



CEOCFO

Interviews & News!

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Over the last 5 years, ScanSource has grown its international business to 16% of its total revenue and doubled its total worldwide revenues

ScanSource

Services

Computer Wholesale
(SCSC-NASDAQ)

ScanSource, Inc.

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Greenville, SC 29615
Phone: 864-288-2432



Richard P. Cleys
Vice President and CFO

BIO:

Richard P. Cleys, has served as Vice President and Chief Financial Officer of ScanSource, Inc. since November, 2002. Prior to joining the Company, Mr. Cleys served as Vice President and Controller of Lanier Worldwide, Inc., a multinational office product and service distributor from 1996 to 1998 and as Vice President Finance and Treasurer from 1999 to 2001. From 1993 to 1996, Mr. Cleys served as Vice President and Chief Financial Officer of AB Dick, Inc., a manufacturer of printing products. From 1977

to 1993, Mr. Cleys served in various financial management roles with Gould, Inc., an electronic product manufacturer including Vice President and Group Controller and Assistant Corporate Controller. Mr. Cleys has a BBA from Loyola University of Chicago and is a Certified Public Accountant. He is a member of Financial Executives International (FEI) and the American Institute of Certified Public Accountants (AICPA).

Mr. Cleys is married with five children and resides in Greenville, South Carolina. Mr. and Mrs. Cleys continue to serve in various volunteer capacities, primarily related to educational institutions.

Company Profile:

ScanSource, Inc. is a leading international distributor of specialty technology products. The Company markets specialty technologies through five sales units: ScanSource (automatic identification and data capture (AIDC) and point-of-sale (POS) products); Catalyst Telecom (Avaya communications products); Paracon (communications products); T2 Supply (video conferencing and telephone products); and ScanSource Security Distribution (electronic security products).

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Cleys, how has the company changed since you have been at ScanSource?

Mr. Cleys: "The company has grown significantly since I started. In November of 2002, we were just entering international markets. Today our international business is 16% of our total business and

that is while we have been having significant growth in all geographies. In addition to that, our business is over twice the size in revenues from when I started and we are up to 1,000 employees right now, so that is significantly higher than when I started."

CEOCFO: Is international still an area of growth for you and are there new geographic areas of interest?

Mr. Cleys: "International is definitely still an area of growth for us. Today internationally, we are in Europe and Latin America. The company carries three product lines, AIDC (automatic identification and data capture) and POS, which is barcode and point of sale, communications and electronic security. Internationally we only have AIDC and point of sale in Europe and Latin America. There is opportunity to take other technologies to Europe and Latin America and then we also look at other geographies where we are not today. When the time is right we will enter those."

CEOCFO: What are you actually providing and to whom are you providing it?

Mr. Cleys: "We provide hardware and software product for 150 different manufacturers to value-added resellers in the United States, Latin America and Europe. Those value-added resellers deal directly with the end-user customers and they do the installations."

CEOCFO: Why are your customers choosing ScanSource?

Mr. Cleys: "To be a distributor you need to be able to provide good logistics, sales and some technical support. Those are the things every distributor should be able to do and we do them well. We also do value-added services, which we primarily

put under our partner services division and those value-added services are above and beyond typical distribution services. These value-add services have associated people and programs that are part of our SG&A cost. We vet those services constantly with our customers and our vendors to make sure they are deemed to be valuable.”

CEOCFO: What areas are growing the most for you?

Mr. Cleys: “We started the business in 1992 with domestic point of sale and bar code; that business is still growing for us today. We entered into the communications business, which at the time was voice only in 1997, now communication is more than voice; it is video and data also. In late 2004, we entered into the security market. Those businesses domestically are growing, but also our international business is growing significantly. For example, in the March quarter on an exchange rate adjusted basis, our international business grew 32% quarter over quarter and the company overall grew 21%. In addition to international business’s growth, our security business, which we entered into in 2004, is showing good results. The businesses we have been in for a longer period are still showing good strong growth. We have grown faster than the overall market in each of the three technology product areas of AIDC/POS, communications and security.”

CEOCFO: Are the same end distributors using a variety of your products?

Mr. Cleys: “The AIDC and POS bars generally are different than the communication Value-Added Resellers (“VARs”). We are finding some overlap with our security business and our communications business customers, however, the majority of those customers are different for us. Essentially there are different customers in each of those three business lines.”

CEOCFO: The diversification is helpful!

Mr. Cleys: “Yes it is. The company recognized the need to diversify back in 1997 by moving into the communications business and then moving into the international business in 2002. By diversifying in products and geography, it gives you the ability to handle some downturns in smaller segments of the business.”

CEOCFO: Are you involved at all with the development of new products or R&D?

Mr. Cleys: “We sell products for about 150 different manufacturers and do not manufacture anything, so the R&D is really the manufacturers R&D. Having

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said that, we do keep up with changes in technology, but more from understanding the technology, understanding where the technology is going, which we then take to the VARs. For instance over the last couple of years, RFID has been the buzz in AIDC/POS. We took it on our own to do some training of the VARs in our RFID and vertical applications. We actually set up an R&D lab that allows us to do training for our VARs so that they will be ready when the RFID applications came to the VAR level. We have also as we have expanded in our communications business, stayed on top of the technology for voice over IP and data over IP and

now video. We do not invest in R&D from a product standpoint, but more in marketing perspective.”

CEOCFO: Would you explain your slogan, ‘ScanSource, what is supposed to happen, happens’?

Mr. Cleys: “What that slogan represents is one of the things we pride ourselves in and that is that we have excellent execution. Our VARs and manufacturers can depend on our execution. So since we have excellent execution we say – What is supposed to happen, happens!”

CEOCFO: What is the financial picture for ScanSource?

Mr. Cleys: We will be releasing our financial results for our 2007 fiscal year on August 23rd, so I cannot comment on those results. However, the Company has increased sales and net earnings for each year reported since 1994, the year we went public. As reported in Fortune magazine, we are Number 1 in EPS growth and Number 1 in total investor return from 1996 to 2006 for the Distributor Sector. We are very proud of that achievement.

CEOCFO: What should we expect two or three years down the line for Scansource?

Mr. Cleys: “I would expect the company would be larger. We may have taken some of our existing technologies such as communications and securities and moved them into geographies that we are already in

such as Europe and Latin America and if the conditions are right we may be in additional geographies in two or three years.”

CEOCFO: Are acquisitions a factor for you?

Mr. Cleys: “We do acquisitions, but we have not done any acquisitions that have augmented our revenues by more than 10%. In the past for instance after entering the international markets, we acquired a small two-tiered distributor in our business to help us get our footprint started As we have moved to more video,

we did an acquisition of July of last year of a company called T2 Supply (video conferencing and telephone products), which helped augment our communication business. Again, those acquisitions have never been 10% or more of our revenue dollars.”

CEOCFO: Why should investors be interested and what might they miss when they first look at the company?

Mr. Cleys: “I think many times investors will look at ScanSource and assume we are much like an IT distributor and there are some very large IT distributors out there. Our business model is really different than the IT distribution model. Our value-added services really do have breath behind them; there are people and programs behind those value-added services. Sometimes people would miss that.”

CEOCFO: What should readers take away from this interview?

Mr. Cleys: “ScanSource has grown from a start-up company in 1992 to an international Fortune 1000 company today. The future for ScanSource continues to be very bright.”

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