



Annual Report 2017





\$95M
FY2017 OPERATING CASH FLOW



ScanSource, Inc. (NASDAQ: SCSC) is a leading global provider of technology products and solutions, focusing on point-of-sale (POS), payments, barcode, physical security, unified communications and collaboration, cloud and telecom services. ScanSource's teams provide value-added services and operate from two technology segments:

- Worldwide Barcode, Networking and Security
- Worldwide Communications and Services

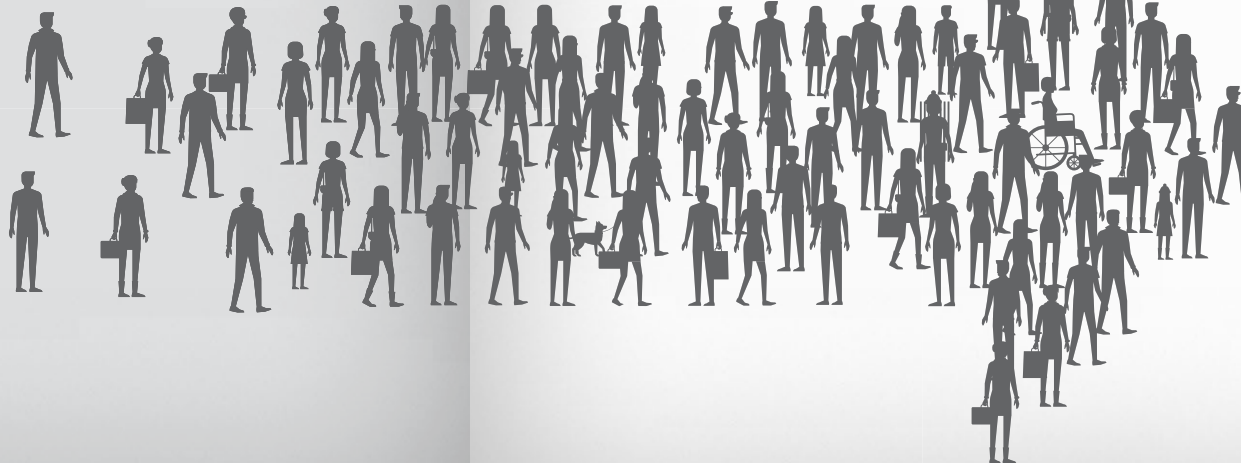
ScanSource is committed to helping its customers choose, configure, and deliver the industry's best solutions across almost every vertical market in North America, Latin America, and Europe. Founded in 1992, the Company is headquartered in Greenville, South Carolina and ranks #647 on the Fortune 1000.

For more information: scansource.com

 @ScanSource  @ScanSourceInc

 @ScanSource

35,000
CUSTOMERS



TO OUR SHAREHOLDERS:

ScanSource is celebrating its 25th year of providing technology solutions to customers. Since 1992, we've helped our customers choose, configure, and deliver the industry's best technology solutions. While we are proud of what we have accomplished, we see great opportunities ahead for strategic and financial progress. We're starting our next 25 years with a laser focus on our customers, as we work to enhance their experience and bring them more solutions to sell.

Last year, we grew net sales, expanded gross margins, and increased earnings per share. Fiscal 2017 net sales increased to \$3.6 billion, a record for ScanSource, and an increase of 1% over a year ago. Our gross margin increased to 10.8%, from adding Intelisys' high-margin, recurring revenue business and keeping the gross margins for our organic business consistent with historical levels.

For fiscal 2017, we achieved strong cash flow from operations of \$95 million and continued to invest for growth. We invested \$98 million in acquisitions and returned approximately \$20 million to shareholders through share repurchases. These actions and results are in keeping with our capital allocation goals and leverage target of at least one times EBITDA, moving us to an improved capital structure.



KEY OPPORTUNITIES FOR GROWTH

We continue to execute our strategic plan to grow our business, organically and through acquisitions. This strategy calls for enhanced organic growth, along with our continued focus on value-added margins.

We expect success in six key growth areas in fiscal 2018. First, growth in mobile computing across geographies, arising from market strength and operating system migration. Second, continued growth in our physical security business, led by increased video surveillance demand and offerings. Third, growth from POS Portal as we create the industry's leading payments channel. Fourth, a communications channel opportunity to recruit and support value-added resellers. Fifth, continued Intelisys telecommunications and cloud services business growth (more than 20% for fiscal year 2017) as suppliers shift more business to the channel. And sixth, expected growth created by our Network1 business in Brazil, which added new vendors to its line card.

INVESTING IN THE FUTURE

During the past year, we made three strategic acquisitions, enhancing our capabilities in higher-margin, higher-growth areas with recurring revenue opportunities. Each of these was a targeted investment, based on a careful analysis of high-potential markets with services opportunities.

In August 2016, we completed our acquisition of Intelisys, the market leader in the telecom and cloud services channel, and then acquired Kingcom's channel business in April 2017. These acquisitions are an important step in our plan, as they provide opportunities for customers to generate recurring revenue streams with fully vetted, carefully selected telecom and cloud services. ScanSource customers have opportunities to sell connectivity along with products, and Intelisys sales partners are able to sell products and solutions from the ScanSource vendor community. In addition to this strategic benefit, Intelisys strengthened our financial results this year.

On July 31, 2017, after our fiscal year end, we closed on our acquisition of POS Portal. This acquisition gives ScanSource industry-leading services and capabilities in the US payments industry, particularly in the SMB segment. POS Portal delivers services and secure payment terminals to meet customer needs at value-added margins. POS Portal offers Hardware-as-a-Service (under its Portal Advantage program) that provides customers with hardware support and next-day replacement of tablets and terminals. The combination of POS Portal's expertise and ScanSource's existing payments business creates exciting prospects in the US payments industry.



For all the change and growth we have seen in 25 years, one thing has remained constant: the critical importance of our team members, whose passion, energy, and dedication set us apart. Our 2,500 employees, worldwide, continually search for new ways to help our customers succeed and grow their businesses. We have a strong team of people who truly care and make ScanSource a great place to work. And, we are very pleased to have been recognized as one of the Best Places to Work in South Carolina for the third consecutive year.

We remain dedicated to serving the communities in which we live and do business. One of our core values is helping those less fortunate in our communities by sharing our time, talents, and resources. We carefully consider how we operate our business and how it impacts our world, and we invite you to learn more through our Corporate Social Responsibility report posted on our website.



We have accomplished a great deal since our founding in 1992. And, we remain particularly grateful for our partners, employees, and Board of Directors, whose commitment and service helped make it happen. I am confident in our strategy and in the investments we are making to deliver value for our shareholders and customers in the years to come.

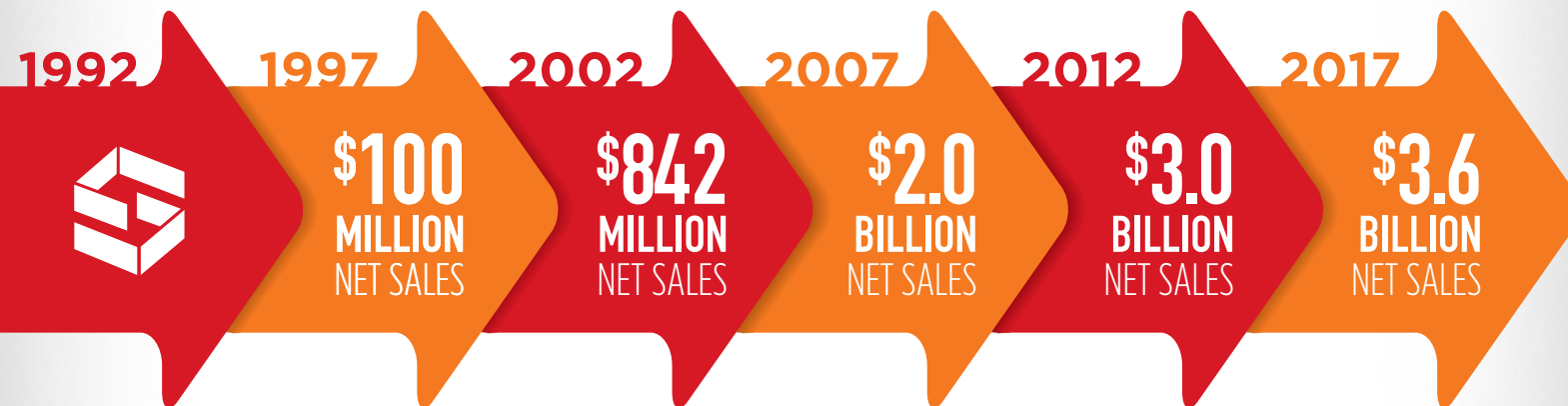
Sincerely,

Michael L. Baur
CEO, ScanSource, Inc.

September 29, 2017



Mike Baur
CEO, ScanSource, Inc.



**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended June 30, 2017

Commission File Number: 000-26926



ScanSource, Inc.
South Carolina
(State of incorporation)

57-0965380
(I.R.S. Employer
Identification No.)

6 Logue Court
Greenville, South Carolina 29615
(864) 288-2432

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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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, 2016 was \$1,012,679,122, 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 25, 2017
Common Stock, no par value per share	25,432,900 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 2017 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, 2017.



Investor Inquiries

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



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