scansource

SCANSOURCE, INC. (NASDAQ: SCSC) is the leading international value-added distributor (VAD) of specialty technology products, focusing on point-of-sale (POS), barcode, physical security, 3D technology, voice, video, and data networking solutions. ScanSource's teams provide value-added services and operate from two technology segments:

- Worldwide Barcode and Security
- Worldwide Communications and Services

ScanSource is committed to helping its reseller customers choose, configure, and deliver the industry's best products across almost every vertical market in North America, Latin America, and Europe.

With fiscal year 2015 net sales of $3.2 billion, ScanSource has approximately 2,100 employees worldwide and is a Fortune 1000 company.

| 1992	2,100	+300	+35,000	$3.2 BILLION	15%
founding year	employees	vendors	reseller customers	FY15 sales	FY15 ROIC
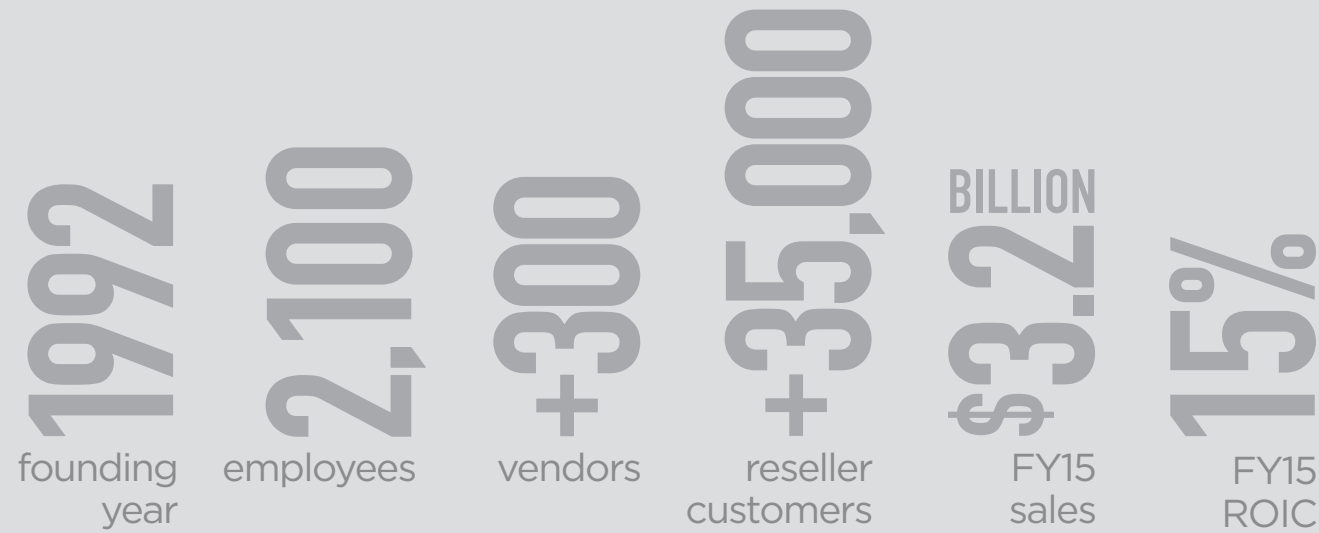
OUR VALUE-ADDED SERVICES

We differentiate ourselves by providing our resellers and vendors an array of value-added services and business tools, including:

- Sales Expertise
- Focused Product Management Teams
- Business Development Teams
- Technical Support/Solution Consultants
- Proprietary Pricing, Quoting and Configuration Tools
- Custom Configuration Services
- Education and Training
- Vendor Certifications
- Product Returns Management

- Reseller Financial Services
- Partner Enablement Programs
- Strategic Marketing Services
- Network Assessments and WiFi Services
- Payments/EMV Support
- As a Service Solutions Suite
- Programming and Implementation
- Proprietary Mobile Apps
- Cloud Services

RETURN ON INVESTED CAPITAL [1]

1 See page 30 for additional information on these non-GAAP measures, including reconciliations and our reasons for providing these measures and limitations on their use.

2013	2014	2015
16%	16%	15%
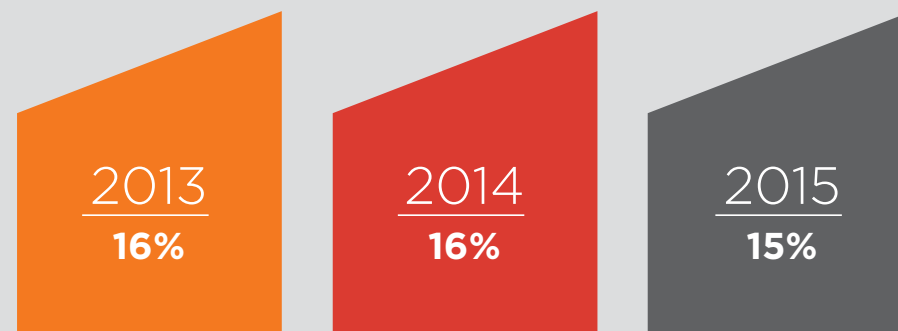
TO
OUR
SHAREHOLDERS:

In fiscal year 2015, we executed our strategic plan to grow our business and to make strategic investments for the future. We continued to invest in growth and our worldwide infrastructure, and did so while delivering a return on invested capital in the mid-teens.

Throughout the year, we accomplished several key initiatives. We grew top-line sales at or above market rates, while keeping our value-added gross and operating profit margins. We expanded our international communications business with the acquisitions of two value-added distributors. We successfully implemented our new SAP Enterprise Resource Planning (ERP) system and now have more than 80% of our business on a global platform for growth. And we returned cash to shareholders through share repurchases.

We are making investments where we see opportunities for profitable growth and shareholder value creation. Our commitment to our core business model of value-added distribution, with a laser focus on serving our vendors and customers better than anyone, makes this possible.

2015 PERFORMANCE HIGHLIGHTS

This focus is reflected in our fiscal year 2015 performance – a year of good progress and investment in our future:

- We achieved record net sales of $3.2 billion, up 10% for the year, with growth in both segments.

- Our gross profit margin of 10.2% exceeded 10%, consistent with our historic results.

- Our non-GAAP operating margin[1] of 3.5% and ROIC[1] of 14.6% signaled a solid year of financial performance.

- Our strategic acquisitions of Imago in Europe and Network1 in Brazil/Latin America helped accelerate our growth in international communications and brought tremendous management talent and operational scale to these regions.

- In February, we accomplished the successful go-live of our SAP ERP system in Europe. After the fiscal year end, in July, we implemented our SAP ERP system in North America. Our team's dedication and effort resulted in an on-time, on-budget go-live in both geographies in 18 months.

- We generated operating cash of $76 million for fiscal year 2015 and invested $99 million in acquisitions (including repayment of debt), $21 million in capital expenditures, and $19 million in share repurchases.

- We continued to execute on our capital allocation strategy that includes strategic acquisitions and returning cash to shareholders through share repurchases.

After the end of fiscal year 2015, in September, we completed the acquisition of KBZ, a leading Cisco videoconferencing distributor in the United States. With a strong services offering and a specialized public sector team, KBZ is a strong addition to our Cisco business. We are excited to have KBZ's Vice President Kyle Zorzi, along with its 75 employees, join ScanSource.

TECHNOLOGY SEGMENTS: VALUE-ADDED FOCUS

With our specialized technology segments, our worldwide teams have shared resources and strategies on how to continue to provide more value to our vendor and reseller partners.

Worldwide Barcode and Security

Worldwide Barcode and Security, our largest segment at 59% of net sales, achieved record sales for the year. Net sales increased 2% for the year, or 6% in constant currency. It was a strong year for big deals for our POS and barcode business units in North America and Europe – a good sign of growth in the marketplace.

In local currency, our Brazil business unit grew the fastest at approximately 14%, but a decline of 2% when translated into US dollars. This illustrates the foreign currency headwind from a significantly stronger US dollar. The final earn-out period for our 2011 acquisition of CDC occurred this year, and the earn-out structure worked well. We believe that we achieved our internal return objectives for this acquisition. In addition, we are pleased that Alex Conde, who joined ScanSource with the purchase of CDC, has been named President of ScanSource POS and Barcode for all of Latin America.

We have made investments in three specific growth areas: payment processing, physical security, and 3D technology.

In the United States, our payment processing hardware business grew significantly throughout the year. The October 2015 liability shift from credit card issuers, and preparation for contactless payment systems like Apple Pay, should continue to drive demand for near field communication (NFC) and Euro, MasterCard, Visa (EMV) capable terminals. ScanSource has been planning for this market change and is committed to helping our reseller partners be ready through tools, programs and offerings.

Our physical security business grew 11% year-over-year, led by strong growth in wireless and networking. The ongoing technology change for video surveillance cameras from analog to IP-based systems has contributed to our success. In the second half of the year, we launched an outdoor wireless initiative and began selling cabling and connectivity products.

Late in fiscal year 2014, we launched 3D technology as a new product category. While the 3D technology market is large and fast-growing, it is still early in the development of the 3D technology channel. We are identifying which market segments will need resellers and which ones will buy direct from the manufacturers. We are recruiting new resellers both from our existing POS and Barcode customers looking for new market opportunities, and from traditional computer-aided design resellers.

Worldwide Communications and Services

Our Worldwide Communications and Services segment represented 41% of ScanSource's sales for fiscal year 2015. This included two acquisitions of value-added communications distributors: Imago in Europe (September 2014) and Network1 in Brazil/Latin America (January 2015). Net sales increased 25% for the year, or a 9% increase in constant currency excluding acquisitions. ScanSource Communications in North America had a record sales year, led by strong performance with our top vendors. In addition, our networking and wireless business continues to be a very strong product segment for ScanSource.

A key element of the growth strategy for this business is to expand our vendor relationships across other

NET SALES BY TECHNOLOGY
FISCAL YEAR 2015

59%
Barcode and Security

41%
Communications and Services

STRATEGIC ACQUISITIONS OF LEADING COMMUNICATION VADs

imago
Europe
120 employees
September 2014

KBZ
Distribution of a Different Stripe
United States
75 employees
September 2015

network1
Brazil/Latin America
400 employees
January 2015

geographies by providing the right set of value-added programs and services to our customers. A great example of this is Polycom, a key vendor that named ScanSource its Global Distributor of the Year for the eleventh time. Imago is Polycom's largest distributor in Europe, and Network1 distributes Polycom in Latin America.
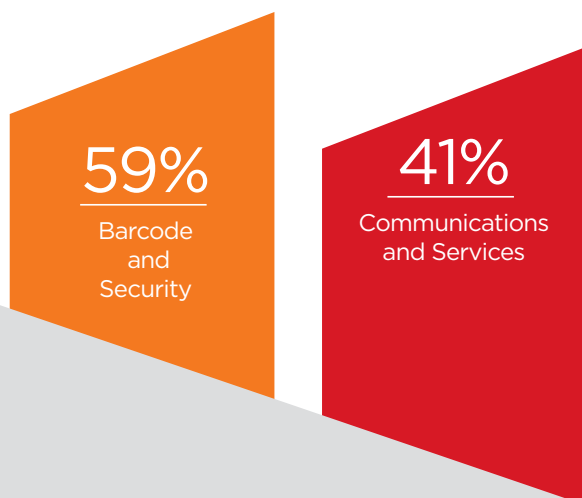
We are starting to roll out new cloud offerings that have been developed with our key vendor partners. With these offerings, we are able to offer both premises and as-a-service solutions, giving customers greater flexibility in their unified communications offerings.

In the second half of the year, we also launched new vendors, including Mitel in the United States and Canada, and Unify in the United Kingdom, Belgium, and Luxembourg.

Our team continues to offer value-added services to assist our customers' efforts in developing sales leads, streamlining operations, implementing services, and

training. These services drive net sales for our product lines and offer a differentiated approach to selling hardware. A specific example is increased custom configuration activity, led by key injection services, phone provisioning, and security cameras.

NET SALES BY GEOGRAPHY
FISCAL YEAR 2015

73%
US and Canada

27%
International

Mike Baur
CEO, ScanSource, Inc.

LOOKING **AHEAD:** PROFITABLE GROWTH

The actions we took in fiscal year 2015 strengthened our position to lead our specialty technology markets over the long-term, and we are excited about the opportunities ahead. Our priorities for fiscal year 2016 include:

- **Profitable Growth.** We create value for our shareholders by growing faster than the market, while also keeping our non-GAAP operating margins consistent with our historical performance. Our growth plans include expanded product offerings and continued expansion in markets that we currently serve.

- **Strategic Acquisitions.** We remain disciplined and interested in acquisition opportunities that meet our strategic and financial goals. Our recently-completed acquisition of KBZ aligns with our business plan, value-added distribution model, and focus on growing bottom-line profitability.

- **Capital Allocation.** We continue to execute on our capital allocation plan that includes investing in organic growth for our businesses, strategic acquisitions, and share repurchases. We expect to continue to move toward a goal of a more optimal capital structure with leverage of at least one times EBITDA.

- **Global ERP Platform.** With the implementation of our SAP ERP system in Europe and in North America, completed in early July, we now have more than 80% of our business worldwide using our global SAP ERP platform. We expect to see benefits from a flexible and scalable system that uses global best practices and supports our growth.

- **ROIC.** We measure ourselves using ROIC and would expect any growth strategy to produce ROIC in the mid-teens or better.

At ScanSource, we continually search for new ways to help our customers succeed and grow their businesses. We can do this because of our people. Our 2,100 employees worldwide — an exceptionally talented and dedicated group — make the difference. I want to thank our worldwide team for their focus, determination and passion. We have a team that truly cares and makes ScanSource a great place to work.

Since our founding, the ScanSource team has demonstrated its caring spirit by giving back to our communities. As an example, in 2005 ScanSource partnered with DonorsChoose.org, a crowdfunded non-profit, to help classrooms in South Carolina. A decade later, in 2015 ScanSource teamed with Stephen Colbert and Share Fair Nation with a surprise announcement to fund nearly 1,000 projects for more than 800 teachers at over 375 schools in South Carolina.

We are excited about what we accomplished this year and the plans we've put in place. With our vendor partners, reseller customers, and worldwide ScanSource team, we are well-positioned to grow our business and deliver profitable growth.

Thank you for your support of our plans and your continued investment in ScanSource.

Sincerely,

Michael L. Baur
CEO, ScanSource, Inc.

September 30, 2015

FORM 10-K

(Mark One)

☒   **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended June 30, 2015

OR

☐   **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from _____ to _____.

Commission File Number: 000-26926

ScanSource, Inc.
(Exact name of registrant as specified in its charter)

South Carolina	**57-0965380**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6 Logue Court **Greenville, South Carolina**	**29615**
(Address of principal executive offices)	(Zip Code)

(864) 288-2432
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, no par value	**NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act:
None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer (Do not check if a smaller reporting company)	☐	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

The aggregate market value of the voting common stock of the Registrant held by non-affiliates of the Registrant at December 31, 2014 was $1,143,899,207, as computed by reference to the closing price of such stock on such date.
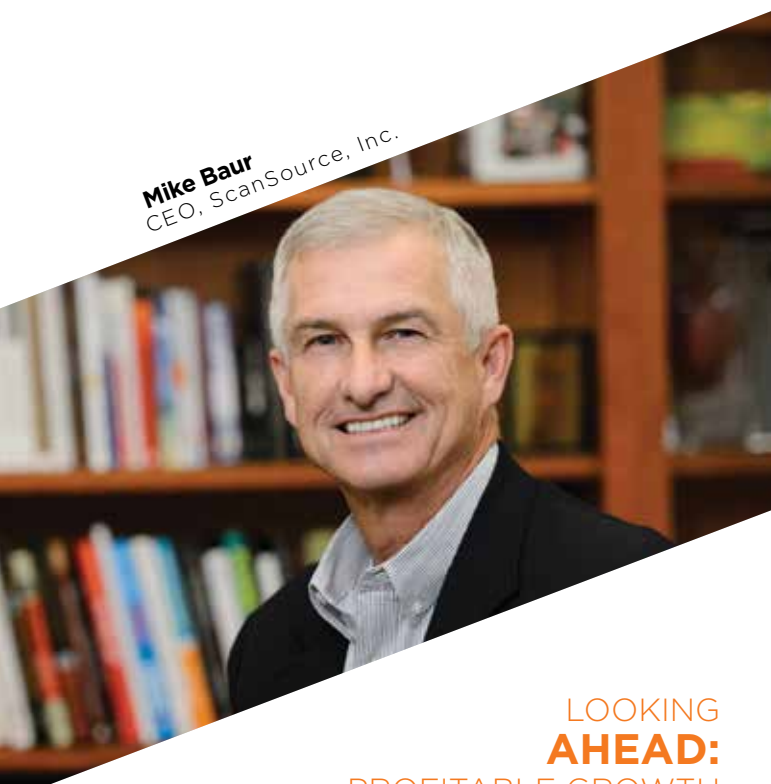
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	**Outstanding at August 24, 2015**
Common Stock, no par value per share	**27,615,189 shares**

DOCUMENTS INCORPORATED BY REFERENCE

The registrant has incorporated by reference into Part III of this report certain portions of its proxy statement for its 2015 Annual Meeting of Shareholders, which is expected to be filed pursuant to Regulation 14A within 120 days after the end of the registrant's fiscal year ended June 30, 2015.

10K
Ends here.

Board of Directors

Steven R. Fischer . . . . Chairman of the Board (non-executive)
Former President, North Fork Business Capital Corporation

Michael L. Baur. . . . . Chief Executive Officer, ScanSource, Inc.

Peter C. Browning . . . . Managing Partner, Peter Browning Partners

Michael J. Grainger . . . . Compensation Committee Chairman
Former President and Chief Operating Officer, Ingram Micro, Inc.

John P. Reilly. . . . . Governance Committee Chairman, Nominating Committee Chairman
Partner, Ares Management, LLC

Charles R. Whitchurch . . . . Audit Committee Chairman
Former Chief Financial Officer, Zebra Technologies Corporation

Senior Leadership

Michael L. Baur. . . . . Chief Executive Officer

John J. Ellsworth . . . . Executive Vice President, General Counsel and Corporate Secretary

Charles A. Mathis . . . . Executive Vice President and Chief Financial Officer

Glen "Buck" Baker . . . . President, Worldwide Barcode and Security

Michael J. Ferney . . . . President, Worldwide Communications and Services

R. Scott Benbenek. . . . . Senior Vice President, Worldwide Operations and Integration Support

Alexandre Conde . . . . President, ScanSource POS and Barcode, Latin America

Paul J. Constantine . . . . President, ScanSource POS and Barcode, US and Canada

Gregory B. Dixon . . . . Vice President, Chief Technology Officer

Mary M. Gentry. . . . . Vice President, Treasurer and Investor Relations

John S. Harvey . . . . Vice President, Worldwide Human Resources

David G. Hertwig . . . . President, ScanSource Catalyst, US and Canada

Richard L. Long . . . . President, ScanSource Communications, US and Canada

Gerald Lyons. . . . . Senior Vice President, Finance and Principal Accounting Officer

Rafael N. Paloni . . . . President, ScanSource Communications, Latin America

Tony Sorrentino . . . . President, ScanSource Networking and Security, US and Canada

Christina B. Thompson . . . . Vice President, Worldwide Marketing

Maurice van Rijn. . . . . President, ScanSource POS and Barcode, Europe

Ian Vickerage . . . . President, ScanSource Communications, Europe

Stock Listing
The NASDAQ Global Select Market
Ticker Symbol: SCSC

Financial Reports
Financial reports, including SEC Form 10-K and annual report, are available through the Company's website,
scansource.com, or by contacting Investor Relations (see contact information below).

Investor Inquiries
ScanSource welcomes inquiries from its shareholders and other interested investors. For further information, please
contact Investor Relations: **Phone:** 864.286.4892 **Email:** investor@scansource.com

Annual Meeting
The Annual Meeting of Shareholders of ScanSource, Inc. will be held at 10:30 a.m. on Thursday, December 3, 2015 at the
Marriott Hotel, One Parkway East, Greenville, South Carolina.

Transfer Agent	**Independent Registered Public Accounting Firm**	**Securities Counsel**
American Stock Transfer & Trust Company, LLC	Grant Thornton LLP	Womble Carlyle Sandridge & Rice, LLP
Phone: 800.937.5449	Columbia, South Carolina	Greenville, South Carolina