UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended October 3, 2020

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

For the transition period from _____ to _____

Commission File #1-4224

AVNET, INC.

(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	**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, former address and former fiscal year, if changed since last report.)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which registered:
Common stock, par value $1.00 per share	AVT	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☑	Accelerated Filer ☐
Non-accelerated Filer ☐	Smaller Reporting Company ☐
Emerging Growth Company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of October 21, 2020, the total number of shares outstanding of the registrant's Common Stock was 98,829,336 shares, net of treasury shares.

AVNET, INC. AND SUBSIDIARIES
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PART I

FINANCIAL INFORMATION

Item 1. ***Financial Statements***

AVNET, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	October 3, 2020	June 27, 2020
	(Thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 483,056	$ 477,038
Receivables	2,964,531	2,928,386
Inventories	2,944,673	2,731,988
Prepaid and other current assets	209,928	191,394
Total current assets	6,602,188	6,328,806
Property, plant and equipment, net	404,136	404,607
Goodwill	798,865	773,734
Intangible assets, net	47,448	65,437
Operating lease assets	288,669	275,917
Other assets	240,089	256,696
Total assets	$ 8,381,395	$ 8,105,197
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 166,992	$ 51
Accounts payable	2,005,126	1,754,078
Accrued expenses and other	535,376	472,924
Short-term operating lease liabilities	58,912	53,313
Total current liabilities	2,766,406	2,280,366
Long-term debt	1,195,203	1,424,791
Long-term operating lease liabilities	262,850	253,719
Other liabilities	379,425	419,923
Total liabilities	4,603,884	4,378,799
Commitments and contingencies (Note 9)		
Shareholders' equity:		
Common stock $1.00 par; authorized 300,000,000 shares; issued 98,843,595 shares and 98,792,542 shares, respectively	98,844	98,793
Additional paid-in capital	1,599,331	1,594,140
Retained earnings	2,367,720	2,421,845
Accumulated other comprehensive loss	(288,384)	(388,380)
Total shareholders' equity	3,777,511	3,726,398
Total liabilities and shareholders' equity	$ 8,381,395	$ 8,105,197

See notes to consolidated financial statements.

AVNET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	First Quarters Ended	
	October 3, 2020	September 28, 2019
	(Thousands, except per share amounts)	
Sales	$ 4,723,059	$ 4,630,009
Cost of sales	4,206,979	4,086,170
Gross profit	516,080	543,839
Selling, general and administrative expenses	471,158	456,503
Restructuring, integration and other expenses	26,420	24,598
Operating income	18,502	62,738
Other (expense) income, net	(19,498)	4,931
Interest and other financing expenses, net	(22,301)	(33,631)
Income (loss) before taxes	(23,297)	34,038
Income tax benefit	(4,408)	(7,714)
Net (loss) income	$ (18,889)	$ 41,752
Earnings (loss) per share:		
Basic	$ (0.19)	$ 0.40
Diluted	$ (0.19)	$ 0.40
Shares used to compute earnings per share:		
Basic	98,897	103,130
Diluted	98,897	104,377
Cash dividends paid per common share	$ 0.21	$ 0.21

See notes to consolidated financial statements.

AVNET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	First Quarters Ended	
	October 3, 2020	September 28, 2019
	(Thousands)	
Net (loss) income	$ (18,889)	$ 41,752
Other comprehensive income (loss), net of tax:		
Foreign currency translation and other	90,373	(102,146)
Pension adjustments, net	9,623	3,813
Total comprehensive income (loss)	$ 81,107	$ (56,581)

See notes to consolidated financial statements.

AVNET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

	Common Stock-Shares	Common Stock-Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity
				(Thousands)		
Balance, June 27, 2020	98,793	$ 98,793	$ 1,594,140	$ 2,421,845	$ (388,380)	$ 3,726,398
Net loss	—	—	—	(18,889)	—	(18,889)
Translation adjustments and other	—	—	—	—	90,373	90,373
Pension liability adjustments, net	—	—	—	—	9,623	9,623
Cash dividends	—	—	—	(20,756)	—	(20,756)
Effects of new accounting principles, net	—	—	—	(14,480)	—	(14,480)
Stock-based compensation	51	51	5,191	—	—	5,242
Balance, October 3, 2020	98,844	$ 98,844	$ 1,599,331	$ 2,367,720	$ (288,384)	$ 3,777,511

	Common Stock-Shares	Common Stock-Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity
				(Thousands)		
Balance, June 29, 2019	104,038	$ 104,038	$ 1,573,005	$ 2,767,469	$ (304,039)	$ 4,140,473
Net income	—	—	—	41,752	—	41,752
Translation adjustments and other	—	—	—	—	(102,146)	(102,146)
Pension liability adjustments, net	—	—	—	—	3,813	3,813
Cash dividends	—	—	—	(21,451)	—	(21,451)
Repurchases of common stock	(2,631)	(2,631)	—	(109,504)	—	(112,135)
Stock-based compensation	64	64	7,701	—	—	7,765
Balance, September 28, 2019	101,471	$ 101,471	$ 1,580,706	$ 2,678,266	$ (402,372)	$ 3,958,071

See notes to consolidated financial statements.

AVNET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	First Quarters Ended	
	October 3, 2020	September 28, 2019
	(Thousands)	
Cash flows from operating activities:		
Net (loss) income	$ (18,889)	$ 41,752
Non-cash and other reconciling items:		
Depreciation	21,845	24,669
Amortization	20,117	19,911
Amortization of operating lease assets	14,079	15,839
Deferred income taxes	6,614	(3,970)
Stock-based compensation	4,961	7,218
Asset impairment expense	15,166	—
Other, net	10,898	8,034
Changes in (net of effects from businesses acquired and divested):		
Receivables	(7,116)	(6,703)
Inventories	(136,426)	(64,194)
Accounts payable	228,740	189,746
Accrued expenses and other, net	(37,545)	(36,660)
Net cash flows provided by operating activities	122,444	195,642
Cash flows from financing activities:		
Borrowings under accounts receivable securitization, net	166,900	110,800
Repayments under senior unsecured credit facility, net	(234,190)	(1,100)
Repayments under bank credit facilities and other debt, net	(545)	(745)
Repurchases of common stock	—	(110,805)
Dividends paid on common stock	(20,756)	(21,451)
Other, net	281	548
Net cash flows used for financing activities	(88,310)	(22,753)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(19,998)	(29,864)
Acquisitions of assets	(18,700)	—
Other, net	753	(12,515)
Net cash flows used for investing activities	(37,945)	(42,379)
Effect of currency exchange rate changes on cash and cash equivalents	9,829	(12,507)
Cash and cash equivalents:		
— increase	6,018	118,003
— at beginning of period	477,038	546,105
— at end of period	$ 483,056	$ 664,108

See notes to consolidated financial statements.

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of presentation and new accounting pronouncements

In the opinion of management, the accompanying unaudited interim consolidated financial statements contain all adjustments necessary to present fairly Avnet, Inc. and its consolidated subsidiaries' (collectively, the "Company" or "Avnet") financial position, results of operations, comprehensive income and cash flows. All such adjustments are of a normal recurring nature.

The preparation of financial statements in accordance with generally accepted accounting principles in the United States ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results may differ from these estimates and assumptions.

Interim results of operations are not necessarily indicative of the results to be expected for the full fiscal year. The information included in this Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2020.

Certain reclassifications have been made in prior periods to conform to the current period presentation.

Fiscal year

The Company operates on a "52/53 week" fiscal year, and fiscal 2021 contains 53 weeks compared to fiscal 2020, which contained 52 weeks. As a result, the first quarter of fiscal 2021 ended October 3, 2020 contained 14 weeks compared to the first quarter of fiscal 2020 ended September 28, 2019, which contained 13 weeks.

Recently adopted accounting pronouncements

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other— Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)* ("ASU No. 2018-15"). ASU No. 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop internal-use software. The adoption of ASU No. 2018-15 in the first quarter of fiscal 2021 did not have a material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU No. 2016-13") and also issued subsequent amendments to the initial guidance: ASU No. 2018-19, ASU No. 2019-04, ASU No. 2019-05, and ASU No. 2019-11 (collectively, Topic 326). Topic 326 revises the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. On June 28, 2020, the Company adopted Topic 326 using a modified retrospective approach with a cumulative effect adjustment to the opening balance of retained earnings, which increased the allowance for credit losses by $17.2 million ($14.5 million, net of tax of $2.7 million). Increases in the allowance for credit losses relate to the required change from an incurred loss model to an expected loss model, and the related change in timing of loss recognition where an allowance for credit losses is now applied at the time the asset, or pool of assets, is recognized.

Recently issued accounting pronouncements

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU No. 2020-04"), which provides optional guidance to ease the potential burden in accounting for reference rate reform on financial reporting. The new guidance provides optional expedients and exceptions for applying generally accepted accounting principles to transactions affected by reference rate reform if certain criteria are met. This guidance is effective upon issuance through December 31, 2022. The Company is currently evaluating the potential effects of adopting the provisions of ASU No. 2020-04.

In January 2020, the FASB issued ASU No. 2020-01 - *Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)-Clarifying the Interactions between Topic 321, Topic 323, and Topic 815* ("ASU No.2020-01"), which clarifies the interaction of the accounting for certain equity securities, equity method investments, and certain derivatives. ASU No. 2020-01 will be effective for the Company in the first quarter of fiscal 2022, and early adoption is permitted. The Company is currently evaluating the potential effects of adopting the provisions of ASU No. 2020-01.

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes (Topic 740)*, ("ASU No. 2019-12") which removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU No. 2019-12 will be effective for the Company in the first quarter of fiscal 2022, and early adoption is permitted. Depending on the amendment, adoption may be applied on a retrospective, modified retrospective or prospective basis. The Company is currently evaluating the potential effects of adopting the provisions of ASU No. 2019-12.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans* ("ASU No. 2018-14"). The new guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans, including removing certain previous disclosure requirements, adding certain new disclosure requirements, and clarifying certain other disclosure requirements. ASU No. 2018-14 will be effective for the Company in the first quarter of fiscal 2022, and early adoption is permitted. The Company's planned adoption of ASU No. 2018-14 is not expected to have a material impact on the Company's consolidated financial statements.

2. Summary of significant accounting policies

Except for the changes below, no material changes have been made to the Company's significant accounting policies as disclosed in Note 1, Summary of Significant Accounting Policies, in its Annual Report on Form 10-K filed on August 14, 2020 for the year ended June 27, 2020.

Receivables – Receivables, predominately comprised of trade accounts and notes receivable, are reported at amortized cost, net of the allowance for credit losses in the consolidated balance sheets. The allowance for credit losses is a valuation account that is deducted from the receivables' amortized cost basis to present the net amount expected to be collected. The Company estimates the allowance for credit losses using relevant available information about expected credit losses, including information about historical credit losses, past events, current conditions, and other factors which may affect the collectability of receivables. Adjustments to historical loss information are made for differences in current receivable-specific risk characteristics such as changes in customer behavior, economic and industry changes, or other relevant factors. Expected credit losses are estimated on a pooled basis, when similar risk characteristics exist.

3. Acquisitions

In the first quarter of fiscal 2021, the Company completed an asset acquisition. The impact of this asset acquisition was not material to the Company's consolidated balance sheets or statements of operations.

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

4. Receivables

The Company's receivables and allowance for credit losses were as follows:

	October 3, 2020	June 27, 2020
	(In thousands)	
Receivables	$ 3,046,058	$ 2,993,404
Allowance for Credit Losses	(81,527)	(65,018)

The Company had the following activity in the allowance for credit losses during the first quarter of fiscal 2021:

	October 3, 2020
	(In thousands)
Balance at June 27, 2020	$ 65,018
Effect of adoption of ASU No. 2016-12 (Note 1)	17,205
Credit Loss Provision	1,786
Credit Loss Recoveries	(126)
Write offs	(4,023)
Foreign Currency Effect and Other	1,667
Balance at October 3, 2020	$ 81,527

5. Goodwill and intangible assets

Goodwill

The following table presents the change in goodwill by reportable segment for the three months ended October 3, 2020.

	Electronic Components	Farnell	Total
		(Thousands)	
Carrying value at June 27, 2020 (1)	$ 297,836	$ 475,898	$ 773,734
Foreign currency translation	6,606	18,525	25,131
Carrying value at October 3, 2020 (1)	$ 304,442	$ 494,423	$ 798,865

(1) Includes accumulated impairment of $1,045,110 from fiscal 2009, $181,440 from fiscal 2018, $137,396 from fiscal 2019 and $118,731 from fiscal 2020.

The Company evaluates each quarter if facts and circumstances indicate that it is more likely than not that the fair value of its reporting units is less than their carrying value, which would require the Company to perform an interim goodwill impairment test. Indicators the Company evaluates to determine whether an interim goodwill impairment test is necessary include, but are not limited to, (i) a sustained decrease in share price or market capitalization as of any fiscal quarter end, (ii) changes in macroeconomic or industry environments, (iii) the results of and the amount of time passed since the last goodwill impairment test and (iv) the long-term expected financial performance of its reporting units. During the first quarter of fiscal 2021, the Company concluded that an interim goodwill impairment test was not required.

Intangible Assets

The following table presents the Company's acquired intangible assets at October 3, 2020 and June 27, 2020, respectively.

	October 3, 2020			June 27, 2020		
	Acquired Amount	Accumulated Amortization	Net Book Value	Acquired Amount[1]	Accumulated Amortization	Net Book Value
	(Thousands)					
Customer related	$ 311,121	$ (291,936)	$ 19,185	$ 300,937	$ (266,759)	$ 34,178
Trade name	53,729	(35,914)	17,815	51,698	(32,493)	19,205
Technology and other	55,666	(45,218)	10,448	53,641	(41,587)	12,054
	$ 420,516	$ (373,068)	$ 47,448	$ 406,276	$ (340,839)	$ 65,437

(1) Acquired amount reduced by impairment of $17,473 from fiscal 2020.

Intangible asset amortization expense was $20.1 million and $19.9 million for the first quarters of fiscal 2021 and 2020, respectively. Intangible assets have a weighted average remaining useful life of approximately 3 years. The following table presents the estimated future amortization expense for the remainder of fiscal 2021 and the next five fiscal years (in thousands):

Fiscal Year	
Remainder of fiscal 2021	$ 20,058
2022	14,668
2023	6,415
2024	2,995
2025	1,472
2026	1,472
Thereafter	368
Total	$ 47,448

6. Debt

Short-term debt consists of the following (carrying balances in thousands):

	October 3, 2020	June 27, 2020	October 3, 2020	June 27, 2020
	Interest Rate		Carrying Balance	
Bank credit facilities and other	8.45 %	5.69 %	$ 92	$ 51
Accounts receivable securitization program	1.20 %	—	166,900	—
Short-term debt			$ 166,992	$ 51

Bank credit facilities and other consists primarily of various committed and uncommitted lines of credit and other forms of bank debt with financial institutions utilized primarily to support the working capital requirements of the Company including its foreign operations.

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

In July 2020, the Company amended and extended for one year, its trade accounts receivable securitization program (the "Securitization Program") in the United States with a group of financial institutions to allow the Company to transfer, on an ongoing revolving basis, an undivided interest in a designated pool of trade accounts receivable, to provide security or collateral for borrowings up to a maximum of $450 million. The Securitization Program does not qualify for off balance sheet accounting treatment and any borrowings under the Securitization Program are recorded as debt in the consolidated balance sheets. Under the Securitization Program, the Company legally sells and isolates certain U.S. trade accounts receivable into a wholly owned and consolidated bankruptcy remote special purpose entity. Such receivables, which are recorded within "Receivables" in the consolidated balance sheets, totaled $728.4 million and $703.8 million at October 3, 2020 and June 27, 2020, respectively. The Securitization Program contains certain covenants relating to the quality of the receivables sold. Interest on borrowings is calculated using a one-month LIBOR rate plus a spread of 1.05% The facility fee on the unused balance of the facility is up to 0.40%.

Long-term debt consists of the following (carrying balances in thousands):

	October 3, 2020	June 27, 2020	October 3, 2020	June 27, 2020
	Interest Rate		Carrying Balance	
Revolving credit facilities:				
Credit Facility (due June 2023)	—	1.28 %	$ —	$ 230,000
Public notes due:				
December 2021	3.75 %	3.75 %	300,000	300,000
December 2022	4.88 %	4.88 %	350,000	350,000
April 2026	4.63 %	4.63 %	550,000	550,000
Other long-term debt	1.18 %	1.19 %	1,518	1,491
Long-term debt before discount and debt issuance costs			1,201,518	1,431,491
Discount and debt issuance costs – unamortized			(6,315)	(6,700)
Long-term debt			$ 1,195,203	$ 1,424,791

The Company has a five-year $1.25 billion senior unsecured revolving credit facility (the "Credit Facility") with a syndicate of banks, consisting of revolving credit facilities and the issuance of up to $200.0 million of letters of credit and up to $300.0 million of loans in certain approved currencies, which expires in June 2023. Subject to certain conditions, the Credit Facility may be increased up to $1.50 billion. Under the Credit Facility, the Company may select from various interest rate options, currencies and maturities. The Credit Facility contains certain covenants including various limitations on debt incurrence, share repurchases, dividends, investments and capital expenditures. The Credit Facility also includes financial covenants, which were amended during the first quarter of fiscal 2021, requiring the Company to maintain minimum interest coverage and leverage ratios, which the Company was in compliance with as of October 3, 2020 and June 27, 2020.

As of October 3, 2020 and June 27, 2020, there were $1.3 million and $1.6 million, respectively, in letters of credit issued under the Credit Facility.

As of October 3, 2020, the carrying value and fair value of the Company's total debt was $1.36 billion and $1.46 billion, respectively. At June 27, 2020, the carrying value and fair value of the Company's total debt was $1.42 billion and $1.52 billion, respectively. Fair value for the public notes was estimated based upon quoted market prices and for other forms of debt fair value approximates carrying value due to the market based variable nature of the interest rates on those debt facilities.

7. Leases

Substantially all the Company's leases are classified as operating leases and are predominately related to real property for distribution centers, office space and integration facilities with a lease term of up to 18 years. The Company's equipment leases are primarily for automobiles and equipment, and are not material to the consolidated financial statements.

The components of lease cost related to the Company's operating leases were as follows (in thousands):

	First Quarters Ended	
	October 3, 2020	September 28, 2019
Operating lease cost	$ 18,402	$ 18,802
Variable lease cost	6,288	5,268
Total lease cost	$ 24,690	$ 24,070

Future minimum operating lease payments as of October 3, 2020 are as follows (in thousands):

Fiscal Year	
Remainder of fiscal 2021	$ 51,333
2022	59,795
2023	50,999
2024	38,900
2025	32,006
Thereafter	156,634
Total future operating lease payments	389,667
Total imputed interest on operating lease liabilities	(67,905)
Total operating lease liabilities	$ 321,762

Other information pertaining to operating leases consists of the following:

	First Quarters Ended	
	October 3, 2020	September 28, 2019
Operating Lease Term and Discount Rate		
Weighted-average remaining lease term in years	9.3	9.6
Weighted-average discount rate	3.8 %	3.8 %

Supplemental cash flow information related to the Company's operating leases for the first quarters ended October 3, 2020 and September 28, 2019, respectively, was as follows (in thousands):

	First Quarters Ended	
	October 3, 2020	September 28, 2019
Supplemental Cash Flow Information:		
Cash paid for operating lease liabilities	$ 14,710	$ 15,322
Operating lease assets obtained from new operating lease liabilities	21,718	6,404

8. Derivative financial instruments

Many of the Company's subsidiaries purchase and sell products in currencies other than their functional currencies. This subjects the Company to the risks associated with fluctuations in foreign currency exchange rates. The Company reduces this risk by utilizing natural hedging (e.g., offsetting receivables and payables in the same foreign currency) as well as by creating offsetting positions through the use of derivative financial instruments, primarily forward foreign exchange contracts typically with maturities of less than 60 days ("economic hedges"), but no longer than one year. The Company continues to have exposure to foreign currency risks to the extent they are not economically hedged. The Company adjusts any economic hedges to fair value through the consolidated statements of operations primarily within "Other (expense) income, net." The fair value of forward foreign exchange contracts, which are based upon Level 2 criteria under the ASC 820 fair value hierarchy, are classified in the captions "Prepaid and other current assets" or "Accrued expenses and other," as applicable, in the accompanying consolidated balance sheets as of October 3, 2020 and June 27, 2020. The Company's master netting and other similar arrangements with various financial institutions related to derivative financial instruments allow for the right of offset. The Company's policy is to present derivative financial instruments with the same counterparty as either a net asset or liability when the right of offset exists.

The Company generally does not hedge its investments in its foreign operations. The Company does not enter into derivative financial instruments for trading or speculative purposes and monitors the financial stability and credit standing of its counterparties.

The Company's foreign currency exposure relates primarily to international transactions where the currency collected from customers can be different from the currency used to purchase from suppliers. The Company's foreign operations transactions are denominated primarily in the following currencies: U.S. Dollar, Euro, British Pound, Japanese Yen, Chinese Yuan, Taiwan Dollar, Canadian Dollar and Mexican Peso. The Company also, to a lesser extent, has foreign operations transactions in other EMEA and Asia foreign currencies.

The fair values of forward foreign currency exchange contracts not receiving hedge accounting treatment recorded in the Company's consolidated balance sheets are as follows:

	October 3, 2020	June 27, 2020
	(Thousands)	
Prepaid and other current assets	$ 8,480	$ 18,989
Accrued expenses and other	18,471	15,605

The amounts recorded to other (expense) income, net, related to derivative financial instruments for economic hedges are as follows:

	First Quarters Ended	
	October 3, 2020	September 28, 2019
	(Thousands)	
Net derivative financial instrument (loss) gain	$ (7,816)	$ 9,500

Under the Company's economic hedging policies, gains and losses on the derivative financial instruments are classified within the same line item in the consolidated statements of operations as the remeasurement of the underlying assets or liabilities being economically hedged.

9. Commitments and contingencies

From time to time, the Company may become a party to, or be otherwise involved in various lawsuits, claims, investigations and other legal proceedings arising in the ordinary course of conducting its business. While litigation is subject to inherent uncertainties, management does not anticipate that any such matters will have a material adverse effect on the Company's financial condition, liquidity or results of operations.

The Company is also currently subject to various pending and potential legal matters and investigations relating to compliance with governmental laws and regulations, including import/export and environmental matters. For certain of these matters it is not possible to determine the ultimate outcome, and the Company cannot reasonably estimate the maximum potential exposure or the range of possible loss for such matters due primarily to being in the early stages of the related proceedings and investigations. The Company currently believes that the resolution of such matters will not have a material adverse effect on the Company's financial position or liquidity but could possibly be material to its results of operations in any one reporting period.

As of October 3, 2020 and June 27, 2020, the Company had aggregate estimated liabilities of $18.8 million classified within accrued expenses and other for such compliance-related matters that were reasonably estimable as of such dates.

During the first quarter of fiscal 2021, the Company recorded a gain on legal settlement of $8.2 million, which is classified as a component of Restructuring, integration and other expenses.

10. Income taxes

The Company's effective tax rate on its loss before taxes was a benefit of 18.9% in the first quarter of fiscal 2021. During the first quarter of fiscal 2021, the Company's effective tax rate was unfavorably impacted primarily by increases to valuation allowances, partially offset by (i) the release of unrecognized tax benefit reserves and (ii) the mix of income in lower tax jurisdictions.

During the first quarter of fiscal 2020, the Company's effective tax rate on its income before taxes was a benefit of 22.7%. During the first quarter of fiscal 2020, the Company's effective tax rate was favorably impacted primarily by (i) the release of unrecognized tax benefit reserves and (ii) the mix of income in lower tax jurisdictions.

The Company's effective tax rate may change in future periods due to changes in tax laws and issuance of additional guidance and regulations of tax laws.

11. Pension plan

The Company has a noncontributory defined benefit pension plan that covers substantially all current or former U.S. employees (the “Plan”). Components of net periodic pension cost for the Plan was as follows:

	First Quarters Ended	
	October 3, 2020	September 28, 2019
	(Thousands)	
Service cost	$ 3,938	$ 3,786
Total net periodic pension cost within selling, general and administrative expenses	3,938	3,786
Interest cost	3,976	5,638
Expected return on plan assets	(12,420)	(12,668)
Amortization of prior service cost	75	534
Recognized net actuarial loss	5,151	3,637
Total net periodic pension benefit within other (expense) income, net	(3,218)	(2,859)
Net periodic pension cost	$ 720	$ 927

The Company made $8.0 million of contributions during the first quarter of fiscal 2021 and expects to make additional contributions to the Plan of $8.0 million in the remainder of fiscal 2021.

12. Shareholders’ equity

Share repurchase program

In August 2019, the Company’s Board of Directors amended the Company’s existing share repurchase program, increasing the cumulative total of authorized share repurchases to $2.95 billion of common stock in the open market or through privately negotiated transactions. The timing and actual number of shares repurchased will depend on a variety of factors such as share price, expected liquidity, expected compliance with financial debt convents, corporate and regulatory requirements, and prevailing market conditions. During the first quarter ended October 3, 2020, the Company did not repurchase any shares under this program. As of October 3, 2020, the Company had $469.0 million remaining under its share repurchase authorization.

Common stock dividend

In August 2020, the Company’s Board of Directors approved a dividend of $0.21 per common share and dividend payments of $20.8 million were made in September 2020.

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

13. Earnings per share

	First Quarters Ended	
	October 3, 2020	September 28, 2019
	(Thousands, except per share data)	
Numerator:		
Net (loss) income	$ (18,889)	$ 41,752
Denominator:		
Weighted average common shares for basic earnings per share	98,897	103,130
Net effect of dilutive stock based compensation awards	—	1,247
Weighted average common shares for diluted earnings per share	98,897	104,377
Basic (loss) earnings per share	$ (0.19)	$ 0.40
Diluted (loss) earnings per share	$ (0.19)	$ 0.40
Stock options excluded from earnings per share calculation due to anti-dilutive effect	875	388

For the first quarter of fiscal 2021, the diluted net loss per share is the same as the basic net loss per share as the effect of all potential common shares would be anti-dilutive.

14. Additional cash flow information

Non-cash investing and financing activities and supplemental cash flow information were as follows:

	First Quarters Ended	
	October 3, 2020	September 28, 2019
	(Thousands)	
Non-cash Investing Activities:		
Capital expenditures incurred but not paid	$ 3,173	$ 7,500
Non-cash Financing Activities:		
Unsettled share repurchases	—	$ 2,734
Supplemental Cash Flow Information:		
Interest	$ 12,538	$ 19,214
Income tax net payments (refunds)	19,258	(5,192)

Included in cash and cash equivalents as of October 3, 2020 and June 27, 2020 was $5.8 million and $20.9 million, respectively, of cash equivalents, which was primarily comprised of investment grade money market funds and overnight time deposits.

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

15. Segment information

Electronic Components ("EC") and Farnell ("Farnell") are the Company's reportable segments ("operating groups"). EC markets and sells semiconductors and interconnect, passive and electromechanical devices and integrated components to a diverse customer base serving many end-markets. Farnell distributes electronic components and related products to the electronic system design community utilizing multi-channel sales and marketing resources.

	First Quarters Ended	
	October 3, 2020	September 28, 2019
	(Thousands)	
Sales:		
Electronic Components	$ 4,382,148	$ 4,294,187
Farnell	340,911	335,822
	4,723,059	4,630,009
Operating income:		
Electronic Components	$ 84,440	$ 112,286
Farnell	11,959	21,805
	96,399	134,091
Corporate	(31,302)	(26,677)
Restructuring, integration and other expenses	(26,420)	(24,598)
Amortization of acquired intangible assets and other	(20,175)	(20,078)
Operating income	$ 18,502	$ 62,738
Sales, by geographic area:		
Americas [(1)]	$ 1,205,695	$ 1,215,757
EMEA [(2)]	1,480,674	1,470,924
Asia/Pacific [(3)]	2,036,690	1,943,328
Sales	$ 4,723,059	$ 4,630,009

(1) Includes sales from the United States of $1.13 billion and $1.14 billion for the first quarters ended October 3, 2020 and September 28, 2019, respectively.

(2) Includes sales from Germany and Belgium of $574.8 million and $294.4 million, respectively, for the first quarter ended October 3, 2020. Includes sales from Germany and Belgium of $580.3 million and $277.8 million, respectively, for the first quarter ended September 28, 2019.

(3) Includes sales from China (including Hong Kong), Taiwan and Singapore of $631.8 million, $916.3 million and $272.0 million, respectively, for the first quarter ended October 3, 2020. Includes sales from China (including Hong Kong), Taiwan and Singapore of $623.5 million, $870.4 million and $239.6 million, respectively, for the first quarter ended September 28, 2019.

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

	October 3, 2020	June 27, 2020
	(Thousands)	
Property, plant, and equipment, net, by geographic area:		
Americas [(1)]	$ 173,378	$ 183,892
EMEA [(2)]	192,997	183,382
Asia/Pacific	37,761	37,333
Property, plant, and equipment, net	$ 404,136	$ 404,607

(1) Includes property, plant and equipment, net, of $169.2 million and $179.4 million as of October 3, 2020 and June 27, 2020, respectively, in the United States.

(2) Includes property, plant and equipment, net, of $86.1 million, $80.8 million and $22.5 million in Germany, the United Kingdom and Belgium, respectively, as of October 3, 2020; and $84.9 million, $72.7 million and $22.4 million in Germany, the United Kingdom and Belgium, respectively, as of June 27, 2020.

16. Restructuring expenses

Fiscal 2021

During fiscal 2021, the Company undertook restructuring actions in order to improve operating efficiencies and reduce operating expenses. Restructuring expenses are included as a component of restructuring, integration and other expenses in the consolidated statements of operations. The activity related to the restructuring liabilities associated with restructuring activities established during fiscal 2021 is presented in the following table:

	Severance	Facility and Contract Exit Costs	Total
		(Thousands)	
Fiscal 2021 restructuring expenses	$ 24,815	$ 2,037	$ 26,852
Cash payments	(4,732)	(200)	(4,932)
Non-cash amounts	—	—	—
Other, principally foreign currency translation	(38)	(2)	(40)
Balance at October 3, 2020	$ 20,045	$ 1,835	$ 21,880

Severance expense recorded in the first quarter of fiscal 2021 related to the reduction, or planned reduction, of over 150 employees, primarily in executive management, operations, information technology, warehouse, sales and business support functions. Of the $26.9 million in restructuring expenses recorded during the first quarter of fiscal 2021, $12.3 million related to EC, $9.2 million related to Farnell and $5.4 million related to Corporate. The Company expects the majority of the remaining severance amounts to be paid by the end of fiscal 2021.

Fiscal 2020 and prior

During fiscal 2020 and prior, the Company incurred restructuring expenses related to various restructuring actions intended to achieve planned synergies from acquired businesses and to reduce future operating expenses. The following table presents the activity during the first quarter of fiscal 2021 related to the remaining restructuring liabilities established during fiscal 2020 and prior:

	Severance	Facility and Contract Exit Costs	Total
		(Thousands)	
Balance at June 27, 2020	$ 13,574	$ 3,368	$ 16,942
Cash payments	(1,802)	(208)	(2,010)
Changes in estimates, net	(304)	(33)	(337)
Other, principally foreign currency translation	390	99	489
Balance at October 3, 2020	$ 11,858	$ 3,226	$ 15,084

The Company expects the majority of the remaining amounts to be paid by the end of fiscal 2021.

This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") with respect to the financial condition, results of operations and business of the Company. You can find many of these statements by looking for words like "believes," "plans," "expects," "anticipates," "should," "will," "may," "estimates" or similar expressions in this Quarterly Report or in documents incorporated by reference in this Quarterly Report. These forward-looking statements are subject to numerous assumptions, risks and uncertainties. You should understand that the following important factors, in addition to those discussed elsewhere in this Quarterly Report and in the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2020, could affect the Company's future results of operations, and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements: the scope and duration of the COVID-19 pandemic and its impact on global economic systems, access to financial markets and the Company's employees, operations, customers, and supply chain; competitive pressures among distributors of electronic components; an industry down-cycle in semiconductors; relationships with key suppliers and allocations of products by suppliers; risks relating to the Company's international sales and operations, including risks relating to the ability to repatriate cash, foreign currency fluctuations, duties and taxes, and compliance with international and U.S. laws; risks relating to acquisitions, divestitures and investments; adverse effects on the Company's supply chain, operations of its distribution centers, shipping costs, third-party service providers, customers and suppliers, including as a result of issues caused by natural and weather-related disasters, pandemics and health related crisis, social unrest or warehouse modernization and relocation efforts; risks related to cyber-attacks and the Company's information systems, including related to current or future implementations; general economic and business conditions (domestic, foreign and global) affecting the Company's operations and financial performance and, indirectly, the Company's credit ratings, debt covenant compliance, and liquidity and access to financing; geopolitical events, including the uncertainty caused by the United Kingdom's planned exit from the European Union commonly referred to as "Brexit"; and legislative or regulatory changes affecting the Company's businesses.

Any forward-looking statement speaks only as of the date on which that statement is made. Except as required by law, the Company assumes no obligation to update any forward-looking statement to reflect events or circumstances that occur after the date on which the statement is made.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

For a description of the Company's critical accounting policies and an understanding of the significant factors that influenced the Company's performance during the quarter ended October 3, 2020, this *Management's Discussion and Analysis of Financial Condition and Results of Operations* ("MD&A") should be read in conjunction with the consolidated financial statements, including the related notes, appearing in Item 1 of this Quarterly Report on Form 10-Q, as well as the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2020. The Company operates on a "52/53 week" fiscal year and fiscal 2021 contains 53 weeks compared to 52 weeks in fiscal 2020. As a result, the first quarter of fiscal 2021 ended October 3, 2020, contained 14 weeks and the first quarter of fiscal 2020 ended September 28, 2019 contained 13 weeks. This extra week in the first quarter of fiscal 2021 impacts the year-over-year analysis in this MD&A.

There are references to the impact of foreign currency translation 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 that follows, results excluding this impact, primarily for subsidiaries in Europe, the Middle East and Africa ("EMEA") and Asia/Pacific ("Asia"), are referred to as "constant currency."

In addition to disclosing financial results that are determined in accordance with generally accepted accounting principles in the U.S. (“GAAP”), the Company also discloses certain non-GAAP financial information, including:

- Sales adjusted for certain items that impact the year-over-year analysis, which includes the impact of certain acquisitions by adjusting Avnet’s prior periods to include the sales of acquired businesses, as if the acquisitions had occurred at the beginning of the earliest period presented. In addition, fiscal 2021 sales are adjusted for the estimated impact of the extra week of sales in the first quarter of fiscal 2021 due to it being a 14-week quarter, as discussed above. Sales taking into account these adjustments are referred to as “organic sales.”

- Operating income (loss) excluding (i) restructuring, integration and other expenses, (see *Restructuring, Integration and Other Expenses* in this MD&A) and (ii) amortization of acquired intangible assets. Operating income excluding such amounts is referred to as “adjusted operating income.”

The reconciliation of operating income (loss) to adjusted operating income is presented in the following table:

	First Quarters Ended	
	October 3, 2020	September 28, 2019
	(Thousands)	
Operating income	$ 18,502	$ 62,738
Restructuring, integration and other expenses	26,420	24,598
Amortization of acquired intangible assets and other	20,175	20,078
Adjusted operating income	$ 65,097	$ 107,414

Management believes that providing this additional information is useful to readers to better assess and understand operating performance, especially when comparing results with prior periods or forecasting performance for future periods, primarily because management typically monitors the business both including and excluding these adjustments to GAAP results. Management also uses these non-GAAP measures to establish operational goals and, in many cases, for measuring performance for compensation purposes. However, any analysis of results on a non-GAAP basis should be used as a complement to, and in conjunction with, results presented in accordance with GAAP.

OVERVIEW

Organization

Avnet, Inc. and its consolidated subsidiaries' (collectively, the "Company" or "Avnet"), is a global technology solutions company with an extensive ecosystem delivering design, product, marketing and supply chain expertise for customers at every stage of the product lifecycle. Avnet transforms ideas into intelligent solutions, reducing the time, cost and complexities of bringing products to market around the world. Founded in 1921 and incorporated in New York in 1955, the Company works with over 1,400 technology suppliers to serve 2.1 million customers in more than 140 countries.

Avnet has two primary operating groups — Electronic Components ("EC") and Farnell ("Farnell"). Both operating groups have operations in each of the three major economic regions of the world: (i) the Americas, (ii) EMEA and (iii) Asia. A summary of each operating group is provided in Note 15, "Segment information" to the Company's consolidated financial statements included in this Quarterly Report on Form 10-Q.

Results of Operations

Significant Risks and Uncertainties

The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, constrained work force participation, disrupted logistics and distribution systems, and created significant volatility and disruption of financial markets. As the scope and duration of the COVID-19 pandemic is unknown and the extent of its economic impact continues to evolve globally, there is significant uncertainty related to the ultimate impact it will have on the Company's business, its employees, results of operations and financial condition, and to what extent the Company's actions to mitigate such impacts will be successful and sufficient. Accordingly, current results and financial condition discussed herein may not be indicative of future operating results and trends. See the risk factor regarding the impacts of the COVID-19 pandemic included in the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2020.

Executive Summary

Sales of $4.72 billion were up 2.0% year over year as compared to prior year sales of $4.63 billion. Excluding the impact of the additional week in the first quarter of fiscal 2021, sales decreased $212.9 million or 4.6% and decreased 6.0% in constant currency year-over-year. The organic decreases in sales are a result of the negative impacts from the COVID-19 pandemic on both operating segments across all three regions, and from lower sales of Texas Instruments' ("TI") products due to the termination of the Company's TI distribution agreement in the second quarter of fiscal 2021.

Gross profit margin of 10.9% decreased 82 basis points compared to 11.7% in the first quarter of fiscal 2020 primarily due to a combination of geographical market mix, product and customer mix, and overall declines in gross profit margin due to the negative impacts from the COVID-19 pandemic.

Operating income of $18.5 million decreased $44.2 million or 70.5% as compared to first quarter of fiscal 2020 operating income. Operating income margin was 0.4% in the first quarter of fiscal 2021 as compared to 1.4% in the first quarter of fiscal 2020. Adjusted operating income margin was 1.4% in the first quarter of fiscal 2021 as compared to 2.3% in the first quarter of fiscal 2020, a decline of 94 basis points. The decrease in adjusted operating income and adjusted operating income margin is primarily due to the decrease in gross profit margin.

Sales

The following table presents the reconciliation of reported sales to organic sales for the first quarter of fiscal 2021 by region and by operating group.

	Sales As Reported Q1-Fiscal 2021	Estimated Extra Week in Q1-Fiscal 2021 (1)	Organic Sales Q1-Fiscal 2021	TI Sales Q1-Fiscal 2021(2)	Organic Sales Adj for TI Q1-Fiscal 2021(2)
			(in thousands)		
Avnet	$ 4,723,059	$ 306,000	$ 4,417,059	$ 240,984	$ 4,176,075
Avnet by region					
Americas	$ 1,205,695	$ 77,000	$ 1,128,695	$ 68,500	$ 1,060,195
EMEA	1,480,674	97,000	1,383,674	102,910	1,280,764
Asia	2,036,690	132,000	1,904,690	69,574	1,835,116
Avnet by operating group					
EC	$ 4,382,148	$ 284,000	$ 4,098,148	$ 240,984	$ 3,857,164
Farnell	340,911	22,000	318,911	—	318,911

(1) The impact of the additional week of sales in the first quarter of fiscal 2021 is estimated.
(2) Sales adjusted for the impact of the termination of the Texas Instruments ("TI") distribution contract, which will be completed by December 2020. Sales of TI products were $241 million in the first quarter of fiscal 2021 and $443 million in the first quarter of fiscal 2020.

The following table presents reported and organic sales growth rates for the first quarter of fiscal 2021 as compared to fiscal 2020 by region and by operating group.

	Sales As Reported Q1-Fiscal 2021	Sales As Reported Year-Year % Change	Sales As Reported Year-Year % Change in Constant Currency	Organic Sales Q1-Fiscal 2021	Organic Sales Year-Year % Change	Organic Sales Year-Year % Change in Constant Currency	Organic Sales Adj for TI Year-Year % Change in Constant Currency(1)
			(Dollars in thousands)				
Avnet	$ 4,723,059	2.0 %	0.6 %	$ 4,417,059	(4.6)%	(6.0)%	(1.8)%
Avnet by region							
Americas	$ 1,205,695	(0.8)%	(0.8)%	$ 1,128,695	(7.2)%	(7.2)%	(4.9)%
EMEA	1,480,674	0.7	(3.6)	1,383,674	(5.9)	(10.2)	(7.7)
Asia	2,036,690	4.8	4.6	1,904,690	(2.0)	(2.2)	4.6
Avnet by operating group							
EC	$ 4,382,148	2.1 %	0.7 %	$ 4,098,148	(4.6)%	(5.9)%	(1.3)%
Farnell	340,911	1.5	(0.5)	318,911	(5.0)	(7.1)	(7.1)

(1) Sales growth rates excluding the impact of the termination of the TI distribution agreement, which will be completed by December 2020.

Sales of $4.72 billion for the first quarter of fiscal 2021 were up $93.1 million, or 2.0%, from the prior year first quarter sales of $4.63 billion. Organic sales in constant currency in the first quarter of fiscal 2021 decreased by 6.0% over the prior year first quarter as a result of decreased sales in both operating groups and across all three regions.

EC sales of $4.38 billion in the first quarter of fiscal 2021 increased $88.0 million or 2.1% from the prior year first quarter sales of $4.29 billion. On an organic basis, EC sales decreased 4.6% year over year and 5.9% in constant currency. This decrease was across all three regions and resulted primarily from the negative impacts of COVID-19 and lower sales of TI products.

Farnell sales for the first quarter of fiscal 2021 were $340.9 million, an increase of $5.1 million or 1.5% from the prior year first quarter sales of $335.8 million. Organic sales decreased $16.9 million or 5.0% year over year and decreased 7.1% in constant currency. These decreases were a result of the negative impacts of COVID-19 and the related impact on market demand.

On a regional basis, organic sales in the first quarter of fiscal 2021 declined 7.2% in the Americas, 10.2% in EMEA in constant currency and 2.2% in Asia in constant currency.

Gross Profit and Gross Profit Margins

Gross profit for the first quarter of fiscal 2021 was $516.1 million, a decrease of $27.7 million, or 5.1%, from the first quarter of fiscal 2020 gross profit of $543.8 million. Gross profit margin decreased to 10.9% or 82 basis points from the first quarter of fiscal 2020 gross profit margin of 11.7% driven by declines in gross profit margin in both operating groups. The declines in gross profit margin in both operating groups are primarily due to a combination of geographical market mix, unfavorable changes in product and customer mix, and overall declines in gross profit margin due to current market conditions including the impacts of COVID-19. Sales in the higher margin western regions represented approximately 57% of sales in the first quarter of fiscal 2021 as compared to 58% during the first quarter of fiscal 2020.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A expenses") were $471.2 million in the first quarter of fiscal 2021, an increase of $14.7 million, or 3.2%, from the first quarter of fiscal 2020. The year-over-year increase in SG&A expenses was primarily due to increases in SG&A expenses from the extra week in the first quarter of fiscal 2021, the impact of foreign currency due to the weakening of the U.S. Dollar and the impacts of the COVID-19 pandemic, partially offset by cost savings from restructuring activities.

Metrics that management monitors with respect to its operating expenses are SG&A expenses as a percentage of sales and as a percentage of gross profit. In the first quarter of fiscal 2021, SG&A expenses as a percentage of sales were 10.0% and as a percentage of gross profit were 91.3%, as compared with 9.9% and 83.9%, respectively, in the first quarter of fiscal 2020. The increase in SG&A expenses as a percentage of gross profit is primarily the result of the decrease in gross profit margin.

Restructuring, Integration and Other Expenses

As a result of management's focus on improving operating efficiencies and reducing operating costs, the Company has incurred certain restructuring costs. These costs also relate to the continued transformation of the Company's information technology, distribution center footprint and business operations. In addition, the Company incurred integration and other costs and benefitted from a gain on a legal settlement. Integration costs are primarily related to the integration of certain regional and global businesses and incremental costs incurred as part of the consolidation, relocation, sale and closure of distribution centers and office facilities. Other costs consist primarily of any other miscellaneous costs that relate to restructuring, integration and other expenses, including acquisition related costs and specific and incremental costs incurred associated with the impacts of the COVID-19 pandemic. Included in restructuring, integration and other expenses is a gain of $8.2 million resulting from a legal settlement.

The Company recorded restructuring, integration and other expenses of $26.4 million during the first quarter of fiscal 2021. The Company recorded $26.9 million of restructuring costs in the first quarter of fiscal 2021, which are expected to provide approximately $21.0 million in annual operating expense savings once such restructuring actions are completed. During the first quarter of fiscal 2021, the Company also incurred integration costs of $7.3 million and other charges of $0.7 million offset by a gain on legal settlement of $8.2 million and a reversal of $0.3 million for changes in estimates for costs associated with prior year restructuring actions. The after-tax impact of restructuring, integration and other expenses were $21.8 million and $0.22 per share on a diluted basis.

See Note 16 "Restructuring expenses" to the Company's consolidated financial statements included in this Quarterly Report on Form 10-Q.

Operating Income

Operating income for the first quarter of fiscal 2021 was $18.5 million, a decrease of $44.2 million, or 70.5%, from the first quarter of fiscal 2020 operating income of $62.7 million. The year-over-year decrease in operating income was primarily driven by the decline in gross profit margin as compared to the first quarter of fiscal 2020. Adjusted operating income for the first quarter of fiscal 2021 was $65.1 million, a decrease of $42.3 million, or 39.4%, from the first quarter of fiscal 2020. The year-over-year decrease in adjusted operating income was primarily driven by the decline in gross profit margin discussed further above.

EC operating income margin decreased 68 basis points year over year to 1.9% and Farnell operating income margin decreased 298 basis points year over year to 3.5%. These declines were primarily driven by the decline in gross profit margin.

Interest and Other Financing Expenses, Net and Other (Expense) Income, Net

Interest and other financing expenses in the first quarter of fiscal 2021 was $22.3 million, a decrease of $11.3 million, or 33.7%, as compared with interest and other financing expenses of $33.6 million in the first quarter of fiscal 2020. The decrease in interest and other financing expenses in the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020 was primarily related to lower outstanding borrowings in the first quarter of fiscal 2021.

During the first quarter of fiscal 2021, the Company had $19.5 million of other expense as compared with $4.9 million of other income in the first quarter of fiscal 2020. The year-over-year differences in other income was primarily due to the $15.2 million of equity investment impairment expense included in the other expense in the first quarter of fiscal 2021 and differences in foreign currency exchange rates between the first quarters of fiscal 2021 and fiscal 2020.

Income Tax Expense

The Company's effective tax rate on its loss before taxes was a benefit of 18.9% in the first quarter of fiscal 2021. During the first quarter of fiscal 2021, the Company's effective tax rate was unfavorably impacted primarily by increases to valuation allowances, partially offset by (i) the release of unrecognized tax benefit reserves and (ii) the mix of income in lower tax jurisdictions.

See Note 10 "Income taxes" to the Company's consolidated financial statements included in this Quarterly Report on Form 10-Q for further discussion on the effective tax rate.

Net Income (Loss)

As a result of the factors described in the preceding sections of this MD&A, the Company's net loss for the first quarter of fiscal 2021 was $18.9 million, or $0.19 per share on a diluted basis, as compared with net income of $41.8 million, or $0.40 per share on a diluted basis, in the first quarter of fiscal 2020.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Cash Flow from Operating Activities

During the first quarter of fiscal 2021, the Company generated $122.4 million of cash flow from operations compared to $195.6 million of cash generated in the first quarter of fiscal 2020. These operating cash flows were comprised of: (i) cash flow generated from net income, adjusted for the impact of non-cash and other items, which includes depreciation and amortization expenses, deferred income taxes, stock-based compensation expense, amortization of operating lease assets and other non-cash items and (ii) cash flows used for, or generated from, working capital and other, excluding cash and cash equivalents. Cash generated from working capital and other was $47.7 million during the first quarter of fiscal 2021, including an increase in accounts payable of $228.7 million, offset by increases in inventories of $136.4 million and accounts receivable of $7.1 million, and a decrease in accrued expenses and other of $37.5 million. Comparatively, cash generated from working capital and other was $82.2 million during the first quarter of fiscal 2020, including an increase in accounts payable of $189.7 million, offset by increases in inventories of $64.2 million and accounts receivable of $6.7 million, and a decrease in accrued expenses and other of $36.7 million.

Cash Flow from Financing Activities

During the first quarter of fiscal 2021, the Company received net proceeds of $166.9 million under the Securitization Program and made a net repayment of $234.2 million under the Credit Facility. During the first quarter of fiscal 2021, the Company paid dividends on common stock of $20.8 million.

During the first quarter of fiscal 2020, the Company received net proceeds of $110.8 million under the Securitization Program. During the first quarter of fiscal 2020, the Company paid dividends on common stock of $21.5 million and repurchased $110.8 million of common stock.

Cash Flow from Investing Activities

During the first quarter of fiscal 2021, the Company used $20.0 million for capital expenditures primarily related to warehouse and facilities, and information technology hardware and software costs compared to $29.9 million for capital expenditures in the first quarter of fiscal 2020. During the first quarter of fiscal 2021, the Company paid $18.7 million for an asset acquisition. The Company paid $12.8 million for other investing activities during the first quarter of fiscal 2020.

Contractual Obligations

For a detailed description of the Company's long-term debt and lease commitments for the next five years and thereafter, see *Long-Term Contractual Obligations* appearing in Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2020. With the exception of the Company's debt transactions discussed herein, there are no material changes to this information outside of normal borrowings and repayments of long-term debt and operating lease payments. The Company does not currently have any material non-cancellable commitments for capital expenditures or inventory purchases outside of the normal course of business.

Financing Transactions

See Note 6, "Debt" to the Company's consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information on financing transactions including the Credit Facility, the Securitization Program, and other outstanding debt as of October 3, 2020. The Company was in compliance with all covenants under the Credit Facility and the Securitization Program as of October 3, 2020 and June 27, 2020.

The Company has various lines of credit, financing arrangements and other forms of bank debt in the U.S. and various foreign locations to fund the short-term working capital, foreign exchange, overdraft and letter of credit needs of its wholly owned subsidiaries. Outstanding borrowings under such forms of debt at the end of first quarter of fiscal 2021 was $1.6 million.

As an alternative form of financing outside of the United States, the Company sells certain of its trade accounts receivable on a non-recourse basis to third-party financial institutions pursuant to factoring agreements. The Company accounts for these transactions as sales of receivables and presents cash proceeds as cash provided by operating activities in the consolidated statements of cash flows. Factoring fees for the sales of trade accounts receivable are recorded within "Interest and other financing expenses, net" and were not material.

Liquidity

The Company held cash and cash equivalents of $483.1 million as of October 3, 2020, of which $412.1 million was held outside the United States. As of June 27, 2020, the Company held cash and cash equivalents of $477.0 million, of which $411.2 million was held outside of the United States.

As of the end of the first quarter of fiscal 2021, the Company had a combined total borrowing capacity of $1.70 billion under the Credit Facility and the Securitization Program. There were no borrowings outstanding and $1.3 million in letters of credit issued under the Credit Facility and $166.9 million in borrowings outstanding under the Securitization Program, resulting in approximately $1.48 billion of total availability as of October 3, 2020. Availability under the Securitization Program is subject to the Company having sufficient eligible trade accounts receivable in the Americas to support desired borrowings.

Borrowings under the Credit Facility require the Company to maintain certain financial and other covenants and the Securitization has cross default provisions associated with the covenants in the Credit Facility. The Credit Facility requires the Company to maintain minimum interest coverage and leverage ratios, which were amended in the first quarter of fiscal 2021. All other forms of debt and financing do not include financial or other covenants. The Company was in compliance with all covenants under the Credit Facility as of October 3, 2020.

During the first quarter of fiscal 2021, the Company had an average daily balance outstanding of approximately $86.2 million under the Credit Facility and approximately $290.0 million under the Securitization Program.

During periods of weakening demand in the electronic components industry, the Company typically generates cash from operating activities. Conversely, the Company is more likely to use operating cash flows for working capital requirements during periods of higher growth. The Company generated $657.0 million in cash flows from operating activities over the trailing four fiscal quarters ended October 3, 2020.

Liquidity is subject to many factors, such as normal business operations as well as general economic, financial, competitive, legislative, and regulatory factors that are beyond the Company's control. This includes the potential impact on liquidity and related compliance with debt covenants as a result of the uncertain future impacts of the COVID-19 pandemic. To the extent the cash balances held in foreign locations cannot be remitted back to the U.S. in a tax efficient manner, those cash balances are generally used for ongoing working capital, capital expenditures and other foreign business needs. In addition, local government regulations may restrict the Company's ability to move funds among various locations under certain circumstances. Management does not believe such restrictions would limit the Company's ability to pursue its intended business strategy.

The Company continuously monitors and reviews its liquidity position and funding needs. Management believes that the Company's ability to generate operating cash flows in the future and available borrowing capacity, including capacity for the non-recourse sale of trade accounts receivable, will be sufficient to meet its future liquidity needs. The Company may also renew or replace expiring debt arrangements in the future and management believes the Company will have adequate access to the capital markets, if needed. Although the future impact of the COVID-19 pandemic on the capital markets and financial institutions is uncertain, the Company has historically and believes it will have the ability in the future to generate operating cash flows in periods of declining sales.

As a result of the evolving impacts of the COVID-19 pandemic and the related uncertain future business conditions, the Company in unlikely to make near-term strategic investments through material acquisitions. As the Company implements operating cost saving restructuring plans including plans to reduce operating costs by $75 million annually by the second quarter of fiscal 2021, the Company also expects to use cash for restructuring, integration and other expenses.

As of October 3, 2020, the Company may repurchase up to an aggregate of $469.0 million of shares of the Company's common stock through a $2.95 billion share repurchase program approved by the Board of Directors. The Company may repurchase stock from time to time at the discretion of management, subject to strategic considerations, market conditions and other factors. The Company may terminate or limit the share repurchase program at any time without prior notice. As a result of the impacts of the COVID-19 pandemic and the corresponding need to manage liquidity and leverage, the Company has temporarily suspended share repurchases and is unlikely to engage in such repurchases in the near term.

The Company has historically paid quarterly cash dividends on shares of its common stock, and future dividends are subject to approval by the Board of Directors. During the first quarter of fiscal 2021, the Board of Directors approved a dividend of $0.21 per share, which resulted in $20.8 million of dividend payments during the quarter.

Recently Issued Accounting Pronouncements

See Note 1, "Basis of presentation and new accounting pronouncements" to the Company's consolidated financial statements included in this Quarterly Report on Form 10-Q for a description of recently issued accounting pronouncements.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

The Company seeks to reduce earnings and cash flow volatility associated with changes in foreign currency exchange rates by entering into financial arrangements that are intended to provide an economic hedge against all or a portion of the risks associated with such volatility. The Company continues to have exposure to such risks to the extent they are not economically hedged.

See Item 7A, *Quantitative and Qualitative Disclosures About Market Risk*, in the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2020, for further discussion of market risks associated with foreign currency exchange rates and interest rates. Avnet's exposure to such risks has not changed materially since June 27, 2020, as the Company continues to economically hedge the majority of its foreign currency exchange exposures. Thus, any increase or decrease in fair value of the Company's forward foreign currency exchange contracts is generally offset by an opposite effect on the related economically hedged position. For interest rate risk, the Company continues to maintain a combination of fixed and variable rate debt to mitigate the exposure to fluctuations in market interest rates.

See *Liquidity and Capital Resources — Financing Transactions* appearing in Item 2 of this Quarterly Report on Form 10-Q for further discussion of the Company's financing transactions and capital structure. As of October 3, 2020, 88% of the Company's debt bears interest at a fixed rate and 12% of the Company's debt bears interest at variable rates. Therefore, a hypothetical 1.0% (100 basis points) increase in interest rates would result in a $0.4 million decrease in income before income taxes in the Company's consolidated statement of operations for the first quarter of fiscal 2021.

Item 4. *Controls and Procedures*

The Company's management, including its Interim Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the reporting period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, the Interim Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, the Company's disclosure controls and procedures are effective such that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the Securities and Exchange Commission's rules and forms and is accumulated and communicated to management, including the Company's principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

During the first quarter of fiscal 2021, there were no changes to the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1. *Legal Proceedings*

Pursuant to SEC regulations, including but not limited to Item 103 of Regulation S-K, the Company regularly assesses the status of and developments in pending environmental and other compliance related legal proceedings to determine whether any such proceedings should be identified specifically in this discussion of legal proceedings, and has concluded that no particular pending legal proceeding requires public disclosure. Based on the information known to date, management believes that the Company has appropriately accrued in its consolidated financial statements for its share of the estimable costs of environmental and other compliance related matters.

The Company is also currently subject to various pending and potential legal matters and investigations relating to compliance with governmental laws and regulations, including import/export and environmental matters. The Company currently believes that the resolution of such matters will not have a material adverse effect on the Company's financial position or liquidity but could possibly be material to its results of operations in any one reporting period.

Item 1A. *Risk Factors*

The discussion of the Company's business and operations should be read together with the revised risk factors set forth below and the risk factors contained in Item 1A of its Annual Report on Form 10-K for the fiscal year ended June 27, 2020, which describe various risks and uncertainties to which the Company is or may become subject. These risks and uncertainties have the potential to affect the Company's business, financial condition, results of operations, cash flows, strategies or prospects in a material and adverse manner. Other than the revised risk factors set forth below, as of October 3, 2020, there have been no material changes to the risk factors set forth in the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2020.

The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, impacted the operations of the Company and its business partners and negatively impacted the Company's operations and financial results, and such impact and uncertainty is likely to continue until there is access to a vaccine in each of the regions in which the Company operates.

The COVID-19 outbreak has negatively impacted the global economy, disrupted global supply chains, constrained workforce participation due to travel restrictions and quarantine orders, disrupted logistics and distribution systems, and created significant volatility and disruption of financial markets. As a result, this pandemic has negatively impacted the operations of the Company and its customers and suppliers, and resulted in or heightened the risks of customer bankruptcies, customer delayed or defaulted payments, acceleration of TI's planned withdrawal as a supplier, restrictions on access to financial markets and other risk factors described in the Company's Annual Report. While the Company has not yet experienced any material disruption to its upstream supply chain and many of its distribution centers remain operational under business continuity plans, it has experienced increased logistics costs, softer product demand, price constraints, delays to warehouse modernization and relocation efforts, longer lead times in certain regions, reduction in global distribution center utilization, and shipping delays. To mitigate the impact of COVID-19, the Company has implemented business continuity plans, with a focus on employee safety and mitigation of business disruptions. These mitigation efforts may be impacted by restrictions implemented by applicable regulatory authorities. The Company is also taking steps to conserve cash and effectively manage its debt. As the scope and duration of the COVID-19 outbreak is unknown and the extent of its economic impact continues to evolve globally, there is significant uncertainty related to the ultimate impact that it will have on the Company's business, its employees, results of operations and financial condition, and to what extent the Company's actions to mitigate such impacts will be successful and sufficient.

Major disruptions to the Company's logistics capability could have an adverse impact on the Company's operations.

The Company's global logistics services are operated through specialized, centralized or outsourced distribution centers around the globe. The Company also depends almost entirely on third-party transportation service providers for the delivery of products to its customers. A major interruption, disruption or delay in service at one or more of its distribution centers for any reason (such as information technology upgrades and operating issues, warehouse modernization and relocation efforts, natural disasters, pandemics, civil unrest or significant disruptions of services from the Company's third-party transportation providers) could cause cancellations or delays in a significant number of shipments to customers and, as a result, could have an adverse impact on the Company's business partners, causing customers to terminate or significantly reduce their volume of business with the Company, which could reduce the Company's market share and negatively impact its competitive position, operating results and profitability.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

In August 2019, the Company's Board of Directors amended the Company's existing share repurchase program, increasing the cumulative total of authorized share repurchases to $2.95 billion of the Company's common stock. During the first quarter of fiscal 2021, the Company did not repurchase any shares under the share repurchase program resulting in $469.0 million of availability under the share repurchase program as of October 3, 2020.

Item 6. ***Exhibits***

Exhibit Number	Exhibit
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

** Furnished herewith. The information in these exhibits shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to liability under that section, and shall not be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURE

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, thereunto duly authorized.

Date: October 30, 2020

AVNET, INC.

By: /s/ THOMAS LIGUORI

Thomas Liguori

Chief Financial Officer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Philip R. Gallagher, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avnet, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2020

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/s/ PHILIP R. GALLAGHER

Philip R. Gallagher
Interim Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Thomas Liguori, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avnet, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2020

/s/ THOMAS LIGUORI
Thomas Liguori
Chief Financial Officer

Exhibit 32.1

Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report on Form 10-Q for the period ended October 3, 2020 (the “Report”), I, Philip R. Gallagher, Interim Chief Executive Officer of Avnet, Inc. (the “Company”) hereby certify that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2020

/s/ PHILIP R. GALLAGHER
Philip R. Gallagher
Interim Chief Executive Officer

Exhibit 32.2

Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report on Form 10-Q for the period ended October 3, 2020 (the “Report”), I, Thomas Liguori, Chief Financial Officer of Avnet, Inc. (the “Company”) hereby certify that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2020

/s/ THOMAS LIGUORI
Thomas Liguori
Chief Financial Officer