non-GAAP operating income %	2.4%	2.5%

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 change in fair value of contingent consideration.

WW COMMUNICATIONS & SERVICES

Net Sales, \$ in millions



\$ in millions	FY16	FY15
Net sales	\$1,158.9	\$1,084.5
Gross profit	\$155.7	\$149.3
Gross margin	13.4%	13.8%
Operating income	\$44.7	\$55.6
Operating income %	3.9%	5.1%
Non-GAAP operating income	\$51.9	\$61.3
Non-GAAP operating income %	4.5%	5.7%

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 change in fair value of contingent consideration.

WORKING CAPITAL MEASURES

<i>\$ in millions</i>	Q4 FY16	Q3 FY16	Q4 FY15
Accounts receivable (Q/E)	\$559.6	\$522.7	\$522.5
Days sales outstanding in receivables	57	59	55
Inventory (Q/E)	\$558.6	\$568.2	\$553.1
Inventory turns	5.6	4.9	5.9
Accounts payable (Q/E)	\$471.5	\$431.9	\$501.3
Paid for inventory days	9.9	17.2	6.1

CASH FLOW AND BALANCE SHEET HIGHLIGHTS

<i>\$ in millions</i>	Q4 FY16	Q3 FY16	Q4 FY15
Adjusted return on invested capital (QTR)*	10.1%	12.3%	15.2%
Adjusted return on invested capital (YTD)*	13.3%	14.5%	14.6%
Operating cash flow, trailing 12-months	\$52.2	\$72.7	\$75.5
Cash and cash equivalents (Q/E)	\$61.4	\$40.8	\$121.6
Debt (Q/E)	\$76.9	\$79.8	\$8.8
Net debt to EBITDA, trailing 12-months	0.13x	0.31x	n/a
Shares repurchased – # of shares (QTR)	63,651	870,416	409,860
Shares repurchased – dollars (QTR)	\$2.4	\$26.8	\$16.1
Cum. repurchases under plan – # shares (as of Q/E)	3,364,035	3,300,384	479,825
Cum. repurchases under plan – dollars (as of Q/E)	\$119.5	\$117.2	\$18.8
Remaining authorization under plan (as of Q/E)	\$0.5	\$2.8	\$101.2

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

Q1 FY17 OUTLOOK*

For the quarter ending September 30, 2016, excluding amortization of intangible assets, change in fair value of contingent consideration, and acquisition costs; excludes results for the Intelisys acquisition:

Net Sales

- Range from \$875 million to \$925 million

GAAP Diluted EPS

- Range from \$0.49 to \$0.57 per share

Non-GAAP Diluted EPS

- Range from \$0.60 to \$0.68 per share

* Outlook as of August 29, 2016 excluding Intelisys acquisition. Non-GAAP diluted EPS excludes amortization of intangible assets, change in fair value of contingent consideration, and acquisition costs. Reflects the following FX rates: \$1.11 to EUR 1.00 for the Euro, \$0.31 to R\$1.00 for the Brazilian real (R\$3.23 to \$1), and \$1.30 to GBP 1.00 for the British pound.



APPENDIX: NON-GAAP FINANCIAL INFORMATION

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

(\$ in thousands)

	Quarter Ended June 30, 2016			
	Operating Income	Pre-tax income	Net income	Diluted EPS
GAAP measure	\$ 18,938	\$ 18,603	\$ 12,925	\$ 0.50
Adjustments:				
Amortization of intangible assets	2,591	2,591	1,758	0.07
Change in fair value of contingent consideration	(3,226)	(3,226)	(2,095)	(0.08)
Acquisition costs (a)	553	553	553	0.02
Non-GAAP measure	<u>\$ 18,856</u>	<u>\$ 18,521</u>	<u>\$ 13,141</u>	<u>\$ 0.51</u>

	Quarter Ended June 30, 2015			
	Operating Income	Pre-tax income	Net income	Diluted EPS
GAAP measure	\$ 24,977	\$ 24,911	\$ 16,447	\$ 0.57
Adjustments:				
Amortization of intangible assets	2,091	2,091	1,450	\$ 0.05
Change in fair value of contingent consideration	1,406	1,406	955	\$ 0.03
Acquisition costs (a)	138	138	138	\$ 0.01
Non-GAAP measure	<u>\$ 28,612</u>	<u>\$ 28,546</u>	<u>\$ 18,990</u>	<u>\$ 0.66</u>

(a) Acquisition costs are nondeductible for tax purposes.

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Operating Income, Pre-Tax Income, Net Income & EPS – Full Year

(\$ in thousands)

	Year Ended June 30, 2016			
	Operating Income	Pre-tax income	Net income	Diluted EPS
GAAP measure	\$ 96,877	\$ 96,010	\$ 63,619	\$ 2.38
Adjustments:				
Amortization of intangible assets	9,828	9,828	6,790	0.25
Change in fair value of contingent consideration	1,294	1,294	977	0.04
Acquisition costs (a)	863	863	863	0.04
Non-GAAP measure	<u>\$ 108,862</u>	<u>\$ 107,995</u>	<u>\$ 72,249</u>	<u>\$ 2.71</u>

	Year Ended June 30, 2015			
	Operating Income	Pre-tax income	Net income	Diluted EPS
GAAP measure	\$ 101,441	\$ 99,906	\$ 65,419	\$ 2.27
Adjustments:				
Amortization of intangible assets	6,641	6,641	4,599	\$ 0.16
Change in fair value of contingent consideration	2,667	2,667	1,842	\$ 0.06
Acquisition costs (a)	3,254	3,254	3,254	\$ 0.12
Non-GAAP measure	<u>\$ 114,003</u>	<u>\$ 112,468</u>	<u>\$ 75,114</u>	<u>\$ 2.61</u>

(a) Acquisition costs are nondeductible for tax purposes.

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 June 30, 2016:			
Q4 FY16 net sales, as reported	\$ 585,599	\$ 291,874	\$ 877,473
Foreign exchange negative impact (a)	2,693	4,813	7,506
Q4 FY16 net sales, constant currency	588,292	296,687	884,979
Less: Acquisitions	(79,701)	-	(79,701)
Q4 FY16 net sales, constant currency excluding acquisitions	<u>\$ 508,591</u>	<u>\$ 296,687</u>	<u>\$ 805,278</u>
Q4 FY15 net sales, as reported	<u>\$ 555,401</u>	<u>\$ 301,284</u>	<u>\$ 856,685</u>
Y/Y % Change:			
As reported	5.4%	-3.1%	2.4%
Constant currency	5.9%	-1.5%	3.3%
Constant currency, excluding acquisitions (organic growth)	-8.4%	-1.5%	-6.0%

(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 June 30, 2016 into U.S. dollars using the weighted average foreign exchange rates for the quarter ended June 30, 2015.

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Net Sales, Constant Currency and Excluding Acquisitions – Full Year

(\$ in thousands)

	WW Barcode & Security	WW Comms. & Services	Consolidated
For the year ended June 30, 2016:			
FY16 net sales, as reported	\$ 2,381,331	\$ 1,158,895	\$ 3,540,226
Foreign exchange negative impact (a)	80,356	22,759	103,115
FY16 net sales, constant currency	2,461,687	1,181,654	3,643,341
Less: Acquisitions	(309,423)	(118,926)	(428,349)
FY16 net sales, constant currency excluding acquisitions	<u>\$ 2,152,264</u>	<u>\$ 1,062,728</u>	<u>\$ 3,214,992</u>
FY15 net sales, as reported	\$ 2,134,124	\$ 1,084,502	\$ 3,218,626
Less: Acquisitions	-	(4,686)	(4,686)
FY15 net sales, constant currency excluding acquisitions	<u>\$ 2,134,124</u>	<u>\$ 1,079,816</u>	<u>\$ 3,213,940</u>
YY % Change:			
As reported	11.6%	6.9%	10.0%
Constant currency	15.3%	9.0%	13.2%
Constant currency, excluding acquisitions (organic growth)	0.8%	-1.6%	-- %

(a) Year-over-year sales growth excluding the translation impact of changes in foreign currency rates. Calculated by translating net sales for fiscal year ended June 30, 2016 into U.S. dollars using the weighted average foreign exchange rates for fiscal year ended June 30, 2015.

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Highlights by Segment – Y/Y for Quarter

(\$ in thousands)

	Quarter Ended June 30, 2016			
	WW Barcode & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 585,599	\$ 291,874	\$ -	\$ 877,473
GAAP operating income	\$ 8,827	\$ 10,664	\$ (553)	\$ 18,938
Adjustments:				
Amortization of intangible assets	1,060	1,532	-	2,591
Change in fair value of contingent consideration	54	(3,280)	-	(3,226)
Acquisition costs	-	-	553	553
Non-GAAP operating income	\$ 9,941	\$ 8,916	\$ -	\$ 18,856
GAAP operating income % (of net sales)	1.5%	3.7%	n/m	2.2%
Non-GAAP operating income % (of net sales)	1.7%	3.1%	n/m	2.1%

(\$ in thousands)

	Quarter Ended June 30, 2015			
	WW Barcode & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 555,401	\$ 301,284	\$ -	\$ 856,685
GAAP operating income	\$ 12,156	\$ 12,958	\$ (138)	\$ 24,977
Adjustments:				
Amortization of intangible assets	431	1,660	-	2,091
Change in fair value of contingent consideration	806	600	-	1,406
Acquisition costs	-	-	138	138
Non-GAAP operating income	\$ 13,393	\$ 15,218	\$ -	\$ 28,612
GAAP operating income % (of net sales)	2.2%	4.3%	n/m	2.9%
Non-GAAP operating income % (of net sales)	2.4%	5.1%	n/m	3.3%

n/m = not meaningful

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Highlights by Segment – Y/Y for Full Year

(\$ in thousands)

	Year Ended June 30, 2016			
	WW Barcode & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 2,381,331	\$ 1,158,895	\$ -	\$ 3,540,226
GAAP operating income	\$ 53,015	\$ 44,725	\$ (863)	\$ 96,877
Adjustments:				
Amortization of intangible assets	3,752	6,076	-	9,828
Change in fair value of contingent consideration	181	1,113	-	1,294
Acquisition costs	-	-	863	863
Non-GAAP operating income	\$ 56,948	\$ 51,914	\$ -	\$ 108,862
GAAP operating income % (of net sales)	2.2%	3.9%	n/m	2.7%
Non-GAAP operating income % (of net sales)	2.4%	4.5%	n/m	3.1%

(\$ in thousands)

	Year Ended June 30, 2015			
	WW Barcode & Security	WW Comms. & Services	Corporate	Consolidated
Net sales	\$ 2,134,124	\$ 1,084,502	\$ -	\$ 3,218,626
GAAP operating income	\$ 49,045	\$ 55,650	\$ (3,254)	\$ 101,441
Adjustments:				
Amortization of intangible assets	1,994	4,647	-	6,641
Change in fair value of contingent consideration	1,636	1,031	-	2,667
Acquisition costs	-	-	3,254	3,254
Non-GAAP operating income	\$ 52,675	\$ 61,328	\$ -	\$ 114,003
GAAP operating income % (of net sales)	2.3%	5.1%	n/m	3.2%
Non-GAAP operating income % (of net sales)	2.5%	5.7%	n/m	3.5%

n/m = not meaningful

APPENDIX: NON-GAAP FINANCIAL INFORMATION

Adjusted Return on Invested Capital

(\$ in thousands)

	Q4 FY16	Q3 FY16	Q4 FY15
Adjusted return on invested capital (ROIC), annualized (a)	10.1%	12.3%	15.2%
<u>Reconciliation of Net Income to EBITDA</u>			
Net income - GAAP	\$ 12,925	\$ 14,042	\$ 16,447
Plus: Income taxes	5,678	7,311	8,464
Plus: Interest expense	440	694	509
Plus: Depreciation and amortization	4,584	4,281	3,947
EBITDA	23,627	26,328	29,367
Change in fair value of contingent consideration	(3,226)	1,139	1,406
Acquisition costs	553	29	138
Adjusted EBITDA (numerator for ROIC)(non-GAAP)	\$ 20,954	\$ 27,496	\$ 30,911
<u>Invested Capital Calculation</u>			
Equity - beginning of the quarter	\$ 757,374	\$ 754,794	\$ 799,051
Equity - end of quarter	774,496	757,374	808,985
Add: Change in fair value of contingent consideration, net of tax	(2,095)	748	955
Add: Acquisition costs, net of tax	553	29	138
Average equity	765,164	756,473	804,565
Average funded debt (b)	71,577	146,213	10,377
Invested capital (denominator for ROIC)(non-GAAP)	\$ 836,741	\$ 902,686	\$ 814,942

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

Forecasted Range for EPS – Q1FY17 Outlook

(\$ in thousands)

	Forecast for Quarter ended September 30, 2016	
	<u>Range Low</u>	<u>Range High</u>
GAAP diluted EPS	\$ 0.49	\$ 0.57
Adjustments:		
Amortization of intangible assets	0.07	0.07
Change in fair value of contingent consideration	0.02	0.02
Acquisition costs	0.02	0.02
Non-GAAP diluted EPS	<u>\$ 0.60</u>	<u>\$ 0.68</u>