
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

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

Date of Report (Date of earliest event reported) **January 26, 2017**

AVNET, INC.

(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction
Of incorporation)

1-4224
(Commission
File Number)

11-1890605
(IRS Employer
Identification No.)

2211 South 47th Street, Phoenix, Arizona
(Address of principal executive offices)

85034
(Zip Code)

(480) 643-2000

(Registrant's telephone number, including area code.)

N/A

(Former name and former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02.Results of Operations and Financial Condition.

On January 26, 2017, Avnet, Inc. (the “Company”) issued a press release announcing its second quarter results of operations for fiscal 2017. A copy of the press release is attached hereto as Exhibit 99.1. A discussion on the impact of foreign currency on the Company’s results of operations, the definition of organic sales and a reconciliation of non-GAAP financial information is attached hereto as Exhibit 99.2. Each exhibit is incorporated by reference herein.

The information in this Current Report on Form 8-K and the exhibits attached hereto are being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933 except as shall be expressly set forth in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

The following materials are attached as exhibits to this Current Report on Form 8-K:

Exhibit Number	Description
99.1	Press Release, dated January 26, 2017.
99.2	Supplemental and Non-GAAP Financial Information.

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 hereunto duly authorized.

Date: January 26, 2017

AVNET, INC.

Registrant

By: /s/ Kevin Moriarty

Name: Kevin Moriarty

Title: Senior Vice President and
Chief Financial Officer

Avnet, Inc.
2211 South 47th Street
Phoenix, AZ 85034

PRESS RELEASE

Avnet Reports Second Quarter Fiscal Year 2017 Results Acquisitions Accelerate Digital Transformation

Phoenix, January 26, 2017 - Avnet, Inc. (NYSE:AVT) today announced results for the second quarter fiscal year 2017 ended December 31, 2016.

Highlights

- Diluted earnings per share of \$0.79
- o Adjusted diluted EPS from continuing operations of \$0.77 exceeded the midpoint of expectations
- Premier Farnell sales exceeded expectations and contributed to margin expansion
- Cash generated from operations in the second quarter of fiscal 2017 was \$240 million
- Acquired Hackster.io, strengthening digital platform and reach into early lifecycle customers

	Second Quarters Ended		
	December 31, 2016	January 2, 2016	Change
Continuing Operations ⁽¹⁾			
<i>\$ in millions, except per share data</i>			
Sales ⁽²⁾	\$ 4,273.6	\$ 4,161.1	2.7 %
Constant Currency ⁽³⁾			3.4 %
Operating Income	124.2	136.1	(8.7)%
Adjusted Operating Income ⁽⁴⁾	164.5	152.5	7.9 %
Income	32.5	102.1	(68.2)%
Adjusted Income ⁽⁴⁾	100.8	101.3	(0.4)%
Diluted EPS	\$ 0.25	\$ 0.76	(67.1)%
Adjusted Diluted EPS ⁽⁴⁾	\$ 0.77	\$ 0.75	2.7 %
Avnet			
Diluted EPS	0.79	1.16	(31.9)%
Adjusted Diluted EPS ⁽⁴⁾	1.19	1.22	(2.5)%

(1) The information included under "Continuing Operations" excludes the Technology Solutions (TS) business as TS is considered a discontinued operation. See "Discontinued Operations," below.

(2) Sales in the fiscal quarter-ended December 31, 2016, excludes approximately \$92 million of embedded computing solutions business, which was included in second quarter sales guidance, but is now part of discontinued operations.

(3) Year-over-year sales growth rate excludes the impact of changes in foreign currency exchange rates. A discussion on the impact of foreign currency on Avnet results of operations, the definition of organic sales and a reconciliation of non-GAAP financial information is included in Exhibit 99.2.

(4) Non-GAAP measures. See the reconciliation of non-GAAP financial information attached as exhibit 99.2 to the Form 8-K filed with the Securities Exchange Commission on January 26, 2017 ("Exhibit 99.2").

“Our December quarter results validate the benefits of our acquisition of Premier Farnell, which was effective October 17, 2016, as gross profit and adjusted operating margins increased 158 and 18 basis points, respectively, year over year. More importantly, as we integrate Premier Farnell, the team is excited about the opportunities to accelerate revenue growth as their customer base gains access to the engineering resources and supply chain services of Avnet,” said Bill Amelio, CEO of Avnet. “During the quarter, we further enhanced our digital platform with the acquisition of Hackster.io, which provides over 200,000 makers a forum to learn how to design, create and program Internet-connected hardware. Our Electronics Marketing business also performed well as organic revenue grew approximately 4% in constant currency when you exclude the impact of Premier Farnell and our decision to exit select high volume supply chain engagements in Asia.”

Avnet (Electronics Marketing Continuing Operations) Results

	Q2 FY17 Sales <i>(in millions)</i>	Year-over-Year Growth Rates		
		Reported Sales	Organic Sales	
EM Total	\$ 4,273.6	2.7 %	(3.6)%	
<i>Constant Currency</i> ⁽¹⁾		3.4 %	(2.9)%	
Americas	\$ 1,252.6	7.5 %	(2.1)%	
EMEA	\$ 1,380.7	21.0 %	8.4 %	
<i>Constant Currency</i> ⁽¹⁾		24.6 %	11.6 %	
Asia	\$ 1,640.3	(11.5)%	(12.9)%	
<i>Constant Currency</i> ⁽¹⁾		(12.2)%	(13.5)%	
		<u>Q2 FY17</u>	<u>Q2 FY16</u>	<u>Change</u>
Operating Income		\$ 190.7	\$ 176.3	8.2 %
<i>Operating Income Margin</i>		4.5 %	4.2 %	23 bps

(1) Refer to Exhibit 99.2.

- Sales increased 3.4% from the year ago quarter in constant currency
 - o Organic sales declined 2.9% in constant currency
- EMEA sales increased 11.6% year over year in constant currency, representing the 14th consecutive quarter of organic growth
- Gross profit margin increased 158 basis points from the year ago quarter primarily due to the addition of Premier Farnell, as well as improvements in the Asia region
- Operating income margin increased 23 basis points from the year ago quarter due to the addition of Premier Farnell, as well as improvements in the EMEA and Asia regions, which were partially offset by a decline in the Americas region as a result of ERP implementation costs
- Working capital (defined as receivables plus inventories less accounts payables) increased 2.3% sequentially due to the addition of Premier Farnell. Excluding the impact of Premier Farnell, working capital declined 9.7% sequentially, with approximately two-thirds of the decline in the Americas region

Cash Flow and Returns to Shareholders

- Trailing twelve months cash flow from operations increased \$122 million sequentially to \$380 million
- Cash and cash equivalents at the end of the quarter was \$1.27 billion; net debt (total debt less cash and cash equivalents) was \$2.36 billion
- Avnet has \$174.9 million remaining under the current share repurchase authorization
- Avnet paid a dividend of \$0.17 per share or \$21.8 million during the quarter

“On October 17th we used approximately \$180 million of our offshore cash and \$660 million of new debt to fund the acquisition of Premier Farnell. Subsequent to that event, we issued \$300 million of 5-year notes at a rate of 3.75%. A portion of the proceeds was used to pay down acquired Premier Farnell debt while the remainder was used to pay down floating-rate debt,” said Kevin Moriarty, CFO of Avnet. “We intend to use approximately \$1.5 billion of the proceeds from the sale of Technology Solutions to further reduce our floating-rate debt to ensure our credit statistics solidly support our investment grade credit rating. With our strong cash flow from operations, which totaled \$380 million over the trailing twelve months, and no long-term note repayments until 2020, we are in a strong position to fund future growth and consider ways to return additional cash to shareholders.”

Outlook for Third Quarter of Fiscal 2017 Ending on April 1, 2017

- Avnet outlook only includes the EM business, including Premier Farnell
- Sales are expected to be in the range of \$4.3 billion to \$4.6 billion
- Adjusted diluted earnings per share is expected to be in the range of \$0.80 to \$0.90 per share
- The guidance assumes 130 million average diluted shares outstanding and an adjusted tax rate of 23% to 27%

The above guidance excludes any additional acquisitions, the amortization of intangibles, any potential restructuring, integration and other expenses and certain income tax adjustments. The above guidance also excludes any results from the TS business. In addition, the above guidance assumes that the average U.S. Dollar to Euro currency exchange rate for the third quarter of fiscal 2017 is \$1.07 to €1.00. This compares with an average exchange rate of \$1.10 to the Euro in the third quarter of fiscal 2016.

Refer to Exhibit 99.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 26, 2017, for a reconciliation of non-GAAP guidance.

Discontinued Operations

On September 19, 2016, Avnet announced that it had entered into an agreement to sell its TS business to Tech Data Corporation. The transaction is subject to customary closing conditions and regulatory approvals and is expected to close by the end of fiscal 2017. As a result of the pending sale and having met applicable accounting requirements, Avnet began reporting the TS business as a discontinued operation in the first quarter of fiscal 2017 and prior periods have been adjusted for comparability.

Forward-Looking Statements

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, the separation and pending sale of the TS business, an industry down-cycle in semiconductors, IT hardware or software products, 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 Avnet’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.

Teleconference and Upcoming Events

Avnet will host a quarterly teleconference today at 10:00 a.m. Eastern Time. Financial information including financial statement reconciliations of GAAP to non-GAAP financial measures, will be available through www.ir.avnet.com. Please log onto the site 15 minutes prior to the start of the event to register or download any necessary software. An archive copy of the teleconference will also be available after the call.

For a listing of Avnet’s upcoming events and other information, please visit Avnet’s investor relations website at www.ir.avnet.com.

About Avnet

From components to cloud and from design to disposal, Avnet, Inc. (NYSE: AVT) accelerates the success of customers who build, sell and use technology by providing a comprehensive portfolio of innovative products, services and solutions. For more information, visit www.avnet.com. (AVT_IR)

Visit the Avnet Investor Relations website at www.ir.avnet.com or contact us at investorrelations@avnet.com.

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AVNET, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Second Quarters Ended		Six Months Ended	
	December 31, 2016	January 2, 2016	December 31, 2016	January 2, 2016
	(Thousands, except per share data)			
Sales	\$ 4,273,559	\$ 4,161,082	\$ 8,391,663	\$ 8,689,667
Cost of sales	3,687,374	3,656,024	7,282,823	7,628,440
Gross profit	586,185	505,058	1,108,840	1,061,227
Selling, general and administrative expenses	431,555	354,858	795,227	731,918
Restructuring, integration and other expenses	30,400	14,083	59,869	26,601
Operating income	124,230	136,117	253,744	302,708
Other expense, net	(36,514)	(2,052)	(50,248)	(1,169)
Interest expense	(26,748)	(20,965)	(53,984)	(42,997)
Income from continuing operations before income taxes	60,968	113,100	149,512	258,542
Income tax expense	28,503	10,959	49,359	47,477
Income from continuing operations	32,465	102,141	100,153	211,065
Income from discontinued operations	70,753	53,871	71,908	75,201
Net income	\$ 103,218	\$ 156,012	\$ 172,061	\$ 286,266
Earnings per share - basic:				
Continuing operations	\$ 0.25	\$ 0.77	\$ 0.78	\$ 1.59
Discontinued operations	0.55	0.41	0.56	0.56
Net income per share - basic	\$ 0.80	\$ 1.18	\$ 1.34	\$ 2.15
Earnings per share - diluted:				
Continuing operations	\$ 0.25	\$ 0.76	\$ 0.77	\$ 1.56
Discontinued operations	0.54	0.40	0.55	0.55
Net income per share - diluted	\$ 0.79	\$ 1.16	\$ 1.32	\$ 2.11
Shares used to compute earnings per share:				
Basic	127,901	131,909	127,716	132,846
Diluted	130,347	134,918	130,055	135,622
Cash dividends paid per common share	\$ 0.17	\$ 0.17	\$ 0.34	\$ 0.34

AVNET, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	December 31, 2016	July 2, 2016
(Thousands)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,270,142	\$ 1,031,478
Receivables, net	2,996,110	2,769,906
Inventories	2,697,796	2,559,921
Prepaid and other current assets	59,564	81,197
Assets held for sale	4,053,487	2,561,471
Total current assets	<u>11,077,099</u>	<u>9,003,973</u>
Property, plant and equipment, net	565,108	453,209
Goodwill	1,098,471	621,852
Intangible assets, net	296,058	22,571
Other assets	219,259	239,133
Non-current assets held for sale	—	899,067
Total assets	<u>\$ 13,255,995</u>	<u>\$ 11,239,805</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 246,729	\$ 1,152,599
Accounts payable	1,774,021	1,590,777
Accrued expenses and other	456,397	394,888
Liabilities held for sale	2,332,646	1,804,229
Total current liabilities	<u>4,809,793</u>	<u>4,942,493</u>
Long-term debt	3,382,431	1,339,204
Other liabilities	351,909	223,053
Non-current liabilities held for sale	—	43,769
Total liabilities	<u>8,544,133</u>	<u>6,548,519</u>
Shareholders' equity	4,711,862	4,691,286
Total liabilities and shareholders' equity	<u>\$ 13,255,995</u>	<u>\$ 11,239,805</u>

AVNET, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended	
	December 31, 2016	January 2, 2016
	(Thousands)	
Cash flows from operating activities:		
Net income	\$ 172,061	\$ 286,266
Less: Income from discontinued operations, net of tax	<u>71,908</u>	<u>75,201</u>
Income from continuing operations	100,153	211,065
Non-cash and other reconciling items:		
Depreciation	45,616	33,991
Amortization	11,759	4,034
Deferred income taxes	9,312	(708)
Stock-based compensation	32,525	38,424
Other, net	13,069	18,240
Changes in (net of effects from businesses acquired):		
Receivables	(127,153)	261,855
Inventories	139,672	(189,595)
Accounts payable	133,698	(240,474)
Accrued expenses and other, net	<u>(55,437)</u>	<u>(66,251)</u>
Net cash flows provided by operating activities - continuing operations	<u>303,214</u>	<u>70,581</u>
Net cash flows (used) provided by operating activities - discontinued operations	<u>(63,124)</u>	<u>13,661</u>
Net cash flows provided by operating activities	<u>240,090</u>	<u>84,242</u>
Cash flows from financing activities:		
Issuance of notes, net of issuance costs	296,374	—
Repayments of notes	(378,559)	(250,000)
Borrowings (repayments) under accounts receivable securitization, net	(264,963)	39,972
Borrowings of bank and revolving debt, net	752,196	417,982
Borrowings under term loans	530,756	—
Repurchases of common stock	—	(184,704)
Dividends paid on common stock	(43,426)	(45,020)
Other, net	<u>13,825</u>	<u>(1,080)</u>
Net cash flows provided (used) for financing activities - continuing operations	<u>906,203</u>	<u>(22,850)</u>
Net cash flows provided (used) for financing activities - discontinued operations	<u>(16,505)</u>	<u>26,389</u>
Net cash flows provided by financing activities	<u>889,698</u>	<u>3,539</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(70,424)	(74,392)
Acquisitions of businesses, net of cash acquired	(798,366)	—
Other, net	<u>7,766</u>	<u>9,111</u>
Net cash flows used for investing activities - continuing operations	<u>(861,024)</u>	<u>(65,281)</u>
Net cash flows used for investing activities - discontinued operations	<u>(3,093)</u>	<u>(20,988)</u>
Net cash flows used for investing activities	<u>(864,117)</u>	<u>(86,269)</u>
Effect of currency exchange rate changes on cash and cash equivalents	(27,007)	(17,977)
Net change in cash and cash equivalents	238,664	(16,465)
Cash and cash equivalents at beginning of period	<u>1,031,478</u>	<u>932,553</u>
Cash and cash equivalents at end of period	<u>\$ 1,270,142</u>	<u>\$ 916,088</u>

AVNET, INC.
SEGMENT INFORMATION
(UNAUDITED)

	<u>Second Quarters Ended</u>		<u>Six Months Ended</u>	
	<u>December 31,</u> <u>2016</u>	<u>January 2,</u> <u>2016*</u>	<u>December 31,</u> <u>2016*</u>	<u>January 2,</u> <u>2016</u>
	(Millions)			
Sales:				
Electronics Marketing (continuing operations)	\$ 4,273.6	\$ 4,161.1	\$ 8,391.7	\$ 8,689.7
Technology Solutions (discontinued operations)	2,453.3	2,687.0	4,375.5	5,128.1
Operating income (expense):				
Electronics Marketing (continuing operations)	\$ 190.7	\$ 176.3	\$ 375.7	\$ 389.3
Technology Solutions (discontinued operations)	103.2	115.1	147.4	189.6
Corporate - continuing operations	(26.2)	(23.8)	(49.8)	(55.9)
Corporate - discontinued operations	(14.4)	(12.3)	(26.9)	(27.4)
Held for sale depreciation elimination - discontinued operations	6.8	—	6.8	—
	<u>260.1</u>	<u>255.3</u>	<u>453.2</u>	<u>495.7</u>
Restructuring, integration and other expenses - continuing operations	(30.4)	(14.1)	(59.9)	(26.6)
Restructuring, integration and other expenses - discontinued operations	(3.3)	(7.1)	(7.5)	(20.6)
Amortization of acquired intangible assets and other - continuing operations	(9.8)	(2.3)	(12.2)	(5.1)
Amortization of acquired intangible assets and other - discontinued operations	—	(5.6)	(4.5)	(10.3)
Less: TS discontinued operations	(92.4)	(90.0)	(115.4)	(130.4)
Operating Income	<u>\$ 124.2</u>	<u>\$ 136.1</u>	<u>\$ 253.7</u>	<u>\$ 302.7</u>

* Sub-totals and totals may not foot due to rounding

Supplemental and Non-GAAP Financial 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 operating expenses, (iii) adjusted other expense, (iv) adjusted income tax expense, (v) adjusted net income, (vi) adjusted diluted earnings per share, and (vii) sales adjusted for the impact of acquisitions and other items (as defined in the Organic Sales section of this document). 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, operating expenses and other expense adjusted for restructuring, integration and other expenses, including acquisition or divestiture related costs 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, operating expenses and other expenses 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 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, net income and diluted EPS 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 net income and diluted EPS excluding the impact of these items provides an important measure of the Company's net profitability 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 inventories less accounts payable from both continuing and discontinued operations.

·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 from both continuing and discontinued operations.

·WC velocity is defined as annualized adjusted sales divided by the sum of the monthly average balances of receivables and inventories less accounts payable from both continuing and discontinued operations.

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.

	Quarters Ended	
	December 31, 2016*	January 2, 2016*
	<i>\$ in thousands, except per share amounts</i>	
GAAP selling, general and administrative expenses - continuing operations	\$ 431,555	\$ 354,858
Amortization of intangible assets and other - continuing operations	(9,829)	(2,272)
Adjusted operating expenses - continuing operations	<u>421,725</u>	<u>352,586</u>
GAAP operating income - continuing operations	\$ 124,230	\$ 136,117
Restructuring, integration and other expenses- continuing operations	30,400	14,083
Amortization of intangible assets and other - continuing operations	9,829	2,272
Adjusted operating income - continuing operations	<u>164,459</u>	<u>152,472</u>
GAAP operating income - discontinued operations	\$ 92,355	\$ 89,998
Restructuring, integration and other expenses- discontinued operations	3,316	7,139
Amortization of intangible assets and other - discontinued operations	-	5,649
Adjusted operating income - discontinued operations	<u>95,671</u>	<u>102,786</u>
Adjusted operating income	<u>\$ 260,130</u>	<u>\$ 255,258</u>
GAAP other expenses, net - continuing operations	\$ 36,514	\$ 2,052
Acquisition related FX hedging and financing costs - continuing operations	(32,700)	-
Adjusted other expenses, net - continuing operations	<u>3,814</u>	<u>2,052</u>
GAAP income tax expense - continuing operations	\$ 28,503	\$ 10,959
Restructuring, integration and other expenses - continuing operations	7,378	4,570
Amortization of intangible assets and other - continuing operations	2,342	618
Acquisition related FX hedging and financing costs - continuing operations	4,230	-
Discrete income tax expense items - continuing operations	(9,369)	12,048
Adjusted income tax expense - continuing operations	<u>33,084</u>	<u>28,195</u>

GAAP income tax expense - discontinued operations	\$	10,967	\$	30,236
Restructuring, integration and other expenses - discontinued operations		2,634		2,426
Amortization of intangible assets and other - discontinued operations		-		1,921
Discrete income tax expense items - discontinued operations		16,609		(754)
Adjusted income tax expense - discontinued operations		<u>30,210</u>		<u>33,829</u>
GAAP income - continuing operations	\$	32,465	\$	102,141
Restructuring, integration and other expenses (net of tax) - continuing operations		23,022		9,513
Amortization of intangible assets and other (net of tax) - continuing operations		7,487		1,654
Acquisition related FX hedging and financing costs (net of tax) - continuing operations		28,470		-
Discrete income tax expense items - continuing operations		9,369		(12,048)
Adjusted income - continuing operations		<u>100,813</u>		<u>101,260</u>
GAAP income - discontinued operations	\$	70,753	\$	53,871
Restructuring, integration and other expenses (net of tax) - discontinued operations		682		4,714
Amortization of intangible assets and other (net of tax) - discontinued operations		-		3,728
Discrete income tax expense items - discontinued operations		(16,609)		753
Adjusted income - discontinued operations		<u>54,827</u>		<u>63,066</u>
Adjusted net income	\$	<u>155,640</u>	\$	<u>164,326</u>
GAAP diluted EPS - continuing operations	\$	0.25	\$	0.76
Restructuring, integration and other expenses (net of tax) - continuing operations		0.18		0.07
Amortization of intangible assets and other (net of tax) - continuing operations		0.06		0.01
Acquisition related FX hedging and financing costs (net of tax) - continuing operations		0.22		-
Discrete income tax expense items - continuing operations		0.07		(0.09)
Adjusted diluted EPS - continuing operations		<u>0.77</u>		<u>0.75</u>
GAAP diluted EPS - discontinued operations	\$	0.54	\$	0.40
Restructuring, integration and other expenses (net of tax) - discontinued operations		0.01		0.03
Amortization of intangible assets and other (net of tax) - discontinued operations		-		0.03
Discrete income tax expense items - discontinued operations		(0.13)		0.01
Adjusted diluted EPS - discontinued operations		<u>0.42</u>		<u>0.47</u>
Adjusted diluted EPS	\$	<u>1.19</u>	\$	<u>1.22</u>

* May not foot due to rounding

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 in constant currency is defined as organic sales (as defined above) excluding the impact of changes in foreign currency exchange rates.

The following tables present the reconciliation of reported sales to organic sales for the second quarters and first six months of fiscal 2016 and fiscal 2017.

	Second Quarter Ended			Six Months Ended		
	As Reported	Acquisitions	Organic Sales	As Reported	Acquisitions ⁽¹⁾	Organic Sales
	Fiscal 2016		Fiscal 2016	Fiscal 2016	& Estimated Extra	Fiscal 2016
	(in millions)					
EM	\$ 4,161.1	\$ 323.1	\$ 4,484.2	\$ 8,689.7	\$ 362.6	\$ 9,052.3
EM by region						
Americas	\$ 1,165.8	\$ 132.6	\$ 1,298.4	\$ 2,469.1	\$ 200.3	\$ 2,669.4
EMEA	1,141.1	157.0	1,298.0	2,479.2	221.9	2,701.1
Asia	1,854.2	33.5	1,887.7	3,741.4	(59.6)	3,681.8

(1) Includes Premier Farnell acquired on October 17, 2016, which has operations in each EM region.

	Second Quarter Ended			Six Months Ended		
	As Reported	Acquisitions ⁽¹⁾	Organic Sales	As Reported	Acquisitions ⁽¹⁾	Organic Sales
	Fiscal 2017		Fiscal 2017	Fiscal 2017		Fiscal 2017
	(in millions)					
EM	\$ 4,273.6	\$ 49.6	\$ 4,323.2	\$ 8,391.4	\$ 378.4	\$ 8,769.7
EM by region						
Americas	\$ 1,252.6	\$ 18.3	\$ 1,270.9	\$ 2,502.8	\$ 154.5	\$ 2,657.3
EMEA	1,380.7	26.5	1,407.2	2,646.0	178.9	2,824.9
Asia	1,640.3	4.8	1,645.1	3,242.6	45.0	3,287.6

(1) Includes Premier Farnell acquired on October 17, 2016, which has operations in each EM region.

	Sales As Reported			Organic Sales		
	Sales As Reported	Organic Sales	Sales As Reported	Year-Year % Change in Constant Currency	Organic Sales Year-Year % Change	Organic Sales Year-Year % Change in Constant Currency
	Q2-Fiscal 2017	Q2-Fiscal 2017	Year-Year % Change	% Change	% Change	% Change
	(Dollars in thousands)					
EM	\$ 4,273.6	\$ 4,323.2	2.7 %	3.4 %	(3.6)%	(2.9)%
EM by region						
Americas	\$ 1,252.6	\$ 1,270.9	7.5 %	—	(2.1)%	—
EMEA	1,380.7	1,407.2	21.0	24.6 %	8.4	11.6 %
Asia	1,640.3	1,645.1	(11.5)	(12.2)	(12.9)	(13.5)

ROWC, ROCE and WC Velocity

The following tables (in thousands) present the calculations for ROWC, ROCE and WC velocity.

	Q2 FY17	Q2 FY16
Sales EM (continuing operations)	\$ 4,273,559	\$ 4,161,082
Sales TS (discontinued operations)	2,453,262	2,686,975
Sales, annualized	(a) 26,907,284	27,392,228
Adjusted operating income ⁽¹⁾	260,130	255,258
Adjusted annualized operating income	(b) 1,040,520	1,021,032
Adjusted effective tax rate ⁽²⁾	28.30 %	27.80 %
Adjusted annualized operating income, after tax	(c) 746,365	737,287
Average monthly working capital		
Accounts receivable	5,090,634	4,982,198
Inventories	2,931,205	2,747,160
Accounts payable	(3,002,781)	(3,256,725)
Average working capital	(d) \$ 5,019,058	\$ 4,472,633
Average monthly capital employed	(e) \$ 7,019,632	\$ 6,026,327
ROWC = (b) / (d)	20.7 %	22.8 %
WC Velocity = (a) / (d)	5.4	6.1
ROCE = (c) / (e)	10.6 %	12.2 %

(1) See reconciliation to GAAP amounts in the preceding tables in this supplemental and Non-GAAP Financial Information section.

(2) Adjusted effective tax rate for each quarterly period in a fiscal year is based upon the currently anticipated annual effective tax rate, excluding the tax effect of the income tax adjustments above in the reconciliation to GAAP amounts in this Non-GAAP Financial Information section.

Guidance Reconciliation

The following table presents the reconciliation of non-GAAP adjusted diluted earnings per share from continuing operations guidance to the expected GAAP diluted earnings per share from continuing operations guidance for the second quarter of fiscal 2017. The GAAP diluted earnings per share guidance does not consider any gain on sale of TS as the timing of closing is still uncertain.

	<u>High End of Guidance Range</u>	<u>Low End of Guidance Range</u>
Adjusted diluted earnings per share guidance - continuing operations	\$ 0.90	\$ 0.80
Restructuring, integration and other expense (net of tax)	(0.05)	(0.10)
Amortization of intangibles and other (net of tax)	(0.06)	(0.09)
Income tax expense adjustments	0.04	(0.04)
GAAP diluted earnings per share guidance - continuing operations	<u>\$ 0.83</u>	<u>\$ 0.57</u>
