



# scansource®

## CFO COMMENTARY

### Q4 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-K for the year ended June 30, 2019. ScanSource will present additional information about its financial results and outlook in a conference call on Tuesday, August 20, 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.

#### FOURTH QUARTER AND FULL-YEAR SUMMARY

For fiscal year 2019, we delivered record net sales of \$3.9 billion (up 1% Y/Y), GAAP EPS of \$2.24 (up 74% Y/Y), and record non-GAAP EPS of \$3.36 (up 8% Y/Y). For the full-year, we had 4% gross profit growth, and our gross profit margin increased to 11.7%.

We finished our fiscal year with disappointing fourth quarter results. We missed our forecast range for net sales and diluted EPS, primarily from lower sales volumes in our Worldwide Barcode, Networking and Security segment. Today, we announced plans to divest certain businesses outside of the United States, Canada and Brazil ("Planned Divestitures") to align our investments with higher-growth, higher-margin businesses. These Planned Divestitures had net sales of \$623 million for fiscal year 2019 and at June 30, 2019 had working capital of \$205 million.

#### Q4 FY19 Results:

##### NET SALES

**\$961 million**

Forecast:  
\$970 million to  
\$1.03 billion

##### GAAP DILUTED EPS

**\$0.45**

Forecast:  
\$0.56 to \$0.62

##### NON-GAAP DILUTED EPS

**\$0.71**

Forecast:  
\$0.80 to \$0.86

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

## QUARTERLY HIGHLIGHTS

| <i>\$ in millions, except EPS</i> | Q4 FY19 | Q3 FY19 | Q4 FY18 | Y/Y<br>Change |
|-----------------------------------|---------|---------|---------|---------------|
| Net sales                         | \$960.8 | \$893.4 | \$993.9 | -3%           |
| Gross profit                      | \$109.9 | \$110.0 | \$113.3 | -3%           |
| Gross profit margin %             | 11.4%   | 12.3%   | 11.4%   | +2 bps        |
| SG&A expenses                     | \$78.0  | \$77.7  | \$76.8  | +2%           |
| Operating income                  | \$20.0  | \$18.8  | \$19.8  | +1%           |
| Operating income %                | 2.1%    | 2.1%    | 2.0%    | +9 bps        |
| Non-GAAP operating income         | \$29.4  | \$29.7  | \$30.8  | -4%           |
| Non-GAAP operating income %       | 3.1%    | 3.3%    | 3.1%    | -4 bps        |
| GAAP net income                   | \$11.6  | \$11.7  | \$10.4  | +11%          |
| Non-GAAP net income               | \$18.3  | \$19.8  | \$19.9  | -8%           |
| GAAP diluted EPS                  | \$0.45  | \$0.45  | \$0.40  | +13%          |
| Non-GAAP diluted EPS              | \$0.71  | \$0.77  | \$0.77  | -8%           |

- Net sales of \$961 million (-3% Y/Y)
  - Organic growth of -2% Y/Y
  - Growth in Worldwide Communications and Services offset by declines in Worldwide Barcode, Networking and Security
  - Foreign currency translation negatively impacted sales by \$15 million
- Gross profit margin of 11.4%, consistent with prior year
- Operating income increased 1% Y/Y
- Non-GAAP operating income of \$29.4 million, down 4% Y/Y
- Operating income margin was 2.1%, and non-GAAP operating income margin was 3.1%
  - SG&A includes investments in North America to support the planned growth for fiscal year 2020
- GAAP EPS increased 13% Y/Y to \$0.45, and non-GAAP EPS decreased 8% Y/Y to \$0.71

*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.*

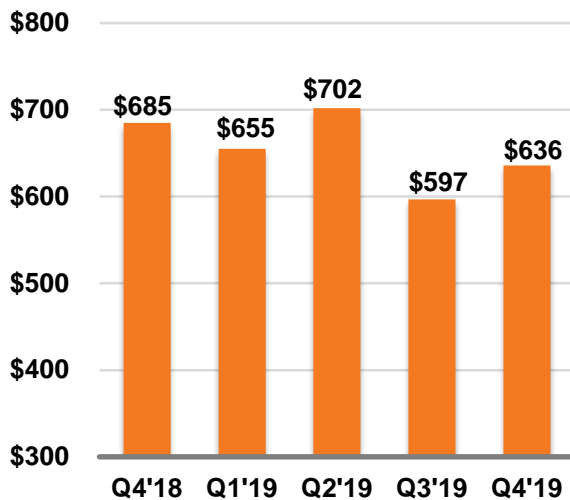


WORLDWIDE BARCODE, NETWORKING & SECURITY

| <i>\$ in millions</i>       | Q4 FY19 | Q3 FY19 | Q4 FY18 |
|-----------------------------|---------|---------|---------|
| Net sales                   | \$636.2 | \$596.9 | \$684.6 |
| Gross profit                | \$56.4  | \$61.6  | \$62.4  |
| Gross margin                | 8.9%    | 10.3%   | 9.1%    |
| Operating income            | \$10.9  | \$16.9  | \$15.8  |
| Operating income %          | 1.7%    | 2.8%    | 2.3%    |
| Non-GAAP operating income   | \$12.9  | \$18.8  | \$16.6  |
| Non-GAAP operating income % | 2.0%    | 3.2%    | 2.4%    |

Net Sales, \$ in millions

Y/Y Growth -7%  
Y/Y Organic Growth -6%



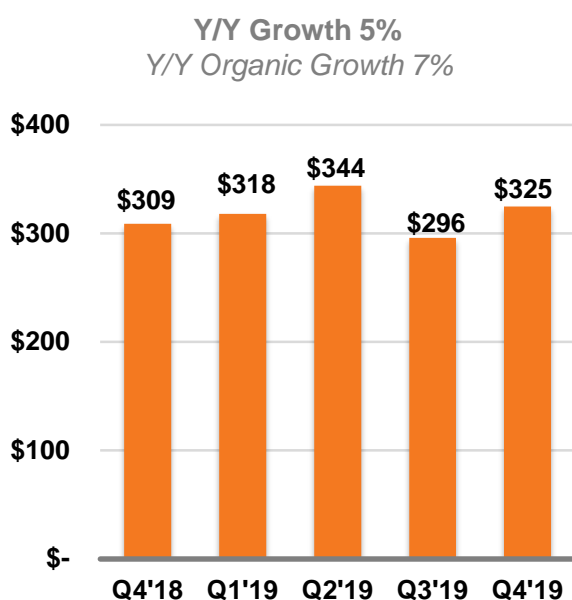
- Net sales of \$636 million, down 7% Y/Y
  - Organic growth of -6% Y/Y
  - Lower volume of big deals
  - Growth in physical security and in POS systems
- Gross profit margin of 8.9%, down 25 bps Y/Y
  - Prior quarter reflected higher vendor programs
- Operating income margin of 1.7% decreased 59 basis points Y/Y
- Non-GAAP operating income margin of 2.0% decreased 38 basis points Y/Y
  - Unfavorable operating performance for international business

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 restructuring costs.

## WORLDWIDE COMMUNICATIONS & SERVICES

| <i>\$ in millions</i>       | Q4 FY19 | Q3 FY19 | Q4 FY18 |
|-----------------------------|---------|---------|---------|
| Net sales                   | \$324.7 | \$296.4 | \$309.3 |
| Gross profit                | \$53.8  | \$48.5  | \$51.0  |
| Gross margin                | 16.6%   | 16.3%   | 16.5%   |
| Operating income            | \$9.4   | \$2.2   | \$4.0   |
| Operating income %          | 2.9%    | 0.7%    | 1.3%    |
| Non-GAAP operating income   | \$16.5  | \$10.9  | \$14.2  |
| Non-GAAP operating income % | 5.1%    | 3.7%    | 4.6%    |

### Net Sales, \$ in millions



- Net sales of \$325 million, up 5% Y/Y
  - Organic growth of 7% Y/Y
  - Continued strong sales growth in Brazil
  - Intelisys net sales increased 13% Y/Y
- Gross profit margin of 16.6%, consistent with prior year
- Operating income margin of 2.9% increased 159 basis points Y/Y
- Non-GAAP operating income margin of 5.1% increased 47 basis points 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 restructuring costs.*

## FULL-YEAR HIGHLIGHTS

| <i>\$ in millions, except EPS</i> | FY19      | FY18      | Y/Y<br>Change |
|-----------------------------------|-----------|-----------|---------------|
| Net sales                         | \$3,873.1 | \$3,846.3 | +1%           |
| Gross profit                      | \$452.6   | \$436.1   | +4%           |
| Gross profit margin %             | 11.7%     | 11.3%     | +34 bps       |
| SG&A expenses                     | \$314.5   | \$297.5   | +6%           |
| Operating income                  | \$90.0    | \$67.6    | +33%          |
| Operating income %                | 2.3%      | 1.8%      | +56 bps       |
| Non-GAAP operating income         | \$128.5   | \$124.0   | +4%           |
| Non-GAAP operating income %       | 3.3%      | 3.2%      | +10 bps       |
| GAAP net income                   | \$57.6    | \$33.2    | +74%          |
| Non-GAAP net income               | \$86.4    | \$79.8    | +8%           |
| GAAP diluted EPS                  | \$2.24    | \$1.29    | +74%          |
| Non-GAAP diluted EPS              | \$3.36    | \$3.11    | +8%           |

- Record net sales of \$3.87 billion
  - +2% Y/Y organic growth
  - Y/Y organic growth of -0.6% Barcode, Networking & Security and +8.6% for Communications & Services
- Gross profit margin increased 34 basis points to 11.7% from higher vendor programs
- Operating income, GAAP net income, and GAAP EPS include lower expense for change in fair value of contingent consideration
- Non-GAAP operating income (+4% Y/Y) grew faster than net sales growth (+1% Y/Y)
- For FY19, effective tax rate of 26.0%, including tax reform charges, and non-GAAP effective tax rate of 25.8%
- Non-GAAP EPS increased 8% Y/Y to a record \$3.36

*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, Brazil tax recovery, legal settlement and tax reform charges.*



**WORKING CAPITAL**

| <i>\$ in millions</i>                  | Q4 FY19 | Q3 FY19 | Q4 FY18 |
|--|---------|---------|---------|
| Accounts receivable (Q/E)              | \$655.0 | \$597.3 | \$646.1 |
| Days sales outstanding in receivables* | 62      | 60      | 59      |
| Inventory (Q/E)                        | \$697.3 | \$760.7 | \$595.9 |
| Inventory turns                        | 4.7     | 4.3     | 6.0     |
| Accounts payable (Q/E)                 | \$558.1 | \$585.1 | \$562.6 |
| Paid for inventory days*               | 20.5    | 24.2    | 6.8     |
| Working capital (Q/E) (AR+INV-AP)      | \$794.2 | \$772.9 | \$679.5 |

\* 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 \$794 million, up 17% Y/Y and up 3% Q/Q
- Working capital increased Y/Y, principally from higher inventory levels
- Days sales outstanding in receivables of 62 days
- Inventory turns of 4.7x, slower than the prior year and our typical range
  - Inventory turns decreased from prior year due to opportunistic inventory purchases during the year and lower-than-planned sales
  - Inventory up 17% Y/Y and down 8% Q/Q
- Paid for inventory days of 20.5 reflect higher inventory levels and timing of accounts payable

## CASH FLOW AND BALANCE SHEET HIGHLIGHTS

| <i>\$ in millions</i>                                | Q4 FY19  | Q3 FY19 | Q4 FY18 |
|--|----------|---------|---------|
| Adjusted EBITDA (QTR)*                               | \$33.6   | \$34.6  | \$35.2  |
| Adjusted ROIC (QTR)*                                 | 10.6%    | 11.1%   | 12.5%   |
| Adjusted EBITDA (FY)*                                | \$146.6  |         | \$142.6 |
| Adjusted ROIC (FY)*                                  | 12.0%    |         | 12.5%   |
| Operating cash flow (QTR)                            | \$(2.6)  | \$27.2  | \$31.0  |
| Operating cash flow, trailing 12 months              | \$(27.1) | \$6.5   | \$24.8  |
| Cash and cash equivalents (Q/E)                      | \$23.8   | \$20.4  | \$25.5  |
| Debt (Q/E)   | \$360.5  | \$347.7 | \$249.4 |
| Net debt to adjusted EBITDA, trailing 12 months*     | 2.3x     | 2.2x    | 1.6x    |
| Shares repurchased – # of shares (QTR)               | 314,445  | --      | --      |
| Shares repurchased – dollars (QTR)                   | \$9.8    | --      | --      |
| Remaining share repurchase authorization (as of Q/E) | \$89.5   | \$99.4  | \$99.7  |

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

- Adjusted EBITDA of \$33.6 million, down 5% Y/Y, due to lower net sales and investments in the business
- Adjusted return on invested capital of 10.6% for the fiscal year
- Operating cash flow of -\$2.6 million for the quarter and -\$27.1 million for the fiscal year
  - Impacted by higher working capital levels
- Cash and cash equivalent balances of \$23.8 million at 6/30/19, including \$19 million held outside of the U.S.
- Net debt to trailing 12-month adjusted EBITDA is 2.3x
- \$9.8 million in share repurchases during the quarter; current share repurchase authorization expires in August 2019



## Q1 FY20 OUTLOOK EXCLUDING RESULTS FOR PLANNED DIVESTITURES

For the quarter ending September 30, 2019:

### GAAP NET SALES

*Forecast Range:*  
**\$970 million to  
\$1.03 billion**

*Q1 FY19: Net sales \$973 million*

### GAAP DILUTED EPS

*Forecast Range:*  
**\$0.47 to \$0.52  
per share**

*Q1 FY19: GAAP diluted EPS \$0.56*

### NON-GAAP NET SALES Excluding Planned Divestitures

*Forecast Range:*  
**\$830 million to  
\$890 million**

*Q1 FY19: Net sales excluding Planned  
Divestitures \$813 million*

### NON-GAAP DILUTED EPS Excluding Planned Divestitures

*Forecast: Range*  
**\$0.70 to \$0.75  
per share**

*Q1 FY19: Non-GAAP diluted EPS  
excluding Planned Divestitures \$0.89*

- Outlook as of August 20, 2019
- Excludes operating results for Planned Divestitures (physical product distribution businesses in Europe, UK, Mexico, Colombia, Chile, Peru and Miami-based export operations)
- Non-GAAP diluted EPS excludes amortization of intangible assets, change in fair value of contingent consideration and results from Planned Divestitures
- Forecast midpoint reflects 4% year-over-year organic sales growth
- Reflects the following FX rates: \$0.26 to R\$1.00 for the Brazilian real (R\$3.85 to \$1)
- Expects foreign currency translation to positively impact sales by approximately \$2 million
- Assumes interest expense will be approximately \$4.4 million for Q1 FY20
- Assumes an effective tax rate excluding Planned Divestitures of 25% to 26% for Q1 FY20, excluding discrete items





### **FORWARD-LOOKING STATEMENTS**

This CFO Commentary contains certain comments that are “forward-looking” statements, including statements about expected sales, Planned Divestitures, 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, our ability to complete the Planned Divestitures on acceptable terms or at all, changes in our operating strategy, 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, 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, non-GAAP net sales, 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 June 30, 2019 |                |            |             |
|--|-----------------------------|----------------|------------|-------------|
|  | Operating Income            | Pre-tax income | Net income | Diluted EPS |
| GAAP measure                                     | \$ 20,022                   | \$ 16,238      | \$ 11,578  | \$ 0.45     |
| Adjustments:                                     |                             |                |            |             |
| Amortization of intangible assets                | 5,024                       | 5,024          | 3,802      | 0.15        |
| Change in fair value of contingent consideration | 3,665                       | 3,665          | 2,780      | 0.11        |
| Acquisition costs (a)                            | 230                         | 230            | 230        | 0.01        |
| Restructuring costs                              | 483                         | 483            | 342        | 0.01        |
| Tax recovery, net                                | -                           | -              | (387)      | (0.02)      |
| Non-GAAP measure                                 | \$ 29,424                   | \$ 25,640      | \$ 18,345  | \$ 0.71     |

|  | Quarter Ended March 31, 2019 |                |            |             |
|--|------------------------------|----------------|------------|-------------|
|  | Operating Income             | Pre-tax income | Net income | Diluted EPS |
| GAAP measure                                     | \$ 18,804                    | \$ 15,795      | \$ 11,715  | \$ 0.45     |
| Adjustments:                                     |                              |                |            |             |
| Amortization of intangible assets                | 5,005                        | 5,005          | 3,789      | 0.15        |
| Change in fair value of contingent consideration | 5,101                        | 5,101          | 3,619      | 0.14        |
| Acquisition costs (a)                            | 222                          | 222            | 222        | 0.01        |
| Restructuring costs                              | 592                          | 592            | 443        | 0.02        |
| Non-GAAP measure                                 | \$ 29,724                    | \$ 26,715      | \$ 19,788  | \$ 0.77     |

|  | Quarter Ended June 30, 2018 |                |            |             |
|--|-----------------------------|----------------|------------|-------------|
|  | Operating Income            | Pre-tax income | Net income | Diluted EPS |
| GAAP measure                                     | \$ 19,759                   | \$ 18,043      | \$ 10,388  | \$ 0.40     |
| Adjustments:                                     |                             |                |            |             |
| Amortization of intangible assets                | 5,056                       | 5,056          | 3,521      | 0.14        |
| Change in fair value of contingent consideration | 8,448                       | 8,448          | 5,679      | 0.22        |
| Tax recovery and related interest income         | (2,466)                     | (3,119)        | (2,058)    | (0.08)      |
| Tax reform charges (b)                           | -                           | -              | 2,345      | 0.09        |
| Non-GAAP measure                                 | \$ 30,797                   | \$ 28,428      | \$ 19,875  | \$ 0.77     |

(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

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

(\$ in thousands)

|  | Fiscal Year Ended June 30, 2019 |                |            |             |
|--|---------------------------------|----------------|------------|-------------|
|  | Operating Income                | Pre-tax income | Net income | Diluted EPS |
| GAAP measure                                     | \$ 89,964                       | \$ 77,908      | \$ 57,597  | \$ 2.24     |
| Adjustments:                                     |                                 |                |            |             |
| Amortization of intangible assets                | 19,732                          | 19,732         | 14,956     | 0.58        |
| Change in fair value of contingent consideration | 15,200                          | 15,200         | 11,294     | 0.44        |
| Acquisition costs (a)                            | 1,218                           | 1,218          | 1,218      | 0.05        |
| Restructuring costs                              | 2,402                           | 2,402          | 1,740      | 0.07        |
| Tax recovery, net                                | -                               | -              | (387)      | (0.02)      |
| Non-GAAP measure                                 | \$ 128,516                      | \$ 116,460     | \$ 86,418  | \$ 3.36     |

|  | Fiscal Year Ended June 30, 2018 |                |            |             |
|--|---------------------------------|----------------|------------|-------------|
|  | Operating Income                | Pre-tax income | Net income | Diluted EPS |
| GAAP measure                                     | \$ 67,639                       | \$ 60,925      | \$ 33,153  | \$ 1.29     |
| Adjustments:                                     |                                 |                |            |             |
| Amortization of intangible assets                | 20,657                          | 20,657         | 14,021     | 0.55        |
| Change in fair value of contingent consideration | 37,043                          | 37,043         | 24,697     | 0.96        |
| Acquisition costs (a)                            | 172                             | 172            | 172        | 0.01        |
| Legal settlement, net of attorney fees           | 952                             | 952            | 771        | 0.03        |
| Tax recovery and related interest income         | (2,466)                         | (3,119)        | (2,058)    | (0.08)      |
| Tax reform charges and tax settlement (b)        | -                               | -              | 9,034      | 0.35        |
| Non-GAAP measure                                 | \$ 123,997                      | \$ 116,630     | \$ 79,790  | \$ 3.11     |

(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)

|   | WW Barcode,<br>NW & Security | WW Comms.<br>& Services | Consolidated |
|---|------------------------------|-------------------------|--------------|
| <b>For the quarter ended June 30, 2019:</b>                       |                              |                         |              |
| Q4 FY19 net sales, as reported                                    | \$ 636,172                   | \$ 324,661              | \$ 960,833   |
| Foreign exchange impact (a)                                       | 7,199                        | 7,489                   | 14,688       |
| Q4 FY19 net sales, constant currency                              | 643,371                      | 332,150                 | 975,521      |
| Less: Acquisitions  | -                            | (2,042)                 | (2,042)      |
| Q4 FY19 net sales, constant currency excluding acquisitions       | \$ 643,371                   | \$ 330,108              | \$ 973,479   |
| <b>Q4 FY18 net sales, as reported</b>                             |                              |                         |              |
| Q4 FY18 net sales, as reported                                    | \$ 684,552                   | \$ 309,300              | \$ 993,852   |
| Less: Acquisitions  | -                            | -                       | -            |
| Q4 FY18 net sales, excluding acquisitions                         | \$ 684,552                   | \$ 309,300              | \$ 993,852   |
| <b>Y/Y % Change:</b>  |                              |                         |              |
| <b>As reported</b>  | <b>-7.1%</b>                 | <b>5.0%</b>             | <b>-3.3%</b> |
| <b>Constant currency</b>  | <b>-6.0%</b>                 | <b>7.4%</b>             | <b>-1.8%</b> |
| <b>Constant currency, excluding acquisitions (organic growth)</b> | <b>-6.0%</b>                 | <b>6.7%</b>             | <b>-2.0%</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 June 30, 2019 into U.S. dollars using the weighted average foreign exchange rates for the quarter ended June 30, 2018.

## APPENDIX: RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION

### Net Sales, Constant Currency and Excluding Acquisitions (Organic Growth) – FY

(\$ in thousands)

|   | WW Barcode,<br>NW & Security | WW Comms.<br>& Services | Consolidated        |
|---|------------------------------|-------------------------|---------------------|
| <b>For the fiscal year ended June 30, 2019:</b>                   |                              |                         |                     |
| FY 2019 net sales, as reported                                    | \$ 2,589,837                 | \$ 1,283,274            | \$ 3,873,111        |
| Foreign exchange impact (a)                                       | 33,318                       | 45,655                  | 78,973              |
| FY 2019 net sales, constant currency                              | 2,623,155                    | 1,328,929               | 3,952,084           |
| Less: Acquisitions  | (23,465)                     | (7,261)                 | (30,726)            |
| FY 2019 net sales, constant currency excluding acquisitions       | <u>\$ 2,599,690</u>          | <u>\$ 1,321,668</u>     | <u>\$ 3,921,358</u> |
| <br>  |                              |                         |                     |
| FY 2018 net sales, as reported                                    | \$ 2,628,988                 | \$ 1,217,272            | \$ 3,846,260        |
| Less: Acquisitions  | (14,553)                     | -                       | (14,553)            |
| FY 2018 net sales, excluding acquisitions                         | <u>\$ 2,614,435</u>          | <u>\$ 1,217,272</u>     | <u>\$ 3,831,707</u> |
| <br>  |                              |                         |                     |
| <b>Y/Y % Change:</b>  |                              |                         |                     |
| <b>As reported</b>  | <b>-1.5%</b>                 | <b>5.4%</b>             | <b>0.7%</b>         |
| <b>Constant currency</b>  | <b>-0.2%</b>                 | <b>9.2%</b>             | <b>2.8%</b>         |
| <b>Constant currency, excluding acquisitions (organic growth)</b> | <b>-0.6%</b>                 | <b>8.6%</b>             | <b>2.3%</b>         |

(a) Year-over-year sales growth excluding the translation impact of changes in foreign currency rates. Calculated by translating net sales for the fiscal year ended June 30, 2019 into U.S. dollars using the weighted average foreign exchange rates for the fiscal year ended June 30, 2018.

## APPENDIX: RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION

### Highlights by Segment – QTR

(\$ in thousands)

|  | Quarter Ended June 30, 2019  |                         |             |                  | FY19<br>Consolidated |
|--|------------------------------|-------------------------|-------------|------------------|----------------------|
|  | WW Barcode,<br>NW & Security | WW Comms.<br>& Services | Corporate   | Consolidated     |                      |
| Net sales  | \$ 636,172                   | \$ 324,661              | \$ -        | \$ 960,833       | \$ 3,873,111         |
| GAAP operating income                            | 10,901                       | 9,351                   | (230)       | 20,022           | 89,964               |
| Adjustments:                                     |                              |                         |             |                  |                      |
| Amortization of intangible assets                | 1,968                        | 3,057                   | -           | 5,024            | 19,732               |
| Change in fair value of contingent consideration | -                            | 3,665                   | -           | 3,665            | 15,200               |
| Acquisition costs                                | -                            | -                       | 230         | 230              | 1,218                |
| Restructuring costs                              | 86                           | 397                     | -           | 483              | 2,402                |
| Non-GAAP operating income                        | <u>\$ 12,954</u>             | <u>\$ 16,469</u>        | <u>\$ -</u> | <u>\$ 29,424</u> | <u>\$ 128,516</u>    |
| GAAP operating income % (of net sales)           | 1.71%                        | 2.88%                   | n/m         | 2.08%            | 2.32%                |
| Non-GAAP operating income % (of net sales)       | 2.04%                        | 5.07%                   | n/m         | 3.06%            | 3.32%                |

(\$ in thousands)

|  | Quarter Ended March 31, 2019 |                         |             |                  |
|--|------------------------------|-------------------------|-------------|------------------|
|  | WW Barcode,<br>NW & Security | WW Comms.<br>& Services | Corporate   | Consolidated     |
| Net sales  | \$ 596,913                   | \$ 296,444              | \$ -        | \$ 893,357       |
| GAAP operating income                            | 16,865                       | 2,161                   | (222)       | 18,804           |
| Adjustments:                                     |                              |                         |             |                  |
| Amortization of intangible assets                | 1,968                        | 3,037                   | -           | 5,005            |
| Change in fair value of contingent consideration | -                            | 5,101                   | -           | 5,101            |
| Acquisition costs                                | -                            | -                       | 222         | 222              |
| Restructuring costs                              | -                            | 592                     | -           | 592              |
| Non-GAAP operating income                        | <u>\$ 18,833</u>             | <u>\$ 10,891</u>        | <u>\$ -</u> | <u>\$ 29,724</u> |
| GAAP operating income % (of net sales)           | 2.83%                        | 0.73%                   | n/m         | 2.10%            |
| Non-GAAP operating income % (of net sales)       | 3.16%                        | 3.67%                   | n/m         | 3.33%            |

(\$ in thousands)

|  | Quarter Ended June 30, 2018  |                         |             |                  | FY18<br>Consolidated |
|--|------------------------------|-------------------------|-------------|------------------|----------------------|
|  | WW Barcode,<br>NW & Security | WW Comms.<br>& Services | Corporate   | Consolidated     |                      |
| Net sales  | \$ 684,552                   | \$ 309,300              | \$ -        | \$ 993,852       | \$ 3,846,260         |
| GAAP operating income                            | 15,768                       | 3,991                   | -           | 19,759           | 67,639               |
| Adjustments:                                     |                              |                         |             |                  |                      |
| Amortization of intangible assets                | 2,309                        | 2,747                   | -           | 5,056            | 20,657               |
| Change in fair value of contingent consideration | -                            | 8,448                   | -           | 8,448            | 37,043               |
| Acquisition costs                                | -                            | -                       | -           | -                | 172                  |
| Tax recovery                                     | (1,512)                      | (954)                   | -           | (2,466)          | (2,466)              |
| Legal settlement, net of attorney fees           | -                            | -                       | -           | -                | 952                  |
| Non-GAAP operating income                        | <u>\$ 16,565</u>             | <u>\$ 14,232</u>        | <u>\$ -</u> | <u>\$ 30,797</u> | <u>\$ 123,997</u>    |
| GAAP operating income % (of net sales)           | 2.30%                        | 1.29%                   | n/m         | 1.99%            | 1.76%                |
| Non-GAAP operating income % (of net sales)       | 2.42%                        | 4.60%                   | n/m         | 3.10%            | 3.22%                |

n/m = not meaningful

## APPENDIX: RECONCILIATIONS FOR NON-GAAP FINANCIAL INFORMATION

### Average Return on Invested Capital - QTR

(\$ in thousands)

|   | Q4 FY19             | Q3 FY19             | Q2 FY19             | Q1 FY19             | Q4 FY18             |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Adjusted return on invested capital (ROIC), annualized (a)</b> | <b>10.6%</b>        | <b>11.1%</b>        | <b>13.3%</b>        | <b>12.9%</b>        | <b>12.5%</b>        |
| <u>Reconciliation of Net Income to Adjusted EBITDA</u>            |                     |                     |                     |                     |                     |
| Net income - GAAP   | \$ 11,578           | \$ 11,715           | \$ 19,982           | \$ 14,322           | \$ 10,388           |
| Plus:   |                     |                     |                     |                     |                     |
| Interest expense  | 3,966               | 3,670               | 3,119               | 2,627               | 2,494               |
| Income taxes  | 4,660               | 4,080               | 6,668               | 4,902               | 7,655               |
| Depreciation and amortization                                     | 9,053               | 9,363               | 8,935               | 9,268               | 9,291               |
| EBITDA  | 29,257              | 28,828              | 38,704              | 31,119              | 29,828              |
| Adjustments:  |                     |                     |                     |                     |                     |
| Change in fair value of contingent consideration                  | 3,665               | 5,101               | 1,850               | 4,584               | 8,448               |
| Acquisition costs   | 230                 | 222                 | 414                 | 353                 | -                   |
| Restructuring costs   | 483                 | 456                 | -                   | 1,328               | -                   |
| Tax recovery and related interest income                          | -                   | -                   | -                   | -                   | (3,119)             |
| <b>Adjusted EBITDA (numerator for ROIC)(non-GAAP)</b>             | <b>\$ 33,635</b>    | <b>\$ 34,607</b>    | <b>\$ 40,968</b>    | <b>\$ 37,384</b>    | <b>\$ 35,157</b>    |
| <u>Invested Capital Calculation</u>                               |                     |                     |                     |                     |                     |
| Equity - beginning of the quarter                                 | \$ 911,063          | \$ 899,503          | \$ 877,897          | \$ 866,376          | \$ 877,796          |
| Equity - end of quarter   | 914,129             | 911,063             | 899,503             | 877,897             | 866,376             |
| Adjustments:  |                     |                     |                     |                     |                     |
| Change in fair value of contingent consideration, net of tax      | 2,780               | 3,619               | 1,408               | 3,487               | 5,679               |
| Acquisition costs, net of tax                                     | 230                 | 222                 | 414                 | 353                 | -                   |
| Restructuring costs, net of tax                                   | 342                 | 334                 | -                   | 955                 | -                   |
| Tax recovery and related interest income, net of tax              | (387)               | -                   | -                   | -                   | (2,058)             |
| Tax reform charges  | -                   | -                   | -                   | -                   | 2,345               |
| Average equity  | 914,079             | 907,371             | 889,611             | 874,535             | 875,069             |
| Average funded debt (b)   | 355,932             | 357,443             | 333,138             | 272,277             | 253,393             |
| <b>Invested capital (denominator for ROIC)(non-GAAP)</b>          | <b>\$ 1,270,011</b> | <b>\$ 1,264,814</b> | <b>\$ 1,222,749</b> | <b>\$ 1,146,812</b> | <b>\$ 1,128,462</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

### Average Return on Invested Capital – FY

(\$ in thousands)

|   | Fiscal Year ended June 30, |                     |
|---|----------------------------|---------------------|
|   | 2019                       | 2018                |
| <b>Adjusted return on invested capital (ROIC), annualized (a)</b> | <b>12.0%</b>               | <b>12.5%</b>        |
| <u>Reconciliation of Net Income to Adjusted EBITDA</u>            |                            |                     |
| Net income - GAAP   | \$ 57,597                  | \$ 33,153           |
| Plus:   |                            |                     |
| Interest expense  | 13,382                     | 9,149               |
| Income taxes  | 20,311                     | 27,772              |
| Depreciation and amortization                                     | 36,619                     | 37,495              |
| EBITDA  | 127,909                    | 107,569             |
| Adjustments:  |                            |                     |
| Change in fair value of contingent consideration                  | 15,200                     | 37,043              |
| Acquisition costs   | 1,218                      | 172                 |
| Restructuring costs   | 2,267                      | -                   |
| Legal settlement, net of attorney fees                            | -                          | 952                 |
| Tax recovery and related interest income                          | -                          | (3,119)             |
| <b>Adjusted EBITDA (numerator for ROIC)(non-GAAP)</b>             | <b>\$ 146,594</b>          | <b>\$ 142,617</b>   |
| <u>Invested Capital Calculation</u>                               |                            |                     |
| Equity - beginning of the quarter                                 | \$ 866,376                 | \$ 837,145          |
| Equity - end of quarter   | 914,129                    | 866,376             |
| Adjustments:  |                            |                     |
| Change in fair value of contingent consideration, net of tax      | 11,294                     | 24,697              |
| Acquisition costs, net of tax                                     | 1,218                      | 172                 |
| Restructuring costs, net of tax                                   | 1,631                      | -                   |
| Legal settlement, net of attorney fees, net of tax                | -                          | 771                 |
| Tax recovery and related interest income, net of tax              | (387)                      | (2,058)             |
| Tax reform charges and tax settlement                             | -                          | 9,034               |
| Average equity  | 897,131                    | 868,069             |
| Average funded debt (b)   | 329,473                    | 276,233             |
| <b>Invested capital (denominator for ROIC)(non-GAAP)</b>          | <b>\$ 1,226,604</b>        | <b>\$ 1,144,302</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)

|                                       | Q4 FY19          | Q3 FY19          | Q2 FY19          | Q1 FY19          | Q4 FY18          | Q3 FY18          | Q2 FY18          | Q1 FY18          |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Debt (Q/E)                            | \$360,506        | \$347,672        | \$372,410        | \$281,859        | \$249,429        | \$282,158        | \$360,932        | \$285,763        |
| Less: Cash and cash equivalents (Q/E) | (23,818)         | (20,400)         | (22,749)         | (18,858)         | (25,530)         | (35,361)         | (35,435)         | (23,616)         |
| <b>Net debt (Q/E)</b>                 | <b>\$336,688</b> | <b>\$327,272</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> |

#### Reconciliation of Net Income to Adjusted EBITDA

|  |                   |                   |                   |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net income - GAAP                                | \$ 11,578         | \$ 11,715         | \$ 19,982         | \$ 14,322         | \$ 10,388         | \$ 10,649         | \$ 7,969          | \$ 4,147          |
| Plus:  |                   |                   |                   |                   |                   |                   |                   |                   |
| Interest expense                                 | 3,966             | 3,670             | 3,119             | 2,627             | 2,494             | 2,784             | 2,285             | 1,585             |
| Income taxes                                     | 4,660             | 4,080             | 6,668             | 4,902             | 7,655             | 5,143             | 12,341            | 2,633             |
| Depreciation and amortization                    | 9,053             | 9,363             | 8,935             | 9,268             | 9,291             | 9,438             | 9,901             | 8,864             |
| EBITDA   | 29,257            | 28,828            | 38,704            | 31,119            | 29,828            | 28,014            | 32,496            | 17,229            |
| Adjustments:                                     |                   |                   |                   |                   |                   |                   |                   |                   |
| Change in fair value of contingent consideration | 3,665             | 5,101             | 1,850             | 4,584             | 8,448             | 4,801             | 6,913             | 16,881            |
| Acquisition costs                                | 230               | 222               | 414               | 353               | -                 | -                 | -                 | 172               |
| Restructuring costs                              | 483               | 456               | -                 | 1,328             | -                 | -                 | -                 | -                 |
| Legal settlement, net of attorney fees           | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 952               |
| Tax recovery and related interest income         | -                 | -                 | -                 | -                 | (3,119)           | -                 | -                 | -                 |
| Adjusted EBITDA (non-GAAP)                       | \$ 33,635         | \$ 34,607         | \$ 40,968         | \$ 37,384         | \$ 35,157         | \$ 32,815         | \$ 39,409         | \$ 35,234         |
| <b>Adjusted EBITDA, TTM (a)</b>                  | <b>\$ 146,594</b> | <b>\$ 148,116</b> | <b>\$ 146,324</b> | <b>\$ 144,765</b> | <b>\$ 142,617</b> | <b>\$ 138,418</b> | <b>\$ 134,794</b> | <b>\$ 128,015</b> |
| <b>Net Debt / Adjusted EBITDA, TTM (a)</b>       | <b>2.3x</b>       | <b>2.2x</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>       |

(a) Adjusted EBITDA for the trailing 12-month period

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

**Forecasted Range for EPS – Q1 FY20 Outlook Excluding Planned Divestitures**

*(\$ in thousands)*

|  | <b>Forecast for Quarter ending<br/>September 30, 2019</b> |                          |
|--|---|--------------------------|
|  | <b><u>Range Low</u></b>                                   | <b><u>Range High</u></b> |
| Net sales, reported                              | \$ 970,000  | \$ 1,030,000             |
| Adjustments:                                     |   |                          |
| Net sales for planned divestitures               | (140,000)   | (140,000)                |
| Net sales, excluding planned divestitures        | <u>\$ 830,000</u>   | <u>\$ 890,000</u>        |
| <br>   |   |                          |
| GAAP diluted EPS                                 | \$ 0.47   | \$ 0.52                  |
| Adjustments:                                     |   |                          |
| Amortization of intangible assets                | 0.13  | 0.13                     |
| Change in fair value of contingent consideration | 0.05  | 0.05                     |
| Results for planned divestitures <sup>(a)</sup>  | 0.05  | 0.05                     |
| Non-GAAP diluted EPS                             | <u>\$ 0.70</u>  | <u>\$ 0.75</u>           |

<sup>(a)</sup> Reflects operating results for planned divestitures and does not include any non-cash charges from write-downs or costs associated with a sale or liquidation of the businesses and their assets