


Welcome to Avnet's First Quarter Fiscal Year 2014 Teleconference and Webcast

A photograph of two men in a warehouse or industrial setting. They are sitting at a table, looking at a document together. The background shows shelves filled with various electronic components and equipment. The image is slightly faded and has a soft glow effect.

October 24, 2013 2:00 p.m. Eastern Time

Safe Harbor Statement

- This presentation contains certain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are based on management’s current expectations and are subject to uncertainty and changes in factual circumstances. The forward-looking statements herein include statements addressing future financial and operating results of Avnet and may include words such as “will,” “anticipate,” “expect,” “believe,” and “should” and other words and terms of similar meaning in connection with any discussions of future operating or financial performance or business prospects. Actual results may vary 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: the Company’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, 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.

Business Highlights













Rick Hamada
Chief Executive Officer














Q1 FY14 Avnet, Inc. Highlights

- Revenue ↑ 8.1% Y/Y to \$6.3B; organic⁽¹⁾ ↑ 3.5% (C\$⁽³⁾)
 - Q/Q organic⁽¹⁾ revenue ↓ 3.8% (C\$⁽³⁾)
 - Leveraged Y/Y revenue growth into higher margins & returns
- Gross Profit% ↓ 7 BPS Y/Y; GP% ↓ 11 BPS Q/Q
- Adj. Operating Inc⁽²⁾\$ ↑ 38.1% Y/Y; OI%⁽²⁾ ↑ 68 BPS Y/Y
 - Q/Q Adj. Operating Inc⁽²⁾\$ ↓ 13.7%; OI%⁽²⁾ ↓ 37 BPS Q/Q
- Adj. EPS⁽²⁾ of \$0.90 ↑ 45.2% Y/Y; ↓ 11.8% Q/Q
- Cash used for Operations = \$126M in Q1
- Cash flow from Operations TTM = \$489M

Q1 FY14 EM Highlights

- Revenue  7.8% Y/Y to \$3.9B; organic⁽¹⁾  8.0% (C\$⁽²⁾)
 - Q/Q organic⁽¹⁾ revenue  1.2% (C\$⁽²⁾); high end of seasonal
- Gross Profit%  51 BPS Y/Y;  38 BPS Q/Q
 - Y/Y  primarily due to competitive pressure in EMEA region
 - Q/Q  due to geographic mix shift to Asia
- Operating Inc %  38 BPS Y/Y to 4.5%;  3 BPS Q/Q
 - Y/Y increase due to an improvement in the Americas region
 - EM Asia delivered record revenue & operating income
- ROWC⁽³⁾  302 BPS Y/Y
 - EM Asia ROWC (excluding Japan) > long-term goal

Q1 FY14 TS Highlights

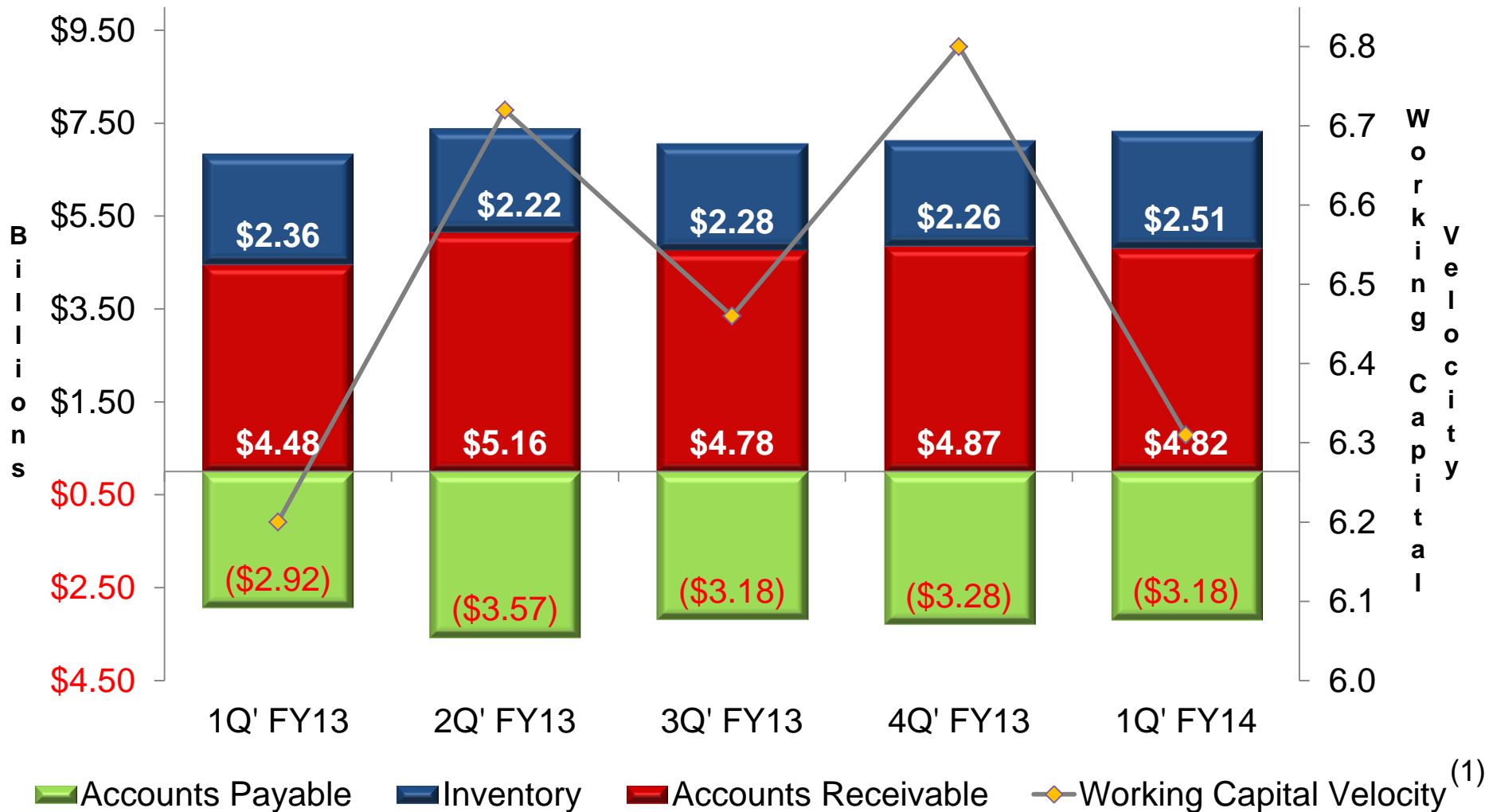
- Revenue  8.6% Y/Y to \$2.4B; organic⁽¹⁾  3.0% (C\$⁽²⁾)
 - Q/Q organic⁽¹⁾ revenue  11.1% (C\$⁽²⁾), seasonal  5% to 10%
- Gross Profit%  65 BPS Y/Y; GP%,  16 BPS Q/Q
 - Y/Y  Americas/EMEA driven by portfolio actions & services
- Operating Inc %  86 BPS Y/Y to 2.6%;  41 BPS Q/Q
 - Y/Y  driven by Americas and Asia regions
- ROWC⁽³⁾  632 BPS Y/Y
- Services/Storage/S/W  Y/Y; partially offset by  in Servers

Additional Financial Highlights

A photograph of two men in a warehouse or industrial setting. They are seated at a table, looking at a document together. The man on the left is wearing a light blue button-down shirt, and the man on the right is wearing a dark blue button-down shirt. In the background, there are blue metal shelving units filled with various boxes and equipment. The image has a soft, hazy overlay.

Kevin Moriarty
Chief Financial Officer

Working Capital



December 2013 Quarter Outlook (Q2 FY14) ⁽¹⁾

- Group Revenue
 - EM: \$3.80 to \$4.10 billion
 - TS: \$2.85 to \$3.15 billion
- Adjusting for acquisitions & currency, the midpoint of guidance for EM & TS revenue represents sequential growth of approximately **- 3%** and **+ 24%**
 - Typical seasonal for EM is 0% to **-3%** and TS is **+20%** to **+26%**
- Enterprise Revenue: \$6.65 to \$7.25 billion
- Non-GAAP EPS⁽²⁾: \$1.05 to \$1.15
 - Assumes 139.7 million average diluted shares outstanding and a tax rate of 27% - 31%



Question and Answer Session

*Please feel free to contact
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Non-GAAP Financial Information and Reconciliation

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 in this document certain non-GAAP financial information including adjusted operating income, adjusted net income and adjusted diluted earnings per share, as well as sales adjusted for the impact of acquisitions and other items (as defined in the Organic Revenue section of this document). Management believes organic revenue is a useful measure for evaluating current period performance as compared with prior periods and for understanding underlying trends. The Company occasionally refers to comparative results in both reported dollars and constant dollars. Reported dollars reflect the GAAP results while constant dollars reflect the adjustment for fluctuations in foreign currency exchange rates between the two comparative periods.

Management believes that operating income adjusted for (i) restructuring, integration and other charges, and (ii) amortization of acquired intangible assets, is a useful measure to help investors better assess and understand the Company’s operating performance, especially 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 some cases, for measuring performance for compensation purposes.

Management believes net income and EPS adjusted for (i) the impact of the items described above, (ii) certain items impacting income tax expense and (iii) the gain on legal settlement, bargain purchase and other is useful to investors because it provides a measure of the Company’s net profitability on a more comparable basis to historical periods and provides 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 net income and EPS excluding the impact of these items provides an important measure of the Company’s net results of operations for the investing public.

Other metrics management monitors in its assessment of business performance include return on working capital (ROWC), return on capital employed (ROCE) and working capital velocity (WC velocity). ROWC is defined as annualized adjusted operating income (as defined above) divided by the sum of the monthly average balances of receivables and inventory less accounts payable. ROCE is defined as annualized, tax effected adjusted operating income (as defined above) divided by the monthly average balances of interest-bearing debt and equity (including the impact of adjustments to operating income discussed above) less cash and cash equivalents. WC velocity is defined as annualized sales divided by the sum of the monthly average balances of receivable and inventory less accounts payable. Economic profit dollars is defined as tax effected operating income, excluding restructuring, integration, impairment charges and other items, less the monthly average balances of interest-bearing debt and equity (including the impact of restructuring, integration, impairment charges and other items) less cash and cash equivalents multiplied by 10% per annum charge on capital.

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 Financial Information and Reconciliation

First Quarter Fiscal 2014

	First Quarter Fiscal 2014			
	Operating Income	Income Before Income Taxes	Net Income	Diluted EPS
	<i>\$ in thousands, except per share data</i>			
GAAP results	\$178,987	\$171,942	\$120,624	\$ 0.86
Restructuring, integration and other charges	12,099	12,099	8,851	0.06
Gain on legal settlement, bargain purchase and other	—	(19,137)	(11,686)	(0.08)
Amortization of intangible assets	8,394	8,394	5,702	0.04
Income tax adjustments	—	—	2,496	0.02
Total adjustments	20,493	1,356	5,363	0.04
Adjusted results	\$199,480	\$173,298	\$125,987	\$ 0.90

First Quarter Fiscal 2013

	First Quarter Fiscal 2013			
	Operating Income	Income Before Income Taxes	Net Income	Diluted EPS
	<i>\$ in thousands, except per share data</i>			
GAAP results	\$ 99,973	\$108,857	\$100,305	\$ 0.70
Restructuring, integration and other charges	37,408	37,408	27,101	0.19
Gain on legal settlement, bargain purchase and other	—	(31,291)	(31,291)	(0.22)
Amortization of intangible assets	7,088	7,088	4,962	0.03
Income tax adjustments	—	—	(12,184)	(0.08)
Total adjustments	44,496	13,205	(11,412)	(0.08)
Adjusted results	\$144,469	\$122,062	\$ 88,893	\$ 0.62

Non-GAAP Financial Information and Reconciliation

Organic Revenue

Organic revenue is defined as reported sales adjusted for (i) the impact of acquisitions and divestitures by adjusting Avnet's prior 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 and (ii) the impact of the transfer of a portion of certain operations between the EM and TS operating groups, which did not have an impact to Avnet on a consolidated basis but did impact the organic sales for the TS and EM operating groups by \$119.6 million in the first quarter of fiscal 2013. Sales taking into account the combination of these adjustments are referred to as "organic revenue."

	<u>Revenue as Reported</u>	<u>Acquisition/ (Divestiture) Revenue</u> <i>(in thousands)</i>	<u>Organic Revenue</u>
Q1 Fiscal 2014	\$ 6,345,475	\$ —	\$ 6,345,475
Q1 Fiscal 2013	\$ 5,870,057	\$ 250,029	\$ 6,120,086
Q2 Fiscal 2013	6,699,465	50,215	6,749,680
Q3 Fiscal 2013	6,298,699	26,922	6,325,621
Q4 Fiscal 2013	6,590,703	8,998	6,599,701
Fiscal year 2013	<u>\$25,458,924</u>	<u>\$ 336,164</u>	<u>\$25,795,088</u>

Non-GAAP Financial Information and Reconciliation

ROWC, ROCE and WC Velocity

The following table presents the calculation for ROWC, ROCE and WC velocity.

		Q1 FY14	Q1 FY13
Sales		\$ 6,345,475	\$ 5,870,057
Sales, annualized	(a)	\$25,381,900	\$23,480,229
Adjusted operating income (1)		\$ 199,480	\$ 144,469
Adjusted annualized operating income	(b)	\$ 797,920	\$ 577,876
Adjusted effective tax rate (2)		27.3%	27.5%
Adjusted annualized operating income, after tax	(c)	\$ 580,088	\$ 419,076
Average monthly working capital			
Accounts receivable		\$ 4,680,691	\$ 4,353,226
Inventory		\$ 2,465,802	\$ 2,448,301
Accounts payable		\$ (3,125,452)	\$ (3,015,599)
Average working capital	(d)	\$ 4,021,041	\$ 3,785,929
Average monthly total capital	(e)	\$ 5,532,305	\$ 5,110,368
ROWC = (b) / (d)		19.8%	15.3%
WC Velocity = (a) / (d)		6.3	6.2
ROCE = (c) / (e)		10.5%	8.2%

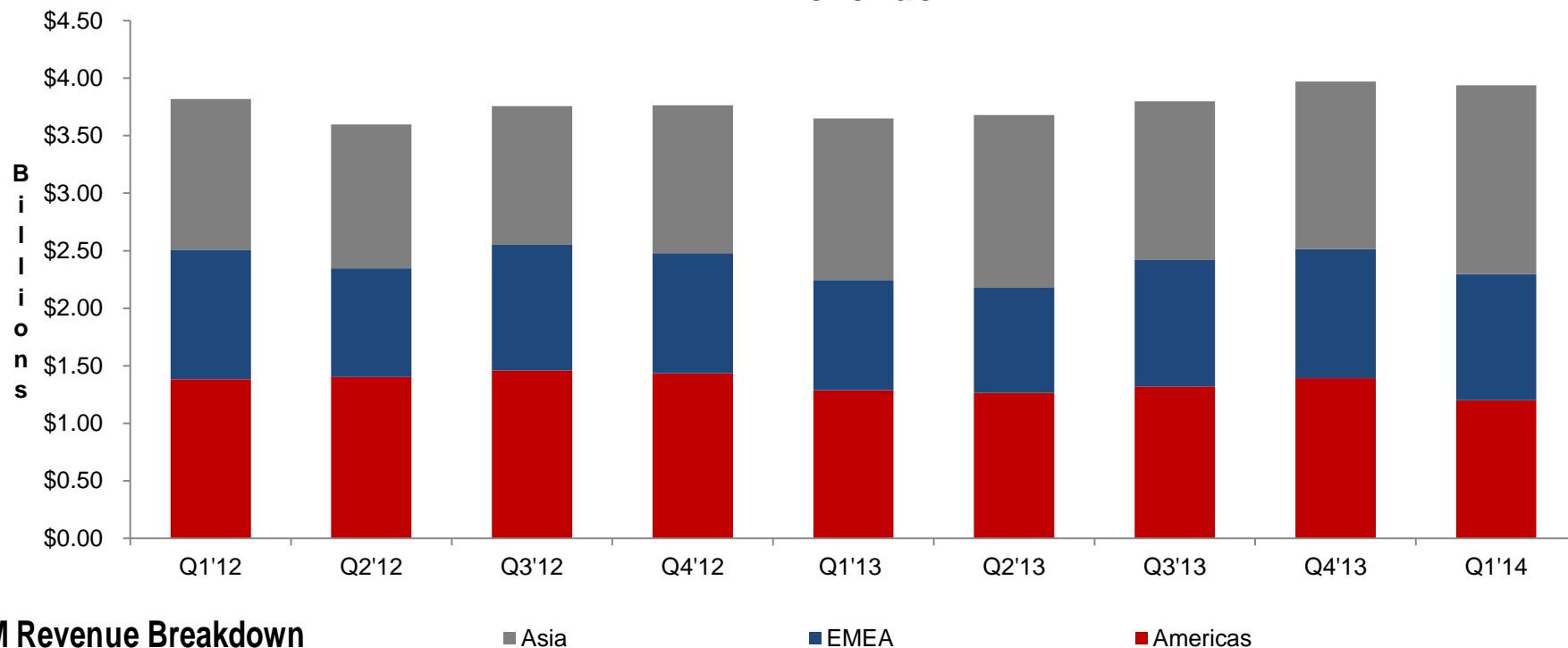
- (1) See reconciliation to GAAP amounts in the preceding tables in this Non-GAAP Financial Information section.
- (2) Adjusted effective tax rate is based upon the anticipated annual effective tax rate, excluding the tax effect of the items described above in the reconciliation to GAAP amounts in this Non-GAAP Financial Information Section.

Appendix



EM Revenue

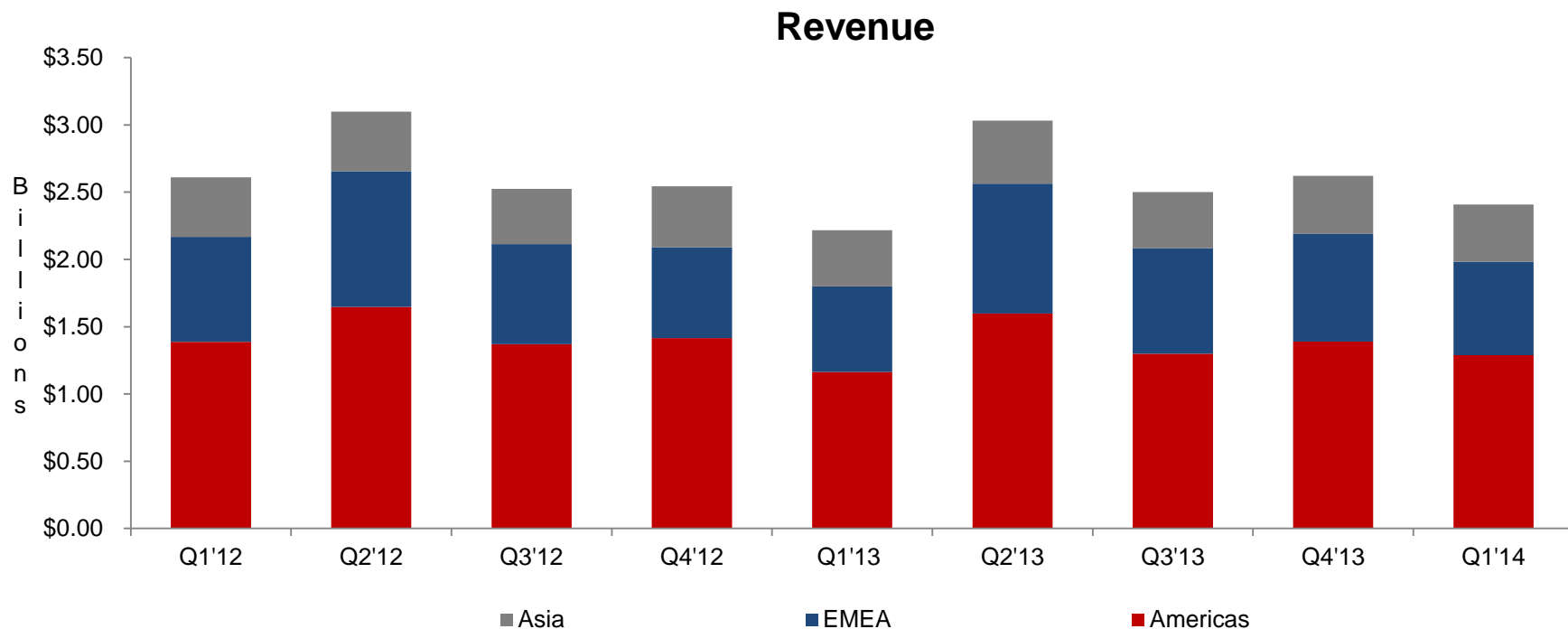
Revenue



EM Revenue Breakdown (In Billions)

	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14
Americas	\$1.38	\$1.40	\$1.46	\$1.44	\$1.29	\$1.26	\$1.32	\$1.39	\$1.20
EMEA	\$1.13	\$0.95	\$1.09	\$1.04	\$0.96	\$0.91	\$1.10	\$1.12	\$1.10
Asia	\$1.31	\$1.25	\$1.21	\$1.28	\$1.40	\$1.50	\$1.38	\$1.46	\$1.64
Total	\$3.82	\$3.60	\$3.76	\$3.76	\$3.65	\$3.67	\$3.80	\$3.97	\$3.94

TS Revenue



TS Revenue Breakdown (In Billions)

	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14
Americas	\$1.39	\$1.65	\$1.37	\$1.41	\$1.16	\$1.60	\$1.30	\$1.39	\$1.29
EMEA	\$0.78	\$1.01	\$0.74	\$0.68	\$0.64	\$0.96	\$0.78	\$0.80	\$0.70
Asia	\$0.44	\$0.44	\$0.41	\$0.45	\$0.42	\$0.47	\$0.42	\$0.43	\$0.42
<i>Total</i>	\$2.61	\$3.10	\$2.52	\$2.54	\$2.22	\$3.03	\$2.50	\$2.62	\$2.41