UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

☒

Quarterly period ended March 31, 2024

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.

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:	Trading Symbol:	Name of exchange on which registered:
Common stock, no par value	SCSC	NASDAQ Global Select Market

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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	☒	Smaller reporting company	☐
Accelerated filer	☐	Emerging growth company	☐
Non-accelerated filer	☐		

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 Exchange Act). Yes ☐ No ☒

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 May 2, 2024
Common Stock, no par value per share	**24,709,204 shares**

SCANSOURCE, INC.
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FORWARD-LOOKING STATEMENTS

Forward-looking statements are included in the "Risk Factors," "Legal Proceedings," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Quantitative and Qualitative Disclosures About Market Risk" sections and elsewhere herein. Words such as "expects," "anticipates," "believes," "intends," "plans," "hopes," "forecasts," "seeks," "estimates," "goals," "projects," "strategy," "future," "likely," "may," "should," "will," and variations of such words and similar expressions generally identify such forward-looking statements. Any forward-looking statement made by us in this Form 10-Q is based only on information currently available to us and speaks only as of the date on which it is made. Except as may be required by law, we expressly disclaim any obligation to update these forward-looking statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q. Actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors including, but not limited to the following factors, which are neither presented in order of importance nor weighted: macroeconomic conditions, including potential prolonged economic weakness, inflation and supply chain challenges, the failure to manage and implement the Company's organic growth strategy, credit risks involving the Company's larger customers and suppliers, changes in interest and exchange rates and regulatory regimes impacting the Company's international operations, risk to the Company's business from a cyber attack, a failure of the Company's IT systems, failure to hire and retain quality employees, loss of the Company's major customers, relationships with the Company's key suppliers and sales partners or a termination or a significant modification of the terms under which it operates with such suppliers and sales partners, changes in the Company's operating strategy and other factors set forth in "Risk Factors" contained in our Annual Report on Form 10-K for the year ended June 30, 2023.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SCANSOURCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands, except share information)

	March 31, 2024	June 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 159,050	$ 36,178
Accounts receivable, less allowance of $ 19,566 at March 31, 2024 and $ 15,480 at June 30, 2023	589,847	753,236
Inventories	529,163	757,574
Prepaid expenses and other current assets	138,100	110,087
Total current assets	1,416,160	1,657,075
Property and equipment, net	35,594	37,379
Goodwill	207,616	216,706
Identifiable intangible assets, net	41,510	68,495
Deferred income taxes	19,231	17,764
Other non-current assets	62,877	70,750
Total assets	$ 1,782,988	$ 2,068,169
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 555,733	$ 691,119
Accrued expenses and other current liabilities	74,664	78,892
Income taxes payable	4,792	9,875
Current portion of long-term debt	7,857	6,915
Total current liabilities	643,046	786,801
Deferred income taxes	—	3,816
Long-term debt, net of current portion	138,024	144,006
Borrowings under revolving credit facility	—	178,980
Other long-term liabilities	57,867	49,268
Total liabilities	838,937	1,162,871
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 3,000,000 shares authorized, none issued	—	—
Common stock, no par value; 45,000,000 shares authorized, 24,708,808 and 24,844,203 shares issued and outstanding at March 31, 2024 and June 30, 2023, respectively	46,426	58,241
Retained earnings	997,642	936,678
Accumulated other comprehensive loss	(100,017)	(89,621)
Total shareholders' equity	944,051	905,298
Total liabilities and shareholders' equity	$ 1,782,988	$ 2,068,169

June 30, 2023 amounts are derived from audited consolidated financial statements.

See accompanying notes to these condensed consolidated financial statements.

SCANSOURCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)
(In thousands, except per share data)

	Quarter ended March 31,		Nine months ended March 31,	
	2024	2023	2024	2023
Net sales	$ 752,599	$ 885,519	$ 2,513,696	$ 2,840,573
Cost of goods sold	658,118	773,757	2,211,958	2,499,992
Gross profit	94,481	111,762	301,738	340,581
Selling, general and administrative expenses	66,574	70,669	208,930	211,337
Depreciation expense	2,690	2,644	8,449	8,085
Intangible amortization expense	3,752	4,170	11,982	12,561
Restructuring expense	3,923	—	3,923	—
Operating income	17,542	34,279	68,454	108,598
Interest expense	2,001	5,715	10,947	14,223
Interest income	(2,652)	(1,710)	(6,096)	(5,327)
Gain on sale of business	—	—	(14,533)	—
Other expense, net	241	361	991	1,314
Income before income taxes	17,952	29,913	77,145	98,388
Provision for income taxes	5,146	8,692	16,181	27,391
Net income	$ 12,806	$ 21,221	$ 60,964	$ 70,997
Per share data:				
Net income per common share, basic	$ 0.51	$ 0.84	$ 2.44	$ 2.81
Weighted-average shares outstanding, basic	25,025	25,196	24,982	25,228
Net income per common share, diluted	$ 0.50	$ 0.83	$ 2.41	$ 2.79
Weighted-average shares outstanding, diluted	25,437	25,439	25,291	25,436

See accompanying notes to these condensed consolidated financial statements.

SCANSOURCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(In thousands)

	Quarter ended March 31,		Nine months ended March 31,	
	2024	**2023**	**2024**	**2023**
Net income	**$ 12,806**	$ 21,221	**$ 60,964**	$ 70,997
Unrealized gain (loss) on hedged transaction, net of tax	**148**	(1,165)	**(1,246)**	718
Realized foreign currency gain on sale of business	**—**	—	**3,805**	—
Foreign currency translation adjustment	**(4,947)**	4,291	**(12,955)**	4,474
Comprehensive income	**$ 8,007**	$ 24,347	**$ 50,568**	$ 76,189

See accompanying notes to these condensed consolidated financial statements.

SCANSOURCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
(In thousands, except share information)

	Common Stock (Shares)	Common Stock (Amount)	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at June 30, 2023	24,844,203	$ 58,241	$ 936,678	$ (89,621)	$ 905,298
Net income	—	—	15,432	—	15,432
Unrealized gain on hedged transaction, net of tax	—	—	—	153	153
Foreign currency translation adjustment	—	—	—	(6,890)	(6,890)
Exercise of stock options and shares issued under share-based compensation plans, net of shares withheld for employee taxes	116,028	(1,510)	—	—	(1,510)
Share-based compensation	—	2,770	—	—	2,770
Balance at September 30, 2023	24,960,231	$ 59,501	$ 952,110	$ (96,358)	$ 915,253
Net income	—	—	32,726	—	32,726
Unrealized loss on hedged transaction, net of tax	—	—	—	(1,547)	(1,547)
Foreign currency translation adjustment	—	—	—	(1,118)	(1,118)
Realized foreign currency translation gain from disposal of a business	—	—	—	3,805	3,805
Exercise of stock options and shares issued under share-based compensation plans, net of shares withheld for employee taxes	230,543	3,162	—	—	3,162
Common stock repurchased	(36,305)	(1,251)	—	—	(1,251)
Share-based compensation	—	2,571	—	—	2,571
Balance at December 31, 2023	25,154,469	$ 63,983	$ 984,836	$ (95,218)	$ 953,601
Net income	**—**	**—**	**12,806**	**—**	**12,806**
Unrealized gain on hedged transaction, net of tax	**—**	**—**	**—**	**148**	**148**
Foreign currency translation adjustment	**—**	**—**	**—**	**(4,947)**	**(4,947)**
Exercise of stock options and shares issued under share-based compensation plans, net of shares withheld for employee taxes	**24,220**	**180**	**—**	**—**	**180**
Common stock repurchased	**(469,881)**	**(20,117)**	**—**	**—**	**(20,117)**
Share-based compensation	**—**	**2,380**	**—**	**—**	**2,380**
Balance at March 31, 2024	**24,708,808**	**$ 46,426**	**$ 997,642**	**$ (100,017)**	**$ 944,051**

See accompanying notes to these condensed consolidated financial statements.

SCANSOURCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
(In thousands, except share information)

	Common Stock (Shares)	Common Stock (Amount)	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at June 30, 2022	25,187,351	$ 64,297	$ 846,869	$ (104,638)	$ 806,528
Net income	—	—	24,042	—	24,042
Unrealized gain on hedged transaction, net of tax	—	—	—	1,879	1,879
Foreign currency translation adjustment	—	—	—	(7,217)	(7,217)
Exercise of stock options and shares issued under share-based compensation plans, net of shares withheld for employee taxes	38,551	(586)	—	—	(586)
Share-based compensation	—	2,358	—	—	2,358
Balance at September 30, 2022	25,225,902	$ 66,069	$ 870,911	$ (109,976)	$ 827,004
Net income	—	—	25,734	—	25,734
Unrealized gain on hedged transaction, net of tax	—	—	—	3	3
Foreign currency translation adjustment	—	—	—	7,401	7,401
Exercise of stock options and shares issued under share-based compensation plans, net of shares withheld for employee taxes	117,112	(1,112)	—	—	(1,112)
Share-based compensation	—	3,356	—	—	3,356
Balance at December 31, 2022	25,343,014	$ 68,313	$ 896,645	$ (102,572)	$ 862,386
Net income	—	—	21,221	—	21,221
Unrealized loss on hedged transaction, net of tax	—	—	—	(1,165)	(1,165)
Foreign currency translation adjustment	—	—	—	4,291	4,291
Exercise of stock options and shares issued under share-based compensation plans, net of shares withheld for employee taxes	20,851	118	—	—	118
Common stock repurchased	(356,469)	(10,906)	—	—	(10,906)
Share-based compensation	—	2,950	—	—	2,950
Balance at March 31, 2023	25,007,396	$ 60,475	$ 917,866	$ (99,446)	$ 878,895

See accompanying notes to these condensed consolidated financial statements.

SCANSOURCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	Nine months ended March 31,	
	2024	**2023**
Cash flows from operating activities:		
Net income	**$ 60,964**	$ 70,997
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Gain on sale of business	**(14,533)**	—
Depreciation and amortization	**21,217**	21,359
Amortization of debt issue costs	**289**	481
Provision for doubtful accounts	**5,863**	1,852
Share-based compensation	**7,729**	8,633
Deferred income taxes	**(1,565)**	1,409
Finance lease interest	**70**	31
Changes in operating assets and liabilities:		
Accounts receivable	**143,774**	46,652
Inventories	**226,878**	(136,257)
Prepaid expenses and other assets	**(28,163)**	39,178
Other non-current assets	**6,022**	(1,772)
Accounts payable	**(117,860)**	(60,717)
Accrued expenses and other liabilities	**11,338**	(16,780)
Income taxes payable	**(5,115)**	4,426
Net cash provided by (used in) operating activities	**316,908**	(20,508)
Cash flows from investing activities:		
Capital expenditures	**(7,285)**	(6,549)
Proceeds from sale of business, net of cash transferred	**17,978**	—
Net cash provided by (used in) investing activities	**10,693**	(6,549)
Cash flows from financing activities:		
Borrowings on revolving credit, net of expenses	**1,242,915**	1,871,909
Repayments on revolving credit, net of expenses	**(1,421,895)**	(1,848,554)
(Repayments) borrowings on long-term debt, net	**(5,040)**	16,527
Repayments on finance lease obligation	**(585)**	(612)
Debt issuance costs	**—**	(1,407)
Exercise of stock options	**4,626**	853
Taxes paid on settlement of equity awards	**(2,794)**	(2,433)
Common stock repurchased	**(21,168)**	(10,718)
Net cash (used in) provided by financing activities	**(203,941)**	25,565
Effect of exchange rate changes on cash and cash equivalents	**(788)**	879
Increase (decrease) in cash and cash equivalents	**122,872**	(613)
Cash and cash equivalents at beginning of period	**36,178**	37,987
Cash and cash equivalents at end of period	**$ 159,050**	$ 37,374

See accompanying notes to these condensed consolidated financial statements.

SCANSOURCE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(1) Business and Summary of Significant Accounting Policies

Business Description

ScanSource, Inc. (together with its subsidiaries referred to as “the Company” or “ScanSource”) is a leading hybrid distributor connecting devices to the cloud and accelerating growth for partners across hardware, Software as a Service ("SaaS"), connectivity and cloud. The Company brings technology solutions and services from the world’s leading suppliers of mobility and barcode, point-of-sale ("POS"), payments, networking, physical security, unified communications and collaboration, telecom and cloud services to market. The Company operates primarily in the United States, Canada and Brazil. The Company's two operating segments, Specialty Technology Solutions and Modern Communications & Cloud, are based on technology type and are generally related to (i) technology devices and (ii) communication, connectivity and cloud services, respectively. Some of the offerings of our major suppliers include products that blend technologies and include both technology devices and communication and connectivity and cloud services products. We assign all of the offerings of those suppliers' products to the same segment based on which technology predominates the offering.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared by the Company’s management in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information and applicable rules and regulations of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for annual financial statements. The unaudited condensed consolidated financial statements included herein contain all adjustments (consisting of normal recurring and non-recurring adjustments) that are, in the opinion of management, necessary to present fairly the financial position at March 31, 2024 and June 30, 2023, the results of operations for the quarters and nine months ended March 31, 2024 and 2023, the condensed consolidated statements of comprehensive income for the quarters and nine months ended March 31, 2024 and 2023, the condensed consolidated statements of shareholders' equity for the quarters and nine months ended March 31, 2024 and 2023 and the condensed consolidated statements of cash flows for the nine months ended March 31, 2024 and 2023. The results of operations for the quarter and nine months ended March 31, 2024 are not necessarily indicative of the results to be expected for a full year. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2023. Unless otherwise indicated, disclosures provided in the notes to the Company's consolidated financial statements pertain to continuing operations only.

Summary of Significant Accounting Policies

There have been no material changes to the Company’s significant accounting policies for the nine months ended March 31, 2024 from the policies described in the notes to the Company’s consolidated financial statements included in the Annual Report on Form 10-K for the fiscal year ended June 30, 2023. For a discussion of the Company’s significant accounting policies, please see the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

Cash and Cash Equivalents

The Company considers all highly-liquid investments with original maturities of three months or less, when purchased, to be cash equivalents. The Company maintains zero-balance disbursement accounts at various financial institutions at which the Company does not maintain significant depository relationships. Due to the terms of the agreements governing these accounts, the Company generally does not have the right to offset outstanding checks written from these accounts against cash on hand, and the respective institutions are not legally obligated to honor the checks until sufficient funds are transferred to fund the checks. As a result, checks released but not yet cleared from these accounts in the amount of $ 0.2 million and $ 8.0 million are included in accounts payable on the condensed consolidated balance sheets at March 31, 2024 and June 30, 2023, respectively.

Long-lived Assets

The Company presents depreciation expense and intangible amortization expense on the condensed consolidated income statements. The Company's depreciation expense related to selling, general and administrative costs totaled $ 2.7 million and $ 8.4 million for the quarter and nine months ended March 31, 2024 and $ 2.6 million and $ 8.1 million for the quarter and nine months ended March 31, 2023. Depreciation expense reported as part of cost of goods sold on the condensed consolidated income statements totaled $ 0.3 million and $ 0.8 million for the quarter and nine months ended March 31, 2024 and $ 0.3 million and $ 0.7 million for the quarter and nine months ended March 31, 2023. The Company's intangible amortization expense reported on the condensed consolidated income statements relates to selling, general and administrative costs, not the cost of selling goods. Intangible amortization expense totaled $ 3.8 million and $ 12.0 million for the quarter and nine months ended March 31, 2024 and $ 4.2 million and $ 12.6 million for the quarter and nine months ended March 31, 2023.

Recent Accounting Pronouncements

In July 2023, the Securities and Exchange Commission issued final rules that require new and enhanced disclosures on cybersecurity risk management, strategy, governance, and incident reporting. Under the final rules, companies must report a material cybersecurity incident on Form 8-K within four business days of determining that such cybersecurity incident is material. To the extent the nature, scope, timing or the impact of the incident is not determinable at the time such Form 8-K is required to be filed, additional information about the material aspects of the cybersecurity incident must be filed on a Form 8-K/A within four business days after such additional information becomes available. These disclosure requirements on Form 8-K were effective beginning December 18, 2023. For fiscal years ending on or after December 15, 2023, companies must disclose their cybersecurity processes, management's role in cybersecurity governance, and cybersecurity oversight by the Board of Directors on Form 10-K.

In November 2023, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2023-07 “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.” This ASU expands public entities’ segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segment’s profit or loss and assets. This ASU is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. This ASU is applicable to the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2025, and subsequent interim periods, with early application permitted. The Company is currently evaluating the impact of the application of this ASU on its consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU No. 2023-09 “Income Taxes (Topic 740): Improvements to Income Tax Disclosures.” This ASU updates income tax disclosure requirements primarily by requiring specific categories and greater disaggregation within the rate reconciliation and disaggregation of income taxes paid by jurisdiction. This ASU is effective for annual periods beginning after December 15, 2024 and is applicable to the Company’s fiscal year beginning July 1, 2025, with early application permitted. The Company is currently evaluating the impact of the application of this ASU on its consolidated financial statements and disclosures.

The Company has reviewed other newly issued accounting pronouncements and concluded that they are either not applicable to its business or that no material effect is expected on its consolidated financial statements as a result of future adoption.

(2) Trade Accounts and Notes Receivable, Net

The Company maintains an allowance for doubtful accounts receivable for estimated future expected credit losses resulting from customers’ failure to make payments on accounts receivable due to the Company. The Company has notes receivable with certain customers, which are included in “Accounts receivable, less allowance” in the Condensed Consolidated Balance Sheets.

Management determines the estimate of the allowance for doubtful accounts receivable by considering a number of factors, including: (i) historical experience, (ii) aging of the accounts receivable, (iii) specific information obtained by the Company on the financial condition and the current creditworthiness of its customers, (iv) the current economic and country-specific environment and (v) reasonable and supportable forecasts about collectability. Expected credit losses are estimated on a pool basis when similar risk characteristics exist using an age-based reserve model. Receivables that do not share risk characteristics are evaluated on an individual basis. Estimates of expected credit losses on trade receivables over the contractual life are recorded at inception and adjusted over the contractual life.

The changes in the allowance for doubtful accounts for the nine months ended March 31, 2024 are set forth in the table below.

	June 30, 2023	Amounts Charged to Expense	Write-offs	Other [1]	March 31, 2024
			(in thousands)		
Trade accounts and current notes receivable allowance	$ 15,480	$ 5,863	$ (1,975)	$ 198	$ 19,566

(1) "Other" amounts include recoveries and the effect of foreign currency fluctuations for the nine months ended March 31, 2024.

(3) Revenue Recognition

The Company provides technology solutions and services from the leading global suppliers of mobility, barcode, POS, payments, physical security, unified communications, collaboration, telecom and cloud services. This includes hardware, related accessories and device configuration as well as software licenses, professional services and hardware support programs.

In determining the appropriate amount of revenue to recognize, the Company applies the following five-step model: (i) identify contracts with customers; (ii) identify performance obligations in the contracts; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations per the contracts; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The Company recognizes revenue as control of products and services are transferred to customers, which is generally at the point of shipment. The Company delivers products to customers in several ways, including: (i) shipment from a Company warehouse, (ii) drop-shipment directly from the supplier, or (iii) electronic delivery for non-physical products.

Principal versus Agent Considerations

The Company is the principal for sales of all hardware and certain software and services. The Company considers itself the principal in those transactions where it has control of the product or service before it is transferred to the customer. The Company recognizes the principal-associated revenue and cost of goods sold on a gross basis.

The Company is the agent for third-party service contracts, including product warranties and supplier-hosted software. These service contracts are sold separately from the products, and the Company often serves as the agent for the contract on behalf of the original equipment manufacturer. The Company's responsibility is to arrange for the provision of the specified service by the original equipment manufacturer, and the Company does not control the specified service before it is transferred to the customer. Because the Company acts as an agent, revenue is recognized net of cost at the time of sale. The Intelisys business operates under an agency model.

Variable Considerations

For certain transactions, products are sold with a right of return and may also provide other rebates or incentives, which are accounted for as variable consideration. The Company estimates a returns allowance based on historical experience and reduces revenue accordingly. The Company estimates the amount of variable consideration for rebates and incentives by using the expected value to be given to the customer and reduces the revenue by those estimated amounts. These estimates are reviewed and updated as necessary at the end of each reporting period.

Contract Balances

The Company records contract assets and liabilities for payments received from customers in advance of services performed. These assets and liabilities are the result of the sales of the Company's self-branded warranty programs and other transactions where control has not yet passed to the customer. These amounts are immaterial to the consolidated financial statements for the periods presented.

Disaggregation of Revenue

The following tables represent the Company's disaggregation of revenue:

	Quarter ended March 31, 2024					
	Specialty Technology Solutions		Modern Communications & Cloud		Total	
			(in thousands)			
Revenue by product/service						
Hardware, software and cloud (excluding Intelisys)	**$**	**483,704**	**$**	**248,029**	**$**	**731,733**
Intelisys connectivity and cloud		**—**		**20,866**		**20,866**
	$	**483,704**	**$**	**268,895**	**$**	**752,599**

	Nine months ended March 31, 2024					
	Specialty Technology Solutions		Modern Communications & Cloud		Total	
			(in thousands)			
Revenue by product/service:						
Hardware, software and cloud (excluding Intelisys)	**$**	**1,513,926**	**$**	**936,946**	**$**	**2,450,872**
Intelisys connectivity and cloud		**—**		**62,824**		**62,824**
	$	**1,513,926**	**$**	**999,770**	**$**	**2,513,696**

	Quarter ended March 31, 2023					
	Specialty Technology Solutions		Modern Communications & Cloud		Total	
			(in thousands)			
Revenue by product/service						
Hardware, software and cloud (excluding Intelisys)	$	565,652	$	299,803	$	865,455
Intelisys connectivity and cloud		—		20,064		20,064
	$	565,652	$	319,867	$	885,519

	Nine months ended March 31, 2023					
	Specialty Technology Solutions		Modern Communications & Cloud		Total	
			(in thousands)			
Revenue by product/service:						
Hardware, software and cloud (excluding Intelisys)	$	1,769,530	$	1,012,176	$	2,781,706
Intelisys connectivity and cloud		—		58,867		58,867
	$	1,769,530	$	1,071,043	$	2,840,573

(4) Earnings Per Share

Basic earnings per share are computed by dividing net income by the weighted-average number of common shares outstanding. Diluted earnings per share are computed by dividing net income by the weighted-average number of common and potential common shares outstanding.

	Quarter ended March 31,		Nine months ended March 31,	
	2024	2023	2024	2023
	(in thousands, except per share data)			
Numerator:				
Net income	$ 12,806	$ 21,221	$ 60,964	$ 70,997
Denominator:				
Weighted-average shares, basic	25,025	25,196	24,982	25,228
Dilutive effect of share-based payments	412	243	309	208
Weighted-average shares, diluted	25,437	25,439	25,291	25,436
Net income per common share, basic	$ 0.51	$ 0.84	$ 2.44	$ 2.81
Net income per common share, diluted	$ 0.50	$ 0.83	$ 2.41	$ 2.79

For the quarter and nine months ended March 31, 2024, weighted-average shares outstanding excluded from the computation of diluted earnings per share because their effect would be anti-dilutive were 164,093 and 755,797 , respectively. For the quarter and nine months ended March 31, 2023, weighted-average shares outstanding excluded from the computation of diluted earnings per share because their effect would be anti-dilutive were 779,688 and 1,152,714 , respectively.

(5) Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss, net of tax are as follows:

	March 31, 2024	June 30, 2023
	(in thousands)	
Foreign currency translation adjustment	$ (102,285)	$ (93,136)
Unrealized gain on hedged transaction, net of tax	2,268	3,515
Accumulated other comprehensive loss	$ (100,017)	$ (89,621)

The tax effect of amounts in comprehensive loss reflect a tax expense (benefit) as follows:

	Quarter ended March 31,		Nine months ended March 31,	
	2024	2023	2024	2023
	(in thousands)			
Tax expense (benefit)	$ 136	$ (354)	$ (555)	$ 225

(6) Goodwill and Other Identifiable Intangible Assets

The changes in the carrying amount of goodwill for the nine months ended March 31, 2024, by reporting segment, are set forth in the table below.

	Specialty Technology Solutions	Modern Communications & Cloud	Total
	(in thousands)		
Balance at June 30, 2023	$ 16,370	$ 200,336	$ 216,706
Goodwill disposed upon business sale	—	(8,539)	(8,539)
Foreign currency translation adjustment	—	(551)	(551)
Balance at March 31, 2024	$ 16,370	$ 191,246	$ 207,616

The following table shows changes in the amount recognized for net identifiable intangible assets for the nine months ended March 31, 2024.

	Net Identifiable Intangible Assets
	(in thousands)
Balance at June 30, 2023	$ 68,495
Intangibles disposed upon business sale	(14,927)
Amortization expense	(11,982)
Foreign currency translation adjustment	(76)
Balance at March 31, 2024	**$ 41,510**

(7) Short-Term Borrowings and Long-Term Debt

The following table presents the Company's debt at March 31, 2024 and June 30, 2023.

	March 31, 2024	June 30, 2023
	(in thousands)	
Current portion of long-term debt	**$ 7,857**	$ 6,915
Mississippi revenue bond, net of current portion	**3,024**	3,381
Senior secured term loan facility, net of current portion	**135,000**	140,625
Borrowings under revolving credit facility	**—**	178,980
Total debt	**$ 145,881**	$ 329,901

Credit Facility

The Company has a multi-currency senior secured credit facility (as amended, the "Amended Credit Agreement") with JPMorgan Chase Bank N.A., as administrative agent (the "Administrative Agent"), and a syndicate of banks (collectively the "Lenders"). On September 28, 2022, the Company amended and restated the Amended Credit Agreement, which includes (i) a five-year , $ 350 million multicurrency senior secured revolving credit facility and (ii) a five-year $ 150 million senior secured term loan facility. The Amended Credit Agreement extended the credit facility maturity date to September 28, 2027. In addition, pursuant to an "accordion feature," the Company may increase its borrowing limit by up to an additional $ 250 million, subject to obtaining additional credit commitments from the lenders participating in the increase. The Amended Credit Agreement allows for the issuance of up to $ 50 million for letters of credit. Borrowings under the Amended Credit Agreement are guaranteed by substantially all of the domestic subsidiaries of the Company and secured by their assets. Under the terms of the revolving credit facility, the payment of cash dividends is restricted. The Company incurred debt issuance costs of $ 1.4 million in connection with the amendment and restatement of the Amended Credit Agreement. These costs were capitalized to other non-current assets on the Condensed Consolidated Balance Sheets and added to the unamortized debt issuance costs from the previous credit facility.

Loans denominated in U.S. dollars, other than swingline loans, bear interest at a rate per annum equal to, at the Company's option, (i) the adjusted term Secured Overnight Financing Rate ("SOFR") or adjusted daily simple SOFR plus an additional margin ranging from 1.00 % to 1.75 % depending upon the Company's ratio of (A) total consolidated debt less up to $ 30 million of unrestricted domestic cash to (B) trailing four-quarter consolidated EBITDA measured as of the end of the most recent year or quarter, as applicable, for which financial statements have been delivered to the Lenders (the "leverage ratio"); or (ii) the alternate base rate plus an additional margin ranging from 0 % to 0.75 %, depending upon the Company's leverage ratio, plus, if applicable, certain mandatory costs. All swingline loans denominated in U.S. dollars bear interest based upon the adjusted daily simple SOFR plus an additional margin ranging from 1.00 % to 1.75 % depending upon the Company's leverage ratio, or such other rate as the Company and the applicable swingline lender may agree. The adjusted term SOFR and adjusted daily simple SOFR include a fixed credit adjustment of 0.10 % over the applicable SOFR reference rate. Loans denominated in foreign currencies bear interest at a rate per annum equal to the applicable benchmark rate set forth in the Amended Credit Agreement plus an additional margin ranging from 1.00 % to 1.75 %, depending upon the Company's leverage ratio plus, if applicable, certain mandatory costs.

During the quarter and nine months ended March 31, 2024, all of the Company's borrowings under the Amended Credit Agreement were U.S. dollar loans. The spread in effect as of March 31, 2024 was 1.25 %, plus a 0.10 % credit spread adjustment for SOFR-based loans and 0.25 % for alternate base rate loans. The commitment fee rate in effect at March 31, 2024 was 0.20 %. The Amended Credit Agreement includes customary representations, warranties and affirmative and negative covenants, including financial covenants. Specifically, the Company's Leverage Ratio must be less than or equal to 3.50 to 1.00 at all times. In addition, the Company's Interest Coverage Ratio (as such term is defined in the Amended Credit Agreement) must be at least 3.00 to 1.00 at the end of each fiscal quarter. In the event of a default, customary remedies are available to the lenders, including acceleration and increased interest rates. The Company was in compliance with all covenants under the Amended Credit Agreement at March 31, 2024.

The average daily outstanding balance on the revolving credit facility, excluding the term loan facility, during the nine month periods ended March 31, 2024 and 2023 was $ 94.6 million and $ 227.2 million, respectively. There was $ 350.0 million and $ 171.0 million available for additional borrowings as of March 31, 2024 and June 30, 2023, respectively. The effective interest rates for the revolving line of credit were 6.68 % and 6.74 % as of March 31, 2024 and June 30, 2023, respectively. There were no letters of credit issued under the multi-currency revolving credit facility at March 31, 2024 or June 30, 2023.

Mississippi Revenue Bond

On August 1, 2007, the Company entered into an agreement with the State of Mississippi to provide financing for the acquisition and installation of certain equipment to be utilized at the Company's Southaven, Mississippi warehouse, through the issuance of an industrial development revenue bond. The bond matures on September 1, 2032. The bond accrues interest at the one-month term SOFR plus an adjustment of 0.10 % plus a spread of 0.85 %. The agreement also provides the bondholder with a put option, exercisable only within 180 days of each fifth anniversary of the agreement, requiring the Company to pay back the bonds at 100 % of the principal amount outstanding. At March 31, 2024, the Company was in compliance with all covenants under this bond. The interest rates at March 31, 2024 and June 30, 2023 were 6.28 % and 6.11 %, respectively.

Debt Issuance Costs

At March 31, 2024, net debt issuance costs associated with the credit facility and bond totaled $ 1.3 million and are being amortized on a straight-line basis through the maturity date of each respective debt instrument.

(8) Derivatives and Hedging Activities

The Company's results of operations could be materially impacted by significant changes in foreign currency exchange rates and interest rates. In an effort to manage the exposure to these risks, the Company periodically enters into various derivative instruments. The Company's accounting policies for these instruments are based on whether the instruments are designated as hedge or non-hedge instruments in accordance with U.S. GAAP. The Company records all derivatives on the Condensed Consolidated Balance Sheet at fair value. Derivatives that are not designated as hedging instruments or the ineffective portions of cash flow hedges are adjusted to fair value through earnings in other income and expense.

Foreign Currency Derivatives – The Company conducts a portion of its business internationally in a variety of foreign currencies and is exposed to market risk for changes in foreign currency exchange rates. The Company attempts to hedge transaction exposures with natural offsets to the fullest extent possible and once these opportunities have been exhausted the Company uses currency options and forward contracts or other hedging instruments with third parties. These contracts will periodically hedge the exchange of various currencies, including the U.S. dollar, Brazilian real, euro, British pound and Canadian dollar.

The Company had contracts outstanding for purposes of managing cash flows with notional amounts of $ 27.7 million and $ 34.3 million for the exchange of foreign currencies at March 31, 2024 and June 30, 2023, respectively. To date, the Company has chosen not to designate these derivatives as hedging instruments, and accordingly, these instruments are adjusted to fair value through earnings in other income and expense. Summarized financial information related to these derivative contracts and changes in the underlying value of the foreign currency exposures included in the Condensed Consolidated Income Statements for the quarters and nine months ended March 31, 2024 and 2023 are as follows:

	Quarter ended March 31,		Nine months ended March 31,	
	2024	2023	2024	2023
	(in thousands)			
Net foreign exchange derivative contract (gains) losses	**$ (526)**	$ 564	**$ 132**	$ 1,873
Net foreign currency transactional and re-measurement losses (gains)	**1,034**	(59)	**1,500**	(98)
Net foreign currency exchange losses	**$ 508**	$ 505	**$ 1,632**	$ 1,775

Net foreign currency exchange gains and losses consist of foreign currency transactional and functional currency re-measurements, offset by net foreign currency exchange contract gains and losses and are included in other income and expense. Foreign exchange gains and losses are generated as the result of fluctuations in the value of the U.S. dollar versus the Brazilian real, the U.S. dollar versus the euro, the British pound versus the euro, and the Canadian dollar versus the U.S. dollar.

Interest Rates - The Company's earnings are also affected by changes in interest rates due to the impact those changes have on interest expense from floating rate debt instruments. The Company manages its exposure to changes in interest rates by using interest rate swaps to hedge this exposure and to achieve a desired proportion of fixed versus floating rate debt.

On April 30, 2019, the Company entered into an interest rate swap agreement to lock into a fixed LIBOR interest rate, which was amended on September 28, 2022, to change the reference rate from LIBOR to SOFR. The swap agreement has a notional amount of $ 100.0 million, with a $ 50.0 million tranche that matured on April 30, 2024 and a $ 50.0 million tranche scheduled to mature April 30, 2026.

On March 31, 2023, the Company entered into an interest rate swap agreement to lock into a fixed SOFR interest rate with a notional amount of $ 25 million and a maturity date of March 31, 2028.

These interest rate swap agreements are designated as cash flow hedges to hedge the variable rate interest payments on the revolving credit facility. Interest rate differentials paid or received under the swap agreements are recognized as adjustments to interest expense. To the extent the swaps are effective in offsetting the variability of the hedged cash flows, changes in the fair value of the swaps are not included in current earnings but are reported as other comprehensive income (loss). There was no ineffective portion to be recorded as an adjustment to earnings for the quarters and nine months ended March 31, 2024 and 2023.

The components of the cash flow hedge included in the Condensed Consolidated Statement of Comprehensive Income for the quarters and nine months ended March 31, 2024 and 2023, are as follows:

	Quarter ended March 31,		Nine months ended March 31,	
	2024	2023	2024	2023
	(in thousands)			
Net interest income recognized as a result of interest rate swap	**$ (895)**	$ (556)	**$ (2,676)**	$ (869)
Unrealized gain (loss) in fair value of interest rate swap	**1,093**	(1,013)	**1,021**	1,837
Net increase (decrease) in accumulated other comprehensive income	**198**	(1,569)	**(1,655)**	968
Income tax effect	**50**	(404)	**(409)**	250
Net increase (decrease) in accumulated other comprehensive income, net of tax	**$ 148**	$ (1,165)	**$ (1,246)**	$ 718

The Company used the following derivative instruments at March 31, 2024 and June 30, 2023, reflected in its Condensed Consolidated Balance Sheets, for the risk management purposes detailed above:

	Balance Sheet Location	March 31, 2024 Fair Value of Derivatives Designated as Hedge Instruments	March 31, 2024 Fair Value of Derivatives Not Designated as Hedge Instruments	June 30, 2023 Fair Value of Derivatives Designated as Hedge Instruments	June 30, 2023 Fair Value of Derivatives Not Designated as Hedge Instruments
		(in thousands)			
Derivative assets:					
Foreign exchange contracts	Prepaid expenses and other current assets	**—**	**—**	—	$ 1
Foreign currency hedge	Prepaid expenses and other current assets	**$ 27**	**—**	$ 100	—
Interest rate swap agreement	Other non-current assets	**$ 3,032**	**—**	$ 4,687	—
Derivative liabilities:					
Foreign exchange contracts	Accrued expenses and other current liabilities	**—**	**$ 15**	—	—

(9) Fair Value of Financial Instruments

Accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Under this guidance, the Company classifies certain assets and liabilities based on the fair value hierarchy, which aggregates fair value measured assets and liabilities based upon the following levels of inputs:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The assets and liabilities maintained by the Company that are required to be measured at fair value on a recurring basis include deferred compensation plan investments, forward foreign currency exchange contracts, foreign currency hedge agreements and interest rate swap agreements. The carrying value of debt is considered to approximate fair value, as the Company’s debt instruments are indexed to a variable rate using the market approach (Level 2).

The following table summarizes the valuation of the Company’s remaining assets and liabilities measured at fair value on a recurring basis at March 31, 2024:

	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)
		(in thousands)	
Assets:			
Deferred compensation plan investments, current and non-current portion	$ 30,995	$ 30,995	$ —
Interest rate swap agreement	3,032	—	3,032
Foreign currency hedge	27	—	27
Total assets at fair value	$ 34,054	$ 30,995	$ 3,059
Liabilities:			
Deferred compensation plan investments, current and non-current portion	$ 31,005	$ 31,005	$ —
Forward foreign currency exchange contracts	15	—	15
Total liabilities at fair value	$ 31,020	$ 31,005	$ 15

The following table summarizes the valuation of the Company’s remaining assets and liabilities measured at fair value on a recurring basis at June 30, 2023:

		Total		Quoted prices in active markets (Level 1)		Significant other observable inputs (Level 2)
				(in thousands)		
Assets:						
Deferred compensation plan investments, current and non-current portion	$	28,209	$	28,209	$	—
Forward foreign currency exchange contracts		1		—		1
Foreign currency hedge		100		—		100
Interest rate swap agreement		4,687		—		4,687
Total assets at fair value	$	32,997	$	28,209	$	4,788
Liabilities:						
Deferred compensation plan investments, current and non-current portion	$	28,229	$	28,229	$	—
Total liabilities at fair value	$	28,229	$	28,229	$	—

The investments in the deferred compensation plan are held in a "rabbi trust" and include mutual funds and cash equivalents for payment of non-qualified benefits for certain retired, terminated and active employees. These investments are recorded to prepaid expenses and other current assets or other non-current assets depending on their corresponding, anticipated distribution dates to recipients, which are reported in accrued expenses and other current liabilities or other long-term liabilities, respectively.

Derivative instruments, such as foreign currency forward contracts, are measured using the market approach on a recurring basis considering foreign currency spot rates and forward rates quoted by banks or foreign currency dealers and interest rates quoted by banks (Level 2). Fair values of interest rate swaps are measured using standard valuation models with inputs that can be derived from observable market transactions, including SOFR spot and forward rates (Level 2). Foreign currency contracts and interest rate swap agreements are classified in the Condensed Consolidated Balance Sheets as prepaid expenses and other non-current assets or accrued expenses and other long-term liabilities, depending on the respective instruments' favorable or unfavorable positions. See Note 8 - *Derivatives and Hedging Activities*.

(10) Segment Information

The Company is a leading provider of technology solutions and services to customers in specialty technology markets. The Company has two reportable segments, based on technology type.

Specialty Technology Solutions Segment

The Specialty Technology Solutions segment includes the Company’s business in mobility and barcode, POS, payments, security and networking technologies as summarized below:

- Mobility and barcode solutions - mobile computing, barcode scanners and imagers, radio frequency identification devices, barcode printing and related services
- POS and payments solutions - POS systems, integrated POS software platforms, self-service kiosks including self-checkout, payment terminals and mobile payment devices
- Security solutions - video surveillance and analytics, video management software and access control
- Networking solutions - switching, routing and wireless products and software

The Company primarily has business operations within this segment in the United States, Canada and Brazil.

Modern Communications & Cloud Segment

The Modern Communications & Cloud segment includes the Company’s business in communications and collaboration, connectivity and cloud services. Communications and collaboration solutions, delivered in the cloud, on-premise or hybrid, include voice, video, integration of communication platforms and contact center solutions. The Intelisys connectivity and cloud services include telecom, cable, Unified Communications as a Service, Contact Center as a Service, Infrastructure as a Service, Software-Defined Wide-Area Network and other cloud services. This segment includes SaaS and subscription services, which the Company offers using digital tools and platforms. The Company's business operations within this segment primarily are in the United States, Canada and Brazil.

Selected financial information for each business segment is presented below:

	Quarter ended March 31, 2024	Quarter ended March 31, 2023	Nine months ended March 31, 2024	Nine months ended March 31, 2023
	(in thousands)			
Sales:				
Specialty Technology Solutions	**$ 483,704**	$ 565,652	**$ 1,513,926**	$ 1,769,530
Modern Communications & Cloud	**268,895**	319,867	**999,770**	1,071,043
	$ 752,599	$ 885,519	**$ 2,513,696**	$ 2,840,573
Depreciation and amortization:				
Specialty Technology Solutions	**$ 2,736**	$ 2,638	**$ 8,390**	$ 8,099
Modern Communications & Cloud	**3,287**	3,717	**10,621**	11,102
Corporate	**719**	719	**2,206**	2,158
	$ 6,742	$ 7,074	**$ 21,217**	$ 21,359
Operating income (loss):				
Specialty Technology Solutions	**$ 9,080**	$ 19,811	**$ 34,321**	$ 61,345
Modern Communications & Cloud	**12,989**	14,468	**40,004**	47,253
Corporate	**(4,527)**	—	**(5,871)**	—
	$ 17,542	$ 34,279	**$ 68,454**	$ 108,598
Capital expenditures:				
Specialty Technology Solutions	**$ (567)**	$ (520)	**$ (2,133)**	$ (1,546)
Modern Communications & Cloud	**(1,853)**	(1,766)	**(5,152)**	(5,003)
	$ (2,420)	$ (2,286)	**$ (7,285)**	$ (6,549)
Sales by Geography Category:				
United States and Canada	**$ 672,662**	$ 811,963	**$ 2,262,707**	$ 2,584,598
International	**81,353**	76,722	**256,067**	263,017
Less intercompany sales	**(1,416)**	(3,166)	**(5,078)**	(7,042)
	$ 752,599	$ 885,519	**$ 2,513,696**	$ 2,840,573

	March 31, 2024	June 30, 2023
	(in thousands)	
Assets:		
Specialty Technology Solutions	**$ 892,866**	$ 1,104,103
Modern Communications & Cloud	**890,122**	964,066
Corporate	**—**	—
	$ 1,782,988	$ 2,068,169
Property and equipment, net by Geography Category:		
United States and Canada	**$ 22,846**	$ 27,323
International	**12,748**	10,056
	$ 35,594	$ 37,379

(11) Leases

In accordance with Accounting Standards Codification ("ASC") 842, at contract inception the Company determines if a contract contains a lease by assessing whether the contract contains an identified asset and whether the Company has the ability to control the asset. The Company also determines if the lease meets the classification criteria for an operating lease versus a finance lease under ASC 842. Substantially all of the Company's leases are operating leases for real estate, warehouse and office equipment ranging in duration from 1 year to 10 years. The Company has elected not to record short-term operating leases with an initial term of 12 months or less on the Condensed Consolidated Balance Sheets. Operating leases are recorded as other non-current assets, accrued expenses and other current liabilities and other long-term liabilities on the Condensed Consolidated Balance Sheets. The Company has finance leases for information technology equipment expiring through fiscal year 2028. Finance leases are recorded as property and equipment, net, accrued expenses and other current liabilities and other long-term liabilities on the Condensed Consolidated Balance Sheets. The gross amount of the balances recorded related to finance leases is immaterial to the condensed consolidated financial statements at March 31, 2024 and the consolidated financial statements at June 30, 2023.

Operating lease right-of-use assets and lease liabilities are recognized at the commencement date based on the net present value of future minimum lease payments over the lease term. The Company generally is not able to determine the rate implicit in its leases and has elected to apply an incremental borrowing rate as the discount rate for the present value determination, which is based on the Company's cost of borrowings for the relevant terms of each lease and geographical economic factors. Certain operating lease agreements contain options to extend or terminate the lease. The lease term used is adjusted for these options when the Company is reasonably certain it will exercise the option. Operating lease expense is recognized on a straight-line basis over the lease term. Variable lease payments not based on a rate or index, such as costs for common area maintenance, are expensed as incurred. Further, the Company has elected the practical expedient to recognize all lease and non-lease components as a single lease component, where applicable.

The following table presents amounts recorded on the Condensed Consolidated Balance Sheets related to operating leases at March 31, 2024 and June 30, 2023:

		March 31, 2024		June 30, 2023
Operating leases	**Balance Sheet location**	*(in thousands)*		
Operating lease right-of-use assets	Other non-current assets	**$**	**10,342**	$ 12,539
Current operating lease liabilities	Accrued expenses and other current liabilities	**$**	**3,808**	$ 4,355
Long-term operating lease liabilities	Other long-term liabilities	**$**	**7,440**	$ 9,329

The following table presents amounts recorded in operating lease expense as part of selling general and administrative expenses on the Condensed Consolidated Income Statements during the quarters and nine months ended March 31, 2024 and 2023. Operating lease costs contain immaterial amounts of short-term lease costs for leases with an initial term of 12 months or less.

	Quarter ended March 31,		Nine months ended March 31,	
	2024	**2023**	**2024**	**2023**
	(in thousands)			
Operating lease cost	**$ 1,143**	$ 1,319	**$ 3,786**	$ 3,896
Variable lease cost	**364**	396	**1,069**	1,158
	$ 1,507	$ 1,715	**$ 4,855**	$ 5,054

Supplemental cash flow information related to the Company's operating leases for the nine months ended March 31, 2024 and 2023 are presented in the table below:

	Nine months ended March 31,	
	2024	**2023**
	(in thousands)	
Cash paid for amounts in the measurement of lease liabilities	**$ 4,019**	$ 4,054
Right-of-use assets obtained in exchange for lease obligations	**840**	746

The weighted-average remaining lease term and discount rate at March 31, 2024 are presented in the table below:

	March 31, 2024
Weighted-average remaining lease term	3.2 years
Weighted-average discount rate	5.00 %

The following table presents the maturities of the Company's operating lease liabilities at March 31, 2024:

	Operating leases
	(in thousands)
2024	$ 1,219
2025	4,169
2026	3,618
2027	3,176
2028	1,118
Thereafter	523
Total future payments	13,823
Less: amounts representing interest	2,575
Present value of lease payments	$ 11,248

(12) Commitments and Contingencies

The Company is, from time to time, party to lawsuits arising out of operations. Although there can be no assurance, based upon information known to the Company, the Company believes that any liability resulting from an adverse determination of such lawsuits would not have a material adverse effect on the Company’s financial condition, results of operations or cash flows.

During the Company's due diligence for the Network1 acquisition completed in 2016, several pre-acquisition contingencies were identified regarding various Brazilian federal and state tax exposures. The Company recorded indemnification receivables that are reported gross of the pre-acquisition contingency liabilities as the funds were escrowed as part of the acquisition. The amount available after the impact of foreign currency translation for future pre-acquisition contingency settlements or to be released to the sellers was $ 3.6 million and $ 3.4 million at March 31, 2024 and June 30, 2023.

The table below summarizes the balances and line item presentation of Network1's pre-acquisition contingencies and corresponding indemnification receivables in the Company's Condensed Consolidated Balance Sheets at March 31, 2024 and June 30, 2023:

	March 31, 2024	June 30, 2023
	Network1	
	(in thousands)	
Assets		
Prepaid expenses and other current assets	**$ 16**	$ 16
Other non-current assets	**$ 4,003**	$ 4,150
Liabilities		
Accrued expenses and other current liabilities	**$ 16**	$ 16
Other long-term liabilities	**$ 4,003**	$ 4,150

(13) Income Taxes

Income taxes for the quarters and nine months ended March 31, 2024 and 2023 have been included in the accompanying condensed consolidated financial statements using an estimated annual effective tax rate. In addition to applying the estimated annual effective tax rate to pre-tax income, the Company includes certain items treated as discrete events to arrive at an estimated overall tax provision. During the quarter ended March 31, 2024, a discrete net tax benefit of $ 1.5 million was recorded, which is attributable to an income tax recovery in Brazil related to a prior period.

The Company’s effective tax rate of 28.7 % and 21.0 % for the quarter and nine months ended March 31, 2024, differs from the current federal statutory rate of 21% primarily as a result of income derived from tax jurisdictions with varying income tax rates, discrete items, nondeductible expenses and state income taxes. The Company's effective tax rates were 29.1 % and 27.8 % for the quarter and nine months ended March 31, 2023.

As of March 31, 2024, the Company is not permanently reinvested with respect to all earnings generated by foreign operations. The Company has determined that there is no material deferred tax liability for federal, state and withholding tax related to undistributed earnings. During the nine months ended March 31, 2024, foreign subsidiaries did not repatriate cash to the United States. There is no certainty to the timing of any future distributions of such earnings to the U.S. in whole or in part.

The Company had approximately $ 1.2 million of total gross unrecognized tax benefits at March 31, 2024 and June 30, 2023. Of this total at March 31, 2024, approximately $ 1.0 million represents the amount of unrecognized tax benefits that are permanent in nature and, if recognized, would affect the annual effective tax rate. The Company does not believe that the total amount of unrecognized tax benefits will significantly increase or decrease within twelve months of the reporting date.

The Company’s policy is to recognize interest and penalties related to income tax matters in income tax expense. At March 31, 2024 and June 30, 2023, the Company had approximately $ 1.2 million accrued for interest and penalties.

The Company conducts business globally and one or more of its subsidiaries files income tax returns in the U.S. federal, various state, local and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities in countries and states in which it operates. With certain exceptions, the Company is no longer subject to federal, state and local or non-U.S. income tax examinations by tax authorities for the years before June 30, 2018.

(14) Business Sale

On December 19, 2023, the Company completed the sale of its UK-based intY business. The Company retained its CASCADE cloud services distribution platform which has been used to grow the Cisco and Microsoft subscription businesses in the United States and Brazil. Under the stock purchase agreement, the Company received proceeds of $ 18.0 million in cash for the sale, net of cash transferred. The business sale resulted in a $ 14.5 million gain on sale after considering the net assets sold. The impact of this sale was not material to the consolidated financial statements.

(15) Restructuring

In January 2024, as part of a strategic review of organizational structure and operations, the Company executed a cost reduction and restructuring program to align our cost structure with demand expectations in our hardware business. These actions are expected to result in approximately $ 10.0 million in annualized savings in selling, general and administrative expenses.

The following table presents the restructuring and employee separation costs incurred for the quarter and nine months ended March 31, 2024:

	Quarter ended March 31, 2024	Nine months ended March 31, 2024
	(in thousands)	
Employee separation and benefit costs	**$ 3,923**	**$ 3,923**

For the quarter and nine months ended March 31, 2024, all restructuring costs are recognized in the Corporate reporting unit and have not been allocated to the Specialty Technology Solutions or Modern Communications & Cloud segments.

Accrued restructuring costs are included in accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets. The following table represents activity for the nine months ended March 31, 2024:

		Accrued Expenses
		(in thousands)
Balance at June 30, 2023	**$**	**—**
Charged to expense		3,923
Cash payments		(1,125)
Balance at March 31, 2024	**$**	**2,798**

The remaining balance as of March 31, 2024 of $ 2.8 million is expected to be paid through the third quarter of fiscal year 2025.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

ScanSource is a leading hybrid distributor connecting devices to the cloud and accelerating growth for customers across hardware, SaaS, connectivity and cloud. We provide technology solutions and services from more than 500 leading suppliers of mobility, barcode, POS, payments, physical security, networking, unified communications, collaboration, connectivity and cloud services to our approximately 25,000 customers located primarily in the United States, Canada and Brazil.

We operate our business under a management structure that enhances our technology focus and hybrid distribution growth strategy. Our segments operate primarily in the United States, Canada and Brazil:

- Specialty Technology Solutions
- Modern Communications & Cloud

We sell hardware, SaaS, connectivity and cloud services from leading technology suppliers to customers that are designed to solve end users' challenges. We operate distribution facilities that support our United States and Canada business in Mississippi, California and Kentucky. Brazil distribution facilities are located in the Brazilian states of Paraná, Espirito Santo and Santa Catarina. We provide some of our digital products, which include SaaS and subscriptions, through our digital tools and platforms.

Our key suppliers include AT&T, Aruba/HPE, Avaya, Axis, Cisco, Comcast Business, Dell, Extreme, Five9, Hanwha, Honeywell, Ingenico, Lumen, Microsoft, NCR, Poly HP, RingCentral, Verifone, Verizon, Zebra Technologies and Zoom.

Recent Developments

In January 2024, as part of a strategic review of organizational structure and operations, the Company executed a cost reduction and restructuring program to align our cost structure with demand expectations in our hardware business. These actions are expected to result in approximately $10.0 million in annualized savings in selling, general and administrative expenses.

On December 19, 2023 we completed the sale of our UK-based intY business. We retained our CASCADE cloud services distribution platform, which has been used to grow the Cisco and Microsoft subscription business in the United States and Brazil.

Our Strategy

Our strategy is to drive sustainable, profitable growth by orchestrating hybrid technology solutions through a growing ecosystem of partners by leveraging our people, processes and tools. Our goal is to provide exceptional experiences for our customers, suppliers and employees through operational excellence. Our hybrid distribution strategy relies on a channel sales model to offer hardware, SaaS, connectivity and cloud services from leading technology suppliers to customers that solve end users' challenges. ScanSource enables customers to deliver solutions for their end users to address changing buying and consumption patterns. Our solutions may include a combination of offerings from multiple suppliers or give our customers access to additional services. As a trusted adviser to our customers, we provide solutions through our strong understanding of end user needs. We have plans to expand our investments in the Agency Channel in the near term.

Results of Operations

Net Sales

We have two reportable segments, which are based on technology type. The following tables summarize our net sales results by business segment and by geographic location for the quarters and nine months ended March 31, 2024 and 2023:

Net Sales by Segment:	**Quarter ended March 31, 2024**	**2023**	**$ Change**	**% Change**	**% Change, Constant Currency, Excluding Divestitures [(a)]**
	(in thousands)				
Specialty Technology Solutions	**$ 483,704**	$ 565,652	$ (81,948)	(14.5) %	(14.6) %
Modern Communications & Cloud	**268,895**	319,867	(50,972)	(15.9) %	(16.3) %
Total net sales	**$ 752,599**	$ 885,519	$ (132,920)	(15.0) %	(15.2) %

	Nine months ended March 31, 2024	**2023**	**$ Change**	**% Change**	**% Change, Constant Currency, Excluding Divestitures [(a)]**
	(in thousands)				
Specialty Technology Solutions	**$ 1,513,926**	$ 1,769,530	$ (255,604)	(14.4) %	(14.6) %
Modern Communications & Cloud	**999,770**	1,071,043	(71,273)	(6.7) %	(7.6) %
Total net sales	**$ 2,513,696**	$ 2,840,573	$ (326,877)	(11.5) %	(11.9) %

[(a)] A reconciliation of non-GAAP net sales in constant currency is presented at the end of *Results of Operations*, under *Non-GAAP Financial Information.*

Specialty Technology Solutions

The Specialty Technology Solutions segment consists of sales to customers in North America and Brazil. For the quarter and nine months ended March 31, 2024, net sales decreased $81.9 million, or 14.5%, and $255.6 million, or 14.4%, respectively, compared to the prior-year period. Excluding the foreign exchange positive impact, adjusted net sales decreased $82.6 million, or 14.6%, and $258.0 million, or 14.6%, for the quarter and nine months ended March 31, 2024, respectively, compared to the prior-year period. The decrease in net sales and adjusted net sales for the quarter is primarily due to lower sales volumes across technologies. The decrease in net sales and adjusted net sales for the nine-month period is primarily due to lower sales volumes in our mobility and barcoding business, partially offset by an increase in networking sales.

Modern Communications & Cloud

The Modern Communications & Cloud segment consists of sales to customers in North America, Brazil and the UK. For the quarter and nine months ended March 31, 2024, net sales decreased $51.0 million, or 15.9%, and $71.3 million, or 6.7%, respectively, compared to the prior-year period. Excluding the foreign exchange positive impact and the impact of divestitures, adjusted net sales decreased $51.6 million, or 16.3%, and $80.5 million, or 7.6%, for the quarter and nine months ended March 31, 2024, compared to the prior-year period. The decrease in net sales and adjusted net sales for the quarter is primarily due to lower sales volumes in communications hardware and Cisco products. The decrease in net sales and adjusted net sales for the nine month period is primarily due to lower sales volume in communications hardware products, partially offset by growth in Cisco products. Net billings for Intelisys increased to approximately $2.68 billion annualized. Intelisys net sales for the quarter and nine months ended March 31, 2024 increased 4.0% and 6.7%, respectively, year-over-year.

Net Sales by Geography:	**Quarter ended March 31,**				**$ Change**		**% Change**	**% Change, Constant Currency, Excluding Divestitures [a]**
	2024		**2023**					
			(in thousands)					
United States and Canada	**$**	**671,246**	$	808,797	$	(137,551)	(17.0) %	(17.0) %
International		**81,353**		76,722		4,631	6.0 %	4.5 %
Total net sales	**$**	**752,599**	$	885,519	$	(132,920)	(15.0) %	(15.2) %

	Nine months ended March 31,				**$ Change**		**% Change**	**% Change, Constant Currency, Excluding Divestitures [a]**
	2024		**2023**					
			(in thousands)					
United States and Canada	**$**	**2,257,629**	$	2,577,556	$	(319,927)	(12.4) %	(12.4) %
International		**256,067**		263,017		(6,950)	(2.6) %	(7.2) %
Total net sales	**$**	**2,513,696**	$	2,840,573	$	(326,877)	(11.5) %	(11.9) %

[a] A reconciliation of non-GAAP net sales in constant currency is presented at the end of *Results of Operations* in the non-GAAP section.

Gross Profit

The following table summarizes our gross profit for the quarters and nine months ended March 31, 2024 and 2023:

	Quarter ended March 31,				% of Net Sales March 31,	
	2024	**2023**	**$ Change**	**% Change**	**2024**	**2023**
	(in thousands)					
Specialty Technology Solutions	**$ 45,077**	$ 57,664	$ (12,587)	(21.8) %	**9.3 %**	10.2 %
Modern Communications & Cloud	**49,404**	54,098	(4,694)	(8.7) %	**18.4 %**	16.9 %
Gross profit	**$ 94,481**	$ 111,762	$ (17,281)	(15.5) %	**12.6 %**	12.6 %

	Nine months ended March 31,				% of Net Sales March 31,	
	2024	**2023**	**$ Change**	**% Change**	**2024**	**2023**
	(in thousands)					
Specialty Technology Solutions	**$ 141,393**	$ 172,800	$ (31,407)	(18.2) %	**9.3 %**	9.8 %
Modern Communications & Cloud	**160,345**	167,781	(7,436)	(4.4) %	**16.0 %**	15.7 %
Gross profit	**$ 301,738**	$ 340,581	$ (38,843)	(11.4) %	**12.0 %**	12.0 %

Our gross profit is primarily affected by sales volume and gross margin mix. Gross margin mix is impacted by multiple factors, which include sales mix (proportion of sales of higher margin products or services relative to total sales), vendor program recognition (consisting of volume rebates, inventory price changes and purchase discounts) and freight costs. Increases in vendor program recognition decrease cost of goods sold, thereby increasing gross profit. Net sales derived from our Intelisys business contribute 100% to our gross profit dollars and margin as they have no associated cost of goods sold.

Specialty Technology Solutions

For the quarter ended March 31, 2024, gross profit dollars for the Specialty Technology Solutions segment declined $12.6 million, or 21.8%, compared to the prior-year quarter. Lower sales volume, after considering the associated cost of goods sold, reduced gross profit dollars by $8.4 million. Gross profit margin decreased 88 basis points quarter-over-quarter to 9.3%. Gross margin mix negatively impacted gross profit by $4.2 million largely due to lower vendor program recognition.

For the nine months ended March 31, 2024, gross profit dollars decreased $31.4 million, or 18.2%, compared to the prior-year period. Lower sales volume, after considering the associated cost of goods sold, reduced gross profit by $25.0 million. Gross profit margin decreased 43 basis points year-over-year to 9.3%. Gross margin mix negatively impacted gross profit by $6.4 million largely from lower vendor program recognition partially offset by lower freight costs.

Modern Communications & Cloud

For the quarter ended March 31, 2024, gross profit dollars for the Modern Communications & Cloud segment decreased $4.7 million, or 8.7%, compared to the prior-year quarter. Lower sales volume, after considering the associated cost of goods sold, reduced gross profit dollars by $8.6 million. Gross profit margin increased 146 basis points quarter-over-quarter to 18.4%. Gross margin mix positively impacted gross profit by $3.9 million largely from a more favorable sales mix, partially offset by lower vendor program recognition.

For the nine months ended March 31, 2024, gross profit dollars declined $7.4 million, or 4.4%, compared to the prior-year period. Lower sales volume, after considering the associated cost of goods sold, reduced gross profit dollars by $11.2 million. Gross profit margin increased 37 basis points year-over-year to 16.0%. Gross margin mix positively impacted gross profit dollars by $3.7 million primarily from a reduction in freight costs.

Operating Expenses

The following table summarizes our operating expenses for the quarters and nine months ended March 31, 2024 and 2023:

	Quarter ended March 31,				% of Net Sales March 31,	
	2024	**2023**	**$ Change**	**% Change**	**2024**	**2023**
	(in thousands)					
Selling, general and administrative expenses	**$ 66,574**	$ 70,669	$ (4,095)	(5.8) %	**8.8 %**	8.0 %
Depreciation expense	**2,690**	2,644	46	1.7 %	**0.4 %**	0.3 %
Intangible amortization expense	**3,752**	4,170	(418)	(10.0) %	**0.5 %**	0.5 %
Restructuring and other charges	**3,923**	—	3,923	100.0 %	**0.5 %**	0.0 %
Operating expenses	**$ 76,939**	$ 77,483	$ (544)	(0.7) %	**10.2 %**	8.8 %

	Nine months ended March 31,				% of Net Sales March 31,	
	2024	**2023**	**$ Change**	**% Change**	**2024**	**2023**
	(in thousands)					
Selling, general and administrative expenses	**$ 208,930**	$ 211,337	$ (2,407)	(1.1) %	**8.3 %**	7.4 %
Depreciation expense	**8,449**	8,085	364	4.5 %	**0.3 %**	0.3 %
Intangible amortization expense	**11,982**	12,561	(579)	(4.6) %	**0.5 %**	0.4 %
Restructuring and other charges	**3,923**	—	3,923	100.0 %	**0.2 %**	0.0 %
Operating expenses	**$ 233,284**	$ 231,983	$ 1,301	0.6 %	**9.3 %**	8.2 %

Selling, general and administrative expenses ("SG&A") decreased by $4.1 million, or 5.8%, for the quarter ended March 31, 2024, compared to the prior-year period. The decrease for the quarter ended March 31, 2024 is primarily attributable to lower employee costs for the quarter.

For the nine months ended March 31, 2024, SG&A expenses decreased by $2.4 million, or 1.1%, compared to the prior-year period. The decrease for the nine months ended March 31, 2024 is primarily attributable to lower employee costs, partially offset by higher bad debt expense as a result of increases in specific customer reserves.

Restructuring and other charges incurred of $3.9 million during the quarter ended March 31, 2024 related to employee separation and benefit costs in connection with our expense reduction and restructuring plans implemented in January 2024.

Operating Income

The following table summarizes our operating income for the quarters and nine months ended March 31, 2024 and 2023:

	Quarter ended March 31,							% of Net Sales March 31,	
	2024		2023		$ Change		% Change	2024	2023
	(in thousands)								
Specialty Technology Solutions	**$**	**9,080**	$	19,811	$	(10,731)	(54.2) %	**1.9 %**	3.5 %
Modern Communications & Cloud		**12,989**		14,468		(1,479)	(10.2) %	**4.8 %**	4.5 %
Corporate		**(4,527)**		—		(4,527)	nm*	**nm***	nm*
Operating income	**$**	**17,542**	$	34,279	$	(16,737)	(48.8) %	**2.3 %**	3.9 %

	Nine months ended March 31,							% of Net Sales March 31,	
	2024		2023		$ Change		% Change	2024	2023
	(in thousands)								
Specialty Technology Solutions	**$**	**34,321**	$	61,345	$	(27,024)	(44.1) %	**2.3 %**	3.5 %
Modern Communications & Cloud		**40,004**		47,253		(7,249)	(15.3) %	**4.0 %**	4.4 %
Corporate		**(5,871)**		—		(5,871)	nm*	**nm***	nm*
Operating income	**$**	**68,454**	$	108,598	$	(40,144)	(37.0) %	**2.7 %**	3.8 %

**nm - percentages are not meaningful*

Specialty Technology Solutions

For the Specialty Technology Solutions segment, operating income decreased $10.7 million, or 54.2%, and $27.0 million, or 44.1%, respectively, for the quarter and nine months ended March 31, 2024, compared to the prior-year period. Operating margin decreased to 1.9% and 2.3% for the quarter and nine months ended March 31, 2024, respectively. The decrease in operating income and margin for the quarter is primarily due to lower gross profits.

Modern Communications & Cloud

For the Modern Communications & Cloud segment, operating income decreased $1.5 million, or 10.2%, and $7.2 million, or 15.3%, respectively, for the quarter and nine months ended March 31, 2024 compared to the prior-year period. Operating margin increased to 4.8% for the quarter ended March 31, 2024 driven by higher gross profit margin for the quarter. For the nine months ended March 31, 2024 operating margin decreased to 4.0%. Operating income and margin decreased for the nine month period primarily from lower gross profits.

Corporate

For the quarter and nine months ended March 31, 2024, Corporate operating loss of $4.5 million and $5.9 million, represents costs associated with the sale of our intY business, cyberattack restoration cost and restructuring costs.

Total Other (Income) Expense

The following table summarizes our total other (income) expense for the quarters and nine months ended March 31, 2024 and 2023:

	Quarter ended March 31,				% of Net Sales March 31,	
	2024	2023	$ Change	% Change	2024	2023
	(in thousands)					
Interest expense	**$ 2,001**	$ 5,715	$ (3,714)	(65.0) %	**0.3 %**	0.6 %
Interest income	**(2,652)**	(1,710)	(942)	55.1 %	**(0.4)%**	(0.2)%
Net foreign exchange losses	**508**	505	3	0.6 %	**0.1 %**	0.1 %
Gain on sale of business	**—**	—	—	*nm**	— %	— %
Other, net	**(267)**	(144)	(123)	85.4 %	**(0.0)%**	(0.0)%
Total other (income) expense, net	**$ (410)**	$ 4,366	$ (4,776)	(109.4) %	**(0.1)%**	0.5 %

	Nine months ended March 31,				% of Net Sales March 31,	
	2024	2023	$ Change	% Change	2024	2023
	(in thousands)					
Interest expense	**$ 10,947**	$ 14,223	$ (3,276)	(23.0) %	**0.4 %**	0.5 %
Interest income	**(6,096)**	(5,327)	(769)	14.4 %	**(0.2)%**	(0.2)%
Net foreign exchange losses	**1,632**	1,775	(143)	(8.1) %	**0.1 %**	0.1 %
Gain on sale of business	**(14,533)**	—	(14,533)	*nm**	(0.6)%	— %
Other, net	**(641)**	(461)	(180)	39.0 %	**(0.0)%**	(0.0)%
Total other (income) expense, net	**$ (8,691)**	$ 10,210	$ (18,901)	(185.1) %	**(0.3)%**	0.4 %

**nm - percentages are not meaningful*

Interest expense consists primarily of interest incurred on borrowings, non-utilization fees charged on the revolving credit facility and amortization of debt issuance costs. Interest expense decreased for the quarter and nine months ended March 31, 2024 compared to the prior-year periods, primarily from lower average borrowings on our multi-currency revolving credit facility.

Interest income increased for the quarter and nine months ended March 31, 2024 primarily from interest earned on higher cash balances in North America.

Net foreign exchange gains and losses consist of foreign currency transactional and functional currency re-measurements, offset by net foreign exchange forward contracts gains and losses. Foreign exchange gains and losses are generated as the result of fluctuations in the value of the U.S. dollar versus the Brazilian real, the Canadian dollar versus the U.S. dollar, the euro versus the U.S. dollar, and the British pound versus the U.S. dollar. We partially offset foreign currency exposure with the use of foreign exchange contracts to hedge against these exposures. The costs associated with foreign exchange forward contracts are included in the net foreign exchange losses.

For the nine months ended March 31, 2024, we recognized a $14.5 million gain on the sale of our UK-based intY business.

Provision for Income Taxes

For the quarter and nine months ended March 31, 2024, income tax expense was $5.1 million and $16.2 million, respectively, reflecting an effective tax rate of 28.7% and 21.0%, respectively. In comparison, for the quarter and nine months ended March 31, 2023, income tax expense was $8.7 million and $27.4 million, respectively, reflecting an effective tax rate of 29.1% and 27.8%, respectively. The decrease in the effective tax rate for the quarter is due to a $1.5 million discrete tax benefit, which is attributable to an income tax recovery in Brazil related to a prior period. We expect the effective tax rate, excluding discrete items, for fiscal year 2024 to be approximately 29.2% to 30.2%. See Note 13 - Income Taxes to the Notes to Consolidated Financial Statements for further discussion.

Non-GAAP Financial Information

Evaluating Financial Condition and Operating Performance

In addition to disclosing results that are determined in accordance with United States generally accepted accounting principles ("US GAAP" or "GAAP"), we also disclose certain non-GAAP financial measures. These measures include non-GAAP operating income; non-GAAP pre-tax income; non-GAAP net income; non-GAAP EPS; adjusted earnings before interest expense, income taxes, depreciation, and amortization ("adjusted EBITDA"); adjusted return on invested capital ("adjusted ROIC"); and constant currency. Constant currency is a measure that excludes the translation exchange impact from changes in foreign currency exchange rates between reporting periods. We use non-GAAP financial measures to better understand and evaluate performance, including comparisons from period to period.

These non-GAAP financial measures have limitations as analytical tools, and the non-GAAP financial measures that we report may not be comparable to similarly titled amounts reported by other companies. Analysis of results and outlook on a non-GAAP basis should be considered in addition to, and not in substitution for or as superior to, measurements of financial performance prepared in accordance with US GAAP.

Adjusted Return on Invested Capital

Adjusted ROIC assists us in comparing our performance over various reporting periods on a consistent basis because it removes from our operating results the impact of items that do not reflect our core operating performance. We believe the calculation of adjusted ROIC provides useful information to investors and is an additional relevant comparison of our performance during the year.

Adjusted EBITDA starts with net income and adds back interest expense, income tax expense, depreciation expense, amortization of intangible assets, share-based compensation expense, and other non-GAAP adjustments. Since adjusted EBITDA excludes some non-cash costs of investing in our business and people, we believe that adjusted EBITDA shows the profitability from our business operations more clearly.
We calculate adjusted ROIC as adjusted EBITDA, divided by invested capital. Invested capital is defined as average equity plus average daily funded interest-bearing debt for the period. The following table summarizes annualized adjusted ROIC for the quarters ended March 31, 2024 and 2023, respectively:

	Quarter ended March 31,	
	2024	**2023**
Adjusted return on invested capital ratio, annualized [(a)]	**12.1 %**	14.6 %

(a) The annualized EBITDA amount is divided by days in the quarter times 365 days per year, or 366 days for leap year. There were 91 days in the current and 90 days in the prior-year quarter.

The components of this calculation and reconciliation to our financial statements are shown on the following schedule:

	Quarter ended March 31,	
	2024	**2023**
	(in thousands)	
Reconciliation of net income to adjusted EBITDA:		
Net income (GAAP)	**$ 12,806**	$ 21,221
Plus: Interest expense	**2,001**	5,715
Plus: Income taxes	**5,146**	8,692
Plus: Depreciation and amortization	**6,742**	7,074
EBITDA (non-GAAP)	**26,695**	42,702
Plus: Tax recovery	**(515)**	—
Plus: Share-based compensation	**2,388**	2,954
Plus: Acquisition and divestiture costs	**511**	—
Plus: Cyberattack restoration costs	**93**	—
Plus: Restructuring costs	**3,923**	—
Adjusted EBITDA (numerator for adjusted ROIC) (non-GAAP)	**$ 33,095**	$ 45,656

	Quarter ended March 31,	
	2024	2023
	(in thousands)	
Invested capital calculations:		
Equity – beginning of the quarter	**$ 953,601**	$ 862,386
Equity – end of the quarter	**944,051**	878,895
Plus: Share-based compensation, net	**1,784**	2,191
Plus: Cyberattack restoration costs, net	**69**	—
Plus: Acquisition and divestiture costs [(a)]	**511**	—
Plus: Restructuring, net	**2,935**	—
Plus: Tax recovery, net	**(1,648)**	—
Average equity	**950,652**	871,736
Average funded debt [(b)]	**153,131**	398,318
Invested capital (denominator for adjusted ROIC) (non-GAAP)	**$ 1,103,783**	$ 1,270,054

(a) Acquisition and divestiture costs are generally non-deductible for tax purposes.

(b) Average funded debt is calculated as the daily average amounts outstanding on our short-term and long-term interest-bearing debt.

Net Sales in Constant Currency Excluding Acquisitions and Divestitures

We make references to “constant currency,” a non-GAAP performance measure that excludes the foreign exchange rate impact from fluctuations in the average foreign exchange rates between reporting periods. Constant currency is calculated by translating current period results from currencies other than the U.S. dollar into U.S. dollars using the comparable average foreign exchange rates from the prior year period. We also exclude the impact of acquisitions or divestitures prior to the first full year of operations from the acquisition or divestiture date in order to show net sales results on an organic basis. This information is provided to analyze underlying trends without the translation impact of fluctuations in foreign currency rates and the impact of acquisitions and divestitures. Below we show organic growth by providing a non-GAAP reconciliation of net sales in constant currency excluding acquisitions and divestitures:

Net Sales by Segment:

	Quarter ended March 31,			
	2024	2023	$ Change	% Change
Specialty Technology Solutions:	*(in thousands)*			
Net sales, reported	**$ 483,704**	$ 565,652	$ (81,948)	(14.5)%
Foreign exchange impact [(a)]	**(620)**	—		
Non-GAAP net sales	**$ 483,084**	$ 565,652	$ (82,568)	(14.6)%
Modern Communications & Cloud:				
Net sales, reported	**$ 268,895**	$ 319,867	$ (50,972)	(15.9)%
Foreign exchange impact [(a)]	**(3,177)**	—		
Less: Divestitures	**—**	(2,530)		
Non-GAAP net sales	**$ 265,718**	$ 317,337	$ (51,619)	(16.3)%
Consolidated:				
Net sales, reported	**$ 752,599**	$ 885,519	$ (132,920)	(15.0)%
Foreign exchange impact [(a)]	**(3,797)**	—		
Less: Divestitures	**—**	(2,530)		
Non-GAAP net sales	**$ 748,802**	$ 882,989	$ (134,187)	(15.2)%

[(a)] Year-over-year net sales growth rate excluding the translation impact of changes in foreign currency exchange rates. Calculated by translating the net sales for the quarter ended March 31, 2024 into U.S. dollars using the average foreign exchange rates for the quarter ended March 31, 2023.

Net Sales by Segment:

	Nine months ended March 31,			
	2024	**2023**	**$ Change**	**% Change**
Specialty Technology Solutions	***(in thousands)***			
Net sales, reported	**$ 1,513,926**	$ 1,769,530	$ (255,604)	(14.4)%
Foreign exchange impact [(a)]	**(2,440)**	—		
Non-GAAP net sales	**$ 1,511,486**	$ 1,769,530	$ (258,044)	(14.6)%
Modern Communications & Cloud				
Net sales, reported	**$ 999,770**	$ 1,071,043	$ (71,273)	(6.7)%
Foreign exchange impact [(a)]	**(12,178)**	—		
Less: Divestitures	**(3,747)**	(6,737)		
Non-GAAP net sales	**$ 983,845**	$ 1,064,306	$ (80,461)	(7.6)%
Consolidated:				
Net sales, reported	**$ 2,513,696**	$ 2,840,573	$ (326,877)	(11.5)%
Foreign exchange impact [(a)]	**(14,618)**	—		
Less: Divestitures	**(3,747)**	(6,737)		
Non-GAAP net sales	**$ 2,495,331**	$ 2,833,836	$ (338,505)	(11.9)%

[(a)] Year-over-year net sales growth rate excluding the translation impact of changes in foreign currency exchange rates. Calculated by translating the net sales for the nine months ended March 31, 2024 into U.S. dollars using the average foreign exchange rates for the nine months ended March 31, 2023.

Net Sales by Geography:

	Quarter ended March 31,			
	2024	2023	$ Change	% Change
United States and Canada:	*(in thousands)*			
Net sales, as reported	**$ 671,246**	$ 808,797	$ (137,551)	(17.0)%
International:				
Net sales, reported	**$ 81,353**	$ 76,722	$ 4,631	6.0 %
Foreign exchange impact [a]	**(3,797)**	—		
Less: Divestitures	**—**	(2,530)		
Non-GAAP net sales	**$ 77,556**	$ 74,192	$ 3,364	4.5 %
Consolidated:				
Net sales, reported	**$ 752,599**	$ 885,519	$ (132,920)	(15.0)%
Foreign exchange impact [a]	**(3,797)**	—		
Less: Divestitures	**—**	(2,530)		
Non-GAAP net sales	**$ 748,802**	$ 882,989	$ (134,187)	(15.2)%

[a] Year-over-year net sales growth rate excluding the translation impact of changes in foreign currency exchange rates. Calculated by translating the net sales for the quarter ended March 31, 2024 into U.S. dollars using the average foreign exchange rates for the quarter ended March 31, 2023.

	Nine months ended March 31,			
	2024	2023	$ Change	% Change
United States and Canada:	*(in thousands)*			
Net sales, as reported	**$ 2,257,629**	$ 2,577,556	$ (319,927)	(12.4)%
International:				
Net sales, reported	**$ 256,067**	$ 263,017	$ (6,950)	(2.6)%
Foreign exchange impact [a]	**(14,618)**	—		
Less: Divestitures	**(3,747)**	(6,737)		
Non-GAAP net sales	**$ 237,702**	$ 256,280	$ (18,578)	(7.2)%
Consolidated:				
Net sales, reported	**$ 2,513,696**	$ 2,840,573	$ (326,877)	(11.5)%
Foreign exchange impact [a]	**(14,618)**	—		
Less: Divestitures	**(3,747)**	(6,737)		
Non-GAAP net sales	**$ 2,495,331**	$ 2,833,836	$ (338,505)	(11.9)%

[a] Year-over-year net sales growth rate excluding the translation impact of changes in foreign currency exchange rates. Calculated by translating the net sales for the nine months ended March 31, 2024 into U.S. dollars using the average foreign exchange rates for the nine months ended March 31, 2023.

Operating Income by Segment:

	Quarter ended March 31,				% of Net Sales March 31,	
	2024	2023	$ Change	% Change	2024	2023
Specialty Technology Solutions:	***(in thousands)***					
GAAP operating income	**$ 9,080**	$ 19,811	$ (10,731)	(54.2)%	**1.9 %**	3.5 %
Adjustments:						
Amortization of intangible assets	**358**	358	—			
Non-GAAP operating income	**$ 9,438**	$ 20,169	$ (10,731)	(53.2)%	**2.0 %**	3.6 %
Modern Communications & Cloud:						
GAAP operating income	**$ 12,989**	$ 14,468	$ (1,479)	(10.2)%	**4.8 %**	4.5 %
Adjustments:						
Amortization of intangible assets	**3,394**	3,812	(418)			
Tax recovery [a]	**(515)**	—	(515)			
Non-GAAP operating income	**$ 15,868**	$ 18,280	$ (2,412)	(13.2)%	**5.9 %**	5.7 %
Corporate:						
GAAP operating loss	**$ (4,527)**	$ —	$ (4,527)	nm*	**nm***	nm*
Adjustments:						
Acquisition and divestiture costs	**511**	—	511			
Restructuring costs	**3,923**	—	3,923			
Cyberattack restoration costs	**93**	—	93			
Non-GAAP operating income	**$ —**	$ —	$ —	nm*	**nm***	nm*
Consolidated:						
GAAP operating income	**$ 17,542**	$ 34,279	$ (16,737)	(48.8)%	**2.3 %**	3.9 %
Adjustments:						
Amortization of intangible assets	**3,752**	4,170	(418)			
Cyberattack restoration costs	**93**	—	93			
Tax recovery [a]	**(515)**	—	(515)			
Acquisition and divestiture costs	**511**	—	511			
Restructuring costs	**3,923**	—	3,923			
Non-GAAP operating income	**$ 25,306**	$ 38,449	$ (13,143)	(34.2)%	**3.4 %**	4.3 %

[a] Recovery of prior period withholding and other taxes in Brazil.

Operating Income by Segment:

	Nine months ended March 31,				% of Net Sales March 31,	
	2024	**2023**	**$ Change**	**% Change**	**2024**	**2023**
Specialty Technology Solutions:	***(in thousands)***					
GAAP operating income	**$ 34,321**	$ 61,345	$ (27,024)	(44.1)%	**2.3 %**	3.5 %
Adjustments:						
Amortization of intangible assets	**3,784**	3,874	(90)			
Non-GAAP operating income	**$ 38,105**	$ 65,219	$ (27,114)	(41.6)%	**2.5 %**	3.7 %
Modern Communications & Cloud:						
GAAP operating income	**$ 40,004**	$ 47,253	$ (7,249)	(15.3)%	**4.0 %**	4.4 %
Adjustments:						
Amortization of intangible assets	**8,198**	8,687	(489)			
Tax recovery [(a)]	**(1,901)**	(2,858)	957			
Non-GAAP operating income	**$ 46,301**	$ 53,082	$ (6,781)	(12.8)%	**4.6 %**	5.0 %
Corporate:						
GAAP operating loss	**$ (5,871)**	$ —	$ (5,871)	nm*	**nm***	nm*
Adjustments:						
Cyberattack restoration costs	**733**	—	733			
Acquisition and divestiture costs	**1,215**	—	1,215			
Restructuring costs	**3,923**	—	3,923			
Non-GAAP operating income	**$ —**	**$ —**	$ —	nm*	**nm***	nm*
Consolidated:						
GAAP operating income	**$ 68,454**	$ 108,598	$ (40,144)	(37.0)%	**2.7 %**	3.8 %
Adjustments:						
Amortization of intangible assets	**11,982**	12,561	(579)			
Cyberattack restoration costs	**733**	—	733			
Tax recovery [(a)]	**(1,901)**	(2,858)	957			
Acquisition and divestiture costs	**1,215**	—	1,215			
Restructuring costs	**3,923**	—	3,923			
Non-GAAP operating income	**$ 84,406**	$ 118,301	$ (33,895)	(28.7)%	**3.4 %**	4.2 %

[(a)] Recovery of prior period withholding and other taxes in Brazil.

Additional Non-GAAP Metrics

To evaluate current period performance on a more consistent basis with prior periods, we disclose non-GAAP SG&A expenses, non-GAAP operating income, non-GAAP pre-tax income, non-GAAP net income and non-GAAP diluted earnings per share. Non-GAAP results exclude amortization of intangible assets related to divestitures, cyberattack restoration costs and other non-GAAP adjustments. These year-over-year metrics include the translation impact of changes in foreign currency exchange rates. These metrics are useful in assessing and understanding our operating performance, especially when comparing results with previous periods or forecasting performance for future periods. Below we provide a non-GAAP reconciliation of the aforementioned metrics adjusted for the costs and charges mentioned above:

	Quarter ended March 31, 2024						
	GAAP Measure	**Intangible amortization expense**	**Acquisition and Divestiture costs [a]**	**Restructuring costs**	**Tax recovery**	**Cyberattack restoration costs**	**Non-GAAP measure**
	(in thousands, except per share data)						
SG&A expenses	**$ 66,574**	**$ —**	**$ (511)**	**$ (3,923)**	**$ 515**	**$ (93)**	**$ 62,562**
Operating income	**17,542**	**3,752**	**511**	**3,923**	**(515)**	**93**	**25,306**
Pre-tax income	**17,952**	**3,752**	**511**	**3,923**	**(515)**	**93**	**25,716**
Net income	**12,806**	**2,788**	**511**	**2,935**	**(1,648)**	**69**	**17,461**
Diluted EPS	**$ 0.50**	**$ 0.11**	**$ 0.02**	**$ 0.12**	**$ (0.06)**	**$ —**	**$ 0.69**

	Quarter ended March 31, 2023						
	GAAP Measure	**Intangible amortization expense**	**Acquisition and Divestiture costs [a]**	**Restructuring costs**	**Tax recovery**	**Cyberattack restoration costs**	**Non-GAAP measure**
	(in thousands, except per share data)						
SG&A expenses	$ 70,669	$ —	$ —	$ —	$ —	$ —	$ 70,669
Operating income	34,279	4,170	—	—	—	—	38,449
Pre-tax income	29,913	4,170	—	—	—	—	34,083
Net income	21,221	3,109	—	—	—	—	24,330
Diluted EPS	$ 0.83	$ 0.12	$ —	$ —	$ —	$ —	$ 0.96

(a) Acquisition and divestiture costs for the quarter ended March 31, 2024 are generally nondeductible for tax purposes.

(b) Reflects gain on the sale of the UK-based intY business. This transaction resulted in a capital loss for tax purposes. The Company did not record a tax provision on the capital loss since there were no offsetting capital gains.

	Nine months ended March 31, 2024							
	GAAP Measure	**Intangible amortization expense**	**Acquisition and Divestiture costs (a)**	**Restructuring costs**	**Tax recovery**	**Cyberattack restoration costs**	**Gain on sale of a business (b)**	**Non-GAAP measure**
SG&A expenses	**$ 208,930**	**$ —**	**$ (1,215)**	**$ (3,923)**	**$ 1,901**	**$ (733)**	**$ —**	**$ 204,960**
Operating income	**68,454**	**11,982**	**1,215**	**3,923**	**(1,901)**	**733**	**—**	**84,406**
Pre-tax income	**77,145**	**11,982**	**1,215**	**3,923**	**(1,901)**	**733**	**(14,533)**	**78,564**
Net income	**60,964**	**8,909**	**1,215**	**2,935**	**(2,288)**	**548**	**(14,533)**	**57,750**
Diluted EPS	**$ 2.41**	**$ 0.35**	**$ 0.05**	**$ 0.12**	**$ (0.09)**	**$ 0.02**	**$ (0.57)**	**$ 2.28**

	Nine months ended March 31, 2023							
	GAAP Measure	**Intangible amortization expense**	**Acquisition and Divestiture costs (a)**	**Restructuring costs**	**Tax recovery**	**Cyberattack restoration costs**	**Gain on sale of a business (b)**	**Non-GAAP measure**
SG&A expenses	$ 211,337	$ —	$ —	$ —	$ 2,858	$ —	$ —	$ 214,195
Operating income	108,598	12,561	—	—	(2,858)	—	—	118,301
Pre-tax income	98,388	12,561	—	—	(2,858)	—	—	108,091
Net income	70,997	9,363	—	—	(1,886)	—	—	78,474
Diluted EPS	$ 2.79	$ 0.37	$ —	$ —	$ (0.07)	$ —	$ —	$ 3.09

(a) Acquisition and divestiture costs for the quarter ended March 31, 2024 are generally nondeductible for tax purposes.

(b) Reflects gain on the sale of the UK-based intY business. This transaction resulted in a capital loss for tax purposes. The Company did not record a tax provision on the capital loss since there were no offsetting capital gains.

Liquidity and Capital Resources

Our primary sources of liquidity are cash flows from operations and borrowings under our $350 million revolving credit facility. Our business requires significant investment in working capital, particularly accounts receivable and inventory, partially financed through our accounts payable to vendors, cash generated from operations and revolving lines of credit. In general, as our sales volume increases, our net investment in working capital increases, which typically results in decreased cash flow from operating activities. Conversely, when sales volume decreases, our net investment in working capital typically decreases, which typically results in increased cash flow from operating activities.

Our cash and cash equivalents balance totaled $159.1 million at March 31, 2024, compared to $36.2 million at June 30, 2023, including $23.4 million and $31.0 million held outside of the United States at March 31, 2024 and June 30, 2023, respectively. Checks released but not yet cleared in the amount of $0.2 million and $8.0 million are included in accounts payable at March 31, 2024 and June 30, 2023, respectively.

We conduct business primarily in North America and Brazil where we generate and use cash. We provide for United States income taxes from the earnings of our Canadian and Brazilian subsidiaries. See Note 13 - *Income Taxes* in the Notes to the Consolidated Financial Statements for further discussion.

Our net investment in working capital, defined as accounts receivable plus inventories less accounts payable, decreased $256.4 million to $563.3 million at March 31, 2024 from $819.7 million at June 30, 2023, primarily from decreases in inventory and accounts receivable, partially offset by lower accounts payable, as a result of lower sales volume and our multi-quarter working capital improvement plan. Our net investment in working capital is affected by several factors such as fluctuations in sales volume, net income, timing of collections from customers, increases and decreases to inventory levels and payments to vendors.

	Nine months ended March 31,	
	2024	**2023**
	(in thousands)	
Cash provided by (used in):		
Operating activities	**$ 316,908**	$ (20,508)
Investing activities	**10,693**	(6,549)
Financing activities	**(203,941)**	25,565

Operating cash flows are subject to variability period over period as a result of the timing of payments related to accounts receivable, accounts payable, and other working capital items. Net cash provided by operating activities was $316.9 million for the nine months ended March 31, 2024, compared to $20.5 million used in operating activities in the prior-year period. Cash provided by operating activities for the nine months ended March 31, 2024 is primarily attributable to net income adjusted for non-cash items plus, reductions in inventory and accounts receivable, partially offset by a reduction in accounts payable. Compared to June 30, 2023, inventory and accounts receivable decreased 30% and 22% respectively, while accounts payable decreased 20%. Cash used in operating activities for the nine months ended March 31, 2023 is primarily attributable to increases in inventory of 22% compared to June 30, 2022, partially offset by net income adjusted for non-cash items.

The number of days sales outstanding ("DSO") was 71 days at March 31, 2024, compared to 72 days at June 30, 2023 and 70 days at March 31, 2023. Inventory turned 4.8 times during the quarter ended March 31, 2024, compared to 4.4 times during the quarter ended June 30, 2023 and 4.1 times in the prior-year quarter ended March 31, 2023.

Cash provided by investing activities for the nine months ended March 31, 2024 was $10.7 million, compared to $6.5 million used in investing activities in the prior-year period. Cash provided by investing activities for the nine months ended March 31, 2024 is largely due to cash received from the sale of our intY UK business, partially offset by capital expenditures. Cash used in investing activities for the nine months ended March 31, 2023 represents capital expenditures.

Management expects capital expenditures for fiscal year 2024 to range from $8.0 million to $10.0 million, primarily for IT investments and facility improvements.

For the nine months ended March 31, 2024, cash used in financing activities totaled $203.9 million, compared to $25.6 million provided by financing activities for the prior-year period. Cash used in financing activities for the nine months ended March 31, 2024 is primarily attributable to net repayments on the revolving credit facility. Cash provided by financing activities for the nine months ended March 31, 2023 is primarily attributable to net borrowings on the revolving credit facility.

Share Repurchase Authorization

In August 2021, our Board of Directors approved a $100.0 million share repurchase authorization of which approximately $45.0 million remained outstanding as of March 31, 2024.The authorization does not have any time limit.

In May 2024, our Board of Directors approved a new $100.0 million share repurchase authorization. This supplements the existing authorization. The authorization does not have any time limit.

Credit Facility

We have a multi-currency senior secured credit facility with JPMorgan Chase Bank N.A., as administrative agent, and a syndicate of banks (as amended, the "Amended Credit Agreement"). On September 28, 2022, we amended and restated our Amended Credit Agreement, which includes (i) a five-year, $350 million multicurrency senior secured revolving credit facility and (ii) a five-year $150 million senior secured term loan facility. The Amended Credit Agreement extended the credit facility maturity date to September 28, 2027. In addition, pursuant to an "accordion feature," we may increase our borrowing limits up to an additional $250 million, subject to obtaining additional credit commitments from the lenders participating in the increase. The Amended Credit Agreement allows for the issuance of up to $50 million for letters of credit. Borrowings under the Amended Credit Agreement are guaranteed by substantially all of our domestic subsidiaries and secured by substantially all of our domestic assets. Under the terms of the revolving credit facility, the payment of cash dividends is restricted. We incurred debt issuance costs of $1.4 million in connection with the amendment and restatement of the Amended Credit Agreement. These costs were capitalized to other non-current assets on the Condensed Consolidated Balance Sheets and added to the unamortized debt issuance costs from the previous credit facility.

Loans denominated in U.S. dollars, other than swingline loans, bear interest at a rate per annum equal to, at our option, (i) the adjusted term SOFR or adjusted daily simple SOFR plus an additional margin ranging from 1.00% to 1.75% depending upon our ratio of (A) total consolidated debt less up to $30 million of unrestricted domestic cash to (B) trailing four-quarter consolidated EBITDA measured as of the end of the most recent year or quarter, as applicable, for which financial statements have been delivered to the Lenders (the "leverage ratio"); or (ii) the alternate base rate plus an additional margin ranging from 0% to 0.75%, depending upon our leverage ratio, plus, if applicable, certain mandatory costs. All swingline loans denominated in U.S. dollars bear interest based upon the adjusted daily simple SOFR plus an additional margin ranging from 1.00% to 1.75% depending upon our leverage ratio, or such other rate as agreed upon with the applicable swingline lender. The adjusted term SOFR and adjusted daily simple SOFR include a fixed credit adjustment of 0.10% over the applicable SOFR reference rate. Loans denominated in foreign currencies bear interest at a rate per annum equal to the applicable benchmark rate set forth in the Amended Credit Agreement plus an additional margin ranging from 1.00% to 1.75%, depending upon our leverage ratio plus, if applicable, certain mandatory costs.

During the quarter and nine months ended March 31, 2024, our borrowings under the Amended Credit Agreement were U.S. dollar loans. The spread in effect as of March 31, 2024 was 1.25% for SOFR-based loans and 0.25% for alternate base rate loans. The commitment fee rate in effect at March 31, 2024 was 0.20%. The Amended Credit Agreement includes customary representations, warranties and affirmative and negative covenants, including financial covenants. Specifically, our Leverage Ratio must be less than or equal to 3.50 to 1.00 at all times. In addition, our Interest Coverage Ratio (as such term is defined in the Amended Credit Agreement) must be at least 3.00 to 1.00 at the end of each fiscal quarter. In the event of a default, customary remedies are available to the lenders, including acceleration and increased interest rates. We were in compliance with all covenants under the credit facility at March 31, 2024.

The average daily outstanding balance on the revolving credit facility, excluding the term loan facility, during the quarters ended March 31, 2024 and 2023 was $94.6 million and $227.2 million, respectively. There was $350.0 million and $171.0 million available for additional borrowings as of March 31, 2024 and June 30, 2023, respectively. The effective interest rates for the revolving line of credit were 6.68% and 6.74% as of March 31, 2024 and June 30, 2023, respectively. There were no letters of credit issued under the multi-currency revolving credit facility at March 31, 2024 or June 30, 2023. Availability to use this borrowing capacity depends upon, among other things, the levels of our Leverage Ratio and Interest Coverage Ratio, which, in turn, will depend upon (1) our Credit Facility Net Debt relative to our Credit Facility EBITDA and (2) Credit Facility EBITDA relative to total interest expense, respectively. As a result, our availability will increase if EBITDA increases (subject to the limit of the facility) and decrease if EBITDA decreases. While we were in compliance with the financial covenants contained in the Amended Credit Agreement as of March 31, 2024, and currently expect to continue to maintain such compliance, should we encounter difficulties, our historical relationship with our Amended Credit Agreement lending group has been strong and we anticipate their continued support of our long-term business.

Summary

We believe that our existing sources of liquidity, including cash resources and cash provided by operating activities, supplemented as necessary with funds under our credit agreements, will provide sufficient resources to meet our present and future working capital and cash requirements for at least the next twelve months. We also believe that our longer-term working capital, planned expenditures and other general funding requirements will be satisfied through cash flows from operations and, to the extent necessary, from our borrowing facilities.

Accounting Standards Recently Issued

See Note 1 of the Notes to Condensed Consolidated Financial Statements for a full description of recent accounting pronouncements, including the anticipated dates of adoption and the effects on our consolidated financial position and results of operations.

Critical Accounting Policies and Estimates

Critical accounting policies are those that are important to our financial condition and require management's most difficult, subjective or complex judgments. Different amounts would be reported under different operating conditions or under alternative assumptions. See Management's Discussion and Analysis of Financial Condition and Results from Operations in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023 for a complete discussion.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For a description of our market risks, see Part II, Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023. No material changes have occurred to our market risks since June 30, 2023.

Item 4. Controls and Procedures

An evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the effectiveness of our disclosure controls and procedures at March 31, 2024. Based on that evaluation, our management, including the CEO and CFO, concluded that our disclosure controls and procedures are effective at March 31, 2024. During the quarter ended March 31, 2024, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is, from time to time, party to lawsuits arising out of operations. Although there can be no assurance, based upon information known to us, we believe that any liability resulting from an adverse determination of such lawsuits would not have a material adverse effect on our financial condition or results of operations. For a description of our material legal proceedings, see Note 12 - *Commitments and Contingencies* in the notes to the condensed consolidated financial statements, which is incorporated herein by reference.

Item 1A. Risk Factors

In addition to the risk factors discussed in our other reports and statements that we file with the SEC, you should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended June 30, 2023, which could materially affect our business, financial condition and/or future operating results.

There have been no material changes to the risk factors disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Share Repurchases

In August 2021, our Board of Directors authorized a $100 million share repurchase program. The authorization does not have any time limit.

The following table presents the share-repurchase activity for the quarter ended March 31, 2024 (in thousands except share and per share data):

Period	Total number of shares purchased [1]	Average price paid per share	Total number of shares purchased as part of the publicly announced plan or program	Approximate dollar value of shares that may yet be purchased under the plan or program
January 1 - 31, 2024	—	—	—	$ 64,913,399
February 1- 29, 2024	195,300	$ 41.87	195,300	$ 56,736,366
March 1 - 31, 2024	277,718	$ 43.26	274,581	$ 44,903,009
Total	473,018		469,881	$ 44,903,009

[1] Includes 3,137 shares withheld from employees' stock-based awards to satisfy required tax withholding obligations for the month of March 2024. There were no shares withheld during the months of January and February 2024.

Subsequent to March 31, 2024, our Board of Directors approved a new $100 million share repurchase authorization increasing the current remaining availability.

Dividends

We have never declared or paid a cash dividend. Under the terms of our credit facility, the payment of cash dividends is restricted.

Item 5. Other Information

During the three months ended March 31, 2024, none of our directors or our officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933), except as follows:

On February 29, 2024, Steve Jones, our Senior Vice President and Chief Financial Officer, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) and that provides for the sales of up to 8,500 shares of our common stock under Rule 144. The duration of such trading arrangement will be until February 10, 2025 (or earlier if all transactions under the trading arrangement have been completed or certain other events occur).

On May 1, 2024, the Board of Directors determined that the Company's Annual Meeting of Shareholders will take place at 9:00 a.m., local time, on Tuesday, December 10, 2024, at 6 Logue Court, Greenville, South Carolina 29615 (the "December 2024 Annual Meeting"). All other relevant information concerning the December 2024 Annual Meeting will be included in the Company's proxy materials to be distributed in connection with the December 2024 Annual Meeting, which will be filed with the SEC and made available to the Company's shareholders at a later date.

Because the date of the December 2024 Annual Meeting is more than 30 days prior to the anniversary date of the Company's Annual Meeting of Shareholders held on January 25, 2024, the Company is providing notice of the due dates for submissions of qualified shareholder proposals and shareholder director nominations.

Pursuant to Rule 14a-8 of the Exchange Act, shareholder proposals intended to be included in the Company's proxy materials must be delivered in writing to the Company's principal executive offices no later than a reasonable time before the Company begins to print and send such proxy materials. Accordingly, to be eligible for inclusion in the proxy materials for the December 2024 Annual Meeting pursuant to Rule 14a-8 of the Exchange Act, shareholder proposals (including any additional information specified in the Company's Amended and Restated Bylaws (as in effect on the date hereof, the "Bylaws)) must be received by our Corporate Secretary at the Company's principal executive offices no later than August 12, 2024.

A shareholder proposal or director nomination (including nominations pursuant to Rule 14a-19 under the Exchange Act) outside of Rule 14a-8 under the Exchange Act and pursuant to the Bylaws must be received by our Corporate Secretary at the Company's principal executive offices no later than September 11, 2024.

Shareholder proposals and shareholder director nominations must comply with all applicable requirements set forth in the rules and regulations of the SEC, the Exchange Act, and the Bylaws. Any stockholder proposal for inclusion in the Company's proxy materials, notice of proposed business to be brought before the December 2024 Annual Meeting or director nomination should be sent to the Corporate Secretary and the following address: ScanSource, Inc., 6 Logue Court, Greenville, South Carolina 29615, Attention: Shana C. Smith, Corporate Secretary.

Item 6. Exhibits

Exhibit Number	**Description**
3.1	Amended and Restated Bylaws
10.1	Suspension of Rights Agreement, dated as of April 16, 2024, to the Third Amended and Restated Credit Agreement, dated as of September 28, 2022 among, ScanSource, Inc., the Subsidiary Borrowers from time to time party thereto, JPMorgan Chase Bank, N.A. as Administrative Agent, Swingline Lender and Issuing Bank and the other lenders party thereto.
31.1	Certification of the Chief Executive Officer, Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer, Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from our Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets at March 31, 2024 and June 30, 2023; (ii) the Condensed Consolidated Income Statements for the quarters and nine months ended March 31, 2024 and 2023; (iii) the Condensed Consolidated Statements of Comprehensive Income for the quarters and nine months ended March 31, 2024 and 2023; (iv) the Condensed Consolidated Statements of Shareholder's Equity at March 31, 2024 and 2023; (v) the Condensed Consolidated Statements of Cash Flows for the nine months ended March 31, 2024 and 2023; and (vi) the Notes to the Condensed Consolidated Financial Statements. The instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL
104	Cover page Inline XBRL File (Included in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ScanSource, Inc.

Date:	May 7, 2024	/s/ MICHAEL L. BAUR
		Michael L. Baur
		Chair and Chief Executive Officer (Principal Executive Officer)
Date:	May 7, 2024	/s/ STEVE JONES
		Steve Jones
		Senior Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date:	May 7, 2024	/s/ BRANDY FORD
		Brandy Ford
		Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)

Exhibit 3.1

AMENDED AND RESTATED BYLAWS OF

SCANSOURCE, INC.

Amended through May 1, 2024

ARTICLE I
OFFICES AND REGISTERED AGENT

Section 1.01. Principal Office. The Corporation shall maintain its Principal Office in the City of Greenville, State of South Carolina or such other place as designated from time to time by the Board of Directors for the principal executive offices of the Corporation.

Section 1.02. Registered Office. The Corporation shall maintain a Registered Office as required by the South Carolina Business Corporation Act of 1988, as amended from time to time (the "Act"), at a location in the State of South Carolina designated by the Board of Directors from time to time. In the absence of a contrary designation by the Board of Directors, the Registered Office of the Corporation shall be located at its Principal Office.

Section 1.03. Other Offices. The Corporation may have such other offices within and without the State of South Carolina as the business of the Corporation may require from time to time. The authority to establish or close such other offices may be delegated by the Board of Directors to one or more of the Corporation's Officers.

Section 1.04. Registered Agent. The Corporation shall maintain a Registered Agent as required by the Act who shall have a business office at the Corporation's Registered Office. The Registered Agent shall be designated by the Board of Directors from time to time to serve at its pleasure. In the absence of such designation the Registered Agent shall be the Corporation's Secretary.

Section 1.05. Filings. In the absence of directions from the Board of Directors to the contrary, the Secretary of the Corporation shall cause the Corporation to maintain currently all filings in respect of the Registered Office and Registered Agent with the Secretary of State as required by the Act or otherwise by law.

ARTICLE II
SHAREHOLDERS

Section 2.01. Annual Meetings. An annual meeting of the Corporation's shareholders shall be held once each fiscal year for the purpose of electing Directors and for the transaction of such other business as may properly come before the meeting. No matters other than those proposed by the Board of Directors may be brought before the annual meeting by any shareholder unless written notice of such other matters, together with an adequate description thereof, shall have been provided to the corporation in compliance with Section 2.13. The annual meeting shall be held at the time and place designated by the Chairman of the Board or the Board of Directors from time to time.

Section 2.02. Special Meetings. Special meetings of the Corporation's shareholders may be called for any one or more lawful purposes by the Corporation's Chief Executive Officer, the Chairman of the Board, or a majority of the Directors. Only such business shall be conducted at a special shareholder meeting as shall have been brought before the meeting pursuant to the Corporation's notice of the meeting. Special meetings of the shareholders shall be held at a time and location as reflected in the notice of the meeting provided for hereinafter.

Section 2.03. Notice of Meetings. Written or electronic notice of all meetings of shareholders shall be delivered not less than ten nor more than sixty days before the meeting date (or according to any minimum notice requirement under Rule 14a-19), either personally, by mail, or by any other method permitted under the Act, by or at the direction of the Chairman of the Board or the Board of Directors, to all shareholders of record entitled to vote at such meeting. If mailed, the notice shall be deemed to be delivered when deposited with postage thereon prepaid in the United States mail, addressed to the shareholder at the shareholder's address as it appears on the Corporation's records. Such notice shall state the date, time, and place of the meeting and, in the case of a special meeting, the purpose or purposes for which such meeting was called. Electronic notice may be communicated to a shareholder by email or any other form of wire or wireless communication permitted by the Act. In addition, so long as the

Corporation is a public corporation (as defined in the Act), a notice to a shareholder which accompanies a proxy statement or information statement is effective when it is addressed and mailed or transmitted in any manner which satisfies the applicable rules of the Securities and Exchange Commission (the “SEC”) requiring delivery of a proxy statement including, without limitation, rules regarding delivery to shareholders sharing an address and implied consent to such delivery. Any previously scheduled meeting of the shareholders may be postponed, and any special meeting of the shareholders may be canceled, by resolution of the Board of Directors, upon public notice given prior to the date previously scheduled for such meeting of shareholders.

Section 2.04. Quorum. Except as may otherwise be required by the Act or the Corporation’s Articles of Incorporation (as amended from time to time, the “Articles of Incorporation”), at any meeting of shareholders the presence, in person or by proxy, of the holders of a majority of the outstanding shares entitled to vote thereat shall constitute a quorum for the transaction of any business properly before the meeting. Shares entitled to vote as a separate voting group on a matter may take action at a meeting on such matter only if a quorum of the shares in the separate voting group are present in person or by proxy at the meeting. Except as may otherwise be required by law or the Articles of Incorporation, at any meeting of shareholders the presence, in person or by proxy, of the holders of a majority of the outstanding shares in a separate voting group entitled to vote thereat as a separate voting group, if any, shall constitute a quorum of such separate voting group for purposes of such matter. In the absence of a quorum a meeting may be adjourned from time to time, in accordance with the provisions concerning adjournments contained elsewhere in these Bylaws, by the holders of a majority of the shares represented at the meeting in person or by proxy. At such adjourned meeting a quorum of shareholders may transact such business as might have been properly transacted at the original meeting.

Section 2.05. Transaction of Business. Business transacted at an annual meeting of shareholders may include all such business as may properly come before the meeting. Business transacted at a special meeting of shareholders shall be limited to the purposes stated in the notice of the meeting.

Section 2.06. Shareholders of Record. For the purpose of determining shareholders entitled to vote at any meeting of shareholders, or entitled to receive dividends or other distributions, or in connection with any other proper purpose requiring a determination of shareholders, the Board of Directors shall by resolution fix a record date for such determination. The date shall be not more than seventy and not less than ten days prior to the date on which the activity requiring the determination is to occur. The shareholders of record appearing in the Corporation’s records at the close of business on the record date so fixed shall constitute the shareholders of right in respect of the activity in question. In the absence of action by the Board of Directors to fix a record date, the record date shall be ten days prior to the date on which the activity requiring a determination of shareholders is to occur. A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting to a date not later than one hundred twenty days after the date fixed for the original meeting; provided, however, that the Board of Directors may in its discretion fix a new record date for any adjourned meeting and shall fix a new record date for any meeting adjourned to a date more than one hundred twenty days after the date of the original meeting.

Section 2.07. Voting. Except as may otherwise be required by the Act or the Articles of Incorporation, each shareholder entitled to vote at any meeting of shareholders shall be entitled to one vote for each share held by such shareholder that has voting power upon the matter in question. The vote of the holders of a majority of the votes cast shall decide any question brought before such meeting, unless otherwise provided by the Act, the Articles of Incorporation, or these Bylaws.

Section 2.08 Voting Inspectors. For each meeting of shareholders one or more persons shall be appointed to serve as voting inspectors by the Board of Directors. The voting inspectors may include one or more representatives of the Corporation’s Transfer Agent. The voting inspectors shall by majority decision resolve all disputes which may arise concerning the qualification of voters, the validity of proxies, the existence of a quorum, the voting power of shares, and the acceptance, rejection, and tabulation of votes. Each voting inspector shall take an oath to execute his or her duties impartially and to the best of his or her ability. Such oath shall be administered by the presiding officer to each voting inspector following the call to order and before a voting inspector enters upon the discharge of his or her duties.

Section 2.09. Adjournments. The chairman of the meeting may adjourn a meeting from time to time to a date, time, and place fixed by the chairman of the meeting and announced at the original meeting prior to adjournment. If a new record date is set pursuant to Section 2.06 following an adjournment a notice of the adjourned meeting will be sent to the shareholders of record as of that date. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting.

Section 2.10. Action Without Meeting. Holders of record of voting shares may take action without meeting by written consent as to such matters and in accordance with such requirements and procedures as may be permitted by the Act.

Section 2.11. Proxies. At all meetings of shareholders, a shareholder may vote in person or by proxy. Such proxy shall be filed with the Secretary of the Corporation or other person authorized to tabulate votes before or at the time of the meeting. A proxy must be filed (a) in writing executed by the shareholder or by his or her duly authorized attorney in fact, (b) by a telegram or cablegram appearing to have been transmitted by the shareholder, or (c) by an electronic transmission of appointment; provided, however that the Board of Directors may also establish procedures by which shareholders can file proxies with the Secretary by telecopier facsimile or electronic transmission and that any electronic transmission must contain or be accompanied by sufficient information to determine that the transmission appointing the proxy is authorized. No proxy shall be valid after three years from the date of its execution unless it qualifies as an irrevocable proxy under the Act or the proxy provides for a longer period. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary. Any shareholder directly or indirectly soliciting proxies from other shareholders must use a proxy card color other than white, which shall be reserved for the exclusive use by the Board of Directors.

Section 2.12. Voting of Shares by Certain Holders. Shares standing in the name of another corporation may be voted, either in person or by proxy, by the officer, agent, or proxy as the bylaws of that corporation may prescribe, or in the absence of such provision, as the board of directors of that corporation may determine.
Shares held by an administrator, executor, guardian or conservator may be voted by him or her, either in person or by proxy, without a transfer of such shares into his or her name. Shares standing in the name of a trustee may be voted by such trustee, either in person or by proxy, but no trustee shall be entitled to vote shares held by such trustee without a transfer of the shares into such trustee’s name as trustee.
Shares standing in the name of a receiver may be voted, either in person or by proxy, by the receiver, and shares held by or under the control of a receiver may be voted, either in person or by proxy, by the receiver without the transfer thereof into such receiver’s name if authority to do so is contained in an appropriate order of the court by which such receiver was appointed.
A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote, either in person or by proxy, the shares so transferred.

Section 2.13. Advance Notice of Shareholder Nominees for Director and Other Shareholder Proposals.
(a) The matters to be considered and brought before any annual or special meeting of shareholders of the Corporation shall be limited to only such matters, including the nomination and election of directors, as shall be brought properly before such meeting in compliance with the procedures set forth in this Section 2.13.

(b) For any matter to be brought properly before any annual meeting of shareholders, the matter must be (i) specified in the notice of the annual meeting given by or at the direction of the Board of Directors, (ii) otherwise brought before the annual meeting by or at the direction of the Board of Directors or (iii) brought before the annual meeting by a shareholder who is a shareholder of record of the Corporation on the date the notice provided for in this Section 2.13 is delivered to the Secretary of the Corporation, who is entitled to vote at the annual meeting and who complies with the procedures set forth in this Section 2.13. In addition to any other requirements under applicable law, the Articles of Incorporation and Bylaws, written notice (the “Shareholder Notice”) of any nomination or other proposal must be timely and any proposal, other than a nomination, must constitute a proper matter for shareholder action. To be timely, the Shareholder Notice must be delivered to the Secretary of the Corporation at the principal executive office of the Corporation not less than 90 nor more than 120 days prior to the first anniversary date of the annual meeting for the preceding year; provided, however, that if (and only if) the annual meeting is not scheduled to be held within a period that commences 30 days before such anniversary date and ends within 60 days after such anniversary date (an annual meeting date outside such period being referred to herein as an “Other Meeting Date”), the Shareholder Notice shall be given in the manner provided herein by the later of the close of business on (i) the date 90 days prior to such Other Meeting Date or (ii) the tenth day following the date such Other Meeting Date is first publicly announced or disclosed. A Shareholder Notice must contain the following information: (i) whether the shareholder is providing the notice at the request of a beneficial holder of shares, whether the shareholder, any such beneficial holder or any nominee has any agreement, arrangement or understanding with, or has received any financial assistance, funding or other consideration from, any other person with respect to the investment by the shareholder or such beneficial holder in the Corporation or the matter the Shareholder Notice relates to, and the details thereof, including the name of such other person (the shareholder, any beneficial holder on whose behalf the notice is being delivered, any nominees listed in the notice and any persons with whom such agreement, arrangement or understanding exists or from whom such assistance has been obtained are hereinafter collectively referred to as “Interested Persons”), (ii) the name and address of all Interested Persons, (iii) a complete listing of the record and beneficial ownership positions (including number or amount) of all equity securities and debt instruments, whether held in the form of loans or capital market instruments, of the Corporation or any of its subsidiaries held by all Interested Persons, (iv) whether and the extent to which any hedging, derivative or other transaction is in place or has been entered into within the prior six months preceding the date of delivery of the Shareholder Notice by or for the benefit of any Interested Person with respect to the Corporation or its subsidiaries or any of their respective securities, debt instruments or credit ratings, the effect or intent of which transaction is to give rise to gain or loss as a result of changes in the trading price of such securities or debt instruments or changes in the credit ratings for the Corporation, its subsidiaries or any of their respective securities or debt instruments (or, more generally, changes in the perceived creditworthiness of the Corporation or its subsidiaries), or to increase or decrease the voting power of such Interested Person, and if so, a summary of the material terms thereof, and (v) a representation that the shareholder is a holder of record of stock of the Corporation that would be entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to propose the matter set forth in the Shareholder Notice. As used herein, “beneficially owned” has the meaning provided in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Shareholder Notice shall be updated not later than 10 days after the record date for the determination of shareholders entitled to vote at the meeting to provide any material changes in the foregoing information as of the record date. Any Shareholder Notice relating to the nomination of directors must also contain (i) the information regarding each nominee required by paragraphs (a), (e) and (f) of Item 401 of Regulation S-K adopted by the SEC (or the corresponding provisions of any successor regulation), (ii) each nominee’s signed consent to serve as a director of the Corporation if elected, and (iii) whether each nominee is eligible for consideration as an independent director under the relevant standards contemplated by Item 407(a) of Regulation S-K (or the corresponding provisions of any successor regulation). The Corporation may also require any proposed nominee to furnish such other information, including completion of the Corporation’s directors questionnaire, as it may reasonably require to determine whether the nominee would be considered “independent” as a director or as a member of the audit committee of the Board of Directors under the various rules and standards applicable to the Corporation. Any Shareholder Notice with respect to a matter other than the nomination of directors must contain (i) the text of the proposal to be presented, including the text of any resolutions to be proposed for consideration by shareholders and (ii) a brief written statement of the reasons why such shareholder favors the proposal. Notwithstanding anything in this Section 2.13(b) to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and either all of the nominees for director or the size of the increased Board of Directors is not publicly announced or disclosed by the Corporation at least 100 days prior to the first anniversary of the preceding year’s annual meeting, a Shareholder Notice shall also be considered timely hereunder, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary of the Corporation at the principal executive office of the Corporation not later than the close of business on the tenth day following the first date all of such nominees or the size of the increased Board of Directors shall have been publicly announced or disclosed.

(c) For any matter to be brought properly before a special meeting of shareholders, the matter must be set forth in the Corporation’s notice of the meeting given by or at the direction of the Board of Directors. In the event that the Corporation calls a special meeting of shareholders for the purpose of electing one or more persons to the Board of Directors, any shareholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation’s notice of the meeting, if the Shareholder Notice required by Section 2.13(b) hereof shall be delivered to the Secretary of the Corporation at the principal executive office of the Corporation not later than the close of business on the tenth day following the day on which the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting is publicly announced or disclosed.

(d) For purposes of this Section 2.13, a matter shall be deemed to have been "publicly announced or disclosed" if such matter is disclosed in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the SEC.

(e) Only persons who are nominated in accordance with (i) the procedures set forth in this Section 2.13 and (ii) the requirements of Regulation 14A under the Exchange Act including, without limitation, the requirements of Rule 14a-19 (as such regulations and rules may be amended from time to time by the SEC including any interpretations by the staff of the SEC relating thereto), shall be eligible for election as directors of the Corporation. In no event shall the postponement or adjournment of an annual meeting already publicly noticed, or any announcement of such postponement or adjournment, commence a new period (or extend any time period) for the giving of notice as provided in this Section 2.13. This Section 2.13 shall not apply to (i) shareholders proposals made pursuant to Rule 14a-8 under the Exchange Act or (ii) the election of directors selected by or pursuant to the provisions of Article 3(b) of the Articles of Incorporation relating to the rights of the holders of any class or series of stock of the Corporation having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances.

(f) The person presiding at any meeting of shareholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall have the power and duty to determine whether notice of nominees and other matters proposed to be brought before a meeting has been duly given in the manner provided in this Section 2.13 and Rule 14a-19 and, if not so given, shall direct and declare at the meeting that such nominees and other matters are not properly before the meeting and shall not be considered. Notwithstanding the foregoing provisions of this Section 2.13, if the shareholder or a qualified representative of the shareholder does not appear at the annual or special meeting of shareholders of the Corporation to present any such nomination, or make any such proposal, such nomination or proposal shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

(g) In addition to the requirements set forth in this Section 2.13, unless otherwise required by law, (i) no shareholder shall solicit proxies in support of director nominees other than the Corporation's nominees unless such shareholder has complied with Rule 14a-19 promulgated under the Exchange Act in connection with the solicitation of such proxies in all respects, including but not limited to the minimum solicitation and notice requirements thereof. If any shareholder (1) provides notice pursuant to Rule 14a-19(b) promulgated under the Exchange Act and (2) subsequently fails to comply with the requirements of Rules 14a-19(a)(2) and Rule 14a-19(a)(3) promulgated under the Exchange Act, then the Corporation shall disregard any proxies or votes solicited for such shareholder's candidates. Upon request by the Corporation, if any shareholder provides notice pursuant to Rule14a-19(b) promulgated under the Exchange Act, such shareholder shall deliver to the Corporation, no later than five (5) business days prior to the applicable meeting, reasonable evidence that it has met the requirements of Rule 14a-19(a)(3) and 14a-19(b).

Section 2.14. Inspection Rights. The shareholders shall have only such rights to inspect records of this Corporation to the extent, and according to the procedures and limitations, prescribed by the Act.

Section 2.15. Conduct of Meetings. The Chairman of the Board of Directors shall be the chairman of each meeting of shareholders. In the absence of the Chairman, the meeting shall be chaired by such person as shall be appointed by the Nominating Committee of the Board of Directors or, in the absence of such appointment, an officer of the Corporation in accordance with the following order: Chief Executive Officer, Vice Chairman of the Board, President and Vice President. In the absence of all such officers, the meeting shall be chaired by an officer of the Corporation chosen by the vote of a majority in interest of the shareholders present in person or represented by proxy and entitled to vote thereat. The Secretary or in his or her absence an Assistant Secretary or in the absence of the Secretary and all Assistant Secretaries a person whom the chairman of the meeting shall appoint shall act as secretary of the meeting and keep a record of the proceedings thereof.

The Board of Directors of the Corporation shall be entitled to make such rules or regulations for the conduct of meetings of shareholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to shareholders of record of the Corporation and their duly authorized and constituted proxies and such other persons as the chairman shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comment by participants and regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot. Unless, and to the extent, determined by the Board of Directors or the chairman of the meeting, meetings of shareholders shall not be required to be held in accordance with rules of parliamentary procedure.

Section 2.16. Dissenters' Rights. Each shareholder shall have the right to dissent from, and obtain payment for, the shareholder's shares only when so authorized by the Act.

ARTICLE III
DIRECTORS

Section 3.01. Authority. The Board of Directors shall have ultimate authority over the conduct and management of the business and affairs of the Corporation.

Section 3.02. Number. The number of Directors that shall constitute the whole Board of Directors shall be established from time to time without amendment to these Bylaws by resolution of the Board of Directors. The established number of Directors may be increased or decreased from time to time by resolution of the Board of Directors. No decrease in the established number of Directors shall have the effect of shortening the term of any incumbent Director.

Section 3.03. Tenure. Each Director shall hold office from the date of such Director's election and qualification until such Director's successor shall have been duly elected and qualified, or until such Director's earlier removal, resignation, death, or incapacity. An election of all Directors by the shareholders shall be held at each annual meeting of the Corporation's shareholders. A Director need not be a shareholder or a resident of the State of South Carolina. In case of any increase in the number of Directors, the additional directorships so created may be filled in the first instance in the same manner as a vacancy in the Board of Directors.

Section 3.04. Removal. Any Director may be removed from office, with or without cause, if by a vote of the shareholders the number of votes cast to remove such Director exceeds the number of votes cast not to remove such Director. A Director may be removed from office by the shareholders only at a meeting called for the purpose of removing such Director and the meeting notice must state the purpose, or one of the purposes, of the meeting is removal of the Director.

Section 3.05. Vacancies. The Board of Directors may by majority vote of the Directors then in office, regardless of whether such Directors constitute a quorum, elect a new Director to fill a vacancy on the Board of Directors; provided, however, that no person may be elected to fill a vacancy created by such person's removal from office pursuant to these Bylaws.

Section 3.06. Annual and Regular Meetings. An annual meeting of the Board of Directors shall be called and held for the purpose of annual organization, appointment of Officers and committees, and transaction of any other business. If such meeting is held promptly after and at the place specified for the annual meeting of shareholders, no notice of the annual meeting of the Board of Directors need be given. Otherwise, such annual meeting of the Board of Directors shall be held at such time (at any time prior to and not more than thirty days after the annual meeting of shareholders) and place as may be specified in the notice of the meeting. The Board of Directors may by resolution provide for the holding of additional regular meetings without notice other than such resolution provided, however, the resolution shall fix the dates, times, and places (which may be anywhere within or without the State of South Carolina) for these regular meetings. Except as otherwise provided by law, any business may be transacted at any annual or regular meeting of the Board of Directors.

Section 3.07. Special Meetings; Notice of Special Meeting. Special meetings of the Board of Directors may be called for any lawful purpose or purposes by two Directors or by the Chief Executive Officer of the Corporation. The person(s) calling a special meeting shall give, or cause to be given, to each Director at his or her business address, reasonable notice of the date, time and place of the meeting by any normal means of communication. The notices may, but need not, describe the purpose of the meeting. If mailed, the notice shall be deemed to be delivered when deposited in the United States mail addressed to the Director's business address, with postage thereon prepaid. If notice is given by telecopier or other electronic transmission, the notice shall be deemed delivered when the notice is transmitted to a telecopier facsimile receipt number or electronic mail address designated by the receiving Director. Any time or place fixed for a special meeting must permit participation in the meeting by means of telecommunications as authorized in Section 3.09 below.

Section 3.08. Waiver of Notice of Special Meetings. Notice of a special meeting need not be given to any Director who signs a waiver of notice either before or after the meeting. A Director's attendance at or participation in a meeting waives any required notice to him of the meeting unless the Director at the beginning of the meeting (or promptly upon his arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Section 3.09. Participation by Telecommunications. Any Director may participate in, and be regarded as present at, any meeting of the Board of Directors by means of conference telephone or any other means of communication by which all persons participating in the meeting can hear each other at the same time.

Section 3.10. Quorum. A majority of Directors in office shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

Section 3.11. Action. The Board of Directors shall take action pursuant to resolutions adopted by the affirmative vote of a majority of the Directors participating in a meeting at which a quorum is present, or the affirmative vote of a greater number of Directors where required by the Articles of Incorporation or otherwise by law.

Section 3.12. Action Without Meeting. Any action required or permitted by the Act and required or permitted to be taken by the Board of Directors at an annual, regular, or special meeting may be taken without a meeting if the action is assented to by all members of the Board. The action may be evidenced by one or more written consents describing the action taken, signed by each Director, and included in the minutes or filed with the corporate records reflecting the action taken. Action evidenced by written consents under this Section 3.12 is effective when the last Director signs the consent, unless the consent specifies a different effective date. A consent signed under this Section 3.12 has the effect of a meeting vote and may be described as such in any document.

Section 3.13. Presumption of Assent. A director who is present at a meeting of the board of directors or a committee of the board of directors when corporate action is taken is considered to have assented to the action taken unless: (1) he objects at the beginning of the meeting (or promptly upon his arrival) to holding it or transacting business at the meeting; (2) his dissent or abstention from the action taken is entered in the minutes of the meeting; or (3) he delivers written notice of his dissent or abstention to the presiding officer of the meeting before its adjournment or to the corporation immediately after adjournment of the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

Section 3.14. Executive Committee. The Board of Directors may by resolution, adopted in accordance with the Act, designate and delegate authority to an Executive Committee with any or all such authority as may be permitted by the Act. The Executive Committee may be a standing committee appointed annually. The Executive Committee, if appointed, shall be composed of two or more members, who shall serve at the pleasure of the Board of Directors. All voting members of the Executive Committee must be Directors of the Corporation appointed by the Board of Directors in accordance with Section 33-8-250 of the Act. The Chairman of the Executive Committee shall be elected by the Board of Directors from the Directors appointed to the Executive Committee. The Chairman of the Executive Committee shall have such duties and authority as set forth by the Board of Directors. The duties, constitution, and procedures of the Executive Committee shall be prescribed by the Board of Directors.

Section 3.15. Other Committees. The Board of Directors may from time to time by resolution, adopted in accordance with the Act, designate and delegate authority to an Audit Committee, a Compensation Committee, and other committees, with any or all such authority as may be permitted by the Act. Any such committee may be designated as a standing committee appointed annually or as a special committee for specific circumstances or transactions with a limited duration. Each committee shall be composed of two or more members, who shall serve at the pleasure of the Board of Directors. All committee members must be Directors of the Corporation appointed by the Board of Directors in accordance with Section 33-8-250 of the Act. The Chairman of the Board shall be given notice of all committee meetings and may in the Chairman's discretion attend meetings of any committee to which he or she is not appointed as a member. The duties, constitution, and procedures of any committee shall be prescribed by the Board of Directors. The Board of Directors shall designate one member of each committee as its chairman.

Section 3.16. Committee Meetings. A majority of each committee's voting members shall constitute a quorum for the transaction of business by the committee, and each committee shall take action pursuant to resolutions adopted by a majority of the committee's voting members participating in a meeting at which a quorum of the committee is present. Each committee may also take action without a meeting if a consent in writing, setting forth the action taken, shall be signed by all of the committee's voting members in accordance with the procedures authorized by the Act. Special meetings of any committee may be called at any time by any Director who is a member of the committee or by any person entitled to call a special meeting of the full Board of Directors. Except as otherwise provided in this section, the conduct of all meetings of any committee, including notice thereof, and the taking of any action by such committee, shall be governed by Sections 3.06 through 3.13 of this Article.

Section 3.17. Authority. Unless limited by the Articles of Incorporation, each committee may exercise those aspects of the authority of the Board of Directors which the Board of Directors confers upon such committee in the resolution creating the committee. Provided, however, a committee may not:

(1) authorize distributions;
(2) approve or propose to shareholders action that the Act requires be approved by shareholders;
(3) fill vacancies on the Board of Directors or on any of its committees;
(4) amend the Articles of Incorporation pursuant to the authority of Directors;
(5) adopt, amend, or repeal bylaws;
(6) approve a plan of merger not requiring shareholder approval;
(7) authorize or approve reacquisition of shares, except according to a formula or method prescribed by the Board of Directors; or
(8) authorize or approve the issuance or sale or contract for sale of shares or determine the designation and relative rights, preferences, and limitations of a class or series of shares, except that the Board of Directors may authorize a committee (or an executive officer of the Corporation) to do so within limits specifically prescribed by the Board of Directors.

Section 3.18. Compensation. The Board of Directors may by resolution authorize payment to all Directors of a uniform fixed sum or other benefit, including equity awards, such as capital stock of the Corporation, options to purchase capital stock of the Corporation, or other forms of equity, for attendance at each meeting or a stated salary (which need not be uniform) as a Director, or a combination thereof, in such amounts as the Board may determine from time to time. The Board of Directors may, in its discretion, authorize payments of greater amounts or different forms to the Chairman of the Board or particular Directors or committee members than are paid to other Directors. No such payment shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor. The Board of Directors may also by resolution authorize the payment or reimbursement of all expenses of each Director related to the Director's attendance at meetings or other service to the Corporation.

Section 3.19. Notification of Nominations. Nominations for the election of Directors may be made by the Board of Directors or by any shareholder entitled to vote for the election of directors. Any shareholder entitled to vote for the election of directors at a meeting may nominate persons for election as Directors only by complying with the procedures set forth above in Section 2.13.

ARTICLE IV
OFFICERS

Section 4.01. In General. The Officers of the Corporation shall consist of a Chief Executive Officer, a President, one or more Vice Presidents, a Chief Financial Officer, a Secretary, a Treasurer, and such additional vice presidents, assistant secretaries, assistant treasurers and such other officers and agents as the Board of Directors deems advisable from time to time. The Chairman of the Board may by action of the Board be an officer of the Corporation. All Officers shall be appointed by the Board of Directors to serve at the pleasure of the Board. Except as may otherwise be provided by the Act or in the Articles of Incorporation, any Officer may be removed by the Board of Directors at any time, with or without cause. Any vacancy, however occurring, in any office may be filled by the Board of Directors for the unexpired term. One person may hold two or more offices. Each Officer shall exercise the authority and perform the duties as may be set forth in these Bylaws, the Board of Directors or by direction of an officer authorized by the Board of Directors to prescribe the duties of other officers.

Section 4.02. Chairman of the Board. The Board of Directors shall elect from the Directors a Chairman of the Board to serve at the pleasure of the Board of Directors. The Chairman of the Board shall whenever possible preside at all meetings of shareholders and all meetings of the Board of Directors. Except as otherwise provided herein and as may be specifically limited by resolution of the Board of Directors or Executive Committee, the Chairman of the Board may execute on the Corporation's behalf any and all contracts, agreements, notes, bonds, deeds, mortgages, certificates, instruments, and other documents. The Chairman of the Board shall exercise such additional authority and duties as set forth in these Bylaws and as the Board of Directors shall determine from time to time.

Section 4.03. Chief Executive Officer. The Chief Executive Officer, subject to the authority of the Board of Directors, shall manage the business and affairs of the Corporation. The Chief Executive Officer shall see that the resolutions of the Board of Directors are put into effect. Except as otherwise provided herein and as may be specifically limited by resolution of the shareholders or the Board of Directors or an authorized committee thereof, the Chief Executive Officer shall have full authority to execute on the Corporation's behalf any and all contracts, agreements, notes, bonds, deeds, mortgages, certificates, instruments, and other documents. The Chief Executive Officer shall also perform such other duties and may exercise such other powers as are incident to the office of Chief Executive Officer and as are from time to time assigned to him or her by the Act, these Bylaws, the Board of Directors, or an authorized committee thereof.

Section 4.04. President. The President, subject to the authority of the Board of Directors and the Chief Executive Officer, shall manage the business and affairs of the Corporation. The President shall serve under the direction of the Chief Executive Officer. Except as otherwise provided herein and as may be specifically limited by resolution of the shareholders or the Board of Directors or an authorized committee thereof, the President shall have full authority to execute on the Corporation's behalf any and all contracts, agreements, notes, bonds, deeds, mortgages, certificates, instruments, and other documents. The President shall also perform such other duties and may exercise such other powers as are incident to the office of President and as are from time to time assigned to him or her by the Act, these Bylaws, the Board of Directors or an authorized committee thereof, or the Chief Executive Officer.

Section 4.05. Chief Financial Officer. The Chief Financial Officer, subject to the authority of the Board of Directors, the Chief Executive Officer, and the President, shall be the chief financial officer of the Corporation and shall perform all of the duties customary to that office. The Chief Financial Officer shall be responsible for all of the Corporation's financial affairs, subject to the supervision and direction of the Chief Executive Officer and President, and shall have and perform such further powers and duties as the Board of Directors may, from time to time, prescribe and as the Chief Executive Officer or President may, from time to time, delegate. The Chief Financial Officer shall also perform such other duties and may exercise such other powers as are incident to the office of Chief Financial Officer and as are from time to time assigned to him or her by the Act, these Bylaws, the Board of Directors or an authorized committee thereof, or the Chief Executive Officer.

Section 4.06. Vice Presidents. Except as otherwise determined by the Board of Directors or the Chief Executive Officer, each Vice President shall serve under the direction of the President and the Chief Executive Officer. Except as otherwise provided herein, each Vice President shall perform such duties and may exercise such powers as are incident to the office of vice president and as are from time to time assigned to him or her by the Act, these Bylaws, the Board of Directors, the Chairman of the Board, the President or the Chief Executive Officer.

Section 4.07. Secretary. Except as otherwise provided by these Bylaws or determined by the Board of Directors, the Secretary shall serve under the direction of the Chief Executive Officer. The Secretary shall whenever possible attend all meetings of the shareholders and the Board of Directors, and whenever the Secretary cannot attend such meetings, such duty shall be delegated by the presiding officer for such meeting to a duly authorized assistant secretary. The Secretary shall record or cause to be recorded under the Secretary's general supervision the proceedings of all such meetings and any other actions taken by the shareholders or the Board of Directors (or by any committee of the Board in place of the Board) in a book or books (or similar collection) to be kept for such purpose. The Secretary shall give, or cause to be given, all notices in connection with such meetings. The Secretary shall be the custodian of the Corporate seal and affix the seal to any document requiring it, and to attest thereto by signature. The Secretary may delegate the Secretary's authority to affix the Corporation's seal and attest thereto by signature to any Assistant Secretary. The Board of Directors may give general authority to any other officer or specified agent to affix the Corporation's seal and to attest thereto by signature. Unless otherwise required by law, the affixing of the Corporation's seal shall not be required to bind the Corporation under any documents duly executed by the Corporation and the use of the seal shall be precatory in the discretion of the Corporation's duly authorized signing officers. The Secretary shall properly keep and file, or cause to be properly kept and filed under the Secretary's supervision, all books, reports, statements, notices, waivers, proxies, tabulations, minutes, certificates, documents, records, lists, and instruments required by the Act or these Bylaws to be kept or filed, as the case may be. The Secretary may when requested, and shall when required, authenticate any records of the Corporation. Except to the extent otherwise required by the Act, the Secretary may maintain, or cause to be maintained, such items within or without the State of South Carolina at any reasonable place. In the event the Board of Directors designates and engages a Transfer Agent, as permitted by these Bylaws, such duties of keeping such shareholder records and the like accepted by such Transfer Agent shall be deemed delegated from the Secretary to such Transfer Agent, but such Transfer Agent shall be subject to supervision of the Secretary. The Secretary shall perform such other duties and may exercise such other powers as are incident to the office of secretary and as are from time to time assigned to such office by the Act, these Bylaws, the Board of Directors, the Chairman of the Board, or the Chief Executive Officer.

Section 4.08. Treasurer. Except as otherwise provided by these Bylaws or determined by the Board of Directors or the Chief Executive Officer, the Treasurer shall serve under the direction of the Chief Financial Officer. The Treasurer shall, under the direction of the Chief Financial Officer, keep safe custody of the Corporation's funds and securities, maintain and give complete and accurate books, records, and statements of account, give and receive receipts for moneys, and make deposits of the Corporation's funds, or cause the same to be done under the Treasurer's supervision. The Treasurer shall upon request report to the Board of Directors or the Chief Executive Officer on the financial condition of the Corporation. The Treasurer may be required by the Board of Directors or the Chief Executive Officer at any time and from time to time to give such bond as the Board of Directors or the Chief Executive Officer may determine. The Treasurer shall perform such other duties and may exercise such other powers as are incident to the office of treasurer and as are from time to time assigned to such office by the Act, these Bylaws, the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the Chief Financial Officer.

Section 4.09. Assistant Officers. Except as otherwise provided by these Bylaws or determined by the Board of Directors or the Chief Executive Officer, the Assistant Secretaries and Assistant Treasurers, if any, shall serve under the immediate direction of the Secretary and the Treasurer, respectively, and under the ultimate direction of the Chief Executive Officer. The Assistant Officers shall assume the authority and perform the duties of their respective immediate superior officer as may be necessary at the direction of such immediately superior officer, or in the absence, incapacity, inability, or refusal of such immediate superior officer to act. The seniority of Assistant Officers shall be determined from their dates of appointment unless the Board of Directors or the Chief Executive Officer shall otherwise specify.

Section 4.10. Salaries. The salaries and other compensation of the Corporation's executive officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving a salary or other compensation by reason of the fact that such officer is also a Director of the Corporation.

ARTICLE V
INDEMNIFICATION

Section 5.01. Scope. Every person who was or is a party to, or is threatened to be made a party to, or is otherwise involved in, any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that such person or a person of whom such person is the legal representative is or was a Director or Officer of the Corporation or is or was serving at the request of the Corporation or for its benefit as a director or officer of another corporation, or as its representative in a partnership, joint venture, trust, or other enterprise, shall be indemnified and held harmless to the fullest extent legally permissible under and pursuant to the Act (and regardless of whether such proceeding is by or in the right of the Corporation), against all expenses, liabilities, and losses (including without limitation attorneys' fees, judgments, fines, and amounts paid or to be paid in settlement) suffered, or reasonably incurred by such person in connection therewith. Such right of indemnification shall be a contract right that may be enforced in any manner desired by such person. Such right of indemnification shall not be exclusive of any other right which such Directors, Officers, or representatives may have or hereafter acquire and, without limiting the generality of such statement, they shall be entitled to their respective rights of indemnification under any bylaw, agreement, vote of shareholders, insurance, provision of law, or otherwise, as well as their rights under this Article V. The Corporation may contract in advance to provide indemnification.

Section 5.02. Advances and Reimbursements. The determination that indemnification under this Article V is permissible and the evaluation as to the reasonableness of expenses in a specific case shall be made, in the case of a Director, as provided by the Act, and in the case of an Officer or other person indemnified under Section 5.03, if any, as provided in Section 5.03 of this Article; provided, however, that if a majority of the Directors of the Corporation has changed after the date of the alleged conduct giving rise to a claim for indemnification, such determination and evaluation shall, at the option of the person claiming indemnification, be made by special legal counsel agreed upon by the Board of Directors and such person. Unless a determination has been made that indemnification is not permissible, and upon receipt of such written affirmation as required by the Act from the person to be indemnified, the Corporation shall make advances and reimbursements for expenses incurred by a Director or Officer or other person indemnified under Section 5.03, if any, in a proceeding upon receipt of an undertaking from such person to repay the same if it is ultimately determined that such person is not entitled to indemnification. Such undertaking shall be an unlimited, unsecured general obligation of the Director or Officer and shall be accepted without reference to such person's ability to make repayment. The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not of itself create a presumption that a Director or Officer acted in such a manner as to make such person ineligible for indemnification.

Section 5.03. Indemnification of Other Persons. The Corporation may, to a lesser extent or to the same extent that the Corporation is required to provide indemnification to its Directors and Officers, provide indemnification and make advances and reimbursements for expenses to (a) its employees, agents, and advisors, (b) the directors, officers, employees, agents, and advisors of its subsidiaries and predecessor entities, and (c) any person serving any other legal entity in any capacity at the request of the Corporation; and, if authorized by general or specific action of the Board of Directors, may contract in advance to do so. The determination that indemnification under this Section is permissible, the authorization of such indemnification, and the advance or reimbursement, if any, and the evaluation as to the reasonableness of expenses in a specific case, shall be made as authorized from time to time by general or specific action of the Board of Directors, which action may be taken before or after a claim for indemnification is made, or as otherwise provided by the Act. No person's rights under Sections 5.01 or 5.02 of this Article shall be limited by the provisions of this Section 5.03.

Section 5.04. Indemnification Plan. The Board of Directors may from time to time adopt an Indemnification Plan implementing the rights granted in Section 5.01. This Indemnification Plan shall set forth in detail any other mechanics for exercise of the indemnification rights granted in this Article V, and shall be binding upon all parties except to the extent it is proven to be inconsistent with these Bylaws or the Act. The absence of the adoption of such plan, however, shall not vitiate the effectiveness of the rights conferred by this Article V.

Section 5.05. Insurance. The Board of Directors may cause the Corporation to purchase and maintain insurance on behalf of any person who is or was a Director or Officer of the Corporation, or is or was serving at the request of the Corporation as a Director or Officer of another corporation, or as its representative in a partnership, joint venture, trust, or other enterprise, or any other person indemnified or described as the subject of potential indemnification in this Article V, against any liability asserted against such person and incurred in any such capacity or arising out of such status, whether or not the Corporation would have the power to indemnify such person.

Section 5.06. Miscellaneous. Every reference in this Article V to persons who are or may be entitled to indemnification shall include all persons who formerly occupied any of the positions referred to and their respective heirs, executors, and administrators. Special legal counsel selected to make determinations under this Article V may be counsel for the Corporation. Indemnification pursuant to this Article V shall not be exclusive of any other right of indemnification to which any person may be entitled, including indemnification pursuant to valid contract, indemnification by legal entities other than the Corporation and indemnification under policies of insurance purchased and maintained by the Corporation or others. However, no person shall be entitled to indemnification by

the Corporation to the extent prohibited by the Act or to the extent such person is indemnified by another, including an insurer; provided, however, that the Corporation may make advances and reimbursements, subject to appropriate repayment obligations, under Section 5.02 if the effectiveness of such other indemnification will be delayed. The provisions of this Article shall not be deemed to prohibit the Corporation from entering into contracts otherwise permitted by law with any individuals or legal entities, including those named above, for the purpose of conducting the business of the Corporation. Indemnification of any person under this Article V shall be implemented only in accordance with procedures and requirements mandated by the Act and by plans, if any, adopted pursuant to Section 5.04.
Should the Act be amended subsequent to the date of these Bylaws so as to place limitations or restrictions on the indemnification rights granted to any person by this Article V, such restriction or limitation shall not apply to any indemnification provided by the Corporation for acts or events that occurred prior to the effective date of such revised statutory provision or provisions. If any provision of this Article V or its application to any person or circumstance is held invalid by a court of competent jurisdiction, the invalidity shall not affect other provisions or applications of this Article V, and to this end the provisions of this Article V are severable.

ARTICLE VI
TRANSACTIONS

Section 6.01. Contracts. The Board of Directors may authorize any Officer or Officers, or agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 6.02. Loans. The Board of Directors may authorize any Officer or Officers, or agent or agents, to contract any indebtedness and grant evidence of indebtedness and collateral therefor in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 6.03. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select.

ARTICLE VII
STOCK

Section 7.01. Certificates for Shares. Shares may be represented by certificates, but need not be so represented. Unless the Act expressly provides otherwise, the rights and obligations of shareholders are identical whether or not their shares are represented by certificates. Certificates representing shares of capital stock of the Corporation shall state upon the face thereof the name of the person to whom issued, the number of shares, the fact that the Corporation is organized under the laws of the State of South Carolina, and such other matters as the Board of Directors may approve or as may be required by the Act. Each certificate shall be signed by (a) any one of the Chairman of the Board, the Chief Executive Officer, the President, or a Vice President, and (b) by any one of the Secretary or an Assistant Secretary. Where a certificate is countersigned by (i) a Transfer Agent other than the Corporation or its employee, or (ii) a registrar other than the Corporation or its employee, any other signature on the certificate may be a facsimile. In case any Officer whose facsimile signature has been placed upon a certificate shall have ceased to be such Officer before such certificate is issued it may be issued by the Corporation with the same effect as if he or she were such Officer at the date of issue. All certificates for shares shall be consecutively numbered. Certificates for shares of different classes, and different series within a class, to the extent authorized, if any, shall bear appropriate designations to identify the class or series as required by the Act.

Section 7.02. Shares without Certificates. The Board of Directors of the Corporation may authorize the issue of some or all of the shares of any or all of its classes or series without certificates in accord with the provisions of Chapter 8 of Title 36 of the South Carolina Uniform Commercial Code. Within a reasonable time after the issue or transfer of shares without certificates, the Corporation’s Transfer Agent shall send the shareholder a written statement containing the following information: (a) the name of the Corporation and a statement that it is organized under the laws of South Carolina; (b) the name of the person to whom the shares are issued; (c) the number and class of shares and the designation of the series, if any, of the shares; (d) if at such time the Corporation is authorized to issue different classes of shares or different series within a class, a summary of the designations, relative rights, preferences and limitations applicable to each class and the variations in rights, preferences and limitations determined for each series (and the authority of the Board of Directors to determine variations for future series) or, in lieu thereof, a statement that the Corporation will furnish the shareholder this information in writing, on request, and without charge; and (e) if applicable, a conspicuous notation that the shares are subject to a restriction on their transfer.

Section 7.03. Stock Transfer Books. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issuance, shall be entered on the stock transfer books of the Corporation. Such stock transfer books shall be maintained by the Secretary or Transfer Agent as a record of the Corporation's shareholders, in a form that permits preparation of a list of the names and addresses of all shareholders, in alphabetical order by class of shares showing the number and class of shares held by each shareholder.

Section 7.04. Transfer of Shares. Subject to the provisions of the Act and to any transfer restrictions binding on the Corporation, transfer of shares of the Corporation shall be made only on the stock transfer books of the Corporation by the holder of record thereof or by such holder's agent, attorney-in-fact or other legal representative, who shall furnish proper evidence of authority to transfer, upon surrender for cancellation of the certificate for such shares. Unless the Board of Directors in its discretion has by resolution established procedures, if any, by which a beneficial owner of shares held by a nominee may be recognized by the Corporation as the owner thereof, the person in whose name shares stand on the stock transfer books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes. The Corporation's stock transfer books maintained by the Secretary or the Transfer Agent shall be conclusive in all such regards absent a determination by the Board of Directors of manifest error. All certificate surrendered to the Corporation for transfer shall be canceled.

Section 7.05. New or Replacement Certificates. No new stock certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except that in case of a lost, destroyed, or mutilated certificate a substitute certificate may be issued therefor upon: (a) the making of an affidavit by the holder of record of the shares represented by such certificate setting forth the facts concerning the loss, theft, or mutilation thereof; (b) delivery of such bond and/or indemnity to the Corporation as the Secretary or Board of Directors may prescribe or as may be required by law; and (c) satisfaction of such other reasonable requirements as the Secretary or Board of Directors may prescribe. To the extent permitted by applicable law (including Section 36-8-405 of the South Carolina Uniform Commercial Code), a new certificate may be issued without requiring any bond when, in the judgment of the Board of Directors, it is not imprudent to do so; and without limiting the generality of the foregoing, the Secretary or the Board of Directors may in their discretion waive (except as prohibited by law) any bond requirement otherwise applicable where the aggregate fair market value of the shares represented by such lost, stolen, or mutilated certificate is less than five hundred dollars based upon indicia deemed reasonable by the waiving party.

Section 7.06. Beneficial Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its stock transfer books as the owner of shares to receive dividends or other distributions, and to vote as such owner, a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not the Corporation shall have express or other notice thereof, except as otherwise provided by the Act or by procedures, if any, established by resolution of the Board of Directors in its discretion by which a beneficial owner of shares held by a nominee may be recognized as the owner thereof. Such procedures, if any, shall also set forth the extent of such recognition.

Section 7.07. Transfer Agent. The Board of Directors may, in its discretion, appoint an independent institutional Transfer Agent to serve as transfer agent and registrar for the Corporation's stock at the pleasure of the Board. Such Transfer Agent shall assist the Corporation's Secretary and voting inspectors in performance of their duties respecting shares of the Corporation's stock. Such Transfer Agent shall maintain the Corporation's stock transfer books and stock certificates in accordance with the Act, these Bylaws, instructions of the Board of Directors, and customary procedures consistently applied. Such Transfer Agent shall perform such other duties and shall be entitled to exercise such other powers, as may be assigned to the Transfer Agent from time to time by the Secretary or the Board of Directors.

Section 7.08. Transfer Restrictions. The Secretary shall have full power and authority to place or cause to be placed on any and all stock certificates restrictive legends to the extent reasonably believed necessary or appropriate to ensure the Corporation's compliance with federal or any state's securities laws, and to issue to any Transfer Agent stop transfer orders to effect compliance with such legends.

ARTICLE VIII
EMERGENCY BYLAWS

Section 8.01. Emergency Bylaws. Unless the Articles of Incorporation provide otherwise, the following provisions of this Article VIII shall be effective during an emergency, which is defined as when a quorum of the Corporation's Directors cannot be readily assembled because of some catastrophic event.
During such emergency:

(a) Notice of Board Meetings. Any one member of the Board of Directors or any one of the following officers: Chief Executive Officer, President, any Vice-President, Secretary, Chief Financial Officer or Treasurer, may call a meeting of the Board of Directors. Notice of such meeting need be given only to those Directors whom it is practicable to reach, and may be given in any practical manner, including by publication and radio. Such notice shall be given at least six hours prior to commencement of the meeting.

(b) Temporary Directors and Quorum. One or more officers of the Corporation present at the emergency board meeting, as is necessary to achieve a quorum, shall be considered to be Directors for the meeting, and shall so serve in order of rank, and within the same rank, in order of seniority. In the event that less than a quorum (as determined by Section 3.10) of the Directors are present (including any officers who are to serve as Directors for the meeting), those Directors present (including the officers serving as Directors) shall constitute a quorum.

(c) Actions Permitted to be Taken The Board of Directors may, as constituted in paragraph (b), and after notice as set forth in paragraph (a):

(1) Officers Powers. Prescribe emergency powers to any officer of the Corporation;
(2) Delegation of any Power. Delegate to any officer or Director, any of the powers of the Board of Directors;
(3) Lines of Succession. Designate lines of succession of officers and agents, in the event that any of them is unable to discharge their duties;
(4) Relocate Principal Place of Business. Relocate the principal place of business, or designate successive or simultaneous principal places of business; and
(5) All Other Action. Take any other action, convenient, helpful, or necessary, to carry on the business of the Corporation.

ARTICLE IX
MISCELLANEOUS

Section 9.01. Fiscal Year. The fiscal year of the Corporation shall be established, and may be altered, by resolution of the Board of Directors from time to time as the Board deems advisable.

Section 9.02. Dividends. The Board of Directors may from time to time at any regular or special meeting (or by any other manner of action permitted by these Bylaws and the Act) declare, and the Corporation may pay, dividends or other distributions on its outstanding shares of stock in the manner and upon the terms and conditions as the Board of Directors deems advisable and as may be permitted by the Articles of Incorporation, the Act, and any other lawful restrictions imposed upon the Corporation. Such dividends or other distributions, when declared and permitted, may be paid in cash, stock, property, or any other permitted means lawfully declared by the Board of Directors.

Section 9.03. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by the Officer or Officers, or agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 9.04. Seal. The seal of the Corporation shall be circular in form and shall have inscribed thereon the name of the Corporation, the year of its organization, and the words "Corporate Seal, State of South Carolina."

Section 9.05. Amendments. Any or all of these Bylaws may be altered, amended, or repealed and new Bylaws may be adopted by the Board of Directors, subject to the following: (a) the right of the shareholders to alter, adopt, amend, or repeal Bylaws as provided in the Act; and (b) action of the shareholders in adopting, amending, or repealing a particular Bylaw wherein the Board of Directors is expressly prohibited by such shareholder action from amending or repealing the particular Bylaw acted upon by the shareholders. The shareholders may amend or repeal any or all of these Bylaws even though these Bylaws may also be amended or repealed by the Board of Directors. Any notice of a meeting of shareholders at which Bylaws are to be adopted, amended, or repealed by the shareholders shall state that the purpose, or one of the purposes, of the meeting is to consider the adoption, amendment, or repeal of Bylaws and contain or be accompanied by a copy or summary of the proposal.

Section 9.06. Usage. In construing these Bylaws, feminine or neuter pronouns shall be substituted for masculine forms and vice versa, and plural terms shall be substituted for singular forms and vice versa, in any place in which the context so requires. The section and paragraph headings contained in these Bylaws are for reference purposes only and shall not affect in any way the meaning or interpretation of these Bylaws. Terms such as “hereof”, “hereunder”, “hereto”, and words of similar import shall refer to these Bylaws in the entirety and all references to “Articles”, “Paragraphs”, “Sections”, and similar cross references shall refer to specified portions of these Bylaws, unless the context clearly requires otherwise. Terms used herein which are not otherwise defined shall have the meanings ascribed to them in the Act. All references to statutory provisions shall be deemed to include corresponding sections of succeeding laws.

Exhibit 10.1

Execution Version

SUSPENSION OF RIGHTS AGREEMENT

To: JPMorgan Chase Bank, N.A., as Administrative Agent

From: ScanSource, Inc.

Date: April 10, 2024

Ladies & Gentlemen

The Third Amended and Restated Credit Agreement dated as of September 28, 2022 among, ScanSource, Inc., as the Borrower, the Subsidiary Borrowers from time to time party thereto, JPMorgan Chase Bank, N.A. as Administrative Agent, Swingline Lender and Issuing Bank AND THE Lenders thereto (the "Credit Agreement").

1. We are writing to you in your capacity as Administrative Agent under the Credit Agreement. Unless otherwise defined in this letter, terms defined in the Credit Agreement have the same meaning when used in this letter. The term "CAD CDOR Loans" in this letter shall mean loans that are borrowed in Canadian Dollars that use CDOR as an interest rate and the term "CAD Loans" in this letter shall mean loans that are borrowed in Canadian Dollars.

1. Each Borrower acknowledges that Refinitiv Benchmark Services (UK) Limited, as administrator of the CDOR rate, has announced that it will cease publication of all tenors of CDOR after the publication on June 28, 2024 (the "**2024 CDOR Cessation**").

1. For good and valuable consideration, including delaying the incurrence of costs required to update the terms of the Credit Agreement in connection with the 2024 CDOR Cessation, and in lieu of amending or waiving any term of the Credit Agreement, each of the Borrowers agrees with effect from April 10, 2024 to suspend its following rights under the Credit Agreement:

a. Each of the Borrowers agrees that, notwithstanding anything to the contrary in the Credit Documents, from and after July 1, 2024, CAD CDOR Loans shall not be available under the Credit Agreement and no Lender shall be obligated to participate in any Borrowing under the Credit Agreement of CAD CDOR Loans (clause (a), the "Suspension of Rights"); and

a. Each of the Borrowers agrees that, if a notice or instruction is given under the Credit Agreement on or after June 28, 2024 that selects CDOR as the interest rate for a CAD Loan, such notice or instruction shall be deemed to be ineffective.

1. The Suspension of Rights shall cease to have effect (and all rights of the Borrowers under the Credit Agreement in respect of the terms set out in paragraph 3 above in effect immediately prior to the Suspension of Rights shall be in full force and effect) following notice from each of the Borrowers to the Administrative Agent, provided that, such notice shall only be effective if, prior to the date of such notice, amendments to the Credit Agreement to take account of the 2024 CDOR Cessation and to replace CDOR with a CORRA-based interest rate with respect to CAD Loans have become effective pursuant to and in accordance with the terms of the Credit Agreement.

1. Each of the Borrowers agrees to indemnify and hold harmless the Administrative Agent and each other Indemnified Party for any damage, loss, cost, liability, claim or reasonable expense whatsoever incurred (A) in connection with a breach or reasonably in anticipation of a potential breach, of any Borrower's agreements in paragraph 3(a) or (B) giving effect to the instruction of any Borrower in paragraph 3(b) above, unless directly caused by such Indemnified Party's gross negligence or willful misconduct, as determined by the final, non-appealable judgment of a court with competent jurisdiction.

1. This letter is hereby designated as a Credit Document and we acknowledge that this letter will be posted to the Approved Electronic Platform established for Lenders for the Credit Agreement. We acknowledge and agree that each Lender under the Credit Agreement may rely on and shall be a third party beneficiary of this letter.

1. Please sign and return to us the enclosed copy of this notice by way of your acknowledgement to the contents set out in this letter.

1. This letter may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

1. This letter has been duly executed and delivered by each of the Borrowers and constitutes a legal, valid and binding obligation of each of the Borrowers, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

1. The provisions of Section 9.06, Section 9.09 and Section 9.10 of the Credit Agreement shall apply, mutatis mutandis, to this letter.

Very truly yours,
SCANSOURCE, INC., as the Borrower

By: /s/ MARY M. GENTRY
Name: Mary M. Gentry
Title: SVP, Treasurer and Investor Relations

Agreed and accepted by:
JPMORGAN CHASE BANK, N.A., as Administrative Agent

By: /s/ ZACHARY QUAN
Name: Zachary Quan
Title: Vice President

Exhibit 31.1

Certification Pursuant to Rule 13a-14(a) or 15d-14(a)
of the Exchange Act, as adopted Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, Michael L. Baur, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ScanSource, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MICHAEL L. BAUR

Michael L. Baur
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: May 7, 2024

Exhibit 31.2

Certification Pursuant to Rule 13a-14(a) or 15d-14(a)
of the Exchange Act, as adopted Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, Steve Jones, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ScanSource, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ STEVE JONES

Steve Jones

Senior Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

Date: May 7, 2024

Exhibit 32.1

Certification of the Chief Executive Officer of ScanSource, Inc.
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to § 906
of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of ScanSource, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of §13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2024

/s/ MICHAEL L. BAUR

Michael L. Baur
Chairman and Chief Executive Officer
(Principal Executive Officer)

This certification is being furnished solely to comply with the provisions of § 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the accompanying Report, including for purposes of Section 18 of the Exchange Act, or as a separate disclosure document. A signed original of this written certification required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written certification required by Section 906, has been provided to the Company and will be rendered by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification of the Chief Financial Officer of ScanSource, Inc.
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to § 906
of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of ScanSource, Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of §13(a) or 15(d) of the Securities Exchange Act of 1934 (the “Exchange Act”); and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2024

/s/ STEVE JONES

Steve Jones
Senior Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

This certification is being furnished solely to comply with the provisions of § 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the accompanying Report, including for purposes of Section 18 of the Exchange Act, or as a separate disclosure document. A signed original of this written certification required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written certification required by Section 906, has been provided to the Company and will be rendered by the Company and furnished to the Securities and Exchange Commission or its staff upon request.