

# Avnet

## Raymond James 40<sup>th</sup> Annual Institutional Investors Conference

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Bill Amelio, CEO  
Tom Liguori, CFO



# Safe harbor statement

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

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

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

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

# FY19 strategic priorities

## Transforming our business

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- 1 Accelerate the core Electronic Components business

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- 2 Scale higher-profit business segments in Premier Farnell, Avnet Integrated and IoT

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- 3 Extend and deploy digital capabilities to drive growth, customer satisfaction & efficiency

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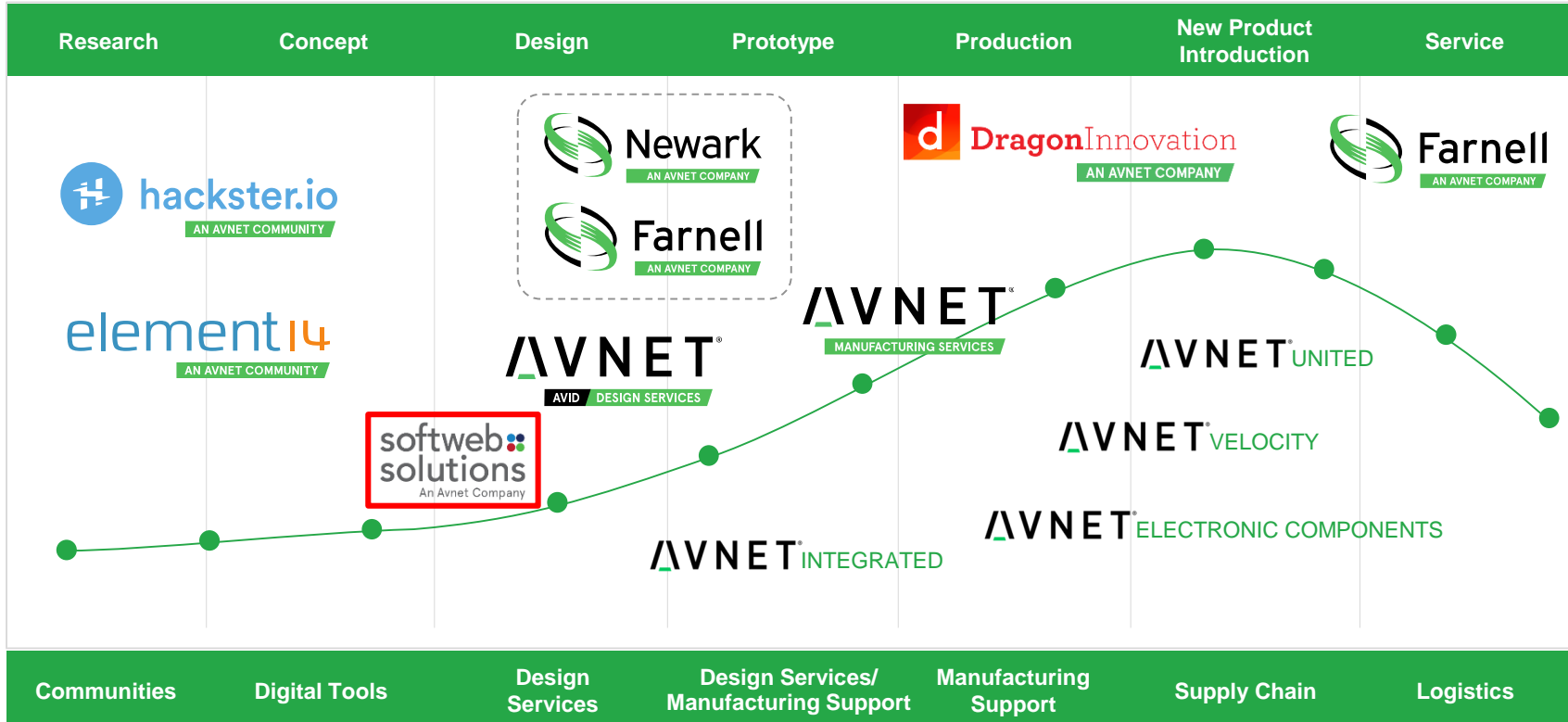
- 4 Leverage ecosystem to expand customer opportunities

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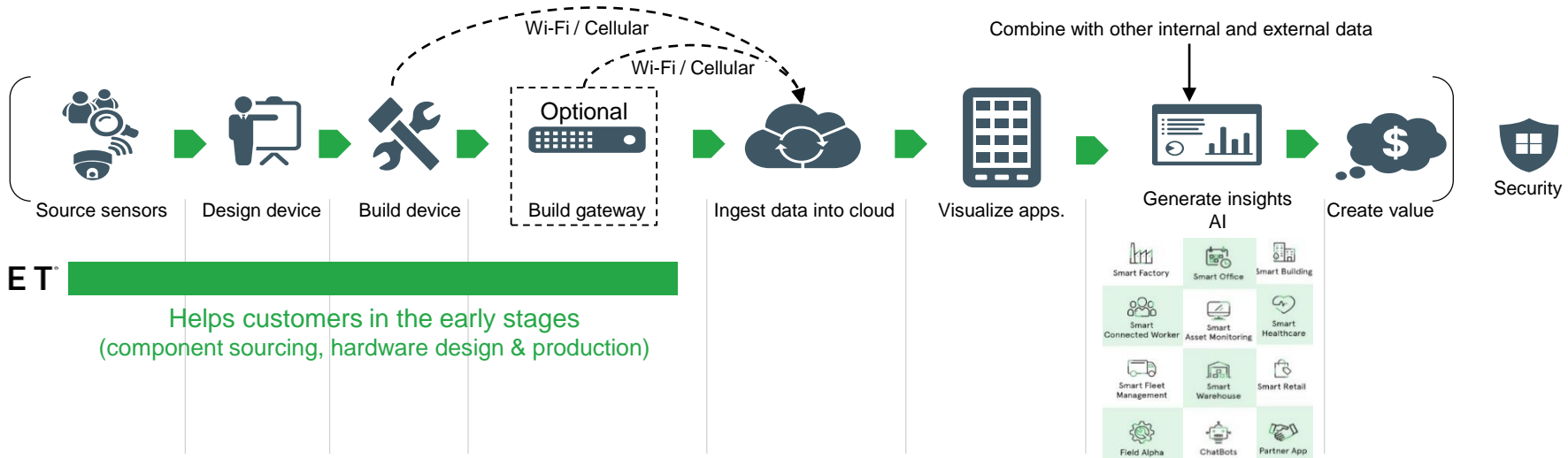
- 5 Drive performance and operational excellence through continuous improvement

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# Avnet's ecosystem – from idea to implementation



# Avnet + Softweb: complete IoT solutions capability



**AVNET**

Helps customers in the early stages  
(component sourcing, hardware design & production)

**softweb solutions**

Helps customer connect devices to the cloud  
Generates insights through apps & AI

Customers can now come to Avnet for end-to-end capabilities to deliver actionable business insights

## The Solution: Finger cuff measures vital signs

- Non-invasive, measures 6 vital signs in 3 minutes
  - Blood pressure
  - Heart rate
  - Respiratory rate
  - Spo2 (oxygen saturation)
  - Temperature
  - Heart rate variability

## Avnet's Role

- Electrical & mechanical design
- App development
- Prototyping & early manufacturing

## Impact to Avnet

- Higher margins
- Recurring revenue
- Available in CYQ2 2019



**The Solution: A smart bassinet**

- Sensors identify when the child is awake
- Rocks the crib until the child returns to sleep
- App logs baby's sleep and provides alerts

**Avnet's Role**

- Engineering design support
- Avnet handles logistics for rental customers
- Refurbish, re-certify and tests units



**Impact to Avnet**

- Nontraditional customer base
- Recurring services revenue
- Available now





Major Coffee Retailer

IoT solution that keeps coffee brewing

### **The Solution: Connected coffee machine**

- Predictive maintenance solution
- Reduce / eliminate machine downtime
- Data collection for performance optimization

### **Avnet's Role**

- Designed fully integrated solution
- Leverages Azure Sphere for secure connectivity



### **Impact to Avnet**

- Higher margins
- Available CY 2019



### The Solution: A wearable technology

- Sophisticated wearable system
- Based on advanced vibration technology
- Syncs to live music for multi-sensory experience
  - A shared experience for the deaf & hearing

### Avnet's Role

- Design, prototyping & manufacturing
- Cloud connectivity & data management

### Impact to Avnet

- Multiple sources of revenue
- Higher margins
- Available late CY2019





# Financial Overview

Tom Liguori  
Chief Financial Officer



# Road to value creation

## Growing higher margin businesses

- Premier Farnell
- Demand creation
- Avnet Integrated
- IoT Solutions

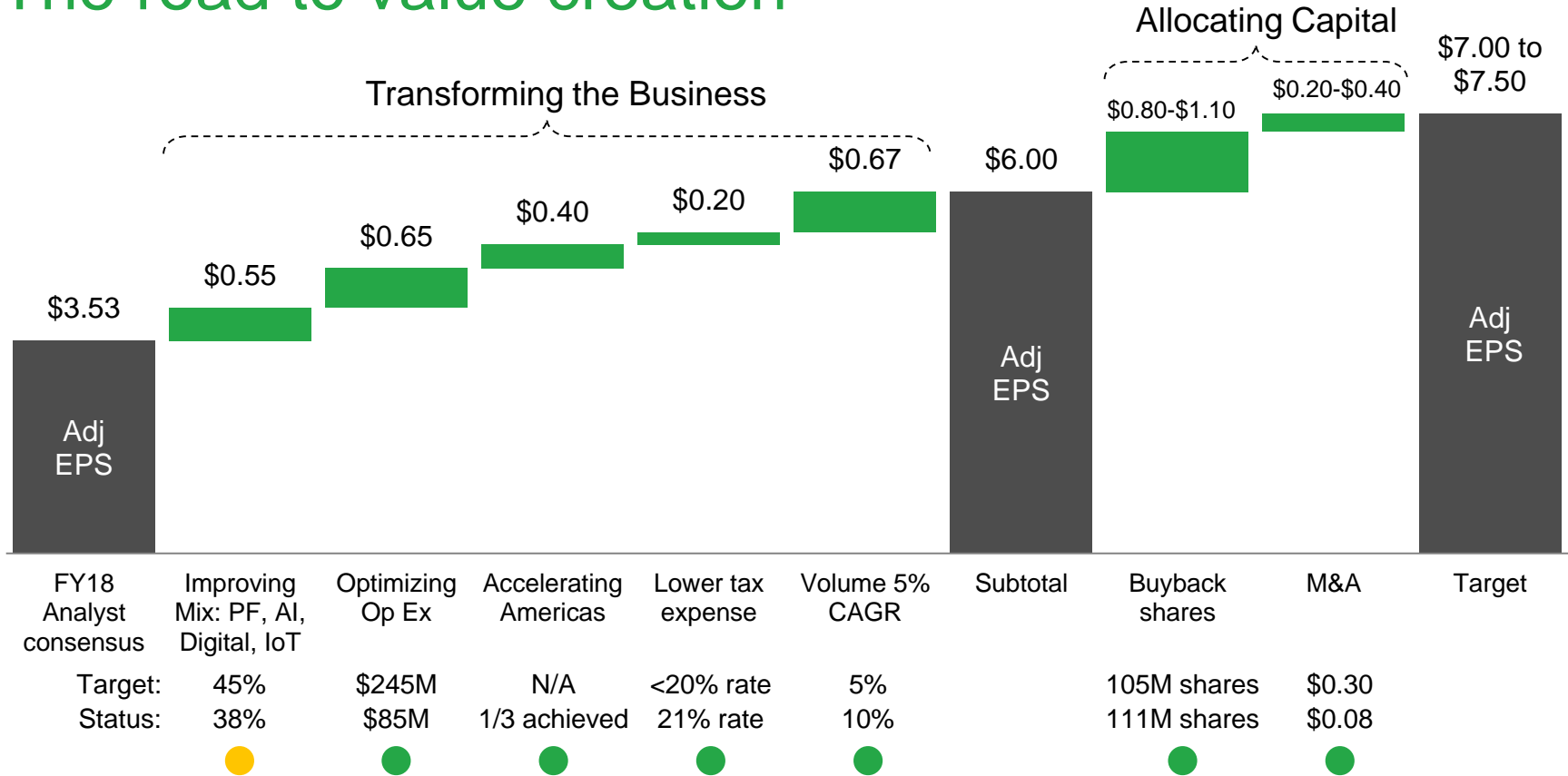
## Optimizing cost & operating income

- Americas margin expansion
- Low-cost geographies
- Back office integration
- Transformation

## Deploying capital to highest returns

- Share repurchases
- M&A
- Working capital reduction

# The road to value creation

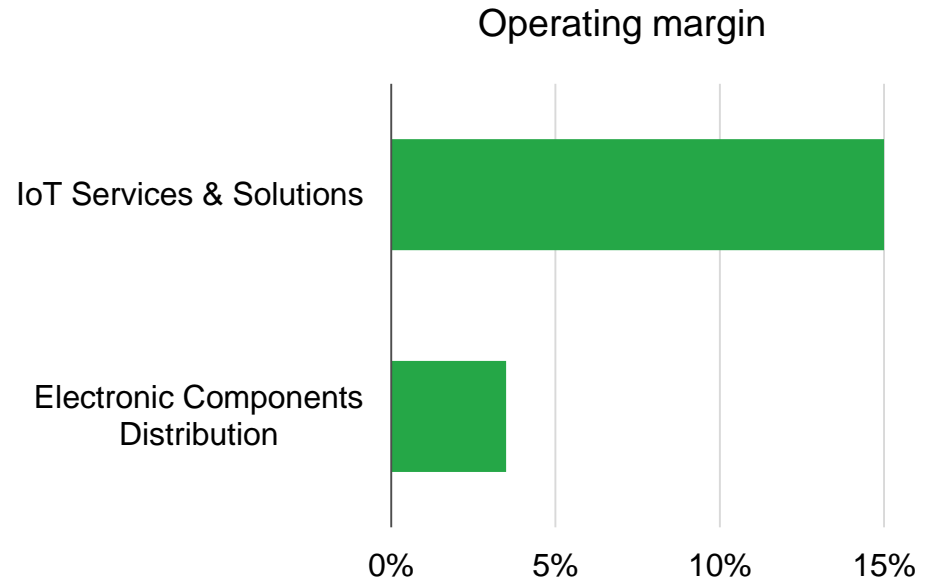


# Building IoT one-stop-shop expands margin potential

Offering	IoT Services & Solutions
Hardware	✓
Software / Apps	✓
Design / IP	✓
Data / Analytics	✓
Cloud	✓
Security	✓

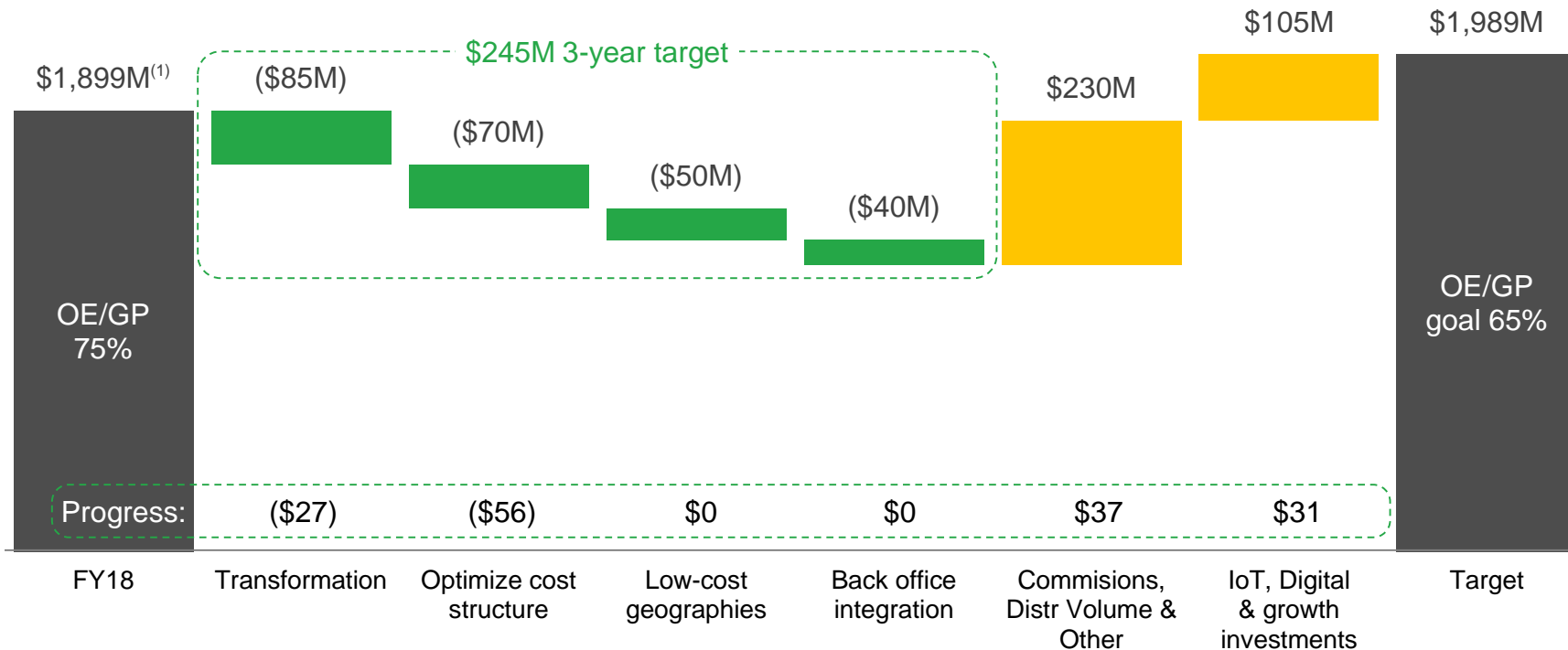
- Multiple & recurring transactions
- Multiple revenue streams
- Margins 15%+

IoT blended operating margins for hardware, software & services > 15%





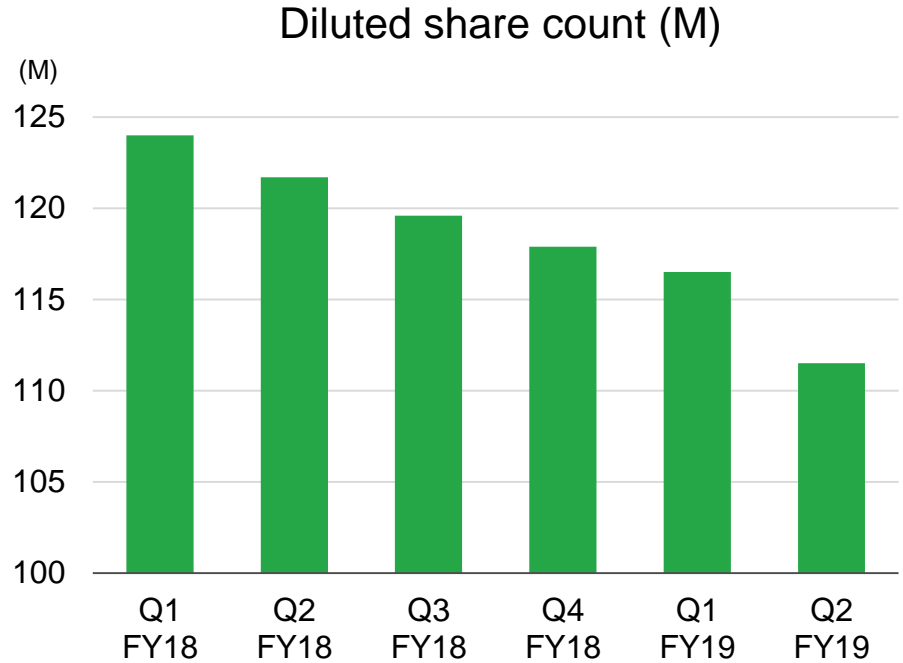
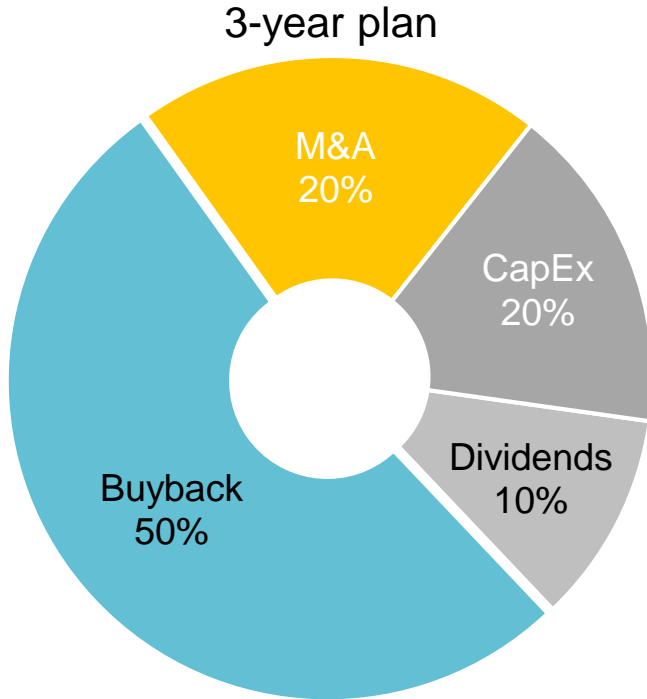
# Op ex status to 3-year plan



Plan is to save \$245M, 1/3 complete

15 (1) Adjusted operating expense. Non-GAAP measure. See Non-GAAP Definitions section in the Appendix of this presentation.

# Capital allocation



Capital allocation is 50% buybacks; steady progress made in reducing share count

## Q2 FY19 Financial highlights

- \$5.05B** Q2 sales up 13.1% Y/Y in constant currency
- +33%** Increase in adjusted diluted EPS<sup>(1)</sup> Y/Y to \$1.04
- \$12M** Y/Y decline in SG&A
- 10M** Reduction in diluted share count Y/Y (8.5% of total)
- \$0.20** Quarterly dividend payment, up 11% from prior year quarter
- \$197M** Cash returned to shareholders

Results highlight progress in growth, cost and capital allocation initiatives

# Outlook for Q3 FY19

Metric	Guidance Range	Midpoint
Sales	\$4.5B - \$4.9B	\$4.7B
Adjusted Diluted EPS <sup>(1)</sup>	\$1.03 - \$1.13	\$1.08
Estimated Tax Rate	19% - 23%	21%

At midpoint, guidance represents:

- 2% revenue decline in sales Y/Y
- 6% adjusted diluted EPS<sup>(1)</sup> growth Y/Y

Q3 guidance, even with soft Asia, grows EPS to \$1.08  
Margin expansion, cost control and capital allocation all contributing

# Key takeaway:

## Transformation of our business is yielding results

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- 1 Solid performance in Electronic Components business; Q2 growth exceeds peers
  - 2 Premier Farnell revenue and margin expansion progressing; path to 15% op income
  - 3 Cost and capital allocation contributing significantly to EPS growth
  - 4 Ecosystem opportunities increasing w/global design wins, non traditional customers, IoT
  - 5 Softweb further accelerates our IoT capabilities and margin expansion opportunity
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# Thank you

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





# Appendix

# Financial scorecard: Q2 FY19 progress report

(\$M)	Target	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Q2 '19	Progress
<b>Growing higher margin business</b>							
% of AVT revenue from higher margin business	45%	43.4%	42.0%	40.7%	38.5%	38.1%	<span style="color: orange;">●</span>
<b>Optimizing cost and operating income</b>							
Adjusted op expense as % of sales <sup>(1)</sup>		10.2%	10.1%	9.5%	8.9%	8.9%	<span style="color: green;">●</span>
Adjusted op expense as % of GP\$ <sup>(1)</sup>	65%	76.7%	73.9%	72.7%	71.3%	71.6%	<span style="color: green;">●</span>
Adjusted op income % <sup>(1)</sup>	4.5% - 5.0%	3.10%	3.56%	3.56%	3.59%	3.54%	<span style="color: green;">●</span>
Adjusted op income <sup>(1)</sup>		\$140	\$171	\$180	\$182	\$179	<span style="color: green;">●</span>
<b>Deploying capital to highest returns</b>							
Net working capital days	< 70 days	94	90	84	83	86	<span style="color: orange;">●</span>
Share repurchase \$M		67.4	70.0	117.5	156.9	175.1	<span style="color: green;">●</span>
# dilutive shares		121.7	119.6	117.9	116.5	111.5	<span style="color: green;">●</span>

# Non-GAAP Definitions

In addition to disclosing financial results that are determined in accordance with generally accepted accounting principles in the United States (“GAAP”), the Company also discloses certain non-GAAP financial information including (i) adjusted operating income, (ii) adjusted operating expenses, (iii) adjusted other income (expense), (iv) adjusted income tax expense, (v) adjusted income from continuing operations, and (vi) adjusted diluted earnings per share. See additional discussion, definitions and reconciliations of Non-GAAP measures included as Exhibit 99.1 to the Current Report on Form 8-K filed with the Securities Exchange Commission on January 24, 2019, which can be found on the Company’s website at [www.ir.avnet.com](http://www.ir.avnet.com).

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

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

Additional non-GAAP metrics management uses are adjusted operating income margin, which is defined as adjusted operating income (as defined above) divided by sales and adjusted operating expense to gross profit ratio, which is defined as adjusted operating expenses (as defined above) divided by gross profit.

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