



ANNUAL REPORT **2018**



ScanSource, Inc. (NASDAQ: SCSC) is at the center of the technology solution delivery channel, connecting businesses and providing solutions for their complex needs. Using a channel sales model, ScanSource brings technology solutions and services from the world's leading suppliers of point-of-sale, payments, barcode, physical security, unified communications and collaboration, cloud and telecom services to market. ScanSource is committed to helping its customers create, deliver and manage solutions for end users across almost every vertical market in the United States, Canada, Latin America and Europe. Founded in 1992, the Company is headquartered in Greenville, South Carolina and ranks #653 on the Fortune 1000.

TO OUR SHAREHOLDERS:

We at ScanSource are driven to be the center of the solution delivery channel, connecting businesses and providing solutions for their complex needs. We help our customers grow by understanding what end users need and selling solutions that meet their needs. We're excited to work closely with our customers in an expanded role in generating demand for our channel partners. That demand can grow in numerous ways, as our customer channels—including VARs, agents, ISOs, and ISVs—provide us with multiple routes-to-market for technology solutions.

We marked our 25th year of helping our customers grow their businesses, and we delivered strong financial performance and strategic progress. For fiscal year 2018,

These results flow from our success in capitalizing on six key growth drivers. First, we continued to see strong demand for mobile computing solutions in all of our geographic regions, reflecting an operating system transition to Android and a market refresh opportunity. Second, we achieved strong video surveillance and networking growth, driven by offerings of cameras with more intelligence and better image resolution. Third, POS Portal grew our payments business in SMB and mid-market and provided higher margin, value-added services, including payment terminal replacement services, kitting, and customized configuration. Fourth, capitalizing on a communications channel opportunity arising from an

WE ARE

UP 8% Y/Y FOR FY18
\$3.85B NET SALES

UP 14% Y/Y FOR FY18
\$436M GROSS PROFIT

APPROXIMATELY
38,000 CUSTOMERS

500+ SUPPLIERS

2,600+ EMPLOYEES

49 OFFICES
14 COUNTRIES

THE CENTER OF THE SOLUTION DELIVERY CHANNEL

net sales increased 8% to a record \$3.85 billion. Our gross profits grew faster than sales with 14% year-over-year growth. This included year-over-year organic net sales growth in both worldwide segments and in all of our geographic regions. Our consolidated balance sheet reflects financial strength, and we have the financial flexibility to invest in our business and in future growth.

expanded relationship with Mitel for premises-based products in the United States, we recruited new customers and expanded offerings to include both premises-based and cloud products and services. Fifth, Intelisys, our telecom and cloud services business that is an important source of recurring revenue, grew 22% during the past year with the fastest growth coming from our excellent line card

THE SCANSOURCE TOTAL SOLUTION



of cloud suppliers. Central to that success are a number of noteworthy Platinum-level partners that achieve more than \$1 million in recurring monthly billings. We are adding six Platinum partners this year, increasing the total number to 21. Finally, our Network1 business in Brazil performed well across all of our technologies, including continued strong growth with cybersecurity vendors. Throughout the year, the Network1 team excelled in increasing our addressable market by recruiting new resellers, adding sales team members, and expanding business with new vendors.

Our acquisition strategy focuses on higher margin, “as a service” solutions and adjacent markets to help our customers offer more products and services. Our most recent acquisitions, which include more services capabilities, arose from this strategic approach: Intelisys in August 2016, POS Portal in August 2017, and Canpango in August 2018.

customers accelerate growth in their businesses. And we are very pleased to have been recognized as one of the Best Places to Work in South Carolina for the fourth year in a row.

ScanSource and our employees remain committed to using our talents and resources to help the communities in which we live and do business. Our growing corporate sustainability efforts demonstrate our commitments in four key areas: operating with integrity, engaging our employees, protecting our environment, and supporting our communities. Our Corporate Social Responsibility report, posted on our website, describes this impactful work, and we encourage you to review it.

Looking ahead, we will continue to execute our strategic plan centered on customers, solutions, and growth. We are aligning our teams, tools, and processes to support our

FINANCIAL 10K STARTS HERE.

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Intelisys brought us an agent channel that understands how to sell recurring and “as a service” revenue. Under its master agent model, Intelisys earns a percentage of commission payments, building more predictable, recurring revenues. POS Portal provides ScanSource with industry-leading capabilities in serving the US payments channel. The company leads with services to support payments devices, providing payments solutions at value-added margins. Our acquisition of Canpango, a global Salesforce implementation and consulting partner, closed last month. With deep knowledge of CRM and integration with telecom systems, Canpango’s professional services complement our cloud services offerings.

All of this happens because of our people. ScanSource employees build relationships with our customers as trusted advisors, and we work hard to earn that trust. I want to thank our 2,600 worldwide employees for their commitment to our customers and to ScanSource. I am proud of what we are accomplishing together to help our

customer focus. We are expanding our capabilities to sell solutions that end users want to buy. All of this will allow our customer channels to drive profitable growth for our business.

Thank you for your continued support of and investment in ScanSource. We are dedicated to our customers’ success and to delivering value for our shareholders.

Sincerely,



Michael L. Baur
CEO, ScanSource, Inc.

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