

# Avnet Presentation

## BAML Global Technology Conference

June 7, 2018



# Safe Harbor Statement

This document contains certain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are based on management’s current expectations and are subject to uncertainty and changes in facts and circumstances. The forward-looking statements herein include statements addressing future financial and operating results of Avnet and may include words such as “will,” “anticipate,” “intend,” “estimate,” “forecast,” “expect,” “feel,” “believe,” “should,” and other words and terms of similar meaning in connection with any discussions of future operating or financial performance, business prospects or market conditions. Actual results may differ materially from the expectations contained in the forward-looking statements.

The following factors, among others, could cause actual results to differ materially from those described in the forward-looking statements: Avnet’s ability to retain and grow market share and to generate additional cash flow, risks associated with any acquisition activities and the successful integration of acquired companies, implementing and maintaining ERP systems and transitioning to a global ERP system, supplier losses and changes to supplier programs, an industry down-cycle in semiconductors, declines in sales, changes in business conditions and the economy in general, changes in market demand and pricing pressures, any material changes in the allocation of product or product rebates by suppliers, and other competitive and/or regulatory factors affecting the businesses of Avnet generally.

More detailed information about these and other factors is set forth in Avnet’s filings with the Securities and Exchange Commission, including the Company’s reports on Form 10-K, Form 10-Q and Form 8-K. Except as required by law, Avnet is under no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

## Regulation G

This document contains certain Non-GAAP measures which are provided to assist in an understanding of the Company’s business and performance. These measures should always be considered in conjunction with the appropriate GAAP measure. Non-GAAP definitions and reconciliations are included in the Appendix.

# This is the new Avnet.

We design, make, supply & deliver technology solutions

We work with customers of every size, in every corner of the world

**15,000+**

Employees  
worldwide

**2,500+**

Engineers around  
the world

**800K+**

Engineering  
community members

**2.1M**

Customers in  
140+ countries

**1,400+**

Technology  
suppliers WW

**117B**

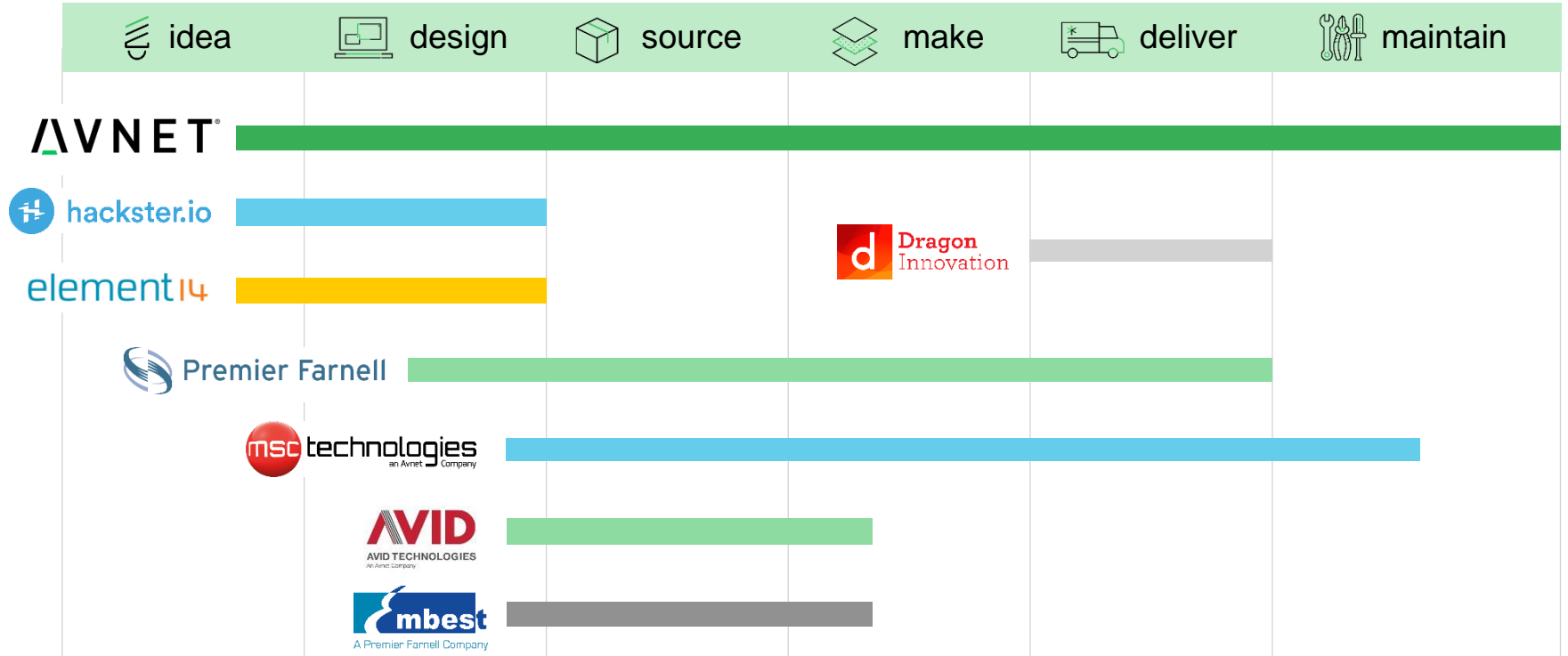
Units shipped  
annually



**125**

Locations across the world

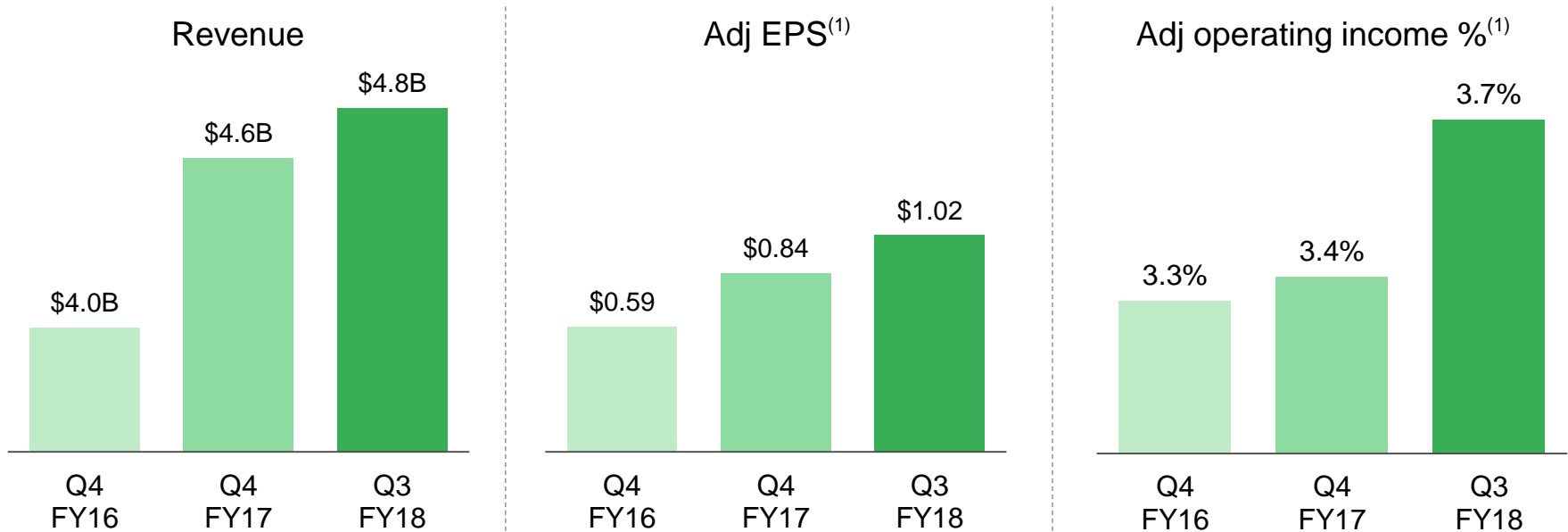
# Product lifecycle



*Avnet is the only distributor with full end-to-end service capability in-house.*

# Transformation driving top and bottom line

Transformation driving revenue up 21% and adjusted EPS up 73%



# Capital Allocation

## Invest in organic growth

- Digital
- IoT
- Ecosystem
- Organic and internal capabilities

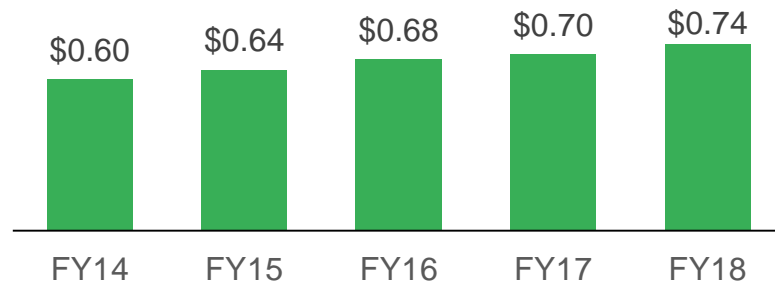
## Invest in strategic M&A

- Premier Farnell
- Hackster.io
- Dragon Innovation

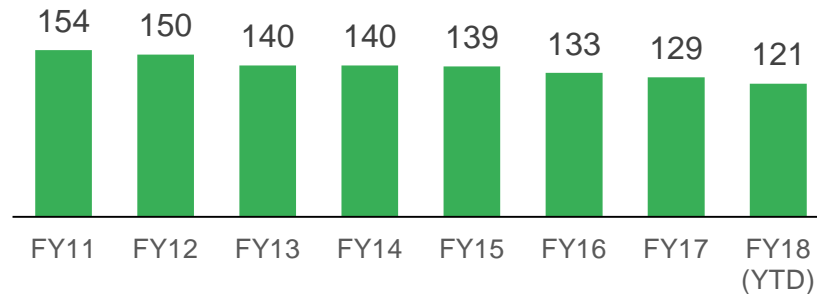
## Grow quarterly dividend

## Repurchase shares

Quarterly Annualized Dividend



Diluted Shares (M) Reduced > 20%



# Premier Farnell acquisition update

## Post-acquisition



9 mos. revenue growth 10.4%, >10% Op Income margin



Employees highly engaged



SKUs increased by 60,000



Added 22 new supplier franchises



New 360,000 sq. ft. warehouse under development



Awarded single-source Micro:bit education board



Core tenant of our ecosystem strategy  
Lead / stock sharing

## Acquisition Details

**Completed October 17, 2016**

Premier Farnell revenue      \$1.2B

Total purchase price      \$1.1B

*Premier Farnell acquisition is on a path that will exceed financial expectations*

# Creating Shareholder Value

**Focus on higher growth and margin markets**

**Target 4.5% – 5.0% adjusted operating income**

- Americas acceleration
- Accelerating Premier Farnell revenues and margins
- Cost rightsizing
- Continued growth in demand creation, IoT and digital revenues

**Increasing cash flows, leaner working capital model**

**Focused capital allocation strategy**

**Q3 beat**

**And more to come...**







# Appendix

# Non-GAAP Information

In addition to disclosing financial results that are determined in accordance with generally accepted accounting principles in the United States (“GAAP”), the Company also discloses certain non-GAAP financial information including (i) adjusted operating income, (ii) adjusted diluted earnings per share, and (iii) sales adjusted for the impact of acquisitions and other (“organic sales”).

There are also references to the impact of foreign currency in the discussion of the Company’s results of operations. When the U.S. Dollar strengthens and the stronger exchange rates of the current year are used to translate the results of operations of Avnet’s subsidiaries denominated in foreign currencies, the resulting impact is a decrease in U.S. Dollars of reported results. Conversely, when the U.S. Dollar weakens and the weaker exchange rates of the current year are used to translate the results of operations of Avnet’s subsidiaries denominated in foreign currencies, the resulting impact is an increase in U.S. Dollars of reported results. In the discussion of the Company’s results of operations, results excluding this impact are referred to as “excluding the impact of changes in foreign currency exchange rates” or “constant currency.” Management believes organic sales and sales in constant currency are useful measures for evaluating current period performance as compared with prior periods and for understanding underlying trends. In order to determine the translation impact of changes in foreign currency exchange rates on sales, income or expense items for subsidiaries reporting in currencies other than the U.S. Dollar, the Company adjusts the average exchange rates used in current periods to be consistent with the average exchange rates in effect during the comparative period.

Management believes that operating income adjusted for restructuring, integration and other expenses, goodwill impairment expense and amortization of acquired intangible assets and other, is a useful measure to help investors better assess and understand the Company’s operating performance. This is especially the case when comparing results with previous periods or forecasting performance for future periods, primarily because management views the excluded items to be outside of Avnet’s normal operating results or non-cash in nature. Management analyzes operating income without the impact of these items as an indicator of ongoing margin performance and underlying trends in the business. Management also uses these non-GAAP measures to establish operational goals and, in many cases, for measuring performance for compensation purposes.

Additional non-GAAP metrics management uses is adjusted operating income margin, which is defined as adjusted operating income (as defined above) divided by sales.

Management also believes diluted earnings per share from continuing operations adjusted for the impact of the items described above and certain items impacting income tax expense are useful to investors because they provide a measure of the Company’s net profitability on a more comparable basis to historical periods and provide a more meaningful basis for forecasting future performance. Additionally, because of management’s focus on generating shareholder value, of which net profitability is a primary driver, management believes income from continuing operations and diluted earnings per share from continuing operations excluding the impact of these items provides an important measure of the Company’s net profitability for the investing public.

Any analysis of results and outlook on a non-GAAP basis should be used as a complement to, and in conjunction with, results presented in accordance with GAAP.

# Non-GAAP Information

## Organic Sales

Organic sales is defined as sales adjusted for the impact of significant acquisitions, divestitures and other items by adjusting Avnet's prior and current (if necessary) periods to include the sales of acquired businesses and exclude the sales of divested businesses as if the acquisitions and divestitures had occurred at the beginning of the earliest period presented. Organic sales is measured on a sales from continuing operations basis. Organic sales in constant currency is defined as organic sales (as defined above) excluding the impact of changes in foreign currency exchange rates.

The following table presents the reconciliation of reported sales to organic sales for the third quarter and first nine months of fiscal 2017.

	Third Quarter Ended		Nine Months Ended		
	As Reported and Organic Fiscal 2017		Sales as Reported Fiscal 2017	Sales from Acquisitions <sup>(1)</sup>	Organic Sales Fiscal 2017
<i>(Dollars in millions)</i>					
Avnet	\$ 4,441.9	\$	12,833.6	\$ 378.4	\$ 13,211.9
Avnet by region					
Americas	\$ 1,328.6	\$	3,831.7	\$ 154.5	\$ 3,986.1
EMEA	1,615.9		4,261.9	178.9	4,440.8
Asia	1,497.4		4,740.0	45.0	4,785.0
Avnet by segment					
EC	\$ 4,090.9	\$	12,213.4	\$ —	\$ 12,213.4
PF	351.0		620.2	378.4	998.5

Sales from suppliers lost as a result of supplier channel changes were \$52.2 million, \$86.0 million and \$74.0 million in the third quarter of fiscal 2017 for the Americas, EMEA and Asia regions, respectively compared to sales of \$4.0 million, \$0.5 million and \$2.9 million in the third quarter of fiscal 2018 for the Americas, EMEA and Asia regions, respectively.

# Non-GAAP Information

	Quarter Ended March 31, 2018	Quarter Ended July 1, 2017	Quarter Ended July 2, 2016
	(\$ in thousands, except per share amounts)		
Sales	\$ 4,795,093	\$ 4,606,404	\$ 3,968,969
GAAP operating income (loss) - continuing operations	\$ (54,401)	\$ 93,373	\$ 120,180
Restructuring, integration and other expenses - continuing operations	25,120	42,033	9,306
Goodwill impairment expense - continuing operations	181,440		
Amortization of intangible assets and other - continuing operations	<u>22,725</u>	<u>19,822</u>	<u>2,222</u>
Adjusted operating income (loss) - continuing operations	174,884	155,228	131,708
Adjusted operating income (loss) to sales ratio ("OI/Sales") - continuing operations	3.7%	3.4%	3.3%
GAAP diluted earnings (loss) per share - continuing operations	\$ (2.64)	\$ 0.59	\$ 0.56
Restructuring, integration and other expenses (net of tax) - continuing operations	0.16	0.21	0.05
Goodwill impairment expense (net of tax) - continuing operations	1.52		
Amortization of intangible assets and other (net of tax) - continuing operations	0.15	0.11	0.01
Unrealized loss on marketable securities and other (net of tax) - continuing operations	-	0.06	-
Discrete income tax expense (benefit) items, net - continuing operations	<u>1.83</u>	<u>(0.13)</u>	<u>(0.03)</u>
Adjusted diluted EPS - continuing operations	1.02	0.84	0.59
Weighted diluted shares outstanding	119,601	125,062	129,799