

# Avnet Fiscal First Quarter 2019 Financial Results

Bill Amelio  
Chief Executive Officer



# 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, 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.

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 references are included in the Appendix of this presentation.

# Executive Overview

Bill Amelio  
Chief Executive Officer



# Q1 2019 overall highlights



- Revenue up over 9% YoY to \$5.09B
- Adjusted diluted EPS<sup>(1)</sup> of \$1.03, up 36% YoY
- Unique ecosystem drives differentiation
- Strength across end markets drove growth
  - Industrial, transportation, defense & aerospace
  - Healthcare, IoT
  - Robust interconnect, passive and electromechanical (IP&E)

# 1 Accelerating electronic components business

- Americas revenue up 7% YoY
  - Operating income continues to improve
- Asia revenue up 18%
  - Fastest growing region
- Supplier line card continues to expand
  - Added 5 new franchises this quarter





## 2 Scaling higher profit businesses

### Premier Farnell

7% Q1 revenue growth YoY

25% Q1 operating income growth YoY

+5 New suppliers added

### IoT

15% Sequential growth in IoT customer base

30% Sequential growth in IoT revenue pipeline



*Music: Not Impossible wearable device*

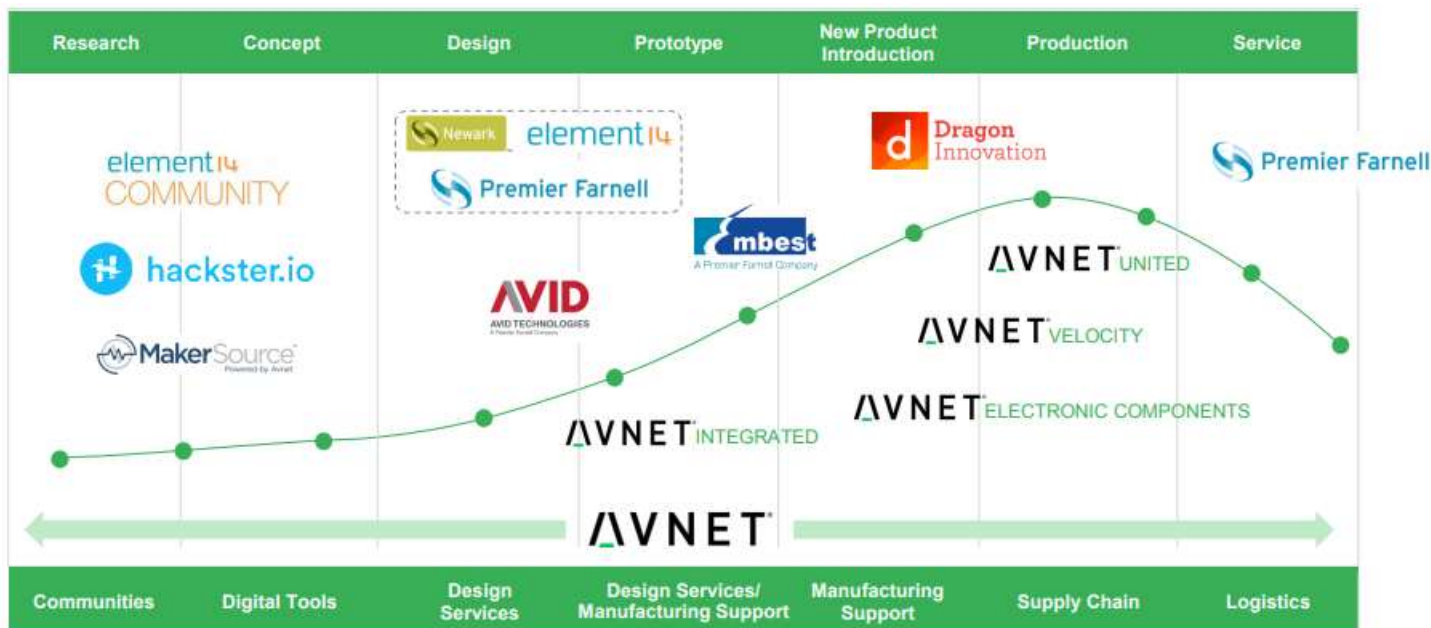
### 3 Digital capabilities driving growth and efficiency

>**1.2M** Members in Hackster / element14 online communities

**High community engagement**, with active sessions growing faster than membership

**On track** to hit goal of \$1B in online revenue in FY19

## 4 Leveraging ecosystem to expand opportunities



- Ecosystem bringing new customers and new revenue streams
- Microsoft selected Avnet as partner to scale 4x4 Azure Sphere chip



## 5 Driving performance and operational excellence

*Through continuous improvement*

\$26.4M YoY reduction in SG&A expenses

66 bps Increase in adjusted operating margins<sup>(1)</sup> from a year ago

4 days Lowered net working capital days in Q1 YoY

# Financial Overview

Tom Liguori  
Chief Financial Officer



# Q1 2019 Financial highlights

- \$5.09B** Q1 revenues, an increase of 10% YoY in constant currency
- +36%** Increase in adjusted diluted EPS<sup>(1)</sup> YoY to \$1.03
- \$26.4M** YoY decline in SG&A expenses
- 1 day** Sequential decrease in net working capital days to 83 days
- \$180M** Cash returned to shareholders

# New accounting standards and methods

## Revenue recognition

- No material impact on future revenue recognition
- No material impact on comparability to prior periods

## Pension expense

- Pension expense standard had no impact on net income or EPS
- This quarter: operating expense ↑ \$4M, other expense ↓ \$4M

## Net working capital days

- Allow readers to perform calculation using published numbers
- Move from monthly to quarter-end averages

# Key highlights by business and region (YoY)

## Premier Farnell

- Revenues grew **7.2%**
- Operating income margin of **10.8%**, up **153 bps**

## Electronic Components

- Revenues grew **9.4%**
- Operating income margin of **3.4%**, up **20 bps**

## Americas

- Revenues grew **7.3%**
- Operating performance improvements continue

## EMEA

- Revenues grew **1.3%**, **2.7%** on constant-currency basis
- Leads all regions in operating margin percentage

## Asia

- Revenues up **18%**, **8.4%** sequentially
- Continues to be fastest growing region

# Q1 2019 Income statement highlights (YoY)

12.5% Gross margin; impacted by high mix of lower margin Asia revenue

\$26.4M Reduction in SG&A expenses

\$182.5M Adjusted operating income<sup>(1)</sup>, up \$46M and \$2.4M sequentially

3.6% Adjusted operating margins<sup>(1)</sup>, up 66 bps and 3 bps sequentially

(\$0.05) Per share foreign currency impact

20.5% Adjusted tax rate<sup>(1)</sup>



# Q1 2019 Balance sheet and cash flow performance

1 day Sequential decrease in net working capital days to 83 days

\$85M Cash used for operations

2.0x Leverage, down sequentially from 2.2x

\$180M Cash returned to shareholders through increased dividend & share repurchases

\$366M Cash balance at end of quarter

\$1.2B Net debt at end of quarter

# Financial scorecard: Q1 FY19 progress report

(\$M)	Target	Q1 '18	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Progress
<b>Growing higher margin business</b>							
% of AVT revenue from higher margin business	45%	42.3%	43.4%	42.0%	40.7%	38.5%	●
<b>Optimizing cost and operating income</b>							
Adjusted op expense as % of sales <sup>(1)</sup>		10.2%	10.2%	10.1%	9.5%	8.9%	●
Adjusted op expense as % of GP\$ <sup>(1)</sup>	65%	77.7%	76.7%	73.9%	72.7%	71.3%	●
Adjusted op income % <sup>(1)</sup>	4.5% - 5.0%	2.93%	3.10%	3.56%	3.56%	3.59%	●
Adjusted op income <sup>(1)</sup>		\$137	\$140	\$171	\$180	\$182	●
<b>Deploying capital to highest returns</b>							
Net working capital days	< 70 days	87	94	90	84	83	●
Share repurchase \$M		72.1	67.4	70.0	117.5	156.9	●
# dilutive shares		124.0	121.7	119.6	117.9	116.5	●

# Strong performance in Asia

- Asia is our **fastest-growing** geography
  - **\$2.1 billion** in revenue, up **18%** YoY and **8.4%** sequentially
- Margins are generally lower in Asia
- Investment criteria:
  - Emphasis on generating appropriate return on capital

*Continued growth in Asia gets us closer to \$7 EPS goal*  
*Asia cash flow \$150M last six months*

# Outlook for Q2 FY19

(ending on December 29, 2018)

Metric	Guidance Range	Midpoint
Sales	\$4.9B - \$5.3B	\$5.1B
Adjusted Diluted EPS <sup>(1)</sup>	\$0.98 - \$1.08	\$1.03
Estimated Tax Rate	19% - 23%	21%

**Book-to-  
bill ratio >1**

At midpoint, guidance represents YoY growth of:

- 13% revenue growth
- 32% adjusted diluted EPS<sup>(1)</sup> growth

# Q&A Session

# Appendix



# Non-GAAP Definitions

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 operating expenses, (iii) adjusted other income (expense), (iv) adjusted income tax expense, (v) adjusted income from continuing operations, and (vi) adjusted diluted earnings per share. See additional discussion, definitions and reconciliations of Non-GAAP measures included as Exhibit 99.1 to the Current Report on Form 8-K filed with the Securities Exchange Commission on October 25, 2018, which can be found on the Company’s website at [www.ir.avnet.com](http://www.ir.avnet.com).

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 “constant currency.” Management believes 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 and operating expenses adjusted for restructuring, integration and other expenses, goodwill impairment expense and amortization of acquired intangible assets and other, are useful measures 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 and operating expenses without the impact of these items as well as other income (expense) excluding certain amounts 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 are adjusted operating income margin, which is defined as adjusted operating income (as defined above) divided by sales and adjusted operating expense to gross profit ratio, which is defined as adjusted operating expenses (as defined above) divided by gross profit.

Management also believes income tax expense, income from continuing operations and 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.

# Thank you

**AVNET**<sup>®</sup>  
Reach Further<sup>™</sup>

